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Transport and Infrastructure Committee
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To the Transport and Infrastructure Committee

Submission on the inquiry into congestion pricing in Auckland

Introduction

The New Zealand Infrastructure Commission, Te Waihanga welcomes the opportunity to submit to the Transport and Infrastructure Committee's inquiry into congestion pricing in Auckland.

Te Waihanga's purpose is to co-ordinate, develop, and promote an approach to infrastructure that improves the well-being of New Zealanders. In fulfilling our purpose, we must consider the long-term trends that impact on, or are impacted by, infrastructure.

Te Waihanga considers that to deliver better transport infrastructure outcomes, it is important that we strive for a planning, delivery, and operational system that:

- meets the needs of users of the land transport system
- ensures that investment is prioritised to address the areas of greatest need,
- considers both supply and demand side measures
- enables and incentivises greater integration with land use and development and between land transport modes
- ensures central and local government have access to best practice planning, funding, financing, and procurement.

We are submitting on the Committee's inquiry into congestion pricing in Auckland as this is an important question for the future sustainability of Auckland's and New Zealand's transport system.

Summary of submission

The key points in our submission are:

- Congestion is a serious problem in Auckland, limiting access to economic, educational, and social opportunities and imposing significant costs on road users
- Historically, transport agencies have attempted to relieve peak-period traffic congestion by building more road capacity, but this strategy has not been successful
- The situation in Auckland is one of steadily worsening congestion which is projected to continue, as significant investment in additional roading capacity and alternative modes cannot keep pace with increasing demand to travel.[1] We cannot simply build our way out of congestion
- Ultimately, only a balanced approach based on a combination of supply and demand side measures will lead to an affordable and sustainable solution.[2] The most effective demand side intervention is congestion pricing
- Te Waihanga is therefore strongly supportive of the use of pricing for demand management purposes in Auckland
- Te Waihanga also strongly supports considering the application of pricing for demand management in other locations around the country where investment in roading capacity cannot keep pace with demand
- Te Waihanga notes that the longer it takes to implement an effective congestion pricing scheme in Auckland then the longer people and business will have to bear the social and economic costs of congestion
- Te Waihanga therefore supports a Stage 1 (City Centre scheme) being operational in conjunction with the opening of the City Rail Link in October 2024, followed by phased implementation of congestion pricing on other parts of the Auckland network.
- Given the timeframe for implementation is very tight, the first priority should be to confirm a realistic programme to guide implementation, including a resource plan.

[1] Auckland Transport Alignment Project, 2016. The Congestion Question, 2020, Main Findings, p3.
[2] Although highway construction and conventional bus-based public transport does not relieve congestion, comprehensively tolling highways alleviates induced traffic effects, while extending rail and subway systems can reduce traffic. Garcia-López, M.À., Pasidis, I. and Viladecans-Marsal, E., 2020. Congestion in highways when tolls and railroads matter: evidence from European cities. Gonzalez-Navarro, M. and Turner, M.A., 2018. Subways and urban growth: Evidence from earth. Journal of Urban Economics, 108, pp.85-106.

Main Submission

Congestion is a significant problem

Te Waihanga would like to re-emphasise the findings of The Congestion Question (TCQ), that traffic congestion is a significant problem for Auckland:

> *"Traffic congestion limits access to economic, educational and social opportunities. Direct costs of traffic congestion to individuals are increased fuel and maintenance costs, loss of time due to longer journeys and inconvenience from the need to change travel times to avoid delays or allow extra time for trips in peak periods.*
>
> *Traffic congestion is having a substantial impact on the Auckland economy. A recent study by NZIER[9] estimates the benefits of decongestion in Auckland would be between $0.9 billion and $1.3 billion per annum (approximately 1% to 1.5% of Auckland's GDP, based on 2016 prices). These estimates represent the economic and social benefits to Auckland if the road transport network was operating within its capacity, Monday to Friday."* [3] [4]

Te Waihanga supports these findings and is strongly of the view that excessive traffic congestion is a significant social and economic problem.

Need for a balanced approach to relieve congestion based on supply and demand side measures

Historically, transport agencies have attempted to relieve peak-period traffic congestion by building more road capacity. This strategy of 'predict and provide' has not been successful, because increasing road capacity encourages people to drive more.[5]

Road users pay for road use with time, rather than money. By choosing to travel in congested conditions the result is often more time spent on a given journey. Where additional road capacity is provided this reduces the cost of travel and induces further demand, which then leads to rising congestion, eroding the benefit of the investment.

The paradox is that the supply side solution (more capacity) exacerbates the demand side problem (too much demand). International research demonstrates that there is a one-to-one relationship between road capacity increases and increases in traffic volumes (see Box 1).[6] This is sometimes described as the 'fundamental law of road congestion'.[7]

Box 1: Excerpt from "The Fundamental Law of Road Congestion: Evidence from US Cities" (Duranton and Turner, 2011)

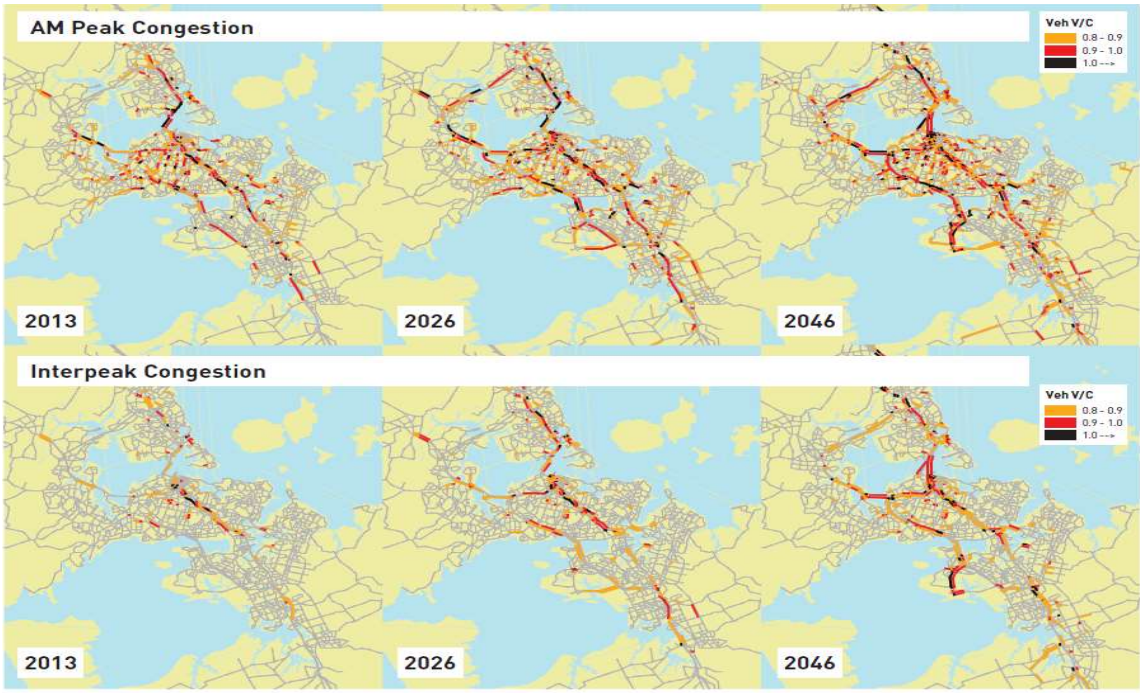
"For interstate highways in metropolitan areas we find that VKT increases one for one with interstate highways… both road capacity expansions and extensions to public transit are not appropriate policies with which to combat traffic congestion. This leaves congestion pricing as the main candidate tool to curb traffic congestion."

The situation in Auckland is no different, with steadily worsening congestion projected to continue, as significant investment in additional roading capacity and alternative modes

[3] The Congestion Question, 2020, Main Findings, p9.
[4] NZIER, 2017, Benefits from Auckland road decongestion (2017).
[5] There are many sources of 'induced traffic', including increases in freight and business trips, people shifting mode from public transport or walking, changing to further-away destinations, making new trips that they otherwise would not have made, or moving to new home locations. A large share of induced trips is likely to be 'non-economic' trips, as Household Travel Survey data suggests that commuting and employer business trips are likely to account for only half of the total distance travelled by households during the AM peak and one in five kilometers travelled per day. Freight typically accounts for 5-10% of traffic volumes on urban roads. https://www.transport.govt.nz/statistics-and-insights/household-travel/sheet/why#element-254
[6] Goodwin, 1996; Duranton and Turner, 2011; WSP / RAND Europe, 2018; Garcia-Lopez et al, 2020.
[7] Downs, A., 2005. *Still stuck in traffic: coping with peak-hour traffic congestion*. Brookings Institution Press.

cannot keep pace with increasing demand to travel.[8] In this context, a 'predict and provide' strategy will lead to greater levels of congestion.

Figure 1: Congestion in Auckland



The evidence indicates that across Australasian cities, Auckland has the second highest level of congestion, behind Sydney.[9] A 30-minute peak hour trip in Auckland will take between 20 and 23 minutes longer than the same trip when the network is free-flowing. Like many other cities Auckland is trapped in a vicious circle, where more investment in roading simply exacerbates the problem the investment is intended to solve.

We note the findings of TCQ with regards to the situation in Auckland:

> *"Faced with a rapidly rising population and increasing vehicle numbers, and underpinned by economic growth, the performance of the Auckland road network continues to deteriorate. Although future investment is expected to make a critical contribution, without some form of congestion pricing, overall network performance is forecast to deteriorate further. The result is that Aucklanders' access to jobs, education and other opportunities will become more frustrating and the benefits associated with growth will be constrained."*[10]

However, the removal of just a small proportion of vehicles at peak times can generate significant reductions in congestion, an effect witnessed during school holidays for example.[11] The evidence clearly demonstrates that congestion pricing will be effective at reducing traffic levels and relieving congestion. For example:

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[8] Auckland Transport Alignment Project, 2016. The Congestion Question, 2020, Main Findings, p3.
[9] TomTom traffic data. https://www.tomtom.com/en_gb/traffic-index. A 31% congestion level in Auckland means a congested 30-minute trip will take 31% more time than it would during baseline uncongested conditions. The baseline is derived from the free-flow travel time.
[10] The Congestion Question, 2020, Main Findings, p8.
[11] It is often assumed that this is just related to school traffic, so staggering school hours would be an effective action to reduce congestion. This overlooks the fact that many working parents take leave during school holidays, which contributes to the observed reduction in commuter traffic.

- Following the introduction of the London Congestion Charging Scheme in 2003, with a £5 charge to drive within the central London charging zone, traffic levels within the charging zone fell by 16 per cent, speeds for car travel increased by over 20 per cent congestion decreased by 30 per cent and bus travel also became more reliable. As a result, it was estimated that the net economic benefit of the Scheme for the first year alone was around £50 million.
- TCQ finds that comprehensive congestion pricing would improve the performance of Auckland's road network by 8-12%, significantly improving average travel times. Previous analysis undertaken for the Auckland Transport Alignment Project (ATAP) demonstrated that this intervention would have the largest positive impact on traffic performance.
- A large body of economic research stretching back over fifty years supports this assessment and signals some of the significant benefits which could be realised by using congestion pricing, as summarised by Newberry (1990):
    - *"[A]s road space is a valuable and scarce resource, it is natural that economists should argue that it should be rationed by price…If road users paid the true social cost of transport, perhaps urban geography, commuting patterns, and even the sizes of towns would be radically different from the present."*[12]

Put simply, we cannot build our way out of congestion. Ultimately, only a combination of supply and demand side measures, will lead to an affordable and sustainable solution. There are a range of measures that can be used for demand management, some of which are being used now in Auckland, including ramp metering, managed lanes and the provision of alternative modes of travel. But as the research undertaken by TCQ demonstrates, within a package based approach, pricing will be the single most effective tool for demand management.[13]

Te Waihanga is strongly supportive of the use of pricing for demand management purposes in Auckland.

Te Waihanga is also strongly supportive of considering the application of pricing for demand management in other locations where investment in roading capacity cannot keep pace with demand.

Network utility pricing and roading

Te Waihanga agrees with TCQ's observation that a "lack of public acceptance is the single biggest factor that has halted development of urban congestion pricing schemes internationally."[14]

We also note TCQ's important observation that "successful schemes have achieved synergy between policy, design and communications with the public.[15] To assist in this, we believe it is important to frame this debate within the wider context of pricing network utilities and the current approach to user charging for roads.

Almost all network utilities involve some form of pricing or user charging. Network utility pricing is a complex and highly regulated area, but at its most simple the desired outcome is

[12] Newberry, D.M. 1990, Pricing and Congestion: Economic Principles Relevant to Road Pricing, Oxford Review of Economic Policy. p2.
[13] Although highway construction and conventional bus-based public transport does not relieve congestion, comprehensively tolling highways alleviates induced traffic effects, while extending rail and subway systems can reduce traffic. Garcia-López, M.À., Pasidis, I. and Viladecans-Marsal, E., 2020. Congestion in highways when tolls and railroads matter: evidence from European cities. Gonzalez-Navarro, M. and Turner, M.A., 2018. Subways and urban growth: Evidence from earth. Journal of Urban Economics, 108, pp.85-106.
[14] The Congestion Question, 2020, Main Findings, p25.
[15] The Congestion Question, 2020, Main Findings, p25.

to ensure that users are charged a fair price that is sufficient to recover operating costs, including a reasonable return on capital invested.[16]

A common starting point for network utility pricing is a two-part tariff that includes a fixed charge to cover the utility's fixed costs and a variable charge related to the variable costs to provide services. The fixed (or access) charge enables a user to access or connect to the network, while the variable (or volumetric) charge is related to actual usage of the network, such as the amount of water consumed or phone minutes used.[17]

Two-part tariffs can be extended to include pricing of externalities generated by use of infrastructure networks. Some utilities, such as electricity, set variable charges that reflect the fact that the load on the network varies by location and time of day, leading to congestion of transmission facilities.[18] This is known as 'coincident peak demand charging'. Coincident peak demand charging is an extremely effective way of managing peak load as it requires users to 'internalise' negative externalities arising during peak periods.

New Zealand currently operates a user charging system for roading that consists of fixed charges (such as the vehicle licence fee and WOF costs) combined with a variable charge that varies between different vehicle types and increases with the total distance travelled on the network (i.e. Fuel Excise Duty for petrol cars and Road Users Charges (RUC) for diesel and freight vehicles). These charges do not vary by location or time of network use.

The gap in this user charging approach, which TCQ addresses, is that it does not account for negative congestion externalities that drivers impose on other road users when they try to join the network at congested time periods and locations. Congestion pricing acts as a coincident peak demand charge that will supplement existing fixed and variable charges, rather than replacing them. It will (at least partially) internalise the negative external costs which road users currently impose on others.[19]

Lastly, it is important to ensure that congestion pricing is complementary to other related initiatives, such as the introduction of new charging mechanism for electric vehicles and alternative fuel vehicles.

Te Waihanga would therefore fully support the use of pricing to manage demand for road use in situations (geographical and time of day) where congestion is present.

Preferred Options

The TCQ economic assessment shows that the social, economic, and environmental benefits of congestion pricing are greater than the costs. All options except the regional network charge have a benefit-cost ratio (BCR) of greater than one. The two preferred options had benefit-cost ratios of 1.7 (City Centre Cordon) and 1.8 (Strategic Corridors). Implementing these options in combination results in an increased BCR of 1.9, indicating that they complement each other.

However, Te Waihanga notes that in the previous ATAP assessment, the Motorway Charges option, which has some obvious similarities to the Strategic Corridors option, was found "to have significant negative effects on local roads, arising as a consequence of trips diverting from the motorway network to avoid being charged."[20] The TCQ Technical Report

[16] Wolak, F.A., 2008, '*Public Utility Pricing and Finance*', New Palgrave Dictionary of Economics 2nd Edition, p2.
[17] Wolak, 2006, Ibid. p3.
[18] Hau, D,H. (1992), "Economic Fundamentals of Road Pricing - A Diagrammatic Analysis" World Bank Research Paper, p28.
[19] Negative externalities arising from road use include climate change impacts of fuel consumption (priced through the Emissions Trading Scheme), road crash externalities (partly covered through an ACC levy on vehicle license fees), and, in urban areas, local air pollution and congestion delays imposed on other drivers. Positive externalities can also arise from road use, particularly in urban areas, most notably the productivity impacts arising from the process of agglomeration. Price setting to account for externalities should be informed by an understanding of all significant externalities associated with the consumption of the utility's services. In the case of road pricing, this can be done by setting congestion charges at the level that maximises throughput of the road network.
[20] ATAP, 2016, Demand Management Pricing Report – Evaluation of three representative options. p12.

also notes that the Strategic Corridors option "may encourage some diversion onto the suburban road network. However, many arterial links have limited alternatives."[21]

It will be important to fully understand these effects during the scheme design phase and ensure adequate mitigation of these impacts by minimising diversion effects. An important aspect of scheme design will be the optimisation of the charging locations within the strategic corridors to ensure that for as many trips as possible, the alternative routes to the main congested corridor are also priced.

We also note that the isthmus area charge delivers the highest BCR (2.2) but that this option has been ruled out for equity impact reasons. Given the presence of significant congestion in areas across the isthmus, such as the Penrose-Mt Wellington-Onehunga industrial areas, there might be a case for investigating further options for area charges in locations such as this. This point needs to be taken into consideration when staged implementation is being addressed (see below).

Te Waihanga supports the preferred congestion pricing options of City Centre Cordon and Strategic Corridors.

Te Waihanga notes that scheme design will be important to mitigate the potential negative effects arising from trips diverting from the Strategic Corridors to avoid being charged.

Staging of the Preferred Options

Te Waihanga is supportive of a phased approach to implementing a congestion pricing scheme, starting with the City Centre Cordon. We agree with TCQ that the City Centre Cordon "presents a potential low-risk starting point for introducing congestion pricing" and is a therefore a sensible strategy to ensure progress.[22]

We agree with TCQ that a phased approach will reduce technical risks, allow for the provision of viable transport alternatives and is reflective of the approach used in other successful schemes.

A pilot scheme for the City Centre would be useful to assist with fine tuning key parameters, such as the tariff policy, based on real world experience and data. For this fine tuning to be successful it will be important to ensure that there are clear and specific outcomes being sought through the pricing scheme, such as vehicle flow and/or speed on defined links.

Te Waihanga does not, however, support the concept of introducing demonstration or pilot schemes to simply to demonstrate the effectiveness of congestion pricing.

It is noted that the 3-phase staging approach outlined in the report is only indicative and does not appear to be based on any detailed options analysis.

To identify the optimal staged approach across strategic corridors, it will be important to agree clear principles, including alignment with new (public) transport infrastructure and congestion levels.

This suggests that there would be merit in ensuring that the Regional Land Transport Plan prioritises investment in alternative transport modes within the most congested corridors, to ensure the conditions for implementing congestion pricing in these corridors were being met at the earliest opportunity.

Te Waihanga supports a phased approach to implementing a congestion pricing scheme, starting with the City Centre Cordon.

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[21] The Congestion Question, 2020, Technical Report, p76.

[22] The Congestion Question, 2020, Tariff Policy. p1.

Te Waihanga recommends prioritising Regional Land Transport Plan investment in alternative transport modes within the most congested corridors to support the introduction of congestion pricing in these corridors at the earliest opportunity.

Implementation Plan

The implementation plan requires some significant thought as to how this can be achieved in the ideal timeframe. The Main Findings paper sets out the following potential staged implementation plan:

> *"The first phase, a charging scheme around the central city area, could coincide with the CRL opening, Northern Busway extension and station upgrades, and Auckland Manukau Eastern Transport Initiative (AMETI) Eastern Busway. Depending on the geographic coverage of this phase, a minimum of two years for implementation is likely to be required."*[23]

The CRL is planned to open in October 2024. This would be an ideal time to commence operation of the City Centre Cordon, allowing 3 years and 5 months (at the time of lodging this submission) to the commencement of scheme operation.

However, the various TCQ documents detail the following steps which will form the implementation process:[24]

- Opportunity for the public to respond to the provisional scheme design
- Decision on whether to introduce congestion pricing in Auckland to be made by the Mayor and ministers
- Legislative process - amend Land Transport Management Act 2003 (LTMA) or introduce new enabling legislation (legislative process would take approximately 12–18 months once policy decisions have been made)
- Decisions required around the ownership and operating model
- Detailed scheme design (it is acknowledged that detailed implementation planning for congestion pricing may raise additional constraints or options)
- Decisions required on the preferred procurement model once the final scheme design is developed
- Scheme implementation, which includes procurement and delivery of an automatic number plate recognition (ANPR) vehicle identification and enforcement network, charge processing and customer services centre. We note that consideration has been given to using existing infrastructure to help reduce costs and delivery timeframe
- The City Centre Cordon scheme is considered likely to take a minimum of two years to implement.

Te Waihanga supports the commencement of scheme operation in conjunction with the opening of the City Rail Link (CRL).

Te Waihanga notes that as the timeframe for implementation is very tight. As a priority, a realistic delivery programme needs to be developed to guide implementation, including a credible resource plan.

Te Waihanga notes that the longer it takes to implement an effective congestion pricing scheme in Auckland, the longer people and business will have to bear the social and economic costs of congestion.

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[23] The Congestion Question, 2020, Main Findings, p23.
[24] The Congestion Question, 2020, Main Findings, p25.

Ownership, Control and Accountability

The implementation stages include decisions on the nature of the ownership and operating model. It will be important to address these matters early in the implementation process.

A key issue will be price/tariff setting, including who is responsible for this and on what basis prices are being set. It is vitally important that price-setting is the responsibility of an independent body, guided by transparent and well-understood objectives related to reducing congestion set by those with the appropriate democratic accountability.

The 'Defining Congestion' report is a good starting point for these objectives, as it provides the following definition: "Congestion occurs when the demand for the road exceeds its designed capacity." This corresponds (roughly) to what is referred to as level of service D (LOS D), where vehicles are travelling at less than 50% of the posted speed limit.

Te Waihanga supports this definition of congestion, as it ensures that the throughput of the roading system is maximised, maximising overall social and economic benefits for users.

The tariff policy would be designed and implemented to meet the desired objectives around level of service and traffic throughput. The actual tariff levels could be set by the operator, and the operator's performance against the desired objectives monitored. A good reason for leaving tariff policy discretion with the operator would be that there might be a need to respond reasonably quickly to changes in patterns of demand.

To be successful congestion pricing will require careful scheme design informed by clear policy objectives and an integrated approach to transport strategy.

Te Waihanga recommends an early focus on:

- ***First, confirming the governance and delivery model***
- ***Second, defining and agreeing the specific outcomes/objectives/KPIs being sought to ensure that the scheme design and tariff policy can be aligned with these by the operator.***

Use of Revenue

Te Waihanga does not support the revenue raised being used to reduce other revenue sources, such as the regional targeted transport rate. There is a significant investment programme required to ensure that viable alternative transport modes can be made available to serve congested corridors and to support the introduction of congestion pricing. It would be preferable to prioritise the use of revenue raised to support these investments. When the London Congestion Scheme was introduced the net revenue was mainly used to improve public transport.[25]

If congestion pricing is implemented, it will need to be progressed alongside improvements to public transport networks and walking and cycling facilities because congestion pricing will increase demand for non-car transport modes. Improving these will make it easier for people to change their travel behaviour.

By optimising the use of existing transport networks, congestion pricing may also allow some costly infrastructure projects to be deferred. However, in the long-term investment will still be needed to provide for rising demands for mobility. Different solutions may also be needed to increase transport capacity in different places. For instance, dense employment areas may be most efficiently served by rapid transit infrastructure that can move many people in a space-efficient way, while lower-density areas might be most efficiently served by road infrastructure.

[25] Santos, G. and B. Shaffer (2004), 'Preliminary Results of the London Congestion Charging Scheme', Public Works, Management and Policy, Vol. 9, N°2, pp. 164-181.

In our view, it would be appropriate to use some of the funds raised from congestion pricing to help alleviate equity impacts. To be successful, this approach would require investment criteria to be specifically designed to support this outcome. Assigning funds to projects with the highest BCRs (for example) may not necessarily achieve desired equity outcomes. As part of the next phase of work it will be important to include consideration around how funds raised from congestion pricing could be most effectively applied to help mitigate equity impacts.

Lastly, congestion pricing is a very effective way of signalling (via prices and demand responses) where and when investment in more network capacity is required. Information from the congestion pricing scheme should flow back into investment decisions, which may mean deferring some projects and accelerating others, or allocating the funds raised from the scheme towards capacity upgrades on high-toll corridors.

Te Waihanga does not support the revenue raised being used to reduce other revenue sources, such as the regional targeted transport rate at this time. This revenue would be better used to invest in alternative transport modes for congested corridors and to mitigate equity impacts.

Pricing / Tariff Schedule

At this stage Te Waihanga does not have a specific view on the proposed tariff schedule, except that ultimately, as noted above, this will need to be designed to achieve the desired objectives of the scheme. Any tariff policy should be grounded in the principles of network pricing of: simplicity, stability, equity, and transparency.[26]

Payment Channels

Te Waihanga notes that TCQ considers that "smartphones can provide a user-friendly channel for customer payment and account management." The meaning of user-friendly is important within the context of congestion pricing, noting that the purpose of congestion pricing is to elicit a degree of behavioural change amongst drivers.

A consideration in the development of the payment channels for the London Congestion Scheme was the desire to ensure that the paying driver made a conscious decision to pay. The purpose of congestion pricing is to make clear the choice being made by the driver and the cost of that choice. This is different from a toll scheme which would ideally make payment automatic and invisible to the driver at the point of incurring the charge (e.g. via an electronic tag in the vehicle).

The technology used needs to be robust and able to meet all privacy requirements. The ability to expand the scheme easily in Auckland and potentially to other parts of New Zealand is also important.

Te Waihanga's view is that the payment channels need to be designed to ensure that those paying the congestion charge are fully aware of the choice being made. This will help to encourage behavioural change.

[26] EA Networks, April 2020, Pricing Methodology Electricity Distribution Network, p16.

Equity Impacts

Te Waihanga acknowledges that concerns about adverse impacts on low-income households and other disadvantaged groups are critically important to understand and mitigate. In practice, equity impacts will be likely to present the greatest challenge to implementation.

A significant amount of research and investigation of the equity impacts of road pricing schemes has been undertaken within the many previous Auckland road pricing studies. TCQ undertook a comprehensive assessment of social impacts of congestion pricing and market research into impacts on low-income users who may be unduly affected.

This research has informed the design of the proposed congestion pricing scheme. TCQ proposed a cap on the maximum daily charge combined with supplementary support for vulnerable households via a link to the Community Services Card (and eligibility criteria). In our view this is a straightforward and practical solution.

However, it will be important for the delivery agency to continually monitor the outcomes being experienced by selected community groups and to be able to adjust the extent of mitigation (e.g. payment cap and subsidy) until undesirable impacts are adequately mitigated.

Te Waihanga supports the proposed approach to mitigate equity impacts, combined with other measures such as investment in alternative transport modes.

Lastly, it is important for discussions of equity impacts to consider the following key points.

First, as noted above, the overall social benefits of congestion pricing significantly outweigh the costs. Failing to implement congestion pricing due to concerns about adverse impacts on some individuals or groups would mean foregoing a significant opportunity to improve the performance of urban transport networks. This will lead to ongoing traffic congestion that will not be mitigated by planned transport investments, which will in turn have adverse impacts on low-income households and other disadvantaged groups.

Because congestion pricing generates significant benefits for society, it should be possible to transfer some of these gains to mitigate impacts on low-income or disadvantaged households.

Second, assessments of equity impacts should consider the equity impacts of existing transport funding arrangements and the possibility that additional revenue will need to be raised to build more transport infrastructure in the absence of congestion pricing. A World Bank paper observes that “it is peak users who cause congestion … and without them the optimal size of the road would be much smaller.”[27] If congestion pricing allows some road capacity expansion to be deferred, this will offset the need to raise Fuel Excise Duty, Road User Charges, and local government rates, which may lead to benefits for low-income households.

Third, assessments of equity impacts should consider the role of other policies, such as taxes, benefits, and broader public services and investments. While congestion pricing might appear to have negative equity impacts in isolation, these impacts might be offset or mitigated by existing or new policies in other areas. Policymakers should consider mitigation opportunities outside of the transport system if they are likely to be better targeted.

[27] Hau, D,H. (1992), "Economic Fundamentals of Road Pricing - A Diagrammatic Analysis” World Bank Research Paper, p33.

Conclusion

In conclusion, congestion is a serious problem in Auckland limiting access to economic, educational and social opportunities and imposing significant costs on road users.

The 'predict and provide' model of building more peak road capacity has not been successful in addressing traffic congestion. The situation in Auckland is one of steadily worsening congestion which is projected to continue despite the significant investment in additional roading capacity and alternative transport modes. We cannot simply build our way out of congestion.

Only a balanced approach based on a combination of supply and demand side measures will lead to an affordable and sustainable solution. The most effective demand side intervention is congestion pricing.

Te Waihanga is therefore strongly supportive of the use of pricing for demand management purposes in Auckland. Te Waihanga is also strongly supportive of considering the application of pricing for demand management in other locations around the country where investment in roading capacity cannot keep pace with demand.

Te Waihanga support a Stage 1 (City Centre scheme) being operational in conjunction with the opening of the CRL in October 2024. Given the timeframe for implementation is very tight, the first priority is to confirm a realistic programme to guide implementation, including a resource plan.

Te Waihanga notes that the longer it takes to implement an effective congestion pricing scheme in Auckland then the longer people and business will have to bear the social and economic costs of congestion.

Thank you for the opportunity to make our submission

Yours sincerely

Ross Copland
Chief Executive