

National Road Carriers Association (NRC) submission on:

Land Transport Revenue Amendment Bill Part 1 Amendments relating to road tolling schemes



About National Road Carriers Association

National Road Carriers Association (NRC) is New Zealand's progressive nationwide organisation representing 1500 supply chain company members, who collectively operate over 16,000 trucks throughout New Zealand. NRC advocates on behalf of members and works with central and local government on road transport infrastructure and regulations.

NRC members are committed to providing an efficient, productive, resilient, safe and value for money service that supports the wider economy. To achieve this, trucking operators need a safe, efficient, and sustainable operating environment that enables the efficient and safe movement of goods. Our members primarily operate road freight however a number also operate air, sea and rail freight services.

Some 54% of NRC's membership comprises single vehicle operators and 89% employ 10 or fewer.

General Comments

National Road Carriers supports modern, well-designed tolling as part of a user-pays approach to funding strategic transport infrastructure. Where tolling delivers safer, more reliable freight corridors and clear productivity gains, it can be a valuable tool alongside road user charges and fuel excise.

Our concern is not with tolling per se, but with how the Bill proposes to exercise pricing and access powers over what are, in effect, essential freight corridors.

NRC takes particular exception to two features of the Bill:

1. The absence of any mandatory upper limit or independent oversight of toll levels, especially where heavy vehicles have no practical alternative route.
2. The proposed power to restrict heavy vehicles from using the untolled "alternative route", effectively converting many freight movements into compulsory tolled trips.

We propose targeted changes that would retain the core intent of the Bill – modernising tolling and enabling private capital – while embedding fair protections for freight users and aligning with international good practice.

Background: tolling powers in the Bill

The Bill consolidates and updates the Land Transport Management Act tolling framework. The key built-in controls on toll-setting are:

- **Structural requirements**
 - Every tolling order must specify base toll amounts and empower the toll operator to set tolls.
 - A tolling order may include a maximum cap on tolls, or a method for calculating a maximum cap – but this is optional, not mandatory.
- **Indexation floor**
 - Tolling orders must require toll operators to ensure that, by each adjustment date, tolls are **no less than** the base toll amount adjusted for cumulative Consumer Price Index (CPI) inflation.
 - Operators may round changes up to the nearest ten cents and may, but are not required to, reduce tolls if CPI falls.
- **Ministerial tests for base tolls**

When recommending a tolling order (including base toll amounts), the Minister must consider:

 - the maximum potential revenue likely to be gained from the scheme
 - the benefits to road users, including time savings, safety, and reliability
 - the effects of the proposed toll on the wider road network.
- **Process and transparency**
 - Instruments by which the toll operator sets tolls are secondary legislation.
 - They must be published and cannot come into force earlier than 28 days after publication.
- **Private-sector cost-recovery rule (optional cap)**
 - Where a private operator advances funds, it may set tolls to recover the amount advanced plus a commercial return, subject only to any maximum limit that the tolling order chooses to include.

What is **not** built in is:

- a mandatory requirement to include upper caps on toll levels; or
- any form of independent economic regulation or ongoing oversight of toll pricing.

In practice, any hard upper limit on tolls exists only if the Minister decides to include one in a specific tolling order. The primary legislation itself does not require it.

The case for upper limits and oversight

International experience

Most mature tolling jurisdictions do not rely solely on “trust the operator” for pricing on essential routes.

- In the **United Kingdom** and **Canada**, unconstrained private tolling models (for example, the M6 Toll and Highway 407 ETR) have become cautionary examples: high tolls, limited accountability, avoidance by heavy vehicles where alternatives exist, and long-term public resentment.
- In **Australia**, experience with long-term concessions and concentrated ownership has led governments to move towards:
 - tight, formula-based escalation caps written into concession deeds (for example, tolls increasing by CPI or CPI+X within defined bounds); and
 - stronger independent oversight (for example, IPART in New South Wales) and network-level protections such as weekly toll caps or rebates for users.

Across these systems, upper limits are typically embedded through one or more of:

- A **fixed escalation formula** in the concession agreement (for example, CPI or CPI+X, with no ability to exceed the formula without government agreement).
- **Statutory or contractual revenue targets** and time-limited concessions (for example, bridge or tunnel concessions where tolls can be reduced or removed once revenue targets are met).
- **Independent regulators** with powers to monitor, investigate and, in some cases, recommend or determine toll settings.
- **Network-level caps or rebates** to address cost-of-living and equity concerns (for example, weekly toll caps).

Very few jurisdictions allow what the New Zealand Bill currently contemplates for freight-critical routes: CPI-indexed floors, optional maxima, and the ability to compel heavy vehicles onto tolled routes without any statutory requirement for toll caps or independent economic oversight.

Where similar arrangements have existed overseas, the long-term verdict has generally been that they over-privilege investor revenue at the expense of supply chain efficiency and freight users.

Why this matters for New Zealand freight

Heavy vehicles:

- already pay substantial road user charges relative to light vehicles;
- are essential to the movement of exports, imports and domestic goods;

- often have no realistic alternative to using a given corridor (ports, distribution hubs, primary production and construction routes).

For many freight movements, “not using the road” is not an option. This creates a high risk of **monopoly pricing** if:

- heavy vehicles are practically compelled to use a tolled route; and
- there is no mandatory cap or independent oversight of toll levels.

A principled tolling framework consistent with international practice should therefore embed **explicit upper-limit mechanisms** – formulas, caps, or regulatory oversight – especially where freight has no realistic alternative route.

Without such a principle-based framework, combining private toll operators or ministers with an unchecked ability to increase tolls, and the ability to mandate trucks to use the roads without any pricing cap is a recipe to drive substantial cost of living increases for the New Zealand public who will ultimately pay for it.

Problem 1: lack of effective upper limits on tolls

As drafted, the Bill:

- requires tolls to at least keep pace with CPI;
- enables recovery of capital plus a commercial return for private operators;
- allows, but does not require, tolling orders to specify maximum toll limits;
- does not provide any independent economic oversight of toll levels over time; and
- does not require explicit consideration of affordability for road-freight users on freight-critical routes.

This framework creates the risk that:

- tolling becomes a mechanism for extracting unconstrained revenue from freight users who have no viable alternative route; and
- freight-dependent businesses and communities face higher and more volatile transport costs, undermining competitiveness and regional development.

From an NRC perspective, the principle is straightforward:

- **Tolling should not become a mechanism for extracting unconstrained revenue from freight operators who have no viable alternative route.**
- Heavy vehicles should have confidence that toll levels will be fair, predictable over the life of the asset, and subject to meaningful public-interest constraints.

NRC proposal to fix the problem

Principle 1: freight pricing must be fair, predictable, and contestable

We ask that the Bill be amended to:

1. Require explicit maximum toll levels or formulas

- Tolling orders should be required to set explicit maximum toll levels or escalation formulas for each vehicle class, including heavy vehicles.
- These caps could be expressed as CPI or CPI+X, or equivalent, but should provide clear, binding ceilings.

2. Add freight-specific affordability and competition tests

When making a tolling order, the Minister should be required to consider:

- the cumulative cost impact of tolls and road user charges on freight users; and
- the risk of monopoly pricing on freight-critical corridors (for example, access to ports, major freight hubs, and key primary production routes).

3. Provide for periodic, transparent review

- The legislation should require periodic review of toll levels and their impacts on freight and supply chains, with input from industry (for example, every five years).
- The review could be carried out by an independent body or the Ministry, but should be transparent and publicly reported.

These changes would still allow tolling to recover appropriate costs and support private investment, while giving freight users confidence that the system cannot be used to impose unbounded charges.

Problem 2: power to restrict heavy vehicles from alternative routes

The Bill also introduces a new power under which:

- the Minister may, by notice, designate an “alternative route” associated with a tolled road; and
- specified classes of heavy vehicle may be **prohibited from using that alternative route**, other than for limited local access (for example, pick-up and delivery or returning to base).

The original logic of tolling in New Zealand has been that a “feasible, untolled alternative route” remains available, so that tolling is a genuine choice: users pay more to receive a better level of service.

The new power to prohibit heavy vehicles from the alternative route effectively converts many freight journeys into **compulsory tolled trips**.

NRC proposal to fix the problem

Principle 2: real route choice and network resilience for heavy vehicles

We ask that the Bill be amended to:

- 1. Remove, 46D Road tolling order may authorise Minister to restrict use of alternative route and section 54 (1)**

Reasons:

- The clause restricts the heavy vehicles to Toll Roads only, removing their ability to choose a route based on its performance.
- The bill does not contemplate how drivers will be able to leave a Toll route to refuel, take a rest break or in the case of a bus visit a location other than to set down or pick up passengers.
- Incentives are lowered for toll road operators to provide genuine productivity or safety improvements for heavy vehicles that have no choice but to use the road.
- Mandated use of toll roads will drive an expectation among nearby communities that trucks will be removed from their roads, creating a social licence issue for drivers that are allowed to be there, and raising the risk of encouraging further truck bans
- Toll road operators will be placed in a position where they have captured road freight users who are compelled to use the road, combined with an unchecked

ability to drive up toll charges (similar to the recent major port access charge increases where transport operators are a captive customer)

- It is too soon to mandate we do not have resilient network with alternatives for many.
- If the Toll Road is built to a higher standard that provides increased mass etc then it will attract traffic without the need to obligate use.
- Rural contractors, trades vehicles, horse floats etc will all be captured.
- Compliance and enforcement will detract from a positive Toll Road experience
- The framework fails to allow for the resilience role of alternative routes and ensure that heavy vehicles retain access in emergencies and for critical freight operations.

Constructive path forward

With the following adjustments to the bill:

- Require explicit maximum toll levels or formulas
- Add freight-specific affordability and competition tests
- Provide for periodic, transparent review
- Remove, 46D Road tolling order may authorise Minister to restrict use of alternative route and section 54 (1)

NRC would be able to support the Bill's intent to expand and modernise tolling and attract private capital into the transport system.

We are not opposed to tolling. We are opposed to tolling frameworks that:

- allow unconstrained pricing on essential freight corridors; and
- remove genuine route choice for heavy vehicles without commensurate protections.

A principled tolling regime for New Zealand's road-freight sector should rest on four pillars:

1. **Clear and enforceable upper limits on tolls**, especially where heavy vehicles have no practical alternative.
2. **Real route choice for freight**, or correspondingly stronger protections where choice is removed.
3. **Transparency and periodic review** of toll impacts on freight costs and supply chains.
4. **Alignment with the long-term freight network**, including safety, resilience, and productivity outcomes.

NRC would welcome the opportunity to work with Ministers and officials to refine the Bill along these lines so that tolling strengthens, rather than undermines, New Zealand's freight system and economic resilience.

Contact

James Smith
General Manager Policy and Advocacy
National Road Carriers Association
PO Box 12 100
Penrose
Auckland
Phone: 09 953 3853
Email: james.smith@natroad.co.nz