

**Submission
by**

**THE
NEW ZEALAND
INITIATIVE**

to the Transport and Infrastructure Committee

on the

**Land Transport Management (Time-of-Use Charging)
Amendment Bill**

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1. INTRODUCTION AND SUMMARY

- 1.1 This submission on the Land Transport Management (Time-of-Use Charging) Amendment Bill is made by The New Zealand Initiative (the **Initiative**), a Wellington-based think tank supported primarily by major New Zealand businesses. In combination, our members employ more than 150,000 people.
- 1.2 The Initiative undertakes research that contributes to developing sound public policies in New Zealand. We advocate for the creation of a competitive, open and dynamic economy and a free, prosperous, fair and cohesive society.
- 1.3 The Initiative's members span the breadth of the New Zealand economy; an enabling and efficient regulatory regime for transport infrastructure is important for economic growth and prosperity. The views expressed in this submission are those of the authors rather than the New Zealand Initiative's members.
- 1.4 The Initiative has long advocated for congestion pricing in New Zealand's cities as an economically efficient solution to traffic congestion. The Land Transport Management (Time-of-Use Charging) Amendment Bill represents a significant step forward in and we strongly support its progression.
- 1.5 The New Zealand Initiative submits that the Bill should proceed.

2. THE CASE FOR THE BILL

- 2.1 The Government has introduced the Land Transport Management (Time-of-Use Charging) Amendment Bill to establish a legal framework for congestion pricing (time-of-use charging) in New Zealand cities.
- 2.2 The Bill provides for:
 - A framework enabling local councils to propose time-of-use road charging schemes, subject to approval by the Minister of Transport.
 - A backstop measure allowing the New Zealand Transport Agency (NZTA) to propose schemes if local authorities do not.
 - Schemes that aim to improve network productivity and traffic flow, enhancing transport system efficiency.
 - A partnership governance model between local authorities and NZTA.
 - Limited exemptions (only emergency vehicles) to maintain the economic efficiency of the pricing mechanism.
 - Hypothecation of net revenue to transport purposes in the region where it is collected.
 - Oversight mechanisms to ensure schemes are focussed on achievable congestion-reduction objectives and not merely on revenue gathering.
- 2.3 There is a strong historical and theoretical basis for the Bill. Road pricing is not a novel concept but a proven economic approach with roots stretching back to Adam Smith. In 1776 Smith argued that "when the carriages which pass over a highway or a bridge... pay toll in proportion to their weight or their tunnage, they pay for the maintenance of those public works exactly in proportion to the wear and tear which they occasion of them. It seems scarce possible to invent a more equitable way of maintaining such works."¹

¹ Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, March 1776, Book V, Part III

- 2.4 Throughout the 19th and 20th centuries, economists developed and refined the theory of road pricing, advancing understanding of how it can address traffic congestion, reduce externalities, and optimise road usage. This Bill represents the practical application of these economic principles to New Zealand’s transport challenges.
- 2.5 Traffic congestion in New Zealand’s cities imposes substantial economic costs through wasted time, increased fuel consumption, higher vehicle operating costs, and environmental impacts. Congestion occurs because drivers are not confronted with the cost of taking up space on the road during peak times. Instead of paying, drivers queue in traffic. In Auckland, the average commuter spends five days per year stuck in traffic.
- 2.6 The costs of traffic congestion extend beyond inconvenience. Congestion takes a toll on the economy, environment, and quality of life. Businesses lose money when goods and workers are stuck in traffic; greenhouse gas emissions rise as vehicles idle on crowded motorways; and time spent commuting means less time available for productive work and (as importantly), for rest and recreation with family and friends.
- 2.7 Congestion pricing is a solution to this fundamental economic problem. By charging for road use when demand is high, congestion pricing encourages drivers to travel at different times, take alternative routes, use public transport, carpool, or work remotely. The result is more efficient use of existing road infrastructure and reduced travel times for those who most value driving at peak times.
- 2.8 International examples demonstrate the effectiveness of congestion pricing:²
- **Singapore** pioneered road pricing in 1975 and has continuously refined its system. The initial Area Licensing Scheme achieved immediate results: a 13% congestion reduction and 22% speed increase. Singapore has since evolved to a sophisticated Electronic Road Pricing system that maintains optimal speeds of 20-30km/hr on arterial roads and 45-60km/hr on expressways.
 - **Stockholm** introduced congestion charging in 2006, reducing traffic by 22% and cutting travel times by 30-50%. Public support was initially low but grew to over 70% when residents experienced the benefits firsthand.
 - **United States** has successfully implemented express toll lanes in numerous cities. For instance, the I-394 MnPASS Express Lanes in Minneapolis increased vehicle throughput by 48% and person throughput by 25% during peak hours compared to previously underutilised carpool lanes. A discussion on the most recent US development, New York’s Central Business District Tolling Programme is discussed in the box on the following page.

² *Driving Change, how road pricing can improve our roads*, The New Zealand Initiative, July 2024, <https://www.nzinitiative.org.nz/reports-and-media/reports/driving-change-how-road-pricing-can-improve-our-roads/>

New York's Central Business District Tolling Program (CBDTP)

New York City implemented a congestion pricing program on in January 2025, becoming the first city in the United States to adopt such a system. The program applies a US\$ 9 toll to most vehicles entering Manhattan below 60th Street from 5am to 9pm weekdays, aiming to alleviate traffic congestion and generate revenue for public transit improvements. Trucks face higher fees, while reduced rates apply during off-peak times.

The CBDTP is projected to raise approximately US\$15 billion for infrastructure upgrades, including modernising subway signals, expanding the Second Avenue Subway, and adding electric buses. The tolls are collected electronically using transponders and license plate recognition systems.

Historical Context and Legal Challenges

The concept of congestion pricing in New York City has been discussed since the 1970s but faced political and public opposition for decades. Renewed interest emerged in recent years due to worsening traffic congestion and transit reliability issues. The state legislature approved the framework in 2019, but implementation was delayed by logistical challenges and the COVID-19 pandemic.

Despite its launch, the program faces legal challenges. The Trump administration is seeking to rescind federal approval of the tolls, arguing they impose financial burdens on working-class individuals and small businesses. The Metropolitan Transportation Authority (MTA) filed a lawsuit to contest this decision. A court agreement has allowed the tolling system to remain operational while proceedings continue, with filings expected through October 2025.

Benefits and Early Outcomes³

Early data (for the scheme's first few months) suggests promising results in reducing congestion.

Travel Times

Average travel times per 10 kilometres decreased from 33 minutes 53 seconds (2024) to 30 minutes 48 seconds (2025), with speeds rising from 17.6 km/h to 19.4 km/h. Crossings into Manhattan saw dramatic reductions:

- Hudson River crossings: 30–40% faster travel times via George Washington Bridge, Lincoln Tunnel, and Holland Tunnel.
- East River crossings: 10–30% faster from Brooklyn and 15–30% from Queens.
- Peak hours: Evening congestion dropped from 43.2% to 30.3%, saving nearly 5 minutes per 10 km.

Road Safety

Early data (from first 12 days) indicated fewer crashes and injuries in the CBD:

- Crashes: 55% reduction (199 in 2024 vs 90 in 2025)
- Injuries: 51% fewer (76 in 2024 vs. 37 in 2025).

Improvements outpaced even pandemic-era lows, suggesting congestion pricing results in safer streets.

Transit Use

Congestion pricing also encourages commuters to use alternative transportation modes like New York City's extensive subway system. Faster bus travel times further incentivise public transit use. The program generated US\$100.6 million in toll revenue in its first two months, funding subway and bus upgrades. Early indicators showed economic vitality, with Broadway attendance and retail sales up US\$900 million year-over-year in January 2025.

³ Various sources, including:

- [https://www.tomtom.com/newsroom/explainers-and-insights/the-data-behind-nyc-s-congestion-pricing-success/;](https://www.tomtom.com/newsroom/explainers-and-insights/the-data-behind-nyc-s-congestion-pricing-success/)
- <https://www.nber.org/papers/w33584>
- <https://abcnews.go.com/US/nyc-congestion-pricing-data/story?id=117637856>
- <https://earthjustice.org/case/new-york-citys-congestion-pricing-program>
- <https://news.climate.columbia.edu/2025/02/18/congestion-pricing-benefits-new-york-city/>
- <https://nyc.streetsblog.org/2025/01/23/congestion-relief-zone-is-also-a-crash-relief-zone-data>
- <https://ny1.com/nyc/all-boroughs/transit/2025/01/30/new-congestion-pricing-numbers-show-faster-commutes--less-cars>

- 2.9 These international examples prove that road pricing is an effective and economically efficient way to manage traffic congestion and fund transport infrastructure.
- 2.10 Here in New Zealand, congestion in Auckland alone costs the economy up to \$1.39 billion annually in lost productivity compared to free-flow conditions⁴. Implementing congestion pricing could significantly reduce this economic burden while providing a funding source for transport improvements.
- 2.11 Congestion pricing might also help manage demand for road usage, thereby reducing the need for costly upgrades of the roading network. To illustrate, consider a proposal to add lanes to a road or to build a new tunnel. They should not be needed if only a low charge is required to ease congestion relative to the cost of adding the lanes or tunnel. The money could then be put to a higher value use. But if a high charge is needed to clear congestion, that could signal sufficient demand (and value) to warrant the lanes or tunnel.

3. SPECIFIC COMMENT

Alignment with Economic Efficiency Principles

- 3.1 The Initiative strongly supports the Bill's focus on economic efficiency. The framework is designed to ensure that the primary purpose of time-of-use charging is congestion reduction, not revenue generation. This alignment with core economic efficiency principles is vital for a well-functioning system.
- 3.2 The Bill's requirements that the Minister approve only schemes that demonstrably improve traffic flow and travel times embeds the efficiency goal in the regulatory framework. This ensures that proposals aimed at revenue for revenue's sake, or to simply restrict traffic to discourage driving, would fail the statutory test.
- 3.3 This focus on congestion management rather than revenue generation has been critical to the success of Singapore's road pricing system. As Kian-Keong Chin from Singapore's Land Transport Authority notes, "ERP has always been positioned as a traffic management tool and revenue was and is never a consideration."⁵ This clear focus on outcomes rather than income should be preserved as schemes are implemented in New Zealand.

Limited Exemptions

- 3.4 The Initiative strongly supports the Bill's approach to limiting exemptions to emergency vehicles, with no other exemptions or discounts allowed. In principle, it would be better to have no exemptions at all and simply provide a very minor budget increase for emergency services. But a policy choice to strictly limit exemptions to a very narrow class of transport reflects sound economic principles.
- 3.5 Experience from other cities shows that exemption creep undermines the effectiveness of congestion pricing schemes. For example, London's congestion charge was diluted because nearly half of vehicles received some exemption or discount. Minimising exemptions and discounts maximise congestion reduction.

⁴ Regulatory Impact Statement: Time of Use Charging, May 2024, <https://www.regulation.govt.nz/assets/RIS-Documents/Regulatory-Impact-Statement-Time-of-use-charging.pdf>

⁵ *Driving Change, how road pricing can improve our roads*, The New Zealand Initiative, July 2024, <https://www.nzinitiative.org.nz/reports-and-media/reports/driving-change-how-road-pricing-can-improve-our-roads/>

- 3.6 Exemptions not easily verified through the motor vehicle register would add cost and scope for evasion. The Bill’s simplicity of taking a broad-based approach with minimal exemptions reduces administrative complexity and potential for evasion. This mirrors the success of New Zealand’s GST system, which has remained efficient due to its broad application without carve-outs.

Partnership Governance Model

- 3.7 The partnership approach between local authorities and NZTA is intended to balance local needs with central coordination. This model gives councils ownership of schemes (supporting local buy-in) while providing a central safety net to maintain momentum. It is also necessary to ensure schemes across the country are compatible.
- 3.8 Congestion charging proposals must earn and maintain public acceptance. The involvement of local government is therefore critical for building durable political support. Meanwhile, the NZTA backstop provision is prudent to ensure that congestion relief is not stalled by local politics (as has happened in the UK).⁶ This demonstrates commitment to implementing congestion pricing where it is needed.

Revenue Use

- 3.9 The Initiative supports the hypothecation of net revenue from each congestion charge scheme to transport purposes in the region in which it is collected. Using the revenue for visible local transport improvements would help build and maintain public acceptance.
- 3.10 Alternatively, the Bill could allow scheme net revenue to be used for direct rebates to affected communities, particularly lower-income households. As recommended by the Initiative to this Committee in 2021, a “congestion dividend” approach could further enhance equity and political feasibility.⁷
- 3.11 A congestion dividend would pool revenue and could redistribute it with direct per-capita payments to residents in the charged region or with targeted rebates to lower-income households. People who drive less at peak times would often receive a dividend larger than the amount they have paid in charges. This approach would compensate drivers and address equity concerns in a very direct way, while still preserving the price signal; crucially, the dividend is not tied to individuals’ time of travel. It could significantly enhance public acceptance.

Oversight and Accountability

- 3.12 We support the Bill’s oversight provisions, including the Secretary for Transport’s monitoring role and the Minister’s ability to revoke underperforming schemes. These provisions should ensure schemes remain focused on congestion management rather than revenue generation and provide checks against policy drift over time.
- 3.13 International experience illustrates the importance of strong oversight. Germany’s attempt to implement a nationwide tolling system for trucks in 2005 was plagued by

⁶ In the UK only two cities (London and Durham) have implemented congestion pricing in 24 years as local councils have been highly sensitive to local opposition.

⁷ Submission to the Transport & Infrastructure Committee Inquiry into Congestion Pricing in Auckland, The New Zealand Initiative, May 2021, <https://www.nzinitiative.org.nz/reports-and-media/submissions/submission-inquiry-into-congestion-pricing-in-auckland/>

technical problems, delays, and cost overruns, ultimately costing the government billions in lost revenue. New Zealand’s oversight provisions need to guard against similar pitfalls.

Technical Design Flexibility

- 3.14 We support the Bill’s flexibility in allowing each scheme to specify its charged area, operating hours, and charge schedule based on local conditions. This tailored approach recognises that congestion patterns vary across cities.
- 3.15 Allowance for time-varying pricing (higher charges during peaks, lower during “shoulder” periods) would align with international best practices and economic theory about efficient pricing of scarce resources.
- 3.16 As noted in Singapore’s experience (paragraph 2.8), its iterative, data-driven approach has enabled it to maintain consistent travel speeds and journey times despite rapid population growth.

Communication

- 3.17 Stockholm’s example (also discussed in paragraph 2.8) shows the importance of effective communication. When first proposed in the 1990s, congestion pricing faced fierce public and political backlash. By engaging extensively with the public through information campaigns and public meetings, Stockholm was able to turn initial scepticism into strong support.
- 3.18 While not a matter for the Bill, NZTA and participating councils should be mindful of the need for effective communication to allay concerns and build public support.

4. RECOMMENDATIONS FOR IMPROVEMENT

Congestion Dividend

- 4.1 As discussed in paragraphs 3.10 and 3.11 we recommend that the Bill incorporate provisions for a “congestion dividend” - rebating a portion of congestion charge revenue directly to citizens or affected communities. This approach would help address equity concerns without undermining the congestion pricing signal. However, this approach is only worth pursuing if funds potentially available for payments as a dividend are sufficient. If a substantial portion of scheme revenues are devoted to local transport projects, the dividend would not be worth pursuing.

Regular System Reviews

- 4.2 We recommend that the Bill includes a provision for regular reviews of the legislation to ensure the time-of-use charging framework remains fit-for-purpose. An initial review after five years of operation and every five years thereafter would help identify improvements and ensure the system adapts to changing conditions.

Data Collection and Transparency

- 4.3 We recommend strengthening provisions for data collection, analysis, and public reporting. Robust data on traffic patterns, travel times, and scheme performance should

be collected and made publicly available to demonstrate effectiveness and inform future improvements.

5. ADDRESSING CONCERNS ABOUT THE BILL

Equity Concerns

5.1 Some critics of the Bill have cited concerns about equity implications, particularly for lower-income commuters. We submit that:

- (a) Equity concerns are legitimate but are better addressed through complementary measures rather than by compromising the pricing mechanism itself.
- (b) The current costs of congestion are also inequitable – People who cannot adjust their schedules pay high time costs. Everyone’s time is wasted, regardless of the value they place on that time.
- (c) Low-income households are more likely than affluent ones to rely on public transport, which would benefit from reduced congestion. Concerns about distributional impacts are often overstated. A major study of the Stockholm congestion charge found that most road users, including low-income groups, would be better off after implementation. In fact, the study found that affluent men would pay the most in congestion charges.⁸
- (d) Our recommended “congestion dividend” approach would further mitigate equity concerns. A higher dividend could be provided to congestion charge accounts that are linked to a Community Services Card, for example, with other accounts receiving a lower dividend.
- (e) The primary purpose of a transport system is to efficiently move people and goods. While affordability and access are important considerations, using transport policy as the primary vehicle to achieve social equity objectives risks compromising the smooth operation and long-term financial sustainability of the network.

“I Already Pay for Roads” Objection

5.2 Some people may object to road pricing on the grounds that they already pay for roads through taxes and should not have to pay again. We submit that:

- (a) The user-pays principle is well-established in other sectors. When you use more electricity or opt for a faster internet plan, you expect to pay more. The same logic should apply to roads.
- (b) Drivers impose cost on other drivers by using the road at peak times. Congestion charging is about making sure that the existing roading network can do the best job possible in helping people get to their destination. That network can accommodate more trips when congestion charging improves the efficiency of the network’s overall use. This is not only fairer but also more efficient as it sends clear price signals about the true cost of driving at different times of day.

⁸ *Driving Change, how road pricing can improve our roads.*

Privacy and Surveillance

- 5.3 Regarding privacy concerns, the Bill includes a clause on privacy (65ZF). Congestion pricing schemes would not be able to use any personal information except for collecting charges and for enforcement. Privacy policies will be required to be set out in a document available to inspect free of charge on their internet sites. Personal information would only be able to be retained for as long as reasonably necessary to collect charges, enforce provisions for unpaid charges, or to comply with information retention requirements from other acts relating to personal information.
- 5.4 While these provisions seem reasonable, we encourage the Committee to consider international best practice for protection of privacy.

Implementation Costs

- 5.5 Some have raised concerns about implementation costs. While establishing a congestion charging system does require upfront investment, international experience shows these costs are typically recovered within a reasonable timeframe through:
- (a) Congestion reduction benefits far exceeding system costs.
 - (b) Revenue generated covering operational and capital costs.
 - (c) Declining technology costs as systems mature.
 - (d) Learning from other countries' experiences to avoid costly mistakes.

6. CONCLUSION

- 6.1 The Land Transport Management (Time-of-Use Charging) Amendment Bill represents a significant opportunity to address traffic congestion through economically efficient means. The Bill's focus on congestion reduction rather than revenue generation, its limited exemptions policy, and its strong governance and oversight provisions creates a sound foundation for effective congestion pricing in New Zealand.

ENDS