

**Auckland Transport**  
**Time of Use Charging**

# **Governance and Partnership Paper**

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This report has been authored by EY and Arup, to support the development of Time of Use (TOU) options. It represents a 'point in time view' which will need to be further refined and interrogated as the project progresses.

This report takes into account the particular instructions and requirements of our client. It is not intended for and should not be relied upon by any third party and no responsibility is undertaken to any third party.

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# Executive Summary

The purpose of this paper is to determine the most suitable strategic partnership model for the Time of Use Charging (ToUC) scheme in light of government policy and current capabilities across existing entities.

## Signalled legislative intent

The Minister of Transport has recommended via the proactively released Cabinet paper (CB-24-MIN-0072) that the Committee agree that after initiation, a charging scheme partnership be tasked with the development and operation of the charging scheme. This partnership, said to exist of NZTA as majority partner and local authorities that have opted in, would not however be responsible for the allocation of net revenue. The Cabinet paper has agreed the allocation of net revenue requires agreement by the Minister of Transport and local authority members of the partnership.

Based on these signalled policy directions, our first assumption is that a partnership must exist. The form of this partnership has not been defined. Consequently, we have identified and analysed three strategic partnership options to determine how the charging scheme partnership may work in practice. These options include:

- Agreement-based partnership (partnership adopting contractual or non-statutory arrangements)
- Formal-entity partnership (a formally established charging scheme partnership)
- Mixed-model partnership (uses both agreement-based and formal-entity partnerships)

To evaluate the workability of each option, we have outlined the outputs a charging scheme is required to provide and analysed each output. Guiding principles were applied to assess each option, which considered:

- Which, if any, entities currently have the capability required to perform the output?
- Which, if any, entities have the legal authority to perform the output?

This evaluation led to two key conclusions:

- Mixed-model partnership is the most suitable governance structure given existing capabilities and required outputs of the scheme over its lifecycle.
- Mixed-model partnership allows for a staged approach in which agreement-based partnership is adopted for scheme design and a portion of the implementation phase, before transitioning to a formal-entity partnership as the scheme nears operation and monetisation phases.

## Charging scheme governance

Analysis concluded that a mixed-model partnership is the most suitable mechanism given legislative signals and its alignment to outputs required across the lifetime of a charging scheme. Mixed-model partnership enables use of both agreement-based and/or formal-entity partnerships, in turn, diminishing the feasibility concerns associated with opting for an entirely agreement-based or formal partnership approach.

While it is entirely possible for NZTA or AT to perform outputs of the scheme alone<sup>1</sup>, the Cabinet paper has indicated that the powers of a charging scheme would be vested in an entity via regulation. Aspects of the ToUC scheme, including the placement of cameras, reallocation of road space and procurement of additional public transport to deliver complementary measures and mitigations will almost certainly require action by a Road Controlling Authority (RCA). However, the establishment of a third RCA to operate alongside NZTA and AT in Auckland could lead to significant coordination, mandate and operational issues, making a solely formal-entity based partnership unworkable. Functions required to implement a ToUC scheme are already being carried out between existing RCAs. Fully outsourcing ToUC outputs is the least preferred option due to the substantive duplication issues that would arise. Similarly, an entirely agreement-based partnership is unsuitable as it lacks the role clarity and certainty required for outputs involving careful monitoring or significant investment, such as the collection and distribution of revenue.

By using a mixed-model partnership, outputs that do not require legislative authority can be progressed flexibly and without delay using agreement-based structures. Simultaneously, outputs that require a strong need for certainty and accountability can be performed using formal-entity structures. This partnership option provides administrative and contractual efficiency and recognises that a significant number of supplier arrangements will be necessary to implement the charging scheme.

The trade-offs of each strategic partnership option have been summarised below, evidencing strong benefits for use of a mixed-model partnership with no critical concerns.

*Table 1: Comparison of governance options*

Option	Pros	Cons
<b>Agreement-based partnership</b>	<ul style="list-style-type: none"><li>• Flexible governance structure</li><li>• Well-positioned to adapt to changing requirements</li><li>• Can vest development and operation of the charging scheme entirely in RCAs within the scheme's boundary</li><li>• Allows for delivery of aspects of the scheme without coordination issues (allowing the integrating planning of public transport and complementary measures to sit within the responsible local RCA, Auckland Transport).</li></ul>	<ul style="list-style-type: none"><li>• Unlikely to be sufficient as the delivery agent under ToUC regulations</li><li>• Lack of role clarity without clear statutory mandate</li><li>• Uncertainty about the scope of associated responsibilities</li><li>• Signals from the Cabinet paper infer that an entirely-agreement based model will be unlikely.</li></ul>

<sup>1</sup>Excluding revenue collection given NZTA's exclusive role as owner of the Motor Vehicle Register (MVR).

<b>Formal-entity partnership</b>	<ul style="list-style-type: none"> <li>• Concentrates responsibility for all aspects of the charging scheme</li> <li>• Clear single point of responsibility for outputs that have a strong need for accountability.</li> </ul>	<ul style="list-style-type: none"> <li>• Significant coordination issues</li> <li>• Material system inefficiencies</li> <li>• Potentially induces a range of suboptimal outcomes</li> <li>• Significant overlap in RCA core activities</li> <li>• Unlikely that regulations will grant RCA power to the TOUC Entity, creating a second RCA for the road in question</li> <li>• Difficult to envisage a delivery function that does not utilise existing public transport contracting models</li> <li>• Establishment of another substantive transport-related entity for Auckland with planning and delivery functions would be redundant.</li> </ul>
<b>Mixed-model partnership</b>	<ul style="list-style-type: none"> <li>• Combines the flexibility of agreement-based and the accountability of formal-entity partnerships</li> <li>• Diminishes feasibility concerns associated with opting for entirely agreement-based or formal options</li> <li>• Provides administrative and contractual efficiency</li> <li>• Allows for a clear single point of responsibility for outputs that have a strong need for accountability</li> <li>• Can be used within the overarching mixed-model approach.</li> </ul>	<ul style="list-style-type: none"> <li>• May still face some coordination issues</li> <li>• Requires clear legislative support to define the scope and responsibilities of the partnership.</li> </ul>

As demonstrated by Table 2, the mixed-model partnership option has the strongest alignment to guiding principles. These guiding principles include accountability, role clarity, complexity, adaptability and achievability.

*Table 2: Alignment to Governance Principles*

<b>Governance Option</b>	<b>Accountability</b>	<b>Role Clarity</b>	<b>Complexity</b>	<b>Adaptability</b>	<b>Achievability</b>
Agreement-based Partnership	X	X	✓	✓	X
Formal-entity Partnership	✓	✓	X	X	X
Mixed-model Partnership	✓	✓	✓	✓	✓

## The timing of partnership options

Given both agreement-based and formal-entity partnerships can occur within the mixed-model framework, the key question is which strategic partnership option to adopt at what point in time. We recognise a congestion scheme to have three distinct phases, including scheme design, implementation, and operation.

Based on our analysis of different strategic partnership options across each output, it is apparent that an agreement-based partnership is suitable early on for scheme design and a portion of the implementation phase, while a formal-entity partnership becomes suitable from implementation to operation phases. Movement from agreement-based structures to formal-

entity partnerships requires clear coordination. This complexity and risk must be worked through directly once the details are known.

Scheme design can begin under an agreement-based structure to avoid delay and enable a time-efficient, flexible, and collaborative approach to design between NZTA and Auckland. Our mapping of the outputs required by a charging scheme to the entities with the current capability to perform these outputs suggests that a formal partnership between entities might be responsible for specific aspects of the physical scheme delivery across both the implementation and operation phases. In practice, this entity would handle narrowly scoped roles such as installing cameras (assuming ANPR is the chosen technology), receiving gross revenues, purchasing services from AT, and monitoring the success of the scheme. Additionally, the entity would distribute net revenue not required for the physical delivery of the scheme, to local RCAs within the scheme boundary. This dispersion of net revenue would need to be in accordance with the agreed uses approved by the Minister of Transport and local authorities. This may enable RCAs to use net revenue for outputs extrinsic to the physical delivery of the scheme, including mitigations and complementary measures

## Partnership structures within a mixed-model approach

There are several governance structures available within agreement-based and formal-partnership options. To determine the most suitable options, we have looked at the end-state of a charging partnership. The end-state is ultimately a financial and operational management entity intended to ensure objectives of the scheme are being delivered and provides value for money. Analysis concluded that a Memorandum of Understanding (MoU) is the most preferable agreement-based partnership structure, and a Schedule 4A Company is the most suitable formal-entity partnership structure.

A Company created under Schedule 4A of the Public Finance Act is the most suitable formal-entity partnership, assuming NZTA majority ownership will be the most likely outcome of upcoming legislation, as signalled. Should legislation not include this mandate, a Council-Controlled Organisation (CCO) is the preferred option.

A MoU is preferable for its ability to be established and given effect to in a timely manner and ability to ensure a combination of skills and resources founded on cooperation. For formal-based partnership, a CCO would be the preferable governance structure. However, if legislation requires NZTA to be a majority partner, a CCO becomes inconsistent with legislative provisions. This leads the establishment of a company under Schedule 4A of the Public Finance Act to be the most suitable formal-entity governance structure, as it is specifically designed to accommodate central and local government interests and is well-suited where there is a clearly defined scope of operations. Table 3 provides the menu of formal-entity governance structures considered for the ToUC scheme, and examples of existing partnerships in New Zealand to infer applicability.

Table 3: Formal-entity governance structures

Governance Structure	Examples
Special Purpose Vehicles (SPVs)	Auckland System Management, Wellington Gateway Partnership
Schedule 4A Companies	City Rail Link Limited, Crown Infrastructure Partners Limited (formerly Crown Fibre Holdings Limited)
Council-Controlled Organisations (CCOs)	Auckland Transport (AT), Watercare Services Limited, Eke Panuku Development Auckland
Council-Controlled Trading Organisations (CCTOs)	Christchurch International Airport Limited, Dunedin International Airport Limited, Hawke's Bay Airport Limited

It is conceivable that an entity could be established with the mandate to manage congestion charging schemes across the country and administer distinct schemes on behalf of each individual partnership. An overarching entity would not only ensure consistency in approach and efficiency in administration but could also streamline the management of congestion charging by centralising operations and leveraging shared resources and knowledge. A national entity of this kind could provide economies of scale and a centralised expertise hub for congestion charging, while still allowing for the unique characteristics and requirements of local schemes to be addressed effectively. Generally, the impact of a ToUC scheme will likely have significant effects on the local transport network, roads and public transport, and dependent on design, may take traffic off the motorway network.

## Conclusion

Given legislation has signalled the establishment of a charging scheme partnership, it is most suitable for partnership to take a mixed-model approach. In the interests of responding to Auckland's congestion problem in a timely and effective manner, there is no reason scheme design cannot begin under an agreement-based partnership. It is most suitable for this partnership to be facilitated by an MoU. Agreement-based partnership could apply throughout a portion of the scheme implementation phase. However, during implementation the risk of coordination issues will spur need for a formal-entity partnership given significant coordination issues that may arise. If legislation requires NZTA to be the majority partner, a formal-entity partnership is best achieved by a Schedule 4A Company. If this is not required, a CCO would be the preferable formal-entity structure. This approach is most aligned with end-state, which centres upon a partnership that ensures objectives of the scheme are met and achieving value for money.

The planning and design of a ToUC scheme can be achieved via collaborative contractual arrangement, making best use of existing resources. If a CSP is mandated by legislation, the functions of such an entity should be narrowly scoped to revenue management/allocation purposes and reporting/compliance activities. A full outsource of all ToUC outputs is the least preferred option as it duplicates existing RCA functions and creates another substantive transport related entity in Auckland. If a charging partnership entity is set up, its structure, shareholding allocations and governance arrangements should be agreed between local and

central government on a case-by-case basis and should not be dictated in the primary legislation.

Despite the position outlined in the cabinet paper regarding NZTA as majority partner, there is a principled argument to be made for Auckland Council group majority share, given the impact of any scheme on the local transport network, roads, and public transport. This could be accompanied with appropriate guardrails around national consistency with other region's schemes and existing toll roads. Further detail on this analysis can be found in the Annex.



# Annex: Partnership Options

## 1. Purpose

This document has dual purpose, and is intended to help:

1. Ascertain which outputs of Auckland's Time of Use Charging (ToUC) scheme can be achieved using agreement-based partnership and which require formal-entity partnership; and
2. Consolidate which agreement-based or formal-entity governance structures are best suited to performing outputs of the scheme to support further legislative, policy and partnership discussions (in alignment with signalled government intention at Appendix A).

A detailed Logic Chain representing the process undertaken to ascertain the suitability of partnership options can be found in Appendix B.

### 1.1 Background

We are exploring governance structures for Auckland's ToUC scheme as a result of the Minister of Transport's policy announcements. These announcements have indicated that the development and operation of the charging scheme will be vested in a partnership, led by NZTA as the majority partner and comprising local authorities that opt in, summarised in Appendix A. Some indication has been given to the distribution of scheme functions to entities, including the allocation of net revenues, said to require agreement by the Minister of Transport and local authority members of the partnership.

Principally, policy decisions within the development and operation of the scheme suggest some form of organisational structure outside of business as usual for the constituent entities (i.e. AT and NZTA) will be required. It is anticipated that enabling legislation, supported by scheme-specific regulation, will explicitly reference the partnership, vesting powers of the scheme within this collaborative framework. Consequently, we are investigating a range of potential models that may be applicable to the development and implementation phases of the ToUC scheme to guide AT's discussions with central government and shape the submissions of forthcoming legislation to ensure that governance is appropriately defined and capable of supporting the scheme's objectives.

## 2. Functions of the scheme

To consider appropriate development and delivery models, functions can be consolidated into a specification of outputs. The specification of scheme outputs allows for a structured evaluation of governance models and is consistent with best practice public finance and machinery of government approaches (using output specification as the basis for purchase rather than inputs or outcomes).

*Table 4: Inputs and outputs of a congestion charging scheme*

Inputs	Outputs	Outcomes
Scheme design (including design of complementary measures, mitigation measures, and pricing policy)	Policy/design	A workable and implementable scheme
Stakeholder engagement Planning of land-use Consent applications	Consenting/planning	A compliant scheme
Technology systems Data management	Vehicle identification	The ability to charge vehicles
Pricing strategy Payment processing systems	Revenue collection from owners of identified vehicles	The ability to collect scheme revenues
Financial management Disbursement of revenue	Revenue management and distribution	Revenue managed and distributed in alignment with scheme objectives
Transport policy strategy Public transport contracting Public transport supply	Purchase and provision of transport-based services	Availability of public transport alternatives
Policy research and implementation (social, economic, environmental)	Purchase and provision of non-transport-based services (i.e., non-transport mitigation measures) <sup>2</sup>	Availability of mitigation measures
Legal enforcement Surveillance systems	Enforcement (non-payment, scheme avoidance etc)	Supports the collection of revenue and effectiveness of the scheme
Upkeep and update of operational technology	Maintenance	Continued operation of scheme assets
Information dissemination	Communications	Social license and general understanding by the public
Data analysis Performance metrics	Reporting/monitoring and evaluation	A compliant scheme that demonstrates value for money results

<sup>2</sup> Non-transport mitigation measures are noted as a possible option, though it been explicitly stated that revenue be used for land transport activities within the region in which charges apply in the Cabinet paper at 12.1.

### 3. Allocation of outputs in upcoming legislation

#### 3.1 Signalled responsibilities

The Cabinet Paper has indicated the roles and responsibilities of entities under the congestion charging scheme, as summarised in Table 5.

*Table 5: Signalled responsibilities*

Entity	Role and responsibility
Ministry of Transport (MoT)	Congestion charging schemes will be assessed and approved by Ministers and monitored by the Secretary for Transport. The allocation of net revenues will be subject to agreement by MoT and local authority members of the partnership.
New Zealand Transport Authority (NZTA)	NZTA will be the lead partner of the congestion charging scheme partnership tasked with development and operation of the scheme.
Auckland Council (AC)	Local authorities will work closely with NZTA and MoT to develop the scheme and seek public input as legislation develops. Local authorities can opt-in to the charging scheme partnership.
Auckland Transport (AT)	

### 3.2 Capability of existing entities to perform charging scheme outputs

Table 6 assesses whether capabilities currently exist within the mandate of potential scheme partners to determine whether entities have capabilities that could be leveraged for delivery of the scheme. Boxes coloured green indicate the entity possesses a current capability that can be leveraged by the scheme, while orange boxes indicate there is an impediment to the entity performing the output for the congestion charging scheme.

Table 6: Outputs and associated entity capabilities

Functions	Current status quo	Alignment to scheme function
Policy/design	<b>All</b> – all entities are involved in policy and design work across transport projects.	Policy and design will be unique to congestion pricing but draw from existing expertise
Consenting/planning	<b>AC</b> – has discretionary power via council-controlled bodies to authorise consenting and planning requests.	Same consenting/planning requirements apply
	<b>NZTA</b> – is familiar with undergoing consent processes for the purpose of design, construction, operation and maintenance activities across national transport projects and uses a consent compliance management platform.	
Vehicle identification	<b>NZTA</b> – operates the MVR which enables enforcement, maintenance, collection of charges and administration of transport law and policy. NZTA also administers both the safety camera system and toll system for toll roads.	Identifies vehicles for the purpose of enforcing transport law
	<b>AT</b> – operates parking enforcement using Automatic Number Plate Recognition (ANPR) technology, linking data to the MVR.	
Revenue collection	<b>NZTA</b> – collects revenue from the tolling systems.	Collects revenue for a road pricing scheme
	<b>AT</b> – collects revenue from on-street parking and public transport.	Collects revenue for transport, through reconciliation using the MVR (operated by NZTA)
Revenue management	<b>NZTA</b> – manages revenue obtained through the provision of transport services in New Zealand (tolling) and directs use of revenue across transport projects through the National Land Transport Programme (NLTP).	Transferrable revenue management capabilities
	<b>AT</b> – manages revenue obtained through the provision of transport services in Auckland (e.g. on-street parking).	
	<b>AC</b> – perform revenue management given any revenue flowing into AT accounts become part of land transport plan deliberations.	
	<b>Treasury</b> – has revenue management capabilities by being tasked with debt management, performed via the nightly sweeping of Crown bank accounts.	
Purchase and provision of transport-based services	<b>NZTA</b> – has regulatory, planning and investment roles in land transport systems under the NLTP, and oversees the planning, operation, implementation and delivery of public transport.	Focuses on purchase and provision of transport-based services at a high-level, issues guidelines for regional public transport plans
	<b>AT</b> – responsible for the management and provision of Auckland’s transport services (including roads and public transport).	Directly responsible for the provision of PT in Auckland
	<b>AC</b> – is tasked with enabling effective decision-making for the planning and delivery of transport, infrastructure and urban regeneration.	Decision-making spanning sectors beyond Auckland-based transport
Enforcement	<b>NZTA</b> – is empowered to enforce transport law and set requirements that guide staff on deciding whether to prosecute for an offence (including penalising non-payment for tolls).	Enforcement of road pricing (tolling)
Maintenance	<b>NZTA</b> – is tasked with maintaining the toll system as a part of ongoing operations.	Maintenance of road pricing (tolling)
Communications	<b>MoT</b> - communicates the strategy and direction of transport policy in Government to the public.	Communicating nation-wide transport policy
	<b>AT</b> – communicates Auckland-specific transport policy to the public.	Communicating Auckland-specific transport policy
Reporting/monitoring	<b>NZTA</b> – is tasked with reporting and monitoring, regulation and the delivery of the land transport system at a national level.	Reports and monitors nation-wide transport matters
	<b>AC</b> – is tasked with reporting and monitoring, regulation and the delivery of the land transport system at an Auckland-level.	Reports and monitors Auckland-specific transport matters

### 3.3 Governance considerations

Two key considerations emerge from the mapping of scheme outputs against existing capabilities in Table 6:

1. **No entity can currently be expected to fulfil all outputs of the scheme.** While NZTA and AT are capable of performing almost all outputs of the scheme, revenue management requires reconciliation with NZTA's MVR database, while the purchase and provision of public transport is structurally embedded within AT's functions. A new entity tasked with fulfilling all outputs of the scheme would face duplication issues as a result of the new entity being required to perform functions within the scope of existing entities.
2. **Flexibility is paramount.** As outputs of the scheme are currently being performed by existing entities, it is key that governance structures reflect this landscape. There is no blanket approach to governance that is aligned to the delivery of each output, requiring a governance approach that allows for flexibility as necessary.

## 4. Delivery of outputs

Based on signalled intentions in the proactively released Cabinet paper, the first assumption is that a partnership must exist to deliver outputs of the scheme. This paper analyses the suitability of three strategic partnership options, including:

- Agreement-based partnership (partnership adopting contractual or non-statutory arrangements)
- Formal-entity partnership (a formally established charging scheme partnership)
- Mixed-model partnership (uses both agreement-based and formal-entity partnerships).

### 4.1 Guiding principles

The suitability of these strategic options can be measured by their alignment to guiding principles. Guiding principles prioritise clear accountability and risk management, ensuring that roles, responsibilities and authority levels are well-defined and transparent.

The following principles, based on best practice and deriving from delivery models including City Rail Link can similarly be applied to the ToUC scheme. These principles include:

- **Accountability** – does the model enable clear accountability and ensure risks are allocated to the party best able to manage them?
- **Role clarity** – does the model ensure clear governance and roles/responsibilities (i.e., facilitating effective relationships and ensuring delivery)?
- **Complexity** – is the scale of scheme and complexity of the governance/structure matched?
- **Adaptability** – is the model adaptable to project, scope, and scale changes over time?
- **Achievability** – does the model align with government announcements on how ToUC legislation will be framed, and how schemes are proposed to be implemented?

## 4.2 Strategic options

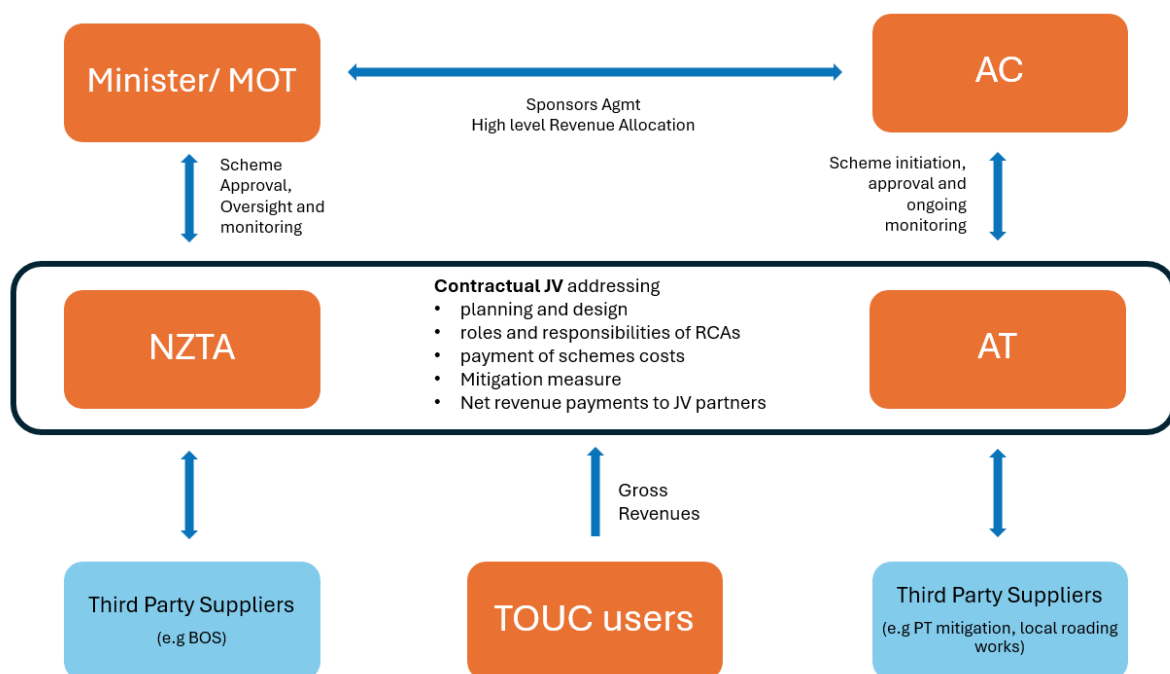
Strategic Options offer a range of approaches to governance that can enable and coordinate the delivery of outputs. Three key strategic options have been considered in for a charging scheme partnership, including agreement-based, formal-entity, and mixed-model partnerships.

### 4.2.1 Strategic Option 1: Agreement-based partnership

#### What is it?

Strategic Option 1 considers the execution of a charging scheme through an agreement-based governance framework, rather than establishing a formal legal entity. This option includes governance structures including a Memorandum of Understanding (MoU), Alliance, Joint Officials Group, and Lead Agency – ultimately allowing for the scheme's progression without the delay of legislative processes.

Figure 1: Potential agreement-based partnership structuring



#### What does it achieve?

This approach facilitates the swift commencement of scheme-related tasks, which can proceed without the need for formal legislative authority. Governed by a set of shared objectives, these agreement-based structures offer an adaptable method of collaboration, providing the flexibility to adapt to changes in the project's trajectory.

#### What are the risks?

The primary risk associated with Strategic Option 1 is the lack of binding enforceability of the agreements, which may present challenges should parties fail to adhere to agreed objectives. This flexibility, while beneficial for accommodating program adjustments, may diminish the commitment level of the involved entities to meet the agreed-upon goals. Trust is a pivotal element for the success of this option, making it more applicable to the policy formation and design stages of the ToUC scheme. As the scheme progresses towards the implementation,

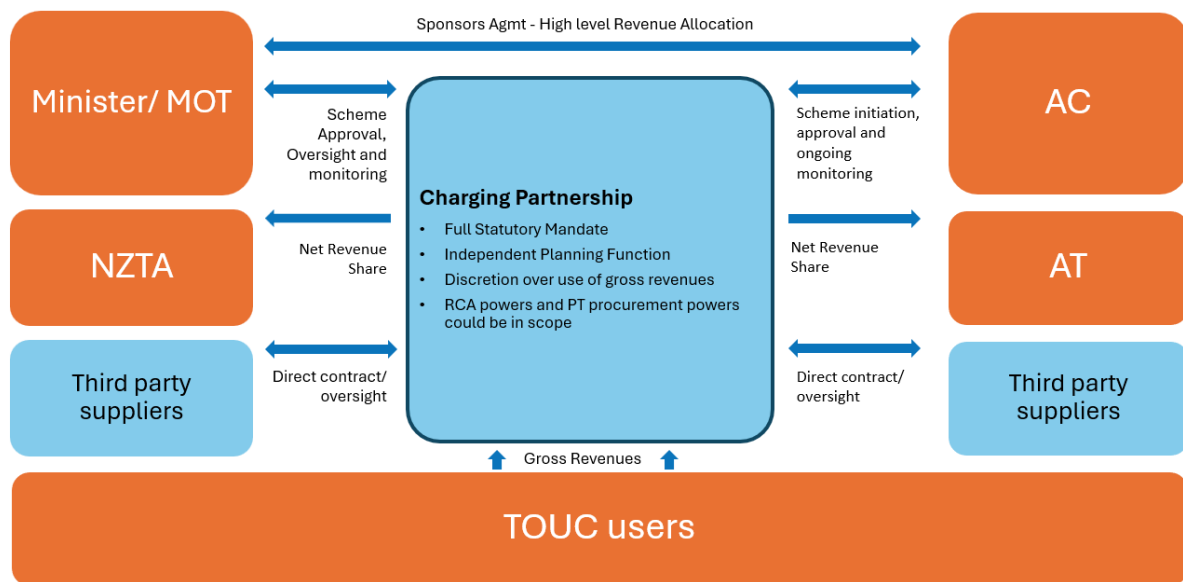
operational and revenue-generating stages, the agreement-based governance structure may become less suitable due to potential overlap with the legislative authorities of existing entities.

#### 4.2.2 Strategic Option 2: Formal-entity partnership

##### What is it?

Strategic Option 2 considers the legislative establishment of a new, all-powerful Road Controlling Authority (RCA) designed to design, deliver and operate Auckland's ToUC scheme. Under this governance model, all outputs of the scheme are vested in the formal entity. The delivery of this governance structure may be achieved using a Special Purpose Vehicle (SPV), Schedule 4A company, a Council Controlled Trading Company (CCTO) or Council Controlled Organisation (CCO) under the Local Government Act 2002.

Figure 2: Potential formal-entity (fully outsourced) partnership structuring



##### What does it achieve?

The entity, empowered by legislation, is accountable for fulfilling its formally recognised objectives. Focused and clearly defined legislative mandate will incentivise the entity to fulfil its functions and subsequently provide greater certainty than agreement-based alternatives outlined in Strategic Option 1. This is particularly well-suited to the fulfilment of outputs that require legislative authority and benefit from clear oversight, such as revenue management.

##### What are the risks?

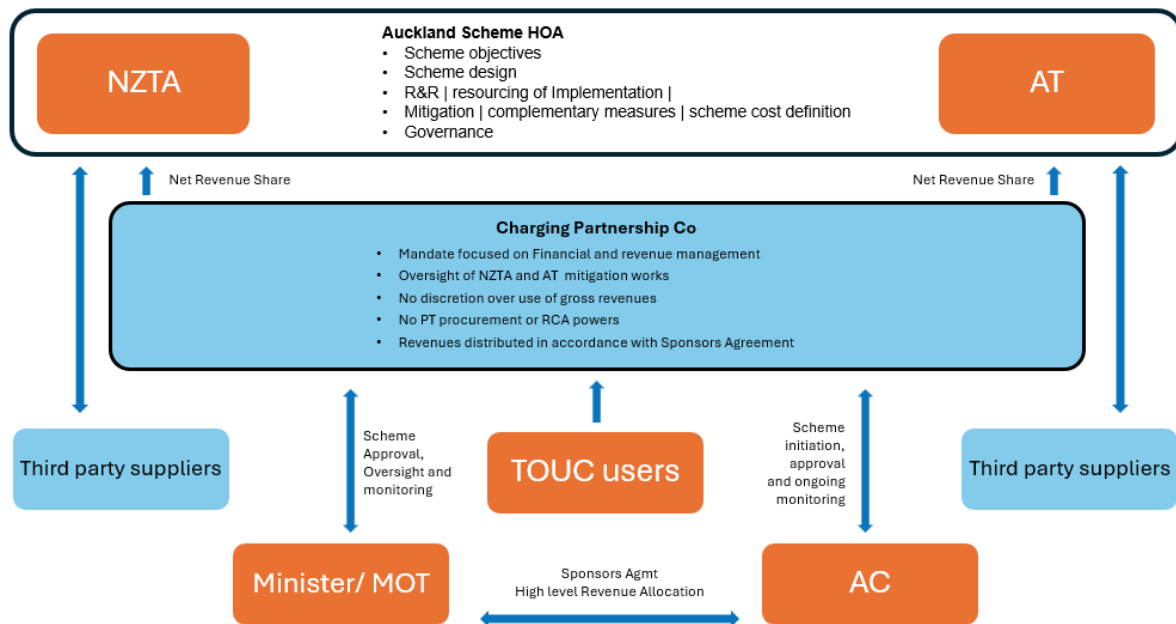
The earliest outputs can begin to be progressed is at the point of legislative approval. The timeliness and costs associated with legislative approval risk delay of outputs that could otherwise begin without legislative approval, including policy and design work. However, the introduction of an additional RCA would lead to significant coordination overlap of core RCA activities already performed by existing entities, including AT and NZTA. In practice, these coordination issues would lead to the formal entity encroaching on legislative authority granted to existing entities. For NZTA, this may include management of the state highway system, including its planning, funding, design, supervision, maintenance and operation. For AT, this may include management and control of the Auckland transport system.

### 4.2.3 Strategic Option 3: Mixed-model partnership

#### What is it?

Strategic Option 3 is the mixed model approach by which outputs can be progressed under either an agreement-based or formal structure depending on suitability. Generally, the agreement-based structures are suited to the policy and design phase of the ToUC scheme as this stage does not require legislative approval. As the scheme moves towards operation and monetarisation phases, greater certainty and coordination is required which is best provided using formal governance structures.

Figure 3: Proposed mixed-model partnership structuring



#### What does it achieve?

As not all outputs can be fulfilled by entirely agreement-based or formal entity governance structures, different stages of scheme design invoke the need to use different governance structures. A mixed-model approach combines the agility of agreement-based structures with the robustness of formal-entity alternatives.

This hybrid strategy allows for the use of agreement-based collaboration in initial stages of the scheme and enables the establishment of a formal entity to handle more complex tasks when a more structured approach is necessary. This strategic option aims to balance flexibility with the need for a stable and accountable governance framework, allowing for a split between funder and provider that ensures regulatory functions of existing entities remain separate from the operator of the scheme and a divide between policy and operations in governance.

#### What are the risks?

The allocation of outputs to agreement-based and formal entity partnerships is key to the success of a mixed-model approach and must be informed by the capabilities and legislative authority of existing entities.



#### 4.2.4 Strategic partnership options overview

Some form of formal entity will be required. However, the establishment of an additional RCA will lead to significant duplication issues and potentially compromise the ability to coordinate and deliver outputs of the scheme. As a result, a mixed model is the most suitable governance option.

### 4.3 Strategic partnership across an output timeline

The timing of outputs is a key factor to consider when determining the suitability of different strategic partnership options, as is pivotal to the ability to yield effective outcomes over time. Agreement-based structures are time effective and allow for early initiation of core scheme outputs. Formal-entity partnership structures comparatively lead to extensive establishment processes. Agreement-based partnership remains suitable for a portion of the implementation phase, though becomes unsuitable once procurement is required by implementation outputs. From this point, as the scheme progresses to operation and monetarisation phases, more structured governance is required to achieve long-term objectives with increased certainty. A mixed-model partnership approach that can leverage agreement-based and formal-entity partnership is key to ensuring continued alignment between governance and the effective delivery of scheme outputs across the scheme's lifecycle, as demonstrated in Figure 4.

Figure 4: Effectiveness of governance models to deliver each output

Legend	Policy and scheme design	Implementation	Operation and monetarisation →
	Effective Ineffective Mixed	Provision of transport based and non-transported based services, vehicle identification, revenue collection, revenue management	Revenue collection from identified vehicles, enforcement, maintenance
<b>Strategic Option (1)</b> Agreement Based Partnership	Timely to establish and no need to wait for legislative authority to begin.	Well suited to a portion of implementation outputs, such as the provision of transport and non-transport-based services. However, lacks the certainty that may be required in procurement stages.	Should upcoming legislation state the need to vest powers of a charging scheme in a single entity, agreement-based partnership would not be possible.
<b>Strategic Option (2)</b> Formal Entity Partnership	Timely to establish and no legislative need to set up a formal-entity partnership to begin.	Some outputs give rise to use of agreement-based partnership for time efficiency. However, once procurement is required, the certainty provided by formal-entity partnership will be preferred.	Formal-entity partnership vested with all scheme outputs would be unworkable due to significant coordination issues arising out of multiple entities with overlap in legal authority to perform outputs.
<b>Strategic Option (3)</b> Mixed Model Partnership	Allows for governance structures to begin using agreement-based partnership, best suited to policy and scheme design.	Allows for the use of agreement-based partnerships where possible and a transition to formal-entity partnership in procurement stages once certainty becomes paramount.	Allows for the use of formal-entity governance structures where long-term commitments and certainty are key.

## 5. Evaluation of Governance Structures

The implementation phase of the charging scheme requires a mixed-model approach that intertwines formal-entity and agreement-based governance structures for dynamic method of management. Agreement-based structures, including a MoU, Alliance, and JOG, provide the flexibility and rapid deployment necessary for the early stages of policy development and design. These arrangements facilitate swift collaboration and alignment of objectives among stakeholders without legal constraint associated with establishment.

As the initiative matures into the implementation, operation, and monetisation phases, the mixed-model approach evolves to incorporate formal structures, which may include an SPV, Schedule 4A company, CCTO or CCO. Formal entities offer the legal governance, accountability, and structured risk management required of these phases, ensuring compliance and robust oversight. The strategic combination of both formal and agreement-based structures within mixed-model partnership allows for a governance framework that is both adaptable to early-stage needs and sufficiently robust for later stages - ensuring a cohesive and responsive approach throughout the lifecycle of the scheme.

### 5.1 Agreement-based structures

Agreement-based governance structures, such as an MOU, Alliance, or JOG, offer a flexible and collaborative framework for stakeholders to align on shared objectives without the rigidity of formal legal obligations. These structures enable rapid initiation and adaptability, allowing parties to efficiently address policy development and design challenges through agreements outlining mutual goals, roles, and conflict resolution strategies. Generally, these structures lack the enforceability of formal entities. However they are better able to foster cooperation and swift decision-making, which is particularly valuable in the early and fluid stages of complex projects.

#### 5.1.1 Memorandum of Understanding

An MoU is a non-binding agreement between two or more parties outlining the terms and understanding of a mutual agreement without legal obligation. As this approach does not invoke legal obligations, its establishment can be timely and offers flexibility to parties. By nature of being non-binding, a MoU lacks enforceability and therefore limits accountability if conflicts arise.

##### *What you need to make it work*

An MoU does not require enabling legislation. For an MoU to work, it is generally sufficient that parties agree on:

- Parties involved in the partnership
- The purpose of the partnership
- Goals and objectives of the partnership
- The role and responsibility of each party in the partnership
- How conflicts or disputes will be resolved should they arise
- Other matters parties consider important to the partnership.

Table 7: Alignment of an MoU to guiding principles

Principle	Alignment	MoU
Accountability	Weak	Outlines terms and understandings of mutual agreement which parties can make as specific as mutually desired, however lacks enforceability as is not legally binding.
Role clarity	Moderate	Promotes efficiency of decision making given the ability to avoid agreeing to bureaucratic obligations.
Complexity	Moderate	An MoU is a simple governance structure matching the low complexity need for timely policy work to be done prior to scheme implementation.
Adaptability	Strong	Grants parties a high degree of flexibility to revise the agreement as desired over time.
Achievability	Strong	Government announcements signal the need for partnership. An MoU is the most in alignment with the spirit of partnership.

### 5.1.2 Alliance

An Alliance is created through private arrangements giving rise to cooperative arrangement towards a shared objective. While not generally classified as an agreement-based governance model, an alliance structure is similarly flexible. The key risk associated with an Alliance is shared risk and gain structures, which can result in unclear responsibilities and difficulties enforcing accountability.

#### What you need to make it work

To support the creation of an Alliance, the following should be considered:

- Parties involved in the partnership
- The purpose of the partnership
- Goals and objectives that are specific, measurable, and time bound.
- Clearly assigned roles and responsibilities.
- Gain share and pain share structuring.
- A process by which to resolve conflicts or disputes that may arise.

Table 8: Alignment of an Alliance to guiding principles

Principle	Alignment	Alliance
Accountability	Moderate	Alliances often have mechanisms to ensure mutual accountability (i.e., pain share and gainshare), but risk management may vary depending on the structure and the formal agreements in place
Role clarity	Strong	Clear delineation of authority levels is typically established to ensure efficient decision making and to maintain the strategic direction of the alliance
Complexity	Variable	The scale and complexity of an Alliance can range widely, with governance structures needing to be sufficiently robust to manage the intricacies of the collaborative effort.
Adaptability	Strong	Alliances often need to be adaptable to respond to changing market conditions, new opportunities, and the evolving goals of member organisations.
Achievability	Weak	An Alliance does not align with Government announcements on how ToUC legislation will be framed, which do not suggest need for pain share/gain share mechanism.

### 5.1.3 Joint Officials Group

A Joint Officials Group (JOG) is a group of officials from different organisations who collaborate based on mutually agreed, shared objectives. For particularly complex matters, a JOG can be set up using a MoU, to provide clearer guidelines. However, as an agreement-based structure, it lacks legal accountability as is not legally enforceable. A JOG has been used by AT, under the Auckland Transport Strategy and Funding Project Joint Officials Group.

#### *What you need to make it work*

To support the creation of a JOG, the following should be considered:

- Participating organisations identified.
- A defined purpose of the JOG.
- Goals and objectives that are specific, measurable, and time bound.
- The allocation of responsibilities across members of the JOG.
- A process by which to resolve conflicts or disputes that may arise.

*Table 9: Alignment of a JOG to guiding principles*

Principle	Alignment	JOG
Accountability	Weak	A JOG lacks legal accountability due to the range of organisations involved, which can pose challenges in risk management and accountability.
Role clarity	Moderate	While a JOG may operate based on shared objectives, authority levels may be informally agreed upon, which could impact the efficiency and clarity of decision-making.
Complexity	Moderate	A JOG is often established to address complex issues that require coordination across multiple organizations, but the governance structure is kept relatively simple.
Adaptability	Strong	The agreement-based nature of a JOG allows for a high degree of adaptability, enabling it to respond to changes and adjust its approach as necessary.
Achievability	Moderate	A JOG is achievable, though does not have any unique benefits that would give rise to its use.

### 5.1.3 Lead Agency

A Lead Agency is a designated organisation or government body tasked with leading or coordinating a specific project or initiative. The Lead Agency is the single point of accountability, and is responsible for streamlining decisions, which can place a significantly larger burden on the Lead Agency's resources and may lead to conflict if the interests of all parties are not represented.

#### *What you need to make it work*

To support the creation of Lead Agency, the following should be considered:

- A clear mandate, including well-defined scope of authority and responsibilities for the Lead Agency.
- Adequate resource allocation of the Lead Agency.

- Engagement between the Lead Agency and other relevant parties to understand their interests and ensure their representation in the decision-making process.
- Robust communication channels for transparent and timely information sharing among all entities involved.
- Mechanisms for managing and resolving conflicts that may arise due to differing interests among the parties.
- Measures to maintain accountability, such as reporting requirements and performance evaluations, to track progress and outcomes.

Table 10: Alignment of a Lead Agency to guiding principles

Principle	Alignment	Lead Agency
Accountability	Moderate	A Lead Agency has clear accountability for leading or coordinating the project or initiative, which can enhance risk management and responsibility. However, the absence of a legislative mandate restricts overall accountability of the governance structure.
Role clarity	Strong	A Lead Agency has designated authority to streamline decision-making processes, which can lead to more efficient and effective governance.
Complexity	Moderate	The scale and complexity of the project will determine the robustness of a Lead Agency structure.
Adaptability	Moderate	The Lead Agency has flexibility to adapt to changes as the key decision-maker, but this burden of responsibility may reduce appetite to do so.
Achievability	Variable	As the key decision-maker, the Lead Agency may compromise the ability for genuine collaboration between parties.

#### 5.1.5 Agreement-based partnership overview

Agreement-based entities, such as MOUs, JOGs and Alliances are well aligned to the early stages of the ToUC scheme, as at these stages, timely establishment and collaboration need not be delayed by the establishment of formal entities with clearer accountability.

An MoU is the most suitable agreement-based structure due to its ability to be established in a timely fashion and foster genuine collaboration. Comparatively, the gain and pain share element of Alliances, formality of a JOG and its establishment, and the Lead Agency as the streamliner of decision making makes these agreement-based partnerships less favourable.

As the ToUC scheme progresses to implementation, monetisation and operation phases, a shift from an MoU to more formal governance structures will be required.

Table 11: Agreement-based structures

Partnership option	Critical points	Alignment to Guiding Principles
<b>MOU</b>	<ul style="list-style-type: none"> <li>• Timely to establish</li> <li>• Fosters genuine collaboration</li> <li>• Lack of accountability not a critical concern in early phases of the ToUC scheme.</li> </ul>	Aligned
<b>Alliance</b>	<ul style="list-style-type: none"> <li>• Requires clearly defined roles and responsibilities</li> <li>• Adopts a pain share / gain share mechanism.</li> </ul>	Not aligned
<b>JOG</b>	<ul style="list-style-type: none"> <li>• Less timely to establish given need to form the JOG member organisations</li> <li>• Does not have any unique benefits that give rise to its use</li> </ul>	Not aligned
<b>Lead Agency</b>	<ul style="list-style-type: none"> <li>• Single point of accountability which may limit the representation of ideas by other parties and genuine collaboration.</li> </ul>	Not aligned

## 5.2 Formal entity-based structures

This section provides an in-depth analysis of three potential organisational structures for the implementation of a congestion charging scheme: Special Purpose Vehicles (SPVs), Schedule 4A companies, and Trading companies or Council-Controlled Organisations (CCOs/CCTOs). Each structure is evaluated based on its ability to isolate financial risk, ensure accountability, and align with project objectives and stakeholder interests. The analysis covers the essential components required for the successful operation of these entities, including legal and financial structuring, governance frameworks, stakeholder coordination, and adaptability to project needs. The exploration aims to identify the most suitable organisational framework that balances the complexities of managing a congestion charging scheme with the imperative of public service and accountability, providing a foundation for informed decision-making in the scheme's implementation.

### 5.2.1. Special Purpose Vehicle

A Special Purpose Vehicle (SPV) is a separate legal entity which can be a subsidiary company created to isolate financial risk for a specific purpose or project. SPVs are commonly used in project financing. As a highly structured entity, financial risk is isolated, and parent organisations can be protected against liabilities associated with the project. However, establishment can be complex and requires significant administrative oversight.

An SPV can be a company, limited partnership, Crown entity, or other person. This suggests it is feasible for an SPV to be jointly owned, provided that it meets the required ownership structure, in this case, most likely to be a limited partnership. This allows for shared ownership and control, which can be beneficial for projects that are collaborative in nature. The exact structure of the SPV would be contingent upon the project's goals, legal requirements, and the agreements between the involved agencies. Establishing an SPV with multiple parent agencies necessitates meticulous legal and financial structuring to ensure clarity in governance, risk management, and operational duties, safeguarding the interests of all stakeholders. Examples of SPVs include Auckland System Management and Wellington Gateway Partnership.

#### *What you need to make it work*

To support the creation of an SPV, the following should be considered:

- **Formation:** establishment of the SPV as a separate legal entity, whether it be a company, limited partnership, or Crown entity, in accordance with legal requirements.
- **Ownership structure:** defined ownership structure, ensuring it aligns with the project's goals and allows for shared control, particularly if the SPV is to be jointly owned.
- **Clear objectives:** clear and specific objectives for the SPV that are directly related to the project's purpose.
- **Governance framework:** a detailed governance framework that outlines the roles, responsibilities, and decision-making processes of all parties involved.
- **Risk isolation mechanisms:** mechanisms to isolate financial risk and protect parent organisations from liabilities associated with the project.
- **Administrative oversight:** robust administrative systems for oversight and management of the SPV's operations.

- Financial structuring: carefully structured the financial aspects of the SPV to ensure transparency and accountability.
- Legal and financial agreements: legal and financial agreements between the involved agencies to safeguard stakeholder interests.
- Compliance: positioning the SPV to comply with relevant legal requirements.
- Exit strategy: a planned exit strategy for the SPV that considers the end of the project or the achievement of its objectives.

*Table 12: Alignment of a SPV to guiding principles*

Principle	Alignment	SPV
Accountability	Strong	SPVs are accountable for the delivery of the project they are created specifically to complete.
Role Clarity	Strong	The creation of an SPV generally entails a well-defined governance structure with clear roles and responsibilities. However, this is dependent on the effort put into role clarity in its establishment.
Complexity	Moderate	The ability of an SPV to manage ToUC will depend on what parameters are put on the SPV's governance framework to support adaptability to complex circumstances.
Adaptability	Weak	SPVs are created for the delivery of a specific project and generally have little ability to adapt beyond this scope. Decision-making processes within SPVs can rigid, which may limit the agility of the SPV.
Achievability	Moderate	An SPV could be stood up, but the scope of activity required for a ToUC scheme generally does not align with the project-specific nature of an SPV.

### 5.2.2 Schedule 4A Company

Schedule 4A companies under the Public Finance Act 1989 are established to pursue shared objectives which can be supported by joint ownership (with the Crown as sole or majority shareholder). The structure provides clear legal governance and accountability as a legally enforceable mechanism. Inherently, this means its establishment can be timely. However, once established, Schedule 4A companies have a proven ability to navigate complex projects and remain adaptable over time. Examples include City Rail Link Limited and Crown Infrastructure Partners Limited (formerly known as Crown Fibre Holdings Limited).

#### *What you need to make it work*

To support the creation of a Schedule 4A Company, the following should be considered:

- Agreed joint ownership: clear terms for joint ownership, including the shareholding of the Crown as a majority shareholder.
- A decided framework: a legal governance framework that provides clear guidelines for operation and accountability.
- Compliance: adherence to the Public Finance Act 1989 and other governing legislation.
- Defined objectives: specific objectives that the Schedule 4A company is to pursue.
- Transparent decision-making: a transparent decision-making process that is both compliant and time effective.



- **Efficient administrative processes:** streamlined processes to mitigate the risk of time inefficiencies and subsequent impacts on the project.
- **Risk management strategy:** a comprehensive risk management strategy that aligns meets obligations of the Company.
- **Performance Monitoring:** systems for regular performance monitoring and evaluation to ensure accountability.
- **Flexibility Mechanisms:** the incorporation of mechanisms that allow for some degree of flexibility and adaptability to respond to dynamic project needs.

*Table 13: Alignment of a Schedule 4A Company to guiding principles*

Principle	Alignment	Schedule 4A Company
Accountability	Strong	Schedule 4A companies have a clear legal governance structure and accountability mechanisms. They are designed to allocate risks appropriately, with the Crown as a major stakeholder, ensuring that risks are managed by the entity best equipped to do so.
Role Clarity	Strong	The legal framework of Schedule 4A companies defines roles and responsibilities explicitly, facilitating effective governance and ensuring that each party understands their duties in the delivery of objectives.
Complexity	Moderate to High	Schedule 4A companies are capable of managing complex operations due to their structured legal and bureaucratic nature. However, this complexity may pose challenges in scaling and adapting to changes, requiring careful consideration to ensure alignment with the scale and complexity of the governance structure.
Adaptability	Moderate	The inherent rigidity of Schedule 4A companies can impede flexibility and responsiveness to project changes. To improve adaptability, it is necessary to incorporate mechanisms within the company's structure that allow for adaptability while maintaining alignment with the framework in which it exists.
Achievability	Strong	City Rail Link Limited (CRL) was established in 2017 as a Schedule 4A company and has full governance, operation and financial responsibility for City Rail Link, with clear delivery targets and performance expectations. <sup>3</sup> The entity is owned by the Crown and Auckland Council and is governed by a board of chairman and directors. CRL has proven Schedule 4As to be an achievable governance structure, similarly applicable to the charging scheme.

### 5.2.3 Council Controlled Trading Organisation or Council Controlled Organisation

Council-Controlled Organisations (CCOs) and Trading Organisations (CCTOs) are set up by local authorities to undertake activities on their behalf and are governed by the Local Government Act 2002. In Auckland, there is some coordination risk given the potential difficulty of aligning multiple local boards within the framework. There are a number of examples of these including Auckland Transport itself, some airports in New Zealand which are partially owned by the council and also have a Crown interest (e.g. Christchurch and Taupo). The principal question around these organisations is their nature and imperatives, which may be at odds with the principles around congestion charging schemes. Principally, a CCO/CCTO structure may be at odds of the policy intent where NZTA is the “majority partner”.

<sup>3</sup> CRL Ltd — City Rail Link



Moreover, a CCO undertaking transport functions in Auckland would beg the question why AT itself does not undertake the functions. A CCTO is an organisation that operates a trading undertaking for the purpose of making a profit. This immediately signals the governance structure as unsuitable as it has been clearly indicated that the focus should be on reduced congestion and improved service levels rather than revenue. Examples of CCOs include Auckland Transport, Watercare Services Limited, and Eke Punuku Development Auckland, while CCTOs include Christchurch International Airport Limited, Dunedin International Airport Limited and Hawke's Bay Airport Limited.

#### *What you need to make it work*

To support the creation of a CCO or CCTO, the following should be considered:

- **Local Authority Approval:** endorsement of the local authority or authorities responsible for setting up the CCO or CCTO.
- **Alignment with Local Objectives:** the CCO or CCTO's activities must align with the strategic objectives and policies of the local authority.
- **Governance Structure:** that clearly defines the roles, responsibilities, and decision-making authority within the organisation.
- **Stakeholder Coordination:** strategies to coordinate effectively among multiple local boards and stakeholders to mitigate coordination risks.
- **Compliance:** adherence to the requirements of the Local Government Act 2002 and any other relevant legislation governing CCOs and CCTOs.
- **Financial oversight:** robust financial oversight mechanisms to manage budgets, funding, and revenue with a focus on service levels rather than profit.
- **Performance Measurement:** clear performance measurement and reporting systems to monitor the effectiveness of congestion management.
- **Public Accountability:** transparency in operations and decision-making processes.
- **Conflict Resolution:** a conflict resolution framework to address any disputes that arise.
- **Adaptability to Change:** flexibility to adapt to changing market conditions, policy shifts, and community needs.

*Table 14: Alignment of a CCO or CCTO to guiding principles*

Principle	Alignment	CCO or CCTO
Accountability	Moderate to Strong	CCOs/CCTOs are accountable to the local authorities that establish them, ensuring that responsibilities and risks are managed effectively. However, the coordination among multiple local boards introduces potential risks and challenges in maintaining clear accountability.
Role Clarity	Moderate	The governance structure of CCOs/CCTOs defines roles and responsibilities, but the potential misalignment among local boards and the broader policy objectives can complicate governance and effective delivery.
Complexity	Moderate to High	CCOs/CCTOs are capable of managing complex operations and activities on behalf of local authorities. However, the involvement of

		multiple stakeholders and the need to align with various local objectives can increase complexity.
Adaptability	Moderate	CCOs/CCTOs have the potential to adapt to changing market conditions and policy shifts. However, their ability to adapt is often constrained by the need to balance commercial goals with the overarching public service objectives, particularly in relation to congestion charging schemes.
Achievability	Moderate	The structure of CCOs/CCTOs aligns with local government legislation and frameworks, making them a viable option for undertaking activities on behalf of local authorities. However, aligning their commercial imperatives with the specific objectives of congestion charging schemes and ensuring that they complement rather than conflict with the roles of other entities like NZTA or AT can be challenging.

### 5.2.5 Summary of entity-based structures

A Schedule 4A company is the most optimal governance structure for the ToUC scheme. These companies have a proven ability to manage complex operations, maintain public accountability, and deliver outcomes within governing regulatory standards. Comparatively, a CCO/CCTO is likely to be at odds of the policy intent signalled by the Cabinet paper indicating NZTA as the “majority partner”, while the limited scope and lack of continuity of an SPV makes it unsuitable for ToUC. As the scheme progresses to implementation, operation and monetisation phases, a Schedule 4A Company becomes the most suitable governance structure.

Table 15: Entity-based structures

Partnership option	Critical points	Alignment to Guiding Principles
<b>Schedule 4A Company</b>	<ul style="list-style-type: none"> <li>• Maintains public accountability</li> <li>• Must operate within governing regulations, though maintains sufficient flexibility to manage complex operations (as demonstrated by CRLL, similarly applicable to ToUC)</li> </ul>	Aligned
<b>CCO/CCTO</b>	<ul style="list-style-type: none"> <li>• The role of a local authority in a CCO/CCTO conflicts with policy intent signalled by the Cabinet paper.</li> </ul>	Not aligned
<b>SPV</b>	<ul style="list-style-type: none"> <li>• Suited to the delivery of specific projects</li> <li>• Lacks the continuity required (and can dissolve on completion of the project)</li> </ul>	Not aligned

## 6. Overview

The Cabinet paper from the Minister of Transport has set the stage for a partnership-led congestion charging scheme in Auckland, with NZTA as the majority partner alongside participating local authorities. This partnership is poised to handle the scheme's development and operation, while the allocation of net revenues will be determined through collaboration between the Minister and local authorities. Our analysis has identified three strategic partnership options: agreement-based, formal-entity, and mixed-model partnerships, each evaluated against the scheme's required outputs and the capabilities and legal authorities of potential entities.

Findings suggest that while an agreement-based or formal-entity partnership could theoretically function, significant coordination challenges arise when considering the practicalities of vesting the scheme's powers in a single entity through regulation. These challenges render the establishment of a third RCA or the empowerment of an additional party for public transport in Auckland impractical. Consequently, a mixed-model partnership, which utilises both agreement-based and formal-entity elements is the most suitable option, offering the flexibility to adapt to legislative changes and operational needs throughout the scheme's lifecycle.

The scheme's timeline, comprising design, implementation, and operation phases, further influences the choice of governance model. The design phase is best served by an agreement-based partnership, specifically an MoU, allowing for swift and effective collaboration without the need for a new entity. As the scheme moves into implementation and operation phases, the mixed-model partnership becomes preferable for its adaptability, especially if legislation calls for a formal entity to manage aspects such as revenue collection, management, and scheme administration. An indicative revenue structuring between the entity and stakeholders is provided in Appendix C. The most suitable entity structure is a Schedule 4A company, which may adopt a governance structure similar to that outlined in Appendix D.

In conclusion, the mixed model stands out as the preferred governance option for the Auckland congestion charging scheme. Its ability to integrate the strengths of both agreement-based and formal entity-based governance structures, coupled with its adaptability across the scheme's timeline, positions it as the most pragmatic and strategic choice for ensuring the scheme's success.

## Appendices

### A. Ministerial announcements

Table 14 provides a summary of key governance commentary arising from ministerial announcements.

Table 16: Summary of governance commentary

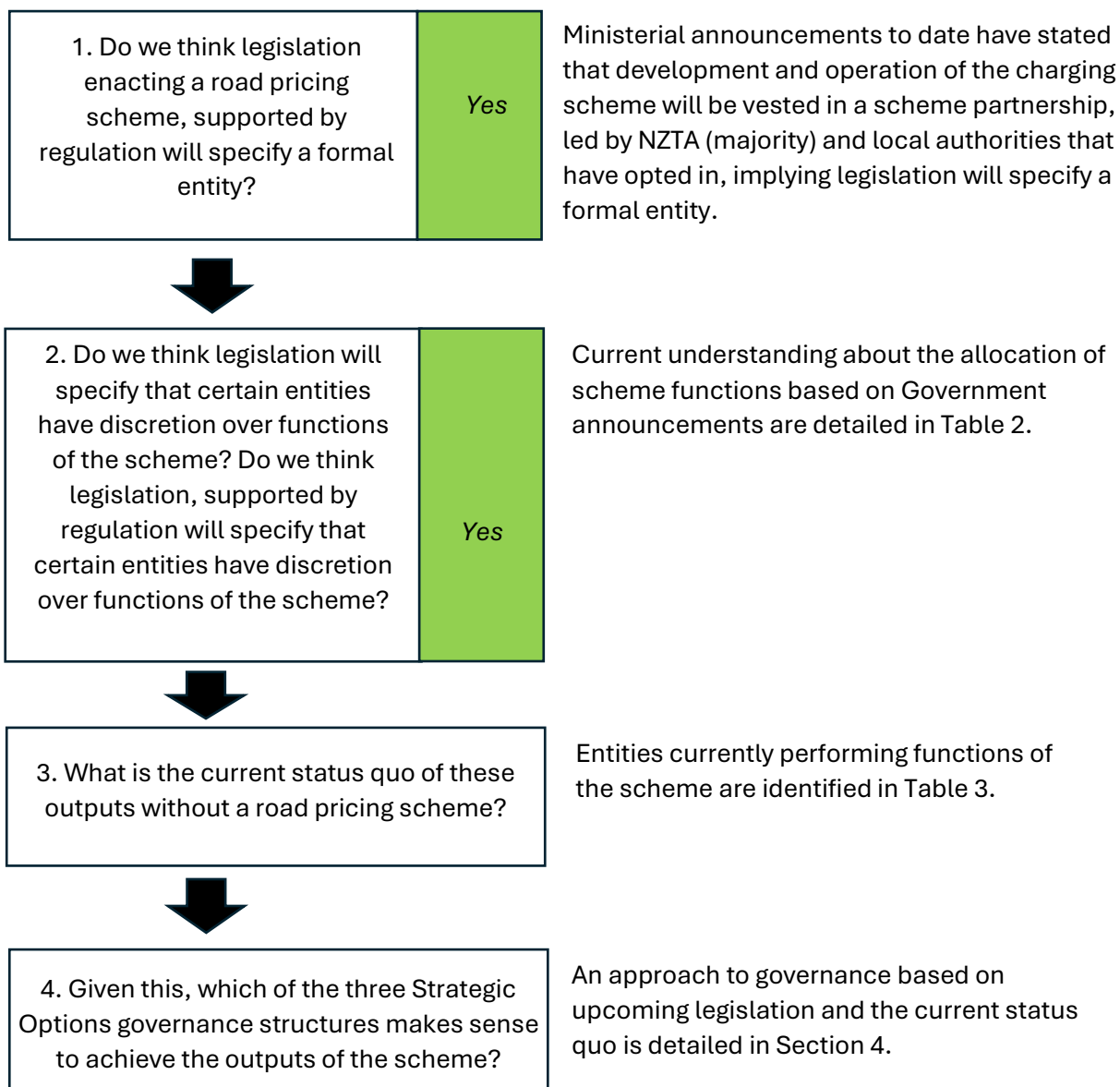
Subject and source	Related text
<b>1. Cabinet Paper, CB-24-MIN-0072</b>	
Charging scheme partnership (p15, cl 5)	The Minister of Transport recommended the Committee “agree that after initiation a charging scheme partnership be tasked with the development and operation of the charging scheme, consisting of the local authorities that have opted in and NZTA as the majority partner, except for the allocation of net revenues which shall be agreed by the Minister of Transport and the local authority members of the partnership.”
Powers of the charging scheme partnership (p 15, cl 10)	The Minister of Transport recommended the Committee agree that the charging scheme partnership... <ul style="list-style-type: none"> <li>• “can vary charges within the maximum charge...”</li> <li>• “can vary the service levels, charging area, frequency of charge adjustments, and the investment approach subject to public consultation.”</li> <li>• “cannot vary the scheme area, maximum charge or the process for adjusting the maximum charge over time.”</li> </ul>
Allocation of revenue (p16, cl 12.3)	The Minister of Transport recommended the Committee “agree that revenue from approved time of use charging schemes be allocated in accordance with the investment agreement between the Minister of Transport and the local authority members of the partnership...”
<b>2. Press release, 12 August 2024<sup>4</sup></b>	
Charging scheme partnership	“Local councils will propose schemes in their region, with the NZ Transport Agency (NZTA) leading the design of the schemes in partnership with councils to provide strong oversight and to ensure motorists benefit from these schemes.”
<b>3. Ministry of Transport &amp; NZTA Factsheet<sup>5</sup></b>	
Charging scheme partnership	“The NZ Transport Agency (NZTA) will lead the design of schemes in partnership with local authorities to provide strong oversight that ensures New Zealanders are benefiting from the time of use scheme.”
Charging scheme partnership	“Schemes will be developed and operated in partnership with NZTA, who will be the majority partner. The Government will be able to propose a scheme, through NZTA.”
Legislation enabling partnership	“Schemes will need to be developed by a charging partnership that is led by the NZTA.”
Use of net revenues	“The proposed design sets out that local authority members of the partnership and the Minister of Transport will agree how net revenues are to be spent.”
Function of partnerships	“To ensure optimal scheme effectiveness, partnerships will have some flexibility over scheme operation.”

<sup>4</sup> [Time of use schemes to reduce travel times | Beehive.govt.nz](https://www.beehive.govt.nz/time-of-use-schemes-to-reduce-travel-times)

<sup>5</sup> [Time of Use Schemes Factsheet\\_0.pdf \(beehive.govt.nz\)](https://www.beehive.govt.nz/time-of-use-schemes-factsheet)

## B. Logic Chain

To determine what governance structure is most suited to achieving the outputs of the scheme, we have adopted the following approach.



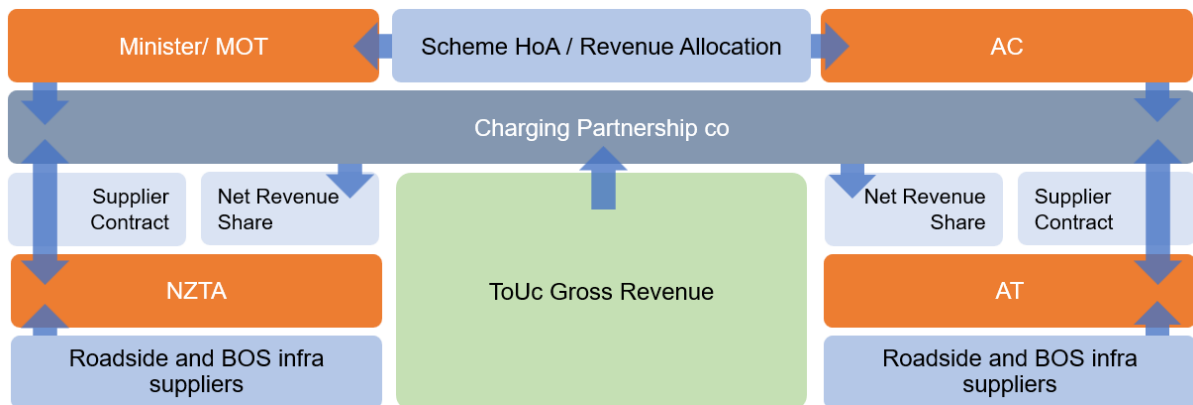
There are three critical considerations stemming from the logic chain:

- Aspects of ToUC, such as the placement of cameras and potential reallocation of road space will almost certainly require action by an RCA. We consider it unlikely that the regulations will grant RCA power to the ToUC entity as it would effectively create a second RCA for the road in question.
- Provision of mitigations and complementary measures will require the procurement of additional public transport. Existing public transport contracting models are structurally embedded. It is difficult to envisage a delivery function that would not utilise these structures.
- Consideration needs to be given to independence issues, and the scope of authority to deliver on outputs required of the scheme.

## C. Revenue structuring

Figure 5 illustrates the flow of revenue and contractual relationships among various entities my operate under the existence of a charging partnership (Charging Partnership Co). Charging Partnership Co would receive gross revenue from the scheme and would then be tasked with the distribution of net revenue shares to key stakeholders, including the Minister/MOT, AC, AT, and NZTA via supplier contracts.

Figure 5: Revenue Flow Diagram



## D. Potential organisational structure

The organisational structure for the Auckland congestion charge is envisaged to commence as an agreement-based collaboration, which may primarily involve seconded staff from AT and NZTA during the initial policy and scheme design phases. As the project transitions into the implementation phase, it is anticipated to evolve into a formal entity, complete with a dedicated board, which may comprise of a Chief Executive Officer (CEO), Chief Financial Officer (CFO), and a Chief Customer Officer (CCO), all of whom will be responsible for outputs of the scheme in the operation and monetarisation phases. This structure aims to ensure a robust governance framework that can effectively manage the complexities of the congestion charging scheme while maintaining clear lines of accountability and communication.

Figure 6: Potential organisational structure

