



Northern Gateway Toll Road

Operating report
for the six months ended 31 December 2011



NZ TRANSPORT AGENCY
WAKA KOTAHI

New Zealand Government

SUMMARY OF OUR ACTIVITIES

| | |
|--|---|
| 2.53 million TRIPS | Traffic volumes for this operating period are less than 1% below forecast, but have increased by 30,000 on the same period last year. |
| 4.3% RATE OF LEAKAGE | The leakage rate (where the toll payment is not collected) is well below the expected rate of 9% and below the industry standard of 10%. 3.8% of the leakage was due to road users failing to pay, and 0.5% due to technical loss and unidentifiable trips. |
| 94.7% TRIP PAYMENT COMPLIANCE | 94.7% of chargeable toll trips taken were also paid for during this six month operational period, which was almost the same as last year. |
| \$0.68 TRANSACTION COST | The transaction cost is lower than for the same period last year (\$0.74). Better targeted administration charges are reducing net operational expenditure. |
| 71.2% NETWORK USAGE | The percentage of total network traffic using the Northern Gateway toll road remains relatively stable (70.8% for the same period last year). |

OUR SUCCESSES

Introduction of payment charges on particular channels

From August 2011, payment charges were introduced for trip payments made through the Contact Centre and the roadside kiosks.

Further increases in number of tolls paid by account

Trips charged to toll accounts continued to increase, peaking at 272,000 during December.

Web usage increase

The purchase of casual trip passes over the website has continued to grow steadily. Use of the website to open accounts has also continued to increase each month since the announcement of payment channel charges.

OUR OPERATING RESULTS

TRAFFIC VOLUMES AND TOLL TARIFF REVENUE

| | Vehicle volumes (000) | | Base rate | Vehicle revenue (\$000) | |
|------------------------|-----------------------|--------------|------------|-------------------------|----------------|
| | Actual | Forecast | (GST incl) | Actual | Forecast |
| Light vehicles | 2,319 | 2,329 | \$2 | \$4,638 | \$4,658 |
| Heavy vehicles | 190 | 201 | \$4 | \$760 | \$804 |
| Total chargeable trips | 2,509 | 2,530 | | \$5,398 | \$5,462 |
| Exempt | 10 | 10 | | | |
| Unidentifiable | 5 | 10 | | | |
| Technical loss | 9 | 5 | | | |
| TOTAL | 2,533 | 2,555 | | \$5,398 | \$5,462 |

Technical loss trips were higher than expected due to a uninterrupted power supply component failure in December where 5,000 toll trips could not be identified from a lane or charged.

Trips by customer type per month

| | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|-------------------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Pre pay accounts | 205,336 | 206,832 | 208,639 | 230,426 | 230,840 | 245,545 | 1,327,618 |
| Post pay accounts | 24,094 | 26,538 | 25,949 | 26,016 | 28,276 | 25,063 | 155,936 |
| Compliant Casual | 118,388 | 97,775 | 98,872 | 122,807 | 114,508 | 185,719 | 738,069 |
| Non-compliant Casual* | 49,246 | 44,377 | 47,131 | 57,140 | 50,594 | 39,112 | 287,600 |
| Chargeable Trips | 397,064 | 375,522 | 380,591 | 436,389 | 424,218 | 495,439 | 2,509,223 |
| Exempt Accounts | 1,565 | 1,725 | 1,713 | 1,595 | 1,675 | 1,611 | 9,884 |
| Unidentified | 763 | 700 | 613 | 884 | 755 | 1,081 | 4,796 |
| Technical Loss | 513 | 419 | 426 | 432 | 823 | 6,324 | 8,937 |
| Total Trips | 399,905 | 378,366 | 383,343 | 439,300 | 427,471 | 504,455 | 2,532,840 |

*Non-compliant casual represents trips not paid within five days following the trip event and are therefore candidates for a toll payment notice, which may subsequently be paid.

TOLL REVENUE COLLECTION

The statement of toll revenue collection reports on the toll revenue portion of the toll tariff only.

| | Notes | Actual \$(000) | Budget \$(000) | Variance \$(000) | Variance % |
|--|----------|-------------------|-------------------|---------------------|---------------|
| Paid toll revenue: | | | | | |
| Light | | 2,447 | 2,433 | 14 | 1% |
| Heavy | | 533 | 561 | (28) | (5%) |
| Total paid toll revenue | 1 | 2,980 | 2,994 | (14) | (0%) |
| Interest on toll revenue | 2 | 19 | 19 | (0) | (0%) |
| | | | | | |
| Total funds available to be paid to Ministry of Transport for debt repayment: | | 2,999 | | | |
| Funds paid to Ministry of Transport in current financial year | | 1,402 | | | |
| Funds held by NZ Transport Agency subject to pay over to Ministry of Transport | 3 | 1,597 | | | |
| | | | | | |
| Unpaid toll revenue: | | | | | |
| Light | | 10 | 46 | 36 | 78% |
| Heavy | | 0 | 4 | 4 | 100% |
| Total unpaid toll revenue | 4 | 10 | 50 | 40 | 80% |
| | | | | | |

TOLL COMPLIANCE

Tolls were collected for 94.7% of chargeable trips in the six months ended December 2011. The remaining 5.3% equate to 133,000 unpaid trips with a revenue value of \$275,000.

| | Trips (000) | Revenue \$(000) |
|---|----------------|--------------------|
| Total chargeable toll trips | 2,509 | 5,398 |
| Total administration charges | | 983 |
| Total tolling revenue | | 6381 |
| | | |
| Paid toll trips | 2,376 | 5,123 |
| Paid administration charges | | 662 |
| Paid tolling revenue | | 5,785 |
| | | |
| Unpaid toll trips | 133 | 275 |
| Unpaid administration charges | | 321 |
| Unpaid tolling revenue | | 596 |
| | | |
| Toll trip payment compliance | 94.7% | |
| Administration charge payment compliance | | 67.3% |

OPERATIONAL COST PER TRANSACTION

Administration revenue relates to toll payment notices, postal delivery of tax invoices and statements, dishonour charges, and payment channel charges. In this period, 67.3% of toll payment notice administration charges invoiced were collected.

| Operational expenditure | (000) |
|---|---------------|
| Operational expenditure (net of doubtful and bad debts) | \$2,461 |
| Less costs covered by administration revenue collected | \$(750) |
| | \$1,711 |
| Total toll trips | 2,509 |
| Operational cost per transaction | \$0.68 |

TOLL PAYMENT NOTICES

A toll payment notice is sent to the registered person in relation to a vehicle five days after a toll has been incurred if payment has not been received. A \$4.90 administration charge is added to the outstanding tolls (the administration charge increased from \$2.20 on 1 August 2011).

| Toll payment notices | Number | Amount | % |
|----------------------|---------|-------------|-----|
| Issued | 219,949 | \$1,584,267 | |
| Paid | 150,270 | \$1,070,253 | 68% |
| Unpaid | 58,387 | \$432,456 | 27% |
| Written off | 8,396 | \$61,159 | 4% |
| Reissued | 2,896 | \$20,399 | 1% |

CHARGES RECEIVED IN CONNECTION WITH SECTION 51(4) OF THE LAND TRANSPORT MANAGEMENT ACT

No charges are received in connection with the administration of the toll collecting method available to be imposed under section 51(4) of the Land Transport Management Act.

FINANCIAL STATEMENTS

| STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2011 | | | | | |
|--|-----------------|-----------------|-------------------|---------|-----------------|
| | Year to date | | | | Year end |
| | Actual \$000 | Budget \$000 | Variance \$000 | % | Budget \$000 |
| INCOME | | | | | |
| Revenue from third parties | 2,567 | 2,283 | 284 | 12% | 5,294 |
| Total income | 2,567 | 2,283 | 284 | 12% | 5,294 |
| EXPENDITURE | | | | | |
| Personnel costs | 778 | 611 | (167) | (27%) | 2,382 |
| Operating expenses | 1,429 | 1,210 | (219) | (18%) | 2,877 |
| Depreciation and amortisation expense | 328 | 18 | (310) | (1722%) | 35 |
| Total expenditure | 2,535 | 1,839 | (696) | (38%) | 5,294 |
| NET SURPLUS/(DEFICIT) | 32 | 444 | (412) | (93%) | 0 |

Revenue from third parties

Revenue to date was ahead of budget, driven by an increase in administration charges paid following the implementation of payment channel charges, and the increase in the administration charge on toll payment notices, which was not anticipated at the time of setting the budget.

Operating expenses

Operating expenses are above budget resulting from:

Transaction costs – being \$90k (23%) ahead of budget. This is largely attributable to increases in both the value and number of payments made by credit card, increasing credit card commissions. Kiosk cash handling fees are also contributing to this variance as a result of changes to cash clearing processes and frequencies.

Corporate services costs – being \$124k over budget, largely due to higher marketing costs and allowances for doubtful debts.

Depreciation and amortisation expense

The impact of depreciation was not fully reflected when the budget was developed.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011**

| | Actual \$000 | Opening \$000 | Movement \$000 |
|--------------------------------------|-----------------|------------------|-------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 4,304 | 3,893 | 411 |
| Debtors and other receivables | 1,058 | 2,726 | (1,668) |
| Total current assets | 5,362 | 6,619 | (1,257) |
| NON-CURRENT ASSETS | | | |
| Roadside hardware/software | 3,609 | 3,920 | (311) |
| Total non-current assets | 3,609 | 3,920 | (311) |
| TOTAL ASSETS | 8,971 | 10,539 | (1,568) |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Creditors and other payables | 1,859 | 2,170 | 311 |
| Tolling funds held in trust | 2,771 | 2,943 | 172 |
| TOTAL LIABILITIES | 4,630 | 5,113 | 483 |
| NET ASSETS | 4,341 | 5,426 | (1,085) |
| EQUITY | | | |
| Retained funds - NZ Transport Agency | 4,341 | 5,426 | (1,085) |
| TOTAL EQUITY | 4,341 | 5,426 | (1,085) |