



# Northern Gateway Toll Road

Operating report to the Minister of Transport  
for the six months ended 31 December 2012



NZ TRANSPORT AGENCY  
WAKA KOTAHI

New Zealand Government

## EXECUTIVE SUMMARY

**2.6 million  
TRIPS**

Traffic volumes for this operating period are 1.76% above the figure forecast at the beginning of the year. The actual number of trips is 69,000 higher than for the same period last year.

**95.4%  
TRIP PAYMENT RATE**

Overall 95.4% of all chargeable tolls were paid within the reporting period. This is a increase of 0.7% for the same period last year.

**\$0.65c  
NET OPERATIONAL COST PER  
TRANSACTION**

The net operational cost per transaction is lower than for the same period last year (\$0.68). This reduction is attributable to lower expenses and a higher collection of paid administration revenue this year than for the same period last year.

**71.8%  
NETWORK USAGE**

The percentage of total network traffic using the Northern Gateway Toll Road remains relatively stable.

**\$325,909  
WRITTEN OFF DUE TO AGE**

The amount of toll revenue written off due to age was \$115,899 and administration charge revenue written off due to age was \$210,010. Debt previously written off but then recovered during this period was \$27,197.

### Online payment uptake increases

This operating period has seen a further increase in customers using online services to 77.6%. Toll road account volumes have continued to grow and are accounting for an increased percentage of trips paid by account, peaking at 66% during August. Casual trip passes being purchased via the website have also increased while contact centre and kiosk purchases have continued to reduce.

### Improved Payment Compliance

This operating period has seen yet another gradual drop in the % of notices issued to tolls not paid within the 5 days allowed. Although a small gain this continues the recent trend over the last few reporting periods. The % of paid notices also continues to increase as enforcement action appears to be having an effect on the timing of payments being made.

### Improved Customer Service

This operating period saw the contact centre open on public holidays from 8am till 8pm, with the only exception being Christmas day, to provide services and information to those travellers not familiar with the toll road and paying for tolls.

### Increase in Network Usage

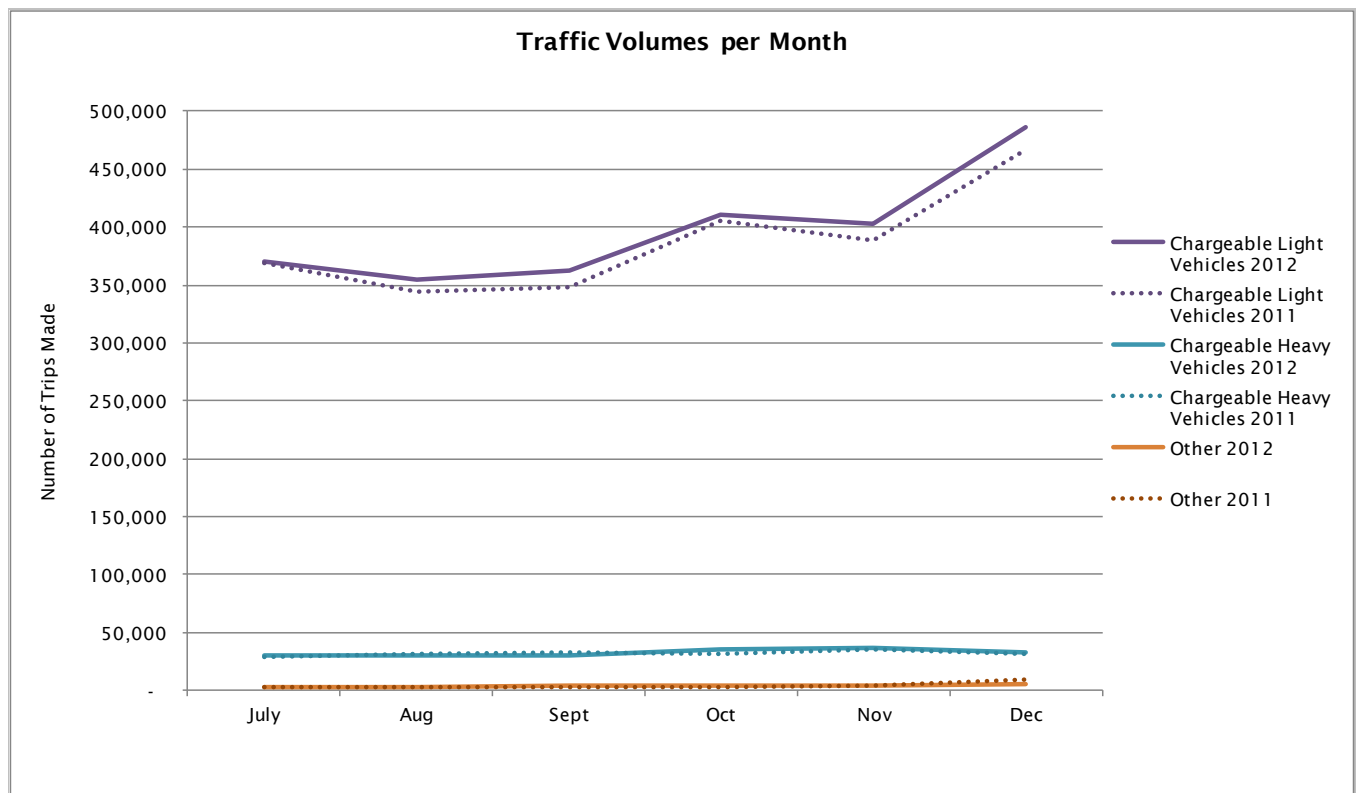
This operating period saw a slight increase (0.5%) in the traffic using the NGTR in relation to the alternate free route through Orewa (SH17).

# VOLUMES AND REVENUE

## Traffic volumes and toll tariff revenue

	Vehicle volumes (000)		Base rate (GST incl)	Vehicle revenue (\$000)	
	Actual	Forecast		Actual	Forecast
Light vehicles	2,386	2,338	\$2.20	5,249	5,144
Heavy vehicles	194	194	\$4.40	855	855
Total chargeable trips	2,580	2,532		6,104	5,999
Exempt	10	10			
Unidentifiable	5	5			
Technical loss	7	10			
<b>TOTAL</b>	<b>2,602</b>	<b>2,557</b>		<b>6,104</b>	<b>5,999</b>

Traffic volumes were up on the same period last year by approximately 69,000 trips. Trip volumes were also 1.76% ahead of the 2.56 million trips forecast for this period, and consequently toll revenue is \$105,000 above forecast for this period.



## TOLL PAYMENTS RECEIVED

### Level of tolls paid

Tolls were collected for 95.4% of the 2.58 million chargeable trips undertaken in the six months ending 31 December 2012.

	Trips (000)	Revenue \$(000)
Total chargeable toll trips	2,580	6,104
Total administration charges		990
<b>Total tolling revenue</b>		<b>7,094</b>
Paid toll trips	2,460	5,831
Paid administration charges		680
<b>Paid tolling revenue</b>		<b>6,511</b>
Unpaid toll trips	120	273
Unpaid administration charges		310
<b>Unpaid tolling revenue</b>		<b>583</b>
Administration charge payment percentage (rate)		<b>68.7%</b>
<b>Toll trip payment percentage (rate)</b>	<b>95.4%</b>	

Administration charges relate to toll payment notices issued for trips not paid for within 5 days of the trip.

### 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.

Toll payment notices	Number	Amount	%
Issued	205,217	\$1,621,690	
Paid	136,296	\$1,078,841	67%
Unpaid	59,610	\$469,159	29%
Written off	6,203	\$49,379	3%
Reissued <sup>2</sup>	3,108	\$24,311	1%

<sup>2</sup>Toll payment notices can be reissued where a statutory declaration is provided by the registered person detailing the driver at the time and transferring liability to that person.

## Toll payment notices - continued

The table below highlights the average toll debt is of a low value, with 80.2% of total debt associated with debtors who owed less than \$50 in unpaid tolls and administration charges. The average value of toll payment notices owed per vehicle is \$14.75.

Toll payment notice debtor schedule	Number	Value	% of Total
>\$300 debt	55	27,888	5%
\$200≤debt<\$300	49	11,976	2%
\$100≤debt<\$200	211	28,347	5%
\$50≤debt<\$100	747	50,692	8%
\$20≤debt<\$50	4,444	129,150	21%
\$10≤debt<\$20	10,570	156,047	26%
\$5≤debt<\$10	24,556	196,103	33%
<\$5	74	276	0%
<b>TOTAL</b>	<b>40,706</b>	<b>\$600,479</b>	<b>100%</b>

## RECOVERY OF UNPAID TOLLS AFTER 5 DAYS

### TOLL DEBT REFERRAL, DEBT RECOVERY AND WRITE OFFS

On average 68.7% of toll payment notices issued this period have been paid. Those not paid by their due date are referred to our collection agent to pursue.

Total toll payment notices financially written off this operating period, due to the length of time outstanding is \$325,909, which consists of both toll debt \$115,899, and unpaid administration charges \$210,010. These toll payment notices are still payable, and the debt continues to be pursued by our debt collection agency. Where recovery can be achieved, the total debt owed including previously written off debt, is sought and recovered.

During this operating period \$27,197 of previously written off debt was recovered.

#### Toll payment notices written off due to age

	31 Dec 12 Amount	31 Dec 11 Amount
Toll	\$115,899	\$129,881
Administration charge <sup>1</sup>	\$210,010	\$108,578
	<b>\$325,909</b>	<b>\$238,459</b>

#### Toll debt previously written off and recovered

	31 Dec 12 Amount	31 Dec 11 Amount
Toll	\$14,682	\$18,085
Administration charge	\$12,515	\$13,193
	<b>\$27,197</b>	<b>\$ 31,278</b>

#### Toll payment notices which cannot be collected

	31 Dec 12 Amount	31 Dec 11 Amount
Statutory declarations completed where stated driver (hirer) resides overseas	\$26,960	\$29,483
Statutory declarations completed where the vehicle has been reported stolen	\$420	\$266
Toll payment notices incorrectly issued	\$13,270	\$12,726
Insufficient registered owner/plate information for the vehicle	\$17,261	\$16,236
	<b>\$57,911</b>	<b>\$58,711</b>

<sup>1</sup> Administration charges written off of this year are a higher dollar value than for the same period last year. This is due to the administration charge applied to toll payment notices increasing from \$2.20 to \$4.90 on the 01 August 2011. The administration charges written off in December 2011 were all at the \$2.20 amount where the charges written off of this year are all at \$4.90.

## REVENUE AND EXPENDITURE

The toll tariff consists of toll revenue that is designated to be used to repay the debt, toll operating revenue retained by the NZTA, and GST. A breakdown of how tolls are allocated is contained in the table below:

	Light	Heavy
	\$2.20	\$4.40
Toll revenue (amount to be paid to the MOT to repay loan)	\$1.21	\$3.13
Toll operating revenue (amount retained by the NZTA to administer system)	\$0.70	\$0.70
GST	\$0.29	\$0.57

### Toll Revenue Collection

The statement of toll revenue collection reports on the toll revenue portion of the toll tariff only. This is paid to the Ministry of Transport to meet debt repayments.

STATEMENT OF TOLL REVENUE FOR THE SIX MONTHS ENDING 31 DECEMBER 2012				
		Actual to 31 Dec 12 \$000	Budget to 31 Dec 12 \$000	Actual to 31 Dec 11 \$000
	Note			
<b>Paid toll Revenue</b>				
Light		2,804	2,758	2,447
Heavy		602	600	533
Total Paid Revenue	1	3,406	3,358	2,980
Interest on toll revenue	2	22	20	19
<b>Total funds available to be paid to Ministry of Transport for debt repayment:</b>	3	3,428		2,999
Funds paid to Ministry of Transport in current financial year		1,583		1,402
Funds held by NZ Transport Agency subject to pay over to Ministry of Transport		1,845		1,597
<b>Unpaid toll revenue</b>				
Light		26	19	10
Heavy		1	5	0
Total unpaid toll revenue	4	27	24	10

**1. Paid toll revenue** – Paid toll revenue is the portion of all paid tolls that is designated to be used to repay the debt incurred to build the road. Total paid toll revenue is 1% (\$48,000) greater than budget.

**2. Interest on toll revenue** – Interest is earned daily on balances held for payover to the Ministry of Transport and credited to the toll revenue account on a monthly basis. This interest is included in the debt repayment to the Ministry of Transport memorandum account.

**3. Funds available to be paid to the Ministry of Transport for debt repayment** – Total toll revenue collected in this reporting year was \$3,428 million, of which \$1,583 million was paid to the Ministry of Transport within the reporting period. The balance of the collected toll revenue (\$1,845 million) was paid to the Ministry of Transport on 9 January 2013.

**4. Unpaid toll revenue** – Unpaid toll revenue is the portion of all unpaid tolls that is designated to be used to repay the debt to construct the road. Once collected this amount will be paid to the Ministry of Transport for debt repayment.

### Operating Revenue and Expenditure

The statement of comprehensive income reports on the operating revenue portion of the toll tariff and administration revenues which are retained by the NZTA to cover direct operating costs. As tolling is currently a marginal cost business, this expenditure does not include any overhead expenses.

STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDING 31 DECEMBER 2012				
	Note	Actual to 31 Dec 12 \$000	Budget to 31 Dec 12 \$000	Actual to 31 Dec 11 \$000
<b>INCOME</b>				
Operating charges	1	1,810	1,778	1,635
Administration revenues		935	1,060	926
Interest		7	5	6
<b>Total income</b>		<b>2,752</b>	<b>2,843</b>	<b>2,567</b>
<b>EXPENDITURE</b>				
Transaction related costs	2	417	452	477
System support and maintenance costs	3	693	1,052	780
Operating costs	4	1,440	1,326	1,278
<b>Total expenditure</b>		<b>2,550</b>	<b>2,830</b>	<b>2,535</b>
<b>NET SURPLUS/(DEFICIT)</b>	5	<b>202</b>	<b>13</b>	<b>32</b>

**1. Income** - Revenue from third parties to date is 3% (\$91,000) below budget. This is driven by the variance in administration charges on toll payment notices, due to fewer notices being issued as more people make payment for their trips within the required 5 days.

**2. Transaction related costs** – These costs were under budget by \$35,000 (8%) this is largely related to credit card commissions being \$28,000 (10%) below budget as a consequence of reduced commission costs being charged.

**3. System support and maintenance costs** – The positive variance is mainly attributed to kiosk support and maintenance, system development and phone costs being under budget. Kiosk support and maintenance costs are \$26,000 below budget due to fewer callouts, largely as a consequence of reduced payment options at the kiosks and more efficient cash clearances. \$276,000 of budgeted system development costs are still to occur in the next six months and phones are currently \$38,000 below budget. Due to accruals for October, November and December 12 not being completed. These phone charges will be reflected in January 13.

**4. Operating costs** – The negative variance is a culmination of personnel costs being \$143,000 (17%) higher than budgeted, and over-plan results in other expense lines, particularly bad debts and depreciation.

**5. Net Surplus** – The net operating surplus of \$202,000 is the non-cash result of all tolling revenue and expenditure as at the 31 December 2012.



## Operational cost per transaction

The operational cost per transaction reflects the operating costs of the tolling business, net of administration charges recovered from customers, divided by the number of revenue generating toll trips within the six months ending 31 December 2012.

Operational expenditure	To 31 Dec 12 (000)	To 31 Dec 11 (000)
Operational expenditure (net of doubtful and bad debts)	\$2,434	\$2,461
Total toll trips	2,580	2,509
<b>Gross operational cost per transaction</b>	<b>\$0.94</b>	<b>\$0.98</b>
Less costs covered by administration revenue collected	\$757	\$750
Net operational expenditure	\$1,677	\$1,711
Total toll trips	2,580	2,509
<b>Operational cost per transaction</b>	<b>\$0.65</b>	<b>\$0.68</b>

Administration revenue relates to charges associated with toll payment notices, postal delivery of tax invoices and statements, dishonour charges, and payment channel charges. These charges are appropriately calculated through cost modelling and intended to recover the true cost associated with those customers who interact with us through the more expensive channels. It is not expected that the delivery of these more expensive channels be provided within the set tolling operating revenue of \$0.70 per toll.

Where these costs have been recovered through the above charges, they are no longer a cost to other compliant road users required to be met by the \$0.70 operating charge per toll trip.

The gross cost of running the tolling business was \$0.94 per chargeable toll trip. With the collection of the administration fees this means that the tolling business required \$0.65 cents of the allocated revenue per toll to cover operational costs.

## Taxation applying to gross tolling revenue

GST is applied to all toll trips undertaken on the Northern Gateway Toll Road at the time the trip is recognised by the toll system. GST is therefore charged on an invoice basis.

Revenue classification	\$ (000)
Toll revenue	3,433
Operating charge	1,810
Payment channel and administration charges	935
<b>Total toll revenue</b>	<b>6,178</b>
GST	928
<b>Total toll revenue (GST incl)</b>	<b>7,106</b>

**STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDING 31 DECEMBER 2012**

	<b>Actual to 31 Dec 12 \$000</b>	<b>Budget to 31 Dec 12 \$000</b>	<b>Actual to 31 Dec 11 \$000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from third party revenue	7,716	6,964	7,248
Interest received	30	25	25
Payments to third parties	(3,323)	(2,886)	(3,226)
Payments to employees	(971)	(829)	(778)
Net cash from operating activities	3,452	3,274	3,269
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Pay over to Ministry of Transport for repayment of debt	(3,223)	(3,028)	(2,863)
Net cash from financing activities	(3,223)	(3,028)	(2,863)
<b>NET (DECREASE)/INCREASE CASH AND CASH EQUIVALENTS</b>	<b>229</b>	<b>246</b>	<b>406</b>
Cash and cash equivalents at the beginning of the period	4,784	4,548	3,898
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>5,013</b>	<b>4,794</b>	<b>4,304</b>

## STATEMENT OF FINANCIAL POSITION FOR THE SIX MONTHS ENDING 31 DECEMBER 2012

	Note	Actual to 31 Dec 12 \$000	Budget to 31 Dec 12 \$000	Actual to 31 Dec 11 \$000
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	1	5,013	4,794	4,304
Debtors and other receivables	2	3,462	3,429	1,058
<b>Total current assets</b>		<b>8,475</b>	<b>8,223</b>	<b>5,362</b>
<b>NON-CURRENT ASSETS</b>				
Roadside hardware/software		2,988	2,987	3,609
<b>Total non-current assets</b>	3	<b>2,988</b>	<b>2,987</b>	<b>3,609</b>
<b>TOTAL ASSETS</b>		<b>11,463</b>	<b>11,210</b>	<b>8,971</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Creditors and other payables	4	2,283	2,278	1,859
Tolling funds held in trust	5	3,359	3,337	2,771
<b>TOTAL LIABILITIES</b>		<b>5,642</b>	<b>5,615</b>	<b>4,630</b>
<b>NET ASSETS</b>		<b>5,821</b>	<b>5,595</b>	<b>4,341</b>
<b>EQUITY</b>				
Retained funds - NZ Transport Agency	6	5,821	5,595	4,341
<b>TOTAL EQUITY</b>		<b>5,821</b>	<b>5,595</b>	<b>4,341</b>

**1. Cash and cash equivalents** – Three bank accounts are maintained by the tolling operation to facilitate cash management and payovers. The toll trust account (\$1.4m) holds the funds pre-paid by account holders. The toll operating account (\$2.9m) holds the funds to be paid over to the Ministry of Transport, and also receives all casual toll payments. The toll payments account (\$0.6m) receives the operating charge and administration revenues, and operational expenditure is paid from this account. Deposits in transit are also included to reflect deposits for cash received at the kiosks and credit card payments, where the cash has not yet been deposited in the bank account.

**2. Debtors and other receivables** – Toll debtor balances consist of multiple groups. Toll casual debtors is the total of all outstanding toll payment notices and unpaid toll trips that are yet to receive a toll payment notice. Toll Infringement Debtors is the sum of all infringement notices issued and still unpaid and not yet referred to the courts, these fees are collected on behalf of the Crown and are offset by a corresponding liability. Account debtors reflect the balance of any pre-pay accounts with a negative balance as at the end of June, and post-pay account balances invoiced for December to be paid on the 21<sup>th</sup> January 2013.

**3. Non current assets** - The Non Current Assets reflect the Tolling System and Roadside assets held by NZTA and the associated accumulated depreciation of these assets. The tolling system assets represent a share of the total cost of these assets, as the system has the ability to handle multiple roads and hence only one-fifth of these shared assets is allocated to this road.

**4. Creditors and payables** – The toll creditors consists primarily of the balances on pre-pay accounts (\$1.3m) and pre-paid casual trip purchases not yet used (\$0.9m).

**5. Tolling funds held in trust** – This represents the funds held to be paid over to the Ministry of Transport for repayment of the debt. Also included is GST payable to Inland Revenue for December, infringement payments for the Ministry of Transport and operating revenues collected in December to paid to National office in January.

**6. Equity** – This includes this periods operating surplus of \$202,000 from the statement of comprehensive income.

## CHARGES RECEIVED IN CONNECTION WITH SECTION 51(4) OF THE LAND TRANSPORT MANAGEMENT ACT 2003

The following GST inclusive charges were received in connection with section 51(4) of the Land Transport Management Act (2003). This section reads:

*“the toll operator may impose reasonable charges in connection with the administration of any method of payment”.*

	Amount
Total Charges Received under s51(4) of the Land Transport Management Act (2003) for the six months ending 31 December 2012	\$84,508

### DISCLOSURES TO THE MINISTER

This section covers the requirements under section 16 of the Land Transport Management (Road Tolling Scheme for ALPURT B2) Order 2005.

The designated feasible, un-tolled, alternative route remains available to road users being SH17 through Orewa with an additional alternative route also being available through SH16.

The NZ Transport Agency provides a payment method that does not record the personal information in relation to the person paying the toll.