

9 May 2019

Scott Yeoman
Reporter
Bay of Plenty Times
scott.yeoman@nzme.co.nz

REF: OIA-4982

Dear Scott,

Request made under the Official Information Act 1982

Thank you for your email of 8 April 2019 requesting further information regarding the Takitimu Drive toll road.

Your questions are responded to in turn.

- 1. Is it not possible to see how much has been spent on maintenance on the Route K toll road, by looking at how much of the National Land Transport Fund has been spent on that road? As in, is there no way at all of finding out how much maintenance has been carried out on that road? The council has given me yearly maintenance costs, so I'm trying to work out how to report that when NZTA hasn't given me the same info.*

Unfortunately, we can't provide maintenance costs specific to Route K. The Transport Agency does not record maintenance costs specific to the toll road; maintenance contracts are network-wide rather than specific road-based.

We would like to emphasize that the maintenance costs are unrelated to the level of tolls being charged. The toll revenue collected does not fund the ongoing maintenance and operational costs of the road itself, rather these are funded from the National Land Transport Fund (NLTF) under the State Highways Maintenance activity class.

- 2. Can you please clarify the two types of toll revenue outlined in the table provided (toll revenue and toll operating revenue)? I'm reading it like this... In 2015/16 the toll road generated \$4,954,000 in total revenue - \$3,267,000 of that went towards recouping the \$65 m paid to council, and the remaining \$1,687,000 was kept by NZTA to operate the toll road. Q: Is that correct? And is there some kind of NZTA formula when it comes to choosing how much to keep each year for operations? i.e. NZTA retains __per cent of all toll revenue to operate the toll road. And what does that \$1,687,000 in operation money go towards?*

Yes, your interpretation above is correct.

The toll operating revenue (amount retained by the Transport Agency to operate the toll business) is not a percentage of the total toll revenues, but rather a fixed amount. A toll fee pays toward three separate components:

- a. Toll revenue – amount designed for debt payment. In the case of Takitimu Drive, amount designated to recoup the \$65m paid to Tauranga City Council plus opportunity costs.
- b. Toll operating revenue – amount retained by the Transport Agency to operate toll business.
- c. Goods and Service Tax (GST).

In the case of Takitimu Drive, the toll fee effective 1 March 2019 is comprised of:

	Light Vehicle (Car/Motorcycle)	Heavy Vehicle (Bus/truck)
Toll Revenue	\$0.95	\$3.65
Toll Operating Revenue	\$0.70	\$0.70
GST	\$0.25	\$0.65
Toll Tariff	\$1.90	\$5.00

The toll operating revenues pay for the personnel costs, transaction charges (i.e. bank charges), depreciation, information technology upgrades, and other operating costs.

3. *NZTA took over the road on June 30, 2015 and it became a State Highway in August of that year. Q: Was there a change in toll price from June 30 to August (when it became a SH)?*

Yes, there was a reduction in the toll tariffs when the Transport Agency took over the Route K as part of the State Highway networks. Below is the summary of the toll tariffs:

	Prior to becoming SH	From 1 August 2015	From 1 March 2019
Light Vehicle (Car/Motorcycle)	\$ 2.00	\$ 1.80	\$ 1.90
Heavy Vehicle (Bus/truck)	\$ 5.00	\$ 4.80	\$ 5.00

4. *Finally, some comment or explanation from NZTA that I'm hoping you can help with. I'm trying to work out the following equation (how much the toll road cost to construct + how much it has cost to operate and maintain each year – the revenue it generates each year). Factoring inflation, that should give me an answer for how long people will continue to be paying off the road with their tolls. The toll road cost almost \$45 million to construct. It has already generated more than \$53 million in tolls. By the time NZTA bought it for \$65 million, it had generated \$29,625,140. Minus the \$579,000 in maintenance during that time (council figures), it only had \$15,729,860 left to pay off. Yet, NZTA paid the Council \$65 million for it, and now the Agency is predicting those transaction costs (plus opportunity costs) won't be recovered until 2041, on current modelling. It increased the toll price recently to bring that date closer. Q: Can you please explain how that works and why it will take so long? Obviously my simple equation above is not factoring in something?*

Your analysis above has not factored in interest on the debt.

Tauranga City Council constructed Route K for \$45 million on behalf of the Bay of Plenty Region funding it from debt through the Route K Empowering Act, establishing a road tolling scheme to repay the debt over a 35-year period (commencing 2003). Although it has generated a significant amount of toll revenues (\$53 million as you have mentioned above), this revenue amount is insufficient to cover the full interest charges, hence, the debt continued to grow by adding the capitalised interest. By the time the Transport Agency took over the road as State Highway, the debt had reached around \$65 million.

The Transport Agency paid Tauranga City Council \$65 million to take over the toll road in August 2015, and it is this \$65 million (and effective funding costs) that are being recovered through the current tolls.

If you would like to discuss this reply with the NZ Transport Agency, please contact Andrew Knackstedt, Senior Manager Media, by email to Andrew.Knackstedt@nzta.govt.nz or by phone on 04 894 6100.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'John Coulter', written in a cursive style.

John Coulter

Senior Manager, Operational Policy, Planning and Performance