



Northern Gateway Toll Road

Operating report to the Minister of Transport
for the six months ended 31 December 2014



NZ TRANSPORT AGENCY
WAKA KOTAHI

New Zealand Government

EXECUTIVE SUMMARY

2.907 million TRIPS	This operating period has seen traffic volumes increase by 4.9% (137,000 trips) when compared to the same period last year. This is on track with forecasts resulting in total chargeable trips for this period of 2.88 million)
95.1% TRIP PAYMENT RATE	95.1% of all chargeable tolls within the reporting period were paid. This is consistent with previous June to December report
\$0.55c NET OPERATIONAL COST PER TRANSACTION	The net Transport Agency operational cost per transaction of \$0.55 is lower than for the same period last year and below forecast. This is a temporary decrease in operating costs, due to deferred expenditure while the new TEL and Route K systems are put in place.
\$287,505 WRITTEN OFF DUE TO AGE	The total amount of unpaid tolls written off due to age (older than nine months) was \$287,505. This is consistent with previous June to December reporting.
80% NETWORK USAGE	The percentage of total network traffic using the Northern Gateway Toll Road for this period is 80%, which is consistent with the result published in the June 2014 report. This result has been calculated by comparing the number of trips made on the Northern Gateway with the total volume passing a Traffic Management System site just south of Puhoi.

Marketing of online payment

We have continued to run advertising campaigns to coincide with the public holiday periods over Labour Weekend, and Christmas through to New Year using an interactive banner on the MetService website after finding this effective for campaigns held earlier in the year.

The purpose of the advertising is to promote the toll road website, raise awareness of the ability to purchase the toll online and to encourage customers to purchase their trips prior to travelling on the Northern Gateway Toll Road.

Initial analysis indicates that, for the campaigns mentioned above, approximately 77% of customers who clicked on the MetService interactive banner were new visitors to the toll road website. These customers also spent an increased time visiting the toll road website compared to users on previous campaigns. Payments made online increased by approximately 2.2% in October and 3.4% in December/January.

Investment in customer-focussed improvements

In mid-July 2015, the Transport Agency will open the Tauranga Eastern Link and take over the operation of Route K from the Tauranga City Council. The Tolling Programme has been focussed on upgrading the existing tolling system to allow for better tolling of multiple roads and to provide an improved customer experience for all users.

This is being achieved through the development of a new toll road website along with providing extended payment options such as self-funded accounts and a new payment channel, E-pay. The new website will make it easier for our customers to self-manage their tolling needs as they will be able to pay for trips and notices in one payment. The overall aim of the tolling programme is to provide a tolling experience that is easy and enjoyable.

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VOLUMES AND REVENUE

Traffic volumes and toll tariff revenue

Toll tariffs have remained the same over the time period. The last tariff change was on 1 March 2012 when light vehicles and motorcycles were increased from \$1.80 to \$2.20 and heavy vehicles were increased from \$3.60 to \$4.40.

	Vehicle volumes (000)		Base rate	Vehicle revenue (\$000)	
	Actual	Forecast	(GST incl)	Actual	Forecast
Light vehicles	2,664	2,659	\$2.20	5,861	5,850
Heavy vehicles	216	226	\$4.40	950	994
Total chargeable trips	2,880	2,885		6,811	6,844
Exempt	11	11			
Unidentifiable	5	5			
Technical loss	11	11			
TOTAL	2,907	2,912		6,811	6,844

Traffic volumes were up on the same period last year by 137,000 trips (4.9%) which is on track with forecasts.

TOLL PAYMENTS RECEIVED

Level of tolls paid

Tolls were collected for 95.1% of the 2.880 million chargeable trips undertaken in the six months ending 31 December 2014. This is compared to 95.4% of trips of 2.744million collected in the same period last year.

	Trips (000)	Revenue \$(000)
Total chargeable toll trips	2,880	6,811
Total administration charges		949
Total tolling revenue		7,760
Paid toll trips	2,740	6,489
Paid administration charges		599
Paid tolling revenue		7,088
Unpaid toll trips	140	322
Unpaid administration charges		350
Unpaid tolling revenue		672
Administration charge payment rate		63.1%
Trip payment rate	95.1%	

TOLL PAYMENTS NOT MADE

Toll Payment Notices

When a chargeable trip has not been matched to either an account or to an individual trip payment within the required timeframes, a toll payment notice is issued. When a toll payment notice is issued it is sent to the registered person of the vehicle and an extra \$4.90 administration charge is added to the outstanding tolls.

The table below shows the number of toll payment notices issued and their respective status for the six months ending 31 December 2014.

Toll payment notices	1 July-31 December 2014			1 July - 31 December 2013		
	31 Dec 14 Number	31 Dec 14 Amount	31 Dec 14 %	31 Dec 13 Number	31 Dec 13 Amount	31 Dec 13 %
Issued	196,868	\$1,533,723		204,576	\$1,621,060	
Paid	125,840	\$980,522	64%	140,491	\$1,114,329	69%
Unpaid	61,329	\$477,093	31%	54,515	\$431,216	27%
Written off	6,484	\$51,158	3%	6,458	\$51,176	3%
Reissued¹	3,215	\$24,950	2%	3,112	\$24,339	1%

Toll payment notices issued this year have reduced by 3.9% when compared to the same period last year. This is reflected of the higher percentage of trips being paid within the required timeframes.

Debt profile from all unpaid toll trips

The table below shows that the average toll debt incurred by individual users is relatively low, with the majority of individuals (96.6%) owing less than \$50 in outstanding toll and administration charges. Unpaid toll payment notices have increased by approximately \$60,000 this period.

Toll payment notice debtor schedule	1 July-31 December 2014			1 July - 31 December 2013		
	Number	Amount	% of Total Amount	Number	Amount	% of Total Amount
> \$200	139	\$48,696	8%	99	\$36,206	7%
\$100 < debt < \$200	280	\$38,210	6%	242	\$33,190	6%
\$50 < debt < \$100	850	\$58,339	9%	756	\$52,013	9%
\$20 < debt < \$50	4,732	\$138,658	23%	4,040	\$118,013	21%
< \$20	32,031	\$332,158	54%	31,182	\$315,946	57%
TOTAL	38,032	\$616,061	100%	36,319	\$555,368	100%

¹ 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.

RECOVERY OF UNPAID TOLLS AFTER 5 DAYS

TOLL DEBT

Total tolling revenue written off this operating period, due to the length of time outstanding is \$287,505. This is consistent with the same period last year and equates to 3.7% of total revenue.

Toll payment notices written off due to age

	Six months to 31 Dec 14 Amount	Six months to 31 Dec 13 Amount
Toll	\$107,132	\$109,320
Administration charge	\$180,373	\$184,633
	\$287,505	\$293,953

Toll debt previously written off and recovered this year

	Six months to 31 Dec 14 Amount	Six months to 31 Dec 13 Amount
Toll	\$10,668	\$12,743
Administration charge	\$14,412	\$16,233
	\$ 25,080	\$28,976

Toll payment notices which cannot be collected

	Six months to 31 Dec 14 Amount	Six months to 31 Dec 13 Amount
Statutory declarations completed where stated driver (rental car hirer) resides overseas	\$20,745	\$20,153
Statutory declarations completed where the vehicle has been reported stolen	\$237	\$464
Toll payment notices incorrectly issued ²	\$22,581	\$13,904
Insufficient registered owner/plate information for the vehicle ³	\$25,782	\$19,540
	\$69,345	\$54,061

² Notices issued by NZTA in error or to the incorrect registered person.

³ Insufficient information of registered person available from Motor Vehicle Registrar at the time it was required.

INCOME AND EXPENDITURE

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

Tariff breakdown	Light	Heavy
Tariff	\$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 operate toll business)	\$0.70	\$0.70
GST	\$0.29	\$0.57

Toll revenue collection

The statement of toll revenue 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 ENDED 31 DECEMBER 2014				
		Actual 31 Dec 14	Budget 31 Dec 14	Actual 31 Dec 13
	Note	\$000	\$000	\$000
Paid toll Revenue				
Light		3,125	3,159	2,989
Heavy		668	654	640
Total Paid Revenue		3,793	3,813	3,629
Interest on toll revenue		28	24	24
Total funds available to be paid to Ministry of Transport for debt repayment:	1	3,821	3,837	3,653
Funds paid to Ministry of Transport in current financial year		1,763		1,691
Funds held by NZ Transport Agency subject to pay over to Ministry of Transport		2,058		1,962
Unpaid toll revenue				
Light		(16)	28	12
Heavy		1	0	(1)
Total unpaid toll revenue	2	(15)	28	11

Notes

- Funds available to be paid to the Ministry of Transport for debt repayment** - Total toll revenue collected in this reporting period was \$3,821 million, of which \$1,763 million was paid to the Ministry of Transport within the reporting period. The balance of the collected toll revenue (\$2,058 million) was paid to the Ministry of Transport on the 9 January 2015.
- 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. The negative balance is a combination of paid toll revenue collected and toll revenue written off this year being greater than unpaid toll revenue for the year.

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 Transport Agency 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 ENDED 31 DECEMBER 2014			
	Actual 31 Dec 14 \$000	Budget 31 Dec 14 \$000	Actual 31 Dec 13 \$000
INCOME			
Operating charges	2,016	2,004	1,926
Administration revenues	885	1,136	926
Interest	7	5	5
Total income	2,908	3,145	2,857
EXPENDITURE			
Transaction related costs	392	434	381
System support and maintenance costs	754	1,111	817
Operating costs	1,274	1,520	1,336
Total expenditure	2,420	3,065	2,534
NET SURPLUS	488	80	323

Operational cost per transaction

The cost per transaction reflects the operating costs of the tolling business over and above the administration charges recovered from customers, divided by the number of revenue generating toll trips within the six months ending 31 December 2014.

This operational period saw a decrease in the net operational cost per transaction (\$0.55) when compared to the previous year (\$0.61). This result is also lower than our Statement of Intent range of \$0.58 to \$0.75 per transaction. As noted on page 2 this is a result of delayed investment in existing infrastructure, as the focus has been on investment required to open the new roads. This is funded outside of the Tolling operational budget.

	Six months to 31 Dec 14 (000)	Six months to 31 Dec 13 (000)
Operational expenditure		
Operational expenditure (net of doubtful and bad debts)	\$2,306	\$2,464
Total toll trips	2,880	2,744
Gross operational cost per transaction	\$0.80	\$0.90
Less recovered administrative charge revenue		
	\$712	\$787
Net operational expenditure	\$1,594	\$1,677
Total toll trips	2,880	2,744
Net operational cost per transaction	\$0.55	\$0.61

Taxation applying to gross tolling revenue

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

Revenue classification	\$ (000)
Toll revenue	3,778
Operating charge	2,016
Payment channel and administration charges	885
Total toll revenue	6,679
GST	1,007
Total toll revenue (GST incl)	7,686

STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

	Actual 31 Dec 14 \$000	Budget 31 Dec 14 \$000	Actual 31 Dec 13 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from third party revenue	8,138	8,310	8,105
Interest received	35	29	29
Payments to third parties	(3,316)	(3,824)	(3,235)
Payments to employees	(994)	(1,188)	(942)
Net cash from operating activities	3,863	3,327	3,957
CASH FLOWS FROM FINANCING ACTIVITIES			
Pay over to Ministry of Transport for repayment of debt	(3,645)	(3,403)	(3,383)
Net cash from financing activities	(3,645)	(3,645)	(3,383)
NET INCREASE IN CASH AND CASH EQUIVALENTS	218	(119)	574
Cash and cash equivalents at the beginning of the year	5,587	5,587	4,958
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5,805	5,468	5,532

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

	Actual 31 Dec 14 \$000	Budget 31 Dec 14 \$000	Actual 31 Dec 13 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5,805	5,467	5,532
Debtors and other receivables	5,763	4,888	4,013
Total current assets	11,568	10,355	9,545
NON-CURRENT ASSETS			
Roadside hardware/software	1,765	2,049	2,363
Total non-current assets	1,765	2,049	2,363
TOTAL ASSETS	13,333	12,404	11,908
LIABILITIES			
CURRENT LIABILITIES			
Creditors and other payables	3,043	3,599	2,705
Tolling funds held in trust	3,073	2,000	3,279
TOTAL LIABILITIES	6,116	5,596	5,984
NET ASSETS	7,217	6,808	5,924
EQUITY			
Retained funds - NZ Transport Agency	7,217	6,808	5,924
TOTAL EQUITY	7,217	6,808	5,924

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 for the six months ended 31 December 2014 under s51(4) of the Land Transport Management Act (2003)	\$63,137
- includes 40c kiosk & \$3.70 Contact Centre payment charges respectively	

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 the Hibiscus Coast Highway through Orewa with an additional alternative route also being available through State Highway 16.

The Transport Agency provides a payment method that does not record the personal information in relation to the person paying the toll. The kiosks at either end of the Northern Gateway Toll Road do not record personal information of the person paying a toll.