Northern Gateway Toll Road

Operating report for the year ended 30 June 2011

NZ TRANSPORT AGENCY
WAKA KOTAHI

New Zealand Government

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NZ Transport Agency
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Summary

This report describes the 12 month (from 1 July 2010 to 30 June 2011) operating results of the NZ Transport Agency (NZTA)-administered Northern Gateway Toll Road (NGTR).

The volume of traffic continued to increase during this operating period in line with predictions. Just over 5.1 million trips were made – a 2.9% increase on the previous year's volume and 0.1% below forecast. The number of toll accounts increased by 19.8%.

The three main indicators of the NGTR's operation are:

1. **Transaction cost** – $0.78 this year - a one cent increase on the equivalent cost for last year. At the time of drafting this report (October 2011), the monthly transaction cost had reduced to $0.63. On 1 August 2011, the toll payment notice (TPN) charge increased from $2.20 to $4.90. This change was designed to better reflect actual costs. Transaction charges were also introduced for casual customers who pay by phone ($3.70 per transaction) and kiosk ($0.40). See Operational costs per transaction on page 7 for more information.
2. **Revenue compliance** – Almost constant with last year, 96.1% of revenue was collected during the operational year. See section titled Toll compliance on page 7.
3. **Rate of 'leakage'** – At 5%, the leakage rate (where the toll payment is not collected) is well below the expected rate of 9% and substantially below the industry standard of 10%. The 5% leakage breaks down into (a) 4% due to road users failing to pay and (b) 1% due to technical loss (impossibility to identify the user for various reasons). See section titled Toll leakage on page 4 for more information

The increase in GST on 1 October 2010 had the effect of reducing the portion of the toll which could be used to repay debt (toll revenue).

	GST at 12.5%		GST AT 15%	
TARIFF	$2 TOLL	$4 TOLL	$2 TOLL	$4 TOLL
GST	$0.22	$0.44	$0.26	$0.52
Toll operating revenue (retained by the NZTA to administer system)	$0.65	$0.65	$0.65	$0.65
Toll revenue (amount paid to MoT to repay loan)	$1.13	$2.91	$1.09	$2.83

Nevertheless $6.8 million of revenue collected was used to repay debt compared to $5.5 million in the previous year.

Infringement notices were introduced in June 2010 in an effort to improve toll compliance.

By the end of the year, 103,287 infringements notices had been issued. 29.3% of them had been collected totaling $1,211,720 in infringement fees.

Revenue written off

In this operating period, $791,669 of revenue was written off.

This is made up of two broad categories:

1. When payment for a toll payment notice (TPN) cannot be collected, totalling $68,848. This consists of statutory declarations completed where the stated driver resides at an international address (9,412 TPNs), or the vehicle has been stolen (82 TPNs), or where a TPN was unable to be generated due to insufficient information for the registered owner or vehicle being available from the motor vehicle register (14,196 trips).
2. TPNs are written off when collection attempts have failed. 195,105 TPNs were written off in this operating period anmounting to $722,821. This includes all debt write-offs from the opening of the road. The debt write-off is a financial treatment meaning these TPNs are still payable and remain at the debt collection agency for collection. During this reporting period we recovered debt of $29,890 that had previously been written off.

The year's successes in more detail

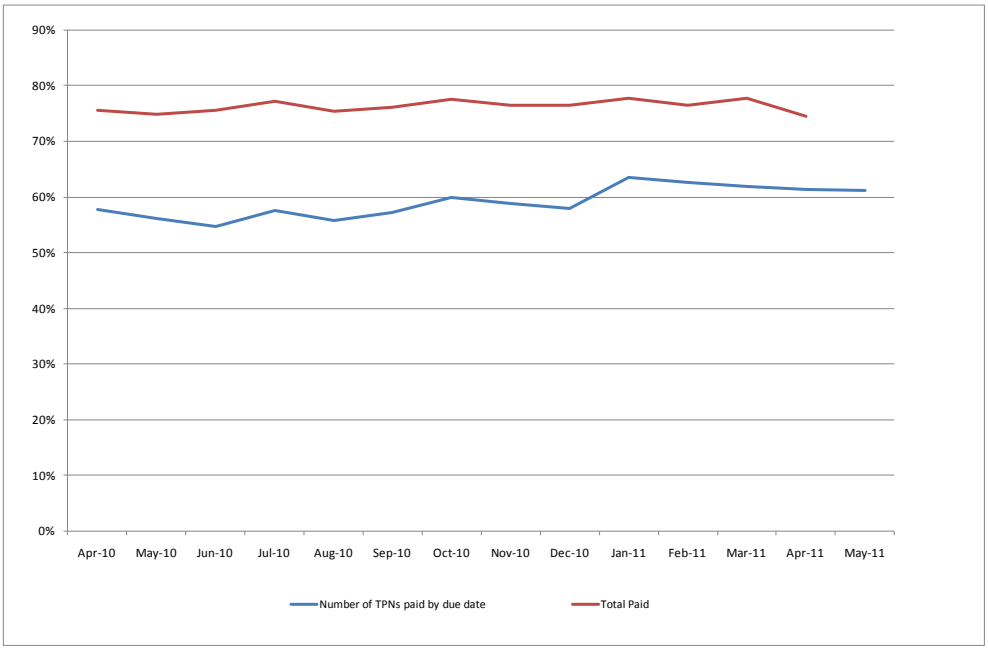
Increased rate of payment by due date of toll payment notices

During the 2010/11 year, payment by due date of toll payment notices (TPNs) has increased from 55% in June 2010 to 61% in May 2011. Overall compliance has remained consistent throughout the year.

When a toll is not paid within the five days, a TPN is issued to the registered person of the vehicle that incurred the toll. This notice includes any other unpaid trips for that vehicle for the same day plus an administration fee of $2.20 (increased to $4.90 from 1 August 2011) to cover the costs of issuing and processing payment of the TPN.

Customers have 28 days to pay their outstanding tolls before they're issued with an infringment notice. Customers can pay TPNs to the NZTA until the debt is referred to the debt collection agency.

FIGURE 1: TOLL PAYMENT NOTICE COMPLIANCE



Note: Compliance is graphed from April 2010 to April 2011 as May and June 2011 compliance rates cannot be calculated yet due to the timing of when TPNs are issued and due.

Increased number of tolls paid by account

Trips charged to a toll road account were 20,000 higher than each corresponding month last year.

The number of toll accounts increased by 19.8%. By the end of the operating period, there were 56,754 accounts, 56,228 pre-paid accounts, 515 post-paid accounts and 11 exempt accounts. Trips charged to an account made up 53.0% of all chargeable trips taken during the year.

A small percentage (approximately 3.6%) of the increase in toll accounts is from compliant casual customers opening accounts and adopting the 'set and forget' method of toll payment rather than purchasing bulk trips regularly via the website, contact centre or kiosk.

Toll leakage

At 5% leakage, the NGTR is operating well below the expected rate of 9% and substantially below the international industry standard of 10%.

Leakage is when tolls cannot be collected due to:

- inability to identify the number plate (plate is obscured either deliberately or non-intentionally)
- vehicle owner not identified due to lack of current ownership details held for the registration plate on the motor vehicle register
- technical loss (system was unable to successfully process the trip due to there being no vehicle image)
- the road user fails to pay.

Failure to pay accounted for 4% leakage, while the other three factors together accounted for a 1% leakage.

There was a steady reduction in leakage this operating year. More system enhancements, including further improvements to image and transaction processing, scheduled for the next operating year are expected to reduce this leakage rate further.

Reduction in kiosk faults

The number of faults with the payment kiosks trended downwards during the year. The average number of faults for the first half of the year (July to December) was 45 faults per month, while the average for the second half was 23.

The drop in the number of kiosk faults was due to the work initiated to improve their reliability. The kiosks were serviced more frequently and updated components such as improved bank note readers and printers were installed.

The time taken to get the kiosks operational again after being notified of a fault was also reduced due to improved monitoring, the introduction of first response units and the stocking of more replacement parts.

During the 2010/11 operational year, five payment kiosks were in place. Payments at kiosks accounted for approximately 18% of chargeable trips. They also processed just over half of the payments made for casual trips - 417,187. Of those, the southern Dairy Flats site processed 65% of the trips and the northern Puhoi site 35%.

Work is continuing between the NZTA and the two network providers to resolve issues and improve the reliability of the service. Kiosk usage varies with some times of the day being extremely busy and other times being relatively quiet. With a kiosk able to manage on average 45 transactions an hour, the three kiosks at BP and two at Puhoi provide good coverage for the level of transactions being processed. The challenge remains ensuring the availability through the busy periods and also educating users on how to make a payment correctly and efficiently.

Operating results

Traffic volumes

In the year ended June 2011, there were just over 5.1 million trips on the NGTR which was a 2.9% increase on the previous year's volume and 0.1% below forecast.

This brought the total number of journeys since the road opened in January 2009 to 11.9 million chargeable trips.

Due to a small level of technical loss, unidentifiable trips and those on exempt accounts, the number of chargeable trips undertaken in the reporting period was 5.08 million.

FIGURE 2: NUMBER OF CHARGEABLE TRIPS TAKEN DURING THE OPERATING YEAR

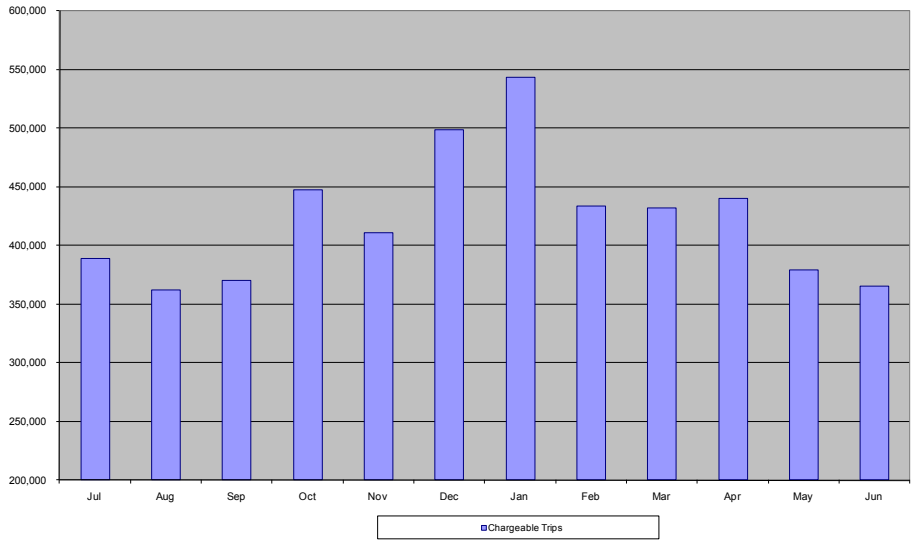
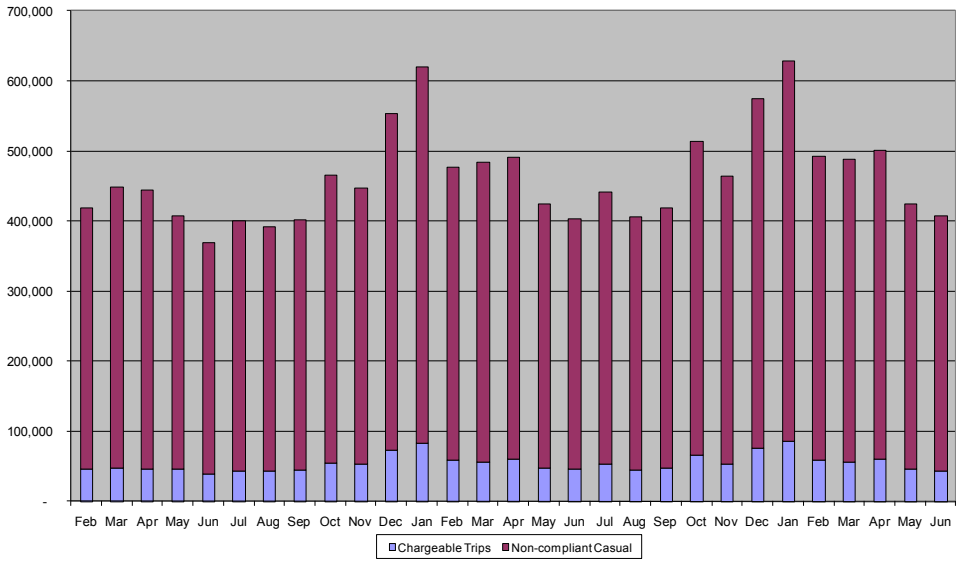


FIGURE 3: TRAFFIC VOLUME SINCE THE TOLL ROAD OPENED



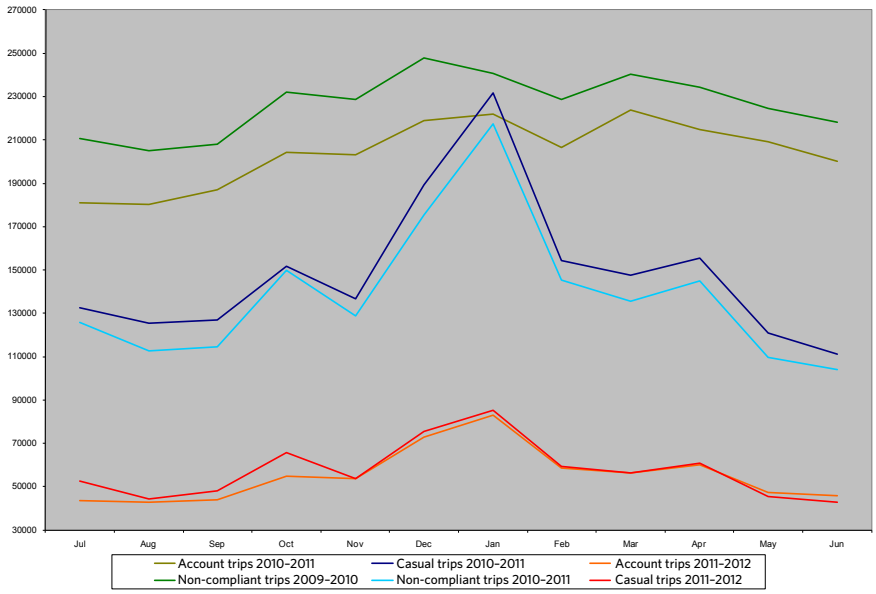
The emerging trend of higher volumes of traffic during the summer is clearly illustrated by this graph.

TRIPS BY CUSTOMER TYPE BY MONTH*

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL
						TRIPS (000)							
Pre-pay accounts	187	181	184	208	203	223	218	204	212	210	199	193	**2420**
Post-pay accounts	23	24	24	24	26	25	23	25	28	25	26	25	**300**
Compliant casual	126	113	115	150	129	175	217	145	136	145	109	102	**1662**
Non-compliant casual	53	45	48	66	54	76	86	60	57	61	46	45	**698**
Chargeable trips	390	362	371	448	412	499	544	434	433	441	380	365	**5080**
Exempt accounts	2	2	2	2	2	2	1	2	2	1	2	2	**19**
Unidentified	1	1	1	1	9	2	2	1	1	1	1	1	**24**
Technical loss	0	0	0	0	0	1	1	0	0	1	1	0	**5**
TOTAL TRIPS	**393**	**365**	**374**	**452**	**423**	**504**	**549**	**438**	**436**	**444**	**383**	**368**	**5128**

* The data presented consists of a series of snapshots at the end of each month. As road users have five days to pay for their trip, the number of non-compliant trips subsequently reduces. This reduction is not reflected in the above table.

FIGURE 4: TRIPS MADE BY CUSTOMER TYPE



The graph above shows the reduction in casual trips taken during 2010/11 compared to the same time the previous year. There has also been a steady increase in the number of trips taken by account holders, which is in line with the increased number of people opening an account in 2010/11.

The spike in casual road users over summer is illustrated in both the compliant and non-compliant trend lines.

The proportion of total network traffic using the toll road was 71% – just marginally above the targeted usage of 70%.

Operational cost per transaction

The operational cost per transaction for the year ended June 2011 was $0.78. The cost is calculated by dividing the operational expenses (minus the year's collected adminstration charges) by the total number of chargeable toll trips.

This is a new measure as the method used to calculate the cost has changed. This year, only collected administration charges were included in the calculation, rather than invoiced administration charges, some of which were not received.

The operational cost per transaction for year ending June 2010 using this new measure would have been $0.77.

The administration charges relate to TPNs, postal delivery of tax invoices and statements, and dishonour charges. In this period, 74% of TPN administration charges invoiced were collected.

Operational expenditure	$000
Operational expenditure (net of doubtful and bad debts)	4808*
Less costs covered by administration charges collected	-852
	3956
Total toll trips	5081
Operational cost per transaction	**$0.78**
* this includes a deduction of $65,000 being provision for doubtful debts as at June 2011.	

On 1 August 2011, the administration charge for a TPN was increased to $4.90. Channel charges were introduced for casual customers who pay for trips by phone ($3.70 per transaction) and kiosk ($0.40). This is expected to reduce the transaction cost for the next operating year.

Toll compliance

Tolls were collected for 96% of chargeable trips during the year ended June 2011. The remaining 4% equated to 200,000 unpaid trips or $415,000 of lost revenue.

Level of outstanding tolls (GST inclusive)		
	TRIPS (000)	REVENUE $(000)
Total chargeable toll trips	5080	10,934
Total administration charges		1163
Total tolling revenue		**12,097**
Paid toll trips	4880	10,519
Paid administration charges		852
Paid tolling revenue		**11,371**
Unpaid toll trips	200	415
Unpaid tolling revenue		311
Unpaid tolling revenue		**726**
Toll trip compliance	**96.1%**	
Administration charge payment compliance		**73.2%**

Toll evasion

Unpaid TPNs issued in the year ended June 2011 were $445,044. This was $336,340 less than for the year ended June 2010.

The reduction was partly attributable to more rigorous debt collection processes, and also debt greater than nine months old being written off for the first time.

Value of unpaid TPNs	$445,044
Number of vehicles with outstanding TPNs at 30 June 2011	44,878
Average value of evasion per vehicle	$9.92
Highest outstanding amount per vehicle	$975.80

Schedule of toll payment notice debtors			
AMOUNT OF DEBT	NUMBER OF VEHICLES	VALUE	% OF TOTAL DEBT
Debt ≥$300	25	$11,921	2.7%
Debt ≥$200 and <$300	26	$6155	1.4%
Debt ≥$100 and <$200	138	$18,782	4.2%
Debt ≥$50 and <$100	473	$31,476	7.1%
Debt ≥$20 and <$50	2886	$84,467	19.0%
Debt ≥$10 and <$20	6471	$88,340	19.8%
Debt ≥$5 and <$10	19,080	$137,921	31.0%
Debt >$5	15,779	$65,982	14.8%
TOTAL	44,878	$445,044	100.0%

Some 85% of total debt was associated with debtors who owed less than $50, with the largest proportion (31%) owing between $5 and $10.

Toll payment notices

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

A total of 528,858 TPNs were issued during the year. Of these, 74% were paid, 17% remain unpaid and are still being pursued, 8% were written off and 1% were reissued to a new person.

NUMBER AND VALUE OF TPNs ISSUED

TOLL PAYMENT NOTICES	NUMBER	AMOUNT	%
Total TPNs issued	528,858	$2,583,614	
TPNs paid	391,299	$1,912,725	74%
TPNs unpaid	91,596	$445,044	17%
TPNs written off	40,424	$199,312	8%
TPNs reissued	5539	$26,632	1%

Note: The value of TPNs consists of the administrative fee plus the outstanding tolling fees.

Payment channels

Channels available for customers to pay.

CASUAL USERS	REGULAR USERS
Online	Toll road account
Kiosk	
Telephone	

The NZTA encourages customers to adopt payment methods that will maximise the time savings offered by the toll road, such as opening pre-paid accounts or paying online for trips they have made or know they will make in the near future.

There was a significant (19.8%) increase in the number of toll accounts since the previous reporting year and by the end of the operating period, 56,754 accounts were opened.

Trips charged to an account made up 53.6% of all chargeable trips taken during the last year.

Slight shifts in casual user payment methods occurred during the operational year:

CHANNEL	NO. OF PAYMENTS	%	PREVIOUS YEAR %	% CHANGE
Online	229,243	30.0	26.9	+3.1
Phone	107,054	14.0	16.6	-2.6
Kiosk	417,187	54.6	55.2	-0.6
Mail	10,730	1.4	1.4	0
Total	**764,214**	**100.0**	**100.0**	
PAYMENT METHOD	NUMBER	ACTUAL %	SAME PERIOD LAST YEAR	% CHANGE
Electronic	422,669	55.3	53.0	+2.3
Manual	341,545	44.7	47.0	-2.3
Total	**764,214**	**100.0**	**100.0**	

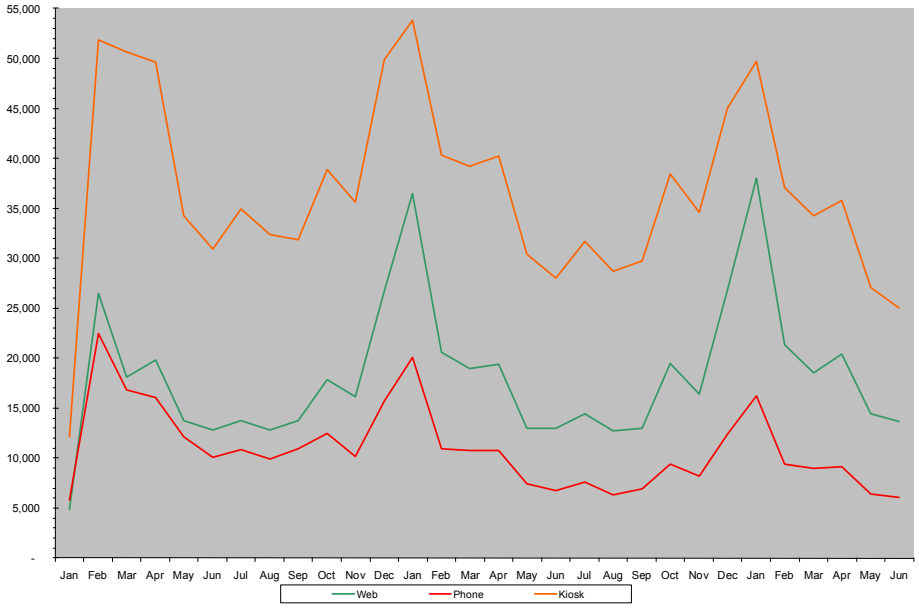
These figures illustrate that while the kiosks were the preferred method for casual payment with 54.6% of all casual payments, there was a slight increase in the number of online payments (up 3.1% on the previous year).

Since the NGTR opened, 55% of casual payments have been processed through the kiosks, the website 28% and the contact centre 17%.

During the last year, 263,500 phone calls and 11,300 emails were received and answered through the contact centre. Taking payments for trips and toll payment notices made up approximately 60% of these calls.

Use of the kiosks increases during weekends as more casual road users use the highways. The volume of casual payments also increases during the summer and over holiday periods.

FIGURE 5: CASUAL TRANSACTIONS SINCE THE NGTR OPENED



Tolling debt referrals and debt recovery

When a debt including unpaid toll and administration charges reaches $40, it is referred to the debt collection agency

During the year, $171,963 in unpaid toll and administration fees were referred for debt collection. During this same period, debt totalling $34,495.05 was recovered.*

* Debt collected within a year does not necessarily relate to debts incurred within that year due to the time it takes to recover some debts.

Order in Council disclosures

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

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

The NZTA continues to provide 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 NGTR fulfill this requirement.

There have been no changes to the method of payment above other than the introduction of the addition 40cent administration charge for kiosk payments.

Details on the network utilisation can be found on www.tollroad.govt.nz/Documents/Reports.

System changes during the year

Tolling motorcycles

A $2 toll for motorcycles was introduced on 1 June 2010 – 30 days before this reporting period began.

When the NGTR opened in January 2009, the toll for motorcycles was set at zero, pending review. Public consultation was held in late 2009 and the NZTA Board approved the toll in March 2010.

Motorcycle trips make up 1% of total road usage – in the 2009/10 year before the tariff was introduced 55,200 trips were made by motorcyclists. When the tariff was introduced, that number dropped by 42% to 31,700 for the year to June 2011.

The overall payment compliance rate for motorcyclists was 68% – significantly lower than the overall compliance rate of 96%. However, the last quarter of this reporting year saw the motorcycle compliance rate increase to 73%.

More than 70% of paid motorcycle trips are paid for by account or online.

Change in GST

Despite the 1 October 2010 GST increase from 12.5% to 15%, the NZTA did not increase the toll tariff.

This change reduced the amount of revenue available to repay the loan (for the early construction of the road) to the Ministry of Transport.

PRE 1 OCTOBER (1 JULY-30 SEPTEMBER) WITH GST AT 12.5%	$2 TOLL	$4 TOLL
Toll revenue (amount paid to MoT to repay loan)	$1.13	$2.91
Toll operating revenue (retained by the NZTA to administer system)	$0.65	$0.65
GST	$0.22	$0.44
POST 1 OCTOBER (1 OCTOBER-30 JUNE) WITH GST AT 15%	$2 TOLL	$4 TOLL
Toll revenue (amount paid to MoT to repay loan)	$1.09	$2.83
Toll operating revenue (retained by the NZTA to administer system)	$0.65	$0.65

Nevertheless, $6.8 million of revenue collected was used to repay debt compared to $5.5 million in the previous year.

Improvements to the enforcement regime

Infringement notices were introduced in July 2010 in an effort to improve toll compliance.

By the end of June 2011, 103,287 infringement notices had been issued, 29.3% of them had been collected totalling $1,211,720 in infringement fees.

Toll payment timing

Day 0	Trip is taken.
Day 5	Payment is due and can be made via account, kiosk, online or phone at any point up until this time.
Day 6	TPN is sent to the person registered in relation to the vehicle where no payment has been received. This includes the toll plus a $2.20 administration fee.
Day 34	If no payment has been received, an infringement notice is sent which includes a fee of $40. This is in addition to the TPN administration charge and the actual toll which are also still due for payment.
Day 62	28 days later, if the infringement remains unpaid, a reminder notice is sent providing another 28 days to pay.
Day 90	28 days after the reminder notice, if the infringement still remains unpaid it is lodged with the courts for collection as an unpaid fine.

Although an infringement notice is issued for an unpaid toll, only the outstanding toll and administration charge are payable as a debt to the NZTA. Tolls and administration fees cannot be paid from the infringement revenue received by the NZTA on behalf of the MoT.

The NZTA does not receive any revenue for issuing and processing infringment notices, and all monies collected by the NZTA prior to the infringement notice being referred to the courts, is paid to the Crown.

The NZTA also contracted Dun & Bradstreet to collect the unpaid toll and administration charge debt from April 2011. This relationship allows for active debt management practices such as house visits to the NZTA's highest value debtors and court proceedings for the outstanding debt in the form of a summary judgement.

Improvements to image processing

Updated business rules around processing images reduced the number of images requiring manual verification by approximately 50% to 10% of images.

The update included grouping cars and light trucks as the same vehicle class as they pay the same tariff. This reduced the number of manual verifications required.

Manual verification is necessary where the image processing system does not have a sufficient level of confidence of the vehicle's registration plate. This can be due to factors such as very poor light quality, a damaged, dirty or covered plate, or vehicles that have the plate partly or fully obscured by body mouldings or loads.

When this occurs, an operator reviews the image and toll road history for that vehicle to ensure the correct tariff is charged to the appropriate vehicle.

The year's challenges

Uncollected revenue resulting from system faults

As a result of a communication system fault between the northbound roadside equipment and the tolling central system on 12 and 13 November 2010, approximately 7800 toll trips were unable to be identified or charged. An amount of $16,032 of associated revenue was subsequently written off.

To reduce the likelihood of this reoccurring, improvements to monitoring procedures were instigated. The improvements are designed to identify future incidents sooner, enabling corrective action to be taken more quickly.

Recidivist toll evaders

The NZTA is working with legal representation to clarify options for top recidivist toll evaders.

With the new debt collection agent, the opportunity was taken to refine the process and we have already experienced positive changes to debt collection.

Rental cars

It is estimated that approximately half of all tolls incurred by rental cars have the tolls paid by the driver within five days. Toll payment notices (TPNs) are sent to the rental car company for the remaining trips.

From analysis of three of the larger rental vehicle operators using the toll road, the percentage of trips which are paid for on time by the driver varies significantly, from 82% for the best performing to 48% for the lowest.

This year, 52% of the 26,459 statutory declarations processed were from rental car companies. This involved the registered owner of the vehicle advising the NZTA of who was driving the vehicle at the time the toll was incurred.

The submission of a statutory declaration by the rental car company further affects the NZTA's ability to efficiently collect the unpaid toll because currently an additional administration charge cannot be charged to offset the cost of sending an additional notice to the named driver. The costs incurred in processing this transfer of liability, from the rental car company to the person who hired the vehicle and was driving at the time, cannot therefore be recovered.

Although the volumes concerned are not significant in terms of total traffic volumes (0.25%), the work and effort involved in managing this situation has an impact on the administration costs of the tolling business.

The NZTA continues to work with the Rental Vehicle Association and individual rental companies to find a solution that is acceptable and affordable to both groups.

Financials

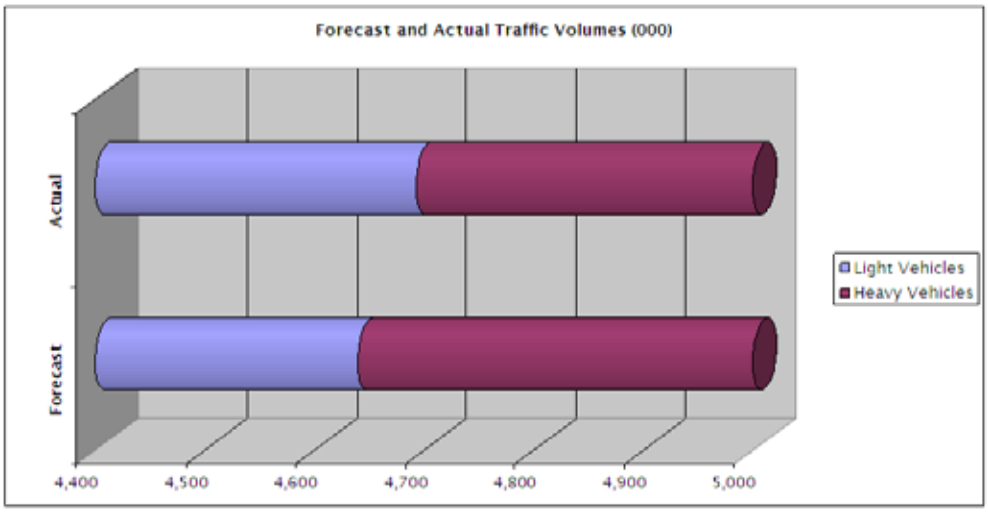
Traffic volumes and tariff revenue

	VEHICLE VOLUMES (000)		BASE RATE	TARIFF REVENUE ($000)	
	FORECAST	ACTUAL	(GST INCLUDED)	FORECAST	ACTUAL
Light vehicles	4640	4693	$2	$9279	$9386
Heavy vehicles	382	387	$4	$1527	$1548
Total chargeable trips	5022	5080		$10,806	$10,934
Exempt	20	19			
Unidentifiable	15	24			
Technical loss	77	5			
TOTAL	5134	5128		$10,806	$10,934

Notes

- Tariff revenue is the total revenue collected by trip. This differs from toll revenue which is the portion of that revenue collected for debt repayment.
- Unidentifiable trips were higher than expected due to the November communication system fault where 7800 toll trips could not be identified or charged. (See section titled Uncollected revenue resulting from system faults on page 13.)

FIGURE 6: VEHICLE VOLUMES



Statement of toll revenue collection

The toll tariff consists of three parts – toll revenue, toll operating revenue and GST.

Each is separately identified in this statement. As noted above, toll revenue is the portion of the tariff that is collected for debt repayment.

The toll operating revenue is the portion of the tariff that is used to fund the operating costs of running tolling. Refer to table on page 11.

The statement of toll revenue collection reports on the toll revenue portion of the toll tariff only. The toll operating charge is reported in the statement of profit and loss.

Statement of toll revenue for year ending 30 June 2011

	NOTES	YEAR ENDED 30 JUNE 2011			
		BUDGET $(000)	ACTUAL $(000)	VARIANCE $(000)	VARIANCE %
Paid toll revenue:					
Light		5000	5014	14	0%
Heavy		1117	1091	(26)	(2%)
Total paid toll revenue	1	6117	6105	(12)	0%
Interest on toll revenue	2	32	46	13	
Total funds available to be paid to MoT for debt repayment:			6151		
Funds paid to MoT in current financial year			4690		
Funds held by NZTA subject to payover to MoT	3		1461		
Unpaid toll revenue:					
Light		214	(122)	(336)	(157%)
Heavy		16	(9)	(25)	(156%)
Total unpaid toll revenue	4	230	(131)	(361)	(157%)
Total outstanding debtor balance consists of:	5		497		
Toll revenue to be collected for MoT			178		
Operating charge to be collected			94		
Administration charges to be collected			163		
GST to be collected			62		

Notes to the statement of toll revenue

1. **Paid toll revenue** – Paid toll revenue is the portion of all paid tolls that is designated to be used to repay the debt to build the road. Total paid toll revenue is 0.2% ($12,000) below year-to-date budget.
2. **Interest on toll revenue** – Interest is earned daily on balances held for payover to the MoT and credited to the toll revenue account on a monthly basis. This interest is included in the debt repayment to the MoT memorandum account.
3. **Funds available to be paid to the MoT for debt repayment** – Total toll revenue collected in this reporting year was $6.151 million, of which $4.690 million was paid to the MoT. The balance of the collected toll revenue year-to-date ($1.461 million) was paid to the MoT on 7 July 2011.
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. This year the revenue was 157% ($361,000) above budget. The negative balance was a result of undertaking the first bulk write-off of unpaid toll revenue and not just revenue unpaid which was incurred in this reporting year.
5. **Total outstanding casual debtor balance** – This balance consists of all toll trips and any associated administration fees that are uncollected as at 30 June 2011.

Toll balance sheet

Balance sheet as at 30 June 2011

		2010/11		2009/10	
	NOTES	$(000)	$(000)	$(000)	$(000)
CURRENT ASSETS					
Cash and cash equivalents	1				
Toll trust account		1082		944	
Toll operating account		2508		1755	
Toll payments account		268		633	
Payover/deposits in transit		40		40	
		3898		3372	
Debtors	2				
Toll casual debtors		493		809	
Provision for doubtful debts		-330		750	
Toll infringement debtors		971		71	
Toll pre-pay account debtors		4			
Toll post-pay account debtors		77		68	
NZTA debtor		1506		885	
TOTAL CURRENT ASSETS			6619		4456
NON-CURRENT ASSETS	3				
Roadside hardware/software		5426		5426	
Accumulated depreciation		-1506		-885	
		3920		4541	
TOTAL NON-CURRENT ASSETS			3920		4541
TOTAL ASSETS			10539		8997
CURRENT LIABILITIES					
Prepayments	4				
Unmatched payments		4		0	
Trip pass prepayments		639		421	
Pre-pay account balances		1050			
				931	
		1693		1352	
Creditors		477		698	
Tolling funds held in trust for the Crown		2943		1520	
TOTAL CURRENT LIABILITIES			5113		3571
EQUITY			5426		5426
TOTAL LIABILITIES AND EQUITY			10,539		8997

Notes to the balance sheet

1. **Cash and cash equivalents** – Three bank accounts are maintained by the tolling operation to facilitate cash management and payovers. The toll trust account ($1.082 million) holds the funds pre-paid by account holders. The toll operating account ($2.508 million) holds the funds to be paid over to the MoT, and also receives all casual toll payments. The toll payments account ($268,000) receives the operating fee. Operational expenditure is paid from this account. Payover/deposits in transit are payments that have been recognised through completed financial transactions, but not yet been deposited in a bank account.

2. **Debtors** – 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. The provision for doubtful debts is an acknowledgement of the debts we know are unlikely to be recovered. This provision is negative as all toll payment notices issued more than nine months prior and still unpaid are written off. These toll payment notices are still payable and all recoveries will be reported on in future reports. Toll infringement debtors is the sum of all infringement notices issued and still unpaid – these fees are collected on behalf of the Crown and are offset by a corresponding liability.

3. **Non-current assets** - The non-current assets reflect the tolling system and roadside assets held by the NZTA and the associated accumulated depreciation of these assets.

4. **Prepayments** – The toll prepayments are unmatched payments into tolling bank accounts, prepaid casual purchases and account prepayments.

Statement of cash flows

	NOTES	2010/11		2009/10	
		ACTUAL $000	ACTUAL $000	ACTUAL $000	ACTUAL $000
Cash flows from operating activities					
Receipts from customers					
Pre-paid account holders		5358		4852	
Post-pay account holders		944		878	
Casual user payments		6875		5613	
Total receipts from customers			13,177		11,343
Payments to suppliers			-5872		-8221
Interest received			61		44
Net cash flows from operating activities			7366		3166
Cash flows from investing activities			0		0
Net cash flows from investing activities			0		0
Cash flows from financing activities					
Payover to MoT for repayment of debt			-6840		-5478
Residual construction project funds made available			0		3564
Net cash flows from financing activities			-6840		-1914
Net increase/(decrease) in cash held			526		1252
Opening cash balances			3372		2120
Closing total cash balances			3898		3372

Note to the statement of cash flows

1. **Residual construction project funds made available** – The NZTA Board approved the toll system project's construction funding being used to fund the initial operating costs over and above the steady state projections for the Northern Gateway Toll Road's tolling scheme. The recoveries invoiced for the residual are now paid directly into the NZTA bank accounts and are therefore not reflected in the tolling cash flow statement for the period ended 30 June 2011. This is not comparable to the year ended 30 June 2010 as the residual construction project funds made available were included in the cash flow for this period.

Taxation applying to gross tolling revenue

GST is applied to all toll trips undertaken on the Northern Gateway Toll Road. GST is charged on an invoice basis.

REVENUE CLASSIFICATION	$(000)
Toll revenue	5974
Operating charge	3292
Administration charge	1008
Total tolling revenue	**10,274**
GST	1438
Total tolling revenue (GST incl)	**11,712**

Toll operating charge by traffic volume

The toll operating charge is the portion of the toll tariff that is designated to cover the operational expenditure for managing the toll system and delivery. The following is a summary of traffic volumes and the associated toll operating charge. This revenue is above forecast due to the slightly higher than forecasted traffic volumes. The revenue amounts are for all identified trips undertaken on the toll road, and a portion of these remain unpaid.

As stated previously, unidentifiable trips are escalated due to a communication system fault between the roadside equipment and the tolling system resulting in approximately 7800 toll trips not being able to be identified and therefore written off.

The toll operating charge is currently $0.65 per trip.

	VEHICLE VOLUMES			VEHICLE REVENUE	
	FORECAST $(000)	ACTUAL $(000)	BASE RATE (GST INCLUDED)	FORECAST $(000)	ACTUAL $(000)
Light vehicles	4640	4693	0.65	3006	3041
Heavy vehicles	382	387	0.65	247	251
Exempt	20	19			
Unidentifiable	15	24			
Technical Loss	77	5			
TOTAL	**5134**	**5128**		**3253**	**3,292**

Operating profit and loss

Statement of operating profit and loss for year ending 30 June 2011

	NOTES	ACTUAL 2010/11 $000	BUDGET 2010/11 $000	ACTUAL 2009/10 $000
OPERATING REVENUE	1			
Operating charges		3292	3530	3204
Administration charges		1007	869	946
Interest		16	12	11
TOTAL OPERATING REVENUE		4315	4411	4161
EXPENDITURE				
Transaction costs	3			
External stationery		27	20	23
Datamail		62	60	72
Postage		211	186	171

Merchant fees		301	350	135
Bank fees		10	13	21
Kiosk fees		52	60	36
		663	689	458
Support and maintenance	4			
Data communication		38	41	34
System support & maintenance		940	938	814
Kiosk support & maintenance		128	108	144
Roadside equipment support & maintenance		56	69	60
System development		180	141	236
Phones		119	125	147
		1461	1422	1435
Corporate services costs	5			
Personnel		1734	1612	1630
Marketing		12	30	14
General		23	66	34
Indirect cost centre costs		35	35	35
Depreciation		621	621	621
Doubtful and bad debts expense		65	341	510
		2490	2705	2844
TOTAL OPERATING EXPENDITURE		4614	4816	4737
TOLL PROJECT COSTS		260	302	634
TOTAL TOLLING EXPENDITURE		4874	5118	5371
NET OPERATING SURPLUS/ (DEFICIT)	6	-559	-707	-1210
TOLL RECOVERIES	2	559	913	1210
NET TOLL SURPLUS/(DEFICIT)		0	206	0

Notes to the statement of operating profit and loss

1. **Operating revenue** – Operating revenue is sourced from the toll operating charge, administration charges from additional fees charged to casual road users, and from residual design and construct project funds. Operating revenue from charges is designed to cover all operating costs, but there has been a requirement in early operations of the toll road to meet additional costs in excess of these operating costs. These additional costs are funded from a residual from the design and construct project being completed under budget. Revenue from operating charges is 7% ($238,000) below budget, and administration charges are 16% ($138,000) above budget.
2. **Toll recoveries** - From the total $3.3 million design and construct project residual funds, $559,000 was provided to cover the shortfall in operating revenue collected in the 12 months to 30 June 2011.
3. **Transaction costs** – Total transaction costs are 4% ($26,000) below budget.
4. **Support and maintenance** – Support and maintenance costs are 3% ($39,000) above budget. This is driven by small overspends in data communication and system support and maintenance. The overspend in data communications is the result of unbudgeted expenditure early in the year.
5. **Corporate services costs** – Corporate services costs are 8% ($215,000) under budget.
6. **Net surplus/(deficit)** – The net surplus/(deficit) is a non-cash result of reporting all tolling revenue and expenditure. As any shortfall of revenue collected from operating and administration charges to meet expenses incurred is met by available funds from the project residual, the net surplus/(deficit) is $0.

Tolling revenue written off

Tolling revenue written off consists of two broad categories, the first being where payment for a toll payment notice (TPN) cannot be collected. These write-offs in this 2010/2011 year have a total value of $68,848.

This consists of statutory declarations completed where the stated driver resides at an international address (9412 TPNs), or the vehicle has been stolen (82 TPNs), or where a TPN was unable to be generated due to insufficient plate information for the registered owner or vehicle being available from the motor vehicle register (14,196 trips).

The second category is related to TPNs written off due to age and the NZTA being unlikely to collect on them. A total of 195,105 TPNs issued more than nine months ago and still unpaid were manually written off in this 2010/11 year, with a total value of $722,821. This debt is still being pursued by our debt collection partner.

These TPNs are still payable and some do continue to be paid. During this reporting period we recovered debt of $29,890 that was previously classified as written off in past reports.

Details on these recoveries will continue to be included in future reports.

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NZ TRANSPORT AGENCY
WAKA KOTAHI

New Zealand Government

December 2011