



Northern Gateway Toll Road

Operating report to the Minister of Transport
for the twelve months ended 30 June 2013



NZ TRANSPORT AGENCY
WAKA KOTAHI

New Zealand Government

EXECUTIVE SUMMARY

**5.412 million
TRIPS**

Traffic volumes for this operating period are 3.60% above the figure forecast at the beginning of the year. The actual number of trips is 214,000 higher than for the same period last year. (Chargeable trips for this period is 5.35 million.)

**97%
TRIP PAYMENT RATE**

97% of all chargeable tolls were paid within the reporting period. This is an increase of 0.4% (96.6%) from the previous year.

**\$0.60c
NET OPERATIONAL COST PER
TRANSACTION**

The net operational cost per transaction of \$0.60 is lower than for the previous year (\$0.65). This reduction is attributable to system development during this period being deferred and now expected to occur in the 2013/14 year.

**79%
NETWORK USAGE**

79% of the total traffic between Silverdale and Puhoi is using the Northern Gateway Toll Road as at 31 December 2012 based on Highway and Network Utilisation report.

**\$551,399
WRITTEN OFF DUE TO AGE**

The amount of toll revenue written off due to age was \$200,508, being a reduction of \$20,673 from the previous year. Administration charge revenue written off due to age this year was \$350,889 an increase from the previous year of \$138,317. This increase is due to administration charges increasing from \$2.20 to \$4.90 on 1 August 2011.

Debt previously written off but recovered during this period was \$77,451, an increase of \$13,899 from the same period last year.

OUR SUCCESSES

Improved online usage

The number of customers using online services increased again this operating year. Toll road account numbers have continued to grow year on year and this has resulted in an increased percentage of trips paid by account. Casual trip passes purchased online have also again increased this year with the website being the preferred channel of choice for casual road users.

Online transactions have increased year on year, with 78.1% of toll payments now processed through an online channel (toll road account or website for casual trips), compared to 74.3% last year and 30% for the prior year.

Increased compliance

The percentage of trips paid within five days increased again this operating year, now sitting at 89% of trips, which has resulted in fewer toll payment notices being issued. We continue to see an increase in the level of toll payment notices paid as well as older debt being recovered.

Safety – no serious accidents

The Northern Gateway Toll Road continues to provide a safe journey for motorists with no serious accidents or unscheduled closures occurring this operating year.

Prosecutions

The Transport Agency undertook prosecution of a recidivist toll evader this operating year and achieved a conviction for failure to pay tolls.

Although the overall toll payment compliance level is high in terms of international comparisons, there continues to be a small number of recidivist toll evaders who require significant time and resource to manage. As a result of the successful prosecution, the Transport Agency is undertaking more prosecutions of individuals with outstanding balances of unpaid tolls, focusing on those who have resisted the agency's attempts to recover money owed and who continue to use the toll road without paying. Feedback from compliant toll road users clearly indicates a strong expectation that the agency will vigorously pursue non-payers.

THIS YEAR'S CHALLENGES

Kiosks

Kiosk usage continues to drop. Although the kiosks are largely reliable, they can suffer problems related to coin or note blockages, power supply or phone connection issues. Unfortunately their location means that any faults or problems can take some time to rectify, with undesirable periods of downtime as technicians travel to the site and undertake repairs.

To improve the quality of service for customers, the kiosks at the southern end of the road will be 'streamlined' by removing the problematic components that process bank notes and cards. This is expected to minimise the kiosks' downtime. The northern payment kiosks, located at Puhoi, have operated as coin-only for two years and display far higher levels of performance and availability.

VOLUMES AND REVENUE

Traffic volumes and toll tariff revenue

Toll tariffs have remained the same since the increase on 1 March 2012 which saw light vehicles and motor bikes set at \$2.20 and heavy vehicles set at \$4.40.

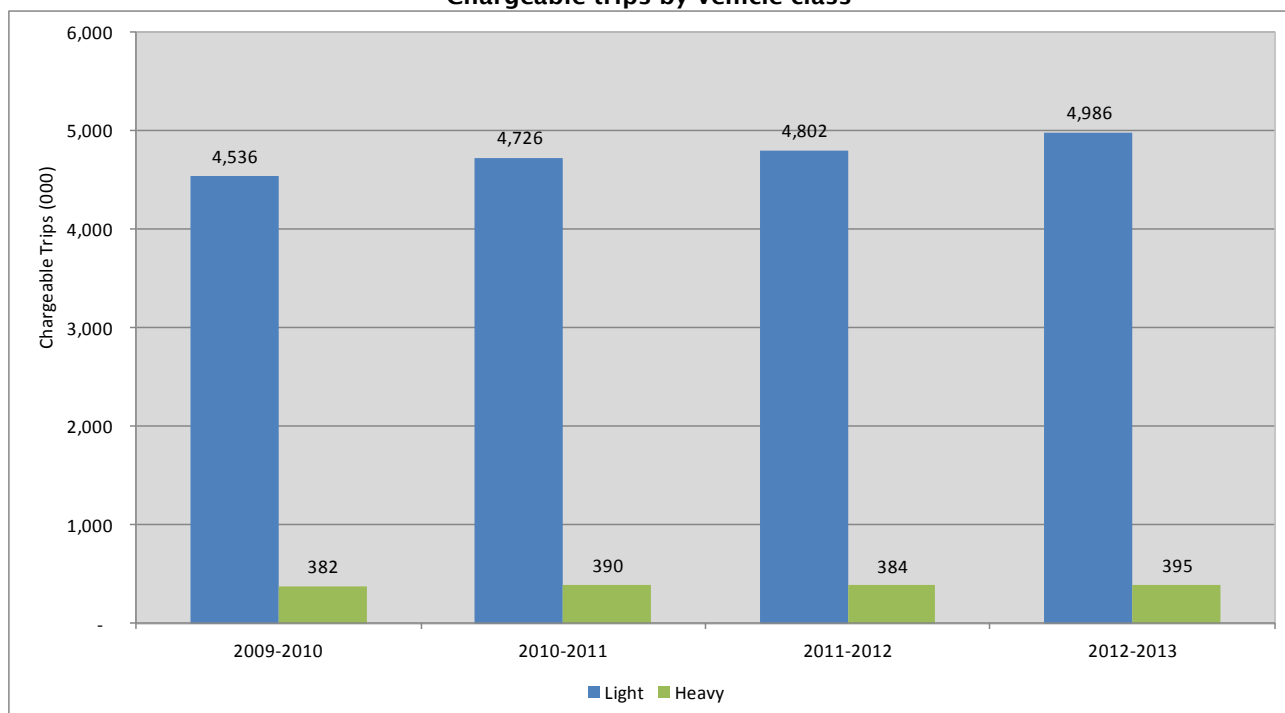
	Vehicle volumes (000)		Base rate	Vehicle revenue (\$000)	
	Actual	Forecast	(GST incl)	Actual	Forecast
Light vehicles	4,958	4,779	\$2.20	10,908	10,514
Heavy vehicles	392	396	\$4.40	1,725	1,742
Total chargeable trips	5,350	5,175		12,633	12,256
Exempt	19	20			
Unidentifiable	12	9			
Technical loss ¹	31	20			
TOTAL	5,412	5,224		12,633	12,256

¹ The high variance between YTD actual & budget for technical loss is largely due to a unit error at the roadside over the 13th and 14th of January when the system was unable to process images for a period of time, 'losing' 13,231 trips. Scheduled maintenance routines have been amended to ensure a similar occurrence will be avoided in future. This equated to approximately \$30,000 in lost toll revenue

Traffic volumes were up on the same period last year by 214,000 trips, this was 3.6% ahead of the forecast of 5.22 million total trips. Consequently, revenue was also \$377,000 (3%) above forecast for the 2012/2013 operating year.

The following graph illustrates that the increase in overall traffic volumes using the Northern Gateway Toll Road year on year is small, indicating vehicle numbers have plateaued. The spike seen in March 2013 is attributable to Easter weekend falling on the last weekend of March whereas in prior years this has been observed in April.

Chargeable trips by vehicle class



TOLL PAYMENTS RECEIVED

Level of tolls paid

Tolls were collected for 97.0% of the 5.35 million chargeable trips undertaken in the operating year ended June 2013.

	Trips (000)	Revenue \$(000)
Total chargeable toll trips	5,350	12,633
Total administration charges		2,212
Total tolling revenue		14,845
Paid toll trips	5,190	12,267
Paid administration charges		1,730
Paid tolling revenue		13,997
Unpaid toll trips	160	366
Unpaid administration charges		482
Unpaid tolling revenue		848
Administration charge payment percentage rate		78.2%
Toll trip payment percentage rate	97.0%	

Administration charges relate to toll payment notices issued for trips not paid for within five days of the trip, of which 78.2% are subsequently paid (see table on next page).

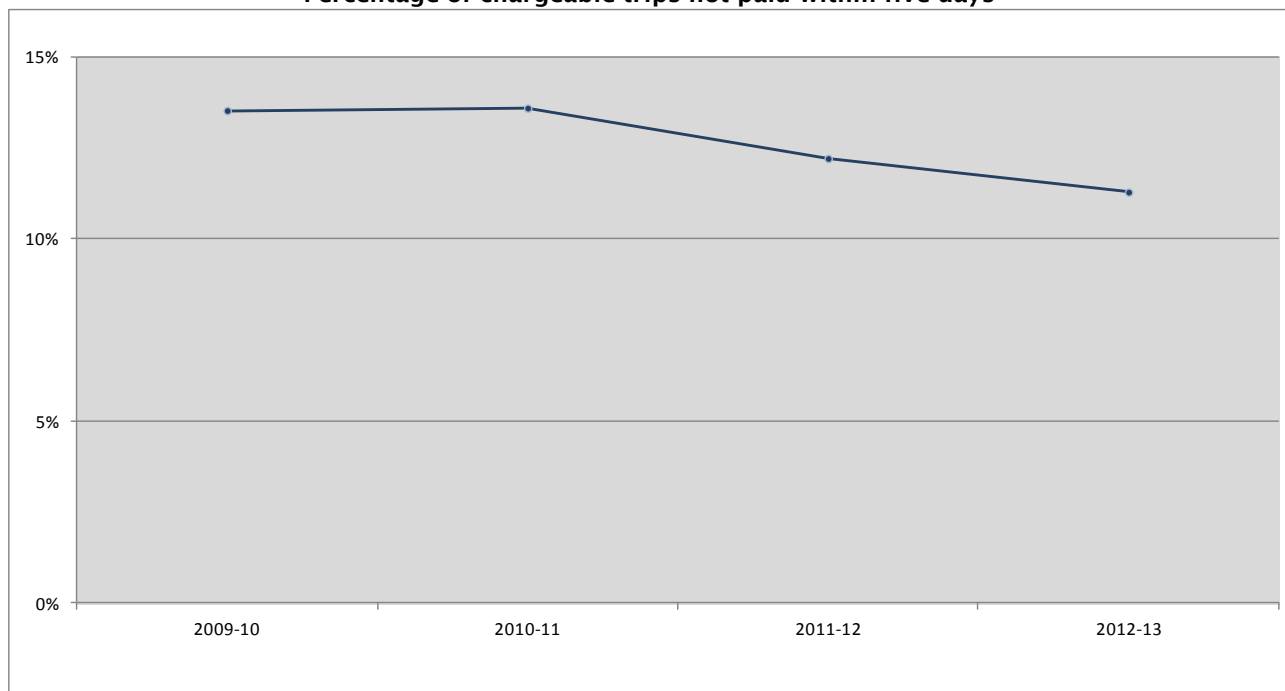
TOLL PAYMENTS NOT MADE

Trips not allocated to an account or pass

When a chargeable trip has not been either matched to an account or to an individual trip payment within the required five days this results in a toll payment notice being issued. When a toll payment notice is issued it is sent to the registered person of the vehicle as per information obtained from the motor vehicle register and an extra \$4.90 administration charge is added.

As indicated by the graph, there continues to be a reduction each year on the number of trips requiring a toll payment notice, declining by 1% from the year ending 30 June 2012 and approximately 2.3% from the year ending 30 June 2011.

Percentage of chargeable trips not paid within five days



Toll payment notices issued this year have reduced by 5% when compared to the year ending 30 June 2012 and 13% when compared to the year ending 30 June 2011. The table below shows the number of toll payment notices issued and their respective status at the year ending 30 June 2013.

	2012/13 Number	2012/13 Amount	2012/13 %	2011/12 Number	2011/12 Amount	2011/12 %
Toll payment notices						
Issued	458,385	\$3,599,483		483,547	\$3,608,049	
Paid	347,616	\$2,730,227	76%	363,740	\$2,707,416	75%
Unpaid	74,403	\$584,169	16%	77,328	\$595,514	17%
Written off	29,377	\$230,735	6%	36,257	\$259,240	7%
Reissued²	6,989	\$54,352	2%	6,222	\$45,879	1%

² 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.

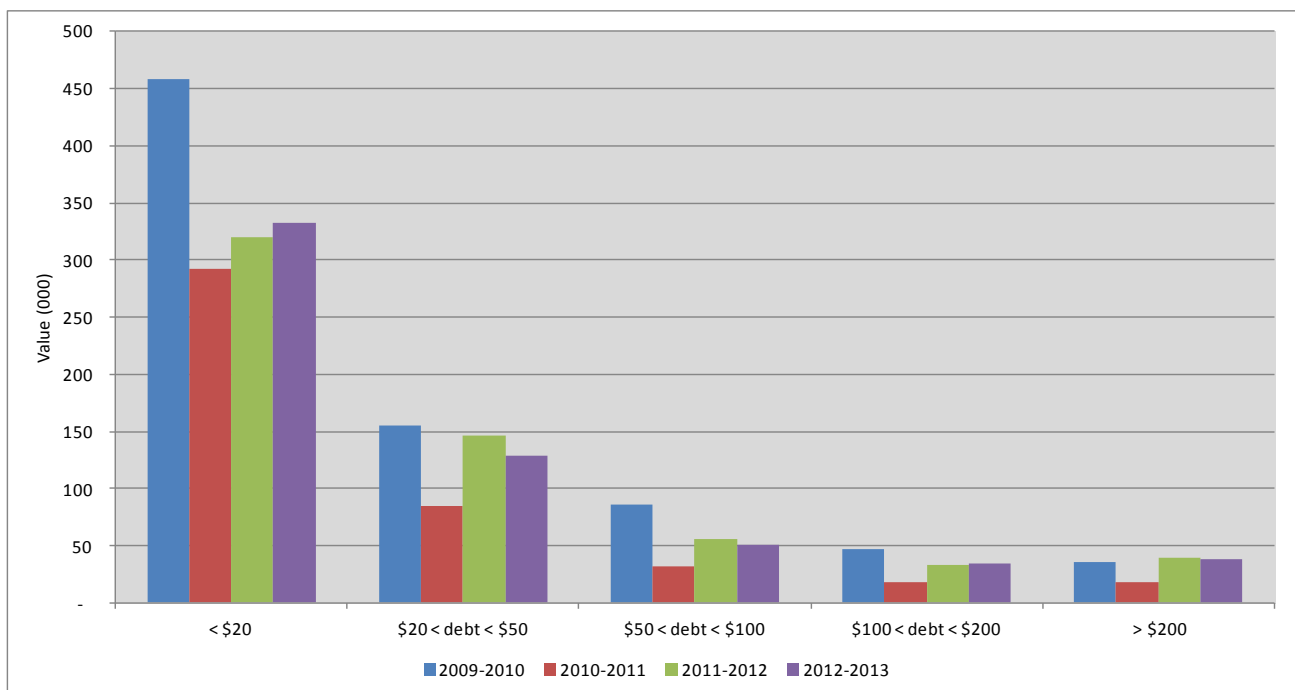
Debt profile from unpaid toll trips

The table below shows that the average toll debt incurred by individual users is relatively low, with 78% of the total debt owed by individuals with less than \$50 in outstanding toll and administration charges.

Toll payment notice debtor schedule	2012/13 Number	2012/13 Value	2012/13 % of Total	2011/12 Number	2011/12 Value	2011/12 % of Total
> \$200	106	38,320	7%	110	39,927	7%
\$100 < debt < \$200	254	34,245	6%	247	33,329	6%
\$50 < debt < \$100	741	50,874	9%	841	56,249	9%
\$20 < debt < \$50	4,384	128,325	21%	5,036	145,898	24%
< \$20	32,442	332,241	57%	32,073	319,976	54%
TOTAL	37,927	\$584,005	100%	38,307	\$595,377	100%

These totals have reduced from the same period last year, as at 30 June 2012 the total value and total number of vehicles with outstanding toll debt was \$595,377 and 38,307.

The graph belows highlights the current debt profile trend over the period of the road (This does not include debt that has been written off due to age).



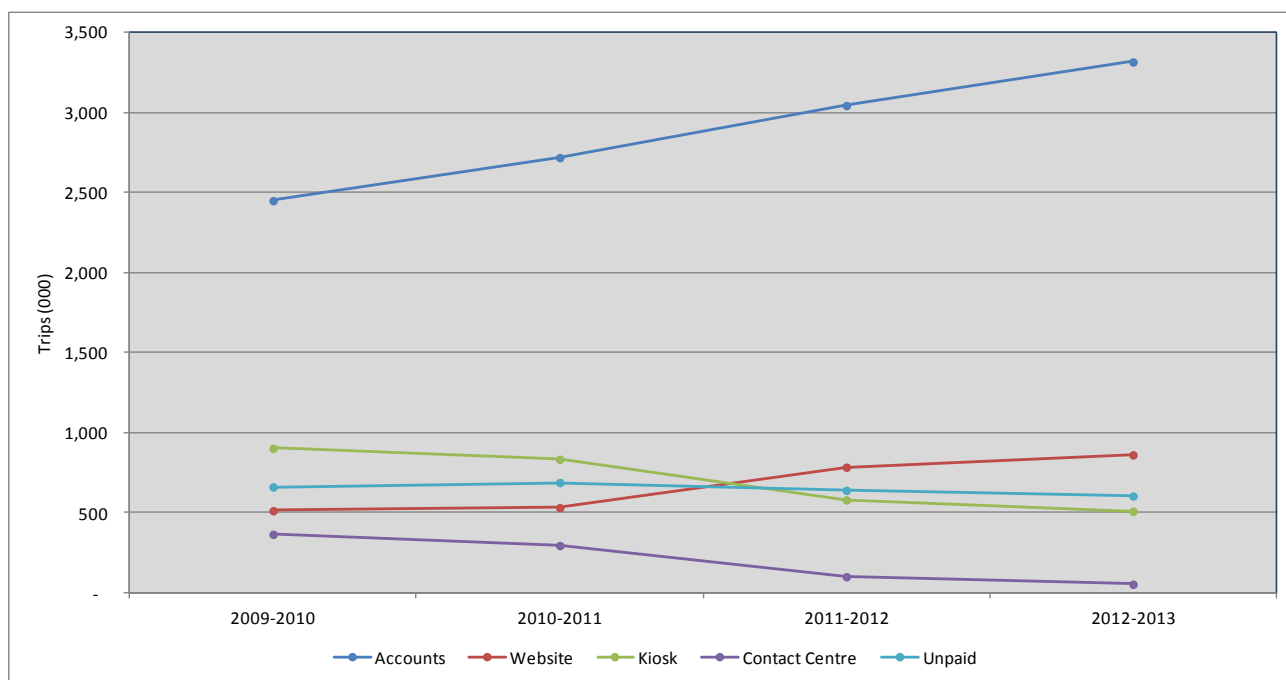
The 2009-2010 includes all debt as write offs due to age were not applied. The noticeable variance in 2010-2011 was due to the introduction of debt write offs due to age in December 2010 which included all debt that was older than nine months from the time the road opened.

METHOD OF PAYMENT

Payment channels

The use of toll road accounts continues to grow from the 59% of trips charged to accounts last year to approximately 62% this year.

Trips by payment type



Casual trips purchased via the website continued to increase with 76,843 (10%) more trips purchased this year compared to last year. Kiosk and Contact Centre trip purchases also continued to decrease, reducing by 70,387 (12%) and 47,070 (47%) respectively.

Toll payment by channel		2012/13 Number of trips	2012/13 %	2011/12 Number of trips	2011/12 %
Toll road account debited		3,317,382	62.0%	3,045,157	59.1%
Casual purchase of trip pass	Website	862,484	16.1%	785,641	15.2%
	Kiosk	510,527	9.6%	580,914	11.3%
	Contact Centre	54,045	1.0%	101,115	2.0%
Unpaid trips after five days		605,293	11.3%	640,740	12.4%

The number of trips being paid within five days increased by 1% this operating year.

RECOVERY OF UNPAID TOLLS AFTER 5 DAYS

TOLL DEBT REFERRAL, DEBT RECOVERY AND WRITE OFFS

On average 78.2% of administration charges relating to toll payment notices issued this financial year 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 \$551,592, which consists of both toll debt \$200,703, and unpaid administration charges \$350,889. 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 debt previously written-off, is sought and recovered.

During this operating period \$77,451 of debt previously written-off was recovered.

Toll payment notices written off due to age

	2012/13 Amount	2011/12 Amount
Toll	\$200,508	\$221,181
Administration charge ³	\$350,889	\$212,572
	\$551,592	\$433,753

Toll debt previously written off and recovered this year

	2012/13 Amount	2011/12 Amount
Toll	\$36,193	\$36,323
Administration charge	\$41,258	\$27,229
	\$ 77,451	\$63,552

Toll payment notices which cannot be collected

	2012/13 Amount	2011/12 Amount
Statutory declarations completed where stated driver (rental car hirer) resides overseas	\$74,639	\$76,446
Statutory declarations completed where the vehicle has been reported stolen	\$654	\$717
Toll payment notices incorrectly issued ⁴	\$30,220	\$25,452
Insufficient registered owner/plate information for the vehicle ⁵	\$37,941	\$32,821
	\$143,260	\$135,436

³ Administration charges written off 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. Of the administration charges written off in the operating year 2011/2012 two months were at the new rate of 4.90 where the charges written of this year are all at \$4.90.

⁴ Notices issued by NZTA in error or to the incorrect registered person.

⁵ Insufficient information of registered person available from Motor Vehicle Registrar at the time it was required.

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 the Transport Agency, and GST. A breakdown of how tolls are allocated is contained in the table below

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

STATEMENT OF TOLL REVENUE FOR THE YEAR ENDED 30 JUNE 2013

	Note	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
Paid toll Revenue				
Light		5,856	5,634	5,266
Heavy		1,212	1,223	1,105
Total Paid Revenue	1	7,068	6,857	6,371
Interest on toll revenue	2	47	41	43
Total funds available to be paid to Ministry of Transport for debt repayment:	3	7,115		6,414
Funds paid to Ministry of Transport in current financial year		5,424		4,775
Funds held by NZ Transport Agency subject to pay over to Ministry of Transport		1,691		1,639
Unpaid toll revenue				
Light		8	34	153
Heavy		7	10	12
Total unpaid toll revenue	4	15	44	165

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 3% (\$211,000) 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 \$7,115 million, of which \$5,424 million was paid to the ministry within the reporting period. The balance of the collected toll revenue (\$1,691 million) was paid to the ministry on 5 July 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 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 YEAR ENDED 30 JUNE 2013				
	Note	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME				
Operating charges	1	3,740	3,632	3,433
Administration revenues		2,084	2,389	2,095
Interest		16	10	12
Total income		5,840	6,031	5,540
EXPENDITURE				
Transaction related costs	2	911	924	968
System support and maintenance costs	3	1,374	2,266	1,605
Operating costs	4	2,984	2,781	2,810
Total expenditure		5,269	5,971	5,383
NET SURPLUS		571	60	157

1. Income - Revenue from third parties to date is 3% (\$191,000) lower than budget. This is largely driven the variance in administration charges on toll payment notices, due to fewer notices being issued than was forecast for as more people make payment for their trips within the required five days.

2. Transaction related expenses – These costs were under budget by \$13,000 (1%) this is related to credit card commissions being \$20,000 (3%) below budget as a consequence of reduced commission costs being charged and the costs associated with kiosk cash handling being \$9,000 (13%) higher than forecast.

3. System support and maintenance costs – The positive variance of \$892,000 is mainly attributed to \$671,000 of planned systems development being deferred this year, while system/kiosk support and maintenance were under budget due to an oversight with an accrual being reversed twice.

4. Operating expenses – The negative variance is a culmination of personnel costs being \$173,000 (10%) higher than budgeted, and over budget results in other expense lines, particularly bad debts and depreciation. Personnel costs were reforecast in November 12 to reflect organisational changes within the tolling business and this increased personnel costs by \$144,000. The budgeted figures reflected above do not incorporate this reforecast.

5. Net Surplus – The net operating non cash surplus of \$571,000 for all tolling revenue and expenditure as at the 30 June 2013.

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 year.

Operational expenditure	2012/13 (000)	2011/12 (000)
Operational expenditure (net of doubtful and bad debts)	\$4,983	\$5,134
Total toll trips	5,350	5,154
Gross operational cost per transaction	\$0.93	\$1.00
Less recovered administrative charge revenue	\$1,800	\$1,777
Net operational expenditure	\$3,183	\$3,357
Total toll trips	5,350	5,154
Net operational cost per transaction	\$0.60	\$0.65

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 modeling 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 toll⁶.

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 \$0.93 per chargeable toll trip. With the collection of the administration fees this means that the tolling business required \$0.60 cents of the allocated revenue per toll to cover current operational costs.

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	7,083
Operating charge	3,740
Payment channel and administration charges	2,084
Total toll revenue	12,907
GST	1,939
Total toll revenue (GST incl)	14,846

⁶ The CPI adjusted tariff increase introduced 1 March 2012 has raised the toll operating revenue from \$0.65 to \$0.70.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from third party revenue	16,362	15,970	15,657
Interest received	63	51	54
Payments to third parties	(7,262)	(6,580)	(6,913)
Payments to employees	(1,926)	(1,753)	(1,675)
Net cash from operating activities	7,237	7,688	7,123
CASH FLOWS FROM FINANCING ACTIVITIES			
Pay over to Ministry of Transport for repayment of debt	(7,063)	(6,801)	(6,237)
Net cash from financing activities	(7,063)	(6,801)	(6,237)
NET INCREASE IN CASH AND CASH EQUIVALENTS	174	887	886
Cash and cash equivalents at the beginning of the year	4,784	4,784	3,898
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4,958	5,671	4,784

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	1	4,958	5,671	4,784
Debtors and other receivables	2	3,441	3,368	3,295
Total current assets		8,399	9,039	8,079
NON-CURRENT ASSETS				
Roadside hardware/software		2,677	2,678	3,298
Total non-current assets	3	2,677	2,678	3,298
TOTAL ASSETS		11,076	11,717	11,377
LIABILITIES				
CURRENT LIABILITIES				
Creditors and other payables	4	2,158	3,150	2,668
Tolling funds held in trust	5	2,764	2,924	3,126
TOTAL LIABILITIES		4,922	6,074	5,794
NET ASSETS		6,154	5,643	5,583
EQUITY				
Retained funds - NZ Transport Agency	6	6,154	5,643	5,583
TOTAL EQUITY		6,154	5,643	5,583

1. Cash and cash equivalents – Three bank accounts are maintained by the tolling operation to facilitate cash management and payovers. The toll trust account (\$1.5m) holds the funds pre-paid by account holders. The toll operating account (\$2.8m) holds the funds to be paid over to the Ministry of Transport, and also receives all casual toll payments. The toll payments account (\$0.5m) 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 June to be paid on the 22th July.

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 (\$1.4m) and pre-paid casual trip purchases not yet used (\$1.1m).

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 for construction of the Northern Gateway Toll Road. Also included is GST payable to Inland Revenue for June and infringement payments for the Ministry of Transport.

6. Equity – This includes the full year operating surplus of \$571,000 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)	\$172,720
- 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 ALPUR T 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. The kiosks at either end of the Northern Gateway Toll Road do not record personal information of the person paying a toll. There have been no changes to this method of payment other than the introduction of the additional 40 cent administration charge per payment made through these facilities.

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