

APPENDIX 1: KEY OPERATING ASSUMPTIONS

EXTERNAL ENVIRONMENT

NEW ZEALAND ECONOMIC PERFORMANCE HAS BEEN GOOD

10.3%
growth in
external trade
volumes

As predicted, the economy continued to perform well, growing 3.1% for the 12 months ending March 2016. Export and import volumes grew 10.3% and 10.2% respectively over the same period.

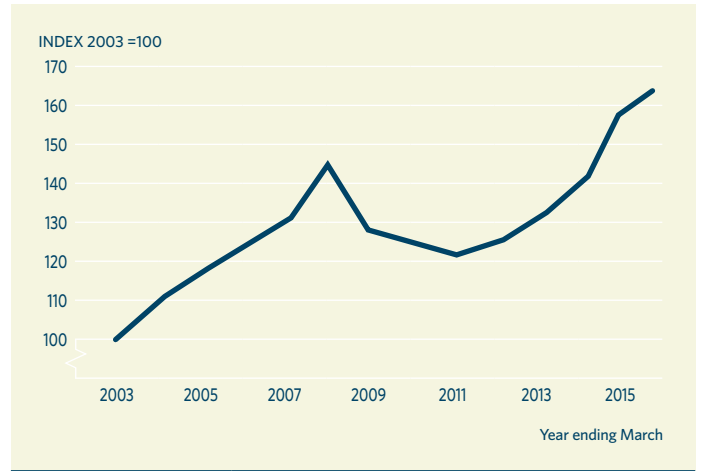


SUPPLIERS

DOMESTIC CONSTRUCTION ACTIVITY HAS GROWN

3.9%
increase in
construction
activity in
2015/16

As expected, activity in the construction sector continued to grow as recovery efforts in Christchurch advanced and investment in residential activity, notably in Auckland, grew strongly.

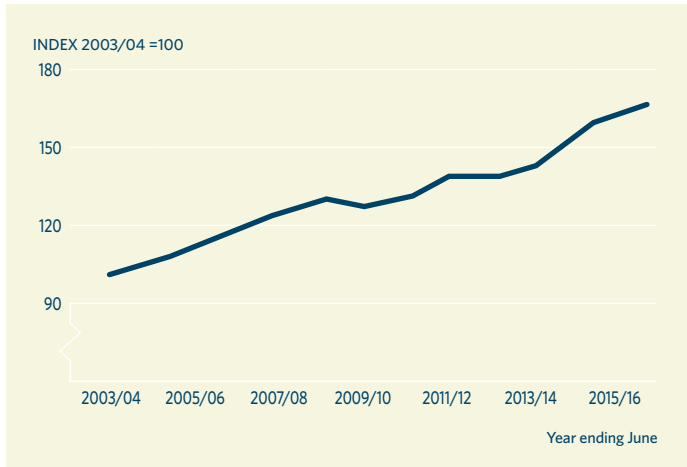


REVENUES

NATIONAL LAND TRANSPORT FUND REVENUES HAVE GROWN STRONGLY

\$3.4bn
flows into
the NLTF - 8.6%
higher than in
2014/15

As predicted, increased travel demand resulted in more revenue generated from fuel excise duty (7.9%) and road user charges (7.6%). Higher licensing and registration transaction volumes translated to a 18.9% increase in revenues from motor vehicle registration.

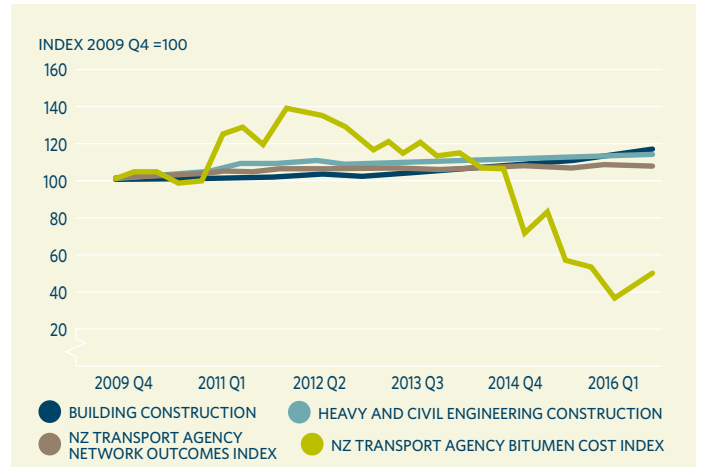


PRICES

COST PRESSURES HAVE BEEN FLAT

0.5%
increase in
our network
outcomes
index

As expected, Transport Agency asset management and procurement practices have helped to curb construction costs. The Transport Agency bitumen price index reflects the effect of falling oil prices.

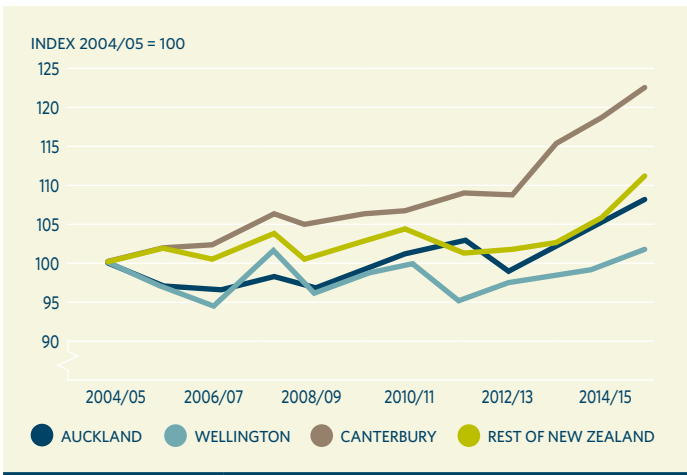


TRAVEL DEMAND - ALL VEHICLES

STATE HIGHWAY TRAVEL HAS CONTINUED TO GROW

21.3bn
km travelled - an increase of 4.4% in 2015/16

As expected, a stronger economy and contained fuel prices led to increased travel demand in 2015/16. Increased travel in Auckland (3.3%), Wellington (2.1%) and Christchurch (3.9%) was accompanied by a deterioration in travel-time predictability.

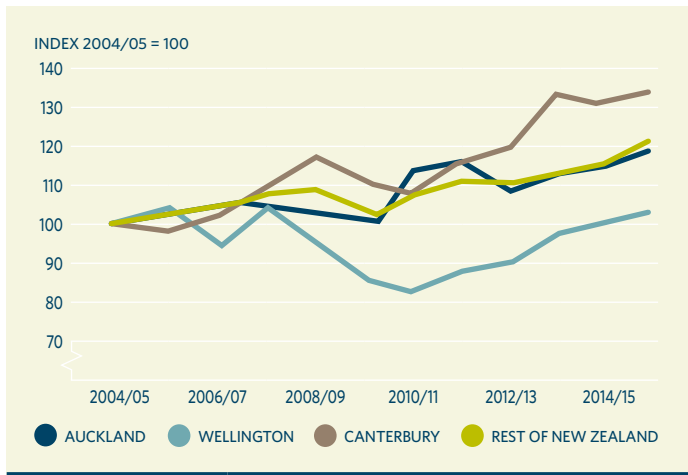


TRAVEL DEMAND - HEAVY VEHICLES

TRAVEL BY HEAVY VEHICLES HAS INCREASED

2.2bn
km travelled - an increase of 4.4% on 2013/14

As expected, a stronger domestic economy coupled with higher trade volumes through the ports resulted in an increase in heavy vehicle travel in Auckland (3.6%), Wellington (2.4%) and Christchurch (2.3%).



PUBLIC TRANSPORT

USE OF PUBLIC TRANSPORT HAS GROWN

148m
public transport boardings - an increase of 2.8% in 2015/16

As expected, public transport patronage grew further in 2015/16, mainly due to a 4.6% increase in boardings in Auckland. Rail patronage in Auckland grew 20.6% as a result of further investment in new capacity and services.



TRANSACTIONS

TRANSACTION VOLUMES HAVE RISEN

8.4%
increase in licence transactions completed

As expected, stronger demand for travel, growth in new vehicle sales, higher driver licence pass rates and the positive effect of changes to the ACC component of vehicle licensing have supported transaction volumes.

