



Northern Gateway Toll Road

Operating report to the Minister of Transport
for the six months ended 31 December 2013



NZ TRANSPORT AGENCY
WAKA KOTAHI

New Zealand Government

EXECUTIVE SUMMARY

2.770 million TRIPS	Traffic volumes for this operating period are 5.97% above the figure forecast at the beginning of the year. The actual number of trips is 168,000 higher than for the same period last year. (Chargeable trips for this period is 2.74 million.)
95.4% TRIP PAYMENT RATE	95.4% of all chargeable tolls were paid within the reporting period. This is the same as reported for the same period last year.
\$0.61c NET OPERATIONAL COST PER TRANSACTION	The net operational cost per transaction of \$0.61 is lower than for the previous year (\$0.65), as well as below forecast. This is due to deferral in system development now planned for 2014/2015.
\$293,953 WRITTEN OFF DUE TO AGE	The amount of toll revenue written off due to age was \$109,320 and administration charge revenue written off due to age was \$184,633.

Improved online usage

The number of customers using online services has again increased this operating period to 80.1%. This is an increase of 2.5% in the last six months. The percentage of online transactions at the period ended 30 June 2013 was 78.1%

Kiosks

In September 2013 the bank note and card readers were removed from the kiosks at the southern end of the road. It was expected that the removal of these problematic components would minimise the downtime the kiosks were experiencing and improve the quality of service to customers. We are currently monitoring the kiosk to gauge the impact this improvement has had.

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 motorcycles set at \$2.20 and heavy vehicles set at \$4.40.

	Vehicle volumes (000)		Base rate (GST incl)	Vehicle revenue (\$000)	
	Actual	Forecast		Actual	Forecast
Light vehicles	2,538	2,398	\$2.20	5,584	5,276
Heavy vehicles	206	194	\$4.40	906	854
Total chargeable trips	2,744	2,592		6,490	6,130
Exempt	9	10			
Unidentifiable	4	6			
Technical loss	13	6			
TOTAL	2,770	2,614		6,490	6,130

Traffic volumes were up on the same period last year by 168,000 trips. This was 5.97% ahead of the forecast of 2.614 million total trips. Consequently, revenue was also \$360,000 above forecast for this period.

TOLL PAYMENTS RECEIVED

Level of tolls paid

Tolls were collected for 95.4% of the 2.744 million chargeable trips undertaken in the six months ending 31 December 2013.

	Trips (000)	Revenue \$(000)
Total chargeable toll trips	2,744	6,490
Total administration charges		987
Total tolling revenue		7,477
Paid toll trips	2,617	6,203
Paid administration charges		676
Paid tolling revenue		6,879
Unpaid toll trips	127	287
Unpaid administration charges		311
Unpaid tolling revenue		598
Administration charge payment percentage rate		68.5%
Toll trip payment percentage rate	95.4%	

Administration charges relate to toll payment notices issued for trips not paid for within five days of the trip, of which 68.5% 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 and an extra \$4.90 administration charge is added to the outstanding tolls.

Toll payment notices	31 Dec 13 Number	31 Dec 13 Amount	31 Dec 13 %	31 Dec 12 Number	31 Dec 12 Amount	31 Dec 12 %
Issued	204,576	\$1,621,060		205,217	\$1,621,690	
Paid	140,491	\$1,114,329	69%	136,296	\$1,078,841	67%
Unpaid	54,515	\$431,216	27%	59,610	\$469,159	29%
Written off	6,458	\$51,176	3%	6,203	\$49,379	3%
Reissued²	3,112	\$24,339	2%	3,108	\$24,311	1%

Toll payment notices issued this year have only reduced slightly (0.30%) when compared to the same period last year. The table below shows the number of toll payment notices issued and their respective status for the period ending 31 December 2013.

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	31 Dec 13 Number	31 Dec 13 Value	31 Dec 13 % of Total	31 Dec 12 Number	31 Dec 12 Value	31 Dec 12 % of Total
> \$200	99	36,206	7%	104	39,864	7%
\$100 < debt < \$200	242	33,190	6%	211	28,347	5%
\$50 < debt < \$100	756	52,013	9%	747	50,692	8%
\$20 < debt < \$50	4,040	118,013	21%	4,444	129,150	21%
< \$20	31,182	315,946	57%	35,200	352,426	59%
TOTAL	36,319	\$555,368	100%	40,706	\$600,479	100%

As indicated by the table these totals have reduced from the same period last year.

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.

RECOVERY OF UNPAID TOLLS AFTER 5 DAYS

TOLL DEBT REFERRAL, DEBT RECOVERY AND WRITE OFFS

On average 68.5% 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 \$293,953, which consists of both toll debt \$109,320, and unpaid administration charges \$184,633. 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 ending 31 December 2013 \$28,976 of debt previously written-off was recovered.

Toll payment notices written off due to age

	31 Dec 13 Amount	31 Dec 12 Amount
Toll	\$109,320	\$115,899
Administration charge	\$184,633	\$210,010
	\$293,953	\$325,909

Toll debt previously written off and recovered this year

	31 Dec 13 Amount	31 Dec 12 Amount
Toll	\$12,743	\$14,682
Administration charge	\$16,233	\$12,515
	\$ 28,976	\$27,197

Toll payment notices which cannot be collected

	31 Dec 13 Amount	31 Dec 12 Amount
Statutory declarations completed where stated driver (rental car hirer) resides overseas	\$20,153	\$26,960
Statutory declarations completed where the vehicle has been reported stolen	\$464	\$420
Toll payment notices incorrectly issued ³	\$13,904	\$13,270
Insufficient registered owner/plate information for the vehicle ⁴	\$19,540	\$17,261
	\$54,061	\$57,911

³ Notices issued by NZTA in error or to the incorrect registered person.

⁴ 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 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 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 2013

		Actual 31 Dec 13 \$000	Budget 31 Dec 13 \$000	Actual 31 Dec 12 \$000
	Note			
Paid toll Revenue				
Light		2,989	2,829	2,804
Heavy		640	600	602
Total Paid Revenue		3,629	3,429	3,406
Interest on toll revenue		24	21	22
Total funds available to be paid to Ministry of Transport for debt repayment:	1	3,653	2,450	3,428
Funds paid to Ministry of Transport in current financial year		1,691		1,583
Funds held by NZ Transport Agency subject to pay over to Ministry of Transport		1,962		1,845
Unpaid toll revenue				
Light		12	31	26
Heavy		(1)	5	1
Total unpaid toll revenue	2	10	36	27

1. Funds available to be paid to the Ministry of Transport for debt repayment – Total toll revenue collected in this reporting period was \$3,653 million, of which \$1,691 million was paid to the Ministry of Transport within the reporting period. The balance of the collected toll revenue (\$1,962 million) was paid to the Ministry of Transport on the 9 January 2014.

2. 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 amount in heavy unpaid toll revenue is reflective of the amount of heavy unpaid toll revenue debt written off in December being more than the actual heavy unpaid toll revenue amount recorded for the year to date.

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 2013			
	Actual 31 Dec 13 \$000	Budget 31 Dec 13 \$000	Actual 31 Dec 12 \$000
INCOME			
Operating charges	1,926	1,821	1,810
Administration revenues	926	869	935
Interest	5	5	7
Total income	2,857	2,695	2,752
EXPENDITURE			
Transaction related costs	381	452	417
System support and maintenance costs	817	831	693
Operating costs	1,336	1,462	1,440
Total expenditure	2,534	2,745	2,550
NET SURPLUS	323	(50)	202

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 2013.

Operational expenditure	31 Dec 13 (000)	31 Dec 12 (000)
Operational expenditure (net of doubtful and bad debts)	\$2,464	\$2,434
Total toll trips	2,744	2,580
Gross operational cost per transaction	\$0.90	\$0.94
Less recovered administrative charge revenue	\$787	\$757
Net operational expenditure	\$1,677	\$1,677
Total toll trips	2,744	2,580
Net operational cost per transaction	\$0.61	\$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 modelling 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 toll⁵.

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 \$0.90 per chargeable toll trip. With the collection of the administration fees this means that the tolling business required \$0.61 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	3,649
Operating charge	1,926
Payment channel and administration charges	926
Total toll revenue	6,501
GST	975
Total toll revenue (GST incl)	7,476

⁵ 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 SIX MONTHS ENDED 31 DECEMBER 2013**

	Actual 31 Dec 13 \$000	Budget 31 Dec 13 \$000	Actual 31 Dec 12 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from third party revenue	8,104	7,870	7,716
Interest received	29	26	30
Payments to third parties	(3,235)	(3,108)	(3,323)
Payments to employees	(942)	(994)	(975)
Net cash from operating activities	3,957	3,794	3,452
CASH FLOWS FROM FINANCING ACTIVITIES			
Pay over to Ministry of Transport for repayment of debt	(3,383)	(3,270)	(3,223)
Net cash from financing activities	(3,383)	(3,270)	(3,223)
NET INCREASE IN CASH AND CASH EQUIVALENTS	574	524	229
Cash and cash equivalents at the beginning of the year	4,958	4,958	4,784
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5,532	5,482	5,013

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

	Actual 31 Dec 13 \$000	Budget 31 Dec 13 \$000	Actual 31 Dec 12 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5,532	5,482	5,013
Debtors and other receivables	4,013	3,738	3,462
Total current assets	9,545	9,220	8,475
NON-CURRENT ASSETS			
Roadside hardware/software	2,363	2,447	2,988
Total non-current assets	2,363	2,447	2,988
TOTAL ASSETS	11,908	11,667	11,463
LIABILITIES			
CURRENT LIABILITIES			
Creditors and other payables	2,705	2,498	2,283
Tolling funds held in trust	3,279	3,065	3,359
TOTAL LIABILITIES	5,984	5,563	5,642
NET ASSETS	5,924	6,104	5,821
EQUITY			
Retained funds - NZ Transport Agency	5,924	6,104	5,821
TOTAL EQUITY	5,924	6,104	5,821

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 2013 under s51(4) of the Land Transport Management Act (2003)	\$75,072
- 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 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.