

Northern Gateway Toll Road



Operating report for the 12 months
ending 30 June 2010



NZ TRANSPORT AGENCY
WAKA KOTAHI

New Zealand Government

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September 2010

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Contents

- 1.0 **Summary** 1
- 2.0 **Summary of operations**2
- 2.1 Traffic volumes2
- 2.2 Toll tariffs2
- 2.3 Toll revenue2
- 2.4 Compliance2
- 2.5 Payment channels3
- 3.0 **Operations update: Revenue** 4
- 3.1 Traffic volumes and tariff revenue4
- 3.2 Statement of toll revenue collection5
- 3.3 Toll balance sheet7
- 3.4 Statement of cash flows9
- 3.5 Charges received in connection with section 51(4) of the Land Transport Management Act9
- 3.6 Customer behaviour - levels of prepaid tolls9
- 3.7 Level of outstanding tolls11
- 3.8 Casual user profile 12
- 3.9 Taxation applying to gross toll revenue 13
- 4.0 **Operations update: Expenditure** 14
- 4.1 Toll transaction charge by traffic volume 14
- 4.2 Operating profit and loss 15
- 4.3 Trend and forecast information 16
- 4.4 Operational cost per transaction 16
- 4.5 Toll evasion and avoidance 17
- 4.6 Uncollected toll transactions resulting from faults in the toll collection system 18
- 4.7 Toll revenue written off 19
- 4.8 Consequential damages 19

1.0 Summary

The Northern Gateway Toll Road (NGTR) is now into its second year of operation after opening on January 25 2009. This report covers the 12-month period from 1 July 2009 to 30 June 2010.

In the 12 months to 30 June 2010, just over 5 million trips were made on the road, which is 4% ahead of forecast. This brings the total number of trips since the road opened to 6.97 million. These higher than forecast traffic volumes have contributed to greater than expected revenue collection, with paid toll revenue 4% ahead of budget.

During the reporting period, the NZ Transport Agency (NZTA) processed 297,000 customer enquiries through its contact centre, and now has in excess of 47,000 active accounts established for the toll road. Nearly half of all trips on the road are now taken by account holders.

Of the road's casual customers, 55% choose to make payment for their trips using roadside kiosks, 27% pay via the web and the remainder use the 0800 telephone payment service.

The overall level of compliance (the percentage of trips that have been paid) has remained constant at around 96% since the road was opened.

The average cost per transaction to operate the tolling system for the 12-month period is reported as \$0.73, which compares very favourably to \$1.06 (excluding non-recurring costs) reported as at 30 June 2009. The NZTA will continue to look for ways to reduce operating costs consistent with achieving its target of \$0.65 per transaction by year five.

Two significant events were achieved during the reporting period. On 1 June 2010, after public consultation, a toll for motorcyclists was introduced and this was set at the same value as light vehicles, ie \$2.00. In late June, the NZTA commenced issuing infringement notices, which was the final step in our staged rollout of enforcement measures to get customers used to the concept of electronic tolling.

With these two events, the NZTA has completed the final steps of the rollout programme that commenced with the opening of the toll road, and can now focus on continuing to improve the toll system and the services provided to customers.

2.0 Summary of operations

2.1 Traffic volumes

In the period 1 July 2009 to 30 June 2010, just over 5 million journeys were made on the NGTR (4% ahead of forecast), bringing the total number of journeys since the road opened to 6.97 million. The proportion of total network traffic using the toll road rather than the free alternate route is 75.7%, which is also above the targeted usage of 70% and has remained constant since the road opened.

2.2 Toll tariffs

Tolls for cars and heavy vehicles were not increased during the 12 months covered by this report, with tariffs of \$2.00 for light vehicles (under 3.5 tonnes), \$4.00 for heavy vehicles (over 3.5 tonnes), although the zero toll for motorcyclists changed on 1 June 2010.

After public consultation in late December 2009 regarding applying a toll for motorcyclists, the NZTA Board considered that motorcyclists receive the same benefit as other light vehicles using the toll road and should therefore be tolled \$2.00. The tariff for motorcyclists was implemented with effect on 1 June 2010.

2.3 Toll revenue

The toll tariff consists of three parts: revenue, transaction charge, and goods and services tax (GST). Toll revenue is the portion of the tariff used to repay the debt incurred for construction of the road, while the transaction charge is used to fund the NZTA's operating costs. The \$2.00 toll for light vehicles is made up of \$1.13 in revenue, \$0.65 transaction charge, and \$0.22 GST. This means that the NZTA can only retain \$0.65 from each toll to cover its operational costs.

The NZTA expected operating costs over the initial five years to exceed the longer term target of \$0.65 and has set aside funding to cover the difference. The average cost per transaction for the 12 months to 30 June is reported as \$0.73, compared to \$0.78 as reported for the six months to 31 December 2009, and \$1.06 (excluding non-recurring costs) as at 30 June 2009.

For the period ending 30 June 2010, over \$6 million toll revenue has been collected that will be paid to the Ministry of Transport for debt repayment. This means the NZTA has not only met all debt obligations since opening, but exceeded original forecasts.

2.4 Compliance

The overall level of compliance on the toll road (the percentage of trips that have been paid) has increased to 96%.

Since the toll road opened, the NZTA has taken steps to recover outstanding tolls from those that make no arrangement to pay. After five days of using the road, if no payment arrangement has been made, a toll payment notice is sent to the registered owner of the vehicle. If this remains unpaid, it may then be referred to an external debt collection agency for collection.

For the reporting period, 85% of all trips taken were paid within the five-day period allowed for after using the road. For the remaining 15%, the NZTA issued toll payment notices, which attract an administration charge of \$2.20 per notice. In this period, the NZTA issued over 484,000 toll payment notices and 325,174 were paid. There is not a direct relationship between the number of notices issued and the number paid given that a notice can be paid anytime after being issued.

The value of unpaid tolls (including administration charges) as at 30 June 2010 totals \$781,000 – about 5% of total toll revenue. This is down from the 6.1% reported for the period to 31 December 2009.

To augment its ability to recover unpaid tolls, the NZTA is also authorised to issue infringement notices for outstanding tolls, at a value of \$40 per notice. The NZTA commenced issuing infringement notices in late June 2010.

2.5 Payment channels

The NZTA encourages customers to adopt payment methods that maximise the time savings offered by the toll road, such as opening pre-paid accounts or paying online. Moving customers to these channels will maximise the overall benefits for everyone who uses the road.

The number of pre-pay accounts continues to grow with over 47,000 opened as at the end of the reporting period. Trips paid for by account holders make up 49% of all trips taken.

Of the trips paid by casual customers (ie customers without accounts) those being paid for at the self-service kiosk remains high at around 55%. During the summer months a third kiosk was again installed at the BP service centre at Dairy Flat to help with seasonal demand. Twenty-seven percent of casual customers paid via the web and 16% via the contact centre. A small portion of tolls are also paid by cheques posted to the NZTA.

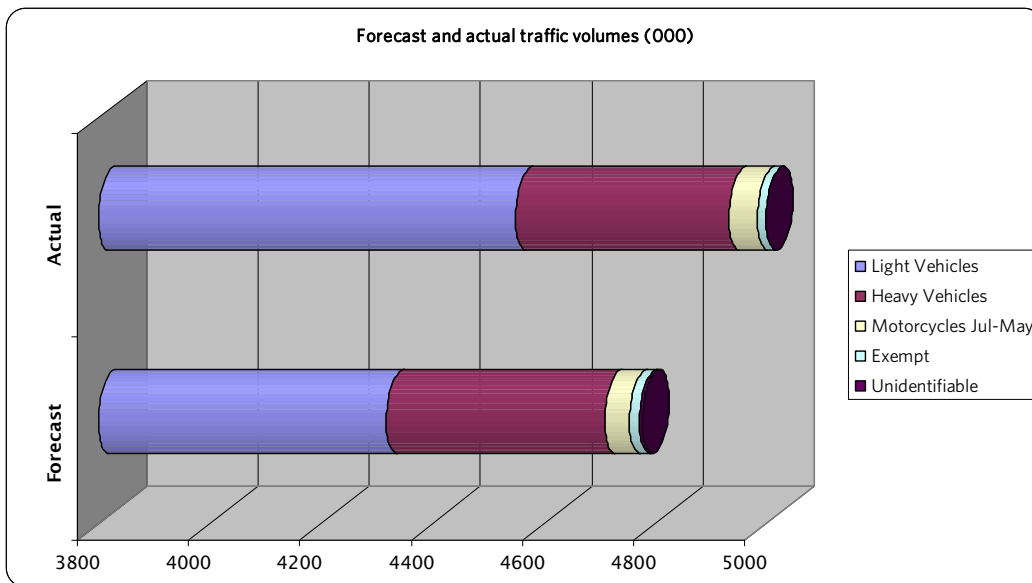
3.0 Operations update: Revenue

3.1 Traffic volumes and tariff revenue

| | Vehicle volumes (000) | | Base rate (GST included) | Vehicle revenue (\$000) | |
|----------------------|-----------------------|-------------|--------------------------|-------------------------|-----------------|
| | Forecast | Actual | | Forecast | Actual |
| Light vehicles | 4318 | 4551 | \$2 | \$8636 | \$9102 |
| Heavy vehicles | 393 | 384 | \$4 | \$1570 | \$1537 |
| Motorcycles July-May | 44 | 51 | \$0 | \$0 | \$0 |
| Motorcycles June | 3 | 2 | \$2 | \$0 | \$3 |
| Exempt | 19 | 18 | n/a | \$0 | \$0 |
| Unidentifiable | 4 | 3 | \$0 | \$0 | \$0 |
| TOTAL | 4781 | 5009 | | \$10,206 | \$10,642 |

* \$2.00 tariff was applied to motorcycles from 1 June 2010

Forecast vs actual traffic volumes for 12 months to 30 June 2010



Traffic volumes for the 12 months to the end of June 2010 are 4% ahead of budget. Heavy vehicle use of the toll road is 2.1% behind expectations, while light vehicle use is 5.4% ahead of expectations. The proportion of network travel using the Northern Gateway Toll Road is 75.7%, which is above the targeted usage of 70%.

3.2 Statement of toll revenue collection

Statement of toll revenue for 12 months to 30 June 2010

| | Notes | YEAR TO DATE | | | | Annual budget \$ (000) |
|--|----------|-----------------|-----------------|-------------------|------------|------------------------|
| | | Budget \$ (000) | Actual \$ (000) | Variance \$ (000) | Variance % | |
| Paid toll revenue: | | | | | | |
| light | | 4606 | 4925 | 319 | 7% | 4606 |
| heavy | | 1113 | 1103 | (10) | (1%) | 1113 |
| Total paid toll revenue | 1 | 5719 | 6028 | 309 | 5% | 5719 |
| Interest on toll revenue | 2 | 3 | 31 | 28 | 948% | 3 |
| Total funds available to be paid to MoT for debt repayment | | | 6060 | | | |
| Funds paid to MoT in current financial year | | | 4610 | | | |
| Funds held by NZTA subject to payover to MoT | 3 | | 1450 | | | |
| Unpaid toll revenue; | | | | | | |
| light | | 273 | 214 | (59) | (22%) | 273 |
| heavy | | 30 | 14 | (16) | (52%) | 30 |
| Total unpaid toll revenue | 4 | 303 | 228 | (75) | (25%) | 303 |
| Total outstanding debtor balance consists of: | 5 | | 809 | | | |
| Toll revenue to be collected for MoT | | | 293 | | | |
| Operating charge to be collected | | | 154 | | | |
| Administration charges to be collected | | | 272 | | | |
| GST to be collected | | | 90 | | | |
| | | | 809 | | | |

The toll tariff consists of three parts: toll revenue, toll transaction charge, and GST. Each is separately identified in this statement. Toll revenue is the portion of the tariff that will be used to repay the debt used to build the road. The toll transaction charge is the portion of the tariff that is used to fund the operating costs of running tolling. For a \$2.00 tariff, the portions are: toll revenue \$1.13, toll transaction charge \$0.65 and GST \$0.22. For a \$4.00 tariff, the portions are \$2.91, \$0.65, and \$0.44 respectively.

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

Notes to the statement of toll revenue

- Paid toll revenue** – Paid toll revenue is the portion of all paid tolls that is designated to be used to repay the debt used to build the road. Total paid toll revenue is 5% (\$309,000) ahead of year to date budget. Higher than expected pre-paid account registrations and higher traffic volumes are contributing to greater than expected revenue collection.
- 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 six-monthly basis. This interest is included in the debt repayment to the MoT memorandum account.
- Funds available to be paid to the MoT for debt repayment** – Total toll revenue collected in the 12 months to 30 June is \$6.06 million.

4. **Unpaid toll revenue** - Unpaid toll revenue is the portion of all unpaid tolls that is designated to be used to repay the debt used to construct the road. Year to date this revenue is 25% (75,000) below budget.
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 2010. This balance includes all outstanding revenue from the opening date of the road to 30 June 2010.

3.3 Toll balance sheet

Balance sheet as at 30 June 2010

| | Notes | \$000 | \$000 | \$000 |
|---|----------|--------|-------|-------------|
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | 1 | | | |
| Toll trust account | | 944 | | |
| Toll operating account | | 1755 | | |
| Toll payments account | | 633 | | |
| Kiosk/payover deposits in transit | | 31 | | |
| Balances held in kiosks | | 9 | | |
| | | | 3372 | |
| Toll debtors | 2 | | | |
| Toll casual debtors | | 809 | | |
| Provision for doubtful debts | | (750) | | |
| NZTA debtor | | 885 | | |
| Tolling infringement debtor | | 71 | | |
| Post-pay account debtors | | 68 | | |
| | | | 1083 | |
| TOTAL CURRENT ASSETS | | | | 4456 |
| NON-CURRENT ASSETS | | | | |
| Roadside hardware | | | | |
| Less accumulated depreciation | | | | |
| TOTAL NON-CURRENT ASSETS | | | | 4541 |
| TOTAL ASSETS | | | | 8997 |
| CURRENT LIABILITIES | | | | |
| Prepayments | 3 | | | |
| Unmatched payments | | 0 | | |
| Trip pass prepayments | | 421 | | |
| Pre-pay account balances | | 931 | | |
| | | | 1352 | |
| Other liabilities | 4 | | | |
| Accounts payable to NZTA | | 630 | | |
| Accrued payable to NZTA | | 369 | | |
| Accrued payable to NZTA 2008/09 | | 648 | | |
| Less: NZTA portion provision for doubtful debts | | (1056) | | |
| Total tolling funds owed to NZTA | | | 590 | |
| GST | | 99 | | |
| Payable to MoT | | 6060 | | |
| Accrued payable to MoT | | 6 | | |
| Paid to MoT | | (4607) | | |
| Tolling infringements payable to MOJ | | 71 | | |
| Total tolling funds held in trust | | | 1629 | |
| TOTAL CURRENT LIABILITIES | | | | 3571 |
| EQUITY | | | | |
| Opening equity | | 5426 | | |
| Net accrued operating revenue | | 0 | | |
| Current period surplus/(deficit) | | 0 | | |
| Closing equity | 5 | | 5426 | 5426 |
| TOTAL LIABILITIES AND EQUITY | | | | 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 (\$944,000) holds the funds pre-paid by account holders. The toll operating account (\$1.755m) holds the funds to be paid over to the MoT, and also receives all casual toll payments. The toll payments account (\$633,000) receives the operating fee, and operational expenditure is paid from this account. Kiosk/payover deposits in transit are payments that have been recognised through completed financial transactions, but due to the timing of deposits for cash received at the kiosks and credit card payovers, the cash has not yet been deposited. The balances held in kiosks is the total cash held in the kiosks at midnight 30 June 2010.
2. **Debtors** – Toll debtor balances consist of multiple groups. The first is toll casual debtors, that is the total of all outstanding toll payment notices and unpaid toll trips that are yet to receive a toll payment notice, less the provision for doubtful debts. The provision for doubtful debts is an acknowledgement of the debts we know are unlikely to be recovered. This is based on known debtor behaviour and collection rates experienced by both the NZTA and our collection agency. Due to the relative infancy of the toll operation, and recent introduction of the Infringement process these debts have not yet been written-off. The NZTA debtor reflects the tolling system depreciation held by the NZTA financial company. The depreciation funds held by the NZTA are the cash value of accumulated depreciation that is being held in the NZTA general bank account. This amount is available for capital replacement of tolling hardware. The tolling infringement debtor reflects the value of infringements issued but unpaid as at 30 June. The post pay account debtors consists of commercial road users who pay for their toll road use on a monthly invoice basis.
3. **Prepayments** – The toll prepayments are unmatched payments into tolling bank accounts, prepaid casual purchases and account prepayments.
4. **Other liabilities** – The net of payable to MoT and paid to MoT represents the funds held by the toll operator to be paid over to the MoT for repayment of the debt each financial quarter for construction of the Northern Gateway Toll Road.
5. **Equity** – This includes the YTD net surplus/(deficit) amount from the statement of toll operations profit and loss.

3.4 Statement of cash flows

Statement of operational cash flows for 12 months ending 30 June 2010

| | Notes | YEAR TO DATE | |
|--|-------|--------------|---------------|
| | | Actual \$000 | Actual \$000 |
| Cash flows from operating activities | | | |
| Receipts from customers | | | |
| Pre-paid account holders | | 4852 | |
| Post-pay account holders | | 878 | |
| Casual user payments | | 5613 | |
| Total receipts from customers | | | 11,343 |
| Payments to suppliers | | | (8262) |
| Interest received | | | 44 |
| Net cash flows from operating activities | | | 3126 |
| Cash flows from investing activities | | | |
| Net cash flows from investing activities | | | 0 |
| Cash flows from financing activities | | | |
| Payover to mot for repayment of debt | 1 | | (5478) |
| Residual construction project funds made available | | | 3564 |
| Net cash flows from financing activities | | | (1914) |
| Net increase/(decrease) in cash held | | | 1212 |
| Opening cash balances | | | 2120 |
| Closing total cash balances | | | 3332 |

Notes 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.

3.5 Charges received in connection with section 51(4) of the Land Transport Management Act

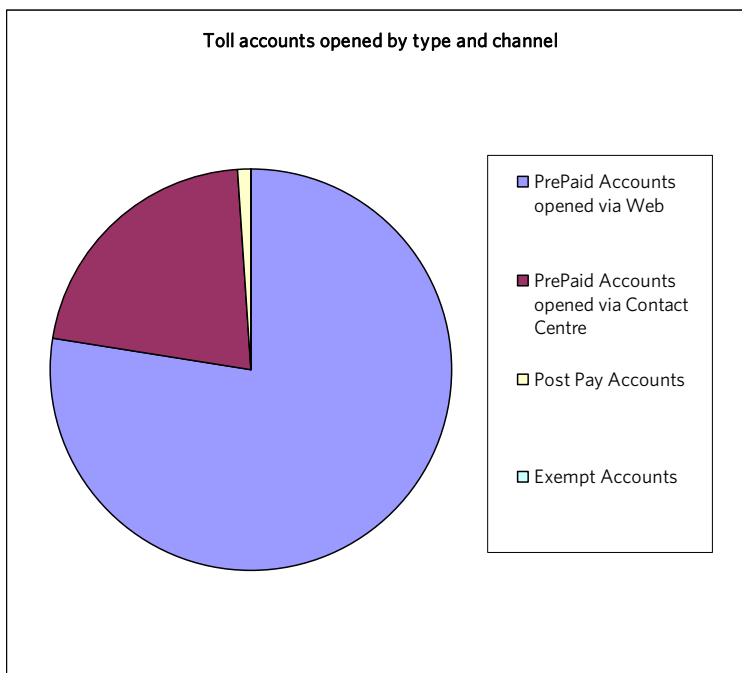
No charges are received in connection with the administration of the toll collecting method available to be imposed under section 51(4) of the Land Transport Management Act.

3.6 Customer behaviour - levels of prepaid tolls

The number of accounts opened since the early operations of the Northern Gateway Toll Road surpassed expectations, and to date, 47,367 accounts are current. This remains to compare favourably to the 35,000 that were expected at the completion of June 2010.

| Accounts open | |
|--------------------|---------------|
| Pre-paid accounts | 46,888 |
| Post-paid accounts | 470 |
| Exempt accounts | 9 |
| TOTAL | 47,367 |

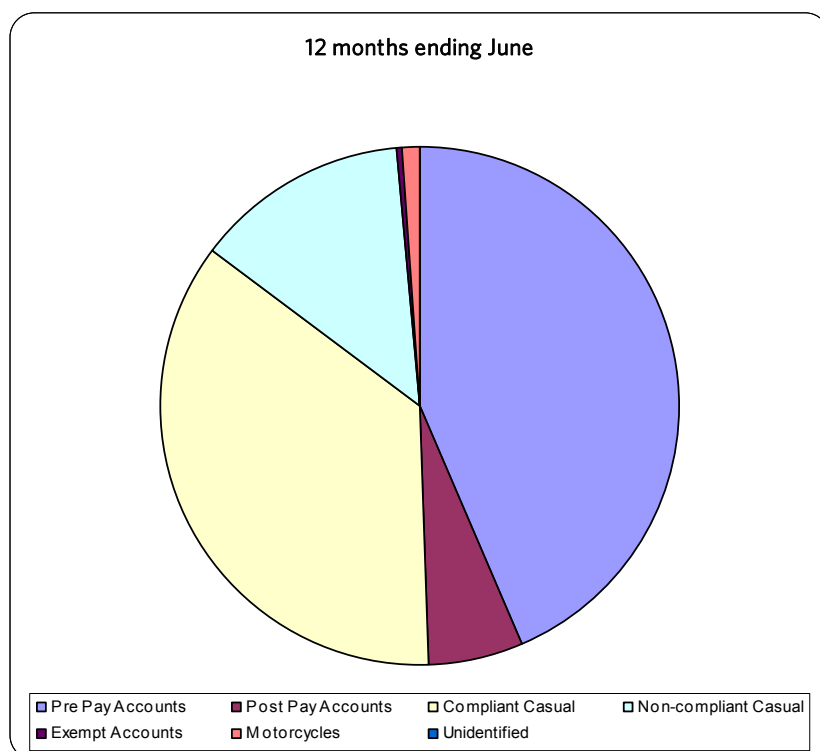
Of the prepaid accounts opened, 78.3% (36,718) were opened using the web self-service, with the remainder being opened via the contact centre.



Post-pay accounts are offered to commercial customers with whom we already have a business relationship and which have a proven credit history. Invoices are generated for these customers at the end of the month with payment due by the 20th of each month.

The following categorises trips by the customer interaction with the toll system.

| | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Total |
|-------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|
| Trips (000) | | | | | | | | | | | | | |
| Pre-pay accounts | 160 | 160 | 165 | 182 | 180 | 197 | 201 | 184 | 198 | 193 | 187 | 179 | 2186 |
| Post-pay accounts | 23 | 22 | 23 | 24 | 25 | 24 | 23 | 24 | 27 | 24 | 24 | 23 | 285 |
| Compliant casual | 134 | 126 | 128 | 153 | 138 | 191 | 234 | 156 | 149 | 157 | 122 | 112 | 1798 |
| Non-compliant casual | 44 | 43 | 44 | 55 | 54 | 73 | 84 | 59 | 57 | 61 | 48 | 46 | 668 |
| Chargeable trips | 360 | 351 | 361 | 414 | 397 | 485 | 541 | 423 | 431 | 434 | 381 | 360 | 4937 |
| Exempt accounts | 2 | 2 | 1 | 1 | 2 | 2 | 2 | 1 | 2 | 1 | 1 | 2 | 18 |
| Motorcycles | 3 | 4 | 4 | 5 | 5 | 6 | 6 | 5 | 5 | 5 | 4 | - | 51 |
| Unidentified | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 3 |
| Total trips | 365 | 357 | 367 | 420 | 403 | 492 | 549 | 429 | 438 | 440 | 386 | 363 | 5009 |



Customer behaviour has been consistent over the last 12 months. The reduction in trips in recent months is expected due to the seasonality of road use. In winter months road use is lower than summer months and the predominant change in this usage will be casual users.

3.7 Level of outstanding tolls

Level of outstanding tolls (GST inclusive)

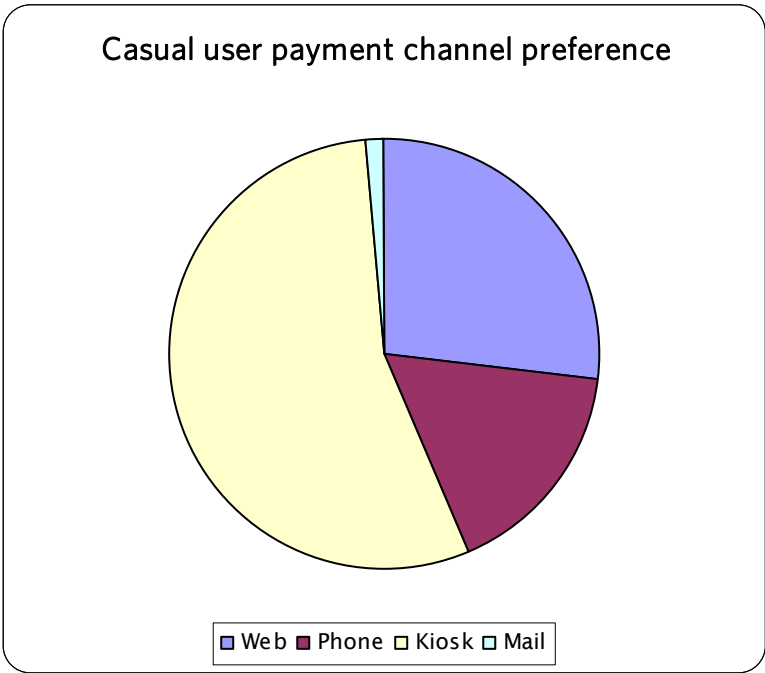
| | Trips (000) | Revenue \$(000) |
|---|--------------|-----------------|
| Total chargeable toll trips | 4937 | 10,642 |
| Total administration charges | | 1062 |
| Total toll revenue | | 11,704 |
| Paid toll trips | 4748 | 10,252 |
| Paid administration charges | | 782 |
| Paid toll revenue | | 11,034 |
| Unpaid toll trips | 189 | 390 |
| Unpaid administration charges | | 280 |
| Unpaid toll revenue | | 670 |
| Toll trip compliance | 96.2% | |
| Administration charge payment compliance | | 73.6% |
| Toll payment compliance | | 96.3% |

Total outstanding toll trips comprise 3.8% (189,000) of total trips in the 12 months to 30 June. The outstanding toll revenue is 3.7% (\$390,000) of total toll revenue, and outstanding administration charges associated to sending toll payment notices, is 26.4% (\$280,000) of total administration charges. Given that the infringement process was implemented towards the end of the financial year, this demonstrates a high level of compliance. An internal collection process has been in place since the road opened and a civil debt collection process was introduced early this financial year.

3.8 Casual user profile

| Payment channel | Actual volumes | Actual % | Target % |
|-----------------|----------------|----------|----------|
| Web | 222,335 | 26.9% | 25.0% |
| Phone | 470 | 16.6% | 22.6% |
| Kiosk | 9 | 55.2% | 52.0% |
| Mail | 47,367 | 1.4% | 0.4% |
| TOTAL | 825,824 | 100.0% | |

| Payment method | Actual volumes | Actual % | Target % |
|-------------------------|----------------|----------|----------|
| Credit card/Eftpos/POLi | 437,672 | 53.0% | 55.3% |
| Cash/cheque | 388,152 | 47.0% | 44.7% |
| TOTAL | 825,824 | 100.0% | |



Use of the manual payment stations (kiosks) has remained constant over the reporting period.

3.9 Taxation applying to gross toll 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 | 6256 |
| Operating charge | 3204 |
| Administration charge | 944 |
| Total toll revenue | 10,403 |
| GST | 1300 |
| Total tolling revenue (GST inc) | 11,704 |

4.0 Operations update: Expenditure

4.1 Toll transaction charge by traffic volume

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

The transaction charge is currently \$0.65.

| | Vehicle volumes (000) | | Base rate (GST included) | Vehicle revenue (\$000) | |
|----------------------|-----------------------|-------------|--------------------------|-------------------------|---------------|
| | Forecast | Actual | | Forecast | Actual |
| Light vehicles | 4318 | 4551 | \$0.65 | \$2804 | \$2954 |
| Heavy vehicles | 393 | 384 | \$0.65 | \$255 | \$249 |
| Motorcycles July-May | 44 | 51 | \$0 | \$0 | \$0 |
| Motorcycles June | 3 | 2 | \$0.65 | \$2 | \$1 |
| Exempt | 19 | 18 | n/a | \$0 | \$0 |
| Unidentifiable | 4 | 3 | \$0 | \$0 | \$0 |
| TOTAL | 4781 | 5009 | | \$3061 | \$3204 |

* \$2.00 tariff was applied to motorcycles from 1 June 2010

4.2 Operating profit and loss

Statement of operating profit and loss for 12 months ending 30 June 2010

| | Notes | YEAR TO DATE | | | |
|--|----------|------------------|------------------|--------------------|--------------|
| | | Budget (\$) | Actual (\$) | Variance (\$) | Variance (%) |
| OPERATING REVENUE | 1 | | | | |
| Operating charges | | 3,089,148 | 3,203,602 | 114,454 | 4% |
| Administration charges | | 715,791 | 946,018 | 230,227 | 32% |
| Interest | | 3963 | 11,485 | 7521 | 190% |
| TOTAL OPERATING REVENUE | | 3,808,902 | 4,161,105 | 352,203 | 9% |
| TOLL RECOVERIES | 2 | | | | |
| Recoveries from project residual for operations | | 1,393,375 | 753,837 | (639,539) | (46%) |
| Recoveries from project residual for project exp | | 1,163,782 | 634,237 | (529,545) | (46%) |
| Accrued recoveries | | 551,953 | (178,460) | (730,413) | (132%) |
| TOTAL RECOVERIES | | 3,109,110 | 1,209,614 | (1,899,497) | (61%) |
| TOTAL TOLL REVENUE | | 6,918,012 | 5,370,718 | (1,547,293) | (22%) |
| EXPENDITURE | | | | | |
| Transaction costs | 3 | | | | |
| External stationery | | 12,053 | 23,242 | (11,189) | (93%) |
| Datamail | | 60,451 | 72,325 | (11,874) | (20%) |
| Postage | | 111,501 | 171,004 | (59,502) | (53%) |
| Credit card fees | | 252,240 | 125,699 | 126,541 | 50% |
| POLi fees | | 15,767 | 9369 | 6398 | 41% |
| Bank fees | | 8961 | 21,475 | (12,514) | (140%) |
| Kiosk fees | | 23,768 | 35,705 | (11,937) | (50%) |
| | | 484,741 | 458,818 | 25,923 | 5% |
| Support and maintenance | 4 | | | | |
| Data communication | | 84,368 | 34,117 | 50,251 | 60% |
| System support & maintenance | | 830,021 | 813,879 | 16,142 | 2% |
| Kiosk support & maintenance | | 108,375 | 143,761 | (35,386) | (33%) |
| Roadside equipment support & maintenance | | 138,831 | 60,014 | 78,817 | 57% |
| System development | | 66,516 | 236,006 | (169,490) | (255%) |
| Phones | | 185,132 | 147,261 | 37,872 | 20% |
| | | 1,413,244 | 1,435,038 | (21,794) | (2%) |
| Corporate services costs | 5 | | | | |
| Personnel | | 1,796,415 | 1,627,721 | 168,694 | 9% |
| Marketing | | 123,995 | 14,143 | 109,852 | 89% |
| General | | 18,599 | 33,704 | (15,104) | (81%) |
| Indirect cost centre costs | | 743,971 | 35,306 | 708,664 | 95% |
| Depreciation | | 621,312 | 621,312 | 0 | 0% |
| Doubtful and bad debts expense | | 551,953 | 510,439 | 41,514 | 8% |
| | | 3,856,246 | 2,842,625 | 1,013,620 | 26% |
| TOTAL OPERATING EXPENDITURE | | 5,754,230 | 4,736,482 | 1,017,748 | 18% |
| TOLL PROJECT COSTS | | 1,163,782 | 634,237 | 529,545 | 46% |
| TOTAL TOLL EXPENDITURE | | 6,918,012 | 5,370,718 | 1,547,293 | 22% |
| NET SURPLUS/(DEFICIT) | 6 | 0 | (0) | (0) | 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. These additional costs are funded from a residual from the design and construct project being completed under budget. From the total \$3.3m residual project funds, \$754,000 has been provided to cover the shortfall in operating revenue in the 12 months to 30 June. YTD revenue from operating charges is 4% (\$114,000) ahead of budget, due to the higher road usage than forecast, and administration charges are 32% (\$230,000) ahead of budget. Total revenue available for disbursements is the total collected revenue that is available for the repayment of debt and to meet operational costs.
2. **Transaction costs** – Total transaction costs are 5% (\$26,000) below budget. This is the result of the variance in credit card fees, offset by overspends in most other expense lines.
3. **Support and maintenance** – Support and maintenance costs are 2% (\$22,000) above budget YTD. This is driven by overspends in system development and kiosk support and maintenance, which are largely netted out by underspends in all other expense lines. Roadside equipment support and maintenance is currently 57% (\$79,000) under budget. The negative \$57,000 variance in system development is due to a number of system enhancements, and includes a significant cost for the system update to change to a single casual user product rather than the previous distinction between past and future trips.
4. **Corporate services costs** – Corporate services costs are 26% (\$1.014m) under budget. The two most significant items driving this variance are personnel costs 9% (\$169,000), and indirect cost centre costs 95% (\$709) below budget, following a shift to marginal cost reporting for tolling. Marketing is also considerably under budget, 89% (\$110), due to very little expenditure on marketing activities this year.
5. **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.

4.3 Trend and forecast information

Trend information is not available, due to these financials representing just the first full financial year of the tolling operation. Trend information will be available from the next report. Generally, significant bow-wave expenses were incurred in the early months of toll operations, the most significant of these being costs associated to the running and maintenance of the manual payment stations.

4.4 Operational cost per transaction

The following calculation takes total operational expenses to date, and divides by the total number of chargeable toll trips. Due to expenses being erratically incurred through the ledgers for the first year of tolling operations, given the bedding-in of a number of supplier contracts and further system development and refinements, the monthly trend of operational cost per transaction is distorted, and a YTD trend will be more appropriate.

| | |
|--|---------------|
| Operational expenditure | |
| Operational expenditure | 4,545,046 |
| Less costs covered by administration charges | (946,018) |
| | 3,599,028 |
| Total toll trips | 4,936,907 |
| Operational cost per transaction | \$0.73 |

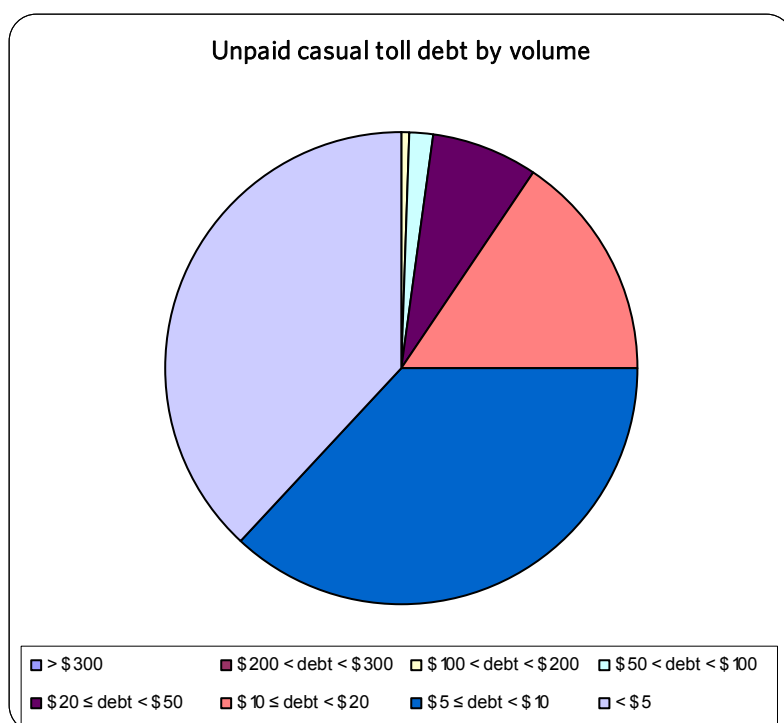
The per transaction cost of \$0.73 for the 12 months to 30 June excludes \$260,000 of accrual reversals from the 2008/09 financial year for expenses which were over accrued due to not receiving invoices from one supplier. This per transaction cost also excludes bad and doubtful debts expense that relates to the operation of the toll road from January 2009.

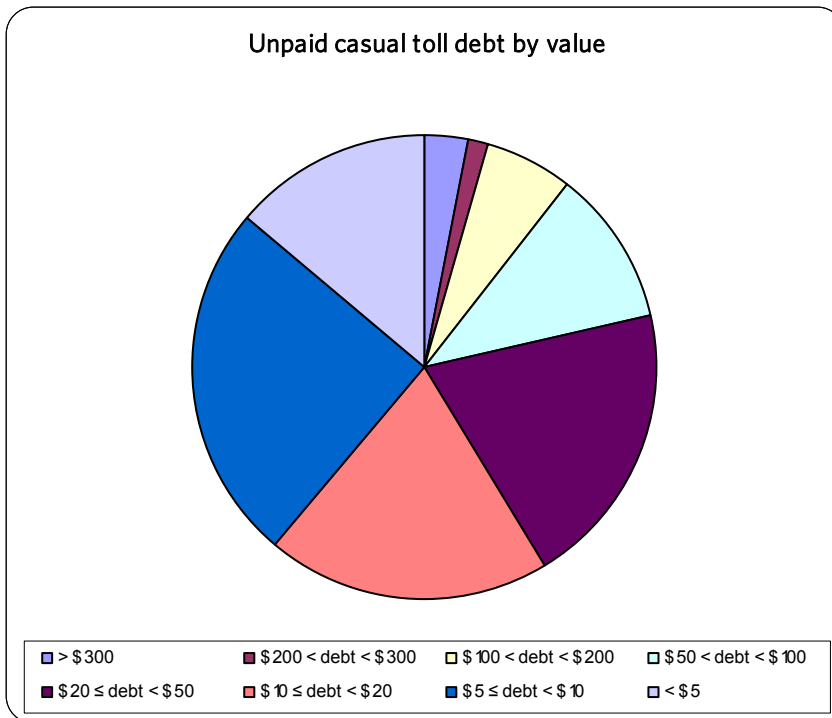
4.5 Toll evasion and avoidance

| | |
|--|-----------|
| Unpaid toll payment notices | \$781,385 |
| Number of vehicles with outstanding toll payment notices | 72,949 |
| Average value of avoidance (toll payment notices) | \$10.71 |
| Highest outstanding amount | \$1491.00 |

Schedule of toll payment notice debtors

| | # | Value | % of total |
|----------------------|---------------|---------------------|---------------|
| > \$300 | 44 | \$22,921.00 | 2.9% |
| \$200 < debt < \$300 | 50 | \$12,353.31 | 1.6% |
| \$100 < debt < \$200 | 365 | \$46,910.57 | 6.0% |
| \$50 < debt < \$100 | 1265 | \$85,595.03 | 11.0% |
| \$20 ≤ debt < \$50 | 5314 | \$155,706.09 | 19.9% |
| \$10 ≤ debt < \$20 | 11,390 | \$153,926.98 | 19.7% |
| \$5 ≤ debt < \$10 | 27,059 | \$194,932.05 | 24.9% |
| < \$5 | 27,956 | \$109,040.10 | 14.0% |
| TOTAL | 73,443 | \$781,385.13 | 100.0% |





Total toll evasion and avoidance totals \$781,000, approximately 5% of total toll revenue. A civil debt collection process was initiated at the start of the financial year, targeting higher value debts, where a recovery and collection effort is most cost effective. The infringement process was initiated in the last few weeks of the financial year, with over 1700 infringements issued to the end of June.

The following summary shows the total number and dollar value of toll payment notices (TPNs) issued within the last 12 months, and the status of those TPNs as at 30 June 2010.

| Toll payment notices | Volume | % | Amount | % |
|----------------------|----------------|-----|--------------------|-----|
| TPNs issued | 612,391 | | \$3,007,004 | |
| TPNs paid | 410,360 | 67% | \$2,037,004 | 68% |
| TPNs unpaid | 160,572 | 26% | \$781,385 | 26% |
| TPNs written off | 35,574 | 6% | \$160,779 | 5% |
| TPNs reissued | 5885 | 1% | \$28,574 | 1% |

TPNs written off consists of statutory declarations completed where the stated driver resides at an international address, where no address information was able to be confirmed from the motor vehicle register, and also includes TPNs transferred to customer accounts which are then effectively paid. TPNs reissued consist of statutory declarations completed where the stated driver resides at a New Zealand address and this remains unpaid.

4.6 Uncollected toll transactions resulting from faults in the toll collection system

A single fault event has occurred in the toll collection system that has resulted in uncollected toll transactions. This was identified during early operations, and a particular cause of the fault was addressed. However, there have now been several scenarios identified that caused the fault, and this created toll transactions in the toll central system in excess of payments received to the value of \$5,874.80. A complete solution has been provided by the toll system supplier and tested by NZTA, currently awaiting deployment to the production environment.

4.7 Toll revenue written off

Toll revenue written off consists of two broad categories, the first being where payment for a toll payment notice cannot be collected. This consists of statutory declarations completed where the stated driver resides at an international address, or the vehicle has been stolen or where a toll payment notice was unable to be generated due to insufficient plate information for the registered owner or vehicle being available from the motor vehicle register. The total revenue written off in the financial year is \$90,000.

The second category is related to toll payment notice creation. A system fault was corrected, but sufficient time had elapsed where it would have been unpalatable to send the notices to customers. The value of these trips were written off in September 2009 and the write off totalled \$26,452.

4.8 Consequential damages

No events relating to the operation of the Northern Gateway Toll Road occurred in the 12 months to 30 December 2010 that resulted in any consequential damages being incurred by the NZTA.