

Schedule 14: Payment Mechanism

Part 1 – Unitary Charge

1. Quarterly Unitary Payment

1.1 Quarterly Unitary Payment

The **Quarterly Unitary Payment** for Payment Period (p) will be calculated in accordance with the following formula:

$$\mathbf{QUP}_p = (\mathbf{QUC}_p - \mathbf{TD}_p) - \mathbf{RefiGain}_p$$

where:

QUP_p = the Quarterly Unitary Payment for Payment Period (p);

QUC_p = the Quarterly Unitary Charge for Payment Period (p) calculated in accordance with paragraph 2.1 of this Schedule 14;

TD_p = the Total Deductions for Payment Period (p) calculated in accordance with Schedule 13 of the Base Agreement (which for the avoidance of doubt shall be equal to zero in all Payment Periods ending prior to the Service Commencement Date); and

RefiGain_p = the Transport Agency's share of any Refinancing Gain payable in or in respect of Payment Period (p) in accordance with clause 53.1 (Refinancing Gain) of the Base Agreement.

1.2 AMM Early Services Fee

Where the AMM Early Services Fee is payable for any AMM Month (m), it will be calculated in accordance with the following formula:

$$\mathbf{AMMESF}_m = (\mathbf{AMMBP}_m - \mathbf{TD}_m)$$

where:

AMMESF_m = the AMM Early Service Fee for AMM Month (m);

AMMBP_m = the AMM Base Payment for AMM Month (m) calculated in accordance with paragraph 2.2 of this Schedule 14; and

TD_m = the Total Deductions for AMM Month (m) calculated in accordance with Schedule 13 of the Base Agreement.

2. Calculation of the Quarterly Unitary Charge from Original Planned Service Commencement Date

2.1 The Quarterly Unitary Charge for any Payment Period (p) shall be calculated in accordance with the following formula:

$$\mathbf{QUC}_p = \mathbf{UC}_p + \mathbf{EDP}_p + \mathbf{IP}_m + \mathbf{LCC}_p + \mathbf{BIA}_p + \mathbf{HCV}_p$$

where:

QUC_p = the Quarterly Unitary Charge for Payment Period (p);

UC_p = the Unitary Charge for Payment Period (p), which is to be calculated as:

$$\mathbf{UC}_p = \mathbf{UE}_n + \mathbf{QDA}_{n+nDPQ-1} - \mathbf{EDP}_{PSCD} + \mathbf{IE}_n$$

where:

UE_n = The Quarterly Relevant Amount in respect of the non-debt related unindexable element of the Unitary Charge as shown in cells J17:DF17 of the Returnable Schedule in respect of the relevant Contract Quarter (n);

QDA_{n+nDPQ-1} = The Quarterly Debt Amount as shown in cells J16:DF16 of the Returnable Schedule in respect of Contract Quarter (n + nDPQ-1);

where:

nDPQ = the total number of Early Debt Payments made prior to the earlier of the Planned Service Commencement Date and the Service Commencement Date;

EDP_{PSCD} = In the Contract Quarter in which the Service Commencement Date occurs, the Early Debt Payment in respect of the Debt Payment Quarter in which the earlier of the Planned Service Commencement Date and the Service Commencement Date occurs, and zero in all other Contract Quarters; and

IE_n = Indexable Element of the Unitary Charge for the relevant Contract Quarter (n) as calculated in paragraph 3 of this Schedule 14; and

EDP_p = The Early Debt Payment in respect of the Payment Period (p), which is to be calculated as:

$$\mathbf{EDP}_p = \mathbf{QDA}_n \times (\mathbf{DDCQ}_n / \mathbf{TDCQ}_n)$$

where:

QDA_n = the Quarterly Debt Amount for the relevant Debt Payment Quarter (n) as set out in cells J16:DF16 of the Returnable Schedule

DDCQ_n = the number of days in Debt Payment Quarter (n) that are on or after the Original Planned Service

Commencement Date and prior to the earlier of the Planned Service Commencement Date and the Service Commencement Date.

TDCQ_n = the total number of relevant days in Debt Payment Quarter (n)

IP_m = the Insurance Payment for Contract Year (m) as calculated in accordance with paragraph 4 of this Schedule 14;

LCC_p = the Lifecycle Payment for Payment Period (p) as calculated in accordance with paragraph 5 of this Schedule 14;

BIA_p = the Base Interest Amount for Payment Period (p) as calculated in accordance with paragraph 6 of this Schedule 14; and

HCV_p = the HCV Payment for Payment Period (p), if applicable, as calculated in accordance with paragraph 7 of this Schedule 14.

For the avoidance of doubt, UC_p, IP_m, LCC_p, and HCV_p shall be equal to zero in all Payment Periods ending prior to the Service Commencement Date, and EDP_p shall be equal to zero in all Payment Periods starting after the earlier of the Planned Service Commencement Date and the Service Commencement Date.

2.2 AMM Early Services Fee

The AMM Base Payment for any AMM Month (m) shall be calculated in accordance with the following formula:

$$\text{AMMBP}_m = (\text{AMMDF} \times D) + \text{IP}_m$$

Where:

AMMBP_m = the AMM Base Payment for AMM Month (m)

AMMDF = the AMM Daily Fee as shown in the cell named J41 of the Returnable Schedule

D = the number of days in AMM Month (m)

IP_m = (in respect of the first calculation of AMMBP only) the Insurance Payment for Contract Year (m) as calculated in accordance with paragraph 4 of this Schedule 14.

3. Indexation

3.1 Indexation of the Indexable Element

- (a) With effect from each Indexation Review Date, the Indexable Element shall be adjusted by applying to it the Indexation Formula in paragraph 3.1(b) of this Schedule 14.
- (b) For the purposes of calculating indexation pursuant to this Schedule 14, the following definitions shall apply:

“Indexation Formula” means $IE_n = (IEC_n \times CPI_n) + (IEL_n \times LCI_n) + (IEnoi_n \times NZTAnoi_n) + (IEnoib_n \times NZTAnoib_n) + (IEQ_n \times ECPI_n) + (IES_n \times SCPI_n)$
 where:

IEC_n = the Quarterly Relevant Amount in respect of the CPI indexed component of the Unitary Charge as shown in cells named J18:DF18 of the Returnable Schedule.

CPI_n = the most recently published September Quarter CPI at the last day of Contract Quarter (n) divided by the CPI for the September Quarter 2016 (being the Quarter most recently ended prior to Financial Close).

IEL_n = the Quarterly Relevant Amount in respect of the LCI indexed component of the Unitary Charge as shown in cells named J19:DF19 of the Returnable Schedule.

LCI_n = the most recently published September Quarter Labour Costs Index (All Labour Costs) at the last day of Contract Quarter divided by the Labour Costs Index (All Labour Costs) for the September Quarter 2016 (being the Quarter most recently ended prior to Financial Close).

IEnoi_n = the Quarterly Relevant Amount in respect of the NZTAnoi indexed component of the Unitary Charge as shown in cells named J20:DF20 of the Returnable Schedule.

NZTAnoi_n = the most recently published September Quarter NZ Transport Agency Network Outcomes Index (costs excl. bitumen) at the last day of the Contract Quarter (n) divided by the NZ Transport Agency Network Outcomes Index (costs excl. bitumen) for the September Quarter 2016 (being the Quarter most recently ended prior to Financial Close).

IEnoib_n = the Quarterly Relevant Amount in respect of the NZTAnoib indexed component of the Unitary Charge as shown in cells J21:DF21 of the Returnable Schedule.

NZTAnoib_n = the figure calculated in accordance with paragraph 5.2 of this Schedule 14.

IEQ_n = the Quarterly Relevant Amount in respect of the equity CPI indexed component of the Unitary Charge as shown in cells J25:DF25 of the Returnable Schedule.

ECPI_n = the greater of:

- (a) 1; and
- (b) The most recently published September Quarter CPI at the last day of Contract Quarter (n) divided by the CPI for the September Quarter 2021 (being the Quarter most recently ended prior to the Original Planned Service Commencement Date).

IES_n = the Quarterly Relevant Amount in respect of the service commencement CPI indexed component of the Unitary Charge as shown in cells J26:DF26 of the Returnable Schedule.

SCPI_n = the most recently published September Quarter CPI at the last day of Contract Quarter (n) divided by the CPI for the September Quarter 2021 (being the last Quarter to end prior to the Original Planned Service Commencement Date).

- (c) For the purposes of this paragraph 3, **Indexation Review Date** means each [30 *September*], with the first Indexation Review Date to be the first 30 September following the Service Commencement Date.

3.2 De-escalation

Where a Relevant Event results in a change to the Indexable Element of the Unitary Charge at any time after Financial Close, any dollar amount added to or deducted from the then-current Indexable Element must, prior to its addition to or deduction from the Indexable Element, be expressed in Base Year Dollars, where **Base Year Dollars** means real dollars as at 30 September 2016.

4. Insurance Payment

The Insurance Payment will be paid, in advance:

- (a) as part of the first Quarterly Unitary Payment following the Service Commencement Date (or, where the AMM Early Fee Option has been exercised, at the same time as the first payment of the AMM Early Services Fee); and
- (b) subsequently, annually as a component of the Quarterly Unitary Charge invoiced each third Contract Quarter thereafter.

The Insurance Payment (IP_m) for Contract Year (m) will be calculated as follows:

$$IP_m = (BIP + ISP_k) \times CPI_k$$

where:

Insurance Year (k) = the four quarter period (irrespective of the duration of the insurance payment in Insurance Year (k)) applicable to the premium associated with the Shared Operating Insurances;

Base Insurance Premium or **BIP** = the premium associated with the Shared Operating Insurances (expressed in September 2016 dollars) as determined in accordance with Part 3 (Insurance Premium Sharing) of Schedule 15 (Insurance).

BIP_k = the Base Insurance Premium adjusted to reflect the duration of the insurance prepayment in Insurance Year (k). This is calculated as BIP multiplied by the duration of the insurance prepayment in Insurance Year (k) measured in days divided by 365.

CPI_k = the most recently published September Quarter CPI at the last day of Contract Quarter (n) divided by the CPI for the September Quarter 2016 (being the Quarter most recently ended prior to Financial Close).

Insurance Sharing Payment (k) or **ISP_k** = the Insurance Sharing Payment as calculated below:

If in Insurance Year (k), $BIP_k < AIP_k \leq (150\% \times BIP_k)$, then $ISP_k = \text{Max}\{[AIP_k - (BIP_k \times 120\%)] \times 0.5, 0\}$

If in Insurance Year (k), $AIP_k > (150\% \times BIP_k)$, then $ISP_k = [(30\% \times BIP_k) \times 0.5] + [AIP_k - (BIP_k \times 150\%)]$

If in Insurance Year (k), $BIP_k > AIP_k \geq (50\% \times BIP_k)$, then $ISP_k = \text{Min}\{[AIP_k - (BIP_k \times 80\%)] \times 0.5, 0\}$

If in Insurance Year (k), $AIP_k < (50\% \times BIP_k)$, then $ISP_k = [AIP_k - (BIP_k \times 50\%)] - [(30\% \times BIP_k) \times 0.5]$

Actual Insurance Premium (k) or **AIP_k** in respect of any Insurance Year (k), means the actual premium (expressed in September 2016 dollars) payable by the Contractor in respect of the Shared Operating Insurances in that Insurance Year (reflecting the duration of the insurance prepayment in Insurance Year (k)).

5. Lifecycle Payment

5.1 Lifecycle payment

The Lifecycle Payment for each Payment Period (p) shall be calculated in accordance with the following formula:

$$LCC_p = (LCCnoi_n \times NZTAnoi_n) + (LCCnoib_n \times NZTAnoib_n)$$

where:

LCCnoi_n = the Quarterly Relevant Amount in respect of the NZTAnoi indexed lifecycle cost component of the Unitary Charge for the relevant Contract Quarter as shown in cells J23:DF23 of the Returnable Schedule..

LCCnoib_n = the Quarterly Relevant Amount in respect of the NZTAnoib indexed lifecycle cost component of the Unitary Charge for the relevant Contract Quarter as shown in cells J24:DF24 of the Returnable Schedule.

NZTAnoib_n = the figure calculated in accordance with paragraph 5.2 of this Schedule 14;

NZTAnoi_n = the most recently published September NZ Transport Agency Network Outcomes Index (costs excl. bitumen) at the last day of the relevant Contract Quarter (n) divided by the NZ Transport Agency Network Outcomes Index (costs excl. bitumen) for September 2016.

5.2 Calculation of NZTAnoib_n

For the purposes of paragraph 3, this paragraph 5 and paragraph 7, **NZTAnoib_n** will be derived in accordance with the following formula:

$$NZTAnoib_n = \left(\frac{NZTAnoi_n}{NZTAnoi_{Sept\ 2016}} \right) \times 0.58 + \left(\frac{NZTAbcas_n}{NZTAbcas_{Sept\ 2016}} \right) \times 0.42$$

Where:

NZTAnoi_n = the NZ Transport Agency Network Outcomes Index as at the end of Contract Quarter n.

NZTAbcas_n = the NZ Transport Agency Bitumen Cost Adjustment Series as at the end of Contract Quarter n.

5.3 De-escalation

Where a Relevant Event results in a change to the Lifecycle Payment of the Unitary Charge at any time after Financial Close, any dollar amount added to or deducted from the then-current Lifecycle Payment must, prior to its addition to or deduction from the Lifecycle Payment, be expressed in Base Year Dollars, where **Base Year Dollars** means real dollars as at 30 September 2016.

6. Base Interest Amount

The Base Interest Amount for each Payment Period (p) shall be calculated in accordance with the following formula:

$$BIA_p = (MPA_{n+nDPQ-1} - PAA_n) \times \left(\left(BR_n \times \frac{N}{365} \right) - MIR_{n+nDPQ-1} \right)$$

Where:

BIA_p = the Base Interest Amount for Payment Period (p);

MPA_{n+nDPQ-1} = the Modelled Principal Amount for the relevant Debt Contract Quarter (n+nDPQ-1), as set out in cells J31:DF31 of the Returnable Schedule;

PAA_n = the Principal Adjustment Amount for Debt Contract Quarter (n), as established under clause 53.4 (Establishment of Principal Adjustment Amount) of the Base Agreement;

BR_n = the base interest rate for Debt Contract Quarter (n), being NZD-BBR-BID with a designated maturity of 3 months set as at the first Business Day (subject to the Modified Following Business Day convention) of that Debt Contract Quarter;

MIR_{n+nDPQ-1} = the Modelled Interest Rate for the relevant Debt Contract Quarter (n+nDPQ-1), as set out in cells J32:DF32 of the Returnable Schedule;

N = the number of days in Debt Contract Quarter (n); and

nDPQ = the total number of Early Debt Payments made prior to the earlier of the Planned Service Commencement Date and the Service Commencement Date.

For the purposes of this paragraph **NZD-BBR-BID** and **Modified Following Business Day** have the meanings given to those terms in the ISDA Definitions 2006 (being the definitions published in 2006 by the International Swaps and Derivatives Association, Inc.).

BIA_n may be a positive or negative number. For the purposes of paragraph 2.1, BIA_n will be zero prior to the Floating Rate Commencement Date.

7. HCV Payments

7.1 Where the Contractor proves to the satisfaction of the Transport Agency (acting reasonably) that the average annual daily number of Heavy Commercial Vehicles exceeds 3,500 on any Section of the P2Wk Main Alignment (as described in SF_i below) in respect of the four most recently completed Contract Quarters, the HCV Payment for Payment Period (p) will be calculated in accordance with the following formula:

$$HCV_p = \sum_{i=1}^4 \left[(PMP \times NZTAnoib_n) \times \left(\frac{EHCV_i}{3,500} - 1 \right) \times SF_i \right]$$

Where:

HCV_p = the HCV Payment for Payment Period (p)

i = the *i*th Section of the P2Wk Main Alignment (as described in SF_i below)

PMP = the Pavement Maintenance Portion, being the amount set out in cell J35 of the Returnable Schedule.

NZTAnoib_n = the figure calculated in accordance with paragraph 5.2 of this Schedule 14

EHCV_i = the average annual daily number of Heavy Commercial Vehicles on the *i*th Section of the P2Wk Main Alignment in respect of the four most recently completed Contract Quarters

SF_i = the Section Factor, being:

$SF_1 = 0.925$ for Section 1 (P2Wk Main Alignment)

$SF_2 = 0.050$ for Section 2 (north western boundary of P2Wk Operating Site to northern end of P2Wk Main Alignment)

$SF_3 = 0.0250$ for Section 3 (north eastern boundary of P2Wk Operating Site to northern end of P2Wk Main Alignment)

7.2 For the purposes of this paragraph **Heavy Commercial Vehicle** means heavy commercial vehicles including:

- (a) rigid trucks with or without a trailer, and articulated vehicles with three or four axles in total; and
- (b) trucks and trailers and articulated vehicles with or without trailers with five or more axles in total.

8. Additional Payments

Each Additional Payment will be paid in accordance with clause 49.2 (Report and Invoice) of the Base Agreement.

9. Charges

Each Charge will be calculated and paid in accordance with Schedule 13 (Performance Regime).

10. **Cap on Total Deductions**

10.1 **Caps on Total Deductions**

- (a) The Transport Agency may not:
 - (i) in respect of any AMM Month, make Total Deductions which are greater than the AMM Base Payment for that AMM Month; or
 - (ii) in respect of any Contract Quarter, make Total Deductions which are greater than the Quarterly Unitary Charge.
- (b) Deductions which, but for this paragraph 10, could have been made by the Transport Agency will be permanently disregarded for the purposes of this Schedule 14.

10.2 Clause 10.1 does not apply to any Deductions applicable to any period prior to the Service Commencement Date.

10.3 For the avoidance of doubt, and subject to paragraph 10.2, paragraph 10.1 applies to Total Deductions only and does not apply to Charges.