

## Schedule 14: Payment Mechanism

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### Part 1 – Unitary Charge

#### 1. Quarterly Unitary Payment

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##### 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<sub>p</sub>** = the Quarterly Unitary Payment for Payment Period (p);

**QUC<sub>p</sub>** = the Quarterly Unitary Charge for Payment Period (p) calculated in accordance with paragraph 2 of this Schedule 14;

**TD<sub>p</sub>** = 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<sub>p</sub>** = the Transport Agency's share of any Refinancing Gain payable in respect of Payment Period (p) in accordance with clause 53.1 (Refinancing Gain) of the Base Agreement.

##### 1.2 First Quarterly Unitary Payment

When calculating the first Quarterly Unitary Payment after the Service Commencement Date in accordance with paragraph 1.1 above, the full amount specified in cell [REDACTED] of the MOS Sheet (comprising a component of QUC<sub>p</sub> for that Contract Quarter) will be included within QUC<sub>p</sub> for the first Contract Quarter (without double counting), regardless of the number of days in the first Contract Quarter.

#### 2. Calculation of the Quarterly Unitary Charge from Debt Service Commencement Date

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

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

where:

**QUC<sub>p</sub>** = the Quarterly Unitary Charge for Payment Period (p);

**UC<sub>p</sub>** = the Unitary Charge for Payment Period (p), which is to be calculated as:

$$\mathbf{UC}_p = \mathbf{UE}_n + \mathbf{DUE}_n + \mathbf{nEDUC}_{-1} - \mathbf{EDUC}_{\text{PSCD}} + \mathbf{IE}_n$$

where:

**UE<sub>n</sub>** = The Quarterly Relevant Amount in respect of the non-debt related unindexable element of the Unitary Charge as shown in cells named [REDACTED] in the MOS Sheet in respect of the relevant Contract Quarter (n);

**DUE<sub>n + nEDUC-1</sub>** = The Quarterly Relevant Amount in respect of the debt related unindexable element of the Unitary Charge as shown in cells named [REDACTED] in the MOS Sheet in respect of the relevant Contract Quarter (n + nEDUC -1);

Where:

nEDUC = the total number of Early Debt Unitary Charge payments made prior to the earlier of the Planned Service Commencement Date or Services Commencement Date;

**EDUC<sub>PSCD</sub>** = In the Contract Quarter in which the Service Commencement Date occurs, the Early Debt Unitary Charge payment in respect of the Debt Payment Quarter in which the earlier of the Planned Service Commencement Date or Service Commencement Date occurs, and zero in all other Contract Quarters; and

**IE<sub>n</sub>** = Indexable Element of the Unitary Charge for the relevant Contract Quarter (n) as calculated in paragraph 3 of this Schedule 14; and

**EDUC<sub>p</sub>** = the Early Debt Unitary Charge payment in respect of Payment Period (p) is to be calculated as;

$$EDUC_p = DUE_n \times (DDCQ_n / TDCQ_n)$$

Where:

**DUE<sub>n</sub>** = The Quarterly Relevant Amount in respect of the debt related unindexable element of the Unitary Charge as shown in cells named [REDACTED] in the MOS Sheet in respect of the relevant Debt Payment Quarter (n);

**DDCQ<sub>n</sub>** = the number of days in Debt Payment Quarter (n) that are on or after the Debt Service Commencement Date and prior to the earlier of the Service Commencement date or the Planned Service Commencement Date;

**TDCQ<sub>n</sub>** = the total number of days in the relevant Debt Payment Quarter (n) and

**IP<sub>m</sub>** = the Insurance Payment for Contract Year (m) as calculated in accordance with paragraph 4 of this Schedule 14;

**LCC<sub>p</sub>** = the Lifecycle Payment for Payment Period (p) as calculated in accordance with paragraph 5 of this Schedule 14;

**BIA<sub>n</sub>** = the Base Interest Amount for Debt Contract Quarter (n) as calculated in accordance with paragraph 6 of this Schedule 14; and

**HCV<sub>p</sub>** = 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<sub>p</sub>, IP<sub>m</sub>, LCC<sub>p</sub>, and HCV<sub>p</sub> shall be equal to [REDACTED] in all Payment Periods ending prior to the Service Commencement Date, and EDUC<sub>p</sub> shall be equal to [REDACTED] in all Payment Periods starting after the earlier of the Service Commencement Date or the Planned Service Commencement Date.

### 3. Indexation

#### 3.1 Indexation of the Indexable Element

- (a) On 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  $IE_n = (IEC_n \times CPI_n) + (IEL_n \times LCI_n) + (IEnoi_n \times NZTAnoi_n)$

where:

$IEC_n$  = the Quarterly Relevant Amount in respect of the CPI indexed component of the Unitary Charge as shown in cells named [REDACTED] in the MOS Sheet.

$CPI_n$  = the most recently published June Quarter CPI at the last day of Contract Quarter (n) divided by the CPI for the June Quarter 2014 (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 [REDACTED] in the MOS Sheet .

$LCI_n$  = the most recently published June 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 June Quarter 2014 (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 [REDACTED] in the MOS Sheet.

$NZTAnoi_n$  = the most recently published June 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 June Quarter 2014 (being the Quarter most recently ended prior to Financial Close).

#### 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 June 2014.

## 4. Insurance Payment

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The Insurance Payment will be paid, in advance:

- (a) as part of the first Quarterly Unitary Payment following the Service Commencement Date; and
- (b) subsequently, annually as a component of the Quarterly Unitary Charge invoiced each fourth 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 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 June 2014 dollars) as determined in accordance with Part 3 (Insurance Premium Sharing) of Schedule 15 (Insurance).

**CPI<sub>k</sub>** = the most recently published June Quarter CPI at the last day of Contract Quarter ( $n$ ) divided by the CPI for the June Quarter 2014 (being the Quarter most recently ended prior to Financial Close).

**Insurance Sharing Payment (k)** or **ISP<sub>k</sub>** = the Insurance Sharing Payment as calculated below:

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

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

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

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

**Actual Insurance Premium (k)** or **AIP<sub>k</sub>** in respect of any Insurance Year ( $k$ ), means the actual premium (expressed in June 2014 dollars) payable by the Contractor in respect of the Shared Operating Insurances in that Insurance Year.

## 5. Lifecycle Payment

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### 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:

- LCCCnoi<sub>n</sub>** = 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 named [REDACTED] in the MOS Sheet.
- LCCCnoib<sub>n</sub>** = 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 named [REDACTED] in the MOS sheet.
- NZTAnoib<sub>n</sub>** = the most recently calculated June NZ Transport Agency Network Outcomes Index (costs incl. bitumen) at the last day of the Contract Quarter (n) divided by the NZ Transport Agency Network Outcomes Index (costs incl. bitumen) calculated for June 2014 (being the Month most recently ended prior to Financial Close), where this index has been calculated in accordance with paragraph 5.2 of this Schedule 14;
- NZTAnoi<sub>n</sub>** = the most recently published June 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 June 2014.

## 5.2 Calculation of NZTAnoib<sub>n</sub>

For the purposes of this paragraph 5, NZTAnoib<sub>n</sub> will be derived as the sum of:

- (a) the NZ Transport Agency Network Outcomes Index (costs excl. bitumen) multiplied by 0.94, and
- (b) the NZ Transport Agency Bitumen Cost Adjustment Series multiplied by 0.06.

## 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 June 2014.

## 6. Base Interest Amount

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The Base Interest Amount for each Debt Contract Quarter (n) shall be calculated in accordance with the following formula:

$$BIA_n = \left( MPA_n \times \left( BR_n \times \frac{N}{365} \right) \right) - MIA_n$$

Where:

- BIA<sub>n</sub>** = the Base Interest Amount for the relevant Debt Contract Quarter (n).
- MPA<sub>n</sub>** = the Modelled Principal Amount for the dates named [REDACTED] in the MOS Sheet, as set out in the cells named [REDACTED] in the MOS Sheet in respect of the dates named [REDACTED] in the MOS Sheet.
- BR<sub>n</sub>** = 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, provided that such base interest rate can never be less than zero;

**MIA<sub>n</sub>** = the Modelled Interest Amount for the dates named [redacted] in the MOS Sheet as set out in the cells named [redacted] in the MOS Sheet in respect of the dates named [redacted] in the MOS Sheet.

**N** = the number of days in Debt Contract Quarter (n).

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<sub>n</sub> may be a positive or negative number. For the purposes of paragraph 2.1, BIA<sub>n</sub> will be zero prior to the Floating Rate Commencement Date.

## 7. HCV Payments

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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 TG Main Alignment (as described in SF<sub>i</sub> 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:

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

Where:

**HCV<sub>p</sub>** = the HCV Payment for Payment Period (p)

**i** = the *i*th Section of the TG Main Alignment (as described in SF<sub>i</sub> below)

**PMP<sub>n</sub>** = the Pavement Maintenance Portion for Contract Quarter (n), being the amounts set out in the cells named [redacted] of the MOS Sheet.

**NZTAnoib<sub>n</sub>** = the most recently calculated June NZ Transport Agency Network Outcomes Index (costs incl. bitumen) at the last day of the Contract Quarter (n) divided by the NZ Transport Agency Network Outcomes Index (costs incl. bitumen) calculated for June 2014 (being the Month most recently ended prior to Financial Close), where this index has been calculated in accordance with paragraph 5.2 of this Schedule 14;.

**EHCV<sub>i</sub>** = the average annual daily number of Heavy Commercial Vehicles (as defined in Schedule 11 (Works Requirements) in excess of 3,500 on the *i*th Section of the TG Main Alignment in respect of the four most recently completed Contract Quarters

**SF<sub>i</sub>** = the Section Factor, being:

SF<sub>1</sub> = 0.635 for Section 1 (MacKays to SH58)

SF<sub>2</sub> = 0.07 for Section 2 (SH58 to James Cook)

SF<sub>3</sub> = 0.25 for Section 3 (James Cook to Kenepuru Interchange)

SF<sub>4</sub> = 0.045 for Section 4 (Kenepuru Interchange to Linden)

## 8. **Additional Payments**

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

## 9. **Charges**

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

## 10. **Cap on Total Deductions**

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- 10.1 The Transport Agency may not, in respect of any Contract Quarter, make Total Deductions which are greater than the Quarterly Unitary Charge. 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.