



NZ TRANSPORT AGENCY  
WAKA KOTAHĪ



## NORTHERN GATEWAY TOLL ROAD

### OPERATING REPORT for the SIX MONTHS ENDING 31 December 2009

**Prepared and distributed by NZ Transport Agency**

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# Table of Contents

<b>Executive Summary .....</b>	<b>2</b>
<b>1.0 Summary of operations .....</b>	<b>3</b>
1.1 Traffic volumes .....	3
1.2 Toll tariffs .....	3
1.3 Toll revenue .....	3
1.4 Compliance .....	4
1.5 Payment channels .....	4
1.6 User behaviour .....	4
<b>2.0 Operations Update - Revenue .....</b>	<b>5</b>
2.1 Traffic Volumes and Revenue .....	5
2.2 Statement of Toll Revenue Collection .....	6
2.3 Toll Balance Sheet .....	8
2.4 Statement of Cashflows .....	10
2.5 Charges Received in Connection with section 51(4) of the LTMA .....	11
2.6 Customer Behaviour - Levels of Prepaid Tolls .....	11
2.7 Level of Outstanding Tolls .....	13
2.8 Casual User Profile .....	14
2.9 Taxation Applying to Gross Toll Revenue .....	14
<b>3.0 Operations Update - Expenditure .....</b>	<b>15</b>
3.1 Toll Transaction Charge by Traffic Volume .....	15
3.2 Operating Profit and Loss .....	16
3.3 Trend and Forecast Information .....	17
3.4 Operational Cost per Transaction .....	18
3.5 Toll Evasion and Avoidance .....	19
3.6 Uncollected Toll Transactions Resulting from Faults in the Toll Collection System .....	20
3.7 Toll Revenue Written Off .....	20
3.8 Consequential Damages .....	21

## Executive Summary

The Northern Gateway Toll Road (NGTR) marked 12 months of operations on January 25, 2010. This report covers the first six months of the 2009/10 financial year, the period 1 July 2009 to 31 December 2009. A separate report covering the toll road's first five months of operations was published last year.

In the six months to 31 December 2009 nearly 2.4 million journeys were made on the road, which brings the total number of journeys since the road opened to 4.3 million - 3% ahead of forecast volumes. These higher than forecast traffic volumes have contributed to greater than expected revenue collection, with paid toll revenue 4% ahead of budget.

During the six months to 31 December 2009 the NZTA processed 150,000 customer enquiries through our contact centre, and we have over 41,000 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 users, 56% choose to make payment for their trips using roadside kiosks, 25% pay via the web and the remainder use the 0800 telephone payment service. Telephone payments have decreased slightly compared with the first five months of operation.

The overall level of compliance (the percentage of trips that have been paid) has remained constant at around 94% since the road was opened.

Several changes have also been introduced to improve services for toll road customers, including extending the toll payment period from three to five days and upgrading the payment website for easier use.

The average cost per transaction to operate the tolling system for the six month period is reported as \$0.78. The NZTA will continue to look for ways to reduce operating costs consistent with achieving our target of \$0.65 per transaction by year five.

## **1.0 Summary of operations**

### **1.1 Traffic volumes**

In the period 1 July to 31 December 2009, nearly 2.4 million journeys were made on the NGTR (4.2% ahead of forecast), bringing the total number of journeys since the road opened to 4.3 million (3% ahead of forecast). The proportion of total network traffic using the toll road rather than the free alternate route is 76.5%, which is also above the targeted usage of 70%.

### **1.2 Toll tariffs**

Tolls were not increased during the six 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) and \$0.00 for motorcycles.

The zero toll for motorcycles was subject to review, with public consultation undertaken in late 2009. The NZTA Board considered the outcome of public consultation in March 2010, and agreed that motorcyclists receive the same benefit as other light vehicles using the toll road and should therefore be tolled \$2.00.

### **1.3 Toll revenue**

The toll tariff consists of three parts: revenue, transaction charge, and 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 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 the NZTA can only claim up to \$0.65 from each toll to cover our operational costs.

As electronic free flow is a new concept for New Zealanders, the NZTA has decided to provide higher initial levels of customer service above what is planned long term while motorists become accustomed to free flow tolling. Costs over the first five years were therefore expected to be higher than long term targets.

The average cost per transaction for the six months to 31 December is reported as \$0.78. There have been a number of changes to how transaction costs are captured and recognised since the initial report covering the toll road's first five months of operations was published last year. A reconciliation of these changes is included under section 3.4. The NZTA is on track to reaching our target of \$0.65 per transaction within five years of the road's opening.

Continued higher traffic volumes on the toll road have contributed to greater than expected revenue collection. The total paid toll revenue used to repay debt for construction of the road is 4% ahead of budget. This is a very positive result for the NGTR.

## **1.4 Compliance**

The overall level of compliance on the toll road (the percentage of trips that have been paid) has remained constant at around 94% since the road was opened, which is a positive result.

The value of unpaid tolls to 31 December 2009 totals \$525,000, about 5% of total toll revenue. This is down from the 6.1% reported for the period to 30 June 2009. During the last six months civil debt collections were initiated to target higher value debts where the effort is most cost-effective.

## **1.5 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.

To this end we have made improvements to the tolling website to make payment of trips easier, and extended the deadline for toll payments from three to five days after using the road.

Our first operating report identified the need to upgrade our self-service payment kiosks. We have since simplified the process for customers to pay their tolls using the kiosks to make the payment process easier to understand, cutting the average time taken to pay a toll and helping to reduce queuing at the kiosks.

We are continually monitoring the level of customer usage of the self service kiosks and have reintroduced a third kiosk at the BP Service Centre during the summer period to help reduce queues. However queues can still be expected at peak times, especially over long weekends, and motorists are routinely advised to make payments online or through the contact centre.

## **1.6 User behaviour**

In the six months from 1 July to 31 December 2009 150,000 customer enquiries were answered through the contact centre and almost 42,000 active accounts have now been established.

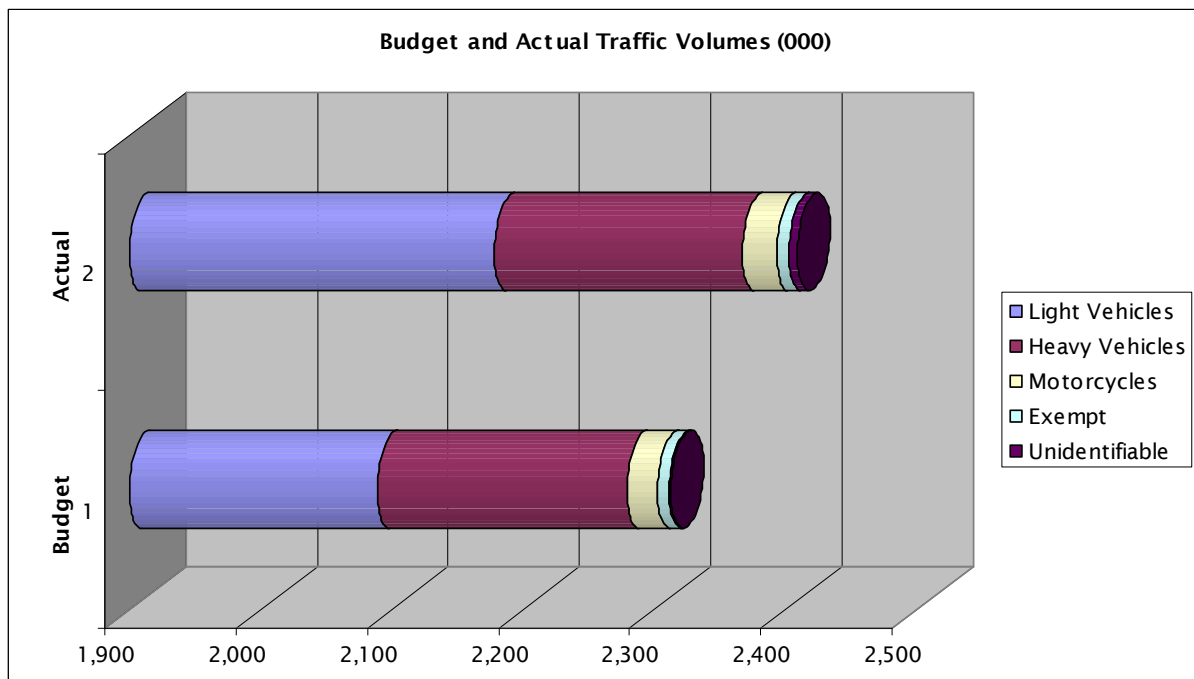
In late November 2009 we wrote to over 7,000 casual toll road customers who had spent \$40 or more at the kiosks, offering an opportunity to enter a draw for a free motor vehicle licence if they opened a toll account or used the new toll payment website. This resulted in several new accounts being opened and we are now 25% ahead of target.

Pre-paying customers now account for nearly half of all trips taken on the road - the percentage of total trips taken by pre-paid account holders has increased from 44% over the first five months of operations to 49% as at 31 December 2009. Casual road users also account for 49% of all trips taken with the remaining two percent of trips accounted for by exempt vehicles and motorcycles. Of the road's casual users, 56% choose to make payment for their trips using roadside kiosks, 25% pay via the web and rest using the 0800 telephone payment service. Telephone payments have decreased slightly compared with the first five months of operation, resulting in increases in both kiosk and web payments.

## 2.0 Operations Update - Revenue

### 2.1 Traffic Volumes and Revenue

	Vehicle Volumes (000)		Base Rate (GST Incl)	Vehicle Revenue (\$000)	
	Budget	Actual		Budget	Actual
Light Vehicles	2,089	2,178	\$2.00	\$4,178	\$4,356
Heavy Vehicles	190	189	\$4.00	\$760	\$757
Motorcycles	23	26	\$0.00	\$0	\$0
Exempt	9	9	n/a	\$0	\$0
Unidentifiable	2	7	\$0.00	\$0	\$0
<b>Total</b>	<b>2,313</b>	<b>2,409</b>		<b>\$4,938</b>	<b>\$5,113</b>



**Graph 1. Budget vs Actual Traffic Volumes for 6 months to 31 December 2009**

Traffic volumes for the six months to the end of December 2009 are 4.2% ahead of budget. The proportion of network travel using the Northern Gateway Toll Road is 76.5%, which is above the targeted usage of 70%.

## 2.2 Statement of Toll Revenue Collection

### Statement of Toll Revenue for 6 months to 31 December 2009

	Notes	Budget \$ (000)	YEAR TO DATE			ANNUAL Budget \$ (000)
			Actual \$ (000)	Variance \$ (000)	%	
Paid Toll Revenue						
Light		2,230	2,335	105	5%	4,606
Heavy		539	544	5	1%	1,113
Total Paid Toll Revenue	1	2,769	2,880	110	4%	5,719
Interest on Toll Revenue	2	1	15	14	1397%	3
Total Funds Available to be paid to MoT for Debt Repayment			2,895			
Funds Paid to MoT in current financial year			1,360			
Funds held by NZTA subject to payover to MoT	3		1,535			
Unpaid Toll Revenue						
Light		133	125	(7)	(5%)	273
Heavy		15	4	(11)	(74%)	30
Total Unpaid Toll Revenue	4	147	129	(18)	(12%)	303
Total Outstanding Casual Debtor Balance consists of:	5		605			
Toll Revenue to be collected for MoT			241			
Operating Charge to be collected			129			
Administration Charges to be collected			167			
GST to be collected			<u>67</u>			
			605			

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:

1. **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 4% (\$110K) 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.
2. **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.
3. **Funds Available to be paid to the MoT for Debt Repayment** – Total toll revenue collected in the six months to 31 December is \$2.895M, of which \$1.360M was paid over to the MoT for the September quarter. The balance of the collected toll revenue for this financial year to date (\$1.535M) was paid to the MoT in early January 2010, after the reporting period.
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 help fund early construction of the road. Year to date this revenue is 12% (\$18K) below budget, and given that traffic volumes are ahead of forecast, this is a very positive result.
5. **Total Outstanding Casual Debtor Balance** – This balance consists of all toll trips and any associated administration fees that are uncollected as at 31 December 2009. This balance includes all outstanding revenue from the opening date of the road to 31 December 2009.

## 2.3 Toll Balance Sheet

Balance Sheet as at 31 December 2009

		\$000	\$000	\$000
	Notes	\$	\$	\$
<b>CURRENT ASSETS</b>				
<b>Cash and Cash Equivalents</b>				
Toll Trust Account	1	997		
Toll Operating Account		1,983		
Toll Payments Account		52		
Kiosk/Payover Deposits in Transit		23		
Balances Held in Kiosks		35		
			3,090	
<b>Toll Debtors</b>				
Toll Casual Debtors	2	605		
Provision for Doubtful Debts		(409)		
Depreciation Funds held by NZTA		574		
Post Pay Account Debtors		71		
			841	
<b>TOTAL CURRENT ASSETS</b>				<b>3,932</b>
<b>NON CURRENT ASSETS</b>				
Road Side Hardware		5,426		
less Accumulated Depreciation		(574)		
			4,852	
<b>TOTAL NON CURRENT ASSETS</b>				<b>4,852</b>
<b>TOTAL ASSETS</b>				<b>8,783</b>
<b>CURRENT LIABILITIES</b>				
<b>Prepayments</b>				
Trip Pass Prepayments	3	343		
Pre Pay Account Balances		876		
			1,219	
<b>Other Liabilities</b>				
GST	4	125		
Payable to MoT		2,880		
Accrued Payable to MoT		95		
Paid to MoT		(1,356)		
			1,744	
<b>TOTAL CURRENT LIABILITIES</b>				<b>2,963</b>
<b>EQUITY</b>				
Opening Equity		5,426		
Current Period Surplus/(Deficit)		0		
Net Accrued Operating Revenue		394		
Closing Equity	5		5,820	5,820
<b>TOTAL LIABILITIES AND EQUITY</b>				<b>8,783</b>

Notes to the Balance Sheet:

- Cash and Cash Equivalents** - Three bank accounts are maintained by the tolling operation to facilitate cash management and payovers. The Toll Trust Account (\$997K) holds the funds pre-paid by account holders. The Toll Operating Account (\$1.983M) holds the funds to be paid over to the MoT, and also receives all casual toll payments. The Toll Payments Account (\$52K) 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 31 December 2009.

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 the NZTA and our collection agency. These debts will not be written-off until the NZTA has exhausted all possible avenues to collect. 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 Post Pay Account Debtors, which commercial road users who pay for their toll road use on an invoice basis.
3. **Prepayments** – The toll prepayments are unidentified/unmatched payments into the 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.

## 2.4 Statement of Cashflows

### Statement of Operational Cashflows for 6 Months Ending 31 December 2009

	Notes	Actual \$000	Year to Date Actual \$000
<b>Cashflows from Operating Activities</b>			
Receipts from Customers			
Pre Paid Account Holders		2,314	
Post Pay Account Holders		431	
Casual User Payments		2,603	
Total Receipts from Customers			5,348
Payments to Suppliers			(2,989)
Interest Received			22
<b>Net Cashflows from Operating Activities</b>			<b>2,380</b>
<b>Cash Flows from Investing Activities</b>			
<b>Net Cashflows from Investing Activities</b>			<b>0</b>
<b>Cashflows from Financing Activities</b>			
Payover to MoT for Repayment of Debt			(2,227)
Residual Construction Project Funds made available	1		759
<b>Net Cashflows from Financing Activities</b>			<b>(1,468)</b>
Net Increase/(Decrease) in Cash Held			912
Opening Cash Balances			2,120
<b>Closing Total Cash Balances</b>			<b>3,032</b>

Notes to the Statement of Cashflows:

- Residual Construction Project Funds made available** - The NZTA Board has 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. For the six months to 31 December 2009, the amount of Toll System Project residual funds that have been required to meet operational expenses was \$759K.

### Statement of Project Residual Funds for 6 Months Ending 31 December 2009

	Notes	YTD Actual \$000
<b>Tolling Project Residual Cashflow</b>	1	
<b>Project Funds Available as at 1 July 2009</b>		2,812
Residual Construction Project Funds for Project Expenses		(429)
Residual Construction Project Funds made available for Operational Expenses		(759)
<b>Project Funds Available as at 31 December 2009</b>		<b>1,624</b>

Notes to the Statement of Residual Funds

- Tolling Project Residual Cashflow** - This statement displays the available tolling project residual funds that are available for ongoing project and operational expenses not met by operating and administrative charges.

## 2.5 Charges Received in Connection with section 51(4) of the LTMA

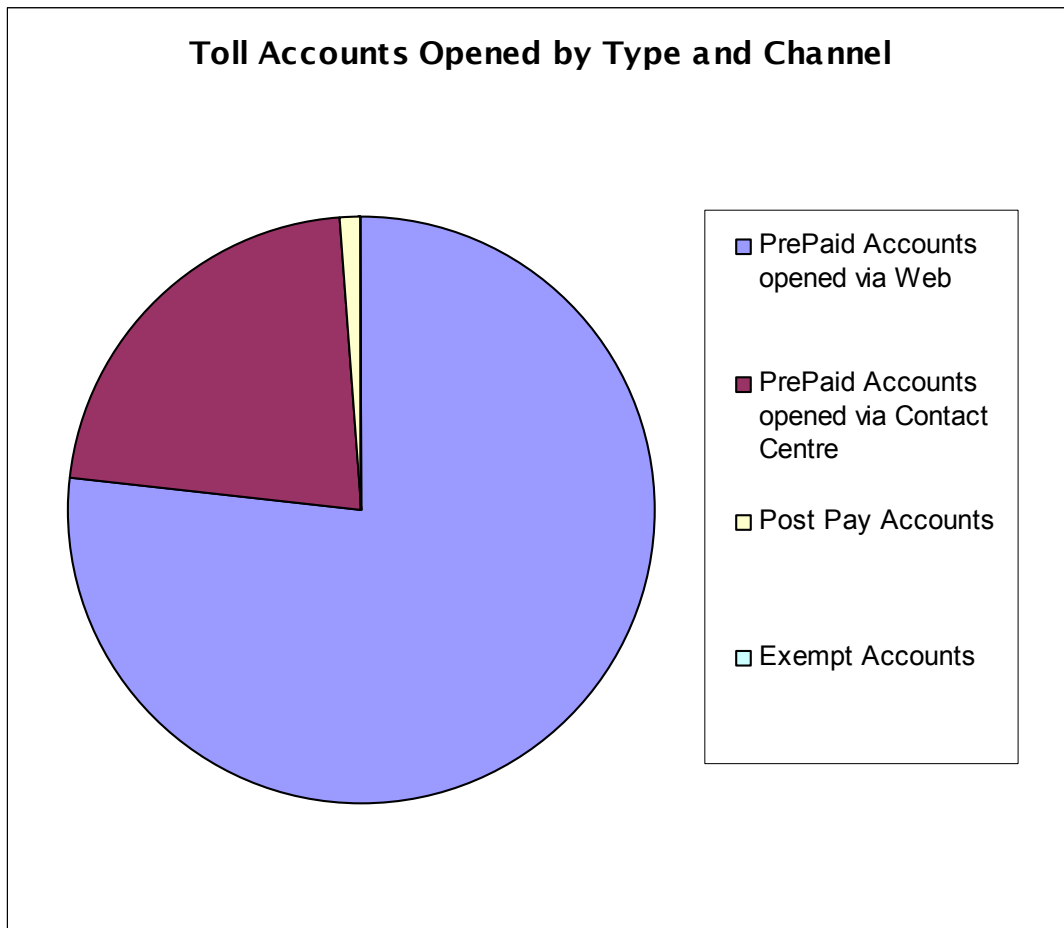
No charges are received in connection with the administration of the toll collecting method available to be imposed under section 51(4) of the LTMA.

## 2.6 Customer Behaviour - Levels of Prepaid Tolls

The number of accounts opened continues to surpass expectations, and to date 41,926 accounts are current. This compares favourably to the 34,510 that were expected to the end of December 2009.

<b>Accounts Open</b>	
PrePaid Accounts	41,441
Post Pay Accounts	477
Exempt Accounts	8
<b>Total</b>	<b>41,926</b>

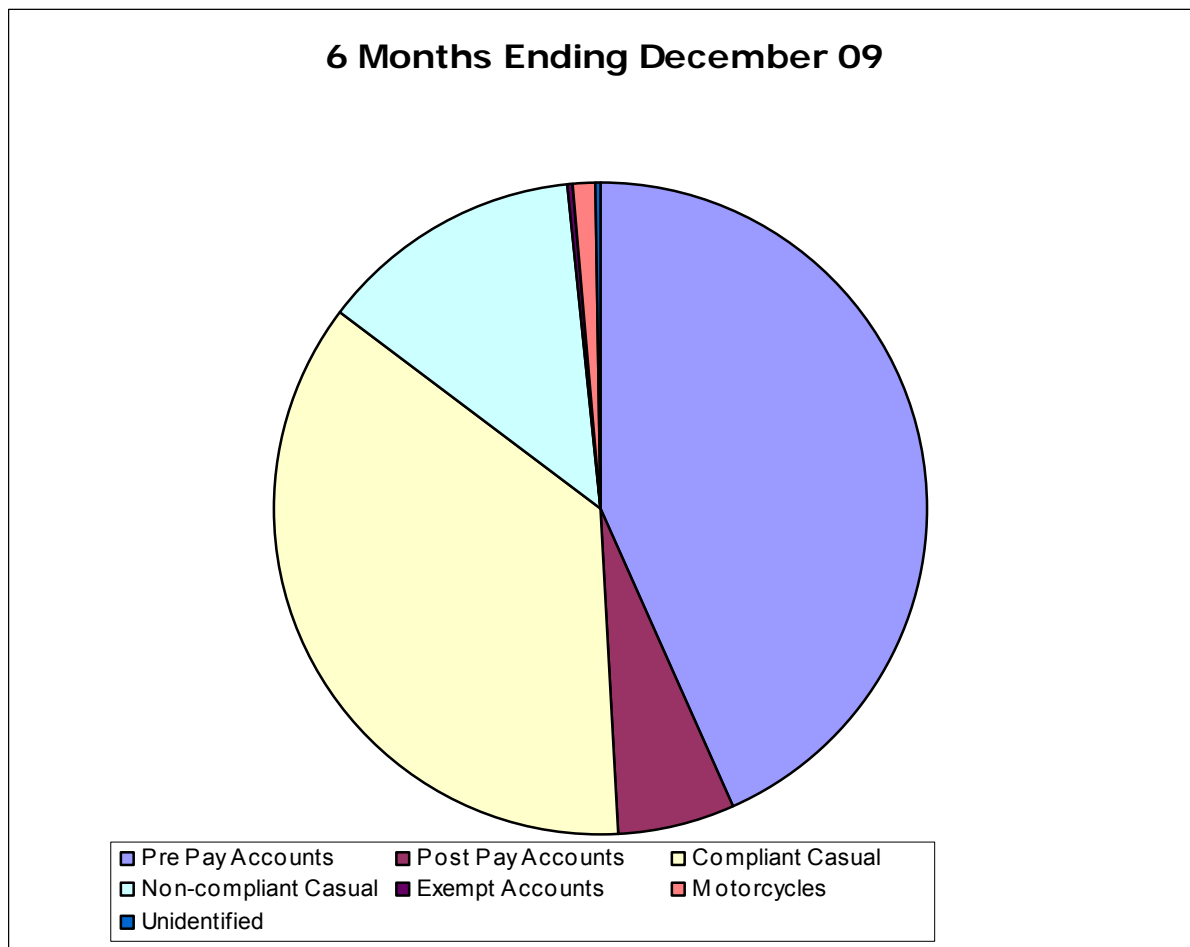
Of the pre-paid accounts opened, 77.6% (32,147) were opened using the Web Self Service, with the remainder being opened via the Contact Centre.



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 20<sup>th</sup> of the month.

The following categorises trips by the customer interaction with the Toll System.

	Jul	Aug	Sep	Oct	Nov	Dec	Total
<b>Trips (000)</b>							
Pre Pay Accounts	160	160	165	182	180	197	1,044
Post Pay Accounts	23	22	23	24	25	24	140
Compliant Casual	134	126	128	153	138	191	869
Non-compliant Casual	44	43	44	55	54	73	314
<b>Chargeable Trips</b>	<b>360</b>	<b>351</b>	<b>361</b>	<b>414</b>	<b>397</b>	<b>485</b>	<b>2,367</b>
Exempt Accounts	2	2	1	1	2	2	9
Motorcycles	3	4	4	5	5	6	26
Unidentified	1	1	1	1	1	2	7
<b>Total Trips</b>	<b>365</b>	<b>357</b>	<b>367</b>	<b>421</b>	<b>404</b>	<b>494</b>	<b>2,409</b>



The increase in total trips in later months was expected and is due to the usual seasonal variance in road usage. The slight peak in October reflects the long weekend traffic around Labour Day and the peak in December reflects increased traffic over the Christmas period. Total road usage during winter months is usually lower than the summer months, and the predominant change is within the casual user market segment.

## 2.7 Level of Outstanding Tolls

### Level of Outstanding Tolls (GST Inclusive)

	Trips (000)	Revenue \$(000)
Total Chargeable Toll Trips	2,367	5,113
Total Administration Charges		451
<b>Total Toll Revenue</b>		<b>5,564</b>
Paid Toll Trips	2,232	4,889
Paid Administration Charges		300
<b>Paid Toll Revenue</b>		<b>5,189</b>
Unpaid Toll Trips	136	224
Unpaid Administration Charges		151
<b>Unpaid Toll Revenue</b>		<b>375</b>
<b>Toll Trip Compliance</b>	<b>94.3%</b>	
<b>Toll Payment Compliance</b>		<b>93.3%</b>

Total outstanding toll trips make up 5.7% (136K) of the total trips in the six months to 31 December. The outstanding revenue for these trips, including unpaid administration charges associated with sending toll payment notices, is 6.7% (\$375K) of total toll revenue.

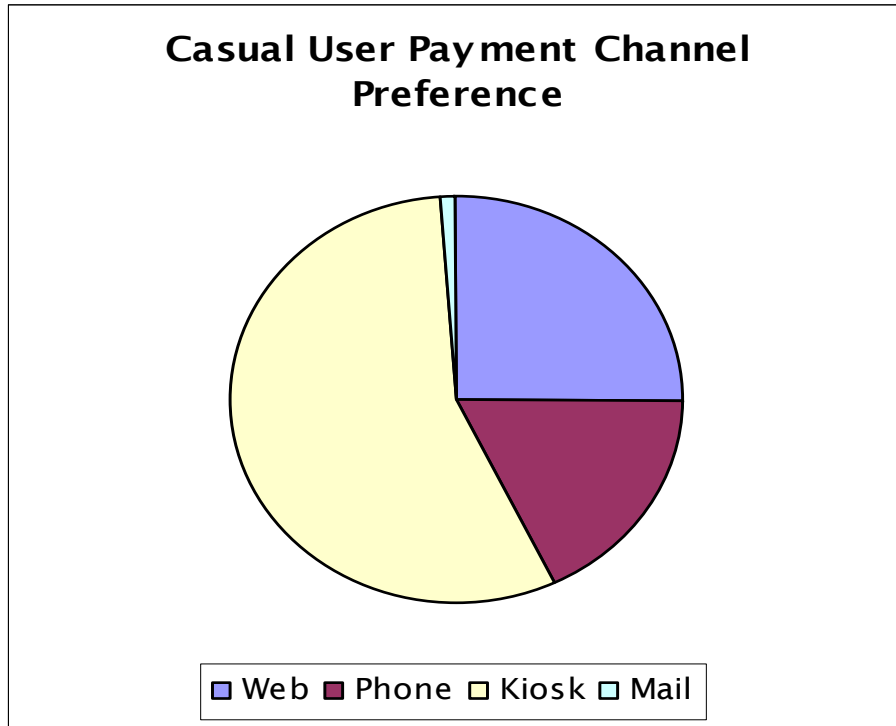
NZTA decided to keep with a phased approach to getting unpaid tolls. This decision was made since compliance is already good and NZTA wanted to provide customers enough time to become familiar with the concept of electronic toll collection. An internal collection process has been in place since the road opened, and a civil debt collection process was introduced early this financial year.

NZTA also has the option of initialising an infringement process at any time in parallel with the debt collection. This commences with a formal notice (including a \$40 infringement fee). NZTA is working on an application to retain the cost of issuing infringement notices from the \$40 infringement fee. This is to ensure that the costs of business are recovered. The NZTA Board in December 2009 endorsed their support for this request, which if approved, will greatly assist our ability to manage the toll system in a manner that is fair to all.

Given that the full infringement process is yet to be deployed, the above results demonstrate a high level of compliance. However, a significant number of rental vehicles that use the road are not paying tolls and we are incurring costs as we attempt to collect these tolls. We are working with the Ministry of Transport to advance legislative changes to make the collection of these unpaid tolls easier.

## 2.8 Casual User Profile

Payment Channel	Actual Volumes	Actual %	Target %
Web	101,063	25.3%	25.0%
Phone	69,986	17.5%	22.6%
Kiosk	223,591	56.0%	52.0%
Mail	4,903	1.2%	0.4%
<b>Total</b>	<b>399,543</b>	<b>100.0%</b>	
Payment Method	Actual Volumes	Actual %	Target %
Credit Card/Eftpos/POLi	210,351	52.6%	55.3%
Cash/Cheque	189,192	47.4%	44.7%
<b>Total</b>	<b>399,543</b>	<b>100.0%</b>	



Use of the manual payment stations (kiosks) has been significantly higher than was modelled. As a result the number of technical call-outs is also higher, particularly in the early months given that the kiosks were new. An increase in demand has resulted in higher costs associated with cash handling, replenishment and banking.

## 2.9 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	3,009
Operating Charge	1,538
Administration Charge	400
<b>Total Toll Revenue</b>	<b>4,947</b>
GST	617
<b>Total Toll Revenue (GST Inc)</b>	<b>5,564</b>

## 3.0 Operations Update - Expenditure

### 3.1 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 the toll system and delivery. The following is a summary of traffic volumes and the associated transaction charge. This revenue is above forecast due to the higher than forecast traffic volumes. The amounts below are for all identified trips undertaken on the toll road, and a portion of these remain unpaid.

The base rate transaction charge of \$0.65 is that which was approved by the Ministers of Transport and Finance in November 2007.

	Vehicle Volumes (000)		Base Rate (GST Incl)	Vehicle Revenue (\$000)	
	Forecast	Actual		Forecast	Actual
Light Vehicles	2,089	2,178	\$0.65	\$1,358	\$1,415
Heavy Vehicles	190	189	\$0.65	\$124	\$123
Motorcycles	23	26	\$0.00	\$0	\$0
Exempt	9	9	n/a	\$0	\$0
Unidentifiable	2	7	\$0.00	\$0	\$0
<b>Total</b>	<b>2,313</b>	<b>2,409</b>		<b>\$1,481</b>	<b>\$1,538</b>

## 3.2 Operating Profit and Loss

### Statement of Operating Profit and Loss for 6 Months Ending 31 December 2009

		\$000	\$000	\$000	\$000	
6.2 STATEMENT OF TOLLING EXPENDITURE For the Period Ended 31 December 2009						
	Notes	Budget \$	YEAR TO DATE Actual \$	Variance \$	%	ANNUAL Budget \$
<b>OPERATING REVENUE</b>	<b>1</b>					
Operating Charges		1,463	1,538	76	5%	3,062
Administration Charges		362	400	38	11%	756
Interest		3	7	4	119%	4
<b>TOTAL OPERATING REVENUE</b>		<b>1,827</b>	<b>1,945</b>	<b>118</b>	<b>6%</b>	<b>3,822</b>
<b>RECOVERIES FROM PROJECT FUNDS</b>						
Recoveries from Project for Operations		194	515	321	165%	517
Recoveries from Project for Project Expenses		353	429	76	21%	645
<b>TOTAL RECOVERIES FROM PROJECT FUNDS</b>		<b>547</b>	<b>943</b>	<b>396</b>	<b>72%</b>	<b>1,162</b>
<b>TOTAL REVENUE</b>		<b>2,374</b>	<b>2,888</b>	<b>514</b>	<b>22%</b>	<b>4,985</b>
Accrued Revenue (Unpaid)		(42)	(202)	(160)	381%	(360)
Accrued Revenue (Timing)		0	(118)	(118)	-	
<b>TOTAL REVENUE AVAILABLE FOR DISBURSEMENTS</b>		<b>2,332</b>	<b>2,568</b>	<b>278</b>	<b>12%</b>	<b>4,625</b>
<b>EXPENDITURE</b>						
<b>TOLL OPERATING COSTS</b>						
<b>Transaction Costs</b>	<b>2</b>					
External Stationery		14	7	7	51%	29
Datamail		17	33	(16)	(94%)	36
Postage		57	76	(19)	(34%)	120
Credit Card Fees		133	57	76	57%	278
POLi Fees		2	5	(3)	(172%)	4
Bank Fees		6	10	(4)	(66%)	12
Kiosk Fees		38	7	32	83%	80
		<b>267</b>	<b>195</b>	<b>72</b>	<b>27%</b>	<b>559</b>
<b>Support and Maintenance</b>	<b>3</b>					
Data Communication		26	14	11	43%	51
System Support & Maintenance		288	270	17	6%	575
Kiosk Support & Maintenance		36	50	(14)	(39%)	95
Road-side Equipment Support & Maintenance		48	17	30	63%	68
System Development		48	105	(57)	(119%)	101
Phones		107	93	14	13%	223
		<b>551</b>	<b>550</b>	<b>1</b>	<b>0%</b>	<b>1,113</b>
<b>Corporate Services Costs</b>	<b>4</b>					
Personnel		728	781	(53)	(7%)	1,443
Marketing		117	7	109	94%	233
General		5	9	(4)	(84%)	10
Depreciation		311	311	0	0%	622
Doubtful Debt Expense		-	250	(250)	-	-
		<b>1,161</b>	<b>1,358</b>	<b>(198)</b>	<b>(17%)</b>	<b>2,308</b>
<b>TOTAL OPERATING EXPENDITURE</b>		<b>1,979</b>	<b>2,103</b>	<b>(124)</b>	<b>(6%)</b>	<b>3,980</b>
<b>TOLL PROJECT COSTS</b>		<b>353</b>	<b>465</b>	<b>(112)</b>	<b>(32%)</b>	<b>645</b>
<b>TOTAL TOLL EXPENDITURE</b>		<b>2,332</b>	<b>2,568</b>	<b>(236)</b>	<b>(10%)</b>	<b>4,625</b>
<b>NET CASH SURPLUS / (DEFICIT)</b>	<b>5</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>0%</b>	<b>0</b>

## 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 capital project funds. Operating revenue from charges is designed to cover all operating costs, but there is 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 capital project being completed under budget. From the total \$3.3M residual project funds, \$515K has been provided to cover the shortfall in operating revenue in the six months to 31 December 2009. Year to date operating revenue from charges is 5% (\$76K) ahead of budget, due to the higher than forecast road usage, and administration charges are 11% (\$38K) 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 below budget, which is largely driven by variances in two expense lines; credit card fees, and kiosk fees, with the exception of kiosk operating costs. These kiosk fees, 83% (\$32K) below budget, are the costs associated with clearing and replenishing the cash in the kiosks and the receipt rolls. Other costs associated with kiosks are included under support and maintenance. Credit card fees have been approximately \$12K under budget each month, contributing \$76K to the current variance in transaction costs.
3. **Support and Maintenance** - Support and maintenance costs are 0% (1K) below budget. This is the result of overspends in system development and kiosk support and maintenance being netted out by underspends in all other expense lines. Roadside equipment support and maintenance is currently 63% (\$30K) under budget. The negative \$57K 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 17% (\$198K) over budget. There are two significant items driving this variance, personnel costs are 7% (\$53K) ahead of budget to date. An unbudgeted expense item for doubtful debts contributes the most significant variation to budget. A provision was made for doubtful debts, adding \$250K of previously unbudgeted expense. This initial provision relates to the tolling operations from January 2009, and comprises of those debtors where collection of payment is unlikely.
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.

### 3.3 Trend and Forecast Information

Trend information is not available, due to these financials representing just the first year of the tolling operation. Trend information will be available from the next report. Generally, significant up-front expenses were incurred in the first six months of toll operations; the most significant of these being costs associated to the running and maintenance of the kiosks. For further information, refer to the notes on the Statement of Profit and Loss.

### 3.4 Operational Cost per Transaction

The operational cost per transaction is calculated by dividing total operational expenses to date by the total number of chargeable toll trips.

Operational Expenditure	2,103,132
less Costs covered by Administration Charges	(399,955)
	1,703,178
Total Toll Trips	2,367,447
<b>Operational cost per transaction</b>	<b>\$ 0.72</b>

A number of points need to be clarified with respect to the cost per transaction and the comparison between the first five months of operation and the current operating period.

For the six months to 31 December, the costs include \$320K of accrual reversals from the 2008/09 financial year for expenses which were anticipated but did not eventuate. The cost per transaction also includes doubtful debts expenses that relate to the operation of the toll road from January 2009. The effect of these items in the current period is for the accrual reversal to understate expenses, while the doubtful debts expense relating to the previous financial year overstates the per transaction cost. Taking these two items into account, the adjusted cost per transaction for the six months to 31 December 2009 is \$0.78.

In addition, the \$0.78 includes some changes to how the tolling business accounts for costs. These changes resulted because of a financial review of the tolling business during the six months to 31 December 2009. It was found that the reported cost per transaction in 2008/2009 included a number of costs attributed to NZTA overheads that should not have been included within the tolling model. Only costs that related to the marginal cost of operation were intended to be included, as per the Transit NZ Board decisions taken in 2007. The effect of this was to overstate expenses and the reported cost per transaction in 2008/2009. These overhead costs for 2008/2009 are not able to be reversed.

A reconciliation of the cost per transaction between the periods is provided below.

<b>Reconciliation of per transaction fees between 2008/2009 and 2009/2010</b>	
Cost per transaction as reported for 2008/2009	\$1.06
Less assessed cost per transaction attributed to accruals	\$(0.17)
Revised cost per transaction	\$0.89
Less overhead cost applied	\$(0.21)
Revised cost per transaction 2008/2009	\$0.68
Cost per transaction as reported for first six months 2009/2010	\$0.72
Plus assessed cost per transaction attributed to accruals	\$0.06
Revised cost per transaction 2009/2010	\$0.78

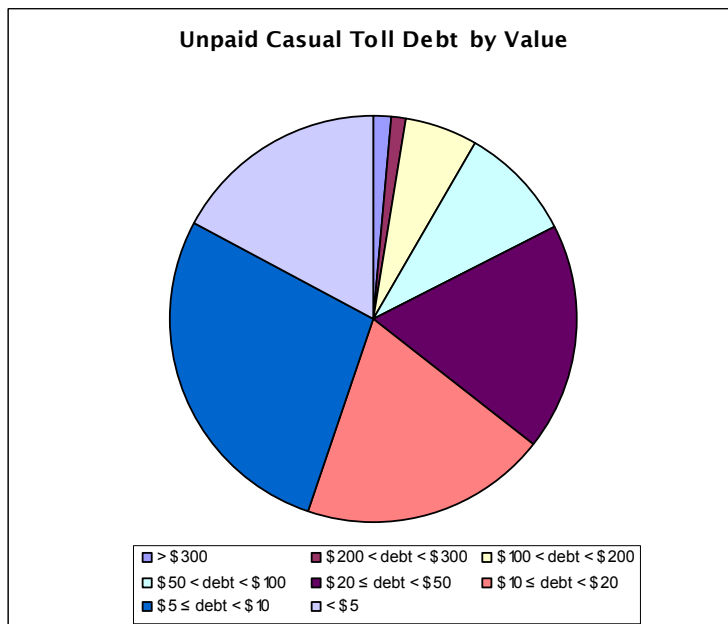
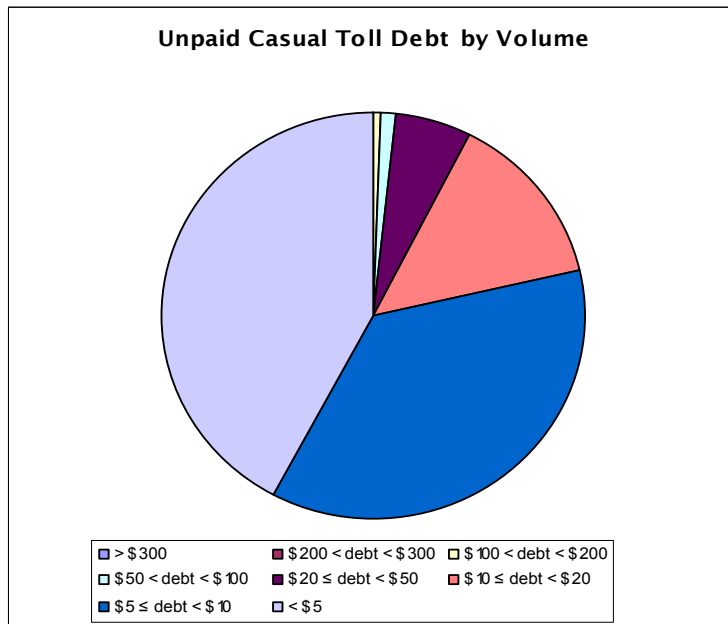
This would suggest a 10c increase in the average revised cost per transaction if compared to the same figure for the previous period. This increase is largely due to system improvements during the six months to 31 December 2009.

Despite this, the overall result of resolving the cost allocations to tolling was a significant reduction (on a per transaction basis) in the need for Residual Construction Project Funds being made available.

### 3.5 Toll Evasion and Avoidance

Unpaid Toll Payment Notices	\$ 525,254
Number of vehicles with outstanding Toll Payment Notices	55,964
Average Value of Avoidance (Toll Payment Notices)	\$ 9.39
Highest Outstanding Amount	\$ 721.40

Schedule of Toll Payment Notice Debtors			
	#	Value	% of Total
> \$300	15	\$ 6,858.60	1.3%
\$200 < debt < \$300	28	\$ 6,557.20	1.2%
\$100 < debt < \$200	234	\$ 30,865.65	5.9%
\$50 < debt < \$100	715	\$ 48,241.10	9.2%
\$20 ≤ debt < \$50	3,234	\$ 94,062.90	17.9%
\$10 ≤ debt < \$20	7,745	\$ 103,153.72	19.6%
\$5 ≤ debt < \$10	20,388	\$ 144,642.80	27.5%
< \$5	23,605	\$ 90,872.11	17.3%
<b>Total</b>	<b>55,964</b>	<b>\$ 525,254.08</b>	<b>100.0%</b>



Total toll evasion and avoidance totals \$525K, approximately 5% of total toll revenue. To date, internal collection efforts have been hampered by the small dollar value and large volumes of individual debts to collect. 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 following summary shows the total number and dollar value of toll payment notices (TPNs) issued, and the status of those TPNs as at 31 December 2009.

Toll Payment Notice Summary				
	Volume	%	Amount	%
<b>TPN's Issued</b>	<b>335,667</b>		<b>\$ 1,658,368</b>	
TPN's Paid	210,298	63%	\$ 1,012,536	61%
TPN's Unpaid	97,908	29%	\$ 525,254	32%
TPN's Written Off	24,356	7%	\$ 105,502	6%
TPN's Reissued	3,105	1%	\$ 15,076	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.

### 3.6 Uncollected Toll Transactions Resulting from Faults in the Toll Collection System

A single event has occurred in the Toll Collection System that has resulted in uncollected toll transactions. While a similar fault was identified during early operations and addressed, there have since been a number of different scenarios that leads to similar results. While this occurs only under very specific circumstances it has resulted in \$4,284.20 of tolls for the six months to 31 December 2009 that cannot be collected. We are actively working on a solution with the toll system supplier and it is expected that this will be implemented in the 2009/10 financial year.

### 3.7 Toll Revenue Written Off

Toll revenue written off consists of two broad categories. The first is 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 and where a toll payment notice was unable to be generated due to no confirmed address or plate information for the registered owner or vehicle being available from the Motor Vehicle Register.

A total of 9,428 trips with a value of \$26,532 have been written off due to the driver of a rental vehicle being based at an overseas address. A total of 4,959 trips with a value of \$10,440 have been written off as a result of incomplete address information in the Motor Vehicle Register, and 4,480 trips with a value of \$12,398 have been written off as a result of no licence plate information being available. This last group of written off transactions includes international vehicles permitted to be used in New Zealand as their details are not recorded in the Motor Vehicle Register.

The second category is related to where a system fault occurs and is corrected, but sufficient time elapsed where it would be unreasonable to send the owner of a vehicle a toll payment notice. These faults resulted in \$26,452 of tolls being written off in September 2009.

### **3.8 Consequential Damages**

No events relating to the operation of the Northern Gateway Toll Road occurred in the six months to 31 December 2009 that resulted in any consequential damages being incurred by the NZTA.

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