

Financial Results for the Ten Months Ended 30 April 2012

Financial Commentary

The Statement of Financial Performance

Overall this statement reflects that the organisation is working within the funding available. The forecast now suggests that the risk has moved from over-spending funds available to now a moderate risk of under-spending. Finance will continue to keep a close eye on spending and revenue to ensure the organisation does not significantly underspend.

NZTA revenue continues to be lower than expectation. This is in part due to the lower operating expenses, and also due to splits of revenue between Capital and Revenue. For the year NZTA is expected to be below original budget by \$17.1m. The year to date revenue reflects the accrual of the EMU grant, sufficient to cover the costs reimbursed to KiwiRail. The total revenue from the grant is \$90m which has been discounted to \$82m due to the timing that the grant will be paid. This has been split between Other Revenue above the line, and Other Capital Grants which shows below Profit / (Loss) from Operations (\$40.36m).

Operating expenditure is also continuing to be below the original budget. In the year to date figures the Other Expenses reflects \$42m of costs paid to KiwiRail (AC) for costs incurred on the EMU. These costs are not able to be capitalised, and so the grant has been recognised to ensure that there is no aberrant impact on the Profit and Loss statement.

The forecast has been completed following guidance which outlined the potential implications on the organisation of the lower revenue forecast in previous months. The organisation has responded as expected and the new forecast position is that the organisation will operate within the funding available.

In the forecast the Subsidy is lower than the budget due to the FAR Variance agreement which accounts for \$50m of the variation. The balance is due to changes to the capital work programme which have impacted on subsidy.


Capital Spending

High level capital expenditure is still included in the financial report but the detail and explanation is included under the CIO reporting, as requested at the April Board meeting.

The latest information indicates that there is only a slight risk that the organisation will over-spend the funds available. While the latest forecast still contains an increased funding requirement from AC. The forecast for capital spend in June is very high and it is expected that the final result will be within the available funding.

Forecast Result

The forecast reflects a number of changes in response to the previously forecast funding pressure on the organisation due to reduced revenue expectations.

WRITTEN and RECOMMENDED BY	Dave Foster Chief Financial Officer	
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Financial Results for the Ten Months Ended 30 April 2012

This report should be read in conjunction with the financial report which can be found in the open section of the agenda papers.

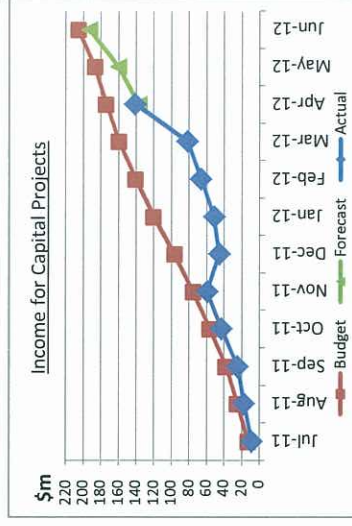
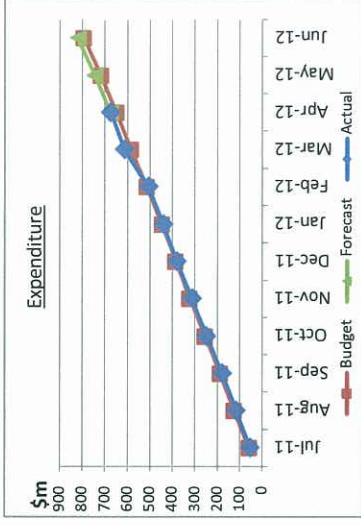
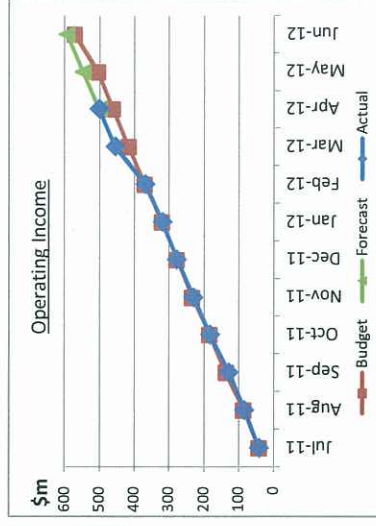
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Section 1 - Statement of Financial Performance for the ten months ended 30 April 2012

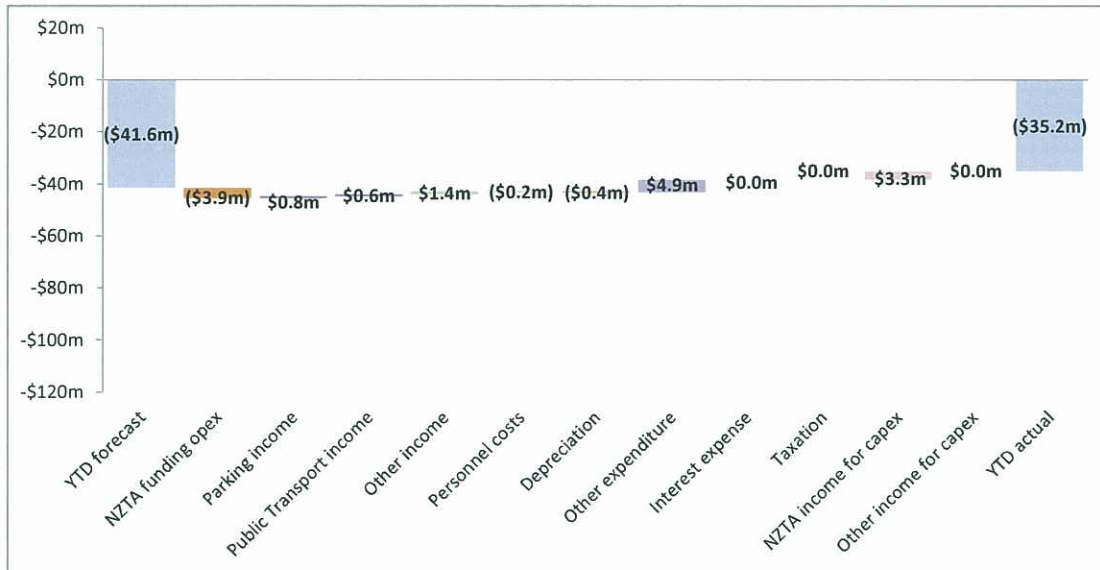
	Current month		Year to date				Full Year		Results achieved
	Actual \$000	Forecast \$000	Variance \$000	Actual \$000	Forecast \$000	Variance \$000	Forecast		
							30 June 2012 \$000	Budget 30 June 2012 \$000	
Income									
Operating income									
Auckland Council funding	18,548	18,548	-	185,478	185,478	-	222,574	222,574	●
NZ Transport Agency	10,453	14,372	(3,919)	156,188	156,188	(3,919)	188,945	206,057	●
Parking and enforcement income	9,796	9,030	766	61,880	61,104	776	71,426	77,306	●
Public transport income	4,823	4,055	768	38,891	38,268	623	46,719	44,541	●
Other revenue including other grants and subsidies	3,029	1,710	1,319	62,664	61,315	1,349	64,252	19,339	●
Total operating income	46,649	47,715	(1,066)	501,182	502,353	(1,171)	593,916	569,817	●
Expenditure									
Personnel costs	7,278	7,250	(28)	69,508	69,480	(28)	83,942	82,696	●
Capitalised personnel costs	(1,319)	(1,453)	(134)	(11,014)	(11,148)	(134)	(14,189)	(13,951)	●
Depreciation and amortisation expense	19,083	18,650	(433)	188,539	188,106	(433)	225,406	222,962	●
Other expenses	35,367	40,276	4,909	423,623	428,543	4,920	520,770	493,072	●
Interest costs (EMU)	463	463	-	1,899	1,899	-	2,897	8,000	●
Total operating expenditure	60,872	65,186	4,314	672,555	676,880	4,325	818,826	792,779	●
Profit/(loss) from Operations	(14,223)	(17,471)	3,248	(171,373)	(174,527)	3,154	(224,910)	(222,962)	●
Income for capital projects									
NZ Transport Agency	15,267	11,989	3,278	53,905	50,628	3,277	77,435	151,185	●
Auckland Council capital grant	4,553	4,553	-	45,534	45,534	-	54,641	54,641	●
Other capital grants	25	-	25	40,362	40,337	25	40,337	-	●
Vested asset income	-	-	-	831	831	-	20,831	-	●
Total income for capital projects	19,845	16,542	3,303	140,632	137,330	3,302	193,244	205,826	●
Net surplus/(deficit) before tax	5,622	(929)	6,551	(30,741)	(37,197)	6,456	(31,666)	(17,136)	●
Income tax expense	-	-	-	4,452	4,452	-	4,452	-	●
Net surplus/(deficit) after tax	5,622	(929)	6,551	(35,193)	(41,649)	6,456	(36,118)	(17,136)	●

● : Largely on track
● : Monitoring/some action
● : Action required/taken

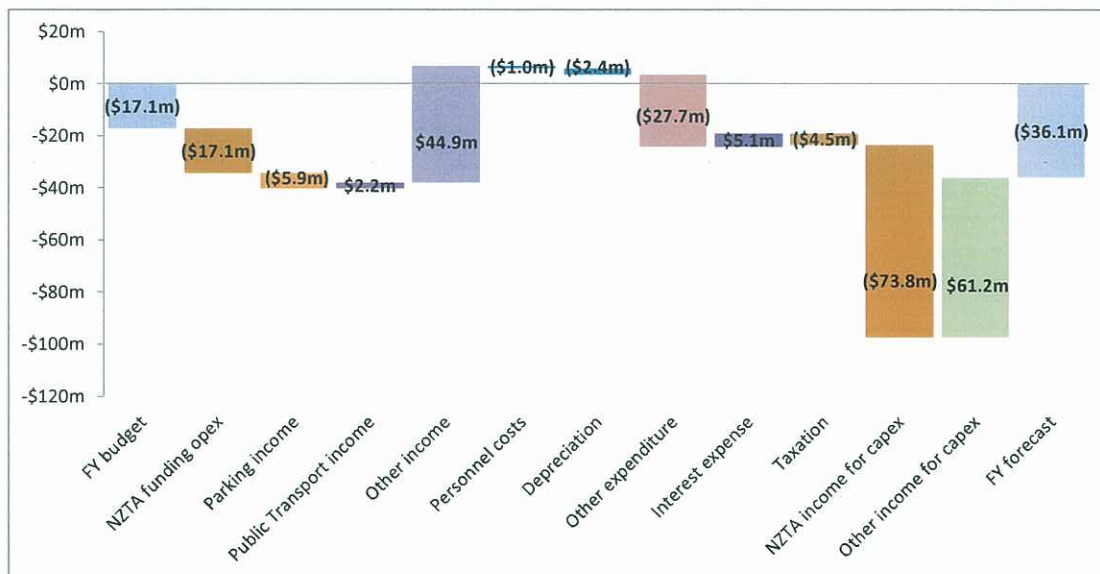


Section 1a - Net surplus/(deficit) waterfall

Net surplus/(deficit) - Year to date forecast to actual






Net surplus/(deficit) - Full Year budget to forecast



**Section 2 - Financial results by activity
For the ten months ended 30 April 2012**

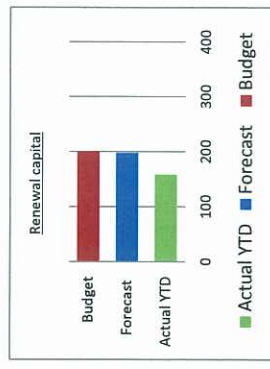
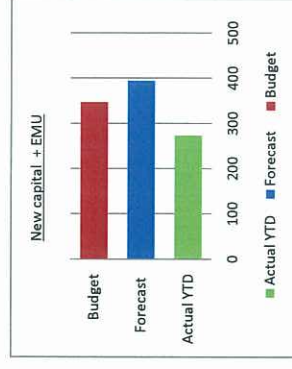
Operational costs: (excluding income for capital projects)		Parking and Enforcement \$000	Public Transport \$000	Road Network \$000	Other (including EMU's) \$000	Total \$000
YTD	Revenue - NZTA	-	(3,706)	(174)	(40)	(3,919)
Actual/Forecast variance	Revenue - Other Expenditure Net result	776 819 1,595	623 260 (2,822)	(130) 3,448 3,144	1,479 (202) 1,237	2,748 4,325 3,154
FY	Revenue - NZTA	-	1,814	(2,177)	(16,749)	(17,112)
Forecast/Budget variance	Revenue - Other Expenditure Net result	(5,880) 1,396 (4,484)	2,178 9,548 13,540	(1,156) 5,593 2,260	46,069 (42,584) (13,264)	41,211 (26,047) (1,948)
Capital Expenditure:						
YTD	Actual/Forecast variance	1,058	(1,538)	8,068	584	8,172
FY	Forecast/Budget variance	(5,801)	4,366	65,288	(110,012)	(46,159)

 : Largely on track
 : Monitoring/minor action taken
 : Action required/taken

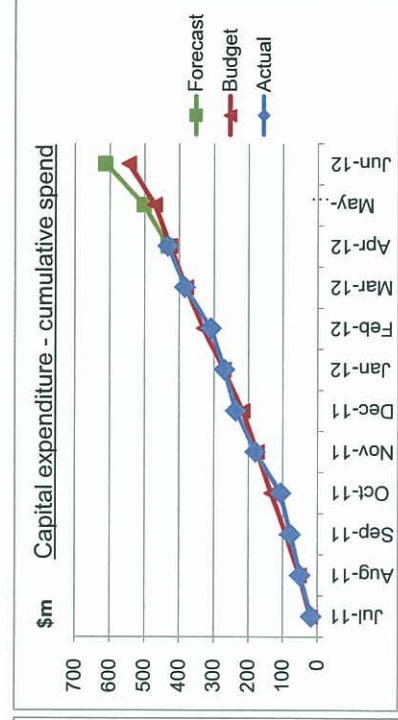
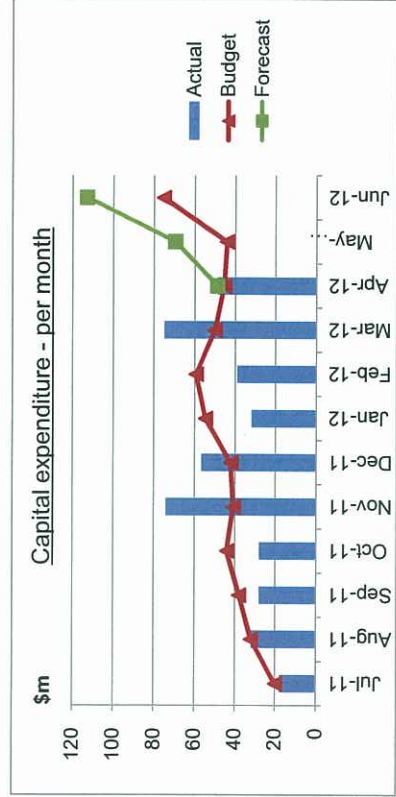
Section 3 - Summary of Capital Expenditure for the ten months ended 30 April 2012

Split by activity

	Current month			Year to date			Full Year			
	Actual \$'000	Forecast \$'000	Variance \$'000	Actual \$'000	Forecast \$'000	Variance \$'000	Results Achieved	Forecast 30 June 2012 \$'000	Budget 30 June 2012 \$'000	Variance \$'000
New capital expenditure										
Parking operations	1,087	2,010	923	14,113	15,036	923	●	22,419	16,745	(5,674)
Public transport	11,331	9,606	(1,725)	58,438	56,712	(1,726)	●	73,964	75,879	1,915
Roads	16,184	20,647	4,463	122,470	126,933	4,463	●	186,593	252,865	66,272
Other	665	964	299	7,305	7,604	299	●	9,339	756	(8,583)
Total new capital	29,267	33,227	3,960	202,326	206,285	3,959	●	292,315	346,245	53,930
Renewal capital expenditure										
Parking operations	1	136	135	38	173	135	●	303	176	(127)
Public transport	332	520	188	5,081	5,269	188	●	11,694	14,145	2,451
Roads	16,636	20,241	3,605	153,346	156,951	3,605	●	186,101	185,117	(984)
Other	-	-	-	-	-	-	●	-	517	517
Total renewal	16,969	20,897	3,928	158,465	162,393	3,928	●	198,098	199,955	1,857
Electric motor units (EMUs)										
Procurement	275	381	106	50,421	50,527	106	●	71,145	-	(71,145)
Depot	2,227	2,405	178	20,635	20,814	179	●	30,801	-	(30,801)
Total EMUs	2,502	2,786	284	71,056	71,341	285	●	101,946	-	(101,946)
Total direct capital	48,738	56,910	8,172	431,847	440,019	8,172	●	592,359	546,200	(46,159)
Vested assets	-	-	-	831	831	-	●	20,831	-	(20,831)
Total capital	48,738	56,910	8,172	432,678	440,850	8,172	●	613,190	546,200	(66,990)

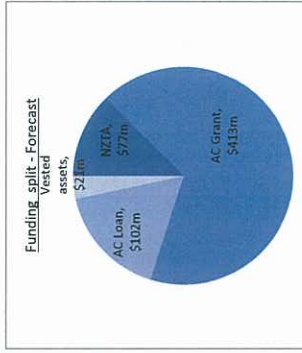


● : Largely on track
 ● : Some issues or risks
 ● : Project issues or risks



Section 4 - Capital Expenditure Funding for the ten months ended 30 April 2012

Funding	Current month			Year to date			Full Year		
	Actual \$000	Forecast \$000	Variance \$000	Actual \$000	Forecast \$000	Variance \$000	Results Achieved	Budget 30 June 2012 \$000	
NZTA - new capital	11,932	9,455	(2,477)	40,719	38,244	(2,475)		103,677	38,861
NZTA - renewal capital	3,335	2,534	(801)	13,186	12,384	(802)		47,508	34,889
Other grants and subsidies	25	-	(25)	555	530	(25)		530	(530)
Auckland Council grant (Non-EMU)	30,944	42,135	11,191	306,331	317,520	11,189		412,448	(17,433)
Auckland Council grant (EMU)	-	-	-	-	-	-		-	-
Auckland Council loan (EMU)	2,502	2,786	284	71,056	71,341	285		101,946	(101,946)
Vested assets	-	-	-	831	831	-		20,831	(20,831)
Total funding	48,738	56,910	8,172	432,678	440,850	8,172		613,190	(66,990)



**Section 5 - Statement of Financial Position
As at 30 April 2012**

	Note	Actual 30 April 2012 \$000	Actual 31 March 2012 \$000
Assets			
Current assets			
Cash and cash equivalents	1	76,441	71,489
Trade and other receivables	2	117,370	108,063
Inventories		5,296	5,425
Non-current assets held for sale		1,629	1,629
Total current assets		200,736	186,606
Non-current assets			
Property, plant and equipment - assets		12,616,296	12,586,873
Property, plant and equipment - work-in-progress		549,977	551,018
Intangible assets		33,558	33,158
Amounts due from related parties		81,755	81,755
Total non-current assets		13,281,586	13,252,804
Total assets		13,482,322	13,439,410
Liabilities			
Current liabilities			
Derivative financial instruments	3	7,024	6,338
Trade and other payables	4	138,837	141,300
Employee benefit liabilities	5	9,107	8,562
Borrowings	6	453	544
Other liabilities		436	496
Total current liabilities		155,857	157,240
Non-current liabilities			
Derivative financial instruments	3	42,545	29,112
Employee benefit liabilities	5	935	935
Borrowings	6	112,206	112,164
Deferred tax liability	7	17,228	17,228
Total non-current liabilities		172,914	159,439
Total liabilities		328,771	316,679
Net assets		13,153,551	13,122,731
Equity			
Contributed equity		12,068,982	12,068,982
Retained earnings/(losses)		(74,656)	(80,277)
Reserves		904,157	918,159
Current year AC capital expenditure grant		255,068	215,867
Total equity		13,153,551	13,122,731

Section 5a - Notes to the Financial Statements As at 30 April 2012

	Actual 30 Apl 2012	Actual 31 Mar 2012
	\$000	\$000

1 Cash and cash equivalents

Cash at bank	10,078	3,410
Till floats	139	139
Cash investment with Auckland Council	66,224	67,940
Total cash and cash equivalents	76,441	71,489

The carrying value of cash and cash equivalents approximates their fair value.

2 Trade and other receivables

Trade debtors	3,583	1,978
Infringements receivable	14,123	8,994
Amounts due from related parties	53,993	52,679
Accrued income	37,521	41,027
Goods and services tax	8,154	3,389
	117,374	108,067
Less provision for impairment of receivables	(4)	(4)
Total trade and other receivables	117,370	108,063

The carrying value of debtors and other receivables approximates their fair value.

There is no concentration of credit risk with respect to receivables as there are a large number of customers.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

The ageing profile of receivables at 30 April 2012 is detailed below:

	Gross \$000	Impaired \$000	Net \$000
Not past due	104,286	-	104,286
Past due 1 - 30 days	-	-	-
Past due 31 - 60 days	2,279	-	2,279
Past due 61 - 90 days	895	-	895
Past due > 90 days	9,914	(4)	9,910
	117,374	(4)	117,370

All receivables greater than 30 days in age are considered to be past due.

The provision for impairment of receivables has been calculated on an individual basis. The provision is based on a review of significant debtor balances. Receivables are assessed as impaired due to significant financial difficulties being experienced by the debtor, and Auckland Transport management concluding that it is remote that the overdue amounts will be recovered.

Movements in the provision for impairment of receivables are as follows:

	Actual \$000
At 30 June 2011	95
Additional provisions made	-
Provisions reversed	(91)
Receivables written-off	-
At 30 April 2012	4

Section 5a - Notes to the Financial Statements (continued)
As at 30 April 2012

	Actual	Actual
	30 Apl 2012	31 Mar 2012
	\$000	\$000

3 Derivative financial instruments

Current liability portion

Forward foreign exchange contracts - cash flow hedges	3,930	3,363
Forward foreign exchange contracts - not hedge accounted	3,094	2,975
Current derivative financial instruments	7,024	6,338

Non-current liability portion

Interest rate swaps - cash flow hedges	17,886	8,188
Forward foreign exchange contracts - cash flow hedges	24,659	20,924
Non-current derivative financial instruments	42,545	29,112

Fair value

Interest rate swaps

The fair values of interest rate swaps have been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

Forward foreign exchange contracts

The fair values of forward foreign exchange contracts have been determined by using a discounted cash flows valuation technique based on quoted market prices. The inputs into the valuation model are from independently sourced market parameters such as currency rates. Most market parameters are implied from instrument prices.

Interest rate swaps

The notional principal amount of the outstanding interest rate swap contracts was \$465m at 30 April 2012, and their fixed interest rates varied from 4.80% to 5.41%. These interest rate swaps have been accounted for as effective and the loss of \$17.886m on their revaluation has been transferred to the cash flow hedge reserve within equity.

Forward foreign exchange contracts

The notional principal amount of outstanding forward foreign exchange contract cash flow hedges at 30 April 2012 was NZD\$379.560m. These cash flow hedges have been accounted for as effective and the loss of \$28.589m on their revaluation has been transferred to the cash flow hedge reserve within equity.

At 30 April 2012 the notional principal amount of outstanding forward foreign exchange contract that was not hedge accounted was NZD\$11.624m. The loss on their revaluation of \$3.094m has been recorded in the Statement of Financial Performance.

4 Trade and other payables

Creditors	22,497	37,979
Accrued expenses	109,593	97,231
Amounts due to related parties	6,747	6,090
	138,837	141,300

Creditors and other payables are non-interest bearing and are normally settled on 20-day terms. Therefore, the carrying value of creditors and other payables approximates their fair value.

Section 5a - Notes to the Financial Statements (continued)
As at 30 April 2012

Actual
30 Apl 2012 Actual
31 Mar 2012
\$000 \$000

5 Employee benefit liabilities

Current portion

Accrued salaries and wages	3,348	2,963
Accrued leave	5,759	5,599
Current employee benefit liabilities	9,107	8,562

Non-current portion

Retirement gratuities	387	387
Long service leave	548	548
Non-current employee benefit liabilities	935	935

6 Borrowings

Current loans from Auckland Council	453	544
Non-current loans from Auckland Council	112,206	112,164
Total borrowings	112,659	112,708

Weighted average cost of funds on total borrowings 4.99% 4.99%

Auckland Transport's debt of \$112,659,000 is issued at fixed rates of interest ranging from 4.20% to 5.78%.

7 Deferred tax liability

Actual
30 Apl 2012
\$000

Components of income tax expense

Current tax		-
Deferred tax		4,452
Income tax expense		4,452

Relationship between tax income expense and accounting profit

(Deficit)/surplus before tax		(80,590)
Tax at 28 per cent		(22,565)
<i>Plus/(less) tax effects of:</i>		
Non-taxable income		22,565
Non-deductible expenditure		-
Tax losses not recognised		-
Deferred tax adjustment		4,452
Income tax		4,452

	Property, plant and equipment	Other provisions	Tax losses	Total
	\$000	\$000	\$000	\$000
Deferred tax liability				
Balance at 1 July 2011	(13,265)	25	464	(12,776)
Charged to income	(4,736)	(25)	309	(4,452)
Charged to equity	-	-	-	-
Balance at 30 April 2012	(18,001)	-	773	(17,228)

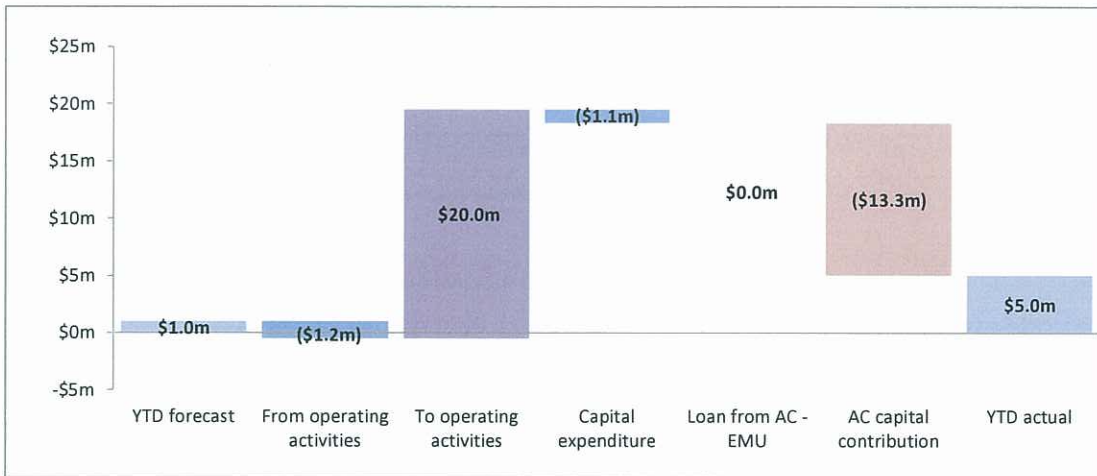
Section 6 - Cash Flow Rolling Forecast as at 30 April 2012

	Current month		Forecast rolling 3 months		
	Actual \$000	Forecast \$000	Forecast May 2012 \$000	Forecast Jun 2012 \$000	Forecast Jul 2012 \$000
Cash flows from operating activities					
Total cash provided	62,746	64,257	55,102	55,102	115,102
Cash applied to:					
Payments to suppliers, employees and directors	36,123	56,394	56,327	55,692	52,173
Interest paid	271	-	-	-	-
Total cash applied	36,394	56,394	56,327	55,692	52,173
Net cash from operating activities	26,352	7,863	(1,225)	(590)	62,929
Cash flows from investing activities					
Cash applied to:					
Capital expenditure projects	58,051	56,910	48,775	69,410	112,929
Total cash applied	58,051	56,910	48,775	69,410	112,929
Net cash from investing activities	(58,051)	(56,910)	(48,775)	(69,410)	(112,929)
Cash flows from financing activities					
Cash provided from:					
Loan from Auckland Council - EMU	-	-	-	20,000	-
Capital contribution from Auckland Council	36,700	50,000	50,000	50,000	50,000
Total cash provided	36,700	50,000	50,000	70,000	50,000
Cash applied to:					
Repayments of EMU loan from Auckland Council	49	-	-	-	-
Total cash provided	49	-	-	-	-
Net cash from financing activities	36,651	50,000	50,000	70,000	50,000
Net (decrease)/increase in cash and cash equivalents	4,952	953	-	-	-
Opening cash balance	71,489	-	-	-	-
Closing cash balance	76,441	953	-	-	-

Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities		Current month
	Actual	\$000
Surplus/(deficit) after tax		5,622
Add/(less) non cash items		
Depreciation and amortisation	19,083	
Loss in fair value of derivatives	118	
Vested assets	-	
Gain on disposal of assets	126	
	19,327	
Add/(less) movements in working capital		
Decrease/(Increase) in trade and other receivables	(5,527)	
Decrease/(Increase) in inventories	129	
(Decrease)/Increase in accounts payable and accruals	6,271	
(Decrease)/Increase in employee benefits payable	591	
(Decrease)/Increase in other liabilities	(61)	
	1,403	
Net cash flow from operating activities		26,352

Section 6a - Cash flow

Cash flow - Current month forecast to actual



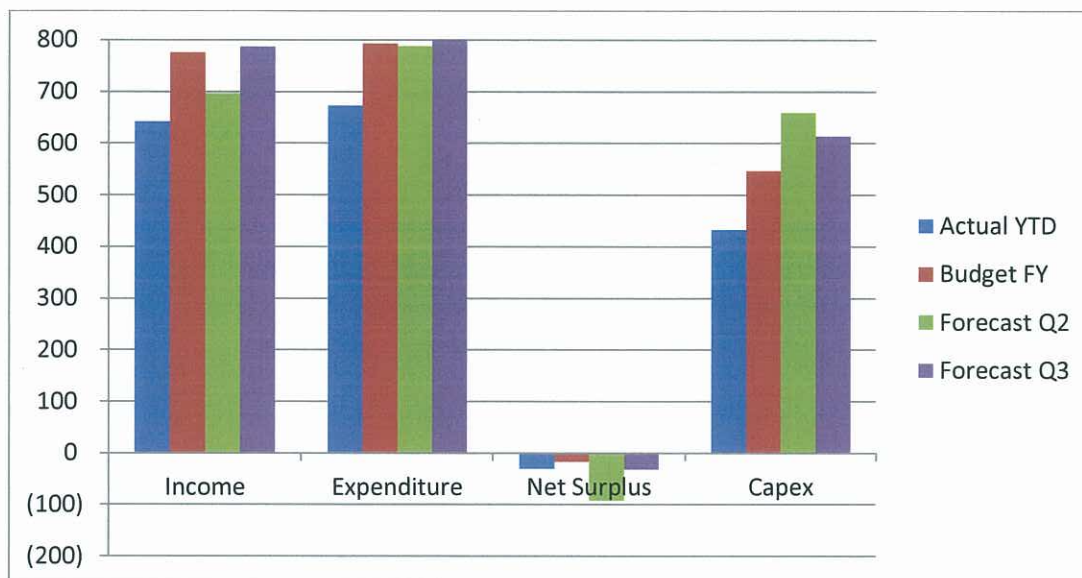
Section 7 - Forecast review changes summary For the year ended 30 June 2012									
Reconciliation between Q2 forecast and Q3 forecast to 30 June 2012									
Description of change forecast			Operational results		Capital expenditure				
			Operating costs \$'000	Revenue \$'000	New capital \$'000	Renewal capital \$'000			
Total forecast as at 31 December 2011			(788,431)	696,078	(523,643)	(200,515)			
<u>New forecast changes this quarter</u>									
<u>Revenue changes above the line.</u>									
1	Increased revenue in parking with an increased provision for court recovery of infringements where the provision percentage has been increased to 50% from 25% based on trends since transition.	F	↑	4,000					
2	This is made up of a number of decreases including on street pay and display revenue reduction due to lost machines resulting from vandalism, theft and shared spaces implemented in CBD area; parking revenue initiatives mapped from legacy council not achievable and Enforcement revenue reduction due to large number of vacancies of parking officers.	U	↓	(2,963)					
	Sub-total for all revenue changes above the line (excluding NZTA) for the third forecast review			-	1,037				
<u>NZTA revenue changes</u>									
3	Overall reduction in NZTA opex funding mainly due to reduced revenue for community programmes arising from lower than planned costs.	U	↓	(2,203)					
4	Overall increase in NZTA capex funding due to decision to accrue section 7 front loading revenue of \$25m partly offset by a slight decrease in capex funding.	F	↑	1,655					
5	Overall reduction in NZTA renewal funding calculated as the second quarter reforecast had a total reduction of \$25m under s6 and \$38m reduction in the third quarter. Therefore a further \$13m decrease has been forecast this quarter. Revenue on bus shelter renewals is reduced by \$1.3m due to revised programme.	U	↓	(13,632)					
6	Increase in NZTA EMU funding	F	↑	1,828					
	Sub-total for all NZTA revenue changes for the third forecast review			-	(12,352)				
<u>Other expenditure changes above the line</u>									
6	<i>Strategy and planning</i> Decrease mainly from professional expenses due to delays in South Western airport transport studies project.	F	↓	1,920					
7	<i>Other smaller changes cross CEO area, business support and finance</i> Reduction mainly due to a timing difference for communication programmes which will not roll out in this financial year, reduction in sundry expenses and release of retentions no longer required.	F	↓	1,157					
8	<i>Assets Management Programme</i> The driver of this reduced forecast is lower than budgeted expenditure on salaries, along with higher than budgeted labour recoveries. Expenditure on asset management contracts also slipped behind this quarter, primarily due to the consultants assisting Auckland Transport with preparing/writing of the specifications and schedules for the 11 new Regional Asset Management Contracts, whilst existing contract deliverables were put on hold.	F	↓	747					
9	C/O The driver of this increased forecast is mainly due to higher than budgeted staff costs.	U	↑	(418)					

	Description of change forecast		Operational results		Capital expenditure	
			Operating costs \$'000	Revenue \$'000	New capital \$'000	Renewal capital \$'000
10	<i>Infrastructure - special projects</i> The driver of this reduced forecast is higher than budgeted labour recoveries.	F ↓	225			
11	<i>Infrastructure Development</i> The driver of this reduced forecast is higher than budgeted labour recoveries.	F ↓	518			
12	<i>Investigation & Design</i> The driver of this reduced forecast is lower than budgeted expenditure on salaries, along with higher than budgeted labour recoveries.	F ↓	300			
13	<i>Major projects and Project Management Office</i> AIFS project increase due to additional web services to run HOP which was not budgeted for.	U ↑	(803)			
14	<i>Community transport</i> Reductions across the whole programme and underspends due to departmental restructure disruptions.	F ↓	1,160			
15	<i>Parking</i> External leasing costs for carparks that will not be charged by Auckland Council results in saving of \$2.5m; savings in infringement review services team resulting from efficient procurement and use of materials and services of \$415k; security, training and communications cost savings in enforcement team of \$500k offset by increased depreciation costs \$153k.	F ↓	3,253			
16	<i>Public transport</i> Decrease mainly arising from rail services including track access charges and bus services decrease due to scaling down of new services due to funding constraints as well as public transport facilities underspent.	F ↓	7,623			
17	<i>Road corridor operations</i> Reduction due to JTOC traffic signals contractors scheduling problems after RWC delays.	F ↓	432			
	Sub-total for all operating expenditure changes above the line for the third forecast review		16,114	-	-	-
	Revenue changes below the line.					
34	Increase in vested assets income	F ↑		20,173		
35	Increase in grant income including grant related to the Crown Grant for EMU's that will be received through Auckland Council	F ↑		82,224		
	Sub-total for revenue changes below the line for the third forecast review		-	102,397	-	-
	Operating expenditure changes below the line					
5	<i>Special projects</i> Predominantly due to the reimbursement of KiwiRail costs for EMU's procurement \$41.9m.	U ↑	(41,472)			
8	<i>Finance</i> Increase due to provision for deferred taxation and foreign exchange loss.	U ↑	(4,695)			
9	<i>IT</i> Additional depreciation/amortisation of software licences.	U ↑	(1,412)			
19	<i>Road corridor maintenance</i> This is due to increased depreciation expense.	U ↑	(3,382)			
	Sub-total for operating expenditure changes below the line for the third forecast review		(50,961)	-	-	-

	Description of change forecast		Operational results		Capital expenditure	
			Operating costs \$'000	Revenue \$'000	New capital \$'000	Renewal capital \$'000
	Capital expenditure changes					
21	<i>Special Projects</i> This decrease is due to the transfer of KiwiRail EMU procurement costs from capital to operational expenditure (\$ 41.9m) and the balance from foreign exchange translation.	F	↕		47,417	
22	<i>Strategy and Planning</i> Decrease due to South Western airport transport studies project deferred to 2012/2013.	F	↕		2,000	
23	<i>Infrastructure division</i> In this quarter, CIO has placed particular focus on developing more realistic forecast to meet the CIO fiscal envelope. This has led to significant reduction in CIO capital projects including AMETI, NORSGA, Ferry Terminal Upgrade - Hobsonville and Distributed Stabling	F	↕		72,387	
24	<i>Parking</i> Carry forward of two capex projects: Pay and Display machine renewals of \$1.5m. The request for proposals are soon to be sent out with the tender and procurement process in FY2013. Static Buslane Cameras project (\$353k) have been deferred to the 2013 financial year.	F	↕		1,880	
25	<i>Public transport</i> Favourable variances from real time information and bus stop improvements. Real time project is behind the planned timelines and bus stop savings are from underspends to date.	F	↕		2,924	
26	<i>Road Corridor Access</i> High productivity motor vehicle upgrade work deferred to 2013 as construction and implementation is scheduled for 2014.	F	↕		200	
27	<i>Road Corridor Maintenance</i> The increase relates to seal extensions on Great Barrier Island which has been offset by reductions in capex in Road Corridor Operations	U	↗		(1,066)	
28	<i>Road corridor operations</i> Road Safety schemes not going ahead and Takaparawha Point Board Walk has been moved into infrastructure next year. \$765k of this has been reduced to offset the increase in seal extensions on Great Barrier Island. This does not impact on NZTA revenue as minor safety works have already exceeded the cap.	F	↕		3,640	
	Sub-total for all capital expenditure for the third forecast review				129,382	

Section 7a - Quarter three forecast for the twelve months ended 30 June 2012

The following is a summary of the forecast results for the twelve months ended 30 June 2012.



	Year to date Actual \$m	Year to date Q3 Forecast \$m	Full Year Budget \$m	Full year Q2 Forecast \$m	Full year Q3 Forecast \$m	Variance Q2 Forecast vs Q3 Forecast	Forecast results
Total operating income	501.2	502.4	569.8	551.4	594.0	42.6	↑ ●
Total operating expenditure	672.6	676.9	792.8	788.4	819.0	(30.6)	↑ ●
Surplus/(deficit) from operations	(171.4)	(174.5)	(223.0)	(237.0)	(225.0)	12.0	↑ ●
Income for capital projects	140.6	137.3	205.8	144.7	193.0	48.3	↑ ●
Net surplus/(deficit) before tax	(30.7)	(37.2)	(17.1)	(92.3)	(32.0)	60.3	↑ ●
Capital expenditure	432.7	440.9	546.2	659.5	613.0	(46.5)	↓ ●

The changes for the quarter three forecast review are as follows:

Operating income is forecast up by \$42.6m mainly due to operating grant income for the Electric Multiple Units (EMUs) project amounting to \$41.9m to be recognised in this year but payable in 2014/2015.

Expenditure is forecast up by \$30.6m. This is due to \$41.9m reimbursement of the KiwiRail costs for EMUs procurement which is funded by an operating grant income as mentioned above, partly offset by expenditure savings for public transport \$7.6m and parking \$3.3m.

Income for capital projects is forecast up by \$48.3m due to \$39.8m grant from Auckland Council for the EMU project, increased vested asset income of \$20.2m partly offset by reduced NZTA funding of \$12m.

Capital expenditure is forecast down by \$46.5m with a total forecast programme for the year to June 2012 of \$613m.

Section 8 - Accounts Receivable and Accounts Payable Monthly Report.

Accounts Receivable

An overview of the Debtors as at 31 April with 97.1% of adjusted Debtors in 30 and 60 days compared with 80.6% last month. This change is mainly due to problems with cell site contracts now reported separately.

Debtors Ageing Analysis as at 30 April 2012

<u>Description</u>	<u>Ave Days</u>	<u>Total O/s</u>	<u>30 Days</u>	<u>60 Days</u>	<u>90 Days</u>	<u>120 Days</u>	<u>120+ Days</u>	<u>Notes</u>
Debtors Ageing 30 Apr	65	4,622,690	3,183,335	314,643	463,967	79,543	581,202	
		100.0%	68.9%	6.8%	10.0%	1.7%	12.6%	
O/s Related Parties	na	1,040,186	696,244	229,016	107,867	0	7,058	1
Trade Debtors	59	3,582,504	2,487,090	85,627	356,100	79,543	574,144	
		100.0%	69.4%	2.4%	9.9%	2.2%	16.0%	
O/s Queries to Business	140	33,653	3,172	1,208	8,132	1,655	19,486	2
Disputed Invoices	282	319,452	0	0	0	0	319,452	3
Cell Sites - Property	76	1,080,955	485,316	952	303,966	78,715	212,005	4
To Write-off (GNA)	285	2,814	0	126	0	0	2,688	5
Lodged Courts (Damages)	56	34,534	27,373	4,036	990	1,735	400	6
Adjusted Debtors	N/a	2,111,096	1,971,230	79,306	43,011	-2,563	20,112	
		100.0%	93.4%	3.8%	2.0%	-0.1%	1.0%	

- 1 - This section relates to amounts owed by related parties (inter-company).
- 2 - A number of invoices have been returned to the business where the Debtors have queried charges.
- 3 - Road Corridor Access have still not been able to resolve the dispute with Fletchers Construction and the most recent discussions with them indicates that they will be passing a large credit in the near future.
- 4 - Property are managing these accounts and have reported that the communications companies have paid these invoices to AC and Property are working with AC to identify and recover these amounts.
- 5 - These are amounts which may in the future be written off. All amounts written off are approved by the CFO in accordance with accepted practice.
- 6 - Lodged Courts relates to matters where AT is recovering damages from road accidents investigated by the Police. Many of the matters are being paid off at a nominal amount per week as instructed by the Courts.

Accounts Payable

Analysis of the "Blocked Invoices", indicates that 93.5% of all blocked invoices have been in the system less than 16 days, with 4.6% in 16 – 31 days and 1.9% over 31 days. We are hoping to report on "Parked" invoices next month.

<u>BLOCKED INVOICES ANALYSIS AS AT 31 MARCH 2012</u>						
	0 - 15 Days		16 - 31 Days		31 + Days	
	Number	\$ Value	Number	\$ Value	Number	\$ Value
Total Blocked Invoices -	202	\$4,267,299	10	\$843,396	4	\$101,886
Submitted 1st approval -	83	952,221	7	\$805,210	3	\$57,513
Awaiting 2nd approval -	100	3,116,276	1	\$155	0	\$0
Rejected / Returned -	19	198,802	2	38,031	1	\$44,373

Infringement Overview

Transport currently issues around 36,000 infringements per month totalling approximately \$ 3,150,000. Of the value issued, approximately 55% are forwarded to Ministry of Justice (MOJ) 63 days after issue. The table below is an analysis of Transport issued infringements sent to MOJ since 1 November 2010.

In line with generally accepted accounting practice, infringements lodged with MOJ are written off and currently a provision of 50% is raised as a projected recovery from MOJ within a 12 month period. The analysis below justifies as the basis for the provision. MOJ filing fees are written off as expenditure when paid. Infringements and filing fees recovered from MOJ are recognised as revenue when recovered.

Ministry of Justice

In an effort to understand the Ministry of Justice (MOJ) process better, we have dissected and analysed the results further. The analysis has been based on month of lodgement and receipts and filing fees have been accrued against month of lodgement. This now enables us to establish what percentage is collected within 12 months of lodgement, the percentage of non-monetary settlements and what is outstanding on both infringement and filing fee recovery.

AUCKLAND TRANSPORT PARKING INFRINGEMENTS - ANALYSIS OF LODGEMENTS TO MINISTRY OF JUSTICE (MOJ)										
	Infringements	M O J	Total	Infringement	Recovered	Gross Monetary	Percentage	Non-Monetary	Infringements	Filing Fees
	Lodged	Filing Fees	Inf & FF	Receipts	Filing Fees	Receipts	Total Receipts	Settlements	Outstanding	Outstanding
Nov-10										
Dec-10	552,816	153,350	706,166	313,557	93,667	442,063	62.6%	21,446	187,750	54,906
Jan-11	2,225,334	566,475	2,791,808	1,137,946	333,242	1,597,626	57.2%	114,542	868,531	211,109
Feb-11	4,635,263	1,133,502	5,768,765	2,147,450	622,138	3,008,194	52.1%	226,789	2,063,540	470,242
Mar-11	1,542,405	402,942	1,945,347	641,310	201,770	914,336	47.0%	66,813	775,148	189,050
Apr-11	2,818,884	797,604	3,616,488	1,259,976	441,381	1,841,354	50.9%	144,232	1,302,917	327,985
May-11	1,440,586	396,226	1,836,812	605,010	202,643	874,877	47.6%	61,277	719,081	181,578
Jun-11	1,715,898	483,022	2,198,920	693,119	250,496	1,020,628	46.4%	68,913	890,227	219,151
Jul-11	1,597,512	412,788	2,010,300	596,989	190,565	853,886	42.5%	56,848	888,507	211,058
Aug-11	2,026,430	532,523	2,558,953	746,441	241,344	1,070,723	41.8%	67,401	1,143,789	277,041
Sep-11	1,537,304	376,812	1,914,116	466,790	145,437	664,092	34.7%	44,536	983,282	222,206
Oct-11	2,138,110	549,760	2,687,870	590,936	200,783	857,378	31.9%	53,417	1,439,527	337,548
Nov-11	1,387,996	366,292	1,754,288	358,836	127,515	526,221	30.0%	32,162	963,584	232,320
Dec-11	1,597,446	416,928	2,014,374	371,781	133,891	546,980	27.2%	22,623	1,166,942	277,829
Jan-12	1,769,401	456,186	2,225,586	315,236	118,154	468,416	21.0%	21,725	1,402,560	332,885
Feb-12	1,444,672	373,775	1,818,448	193,100	78,677	293,232	16.1%	14,008	1,219,799	291,409
Mar-12	703,090	235,270	938,359	56,900	32,576	95,799	10.2%	2,480	638,309	201,771
	29,133,145.90	7,653,453.14	36,786,599.04	10,495,376.42	3,414,276.97	15,075,806.33	41.0%	1,019,212.34	16,653,491.85	4,038,088.52

Legend / Description of columns in table:

NOTE: Each month records the infringement and receipts relating to that month regardless of month of receipt.

Infringements Lodged - Is not written off as uncollectable but is allowed for as 50% uncollectable.
MOJ Filing Fees - Courts cost of filing Infringements at \$ 26.67 (excl GST) per Infringement.
Total Inf & FF - Total value of Infringements Lodged and Filing Fees paid to MOJ.
Infringement Receipts - Collections by Ministry of Justice (nett of collection commission).
Recovered Filing Fees - Collections by Ministry of Justice of Filing Fees (at \$ 26.67 excl GST)
Gross Monetary Receipts - Total collections by Ministry of Justice (Infringements & Filing Fees).
Percentage Total Receipts - Gross Monetary Receipts as a percentage of Total Inf & FF.
Non-Monetary Settlements - Non-monetary collection of Infringements and Filing Fees.
Infringements Outstanding - Infringements not yet collected by Ministry of Justice (Infringements Lodged - Infringement Receipts - Non-monetary settlements)
Filing Fees Outstanding - Filing Fees not yet recovered by Ministry of Justice (Filing Fees paid - Recovered Filing Fees - Non-monetary Settlements)

Proposal

The Finance Department has suggested that the time period between the current date of lodgement with MOJ of 63 days and the 6 month statute barred date of 180 days could be utilised to improve the level of collections with a potential saving in costs.

Baycorp (NZ) Ltd has been approached to carry out a 6 month trial commencing on 1 July 2012 to determine whether AT can improve the rate of collection of unpaid parking infringement notices.

Life of an Infringement

- Day 1 - Infringement Issued. Left on vehicle
- Day 2 - Motocheck carried out
- Day 28 - SP10 reminder notice issued
- Day 56 - Final due date for payment
- Day 63 - Extract to Ministry of Justice
- Day 180 - Statute Barred (must be lodged with MOJ before 6 months old)

This is the typical life cycle of the majority of infringements.

Collection Agency Proposal

The proposal at this stage is:

- For the trial to commence on 1 July 2012
- To hand over uncollected infringements to a debt collection agency on day 70 and allow them up to day 150 to collect the infringement.
- An initial pilot of 3 months which would effectively run for 6 months. The 6 months would allow for the over-run for those infringements issued near the end of the third month.
- A fixed load fee and a fee if collection is successful to the Agency.
 - PINS - Load fee of \$5.00 per file. Commission 17.5% on monies collected.
 - TINS - Load fee of \$5.00 per file. Commission 7.5% on monies collected.
 - BusBike - Load fee of \$5.00 per file. Commission 9% on monies collected.

Benefits of using Baycorp

- A database built up over many years serving NZ companies, NZTA and various Govt. Departments.
- Integrated predictive dialling and automatic call distribution.
- The ability to data match across their various databases.
- Collection agency brand recognition should increase short term collection ability.
- Instalment payments will be available to customers (AT do not offer this)
- MOJ have supported the proposal as they have already expressed concern that AT forward them too many minor matters which are clogging up their system.
- Customers benefit as they will not be charged a court fee after 63 days as is presently the case (\$26.67). Customers further benefit as the time to pay before the fine is lodged with court is effectively extended from 2 to 5 months.
- Increased collection by the agency will mean less matters handed over to MOJ resulting in cost savings on lodgement with MOJ. AT have paid an average of \$590k per month over the last 14 months to MOJ for lodged infringements
- The collection agency estimate they will increase our collections by \$1.119m during the 3 month pilot exercise.
- Collection agency will be able to provide up to date addresses and contact details which will assist MOJ if the matter has to be filed with them (legal opinion being sought – see below).

Actions Required to Initiate the Debt Agency Trial

- The notes on the back of the SP10 Infringement Reminder Notice will be amended to include "IMPORTANT INFORMATION: If payment in full is not received by the due date, the infringement notice may be referred to Baycorp for collection of any unpaid amount". The Parking Department have arranged for this note to be applied on all SP10 Notices issued on or after 22 May 2012 (40 days prior to the date that it would normally be lodged with MOJ and before the trial commencement date)
- An Agreement is to be established between AT and Baycorp setting out both the commercial arrangements as well as establishing the clear roles and responsibilities of each party

- Changes will need to be made to the AT parking system (Pathway) software to enable the extraction of individual notices in a format suitable to Baycorp as well as process payments received from Baycorp while still maintaining the timeline integrity of each infringement so that it can still be lodged at MOJ prior to the statute barred time limit.
- Legal opinion has been sought to determine whether additional information gleaned from the Baycorp database can be utilised and advised to MOJ if an infringement is subsequently lodged with them. This could also assist with an improved level of collections.
- Agreed reports to be made available to monitor the success of the trial
- A communication strategy has yet to be developed to ensure that all customer service and parking staff are aware of the trial, its implications and benefits as well as having agreed responses to frequently asked questions from the public and, potentially, media.

The Parking team have been involved in developing this proposal and Finance have met with Sharon Hunter in an initial discussion on the development of a communication plan.

Recommendation

That the Auckland Transport Board receive this report.

WRITTEN BY	Harlem Cabuhat Planning and Reporting Accountant Susan Cairns Senior Financial Reporting Accountant	 
RECOMMENDED BY	Julian Michael Financial Reporting Manager Stephen Smith Finance Manager	 
APPROVED FOR SUBMISSION BY	David Foster Chief Financial Officer	