

NATIONAL LAND TRANSPORT FUND ANNUAL REPORT

Provided to the Minister of Transport and presented to the House of Representatives pursuant to section 11 of the Land Transport Management Act 2003 and section 150 of the Crown Entities Act 2004

FOR THE YEAR ENDED 30 JUNE 2017



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THE NZ TRANSPORT AGENCY'S INVESTMENT ROLE

Under the Land Transport Management Act 2003, the NZ Transport Agency is responsible for allocating and investing the National Land Transport Fund and preparing the National Land Transport Programme. The Transport Agency is required to prepare an annual report on the National Land Transport Fund, including how the funding of activities under the National Land Transport Programme contributes to the Government Policy Statement on Land Transport.

The National Land Transport Fund is a dedicated fund for maintaining and developing local and national transport services. The National Land Transport Programme is a three-year programme of transport activities the Transport Agency intends to invest in using the National Land Transport Fund or co-invest in along with funds from local government and the Crown to give effect to the Government Policy Statement on Land Transport.

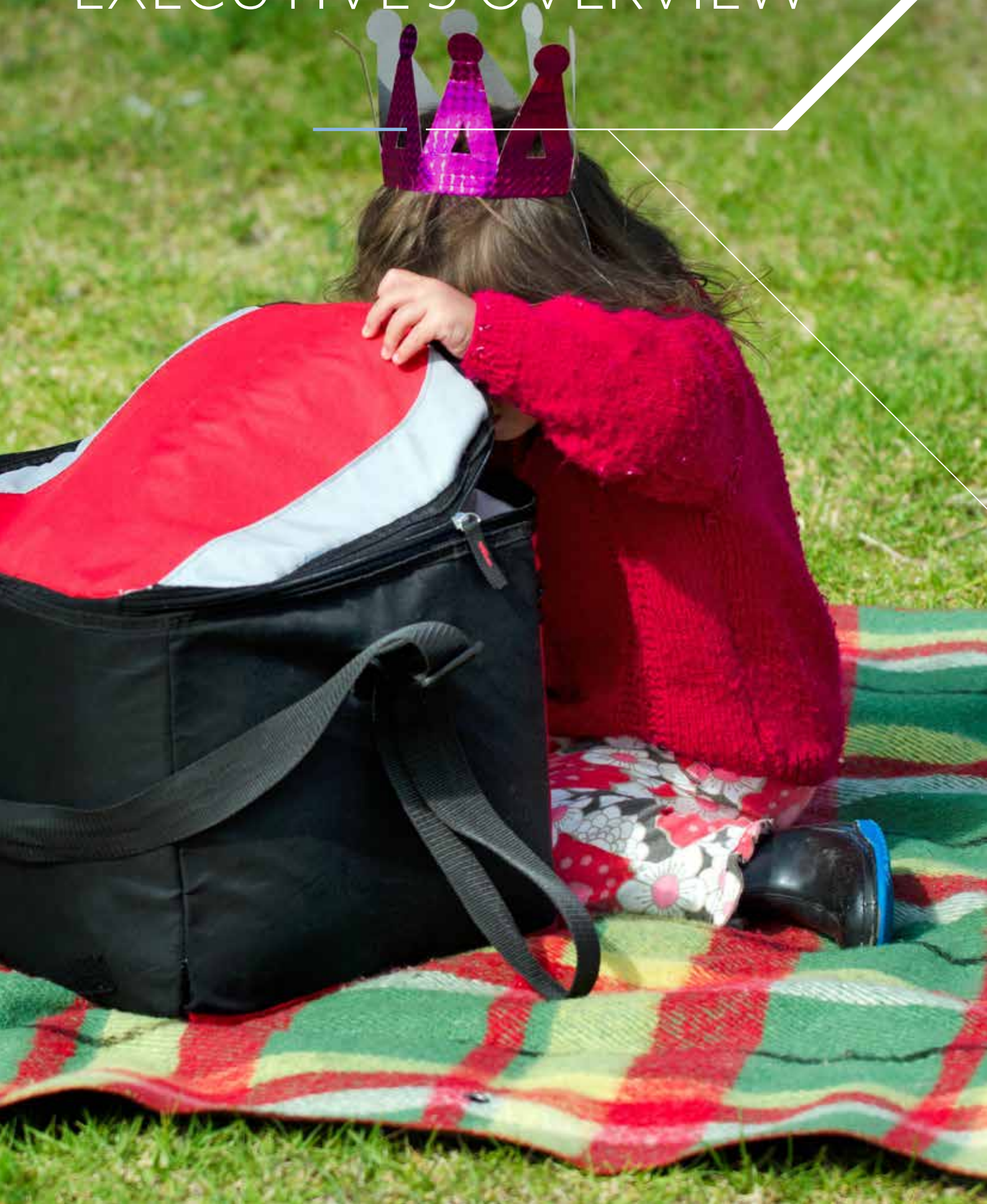
The activities in the National Land Transport Programme are planned, invested in and delivered in partnership between the Transport Agency, local authorities, the New Zealand Police and other transport sector stakeholders. The outcomes and achievements presented in this report are the result of a collective investment in land transport and the efforts of all those delivering the activities in and around the National Land Transport Programme.

Where the Transport Agency is funded to deliver activities in the National Land Transport Programme, performance is also reported in the *NZ Transport Agency annual report*.

For more detail on the land transport investment system, see section E of this report (page 253).

SECTION A

CHAIR AND CHIEF EXECUTIVE'S OVERVIEW



INVESTING IN TRANSPORT SOLUTIONS FOR NEW ZEALAND'S FUTURE

This year was the second year of delivery for the three-year 2015-18 National Land Transport Programme, which is forecast to invest \$13.9 billion in New Zealand's transport system. This investment includes a direct Crown contribution of \$226 million to accelerate the delivery of regionally important state highways and improve cycling networks in urban areas, as well as borrowing \$338 million from the Government to advance critical state highway projects in Auckland.

In 2016/17, the total investment from the National Land Transport Fund was \$3.4 billion, which represents 97 percent of the planned amount published in the 2015-18 National Land Transport Programme. Of the National Land Transport Fund investment this year, 50 percent was invested in economic growth and productivity outcomes, 26 percent in safety outcomes and 24 percent in travel choice, health, environment and resilience outcomes.

In response to the devastating November 2016 Kaikōura earthquake, rapid progress was made in increasing the National Land Transport Fund investment to improve alternative routes following the closure of State Highway 1. To provide a safe, resilient alternative for travellers, significant investment was made to improve the Picton to Christchurch Alternate Route.

State highway programmes, including the Roads of National Significance, made significant progress this year. In Auckland, the Waterview Tunnel — one on the country's largest infrastructure projects ever — was completed and has significantly improved the way people and freight move around the city. Work on the Wellington Northern Corridor also made progress, as the Mackays to Peka Peka section was opened to traffic in February 2017 and construction continues on Transmission Gully.



\$3.4
billion national
land transport
fund investment

Work to reinstate earthquake-damaged roads in Christchurch is almost complete and the completion of the Stronger Christchurch Infrastructure Rebuild Team's Roading Repair Programme represents a significant milestone in the city's recovery. Investment also continued in the Christchurch Roads of National Significance programme. The Groynes to Sawyers Arms section of Christchurch's Western Corridor was opened to traffic and sod turnings were held for the Northern Arterial and Southern Motorway stage 2 sections.

Outside the major metropolitan areas, under a new programme of regional improvements, investment was focused on developing business cases to increase the safety, resilience and efficiency of the regional state highway network. The programme of regional improvements significantly increased in the second year of the National Land Transport Programme. This strong progress is expected to continue in 2017/18.



50%
invested in
economic
growth and
productivity
outcomes*



The Urban Cycleways Programme continued to accelerate walking and cycling activities this year. At the end of 2016/17, two-thirds the Urban Cycleways Programme projects were complete (16 projects) or under construction (20 projects), and the remaining 18 were all either in the investigation stage or design stage.

Targeted investment in safety outcomes remains critical to reducing the number of deaths and serious injuries on New Zealand’s roads, which have increased over the past three years. A \$550 million increase in funding is being applied to achieve road safety outcomes over the three years of the 2015-18 National Land Transport Programme. Improvements to and maintenance of roads and cycling infrastructure, road policing activities and road safety promotion are all being delivered in line with the Safer Journeys strategy and the Safe System approach with the objective of creating a safe road system increasingly free of death and serious injury.

26%
to safety
outcomes

Significant investments from the National Land Transport Fund continued to support the provision of attractive and efficient public transport options for commuters in urban areas. In 2016/17, this included the ongoing implementation of the Public Transport Operating Model and the introduction of new services in Auckland.

As we enter the final year of the 2015-18 National Land Transport Programme, the Transport Agency is well positioned to continue to collaborate with our co-investment partners to meet our investment objectives. These efforts will see us working together to create a transport system that works for everyone and keeps New Zealand moving.



24%
to travel
choice, health,
environment
and resilience

Chris Moller *Fergus Gammie*

CHRIS MOLLER

Chair
NZ Transport Agency

FERGUS GAMMIE

Chief Executive
NZ Transport Agency

TRANSPARENT AND ROBUST INVESTMENT DECISIONS

The Transport Agency operates in a transparent and robust way to invest the National Land Transport Fund. An investment assessment framework prioritises investment in activities that give effect to the outcomes sought in the Government Policy Statement on Land Transport and, where the Transport Agency plans to invest in its own activities, the same level of scrutiny is applied to its investment proposals as to those put forward by other organisations.¹

To ensure the National Land Transport Fund is sustainable over the longer term and that investment levels can meet the expenditure ranges within the Government Policy Statement on Land Transport, the Transport Agency has developed a 10-year view of revenue and expenditure.² Expenditure from the National Land Transport Fund is balanced with the revenue expected from fuel excise duty, road user charges, motor vehicle registry fees, state highway surplus property sales and property income.

The 2015-18 National Land Transport Programme brings in two key initiatives to improve transport investment and decision-making and deliver increased value for money as follows:

- Funding assistance rates for local government activities have been reviewed and updated to better reflect the needs of rural and provincial areas and to make the system fairer between different types of transport activities; and
- The One Network Road Classification is being embedded to establish consistent, fit-for-purpose levels of service for all roads in every part of the country. This enables consistent and fair investment decisions in partnership with local councils for the funding of road maintenance activities.

¹ A report on the scrutiny principle (including assurance information) is in the *NZ Transport Agency annual report* (page 151).

² Available at www.nzta.govt.nz/planning-and-investment/2015-18-national-land-transport-programme/about-the-2015-18-national-landtransport-programme/looking-forward-a-ten-year-view/

SECTION B

INVESTMENT SUMMARY



BUILDING THE BEST TRANSPORT FUTURE

SETTING TRANSPORT PRIORITIES

The Transport Agency has a broad land transport legislated responsibility: its job is to build an affordable, integrated, safe, responsive and sustainable land transport system in the public interest.

Determining the transport solutions that work best for New Zealand and New Zealanders takes a collective effort. Stakeholders from local communities right up to national policy makers have a part to play.

The Government Policy Statement on Land Transport (GPS) anchors the country's transport priorities — it outlines what's important for New Zealand transport today. The Transport Agency is tasked with giving effect to the investment priorities detailed in the policy statement. This involves combining and balancing local and regional short, medium and long-term priorities and ensuring investment activities are aligned to the Government Policy Statement.

The priorities of the Government Policy Statement on Land Transport 2015/16–2024/25 are economic growth and productivity, road safety and value for money. These priorities are used to guide the use of the National Land Transport Fund – the \$3 billion a year that the Transport Agency has stewardship over investing.

DEVELOPING A NATIONAL LAND TRANSPORT PROGRAMME THAT WORKS FOR NEW ZEALANDERS

The National Land Transport Programme comprises all the land transport activities that the Transport Agency anticipates possibly funding during the three-year period the programme covers. It is a point in time capture of current programme and project priorities and is a snapshot of the dynamic and continuous investment process.

The Government Policy Statement is the anchor for assessment and prioritisation of potential transport investment. Only those activities aligned to the current policy statement are eligible for inclusion in the National Land Transport Programme and ultimately for funding approval.

The National Land Transport Programme represents a snapshot of:

- committed funding for transport improvements from previous National Land Transport Programmes that are generally large scale and are work in progress that the Transport Agency is still funding
- continuous programmes the Transport Agency delivers every day, such as public transport and road maintenance
- upcoming activities the Transport Agency will consider for funding, which are developed collaboratively using the Government Policy Statement and Regional Land Transport Plans.

The Transport Agency takes several positions when considering and identifying the best mix of activities:

- maintain – staging growth to coincide with the currently available capacity on the network
- optimise – identifying opportunities to optimise the use of the existing network
- invest – considering investment in new infrastructure against affordability and realistic needs.

These are many-layered decisions, combining and aligning local, regional and national needs, while balancing shared immediate and long-term goals.

ASSESSING FUNDING PROPOSALS

While alignment to the Government Policy Statement is critical when assessing proposals for investment from the National Land Transport Fund, the Transport Agency also considers best value for money in more depth during the investment decision-making process.

The current Investment Assessment Framework used by the Transport Agency includes three criteria to assess whether a proposal is suitable for investment from the National Land Transport Fund:

- **strategic fit** – which looks at how well the problem or opportunity gives effect to the Government Policy Statement
- **effectiveness** – which assesses the solutions identified within the proposal
- **benefit-cost appraisal** – which looks at the costs against potential benefits of each proposal.

DELIVERING ON NEW ZEALAND'S TRANSPORT PRIORITIES

To determine the progress of delivering on transport investment priorities for New Zealand, the Transport Agency looks first to the broad Government Policy Statement's strategic priorities of economic growth and productivity, road safety and value for money. Then, to gain a deeper understanding, the Transport Agency looks at the short, medium and long-term results that are identified in the Government Policy Statement. The Transport Agency also looks at current investment as well as potential new investment within the National Land Transport Programme. Lastly, the Transport Agency looks at how and where local, regional and national strategies, plans and outcomes align with the Government Policy Statement.

Transport investments have long lead times and leave long legacies. It can take many years to reap the full rewards of transport investment. As such, to understand the performance of National Land Transport Fund investments the Transport Agency needs to show not only alignment to current Government Policy Statement priorities, but also the longer-term investment outcome story.

While there is still more work to do, progress was made in the past year, developing the reporting mechanisms to better understand the impact of National Land Transport Fund investment. Over time, the improving reporting systems will allow the Transport Agency to more accurately show how it responds to Government Policy Statement priorities, as well as giving consistency and continuity across multiple Government Policy Statements.

In this report, the performance of the Transport Agency's investment of the National Land Transport Fund is viewed through several lenses:

- outcomes specified in the Government Policy Statement, including:
 - how the National Land Transport Fund is invested to deliver on the priorities in the Government Policy Statement
 - the long-term impact of National Land Transport Fund investment on the transport system's performance
 - case studies for particular areas of focus in the Government Policy Statement, including innovation, new initiatives and research, in particular highlighting the intersection between physical infrastructure and the digital world
- use of the National Land Transport Fund – comparing expenditure against the planned funding allocation in the published National Land Transport Programme.

NATIONAL LAND TRANSPORT FUND INTO THE FUTURE

As part of the Transport Agency's refreshed strategy and move to a new operating model, the Transport Agency is changing the way it works together to deliver a safe, connected and easy transport system through the investment of the National Land Transport Fund.

Beginning in 2017/18, the Transport Agency will transform the way that it engages with investment partners, enhance its understanding of the impact from National Land Transport Fund investments and improve investment decision-making processes by:

- redesigning 2018-21 National Land Transport Programme development processes to improve how data and evidence are used to support decision making
- determining with partners a shared view of the evidence, information and data required for decision making
- developing a framework and model to assess partner and stakeholder perceptions of the Transport Agency's collaborative processes
- ensuring an increased focus on making the transport system more resilient, supporting housing development, using new technologies to improve the system's performance, and clarifying the National Land Transport Fund's contribution to reducing environmental harms
- developing a framework to effectively manage benefit realisation.

In addition, the Transport Agency's Investment Assessment Framework was redesigned in anticipation of the Government Policy Statement on Land Transport 2018/19-2027/28.

The redesigned Investment Assessment Framework will:

- increase the transparency within investment assessments of the alignment to Government Policy Statement results
- strengthen the role of the benefit and cost appraisal within investment assessments
- improve integration with the business case approach to ensure a wider range of options and interventions are considered, including non-transport interventions.

The Transport Agency is also streamlining the investment decision making, benefits capture and reporting processes for low cost and low risk activities that are less than \$1 million. This is an expansion of the streamlined approach that is currently only in place for minor improvements less than \$300,000.

These changes will make the investment process easier for the Transport Agency's partners by simplifying the assessments of their proposals. The changes are expected to extend to about 40 percent of all funding applications, which represent about 5 percent of the National Land Transport Programme's investment. The change will be trialled with select councils for the final year of the 2015-2018 National Land Transport Programme, with a potential full roll-out planned for the 2018-21 National Land Transport Programme.

The National Land Transport Fund is forecast to be in a strong position leading into the 2018-21 National Land Transport Programme.

DELIVERING ON THE CURRENT GOVERNMENT POLICY STATEMENT ON LAND TRANSPORT

When developing the 2015-18 National Land Transport Programme, the Transport Agency estimated the proportion of planned total expenditure (from the National Land Transport Fund, local government and the Crown) across three groups of outcomes that support the direction in the Government Policy Statement on Land Transport 2015/16-2024/25:

- ECONOMIC GROWTH AND PRODUCTIVITY
- ROAD SAFETY
- TRAVEL CHOICE, HEALTH, ENVIRONMENT AND RESILIENCE

At the same time, **value for money** is a key priority for delivering the best outcomes for New Zealand.

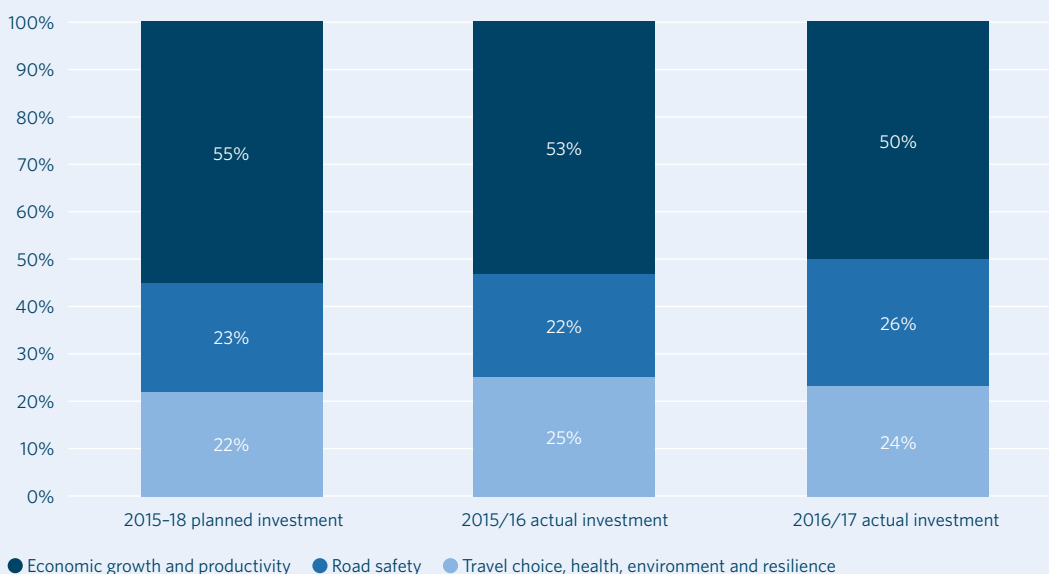
At the end of the second year of the 2015-18 National Land Transport Programme, the overall spend (\$6.7 billion) from the National Land Transport Fund was 3 percent below the planned amount when the programme was adopted in June 2015. By the completion of the 2015-18 National Land Transport Programme in June 2018, total investment is forecast to be 1 percent below the published amount.

In 2016/17, total investment for the National Land Transport Fund was \$3.4 billion, representing 97 percent of the published National Land Transport Programme. Of this investment, 50 percent went towards economic growth and productivity, 26 percent towards safety outcomes and 24 percent towards travel choice, health, and environment and resilience outcomes.

Revenue for the National Land Transport Fund during 2015/16 and 2016/17 was \$299 million higher than forecast in the published National Land Transport Programme. This is mostly due to increases in travel demand and freight movements, which have provided enough revenue to achieve the forecast investment levels and offset the decision to not adjust the fuel excise duty and road user charges rates in the final two years of the 2015-18 National Land Transport Programme.

The proportion of outcomes invested in during 2016/17 remains close to the published 2015-2018 National Land Transport Programme, despite the National Land Transport Fund expenditure variations. More detail on investments that have contributed to these outcomes is provided below and in the regional highlights (see pages 214 - 228).

FIGURE 1 - 2015-18 NATIONAL LAND TRANSPORT PROGRAMME PLANNED INVESTMENT AND ACTUAL INVESTMENT IN TARGETED OUTCOMES TO DATE



ECONOMIC GROWTH AND PRODUCTIVITY

The Government Policy Statement on Land Transport identifies the following long-term results for this strategic priority:

- Support economic growth and productivity through the provision of better access to markets, employment and business areas
- Support economic growth of regional New Zealand through provision of better access to markets

PERFORMANCE RESULTS: ECONOMIC GROWTH AND PRODUCTIVITY 2016/17

- The proportion of local roads available to high-productivity freight vehicles increased from 87 percent in 2015/16 to 95 percent in 2016/17, and the proportion of state highways available to high-productivity freight vehicles increased from 45 to 49 percent during the same period.
- Travel times on key state highways serving Auckland, Wellington and Christchurch remained the same during 2016/17 and the previous year. However, there was an aggregate decline in productivity of the state highways in major metropolitan area – Wellington maintained productivity levels, while Auckland and Christchurch both experienced declining productivity during 2016/17.
- Travel times generally improved on key local roads serving major metropolitan areas. Auckland maintained travel-time performance, while Wellington and Christchurch both experienced improved local road travel times.
- Surface condition of both state highways and local roads improved during 2016/17.

Approximately 50 percent of National Land Transport Programme expenditure in 2016/17 contributed to economic growth and productivity outcomes, slightly lower than the planned 55 percent for the three years of the 2015-18 National Land Transport Programme. A wide variety of transport activities support New Zealand's economic growth and productivity, in particular state highways and local roads, by providing access to markets, employment and business areas.

EXPENDITURE ON ECONOMIC PRODUCTIVITY AND GROWTH

Of those investments identified as having economic growth and productivity as a priority – most were invested in state highway improvements and maintenance for both state highways and local roads. Local road improvements expenditure at the end of 2016/17 was 29 percent below the published 2015-18 National Land Transport Programme. The overall outturn at the end of the 2015-18 National Land Transport Programme is expected to be \$45 million below the published programme, which was set at the minimum of the funding range in the Government Policy Statement.

ACTIVITY CLASS	2016/17 ECONOMIC GROWTH AND PRODUCTIVITY EXPENDITURE
Local road improvements	5.2%
Local road maintenance	16.0%
Public transport	11.1%
Regional improvements	2.1%
Road policing	2.1%
Road safety promotion	0.2%
State highway improvements	47.0%
State highway maintenance	15.9%
Walking and cycling improvements	0.4%

Highlights of investment in economic growth and productivity during 2016/17 include:

- Major progress towards completing improvements to Auckland's motorway and strategic roading network. This includes the much-needed motorway link between the city's centre and Auckland International Airport.
- Completing the Waterview Tunnel, which is a significant step in transforming the way people and freight move around Auckland growth and ensures greater reliability for travellers.
- Increasing maintenance investment by 30 percent in Northland to upgrade forestry roads, increasing productivity of the region.
- Opening the MacKays to Peka Peka Expressway to traffic – the first project in the Wellington Northern Corridor Road of National Significance programme to be completed.
- Starting construction on the Christchurch Southern Motorway and Northern Corridor projects: these two projects form part of the Christchurch Roads of National Significance programme and aimed to ease congestion, reduce travel times and improve safety on critical motorway routes.

CASE STUDY

UNEXPECTED RESULTS FROM INVESTMENT IN CENTRAL AUCKLAND

Every year, the Transport Agency conducts post-implementation reviews on a sample of completed projects or packages that received National Land Transport Fund investment. These reviews allow the Transport Agency to gain insight into the actual outcomes that National Land Transport Fund investments are achieving for New Zealand.

In October 2016, the Transport Agency reviewed the outcomes from a \$610 million bundle of National Land Transport Fund improvements on the northern and southern approaches to Auckland's Central Motorway Junction on State Highway 1. The Transport Agency found that the investment delivered significant performance improvements related to economic growth and productivity, including increased traffic volumes and throughput through central Auckland. However, travel times did not improve because increased traffic volumes offset the increased road capacity, which negated the investment to improve travel times.

While safety was not articulated as a key benefit during the project's planning stages, the Transport Agency's review showed that safety has significantly improved on that section of State Highway 1 as a result of the investment. Recorded crashes decreased by 45 percent when comparing a post-implementation period (April 2013 – July 2016) with crashes recorded in the five years before construction began.

ROAD SAFETY

The Government Policy Statement on Land Transport identifies the following long-term results for this strategic priority:

- Reduction of deaths and serious injuries

PERFORMANCE RESULTS: ROAD SAFETY 2016/17

- Deaths and serious injuries for 2016/17 (March year end) were 2,933, which is an increase of 445 from the previous year.

Approximately 26 percent of National Land Transport Fund expenditure contributed to road safety outcomes in 2016/17, slightly more than the planned 23 percent across the three years of the National Land Transport Programme. While this proportion is similar to the 2012–15 National Land Transport Programme, the larger amount of funding in the 2015–18 programme means that investments to improve road safety outcomes during the three years of the current programme will have increased by \$550 million. This investment remains critical to supporting a reduction in the number of deaths and serious injuries on roads as outlined in the Government Policy Statement.

Infrastructure improvements delivered by the Transport Agency and local authorities under the Safer Journeys Action Plan 2016–2020 continue to focus on creating safer roads and roadsides. These activities range from major roading projects such as the Waikato Expressway to urban intersection improvements and low-cost improvements such as rumble strips.

The ongoing maintenance of roads and their safety features is a high priority within state highway and local road maintenance programmes. Investment in cycling also aims to increase the safety of users through improved cycle networks, getting more people to ride bicycles more often and encouraging all road users to share the road.

The Road Policing Programme is a cornerstone of maintaining and improving road safety. Considerable efforts were made during the development of the 2015–18 National Land Transport Programme to ensure that the Road Policing Programme had a clear focus on reducing deaths and serious injuries from road crashes in a way that provides value for money. An example of this focus was exploring greater use of technology and innovative ways of working. In 2017/18, the Transport Agency will work with the New Zealand Police to develop the 2018–21 Road Policing Programme (for more details, see page 234).

Investment in road safety promotion focuses on improving road user behaviour through advertising, education and promotion. The Transport Agency continues to influence behaviour according to the Safe System approach, including safe speeds and safe road use.

EXPENDITURE ON ROAD SAFETY

Of investment identified as having safety as a priority, most was invested in road policing and state highway improvements.

ACTIVITY CLASS	2016/17 SAFETY EXPENDITURE
Local road improvements	3.1%
Local road maintenance	14.2%
Public transport	2.2%
Regional improvements	6.2%
Road policing	31.5%
Road safety promotion	3.3%
State highway improvements	25.7%
State highway maintenance	13.4%
Walking and cycling improvements	0.4%

Highlights of investment in road safety during 2016/17 include:

- Awarding the Dunedin one-way system separated cycle lane contract and starting construction of \$8 million of new cycle lanes. The separated cycle lane will improve cycle safety on the one-way system through the centre of Dunedin.
- Investment in State Highway 3 in Taranaki to improve safety at two of New Zealand's most high-risk intersections.
- Winning the Best International Award (the Tim Broadbent Prize) in November 2016 at the Institute of Practitioners in Advertising (IPA) Awards in London for the Mistakes national speed advertising campaign. The IPA Effectiveness Awards are widely considered to be the most rigorous effectiveness competition in the world, with entrants having to prove beyond reasonable doubt that their marketing communications campaign had a positive return on investment.
- Completing projects to deliver safer roads and roadsides on the Te Teko to Awakeri section of State Highway 30 and substantially completing projects on the State Highway 30 to Kawerau section of State Highway 34.

CASE STUDY

SUCCESSFUL SAFETY IMPROVEMENTS NEAR TAIHAPE

In November 2016, the Transport Agency conducted a post-implementation review to assess how well a \$13.6 million National Land Transport Fund investment near Taihape delivered on the benefits that it intended to achieve.

The Ohingaiti-Makohine road realignment aimed to improve safety outcomes by removing the steep, winding road on Makohine Hill that had been the site of several serious crashes. Other predicted benefits of the road realignment included improved travel times and reduced vehicle operating costs.

The review showed that, overall, the project was highly successful as safety outcomes in the areas improved. Crashes decreased from 42 between 2002 and the start of construction in early 2008, to seven between project completion in early 2010 and the end of 2015. Between these same periods, crashes resulting in injuries more than halved, from 10 to four.

However, the project was less successful in improving travel times and reducing operating costs. Travel times and average speeds improved initially, but those gains are starting to return to levels recorded before construction.

TRAVEL CHOICE, HEALTH, ENVIRONMENT AND RESILIENCE

The Government Policy Statement on Land Transport identifies the following long-term results for these objectives:

- Provide appropriate travel choices, particularly for people with limited access to a private vehicle
- Increased safe cycling through improvement of cycle networks
- Improved network resilience at the most critical points
- Mitigation of adverse environmental effects

PERFORMANCE RESULTS: TRAVEL CHOICE, HEALTH, ENVIRONMENT AND RESILIENCE 2016/17

- Five million more people used an urban transport service (bus, train or ferry) during 2016/17 compared with the previous year. However, productivity of public transport decreased during the year as costs increased for buses and trains (although decreased by ferries).
- The number of new kilometres of cycle lanes constructed doubled during 2016/17 compared with the previous year. This was due to the delivery of the Urban Cycleways Programme.

Approximately 24 percent of National Land Transport Fund expenditure for 2016/17 contributed to travel choice, health, environment and resilience outcomes. This was slightly more than the planned 22 percent for the three years of the 2015–18 National Land Transport Programme.

Investment in public transport continued to implement the Public Transport Operating Model, a framework for the provision of urban bus and ferry services. The model aims to provide a more competitive market place for public transport services and to optimise how services are delivered to maximise their effectiveness and efficiency.

Projects delivered under the walking and cycling improvements activity class are increasing healthy travel choices in urban areas by increasing and improving the number of walking and cycling facilities as well as making it safer for users.

Walking and cycling expenditure continues to grow and was 18 percent above the published National Land Transport Programme at the end of 2016/17, largely due to the growing impact of the Urban Cycleway Programme, which has accelerated the delivery of new cycling infrastructure with the addition of Crown funding.

Highlights of investment in travel choice, health, environment and resilience during 2016/17 include:

- Increasing investment to improve alternative routes following the closure of State Highway 1 after the November 2016 Kaikōura earthquake. Sections of the Picton to Christchurch Alternate Route in the Marlborough and Tasman Regions were made safer and more resilient for road users with an investment of \$23.7 million from the National Land Transport Fund.
- Responding to the Kaikōura earthquake through the North Canterbury Transport Infrastructure Recovery alliance. More than \$100 million was directed to the repair and reinstatement of roads damaged by the Kaikōura earthquake.
- Co-investing \$82 million with Auckland Council to deliver significant improvements to roads, public transport services, public transport stations, transport interchanges, walking routes and cycleways in the region.
- Investing in the Gisborne region towards developing and maintaining a resilient transport network. Roads in the region are a lifeline for the local communities, and their economy is dependent on the efficient movement of freight.
- Developing walking and cycling networks in Palmerston North and Whanganui to improve cycleways and shared paths for both urban centres as part of the Urban Cycleways Programme.

MITIGATING ADVERSE ENVIRONMENTAL EFFECTS FROM TRANSPORT

The Transport Agency has a responsibility to exhibit environmental responsibility. Improvements to the land transport system can have positive, as well as negative, effects on the environment. The Transport Agency minimises environmental harm in a variety of ways, including through making robust, evidence-based decisions that take account of environmental costs and benefits. The Transport Agency continually builds its evidence base to understand the impact of the transport network on the environment and mitigate the effects.

The Transport Agency mitigates the effects of climate change through investments in areas such as urban cycleways, the electrification of rail lines and effort to facilitate the uptake of electric vehicles. The Transport Agency also requires high-value state highway projects to complete a carbon footprint analysis in their design phase and provides an online tool that allows planners to estimate the carbon footprint of their project and identify methods to reduce emissions.

The Transport Agency's research programme recently investigated the conditions when storm water runoff is likely to cause adverse environmental effects. The screening tool for road runoff was revised and enhanced with provision to factor in the effects of traffic congestion and non-road pollution sources. It also has wider application to rivers, streams, coast lines and estuaries, as was demonstrated in a case study of the Te Awarua-o-Porirua Harbour and catchment.

The Transport Agency also issued new guidance to assist in public engagement on social and environmental issues and consultation began on new guidance to embed social and environmental assessments into the business case approach.

Each year, the Transport Agency holds more than 3,000 environmental permits related to operating and improving state highways, including for discharges to air, water and land. More than 50 live environmental management plans are in place at any given time.

The Transport Agency works alongside suppliers, key stakeholders and customer to provide strategic advice, research and support for transport-related natural environment, social, culture and heritage, health and urban design issues.

While all land transport activities are planned and delivered in a way that considers the surrounding environment and to mitigate adverse effects, improved environmental outcomes can also result from:

- investment in public transport
- freight productivity
- easing congestion and improving journey time predictability
- making cycling a safer and more attractive transport choice
- transport projects that make New Zealand's cities more accessible, safe and easy to live in.

IMPROVING THE UNDERSTANDING OF RESILIENCE

Analysis of the road improvement activities in the 2015-18 National Land Transport Programme showed that while only 2 percent of projects targeted resilience as a primary outcome, 52 percent identified resilience as a secondary outcome.

During 2016/17, the Transport Agency made improvements to business continuity planning as well as to its emergency responses. These improvements will help ensure the Transport Agency is prepared and can keep critical functions and processes working during emergencies and unexpected events. The Transport Agency also increased the variety of tools, guidance and reference information used in business cases processes for improved network resilience.

The Transport Agency is working to improve its understanding of resilience of the transport network. The *Transport Agency's statement of performance expectations 2017/18* includes a key performance indicator based on the duration of closures on state highways. Over time, the intent is to better understand the impact of unplanned disruptions on customers and the acceptable frequency and duration of disruptions to customers.

While work is under way to develop better measures for resilience, insight can be gained into resilience performance by looking at National Land Transport Fund expenditure on emergency works. Emergency works expenditure increased substantially during 2016/17 and expenditure for the three years of the 2015-18 National Land Transport Programme position is forecast to be 12 percent above the published amount. Some of this is in line with the response to the 2015 Whanganui-Taranaki floods. However, the 2016 Kaikōura earthquake and heavy rain events in 2016/17 will push up expenditure across local roads and state highways during 2017/18.

CASE STUDY

INNOVATIVE THINKING SUPPORTS KAIKŌURA RECOVERY

The Transport Agency assisted the recovery of Kaikōura by co-facilitating and sponsoring the Kaikōura University Challenge in May 2017. The challenges faced in Kaikōura are significant and the restoration of State Highway 1 north of Kaikōura is a major undertaking. The Transport Agency explored the different opportunities that exist to ensure travellers are completing their journeys to Kaikōura with confidence while work on State Highway 1 continues.

The initiative brought teams of students into Kaikōura during three days to hear directly from the community the challenges faced and to design and test possible solutions to assist in the recovery of the community.

This initiative reflects the changing operating environment in which transport outcomes are no longer just about the physical infrastructure challenges, but the wider impact these challenges can have on a community as a whole. The Transport Agency is using innovative thinking and techniques from a variety of perspectives to improve outcomes for affected communities.

VALUE FOR MONEY

The Government Policy Statement on Land Transport identifies the following long-term results for this strategic priority:

- Delivery of the right infrastructure and services to the right level
- Improved returns from road maintenance and public transport
- Effective on-road enforcement of the road user charges regime
- Understand the benefits and costs associated with innovation and technology

Work is under way in the Transport Agency to better understand the value for money gained from National Land Transport Fund investment. However, insight can already be gained into value for money by looking at the expected benefit-cost ratio of National Land Transport Fund investment for new approvals in system improvements. The average benefit-cost ratio across National Land Transport Programme investment by number of new approvals across the programme has remained about 4 during the first two years of the 2015-18 National Land Transport Programme. For 2016/17 investments, those primarily relating to public transport had the highest benefit-cost ratio.

ACTIVITY CLASS	BENEFIT-COST RATIO 2015/16	BENEFIT-COST RATIO 2016/17	VARIANCE
State highway improvements	3.4	3.7	0.3
Local road improvements	4.9	5.3	0.4
Public transport	7.4	5.8	-1.6
Walking and cycling	4.3	4	-0.3
Regional improvements	2.4	2.9	0.5
Estimated return on investment across all new investments	4	4	0

ACTIVITY CLASS	TOTAL COST OF NEW APPROVALS	NUMBER OF NEW APPROVALS
Local road improvements	258,838,349	63
Public transport	111,198,894	14
Regional improvements	613,653,836	113
State highway improvements	243,147,787	61
Walking and cycling improvements	114,549,163	51
GRAND TOTAL	1,341,388,029	302

PHYSICAL INFRASTRUCTURE MEETS THE DIGITAL WORLD

The future of transport is rapidly changing and with it the needs and expectations of customers. The intersection of physical infrastructure and the digital world opens up new and exciting opportunities in the transport industry. The Transport Agency's culture of innovation aims to exploit these opportunities and improve outcomes for New Zealanders.

The Transport Agency needs to respond to shifting customer needs and ever evolving trends in the digital world by aligning its innovation strategies to ensure that emerging and game-changing technologies are able to be leveraged and embraced, creating better transport system outcomes for New Zealand and great journeys for customers.

The Transport Agency is seeking to innovate by creating connections between parts of the transport system that otherwise would have remained disparate and unconnected, thereby creating greater value through a connected journey for New Zealanders.

LEADING EDGE RESEARCH TO SUPPORT PLANNING AND INVESTMENT

Strategic and operational research supports sound system planning and investment and is a key component of the Government Policy Statement's investment management activity class. The Transport Agency conducts leading-edge research that contributes to the breadth and depth of transport sector business and to achieving sector outcomes.

For example, an investigation into allowing buses leaving bus stops to have priority over general traffic in urban areas identified and quantified the economic and other benefits that would likely arise from a legislation change. This report concluded that 'give way to buses' legislation provides a viable investment opportunity. The outcomes will aid a review of the existing regulatory setting and provide evidence-based inputs to compile a full business case.

Thirty-one research reports were published during 2016/17, addressing topics including economic analysis, environmental impacts, asset management, technology developments and safety.

CASE STUDY

ARTIFICIAL INTELLIGENCE TRIAL TO IMPROVE SAFETY ON THE DESERT ROAD

The Transport Agency adopted a trial and pilot approach to experiment with new technologies and is applying these in non-traditional settings. An example of this approach is using artificial intelligence software to provide weather-based road travel information along the State Highway 1 network. This initiative was rapidly prototyped, tested and refined in 2017 with the aim of warning travellers of the risk of ice forming along the Desert Road section of State Highway 1.

The use of artificial intelligence and real-time weather data allows the Transport Agency to create unique conversations with customers who intend to travel on the Desert Road, giving them insight into the conditions ahead. Customers will be able to make smart travel choices before they enter the Desert Road area, avoiding icy conditions and possible crashes or delays. The potential benefits of this trial and pilot approach include reducing the likelihood of deaths and serious injuries on state highways and increasing productivity on a key arterial route for freight vehicles.

THE 2015-18 NATIONAL LAND TRANSPORT PROGRAMME

2015-18 NATIONAL LAND TRANSPORT PROGRAMME

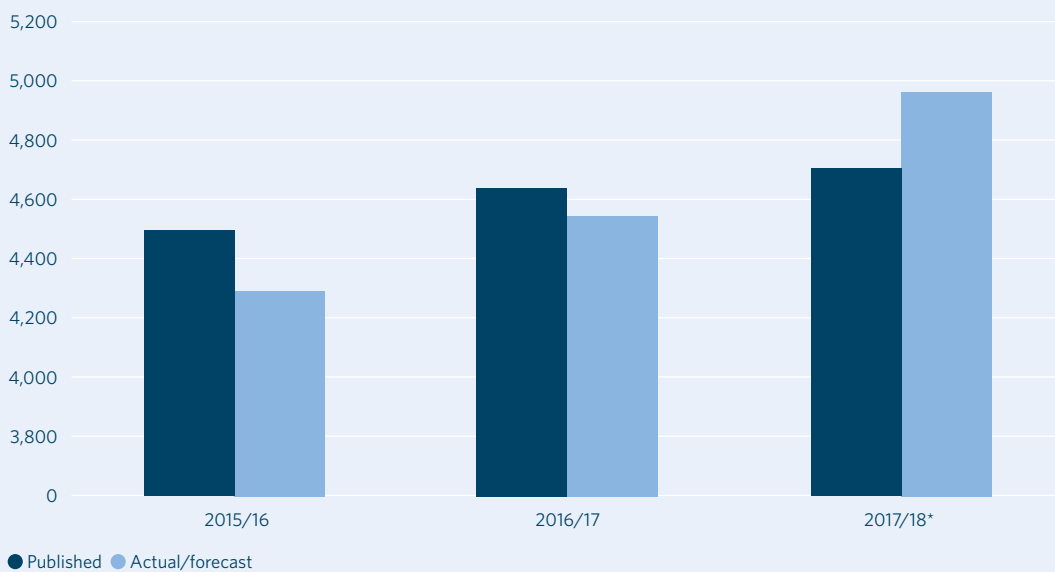
The 2015-18 National Land Transport Programme contains all land transport activities, including public transport, road maintenance, road improvements and walking and cycling activities that the Transport Agency expects to fund during the period.

The three-year programme represents \$13.9 billion of total investment in New Zealand’s land transport system. This total includes investment from the National Land Transport Fund, investment by local authorities and investment by the Government through Crown investments and loans.

Forecast expenditure for the 2015-18 National Land Transport Programme, which includes local and Crown funding, is forecast to reduce from \$13.9 billion in the published programme to \$13.6 billion. This is due to changes to the forecast expenditure between activity classes. For example, lower forecast expenditure on local roads reduces both the National Land Transport Fund and local funds used.

Forecast expenditure for the National Land Transport Fund during the 2015-18 National Land Transport Programme has fallen to \$10.4 billion, \$100 million below the \$10.5 billion shown in the published programme.

FIGURE 2 - 2015-18 NLTP: PUBLISHED VERSES ACTUAL/FORECAST



*The forecast 2017/18 expenditure excludes Crown funding for the Kaikōura Earthquake Response

USE OF THE NATIONAL LAND TRANSPORT FUND

At the end of the second year of the 2015–18 National Land Transport Programme, the overall investment of \$6.7 billion from the National Land Transport Fund was 3 percent below the planned amount when the programme was adopted in June 2015. By the end of the National Land Transport Programme in June 2018, total investment is forecast to be 1 percent below the published amount of \$13.9 billion.

Use of funds for state highway improvements during 2016/17 were 2 percent below the planned amount after two years, largely due to lower tender prices for large projects and delays to some projects. Investment at the end of the 2015–18 National Land Transport Programme is forecast to be 3 percent (\$108 million) below the published amount.

Expenditure for state highway maintenance remained below the planned amount after two years, reflecting lower input costs during 2015/16 and the continued deferral (where this was optimal) of road renewals. However, the percentage of state highways that will be due for renewal work is increasing and the level of spending in the published programme is expected to reduce in 2017/18.

Regional improvements is a new activity class for the 2015–18 National Land Transport Programme. It aims to progress regionally important transport infrastructure outside metropolitan areas. Expenditure increased during 2016/17 after a slow start up in 2015/16, but it is 47 percent below the planned amount after two years. Construction is expected to increase significantly in 2017/18, and forecast investment at the end of the National Land Transport Programme is expected to be close to the published total.

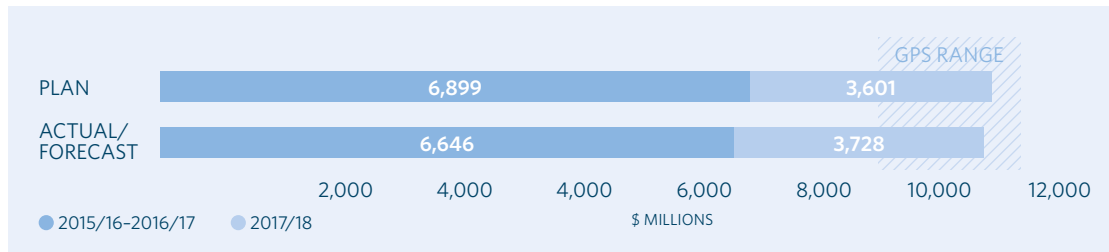
Local road improvements expenditure continued to track below the published amount in the 2015–18 National Land Transport Programme as several local authorities focused on other priorities.

The Government Policy Statement on Land Transport (GPS) 2015/16–2024/25 funding range for the walking and cycling activity class was adjusted by the Minister of Transport to accommodate an increase in expenditure driven by the Urban Cycleways Programme. At the end of 2016/17, investment in walking and cycling was 22 percent above the published amount and is forecast to be 45 percent above the published total by the end of the programme.

Emergency works expenditure increased in 2016/17 as a result of the Kaikōura earthquake and high-intensity rainfall events throughout the country. The Minister of Transport adjusted the Government Policy Statement funding range for the local road maintenance activity class to accommodate the increase in cost.

Below are the investments made from the National Land Transport Fund for the year to 30 June 2017 against the planned level of funds allocation in the published 2015–18 National Land Transport Programme. These figures do not account for National Land Transport Programme funds contributed by local authorities or other sources, including Crown grants and loans. However, repayment of Crown loans is included in the figures below. Additionally, the figures take a cash perspective on the use of funds and exclude non-cash items such as depreciation and book-value movements.

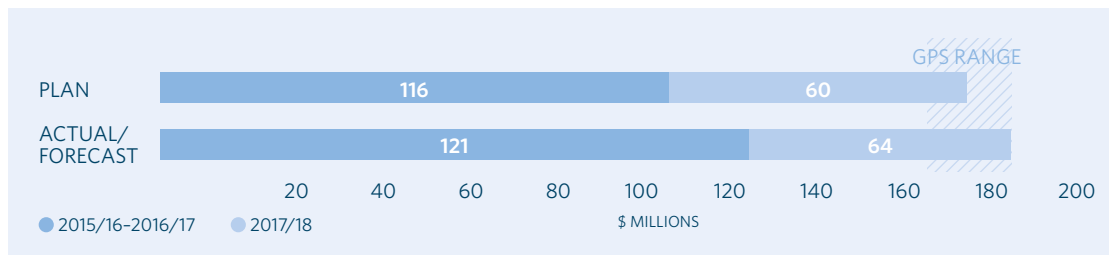
OVERALL USE OF THE FUND



Overall expenditure at the end of 2016/17 was 97 percent of the amount published in the National Land Transport Programme. By the end of the 2015-18 National Land Transport Programme, expenditure is expected to be within 1 percent of the published programme. Increased travel demand and more freight movements have provided the revenue to achieve the forecast investment levels and offset the decision to not increase fuel excise duty and road user charges rates during the final two years of the 2015-18 National Land Transport Programme.

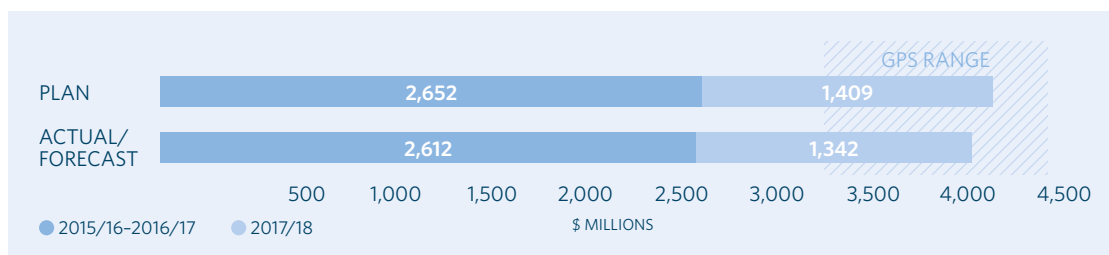
USE OF THE FUND BY ACTIVITY CLASS

Investment management



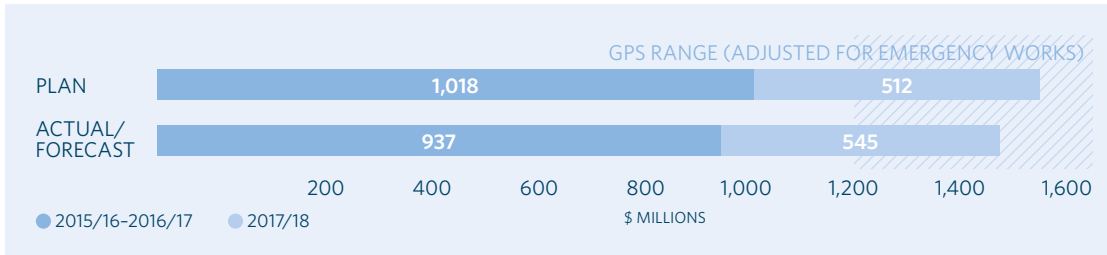
Expenditure in investment management was 4 percent above the amount published in the National Land Transport Programme at the end of 2016/17, mostly due to increased investment in transport planning. The increase reflects the resources being directed to planning to accommodate increased Auckland growth, develop interregional programme business cases and continue to progress Road Efficiency Group work to improve activity management planning. The Minister of Transport has increased the Government Policy Statement funding range by \$5 million to accommodate work required to implement the all-of-government New Zealand Business Number initiative. The total 2015-18 National Land Transport Programme investment is forecast to be 5 percent above the published amount and at the very top of the Government Policy Statement funding range.

State highway improvements



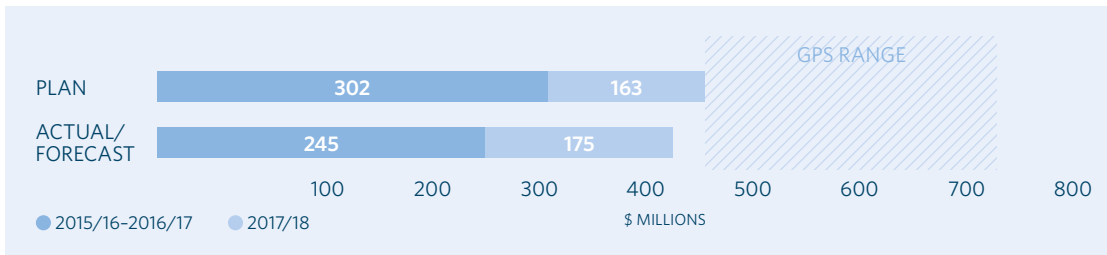
State highway improvements expenditure at the end of 2016/17 was 3 percent below the amount published in the National Land Transport Programme. This reflects lower tender prices for some major projects and slower delivery in some cases. The forecast for the balance of the National Land Transport Programme is \$107 million lower than the published amount due to the limited availability of projects that are ready for construction.

State highway maintenance (excluding emergency works)



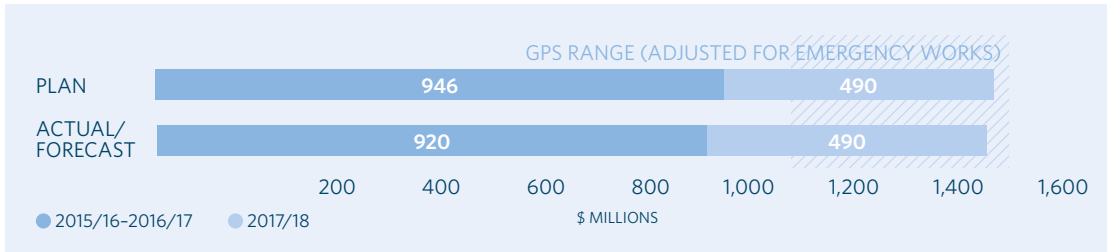
Expenditure on state highway maintenance at the end of 2016/17 was 8 percent below the amount published in the 2015-18 National Land Transport Programme. This was largely the result of the optimised timing of high-cost renewal activities, efficiencies gained through the network operating contracts and lower input costs. Expenditure is expected to increase in 2017/18 above the published amount in the National Land Transport Programme as a higher percentage of the network requires renewal. Approximately \$48 million of the savings from 2015/16 should carry through to the end of the National Land Transport Programme period.

Local road improvements



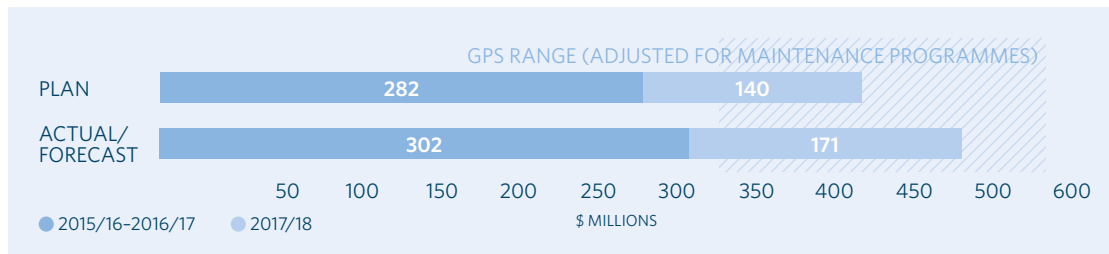
Local road improvements expenditure at the end of 2016/17 was 29 percent below the amount published in the 2015-18 National Land Transport Programme. This reflects local government focusing on other priorities, eg three waters infrastructure. The forecast for 2017/18 shows some ground being made up from acceleration of the LED street-lighting programme and improvement projects in Canterbury in response to the Kaikōura earthquake. Despite this, the overall investment at the end of the 2015-18 National Land Transport Programme is expected to be \$45 million below the published amount, which was set at the Government Policy Statement range minimum.

Local road maintenance (excluding emergency works)



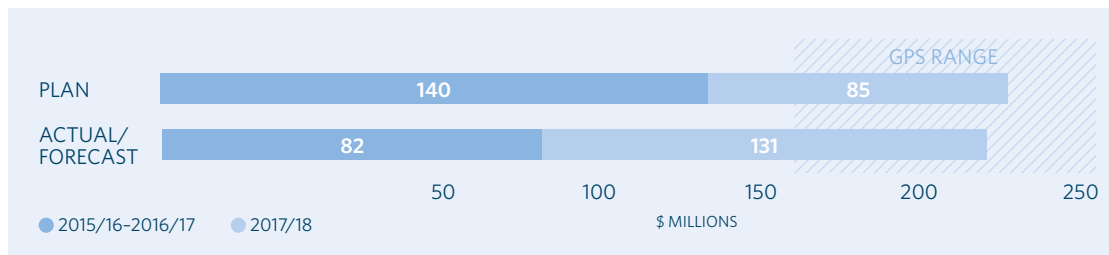
Expenditure on local road maintenance was 3 percent below the amount published in the National Land Transport Programme, reflecting lower input costs and some programme optimisation. Savings in 2015/16 are expected to carry through to the end of the National Land Transport Programme.

Emergency works on state highways and local roads



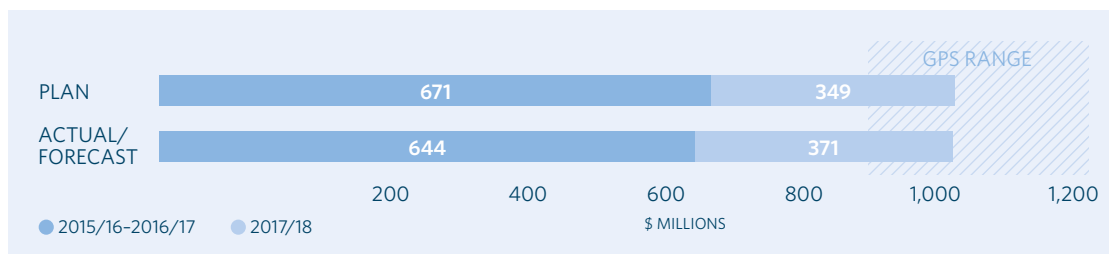
Emergency works expenditure increased substantially during 2016/17, and the National Land Transport Programme position at the end of the period is forecast to be 12 percent above the published amount. Some of this is in line with the increase expected for the response to the 2015 Whanganui-Taranaki floods. However, the 2016 Kaikōura earthquake and heavy rain events in 2016/17 will further increase expected expenditure during 2017/18 across local roads and state highways.

Regional improvements



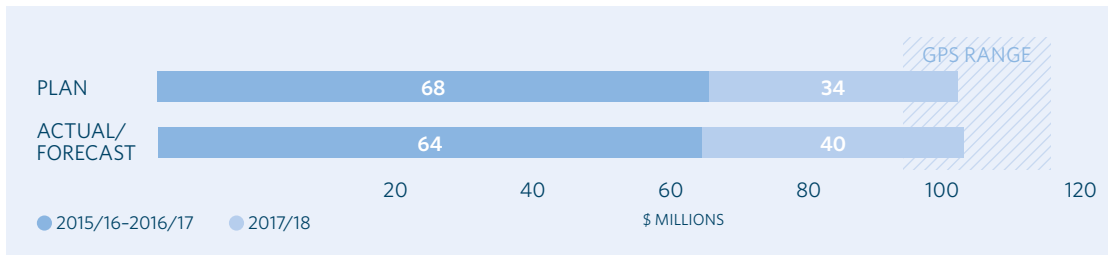
Regional improvements is a new activity class in the 2015-18 National Land Transport Programme, all of which is planned to be delivered on state highways. Delivery got off to a slow start and was still ramping up in 2016/17, with the year's expenditure 33 percent below the published National Land Transport Programme. A substantial increase is forecast in 2017/18, reflecting the number of projects that are developed, ready for construction and approved for funding. The aim continues to be to invest the \$225 million planned for in the 2015-18 National Land Transport Programme, although this will be a challenge.

Public transport



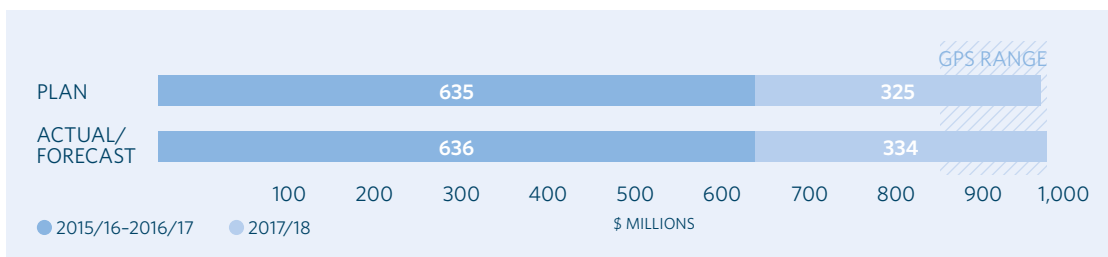
At the end of 2016/17, public transport investment was 4 percent below the amount published in the National Land Transport Programme. Public transport services expenditure was 2 percent below the planned amount, while infrastructure and Transport Agency investment was 19 percent below (compared with 33 percent below in 2015/16). Expenditure in 2017/18 is expected to increase, particularly for infrastructure and technology investment, and investment at the end of the National Land Transport Programme will be very close to the published amount.

Road safety promotion



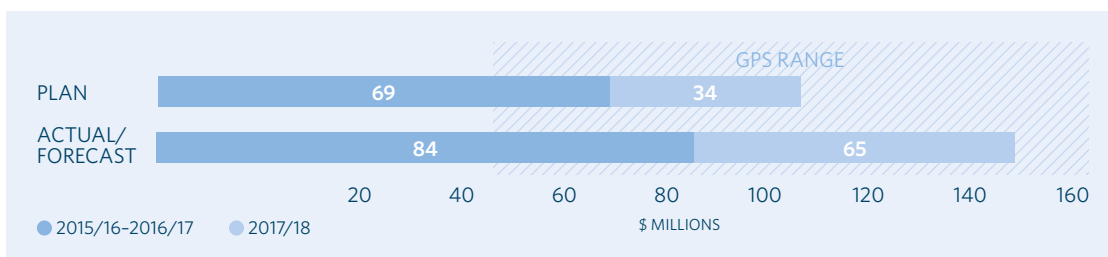
Expenditure in road safety promotion at the end of 2016/17 was 6 percent below the amount published in the National Land Transport Programme, an improvement on 2015/16 when it was 11 percent below. The increase in expenditure is expected to continue through 2017/18 and the total 2015-18 National Land Transport Programme investment is forecast to be slightly above the published amount.

Road policing



Expenditure on road policing was close to the amount published in the National Land Transport Programme at the end of 2016/17, and investment at the end of 2015-18 National Land Transport Programme is forecast to be \$10 million above the published amount of \$960 million. The increase in funding allocation was approved to retain key road policing functions, such as heavy vehicle inspections.

Walking and cycling improvements



Walking and cycling expenditure continued its strong performance in 2016/17, and was 22 percent above the amount published in the National Land Transport Programme. This was largely due to the growing impact of Urban Cycleways Programme, where Crown funding leverages National Land Transport Funding, as well as strong 2015/16 state highway delivery. This year, the Minister of Transport adjusted the upper end of the Government Policy Statement three-year funding range to accommodate the forecast total expenditure, which is expected to be 45 percent above the published amount by the end of the 2015-18 National Land Transport Programme.

LOOKING AHEAD

Revenue forecast

Revenue for the National Land Transport Fund during 2015/16 and 2016/17 was \$299 million higher than forecast in the published National Land Transport Programme. This results from:

- legal rulings made in 2015/16 on tax payable on bio-additives and oil pipeline slops
- customers purchasing vehicle licences for longer periods in 2015/16 due to reductions in Accident Compensation Corporation levies
- continued increases in travel volumes, including freight, leading to higher fuel consumption and more income from road user charges.

Revenue for the 2015-18 National Land Transport Programme is forecast to be \$358 million higher than the published figure.

Expenditure forecast

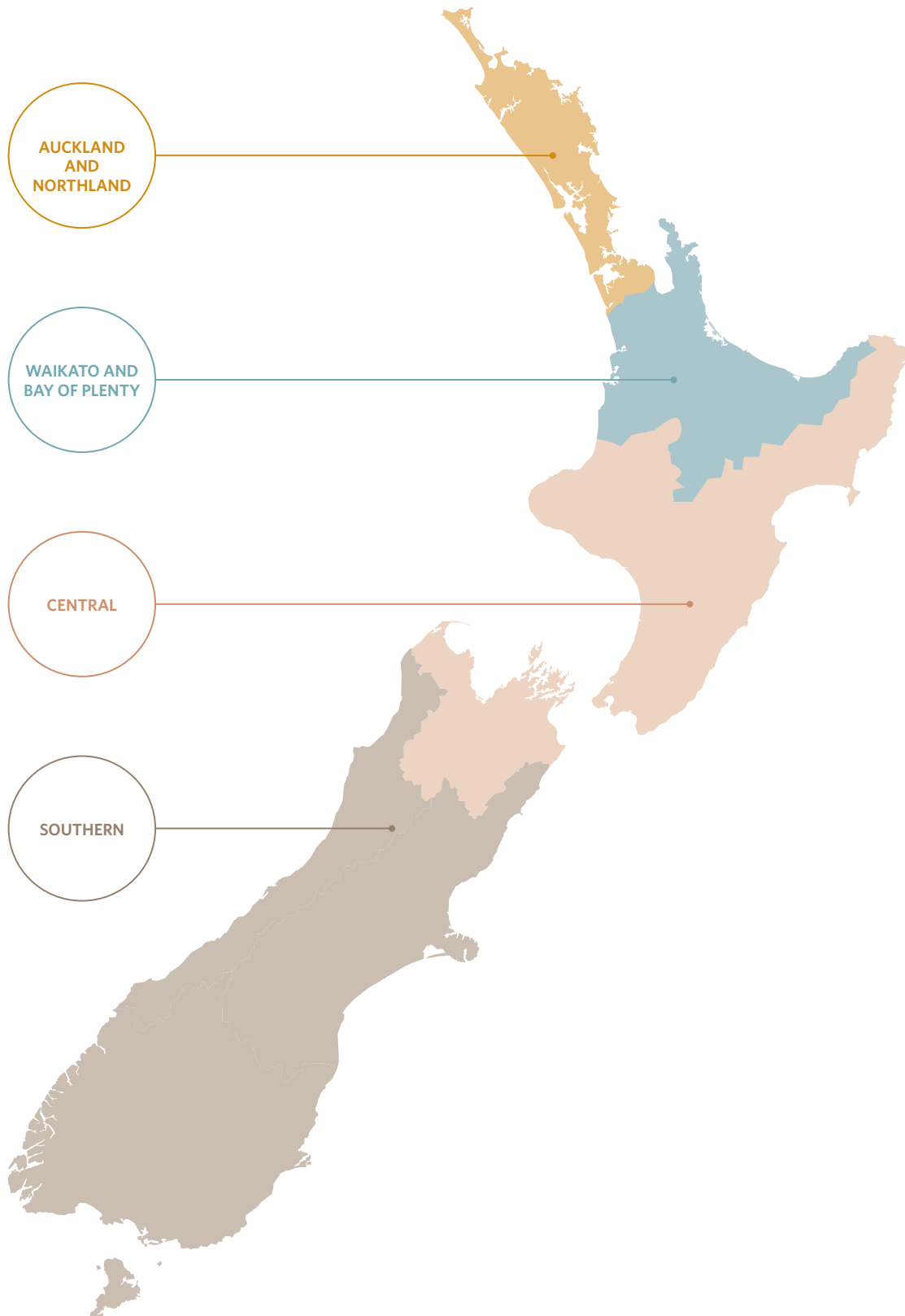
Forecast expenditure for the National Land Transport Fund during the 2015-18 National Land Transport Programme has fallen to \$10.4 billion, \$100 million below the \$10.5 billion shown in the published programme. Forecast expenditure for the National Land Transport Programme, which includes local and Crown funding, is forecast to reduce from \$13.9 billion in the published programme to \$13.6 billion. This is due to changes to the forecast expenditure between activity classes. For example, lower forecast expenditure on local roads reduces both the National Land Transport Fund and local funds used.

The National Land Transport Fund short-term debt facility, which is in place to assist the Transport Agency to manage short-term cash flows, was not required in 2017 because of the higher than planned revenue and lower than planned expenditure. The National Land Transport Programme forecast implies that the debt facility will not be required for 2018.

The National Land Transport Fund is forecast to be in a quite strong surplus position leading into the 2018-21 National Land Transport Programme. A substantial increase in investment to respond to Auckland and other high-growth urban pressures and to encourage regional economic development is expected to utilise surplus funds by 2021/22.

REGIONAL HIGHLIGHTS

The National Land Transport Fund made targeted investments across New Zealand through the 2015-18 National Land Transport Programme.



AUCKLAND AND NORTHLAND

The Transport Agency's Auckland and Northland region covers the top of the North Island – everything north of the Bombay Hills.



NORTHLAND

WHERE 2015-18 INVESTMENT IS FOCUSED

The 2015-18 National Land Transport Programme's investment in Northland is focused on contributing to the region's economic growth, improving transport network resilience and accessibility, and improving road safety performance, as well as growing public transport and encouraging cycling and walking.

This investment includes:

- delivering work and future plans to improve the journey between Auckland and Northland to deliver more predictable journey times and to address ongoing safety issues
- maintaining a resilient network that can reliably provide for the transport needs of Northlanders during regular severe weather events, which continues to be a priority for the region
- increasing investment significantly in road maintenance across state highway and local road networks, in line with national standards and levels of service.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Completing two improvement projects to State Highway 1 in Whāngārei: State Highway 1 was expanded to four lanes between Selwyn Avenue and State Highway 14 to improve traffic flow and the safety of travellers. The roundabout at Kensington Road was also completed to allow vehicles travelling north to continue without stopping, ensuring traffic flows effectively and minimising potential road noise by heavy transport vehicles stopping on the hill approaching the intersection.

Improving local road intersections: improvements were made to the Mill Road and Nixon Road intersection as well as the Kamo Road and Nixon Road intersection. Both of these improvements were made to enhance safety and efficiency.

Completing improvements to State Highway 1 Brynderwyn Hills: the existing road was widened and realigned and a median wire rope barrier was installed to improve safety for travellers on this section of the state highway

Increasing maintenance investment 30 percent: this investment upgraded forestry roads, increasing productivity of the region.

Starting construction of the Kamo cycleway: the route was designed to provide safer access to centrally located Whāngārei schools and to connect residential areas north of the city with the Whāngārei central business district, Auckland University Campus and key recreational areas such as Kensington Park.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2016/17 ACTUAL \$000
Northland total	99,919
State highway improvements	18,808
State highway maintenance	24,678
Local road improvements	6,398
Local road maintenance	36,448
Regional improvements	10,821
Public transport	904
Road safety promotion, investment management and walking and cycling	1,863

AUCKLAND

WHERE 2015-18 INVESTMENT IS FOCUSED

The 2015-18 National Land Transport Programme's investment in Auckland focuses on supporting the region's complex transport network to handle the demands of special housing areas, freight, general road traffic, public transport, as well as cycling.

This investment includes:

- critical investment in the expansion of the region's rapid transit network, in particular the new busway between Panmure and Botany, as part of the multimodal Auckland Manukau Eastern Transport Initiative
- major steps towards completing the region's motorway and strategic roading network, including the Waterview link to complete the Western Ring Route Road of National Significance, the new East-West Link between State Highway 1 and State Highway 20 (delivered under the Accelerated Auckland Transport Programme), and the much-needed motorway link between the central business district and Auckland International Airport
- in partnership with Auckland Transport, delivering further key elements of the region's strategic cycling network that aim to significantly grow this active transport mode
- Transport Agency and Auckland Council co-investment of a further \$82 million in the Auckland Manukau Eastern Transport Initiative for Auckland Transport to deliver significant improvements to roads, public transport services, public transport stations, transport interchanges, walking routes and cycleways.



THIS YEAR'S INVESTMENT HIGHLIGHTS

Completing the Waterview Tunnel section of the Western Ring Route Road of National Significance:

the Waterview Tunnel was completed in time to be opened to traffic on 2 July 2017. The tunnel provides more connections for Auckland's transport system and creates additional motorway capacity, which will help free up local roads. It is a significant step in transforming the way people and freight move around Auckland and ensures greater reliability for travellers.

Making substantial progress on the State Highway 20A to Airport project: this project separates local road and suburban traffic from motorway traffic, making it easier and more reliable to travel to and from the airport. The noise walls feature art reflecting Māori cultural heritage, which provides an enhanced sense of place for the community and increases knowledge of cultural heritage for visitors.

Beginning consultation and investigations for the Auckland Manukau Eastern Transport Initiative Eastern Busway:

In February 2017, the Panmure to Pakuranga busway section of the Eastern Busway was opened for public consultation. In May 2017, investigations commenced to finalise the location of underground services along sections of Pakuranga Road between Panmure Bridge and Ti Rakau Drive. The busway will provide travellers with better transport choices and free up the roads for freight and business traffic.

Delivering Te Ara Mua Future Streets project: the project involved changing some of the roads and connections in Māngere Central and introducing activities to promote walking and cycling. This made local trips across Māngere Central safer and easier, while offering a selection of healthy transport choices.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2016/17 ACTUAL \$000
Auckland total	909,158
State highway improvements	387,723
State highway maintenance	110,707
Local road improvements	68,148
Local road maintenance	108,820
Regional improvements	-
Public transport	207,680
Road safety promotion, investment management and walking and cycling	26,079

WAIKATO AND BAY OF PLENTY REGION

The Waikato and Bay of Plenty region reaches from the bottom of the Bombay Hills to the Desert Road summit, from just south of Mokau in the west, through the Waioeka Gorge near Opotiki, and midway along the Taupō-Napier Road.

WAIKATO

WHERE 2015-18 INVESTMENT IS FOCUSED

The 2015-18 National Land Transport Programme's investment in Waikato is targeted to support significant residential growth, new industrial development and jobs, while also ensuring efficient freight movement and access to markets across New Zealand, as well as the export ports of Tauranga and Auckland.

This investment includes:

- continued investment in the Auckland to Tauranga via Hamilton journey, including completing and opening more sections of the Waikato Expressway Road of National Significance and completing the Hamilton Ring Road, with forecast travel-time savings of up to 23 minutes, as well as improved safety for customers on the journey
- expected safety improvements to State Highway 1 between Cambridge and Paerere (intersection of State Highways 1 and 29)
- working with partners and stakeholders, including the New Zealand Police to improve road safety for motorists for the Pōkeno to Tauranga via Waihi key journey improving high-risk intersections such as State Highways 3 and 21 south of Hamilton near the airport
- under the Government's Accelerated Regional Transport Programme, improving resilience and safety outcomes through the Awakino Gorge.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Continuing progress on the Waikato Expressway: the expressway project will enable considerable opportunity for economic development and is expected to save at least 23 minutes of journey time between Tirau and the Bombay Hills. Work began on the Hamilton section and construction continued on the Huntly, Rangiriri and Longswamp sections. Planning work has started on upgrading State Highway 1 between the completed Cambridge section and State Highway 29.

Starting state highway safety improvements: several safety initiatives began, including improvements on State Highway 3 between Hamilton and Te Awamutu, State Highway 37 (Waitomo Caves) and State Highway 23 from Hamilton to Raglan. Good progress was also made improving safety on State Highway 1B east of Hamilton and State Highway 3 south to Awakino – an essential freight route to the Taranaki region.

Confirming investment for State Highway 2 Pōkeno to Mangatarata: improvements to this 32km section of highway during the next 10 years will improve road safety, provide more reliable journey times and support growth in the east Waikato and Coromandel areas. Planning activities and property acquisitions to enable construction are under way.

Continuing to develop the State Highway 1-State Highway 29 business case: this business case identifies the long-term transport network required to support the key journey between the Bay of Plenty, Waikato and the wider upper North Island. Similar business cases are also being developed on State Highway 1 Cambridge to Paerere, Paerere to Taupō and Taupō to Waiouru. The business cases are being developed in collaboration with industry interest groups, iwi, councils and the community.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2016/17 ACTUAL \$000
Waikato total	444,406
State highway improvements	277,243
State highway maintenance	67,021
Local road improvements	6,235
Local road maintenance	58,000
Regional improvements	19,439
Public transport	8,660
Road safety promotion, investment management and walking and cycling	7,807



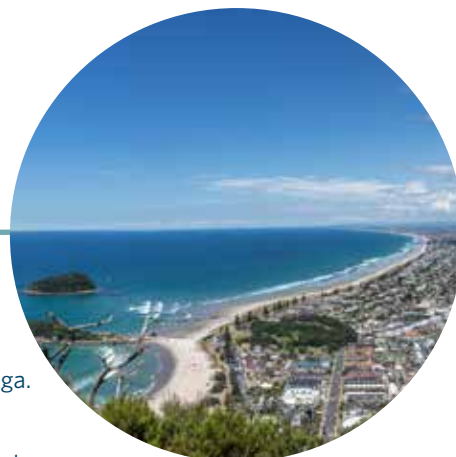
BAY OF PLENTY

WHERE 2015-18 INVESTMENT IS FOCUSED

The 2015-18 National Land Transport Programme's investment in the Bay of Plenty is targeted to support significant residential growth and new industrial land development and jobs while also ensuring efficient freight movement and access to the Port of Tauranga.

This investment includes:

- increasing investment in urban cycling and walking to address safety issues and to get more people to cycle or walk
- working with stakeholders in Tauranga to extend the public transport network and transition urban school bus services into an integrated network to reduce congestion and maintain journey time reliability
- continuing to invest in the Tauranga to Auckland via the Waikato key journey, introducing electronic tolling to Takitimu Drive Toll Road and investigating how to make the journey easier through areas such as Tauriko and onto the State Highway 29 regional part of the journey
- furthering safety improvements to the Tauranga to Auckland via the Waikato key journey and the Pōkeno and Tauranga via Waihi key journey to prevent deaths and serious injuries
- investigating how the road and rail networks can complement each other, the scale and shape of future freight in the Bay of Plenty, and the local growth pressures on the outskirts of Tauranga.



THIS YEAR'S INVESTMENT HIGHLIGHTS

Improving State Highway 2 Waihi to Tauranga: during the next 10 years and beyond, activities will improve road safety, provide more reliable journey times and support growth along this corridor. Progress was made on the development of the Tauranga Northern Link design, as well as key intersection and corridor improvements. A review also added a bypass of Katikati township to the programme of work.

Delivering improvements for Rotorua: construction of the State Highway 5 Hemo Road intersection and development of detailed solutions for eastern State Highway 30 Te Ngae Road and central State Highway 5 Amohau Street corridors continued. The work supports local growth, regional economic development and city centre revitalisation.

Continuing intersection improvements: construction continued on key intersection improvements, including the Maungatapu Underpass, Baypark to Bayfair, and the State Highway 2 Minden Road intersection. These activities support local growth and access to the Port of Tauranga and increase safety.

Improving safety: projects to deliver safer roads and roadsides were delivered on the Te Teko to Awakeri section of State Highway 30 and largely completed on the State Highway 30 to Kawerau section of State Highway 34. Progress was also made developing business cases, including for the Wainui Road to Opotiki section of State Highway 2.

Investing in cycling infrastructure: investment in the Rotorua and Tauranga urban cycling networks continued with a focus on delivering key missing links in the cycleways. The first stages of the Omokoroa to Tauranga cycleway, which will improve travel choice and safety, was delivered.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2016/17 ACTUAL \$000
Bay of Plenty total	165,688
State highway improvements	79,074
State highway maintenance	38,655
Local road improvements	4,975
Local road maintenance	29,869
Regional improvements	2,864
Public transport	6,539
Road safety promotion, investment management and walking and cycling	3,712

CENTRAL REGION

The Central region stretches up from the top of the South Island (Nelson, Tasman and Marlborough) to the southern and central North Island, reaching across Taranaki, Manawatū-Whanganui and Wellington to the Hawke's Bay and Gisborne.

GISBORNE

WHERE 2015-18 INVESTMENT IS FOCUSED

The 2015-18 National Land Transport Programme's investment in Gisborne is focused on developing and maintaining a resilient transport network. Roads in the region are a lifeline for the local population and enable the efficient movement of freight, on which the economy depends.

This investment includes:

- an estimated investment of \$5 million in cycling and walking, including \$1.3 million from the Urban Cycleways Fund
- funding from the Government's Accelerated Regional Transport Programme for the construction of additional passing opportunities on State Highway 35 at Panikau Hill and Wallis Hill to increase safety and traffic flows
- investigation of the replacement of the single-lane Motu Bridge on State Highway 2 (also funded by the Government's Accelerated Regional Transport Programme)
- improvements to bridges to allow an additional 20 kilometres of high productivity motor vehicles routes, enabling more freight to be carried on fewer trucks.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Concluding the Eastland Port Access Project detailed business case investigations: this project targets efficiency improvements for freight accessing Eastland Port from State Highway 35 into Hirini Street.

Preparing for construction of State Highway 2 Motu Bridge replacement: this safety and resilience project, delivered from the Accelerated Regional Transport Programme, will replace the existing one-lane bridge with a new two-lane bridge and improve the road alignment for the approaches to the bridge. The new bridge is expected to be completed late 2017, with the project completed early in 2018.

Delivering the Community Driver Mentor and Community Learner Driver Programmes: these programmes are supported by local authorities and help remove the barriers some young people face in economically deprived situations when trying to get their restricted driver licence. The programmes aim to enable these young people to learn safe driving habits, become safer on the road and drive legally.

Concluding property negotiations and consenting for the Wainui Cycleway: the project will provide 10.65 kilometres of cycleway to extend an existing facility from Wainui through Kaiti and into Gisborne's central business district. It will connect with employment areas and schools in the central business district and provide local road links to schools in the area adjacent to the route.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2016/17 ACTUAL \$000
Gisborne total	32,324
State highway improvements	3,082
State highway maintenance	10,852
Local road improvements	1,691
Local road maintenance	15,316
Regional improvements	821
Public transport	295
Road safety promotion, investment management and walking and cycling	268



HAWKE'S BAY

WHERE 2015-18 INVESTMENT IS FOCUSED

The Hawke's Bay region is experiencing a prolonged period of economic growth. Significant investment from the 2015-18 National Land Transport Programme is being made across the transport network to support increased demand, particularly from freight. This investment includes:

- investment of \$13 million to sustain and grow public transport patronage and enhance existing services
- investment in promoting cycling is an expected \$9 million, including \$2.9 million from the Urban Cycleways Fund
- planned investment of \$22 million for regionally significant transport corridors to improve resilience and safety, increase freight efficiency within the region, and strengthen interregional journeys between the Hawke's Bay and neighbouring regions
- investigating opportunities to improve access to Napier Port, in recognition of its expanding use, as part of the Government's Accelerated Regional Transport Programme.



THIS YEAR'S INVESTMENT HIGHLIGHTS

Improving the safety and efficiency for freight connections to the Napier Port: progress was made on three key roading improvements identified in the Napier Port Access business case, some of which are part of the Accelerated Regional Transport Programme. Construction started on the State Highway 2 Watchman Road intersection, with investigations and design progressing on the Prebensen Drive-Hyderabad Road intersection and State Highway 50-State Highway 2 expressway safety improvements. These initiatives will improve access for freight and enhance supply chain efficiency while reducing the risk of deaths and serious injuries.

Starting construction of State Highway 2 Watchman Road intersection upgrades: this is a new roundabout at the intersection of State Highway 2, State Highway 2B and Watchman Road that will improve safety and efficiency on the strategic route to the port and Hawke's Bay airport. The intersections are ranked in the top 10 dangerous intersections in New Zealand. The project is expected to be completed in the middle of 2018.

Developing options to improve the journey on State Highway 38 between Wairoa and Rotorua: in collaboration with Whakatāne and Wairoa District Councils and Ngāi Tūhoe, progress was made on a business case looking at possible improvements to enhance tourism and improve resilience.

Making progress on the construction of the Whakatū Arterial Link: this will improve access for freight and enhance supply chain efficiency, while reducing the risk of deaths and serious injuries. The link provides opportunities for integration between road, rail, the freight distribution centre (inland port at Whakatū) and coastal shipping. The project is well under way with the recent opening of the new Whakatū Arterial roundabout on State Highway 2. Work on the new link road connecting to the roundabout is continuing.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2016/17 ACTUAL \$000
Hawke's Bay total	61,002
State highway improvements	3,873
State highway maintenance	13,116
Local road improvements	6,040
Local road maintenance	24,613
Regional improvements	8,875
Public transport	1,901
Road safety promotion, investment management and walking and cycling	2,584

TARANAKI



WHERE 2015-18 INVESTMENT IS FOCUSED

Investment in the Taranaki region from the 2015-18 National Land Transport Programme focuses on freight efficiency, route resilience, interregional connectivity, road maintenance and public transport.

This investment includes:

- expected investment of \$9 million in public transport to further encourage growth in the use of public transport
- investment of \$2 million in cycling and walking, including \$147,000 from the Urban Cycleways Fund
- improvements to State Highway 3 to improve safety at two of New Zealand's highest-risk intersections
- under the Government's Accelerated Regional Transport Programme, investigating how to improve State Highway 3 between New Plymouth and Hamilton (Mount Messenger to Awakino Gorge), and completing the State Highway 3 Normanby Overbridge Project so it is suitable for high productivity motor vehicles and to improve safety and journey time reliability
- investment of \$8.5 million along the interregional state highways to safeguard the regional economy by ensuring the freight transport links with the rest of New Zealand are safe and resilient.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Making progress on the State Highway 3 Awakino Gorge to Mount Messenger Programme

investigations: this route is a strategic link between Hamilton and New Plymouth. Options are being developed to upgrade and create bypasses for sections to improve safety, resilience, route availability and travel times. Some of this programme is being delivered by the Accelerated Regional Transport Programme.

Completing the State Highway 3 Normanby Bridge realignment: This project improves freight efficiency by enabling high productivity motor vehicle movements, while also improving safety and journey time reliability. This project was delivered by the Accelerated Regional Transport Programme.

Investigating safety on key sections of strategic road network: several investigations are under way to target safety issues across the region, including State Highway 45 Oakura, State Highway 3 Bell Block to Waitara and State Highway 3 New Plymouth to Hawera. While safety is the primary driver for these investigations, efficiency and resilience improvements will also be considered.

Reinstating State Highway 3 and State Highway 43: significant remedial work was required at various sites on State Highway 3 and State Highway 43 following a major storm in 2015. Completion of this work restored normal access for communities and improved route resilience and travel times.

Completing improvements for high productivity motor vehicles: bridges are being strengthened to complete the State Highway 3 Hawera to Whanganui high productivity motor vehicle route. Completion of the route will help improve regional freight efficiency.

Making progress on upgrades to cycling facilities on Coronation Ave: this project will provide significant safety improvements by providing a safe off-road route to cycle to New Plymouth's central business district.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2016/17 ACTUAL \$000
Taranaki total	40,225
State highway improvements	4,333
State highway maintenance	14,040
Local road improvements	3,761
Local road maintenance	15,781
Regional improvements	414
Public transport	1,461
Road safety promotion, investment management and walking and cycling	436

MANAWATŪ-WHANGANUI



WHERE 2015-18 INVESTMENT IS FOCUSED

Investment in the Manawatū-Whanganui region from the 2015-18 National Land Transport Programme focuses on developing and maintaining a resilient transport network that supports an economy heavily reliant on its role as a distribution hub and getting produce to market.

This investment includes:

- \$19.3 million planned investment in public transport
- \$7 million investment in cycling and walking, including \$4.3 million of Urban Cycleways funding, which includes a walking-cycling bridge over the Manawatū River and completion of Mountains to River 'Great Ride'
- improvements to State Highway 1 targeted towards reducing travel time
- \$2.5 billion investment in the Wellington Roads of National Significance that will deliver travel-time savings of up to 40 minutes between Levin and Wellington Airport
- \$21 million planned investment on State Highway 2 between Woodville and Hawke's Bay to increase freight efficiency while helping to keep road users safe
- under the Accelerated Regional Transport Programme, proposed replacement of the State Highway 1 Whirokino Trestle Bridge to reduce freight costs
- investigating new passing opportunities on State Highway 1 between Foxton and Waiouru to improve journey times, while enhancing safety and easing driver frustration on a nationally strategic state highway.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Investing in emergency works in the Manawatū Gorge: the closure of the gorge in April 2017 required significant investment in the emergency response and remedial work within the gorge, as well as additional maintenance on the Saddle Road alternative route.

Starting preparatory construction on the State Highway 1 Whirokino Trestle and Manawatū River

Bridge project: this project will replace bridges to improve safety, resilience and efficiency, as well as allow high productivity motor vehicles to use the route. The State Highway 1 Whirokino Trestle Bridge is part of the Accelerated Regional Transport Programme.

Completing construction of State Highway 2 Whakaruatapu Stream Bridge replacement and

Otamaraho Curves passing lane extension: these projects will help increase freight efficiency and help keep road users safe.

Developing walking and cycling networks in Palmerston North and Whanganui: work continued to develop and improve cycleways and shared paths for both urban centres as part of the Urban Cycleways Programme. In Palmerston North, this includes a new bridge across the Manawatū River, connecting the city with Massey University and Linton Army Camp.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2016/17 ACTUAL \$000
Manawatū-Whanganui total	119,008
State highway improvements	11,076
State highway maintenance	30,801
Local road improvements	7,064
Local road maintenance	55,694
Regional improvements	9,872
Public transport	3,008
Road safety promotion, investment management and walking and cycling	1,493

WELLINGTON



WHERE 2015-18 INVESTMENT IS FOCUSED

Investment in the Wellington region from the 2015-18 National Land Transport Programme focuses on improving travel-time reliability in the city's commuter peak travel times, enabling the development of a multimodal network and supporting a safe and resilient network for freight and commuters.

This investment includes:

- investment of \$456 million in public transport to encourage continued patronage growth
- expected investment of \$49 million in cycling and walking, including \$22 million from the Urban Cycleways Fund
- construction of the Wellington Northern Corridor on State Highway 1, a Road of National Significance, to increase resilience, journey reliability and safety for commuters and freight
- construction of the Mackays to Peka Peka section of the Wellington Northern Corridor Road of National Significance, forecast to improve average journey times by 3.5 minutes and improve safety
- new routes at Transmission Gully and, potentially, Petone to Grenada are expected to significantly improve the resilience of the overall network, by providing alternative routes and more capacity
- continued work to resolve outstanding issues for transport between the Ngāūranga Gorge interchange and Wellington Airport.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Opening the MacKays to Peka Peka Expressway to traffic: this 18 kilometre four-lane expressway redirects State Highway 1 along the Kāpiti Coast. It is the first project in the Wellington Northern Corridor Road of National Significance programme to be completed. The new route separates local and state highway traffic to enable safer, shorter and more reliable journeys along the Kāpiti Coast.

Continuing investment in the Wellington Northern Corridor Road of National Significance programme: this includes Transmission Gully, Peka Peka to Ōtaki and Ōtaki to north of Levin (in the Manawatū-Whanganui region). Completion of the Wellington Northern Corridor will significantly improve resilience, reliability, safety and journey times for customers.

Making progress on investigations and design work to improve east-west links: this includes the Petone-Grenada Link Road investigations and State Highway 58 safety improvements. Improving these links will improve regional resilience, route availability, route choice and travel times.

Continuing investment in walking and cycling networks in main urban centres: this includes the Wellington to Hutt Valley Walking and Cycling Link, together with projects in Kāpiti District, Hutt City, Upper Hutt City and Porirua. Completing routes within and between urban centres will improve safety and provide travel choices for commuters and recreational users.

Investing in the delivery of the public transport transformation programme: this includes the ongoing implementation of the Public Transport Operating Model, integrated ticketing and planning for the introduction of a new bus fleet and services.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2016/17 ACTUAL \$000
Wellington total	404,758
State highway improvements	223,185
State highway maintenance	59,520
Local road improvements	7,468
Local road maintenance	36,975
Regional improvements	-
Public transport	70,897
Road safety promotion, investment management and walking and cycling	6,712

TOP OF THE SOUTH



WHERE 2015-18 INVESTMENT IS FOCUSED

The 2015-18 National Land Transport Programme's investment in the Top of the South focuses on maintaining efficiency of key freight routes, addressing route resilience challenges, investing in cycling and public transport and helping to fund the costs of maintenance, operations and renewals.

This investment includes:

- through the Accelerated Regional Transport Programme, investigating a replacement for the Ōpāwa Bridge in Marlborough to remove the pinch point on State Highway 1 enabling better access for high productivity motor vehicles
- further investment to enable 50MAX and high productivity motor vehicle access to forestry plantations in the Northbank and Waihōpai areas
- work to address a pinch point for cyclists in the Gentle Annie pass on State Highway 6 in Nelson, which, when completed will deliver 3.5 metre-wide lanes and 1.5 metre shoulders for motorists and cyclist travelling in both directions
- continued investment in Nelson's walking and cycling programme of improvements, including investigations into Rocks Road and Tāhunanui
- expected investment of \$1 million investment in cycling and walking in Blenheim, including \$710,000 from the Urban Cycleways Fund.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Increasing maintenance investments to improve alternative routes following the closure of State Highway 1 after the November 2016 Kaikōura earthquake: a total of \$23.7 million from the National Land Transport Fund was invested in the Marlborough and Tasman Region sections of the Picton to Christchurch Alternate Route to make it safer and more resilient for road users. A further \$18.5 million of improvements were funded from the Government's Kaikōura earthquake recovery fund.

Completing detailed design for the State Highway 1 Opawa Bridge replacement: construction of a new two-lane bridge will start in 2017/18, and the existing bridge will be retained and used for a walking and cycling bridge. The new bridge, delivered as part of the Accelerated Regional Transport Programme, will remove a pinch point on State Highway 1 and enable better access for high productivity motor vehicles.

Completing the initial business case for State Highway 1 Picton-Christchurch: this route is a nationally strategic route and carries a significant amount of freight. Initial investigations identified a package of safety, resilience, efficiency and access proposals for the route that require further consideration. This resulted in the start of pre-implementation work for realignment at Weld Pass to improve safety.

Making progress on the construction of the State Highway 6 Rai Saddle improvements: this project aims to reduce the number and severity of crashes.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2016/17 ACTUAL \$000
Top of the South total	90,413
State highway improvements	22,800
State highway maintenance	41,879
Local road improvements	1,498
Local road maintenance	16,697
Regional improvements	5,189
Public transport	865
Road safety promotion, investment management and walking and cycling	1,486

SOUTHERN REGION

The Southern region is the largest of the Transport Agency's four regions, embracing all of the South Island except Nelson, Tasman and Marlborough.

CANTERBURY*

WHERE 2015-18 INVESTMENT IS FOCUSED

The 2015-18 National Land Transport Programme's investment in Canterbury will continue to target completing earthquake recovery work and making significant progress developing Christchurch motorways.

This investment includes:

- planned investment of \$137 million in public transport
- expected investment of \$65 million in cycling and walking, including \$19.9 million from the Urban Cycleways Fund
- \$700 million in new roads and network improvements, including \$490 million to deliver network efficiency and safety improvements to substantially complete the Transport Agency's Christchurch motorways projects
- \$310 million allocated for the maintenance, operation and renewal of local roads
- \$150 million for the maintenance, operation and renewal of state highways
- \$50-65 million for the Christchurch City Council's \$80 million project to re-open Sumner Road to the Lyttelton Port of Christchurch
- under the Accelerated Regional Transport Programme, \$22 million towards realigning State Highway 73 from Mingha Bluff to Rough Creek through Arthur's Pass National Park to improve safety and build greater resilience through the alpine pass.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Responding to the Kaikōura earthquake: through the North Canterbury Transport Infrastructure Recovery alliance, more than \$100 million was directed to the repair and reinstatement of roads damaged by the Kaikōura earthquake in November 2016. In addition, support was provided to the Hurunui and Kaikōura District Councils' recovery programme to repair the damage to their local road networks, including a significant investment into the Inland Kaikōura Road.

Delivering safety and strengthening improvements along the alternate state highway route from Picton to Christchurch: this route is functioning as the main state highway connection from Picton to Christchurch while work continues to restore State Highway 1. It was crucial to improve the route so that it could operate as a safe alternative for travellers and cope with the demands of increased freight movements.

Starting construction on the Christchurch Southern Motorway Stage 2 and Northern Corridor projects: these two projects form part of the Christchurch Roads of National Significance programme aimed at easing congestion, reducing travel times and improving safety on critical motorway routes. Construction also continued to upgrade the Christchurch Western Corridor to provide access to Christchurch Airport.

Finishing the Stronger Christchurch Infrastructure Rebuild Team Roading Repair Programme: this was a significant milestone in the recovery from the Christchurch earthquakes. Progress continued on the Sumner Road reinstatement project to restore this important alternate access to Lyttelton Port.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2016/17 ACTUAL \$000
Canterbury total	470,766
State highway improvements	214,512
State highway maintenance	75,508
Local road improvements	14,587
Local road maintenance	129,925
Regional improvements	988
Public transport	23,230
Road safety promotion, investment management and walking and cycling	12,016

* In 2016/17, investment from the National Land Transport Fund for the Chatham Islands totalled \$3.223 million. This was primarily for local road maintenance (\$3.114 million) and local road improvements (\$0.96 million). There was also \$0.13 million for road safety promotion, investment management and walking and cycling.



WEST COAST



WHERE 2015-18 INVESTMENT IS FOCUSED

The 2015-18 National Land Transport Programme's investment in the West Coast focuses on safety, travel-time reliability and route resilience, particularly for freight and tourists.

This investment includes:

- \$25 million to maintain state highways and local roads and \$2.2 million to support the response to emergency events during the year, including Jackson Bay Road slip repairs and Buller River rock armouring
- the Safe System Signature Programme's Visiting Drivers Project, which is focused on the Otago, Southland and Westland regions.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Advancing the Visiting Drivers Project: the Safe System Signature Programme's Visiting Drivers Project was established to improve road safety outcomes for visiting drivers, while maintaining New Zealand's reputation as an attractive and safe tourist destination. A detailed business case for state highway improvements was completed and resulted in side protection barriers, additional signage and delineation improvements on State Highway 6. A detailed business case for safety improvements on Whitcombe Valley Road to the Hokitika Gorge was also completed on the local road network.

Starting construction for the State Highway 6 Taramakau Road Rail Bridge replacement: as part of the Accelerated Regional Transport Programme, construction started in December 2016 with major earthworks on either side of the site of the new bridge in preparation for the new approaches. This project will provide significant safety and travel-time improvements for travellers.

Making progress on network resilience projects: this includes work on river protection and rockfall mitigation measures to reduce vulnerability and associated disruptions of road closures for interregional trips. Designs for other high priority sites on state highways were also progressed.

Completing the detailed business case for the replacement of the Ahaura River Bridge: this project is part of the National Bridge Replacement Programme and is on State Highway 7 immediately south of the Ahaura township.

Designing slow vehicle bays: to improve safety and improve the journey experience on State Highways 6, 7 and 73, slow vehicle bays were designed in readiness for implementation in the summer construction season.

Working in partnership on the West Coast Regional Economic Development Action Plan: this initiative was launched in June 2017 and took a co-investment approach for projects, including the Franz Josef Township Natural Hazards Options Assessment and the Northern Link Road Strategic Business Case.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2016/17 ACTUAL \$000
West Coast total	45,316
State highway improvements	3,807
State highway maintenance	20,965
Local road improvements	568
Local road maintenance	9,232
Regional improvements	10,434
Public transport	104
Road safety promotion, investment management and walking and cycling	206

OTAGO



WHERE 2015-18 INVESTMENT IS FOCUSED

The 2015-18 National Land Transport Programme's investment in Otago focuses on safety, travel-time reliability and route resilience, particularly for freight and tourists.

This investment includes:

- \$36 million proposed for co-investment with the Otago Regional Council in public transport
- \$10 million expected total cycling and walking investment with Dunedin City Council, including
- \$3.5 million of Urban Cycleways funding
- finishing more of Dunedin City Council's Harrington Point to Dunedin sea-level rise mitigation and improvements to safety, walking and cycling on key tourist and commuter routes
- completing the final stage of the Transport Agency's State Highway 88 shared cycling and walking path between Dunedin and Port Chalmers
- projects to improve safety, including \$40-45 million of safety improvements on State Highway 1 between Anderson's Bay Road and Lookout Point in Dunedin
- the Visiting Drivers Safety Signature project, which focused on the Otago, Southland and Westland regions
- \$745 million for highway and local road maintenance, operations and renewals
- a new two-lane bridge at Kawarau Falls, at Frankton on State Highway 6, as part of the Accelerated Regional Transport Programme.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Completing improvements to the Glenda Drive intersection in Queenstown and local road links:

these improvements provide improved road capacity, access and safety for existing and new commercial activities for Wakatipu Basin by downgrading the existing state highway roundabout and allowing for only left turns into Glenda Drive from State Highway 6.

Completing the Nuggets Road seal extension project: this is part of the Southern Penguin Scenic Journey in the Catlins. This high-priority tourist route was sealed to improve visitor experience, safety and accessibility.

Awarding the Dunedin one-way system separated cycle lane contract and starting construction of \$8 million of new cycle lanes: the separated cycle lane will improve cycle safety on the one-way system through the centre of Dunedin.

Making progress on the Visiting Drivers project in Otago: the state highway improvements component is in its implementation stage and signage, barrier, and road marking upgrades were completed. The local road network is also being reviewed for opportunities.

Progressing construction of the new \$22 million Kawarau Falls Bridge: the bridge will facilitate two-way traffic across the Kawarau River, improving journey time reliability and providing safer and more efficient movement of freight and people south of Queenstown.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2016/17 ACTUAL \$000
Otago total	87,250
State highway improvements	1,912
State highway maintenance	27,793
Local road improvements	10,288
Local road maintenance	34,411
Regional improvements	3,888
Public transport	6,076
Road safety promotion, investment management and walking and cycling	2,882

SOUTHLAND

WHERE 2015-18 INVESTMENT IS FOCUSED

The 2015-18 National Land Transport Programme's investment in Southland focuses on safety, travel-time reliability and route resilience, particularly for freight and tourists.

This investment includes:

- \$47 million for highway and local road maintenance, operations and renewals
- \$4 million for regional council joint procurement of public transport ticketing in Otago and Southland to provide improved public transport planning and a wider variety of fare products to increase patronage
- the Visiting Drivers Safety Signature project, which focuses on the Otago, Southland and Westland regions.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Progressing the design of the Edendale State Highway 1 bypass: an investment of \$12 million will improve access to the local dairy plant and improve safety for the local community. State Highway 1 to the northwest of Edendale will be realigned and a roundabout constructed close to the southern end of the new alignment. The tender for this project is expected to occur in the middle of 2017/18.

Implementing the Southland Network Outcomes Contract: this was the first year of the contract and the efficiencies of having a single performance-based contract to manage and maintain Southland's road network began to be evident.

Progressing the detailed business case for the State Highway 1 Elles Road Roundabout: this intersection will be developed with a \$2.3 million roundabout proposal. The roundabout will improve safety and network efficiency and is linked to future industrial development on sites adjacent to the intersection.

Making progress on the Visiting Drivers project in Southland: improvements were completed including signage upgrades, road realignment, intersection improvements and traffic/pedestrian improvements at Falls Creek and the Divide (access to the Routeburn Track). The programme will improve road safety for visiting drivers, while maintaining New Zealand's reputation as an attractive and safe tourist destination.

Reviewing Invercargill's bus network: this will make the routes more direct and improve the experience for customers.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2016/17 ACTUAL \$000
Southland total	39,219
State highway improvements	1,036
State highway maintenance	15,543
Local road improvements	1,489
Local road maintenance	18,597
Regional improvements	1,256
Public transport	982
Road safety promotion, investment management and walking and cycling	316



SECTION C

STATEMENT OF PERFORMANCE



STATEMENT OF RESPONSIBILITY

In terms of the Land Transport Management Act 2003, we are responsible for the preparation of the National Land Transport Fund financial statements and statement of service performance, and for the judgements made in them.

We are responsible for any end-of-year performance information provided by the National Land Transport Fund under section 19A of the Public Finance Act 1989.

We have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the National Land Transport Fund for the year ended 30 June 2017.

Signed on behalf of the Board:



CHRIS MOLLER

Chair
NZ Transport Agency
28 SEPTEMBER 2017



MARK DARROW

Chair of the Audit, Risk and
Assurance Board Committee
NZ Transport Agency
28 SEPTEMBER 2017

Countersigned by:



FERGUS GAMMIE

Chief Executive
NZ Transport Agency
28 SEPTEMBER 2017



HOWARD CATTERMOLLE

General Manager
Investment and Finance
NZ Transport Agency
28 SEPTEMBER 2017



JENNY CHETWYND

General Manager
Strategy, Policy and Planning
NZ Transport Agency
28 SEPTEMBER 2017

NATIONAL LAND TRANSPORT FUND STATEMENT OF PERFORMANCE 2016/17





The following activity classes from the Government Policy Statement on Land Transport are funded from the National Land Transport Fund. Further detail for each activity class, with the exception of road policing, is in the *NZ Transport Agency annual report* (pages 63-92).

In some cases, the Transport Agency delivers these activities, in others it delivers them with local authorities, and in others it invests in the activities (through the National Land Transport Programme), but does not deliver them. In total, investments through the National Land Transport Fund achieved 82 percent of forecast results where trend information was available.

INVESTMENT IN LAND TRANSPORT

PUBLIC TRANSPORT

Two of four investment measures match the desired trend.

INVESTMENT PERFORMANCE*	ACTUAL 2015/16	ACTUAL 2016/17	DESIRED TREND 2016/17	ASSESSMENT AGAINST DESIRED TREND
Number of passengers using urban public transport services (bus, train and ferry)	148m	153m	Increasing	Increasing 
Fare revenue as a % of direct operating expenditure – local and national ^{NOTE 31}	49.5%	47.4%	Maintaining	Declining 
Productivity (costs per passenger km) where available by bus, train and ferry ^{NOTE 32}	Bus: 0.15 \$/km Train: 0.13 \$/km Ferry: 0.06 \$/km	Bus: 0.169 \$/km Train: 0.163 \$/km Ferry: 0.057 \$/km	Increasing productivity [†]	Decreasing productivity 
Productivity (costs per passenger boarding) [‡] ^{NOTE 33}	Bus: \$1.15 Train: \$3.11 Ferry: \$0.81	Bus: \$1.25 Train: \$2.86 Ferry: \$0.76	Increasing productivity ^{††}	Increasing productivity 

* For technical notes, see appendix 2 of the *NZ Transport Agency annual report 2016/17* on page 181.


† An increase in productivity is considered to reduce cost per passenger kilometre.

‡ This is an alternative measure. The information available from service providers and regional councils to report on the Government Policy Statement on Land Transport measure *Productivity (costs per passenger kilometre) where available by peak and off-peak* is not available in sufficient quality to enable accurate and reliable reporting. This measure was previously under review and no figure was reported for 2015/16.

†† An increase in productivity is considered to reduce cost per passenger boarding.

ACTIVE MODES OF TRANSPORT (WALKING AND CYCLING)

All available investment measures match the desired trend.

INVESTMENT PERFORMANCE*	ACTUAL 2015/16	ACTUAL 2016/17	DESIRED TREND 2016/17	ASSESSMENT AGAINST DESIRED TREND
Network kilometres of cycle lanes	45.5km (including 20.9km Urban Cycleways Programme projects)	91.4km (including 63.6km Urban Cycleways Programme projects)	Increasing	Increasing 
Percentage increase in cycling trip legs per person across Auckland, Wellington and Christchurch ^{NOTE 34}	Not available	Not available [†]	Increasing	- -



* For technical notes, see appendix 2 of the *NZ Transport Agency annual report 2016/17* on page 181.

† The measure capturing the percentage increase in cycling trip legs per person across Auckland, Wellington and Christchurch is sourced from the Household Travel Survey. Due to methodology changes, results from this survey will not be available until 2019. During 2015/16, cordon counts were undertaken to establish baseline trip information. Changes in cycling trip legs against this new baseline will be used to report on this performance measure from June 2017 until the results of the Household Travel Survey are available.

ROAD NETWORK IMPROVEMENTS

LOCAL ROADS

All available investment measures match the desired trend.

INVESTMENT PERFORMANCE	ACTUAL 2015/16*	ACTUAL 2016/17	DESIRED TREND 2016/17	ASSESSMENT AGAINST DESIRED TREND	
Average travel times on key local roads serving our major metropolitan areas (7-9 AM peak) [†] (reported for a year until March)	Auckland: 2.5 min/km Wellington: 2.7 min/km Christchurch: 1.9 min/km	Auckland: 2.5 min/km Wellington: 2.3 min/km Christchurch: 1.8 min/km	Decreasing	Maintaining overall	
Productivity of the local road network in major metropolitan areas	New measure	Not available [‡]	Increasing	-	-
% of approved organisations signed up to the 50MAX network ^{††}	87%	95%	Increasing	Increasing	

* The figures for Wellington and Christchurch in 2015/16 were incorrectly reported. The correct figures are reported here.




† This measure represents the average travel time per kilometre travelled. For example a change of 0.1 between years would represent an increase of six seconds per kilometre travelled.

‡ The coverage of local roads in the productivity model is currently too small to provide a representative sample. This measure will be reported as additional local roads are added.

†† This is a proxy measure. It is not possible to report on the Government Policy Statement measure of % of local roads that are made available to high productivity motor vehicles (HPMVs) as roads are made available on the basis of individual journey permits. The sign-up to 50MAX signals intent to make the network available to 50MAX complying vehicles as of right.

STATE HIGHWAYS

Two of three investment measures match the desired trend.

INVESTMENT PERFORMANCE*	ACTUAL 2015/16 [†]	ACTUAL 2016/17	DESIRED TREND 2016/17	ASSESSMENT AGAINST DESIRED TREND	
Travel times on key state highways serving our major metropolitan areas (Auckland, Wellington and Christchurch) [‡] (reported for a year until March) ^{NOTE 22}	Auckland: 1.1 min/km Wellington: 1.2 min/km Christchurch: 1.4 min/km	Auckland: 1.1 min/km Wellington: 1.2 min/km Christchurch: 1.4 min/k	Maintaining	Maintaining	
Productivity of the state highway network in major metropolitan areas (Auckland, Wellington and Christchurch – AM peak) (reported for a year until March) ^{NOTE 23}	Auckland: 62% Wellington: 63% Christchurch: 35%	Auckland: 59% Wellington: 63% Christchurch: 33%	Maintaining	Decreasing	
Proportion of state highways available to HPMVs	45%	49%	Increasing	Increasing	

* For technical notes, see appendix 2 of the NZ Transport Agency annual report 2016/17 on page 181.

† The figures for Wellington and Christchurch were incorrectly reported in the NZ Transport Agency annual report 2015/16. The correct figures are reported here.

‡ The measure represents change in travel time per kilometre travelled. For example, a change of 0.1 between years would represent an increase of six seconds per kilometre travelled.

REGIONAL ROADS

The investment measure matches the desired trend.

INVESTMENT PERFORMANCE	ACTUAL 2015/16	ACTUAL 2016/17	DESIRED TREND 2016/17	ASSESSMENT AGAINST DESIRED TREND
Kilometres of improved regional roading	Not applicable*	16	Increasing	- ●

* No regional roading activities were completed in 2015/16, which was the first year of expenditure in this output class.

ROAD NETWORK MAINTENANCE

LOCAL ROADS

All four investment measures match the desired trend.

INVESTMENT PERFORMANCE	ACTUAL 2015/16	ACTUAL 2016/17	DESIRED TREND 2016/17	ASSESSMENT AGAINST DESIRED TREND
Pavement integrity of the sealed network	94	94	Maintaining	Maintaining ●
Surface condition of the sealed network	98	98	Maintaining	Maintaining ●
Smooth ride: % of travel on smooth roads	84%	88%	Maintaining	Increasing ●
Local road maintenance cost per lane km by road classification*	\$2,919	\$2,910†	Maintaining (in real terms)	Decreasing (in real terms) ●

* It has not been possible to assess cost by road classification. The cost of maintenance is recorded through 23 work categories. While some of the work categories can readily be assigned to sections of road, many types of work do not readily link to road class. For example, costs such as lighting or measuring road roughness are managed at a network level. While there is a long-term intention to assess cost by road class, several changes to management processes and accounting systems are needed before the long-term intention can be met. We will continue reporting road maintenance costs on an aggregated kilometre cost basis until data becomes available on a functional classification basis. This is not expected to be available until after 2018 on a national basis.

† This figure covers maintenance, operations and renewals (excluding emergency works) by New Zealand total lane kilometres and has been adjusted for inflation based on the network outcomes index.

STATE HIGHWAYS

All available investment measures match the desired trend.

INVESTMENT PERFORMANCE	ACTUAL 2015/16	ACTUAL 2016/17	DESIRED TREND 2016/17	ASSESSMENT AGAINST DESIRED TREND
Surface condition of the sealed network	Not available	Not available*	Maintaining	- -
Smooth ride: % of travel on smooth roads	98%	99%	Maintaining	Increasing ●
State highway maintenance cost per lane kilometre expenditure by road classification	\$19,389	\$19,284†	Maintaining (in real terms)	Declining ●

* A review of the surface condition rating methodology identified areas for improved validity. Under the current methodology the index rating remained at 98 percent. The Transport Agency is currently testing a replacement measure based on laser technologies and, if suitable, expect it to be in place in two years.

† This figure has been adjusted for inflation based on the network outcomes index.

ROAD POLICING

The Road Policing Programme is a special type of National Land Transport Fund investment in the land transport system, delivered by New Zealand Police and appropriated through Vote Police.

The Transport Agency prepares the Road Policing Programme with New Zealand Police and recommends it to the Minister of Transport for approval in consultation with the Minister of Police. The Transport Agency also monitors and reports to the Minister of Transport on the delivery of the programme against the desired outcomes listed in the Road Policing Programme.

The Road Policing Programme contributes to a reduction in deaths and serious injuries from road crashes and the resulting trauma, by deterring dangerous behaviour by road users and by enforcing the law applying to road users. The programme also contributes to economic growth and productivity through these activities and by increasing compliance with road user charges, commercial vehicle operator and vehicle dimension and mass rules; protecting the roading asset; ensuring more efficient freight supply chains, and supporting the resilience and security of the transport network.

Key achievements

During 2016/17, the Transport Agency prepared, in consultation with New Zealand Police, a variation to the 2015–18 Road Policing Programme to provide an additional \$10 million investment to retain key road policing functions, such as heavy vehicle inspections, motorway support and strategic road safety delivery, to contribute to economic growth and road safety outcomes. The variation brought the total level of National Land Transport Fund investment in the 2015–18 Road Policing Programme up to \$970 million.

A condition associated with the approval of the variation, was that the Transport Agency and New Zealand Police would undertake a joint review of the road policing strategy and operating models. The purpose of the review is to ensure the Road Policing Programme is future fit and provides value for money. The review will be undertaken during 2017/18, and it will look to align understanding of Transport Agency and New Zealand Police roles and responsibilities to inform the shape of the 2018–21 Road Policing Programme and the way it is managed, delivered and reported on. The review will establish a new framework to put people and victims at the centre of the model. It will be future focused, draw on international examples of best practice and enable and lever automation and technological innovation in future enforcement and compliance systems.

The Transport Agency also led the Transport Agency–New Zealand Police Road Policing Programme Strategic Oversight Committee. The committee provides a regular forum for senior managers to maintain strategic oversight and provide direction for the programme.

What Road Policing Programme investment covers

Road Policing Programme investment covers the delivery, by New Zealand Police, of activities listed in the programme. The activities align with the Safer Journeys strategy and focus on the following high-priority areas:

- speed, including the use of automated cameras, hand-held cameras, enforcement demerits and driving to the conditions
- distractions and restraints (in-car behaviour), including mobile phones, child car seats, motorcycle helmets and cycle helmets
- impaired driving, which addresses drug and alcohol affected driving as well as impairment from fatigue
- vulnerable road users, such as pedestrians, cyclists, elderly people, disabled people, inexperienced drivers, visiting drivers, road workers, skateboarders and motorcyclists
- high-risk behaviour, which addresses dangerous and reckless driving, fleeing drivers, and intersection and centre line offences, as well as high-risk behaviours in commercial vehicles such as dangerous goods, insecure loads and overloading
- network maintenance and efficiency, including crash attendance and event management, driver licence stop orders, road user charges, and vehicle mass and dimension rules.

New Zealand Police can adjust its road policing activities and resources to ensure it delivers the desired outcomes of the Road Policing Programme. In delivering road policing activities, New Zealand Police:

- encourages all drivers on New Zealand roads to observe and abide by road rules
- works with individuals and groups in the community so they take responsibility for themselves and others using the road network
- works with local authorities and transport authorities, for example to reduce speed
- targets road policing delivery to provide general deterrence and address analysed risk
- considers opportunities for enhanced road safety through environmental design.

How the investment performed

Overall, the Road Policing Programme continues to provide a positive return on National Land Transport Fund investment, with 76 percent of the Road Policing Programme results that New Zealand Police contributes to matching the desired trend.

AREA OF CONCERN	ROAD POLICING PROGRAMME RESULTS WHERE NZ POLICE MAKES A SIGNIFICANT CONTRIBUTION	DESIRED TREND	ASSESSMENT AGAINST DESIRED TREND	
Vehicle dimension and mass (VDAM)	Number of VDAM offences detected	Decrease	Decrease	●
Commercial vehicle operators	% of overweight heavy vehicles	Decrease	Increase	●
High risk drivers	Number of disqualified driving offences	Decrease	Increase	●
	Number of unlicensed or incorrectly licensed driving offences	Decrease	Increase	●
Traffic management	Time to reinstate traffic flow after road or carriageway closure or crash	Decrease	Decrease	●
Traffic management	% of local authorities, Transport Agency and ACC injury prevention consultants satisfied that New Zealand Police delivery of traffic management activities has addressed risk	Increase	Increase	●
Speed	% of vehicles complying with open road 100km/h speed limits	Increase	Increase	●
	% of vehicles complying with urban road 50km/h speed limits	Increase	Increase	●
	% of heavy vehicles complying with open road 90km/h speed limits	Increase	Increase	●
	% of heavy vehicles complying with urban road 50km/h speed limits	Increase	Increase	●
	% of vehicles exceeding speed limits by 1-10km/h	Decrease	Decrease	●
	% of respondents who agree that enforcing the speed limit lowers the road toll	Increase	Decrease	●
Young drivers	% of youth (15-24 years) with the expectation that the risk of being caught drink driving is small	Decrease	Decrease	●
	% of youth (15-24 years) with the expectation that the risk of being caught speeding is small	Decrease	Decrease	●
Alcohol	Number of fatal and serious injuries in alcohol/drug crashes per 100,000 population	Decrease	Increase	●
	% of respondents who agree there is a good chance of being stopped at an alcohol checkpoint if driving late at night	Increase	Increase	●
Walking and cycling	% of vehicles complying with urban road (50km/h) speed limits	Increase	Increase	●
	Number per 100,000 population of pedestrians and cyclists killed or seriously injured enough to be hospitalised for longer than one day	Decrease	Decrease	●

Motorcycles	% of motorcycles in crashes with a non-current warrant of fitness	Decrease	Decrease	●
Light vehicles	% of light vehicles in crashes with a non-current warrant of fitness	Decrease	Increase	●
Restraints	% of adults wearing safety belts in front seats	Increase	Increase	●
	% of adults wearing safety belts in rear seats	Increase	Increase	●
	% of children aged 5-9 using restraints (including booster seats, child seats and child harnesses)	Increase	Increase	●
	% of children aged 0-5 using child restraints	Increase	Increase	●
Older road users	Fatal and serious injuries to older road users per 100,000 population	Decrease	Increase	●
Crash reporting	% of fatal traffic crash reports received within 10 weeks	Increase	Increase	●
	% of serious injury traffic crash reports received within 10 weeks	Increase	Increase	●
	% of minor injury traffic crash reports received within 10 weeks	Increase	Increase	●
	% of non-injury traffic crash reports received within 10 weeks	Increase	Increase	●

What the New Zealand Police deliver

Full details of the New Zealand Police's service performance are available in the *New Zealand Police Annual Report 2016/17* at www.police.govt.nz.

SECTION D

FINANCIAL STATEMENTS AND AUDIT REPORTS



FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	ACTUAL 2016/17 \$M	BUDGET 2016/17 \$M	ACTUAL 2015/16 \$M
REVENUE INFLOWS*				
Land transport revenue	3	3,584	3,409	3,458
Management of Crown land		72	57	63
Tolling revenue		9	7	7
Interest revenue		9	4	5
Total revenue inflows	4	3,674	3,477	3,533
OUTFLOWS				
National Land Transport Programme (NLTP)		3,082	3,239	2,909
Road Policing Programme		321	323	315
Fuel excise duty/road user charges administration		5	5	5
Forecasting and strategy		1	1	1
Total outflows		3,409	3,568	3,230
SURPLUS/(DEFICIT) FROM CURRENT NATIONAL LAND TRANSPORT FUND BALANCE		265	(91)	303
Fair value gain on long-term payables		17	0	11
National Land Transport Fund (NLTF) expenditure to be funded long-term		(310)	0	(369)
Finance charges		(3)	0	0
Deficit to be funded from future NLTF revenue		(296)	0	(358)
SURPLUS/(DEFICIT)		(31)	(91)	(55)

* This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003.

Explanations of major variances against budget are provided in note 17.

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	NOTE	ACTUAL 2016/17 \$M	BUDGET 2016/17 \$M	ACTUAL 2015/16 \$M
ASSETS				
Current assets				
Cash and cash equivalents	5	575	177	262
Receivables	6	232	283	248
Total assets		807	460	510
LIABILITIES				
Current liabilities				
Payables	7	346	420	299
Non-current liabilities				
Payables	7	989	0	708
Total liabilities		1,335	420	1,007
NET ASSETS				
General funds		(528)	40	(497)
GENERAL FUNDS CLOSING BALANCE*	8	(528)	40	(497)

* This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003.

Explanations of major variances against budget are provided in note 17.

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN GENERAL FUNDS BALANCE FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	ACTUAL 2016/17 \$M	BUDGET 2016/17 \$M	ACTUAL 2015/16 \$M
GENERAL FUNDS OPENING BALANCE				
General funds - current		211	131	(92)
General funds - non-current		(708)	0	(350)
Total general funds opening balance		(497)	131	(442)
CHANGES IN GENERAL FUNDS BALANCE				
Surplus/(deficit) from current NLTF balance		265	(91)	303
Surplus/(deficit) to be funded from future NLTF revenue		(296)	0	(358)
Total changes in general funds balance		(31)	(91)	(55)
GENERAL FUNDS CLOSING BALANCE				
General funds - current		476	40	211
General funds - non-current		(1,004)	0	(708)
TOTAL GENERAL FUNDS CLOSING BALANCE*		(528)	40	(497)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	ACTUAL 2016/17 \$M	BUDGET 2016/17 \$M	ACTUAL 2015/16 \$M
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from land transport revenue		3,690	3,475	3,552
Payments to suppliers		(3,377)	(3,533)	(3,329)
Net cash from operating activities	9	313	(58)	223
NET INCREASE/(DECREASE) IN AMOUNTS HELD BY THE CROWN				
Amounts held by the Crown at the beginning of the year		262	235	39
AMOUNTS HELD BY THE CROWN AT THE END OF THE YEAR†		575	177	262

* This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003.

† The National Land Transport Fund is a notional account only. There are no actual cash and cash equivalents as funds are held by the Crown.

However, this statement has been provided to meet the requirements of section 11 of the Land Transport Management Act 2003.

Explanations of major variances against budget are provided in note 17.

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 / STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

The Land Transport Management Act 2003 includes a requirement for the Transport Agency to prepare at the end of the financial year an annual report on the National Land Transport Fund.

All revenue from fuel excise duty, road user charges, motor vehicle registration and licensing fees, revenues from Crown appropriations, management of Crown land interest, and tolling are accounted for in the National Land Transport Fund. The National Land Transport Fund is used to manage:

- the funding of the New Zealand Police Road Policing Programme
- the funding of the National Land Transport Programme for:
 - activities delivered by an approved organisation
 - state highway activities
 - research
 - other Transport Agency activities, such as transport planning.

National Land Transport Fund cash funds are held as part of the total Crown funds. The Ministry of Transport is responsible for authorising any payments from the National Land Transport Fund and administration of appropriations.

The National Land Transport Fund is a public benefit entity (PBE) for financial reporting purposes.

The financial statements for the National Land Transport Fund are for the year ended 30 June 2017, and were approved by the Transport Agency Board on 28 September 2017.

BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements of the National Land Transport Fund have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Financial Reporting Act 2014 which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest million dollars (\$m).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue inflows

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the National Land Transport Fund's business. Revenue is shown net of goods and services tax (GST).

Revenue is recognised when the amount can be reliably measured, when it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the National Land Transport Fund activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activity giving rise to the revenue have been resolved.

Interest

Interest revenue is recognised in the net surplus or deficit using the effective interest method.

Outflows

The National Land Transport Fund accounts for the flow of funds to the:

- Transport Agency - for the funding of the National Land Transport Programme, and fuel excise duty/road user charges administration
- New Zealand Police - who provide the Road Policing Programme
- Ministry of Transport - for forecasting and strategy.

Under section 9(1) of the Land Transport Management Act 2003, the National Land Transport Fund funds search and rescue activities, and recreational boating safety and safety awareness.

The various activities are outlined in the statement of service performance.

Assets

The National Land Transport Fund, being a notional account, does not hold any physical assets.

Employee entitlements

The National Land Transport Fund has no employees.

Goods and services tax

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis.

Income tax

The National Land Transport Fund is a public authority, so is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

Budget figures

The budget figures are derived from the *NZ Transport Agency statement of performance expectations* as approved by the Transport Agency Board. The budget figures have some differences in accounting policies to those adopted by the Transport Agency Board in preparing these financial statements. This is due to changes in accounting policies in 2015/16 after the budget figures were set.

2 / STATEMENT OF INFLOWS, OUTFLOWS AND CAPITAL EXPENDITURE FOR THE PREVIOUS TWO FINANCIAL YEARS

	ACTUAL 2016/17 \$M	ACTUAL 2015/16 \$M	ACTUAL (RESTATED) 2014/15 \$M
REVENUE INFLOWS			
Land transport revenue	3,584	3,458	3,184
Management of Crown land	72	63	79
Tolling revenue	9	7	0
Interest revenue	9	5	7
Total revenue inflows	3,674	3,533	3,270
OUTFLOWS			
National Land Transport Programme	3,082	2,909	2,943
Road Policing Programme	321	315	298
Fuel excise duty/road user charges administration	5	5	5
Forecasting and strategy	1	1	1
Total outflows	3,409	3,230	3,247
SURPLUS/(DEFICIT) FROM CURRENT NLTF BALANCE	265	303	23
Fair value gain on long-term payables	17	11	0
NLTF expenditure to be funded long term	(310)	(369)	(350)
Finance charges	(3)	0	0
Deficit to be funded from future NLTF revenue	(296)	(358)	(350)
SURPLUS/(DEFICIT)	(31)	(55)	(327)

This statement of inflows, outflows and capital expenditure for the previous two financial years is provided under the requirements of the Land Transport Management Act 2003.

Separate disclosure of the management of Crown land and interest is required under the Land Transport Management Act 2003.

3 / LAND TRANSPORT REVENUE

	ACTUAL 2016/17 \$M	ACTUAL 2015/16 \$M
REVENUE		
Fuel excise duty	1,957	1,932
Road user charges	1,508	1,433
Motor vehicle registration and annual licensing fees	224	215
	3,689	3,580
LESS REFUNDS		
Fuel excise duty	61	65
Road user charges	39	52
Motor vehicle registration and annual licensing fees	1	1
	101	118
Less bad debt write-off	4	4
TOTAL LAND TRANSPORT REVENUE	3,584	3,458

As per the Land Transport Management Act 2003, a payment is made for maritime search and rescue activities from fuel excise duty prior to the duty becoming land transport revenue. This payment was \$9 million (2016: \$9 million).

4 / TOTAL REVENUE INFLOWS

The land transport revenue and tolling has been classified and treated as non-exchange revenue and accounted for in accordance with PBE IPSAS 23. The nature of these revenue streams is that of taxes and duties.

The interest earned on the nominal cash balance and the management of Crown land has been classified and treated as exchange revenue and accounted for in accordance with PBE IPSAS 9.

5 / CASH AND CASH EQUIVALENTS

The National Land Transport Fund is a notional account only. The cash and cash equivalents reported in these statements are held by the Crown in the consolidated fund.

6 / RECEIVABLES

	ACTUAL 2016/17 \$M	ACTUAL 2015/16 \$M
Debtors - fuel excise duty	234	237
Debtors - motor vehicle register/road user charges	12	24
Provision for doubtful debt	(14)	(13)
TOTAL RECEIVABLES	232	248

7 / PAYABLES

	ACTUAL 2016/17 \$M	ACTUAL 2015/16 \$M
Current payable to Transport Agency (for the NLTP) - current NLTF balance	331	299
Current payable to Transport Agency (for the NLTP) - to be funded from future NLTF revenue	15	0
Non-current payable to Transport Agency (for the NLTP) - to be funded from future NLTF revenue	989	708
TOTAL PAYABLES	1,335	1,007

Current payables are non-interest bearing and are normally settled by the end of the month following the date of supply. Therefore, the carrying value of payables approximates its fair value.

Non-current payables are a mixture of interest and non-interest bearing advances that will be settled between 2 and 27 years. Non-interest bearing non-current payables are discounted to present value as at 30 June 2017.

8 / GENERAL FUNDS CLOSING BALANCE

	ACTUAL 2016/17 \$M	ACTUAL 2015/16 \$M
General funds - current	476	211
Total general funds - current	476	211
NLTP EXPENDITURE TO BE FUNDED LONG-TERM		
Accelerated Auckland Transport Programme	(236)	(112)
Public-private partnerships	(557)	(380)
Reinstatement of earthquake-damaged roads in Christchurch	(41)	(39)
Tauranga Eastern Link	(107)	(107)
Fair value changes in financial instruments	(63)	(70)
Total general funds - non-current	(1,004)	(708)
TOTAL GENERAL FUNDS CLOSING BALANCE	(528)	(497)

The National Land Transport Fund has a negative general funds balance due to the programmes that were accelerated and current funding was sourced from the Crown. The funding received has been recognised as long-term payables, which are not due until 2 to 27 years from balance date.

Although the National Land Transport Fund has a negative general funds balance, the directors consider the going concern assumption valid due to the following:

- The National Land Transport Fund's liquidity is actively managed.
- The National Land Transport Fund's has a positive cash balance of \$575 million as at 30 June 2017 (2016: \$262 million).
- The National Land Transport Fund's long-term forecasts show its ability to repay these obligations when they fall due.
- The main revenue source of the National Land Transport Fund is land transport revenue, which is forecast with inputs from other government departments and has been accurately forecast in recent years.
- The National Land Transport Fund has the option to slow down expenditure on the National Land Transport Programme, or utilise the short-term borrowing facility of \$250 million if required to meet obligations as they fall due in the short term.
- A long-term financial liabilities policy prioritises borrowing repayments over other commitments and limits borrowings to an annual repayment threshold of 10 percent of the land transport revenue.

9 / RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FROM OPERATING ACTIVITIES

	ACTUAL 2016/17 \$M	ACTUAL 2015/16 \$M
NET SURPLUS/(DEFICIT) AFTER TAX	(31)	(55)
ADD/(LESS) MOVEMENTS IN WORKING CAPITAL ITEMS:		
(Increase)/decrease in receivables	16	19
Increase/(decrease) in payables	328	259
Net movements in working capital items	344	278
NET CASH FROM OPERATING ACTIVITIES	313	223

10 / CAPITAL COMMITMENTS AND OPERATING ROADING PLANNED OUTFLOWS

The planned aggregate funding outflows for the National Land Transport Fund are as follows:

	ACTUAL 2016/17 \$M	ACTUAL 2015/16 \$M
Not later than one year	5,382	3,958
Later than one year and not later than five years	2,771	4,803
Later than five years	6,051	3,956
TOTAL PLANNED FUNDING	14,204	12,717

11 / CONTINGENCIES

Contingent liabilities

The National Land Transport Fund has no contingent liabilities (2016: nil).

Contingent assets

The National Land Transport Fund has no contingent assets (2016: nil).

12 / RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

The National Land Transport Fund is a wholly owned entity of the Crown

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the National Land Transport Fund would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the nominal terms and conditions for such transactions.

Key management personnel compensation

Under the definition of PBE IPSAS 20, the National Land Transport Fund has no key management personnel.

13 / FINANCIAL INSTRUMENT CATEGORIES

The carrying amounts of financial assets and liabilities in each of the categories are as follows:

	ACTUAL 2016/17 \$M	ACTUAL 2015/16 \$M
LOANS AND RECEIVABLES		
Cash and cash equivalents	575	262
Receivables	232	248
TOTAL LOANS AND RECEIVABLES	807	510
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Payables	1,335	1,007
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	1,335	1,007

14 / FINANCIAL INSTRUMENT RISKS

The National Land Transport Fund's activities expose it to a variety of financial instrument risks, including credit risk and liquidity risk. The National Land Transport Fund has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the National Land Transport Fund, causing the National Land Transport Fund to incur a loss.

In the normal course of business, the National Land Transport Fund is exposed to credit risk from debtors and other receivables. For these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

The cash balance is nominal and held within the Government's Crown account.

The National Land Transport Fund holds no collateral or other credit enhancements for financial instruments that give rise to credit risk.

Maximum exposure to credit risk

The National Land Transport Fund's maximum credit risk exposure for each class of financial instrument is as follows:

	ACTUAL 2016/17 \$M	ACTUAL 2015/16 \$M
Receivables	232	248
TOTAL CREDIT RISK	232	248

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings.

	ACTUAL 2016/17 \$M	ACTUAL 2015/16 \$M
CASH AND CASH EQUIVALENTS		
AA+	575	262
TOTAL CASH AND CASH EQUIVALENTS	575	262

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the National Land Transport Fund will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash.

The National Land Transport Fund mostly manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

Contractual maturity analysis of financial liabilities

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts below are contractual cash flows which in some instances will differ from the carrying amount of the relevant liability in the statement of financial position.

	2016/17				2015/16			
	0-1 YEAR \$M	1-2 YEARS \$M	2-5 YEARS \$M	OVER 5 YEARS \$M	0-1 YEAR \$M	1-2 YEARS \$M	2-5 YEARS \$M	OVER 5 YEARS \$M
Payables	352	44	367	1,095	304	21	181	839

15 / CAPITAL MANAGEMENT

The National Land Transport Fund's capital is its general funds. General funds are represented by net assets.

The National Land Transport Fund is subject to the financial management and accountability provisions of the Public Finance Act 1989, which imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives.

The Transport Agency manages the National Land Transport Fund general funds as a by-product of prudent management of revenues, expenses, liabilities and general financial dealings to ensure the National Land Transport Fund effectively achieves the requirements set out in the Land Transport Management Act 2003.

16 / COMMITMENTS TO REGIONS REPORTING

The Land Transport Management Amendment Act (LTMA) 2008 requires disclosure of expenditure incurred from 2008/09 to date, in fulfilling the Crown's commitment as per the Act.

	LTMA COMMITMENT \$M	DUE BY	ACTUAL TO DATE \$M
Bay of Plenty	135	2015/16	131
Wellington land transport (Western corridor) *	625	2016/17	372
TOTAL	760		503

* Changes were made to the Land Transport Management Act 2008 Amendment in 2013.

All other regional commitments have been fully met.

17 / EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

Explanations for significant variations from the National Land Transport Fund's budgeted figures are as follows:

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

Revenue inflows

Land transport revenue was \$175 million above budget due to increased travel demand as a result of raised levels of economic activity.

Outflows

National land transport programme was \$157 million below budget. This was largely due to lower expenditure on state highway improvements due to savings made at the tender box and establishment phases taking longer than expected.

National Land Transport Fund expenditure to be funded long-term reflects the expenditure on the Accelerated Auckland Transport Programme, the public-private partnerships, the reinstatement of earthquake-damaged roads in Christchurch and the fair value changes of financial instruments. These were not budgeted for in the National Land Transport Fund.

18 / EVENTS AFTER THE BALANCE DATE

No significant events occurred after the balance date.

STATEMENT OF SERVICE PERFORMANCE - FINANCIALS

	ACTUAL 2016/17 \$M	BUDGET 2016/17 \$M	ACTUAL 2015/16 \$M
Investment management	60	59	60
Public transport	334	332	307
Walking and cycling	42	36	40
Road safety promotion	33	36	30
Local road improvements	141	142	104
Local road maintenance	595	585	553
Regional improvements	69	98	13
State highway improvements	1,256	1,385	1,340
State highway maintenance	552	566	462
TOTAL OUTPUT CLASS FUNDING TO THE TRANSPORT AGENCY	3,082	3,239	2,909
Accelerated Auckland Transport Programme	124	0	112
Public-private partnerships	174	0	215
Reinstatement of earthquake damaged roads in Christchurch	2	0	23
Fair value changes in financial instruments charged to surplus or deficit	10	0	19
TOTAL OUTPUT CLASS FUNDING (LONG TERM)	310	0	369

Walking and cycling was \$6 million above budget as there was a bigger emphasis taken by approved organisations on cycling facilities.

Regional improvements was \$29 million below budget. Momentum for this activity has been slower than expected. Many of these projects are safety corridors, where gaining alignment with stakeholder and communities has slowed progress.

State highway improvements were \$129 million below budget. There were some substantial savings at tender on a number of high cost construction contracts with the resultant negotiation and establishment phases taking longer than expected.

INDEPENDENT AUDITOR'S REPORT



TO THE READERS OF NATIONAL LAND TRANSPORT FUND'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2017

The Auditor-General is the auditor of National Land Transport Fund (the "NLTF"). The Auditor-General has appointed me, Brent Manning, using the staff and resources of KPMG, to carry out the audit of the financial statements and the performance information, of the NLTF, on his behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the NLTF on pages 238 to 249, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the NLTF on pages 231 to 236, and page 250.

In our opinion:

- the financial statements of the NLTF on pages 238 to 249:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2017; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity International Public Sector Accounting Standards.
- the performance information on pages 231 to 236, and page 250:
 - presents fairly, in all material respects, the NLTF's performance for the year ended 30 June 2017, including:
 - for each class of reportable outputs:
 - its standards of performance achieved as compared with forecasts included in the statement of performance expectations for the financial year;
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year;
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 28 September 2017. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board

The Board are responsible on behalf of the NLTF for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board are responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of the NLTF for assessing the NLTF's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the NLTF, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

Responsibilities of the Auditor

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the NLTF's statement of performance expectations.



We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NLTF's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- We evaluate the appropriateness of the reported performance information within the NLTF's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NLTF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the NLTF to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the NLTF to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the NLTF audit. We remain solely responsible for our audit opinion.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board are responsible for the other information. The other information comprises the information included on pages 190 to 228 and 254 to 257, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the NLTF in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with or interest in the NLTF.

BRENT MANNING

KPMG

On behalf of the Auditor-General
Wellington, New Zealand

SECTION E

ABOUT THE LAND TRANSPORT INVESTMENT SYSTEM



LAND TRANSPORT INVESTMENT SYSTEM

This section describes the relationship between the National Land Transport Fund and the National Land Transport Programme and the role of the NZ Transport Agency in the land transport investment system. More information about what the Transport Agency does and how its performance is measured is in the statement of performance for investment management (page 65 of the *NZ Transport Agency annual report*).

NATIONAL LAND TRANSPORT FUND

The National Land Transport Fund is a fully hypothecated (ring-fenced) transport fund made up of fuel excise duty, road user charges, a portion of the annual vehicle licensing fee, and income from the sale and lease of state highway property. This means that all the revenue collected from transport users (see figure 3) is dedicated to investment in land transport.

The NZ Transport Agency Board has independent statutory responsibilities for the allocation and investment of the National Land Transport Fund, which occurs through the National Land Transport Programme.

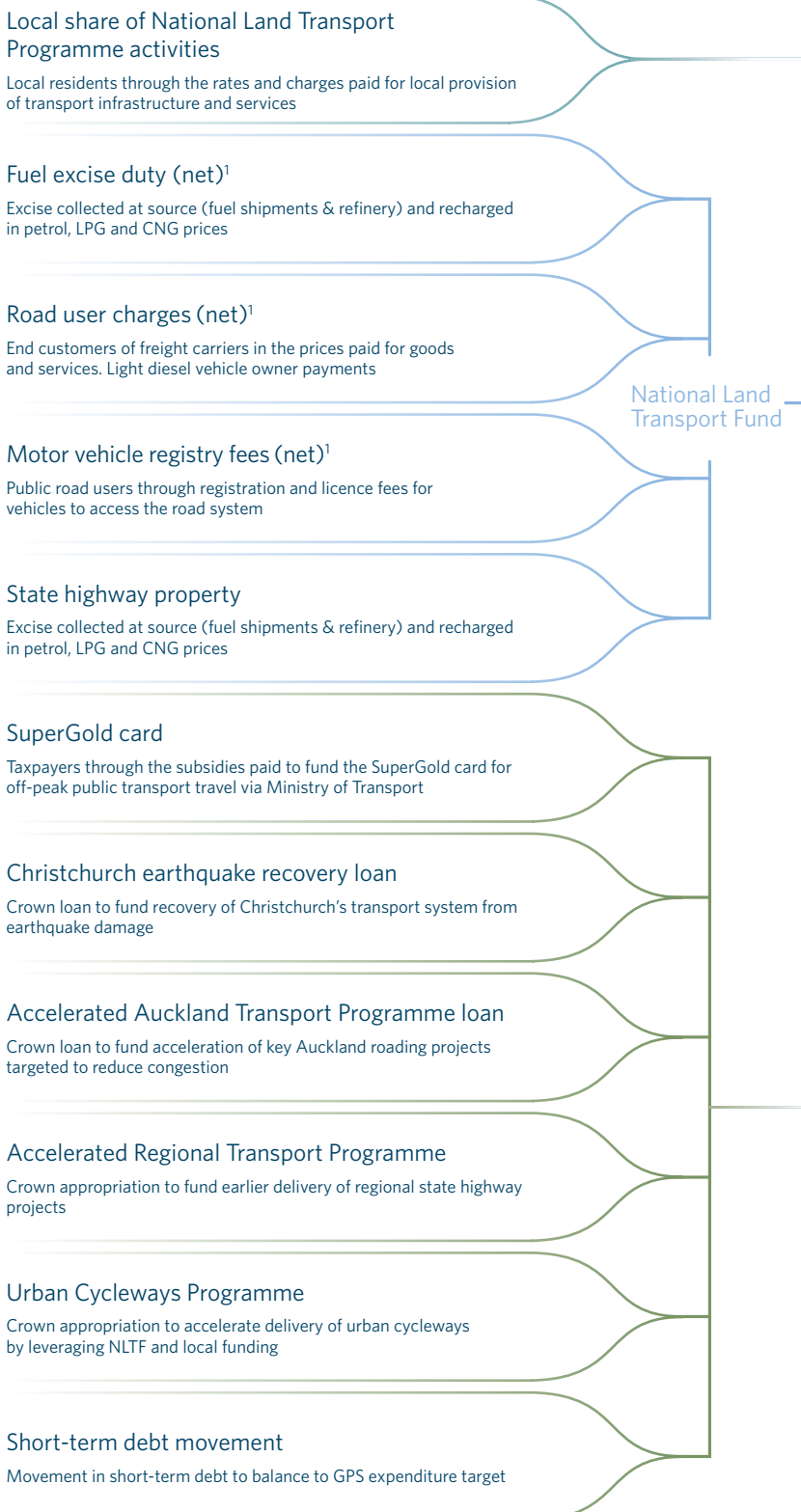
NATIONAL LAND TRANSPORT PROGRAMME

The National Land Transport Programme is a three-year planning and investment partnership between the Transport Agency, local authorities, the New Zealand Police and transport sector stakeholders. It sets out the programme of transport activities the Transport Agency intends to fund to give effect to the Government Policy Statement on Land Transport.

The National Land Transport Programme co-invests funds from National Land Transport Fund, local government and the Crown (see figure 3) and contains all land transport activities that may be considered for investment during the three-year programme under activity classes for public transport, road policing, road safety promotion, walking and cycling, and state highway and local road construction and maintenance. No transport activity can be funded from the National Land Transport Fund unless it is in the National Land Transport Programme.

FIGURE 3 - REVENUE SOURCES AND ACTIVITY CLASSES FOR THE 2015-18 NATIONAL LAND TRANSPORT PROGRAMME

Funding comes from...



and is invested in...



1. Net of refunds and administration costs.
 2. Covers costs for bad debts, search and rescue, recreational boating safety awareness and revenue system management.

THE TRANSPORT AGENCY'S INVESTMENT STRATEGY

The Government sets the strategic direction for the investment of the National Land Transport Fund through the Government Policy Statement on Land Transport and determines the funding range allocations to each activity class, thereby shaping the investment across transport modes and the transport system.

When developing the National Land Transport Programme, the Transport Agency uses an investment assessment framework to ensure it gives effect to the Government Policy Statement and to determine which activities will receive funding within the overall funding ranges. The Investment Assessment Framework is a prioritisation tool that helps to optimise the mix of investments that represent the best value for money and contribute to the Government's priorities.

When approved organisations, including parts of the Transport Agency and regional partners, develop proposals for the National Land Transport Programme, they are expected to follow a four-stage business case approach. At each stage, the Investment Assessment Framework is used to ensure the proposal identifies the right issues and opportunities and puts forward appropriate responses that are eligible for funding through the National Land Transport Programme.

For the 2015-18 National Land Transport Programme, all proposals are assessed against three criteria:

Strategic fit assesses whether the benefits identified from a proposal's business case align with the desired results of the Government Policy Statement. This reinforces a focus on results and acts as the initial gateway for further development of the business case.

Effectiveness assesses the consistency of a proposal's business case and how well it delivers on the results identified in the strategic fit assessment.

Benefit-cost appraisal of projects that reach the detailed business case stage. This quantitatively assesses the whole-of-life benefits and costs of the proposal based on the Transport Agency's Economic Evaluation Manual, allowing projects to be ranked according to priority. Those with the highest benefit-cost ratio for the results being sought are funded first. All projects from local government and the Transport Agency's state highway activities are assessed in this way to ensure a consistent approach.

FIGURE 4 - NATIONAL LAND TRANSPORT FUNDING AND ASSESSMENT SYSTEM

