



NZ TRANSPORT AGENCY ANNUAL REPORT

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

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



NZ Transport Agency

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NZ Transport Agency



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SECTION A

OVERVIEW OF 2016/17



CHAIR'S FOREWORD

A modern, well-functioning transport system is crucial for New Zealand to thrive. The Government's focus is on making sure the transport system is safe, supports economic growth and productivity, and provides the best value for money. The NZ Transport Agency is responsible for delivering this system, which it achieves through the goals and priorities that underpin its strategic direction, as well as through the National Land Transport Programme that it develops every three years to shape investment in New Zealand's land transport system.

This year proved to be testing for the Transport Agency as a number of natural events that devastated communities throughout the country put major stress on the nation's transport system. The most prominent of these was the November 2016 Kaikōura earthquake, which severely affected a vital connection for the Kaikōura community, as well as those travelling between Marlborough and Canterbury. The Transport Agency worked as quickly as possible with the local community and its transport sector partners to restore access to the affected communities and provide alternative routes for travellers. Completing the restoration of State Highway 1 remains a top priority for the Transport Agency in 2017/18.

The Transport Agency also responded to significant land slips and geological instability that closed the Manawatū Gorge in April 2017. Work was urgently undertaken to improve the Saddle Road alternative route to ensure the safety of road users. The Transport Agency will continue to work with the affected communities and our partners to explore the best options for a long-term solution to this critical regional connection.

Despite the unexpected disruptions, this report demonstrates that the Transport Agency managed to continue its strong delivery against its strategy for 2016/17. Investments made through the 2015-18 National Land Transport Programme were an important part of this success and are presented in the annual report for the National Land Transport Fund.

A major focus for the Board was overseeing the delivery of the Roads of National Significance and the Crown-funded programmes that the Transport Agency and its partners deliver on behalf of the Government: the Urban Cycleways Programme, the Accelerated Auckland Transport Programme and the Accelerated Regional Transport Programme. With only a few exceptions, these programmes continue to run to plan, and several major milestones were achieved in 2016/17.

Leveraging its leadership role and close relationships with the sector, the Transport Agency collaborated widely to support growth in urban areas, particularly Auckland, and provide residents with better transport choices and connections, primarily through public transport. This collaboration also extended to the regions, where the Transport Agency worked with local authorities to facilitate economic development, improve road safety and upgrade connections for freight and tourism.

The Transport Agency continued to take steps to improve regulations to reduce costs for transport users, shape smart choices that encourage willing compliance, and facilitate freight efficiency. As the rail safety regulator, the Transport Agency also made significant ground targeting interventions based on the risk of operations and operators.

The Transport Agency's commitment to value for money was evident in its work with local government partners to improve maintenance activities and planning, to deliver improved customer experiences.

This year, the Board welcomed two new members, Mark Darrow and Vanessa van Uden, who were appointed by the Minister of Transport in April 2017. On behalf of the Board and Management, I also wish to express the Transport Agency's gratitude to Gill Cox and Mark Oldfield, whose terms ended in 2016/17, for their significant contribution to New Zealand's land transport system.

The Transport Agency also undertook a review of its strategic direction to ensure it was capable of addressing the rapid changes that are occurring in the transport sector globally. The result of this review was the adoption of a refreshed strategy for 2017/18 onwards. The Board is passionate about this new direction and believes it will position the Transport Agency to continue its success in the years to come.



This year proved to be testing for the Transport Agency as a number of natural events that devastated communities throughout the country put major stress on the nation's transport system.

Chris Moller

CHRIS MOLLER
Chair

CHIEF EXECUTIVE'S OVERVIEW

Transport plays a vital role in people's lives and livelihoods. It connects people, communities and businesses, helps the economy to grow, is easy to use and keeps people safe. I am pleased to be leading an organisation that is a part of creating great journeys that keep New Zealand moving.

The natural events that occurred this year, particularly the Kaikōura earthquake and slip in the Manawātū Gorge, had massive impacts on the transport system. In all cases, our team has worked tirelessly with our partners to restore connections for these communities and those travelling through these areas. These incidents have made clear the importance of having a resilient transport system that can cope with planned and unplanned events. This year, we also continued to embed resilience considerations throughout our work programme, moving us closer to a more resilient state highway network.

In addition to our response to the natural disasters, we delivered effectively on the milestones that we committed to in our Statement of performance expectations 2016/17 and delivered a range of initiatives that contribute to the Government's priorities for land transport — economic growth and productivity, road safety and value for money.

This year marked the second year of delivery for the 2015–2018 National Land Transport Programme. Most of the Roads of National Significance programme continues to run to plan and we achieved several milestones this year, including completing one of New Zealand's largest ever infrastructure projects — the Waterview Tunnel — which has had a large impact on the way people and freight move around Auckland. Two-thirds of the Urban Cycleways Programme is now complete or under construction, which is making cycling a more attractive transport and recreation option nationwide.

Delivering a transport system that meets the needs and expectations of New Zealand's communities is not something we can achieve on our own.

This year, we worked with Auckland Transport to plan for the city's future transport needs through the Supporting Growth - Delivering Transport Networks programme, which covers the four greenfield growth areas. We also continued our strong focus on addressing Auckland's growth through the Accelerated Auckland Transport Programme, which continued to run to plan and met most of its annual deliverables, including completion of stage 1 of the East West Connection.

We also supported our regional local government partners to boost economic development and access to social opportunities by delivering the transport activities in five Regional Economic Growth Action Plans (for Bay of Plenty, Gisborne, Hawke's Bay, Manawātū-Whanganui and West Coast). There was good progress this year to support the regions through the continued construction of the first tranche of projects for the Accelerated Regional Transport Programme, including completion of the Normanby Overbridge Realignment in Taranaki and the start of construction on the new Kawarau Falls Bridge near Queenstown. These projects will support economic growth in the regions, improve road safety and upgrade connections for freight and tourism.

Integrating digital technology with physical infrastructure offers a great opportunity to innovate. To ensure that New Zealand is in a position to benefit from these emerging transport technologies, this year we completed three successful technology trials. These included working with our transport sector partners to use Bluetooth® to provide real-time in-car messaging in select South Island rental cars to help improve safety outcome in remote areas, particularly for tourist drivers.

We are also committed to helping New Zealanders make choices that lessen the impact of the transport system on the environment. This includes not only our investments in walking and cycling infrastructure and public transportation, but also our efforts to facilitate the uptake of electric vehicles. This year, we revised the regulatory framework for electric vehicles and provided national information and guidance on public charging infrastructure to create consistency across local government and the transport sector.

More achievements are detailed in this annual report - from our work to improve safety on the rail network and improving freight productivity through changes to vehicle regulations, to making it easier for customers to pay their tolls online and reducing compliance costs for businesses by beginning to integrate the New Zealand Business Number into our systems and processes.



Delivering a transport system that meets the needs and expectations of New Zealand's communities is not something we can achieve on our own.

The safety of the transport system and minimising any personal harm that it might cause is always a significant focus for the Transport Agency. Sadly, the number of deaths and serious injuries on open roads increased this year. Reversing this result will be a major challenge, but we are committed to working with our partners to ensure we make the transport system safer. This includes continued implementation of the Safer Journeys Action Plan 2016–2020, to enable safe transport choices.

The focus on safety extends to the Transport Agency's employees and contractors and is a key element of our business performance. We remain committed to the objective of the Zero Harm Strategy where by 2020, or sooner, all our people will go home safe and healthy every day.

Finding better ways to address difficult problems, so that the transport system supports and enables a thriving New Zealand, was a driving factor in our decision this year to review our strategic direction and operating model. After a thorough review a refreshed strategy, culture and operating model went into effect on 3 July 2017.

These changes will position us to respond to our rapidly changing world, focus on continuing to improve the way we operate and create a better performing transport system. We must continue to deliver value, not just in terms of transport outcomes, but social, economic and environmental outcomes that will help shape a better future for New Zealand. To do this, we will:

- transform land transport system performance by integrating digital technology with physical infrastructure to create a safe, connected system that works for everyone
- simplify our customers' lives and our partners' work with innovative services and experiences that make it easy for them to do what they need to
- unlock social and economic opportunities for customers, businesses and communities through targeted partnerships.

The Transport Agency is looking ahead to ensuring we help to create a modern, safe transport system that positively impacts the lives and livelihoods of all New Zealanders and helps to move New Zealand forward.



FERGUS GAMMIE
Chief Executive



We must continue to deliver value, not just in terms of transport outcomes, but social, economic and environmental outcomes that will help shape a better future for New Zealand.

SECTION B

DELIVERING OUR STRATEGY



OUR STRATEGY IN 2016/17

Desired outcomes

For the New Zealand transport sector

OUR PURPOSE
Creating transport solutions for a thriving New Zealand

EFFECTIVE

Moves people and freight where they need to go in a timely manner

EFFICIENT

Delivers the right infrastructure and services to the right level at the best cost

SAFE AND RESPONSIBLE

Reduces the harms from transport

RESILIENT

Meets future needs and endures shocks



Long-term goals

Medium-term objectives

Integrate one effective and resilient network for customers

- 1 Integrate land uses and transport networks to shape demand at national, regional and local levels.
- 2 Integrate national and local transport networks to support strategic connections and travel choices.
- 3 Improve freight supply chain efficiency.

Shape smart, efficient, safe and responsible transport choices

- 4 Implement the Safe System approach to create a forgiving land transport system that accommodates human error and vulnerability.
- 5 Incentivise and shape safe and efficient travel choices using a customer-focused approach.
- 6 Reduce costs for transport users through better regulation and willing compliance.

Deliver efficient, safe and resilient, and responsible highway solutions for customers

- 7 Greater resilience of the state highway network.
- 8 Deliver consistent levels of customer service that meet current expectations and anticipate future demand.
- 9 Provide significant transport infrastructure.

Maximise effective, efficient and strategic returns for New Zealand

- 10 Align investment to agreed national, regional and local outcomes and improve value for money in all we invest in and deliver.
- 11 Ensure effective and efficient co-investment with our partners.
- 12 Explore innovative revenue, pricing and financing approaches that enhance the value delivered by land transport investments.

Growing agility as a high-performing organisation

- 1 Harness knowledge to make informed and timely decisions.
- 2 Create value with others.
- 3 Encourage continuous improvement and innovation.

Near-term priorities and results

Output classes

Activities we deliver and invest in*

- 1 **Make it easy for customers to do business with us**
- 2 **Predictable journeys for urban customers**
- 3 **Integrate road and rail to improve freight network productivity**
- 4 **Safer speeds that are right for the road**
- 5 **Driving value through smart road maintenance**
- 6 **Make urban cycling a safer and more attractive transport choice**



- Investment management
- Licensing and regulatory compliance
- Road tolling
- Motor vehicle registry
- Road user charges collection, investigation and enforcement
- Road safety promotion
- State highway improvements
- State highway maintenance
- Public transport
 - Administration of the SuperGold cardholder scheme and Enhanced public transport concessions for SuperGold cardholders
 - Walking and cycling
 - Local road improvements
 - Local road maintenance
 - Regional improvements
 - Refund of fuel excise duty
 - Road Policing Programme (New Zealand Police output)

* For how our output classes contribute to our long-term goals see appendix 3.

ABOUT OUR STRATEGY

OUR STRATEGY IN 2016/17

The Transport Agency's strategy in 2016/17 was designed to respond to our operating context and deliver specific outcomes for customers on behalf of the Government.

A thriving New Zealand needs land transport to work seamlessly as part of a wider transport system (maritime, aviation and land transport), and we need to work with others to help deliver on the government's wider transport sector outcomes. We are heading towards a transport system for customers that is:

EFFECTIVE in moving people and freight where they need to go in a timely manner

EFFICIENT in delivering the right infrastructure and services at the right level at the best cost

SAFE AND RESPONSIBLE, reducing the harms from transport

RESILIENT, meeting future needs and enduring shocks.

Our strategy in 2016/17 had three components:



PREPARING FOR THE FUTURE

During 2016/17, the Transport Agency conducted a review of its strategic direction. Although the organisation is successful, our review found that we could be positioned better to meet future challenges for New Zealand's transport system. To address these opportunities, we refreshed our strategy, along with our operating model and organisational structure. These changes came into effect on 3 July 2017.¹

¹ Full details of the refreshed strategy can be found in *NZ Transport Agency statement of intent 2017-21* (nzta.govt.nz/soi) and *NZ Transport Agency statement of performance expectations 2017/18* (nzta.govt.nz/spe).



WE'RE ON THE CUSP OF A TRANSPORT REVOLUTION

Our context is the pressures that impact on what we do and how we do it. We are facing a number of opportunities and challenges:

- customers and business want faster, easier, more personalised transport services
- our population is ageing and becoming more urbanised
- digital technology and new players with new services are transforming transport
- high-growth demands compete with regional and community expectations
- the Government expects us to continue to provide a safe and efficient land transport system that delivers value for money
- citizens demand we use resources wisely and develop a land transport system New Zealand can be proud of now and into the future.

In particular, technology is leaping ahead with autonomous and electric vehicles and with applications that are transforming personal mobility services and supply chain logistics. Customers are increasingly connected to information, services and social networks through smart devices, and they expect personalised transport services and real-time information when they are on the go.

Businesses also expect reliable and predictable connections so they can make sure their goods reach retail shelves and factories in New Zealand and around the globe.

Our strategy positions us to respond to these opportunities and challenges and the impact they have on the expectations of our customers and the Government to make sure every person and business in New Zealand benefits from the transport revolution.

STRATEGIC RESPONSES - THREE BIG CHANGES WE'LL MAKE

Our three strategic responses – a system response, a service response and a community response – describe the direction we'll take to deliver value to New Zealand. They're the three big changes we need to make in the next five years to deliver what is expected of us and ensure customers and citizens benefit from the rapid changes happening in transport.

One connected transport system

We aim to transform the performance of the land transport system by integrating digital technology with physical infrastructure to create a safe, connected system that works for everyone. This strategic response is about the connection between transport networks and services. We have a good track record of delivering physical road networks, and now we need to be just as good at integrating the physical with the digital: Delivering one connected transport system that is safe and works for people and businesses.

People-centred services

We aim to simplify our customers' lives and our partners' work with innovative transport services and experiences that make it easy for them to do what they need to. The transport system exists to serve people – our customers and our planning, investment and delivery partners. For our customers, a collaborative transport-as-a-service approach starts with understanding customer needs and mining rich customer information and interactions to design better transport experiences. Service offerings are tailored to create the most value for customers and for New Zealand – economically and socially. Transport operations and demand management are critical in helping people get the best real-time experience. We will collaborate with our partners, working to understand what they need and balancing those needs with our responsibilities.

Partnerships for prosperity

We aim to unlock social and economic opportunities for customers, businesses and communities through targeted partnerships. We're focusing on great transport links and services that promote improved social, economic and environmental outcomes for communities and for business. This means partnering with others and playing our role in creating connected and safe communities and a more productive economy that delivers more jobs, higher incomes and higher living standards for New Zealanders.

FOCUS AREAS - WHAT WE'LL DO TO MAKE THESE CHANGES

Our eight focus areas describe what we will do in the next three to five years to make the changes signalled in our strategic responses. These focus areas confirm where we will direct our efforts and resources to deliver measurable outcomes for our customers and citizens.

The focus area Shape the land transport system sets the overall direction for our activities with specialist direction setting for safety coming from the Keep people safe focus area. That direction is delivered by the five areas: Target rapid growth, Connect and develop regions, Improve customer experiences, Deliver connected journeys, and Keep people safe. Our internal direction is set and delivered by the focus area Achieve organisational excellence. However, in 2017/18, the focus area Transform the Transport Agency will support our transition to our strategy and ways of working.

Shape the land transport system

Shape New Zealand's land transport system and influence its delivery

OUTCOME Transport sector decision-making, investment and regulatory and policy interventions are based on a shared long-term view of the land transport system

Target rapid growth

Balance solutions for customers in high-growth urban areas

OUTCOME Improved customer experience of urban travel in high-growth urban areas

Connect and develop regions

Partner for tailored transport solutions that play their part in supporting wider outcomes for the regions and New Zealand

OUTCOME Improved regional and interregional transport system service quality for people, freight and business

Keep people safe

Deliver solutions that contribute to improved safety and public health outcomes and reduce environmental harms

OUTCOME The land transport system is increasingly free from harms

Improve customer experiences

Deliver innovative services and transport experiences our customers and citizens value

OUTCOME Customers trust us to deliver intuitive experiences that meet their needs and preferences

Deliver connected journeys

Lead the integration of a digitally connected land transport system

OUTCOME Digital solutions enable easier journeys for customers

Achieve organisational excellence

Provide exceptional services and activities that are designed to meet Transport Agency needs

OUTCOME Organisational services are more innovative, responsive and cost-effective and provide the capabilities (people, systems, processes, practices, tools and skills) required to deliver our strategy

Transform the Transport Agency

Create one strategy-led, people-centred organisation that is fit for the future.

OUTCOME We have become a people-centred, strategy-led organisation that is supported by a robust strategy-to-action process

PROGRESS ON OUR GOALS



INTEGRATE ONE EFFECTIVE AND RESILIENT NETWORK FOR CUSTOMERS

Our transport system is made up of multiple networks, modes and services that many different public and private entities own, fund and use. People rarely confine themselves to using one part of the system, often sharing the space with others who might have competing needs.

To integrate one effective and resilient network for customers, we focus on the entire transport system rather than its constituent parts, so all of the network's parts work together seamlessly.

This year, we focused on:

- **integrating land-use planning and transport planning** to support growth in major urban areas
- **integrating national and local strategic networks** to enable seamless movement of people and freight across the network, to coordinate incident management and traffic operations in real time and to facilitate a variety of travel choices
- **improving the efficiency of the freight supply chain** to make sure major strategic freight routes are reliable and resilient and that connections between local roads and state highways enable freight to move efficiently across the network.

OUR PROGRESS THIS YEAR

We made good progress this year, achieving or substantially achieving eight of our nine annual milestones. We worked collaboratively with our national and local partners to ensure transport planning supports the specific growth needs and pressures of individual regions. Substantial progress was made to provide urban customers with superior public transport services, and we advanced our techniques to improve freight supply chain efficiency.

Integrating land-use planning and transport planning

CONTRIBUTING PRIORITIES

Predictable urban journeys

Urban cycling

Our aim is to integrate land use and the transport system to shape demand for transport at national, regional and local levels. To improve the coordination of future land-use development and transport infrastructure investment, we worked closely with our partners to develop long-term transport plans. We collaborated with Auckland Transport to advance the Supporting Growth - Delivering Transport Networks programme (formerly known as the Transport

for Future Urban Growth programme), which covers the four greenfield growth areas in Auckland.

Together, we finalised a combined indicative and detailed business case for the programme and a memorandum of understanding. We continue to work with Auckland Transport toward the next business case phase, which is expected to start in 2017/18. In Queenstown, we worked with our partners to progress the Queenstown integrated programme business case, which was endorsed by the Queenstown Transport Governance Group. We were also heavily involved in the master planning programme for Queenstown's central business district.

We also collaborated with our regional partners to deliver the transport activities in five Regional Economic Growth Action Plans (for Bay of Plenty, Gisborne, Hawke's Bay, Manawatū-Whanganui and West Coast) to support regional development and social opportunities. We worked together to identify the transport connections and improvements that would support each region's aspirations and develop delivery plans for programme business cases. In addition, we continued to collaborate on the development of new and refreshed regional development plans and strategies, such as the Canterbury Regional Economic Development Strategy 2017-19. In 2017/18, we will continue our work to support and deliver the transport initiatives for 10 Regional Economic Development Action Plans.

Integrating national and local strategic networks

CONTRIBUTING PRIORITIES

Predictable urban journeys

Integrate road and rail freight

Urban cycling

We work with other transport network operators to integrate the management and operation of national and local networks, so our customers experience seamless travel connections and choices.

This year, the Public Transport Operating Model was implemented in Auckland and Wellington with our support, expertise and National Land Transport Programme investment. The model is a planning, procurement and business development framework that uses a partnering approach between regional councils and operators to deliver affordable, urban public transport services

that customers want to use. We also began implementing a national ticketing programme to coordinate the approach to achieving modern, fully integrated ticketing and fares. The programme involves all local authorities with public transport responsibilities and is expected to contribute to the effectiveness of regional public transport and increase patronage.

We began work to develop a nationwide intelligent transport systems architecture that will create common standards to create consistent operations and measurements along prominent journeys in major urban centres. However, this project was temporarily suspended so the architecture is able to accommodate the rapid advancements in vehicle technologies, such as connected and automated vehicles. The work on the architecture is expected continue as a component of the Intelligent Transport Systems Action Plan, which is scheduled for a refresh by the Ministry of Transport in 2017/18.

Improving the efficiency of the freight supply chain

CONTRIBUTING PRIORITY

Integrate road and rail freight

We continued to work with network operators and our investment partners to improve the efficiency of freight supply chains.

This year, we completed the Weigh Right Trial, which tested different technologies and developed intelligent software to identify potentially overweight heavy vehicles (based on their allowable weight) and direct them to a weigh station for further investigation. The trial was successful and demonstrated that these new technologies reduce the need for compliant vehicles to make unnecessary stops at weigh stations, thus improving the efficiency of the freight network. Work is under way with our partners to determine the merits of a possible investment programme to expand the use of the Weigh Right Trial technologies.

We also delivered an expanded and simplified 50MAX-1Network permit system after reviewing the national permit system for heavy vehicles. Now, 63 of the 66 road controlling authorities have signed up to the 50MAX programme. Conversations are under way with the three remaining councils (West Coast Regional, Mackenzie District and Grey District) to include them in the 50MAX programme.

Although we made progress on delivering the second tranche of additional high-productivity freight routes, we did not achieve our target for the year. We delivered 535km of new routes, which was a third of the targeted distance. Delays to the programme were caused in large part by natural events that occurred along sections of road included in the second tranche. These events required the urgent redeployment of resources, which prevent work on other sections of the tranche. Work is under way nationwide to deliver the remaining routes, and substantive completion is expected in 2017/18.

TRANSITIONING TO THE FUTURE

Our refreshed strategy sees us moving from a one network approach to a one system approach. In addition to multimodal transport thinking, we now explicitly include technological, policy and regulatory factors when considering the wider transport system, the tools we have to work with, and what customers and citizens expect from the transport system. The core objectives of this goal for integration and efficiency remain critical in our refreshed strategy, but we will try to achieve them in a different way.

How this goal links to our strategic responses

One connected transport system ensures that we pay as much attention to integrating digital and physical infrastructure as we do to integrating land use and transport planning. **People-centred services** places customer experience at the centre of every integrated transport solution, and **Partnerships for prosperity** enables us to work with others and ensure transport solutions are integrated with other initiatives designed to support wider social and economic outcomes.

How this goal links to our focus areas

Shape the land transport system requires us to work more closely with partners to agree and plan with the whole transport system in mind at both national and regional levels. It will enable us and our partners to plan for integrated and coordinated solutions utilising all the tools available to us. Transport solutions will be prioritised and sequenced to respond to agreed issues and opportunities.

Target rapid growth and **Deliver connected journeys** considerably sharpen our focus on integrated, technology-led solutions for customers in high-growth urban areas, particularly Auckland. While we achieved a lot for high-growth urban areas during the past three years, we can do better. These two focus areas are designed to deliver a step-change in how customers in high-growth urban areas manage their transport needs.

Connect and develop regions requires us to improve regional and interregional connections for people, freight and business. This work is conducted in the context of Regional Economic Development Action Plans and will see us co-design transport solutions that address agreed issues and support broader social and economic outcomes that are important to communities.

GOAL SUCCESS INDICATORS TO 2032*		2012/13 BASELINE	DESIRED TREND	2015/16 ACTUAL	2016/17 ACTUAL	
People movement is more efficient and reliable	% network productivity (vehicle speed and flow on urban networks in Auckland)	63%	Increase	62%	59%	1
Freight movement is more efficient and reliable	Number of km delivered for the high productivity freight network (up to 58 tonnes)	0km	Increase	5,343km	5,875 [†]	●
There is an optimal range of travel and transport choices for each location	% mode share public transport	2.7%	Increase	Due to changes in the Household Travel Survey results are not available for these years.		
	% mode share walking and cycling	1.4%	Increase			

* Refer to appendix 1, page 176 for trend information.

[†] This includes approximately 200 kilometres of State Highway 1 from Picton to Christchurch that remains partially or fully closed following the Kaikōura earthquake.



1 The 3 percent decline in network productivity during the morning peak in Auckland reflects the combined impact of increased traffic volumes (10 percent) and significant roadworks on the network. The result also needs to be viewed in the context of Auckland's population growth of about 181,000 people between 2012 and 2017. The high-level trends are comprised of locations that have both increasing and decreasing performance, which can obscure the impact of investment relieving bottlenecks on the network.

MILESTONES FOR 2016/17

OBJECTIVE 1: INTEGRATE LAND USES AND TRANSPORT NETWORKS




MILESTONES FOR 2016/17	RESULT
<p>OB 1.1 RESULT BY 2019 Land-use and transport plans for the top five growth areas demonstrate improved coordination of land-use development with transport infrastructure investment.</p> <p>We have collaboratively developed long-term transport plans for the four greenfield growth areas in Auckland and the growth area in Queenstown, and these are well aligned with the plans of the Auckland and Queenstown council groups.</p>	 ACHIEVED
<p>OB 1.2 RESULT BY 2019 Transport plans for government's four regional development plan areas are developed and integrated with land-use plans.²</p> <p>For the five Regional Economic Growth Action Plans, transport investments are integrated with other dependent initiatives, and we have delivered the 2016/17 transport initiatives.</p>	 ACHIEVED

OBJECTIVE 2: INTEGRATE NATIONAL AND LOCAL TRANSPORT NETWORKS TO SUPPORT STRATEGIC CONNECTIONS AND TRAVEL CHOICES

MILESTONES FOR 2016/17	RESULT
<p>OB 2.1 RESULT BY 2019 The benefits and outcomes from key journeys in major centres are being delivered.</p> <p><i>This is a shared result with local authorities.</i></p> <p><i>This is also a result for objectives 8 (page 29) and 10 (page 36).</i></p>	
<p>OB 2.1.1 For the priority key journeys in Wellington, Christchurch and Auckland, we have delivered the activities outlined in the 2015-18 National Land Transport Programme.</p>	 ACHIEVED
<p>OB 2.1.2 We have agreed a common national intelligent transport systems architecture with key partners, particularly Auckland Transport.</p> <p><i>Work on the intelligent transport systems architecture was paused to allow for the inclusion of standards for new and emerging technologies, such as automated vehicles and connected vehicles. Work on the architecture is expected to continue and be implemented through a partnership agreement with our local authority partners, so a national framework is applied throughout the country. This work will be delivered with the Ministry of Transport as part of the Intelligent Transport Systems Action Plan refresh, which is set to be completed in the first half of 2017/18.</i></p>	 SUBSTANTIALLY ACHIEVED
<p>OB 2.2 RESULT BY 2019 We expect public transport boardings to increase by 10-16 percent (from a 2013/14 baseline) in the main urban centres of Auckland, Wellington and Christchurch.</p> <p><i>This is a shared result with local authorities.</i></p> <p>Through our advice, support, and National Land Transport Programme investment we have rolled out the Public Transport Operating Model in Auckland and Wellington and begun implementation of a national ticketing programme. The delivery of this will contribute to the effectiveness of regional public transport including improved patronage.</p>	 ACHIEVED
<p>OB 2.3 RESULT BY 2016 The strategy set out in Auckland's Integrated Transport Programme is given effect in the 2015-18 National Land Transport Programme.</p> <p><i>This is a shared result with Auckland Transport.</i></p> <p>We have processed all qualifying funding applications that give effect to the Integrated Transport Programme within 20 working days.</p> <p><i>We processed 92 percent of qualifying funding applications that give effect to the Integrated Transport Programme within the target of 20 working days. The average number of processing days for the year was eight. Applications that took longer to approve required a higher level of scrutiny because of cost increases or scope changes.</i></p>	 SUBSTANTIALLY ACHIEVED

² At the time this milestone was developed for the NZ Transport Agency statement of performance expectations 2016/17, there were only four Regional Economic Growth Action Plans. The West Coast plan was later added during 2016/17.

OBJECTIVE 3: IMPROVE FREIGHT SUPPLY CHAIN EFFICIENCY

	MILESTONES FOR 2016/17	RESULT
OB 3.1	<p>RESULT BY 2016 More freight is moved on fewer truck trips, lifting productivity and safety.</p> <p><i>This is a shared result with the Ministry of Transport.</i></p>	
OB 3.1.1	We have initiated the Weigh Right investment programme.	 ACHIEVED
OB 3.1.2	<p>We have delivered the second tranche of additional high-productivity freight routes.</p> <p><i>We delivered a third of the kilometres in the second tranche of additional high-productivity freight routes, adding 535km of state highways to the high-productivity freight network. Completed routes now open include State Highway 32 and State Highway 41 Tokoroa to Turangi. The remaining routes are throughout the country and work on them is under way. Substantive delivery is expected to be completed in 2017/18.</i></p> <p><i>The remaining kilometres planned were not delivered largely because of natural events such as the April 2017 slip in the Manawatū Gorge and the November 2016 Kaikōura earthquake. These areas were part of the second tranche and required the urgent redeployment of resources to address the impact of the natural events and help reinstate the network.</i></p> <p><i>While the expected freight productivity improvements will be delayed until completion of the second tranche, most of the routes are already accessible to 50MAX vehicles and the impact of delays will affect only full high-productivity motor vehicles (capable of weights up to 58 tonnes).</i></p>	 NOT ACHIEVED, BUT SOME PROGRESS MADE
OB 3.1.3	We have delivered an expanded and simplified 50MAX-1Network permit system.	 ACHIEVED

Output class that supports one network*

Service delivery

Investment management

* Refer to page 65 for a full description of this year's activities and performance.



SHAPE SMART, EFFICIENT, SAFE AND RESPONSIBLE TRANSPORT CHOICES

People make travel choices every day – choosing how, when and where to get around. People also make choices about the types of vehicles they want to own and their behaviour on the transport network.

Everyone’s choices affect how the network works and affect other people.

Through our goal to shape smart, efficient, safe and responsible transport choices we keep our customers at the heart of our mission. This goal makes sure we don’t just see a transport system and services, but rather we see the people using and navigating the system and the choices they make every day about where, when and how they get where they need to go.

This year, we focused on:

- **implementing the Safe System approach** to road safety to reduce deaths and serious injuries on our roads
- **promoting and incentivising safe and efficient travel choices** using our regulatory and information tools
- **reducing costs for transport users** and removing barriers to compliance.

OUR PROGRESS THIS YEAR

We made good progress this year, achieving eight of our nine annual milestones. Sadly, the number of deaths and serious injuries on open roads increased by 20 percent. We are committed to creating a safe transport system for New Zealand, so put significant effort into implementing the Safe System approach to protect people from death and serious injury. We also focused on promoting safe and efficient transport choices by helping to facilitate the uptake of electric vehicles.

Implementing the Safe System approach

CONTRIBUTING PRIORITIES

Deliver safer journeys

Urban cycling

The Safe System approach aims to create a forgiving land transport system that accommodates human error and vulnerability. The Safer Journeys Strategy 2010–2020 and Safer Journeys Action Plan 2016–2020 guide the implementation of the Safe System approach.

This year, working with the Ministry of Transport, we addressed many of the improvement actions identified in the 2015/16 benchmarking review of the Safe System approach. The National Road Safety Committee (comprising the Ministry of Transport, Transport Agency, New Zealand Police and Accident Compensation Corporation) clarified its role, updated its terms of reference and focused on developing a robust implementation plan for the Safer Journeys Action Plan, including creating success measures for action plan initiatives.

The Safe System Signature Programme delivers projects with the potential to reduce road trauma for all road users by implementing the Safe System approach in regions and communities. The Accident Compensation Corporation and Transport Agency jointly lead this programme.

The three current projects in the Signature Programme are being delivered to plan. An evaluation programme is in place to determine whether the Signature Programme is meeting its objectives and the lessons from the programme that are relevant to other road safety programmes.

We also made progress in embedding the Safe System approach into our rail safety regulations. Progress included improving rail licensing processes and the Rail Safety Assessment Development Programme, which introduced a risk-based monitoring model, so we can target regulatory interventions based on operator risk profiles and the specific risks of their operations.

Promoting and incentivising safe and efficient travel

CONTRIBUTING PRIORITIES

Easy for customers
Predictable urban journeys
Deliver safer journeys
Smart road maintenance

To promote and incentivise safe and efficient travel, we try to provide people with information to shape smart choices, create a regulatory environment that is enabling and encourage travellers to comply with the law. This year, we revised the regulatory framework to facilitate the use of electric vehicles and provided national information and guidance on public charging infrastructure to create consistency across local government and the transport sector. We also increased the number of vehicle engine designations in the Motor Vehicle Register, so all the different types of electric vehicles, from pure battery electric vehicles to plug-in diesel hybrids, could be identified in the register. The additional designations allow us to accurately report on the electric vehicle fleet and monitor uptake trends across all types of electric vehicles.

We also established protocols with New Zealand Police's Commercial Vehicle Investigation Unit to share operator information for regulatory and compliance activities. With the New Zealand Police, our operational planning focused on persistently non-compliant road transport operators. We worked together to address education and enforcement needs related to logbooks and driving hours in response to increased use of the South Island alternative route following the closure of State Highway 1 because of the Kaikōura earthquake.

Our ability to monitor and enforce rail safety compliance improved considerably during 2016/17 because we had more resources and enhanced our processes. In addition, we completed our risk profiling model that allows us to alter our interventions depending on the level and type of risk.

Our combined planning with the New Zealand Police and WorkSafe New Zealand for a road and rail safety compliance programme also resulted in significant safety benefits. We worked closely with the New Zealand Police, using a risk-targeted approach. Operators who were targeted by the compliance programme saw a 28 percent year-on-year decrease in their calculated risk level.

Reducing costs for transport users

CONTRIBUTING PRIORITY

Easy for customers

We made good progress towards improving regulation to reduce costs for transport users. Our changes to the Vehicle Dimensions and Mass Rule should enhance productivity outcomes from the heavy vehicle fleet and support greater voluntary compliance. The changes to our systems and processes to

reflect the legislative changes to small passenger services are on target and will be complete when the legislative changes come into effect. A delay in receiving the drafting instructions for the revised Driver Licensing Rule, which was outside the Transport Agency's control, meant we started consultation on the proposal later than originally planned. However, we are ready to implement the changes swiftly once the necessary legislation has come into effect.

TRANSITIONING TO THE FUTURE

While this goal enabled us to deliver across a number of our objectives and results, we did not achieve what we set out to in relation to reducing deaths and serious injuries. Our refreshed strategy takes a more targeted approach with the aim of significantly improving safety outcomes, specifically reducing deaths and serious injuries.

How this goal links to our strategic responses

One connected transport system requires us to explicitly consider technology-led solutions for improving vehicle safety and our approach to regulatory compliance. **People-centred services** ensures we remove barriers to compliance and **Partnerships for prosperity** retains the focus on collaborative partnerships to embed the transformational Safe System approach, but requires a more targeted approach from us.

How this goal links to our focus areas

Keep people safe retains the focus on implementing the Safe System approach and enabling safe travel choices, but will drive a sharper safety programme. We will strengthen a variety of critical public and private relationships and use improved sector data and customer insight to co-design high-impact interventions. Technology will be deployed where appropriate to intervene across a range of issues, from vehicle standards and customer insights to travel information and automated compliance. This focus area retains a strong focus on improvements to roads and behaviour change. Keep people safe also supports public health outcomes and reducing environmental harms. In addition, our new operating model positions us to deliver safety outcomes more effectively through a dedicated Safety and Environment Group. This group will lead the development of Safe System solutions and interventions in collaboration with key partners.

Improve customer experiences picks up the focus on reducing costs for customers and removing barriers to interacting with the Transport Agency, including participating in all-of-government efforts.

Shape the land transport system will influence high-level policy settings, such as rule changes, to ensure the transport system works for customers.

GOAL SUCCESS INDICATORS TO 2032*	2012/13 BASELINE	DESIRED TREND	2015/16 ACTUAL	2016/17 ACTUAL	
Speeds are safe Number of deaths and serious injuries on open roads (80-100km/h) (March year ends)	1577	Decreasing	1,410 [†]	1,614	1
GOAL SUCCESS INDICATORS TO 2032*	2012/13 BASELINE	DESIRED TREND	2015/16 ACTUAL	2016/17 ACTUAL	
Vehicles are safe % of new vehicles with five-star rating	51%	Increasing	93%	95%	●
% of vehicles in fatal/serious crashes with non-current warrant of fitness (or similar) (March year ends)	12%	Decreasing	12%	16%	2
Vehicles are more efficient Average petrol and diesel consumption – litres per 100 vehicle kilometres travelled	10.7 Petrol 19.0 Diesel	Decreasing	9.91 18.41	9.82 18.32	●
Freight is more efficient and reliable % of travel by high productivity motor vehicles of total heavy truck kilometres travelled	0%	Increasing	32%	35%	●

* Refer to appendix 1, page 176 for trend information.

[†] The Crash Analysis System is a dynamic database. The 2015/16 result has been updated to show the revised number of deaths and serious injuries as at the end of March 2016.

1 The increase in the number of deaths and serious injuries on open roads (local roads and state highways) was due to a number of contributing factors. There is no one key factor, but rather a confluence of factors contributing to this increase. In the past two years, total network traffic volumes increased by 10 percent. Open road speeds also increased by 0.4 km/h after several years of decreasing speeds, with 23 percent of traffic exceeding the 100 km/h limit. Heavy vehicles accounted for approximately 13 percent of open road crashes and are typically associated more severe consequences. There has been a significant increase in motorcycle crashes, which accounted for 21 percent of open road crashes. Motorcycle crashes are also more likely to be severe.

2 Despite the increase in the percentage of vehicles with a non-current warrant of fitness involved in serious crashes, the percentage of unwarranted vehicles in the overall vehicle fleet has remained constant at about 12 percent. Therefore, the increase is more likely a factor of the increasing size of the vehicle fleet, and less likely to be linked to the change in the warrant of fitness testing requirements


MILESTONES FOR 2016/17

OBJECTIVE 4: IMPLEMENT THE SAFE SYSTEM APPROACH TO CREATE A FORGIVING LAND TRANSPORT SYSTEM THAT ACCOMMODATES HUMAN ERROR AND VULNERABILITY




MILESTONES FOR 2016/17	RESULT
OB 4.1 RESULT BY 2019 The successful elements of the safety signature programme are replicated elsewhere in New Zealand, where appropriate. <i>This is a shared result with the Accident Compensation Corporation.</i>	
We have delivered the Visiting Drivers, High Risk Young Drivers and Future Streets projects to plan, and we have widely shared the lessons learned through the annual evaluation of the signature programme across the sector.	● ACHIEVED

OB 4.2	<p>RESULT BY 2019 All relevant Transport Agency staff, community and business leaders, and transport practitioners understand and apply the Safe System approach, and decision-making frameworks and partnerships support the successful implementation of a safe road system in New Zealand.</p> <p><i>This is a shared result with the National Road Safety Committee and local government.</i></p>	 ACHIEVED
OB 4.3	<p>RESULT BY 2019 Transport Agency monitoring and interventions are supporting and incentivising a strong safety culture in rail operator organisations.</p>	 ACHIEVED
OB 4.4	<p>RESULT BY 2019 Transport Agency staff, community leaders and stakeholders are joined up and making demonstrably good progress on reducing deaths, serious injuries and near misses for road users and pedestrians interacting with the rail corridor.</p> <p><i>This is a shared result with rail operators and local government.</i></p>	 NOT ACHIEVED, BUT SOME PROGRESS MADE
	<p>We have developed a business case for the level crossing programme and an implementation plan has been endorsed by all relevant funding partners. The plan identifies the biggest risks to be addressed in the short term and sets out the 10-year milestones to reduce deaths, serious injuries, near misses and other negative effects for road users and pedestrians interacting with the rail corridor.</p> <p><i>We developed a business case and an implementation plan to improve the safety of state highway level crossings. This programme focused on an initial tranche of nine sites on or related to state highways and aimed to address a lack of room (short stacking) for heavy vehicles to safely and legally navigate the crossings. Implementation of improvements to these nine sites commenced through the Safe Roads Alliance. Additional planning is under way to extend this programme to cover most level crossings on or related to state highways. The feasibility of these further improvements will be determined in 2017/18.</i></p> <p><i>Progress on local road level crossings was limited because engagement with our partners was fragmented. Work to improve safety at local road level crossings is being addressed in the Transport Agency's 2017/18 Business Plan.</i></p>	

OBJECTIVE 5: INCENTIVISE AND SHAPE SAFE AND EFFICIENT TRAVEL CHOICES USING A CUSTOMER-FOCUSED APPROACH

MILESTONES FOR 2016/17	RESULT
<p>OB 5.1 RESULT BY 2019 Increased levels of compliance with safe vehicle, safe operator and safe road user requirements are contributing to reduced safety risk and to reduced disruption on the land transport network.</p> <p><i>This is a shared result with the New Zealand Police and WorkSafe New Zealand.</i></p>	 ACHIEVED
<p>OB 5.2 RESULT BY 2019 Information to inform travel mode and travel time choice is readily available to customers using high-demand networks and corridors, and this is measurably improving journey predictability.</p> <p><i>This result is enabled through priority 2, Predictable journeys for urban customers (page 48).</i></p>	REFER TO PRIORITY 2 MILESTONES
<p>OB 5.3 RESULT BY 2019 The Transport Agency has supported private sector provision of public electric vehicle charging infrastructure.</p> <p><i>This is a shared result with the Ministry of Transport and the Energy Efficiency and Conservation Authority.</i></p>	 ACHIEVED

OBJECTIVE 6: REDUCE COSTS FOR TRANSPORT USERS THROUGH BETTER REGULATION AND WILLING COMPLIANCE

MILESTONES FOR 2016/17	RESULT
<p>OB 6.1 RESULT BY 2019 Reviews of the Vehicle Dimensions and Mass and Driver Licensing Rules have reduced compliance costs for customers and make it easier for customers to meet their transport requirements.</p> <p><i>This is a shared result with the Ministry of Transport.</i></p>	 ACHIEVED
<p>We have provided the Minister of Transport with advice and given effect to government decisions on how to progress the changes to the Driver Licensing Rule, the Land Transport Act and the Vehicle Dimensions and Mass Rule to reduce compliance costs for customers and make it easier for them to meet their transport requirements.</p>	
<p>OB 6.2 RESULT BY 2019 The opportunities in the annual regulatory programme to improve incentives for customers to operate efficiently and safely on the network are being identified and progressed without increasing costs.</p> <p><i>This is a shared result with the Ministry of Transport.</i></p>	 ACHIEVED
<p>OB 6.2.1 As part of the Vehicle Dimensions and Mass Rule reform, we have provided the Minister of Transport with advice and given effect to government decisions on changes to enhance incentives to comply with Vehicle Dimensions and Mass Rule requirements.</p>	
<p>OB 6.2.2 As part of the Small Passenger Services Review programme, we have provided the Ministry of Transport with advice and given effect to government decisions on incentivising compliance by ensuring new requirements do not impose unnecessary constraints and burden upon small passenger services.</p>	 ACHIEVED

Output classes that support our smart choices goal*

Service delivery

Licensing and regulatory compliance

Road tolling

Motor vehicle registry

Road user charges

Road safety promotion

* Refer to page 68 for a full description of this year's activities and performance.



DELIVER EFFICIENT, SAFE AND RESPONSIBLE, AND RESILIENT HIGHWAY SOLUTIONS FOR CUSTOMERS

The Transport Agency manages the state highway network. This network is the strategic backbone of the land transport system, connecting communities and regions.

Our goal is to deliver efficient, safe and responsible, and resilient highway solutions that integrate the state highway network into the wider transport system. This goal means that when we are building, maintaining or operating state highways, we don't treat them in isolation; instead, we make sure they work seamlessly with all other parts of the network.

This year, we focused on delivering:

- **greater state highway resilience** to deal with planned and unplanned events
- **consistent levels of customer service** consistent with the One Network Road Classification
- **significant transport infrastructure** to meet current and expected gaps in the ability of the network to meet demand, particularly in Auckland and between our largest population centres.

OUR PROGRESS THIS YEAR

We made significant progress on delivering highway solutions this year, achieving or substantially achieving 24 of our 28 annual milestones. We continued to focus on integrating resilience into our way of working, delivering more value from our renewals programme and working towards levels of customer service consistent with the One Network Road Classification. Most of our projects in the Roads of National Significance Programme, Accelerated Auckland Transport Programme and Accelerated Regional Transport Programme remain on track.

Delivering greater resilience of the state highway network

CONTRIBUTING PRIORITIES

Predictable urban journeys
Deliver safer journeys
Smart road maintenance

Greater resilience helps us to deal with planned and unplanned events on New Zealand's state highway network. This year, we continued to embed resilience considerations into our work programme, moving us closer to a more resilient state highway network.

A natural hazards assessment framework is in place and available on our website. This framework allows us to identify hazards on the network and invest in work to increase resilience where required. We also worked with our local authority partners to identify alternative routes in the event of state highway outages. The process for agreeing alternative routes is through the Road Controlling Authorities Forum.

Delivering consistent levels of customer service

CONTRIBUTING PRIORITIES

Easy for customers
Predictable urban journeys
Deliver safer journeys
Smart road maintenance

We continue to anticipate, shape and respond to new demands on state highways to ensure that we can meet the expectations of our customers and anticipate future demand.

This year, we continued developing the State Highway Investment Proposal (previously known as the State Highway Activity Management Plan) for the 2018-21 National Land Transport Programme. We will adopt the Road Efficiency Group's One Network Road Classification that establishes an expected customer experience or level of service for each class of road. The State Highway Investment Proposal will also incorporate the outcomes from the Activity Management Improvement Programme and resilience considerations, building on work done during the past two years.

Delivering significant transport infrastructure

The seven Roads of National Significance are based around New Zealand's five largest population centres and represent one of New Zealand's largest infrastructure investments. The Roads of National Significance are a core part of the Government's National Infrastructure Plan and the Government Policy Statement on Land Transport. The Accelerated Auckland Transport Programme and Accelerated Regional Transport Programme include projects that were brought forward with funding from the National Land Transport Fund and the Crown.

Most of the Roads of National Significance programme continues to run to plan, and we achieved several milestones this year. The public-private partnership for Pūhoi to Warkworth was awarded to the Northern Express Group during the year, and construction is under way. Also in Auckland, the Waterview Tunnel was completed in time to be opened to traffic on 2 July.

We continued to make good progress on the Waikato Expressway with construction under way on the Longswamp section. Construction continues on the Huntly and Hamilton sections, and the main line of the Rangiriri section is open to traffic.

Progress continues on the Wellington Northern Corridor, with several significant milestones achieved throughout this year. The Mackays to Peka Peka section was opened to traffic, and construction is under way on the Peka Peka to Ōtaki section. Construction continues on Transmission Gully, and the business case remains in development for the Ngāūranga to Airport section. Unfortunately, the lodgement of consents for the Ōtaki to Levin section has been delayed until 2018/19 because new economic and population information became available, which required additional investigative work. The programme has been reset to reflect this change and construction is now scheduled to start in 2021.

In Christchurch, sod turnings were held for the Northern Arterial and Southern Motorway stage 2 sections. In addition, the Groyne to Sawyers Arms section was opened to traffic.

The Accelerated Auckland Transport Programme continues to run to plan and met most of its annual deliverables. The southbound lane between Hill Road and Takanini (Southern Corridor) is open to traffic, and construction of stage 1 on the East West Connections is complete. Consents were lodged for the Northern Corridor and East West Connections as planned. Construction is expected to be completed on the State Highway 20A to Airport section early in 2017/18.

This year, construction continued on all first tranche projects for the Accelerated Regional Transport Programme. The Normanby Overbridge Realignment in Taranaki was completed and opened to traffic. Progress continued on the second tranche of projects: construction is under way on three projects (Whirokino Trestle Bridge Replacement, Taramakau Road/Rail Bridge and Motu Bridge Replacement), and a further three projects are now in design (Loop Road to Smeatons Hill Safety Improvements, Opawa Bridge Replacement and Awakino Tunnel Bypass).

Consents were prepared for the Mt Messenger and Awakino Gorge Corridor and lodged at the start of 2017/18. The Mt Messenger Bypass is now being delivered using an alliance model, which has altered the project's timelines, but the overall delivery of the programme is still expected within the original timeframes.

Of the third tranche of projects, the Napier Port Access Package has progressed through the business case stage, and three projects in the package have been confirmed (Watchman Road, Hawke's Bay Expressway Improvements and Prebensen-Hyderabad). The Nelson Southern Link business case remains in development.

TRANSITIONING TO THE FUTURE

While our strategy for 2016/17 delivered on a number of fronts in spite of considerable challenges, we have identified opportunities for improvement. Our refreshed strategy enables us to more clearly differentiate and target state highway interventions to address safety issues, the use of new technologies and the differing needs of high-growth urban areas and regional New Zealand.

How this goal links to our strategic responses

The Transport Agency has a statutory function to manage the state highways. **One connected transport system** directs us to integrate digital technology with physical infrastructure to ensure the state highways are connected with the wider transport system through physical infrastructure and digital platforms. **People-centred services** continues to prioritise the customer experience through focusing on customer levels of service. **Partnerships for prosperity** requires us to target partnerships that will drive specific outcomes across our focus areas for safety, technology, high-growth urban areas and regional New Zealand.

How this goal links to our focus areas

Keep people safe is the home for the identification and oversight of high-impact safety interventions on state highways. It places state highway safety interventions within the wider safety programme to ensure there is clarity about the desired outcome and to extend the reach of the programme's safety expertise and insight.

Target rapid growth and **Connect and develop regions** enable us to tailor the state highway programme to the differing needs of high-growth urban areas and regional New Zealand. Under Target rapid growth we will balance the provision of new infrastructure with technology-led demand management approaches to get the best out of the transport system for customers in high-growth urban areas. Connect and develop regions retains the strong focus on resilience as well as working with our partners to understand where transport investment and our wider skill set can support broader social and economic outcomes. Both these focus areas include oversight of the significant state highway, local road and regional improvements programmes.

Deliver connected journeys is the area where we will design and develop the digital platforms that will integrate with the physical infrastructure of the state highways and the wider transport system. Digital technologies will play a critical role in delivering performance improvements for New Zealand's transport system, including making transport safer, enhancing resilience, providing better travel information and improving customer experiences.

GOAL SUCCESS INDICATORS TO 2032*		2012/13 BASELINE	DESIRED TREND	2015/16 ACTUAL	2016/17 ACTUAL	
Highway journeys are safer	Number of deaths and serious injuries in head-on and run-off road crashes on state highway (March year ends)	912	Decreasing	975	1,108	1
Highways journeys are efficient and reliable	Percentage of road closures with a duration >12 hours in rural areas and >2 hours in urban areas	36%	Decreasing	13%	14%	2
Highways are socially and environmentally responsible	% compliance with state highway resource consent conditions	64%	Increasing	95%	96%	3
Highways are being delivered on time	% of capital improvements completed according to milestones	90%	Increasing	95%	85%	3

* Refer to appendix 1, page 176 for trend information.

1 The 14 percent increase in the number of deaths and serious injuries in head-on and run-off crashes was due to a number of contributing factors. There is no one key factor, but rather a confluence of factors contributing to this increase. In the past two years, total network traffic volumes increased by 10 percent. Open road speeds also increased by 0.4 km/h after several years of decreasing speeds, with 23 percent of traffic exceeding the 100 km/h limit. Heavy vehicles accounted for approximately 13 percent of open road crashes and are typically associated more severe consequences. There has been a significant increase in motorcycle crashes, which accounted for 21 percent of open road crashes. Motorcycle crashes are also more likely to be severe.

2 There was a slight increase in the percentage of road closures that exceeded agreed standards. The 824 recorded unplanned closures were primarily due to the effect of major weather events (mainly in the central North Island and Southland), crashes (mainly on the urban network) and the Kaikōura earthquake.

3 The decrease in the percentage of capital improvements completed according to milestones was primarily due to delays to the construction phase of some projects. Many of these projects were hampered by poor spring and summer weather conditions. This was particularly an issue for major earthworks throughout the country (eg the Hamilton section of the Waikato Expressway).

MILESTONES FOR 2016/17

OBJECTIVE 7: GREATER RESILIENCE OF THE STATE HIGHWAY NETWORK

MILESTONES FOR 2016/17		RESULT
OB 7.1	<p>RESULT BY 2019 A framework is in place that allows us to invest in resilience work where required on the network.</p> <p><i>This is a shared result with other national network operators and local authorities.</i></p> <p>The natural hazards assessment framework is available to project teams and provides national consistency and structure to meet investment assessment framework requirements.</p>	<p>ACHIEVED</p>
OB 7.2	<p>RESULT BY 2019 We have collaborated with local authority partners to agree alternative routes on the local road network, and can demonstrate a joined-up approach to resilience in all areas.</p> <p><i>This is a shared result with other national network operators and local authorities.</i></p> <p>Together with our local authority partners – through the Road Efficiency Group, Road Controlling Authorities Forum and Lifelines – we have a plan to agree alternative routes and to align One Network Road Classification resilience customer levels of service on the network, and we have shared tools and guidance for resilience analysis.</p> <p><i>A process for agreeing alternative routes was promoted throughout the Transport Agency and Road Controlling Authorities Forum. A natural hazards assessment framework and guidance were loaded on to the Transport Agency website and shared with our partners. However, no targets have been agreed for the One Network Road Classification resilience customer levels of service. The Road Efficiency Group technical group is developing these targets and expects them to be completed in 2017/18.</i></p>	<p>SUBSTANTIALLY ACHIEVED</p>

OB 7.3 **RESULT BY 2019** We have identified the road corridors that require physical improvements, and these are included in the State Highway Investment Proposal (formerly known as the State Highway Activity Management Plan) and the 2018–21 National Land Transport Programme.

This is a shared result with other national network operators and local authorities.

We have incorporated a programme of resilience-related improvements into the draft State Highway Investment Proposal (formerly known as the State Highway Activity Management Plan) 2018–21.



OBJECTIVE 8: DELIVER CONSISTENT LEVELS OF CUSTOMER SERVICE THAT MEET CURRENT EXPECTATIONS AND ANTICIPATE FUTURE DEMAND

MILESTONES FOR 2016/17	RESULT
<p>OB 8.1 RESULT BY 2019 The State Highway Investment Proposal (formerly known as the State Highway Activity Management Plan) clearly demonstrates value for money through:</p> <ul style="list-style-type: none"> the benefits and outcomes of our operations the condition of the network and the levels of risk we are currently taking in maintenance and renewals our future investment needs for improvements and their return on investment. 	<p>ACHIEVED</p>
<p>The State Highway Investment Proposal (formerly known as the State Highway Activity Management Plan) is consistent with the One Network Road Classification framework.</p>	
<p>OB 8.2 RESULT BY 2019 Based on data from our current contracts:</p> <ul style="list-style-type: none"> levels of service are consistent with the One Network Road Classification framework we have confirmed our future operating model for asset management we have reviewed the lessons learned and formalised principles for the next round of maintenance and operations procurement, including healthy market analysis. 	<p>ACHIEVED</p>
<p>Outcomes from the Activity Management Improvement Programme have influenced the development of the draft State Highway Investment Proposal (formerly known as the State Highway Activity Management Plan) 2018–21.</p>	

OBJECTIVE 9: PROVIDE SIGNIFICANT TRANSPORT INFRASTRUCTURE

MILESTONES FOR 2016/17	RESULT
<p>OB 9.1 ROADS OF NATIONAL SIGNIFICANCE</p>	<p>SUBSTANTIALLY ACHIEVED</p>
<p>OB 9.1.1 Pūhoi to Wellsford</p> <p>Auckland to Whāngārei programme business case completed to confirm long-term management response and programme for State Highway 1 between Pūhoi and Whāngārei</p> <p>Pūhoi to Warkworth preferred bidder announced, and contract awarded for public-private partnership</p> <p>Warkworth to Wellsford detailed business case completed, and consultants procured for route protection</p> <p><i>The Auckland to Whāngārei programme business case was completed. It confirmed the long-term management response and programme for State Highway 1 between Pūhoi and Whāngārei. The preferred bidder for the Pūhoi to Warkworth section was announced, and a public-private partnership contract was awarded.</i></p> <p><i>For the Pūhoi to Warkworth section, engagement also started with the main regulatory authorities and construction work progressed, including the establishment of a project office.</i></p> <p><i>However, the Warkworth to Wellsford detailed business case was not completed. The assessment required recalculation because of the increased growth forecasts for the area contained in the new Auckland Unitary Plan. The revised business case is expected to go to the Transport Agency Board in the first half of 2017/18. This delay is not expected to change the overall delivery timeframe for the programme.</i></p>	

	MILESTONES FOR 2016/17	RESULT
OB 9.1.2	<p>Western Ring Route</p> <p>Waterview Connection and State Highway 16 Causeway Widening open to traffic</p> <p><i>The Waterview Connection was completed during the year and opened on 2 July 2017</i></p>	 ACHIEVED
OB 9.1.3	<p>Waikato Expressway</p> <p>Longswamp section contract awarded and construction started</p> <p>Hamilton sections construction started</p> <p>Rangiriri section open to traffic</p>	 ACHIEVED
OB 9.1.4	<p>Wellington Northern Corridor</p> <p>Ōtaki to Levin consents lodged</p> <p>Ngāūranga to Airport business case under development</p> <p>Peka Peka to Ōtaki construction started</p> <p>Transmission Gully construction under way</p> <p>Mackays to Peka Peka construction complete</p> <p><i>Progress was made on the construction of Transmission Gully throughout the year, with critical activities on or close to schedule. Construction of the Mackays to Peka Peka section was completed, and the road was opened to traffic in February 2017. For the Peka Peka to Ōtaki section, enabling works (such as geotechnical investigations and service relocations) started, and the main works are scheduled to start early in the first quarter of 2017/18.</i></p> <p><i>However, the Ōtaki to Levin section did not meet its milestone. Public consultation on the section was delayed until the fourth quarter, because further investigations were required to incorporate new economic and population information that had become available. The delays to the public consultation process mean consents are now expected to be lodged in 2018/19. The overall delivery of the Ōtaki to Levin section is substantially delayed, so the programme schedule has been reset, with construction now expected to begin in 2021.</i></p> <p><i>Following feedback from the Transport Agency Board and project partners, the Ngāūranga to Airport programme was revised and public engagement is now set to take place in the second quarter of 2017/18.</i></p>	 NOT ACHIEVED, BUT SOME PROGRESS MADE
OB 9.1.5	<p>Christchurch Motorways</p> <p>Northern Arterial with QE2 construction started</p> <p>Groynes to Sawyers Arms and Memorial Avenue Interchange open to traffic</p> <p>Christchurch Southern Motorway Stage 2 construction contract awarded and construction under way</p> <p><i>The Northern Arterial with QE2, Groynes to Sawyers Arms, and Christchurch Southern Motorway Stage 2 portions of this milestone were completed. However, wet weather delayed the opening of the Memorial Avenue Interchange to traffic. The interchange is expected to be open to traffic early in 2017/18.</i></p>	 SUBSTANTIALLY ACHIEVED
OB 9.2	ACCELERATED AUCKLAND TRANSPORT PROGRAMME	
OB 9.2.1	<p>Northern Corridor Improvements</p> <p>Consents lodged</p>	 ACHIEVED
OB 9.2.2	<p>Southern Corridor Improvements</p> <p>Southbound lane open to public</p>	 ACHIEVED
OB 9.2.3	<p>State Highway 20A to Airport</p> <p>Construction complete and road open to traffic</p> <p><i>Work on State Highway 20A to Auckland Airport was not completed on time, but construction continues to progress, and the trench to separate traffic at the Kirkbride Road intersection is expected to be opened to traffic in the first quarter of 2017/18. Several factors caused the delay, including difficulty acquiring a key piece of property, an extension of the scope of work to future-proof the trench and surrounding local roads, and consideration of the likely impact to traffic on the surrounding local roads if the trench were opened before completion of upgrades to those local roads (which are taking place concurrently).</i></p>	 SUBSTANTIALLY ACHIEVED

MILESTONES FOR 2016/17		RESULT
OB 9.2.4	<p>Auckland Manukau Eastern Transport Initiative</p> <p>Our investment processes and collaborative whole-of-network planning facilitate the progress of Auckland Transport's implementation plan for its Auckland Manukau Eastern Transport Initiative, which is:</p> <ul style="list-style-type: none"> Stage 2a resource consents obtained (Panmure to Pakuranga) Stage 2b consents lodged (including Pakuranga Town Centre works) Sylvia Park Bus Improvements, resource consents obtained and construction commenced. <p><i>We delivered all supporting activities and facilitated the progress of Auckland Transport's implementation plan for its Auckland Manukau Eastern Transport Initiative through our investment processes and collaborative whole-of-network planning.</i></p> <p><i>Auckland Transport's consenting activities for Stage 2a, Stage 2b and Sylvia Park Bus Improvements were all delayed. For Stage 2a, a notice of requirement decision is expected in November 2017. For Stage 2b, lodgement of a notice of requirement is scheduled in February 2018. For Sylvia Park Bus Improvements, lodgement of resource consents is expected in March 2018.</i></p>	AUCKLAND TRANSPORT DELIVERABLE
OB 9.2.5	<p>East West Connections Stage 1</p> <p>Construction completed; assessment of environmental effects lodged with the Environmental Protection Agency</p>	 ACHIEVED
OB 9.3	ACCELERATED REGIONAL TRANSPORT PROGRAMME ³	
OB 9.3.1	<p>Kawarau Falls Bridge (Otago)</p> <p>Construction under way</p>	 ACHIEVED
OB 9.3.2	<p>Mingha Bluff to Rough Creek Realignment (Canterbury)</p> <p>Construction complete and road open to traffic</p> <p><i>Progress was made on the construction of the retaining walls, river protections and the relocation of the rail line, but wet weather events caused significant delays to the projects. Completion of the project has been pushed to the summer season of 2017/18.</i></p>	 NOT ACHIEVED, BUT SOME PROGRESS MADE
OB 9.3.3	<p>Akerama Curves Realignment and Passing Lane (Northland)</p> <p>Construction complete and road open to traffic</p> <p><i>Unexpected issues with the ground conditions on the southern part of this project, compounded by wet weather, caused significant delays. Stage 1 (the northern section of the project to Grey's Culvert, except for the Akerama Road intersection), is expected to be open to the public in August 2017. Completion of the entire project is now expected in December 2017.</i></p>	 NOT ACHIEVED, BUT SOME PROGRESS MADE
OB 9.3.4	<p>Normanby Overbridge Realignment (Taranaki)</p> <p>Construction complete and road open to traffic</p>	 ACHIEVED
OB 9.3.5	<p>Whirokino Trestle Bridge Replacement (Manawatū-Wanganui)</p> <p>Design and construction contract awarded</p>	 ACHIEVED
OB 9.3.6	<p>Motu Bridge Replacement (Gisborne)</p> <p>Construction started</p>	 ACHIEVED

³ In the NZ Transport Agency Annual Report 2015/16, Mingha Bluff to Rough Creek Realignment, Akerama Curves Realignment and Passing Lane, and Normanby Overbridge Realignment were accidentally reported as having milestones that were completed. These projects did not have milestones for 2015/16 and should not have been reported against.

MILESTONES FOR 2016/17		RESULT
OB 9.3.7	Ōpawa Bridge Replacement (Marlborough) Design started	 ACHIEVED
OB 9.3.8	Taramakau Road/Rail Bridge (West Coast) Construction started	 ACHIEVED
OB 9.3.9	Loop Road North to Smeatons Hill Safety Improvements (Northland) Design started	 ACHIEVED
OB 9.3.10	Mt Messenger and Awakino Gorge Corridor (Taranaki) Consents lodged	 ACHIEVED
OB 9.3.11	Awakino Tunnel Bypass (Taranaki) Design started	 ACHIEVED
OB 9.3.12	OB 9.3.12 Mt Messenger Bypass (Taranaki) Design completed <i>The procurement strategy for this project was changed from the original approach during the financial year. The procurement model is now an alliance, which will include both design and construction phases. The design phase is under way and is expected to be substantially complete in the first quarter of 2017/18.</i> <i>While this means the year-end deliverable was not achieved, the change of approach should not adversely affect the ultimate timeline of the project. The alliance approach will shorten the delivery time and could result in the project being delivered earlier.</i>	 NOT ACHIEVED, BUT SOME PROGRESS MADE
OB 9.3.13	Napier Port Access Package (Hawke's Bay) This project is under investigation and next steps are to be reviewed.	 ACHIEVED
OB 9.3.14	Nelson Southern Link This project is under investigation and next steps are to be reviewed.	 ACHIEVED

Output classes that support our highway solutions goal*

Service delivery

State highway improvements

State highway maintenance

Investment performance

State highway improvements

State highway maintenance

* Refer to page 76 for a full description of this year's activities and performance.



MAXIMISE EFFECTIVE, EFFICIENT AND STRATEGIC RETURNS FOR NEW ZEALAND

We invest public funds in land transport solutions for our customers. Through our goal to maximise effective, efficient and strategic returns for New Zealand, we aim to get the best value for money from the investments and maximise the benefits for all New Zealanders.

This year, we focused on:

- **aligning investment to agreed national, regional and local outcomes and improving value for money** – agreeing outcomes early so we can agree on and prioritise the right investments
- **ensuring effective and efficient co-investment with our partners** – making investment criteria and processes clear and transparent
- **exploring innovative revenue, pricing and financing approaches** – looking for funding models and ways to deliver value for money that will remain appropriate for the foreseeable future.

OUR PROGRESS THIS YEAR

We made great progress this year, achieving or substantially achieving all eight of our annual milestones. In preparation for the 2018–21 National Land Transport Programme, we drafted a revised Investment Assessment Framework that considers the draft Government Policy Statement on Land Transport, references the One Network Road Classification and incorporates the newly developed Long-Term Strategic View. We took steps to ease the burden on our co-investment partners as they navigate our systems and processes in preparation for developing their Regional Land Transport Programmes.

Aligning investment and improving value for money

CONTRIBUTING PRIORITIES

Predictable urban journeys
Deliver safer journeys
Smart road maintenance
Urban cycling

We align investments with agreed national, regional and local outcomes to improve value for money in all our activities. This year, our work focused on engagement with stakeholders and partners in preparation of developing the 2018–21 National Land Transport Programme. Central to this was the development and approval by the Transport Agency Board of the draft Investment Assessment Framework, which took into consideration the draft Government Policy Statement on Land Transport 2018/19–2027/28. The framework will help align transport investment decisions with national, regional and local economic development objectives. We also engaged with the Ministry of Transport, the Treasury and our investment partners to address findings from

the investment decision making review. This engagement included providing clarity and transparency about our investment decisions and processes. We incorporated the feedback we received to align the Investment Assessment Framework with government expectations.

We also continued our engagement with the transport sector to clarify the operational policy for how the One Network Road Classification will inform investment in urban network capacity for the 2018–21 National Land Transport Programme. We provided guidance on this matter by referencing the One Network Road Classification in the Investment Assessment Framework criteria and providing direction on investment decision making.

We also worked to align national and interregional medium-term and long-term transport issues and opportunities by developing the Long-Term Strategic View.⁴ The view has a 30-year outlook that identifies the pressures that will affect New Zealand’s transport system and proposes potential solutions. We engaged the sector on the view and received positive feedback from local government and other national stakeholders on the issues and opportunities for priority interregional routes. The view will play an important role in informing our investment in the 2018–21 National Land Transport Programme, because the draft Investment Assessment Framework requires regional plans and associated activities and programmes to align with the issues and opportunities identified by the view.

⁴ The Long-Term Strategic View was previously called the 30-year outlook.

For our investment in the recovery of the Canterbury transport network, we continued to work with our partners so the programme continued to deliver within the agreed standards and timeframes. The programme is on track with more than 96 percent of the on-ground kilometres completed and only work on the Sumner-Lyttelton Corridor to be finished. All partners in the Stronger Christchurch Infrastructure Rebuild Team signed off on the programme's completion in June.

Ensuring effective and efficient co-investment with our partners

CONTRIBUTING PRIORITIES

Predictable urban journeys
Deliver safer journeys
Smart road maintenance
Urban cycling

We assess all proposed land transport investments with our partners so that we are all confident we are making the right investments at the right time. This year, we made good progress on our continued efforts to implement the network monitoring framework, network performance measures and improvements to our processes to ensure effective and efficient co-investment with our partners. We developed a reporting framework for customer benefit improvements on key journeys, which will be trialled when we report on the 2018-21 National Land Transport Programme and for aggregating the expected benefits of the 2018-21 National Land Transport Programme.

Our process improvements on the business case approach and the Transport Investment Online tool also progressed well this year. Ahead of the Regional Land Transport Programme preparations, we simplified the business case approach and information requirements in the Transport Investment Online tool. We also continued to receive positive feedback on our work to support and build our partners' capability to use and understand our systems, including on our development of online educational modules. We expect these initiatives to reduce the compliance burden and improve the user experience as our partners begin to prepare their Regional Land Transport Programmes.

Exploring innovative revenue, pricing and financing approaches

To enhance the value delivered by transport investments, we continued updating our revenue and financing framework. This year, we worked with the Ministry of Transport to identify possible advanced procurement options for large projects. The Transport Agency Board's Audit, Risk and Assurance Committee received a revised decision-making framework about the Transport Agency's debt limit and debt management. We are yet to discuss and agree with the Ministry of Transport the principles and criteria that would govern when we would seek to pursue alternative procurement methods and funding sources.

TRANSITIONING TO THE FUTURE

We are pleased with what we achieved under this goal and our refreshed strategy positions us to build on the strong foundation that has been laid. Our refreshed strategy places the drive for investment clarity, efficiency and agreed outcomes within a broader, long-term system context. This context includes consideration of policy and regulatory tools alongside more traditional transport planning and investment tools.

How this goal links to our strategic responses


One connected transport system positions us to utilise technology to improve the value and benefit of our investments on behalf of customers and citizens of New Zealand. **People-centred services** helps us to consider and balance customer expectations with citizen expectations that we use public funds wisely and deliver value for money. **Partnerships for prosperity** builds on our existing partnership approach to investing in agreed outcomes and enables us to consider both a broader variety of partners and outcomes.

How this goal links to our focus areas

Shape the land transport system is the area where we will continue to build with our partners an evidence-based, aligned and long-term view of the land transport system. It requires us to plan with the whole system in mind - including policy, regulatory and technology settings - and to take a coordinated approach to the timing of agreed interventions. This focus area is based on the principle that investing in the right interventions at the right time is key to delivering value for money.

Improve customer experiences is the area where we consider how to make it easier for our investment and delivery partners to work with us.





Target rapid growth is where we will continue our work alongside others, including on smarter road pricing as a demand management tool in Auckland context. Broader work on funding models that are future-fit will be progressed under Shape the land transport system since they are critical in system setting and require us to work in concert with our central government partners.

GOAL SUCCESS INDICATORS TO 2032*		2012/13 BASELINE	DESIRED TREND	2015/16 ACTUAL	2016/17 ACTUAL	
National Land Transport Fund investments align to government investment priorities	% of activities that meet funding priority thresholds for public transport/road (improvements)/road (maintenance, cycling and other)	99.47%	Increasing	99.93%	100%	
National Land Transport Fund investments have a high degree of effectiveness	Refer to <i>National Land Transport Fund annual report</i> (pages 187-257).					
National Land Transport Fund investments have a high degree of efficiency						


* Refer to appendix 1, page 176 for trend information.

MILESTONES FOR 2016/17

OBJECTIVE 10: ALIGN INVESTMENT TO AGREED NATIONAL, REGIONAL AND LOCAL OUTCOMES, AND IMPROVE VALUE FOR MONEY IN ALL WE INVEST IN AND DELIVER

MILESTONES FOR 2016/17	RESULT
<p>OB 10.1 RESULT BY 2019 Identify and describe a comprehensive planning and investment decision-making process for the Transport Agency (including the use of its Investment Assessment Framework) that provides stakeholders with confidence that its investments are prioritised transparently and optimally (as measured through the stakeholder survey).</p> <p>We have improved our Investment Assessment Framework, in preparation for the 2018–21 National Land Transport Programme (NLTP) so that the framework clearly aligns with wider government economic development objectives and increases clarity and transparency of the NLTP investment decision-making system.</p>	 ACHIEVED
<p>OB 10.2 RESULT BY 2019 The recovery of Canterbury's transport networks is substantially complete and the NLTP contributions to Canterbury's recovery achieve best value for money delivery according to programme.</p> <p><i>This is a shared result with other central government agencies, local authorities and contractors.</i></p> <p>Through our work with Canterbury local government, the Canterbury transport network recovery programme is on track, with 87 percent of on-ground kilometres complete within planned timeframes.</p>	 ACHIEVED
<p>OB 10.3 RESULT BY 2019 Urban network capacity investments in the next NLTP are consistent with the One Network Road Classification.</p> <p><i>This is also a result for objective 2.</i></p> <p>For the 2018–21 NLTP we have clarified the operational policy for how the One Network Road Classification will inform investment in urban network capacity.</p>	 ACHIEVED
<p>OB 10.4 RESULT BY 2019 We have clearly identified national and interregional issues that drive our medium- and long-term opportunities.</p> <p>Within the Long-Term Strategic View, we have identified the medium- and longer-term issues and opportunities for priority interregional routes to inform our shorter-term investment in the 2018–21 NLTP.</p>	 ACHIEVED

OBJECTIVE 11: ENSURE EFFECTIVE AND EFFICIENT CO-INVESTMENT WITH OUR PARTNERS

MILESTONES FOR 2016/17	RESULT
<p>OB 11.1 RESULT BY 2019 The network monitoring framework to measure customer benefits is in place for selected key routes/journeys.</p> <p>We have put the network monitoring framework in place to measure customer benefits for two key journeys/routes.</p>	 ACHIEVED
<p>OB 11.2 RESULT BY 2019 We have increased the satisfaction level of our investment partners by 10 percent through our tools, systems, policies and procedures.</p> <p><i>The milestone under result OB 10.1 (above) also contributes to this result.</i></p> <p>Through our targeted process improvements and capability building, regional transport committees report increased confidence and satisfaction in using the business case approach to prepare regional land transport plans, and approved organisations report the same for using both the business case approach and the Transport Investment Online tool.</p>	 ACHIEVED

OB 11.3 **RESULT BY 2019** Network performance measures have been implemented and are being used by investment partners.

This is a shared result with local authorities.

We have communicated and received feedback from our investment partners about our expectations on the use of network performance measures within our investment decision-making processes.



ACHIEVED

OBJECTIVE 12: EXPLORE INNOVATIVE REVENUE, PRICING AND FINANCING APPROACHES THAT ENHANCE THE VALUE DELIVERED BY LAND TRANSPORT INVESTMENTS

MILESTONES FOR 2016/17

RESULT

OB 12.1 **RESULT BY 2019** A Transport Agency revenue and financing framework has been developed.

We have implemented the internal revenue and financing framework, and we have agreed the principles of the external framework with our key central government partners.

We applied and updated the existing internal revenue framework. The update included revisions and clarifications to areas highlighted by the Treasury and Ministry of Transport.

We continued to assess the existing framework and explore additional updates, particularly in relation to borrowing and long-term liabilities. The Transport Agency Board's Audit, Risk and Assurance Committee accepted, in principle, a revised decision-making framework about the Transport Agency's debt limit and debt management. Work is under way to investigate implementation of the framework.

We are yet to discuss and agree with the Ministry of Transport the principles and criteria that would govern when we would seek to pursue alternative procurement methods and funding sources. Further engagement with the Ministry of Transport and the Treasury is expected to occur during the first half of 2017/18.



SUBSTANTIALLY ACHIEVED

Output classes that support our maximise returns goal*

Service delivery

- SuperGold Card
- Local road maintenance
- Fuel excise duty

Investment performance

- Public transport
- Local road improvements
- Local road maintenance
- Walking and cycling
- Regional improvements

* Refer to page 80 for a full description of this year's activities and performance.

GOAL | GROWING AGILITY

To live and work successfully in changing and challenging times, people must be quick thinking and quick acting as well as supported by responsive and flexible systems and processes that are underpinned by a culture of innovation, collaboration and clear leadership.

To grow our agility, this year we focused on:

- **harnessing knowledge** - making better decisions that are supported by solid evidence
- **creating value with others** - collaborating across the Transport Agency and the sector
- **encouraging continuous improvement and innovation** - building a culture of innovation to support continuous and transformational improvement.

OUR PROGRESS THIS YEAR

We made great progress this year, achieving or substantially achieving all 17 of our annual milestones. We continued to have systems and processes that treat our data and information as assets. This approach allows us to extract value and insights from our data, share it with others to help them make informed decisions, keep those sources of information functioning during emergencies, and uphold our responsibilities to maintain the privacy of our customers, stakeholders and partners. We also continued our efforts to make the Transport Agency a great place to work by introducing dedicated work spaces in our national office for collaboration.

During the year, a significant amount of time and attention was spent preparing the organisation for its transformation to a new operating model and refreshed strategic direction. This involved creating an organisational DNA that describes our ways of working, as well as creating a new operational model and corresponding organisational structure for introduction on 3 July 2017. These efforts were resource intensive and could have detracted from our ability to achieve all of our milestones.

Harnessing knowledge

We harness knowledge to make timely, well-considered and evidence-based decisions to better respond to and anticipate the needs of our customers, stakeholders and colleagues.

As part of our strategic business intelligence programme, we examined our business intelligence capability and devised initiatives to provide better access to data and better data management. These efforts to treat information as a valuable asset were integrated into the new operating model and organisational structure. We also provide access to non-personal information from the Motor Vehicle Register in line with the principles in the Declaration on Open and Transparent Government. Data from the register can be used to help us, our partners and our customers understand what is happening in New Zealand's vehicle fleet.

We also continued to create a culture of open information and data, creating a technology roadmap to enable the release of data openly. We did this while simultaneously balancing our responsibilities to maintain the security and privacy of our databases and information. This achievement was demonstrated by our achievement of level 3 for all elements of our privacy self-assessment.

To make it easier for our people to access and share information, we introduced Workplace by Facebook. We also refreshed our intranet to integrate information, so it is available in one place for our people. Our new intranet complements the organisation's new operating model and refreshed strategy.

We also continued to maintain resilient systems that could be relied on to withstand an unexpected disaster. Two annual disaster recovery tests were completed successfully in May. These tests showed that our most critical applications performed successfully in our new disaster recovery environment. We also utilised some of our recovery plans before formal testing to respond to a real event, and all performed successfully.

Creating value with others

We create value by focusing on high performance and collaborating across the Transport Agency and the transport sector.

Our focus continued to be on building high performance, maintaining staff engagement, strengthening leadership, and attracting and retaining high-calibre staff. To increase collaboration in our national office, we created a flexible work environment. This space uses new technologies and floorplan layouts to provide our people with a modern, flexible work environment that facilitates collaboration and innovation.

These efforts to change the way we work have had a positive impact on how we collaborate with the transport sector to create value for all of New Zealand. This year, we collaborated with our local government partners to help address growth pressures in Auckland and Queenstown, and deliver enhanced customer experiences by improving road maintenance planning and activities. We also worked with the transport sector to use innovative approaches to improve safety outcomes in remote areas by trialling the effectiveness of new technologies to provide weather and travel information to road users.

Our commitment to creating a safe workplace and work environment was demonstrated by the continued implementation of our Zero Harm Strategy. These efforts are helping to embed a Zero Harm culture within the Transport Agency and the wider transport industry. This year, sixty-five workshops on our upgraded Zero Harm app were delivered throughout the country to show staff and contractors how to enrol in the system and how to log and find injury reports.

We also spent considerable effort developing a new operating model and organisational DNA. Our review of the organisation showed we needed a stronger focus on being one agency delivering integrated outcomes, becoming truly customer and citizen focused, enabling innovation and leveraging new technology fully. This focus requires us to organise ourselves differently and make sure we have the right skills and capabilities in the right areas and teams to deliver on our refreshed strategy. Our DNA is our shared set of beliefs and values that drive the way we deliver on the promises we make to New Zealand in our strategy. It is both who we are now and who we aspire to be. We have three DNA attributes: customer focus to deliver value, collaborate to achieve as one, and curious to cultivate innovation. The implementation of the DNA is helping to create an environment that supports our strategic direction and enables our staff to thrive and be the best they can be at work.

Encouraging continuous improvement and innovation

We encourage continuous improvement and innovation to strengthen our ability to identify, prioritise and implement ways of doing things better.

The increasing use of digital technologies in the transport sector offers a great opportunity to innovate and improve the way we use our resources to deliver transport solutions. This year we completed three successful trials of intelligent transport system technologies. We worked with our transport sector partners to use Bluetooth® to provide real-time in-car messaging in select South Island rental cars. The trial demonstrated the potential of technology to improve safety outcomes in remote locations, particularly for tourist drivers. We also used innovative technologies to identify overweight heavy vehicles as part of the Weight Right Trial, showcasing the ability of technology to minimise the impact of compliance activities on law-abiding operators by monitoring vehicle weights without having to pull vehicles off the road.

We also identified and trained national incident management teams in Auckland and Wellington so our transport operations centres can respond to incidents on the urban transport system by actively managing, in real time, parts of the system and the provision information to customers.

TRANSITIONING TO THE FUTURE

Our refreshed strategy retains a focus on harnessing information, collaboration and innovation, but provides us with a sharper improvement programme to ensure we have the capability, technologies, systems, policies and processes in place to deliver on our strategy. Our new operating model organises us differently and gives us the means to deliver more effectively.

How this goal links to our focus areas

Achieve organisational excellence requires us to identify the capabilities needed to deliver on our strategy and to keep pace with our changing environment. It requires us to lift our game in relation to harnessing information and technology and to build our business intelligence capability so we can utilise data analytics and insight to support better decision making. This focus area directs us to strengthen and clarify our communication, engagement and partnership approaches so we are clearer and more consistent with our partners and they know what to expect from us. Achieve organisational excellence provides the umbrella for establishing a collaborative innovation zone so that we can address specific transport challenges with our partners. Modernising our services, tools and ways of working also form part of this focus area.

Transform the Transport Agency establishes a deliberate change management approach to successfully transition the Transport Agency to the refreshed strategy and the new ways of working. It drives improved organisational effectiveness through tenacious alignment of strategy to business planning, resource allocation and performance measurement. It embeds our new DNA and the shift required to ensure we are customer focused, collaborative, curious, and seeking innovation and value for money in all we do.

GOAL SUCCESS INDICATORS TO 2032*		2012/13 BASELINE	DESIRED TREND	2015/16 ACTUAL	2016/17 ACTUAL
Harness knowledge	Priority stakeholders are satisfied with the manner in which the Transport Agency makes decisions	48%	Increasing	55%	See notes below
	Internal staff perception survey on the accuracy and accessibility of our information	45%	Increasing	54%	See notes below
Create value with others	Quality of stakeholder relationship – priority stakeholders’ overall satisfaction with their organisations’ current relationship with the Transport Agency	71%	Increasing	70%	See notes below
Continuous improvement	Staff engagement survey (Gallup engagement survey)	3.96	Increasing	4.16	See notes below
	% of organisational resources allocated to innovation and continuous improvement	Of the \$75,000 that was allocated to 11 initiatives from the Innovation Fund in 2015/16, \$19,200 was spent this year and 2 full-time equivalent employees were dedicated to managing the fund and supporting the initiatives			

* Refer to appendix 1, page 176 for trend information.

The Transport Agency had used the annual Gallup survey since 2010 to measure engagement and satisfaction as these are broad indicators of performance. During this period, a positive change in staff engagement was reported, but it was difficult to directly measure the impact that this engagement had on organisational culture and performance as it did not link directly to business results. The Transport Agency moved to a new survey provider (Ask Your Team) to support the transition to a new operating model. This new survey provides more detailed and regular feedback and delivers real-time results across a wider spectrum of performance drivers and indicators (not just engagement). The overall survey outcome was 61 percent. This is simply the average survey response against all 68 assertions (questions) using a six-point rating scale — 61 percent means that on average people rated their answers as ‘somewhat agree’.

The survey includes assertions on the access to information in order to do the job as effectively as possible (65 percent) and access to the right information to enable timely and fact-based decisions (58 percent).

The survey of stakeholders and approved organisations was not conducted this year. The Transport Agency changed its regional structure towards the end of the financial year and moved to a new organisational structure on 3 July 2017. The existing survey was based on the old structures, so the results would not have been pertinent or actionable.

While the survey was not conducted this year, we received feedback from local government through other means. One source was the Local Government New Zealand *Taking the pulse of local government in New Zealand* survey. This survey of local government mayors and chairs has consistently shown the Transport Agency is considered the central government body that makes the most effective contribution to local government. The Transport Agency’s result in this area has increased steadily during the past three surveys, from 46 percent in 2014, to 50 percent in 2015 and 55 percent in 2017.

MILESTONES FOR 2016/17


HARNESS KNOWLEDGE

	MILESTONES FOR 2016/17	RESULT
GA 1.1	<p>RESULT BY 2019 Our people value information as a shared asset.</p> <p>We have developed leadership expectations and have a programme in place to help our people be confident in their ability to harness knowledge.</p>	 ACHIEVED
GA 1.2	<p>RESULT BY 2019 Our information tools and processes make it easy to find integrated information, and we continually strive to simplify and rationalise these tools and processes.</p>	
GA 1.2.1	<p>We have made it easier for our people to find and use information and to make smart evidence-based decisions, by embedding our new collaboration and information tools and aligning our agency-wide business intelligence programme.</p>	 ACHIEVED
GA 1.2.2	<p>We have improved the quality of and access to the Transport Agency's evidence base (high-value information).</p> <p><i>We identified 20 percent of our information assets as high-risk/high-value assets and developed an action plan to improve access to them and our curation of them. We completed actions to cross-skill staff, improve access controls and dispose of old records. Work is under way to monitor the progress of the remaining actions.</i></p> <p><i>A stocktake of high-value information held by the sector was published that identified the sector's information assets, the stewards of the assets, the value of the assets and the organising principles to maximise reuse of the assets.</i></p>	 SUBSTANTIALLY ACHIEVED
GA 1.3	<p>RESULT BY 2019 We effectively balance an open information culture with robust processes to ensure appropriate information security and privacy.</p>	
GA 1.3.1	<p>We have agreed and achieved our safety, security and privacy maturity targets, aligned with the Protective Security Requirements, using an integrated approach to enhance the security of our personnel, information and physical assets.</p> <p><i>We agreed and achieved our privacy and safety targets, but did not make significant progress on security targets. We were not able to identify and agree the specifics of the security targets because of resource constraints.</i></p>	 SUBSTANTIALLY ACHIEVED
GA 1.3.2	<p>We have implemented the four top New Zealand National Cyber Security Centre security strategies and have a plan in place to achieve the remaining 16 strategies.</p>	 ACHIEVED
GA 1.3.3	<p>We have achieved our target of level 3 in the Privacy Self-Assessment through a programme of business improvements that are aligned with the Government Chief Privacy Officer's core expectations.</p>	 ACHIEVED
GA 1.4	<p>RESULT BY 2019 We have a robust and fit-for-purpose business continuity planning framework.</p>	
GA 1.4.1	<p>We have foundation disaster recovery in place for 27 core applications (as identified in 2014-16 business continuity plan work).</p>	 ACHIEVED
GA 1.4.2	<p>We have approved and tested business continuity plans for all offices and critical functions.</p> <p><i>Three of our shared locations (Tairāwhiti Roads, Wellington Transport Operations Centre and Auckland Transport Operations Centre) did not finalise business continuity plans in 2016/17, but all are on target to do so in the first quarter of 2017/18. Six of our other facilities did not formally test their plans, but these plans were used during real events and performed well.</i></p>	 SUBSTANTIALLY ACHIEVED
GA 1.4.3	<p>We have a business continuity plan in place to transfer and establish critical National Office leadership functions to the Auckland Regional Office in an emergency, and this is tested.</p>	 ACHIEVED

CREATE VALUE WITH OTHERS

	MILESTONES FOR 2016/17	RESULT
GA 2.1	<p>RESULT BY 2019 We have matured our leadership practices to consistently operate in a collaborative way, across the state sector, to strengthen overall public sector integrity and inclusiveness.</p> <hr/> <p>We have strengthened our understanding and capability to operate as part of the wider public sector, and we are working with public sector partners in a way that contributes to our collective impact.</p>	 ACHIEVED
GA 2.2	<p>RESULT BY 2019 The Transport Agency is a great place to work that anticipates and responds well to change, is recognised as high performing and has outstanding, agile people.</p> <hr/> <p>We have embedded our people plan, which focuses on driving high performance, building engagement, consistent leadership, and being recognised internally and externally as a great place to work.</p>	 ACHIEVED
GA 2.3	<p>RESULT BY 2019 We have created an environment where our people are highly engaged, recognising the correlation between high engagement and high performance in organisations.</p> <hr/> <p>We have embedded good engagement principles into our people practices.</p>	 ACHIEVED
GA 2.4	<p>RESULT BY 2019 The principle underlying the Transport Agency's Zero Harm Strategy is that by 2020 or sooner all our people, regardless of employer will go home safe and healthy, every day, no exceptions.</p>	
GA 2.4.1	<p>We have continued to implement the Zero Harm Strategy 2014–20 and helped improve transport industry collaboration and standards to ensure our people go home safe every day, no exceptions.</p> <p><i>Delivery of the Zero Harm Strategy was split into six components for 2016/17. Two components (health and safety assurance, and metrics and dashboards) were achieved, two (health and safety risks, and management framework) were partially achieved, and two (supply chain and procurement, and high potential events and fatal risk programme) made some progress, with core work under way.</i></p> <p><i>Risk management policies, guideline and processes were drafted, and an implementation plan is under development for delivery during the first half of 2017/18. Work is under way to review the organisation's health and safety duties and assurance practices as a 'person conducting a business or undertaking' for delivery by the end of the first quarter of 2017/18.</i></p>	 SUBSTANTIALLY ACHIEVED
GA 2.4.2	<p>We have increased our people's awareness of and commitment to the principles of Zero Harm.</p> <p><i>The Zero Harm team attended every Regional Health and Safety Committee meeting either by phone or in person to raise awareness of our Zero Harm responsibilities. Work is under way that will clarify with the Regional Health and Safety Committees their roles and responsibilities and ensure representatives receive Zero Harm training.</i></p> <p><i>Sixty-five workshops on the upgraded Zero Harm app were delivered throughout the country to show staff and contractors how to enrol in the system and how to log and find injury reports. The workshops also impressed on project managers the need to verify each monthly report and the importance of the reports. There is regular reporting at management and governance levels.</i></p>	 SUBSTANTIALLY ACHIEVED
GA 2.5	<p>RESULT BY 2019 Our workplace allows our people to work where, when and how they need to by integrating technology, space and people capabilities to deliver greater performance.</p> <hr/> <p>We have improved the capability and confidence of our people in using collaborative tools and spaces, as seen through higher adoption and utilisation.</p>	 ACHIEVED

ENCOURAGE CONTINUOUS IMPROVEMENT AND INNOVATION

	MILESTONES FOR 2016/17	RESULT
GA 3.1	RESULT BY 2019 We have a reputation as an innovator, where innovative thinking and behaviours underpin agile systems and processes, creating solutions that deliver outcomes for customers and stakeholders.	
OB 3.1.1	We have established a baseline and system for measuring our innovation maturity across the key enablers of an innovative culture, and we have used the findings to identify how we can improve our organisational approach to innovation.	 ACHIEVED
OB 3.1.2	We have supported the delivery of at least three intelligent transport systems trials.	 ACHIEVED

PROGRESS ON OUR PRIORITIES



MAKE IT EASY FOR CUSTOMERS TO DO BUSINESS WITH US

SUPPORTS

Smart choices
(objectives 5 & 6)

Highway solutions
(objective 8)

We need to keep enhancing how we meet customer needs at the best cost. Making it easy for customers to do business with us contributes directly to the Government's Better Public Services Result 9 (better for business – making it easier for business customers to deal with government) and Result 10 (New Zealanders can complete their transactions with government easily in a digital environment). This priority also contributes to the aim in the Government Policy Statement on Land Transport to deliver value for money and reduce the costs of doing business.

This year we continued our focus on:

- **reducing transaction times and costs for small to medium-sized enterprises** – making an important contribution to their bottom lines and New Zealand's overall productivity
- **improving driver licensing processes** – making it easier for new drivers to be safe drivers and easier for those who find it difficult to participate in the current process
- **making it easier to interact online** – helping people find the information they need when they need it and complete their transactions swiftly
- **using customer insights** – developing insights from customer feedback to improve our services and how we make decisions.

OUR PROGRESS THIS YEAR

We made great progress this year with all eight results either achieved or substantially achieved. We took steps to simplify our process for small and medium-sized enterprises, including preparations to integrate the New Zealand Business Number with our systems. We also worked to improve the process of getting a driver licence, so all New Zealanders can easily pursue the chance to gain access to the social and economic opportunities that come with a driver licence. Work to improve our online services progressed well, as we consolidated our web presence and made improvements to address customer pain points.

Reducing transaction times and costs for small to medium-sized enterprises

This year, we focused on a prioritised improvement programme to benefit small to medium-sized enterprises by improving the efficiency of their interactions with us. We did this by focusing on high priority projects, such as facilitating the uptake of electric vehicles and making changes relating to small passenger services. We also began the preliminary work to integrate the New Zealand Business Number with our process and services. This will allow businesses to use the New Zealand Business Number as a single identifier, simplifying their interactions with us and, ultimately, reducing the time they have to spend doing business with us. We also responded to industry demand by re-establishing the online publication of upcoming contracts for planned state highway projects. This action was meant to help small to medium-sized enterprises apply for tenders.

Improving driver licensing processes

We continue to enhance the end-to-end licensing experience. Wait times for driver licence tests improved with 87 percent of people who booked their test being able to sit it within the target 18-day period, more than a 10 percentage point increase from 2015/16. We also provided an automated, digital test-recording system for driver licence tests at certain testing sites, increased the number of testing officers and extended the number of test routes.

In addition, we worked with the Accident Compensation Corporation to improve access to driver licensing through the development of a multi-year Improving Access to a Driver Licence programme. We also enhanced the Drive website (www.drive.govt.nz) with the introduction of text reading functionality. The text reader can read out whole pages, individual words or paragraphs as selected by the user. The functionality has been developed to be as simple as possible, making the website easier to understand for people who might have difficulties reading.

This year, we consulted with the public on the Driver Licencing Rule and worked with the Ministry of Transport to provide drafting instructions for changes to the rule. Changing the Driver Licensing Rule will make it easier for customers to do business with us by allowing the customer to renew their driver licence online. While finalisation of the rule was delayed, we are ready to implement the rule when it comes into effect.

Making it easy to interact online

As part of our Grow Digital programme we made substantial improvements that make it easier for customers to interact with us online.

We improved access and navigation of the Tolling website for customers with existing accounts and addressed a major customer pain point by enabling customers to set their own user identifications for their online accounts. We also introduced the ability for customers to live chat for assistance, which proved very popular with customers.

Our Grow Digital programme saw the integration and concentration of our web presence, as nine previously separate Transport Agency websites were transferred to the main NZ Transport Agency website along with their operating technology. This has made it easier for our partners, suppliers, agents and customers to quickly and easily interact with us online.

We also advanced our efforts to migrate more of our services online. A system for online fuel excise duty refunds was developed, with implementation targeted for 2017/18. The fuel excise duty refund system will provide the foundation for an eventual online road user charge refunds system.

Using customer insights

We improved our use of customer feedback, introducing regular monthly reports and analysis of customer feedback, so that it can contribute to decisions about prioritising projects around customer pain points. While we were not able to fully integrate our multiple systems and processes for handling customer feedback this year, as part of the organisation's new operating model, we've created a dedicated business group that will be responsible for collecting, analysing and deriving insights from customer feedback.

TRANSITIONING TO THE FUTURE

We achieved much of what we set out to do with this priority. Under our refreshed strategy, the **People-centred services** strategic response lifts the customer focus from a priority to a pivotal axis on which the Transport Agency is turning. The **Improve customer experiences** focus area requires us to identify where we can make it easier and simpler for customers and partners to interact with us. We will continue to support all-of-government and Better Public Service initiatives under this focus area. Our work will be supported by our operating model: the Customer Experience and Behaviour Group will build our customer insight and intelligence, while our Customer Design and Delivery Group will co-design and deliver tailored solutions for specific customer segments.

PRIORITY SUCCESS INDICATORS TO 2032	2013 BASELINE	2019 TARGET	2015/16 ACTUAL	2016/17 ACTUAL	
% of survey responses that stated it required little effort to deal with the Transport Agency	71%	>90%	78%	76%	See note below

There was a slight decrease in the percentage of people who said it required little effort to deal with us. However, this is not considered statistically significant because the result was within margin of error. The overall trend since 2013 indicates improving performance.

MILESTONES FOR 2016/17

MILESTONES FOR 2016/17		RESULT
PR 1.1	RESULT BY 2019 The reduced cost of doing business with us helps our small-medium enterprise commercial customers increase their productivity.	
PR 1.1.1	We have developed a prioritised improvement programme to increase efficiency for small-medium enterprises based on the priority 'pain points' (real or perceived problems) identified in customer research.	 ACHIEVED
PR 1.1.2	We have improved our third-party and supplier contract processes in line with the findings of the Transaction Services Delivery Strategic Review. <i>We improved our third-party and supplier contract processes with the Automobile Association, Vehicle Testing New Zealand and Vehicle Inspection New Zealand by adding key performance indicators to monitor service provision. The indicators align to the Transport Agency's strategic direction and have a strong focus on delivering improved customer experiences.</i> <i>The anticipated Transaction Services Delivery Strategic Review was delayed to create capacity for the regulatory assurance focus. It has been reinitiated and will continue into 2017/18.</i>	 SUBSTANTIALLY ACHIEVED
PR 1.2	RESULT BY 2019 The end-to-end driver licensing experience improves safety and makes it easier for everyone to be a safe driver.	
PR 1.2.1	We have provided the Minister of Transport with advice and given effect to government decisions on how to progress the changes to the Driver Licensing Rule and the Land Transport Act to improve safety and make it easier for everyone to be a safe driver. <i>This is a shared milestone with the Ministry of Transport.</i>	 ACHIEVED
PR 1.2.2	We have improved the experience of sitting the driver licence test by ensuring that 85 percent of people who have booked their test sit it within the 18-day waiting period, an increase of 10 percent on 2015/16.	 ACHIEVED
PR 1.2.3	A prioritised cross-agency work programme has been developed to improve social and employment outcomes for New Zealanders by strengthening customer access to and progression through the driver licensing system. <i>This is a shared milestone with the Accident Compensation Corporation, Ministry of Social Development, Ministry of Business, Innovation and Employment and Ministry of Justice.</i>	 ACHIEVED
PR 1.3	RESULT BY 2019 Our customers find it easy to interact with us digitally; they find the right information when they need it, in the form they need it, and they can transact with us effortlessly.	
PR 1.3.1	We have extended the use of digital services (DecisionHub and Common Payment Service) to improve the efficiency of processing complex transactions, and we have made it easier for customers to track the progress of applications online.	 ACHIEVED
PR 1.3.2	We have improved the online experience for our customers by increasing the number of services accessible online and simplifying our web presence.	 ACHIEVED
PR 1.4	RESULT BY 2019 Customer insight is driving prioritisation and helping shape design of continuous improvement initiatives. We have a joined-up process in place for capturing and sharing customer insight and using it to drive service design across the Transport Agency. <i>We improved our use of customer feedback with regular monthly reporting and analysis. This feedback is now used in the decision making that feeds into the design of business change initiatives. We also ensured all regulatory projects gathered and incorporated customer insight and design into project development and execution.</i> <i>However, we were not able to fully integrate our multiple systems and processes for handling customer feedback. This lack of a centralised process for capturing and utilising customer insights formed part of the rationale for the organisation's new operating model. As a result, a dedicated business group was created that will be responsible for collecting, analysing and deriving insights from customer feedback and ensuring these insights are used to inform work across all of the Transport Agency's functions.</i>	 SUBSTANTIALLY ACHIEVED



PREDICTABLE JOURNEYS FOR URBAN CUSTOMERS

SUPPORTS

One network
(objectives 1 & 2)

Smart choices
(objective 5)

Highway solutions
(objectives 7 & 8)

Maximise returns
(objectives 10 & 11)

We need to make travel times more predictable so our customers avoid lost time and lost productivity. By understanding and reducing the impact of delays and by improving the quality and availability of travel information, we can help our customers to plan their journeys with more confidence.

This year, we focused on:

- **improving the management of planned events and incidents** - reducing the impact that planned and unplanned events have on our customers
- **identifying requirements and opportunities to optimise the state highway network** - making better use of the existing network in response to changing traffic patterns and volumes
- **improving travel-time information** - improving the information we provide our customers to make smart travel choices and that we use to measure the predictability of travel times.

OUR PROGRESS THIS YEAR

We made good progress this year, achieving or substantially achieving six of our seven annual milestones. We continued to take steps to reduce the customer impact of delays caused by incidents and events. We are taking these steps by working collaboratively with other agencies, through improvements to systems and processes, and from an increased focus on the quality, analysis and sharing of incident data.

Improving the management of planned events and incidents

Incident response is an ongoing continuous improvement area for transport operations centres. Multi-agency forums, which include transport operations centres, emergency services and network contractors, meet regularly to review incidents and identify actions to improve incident response practices. As an outcome of these reviews, the Wellington Road Policing team began to base itself at the Wellington Transport Operations Centre during significant events to enable improved communications and coordination.

The trial to co-locate a police liaison officer at the Auckland Transport Operations Centre on a full-time basis has continued through the year. This trial has been so successful that the Police Waitemata District Command Centre, Auckland Transport and the Transport Agency submitted a joint entry for this initiative to the annual Problem-Oriented Policing Awards for the Northern Region. The entry was then selected as a regional entry for the National Police awards held in September 2017.

This year, we also increased our focus on the quality and analysis of incident data to better identify opportunities to improve how we respond to incidents. In Auckland, analysis of incident data identified a significant number of truck breakdowns in two important locations on the motorway network. The Auckland Transport Operations Centre implemented a plan for heavy-vehicle tow trucks to be positioned at those locations during peak periods, which resulted in improved incident response and clearance times.

Improvements were made to the systems and processes used to coordinate and approve road works and other planned events. The Auckland Motorway Alliance and Auckland Transport are now using a common system across the state highway and local road networks in Auckland to improve the coordination of planned works. In Wellington, a new network activity planning process was implemented that enables us to better understand and manage the impact of road works.

We also made progress in automating data-sharing systems and processes between the Transport Agency, local authorities, emergency services and other third parties. The data-sharing system was upgraded to receive weather warning and observation data from the MetService, and work is under way with the New Zealand Police to automate the sharing of traffic incident information.

Identifying requirements and opportunities to optimise the state highway network

Changes to traffic patterns and volumes impact on the performance of the road network, so optimising the network is an ongoing process.

State highway optimisation requirements for key journeys in Auckland, Wellington and Christchurch were identified through a number of processes and studies during the year, but further work is required with local authorities to align state highway and local road requirements. In Auckland, the Waterview Tunnel is expected to have a major impact on the city’s traffic patterns, and optimisation requirements will be re-assessed after traffic patterns have stabilised. Our capability and processes to address network optimisation requirements are being reviewed as part of our shift to a new operating model in 2017/18.

Improving travel-time information

How we collect, manage, analyse and communicate travel-time information is crucial to delivering predictable journeys for our customers.

This year, we developed a technology hierarchy for sourcing and collecting travel-time data and for infrastructure standards. We also helped facilitate increased travel-time data sharing by developing interfaces for third-party data feeds. This has improved the quality and consistency of the travel-time information available to our customers and partners and improved the accuracy of the information we use to monitor and measure the performance of the network.

While the impact on travel-time predictability was considered in operational decisions such as maintenance scheduling, wider consideration of predictability performance was constrained by limitations in our analysis capability. These capability requirements are being reviewed as our new model is implemented.




TRANSITIONING TO THE FUTURE

We were unable to make the improvements we sought under this priority. However, we remain convinced that the intent of this priority is correct. Two focus areas will consolidate our efforts and enable us to co-design new initiatives to deliver more for our urban customers. **Target rapid growth** is tightly focused on improving system performance and the customer experience in our high-growth urban areas. **Deliver connected journeys** will help us to utilise technology in a coordinated way to deliver the system and customer experience improvements we seek. This focus area has a very tangible deliverable to prototype and pilot a mobility-as-a-service marketplace that has the potential to transform how customers can manage their transport needs.

PRIORITY SUCCESS INDICATORS TO 2019	2014 BASELINE	2019 TARGET	2015/16 ACTUAL	2016/17 ACTUAL	
% of urban journeys that are predictable (Aggregate of Auckland, Wellington and Christchurch)	80%	80-82%	70%	71%	1

1 Our most recent estimates for each of our major cities suggest that travel-time predictability was variable during 2016/17, before ending the year slightly above the 2015/16 result. However, it is below the baseline and 2019 target. There are likely to be a number of reasons for this trend. Each of the major cities experienced significant increases in traffic volumes during 2016/17. The Transport Agency’s own activities can also have an impact. For example, large capital projects and maintenance and network operations activity can lead to a temporary deterioration in travel times while work is under way, but then an improvement once works have been completed. Travel-time predictability can also be affected by adverse weather and hazards.

MILESTONES FOR 2016/17

MILESTONES FOR 2016/17		RESULT
PR 2.1	<p>RESULT BY 2019 Key urban transport routes are planned and actively managed within and across modes to improve journey time predictability for customers</p>	
PR 2.1.1	<p>We have the information and the analysis capability to ensure that journey time predictability informs operational objectives and decision making in Auckland, Wellington and Christchurch.</p> <p><i>Predictability performance for key urban journeys in Auckland, Wellington and Christchurch was measured regularly and considered in operational decisions such as when to schedule maintenance activities.</i></p> <p><i>However, wider consideration of predictability performance was constrained by capability limitations to perform the analysis. The analysis capability requirements will be reviewed in 2017/18 as our new operating model is implemented.</i></p>	 SUBSTANTIALLY ACHIEVED
PR 2.1.2	<p>We have developed a framework for more consistent real-time journey monitoring and management in Auckland, Wellington and Christchurch.</p>	 ACHIEVED
PR 2.1.3	<p>We have identified network optimisation requirements on key urban journeys and we have the capability to address these.</p> <p><i>State highway optimisation requirements for key journeys in Auckland, Wellington and Christchurch were identified through several processes and studies. Further work is required to align state highway and local road optimisation requirements. Additionally, the opening of the Waterview Tunnel in Auckland requires the optimisation requirements to be reassessed once new traffic patterns have stabilised. This work will take place in 2017/18.</i></p> <p><i>The capability requirements and processes to address network optimisation requirements will be reviewed in 2017/18 as our new operating model is implemented.</i></p>	 NOT ACHIEVED, BUT SOME PROGRESS MADE
PR 2.2	<p>RESULT BY 2019 Our network operations are better integrated with key partners to manage multi-modal urban networks as a single system.</p>	
PR 2.2.1	<p>We have recommended common data standards and a technology architecture to facilitate data sharing with local authorities and emergency services.</p>	 ACHIEVED
PR 2.2.2	<p>We have agreed the scope and selected a supplier for a national multi-modal system for incident and event management on highways and key arterial roads.</p>	 ACHIEVED
PR 2.2.3	<p>Improved forward works and traffic management planning tools and processes have been implemented to more effectively manage planned events.</p>	 ACHIEVED
PR 2.2.4	<p>We have effective forums with local authorities and emergency services targeting measurable improvements in incident response times.</p>	 ACHIEVED



INTEGRATE ROAD AND RAIL FREIGHT TO IMPROVE NETWORK PRODUCTIVITY

SUPPORTS

One network
(objectives 2 & 3)

Better road–rail integration can increase freight productivity, improve the overall return on New Zealand’s investment in land transport infrastructure, and contribute to economic growth and improved standards of living for all New Zealanders. To improve the efficiency of the wider freight network we are focusing on connections between road, rail and intermodal freight hubs. We

have partnered with KiwiRail and the wider freight sector, so planning and investment can be integrated and we get the best outcomes for the sector.

This year, we continued our focus on:

- **integrating road and rail** – improving the planning and investment of the road and rail networks
- **improving safety at level crossing** – developing a safer transport system.

OUR PROGRESS THIS YEAR

Work on this priority was closed out and transferred to KiwiRail and the Treasury. It was determined that the Transport Agency has no accountability for planning or investing in the national rail network; rather, these tasks are the accountability of KiwiRail and the Treasury, and the Ministry of Transport is accountable for overseeing wider transport system issues, such as the role of rail to meet freight demand.

Integrating road and rail

KiwiRail and the Treasury assumed responsibility for most of the work to explore the benefits of integrating the planning and investment of the road and rail networks. This included the transfer to KiwiRail of work to develop an objective economic framework to determine the public value or wider impacts of the rail network on the transport system and New Zealand as a whole. In addition, the development of the Third Main Line business case in Auckland was transferred to KiwiRail. Development of an indicator to express the value to national freight productivity from improved integration of road and rail was discontinued, because it was no longer required.

Improving safety at level crossings

Together with KiwiRail, we delivered a prioritised plan for level crossing safety initiatives. We worked to design level crossing improvements for nine priority crossings where space is insufficient for longer vehicles to safely and legally navigate the intersection and level crossing. Work is under way to deliver the safety improvements for level crossings on these busy routes. In addition, we have drafted sector guidance for pedestrian and cycling level crossings.

TRANSITIONING TO THE FUTURE

Integrating New Zealand’s land-based freight system has tremendous potential benefits, but the Transport Agency was not in a strong position to drive the conversation this year. While we remain part of the conversation, responsibility for advancing the integration of road and rail freight now sits with KiwiRail and the Treasury.

MILESTONES FOR 2016/17

MILESTONES FOR 2016/17		RESULT
PR 3.1	RESULT BY 2019 The road and rail networks are planned and managed in a more complementary way that maximises overall freight network productivity.	
	PR 3.1.1 We have delivered a draft long-term network framework to facilitate road/rail integration and freight productivity.	RESPONSIBILITY TRANSFERRED TO KIWIRAIL AND THE TREASURY
PR 3.1.2	We have investigated a programme of intermodal initiatives to enable greater road/rail integration and freight productivity.	RESPONSIBILITY TRANSFERRED TO KIWIRAIL AND THE TREASURY
PR 3.1.3	We have developed a business case and a 10-year implementation plan, which are endorsed by our partners, to reduce deaths and serious injuries and other negative effects on public level crossings. <i>Refer to the progress made on objective 4.4 (page 23) in the shape smart, efficient, safe and responsible transport choices goal.</i>	REFER TO OBJECTIVE 4.4 MILESTONE



DELIVER SAFER JOURNEYS

SUPPORTS

Smart choices
(objectives 4 & 5)

Highway solutions
(objectives 7 & 8)

Maximise returns
(objectives 10 & 11)

We need to work with other agencies to reduce deaths and serious injuries on our roads. We are working in partnership across the road safety sector and beyond to progress initiatives aimed at reducing deaths and serious injuries on our roads.

Safer Journeys is the Government's road safety strategy to guide improvements in road safety over 2010 to 2020. The strategy's vision is a safe road system increasingly free of death and serious injury, and the strategy introduces the Safe System approach to New Zealand. The Safe System approach recognises that people make mistakes and are vulnerable in a

crash. This approach reduces the price paid for a mistake, so crashes don't result in loss of life or limb. Mistakes are inevitable — deaths and serious injuries from road crashes are not. This work makes a direct contribution to the aims in the Government Policy Statement on Land Transport to improve road safety, embed the Safe System approach and reduce deaths and serious injuries.

We are working with local authorities to implement the *Speed management guide* and align speeds to road function and design. We are working with others to shift attitudes to speed and road safety risks and build support for safer speeds that are right for the road. We will pinpoint our highest-risk urban arterials and target them for treatments to improve safety while seeking to maintain efficient travel times.

This year we focused on:

- **implementing the Safer Journeys Action Plan 2016-2020** – including working with our partners to deliver safe and smart choices and safer motorcycling and vehicles, and ensuring roads and roadsides support safer travel
- **making the highest-risk urban arterials and rural local roads safer** – by working with local road controlling authorities to agree a national programme of safety improvements
- **having better conversations on road risks** – establishing baseline measures of public acceptance that different roads need different speeds depending on their level of safety
- **finalising and introducing the *Speed management guide*** – encouraging road controlling authorities to use the new speed management mapping tool and include one network speed management planning in their 2018-21 National Land Transport Programme Activity Management Plans.

OUR PROGRESS THIS YEAR

We made good progress this year, achieving or significantly achieving all of our six annual milestones. Our work on local road infrastructure evolved into a nationally prioritised work programme of infrastructure investment on local roads. We will be seeking the views of local government on this in September 2017. The programme is founded on evidence-based risk mapping tools and predictive modelling and has developed into a more comprehensive and scaled intervention than initially contemplated.

We started implementing the Safer Journeys Action Plan 2016–2020, including working in collaboration with the sector to enable safe transport choices, make motorcycling safer, improve the safety of roads and roadsides, and look for innovative ways to encourage safe vehicles. We also worked with our local government partners to identify key improvements to high-risk sections of local roads and to embed the *Speed management guide*. Progress was also made in identifying how to target different segments of the population, so we have better conversations about road risks and influence customers to make smart choices.

Implementing the Safer Journeys Action Plan 2016–2020

Safer Journeys is the Government's road safety strategy for 2010–2020. It has a vision of a safe road system increasingly free of death and serious injury. The Safer Journeys Action Plan 2016–2020 is the third plan under the Safer Journeys strategy, and it builds on the work of the previous action plans, renewing the focus on the four areas of greatest risk and opportunity: enabling smart and safe choices, making motorcycling safer, ensuring roads and roadsides support safer travel and encouraging safe vehicles.

The Transport Agency has a part to play in all four areas, not just in enabling safer roads and roadsides. For example, we worked with our partners to trial new technologies that deliver information and shape smart choices for our customers. We are also leading the development of an automated compliance work programme that seeks to use technology to guide behaviours and manage risks as part of developing a safe and efficient land transport system.

To make motorcycling safer, we began engaging with road controlling authorities to get motorcycling safety projects included in transport and activity plans. Some important motorcycle-safety initiatives that are being implemented are upgrades to high-use motorcycle routes, a revision of the *Safer Journeys for motorcycling guide* to include a new urban section, and a mapping of the top 100 high-risk motorcycling routes.

To create a more collaborative environment for tackling transport sector safety problems, the New Zealand Safety Partnership Programme was established to create a platform for lead central government agencies (the Transport Agency, the Accident Compensation Corporation, and WorkSafe New Zealand) and industry partners to share best practice and knowledge. The group identified problems, developed clear problem statements and created five work streams to progress.

We have also continued to deliver our ongoing commitments under the previous Safer Journeys Action Plans, including ongoing improvements to roads and roadsides, education and advertising in key road safety areas, and leading the Visiting Drivers Project.

Making the highest-risk urban arterials and rural local roads safer

In the Safe System approach, if we are to reduce deaths and serious injuries from road crashes, speed cannot be considered on its own. Safe roads and roadsides are equally important.

We developed a potential nationwide programme of work to improve safety on local roads. We will work with the respective road controlling authorities to finalise and begin delivery in 2017/18. Risk mapping tools were used to develop the programme, which represents the best investment opportunities to reduce deaths and serious injuries on local roads. Risk mapping showed that 30 percent of deaths and serious injuries occur on around 4 percent of the local road network, which equates to about 3,000km of road. We also identified improvements to 172 high-risk intersections (80 percent of which are in urban areas) and about 670 corridor sections throughout 37 local authority networks.

Having better conversations on road risks

This year, we developed baseline measures of public acceptance that different roads need different speeds depending on their level of safety. These measures showed that people fall into four main attitudinal segments: fast is good, safe speed advocate, concerned but disengaged, and carefree.

This insight and the research arising from it led to the shift in the programme from 'changing the conversation on speed' to "having better conversations on road risk" so that over time we can get people to understand the effects of speed (during and before crashes) and other risk factors. We are now working to help communities make safer choices (such as reducing speed limits, where appropriate, and investing in other speed management interventions), which we hope will influence individuals to make safe choices when using the transport system.

Finalising and introducing the *Speed management guide*

Our aim is to work with road controlling authorities to increasingly align speed and speed limits with road function, design, safety and use, recognising the need to maintain economic productivity as well as to improve road safety.

This year, the *Speed management guide* was launched and socialised with road controlling authorities and the New Zealand Police through a series of road shows. The guide was well received, and its use by road controlling authorities will be reinforced by the proposed changes to the Setting of Speed Limits Rule.

TRANSITIONING TO THE FUTURE







As noted in the Smart choices goal, we did not achieve what we set out to in relation to reducing deaths and serious injuries. Our **Keep people safe** focus area and our operating model set us up to take a more integrated, evidence-led and targeted approach. While speed remains an important element in the Safe System approach, we will focus on safe mobility and managing a holistic programme of high-impact interventions to significantly improve safety outcomes.

PRIORITY SUCCESS INDICATORS TO 2019	2014 BASELINE (REVISED)*	2019 TARGET	2015/16 ACTUAL	2016/17 ACTUAL	
Number of deaths and serious injuries on high-risk roads	1,264	<1,210	1,540	1,755	1

* This is a revised baseline that covers roads that were not previously included in the analysis. With the roll-out of the One Network Road Classification, road coverage has expanded and assessment is now based on the speed management of road corridors.

1 Despite the ongoing safety improvement programmes for high risk local rural and local urban arterial roads (cf PR 4.1.1 and PR 4.2) there has been a 14 percent increase in the number of deaths and serious injuries on high-risk roads for the year ending March 2017 (compared with the corresponding period in the previous year). The increase reflects the adverse influences of increased exposure risk associated with a 5 percent rise in national traffic volumes, more motorcycles and heavy vehicles, and higher mean speeds over the period.

MILESTONES FOR 2016/17

MILESTONES FOR 2016/17		RESULT
PR 4.1	<p>RESULT BY 2019 We have implemented the Transport Agency-led actions from the Safer Journeys Action Plan 2016–2020 and worked in partnership with other agencies to deliver on enabler actions for Smart and Safe Choices, Safer Motorcycling, and Safer Vehicles.</p>	
PR 4.1.1	<p>As part of the Safer Journeys Action Plan 2016–2020, working with local road controlling authorities, we have developed and agreed a national programme of lower cost safety improvements on high-risk local rural roads.</p> <p><i>This is a shared milestone with local authorities.</i></p> <p><i>A national programme has been identified and will be discussed with local authorities in September 2017.</i></p>	<p> SUBSTANTIALLY ACHIEVED</p>
PR 4.1.2	<p>A national prioritised list of state highway safety improvements has been defined and endorsed and priority projects have been delivered.</p>	<p> ACHIEVED</p>
PR 4.1.3	<p>We have contributed to developing cross-sector programmes of actions that enable smart and safe choices, make motorcycling safer, and encourage safer vehicles.</p>	<p> ACHIEVED</p>
PR 4.2	<p>RESULT BY 2019 Reduced deaths and serious injuries by 10 percent on the highest risk urban arterials.</p> <p>As part of the Safer Journeys Action Plan 2016–2020, working with local road controlling authorities, we have developed and agreed a national programme for safety improvements on specified highest risk local urban arterial roads (focusing on all modes and vulnerable users).</p> <p><i>This is a shared milestone with local authorities.</i></p> <p><i>The programme for urban arterials has been merged with the fuller programme of infrastructure investments. The arterials have been identified and will be discussed with local authorities in September 2017.</i></p>	<p> SUBSTANTIALLY ACHIEVED</p>
PR 4.3	<p>RESULT BY 2019 The public conversation about how individual behaviour and choices affect road safety outcomes is strong (as measured by attitude surveys) and is contributing to a positive road culture and a demonstrated improvement in community understanding of speed risk and attitudes to speed management.</p> <p><i>This is a shared result with the National Road Safety Committee and local government.</i></p> <p>We have established baseline measures of the public acceptance that different roads need different speeds depending on their level of safety, and have demonstrated that this understanding has improved using the Waikato demonstration project.</p>	<p> ACHIEVED</p>
PR 4.4	<p>RESULT BY 2019 All road controlling authorities are working to one network speed management plans, applying the tools and methodologies in the Speed management guide, including routes identified in the state highway speed business case.</p> <p>We have finalised the national speed management guide and rule and successfully introduced them to all road controlling authorities.</p>	<p> ACHIEVED</p>



DRIVING VALUE THROUGH SMART ROAD MAINTENANCE

SUPPORTS

Highway solutions
(objectives 7 & 8)

Maximise returns
(objectives 10 & 11)

We need to give our customers, the people of New Zealand, the best value and service from our significant investment in road maintenance. We have defined different types of national and local roads using the One Network Road Classification. We can now work with our partners to put in place better management and procurement of road maintenance services. We will keep checking in with our customers to make sure they are experiencing the levels of service they expect for the types of road they are using.

Driving value through smart road maintenance makes a direct contribution to the aim in the Government Policy Statement on Land Transport of achieving value for money through improved returns from road maintenance and ensuring the right infrastructure and services are delivered at the right level.

This year, we continued our focus on:

- **improving road controlling authorities' capability to make maintenance decisions that drive efficiencies** – improving the quality of data to inform such decisions, developing customer levels of service and benchmarking performance measures
- **improving customer understanding of service levels and associated costs** – explaining the link between investment and the One Network Road Classification levels of service
- **increasing road controlling authorities' activity management planning and procurement capability** – using case studies to share the benefits of collaborative working arrangements.

OUR PROGRESS THIS YEAR

We made great progress, achieving all four of our annual milestones. Our work on improving the Investment Assessment Framework focused on clarifying our policy and framework on investment decision making for maintenance, including the role of the One Network Road Classification, and assisting road controlling authorities to prepare quality business cases for submission to the 2018–21 National Land Transport Programme that reflect good practice activity management and the One Network Road Classification levels of service.

Improving road controlling authorities' capability to make maintenance decisions that drive efficiencies

This year, we continued to lift the capability of road controlling authorities to implement the new approach to maintenance. In particular, we continued to assist the Road Efficiency Group to deliver training (led by Equip) to authorities that aimed to lift their capability to manage their maintenance activities. The ongoing training assists with the understanding and incorporation of the new requirements into future maintenance programmes.

Through our engagement on the One Network Road Classification and work with local governments on road asset data, we received feedback that our transport sector partners are increasingly confident they can adapt to the new investment decision-making requirements, particularly those pertaining to maintenance decisions. The feedback came from interactions we had with road controlling authorities through sector engagement and workshops delivered with the Road Efficiency Group during the development of the revised Investment Assessment Framework.

Improving customer understanding of service levels and associated costs

This year, we conveyed to each road controlling authority the 2018–21 National Land Transport Programme investment signals for maintenance programmes. These signals incorporate the One Network Road Classification customer levels of service. We will convey our indicative National Land Transport Programme levels of investment once the Government Policy Statement on Land Transport 2018/19–2028/29 is finalised.

Through the co-design and co-delivery approach that we adopted with the Road Efficiency Group to measure customer outcome levels of service, 12 measures were added to the 27 existing ones within the One Network Road Classification framework. A future enhancement is planned for 2017/18 that will determine value-for-money targets for each performance measure.

This year, we also developed a mechanism for using state highway customer feedback to monitor levels of service and operational performance. The results from the initial tests of the mechanism provided valuable information for the development of an operating framework and demonstrated the potential to extend customer feedback on state highways to a wider view of how customers experience our services.

Increasing road controlling authorities' activity management planning and procurement capability

The year, we facilitated collaborative working arrangements across road controlling authorities to improve the efficiency of maintenance activities. This resulted in road controlling authorities presenting us with procurement strategies that showed an increased consideration of the value of collaborative service delivery.

We also worked with the sector so that the One Network Road Classification framework, including the customer levels of service, will be embedded into activity management plans for maintenance investment from the 2018–21 National Land Transport Programme.

Through our participation in the Road Efficiency Group, we published case studies on collaborative procurement and working arrangements, and shared these learnings in the Road Efficiency Group's regional workshops.

TRANSITIONING TO THE FUTURE





This priority has achieved a lot and road maintenance efficiency remains a priority for government, the Transport Agency and local authorities. Our **Connect and develop regions** focus area is where we will continue to embed the One Network Road Classification as the key mechanism for delivering consistent and efficient customer levels of service on state highways and local roads. Smarter activity management and maintenance form part of the wider Connect and develop regions programme to support regional economic development, improve transport system performance and resilience, and co-design solutions with our partners that address wider social and economic outcomes. We will continue to offer asset management, project management and procurement expertise to our local government partners, making the best use of collective resources to deliver more for customers and communities.

PRIORITY SUCCESS INDICATORS TO 2032	2013 BASELINE	2019 TARGET	2015/16 ACTUAL	2016/17 ACTUAL
% of the network that meets One Network Road Classification level of service	New measure	70-75%	See note below	

The focus of the sector on developing an agreed set of performance measures and a reporting tool has meant we are not able to meaningfully report on the percentage of the network that meets One Network Road Classification levels of service.

However, we delivered enhancements to the online performance measures reporting tool, enabling road controlling authorities to compare their performance against other authorities' performance across the One Network Road Classification customer levels of service. This established a benchmark, providing the distribution of performance for each relevant measure to track change over subsequent years. The reporting tool also enabled a review of the quality of data available, which in turn will enable each road controlling authority to focus on improving its data and subsequent decision-making processes. Measuring the improvement in data quality across the various performance measures will also contribute to greater confidence in the management of the system to deliver fit-for-purpose customer levels of service.

MILESTONES FOR 2016/17

MILESTONES FOR 2016/17	RESULT
<p>PR 5.1 RESULT BY 2019 Road controlling authorities have improved capability to make maintenance decisions that deliver efficiencies through use of improved data and collaborative working arrangements.</p> <p>Through clarifying our policy on applying the One Network Road Classification in our investment decision making, and our joint work with local government on road asset data, road controlling authorities report increased confidence in making maintenance decisions. This confidence will be assessed through formal surveys and the ongoing interactions we have with the authorities.</p>	 ACHIEVED
<p>PR 5.2 RESULT BY 2019 Customer understanding and experience of levels of service and costs shapes our delivery of consistent customer levels of service.</p>	
<p>PR 5.2.1 We have developed a mechanism for linking state highway customer feedback to the levels of service and operational performance.</p>	 ACHIEVED
<p>PR 5.2.2 For maintenance programmes in the 2018-21 National Land Transport Programme, we have conveyed to each road controlling authority our investment signals to support the One Network Classification levels of investment.</p>	 ACHIEVED
<p>PR 5.3 RESULT BY 2019 Road controlling authorities increasingly demonstrate advanced activity management planning and procurement capability through collaborative working arrangements to deliver maintenance efficiencies.</p> <p>We have facilitated collaborative working arrangements across road controlling authorities, and procurement strategies presented for our endorsement consider the value of collaborative service delivery.</p>	 ACHIEVED



MAKE URBAN CYCLING A SAFER AND MORE ATTRACTIVE TRANSPORT CHOICE

SUPPORTS

One network
(objectives 1 & 2)

Smart choices
(objectives 4 & 5)

Maximise returns
(objectives 10 & 11)

We want to support and encourage cycling as a viable transport choice in main urban areas. We are working with our local government partners to prioritise strategic cycling networks when they are planning urban transport networks. This is a challenge – providing safe, efficient and attractive cycling choices in urban environments and on busy multi-modal urban networks is complex and sometimes controversial.

Our work directly links to the aim in the Government Policy Statement on Land Transport of achieving a land transport system that provides appropriate and safe transport choices. This work is also an important element in the delivery of the Government’s \$100 million supplementary funding for the Urban Cycleways Programme.

This year, we focused on:

- **delivering the Urban Cycleways Programme** – investing in new urban cycling infrastructure
- **making cycling safer** – embedding recommendations from the Cycling Safety Panel into the Urban Cycleways Programme
- **planning for more cycleways** – providing tools and resources so cycleways continue to feature in infrastructure planning
- **demonstrating the benefits of cycling** – creating systems and processes to show the benefits that cycleways provide.

OUR PROGRESS THIS YEAR

We made good progress this year, achieving or substantially achieving nine of our 11 annual milestones. The delivery of the Urban Cycleways Programme continues to advance, with more than half of the programme complete and all projects in at least the investigation or design stage. We also made progress in making cycling a safe travel option, facilitating the planning of additional cycleways and developing tools to demonstrate the benefits of cycling.

Delivering the Urban Cycleways Programme

The Urban Cycleways Programme is an investment programme dedicated to building new urban cycling infrastructure from 2014/15 to 2017/18. The programme has driven the identification of strategic cycleway networks in Auckland, Wellington and Christchurch.

Overall, the Urban Cycleways Programme is now more than 53 percent complete. At the end of 2016/17, 16 Urban Cycleways Programme projects were complete, 20 were under construction and the remaining 18 were all in the investigation or design stage.

In Auckland, progress was steady throughout the programme, alongside the development of a 10-year plan for the cycling network. This year saw the completion of an important section of Quay Street, section 1 of the Eastern Connections to City Centre cycleway in Glen Innes, as well as the Greenways section of the Waitemata Safe Routes. There were some delays to the Ian McKinnon Drive cycleway, the Eastern Connections to City Centre package and the Links to Public Transport package, but construction remains on track to start in 2017/18.

In Wellington, the concept design for the Melling to Petone project went out for public consultation in May 2017. Construction is expected to start in late 2017. For the Wellington Central Business District Route package, a ground-breaking ceremony in April marked the start of construction on the Hutt Road section and marked the first project to start in the refreshed Wellington programme. Consultation on the Cobham Drive proposal took place in March and April 2017, with construction set to begin in the first half of 2017/18.

In Christchurch, construction was completed on the Little River and Papanui Parallel cycleways. These are significant milestones for the city's cycleways programme. The remainder of the programme continues to progress well, with construction on the Heathcote Expressway and Quarryman's Trail cycleways expected to start in the first quarter of 2017/18. In addition, the Uni-Cycle route is expected to be completed in the first quarter of 2017/18.

This year, projects were also completed in Hamilton and Blenheim.

Making cycling safer

We are focused on increasing safety for cyclists by embedding recommendations from the Cycling Safety Panel into the Urban Cycleways Programme. These recommendations include a comprehensive set of actions to enhance the policy framework for cycling and improve the quality of the transport network for people on bicycles. This year, we worked with the Ministry of Transport to develop a report on a package of rules and initiatives, including a mandatory minimum overtaking gap, a left-hand turning rule, and rules for cycling on footpaths to address the panel's main recommendations. In addition, the *Speed management guide* now incorporates requirements to take account of the needs of cyclists.

Planning for more cycleways

We are committed to ensuring that planning and delivering cycleways becomes standard practice for our co-investment partners. This year, we continued to engage with councils to plan the long-term development of their cycling networks. We developed initial planning and investment signals that are linked to the wider investment signals and processes for cycling. This is an important step toward embedding an integrated approach into the draft regional land transport plans for Auckland, Wellington and Christchurch. We also started engaging with local government on cycling investment in the 2018-21 National Land Transport Programme. Feedback from this engagement will help us test and refine investment policies for urban cycling networks.

We also worked alongside the Ministry of Business, Innovation and Employment to progress plans and proposals for future projects as part of the development of the Great Rides and Heartland Rides of the New Zealand Cycle Trail network. This work has helped to develop a national 10-year cycling programme that is aligned with the development of a 10-year programme for the Auckland cycling network. The Transport Agency Board supported the programme in June 2017.

Demonstrating the benefits of cycling





We also progressed our work to measure and report the benefits of the cycling programme. This year, we reported the results of the baseline attitudinal survey and undertook the second annual network monitoring survey. We also developed a geospatial platform that allows councils to report on cycling information for route monitoring and cordon counts. This information is used to measure and report on the benefits of the cycling programme against the baseline network use information.



TRANSITIONING TO THE FUTURE

The Transport Agency will continue to deliver the Government's Urban Cycleways Programme. We will do so within the broader supporting framework provided by the **Target rapid growth** focus area. This focus area requires us to balance the provision of new infrastructure with travel demand management and system optimisation approaches that make better use of the transport system. We will be working with others to incentivise a significant shift from single-occupancy vehicles to more efficient transport modes, including cycling.

PRIORITY SUCCESS INDICATORS TO 2019	2014/15 BASELINE	2019 TARGET	2015/16 ACTUAL	2016/17 ACTUAL
Increase total annual cycling trips (sum of Auckland, Wellington and Christchurch)	32 million	42 million	Due to changes in the Household Travel Survey, results are not available for these years.	

MILESTONES FOR 2016/17

MILESTONES FOR 2016/17	RESULT
<p>PR 6.1 RESULT BY 2019 Degree of development of the planned urban cycleway networks across Auckland, Wellington and Christchurch</p> <p>This result is delivered through the Urban Cycleways Programme milestones. <i>This is a shared milestone with local authorities.</i></p> <p>URBAN CYCLEWAYS PROGRAMME</p>	
<p>PR 6.1.1 City Centre Network (Auckland)</p> <p>City Centre Quay Street completed Ian McKinnon Drive Cycleway design started* K Road Cycleway design started*</p> <p>* The annual milestone for this projects was incorrectly stated in the <i>NZ Transport Agency statement of performance expectations 2016/17</i> and has been corrected here.</p>	 SUBSTANTIALLY ACHIEVED
<p>PR 6.1.2 Eastern Connections to City Centre (Auckland)</p> <p>Construction under way</p>	 ACHIEVED
<p>PR 6.1.3 Western Connections to City Centre (Auckland)</p> <p>Construction started</p>	 ACHIEVED
<p>PR 6.1.4 Links to public transport (Auckland)</p> <p>Construction under way</p> <p><i>Construction was delayed for the links to Auckland public transport project. KiwiRail leases took time to resolve due to differences in valuation and lease terms with councils. This caused delays on the New Lynn to Avondale component of the cycleway. Likewise, the business case from Auckland Transport for the design for links to the Glenn Innes Phase 2 component was also delayed. Construction is expected to commence in the third quarter of 2017/18.</i></p>	 NOT ACHIEVED, BUT SOME PROGRESS MADE
<p>PR 6.1.5 Melling to Petone (Wellington)</p> <p>Construction started</p> <p><i>Construction was delayed for the Melling to Petone cycleway because of the project's interdependencies with the Petone to Grenada Link Road. Through continued work with our partners, off-site construction to pre-fabricate underpasses is expected to start in the first quarter of 2017/18 and on-site construction is now set to begin in the second quarter of 2017/18.</i></p>	 NOT ACHIEVED, BUT SOME PROGRESS MADE
<p>PR 6.1.6 CBD route package (Wellington)</p> <p>No 2016/17 milestones</p>	NO 2016/17 MILESTONES
<p>PR 6.1.7 Rapanui-Shagrock Cycleway (Christchurch)</p> <p>Construction started</p>	 ACHIEVED
<p>PR 6.1.8 Heathcote expressway (Christchurch)</p> <p>No 2016/17 milestones</p>	NO 2016/17 MILESTONES

MILESTONES FOR 2016/17		RESULT
PR 6.1.9	Papanui Parallel (Christchurch) Construction under way	 ACHIEVED
PR 6.1.10	Coastal Route (Nelson) No 2016/17 milestones	NO 2016/17 MILESTONES
PR 6.2	RESULT BY 2019 Lower rate of fatal and injury crashes involving cyclists on the road network. We have implemented the key recommendations from the Cycling Safety Panel.	 ACHIEVED
PR 6.3	RESULT BY 2019 Cycling is given appropriate priority in the planning and management of urban transport networks and urban systems.	
PR 6.3.1	We will ensure that our planning and investment signals to substantially complete urban cycling networks by 2029 using the integrated approach have been embedded into draft regional land transport plans by Auckland Transport and Wellington and Christchurch City Councils. <i>This is a shared milestone with local authorities.</i>	 ACHIEVED
PR 6.3.2	We are measuring and reporting on the benefits of the cycling programme, through our reporting and measurement framework.	 ACHIEVED
PR 6.4	RESULT BY 2019 Complete Urban Cycleways Programme. <i>This is a shared result with local authorities.</i> Construction has commenced on 75 percent of Urban Cycleways Programme projects <i>Construction started on 67 percent of Urban Cycleway Programme projects and some are already complete. The 75 percent target was not achieved due to last-minute unexpected delays.</i> <i>It was unsurprising that delays would be experienced because of the complexity of these projects and the accelerated nature of the programme. This year, the delays were for a variety of reasons, such as unexpected consenting requirements, the need to align with other projects, complications with the business case, and requirements from KiwiRail. There was no consistent or common theme for the delays across the programme.</i>	 SUBSTANTIALLY ACHIEVED

SECTION C

STATEMENT OF PERFORMANCE



STATEMENT OF RESPONSIBILITY

The Board of the Transport Agency is responsible for the preparation of the Transport Agency's financial statements and statement of performance, and for the judgements made in them.

The Board is responsible for any end-of-year performance information provided by the Transport Agency under section 19A of the Public Finance Act 1989.

The Board has 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 the Board's opinion, these financial statements and statement of performance fairly reflect the financial position and operations of the Transport Agency 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 CATTERMOLE

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

OUTPUT CLASSES THAT SUPPORT OUR ONE NETWORK GOAL

INVESTMENT MANAGEMENT

Delivered by the Transport Agency and funded from the National Land Transport Fund and the Crown

HOW INVESTMENT MANAGEMENT CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,^o we invest in or influence:

- the development and management of regional land transport plans
- the development and update of transport models
- the preparation and improvement of land transport activity management plans, regional public transport plans, road safety action plans and procurement strategies
- the preparation of programme business cases for land transport investments of approved organisations and for the state highway network
- land transport research.

We contribute to our operating costs to:

- develop and manage the National Land Transport Programme efficiently
- develop a shared view of planning and investing with our investment partners
- provide advice to the Government on policy frameworks
- encourage closer integration of stakeholders' land-use and transport planning
- monitor and audit land transport activities and the performance of organisations that we invest with
- provide investment and procurement advice on land transport activities, including public transport
- monitor and report on the national Road Policing Programme.

Investment management helps deliver on our long-term goal of integrating one network for customers by:

- providing greater certainty for regional land transport plans, infrastructure development and activity management, and investment in the New Zealand transport system
- managing the National Land Transport Fund investments to maximise the overall benefit for New Zealand's transport system.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements for investment management included:

- developing the first version of the Long-Term Strategic View of the land transport system, which identifies transport system pressure points, issues and opportunities based on existing Regional Land Transport Plans, the Auckland Transport Alignment Project and Regional Economic Development Plans, and aligns with the Ministry of Transport's Transport Outlook Current State
- working closely with the Ministry of Business, Innovation and Employment on the new Housing Infrastructure Fund, the first round of allocations for transport and water infrastructure and the Tourism Infrastructure Fund to ensure alignment with the National Land Transport Programme (NLTP)
- working with councils and other stakeholders on the transport deliverables of the Regional Economic Development Action Plans for Northland and for Bay of Plenty, as well as identifying the transport contributions for:
 - Regional Economic Development Action Plans in Gisborne, Hawke's Bay, Manawatū-Whanganui, Southland and West Coast
 - the refreshed Canterbury Regional Economic Development Strategy
 - the Auckland Transport Alignment Project
 - Auckland's Supporting Growth - Delivering Transport Networks programme (formerly known as the Transport for Future Urban Growth)
 - the Let's Get Wellington Moving project
 - the Queenstown-Wanaka transport study

^o Output class scope statements are in appendix 4, page 186.

- implementing the findings from the Investment Decision Making review, including:
 - revising the Investment Assessment Framework for the development of the 2018-21 National Land Transport Programme
 - refining the business case approach and developing training material
 - updating aspects of the economic evaluation process
 - preparing guidance materials to improve the clarity and transparency about our investment decision-making process
- simplifying and clarifying with our local government partners the processes to be followed for developing the 2018-21 National Land Transport Programme, including:
 - lifting thresholds for minor improvements (and reducing the number of transactions for our partners)
 - simplifying the business case approach and improving its alignment with the Treasury's Better Business Cases approach
 - creating incentives for local authorities to deliver on the work of the Road Efficiency Group
- investing in sector research, procuring and contracting 26 new research projects on wide-ranging topics, publishing 31 peer-reviewed and edited research reports on our website, providing free access to research findings and recommendations, and publishing four research newsletters promoting 20 research projects
- working with our partners on the Connecting Dunedin work programme to create an integrated approach to planning and delivering a transport system for Dunedin that creates better connections and provides more transport choices for people.
- delivering the Safer Journeys Signature Programme business case ahead of schedule and below cost.

HOW WE PERFORMED*

We met four of our seven performance targets for investment management.

	SERVICE DELIVERY†	ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
VALUE FOR MONEY	Total cost of managing the funding allocation system as a % of the NLTP expenditure ^{NOTE 1}	1.1%	1%	≤1%	-	●
	% of activities completed to agreed standards and timeframes (management of funding allocation system) ^{NOTE 2}	100%	100%	100%	-	●
	% of operational assurance activities completed ^{NOTE 3}	95%	93%	100%	7%	①
	Average number of days taken to deliver ^{NOTE 4}	11.3	11.4‡	20	8.6	●
SERVICE DELIVERY	% of activities that are delivered to agreed standards and timeframes (Transport planning) ^{NOTE 5}	75%	75%	≥90%	15%	②
	% of activities that are delivered to agreed standards and timeframes (Sector research) ^{NOTE 6}	100%	98%	≥90%	8%	●
CUSTOMER SATISFACTION	% customer satisfaction (approved organisations/stakeholders) ^{NOTE 7}	66%	Not available††	≥75%	-	-

* A Crown appropriation funds the management of the Crash Analysis System in this output class. For this appropriation, we monitor the average number of days taken to enter fatal crash reports (from date of receipt) into the system. For 2015/16, the average number of days was 6 against a budget standard of 20 days.

† For technical notes, see appendix 2 on page 181.

‡ We have changed the methodology we use to assess the average number of days taken to deliver. We have changed to the 2015/16 result to reflect our 2015/16 performance according to the new methodology to allow for a comparison to be made between the two years.

†† A survey of stakeholders and approved organisations was not conducted this year. The Transport Agency changed its regional structure towards the end of the financial year and moved to a new organisational structure on 3 July 2017. The existing survey was based on the old structures, so the results would not have been pertinent or actionable.

- ① The target to complete 100 percent of the published 2016/17 investment assurance programme of audits and reviews was not met because resources were reprioritised to meet changing business needs. This resulted in two planned investment audits and one post-implementation review project being deferred until 2017/18.
- ② For all transport planning activities this year, 75 percent were delivered to agreed standards and timeframes. This missed target was primarily caused by the need to undertake additional investigative work to develop programme business cases for both state highway and local road projects.

WHAT IT COST

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	61,553	59,775	1,778	62,281
Expenditure	61,553	59,775	(1,778)	62,281
Net surplus/(deficit)	0	0	0	0

Investment management output class expenditure was \$1.8 million (3 percent) above budget. This was largely driven by the work to develop the nine state highway programme business cases. Sector research expenditure was also above budget as some of the underspend from 2015/16 was used in 2016/17.

OUTPUT CLASSES THAT SUPPORT OUR SMART CHOICES GOAL

LICENSING AND REGULATORY COMPLIANCE

Delivered by the Transport Agency and funded from fees and charges and the Crown

HOW LICENSING AND REGULATORY COMPLIANCE CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,^o we:

- monitor and audit compliance with regulatory standards and requirements by vehicles, drivers, operator and transport systems providers, and rail system participants
- provide ministerial services
- provide driver and transport operator (including rail operator) licensing and testing services
- maintain the driver licence register
- issue overdimension permits
- administer drug and alcohol assessments of drivers and operators (funded by the Ministry of Health)
- provide licensing information and advice to the public
- develop land transport rules (under contract to the Ministry of Transport)
- develop clear and well-understood standards for:
 - vehicle inspection and certification
 - transport service licensing operations
 - rail safety operations
 - vocational driver licensing.

Funding is from fees and charges and from the Crown, including from Crown contracts for specific activities.

Licensing and regulatory compliance primarily contributes to the long-term goal of shaping smart transport choices. This is achieved by reducing deaths and serious injuries through the regulation of drivers, vehicles and commercial operators and the associated influence on drivers and driver behaviour. A secondary contribution is also derived from regulatory activities through the support of efficiency of freight supply chains and vehicle fleet efficiency and by reducing adverse environmental effects.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements for licensing and regulatory compliance included:

- giving effect to the replacement Vehicle Dimensions and Mass Rule, which came into effect on 1 February 2017. The replacement rule increases freight productivity by enabling more freight to be transported on fewer trucks, while maintaining the safe and appropriate use of roads and bridges. The rule clarifies the application of the permit systems, making it easier for operators to understand and the Transport Agency to administer.
- working with the Ministry of Transport to review the small passenger services licensing regime. The objectives of the review were to maintain the safety of passengers and drivers, enable the industry to be responsive to customer needs, encourage competition and allow for the provision and use of new technology. Significant changes as a result of the review include the establishment of a single, regulated small passenger service category. The changes to the Land Transport Act 1998 and rules will take effect in 2017/18.
- reviewing, with the Ministry of Transport, aspects of the driver licensing system and the Driver Licensing Rule. The objectives of the review were to allow the licensing system to move to a digital environment, simplify or remove aspects of the licensing regime for heavy and special-type vehicle licences and improve oversight for providers of driving courses. The public will be consulted on potential changes to the Driver licensing Rule in 2017/18, with the changes likely to take effect later in 2017/18.
- strengthening the integrity of driver licensing processes and systems through a dedicated programme of actions. This work included an external review of the integrity of the end-to-end system and an extensive review of procedures and operations.

^o Output class scope statements are in appendix 4, page 186.

Our rail safety achievements include the following:

- significantly improving our working relationship with the Transport Accident Investigation Commission. The commission also reported its growing confidence in the changes made to the rail regulatory function during the past two years. We made a concerted effort during the past two years to resolve outstanding safety recommendations, completing actions to incorporate 14 recommendations (28 recommendations remain open).
- continuing to implement the critical risk programme, which was launched in May 2016, by focusing our regulatory efforts on the identified priorities and ensuring the sector does the same when managing safety. This year, we focused regulatory activities on the safety of track workers, tunnel operations and level crossings, produced and published the *Track worker safety guide*, undertook a survey of tunnel hazards across industry and drove improvements in KiwiRail's tunnel emergency response and observed a number of live exercises.
- defining and publishing our regulatory operating model, which we are in the early stages of socialising with rail participants. The model shapes our regulatory activities as a whole, guides our thinking and sets out our operating principles. The model also makes our approach clear to those we interact with, allowing us to be transparent and consistent in compliance and enforcement decisions.
- in-sourcing our core safety assessment monitoring. This was implemented along with a risk-based assessment framework that enables us to better differentiate between rail operators, making sure we effectively target our efforts to the most important issues.

HOW WE PERFORMED

We achieved five of our six performance targets for licensing and regulatory compliance.

SERVICE DELIVERY*		ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
VALUE FOR MONEY	Unit transaction costs ^{NOTE 8}	\$10.98	\$11.32	≤\$11	+\$0.32	1
	% of transactions completed online ^{NOTE 9}	38%	41%	≥30%	+11%	●
	% accuracy of the registers ^{NOTE 10}	93%	96%	≥93%	+3%	●
SERVICE DELIVERY	% of activities that are delivered to agreed standards and timeframes ^{NOTE 11 †}	92%	93%	≥90%	+3%	●
	% of operational assurance activities completed ^{NOTE 12}	100%	100%	100%	-	●
	Number of products/services delivered or processed ^{NOTE 13}	6.2m	6.3m	≥6.0m	+0.3m	●

* For technical notes, see appendix 2 on page 181.

† A Crown appropriation funds official correspondence in this output class. For this appropriation we monitor the percentage of requests that met agreed timeframes. The results in 2016/17: OIA requests 86%; Ministerial enquiries 83%; Parliamentary questions 96%. There was significant improvement in these results in the second half of the year.

- 1 The unit cost for core operations was commensurate with previous years. The \$0.32 variance was due to ongoing investment in the driver licensing business (eg Hyperion replacement and support costs for the Transport Agency Transformation and Driver Licensing Experience projects) and the \$1 million cost associated with the driver licensing system integrity review, including establishment of a new driver licensing overseas conversions processing team and increased driver licensing auditing.

WHAT IT COST

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	97,177	91,038	6,139	95,532
Expenditure	94,450	94,423	(27)	90,281
Net surplus/(deficit)	2,727	(3,385)	6,112	5,251

The Licensing and Regulatory Compliance output class recorded a net surplus of \$2.7 million at year end. Licensing and regulatory compliance income was \$6.1 million above budget. Of this, \$3.7 million was due to higher than expected transaction volumes for driver licensing and driver testing. In addition, higher than expected warrant of fitness certification reviews and transport licensing revenue was collected, contributing a further \$2.0 million.

Expenditure was \$0.03 million above budget. Lower than planned expenditure on systems was offset by higher transaction costs associated with higher volumes.

We started work on the driver licensing system in preparation of investment expected during the next two years to improve the integrity of the system and respond to possible changes to the Driver Licensing Rule.

ROAD TOLLING

Delivered by the Transport Agency and funded from fees and charges

HOW ROAD TOLLING CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,^o we:

- manage the tolling roadside and back office systems, customer interfaces and payment channels
- undertake the collection of toll revenues and disbursements to the Crown
- provide information and advice to the public.

Road tolling supports our long-term goal to shape smart transport choices. This is achieved by supporting the impacts provided from new infrastructure investment through the collection of fees for infrastructure investment repayments.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements for road tolling included:

- improving the customer experience by changing how we process payments and refunds to allow customers to refund a payment directly to their credit or debit card and to allow toll account holders to store multiple cards for future payments on their toll account
- delivering resource and cost savings, as well as improving the customer experience by automating the toll trip validation process to allow customers to make payments sooner.

HOW WE PERFORMED

We achieved two of our three performance targets for tolling.

	SERVICE DELIVERY*	ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
VALUE FOR MONEY	Unit transaction costs <small>NOTE 14</small>	\$0.61	\$0.60	≤\$0.75	-\$0.15	
	% revenue compliance	97%	97%	≥98%	-1%	
SERVICE DELIVERY	Number of products/services delivered or processed	12.8m	15m	≥10.5m	4.5m	

* For technical notes, see appendix 2 on page 181.

The number of transactions increased by more than 2 million from 2015/16.

The positive impact of increased investment in the tolling system to transform the customer experience has been offset by higher transaction volumes. This has resulted in only a slight decrease in the unit transaction costs for this output area.

- Annual performance for tolling revenue compliance was one percentage point below the target of 98 percent. Tolling revenue compliance measures the percentage of all chargeable trips for the year that were paid for before 1 July 2017. Customers do not have to pay for their trips immediately, meaning a proportion of trips are paid for outside the reporting period.

^o Output class scope statements are in appendix 4 on page 186.

WHAT IT COST

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	14,036	11,664	2,372	11,785
Expenditure	13,091	11,938	(1,153)	10,798
Net surplus/(deficit)	945	(274)	1,219	987

The road tolling output class recorded a net surplus of \$0.945 million at year end.

Road tolling income was \$2.37 million above budget. This higher than budgeted income came from \$1.2 million that was the result of increased trip volumes and \$1.1 million from improved tolling notice recovery that resulted from process changes to make it easier for customers to pay.

Tolling expenditure was \$1.15 million above budget. Increased expenditure was due to higher transaction costs related to the higher than planned trip volumes and expenditure on the Payment Card Industry Data Security Standard programme. This programme will deliver improvements to both our business processes and customer experience. These improvements include the ability to refund customer payments directly to the credit or debit card the payment was made from and the ability for toll account holders to store multiple cards on their account to make future payments.

MOTOR VEHICLE REGISTRY

Delivered by the Transport Agency and funded from fees and charges

HOW MOTOR VEHICLE REGISTRY CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,^o we:

- operate the motor vehicle register
- deliver motor vehicle registration and licensing services
- undertake the collection and refund of registration and licensing revenue, which is paid to the National Land Transport Fund
- provide motor vehicle registration and licensing information and advice to the public.

Motor vehicle registry services contribute to the long-term goal of shaping smart transport choices. This is achieved by reducing deaths and serious injuries from road crashes and reducing adverse environmental effects through first registration of vehicles into the New Zealand fleet. At first registration, vehicle safety and environmental standards have to be met before a vehicle can be licensed for access to the road network.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements for motor vehicle registry included:

- improving the customer experience by increasing the proportion of online motor vehicle relicensing. For the year, 42 percent of licenses were purchased online, an increase of more than four percentage points compared with the same period last year. This year's increase in online relicensing is comparable to the growth rate of previous years. This result supports our commitments to Better Public Services Result 10 - New Zealanders can complete their transactions with government easily in a digital environment.
- reviewing access to the motor vehicle registry to ensure consistency continues to be applied across the terms and conditions for industry groups with similar business needs. This will allow us to obtain maximum value from our administrative data, while strengthening the process for managing this data.

^o Output class scope statements are in appendix 4 on page 186.

HOW WE PERFORMED

We achieved five of our six performance targets for the motor vehicle registry.

	SERVICE DELIVERY*	ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
VALUE FOR MONEY	Unit transaction costs	\$5.51	\$4.98	≤\$6.00	-\$1.02	●
	% of transactions completed online NOTE 15	38%	42%	≥40%	+2%	●
	% accuracy of the registers NOTE 16	96%	97%	≥95%	+2%	●
SERVICE DELIVERY	% of revenue compliance	99%	99%	≥98%	+1%	●
	Number of products/services delivered or processed	10.6m	11.6m	≥9.5m	+2.1m	●
CUSTOMER SATISFACTION	% customer satisfaction NOTE 17	82%	87% [†]	≥88%	-1%	①

* For technical notes, see appendix 2 on page 181.

† We changed the methodology we use to assess customer satisfaction. This financial year we used the result from an annual Research NZ customer effort survey for motor vehicle registry transactions. We have changed the 2015/16 result to reflect our performance in this survey in 2015/16 to allow for a comparison between the two years.

① The percentage of satisfied customers was 1 percentage point below our target for this year. This variance is not considered statistically significant because it is within the survey's +/- 6.2 percentage point margin of error.

WHAT IT COST

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	55,808	55,398	410	59,672
Expenditure	58,119	61,566	3,447	58,888
Net surplus/(deficit)	(2,311)	(6,168)	3,857	784

The motor vehicle registry output class recorded a deficit of \$2.31 million, which was significantly less than the forecast \$6.17 million deficit. This was primarily due to a reduction in expenditure caused by lower than expected transaction volumes, which were attributed to price changes for the Accident Compensation Corporation levy included in vehicle licensing fees.

ROAD USER CHARGES COLLECTION, INVESTIGATION AND ENFORCEMENT

Delivered by the Transport Agency and funded from the National Land Transport Fund, fees and charges, and the Crown

HOW ROAD USER CHARGES COLLECTION, INVESTIGATION AND ENFORCEMENT CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,^o we:

- collect, through the provision of licences for diesel vehicles, and refund road user charges (RUC), which are paid to the National Land Transport Fund
- investigate evasion of RUC and enforce payment
- provide information and advice to the public.

RUC collection, investigation and enforcement contribute to the long-term goal of shaping smart transport choices through revenue collection for the National Land Transport Programme and, therefore, support Transport Agency investment in the land transport system.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements for road user charges collection, investigation and enforcement included:

- improving choices for RUC customers with the approval of a third electronic services provider. The new provider intends to include services to light diesel vehicles, which will make it easier for more customers to do business with us. The positive impact of this improvement will become apparent during 2017/18.
- improving the integrity of the RUC system through a significant increase in the recovery of unpaid RUC. The recovery of unpaid RUC this year was more than \$3.4 million, up from \$0.58 million in 2015/16. We also improved the robustness to the auditing of off-road refund applications by beginning to operate an audit programme within the RUC Assessments team in March 2017. This resulted in more than \$0.12 million in declined refunds, increasing confidence in the amount of refunds being paid.

HOW WE PERFORMED

We achieved all three performance targets for road user charges.

	SERVICE DELIVERY*	ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
VALUE FOR MONEY	Unit transaction costs	\$4.46	\$4.05	≤\$5.50	-\$1.45	●
	% of transactions completed online NOTE 18	58%	63%	≥60%	+3%	●
SERVICE DELIVERY	Number of products/services delivered or processed NOTE 19	3.6m	3.9m	≥3m	+0.9m	●

* For technical notes, see appendix 2 on page 181.

Continued improvements to our digital channels meant 63 percent of RUC licence transactions were completed online in 2016/17, which is a 5 percentage point increase from 2015/16 (58 percent) and a 10 percentage point increase from 2014/15 (53 percent). There has been an ongoing increase in digital RUC transactions among both commercial and private customers, reducing compliance efforts for the Transport Agency and making the RUC system more cost effective.

RUC transaction volumes increased by 300,000 compared with 2015/16, due to a combination of increased RUC purchases and refunds for off-road users, contributing to lower unit transaction costs.

^o Output class scope statements are in appendix 4 on page 186.

WHAT IT COST

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	16,639	14,874	1,765	16,047
Expenditure	15,948	17,038	1,090	16,233
Net surplus/(deficit)	691	(2,164)	2,855	(186)

The road user charges output class recorded a net surplus of \$0.69 million at year end. This was more favourable than planned due to higher than anticipated income from RUC transaction fees (collected through third parties) revenue.

RUC income is sourced from three revenue streams: Collections income collected through RUC transaction fees, and two appropriations covering the costs of administering investigation and enforcement activity, and the costs of administering RUC refunds.

RUC collections income was \$1.8 million above budget this year and appropriations were as budgeted. Collections income was above expectation due to increased licensing activity.

Reprioritisation of RUC improvement programmes until 2017/18 meant that expenditure was \$1.1 million lower than planned during the year.

ROAD SAFETY PROMOTION

Delivered by the Transport Agency and local authorities and funded from the National Land Transport Fund

HOW ROAD SAFETY PROMOTION CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,^o we manage and invest in activities that contribute to the safe, efficient and effective use of land transport networks and services, including road user advertising, education and information initiatives that contribute to the high- and medium-priority areas of the Safer Journeys strategy.

Road safety promotion's primary contribution to the long-term goals of shaping smart transport choices and maximising returns for New Zealand is through the reduction in deaths and serious injuries from road crashes by influencing the behaviour of drivers and other road users.

OUR MAJOR ACHIEVEMENTS THIS YEAR



Our major achievements for Road Safety Promotion included:

- 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 campaign was designed to reframe the way people look at their speed behaviour when they are driving. Mistakes was the only finalist from New Zealand and competed against campaigns such as Cancer Research, Guinness, John Lewis and The Economist. 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 paid back.
- gaining recognition and awards for drive.govt.nz - a free website we developed with the Accident Compensation Corporation, which makes it easier and more fun for young people to learn to drive and learn the road rules. In October 2016, the site won two medals at the Designer's Institute of New Zealand's Best Design Awards - the annual showcase of excellence in graphic, spatial, product and interactive design. The site was awarded the silver medal for the interactive category and the bronze for the public good category.

^o Output class scope statements are in appendix 4 on page 186.

HOW WE PERFORMED

We achieved our two targets for road safety promotion.

SERVICE DELIVERY*		ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
SERVICE DELIVERY	% of activities that are delivered to agreed standards and timeframes ^{NOTE 20}	100%	100%	100%	-	
	% of road safety advertising campaigns that meet or exceed their agreed success criteria ^{NOTE 21}	80%	83%	≥75%	8%	

* For technical notes, see appendix 2 on page 181.

WHAT IT COST

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	36,626	36,924	(298)	31,606
Expenditure	34,841	37,546	2,705	31,040
Net surplus/(deficit)	1,785	(622)	2,407	566

Expenditure on road safety promotion in 2016/17 was under budget by \$2.7 million. This underspend was caused predominantly by changes to the timing of production for new campaigns under the national advertising programme. Specifically, significant underspends were due to the following reasons:

- The Mistakes campaign continued to perform beyond expectations, delaying the need to produce a new safer speeds campaign for more than a year.
- The Local Legends national drink-driving advertising campaign also performed beyond expectations and consequently delayed the need to produce a new drink-driving campaign by a year.
- New research was started in the second half of this year to assess the direction for promoting cycling, which delayed the creation of any new productions in 2016/17. The research is still under way and will inform the direction for any new work in 2017/18.
- The development of support materials for the national drugs advertising campaign was delayed so further qualitative research could be undertaken. This research is in development.
- The work on the Visiting Drivers Project is continuing into 2017/18 and the allocated budget will be spent by the end of 2017/18.
- Most of the tactical budget was not required. A small portion of it is being used for the National Road Safety Partnership Programme, which continues into 2017/18.
- In the locally delivered programmes, there were small variances between budgeted and actual spend for a significant number of approved organisations. While none of these underspends was significant individually, together they contributed to about \$0.8 million of the underspend in this output class.

OUTPUT CLASSES THAT SUPPORT OUR HIGHWAY SOLUTIONS GOAL

STATE HIGHWAY IMPROVEMENTS

Delivered by the Transport Agency and funded from the National Land Transport Fund and the Crown

HOW STATE HIGHWAY IMPROVEMENTS CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,^o we manage and invest in state highway network infrastructure to reduce the number and severity of crashes and improve the time and reliability between destinations connected by the network. We do this in a socially and environmentally responsible way.

State highway improvements help deliver on our long-term goal of delivering highway solutions for customers by contributing to more efficient freight supply chains, a resilient and secure transport network, easing severe urban congestion, as well as helping to reduce deaths and serious injuries from road crashes. This is achieved through capital investment in the state highway network.

OUR MAJOR ACHIEVEMENTS THIS YEAR

The major achievements for state highways improvements included:

- delivering the state highway programme with most of key programmes running to plan
- progressing five of the six Roads of National Significance on or ahead of schedule. Key achievements included:
 - completing the Waterview Tunnel in time to have it opened to traffic on 2 July 2017
 - awarding the public-private partnership for the Pūhoi to Warkworth section of the Pūhoi to Wellsford Road of National Significance and starting construction
 - construction started on the final section (Longswamp) of the Waikato Expressway
 - completing the Mackays to Peka Peka section of the Wellington Corridor and starting construction on the Peka Peka to Ōtaki section
 - starting construction on the Northern Arterial and Southern Motorway Stage 2 sections of the Christchurch Motorway, and opening the Groynes to Sawyers Arms section to traffic.
- progressing three of the four Accelerated Auckland Transport Programme projects on or ahead of schedule
- progressing 11 of the 14 projects in the Accelerated Regional Transport Programme on or close to schedule, including the completion of the Normanby Overbridge project in Taranaki.

HOW WE PERFORMED

Service delivery

We did not achieve our target for state highway improvements.

	ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
SERVICE DELIVERY					
VALUE FOR MONEY % of activities that are delivered to agreed standards and timeframes	95%	85%	≥90%	-5%	1




- 1 The delivery of activities to agreed standards and timeframes was below target, primarily due to delays to the construction phase of some projects. Many of these projects were hampered by poor spring and summer weather conditions. This was particularly an issue for major earthworks throughout the country (eg the Hamilton section of the Waikato Expressway). There were also some delays to the start of new projects, mainly due to changes in procurement strategy and the need to re-evaluate investigative assessments. Progressing through the early phases (planning, designing and consenting) of projects continued to present challenges and remains an important focus.

^o Output class scope statements are in appendix 4 on page 186.

Some key milestones within the programme were not achieved. The Ōtaki to Levin section of the Wellington Northern Corridor Road of National Significance programme was not met due to the need to conduct more investigative work to incorporate recently revised growth forecasts for the area. Weather also affected several priority projects in the South Island, namely the Mingha Bluff to Rough Creek Realignment and the Memorial Avenue interchange portion of the Christchurch Motorways Road of National Significance programme, where construction will now be completed in 2017/18.

Investment


Two of our three investment measures match the desired trend.

	ACTUAL 2015/16 [†]	ACTUAL 2016/17	DESIRED TREND 2016/17	ASSESSMENT AGAINST DESIRED TREND		
SERVICE DELIVERY	Travel times on key state highways serving our major metropolitan areas (Auckland, Wellington and Christchurch)* (reported for a year until March) <small>NOTE 22</small>	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/km	Maintaining	Maintaining	
	Productivity of the state highway network in major metropolitan areas (Auckland, Wellington and Christchurch – AM peak) (reported for a year until March) <small>NOTE 23</small>	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 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.

 The 3 percentage point decline in network productivity during the morning peak in Auckland reflects the combined impact of increased traffic volumes and significant roadworks on the network. The 2 percentage point decline in Christchurch was influenced by roadworks on the Northern Motorway, as well as roadworks on State Highway 1 as part of the Christchurch Southern Motorway project.

WHAT IT COST

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	1,465,576	1,550,213	(84,637)	1,528,691
Expenditure*	1,465,576	1,550,213	84,637	1,528,691
Net surplus/(deficit)	0	0	0	0

* Some non-cash capital and operating expenses presented in the financial statements are not included in the figures. They are expenditure for:

- public-private partnerships, including a cash flow hedge impact of \$173.6 million (2015/16: \$214.9 million)
- depreciation and state highway write offs of \$378.1 million (2015/16: \$420.2 million)
- assets vested to local authorities of \$18.4 million (2015/16: \$286.5 million)
- other interest, finance costs and other expenses of \$19.0 million (2015/16: \$31.7 million)

The 2015/16 figures are adjusted for comparability.

State highway output class expenditure was \$84.6 million (5.5 percent) below budget. This was the result of a combination of substantial savings at the tender box on a number of high-cost construction contracts and delays to projects. These project delays were predominantly caused by poor weather or changes during the planning, design and consenting phases that hampered progress.

STATE HIGHWAY MAINTENANCE

Delivered by the Transport Agency and funded from the National Land Transport Fund

HOW STATE HIGHWAY MAINTENANCE CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,^o we manage and invest in the maintenance and operation of the state highway network infrastructure to ensure it is in as safe a condition as possible and provides a reliable travel journey for customers. The infrastructure is maintained to meet skid resistance and rutting standards and to ensure interventions occur at the optimal time to reduce exposure to future maintenance costs arising from wear and tear on our roads.

State highway maintenance helps deliver on our long-term goal of delivering highway solutions for customers by helping to maintain the resilience and security of the whole road network, contributing to efficient and reliable freight supply chains, easing congestion and reducing the risk of road crashes. This is achieved by ensuring the condition of the established state highway network asset is sustained by an ongoing capital investment programme.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements for state highway operations and maintenance included the following:

- providing better travel experiences and improving the reliability of the transport network by working with our partners through the traffic operations centres in Auckland, Wellington and Christchurch to monitor traffic flows, manage incidents and provide real-time information about traffic and road conditions to our customers
- keeping the alternative route between Picton and Christchurch functional during the year and making good progress to restore the coastal route following the significant damage and disruption to the network caused by the Kaikōura earthquake
- taking steps to deliver more predictable journeys for urban customers by implementing systems in Auckland, Wellington and Christchurch to improve how road works are planned and coordinated to minimise disruptions for our customers
- taking steps to deliver more predictable journeys for urban customers by taking steps to improve incident responses by working collaboratively with the New Zealand Police and using data analysis to predict where response vehicles are likely to be needed
- implementing the final Network Outcomes Contract, giving us a consistent level of service and value for money framework across the country
- delivering 1,099 kilometres of pavement renewals, including chip seals, pavement rehabilitation and pavement strengthening work. This was achieved in line with our more rigorous approach to asset renewals, which was first adopted in the 2012-15 State Highway Activity Management Plan.

HOW WE PERFORMED

Service delivery

We achieved six of our seven targets for state highway maintenance.

SERVICE DELIVERY*	ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
% of activities that are delivered to agreed standards and timeframes ^{NOTE 24}	93%	97%	≥90%	7%	●
Safe stopping: % of network meeting surface standard texture standards ^{† NOTE 25}	99%	99%	≥98%	1%	●

VALUE FOR MONEY

^o Output class scope statements are in appendix 4 on page 186.

SERVICE DELIVERY*		ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
SERVICE DELIVERY	Network resilience: % of rutting >20mm over state highway network [†] NOTE 26	1%	1%	3%	2%	●
	Safe stopping: % of network above skid threshold [†] NOTE 27	98%	98%	≥98%	-	●
	Smooth ride: % of travel on network classed as smooth [†] NOTE 28	98%	99%	≥97%	2%	●
	Availability of state highway network: % of unplanned road closures resolved in 12 hours NOTE 29	87%	86%	≥90%	-4%	①
CUSTOMER SATISFACTION	% customer satisfaction NOTE 30	52%	54%	≥50%	4%	●

* For technical notes, see appendix 2 on page 181.

† The network condition statistics exclude State Highway 1 through Marlborough and North Canterbury, which is under repair following the Kaikōura earthquake.

- ① We did not reach our target for availability of the state highway network due to the effect of major weather events (mainly in the central North Island and Southland), crashes (mainly on the urban network) and the impact of the Kaikōura earthquake. Of the 824 recorded unplanned closures, 86 percent were reopened within standard timeframes.

Investment

Two of our three investment measures match the desired trend.

INVESTMENT PERFORMANCE		ACTUAL 2015/16	ACTUAL 2016/17	DESIRED TREND 2016/17	ASSESSMENT AGAINST DESIRED TREND	
VALUE FOR MONEY	Surface condition of the sealed network	Not available	Not available*	Maintaining	-	-
SERVICE DELIVERY	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. We are 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.

WHAT IT COST

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	652,121	568,212	83,909	479,660
Expenditure	652,121	568,212	(83,909)	479,660
Net surplus/(deficit)	0	0	0	0

State highway maintenance output class expenditure was \$83.9 million (14.8 percent) above budget. This overspend was the result of \$93 million spent on the reinstatement of State Highway 1 through Marlborough and North Canterbury following the Kaikōura earthquake, which was Crown funded. Expenditure for the main programmes was within budget.

OUTPUT CLASSES THAT SUPPORT OUR MAXIMISE RETURNS GOAL

PUBLIC TRANSPORT

Invested in by the Transport Agency, delivered by local authorities and funded from the National Land Transport Fund

HOW PUBLIC TRANSPORT CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,^o the Transport Agency and approved organisations (in conjunction with third parties and operators, where appropriate) invest in bus, ferry and rail public transport services, technology, facilities and infrastructure to achieve increased patronage with reduced reliance on subsidies. This includes investment in subsidised door-to-door transport for people with mobility impairments.

Rail infrastructure is generally excluded from this output class as the intention is to fund this outside the National Land Transport Fund.

The public transport output class primarily contributes to the long-term goal of maximising returns for New Zealand by providing more transport choices for customers, easing urban congestion and reducing adverse environmental effects. Public transport has secondary contributions to better use of existing transport system capacity, resilience and security. It can also contribute to reducing deaths and serious injuries from road crashes.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Together with our local government partners that provide public transport, key achievements this year included:

- supporting the establishment of the National Ticketing Programme and agreeing a road map for how we will collectively move to one or two ticketing solutions nationwide by 2026. In line with the road map:
 - interim ticketing solutions were procured for Greater Wellington bus services and a regional consortium of nine councils and implementation is under way. These interim solutions are being put in place while long-term solutions are secured.
 - a project to secure a long-term ticketing solution for Greater Wellington, Environment Canterbury and the regional consortium of nine councils was established.
- continuing to implement the Public Transport Operating Model (PTOM). In 2016/17:
 - Auckland Transport completed its tender for four bus service contracts in West Auckland. There was healthy competition as eight operators placed 55 bids, resulting in good prices. Auckland Transport also released its tenders for Central, North and East Auckland and started negotiations with incumbent operators for unit contracts allocated to incumbent operators who forfeited commercial registrations with the adoption of PTOM.
 - new PTOM bus contracts were initiated in South (October 2016) and West (June 2017) Auckland alongside the roll-out of new networks in those areas. A 7 percent increase in patronage (excluding transfers) was recorded in South Auckland, which outpaced overall growth in the city.
 - we endorsed the Greater Wellington Bus Procurement Strategy, which enabled Greater Wellington to go to market for nine bus unit contracts in August 2016. Competition for the nine units was robust, with nine tenderers submitting 86 bids, which resulted in good prices.
 - Waikato Regional Council held a tender for five bus units in the Waikato region that was well contested and resulted in good prices and higher quality services. Three contracts were initiated in April 2017, and all three units saw patronage growth in June 2017 compared with the same period in 2016: Huntly (North) increased 1.5 percent, Raglan (West) increased 8.5 percent, and Morrsville/Paeroa/Te Aroha (East) increased 6.7 percent.
 - Otago Regional Council completed the first directly negotiated PTOM contract in Dunedin and completed the tendering process for all bus services in Dunedin.
 - the patronage growth seen in South Auckland and Waikato is a positive indicator that improvements made by councils, including entering into new PTOM-style contracts, is contributing toward the Transport Agency's milestone to increase public transport boardings by 10 to 16 percent during the five years to 2019.

^o Output class scope statements are in appendix 4 on page 186.

- working closely with partners as they investigated how to improve delivery of public transport. This included working with:
 - Bay of Plenty Regional Council on the development of the Western Bay of Plenty Public Transport Blueprint Business Case
 - the Greater Christchurch Joint Public Transport Committee, which was established in mid-2016 to foster collaboration and leadership for the provision of public transport services and infrastructure in Greater Christchurch.
- investing in public transport infrastructure to support more efficient and attractive public transport networks. Significant infrastructure improvements that became operational in 2016/17 included the Ōtāhuhu Transport Interchange and Parnell Train Station in Auckland.
- approved funding for a new bus system for Queenstown following a joint review which was brought forward with strategic partners Otago Regional Council and Queenstown Lakes District Council. The new bus system will begin in 2017.

HOW WE PERFORMED

Two of the four investment measures match the desired trend.

	ACTUAL 2015/16	ACTUAL 2016/17	DESIRED TREND 2016/17	ASSESSMENT AGAINST DESIRED TREND		
SERVICE DELIVERY	INVESTMENT PERFORMANCE*					
	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	①
VALUE FOR MONEY	Productivity (costs per passenger km) where available by bus, train and ferry ^{NOTE 32}	Bus: 0.15 \$/km	Bus: 0.169 \$/km	Increasing productivity [‡]	Decreasing productivity	②
		Train: 0.13 \$/km	Train: 0.163 \$/km			
		Ferry: 0.06 \$/km	Ferry: 0.057 \$/km			
	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 on page 181.

† This was incorrectly reported as 48.4 percent in the *NZ Transport Agency annual report 2015/16*.

‡ 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.

The changes in performance for 2016/17 were largely driven by changes in Auckland, which accounted for almost all of the patronage growth in 2016/17. There was also a modest growth in Wellington. The growth in patronage in Auckland was driven by a variety of factors, such as the introduction by Auckland Transport of a simplified fare structure and the roll-out of new services, including additional services to deliver higher frequency.

- ① ② The decline in the fare revenue recovery rate to 47.4 percent and the decline in productivity were both almost entirely caused by increases to bus service costs. The introduction of the simplified fare structure in Auckland led to fare revenue growth being largely flat in 2016/17. When this was combined with the costs of procuring and implementing new PTOM contracts and rolling out new services for Auckland Transport's network, fare revenue recovery and productivity declined during the year. We expect all three metrics to return to the desired trend in 2017/18 as patronage continues to grow and the implementation of PTOM is completed.

WHAT IT COST

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	336,120	332,000	4,120	307,445
Expenditure	336,120	332,000	(4,120)	321,445
Net surplus/(deficit)	0	0	0	(14,000)

Expenditure across the public transport output class was \$4.12 million (1.2 percent) more than budget for the year. Of the total: 78 percent of the expenditure went to providing core services, operational amenities and total mobility; 8 percent was for committed rail rolling stock and depot repayments; the remaining 14 percent provided new services or infrastructure improvements.

Most of the expenditure (90 percent) was focused on our major urban centres (Auckland, Wellington and Christchurch), where funding was targeted toward congestion relief, travel-time savings and travel reliability for commuters.

ADMINISTRATION OF THE SUPERGOLD CARDHOLDER SCHEME AND ENHANCED PUBLIC TRANSPORT CONCESSIONS FOR SUPERGOLD CARDHOLDERS

Administered by the Transport Agency, delivered by local authorities and funded from the Crown

HOW SUPERGOLD CARD OUTPUTS CONTRIBUTE TO OUR LONG-TERM GOALS

Under the first output class,⁹ Administration of the SuperGold cardholder scheme, the Transport Agency and regional councils administer the SuperGold cardholder scheme. Under the second output class, Enhanced public transport concessions for SuperGold cardholders, the Transport Agency provides funding to regional councils for the provision of enhanced public transport concessions for SuperGold cardholders.

Both outputs are funded as specific projects by the Crown. The Transport Agency manages the scheme on behalf of the Ministry of Transport. The local authorities participating in the scheme are mostly (but not all) regional councils, but for simplicity all are referred to here as 'regional councils'.

The SuperGold cardholder concessionary fares scheme contributes to the long-term goal of maximising returns for New Zealand by providing more transport mode choices for the elderly and improving the utilisation of public transport capacity during off-peak hours.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements in our work on the SuperGold cardholder scheme this year included:

- supporting 12.99 million SuperGold trips, an increase of 1 percent (97,000 trips) from 2015/16
- continuing to support and deliver on the Government's decision to move to a more sustainable funding methodology during 2017/18.

⁹ Output class scope statements are in appendix 4 on page 186.

HOW WE PERFORMED

We achieved our two targets for Administration of the SuperGold cardholders' scheme and Enhanced public transport concessions for SuperGold cardholders.

	ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
SERVICE DELIVERY*					
Average number of days taken to deliver (working days taken to process claims received from regional councils) <small>NOTE 33</small>	17	17	≤20	3	
% of activities that are delivered to agreed standards and timeframes	100%	100%	100%	-	

* For technical notes, see appendix 2 on page 181.

WHAT IT COST

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	26,481	28,224	(1,743)	28,559
Expenditure	26,481	28,224	1,743	28,559
Net surplus/(deficit)	0	0	0	0

Expenditure for the administration of the SuperGold cardholder's scheme and enhanced public transport concessions for SuperGold cardholders was \$1.74 million (6.2 percent) less than budget. This was the result of working in collaboration with regional councils to use a 'best-endeavours approach' to remain within a target allocation for SuperGold card concessions.

WALKING AND CYCLING

Invested in by the Transport Agency, delivered by local authorities and funded from the National Land Transport Fund and the Crown

HOW WALKING AND CYCLING CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,^o we invest in new and improved walking and cycling infrastructure for transport purposes and modal education and promotion activities. This includes the delivery of the 2015-18 Urban Cycleways Programme. Walking and cycling facilities include cycle paths, cycle lanes, new footpaths, facilities for crossing roads, shelters and bicycle parking facilities.

New walking and cycling facilities that are a component of a roading improvement project are funded as part of investments to improve roading networks rather than through the walking and cycling activity class. Walking and cycling infrastructure contributes to the long-term goal of maximising returns for New Zealand by facilitating more transport choices in urban environments where walking or cycling facilities are offered to the community. This contribution indirectly supports better use of transport capacity, reducing adverse environmental effects, congestion relief, and reductions in deaths and injuries from road crashes.

^o Output class scope statements are in appendix 4 on page 186.

OUR MAJOR ACHIEVEMENTS THIS YEAR

The year was a big year for the Urban Cycleways Programme, with seven projects reaching completion and nine projects moving into the construction phase. By June 2017, 67 percent of the 54 projects were either under construction or completed.

Our major achievements this year included:


- completing, in Auckland, stage 1 of the Eastern Connections to City Centre project (Glen Innes to Meadowbank cycleway), the Waitemata Safe Routes Greenways section of the Western Connections to City Centre package and the Quay St cycleway, which is a separated two-way cycleway that provides a key connection in the central business district.
- increasing the number of cycle trips in Auckland, as well as improving attitudes towards cycling. For example, bicycles now make up 9.4 percent of inbound morning peak traffic via Upper Queen Street, the number of inbound morning peak cycle trips across the city centre has increased by 46 percent since 2013, 39 percent of Aucklanders are positive about the state of cycling in Auckland (an increase from 22 percent in 2015) and 80 percent of Aucklanders agree that investing in cycling is important to give people more travel choices.
- completing the Papanui Parallel and Little River Link projects in Christchurch. These projects provided safer and separated cycleways for people to travel between Papanui and Addington to schools, to workplaces and into the central city. Construction also started on the Rapanui-Shagrock cycleway, which will provide a direct connection between Linwood and Ferrymead into the central city, and schools in the area.
- completing the Western Rail Trail in Hamilton and the Spring Creek and Taylor River paths in Blenheim. These off-road shared paths provide key connections to schools and the central business district in Hamilton and Blenheim.
- awarding the Dunedin one-way system separated cycle lane contract and starting construction of new cycle lanes. The separated cycle lane will improve cycle safety on the one-way system through the centre of Dunedin.

In addition to the Urban Cycleways Programme, cycling projects have been delivered as part of the wider State Highways programme. This includes a 16 kilometre shared cycleway and walkway along the Mackays to Peka Peka Expressway and the first section of the Waterview Shared Path in Auckland. Both of these shared pathways connect to numerous local roads and existing cycle tracks and walkways in the area, and provide safe and attractive routes for people cycling and walking.

To support our investment in this and the rest of the Urban Cycleways Programme, the Transport Agency has been providing co-investment funding for Bikes in Schools projects as part of a \$500,000 contract with the Bike On Trust, to benefit schools that are close to new or planned cycleway infrastructure. This funding has now been allocated to 39 schools, with more than 12,000 students throughout New Zealand gaining access to a bike track in their school where they can learn to ride.

HOW WE PERFORMED

One of our two investment measures matches the desired trend.

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

* For technical notes, see appendix 2 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.

This year, 63.6 kilometres of new cycling infrastructure was delivered as part of the Urban Cycleways Programme. In 2017/18, the final year of the programme, the remainder of projects will move into construction and we expect to see the most kilometres of new cycling infrastructure delivered.

In addition to the Urban Cycleways Programme, another 27.8 kilometres of new cycling infrastructure was delivered this year.

While there is no formal measure for the percentage of cycling trips per person across Auckland, Wellington and Christchurch, the overall number of trips across the cycling networks in those cities increased an estimated 4 percent based on the central business district cordon counts. This increase was particularly due to strong growth in Christchurch, which saw a 20 percent increase.

There was a decrease of more than 15 percent in cycling counts across the Wellington City network. This could be an annual fluctuation as the cycling counts in Wellington have been increasing during the past decade, and this year's result is inconsistent with the long-term increasing trend.

In Auckland, the Quay St Cycleway had 100,000 trips measured in the first five months of opening, but these increases were not reflected in the overall network count. As more projects in the Urban Cycleways Programme are completed we expect the Auckland network counts to continue to increase.

It is also worth noting that outside these three cities, cycling counts increased from 2015/16 to 2016/17. For example, Upper Hutt saw an increase of 24 percent in peak morning trips across the city, and in Blenheim there was an increase of 32 percent.

WHAT IT COST*

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	66,808	87,230	(20,422)	50,948
Expenditure	65,907	87,230	21,323	52,889
Net surplus/(deficit)	901	0	901	(1,941)

* 2016/17 figures include \$24.35 million Crown funding and investment for the Urban Cycleways Programme.

The walking and cycling output class recorded a surplus of \$0.90 million this year and expenditure was \$21.3 million (24 percent) under budget. This was the result of several key projects not moving into the delivery phase this year. These projects were delayed for a variety of reasons, such as unexpected consenting requirements, the need to align with other projects, complications with business cases and obstacles to accessing land.

This year, the Minister of Transport approved changes to the Government Policy Statement on Land Transport 2015/16–2024/25 to increase the upper limit of the walking and cycling activity class three-year funding range (2015/16–2017/18) from \$103 million to \$167 million. This increase was made to address the high expenditure forecast caused by the Urban Cycleways Programme accelerating the delivery of walking and cycling projects.

LOCAL ROAD IMPROVEMENTS

Invested in by the Transport Agency, delivered by local authorities and funded from the National Land Transport Fund

HOW LOCAL ROAD IMPROVEMENTS CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,⁹ the Transport Agency invests, in conjunction with approved organisations, in local road improvements, including new roads, seal extensions, new traffic management facilities and replacement of bridges and other structures.

Local road improvements primarily contributes to the long-term goal of maximising returns for New Zealand by improving the efficiency of freight supply chains, increasing the resilience and security of the local road network, easing severe congestion, and consequently reducing deaths and serious injuries from road crashes.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Major local road improvements in Auckland (Auckland Transport) included:

- SMART (Rail to Airport) project – constructing a widened trench at the Kirkbride Road intersection to future-proof a future Rapid Transit Network option. This was a contribution to the Transport Agency-led State Highway 20A improvement project – \$20 million
- street-lighting Upgrade LED project – accelerating replacement of existing streetlights with energy efficient LED lights – \$14 million
- Te Atatu Road Corridor Improvements project - upgrading the corridor from State Highway 16 to Edmonton Road to address congestion by incorporating four lanes, a flush median, walking and cycling facilities, and intersection improvements – this year \$13 million
- double-decker network mitigation works – accommodating the additional height of double decker buses by clearing all obstacles from the proposed routes including shop front canopies or verandas, trees, power or phone lines, service poles, street signage and street furniture – \$8 million
- Albany Highway North Upgrade – widening 4 kilometres along Albany Highway between Schnapper Rock Road and SH17, providing for a transit lane that can be used only by vehicles carrying three or more people (T3 lanes), on and off-road cycle lanes and new wide footpaths – \$7 million.

⁹ Output class scope statements are in appendix 4 on page 186.

Major road improvements in other areas included:

- Queenstown-Lakes District Council's Eastern Access Road project – constructing a new road to provide for growth in the Frankton Flats area and to improve the tourist experience – this year \$6.8 million
- Hastings District Council's Whakatu Arterial Link project – improving access for freight and enhancing supply chain efficiency from the growing industrial area at Whakatu, while reducing deaths and serious injury crash risks – \$5.9 million
- Christchurch City Council's Northern Arterial Extension and Cranford Street Upgrade project – extending the Northern Arterial between QEII Drive and Cranford Street and widening a section of Cranford Street as part of the Christchurch Northern Corridor improvements – \$5.5 million
- Porirua City Council's PCC Link Roads project – constructing a local link road from the James Cook Interchange on Transmission Gully Expressway, which is currently under construction – this year \$2.5 million
- Whāngārei District Council's Mill Road/Nixon Street Upgrades – upgrading the key arterial intersections of Mill Road/Nixon Street and Nixon Street/Kensington Ave/Kamo Road – this year \$2.4 million.

HOW WE PERFORMED

Two of our three investment measures match the desired trend.

	ACTUAL 2015/16*	ACTUAL 2016/17	DESIRED TREND 2016/17	ASSESSMENT AGAINST DESIRED TREND		
SERVICE DELIVERY	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	Not available	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 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 on Land Transport measure of % of local roads that are made available to high productivity motor vehicles 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.

WHAT IT COST

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	140,911	142,000	(1,089)	104,112
Expenditure	140,911	142,000	1,089	104,112
Net surplus/(deficit)	0	0	0	0

Local road improvements output class expenditure was \$1.1 million (less than 1 percent) under budget. However, this expenditure was approximately \$20 million below our expectations of the actual year-end amount. This was due in part to levels of service improvements on the Inland Kaikōura Road to respond to impacts of the Kaikōura earthquake not progressing as expected this year, with the focus instead on emergency works.

LOCAL ROAD MAINTENANCE

Invested in by the Transport Agency, delivered by local authorities and funded from the National Land Transport Fund and the Crown

HOW LOCAL ROAD MAINTENANCE CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,^o the Transport Agency invests, in conjunction with investment from approved organisations, in local road maintenance and operations, including the maintenance of pavements, structures, drains and traffic services.

Maintenance of local road infrastructure contributes to the long-term goal of maximising returns for New Zealand. It helps ensure the impacts the established networks has on the transport system are sustained. Sound management of maintenance activities and of the operation of the network has a broad impact, including better use of transport capacity, ensuring network resilience and security and freight supply chain efficiency as well as reducing urban congestion and the risk of road crashes by ensuring surface condition standards are maintained and traffic flow and incidents are effectively managed.

OUR MAJOR ACHIEVEMENTS THIS YEAR

This year, to respond to the impacts of the Kaikōura earthquake we effectively collaborated with road controlling authorities and KiwiRail to plan for and deliver the recovery response, including the maintenance of local roads in the affected area.

We also continued to collaborate with road controlling authorities on initiatives to improve maintenance management in the Bay of Plenty, Marlborough, Gisborne and Waikato. In addition, the alliance we formed with three Northland local authorities began to gain momentum in its role to plan and deliver roading activities in the region. The Buller, Grey and Westland District Councils are also collaborating to develop a combined Transport Activity Management Plan.

Through the Road Efficiency Group, the sector continued to implement the recommendations of the Road Maintenance Task Force (2012). We focused our efforts on reviewing maintenance investment criteria, systems, tools, online learning modules and guidance to embed the One Network Road Classification and the business case approach in the sector's planning and decision making. We consulted and held workshops with the sector on a second draft proposal.

The Road Efficiency Group work streams for 2016/17 continued to focus on supporting the sector to be ready to submit their maintenance programmes for the 2018–21 National Land Transport Programme. Pivotal Road Efficiency Group achievements to improve the efficiency of maintenance activities and create sector-wide consistency this year included:


- confirming the 27 One Network Road Classification customer outcome performance measures to be used for reporting purposes
- developing further the web-based performance monitoring and reporting tool to enable all road controlling authorities to report and compare their performance against the 27 One Network Road Classification performance measures,
- developing a standard report for each road controlling authority highlighting their performance against their peer group for an initial subset of the 27 measures
- completing a sector-wide (core) data quality project and publishing data quality reports for each road controlling authority
- developing and publishing the *Procurement Best Practice Guide* and Smart Buyer self-assessment tool
- delivering a series of four workshops through 10 regional support groups for road controlling authorities and publishing guides and case studies to support industry self-learning.

^o Output class scope statements are in appendix 4 on page 186.

HOW WE PERFORMED





Service delivery

The service delivery measure was met.

	SERVICE DELIVERY	ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
SERVICE DELIVERY	% of activities that are delivered to agreed standards and timeframes					
	<ul style="list-style-type: none"> Reinstatement of earthquake damaged local roads in Canterbury - Crown loan 	100%	100%	100%	-	

Investment

All four investment measures match the desired trend.

	INVESTMENT PERFORMANCE	ACTUAL 2015/16	ACTUAL 2016/17	DESIRED TREND 2016/17	ASSESSMENT AGAINST DESIRED TREND	RESULT
SERVICE DELIVERY	Pavement integrity of the sealed network (index)	94	94	Maintaining	Maintaining	
	Surface condition of the sealed network (index)	98	98	Maintaining	Maintaining	
	Smooth ride - % of travel on smooth roads	84%	88%	Maintaining	Increasing	
VALUE FOR MONEY	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.

WHAT IT COST

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	VARIANCE 2015/16 \$000	ACTUAL 2014/15 \$000
Income	597,046	585,000	12,046	576,670
Expenditure	597,046	699,000*	101,954	576,670
Net surplus/(deficit)	0	(114,000)	114,000	0

* This includes the reinstatement of earthquake-damaged roads in Christchurch.

Expenditure for the local road maintenance output class was \$102 million (14.6 percent) below budget. The 2016/17 budget included the carryover from previous years of the Crown loan to fund the reinstatement of earthquake damaged roads in Christchurch. The reinstatement expenditure in Christchurch over and above the National Land Transport Fund total expenditure was \$2.3 million, well under the \$114 million carried forward to 2016/17. This reflects a smaller programme than initially estimated.

REGIONAL IMPROVEMENTS

Delivered by the Transport Agency and funded from the National Land Transport Fund

HOW REGIONAL IMPROVEMENTS CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,^o we plan and invest in regionally important state highway and local road projects outside the main metropolitan areas that address regional safety, resilience and/or economic productivity through the movement of freight and tourists.

Regional improvements help us deliver on our long-term goal of maximising returns for New Zealand through maintaining the resilience and security of the whole road network, efficient and reliable freight supply chains, as well as reducing the risk of road crashes.

OUR MAJOR ACHIEVEMENTS THIS YEAR


This was the second year of investment in the regional improvements output class. There was a significant increase in the delivery of state highway improvements designed to increase the safety, resilience and efficiency of the regional highway network.

Major achievements included:

- progressing construction of the new Taramakau Bridge on the West Coast
- upgrading the State Highway 2 Watchman Road intersection and Hawke's Bay Airport entrance on State Highway 2 in Napier to improve safety
- making progress to deliver the replacements for the Whirokino Trestle and Manawatū River Bridge on State Highway 1 in Manawatū
- progressing designs for a number of improvements to allow greater use of the state highway network by high productivity motor vehicles with a focus on routes to ports in Napier and Gisborne, improved access to the North Island's East Coast and increased access to state highways in Waikato
- implementing initiatives for the Safe System Signature Programme's Visiting Driver Project in Otago, Southland and West Coast
- constructing a roundabout at Spring Creek in Marlborough to increase the safety and efficiency of State Highway 1
- delivering the initial phases of safety upgrades to the Pokeno to Mangatarata section of State Highway 2 in Waikato.

HOW WE PERFORMED

Our one investment measures matches the desired trend.

	INVESTMENT PERFORMANCE	ACTUAL 2015/16	ACTUAL 2016/17	DESIRED TREND 2016/17	ASSESSMENT AGAINST DESIRED TREND
SERVICE DELIVERY	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.

Many of the projects were still in the implementation phase in 2016/17, so are not complete. Therefore, they were not recorded in the total kilometres of road improvements delivered. With the completion of these projects, along with others expected to be implemented in 2017/18, we expect to see a considerable increase next year in the kilometres of improved regional roads delivered.

^o Output class scope statements are in appendix 4 on page 186.

WHAT IT COST

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	VARIANCE 2015/16 \$000	ACTUAL 2014/15 \$000
Income	68,517	98,000	(29,483)	13,121
Expenditure	68,517	98,000	29,483	13,121
Net surplus/(deficit)	0	0	0	0

The regional improvements output class expenditure was \$29.5 million (30 percent) below budget. While expenditure increased substantially from last year as delivery increased in the output class' second year, it was less than expected because of slow starts to construction on some major projects. The forecast for 2017/18 is for another substantial expenditure increase that would see expenditure during the three years of the 2015-18 National Land Transport Programme deliver within the funding range for the regional improvements output class.

REFUND OF FUEL EXCISE DUTY

Delivered by the Transport Agency and funded from the National Land Transport Fund

HOW REFUND OF FUEL EXCISE DUTY CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,^o we record, refund and account for fuel excise duty refund applications.

Refund of excise duty is a Transport Agency function performed on behalf of the Ministry of Transport as an adjunct to the collection of fuel excise duty and as provided for under the Land Transport Management Act 2003. This output makes no major contribution to the Transport Agency's desired goals.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements this year included:

- refining our fuel excise duty processes during the fourth quarter to improve the average turnaround time from 8.2 days, to 7.9 days. Although this improvement is small, it has set a positive foundation for further gains during 2017/18.
- developing and implementing a stakeholder engagement plan to improve our working relationship with fuel excise duty agents. The plan includes one-on-one communications and monthly meetings with large agents. This ensures we have a clear understanding of the agents' perceptions of our performance, which we can use to improve our service delivery.

HOW WE PERFORMED

We achieved both targets for refund of fuel excise duty.

	SERVICE DELIVERY*	ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
VALUE FOR MONEY	Average number of days taken to deliver <small>NOTE 36</small>	8	8	10	2	●
SERVICE DELIVERY	Number of products/services delivered or processed <small>NOTE 37</small>	77,767	71,668	≥70,000	1,668	●

* For technical notes, see appendix 2 on page 181.

^o Output class scope statements are in appendix 4 on page 186.

WHAT IT COST

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	VARIANCE 2015/16 \$000	ACTUAL 2014/15 \$000
Income	1,161	918	243	659
Expenditure	1,161	918	(243)	659
Net surplus/(deficit)	0	0	0	0

Refund of excise duty output class expenditure was \$243,000 (26.5 percent) above budget. The increased expenditure was the result of hiring temporary staff to help address a backlog of queried claims and assist with the general processing of claims.

SECTION D

FINANCIAL STATEMENTS AND AUDIT REPORTS



HIGHLIGHTS FROM OUR FINANCIAL STATEMENTS

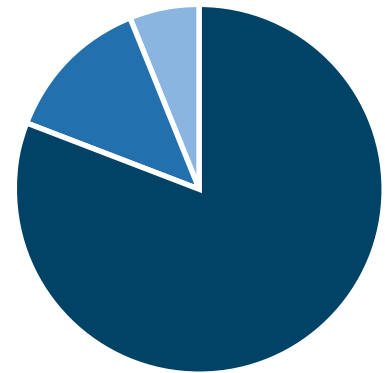
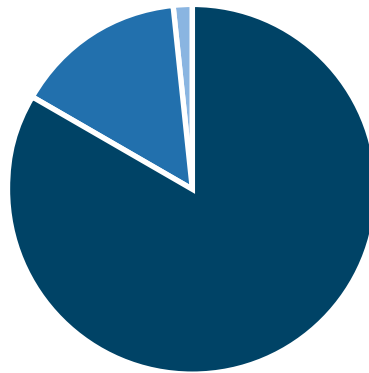
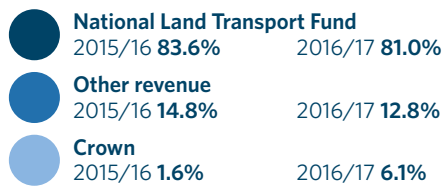


The largest contribution to our income is from the National Land Transport Fund. We also receive revenue from the Crown to support our objectives and for specific projects. This year significant increase in Crown revenue was due to the funding received for the Kaikōura earthquake. Other revenue comes mostly from our licensing and regulatory activities as well some developers contributions received. During the year, total assets with fair value of \$75 million were received from local authorities, which are included under other revenue.

INCOME BY SOURCE

2015/16

2016/17

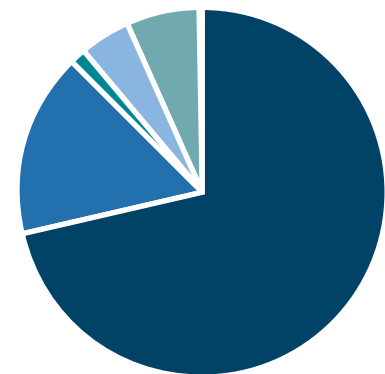
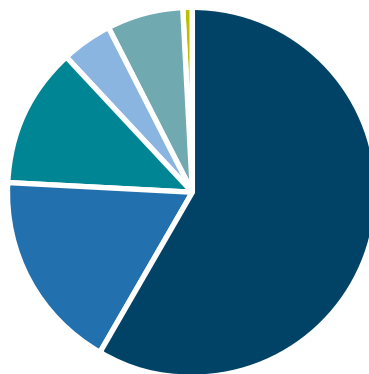
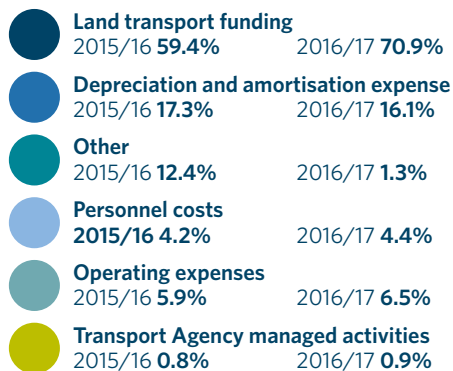


Our expenditure is guided by the Government Policy Statement on Land Transport and the priorities identified in our Statement of intent. The majority of our expenditure was directly related to land transport funding the Transport Agency provides to approved organisations for the delivery of services, associated activities funded from the Crown, and the Transport Agency's maintenance and operation of the state highway network (71 percent). Depreciation and amortisation, reflecting the cost of asset ownership, contributed 16 percent of our annual expenditure while personnel and operating expenses were 11 percent of the total expenses.

EXPENSE BY TYPE

2015/16

2016/17



NZ Transport Agency managed activities - includes advertising, education and promotion programmes, vehicle impoundments, and sector training and research.

\$28.4 MILLION
NET SURPLUS

Our net surplus reflects the combined operations of the Transport Agency itself, our funding of land transport and specific projects completed on behalf of the Crown.

OPERATIONS		LAND TRANSPORT FUNDING		SPECIFIC PROJECTS BY THE CROWN		TOTAL
Income \$287.3m	+	Income \$1,953.6m	+	Income \$141.5m	=	Total income \$2,382.4m
-		-		-		-
Expenditure \$286.0m	+	Expenditure \$1,927.4m	+	Expenditure \$140.6m	=	Total expenditure \$2,354.0m
=		=		=		=
Net surplus \$1.3m	+	Net surplus \$26.2m	+	Net surplus \$0.9m	=	Total net surplus \$28.4m

OPERATIONS

Activities the Transport Agency is accountable for, and delivers in-house or contracts out.

This surplus predominantly relates to the higher than expected volumes (and fees) for driver licensing, driver testing and tolling.

LAND TRANSPORT FUNDING

Funding for the maintenance and operation of the state highway network, and funding provided by the Transport Agency to local authorities and approved organisations for the delivery of services.

The surplus arises through the recognition of third party contributions for capital projects as revenue rather than capital injection.

SPECIFIC PROJECTS FUNDED BY THE CROWN

This includes the SuperGold card public transport concessions and the Urban Cycleways Programme.

The surplus is primarily due to the Urban Cycleways Programme’s reported net income this year.

Supplementary information for each of these segments is provided on pages 131-135.

\$34.9 BILLION
NET
ASSETS/EQUITY

The statement of financial position shows what we own (our assets), what we owe (our liabilities) and our overall net worth (represented by our net assets/equity).

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
Total assets	36,385,571	34,959,731	33,395,187
Less total liabilities	1,453,353	1,703,200	1,090,030
NET ASSETS/EQUITY AT END OF YEAR	34,932,218	33,256,531	32,305,157

We continue to maintain a strong balance sheet, with \$36.4 billion of assets and low levels of liabilities.

The state highway network accounts for 94 percent of our overall asset base.

HOW WE HAVE INVESTED IN OUR ASSETS

We have spent \$1.7 billion on our capital expenditure programme, which has been invested in the following:

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
Investment in state highways	1,691,064	1,803,935	1,686,371
Investment in information technology	6,764	12,990	13,633
Investment in offices and equipment	3,195	8,510	14,932
TOTAL	1,701,023	1,825,435	1,714,936

Investment in state highways is below budget due to substantial savings at the tender box on a number of high construction contracts and some new project starts were slower than planned.

FINANCIAL STATEMENTS

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

	NOTE	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
REVENUE				
Funding from the Crown	2	146,181	76,527	39,757
Funding from the National Land Transport Fund	2	1,930,879	2,136,975	2,052,798
Revenue from other activities	3	230,401	175,432	263,682
Assets vested from local authorities	10	75,013	0	99,399
Total revenue		2,382,474	2,388,934	2,455,636
EXPENSE				
Personnel costs	4	102,728	103,031	102,632
Operating expenses	5	174,491	184,094	162,099
Land transport funding*		1,645,364	1,674,007	1,408,784
Interest and finance costs	6	23,368	10,213	24,973
Depreciation and amortisation expense	7	377,908	536,198	418,363
State highway asset write-off	10	11,762	10,000	12,760
Assets vested to local authorities	10	18,410	0	286,533
Total expense		2,354,031	2,517,543	2,416,144
SURPLUS/(DEFICIT)		28,443	(128,609)	39,492
OTHER COMPREHENSIVE REVENUE AND EXPENSE				
Gain/(loss) state highway network revaluations	10	1,049,112	560,000	640,549
Net movement in cash flow hedges	28	89,761	0	(131,863)
Total other comprehensive revenue and expense		1,138,873	560,000	508,686
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		1,167,316	431,391	548,178

* Land transport funding refers to National Land Transport Programme funding the NZ Transport Agency provides to approved organisations for the delivery of services, associated activities funded from the Crown, and the NZ Transport Agency's maintenance and operation of the state highway network.

Explanations of major variances against budget are provided in note 31.

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	NOTE	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
ASSETS				
Current assets				
Cash and cash equivalents		65,442	50,022	77,051
Debtor National Land Transport Fund		346,459	420,286	299,302
Debtor Crown		49,745	102,120	13,167
Receivables	8	81,796	67,174	83,796
Property assets held for sale	9	49,611	50,000	42,160
Other current assets		10,398	1,100	1,845
Total current assets		603,451	690,702	517,321
Non-current assets				
Debtor National Land Transport Fund		988,972	0	708,143
Property, plant and equipment		23,828	15,244	25,966
State highway network	10	34,218,838	33,614,428	31,865,926
Public-private partnership assets	11	508,305	594,587	244,969
Intangible assets	12	32,069	43,590	31,404
Loans and advances	13	1,574	1,180	1,458
Derivative financial asset	28	8,534	0	0
Total non-current assets		35,782,120	34,269,029	32,877,866
TOTAL ASSETS		36,385,571	34,959,731	33,395,187
LIABILITIES				
Current liabilities				
Payables	14	447,536	536,396	377,611
Tolling funds held in trust		3,588	2,000	3,484
Employee entitlements	15	9,819	12,539	9,712
Borrowing	16	16,913	0	0
Total current liabilities		477,856	550,935	390,807
Non-current liabilities				
Payables	14	0	100	11
Public-private partnership liabilities	11	508,305	594,587	244,969
Employee entitlements	15	4,395	4,000	4,555
Borrowing	16	342,261	553,578	244,156
Derivative financial liability	28	120,536	0	205,532
Total non-current liabilities		975,497	1,152,265	699,223
TOTAL LIABILITIES		1,453,353	1,703,200	1,090,030
NET ASSETS		34,932,218	33,256,531	32,305,157

	NOTE	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
EQUITY				
General funds		5,606	5,606	5,606
Retained funds	17	17,029	(130,465)	22,865
Memorandum account - other fees and charges	18	25,833	3,492	18,952
Equity derived from the state highway network	19	34,925,852	33,377,898	32,389,597
Cash flow hedge reserve	28	(42,102)	0	(131,863)
TOTAL EQUITY		34,932,218	33,256,531	32,305,157

Explanations of major variances against budget are provided in note 31.
The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
EQUITY - OPENING BALANCES				
General funds		5,606	5,606	5,606
Retained funds		22,865	(17,740)	39,700
Memorandum account - other fees and charges		18,952	14,340	11,480
Equity derived from the state highway network		32,389,597	31,695,598	30,482,816
Cash flow hedge reserve		(131,863)	0	0
Total equity - opening balance		32,305,157	31,697,804	30,539,602
CHANGES IN EQUITY				
Equity movements				
Retained funds		(1,492,074)	(1,122,300)	(1,267,332)
Memorandum account - other fees and charges	18	4,931	0	1,100
Equity derived from the state highway network	17a	1,487,143	1,122,300	1,266,232
		0	0	0
Total comprehensive revenue and expense for the year				
Retained funds		26,493	(117,761)	33,120
Memorandum account - other fees and charges		1,950	(10,848)	6,372
Surplus/(deficit)		28,443	(128,609)	39,492
State highway network revaluations	10	1,049,112	560,000	640,549
Movement in cash flow hedges		89,761	0	(131,863)
Other comprehensive revenue and expense		1,138,873	560,000	508,686
		1,167,316	431,391	548,178
Capital funding (to retained funds)				
Crown		48,656	62,600	33,310
National Land Transport Programme	20	1,411,089	1,064,736	1,184,267
		1,459,745	1,127,336	1,217,577
Repayment of capital		0	0	(200)
Total changes in equity		2,627,061	1,558,727	1,765,555
EQUITY - CLOSING BALANCES				
General funds		5,606	5,606	5,606
Retained funds		17,029	(130,465)	22,865
Memorandum account - other fees and charges		25,833	3,492	18,952
Equity derived from the state highway network	19	34,925,852	33,377,898	32,389,597
Cash flow hedge reserve		(42,102)	0	(131,863)
TOTAL EQUITY - CLOSING BALANCES		34,932,218	33,256,531	32,305,157

Explanations of major variances against budget are provided in note 31.
The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from the Crown		112,949	32,583	42,262
Receipts from the National Land Transport Fund (NLTF)		2,021,692	2,215,609	1,914,544
Receipts from other revenue		201,132	189,245	250,404
Interest received		627	350	1,083
Payments to suppliers		(1,774,222)	(1,840,156)	(1,580,948)
Payments to employees		(102,648)	(103,030)	(102,708)
Goods & services tax (net)		22,526	60,000	21,607
Net cash from operating activities	21	482,056	554,601	546,244
CASH FLOWS FROM INVESTING ACTIVITIES				
NLTF receipts from sale of state highway held properties		56,272	42,534	46,775
Purchase of property, plant and equipment		(3,050)	(3,979)	(15,138)
Purchase of intangible assets		(6,766)	(17,521)	(11,585)
Investment in the state highway network		(1,674,369)	(1,914,834)	(1,770,048)
Loans and advances		(116)	0	(278)
Net cash from investing activities		(1,628,029)	(1,893,800)	(1,750,274)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contribution from the Crown		45,310	62,600	43,000
Capital contribution from the NLTF		967,000	1,059,701	1,063,541
Receipts from borrowing		127,200	274,000	261,999
Repayment of borrowing		0	(50,000)	(125,000)
Interest paid on borrowing		(5,146)	(7,103)	(5,540)
Repayment of capital		0	0	(200)
Net cash from financing activities		1,134,364	1,339,198	1,237,800
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(11,609)	(1)	33,770
Cash and cash equivalents at the beginning of the year		77,051	50,023	43,281
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		65,442	50,022	77,051

Explanations of major variances against budget are provided in note 31.
The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 / STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

The Transport Agency is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled and operates in New Zealand. The relevant legislation governing the Transport Agency's operations includes the Crown Entities Act 2004 and the Land Transport Management Act 2003. The Transport Agency's ultimate parent is the New Zealand Crown.

The Transport Agency's primary objective is to provide services to the New Zealand public. Its purpose is to deliver effective, efficient, safe, responsible and resilient transport solutions that support a thriving New Zealand. The Transport Agency does not operate to make a financial return.

The Transport Agency is designated as a public benefit entity (PBE) for financial reporting purposes.

The financial statements for the Transport Agency 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.

New Zealand Transport Ticketing Limited (NZTTL), a former subsidiary of the Transport Agency, was wound up on 28 June 2017. Assets and liabilities balances (which were immaterial) were all transferred at fair value to the Transport Agency at the date of wind up.

Statement of compliance

The financial statements of the Transport Agency have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Financial Reporting Act 2013. They 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 thousand dollars (\$000) unless stated otherwise.

Standards issued and not yet effective

The Transport Agency has adopted all standards, amendments and interpretations to existing standards that have been published and are mandatory for its accounting periods beginning on 1 July 2016. The Transport Agency did not early adopt standards which were not yet effective as at 1 July 2016.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Funding from the Crown and the National Land Transport Fund

The Transport Agency is primarily funded through revenue received from the Crown and the National Land Transport Fund, which is restricted in its use for the purpose of the Transport Agency meeting its objectives as specified in the statement of performance expectations.

Funding from the Crown and the National Land Transport Fund is recognised as revenue when earned and is reported in the financial period to which it relates.

Interest

Interest revenue is recognised in the surplus or deficit using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.

Rental revenue

Lease receipts under an operating sublease are recognised as revenue on a straight-line basis over the lease term.

Interest and finance costs

Interest and finance costs are recognised as an expense in the financial year in which they are incurred.

Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars (the functional currency) using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Financial assets

Financial assets are classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. The latter are classified as non-current assets.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Debtors and receivables

Debtors and receivables are recognised initially at fair value, less any provision for impairment.

A receivable is considered impaired when there is evidence that the Transport Agency will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of amounts expected to be collected.

Property assets held for sale

Property assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Property assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

Any impairment losses for write-downs of property assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Property assets held for sale are not depreciated while they are classified as held for sale.

Property, plant and equipment

Property, plant and equipment consist of the following asset classes: leasehold improvements, furniture and fittings, plant and office equipment, and motor vehicles.

Property, plant and equipment are measured at cost, less any accumulated depreciation and impairment losses.

Additions and subsequent costs

An item of property, plant and equipment is recognised at cost as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Transport Agency and the cost of the item can be measured reliably.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Transport Agency and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.

State highway network

Valuation

State highways are valued at optimised depreciated replacement cost based on the estimated present cost of constructing the existing assets by the most appropriate method of construction, reduced by factors for the age and condition of the asset. Land associated with the state highway is valued using an opportunity cost based on adjacent use, as an approximation to fair value. Borrowing costs are not capitalised.

A cyclical basis for valuation is used so that the land corridor in each region is revalued at an interval not exceeding three and a half years. Those regions that are not subject to full revaluation in a particular year are subject to a valuation update through the use of price indices.

A revaluation surplus is recognised in other comprehensive revenue and expense and credited to the asset revaluation reserve in equity. However, the revaluation increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same class of assets previously recognised in surplus or deficit.

An allowance is made in the valuation for brownfield costs. Brownfield cost is a generic term for the additional costs of constructing in a particular location because of the increased intensity of surrounding land use compared to the cost of constructing in a vacant greenfield situation. A major component of brownfield costs are one-off costs necessary to make the land freely available to build the state highway, and are not part of the physical construction cost. They include capital works relating to relocation and refurbishment of assets owned by other parties, work to protect the privacy and environment of adjoining properties, and compensation to landowners. Other components of brownfield cost result from the increased constraints or requirements imposed when constructing in an already developed location. Examples include increased traffic management and security, limitations on available contractor areas for storage, parking, buildings and general operations, noise and dust limitations, restricted hours of work etc.

Additions and subsequent costs

The cost of constructing the state highway network is recognised as an asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future service potential will flow to the Transport Agency and the cost can be measured reliably. All other repairs and maintenance are charged to the surplus or deficit during the financial period in which they are incurred.

Disposals

Gains and losses on disposals are determined being the difference between the net proceeds and the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When revalued assets are sold, the amounts included in the asset revaluation reserve in respect of those assets are transferred to equity.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment and state highway network assets other than land, held properties, formation and the sub-base component of pavement (base), at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

The state highway network assets are depreciated based on revalued carrying amount of the asset.

Depreciation expense is recognised in the surplus or deficit.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

ASSETS	USEFUL LIFE (YEARS)	DEPRECIATION RATE (%)
State highways – pavement (base)	50	2.0
State highways – pavement (surface)	9 - 14	7.1 - 11.1
State highways – drainage	60	1.7
State highways – traffic facilities	15	6.7
State highways – bridges	90 - 100	1.0 - 1.1
State highways – culverts & subways	50 - 75	1.3 - 2.0
State highways – other structures	100	1.0
Bailey bridging	69 - 103	0.97 - 1.4
Motor vehicles	4	25.0
Computer equipment	3 - 4	25 - 33.3
Plant	5 - 10	10.0 - 20.0
Equipment	5 - 8	12.5 - 20.0
Furniture & fittings	5 - 10	10.0 - 20.0
Office equipment	4 - 5	20.0 - 25.0
Leasehold improvements	Life of the lease	7.7 - 33.0

Land, held properties, formation and the sub-base component of pavement (base) are not depreciated as the service potential of these components is considered not to reduce over time.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Intangible assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include software development employee costs and an appropriate portion of directly attributable overheads.

Costs associated with development and maintenance of the Transport Agency's website are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

ASSETS	USEFUL LIFE (YEARS)	AMORTISATION RATE (%)
Computer software	3 - 10	10 - 33.3

Impairment of state highway network assets, property, plant and equipment and intangible assets

Assets are considered cash-generating where their primary objective is to generate a commercial return. The Transport Agency does not hold any cash-generating assets.

Non-cash generating assets

Assets that have an indefinite useful life, such as land, are not subject to amortisation and are tested on a cyclical basis so that each region is reviewed at an interval not exceeding three and a half years for impairment.

State highway network assets, property, plant and equipment and intangible assets held at cost that have a finite useful life, are reviewed for impairment whenever events or changes in circumstances indicate that there may be a reduction in the future service potential that can be expected to be derived from the asset. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable service amount. An impairment loss is recognised in the surplus or deficit, except to the extent that it offsets an existing surplus on the same asset class recognised in the asset revaluation reserve.

Service concession arrangements

Public-private partnerships for the construction of state highways are treated as service concession arrangements and accounted for in accordance with PBE IPSAS 32 Service Concession Arrangements: Grantor.

During construction the cumulative cost, including financing, is recognised as an asset, with a matching liability representing the Transport Agency's obligations under the arrangement should conditions exist such that the arrangement will not continue through to the service commencement date. Prior to the service commencement date, there are no scheduled payments under the Agreement.

On completion the asset and liability will be remeasured to fair value.

On the service commencement date, the following payments will occur:

- a design and construction payment from the Transport Agency to the contractor; and
- a rental prepayment from the contractor to the Transport Agency.

In practice, these two payments will be set off against each other and there is no cash transaction.

At the time the public-private partnership assets become operational, the Transport Agency will pay the contractor a quarterly unitary payment subject to satisfactory performance against the agreed service levels.

The unitary payments are accounted for according to their substance as a reduction in the liability, a finance charge, and operating costs for the period.

This treatment is consistent with the Treasury's Public Private Partnership Accounting Guidelines.

Once operational, the service concession assets are accounted for in accordance with the policies adopted by the Transport Agency in respect of the rest of the state highway.

Payables

Short-term creditors and other payables are recorded at their face value.

Borrowing

Borrowing is initially recognised at its fair value plus transaction costs. After initial recognition, all borrowing is measured at amortised cost using the effective interest method.

Derivative financial instruments and hedging

The Transport Agency uses derivative financial instruments, mainly interest rate swaps, to mitigate risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date at which a derivative contract is entered into and are subsequently re-measured to fair value at balance date.

The hedge relationship is designated as a cash flow hedge and the Transport Agency formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they were designated.

The effective portion of derivatives designated in cash flow hedges are recognised in other comprehensive revenue and expense. All other gains and losses are taken directly to surplus or deficit.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Derivative assets and liabilities are classified as non-current when the remaining maturity is more than 12 months or current when the remaining maturity is less than 12 months.

The fair values of interest rate swaps are determined using a valuation technique based on cash flows discounted to present value using current market interest rates.

Employee entitlements

Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after balance date in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, and sick leave.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to the Government Superannuation Fund, Kiwisaver, National Superannuation Scheme, and Post Office Pension Fund are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit as incurred.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Jointly controlled operations

The Transport Agency has interests in jointly controlled operations. These include the Auckland Motorway Alliance and Marlborough Roads. It recognises in its financial statements:

- the assets that it controls and the liabilities that it incurs
- the revenue and expenses that it incurs from the operations of the jointly controlled operation.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- general funds
- retained funds
- memorandum account – other fees and charges
- equity derived from the state highway network
- cash flow hedge reserve.

Goods and services tax

All items in the financial statements are presented exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the Inland Revenue, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

The Transport Agency is a public authority and consequently 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 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 Board in preparing these financial statements. This is due to changes in accounting policies in 2015/16 after the budget figures were set.

Critical accounting estimates and assumptions

In preparing these financial statements the Transport Agency has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

State highway network useful lives and residual value

At each balance date, the useful lives and residual values of state highway network assets are reviewed. Assessing the appropriateness of useful life and residual value estimates of property, plant, and equipment requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset by the Transport Agency, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact the depreciation expense recognised in the surplus or deficit, and carrying amount of the asset in the statement of financial position. The Transport Agency minimises the risk of this estimation uncertainty by:

- physical inspection and condition monitoring of assets
- asset management planning
- asset replacement programmes.

The Transport Agency has not made significant changes to past assumptions concerning useful lives and residual values.

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies for the state highway network assets.

Critical judgements relate to:

- estimating the replacement cost of existing assets, including the impact of cost allocation and whether a cost should be capitalised or expensed. The Transport Agency incurs expenditure on maintaining state highways and state highway infrastructure improvements. Professional judgement and engineering assessments are used to determine whether costs incurred on state highways should be capitalised or expensed
- the age, condition and remaining economic life of existing assets, including the impact of maintenance thereon.

The brownfield construction costs represent a significant proportion of the capitalised cost of the state highway. Brownfield costs are not recorded in the state highway asset management system, but are accounted for generically with the value derived from costs in the financial records.

2 / FUNDING FROM THE CROWN AND NATIONAL LAND TRANSPORT FUND

The Transport Agency has been provided with funding from the Crown and the National Land Transport Fund for the specific purposes of the Transport Agency as set out in its founding legislation and the scope of the relevant government appropriations. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to Crown or National Land Transport Fund funding.

During the year, the total funding received from the Crown was \$146.181 million (2016: \$39.757 million) while funding received from the National Land Transport Fund was \$1.931 billion (2016: \$2.053 billion).

3 / REVENUE FROM OTHER ACTIVITIES

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
Border inspection fees	1,044	885
Certification review fees	12,065	11,645
Driver licensing fees	35,256	35,101
Driver testing fees	24,834	24,370
Motor vehicle licensing fees	54,713	58,340
Overdimension and overweight permits	1,153	1,007
Rail licensing fees	1,117	1,212
Road user charges (RUC) collections	12,296	11,816
Standards development fee and certification levies	6,556	6,899
Transport licensing fees	10,666	10,593
Total fees and charges	159,700	161,868
Administration fee from Accident Compensation Corporation	834	864
Business units	1,167	1,292
Levy on personalised plates for community road safety initiatives	3,110	1,456
Tolling fees and contributions	13,987	11,769
Interest and finance income	20,386	14,144
Recoveries from National Land Transport Programme activities	28,173	60,862
Miscellaneous revenue	3,044	11,427
TOTAL REVENUE FROM OTHER ACTIVITIES	230,401	263,682

4 / PERSONNEL COSTS

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
Salaries and wages	98,027	96,862
Defined contribution plan employer contributions	3,240	3,018
Other personnel costs	1,461	2,752
TOTAL PERSONNEL COSTS*	102,728	102,632

* An additional \$39.220 million (2016: \$35.138 million) was incurred for staff who are employed to manage our state highway network (including capital projects).

5 / SIGNIFICANT OPERATING EXPENSES

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
Fees to principal auditors:		
- for audit of financial statements	418	491
- for other services*	396	115
Operating lease expense	19,747	19,895
Impairment of receivables	1,327	1,073
Commissions and transaction costs	72,499	73,688
Professional services	35,585	22,601
Road user safety advertising	14,666	13,387
Information technology	14,554	11,869
Meetings and conferences	710	878
Staff travel	4,892	4,922
Office and building management	4,358	4,246

* Other services paid to KPMG this year related to Value for Money Programmes, review of Scrutiny Principle, Agile Framework and assurance services for the Driver Licensing Experience project.

6 / INTEREST AND FINANCE COSTS

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
Interest on borrowings	6,411	6,243
Fair value loss on receivables	17,540	11,877
Ineffective portion of cash flow hedge	(3,768)	6,853
Amortisation of discount on borrowings	3,185	0
TOTAL INTEREST AND FINANCE COSTS	23,368	24,973

7 / DEPRECIATION AND AMORTISATION EXPENSE

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
Depreciation of property, plant and equipment	5,511	4,957
Depreciation of state highway network	366,297	407,483
Amortisation of intangible assets	6,100	5,923
TOTAL DEPRECIATION AND AMORTISATION EXPENSE	377,908	418,363

8 / RECEIVABLES

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
Receivables (gross)	83,214	86,937
Less : Provision for impairment	1,418	3,141
TOTAL RECEIVABLES	81,796	83,796

Fair value

The carrying value of receivables approximates their fair value.

Impairment

The ageing profile of receivables at year end is detailed below:

	2016/17			2015/16		
	GROSS \$000	IMPAIRMENT \$000	NET \$000	GROSS \$000	IMPAIRMENT \$000	NET \$000
Not past due date	76,417	0	76,417	81,829	0	81,829
Past due 1-30 days	416	0	416	287	0	287
Past due 31-60 days	883	(22)	861	846	(250)	596
Past due 61-90 days	383	(207)	176	852	(616)	236
Past due over 90 days	5,115	(1,189)	3,926	3,123	(2,275)	848
TOTAL	83,214	(1,418)	81,796	86,937	(3,141)	83,796

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

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
Balance at 1 July	3,141	3,116
Operating provisions made during the year	1,327	1,073
Provisions reversed during the year	(1,736)	(626)
Receivables written-off during the year	(1,314)	(422)
BALANCE AS AT 30 JUNE	1,418	3,141

9 / PROPERTY ASSETS HELD FOR SALE

The Transport Agency owns 139 properties valued at \$49.611 million (2016: 125 properties valued at \$42.160 million) which have been classified as held for sale. It is expected that these properties will be sold by 30 June 2018.

10 / STATE HIGHWAY NETWORK

Movements for the state highway network are as follows:

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
COST OR VALUATION		
Balance at 1 July	31,865,926	30,179,446
Additions - capital expenditure	1,691,064	1,686,371
Assets vested from local authorities	75,013	99,399
Revaluation gains/(losses)	1,049,112	640,549
Depreciation expense	(366,297)	(407,483)
Assets vested to local authorities	(18,410)	(286,533)
Disposals	(58,357)	(46,775)
Asset write off	(11,762)	(12,760)
Change in assets held for sale	(7,451)	13,990
Tolling system assets	0	(278)
BALANCE AS AT 30 JUNE	34,218,838	31,865,926

The most recent valuation of the state highway network and bailey bridging was performed by a registered independent valuer, J Vessey, BE (Civil), BA (Economics), FIPENZ (Civil), CPEng, of Opus International Consultants Ltd.

The total fair value amounted to \$34.219 billion (2016: \$31.866 billion) and this valuation is effective as at 30 June 2017.

Optimised Depreciated Replacement Cost is used to value these assets. Optimisation involves adjustments to eliminate the effect of any excess capacity, over design, technological obsolescence and inefficient layout. The value is calculated by deducting an allowance for accumulated depreciation from the replacement cost, using a number of significant assumptions. These significant assumptions include:

- the valuation methodology detailed in significant accounting policies
- the useful life of assets is estimated
- straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

	REPLACEMENT COST \$000	ACCUMULATED DEPRECIATION \$000	VALUATION 2016/17 \$000	REPLACEMENT COST \$000	ACCUMULATED DEPRECIATION \$000	VALUATION 2015/16 \$000
State highway corridor land	9,542,262	0	9,542,262	8,758,203	0	8,758,203
Held properties	1,349,751	0	1,349,751	957,107	0	957,107
Formation	8,601,818	0	8,601,818	8,308,253	0	8,308,253
Pavement (other)	5,316,807	1,080,705	4,236,102	4,950,678	1,025,156	3,925,522
Pavement (surface)	1,425,555	683,078	742,477	1,368,514	638,093	730,421
Drainage	1,529,946	627,358	902,588	1,440,225	582,508	857,717
Traffic facilities	2,168,408	838,317	1,330,091	2,093,973	811,631	1,282,342
Bridges	8,157,469	2,752,469	5,405,000	7,662,452	2,574,295	5,088,157
Culverts & subways	751,457	260,920	490,537	671,827	236,209	435,618
Other structures*	2,112,914	494,702	1,618,212	2,017,221	494,635	1,522,586
TOTAL	40,956,387	6,737,549	34,218,838	38,228,453	6,362,527	31,865,926

* Other structures include retaining walls, minor structures, sea and river protection, tunnels, and rock fall netting.

There are some uncertainties about the values assigned to different components (land, formation, bridges, etc) of the state highway network. These uncertainties include whether the Transport Agency's databases have accurate quantities and lives and whether there is complete capture for some cost components. Some uncertainties are inherent, but those arising from both the quantity and costs of components can be reduced by improvements in the accuracy of the underlying databases.

Additional 'brownfield' costs associated with road construction in urban areas are assessed as being the most significant part of the potential undervaluation, with the remaining due to incomplete records. An allowance to recognise these costs has been included for the current and the previous three years. However, historical brownfield costs cannot be reliably measured and are currently excluded from the valuation.

The Transport Agency is continuously improving the accuracy of the asset databases and identify all costs able to be capitalised. This is reducing the understatement inherent in the current value of the state highway network.

November 2016 Kaikōura earthquake

The November 2016 earthquake in the South Island was a magnitude of 7.8 earthquake with an epicentre about 15 kilometres northeast of Culverden and 60 kilometres southwest of the tourist town of Kaikōura. The Transport Agency has estimated the impact of the earthquake on its state highway network assets by determining the recoverable service amount of the assets on affected areas using a restoration cost approach. The assets affected were substantially impaired at the end of the year as the total restoration cost exceeded the total carrying amount.

An impairment expense of \$23.8 million was recognised against the asset revaluation reserve and the total carrying amount of \$4.6 million, for roads which will be realigned, was derecognised and charged against net surplus or deficit.

Manawatū Gorge

The Manawatū Gorge (State Highway 3) has been closed since slips caused damage on 24 April 2017. Due to continued instability at the slip sites, a full assessment of the condition and future viability of the road has yet to be made. No adjustment to the carrying value of the relevant state highway assets was made at 30 June 2017.

Work in progress (included in the assets components and balance)

The total amount of the state highway network in the course of construction is \$4.829 billion (2016: \$3.715 billion).

11 / PUBLIC-PRIVATE PARTNERSHIP ASSETS AND LIABILITIES

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
Transmission Gully	395,598	244,969
Pūhoi to Warkworth	112,707	0
TOTAL PUBLIC-PRIVATE PARTNERSHIP ASSETS AND LIABILITIES	508,305	244,969

The Transport Agency has entered into public-private partnership agreements with the following contractors:

- the Wellington Gateway Partnership for the delivery of a stretch of state highway through Transmission Gully
- the Northern Express Group for the delivery of the Pūhoi to Warkworth project.

Under the agreements, the contractors will finance, design, build, operate and maintain the section of state highways. The Transport Agency has provided land it owns to the contractors on which to build the state highways.

The operational agreements run for a period of 25 years each from the service completion date, after which the responsibility for ongoing operation and maintenance of the road will revert to the Transport Agency.

Under the operating agreements, the Transport Agency pays a unitary charge to the contractors from the time the section of state highways becomes operational. The unitary charge includes:

1. A reduction in the service concession liability
2. Finance costs – under the terms of the agreement, the operators have provision to re-price the finance costs at intervals during the 25 year period. The Transport Agency has entered into interest rate swaps with the NZ Debt Management Office as a hedge against any fluctuating interest rates
3. Service costs – these cover the operational costs of running, maintaining, insuring and ensuring the availability of the highway to the service level agreed with the Transport Agency. A number of these costs are indexed to the consumers' price index or to other relevant indices and can be varied from time to time.

Finance and service costs will be recognised as an expense in the period incurred. The total estimated capital and operating expenditure to be paid throughout the 25 year period is \$2.7 billion for Transmission Gully and \$2.3 billion for Pūhoi to Warkworth.

The Crown has issued an indemnity to the Consortiums for all Indemnified Amounts (as defined in the Deed of Indemnity). In general terms, the Indemnified Amount consists of sums payable by the Transport Agency in the operational phase of the project and defined compensation sums payable in the event of default on payment by the Transport Agency. If the Crown makes a payment for indemnity, this is to be reimbursed under the Reimbursement and Management Agreement (the RAMA).

As both state highways are currently under construction, no depreciation on the assets has been incurred to date.

Transmission Gully

Good progress continues to be made on the Transmission Gully project, with completion expected by mid-2020. The project is a complex one, with challenging terrain and a detailed set of environmental and planning conditions to be met by the Transport Agency's contractors. The project is being delivered by Wellington Gateway Partnership, which has contracted a joint venture made up of CPB Contractors and HEB Construction to undertake the design and construction works. Over the course of the project there has been constant dialogue between the Transport Agency, Wellington Gateway Partnership and the joint venture, which has included a number of technical and commercial matters that may result in dispute between the parties. The Transport Agency does not consider that any matters raised to date are likely to materially impact on the timing of delivery of the project or on the Transport Agency's costs of the project, but it will continue to closely monitor the project and the risks associated with it.

12 / INTANGIBLE ASSETS

Movements for intangible assets are as follows:

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
CARRYING AMOUNT		
Balance at 1 July	31,404	39,742
Additions	1,116	14,936
Work in progress movements	5,649	(1,303)
Amortisation expense	(6,100)	(5,923)
Intangible asset written off	0	(2,048)
Write-off of the National Integrated Ticketing System	0	(14,000)
BALANCE AS AT 30 JUNE	32,069	31,404

There are no restrictions over the title of the Transport Agency's intangible assets, nor are any intangible assets pledged as security for liabilities.

Work in progress (including in the cost and carrying amounts)

The total value of intangible assets in the course of development is \$9.929 million (2016: \$4.281 million).

13 / LOANS AND ADVANCES

Statutory advances

Under the Public Works Act, the Transport Agency has provided statutory advances of \$1.574 million (2016: \$1.458 million).

14 / PAYABLES

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
CURRENT PORTION		
Creditors	426,279	364,120
Income in advance	21,156	13,491
Onerous contracts*	101	0
Total current portion	447,536	377,611
NON-CURRENT PORTION		
Onerous contracts*	0	11
Total non-current portion	0	11
TOTAL PAYABLES	447,536	377,622

* The Transport Agency has non-cancellable leases for office space that is no longer used by the Transport Agency. A provision has been recognised for the future rental payments.

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of creditors and other payables approximates their fair value.

15 / EMPLOYEE ENTITLEMENTS

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
CURRENT PORTION		
Accrued salaries and wages	1,009	502
Annual leave	7,954	8,292
Sick leave	385	433
Retirement and long service leave	471	485
Total current portion	9,819	9,712
NON-CURRENT PORTION		
Retirement and long service leave	4,395	4,555
Total non-current portion	4,395	4,555
TOTAL EMPLOYEE ENTITLEMENTS	14,214	14,267

The actuarial valuation as at 30 June 2017 was conducted in-house using prescribed guidance from the Treasury.

The sick, long service, and retirement leave valuations involve making future service projections for each employee. The probability of an employee leaving has been determined with reference to current public service leaving statistics. Additional economic assumptions were taken from the Treasury's guidance.

Sensitivity analysis has been performed to assess the financial impact of changes in the assumptions to the retirement and long service leave liabilities.

Using 50 percent of the assumed resignation rate, with all other factors held constant, the amount of expected liability would be \$794,000 higher (2016: \$620,000). If the resignation rate is at 150 percent of the assumed rate, then the expected liability would be \$287,000 lower (2016: \$461,000).

16 / BORROWING

	BORROWING FACILITY \$000	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
CURRENT PORTION			
Short term advances	250,000	0	0
Reinstatement of earthquake damaged roads in Christchurch	(included below)	16,913	0
Total current portion	250,000	16,913	0
NON-CURRENT PORTION			
Accelerated Auckland Transport Programme	375,000	211,691	108,938
Reinstatement of earthquake damaged roads in Christchurch	183,420	23,570	28,218
Tauranga Eastern Link toll road	107,000	107,000	107,000
Total non-current portion	665,420	342,261	244,156
TOTAL BORROWING	915,420	359,174	244,156

The Transport Agency has a \$250 million borrowing facility for short term advances from the Crown to cover seasonal variations in cash flows. Under this facility, the Transport Agency has no current borrowings as at 30 June 2017 (2016: nil).

A \$375 million facility is available for the Accelerated Auckland Transport Programme of which \$238.200 million has been drawn down as at 30 June 2017 (2016: \$122 million). The amount is a series of interest-free loans with terms ranging from four to seven years. As at 30 June 2017, the carrying amount of the borrowings was discounted using government bond yields of 2.14 percent to 2.48 percent. This gave rise to a fair value gain of \$26.508 million.

A \$183.420 million facility is available to assist with the Christchurch earthquake recovery. \$38 million has been drawn down as at 30 June 2017 (2016: \$27 million). The borrowing has incurred interest of \$2.482 million (2016: \$1.218 million), which has been capitalised against the borrowing balance.

The Transport Agency also has a borrowing facility of \$107 million as a contribution towards the Tauranga Eastern Link toll road, which was fully drawn down on the 30 June 2015. During the year, the borrowing has incurred interest of \$5.146 million (2016: \$5.125 million) which has been paid throughout the financial year.

17 / RETAINED FUNDS

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
RETAINED FUNDS - NZ TRANSPORT AGENCY OPERATIONS		
Balance at 1 July	19,338	22,275
Surplus/(deficit) from operations	(600)	(1,837)
Rail licensing /RUC retained funds to memorandum account	(4,931)	(1,100)
Balance at 30 June	13,807	19,338
RETAINED FUNDS - NATIONAL LAND TRANSPORT PROGRAMME		
Balance at 1 July	2,241	0
Capital contribution from the National Land Transport Fund	1,411,089	1,184,267
Surplus/(deficit) from Land transport funding	26,192	37,361
Transfer to state highway investment*	(1,438,487)	(1,233,383)
Funds provided for public transport automated fare collection system	0	13,996
Balance at 30 June	1,035	2,241
RETAINED FUNDS - SPECIFIC PROJECTS FUNDED BY THE CROWN		
Balance at 1 July	1,286	3,429
Capital contribution from the Crown	48,656	33,310
Surplus/(deficit)	901	(2,404)
Transfer to state highway investment*	(48,656)	(32,849)
Repayment of capital for SuperGold card administration	0	(200)
Balance at 30 June	2,187	1,286
FUNDS PROVIDED FOR PUBLIC TRANSPORT AUTOMATED FARE COLLECTION SYSTEM		
Balance at 1 July	0	13,996
Funds from the National Land Transport Programme	0	(13,996)
Balance at 30 June	0	0
TOTAL RETAINED FUNDS	17,029	22,865

* Below is a breakdown of the movement of the National Land Transport Programme funds to state highways.

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
Capitalised expenditure - National Land Transport Programme	1,642,641	1,672,602
Non-operating expenditure (public-private partnerships)	173,574	214,933
State highway depreciation and asset write-off	(378,059)	(420,243)
State highway disposals to the National Land Transport Programme	(56,272)	(46,775)
Net impact of assets vested (to)/from local authorities	56,603	(187,134)
Retained funds - National Land Transport Programme	1,438,487	1,233,383
Capitalised expenditure - Crown	48,656	32,849
TRANSFER TO STATE HIGHWAY INVESTMENT	1,487,143	1,266,232

18 / MEMORANDUM ACCOUNT - OTHER FEES AND CHARGES

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
Balance at 1 July	18,952	11,480
Surplus from operations	1,950	6,372
Rail licensing deficit to retained funds	4,931	0
RUC retained funds to memorandum account	0	1,100
TOTAL MEMORANDUM ACCOUNT - OTHER FEES AND CHARGES	25,833	18,952

Below are the closing balances of the memorandum accounts by funding activities.

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
Customer licensing activities*	13,737	8,934
Road user charges collections	4,097	3,025
Vehicle standards compliance activities†	7,999	6,993
TOTAL MEMORANDUM ACCOUNT - OTHER FEES AND CHARGES	25,833	18,952

* Customer licensing activities include driver licensing and testing, and rail and transport operator licensing.

† Vehicle standards compliance activities include border inspections, certification reviews, motor vehicle licensing, over-dimension permits, and standards development and certification.

19 / EQUITY DERIVED FROM THE STATE HIGHWAY NETWORK

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
STATE HIGHWAY INVESTMENT		
Balance at 1 July	21,820,750	20,554,518
Transfer from the National Land Transport Programme	1,487,143	1,266,232
Balance at 30 June	23,307,893	21,820,750
STATE HIGHWAY REVALUATION RESERVE		
Balance at 1 July	10,568,847	9,928,298
Revaluations - State highway network	1,049,112	640,549
Balance at 30 June	11,617,959	10,568,847
TOTAL EQUITY DERIVED FROM THE STATE HIGHWAY NETWORK	34,925,852	32,389,597

20 / CAPITAL FUNDING - NATIONAL LAND TRANSPORT PROGRAMME

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
State highway improvements	886,943	694,492
State highway renewals	141,273	122,243
Walking and cycling	7,890	18,761
Regional improvements	68,517	13,121
Investment management (transport planning)	8,028	7,826
Road safety promotion	1,125	852
Accelerated Auckland Transport Programme	123,739	112,039
Public-private partnerships	173,574	214,933
TOTAL CAPITAL CONTRIBUTION - NATIONAL LAND TRANSPORT PROGRAMME	1,411,089	1,184,267

21 / RECONCILIATION OF NET SURPLUS TO NET CASH FROM OPERATING ACTIVITIES

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
SURPLUS/(DEFICIT)	28,443	39,492
ADD/(DEDUCT) NON-CASH/NON-OPERATING ITEMS:		
Depreciation and amortisation expense	377,908	418,363
State highway asset write-off	11,762	12,760
(Gains)/losses on disposal of non-financial assets	2,091	188
Write off/(recovery) of impairment of intangible asset	(330)	14,330
Net impact of assets vested to/(from) local authorities	(56,603)	187,134
Fair value loss and amortisation of loss on receivables	14,413	11,877
Interest on borrowings	6,411	6,243
Discount and amortisation of discount on borrowings	(13,447)	(13,061)
Ineffective portion of cash flow hedge	(3,768)	6,853
Total non-cash/non-operating items	338,437	644,687
ADD/(DEDUCT) MOVEMENTS IN WORKING CAPITAL:		
(Increase)/decrease in debtor National Land Transport Fund and Crown	68,460	(147,960)
(Increase)/decrease in other receivables	2,000	35,784
(Increase)/decrease in other current assets	(8,553)	(616)
Increase/(decrease) in creditors and other payables	53,218	(22,521)
Increase/(decrease) in tolling funds held in trust for Ministry of Transport	104	959
Increase/(decrease) in employee entitlements	(53)	(3,581)
Net movements in working capital	115,176	(137,935)
NET CASH FROM OPERATING ACTIVITIES	482,056	546,244

22 / CAPITAL COMMITMENTS AND OPERATING LEASES

Capital commitments

The future aggregate construction contract commitments for the state highway network are as follows:

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
Not later than one year	2,117,042	1,788,484
Later than one year and not later than five years	1,647,311	2,341,294
Later than five years	2,366,004	1,268,661
TOTAL CAPITAL COMMITMENTS	6,130,357	5,398,439

Construction of the state highway network is a component of the National Land Transport Programme. These capital commitments are also included under the National Land Transport Programme funding commitments.

Operating leases as lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
Not later than one year	19,684	19,496
Later than one year and not later than five years	33,935	43,612
Later than five years	12,624	15,688
TOTAL NON-CANCELLABLE OPERATING LEASES	66,243	78,796

Significant operating leases are limited to buildings for office accommodation and provision of registry systems.

23 / CONTINGENCIES

Contingent liabilities

Contract and land settlements

There are claims of \$4.6 million (2016: \$15.3 million) relating to a range of roading and other contract disputes.

Contingent assets

The Transport Agency does not have material contingent assets as at 30 June 2017 (2016: nil).

24 / RELATED PARTY TRANSACTIONS

The Transport Agency 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 Transport Agency 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

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
BOARD MEMBERS		
Remuneration	372	295
Full-time equivalent members	8	8
LEADERSHIP TEAM		
Remuneration	4,982	4,450
Full-time equivalent members	19	13
TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION	5,354	4,745
TOTAL FULL TIME EQUIVALENT PERSONNEL	27	21

Key management personnel increased in 2016/17 as the Transport Agency's new operating model was being established. The new model introduces a flatter structure to the organisation, with a larger senior leadership team.

25 / TRANSPORT AGENCY BOARD MEMBER REMUNERATION

The total value of remuneration paid or payable to each Transport Agency Board member during the year was:

		ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
Chris Moller (Chair)		83	71
Fran Wilde	Appointed May 2016	52	7
Mark Darrow	Appointed May 2017	6	0
Chris Ellis	Appointed May 2016	41	6
Leo Lonergan	Appointed May 2016	33	6
Nick Rogers		40	36
Vanessa van Uden	Appointed May 2017	6	0
Adrienne Young-Cooper		40	36
Gill Cox	Stepped down in April 2017	39	36
Mark Oldfield	Stepped down in April 2017	32	36
Dame Patsy Reddy	Stepped down in April 2016	0	37
Tony Lanigan	Stepped down in October 2015	0	12
Jerry Rickman	Stepped down in October 2015	0	12
TOTAL BOARD MEMBER REMUNERATION		372	295

There have been no payments made to committee members appointed by the Board who were not Board members during the financial year.

The Transport Agency has effected Directors and Officers Liability and Professional Indemnity Insurance cover during the financial year in respect of the liability or costs of Board members and employees. The Board has also taken insurance cover covering personal accident and travel risk for Board members and employees where injury or loss occurs whilst on Transport Agency business.

No Board members received compensation or other benefits in relation to cessation (2016: nil).

26 / EMPLOYEE REMUNERATION

TOTAL REMUNERATION PAID OR PAYABLE	NO. OF STAFF 2016/17	NO. OF STAFF 2015/16
100,000 - 109,999	124	126
110,000 - 119,999	104	98
120,000 - 129,999	99	103
130,000 - 139,999	49	44
140,000 - 149,999	46	38
150,000 - 159,999	30	31
160,000 - 169,999	21	24
170,000 - 179,999	20	*21
180,000 - 189,999	14	12
190,000 - 199,999	9	14
200,000 - 209,999	11	6
210,000 - 219,999	4	8
220,000 - 229,999	8	8
230,000 - 239,999	2	2
240,000 - 249,999	4	2
250,000 - 259,999	1	2
260,000 - 269,999	3	2
270,000 - 279,999	2	3
280,000 - 289,999	0	1
290,000 - 299,000	1	0
310,000 - 319,999	2	2
340,000 - 349,999	2	2
350,000 - 359,999	0	1
360,000 - 369,999	1	0
370,000 - 379,999	2	0
380,000 - 389,999	1	2
390,000 - 399,999	1	1
430,000 - 439,999	0	1
570,000 - 579,999	*1	0
710,000 - 719,999	0	**1
TOTAL EMPLOYEES REMUNERATION	562	555

* Chief Executive Officer

** Former Chief Executive Officer

During the year ended 30 June 2017, two (2016: 18) Transport Agency employees were paid, or due to be paid, compensation and other benefits in relation to cessation totalling \$0.092 million (2016: \$1.185 million).

In addition, four (2016: nil) NZ Transport Ticketing Limited employees were paid compensation and other benefits in relation to cessation when the company was wound up during 2017 totalling \$0.187 million (2016: nil).

27 / EVENTS AFTER THE BALANCE DATE

There were no significant events after the balance date.

28 / FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities are categorised as follows:

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
LOANS AND RECEIVABLES		
Cash and cash equivalents	65,442	77,051
Debtors National Land Transport Fund and Crown	1,385,176	1,020,612
Receivables	73,005	80,549
Loans and advances	1,574	1,458
TOTAL LOANS AND RECEIVABLES	1,525,197	1,179,670
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Payables (current and non-current)	447,536	377,622
Borrowing	359,174	244,156
Service concession liability	508,305	244,969
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	1,315,015	866,747
FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE AND EXPENSE		
Derivative financial asset	8,534	0
TOTAL FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE AND EXPENSE	8,534	0
FINANCIAL LIABILITY AT FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE AND EXPENSE		
Derivative financial liability	120,536	205,532
TOTAL FINANCIAL LIABILITY AT FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE AND EXPENSE	120,536	205,532

Fair value hierarchy

The Transport Agency uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 - the fair value is calculated using quoted prices in active markets.

Level 2 - the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices). Inputs on the valuation were derived from Bloomberg.

Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The following provides the fair value measurement hierarchy of the Transport Agency's financial asset and liability measured at fair value:

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
LEVEL TWO		
Derivative financial asset	8,534	0
Derivative financial liability	120,536	205,532

Below shows the movement of cash flow hedge reserve as at 30 June 2017:

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
Balance as at 1 July	(131,863)	0
Effective cash flow hedge	89,761	(131,863)
CASH FLOW HEDGE RESERVE	(42,102)	(131,863)

The cash flows are expected to eventuate and impact the surplus or deficit from financial year 2021.

During the year, the total ineffective portion of the cash flow hedge reserve charged to surplus or deficit was \$3.768 million surplus (2016: \$6.853 million deficit).

29 / FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Transport Agency's activities expose it to a variety of risks, including market risk, credit risk and liquidity risk.

The Transport Agency has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from these risks. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Transport Agency's exposure to the risk of changes in market rates relates primarily to interest rates on the Transport Agency's long-term debt obligations. This is managed by ensuring loans are at fixed interest rates. As at 30 June 2017, approximately 91 percent of loans are on a fixed interest rate.

The Transport Agency also hedges exposure to highly probable forecast transactions. As discussed in note 11, the Transport Agency has entered into public-private partnership agreements for the construction of Transmission Gully and Pūhoi to Warkworth. The arrangements require that a unitary charge is paid to the contractors from the time the section of state highways becomes operational. The unitary charge includes payment for finance costs in which the operators have provision to re-price during the 25 year period. The Transport Agency has entered into an interest rate swap contracts to hedge the re-pricing of interest costs. The total amount of forecast payments exposed to interest rate risk is fully hedged with a fixed interest rate of 5.58 percent for Transmission Gully and 4.16 percent for Pūhoi to Warkworth. The total notional amounts of the interest rate swap contracts are \$857.789 million and \$765.022 million for Transmission Gully and Pūhoi to Warkworth respectively.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Transport Agency purchases goods and services overseas which require it to enter into transactions denominated in foreign currencies. The Transport Agency's foreign currency denominated transactions are not material therefore the impact of exposure to currency risk is minimal.

Credit risk

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

Due to the timing of its cash inflows and outflows, the Transport Agency invests surplus cash with registered banks.

In the normal course of business, the Transport Agency is exposed to credit risk from cash and term deposits with banks, debtors and other receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

The Transport Agency invests funds only with registered banks that have a Standard and Poor's credit rating of at least A-. The Transport Agency has experienced no defaults of interest or principal payments for term deposits.

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

Maximum exposure to credit risk

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

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
Cash and cash equivalents	65,442	77,051
Debtors National Land Transport Fund and Crown	1,385,176	1,020,612
Receivables	73,005	80,549
Loans and advances	1,574	1,458
Derivative financial assets	8,534	0
TOTAL CREDIT RISK	1,533,731	1,179,670

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 \$000	ACTUAL 2015/16 \$000
CASH AND CASH EQUIVALENTS		
AA-	65,442	77,051
TOTAL CASH AND CASH EQUIVALENTS	65,442	77,051

Liquidity risk

Management of liquidity risk

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

The Transport Agency 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 amounts of the relevant liability in the statement of financial position.

	2016/17				2015/16			
	0-1 YEAR \$000	1-2 YEARS \$000	2-5 YEARS \$000	OVER 5 YEARS \$000	0-1 YEAR \$000	1-2 YEARS \$000	2-5 YEARS \$000	OVER 5 YEARS \$000
Payables	447,536	0	0	0	377,611	11	0	0
Borrowing	20,301	44,199	142,123	297,485	0	21,038	109,167	249,693
Derivative financial liability	0	0	22,784	148,778	0	0	6,470	286,973
Service concession liability	0	0	202,630	651,005	0	0	53,288	312,313

Sensitivity analyses

Interest rate risk

The table below illustrates the potential effect on the surplus or deficit and other comprehensive revenue and expense for reasonably possible market movements, with all other variables held constant, based on the Transport Agency's financial instrument exposure at balance date.

	2016/17		2015/16	
	+1% \$000	-1% \$000	+1% \$000	-1% \$000
EFFECT ON SURPLUS OR DEFICIT				
Cash and cash equivalents	667	(667)	694	(694)

	2016/17		2015/16	
	+1% \$000	-1% \$000	+1% \$000	-1% \$000
EFFECT ON OTHER COMPREHENSIVE REVENUE AND EXPENSE				
Derivative financial asset	54,277	(70,978)	0	0
Derivative financial liability	81,019	(100,951)	95,463	(111,744)

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a 1 percent change in interest rates.

	2016/17		2015/16	
	+0.5% \$000	-0.5% \$000	+0.5% \$000	-0.5% \$000
EFFECT ON SURPLUS OR DEFICIT				
Borrowing	(559)	879	(784)	784

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a 0.5 percent change in the Treasury determined coupon rate.

30 / CAPITAL MANAGEMENT

The Transport Agency's capital is its equity, which comprises general funds, accumulated funds, revaluation reserves, and cash flow hedge reserve. Equity is represented by net assets.

The Transport Agency is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowing, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives.

The Transport Agency manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure the Transport Agency effectively achieves its objectives and purpose, while remaining a going concern.

31 / EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Explanations for major variances from the Transport Agency's budgeted figures in the statement of performance expectations are as follows:

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

Revenue

Funding from the Crown was \$70 million (91 percent) above budget. This is mainly due to unbudgeted funding of \$93 million for the Kaikōura Earthquake Response, which is offset by lower spending by approved organisations in the Urban Cycleways Programme. The Urban Cycleways Programme is expected to accelerate in the next two years.

Funding from the National Land Transport Fund was \$206 million (10 percent) below budget. Funding reflects the delivery of in the National Land Transport Programme in the current year.

Revenue from other activities was \$55 million (31 percent) above budget. This was due to:

- Contributions to state highway project income which was not budgeted
- Volume-driven licensing and testing revenue being above budget due to higher numbers of new drivers and higher volume of driver tests
- Discount on the non-interest bearing Accelerated Auckland Transport Programme borrowing.

Also, during the year, the Transport Agency has recognised assets with fair a value of \$75 million, vested from local authorities. This has been recognised as revenue during the year.

Expenditure

Land transport funding was \$29 million (2 percent) below budget as a result of the net impact of the following:

- *Walking and cycling* was \$15 million below budget due to several key projects not moving into the delivery phase as a result of unexpected consenting requirements, the need to align with other projects and complications with business cases.
- *Local roads maintenance* was \$103 million below budget due to only \$2 million of the \$114 million reinstatement of local roads in Christchurch debt facility being utilised during the financial year.
- *State highways maintenance* was \$84 million above budget due to the unbudgeted expenditure of \$93 million on the Kaikōura Earthquake Response.

Interest and finance costs were \$13 million (129 percent) above budget. This was mainly due to the discount recognised in non-interest bearing long-term receivable.

Depreciation and amortisation expense was \$158 million (30 percent) below budget. This predominately relates to the state highway depreciation budget being established before the revaluation at the end of last year.

Assets vested to local authorities were \$18 million compared to a nil budget. The Transport Agency has vested assets to local authorities with a total carrying value of \$18 million. This was recognised as an expense in net surplus/(deficit).

STATEMENT OF FINANCIAL POSITION

Current assets

Receivables including Debtor National Land Transport Fund and Debtor Crown were \$112 million (19 percent) below budget. This is mainly a result of prudently managing the levels of receivable and payable at the end of the year. This has resulted in drawing down more from the National Land Transport Fund to fund creditors' payments.

Non-current assets

Debtor National Land Transport Fund was \$989 million compared to nil budget. The balance in this account relates to expenditure on Accelerated Auckland Transport Programme and Tauranga Eastern Link, repair of damaged roads in Christchurch and spending on public-private partnership agreements. A receivable was recognised for these activities as the Transport Agency has fulfilled the conditions attached to the expenditures incurred.

Public-private partnership assets was below budget by \$86 million (15 percent) mainly due to slower project delivery than expected.

Derivative financial asset was \$9 million compared to nil budget. This represents the fair value as at 30 June 2017 of the interest rate swap contracts entered into for the Pūhoi to Warkworth public-private partnership agreement which was not budgeted.

Current liabilities

Payables were \$89 million (17 percent) below budget as a result of actively managing payables to suppliers.

Non-current liabilities

Public-private partnership liabilities was below budget by \$86 million (15 percent). The liability matches the public-private partnership asset position (as explained above).

Borrowing was \$211 million (38 percent) below budget due mainly to lower spending in the reinstatement of Christchurch earthquake-damaged roads.

Derivative financial liability was \$121 million compared to nil budget. This represents the fair value as at 30 June 2017 of the interest rate swap contracts entered into for the Transmission Gully public-private partnership agreement which was not budgeted.

SUPPLEMENTARY INFORMATION

This supplementary information section contains additional disclosure and guidance material to the financial statements and has been provided to give a better understanding of the Transport Agency's business.

In this section you will find the following:

- detailed performance by segment of the business
- summary of the National Land Transport Programme funding
- details of land transport management (road tolling scheme).

This information is consistent with and should be read in conjunction with, the financial highlights on pages 94-96 and the audited financial statements on pages 97-130.

DETAILED PERFORMANCE BY SEGMENT OF THE BUSINESS

The following tables further detailed financial performance information for each of these segments.

OPERATIONS

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
REVENUE			
Funding from the Crown			
Licensing and regulatory compliance	3,789	3,898	3,966
Investment management	775	775	775
SuperGold card administration and public transport concessions	95	95	295
	4,659	4,768	5,036
Funding from the National Land Transport Fund			
Road user charges collection, investigation and enforcement	4,229	4,229	4,229
Refund of fuel excise duty	1,034	803	545
Investment management	47,333	47,801	45,255
Public transport	3,497	10,767	3,447
Walking and cycling	1,536	1,131	954
Road safety promotion	21,400	24,204	18,597
Local road maintenance	0	200	137
State highway maintenance	27,228	24,414	16,968
	106,257	113,549	90,132
Revenue from other activities			
Licensing and regulatory compliance	93,389	87,140	91,566
Road tolling	14,036	11,664	11,785
Motor vehicle registry	55,808	55,398	59,672
Road user charges collection, investigation and enforcement	12,410	10,645	11,818
Refund of fuel excise duty	127	115	114
Road safety promotion	3,111	924	1,456
State highway maintenance	1,166	2,212	1,293
	180,047	168,098	177,704
Revenue relating to the delivery of outputs	290,963	286,415	272,872
Other revenue	0	1,125	7,102
Total revenue	290,963	287,540	279,974

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
EXPENDITURE			
Operating activities			
Licensing and regulatory compliance	94,449	94,423	90,281
Road tolling	13,091	11,938	10,798
Motor vehicle registry	58,119	61,566	58,888
Road user charges collection, investigation and enforcement	15,948	17,038	16,234
Refund of fuel excise duty	1,161	918	659
Investment management	1,855	775	3,356
SuperGold card administration and public transport concessions	95	95	297
Road safety promotion	1,326	1,545	891
State highway maintenance	967	2,212	953
	187,011	190,510	182,357
Operating activities (National Land Transport Programme)			
Investment management	47,333	47,801	45,255
Public transport	3,497	10,767	3,447
Walking and cycling	1,536	1,131	954
Road safety promotion	21,400	24,204	18,597
Local road maintenance	0	200	137
State highway improvements	39,364	34,925	34,436
State highway maintenance	28,676	25,696	24,330
	141,806	144,724	127,156
Expenses relating to the delivery of outputs	328,817	335,234	309,513
Other expenses	1,608	406	7,723
Total expenditure	330,425	335,640	317,236
State highway network			
Less capitalised expenditure	(40,812)	(36,207)	(41,797)
Total expenditure	289,613	299,433	275,439
SURPLUS/(DEFICIT)	1,350	(11,893)	4,535

MOVEMENT OF OPERATIONS NET SURPLUS TO EQUITY

This table shows the net result of the Transport Agency's operations. The surplus/(deficit) is separated into three retained funds based on the source of funding:

- **Retained funds - NZ Transport Agency operations** refers to Crown funded (excluding the driver test subsidy), contracted services and non-third party fees and charges activities.
- **Retained funds - National Land Transport Programme** refers to activities that are funded from the National Land Transport Fund.
- **Memorandum account - other fees and charges** refers to activities funded from fees and charges.

Movement of operations net surplus to equity

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
REVENUE			
Retained funds - NZ Transport Agency Operations	27,017	24,746	30,114
Retained funds - National Land Transport Programme	100,994	108,517	85,359
Memorandum account - Other fees and charges	162,951	154,277	164,501
	290,962	287,540	279,974
EXPENDITURE			
Retained funds - NZ Transport Agency Operations	27,617	25,791	31,951
Retained funds - National Land Transport Programme	100,994	108,517	85,359
Memorandum account - Other fees and charges	161,001	165,125	158,129
	289,612	299,433	275,439
NET SURPLUS			
Retained funds - NZ Transport Agency Operations	(600)	(1,045)	(1,837)
Retained funds - National Land Transport Programme	0	0	0
Memorandum account - Other fees and charges	1,950	(10,848)	6,372
SURPLUS/(DEFICIT)	1,350	(11,893)	4,535

LAND TRANSPORT FUNDING

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
INFLOWS			
Investment management	5,417	6,079	8,425
Public transport	332,623	321,233	303,998
Walking and cycling	32,135	24,900	22,776
Road safety promotion	10,990	10,896	10,700
Local road improvements	140,911	142,000	104,112
Local road maintenance	597,046	584,800	576,534
State highway improvements	350,411	540,213	662,749
State highway maintenance	389,316	398,340	339,157
Assets vested from local authorities	75,013	0	99,399
Interest and finance income	19,759	0	13,061
Total inflows	1,953,621	2,028,461	2,140,911
OUTFLOWS			
Investment management	12,365	11,199	13,669
Public transport	332,623	321,233	317,998
Walking and cycling	40,025	34,869	41,537
Road safety promotion	12,114	11,796	11,553
Local road improvements	140,911	142,000	104,112
Local road maintenance	593,500	584,800	552,366
Reinstatement of earthquake-damaged roads in Christchurch	2,282	0	23,466
Regional improvements	68,517	98,000	13,121
State highway improvements	1,254,003	1,340,075	1,358,366
Accelerated Auckland Transport Programme	123,739	0	112,039
Public-private partnerships	173,574	0	221,786
State highway maintenance	529,342	540,304	454,378
Interest and finance costs	23,368	10,213	18,120
	3,306,363	3,094,489	3,242,511
State highway network			
State highway depreciation	366,297	520,000	407,483
State highway asset write-off	11,762	10,000	12,760
Assets vested to local authorities	18,410	0	286,533
Less non-operating expenditure	(1,775,403)	(1,596,028)	(1,845,737)
	(1,378,934)	(1,066,028)	(1,138,961)
Total outflows	1,927,429	2,028,461	2,103,550
SURPLUS/(DEFICIT)	26,192	0	37,361

Future National Land Transport Programme funding commitments

	ACTUAL 2016/17 \$000	ACTUAL 2015/16 \$000
Not later than one year	5,381,923	3,958,349
Later than one year and not later than five years	2,770,861	4,803,278
Later than five years	6,051,455	3,956,139
TOTAL FUNDING COMMITMENTS	14,204,239	12,717,766

SPECIFIC PROJECTS FUNDED BY THE CROWN

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
REVENUE			
Funding from the Crown			
SuperGold card administration and public transport concessions	26,386	28,129	28,264
Urban Cycleways Programme	22,000	43,630	6,457
Kaikōura Earthquake Response	93,137	0	0
Total revenue	141,523	71,759	34,721
EXPENDITURE			
SuperGold card administration and public transport concessions	26,386	28,129	28,264
Urban Cycleways Programme	21,099	43,630	8,860
Urban Cycleways Programme capital expenditure	3,247	7,600	1,538
Kaikōura Earthquake Response	93,137	0	0
Reinstatement of earthquake-damaged roads in Christchurch	0	114,000	0
Accelerated Regional Roding Programme	45,409	55,000	31,310
Accelerated Auckland Transport Programme	0	110,000	0
	189,278	358,359	69,972
State highway network			
Less capitalised expenditure	(48,656)	(172,600)	(32,847)
Total expenditure	140,622	185,759	37,125
SURPLUS/(DEFICIT)	901	(114,000)	(2,404)

This supplementary information does not form part of the Transport Agency's audited financial statements.

NATIONAL LAND TRANSPORT PROGRAMME

The National Land Transport Programme outlines a three year programme of funding for land transport infrastructure and services throughout the country. The Transport Agency develops the National Land Transport Programme based on the policy direction in the Land Transport Management Act and the Government Policy Statement on Land Transport (and regional priorities).

The following table shows the movements in the National Land Transport Programme balance for the second year of the programme.

NATIONAL LAND TRANSPORT PROGRAMME

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
INFLOWS			
Capital contribution from the National Land Transport Fund (NLTF)	1,237,514	1,059,701	969,334
Capital contribution from the NLTF - public-private partnerships	173,574	0	214,933
Funding from the National Land Transport Fund	1,901,268	2,121,893	2,024,203
Funding from the NLTF (rental and interest income)	24,347	15,085	23,821
Funding from state highway disposals	56,272	42,534	46,775
Funding from other activities	53,988	0	78,845
Total inflows for the National Land Transport Fund	3,446,963	3,239,213	3,357,911
OUTFLOWS			
State highway improvements	1,293,367	1,352,000	1,392,802
Accelerated Auckland Transport Programme	123,739	0	112,039
Public-private partnerships	173,574	0	221,786
State highway maintenance	558,017	561,000	478,708
Local road improvements	140,911	153,000	104,112
Local road maintenance	593,500	567,000	552,502
Public transport	336,120	340,000	321,445
Walking and cycling	41,561	34,000	42,490
Regional improvements	68,517	75,000	13,121
Road safety promotion	33,515	34,000	30,150
Investment management	59,698	58,000	58,925
Reinstatement of earthquake-damaged roads in Christchurch	2,282	0	23,466
Interest and finance costs	23,368	10,213	18,120
Total outflows	3,448,169	3,184,213	3,369,666
CARRY OVER INTO NEXT YEAR	(1,206)	55,000	(11,755)
Public transport infrastructure - automated fare collection system	0	0	13,996
Opening balance	2,241	(3,137)	0
CLOSING BALANCE AT THE END OF THE YEAR	1,035	51,863	2,241

This supplementary information does not form part of the Transport Agency's audited financial statements.

LAND TRANSPORT MANAGEMENT (ROAD TOLLING SCHEME)

This supplementary information has been provided to fulfil the disclosure requirements for the North Gateway, Tauranga Eastern Link, and Takitimu Drive toll roads.

NORTHERN GATEWAY TOLL ROAD FOR THE YEAR ENDED 30 JUNE 2017

	ACTUAL 2016/17 000	BUDGET 2016/17 000	FORECAST 2017/18 000	ACTUAL 2015/16 000
TRAFFIC VOLUMES (NUMBER OF VEHICLES)				
Light vehicle	6,504	6,254	6,850	6,119
Heavy vehicle	512	504	528	469
Exempt	22	24	25	22
Unidentifiable	3	10	21	19
Technical loss	13	4	7	6
TOTAL	7,054	6,796	7,431	6,635

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	FORECAST 2017/18 \$000	ACTUAL 2015/16 \$000
TOLL REVENUE (PORTION DESIGNATED FOR REPAYMENT OF DEBT)				
Light vehicle	8,470	8,149	8,719	7,754
Heavy vehicle	1,739	1,684	1,776	1,545
Interest	50	54	30	61
TOTAL	10,259	9,887	10,525	9,360

A feasible, untolled, alternative route remains available to road users on State Highway 17 via Orewa.

TAURANGA EASTERN LINK TOLL ROAD FOR THE YEAR ENDED 30 JUNE 2017

	ACTUAL 2016/17 000	BUDGET 2016/17 000	FORECAST 2017/18 000	ACTUAL 2015/16 000
TRAFFIC VOLUMES (NUMBER OF VEHICLES)				
Light vehicle	2,938	2,305	2,904	2,260
Heavy vehicle	418	351	450	350
Exempt	12	9	13	10
Unidentifiable	2	4	8	6
Technical loss	16	2	13	12
TOTAL	3,386	2,671	3,388	2,638

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	FORECAST 2017/18 \$000	ACTUAL 2015/16 \$000
TOLL REVENUE (PORTION DESIGNATED FOR REPAYMENT OF DEBT)				
Light vehicle	3,035	2,299	2,957	2,309
Heavy vehicle	1,522	1,144	1,630	1,271
Interest	12	30	30	15
TOTAL	4,569	3,473	4,617	3,595
DEBT AND OTHER FINANCIAL OBLIGATIONS				
Borrowing	107,000	107,000	107,000	107,000
TOTAL	107,000	107,000	107,000	107,000

A feasible, untolled, alternative route remains available to road users on the Te Puke Highway, through Te Puke.

TAKITIMU DRIVE TOLL ROAD FOR THE YEAR ENDED 30 JUNE 2017

	ACTUAL 2016/17 000	BUDGET 2016/17 000	FORECAST 2017/18 000	ACTUAL 2015/16 000
TRAFFIC VOLUMES (NUMBER OF VEHICLES)				
Light vehicle	2,776	2,150	2,818	2,040
Heavy vehicle	585	416	622	452
Exempt	12	9	14	11
Unidentifiable	4	4	12	8
Technical loss	43	2	29	18
TOTAL	3,420	2,581	3,495	2,529

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	FORECAST 2017/18 \$000	ACTUAL 2015/16 \$000
TOLL REVENUE (PORTION DESIGNATED FOR REPAYMENT OF DEBT)				
Light vehicle	2,399	1,885	2,410	1,745
Heavy vehicle	2,027	1,357	2,129	1,563
Interest	12	30	30	14
TOTAL	4,438	3,272	4,569	3,322
TOLL REVENUE INFLOW TO THE NATIONAL LAND TRANSPORT FUND				
Takitimu Drive	4,394	3,303	4,569	3,322
TOTAL	4,394	3,303	4,569	3,322

A feasible, untolled, alternative route remains available to road users via Cameron Road or Cambridge/Moffat Roads.

FINANCIAL STATEMENTS FOR ROAD TOLLING OPERATIONS

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

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
Revenue			
Toll fees	14,036	11,664	11,785
Total revenue	14,036	11,664	11,785
Expenditure	13,091	11,938	10,798
NET SURPLUS/(DEFICIT)	945	(274)	987

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
ASSETS			
Current assets	20,551	17,938	17,127
Non-current assets	15,816	15,378	18,371
TOTAL ASSETS	36,367	33,316	35,498
Liabilities	10,680	9,797	9,649
NET ASSETS/EQUITY	25,687	23,519	25,849

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
Net cash from operating activities	19,835	17,261	18,460
Net cash from investing activities	0	0	0
Net cash from financing activities	(18,721)	(16,711)	(16,180)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	1,114	550	2,280
Cash and cash equivalents at the beginning of the year	8,329	8,329	6,049
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9,443	8,879	8,329

This supplementary information does not form part of the Transport Agency's audited financial statements.

OUTPUT CLASS INCOME AND EXPENDITURE

OUTPUT CLASSES THAT SUPPORT OUR ONE NETWORK GOAL

INVESTMENT MANAGEMENT

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
OPERATING REVENUE			
Crown (crash analysis system)	775	775	775
National Land Transport Fund	52,227	53,880	51,849
Other	523	0	1,831
Total operating revenue	53,525	54,655	54,455
OPERATING EXPENSES			
Transport Agency (crash analysis system)	1,855	2,893	3,356
Transport Agency operating activities	47,333	45,683	45,255
Funding to approved organisations	4,337	6,079	4,294
Total operating expenses	53,525	54,655	52,905
Surplus	0	0	1,550
CAPITAL FUNDING AND CAPITAL EXPENDITURE			
National Land Transport Fund capital contribution	8,028	5,120	7,826
Capital investment	(8,028)	(5,120)	(9,376)
Net capital movement	0	0	(1,550)
TOTAL MOVEMENT	0	0	0

OUTPUT CLASSES THAT SUPPORT OUR SMART CHOICES GOAL

LICENSING AND REGULATORY COMPLIANCE

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
OPERATING REVENUE			
Crown (ministerial advice and official correspondence)	548	548	548
Crown (rules development)	903	800	899
Crown (drug and alcohol assessments)	817	1,030	999
Crown (driver licensing stop orders)	75	75	75
Crown (driver test subsidy)	1,445	1,445	1,445
Fees and charges	93,373	86,789	91,566
Other	16	351	0
Total operating revenue	97,177	91,038	95,532
OPERATING EXPENSES			
Ministerial advice and official correspondence	944	908	962
Rules development	825	1,055	731
Drug and alcohol assessments	1,023	1,407	1,135
Fees and charges funded activities	91,631	91,019	87,453
Other (including driver licensing stop orders)	27	34	0
Total operating expenses	94,450	94,423	90,281
SURPLUS/(DEFICIT)	2,727	(3,385)	5,251

ROAD TOLLING

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
OPERATING REVENUE			
Fees and charges	14,036	11,664	11,785
Total operating revenue	14,036	11,664	11,785
OPERATING EXPENSES			
Transport Agency operating activities	13,091	11,938	10,798
Total operating expenses	13,091	11,938	10,798
SURPLUS/(DEFICIT)	945	(274)	987

MOTOR VEHICLE REGISTRY

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
OPERATING REVENUE			
Fees and charges	55,808	55,398	59,672
Total operating revenue	55,808	55,398	59,672
OPERATING EXPENSES			
Transport Agency operating activities	58,119	61,566	58,888
Total operating expenses	58,119	61,566	58,888
SURPLUS/(DEFICIT)	(2,311)	(6,168)	784

ROAD USER CHARGES (RUC) COLLECTION, INVESTIGATION AND ENFORCEMENT

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
OPERATING REVENUE			
National Land Transport Fund (RUC investigation and enforcement)	3,779	3,779	3,779
National Land Transport Fund (RUC refund)	450	450	450
Fees and charges	12,410	10,645	11,818
Total operating revenue	16,639	14,874	16,047
OPERATING EXPENSES			
Transport Agency (RUC investigation and enforcement)	4,010	3,876	3,763
Transport Agency (RUC refund)	687	622	683
Transport Agency (RUC collection)	11,251	12,540	11,787
Total operating expenses	15,948	17,038	16,233
SURPLUS/(DEFICIT)	691	(2,164)	(186)

ROAD SAFETY PROMOTION

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
OPERATING REVENUE			
National Land Transport Fund	32,365	35,100	29,199
Community road safety programme	3,111	924	1,456
Other	25	0	99
Total operating revenue	35,501	36,024	30,754
OPERATING EXPENSES			
Transport Agency (community road safety programme)	1,326	1,545	891
Transport Agency (vehicle impoundment)	243	204	216
Transport Agency operating activities	21,157	24,001	18,381
Funding to approved organisations	10,990	10,896	10,678
Total operating expenses	33,716	36,646	30,166
Surplus/(deficit)	1,785	(622)	588
CAPITAL FUNDING AND CAPITAL EXPENDITURE			
National Land Transport Fund capital contribution	1,125	900	852
Capital investment	(1,125)	(900)	(874)
Net capital movement	0	0	(22)
TOTAL MOVEMENT	1,785	(622)	566

OUTPUT CLASSES THAT SUPPORT OUR HIGHWAY SOLUTIONS GOAL

STATE HIGHWAY IMPROVEMENTS

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
OPERATING REVENUE			
National Land Transport Fund (NLTF)	315,772	540,213	611,667
NLTF (tolling)	9,008	0	6,917
Developers contributions	24,525	0	31,159
Assets vested from local authorities	75,013	0	99,399
Interest and finance income	19,759	0	13,061
Other income	1,106	0	13,005
Total operating revenue	445,183	540,213	775,208
OPERATING EXPENSES			
Depreciation and state highway write-offs	378,059	530,000	420,243
Assets vested to local authorities	18,410	0	286,533
Interest on Tauranga Eastern Link borrowings	5,146	10,213	5,541
Other interest and finance costs	16,957	0	18,730
Other expenses	2,086	0	13,003
Total operating expenses	420,658	540,213	744,050
Surplus	24,525	0	31,158
CAPITAL FUNDING			
Crown (Accelerated Regional Roding Programme)	45,409	55,000	31,310
National Land Transport Fund capital contribution	886,943	802,466	694,491
NLTF (Accelerated Auckland Transport Programme)	123,739	110,000	112,039
NLTF (public-private partnerships)	173,574	0	214,933
NLTF (state highway disposals)	56,272	42,534	46,775
Depreciation funding utilised for investment in the state highway network	378,059	530,000	420,243
Net non-cash funding for losses/(income) utilised for investment in state highway network	(54,517)	0	187,134
Total capital funding	1,609,479	1,540,000	1,706,925
CAPITAL EXPENDITURE			
Crown investment (Accelerated Regional Roding Programme)	45,409	55,000	31,310
Accelerated Auckland Transport Programme	123,739	110,000	112,039
Public-private partnerships*	173,574	0	214,933
Transport Agency capitalised expenditure	39,364	34,925	34,436
Transport Agency investment in the state highway network	1,251,918	1,340,075	1,345,365
Total capital expenditure	1,634,004	1,540,000	1,738,083
Net capital movement	(24,525)	0	(31,158)
TOTAL MOVEMENT	0	0	0

* During the year the total public-private partnership construction costs was \$263.336 million (2016 :\$83.070 million). This capital expenditure item included the cash flow hedge reserve movement during the year of \$89.761 million surplus (2016: \$131.863 million deficit).

STATE HIGHWAY MAINTENANCE

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
OPERATING REVENUE			
Crown (Kaikōura Earthquake Response)	93,137	0	0
National Land Transport Fund	395,216	407,669	322,233
National Land Transport Fund (rental and interest income)	15,340	15,085	16,904
Other (contributions)	7,155	2,212	18,280
Total operating revenue	510,848	424,966	357,417
OPERATING EXPENSES			
Investment in the state highway network (Kaikōura Earthquake Response)	93,137	0	0
Transport Agency operating activities	28,195	26,626	17,921
Investment in the state highway network	388,729	398,340	325,562
Total operating expenses	510,061	424,966	343,483
Surplus	787	0	13,934
CAPITAL FUNDING			
National Land Transport Fund capital contribution	141,273	143,246	122,243
Total capital funding	141,273	143,246	122,243
CAPITAL EXPENDITURE			
Transport Agency capitalised expenditure	1,447	1,282	7,361
Transport Agency investment in the state highway network	140,613	141,964	128,816
Total capital expenditure	142,060	143,246	136,177
Net capital movement	(787)	0	(13,934)
TOTAL MOVEMENT	0	0	0

OUTPUT CLASSES THAT SUPPORT OUR MAXIMISE RETURNS GOAL

PUBLIC TRANSPORT

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
OPERATING REVENUE			
National Land Transport Fund	334,061	332,000	307,196
Other	2,059	0	249
Total operating revenue	336,120	332,000	307,445
OPERATING EXPENSES			
Transport Agency (NZTTL)	1,626	10,000	2,967
Transport Agency operating activities	1,871	767	480
Funding to approved organisations	332,623	321,233	317,998
Total operating expenses	336,120	332,000	321,445
SURPLUS/(DEFICIT)	0	0	(14,000)

SUPERGOLD CARD ADMINISTRATION AND PUBLIC TRANSPORT CONCESSIONS

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
OPERATING REVENUE			
Crown	26,481	28,224	28,559
Total operating revenue	26,481	28,224	28,559
OPERATING EXPENSES			
Transport Agency operating activities	95	95	297
Funding to approved organisations	26,386	28,129	28,262
Total operating expenses	26,481	28,224	28,559
SURPLUS	0	0	0

WALKING AND CYCLING

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
OPERATING REVENUE			
Crown (Urban Cycleways Programme)	22,000	43,630	6,457
National Land Transport Fund	33,670	26,031	21,276
Other	1	0	2,454
Total operating revenue	55,671	69,661	30,187
OPERATING EXPENSES			
Crown funding to approved organisations (Urban Cycleways Programme)	21,099	43,630	8,860
Transport Agency operating activities	1,536	1,131	954
Funding to approved organisations	32,135	24,900	20,322
Total operating expenses	54,770	69,661	30,136
Surplus	901	0	51
CAPITAL FUNDING			
Crown capital contribution (Urban Cycleways Programme)	3,247	7,600	2,000
National Land Transport Fund capital contribution	7,890	9,969	18,761
Total capital funding	11,137	17,569	20,761
CAPITAL EXPENDITURE			
Crown investment in the state highway network (Urban Cycleways Programme)	3,247	7,600	1,538
Capital investment in walking and cycling	7,890	9,969	21,215
Total capital expenditure	11,137	17,569	22,753
Net capital movement	0	0	(1,992)
TOTAL MOVEMENT	901	0	(1,941)

LOCAL ROAD IMPROVEMENTS

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
OPERATING REVENUE			
National Land Transport Fund	140,911	142,000	104,112
Total operating revenue	140,911	142,000	104,112
OPERATING EXPENSES			
Funding to approved organisations	140,911	142,000	104,112
Total operating expenses	140,911	142,000	104,112
SURPLUS	0	0	0

LOCAL ROAD MAINTENANCE

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
OPERATING REVENUE			
National Land Transport Fund	594,764	585,000	553,204
National Land Transport Fund (reinstatement of local roads in Christchurch)	2,282	0	23,466
Total operating revenue	597,046	585,000	576,670
OPERATING EXPENSES			
National Land Transport Programme (reinstatement of roads in Christchurch)	2,282	114,000	23,466
Transport Agency operating activities	0	200	137
Funding to approved organisations	593,499	584,800	552,365
Interest and finance costs	1,265	0	702
Total operating expenses	597,046	699,000	576,670
SURPLUS/(DEFICIT)	0	(114,000)	0

REGIONAL IMPROVEMENTS

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
CAPITAL FUNDING			
National Land Transport Fund capital contribution	68,517	98,000	13,121
Total capital funding	68,517	98,000	13,121
CAPITAL EXPENDITURE			
Transport Agency investment in the state highway network	68,517	98,000	13,121
Total capital expenditure	68,517	98,000	13,121
NET CAPITAL MOVEMENT	0	0	0

REFUND OF FUEL EXCISE DUTY

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	ACTUAL 2015/16 \$000
OPERATING REVENUE			
National Land Transport Fund	1,034	803	545
Other	127	115	114
Total operating revenue	1,161	918	659
OPERATING EXPENSES			
Transport Agency operating activities	1,161	918	659
Total operating expenses	1,161	918	659
SURPLUS	0	0	0

INDEPENDENT AUDITOR'S REPORT



TO THE READERS OF NZ TRANSPORT AGENCY'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2017

The Auditor-General is the auditor of NZ Transport Agency (the "Transport Agency"). 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 Transport Agency, on his behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Transport Agency on pages 97 to 130, 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 statement of performance on pages 65 to 92, and the goal success indicators on pages 14 to 44.

In our opinion:

- the financial statements of the Transport Agency on pages 97 to 130:
 - 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 statement of performance information on pages 65 to 92, and the goal success indicators on pages 14 to 44:
 - presents fairly, in all material respects, the Transport Agency'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 Transport Agency 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 Transport Agency for assessing the Transport Agency'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 Transport Agency, 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 Transport Agency'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 Transport Agency'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 Transport Agency'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 Transport Agency'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 Transport Agency 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 Transport Agency 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 Transport Agency 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 3 to 186, but does not include the financial statements, the statement of performance, the goal success indicators, and our auditor's report thereon.

Our opinion on the financial statements, the statement of performance and the goal success indicators 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, the statement of performance and goal success indicators, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements, the statement of performance, and the goal success indicators, 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 Transport Agency 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.

In addition to the audit we have performed independent review services in relation to the scrutiny principle, value for money programmes, Agile framework and driver's license regulatory framework. Further non-assurance services in relation to value for money framework have also been provided. These assignments are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interest in the Transport Agency.

BRENT MANNING

KPMG

On behalf of the Auditor-General
Wellington, New Zealand

PUTTING THE SCRUTINY PRINCIPLE INTO PRACTICE

Report on the implementation of systems and procedures to give effect to the scrutiny principle for the period 1 July 2016 to 30 June 2017.

BACKGROUND

The Land Transport Management Act 2003 provides for an operating principle for the NZ Transport Agency, namely, that it must:

...ensure that... it gives, when making decisions in respect of planning and funding under subpart 1 of Part 2, the same level of scrutiny to its own proposed activities and combinations of activities as it would to those proposed by approved organisations (section 96(1) d).

The Transport Agency is required to do a number of things in relation to this principle including developing systems and procedures to enable it to give effect to the scrutiny principle, and including a report on its implementation of the systems and procedures in its annual report.

SYSTEMS AND PROCEDURES

The Transport Agency has set up a number of systems and procedures to give effect to the scrutiny principle. Three sets of procedures have been developed to ensure compliance: operational procedures, to ensure individual decisions apply the appropriate level of scrutiny; managerial procedures, to oversee the application of the scrutiny principle; and monitoring and reporting procedures, to confirm the operational procedures are followed and the scrutiny principle has been properly applied.

The operational procedures enable employees and board members of the Transport Agency to know when and how to comply with the principle in relation to individual decisions, including:

- following the same procedure for similar types of activities
- applying equivalent evaluation criteria
- requiring an equivalent level of information
- applying the same level of rigour to the analysis
- applying the same level of tolerance to cost estimate rigour
- staff with equivalent seniority and experience involved with equivalent decisions.

IMPLEMENTATION

The Transport Agency has published its approach to giving effect to the scrutiny principle on its website.⁵ This page also lists the systems and procedures it has in place to apply the scrutiny principle and provides links to documentation – the procurement manuals and the Planning and Investment Knowledge Base – where the systems and procedures are set out in detail. Monitoring of the webpage during 2017 indicates the page was accessed on average 20 times a month (2016: 25).

A further link on this page links to a webpage that lists all the funding decisions the Transport Agency has made since August 2008 (the prescribed date in the Land Transport Management Act 2003 is 1 October 2008).⁶ The page is updated monthly once the previous month's decisions have been confirmed. Monitoring of the webpage during 2017 indicates the page was accessed on average 95 times a month (2016: 73).

The key system used by the Transport Agency is the web-based Transport Investment Online (TIO) system, which is used to manage the National Land Transport Programme. It contains all the activities proposed for funding and sets out for all applicants, both approved organisations and the Transport Agency for its own activities, the information required for assessing and evaluating the activities for funding. The system also records the decisions made by the Transport Agency including any conditions applied to the funding. The system is transparent. Approved organisations can see the details of their proposals and the Transport Agency's recommendations and decisions.

⁵ www.nzta.govt.nz/planning-and-investment/our-investments/investment-decisions/how-decisions-are-made/

⁶ www.nzta.govt.nz/planning/what-funding/board-decisions/index.html

A number of different monitoring procedures are in place to provide quality assurance to the Transport Agency Board that employees and members are complying with the scrutiny principle. These include:

- management reviews and checking of assessments and decisions
- audits conducted on both Transport Agency and approved organisation projects by the investment monitoring team
- the Audit, Risk and Assurance Committee receives assurance over procedures from periodic risk-based reviews
- external audit review as required to verify this report.

INDEPENDENT LIMITED ASSURANCE REPORT



INDEPENDENT LIMITED ASSURANCE REPORT TO THE READERS OF THE NEW ZEALAND TRANSPORT AGENCY'S REPORT ON PUTTING THE SCRUTINY PRINCIPLE INTO PRACTICE FOR THE YEAR ENDED 30 JUNE 2017

We have carried out work to provide limited assurance on whether any matter has come to our attention that would lead us to believe that the report prepared by the New Zealand Transport Agency (the "Transport Agency") on Putting the Scrutiny Principle into Practice (the "Report") on pages 151 and 152 of the annual report does not fairly reflect the implementation of systems and procedures that are required to give the same level of scrutiny to its own proposed activities and combinations of activities, when making decisions in respect of land transport planning and funding under subpart 1 of Part 2 of the Land Transport Management Act 2003 (the Act), as it would give to those proposed by approved organisations.

The Auditor-General is the auditor of the Transport Agency. The Auditor-General has appointed me, Brent Manning, using the staff and resources of KPMG, to carry out this work on his behalf.

Responsibilities of the Directors

The Directors of the Transport Agency are responsible for preparing a report on the implementation of the systems and procedures that are required to give the same level of scrutiny to its own proposed activities and combinations of activities, when making decisions in respect of land transport planning and funding under subpart 1 of Part 2 of the Act, as it would give to those proposed by approved organisations. We refer to this as the "scrutiny principle". The Transport Agency's Report is required to be included in its annual report, and to be fairly stated. Fairly stated, in the context of the Transport Agency's Report, requires that the report is complete, correct and understandable.

Responsibility of the Auditor

Section 96(3) of the Act requires the Auditor-General to conclude whether the Report fairly states the Transport Agency's implementation of the systems and procedures to give effect to the "scrutiny principle" in accordance with section 96(1)(d)(ii) of the Act.

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ((ISAE (NZ) 3000 (Revised)) in order to state whether anything has come to our attention that would indicate that the systems and procedures, as described in the Report, have not, in all material respects, been consistently applied in order to give effect to the "scrutiny principle" for the year ended 30 June 2017.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for implementing the systems and procedures associated with implementing the "scrutiny principle", and applying analytical and other limited assurance procedures. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement or an audit conducted in accordance with the Auditor-General's Auditing Standards. Consequently we do not seek to obtain evidence that allows us to provide the higher level of assurance afforded by an audit. Accordingly, we do not express a reasonable assurance or audit opinion.

Inherent limitations

Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our engagement is not designed to detect all weaknesses in the implementation of the systems and procedures required to give effect to the "scrutiny" principle, as the engagement has not been performed continuously throughout the period and the testing performed was undertaken on a sample basis.

The limited assurance conclusion expressed in this report has been formed on the above basis.



Independence

When carrying out the limited assurance engagement we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. Our firm has also provided audit services to the Transport Agency. Subject to certain restrictions, partners and employees of our firm may also deal with the Transport Agency on normal terms within the ordinary course of trading activities of the business of the Transport Agency. These matters have not impaired our independence as assurance providers of the Transport Agency for this engagement. We have no other relationship with, or interests in, the Transport Agency.

Conclusion

Based on our limited assurance engagement, which is not a reasonable assurance engagement or an audit, we have not become aware of any material matter that would lead us to believe that the Report prepared by the Transport Agency on the implementation of systems and procedures to give effect to the "scrutiny principle", on pages 151 and 152, for the year ended 30 June 2017 is not fairly stated.

Our limited assurance engagement was completed in 28 September 2017 and our opinion expressed as at that date.

A handwritten signature in black ink, appearing to read 'Brent Manning', is located below the text. The signature is stylized and includes a horizontal line extending to the right.

BRENT MANNING

KPMG

On behalf of the Auditor-General
Wellington, New Zealand

SECTION E
ABOUT US



WHAT WE DO

Our purpose is to create transport solutions for a thriving New Zealand.

Our strategy in 2016/17 was about shaping the future to deliver on this purpose. We worked with others in the wider transport sector to agree what that future should look like. While our special focus is on the land transport system, we signed up with others across the transport sector to create transport solutions and work towards a transport system that is:

- **effective** – moves people and freight where they need to go in a timely manner
- **efficient** – delivers the right infrastructure and services to the right level at the best cost
- **safe and responsible** – reduces the harm from transport
- **resilient** – meets our future needs and endures shocks.

New Zealand thrives when the whole transport system – maritime, aviation and land transport – works together to achieve these enduring sector-wide transport outcomes.

We create transport solutions by:

- **integrating one effective and resilient network for our customers**

We take a one network approach to integrating land use and transport planning so that there are many ways to get around our towns and cities easily and safely – walking, cycling, driving or using public transport. Our experience has shown that by integrating planning and operating the transport network more efficiently we contribute to economic growth and social connectivity.

- **shaping smart transport choices that are safe, efficient and responsible**

We're working cooperatively with our customers, suppliers and partners to help people and business make good choices about their legal obligations, driving, vehicles and travel. We're making compliance easier and empowering people to take responsibility for their actions and how they interact with the licensing and transport network, making the existing network safer and more efficient.

- **delivering efficient, safe and responsible highway solutions for New Zealand road users**

We ensure that each road in the state highway network is playing its part in making New Zealand a more prosperous and safer place through an ongoing programme of renewal, maintenance and operational management. We're using the Safe System approach and One Network Road Classification to improve the experience that drivers have on the highway and recognise the different needs of freight, commuters, tourists, and business and leisure travellers.

- **maximising effective, efficient and strategic returns for New Zealand**

We make sound, independent investments in the national, regional, and local land transport system to achieve one network transport solutions that best meet the needs of communities both today and into the future. Every day, we ensure that each dollar we spend delivers good transport results for New Zealanders and is cost effective. Every time we allocate funds from the National Land Transport Fund and co-invest with our local government partners, we do the right things, at the right time, for the right price to achieve the results set out in the Government Policy Statement on Land Transport.

OUR BOARD

BOARD MEMBER PROFILES

The Transport Agency is a Crown entity governed by a board that is appointed by the Minister of Transport.

CHRIS MOLLER, CHAIR (WELLINGTON)

Chris is a non-executive director who chairs the boards of Meridian Energy Ltd and SKYCITY Entertainment Group Ltd. He is also a director of Westpac New Zealand Ltd.

He was previously chief executive of the New Zealand Rugby Union, deputy chief executive of Fonterra Co-Operative Group Ltd, and a director of a variety of joint venture and subsidiary organisations within the New Zealand dairy industry, both domestically and internationally.

Chris was named 2016 Chairperson of the Year in the Deloitte Top 200 Awards and is a Companion of the New Zealand Order of Merit.



He has significant experience across a number of sectors, including infrastructure, energy, agriculture, education, technology and automotive.

He is currently the Chair for The Lines Company, Primary ITO, Armstrong Motor Group and Signum Holdings and a director for Counties Manukau District Health Board, Motor Trade Association and Balle Bros Group.

Mark is based in Auckland and has family ties to the King Country and Bay of Plenty.

CHRIS ELLIS (AUCKLAND)

Chris's background spans the manufacturing, heavy construction and engineering sectors.

He chairs Energyworks Holdings Ltd and Highway Group Ltd and serves on the board of directors of WorkSafe New Zealand and Horizon Energy Ltd.

Chris has held chief executive roles with Brightwater Group and the Building Products Division of Fletcher Building Ltd.

Earlier, he held general management roles in Winstone Aggregates and Fletcher Construction.

Chris has a Bachelor of Engineering degree from the University of Canterbury and a master's degree in engineering science and management from Stanford University in California.



DAME FRAN WILDE, DEPUTY CHAIR (WELLINGTON)

Fran is a non-executive director who chairs the Remuneration Authority, the Wellington Lifelines Group and the National Military Heritage Trust. She is also deputy chair of the Capital Coast District Health Board and serves on a number of other boards.

Fran was previously a cabinet minister, mayor of Wellington and chair of the Greater Wellington Regional Council and chief executive of the NZ Trade Development Board.

She has chaired a number of companies (including Housing New Zealand, Wellington Waterfront and the New Zealand International Arts Festival) and has been a director of others, including ANZ, NGC Holdings and Humanware. Fran was the first regional category winner of the Westpac Women of Influence Awards and is a chartered fellow of the Institute of Directors in New Zealand.



LEO LONERGAN (WELLINGTON)

Leo is a retired senior executive from the energy industry who spent most of his career working internationally.

Leo returned to New Zealand in 2013 after a 36-year career with Caltex and Chevron Corporations, including executive assignments in North America, Europe, the Middle East and Asia. He was elected an officer of Chevron in 2005 and most recently led Chevron's worldwide procurement and supply chain organisations with a team of 5,000 people and global spend of NZ\$50 billion per year.

He is a chartered fellow of the Institute of Directors in New Zealand and is deputy chair of the Victoria University Foundation.



MARK DARROW (AUCKLAND)

Mark is an experienced businessperson and director, specialising in corporate governance. He holds a Bachelor of Business degree, is a member of the New Zealand Institute of Chartered Accountants and is a chartered member of the Institute of Directors in New Zealand.



NICK ROGERS (AUCKLAND)

Nick Rogers is a geotechnical specialist with expertise in land stability, foundation support and natural disaster assessment.



He has over 34 years' experience on major infrastructure projects and in conducting land damage assessments for the Earthquake Commission in New Zealand.

He has also worked on projects across the Asia-Pacific region. Nick has been a director for Tonkin and Taylor, and the international development consulting firm ANZDEC.

Nick was made a Companion of the Queen's Service Order for his services in natural disaster assessment throughout New Zealand and in the recovery work in Christchurch during and after the Canterbury earthquakes.

VANESSA VAN UDEN (QUEENSTOWN)

Vanessa van Uden completed one term as a councillor on the Queenstown Lakes District Council, before becoming mayor in 2010. At the time of the October 2016 election, she stood down to re-establish her company, Admin and Business Solutions, which provides business services to companies throughout the Queenstown area.



Vanessa has a Master of Business Administration and was awarded an Officer of the New Zealand Order of Merit in 2017 for services to local government. She has been a member of the St John Area Committee since 2008, a Trustee of the Queenstown Trails Trust, and a founding trustee of the Branches Charitable Trust and the Queenstown Lakes Baby Box Trust.

ADRIENNE YOUNG-COOPER (AUCKLAND)

Adrienne is a full-time professional director and a chartered fellow of the Institute of Directors in New Zealand.



She had a 30-year career in resource management and planning, specialising in spatial planning, metropolitan growth and management (including infrastructure planning and large projects).

Adrienne was the deputy chair of the Auckland Regional Transport Authority (replaced by Auckland Transport) and a board member of Maritime New Zealand until 2011. Her experience and contribution in transport governance is extensive. She also served as deputy chair of Waterfront Auckland.

She chairs the board of Housing New Zealand Corporation and is a director of Hobsonville Land Company Ltd and Wairaka Land Company Ltd. She also serves on several charitable trusts.

Adrienne is based in Auckland and Wellington and has family ties to Taranaki.

BOARD MEMBERS WHOSE TERMS ENDED IN 2016/17

GILL COX (CHRISTCHURCH)

Gill is a chartered accountant and non-executive director. He chairs MainPower NZ Ltd, Transwaste Canterbury Ltd and Ngāi Tahu Farming Ltd. He is also a director of privately held businesses involved in manufacturing, warehousing and distribution, infrastructure, property development, medical services, legal services and fishing.

Gill is a member of the Canterbury Earthquake Recovery Authority Community Forum in Christchurch and the Canterbury Earthquake Recovery Advisory Board.

MARK OLDFIELD (TIMARU)

Mark is a director of Brenchley Farms Ltd in South Canterbury. He has over 30 years' experience working with businesses and communities in the Canterbury region. He also has interests in Nelson/Tasman and Queenstown.

From 1997 to 2010, he was a member of the Canterbury Regional Council (including Regional Land Transport, Public Passenger Transport and Road Safety Committees). Mark has been a board member and vice president of the South Canterbury Chamber of Commerce, as well as a board member of the Energy Efficiency Conservation Authority from 2010 to 2014.

BOARD MEMBERSHIP COMPOSITION

The Minister of Transport appoints up to eight independent, non-executive members to the NZ Transport Agency Board. Board members are appointed for a period of up to three years, which can be extended. The Board selects the membership of its three committees.



BOARD FUNCTIONS AND OPERATIONS

Board functions

The Board performs five functions that direct the operations of the Transport Agency. It:

- sets sector and organisational direction and policy
- confirms service and financial performance targets
- assesses progress against the Transport Agency's strategy and plans
- assures the quality of key organisational systems, policies and processes
- directs significant planning, investment and operational matters.

The planning, investment and funding decisions the Board must make are set out in its significance policy. They include:

- approving annual budgets
- making significant funding decisions and awarding major contracts
- authorising changes to the organisational structure
- authorising significant changes to processes or procedures for the allocation of the National Land Transport Fund
- reviewing the performance and remuneration of the Chief Executive.

The board committees help the Board by:

- assuring compliance with policies and controls
- monitoring and advising on delegated investment, operational procedures and projects
- reviewing the performance of the Chief Executive annually.

The Audit, Risk and Assurance Board Committee has delegated authority to approve the Transport Agency's annual assurance programme.

The Board sets clear policies that define the individual and collective responsibilities connected to management, operating structure, lines of responsibility and the areas of authority extended to each. Operational responsibility is delegated to the Chief Executive through a formal delegated authority framework. Day-to-day operations are managed by senior managers led by the Chief Executive.

In summary, the Board is responsible for the success of the Transport Agency. The formal line of accountability to the Minister of Transport is through the Board's chair.

Board member remuneration

The rates of remuneration for board members are set by the Minister of Transport in line with government rates for members' fees.

Disclosure of interests

Board members must complete a declaration of interests each year. Any changes to board members' interests are tabled and reviewed at the opening of every board meeting. This process is considered a part of the overall external audit of the Transport Agency.

Code of conduct

The Board endorses the State Services Commission's code of conduct as being consistent with the expectations of board members set out in the Crown Entities Act 2004.

Declaration of interests is a standing item on the agendas for all board and board committee meetings. Board members' interests are listed on a register of declarations of interests maintained by the Board Secretariat. Board Secretariat staff review all draft board and board committee papers to check whether a conflict could arise. If a potential conflict of interest is identified, the Board member in question and Board Chair are notified, and the member and Chair agree whether there is an issue and, if so, how to manage it. For board decisions relating to potentially more contentious projects, any potential conflict issues are discussed with the probity advisor appointed to the project.

There is a Travel and Expense Policy and an Acceptance of Gifts and Invitations Policy for Board and Board committee members. Gifts and hospitality received by members with a value of \$100 or more must be registered on the Transport Agency Probity Register.

Induction

Induction training is provided to all new board members, with all board members welcome to attend. In 2016/17, written induction modules were prepared by the Transport Agency and workshops are now able to be delivered by the Transport Agency's senior managers.

Board performance reviews

At least every two years, the Board reviews its overall performance, in a process run by the Chair. Individual board member performance will be assessed as part of this process.

Governance statement

The Board operates according to its charter, which sets out the governance arrangements for the Transport Agency. The charter was developed with guidance from the State Services Commission, the Treasury and the Office of the Auditor-General.

Board activity in 2016/17

The Board held 10 scheduled and seven special meetings in 2016/17. The scheduled meetings were held in Wellington (seven), Auckland (one), Hamilton (one) and Waitangi (one).

BOARD FUNCTION	HIGHLIGHTS
Setting sector and organisational direction	<p>Overseeing and approving the <i>NZ Transport Agency statement of intent 2017-21</i>.</p> <p>Maintaining oversight of the Transport Agency's strategy refresh and transformation.</p> <p>Considering the basis and rationale for the Transport Agency's Long-Term Strategic View of the land transport system.</p>
Confirming service and financial performance targets	Overseeing and approving the <i>NZ Transport Agency statement of performance expectations 2017/18</i> .
Assessing progress against our strategy and plans	<p>Approving the financial results for 2015/16 and the 2015/16 Transport Agency and National Land Transport Fund annual reports.</p> <p>Receiving quarterly progress reports, including financial reports.</p>
Quality assurance of key organisational systems, processes and policies	Maintaining oversight of the roll-out of network outcome contracts for state highway maintenance and operations.
Significant planning investment and operational matters	<p>Approving funding for:</p> <ul style="list-style-type: none"> • Northland Bridges programme and Loop Road to Smeatons Hill • Christchurch Northern Corridor (part of the Christchurch Motorways programme) • Auckland's Northern Corridor improvements • Auckland Transport's Lincoln Road Corridor improvements. <p>Entering into the Pūhoi to Warkworth Public-Private Partnership Joint Venture.</p> <p>Maintaining oversight of:</p> <ul style="list-style-type: none"> • the delivery of the 2015-18 state highway programme • Kaikōura Earthquake Recovery to reinstate State Highway 1 through Marlborough and North Canterbury.
Governance matters	<p>Amending the Board charter to incorporate the Board Disclosure and Management of Interests Policy.</p> <p>Preparing induction modules for new Board members</p>

BOARD AND BOARD COMMITTEE ATTENDANCE

MEMBER	BOARD COMMITTEE MEETINGS			BOARD MEETINGS
	INVESTMENT AND OPERATIONS BOARD COMMITTEE	AUDIT, RISK AND ASSURANCE BOARD COMMITTEE	REMUNERATION AND HUMAN RESOURCES BOARD COMMITTEE	
Chris Moller (Chair)		6/6		17/17
Dame Fran Wilde (Deputy Chair)	3/3			16/17
Mark Darrow		1/6		1/17
Chris Ellis	3/3		3/3	16/17
Leo Lonergan		5/6		15/17
Nick Rogers	3/3			13/17
Vanessa van Uden	1/3			2/17
Adrienne Young-Cooper			3/3	17/17
FORMER BOARD MEMBERS 2017				
Gill Cox		5/6		12/17
Mark Oldfield	2/3			14/17

INVESTMENT AND OPERATIONS COMMITTEE

The Investment and Operations Committee is the steward for the Transport Agency's investment decisions in the transport network. It oversees the performance of the Transport Agency's business operations, including its legislative and regulatory responsibilities and the state highway business. The committee provides advice to the Board by making recommendations on funding applications, investment decisions and procurement proposals across all modes of transport within delegations reserved for the Board.

The Committee comprises four serving board members. It provides business stewardship and guidance on matters including:

- delivery of the National Land Transport Programme by approved organisations and adjustments to programmes to achieve longer-term goals
- recommendations on procurement, tendering and commencement of state highway projects or other projects approved for funding
- property management and tendering processes, leases and contracts
- development of tolling operations, integrated ticketing systems, registry operations and the delivery of legislative compliance and regulated safety regimes
- establishment of appropriate regulatory governance and monitoring arrangements
- development and implementation of asset management strategies, risk assessment, environmental audit and performance monitoring of state highways.

The committee met three times during 2016/17.

AUDIT, RISK AND ASSURANCE COMMITTEE

The Audit, Risk and Assurance Committee is made up of three serving board members.

The committee is served by the Chief of Assurance and Risk and the Chief Executive. The Group Manager, Organisational Support and Chief Financial Officer also attend meetings. The Ministry of Transport's Chief Executive was appointed by the Board as a committee member to facilitate his responsibilities under section 101 of the Land Transport Management Act 2003.

The committee's responsibilities include:

- achieving and maintaining confidence that the Transport Agency has suitable risk management practices⁷
- monitoring and reviewing significant financial, reporting and other risks
- reviewing and approving the internal audit programme
- achieving and maintaining confidence that the internal audit process is independent, objective and effective
- monitoring and reviewing significant findings arising from internal audits
- reviewing the audit programme and monitoring the effectiveness of the external auditor
- receiving reports from the external auditor
- reporting an overview of the committee's activities to the Board.

The committee met six times during 2016/17.

REMUNERATION AND HUMAN RESOURCES COMMITTEE

The Remuneration and Human Resources Committee, along with the Chief Executive, provides strategic governance over human resources capability, remuneration, employment relations and key human resources strategies. The committee also helps the Board fulfil its responsibilities for the remuneration of the Chief Executive and senior management.

To meet its strategic governance responsibilities, the committee:

- maintains awareness of human resources trends, benchmarks, issues and risks, including employee turnover and engagement, internal capability and succession requirements
- provides advice and guidance for human resource strategies, frameworks and policies, workforce and succession planning, performance management, remuneration, retention and engagement, employment relations, code of conduct and behavioural expectations, and development of human resources delegations
- recommends staff remuneration strategies and overall market position to the Board
- oversees organisational compliance with legal obligations.

To meet its responsibility for the Chief Executive's employment relationship and remuneration, the committee:

- establishes the annual key performance objectives for the Chief Executive and reviews the Chief Executive's annual performance against those objectives
- maintains an overview of trends and best practice in executive employment conditions and remuneration
- makes recommendations about the Chief Executive's performance assessment and remuneration and consults with the State Services Commission about any proposed changes
- establishes and manages the process for Chief Executive recruitment and appointment, if needed.

The committee met three times during 2016/17.

⁷ The Transport Agency has adopted enterprise risk management, substantially incorporating the elements of the Joint Australian New Zealand International Standard AS/NZS ISO 31000:2009 *Risk management: principles and guidelines*. Enterprise risk management is an integrated and systematic approach to managing an organisation's risks, including strategic, tactical and operational risks.

OUR STRUCTURE

The NZ Transport Agency was built around three functional business groups and three support groups in 2016/17.

BUSINESS GROUPS

The Access and Use group provides users with access to the transport system (such as driver licences and motor vehicle registration), sets standards for vehicles and drivers, and regulates transport operators and rail.

The Highways and Network Operations group is responsible for moving people and freight around the state highway network and for improving the state highway network to maintain its condition, improve travel-time reliability and reduce the risk of death or serious injury to road users.

The Planning and Investment group develops regional and national partnerships that enable us to influence land-use planning and make the most of our investment in integrated transport solutions. The group manages how the National Land Transport Fund is invested to deliver integrated transport solutions. It does this by assessing and prioritising activities put forward by approved organisations and the Transport Agency for state highways.

CORPORATE SUPPORT GROUPS

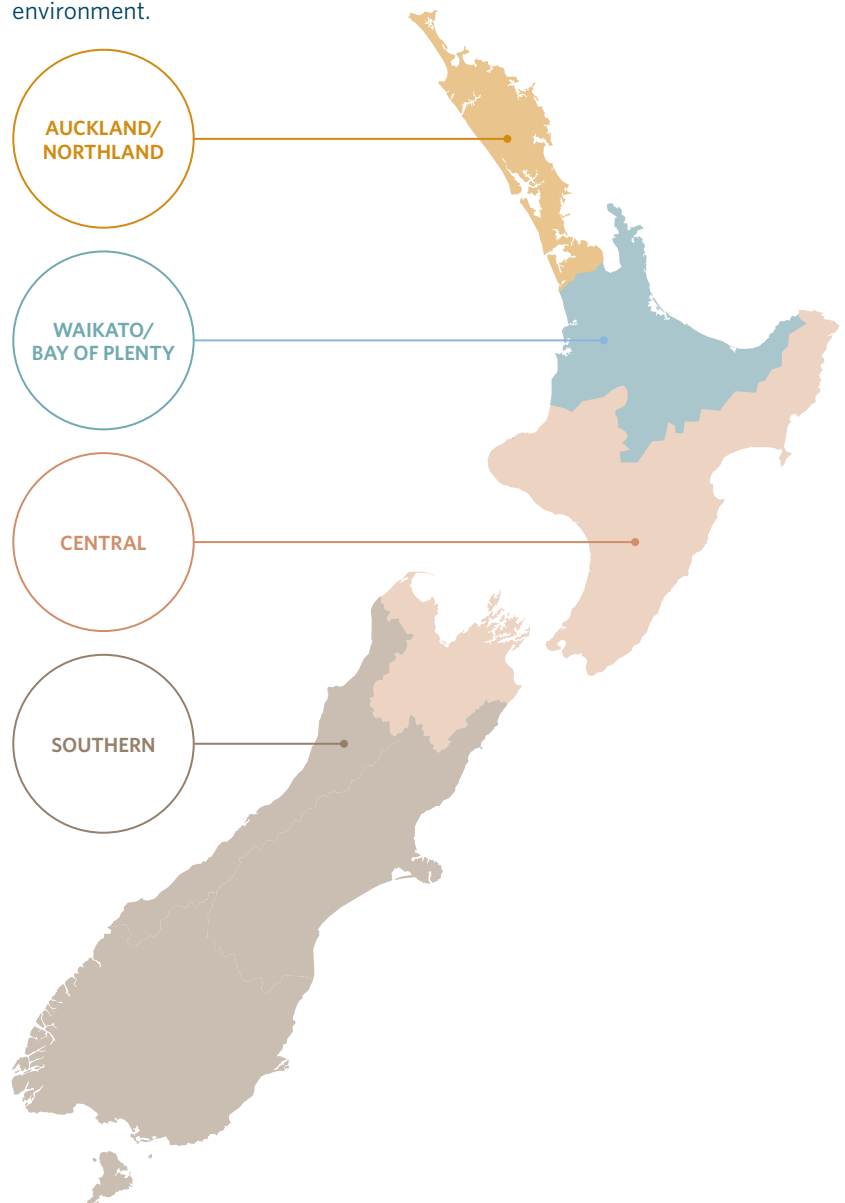
The Strategy and Performance group translates government and sector direction into organisational direction and then communicates this direction and our performance against it to staff and stakeholders.

The Organisational Support group ensures the Transport Agency has corporate strategies, policies and systems to support organisational health and capability.

The People and Capability group ensures the Transport Agency can deliver on its organisational direction through its people capability.

NZ TRANSPORT AGENCY REGIONS

In 2016/17, we had four regional areas that support a regionally focused planning environment.



CHANGES TO OUR STRATEGY, DNA, OPERATING MODEL AND STRUCTURE FOR 2017/18

In 2016, the Transport Agency undertook a Performance Improvement Framework self-review to determine how well we were placed to meet future opportunities and challenges and where we needed to improve.

The review concluded that a change to how we think, act and organise was necessary if we were to provide a fit-for-purpose transport system that meets the needs of customers and supports a productive New Zealand. A change programme was started, focusing on three elements critical to our transformation: our strategy; our culture (DNA); our operating model and structure. These refreshed elements are outlined below and described in more detail in the *NZ Transport Agency statement of intent 2017-21*.

Our new strategy and operating model came into effect on 3 July 2017.

OUR REFRESHED STRATEGY

Our refreshed strategy identifies three strategic responses to the opportunities and challenges we are facing as part of the transport revolution.

One connected transport system

Transform land transport system performance by integrating digital technology with physical infrastructure to create a safe, connected system that works for everyone.

People-centred services

Simplify our customers' lives and our partners' work with innovative services and experiences that make it easy for them to do what they need to.

Partnerships for prosperity

Unlock social and economic opportunities for customers, business and communities through targeted partnerships.

OUR DNA

Our DNA is our shared set of beliefs and values that drive the way we deliver on the promises we make to New Zealand in our strategy. It is both who we are now and who we aspire to be. Our three DNA attributes are:

- customer focus to deliver value
- collaborate to achieve as one
- curious to cultivate innovation.

OUR NEW OPERATING MODEL AND STRUCTURE

The three core elements of our new operating model that shape how we organise ourselves and our work are:

- plan the system
- build the system
- operate services.

These elements guide the 11 groups that form our new structure. Together, the new model and structure will enable us to break down existing functional silos to support and drive integrated system thinking, position us to deliver the Transport Agency's new strategy through a stronger focus on delivering integrated outcomes, become more fully customer and citizen focused, and enable innovation and leverage new technology.

By the end of June 2017, we had firmly set the foundations for an organisational transformation through a programme of work to engage and guide the whole organisation. This included reorganising our functions and leadership roles to align with the new operating model and strategy, reviewing and aligning business processes and delegations, and introducing a new approach to business planning.

OUR LEADERSHIP TEAM

CHIEF EXECUTIVE

FERGUS GAMMIE

*Bachelor of Arts,
Certificate in Management*



The Transport Agency's Chief Executive, Fergus Gammie, is passionate about technology, innovation and delivering results for customers. Fergus stepped into his new role in March 2016. He is a former chief executive of Auckland Regional Transport Authority, chief operating officer of Auckland Transport, as well as both deputy director general Transport Services and deputy secretary Infrastructure and Services at Transport for New South Wales.

SENIOR LEADERSHIP TEAM

RAEWYN BLEAKLEY REGIONAL DIRECTOR CENTRAL

*Bachelor in Human Nutrition,
Postgraduate Diploma of Science*



Raewyn joined the Transport Agency in October 2014.

Raewyn was previously chief executive of Business Central (incorporating the Wellington Chamber of Commerce) in Wellington, after almost five years leading the Bus and Coach Association and Rental Vehicle Association. Before that Raewyn was national operations manager for the Hospitality Association of New Zealand.

Raewyn has an extensive background in fostering collaboration and advocating for continued improvement across the transport, tourism, business and local government sectors.

ROBERT BRODNAX ACTING GROUP MANAGER PLANNING AND INVESTMENT

Master of Science (Hons)



Robert has been with the Transport Agency since 2009.

Previously, he held a variety of roles at Waikato Regional Council, including three years as group manager Policy and Strategy. He has worked in a wide variety of fields from waste and contaminated land management to spatial planning and environmental policy development.

He has also held a variety of governance roles for not-for-profit trusts such as the Agrecovery Foundation, the Product Stewardship Foundation and the Maungatautari Ecological Island Trust. He is an experienced policy manager with a particular focus on leading collaborative processes at the interface between business, communities and public sector agencies.

JENNY CHETWYND GROUP MANAGER STRATEGY AND PERFORMANCE

Bachelor of Regional Planning (Hons), Masters of Business Administration



Jenny joined the Transport Agency in 2008, and was previously the manager of Environmental Strategy for Transpower. Jenny has more than 20 years' experience working with local government and business in relationship management, public engagement, policy development and project delivery fields.

ALLAN FROST GROUP MANAGER ORGANISATIONAL SUPPORT

*Bachelor of Business Studies,
Chartered Accountant, Fellow
Certified Public Accountant*



Allan joined the Transport Agency in October 2008. Allan has extensive experience in financial and information management executive roles and has worked for more than 20 years in senior leadership roles, focusing on getting the best from people, information, technology and finance. Allan left the Transport Agency to pursue other opportunities in June 2017.

JIM HARLAND REGIONAL DIRECTOR SOUTHERN

Bachelor of Arts, Diploma in Town Planning, Masters in Town Planning (Hons), Member NZ Planning Institute, Member Institute of Directors NZ, Fellow NZ Institute of Management



Before taking this position in January 2011, Jim was chief executive of the Dunedin City Council for 11 years. He has held a variety of senior roles in local government and the private sector, specialising in strategic thinking and change management. Jim also worked as a tourism consultant for several years and initiated a tourism planning course at the University of Auckland.

BARBARA HARRISON
GROUP MANAGER PEOPLE AND CAPABILITY

Bachelor of Business (Management), Wharton Business School's Advanced Management Program



Barbara joined the Transport Agency in August 2016 after working for Northpower for 11 years. Barbara has significant human resources, safety and management experience, bringing extensive experience in leading people and capability teams. Barbara's career spans leadership roles in infrastructure and industrial environments in New Zealand and Australia.

PAREKAWHIA MCLEAN
REGIONAL DIRECTOR WAIKATO/ BAY OF PLENTY

Parekawhia has been with the Transport Agency since September 2016 and has more than 15 years' public policy and public sector management experience, including being an advisor to three prime ministers during her time at the Department of the Prime Minister and Cabinet.

Parekawhia has masters' degrees in social sciences from the University of Waikato and in public administration and development policy from the University of Wisconsin. She received a Distinguished Alumni Award from the University of Waikato in 2014 and she was a finalist in the Board and Management category for the Westpac-Fairfax Women of Influence Awards in 2016.



MARTIN MCMULLAN
CONNECTED JOURNEY SOLUTIONS DIRECTOR

Since July 2016, Martin has led the Transport Agency's approach to innovation and new technology.

Martin joined the Transport Agency in 2014 as Zero Harm manager. Working with industry partners, Martin led the introduction of new technology and data analytics to support the government's objective to reduce workplace fatalities and serious harm by 25 percent.

Martin has more than 15 years' experience in the engineering and construction industry and has established two technology start-up businesses. He sits on the Construction Safety Council Board of Directors and holds an executive role with the Australian Driverless Vehicle Initiative. Martin is also a registered member of the Institute of Directors in New Zealand.



TOMMY PARKER
GROUP MANAGER HIGHWAYS AND NETWORK OPERATIONS

Bachelor of Arts (Hons in Urban Planning), Diploma (Urban Planning Implementation), Masters of Science (Transportation Planning and Engineering)



Tommy has been with Transit and the Transport Agency for more than 10 years. He has held various roles including highways manager for Auckland and Northland. Tommy has more than 20 years' experience in transport planning in the public sector and private consultancy.

CELIA PATRICK
GROUP MANAGER ACCESS AND USE; DIRECTOR OF RAIL SAFETY

Graduate Diploma (Business), Masters of Business Administration



Celia joined the Transport Agency in October 2011. She has more than 20 years' experience working in the financial services sector, including various executive roles with the Bank of New Zealand. Before joining the Transport Agency, Celia worked for Housing New Zealand Corporation as director of operations for Auckland. Celia left the Transport Agency to pursue other opportunities in May 2017.

HARRY WILSON
ROAD SAFETY DIRECTOR

Harry has 30 years' professional leadership experience in central and local government. He was the chief executive of Environment Waikato (now Waikato Regional Council) before joining the Transport Agency as regional director Waikato/Bay of Plenty in November 2008. In September 2016, Harry took up the position of Road Safety Director in the Transport Agency.



ERNST ZÖLLNER
REGIONAL DIRECTOR AUCKLAND/ NORTHLAND

Bachelor of Commerce (Hons in Economics), Masters in City & Regional Planning



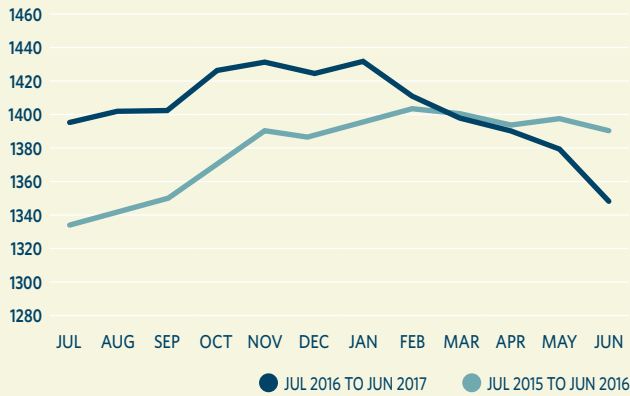
Ernst has worked for 20 years as a consultant in academia and for local and central governments, focusing on economic and strategic development, as well as infrastructure and urban planning. Before joining the Transport Agency in October 2008, Ernst was the director of Urban Development and Transport at Wellington City Council. Ernst left the Transport Agency to pursue other opportunities in June 2017.

OUR WORKPLACE

WORKPLACE PROFILE

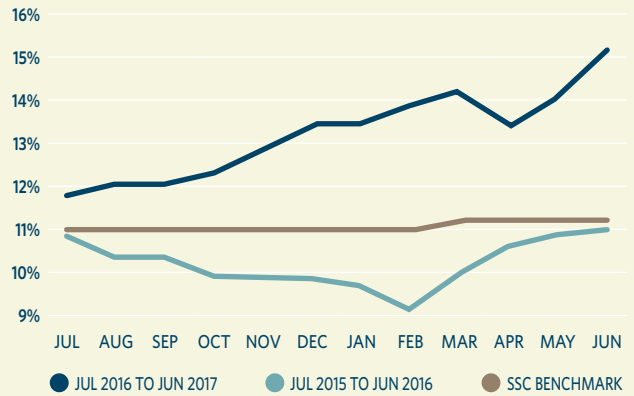
Our people mean a lot to us. In fact, they're everything. It's their effort and commitment that enables us to do what we do. Our diverse workforce is located in 21 locations, from Whāngārei to Dunedin.

FULL-TIME EQUIVALENT (FTE) EMPLOYEES



Our FTE count at 30 June 2017 was 1,352.5. The 2016/17 year saw a decrease of 2.8 percent from 30 June 2016. This was attributable to attrition prior to moving to our new organisational structure in July 2017. The number of permanent FTEs is expected to return to approximately 1,430 as vacancies are filled.

ANNUAL TURNOVER



Our unplanned turnover at the end of June 2017 was 15.3 percent, which is higher than 12 months ago when it was 11 percent. Unplanned turnover of those with less than two years' service to the end of June 2017 was 18.7 percent, which is also higher than 12 months ago, when it was 11.3 percent.

ETHNIC PROFILE

Ethnic groups (self-identified)

Asian	7.8%
Māori	6.3%
Middle Eastern/Latin American/African	0.7%
New Zealand European	69.7%
Pacific peoples	1.7%
Other ethnicity	1.8%
Not stated	12.0%

AGE PROFILE

The average age of our employees (at 30 June 2017) is 44.5 years, with 14.4 percent aged less than 30 years and 20.5 percent aged more than 55 years.

The average age of our workforce has increased slightly in the past five years and is consistent with the average age of the New Zealand public sector workforce.

AVERAGE AGE (YEARS)

YEAR (AT 30 JUNE)	TRANSPORT AGENCY	NZ PUBLIC SECTOR
2012	43.7	44.6
2017	44.5	44.8

DISABILITY

Our workforce profile does not include people with disabilities as this information is not currently recorded. However, we are committed to valuing diversity and difference.

We recognise, respect and value differences and are committed to equal employment opportunities for all, this includes making reasonable accommodation for those with disabilities.

PAY PROFILE BY GENDER

For the entire Transport Agency, the average position of an employee in their salary band's range is 2.6 percent higher for male employees than that for female employees, while the median difference is 2 percent.

Higher remuneration bands have a higher proportion of male employees, while the lower bands have a higher proportion of female employees.

Median salary	\$87,794
Average salary	\$94,220
Gender pay gap	28%

GENDER PROFILE

We have slightly more female employees than male employees (52 percent to 48 percent). This is more balanced than the New Zealand public sector, which is 61 percent female and 39 percent male. Of our senior management roles, 42 percent are filled by females. The average female representation in senior management within the public service was 45 percent in June 2016.

BEING A GOOD EMPLOYER

We are committed to being a good employer. We recognise, respect and value differences and are committed to providing equal employment opportunities for all. This ensures better outcomes for both our people, who are more satisfied with their employment, and the people we are ultimately here for – the people of New Zealand.

We are focusing on creating a strategy-led, people-centred organisation that is fit for the future, where our people are proud to be part of creating a better New Zealand. We are committed to being fair, open and transparent and having a workplace where our people are energised and able to perform at their best.

We strive to address barriers to diversity and inclusion in our organisation. We actively engage with our people and their unions when we develop people policies and initiate change programmes, including when we continuously improve our practices as a good employer.⁸

The following table demonstrates the alignment between our key people policies and practices and the seven elements of being a good employer.

GOOD EMPLOYER ELEMENTS	OUR KEY PEOPLE POLICIES AND PRACTICES
Leadership, accountability and culture	<ul style="list-style-type: none"> ▪ Our Leadership Expectations provide clear direction for our leaders. Through these expectations our leaders are encouraged to embrace diversity, be inclusive, openly share knowledge and information, encourage curiosity and seek out different points of view. ▪ We have created a collaborative flexible ‘team of teams’ environment, where we work together to unlock diverse thinking so that we deliver customer focused solutions. ▪ Our Chief Executive’s <i>The Way We Move</i> newsletter and regular video/audio calls provide strong leadership and ensure everyone in the Transport Agency has access to the same information. Calls can be listened to or watched live or viewed at a later time. ▪ Senior Leader Forums are held regularly to provide leaders with the opportunity to work collaboratively together and contribute to organisational thinking and decision making. This was particularly important during 2016/17 as we undertook a major programme of transformational change. ▪ Our DNA is our shared set of beliefs and values that support the way we work together. The three DNA attributes are: customer focus to deliver value, collaborate to achieve as one, and curious to cultivate innovation. ▪ We have introduced Workplace by Facebook as a tool to allow everyone in the Transport Agency to collaborate together and to contribution to workplace conversations. ▪ We have engaged extensively with our people as part of our organisational change process, including nationwide road shows in all our offices, input labs and opportunities of contribute online. Feedback from our people helped to shape all aspects of our transformational change, including our refreshed strategy, DNA and operating model. ▪ We hold people accountable through robust performance and development planning.

⁸ Human Rights Commission *Good employer advice*. www.hrc.co.nz/your-rights/employment-opportunities/our-work/reporting-crown-entities-good-employers/

Recruitment, selection and induction	<ul style="list-style-type: none"> • In the past year, we established a recruitment centre of excellence, providing a dedicated recruitment function to further improve the robustness of our recruitment and selection processes. • Our recruitment and selection processes support our commitment to diversity and inclusion, the elimination of conscious and unconscious bias, and equal employment opportunities. • Videos and profiles on our career website and recruitment collateral feature employees from diverse backgrounds, and we use inclusive language in our external careers pages. • We are an accredited employer with the New Zealand Immigration Service. • Progression within the Transport Agency is based on merit rather than service and is built around competencies and skills. • All new people are invited to attend the organisation-wide induction to the Transport Agency. • Our development tools for managers who are recruiting include training on recognising and addressing unconscious bias towards applicants. • We actively recruit multi-lingual people for some of our customer-facing roles.
Employee development, promotion and exit	<ul style="list-style-type: none"> • We promote a culture of learning and continued development at all levels. • Development opportunities include project work, acting in other roles, secondment, mentoring and coaching, online learning, as well as face-to-face learning programmes offered through our centralised learning calendar. • We encourage 'teaming' and for people to work collaboratively. • An ongoing process of feedback and two-way communication is valued. • Capability mapping, talent management, succession planning and progression frameworks are in place. • We are an accredited Institute of Professional Engineers New Zealand professional development partner. • We use our LinkedIn page to stay connected with our people, including current employees, former employees and prospective candidates. • We provide access to career planning tools and advice.
Flexibility and work design	<ul style="list-style-type: none"> • We promote balanced work-life responsibilities through flexible working. • Our people can request changes to their working arrangements, including job sharing, compressed weeks, reduced hours, working from home and leave during school holidays. • We encourage people to take annual leave in the year it is accrued and manage their hours to maintain wellbeing.
Remuneration, recognition and conditions	<ul style="list-style-type: none"> • Our remuneration policies and frameworks are based on the principle that pay reflects the market and performance – not tenure, cost of living or other personal circumstances. • We conduct an annual remuneration review, including comparing our remuneration ranges to public sector and other organisations' market data. • We endeavour to ensure our job evaluation and remuneration practices are transparent, equitable and gender-neutral. • Recognition is encouraged using a variety of ways to celebrate success and recognise people publicly and privately.
Harassment and bullying prevention	<ul style="list-style-type: none"> • We are committed to maintaining a safe working environment for all our people where we experience mutual respect, trust, dignity and security. Ensuring physiological safety is paramount to this. • We have worked collaboratively with unions to better understand harassment and provide tools and support for our people working through these issues. • Our focus on both physical and mental wellbeing is an important part of our Zero Harm Strategy 2014-2020.

Safe and healthy environment

- Our Zero Harm Strategy 2014–2020 supports our belief that everyone who comes to work at the Transport Agency should go home healthy and safe.
- The code of conduct and relevant health and safety and harassment policies are readily accessible.
- Our strong focus on employee health, safety and wellbeing is supported through the provision of support services such as:
 - the employee assistance programme for all staff
 - additional services in the event of heightened stress, such as critical event debrief, onsite employee assistance programme presence, change process support and resilience training
 - ergonomic workstation assessments
 - annual free flu vaccination available for all our people.
- We have tertiary ACC accreditation for our workplace safety management practices.

Reviewing policies and procedures

We involve unions in the development and implementation of policies and procedures and consult with our people before making any significant changes. To ensure our policies and procedures remain relevant, we review them on a two-yearly cycle or more often if necessary. We are receptive to feedback on our policies at any time.

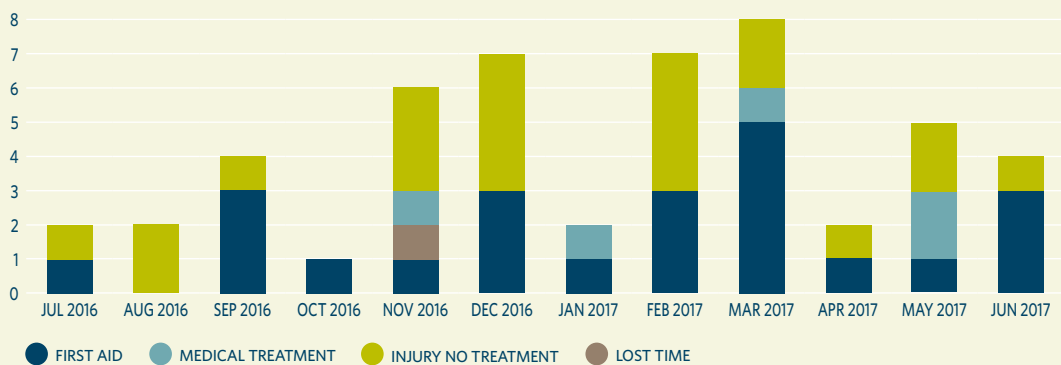
HEALTH AND SAFETY OF OUR PEOPLE

Health and safety performance: NZ Transport Agency employees

Our employees reported 54 incidents that resulted in injury. The most common cause of injury was burns in kitchens. The graph below provides a breakdown of the severity of these injuries. The number of injuries that required time off work, medical or first aid treatment decreased slightly from 29 to 31.

The Zero Harm team have completed the roll out and training of an upgraded version of NZ Transport Agency’s health and safety reporting tool towards the end of the year. The changes to the reporting tool and increased capability of employees to report incidents will continue to improve the reporting culture and quality of health and safety metrics.

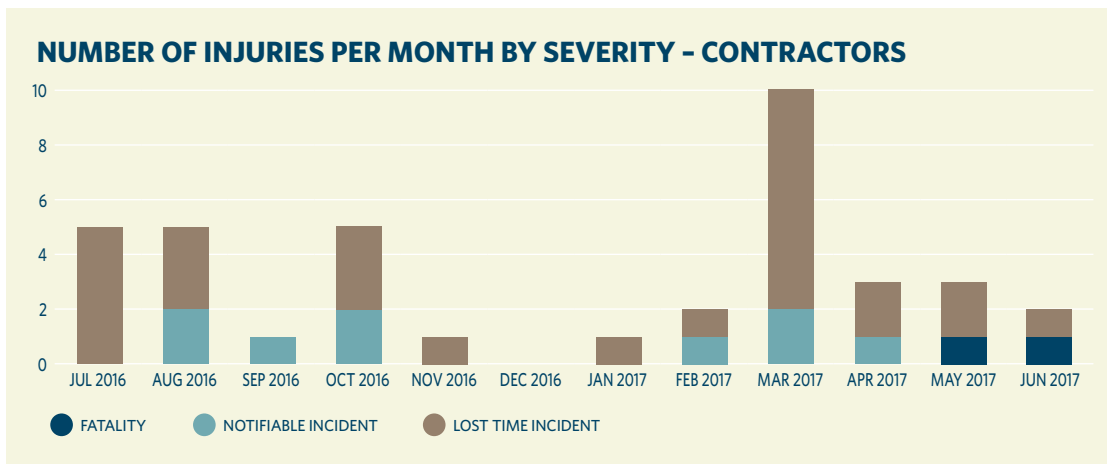
NUMBER OF INJURIES PER MONTH BY TYPE - TRANSPORT AGENCY EMPLOYEES



Health and safety performance: NZ Transport Agency contractors

Our contractors engaged to complete construction and maintenance projects did not achieve the health and safety performance we require to achieve our goal of all workers return home safe, without exception. There were two fatalities and 30 incidents that resulted in injuries that required first aid, medical treatment or time off work.

The fatalities were related to work in and around temporary traffic management areas on maintenance contract activities. A number of initiatives were commenced across the Transport Agency to address the risks to both workers and customers caused by temporary traffic management set ups. These include the investigation of point to point speed enforcement, deployment of ‘Safe Speed’ tool on Safe Roads projects to enable traffic controllers to obtain real time information about the effectiveness of traffic management in reducing speed through worksites. Other corrective actions and improvements identified through incident investigation will continue to be progressed in conjunction with our suppliers and partners as a priority.



Working towards zero harm

Our Zero Harm Strategy 2014-20 has a clear objective: to ensure that by 2020, or sooner, all our workers, regardless of employer will go home safe and healthy, every day, without exception.

We have initiated a number of activities and programs over the past year as part of achieving this objective.

Health and safety management system

The framework and draft content of an organisational wide health and safety management system was developed. This comprises policies, procedures and information to enable our people to understand the nature of risks and how to ensure appropriate controls are in place. The management system contains elements that detail how Transport Agency should seek to measure and improve performance through audit, oversight and analysis of performance metrics.

Critical risks

Review and consolidation of existing risk registers had enabled us to identify and understand the critical health and safety risks. The critical risks inform the scope of our audit and inspection processes.

Contractor oversight and audits

Audits were undertaken on our major construction projects, in conjunction with our Tier 1 suppliers in line with published schedule. Findings and improvement opportunities have been developed into subsequent projects, for example an industry wide approach to understanding and controlling the risks caused by fatigue.

Partnership and industry collaboration

We continued to lead and facilitate the Zero Harm leadership and industry groups, which met throughout the year. The industry group provided input to revised minimum standards and commenced a program develop standard approaches to workplace health monitoring, fatigue management and worker wellbeing.

The third annual Knowledge forum was run, with 130 attendees from across our supply chain. The forum focussed on exploring future challenges for health and safety in transport infrastructure including competency and capability of the supply chain.

Sustaining the journey towards zero harm

Many of the initiatives and improvement programs will be continued through the upcoming year. Particular focus will be given to progressing actions to implement sustained improvements around roadworks and temporary traffic management environments and reduction of risks posed by worker fatigue.

Greater oversight and involvement in our construction and maintenance activities will be continued to be conducted with our project management teams. We aim to build capability and knowledge within our own teams and ensure that our due diligence obligations continue to be met.

We will continue to improve our ability to capture and use accurate performance data to develop interventions and improvements throughout our operations. Specific focus will be applied to better understanding and sharing information about good practices developed on capital and maintenance projects and undertaken reviews to assess the track the uptake of these good practices across our projects.

Our health and safety management system will continue to be developed and implemented in ways that enable our workers to access health and safety information in an intuitive and effective way through our On Ramp intranet.

APPENDICES



APPENDIX 1: GOAL SUCCESS INDICATORS – TREND INFORMATION

INTEGRATE ONE EFFECTIVE AND RESILIENT NETWORK FOR CUSTOMERS

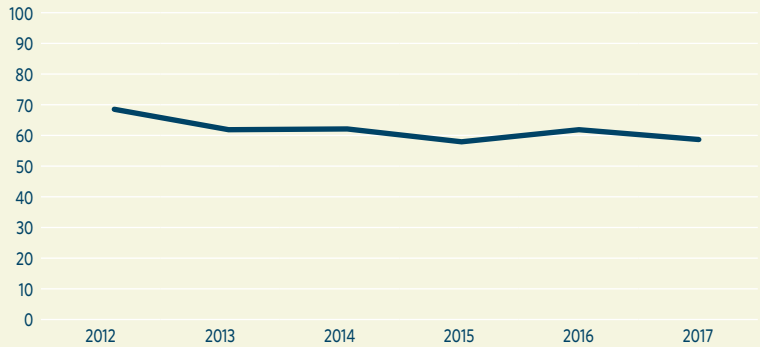
SUCCESS INDICATOR	DESIRED TREND	TREND
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People movement is more efficient and reliable (% network productivity (vehicle speed and flow on urban networks in Auckland))



Network productivity - Auckland urban network - am peak

% OF OPTIMAL SPEED AND TRAFFIC FLOW

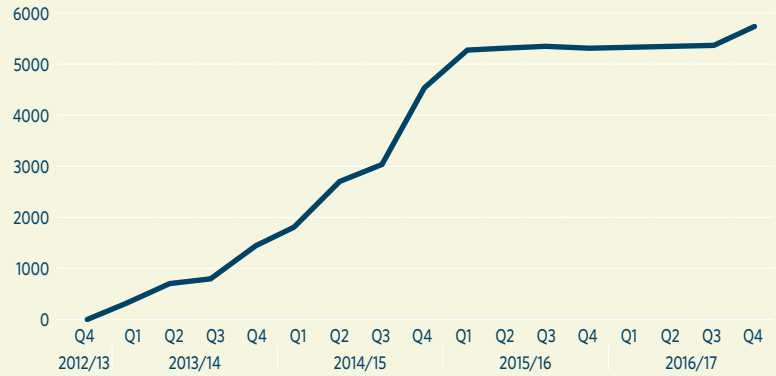


Freight movement is more efficient and reliable (number of kilometres delivered for the high productivity freight network (up to 58 tonnes))



Length of network open to high productivity motor vehicles

CENTRE LINE KILOMETRES



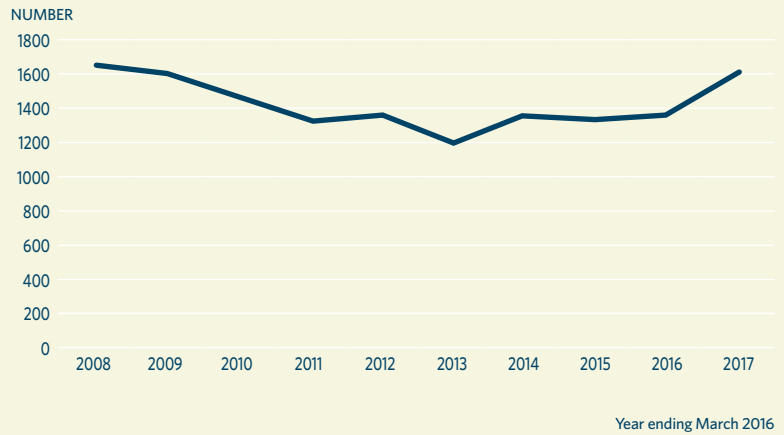
SHAPE SMART, EFFICIENT, SAFE AND RESPONSIBLE TRANSPORT CHOICES

SUCCESS INDICATOR DESIRED TREND TREND

Speeds are safe (number of deaths and serious injuries on open roads (80-100km/h))



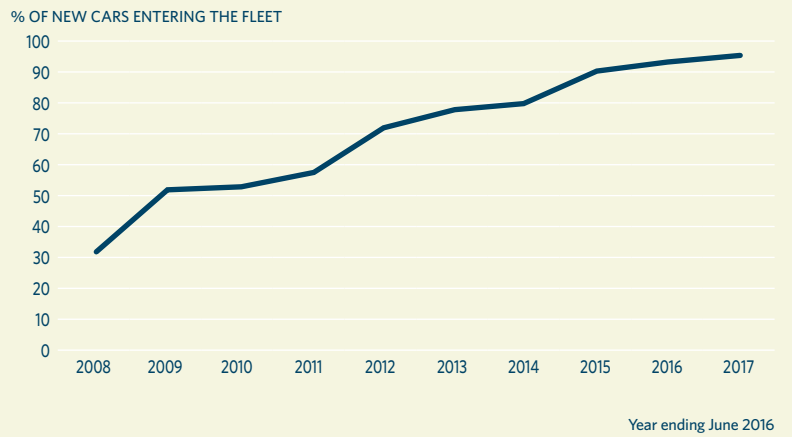
Deaths and serious injuries in crashes on open roads



Vehicles are safe (% of new vehicles with five-star rating)



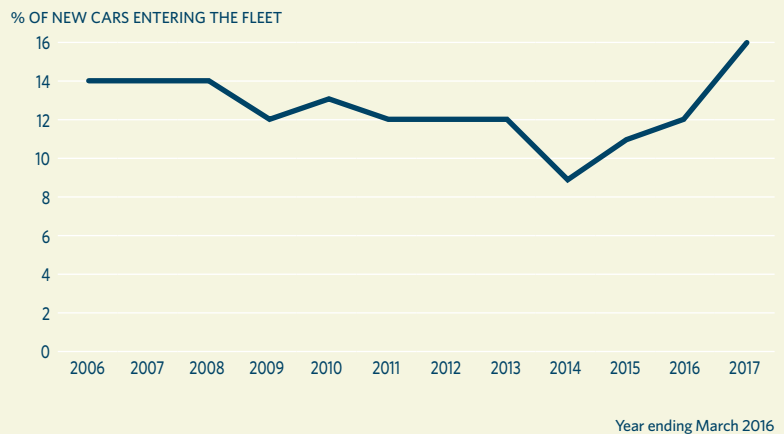
New cars with five-star rating



Vehicles are safe (% of vehicles in fatal/serious crashes with non-current warrant of fitness (or similar))



Vehicles in fatal/serious crashes with non-current warrant of fitness



SUCCESS INDICATOR

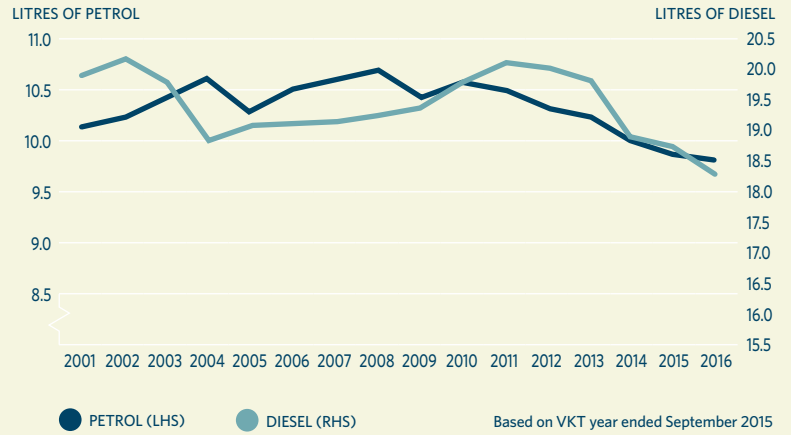
DESIRED TREND

TREND

Vehicles are more efficient (average petrol and diesel consumption – litres per 100 vehicle kilometres travelled (vkt))



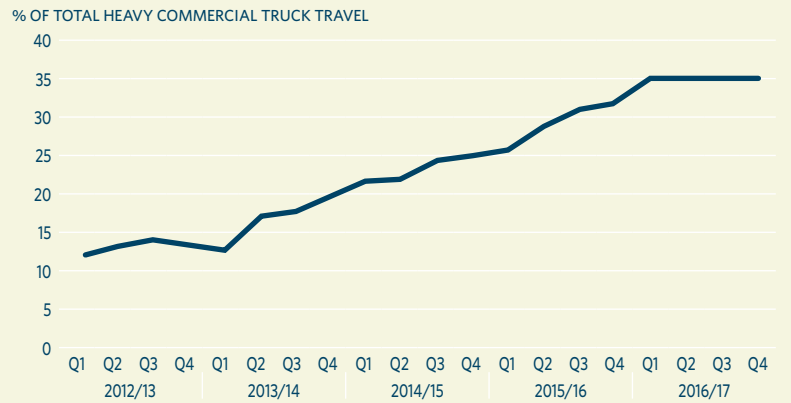
Average fuel consumption per 100vkt



Freight is more efficient and reliable (% of travel by high productivity motor vehicles (HPMVs) of total heavy truck kilometres travelled)



Proportion of heavy trucks taking up HPMV



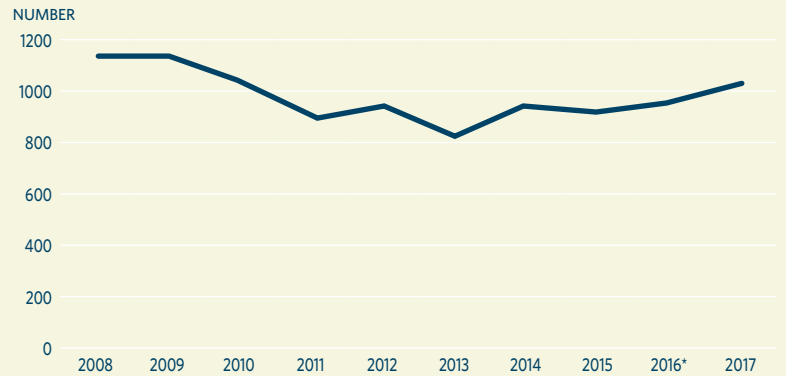
DELIVER EFFICIENT, SAFE AND RESPONSIBLE, AND RESILIENT HIGHWAY SOLUTIONS FOR CUSTOMERS

SUCCESS INDICATOR DESIRED TREND TREND

Highway journeys are safer (number of deaths and serious injuries in head-on and run-off road crashes on state highways)



Deaths and serious injuries in head-on and run-off crashes

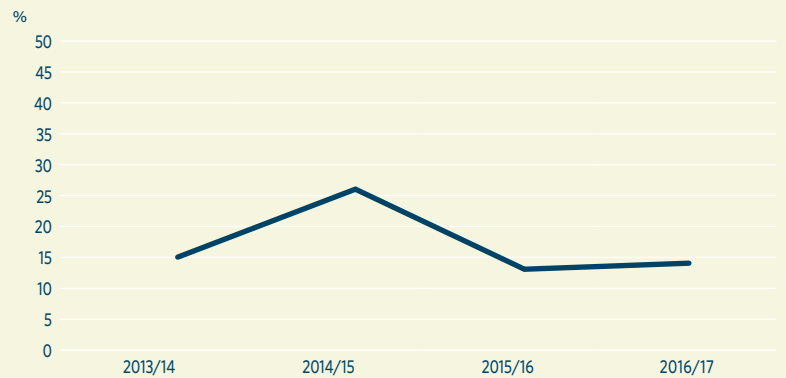


*Year ending March 2016

Highways journeys are efficient and reliable (% of resolved road closures with a duration of 12 hours or more rural areas, 2 hours or more in urban areas)



Unplanned state highway closures exceeding the standards*

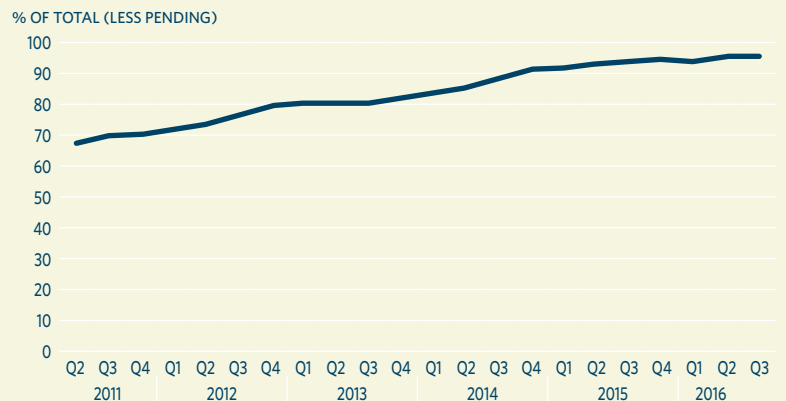


*Includes the number of unplanned closures in Auckland and Wellington that have taken 2 hours or more to resolve

Highways are socially and environmentally responsible (% compliance with state highway resource consent conditions)



Full compliance with state highway resource consent conditions



SUCCESS INDICATOR

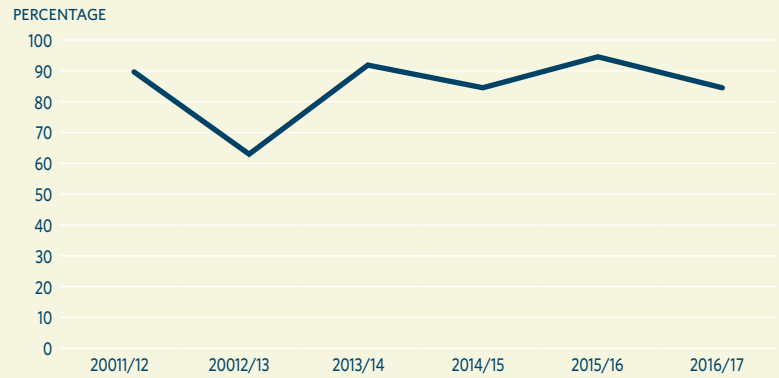
Highways are being delivered on time (% of capital improvements completed according to milestones)

DESIRED TREND



TREND

Completion of construction phase of large state highway projects



APPENDIX 2: TECHNICAL NOTES FOR NON-FINANCIAL MEASURES

OUTPUT CLASSES THAT SUPPORT OUR ONE NETWORK GOAL

Investment management

1. The *total cost of the management of the funding allocation* system is the Transport Agency service delivery cost for this output less the cost of crash analysis system business activity that is not part of the management funding allocation system.
2. The *% of activities that are delivered to agreed standards and timeframes (management of funding allocation system)* is an aggregate of two measures to monitor the quality and efficiency of investment approval and decision activities. All components of the measure have targets of 100%. Aggregation to the overall result is based on weighted volume of activity across the components in the given year.
3. The *% of operational assurance activities completed* is an aggregate of two specific dimensions: audits and post-implementation review programmes. Operational assurance activities are assessed according to their effectiveness, benefit and cost appraisal and strategic fit (that is, high, medium, low). Aggregation is based on the weighted volume of activity in the given year.
4. The *average number of days taken to deliver* is determined by how long it takes, on average, to process and approve funding of a new National Land Transport Programme activity. Days to funding approval is defined as the number of working days from the date of receipt to the date the approval was recorded in Transport Investment Online.
5. The *% of activities that are delivered to agreed standards and timeframes (transport planning)* includes the following transport planning activities: transport model development, activity management planning improvement and programme business case development. These components are individually assessed against targets of >90%. The result is derived through the aggregation of its three components. This aggregation is based on the unweighted volume of activity for each area. The Transport Agency works collaboratively with its local authority partners as they prepare transport models, programme business cases and activity management to help ensure that when they are formally received they are of high quality and meet the Transport Agency assessment criteria, so are suitable for support or endorsement by the Transport Agency. It provides an indication of how well the Transport Agency manages its transport planning activities to time and cost standards.
6. The *% of activities that are delivered to agreed standards and timeframes (sector research)* is a measure that compares planned time, cost and quality of research investment with actual performance. All aspects have targets of 100% and contribute equally to the overall result. It is a measure of the effectiveness of the Transport Agency as a programme manager.
7. The *% customer satisfaction* demonstrates the percentage of approved organisations' stakeholders (regional, local and unitary authorities, the Department of Conservation, Auckland Transport and the Waitangi National Trust) that were satisfied with the relationship between their organisation and the Transport Agency. This is measured through an independently conducted survey.

OUTPUT CLASSES THAT SUPPORT OUR SMART CHOICES GOAL

Licensing and regulatory compliance

8. *Unit transaction cost* measures the direct unit cost of delivering a driver licence or driver testing transaction or service as well as the warrants of fitness (WoF) and certificates of fitness (CoF).
9. The *% of transactions completed online* is the proportion of practical test bookings and rescheduled test bookings completed through the Transport Agency website divided by the total number of test bookings completed for motor vehicle and motorcycle licences.
10. The *% accuracy of registers* is a measure of the data input accuracy of the driver licence register based on monthly audit checks from a random sample of 100 callers and a selection of agents' work processed against what is written on the form and recorded in the register. The measure reflects the average of the audit results.

11. The *% of activities that are delivered to agreed standards and timeframes* is an aggregate of six specific dimensions – four audit activities of driver testing agent officers and course providers, transport operators, certifying agents and regulatory compliance and agent service delivery (with targets of >90%) and two completion rates against standard of official correspondence and transport rules development programmes (with targets of 100%). Aggregation to the overall result is based on weighted volume of activity across the components in the given year.
12. The *% of operational assurance activities completed* is an aggregate of three specific operational assurance activities (eg audits) of driver testing agents, transport operators and certifying agents completed against planned. Aggregation is based on the weighted volume of activity in the given year.
13. The *number of products and services delivered or processed* includes WoF, CoF, new and renewed driver licences, issuing of driver and transport operator testing services, certification review, border inspection, overdimension permits, and drug and alcohol assessments funded.

Road tolling

14. *Unit transaction cost* is the direct unit cost of delivering a toll service. Cost excludes write offs, bad debts and administration fees from toll payment notices. Future target ranges have remained consistent despite the forecast increase in tolling volumes as there is ongoing system investment to manage the increased volume and complexity associated with the introduction of additional toll roads (Tauranga Eastern Link and Takatimu Drive).

Motor vehicle registry

15. The *% of transactions completed online* is the proportion of annual motor vehicle licensing (including reversals), new registrations and register maintenance actions (including vehicle licensing exemptions, change of ownership (buyer), change of ownership (seller), change of name or address, registered person name and address) purchased over the internet, direct connect and via an industry agent divided by the total number of motor vehicle registrations.
16. The *% accuracy of register* reflects the accuracy of the information entered into the motor vehicle registry. Data verification activities are focused on confirming vehicle attributes and vehicle ownership and address information in the motor vehicle registry. It combines the result of regular audit checks by regional staff and unverified owner and address information returns.
17. The *% customer satisfaction* reflects the proportion of motor vehicle register customers who state that it requires little effort to relicence their motor vehicle. It is sourced from an independently conducted (Research New Zealand) survey.

Road user charges (RUC) collection, investigation and enforcement

18. The *% of transactions completed online* is the proportion of light and heavy vehicle RUC licences purchased online over the total number of RUC licences purchased. Online refers to transactions via Direct Connect, Transact, e-RUC and automatic tellers.
19. The *number of products/services delivered or processed* includes light and heavy vehicle RUC licence purchases and off-road RUC rebate claims. This is an aggregate figure showing a total of assessment, enforcement and refund activities.

Road safety promotion

20. The *% of activities that are delivered to agreed standards and timeframes* is a measure of timeliness and effectiveness in delivering road safety education, advertising and promotion. Components of this measure look at the percentage of the road safety education and advertising campaigns completed on time and the percentage of education and promotion programmes that meet forecast participation rates. All components have a 100% target and contribute equally to the overall result.
21. The *% of road safety advertising campaigns that meet or exceed their agreed success criteria* is a measure based on the success of road safety advertising campaigns. It is a composite measure reflecting the number and breadth of the advertising campaigns used, the varied media in which they are presented (including online) and the different aspects of the campaigns that are measured (including likeability, relevance, message takeout, likelihood to change attitude and prompted recall). These measures are collected from independently conducted surveys, media and website reporting.

OUTPUT CLASSES THAT SUPPORT OUR HIGHWAY SOLUTIONS GOAL

State highways improvements

22. The *% of activities that are delivered to agreed standards and timeframes* compares time, cost and quality of large, block and property acquisition programmes (at the time that construction commenced). It is a measure of the effectiveness of the Transport Agency as a project manager. Within each programme, time, cost and quality are equally weighted with targets of >90%. Aggregation to the overall result is based on weighted programme expenditure across the components in the given year.
23. The *change in productivity of the state highway network in major metropolitan areas* indicator measures lane capacity utilisation (network productivity) of the urban network. Productivity is measured in terms of the product of speed and flow compared with road lane optimal vehicle throughput. It demonstrates how effectively the current road network and operational management activities handle peak demand for vehicle movement. This indicator provides information to help deliver on our priority of making the most of urban network capacity. The higher the productivity percentage value, the more productive the road network is due to both speed and flow being maintained near maximum values (ie near free-flow speed and capacity respectively). The lower the productivity percentage value, the less productive the road network is due to either or both low traffic flow and speed. It is noted that a low productivity may also occur in scenarios of low demand, so may not be due to poor network performance. This indicator is a utilisation asset performance measure under the Cabinet Office Circular CO 15(5).

State highway maintenance

24. The *% of activities that are delivered to agreed standards and timeframes* presents the physical achievement of maintenance and renewal activities (including progress of state highway pavement renewal programme) against baseline. It is a measure to keep track of the delivery of physical performance targets. The single component aspect of this measure examines the proportion of state highway maintenance and renewal work completed compared with the planned kilometres and budget.
25. Safe stopping: *% of network meeting surface texture standards* reflects efficiency in meeting surface texture standards (to ensure safe stopping) as per sector research. Maintenance of the state highway focuses on ensuring skid resistance (to ensure safe stopping). Minimum acceptable levels of skid resistance are set in relation to the road environment. The annual programme of reseals (surface renewals) is driven, in part, by the need to maintain network skid resistance.
26. Network resilience: *% of rutting >20mm over state highway network* is the proportion of rutting (long shallow channels generally found in wheelpaths) above the 20mm threshold over the length of the state highway network. Rutting in the road surface is one of the key indicators of the health of the underlying pavement and the need for pavement renewal. Ruts often also hold water, so lower skid resistance. This indicator is a condition asset performance measure under the Cabinet Office Circular CO 15(5).
27. Safe stopping: *% of travel on network above skid threshold* reflects efficiency in meeting surface texture standards (to ensure safe stopping) as per sector research. Minimum acceptable levels of skid resistance are set in relation to the road environment. The annual programme of reseals (surface renewals) is driven in part by the need to improve skid resistance. This indicator is a functionality asset performance measure under the Cabinet Office Circular CO 15(5).
28. Smooth ride: *% of travel on network classed as smooth* is the proportion of travel (proportion of vehicles kilometres travelled on the network surveyed) that occurs on pavements smoother than a nominated surface texture standard over the length of the network surveyed. This indicator is a functionality asset performance measure under the Cabinet Office Circular CO 15(5).
29. The *% availability of state highway network* is expressed as the sum of all unscheduled road closure incidences (both urban and rural) that have a significant impact on road users addressed within standard timeframes (that is, urban < 2 hours; rural <12 hours) and protocol over the total number of road closure incidences. This indicator is a functionality asset performance measure under the Cabinet Office Circular CO 15(5).

30. The *% customer satisfaction* reflects the proportion of the public who are satisfied with the availability of network information and the overall rating of the state highways in New Zealand. It is sourced from quarterly public surveys. These surveys are conducted online and designed with quotas set for target audiences according to age, race, sex and residential region (prescribed numbers are set for each to ensure balance and fairness). Additional computer aided telephone interviewing elements are used to target hard-to-reach groups.

OUTPUT CLASSES THAT SUPPORT OUR MAXIMISE RETURNS GOAL

Public transport

31. The *fare revenue as a % of direct operating expenditure – local and national* indicator is based local and national direct operating expenditure and not total expenditure. It excludes rail operationalised capital costs.
32. The *productivity (costs per passenger kilometre) where available by bus, train and ferry* indicator reflects a new Government Policy Statement on Land Transport reporting requirement that examines changing costs of public transport provision (bus, train and ferry) by passenger use. This is an aspirational measure that leverages the introduction of integrated ticketing. Information is currently available only for Auckland, Wellington and Christchurch – as the coverage of integrated ticketing improves throughout the period of the current National Land Transport Programme (NLTP) the reporting from other regions will be included. The indicator's overall desired trend over the period of the NLTP is for reduced costs per passenger kilometre across the public transport modes of bus, train and ferry.
33. The *productivity (costs per passenger kilometre) where available by peak and off-peak* indicator reflects a new Government Policy Statement on Land Transport reporting requirement that examines changing costs of public transport provision (bus, train and ferry) by passenger use. This is an aspirational measure that leverages the introduction of integrated ticketing. Information is currently available only for Auckland – as the coverage of integrated ticketing improves throughout the period of the current NLTP the reporting from other regions will be included. The indicator's overall desired trend over the period of the NLTP is for reduced costs per passenger kilometre across the public transport modes of bus, train and ferry.

Administration of the SuperGold cardholder scheme

34. The *average number of days taken to deliver* is a measure of our speed of processing and approving SuperGold claims to regional councils. The component measure is the average number of days taken to process claims received from regional councils. Days to process is defined as the difference between the date the payment was made and the date the claim was submitted or recorded in the Transport Investment Online or Land Transport Programme website by the regional council. Claims are received, validated and paid electronically.

Walking and cycling

35. The *percentage increase in cycling trip legs per person across Auckland, Wellington and Christchurch* reflects the number of annual trips made by bike as measured in the annual Household Travel Survey conducted by the Ministry of Transport.

Refund of fuel excise duty (FED)

36. The *average number of days taken to deliver* is determined by how long it takes, on average, to process and approve FED refunds. Days to deliver refers to the number of working days between the date of application to the date of approval recorded in the FED database system.
37. The *number of products/services delivered or processed* is the number of FED refund applications processed or delivered for the reporting period. The volume of application is based on the processing date.

APPENDIX 3: SUMMARY OF HOW OUR OUTPUTS CONTRIBUTE TO OUR LONG-TERM GOALS

The following table sets out the contribution of our functions, through our outputs to our long-term goals. More detail on these contributions is included in the statement of performance (pages 63-92).

OUTPUT	GOAL			
	ONE NETWORK	SMART CHOICES	HIGHWAY SOLUTIONS	MAXIMISING RETURNS
Investment management	●	●	●	●
Licensing and regulatory compliance		●		
Road tolling		●	●	●
Motor vehicle registry		●		
Road user charges collection, investigation and enforcement		●		●
Road safety promotion*	●	●	●	●
State highway improvements			●	●
State highway maintenance			●	●
Public transport	●	●	●	●
Administration of SuperGold cardholder scheme and Enhanced public transport concessions for SuperGold cardholders		●		●
Walking and cycling**	●	●		●
Local road improvements*	●			●
Local road maintenance*				●
Regional improvements	●		●	●
Refund of fuel excise duty		●		●
Road Policing Programme (New Zealand Police output)*		●	●	●

* We do not deliver these activities directly. We invest in them through the National Land Transport Programme, and the activities are delivered by approved organisations such as local authorities. Information on how we assess our investment performance is included under the output class investment management on page 65.

**We partly deliver the services along with approved organisations and local authorities.

APPENDIX 4: OUTPUT CLASS SCOPE STATEMENTS

OUTPUT CLASS	SCOPE
Output classes that support our one network goal	
Investment management	Managing, monitoring and advising transport sector stakeholders on the allocation of national land transport funds, developing plans for improving the transport network and systems, and developing transport sector capability and research, as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.
Output classes that support our smart choices goal	
Licensing and regulatory compliance	Purchase of land transport regulatory implementation services, specialist land transport enforcement services, and licensing services, including driver licensing. Purpose of Vote Transport appropriation limited to ministerial servicing by the Transport Agency.
Road tolling	Collection of road tolling charges and enforcement activities to recover road tolling payment evasion.
Motor vehicle registry	Registration and licensing of motor vehicles, the collection and refund of motor vehicle registration and licensing revenue, and the operation of the motor vehicle register.
Road user charges collection, investigation and enforcement	Collection and refund of road user charges and the investigation and enforcement of evasion of road user charges.
Road safety promotion	Promote safe and economic use of land transport networks and services, pursuant to section 9 of the Land Transport Management Act 2003.
Output classes that support our highway solutions goal	
State highway improvements	Capital works for new infrastructure for state highways, as authorised by section 9(3) and (4) of the Land Transport Management Act 2003.
State highway maintenance	Activities that manage, maintain and operate state highway infrastructure, as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.
Output classes that support our maximise returns goal	
Public Transport	Renewal and improvement of infrastructure to support public transport and non-commercial public transport services are authorised under section 9(3) and (4) of the Land Transport Management Act 2003.
Administration of the SuperGold cardholder scheme and Enhanced public transport concessions for SuperGold cardholders	Administration of the scheme to provide enhanced public transport concessions for SuperGold cardholders.
Walking and cycling	New and improved walking and cycling infrastructure for transport purposes, as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.
Local road improvements	Management and delivery of improvement of local roads, as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.
Local road maintenance	Management and delivery of renewals to the existing local road infrastructure, as authorised under section 9(3) and (4) of the Land Transport Management Act 2003. The reinstatement of local roads in Canterbury is limited to the reinstatements following the earthquakes, as approved by the Transport Agency under relevant legislation.
Regional improvements	Planning and investing in regionally important state highway and local road projects outside the main metropolitan areas.
Refund of fuel excise duty	Receipt and processing of applications for, and the refunding of, fuel excise duty.
Output class delivered by the New Zealand Police	Developing plans for improving the transport network and systems, as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.

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.

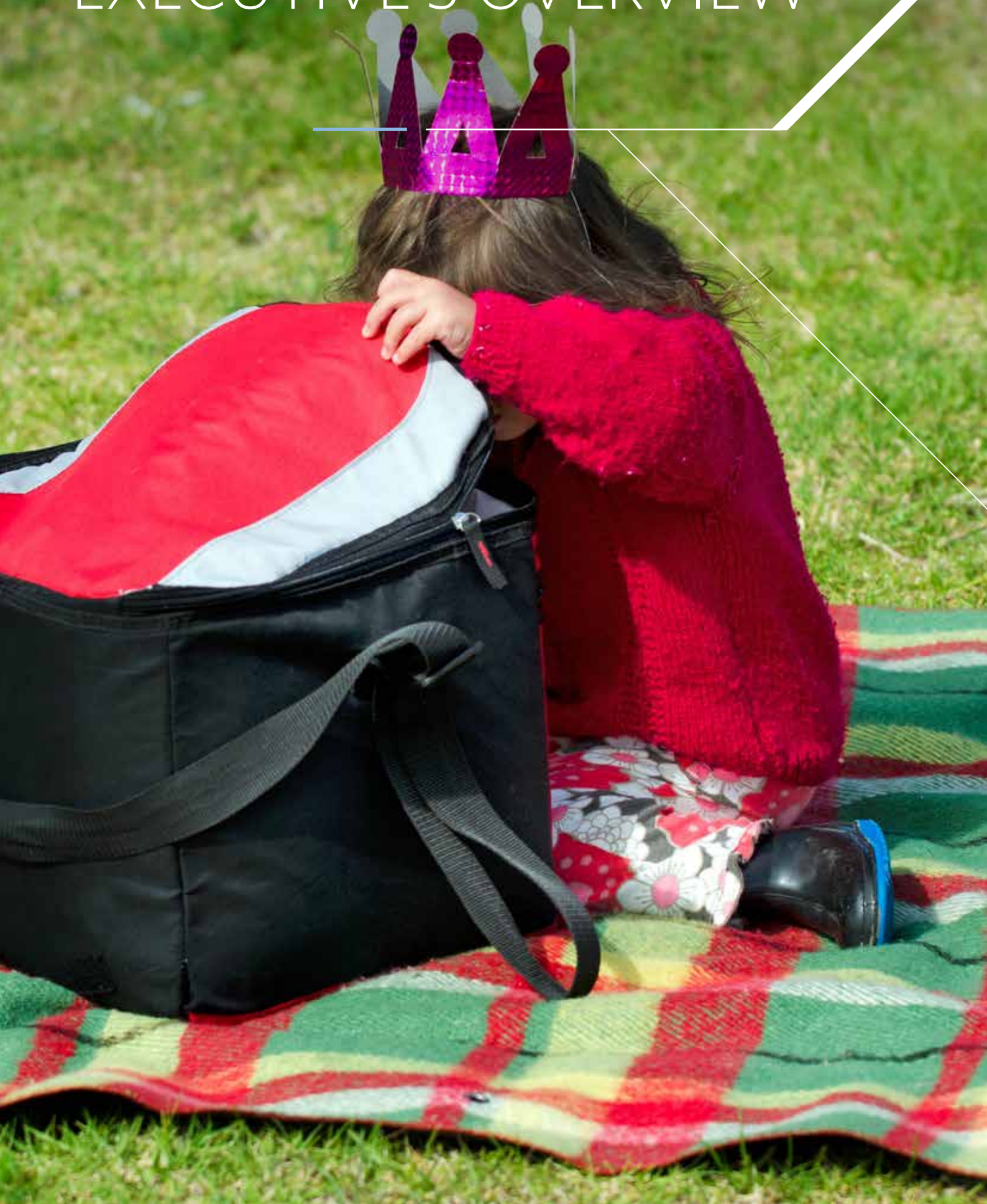
The activities in the National Land Transport Programme are planned, invested in and delivered in partnership between the Transport Agency, local authorities, the New Zealand Police and other transport sector stakeholders. The outcomes and achievements presented in this report are the result of a collective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

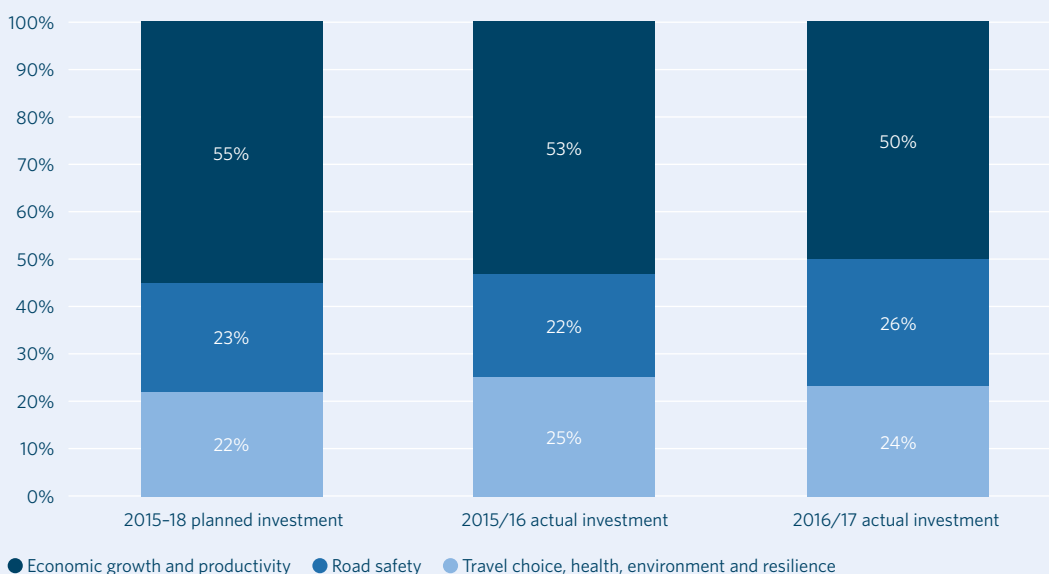
At the end of the second year of the 2015-18 National Land Transport Programme, the overall spend (\$6.7 billion) from the National Land Transport Fund was 3 percent below the planned amount when the programme was adopted in June 2015. By the completion of the 2015-18 National Land Transport Programme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

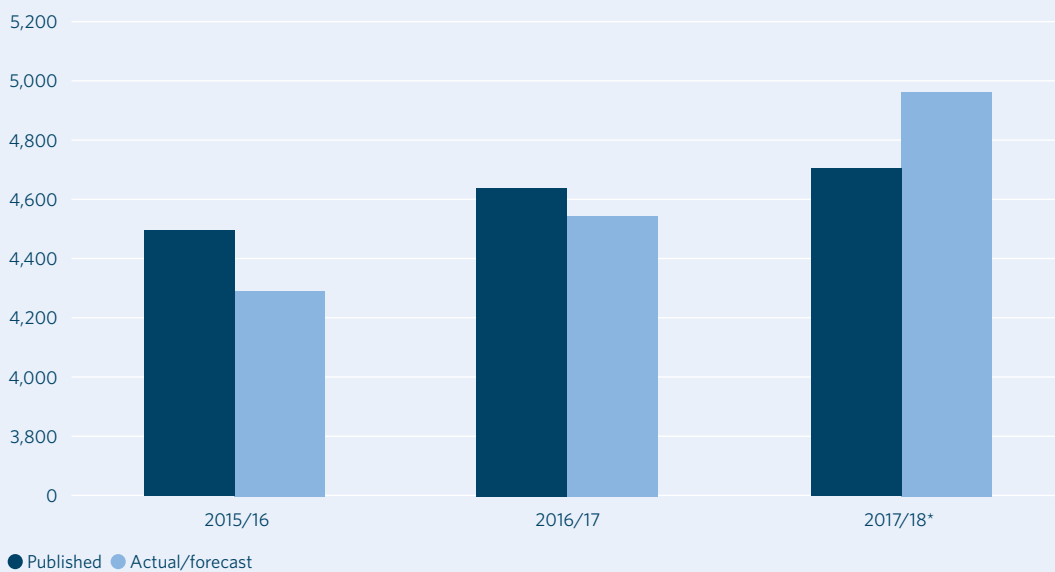
The 2015-18 National Land Transport Programme contains all land transport activities, including public transport, road maintenance, road improvements and walking and cycling activities that the Transport Agency expects to fund during the period.

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.

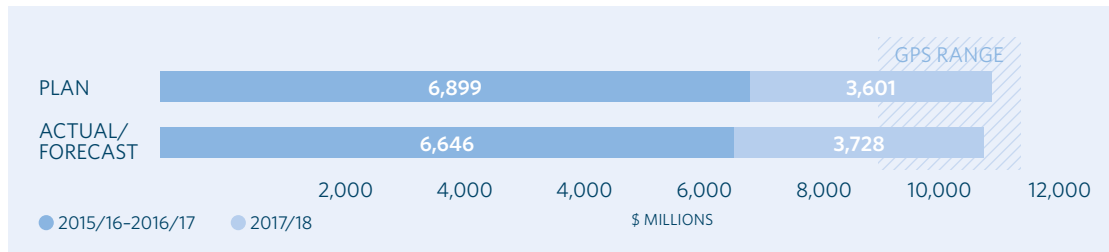
Local road improvements expenditure continued to track below the published amount in the 2015–18 National Land Transport Programme as several local authorities focused on other priorities.

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.

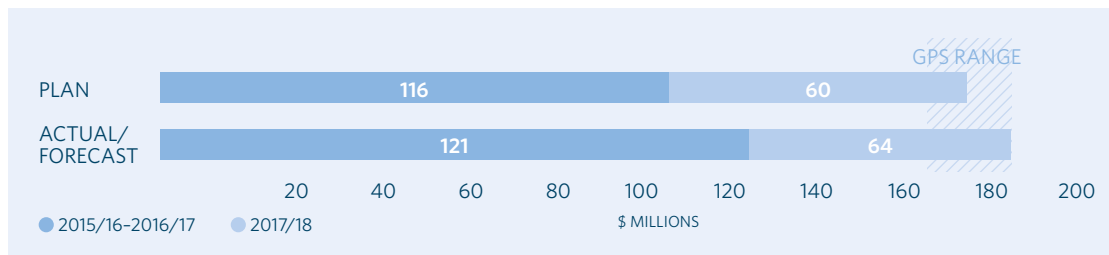
OVERALL USE OF THE FUND



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.

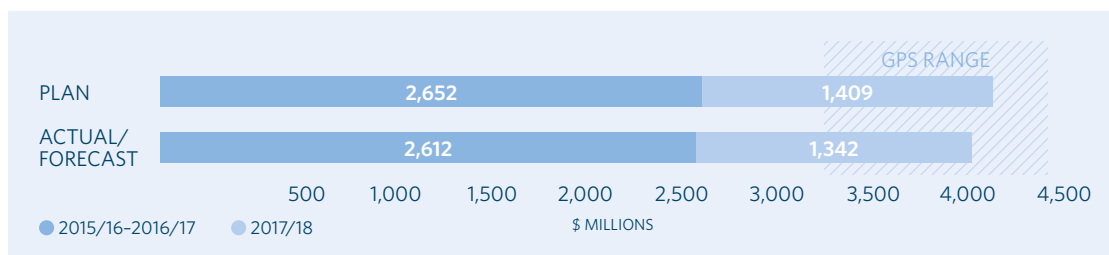
USE OF THE FUND BY ACTIVITY CLASS

Investment management



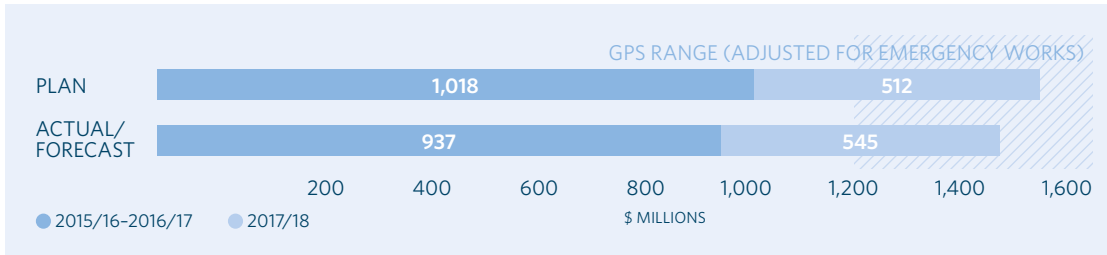
Expenditure in investment management was 4 percent above the amount published in the National Land Transport Programme at the end of 2016/17, mostly due to increased investment in transport planning. The increase reflects the resources being directed to planning to accommodate increased Auckland growth, 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



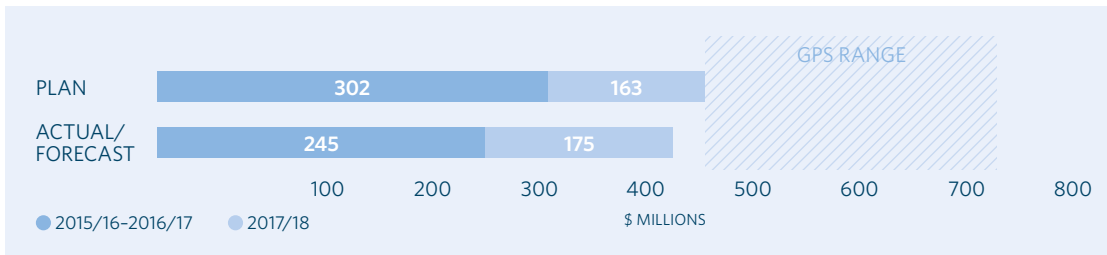
State highway improvements expenditure at the end of 2016/17 was 3 percent below the amount published in the National Land Transport Programme. This reflects lower tender prices for some major projects and slower delivery in some cases. The forecast for the balance of the National Land Transport Programme 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)



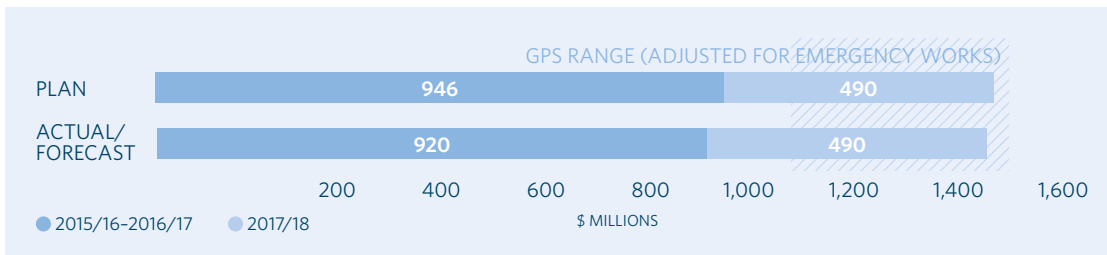
Expenditure on state highway maintenance at the end of 2016/17 was 8 percent below the amount published in the 2015-18 National Land Transport Programme. This was largely the result of the optimised timing of high-cost renewal activities, efficiencies gained through the network operating contracts and 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



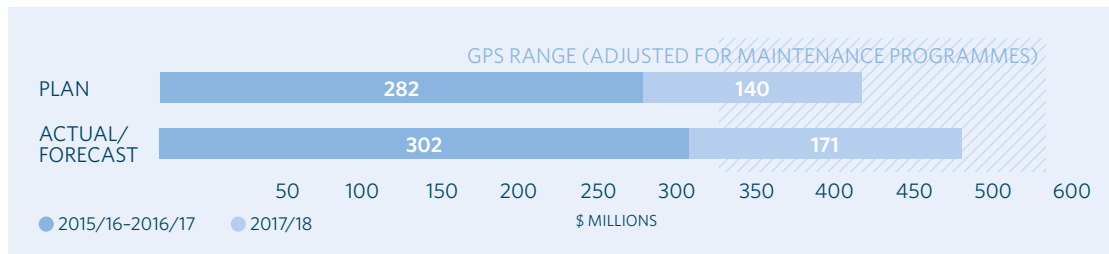
Local road improvements expenditure at the end of 2016/17 was 29 percent below the amount published in the 2015-18 National Land Transport Programme. This reflects local government focusing on other priorities, eg three waters infrastructure. The forecast for 2017/18 shows some ground being made up from 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)



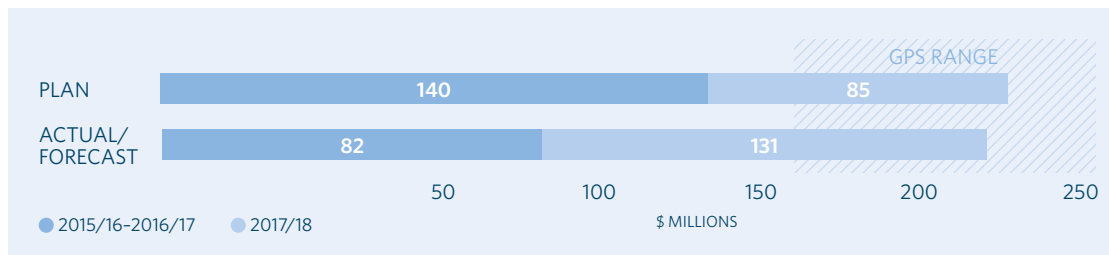
Expenditure on local road maintenance was 3 percent below the amount published in the National Land Transport Programme, reflecting lower input costs and some programme optimisation. Savings in 2015/16 are expected to carry through to the end of the National Land Transport Programme.

Emergency works on state highways and local roads



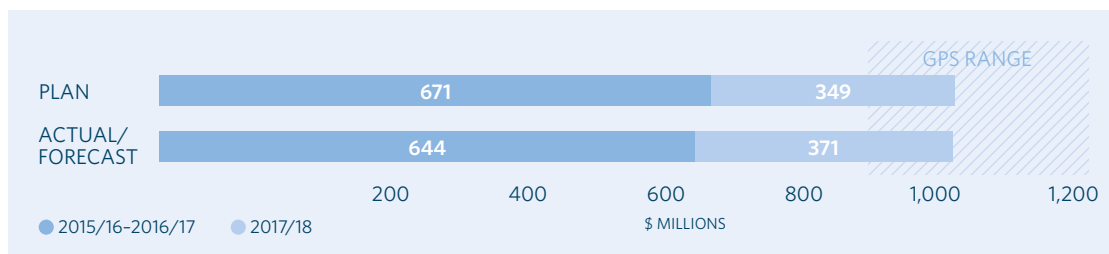
Emergency works expenditure increased substantially during 2016/17, and the National Land Transport Programme position at the end of the period is forecast to be 12 percent above the published amount. Some of this is in line with the increase expected for the response to the 2015 Whanganui-Taranaki floods. 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



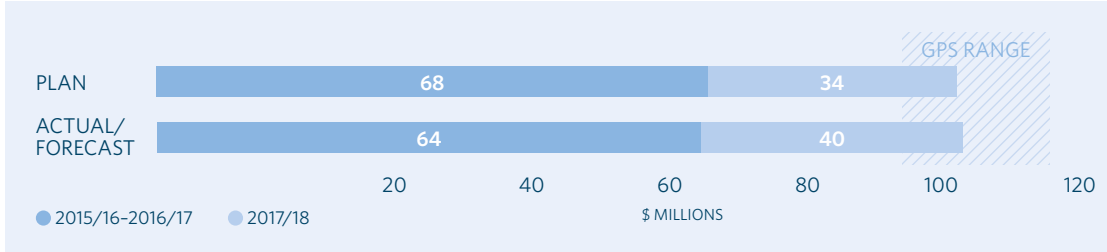
Regional improvements is a new activity class in the 2015-18 National Land Transport Programme, all of which is planned to be delivered on state highways. Delivery got off to a slow start and was still ramping up in 2016/17, with the year's expenditure 33 percent below the published National Land Transport 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



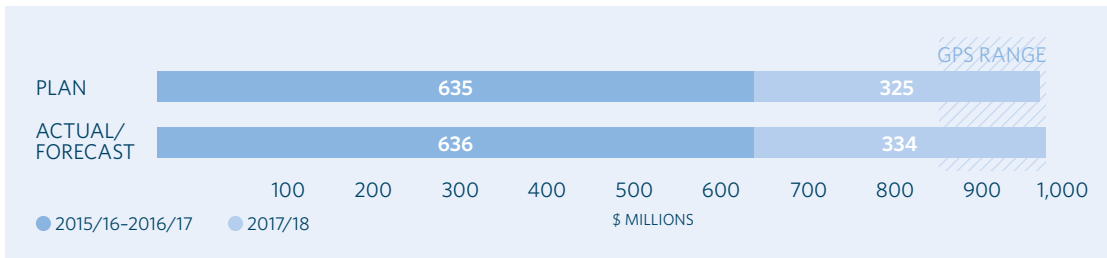
At the end of 2016/17, public transport investment was 4 percent below the amount published in the National Land Transport Programme. Public transport services expenditure was 2 percent below the planned amount, while infrastructure and Transport Agency investment was 19 percent below (compared with 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



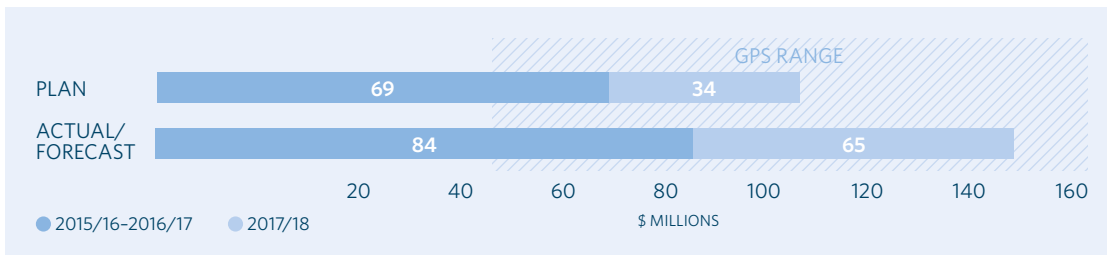
Expenditure in road safety promotion at the end of 2016/17 was 6 percent below the amount published in the National Land Transport Programme, an improvement on 2015/16 when it was 11 percent below. The increase in expenditure is expected to continue through 2017/18 and the total 2015-18 National Land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

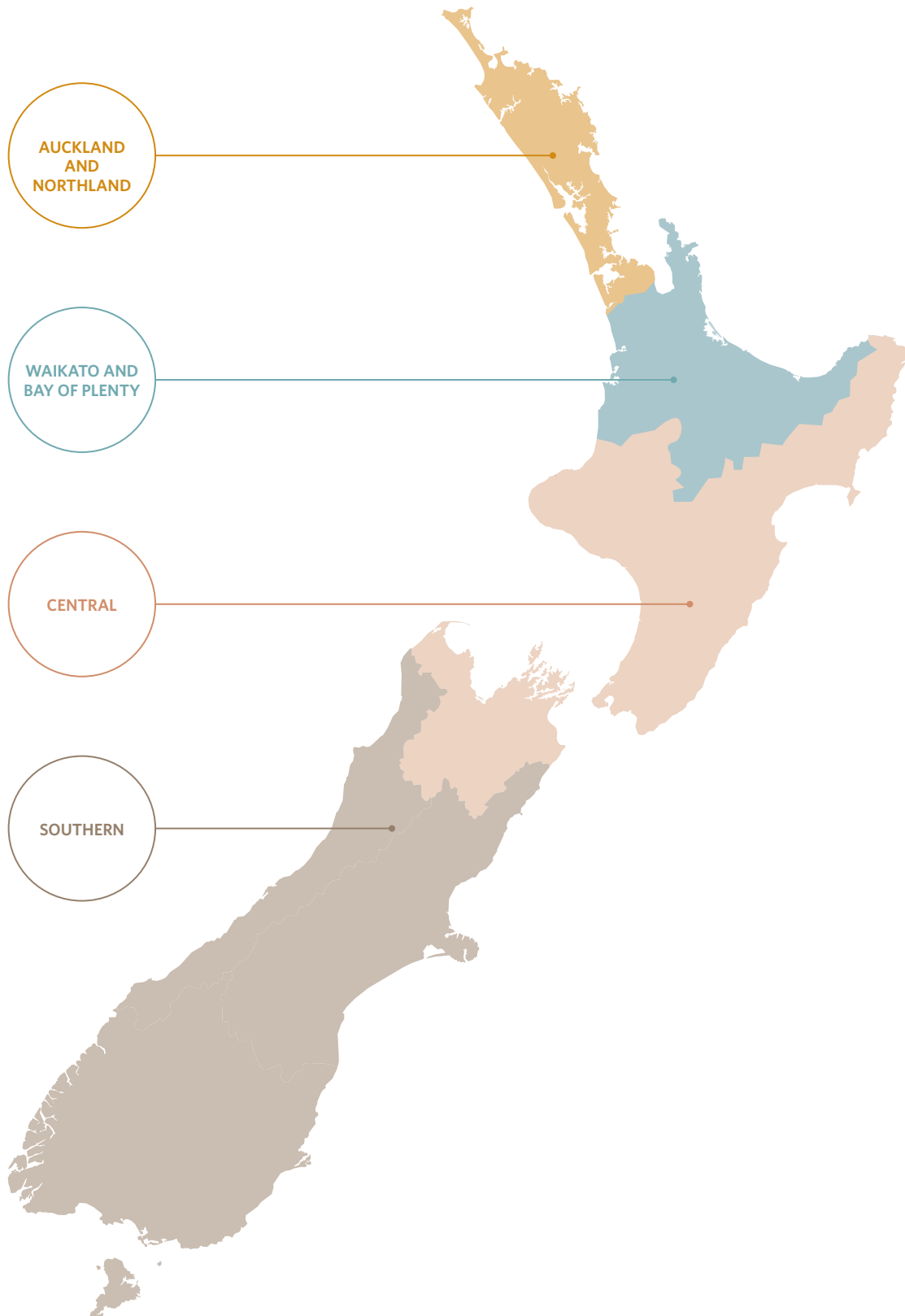
Forecast expenditure for the National Land Transport Fund during the 2015-18 National Land Transport Programme has fallen to \$10.4 billion, \$100 million below the \$10.5 billion shown in the published programme. Forecast expenditure for the National Land Transport Programme, which includes local and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

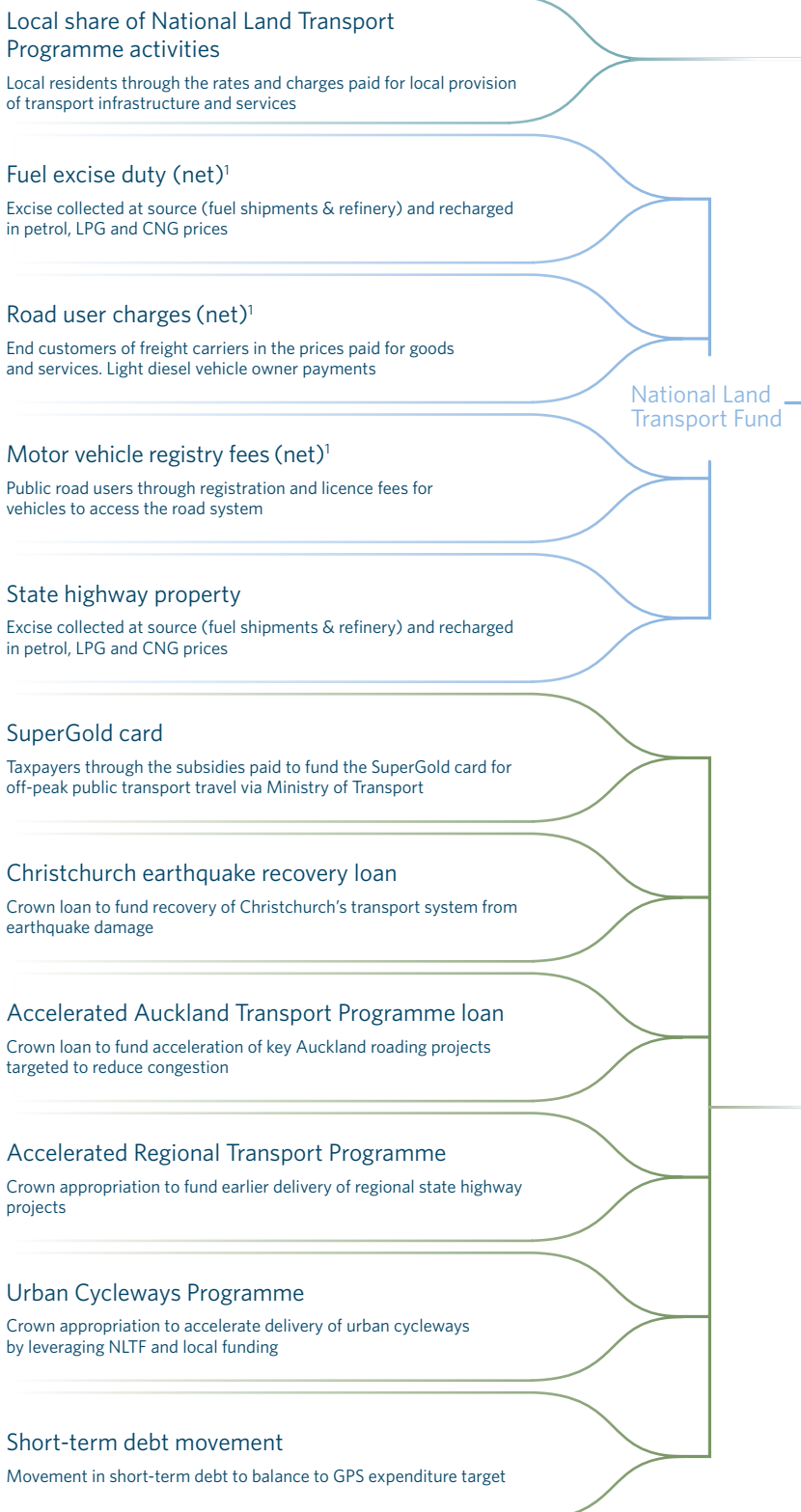
NATIONAL LAND TRANSPORT PROGRAMME

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.

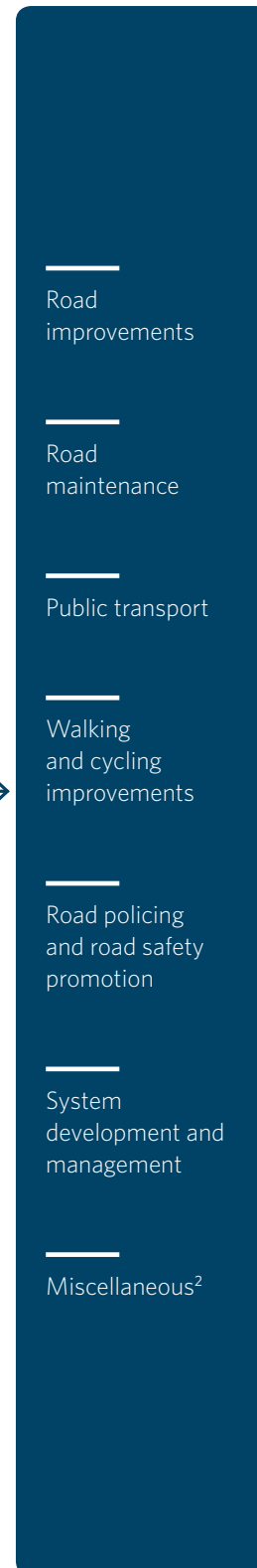
The National Land Transport Programme co-invests funds from National Land Transport Fund, local government and the Crown (see figure 3) and contains all land transport activities that may be considered for investment during the three-year programme under activity classes for public transport, road policing, 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.

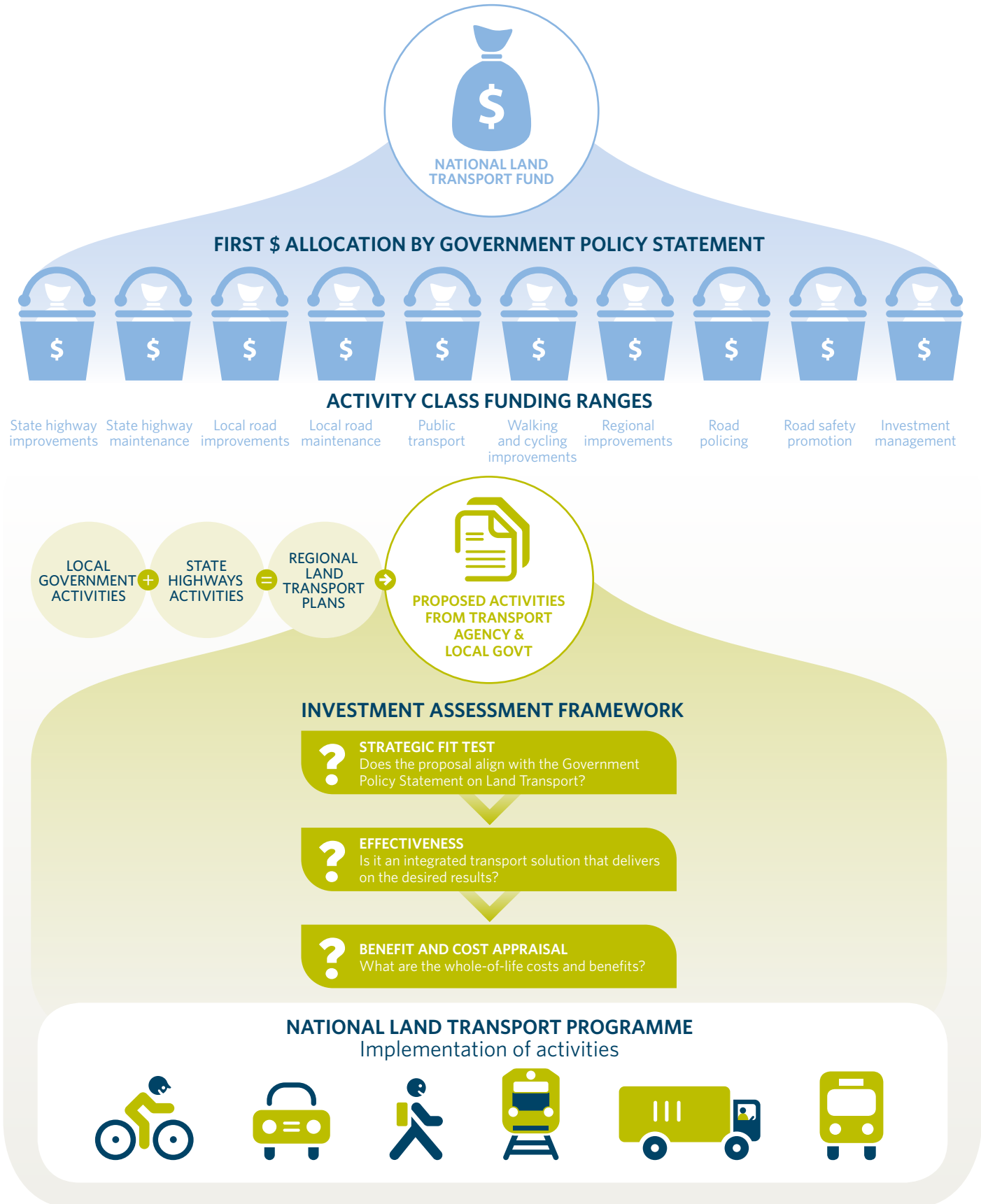
For the 2015-18 National Land Transport Programme, all proposals are assessed against three criteria:


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



The image features a dark blue background with several white lines forming abstract geometric shapes. A horizontal line near the top is interrupted by a diagonal line that descends from the left. Another horizontal line is positioned below it, also interrupted by a diagonal line that descends from the right. These lines intersect to create a series of trapezoidal and triangular shapes. The overall composition is minimalist and modern.

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