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 2018

NZ TRANSPORT AGENCY WAKA KOTAHI

New Zealand Government

NZ Transport Agency
Published October 2018

ISSN 1173-2237 (print)
ISSN 1173-2296 (online)

NZBN: 9429041910085

If you have further queries,
call our contact centre on
0800 699 000 or write to us:

NZ Transport Agency
Private Bag 6995
Wellington 6141

This publication is also available on
NZ Transport Agency's website at
www.nzta.govt.nz

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

FOR THE YEAR ENDED 30 JUNE 2018

SECTION A

SECTION B

SECTION C

SECTION D

APPENDICES

SECTION A

OVERVIEW OF 2017/18

CHAIR'S FOREWORD

The NZ Transport Agency's purpose is to create transport solutions that enable New Zealanders to thrive. Transport has a significant impact on communities, businesses, the economy and the environment. Our transport system needs to be safe, resilient, sustainable and well integrated with its surroundings to improve access to employment, education, tourism and leisure.

The recently revised Government Policy Statement on Land Transport sets out four clear priorities for 2018/19 to 2027/28: a safer transport network free of death and injury, accessible and affordable transport, reduced emissions and value for money.

We've been responding to these priorities while also transforming the Transport Agency to a new operating model and structure. On 31 August 2018, the Transport Agency published the 2018–21 National Land Transport Programme to give effect to the latest policy statement. This required close collaboration with our co-investment partners to develop a programme of national and regional activities that responds to the policy statement and ensures our transport system meets the needs of all New Zealanders now and in the future.

This report demonstrates that we have continued to deliver against our strategy and commitments for 2017/18 and, through the 2015–18 National Land Transport Programme, the priorities of the previous policy statement (2015/16 to 2024/25): economic growth and productivity, road safety and value for money.[1] In particular, the Transport Agency restored vital community links damaged by the Kaikōura earthquake and managed numerous disruptions to the nation's transport system caused by severe weather.

Work continued on major transport infrastructure to support urban growth and regional development and to improve the safety and resilience of our road networks. Investments were made to provide New Zealanders with better transport choices and connections and encourage greater use of public transport and walking and cycling.

Long-term planning focused on creating a clear, shared and integrated view of New Zealand's transport system that lays the foundations for future planning and investment decisions. Collaboration with central and local government facilitated economic development in regions and the integration of transport with land-use planning in high-growth urban areas. Technology trials and road pricing were also explored as ways to improve travel in our major centres and good progress was made on supporting the uptake of electric vehicles.

In the new operating model and structure, a dedicated Safety and Environment group now focuses on identifying the interventions that can have the greatest impact on reducing the increasing number of deaths and serious injuries on our roads. The Transport Agency also moved to collective responsibility with the Ministry of Transport and New Zealand Police to deliver the Road Safety Partnership Programme (previously the Road Policing Programme) and more effectively reduce harm on our roads.

On behalf of the board, I would like to express the Transport Agency's gratitude to Chris Moller, who stood down in January 2018 after almost eight years as Board Chair, and to Dame Fran Wilde, who acted as Chair until I was appointed by the Minister of Transport in April 2018.

More change is still to be made, but I am certain the Transport Agency is positioned to navigate the challenges and deliver on the government's aim for a transport system that improves wellbeing and makes New Zealand a better place to live.

MICHAEL STIASSNY
Chair

I am certain the Transport Agency is positioned to navigate the challenges and deliver on the government's aim for a transport system that improves wellbeing and makes New Zealand a better place to live.

[1] Investments made to give effect to the Government Policy Statement on Land Transport 2015/16 – 2024/25 are presented in the annual report for the National Land Transport Fund, page 173.

CHIEF EXECUTIVE'S OVERVIEW

Transport is an essential part of daily life for everyone in New Zealand, and it's critical to our nation's growth and prosperity. At the Transport Agency, we're focused on creating great journeys that keep New Zealand moving. This means improving the transport system in the context of a rapidly changing world – new technology, pressures on our natural environment, urban growth and changing customer expectations.

To be in a better position to respond to these changes, we adopted a new strategy, DNA (culture) and operating model in July 2017. Our transformation has changed the way we think – from improving transportation to improving people's lives through better transport solutions.

While we were transforming our organisation, we continued to deliver important results for New Zealanders. We reopened State Highway 1 from Picton to Christchurch in December 2017 to day-time traffic for the busy 2017/18 summer season, restoring full 24/7 access in and out of Kaikōura in April 2018, and we announced a preferred route to replace the closed Manawatū Gorge. Following significant storm damage to State Highway 25 (Thames Coast Road) in January 2018, we worked closely with the local community and other stakeholders to quickly rebuild and strengthen the coast road. Travel-time predictability on rural networks remained stable, but road repairs and severe weather events negatively affected our indicators of productivity and resilience.

Improving road safety remained a top priority, and we worked closely with our partners on interventions aimed at reducing number of deaths and serious injuries on the roads, which continued this year. Through the Boost Safety Programme, we delivered safety improvements on roads across the country that carry lower volumes of traffic but collectively account for a significant number of deaths and serious injuries each year. We also agreed, with New Zealand Police and the Ministry of Transport, to move to collective responsibility and accountability for delivering the Road Safety Partnership Programme (previously the Road Policing Programme).

Our focus on safety extends to the Transport Agency's employees and contractors. The objective of our Zero Harm Strategy is that by 2020, or sooner, all our people will go home safe and healthy every day. During the year, there were no fatalities on any of our construction or maintenance projects. Inside the Transport Agency, we rolled out a mental health toolkit for managers and first aid training in workplace health to equip our people leaders to recognise and respond to the signs of mental illness and injury.

To encourage the uptake of electric vehicles, we worked with industry and government stakeholders to monitor and guide the delivery of public charging infrastructure. Close to 80 percent of the strategic state highway network now has rapid direct current chargers at 75km intervals. Our indicator for reducing environmental harm is the energy efficiency of road transport. The energy efficiency of the nation's vehicle fleet has improved, with the fleet travelling more kilometres on the same amount of fuel.

Digital solutions can make it easier for our customers to plan their journeys across different modes of transport. We worked with partners in Queenstown and Auckland to test two mobile apps that create a single place for all transport providers – taxis, buses and ride-share operators – to offer their services to customers.

This was the third and final year of the 2015–18 National Land Transport Programme, a $13.7 billion investment to support economic growth and productivity, safety and value for money.[2] We continued to deliver important highways across the country, but some delays were outside our control, in particular those due to severe weather and the need to re-evaluate some projects against the priorities of the new Government Policy Statement on Land Transport.

A total of 79.3km of new cycling infrastructure was added to the network, including 61.8km delivered as part of the Urban Cycleways Programme. With local and regional councils, we worked to increase patronage of public transport by investing in public transport services, technology, facilities and infrastructure.

Transport is an essential part of daily life for everyone in New Zealand, and it's critical to our nation's growth and prosperity.

[2] The annual report for the National Land Transport Fund details the results of this investment. See from page 173.

Responding to the government's priorities in the Government Policy Statement on Land Transport 2018/19 – 2027/28 was a major focus for the year. We worked closely with the Ministry of Transport and local and regional councils to develop the 2018–21 National Land Transport Programme, shaping a record $16.9 billion of investment in New Zealand's transport system from the National Land Transport Fund, local government and the Crown.

Our transformation and a new government have meant we've had to manage, adapt and respond to a lot of change this year. While our indicator of organisational efficiency increased, our indicators of effectiveness and culture were affected. With the first year of our change programme complete, we are working to improve these results.

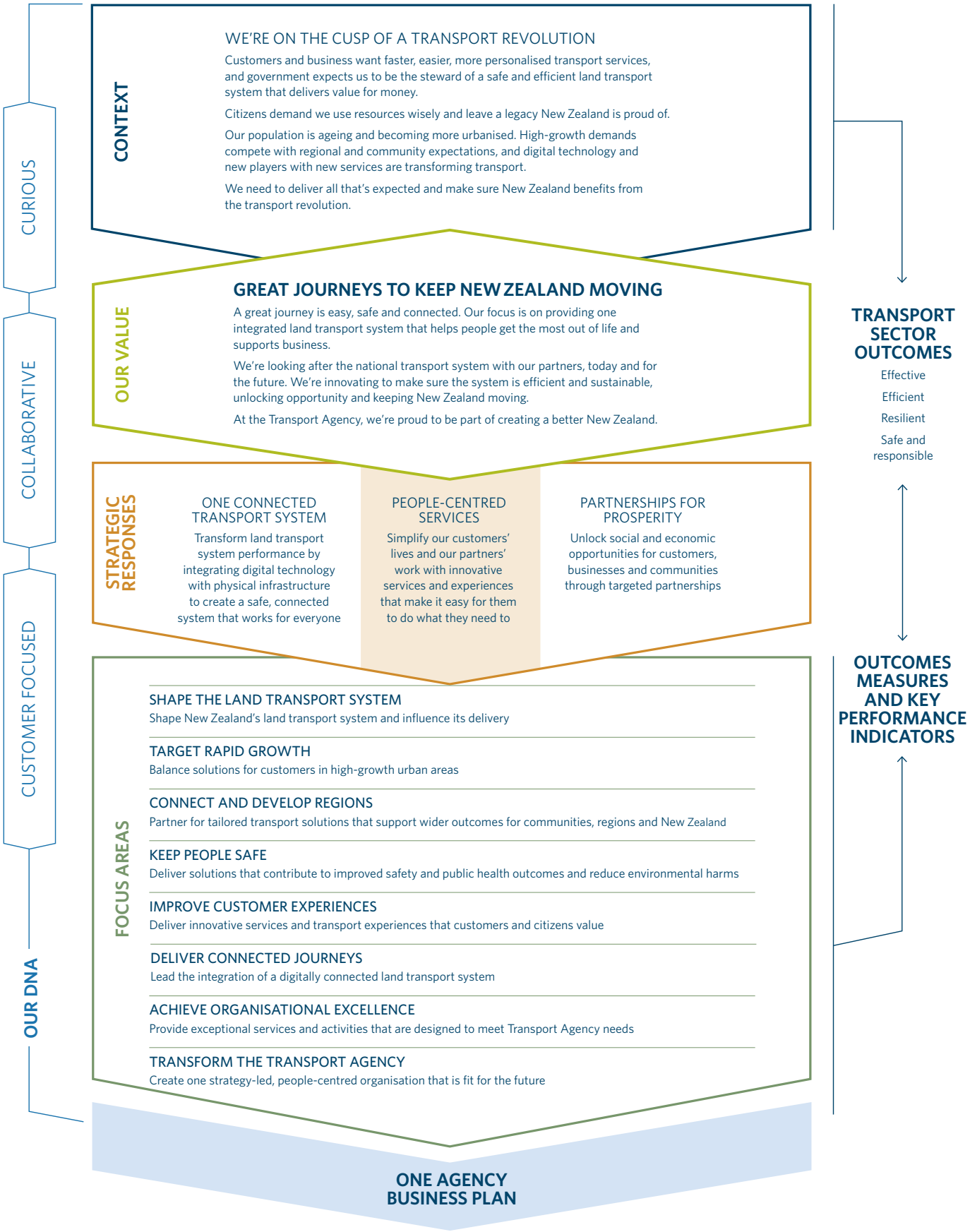
Over the coming year, we'll focus on making the most of our new ways of working and being clear about how we create a safer, more accessible, sustainable and affordable transport system for New Zealand.

FERGUS GAMMIE
Chief Executive

SECTION B

DELIVERING OUR STRATEGY

OUR STRATEGY IN 2017/18



OUR CONTEXT – We're on the cusp of a transport revolution

Our context describes drivers of change in our operating environment, including long-term trends and government priorities for land transport investment and for New Zealand. Our current context is one of change and disruption that is revolutionising the transport system.

Our strategy positions us to respond to our context and to make sure everyone benefits from the transport revolution.

OUR VALUE – Great journeys to keep New Zealand moving

Our value is an enduring statement of why we do what we do. With national scale, regional presence and a wide set of functions, we are uniquely placed to partner with others for a transport system that keeps New Zealand moving.

STRATEGIC RESPONSES

Our strategic responses – a system response, a service response and a community response – describe the three big changes we need to make in the next five years to respond to our context, deliver value for customers and citizens, and ensure everyone benefits from the transport revolution.

One connected transport system

We're moving from transport network thinking to system thinking. We will be integrating digital and physical infrastructure to deliver a smart, safe and connected transport system that works for everyone. We'll be harnessing technology to transform the performance of the land transport system and the customer experience.

People-centred services

We're shifting from an inside-out view that addresses our processes and products, to an outside-in and customer insight-led view so we work with customers and partners to make it simpler for them to do what they need to.

Partnerships for prosperity

We're extending our focus from transport outcomes to a 'whole-of-government' view, leveraging transport system resources to drive wider social, economic and environmental outcomes. We will target partnerships where the transport system can unlock opportunities for people and communities.

FOCUS AREAS – MAKING THE THREE CHANGES

Our eight focus areas describe what we will do to make the changes signalled by our strategic responses. Each focus area has one customer-focused outcome and one or more key performance indicators to measure progress.

Through our focus area *Shape the land transport system* we will work with partners and stakeholders to ensure transport sector decision-making, investment, and regulatory and policy interventions are based on a shared, long-term and evidence-based view of the land transport system. This focus area sets the overall direction for all our activities. *Target rapid growth* recognises that a new approach is needed to keep our growing urban areas moving. *Connect and develop regions* recognises that regional challenges and needs are different and that transport is a key enabler of wider outcomes. *Keep people safe* provides specialist direction for safety. *Improve customer experiences* recognises that we need to use customer insight to provide customers with more flexible, innovative and easy-to-use services and processes. *Deliver connected journeys* aims to harness existing and new technologies to deliver more for customers and get the best out of the transport system.

Two focus areas address what the Transport Agency needs to do internally to ensure it can deliver its strategy. *Achieve organisational excellence* focuses on ensuring we have the right people, systems and processes to deliver for customers and New Zealand. *Transform the Transport Agency* provides a short, sharp focus for embedding the new ways of working, thinking and behaving required for us to deliver our strategy.

DEFINITIONS

In our strategy we refer to customers and citizens – both are important to us.

'Citizen' reminds us that we are here to serve people and get the best return on their investment in government.

'Customer' reminds us that the experience people have of New Zealand's transport system is defined by individual touch-points and how well these are designed to meet customer needs.

Customer

When we say 'customers' we mean people who:

- are directly experiencing our products or services
- tell us how we're doing and how we can improve our service delivery
- interact with us for a specific purpose and period.

Citizen

When we say 'citizens' we mean people:

- in the wider community who are entitled to a return on their investment in government
- who have a say in what we do and who hold us to account on our overall outcomes
- who we (as part of the government) are here to serve
- with whom we aim to have an enduring relationship.

Stakeholders

When we say 'stakeholders' we mean a person, group or organisation that has an interest or can either affect or be affected by the Transport Agency's actions.

Our stakeholders connect with us through a variety of roles, whether as partners, suppliers, industry representatives, customers or citizens (or a combination of these roles).

OUR PROGRESS THIS YEAR

This section reports our performance against our *Statement of intent 2017–21* and *Statement of performance expectations 2017/18*.

INTEGRATED PERFORMANCE INFORMATION

This year's annual report integrates strategic performance information (for our focus areas) with performance information for our output classes (the activities we are funded to deliver and the activities that we invest in using the National Land Transport Fund).

Under each focus area is a performance summary, followed by detailed results on key performance indicators, significant activities and output classes. Not every focus area is connected to output classes, but all of our output classes contribute in some way to our focus areas.

The following information forms our statement of performance (required under section 153 of the Crown Entities Act 2004).

Road policing (for which New Zealand Police is responsible) is reported on in the annual report for the National Land Transport Fund, which starts on page 171.

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

WHAT ARE WE AIMING FOR?

Through *Shape the land transport system* we aim to develop a clear, shared and integrated view of New Zealand's land transport system with our partners and then identify and enable the main changes to realise that shared view. Our approach to planning and investing in the land transport system is unified, and our focus extends beyond physical infrastructure interventions.

PERFORMANCE SUMMARY: WHERE DID WE GET TO?

Collaboration with our partners is essential to our success in this focus area and understanding our partner experience is the focus of its key performance indicator. As part of developing a stakeholder engagement strategy (detailed under *Achieve organisational excellence*, page 58), we are reviewing this key performance indicator, so data is not available this year.

The Transport Agency leads and develops several instruments that shape the land transport system. The long-term view provides a clear, shared and integrated view of New Zealand's land transport system, and the National Land Transport Programme sets out how we will use the National Land Transport Fund to deliver on the government's priorities for land transport (set out in the Government Policy Statement on Land Transport). The annual report for the National Land Transport Fund starts on page 173.

The long-term strategic view informed regional land transport plans and laid the foundations for the National Land Transport Programme, but it was updated later than planned to align with the release of the new Government Policy Statement on Land Transport on 28 June 2018. We also began co-creating a second version of the long-term view with the Ministry of Transport and local government.

Responding to the new direction in the government policy statement has been a major focus this year. In preparing the 2018–21 National Land Transport Programme, we worked closely with local, regional and unitary authorities and other approved organisations, the Department of Conservation and the Waitangi Trust, to develop a programme of national and regional activities that responds to the policy statement and ensures our transport system meets the needs of all New Zealanders now and in the future.

Through our investment management activities, we aim to maximise the benefit of the National Land Transport Programme for New Zealand. The performance measures for this output class focus on the management of the National Land Transport Fund. They include the proportional cost of managing the fund, delivered within the annual target of no more than 1 percent, and the proportion of operational assurance activities completed, which was 98 percent (all but one planned audit).

The revenue generated from road user charges goes into the National Land Transport Fund to deliver the National Land Transport Programme and supports all our investment in the land transport system. Unit transaction costs (that is, the cost to the Transport Agency of delivering each transaction) were well within target, and demand for products and services outstretched our forecast with 1.3 million more products and services requested this year.

SHAPE THE LAND TRANSPORT SYSTEM HAS:

1 key performance indicator
page 12

3 significant activities
page 14

3 output classes
pages 15-18

KEY PERFORMANCE INDICATOR

DATA NOT AVAILABLE

PARTNER EXPERIENCE[1]
Index of collaborative relationship process maturity

[1] For technical notes, see appendix 2, page 159. This key performance indicator is under review. We are developing our stakeholder engagement strategy, which will inform how we robustly measure our progress.

STRONG PARTNERSHIPS SHAPE FUTURE TRANSPORT SYSTEMS

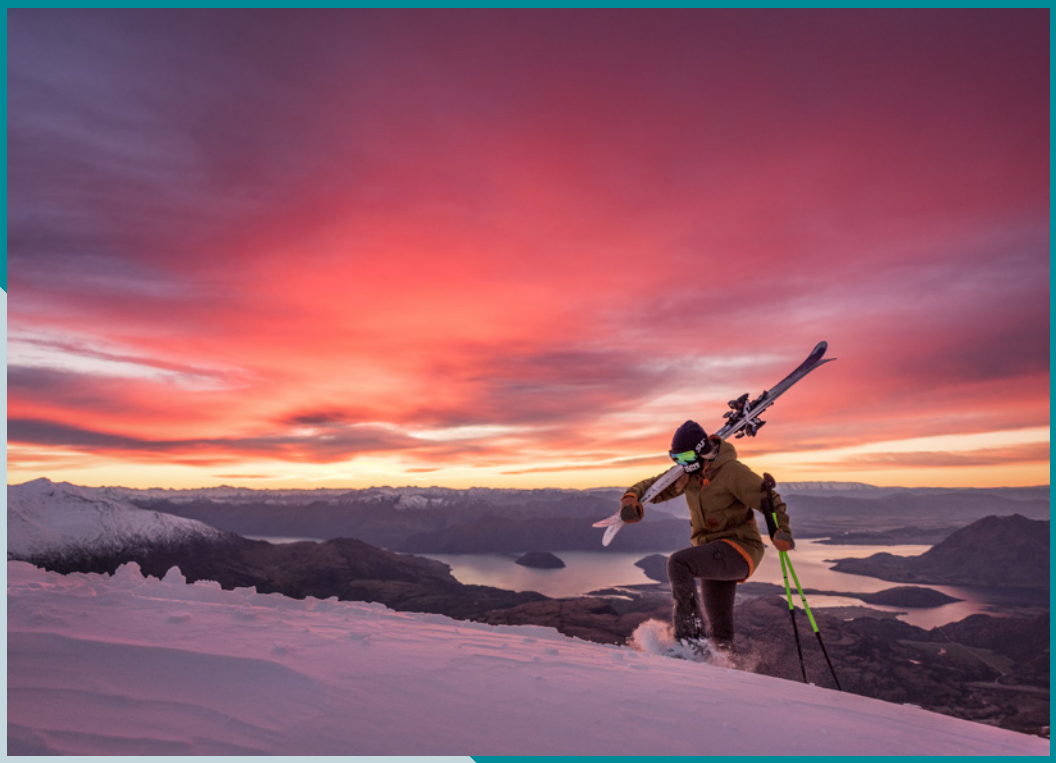
The single best move to address Queenstown's growth problems has been the establishment of the Queenstown Transport Governance Group, says Queenstown Mayor Jim Boult.

As a partnership between the Transport Agency, Queenstown Lakes District Council, Otago Regional Council and Queenstown Airport, the governance group has worked to identify and address the transport issues facing New Zealand's tourist mecca.

Significant progress was made in 2017/18 to improve traffic flows and reduce congestion in and around Queenstown through improved network capacity, a new $2 fare subsidised bus service, and the use of technology, such as the Choice app, which allows customers to book their preferred mode of transport and track their journey in real time. There is also an agreed future approach for the next phase of work, and the group is already thinking about the town's needs in 2050.

The partners agree that what has been achieved would not have been possible without a coordinated approach and looking at the whole transport system, including walking and cycling and using the lake: 'that great free highway which requires no maintenance'.

Mayor Boult says they're already talking about gondolas and monorails: 'While it might seem Buck Rogers in the 21st century now, in 20 to 30 years' time it may just well be the most logical solution.'



DETAILED RESULTS: SIGNIFICANT ACTIVITIES

Creating a clear, shared, long-term view of the transport system

During the year, significant work was carried out to develop a clear, shared and integrated view of New Zealand's land transport system. We progressed the long-term strategic view action plan, including how it would help shape and inform the regional land transport plans and the 2018–21 National Land Transport Programme, and completed the strategic context for the first version of the long-term view. Co-creation of the second version of the long-term view is under way.

Working with our partners to give effect to the new Government Policy Statement on Land Transport

We worked closely with the Ministry of Transport and local and regional councils to develop the 2018–21 National Land Transport Programme, published on 31 August 2018, and give effect to the new direction signalled in the Government Policy Statement on Land Transport. We enhanced our capability to review regional land transport plans and to assess and prioritise activities proposed for inclusion in the National Land Transport Programme. We revised the Investment Assessment Framework and developed a way to capture the benefits realised from these investments in Transport Investment Online, our main tool for managing investment in the transport system.

We helped shape the development of regional land transport plans by establishing a support model for partners, providing tailored messages for each regional transport committee and delivering online learning modules about the National Land Transport Programme and the business case approach to over 500 users.

Preparing to enact rules for safe speeds

During the year, we prepared the Setting of Speed Limits Rule to establish a new speed-setting mechanism focused on assisting road controlling authorities to set safe and appropriate speed limits in areas where the most impact can be made. The rule was signed by the previous Minister of Transport and came into effect in September 2017. Work then continued to put this new rule into force.

	THIS YEAR'S SIGNIFICANT ACTIVITIES	RESULT
1.1	Lead the co-creation of a long-term strategic view of New Zealand's land transport system that all of our partners can easily access to inform their decision-making.	DEFERRED TO ACCOMMODATE GPS
	The long-term strategic view was used to inform regional land transport plans and the 2018–21 National Land Transport Programme. The update was deferred as the Transport Agency and partners responded to a new Government Policy Statement on Land Transport. Work has begun on the co-creation of the second version, now called the long-term view, with the Ministry of Transport and local government.	
1.2	Develop the 2018–21 National Land Transport Programme with a revised Investment Assessment Framework that gives effect to the Government Policy Statement on Land Transport, including: • an increased focus on resilience • support for housing development • use of technology to improve the realisation of benefits • clarification of the contribution of the National Land Transport Fund to reducing environmental harms.	DEFERRED TO ACCOMMODATE GPS
	The development of the 2018–21 National Land Transport Programme was deferred to align with the new Government Policy Statement on Land Transport, which represents a significant change in transport priorities. The Investment Assessment Framework was revised in June 2018 to align with the new policy statement, and the 2018–21 National Land Transport Programme was published on 31 August 2018.	
1.3	Prepare and draft the Setting of Speed Limits Rule and Driver Licensing Amendment Rule for signature by the Minister of Transport.	ACHIEVED

DETAILED RESULTS: OUTPUT CLASSES

output class

INVESTMENT MANAGEMENT

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

What do we do?

Through investment management we maximise the overall benefit of the National Land Transport Programme for New Zealand. The investment management output class covers the cost of the Transport Agency:

- developing and managing the National Land Transport Programme efficiently
- developing a shared view of planning and investing with our investment partners
- providing policy advice to the government.

To do this we invest in, provide guidance or influence:

- regional land transport plans
- land transport activity management plans, regional public transport plans, road safety action plans and procurement strategies
- programme business cases for approved organisations' land transport investments and for our own investments in the state highway network
- transport models
- land transport research.

What were our big achievements?

This year, we managed funding decisions and monitored and reported on the delivery of the 2015–18 National Land Transport Programme within our target of no more than 1 percent of the programme's expenditure.

At the same time, we spent considerable effort developing the 2018–21 National Land Transport Programme to align transport investments with the new Government Policy Statement on Land Transport. This included providing regional and local councils, New Zealand Police and KiwiRail (in consultation with stakeholders) with guidance, such as the revised Investment Assessment Framework, and assistance to develop and evaluate plans and programmes being put forward for the National Land Transport Programme.

Our research programme supports transport policy and the development and evaluation of plans and programmes that form the National Land Transport Programme. This year, we published 25 research reports addressing topics such as economic analysis, environmental impacts, assets management, technology developments and safety.

We worked with Auckland Transport, Auckland Council and other stakeholders on refreshing the Auckland Transport Alignment Project to identify funding for this investment programme and on updating the evidence base for our long-term view of New Zealand's land transport system.

How did we perform?

We achieved four of our seven performance targets for investment management and one result was not applicable this year. For technical notes, see appendix 2, page 159.

INVESTMENT PERFORMANCE	ACTUAL 2016/17	ACTUAL 2017/18	TARGET 2017/18	VARIANCE	RESULT
Total cost of managing the funding allocation system as a % of the National Land Transport Programme expenditure	1%	0.91%	≤ 1%	-0.09%	ACHIEVED
% of activities completed to agreed standards and timeframes (investment management)	100%	100%	100%	-	ACHIEVED
% of operational assurance activities completed	93%	98%	100%	-2%	NOT ACHIEVED
We completed 39 of the 40 audits planned for the year. The uncompleted audit was due to an agreed rescheduling.					
% of activities that are delivered to agreed standards and timeframes (transport planning)	75%	65%	≥ 90%	-25%	NOT ACHIEVED
Transport planning occurs in the lead up to developing a business case. We are working to improve our forecasting of both time and cost elements of this measure.					
% of activities that are delivered to agreed standards and timeframes (sector research)	98%	100%	≥ 90%	10%	ACHIEVED
Average number of days to deliver	11.4	17.2	≤ 20	2.8	ACHIEVED
% customer satisfaction (approved organisations and stakeholders)	Not available[1]		New measure	-	NOT APPLICABLE

[1] No stakeholder survey was undertaken this year.

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	VARIANCE 2017/18 $000	ACTUAL 2016/17 $000
Income	60,743	62,241	(1,498)	61,553
Expenditure	60,743	62,241	1,498	61,553
Net surplus/(deficit)	0	0	0	0

Investment management expenditure was $1.5 million (2.4 percent) below budget. This underspend was due to lower than planned expenditure on the sector research programme.

Offsetting variances from budget also occurred. There was more effort on planning activities to respond to the new Government Policy Statement on Land Transport and fewer resources were required for investment management activities. Transport planning expenditure by approved organisations was higher than budget as they also responded to the new Government Policy Statement on Land Transport.

output class

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

What do we do?

Through road user charges (RUC) collection, investigation, and enforcement we:

- collect revenue by selling RUC licences and refund RUC
- investigate evasion and enforce payment of RUC
- inform and advise the public about RUC.

The revenue from RUC goes into the National Land Transport Fund to deliver the National Land Transport Programme, supporting all of our investment in the land transport system.

What were our big achievements?

This year, we made it possible to make refunds using direct credit rather than posting bank cheques, creating a better service for our customers.

How did we perform?

We achieved all three performance targets for road user charges collection, investigation and enforcement. For technical notes, see appendix 2 on page 159.

INVESTMENT PERFORMANCE	ACTUAL 2016/17	ACTUAL 2017/18	TARGET 2017/18	VARIANCE	RESULT
Unit transaction costs	$4.05	$3.69	≤ $5.50	$1.81	ACHIEVED
% of transactions completed online	63%	66%	≥ 65%	1%	ACHIEVED
Number of products or services delivered or processed	3.9m	4.3m	≥ 3m	1.3m	ACHIEVED

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	VARIANCE 2017/18 $000	ACTUAL 2016/17 $000
Income	16,993	17,300	(307)	16,639
Expenditure	17,487	17,502	15	15,948
Net surplus/(deficit)	(495)	(202)	(293)	691

The road user charges output class recorded a net deficit of $0.5 million. The deficit was higher than planned due to lower income from RUC transaction fees, which was below budget by $0.3 million. Appropriations were as budgeted.[2]

Expenditure was close to budget despite lower volumes than planned. Expenditure was significantly higher than in 2016/17 because improvement programmes that were initially planned for last year (such as the ability to make refunds through direct credit) were carried out in 2017/18.

[2] RUC income has three revenue streams: RUC transaction fees (collected through third parties) and two appropriations, one that covers the costs of administering investigation and enforcement activity and one that covers the cost of administering RUC refunds.

output class

REFUND OF FUEL EXCISE DUTY

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

What do we do?

On behalf of the Ministry of Transport, we record, refund and account for fuel excise duty refund applications. Refund of this duty is an adjunct to the collection of the duty and is provided for under the Land Transport Management Act 2003. While the ability to make refunds makes no direct contribution to a Transport Agency focus area, it is included under *Shape the land transport system* as the area with the widest focus on the transport system.

What were our big achievements?

This year, we simplified the process for agents claiming fuel excise duty rebates on behalf of their customers by making it possible to transfer files electronically. We also improved our processes to remove double handling and unnecessary steps.

How did we perform?

We did not achieve our targets for refund of fuel excise duty this year. For technical notes, see appendix 2, page 159.

INVESTMENT PERFORMANCE	ACTUAL 2016/17	ACTUAL 2017/18	TARGET 2017/18	VARIANCE	RESULT
Average number of days to deliver	Not applicable[1]	23.4 days	≤ 20 days	+3.4 days	NOT ACHIEVED
The average days to deliver fuel excise duty refunds was above target due to a 14 percent increase in the number of applications.					
Number of products or services delivered or processed	71,668	81,570	≥ 130,000	-48,430	NOT ACHIEVED
Our 2017/18 target included all fuel excise duty activities, but the actual volumes reported are for only refund processing. The target is being reviewed for 2018/19.					

[1] The 2016/17 result was based on a different definition of the refund process and is not comparable with the 2017/18 result.

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	VARIANCE 2017/18 $000	ACTUAL 2016/17 $000
Income	785	823	(38)	1,161
Expenditure	785	823	38	1,161
Net surplus/(deficit)	0	0	0	0

Refund of excise duty expenditure was $38,000 (4.6 percent) below budget and significantly lower than in 2016/17. In 2016/17, expenditure was higher because temporary staff were hired to address a backlog of queried claims and assist with the general processing of claims until the refund process was redesigned.

TARGET RAPID GROWTH

Deliver balanced solutions for customers in high-growth urban areas

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

WHAT ARE WE AIMING FOR?

Through *Target rapid growth* we aim to significantly change the way people and businesses in high-growth urban areas manage their transport needs. This means balancing new infrastructure with travel demand management and network optimisation that make the most of digital technologies and travel information.

PERFORMANCE SUMMARY: WHERE DID WE GET TO?

We measure progress toward our outcome of improved customer experience of travel through measures of productivity, travel-time predictability and accessibility.

Our productivity measure (that is, the proportion of the urban network's capacity being used) was relatively stable with a slight decrease from 55 percent to 52 percent. Travel-time predictability in Auckland, Wellington and Christchurch improved this year, increasing to 68 percent overall.

We introduced a new indicator for accessibility: the proportion of people in major urban centres within 500m walking distance of a frequent public transport service. With a baseline of 30 percent, we expect performance to improve as new public transport networks are delivered.

Achievements this year included partnering to report on the potential use of road pricing as a demand management tool in Auckland, agreeing to establish the Auckland Technology Transformation Group and improving mobility in and around Queenstown.

Through state highway improvements, we manage and invest in infrastructure to improve travel and safety on the network. Significant infrastructure included the Waikato Expressway and Auckland's northern and southern corridor improvements, and the Auckland Transport Package. Travel times on state highways serving Auckland, Wellington and Christchurch were maintained. However, productivity decreased, primarily due to road works.

State highway maintenance includes managing and investing in the maintenance and operation of the state highway network. We measure the quality of the network, including surface texture standards, safe stopping conditions, smooth ride conditions and network rutting (long, shallow channels generally found in wheel paths). Most targets were achieved. However, hotter than usual conditions temporarily affected some components of skid threshold measures. Severe weather events also negatively affected our measure of resilience, being the proportion of unplanned state highway closures resolved within 12 hours. However, customer satisfaction with state highways improved to 5 percentage points above target.

Through walking and cycling investments, delivery of the Urban Cycleways Programme continued, focusing on implementing primary corridors in strategic walking and cycling networks in major metropolitan and high-growth areas. A total of 79.3km of new cycling infrastructure was added to the network, including 61.8km delivered as part of the Urban Cycleways Programme.

With local and regional councils, we are working to increase patronage of public transport by investing in public transport services, technology, facilities and infrastructure. The number of passengers using public transport increased about 3 percent this year to 158 million. The SuperGold cardholders' scheme provides more transport choices for older people and improves the use of public transport during off-peak hours. SuperGold trips increased 6 percent to 13.7 million.

TARGET RAPID GROWTH HAS:

3 key performance indicators
pages 21–22

6 significant activities
pages 23–24

5 output classes
pages 24–33

KEY PERFORMANCE INDICATORS

52%
A DECREASE OF 3 POINTS

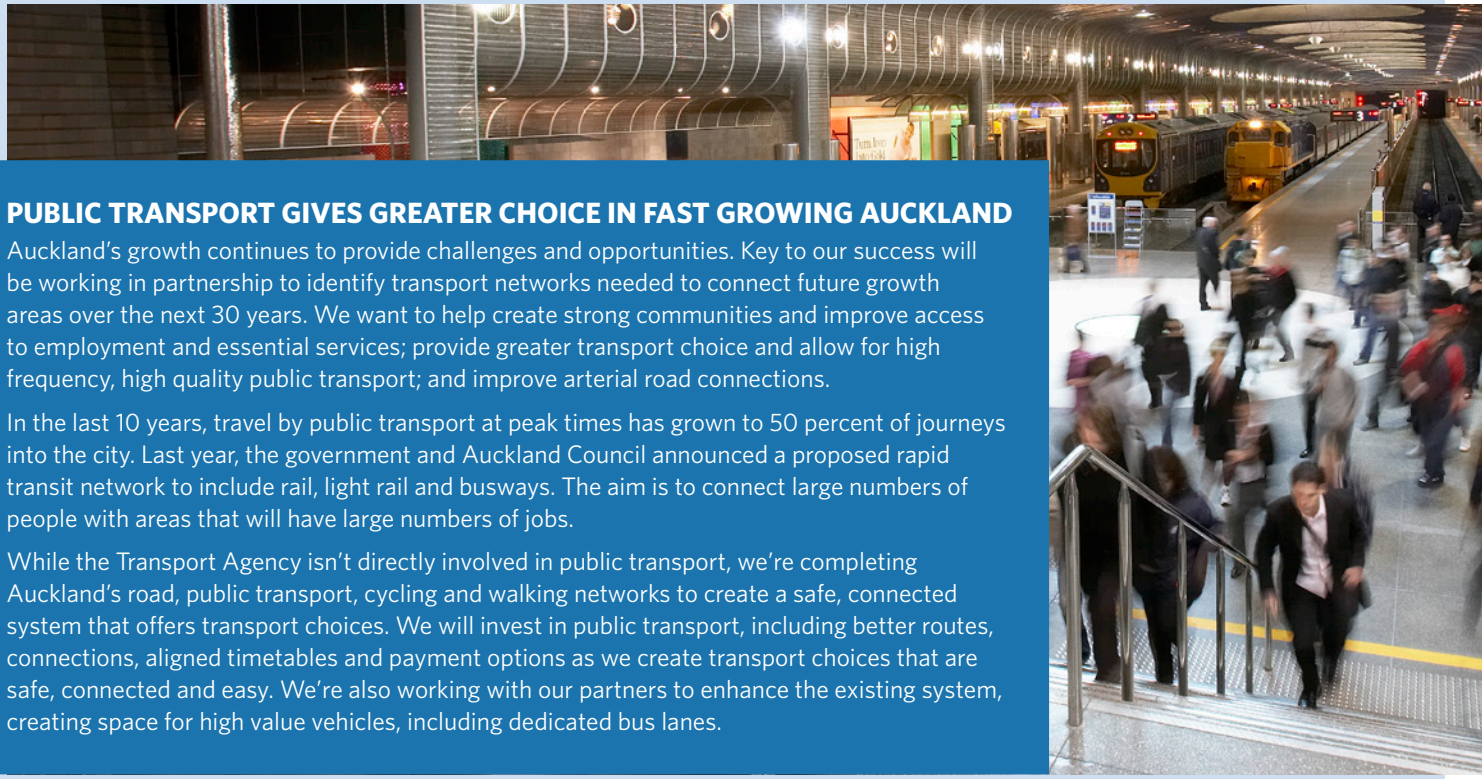
PRODUCTIVITY
Capacity of urban network being used

BASELINE 30%
WAS ESTABLISHED

ACCESSIBILITY
Proportion of people with access to frequent public transport services in Auckland, Wellington and Christchurch

68%
AN INCREASE OF 1 POINT

TRAVEL-TIME PREDICTABILITY
Urban journeys that took a predictable time



PUBLIC TRANSPORT GIVES GREATER CHOICE IN FAST GROWING AUCKLAND

Auckland's growth continues to provide challenges and opportunities. Key to our success will be working in partnership to identify transport networks needed to connect future growth areas over the next 30 years. We want to help create strong communities and improve access to employment and essential services; provide greater transport choice and allow for high frequency, high quality public transport; and improve arterial road connections.

In the last 10 years, travel by public transport at peak times has grown to 50 percent of journeys into the city. Last year, the government and Auckland Council announced a proposed rapid transit network to include rail, light rail and busways. The aim is to connect large numbers of people with areas that will have large numbers of jobs.

While the Transport Agency isn't directly involved in public transport, we're completing Auckland's road, public transport, cycling and walking networks to create a safe, connected system that offers transport choices. We will invest in public transport, including better routes, connections, aligned timetables and payment options as we create transport choices that are safe, connected and easy. We're also working with our partners to enhance the existing system, creating space for high value vehicles, including dedicated bus lanes.

DETAILED RESULTS: KEY PERFORMANCE INDICATORS

For technical notes, see appendix 2, page 159.

MEASURE	KEY PERFORMANCE INDICATOR	2017/18 DESIRED TREND	2017/18 ACTUAL	2017/18 ACTUAL (INDEXED)	VARIANCE
Productivity	Index of network productivity	Maintain baseline 55%	Decreased 52%	95	-3%
Our productivity measure describes how much of the capacity of the urban road network is being used in March each year. Capacity is measured by the speed and flow of vehicles on the urban network. It remained relatively stable this year, with a small decrease compared with the March 2016 baseline.					
Accessibility	Proportion of people with access to frequent public transport services in Auckland, Wellington and Christchurch	Set baseline (to increase in 2018/19)	30%	Not applicable	Not applicable
Our accessibility measure is a new measure and focuses on Auckland, Wellington and Christchurch. We expect accessibility to increase as new public transport networks are delivered. This indicator will also be influenced by urban development, particularly by the location of housing. If populations grow in areas with frequent public transport, then this indicator will increase. If populations grow outside those areas, this indicator will decrease.					
Travel-time predictability	Index of travel-time predictability	Maintain Baseline 67.4%[2]	Increased 68%	101	+1%

Overall, the percentage of road trips in the urban centres of Auckland, Wellington and Christchurch that took a predictable time to complete increased slightly. Data for this measure is gathered in March, the heaviest time of the year for traffic.

Travel-time predictability in Auckland increased by 4 percent in the last two years with the opening of the Waterview Tunnel in July 2017. We expect travel-time benefits from the project to be fully realised much later as ongoing roadworks remain, including the Auckland Manukau Eastern Transport Initiative and the State Highway 20 to Papakura and State Highway 20A Kirkbride Road, Southern Motorway (State Highway 1 from Manakau to Papakura) and City Rail Links projects.

Predictability in Wellington was relatively steady at 71 percent (from 70 percent in 2016).

In Christchurch, travel-time predictability decreased from 74 percent in March 2016 to 71 percent this year. This decrease, however, is a significant improvement from 65 percent in the previous year because of travel disruptions following the Kaikōura earthquake. The recovery in travel-time predictability this year was a result of the reduction of roadworks as Stronger Christchurch Infrastructure Rebuild Team activities shifted to mostly underground works on smaller local roads and the completion of State Highway 1 Belfast Bypass and increased speed limits along State Highway 76 between State Highway 74A and Lyttelton Tunnel.

[1] 'Frequent' is defined as scheduled for at least every 15 minutes during the weekday peak period (from 7am to 9am).

[2] This figure has been adjusted from the published baseline of 69.7% in the *Statement of performance expectations 2017/18*. Because data on travel time predictability for public transport was not available, we could not produce the 2017/18 result using the same method as used for the baseline figure. We have adjusted our method and the baseline to exclude public transport, and work is under way to identify appropriate public transport data.

DETAILED RESULTS: SIGNIFICANT ACTIVITIES

Optimising Auckland's transport system

We collaborated with the Ministry of Transport and Auckland Transport to report on the potential use of road pricing as a demand management tool in Auckland. We are providing governance support and are actively involved in the policy and technical analysis of potential congestion pricing options for Auckland. This analysis takes into account the shifting context of the Auckland Regional Fuel Tax and planned increases in fuel excise duty and RUC.

In conjunction with Auckland Transport and the Auckland Council, we developed a traffic management and investment prioritisation framework for Auckland that can also be applied to other urban areas. We also worked with Auckland Transport to focus on ways to optimise Auckland's existing transport system to improve the performance of key urban routes and provide customers with predictable and reliable journeys.

Harnessing technology

In conjunction with Auckland Transport, we agreed to establish the Auckland Technology Transformation Group. This group aims to improve customer experiences by enabling Auckland's transport system to use advances in digital technology and prepare the city for advances in vehicle technologies. A road map will be developed to guide the delivery of digital transport systems in the regions.

Improving Queenstown traffic flow

The first of three projects to improve mobility in and around Queenstown was completed by the Queenstown Transport Governance Group, which is a partnership between the Transport Agency, Queenstown Lakes District Council, Otago Regional Council and Queenstown Airport. These projects will improve traffic flows and relieve congestion, as well as promote the use of public transport and make walking and cycling easier. We are also working with the Queenstown Lakes District Council on land-use development to support better transport choices.

Delivering major transport infrastructure

We continued to deliver important highways across the country, such as the Waikato Expressway, Western Ring Route and Auckland's northern and southern corridor improvements, and the Auckland Transport Package.

We also focused on implementing walking and cycling infrastructure on primary corridors in strategic walking and cycling networks in major metropolitan and high-growth areas, particularly Auckland, Wellington, Christchurch, Hamilton, Queenstown and Whāngārei. These projects aim to improve safety for people walking and cycling and increase travel choices, in particular, to access social and economic opportunities.

	THIS YEAR'S SIGNIFICANT ACTIVITIES	RESULT
2.1	Support the Ministry of Transport in its role to investigate the introduction of road pricing as a demand management tool in Auckland.	ACHIEVED
2.2	Develop a framework in conjunction with Auckland Transport that uses traffic management and investment prioritisation to improve the productivity and flow of agreed urban routes in Auckland and that could be applied to other urban areas.	ACHIEVED
2.3	Establish the Auckland Technology Transformation Group in conjunction with Auckland Transport and agree a roadmap for delivering digital transport systems in the region.	ACHIEVED

2.4	Lead the design and development of businesses cases for transport interventions identified by the Auckland Transport Alignment Project.	ACHIEVED
2.5	Deliver significant capital projects to schedule (including the Roads of National Significance and Urban Cycleways Programmes).	SUBSTANTIALLY ACHIEVED
	Capital projects that contribute to *Target rapid growth* ran largely to schedule this year. Two of the Roads of National Significance projects were behind schedule: public consultation on the Warkworth to Wellsford section of Pūhoi to Wellsford was paused because of the new Government Policy Statement on Land Transport and poor weather delayed the Hamilton section of the Waikato Expressway. Under the Auckland Transport Package, State Highway 20A to Airport was substantially completed. Progress on delivering the Urban Cycleways Programme has been slower than planned, particularly in the large urban centres where reprioritisation and the need to align with other projects has caused delays. Appendix 1, page 152 provides further detail on individual projects.	
2.6	Develop a programme of activities to provide travel choices to customers in areas under pressure from growth.	ACHIEVED

output class

STATE HIGHWAY IMPROVEMENTS

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

State highway improvements also contribute to the *Connect and develop regions* (page 34) and *Keep people safe (page 44)* focus areas.

What do we do?

Through state highway improvements, we manage and invest in infrastructure (roads, roadsides, and walking and cycling facilities), in socially and environmentally responsible ways, to reduce the number and severity of crashes and improve travel on the network. This contributes to reducing congestion, enabling more efficient freight supply chains, and creating a safer, more resilient transport system.

What were our big achievements?

Most of our state highway programme ran to plan this year. (For more detail, see appendix 1, page 152.)

Construction ran on or ahead of schedule for three of the four Auckland Transport Package projects. Five of the six improvement projects initiated under the Roads of National Significance Programme were on or ahead of schedule. These included:

- starting construction on the Pūhoi to Warkworth section of Pūhoi to Wellsford
- making good progress on the construction of the Lincoln to Westgate section of the Western Ring Route
- opening the Rangiriri section of the Waikato Expressway while continuing construction on the Huntly and Hamilton sections and the final section (Longswamp)
- continuing construction on the Transmission Gully section and starting construction on the Peka Peka to Ōtaki section of the Wellington Northern Corridor
- opening, on Christchurch Motorways, the Western Belfast Bypass and Harewood Road to Yaldhurst Road to traffic and continuing construction on the Southern Motorway Stage 2 and the Northern Corridor.

We also delivered over 800 minor improvements (now known as low-cost, low-risk projects), a 30 percent increase from last year. These projects are subject to a simpler and faster assessment process, so we can respond quickly to transport issues. Of these projects, more than 75 percent focused on improving safety.

How did we perform?

We did not achieve our target for state highway improvements.
For technical notes, see appendix 2, page 159.

SERVICE DELIVERY	ACTUAL 2016/17	ACTUAL 2017/18	TARGET 2017/18	VARIANCE	RESULT
% of activities delivered to agreed standards and timeframes	85%	86%	≥ 90%	-4%	NOT ACHIEVED

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 (for example, the Hamilton section of the Waikato Expressway, where poor weather and saturated ground conditions in two consecutive construction seasons has resulted in significant delays and the loss of an earthworks season).

There were also some delays to the start of new projects, mainly due to the change in government and the need to align the Transport Agency Investment Proposal with the new Government Policy Statement, which required a re-evaluation of some projects' scope against the statement's objectives (for example, Warkworth to Wellsford, East West Link and Ōtaki to Levin). The re-evaluation will be undertaken and completed by December 2018. Progressing through the early phases (planning, designing and consenting) of projects continued to present challenges and remains an important focus.

Four of our seven investment measures achieved the desired trend or target. For technical notes, see appendix 2, page 159.

INVESTMENT PERFORMANCE		ACTUAL 2016/17	ACTUAL 2017/18	TARGET 2017/18	VARIANCE	RESULT
Average travel times on key state highways serving major metropolitan areas (morning peak)			Maintained[1]	Maintaining[2]		
	Auckland	1.1 min/km	1.1 min/km	1.1 min/km	-	ACHIEVED
	Wellington	1.2 min/km	1.2 min/km	1.2 min/km	-	ACHIEVED
	Christchurch	1.4 min/km	1.3 min/km	1.4 min/km	-0.1min/km	ACHIEVED
Productivity of the state highway network in major metropolitan areas (morning peak)			Decreased	Maintaining		
	Auckland	59%	59%	≥ 62%	-3%	NOT ACHIEVED
	Wellington	63%	60%	≥ 63%	-3%	NOT ACHIEVED
	Christchurch	33%	34%	≥ 35%	-1%	NOT ACHIEVED

Productivity measures how much of the capacity of the urban road network is being used by comparing the actual speed and flow of traffic with the optimal speed and flow of traffic. Overall, targets in Auckland, Wellington and Christchurch were not met.

Productivity in Auckland remained at 59 percent. In Wellington, productivity decreased due to increased traffic leading to the Basin Reserve and Mt Victoria Tunnel and through Ngāūranga Gorge due to roadworks. Productivity also decreased between Paekakariki and Pukerua Bay and on State Highway 2 in Upper Hutt around Moonshine Road. In Christchurch, while productivity was slightly below target, travel speed in several locations increased, particularly along State Highway 1 and 74 in the vicinity of the new Belfast Bypass and north of the Lyttelton Tunnel.

% of state highways available to high productivity motor vehicles	49%	62%[3]	≥ 45%	-	ACHIEVED

[1] 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.

[2] The targets for Wellington and Christchurch were interchanged in the NZ Transport Agency *Statement of performance expectations 2017/18*. We are reporting against the correct targets here.

[3] The data source changed, so this result is not comparable to that in the previous year.

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	VARIANCE 2017/18 $000	ACTUAL 2016/17 $000
Income	1,809,357	1,862,257	(52,900)	1,465,576
Expenditure	1,809,357	1,862,257	52,900	1,465,576
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:

- depreciation and state highway write offs of $393.3 million (2016/17: $378.1 million)
- assets vested to local authorities of $0 million (2016/17: $18.4 million)
- other expenses of $4.7 million (2016/17: $2.1 million).

State highway improvements expenditure was $53 million (3 percent) below budget, primarily driven by programme slippage on the Waikato Expressway as a result of poor weather, the Wellington Northern Corridor, due to delays in securing several consents and re-scoping of the East West Link project.

output class

STATE HIGHWAY MAINTENANCE

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

State highway maintenance also contribute to the *Connect and develop regions* (page 34) focus area.

What do we do?

Through state highway maintenance, we manage and invest in maintaining and operating the state highway network. We follow a rigorous approach so our state highways are safe, resilient and reliable for our customers to travel on.

What were our big achievements?

Our top priority this year was delivering maintenance and resilience works to provide an alternative route between Picton and Christchurch while repairing unprecedented earthquake damage to State Highway 1 north and south of Kaikōura. The damaged coastal route, a lifeline to the local community, was reopened for day-time access on 15 December 2017 with full access achieved on 30 April 2018.

To maintain the condition of state highways across New Zealand, we delivered 1,550km of pavement renewals, including chip sealing, pavement rehabilitation and pavement strengthening.

We made sure Network Outcomes Contracts were in place and running smoothly for all suppliers of state highway maintenance and operations activities. These contracts, which sometimes extend to local roads through joint ventures with local councils, focus on delivering consistent levels of service for our customers. By working with our suppliers and councils, we can all make better decisions, keep our customers well informed and get the best value from our investment. This year, our assessments found that over 80 percent of our suppliers were performing at 'best practice' or 'outstanding' against the key performance indicators.

How did we perform?

We achieved five of our seven targets for state highway maintenance. For technical notes, see appendix 2, page 159.

SERVICE DELIVERY	ACTUAL 2016/17	ACTUAL 2017/18	TARGET 2017/18	VARIANCE	RESULT
% of activities delivered to agreed standards and timeframes	97%	90%	≥ 90%	-	ACHIEVED
Safe stopping: % of network meeting surface texture standards	99%	99%	≥ 98%	+1%	ACHIEVED
Network resilience: % of rutting ≥ 20mm over state highway network	1%	1%	3%	-2%	ACHIEVED
Safe stopping: % of network above skid threshold	98%	95%	≥ 98%	-3%	NOT ACHIEVED
A hotter than usual summer meant that road surfacing binder softened and was tracked along the road by car tires, temporarily affecting the result of skid resistance tests. The binder wears off through general road use.					
Smooth ride: % of travel on network classed as smooth	99%	99%	≥ 97%	+2%	ACHIEVED
Availability of state highway network: % of unplanned road closures resolved within 12 hours	86%	82%	≥ 90%	-8%	NOT ACHIEVED
The main cause for road closures that lasted beyond 2 hours on the urban network and 12 hours on regional routes was weather. Events such as avalanche risk, flooding, slips, snow and ice, and strong winds contributed to 64 percent of these closures. Severe weather events this year included Cyclone Gita, Cyclone Fehi, and floods across Northland, Coromandel and Tasman.					
% customer satisfaction	54%	55%	≥ 50%	+5%	ACHIEVED

One of our three investment measures for state highway maintenance achieved its target, one didn't achieve its target and one was not available this year. For technical notes, see appendix 2, page 159.

INVESTMENT PERFORMANCE	ACTUAL 2016/17	ACTUAL 2017/18	TARGET 2017/18	VARIANCE	RESULT
Surface condition of the sealed network	Not available	Not available	New measure	-	-
Smooth ride: % of travel on smooth roads	99%	99%	≥ 98%	+1%	ACHIEVED
State highway maintenance cost per lane kilometre expenditure[1]	$19,284	$24,705[2]	≤ $21,400	+$3,305	NOT ACHIEVED

This measure is calculated by dividing the amount spent on the maintenance of state highways by the total number of kilometres in the network. Because we worked on more kilometres of maintenance this year, the total cost and the cost per lane kilometre are higher. Increased renewals accounts for $2,800 of the increased cost per kilometre. A further $1,800 per kilometre arose from work on the alternative and inland route required as a result of the Kaikōura earthquake. The first full year of maintenance costs for the Waterview Tunnel accounts for $400 per kilometre.

Costs per lane kilometre are above target largely due to higher than anticipated maintenance and operations required in response to the Kaikōura earthquake.

[1] This measure aspires to capture cost per lane kilometre expenditure by road classification. However, 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 for lighting or measuring road roughness are managed at a network level. While the long-term intention is 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.

[2] This figure has been adjusted for inflation based on the network outcomes index.

	ACTUAL 2017/18 $000[1]	BUDGET 2017/18 $000	VARIANCE 2017/18 $000	ACTUAL 2016/17 $000
Income	1,168,494	921,000	247,494	652,121
Expenditure	1,168,494	921,000	(247,494)	652,121
Net surplus/(deficit)	0	0	0	0

[1] Includes Crown-funded emergency works following the Kaikōura earthquake.

State highway maintenance expenditure was $247 million (27 percent) above budget. The budget allowed for $325 million of repair and reinstatement works on State Highway 1 as a result of the Kaikōura earthquake. To open the road by December 2017, a further $125 million was transferred by the Crown from 2018/19. In total, $433 million was spent to reopen State Highway 1 to day-time access in December 2017 and full access from 30 April 2018.

While State Highway 1 was repaired, the additional demands placed on the alternative route between Picton and Christchurch and Route 70 (the inland route) meant significant maintenance and renewals work was required. Traffic volumes in some instances rose by over 1,000 percent across these routes and $77 million of additional maintenance costs were incurred.

Other emergency works also had a significant impact on expenditure. Severe weather events including Cyclone Gita, Cyclone Fehi, and floods across Northland, Coromandel and Tasman, resulted in additional expenditure of $30 million.

output class

WALKING AND CYCLING

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

Walking and cycling also contribute to the *Keep people safe* (page 44) focus area.

What do we do?

Through walking and cycling, we invest in new and improved walking and cycling infrastructure (for transport purposes) as well as in community education and promotion, including the delivery of the Urban Cycleways Programme.

Walking and cycling infrastructure includes cycle paths, cycle lanes, new footpaths, services for crossing roads and cycle parking facilities. New facilities that are a part of a road are funded through investments to improve road networks, rather than through walking and cycling investment.

Walking and cycling investment creates safer and more accessible infrastructure and transport networks, gives our customers more transport choices, relieves congestion and reduces the environmental impact of transport. It also supports better health by enabling more people to walk and cycle.

What were our big achievements?

This year, we focused on implementing primary corridors in strategic walking and cycling networks in major metropolitan and high-growth areas. More detail on specific projects under the Urban Cycleways Programme is in appendix 1, page 152.

In Auckland, the Waterview Shared Path connecting the Waterview, Ōwairaka and New Windsor communities was completed. Progress continued on the Northcote Safe Cycle Route, providing a safer environment for people walking and biking, including children travelling to school. According to Auckland Transport's active modes research,38 percent of people are riding bikes in 2018, an increase of 3 percent from 2017, with 52,000 new riders in 2018.[2]

In Wellington, construction is under way to make safer connections between the central business district and the eastern and northern suburbs. The Hutt Road shared path, one of the most popular cycling routes in Wellington, neared completion during the year. Wellington cordon count data was up 5 percent, and we expect the number of people on bikes to increase as the delivery of Wellington's cycling projects picks up.

[2] Auckland Transport (2017) *The Auckland Cycling Account*, https://at.govt.nz/media/1977129/tra_at_aklcyclingbooklet2018_170x225_spreads_sml.pdf

Significant progress has been made on major cycleway networks in Christchurch City and Waimakariri District. The Christchurch cycleways are proving extremely popular with ridership numbers exceeding expectations. The Life in Christchurch survey reported 31 percent of respondents travel by bicycle more often than they did 12 months ago and most agree the new major cycleways have increased their safety and made travelling by bike faster, more convenient and more pleasant.[3]

In Whāngārei, the first two stages of the Kamo Cycleway–Walkway neared completion. The route is one of three primary routes in the Whāngārei cycleway network and provides an off-road alternative to State Highway 1. The council, in partnership with Bike Northland and Bikes in Schools, is encouraging more children to walk and cycle to school along the new route.

An important milestone was reached in the development of Whanganui's walking and cycling network with the installation of the first cycle crossing with traffic signals in Whanganui as part of Te Tuaiwi (The Spine) Shared Pathway project. In addition, over 5km of the City to North Mole Cycleway are now complete. This connection along the banks of the Whanganui River provides a safe off-road option for residents to cycle to the city centre and to the Heads Road industrial area. It is also a core component of the National Great Rides Mountains to Sea Cycle Trail and will attract new users to the riverside off-road facility.

We co-invested in the Bikes in Schools project, which provides children who live near new or planned cycling infrastructure with access to bikes and the opportunity to learn safe riding skills. We provided opportunities for more than 11,000 children in 32 schools to experience getting around by bicycle, exceeding our target of 10,500 children.

This year was our fourth year delivering our cycling activities programme, which includes behavioural change initiatives such as the Aotearoa Bike Challenge (in February 2018), which involved 14,300 people, including over 2,600 new riders from over 1,600 organisations.

How did we perform?

One of our investment measures achieved the desired target the other was not available. For technical notes, see appendix 2, page 159.

INVESTMENT PERFORMANCE	ACTUAL 2016/17	ACTUAL 2017/18	TARGET 2017/18	VARIANCE	RESULT
Network kilometres of cycle lanes	New km	New km			
	91.4km (including 63.6km Urban Cycleways Programme)	79.3km (including 61.8 km Urban Cycleways Programme)	Increasing	–	ACHIEVED
The target to increase the kilometres of cycle lanes was achieved with 61.8km of new cycling infrastructure delivered as part of the Urban Cycleways Programme. In addition, another 17.5km of new cycling infrastructure was delivered outside the Urban Cycleways Programme.					
% increase in cycling trip legs per person across Auckland, Wellington and Christchurch	Not available	Not available[1]	Increasing	Not applicable	NOT APPLICABLE
While data on the percentage of cycling trips legs per person is not yet available, physical cordon counts, which provide a snapshot of the number of cycling trips in central business districts, increased from 5,413 last year to 5,605 this year. Auckland saw a 3 percent increase (1,944 trips), Wellington a 5 percent increase (2,264 trips) and Christchurch a 1 percent increase (1,397).					

[1] 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, physical cordon counts were undertaken to establish baseline trip information.

[3] Christchurch City Council (2017), *Cycleways tempt more people onto bikes*, https://www.ccc.govt.nz/news-andevents/newsline/show/1950

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	VARIANCE 2017/18 $000	ACTUAL 2016/17 $000
Income	87,733	126,680	(38,947)	66,808
Expenditure	88,634	126,680	38,045	65,907
Net surplus/(deficit)	(901)	0	(901)	901

Walking and cycling expenditure was $38 million (30 percent) below budget. Expenditure increased from the previous year, but progress in this year's ambitious programme was slower than planned, particularly in the large urban centres where reprioritisation and the need to align with other projects caused delays. More time was required on scope, costs, routes and procurement ahead of implementation. We have agreed for the carry-over of funding for the Urban Cycleways projects into 2018/19 to provide for delivery of the agreed programme of works.

output class

PUBLIC TRANSPORT

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

Public transport also contributes to the focus areas *Connect and develop regions* (page 34) and *Keep people safe* (page 44).

What do we do?

Along with approved organisations (such as local and regional councils), we invest in bus, ferry and rail public transport services, technology, facilities and infrastructure to increase patronage. This includes investing in subsidised door-to-door transport for people with mobility impairments.

Investment in public transport provides customers with more ways to travel, eases congestion and makes better use of the existing transport system. Public transport also reduces the impact of transport on the environmental effects and contributes to reducing the number deaths and serious injuries from road crashes.

Public transport activities are supported by the administration of the SuperGold cardholders' scheme and enhanced public transport concessions for SuperGold cardholders.

What were our big achievements?

The National Ticketing Programme was expanded to include Auckland Transport. Auckland accounts for approximately 60 percent of public transport investment, and the region's participation in the programme ensures we can provide an improved customer experience and a consistent national approach to public transport ticketing and fares.

Auckland Transport began the procurement of 15 new electric multiple units for the Auckland Metrorail system to help meet the growing demand for train services and expected population growth.

In Otago, the regional council, with support from Queenstown Lakes District Council, the Transport Agency and the local bus operator, launched a new public transport service with a flat $2 fare as part of efforts to reduce congestion levels in and around Queenstown. Passenger trips on the service exceeded expectations and were significantly higher than on the previous service. (In January 2018, 100,000 trips were made compared with 41,000 in January 2017.)

How did we perform?

Three of our eight investment measures achieved its target. For technical notes, see appendix 2, page 159.

INVESTMENT PERFORMANCE		ACTUAL 2016/17	ACTUAL 2017/18	TARGET 2017/18	VARIANCE	RESULT
Number of passengers using urban public transport services (bus, train and ferry)		153m	158m	≥ 148m	+10m	ACHIEVED
The number of passengers using urban public transport (patronage) increased by approximately 3 percent over the year driven largely by growth in Auckland (approximately 3.5 million more bus boardings). Outside of Auckland, patronage growth was mixed, with some regions declining while others grew. Otago Regional Council recorded the greatest relative growth of 22 percent, driven by improvements to the network in Dunedin and the Wakatipu Basin.						
Fare revenue as a % of total expenditure		47.4%	45.2%	≥ 48%	-2.8%	NOT ACHIEVED
Fare revenue as a percent of total expenditure (the farebox recovery ratio) was lower than expected because total fare revenue remained largely unchanged from last year while total operating costs increased. Fare revenue increased by 3 percent across the Greater Wellington public transport network and 6 percent across small and medium sized public transport networks, but this was offset by a 1 percent decrease in Auckland and an 11 percent decrease in Christchurch.						
Productivity (costs per passenger kilometre) where available by bus, train and ferry	Bus	0.17 $/km	0.19 $/km	≤ $0.15 $/km	+0.04 $/km	NOT ACHIEVED
	Train	0.16 $/km	0.16 $/km	≤ $0.13 $/km	+0.03 $/km	NOT ACHIEVED
	Ferry	0.06 $/km	0.06 $/km	≤ $0.06 $/km	-	ACHIEVED
Costs per passenger kilometre increased for bus services because services and associated costs increased at a faster rate than patronage and passenger kilometres travelled. The roll-out of the new bus network across eastern parts of Auckland had a significant impact. Bus in-service kilometres increased by 10 percent in Auckland compared with patronage growth of 6 percent and passenger kilometre growth of 2 percent. The remainder of the new bus network will be rolled out across the northern and central parts of the Auckland network in 2018/19.						
Productivity (costs per passenger boarding)[1]	Bus	$1.25	$1.38	Decreasing cost	+$0.13	NOT ACHIEVED
	Train	$2.86	$2.66	Decreasing cost	-$0.20	ACHIEVED
	Ferry	$0.76	$0.86	Decreasing cost	+$0.10	NOT ACHIEVED
Costs per passenger boarding for bus and ferry increased because services and associated costs increased at a faster rate than patronage and fare revenue. Conversely, costs for rail decreased as operating costs were down 1 percent and rail patronage was up 3 percent compared with last year. From a National Land Transport Fund perspective, costs decreased further through a planned reduction in the fund's contribution toward rail operating costs from 55 percent in 2016/17 to 54 percent in 2017/18.						

[1] This is a proxy 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.

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	VARIANCE 2017/18 $000	ACTUAL 2016/17 $000
Income	382,616	335,744	46,872	336,120
Expenditure	382,616	335,744	(46,872)	336,120
Net surplus/(deficit)	0	0	0	0

Public transport expenditure ended the year $47 million (14 percent) above budget mainly as a result of the 15 new electric train units being procured in Auckland to meet increased demand, as well as improvements to public transport services, also mainly in Auckland.

output classes

ADMINISTRATION OF SUPERGOLD CARDHOLDERS' SCHEME AND ENHANCED PUBLIC TRANSPORT CONCESSIONS FOR SUPERGOLD CARDHOLDERS

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

What do we do?

Together with local and regional councils, including Auckland Transport, we administer the SuperGold cardholders' scheme. We also fund regional councils to provide enhanced public transport concessions for SuperGold cardholders. The Crown funds both activities as specific projects. We manage the SuperGold cardholders' scheme on behalf of the Ministry of Transport.

The SuperGold cardholders' concessionary fares scheme provides more transport choices for older people and improves the use of public transport during off-peak hours, which reduces congestion and contributes to improving safety on our roads.

What were our big achievements?

This year, we supported 13.7 million SuperGold trips, an increase of 6 percent (773,000 trips) from 2016/17). We also gained agreement from local government to deliver on the government's decision to move to a more sustainable funding methodology from 2018/19.

How did we perform?

We achieved our two targets for administration of the SuperGold cardholders' scheme and Enhanced public transport concessions for SuperGold cardholders. For technical notes, see appendix 2, page 159.

SERVICE DELIVERY	ACTUAL 2016/17	ACTUAL 2017/18	TARGET 2017/18	VARIANCE	RESULT
Average number of days to deliver	17	16.4	≤ 20	-3.6	ACHIEVED
% of activities delivered to agreed standards and timeframes	100%	100%	100%	-	ACHIEVED

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	VARIANCE 2017/18 $000	ACTUAL 2016/17 $000
Income	28,266	29,415	(1,149)	26,481
Expenditure	28,266	29,415	1,149	26,481
Net surplus/(deficit)	0	0	0	0

Expenditure for administration of the SuperGold cardholder's scheme and enhanced public transport concessions for SuperGold cardholders was $1.8 million (6 percent) higher than last year, but $1.1 million (4 percent) below budget. This was the result of working in collaboration with regional councils to remain within a target allocation for SuperGold card concessions.

CONNECT AND DEVELOP REGIONS

Partner for tailored transport solutions that support wider outcomes for communities, regions and New Zealand

OUTCOME
Improved regional and interregional transport for people, freight and business

WHAT ARE WE AIMING FOR?

Through *Connect and develop regions* we aim to support regional economic development and improve interregional connections for business, freight and tourism. We work with others so transport can enable broader social and economic outcomes.

PERFORMANCE SUMMARY: WHERE DID WE GET TO?

We measure progress toward our outcome of improved regional and interregional transport through productivity, travel-time predictability, resilience and accessibility indicators.

Productivity (how much of the rural road network's capacity is being used) dropped slightly to just under 74 percent due to road repairs on the Kaikōura coastal route. Travel-time predictability on rural roads was maintained at 95 percent.

Resilience in the rural network is measured through the duration of closures on the regional state highways. The median closure time increased to 23.7 hours this year, with closures over 12 hours mainly due to weather. We responded to several instances of damage caused by severe weather events. This year also saw the re-opening of State Highway 1 from Picton to Christchurch as part of our Kaikōura earthquake response work in time for the pre-Christmas holiday traffic in December 2017.

Accessibility in rural areas has been measured through the number of people charged with driving without a licence, but we are developing a new indicator that will better measure accessibility.

Further projects were delivered under the Accelerated Regional Roading Programme this year and other major infrastructure projects continued, including Wellington's Northern Corridor and Christchurch Motorways. Safety also drove improvement activities with the continued delivery of the Safe Roads and Roadsides Programme.

Investment in local road improvements creates safer local roads, improves the efficiency of freight supply chains, increases the resilience of the local road network and eases congestion. Travel times on key local roads serving major metropolitan areas were maintained and a large proportion of the country remained available to 50MAX (high productivity) vehicles.

Local road maintenance and operations includes investment in maintaining pavements, structures, drains and traffic services. Targets were met for measures of pavement integrity, surface condition and smooth ride of the sealed network.

Customers continue to benefit from travel-time savings on toll roads – an average 18 minutes on the Northern Gateway and 29 minutes on the Tauranga Eastern link compared with on free routes.

CONNECT AND DEVELOP REGIONS HAS:

4 key performance indicators
pages 35–36

4 significant activities
pages 36–37

4 output classes
pages 38–43

KEY PERFORMANCE INDICATORS

73.7%
A DECREASE OF 4 POINTS

PRODUCTIVITY
Capacity of the rural road network being used

3,476
A DECREASE OF 1,008

ACCESSIBILITY
Number of people found driving without a valid driver licence

95%
NO CHANGE

TRAVEL-TIME PREDICTABILITY
Rural journeys that took a predictable time

4,115 HOURS
AN INCREASE OF 2,760

RESILIENCE
Time taken to address road closures on regional state highways

RE-ESTABLISHING CONNECTIONS IMPROVES LIVELIHOODS

The 7.8 magnitude Kaikōura earthquake in November 2016 caused extraordinary damage to the Main North Line railway and State Highway 1 along the east coast of the South Island. Kaikōura was cut off, homes destroyed and livelihoods disrupted. Tourism came to a standstill, through-traffic ceased and access to farms disappeared. Supplies were brought in by sea. Re-establishing connections was vital for the region.

The North Canterbury Transport Infrastructure Recovery, an alliance partnership between the Transport Agency, KiwiRail, Downer, Fulton Hogan, HEB Construction and Higgins, was set up by the government in December 2016 to restore earthquake-damaged road and rail infrastructure. More than 1,700 people from across New Zealand and around the world joined together to repair and renew the transport networks.

Rail links reopened to freight in September 2017, and passenger trains are expected to resume in December 2018. State Highway 1 reopened to both the north and south of Kaikōura in December 2017, restoring the coastal highway link from Picton to Christchurch in time for Christmas travel. All sea walls, offering long-term sustainable protection to the road and rail transport corridor, were completed in May 2018 marking a significant milestone for the recovery work.

DETAILED RESULTS: KEY PERFORMANCE INDICATORS

For technical notes, see appendix 2, page 159.

MEASURE	KEY PERFORMANCE INDICATOR	2017/18 DESIRED TREND	2017/18 ACTUAL	2017/18 ACTUAL (INDEXED)	VARIANCE
Productivity	Index of network productivity (morning peak)	Maintain Baseline 78.1%	Decreased 73.7%	94	-4%
This measure describes how much of the capacity of the rural road network was being used in March 2018. Capacity is measured by the speed and flow of vehicles on the rural network, which decreased by 6 percent from the March 2016 baseline. The drop in productivity was the result of substantial road repairs on the Kaikōura coastal route, following the 2016 earthquake, which slowed traffic and reduced utilisation. The Kaikōura coastal route was opened for day-time access in December 2017 with full access achieved in April 2018.					
Accessibility	Index of the number of people found driving without a valid driver licence	Decrease Baseline 4,484	Decreased 3,476	78	-1,008
The number of people found driving without a valid driver licence decreased 22.5 percent from the previous year. This indicator allows us to understand how accessible the transport system is, because not having a licence is often a barrier to accessing social and economic opportunities in rural communities. Further accessibility measures are being developed to more robustly measure rural network accessibility.					
Travel-time predictability	Index of travel-time predictability	Maintain Baseline 95%[1]	Maintained 95%	100	-
Travel-time predictability for road traffic in rural areas has remained stable over the last three years. Data for this measure is gathered in March, the heaviest time of the year for traffic.					
Resilience	Index of duration of observed closures on regional state highways – time taken to address road closures in hours[2]	Decrease Baseline 1,355 hours (median 16.4)	Increased 4,115 hours (median 23.7)	304	+2,760 hours (median +7.3)
The main cause for road closures that lasted beyond 12 hours was weather. Events such as avalanche risk, flooding, slips, snow and ice, and strong winds contributed to 64 percent of these closures. Severe weather events this year included Cyclone Gita, Cyclone Fehi, and floods across Northland, Coromandel and Tasman.					

[1] The baseline is an adjusted figure from the published baseline of 88 percent in our *Statement of performance expectations 2017/18*. This is because we have changed from using the mean to using the median this year. The methodology has been applied to previous years so that measurement over time is consistent.

[2] The current methodology is highly variable and affected by events such as the Kaikōura earthquake. To give this measure more meaning and comparability in the short term, the Transport Agency is reporting the median as well as the actual result to remove the impact of outliers.

DETAILED RESULTS: SIGNIFICANT ACTIVITIES

Partnering for regional economic development

Transport plays an important part in providing safe connections within and between regions to enable social and economic growth opportunities to be realised. We continued to deliver projects that enable regional action plans to be delivered and to build external relationships as more regions and agencies joined the Regional Economic Development programme. We also established new working relationships in central government to prepare for and begin delivering projects through the Provincial Growth Fund.

Improving resilience

We were proud to re-open State Highway 1 from Picton to Christchurch as part of our Kaikōura earthquake response work, in time for the pre-Christmas holiday traffic in December 2017. This follows reinstatement of the rail line in September 2017. Restoring these coastal highway and rail links was a huge job that re-established vital connections for Kaikōura and other affected communities and supported local businesses, freight and tourism. The highway reinstatement work continued into 2018, with safety being a top priority. We also responded during the year to damage caused by severe weather events. For example, following significant storm damage to State Highway 25 Thames Coast Road in January 2018, we worked closely with the local community and other stakeholders to quickly rebuild and strengthen the coast road.

Delivering major transport infrastructure and rural safety improvements

Four projects were completed or substantially completed this year under the Accelerated Regional Roading Programme: Kawarau Falls Bridge, near Queenstown; Mingha Bluff to Rough Creek, in Canterbury; Akerama Curves Realignment and Passing Lane, in Northland; and the Motu Bridge Replacement, near Gisborne. The Taramakau Bridge was opened on 22 July 2018 to replace the 132-year-old Taramakau Road–Rail Bridge. The new bridge includes a pedestrian and cycling path and will improve safety and reduce congestion for West Coast locals and tourists.

We continued to work on important highways across the country, including Wellington's Northern Corridor and Christchurch Motorways, to move people and freight between and within these centres more safely and efficiently. We also continued to deliver safety improvements through the Safe Roads and Roadsides Programme, which aims to significantly reduce deaths and serious injuries on rural state highways around the country.

	THIS YEAR'S SIGNIFICANT ACTIVITIES	YEAR-END RESULT
3.1	Support and deliver our part of agreed Regional Economic Development Action Plans.	ACHIEVED
3.2	Contribute to economic growth and productivity, road safety, travel choices, environmental and personal health, and resilience through the delivery of the final year of the 2015–18 National Land Transport Programme.	ACHIEVED
	The annual report for the National Land Transport Fund (from page 171) provides a full report against the outcomes of the Government Policy Statement on Land Transport 2015/16 – 2024/25.	
3.3	Rebuild State Highway 1 in accordance with the Kaikōura Earthquake Response.	ACHIEVED
3.4	Deliver significant capital projects to schedule (this includes the Accelerated Regional Roading Programme).	SUBSTANTIALLY ACHIEVED
	Capital projects that contribute to *Connect and develop regions* ran largely to schedule this year. Construction began on the Transmission Gully and Peka Peka to Ōtaki sections of the Wellington Northern Corridor. However, the Ōtaki to Levin project had to be revaluated against the new Government Policy Statement on Land Transport. Under the Accelerated Regional Roading Programme, the Kawarau Falls Bridge, Akerama Curves Realignment and Passing Lane, and the Motu Bridge Replacement were completed and opened to traffic. Taramakau Road–Rail Bridge was completed and construction continued on the Whirokino Trestle Bridge Replacement. Other projects experienced delays because of construction issues and re-scoping. Similarly, the State Highway 1 One-Way Pair cycleway in Dunedin has required modifications to the original design and additional works. See appendix 1, from page 152 for details on individual projects.	

DETAILED RESULTS: OUTPUT CLASSES

Other output classes that directly contribute to the *Connect and develop regions* focus area are state highway improvements and state highway maintenance (see *Target rapid growth,* pages 24-28).

output class

LOCAL ROAD IMPROVEMENTS

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

Local road improvements also contribute to the *Target rapid growth* (page 20) and *Keep people safe* (page 44) focus areas.

What do we do?

Through local road improvements, we invest in new local roads, chip sealing for existing roads, new traffic management facilities, replacement bridges and other structures in conjunction with local and regional councils. These investments create safer local roads, improve the efficiency of freight supply chains, increase the resilience of the local road network and ease congestion.

What were our big achievements?

This year, we invested $106 million across 53 programmes to upgrade energy-efficient LED lights. We also invested $117 million across 83 low-cost, low-risk projects to improve safety, resilience and efficiency on the local road network.

In Auckland, the Supporting Growth Alliance was established to develop the next phase of a business case for developing transport networks in greenfield growth areas. It is estimated that these areas will account for around 30 percent of the region's growth by 2050. In all, that's about 15,000 hectares of greenfield or undeveloped land, with a capacity for 137,000 new homes and 67,000 new jobs.

We continued to invest in the Auckland Manukau Eastern Transport Initiative ($9 million this year) to develop multimodal transport infrastructure in east Auckland.

We also invested in important safety improvements such as the intersection of Coatesville Riverhead Highway, Brookby Road and Great North Road/Bullock Track ($6 million) and the Tamaki Drive–Ngapipi intersection ($8.2 million), including improved walking and cycling facilities.

Major investments to support better public transport in Auckland included:

- clearing routes in Onewa Road, Manukau Road and Great North Road to accommodate double-decker buses ($7.9 million)
- early works to upgrade the frequent route 32, between Māngere Town Centre and Sylvia Park, with bus priority lanes, improved bus shelters, and walking and cycling facilities ($5 million as part of East West Connections)
- construction of Newmarket Crossing, replacing the level crossing near Newmarket with a road-over-rail bridge to support more efficient rail operations ($10.4 million).

In Hamilton, the council began early works and design on the Wairere–Cobham Interchange to improve access to housing developments in a high-growth urban area ($22 million to be invested over four years).

In the Tararua district, we continued to improve Saddle Road and work continues on the Manawatū Gorge Alternative Route to provide a safe and secure alternative route for network resilience for State Highway 3 ($15.5 million over five years).

In the South Island, construction continued on Christchurch City Council's Northern Arterial Extension and Cranford Street Upgrade project (as part of the Northern Corridor) to improve travel from north Canterbury to the strategic road network and central city ($16 million this year with a total cost of $38.7 million).

The Queenstown Lakes District Council completed the Eastern Access Road project to ease congestion on State Highway 6 and improve access to employment and the new Wakatipu High School and for tourism and freight.

Dunedin City Council started constructing improvements to Portobello Road, a key commuter and tourism route, to improve safety, provide a shared path for pedestrians and cyclists, and protect against sea-level rise.

Southland District Council neared completion of the seal extension along the scenic route Haldane–Curio Bay, Slope Point Road and Waipapa Point to improve safety on this busy tourist route ($8.66 million this year with a total cost of $9.59 million).

How did we perform?

Four of our five investment measures achieved the desired trend or target, one was not available.
For technical notes, see appendix 2, page 159.

INVESTMENT PERFORMANCE		ACTUAL 2016/17	ACTUAL 2017/18	TARGET 2017/18	VARIANCE	RESULT
Average travel times on key local roads serving major metropolitan areas (Auckland, Wellington and Christchurch, morning peak)[1]		Maintained overall	Maintained overall	Maintaining[2]		
	Auckland	2.5 min/km	2.3 min/km	2.5 min/km	-0.2	ACHIEVED
	Wellington	2.3 min/km	2.4 min/km	2.7 min/km	-0.3	ACHIEVED
	Christchurch	1.8 min/km	1.8 min/km	1.9 min/km	-0.1	ACHIEVED
Productivity of the local road network in major metropolitan areas		Not available	Not available[3]	Increasing	-	NOT AVAILABLE
% of approved organisations signed up to the 50MAX network[4]		95%	95%	≥ 90%	+5%	ACHIEVED

[1] 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.

[2] The targets for Wellington and Christchurch were interchanged in our *Statement of performance expectations 2017/18*. We are reporting against the correct targets here.

[3] The coverage of local roads in the productivity model is too small to provide a representative sample.

[4] This is a proxy measure. It is not possible to report on the Government Policy Statement on Land Transport 2015/16 – 2024/25 measure of the proportion of local roads that are made available to high productivity motor vehicles, because roads are made available on the basis of individual journey permits. The sign-up to 50MAX signals an intent to make the network available to 50MAX complying vehicles.

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	VARIANCE 2017/18 $000	ACTUAL 2016/17 $000
Income	246,242	157,000	89,242	140,911
Expenditure	246,242	157,000	(89,242)	140,911
Net surplus/(deficit)	0	0	0	0

Local road improvements expenditure was $89 million (57 percent) above budget. The increase is due to:

- accelerated LED streetlight replacement, incentivised with an 85 percent funding assistance rate
- completion of funding claims as the three-year National Land Transport Programme concluded.

output class

LOCAL ROAD MAINTENANCE

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

Local road maintenance also contributes to the *Target rapid growth* (page 20) focus area.

What do we do?

We invest in local road maintenance and operations, including the maintenance of pavements, structures and drains, and traffic services, in conjunction with approved organisations. These investments maintain the safety and resilience of the local road network and manage traffic flow and incidents, supporting lower congestion, a reduced risk of road crashes and better freight supply chain efficiency.

What were our big achievements?

This year, we continued to work with road controlling authorities and KiwiRail to plan and deliver the infrastructure recovery programme to address the impacts of the 2016 Kaikōura earthquake.

We collaborated with road controlling authorities to improve maintenance management in the Bay of Plenty, Marlborough, Gisborne and the Waikato. Our alliance with three Northland local authorities gained momentum as we planned and delivered roading activities in the region. Following a good start in 2016, three clusters of local authorities developed a consistent approach to their transport activity management plans: Buller, Grey and Westland District Councils; Mackenzie, Timaru and Waimate District Councils; and Manawatū and Rangitikei District Councils.

The Road Efficiency Group supported road controlling authorities to embed the One Network Road Classification and business case approach into their activity management plans. A co-design, co-delivery model was followed to build a robust evidence base to support business case submissions for the 2018–21 National Land Transport Programme. Major achievements to improve the efficiency of maintenance activities and create consistency across all road controlling authorities included:

- developing 27 performance measures for customer outcomes in the One Network Road Classification to report against
- developing further a web-based monitoring and reporting tool so all authorities can report performance against these measures
- producing a standard report for a subset of the 27 measures to highlight each authority's performance against that of its peer group
- delivering a sector-wide project to improve data quality
- publishing the *Procurement best practice guide* and the Smart Buyer self-assessment tool
- building capability through cross-sector collaborative learning and peer support and publishing guides and case studies to support industry self-learning.

How did we perform?

Three of our four investment measures achieved target. For technical notes, see appendix 2, page 159.

INVESTMENT PERFORMANCE	ACTUAL 2016/17	ACTUAL 2017/18	TARGET 2017/18	VARIANCE	RESULT
Pavement integrity of the sealed network (index)	94	94	≥ 94	-	ACHIEVED
Surface condition of the sealed network (index)	98	98	≥ 97	1	ACHIEVED
Smooth ride: % of travel on smooth roads	88%	87%	≥ 86%	+1%	ACHIEVED
Local road maintenance cost per lane kilometre[1]	$2,910	$3,095[2]	≤ $3,000	+$95	NOT ACHIEVED

This measure is calculated by dividing the amount spent on the maintenance of local roads by the total number of kilometres in the network. Many local authorities completed more maintenance work this year, because they delivered less than planned last year and because of wet weather, which increased the total cost and the cost per lane kilometre.

[1] This measure aspires to capture cost per lane kilometre expenditure by road classification. However, 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 for lighting or measuring road roughness are managed at a network level. While the long-term intention is 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.

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

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	VARIANCE 2017/18 $000	ACTUAL 2016/17 $000
Income	609,680	580,000	29,680	597,046
Expenditure	609,680	580,000	(29,680)	597,046
Net surplus/(deficit)	0	0	0	0

Local road maintenance expenditure was $29 million (5 percent) above budget. This was mainly due to the infrastructure recovery programme in Kaikōura, which was more expensive than initially budgeted for.

output class

REGIONAL IMPROVEMENTS

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

What do we do?

Through regional improvements we invest in important state highways and local roads outside major metropolitan areas. We deliver state highway projects, and local and regional councils deliver local road projects. These projects support regional economic development by providing efficient and reliable transport for tourists and freight as well as improving the safety and resilience of the road network.

What were our big achievements?

The delivery of improvements to the regional state highway network increased significantly this year with further projects moving into the construction phase.

We opened up more of the state highway network to high productivity motor vehicles, which allow more freight to be carried on fewer trucks. We focused on routes to ports in Napier and Gisborne, the Waikato region, the East Coast of the North Island, and the West Coast of the South Island.

Under the Visiting Drivers Project, we improved safety on main tourist routes in Otago, Southland and West Coast with, for example, wide centrelines, rumble strips, pull-off areas and wire rope barriers.

Other work to improve safety, efficiency and resilience and to support regional growth included:

- beginning construction on two-way bridges in Taipa and Matakohe (Northland)
- completing pre-implementation (consenting and property and design phases) for the Pokeno to Mangatarata section of State Highway 2 in Waikato
- upgrading the State Highway 2 Watchman Road intersection and the entrance to Hawke's Bay Airport
- progressing replacements for the Whirokino Trestle and Manawatū River Bridge on State Highway 1 in Manawatū
- constructing Spring Creek roundabout in Marlborough
- substantially completing the new two-lane Taramakau Bridge on the West Coast.

How did we perform?

Two of our three investment measures achieved the desired trend on target. For technical notes, see appendix 2, page 159.

INVESTMENT PERFORMANCE	ACTUAL 2016/17	ACTUAL 2017/18	TARGET 2017/18	VARIANCE	RESULT
Kilometres of improved regional roading	16km	9.38km	Increasing	-	ACHIEVED
Six projects were completed, of which three were intersections and one was a roundabout. While these four projects have contributed to improved safety on our regional roads, they have not contributed any kilometres of improved regional roading.					
Kilometres available to high productivity motor vehicles on key regional routes	5,392km	7,221km[1]	Increasing	-	ACHIEVED
% of activities delivered to agreed standards and timeframes	-	87%	≥ 90%	-3%	NOT ACHIEVED

All three of the large (over $5 million) projects planned for completion in 2017/18 were completed (State Highway 14 Hospital Road intersection improvement (Northland), State Highway 3: Ohaupo to Te Awamutu (Waikato), and high productivity motor vehicles tranche 2: State Highway 24 Matamata to State Highway 29 Intersection (Waikato)).

However, of the 11 small (under $5 million) projects planned for completion in 2017/18, only three were completed (State Highway 11: Airfield to Lily Pond (Northland), high productivity motor vehicle tranche 2: State Highway 24 Matamata to State Highway 29 intersection (Waikato), and State Highway 1 State Highway 62 Spring Creek Intersection roundabout (Marlborough)).

Several projects will be completed during the first few months of 2018/19, including high productivity motor vehicles tranche 2: State Highway 26/State Highway 2 Hamilton to Paeroa (Waikato) and State Highway 6 High St/ Marlborough St intersection (West Coast).

Some projects were delayed following input from stakeholders and Safe System experts, which identified that scope changes (for example, State Highway 1B: Taupiri to Gordonton) or more investigation of the public transport components (for example, Grant Rd to Kawarau Falls Bridge Improvements) was needed.

[1] The data source changed, so this is not comparable to the previous year.

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	VARIANCE 2017/18 $000	ACTUAL 2016/17 $000
Income	140,136	138,000	2,136	68,517
Expenditure	140,136	138,000	(2,136)	68,517
Net surplus/(deficit)	0	0	0	0

Regional improvements expenditure was $2 million (1 percent) above budget. This is a significant increase on previous years ($13.1 million in 2014/15 and $68.5 million in 2016/17) and reflects the completion of an ambitious planned programme.

output class

ROAD TOLLING

Delivered by the Transport Agency and funded from fees and charges

What do we do?

Through road tolling, we:

- collect toll revenues and disbursements to the Crown
- manage the associated roadside and back-office systems, customer interfaces and payment channels
- inform and advise the public.

By collecting fees from people using existing infrastructure, we can invest in new projects to improve our road networks. Toll roads are located north of Auckland (Auckland Northern Gateway) and Tauranga (Tauranga Eastern Link and Takitimu Drive).

What were our big achievements?

Almost 80 percent of customers are setting up a toll account, which makes it easy to pay for trips on tolled roads. Customers continue to benefit from travel-time savings of an average 18 minutes on the Northern Gateway and 29 minutes on the Tauranga Eastern link compared with on the free route.

We are engaged in a project with vehicle rental companies to encourage them to set up toll accounts and remove the need to complete statutory declarations for their customers. We expect to complete this project in November 2018.

How did we perform?

We achieved two of our three performance targets. For technical notes, see appendix 2, page 159.

INVESTMENT PERFORMANCE	ACTUAL 2016/17	ACTUAL 2017/18	TARGET 2017/18	VARIANCE	RESULT
Unit transaction costs	$0.60	$0.70	≤ $0.75	-$0.05	ACHIEVED
% revenue compliance	97%	97%	≥ 98%	-1%	NOT ACHIEVED
Revenue compliance was maintained this year, despite increased transaction volumes. This target was set when there was only one toll road and is now under review.					
Number of products or services delivered or processed	15m	16.2m	≥ 13m	+3.2m	ACHIEVED

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	VARIANCE 2017/18 $000	ACTUAL 2016/17 $000
Income	15,276	14,577	699	14,036
Expenditure	15,636	10,964	(4,672)	13,091
Net surplus/(deficit)	(360)	3,613	(3,972)	945

Road tolling recorded a net deficit of $0.36 million at year end. Road tolling income was $0.7 million above budget due to increased traffic. Tolling costs were higher than budgeted as a result of an internal review of time spent on the Transport Agency's outputs, which found that the previous estimates were below actual levels of contribution.

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

WHAT ARE WE AIMING FOR?

Through *Keep people safe* we aim to deliver and influence integrated, targeted interventions to prevent or reduce deaths and serious injuries, improve personal security and health, and prevent or reduce environmental harms across all land transport modes.

PERFORMANCE SUMMARY: WHERE DID WE GET TO?

Sadly, in 2017/18 we saw the negative trend of transport-related deaths and serious injuries continue, with an increase of 8 percent. We are working hard on multiple fronts to address this unacceptable level of harm.

The Safer Journeys strategy directed investment in roads and roadsides, speeds, vehicles and road use to the areas where we can have the greatest impact. Likewise, through the Boost Safety Programme, we delivered safety improvements on roads across the country that carry lower volumes of traffic but collectively account for a significant number of deaths and serious injuries each year.

Recognising that we must work together to achieve a significant reduction in deaths and serious injuries, we agreed, with New Zealand Police and the Ministry of Transport, to move to an outcomes-based approach with collective responsibility and accountability for delivering the Road Safety Partnership Programme (previously the Road Policing Programme[6]).

We continued to promote road safety through education and advertising campaigns – 87 percent of our campaigns met or exceeded their agreed success criteria – and we facilitated the wider use of alcohol interlocks. We conducted frontline safety operations to educate drivers and check vehicle and driver compliance in collaboration with New Zealand Police and other stakeholders.

In rail safety, we refreshed our regulatory framework to improve our operating model and identify capabilities and measures of success, and we streamlined the process for reporting rail safety events.

Public health and environmental outcomes also contribute to this focus area. We ensure that when a person registers a vehicle, the vehicle meets standards that improve vehicle safety and reduce the impact of vehicles on the environment. Our measure of the energy efficiency of the nation's vehicle fleet improved from 6.88km travelled per litre of fuel to 7.05km.

To encourage the uptake of electric vehicles, we worked with industry and government stakeholders to monitor and guide the delivery of public charging infrastructure. Close to 80 percent of the strategic state highway network now has rapid direct current chargers at 75km intervals.

Under our focus area *Shape the land transport system* (page 12), we developed the Setting of Speed Limits Rule to help road controlling authorities set safe and appropriate speed limits in areas where the biggest impact can be made on the safety of the network.

KEEP PEOPLE SAFE HAS:

2 key performance indicators
pages 45–46

7 significant activities
pages 46–47

3 output classes
pages 48–53

[6] More detail on the Road Policing Programme is in the National Land Transport Fund annual report, from page 171.

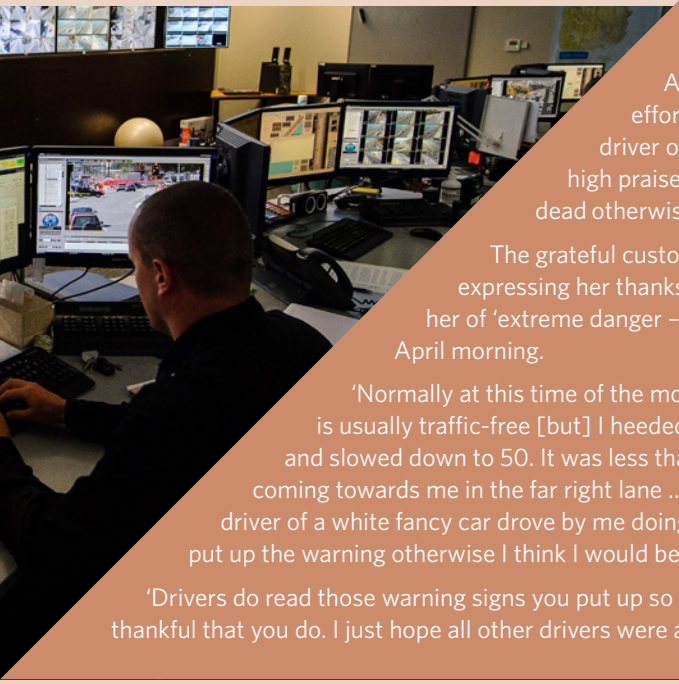
KEY PERFORMANCE INDICATORS

3,178
AN INCREASE OF 230

SYSTEM SAFETY
Deaths and serious injuries (road and rail)

7.05
KM PER LITRE OF FUEL
AN INCREASE OF 0.17

ENVIRONMENTAL HARM
Energy efficiency of road transport



HELPING DRIVER AVERT DANGER EARNS ATOC PRAISE

Auckland Transport Operations Centre's efforts to warn customers about a wrong-way driver on Auckland's motorway network earned high praise from a motorist who thought she'd be dead otherwise.

The grateful customer wrote to the Transport Agency expressing her thanks for the electronic sign messages warning her of 'extreme danger – wrong way driver' in the early hours of an April morning.

'Normally at this time of the morning, I would travel in the far right lane as it is usually traffic-free [but] I heeded the warning, moved over to the far left lane and slowed down to 50. It was less than a minute after that when I saw the lights coming towards me in the far right lane ... [so] I pulled right off and stopped. The driver of a white fancy car drove by me doing 120km+ and I feel so grateful that you had put up the warning otherwise I think I would be dead now,' she said.

'Drivers do read those warning signs you put up so please continue to do so. I for one am very thankful that you do. I just hope all other drivers were as lucky as me this morning.'

DETAILED RESULTS: KEY PERFORMANCE INDICATORS

For technical notes, see appendix 2, page 159.

MEASURE	KEY PERFORMANCE INDICATOR	2017/18 DESIRED TREND	2017/18 ACTUAL	2017/18 ACTUAL (INDEXED)	VARIANCE
System safety	Index of deaths and serious injuries (road and rail)	Decrease Baseline 2,948[1]	Increased 3,178	108	+230
Environmental harm	Index of energy efficiency of road transport[2]	Maintain Baseline 6.88km per litre of fuel	Increased 7.05km per litre of fuel	102	+0.17km/ litre of fuel

[1] This figure has been adjusted from the published baseline in our *Statement of performance expectations 2017/18* because the data has since been updated.

[2] This measure is calculated by dividing all fuel purchased by the recorded number of kilometres travelled by New Zealand's vehicle fleet. As some fuel is used for machinery, the figure may be lower than expected of an average vehicle. However, because all fuel is consistently counted across the reporting periods, any improvements in overall efficiency of the fleet will be visible over time.

Death and serious injuries increased by 8 percent this year. The Transport Agency is committed, along with other agencies, to reducing the number of deaths and serious injuries on the roads. Through the Safer Journeys strategy, investment is targeted to where the greatest gains can be made. This includes infrastructure improvements, speed management, safer vehicles and reducing risky behaviour (such as using alcohol and drugs and failing to wear seatbelts).

The energy efficiency of road transport has increased since March 2017 when the baseline was set. Although there was an increase in vehicle kilometres travelled over time, the level of fuel consumption remained steady. This means with the same amount of fuel, more kilometres were travelled.

DETAILED RESULTS: SIGNIFICANT ACTIVITIES

The Road Policing Programme, reported in pages 197–200 of the National Land Transport Fund annual report, also directly contributes to *Keep people safe*.

Working with partners and stakeholders

Working with our partners and stakeholders is critical to delivering a safer and healthier land transport system. During the year, we worked closely with New Zealand Police and the Ministry of Transport to review the Road Policing Programme so it keeps providing value for money and is fit for the future. We agreed to move towards an outcomes-based partnership with collective responsibility and accountability. The partners have established a joint team to design, deliver and implement this approach. The 2018–19 Road Safety Partnership Programme is an interim step as we move towards the new approach.

With the wider transport sector, we've developed an automated compliance work programme to promote willing compliance with transport regulations, streamline compliance-related activities and free up resources for targeted interventions in complex and high-risk situations. Automated compliance opportunities have been identified, such as for vehicle dimension and mass compliance and improving level-crossing safety. These opportunities are progressing through the Road Safety Partnership Programme and the Transport Agency's compliance activities.

Promoting safe road use

We continued to promote road safety through advertising campaigns highlighting safety priorities such as driving within speed limits and driving sober, free from drug impairment and phone-free. With the Accident Compensation Corporation, we delivered the BikeReady national cycle education system. This system includes resources, tools and cycle skills training accreditation to support young people to bike skilfully and safely and older people to return to cycling safely.

Boosting safety through road improvements

Through the Boost Safety Programme, a range of high-benefit, low-cost safety improvements on selected roads across the country, including Northland, Taranaki, Manawatū-Whanganui, Otago and Southland, were delivered during the year. These roads carry lower volumes of traffic but collectively account for a significant number of deaths and serious injuries each year. Improvements include rumble strips, improved signage and road marking, and safety barriers. Investigations, including consultation, have been carried out in preparation for installing Intersection Speed Zones (previously known as rural intersection activated warning signs) at 10 high crash rate, state highway intersections around the country. Intersection Speed Zones detect when someone is turning into or out of a side road and temporarily reduce the speed limit on the state highway, improving safety for everyone.

Extending coverage of network risk-mapping tools

We have added several new attributes to the Safer Journeys Risk Assessment Tool (also called MegaMaps). Road controlling authorities can now view high-risk layers for speed management, rural roads, urban roads, motorcycling routes, intersections and out-of-context curves on one geospatial platform. This will greatly improve the targeting of speed management and safety infrastructure improvements to risk.

Delivering the electric vehicle programme

This year, as part of the electric vehicle programme, we worked with a wide variety of industry and government stakeholders to deliver the vision for public charging infrastructure coverage on state highways. This now means close to 80 percent of state highways have rapid DC chargers at 75km intervals. We maintained close ties with the energy and automotive industry through a regular public charging infrastructure forum, resulting in a nationwide network of public charging infrastructure that is aligned, safe and reliable – one that gives electric vehicle drivers confidence to roam the nation.

We are leading the way in transitioning, where practicable, our fleet to full battery electric vehicles.

	THIS YEAR'S SIGNIFICANT ACTIVITIES	YEAR-END RESULT
4.1	Develop an integrated intervention logic model to optimise safe system investment for the 2018–21 National Land Transport Programme.	ACHIEVED
4.2	Develop, with transport sector partners, an automated compliance strategy and implementation plan as part of the Safer Journeys Action Plan 2016–2020.	ACHIEVED
4.3	Complete a joint review with New Zealand Police and the Ministry of Transport of the Road Policing Programme content and mechanics to ensure it is future fit and provides value for money to inform the 2018–21 National Land Transport Programme.	ACHIEVED
4.4	Deliver a package of advertising, education and other safety information and promotions that target high-risk audiences with behavioural change messages, new knowledge and information.	ACHIEVED
4.5	Develop guidelines for the infrastructure requirements to enable early adoption of new vehicle technology.	ACHIEVED
4.6	Develop and publish, with the transport sector, a comprehensive view of a national charging network for electric vehicles.	ACHIEVED
4.7	Refresh our rail regulatory frameworks, success measures and capability to focus on specific high-risk areas and activities.	ACHIEVED

DETAILED RESULTS: OUTPUT CLASSES

output class

ROAD SAFETY PROMOTION

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

What do we do?

Through road safety promotion, we manage and invest in activities that contribute to the safe, efficient and effective use of land transport networks and services. These activities include advertising, education and information targeted at road users and contributing to the high and medium priority areas of the Safer Journeys strategy.

What were our big achievements?

In March, our partnership with Clemenger BBDO was recognised by the Brand Axis award. This award recognises the successful creative collaboration between an agency and client that has created excellent creative brand work for five or more years. This award acknowledges our mutual trust, respect for our audience and firm ambition to make a difference through road safety promotion.

How did we perform?

We achieved both our targets for road safety promotion. For technical notes, see appendix 2, page 159.

SERVICE DELIVERY	ACTUAL 2016/17	ACTUAL 2017/18	TARGET 2017/18	VARIANCE	RESULT
% of educational activities delivered to agreed standards and timeframes	100%	100%	100%	-	ACHIEVED
% of road safety advertising campaigns that meet or exceed their agreed success criteria	83%	87%	≥ 75%	+12%	ACHIEVED

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	VARIANCE 2017/18 $000	ACTUAL 2016/17 $000
Income	39,347	38,281	1,066	36,626
Expenditure	37,412	37,324	(88)	34,841
Net surplus/(deficit)	**1,935**	**957**	**978**	**1,785**

Road safety promotion expenditure of $37.4 million was made up of:

- education and advertising – $34.5 million, which was above budget by $0.3m (1 percent) mainly due to more work than planned on cycling safety
- billboards and events associated with new roading projects – $1.4 million (4 percent), which was above budget by $0.4m (40 percent)
- the community road safety programme (local safety initiatives funded by the revenue from personalised plates) – $1.4 million (4 percent), which was below budget by $0.5 million (25 percent).

Revenue from the community road safety programme was over budgeted by $0.4 million (14 percent). The $0.9 million surplus will be used to cover project work deferred to 2018/19 and other future commitments.

output class

LICENCING AND REGULATORY COMPLIANCE

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

Licensing and regulatory compliance also contributes to the *Connect and develop regions* (page 34) focus area.

What do we do?

Through licensing and regulatory compliance we develop land transport rules (under contract to the Ministry of Transport) and clear standards for vehicle inspection and certification, transport service (commercial) licensing operations, rail safety operations and vocational driver licensing.

We also:

- monitor and audit compliance with regulatory standards and requirements for vehicles, drivers, operators and transport system providers
- provide driver and transport (including rail) operator licensing and testing services
- maintain the driver licence register
- issue permits for overdimension vehicles
- administer drug and alcohol assessments of drivers and operators
- inform and advise on driver licensing
- provide ministerial services.

Funding for licensing and regulatory compliance comes from fees and charges and from the Crown, including from Crown contracts for specific activities.

This work helps to improve the safety of land transport as well as supporting efficient vehicles and freight supply chains.

What were our big achievements?

This year, we completed a review of the certification system for importing and certifying new and used heavy vehicles. The review proposes recommendations to improve the system and increase assurance in the standard of heavy vehicles entering New Zealand.

We refreshed our rail regulatory frameworks to ensure our approach to regulation is clear and consistent and supported by the right capability and measures of success. We streamlined the process for reporting rail safety events and undertook four major investigations centred on fire safety, derailment and runaway wagon risks and rail service collisions.

The laws related to small passenger services (taxis, private hires, shuttles and dial-a-driver) changed to allow for new technology, encourage competition and enable the sector to respond to customer needs while maintaining passenger and driver safety. We put in place a modernised licensing regime to support these changes and provide customers with a broader variety of travel choices, including ride sharing.

We undertook several thousand inspections, investigations and audits of transport service providers and road and rail operators, as well as conducting frontline safety operations in collaboration with NZ Police and others. For example, we teamed up with police and the Department of Conservation and the Ministry of Business, Innovation and Employment to check in-bound tourist coaches and rental vehicles for vehicle and driver licence compliance. Operation Hōtoke was a joint operation with the police to educate drivers on the risks of winter driving.

In driver licensing, we strengthened requirements for applying to provide driver licensing courses and increased monitoring of training providers. We also improved how we share information with the New Zealand Police, to provide real-time driver licence images to front-line officers and automatically receive vetting results, making our jobs faster and easier. We made changes to facilitate the wider use of alcohol interlocks, which require an alcohol interlock licence and stop a vehicle from working if the driver has consumed alcohol.

We increased our range of online and digital services, making it possible to complete driver licence replacements, practical driving test bookings and applications for transport service licences online. Alongside this work, we ensured our customers in urban and rural communities would continue to receive in-store driver licensing services.

How did we perform?

We achieved three of our six targets for licensing and regulatory compliance. For technical notes, see appendix 2, page 159.

SERVICE DELIVERY	ACTUAL 2016/17	ACTUAL 2017/18	TARGET 2017/18	VARIANCE	RESULT
Unit transaction costs	$11.32	$11.42	≤ $11	+$0.42	NOT ACHIEVED
The cost to deliver each transaction was similar to last year. The variance of $0.42 was mainly due to a 2.9 percent decrease in the volume of driver licences issued during the year, which required fixed operational costs to be spread among fewer units.					
% of transactions completed online	41%	46%	50%	-4%	NOT ACHIEVED
While we did not meet our target for the percentage of transactions completed online, we have consistently improved throughout the year. The increase has been supported by online driver licence replacements, launched this year, as well as an updated online practical test booking.					
% accuracy of registers	96%	97%	≥ 93%	+4%	ACHIEVED
% of operational assurance activities completed	100%	78%	100%	-22%	NOT ACHIEVED
Our target for completing assurance of driver testing agents and course providers was not met because we adjusted our assurance activities to prioritise compliance and enforcement activity for high-risk course providers.					
% of activities that are delivered to agreed standards and timeframes	93%	94%	≥ 90%	+4%	ACHIEVED
Number of products or services delivered or processed	6.3m	6.6m	≥ 6.0m[1]	+0.6m	ACHIEVED

[1] This target is driven by demand, which can be variable, and is set as a minimum standard.

After year-end the NZ Transport Agency board has become aware that the regulatory function of the Transport Agency is not performing optimally. The board takes the Transport Agency's responsibility of being a regulator for both road and rail very seriously. There is a backlog of case files, some of which require urgent attention. As a result significant resource is now involved in the regulatory function to address these files and to identify and commit the level of resource required to reach expected performance levels.

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	VARIANCE 2017/18 $000	ACTUAL 2016/17 $000
Income	98,995	96,464	2,531	97,177
Expenditure	99,008	97,676	(1,332)	94,450
Net surplus/(deficit)	**(13)**	**(1,212)**	**(1,200)**	**2,727**

Income was $2.5 million above budget (3 percent).

This was mainly attributable to two revenue streams that had not been budgeted:

- $1 million Crown funding to set up the regional fuel tax administration system
- $0.9 million Crown funding from the Better Public Services fund that was used to develop a new mobile app for young drivers.

In addition, a range of variances occurred across the activities delivered under licensing and regulatory compliance. The most significant variances included higher revenue from transport licensing and over-dimension permits, and lower revenue than planned from driver testing and driver licensing.

Expenditure was $1.3 million above budget (1.4 percent). Lower volumes than planned in driver licensing resulted in lower costs ($2.3 million) for the Transport Agency, as this activity is delivered by agents, such as AA New Zealand, who are paid a commission in proportion with the volumes of transactions they process. Offsetting this was $3.5 million of unbudgeted costs to remediate faulty installations of towbars and drawbars. Additional costs were also incurred to set up the regional fuel tax administration system and the new young drivers app.

The net result was a slight deficit, which was lower than the budgeted deficit of $1.2 million. This was achieved through lower administrative costs than budgeted and slightly higher combined revenue.

output class

MOTOR VEHICLE REGISTRY

Delivered by the Transport Agency and funded from fees and charges

What do we do?

Through motor vehicle registry activities, we:

- operate the motor vehicle register
- deliver motor vehicle registration and licensing services
- collect and refund registration and licensing revenue, which is paid to the National Land Transport Fund
- inform and advise the public.

When a vehicle is first registered in New Zealand, vehicle safety and environmental standards have to be met before it can be licensed for use on the road. This improves vehicle safety and reduces adverse environmental effects.

What were our big achievements?

This year we continued to improve the way we do business online and electronically. We made it possible for customers to receive their vehicle licensing reminders by email, and we promoted our online vehicle registration service, which has significantly increased online vehicle relicensing transactions.

At the same time, we renegotiated contracts with our partners so in-store services for customers continue and put in place an audit regime to maintain consistent levels of customer service, privacy and data quality.

When dealing with paper-based registrations, we reduced the time it takes us to process a transaction from 10 days to 3 by digitising the information on receipt.

How did we perform?

We achieved all six targets for the motor vehicle registry. For technical notes, see appendix 2, page 159.

SERVICE DELIVERY	ACTUAL 2016/17	ACTUAL 2017/18	TARGET 2017/18	VARIANCE	RESULT
Unit transaction costs	$4.98	$4.09	≤ $6.00	-$1.91	ACHIEVED
% of transactions completed online	42%	49%	≥ 45%	+4%	ACHIEVED
% accuracy of registers	97%	97%	≥ 95%	+2%	ACHIEVED
% revenue compliance	99%	98%	≥ 98%	-	ACHIEVED
Number of products or services delivered or processed	11.6 m	11.9m	≥ 9.5m[1]	+2.4m	ACHIEVED
% customer satisfaction	87%	88%	85%	+3%	ACHIEVED

[1] This target is driven by demand, which can be variable, and is set as a minimum standard. High volumes in recent years were driven by an Accident Compensation Corporation levy change.

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	VARIANCE 2017/18 $000	ACTUAL 2016/17 $000
Income	53,636	54,800	(1,164)	55,808
Expenditure	52,355	57,005	4,650	58,119
Net surplus/(deficit)	**1,281**	**(2,205)**	**3,486**	**(2,311)**

Motor vehicle registry recorded a surplus of $1.3 million. This was largely due to two changes this year.

One change was a decrease in vehicle registration volumes because more vehicle owners registered their vehicles for a whole year (rather than for shorter periods), following the price reduction from a reduced Accident Compensation Corporation levy. This reduced revenue and costs as motor vehicle registry activity is delivered by agents that are paid a commission based on the number of transactions they process.

The other change was a review of the time spent managing the motor vehicle registry activity, which led to a reduction of resources compared with the budget.

IMPROVE CUSTOMER EXPERIENCES

Deliver innovative services and experiences that customers and citizens value

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

WHAT ARE WE AIMING FOR?

Through *Improve customer experiences* we aim to deliver timely, tailored and intuitive transport services and experiences for customers and citizens and to work with others to deliver greater value for New Zealand. We design and deliver services to improve customers' experience of the transport system and deliver greater value for New Zealand.

PERFORMANCE SUMMARY: WHERE DID WE GET TO?

To improve our customer's experience of transport services we launched online services for booking a practical driving test and applying for a replacement driver licence. Customers find the service intuitive and fast and completed 500 replacement transactions in the first seven weeks of operation.

Our indicator of customer and citizen experience considers the ease of transacting with us and the customer experience when using state highways. While the result decreased slightly from 63 percent to 62 percent, this change is not statistically significant.

The State Services Commission asked New Zealanders about their experiences and views of public services through the annual Kiwis Count survey.[9] Customer satisfaction with the quality of service received when licensing or registering a vehicle achieved a service quality score of 86 – an increase of 2 points from last year and an increase of 6 points over the past five years. Satisfaction with the service received when obtaining, renewing, changing or replacing a driver licence achieved a service quality score of 81 – an increase of 4 points from last year.

Work in other focus areas also contributed to improving the customer experience. For example, in licensing and regulatory compliance (*Keep people safe*, page 44), we expanded the suite of transactions available online, lifting the total number of online licensing transactions from 41 percent to 46 percent. The proportion of motor vehicle registry transactions completed online also increased, from 42 percent to 49 percent, 4 percentage points above target.

IMPROVE CUSTOMER EXPERIENCES HAS:

1 key performance indicator
pages 54–55

2 significant activities
page 55

KEY PERFORMANCE INDICATOR

62%
A DECREASE OF 1 POINT

CUSTOMER AND CITIZEN EXPERIENCE
Customer service quality

LAUNCHING ONLINE DRIVER LICENCE REPLACEMENTS

We know customers' expectations are changing. They expect faster, more personalised experiences to access information and services in real time on their phones. Demonstrating that customers expect online services, without promotion over 500 customers used our new driver licence replacement service in the first seven weeks.

It turns out, if you build it, people will find it, use it – and love it. We were pleased that on day one, 15 people successfully replaced their licences online. Numbers have been steady since (around 3 percent of all replacement transactions) and we expect that proportion to grow. Customers find the new service intuitive and fast – licence cards arrive in a few days.

Not surprising, under-30s are by far the biggest user group. So we'll keep younger people in mind as we develop new services. And we'll continue to test new services with real customers, using what we've learnt.

Around 40 percent of transactions are completed when driver licensing agents are generally not available, so 'wherever, whenever' convenience is important for our customers. Our efforts to provide more choices online are informed by this kind of knowledge, and we're excited to be working on more ways to make customers' lives easier.

[9] State Services Commission (2018) *Kiwis count*, State Services Commission, Wellington. www.ssc.govt.nz/kiwis-count

DETAILED RESULTS: KEY PERFORMANCE INDICATOR

For technical notes, see appendix 2, page 159.

MEASURE	KEY PERFORMANCE INDICATOR	2017/18 DESIRED TREND	2017/18 ACTUAL	2017/18 ACTUAL (INDEXED)	VARIANCE
Customer and citizen experience	Index of customer service quality	Increase Baseline 63%	Decreased 62%	98	-1%

Customer service quality decreased 1 percentage point from last year. This variance is not statistically significant and within the acceptable margin of error for surveys.

The result is the unweighted average of two surveys: one focused on the customer experience on state highways (an overall customer satisfaction score of 49 percent) and the other on the ease of transacting with us (75 percent of customers surveyed said it required 'little effort' to deal with us).

DETAILED RESULTS: SIGNIFICANT ACTIVITIES

Making it easy to engage and do business with us

During the year, we launched an online service that allows customers with a verified RealMe identity to book practical driving tests and to apply for replacement driver licences and transport service licences online. This was the culmination of a great team effort, both with our partners (the Department of Internal Affairs and New Zealand Police) and throughout the Transport Agency.

We also worked closely with the Ministry of Business, Innovation and Employment to enable customers to access services using their unique New Zealand Business Number (NZBN). Being able to use their NZBN should dramatically reduce the time small, medium and large enterprises spend interacting with us. We expect to be able to identify our customers by their NZBN in December 2018.

	THIS YEAR'S SIGNIFICANT ACTIVITIES	YEAR-END RESULT
5.1	Contribute to all-of-government initiatives including: • enabling customers to use the New Zealand Business Number to access services • further enhancements to the drive.govt.nz website.	ACHIEVED
5.2	Make it easy to engage and do business with us by enabling customers to apply for a transport service licence online.	ACHIEVED

DELIVER CONNECTED JOURNEYS

Lead the integration of a digitally connected land transport system

OUTCOME
Digital solutions enable easier journeys for customers

WHAT ARE WE AIMING FOR?

Through *Deliver connected journeys* we aim to fast track the design and delivery of innovative technologies that enable connected journey experiences for customers. When we say 'connected' we mean digitally connected through the use of information and communication technology. This includes the connection of people to each other, vehicles and infrastructure. We deliver innovative digital solutions that enhance our customers' experience of the New Zealand transport system.

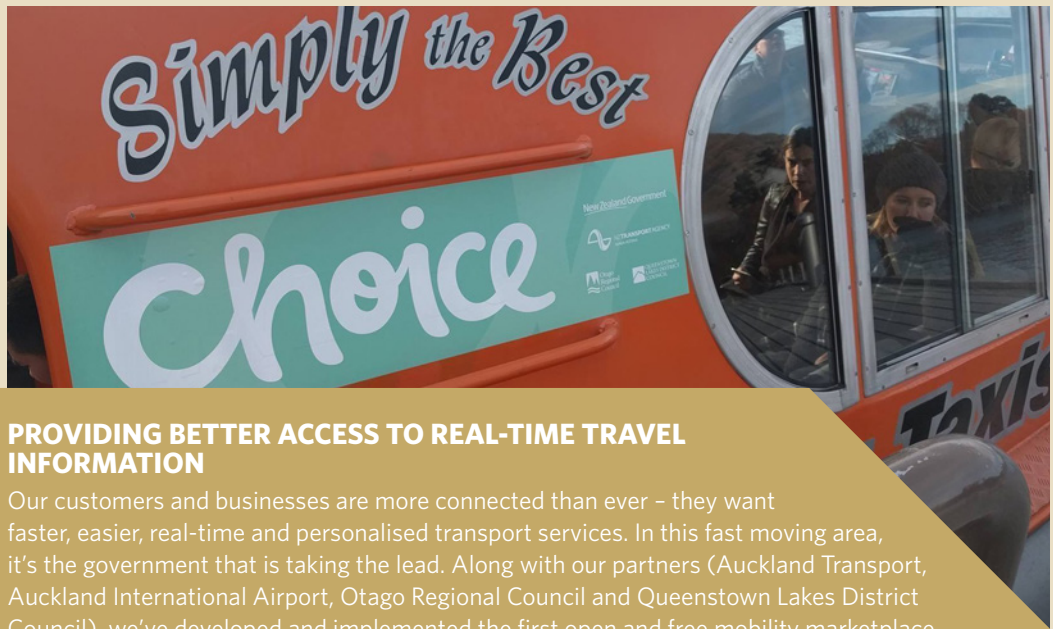
PERFORMANCE SUMMARY: WHERE DID WE GET TO?

Through partnerships with stakeholders in Auckland and Queenstown we successfully tested two apps that connect customers with real-time, multimodal travel options and other information.

We introduced a new measure to track what people think about digital transport information through our apps and websites as well as digital solutions that use our data (such as Google). We found that 70 percent of people thought the information they obtained digitally was 'very good' or 'fairly good'.

We used technology to help people to travel more safely and efficiently on urban road networks, launching a new national incident and event management system that allows our transport operations centres to more effectively clear obstacles and dangers.

To position ourselves to most effectively take advantage of emerging vehicle technology, we investigated the feasibility of such technology.



PROVIDING BETTER ACCESS TO REAL-TIME TRAVEL INFORMATION

Our customers and businesses are more connected than ever – they want faster, easier, real-time and personalised transport services. In this fast moving area, it's the government that is taking the lead. Along with our partners (Auckland Transport, Auckland International Airport, Otago Regional Council and Queenstown Lakes District Council), we've developed and implemented the first open and free mobility marketplace – a digital, real-time platform that connects transport providers' services with customers.

Two apps have been created to provide live transport information in Queenstown (Choice) and Auckland (RideMate). They make downloading different apps for the growing number of transport options a thing of the past.

RideMate and Choice provide people with real-time information about public transport, boats, taxis, shuttles and ride-share options. People can use the apps to compare available options based on time, cost or preferred mode of travel, then book and track their ride. Both apps are available in English, te reo Māori, German, Japanese and Mandarin, making these the first multilingual transport apps in New Zealand.

DELIVER CONNECTED JOURNEYS HAS:

1 key performance indicator
pages 56–57

3 significant activities
page 57

KEY PERFORMANCE INDICATOR

BASELINE **70%** WAS ESTABLISHED

CUSTOMER AND CITIZEN EXPERIENCE
Satisfaction with digital solutions

DETAILED RESULTS: KEY PERFORMANCE INDICATOR

For technical notes, see appendix 2, page 159.

MEASURE	KEY PERFORMANCE INDICATOR	2017/18 DESIRED TREND	2017/18 ACTUAL	2017/18 ACTUAL (INDEXED)	VARIANCE
Customer and citizen experience	Index of digital solutions service quality (satisfaction with digital solutions)	Set baseline	70%	Not applicable	NOT APPLICABLE

This is a new measure of overall use of digital information, whether provided directly by the Transport Agency or by other providers using Transport Agency data. A survey of 2,000 people found that 24 percent (483) used digital solutions to help plan their trip. Of the 483, 70 percent rated the journey planning information they obtained as 'very good' or 'fairly good'. The survey also showed that most people who used digital solutions (75 percent) used Google maps rather than other travel advisory services and apps.

DETAILED RESULTS: SIGNIFICANT ACTIVITIES

Partnerships provide personalised transport services

To deliver digital solutions that support easier journeys for customers, we worked with valued partners in Queenstown and Auckland to test how we could change how different transport modes work together.

Based on the emerging concept of mobility as a service, we tested two downloadable mobile apps that created a single place for all transport providers – taxis, buses and ride-share operators – to offer their services to customers.

New technology enhances travel choices

The first app, called Choice, was offered to customers, particularly tourists, travelling in and around Queenstown. Created in partnership with Queenstown Lakes and Otago Regional Council, this real-time transport marketplace uses data feeds from service providers. Customers can book their preferred mode of transport and track their journey in real time. Being able to access these travel choices easily means tourists can make better decisions about how and when to travel and can spend more time making the most of being in Queenstown.

Satisfied that the Choice app was enhancing travel choices in Queenstown, we turned our attention to Auckland. With Auckland Transport and Auckland Airport, we co-created and launched the first real-time mobility-as-a-service app (RideMate) in Auckland. RideMate is available in English, te reo Māori, Japanese and Mandarin. As a world-first real-time mobility app, RideMate provides transport information in a free and open marketplace, helping customers get to and from Auckland Airport.

Alerting drivers to incidents and events

A new national incident and event management system was launched this year. This system logs and manages disruptions to the urban transport network across the country, replacing various regional applications.

Taking advantage of emerging vehicle technology

We completed a technical review and a feasibility report for trials of emerging vehicle technology. These trials will help position New Zealand to take full advantage of new vehicle technologies once they become mainstream.

	THIS YEAR'S SIGNIFICANT ACTIVITIES	YEAR-END RESULT
6.1	Implement and evaluate a pilot in Queenstown and then Auckland Airport of a national real-time information platform that establishes a marketplace for customers to plan and book travel across modes.	ACHIEVED
6.2	Launch the National Incident and Event Management System in Wellington and Christchurch.	ACHIEVED
6.3	Support and align with the Ministry of Transport to plan and facilitate trials for emerging vehicle technologies.	ACHIEVED

ACHIEVE ORGANISATIONAL EXCELLENCE

Provide exceptional organisational 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

WHAT ARE WE AIMING FOR?

Through *Achieve organisational excellence* we design our organisational services and activities in partnership with the people who use them (our 'internal clients'). Insights and analytics help us identify emerging organisational needs, and, by being better integrated, we can eliminate duplication and waste.

PERFORMANCE SUMMARY: WHERE DID WE GET TO?

This year, we focused on building the capability we need for the future and improving how we engage and work with stakeholders. We developed a plan to modernise our information technology so we can deliver cost-effective customer services, and we progressed our stakeholder engagement framework by getting relationship plans under way.

The Innovation Zone we established in Auckland is a space where we can work creatively with our partners to address specific transport challenges. So far, facilitated design sessions have covered topics such as the safety of road workers and virtual reality in transport planning.

The capabilities of our people are essential to achieving organisational excellence. Our 'future of work' engagement across the Transport Agency and our developing workforce strategy will set us up for the future and to deliver our strategy.

We monitor organisational efficiency through two rating tools – the Performance Improvement Framework, run by the State Services Commission, and our internally led value-for-money programme. Our Performance Improvement Framework efficiency rating increased from 2.2 to 2.5 this year, a 'needs improvement' rating. Our maturity rating for our value-for-money programme also improved from 3.0 to 3.5. This rating reflects how prepared we are to assess our value for money. We also developed the programme to allow us to identify and start making improvements to the value for money of our business.

ACHIEVE ORGANISATIONAL EXCELLENCE HAS:

2 key performance indicators
pages 59–60

5 significant activities
pages 60–61

KEY PERFORMANCE INDICATORS

ORGANISATIONAL EFFICIENCY

Performance Improvement Framework assessment ratings (efficiency)

VALUE FOR MONEY

Value-for-money maturity

TACKLING TRANSPORT CHALLENGES THROUGH INNOVATION

Our Innovation Zone is a place where customers, stakeholders and partners join us in tackling the challenges of a smart, safe, sustainable and connected transport system.

Using tools from human-centred design and agile frameworks, we harness the expertise and diversity of thought of visitors to the Innovation Zone to develop new solutions in priority areas through a problem-based innovation approach. The Innovation Zone is a place where people can feel safe to try new ways of working and learn by doing – living our DNA by remaining ever curious as we co-design solutions with our customers.

Our facilitated design sessions have involved external partners such as New Zealand Police, WorkSafe New Zealand, Auckland University of Technology, the Dutch embassy, Datacom, Arup and the Auckland Motorway Alliance. These sessions tackle challenges such as increasing the safety of road workers and users, using virtual reality in transport planning, and looking at the role of transport in urban design for liveable cities.

We also help to develop solutions for internal challenges, such as new ways of working using design thinking and agile frameworks and enabling staff to get greater clarity under our new operating model.

DETAILED RESULTS: KEY PERFORMANCE INDICATORS

For technical notes, see appendix 2, page 159.

MEASURE	KEY PERFORMANCE INDICATOR	2017/18 DESIRED TREND	2017/18 ACTUAL	2017/18 ACTUAL (INDEXED)	VARIANCE
Organisational efficiency	Index of Performance Improvement Framework assessment ratings (efficiency)	Increase Baseline 2.2	Increased 2.5	114	+0.3
Value for money	Index of value-for-money maturity	Maintain Baseline 3.0	Increased 3.5	117	+0.5

The State Services Commission's Performance Improvement Framework review of the Transport Agency in April 2018[10] found our efficiency in using resources increased to 2.5 from a 2.2 baseline (in March 2017). On the review's four-point scale, 2.5 means 'needs improvement'. Although we are improving, we still have work to do to improve how well we use people, relationships, information technology, business practices and tools to maximise the benefits we deliver to New Zealanders. We have identified responses to meet the challenges identified in the review and will deliver and monitor their progress through our business plan for 2018–21.

Value-for-money maturity describes how well the systems and processes in each of our output classes are set up to allow a value-for-money assessment on a scale of 1–4. The baseline maturity set in 2016 was 71 percent (or 3 on the scale). We undertook a targeted review this year, reviewing, for each output class, up to 8 of the possible 18 elements that we rate ourselves against. This resulted in a maturity of 76 percent (or 3.5 on the scale), which is an average of ratings across economy, efficiency, effectiveness and equity for all output classes.

DETAILED RESULTS: SIGNIFICANT ACTIVITIES

Building our capability

In our drive for year-on-year improvements in people development and performance management practices, we focused our attention on developing a workforce strategy and engaging with staff on the 'future of work'. The strategy will help ensure we have the right people to deliver our work programme and identify capability needs and gaps.

We also developed a plan to modernise our information technology infrastructure. The plan is already delivering improved digital experiences for our customers, better regulatory systems, new digital asset management, bolstered cyber-security capability and improved collaboration tools.

Improving the value for money of our activities and investments

This year we established a value-for-money framework that allows us to identify and start improving the value for money of our business. The framework consists of:

- ongoing measurement of how well our systems and processes assess value for money
- our value-for-money performance across economy, efficiency, effectiveness and equity.

[10] Full details of the review are in State Services Commission (2018) *Performance Improvement Framework: Review for the New Zealand Transport Agency Waka Kotahi*, State Services Commission, Wellington. www.ssc.govt.nz/sites/all/files/pif-nzta-review-april2018.pdf

Guiding our actions and interactions with stakeholders

During the year, we made significant progress on developing relationship models and plans that will guide our understanding of our stakeholders and how we can best interact with them. This work is part of building our stakeholder engagement framework and improving how we engage with stakeholders and work with partners. We want clarity about their needs as well as the outcomes we are seeking.

Tackling transport challenges through innovation

An exciting step towards achieving organisational excellence was establishing the Innovation Zone, which included securing and fitting out a physical space as well as finding the people to lead it. The idea behind the Innovation Zone is to create a space where people feel free to work with our partners in ways that foster creative and out-of-the-box design thinking to address specific transport challenges.

	THIS YEAR'S SIGNIFICANT ACTIVITIES	YEAR-END RESULT
7.1	Identify our capability needs to deliver our new strategy and create a plan to fill any gaps.	ACHIEVED
	Through workshops with staff and a review of both capability and capacity we considered the capability needed to deliver our new strategy and align with our business planning cycle. A workforce strategy is under development.	
7.2	Develop a plan to modernise our information technology infrastructure so we can deliver cost-effective customer services and solutions.	ACHIEVED
7.3	Develop relationship plans for our key stakeholders to strengthen and clarify how we engage and work with our partners.	SUBSTANTIALLY ACHIEVED
	We made significant progress this year. We developed our relationship model and defined our key stakeholder list. Relationship plans are still under development.	
7.4	Develop and begin to implement action plans to improve the value for money of our output class investments.	ACHIEVED
7.5	Establish the space, tools and partnership arrangements for an innovation zone and run innovation design challenges with our partners to address specific transport challenges.	ACHIEVED

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

WHAT ARE WE AIMING FOR?

Through *Transform the Transport Agency* we aim to collaboratively lead, manage and embed organisational change so we think, act and organise as an integrated, strategy-led, people-centred agency. We will realise the opportunities we identified from our assessment against the Performance Improvement Framework to lift our performance and meet the challenges ahead of us. We are changing the way we think, act and are organised to become one integrated agency, focused on serving customers and citizens in innovative ways.

PERFORMANCE SUMMARY: WHERE DID WE GET TO?

This focus area centres on how we organise ourselves, how effectively we translate strategy to action and how we work.

We launched our new operating model and structure on 3 July 2017 and have been embedding the transformation into what we do and how we do it . An important part of this work was developing our business plan for 2018–21 to ensure we deliver the right activities in line with our strategy.

Our people have been focused on understanding what is expected of them in new roles and moving to a 'team of teams' approach to collaborate across groups and locations. Our transformation also includes shifting to a new DNA (culture) over the next 3–5 years. While our measure of organisational culture dropped this year, this is not unusual with change of this scale. We are supporting our people and people leaders to build our DNA in their teams, practices and processes.

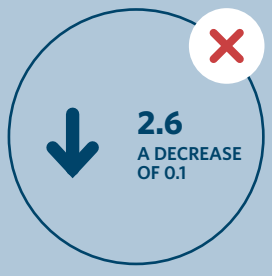
A major goal of the transformation was to increase our organisational effectiveness. An independent review showed a slight decrease in our Performance Improvement Framework rating of effectiveness this year. We are responding to the review recommendations and, as with the 'Ask our team' survey result, will be looking to improve our rating as we continue to embed the transformation.

TRANSFORM THE TRANSPORT AGENCY HAS:

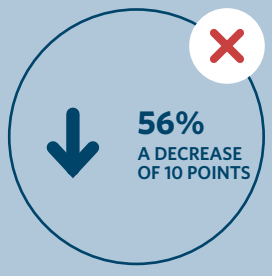
2 **key performance indicators**
pages 62–64

3 **significant activities**
page 65

KEY PERFORMANCE INDICATORS



ORGANISATIONAL EFFICIENCY
Performance Improvement Framework assessment ratings (effectiveness)



ORGANISATIONAL CULTURE
Organisational culture (maturity of organisational practices %)

PROVIDING BETTER VALUE THROUGH TEAMING

Teaming up in new ways to provide better value for our customers is a great outcome from our work to transform the Transport Agency. Our new 'team of teams' approach means we can bring together the right people with the right skills to solve problems and deliver great results.

In March this year, the northern tip of the Far North was cut off for several days when heavy rain and a washout tore a 20-metre hole in the state highway north of Kaitaia. Teams worked quickly and effectively together to repair the road and restore connections for northern communities. System Design and Delivery, Customer Design and Delivery and Governance, Stakeholders and Communications were all involved. Daily conferences, stakeholder updates and media releases kept everyone informed in a timely fashion.

Summit Forests allowed public vehicles to use its private track through the forest to bypass the washout, and the police managed morning and evening convoys of more than 150 vehicles making the 40-minute journey. Local authorities, emergency services and civil defence worked closely to ensure the welfare of local people.

Collaboration and teaming meant we were able to achieve fast, efficient and the best possible outcome for our customers and communities in Northland.

DETAILED RESULTS: KEY PERFORMANCE INDICATORS

For technical notes, see appendix 2, page 159.

MEASURE	KEY PERFORMANCE INDICATOR	2017/18 DESIRED TREND	2017/18 ACTUAL	2017/18 ACTUAL (INDEXED)	VARIANCE
Organisational effectiveness	Index of Performance Improvement Framework assessment ratings (effectiveness)	Increase Baseline 2.7	Decreased 2.6	96	-0.1
Organisational culture	Index of organisational culture (maturity of organisational practices %)	Maintain Baseline 66%[1]	Decreased 56%	85	-10%

1 This baseline has been adjusted from the baseline of 61 percent published in *Statement of performance expectations 2017/18*. This is because the results are based on the March 2018 survey that used eight rather than all questions that were used to create the original baseline. The next six-monthly survey will cover all questions.

The State Services Commission's Performance Improvement Framework review found a slight decrease in our effectiveness delivering our core activities to 2.6 from the 2.7 baseline (in March 2017). On the review's four-point scale, 2.6 means 'needs improvement'. We have more work to do to improve how well we use our resources to maximise the benefits we deliver to New Zealanders. We have identified responses to meet the challenges identified in the review and will deliver and monitor their progress through our business plan for 2018–21.

We undertook the 'Ask our team' survey in March 2018. The survey sought feedback from staff on how they feel about working at the Transport Agency. Over 1,100 people (80 percent) responded and made over 2,500 responses to the free-text questions. The result of 56 percent means that on average, people rated the survey assertions as 'somewhat agree' on a scale from 'strongly agree' to 'strongly disagree'. This is a 10 percentage point decrease from the baseline, which is expected following the transition to our new operating model on 3 July 2017.

Following the Ask our team results, four work streams led by tier-three managers were established focused on:

- **decision-making:** simplify decision-making and bring greater clarity to improvements to formal decision making (that is, delegations, accountabilities and business planning) as well as helping people to work together in new ways
- **clarity beyond own role:** develop a relationship-building approach that enables everyone to quickly and effectively grow their network of relationships to improve business and customer outcomes
- **creating an environment people want to be part of:** enable the development of an environment at the Transport Agency so people feel seen, connected and valued
- **collective leadership:** create a senior leadership collective that builds and drives the culture and values of senior leaders to enable our people to connect with our strategy and our customers.

Phase one has seen the streams focus on identifying and addressing quick wins, as well as setting a more detailed work programme for the future. Phase two will involve a wider range of people across the Transport Agency to build collective ownership of these priorities. Achievements are being communicated regularly and through our senior leader forums.

DETAILED RESULTS: SIGNIFICANT ACTIVITIES

Embedding the transformation

Our new operating model and structure were launched on 3 July. In the year that followed, new teams were formed and new functions clarified and understood. People focused on identifying how foundational transformation elements such as changed processes, delegations and systems would work together to support success for everyone. The transition included guidance, tools and an organisational plan for ongoing development and support. Throughout the year, senior leaders visited offices across the country to listen to people's feedback about the change and talk about where we are at in the transformation journey.

Delivering our one agency business plan

Our one agency business plan is a core element of the transformation. By applying lessons from the 2017/18 plan and navigating the business impacts of a new government and its priorities, the next business planning cycle was successfully executed. The 2018–21 business plan shows a better line of sight from strategy to individual performance development plans, clearly identifying programmes of work and core functions, including lead groups, related focus areas and business priorities.

Building our DNA

During this first year of the transformation, people have focused on understanding what's expected of them in their new roles. To help people think and act differently, we've adopted simple teaming practices that support people to work collaboratively and in relatively short, intensive bursts (or 'sprints'). We regularly test proposed solutions with our customers and then improve them (or 'iterate') in response to customer feedback. We've encouraged a 'team of teams' approach to work across groups and include people from remote locations.

Our people and leadership expectations have been launched, signalling the behaviours and capabilities that demonstrate our new ways of working. These behaviours and capabilities are reinforced through our performance and development planning and recruitment processes. We also launched the Great Leaders Programme to equip our leaders to create a powerful team-based organisation.

Next year, we will focus on supporting people leaders to build the DNA in their teams, practices and processes.

	THIS YEAR'S SIGNIFICANT ACTIVITIES	YEAR-END RESULT
8.1	Implement a transition plan with supporting guidance and tools for change management to effectively transition our people into their new roles and teams.	ACHIEVED
8.2	Identify and implement a programme of improvements to our centralised business planning framework. (The new framework, which uses our strategy to direct business planning, resource allocation and performance measurement for the entire Transport Agency, was established in 2016/17.)	ACHIEVED
8.3	Develop and shift our DNA (how we work): customer focus to deliver value, collaborate to achieve as one and curious to cultivate innovation.	SUBSTANTIALLY ACHIEVED
	This year's focus was on creating an understanding of our cultural aspirations and how we need to think and act differently to achieve our goals. While we made progress, our people's attention has been focused on understanding what is expected of them in their roles and navigating our new operating model, which has slowed progress in moving our culture.	

SECTION C

FINANCIAL STATEMENTS AND AUDIT REPORTS

STATEMENT OF RESPONSIBILITY

The Transport Agency Board 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 is responsible 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 2018.

Signed on behalf of the board:

MICHAEL STIASSNY
Chair
28 September 2018

MARK DARROW
Chair of the Audit, Risk and Assurance Board Committee
28 September 2018

Countersigned by:

FERGUS GAMMIE
Chief Executive
28 September 2018

HOWARD CATTERMOLE
General Manager Investment and Finance
28 September 2018

JENNY CHETWYND
General Manager Strategy, Policy and Planning
28 September 2018

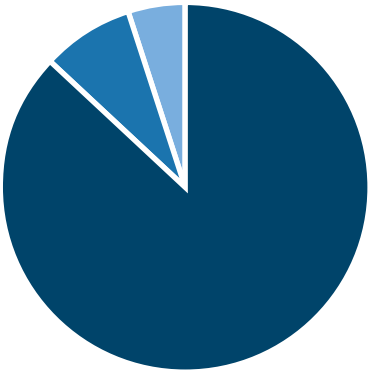
HIGHLIGHTS FROM OUR FINANCIAL STATEMENTS

$2.66 BILLION
TOTAL REVENUE
(2016/17: $2.38 BILLION)

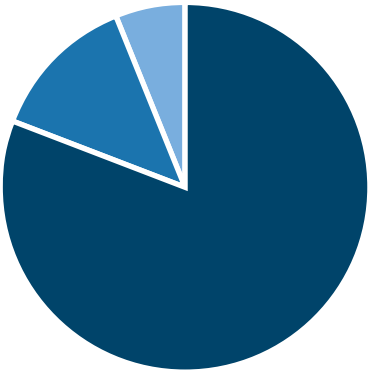
Most of the Transport Agency's income is from the National Land Transport Fund. We also receive revenue from the Crown to support our objectives and for specific projects. Most of the Crown revenue funding was to reinstate State Highway 1 after the Kaikōura earthquake. Other revenue comes mostly from licensing and regulatory activities.

REVENUE BY SOURCE

2017/18



2016/17



National Land Transport Fund
2017/18 **87.1%** 2016/17 **81.1%**

Other revenue
2017/18 **8.0%** 2016/17 **12.8%**

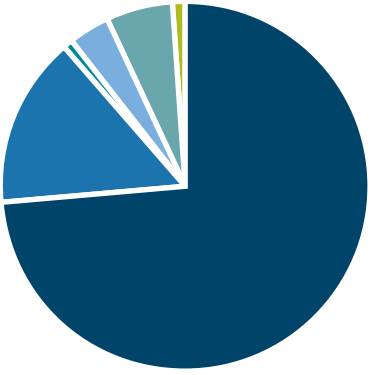
Crown
2017/18 **4.9%** 2016/17 **6.1%**

$2.65 BILLION
TOTAL EXPENSE
(2016/17: $2.35 BILLION)

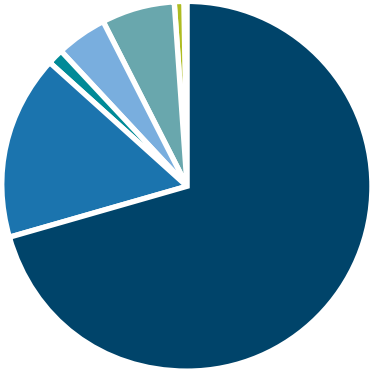
Our expenditure is guided by the Government Policy Statement on Land Transport Funding and the priorities identified in our statement of intent. Last year, almost three-quarters (73 percent) of our expenditure directly related to land transport funding (which we provide to approved organisations for the delivery of services), associated activities funded from the Crown, and our maintenance and operation of the state highway network. Depreciation and amortisation comprised 15 percent of our annual expenses, and personnel and operating expenses 10 percent.

EXPENSE BY TYPE

2017/18



2016/17



Land transport funding
2017/18 **72.8%** 2016/17 **69.9%**

Depreciation and amortisation expense
2017/18 **14.9%** 2016/17 **16.1%**

Other
2017/18 **1.8%** 2016/17 **2.2%**

Personnel costs
2017/18 **3.7%** 2016/17 **4.4%**

Operating expenses
2017/18 **6.0%** 2016/17 **6.5%**

Transport Agency managed activities
2017/18 **0.8%** 2016/17 **0.9%**

NZ Transport Agency managed activities include advertising, education and promotion programmes, vehicle impoundment, and sector training and research.

$44.3 BILLION
NET ASSETS/EQUITY
(2016/17: $34.9 BILLION)

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

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
Total assets	46,351,330	38,602,875	36,385,571
Less total liabilities	2,085,865	1,939,046	1,453,353
NET ASSETS/EQUITY AT END OF YEAR	**44,265,465**	**36,663,829**	**34,932,218**

Our statement of financial position reflects the significant value held in the state highway network, with $46.4 billion of assets and low levels of liabilities. The state highway network accounts for 94 percent of our asset base. During the year, we updated some of the estimates used in our valuation, based on recent project information. This has led to a significant uplift in the valuation for 2018.

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
REVENUE				
Funding from the National Land Transport Fund	2	2,313,829	2,209,822	1,930,879
Funding from the Crown	2	129,869	181,734	146,181
Revenue from other activities	4	212,176	205,623	230,401
Assets vested from local authorities	6	0	0	75,013
Total revenue		2,655,874	2,597,179	2,382,474
EXPENSE				
Land transport funding	2	1,927,246	1,730,313	1,645,364
Personnel costs	9	98,163	104,202	102,728
Operating expenses	10	179,009	180,674	174,491
Interest and finance costs	11	36,995	33,779	23,368
Depreciation, amortisation and state highway write-off	6	405,490	458,460	389,670
Assets vested to local authorities	6	0	88,800	18,410
Total expense		2,646,903	2,596,228	2,354,031
SURPLUS/(DEFICIT)		**8,971**	**951**	**28,443**
OTHER COMPREHENSIVE REVENUE AND EXPENSE				
Gain/(loss) state highway network revaluations	6	7,345,659	560,000	1,049,112
Net movement in cash flow hedges	11	(86,125)	5,416	89,761
Total other comprehensive revenue and expense		**7,259,534**	**565,416**	**1,138,873**
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		**7,268,505**	**566,367**	**1,167,316**

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	NOTE	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
ASSETS				
Cash and cash equivalents		120,349	50,000	65,442
Debtor Crown	5	58,633	27,400	49,745
Receivables and other assets	5	103,720	95,950	93,768
Derivative financial asset	11	0	11,554	8,534
Debtor National Land Transport Fund	5	351,739	356,287	331,459
Debtor National Land Transport Fund – debt related	5	1,547,307	1,475,544	1,003,972
Property assets held for sale	6	50,041	70,000	49,611
Public–private partnership assets	7	855,480	1,014,250	508,305
Property, plant, equipment and intangible assets		59,743	57,408	55,897
State highway network	6	43,204,318	35,444,482	34,218,838
TOTAL ASSETS		46,351,330	38,602,875	36,385,571
LIABILITIES				
Payables	10	575,202	399,178	447,536
Employee entitlements	9	14,738	13,000	14,214
Derivative financial liability	11	203,763	106,158	120,536
Borrowing and other liabilities	11	436,682	406,460	362,762
Public–private partnership liabilities	7	855,480	1,014,250	508,305
TOTAL LIABILITIES		**2,085,865**	**1,939,046**	**1,453,353**
NET ASSETS		**44,265,465**	**36,663,829**	**34,932,218**
EQUITY				
Contributed capital		5,606	5,606	5,606
Retained funds		43,318	24,813	42,862
Equity derived from the state highway network	12	44,344,768	36,659,314	34,925,852
Cash flow hedge reserve	11	(128,227)	(25,904)	(42,102)
TOTAL EQUITY		**44,265,465**	**36,663,829**	**34,932,218**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
BALANCE AT 1 JULY		34,932,218	34,311,589	32,305,157
Surplus/(deficit)		8,971	951	28,443
State highway network revaluations		7,345,659	560,000	1,049,112
Movement in cash flow hedges		(86,125)	5,416	89,761
Capital contribution	3	2,064,742	1,785,873	1,459,745
BALANCE AT 30 JUNE	**12**	**44,265,465**	**36,663,829**	**34,932,218**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from the National Land Transport Fund	2,136,709	2,131,212	2,021,692
Receipts from the Crown	146,856	174,416	112,949
Receipts from other revenue	202,492	179,004	201,759
Payments to employees	(97,507)	(104,202)	(102,648)
Payments to suppliers	(1,985,112)	(1,884,666)	(1,774,222)
Goods and services tax (net)	(3,925)	(10,000)	22,526
Net cash from operating activities	399,513	485,764	482,056
CASH FLOWS FROM INVESTING ACTIVITIES			
National Land Transport Fund receipts from sale of state highway-held properties	37,137	51,530	56,272
Purchase of property, plant, equipment and intangible assets	(16,034)	(12,610)	(9,816)
Investment in the state highway network	(2,058,961)	(1,913,373)	(1,674,485)
Net cash from investing activities	(2,037,858)	(1,874,453)	(1,628,029)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from the National Land Transport Fund	1,222,999	1,083,543	967,000
Capital contribution from the Crown	392,642	257,800	45,310
Receipts from borrowing	100,000	70,000	127,200
Repayment of borrowing	(15,000)	(15,000)	0
Interest paid on borrowing	(7,389)	(7,654)	(5,146)
Net cash from financing activities	1,693,252	1,388,689	1,134,364
Net (decrease)/increase in cash and cash equivalents	**54,907**	**0**	**(11,609)**
Cash and cash equivalents at the beginning of the year	65,442	50,000	77,051
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**120,349**	**50,000**	**65,442**

RECONCILIATION OF NET SURPLUS TO NET CASH FROM OPERATING ACTIVITIES

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
SURPLUS/(DEFICIT)	8,971	951	28,443
ADD/(DEDUCT) NON-CASH/NON-OPERATING ITEMS:			
Depreciation, amortisation and state highway write-off	405,490	458,460	389,670
(Gains)/losses on disposal of disposal of non-financial assets	4,708	0	2,091
Write off/(recovery) of impairment of intangible asset	0	0	(330)
Net impact of assets vested to/(from) local authorities	0	0	(56,603)
Fair value loss and amortisation of losses on receivables	13,925	0	14,413
Interest on borrowings	6,114	8,652	6,411
Fair value gain and amortisation of gains on borrowings	(9,985)	0	(13,447)
Ineffective portion of cash flow hedge	5,635	0	(3,768)
Total non-cash/non-operating items	425,887	467,112	338,437
ADD/(DEDUCT) MOVEMENTS IN WORKING CAPITAL:			
(Increase)/decrease in debtor National Land Transport Fund and Crown	(137,323)	3,201	68,460
(Increase)/decrease in receivables and other assets	(10,067)	(1,820)	(6,553)
Increase/(decrease) in creditors and other payables	111,521	16,320	53,322
Increase/(decrease) in employee entitlements	524	0	(53)
Net movements in working capital items	35,345	17,701	115,176
NET CASH FROM OPERATING ACTIVITIES	**399,513**	**485,764**	**482,056**

NOTES TO THE FINANCIAL STATEMENTS

1 / ENTITY INFORMATION

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 Land Transport Management Act 2003.

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

The financial statements for the Transport Agency are for the year ended 30 June 2018 and were approved by the Transport Agency Board on 28 September 2018.

BASIS OF PREPARATION

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 generally accepted accounting practice in New Zealand (NZ GAAP).

The Transport Agency is designated as a public benefit entity (PBE) for financial reporting purposes. The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

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

The accompanying notes form part of these financial statements. Where an accounting policy is specific to a note, the policy is described in the note to which it relates.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

Budget figures

The budget figures are derived from the *Statement of performance expectations 2017/18* as approved by the Board on 9 June 2017. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are materially consistent with those adopted by the Board in preparing these financial statements. The budget figures are not audited.

Taxes

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

The Transport Agency is a public authority, so is exempt from the payment of income tax.

Accounting standards issued and not yet effective

The Transport Agency has adopted all accounting standards, amendments and interpretations to existing standards that have been published and are mandatory for its accounting periods beginning on 1 July 2017.

Financial instruments

In January 2017, the External Reporting Board issued PBE IFRS 9 *Financial Instruments*. This replaces PBE IPSAS 29 *Financial instruments: Recognition and measurement*. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

The Transport Agency will adopt PBE IFRS 9 in 2018/19. This is consistent with the Treasury's decision to adopt PBE IFRS 9 for the financial statements of the government of New Zealand in 2018/19. The Transport Agency does not expect any material measurement changes from adopting the standard.

Critical accounting judgements, estimates and assumptions

In preparing the financial statements, the Transport Agency has applied judgements, estimates and assumptions concerning the future that may differ from the subsequent actual results. These judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors. The most significant judgement, estimates and assumptions applied on the financial statements are disclosed in note 6 and relate to the valuation of the state highway network.

2/ OPERATING FUNDING REVENUE AND LAND TRANSPORT FUNDING EXPENSE

Revenue and expense from the Crown and National Land Transport Fund is as follows.

	LAND TRANSPORT FUNDING		LAND TRANSPORT FUNDING	
	REVENUE ACTUAL 2017/18 $000	EXPENDITURE ACTUAL 2017/18 $000	REVENUE ACTUAL 2016/17 $000	EXPENDITURE ACTUAL 2016/17 $000
NATIONAL LAND TRANSPORT FUND				
Local road maintenance	609,680	609,680	594,764	594,764
State highway maintenance	525,557	531,381	410,556	416,924
State highway improvements	411,621	412,694	324,780	382,490
Public transport	382,396	382,616	334,061	336,120
Local road improvements	246,242	246,242	140,911	140,911
Investment management	55,927	57,492	52,227	51,670
Walking and cycling	43,347	43,347	33,670	33,670
Road safety promotion	34,192	34,717	32,365	32,390
Road user charges collection, investigation and enforcement	4,229	4,296	4,229	4,697
Refund of fuel excise duty	638	785	1,034	1,161
Reinstatement of local roads in Christchurch	0	0	2,282	2,282
Other	0	1,191	0	(763)
TOTAL NATIONAL LAND TRANSPORT FUNDING AND EXPENSE	**2,313,829**	**2,324,441**	**1,930,879**	**1,996,316**
CROWN				
Kaikōura Earthquake Response	62,228	62,228	93,137	93,137
Urban Cycleways Programme	33,253	34,154	22,000	21,099
SuperGold card administration and public transport concessions	28,266	28,266	26,481	26,481
Licensing and regulatory compliance	3,503	3,503	3,789	3,789
Investment management (crash analysis system)	775	316	774	1,855
Other	1,844	0	0	0
TOTAL CROWN FUNDING AND EXPENSE	**129,869**	**128,467**	**146,181**	**146,361**
TOTAL	**2,443,698**	**2,452,908**	**2,077,060**	**2,142,677**
TOTAL FUNDING FROM FEES, CHARGES AND OTHER REVENUE	**212,176**	**203,571**	**305,414**	**211,354**
TOTAL REVENUE AND EXPENSE	**2,655,874**	**2,646,903**	**2,382,474**	**2,354,031**

Included in the above revenue is funding for broadcasting of $111,796 (2017: $360,983).

The table above represents funding from the National Land Transport Fund and the Crown as well as relevant expenses for operating transport infrastructure and other services throughout New Zealand.

In 2017/18, the total paid from the National Land Transport Fund to approved organisations was $1,927 million (2016/17: $1,645 million).

The total for the Transport Agency's own investment in state highways, maintenance of state highways and operating activities is $720 million (2016/17: $709 million).

Funding from the Crown and National Land Transport Fund

The Transport Agency is primarily funded through revenue received from the National Land Transport Fund and the Crown.

Funding from the Crown and the National Land Transport Fund are for specific purposes set out in the Transport Agency's founding legislation and the scope of the relevant government appropriations. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to this funding.

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.

Land transport funding

The Transport Agency receives land transport funding and then provides it to approved organisations for the delivery of services and uses it to maintain and operate the state highway network.

EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Land transport funding expenditure was $197 million (11 percent) above budget. This was due to higher than expected spending on state highway maintenance, public transport and local road improvements. A significant number of claims were received by local councils and other approved organisations as the three-year National Land Transport Programme was concluded. Public transport spend was driven by increased expenditure on infrastructure, including new electric train units in Auckland and improvements in public transport services.

Funding from the National Land Transport Fund was $104 million (5 percent) above budget. Additional funding was drawn down from the fund to meet the higher than expected spending referred to above.

Funding from the Crown was $52 million (29 percent) below budget. This was due to slower than planned progress on the Urban Cycleways Programme as more time was required on defining scope, costs and routes before implementation.

3/ CAPITAL FUNDING AND EXPENDITURE

Capital funding from the National Land Transport Fund and Crown is as follows.

	CAPITAL FUNDING ACTUAL 2017/18 $000	CAPITAL EXPENDITURE ACTUAL 2017/18 $000	CAPITAL FUNDING ACTUAL 2016/17 $000	CAPITAL EXPENDITURE ACTUAL 2016/17 $000
NATIONAL LAND TRANSPORT FUND				
State highway improvements	738,098	739,618	886,943	911,468
Public-private partnerships	433,300	433,300	173,574	173,574
State highway maintenance	202,061	204,382	141,273	142,060
Regional improvement	140,136	140,136	68,517	68,517
Auckland Transport Package	121,678	121,678	123,739	123,739
Walking and cycling	6,744	6,744	7,890	7,890
Investment management	2,935	2,935	8,028	8,028
Road safety promotion	1,273	1,273	1,125	1,125
TOTAL NATIONAL LAND TRANSPORT FUND CAPITAL FUNDING AND EXPENDITURE	**1,646,225**	**1,650,066**	**1,411,089**	**1,436,401**
FUNDED FROM THE CROWN				
Kaikōura Earthquake Response	370,503	370,503	45,409	45,409
Accelerated Regional Roading Programme	43,625	43,625	0	0
Urban Cycleways Programme	4,389	4,389	3,247	3,247
TOTAL CROWN CAPITAL FUNDING AND EXPENDITURE	**418,517**	**418,517**	**48,656**	**48,656**
TOTAL CAPITAL FUNDING AND EXPENDITURE	**2,064,742**	**2,068,583**	**1,459,745**	**1,485,057**

Capital funding is recognised as a capital contribution when expenditure for capital projects is incurred.

4 / OTHER REVENUE

	ACTUAL 2017/18 $000	ACTUAL 2016/17 $000
REVENUE FROM OTHER ACTIVITIES		
Motor vehicle licensing fees	53,072	54,713
Driver licensing fees	35,318	35,256
Driver testing fees	24,296	24,834
Road user charges collections	12,675	12,296
Certification review fees	11,758	12,065
Transport licensing fees	10,987	10,666
Standards development fee and certification levies	6,706	6,556
Rail licensing fees	1,210	1,117
Over-dimension and overweight permits	1,185	1,153
Border inspection fees	945	1,044
Total fees and charges	158,152	159,700
Interest and finance income	22,658	20,386
Tolling fees and contributions	15,162	13,987
Recoveries from National Land Transport Programme activities	9,244	28,173
Levy on personalised plates for community road safety initiatives	3,357	3,110
Rental recoveries	2,203	1,167
Administration fee from Accident Compensation Corporation	845	834
Miscellaneous revenue	555	3,044
TOTAL REVENUE FROM OTHER ACTIVITIES	**212,176**	**230,401**

5 / DEBTOR CROWN, DEBTOR NATIONAL LAND TRANSPORT FUND AND RECEIVABLES AND OTHER ASSETS

	ACTUAL 2017/18 $000	ACTUAL 2016/17 $000
National Land Transport Fund receivable	351,739	331,459
National Land Transport Fund receivable – debt related	1,547,307	1,003,972
Debtor Crown	58,633	49,745
Other receivable	100,403	81,796
Loans and advances	1,459	1,574
Other current assets	1,858	10,398
TOTAL	**2,061,399**	**1,478,944**
Split between current and non-current is:		
Current	535,633	488,398
Non-current	1,525,766	990,546
TOTAL	**2,061,399**	**1,478,944**

Receivables are recognised initially at fair value less any provision for impairment.

The categories National Land Transport Fund receivable and debtor Crown represent undrawn funds from the operating and capital appropriations relevant to expenses incurred and not funded by borrowings. The receivables are expected to be received within 30 days of balance date.

The category other receivable includes third-party receivables and GST receivable. It is net of provision for impairment of $2.896 million (2016/17: $1.418 million). Out of the total provision for impairment, $2.725 million, (94 percent) relates to receivables that are past due over 90 days (2016/17: $1.189 million; 84 percent).

Receivables written off during the year amounted to $1.174 million (2016/17: $1.314 million).

The category National Land Transport Fund receivable – debt related represents operating and capital expenditure for accelerated programmes that are funded by loans and public–private partnerships that will be reimbursed by the National Land Transport Fund over future periods.
The receivable balance has been discounted over its term at the original effective interest rate.

Impairment

There is no indication that receivables from the National Land Transport Fund or the Crown are impaired as at 30 June 2018.

EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Current debtor National Land Transport Fund and debtor Crown were $27 million (7 percent) above budget. This is mainly the result of higher than expected expenditure towards the end of the year on local road improvements and public transport. A significant number of claims were received by councils and other approved organisations in the last few months of the year as the three-year National Land Transport Programme was concluded. The increase in debtor Crown was mainly due to good progress on the Kaikōura State Highway 1 reinstatement and the Accelerated Regional State Highway Programme.

Non-current debtor National Land Transport Fund was $72 million (5 percent) above budget. This is due to fair value movements in the interest rate swap contracts entered into for the Transmission Gully public–private partnership agreement.

6 / STATE HIGHWAY NETWORK

	ACTUAL 2017/18 $M	ACTUAL 2016/17 $M
Opening balance	34,219	31,866
Additions	2,071	1,766
Depreciation	(383)	(366)
Disposals	(48)	(89)
Net revaluation	7,346	1,049
Assets transfer to/from held for sale	(1)	(7)
CLOSING BALANCE	**43,204**	**34,219**

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 be realised and the cost can be measured reliably. Other repair and maintenance costs are expensed during the financial period in which they are incurred.

Subsequent to initial recognition, the state highway network is revalued on an annual basis.

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

State highway network assets are reviewed for impairment whenever events or changes in circumstances indicate that there may be a reduction in the asset's future service potential. An impairment loss is recognised when the asset's carrying amount exceeds the recoverable service amount. The recoverable service amount is the higher of the asset's fair value less cost to sell and value in use. Impairment of state highway network assets is deducted from the asset revaluation reserve to the extent of an existing credit balance for that asset class. Any excess is recognised in surplus or deficit.

The Manawatū Gorge has been closed since slips caused damage in April 2017. As at 30 June 2018, the Manawatū Gorge has been impaired by $42 million. The impairment expense is recognised in the asset revaluation reserve.

Valuation

The state highway network is valued using an optimised depreciated replacement cost methodology based on the estimated current cost of constructing the existing assets by the most appropriate method of construction, reduced by factors for the age, condition and performance of the assets. The estimated current cost is expected to change over time.

The valuation is carried out by qualified independent valuers:

STATE HIGHWAY NETWORK COMPONENT	VALUER
Roads, bridges, culverts, tunnels, underpasses, including the formation works, road structure, drainage works and traffic facilities.	WSP Opus
Land	Darroch Limited

Replacement costs for the valuation are based on recent prices and unit costs provided by BondCM, an independent cost estimator.

The components of the state highway network at optimised depreciated replacement cost and the related depreciation expense are shown in the table below:

	OPTIMISED DEPRECIATED REPLACEMENT COST		DEPRECIATION EXPENSE	
STATE HIGHWAY NETWORK COMPONENTS	2017/18 $M	2016/17 $M	2017/18 $M	2016/17 $M
Land	12,351	10,892	-	-
Formation	10,648	8,602	-	-
Pavement base course	6,099	4,236	48	46
Pavement surface	878	742	117	120
Drainage	1,564	903	25	25
Traffic facilities	1,383	1,330	91	89
Bridges	7,431	5,405	69	63
Culverts and subways	762	491	8	7
Other structures	2,088	1,618	25	16
Total	43,204	34,219	383	366

State highway assets significantly increased in value in 2017/18. The increase is mainly due to the following changes in valuation estimates and assumptions.

- Unit costs applied to several significant state highway network components were updated by an independent cost estimator (BondCM).
- The estimate for preliminary and general costs increased to 34 percent from 10–15 percent. Preliminary and general costs are multiplied by the unit costs, professional fees and internal charges to form the total replacement cost.

Depreciation expense for 2017/18 is calculated based on the 30 June 2017 valuation.

Estimates, assumptions and judgement

Due to the unique nature of the state highway network, the value of the assets cannot be measured with precision. Significant estimates and assumptions have been applied to the valuation, including assumptions on quantities used in the construction of state highway network components, the life of the assets and the unit costs to apply. Changes to the underlying estimates and assumptions can cause a material movement in the state highway valuation and are reviewed on a periodic basis.

The following represents estimated inputs used in the 2017/18 valuation.

STATE HIGHWAY NETWORK COMPONENT	QUANTITY	RATE ($)	USEFUL LIFE IN YEARS	BASIS OF VALUATION
Land	Land corridor: 36,219ha Held properties: 140,200ha	Market price	N/A	Corridor land (land associated with the road) is valued at the market price per hectare of the surrounding land. Land quantity is sourced from the asset management database that is derived from Land Information NZ. Held properties, which are properties not yet part of corridor land, are based on market prices.
Formation (earthworks)	Formation: 124,349,489m^2 Shoulder formation: 21,016,219m^2	Flat terrain: 24–43 per m^2 Rolling terrain: 40–60 per m^2 Mountainous terrain: 67–92 per m^2 Special unit rates applied to some sections Overhead rate: 54.11%	N/A	Unit costs are obtained from contract records of highway construction (1–10km lengths), which are then grouped into terrain types and adjusted for construction overhead costs. Formation area is calculated using treatment length (typically sections of a road that have the same pavement and material type, are of a similar age and condition, and are expected to have a similar rate of deterioration) multiplied by the road width including shoulder. (These quantities are recorded in the asset management database.)
Pavement subbase and pavement basecourse	Pavement other: 38,939,124m^3 Shoulder base course: 3,063,802m^3	Base course: 113–131 per m^3 Subbase: 87–105 per m^3 Structural: 95–102 per m^2 Overhead rate: 54.11%	50 for basecourse N/A for subbase, which is non-depreciable	Depth of subbase and base course type is determined from the Austroads Pavement Design Guide. Unit costs are provided by BondCM and adjusted for overhead costs. Pavement area is calculated by multiplying treatment length by road width plus shoulder. (These quantities are recorded in the asset management database.)
Pavement surface	Pavement surface: 112,650,740m^2	Asphalt: 24–26 per m^2 Milling: 5–17 per m^2 Chipseal: $7.3–7.8 per m^2 Overhead rate: 54.11%	9	Unit costs are determined from recent contracts in the relevant region and adjusted for overhead costs. Pavement surface area is recorded in the asset management database.
Drainage	Drainage: 2,172,313m and 35,850 units Stormwater channel: 15,180,868m	Drainage: 429-17,269 per m Ancillary: 57-6,682 per m Stormwater channel: 34-369 per m Overhead rate: 54.11%	50	Unit costs are provided by BondCM and adjusted for overhead costs. Length/quantity is recorded in the asset management database. The large spread in rates relates to the drainage size, varying prices of the state highway networks' sub-component (that is, sumps, manholes and kerbs), location type (that is, rural, urban and motorway) and region.
Traffic facilities	Railings: 2,093,714m and 113 units Signs: 186,560 units Traffic facilities: 11,634,011m	Traffic facilities: 17,437–401,298 per km Signs: 321–11,678 per sign Railing and barriers: 153–38,838 per m	10–25	Unit costs are derived from a combination of indexed historical cost data and recent construction costs. The large spread of rates relates to different prices for component type (that is, guide, information and signs) location type and region.
Bridges	2,693 bridges 1,554,996m^2	Routine (single span): 3,961 per m^2 Routine (multi span): 3,237 per m^2 Motorway ramps: 4,686 per m^2 Exceptional rates: 2,097–17,076 per m^2 Overhead rate: 54.11%	90–100	Unit costs are provided by BondCM, dependent on the number of spans, and multiplied by deck area. Exceptional rates are asset specific and reflect special circumstances, for example, special design such as an arch bridge or difficult construction circumstance.
Culverts and subways	1,648 culverts and subways 43,589m	5,704–40,120 per m Overhead rate 54.11%	50–75	Unit costs are provided by BondCM, dependent on cross-sectional area, and multiplied by treatment length (and adjusted for overhead costs).
Other structures	Retaining wall: 2,136m and 716,877m^2 Tunnels: 34 structures Weigh station: 152 structures	Retaining walls: 454–2,519 per m Tunnels: 5,000–70,000 per m Weigh station: 123,985-780,528 per structure Overhead rate: 54.11%	10–100	Unit costs are derived from a combination of indexed historical cost data and recent construction costs.

Unit costs

A significant component of the valuation is based on unit costs provided by the independent expert, BondCM. BondCM applies rates calculated using the Auckland market as the base and then assessed for regional price differences for major cost elements (such as labour, plant and materials) from which a weighting is derived to determine regional rates for each item. The unit costs provided by BondCM generally relate only to the cost of physical construction and do not include overhead costs that would also be incurred to replace the asset.

Overhead costs are estimated based on actual information for recently completed projects. The rate of overheads incurred on a project can vary significantly depending on whether the construction is taking place in a greenfields or brownfields environment. Overheads include the sum of preliminary and general on-costs (34%) multiplied by professional fees, including Transport Agency costs (15 percent).

Quantities

The calculation of the state highway network valuation consists of estimated quantities that include the actual area and length of the network at the close of the prior year. Completed construction projects within the current financial year are included in the calculation at cost.

Work in progress

Recent capital expenditure is not yet reflected in the asset database, because the projects are large and take more than one year to complete. The total work in progress included within the valuation is $5.555 billion, which is included at cost. This is not included on the basis of the valuation table on page 83.

Valuation inputs subject to estimation uncertainty

The valuation inputs and assumptions subject to the most estimation uncertainty are:

- Preliminary and general on-costs (P&G costs), related to multiple asset components

  An analysis of recent projects revealed that P&G costs are higher than previously estimated due to higher health and safety requirements, compliance costs and general costs increases. This has resulted in an increase in P&G costs from 10 percent for roading assets and 15 percent for structures to an average of 34 percent across all project types.

- Professional fees, related to multiple asset components

  Professional fees are the costs of professional services from external consultants and internal costs for investigations, design and management surveillance quality. Professional fees of 15 percent are derived based on project averages. Professional fees will be a focus of the valuation improvements review for 2018/19.

- Formation

  Formation is the constructed land form profile and platform on which the pavement structure is built. The unit costs used on the valuation are based on those established by the valuer over several years valuing the state highway and local roading networks and indexed to 2018 dollars. Formation will be also be a focus of review for 2018/19.

- Bridges

  Bridge construction dates, lengths, widths and associated characteristics are extracted from the Transport Agency's asset database. The replacement cost for bridges is based on its span (single or multi-span) or if it is a motorway ramp. There is also a provision for bridges that have been deemed to be exceptional in nature or service level, in which case a specific unit cost has been applied.

- Brownfield cost

  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 with 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 construction cost of the Transport Agency's physical assets. 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 the 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 and restricted hours of work.

  The valuation does not include a specific allowance for historic brownfield costs for assets before 2014. However, it is estimated that a significant component of existing brownfield costs has been captured as a result of the 2017/18 review of P&G costs. Further review of brownfield costs will be undertaken for 2018/19.

Sensitivity analyses

The following sensitivity analysis represents possible impacts on the state highway network valuation based on changes to estimates:

	CHANGE IN OPTIMISED DEPRECIATED REPLACEMENT COST (ODRC) ($M)
Increase in preliminary and general on-costs from 34.3% to 37.7%	788
Increase in external professional fees from 12% to 22%	2,688
Increase or decrease in formation unit costs by 10%/(10%)	1,064/(1,064)
Increase or decrease in unit costs* by 10%/(10%)	1,552/(1,552)
Increase in land corridor quantities by 10%	1,062

* Relates to bridges, culverts, surface, pavement, railings and barriers.

WSP Opus has performed simulation analysis on the valuation to quantify the range of valuation outcomes that could occur as a result of changes in the different valuation inputs.

WSP Opus has concluded that the overall valuation is likely to be between -7.5 percent and +10 percent of the current value, excluding the impact of brownfield costs. The estimated exposure to brownfield costs is between $2 billion and $3 billion.

While work undertaken in the year ended 30 June 2018 has significantly reduced the likelihood of an understatement of the state highway network's value, further work is planned to improve the valuation. In 2018/19, the intention is to continue to refine the valuation process, with a focus on professional fees and formation costs. The sensitivity analysis above is only an indication of the range of possible impacts and should not be interpreted as the likely actual impact.

Property assets held for sale

The Transport Agency owns 134 properties valued at $50.041 million (2017: 200 properties valued at $49.611 million) that have been classified as held for sale. It is expected that these properties will be sold by 30 June 2019.

Held properties are classified as property assets 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 and fair value less costs to sell.

EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

State highway assets were $7,760 million (22 percent) above budget. The increase is mainly due to changes in valuation estimates and assumptions, in particular, changes in unit rates from BondCM and preliminary and general costs.

Depreciation and amortisation expense was $53 million (12 percent) below budget. This predominately relates to the state highway depreciation budget being established before the revaluation that occurred at 30 June 2017.

Assets vested to local authorities were nil compared with an $89 million budget. No vested assets to or from local authorities were recognised in the surplus or deficit this year. The Transport Agency expected to vest Mackays to Peka Peka and the Western Belfast bypass, which has not occurred yet.

7 / PUBLIC–PRIVATE PARTNERSHIP ASSETS AND LIABILITIES

	ACTUAL 2017/18 $000	ACTUAL 2016/17 $000
Transmission Gully	549,321	395,598
Puhoi to Warkworth	306,159	112,707
TOTAL PUBLIC–PRIVATE PARTNERSHIP ASSETS AND LIABILITIES	**855,480**	**508,305**

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 and a matching liability represents the Transport Agency's obligations under the arrangement should conditions exist such that the arrangement will not continue through to the service commencement date. Before the service commencement date, there are no scheduled payments under the agreements.

On completion, the asset and liability will be remeasured to fair value. Once operational, the public–private partnership assets will be accounted for in accordance with the policies adopted by the Transport Agency in respect of the rest of the state highway.

This treatment is consistent with the Treasury's public–private partnership accounting guidelines.

Public–private partnership agreements

The Transport Agency has entered into public–private partnership agreements with the:

- Wellington Gateway Partnership to deliver the Transmission Gully project
- Northern Express Group to deliver the Puhoi to Warkworth project.

Under the agreements, the contractors will finance, design, build, operate and maintain the sections of state highway. The Transport Agency provided land it owns to the contractors on which to build the state highway. The construction phase for Transmission Gully is expected to be completed by April 2020 and for Puhoi to Warkworth by the end of 2021. The operational agreements run for 25 years from the service commencement date, after which the responsibility for ongoing operation and maintenance of both roads will revert to the Transport Agency. As both state highways are under construction, no depreciation on the assets has been incurred.

At the time the public–private partnership assets become operational, the Transport Agency will pay the contractor a quarterly unitary charge subject to satisfactory performance against agreed service levels. The unitary charge has three components.

- A reduction in the service concession liability.
- Finance costs. Under the terms of the agreements, the operators have provision to re-price the finance costs at intervals during the 25-year period. The Transport Agency has put in place interest rate swaps to hedge the re-pricing of the finance costs. (See note 11 for details of the interest rate swaps.)
- Service costs, which cover the operational costs of running, maintaining, insuring and ensuring the availability of the highway to the service level agreed with the Transport Agency. Some of these costs are indexed to the consumers price index or to other relevant indices and can be varied from time to time.

The reduction in the service concession liability, finance and service costs will be recognised in the period incurred.

Renewal and termination options

At the end of both agreements, there is no automatic right of renewal for either the contracting party or the Transport Agency. Both the contractors and the Transport Agency have the right to terminate the agreements in limited circumstances.

Deed of Indemnity

The Crown has issued indemnities to each consortium for all indemnified amounts (as defined in the respective Deeds of Indemnity). In general terms, the indemnified amounts consist 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 is required to make a payment under its indemnity, the Transport Agency must reimburse it under the Reimbursement and Management Agreement.

Commitments

The total estimated capital and operating expenditure to be paid throughout the 25-year period is $3.3 billion for Transmission Gully and $2.3 billion for Puhoi to Warkworth. This includes capital commitments of $2.2 billion across the two projects, which is included in the commitment totals in note 8.

The Transmission Gully public–private partnership includes 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 cost of the project, but it will continue to closely monitor the project and the risks associated with it.

EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Public–private partnership assets and liabilities were below budget by $159 million (16 percent) mainly due to construction progress and changes in the calculation methodology for accruing the progressive construction cost.

8 / CAPITAL COMMITMENTS

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

	ACTUAL 30 JUNE 2018 $000	RESTATED ACTUAL 30 JUNE 2017 $000
Not later than one year	1,077,577	1,840,982
Later than one year and not later than five years	1,188,728	1,105,387
Later than five years	2,145,007	2,175,756
TOTAL CAPITAL COMMITMENTS	**4,411,312**	**5,122,125**

Construction of the state highway network is a component of the National Land Transport Programme.

The 30 June 2017 commitments have been restated to include only contractually committed state highway expenditure.

9 / TRANSPORT AGENCY PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs (included in the statement of comprehensive revenue and expenses)

	ACTUAL 2017/18 $000	ACTUAL 2016/17 $000
Salaries and wages	92,493	98,027
Defined contribution plan employer contributions	2,932	3,240
Other personnel costs	2,738	1,461
TOTAL PERSONNEL COSTS	**98,163**	**102,728**

Employee entitlements (included in the statement of financial position)

	ACTUAL 2017/18 $000	ACTUAL 2016/17 $000
Employee entitlements – current	10,723	9,819
Employee entitlements – non-current	4,015	4,395
TOTAL EMPLOYEE ENTITLEMENTS	**14,738**	**14,214**

10 / TRANSPORT AGENCY OPERATING EXPENSES AND PAYABLES

Operating expenses (included in the statement of comprehensive revenue and expenses)

	NOTE	ACTUAL 2017/18 $000	ACTUAL 2016/17 $000
Commissions and transaction costs	a	71,280	72,499
Professional services		35,849	35,585
Operating lease expense		19,986	19,747
Information technology		18,365	14,554
Road user safety advertising		13,498	14,666
Office and building management		6,143	4,358
Staff travel		5,829	4,892
Impairment of receivables		1,214	1,327
Meetings and conferences		725	710
Fees to principal auditors:			
– for audit of financial statements		443	418
– for other services	b	109	396
Other operating expenses		5,568	5,339
TOTAL OPERATING EXPENSES		**179,009**	**174,491**

a. This category includes payments to agents for driver licensing services, motor vehicle registration and motor vehicle licensing services, personalised plates, card merchant fees and bulk postage transaction costs.
b. Other services by KPMG included consulting work on the driver licensing process, transport service delivery site audit support, risk workshop facilitation, and value-for-money consulting work.

Payables (included in the statement of financial position)

	ACTUAL 2017/18 $000	ACTUAL 2016/17 $000
CURRENT		
Creditors	562,547	426,279
Income in advance	12,614	21,156
Onerous contracts	41	101
TOTAL PAYABLES	**575,202**	**447,536**

Short-term creditors and other payables are recorded at face value. Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. The carrying value of creditors and other payables approximates their fair value.

EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Payables were $176 million (44 percent) above budget as a result of higher than expected state highway and local road payables. A larger amount of claims were received in June from local councils and other approved organisations as the three-year National Land Transport Programme was concluded.

11 / BORROWINGS, FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Transport Agency had the following borrowings outstanding at 30 June 2018.

NAME	NOTIONAL AMOUNT BORROWED $000	ACTUAL 2017/18 $000	ACTUAL 2016/17 $000	INTEREST RATE APPLYING	COMMENTS
Auckland Transport Package	338,200	301,707	211,691	Interest free	The interest-free loan has been discounted using the government bond rates of 2.14% to 2.63%.
Christchurch earthquake recovery	183,420	24,207	40,483	Fixed rates ranging from 2.57% to 2.84%	Interest of $1m incurred during the year has been capitalised to borrowing.
Tauranga eastern link	107,000	107,000	107,000	$87 million at fixed rates ranging from 4.99% to 5.14%. $20 million at floating.	Interest of $4.9m has been paid through the financial year.
TOTAL		**432,914**	**359,174**		
Tolling funds held in trust		3,768	3,588		
TOTAL BORROWING AND OTHER LIABILITIES		**436,682**	**362,762**		
Borrowing split between current and non-current:		-	-		
Current		27,975	20,501		
Non-current		408,707	342,261		
TOTAL		**436,682**	**362,762**		

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

The discount on the Auckland Transport Package interest-free loans resulted in a net fair value gain of $15.6 million (2017: $16.6 million).

Interest-free loan movements are as follows.

	ACTUAL 2017/18 $000	ACTUAL 2016/17 $000
OPENING BALANCE	211,691	108,939
Nominal value of loans issued	100,000	116,200
Fair value adjustment	(15,640)	(16,633)
Repayments	0	0
Amortised interest (at government bond rates)	5,656	3,185
CLOSING BALANCE	**301,707**	**211,691**

Borrowing facilities

The borrowing facilities available to the Transport Agency are as follows.

NAME	TOTAL AVAILABLE $M	AMOUNT DRAWN DOWN AT 30 JUNE 2018 $M	PURPOSE OR COMMENT
Short-term advance	250.0	0	To cover seasonal and other variations in cashflows.
Auckland Transport Package	375.0	338.2	To accelerate the programme of Auckland roading projects, including the northern and southern corridors on State Highway 1. Interest-free loans with terms of four to seven years.
Christchurch earthquake recovery	183.4	24.2	To manage the costs of reinstating local roads in Christchurch. No further drawdown is planned.
Tauranga Eastern Link	107.0	107.0	To accelerate the construction of the Tauranga Eastern Link toll road.
TOTAL	**915.4**	**469.4**	

Financial instruments

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

	ACTUAL 2017/18 $000	ACTUAL 2016/17 $000
LOANS AND RECEIVABLES		
Cash and cash equivalents	120,349	65,442
National Land Transport Fund and Crown receivables	1,957,679	1,385,176
Other receivables and other assets	103,720	93,768
TOTAL LOANS AND RECEIVABLES	**2,181,748**	**1,544,386**
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Payables	575,202	447,536
Borrowing and other liabilities	436,682	362,762
Public–private partnership liabilities	855,480	508,305
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**1,867,364**	**1,318,603**
FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE AND EXPENSE		
Derivative financial asset	0	8,534
TOTAL FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE AND EXPENSE	**0**	**8,534**
FINANCIAL LIABILITY AT FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE AND EXPENSE		
Derivative financial liability	203,763	120,536
TOTAL FINANCIAL LIABILITY AT FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE AND EXPENSE	**203,763**	**120,536**

Interest and finance costs are as follows.

	ACTUAL 2017/18 $000	ACTUAL 2016/17 $000
Interest on borrowings	6,114	6,411
Discount on National Land Transport Fund receivable	19,590	17,540
Amortisation of discount on borrowings	5,656	3,185
Ineffective portion of cash flow hedge	5,635	(3,768)
TOTAL INTEREST AND FINANCE COSTS	**36,995**	**23,368**

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

Financial risks

The Transport Agency's activities expose it to a variety of risks, including market risk, credit risk and liquidity risk. The Transport Agency has policies to manage the risks associated with financial instruments and seeks to minimise exposure from these risks.

Market 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 2018, approximately 93 percent (2016/17: 91 percent) of loans were either interest free or on a fixed interest rate.

The Transport Agency uses interest rate swaps to mitigate risks associated with interest rate fluctuations.

The Transport Agency has entered into public–private partnership agreements for the construction of Transmission Gully and Puhoi to Warkworth. The arrangements require that a unitary charge is paid to the contractors from the time the section of state highway becomes operational. The unitary charge includes payment for finance costs that the operators have provision to re-price periodically during the 25-year term. The Transport Agency has entered into 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.

Details of the interest rate swaps carried out with the New Zealand Debt Management Office are as follows.

SWAP	NOTIONAL VALUE OF INTEREST RATE SWAP $M	COMMENCEMENT DATE	MATURITY DATE	INTEREST RATE PAY LEG (FIXED)	INTEREST RATE RECEIVE LEG	FAIR VALUE OF LIABILITY $M
Transmission Gully	857.8	February 2021	October 2043	5.58	Floating, with periodic reset	178.5
Puhoi to Warkworth	765.0	August 2023	August 2045	4.16	Floating, with periodic reset	25.3
						203.8

The interest rate swaps are accounted for as derivative financial instruments.

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 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.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Generally, when market interest rates are below the fixed interest rates of the interest rate swap, then the interest rate swap will be in a liability position.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to surplus or deficit, except for the effective portion of derivatives designated in cash flow hedges, which is recognised in other comprehensive revenue and expense.

The hedge relationship is designated as a cash flow hedge, and the Transport Agency formally designates and documents the hedge relationship as well as 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 table below shows the movement of the cash flow hedge reserve.

	ACTUAL 2017/18 $000	ACTUAL 2016/17 $000
Balance as at 1 July 2017	(42,102)	(131,863)
Effective cash flow hedge	(86,125)	89,761
CASH FLOW HEDGE RESERVE	**(128,227)**	**(42,102)**

During the year, the total ineffective portion of the cash flow hedge reserve charged to surplus or deficit is $5.6 million deficit (2017: $3.8 million surplus).

The table below illustrates the sensitivity analysis, which is 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.

	2017/18		2016/17	
	+1% $000	-1% $000	+1% $000	-1% $000
EFFECT ON SURPLUS OR DEFICIT				
Cash and cash equivalents	1,203	(1,203)	667	(667)
EFFECT ON OTHER COMPREHENSIVE REVENUE AND EXPENSE				
Derivative financial asset/(liability)	155,213	(193,126)	135,296	(171,929)
EFFECT ON SURPLUS OR DEFICIT				
Borrowing	(1,030)	1,382	(1,277)	1,597

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.

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 holds all cash and term deposits with Westpac New Zealand Limited. At 30 June 2018, Westpac had a Standard and Poor's credit rating of AA-. The largest debtor is the Crown, which has a Standard and Poor's credit rating of AA+.

Liquidity risk

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

The Transport Agency manages liquidity risk by continuously monitoring forecast and actual cash flow requirements and maintaining funding facilities of $175 million to manage seasonal variations in cashflow and $75 million to manage unexpected and unfavourable variations in cashflow.

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

	2017/18			
	0–1 YEAR $000	1–2 YEARS $000	2–5 YEARS $000	OVER 5 YEARS $000
Payables	575,202	0	0	0
Borrowing	28,494	19,968	218,105	316,349
Derivative financial liability	0	0	51,528	227,039
Service concession liability	0	0	223,475	1,256,982
TOTAL	**603,696**	**19,968**	**493,108**	**1,800,370**

	2016/17			
	0–1 YEAR $000	1–2 YEARS $000	2–5 YEARS $000	OVER 5 YEARS $000
Payables	447,536	0	0	0
Borrowing	20,301	44,199	142,123	297,485
Derivative financial liability	0	0	22,784	148,778
Service concession liability	0	0	202,630	651,005
TOTAL	**467,837**	**44,199**	**367,537**	**1,097,268**

The Transport Agency's derivatives are considered level 2 on the fair value hierarchy. The fair value of the derivatives is estimated using inputs that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices). Inputs for the valuation were derived from Bloomberg.

EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Cash and cash equivalents was above budget by $70 million (141 percent) due to third-party contributions to state highway projects received earlier than expected.

Borrowing was higher than budget by $30 million (7 percent) due to borrowing being drawn down earlier than planned for the Auckland Transport Package because of good progress on construction activity.

Derivative financial liability was above budget by $98 million (92 percent) due to movements in the fair value of the interest rate swap contracts entered into for the Transmission Gully and Puhoi to Warkworth public–private partnership agreements. The fair value movements reflect market interest rates that have decreased compared with the rates payable under the respective interest rate swaps.

12 / EQUITY AND CAPITAL MANAGEMENT

The table below shows movements in equity during the year.

	GENERAL FUNDS $000	RETAINED FUNDS $000	MEMORANDUM ACCOUNTS $000	EQUITY DERIVED FROM THE STATE HIGHWAY NETWORK $000	CASHFLOW HEDGE RESERVE $000	TOTAL $000
BALANCE AT 1 JULY 2016	**5,606**	**22,865**	**18,952**	**32,389,597**	**(131,863)**	**32,305,157**
Surplus/deficit	0	26,493	1,950			**28,443**
Other comprehensive revenue and expense	0	0	0	1,049,112	89,761	**1,138,873**
Total comprehensive revenue and expense	0	26,493	1,950	1,049,112	89,761	**1,167,316**
Changes in equity		(32,329)	4,931	1,487,143	0	**1,459,745**
Total changes in equity	0	(5,836)	6,881	2,536,255	89,761	**2,627,061**
BALANCE AT 30 JUNE 2017/ 1 JULY 2017	**5,606**	**17,029**	**25,833**	**34,925,852**	**(42,102)**	**34,932,218**
Surplus/deficit	0	7,934	1,037	0	0	**8,971**
Other comprehensive revenue and expense	0	0	0	7,345,659	(86,125)	**7,259,534**
Total comprehensive revenue and expense	0	7,934	1,037	7,345,659	(86,125)	**7,268,505**
Changes in equity	0	(8,515)	0	2,073,257	0	**2,064,742**
Total changes in equity	0	(581)	1,037	9,418,916	(86,125)	**9,333,247**
BALANCE AT 30 JUNE 2018	**5,606**	**16,448**	**26,870**	**44,344,768**	**(128,227)**	**44,265,465**

Equity derived from the state highway network

	ACTUAL 2017/18 $000	ACTUAL 2016/17 $000
STATE HIGHWAY INVESTMENT		
Balance at 1 July	23,307,893	21,820,750
Transfer from the National Land Transport Programme and Crown	2,073,257	1,487,143
BALANCE AT 30 JUNE	**25,381,150**	**23,307,893**
STATE HIGHWAY REVALUATION RESERVE		
Balance at 1 July	11,617,959	10,568,847
Revaluations – state highway network	7,345,659	1,049,112
BALANCE AT 30 JUNE	**18,963,618**	**11,617,959**
TOTAL EQUITY DERIVED FROM THE STATE HIGHWAY NETWORK	**44,344,768**	**34,925,852**

Capital management

The Transport Agency's capital is its equity. 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 imposes restrictions in relation to borrowing, acquiring securities, issuing guarantees and indemnities, and using derivatives.

The Transport Agency manages its equity by managing its forecast cashflows from the National Land Transport Fund and other sources compared with its outgoings. When the Transport Agency borrows funds, it ensures it has sufficient forecast cashflows from future national land transport fund revenue to meet its repayments obligations.

Memorandum accounts

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

	NOTE	ACTUAL 2017/18 $000	ACTUAL 2016/17 $000
Customer licensing activities	a	9,118	13,737
Road user charges collection		3,633	4,097
Vehicle standards compliance activities	b	14,119	7,999
TOTAL MEMORANDUM ACCOUNT – OTHER FEES AND CHARGES		**26,870**	**25,833**

a. Customer licensing activities include driver licensing and testing and rail and transport operator licensing.
b. Vehicle standards compliance activities include border inspections, certification reviews, motor vehicle licensing, over-dimension permitting, and standards development and certification.

Memorandum accounts reflect the cumulative surplus or deficit of those services that are intended to be fully recovered from third parties through fees, levies or charges. The balance of each memorandum account is expected to trend to zero over time.

13 / OPERATING LEASES

Operating leases as lessee

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

	ACTUAL 2017/18 $000	ACTUAL 2016/17 $000
Not later than one year	11,402	19,684
Later than one year and not later than five years	34,307	33,935
Later than five years	9,521	12,624
TOTAL NON-CANCELLABLE OPERATING LEASES	**55,230**	**66,243**

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.

Significant operating leases are limited to buildings for office accommodation.

14 / RELATED PARTY TRANSACTIONS AND BOARD MEMBER REMUNERATION

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 relationship under normal terms and conditions for such transactions. 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 normal terms and conditions for such transactions.

Key management personnel compensation

	ACTUAL 2017/18 $000	ACTUAL 2016/17 $000
Board members		
Remuneration	326	372
Number of personnel	8	8
Leadership team		
Remuneration	5,569	4,982
Number of personnel	17	19
TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION	**5,895**	**5,354**
TOTAL PERSONNEL	**25**	**27**

The total number of key management personnel at balance date is 24 (2017: 25).

A number of positions were not filled for the full duration of the reporting periods as leadership roles were revised as part of the organisational transformation effective 3 July 2017.

Board member remuneration

The total value of remuneration paid or payable to each Board member during the year was as follows.

	APPOINTED	STEPPED DOWN	ACTUAL 2017/18 $000	ACTUAL 2016/17 $000
Michael Stiassny (Chair)	April 2018		18	0
Fran Wilde (Deputy Chair)	May 2016		50	52
Mark Darrow	May 2017		36	6
Chris Ellis	May 2016		36	41
Leo Lonergan	May 2016		36	33
Nick Rogers	September 2013		36	40
Vanessa van Uden	May 2017		36	6
Adrienne Young-Cooper	August 2011		36	40
Chris Moller (Chair)	March 2010	January 2018	42	83
Gill Cox	September 2011	April 2017	0	39
Mark Oldfield	July 2014	April 2017	0	32
TOTAL BOARD MEMBER REMUNERATION			**326**	**372**

No payments were made to committee members appointed by the Board who were not Board members during the financial year.

The Transport Agency has Directors and Officers Liability and Professional Indemnity Insurance cover in respect of the liability or costs of Board members and employees. The Board also has insurance cover against personal accident and other travel-related risk for Board members and employees where injury or loss occurs while on Transport Agency business.

No Board members received compensation or other benefits in relation to cessation (2017: nil).

15 / EMPLOYEE REMUNERATION

TOTAL REMUNERATION PAID OR PAYABLE	NO. OF STAFF 2017/18	NO. OF STAFF 2016/17
100,000–109,999	126	124
110,000–119,999	91	104
120,000–129,999	98	99
130,000–139,999	66	49
140,000–149,999	44	46
150,000–159,999	37	30
160,000–169,999	27	21
170,000–179,999	11	20
180,000–189,999	11	14
190,000–199,999	10	9
200,000–209,999	6	11
210,000–219,999	4	4
220,000–229,999	7	8
230,000–239,999	2	2
240,000–249,999	3	4
250,000–259,999	2	1
260,000–269,999	2	3
270,000–279,999	2	2
280,000–289,999	2	0
290,000–299,000	1	1
300,000–309,000	2	0
310,000–319,999	1	2
320,000–329,000	1	0
330,000–339,000	3	0
340,000–349,999	1	2
360,000–369,999	2	1
370,000–379,999	0	2
380,000–389,999	1	1
390,000–399,999	0	1
570,000–579,999	0	*1
710,000–719,999	*1	0
TOTAL EMPLOYEES	**564**	**562**

* Chief Executive Officer.
During the year ended 30 June 2018 no (2017: 2) Transport Agency employees received compensation and other benefits in relation to cessation (2017: $0.092 million).

16 / CONTINGENCIES

Contingent liabilities

There are claims of $7.6 million (2017: $4.6 million) relating to a variety of roading and other contract disputes.

The Transport Agency does not have material contingent assets as at 30 June 2018 (2017: nil).

17 / EVENTS AFTER THE BALANCE DATE

There were no significant events after the balance date.

SUPPLEMENTARY INFORMATION (UNAUDITED)

This supplementary information contains additional disclosures to the financial statements and has been provided to provide further information on the Transport Agency's business.

In this section you will find:

- information about performance by segment of the business
- a summary of 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 69 to 70 and the audited financial statements on pages 71 to 99.

PERFORMANCE BY SEGMENT OF THE BUSINESS

The following tables provide detailed financial performance information for each segment of the Transport Agency.

OPERATIONS

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
Revenue			
Transport Agency operations	22,173	23,405	22,453
National Land Transport Programme	109,088	113,704	105,558
Memorandum accounts – other fees and charges	161,428	161,779	162,951
	292,689	298,888	290,962
Expenditure			
Transport Agency operations	23,731	24,988	27,617
National Land Transport Programme	139,341	146,033	141,806
Capital expenditure	(37,263)	(37,505)	(40,812)
Memorandum accounts – other fees and charges	160,391	164,421	161,001
	286,200	297,937	289,612
Surplus/(deficit)			
Transport Agency operations	(1,558)	(1,583)	(5,164)
National Land Transport Programme	7,010	5,175	4,564
Memorandum accounts – other fees and charges	1,037	(2,642)	1,950
	6,489	**951**	**1,350**

Movement of operations net surplus to equity

The table above 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.

- **Transport Agency operations** refers to Crown-funded (excluding the driver test subsidy), contracted services and non-third-party fees and charges activities.
- **National Land Transport Programme** refers to activities funded from the National Land Transport Fund.
- **Memorandum account – other fees and charges** refers to activities funded from fees and charges.

LAND TRANSPORT FUNDING

	NOTE	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
REVENUE				
National Land Transport Fund		2,214,743	2,007,501	1,833,537
Developers' contributions on capital projects		3,842	0	25,312
Non-cash revenue	a	21,306	0	94,772
		2,239,891	2,007,501	1,953,621
EXPENDITURE				
National Land Transport Programme		3,457,821	2,717,239	3,132,789
Public–private partnerships		433,300	463,330	173,574
Depreciation and other non-cash items		393,339	445,000	396,469
Capital expenditure		(2,047,952)	(1,618,068)	(1,775,403)
		2,236,508	2,007,501	1,927,429
SURPLUS/(DEFICIT)		**3,383**	**0**	**26,192**

a. This category includes the initial write-down of interest free loans, $16 million (2016/17: $17 million), amortisation of the discount on the long-term National Land Transport Fund receivable, $5 million (2016/17: $3 million) and assets vested from local authorities nil (2016/17: $75 million).

SPECIFIC PROJECTS FUNDED BY THE CROWN

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
REVENUE – CROWN FUNDING			
SuperGold card administration and public transport concessions	28,171	29,320	26,386
Urban Cycleways Programme	33,253	49,543	22,000
Kaikōura Earthquake Response	62,228	98,000	93,137
	123,652	176,863	141,523
EXPENDITURE			
SuperGold card administration and public transport concessions	28,171	29,320	26,386
Urban Cycleways Programme	38,543	55,543	24,346
Kaikōura Earthquake Response	432,731	325,000	93,137
Accelerated Regional Roading Programme	43,625	24,800	45,409
Capital expenditure	(418,517)	(257,800)	(48,656)
	124,553	176,863	140,622
SURPLUS/(DEFICIT)	**(901)**	**0**	**901**
TOTAL SURPLUS/(DEFICIT)	**8,971**	**951**	**28,443**

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 2003 and the Government Policy Statement on Land Transport.

The following table shows the movements in the National Land Transport Programme balance for the third and final year of the 2015–18 National Land Transport Programme.

NATIONAL LAND TRANSPORT PROGRAMME

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
INFLOWS			
Capital contribution from the National Land Transport Fund (NLTF)	1,212,924	1,064,743	1,237,514
Capital contribution from the NLTF – public–private partnerships	433,300	463,330	173,574
Funding from the NLTF	2,282,468	2,182,900	1,901,268
Funding from the NLTF (rental and interest income)	26,494	21,985	24,347
Funding from state highway disposals	37,137	51,530	56,272
Funding from other activities	33,895	27,683	53,988
Total inflows for the NLTF	4,026,218	3,812,171	3,446,963
OUTFLOWS			
State highway improvements	1,174,766	1,273,500	1,293,367
Auckland transport package	121,678	70,000	123,739
Public-private partnerships	433,300	463,330	173,574
State highway maintenance	735,763	596,000	558,017
Local road improvements	246,242	157,000	140,911
Local road maintenance	608,673	576,848	593,500
Public transport	382,616	335,744	336,120
Walking and cycling	50,091	71,137	41,561
Regional improvements	140,136	138,000	68,517
Road safety promotion	35,990	35,367	33,515
Investment management	59,968	61,466	59,698
Reinstatement of earthquake damaged roads in Christchurch	0	0	2,282
Interest and finance costs	36,995	33,779	23,368
TOTAL OUTFLOWS	4,026,218	3,812,171	3,448,169
Carry over into next year	**0**	**0**	**(1,206)**
Opening balance	1,035	2,242	2,241
CLOSING BALANCE AT THE END OF THE YEAR	**1,035**	**2,242**	**1,035**

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 Northern Gateway, Tauranga Eastern Link and Takitimu Drive toll roads.

NORTHERN GATEWAY TOLL ROAD FOR THE YEAR ENDED 30 JUNE 2018

	ACTUAL 2017/18 000	BUDGET 2017/18 000	FORECAST 2018/19 000	ACTUAL 2016/17 000
TRAFFIC VOLUMES (NUMBER OF VEHICLES)				
Light vehicle	6,808	6,567	7,128	6,504
Heavy vehicle	559	529	589	512
Exempt	21	25	23	22
Unidentifiable	1	11	1	3
Technical loss	15	4	16	13
TOTAL	**7,404**	**7,136**	**7,757**	**7,054**

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	FORECAST 2018/19 $000	ACTUAL 2016/17 $000
TOLL REVENUE (PORTION DESIGNATED FOR REPAYMENT OF DEBT)				
Light vehicle	8,853	8,473	9,266	8,470
Heavy vehicle	1,900	1,684	1,995	1,739
Interest	51	54	0	50
TOTAL	**10,804**	**10,211**	**11,261**	**10,259**

A feasible, untolled alternative route remains available to road users on State Highway 17 via Orewa.
The Transport Agency does not include Northern Gateway tolling revenue in its financial statements.
The tolling revenue is collected and passed to the Crown to repay the debt that is held by the Crown.

TAURANGA EASTERN LINK TOLL ROAD FOR THE YEAR ENDED 30 JUNE 2018

	ACTUAL 2017/18 000	BUDGET 2017/18 000	FORECAST 2018/19 000	ACTUAL 2016/17 000
TRAFFIC VOLUMES (NUMBER OF VEHICLES)				
Light vehicle	3,261	2,374	3,275	2,938
Heavy vehicle	480	361	476	418
Exempt	12	10	13	12
Unidentifiable	0	4	1	2
Technical loss	19	2	20	16
TOTAL	**3,772**	**2,751**	**3,785**	**3,386**

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	FORECAST 2018/19 $000	ACTUAL 2016/17 $000
TOLL REVENUE (PORTION DESIGNATED FOR REPAYMENT OF DEBT)				
Light vehicle	3,365	2,376	3,406	3,035
Heavy vehicle	1,753	1,186	1,738	1,522
Interest	13	30	0	12
TOTAL	**5,131**	**3,592**	**5,144**	**4,569**
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 state highway, through Te Puke.

TAKITIMU DRIVE TOLL ROAD FOR THE YEAR ENDED 30 JUNE 2018

	ACTUAL 2017/18 000	BUDGET 2017/18 000	FORECAST 2018/19 000	ACTUAL 2016/17 000
TRAFFIC VOLUMES (NUMBER OF VEHICLES)				
Light vehicle	3,191	2,216	3,135	2,776
Heavy vehicle	656	426	664	585
Exempt	13	9	13	12
Unidentifiable	0	4	1	4
Technical loss	36	2	46	43
TOTAL	**3,896**	**2,657**	**3,859**	**3,420**

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	FORECAST 2018/19 $000	ACTUAL 2016/17 $000
TOLL REVENUE (PORTION DESIGNATED FOR REPAYMENT OF DEBT)				
Light vehicle	2,752	1,943	2,728	2,399
Heavy vehicle	2,284	1,436	2,305	2,027
Interest	13	30	0	12
TOTAL	**5,049**	**3,409**	**5,033**	**4,438**
TOLL REVENUE INFLOW TO THE NATIONAL LAND TRANSPORT FUND				
Takitimu Drive	4,996	3,345	5,033	4,394
TOTAL	**4,996**	**3,345**	**5,033**	**4,394**

A feasible, untolled alternative route remains available to road users via Cameron Road or Cambridge and Moffat Roads.

The Transport Agency does not hold any debt in relation to Takitimu Drive. The Transport Agency paid $65 million for the road to Tauranga City Council, which it is recovering with interest from toll revenues.

FINANCIAL STATEMENTS FOR ROAD TOLLING OPERATIONS

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
Revenue				
Toll fees	a	15,276	14,577	14,036
Total revenue		**15,276**	**14,577**	**14,036**
Expenditure		15,635	10,964	13,091
NET SURPLUS/(DEFICIT)		**(359)**	**3,613**	**945**

a. Toll fees excludes tolling revenue used to repay debt. The tolling revenue used to repay debt is included in the Northern Gateway, Tauranga East Link and Takitimu Drive information on pages 103–105.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
ASSETS			
Current assets	25,273	21,250	20,551
Non-current assets	13,260	11,326	15,816
TOTAL ASSETS	**38,533**	**32,576**	**36,367**
Liabilities	11,462	10,717	10,680
NET ASSETS/EQUITY	**27,071**	**21,859**	**25,687**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
Net cash from operating activities	22,332	19,173	19,835
Net cash from investing activities	0	0	0
Net cash from financing activities	(20,456)	(17,601)	(18,721)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**1,876**	**1,572**	**1,114**
Cash and cash equivalents at the beginning of the year	9,443	9,443	8,329
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**11,319**	**11,015**	**9,443**

This supplementary information does not form part of the Transport Agency's audited financial statements.

OUTPUT CLASS INCOME AND EXPENDITURE

INVESTMENT MANAGEMENT

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
OPERATING REVENUE			
Crown (crash analysis system)	775	775	775
National Land Transport Fund	55,927	58,056	52,227
Other	1,106	0	523
Total operating revenue	57,808	58,831	53,525
OPERATING EXPENSES			
Transport Agency (crash analysis system)	316	3,896	1,855
Transport Agency operating activities	49,123	50,935	47,333
Funding to approved organisations	8,369	4,000	4,337
Total operating expenses	57,808	58,831	53,525
Surplus/(deficit)	0	0	0
CAPITAL FUNDING AND CAPITAL EXPENDITURE			
National Land Transport Fund capital contribution	2,935	3,410	8,028
Capital investment	(2,935)	(3,410)	(8,028)
Net capital movement	0	0	0
TOTAL MOVEMENT	**0**	**0**	**0**

ROAD USER CHARGES COLLECTION, INVESTIGATION AND ENFORCEMENT

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
OPERATING REVENUE			
National Land Transport Fund (road user charges investigation and enforcement)	3,779	3,779	3,779
National Land Transport Fund (road user charges refund)	450	450	450
Fees and charges	12,764	13,071	12,410
Total operating revenue	16,993	17,300	16,639
OPERATING EXPENSES			
Transport Agency (road user charges investigation and enforcement)	2,163	3,884	4,010
Transport Agency (road user charges refund)	2,134	577	687
Transport Agency (road user charges collection)	13,191	13,041	11,251
Total operating expenses	17,488	17,502	15,948
SURPLUS/(DEFICIT)	**(495)**	**(202)**	**691**

REFUND OF FUEL EXCISE DUTY

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
OPERATING REVENUE			
National Land Transport Fund	638	708	1,034
Other	147	115	127
Total operating revenue	785	823	1,161
OPERATING EXPENSES			
Transport Agency operating activities	785	823	1,161
Total operating expenses	785	823	1,161
SURPLUS/(DEFICIT)	**0**	**0**	**0**

STATE HIGHWAY IMPROVEMENTS

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
OPERATING REVENUE			
National Land Transport Fund	401,441	532,056	315,772
National Land Transport Fund (tolling)	10,180	6,900	9,008
Developer contributions	1,521	0	24,525
Assets vested from local authorities	0	0	75,013
Interest and finance income	21,305	25,471	19,759
Other income	1,073	0	1,106
Total operating revenue	435,520	564,427	445,183
OPERATING EXPENSES			
Depreciation and state highway write offs	393,339	445,000	378,059
Assets vested to local authorities	0	88,800	18,410
Interest on Tauranga Eastern Link borrowings	5,106	0	5,146
Other interest and finance costs	30,881	30,627	16,957
Other expenses	4,673	0	2,086
Total operating expenses	433,999	564,427	420,658
Surplus/(deficit)	1,521	0	24,525
CAPITAL FUNDING			
Crown (Accelerated Regional Roading Programme)	43,625	24,800	45,409
National Land Transport Fund capital contribution	738,097	688,170	886,943
National Land Transport Fund (Auckland transport package)	121,678	70,000	123,739
National Land Transport Fund (public–private partnerships)	433,300	463,330	173,574
National Land Transport Fund (state highway disposals)	37,137	51,530	56,272
Depreciation funding utilised for investment in the state highway network	393,339	445,000	378,059
Net non-cash funding for losses/(income) utilised for investment in state highway network	4,673	88,800	(54,517)
Total capital funding	1,771,849	1,831,630	1,609,479
CAPITAL EXPENDITURE			
Crown investment (Accelerated Regional Roading Programme)	43,625	24,800	45,409
Auckland transport package	121,678	70,000	123,739
Public–private partnerships*	433,300	463,330	173,574
Transport Agency capitalised expenditure	37,263	36,102	39,364
Transport Agency investment in the state highway network	1,137,504	1,237,398	1,251,918
Total capital expenditure	1,773,370	1,831,630	1,634,004
Net capital movement	(1,521)	0	(24,525)
TOTAL MOVEMENT	**0**	**0**	**0**

* During the year, the total public–private partnership construction costs were $347.175 million (2017: $263.336 million). This capital expenditure item included the cash flow hedge reserve movement during the year of $86.125 million deficit (2017: $89.761 million surplus).

STATE HIGHWAY MAINTENANCE

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
OPERATING REVENUE			
Crown (Kaikōura Earthquake Response)	62,228	98,000	93,137
National Land Transport Fund	509,242	424,540	395,216
National Land Transport Fund (rental and interest income)	16,315	15,085	15,340
Other (contributions)	8,145	2,212	7,155
Total operating revenue	595,930	539,837	510,848
OPERATING EXPENSES			
Investment in the state highway network (Kaikōura Earthquake Response)	62,228	98,000	93,137
Transport Agency operating activities	31,920	26,636	28,195
Investment in the state highway network	499,461	415,201	388,729
Total operating expenses	593,609	539,837	510,061
Surplus/(deficit)	2,321	0	787
CAPITAL FUNDING			
Crown (Kaikōura Earthquake Response)	370,503	227,000	0
National Land Transport Fund capital contribution	202,061	154,163	141,273
Total capital funding	572,564	381,163	141,273
CAPITAL EXPENDITURE			
Investment in the state highway network (Kaikōura Earthquake Response)	370,503	227,000	0
Transport Agency capitalised expenditure	0	1,403	1,447
Transport Agency investment in the state highway network	204,382	152,760	140,613
Total capital expenditure	574,885	381,163	142,060
Net capital movement	(2,321)	0	(787)
TOTAL MOVEMENT	**0**	**0**	**0**

WALKING AND CYCLING

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
OPERATING REVENUE			
Crown (Urban Cycleways Programme)	33,253	49,543	22,000
National Land Transport Fund	43,347	61,137	33,670
Other	0	0	1
Total operating revenue	76,600	110,680	55,671
OPERATING EXPENSES			
Crown funding to approved organisations (Urban Cycleways Programme)	34,154	49,543	21,099
Transport Agency operating activities	0	1,137	1,536
Funding to approved organisations	43,347	60,000	32,135
Total operating expenses	77,501	110,680	54,770
Surplus/(deficit)	(901)	0	901
CAPITAL FUNDING			
Crown capital contribution (Urban Cycleways Programme)	4,389	6,000	3,247
National Land Transport Fund capital contribution	6,744	10,000	7,890
Total capital funding	11,133	16,000	11,137
CAPITAL EXPENDITURE			
Crown investment in the state highway network (Urban Cycleways Programme)	4,389	6,000	3,247
Capital investment in walking and cycling	6,744	10,000	7,890
Total capital expenditure	11,133	16,000	11,137
Net capital movement	0	0	0
TOTAL MOVEMENT	**(901)**	**0**	**901**

PUBLIC TRANSPORT

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
OPERATING REVENUE			
National Land Transport Fund	382,396	335,744	334,061
Other	220	0	2,059
Total operating revenue	382,616	335,744	336,120
OPERATING EXPENSES			
Transport Agency (New Zealand Transport Ticketing Limited)	0	0	1,626
Transport Agency operating activities	0	5,744	1,871
Funding to approved organisations	382,616	330,000	332,623
Total operating expenses	382,616	335,744	336,120
SURPLUS/(DEFICIT)	**0**	**0**	**0**

SUPERGOLD CARD ADMINISTRATION AND PUBLIC TRANSPORT CONCESSIONS

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
OPERATING REVENUE			
Crown	28,266	29,415	26,481
Total operating revenue	28,266	29,415	26,481
OPERATING EXPENSES			
Transport Agency operating activities	95	95	95
Funding to approved organisations	28,171	29,320	26,386
Total operating expenses	28,266	29,415	26,481
SURPLUS/(DEFICIT)	**0**	**0**	**0**

LOCAL ROAD IMPROVEMENTS

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
OPERATING REVENUE			
National Land Transport Fund	246,242	157,000	140,911
Total operating revenue	246,242	157,000	140,911
OPERATING EXPENSES			
Funding to approved organisations	246,242	157,000	140,911
Total operating expenses	246,242	157,000	140,911
SURPLUS/(DEFICIT)	**0**	**0**	**0**

LOCAL ROAD MAINTENANCE

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
OPERATING REVENUE			
National Land Transport Fund	611,962	580,000	594,764
National Land Transport Fund (reinstatement of local roads in Christchurch)	(2,282)	0	2,282
Total operating revenue	609,680	580,000	597,046
OPERATING EXPENSES			
National Land Transport Programme (reinstatement of local roads in Christchurch)	0	0	2,282
Transport Agency operating activities	0	200	0
Funding to approved organisations	608,672	576,648	593,499
Interest and finance costs	1,008	3,152	1,265
Total operating expenses	609,680	580,000	597,046
SURPLUS/(DEFICIT)	**0**	**0**	**0**

Included above is the repayment of $15 million in borrowing related to the reinstatement of earthquake damaged roads in Christchurch.

REGIONAL IMPROVEMENTS

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
CAPITAL FUNDING			
National Land Transport Fund capital contribution	140,136	138,000	68,517
Total capital funding	140,136	138,000	68,517
CAPITAL EXPENDITURE			
Transport Agency investment in the state highway network	140,136	138,000	68,517
Total capital expenditure	140,136	138,000	68,517
NET CAPITAL MOVEMENT	**0**	**0**	**0**

ROAD TOLLING

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
OPERATING REVENUE			
Fees and charges	15,276	14,577	14,036
Total operating revenue	15,276	14,577	14,036
OPERATING EXPENSES			
Transport Agency operating activities	15,636	10,964	13,091
Total operating expenses	15,636	10,964	13,091
SURPLUS/(DEFICIT)	**(360)**	**3,613**	**945**

ROAD SAFETY PROMOTION

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
OPERATING REVENUE			
National Land Transport Fund	34,192	34,367	32,365
Community road safety programme	3,357	2,914	3,111
Other	525	0	25
Total operating revenue	38,074	37,281	35,501
OPERATING EXPENSES			
Transport Agency (community road safety programme)	1,422	1,957	1,326
Transport Agency (vehicle impoundment)	249	204	243
Transport Agency operating activities	21,675	23,163	21,157
Funding to approved organisations	12,793	11,000	10,990
Total operating expenses	36,139	36,324	33,716
Surplus/(deficit)	1,935	957	1,785
CAPITAL FUNDING AND CAPITAL EXPENDITURE			
National Land Transport Fund capital contribution	1,273	1,000	1,125
Capital investment	(1,273)	(1,000)	(1,125)
Net capital movement	0	0	0
TOTAL MOVEMENT	**1,935**	**957**	**1,785**

LICENSING AND REGULATORY COMPLIANCE

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
OPERATING REVENUE			
Better public services seed funding	864	0	0
Crown (ministerial advice and official correspondence)	548	548	548
Crown (rules development)	865	903	903
Crown (drug and alcohol assessments)	569	1,030	817
Crown (driver licensing stop orders)	75	75	75
Crown (driver test subsidy)	1,445	1,445	1,445
Regional fuel tax administration	979	0	0
Fees and charges	93,650	92,463	93,389
Total operating revenue	98,995	96,464	97,177
OPERATING EXPENSES			
Better public services seed funding	864	0	
Ministerial advice and official correspondence	641	836	944
Rules development	946	1,060	825
Drug and alcohol assessments	828	1,406	1,023
Regional fuel tax administration	244	0	
Fees and charges funded activities	94,750	94,374	91,658
Total operating expenses	98,273	97,676	94,450
SURPLUS/(DEFICIT)	**722**	**(1,212)**	**2,727**
Regional fuel tax capital expenditure	735	0	0
Net capital movement	(735)	0	0
TOTAL MOVEMENT	**(13)**	**(1,212)**	**2,727**

MOTOR VEHICLE REGISTRY

	ACTUAL 2017/18 $000	BUDGET 2017/18 $000	ACTUAL 2016/17 $000
OPERATING REVENUE			
Fees and charges	53,636	54,800	55,808
Total operating revenue	53,636	54,800	55,808
OPERATING EXPENSES			
Transport Agency operating activities	52,355	57,005	58,119
Total operating expenses	52,355	57,005	58,119
SURPLUS/(DEFICIT)	**1,281**	**(2,205)**	**(2,311)**

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF NZ TRANSPORT AGENCY'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2018

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

We have audited:

- the financial statements of the Transport Agency on pages 71 to 99, that comprise the statement of financial positions as at 30 June 2018, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- • the key performance indicators, service delivery and investment performance measures included in the performance information of the Transport Agency on pages 12 to 65.

In our opinion:

- the financial statements of the Transport Agency on pages 71 to 99:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2018; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity International Public Sector Accounting Standards; and
- the key performance indicators, service delivery and investment performance measures included in the performance information of the Transport Agency on pages 12 to 65:
  - presents fairly, in all material respects, the Transport Agency's performance for the year ended 30 June 2018, including:
    - for each class of reportable outputs:
      - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
      - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 28 September 2018. This is the date at which our opinion is expressed.

The basis for 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 audit opinion.

Emphasis of matter – Valuation of the State Highway Network

Without modifying our opinion, we draw your attention to Note 6 in the financial statements which describes the accounting policy, the valuation inputs and estimates made in determining the fair value of the state highway network. The state highway network is a significant asset of the Transport Agency and changes in valuation inputs and estimates can have a material impact on the financial statements. Note 6 also provides a sensitivity analysis to highlight such impacts. We consider the disclosures about the valuation of the state highway network to be adequate.

Responsibilities of the Board for the financial statements and the performance information

The Board is 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 is responsible for such internal control as they determine is necessary to enable them 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 for the audit of the financial statements and the performance information

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 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 responsible for the other information. The other information comprises the information included on pages 4 to 11, 12 to 65 (excluding key performance indicators, service delivery and investment performance measures) 66 to 70, 100 to 116 and 125 to 171 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 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.

Other than in our capacity as auditor, we have no relationship with, or interests, 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

Legislative requirement

The Land Transport Management Act 2003 (section 96(1)(d)(ii)) states that the Transport Agency must ensure that:

it gives, when making decisions in respect of land transport planning and funding ..., the same level of scrutiny to its own proposed activities and combinations of activities as it would give to those proposed by approved organisations.

The Transport Agency must, among other things, develop systems and procedures to give effect to this scrutiny principle and must report on its implementation of those systems and procedures in its annual report. This section meets that requirement.

Systems and procedures

The Transport Agency has systems and procedures that give effect to the scrutiny principle. The three sets of procedures to support compliance are:

- operational procedures – to support individuals to apply the appropriate level of scrutiny when making decisions
- managerial procedures – to oversee the application of the scrutiny principle
- monitoring and reporting procedures – to confirm the operational procedures are followed and the scrutiny principle has been properly applied.

The operational procedures enable staff 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 analysis
- applying the same level of tolerance to cost estimates
- having staff with equivalent seniority and experience involved with equivalent decisions.

Implementation

We publish our approach to giving effect to the scrutiny principle on our website.[1] A webpage lists the systems and procedures in place to apply the scrutiny principle and provides links to the procurement manuals and Planning and Investment Knowledge Base where the systems and procedures are detailed.

Monitoring of the webpage during 2018 shows the page was accessed 54 times. (The scrutiny principle page was revamped during the year, so comparative statistics are not available for 2017.)

[1] NZ Transport Agency. 2018. *Scrutiny principle*. www.nzta.govt.nz/planning-and-investment/planning-and-investment-knowledge-base/planning-and-investment-principles-and-policies/planning-and-investment-principles/scrutiny-principle/

The webpage also has links to two other webpages that list all funding decisions made by the Transport Agency Board[2] and delegated Transport Agency staff[3] since 1 August 2008.[4] Both pages are updated monthly once the previous month's decisions have been confirmed. Monitoring in 2018 shows the:

- board decisions webpage was accessed an average 199 times a month (2017: 95)
- delegated funding decisions webpage was accessed an average 36 times a month (2017: 19).

The main system we use to manage the National Land Transport Programme is the web-based Transport Investment Online system. This system contains all the activities proposed for funding and sets out for all applicants (both approved organisations and the Transport Agency for its own activities), and the information required for assessing and evaluating the activities for funding. The system records the decisions made by the Transport Agency, including any conditions applied to the funding. The system is transparent with approved organisations able to see the details of their proposals and the Transport Agency's recommendations and decisions.

[2] NZ Transport Agency. 2018. Board funding decisions. https://www.nzta.govt.nz/planning-and-investment/funding-and-investing/investmentdecisions/board-decisions/

[3] NZ Transport Agency. 2018. Delegated funding decisions. www.nzta.govt.nz/planning-and-investment/funding-and-investing/investmentdecisions/delegated-decisions/

[4] The prescribed date in the Land Transport Management Act 2003 for reporting on these decisions is 1 October 2008.

INDEPENDENT LIMITED ASSURANCE REPORT

INDEPENDENT LIMITED ASSURANCE REPORT TO THE READERS OF THE NZ TRANSPORT AGENCY'S REPORT ON PUTTING THE SCRUTINY PRINCIPLE INTO PRACTICE FOR THE YEAR ENDED 30 JUNE 2018

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 NZ Transport Agency (the "Transport Agency") on Putting the Scrutiny Principle into Practice (the "Report") on pages 120 and 121 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 2018.

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.

KPMG

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 120 and 121, for the year ended 30 June 2018 is not fairly stated.

Our limited assurance engagement was completed on 28 September 2018 and our opinion expressed as at that date.

BRENT MANNING
KPMG
On behalf of the Auditor-General
Wellington, New Zealand

SECTION D

ABOUT US

WHO WE ARE

OUR BOARD

The Transport Agency is a Crown entity governed by a board that is appointed by the Minister of Transport.

BOARD MEMBER PROFILES

MICHAEL STIASSNY CHAIR (AUCKLAND)

Michael has widespread experience in all matters financial. He has a 40-year background in financial consultancy and is a prominent strategic advisor. Michael is a leading corporate governance practitioner and advocate for sustainability practices.

Michael chairs Tower Limited and Ngāti Whātua Ōrākei Whai Rawa Limited, as well as being a director of several private companies. Michael is a Fellow and past president of the Institute of Directors in New Zealand (Inc) and a fellow of Chartered Accountants Australia and New Zealand.

DAME FRAN WILDE DEPUTY CHAIR (WELLINGTON)

Fran is a non-executive director who also chairs the Remuneration Authority, Wellington Lifelines Group and National Military Heritage Trust. As well, she is deputy chair of the Capital Coast District Health Board and serves on several other boards.

Fran was previously a Cabinet minister, the mayor of Wellington, the chair of the Greater Wellington Regional Council and the chief executive of the New Zealand Trade Development Board.

Fran has chaired several boards, including Housing New Zealand Corporation, Wellington Waterfront and the New Zealand International Arts Festival, and been a director of others, including ANZ, NGC Holdings and Humanware. She 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.

NICK ROGERS (AUCKLAND)

Nick is a geotechnical specialist with expertise in land stability, foundation support and natural disaster assessment. He has over 39 years' experience on major infrastructure projects and in conducting land damage assessments for the Earthquake Commission in New Zealand.

Nick has worked on projects across the Asia–Pacific region and 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.

ADRIENNE YOUNG-COOPER (AUCKLAND)

Adrienne is a full-time professional director and a chartered fellow of the Institute of Directors in New Zealand. She has 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, is a director of HLC Limited, Sealink NZ Limited and Queenstown Airport Corporation Limited, and serves on several charitable trusts.

CHRIS ELLIS (AUCKLAND)

Chris chairs Highway Group Limited and serves on the board of directors of WorkSafe New Zealand, Horizon Energy Limited, Steel and Tube Limited and SteelPipe NZ Limited. His background spans the manufacturing, heavy construction and engineering sectors.

Chris has held chief executive roles with Brightwater Group and the Building Products Division of Fletcher Building Limited. He has also held general management roles in Winstone Aggregates and Fletcher Construction.

Chris has a bachelor's degree in engineering from the University of Canterbury and a master's degree in engineering science and management from Stanford University in California.

MARK DARROW (AUCKLAND)

Mark is an experienced businessperson and director, specialising in corporate governance. He holds a Bachelor of Business, is a member of the New Zealand Institute of Chartered Accountants and is a chartered member of the Institute of Directors in New Zealand.

Mark has significant experience across many sectors, including infrastructure, energy, agriculture, education, technology and automotive.

Mark is chair of The Lines Company, Primary ITO, Armstrong Motor Group, Signum Holdings and Courier Solutions (advisory board) and is a director for the Motor Trade Association, Balle Bros Group and Trustees Executors Limited.

Mark is based in Auckland and has family ties to the King Country and Bay of Plenty.

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 US$40 billion per year.

Leo is a chartered fellow of the Institute of Directors in New Zealand and is deputy chair of the Victoria University Foundation.

VANESSA VAN UDEN (QUEENSTOWN)

Vanessa completed one term as a councillor on the Queenstown Lakes District Council before becoming mayor in 2010 until 2016 when she stood down. Vanessa has re-established her own company, Admin and Business Solutions, through which she provides a wide variety of business services to companies throughout the Queenstown area.

Vanessa has a Master of Business Administration and was awarded 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.

Board members whose terms ended in 2017/18

Chris Moller (Wellington) served as chair from 24 March 2010 to 31 January 2018.

OUR LEADERSHIP TEAM

Executive leadership team

FERGUS GAMMIE CHIEF EXECUTIVE

Fergus joined the NZ Transport Agency in March 2016 from Auckland Regional Transport Authority where he served as chief executive. Previous roles include chief operating officer of Auckland Transport, and both deputy director general transport services and deputy secretary infrastructure and services at Transport for New South Wales.

In this latter capacity, he was responsible for leading a team of 1,450, managing an annual operating budget of AUS$5 billion and managing infrastructure and systems projects totalling AUS$11 billion (over four years).

ROBYN FISHER STRATEGIC ADVISOR, CHIEF EXECUTIVE'S OFFICE

Robyn joined Land Transport New Zealand in 2007 and has held several roles as part of the Transport Agency since its inception in 2008, including portfolio management, group business manager, strategy, communications and performance, and national manager, governance. Robyn took up a position in the Chief Executive's Office in late 2014.

Robyn has over 20 years' experience in local government, including land use consent, policy and leadership roles. Her first central government role was with the Office of Treaty Settlements where she was closely involved with the settlement negotiations for Te Arawa (land) and Ngāti Apa.

Robyn has a bachelor's degree with honours in regional planning and a postgraduate diploma in negotiation and mediation.

JENNY CHETWYND GENERAL MANAGER STRATEGY, POLICY AND PLANNING

Jenny joined the Transport Agency in 2008 as a regional director for the central region, progressing to her current role in July 2017. She is accountable for the Transport Agency's strategy, policy and transport system planning functions.

Before 2008, Jenny was the environmental strategy manager for Transpower and held policy and government planning roles with central and local government and in private practice.

Jenny holds qualifications in regional planning and business administration and has completed the Advanced Management Programme at INSEAD (previously, Institut Européen d'Administration des Affaires) in France.

HOWARD CATTERMOLE GENERAL MANAGER INVESTMENT AND FINANCE

Howard joined the Transport Agency in June 2017. Formerly, he was group manager asset management and finance for the Ministry of Education. Howard was also chief financial officer for Transpower New Zealand, which operates the national high-voltage transmission grid.

Before moving to New Zealand from the United Kingdom, Howard spent six years in a variety of investment banking roles, principally as an equities analyst. His early career was spent with the Royal Dutch Shell Group as a petroleum engineer working in the exploration and production sectors of the oil and gas industry.

Howard has an undergraduate degree in mathematics and a master's degree in business administration (with distinction) from London Business School.

BRETT GLIDDON GENERAL MANAGER TRANSPORT SYSTEM DESIGN AND DELIVERY

Brett joined Transit New Zealand before it merged with Land Transport NZ to become the Transport Agency. He is a qualified civil engineer with more than 18 years' experience in infrastructure planning, design and delivery, including maintenance and operations. Brett has been involved in the development of some of New Zealand's largest infrastructure projects including the Northern Busway project, the Northern Gateway Toll Road project (New Zealand's first electronic toll road), the Waterview Tunnel project and Te Ara I Whiti (the Lightpath) cycleway.

Brett is responsible for overseeing design, delivery and management of a single integrated transport system. Brett's vision for the future of the System Design and Delivery Group is one of collaboration, both internally and externally, and continuing to build strong relationships with local authorities, customers and suppliers to become a true integrated transport system delivery group.

CHARLES RONALDSON GENERAL MANAGER CUSTOMER DESIGN AND DELIVERY

Charles joined the Transport Agency in May 2017 having worked for several government departments for over 16 years.

Charles has significant experience in customer-centred service delivery and design, together with leading large customer-facing teams (up to 2,200 people) in the public and private sectors.

He spent 10 years with Inland Revenue and was instrumental in establishing a strong customer focus in the organisation against a compliance backdrop. Before joining the public sector, Charles held various roles in the banking sector.

RAEWYN BLEAKLEY GENERAL MANAGER GOVERNANCE, STAKEHOLDERS AND COMMUNICATIONS

Raewyn joined the Transport Agency in October 2014 after two years as chief executive of Business Central and Wellington Employers' Chamber of Commerce.

From 2008 until 2012, she was chief executive of the Bus and Coach Association and Rental Vehicle Association.

Raewyn has a strong background in leading and managing employer-membership organisations as well as a valuable working knowledge of the transport sector and the broader business community throughout the central region. Raewyn brings to the Transport Agency significant commercial sector and operational management experience along with extensive stakeholder management experience.

She is deputy chair of the Wellington Zoo Trust Board and a non-voting board director at Auckland Transport. Raewyn is also a member of the Energy Efficiency Conservation Authority's Electric Vehicle Contestable Fund Panel.

Raewyn has a bachelor's degree in human nutrition and a postgraduate Diploma of Science from the University of Otago.

BARBARA HARRISON GENERAL MANAGER – PEOPLE

Barbara joined the Transport Agency in August 2016 after working for Northpower for 11 years. She has significant human resources, safety and management experience, as well as extensive experience in leading people and capability teams.

Barbara's career spans leadership roles in infrastructure and industrial environments in New Zealand and Australia. She graduated from Wharton Business School's Advanced Management Program in 2014.

GILES SOUTHWELL GENERAL MANAGER – CORPORATE SERVICES

Giles joined the Transport Agency in June 2017. His previous role was at Inland Revenue as the chief financial officer.

Giles is originally from the United Kingdom, where he worked throughout the public sector from the early 1990s. His roles focused on improving business performance and value for money, identifying service improvements and delivering effective corporate governance and assurance. He moved to New Zealand in 2008 to work for the Office of the Auditor-General where he was responsible for leading work on improving service performance information.

In 2015 and 2016, Giles completed secondments as chief technology officer at Inland Revenue, chief technology and digital services officer at the Ministry of Health, and corporate services group manager at the Ministry for Culture and Heritage.

Senior leadership team

LEIGH MITCHELL DIRECTOR CUSTOMER EXPERIENCE AND BEHAVIOUR

Leigh joined the Transport Agency in 2012, working in Access and Use to improve the services that enable customers to use the transport system safely and effectively. A key focus for Leigh has been partnering with the Ministry of Transport on legislative improvements that support industry productivity and enable the adoption of more customer-centric transport services.

Leigh has extensive experience developing, implementing and administering international, national and local government policy and has worked in a variety of disciplines, including transport, fisheries, heritage, information and environment.

Leigh is passionate about designing systems and services that work for people. Her motto is that all work is about people – their aspirations, their needs, their wellbeing and their impacts on others and the environment. Therefore, people need to be at the centre of a team's thinking, regardless of what that team is working on.

MARTIN MCMULLAN DIRECTOR CONNECTED JOURNEY SOLUTIONS

Since July 2016, Martin has led the Transport Agency's approach to innovation and new technology. He is passionate about using data to provide smart solutions that connect people, services and infrastructure.

Martin joined the Transport Agency in 2014 as Zero Harm manager. Working with industry partners, he 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. He has also established two technology start-up businesses.

Martin sits on the Construction Safety Council's board of directors and holds an executive role with the Australian Driverless Vehicle Initiative. Martin is a registered member of the Institute of Directors in New Zealand.

ROBERT BRODNAX DIRECTOR TRANSPORT ACCESS DELIVERY

Robert has been with the Transport Agency since 2009, recently serving as acting group manager planning and investment. Previously, he held a variety of roles at the Waikato Regional Council, including three years as group manager policy and strategy.

He has worked in a wide variety of fields, including waste and contaminated land management, 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, Product Stewardship Foundation and Maungatautari Ecological Island Trust.

Robert is an experienced public sector manager with a particular focus on leading collaborative processes at the interface between business, communities and public sector agencies.

HARRY WILSON DIRECTOR SAFETY AND ENVIRONMENT

Since July 2016, Harry has led road safety for the Transport Agency as road safety director. He is passionate about improving road safety outcomes by working closely with partners to achieve integrated, focused and aligned efforts that deliver positive results for people in New Zealand.

Harry joined the Transport Agency in 2008 as regional director for the Waikato and Bay of Plenty. He was the main contact with local government and other stakeholders and partners in promoting regional alignment with strategies, plans and government transport policy direction. He was also the Transport Agency's first freight portfolio director, ensuring freight initiatives were integrated and coordinated.

Harry was chief executive of Environment Waikato (now Waikato Regional Council) and held management roles with the former Child, Youth and Family Services of the Department of Social Welfare and IHC.

STEVE MUTTON DIRECTOR REGIONAL RELATIONSHIPS UPPER NORTH ISLAND

Steve has more than 20 years' experience working in critical infrastructure, including electricity, gas and roading networks, and has been with the Transport Agency since 2010.

Steve was formerly the director of the Auckland Motorway Alliance, accountable for the operations and maintenance of the Auckland motorway network.

In 2016, Steve became the Transport Agency's earthquake recovery manager, leading the reinstatement of the South Island transport system after the Kaikōura earthquake.

Most recently, he served as the senior manager, system management and played an active role in the effective maintenance and management of New Zealand's road transport system.

PAREKAWHIA MCLEAN DIRECTOR REGIONAL RELATIONSHIPS CENTRAL NORTH ISLAND

Parekawhia 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.

She brings significant stakeholder management and governance experience to her role. For almost seven years, she was director of her own company dedicated to advancing the creative potential of Māori knowledge, people and resources.

Parekawhia has masters' degrees in social sciences from the University of Waikato and in public administration and development policy from the University of Wisconsin.

In 2014, she received a Distinguished Alumni Award from the University of Waikato.

In 2016, she was a finalist in the board and management category for the Westpac–Fairfax Women of Influence Awards.

EMMA SPEIGHT DIRECTOR REGIONAL RELATIONSHIPS LOWER NORTH ISLAND

Emma joined the Transport Agency in July 2017 from her previous role as deputy chief executive social sector at the Ministry of Social Development.

Emma has extensive experience across the public service, including recent roles focused on system-wide issues and delivering results across the social and justice sectors. She also worked at the Treasury in the housing sector and in research, science and technology investment.

Emma has a master's degree with honours in sociology, is a member of the Institute of Directors in New Zealand and is a leadership and development coach.

JIM HARLAND DIRECTOR REGIONAL RELATIONSHIPS SOUTH ISLAND

Jim joined the Transport Agency in February 2011 after 11 years as chief executive of Dunedin City Council. Before this, he held senior roles in local government and the private sector, specialising in strategic thinking and change management.

Jim was a tourism consultant for several years and initiated a tourism planning course at the University of Auckland. The World Health Organization has used Jim's expertise in understanding and leading communities on several occasions to further its Healthy Cities initiative.

He holds a master's degree with honours in town planning, a diploma in town planning from the University of Auckland, and a bachelor's degree in geography from the University of Canterbury. Jim is also a fellow of the New Zealand Institute of Management and a member of the Institute of Directors in New Zealand and the New Zealand Planning Institute.

GOVERNANCE REPORT

BOARD MEMBERSHIP AND 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 board committees.

BOARD FUNCTIONS AND OPERATIONS

Board functions

As a Crown entity, the Transport Agency is a legal entity in its own right, separate from the Crown. The board is appointed to govern the Transport Agency and to monitor and be accountable for the Transport Agency's performance. Under the Land Transport Management Act 2003, the objective of the Transport Agency is to undertake its statutory functions in a way that contributes to an effective, efficient and safe land transport system in the public interest.

The board:

- manages the Transport Agency's relationship with the government (particularly, the Minister of Transport) and Ministry of Transport
- appoints and oversees the performance of the Transport Agency's chief executive
- sets the Transport Agency's strategic direction and annual performance expectations, in consultation with the Minister of Transport
- exercises the Transport Agency's powers and functions, including statutorily independent functions
- makes decisions (including allocating and investing funds from the National Land Transport Fund)
- ensures compliance, manages risk and monitors performance in respect of the Transport Agency
- reports to the Minister of Transport.

The board exercises the Transport Agency's powers and functions to make and implement decisions. It does this by itself or through delegation. The board makes major or significant planning, investment and funding decisions in line with the Transport Agency's significance policy. Activities 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.

In the course of making decisions, the board:

- 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
- deals with governance matters
- directs significant planning, investment and operational matters.

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.

In addition to the requirements set out in the Crown Entities Act 2004, 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

Remuneration rates for board members are set by the Minister of Transport in line with the government's fees framework.

Disclosure of interests

Board members must complete a declaration of interests at the start of their appointment. Before each board meeting, board members are asked to check and update (as necessary) the register of interests declared that the board secretariat maintains. 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. 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 the board chair are notified, and the member and chair agree whether an issue exists and, if so, how to manage it.

For board decisions relating to procurement for significant projects, any potential conflict issues are discussed with the project's probity auditor.

Policies exist for board members' travel, expenses and acceptance of invitations and gifts. 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, and all board members are welcome to attend. In early 2018, the Transport Agency updated written induction modules in anticipation of the appointment of a new board chair. The nature and extent of the associated in-person induction programme for a new board member will depend on the experience of the appointee and the type of appointment (chair, deputy chair or member).

Board performance reviews

Each year, the board reviews its overall performance, in a process the chair runs. Individual board member performance is 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 2017/18

The board held eight standard and three special meetings in 2017/18. These meetings were held in Wellington (nine), Auckland (one) and Tauranga (one).

BOARD FUNCTION	HIGHLIGHTS
Setting sector and organisational direction	• Maintaining oversight of the Transport Agency's strategy refresh and transformation • Releasing the long-term strategic view externally • Making submissions on the Government Policy Statement on Land Transport • Approving a refreshed Investment Assessment Framework • Endorsing the Transport Agency Regulatory Management Strategy • Approving the Transport Agency Resilience Framework
Confirming service and financial performance targets	• Overseeing and approving the Transport Agency interim statement of performance expectations 2018/19 • Endorsing the External Audit Plan 2017/18 • Approving the 2018/19 Assurance Programme • Approving the 2018/19 Business Plan and Budget • Endorsing the Transport Agency's Four-Year Excellence Horizon
Assessing progress against our strategy and plans	• Approving the financial results for 2016/17 and the 2016/17 Transport Agency and National Land Transport Fund annual reports • Receiving quarterly progress reports, including financial reports • Receiving the Performance Improvement Framework review report • Receiving the positive outlook indicator result following the mid-term Investor Confidence Rating Assessment
Quality assurance of key organisational systems, processes and policies	• Receiving updates on improvements to the business case approach • Confirming the Transport Agency's front-loading policy
Significant planning investment and operational matters	• Approving funding for: – the Transport Agency Weigh Right Programme – funding for improvements for State Highway 1 Cambridge to Piarere – funding for afety improvements for State Highway 2 Waihi to Tauranga Programme – funding for safety and capacity improvements for State Highway 16 Brigham Creek to Waimauku – the detailed business cases connected to specific Housing Infrastructure Fund projects, such as Hamilton City Council's Peacocke growth area • Opening Waterview Tunnel • Identifying a preferred option as the alternative route following closure of the Manawatū Gorge • Re-opening State Highway 1 to and from Kaikōura , initially for limited hours and then 24/7 • Recommending the 2018–2021 Road Safety Partnership Programme to the Minister of Transport • Maintaining oversight of: – the delivery of the 2015–18 National Land Transport Programme – further works connected to the Kaikōura Earthquake Recovery to reinstate State Highway 1 through Marlborough and North Canterbury

Governance matters	• Implementing a process for disclosing the Senior Leadership Team's interests and managing potential conflicts of interest connected with board matters • Appointing attorneys (post-transformation) • Ensuring updated induction material is in place for the new board chair • Completing a board evaluation and reporting to the Minister of Transport in this regard

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	
Michael Stiassny (chair)[1]	-	-	-	2/11
Dame Fran Wilde (deputy chair)	3/3	-	2/4	11/11
Mark Darrow	-	7/7	-	11/11
Chris Ellis	3/3	-	-	10/11
Leo Lonergan		7/7	-	11/11
Nick Rogers	3/3	-	-	11/11
Vanessa van Uden	3/3	-	-	11/11
Adrienne Young-Cooper	-	-	4/4	10/11
FORMER BOARD MEMBERS				
Chris Moller (chair)[2]	-	3/7	2/4	7/11

[1] Michael Stiassny's term started on 19 April 2018.
[2] Chris Moller's term ended on 31 January 2018.

INVESTMENT AND OPERATIONS BOARD COMMITTEE

The role of the Investment and Operations Board Committee is to be a sounding board (which may involve providing recommendations, guidance and perspective) for significant investment and operational matters and policy and project development. This role includes considering investment criteria, the approach and strategy for procurement, and the potential reputational, environmental, social and cultural impacts of the Transport Agency's activities and decisions.

This committee comprises four serving board members.

This committee provides oversight and guidance on matters across all modes of transport within delegations reserved for the board, including:

- the delivery of the National Land Transport Programme by approved organisations and adjustments to programmes to achieve longer-term goals
- procurement, tendering and commencement of state highway projects or other projects approved for funding
- property management and tendering processes, leases and contracts
- tolling operations, integrated ticketing systems and registry operations
- the delivery of legislative compliance and regulated safety regimes
- appropriate regulatory governance and monitoring arrangements
- asset management strategies, risk assessment, environmental audit and performance monitoring of state highways.

This committee met three times in 2017/18.

AUDIT, RISK AND ASSURANCE BOARD COMMITTEE

The role of the Audit, Risk and Assurance Board Committee is to:

- provide independent advice and observations
- ensure the Transport Agency meets its obligations to its stakeholders through appropriate risk management practices and management of risk
- oversee internal and external audit functions
- monitor and advise on financial performance and the integrity of performance information
- obtain assurance and gain confidence that compliance with legislation and other formal requirements is achieved
- advise on operational procedures, projects and business improvement initiatives.

This committee comprises three serving board members. The chief executive, general manager corporate services, general manager investment and finance, and the senior manager, risk and assurance also attend meetings.

The committee's responsibilities include:

- achieving and maintaining confidence that the Transport Agency has suitable risk management practices[1]
- 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
- receiving and monitoring findings arising from external (independent) reviews
- reviewing the audit programme and monitoring the effectiveness of the external auditor
- receiving reports from the external auditor.

This committee met seven times in 2017/18.

[1] 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.

REMUNERATION AND HUMAN RESOURCES BOARD COMMITTEE

The role of the Remuneration and Human Resources Board Committee, along with the chief executive, is to provide strategic governance over human resources capability, remuneration, employment relations and core human resources strategies. This committee also helps the board fulfil its responsibilities for remunerating the chief executive and senior management.

To meet its strategic governance responsibilities, this board committee:

- maintains awareness of human resources trends, benchmarks, issues and risks, including employee turnover, 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, this committee:

- maintains an overview of trends and best practice in executive employment conditions and remuneration
- establishes the annual key performance objectives for the chief executive and reviews the chief executive's annual performance against those objectives
- 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.

This committee met four times in 2017/18.

HOW WE WORK

OUR TRANSFORMATION

In 2016, we undertook a Performance Improvement Framework self-review to determine how well we (as an organisation) were placed to meet future opportunities and challenges and where we needed to improve. The review concluded that we needed to change how we think, act and organise ourselves to provide a transport system that meets the needs of customers and supports a productive New Zealand. Our change programme focused on three critical elements: our strategy, our DNA (culture), and our operating model and structure.

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.

OPERATING MODEL AND STRUCTURE

On 3 July 2017, we moved to a new operating model (see figure 1) that shaped how we organise ourselves and our work. The elements of our model are:

- plan the system
- build the system
- operate services.

These elements guide the 11 groups that form our new structure. Six groups with strategy, systems and customer service functions are at our core with two further groups focused on customer experience and behaviour and on safety and the environment. These eight groups are supported by the three groups corporate services; people; and governance, stakeholders and communications.

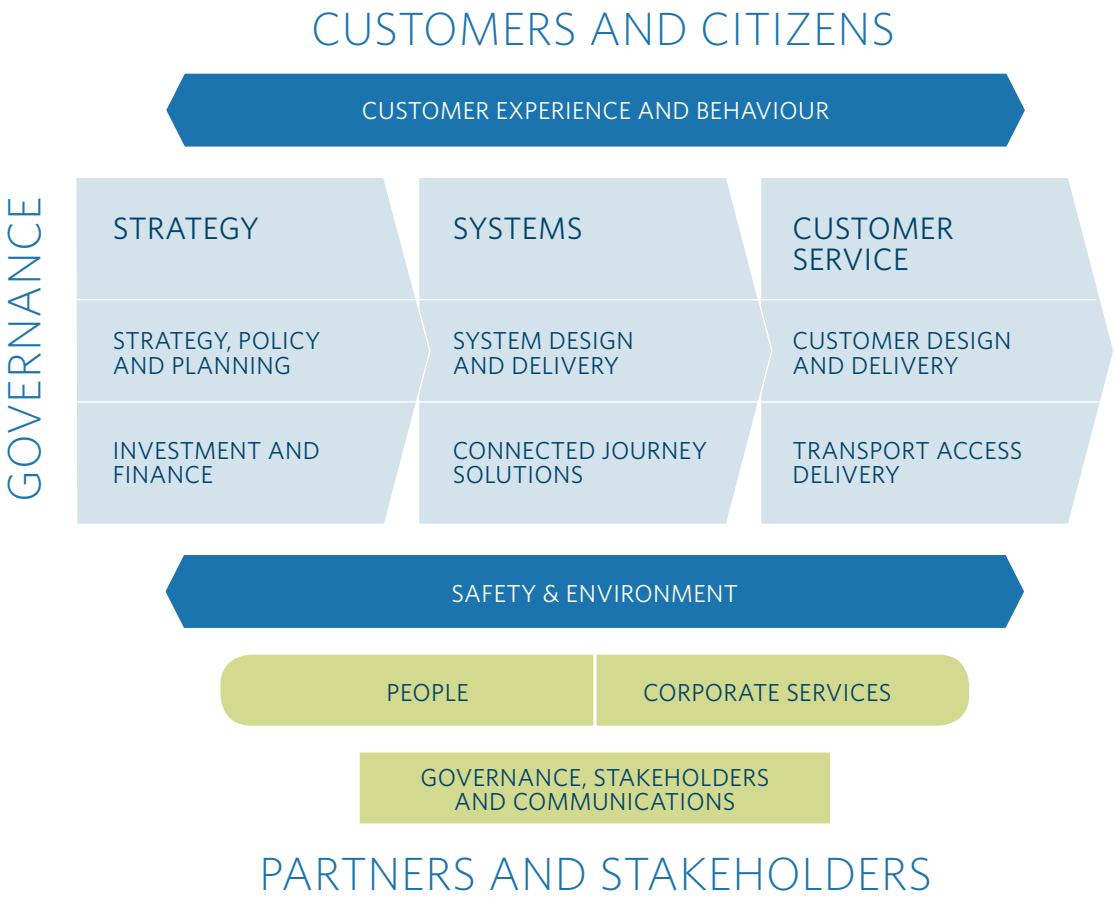


Figure 1 – Transport Agency value-chain operating model

REGIONAL RELATIONSHIP MODEL

Alongside our internal changes, we adjusted how we work in the regions and introduced regional relationship zones (see figure 2). These changes were designed to make it easier for us to provide the right services to the right areas. They help us to provide a more tailored service and a customer-focused approach. This will significantly improve how we plan, design and deliver transport solutions.

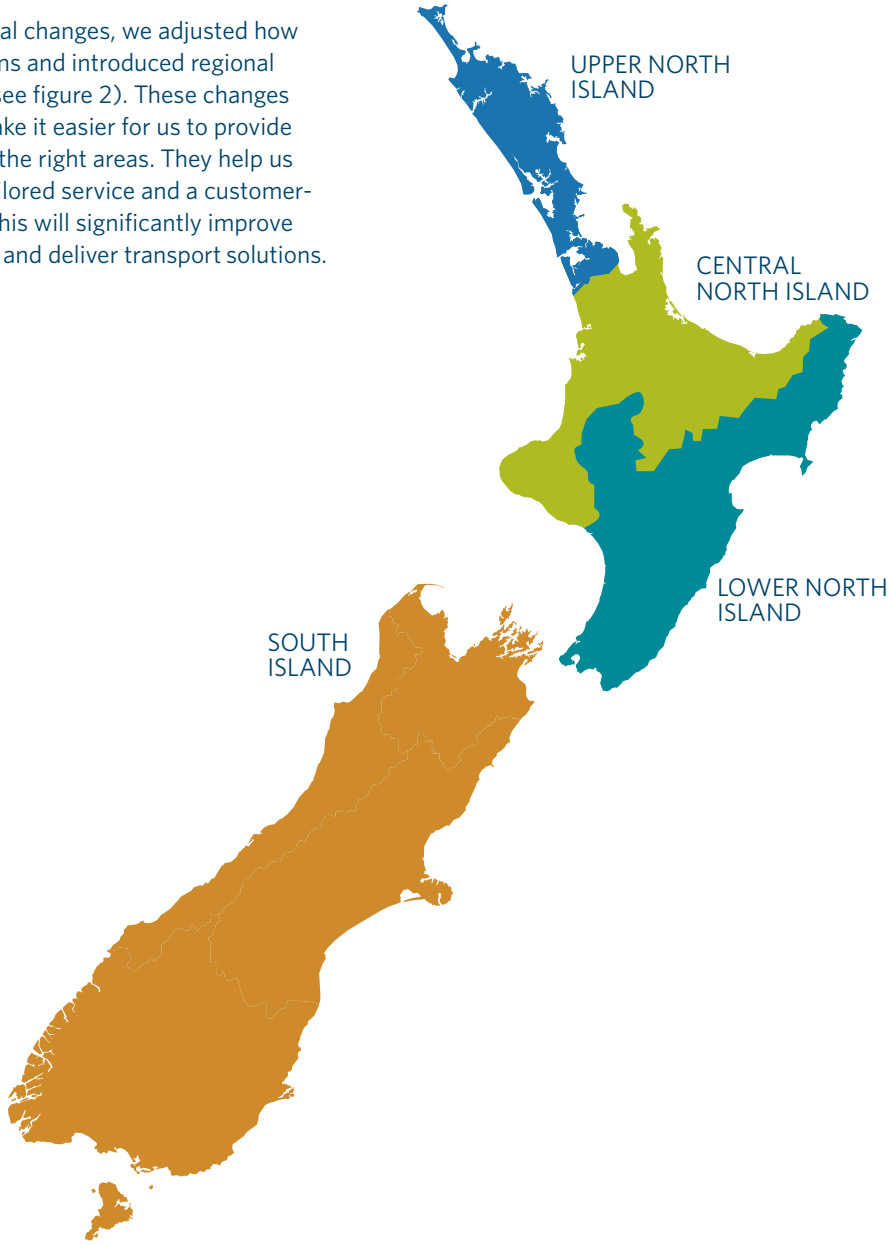


Figure 2 – Transport Agency regional relationship model

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.

Customer focus is important because delivering value to New Zealand is our biggest customer promise. We need to know who our customers are, care about what's important to them, enable them to live the best life they can, and role model our safety messages.

Collaborate to achieve as one is important because great ideas come when we work together. We need to understand how our work connects with others, share our knowledge generously, communicate and act with awareness right across the Transport Agency, the transport sector and government, and show respect and empathy.

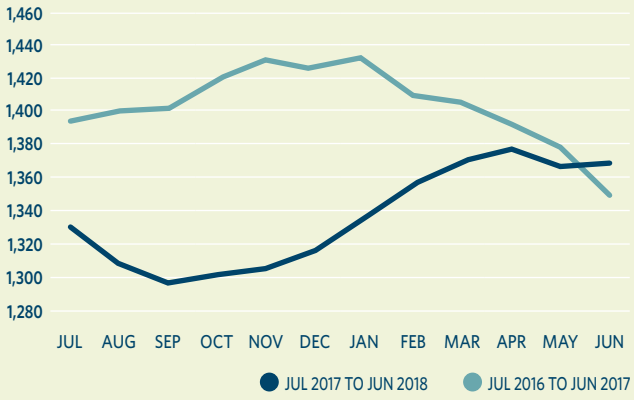
Curious to cultivate innovation is important because innovation starts with curiosity and focusing our creative energy on things that deliver our strategy and make a difference to our customers. We need to ask why and how we could do something better, embrace diversity, and let go when the time is not right.

OUR WORKPLACE

Workforce profile

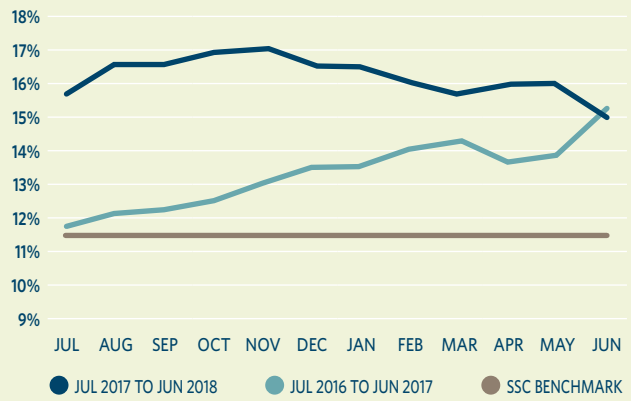
Our people mean a lot to us. In fact, they're everything. It's their effort and commitment that enable us to do what we do. Our diverse workforce is located in 21 locations from Whāngārei to Dunedin.

FULL-TIME EQUIVALENT EMPLOYEES



Our full-time equivalent employee (FTE) count at 30 June 2018 was 1,371.9, an increase of 1.4 percent from 30 June 2017. The number of FTEs continued to fall after 30 June 2017 because of increased attrition representing a lag as new people were recruited, but rose again from October. If we took into account roles actively being recruited for at 30 June, the number of FTEs would surpass the peak of 1,432.9 FTEs in January 2017.

ANNUAL TURNOVER OF FULL-TIME EQUIVALENT EMPLOYEES



Our unplanned turnover of FTEs at the end of June 2018 was 15 percent, slightly lower than 12 months ago (15.3 percent). Unplanned turnover of staff with less than two years' service was 14.7 percent, which is also lower than 12 months ago (18.7 percent).

ETHNIC PROFILE

Ethnic groups (self-identified)	
Asian	**7.8%**
Māori	**5.5%**
Middle Eastern/Latin American/African	**0.6%**
New Zealand European/European	**71.6%**
Pacific peoples	**1.3%**
Other ethnicity	**2.0%**
Not stated	**11.2%**

AGE PROFILE

The average age of our employees (at 30 June 2018) was 45.3 years, with 13.1 percent aged under 30 and 23.0 percent aged over 55.

The average age of our workforce has increased slightly in the past five years and is consistent with the average age of the overall public sector workforce.

AVERAGE AGE (YEARS)

YEAR (AT 30 JUNE)	TRANSPORT AGENCY	NZ PUBLIC SECTOR
2013	44.0	44.6
2018	45.3	Due December 2018

PAY PROFILE BY GENDER

When considering average remuneration across the Transport Agency, men are paid 2 percent more than women at similar levels in the organisation. The Transport Agency has a targeted plan under development to close the like-for-like gender pay gap across the organisation.

Using the State Services Commission methodology of comparing average pay for women with average pay for men, the Transport Agency has a gender pay gap of 27.4 percent. At an organisation level, the gender pay gap is primarily driven by a larger proportion of male employees in higher salary bands, while lower bands have a higher proportion of female employees.

Median salary of all employees	$97,349
Average salary of all employees	$102,423
Gender pay gap (difference between average male salary and average female salary)	27.4%

GENDER PROFILE

We have slightly more female employees than male employees (52 percent compared with 48 percent). This is more balanced than across the public sector, which is 61 percent female and 39 percent male.

Of our senior management roles, 38 percent are filled by women compared with 48 percent across all public service senior management roles (as at 30 June 2017).

PEOPLE WITH DISABILITIES

Our workforce profile does not include people with disabilities as this information is not recorded as yet. 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 people with disabilities.

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 creates better outcomes for both our people 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 as we continuously improve our practices as a good employer.[2]

The following table demonstrates the alignment between our main people policies and practices and the seven elements of being a good employer.

GOOD EMPLOYER ELEMENTS	OUR MAIN PEOPLE POLICIES AND PRACTICES
Leadership, accountability and culture	• 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 *The Way We Move* newsletter, regular video and audio calls, and regular posts on Workplace provide strong leadership and ensures everyone in the Transport Agency has access to the same information. Calls can be listened to, watched live or viewed later. • Senior leader forums are held regularly to provide leaders with the opportunity to work collaboratively and contribute to organisational thinking and decision making. These forums are highly valuable as an opportunity to focus on collective leadership for the organisation. • 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 and contribute to workplace conversations. This tool is popular and provides a measurable engagement channel directly to our people. • 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 to 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.

[2] Human Rights Commission *Good employer advice* www.hrc.co.nz/your-rights/business-and-work/tools-and-research/reporting-crown-entities-good-employers/

Recruitment, selection and induction	• Our recruitment and selection processes support our commitment to diversity and inclusion, the elimination of conscious and unconscious bias, and equal employment opportunities. Our Workforce Strategy includes a goal of a workforce broadly reflective of the community. • Videos and profiles on our career website and recruitment collateral feature employees from diverse backgrounds, and we use inclusive language in our online 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. We identify and address barriers to participation and progression. • All new people are invited to 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 multilingual people for some of our customer-facing roles.
Employee development, promotion and exit	• We promote a culture of learning and continued development at all levels. Development opportunities include project work, acting in other roles, secondments, mentoring and coaching, online learning, and face-to-face learning programmes offered through our centralised learning calendar. • We encourage 'teaming' and for people to work collaboratively. • We value an ongoing process of feedback and two-way communication. • 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 current, former and prospective employees. • We provide access to career planning tools and advice.
Flexibility and work design	• 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	• 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 make our job evaluation and remuneration practices transparent, equitable and gender neutral. • Recognition is encouraged and we use a variety of ways to celebrate success and recognise people publicly and privately.
Harassment and bullying prevention	• We are committed to maintaining a safe working environment for all our people where we experience mutual respect, trust, dignity and security. Ensuring psychological safety is paramount to this. • We have established an employee liaison service in partnership with FairWay, which provides issue resolution services free to all our people. • We worked collaboratively with unions to better understand harassment and provide tools and support for our people dealing with harassment. • 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 2014–20 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 support services such as: – the employee assistance programme for all staff – additional services in the event of heightened stress, such as a critical event debriefs, onsite employee assistance programme, change process support and resilience training – ergonomic workstation assessments – annual free flu vaccination for all our people. • We have tertiary accreditation from the Accident Compensation Corporation 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 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.

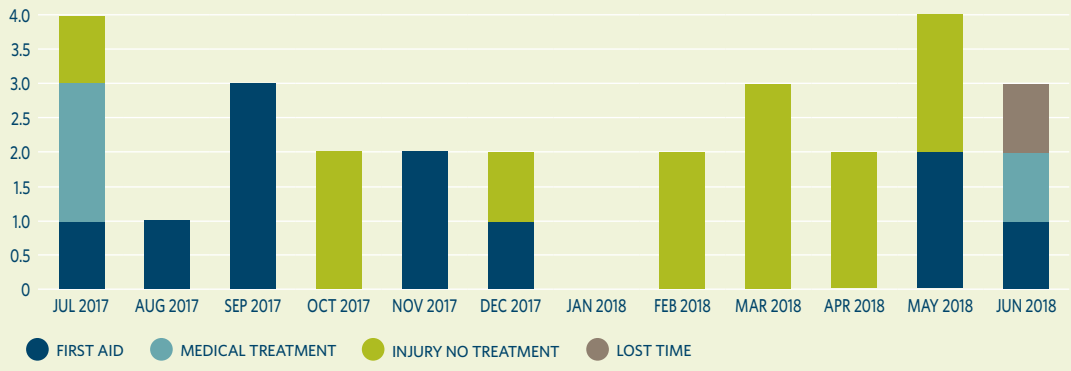
HEALTH AND SAFETY OF OUR PEOPLE

Health and safety performance: Transport Agency employees

Our employees reported 28 incidents that resulted in injury during 2017/18. This was a reduction from 54 the previous year. Of the 28 injuries, three required medical treatment and one resulted in lost time at work. Injuries were predominately minor burns, slips and sprains within our workplaces.

Three of our people were involved in incidents relating to personal safety in and around our offices. Where improvements have been made in response to local personal security incidents, the Security Governance Group has ensured these improvements are also implemented in other offices.

NUMBER OF INJURIES PER MONTH BY TYPE – TRANSPORT AGENCY EMPLOYEES



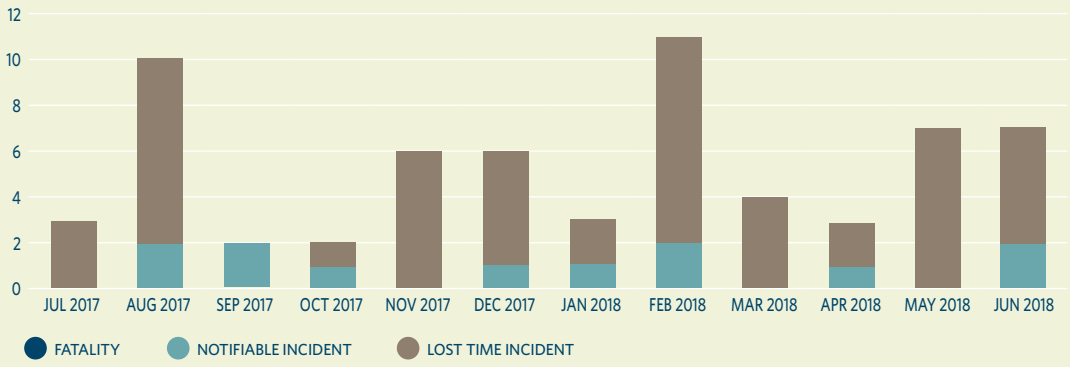
Health and safety performance: Transport Agency contractors

During the year, we experienced no fatalities on any of our construction or maintenance projects, which is an improvement from the two fatalities the previous year. Across all contractor activities, 128 incidents were reported that resulted in injuries that required medical treatment or time off work or both. This is a significant increase from the previous year. However, we also saw improvements in positive performance indicators (such as near miss reporting and traffic management inspections) following a collaborative approach with our contractors to improve health and safety reporting. We believe we are now being notified of all events in a timely manner and that changes to lead and lag indicators this year may be attributed to this improved reporting culture.

Contractors experienced serious harm incidents when or in the process of establishing temporary traffic management sites, and we continue to progress innovations to improve worker and customer safety in these work environments. This work includes an ongoing programme to assess the validity of identified improvement opportunities and incorporate them into the Code of Practice for Temporary Traffic Management.

Environmental conditions and natural hazards also contributed to serious harm injuries. We used our contractor collaboration forums to share details about improvements for assessing and responding to severe environmental conditions that were developed through the North Canterbury Transport Infrastructure Recovery Alliance project after the 2016 Kaikōura earthquake.

NUMBER OF INJURIES PER MONTH BY SEVERITY – CONTRACTORS



Working towards zero harm

Our Zero Harm Strategy 2014–20 has a clear objective: by 2020 all our workers, regardless of employer will go home safe and healthy, every day, without exception. This year, we continued to progress initiatives to help meet this objective.

Health and safety management system

An agency-wide health and safety management information system was implemented from February 2018. This system comprises policies, procedures and other information to enable our people to understand the nature of risks and how to put appropriate controls in place. The system details how the Transport Agency should seek to measure and improve performance through audit, oversight and analysis of performance metrics.

Critical risks

We reviewed and redefined our critical risks as part of the development of our 2018–21 work programme. Our performance reporting dashboard now enables us to measure and monitor the effectiveness of critical risk controls. We agreed with our contractors a suite of critical risk areas that are included in our monthly audit programmes and performance reporting frameworks.

Worker mental health

We rolled out an organisation-wide mental health toolkit for managers and first aid training in workplace health. This means our people leaders are better equipped to recognise the signs of mental illness and injury and to talk to workers and link them to appropriate support resources. We shared the toolkit with other organisations and through the government health and safety forums.

Contractor oversight and audits

Our major construction projects were audited in conjunction with our tier 1 suppliers and in line with our published schedule for such audits. Findings and improvement opportunities were developed into subsequent projects such as an industry-wide approach to reducing the number of service strikes and asset damage caused by excavation.

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 the revised monthly reporting framework, which will enable greater trend analysis across the civil construction industry as a whole. The collaborative groups developed a common framework for a consistent approach to fatigue management across our operations.

We ran the fourth Transport Agency knowledge forum in November 2017 with 147 attendees from across our supply chain. The forum provided an opportunity to build skills and knowledge for worker health, specifically strategies for enabling positive mental health at work and how the organisation might better understand and manage fatigue and stress.

Sustaining the journey towards Zero Harm

We completed a significant review of our Zero Harm strategy and developed a detailed programme of work that sets out how we will improve our capability and performance in the three areas of leadership, worker engagement and risk management. We are focused on understanding and controlling our critical risks and using monitoring to measure the effectiveness of controls. Other elements of the work programme will make it easy for our people to contribute to the development of improvements and actively participate in the health and safety management programme.

ASSET PERFORMANCE MEASURES

Cabinet Office Circular CO (15)5 *Investment management and asset performance in the state services* includes requirements to report on asset performance. Agencies must report on relevant asset performance indicators in their annual reports. Agencies must capture and use in internal management and decision-making processes, relevant indicators of past and projected asset performance, such as asset utilisation, condition and fitness for purpose.

Some of our performance measures for our output classes, state highway improvements and state highway maintenance, are also asset performance measures and this is identified in the technical notes for these measures (appendix 2, pages 159–166 notes 29 and 32–35).

Information communications technology asset performance measures

This year we identified measures for critical information communications technology (ICT) services. The ICT asset performance measures were collected from contracts with Revera, Fujitsu and Unisys.

- Fujitsu provides consulting services, support of transport operations centre environments through the all-of-government IT managed services contract and application development and support.
- Unisys support our registers (for example, motor vehicle register, driver licence register, road user charges), provide associated hosting at their datacentres and also provide consultancy services.
- Revera provides hosting for our contact centre, Infohub equipment, Transport Investment Online, Hyperion, integrated testing environment and some of our own infrastructure components (for example, networking).

The measures are, in effect, proxy measures for condition and functionality, and utilisation is measured through capacity. Overall, the contracts for services have met their targets.

MEASURE	INDICATOR	2017/18 TARGET	2017/18 ACTUAL
Unisys: Response time – business-as-usual service delivery service level agreements (eg, motor vehicle registry 85% in four seconds compared with achieved of 99.9%)	Utilisation	85%	100%
Fujitsu: Response times for service level performance (eg phone calls, service portal and email)	Utilisation	90%	97%
Revera: Response times to meet service level agreements	Utilisation	100%	100%
Unisys: Incident response, that is, priority 1 (critical) to priority 4 (low)	Condition	100%	100%
Fujitsu: Incident response priority 1 (critical) within 15 minutes	Condition	95%	100%
Fujitsu: Incident response priority 2 (high) within 30 minutes	Condition	95%	100%
Fujitsu: Incident response priority 3 (medium) within two business hours	Condition	90%	98%
Fujitsu: Incident response priority 4 (low) within four business hours	Condition	90%	98%
Revera: Incident response priority 1 (critical) to priority 4 (low)	Condition	100%	100%
Capacity (ie volume of storage and resilience (back-up etc)[1]	Functionality (fitness for purpose)	<100%	113%

[1] This measure is from the Unisys contract regarding the backup volumes in the cloud. The target and actual levels have been derived from the baseline and total storage for tiers 1 to 3.

APPENDICES

APPENDIX 1 – MILESTONES FOR CAPITAL PROJECTS

KAIKŌURA EARTHQUAKE RESPONSE

The Kaikōura Earthquake Response is the Transport Agency's work to restore State Highway 1 through North Canterbury and Marlborough after the November 2016 earthquake. Funding for reinstatement is provided by the Crown, while funding for any improvements is provided by the National Land Transport Fund.

This result is used to assess progress against significant activity 3.3 in *Connect and develop regions* (page 34).

FOCUS AREA	PROJECT	2017/18 MILESTONE	YEAR-END RESULT
Connect and develop regions	Kaikōura Earthquake Response	State Highway 1 reopened and fully functional with no traffic management	SUBSTANTIALLY ACHIEVED
	Following the reopening of State Highway 1 in December 2017, traffic management has been in place to ensure the controlled delivery of ongoing improvement and resilience work.		

An aggregate of the results for the Roads of National Significance, Auckland Transport Package, Accelerated Regional Roading Programme and Urban Cycleways Programme is used to assess progress against significant activity 2.5 in *Target rapid growth* (page 20) and significant activity 3.4 in *Connect and develop regions* (page 34).

ROADS OF NATIONAL SIGNIFICANCE

The Roads of National Significance are based around New Zealand's five largest population centres: Auckland, Hamilton, Tauranga, Wellington and Christchurch. Regional land use and transport studies have identified them as having strategically significant investment needs.

FOCUS AREA	PROJECT	2017/18 MILESTONE	YEAR-END RESULT
Target rapid growth	Pūhoi to Wellsford	Pūhoi to Warkworth construction under way	ACHIEVED
		Warkworth to Wellsford route protection	NOT ACHIEVED, BUT SOME PROGRESS MADE
	Warkworth to Wellsford route protection: The technical work to inform the route protection is progressing well. The pause on public consultation while the Government Policy Statement and National Land Transport process have occurred has resulted in a significant delay to timeframes.		
Target rapid growth	Western Ring Route	Lincoln to Westgate construction started	ACHIEVED

FOCUS AREA	PROJECT	2017/18 MILESTONE	YEAR-END RESULT
Target rapid growth	Waikato Expressway	Longswamp: Earthworks substantially complete and pavement under construction	ACHIEVED
		Rangiriri: Final asphalt surfacing placed	ACHIEVED
		Huntly Section: Earthworks substantially complete; pavement construction starts	ACHIEVED
		Hamilton Section: Earthworks substantially complete; pavement construction starts	NOT ACHIEVED, BUT SOME PROGRESS MADE
	Hamilton Section: Earthworks substantially complete; pavement construction starts: Cambridge Road offramp bridge substantially complete. Poor weather and saturated ground conditions in the two previous construction seasons resulted in significant delays and the loss of an earthworks season. We are now looking at opening the road almost a year later than originally planned, with a significant overrun of total outturn costs. The Alliance is being challenged to re-programme to finish the project by September 2020.		
Connect and develop regions	Wellington Northern Corridor	Ōtaki to Levin under design	NOT ACHIEVED
		Ngāūranga to Airport business case developed	SUBSTANTIALLY ACHIEVED
		Transmission Gully construction under way	ACHIEVED
		Peka Peka to Ōtaki construction under way	ACHIEVED
	Ōtaki to Levin under design: The indicative business case identifying a number of shortlisted options to the east of State Highway 1 was substantially completed and ready for further consultation. However, the need to align the Transport Agency Investment Proposal with the new Government Policy Statement has determined that a re-evaluation of the project scope against the policy statement's objectives is required. The re-evaluation will be undertaken and completed by November 2018. **Ngāūranga to Airport business case developed:** The Transport Agency Board will be updated in August on progress and the package should be finalised in September for the board's endorsement.		
Target rapid growth	Christchurch Motorways	Western Belfast Bypass open to traffic	ACHIEVED
		Russely Road complete and open to traffic	ACHIEVED

AUCKLAND TRANSPORT PACKAGE

The Auckland Transport Package is a programme of critical projects targeted for acceleration. Funding is from the National Land Transport Fund and is supported by borrowing from the Crown that will be repaid from the National Land Transport Fund.

FOCUS AREA	PROJECT	2017/18 MILESTONE	YEAR-END RESULT
Target rapid growth	Northern Corridor Improvements	Detailed design and construction under way	ACHIEVED
	Southern Corridor Improvements	Construction under way	ACHIEVED
	State Highway 20A to Airport	Landing drive intersection completed	SUBSTANTIALLY ACHIEVED
	The project is now complete with minor works and disestablishment to occur.		
	East West Connections	Full link consents granted; procurement under way (subject to consents granted)	SUBSTANTIALLY ACHIEVED
	The East West Link was successful in obtaining its approvals via the Board of Inquiry. The subsequent need to re-evaluate the project has meant that the delivery milestones for construction are no longer relevant.		

ACCELERATED REGIONAL ROADING PROGRAMME

The Accelerated Regional Roading Programme is a Crown-funded programme of regional state highway projects targeted for acceleration.

FOCUS AREA	PROJECT	2017/18 MILESTONE	YEAR-END RESULT
Connect and develop regions	Kawarau Falls Bridge (Otago)	Construction complete and road open to traffic	ACHIEVED
	Mingha Bluff to Rough Creek Realignment (Canterbury)	Construction complete and road open to traffic	SUBSTANTIALLY ACHIEVED
	Road is complete and open to traffic, but significant areas need to be remediated due to construction issues.		
	Akerama Curves Realignment and Passing Lane (Northland)	Construction complete and road open to traffic	ACHIEVED
	Whirokino Trestle Bridge Replacement (Manawatū–Wanganui)	Construction under way	ACHIEVED
	Motu Bridge Replacement (Gisborne)	Construction complete and bridge open to traffic	ACHIEVED
	Opawa Bridge Replacement (Marlborough)	Construction started	NOT ACHIEVED
	Construction delayed due to budget issues. Additional funding now approved, contract negotiations are now complete, proposed construction starting at the beginning of September 2018.		
	Taramakau Road–Rail Bridge (West Coast)	Road–rail bridge complete	ACHIEVED
	Loop Road North to Smeatons Hill Safety Improvements (Northland)	Construction under way	NOT ACHIEVED
	During the year this project was incorporated into plans for a four-lane highway south of Whangarei. However, this four-lane project is now on hold pending a review of its strategic outcomes. Therefore, the Loop Road project has reverted to its original scope. Construction is expected to be under way in quarter 4 2018/19. Final reviews of pricing and optioneering are being completed to ensure the final scheme is properly informed by the business case. Access to all of the required property is a potential risk to schedule moving forward.		
	Mt Messenger and Awakino Gorge Corridor (Taranaki)	Consents lodged	ACHIEVED
	Mt Messenger Bypass	Consents lodged	ACHIEVED

FOCUS AREA	PROJECT	2017/18 MILESTONE	YEAR-END RESULT
Connect and develop regions	Awakino Tunnel Bypass (Taranaki)	Consents lodged	ACHIEVED
	Napier Port access package (Hawke's Bay)	Watchman – construction started	ACHIEVED
		Prebensen – construction started	NOT ACHIEVED
		Expressway – construction started	NOT ACHIEVED
	Prebensen – construction started: The design has now been completed, including design adjustments for safety improvements. The project is programmed to be completed within the summer construction season with a start in October/November 2018. **Expressway – construction started:** The design focus changed to median barriers, which has pushed the programme back. Construction is now expected to start in November 2018.		
	Nelson Southern Link	Project is under investigation and next steps are to be reviewed	DEFERRED TO ACCOMMODATE GPS
	The detailed business case is in the Transport Agency Investment Proposal awaiting confirmation to progress.		

URBAN CYCLEWAYS PROGRAMME

The Urban Cycleways Programme is a package of urban cycleway projects that the government is seeking to accelerate by providing Crown funding in addition to the contributions from the National Land Transport Fund and local authorities.

The following milestones are for the 10 projects in the Urban Cycleways Programme requiring the largest investment.

FOCUS AREA	PROJECT	2017/18 MILESTONE	YEAR-END RESULT
Target rapid growth	Auckland: City Centre Network	Ian McKinnon – construction complete	SUBSTANTIALLY ACHIEVED
		K Road – construction under way	NOT ACHIEVED, BUT SOME PROGRESS MADE
		Parnell Road – construction under way	NOT ACHIEVED, BUT SOME PROGRESS MADE
		Tamaki Drive – construction under way	ACHIEVED
		Victoria Street – construction under way	NOT ACHIEVED, BUT SOME PROGRESS MADE
		Westhaven – construction complete	NOT ACHIEVED, BUT SOME PROGRESS MADE

FOCUS AREA	PROJECT	2017/18 MILESTONE	YEAR-END RESULT
Target rapid growth	**Ian McKinnon** – construction is substantially complete. There have been some delays due to reconsidering the infrastructure design and separating the cycle lane and footpath, as well as wet weather that delayed earthworks. Auckland Transport is revising the project delivery plan. **K Road** – detailed design completed but the project is still experiencing delays and cost increases as a result of additional construction and design costs and increased stakeholder engagement. Construction start is forecast for the end of 2018. **Parnell Road** – construction has not yet commenced. Community consultation is ongoing. The project is experiencing a four-month delay for construction to commence, due to additional time for the preferred option development process and urban design timeframes and further stakeholder engagement. The estimated start is now January 2019. **Victoria Street** – detailed design and review is ongoing but due to quality assurance reviews and council engagement construction is not yet under way and the project timeline has been pushed out. Construction is expected to commence in August 2019. **Westhaven** – section 1 of this project has been completed. Stakeholder and community feedback resulted in the decision to progress section 2 as part of an integrated streetscape –cycleway project forming part of the impending America's Cup improvements. This has resulted in time delays. A preferred option has been confirmed but further investigation is to occur. Construction completion is estimated for 2019/20.		
	Auckland: Eastern Connections to City Centre	Construction of sections 2–3 under way	NOT ACHIEVED, BUT SOME PROGRESS MADE
	Construction is not yet under way on section 2 but has commenced on section 3. Section 2 construction has an estimated 18–19 month duration with geotech investigations and KiwiRail approvals still in progress. Construction on section 2 is expected to commence in March 2019.		
	Auckland: Western Connections to City Centre	Construction substantially complete	NOT ACHIEVED, BUT SOME PROGRESS MADE
	Community objections to some sections of this package and concerns with earlier designs not meeting safety requirements resulted in Auckland Transport re-scoping and redesigning a number of sections and re-engaging with the community. Public consultation and design is ongoing and project timelines have been extended. Construction is expected to be completed in 2020.		
	Auckland: links to public transport	Construction under way	ACHIEVED
	Melling to Petone	Construction substantially complete	NOT ACHIEVED, BUT SOME PROGRESS MADE

FOCUS AREA	PROJECT	2017/18 MILESTONE	YEAR-END RESULT
Target rapid growth	This section is being delivered by the Transport Agency. This is an off-road cycle path adjacent to State Highway 2 between Petone and Melling, with shared path connections linking the Petone railway station to the Hutt River Trail. Detailed design for the Petone to Melling section of the project is complete and consents have been approved. Construction of this section has been placed on hold while we undertake a cost review, following the initial outcomes of the construction tendering process. However, the current estimated cost for this section is between $21m and $26m. We expect to complete the review, which would include recommended next steps, within the next 3/4 months. This would align with the timing of final decisions on the preferred option for Ngauranga to Petone (N2P).		
	Rapanui–Shagrock Cycleway (Christchurch)	Construction substantially complete	ACHIEVED
	Heathcote Expressway (Christchurch)	Construction complete	SUBSTANTIALLY ACHIEVED
	Construction is substantially complete, but is continuing along MacKenzie Ave and Sheldon Street. Completion of section 1B – Charles to Tannery is delayed due inclement weather and design changes. Expected completion is now December 2018.		
	Papanui Parallel (Christchurch)	Construction complete	ACHIEVED
	Wellington eastern route package	Cobham Drive – construction substantially complete	NOT ACHIEVED, BUT SOME PROGRESS MADE
		Evans Bay to Oriental Bay – construction under way	NOT ACHIEVED, BUT SOME PROGRESS MADE
	Cobham Drive – construction has commenced and is expected to be complete by June 2019. Additional design work and procurement of contractors caused the initial delay. Evans Bay to Oriental Bay– construction is in design phase. More time was required to consider scope changes, which now include seawall construction and additional consenting approvals. Construction is expected to start by January 2019.		
Connect and develop regions	Dunedin SH1 One-Way Pair cycleway	Construction substantially complete	SUBSTANTIALLY ACHIEVED
	Presently 2.5km (40%) is substantially complete, with overall implementation 50 percent complete. Modifications and additional works are being developed to improve user friendliness, in particular around pedestrian safety, and accommodating the construction or the new hospital (which involves two significant blocks between the cycle lanes). Project completion is now expected by December 2018.		

APPENDIX 2 – TECHNICAL NOTES FOR NON-FINANCIAL MEASURES

FOCUS AREA KEY PERFORMANCE INDICATORS

Shape the land transport system

1. The *index of collaborative relationship process maturity* measures our maturity when it comes to the collaborative processes that support the development of the long-term view of the land transport system. This indicator allows us to understand how collaborative we are compared with best practice and where we can improve to collaborate with our partners more effectively. It is measured using the results of a survey designed to align with the international standard for collaborative business relationships (ISO, 2017 *ISO 44001:2017 Collaborative business relationships management system*, Geneva, International Organization for Standardization). The survey questions our employees about perceptions of the maturity of our collaborative processes.

Target rapid growth

2. The *index of network productivity* measures capacity utilisation of the road network in some of New Zealand's fastest-growing urban centres: Auckland, Wellington and Christchurch. Capacity utilisation is a measure of the extent to which the productive capacity of a road is being used. This indicator allows us to understand how the network is responding to demand and informs us where resources are best focused. It is measured using a methodology that compares the actual speed and flow of traffic with the optimal speed and flow of traffic on selected routes. These measures are aggregated on a volume-weighted basis to provide a network-level view of productivity.
3. The *proportion of the population within 500m walking distance of a frequent bus-stop or ferry terminal or within 1km of a frequent rapid transit stop* is a new network accessibility measure that currently focuses on Auckland, Wellington and Christchurch. It involves Geographic Information Systems analysis using isochrones. Frequency is defined as scheduled to be at least every 15 minutes (up to and including 15 minutes and 29 seconds) during the weekday peak (between 7:00am and 9:00am).
4. The *index of travel-time predictability* measures how reliable travel times are for customers who use the transport system in Auckland, Wellington and Christchurch but does not include public transport. This indicator allows us to monitor how our activities and projects are improving travel-time predictability for our customers. Travel time predictability for roads is calculated using a 'buffer time' method. The buffer time method represents the extra time that travellers must add or subtract to their average travel time when planning trips. Results are generated for Auckland, Wellington and Christchurch with an aggregated, volume-weighted result being provided across all three cities.

Connect and develop regions

5. The *index of network productivity* measures capacity utilisation of the road network on key interregional routes. Capacity utilisation is a measure of the extent to which the productive capacity of a road is being used. This indicator allows us to understand how the road network is responding to demand and informs us where resources are best focused. It is measured using a methodology that compares the actual speed and flow of traffic with the optimal speed and flow of traffic on selected routes. These measures are aggregated on a volume-weighted basis to provide a network-level view of productivity.
6. The *index of the number of people found driving without a valid driver licence* is a network accessibility measure. This indicator measures the number of people recorded not having a valid driver licence when stopped by police. It allows us to assess how accessible the transport system is for our customers because not having a valid driver licence is a barrier to accessing the economic and social opportunities that exist in rural areas.

7. The *index of travel-time predictability* measures how reliable travel times are for customers travelling by road on key interregional routes. This indicator allows us to monitor how our activities and projects are improving travel-time predictability for our customers. Travel-time predictability for road is calculated using a 'buffer time' method. The buffer time method represents the extra time that travellers must add or subtract to their average travel time when planning trips. Results are generated for key interregional routes with an aggregated, volume-weighted result being provided.
8. The *index of duration of observed closures on regional state highways (time taken to address road closures)* measures disruptions that affect traffic. These disruptions vary from adverse natural events to vehicle-related incidents. This indicator allows us to measure the impact of our activities on the resilience of the regional state highway network. It is measured by the total number of hours and minutes of rural road closures that result from unplanned disruptions that are not resolved within the 12-hour standard timeframe.

Keep people safe

9. The *index of deaths and serious injuries* measures the number of people killed or seriously injured on New Zealand's road and rail systems. This indicator provides us with information about whether our activities are reducing the physical harms to those interacting with and using the transport system. The number of people killed or seriously injured on the road includes people driving, cycling and walking. The number of people killed or seriously injured on our rail system includes those who travel by rail and those who interact with the rail system, such as people who work on it and people who attempt to cross it, either on foot or in a vehicle, at designated rail crossings.
10. The *index of energy efficiency of transport* measures fossil fuel consumption by motor vehicles using the road. An increase in energy efficiency has a positive effect on transport-related emissions, including carbon dioxide, which harms people and the surrounding environment. This indicator allows us to monitor the effect of our regulatory activities targeted at improving energy efficiency and reducing transport-related emissions. It is measured by the total amount of vehicle kilometres travelled by all vehicles (including electric vehicles) divided by the total amount of petrol and diesel consumed in New Zealand.

Improve customer experiences

11. The *index of customer service quality* measures how satisfied customers are when accessing and using the transport system. This indicator allows us to better understand the experience customers have when interacting with us. It is measured by surveying customers to determine their level of satisfaction when transacting with us and when using the state highway network.

Deliver connected journeys

12. The *index of digital solutions service quality (satisfaction with digital solutions)* is a new measure of customer satisfaction using digital information available for travel advice and journey planning. It measures the proportion of customers who positively rated the information they used. Digital solutions include those provided directly by the Transport Agency and by other providers using Transport Agency data.

Achieve organisational excellence

13. The *index of Performance Improvement Framework assessment ratings (efficiency)* measures our organisational efficiency. This indicator allows us to understand how well we use our resources (people, relationships, information technology, and business practices and tools) against the government Performance Improvement Framework. It is measured by assessing and scoring various elements of organisational efficiency identified in the Performance Improvement Framework. These scores are then aggregated into a single score. Scoring is based on a formal assessment from the State Services Commission.
14. The *index of value-for-money maturity* measures our maturity in achieving value for money within and across our core activities. This indicator allows us to understand where we need to improve as an organisation to get the best value for every dollar spent. More mature organisational value-for-money practices are essential to meet the challenges in our operating environment. It is measured by assessing and scoring four elements of value for money – economy, efficiency, effectiveness and equity – and then aggregating them into a single score.

Transform the Transport Agency

15. The *index of Performance Improvement Framework assessment ratings (effectiveness)* measures our organisational effectiveness. This indicator allows us to understand how effective we are at delivering our core activities against the government Performance Improvement Framework. It is measured by assessing and scoring various elements of organisational effectiveness identified in the Performance Improvement Framework. These scores are then aggregated into a single score. Scoring is based on a formal assessment from the State Services Commission.
16. The *index of organisational culture* measures staff perceptions of our organisational culture. This indicator allows us to understand where we need to invest and to plan our resources to build our desired way of working (our DNA). It is measured using the results of a staff survey of organisational culture. The survey asks teams to rate our performance against a set of factors deemed crucial to organisational success, including internal culture and leadership.

OUTPUT CLASS PERFORMANCE MEASURES

Output classes that support our Shape the land transport system focus area

Investment management

Scope: 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.

17. 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.
18. The *% of activities that are delivered to agreed standards and timeframes (investment management)* 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.

19. The *% of operational assurance activities completed* is an aggregate of two specific dimensions: investment audit programme and benefits realisation programme completed on time. Operational assurance activities assess the performance of approved organisations in relation to activities approved by the Transport Agency and the operation of the land transport disbursement accounts of approved organisations under section 95(1)(e) of the Land Transport Management Act 2003. The aggregated result is the average of the two components of the measure. Reporting against this measure is based on the latest assurance programme approved by the Audit, Risk and Assurance Committee.
20. The *% of activities that are delivered to agreed standards and timeframes (transport planning)* measures the proportion of transport planning activities by the Transport Agency and by approved organisations that are delivering to forecast programme and cost targets. Activities primarily include programme business case development, activity management planning improvement and transport model development. Performance against forecast cost and projected milestones are averaged to form a snapshot view of performance for the year.
21. 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 percent and contribute equally to the overall result. It is a measure of the effectiveness of the Transport Agency as a programme manager.
22. 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.
23. 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.

Road user charges collection, investigation and enforcement

Scope: Collection and refund of road user charges (RUC) and the investigation and enforcement of evasion of RUC.

24. The *% of transactions completed online* is the proportion of light and heavy vehicle road user charges (RUC) licences purchased online over the total number of RUC licences purchased. Online refers to transactions via industry agents, Direct Connect, Transport Agency Transact website, e-RUC and automatic tellers.
25. 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.

Refund of fuel excise duty

Scope: Receipt and processing of applications for and the refunding of fuel excise duty.

26. The *average number of days taken to deliver* is determined by how long it takes, on average, to process and approve fuel excise duty (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. It does not include days when the application is put on hold waiting for customer response.
27. The *number of products/services delivered or processed* is the number of FED refund applications processed or delivered for the reporting period. This does not include account management and maintenance activities. The volume of applications is based on the processing date.

Output classes that support our Target rapid growth focus area

State highway improvements

Scope: Capital works for new infrastructure for state highways as authorised by section 9(3) and (4) of the Land Transport Management Act 2003.

28. 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 over 90 percent. Aggregation to the overall result is based on weighted programme expenditure across the components in the given year.
29. The *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 (that is, 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 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 Cabinet Office Circular CO 15(5).

State highway maintenance

Scope: Activities that manage, maintain and operate state highway infrastructure as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.

30. The *% of activities that are delivered to agreed standards and timeframes* presents the physical achievement of maintenance and renewal activities 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.
31. *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.
32. *Network resilience: % of rutting >20mm over state highway network* is the proportion of rutting (long shallow channels generally found in wheel paths) 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 Cabinet Office Circular CO 15(5).
33. *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 Cabinet Office Circular CO 15(5).

34. *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 Cabinet Office Circular CO 15(5).
35. 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 under 2 hours; rural under 12 hours) and protocol over the total number of road closure incidences. This indicator is a functionality asset performance measure under Cabinet Office Circular CO 15(5).
36. The *% customer satisfaction* reflects the proportion of the public satisfied with the availability of network information and the overall rating of the state highways in New Zealand. It is sourced from several customer surveys. These are a computer-aided telephone interviewing design survey 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).

Walking and cycling

Scope: 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.

37. The *network kilometres of cycle lanes* measures the total length of new cycle lanes added to the network as well as existing cycle lanes where cycling infrastructure improvements were made. It does not include new cycle lanes and improvements that are part of a roading project outside the walking and cycling activity class. Information is provided by local authorities.
38. The *% 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.

Public transport

Scope: 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. Non-commercial public transport services, as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.

39. The *fare revenue as a % of expenditure* is based on local and national direct operating expenditure and not total expenditure. It excludes rail operationalised capital costs.
40. The *productivity (costs per passenger kilometre) where available by bus, train and ferry* indicator examines the costs of public transport provision (bus, train and ferry) by passenger use. The indicator's overall desired trend over the period of the National Land Transport Programme is for reduced costs per passenger kilometre across the public transport modes of bus, train and ferry.

Administration of SuperGold cardholders' scheme and enhanced public transport concessions for SuperGold cardholders

Scope: Administration of the scheme to provide enhanced public transport concessions for SuperGold cardholders.

41. The *% of activities that are delivered to agreed standards and timeframes* 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 Information Online or Land Transport Programme website by the regional council. Claims are received, validated and paid electronically.

Output classes that support our Connect and develop regions focus area

Local road improvements

Scope: 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

Scope: 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.

Regional improvements

Scope: Planning and investing in regionally important state highway and local road projects outside the main metropolitan areas.

Road tolling

Scope: Collection of road tolling charges and enforcement activities to recover road tolling payment evasion.

42. *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 Takitimu Drive).

Output classes that support our Keep people safe focus area

Road safety promotion

Scope: Promote safe and economic use of land transport networks and services under section 9 of the Land Transport Management Act 2003.

43. 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 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.
44. 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.

Licencing and regulatory compliance

Scope: Purchase of land transport regulatory implementation services, specialist land transport enforcement services and licensing services, including driver licensing.

45. *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).
46. The *% of transactions completed online* is the proportion of practical test bookings and rescheduled test bookings completed through the Transport Agency Transact website divided by the total number of test bookings completed for motor vehicle and motorcycle licences.

47. 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.
48. The *% of operational assurance activities completed* is an aggregate of three specific dimensions: operational assurance activities (for example, audits) of driver testing officers and course providers, transport operators, and certifying agents completed against planned. Aggregation is based on the weighted volume of activity in the given year.
49. The *% of activities that are delivered to agreed standards and timeframes* is an aggregate of five specific dimensions: audit activities of driver testing officers and course providers, transport operators, certifying agents, rail licence holders, and completion rates against official correspondence standards. All components of the measure have targets of at least 90 percent. Aggregation to the overall result is based on weighted volume of activity across the components in the given year.
50. 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.

Motor vehicle registry

Scope: 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.

51. 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 Transport Agency Transact website, Direct Connect and via an industry agent divided by the total number of motor vehicle registrations.
52. 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 (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.
53. The *% customer satisfaction* reflects the proportion of motor vehicle register customers who state that it requires little effort to relicense their motor vehicle. It is sourced from an independently conducted (Research New Zealand) survey.

APPENDIX 3 – APPROPRIATION MEASURES

The Transport Agency is required to provide year-end performance information on appropriations that it is funded for. Measures marked with an asterisk (*) are also measures under our output classes (reported on pages 11–65).
Note: PLA = permanent legislative authority.

APPROPRIATION AND ASSESSMENT OF PERFORMANCE	FINAL BUDGETED STANDARD	2017/18 ACTUAL
Fuel excise duty refund administration	Within 20 working days	23.4 days
* Average number of days taken to receive all fuel excise duty claims, audit, process and pay fuel excise duty refunds		
The average days to deliver fuel excise duty refunds was above target due to a 14 percent increase in the number of applications.		
Crash analysis	10 days	10 days
Average number of days taken to enter fatal crash reports (from date of receipt) into the Crash Analysis System		
Licensing activities	1,800–2,000	1,087
Number of drug or alcohol assessments funded[1]		
There was no operational change this year. The result represents fewer funding requests received by the Transport Agency. Alcohol interlocks may in future affect this measure as this is an alternative to a drug and alcohol assessment.		
Ministerial servicing by the Transport Agency[2]	100%	88%
% of requests completed within specified timeframes – ministerial correspondence		
The ministerial correspondence standard was not met due to a significant increase in volumes received primarily in the third and fourth quarters. This is an area of focus for the next reporting period.		
% of requests completed within specified timeframes – parliamentary questions	100%	99%
% of requests completed within specified timeframes – Official Information Act requests	100%	99%
National Land Transport Programme (PLA) – investment management	Less than 1%	0.91%
* Total cost of managing the funding allocation system as a % of National Land Transport Programme expenditure		

[1] This is a component of the licensing and regulatory compliance output class measure *number of products/services delivered/processed*.
[2] The measures under this appropriation are components of the licensing and regulatory compliance output class measure *% activities that are delivered to agreed standards and timeframes*.

	APPROPRIATION AND ASSESSMENT OF PERFORMANCE	FINAL BUDGETED STANDARD	2017/18 ACTUAL
	National Land Transport Programme (PLA) – road safety promotion	75% or greater	87%
*	% of national road safety advertising campaigns that meet or exceed their agreed success criteria		
	National Land Transport Programme (PLA) – local road network improvements	87% or greater	95%
*	% of approved organisations signed up to the 50MAX network		
	National Land Transport Programme (PLA) – state highways road network – improvements	Auckland: 62% Wellington: 63% Christchurch: 35%	Auckland: 59% Wellington: 60% Christchurch: 34%
*	Productivity of the state highway network in major metropolitan areas (Auckland, Wellington and Christchurch – morning peak)		
	Productivity measures how much of the capacity of the urban road network is being used by comparing the actual speed and flow of traffic with the optimal speed and flow of traffic. Overall, targets in Auckland, Wellington and Christchurch were not met. Productivity in Auckland remained at 59 percent. In Wellington, productivity decreased due to increased traffic leading to the Basin Reserve and Mt Victoria Tunnel and through Ngāūranga Gorge due to roadworks. Productivity also decreased between Paekakariki and Pukerua Bay and on State Highway 2 in Upper Hutt around Moonshine Road. In Christchurch, while productivity was slightly below target, travel speed in several locations increased, particularly along State Highways 1 and 74 in the vicinity of the new Belfast Bypass and north of the Lyttelton Tunnel.		
*	% of state highways available to HPMVs	45% or greater	62%
	National Land Transport Programme (PLA) – local road network – maintenance	97% or greater	98%
*	Surface condition of the sealed network (100-CI) (average of index for the whole of the network)		
*	Pavement integrity of the sealed network (100-PII) (average of index for the whole of the network)	94% or greater	94%
*	Smooth ride: % of travel on smooth roads	86% or greater	87%
*	Local road maintenance cost per lane km expenditure by road classification[3]	$3,000 or less (in real terms)	$3,095 (in real terms)

[3] 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 for 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.

	APPROPRIATION AND ASSESSMENT OF PERFORMANCE	FINAL BUDGETED STANDARD	2017/18 ACTUAL
	This measure is calculated by dividing the amount spent on the maintenance of local roads by the total number of kilometres in the network. Many local authorities completed more maintenance work this year, because they delivered less than planned last year and because of wet weather, which increased the total cost and the cost per lane kilometre.		
	National Land Transport Programme (PLA) state highways road network – maintenance	Greater than 90%	90%
*	% of activities that are delivered to agreed standards and timeframes		
*	Smooth ride: % of travel on smooth roads	98% or greater	99%
*	State highway maintenance cost per lane km expenditure by road classification[4]	$19,000–$21,400 (in real terms)	$21,452 (in real terms)
	This measure is calculated by dividing the amount spent on the maintenance of state highways by the total number of kilometres in the network. Because we worked on more kilometres of maintenance this year, the total cost and the cost per lane kilometre are higher. Increased renewals accounts for $2,800 of the increased cost per kilometre. A further $1,800 per kilometre arose from work on the alternative and inland route required as a result of the Kaikōura earthquake. The first full year of maintenance costs for the Waterview Tunnel accounts for $400 per kilometre. Costs per lane kilometre are above target largely due to higher than expected maintenance and operations required in response to the Kaikōura earthquake.		
	National Land Transport Programme (PLA) – public transport services	148 million or greater	158 million
*	Number of passengers using urban public transport services (bus, train and ferry)		
*	Fare revenue as a % of total expenditure	Greater than 48%	45.2%
	Fare revenue as a % of total expenditure (the farebox recovery ratio) was lower than expected because total fare revenue remained largely unchanged from last year while total operating costs increased. Fare revenue increased by 3 percent across the Greater Wellington public transport network and 6 percent across small and medium sized public transport networks, but this was offset by a 1 percent decrease in Auckland and an 11 percent decrease in Christchurch.		
	National Land Transport Programme (PLA) – walking and cycling – active modes of transport	New measure	79.3km[5]
*	Network kilometres of cycle lanes		
	National Land Transport Programme (PLA) – new infrastructure for and renewal of state highways	90%	86%
*	% of activities that are delivered to agreed standards and timeframes		

[4] This measure aspires to capture cost per lane kilometre expenditure by road classification. However, 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 for 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.

[5] This includes 61.8km from the Urban Cycleways Programme.

APPROPRIATION AND ASSESSMENT OF PERFORMANCE	FINAL BUDGETED STANDARD	2017/18 ACTUAL
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 (for example, the Hamilton section of the Waikato Expressway, where poor weather and saturated ground conditions in two consecutive construction seasons has resulted in significant delays and the loss of an earthworks season). There were also some delays to the start of new projects, mainly due to the change in government and the need to align the Transport Agency Investment Proposal with the new Government Policy Statement, which required a re-evaluation of some projects' scope against the statement's objectives (for example, Warkworth to Wellsford, East West Link and Ōtaki to Levin). The re-evaluation will be undertaken and completed by December 2018. Progressing through the early phases (planning, designing and consenting) of projects continued to present challenges and remains an important focus.		
Road user charges investigation and enforcement Number of products/services delivered or processed (investigations and audits).[6] This includes both light and heavy vehicle road user charges investigation and enforcement activities (Road User Charges Act 2012)	23,000–26,000	26,505
Road user charges refunds Number of products/services delivered or processed (refunds applications processed)[5]	680,000–720,000	938,590
SuperGold card – administration of the public transport concessions scheme * Average number of working days taken to process and pay claims received from local authorities	20 days	16.4 days
SuperGold card – public transport concessions for cardholders Regional councils will implement enhanced public transport concessions for SuperGold Cardholders	100%	100%
Urban cycleways – local routes % of activities that are delivered to agreed standards and timeframe – % of expenditure to agreed purpose	100%	100%

[6] This is a component of the road user charges collection, investigation and enforcement output class measure *number of products/services delivered/processed*.

APPROPRIATION AND ASSESSMENT OF PERFORMANCE	FINAL BUDGETED STANDARD	2017/18 ACTUAL
Auckland Transport Package loan	100%	100%
The loan will be drawn down for the purposes and on the terms agreed between the Transport Agency and the Minister of Transport		
National Land Transport Programme (PLA) – new infrastructure for and renewal of state highways	90%	81%
% of state highway programme completed (construction phase)[7]		
There were delays to the construction phase of some projects mainly because of poor spring and summer weather conditions. This was particularly an issue for major earthworks throughout the country (for example, the Hamilton section of the Waikato Expressway, where poor weather and saturated ground conditions in two consecutive construction seasons has resulted in significant delays and the loss of an earthworks season).		
National Land Transport Fund borrowing facility for short-term advances	100%	100%
The loan will be drawn down for the purposes and on the terms agreed between the Transport Agency and the Minister of Transport		
Regional state highways	90%	87%
* % of activities delivered to standards and timeframes		
All three of the large (over $5 million) projects planned for completion in 2017/18 were completed (State Highway 14 Hospital Road intersection improvement (Northland), State Highway 3: Ohaupo to Te Awamutu (Waikato), and high productivity motor vehicles tranche 2: State Highway 24 Matamata to State Highway 29 Intersection (Waikato)).		
However, of the 11 small (under $5 million) projects planned for completion in 2017/18, only three were completed (State Highway 11: Airfield to Lily Pond (Northland), high productivity motor vehicles tranche 2: State Highway 24 Matamata to State Highway 29 intersection (Waikato), and State Highway 1 State Highway 62 Spring Creek Intersection roundabout (Marlborough)).		
Several projects will be completed during the first few months of 2018/19, including high productivity motor vehicles tranche 2: State Highway 26/State Highway 2 Hamilton to Paeroa (Waikato) and State Highway 6 High St/Marlborough St intersection (West Coast).		
Some projects were delayed following input from stakeholders and Safe System experts, which identified that scope changes (for example, State Highway 1B: Taupiri to Gordonton) or more investigation of the public transport components (for example, Grant Rd to Kawarau Falls Bridge Improvements) was needed.		
Reinstatement of the South Island transport corridors	New measure	Achieved
State Highway 1 between Picton and Christchurch open with restrictions by 31 December 2017		
State Highway 1 between Picton and Christchurch reopened and fully functional with no traffic management by 30 June 2018	New measure	Not achieved
Following the reopening of State Highway 1 in December 2017, traffic management has been in place to ensure the controlled delivery of ongoing improvement and resilience work.		
Urban cycleways – Crown assets	New measure	100%
% of activities that are delivered to agreed standards and timeframe – % of expenditure to agreed purpose		

[7] This is a component of the state highway improvements output class measure *% of activities that are delivered to agreed standards and timeframes*.

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 2018

SECTION A

SECTION B

SECTION C

SECTION A

OVERVIEW OF 2017/18

INVESTING IN TRANSPORT SOLUTIONS FOR NEW ZEALAND'S FUTURE

This was the final year of delivery for the three-year 2015–18 National Land Transport Programme. Total direct investment in New Zealand's transport system over the three years ending 1 July 2018 was $13.7 billion, representing 99 percent of the published forecast. Investment included a direct Crown contribution of $108 million to accelerate the delivery of regionally important state highways and improve cycling networks in urban areas, as well as borrowing $357 million from the Crown to advance critical state highway projects in Auckland.

In 2017/18, the total investment from the National Land Transport Fund was $10.4 billion, which represents 99 percent of the planned amount published in the 2015–18 National Land Transport Programme. Of the National Land Transport Fund investment this year, 48 percent was invested in economic growth and productivity outcomes, 23 percent in safety outcomes and 29 percent in travel choice, health, environment and resilience outcomes.

Over the three years of the programme, National Land Transport Fund investment increased by $91 million to enable the Transport Agency to respond to natural events that disrupted New Zealand's transport system, disconnected regions and interfered with people's livelihoods. This investment continued during 2017/18, as illustrated by our ongoing Kaikōura earthquake response work. The rail line between Christchurch and Picton was reinstated in September 2017 for freight, State Highway 1 was re-opened to traffic both north and south of Kaikōura in December 2017, and protective seawalls along the Kaikōura coast were completed in May 2018. Emergency works not related to the earthquake also had a significant impact on spend. Significant weather events, including cyclones, storms and floods across Northland, Coromandel and Tasman, resulted in expenditure of $30 million over the $50 million budget.

State highway programmes continued to make significant progress with investment in infrastructure to improve travel and safety on the network. Delivery included opening the Rangiriri section of the Waikato Expressway, continuing Auckland's northern and southern corridor improvements, continuing construction on the Transmission Gully section and starting construction on the Peka Peka to Ōtaki section of the Wellington northern corridor, and opening the Western Belfast Bypass and Harewood Road to Yaldhurst Road to traffic (completing the Western Corridor project) and continuing construction on the Southern Motorway Stage 2 and Christchurch's northern corridor.

Under a new programme of regional improvements, investment outside the major metropolitan areas took a low-cost, low-risk approach to increasing the safety, resilience and efficiency of the regional state highway network. More of the state highway network was opened up to high productivity motor vehicles, allowing more freight to be carried on fewer trucks. This included improving routes to ports in Napier and Gisborne, the Waikato, the East Coast of the North Island, and the West Coast of the South Island.

Investment in walking and cycling infrastructure for transport purposes continued, supporting the development of cycle paths, cycle lanes, new footpaths, services for crossing roads and cycle parking facilities. This year work focused on implementing primary corridors in strategic walking and cycling networks in major metropolitan and high-growth areas, providing a safer environment for people walking and cycling and making travel by bike faster, more convenient and more pleasant.

Targeted investment to improve safety outcomes remains a strong focus for the Transport Agency. In 2017/18, sadly, we saw the negative trend of transport-related deaths and serious injuries increase by 8 percent. A $550 million increase in funding was applied to achieve road safety outcomes over the three years of the National Land Transport Programme. The Safer Journeys strategy directed investment in roads and roadsides, speeds, vehicles and road use to the areas where we can have the greatest impact. Likewise, through the Boost Safety Programme, the Transport Agency delivered safety improvements on roads across the country that carry lower volumes of traffic but collectively account for a significant number of deaths and serious injuries each year.

48%
invested in economic growth and productivity outcomes*

$10.4b
National Land Transport Investment

* National Land Transport Programme investment to outcomes.

Significant investments from the National Land Transport Fund supported the provision of better and more efficient public transport options for commuters in urban areas. In 2017/18, this included investing in public transport services, technology, facilities and infrastructure. The number of passengers using public transport increased this year by about 3 percent to 158 million.

The Transport Agency also introduced an accessibility measure for Auckland, Wellington and Christchurch, where accessibility is expected to increase as new public transport networks are delivered.

A new government was elected in 2017 and a new Government Policy Statement on Land Transport was released in June 2018, setting out four government priorities for the land transport system: safety, access, environment and value for money. The policy statement also signals a rebalancing of national funding allocations, representing a shift away from building new state highway capacity and toward greater investment in public transport, regional improvements, local road improvements, road safety and traffic management, and supporting active modes of transport.

The 2018–21 National Land Transport Programme, published on 31 August 2018, will give effect to the latest policy statement. The Transport Agency's investment will be guided by its Investment Proposal, which provides a whole-of-system view across all modes of transport. This proposal allows the Transport Agency to respond to the policy statement, which has established new activity classes relating to rapid transit and transitional rail, both of which will be completely funded from the National Land Transport Fund.

The Transport Agency is well positioned to continue working with its co-investment partners to create a transport system that delivers the greatest benefits to people and communities. This means improving safety and developing better connections for public transport, private vehicles, walking and cycling, freight and tourism to create more liveable communities and thriving regions.

MICHAEL STIASSNY
Chair

FERGUS GAMMIE
Chief Executive

23%
invested in safety outcomes

29%
invested in travel choice, health, environment and resilience outcomes

ABOUT THIS REPORT

Under the Land Transport Management Act 2003, the Transport Agency is responsible for allocating and investing the National Land Transport Fund and preparing the National Land Transport Programme. The Transport Agency must 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 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. The activities in the National Land Transport Programme are planned, invested in and delivered in partnership between the Transport Agency, local and regional authorities, the New Zealand Police and other transport sector stakeholders. Where the Transport Agency is funded to deliver activities in the National Land Transport Programme, performance is also reported in the Transport Agency annual report.

This is the third and final annual report against the Government Policy Statement on Land Transport 2015/16 – 2024/25.

STATEMENT OF PERFORMANCE FOR ACTIVITY CLASSES FUNDED BY THE NATIONAL LAND TRANSPORT FUND

The following information forms the statement of performance for the activity classes funded by the National Land Transport Fund (required under section 11 of the Land Transport Management Act 2003).

In some cases the Transport Agency delivers these activities, in others it partly delivers them along 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 63 percent of forecast results where trend information was available (excluding the Road Policing Programme).

ABOUT THE LAND TRANSPORT INVESTMENT SYSTEM

GOVERNMENT POLICY STATEMENT ON LAND TRANSPORT

The Government Policy Statement on Land Transport sets out the priorities, objectives and funding levels for land transport, establishing funding ranges for different land transport activities and identifying the results the government expects from this investment over the next 10 years. It provides guidance on how the Transport Agency will invest over $4 billion each year from the National Land Transport Fund, signals how about $1.1 billion each year will be invested by local government, and sets out the details of further Crown investment of around $200 million per year.

The Government Policy Statement on Land Transport 2015/16 – 2024/25 had three strategic priorities for the land transport system:

- economic growth and productivity
- road safety
- value for money.

NATIONAL LAND TRANSPORT FUND

The National Land Transport Fund is a dedicated fund for maintaining and developing local and national transport services (see figure 1).

NATIONAL LAND TRANSPORT PROGRAMME

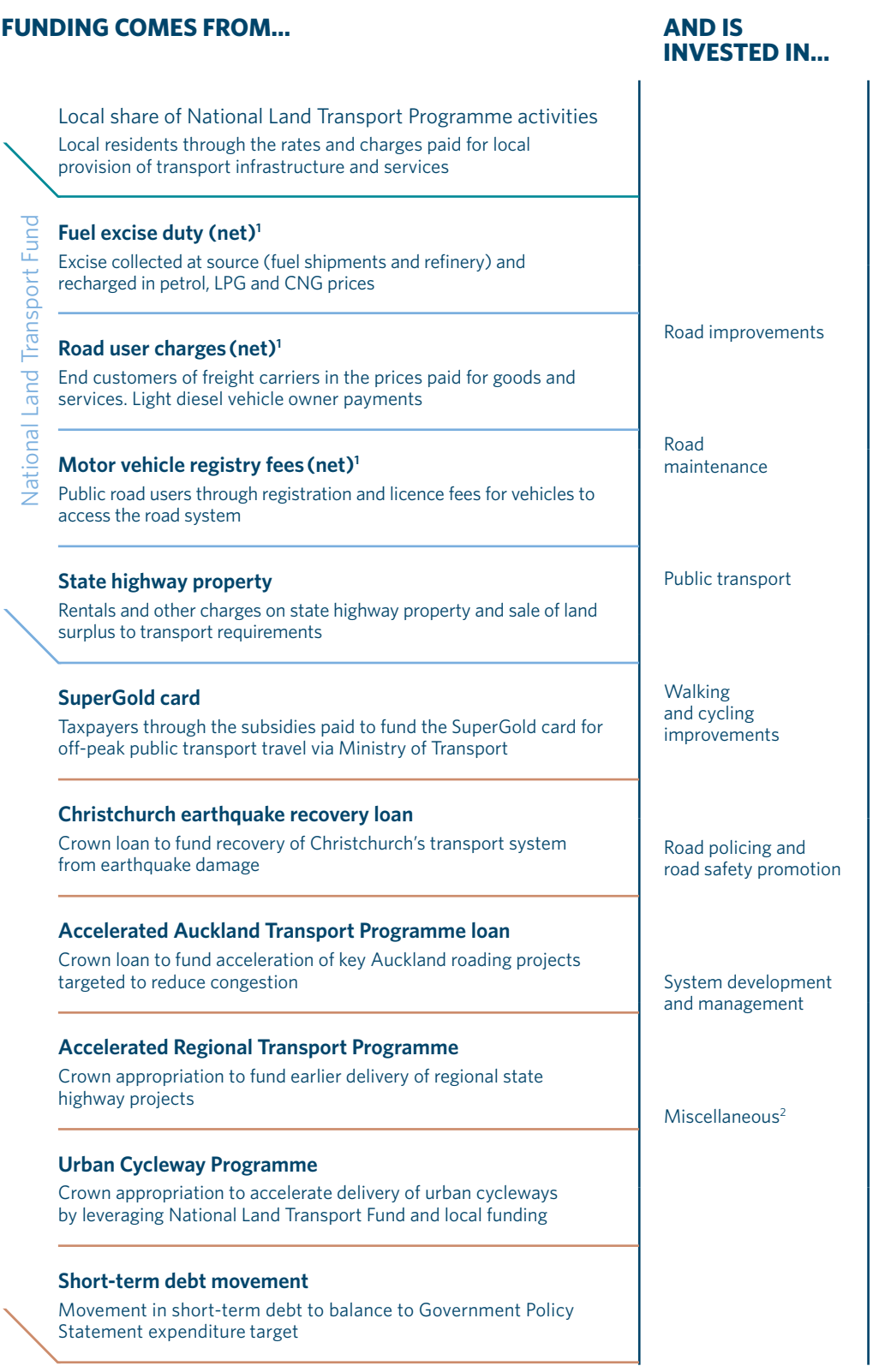
The National Land Transport Programme is a three-year programme of all land transport activities, including public transport, road maintenance and improvements, and walking and cycling activities, that the Transport Agency anticipates funding to give effect to the Government Policy Statement on Land Transport.

The National Land Transport Programme represents:

- committed funding for transport improvements from previous National Land Transport Programmes that are generally large scale and works 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 funding, which are developed collaboratively using the Government Policy Statement and Regional Land Transport Plans.

Investment comes from the National Land Transport Fund along with funds from local government and the Crown (see figure 1).

FIGURE 1 – REVENUE SOURCES AND ACTIVITY CLASSES FOR THE 2015–18 NATIONAL LAND TRANSPORT PROGRAMME



[1] Net of refunds and administrative costs.

[2] Covers costs for bad debts, search and rescue, recreational boating safety awareness and revenue system management.

TRANSPORT AGENCY'S INVESTMENT ROLE

Under the Land Transport Management Act 2003, the Transport Agency's primary objective is to undertake its functions in a way that contributes to an effective, efficient, and safe land transport system in the public interest. The Transport Agency's investment role is to allocate funding, across transport modes, in line with the Government Policy Statement on Land Transport to build an affordable, integrated, safe, responsive and sustainable land transport system. This funding allocation role involves balancing national, local and regional short-, medium- and long-term priorities. The Transport Agency works closely with stakeholders and investment partners (whether local communities or national policy makers: to determine the transport solutions that will work best for New Zealand.

When considering the best mix of activities to receive investment funding, the Transport Agency follows eight principles.

- A **partnership** approach, founded on trust, clarity and accountability, aligns regional and local investments with the Transport Agency's national priorities to optimise the shared investment and deliver whole-of-network benefits.
- A **business case** approach supports planning and investing for outcomes, achieves value for money and supports stakeholder collaboration early in the investment process.
- An **integrated** approach to land use and transport planning optimises existing and new investments in the transport network, support access to social and economic opportunities, and fosters liveable cities and thriving regions.
- A **whole-of-network** approach, targeting areas of greatest need, achieves an optimised, integrated transport network that is fit for purpose and provides best value for money.
- A **value-for-money** approach delivers the right outcomes, at the right time and at the right cost.
- The **Safe System** approach to planning, improving, maintaining, renewing and operating components of the land transport system that supports the achievement of a land transport system that is free of death and serious injury.
- A **socially and environmentally responsible** approach results in land transport investments that improve overall community wellbeing and avoid or mitigates the adverse environmental effects of transport.
- Users of the land transport system who provide revenue into the National Land Transport Fund will benefit from its investments; other beneficiaries, should **pay for the benefits** they receive (as a general principle).

When approved organisations (such as local and regional councils and parts of the Transport Agency) develop proposals for the National Land Transport Programme, they must follow a business case approach. At each investment decision point during the development of a proposal, the Investment Assessment Framework is used to check the proposal still meets the investment criteria including priority for further investment.

The Investment Assessment Framework used to develop the 2015–18 National Land Transport Programme contains three criteria to determine whether a proposal would be suitable for investment from the National Land Transport Fund (see figure 2).

- **Strategic fit** assesses whether the benefits identified from a proposal's business case align with the desired results of the policy statement. This assessment 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.
- **Cost-benefit** assesses projects that have reached the detailed business case stage. This is a quantitative assessment of the whole-of-life benefits and costs of the proposal based on the Transport Agency's *Economic evaluation manual*. This assessment ranks projects according to priority. Projects 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 maintain a consistent approach.

How the Transport Agency assesses contribution to Government Policy Statement outcomes

Transport investments have long lead times and leave lasting legacies. It can take many years to realise their benefits. To determine the progress of delivering on the government's goals for land transport, the Transport Agency first looks at the strategic priorities in the Government Policy Statement – economic growth and productivity, road safety and value for money – and at the short-, medium- and long-term results.

The Transport Agency also looks at performance across both planned benefits and actual benefits from 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.

The Transport Agency conducts post-implementation reviews every year on a small sample of completed projects or packages that it has invested in. The Transport Agency uses an appropriate monitoring and auditing framework across funded activities in the National Land Transport Programme. Post-implementation reviews are part of this framework.

Their scope is on reviewing improvement projects and packages from within the following National Land Transport Programme activity classes:

- new and improved state highway infrastructure
- new and improved local road infrastructure
- public transport infrastructure
- walking and cycling.

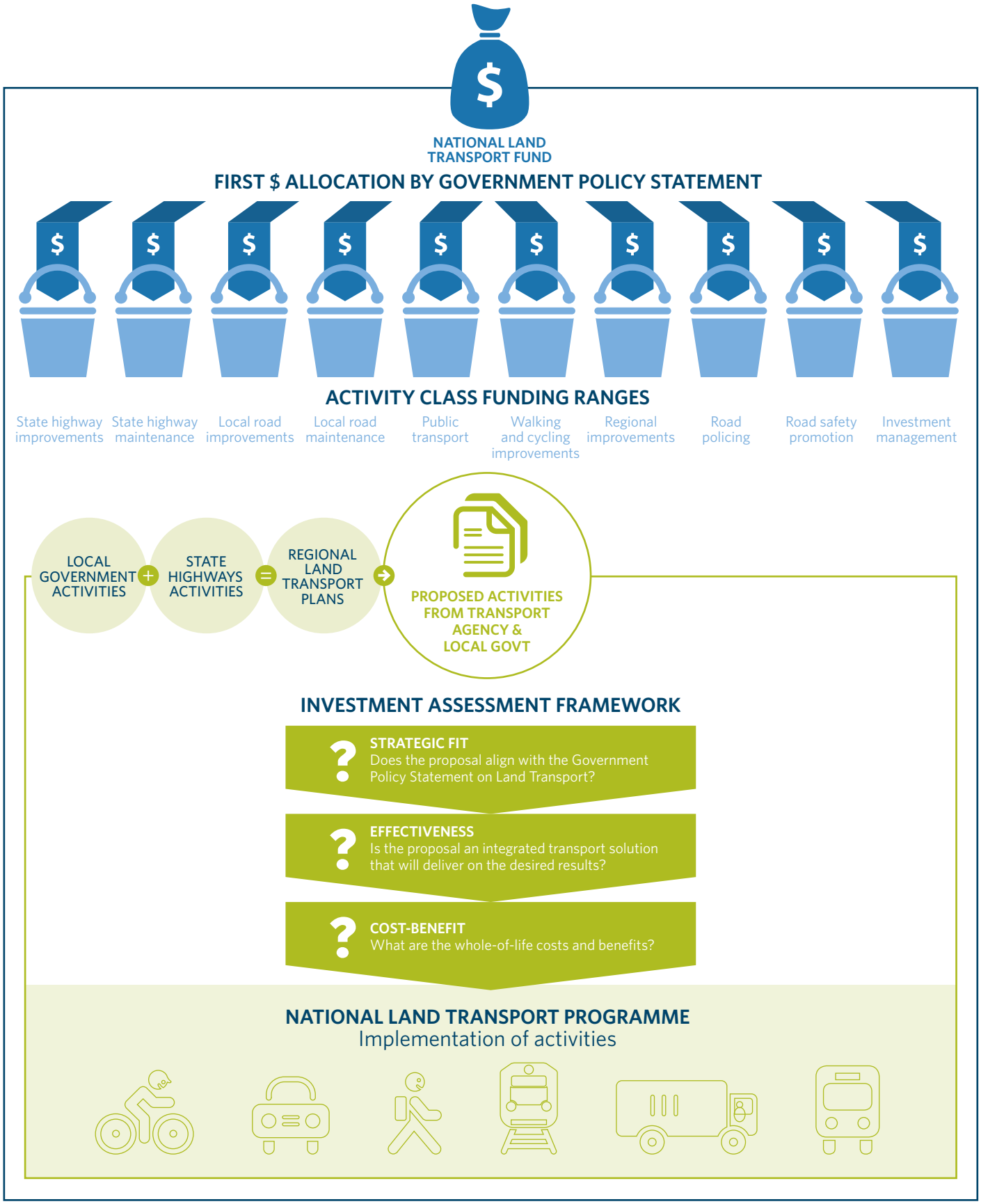
Reporting on the Government Policy Statement

This report demonstrates the performance of the Transport Agency's investment of the National Land Transport Fund by setting out the:

- contribution of the Transport Agency's investments to the priorities specified in the Government Policy Statement
- use of the National Land Transport Fund compared with the planned funding allocation in the published National Land Transport Programme.

The Transport Agency's reporting systems are being improved so it can provide a more detailed picture of the benefits realised from its investments and provide consistency and continuity across multiple government policy statements.

FIGURE 2 – NATIONAL LAND TRANSPORT FUNDING AND ASSESSMENT SYSTEM



SECTION B

INVESTMENT SUMMARY

RESPONDING TO THE GOVERNMENT POLICY STATEMENT 2018/19 – 2027/28

The Government Policy Statement on Land Transport 2018/19 – 2027/28 sets a new strategic direction for land transport in New Zealand. It place a greater focus on making the biggest difference by supporting projects that:

- create a safe and resilient transport system
- improve access to economic and social opportunities for all New Zealanders
- move people more efficiently around our towns and cities
- enable urban development in high-growth areas
- make our public spaces safer and more attractive
- provide people with transport choices
- promote greater use of public transport and active choices
- help people and goods to move efficiently between regions.

In this policy statement, the government has increased investment in land transport through the National Land Transport Fund from $3.6 billion in 2017/18 to a record $4 billion in 2018/19, rising to $4.7 billion a year by 2027/28. There is additional investment of $1 billion a year from our co-investment partners, local government and the Crown for specific projects.

The development of the 2018–21 National Land Transport Programme was deferred to align with the new policy statement's priorities.

In preparing the 2018–21 programme, we worked closely with local, regional and unitary authorities and other approved organisations, the Department of Conservation and the Waitangi Trust to develop a programme of national and regional activities that responds to the policy statement and ensures our transport system meets the needs of all New Zealanders now and in the future.

All activities proposed for inclusion in the National Land Transport Programme are assessed and prioritised through the Transport Agency's Investment Assessment Framework. This framework was revised in June 2018 to align with the new policy statement, and the 2018–21 National Land Transport Programme was published on 31 August 2018. A total of $16.9 billion will be invested through the 2018–21 programme – the largest amount on record – including $12.9 billion from the National Land Transport Fund, $3.4 billion from local authorities, and $547 million in additional Crown funding to deliver specific programmes.

The redesigned Investment Assessment Framework strengthens:

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

DELIVERING ON THE GOVERNMENT POLICY STATEMENT 2015/16 – 2024/25

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) allocated across three groups of outcomes that support the direction in the Government Policy Statement on Land Transport 2015/16 – 2024/25. These groups are:

- economic growth and productivity
- road safety
- travel choice, health, environment and resilience.

At the same time value for money was an overarching priority for delivering the best outcomes for New Zealand.

At the end of the third year of the 2015–18 National Land Transport Programme, the overall spend ($10.4 billion) from the National Land Transport Fund was 1 percent below the planned amount when the programme was adopted in June 2015. Of this investment, 48 percent went towards economic growth and productivity, 23 percent towards safety outcomes and 29 percent towards travel choice, health, environment and resilience outcomes (see figure 3).

Revenue for the National Land Transport Fund during 2015/16 – 2017/18 was $373 million higher than forecast in the published National Land Transport Programme. This was 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 2017/18 remains close to the published 2015–18 National Land Transport Programme, despite National Land Transport Fund expenditure variations. More detail on investments that have contributed to these outcomes is provided and in the regional highlights (see pages 213–228).

FIGURE 3 – 2015–18 NATIONAL LAND TRANSPORT PROGRAMME PLANNED INVESTMENT AND 2016/17 ACTUAL INVESTMENT IN TARGETED OUTCOMES

	2015–18 PLANNED INVESTMENT (%)	2015/16 ACTUAL INVESTMENT (%)	2016/17 ACTUAL INVESTMENT (%)	2017/18 ACTUAL INVESTMENT (%)	2015–18 ACTUAL INVESTMENT (%)
Economic growth and productivity	55	53	50	48	50
Road safety	23	22	24	23	23
Travel choice, health, environment and resilience	22	25	26	29	27

ECONOMIC GROWTH AND PRODUCTIVITY

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

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

Expenditure on economic growth and productivity outcomes during 2015–18

Approximately 50 percent of National Land Transport Programme expenditure at the end of 2015–18 (48 percent for 2017/18) contributed to economic growth and productivity outcomes, lower than the planned 55 percent. 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.

Performance results on economic growth and productivity at the end of 2015–18

Investments in state highways and local roads improve safety and travel on the network. Such investment contributes to reducing congestion, enabling more efficient freight supply chains, and creating a safer, more resilient transport system.

Despite an increase in the number of vehicle kilometres travelled, travel times on key state highways and local roads serving Auckland, Wellington and Christchurch remained largely unchanged.

Since baselines were set in March 2016, travel-time predictability in Auckland has improved by 4 percent and remained stable in Wellington. In Christchurch, predictability decreased from 74 percent to 71 percent. However, this is a significant recovery from 65 percent following the Kaikōura earthquake in November 2016.

Productivity on state highways (that is, how much of the capacity of the urban road network is being used) declined overall, primarily due to road works. It remained steady in Auckland, improved by 1 percent in Christchurch and dropped by 3 percent in Wellington.

On key interregional routes, productivity decreased due to substantial road repairs on the Kaikōura coastal route following the 2016 earthquake, which slowed traffic and reduced utilisation.

The total length of state highways available to high productivity motor vehicles (HPMV) is now 7,221km which equates to 62 percent of the total state highway network. This figure is expected to increase next year as more HPMV tranche 2 projects reach completion.

Expenditure on economic growth and productivity by activity class

Of those investments identified as having economic growth and productivity as a priority, most were in state highway improvements and in state highway, local road maintenance and public transport. State highway improvements expenditure at the end of 2017/18 was 8 percent below the published 2015–18 National Land Transport Programme.

ACTIVITY CLASS	2017/18 ECONOMIC GROWTH AND PRODUCTIVITY EXPENDITURE	2015–18 ECONOMIC GROWTH AND PRODUCTIVITY EXPENDITURE
State highway improvements	34.2%	39.2%
State highway maintenance	14.0%	12.4%
Local road improvements	9.9%	7.7%
Local road maintenance	19.9%	21.4%
Regional improvements	1.9%	1.3%
Public transport	16.5%	15.7%
Road safety promotion	0.2%	0.2%
Road policing	1.4%	1.0%
Walking and cycling improvements	2.0%	1.1%

Highlights of investment in economic growth and productivity during 2015–18

The highlights of investment in road safety during 2015–18 include:

- major progress towards completing improvement to Auckland's motorway and strategic roading network including the State Highway 20A link (which makes it easier to travel around Kirkbride and Māngere) and improved access to Auckland International Airport
- completing the 2.4km Waterview Tunnel, which is a significant step in transforming the way people and freight move around Auckland and provides greater reliability for travellers and was opened between Pt Chevalier and Mt Roskill in July 2017
- continuing construction on the Transmission Gully section and starting construction on the Peka Peka to Ōtaki section of the Wellington Northern Corridor to separate local and state highway traffic to enable safer, shorter and more reliable journeys along the Kapiti Coast
- continuing construction on the Christchurch Southern Motorway and Northern Corridor projects, which form part of the Christchurch Roads of National Significance programme and aim to ease congestion, reduce travel times and improve safety on critical motorway routes
- starting construction on the Pūhoi to Warkworth section of Pūhoi to Wellsford
- making good progress on the construction of the Lincoln to Westgate section of the Western Ring Route
- opening the Rangiriri section of the Waikato Expressway while continuing construction on the Huntly and Hamilton sections and the final section (Longswamp)
- regional improvements such as upgrades along State Highway 2 Watchman Road intersection and the Hawke's Bay Airport, and the substantial completion of the new two-lane Taramakau Bridge on the West Coast.

CASE STUDY

ECONOMIC GROWTH AND PRODUCTIVITY BENEFITS ACHIEVED FROM INVESTMENT IN THE BAY OF PLENTY

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 give the Transport Agency insight into the actual outcomes that National Land Transport Fund investments are achieving for New Zealand.

In 2017, the Transport Agency reviewed the outcomes from the $390 million Tauranga Eastern Link. This 21km road of national significance is a main part of an eastern corridor in the Bay of Plenty to the Port of Tauranga and Tauranga central business district. The review found that the investment delivered significant performance improvements related to economic growth and productivity, including improved journey-time reliability and average travel times along the whole Tauranga Eastern Link was 13 minutes compared with 22 minutes along the previous route through Te Puke.

The Tauranga Eastern Link also provides a more direct freight route to the Port of Tauranga, so is popular with truck drivers.

Safety was also an expected benefit that was used to support funding. Early signs indicate the toll motorway is a very safe road. All 17 crashes between the highway opening in August 2015 and the end of 2016 were non-injury crashes. Only one crash was recorded on the motorway over that period, with the rest occurring on or leading into the roundabout at the eastern end of the link.

DETAILED INVESTMENT PERFORMANCE RESULTS

The following activity classes have a primary link to economic growth and productivity outcomes.

State highway improvements

Four out of seven investment measures matched the desired trend or met target.

INVESTMENT PERFORMANCE		ACTUAL 2016/17	ACTUAL 2017/18	DESIRED TREND/ TARGET 2017/18	VARIANCE	RESULT
Average travel times on key state highways serving major metropolitan areas			Maintained[1]	Maintaining[2]		
	Auckland	1.1 min/km	1.1 min/km	1.1 min/km	-	ACHIEVED
	Wellington	1.2 min/km	1.2 min/km	1.2 min/km	-	ACHIEVED
	Christchurch	1.4 min/km	1.3 min/km	1.4 min/km	-0.1 min/km	ACHIEVED
Productivity of the state highway network in major metropolitan areas (morning peak)			Decreased	Maintaining		
	Auckland	59%	59%	≥ 62%	-3%	NOT ACHIEVED
	Wellington	63%	60%	≥ 63%	-3%	NOT ACHIEVED
	Christchurch	33%	34%	≥ 35%	-1%	NOT ACHIEVED

Productivity measures how much of the capacity of the urban road network is being used by comparing the actual speed and flow of traffic with the optimal speed and flow of traffic. Overall, targets in Auckland, Wellington and Christchurch were not met.

Productivity in Auckland remained at 59 percent. In Wellington, productivity decreased due to increased traffic leading to the Basin Reserve and Mt Victoria Tunnel and through Ngāūranga Gorge due to roadworks. Productivity also decreased between Paekakariki and Pukerua Bay and on State Highway 2 in Upper Hutt around Moonshine Road. In Christchurch, while productivity was slightly below target, travel speed in several locations increased, particularly along State Highways 1 and 74 in the vicinity of the new Belfast bypass and north of the Lyttelton Tunnel.

% of state highways available to high productivity motor vehicles	49%	62%[3]	≥ 45%	-	ACHIEVED

[1] The measure represents change in travel time per kilometre travelled. For example, a change of 0.1 between years would represent an increase of 6 seconds per kilometre travelled.

[2] The targets for Wellington and Christchurch were interchanged in the NZ Transport Agency *Statement of performance expectations 2017/18*. We are reporting against the correct targets here.

[3] Note that due to a change in data source this result is not comparable to the previous year.

Local road improvements

Four out of five investment measures match the desired trend and one was not available.

INVESTMENT PERFORMANCE		ACTUAL 2016/17	ACTUAL 2017/18	DESIRED TREND/ TARGET 2017/18	VARIANCE	RESULT
Average travel times on key local roads serving major metropolitan areas Auckland, Wellington and Christchurch, reported for a year until March[1]		Maintained overall	Maintained overall	Maintaining[2]		
	Auckland	2.5 min/km	2.3 min/km	2.5 min/km	-0.2	ACHIEVED
	Wellington	2.3 min/km	2.4 min/km	2.7 min/km	-0.3	ACHIEVED
	Christchurch	1.8 min/km	1.8 min/km	1.9 min/km	-0.1	ACHIEVED
Productivity of the local road network in major metropolitan areas		Not available	Not available[3]	Increasing	-	NOT AVAILABLE
% of approved organisations signed up to the 50MAX network[4]		95%	95%	≥ 90%	+5%	ACHIEVED

[1] This measure represents the average travel time per kilometre travelled. For example a change of 0.1 between years would represent an increase of 6 seconds per kilometre travelled.

[2] The targets for Wellington and Christchurch were interchanged in the NZ Transport Agency's *Statement of performance expectations 2017/18*. We are reporting against the correct targets here.

[3] The coverage of local roads in the productivity model is too small to provide a representative sample.

[4] 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, because 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.

Regional improvements

Two out of three investment measures achieved the desired trend or target.

INVESTMENT PERFORMANCE	ACTUAL 2016/17	ACTUAL 2017/18	DESIRED TREND/ TARGET 2017/18	VARIANCE	RESULT
Kilometres of improved regional roading	16km	9.38km	Increasing	-	ACHIEVED
Six projects were completed, of which three were intersections and one was a roundabout. While these four projects have contributed to improved safety on our regional roads, they have not contributed any kilometres of improved regional roading.					
Kilometres available to high productivity motor vehicles on key regional routes	5,392km	7,221km[1]	Increasing	-	ACHIEVED
% of activities delivered to agreed standards and timeframes	-	87%	≥ 90%	-3%	NOT ACHIEVED

All three of the large (over $5 million) projects planned for completion in 2017/18 were completed (State Highway 14 Hospital Road intersection improvement (Northland), State Highway 3: Ohaupo to Te Awamutu (Waikato), and high productivity motor vehicle tranche 2: State Highway 24 Matamata to State Highway 29 intersection (Waikato)).

However, of the 11 small (under $5 million) projects planned for completion in 2017/18, only three were completed (State Highway 11: Airfield to Lily Pond (Northland), high productivity motor vehicle tranche 2: State Highway 24 Matamata to State Highway 29 intersection (Waikato), and State Highway 1 State Highway 62 Spring Creek intersection roundabout (Marlborough)).

Several projects will be completed during the first few months of 2018/19, including high productivity motor vehicle tranche 2: State Highway 26/SH2 Hamilton to Paeroa (Waikato) and State Highway 6 High St/Marlborough St intersection (West Coast).

Some projects were delayed following input from stakeholders and Safe System experts, which identified that scope changes (for example State Highway 1B: Taupiri to Gordonton) or more investigation of the public transport components (for example Grant Rd to Kawarau Falls Bridge Improvements) was needed.

[1] The data source changed so this result is not comparable to the previous year.

State highway maintenance

One out of three investment measures for state highway maintenance achieved target and one was not available this year.

INVESTMENT PERFORMANCE	ACTUAL 2016/17	ACTUAL 2017/18	DESIRED TREND/ TARGET 2017/18	VARIANCE	RESULT
Surface condition of the sealed network	Not available	Not available	Not available	-	-
Smooth ride: % of travel on smooth roads	99%	99%	≥ 98%	+1%	ACHIEVED
State highway maintenance cost per lane kilometre expenditure[1]	$19,284	$24,705[2]	≤ $21,400	+$3,305	NOT ACHIEVED

This measure is calculated by dividing the amount spent on the maintenance of state highways by the total number of kilometres in the network. Because we worked on more kilometres of maintenance this year, the total cost and the cost per lane kilometre are higher. Increased renewals accounts for $2,800 of the increased cost per kilometre. A further $1,800 per kilometre arose from work on the alternative and inland route required as a result of the Kaikōura earthquake. The first full year of maintenance costs for the Waterview Tunnel accounts for $400 per kilometre.

Costs per lane kilometre are above target largely due to higher than expected maintenance and operations required in response to the Kaikōura earthquake.

[1] This measure aspires to capture cost per lane kilometre expenditure by road classification. However, 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.

[2] This figure has been adjusted for inflation based on the network outcomes index.

Local road maintenance

Three out of our four investment measures achieved target.

INVESTMENT PERFORMANCE	ACTUAL 2016/17	ACTUAL 2017/18	DESIRED TREND/ TARGET 2017/18	VARIANCE	RESULT
Pavement integrity of the sealed network	94	94	≥ 94	-	ACHIEVED
Surface condition of the sealed network	98	98	≥ 97	1	ACHIEVED
Smooth ride: % of travel on smooth roads	88%	87%	≥ 86%	+1%	ACHIEVED
Local road maintenance cost per lane kilometre expenditure[1]	$2,910	$3,095[2]	≤ $3,000	+$95	NOT ACHIEVED

This measure is calculated by dividing the amount spent on the maintenance of local roads by the total number of kilometres in the network. Many local authorities completed more maintenance work this year, because they delivered less than planned last year and because of wet weather, increasing the total cost and the cost per lane kilometre.

[1] This measure aspires to capture cost per lane kilometre expenditure by road classification. However, 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.

[2] 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.

ROAD SAFETY

The Government Policy Statement on Land Transport identifies the following long-term result for this strategic priority: reduction of deaths and serious injuries.

Expenditure on road safety outcomes during 2015–18

Approximately 23 percent of National Land Transport Programme expenditure at the end of 2015–18 (also 23 percent for 2017/18) contributed to road safety outcomes, in line with planned investment. This proportion is similar to that in the 2012–15 National Land Transport Programme, but the larger amount of funding in the 2015–18 programme means investments to improve road safety outcomes during 2015–18 increased by $550 million.

Performance results on road safety at the end of 2015–18

In 2017/18, we saw the negative trend of transport-related deaths and serious injuries continue with an 8 percent increase. Our investments in road safety remain critical to addressing this unacceptable level of harm.

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 vary from major roading projects such as the Waikato Expressway to urban intersection improvements and low-cost improvements such as rumble strips.

Ongoing maintenance of roads and their safety features is a high priority in 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 has been the cornerstone for maintaining and improving road safety. Considerable efforts were made during the development of the 2015–18 National Land Transport Programme to increase the Road Policing Programme's focus on reducing deaths and serious injuries from road crashes in ways that deliver value for money.

The Transport Agency, New Zealand Police and the Ministry of Transport are working together to significantly reduce deaths and serious injuries. The parties agreed to move to an outcomes-based approach with collective responsibility and accountability for delivering the Road Safety Partnership Programme (previously the Road Policing Programme, for more details, see page 197).

By the end of the three years 2015–18, $99 million was invested to promote road safety through advertising, education and information targeted at road users and contributing to the high and medium priority areas of the Safer Journeys strategy. Of the Transport Agency's road safety advertising campaigns, 87 percent met or exceeded their agreed success criteria.

Expenditure on road safety by activity class

Of investment identified as having safety as the primary driver, most was invested in road policing and local road maintenance.

ACTIVITY CLASS	2017/18 ROAD SAFETY EXPENDITURE	2015–18 ROAD SAFETY EXPENDITURE
State highway improvements	19.3%	21.4%
State highway maintenance	13.2%	12.2%
Local road improvements	8.5%	6.2%
Local road maintenance	20.2%	21.9%
Public transport	3.5%	3.4%
Regional improvements	5.2%	4.1%
Road safety promotion	3.4%	3.7%
Road policing	24.8%	26.0%
Walking and cycling improvements	1.9%	1.1%

Highlights of investment in road safety

The highlights of investment in road safety during 2015–18, include:

- continuing to deliver safety improvements through the Safe Roads and Roadsides Programme, which aims to significantly reduce deaths and serious injuries on rural state highways around the country
- continuing to promote road safety through advertising campaigns highlighting safety priorities such as driving within speed limits and driving sober, free from drug impairment and phone-free
- delivering, with the Accident Compensation Corporation, the BikeReady national cycle education system, which includes resources, tools and cycle skills training accreditation to support young people to bike skilfully and safely and older people to return to cycling safely
- starting construction on the $8 million one-way system of separated cycle lanes in Dunedin, which will provide safe routes for cyclists to the city centre
- completing the State Highway 3 Vickers to City project in New Plymouth, which improves safety, route security, and journey-time reliability to and from the central business district
- having the Transport Agency's partnership with Clemenger BBDO recognised by the Brand Axis award in March 2018, recognising a successful creative collaboration creating excellent creative brand work for five or more years and acknowledging mutual trust, respect for audience, and firm ambition to make a difference through road safety promotion
- completing the Brynderwyn Hills Safe System, which realigned a section of State Highway 1, widened the road, removed tight corners, and installed median and side wire rope barriers
- completing a roundabout at the intersection of State Highway 3 and State Highway 21 (Airport Road) southwest of Hamilton to address an historical high-risk safety area and enable access to industrial land next to Hamilton International Airport
- delivering over 800 low-cost, low-risk state highway improvement projects, a 30 percent increase from last year, of which more than 75 percent focused on improving safety
- delivering, through the Boost Safety Programme high-benefit, low-cost safety improvements (such as rumble strips, improved signage and road marking, and safety barriers) on selected roads that carry lower volumes of traffic but collectively account for significant number of deaths and serious injuries in Northland, Taranaki, Manawatū-Whanganui, Otago and Southland.

CASE STUDY

SUCCESSFUL SAFETY IMPROVEMENTS IN AUCKLAND

In September 2017, the Transport Agency conducted a post-implementation review to assess how well a $30.9 million upgrade of the Glenfield Road corridor in Auckland achieved its expected benefits.

The upgrade aimed to improve traffic flows and efficiency, promote alternative transport modes, improve the road environment, and improve safety. Overall, the project has been highly successful with improving safety. Crashes have decreased from an average 23 per year between July 1999 and December 2011 to 9 per year after project completion.

DETAILED INVESTMENT PERFORMANCE RESULTS

The following activity classes have a primary link to road safety outcomes.

Road safety promotion

Both the Transport Agency's service delivery targets for road safety promotion were achieved.

SERVICE DELIVERY	ACTUAL 2016/17	ACTUAL 2017/18	TARGET 2017/18	VARIANCE	RESULT
% of educational activities delivered to agreed standards and timeframes	100%	100%	100%	-	ACHIEVED
% of road safety advertising campaigns that meet or exceed their agreed success criteria	83%	87%	≥ 75%	+12%	ACHIEVED

ROAD POLICING

The Road Policing Programme is a special type of National Land Transport Fund investment in the land transport system that is 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 through prevention and enforcement activities. The programme also contributes to network management and efficiency through these activities and by increasing compliance with road user charges, commercial vehicle operator rules, and vehicle dimension and mass rules, protecting the roading asset, and supporting the resilience and security of the transport network.

What Road Policing Programme investment covers

Road Policing Programme investment covers the delivery of the activities listed below. 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.

Achievements

In 2017, the Road Policing Programme was varied by agreement to include an additional $10 million to support the restoration of the desired service levels, through dedicated road policing constabulary staff. The variation led to a step change in the relationship and the development of the Road Safety Programme.

The partnership is reviewing the operating, investment and delivery models between New Zealand Police and the Transport Agency. This review is highlighting the strengths of each organisation and the challenges they both need to meet to be most effective together.

Road policing special projects delivery

Over the 2015–18 National Land Transport Programme, $26 million was allocated for the delivery of projects to reduce death and serious injuries on the roads and to operate an efficient network. All projects were successfully implemented, with highlights described below.

Static Camera Expansion Programme

By the end of June 2018, 48 safe speed cameras and three red light cameras had been installed and were operating across New Zealand. This work was completed in three tranches, and was done in tandem with a project to implement a modem-based download process that would allow the Police Infringement Bureau to download camera images remotely, thereby avoiding the need to disrupt traffic movement by manually downloading data at the camera site. Early results of the programme indicate that the average speed around cameras has decreased substantially since installation.

Radar and Laser Device Refresh project

New Zealand Police has refreshed its fleet of radar and lasers that officers use to detect speeding offences, reducing crashes caused by speed. The old fleet was reaching the end of its life and was causing safety issues, such as the frequency used by the devices interfering with police radios. The refreshed fleet should result in more effective speed detection activities across all police districts.

OnDuty mobile phone application

The OnDuty mobile application is a world-leading iOS-based application that allows officers to issue infringement offence notices and written traffic warnings, and to complete traffic crash reports and commercial vehicle inspection reports from their mobile device. The application provides officers with easy access to intelligence at the roadside, keeping them safe and allowing them to make informed decisions about the right intervention to take to influence driver behaviour.

Alcohol breath testing

The old fleet of hand-held alcohol breath testing devices (Dräger 6510s) has been discontinued and will no longer be supported by the provider. A new hand-held alcohol breath testing device, the Dräger 7510s, has been introduced to add roadside evidential capability to the testing functionality. This improved functionality means officers no longer have to return to the station to complete the evidential portion of the testing process, making them available for more road safety activities and reducing the impact on the public.

How the investment performed

Overall, the Road Policing Programme continues to provide a positive return on National Land Transport Fund investment, with 80 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	INCREASE
Commercial vehicle operators	% of overweight heavy vehicles	Decrease	INCREASE
	Percentage of local authorities, Transport Agency and ACC injury prevention consultants satisfied that NZ Police heavy vehicle activities addressed risk	Increase	DECREASE
High risk drivers	Number of disqualified driving offences	Decrease	DECREASE
	Number of disqualified or unlicensed drivers involved in fatal/serious crashes	Decrease	DECREASE
Traffic management	Time to reinstate traffic flow after road or carriageway closure or crash	Decrease	DECREASE
	% of local authorities, Transport Agency and ACC injury prevention consultants satisfied that NZ Police delivery of traffic management activities has addressed risk	Increase	DECREASE
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	INCREASE
	% 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	DECREASE
	% 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	DECREASE
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

Note: As at 30 June 2018, 16 of the 30 intermediate outcomes above are no longer being measured by the relevant organisation. Of these 16 measures, 13 (81%) were meeting desired trends at their last date of capture. Of the remaining 14 intermediate outcomes, 11 (79%) are meeting desired trends. The intermediate outcomes and wider performance framework are under review and will be refreshed, with the Road Safety Partnership team, as part of the new Road Safety Strategy.

What New Zealand Police delivers

Full details of New Zealand Police's service performance are in *New Zealand Police Annual Report 2017/18* at www.police.govt.nz.

TRAVEL CHOICE, HEALTH, ENVIRONMENT AND RESILIENCE

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

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

Expenditure on travel choice, health, environment and resilience during 2015–18

Approximately 27 percent of National Land Transport Programme expenditure at the end of 2015–18 (29 percent for 2017/18) contributed to travel choice, health, environment and resilience outcomes. This was more than the planned 22 percent for the three years of the 2015–18 National Land Transport Programme.

Performance results on travel choice, health, environment and resilience at the end of 2015–18

Projects delivered under the walking and cycling improvements activity class support healthy travel choices in urban areas by increasing and improving the number and safety of walking and cycling facilities. Walking and cycling expenditure continued to grow and was 31 percent above the published National Land Transport Programme at the end of 2017/18, largely due to the growing impact of the Urban Cycleways Programme, which accelerated the delivery of new cycling infrastructure with the addition of Crown funding. New and improved walking and cycling infrastructure resulted in 79.3km new cycle lanes in 2017/18 with 61.8km delivered as part of the Urban Cycleways Programme.

Investment in public transport aims to provide people with more ways to travel, easing urban congestion and making better use of the existing transport system capacity.

Five million more people (7 percent) used urban transport services (bus, train and ferry) during 2017/18 compared with the previous year. The increase was largely driven by growth in Auckland. However, the greatest change was in the Otago region following road improvements in Dunedin and the Wakatipu Basin.

Bus and ferry services and associated costs increased at a faster rate than patronage and passenger kilometres travelled, causing measures of productivity (costs per passenger km and costs per passenger boarding) to increase.

The SuperGold cardholders' scheme provides more transport choices for older people and improves the use of public transport during off-peak hours. This year, we supported 13.7 million SuperGold trips, an increase of 6 percent (773,000 trips) from 2016/17.

The Transport Agency's focus area *Keep people safe* aims to prevent or reduce environmental harms across all land transport modes. The energy efficiency of the nation's vehicle fleet improved from 6.88km travelled per litre of fuel to 7.05km in 2017/18.

Severe weather events in the past year affected measures of resilience, which focus on the duration of road closures. Sixty-four percent of the road closures on the state highway network that were unresolved after 12 hours were due to avalanche risk, flooding, slips, snow, ice and strong winds.

Expenditure on travel choice, health, environment and resilience by activity class

ACTIVITY CLASS	2017/18 TRAVEL CHOICE, HEALTH, ENVIRONMENT AND RESILIENCE EXPENDITURE	2015–18 TRAVEL CHOICE, HEALTH, ENVIRONMENT AND RESILIENCE EXPENDITURE
State highway improvements	10.4%	11.1%
State highway maintenance	18.9%	17.2%
Local road improvements	6.4%	4.9%
Local road maintenance	32.2%	32.8%
Public transport	25.7%	25.2%
Regional improvements	2.8%	1.1%
Road safety promotion	0.2%	0.2%
Road policing	1.4%	4.0%
Walking and cycling improvements	2.1%	3.5%

Highlights of investment in travel choice, health, environment and resilience:

The highlights of investment in travel choice, health, environment and resilience during 2015–18 include:

- increasing investment to improve alternative routes following the closure of State Highway 1 after the November 2016 Kaikōura earthquake with an investment of $23.7 million to make sections of the Picton to Christchurch alternate route in the Marlborough and Tasman regions safer and more resilient for road users
- responding to the Kaikōura earthquake through North Canterbury Transport Infrastructure Recovery with more than $100 million directed to repairing and reinstating roads damaged by the earthquake
- co-investing $82 million with Auckland Council to significantly improve roads, public transport services, public transport stations, transport interchanges, walking routes and cycleways in the region
- implementing the Public Transport Operating Model in Auckland and Wellington in 2017 to enable regional councils and operators to partner and deliver affordable urban public transport services such as new services and timetables in Auckland that operate in all areas except Waiheke Island (from September 2018)
- using a targeted enhanced funding assistance rate[1] to accelerate the LED street-lighting programme, investing $106 million across 53 programmes to upgrade to energy-efficient LED lights across the country
- investing $6 million to build 1km of noise barriers to reduce the impact on local residents of road traffic noise from the Southern Motorway in Ellerslie in Auckland
- working in partnership with councils, the Department of Conservation, and iwi to minimise negative impacts on plants and wildlife from roading construction and maintenance works in pristine environments such as the Kaikōura coastline, Waipoua Forest in Northland and the Desert Road on the Central Plateau of the North Island
- working with industry and government stakeholders to deliver the vision for public charging infrastructure coverage on state highways (close to 80 percent of state highways have rapid DC chargers at 75km intervals) and maintaining close ties with the energy and automotive industries through a regular forum, resulting in a nationwide network of public charging infrastructure.

[1] Targeted enhanced rates are time-limited, specified funding assistance rates (FARs) that are higher than normal FARs and applied in exceptional circumstances and time-limited periods to either:
- facilitate an activity that is particularly important from a national land transport perspective, where it is highly likely that it would not proceed within an appropriate timeframe if additional funding assistance were not provided
- give a kick start to encourage and enable an approved organisation to make a step change.

Mitigating adverse environmental effects from transport

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

The Transport Agency works alongside suppliers, customers and other stakeholders to provide strategic advice, research and support for transport-related natural environment, social, culture and heritage, public 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 cities more accessible, safe and easy to live in.

The Transport Agency mitigates the effects of climate change by investing in urban cycleways, the electrification of rail lines and efforts 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 so planners can estimate the carbon footprint of their project and identify methods to reduce emissions.

The Transport Agency commissioned research projects and tools to, among other things, better understand the community impact of noise from road and rail, assess 'real-world' exhaust emissions from vehicles on roads compared with laboratory tests, to capture the full range of costs and benefits arising from transport sector investments mitigating negative environmental impacts, and improve understanding of visitor expectations on key journeys to grow landmark tourism destinations for regional economic benefit.

The Transport Agency is working with local government to better understand the impact of dust from unsealed roads on communities and the environment and to explore how best to reduce adverse effects through the use of suppressants, seal extensions and improved asset management practices.

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.

Improving resilience

Resilience is the transport system's ability to enable communities to withstand and absorb impacts of unplanned disruptive events, perform effectively during a disruption, and respond and recover functionality quickly. It requires minimising and managing the risk and consequences of small-scale and large-scale, frequent and infrequent, sudden and slow-onset disruptive events whether caused by natural or human-made hazards.

Resilience is about being prepared and being able to preserve and quickly restore access to the transport network for Transport Agency customers, including lifeline utilities, in the face of unplanned events.

The Transport Agency re-opened State Highway 1 from Picton to Christchurch as part of its Kaikōura earthquake response work and in time for the Christmas holiday traffic in December 2017. This follows the reinstatement of the rail line in September 2017. Restoring these coastal highway and rail links was a huge job that re-established vital connections for Kaikōura and other affected communities and supported local and national businesses, freight and tourism. The highway reinstatement work continued into 2018, with safety a top priority. The Transport Agency also responded during the year to damage caused by severe weather events. For example, following significant storm damage to State Highway 25 Thames Coast Road in January 2018, it worked closely with the local community and other stakeholders to quickly rebuild and strengthen the coast road.

[2] Immediate response, through emergency works that restore basic usability and access, is one of the key components to resilience in the Government Policy Statement on Land Transport 2015/16 – 2024/25.

In the Tararua district, the Transport Agency continued to improve Saddle Road and work continues on the Manawatū Gorge Alternative Route to provide a safe and secure alternative route for network resilience for State Highway 3 ($15.5 million over five years).

The Transport Agency Resilience Framework was developed in 2018. The resilience framework responds to the increased focus on improving resilience for the transport system in the latest Government Policy Statement on Land Transport. It sets out a new approach to resilience that will take the Transport Agency from a risk-based approach that targeted specific assets to a system-based approach that is:

- **comprehensive** (across a variety of hazards, risks and responses), but targeted to address priority risks, challenges and opportunities
- **community focused** and based on a robust understanding of different communities' tolerances and acceptance of risk and of how their access to economic and social needs can be sustained
- **collaborative** so the Transport Agency is playing an effective role as part of a comprehensive sectoral response to resilience
- **proactive** so the Transport Agency is more active and present across all aspects of emergency management, engaging in a wider variety of approaches to resilience and risks, rather than being solely reactive after an event.

Implementation of the framework, through collaboration with key partners, will provide a shared understanding of communities' acceptance of risk and tolerance of system disruptions. Measures will be put in place to enable communities to become less exposed to and better prepared to deal with, the economic, physical, social, cultural and environmental impacts of risks and shocks from natural hazards and other disruptive events.

We can gain some insight into resilience performance by looking at National Land Transport Fund expenditure on emergency works.[2] Emergency works expenditure for the three years of the 2015–18 National Land Transport Programme position was 17 percent above the published amount. This reflects the response to the 2015 Whanganui–Taranaki floods, the 2016 Kaikōura earthquake and heavy rain events in 2016/17 and 2017/18 across local roads and state highways.

CASE STUDY

INCREASE IN PUBLIC TRANSPORT AFTER PANMURE STATION UPGRADE

Phase 1 (stage 1) of the Auckland Manukau Eastern Transport Initiative was part of the wider Eastern Busway project. It involved a major upgrade of Panmure Station, a new road link from Morrin Road to Mt Wellington Highway, the reconstruction of the Ellerslie Panmure Highway, a new bridge next to Ellerslie Panmure Highway and a bridge for pedestrians.

These improvements have led to higher than expected increases in public transport journeys starting and ending at Panmure Station. Ticket sales and HOP card tag-on data (for trains) quantify a 270 percent increase in public transport patronage from December 2013 to March 2016.

The project resulted in an initial journey-time saving of almost 3 minutes, especially for those travelling between Mt Wellington and Glen Innes (via the new Te Horeta Road). This saving is now starting to diminish.

DETAILED INVESTMENT PERFORMANCE RESULTS

The following activity classes have a primary link to travel choice, health, environment and resilience outcomes.

Public transport

Three out of eight investment measures achieved target.

INVESTMENT PERFORMANCE		ACTUAL 2016/17	ACTUAL 2017/18	TARGET 2017/18	VARIANCE	RESULT
Number of passengers using urban public transport services (bus, train and ferry)		153m	158m	≥ 148m	+10m	ACHIEVED
The number of passengers using urban public transport (patronage) increased by approximately 3 percent over the year driven largely by growth in Auckland (approximately 3.5 million more bus boardings). Outside of Auckland, patronage growth was mixed, with some regions declining while others grew. Otago Regional Council recorded the greatest relative growth of 22 percent, driven by improvements to the network in Dunedin and the Wakatipu Basin.						
Fare revenue as a % of total expenditure		47.4%	45.2%	≥ 48%	-2.8%	NOT ACHIEVED
Fare revenue as a percentage of total expenditure (the farebox recovery ratio) was lower than expected because total fare revenue remained largely unchanged from last year while total operating costs increased. Fare revenue increased by 3 percent across the Greater Wellington public transport network and 6 percent across small and medium and sized public transport networks, but this was offset by a 1 percent decrease in Auckland and an 11 percent decrease in Christchurch.						
Productivity (costs per passenger km) where available by bus, train and ferry	Bus	0.17 $/km	0.19 $/km	≤ $0.15 $/km	+0.04 $/km	NOT ACHIEVED
	Train	0.16 $/km	0.16 $/km	≤ $0.13 $/km	+0.03 $/km	NOT ACHIEVED
	Ferry	0.06 $/km	0.06 $/km	≤ $0.06 $/km	-	ACHIEVED
Costs per passenger kilometre increased for bus and ferry services because services and associated costs increased at a faster rate than patronage and passenger kilometres travelled. The roll-out of the new bus network across eastern parts of Auckland had a significant impact. Bus in-service kilometres increased by 10 percent in Auckland compared with patronage growth of 6 percent and passenger kilometre growth of 2 percent. The remainder of the new bus network will be rolled out across the northern and central parts of the Auckland network in 2018/19.						
Productivity (costs per passenger boarding)[1]	Bus	$1.25	$1.38	Decreasing cost	+$0.13	NOT ACHIEVED
	Train	$2.86	$2.66	Decreasing cost	+$0.20	ACHIEVED
	Ferry	$0.76	$0.86	Decreasing cost	+$0.10	NOT ACHIEVED
Costs per passenger boarding for bus and ferry increased because services and associated costs increased at a faster rate than patronage and fare revenue. Conversely, costs for rail decreased as operating costs were down 1 percent and rail patronage was up 3 percent compared with last year. From a National Land Transport Fund perspective, costs decreased further through a planned reduction in the fund's contribution toward rail operating costs from 55 percent in 2016/17 to 54 percent in 2017/18.						

[1] This is a proxy 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.

Walking and cycling

One investment measure achieved the desired trend, the other was not available.

INVESTMENT PERFORMANCE	ACTUAL 2016/17	ACTUAL 2017/18	DESIRED TREND 2017/18	VARIANCE	RESULT
Network kilometres of cycle lanes	New km	New km			
	91.4km (including 63.6km Urban Cycleways Programme	79.3km (including 61.8 km Urban Cycleways Programme)	Increasing	-	ACHIEVED
The target to increase the kilometres of cycle lanes was achieved with 61.8km of new cycling infrastructure delivered as part of the Urban Cycleways Programme. In addition, was another 17.5km of new cycling infrastructure delivered outside the Urban Cycleways Programme.					
% increase in cycling trip legs per person across Auckland, Wellington and Christchurch	Not available	Not available[1]	Increasing		NOT APPLICABLE
While data on the percentage of cycling trips legs per person is not yet available, physical cordon counts, which provide a snapshot of the number of cycling trips in central business districts, increased from 5,413 last year to 5,605 this year. Auckland saw a 3 percent increase (1,944 trips), Wellington a 5 percent increase (2,264 trips) and Christchurch a 1 percent increase (1,397).					

[1] 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, physical cordon counts were undertaken to establish baseline trip information.

[3] Value-for-money maturity describes how well the systems and processes in each output class are set up to allow a value-for-money assessment.

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

The Transport Agency is working to better understand the value for money gained from National Land Transport Fund investments. However, insight into value for money can be gained by looking at the expected benefit–cost ratios of National Land Transport Fund investment for new approvals in system improvements. The average benefit–cost ratio across National Land Transport Programme investment by the number of new approvals across the programme remained around four during the three years of the 2015–18 National Land Transport Programme. For 2017/18 investments, investments primarily relating to state highway improvements had the highest benefit–cost ratio.

ACTIVITY CLASS	BENEFIT–COST RATIO 2015/16	BENEFIT–COST RATIO 2016/17	BENEFIT–COST RATIO 2017/18
State highway improvements	3.4	3.7	5.1
Local road improvements	4.9	5.3	3.8
Public transport	7.4	5.8	3.3
Walking and cycling	4.3	4.0	2.3
Regional improvements	2.4	2.9	1.9
Estimated return on investment across all new investment	**4.0**	**4.0**	**4.2**

State highway improvements accounted for the largest proportion (66 percent) of new investment approvals in 2017/18.

ACTIVITY CLASS	TOTAL COST OF NEW APPROVALS 2017/18 ($)	NUMBER OF NEW APPROVALS 2017/18
Local road improvements	308,019,035	76
Public transport	163,913,081	13
Regional improvements	2,015,064	4
State highway improvements	1,197,712,333	96
Walking and cycling improvements	121,779,972	18
Grand total	**1,793,439,485**	**207**

The Transport Agency's approach to value for money

Value for money is about delivering the best outcomes for the amount spent, optimising costs whilst simultaneously improving the efficiency and effectiveness of spending.

The Transport Agency is developing a value-for-money framework. The first step to understand the current value–for-money maturity[3] through workshops across the output classes and to provide best practice guidance for assessing value for money. This year, the Transport Agency assessed its maturity through a targeted review of its output classes across the areas of economy, efficiency, effectiveness and equity.

The second step will be to define the framework for the Transport Agency value-for-money measurement, which will involve establishing the value chain of its output classes for customers, identifying the drivers that influence economy, efficiency, effectiveness and equity, and agree metrics to measure the identified drivers.

The Transport Agency plans to make more informed, evidence-based choices as part of its approach to continuous improvement and to maximise the impact of each dollar it spends to improve the lives of New Zealanders.

Physical infrastructure meets the digital world

The future of transport is rapidly changing, and the Transport Agency needs to respond to shifting customer needs and the ever-evolving digital world. The intersection of physical infrastructure and the digital world is opening up 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 is aligning its innovation strategies to take advantage of emerging and game-changing technologies to create better transport system outcomes for New Zealand, including great journeys for its customers.

For example, in conjunction with Auckland Transport, the Transport Agency agreed to establish the Auckland Technology Transformation Group. This group aims to improve customer experiences by enabling Auckland's transport system to use advances in digital technology and prepare the city for advances in vehicle technologies. A road map will be developed to guide the delivery of digital transport systems in the regions.

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, a study sought to understand the value of individual services to the public transport network. This study proposed a framework for appraising the incremental value added to a public transport network by services that, in isolation, might be comparatively inefficient. This report recommends how the study's findings could be built on and implemented, including by developing an assessment tool for practitioners. The aim will be to develop a tool that closely aligns with, and complements existing economic evaluation tools provided by the Transport Agency, to inform assessments of public transport service reviews in the future.

Twenty-five research reports were published during 2017/18, addressing topics including economic analysis, environmental impacts, asset management, technology developments and safety.

CASE STUDY

SUPPORTING ROAD CONTROLLING AUTHORITIES TO IMPROVE EFFICIENCY IN ROAD MAINTENANCE

The Road Efficiency Group[4] supported road controlling authorities to embed the One Network Road Classification and business case approach into their activity management plans. A co-design, co-delivery model was followed to build a robust evidence base to support business case submissions for the 2018–21 National Land Transport Programme. Major achievements to improve the efficiency of maintenance activities and create consistency across all road controlling authorities included:

- developing 27 performance measures for customer outcomes in the One Network Road Classification to report against
- further developing a web-based monitoring and reporting tool so all authorities can report performance against these measures
- producing a standard report for a subset of the 27 measures to highlight each authority's performance against its peer group
- delivering a sector-wide project to improve data quality
- publishing *Procurement best practice guide* and the Smart Buyer self-assessment tool
- building capability through cross-sector collaborative learning and peer support and publishing guides and case studies to support industry self-learning.

[4] The Road Efficiency Group is a collaboration between local government and the Transport Agency. It aims to create and embed a new national funding and activity management structure for roads (the One Network Road Classification) for improving value for money, focusing on customer outcomes, consistency and collaboration.

USE OF THE NATIONAL LAND TRANSPORT FUND

SUMMARY OF THE NATIONAL LAND TRANSPORT FUND FOR 2015–18

At the end of the third year of the 2015–18 National Land Transport Programme, the overall investment of $10.4 billion from the National Land Transport Fund was 1 percent below the planned amount when the programme was adopted in June 2015. Expenditure for the 2015–18 National Land Transport Programme, which included local and Crown funding, was slightly lower at $13.7 billion than the $13.9 billion in the published programme.

Use of funds for **state highway improvements** during 2015–18 were 8 percent below the planned amount after three years, largely due to lower tender prices for large projects and delays to some projects

Expenditure for **state highway maintenance** was 3 percent above the planned amount after three years. This was due to a push to increase the percentage of the network undergoing renewal during 2017/18, following lower than planned levels in the previous two years.

Regional improvements was a new activity class for the 2015–18 National Land Transport Programme. It aims to progress regionally important transport infrastructure outside metropolitan areas. Expenditure was slow to start up, being at 47 percent below the planned amount after two years. Construction increased significantly in 2017/18 and final expenditure was 1 percent above the published plan.

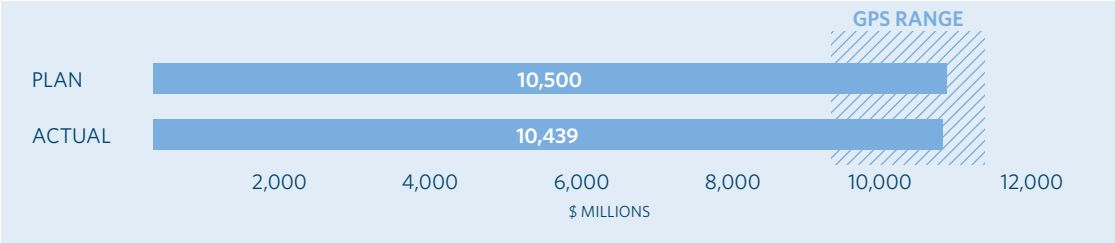
Local road improvements expenditure at the end of 2017/18 was 5 percent above the published amount in the 2015–18 National Land Transport Programme. The increase in spend was driven by the use of a targeted enhanced funding assistance rate to accelerate the LED street-lighting programme, the decision to change the minor improvements threshold from $300,000 to $1 million, reduced compliance effort for approved organisations, and a catch-up funding claim from Tauranga City Council for eligible work completed earlier in 2015–18.

The Minister of Transport adjusted the funding range in the Government Policy Statement on Land Transport 2015/16 – 2024/25 funding range for the **walking and cycling** activity class to accommodate an increase in expenditure driven by the Urban Cycleways Programme. Walking and cycling expenditure continued its strong performance at 31 percent above the published 2015–18 National Land Transport Programme. This was largely due to the impact of the Urban Cycleways Programme, where the Crown supplied additional funding.

Final expenditure on emergency works was 17 percent above the published amount in the 2015–18 National Land Transport Programme. Some of this was due to the response to the Whanganui-Taranaki floods in 2015. The Kaikōura Earthquake in 2016 and severe weather events in 2016/17 and 2017/18 also pushed up expenditure further across local and state highway networks.

The actual investments made from the 2015–18 National Land Transport Fund for the planned level of funds allocated in the 2015–18 National Land Transport Programme are shown below. The 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. Additionally, the figures take a cash perspective on the use of funds and exclude non-cash items such as depreciation and book-value movements.

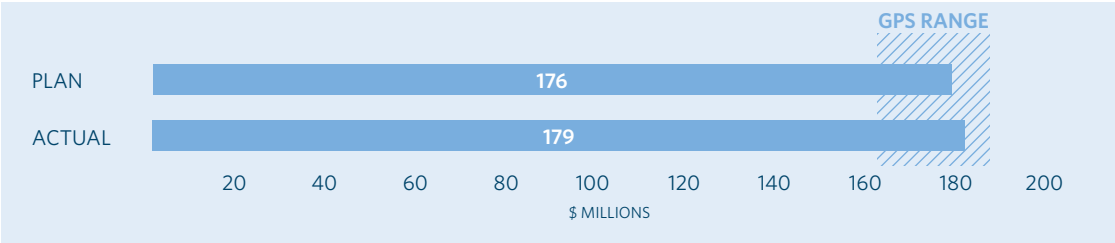
OVERALL USE OF THE NATIONAL LAND TRANSPORT FUND



Overall expenditure at the end of 2015–18 sits at 99 percent of the published National Land Transport Programme. The underspend in state highway improvements was mostly offset by increased spend in local road improvements, walking and cycling, and emergency works.

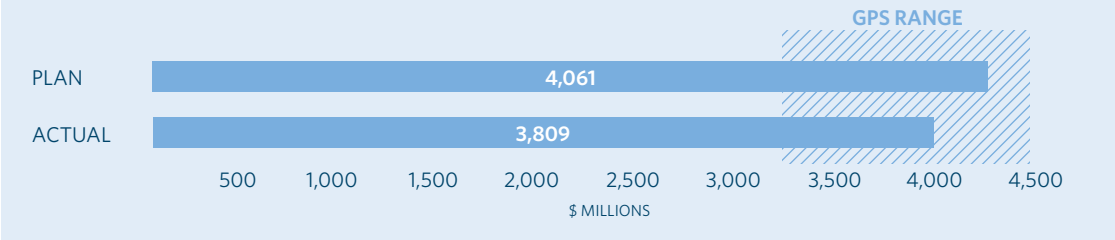
USE OF THE FUND BY ACTIVITY CLASS

Investment management



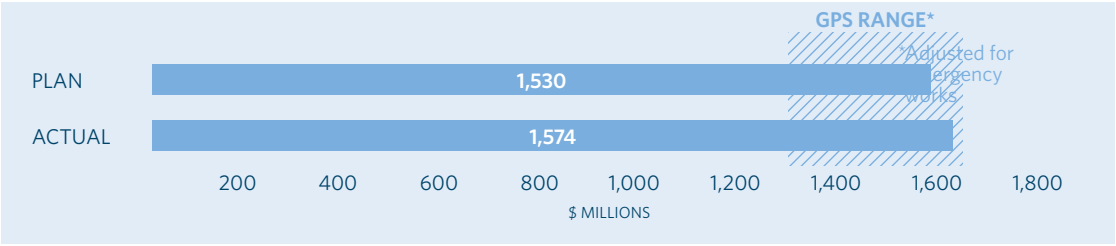
Expenditure in investment management was 2 percent above the published amount at the end of 2015–18. This $3 million increase was due to increased investment in transport planning to develop programme business cases, additional work to develop regional land transport plans as a result of the new Government Policy Statement on Land Transport and continued Road Efficiency Group work to improve activity management planning. The higher transport planning expenditure was offset by lower spends in sector research and investment in the funding allocation system, which enabled the activity class to remain within the Government Policy Statement funding range.

State highway improvements



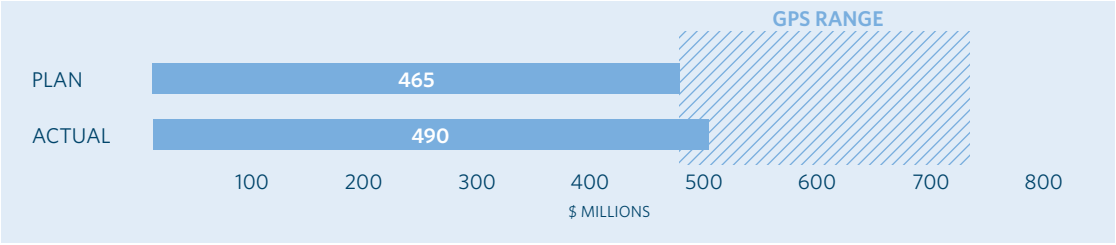
Expenditure on state highway improvements at the end of 2015–18 was 8 percent lower than the published amount. This reflects lower tender prices for some major projects and slower delivery than planned in some cases.

State highway maintenance (excluding emergency works)



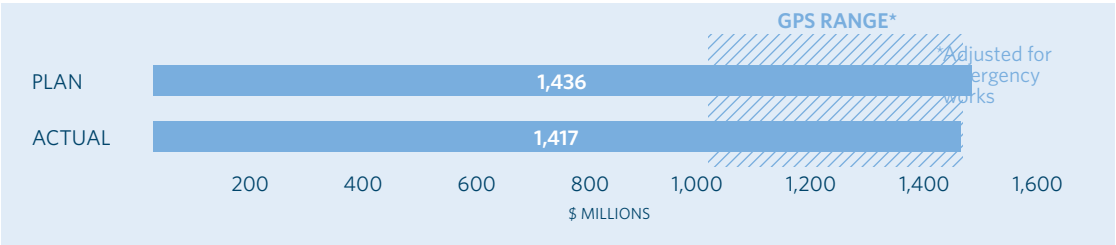
Expenditure on state highway maintenance at the end of 2015–18 was 3 percent above the published amount. This was due to a push to increase the percentage of the network undergoing renewal during 2017/18, following lower than planned levels in the previous two years.

Local road improvements



Expenditure on local road improvements at the end of 2015–18 was 5 percent above the published amount. The increase in spend was driven by the use of a targeted enhanced funding assistance rate[5] to accelerate the LED street-lighting programme, the decision to change the minor improvements threshold from $300,000 to $1 million, a reduction in compliance effort for approved organisations, and completion of funding claims as the three year period concluded. The net result was that the activity class achieved expenditure within the Government Policy Statement funding range, contrary to earlier expectations that it would fall short of the range.

Local road maintenance (excluding emergency works)

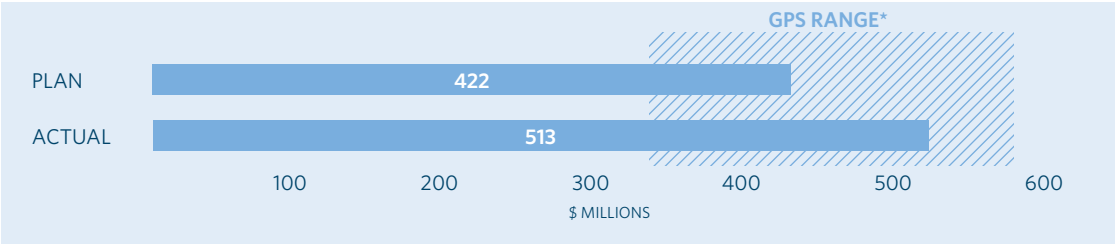


Final expenditure on local road maintenance was 1 percent below the published amount due to lower input costs and programme optimisation by local authorities making decisions around the correct timing of interventions, usually holding off renewals when there is still useful life left in the asset.

[5] Targeted enhanced rates are time-limited, specified funding assistance rates (FARs) that are higher than normal FARs and applied in exceptional circumstances and time-limited periods to either:

- facilitate an activity that is particularly important from a national land transport perspective, where it is highly likely that it would not proceed within an appropriate timeframe if additional funding assistance was not provided
- give a kick start to encourage and enable an approved organisation to make a step change.

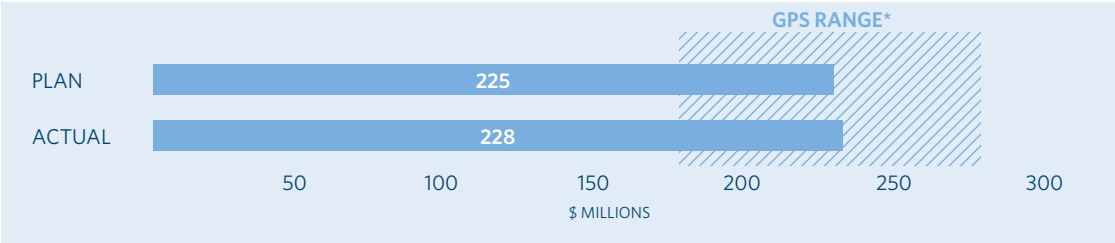
Emergency works on state highways and local roads



*Adjusted for maintenance programmes

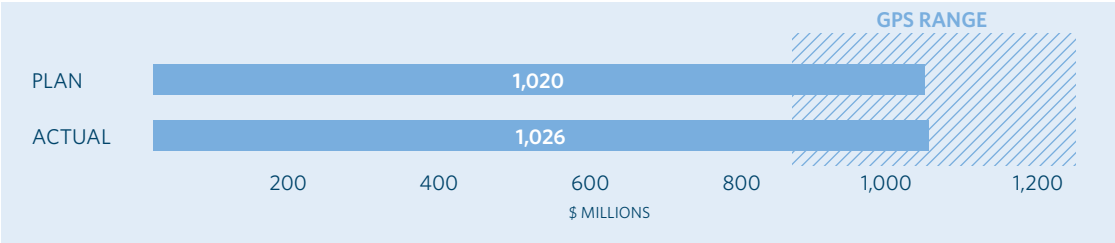
Expenditure on emergency works was 17 percent above the published amount. Some of this was due to the response to the Whanganui–Taranaki floods in 2015. The Kaikōura earthquake in 2016 and severe weather events in 2016/17 and 2017/18 also pushed up expenditure across local and state highway networks. The tail end of expenditure of these events will extend into the 2018–21 National Land Transport Programme.

Regional improvements



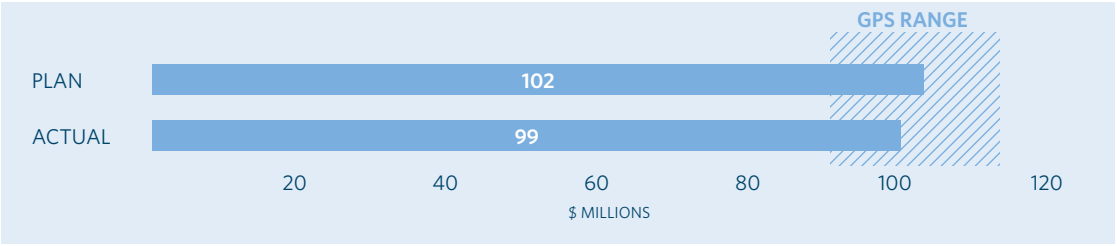
Regional improvements was a new activity class in the 2015–18 National Land Transport Programme, all of which was planned to be delivered on the state highway network, given that for most of the 2015–18 National Land Transport Programme, including during its development, delivery of local road improvements was expected to be below the Government Policy Statement funding range for the activity class. Therefore, only state highway activities were allocated to regional improvements. While delivery got off to a slow start, it accelerated through the latter half of the National Land Transport Programme and final expenditure at the end of 2017/18 was 1 percent above the amount published.

Public transport



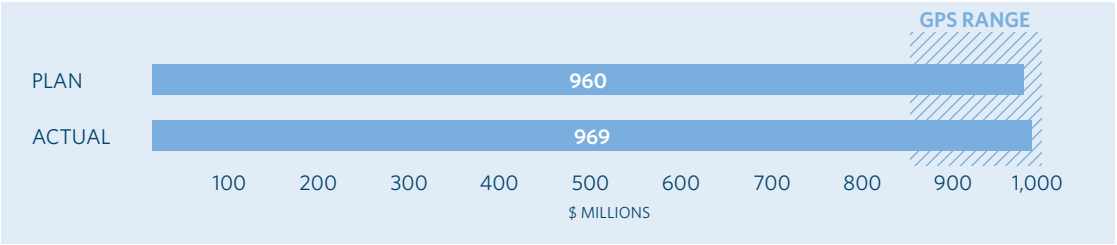
Final expenditure on public transport was 1 percent above the published amount, evenly spread across public transport services, infrastructure and Transport Agency investment. This was largely driven by increased spending on services and infrastructure in Auckland.

Road safety promotion



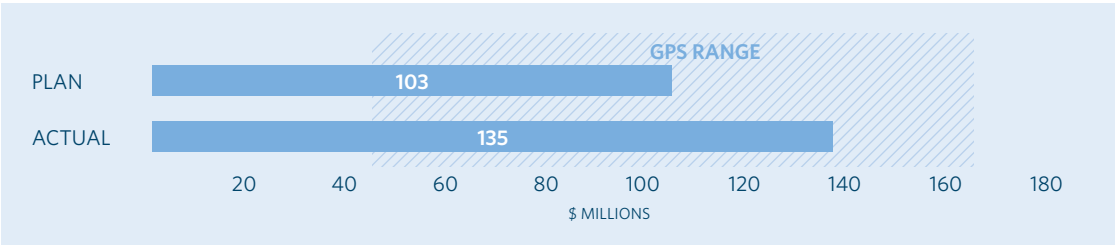
Final expenditure on road safety promotion for 2015-18 was 3 percent below the published amount, tracking closer to the approved funds compared with previous years. The underspend is due to a value-for-money decision to continue a successful advertising campaign and not spend further on a new campaign as well as due to changes in the production timelines for several campaigns in late 2017/18.

Road policing



Expenditure on road policing was, 0.9 percent above the published amount. The increase in funding allocation was approved so commercial vehicle inspections could continue.

Walking and cycling improvements



Expenditure on walking and cycling continued to be high, at 31 percent above the published amount. This was largely due to the impact of the Urban Cycleways Programme, where the Crown supplied additional funding. Part of the way through the 2015–18 National Land Transport Programme, the Minister of Transport adjusted the upper end of the Government Policy Statement funding range to accommodate the expenditure increase.

REGIONAL HIGHLIGHTS FOR 2015-18

NORTHLAND

WHERE 2015–18 INVESTMENT WAS FOCUSED

The 2015–18 National Land Transport Programme's investment in Northland was 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.

INVESTMENT HIGHLIGHTS FOR 2015–18

Completing the Brynderwyn Hills Safe System project: This project realigned the Brynderwyn Hills section of State Highway 1, widened the road, removed tight corners on the north side of the hills, and installed median and side wire rope barriers – improving safety for all road users. Work is now under way for pouwhenua to be installed at the new lookout point over Bream Bay.

Completing the Akerama Curves Realignment and Passing Lanes project: This project delivered a safer and realigned section of State Highway 1 north of Whāngārei, including an extended northbound passing lane, new southbound passing lane and a wetland for the protection of mudfish.

Completing the new State Highway 15 project: This project involved collaboration with councils, iwi, hapū and key users of this important freight route and community connection. The status of the original road was upgraded to a state highway, which removes the financial burden from the local councils and empowers the Transport Agency to support economic growth by meeting freight demands and providing accessibility in a safe and resilient manner.

Partnering on the Whāngārei Urban Cycleway network: This project has seen a co-investment through the National Land Transport Programme, the government's Urban Cycleways Fund and Whāngārei District Council for urban cycleways. Onerahi's Riverside Drive section opened in August 2016 and attracts commuters and families.

Delivering the Mid-Northland bus service: The Transport Agency partnered with Northland Regional Council for a new public transport service from December 2016. The service centred on the Bay of Islands and Kaikohe, connecting the people in these communities with services, recreation and jobs.

Creating the Northland Transportation Alliance: Since May 2016, the alliance has resulted in the Transport Agency and local and regional councils sharing resources and coordinating transport planning and operations across Northland. The alliance plans to create a more engaged and capable workforce to deliver superior asset management as well as improved customer outcomes, and enabling investment and social opportunities.

NATIONAL LAND TRANSPORT FUND INVESTMENT FOR 2015–18

ACTIVITY CLASS	2017/18 ACTUAL $000	2015–18 ACTUAL $000
Northland total	**146,219**	**345,562**
State highway improvements	25,784	69,187
State highway maintenance	42,506	93,482
Local road improvements	9,750	22,888
Local road maintenance	44,586	117,773
Regional improvements	19,169	31,054
Public transport	1,260	2,956
Road safety promotion, investment management and walking and cycling	3,165	8,221

AUCKLAND

WHERE 2015–18 INVESTMENT WAS FOCUSED

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

INVESTMENT HIGHLIGHTS FOR 2015–18

Completing the Waterview Tunnel section of the Western Ring Route Road of National Significance: The twin tunnels opened on 2 July 2017, and in the first year of operation delivered more resilience and reliability for people's journeys across the Auckland transport network. Nearly 22 million vehicles drove through the tunnel in 2017/18. More than 55,000 cycle trips were recorded on the Waterview Shared Path, which has become a link for people cycling on short trips to work, school and shops and a valued recreational facility.

Upgrading the Western Ring Route: Upgrading involved critical interchanges, at Te Atatū and Lincoln Rd (opened May 2016), St Lukes (October 2016) and the Causeway (November 2016), and substantial progress was made on the Lincoln to Westgate section now in construction. This route has become an alternative to State Highway 1, linking Manukau, central Auckland, Waitākere and the North Shore, improving network resilience, and travel-time reliability, creating bus shoulder lanes, and upgrading cycleway and pedestrian facilities.

Completing the State Highway 20A to Auckland Airport project: This project created a shared path for the local community and separated local traffic from motorway traffic, making it easier and more reliable to travel around Kirkbride and Māngere and improving access to and from Auckland Airport.

Collaborating on shared paths across Auckland: Work with Auckland Transport, Auckland Council and local boards is creating a network of connected paths that offer attractive, safe transport choices, so people can leave their cars at home. Connected paths are from Te Ara I Whiti Lightpath (completed in December 2015) to Quay Street Cycleway (completed July 2016) and section 1 of the Glen Innes to Tamaki shared path. Better cycling and walking infrastructure is now an important component in the Transport Agency's projects.

Creating better links and connections on the northern and southern corridors: Substantial progress was made on the Northern Corridor project to provide better links and improve transport options on the North Shore for freight, cars, pedestrians and cyclists. It includes a new motorway connection between State Highways 1 and 18, opening access to the Western Ring Route and Auckland airport. The Southern Corridor project will address bottlenecks at several locations to provide a more reliable trip for all road users. The project addresses safety risks in an area where rapid population growth is expected over the next 30 years. The project completed an additional section of southbound motorway lane, the new Takanini southbound off-ramp, and the Orams Road bridge upgrade in 2017. The full project is scheduled for completion by the end of 2019.

Co-investing in the Auckland Manukau Eastern Transport Initiative Eastern Busway: Auckland Transport successfully completed the approval and consultation processes for the Panmure to Pakuranga section of the Eastern Busway. Construction on the $1.2 billion project will begin in late 2018 and includes a dedicated, congestion-free busway with new cycling and walking connections, improvements to major intersections and improved public spaces.

NATIONAL LAND TRANSPORT FUND INVESTMENT FOR 2015–18

ACTIVITY CLASS	2017/18 ACTUAL $000	2015–18 ACTUAL $000
Auckland total	**990,088**	**2,808,016**
State highway improvements	404,041	1,238,623
State highway maintenance	140,594	347,460
Local road improvements	64,542	178,836
Local road maintenance	114,512	328,482
Regional improvements	-	-
Public transport	239,945	631,780
Road safety promotion, investment management and walking and cycling	26,454	82,836

WAIKATO

WHERE 2015–18 INVESTMENT WAS FOCUSED

The 2015–18 National Land Transport Programme's investment in Waikato was 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 to the export ports of Tauranga and Auckland.

INVESTMENT HIGHLIGHTS FOR 2015–18

Continuing progress on the Waikato Expressway: The expressway project enables considerable opportunity for economic development and improved safety. It is expected to save 35 minutes of journey time between Tirau and the Bombay Hills. The Cambridge section was completed in December 2015, and the Rangiriri section was substantially completed in 2017 with minor finishing works into 2018. Construction continues on the Hamilton, Huntly and Longswamp sections, with the final section, Hamilton, expected to open in 2020.

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 on improving safety on State Highway 1B east of Hamilton and State Highway 3 south to Awakino – an essential freight route to the Taranaki region.

Completing Te Awa cycleway: The shared walking and cycling corridor between Hamilton and Ngāruawāhia enables safe active travel between businesses, schools and residential areas within Hamilton, Horotiu and Ngāruawāhia. This corridor includes Perry Bridge, a pedestrian and cycle network arch bridge, the longest bridge of its kind in New Zealand, with seating and bike racks.

Constructing a roundabout at the intersection of State Highways 3 and 21 (Airport Road): This roundabout is located southwest of Hamilton and was completed in June 2016. It addresses an historical high-risk safety issue and enables economic development by providing access to industrial land next to Hamilton International Airport.

Collaborative planning and investigation for the future: An integrated programme of walking and cycling initiatives across the region considers the economic, transport, health, environmental and social benefits derived from increasing walking and cycling. Areas to have benefitted include Cambridge to Tamahere (the final section of Te Awa cycleway), the Western Rail Trail, the State Highway 3 shared path, and the Cobham Drive underpass connection, all of which opened in recent years.

NATIONAL LAND TRANSPORT FUND INVESTMENT FOR 2015–18

ACTIVITY CLASS	2017/18 ACTUAL $000	2015–18 ACTUAL $000
Waikato total	**554,083**	**1,394,973**
State highway improvements	317,075	844,621
State highway maintenance	114,218	246,964
Local road improvements	20,097	34,016
Local road maintenance	58,658	169,228
Regional improvements	29,888	54,342
Public transport	9,910	26,983
Road safety promotion, investment management and walking and cycling	4,036	18,818

BAY OF PLENTY

WHERE 2015–18 INVESTMENT WAS FOCUSED

The 2015–18 National Land Transport Programme's investment in Bay of Plenty was 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.

INVESTMENT HIGHLIGHTS FOR 2015–18

Improving State Highway 2 Waihi to Tauranga: During the next five years and beyond road safety will be improved on this stretch of state highway. Two of the 10 sections are in the design stage. Completion of the State Highway 2 Te Puna roundabout in September 2017 also delivered considerable safety improvements for the corridor.

Delivering improvements for Rotorua: Completion of the State Highway 5, State Highway 30 and Hemo Road roundabout in March 2018 increased road safety and access for cyclists and pedestrians. Detailed solutions for the eastern State Highway 30 Te Ngae Road and central State Highway 30A Amohau Street corridors continued. This work supports local growth, regional economic development and city centre revitalisation.

Continuing intersection improvements: The State Highway 29A Maungatapu underpass was opened to traffic in June 2018, increasing safety and separating state highway and local traffic. Construction continues on the State Highway 2/29A Baypark to Bayfair Link, which will complete the eastern corridor to the Port of Tauranga.

Delivering state highways to improve safety: The completed projects State Highway 33 Te Ngae (Rotorua) to Paengaroa, State Highway 30 Te Teko to Awakeri, and State Highway 30 to Kawerau section of State Highway 34 provide safer roads and roadsides. Progress was also made developing business cases, including for the Wainui Road to Ōpōtiki 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. Of note is the Omokoroa to Tauranga Cycleway, with implementation under way and completion in stages. The final stage is expected to be completed by late 2019.

Responding to growth: Options are being developed for the Tauriko Network Plan to support the planned and sustainable development of Tauriko West, enhance people's access to economic and social opportunities in the area, and protect State Highway 29's strategic role as part of the Auckland–Hamilton–Tauranga national strategic freight route.

NATIONAL LAND TRANSPORT FUND INVESTMENT FOR 2015–18

ACTIVITY CLASS	2017/18 ACTUAL $000	2015–18 ACTUAL $000
Bay of Plenty total	**201,203**	**487,172**
State highway improvements	76,921	216,928
State highway maintenance	37,544	101,188
Local road improvements	37,070	45,343
Local road maintenance	35,035	87,338
Regional improvements	2,119	4,023
Public transport	7,826	21,046
Road safety promotion, investment management and walking and cycling	4,689	11,305

GISBORNE

WHERE 2015–18 INVESTMENT WAS FOCUSED

The 2015–18 National Land Transport Programme's investment in Gisborne was 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.

The Tairāwhiti Regional Economic Development Action Plan identified the need for an integrated priority plan so transport investment is made at the right time and place to enable growth at a strategic local level.

Delivering the State Highways 2 and 35 Inter-Regional Connections programme business case: This business case is a key action from the Tairāwhiti Regional Economic Development Action Plan. It aims to identify important improvements on State Highways 2 and 35 and local connections to facilitate freight and tourism growth from the Bay of Plenty through Tairāwhiti to Hawke's Bay.

Completing construction of State Highway 2 Motu Bridge replacement: This safety and resilience project, delivered from the Accelerated Regional Transport Programme, replaces a one-lane bridge with a two-lane bridge and improves road alignment on the approaches to the bridge.

Beginning stage 2 of the Wainui Cycleway: The Wainui Cycleway is an Urban Cycleways Fund project to link Wainui with the Gisborne central business district. Stage 2 will link Sponge Bay with the central business district and will include separated cycleways linking several schools in Kaiti.

Beginning construction of the Rere Falls and State Highway 35 rest area upgrades: These two fully Crown-funded projects were identified in the Tairāwhiti Regional Economic Development Action Plan as providing safety and tourism benefits. The Rere Falls project is to provide a Heartland ride experience over 7km along State Highway 2 and includes sealing, widening and additional signage. The upgraded rest areas will encourage road users and tourists to pull off the road and take a break and will be a mix of fully serviced areas, picnic areas and laybys.

NATIONAL LAND TRANSPORT FUND INVESTMENT FOR 2015–18

ACTIVITY CLASS	2017/18 ACTUAL $000	2015–18 ACTUAL $000
Gisborne total	**53,680**	**102,895**
State highway improvements	7,702	11,348
State highway maintenance	15,493	38,597
Local road improvements	1,852	4,537
Local road maintenance	24,261	42,773
Regional improvements	1,896	2,976
Public transport	477	886
Road safety promotion, investment management and walking and cycling	1,999	1,777

HAWKE'S BAY

WHERE 2015–18 INVESTMENT WAS FOCUSED

Hawke's Bay 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.

INVESTMENT HIGHLIGHTS FOR 2015–18

Commencing construction of the Hawke's Bay Expressway Pakowhai and Links Rd intersection: This project will improve the efficiency of the Hawke's Bay Expressway by combining two adjacent intersections to remove a bottleneck. It will also improve safety.

Commencing construction of the Watchman Road intersection upgrade: This project will provide a safe and efficient route into Hawke's Bay airport. It will also improve safety at one of the North Island's highest-risk intersections and will link to cycling and walking infrastructure in the area.

Commencing construction in two State Highway 2 projects – Paki Paki to Waipukurau and Wairoa to Bay View: These projects will improve the safety of the road and roadside environment along the two corridors. They are part of the government's $600 million Safe Roads and Roadsides Programme.

Delivering the State Highway 2 Inter-regional Connections programme business case: This business case is a key action from the Tairāwhiti Regional Economic Development Action Plan. It aims to identify important improvements on State Highway 2 to facilitate freight and tourism growth from the Bay of Plenty through Tairāwhiti to Hawke's Bay.

Progressing the Whakatū Arterial Link: This link 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 (the 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 continues. Construction is expected to be completed by the end of 2018.

NATIONAL LAND TRANSPORT FUND INVESTMENT FOR 2015–18

ACTIVITY CLASS	2017/18 ACTUAL $000	2015–18 ACTUAL $000
Hawke's Bay total	**79,115**	**194,492**
State highway improvements	1,716	7,981
State highway maintenance	14,199	44,257
Local road improvements	8,512	17,016
Local road maintenance	30,007	79,920
Regional improvements	20,735	30,644
Public transport	2,097	6,031
Road safety promotion, investment management and walking and cycling	1,850	8,642

TARANAKI

WHERE 2015–18 INVESTMENT WAS FOCUSED

The 2015–18 National Land Transport Programme's investment in Taranaki was focused on freight efficiency, route resilience, interregional connectivity, road maintenance and public transport.

INVESTMENT HIGHLIGHTS FOR 2015–18

Progressing State Highway 3 Awakino Gorge to Mount Messenger: A preferred option was identified for the strategic link between Hamilton and New Plymouth and is now progressing through the detailed design stage. The new route will improve safety, resilience, route availability and travel times. The Accelerated Regional Transport Programme is delivering some of this work.

Completing the State Highway 3 Normanby Bridge realignment: The final stage of this project officially opened in January 2018. This project enables access for high-productivity motor vehicles, while also improving safety and journey-time reliability, which, ultimately, improves freight efficiency. The whole project has improved the old state highway with a new three-lane safe road alignment, a new railway bridge as well as a recreational area, drainage and signage throughout the route. The upgrade of Memorial Park is a good recreational area for the Normanby community. The Accelerated Regional Transport Programme delivered this project.

Investigating safety on critical sections of strategic road network: Several investigations are under way to target safety issues across the region, including State Highway 45 Ōakura, State Highway 3 Bell Block to Waitara and State Highway 3 New Plymouth to Hawera. Safety-focused responses will consider future demand and support the economic potential of the area.

Reinstating State Highways 3 and 43: Significant remedial work was required at various sites on State Highways 3 and 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: State Highway 3 Hawera to Whanganui became a high-productivity motor vehicle route in September 2015, which improved freight efficiency in the region.

Completing the State Highway 3 Vickers to City project: This route officially opened in June 2016, improving journey-time reliability, safety and route security to and from the New Plymouth central business district. This route also has dedicated facilities for cyclists.

Making progress on upgrades to cycling facilities on Coronation Avenue: These new cycle lanes connect the largest intermediate school into the existing cycle network. They also link the central business district, high schools and residential areas and provide a safer route. The cycleway was opened in June 2018.

NATIONAL LAND TRANSPORT FUND INVESTMENT FOR 2015–18

ACTIVITY CLASS	2017/18 ACTUAL $000	2015–18 ACTUAL $000
Taranaki total	**47,679**	**142,422**
State highway improvements	4,637	22,085
State highway maintenance	16,937	42,123
Local road improvements	4,649	10,247
Local road maintenance	17,590	58,925
Regional improvements	1,385	1,799
Public transport	1,749	4,616
Road safety promotion, investment management and walking and cycling	731	2,627

MANAWATŪ-WHANGANUI

WHERE 2015–18 INVESTMENT WAS FOCUSED

The 2015–18 National Land Transport Programme's investment in the Manawatū–Whanganui region was focused 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.

INVESTMENT HIGHLIGHTS FOR 2015–18

Completing the detailed business case for a State Highway 3 Manawatū Gorge replacement: The closure of the gorge in April 2017 and the subsequent decision to build an alternative route meant fast-tracking investigations to replace the existing route to minimise long-term effects on road users and local communities.

Commencing construction of the replacement of the State Highway 1 Whirokino Trestle and Manawatu River Bridge: A replacement bridge improves safety, efficiency and resilience, including allowing high-productivity motor vehicles to avoid taking a 14km detour.

Constructing 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 work includes a new bridge across the Manawatū River, connecting the city with Massey University and Linton Army Camp.

Completing the Accessing Central New Zealand strategic case to align transport system thinking across the region: This work delivered detailed business cases for State Highway 3 Napier Road and State Highways 3 and 54 Kairanga–Bunnythorpe Road to ensure the network will meet the demand of the growth in and around Palmerston North.

Consulting on Otaki to North Levin: An initial business case is being developed to identify options for this route.

NATIONAL LAND TRANSPORT FUND INVESTMENT FOR 2015–18

ACTIVITY CLASS	2017/18 ACTUAL $000	2015–18 ACTUAL $000
Manawatū–Whanganui total	**147,488**	**380,893**
State highway improvements	11,584	44,392
State highway maintenance	34,868	85,230
Local road improvements	12,047	24,887
Local road maintenance	56,485	174,185
Regional improvements	26,250	37,840
Public transport	3,620	9,314
Road safety promotion, investment management and walking and cycling	2,634	5,045

WELLINGTON

WHERE 2015–18 INVESTMENT WAS FOCUSED

The 2015–18 National Land Transport Programme's investment in Wellington was focused 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.

INVESTMENT HIGHLIGHTS FOR 2015–18

Investing in public transport: Work continues to develop additional commuter car park facilities in Waikanae and Paraparaumu to support the growth in rail patronage.

Continuing investment in walking and cycling networks in main urban centres: About $50 million has been invested in projects such as; beginning construction in Wellington City's eastern suburbs, completing stage 1 of the Hutt Road pathway, sealing and widening roads, continuing walking and cycling path projects in Upper Hutt, continuing construction of the Wainuiomata shared path, and pre-implementation work for the Beltway and Eastern Bays projects in Hutt City. Completion of these routes will improve safety and increase travel choices for commuters and recreational users.

Continuing investment in the Wellington Northern Corridor Road of National Significance: This project includes construction of Transmission Gully and the Peka Peka to Ōtaki Expressway. Completion of the Wellington Northern Corridor will significantly improve resilience, reliability, safety and journey times for customers.

Opening the MacKays to Peka Peka Expressway to traffic: This 18km four-lane expressway redirects State Highway 1 along the Kāpiti Coast and opened in February 2017. It is the first project in the Wellington Northern Corridor Road of National Significance programme to be completed and was opened four months ahead of schedule. The new route separates local and state highway traffic to enable safer, shorter and more reliable journeys along the Kāpiti Coast.

Constructing the State Highway 2 and State Highway 58 Haywards Interchange: This project was completed in July 2017, and included realigning the Manor Park highway connection, McDougal Grove and Hebden Crescent and constructing car parking and a pedestrian bridge to Manor Park Railway Station. The interchange separates traffic between State Highways 2 and 58, improving safety and journey-time reliability.

NATIONAL LAND TRANSPORT FUND INVESTMENT FOR 2015–18

ACTIVITY CLASS	2017/18 ACTUAL $000	2015–18 ACTUAL $000
Wellington total	**294,880**	**1,175,263**
State highway improvements	88,061	620,126
State highway maintenance	56,781	166,000
Local road improvements	29,854	43,986
Local road maintenance	39,257	111,660
Regional improvements	-	-
Public transport	74,311	215,003
Road safety promotion, investment management and walking and cycling	6,615	18,486

TOP OF THE SOUTH

WHERE 2015–18 INVESTMENT WAS FOCUSED

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

INVESTMENT HIGHLIGHTS FOR 2015–18

Completing the detailed design for a new two-lane bridge to Opawa Bridge: Construction funding was confirmed with $21 million allocated for this project, including landscaping and road realignment. Construction of the new bridge will take about 18 months and make State Highway 1 between Picton and Christchurch more resilient to natural disasters and major weather events.

Continuing the State Highway 6 Nelson Southern Link investigation: This investigation includes a possible State Highway 6 Rocks Road walking and cycling path. The programme business case has been finished for a project with the potential to deliver several benefits for the Nelson urban transport system.

Completing the initial business case for State Highway 1 Picton to Christchurch: This route is a nationally strategic route carrying large volumes of freight. Initial investigations identified a package of safety, resilience, efficiency and access proposals. A detailed business case for the realignment of Weld Pass between Blenheim and Seddon is proceeding.

Completing the State Highways 1 and 62 Spring Creek intersection roundabout: This roundabout opened in September 2017. This intersection was previously one of the least safe rural intersections in the country (ranked 15th out of 100 most dangerous). This project has made it easier and safer for people to travel into, through and from the Spring Creek area.

Beginning construction of State Highway 6 Rai Saddle Second Curve Realignment: This project is scheduled for completion in August 2018. This work will increase safety for road users by removing three corners with high crash risk along this section of State Highway 6.

Completing the State Highway 63 alternate route Picton to Christchurch: This project is part of the upgrading and resilience programme for State Highway 63. The work includes pavement strengthening, bridge improvements, enhanced traffic signs, and road markings to enable safe travel when State Highway 1 was closed for earthquake recovery work.

Completing walking and cycling paths: This work includes extending the Taylor River (Blenheim) shared path southwards to Wither Road. The Eltham and Beaver Roads separated cycle path was also completed, providing access to two schools and the Taylor River shared path.

NATIONAL LAND TRANSPORT FUND INVESTMENT FOR 2015–18

ACTIVITY CLASS	2017/18 ACTUAL $000	2015–18 ACTUAL $000
Top of the South total	**146,892**	**280,647**
State highway improvements	46,503	73,402
State highway maintenance	60,064	123,211
Local road improvements	7,551	10,787
Local road maintenance	21,168	50,407
Regional improvements	10,095	17,710
Public transport	813	2,449
Road safety promotion, investment management and walking and cycling	698	2,683

CANTERBURY

WHERE 2015–18 INVESTMENT WAS FOCUSED

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

THIS YEAR'S INVESTMENT HIGHLIGHTS

Constructing stage 2 of the Christchurch Southern Motorway and Northern Corridor projects: Both of these projects are part of the Christchurch Roads of National Significance programme aimed at easing congestion, improving travel times and increasing safety on critical motorway routes. These projects are expected to be completed in 2020/21.

Progressing reinstatement of Sumner Road: This work involves restoring an important alternative road link between Christchurch and Lyttelton Port that has remained closed since the 2011 earthquakes.

Completing State Highway 1 Western Belfast Bypass: This project will improve safety on this busy highway corridor while delivering more efficient freight access to the airport and the employment growth areas in the southwest of Christchurch.

Completing the State Highway 1 Western Corridor four-lane creation project: This project also includes the construction of the iconic Memorial Avenue Arches Overbridge and associated access improvements in and around Christchurch International Airport.

Responding to the Kaikōura earthquake: Through the North Canterbury Transport Infrastructure Recovery Alliance, over $100 million was directed to the repair and reinstatement of roads damaged by the November 2016 earthquakes.

Progressing stages 1 and 2 of the Accessible City programme: Stage 1 is now substantially completed, and work is well advanced on stage 2, implementing this 30-year programme. Stage 1 connected the anchor projects and provides a variety of transport choices for the inner-city network. Stage 1 involved connecting inner city cycleways, slowing traffic to 30km per hour and providing better streetscapes for business and residential rebuilding.

Beginning a $28.7 million project for a new fire protection system inside Lyttelton Tunnel: This system will increase safety for tunnel users while safeguarding a route that is an economic life line for both the greater Christchurch area and South Island as a whole.

NATIONAL LAND TRANSPORT FUND INVESTMENT FOR 2015–18

ACTIVITY CLASS	2017/18 ACTUAL $000	2015–18 ACTUAL $000
Canterbury total	**511,932**	**1,343,708**
State highway improvements	226,120	617,929
State highway maintenance	109,366	234,972
Local road improvements	24,566	53,395
Local road maintenance	111,517	334,799
Regional improvements	2,047	3,245
Public transport	24,295	69,564
Road safety promotion, investment management and walking and cycling	14,020	29,804

Note: By the end of 2015–18, investment from the National Land Transport Fund for the Chatham Islands totalled $11.137 million. This was primarily for local road maintenance ($10.525 million) and improvements ($0.574 million).

WEST COAST

WHERE 2015–18 INVESTMENT WAS FOCUSED

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

THIS YEAR'S INVESTMENT HIGHLIGHTS

Completing State Highway 6 Taramakau Road–Rail Bridge between Hokitika and Greymouth: The $25 million two-lane bridge officially opened on 22 July 2018. It will provide major safety benefits and improve access for visitors and locals. The new bridge has a cycle and pedestrian path that links to existing facilities, making it safer to walk and bike in this area.

Beginning work on the Whitcombe Valley Road project in the first quarter of 2018: This $1.24 million project is jointly funded by the Transport Agency and Westland District Council to improve the safety and driving experience along the last 6km of this route into the Hokitika Gorge. This project aligns with the Tai Poutini West Coast Growth Study, which identified the Hokitika Gorge as an iconic location for further development and promotion.

Collaborating on the Visiting Drivers project: This project is a collaboration between central and local government, the tourism and rental vehicle industries along with other organisations to deliver safety initiatives. The initiatives target popular tourist regions, including the West Coast, Otago and Southland. During 2017/18, $5 million of work was carried out, including upgrading road safety barriers and improving signage and road markings. These improvements increase safety for both visitors and local road users.

Partnering on the West Coast Regional Economic Development Action Plan: A co-investment approach has been taken for projects, including the Franz Josef township natural hazards options assessment and the Northern Link Road strategic business case.

Completing a detailed business case to replace the State Highway 7 Ahaura River Bridge: The project is now into the detailed design stage. The new bridge immediately south of the Ahaura township will improve safety as well as providing better regional and interregional road connections.

Repairing highway damage: In 2017/18, $3.5 million was spent on emergency work to repair highway damage, in particular from Cyclone Fehi, sea erosion on State Highway 6 at Punākaiki and Bruce Bay, and river erosion near the Gates of Haast.

Nearing completion of safety improvements to the Marlborough Street and High Street intersection in Greymouth: These improvements include a new roundabout and other traffic-calming measures to safely manage traffic through a busy intersection.

NATIONAL LAND TRANSPORT FUND INVESTMENT FOR 2015–18

ACTIVITY CLASS	2017/18 ACTUAL $000	2015–18 ACTUAL $000
West Coast total	**67,736**	**146,699**
State highway improvements	11,057	18,141
State highway maintenance	24,128	63,953
Local road improvements	1,208	3,225
Local road maintenance	10,007	28,306
Regional improvements	21,049	32,130
Public transport	97	300
Road safety promotion, investment management and walking and cycling	191	643

OTAGO

WHERE 2015–18 INVESTMENT WAS FOCUSED

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

INVESTMENT HIGHLIGHTS FOR 2015–18

Completing the new $22 million Kawarau Falls Bridge: This two-lane bridge at Frankton near Queenstown opened in May 2018. It provides for the safer and more efficient movement of freight and people south of Queenstown and creates improved access to Queenstown Airport and to the many new commercial developments on the Frankton Flats area around the airport.

Confirming funding for works between Dunedin and Port Chalmers: In May 2018, funding was confirmed to complete the final 5km section of the Dunedin to Port Chalmers shared path and to improve highway safety on State Highway 88 between Dunedin and Port Chalmers. This project is designed to increase safety for all highway users, particularly pedestrians and cyclists. The shared path and safety improvements will cost between $20 million and $25 million. The shared path will take an estimated three years to complete.

Completing the Eastern Access Road project (Hawthorne Drive): This new local arterial road in Queenstown (Frankton Flats) provides alternative access for employment, tourism and freight due to mixed land use in Frankton Flats and access to the new Wakatipu High School. The route eases congestion on State Highway 6 and at the intersection of State Highways 6 and 6A. Fifty-one percent of the $14.95 million construction cost of this project was funded from the 2015–18 National Land Transport Programme. Queenstown Lakes District Council paid the balance.

Launching improved public transport services in Queenstown: These services represent a joint $9.7 million investment by the Transport Agency and Otago Regional Council from 2017/18 to 2020/21. These services, which started in November 2017, aim to double public transport trips in the next two years, using a simplified route structure and flatter fares (most trips on the service are $2).

Dunedin City Council Central City Cycle Network project: Construction started in the first half of 2018 on this $7.8 million project to improve access and provide safe routes for cyclists connecting to the central city area, including a cycle bridge over Water of Leith. This project is jointly funded by the Dunedin City Council and 2015–18 National Land Transport Programme and is expected to be completed in the first half of 2019.

NATIONAL LAND TRANSPORT FUND INVESTMENT FOR 2015–18

ACTIVITY CLASS	2017/18 ACTUAL $000	2015–18 ACTUAL $000
Otago total	**146,883**	**316,274**
State highway improvements	24,844	38,738
State highway maintenance	42,197	97,586
Local road improvements	12,637	26,520
Local road maintenance	46,286	113,770
Regional improvements	8,870	13,053
Public transport	8,250	18,175
Road safety promotion, investment management and walking and cycling	3,799	8,431

SOUTHLAND

WHERE 2015–18 INVESTMENT WAS FOCUSED

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

INVESTMENT HIGHLIGHTS FOR 2015–18

Tendering in May 2018 to construct the Edendale State Highway 1 realignment: The new 2.6km alignment will bypass Edendale and the Fonterra dairy plant site. This $14 million investment will improve safety for highway users and the surrounding community and increase access and safety on Southland's main road freight route.

Constructing the Haldane to Curio Bay road: Construction started mid-2017 on this popular tourist route in the Catlins coastal area 80km east of Invercargill. This joint $7 million Transport Agency and Southland District Council project will improve safety on a busy, gravel visitor route by sealing the surface and improving road alignment.

Engaging with stakeholders on plans to develop the State Highway 1 Elles Road roundabout: This $2.3 million roundabout will improve safety and access to future industrial development sites near the intersection.

Working with Invercargill City Council to increase public transport patronage: This work involved developing cost-effective initiatives (as part of the council's 2018–21 continuous public transport improvement programme) to make public transport a more attractive way for people to move around the city. The initiatives will be implemented in 2018/19.

Collaborating on the Visiting Drivers project: This project is a collaboration between central and local government, the tourism and rental vehicle industries along with other organisations to deliver safety initiatives. The initiatives target popular tourist regions, including Southland, Otago and the West Coast. During 2017/18, $5 million of work was carried out, including upgrading road safety barriers and improving signage and road markings. These improvements increase safety for both visitors and local road users.

NATIONAL LAND TRANSPORT FUND INVESTMENT FOR 2015–18

ACTIVITY CLASS	2017/18 ACTUAL $000	2015–18 ACTUAL $000
Southland total	**55,833**	**134,598**
State highway improvements	4,160	7,469
State highway maintenance	20,658	53,454
Local road improvements	8,122	10,508
Local road maintenance	19,405	55,569
Regional improvements	2,164	3,720
Public transport	1,035	2,999
Road safety promotion, investment management and walking and cycling	289	880

SECTION C

FINANCIAL STATEMENTS AND AUDIT REPORTS

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 are responsible 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 2018.

Signed on behalf of the board:

MICHAEL STIASSNY
Chair
28 September 2018

MARK DARROW
Chair of the Audit, Risk and Assurance Board Committee
28 September 2018

Countersigned by:

FERGUS GAMMIE
Chief Executive
28 September 2018

HOWARD CATTERMOLE
General Manager Investment and Finance
28 September 2018

JENNY CHETWYND
General Manager Strategy, Policy and Planning
28 September 2018

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	ACTUAL 2017/18 $M	BUDGET 2017/18 $M	ACTUAL 2016/17 $M
REVENUE INFLOWS*				
Land transport revenue	3	3,658	3,555	3,584
Management of Crown land		53	67	72
Tolling revenue		10	7	9
Interest revenue		12	13	9
Total revenue inflows	2	3,733	3,642	3,674
OUTFLOWS				
National Land Transport Programme (NLTP)	2	3,435	3,266	3,082
Road Policing Programme		333	322	321
Fuel excise duty/road user charges administration		5	5	5
Forecasting and strategy		1	1	1
Total outflows		3,774	3,594	3,409
SURPLUS/(DEFICIT) FROM CURRENT NATIONAL LAND TRANSPORT FUND BALANCE		(41)	48	265
Fair value gain on long-term payables		20	20	17
National Land Transport Fund (NLTF) expenditure to be funded long-term		(557)	(518)	(310)
Finance charges		(6)	(6)	(3)
Deficit to be funded from future NLTF revenue		(543)	(504)	(296)
SURPLUS/(DEFICIT)		**(584)**	**(456)**	**(31)**

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	NOTE	ACTUAL 2017/18 $M	BUDGET 2017/18 $M	ACTUAL 2016/17 $M
ASSETS				
Cash and cash equivalents	6	515	509	575
Receivables	3	272	253	232
Total assets		787	762	807
LIABILITIES				
Payables	4	1,899	1,832	1,335
Total liabilities		1,899	1,832	1,335
NET ASSETS		**(1,112)**	**(1,070)**	**(528)**
General funds		(1,112)	(1,070)	(528)
GENERAL FUNDS CLOSING BALANCE*	**7**	**(1,112)**	**(1,070)**	**(528)**

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

STATEMENT OF CHANGES IN GENERAL FUNDS BALANCE FOR THE YEAR ENDED 30 JUNE 2018

	ACTUAL 2017/18 $M	BUDGET 2017/18 $M	ACTUAL 2016/17 $M
GENERAL FUNDS OPENING BALANCE			
General funds	(528)	(614)	(497)
Total general funds opening balance	(528)	(614)	(497)
CHANGES IN GENERAL FUNDS BALANCE			
Surplus/(deficit)	(584)	(456)	(31)
Total changes in general funds balance	(584)	(456)	(31)
GENERAL FUNDS CLOSING BALANCE			
General funds	(1,112)	(1,070)	(528)
TOTAL GENERAL FUNDS CLOSING BALANCE*	**(1,112)**	**(1,070)**	**(528)**

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	ACTUAL 2017/18 $M	BUDGET 2017/18 $M	ACTUAL 2016/17 $M
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from land transport revenue	3,692	3,660	3,690
Payments to suppliers	(3,752)	(3,609)	(3,377)
Net cash from operating activities	(60)	51	313
NET INCREASE/(DECREASE) IN AMOUNTS HELD BY THE CROWN	**(60)**	**51**	**313**
Amounts held by the Crown at the beginning of the year	575	458	262
AMOUNTS HELD BY THE CROWN AT THE END OF THE YEAR*	**515**	**509**	**575**

* 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.

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

	ACTUAL 2017/18 $M	BUDGET 2017/18 $M	ACTUAL 2016/17 $M
NET SURPLUS/(DEFICIT) AFTER TAX	**(584)**	**(456)**	**(31)**
Add/(less) movements in working capital items:			
(Increase)/decrease in receivables	(40)	(2)	16
Increase/(decrease) in payables	564	509	328
Net movements in working capital items	**524**	**507**	**344**
NET CASH FROM OPERATING ACTIVITIES	**(60)**	**51**	**313**

NOTES TO THE FINANCIAL STATEMENTS

1 / ENTITY INFORMATION

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, being a notional account, does not hold any physical assets.

The National Land Transport Fund has no employees.

The financial statements for the National Land Transport Fund are for the year ended 30 June 2018, and were approved by the board on 28 September 2018.

BASIS OF PREPARATION

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 generally accepted accounting practice in New Zealand (NZ GAAP).

The National Land Transport Fund is a public benefit entity (PBE) for financial reporting purposes. The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

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

The accompanying notes form part of these financial statements. Where an accounting policy is specific to a note, the policy is described in the note to which it relates.

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

Budget figures

The budget figures are derived from the *Statement of performance expectations* as approved by the Board on 9 June 2017. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are materially consistent with those adopted by the Board in preparing these financial statements. The budget figures are not audited.

Explanations of major variances against budget are provided in the notes.

Taxes

All items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are stated on a GST-inclusive basis.

The Transport Agency is a public authority, so is exempt from the payment of income tax.

Standards issued and not yet effective

All standards, amendments and interpretations to existing standards that have been published and are mandatory for accounting periods beginning on 1 July 2017 have been applied within the National Land Transport Fund financial statements.

Financial instruments

In January 2017, the External Reporting Board issued PBE IFRS 9 Financial Instruments. This replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

The National Land Transport Fund financial statements will adopt PBE IFRS 9 in 2018/19. This is consistent with the Treasury's decision to adopt PBE IFRS 9 for the financial statements of the government of New Zealand in 2018/19. No material measurement changes are expected from adopting the standard.

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

	ACTUAL 2017/18 $M	ACTUAL 2016/17 $M	ACTUAL 2015/16 $M
REVENUE INFLOWS			
Land transport revenue	3,658	3,584	3,458
Management of Crown land	53	72	63
Tolling revenue	10	9	7
Interest revenue	12	9	5
Total revenue inflows	3,733	3,674	3,533
OUTFLOWS			
National Land Transport Programme	3,435	3,082	2,909
Road Policing Programme	333	321	315
Fuel excise duty/road user charges administration	5	5	5
Forecasting and strategy	1	1	1
Total outflows	3,774	3,409	3,230
SURPLUS/(DEFICIT) FROM CURRENT NATIONAL LAND TRANSPORT FUND BALANCE	**(41)**	**265**	**303**
Fair value gain on long-term payables	20	17	11
National Land Transport Fund expenditure to be funded long term	(557)	(310)	(369)
Finance charges	(6)	(3)	0
Deficit to be funded from future National Land Transport Fund revenue	**(543)**	**(296)**	**(358)**
SURPLUS/(DEFICIT)	**(584)**	**(31)**	**(55)**

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.

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 payment of taxes and duties does not entitle the payer to an equivalent value of services or benefits, because there is no direct exchange relationship between paying taxes and duties and receiving services or benefits from the National Land Transport Fund. Revenue is recognised when specific criteria have been met for each of the National Land Transport Fund activities and the revenue can be reliably measured.

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.

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 – which provides 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 also funds search and rescue activities and recreational boating safety and safety awareness.

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

EXPLANATIONS OF MAJOR VARIANCES AGAINST BUDGET

Revenue inflows

Land transport revenue was $103 million above budget due to higher road user charges revenue.

Outflows

National Land Transport Programme was $169m above budget. This was due to higher expenditure on local roads, public transport and state highway maintenance.

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.

The most significant variance to budget related to the fair value movements of financial instruments.

3 / LAND TRANSPORT REVENUE AND RECEIVABLES

	ACTUAL 2017/18 $M	ACTUAL 2016/17 $M
REVENUE		
Fuel excise duty	1,957	1,957
Road user charges	1,594	1,508
Motor vehicle registration and annual licensing fees	228	224
	3,779	3,689
LESS REFUNDS		
Fuel excise duty	71	61
Road user charges	43	39
Motor vehicle registration and annual licensing fees	1	1
	115	101
Less bad debt write-off	6	4
TOTAL LAND TRANSPORT REVENUE	**3,658**	**3,584**

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 $12 million (2017: $9 million).

Receivables (included in the statement of financial position)

	ACTUAL 2017/18 $M	ACTUAL 2016/17 $M
Debtors – fuel excise duty	262	234
Debtors – motor vehicle register/road user charges	26	12
Provision for doubtful debt	(16)	(14)
TOTAL RECEIVABLES	**272**	**232**

4 / PAYABLES

	ACTUAL 2017/18 $M	ACTUAL 2016/17 $M
Current payable to Transport Agency (for the NLTP) – current NLTF balance	352	331
Current payable to Transport Agency (for the NLTP) – to be funded from future NLTF revenue	23	15
Non-current payable to Transport Agency (for the NLTP) – to be funded from future NLTF revenue	1,524	989
TOTAL PAYABLES	**1,899**	**1,335**

Current payables are recorded at their face value. Current payables are non-interest bearing and are normally settled on 30-day terms. The carrying value of current payables approximates their fair value.

Non-current payables are a mixture of interest and non-interest bearing advances which will be settled between 1 to 32 years. Non-interest bearing non-current payables are discounted to present value as at 30 June 2018.

5 / PLANNED OUTFLOWS

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

	ACTUAL 2017/18 $M	ACTUAL 2016/17 $M
Not later than one year	3,941	5,382
Later than one year and not later than five years	5,791	2,771
Later than five years	5,864	6,051
TOTAL PLANNED FUNDING	**15,596**	**14,204**

6 / FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments

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

	ACTUAL 2017/18 $M	ACTUAL 2016/17 $M
LOANS AND RECEIVABLES		
Cash and cash equivalents	515	575
Receivables	272	232
TOTAL LOANS AND RECEIVABLES	**787**	**807**
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Payables	1,899	1,335
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**1,899**	**1,335**

Financial 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 these risks.

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 each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

Credit quality of financial assets

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. The largest debtor is the Crown, which has a Standard and Poor's credit rating of AA+.

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 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 that in some instances, will differ from the carrying amount of the relevant liability in the statement of financial position.

	2017/18				2016/17			
	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	380	20	493	1,800	352	44	367	1,095

7 / GENERAL FUNDS AND CAPITAL MANAGEMENT

	ACTUAL 2017/18 $M	ACTUAL 2016/17 $M
General funds – current	435	476
Total general funds – current	435	476
NATIONAL LAND TRANSPORT PROGRAMME EXPENDITURE TO BE FUNDED LONG TERM		
Auckland Transport Package	(357)	(236)
Public–private partnerships	(1,001)	(557)
Reinstatement of earthquake-damaged roads in Christchurch	(24)	(41)
Tauranga Eastern Link	(107)	(107)
Fair value changes in financial instruments	(58)	(63)
Total general funds – non-current	(1,547)	(1,004)
TOTAL GENERAL FUNDS CLOSING BALANCE	**(1,112)**	**(528)**

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 that are not due until 1 to 32 years from balance date.

Although the fund has a negative general funds balance, the directors consider the going concern assumption valid due to the following.

- The fund's liquidity is actively managed.
- The fund has a positive cash balance of $515 million as at 30 June 2018 (2017: $575 million).
- The fund's long-term forecasts show its ability to repay these obligations when they fall due.
- The main revenue source of the fund is land transport revenue, which is forecast with inputs from other government departments and has been accurately forecast in recent years.
- The 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 debt management framework is in place to determine a sustainable and efficient level of future liabilities. The framework is based on the expected level of fund inflows and forward commitments, and comprises measures and target operating ranges to guide decision making.

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 actively and prudently manages the National Land Transport Fund and has policies in place to ensure the viability of the long-term position of the fund as well as ensuring the fund effectively achieves the requirements set out in the Land Transport Management Act 2003.

8 / RELATED PARTY TRANSACTIONS

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 relationship under normal terms and conditions for such transactions. 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.

9 / CONTINGENCIES

The National Land Transport Fund has no contingent liabilities or contingent assets (2017: Nil).

10 / COMMITMENTS TO REGIONS REPORTING

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

	LTMA COMMITMENT $M	ACTUAL TO DATE $M
Wellington land transport (western corridor)	660	376
Bay of Plenty	150	132
TOTAL	**810**	**508**

All regional commitments were approved for payment from the National Land Transport Fund within the timeframes specified in the Land Transport Management Amendment Act 2008.

Bay of Plenty relates to Rotorua projects and is forecast to be complete by 2023/24.

Wellington land transport (western corridor) relates to Transmission Gully and is forecast to be complete by 2021/22.

11 / EVENTS AFTER THE BALANCE DATE

There were no significant events after the balance date.

STATEMENT OF SERVICE PERFORMANCE – FINANCIALS

OUTPUT CLASS FUNDING TO THE NZ TRANSPORT AGENCY

	ACTUAL 2017/18 $M	BUDGET 2017/18 $M	ACTUAL 2016/17 $M
Investment management	59	62	60
Public transport	382	336	334
Walking and cycling	50	71	42
Road safety promotion	36	35	33
Local road improvements	246	157	141
Local road maintenance	627	595	595
Regional improvements	140	138	69
State highway improvements	1,167	1,278	1,256
State highway maintenance	728	594	552
TOTAL OUTPUT CLASS FUNDING TO THE TRANSPORT AGENCY	**3,435**	**3,266**	**3,082**
Auckland Transport Package	122	70	124
Public–private partnerships	459	463	174
Reinstatement of earthquake-damaged roads in Christchurch	(17)	0	2
Fair value changes in financial instruments charged to surplus or deficit	(7)	(15)	10
TOTAL OUTPUT CLASS FUNDING (LONG TERM)	**557**	**518**	**310**

State highway maintenance was $134 million above budget due to significant weather events and spend related to the Kaikōura earthquake to ensure a viable alternate route between Picton and Christchurch.

Local road improvements and local road maintenance were $121 million above budget in total. This was due to increased activity by local councils and other approved organisations as the third and final year of the National Land Transport Programme was concluded.

Public transport was $46 million above budget. The higher spend was driven by increased expenditure on infrastructure (new electric train units in Auckland) and improvements in public transport services (mostly in Auckland).

State highway improvements were $111 million below budget. This was primarily driven by programme slippage on the Waikato Expressway, as a result of poor weather, the Wellington Northern Corridor, due to delays in securing a number of consents and re-scoping of the East West Link project.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF NATIONAL LAND TRANSPORT FUND'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2018

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

We have audited:

- the financial statements of the NLTF on pages 231 to 239, that comprise the statement of financial positions as at 30 June 2018, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the service delivery and investment performance measures included in the performance information of the NLTF on pages 187 to 208 and 240.

In our opinion:

- the financial statements of the NLTF on pages to 231 to 239:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2018; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity International Public Sector Accounting Standards; and.
- the service delivery and investment performance measures included in the performance information of the NLTF on pages 187 to 208 and 240:
  - presents fairly, in all material respects, the NLTF's performance for the year ended 30 June 2018, including:
    - for each class of reportable outputs:
      - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
      - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 28 September 2018. This is the date at which our opinion is expressed.

The basis for 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 audit opinion.

Responsibilities of the Board for the financial statements and the performance information

The Board is 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 is responsible for such internal control as they determine is necessary to enable them 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 for the audit of the financial statements and the performance information

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 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 responsible for the other information. The other information comprises the information included on pages 175 to 186, 187 to 208 (excluding service delivery and investment performance measures) and 209 to 230, 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 in our capacity as auditor, we have no relationship with, or interests, in the NLTF.

BRENT MANNING
KPMG
On behalf of the Auditor-General
Wellington, New Zealand

NZ TRANSPORT AGENCY
WAKA KOTAHI

If you have further queries, call our contact centre on 0800 699 000 or write to us:

NZ Transport Agency
Private Bag 6995
Wellington 6141.

This publication is also available on NZ Transport Agency's website at **www.nzta.govt.nz**