

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 2019





NZ Transport Agency

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SECTION A

OVERVIEW OF 2018/19



CHAIR'S FOREWORD

Transport plays an important role in the wellbeing of New Zealanders. Waka Kotahi NZ Transport Agency invests in transport solutions that create liveable cities and thriving regions, where people and businesses can connect to social and economic opportunities. There's increasing pressure on the New Zealand transport system from more vehicles and other forms of transport, population growth and emerging technologies. Our land transport system needs to accommodate this growth while withstanding disruptions and keeping people safe.

The Government Policy Statement on land transport 2018/19 – 2027/28 has significantly changed New Zealand's priorities for land transport and increased expectations on the Transport Agency. The Transport Agency has responded to the new direction by refreshing its strategy to focus on how transport can improve New Zealanders' wellbeing by keeping people healthy and safe; being accessible to everyone; and being environmentally sustainable. This is the Transport Agency's first annual report against its new strategy. It's also the first time we are reporting on how the National Land Transport Programme 2018–21 is being delivered under the government's new priorities.¹

In the past year, the Transport Agency has experienced considerable changes and challenges. When serious concerns were raised about how it was enforcing vehicle-testing regulations, the Transport Agency Board's former chair Michael Stiassny commissioned a review to examine the failings. Since then, the board has overseen major changes at the Transport Agency to reform its regulatory function and ensure vehicle testing is always done properly. This work is ongoing. The Transport Agency also had to urgently respond to major problems with how its Connected Journeys Solutions group was being run. The group has now been disestablished and its functions have been incorporated into the Workplace and Technology group. While acknowledging these issues, it is also recognised that much has been achieved within and by the Transport Agency.

The Transport Agency is now in a stable position and looking to the future again. Maintaining that stability is a high priority for me, as is repositioning the Transport Agency so it can improve the lives of New Zealanders. To do this, the Transport Agency needs to be more adaptable and work more closely with others. Pressure on the National Land Transport Fund means it will be hard to meet all the government's expectations for transport with the money that's available. It's important that, when we prioritise our spending, we make those decisions, where appropriate, with our stakeholders.

On behalf of the board, I want to thank former board chair Michael Stiassny, who stood down in late April 2019, and Nick Rogers who acted as chair until I was appointed by the Minister of Transport in June 2019. I also want to acknowledge the contributions that board members Dame Fran Wilde, Adrienne Young-Cooper, Chris Ellis, Mark Darrow, Vanessa van Uden, Leo Lonergan and Sheridan Broadbent made to the Transport Agency during their terms.

Interim chief executive Mark Ratcliffe has led the Transport Agency through a difficult period and established a strong foundation for the future. I am confident that his leadership has enabled our staff to refocus on our priorities and to rebalance the transport system towards safer, more accessible transport, better regional and local roads and rail, and better value from investments. I want to acknowledge Mark's commitment and what he has achieved in his temporary role as Chief Executive. The board is well advanced in the process of recruiting a permanent chief executive and expect to confirm the successful applicant shortly.

Similarly, I would like to acknowledge the considerable efforts of the staff. As noted, the last year has been very challenging with significant issues to be addressed. Their ongoing contribution and goodwill are noted with thanks.

Our fundamental task remains – being to work together with our partners to deliver a transport system that supports well-functioning communities so New Zealand can thrive.



SIR BRIAN ROCHE
Chair

Our fundamental task remains the same – working together with our partners to deliver a transport system that supports well-functioning communities so New Zealand can thrive.



¹ The annual report for the National Land Transport Fund begins on page 187.

TE WAKA KOTAHI PŪRONGO Ā-TAU KUPU WHAKATAKI A TE TIAMANA

He wāhi nui te ara haere ki te hauora o ngā Iwi o Aotearoa. He tapaenga nā Waka Kotahi ki roto o ngā hīraunga ara haere e puta ai te taonenui whaiora me ngā rohe ora rawa atu; e tūhonotia ai te tangata me te pakihi ki ngā angitū ā-hapori, ā-ōhanga. He pēpēhinga anō ki ngā pūnaha o te ara haere o Aotearoa mai i te tini haere o ngā waka, o te tokomaha haere o te tangata, me ngā hangarau hōu. Me whai whakaaro te ara haere ā-whenua ki ēnei hurihurihanga, he oti rā te haukotu i te tauwhatinga ā, me haumaruru hoki te tangata.

Kei te Kaupapahere Kāwanatanga o te Ara Haere ā-Whenua o 2018/19 - 2027/28 ētahi whakamātuatanga hirahira mō te ara haere ā-whenua, me ngā manako mō Waka Kotahi. Ko tā mātou whakautu ki ēnei ahunga kē he whakahou i tā mātou rautaki kia hāngai tonu ki te whakapai ake i te ara haere me te whaiora tonu mō ngā Iwi o Aotearoa: kia wātea ki te katoa; kia manaakitia hoki te taiao. Ko te pūrongo tuatahi o Waka Kotahi tēnei ki tā mātou rautaki hou. Ko te tuatahi hoki tēnei hei pūrongo ki te whakarātanga o te Hōtaka ā-Motu o te Ara Haere ā-Whenua 2018-21 mai i ngā whakamātuatanga hou a te Kāwanatanga.

Nō roto o te tau kua pahure tata nei ka nui ngā whakarerekētanga me ngā whakapātaritanga i a Waka Kotahi. Nō te putanga mai o ngā āwangawanga nui ki tā mātou ūruhi i ngā ture whakamātau-waka ka karangatia e tō mātou Tiamana o taua wā e Michael Stiasny tētahi arotakenga i ngā hapa. Nō reira kua kaha te Poari ki te whakarerekē i a Waka Kotahi ki te whakahou i tā mātou mahi rekureihana kia tika tūturu ai te whakamātauwaka. Ka haere tonu taua mahi ahu ake. He mahi nunui anō tā Waka Kotahi tiroiro ohotata i ngā rarururu nui e pā ana ki te whakahaere o tō mātou rōpū Whakamārama Tūhononga Haere. Kua whakakorehia taua rōpū ināianei, kua raua ki te rōpū Papamahi me te Hangarau. E mārama mai ana aua take nui nei, heoi anō, he mahi anō kua whakatutukihia ā-roto, ā-waho hoki o Waka Kotahi.

Kua tau a Waka Kotahi ināianei, kua titiro whakamua anō. He whakamātuatanga nui taua tau ki a au, tae atu ana ki te whakatika i a Waka Kotahi ki te whakapai ake i te whaiora o ngā Iwi o Aotearoa. Kia pērā rawatia me kaha kē ake te takatū a Waka Kotahi, me te mahi ngātahi. Ki te pūtea e wātea ana mai i te Pūtea ā-Motu o te Ara Haere ā-Whenua he uaua kē te tūtaki i ngā tūmanako a te Kāwanatanga. Mea nui te whakamātuatanga me ngā hoa whaiwāhi mai. Mō te Poari, kei te nui te mihi ki te Tiamana o te Poari o mua Michael Stiasny, i tuku i tana tūranga i te Āperire o 2019, ki a Nick Rogers, ki tōna tiamanatanga tae noa ki tōku whakaingotanga hei Tiamana e te Minita o Waka Aotearoa i te Hūne o 2019. Kei te mihi hoki ki ngā tākoha ki a Waka Kotahi nā ngā mema o mua o te Poari, ki a Kahurangi Fran Wilde, ki a Adrienne Young-Cooper, me Chris Ellis, Mark Darrow, Vanessa van Uden, Leo Lonergan, Sheridan Broadbent.

Nā te Tumu Whakarae o te wā Mark Ratcliffe a Waka Kotahi i ārahi i tēnei wā mōrearea, nāna te kaha o te pūtaketanga i whakaū mō āpōpō. He mārama ki ahau nā tāna aratakinga i hāngai pū ai te titiro a ngā kaimahi ki ngā whakamātuatanga, ki te whakataurite hoki i ngā pūnaha ara haere kia wātea pai ai, kia tau pai ai ngā rori me ngā rerewē ā-rohe, ā-takiwā, he uara pai anō mai i ngā tāpaenga. Me mihi au ka tika ki te here a Mark me āna whakatutukitanga i te roanga o tōna tau hei Tumu Whakarae. Kua tau anō te whai a te Poari i tētahi Tumu Whakarae mauroa, ā kua kore e roa te whakaingotanga.

Waihoki, he mihi anō nāku ki te whakapaunga o te kaha e ngā kaimahi. Inā rā, he nui ngā take whakapātaritari i whāia ai e rātou. E mihi ana ki te haere tonu o tō rātou tohu aroha, me te tuku tākoha mai rā anō hoki.

Ko taua mahi tonu tā mātou hei whai - arā te mahi ngātahi me ō mātou hoa mahi ngātahi ki te whakarato i te pūnaha ara haere hei tautoko i ngā hapori e pono ana te mahi e rauora rawa atu ai a Aotearoa.



SIR BRIAN ROCHE

Tiamana

Ko taua mahi tonu tā mātou hei whai - arā te mahi ngātahi me ō mātou hoa mahi ngātahi ki te whakarato i te pūnaha ara haere hei tautoko i ngā hapori e pono ana te mahi e rauora rawa atu ai a Aotearoa.



CHIEF EXECUTIVE'S OVERVIEW

Transport is a critical part of supporting New Zealand and New Zealanders to achieve their full potential. The Transport Agency contributes by investing in land transport, managing the state highways and regulating land transport.

When the government released the Government Policy Statement on land transport 2018/19 – 2027/28 in June 2018, it significantly changed New Zealand's priorities for land transport. While safety remains the top priority, the government wants transport to be more accessible and environmentally sustainable. At the Transport Agency, we've had to change how we work and how we develop the National Land Transport Programme with our investment partners.

It's been a difficult year for the Transport Agency. While we've been managing changing priorities, we've had to respond to major issues in our regulatory function and address problems with how our Connected Journeys Solutions group was operating. Our local government partners have also raised concerns about how we manage land transport investments, now that the government's priorities are changing and there's funding pressures on the National Land Transport Fund.

Improving the safety of everyone that uses and works on our transport network is our highest priority. Following the tragic and unacceptable death of four road workers in Bay of Plenty and Wellington this year, we worked with our construction contractors to implement system-wide improvements for workers in maintenance and construction environments.

Although road travel in New Zealand has become safer in the past four decades, for the past five years we have seen an unprecedented rise in the number of deaths on our roads. This year we've been working closely with the Ministry of Transport on a road-safety strategy to replace Safer Journeys, which ends soon. We're also implementing the Safe System approach. This approach recognises that drivers will make mistakes, so we need a road system that's more forgiving of human error. Safe System will introduce safe roads and roadsides, safe road use, safe speeds and safe vehicles.

The government wants everyone to have fair access to the transport system. We've made changes that will make transport more accessible and sustainable and will help people use active modes of transport more often. The Transport Agency needs to provide people with a range of choices about how they get to work, connect with friends and family, and access services. By 2021 we want to have increased the proportion of urban journeys made by public transport, bicycle or foot; and to have improved access to priority routes by freight and tourist traffic. We have fulfilled our partnership commitments to the Provincial Growth Fund programme, which aims to lift productivity in the regions. This year, we started to measure how much access people have to social and economic opportunities through different modes of transport, so we can make good decisions about where investment is needed most. We've also created a national plan to accelerate work that encourages people to use public transport, walk or cycle more often.

The Transport Agency Sustainability Action Plan, developed this year, is the first step to significantly reducing the adverse impact that land transport has on people, the environment and the climate. It includes changing the way we make investment decisions. Rather than having vehicles and networks at the centre of our decision making, we'll be putting more emphasis on lowering emissions, improving public health and reducing environmental harm.



I know how important transport infrastructure is to New Zealand and New Zealanders and I'm committed to supporting the Transport Agency to perform its role.

One of the Transport Agency's core functions is regulating compliance with safe practices to issue warrants of fitness. Our work programmes suffered a major setback when this function failed. It posed significant risks to public safety, which I'm pleased we could manage quickly and urgently. Since then, we've made significant progress with stabilising our business and ensuring regulations are being enforced.

In early 2019, we found serious problems with how our Connected Journey Solutions group was operating; it had been allowed to ignore many of the Transport Agency's own processes and rules. I commissioned Deloitte to review the group and recommend how we could put things right. All of Deloitte's recommendations have been, or are being, implemented and we've put steps in place to ensure we never repeat the mistakes we made.

Despite the changes and challenges the Transport Agency has faced, we've completed some major new infrastructure and maintained our asset maintenance activities, customer services and operation of the transport network. Our standout achievements this year have been improving State Highway 20A to and from Auckland Airport; installing the Maungatapu underpass in Bay of Plenty; and installing a roundabout at the intersection of State Highway 2, State Highway 2B and Watchman Road near Hawke's Bay Airport to resolve a very high safety risk. We are continuing to contribute to the Auckland Transport Alignment Project, which includes major initiatives such as light rail, but pressure on the National Land Transport Fund means some activities are having to be reprioritised.

Several of our projects have improved walking and cycling routes in Whangarei, Auckland, Palmerston North, Wellington and Christchurch – installing a pair of one-way cycle lanes in Dunedin is a real highlight that will make cyclists much safer. E-scooters are becoming a common sight in towns and cities, but they are causing safety concerns. We're looking at ways to manage the speed of e-scooters and we've launched an advertising campaign to encourage people to use them safely.

We know that achieving the government's priorities relies on the Transport Agency being more flexible and responsive. We need to be more open and transparent in our relationships with others, and – considering the funding pressure we face – we must work together to reprioritise improving public transport, walking and cycling and local roads. I am committed to Te Ao Māori and Te Ara Kotahi | Our Māori Strategy, which outlines how the Transport Agency works with Māori and responds to their aspirations while we deliver transport solutions. We've asked our co-investors, partners and customers what they think of us and we'll use the results of these surveys to shape our work in future.

Our people are critical to what we do. This year's problems and media focus have been hard on them. Now that we've stabilised the Transport Agency after a period of disruption, we're preparing it for the future. I want to ensure it has the right structure, sense of purpose, culture and leadership for our people to fulfil their roles and enjoy their work. This process has already started and will continue next year.

I joined the Transport Agency as the interim chief executive for six months in January 2019 and I will likely be here for almost one year. I know how important transport infrastructure is to New Zealand and New Zealanders and I'm committed to supporting the Transport Agency to perform its role. I want to leave the Transport Agency revitalised, ready for the future and working well with the regions and our partners to deliver the Transport Agency's core business.



MARK RATCLIFFE
Interim Chief Executive

PŪRONGO WAKA KOTAHI TIROHANGA A TE TUMU WHAKARAE

He wāhanga nui whakaharahara o te ara haere ki te manaaki i a Aotearoa me ōna Iwi ki te whakatinana pū i te pito mata. Ko tā te Ara haere he tāpae i te ara haere ā-whenua, he whakahaere i ngā rori matua, me te whakarite i ngā ture o te ara haere. Mai i te Hūne o 2018 me te pūrongo a te Kāwanatanga Government Policy Statement on Land Transport 2018/19 -2027/28 ka nui te whakarerekē i ngā whakamātuatanga o Aotearoa mō te ara haere ā-whenua. Ko te whakamātuatanga tuatahi ko te haumaruru, heoi, ko tā te Kāwanatanga me pai kē ake te wātea me te manaaki i te taiao. Ko tā Waka Kotahi he whakarerekē i te ia o ā mātou mahi me te takatū i te Hōtaka Ara Haere ā-Motu ki kō o ō mātou hoa tāpae ngātahi. Kua pahure te tau uaua. I a mātou e whakahaere ana i ngā mātua whakarerekētanga, ka whakahokia tonutia ngā take ki tā mātou mahi whakarite me te whakatau rarururu ki te whakahaerenga o tā mātou rōpū Whakataunga Tūhononga Haere. Kua puta hoki te āwangawanga mai i ō mātou hoa mahi ngātahi o te kāwanatanga ki tā mātou tāpaenga rawa o te ara haere ā-whenua, ā, he wero kei runga o te Pūtea ā-Motu o te Ara Haere ā-Whenua. Ko tā mātou whakamātuatanga he whakapai ake i te haumaruru o ngā tāngata katoa e mahi ana, e pā ana hoki, ki te pūnaha ara haere. He aha koa te pai ake o te haumaruru ki runga o ngā rori o Aotearoa i roto i ngā whā tekautau kua hori nei, nō roto o ngā tau e rima kua pahure tata nei, he tauira kē nō te piki ake o ngā aituā. No tēnei tau ka piri tata ai mātou ki te Manatū Waka mō tētahi rautaki haumaruru-rori hei whakakapi i te Haerenga Haumaruru te tata mutu nei. He whakaū hoki tā mātou i te Pūnaha Haumaruru. Mai i a ia te mārama ka hē te hunga taraiwa, nō reira me whai e tātou tētahi pūnaha rori e mārama ake ana ki aua hē a te tangata. Mai i te Pūnaha Haumaruru ka puta te rori haumaruru, ā, ko te taha o te rori he haumaruru, te haere haumaruru hoki i runga i ngā rori, te tere rawa he haumaruru, me te waka haumaruru rā anō hoki.

Ko tā te Kāwanatanga me taurite te wātea o ōna Iwi ki te pūnaha ara haere. Mai i ā mātou whakarerekētanga ka kitea te ara haere wātea ake, me tōna manaaki. Me whakarato e Waka Kotahi ki ngā iwi ngā momo kōwhiringa mō te haere ki te mahi, mō te tūhono ki ngā hoa, ki te whānau hoki, me te wātea o ngā whakarātonga. Mō te tau 2021 ko tā mātou hiahia me kaha kē ake te maha o ngā haerenga ā takiwā mā runga waka tūmatanui, pahikara, mā raro rānei, kia kaha ake te wātea o ngā huarahi whakamātuatanga ki ngā waka kawekawe, mau tūruhi hoki. Kua tutuki ā mātou here ki te kaupapa o te Pūtea Ururua ā Rohe, ko tāna he whakapiki i te whakaputanga ki ngā rohe. I tēnei tau ko tā mātou he ine i te wātea o te tangata ki ngā angitū ā-hapori, ā-ōhanga mā ngā tūmomo ara haere, ka tau pai ai ngā whakataunga mō te tāpaenga. Kua hangaia hoki te rautaki ā-motu kia kaha kē te tahuri a te tangata ki te waka tūmatanui, ki te hīkoi, ki te pahikara hoki.

Ko te Rautaki Manaaki Ara Haere, nō tēnei tau tonu i hangaia ai, te ūpane tuatahi ki te whakaheke tūturu i te pānga kino o te ara haere ā-whenua ki runga o te tangata, te taiao, me te ahurangi.

Tae atu ana ki te huarahi o te whakataunga tāpaetanga. Hāunga ko te waka me ngā ara hei pūtake mō ā mātou whakataunga, ka huri kē mātou ki te whakaiti ake o te pīhaunga, ki te whakapai ake o te hauora tūmatanui me te whakaiti i te wharanga o te taiao.

Ko tētahi o ngā mahi pū o Waka Kotahi he whakarite tautuku ki ngā mahi haumaruru o te tuku whakamana waka. He wharanga nui ki ā mātou hōtaka mahi tōna makere. He mōrearea whakaharahara ki te haumaruru tūmatanui. He koanga ngākau nō te tere me te horo o te whakatika. Mai i reira te anga whakamua nui o te whakarite i tā mātou pakihī me te ū ki te tika o ngā whakaritenga ā-pākihi.

Nō tōmua o te tau 2019 ka kitea ētahi rarururu nui ki tā matou rōpū CIS. I tukua kia haukoti i te nui o ngā whakaritenga me ngā ture o Waka Kotahi. Nāku a Deloitte i karanga kia tirohia a CIS, me te tūtohu mai me pēhea te whakatika. Ko aua tūtohunga katoa a Deloitte kua whakamahia, kei te whāia rānei, ā, kei te whai i te huarahi kia kore ai aua hē e hoki mai.



He nui whakaharahara te hanganga o te ara haere ki Aotearoa me ōna Iwi. E herea ana au ki te tautoko i a Waka Kotahi kia tutuki ai āna mahi.

He aha koa ngā whakarerekētanga me ngā whakapātaritari, kua oti i a mātou te whakahounga nui ki tō mātou hanganga, ā, kei te ū ki ā mātou tauwhironga rawa, ki te ratonga kiritaki, me te whakahaerenga o te whātuinga ara haere. Ko ngā whakatutukitanga nui o tēnei tau ko te whakapaitanga ake o te Ara Matua 20A ki te Paparererangi O Tāmaki-makaurau; te hanga i te anarua o Maungatapu ki Tauranga; me te hurihanga ki te tūtakitanga o te Ara Matua 2B, o te Ara Matua 2B me te Rori o Watchman e pātata ana ki te paparererangi o Te Matau ā Māui kia whakatauria te mōrearea o reira. Kei te whai wāhi tonu mātou ki te Kaupapa Hora Tika o te Ara Haere ki Tāmaki-makaurau, tae atu ana ki ngā tītere pērā me te rerewē māmā engari nā ngā pēpēhi ki runga o te Pūtea ā-Motu o te Ara Haere ā-Whenua kua whakamātuatia houtia ētahi tītere. Ka hia nei o ā mātou mahinga he whakapai ake i ngā ara hīkoi, ara pahikara hoki, o Whangārei, Tāmaki-makaurau, Te Papaioea, Pōneke, me Ōtautahi – he whakarahara te whakatikatanga i te ara pahikara ahunga-ara kotahi ki Otepoti ka haumarua ai te kaupahikara. He kitenga whānui nō te i-hikuta engari he āwangawanga mōna ki te haumarua. Kei te tirohia ētahi huarahi e haumarutia ai te tere rawa o te i-hikuta, kua whakarewahia tētahi pānuitanga hei akiaki i ngā tāngata ki tō rātou haumarua. E mōhio ana mātou ki te whakatutukihia ngā whakamātuatanga o te Kāwanatanga, me kaha ake te takatū me te urupare a Waka Kotahi. Me kaha ake te māranga me te pūataata ki ō mātou whanaungatanga, ā – mō roto o ngā pēpēhinga ā pūtea – me mahi ngātahi ki ngā whakamātuatanga o te whakahou i te ara haere tūmatanui, te hīkoi, me te pahikara, ki runga o ngā rori o te takiwā. Kua herea au ki Te Ao Māori me tā mātou Rautaki Māori, kei reira te rāpopoto o te ara e mahi ngātahi ai a Ngāi Māori me Waka Kotahi ki ngā hiahia o te ao Māori me ā mātou whakataunga ki te ara haere. Kua uiuitia ō mātou hoa tāpaenga, hoa mahi, hoa kiritaki ki ā rātou whakaaro mō mātou. Mā aua uiuinga e kitea ai te huarahi anga whakamua.

He take pū nō ō mātou kaimahi ki ā mātou mahi; he toimaha hoki nō ngā raruraru o te wā me te whiua ngā kaupāpāho. Kua oti tā mātou whakatau i a Waka Kotahi mai i aua whakapātaritari, kua anga whakamua. Ko tāku me whai hanganga tika tonu, whakaaro whakaū, ahurea, kaiārahitanga hoki e whakatutukihia ai e ō mātou kaimahi a rātou mahi, me te oranga ngākau o roto. Kua tīmata kē, ā, ka haere ake ki te tau e tata mai nei.

Ka uru au ki roto o Waka Kotahi hei Tumu Whakarae mō te ono marama mai i te Hānuere o 2019, ā, tērā pea, ka noho tonu mō te paunga o te tau. E mōhio ana au ki te nui o te hanganga ara haere ki Aotearoa me ōna Iwi. E herea ana au ki te tautoko i tāna whakatutukitanga i āna mahi. Ko taku hiahia ina puta au kua whaiora anō a Waka Kotahi, kua titiro ki āpōpō, e kaha ana te mahi ngātahi me ngā rohe, me ō tātou hoa mahi ngātahi, ki te whakarato i te mahi tūturu o Waka Kotahi.



MARK RATCLIFFE

Tumu Whakarae o te wā

PERFORMANCE SUMMARY

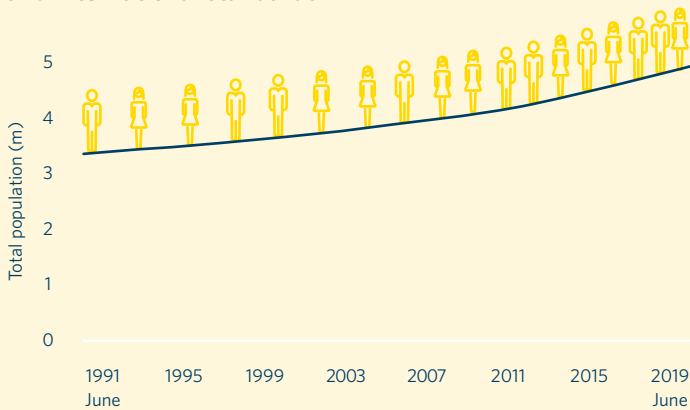
CONTEXT

Our context is formed by the pressures that impact on what we do and how we do it. We are facing many opportunities and challenges, including:

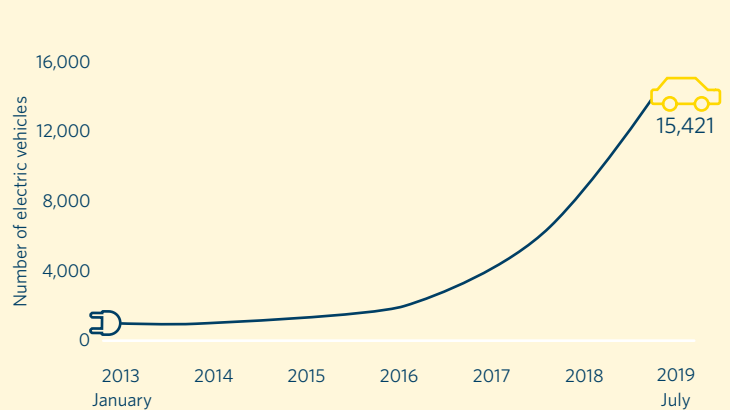
- customers and business want faster, easier and personalised transport services
- our population is ageing and becoming more urbanised
- digital technology and new players with new services are transforming transport
- high-growth demands compete with regional and community expectations
- the government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

In addition, technology is leaping ahead with autonomous and electric vehicles and applications that are transforming personal mobility services and supply chain logistics. Customers are increasingly connected to information, services and social networks through smart devices, and they expect personalised transport services and real-time information when they are on the go. Businesses also expect reliable and predictable connections, so they can make sure their goods reach retail shelves and factories in New Zealand and around the world.

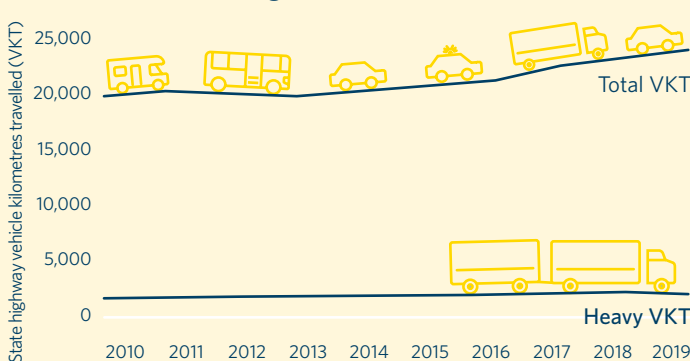
New Zealand's population growth is high by historical and international standards



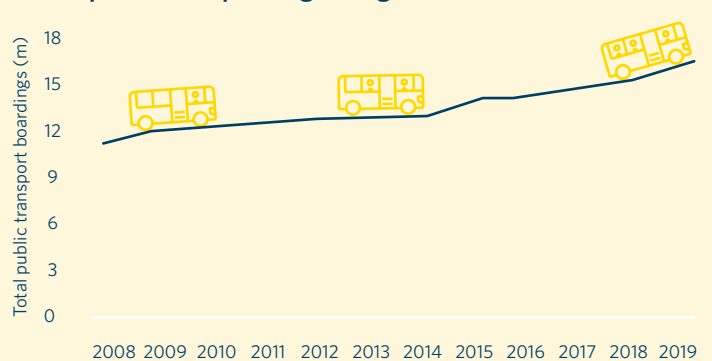
New Zealand's electric vehicle fleet is growing rapidly



Vehicle use is increasing



Use of public transport is growing



TRANSPORT OUTCOMES

In June 2018, the Ministry of Transport launched the Transport Outcomes Framework. This framework defines the long-term strategic outcomes for New Zealand’s transport system. The purpose of the transport system is to improve people’s wellbeing and the liveability of places.

The framework describes five long-term outcomes (as shown):

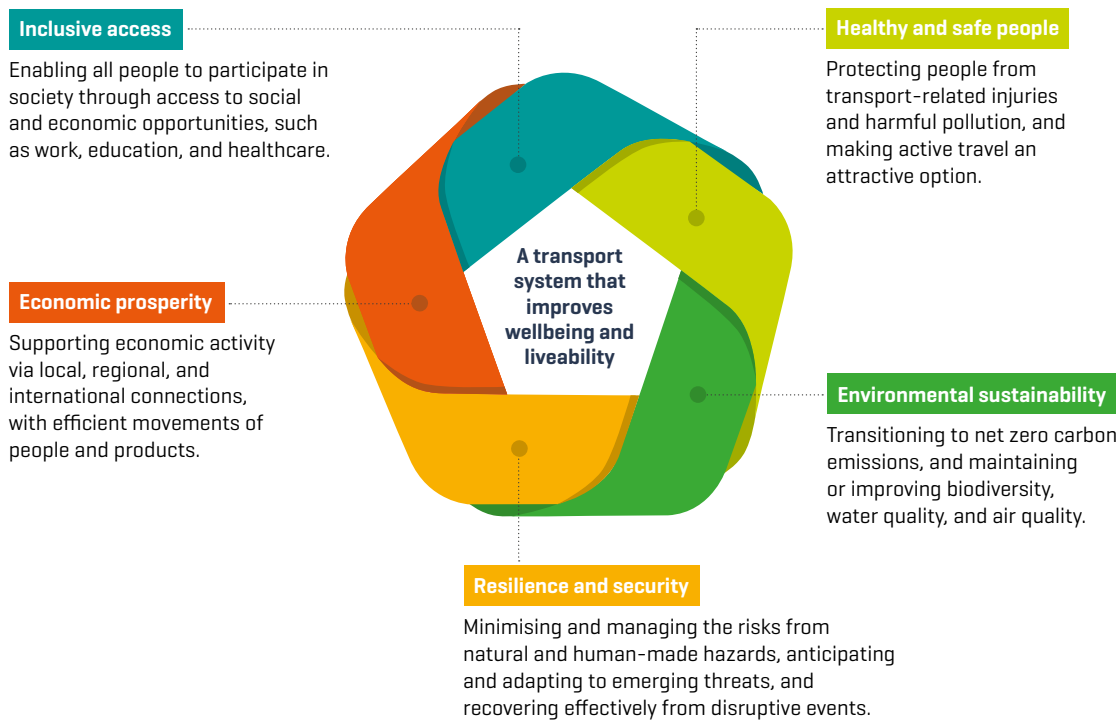
- healthy and safe people
- inclusive access
- economic prosperity
- resilience and security
- environmental sustainability.

These outcomes are interrelated and need to be achieved together to improve intergenerational wellbeing and the quality of life in New Zealand’s cities, towns and provinces. The government may prioritise some outcomes over others, depending on the social, economic, political and environmental circumstances of the day.

The Transport Outcomes are reflected in the Government Policy Statement on land transport priorities and our strategy.

A guiding principle for the framework is mode neutrality. Mode neutrality means considering all transport modes when planning, regulating and funding transport and basing decisions on delivering positive social, economic and environmental outcomes.

Figure 1: Ministry of Transport’s transport outcomes



GOVERNMENT POLICY STATEMENT ON LAND TRANSPORT

The government’s primary instrument for setting the nearer-term direction for the land transport sector is the Government Policy Statement on land transport. This policy statement sets out the government’s priorities for land transport and the results it wishes to achieve through the allocation of funding from the National Land Transport Fund over the next 10 years.

For 2018/19 to 2027/28, these priorities are (as shown):

- a safer transport network free of death and injury
- accessible and affordable transport
- reduced emissions
- value for money.

Figure 2: Strategic direction of the Government Policy Statement on land transport



The policy statement sets out how funding is allocated over the next three years to achieve the desired results across activity classes such as walking and cycling, road policing, state highway improvements and maintenance, local road improvements and maintenance, and public transport. This policy statement is the primary guide for the investment we make in the land transport system on behalf of the government.

Our strategy (see page 28) is aligned to the Transport Outcomes and the Government Policy Statement through our eight position statements and our performance measures.

The annual report on the National Land Transport Fund (from page 187) reports on the delivery of the National Land Transport Programme and the use of the National Land Transport Fund to contribute to the Government Policy Statement priorities.

SAFETY

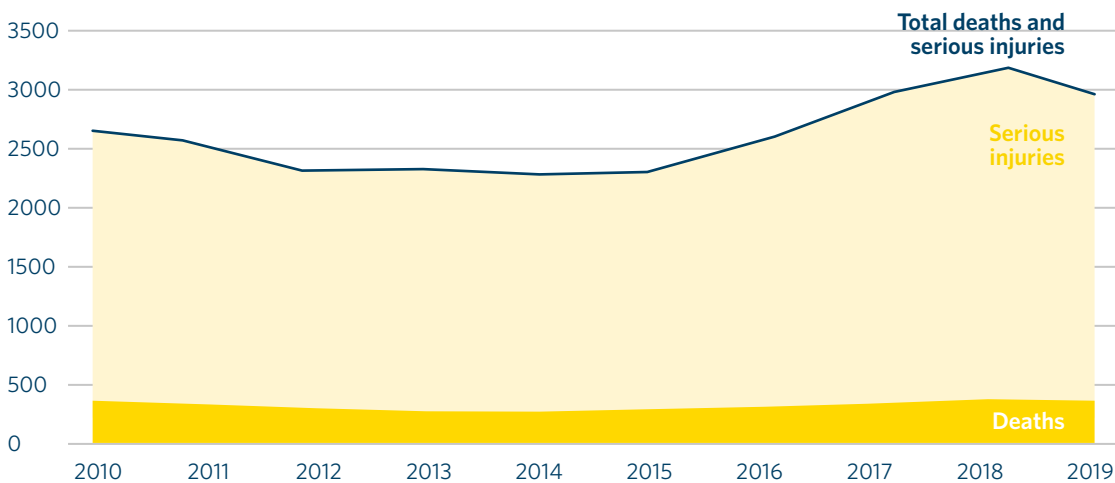
Safety on the land transport system and in our workplace is our top priority. We must make our roads safer, and we must ensure the people who work for us go home safe and well every day.

ROAD SAFETY - MAKING THE WHOLE SYSTEM SAFER

More people are using New Zealand’s land transport system than ever before. This growth, along with more walking and cycling and new technology, services and operators, is challenging our ability to achieve a safe system.

A total of 2902 people were killed or seriously injured on New Zealand roads in the year to 31 March 2019 compared with 3201 in the previous year. Although that is a 9 percent decrease on last year, it is still 8 percent higher than at the start of the decade when the current 10-year road safety strategy, Safer Journeys, began. Serious injury levels from road crashes have been climbing since 2013 at a faster rate than population growth or the increase in vehicle kilometres travelled.

Deaths and reported serious injuries 2010–2019 (annualised totals)



We take a Safe System approach to road safety:

- safe roads and roadsides – improving the level of safety built into our roads
- safe road use – alert users who stick to the road rules and look out for each other
- safe speeds – speed limits that are right for each type of road
- safe vehicles – choosing the safest vehicle you can afford.

The Safe System approach recognises that people make mistakes and are vulnerable in a crash. In a safe system, when a mistake happens, people don’t have to pay with their life. We target our resources and interventions to the areas with the greatest potential to save the most lives.

SAFETY IMPROVEMENTS FAST-TRACKED TO SAVE 160 DEATHS AND SERIOUS INJURIES ANNUALLY

This year, we began delivering a safe network programme to fast track delivery of safety improvements to New Zealand's highest risk state highways and local roads to save 160 deaths and serious injuries each year. On state highways, 16km of median barriers, 98km of side barriers and 194km of rumble strips have been installed. A further 33km of median barriers are under construction.

SPEED LIMITS DECREASED ON HIGH-RISK HIGHWAYS TO SAVE 35 DEATHS AND SERIOUS INJURIES ANNUALLY

Over the year, we also began implementing the Speed Management Guide on the highest risk routes and intersections. Speed limit changes were implemented on 69km of the highest-risk parts of the state highway out of network 4200km identified for reassessment under the 2018–21 National Land Transport Programme. Further speed limit changes will be made on about 600km of state highway between December 2019 and February 2020 across 14 regions for a predicted reduction of 35 deaths and serious injuries each year.

PROMOTION AND EDUCATION TO CHANGE BEHAVIOUR TO IMPROVE ROAD SAFETY

We manage and invest in promotion and education activities that support people to change their behaviour to improve road safety. This year, our communications programme educated consumers about the benefits of safer vehicles. A June 2018 study found that 66 percent of all deaths and serious injuries were in one- and two-star safety rated cars.² This rate increases to 77 percent for people aged 16–24. One- and two-star cars have few or no safety features to help drivers avoid crashes or to lessen the severity of injury to people in the car in a crash.

About 90 people are killed every year on New Zealand roads because they weren't wearing a seatbelt. This year, our new seatbelt campaign targeted men aged 20–40 to show them why a seatbelt is worth wearing. After only two weeks of being live, the campaign's social media posts were shared over 243,000 times with a potential reach of 26 million people.

WORKING IN PARTNERSHIP WITH NEW ZEALAND POLICE AND THE MINISTRY OF TRANSPORT

Last year, we moved to collective responsibility with the Ministry of Transport and New Zealand Police to deliver the Road Safety Partnership Programme to more effectively reduce harm on our roads.

On 1 July 2018, New Zealand Police introduced a target to reduce road deaths by 5 percent every year. Police prioritised enforcement efforts for restraint use (that is, seat belts and child seats), impaired driving, distracted driving and speeding in high-risk routes throughout the country.

Over the year, we worked closely with the Ministry of Transport to develop the new 10-year national road safety strategy, Road to Zero, due to be published in October 2019.³ An immediate action from the strategy is to increase the priority of road policing. A framework for measuring the success of the Road Safety Partnership Programme in delivering Road to Zero will be in place from 2019/20.

KEEPING OUR PEOPLE AND CONTRACTORS SAFE

We are putting in place a health and safety management system to keep our people and contractors working on the road safe and healthy. This system follows international best practice.

Four workers in the Bay of Plenty and Wellington died this year while doing road maintenance. We worked with the construction contractors to understand what caused the incidents and then implemented system-wide improvements to make the working environment safer for maintenance and construction workers.

² *Profiling injury risk and burden in the New Zealand light vehicle fleet: where can safety gains be obtained?* Monash University, June 2018.

³ *Road to zero: consultation on the 2020–2030 Road Safety Strategy* is available from the Ministry of Transport website: <https://www.transport.govt.nz/assets/Import/Uploads/Our-Work/Documents/e97c3b3d0d/Road-to-Zero-consultation-document-July2019.pdf>

Our recordable injury rate (which is the number of injuries and fatalities per million hours worked) on construction projects and network maintenance operations reduced from 8.0 to 5.3 over the year in line with the longer-term decreasing trend.

FEATURE STORY

Belt up. Live on.

Every year, over 90 people died because they weren't wearing a seatbelt. Research shows that many men aged between 20 and 40, especially those from provincial areas, think seatbelts are an optional accessory that should be worn only by children or older people.

We wanted to turn wearing a seatbelt from a perceived weakness to a sign of strength by celebrating real crash survivors who survived because they made a choice to buckle up.

On 20 February 2019, the campaign was launched by crash survivors over their own social media channels and also through the www.beltedsurvivors.nz website.

We made the campaign realistic and effective by working with a special effects make-up team and an emergency medicine specialist to recreate the injuries the men suffered. As a reference, we used photos each man provided of their injuries taken days after their crash.

The survivors came up with the colloquialism 'belt up' and we used this sentiment for the key campaign message 'Belt up. Live on'.

By working together with local councils, we carefully chose the locations of the bars and pubs where we could place the bespoke billboards (ranging in height from 2 to 3.5 metres)

These billboards were placed in bar carparks throughout high risk, provincial areas including the hometowns and communities where each survivor lives.

After only two weeks of being live, the campaign's social media posts were shared over 243,000 times with a potential reach of 26 million people.



STRENGTHENING OUR REGULATORY FUNCTIONS

Regulations underpin safety and contribute to people and goods moving safely on New Zealand's road and rail networks. As a result of systematic and major issues identified with the Transport Agency's regulatory function in late 2018, much of the rest of 2018/19 was dedicated to stabilising this function and ensuring regulations were being enforced.

We moved quickly to establish a programme to manage compliance, quality and timeliness issues relating to the backlog of 850 cases of non-compliance with vehicle testing regulations. The programme delivered on its two main aims: to establish interim structures, policies, processes and systems to facilitate the review work and to create a foundation for developing our future regulatory compliance and enforcement function.

As part of this work, we:

- resolved 1271 cases of non-compliance (including taking 620 enforcement actions against non-compliant regulated parties)
- responded to incorrectly certified vehicles so safe vehicles are using the land transport system
- suspended over 30 vehicle inspectors and inspecting organisations and gave 55,000 vehicle owners a voucher for a free re-inspection
- suspended three vehicle repair certifiers and a heavy vehicle certifier, which resulted in the re-inspection of about 1200 heavy vehicles.

With our regulatory functions stabilised, we then shifted focus to developing our regulatory function for the future. In May 2019, the Transport Agency Board endorsed a high-level roadmap to get us to our regulatory future state, and we began detailed planning and foundational work. By the end of June 2019, we had completed the first stage to increase our regulatory capacity. The plan for 2019/20 is to make the necessary further improvements in people, processes, policies and platforms.

New performance measures have been developed for 2019/20 that will improve monitoring of compliance.

RAIL SAFETY - FULLY ESTABLISHING THE REGULATORY FUNCTION

Establishing the rail safety regulatory function was another focus for the year. We built our regulatory rail capability and capacity and enhanced our systems and processes to incorporate rail safety enforcement. Our first prosecution under the Railways Act 2005 was of an organisation that failed to follow its safety case and safety systems, failed to train its staff appropriately and failed to notify us of a serious incident.

1271

cases of non-compliance resolved

30+

vehicle inspectors or inspecting organisations suspended

55,000

vouchers issued to vehicle owners for free vehicle re-inspections

3

vehicle repair certifiers and a heavy vehicle certifier suspended

1200

heavy vehicle re-inspections

ACCESS

The Government Policy Statement on land transport calls for a land transport system that provides increased access to economic and social opportunities and enables transport choice and access.

Not everyone in New Zealand has easy access to affordable and multimodal transport choices and to services such as driver licensing. This leads to over-reliance on private vehicles, avoidable safety issues, reduced social cohesion and rising costs in our cities and regions. People living in poverty or who are otherwise disadvantaged feel these impacts most powerfully.

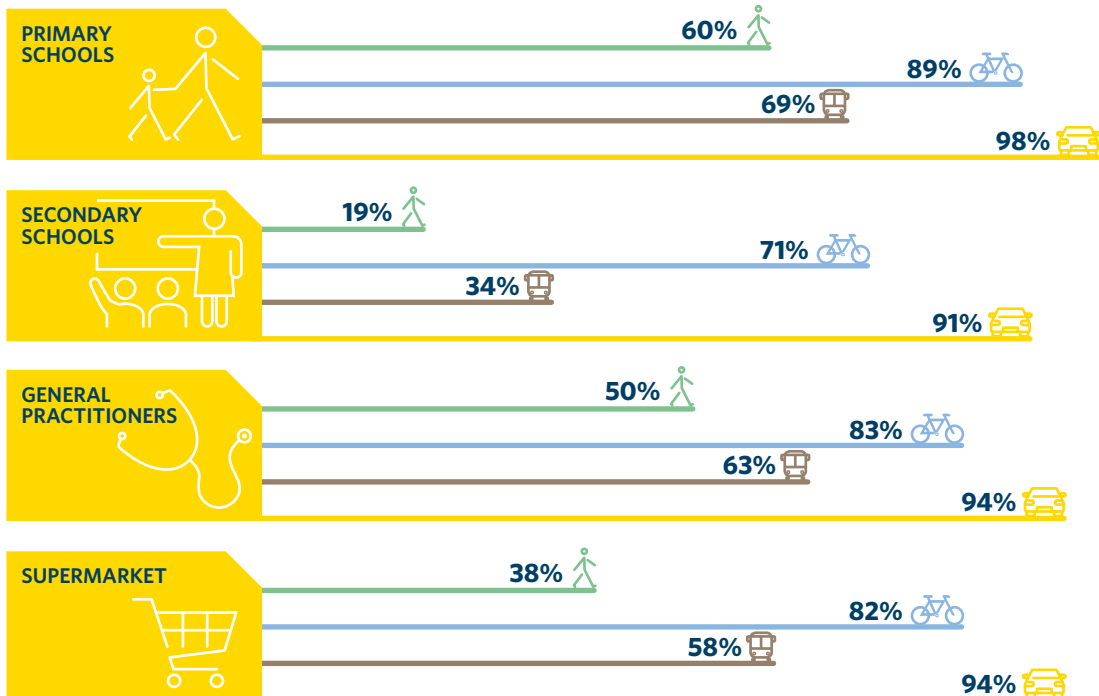
Too often, transport investment is sought to deliver transport-specific benefits ahead of contributing to a shared and long-term vision of accessible, attractive and efficient communities that people want to call home. Increasingly, unaffordable housing and transport costs, social and economic dislocation, and unsustainable land use patterns are the price New Zealand communities pay for inconsistent and fragmented planning.

INCREASING ACCESS TO SOCIAL AND ECONOMIC OPPORTUNITIES

For the first time, we are reporting on transport access to destinations such as jobs, schools, health care and essential shopping. Driving is the main way people connect to important social and economic opportunities. Fewer people have easy access to key destinations using public transport, walking or cycling.

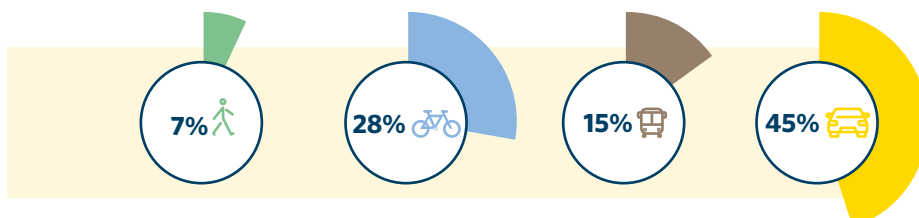
Proportion of population within 15 minutes of destination by mode

This measure shows the proportion of New Zealanders that can reach important destinations in a reasonable time.



Proportion of jobs within 45 minutes by mode

This measure shows the proportion of jobs across New Zealand that can be reached in a reasonable time.

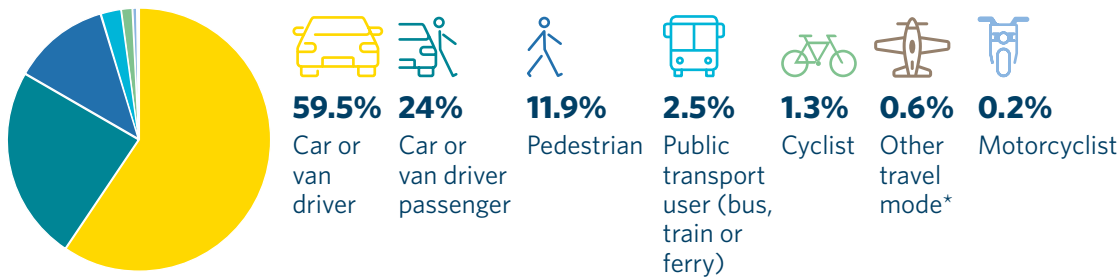


ENCOURAGING MODE SHIFT

Mode share (proportion of trips by mode)

The mode share results from the Household Travel Survey provide a valuable view on people’s transport choices. Most trips are undertaken by car or van, with pedestrian trips being the next most common.

Over time, we expect to see a larger proportion of trips by public transport and active modes such as walking and cycling as mode shift and travel demand management embed.



* ‘Other travel mode’ includes aircraft, boats (excluding ferry trips), mobility scooters and other modes like horse riding. Skateboarders and children in pushchairs are included with pedestrians.

A critical part of our work to improve accessibility is to encourage people to make greater use of public transport and to walk and cycle more by making those modes of transport more attractive and affordable than using a private car. In high-growth urban areas, only 19 percent of trips are on public transport or walking and cycling.

This year, we prepared a national plan to accelerate mode shift directly or in partnership with others, and we worked with our Auckland Transport Alignment Project partners to develop a mode shift plan for Auckland. Development of regional plans for Hamilton, Tauranga, Wellington, Christchurch and Queenstown is under way in alignment with regional spatial planning.

We also re-set existing and developed new partnerships with local government and wider central government in key high-growth areas to establish planning processes that will support multimodal transport choices: the Hamilton–Auckland Corridor Partnership, the Urban Form and Transport Initiative for the Western Bay of Plenty, and the Queenstown Spatial Plan. These partnerships align the area’s strategic direction for growth to also support multimodal transport choices.

Over time, investment through the National Land Transport Fund can increase the use of public transport, walking and cycling. A total of 104.8 network kilometres of walking and cycling facilities were delivered this year.

19%

of trips in high-growth urban areas are on public transport or walking and cycling

104.8 network kms

of walking and cycling facilities delivered

6238 cycling trips

observed in Wellington, Auckland and Christchurch central business districts (up from 5605 last year)

A snapshot of the number of cycling trips through a specific area in three central business districts (a cordon count) saw trips continue to increase with 6238 this year, up from 5605 last year. Wellington recorded a 4 percent increase (to 2360 trips), Christchurch a 34 percent increase (to 1869 trips) and Auckland a 3 percent increase (to 2009 trips).

15.7 million trips

funded through the SuperGold cardholders' scheme (up nearly 12%)

10 million

additional boardings on public transport (6% growth)

Use of urban public transport grew strongly this year with a national average of 6 percent growth in the number of passenger boardings across bus, rail and ferry services. The number of passengers reached 168 million, an increase of 10 million on last year. We funded 15.7 million trips through the SuperGold cardholders' scheme, an increase of nearly 12 percent from last year.

IMPROVING OUR UNDERSTANDING OF ACCESSIBILITY NEEDS AND BARRIERS

We are working with our partners and co-investors to better understand the barriers to access for people experiencing transport disadvantage.

To build a shared understanding and shared investment approaches with central and local government partners, we worked with the Ministry of Transport to investigate the development of a Green Card that would subsidise the cost of public transport for low-income earners and their dependants. We also worked with the Office for Disability Issues to include in the Disabled Action Plan 2019–2022 actions we can contribute to that will improve accessibility for disabled people.

We have started reviewing quality standards for urban buses. This review will benefit the most vulnerable users of urban buses because vehicles will be expected to better cater for their needs. Regional councils and Auckland Transport must use these standards in their urban bus contracts if they want to receive Transport Agency investment in these services.

To develop a shared understanding with the regions of the most important transport accessibility needs for freight and tourism, we produced a map showing priority journeys with their associated access problems and potential responses.

We prepared regional summaries for each Provincial Growth Fund surge region (Te Tai Tokerau/ Northland, Bay of Plenty, Tairāwhiti/East Coast, Hawke's Bay, Manawatū-Whanganui and West Coast) that describe existing levels of access to essential services; that is, to services critical for supporting the liveability of communities. These summaries provide a consistent, system-level assessment of access across the regions to identify those areas facing the most significant access barriers.

BETTER INTEGRATING TRANSPORT WITH URBAN DESIGN TO CREATE MORE LIVEABLE COMMUNITIES

We are working to further integrate 'placemaking' in transport solutions by developing places and spaces alongside transport facilities. This year, through a community of practice and draft guidance for Innovating Streets for People, we supported our council partners to use interim treatments to quickly make streets safer and more liveable; for example, by reducing vehicle speeds and creating more space for people. Next year, the treatments will be assessed and the findings will inform changes to the draft guidance.

We changed the Traffic Control Devices Rule to permit placemaking interventions on low-risk streets, and we are leading an AustRoads research project to investigate the best approach to classify, value and measure the 'place' function of roads and streets. The results will help us and our partners to better account for placemaking through our classification framework for New Zealand roads and better understand where investment is needed.

FEATURE STORY

Dunedin one-way pair cycle lanes

The Dunedin one-way pair cycle lanes are a great example of how multimodal forms of transport can be integrated in our cities.

The new cycle lanes along State Highway 1 in Dunedin, aimed at making the southern city a healthier and safer place to live, were officially opened in February 2019. This project's purpose was to significantly improve cycle safety on the one-way system through north and central Dunedin, by providing cycle lanes that physically separate cyclists from highway traffic.

In addition to improving the safety of the one-way system for everyone, the new cycle lanes:

- create better links to central city locations, including the University of Otago, Otago Polytechnic, Dunedin Hospital and the central city
- are more convenient connections to the wider network of urban cycle routes the Dunedin City Council is developing
- help to make cycling a safe and attractive transport choice within Dunedin, further enhancing the city's appeal as a place to live and work
- encourage more people to take up cycling as a safe commuting choice
- improve pedestrian safety, with new traffic signals planned and existing traffic signal operations being upgraded to increase the protection for pedestrians when crossing.

The new cycle lanes aim to reduce the number of crashes involving cyclists on this busy route, which around 25,000 vehicles use every day. This project will help to save lives by prioritising cyclists' safety as well as improving safety for pedestrians.



ENVIRONMENT

Transport accounts for 18 percent of New Zealand’s greenhouse gas emissions, 90 percent of which arise from road transport. These emissions must be significantly reduced if the government is to meet its obligations under the Paris Agreement to reduce greenhouse gas emissions by 2030. Other air emissions play a role in shortening the lives of over 250 people every year, and noise pollution adversely effects people living near busy transport corridors and hubs.

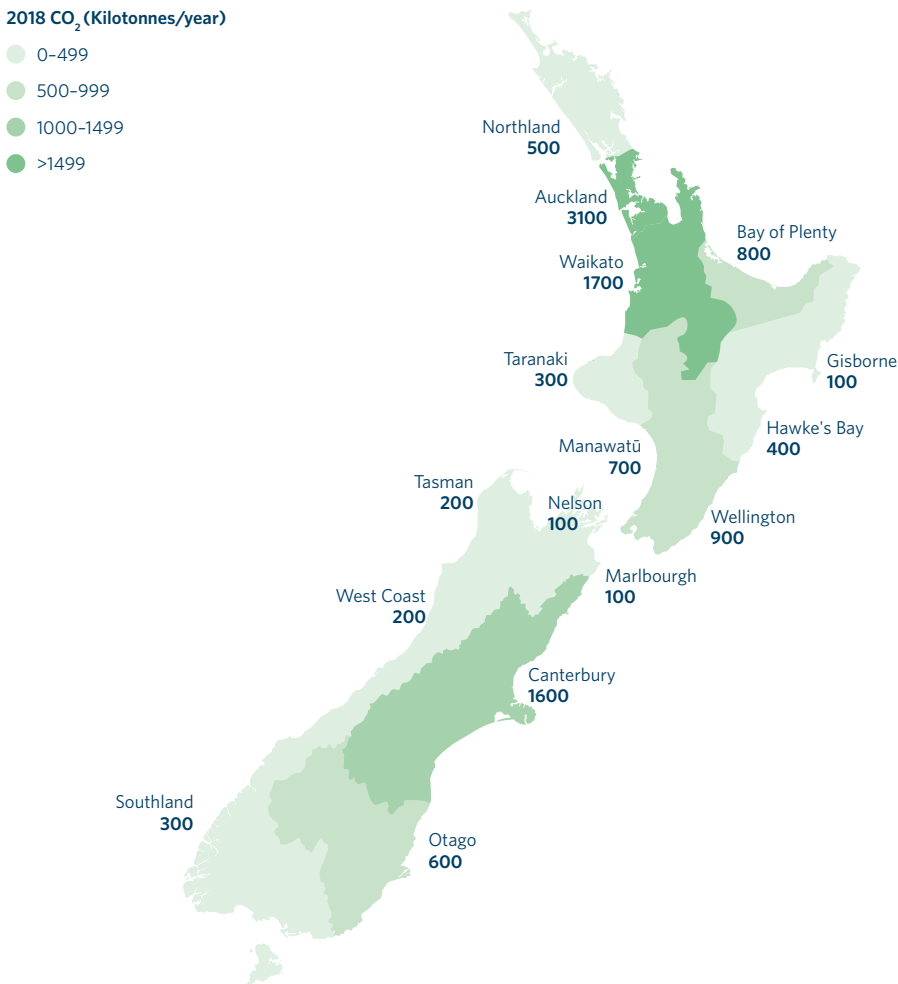
The transport system is also experiencing increasingly frequent and severe unplanned disruptions due to a combination of climate change, increasing traffic volumes and incidents such as crashes. Some ageing infrastructure was not designed to manage current demand and is becoming less robust. Reducing risk and preparing, responding to and recovering from disruption requires a coordinated response, so we need a better understanding of and policies for different types of risks, disruption impacts and community tolerances.

REDUCING THE ADVERSE EFFECTS OF TRANSPORT ON THE ENVIRONMENT

This year, we developed the Transport Agency Sustainability Action Plan. Development of this plan and a prioritised work programme is the first step in a long-term commitment to significantly reducing the adverse impacts of the land transport system on people, the environment and the climate and significantly improving public health.

Significant parts of the work programme are under way. We are changing our investment decision-making approach to facilitate investment in and planning for long-term sustainable outcomes such as lower emissions, improved public health and less environmental harm. An emissions reduction focus is also embedded in the national mode shift plan.

Figure 3: Carbon dioxide (kilotonnes per year), 2018



**11,500
kilotonnes**

of carbon dioxide from
the road transport
network in 2018

4778 tonnes

of carbon dioxide
equivalent from Transport
Agency staff travel

469 tonnes

of carbon dioxide
equivalent from Transport
Agency fleet vehicle
emissions

The road network emitted 11,500 kilotonnes of carbon dioxide in 2018. This was an increase from 10,800 kilotonnes in both 2016 and 2017. The increase has come primarily from light petrol- and diesel-powered vehicles. Our action plan has a strong focus on reducing emissions from the land transport network.

This year, we also established baselines for our greenhouse gas emissions from staff travel and our fleet vehicles. This will allow us to monitor our desired reduction in these emissions and directly aligns with our broader leadership role in the public sector to reduce sector emissions from staff travel and vehicle use.

The National Land Transport Fund fully funds some infrastructure delivery and network management contracts. We are developing and testing three environmental indicators to monitor the environmental impacts of the work under these contracts. The indicators focus on biodiversity, resource efficiency and environmental management performance. We expect to start incorporating these indicators into Network Outcomes Contracts and capital projects from 2019/20.

IMPROVING THE RESILIENCE OF THE LAND TRANSPORT SYSTEM

We are working to improve the resilience of the land transport system to climate change-related impacts, increasing traffic volumes, and incidents such as crashes, so communities can recover more quickly from disruption.

This year, we set a baseline level of stakeholder and partner confidence (2.3 out of 5) that the transport system is appropriately adapting to climate change. Our stakeholders and partners told us we need to be clearer about the change in direction of system-wide responses to climate change, remove institutional barriers to adapting to climate change, increase visibility of climate change initiatives and improve their implementation.

The Resilience National Strategic Case was endorsed in November 2018. The next step, a programme business case, will investigate and prioritise potential resilience interventions and develop a programme of preferred activities to achieve the resilience outcomes we want to achieve for New Zealand. This will include enhancing New Zealand's capacity to cope with unplanned disruptive events, thereby supporting the wellbeing and prosperity of all New Zealanders.

Working with our partners to build resilience capability and resources has been another focus this year. We ran Coordinated Incident Management System training with our and our partners' staff to lift capacity and capability in emergency management response and developed and updated resilience resources for staff, consultants and partners. In addition, we are developing pilots with local government and other partners to build a shared understanding of risk tolerance among communities and business and to improve capability and self-sufficiency for managing during disruptive events.

FEATURE STORY

Recovering from the Kaikōura earthquake

As part of the Kaikōura earthquake response, North Canterbury Transport Infrastructure Recovery restored and increased the resilience of State Highway 1 and the Main North Rail Line by delivering \$218 million of recovery and resilience works. These works continue to reduce the number closures on the road and rail line, building community confidence and restoring economic sustainability in the freight sector.

As well as restoring the transport corridor, we continued to improve safety, access and amenities across State Highway 1 through Kaikōura, benefitting tourism, freight and the travelling public. This year, we opened a safe stopping and seal-viewing area at Ohau Point, increased the size of the road tunnel so all classes of road freight can use this route, and implemented safe speeds and safety improvements along the route.

North Canterbury Transport Infrastructure Recovery is an alliance partnership between the Transport Agency, KiwiRail, Downer, Fulton Hogan, HEB Construction and Higgins. The government set it up in late December 2016 to restore earthquake-damaged infrastructure between Picton and Christchurch.



**151.66
lane kms**

of regional
state highways
improved
(13 projects)

85%

of unplanned
road closures
resolved within
the standard
timeframes*

8225km

available to high
productivity
motor vehicles
on key regional
routes

* Less than 2 hours for urban roads and less than 12 hours for rural roads.

CAPABILITY

To become a high-performing organisation, we need to improve our systems, processes and culture to deliver the outcomes we aspire to and to respond to the challenges and opportunities posed by new technologies. We also need to recruit and retain great people, because they are critical to what we do.

It has been a challenge to improve our capability this year while responding to changing government priorities and significant performance concerns in our regulatory and transport technology functions.

RESPONDING TO THE GOVERNMENT POLICY STATEMENT ON LAND TRANSPORT

The latest Government Policy Statement on land transport, released in June 2018, places more emphasis on social, economic, cultural and environmental outcomes than previous versions. This significant shift in direction required major changes to the way we operate and develop the National Land Transport Programme with our co-investment partners.

This year, we refreshed our strategy to respond to the new strategic priorities for land transport and published the 2018–21 National Land Transport Programme using revised assessment criteria for deciding which transport projects will be funded.

We are working with the Ministry of Transport to jointly review the Investment Decision Making Framework that guides investment in New Zealand's land transport system to ensure investment in the land transport system will deliver on the government's social, economic and environmental priorities.

STRENGTHENING TRANSPORT TECHNOLOGY

We aim to invest in transport technology that can make our transport system safer and more sustainable and provide people with easy access to journey information and transport choices.

Surveys undertaken this year found 73 percent of our customers report increased ease of access to transport data and journey choices information and 66 percent report they can get the journey information they want through their preferred channel.

73%

of customers report increased ease of access to transport data and journey choices

66%

of customers report they can get the journey information they want through their preferred channel

Critical risk

rating for our technology systems

However, we need to strengthen how our transport technology function operates and we need to reduce critical technology risks by improving technology platforms and organisational capabilities. A critical risk rating means that it is possible the Transport Agency's technology systems may stop performing, in part or whole, and may not be recoverable for extended periods (weeks or months), with extreme consequences.

In March 2019, we commissioned an external review of our transport technology function because of leadership, capability and governance issues identified in our Connected Journey Solutions group. These issues and the review of the group's activities affected our progress building the priority components necessary to deliver an enduring and flexible digital transport system. All of the review's recommendations have or are being implemented. The group has been disestablished and its functions have been incorporated into the Workplace and Technology group.

STABILISING OUR ORGANISATION

As well as responding quickly to serious issues uncovered in our regulatory and transport technology functions, we focused on stabilising the Transport Agency after a period of unrest and change.

Our leaders focused on doing the basics of people management well (such as making sure workloads were balanced and staff had adequate time for rest and recovery) while still delivering on our priorities and supporting people through ongoing change. We will continue to focus on leadership and a workforce strategy developed this year will be finalised in the first quarter of 2019/20 to ensure we can deliver our core functions.

We use staff surveys to gauge how we are tracking. Fifty-nine percent of staff surveyed during the year considered the Transport Agency a great place to work (against a baseline of 57 percent in March 2018). We recognise we have more work to do to increase this result and regular feedback will help us identify how we can improve.

We continued to strengthen internal systems and processes so they can respond faster to change. We put in place a programme of work to respond to recommendations from the State Services Commission's Performance Improvement Framework review and the Treasury's Investor Confidence Rating assessment in 2018. While we made good progress, we have more to do to improve our capability in areas such as portfolio, programme and project management.

REBUILDING STRONG RELATIONSHIPS

During the year, we conducted surveys to understand what our co-investors, partners and customers think of us. On average, 39 percent of our partners and co-investors provided positive answers about our responsiveness, engagement and delivery of transport solutions compared with 52 percent of customers (giving an average of 45.3%). Just over a third of our partners and co-investors think the Transport Agency is known for agile thinking and fast-tracking solutions.

45.3%

of partners, stakeholders and customers report we are responsive with engaged people and timely delivery of transport solutions

36.8%

of co-investors and partners consider we are known for agile thinking and fast-tracking solutions

We need to rebuild our relationships with our co-investors and partners through regular engagement and by working closely with them to deliver national, regional and local projects that progress the priorities in the Government Policy Statement on land.

When approved organisations, such as local and regional councils and parts of the Transport Agency, develop proposals for funding from the National Land Transport Programme, they must follow a business case approach. Our co-investors and partners found our business case approach difficult, requiring significant time, cost and effort. In June 2019, we launched a clearer and more consistent approach to make business case development simpler and faster. We now also train our co-investors and partners in using the approach to achieve the best results.

DELIVERING VALUE FOR MONEY AS THE PRIMARY INVESTOR IN NEW ZEALAND'S LAND TRANSPORT SYSTEM

Value for money is a priority of the Government Policy Statement on land transport. We assess all the investments we make in the land transport system through an investment assessment framework aligned to the Government Policy Statement and we conduct post-implementation reviews to assess how well a project (or package) has delivered its expected benefits.

During the year, we put in place a set of measures to help us improve how we assess the benefits of our investments across all modes of land transport. These measures have been thoroughly tested to ensure they reflect past and present government priorities and align with the Ministry of Transport's Transport Outcomes Framework.

We are also increasing the maturity our internal value-for-money framework, with a system in place to identify and track ongoing improvement actions across the output classes the Transport Agency is funded to deliver.

FEATURE STORY

Te Ara Kotahi / Our Māori Strategy

In December 2018, the Transport Agency's Board endorsed Te Ara Kotahi / Our Māori Strategy and its supporting action plan. Te Ara Kotahi provides us with an overarching strategic framework that affirms our commitment to uphold our te Tiriti o Waitangi / Treaty of Waitangi and related legislative obligations. Under the Land Transport Management Act 2003, we have specific requirements to consult or engage with Māori in land transport decision-making processes.

Te Ara Kotahi supports us by providing direction on how we work and respond to Māori as the Crown's Treaty partner, and what this means for how we do business to value Te Ao Māori views for the land transport system.

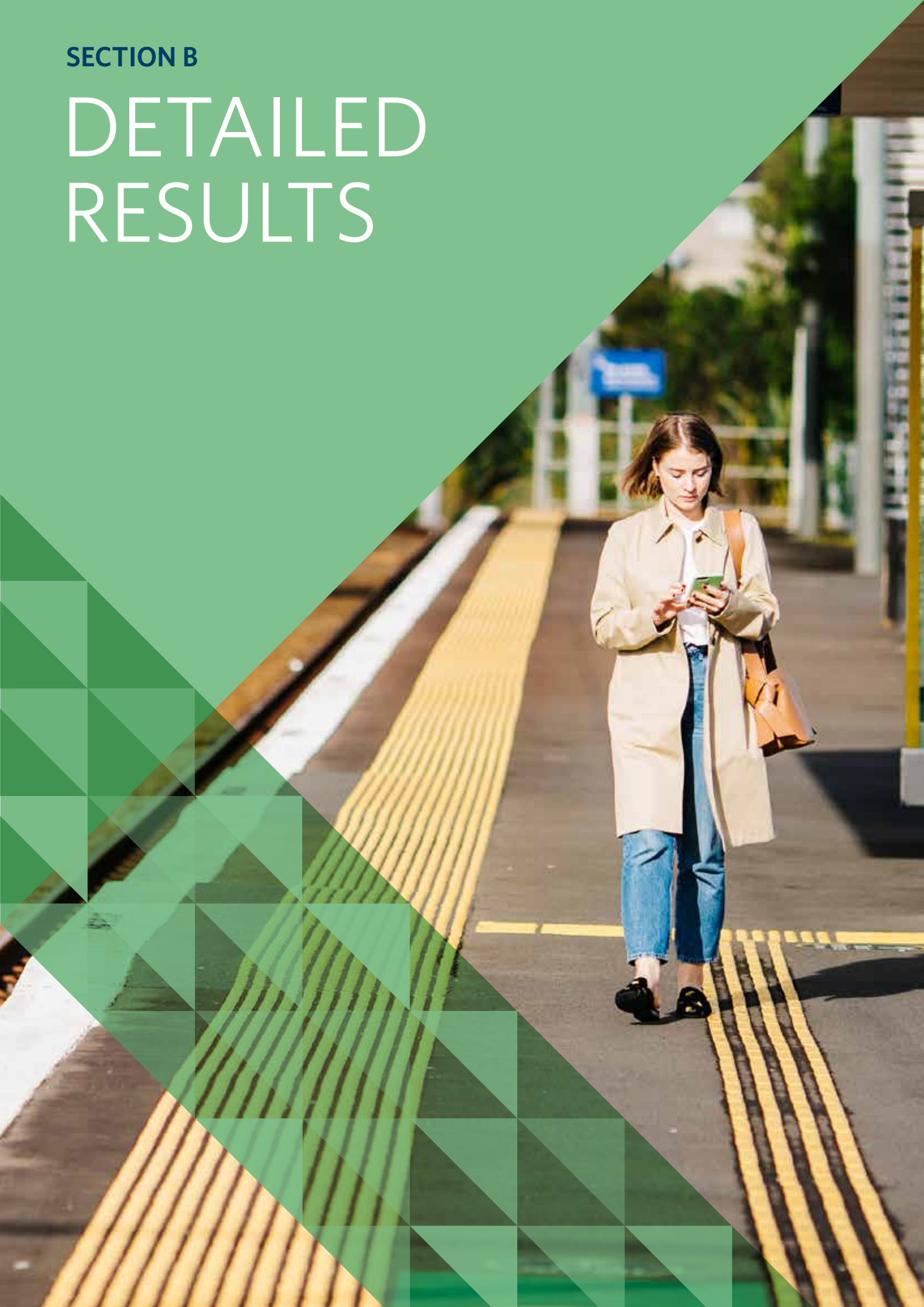
Te Ara Kotahi will also support our people to have the capability, capacity and confidence to engage successfully with Māori.

It also identifies what processes and support are required to ensure we are prepared for our role and responsibilities in supporting the development of strong and vibrant Māori communities and to identify opportunities to enhance social, cultural, environmental and economic wellbeing.



SECTION B

DETAILED RESULTS



OUR STRATEGY

Our three, long-term strategic responses – a system response, a people-centric response and a community response – describe the direction we take to deliver value to New Zealand (see figure 1). They're the three big changes we need to make in the longer term to deliver what is expected of us.

Our eight position statements describe what we see as the significant challenges for the sector and the Transport Agency and they guide us to deliver on the Government Policy Statement priorities.

By addressing these challenges, we can make the big changes we're aiming for in our strategic responses and achieve the Government Policy Statement on land transport.

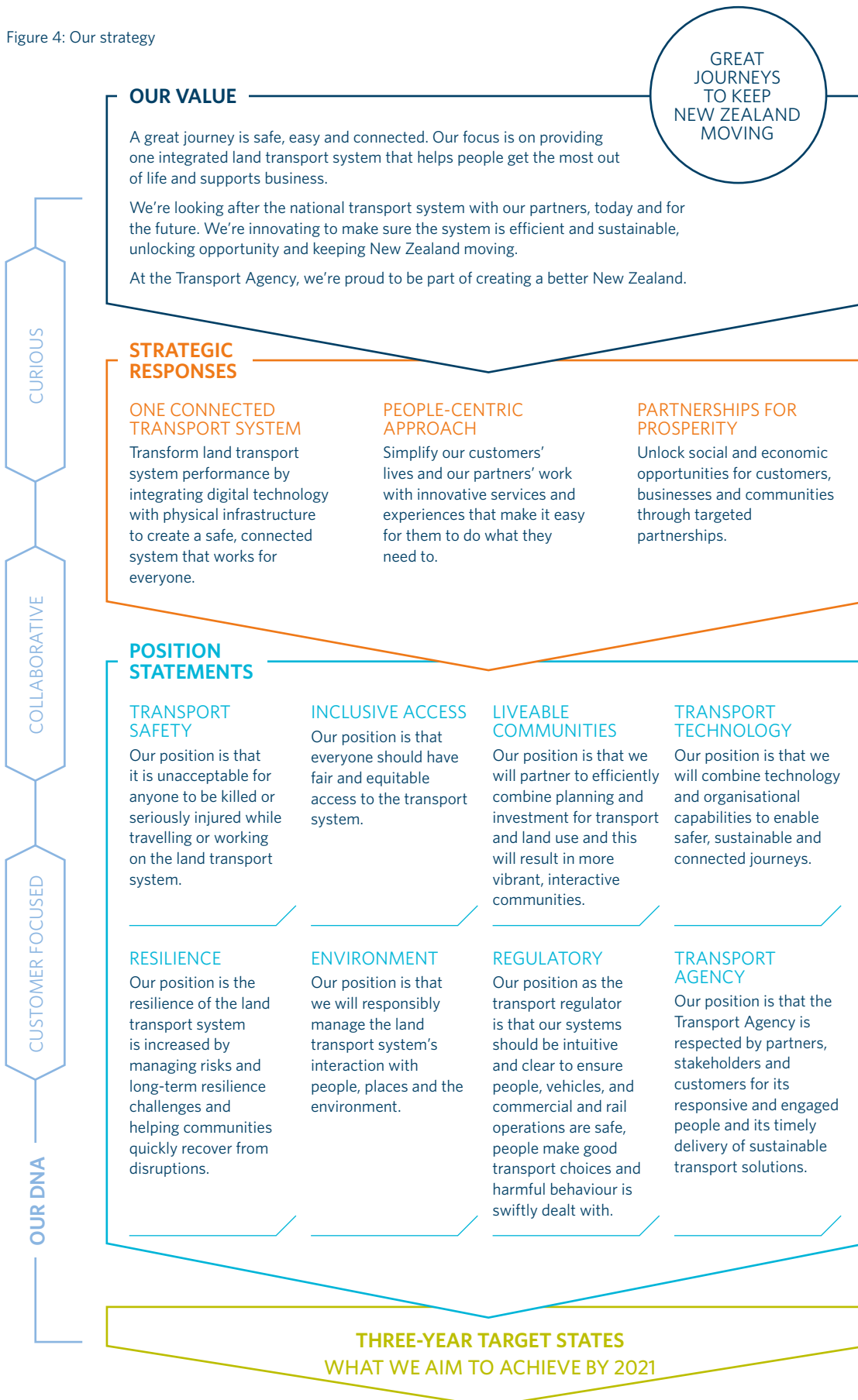
We measure our progress by monitoring:

- performance measures that align with the Transport Outcomes and Government Policy Statement measures, where relevant
- our progress towards target states, which describe the results and changes we want to see by 30 June 2021
- significant activities and performance expectations for our 19 output classes that are set out each year in our statement of performance expectations.⁴

Our strategy is described in our *Amended statement of intent 2018-22*, which we refined to introduce a suite of measures aligned with the Government Policy Statement, consolidated target states and changes made in response to major issues uncovered in our regulatory function. Some of the material in our *Statement of performance expectations 2018/19* was affected by these changes, for instance, it includes some target states that have since been removed or updated.

⁴ Our *Amended statement of performance expectations 2018/19* is available from the Transport Agency website: www.nzta.govt.nz/spe

Figure 4: Our strategy



GREAT JOURNEYS TO KEEP NEW ZEALAND MOVING

OUR VALUE

A great journey is safe, easy and connected. Our focus is on providing one integrated land transport system that helps people get the most out of life and supports business.

We're looking after the national transport system with our partners, today and for the future. We're innovating to make sure the system is efficient and sustainable, unlocking opportunity and keeping New Zealand moving.

At the Transport Agency, we're proud to be part of creating a better New Zealand.

STRATEGIC RESPONSES

ONE CONNECTED TRANSPORT SYSTEM

Transform land transport system performance by integrating digital technology with physical infrastructure to create a safe, connected system that works for everyone.

PEOPLE-CENTRIC APPROACH

Simplify our customers' lives and our partners' work with innovative services and experiences that make it easy for them to do what they need to.

PARTNERSHIPS FOR PROSPERITY

Unlock social and economic opportunities for customers, businesses and communities through targeted partnerships.

POSITION STATEMENTS

TRANSPORT SAFETY

Our position is that it is unacceptable for anyone to be killed or seriously injured while travelling or working on the land transport system.

INCLUSIVE ACCESS

Our position is that everyone should have fair and equitable access to the transport system.

LIVEABLE COMMUNITIES

Our position is that we will partner to efficiently combine planning and investment for transport and land use and this will result in more vibrant, interactive communities.

TRANSPORT TECHNOLOGY

Our position is that we will combine technology and organisational capabilities to enable safer, sustainable and connected journeys.

RESILIENCE

Our position is the resilience of the land transport system is increased by managing risks and long-term resilience challenges and helping communities quickly recover from disruptions.

ENVIRONMENT

Our position is that we will responsibly manage the land transport system's interaction with people, places and the environment.

REGULATORY

Our position as the transport regulator is that our systems should be intuitive and clear to ensure people, vehicles, and commercial and rail operations are safe, people make good transport choices and harmful behaviour is swiftly dealt with.

TRANSPORT AGENCY

Our position is that the Transport Agency is respected by partners, stakeholders and customers for its responsive and engaged people and its timely delivery of sustainable transport solutions.

THREE-YEAR TARGET STATES
WHAT WE AIM TO ACHIEVE BY 2021

CURIOUS

COLLABORATIVE

CUSTOMER FOCUSED

OUR DNA

TRANSPORT SAFETY

MARUTAU WAKA



OUR POSITION

Our position is that it is unacceptable for anyone to be killed or seriously injured while travelling or working on the land transport system.

TARGET STATES - WHAT WE AIM TO ACHIEVE BY 2021

By 2021, we have committed to deliver initiatives, with significantly increased investment, co-investment and coordination, targeting speed management, infrastructure improvements and vehicle safety to reduce the number of people killed or seriously injured while travelling.

We also set a rail safety target to see four fewer category A signals passed at danger is when a train passes a perfectly displayed stop signal without authorisation.

OUR PROGRESS THIS YEAR

For the year to 31 March 2019, 2902 people died or were seriously injured on our roads. While this is fewer than the previous year, it remains 8 percent higher than at the start of the decade when the 10-year road safety strategy, Safer Journeys, began. This year we worked with the Ministry of Transport to develop the new 10-year road safety strategy Road to Zero.⁵

Guided by the Safe System approach to road safety, we:

- began delivering the Safe Networks Programme on high-risk routes and intersections, but progress has been slower than planned
- began implementing the Speed Management Guide on the highest-risk routes and intersections
- developed a communications programme to educate consumers on the benefits of safer vehicles.

We continued to deliver infrastructure projects that improve the safety and resilience of our roads (significant capital projects are detailed in appendix A, page 171) and asset condition measures for state highways and local roads were maintained or improved.

We successfully delivered three of five workstreams to fully establish the rail safety regulator to be a proactive, risk-based regulator.

⁵ Ministry of Transport. 2019. *Road to Zero: Consultation on the 2020-2030 road safety strategy*. Wellington: Ministry of Transport. <https://www.transport.govt.nz/assets/Import/Uploads/Our-Work/Documents/e97c3b3d0d/Road-to-Zero-consultation-document-July2019.pdf>

2902

deaths and serious injuries on New Zealand roads

48%

of state highway activities in the Safe Networks Programme to schedule and cost

89%



of our road safety advertising campaigns met or exceed their agreed success criteria

69KM (0.6%)

of state highway network modified to align with a safe and appropriate speed



64%

of local road activities in the Safe Networks Programme to cost

3 OUT OF 4

asset condition measures for the state highway network achieved

3 OUT OF 3

asset condition measures for the local road network achieved

88%

of state highway improvement activities delivered to agreed standards and timeframes

PERFORMANCE MEASURES

We monitor progress through measures for our position statement, target states and output classes. We also set out significant activities to achieve every year.

Our transport safety position is delivered through activities and investments in the six output classes:

- state highway improvements
- state highway maintenance
- local road improvements
- local road maintenance
- road safety promotion and demand management
- road policing (see page 223 of the National Land Transport Fund annual report).

Contributions also come from the two output classes:

- regional improvements
- licensing and regulatory compliance.

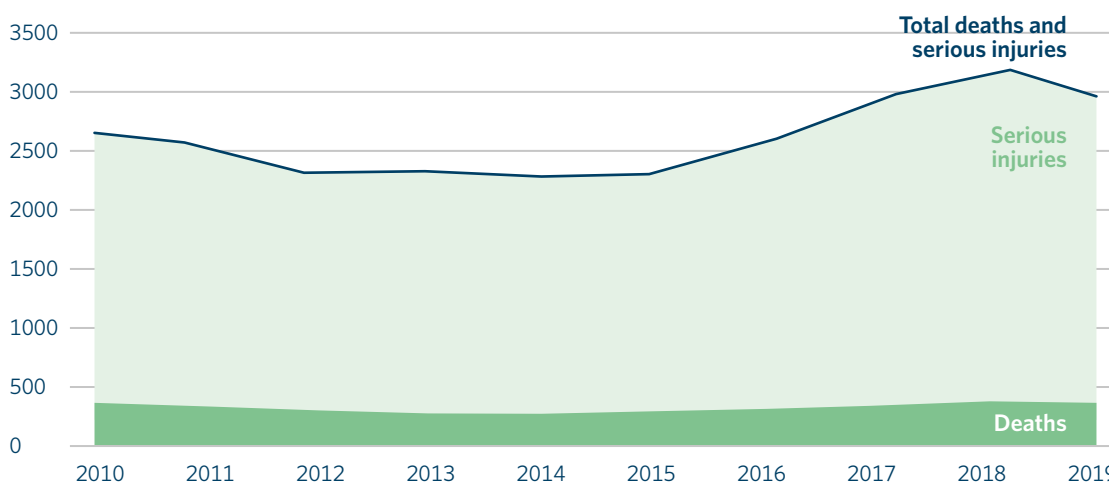
POSITION STATEMENT

It is unacceptable for anyone to be killed or seriously injured while travelling or working on the land transport system.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|-----------------------------|----------------|----------------|--|
| Deaths and serious injuries | Reducing | 2902* | Lower than in previous year (3201) but long-term trend is increasing |

* Data to 31 March 2019 from Crash Analysis System database for serious injuries and Ministry of Transport fatalities database.

Deaths and reported serious injuries 2010–2019 (annualised totals)



While the number of deaths and serious injuries on our roads is lower than last year, it remains 8 percent higher than at the start of the decade when the 10-year road safety strategy, Safer Journeys, began. Serious injury levels from road crashes have been climbing since 2013, as evidenced from police-reported crashes and the numbers of accident compensation claims and hospitalisations. Serious injury levels are also increasing at a faster rate than population growth or the increase in vehicle kilometres travelled.

Our response is a renewed emphasis on the main contributors to the severity of crashes: unsafe speeds, unforgiving road design, unsafe vehicles and driver impairment.

TARGET STATE

Deliver initiatives targeting speed management, infrastructure improvements and vehicle safety designed to reduce the number of people killed or seriously injured while travelling on the land transport system through significantly increased investment, co-investment and coordination.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|--|---------------------|--------------------------------------|--------------|
| Proportion of years 1-3 deliverables in the Safe Networks Programme delivered (including local roads and state highways) | State highways ≥80% | State highways (cost and time) 47.8% | Not achieved |
| | Local roads ≥80% | Local roads (cost only) 63.7% | Not achieved |

The Safe Network Programme is now well established, with the lower target and result not unexpected for the first year of a new programme of work. Out of a total 49 state highway projects that will be delivered, 10 are now complete. For state highways, funding has now been confirmed and the upcoming establishment of an external delivery consortium is expected to resolve delays and speed up future approvals in the programme. Resourcing has now been increased to coordinate the local road programme and to assist in clear allocation of the targeted enhanced funding assistance rate for local councils.

TARGET STATE

Four fewer category A signals (rail) passed at danger (cumulative by 30 June 2021)

| MEASURE | 2018/19 TARGET | BASELINE | RESULT |
|---|---|----------|--------------|
| Number of trains that go through a stop signal when they could have stopped safely (category A signal passed at danger) | Establish baseline from period 1 July 2015 - 30 June 2018 | 133 | Baseline set |

Note: a signal passed at danger is when a train passes a perfectly displayed stop signal without authorisation.

As the rail safety regulator, we investigate incidents and take appropriate action (such as enforcing speed reductions) and help to identify safety issues affecting the rail industry.

The number of signals passed at danger is an important measure of the safety of rail systems as it indicates the effectiveness of the systems to prevent unauthorised movement of rail vehicles into occupied sections of track. If not prevented, these situations can lead to collisions between rail vehicles.

We are establishing a baseline from which to track this measure with the aim of seeing a reduction by 2021. Currently, there is no technology solution in use across New Zealand's rail network to assist with reducing signals passed at danger. We need to investigate funding options for future technology solutions.

SIGNIFICANT ACTIVITIES

Our *Amended statement of performance expectations 2018/19* set out the following significant activities to help us deliver our transport safety position.

| TRANSPORT SAFETY SIGNIFICANT ACTIVITIES 2018/19 | | YEAR-END RESULT |
|--|---|---|
| 1.1 | Begin delivery of a safe network improvement programme on high-risk routes and intersections |  ACHIEVED |
| 1.2 | Begin implementation of the Speed Management Guide on the highest-risk routes and intersections |  ACHIEVED |
| 1.3 | Develop a communications programme to educate consumers on the benefits of safer vehicles |  ACHIEVED |
| 1.4 | Fully establish the rail safety regulator to be a proactive, risk-based regulator |  SUBSTANTIALLY ACHIEVED |
| <p>Establishing the rail safety regulatory function is a key focus for us. To build our regulatory rail capability and capacity, we implemented five workstreams and successfully delivered three. A draft success measures framework is on hold as the next steps will be informed by the recommendations from the Ministry of Transport's regulatory review. A review of our funding needs for our rail regulatory function is nearing completion. The Ministry of Transport is progressing regulations to recover a portion of this function's cost from the industry. A cost-recovery framework will be in place once the new regulations are enacted.</p> | | |
| 1.5 | Continue to work with the Ministry of Transport on developing a new road safety strategy for 2019 |  ACHIEVED |

OUTPUT CLASS

STATE HIGHWAY IMPROVEMENTS

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

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.

| REFERENCE MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL | |
|--|--|----------------|----------------|--------------------|----------------|-------------|
| SHI1 | % of activities delivered to agreed standards and timeframes | Not achieved | 88% | ≥90% | 2% | 86% |
| <p>The delivery of activities to agreed standards and timeframes was below target, although an improvement on last year's result. This measure is 50 percent financial performance against budget and 50 percent delivery performance against milestones. The financial underspend was largely caused by overly optimistic forecasting across the state highway improvements programme in the first year of the 2018-21 National Land Transport Programme and a few large projects experienced delays caused by issues such as:</p> <ul style="list-style-type: none"> • delays receiving materials (Mackays to Peka Peka and Christchurch Northern Arterial) • unforeseen ground conditions delaying construction of a retaining wall (Western Ring Route) • consenting delays and property acquisition challenges (Mt Messenger Bypass) • final asphalt surfacing deferred to give chip seal more time to bed down and to ensure conditions are optimal (Waikato Expressway's Rangiriri and Ngaruawahia sections, respectively). | | | | | | |
| SHI2 | % of state highway network modified to align with safe and appropriate speed | Baseline set | 0.6% (68.5km) | Baseline to be set | - | New measure |
| <p>We completed a review of speeds across the state highway network and have identified the top 10 percent that will result in the greatest reduction in death and serious injury when modified. A total of 68.5km of the state highway network had speed reductions this year. This includes 25.6km on State Highway 1 north and south of Kaikōura and 9km on State Highway 60 in Richmond. Both lengths of road are part of the top 10 percent of the network identified to have the greatest impact on reducing death and serious injuries when modified.</p> | | | | | | |
| SHI3 | % of state highways available to high productivity motor vehicles | Achieved | 71% | ≥62% | 9% | 62% |

See appendix B, page 175, for technical details.

| | 2018/19 ACTUAL \$M | 2018/19 BUDGET \$M | VARIANCE \$M | RESTATED 2017/18 ACTUAL \$M ^a |
|-----------------------|--------------------|--------------------|--------------|--|
| Income | 1,251.9 | 1,420.9 | (169.0) | 1,376.1 |
| Expenditure | 1,251.9 | 1,420.9 | (169.0) | 1,376.1 |
| Net surplus (deficit) | 0.0 | 0.0 | 0.0 | 0.0 |

a 2017/18 actual balances have been restated to remove the public-private partnerships consistent with 2018/19.

Note: expenditure is net of developers' contributions, so reflects increases in the Transport Agency's assets.

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 \$539.6 million (2017/18: \$393.3 million)
- public-private partnerships of \$724.3 million (2017/18: \$433.3 million)
- assets vested to local authorities of \$24.4 million (2017/18: \$0.0)
- other expenses of \$0.1 million (2017/18: \$4.7 million).

State highway improvements expenditure was \$169.0 million (12 percent) below budget, primarily as a result of overly optimistic forecasting for the first year of the 2018–21 National Land Transport Programme. Projects contributing to the underspend include Auckland’s Northern Corridor Improvements (\$56 million), Wellington’s Northern Corridor (\$31 million), Mackays to Peka Peka (\$17 million), Christchurch Northern Arterial (\$16 million) and Peka Peka to Ōtaki (\$14 million). Expenditure is forecast to increase significantly in the remainder of the 2018–21 National Land Transport Programme period as major construction projects continue or are completed.

See page 132 for full details on output class funding and expenditure.

OUTPUT CLASS
STATE HIGHWAY MAINTENANCE

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

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.

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|-----------|--|--------------|----------------|-------------------|----------|----------------|
| SHM1 | % of activities delivered to agreed standards and timeframes | Achieved | 94% | ≥90% | 4% | 90% |
| SHM2 | Safe stopping: % of network meeting surface texture standards | Achieved | 99% | ≥98% | 1% | 99% |
| SHM3 | Network resilience: % of rutting ≥20mm over state highway network | Achieved | 1% | ≤3% ^a | 2% | 1% |
| SHM4 | Safe stopping: % of network above skid threshold | Not achieved | 97% | ≥98% | 1% | 95% |
| | While our target was not achieved, the proportion of the road network above the skid threshold improved on last year following increased funding to treat network deficiencies. Additional funding is available for the remaining two years of the 2018–21 National Land Transport Programme to continue working towards this target. | | | | | |
| SHM5 | Smooth ride: % of travel on network classed as smooth | Achieved | 99% | ≥97% | 2% | 99% |
| SHM6 | Availability of state highway network: % of unplanned road closures resolved within standard timeframes | Achieved | 85% | ≥75% ^b | 10% | 82% |
| SHM7 | State highway maintenance cost per lane kilometre delivered | Achieved | \$22,997 | \$21,500–\$24,000 | 0 | \$24,705 |
| SHM8 | Reinstatement of the South Island Transport Corridors: % of activities delivered to agreed standards and timeframes ^c | Not achieved | 81% | ≥90% | 9% | New measure |
| | The target was not achieved due to reprioritisation of activities towards recovery and restoration work. Restoration activities are now ahead of programme with project recovery construction substantially completed. The reprogramming of work led to significant delays in the improvements and resilience programme. Due to extensive value engineering work, there was no cost increase even with the delays, and savings in the initial target outturn cost were realised. | | | | | |

a This was published incorrectly as 3% in our Amended statement of performance expectations 2018/19.

b The target was reduced for 2018/19 to take account of extreme weather events, which impact performance against this measure. The target has been revised back to ≥84% for 2019/20 to reflect a more consistent baseline of historic performance.

c The methodology for this measure changed since it was initially scoped. Information to assess overall physical performance was unavailable due to the large number of projects being delivered across different phases and complex arrangements. The projects are delivered under multiple agreements between different delivery agents of the North Canterbury Transport Infrastructure Recovery Alliance, with some jointly funded and jointly owned. Expenditure was used as a proxy for standards and timeframes.

See appendix B, page 175, for technical details.

| | 2018/19 ACTUAL \$M | 2018/19 BUDGET \$M | VARIANCE \$M | 2017/18 ACTUAL \$M |
|-----------------------|--------------------------|--------------------------|-----------------|--------------------------|
| Income | 830.1 | 903.9 | (73.8) | 1,168.5 |
| Expenditure | 830.1 | 903.9 | (73.8) | 1,168.5 |
| Net surplus (deficit) | 0.0 | 0.0 | 0.0 | 0.0 |

State highway maintenance expenditure was \$73.8 million (8 percent) below budget, mainly due to a \$124 million underspend on the reconstruction of State Highway 1 after the Kaikōura earthquake.

State highway network base programme expenditure was \$13 million above budget. The main contributors to the over-expenditure were traffic growth claims.

Other emergency works also had a significant impact on expenditure and were \$24 million above budget. The main drivers of this overspend were severe weather events, including a West Coast rain event resulting in the loss of Waiho Bridge, river erosion on State Highway 6 in Haast and a detour route following the closure of Manawatū Gorge.

See page 133 for full details on output class funding and expenditure.

OUTPUT CLASS

LOCAL ROAD IMPROVEMENTS

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

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

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|-----------|---|----------|----------------|----------------|----------|----------------|
| LRI1 | % of approved organisations signed up to the 50MAX network | Achieved | 95% | ≥95% | 0 | 95% |
| LRI2 | % of local road network modified to align with safe and appropriate speed | - | Not available | Set baseline | - | New measure |

We cannot report on this measure because sufficiently robust data is not available. In future, data will be sourced from the National Speed Limit Register, which is being developed and will be available for local road reporting after December 2020.

See appendix B, page 175, for technical details.

| | 2018/19 ACTUAL \$M | 2018/19 BUDGET \$M | VARIANCE \$M | 2017/18 ACTUAL \$M |
|-----------------------|--------------------|--------------------|--------------|--------------------|
| Income | 239.6 | 216.1 | 23.5 | 246.2 |
| Expenditure | 239.6 | 216.1 | 23.5 | 246.2 |
| Net surplus (deficit) | 0.0 | 0.0 | 0.0 | 0.0 |

Local road improvements expenditure was \$23.5 million (11 percent) above budget. The increase is largely due to the inclusion of infrastructure projects for the Provincial Growth Fund of \$10.9 million, which were budgeted in regional improvements.

Major expenditure in local road improvements included \$90 million in low-cost, low-risk programmes, \$38.5 million LED street lighting upgrades and Quay Street (Auckland) seawall of \$15.9 million.

See page 136 for full details on output class funding and expenditure.

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

In conjunction with approved organisations, we invest in local road maintenance and operations, including the maintenance of pavements, structures and drains, and traffic services. 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.

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|-----------|--|--------------|----------------|-----------------|----------|----------------|
| LRM1 | Pavement integrity index of the sealed network ^a | Achieved | 94 | 94 ^b | 0 | 94 |
| LRM2 | Surface condition index of the sealed network ^c | Achieved | 98 | 98 ^b | 0 | 98 |
| LRM3 | Smooth ride: % of travel on smooth roads | Achieved | 87% | ≥86% | 1% | 87% |
| LRM4 | Local road maintenance cost per local road lane kilometres delivered | Not achieved | \$3,455 | ≤\$3,000 | \$455 | \$3,095 |

This measure is calculated by dividing the amount spent on the maintenance and renewal of local roads by the total number of lane kilometres in the network. Cost per local road lane kilometre was above target this year because more sealed pavement maintenance and routine drainage maintenance work were delivered than budgeted for. Network asset management activities were also higher than expected. Not all these activities contribute to an increase in lane kilometres.

a This was published incorrectly in our *Amended statement of performance expectations 2018/19* as '% of the sealed local road network that meets pavement integrity targets' and has been corrected to reflect what is being measured. This is consistent with previous methodology and results.

b This was published incorrectly in our *Amended statement of performance expectations 2018/19* as a percentage.

c This was published incorrectly in our *Amended statement of performance expectations 2018/19* as '% of the sealed local road network that meets surface condition targets' and has been corrected to reflect what is being measured. This is consistent with previous methodology and results.

See appendix B, page 175, for technical details.

| | 2018/19 ACTUAL \$M | 2018/19 BUDGET \$M | VARIANCE \$M | 2017/18 ACTUAL \$M |
|-----------------------|--------------------|--------------------|--------------|--------------------|
| Income | 653.4 | 668.0 | (14.6) | 594.7 |
| Expenditure | 653.4 | 668.0 | (14.6) | 594.7 |
| Net surplus (deficit) | 0.0 | 0.0 | 0.0 | 0.0 |

Local road maintenance expenditure was \$14.6 million (2 percent) below budget due to lower than forecast emergency works claims. Funding approvals for emergency works are well above budget but several claims are yet to be finalised. The delivery of the base programme is close to budget.

See page 136 for full details on output class funding and expenditure.

OUTPUT CLASS

ROAD SAFETY PROMOTION AND DEMAND MANAGEMENT

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

Through road safety promotion and demand management, we manage and invest in activities that support behavioural changes to increase road safety and promote mode shift and use of travel planning to optimise the transport system. These activities include advertising, education and information targeted at road users. This output class includes work and school travel management plans, cycle safety training, ride sharing, promotion of public transport and active modes, and the provision of alcohol interlocks.

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|---|--|--------------|----------------|----------------|----------|----------------|
| RSP1 | % of activities delivered to agreed standards and timeframes | Not achieved | 76.5% | 100% | 23.5% | 100% |
| <p>We did not meet our target because of delays completing two of the three programmes planned for the third quarter (both were completed in quarter four) and two programmes planned for the fourth quarter. We did not complete the evaluation report of the Young Driver programme (delivered in July 2019) and the education component of the Safe Networks Programme, which was delayed to align with the speed management component of the programme.</p> | | | | | | |
| RSP2 | % of road safety advertising campaigns that meet or exceed their agreed success criteria | Achieved | 89% | ≥80% | 9% | 87% |

See appendix B, page 175, for technical details.

| | 2018/19 ACTUAL \$M | 2018/19 BUDGET \$M | VARIANCE \$M | 2017/18 ACTUAL \$M |
|-----------------------|--------------------|--------------------|--------------|--------------------|
| Income | 49.1 | 55.3 | (6.2) | 39.3 |
| Expenditure | 45.9 | 52.9 | (7.0) | 37.4 |
| Net surplus (deficit) | 3.2 | 2.4 | 0.8 | 1.9 |

Road safety promotion expenditure was \$7.0 million (13 percent) below budget. The most significant variance was due to an underspend on the alcohol interlock programme (a new initiative of the Safer Journeys road safety strategy to reduce the impact of drink driving on our roads) of \$3.6 million.

See page 138 for full details on output class funding and expenditure.

OUTPUT CLASS

ROAD POLICING

The road policing output class is reported in the annual report for the National Land Transport Fund, page 221.

INCLUSIVE ACCESS

HAERE TAHI



OUR POSITION

Our position is that everyone should have fair and equitable access to the transport system.

TARGET STATES - WHAT WE AIM TO ACHIEVE BY 2021

By 2021, we aim to achieve:

- increased mode share of public transport and active modes in high-growth urban areas
- improved access to priority routes for freight and tourism, particularly at peak times.

OUR PROGRESS THIS YEAR

For the first time, we are reporting on access to destinations such as jobs, schools, health care and essential shopping by different modes of transport (see pages 42-44). Driving is the main way people connect to important social and economic opportunities. Fewer people have easy access to key destinations using public transport, walking or cycling.

A baseline established this year shows only 19 percent of urban journeys are made by public transport, walking or cycling. However, the use of urban public transport services grew by 6 percent.

Through a mode shift strategy, we identified and prioritised what we can do to increase the attractiveness of public transport and walking, cycling and other active modes. We also delivered a travel demand management programme that aims to enable better travel choices.

To support access and economic development in the regions, we improved 152 lane kms of regional state highways and made an additional 1,004km of state highway available to high productivity motor vehicles on key regional routes.

19%

of trips in high-growth urban areas on public transport, walking and cycling

29%

of people in Auckland, Wellington and Christchurch have access to frequent public transport services

151.7 LANE KMS

of regional state highways improved (13 projects)

15.7 MILLION TRIPS

funded through the SuperGold cardholders' scheme (up nearly 12%)

8225KM

of state highway available to high productivity motor vehicles on key regional routes

168 MILLION PASSENGERS

used urban public transport services (6% growth)



We delivered our commitments as a partner in the Provincial Growth Fund programme to lift regional productivity. This included:

- working with the Provincial Development Unit to identify investment opportunities and advise on Provincial Growth Fund applications
- managing Provincial Growth Fund funding for roading projects through Vote Transport and the Transport Investment Online system
- developing a significant pipeline of activities to create safer, more resilient transport connections in Tairāwhiti/Gisborne

Baselines for measures of improved access to priority routes for freight and tourism will be established next year.

Access to the transport system and economic development in regions supports the work we do to make our communities more liveable and connected (as described under our liveable communities position).

PERFORMANCE MEASURES

We monitor progress through measures for our position statement, target states and output classes. We also set out significant activities to achieve every year.

Our inclusive access position is delivered through activities and investments in the four output classes:

- regional improvements
- public transport
- administration of the SuperGold cardholders’ scheme
- enhanced public transport concessions for SuperGold cardholders

Contributions also come from the output class walking and cycling.

POSITION STATEMENT

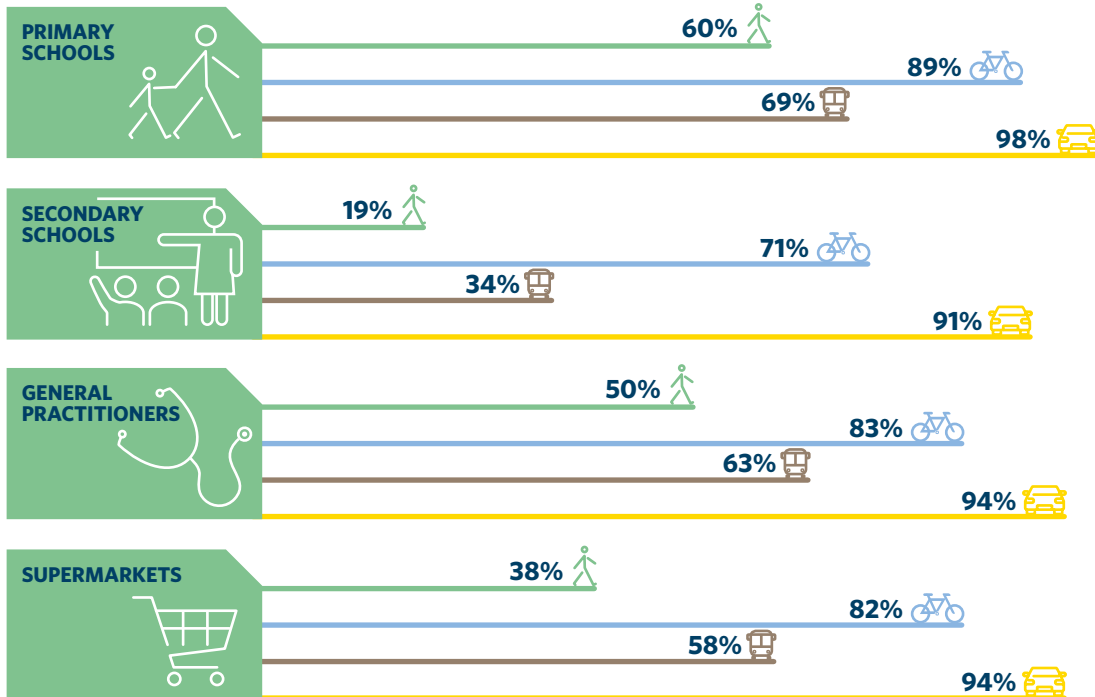
Everyone should have fair and equitable access to the transport system.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|---|----------------|------------------------|---|
| Access to social and economic opportunities by mode | Set baseline | See figures on page 42 | Baseline set (future reporting to be confirmed) |

ACCESS TO SOCIAL AND ECONOMIC OPPORTUNITIES

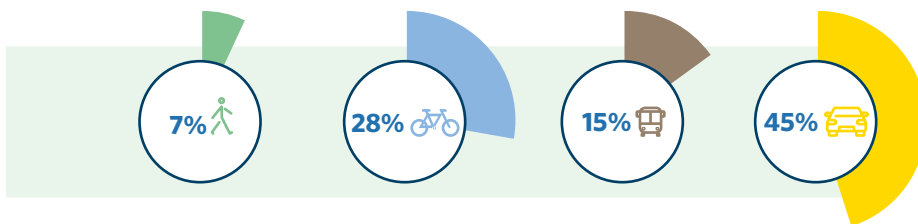
Proportion of population within 15 minutes of destination by mode

This measure shows the proportion of New Zealanders that can reach important destinations in a reasonable time.



Proportion of jobs within 45 minutes by mode

This measure shows the proportion of jobs across New Zealand that can be reached in a reasonable time.



Through these measures we will develop a deeper understanding of whether New Zealanders can access the destinations that matter the most to them - jobs, schools, health care and essential shopping.

Measuring access to a key destination, rather than efficiency of transport (such as travel times on key corridors) is relatively new to the New Zealand transport sector and is foundational for considering how to improve accessibility, in particular through better integration of urban development and transport.

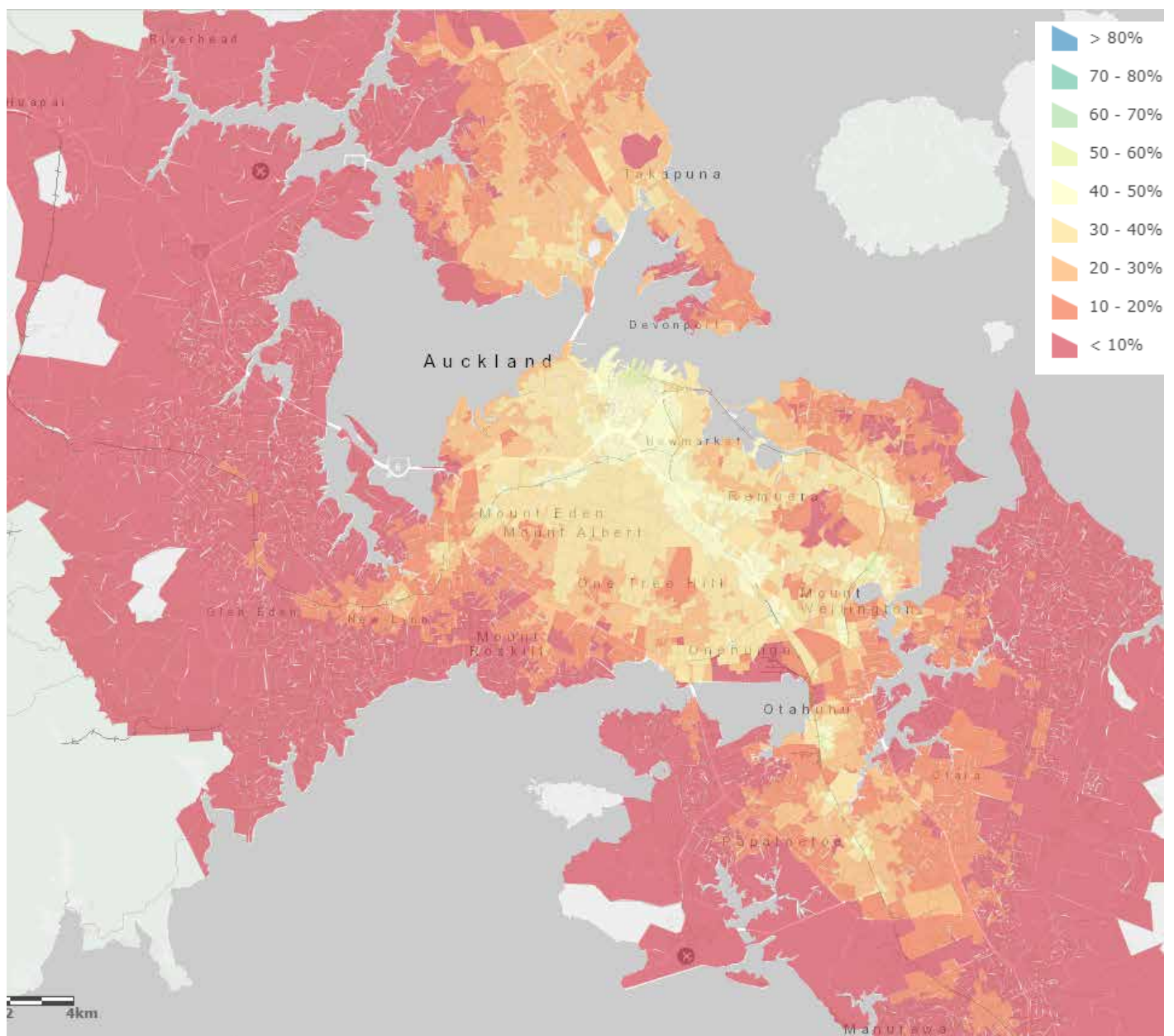
Connectivity to important social and economic opportunities in New Zealand is highest for driving (more than 9 in 10 people live within a 15-minute drive of a general practitioner). In comparison, fewer people have easy access to important destinations using public transport or walking and cycling (around 6 in 10 people live within a 15-minute public transport journey to a general practitioner). Figure 5 (page 43), for example, shows the proportion of jobs within 45 minutes by public transport in different areas of the Auckland region.

Future targets for this measure will be set once measures are confirmed for the Government Policy Statement on land transport.

Figure 5 shows that for large areas of Auckland only a small proportion of the region’s jobs can be reached within a 45 minute (door-to-door) public transport commute in the morning - this is particularly the case for neighbourhoods in West and South Auckland that are located away from southern train line.

Data is likely to change when public transport improvements are completed or if the number of jobs located near public transport infrastructure grows.

Figure 5 - Jobs within 45 minutes on public transport divided by total regional jobs



TARGET STATE

Increased mode share of public transport and active modes in high-growth urban areas.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|---|----------------|----------------|--------------|
| Proportion of total trips on public transport and active modes in high-growth urban areas | Set baseline | 19% | Baseline set |

TARGET STATE

Improved access to priority routes for freight and tourism, particularly at peak times.

| MEASURE | 2018/19 TARGET | BASELINE | RESULT |
|--|--|----------|--------|
| Number of hours that priority routes for freight and tourism are unavailable | Baseline to be set in 2019/20, then decreasing | | |
| Predictability of travel times on priority routes for freight and tourism | Baseline to be set in 2019/20, then increasing | | |

SIGNIFICANT ACTIVITIES

Our *Amended statement of performance expectations 2018/19* set out the following significant activities to help us deliver our inclusive access position.

| INCLUSIVE ACCESS SIGNIFICANT ACTIVITIES 2018/19 | YEAR-END RESULT |
|---|-----------------|
| 2.1 Build understanding and shared investment approaches with central and local government about the needs of the transport disadvantaged, and which interventions work best for which groups | ACHIEVED |
| 2.2 Develop initiatives to encourage many more people onto public transport and active modes, including a: <ul style="list-style-type: none"> mode shift strategy to identify and prioritise what we can do to increase the attractiveness of public transport, walking, cycling and other active modes demand management programme that aims to enable better travel choices | ACHIEVED |
| 2.3 Develop a shared understanding in regional New Zealand of the most important transport accessibility needs for freight and tourism and begin to take action | ACHIEVED |
| 2.4 Support local government to develop planning approaches and approvals that support multimodal transport choices | ACHIEVED |
| 2.5 Deliver our commitments as a key partner in the Provincial Growth Fund programme to lift regional productivity, including: <ul style="list-style-type: none"> working with the Provincial Development Unit to identify investment opportunities, provide advice on applications and release funding for land transport projects delivering the Waipapa intersection (Northland) developing seven business cases as part of the next phase in the Twin Coast Discovery Route programme (Northland) developing a single stage business case to identify potential improvements for State Highway 43, the Forgotten World Highway (Taranaki) delivering a significant pipeline of work in Tairāwhiti/Gisborne made up of physical works, emergency works and business cases | ACHIEVED |
| 2.6 Implement the National Priority Programme for regional development | ACHIEVED |

OUTPUT
CLASS**REGIONAL IMPROVEMENTS***Delivered by the Transport Agency and funded from the National Land Transport Fund*

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.

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|-----------|---|----------|-------------------|-------------------|----------|-------------------|
| RI1 | Lane kilometres of improved regional roading | Achieved | 151.7 lane km | Increasing | - | 9.4km |
| RI2 | Kilometres available to high productivity motor vehicles on key regional routes | Achieved | 8,225km | Increasing | - | 7,221km |
| RI3 | % of activities delivered to agreed standards and timeframes | Achieved | 98% | 90% | 8% | 87% |

See appendix B, page 175, for technical details.

| | 2018/19 ACTUAL \$M | 2018/19 BUDGET \$M | VARIANCE \$M | 2017/18 ACTUAL \$M |
|-----------------------|--------------------------|--------------------------|-----------------|--------------------------|
| Income | 139.3 | 152.3 | (13.0) | 140.1 |
| Expenditure | 139.3 | 152.3 | (13.0) | 140.1 |
| Net surplus (deficit) | 0.0 | 0.0 | 0.0 | 0.0 |

Regional improvements expenditure was \$13.0 million (9 percent) below budget mainly due to \$40 million being budgeted for the Provincial Growth Fund in regional improvements but actual spend being recorded in other output classes. Provincial Growth Fund spend for regional improvements is less than \$1 million with the resulting underspend partially offset by Provincial Growth Fund spend totalling \$16 million in investment management and local road improvements output classes.

Other regional improvements initiatives under the 2018-21 National Land Transport Programme were above budget by \$26 million due to projects progressed ahead of plan. The forecast is expected to be close to budget over the 2018-21 National Land Transport Programme.

See page 137 for full details on output class funding and expenditure.

OUTPUT CLASS

PUBLIC TRANSPORT

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

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 environment and contributes to reducing the number of 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.

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL | |
|-----------|--|----------|----------------|----------------|------------|------------------|-----------|
| PT1 | Number of passengers using urban public transport services (bus, train and ferry) | Achieved | 168 million | ≥164 million | 4 million | 158 million | |
| PT2 | % of people with access to frequent public transport services in Auckland, Wellington and Christchurch | Achieved | 29% | Increasing | 2% | 27% ^a | |
| PT3 | Cost per passenger kilometre by bus, train and ferry | Bus | Not achieved | \$0.20/km | ≤\$0.19/km | \$0.01/km | \$0.19/km |
| | | Train | Achieved | \$0.16/km | ≤\$0.16/km | 0 | \$0.16/km |
| | | Ferry | Not achieved | \$0.08/km | ≤\$0.06/km | \$0.02/km | \$0.06/km |

The increase in service cost of carrying passengers by bus was due to the 8 percent increase in service levels in Auckland, Waikato, Bay of Plenty and Otago. Ferry costs increased due to investment in greater capacity vessels and additional ferry services in Auckland. Cost indexation and inflation (about 4.5 percent for bus and ferry) also affected service costs. These costs across the three modes reflect spend against the National Land Transport Fund only. They exclude any local share, fare revenue, SuperGold cardholder payments and third-party revenue. If these exclusions are considered, total service cost per passenger kilometre is \$0.65/km for bus, \$0.49/km for train and \$0.60/km for ferry.

^a The 2017/18 actual figure, used as this measure's baseline, was recalculated from 30 percent to 27 percent due to an error by the external data supplier.

See appendix B, page 175, for technical details.

| | 2018/19 ACTUAL \$M | 2018/19 BUDGET \$M | VARIANCE \$M | 2017/18 ACTUAL \$M |
|-----------------------|--------------------|--------------------|--------------|--------------------|
| Income | 511.3 | 549.0 | (37.7) | 382.6 |
| Expenditure | 511.3 | 549.0 | (37.7) | 382.6 |
| Net surplus (deficit) | 0.0 | 0.0 | 0.0 | 0.0 |

Public transport expenditure was \$37.7 million (7 percent) below budget primarily as a result of delays in delivery across various projects, the largest of which is technology-based solutions related to public transport across several regions (\$8.6 million underspend).

See page 135 for full details on output class funding and expenditure.

OUTPUT CLASSES

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

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

Together with local and regional councils, including Auckland Transport, we administer the SuperGold cardholders' concessionary fares 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' 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 the roads.

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|---|--|--------------|----------------|----------------|-------------|----------------|
| SG1 | % of 'on time' payment of Crown SuperGold allocation to approved organisations | Not achieved | 64% | 100% | 36% | New measure |
| <p>In 2018/19, the Transport Agency introduced a streamlined SuperGold card funding process as part of regions' public transport programmes. Under the new process, payments are planned to be made to approved organisations in the first quarter of the year, based on submitted claims supported by demand forecasts. All approved organisations were paid once claims were submitted. Five out of 14 claims were paid after the end of the first quarter due to late submissions.</p> | | | | | | |
| SG2 | Patronage (number of boardings using SuperGold concessions) | Achieved | 15.7 million | 14.0 million | 1.7 million | New measure |

See appendix B, page 175, for technical details.

| | 2018/19 ACTUAL \$M | 2018/19 BUDGET \$M | VARIANCE \$M | 2017/18 ACTUAL \$M |
|-----------------------|--------------------|--------------------|--------------|--------------------|
| Income | 29.4 | 29.4 | 0.0 | 28.3 |
| Expenditure | 29.4 | 29.4 | 0.0 | 28.3 |
| Net surplus (deficit) | 0.0 | 0.0 | 0.0 | 0.0 |

Expenditure for administration of the SuperGold cardholders' scheme and enhanced public transport concessions for SuperGold cardholders was on budget and \$1.1 million (3.9 percent) higher than last year.

See page 135 for full details on output class funding and expenditure.

LIVEABLE COMMUNITIES

KĀINGA ORA



OUR POSITION

Our position is that we will partner to efficiently combine planning and investment for transport and land use and this will result in more vibrant, interactive communities.

TARGET STATES - WHAT WE AIM TO ACHIEVE BY 2021

By 2021, we have committed to increasing space in our cities dedicated to people.⁶

OUR PROGRESS THIS YEAR

A baseline for the proportion of space in cities dedicated to motorised vehicles will be established in 2020/21 and we will aim to reduce this figure. This year, we completed work to further integrate 'placemaking' in transport solutions, which is done by developing places and spaces alongside transport facilities.

In Auckland, we are investing in construction of infrastructure to deliver the Auckland Transport Alignment Project and in developing business cases for further investment. While we are committed to ensuring the project is a success, pressure on the National Land Transport Fund means some activities are having to be reprioritised.

Mode share statistics show most trips are undertaken by car or van, with pedestrian trips being the next most common. Over time, we expect to see a larger proportion of trips by public transport and active modes such as walking and cycling as our activities and plans, such as mode shift and travel demand management, embed.

A total of 104.8 network kilometres of walking and cycling facilities were delivered by the Transport Agency and its co-investment partners and cycling trips increased to 6238, up from 5605 last year. Wellington recorded a 4 percent increase (to 2360 trips), Christchurch a 34 percent increase (to 1869 trips) and Auckland a 3 percent increase (to 2009 trips).

⁶ Target states for liveable communities were updated after we published our Amended statement of performance expectations 2018/19.



6238

cycling trips observed in Wellington, Auckland and Christchurch central business districts

104.8 NETWORK KMS

of walking and cycling facilities delivered

80%

of transitional rail projects approved for implementation

Transitional rail and rapid transit investment began this year. These activities offer people more ways to travel, ease congestion and support better access to housing, education and employment. Four of five business cases for transitional rail were approved for implementation, and rapid transit activity focused on developing the business case for light rail in Auckland.

Our communities are more liveable and have more access to the land transport system through the work we do to combine land use with efficient planning and investment for the land transport system (as described under our inclusive access position, page 40).

PERFORMANCE MEASURES

We monitor progress through measures for our position statement, target states and output classes. We also set out significant activities to achieve every year.

Our liveable communities position is delivered through activities and investments in the three output classes:

- walking and cycling
- rapid transit
- transitional rail.

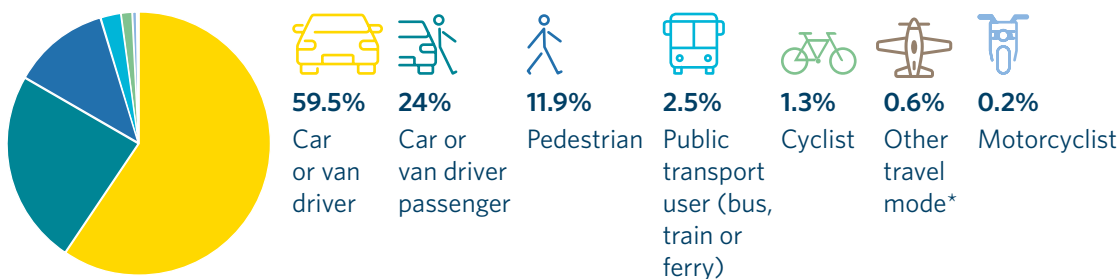
Contributions also come from the output class public transport.

POSITION STATEMENT

We will partner to efficiently combine planning and investment for transport and land use and this will result in more vibrant, interactive communities.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|--|--|------------------|--------------|
| Mode share (proportion of trips by mode) | Target to be confirmed once Ministry of Transport finalises Government Policy Statement measures | See figure below | Baseline set |

Mode share (proportion of trips by mode)



* 'Other travel mode' includes aircraft, boats (excluding ferries), mobility scooters and other modes such as horses. Skateboardings and being in a pushchair are included with pedestrians.

The mode share results from the Household Travel Survey provide a valuable view on people's transport choices. Most trips are undertaken by car or van, with pedestrian trips being the next most common. Over time, we expect to see a larger proportion of trips by public transport and active modes such as walking and cycling as our activities and plans, such as mode shift and travel demand management, embed.

TARGET STATE

Increased space in our cities dedicated to people.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|---|--|----------------|--------|
| Proportion of space in cities dedicated to motorised vehicles | Baseline to be set in 2020/21, then reducing | | |

SIGNIFICANT ACTIVITIES

Our *Amended statement of performance expectations 2018/19* set out the following significant activities to help us deliver our liveable communities position.

| LIVEABLE COMMUNITIES SIGNIFICANT ACTIVITIES 2018/19 | YEAR-END RESULT |
|--|---|
| 3.1 Further integrate 'placemaking' in solutions by developing places and spaces alongside transport facilities and integrating active modes and use of technology |  ACHIEVED |
| 3.2 Identify transport gaps for targeted regions to ensure access to essential services for all New Zealanders |  ACHIEVED |
| 3.3 Partner with Auckland Transport Alignment Project (ATAP) agencies to implement the indicative package (including light rail) and progress ATAP recommendations |  SUBSTANTIALLY ACHIEVED |

ATAP investment is being made in construction and in the business case process. Major projects (those with more than \$250 million investment) are under construction, and projects funded through the Auckland Regional Fuel Tax are also progressing. However, timing and approval issues for some programmes require active management. These issues include current funding pressures on the National Land Transport Fund.

We are reprioritising activities across all classes in the National Land Transport Programme. This will affect the funding availability for some ATAP projects over the next three years, which is not straightforward to resolve. We remain committed to working with ATAP partner agencies to deliver projects that sit within the ATAP package and ensure the programme is a success and remains aligned with the Auckland Regional Land Transport Plan and the Auckland Plan.

OUTPUT CLASS

WALKING AND CYCLING

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

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 impact of transport on the environment. It also supports better health by enabling more people to walk and cycle.

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|-----------|--|----------|---|----------------|----------|--|
| WC1 | Network kilometres of walking and cycling facilities delivered | Achieved | 104.8km (including 47.3km UCP projects) | Increasing | - | 79.3km (including 61.8km UCP projects) |
| WC2 | Cycling count in Auckland, Wellington and Christchurch | Achieved | 6,238 | Increasing | - | 5,605 |

Note: UCP = Urban Cycleways Programme.
See appendix B, page 175, for technical details.

| | 2018/19 ACTUAL \$M | 2018/19 BUDGET \$M | VARIANCE \$M | 2017/18 ACTUAL \$M |
|-----------------------|--------------------|--------------------|--------------|--------------------|
| Income | 70.3 | 104.4 | (34.1) | 87.7 |
| Expenditure | 70.3 | 104.4 | (34.1) | 88.6 |
| Net surplus (deficit) | 0.0 | 0.0 | 0.0 | (0.9) |

Walking and cycling expenditure was \$34.1 million (33 percent) below budget due to delays in the National Land Transport Fund expenditure component of projects in the Urban Cycleways Programme, primarily in Auckland (\$6.8 million) and underspends on several large projects due to delayed start up such as State Highway 88 Dunedin to Port Chalmers Safety Improvements (\$11.3 million) and State Highway 2 Baypark to Bayfair Link Upgrade (\$5.1 million).

See page 134 for full details on output class funding and expenditure.

OUTPUT CLASS

RAPID TRANSIT

This is a new output class invested and delivered by the Transport Agency and funded from the National Land transport Fund

We work in partnership with other agencies to deliver rapid transit improvements. This includes establishing arrangements to plan, fund, design, supervise, construct and maintain rapid transit networks and projects, including light rail.

Investment in rapid transit provides customers with more ways to travel, eases congestion and supports better access to housing, education and employment in major metropolitan areas. Like other forms of public transport, rapid transit also reduces the impact of transport on the environment and contributes to reducing the number deaths and serious injuries from road crashes.

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|-----------|---|--------|----------------|----------------|----------|----------------|
| RPT1 | % of activities delivered to investment requirements | - | Not available | ≥90% | - | New measure |
| | No activities reported against this measure have begun. | | | | | |

See appendix B, page 175, for technical details.

| | 2018/19 ACTUAL \$M | 2018/19 BUDGET \$M | VARIANCE \$M | 2017/18 ACTUAL \$M |
|-----------------------|--------------------|--------------------|--------------|--------------------|
| Income | 9.9 | 130.4 | (120.5) | 0.0 |
| Expenditure | 9.9 | 130.4 | (120.5) | 0.0 |
| Net surplus (deficit) | 0.0 | 0.0 | 0.0 | 0.0 |

Rapid transit expenditure was \$120.5 million (92 percent) below budget. Budgeted spend was based on anticipated progress on the original plan for the City Centre to Mangere light rail project. Progress and expenditure has been impacted by the evaluation process underway to assess alternate project approaches by the Transport Agency and NZ Infra. As a result, rapid transit activity will not meet budget over the remainder of the 2018-21 National Land Transport Programme and the balance of unused funding has been reallocated to other output classes.

See page 140 for full details on output class funding and expenditure.

OUTPUT CLASSES

TRANSITIONAL RAIL

This is a new output class invested in by the Transport Agency, delivered through Local authorities with funding assistance from the National Land Transport Fund

We invest in improving urban rail services and interregional rail services that assist passengers to access major employment and housing areas.

Investment in passenger rail provides customers with more ways to travel, eases congestion and supports better access to housing, education and employment. Like other forms of public transport, rail reduces the impact of transport on the environment and contributes to reducing the number deaths and serious injuries from road crashes.

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|-----------|--|--------------|----------------|----------------|----------|----------------|
| TR1 | % of projects approved for implementation | Baseline set | 80% | Increasing | - | New measure |
| | Four of five business cases received this year were approved for implementation. The Papakura to Pukekohe Rail Corridor Improvements business case has not been approved because pre-implementation work is yet to be completed. Therefore, the business case has gaps. We have provided feedback to Auckland Transport, which is aiming to submit a revised business case for consideration by the Transport Agency Board at the board's December 2019 meeting. | | | | | |
| TR2 | % of activities delivered to investment requirements | Baseline set | 100% | Set baseline | - | New measure |

See appendix B, page 175, for technical details.

| | 2018/19 ACTUAL \$M | 2018/19 BUDGET \$M | VARIANCE \$M | 2017/18 ACTUAL \$M |
|-----------------------|--------------------|--------------------|--------------|--------------------|
| Income | 19.2 | 35.4 | (16.2) | 0.0 |
| Expenditure | 19.2 | 35.4 | (16.2) | 0.0 |
| Net surplus (deficit) | 0.0 | 0.0 | 0.0 | 0.0 |

Transitional rail actual expenditure was \$16.2 million (46 percent) below budget. This was due to some projects not progressing as quickly as expected, primarily in Auckland (\$12 million underspend). There was also an underspend on approved projects of \$4.3 million, primarily in Wellington, which is now planned for 2019/20.

See page 140 for full details on output class funding and expenditure.

TRANSPORT TECHNOLOGY HANGARAU WAKA



OUR POSITION

Our position is that we will combine technology and organisational capabilities to enable safer, sustainable and connected journeys.⁷

TARGET STATES - WHAT WE AIM TO ACHIEVE BY 2021

By 2021, we committed to deliver:

- increased and easy access to information on journey options for our customers
- a single integrated investment plan for transport technology investment that is regularly updated to reflect the changing environment
- technology platforms to reduce technology risk and provide the foundations for adaptable technology capability across the Transport Agency.⁸

OUR PROGRESS THIS YEAR

Surveys undertaken this year set baselines for how easily our customers can access travel information. Customers rated the ease of access to information relatively highly and their preferred source of information is Google Maps.⁹

While a single integrated plan for the investment and use of technology across the Transport Agency was developed, it was found not to address key issues. Consequently, a revised plan for the work required over the next 12-24 months is being developed. This plan will also include the work required to mitigate our critical technology risks.

All three activities we planned to deliver under transport technology were delayed by issues uncovered in how our Connected Journeys Solutions group was operating. The activities were paused and re-assessed against our strategic priorities while the group was reviewed.

⁷ This position was updated after we published our *Amended statement of performance expectations 2018/19*.

⁸ These target states were updated after we published our *Amended statement of performance expectations 2018/19*.

⁹ The Transport Agency's travel information feeds into Google Maps.

73%

of customers report increased ease of access to transport data and journey choices

CRITICAL RISK

rating for our technology systems

66%



of surveyed respondents report they can get the journey information they want through their preferred channel

PERFORMANCE MEASURES

We monitor progress through measures for our position statement and target states. We also set out significant activities to achieve every year.

POSITION STATEMENT

We will use transport technology and data to transition to safer, sustainable and connected journeys for customers.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|--|----------------|----------------|--------------|
| Customers reporting increased ease of access to transport data and journey choices | Set baseline | 73% | Baseline set |

Customers rated the ease of access to information relatively highly but considered this less important to them than other priorities such as safety, cost, time taken and the behaviour of others.

TARGET STATE

Increased easy customer access to information on journey options.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|---|----------------|----------------|--------------|
| Proportion of surveyed respondents that report they can get the journey information they want through their preferred channel | Set baseline | 66% | Baseline set |

The preferred channel for information is Google: 80 percent of those who use travel advice and information obtain it from Google Maps. Use of other sources of journey information (whether in digital or non-digital channels), including those we offer, is substantially less common.

TARGET STATE

Technology platforms and organisational capabilities are being delivered that reduce existing technology risk and provide the foundations for adaptable future technology capability across the agency for the future.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|------------------------|----------------|----------------|--------------|
| Technology risk rating | Set baseline | Critical | Baseline set |

A critical risk rating means that it is possible the Transport Agency’s technology systems may stop performing, in part or whole, and may not be recoverable for extended periods (weeks or months), with extreme consequences.

A plan is being developed for the work required over the next 12-24 months to mitigate technology risk. In parallel, work has started to identify the organisational capabilities the Transport Agency needs if it is to deliver its performance expectations, underpinned by enabling technology. This work programme is not expected to enable delivery of new solutions in time to mitigate the risk, so current solutions need to be upgraded and maintained until new solutions can be brought online.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|---------------------------------------|----------------|----------------|--------------|
| Technology asset performance measures | Set baseline | Not achieved | Baseline set |

We developed new technology asset performance measures to measure availability, utilisation, condition and functionality of our cloud-based and on-premises¹⁰ technology systems (see page 167-169 for more information). We achieved all availability measures for our cloud-based services. Of the three condition measures for on-premises services, we were unable to report on two and did not achieve one. Several of our main on-premises systems do not have fully tested disaster recovery capability. We are investing in cloud-based services to replace on-premise systems that are nearing end of life.

TARGET STATE

A single integrated plan for the investment and use of technology across the Transport Agency is being delivered and regularly updated to reflect the changing environment.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|--|------------------------------------|------------------------------------|--------------|
| Single integrated investment plan created and key milestones being tracked | Plan created Milestones tracked | Plan created Milestones tracked | Not achieved |

A single integrated plan was created as planned, but on review it was found not to address key issues. Consequently, a revised plan for the work required over the next 12-24 months is being developed.

¹⁰ Key on-premises systems are applications that run the business and the data bound to those applications that relies on a physical server.

SIGNIFICANT ACTIVITIES

Our *Amended statement of performance expectations 2018/19* set out the following significant activities to help us deliver our transport technology position. Delivery of all three activities was delayed by significant issues uncovered in how our Connected Journeys Solutions group was operating. The activities were paused and re-assessed against our strategic priorities while the group and its work programmes were reviewed, so did not progress as planned.

TRANSPORT TECHNOLOGY SIGNIFICANT ACTIVITIES 2018/19 **YEAR-END RESULT**

4.1 Enable customers to have the opportunity to shape New Zealand’s digital transport technology system through pilots and the roadmap ●
NOT ACHIEVED BUT
SOME PROGRESS MADE

The aim of the Future Transport work programme is to ready New Zealand for new and emerging transport technologies and business models. We are revising our work programme in response to the review of our Connected Journey Solutions group.

4.2 Invest in the priority components necessary to deliver an enduring and flexible digital transport system ●
NOT ACHIEVED BUT
SOME PROGRESS MADE

The Mobility Operating System Programme, Transport Operating System Programme and National Ticketing Solution are the priority components for this activity.

The Mobility Operating System Programme’s alignment with our strategic priorities has been confirmed and activity is resuming to progress the platform and app, develop the other mobility-as-a-service (MaaS) components, and extend MaaS capability to additional regions in New Zealand.

The Transport Operating System Programme will deliver products to support our network operations, including safety. In January 2019, an incident and event management system was deployed in the Wellington region. We are also in the final states of developing a business case for 2019/20 to address legacy systems and identify longer-term investments.

The National Ticketing Solution is a multi-year programme being delivered in collaboration with and led by regional councils. The Regional Interim Ticketing Solution is behind schedule mainly due to implementation complexities being underestimated in early planning. The national solution will eventually replace the regional solution, and we have completed a request for tender for the three underlying components of the national solution and completed a registration of interest to shortlist global suppliers.

4.3 Understand the environment and have in place aligned forward plans for investment in the products. ●
NOT ACHIEVED BUT
SOME PROGRESS MADE

We laid the foundation for successful delivery of the Future Transport, Transport Operating System and Mobility Operating System work programmes, and with the review of our Connected Journey Solutions Group complete, plans for all three work programmes are well advanced.

RESILIENCE

KIA MANAWAROA



OUR POSITION

Our position is the resilience of the land transport system is increased by managing risks and long-term resilience challenges and by helping communities quickly recover from disruptions.

TARGET STATES - WHAT WE AIM TO ACHIEVE BY 2021

By 2021, we have committed to delivering a system that is recognised as appropriately adapting to climate change and establishing an organisational reputation as highly responsive to significant disruption.¹¹

OUR PROGRESS THIS YEAR

The Resilience National Strategic Case was endorsed by the Transport Agency Board in November 2018. A programme business case, to be delivered in the first quarter of 2020, will investigate and prioritise potential resilience interventions and develop a programme of preferred activities to achieve the resilience outcomes we want to achieve for New Zealand. This will include enhancing New Zealand's capacity to cope with unplanned disruptive events.

In 2019/20, we will establish baselines for the proportion of key social and economic corridors with viable alternative routes and for the proportion of events where communities and stakeholders recently affected by significant disruption report the Transport Agency was highly responsive.

We ran a significant programme of Coordinated Incident Management System training for the Transport Agency and its partners to lift capacity and capability for emergency management response. The proportion of unplanned road closures resolved within standard timeframes increased by 3 percentage points to 85 percent.

With local government and other partners, we began to build a shared understanding of risk tolerance for communities and business and improve capability and self-sufficiency to manage disruptive events.

¹¹ Target states for resilience were updated after we published our *Amended statement of performance expectations 2018/19*.

85%

of unplanned road closures resolved within the standard timeframes*

*less than 2 hours for urban roads and less than 12 hours for rural roads



2.3 OUT OF 5*

is the level of confidence stakeholders and partners have that the transport system is appropriately adapting to climate change

*where 1 is 'not at all confident' and 5 is 'extremely confident'

Our stakeholders and partners reported a level of confidence of 2.3 out of 5 (where 1 is 'not at all confident' and 5 is 'extremely confident') that the transport system is appropriately adapting to climate change. They told us we need to be clearer about the change in direction of system-wide responses to climate change, improve implementation, remove institutional barriers to adapting to climate change, and increase visibility of climate change initiatives.

PERFORMANCE MEASURES

We monitor progress through measures for our position statement and target states. We also set out significant activities to achieve every year.

Contributions to our resilience position come from activities and investments in the five output classes:

- state highway improvements
- state highway maintenance
- regional improvements
- local road improvements
- local road maintenance.

POSITION STATEMENT

The resilience of the land transport system is increased by managing risks and long-term resilience challenges and by helping communities quickly recover from disruptions.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|--|---|----------------|--------|
| Proportion of key social and economic corridors with viable alternative routes | Baseline to be set once Government Policy Statement measures are finalised by the Ministry of Transport | | |

TARGET STATE

A system that is recognised as appropriately adapting to climate change.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|--|--|---|--------------|
| Level of confidence of stakeholders and partners that the transport system is appropriately adapting to climate change | Baseline to be set in 2018/19, then increasing | 2.3 out of 5 (where 1 is 'not at all confident' and 5 is 'extremely confident') | Baseline set |

Our stakeholders and partners told us we need to be clearer about the change in direction of system-wide responses to climate change, improve implementation, remove institutional barriers to adapting to climate change, and increase visibility of climate change initiatives.

TARGET STATE

The reputation as highly responsive to significant disruption.

| MEASURE | 2018/19 TARGET | BASELINE | RESULT |
|--|--|----------|--------|
| Proportion of events where communities and stakeholders recently affected by significant disruption report that the Transport Agency was highly responsive | Baseline to be set in 2019/20, then increasing | | |

SIGNIFICANT ACTIVITIES

Our *Amended statement of performance expectations 2018/19* set out the following significant activities to help us deliver our resilience position.

INCLUSIVE ACCESS SIGNIFICANT ACTIVITIES 2018/19**YEAR-END RESULT**

| | | |
|-----|---|--|
| 5.1 | Build capability and/or resources with our central and local government partners to deliver against resilience priorities more effectively for communities. |  SUBSTANTIALLY ACHIEVED |
| | <p>We focused on building internal and external capability and resources for and with our partners. We ran a significant programme of Coordinated Incident Management System training (at levels 2 and 4) to lift the Transport Agency's capacity and capability for emergency management response and in line with the recently adopted Highways Emergency Management Framework and Plan. Outside partners were also present for the training. Work to develop and update resilience resources for staff, consultants and partners on our website has progressed but with some limitations.</p> | |
| 5.2 | Draft the Resilience National Business Case |  SUBSTANTIALLY ACHIEVED |
| | <p>The strategic case for the Resilience National Business Case was completed and endorsed in November 2018. The contract for the development of the programme business case will be awarded in July with a target delivery date for the programme business case of the first quarter of 2020. Targeted consultation on the programme business case to achieve recognition of and better insights for the business case is expected to take place in the second half of 2019.</p> | |
| 5.3 | Begin joint programmes with local government and other partners to build a shared understanding of risk tolerance for communities and business, and improve capability and self-sufficiency to manage disruptive events. |  SUBSTANTIALLY ACHIEVED |
| | <p>Progress has been slower than intended, but several pilots being explored and developed, with meetings and options development occurring in Waikato, Bay of Plenty and upper South Island. Input from local communities is critical to developing a framework to establish community risk tolerances, risk appetites and social impacts of disruptive events.</p> <p>We also tendered a project under our research programme on best practice community engagement for resilience issues, particularly with communities affected by recent events. This project is expected to be under way in the first quarter of 2019/20.</p> | |
| 5.4 | Include a broader range of benefits and costs for resilience project evaluations through the Investment Decision-Making Framework Review. |  SUBSTANTIALLY ACHIEVED |
| | <p>The desired outcome - a broader range of benefits and costs included for resilience interventions - was identified in the work to scope and develop a new investment decision-making framework. Options to include broader benefits and costs are being investigated through the review process, and the framework is expected to be implemented mid to late 2020.</p> | |



ENVIRONMENT MANĀKI TAIAO

OUR POSITION

Our position is that we will responsibly manage the land transport system’s interaction with people, places and the environment.

TARGET STATES - WHAT WE AIM TO ACHIEVE BY 2021

By 2021, we have committed to:

- getting implementation under way of a prioritised work programme to deliver on the government’s environmental targets for the transport sector
- leading the public sector in offsetting greenhouse gas emissions from staff travel and significantly reduced emissions from our vehicle fleet
- reporting against approved environmental key performance indicators for infrastructure delivery and network management contracts that the National Land Transport Fund fully funds
- valuing environmental and public health impacts appropriately in investment decision making.

OUR PROGRESS THIS YEAR

Major achievements this year included developing a draft Sustainability Action Plan and Sustainability Monitoring Framework focused on mitigating climate change, improving public health and reducing environmental harm.

As part of this work, we developed and tested three indicators focused on biodiversity, resource efficiency and environmental management performance that can be used from 2019/20 onwards in Network Outcomes Contracts and for monitoring capital projects.

We also made progress on developing a prioritised programme to deliver on the government’s environmental targets for the transport sector.

**11,500
KILOTONNES**

of carbon dioxide from the road transport network in 2018



**4778
TONNES**

of carbon dioxide equivalent emissions from Transport Agency staff travel

**469
TONNES**

of carbon dioxide equivalent emissions from Transport Agency fleet vehicles

Ultimately, we would like to see greenhouse emissions from land transport reduce. On the road network, 11,500 kilotonnes of carbon dioxide was emitted in 2018, an increase of 6.5 percent from 2017, mostly due to increased emissions from the light vehicle fleet. We set baselines this year for greenhouse gas emissions from staff travel and our vehicle fleet, which we aim to reduce.

PERFORMANCE MEASURES

We monitor progress through measures for our position statement and target states. We also set out significant activities to achieve every year.

POSITION STATEMENT

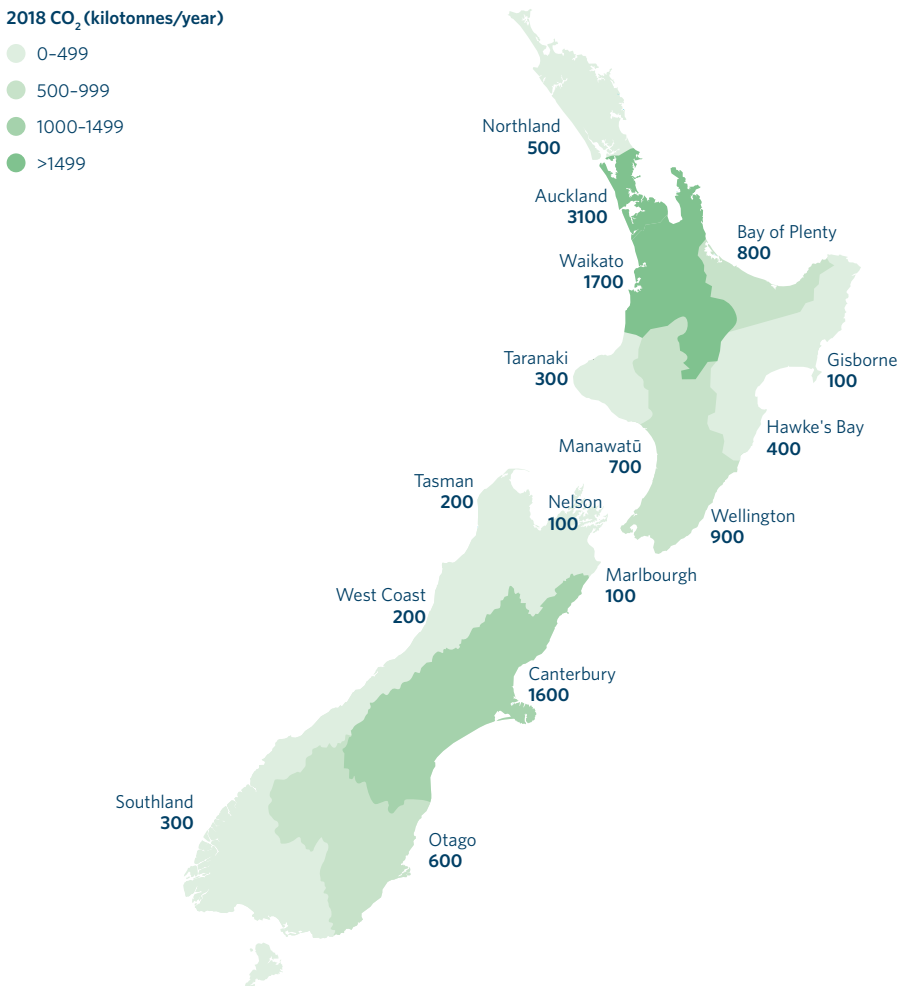
We will responsibly manage the land transport system’s interaction with people, places and the environment.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|---|----------------|---|------------|
| Greenhouse gas emissions from the transport system ^a | Reducing | 11,500 kilotonnes carbon dioxide from the road transport network in 2018 ^b | Increasing |

^a This measure is calculated from fuel usage based on data from our fuel card provider.

^b These emissions are derived from the Transport Agency National Vehicle Emission Database with estimates based on the fleet’s travel on the transport network in the 2018 calendar year. This is a different method to that the Ministry for the Environment uses in its national emissions inventory, so the numbers from the two methods are not directly comparable.

Figure 6: Carbon dioxide (kilotonnes per year), 2018



Emissions from the road network in 2018 totalled 11,500 kilotonnes, mainly from light vehicles and almost evenly split between petrol and diesel vehicles. The largest proportion of emissions came from Auckland, Waikato and Canterbury regions. From 2016 to 2018, overall land transport emissions increased around 6.5 percent (from 10,800 kilotonnes in 2016 and 2017) and most of the increase was due to an increase in emissions from the light vehicle fleet. Our Sustainability Action Plan has a strong focus on reducing emissions from the land transport network.

TARGET STATE

Implementation under way of a prioritised work programme to deliver on the government’s environmental targets for the transport sector

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|--------------------------------------|--------------------------------------|--|------------------------|
| Prioritised work programme finalised | Prioritised work programme finalised | Prioritised work programme to deliver on the government’s environmental targets for the transport sector is near completion. Parts of the programme are being implemented. | Substantially achieved |

This activity forms the delivery component of our Sustainability Action Plan. The plan addresses complex land transport challenges. A prioritised programme is substantially developed and significant parts are being implemented, including changes to investment decision making to facilitate investment and planning for long-term sustainable outcomes (reduced emissions, improved public health, reduced environmental harm). An emissions reduction focus is embedded in our mode shift plan.

Development of the Sustainability Action Plan and its prioritised work programme is the first step in a long-term commitment to significantly reduce adverse impacts of the land transport system on people, the environment and the climate and to significantly improve public health.

TARGET STATE

Leading the public sector in offsetting greenhouse gas emissions from staff travel and significantly reduced emissions from our vehicle fleet.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|--|----------------|--|--------------|
| Net greenhouse gas emissions (carbon dioxide equivalent) from staff travel (including offsets) | Baseline set | 4778 tonnes of carbon dioxide equivalent | Baseline set |
| Transport Agency fleet vehicle emissions (carbon dioxide equivalent) | Baseline set | 469 tonnes of carbon dioxide equivalent | Baseline set |

Net greenhouse gas emissions from staff travel are measured data about Transport Agency staff travel by plane, taxi and other vehicles. Flying is the main source of emissions (87 percent) and flight-related carbon dioxide equivalent emissions grew 29 percent from 2017/18.

Carbon dioxide equivalent emissions from our vehicle fleet grew 4.7 percent from 2017/18, even with the addition of over 40 electric vehicles to replace fossil fuel vehicles in the fleet. Having established this baseline, we are now exploring why emissions increased over the past year and what needs to be put in place to reduce them. This includes complying with government procurement guidelines that virtually all new vehicles entering the government fleet should be emissions free by 2025/26.

Our Sustainability Action Plan will include a process for offsetting emissions, as well as targets for reducing and offsetting emissions from our fleet and activities, to be implemented from 2019/20.

TARGET STATE

Reporting against approved environmental key performance indicators for infrastructure delivery and network management contracts that are 100 percent funded by the National Land Transport Fund.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|---|----------------|--|----------------------------|
| | | | Partially achieved overall |
| Sustainability strategy in place | Achieved | Strategy developed and under consideration | Partially achieved |
| Base set of key performance indicators approved and rolling into Network Outcome Contracts | Achieved | Indicators drafted | Partially achieved |
| Subset of new capital projects (eg resilience) include base set of key performance indicators | Achieved | Pending final indicators | Not achieved |

As part of our Sustainability Action Plan, we developed and tested three environment indicators focused on biodiversity, resource efficiency and environmental management performance. We expect these indicators to roll into Network Outcomes Contracts and capital projects from 2019/20 to achieve the 2019/20 measure (full set of key performance indicators approved and a national reporting tool in place).

TARGET STATE

Environmental and public health impacts are appropriately valued in investment decision-making processes.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|---|---|--|------------------------|
| Investigate the methodologies for monetising or quantifying public health and environmental impacts | Investigate the methodologies for monetising or quantifying public health and environmental impacts | Programme of work focused on investment settings for sustainable public health and environmental impacts and outcomes developed for inclusion and implementation through the Investment Decision-Making Framework Review | Substantially achieved |

Investigation of the methodologies for monetising or quantifying public health and environmental impacts forms part of the implementation of the Sustainability Action Plan. We developed and started a programme of work focused on investment settings for sustainable public health and environmental impacts and outcomes to include and implement through the Investment Decision-Making Framework Review.

SIGNIFICANT ACTIVITIES

Our *Amended statement of performance expectations 2018/19* set out the following significant activities to help us deliver our environment position.

LIVEABLE COMMUNITIES SIGNIFICANT ACTIVITIES 2018/19 **YEAR-END RESULT**

| | |
|---|---|
| <p>6.1 Build and begin monitoring an environmental sustainability performance framework, including climate change mitigation measures.</p> <p>We developed a draft environmental sustainability performance framework (the Transport Agency Sustainability Monitoring Framework) that we will use to track progress towards our Sustainability Action Plan. The headline measures in the framework relate to the scope of the action plan: climate change mitigation, improving public health and reducing environmental harm. Wherever possible, the measures align with proposed measures for the Transport Outcomes Framework and the Government Policy Statement on land transport.</p> <p>The framework also includes 'intervention measures' that relate to the work of the Transport Agency that will contribute to achieving these three key outcomes; for example, assessing land transport system improvement options, investment decision making, and state highway contract and regulatory performance.</p> |  SUBSTANTIALLY ACHIEVED |
| <p>6.2 Develop a sustainability strategy, focusing on climate change, improving public health and reducing environmental harm, that incorporates robust measures and targets and is supported by a comprehensive implementation plan.</p> <p>We developed a draft sustainability strategy (the Sustainability Action Plan) that focuses on reducing land transport greenhouse gas emissions to mitigate climate change, improving public health by addressing air and noise pollution and supporting increased physical activity as part of daily travel choices, reducing environmental harm to biodiversity and water quality from land transport construction and operation, and improving resource efficiency. The plan also addresses the corporate sustainability of the Transport Agency, with an initial focus on reducing business travel emissions.</p> <p>The plan will be delivered through implementation packages focused on our core functions and levers and setting out actions for a one- to three-year period.</p> <p>The plan addresses complex land transport challenges. Following the plan's endorsement by the Transport Agency Board, we will be able to invest, plan and partner for measurable emissions reductions, improved public health and reduced environmental harm aligned to the environment, access and safety results in the Government Policy Statement on land transport and the Transport Outcomes Framework outcomes of 'environmental sustainability' and 'healthy and safe people'. We will also be able to position our organisation to respond to requirements under the Climate Change Response (Zero Carbon) Amendment Bill (when enacted).</p> |  SUBSTANTIALLY ACHIEVED |

REGULATORY WHAKARITENGA



OUR POSITION

Our position as the transport regulator is that our systems should be intuitive and clear to ensure people make good transport choices, while harmful behaviour is swiftly dealt with.

TARGET STATES - WHAT WE AIM TO ACHIEVE BY 2021

In 2019/20, we committed to achieving an efficient compliance and enforcement function that is transparent, fast and fair in dealing with non-compliance. This commitment replaced the target states published in our *Amended statement of performance expectations 2018/19*.

OUR PROGRESS THIS YEAR

On 15 October 2018, we announced an extensive review of open compliance files, and a new tougher approach to strengthen our regulatory responsibilities and functions.

The review came about after concerns were raised by the former Transport Agency Board chair about how the Transport Agency had failed to take enforcement action against those in the industry who were non-compliant with vehicle-testing regulations. Further discussion revealed that more than 850 files required urgent attention, with some showing a risk to public safety. In late September 2018, the board engaged law firm Meredith Connell to review these files to prioritise those that may be a risk to safety.

By November 2018, we had completed a stabilisation phase, which involved reviewing files prioritised as a risk to safety, further investigations and action. Work on reviewing the remaining files continues. The review of high priority files required a shift in focus and changes to expected work programmes for our Regulatory Group.

The nature and complexity of the outstanding compliance matters, coupled with an approach that focused on ongoing education and encouragement to address and remedy compliance, meant that existing performance measures could not indicate a potential regulatory compliance failure.

New performance measures have been developed for 2019/20 that will improve monitoring of compliance.

1271 CASES

of regulatory non-compliance resolved
(including 620 enforcement actions taken
against non-compliant regulated parties)

100%

of licensing and regulatory compliance
operational assurance activities completed

293,000 TOLL ACCOUNTS

active that cover
payments for 77%
of all trips taken
on toll roads

7.4 DAYS

fewer, on average,
to deliver fuel
excise duty
refunds

12 MINUTES

average travel-time savings on the Northern
Gateway compared with the free route

29 MINUTES

average travel-time savings on the Tauranga
Eastern link compared with the free route

We are making progress on a future state phase that will shape our future approach to regulatory compliance. It includes:

- considering how we strengthen entry requirements to the land transport sector
- improving how we monitor and enforce compliance
- considering the overall strategic and operational aspects of our regulatory role.

We continued to deliver core functions such as collecting road toll revenues and managing the tolling systems, operating and maintaining the motor vehicle register, collecting and enforcing road user charges, and administering fuel excise duty refunds.

PERFORMANCE MEASURES

We monitor progress through measures for our position statement, target states and output classes. We also set out significant activities to achieve every year.

New performance measures have been developed for 2019/20 that will improve monitoring of compliance. Others will be confirmed following findings from the Ministry of Transport’s review into our regulatory functions.

Our regulatory position is delivered through activities and investments in five output classes:

- licensing and regulatory compliance
- road tolling
- motor vehicle registry
- road user charges collection, investigation and enforcement
- refund of fuel excise duty.

POSITION STATEMENT

Our systems should be intuitive and clear to ensure people make good transport choices, while harmful behaviour is swiftly dealt with.

| MEASURE | TARGET |
|---|-------------------------------|
| Proportion of reviewed non-compliance actions that are in line with Transport Agency regulatory intervention guidelines | Baseline to be set in 2019/20 |

TARGET STATE

An efficient compliance and enforcement function that is transparent, fast and fair in dealing with non-compliance.

| MEASURE | TARGET |
|---|--------|
| To be developed following completion of the Ministry of Transport’s regulatory review | |

SIGNIFICANT ACTIVITIES

Our *Amended statement of performance expectations 2018/19* set out the following significant activity to help us deliver our regulatory position.

REGULATORY SIGNIFICANT ACTIVITY 2018/19**YEAR-END RESULT**

7.1 Develop and begin to implement a future state regulatory function


ACHIEVED
(SEE PAGE 66)

By the end of June 2019, we had developed plans for implementing our future state regulatory function and completed the first stage to increase our regulatory capacity.

OUTPUT
CLASS**LICENSING AND REGULATORY COMPLIANCE**

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

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 over-dimension vehicles
- administer alcohol and other drug 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.

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|-----------|---|--------------|----------------|----------------|----------|----------------|
| LR1 | Unit transaction costs | Not Achieved | \$18.59 | ≤\$13.00 | \$5.59 | \$11.42 |
| | Unit transaction costs rose in line with increased operating costs due to more non-compliance being identified and additional resources to address this non-compliance. | | | | | |
| LR2 | % of transactions completed online | Achieved | 60% | ≥50% | 10% | 46% |
| LR3 | % accuracy of data entry into registers | Achieved | 97% | ≥93% | 4% | 97% |
| LR4 | % of operational assurance activities completed ^a | Achieved | 100% | 100% | 0 | 78% |

^a Operational assurance activities planned for the year were prioritised following the extensive review of open compliance files in October 2018. Activities were redirected to open cases with high risk to safety, and more investigations applying the new tougher approach to compliance.

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|-----------|---|----------|----------------|----------------|----------|----------------|
| LR5 | % of activities that are delivered to agreed standards and timeframes | Achieved | 97% | ≥90% | 7% | 94% |

See appendix B, page 175, for technical details.

| | 2018/19 ACTUAL \$M | 2018/19 BUDGET \$M | VARIANCE \$M | 2017/18 ACTUAL \$M |
|-----------------------|--------------------|--------------------|--------------|--------------------|
| Income | 101.7 | 98.3 | 3.4 | 99.0 |
| Expenditure | 123.7 | 106.6 | 17.1 | 99.0 |
| Net surplus (deficit) | (22.0) | (8.3) | (13.7) | 0.0 |

The licensing and regulatory compliance output class recorded a net deficit of \$22 million.

Licensing and regulatory compliance income was \$3.4 million above budget (3 percent) due to volumes being slightly higher than expected.

Expenditure was \$17.1 million above budget (16 percent). Expenditure was higher than planned due to the associated costs of the regulatory review and rectification activities, which caused a large overspend in this output class. These costs include increased operational costs, legal and additional resources being applied to address the non-compliance for warrant of fitness, certificate of fitness and heavy vehicle certification-related issues and recertification costs relating to suspended vehicle certifiers.

See page 139 for full details on output class funding and expenditure.

OUTPUT CLASS **ROAD TOLLING**
Delivered by the Transport Agency and funded from fees and charges

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 road networks. Toll roads are located north of Auckland (Auckland Northern Gateway) and Tauranga (Tauranga Eastern Link and Takitimu Drive).

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|-----------|------------------------|--------------|----------------|----------------|----------|----------------|
| RT1 | Unit transaction costs | Achieved | \$0.73 | ≤\$0.75 | \$0.02 | \$0.70 |
| RT2 | % revenue compliance | Not achieved | 96% | ≥97% | 1% | 97% |

Revenue compliance results are consistent with results since road tolling operations began, reflecting the number of casual toll road users where the Transport Agency has been unable to identify the liable driver or locate their residential address or where casual users have failed to respond to debt collection activities.

See appendix B, page 175, for technical details.

| | 2018/19 ACTUAL \$M | 2018/19 BUDGET \$M | VARIANCE \$M | 2017/18 ACTUAL \$M |
|-----------------------|--------------------------|--------------------------|-----------------|--------------------------|
| Income | 16.1 | 15.5 | 0.6 | 15.2 |
| Expenditure | 16.9 | 15.8 | 1.1 | 15.6 |
| Net surplus (deficit) | (0.8) | (0.3) | (0.5) | (0.4) |

Road tolling recorded a net deficit of \$0.8 million.

Road tolling income was \$0.6 million above budget due to increased trip volumes.

Tolling expenditure was \$1.1 million above budget. Increased expenditure was due to higher costs related to maintenance of tolling software and increased volumes, which resulted in higher postage and collection costs for non-compliant customers.

See page 137 for full details on output class funding and expenditure.

**OUTPUT
CLASSES**
MOTOR VEHICLE REGISTRY

Delivered by the Transport Agency and funded from fees and charges

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 must be met before it can be licensed for use on the road. This improves vehicle safety and reduces adverse environmental effects.

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|-----------|---|----------|-------------------|----------------------|----------|---------------------|
| MVR1 | Unit transaction costs | Achieved | \$4.78 | ≤\$4.95 ^a | \$0.17 | \$4.64 ^b |
| MVR2 | % of transactions completed online | Achieved | 57% | ≥50% | 7% | 49% |
| MVR3 | % accuracy of data entry into registers | Achieved | 96% | ≥95% | 1% | 97% |
| MVR4 | % revenue compliance | Achieved | 98% | ≥98% | 0 | 98% |

a The target was recalculated from ≤\$4.60 to ≤\$4.95 to correct a computation error that was carried over from 2017/18.

b The 2017/18 actual, reported as \$4.09 in the *NZ Transport Agency annual report 2018*, was recalculated due to a computation error.

See appendix B, page 175, for technical details.

| | 2018/19 ACTUAL \$M | 2018/19 BUDGET \$M | VARIANCE \$M | 2017/18 ACTUAL \$M |
|-----------------------|--------------------------|--------------------------|-----------------|--------------------------|
| Income | 52.1 | 53.5 | (1.4) | 53.6 |
| Expenditure | 53.7 | 53.7 | (0.0) | 52.3 |
| Net surplus (deficit) | (1.6) | (0.2) | (1.4) | 1.3 |

Motor vehicle registry output class recorded a deficit of \$1.6 million. This was largely due to a flow-on effect of purchasing behaviours for vehicle registration where vehicle owners are registering their vehicles for a whole year rather than shorter periods.

See page 140 for full details on output class funding and expenditure.

**OUTPUT
CLASSES**
ROAD USER CHARGES COLLECTION, INVESTIGATION AND ENFORCEMENT

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

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.

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|-----------|------------------------------------|----------|-------------------|-------------------|----------|-------------------|
| RUC1 | Unit transaction costs | Achieved | \$4.36 | ≤\$4.50 | \$0.14 | \$3.69 |
| RUC2 | % of transactions completed online | Achieved | 69% | ≥65% | 4% | 66% |

See appendix B, page 175, for technical details.

| | 2018/19 ACTUAL \$M | 2018/19 BUDGET \$M | VARIANCE \$M | 2017/18 ACTUAL \$M |
|-----------------------|--------------------------|--------------------------|-----------------|--------------------------|
| Income | 17.4 | 17.7 | (0.3) | 17.0 |
| Expenditure | 21.5 | 19.6 | 1.9 | 17.5 |
| Net surplus (deficit) | (4.1) | (1.9) | (2.2) | (0.5) |

The RUC output class recorded a net deficit of \$4.1 million. The deficit was higher than planned due to lower income from RUC transaction fees (\$0.3 million below budget). Expenditure was higher than planned due to software application write-off costs.

See page 131 for full details on output class funding and expenditure.

OUTPUT
CLASSES**REFUND OF FUEL EXCISE DUTY***Delivered by the Transport Agency and funded from the National Land Transport Fund*

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.

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|-----------|-----------------------------------|----------|-------------------|-------------------|----------|-------------------|
| FED1 | Average number of days to deliver | Achieved | 16 days | ≤20 days | 4 days | 23.4 days |

See appendix B, page 175, for technical details.

| | 2018/19 ACTUAL \$M | 2018/19 BUDGET \$M | VARIANCE \$M | 2017/18 ACTUAL \$M |
|-----------------------|--------------------------|--------------------------|-----------------|--------------------------|
| Income | 0.8 | 0.8 | (0.0) | 0.8 |
| Expenditure | 0.8 | 0.8 | (0.0) | 0.8 |
| Net surplus (deficit) | 0.0 | 0.0 | 0.0 | 0.0 |

Refund of excise duty expenditure was on budget.

See page 131 for full details on output class funding and expenditure.

TRANSPORT AGENCY WAKA KOTAHI



OUR POSITION

Our position is that the Transport Agency is respected by partners, stakeholders and customers for its responsive and engaged people and its timely delivery of sustainable transport solutions.

TARGET STATES - WHAT WE AIM TO ACHIEVE BY 2021

By 2021, we have committed to building a reputation of being a lead public sector agency known for agile thinking and fast-tracking solutions and for workplace safety for our employees and contractors.

We also committed to being known as an employer of choice, offering a diverse, fair, safe and dynamic work environment and operating in a resilient digital environment with class-leading security and smart processes.¹²

OUR PROGRESS THIS YEAR

We need to rebuild our relationships with our co-investors and partners through regular engagement and by working closely with them to deliver national, regional and local projects that progress the priorities in the Government Policy Statement on land transport. On average, only 39 percent of our partners and co-investors surveyed this year provided positive answers about our responsiveness, engagement and delivery of transport solutions compared with 52 percent of customers (giving an average of 45.3 percent). Just over a third of our partners and co-investors think the Transport Agency is known for agile thinking and fast-tracking solutions.

We are unable to report this year on whether staff consider the Transport Agency a safe place to work. However, 58 percent of staff surveyed thought the health safety and wellbeing of people is seriously addressed in our systems, processes and work environment and 46 percent thought we had clear, consistently applied systems for dealing with intimidating behaviour and workplace bullying. We have policies and work programmes on physical and mental health and wellbeing, including bullying and harassment (detailed on page 163).

¹² Target states for Transport Agency were updated after we published our *Amended statement of performance expectations 2018/19*.

45.3%

of Transport Agency partners, stakeholders and customers report the Transport Agency is responsive, with engaged people and timely delivery of sustainable transport solutions

97.4%

of our staff responded appropriately to mock security incidents

59.0%

of staff that agree that 'this organisation is a great place to work'

36.8%

of stakeholders consider the Transport Agency to be known for agile thinking and fast-tracking solutions



BASIC

cyber-security maturity

7 COMMITTEES

for regional health, safety and wellness established with 118 health and safety representatives

The Transport Agency Board endorsed a revised health and safety policy and charter, and we will develop a new health and safety strategy in 2019/20 to give effect to the charter.

Following the tragic and unacceptable death of four road workers in Bay of Plenty and Wellington this year, we worked with our construction contractors to implement system-wide improvements for workers in maintenance and construction environments. Trend data over January 2018 to June 2019 shows an improvement in overall staff and contractor injury rates (see page 164–165).

The proportion of staff who agree that The Transport Agency is a great place to work increased by two percentage points, to 59 percent, over the year. We didn't achieve all the activities we had planned to improve our workplace as we focused on stabilising the Transport Agency after a period of unrest and change.

We set a baseline for our cyber-security maturity rating and made improvements that should see us improve our rating next year, and our staff responded appropriately to mock security incidents.

PERFORMANCE MEASURES

We monitor progress through measures for our position statement and target states. We also set out significant activities to achieve every year.

The investment management covers the Transport Agency's work to deliver on the Government Policy Statement on land transport and invest the National Land Transport Fund (see the National Land Transport Fund annual report, page 187, for more information about the delivery of the National Land Transport Programme).

POSITION STATEMENT

The Transport Agency is respected by partners, stakeholders and customers for its responsive and engaged people and its timely delivery of sustainable transport solutions

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|--|----------------|----------------|--------------|
| Proportion of Transport Agency partners, stakeholders and customers that report the Transport Agency is responsive, with engaged people and timely delivery of sustainable transport solutions | Set baseline | 45% | Baseline set |

This result is a combined result of an annual customer survey and surveys of our partner and co-investor stakeholders that will now be run annually. The result draws on questions about our responsiveness, whether our people are engaged, and whether we deliver timely transport solutions in a way that minimises harm to the environment.

Our partners and co-investors reported lower scores than customers across these questions. On average, only 39 percent of our partners and co-investors provided positive answers about our responsiveness, engagement and delivery of transport solutions compared with 52 percent of customers.

The most positive results came from customers who transact with our licensing, registration and payment services. For example, almost 8 in 10 said it was easy to re-license their vehicle.

Partners and co-investors were less likely to be positive about interacting with the Transport Agency. For example, only 4 in 10 said we engage in two-way dialogue on matters of importance to their organisation, and only 3 in 10 said we respond to changes in the wider operating environment.

TARGET STATE

The reputation of lead public sector agency known for agile thinking and fast-tracking solutions.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|---|----------------|----------------|--------------|
| Proportion of surveyed stakeholders that consider the Transport Agency to be known for agile thinking and fast-tracking solutions | Set baseline | 36.8% | Baseline set |

This measure draws on questions from the satisfaction survey of our partners and co-investors. The survey shows that just over a third of our partners and co-investors think the Transport Agency is known for agile thinking and fast-tracking solutions. Survey answers tended to be more positive about staff (for example, 53 percent said Transport Agency staff focus on solutions) and more negative about processes (for example, only a third of stakeholders felt the Transport Agency makes effective use of transport technology).

Our last annual satisfaction survey of our partners and co-investors, with a broadly similar methodology, was run in 2015. Overall satisfaction at that time was at 71 percent, a high rating compared with other government agencies at the time. This year, we re-established an annual opinion survey and found overall partner and co-investor satisfaction had fallen to 45 percent. The fall reflects substantial changes in the way the Transport Agency operates and supports the work we have under way to significantly improve our engagement with partners and co-investors.

TARGET STATE

The reputation of a lead public sector agency for workplace safety for both our employees and contractors.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|---|---|----------------|-----------------------------|
| Proportion of surveyed staff who consider the Transport Agency a safe place to work | Set baseline in 2018/19 then increasing | Not available | Unable to report in 2018/19 |

We are unable to report on this measure due to a lack of data. However, we can get a sense of what our staff feel about the Transport Agency’s health and safety approach based on other surveys. For example:

- 58 percent of respondents considered the health safety and wellbeing of people in the Transport Agency is seriously addressed in its systems, processes and work environment
- 46 percent of respondents considered the Transport Agency had clear systems for dealing with intimidating behaviour and workplace bullying that are applied consistently.

We are actively engaging our people around health, safety and wellbeing. In early 2018/19, we completed a pilot project to train 25 of our people as mental health first aiders - feedback and uptake were positive. As part of our approach to ensuring good mental health in the workplace, we rolled out this programme and now have 72 staff trained across all our work places. Since November 2018, specific health and safety messages regularly feature in internal staff communications.

We also established seven regional health, safety and wellness committees in our offices across the country. These committees are made up of 118 health and safety representatives and have been critical to supporting the wellbeing of our people, including raising awareness around mental health and bullying and harassment.

A dedicated health and safety centre is in our Wellington office. This centre provides a visual planning environment where we can walk internal and external people through our work plan and provides an ongoing opportunity for our people to understand what initiatives are under way and how they can suggest ideas for improvements.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|-------------------|---|----------------|--------------|
| Staff injury rate | Set baseline in 2018/19 then decreasing | TRIFR 1.62 | Baseline set |

We established a baseline for our staff injury rates using total recordable injury frequency rate (TRIFR) data (based on a 12-month rolling average) to report staff health and safety incidents. Trend data over January 2018 to June 2019 shows an improvement in staff and contractor injury rates (see page 164 for more information).

TARGET STATE

Recognition as an employer of choice, offering a diverse, fair, safe and dynamic work environment.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|--|----------------|--|--------------|
| Demographics (for example, gender, ethnicity, disability, part-time and remote workers, and workers on secondment) of Transport Agency employees with less than two years' service | Set baseline | Gender: <ul style="list-style-type: none"> Male 43% Female 57% Ethnicity: <ul style="list-style-type: none"> European 80% Asian 11% Māori 2% Not stated 7% | Baseline set |

When our target state is reached, we will be better positioned to attract and retain high-calibre candidates from a wider pool of candidates. We apply an equality-based recruitment policy and processes, so people can see opportunity in a dynamic workplace where they have the chance to work in a variety of environments. We have focused on people employed within the last two years as the demographics of the overall organisation change slowly and a focus on diversity will initially show through new employee demography.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|---|--|----------------|----------|
| Proportion of staff who agree that 'this organisation is a great place to work' | Increasing from baseline of 57% as at March 2018 | 59% | Achieved |

Regular feedback helps us to identify areas of improvement both in terms of building our culture and enabling engagement. Pulse surveys provide a mechanism for our people to give regular feedback on how they are feeling throughout the year. This encourages ongoing conversation between leaders and teams and encourages joint accountability in building on strengths and making ongoing improvements to the way we work.

TARGET STATE

Operation of a resilient digital environment with class-leading security and smart processes.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|---|----------------|--------------------------------------|--------------|
| Rating of the Transport Agency's Protective Security Requirements cyber-security maturity | Set baseline | 2.44 (Basic cyber security maturity) | Baseline set |

In February 2019, we self-assessed our cyber-security maturity using the Protective Security Requirements assessment and achieved a rating of 2.44 (basic). While our target was to set a baseline in 2018/19, this result exceeded the target of 2.25 we set for July 2019 and we are on track to achieve a rating of 3.1 (managed) by June 2020.

| MEASURE | 2018/19 TARGET | 2018/19 ACTUAL | RESULT |
|---|---|----------------|--------------|
| Proportion of Transport Agency staff who respond appropriately to mock security incidents | Set baseline in 2018/19 then increasing | 97.4% | Baseline set |

Our staff responded appropriately to mock security incidents. We ran security awareness initiatives throughout the year, including roadshows on how to be cyber-safe at work and at home as our staff can work remotely. All new staff must complete a mandatory cyber-security training e-module. Campaigns and education activities to maintain cyber-security awareness will be regularly run throughout 2019/20.

SIGNIFICANT ACTIVITIES

Our *Amended statement of performance expectations 2018/19* set out the following significant activities to help us deliver our transport agency position.

LIVEABLE COMMUNITIES SIGNIFICANT ACTIVITIES 2018/19

YEAR-END RESULT

- 8.1 Lift employee and contractor health and safety


SUBSTANTIALLY ACHIEVED

Through our Health and Safety Work Programme, we completed several initiatives to improve health and safety outcomes for our people and contractors. While we have made significant progress, there is more work to do to ensure the health and safety of all our people following the tragic deaths of road workers in Bay of Plenty and Wellington earlier in the year.
- 8.2 Close the like-for-like gender pay gap


NOT ACHIEVED BUT SOME PROGRESS MADE

In early 2019, the Transport Agency Board approved an initial approach to closing the like-for-like gender pay gap, pending further analysis on the gap and remediation options. Analysis of the Transport Agency's employee data by job band has shown that within most job bands, the like-for-like gender pay gap is less than +/-3%. This analysis has identified some job bands where the like-for-like gender pay gap is higher, and these will be where effort needs to be concentrated in the first instance. While we have made good progress on initiatives to close the pay gap, such as development of a salary offer comparator tool to assist hiring managers to make more informed decisions about offers to appointees, we recognise that further work is needed. The next stage will be to develop and implement a more refined approach to closing the like-for-like gender pay gap to ensure there are no unjustifiable differences between the pay for women and men.
- 8.3 Implement year 1 of our Diversity and Inclusion Plan


SUBSTANTIALLY ACHIEVED

We delivered several activities through our Diversity and Inclusion Plan, including a pilot of unconscious bias training, improved diversity metrics, diversity practices in our recruitment approach and a Diversity Champions group. We have not delivered the full-year plan as further work is required on closing the like-for-like gender pay gap.
- 8.4 Progress all people leaders through the Great Leaders Programme


NOT ACHIEVED BUT SOME PROGRESS MADE

A total of 140 out of 237 people leaders had enrolled in or completed the Great Leaders Programme. Our main focus over January to June 2019 was stabilising the Transport Agency and improving our people management basics. We are undertaking a significant review of our Great Leaders Programme to ensure it is fit for purpose for all people leaders and developing other programmes aimed at senior leaders. This work will continue in the next year. Leadership will remain a critical focus.

8.5 Roll out improved digital collaboration tools for all staff



SUBSTANTIALLY
ACHIEVED

We focused on delivering the first phase of a multi-year programme to build a common capability for enabling collaboration across multiple locations and to provide a set of modern tools to bring the Transport Agency in line with other modern organisations. These deliverables align with the resilience programme to shift the common platform to the cloud, providing resiliency and reducing disaster recovery risks.

Work outstanding is the upgrade of the Transport Operations Centres to Microsoft Office 365, an online collaboration tool, which is due to be delivered by the end July 2019. All other users have been migrated with ongoing training continuing.

8.6 Improve availability and resilience of key systems



SUBSTANTIALLY
ACHIEVED

The Resilience and Disaster Recovery programme is a multi-year programme to improve our ability to recover from a significant event affecting information technology data centres, systems and networks. We made progress in year 1 to improve system availability but still need to complete network upgrades across all sites. In year 2, we will deliver resilience upgrade projects that will move all corporate applications hosted on our onsite data centres to the cloud and upgrade end-of-life and supported technology solutions.

8.7 Commence process automation for key financial processes and develop automated workflows for selected regulatory and compliance processes



SUBSTANTIALLY
ACHIEVED

This activity aims to measure progress on corporate technology projects that are led across several business portfolios. We delivered two out of three workstreams. We developed a new automated compliance workflow in the first quarter to manage ministerial questions and a finance process automation project. The workstream to develop a rail information system project was put on hold while we wait for the results of the Ministry of Transport's regulatory review.

8.8 Improve our cyber-security maturity



ACHIEVED

8.9 Complete our Workforce Strategy



SUBSTANTIALLY
ACHIEVED

Due to leadership changes, delivery was delayed, although we made good progress with strategy development. Our Workforce Strategy will be finalised in the first quarter of 2019/20.

OUTPUT
CLASS**INVESTMENT MANAGEMENT**

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

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 on 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 investments in the state highway network
- transport models
- land transport research.

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|-----------|--|--------------|----------------|----------------|----------|----------------|
| IM1 | Total cost of managing the funding allocation system as a % of National Land Transport Programme expenditure | Achieved | 1.03% | ≤1.1% | 0.07% | 0.91% |
| IM2 | % of investments that meet Transport Agency thresholds | Not achieved | 89% | 100% | 11% | 100% |
| | <p>Although 100 percent of investments met the Transport Agency's investment threshold levels only 77% (10 of 13) of reviewed investment decisions met required process standards. This was due to incomplete documentation and inconsistencies in the information provided. We are working on possible improvements to mitigate these issues, including workshops, third-party reviews, and more robust post-approval review feedback and follow-up.</p> | | | | | |
| IM3 | % of operational assurance activities completed | Achieved | 100% | 100% | 0 | 98% |
| IM4 | % of activities delivered to agreed standards and timeframes (transport planning) | Not achieved | 58% | ≥90% | 32% | 65% |
| | <p>Transport planning occurs in the lead up to developing a business case for investment from the National Land Transport Programme. Transport planning activities are behind schedule due to delays in delivering activities under the previous National Land Transport Programme (for example, Let's Get Wellington Moving) and slower than planned delivery of activities in the new National Land Transport Programme, which was published one month later than usual and requires a significant change in direction for the sector. More accurately forecasting such delays is an area for improvement for the sector (both the Transport Agency and approved organisations).</p> | | | | | |
| IM5 | % of activities delivered to agreed standards and timeframes (sector research) | Achieved | 96% | ≥90% | 6% | 100% |
| IM6 | Average number of days to action new funding approvals | Not achieved | 24.9 days | ≤20 days | 4.9 days | 17.2 days |
| | <p>We did not achieve our target due to an increase in processing times during the second quarter as we undertook a prioritisation exercise to optimise the allocation of constrained funding in several activity classes. This meant it took longer to action requests. Approval times were in line with performance targets for the rest of the year.</p> | | | | | |
| IM7 | % stakeholder satisfaction (approved organisations and stakeholders) | Baseline set | 45% | New measure | - | New measure |

See appendix B, page 175, for technical details.

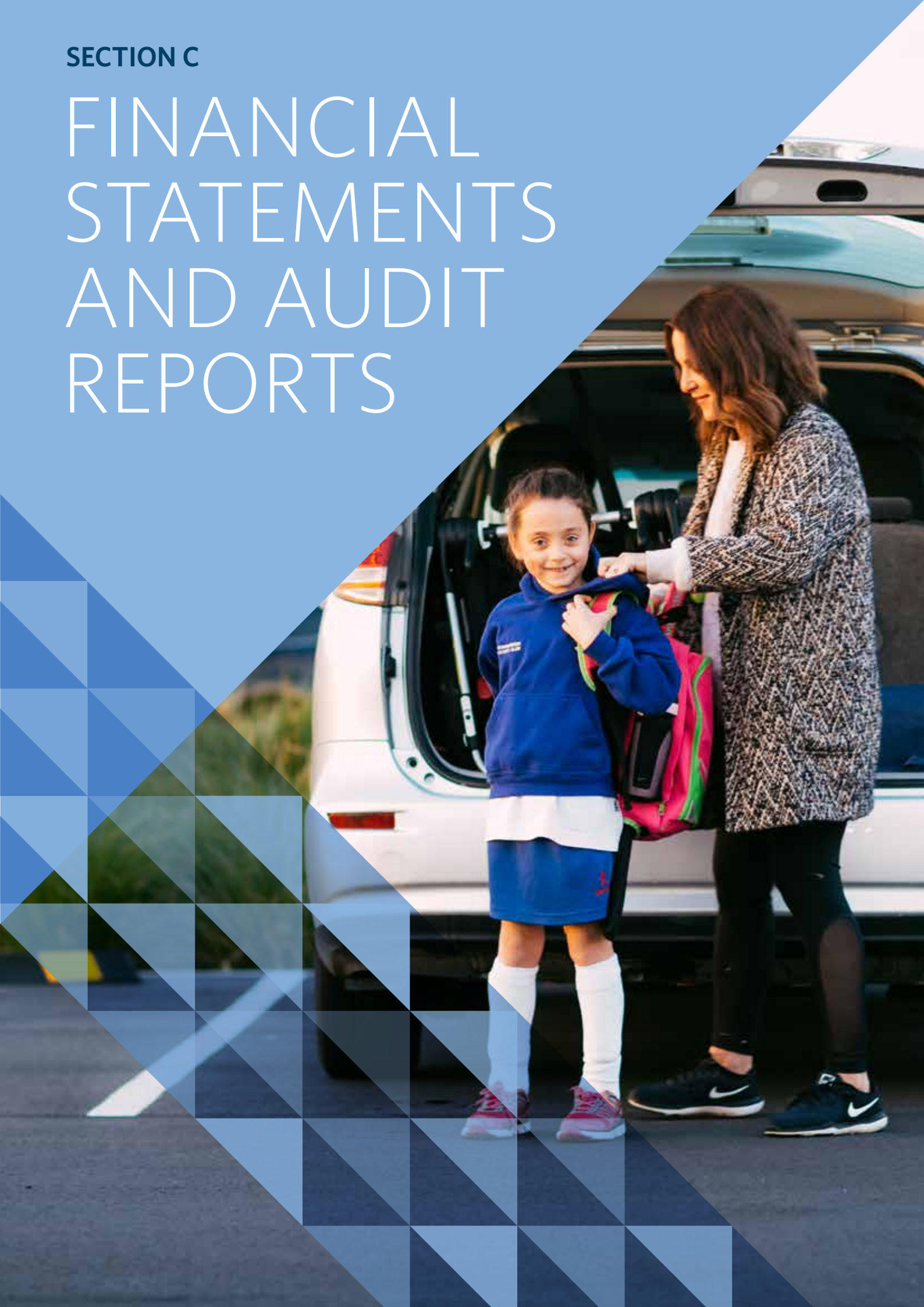
| | 2018/19 ACTUAL \$M | 2018/19 BUDGET \$M | VARIANCE \$M | 2017/18 ACTUAL \$M |
|-----------------------|--------------------------|--------------------------|-----------------|--------------------------|
| Income | 68.2 | 71.1 | (2.9) | 60.7 |
| Expenditure | 68.2 | 71.1 | (2.9) | 60.7 |
| Net surplus (deficit) | 0.0 | 0.0 | 0.0 | 0.0 |

Investment management expenditure was \$2.9 million (4 percent) below budget. This underspend was primarily due to lower expenditure on New Zealand Business Number project. Offsetting this underspend was \$5.4 million on Provincial Growth Fund business case development and administration. The budget for the Provincial Growth Fund activities was included in the regional improvements output class.

See page 130 for full details on output class funding and expenditure.

SECTION C

FINANCIAL STATEMENTS AND AUDIT REPORTS



STATEMENT OF RESPONSIBILITY

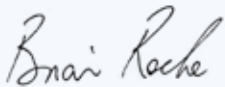
The Transport Agency Board is responsible for the preparation of the Transport Agency's financial statements and statement of performance and for the judgements made in them.

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

In the board's opinion, these financial statements and statement of performance fairly reflect the financial position and operations of the Transport Agency for the year ended 30 June 2019.

Signed on behalf of the board:



SIR BRIAN ROCHE

Chair

1 October 2019



DAVID SMOL

Member of the
Transport Agency
Board

1 October 2019

Countersigned by:



MARK RATCLIFFE

Interim Chief Executive
1 October 2019



**HOWARD
CATTERMOLE**

Chief Financial Officer
1 October 2019

HIGHLIGHTS FROM OUR FINANCIAL STATEMENTS

\$2.9 BILLION
TOTAL REVENUE
(2017/18: \$2.7 BILLION)

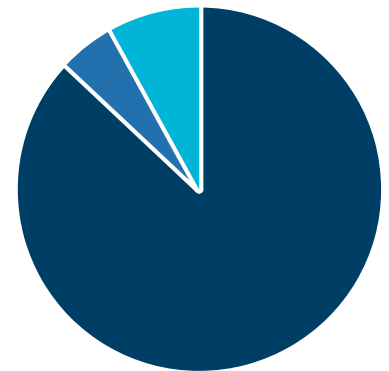
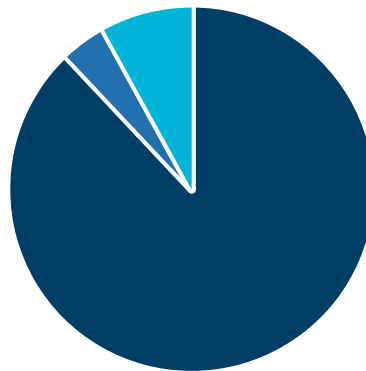
Most of the Transport Agency's income is from the National Land Transport Fund. We also receive revenue from the Crown to support our objectives and for specific projects. Most of the Crown revenue funding was to reinstate State Highway 1 after the Kaikōura earthquake. Other revenue comes from licensing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

REVENUE BY SOURCE

2018/19

2017/18

- **National Land Transport Fund**
2018/19 **88.4%** 2017/18 **87.1%**
- **Other revenue**
2018/19 **7.9%** 2017/18 **8.0%**
- **Crown**
2018/19 **3.7%** 2017/18 **4.9%**



\$2.9 BILLION
TOTAL EXPENSE
(2017/18: \$2.6 BILLION)

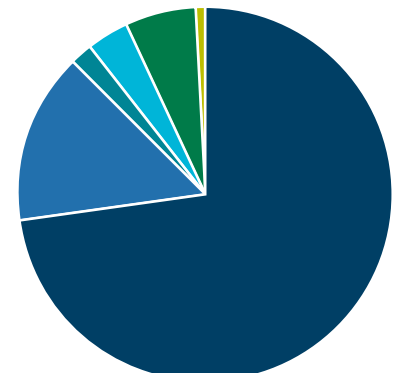
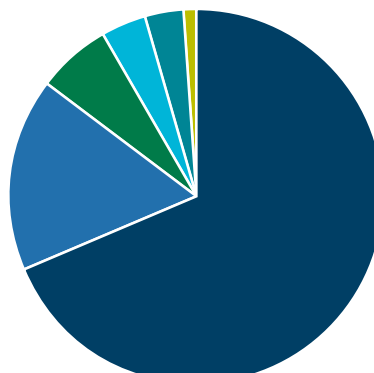
Our expenses are guided by the Government Policy Statement on land transport and the priorities identified in our *Amended statement of intent 2018-2022*. Last year, over two-thirds (69 percent) of our expenses directly related to: land transport funding we provided to approved organisations, activities funded from the Crown and maintenance and operation of the state highway network. Depreciation and amortisation made up 17 percent of our annual expenses and personnel and other operating expenses made up 14 percent.

EXPENSE BY TYPE

2018/19

2017/18

- **Land transport funding**
2018/19 **68.8%** 2017/18 **72.8%**
- **Depreciation and amortisation expense**
2018/19 **17.5%** 2017/18 **14.9%**
- **Other**
2018/19 **2.7%** 2017/18 **1.8%**
- **Personnel costs**
2018/19 **3.7%** 2017/18 **3.7%**
- **Operating expenses**
2018/19 **6.4%** 2017/18 **6.0%**
- **Transport Agency other activities**
2018/19 **0.9%** 2017/18 **0.8%**



The Transport Agency's other activities include road safety promotion and demand management.

\$51.1 BILLION
NET ASSETS/EQUITY
(2017/18: \$44.3 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 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|---|--------------------------|--------------------------|--------------------------|
| Total assets | 53,841.9 | 49,421.3 | 46,351.3 |
| Less total liabilities | 2,732.9 | 2,596.9 | 2,085.8 |
| NET ASSETS/EQUITY AT END OF YEAR | 51,109.0 | 46,824.4 | 44,265.5 |

Our statement of financial position reflects the significant value held in the state highway network, with \$53.8 billion of assets and low levels of liabilities. The state highway network accounts for 92 percent of our asset base. During the year, we continued updating some of the estimates used in our valuation. This, together with capital spending and indexing of replacement costs, has led to further uplift in the valuation for 2018/19.

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2019

| | NOTE | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|------|--------------------------|--------------------------|--------------------------|
| REVENUE | | | | |
| Funding from the National Land Transport Fund | 2 | 2,570.4 | 2,777.5 | 2,313.8 |
| Funding from the Crown | 2 | 107.1 | 89.6 | 129.9 |
| Revenue from other activities | 2, 4 | 229.2 | 209.8 | 212.2 |
| Total revenue | | 2,906.7 | 3,076.9 | 2,655.9 |
| EXPENSE | | | | |
| Land transport funding | | 2,002.3 | 2,016.0 | 1,927.2 |
| Employee costs | 9 | 107.0 | 93.8 | 98.2 |
| Operating expenses | 10 | 213.0 | 196.9 | 179.0 |
| Interest and finance costs | 11 | 10.2 | 38.7 | 37.0 |
| Depreciation, amortisation and state highway write-off | 6 | 552.3 | 544.1 | 405.5 |
| Assets vested to local authorities | 6 | 24.4 | 182.8 | 0.0 |
| Total expense | 2 | 2,909.2 | 3,072.3 | 2,646.9 |
| SURPLUS/(DEFICIT) | | (2.5) | 4.6 | 9.0 |
| OTHER COMPREHENSIVE REVENUE AND EXPENSE | | | | |
| Gain/(loss) state highway network revaluations | 6 | 5,265.3 | 648.0 | 7,345.7 |
| Net movement in cash flow hedges | 11 | (263.4) | 5.7 | (86.1) |
| Total other comprehensive revenue and expense | | 5,001.9 | 653.7 | 7,259.6 |
| TOTAL COMPREHENSIVE REVENUE AND EXPENSE | | 4,999.4 | 658.3 | 7,268.6 |

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

| | NOTE | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|------|--------------------------|--------------------------|--------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | | 81.4 | 50.0 | 120.3 |
| Debtor Crown | 5 | 33.8 | 50.5 | 58.6 |
| Receivables and other assets | 5 | 119.3 | 101.7 | 103.7 |
| Debtor National Land Transport Fund | 5 | 335.7 | 498.3 | 351.7 |
| Debtor National Land Transport Fund – debt related | 5 | 2,223.2 | 1,954.8 | 1,547.3 |
| Property assets held for sale | 6 | 14.8 | 40.0 | 50.0 |
| Public-private partnership assets | 7 | 1,316.4 | 1,388.5 | 855.5 |
| Property, plant, equipment and intangible assets | | 60.3 | 71.0 | 59.9 |
| State highway network | 6 | 49,657.0 | 45,266.5 | 43,204.3 |
| Total assets | | 53,841.9 | 49,421.3 | 46,351.3 |
| LIABILITIES | | | | |
| Payables | 10 | 490.6 | 596.4 | 575.2 |
| Employee entitlements | 9 | 15.0 | 17.0 | 14.7 |
| Derivative financial liability | 11 | 461.7 | 197.9 | 203.7 |
| Borrowing and other liabilities | 11 | 449.2 | 397.1 | 436.7 |
| Public-private partnership liabilities | 7 | 1,316.4 | 1,388.5 | 855.5 |
| Total liabilities | | 2,732.9 | 2,596.9 | 2,085.8 |
| NET ASSETS | | 51,109.0 | 46,824.4 | 44,265.5 |
| EQUITY | | | | |
| Contributed capital | | 0.0 | 5.6 | 5.6 |
| Retained funds | | 24.3 | 34.9 | 43.3 |
| Equity derived from the state highway network | 12 | 51,476.3 | 46,906.4 | 44,344.8 |
| Cash flow hedge reserve | 11 | (391.6) | (122.5) | (128.2) |
| TOTAL EQUITY | | 51,109.0 | 46,824.4 | 44,265.5 |

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

| | NOTE | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|------------------------------------|------|--------------------------|--------------------------|--------------------------|
| BALANCE AT 1 JULY | | 44,265.5 | 44,265.5 | 34,932.2 |
| Surplus/(deficit) | | (2.5) | 4.6 | 9.0 |
| State highway network revaluations | 6 | 5,265.3 | 648.0 | 7,345.7 |
| Movement in cash flow hedges | 11 | (263.4) | 5.7 | (86.1) |
| Capital contribution | 12 | 1,842.3 | 1,900.6 | 2,064.7 |
| Other equity movements | | 1.8 | 0.0 | 0.0 |
| BALANCE AT 30 JUNE | 12 | 51,109.0 | 46,824.4 | 44,265.5 |

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|--------------------------|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from the National Land Transport Fund | 2,684.9 | 2,655.1 | 2,136.7 |
| Receipts from the Crown | 103.2 | 97.3 | 146.9 |
| Receipts from other revenue | 202.6 | 208.2 | 202.4 |
| Payments to employees | (106.6) | (121.0) | (97.5) |
| Payments to suppliers | (2,235.7) | (2,170.9) | (1,985.1) |
| Goods and services tax (net) | (1.4) | 0.7 | (3.9) |
| Net cash from operating activities | 647.0 | 669.4 | 399.5 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| National Land Transport Fund receipts from sale of state highway – held properties | 34.9 | 42.1 | 37.1 |
| Purchase of property, plant, equipment and intangible assets | (13.2) | (26.8) | (16.0) |
| Investment in the state highway network | (1,824.1) | (2,161.4) | (2,059.0) |
| Net cash from investing activities | (1,802.4) | (2,146.1) | (2,037.9) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Capital contribution from the National Land Transport Fund | 991.3 | 1,142.4 | 1,223.0 |
| Capital contribution from the Crown | 119.8 | 281.0 | 392.7 |
| Receipts from borrowing | 34.8 | 12.5 | 100.0 |
| Repayment of borrowing | (23.0) | (23.0) | (15.0) |
| Interest paid on borrowing | (6.4) | (6.5) | (7.4) |
| Net cash from financing activities | 1,116.5 | 1,406.4 | 1,693.3 |
| Net increase/(decrease) in cash and cash equivalents | (38.9) | (70.3) | 54.9 |
| Cash and cash equivalents at the beginning of the year | 120.3 | 120.3 | 65.4 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 81.4 | 50.0 | 120.3 |

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

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|---|--------------------------|--------------------------|--------------------------|
| SURPLUS/(DEFICIT) | (2.5) | 4.6 | 9.0 |
| ADD/(DEDUCT) NON-CASH/NON-OPERATING ITEMS | | | |
| Depreciation, amortisation and state highway write-off | 552.3 | 544.1 | 405.5 |
| Losses on disposal of non-financial assets | 1.0 | 0.0 | 4.7 |
| Net impact of assets vested to local authorities | 24.4 | 182.8 | 0.0 |
| Movement in discounting of receivables | (4.9) | 32.9 | 13.9 |
| Interest on borrowing | 5.2 | 6.0 | 6.1 |
| Movement in discounting of borrowing | 1.5 | (14.8) | (10.0) |
| Movement in ineffective portion of cash flow hedge | (5.4) | (0.2) | 5.6 |
| Total non-cash/non-operating items | 574.1 | 750.8 | 425.8 |
| ADD/(DEDUCT) MOVEMENTS IN WORKING CAPITAL | | | |
| (Increase)/decrease in Debtor National Land Transport Fund and Debtor Crown | 101.2 | (115.3) | (137.3) |
| (Increase)/decrease in receivables and other assets | (15.5) | 3.5 | (10.0) |
| Increase/(decrease) in creditors and other payables | (10.6) | 23.5 | 111.5 |
| Increase/(decrease) in employee entitlements | 0.3 | 2.3 | 0.5 |
| Net movements in working capital items | 75.4 | (86.0) | (35.3) |
| NET CASH FROM OPERATING ACTIVITIES | 647.0 | 669.4 | 399.5 |

NOTES TO THE FINANCIAL STATEMENTS

1 / ENTITY INFORMATION

REPORTING ENTITY

The Transport Agency is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled and operates in New Zealand. Legislation governing the Transport Agency's operations includes the Crown Entities Act 2004 and the 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 2019 and were approved by the Transport Agency Board on 1 October 2019.

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 in millions (\$M) and rounded to the nearest hundred thousand dollars.

Budget figures

The budget figures are derived from the *2018/19 Amended statement of performance expectations* as approved by the board on 9 November 2018. 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. 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 from 1 July 2018.

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 has adopted 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.

PBE IFRS 9 impacts on the classifications of the following financial assets:

- cash and cash equivalents
- Debtor National Land Transport Fund and Debtor Crown
- other receivables and other assets.

Until 30 June 2018, the Transport Agency had classified these financial assets in the category 'loans and receivables' under PBE IPSAS 29. From 1 July 2018, these financial assets are classified in the category 'financial assets measured at amortised cost'. The measurement of the financial assets does not change as a result of the reclassification.

The standard introduces the 'expected credit losses' (ECLs) model, which replaces the existing 'incurred loss' model for impairment under PBE IPSAS 29. This is disclosed in note 5.

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 judgements, estimates and assumptions applied to the financial statements are disclosed in note 6 and relate to the valuation of the state highway network.

2 / OPERATING FUNDING REVENUE AND EXPENSE

| | FUNDING REVENUE | | | EXPENSE | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
| NATIONAL LAND TRANSPORT FUND | | | | | | |
| Local road maintenance | 653.4 | 668.0 | 609.7 | 653.4 | 668.0 | 609.7 |
| State highway improvements | 559.3 | 736.2 | 411.6 | 564.0 | 712.8 | 393.3 |
| State highway maintenance | 485.5 | 478.8 | 525.6 | 494.1 | 480.7 | 531.4 |
| Public transport | 449.2 | 466.0 | 382.4 | 449.3 | 466.0 | 382.6 |
| Local road improvements | 225.7 | 192.8 | 246.2 | 225.7 | 192.8 | 246.2 |
| Investment management | 60.1 | 61.3 | 55.9 | 62.6 | 61.3 | 57.5 |
| Walking and cycling | 42.7 | 37.9 | 43.3 | 42.7 | 37.9 | 43.3 |
| Road safety promotion and demand management | 43.7 | 50.6 | 34.2 | 44.3 | 50.6 | 34.7 |
| Regional improvements | 23.6 | 22.3 | 0.0 | 23.6 | 22.3 | 0.0 |
| Transitional rail | 19.2 | 35.4 | 0.0 | 19.2 | 35.4 | 0.0 |
| Road user charges collection, investigation and enforcement | 4.3 | 4.2 | 4.3 | 5.0 | 4.5 | 4.3 |
| Local road improvements (Housing Infrastructure Fund) | 3.0 | 23.3 | 0.0 | 3.0 | 23.3 | 0.0 |
| Refund of fuel excise duty | 0.7 | 0.7 | 0.6 | 0.8 | 0.8 | 0.8 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.2 |
| TOTAL NATIONAL LAND TRANSPORT FUND FUNDING AND EXPENSE | 2,570.4 | 2,777.5 | 2,313.8 | 2,587.7 | 2,756.4 | 2,305.0 |
| CROWN | | | | | | |
| Kaikōura earthquake response | 41.9 | 35.0 | 62.2 | 41.9 | 35.0 | 62.2 |
| SuperGold card administration and public transport concessions | 29.4 | 29.4 | 28.3 | 29.4 | 29.4 | 28.3 |
| Urban Cycleways Programme | 12.7 | 20.4 | 33.3 | 12.7 | 20.4 | 34.2 |
| Local road improvements (Provincial Growth Fund) | 10.9 | 0.0 | 0.0 | 10.9 | 0.0 | 0.0 |
| Investment management (Provincial Growth Fund) | 5.4 | 0.0 | 0.0 | 5.4 | 0.0 | 0.0 |
| Other Crown funding and expense | 6.8 | 4.8 | 6.1 | 7.6 | 5.0 | 3.8 |
| TOTAL CROWN FUNDING AND EXPENSE | 107.1 | 89.6 | 129.9 | 107.9 | 89.8 | 128.5 |
| TOTAL FUNDING AND EXPENSE FROM FEES, CHARGES AND OTHER REVENUE | 229.2 | 209.8 | 212.2 | 213.6 | 226.1 | 213.4 |
| TOTAL REVENUE AND EXPENSE | 2,906.7 | 3,076.9 | 2,655.9 | 2,909.2 | 3,072.3 | 2,646.9 |

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

In 2018/19, the total land transport funding paid from the National Land Transport Fund to approved organisations was \$2,002.3 million (2017/18: \$1,927.2 million).

The total for the Transport Agency's maintenance of state highways and operating expense was \$906.9 million (2017/18: \$719.7 million).

Funding from the National Land Transport Fund and the Crown

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

Funding from the National Land Transport Fund and the Crown has been accounted for in accordance with PBE IPSAS 23 *Revenue from Non-Exchange Transactions* and classified and treated as non-exchange revenue. The funding is used for the specific purpose set out in the Transport Agency's founding legislation and the scope of the relevant government appropriations. The funding provider is not entitled to an equivalent value of services or benefits, because no direct exchange relationship exists between the funding provided and receiving services or benefits from the Transport Agency. Apart from these general restrictions, no unfulfilled conditions or contingencies are attached to this funding, as such revenue is recognised when earned and is reported in the financial period to which it relates.

Funding from fees, charges and other revenue

Revenue from other activities has been classified and treated as exchange revenue and accounted for in accordance with PBE IPSAS 9 *Revenue from Exchange Transactions*.

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

Funding from the National Land Transport Fund was \$207.1 million (7 percent) below budget. Less funding was drawn down from the Fund due to the lower than budgeted spend on assets vested to local authorities.

Funding from the Crown was \$17.5 million (19 percent) above budget. This was mainly due to Provincial Growth Fund initiatives that were not included in the operating budget.

Total expense was \$163.1 million (5 percent) below budget. This was due to fewer than budgeted state highway assets being vested to local authorities mainly due to delays in the completion of the MacKays to Peka Peka project. These state highway assets are expected to be vested in 2019/20.

3 / CAPITAL FUNDING AND EXPENDITURE

| | CAPITAL FUNDING | | | CAPITAL EXPENDITURE | | |
|---|--------------------------|--------------------------|---------------------------------------|--------------------------|--------------------------|---------------------------------------|
| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | RESTATED* ACTUAL 2017/18 \$M | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | RESTATED* ACTUAL 2017/18 \$M |
| NATIONAL LAND TRANSPORT FUND | | | | | | |
| Public-private partnerships | 724.3 | 465.0 | 433.3 | 724.3 | 465.0 | 433.3 |
| State highway improvements | 626.4 | 643.7 | 775.2 | 646.9 | 656.7 | 776.7 |
| State highway maintenance | 222.0 | 186.2 | 202.1 | 222.9 | 186.2 | 204.4 |
| Regional improvement | 114.9 | 90.0 | 140.1 | 114.9 | 90.0 | 140.1 |
| Public transport | 60.6 | 83.0 | 0.0 | 62.0 | 83.0 | 0.0 |
| Walking and cycling | 14.6 | 41.1 | 6.7 | 14.6 | 41.1 | 6.7 |
| Auckland Transport Package | 12.5 | 12.5 | 121.7 | 12.5 | 12.5 | 121.7 |
| Rapid transit | 9.9 | 130.4 | 0.0 | 9.9 | 130.4 | 0.0 |
| Road safety promotion and demand management | 1.0 | 1.4 | 1.3 | 1.0 | 1.4 | 1.3 |
| Investment management | 0.9 | 9.0 | 2.9 | 0.9 | 9.0 | 2.9 |
| TOTAL NATIONAL LAND TRANSPORT FUND CAPITAL FUNDING AND EXPENDITURE | 1,787.1 | 1,662.3 | 1,683.3 | 1,809.9 | 1,675.3 | 1,687.1 |
| CROWN | | | | | | |
| Kaikōura earthquake response | 71.2 | 202.0 | 370.5 | 71.2 | 202.0 | 370.5 |
| Accelerated Regional Roding Programme | 18.8 | 33.4 | 43.6 | 18.8 | 33.4 | 43.6 |
| Regional improvements (Provincial Growth Fund) | 0.8 | 40.0 | 0.0 | 0.8 | 40.0 | 0.0 |
| Urban Cycleways Programme | 0.3 | 5.0 | 4.4 | 0.3 | 5.0 | 4.4 |
| TOTAL CROWN CAPITAL FUNDING AND EXPENDITURE | 91.1 | 280.4 | 418.5 | 91.1 | 280.4 | 418.5 |
| TOTAL CAPITAL FUNDING AND EXPENDITURE | 1,878.2 | 1,942.7 | 2,101.8 | 1,901.0 | 1,955.7 | 2,105.6 |

* 2017/18 actual balances for state highway improvements have been restated to include funding and expenditure for state highway disposals.

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

EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Funding from the National Land Transport Fund was \$124.8 million (8 percent) above budget. More funding was required to be drawn down from the Fund due to the higher than budgeted capital expenditure detailed below.

Funding from the Crown was \$189.3 million (68 percent) below budget. This was the result of Kaikōura State Highway 1 reinstatement work moving into 2019/20.

Total capital expenditure was \$54.7 million (3 percent) below budget. This was mainly the result of initiatives within the Kaikōura State Highway 1 reinstatement work being moved into 2019/20 and lower than budgeted spend on capital activities within the National Land Transport Programme including rapid transit, walking and cycling, and public transport. The major variance in rapid transit is due to the budget being set before work on the detailed business case had commenced. These underspends were offset by higher than budgeted expenditure on public-private partnerships due to non-cash movements in the related interest rate swaps. State highway maintenance was also above budget due to higher replacement spend following extreme weather events.

4 / REVENUE FROM OTHER ACTIVITIES

| | ACTUAL 2018/19 \$M | ACTUAL 2017/18 \$M |
|---|--------------------------|--------------------------|
| FEES AND CHARGES | | |
| Motor vehicle licensing fees | 51.7 | 53.1 |
| Driver licensing fees | 35.8 | 35.3 |
| Driver testing fees | 24.3 | 24.3 |
| Road user charges collections | 13.0 | 12.7 |
| Certification review fees | 11.9 | 11.8 |
| Transport licensing fees | 11.2 | 11.0 |
| Standards development fee and certification levies | 6.9 | 6.7 |
| Over dimension and overweight permits | 1.3 | 1.2 |
| Rail licensing fees | 1.2 | 1.2 |
| Border inspection fees | 0.8 | 0.9 |
| Total fees and charges | 158.1 | 158.2 |
| Recoveries from National Land Transport Programme activities* | 33.6 | 9.2 |
| Tolling fees and contributions | 16.0 | 15.2 |
| Interest and finance income | 15.4 | 22.7 |
| Levy on personalised plates for community road safety initiatives | 3.8 | 3.3 |
| Administration fee from Accident Compensation Corporation | 1.0 | 0.8 |
| Miscellaneous revenue | 1.3 | 2.8 |
| TOTAL REVENUE FROM OTHER ACTIVITIES | 229.2 | 212.2 |

* Includes developer contributions.

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

| | ACTUAL 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|--------------------------|--------------------------|
| Debtor National Land Transport Fund | 335.7 | 351.7 |
| Debtor National Land Transport Fund – debt related | 2,223.2 | 1,547.3 |
| Debtor Crown | 33.8 | 58.6 |
| Other receivables | 105.0 | 100.4 |
| Loans and advances | 1.5 | 1.5 |
| Other current assets | 12.8 | 1.8 |
| TOTAL | 2,712.0 | 2,061.3 |
| Classified as follows: | | |
| Current | 502.3 | 535.5 |
| Non-current | 2,209.7 | 1,525.8 |
| TOTAL | 2,712.0 | 2,061.3 |

Receivables are recognised at face value less an allowance for doubtful debt calculated using the ECLs model.

Other receivables

Other receivables include third-party receivables and GST receivable and are net of ECLs of \$4.5 million (2017/18: \$2.9 million). The Transport Agency applies the simplified approach and recognises lifetime ECLs for other receivables. Lifetime ECLs result from all possible default events over the expected life of the receivable. The ECLs for other receivables are calculated in two groups, tolling debtors and other debtors, to reflect the differences in collection and default rate history.

The impact of changes to the estimation technique or assumptions used in calculating the lifetime ECLs during 2018/19, following the adoption of PBE IFRS9, are shown in the table below.

| | LIFETIME ECL - OTHER RECEIVABLES 2018/19 \$M |
|--|---|
| Opening balance as at 1 July 2018 (PBE IPSAS 29) | 2.9 |
| Adoption of PBE IFRS 9 posted through equity | 1.4 |
| ADJUSTED OPENING BALANCE AS AT 1 JULY 2018 (PBE IFRS 9) | 4.3 |
| Impairment expensed | 1.5 |
| Amounts written off | (1.3) |
| CLOSING BALANCE AT 30 JUNE 2019 | 4.5 |

Receivables are written off when they are deemed uncollectable. The total receivables written off during the year amounted to \$1.3 million (2017/18: \$1.2 million). Of the receivables written off, none were still subject to enforcement activities.

Debtor National Land Transport Fund and Debtor Crown

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

Debtor National Land Transport Fund – 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 financial periods. The receivable balance has been discounted over its term at the effective interest rate at the transaction date.

There is no indication that receivables from the National Land Transport Fund or the Crown are impaired as at 30 June 2019.

EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Debtor National Land Transport Fund and Debtor Crown were \$179.3 million (33 percent) below budget. This was mainly the result of lower than expected expenditure towards the end of the year on activities within the National Land Transport Programme, including lower than planned payments to approved organisations. The decrease in Debtor Crown was mainly due to planned initiatives within the Kaikōura State Highway 1 reinstatement being moved into 2019/20.

Debtor National Land Transport Fund – debt related was \$268.4 million (14 percent) above budget. This was due to fair value movements in the interest rate swap contracts entered into for the Transmission Gully and Pūhoi to Warkworth public-private partnership agreements.

6 / STATE HIGHWAY NETWORK

| | ACTUAL 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|--------------------------|--------------------------|
| Opening balance | 43,204.3 | 34,218.8 |
| Additions | 1,752.5 | 2,070.7 |
| Depreciation* | (497.5) | (382.8) |
| Write-offs* | (42.1) | (10.5) |
| Assets vested to local authorities | (24.4) | 0.0 |
| Disposals | (35.9) | (37.2) |
| Revaluation of state highway network | 5,265.3 | 7,345.7 |
| Assets transferred from/(to) held for sale | 34.8 | (0.4) |
| CLOSING BALANCE | 49,657.0 | 43,204.3 |

* Depreciation, amortisation and state highway write-off balance in the statement of comprehensive revenue and expense included \$12.7 million (2017/18: \$12.2 million) of depreciation and amortisation relating to property, plant, equipment and intangible assets and is not included in the state highway network disclosure above.

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. Repairs and maintenance costs are expensed during the financial period in which they are incurred.

Valuation

The state highway network (excluding land and formation) 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. Formation is valued using unit rates for formation types applied to carriageway lengths multiplied by width, including shoulders. Formation is a non-depreciable asset class. Qualified independent valuers carry out the valuation as shown in the table below.

| STATE HIGHWAY NETWORK COMPONENT | VALUER |
|--|--|
| Roads, bridges, culverts, tunnels, underpasses, including formation works, road structure, drainage works and traffic facilities | WSP Opus, utilising unit prices provided by BondCM |
| Land | Darroch Limited |

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

| STATE HIGHWAY NETWORK COMPONENTS | OPTIMISED DEPRECIATED REPLACEMENT COST | | DEPRECIATION EXPENSE | |
|----------------------------------|--|--------------------|----------------------|--------------------|
| | ACTUAL 2018/19 \$M | ACTUAL 2017/18 \$M | ACTUAL 2018/19 \$M | ACTUAL 2017/18 \$M |
| Land | 13,744.2 | 12,351.1 | 0.0 | 0.0 |
| Formation | 12,884.2 | 10,647.9 | 0.0 | 0.0 |
| Pavement base course | 6,284.7 | 6,099.4 | 74.3 | 47.6 |
| Pavement surface | 1,038.6 | 878.2 | 131.4 | 117.1 |
| Drainage | 1,769.5 | 1,563.7 | 43.8 | 25.3 |
| Traffic facilities | 1,451.1 | 1,382.7 | 88.9 | 91.2 |
| Bridges | 8,067.0 | 7,431.1 | 108.7 | 69.3 |
| Culverts and subways | 737.7 | 762.2 | 14.8 | 8.1 |
| Other structures | 3,680.0 | 2,088.0 | 35.6 | 24.2 |
| TOTAL | 49,657.0 | 43,204.3 | 497.5 | 382.8 |

State highway assets increased in value by \$6.5 billion with the increase mainly due to the following changes in valuation estimates and assumptions from the continuation of the valuation improvement programme.

- Unit prices applied to formation (a term used for the constructed land form profile and platform on which the pavement structure is built) were provided by an independent cost estimator (BondCM).
- A percentage rate for brownfield costs (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 location) was applied to carriageways. The brownfield rate is a percentage loading applied to the unit costs, as part of the preliminary and general component.

In addition to the above improvement project drivers, the valuation also increased as a result of indexation of base unit rates, to reflect current costs of construction, and as a result of land revaluation, which primarily reflects increased land development intensification in the Auckland Unitary Plan.

Depreciation

Depreciation is calculated on a straight-line basis on state highway network assets (other than land, held properties, formation and the subbase component of pavement) at rates that will spread the cost of the assets to their estimated residual values over their useful lives. The depreciation expense for 2018/19 is calculated based on the 30 June 2018 valuation.

Impairment

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.

Kaikōura reinstatement (State Highway 1)

Sections of State Highway 1 affected by the Kaikōura earthquake were written off in 2016/17 along with an adjustment for the impairment of the damaged network. The impairment recognition will remain until completion of the works and the set-up of the new assets of the reinstated corridor. The Kaikōura reinstatement costs are being carried at cost.

MacKays to Peka Peka

MacKays to Peka Peka pavement surface has seen a decline in the utility of the asset from more excessive wear than expected. The total cost to remediate is estimated at \$25.0 million, and this is expected to be shared between the Transport Agency (56 percent) and the M2PP Alliance (44 percent). The amount of \$25.0 million was deducted against the asset's carrying amount with \$14.0 million charged to impairment for the Transport Agency's share of additional costs.

Estimates, assumptions and judgements

Due to the unique nature of the state highway network, the value of the assets cannot be measured with precision. There are some uncertainties about the values assigned to different components of the state highway network. These uncertainties include whether the Transport Agency databases have accurate quantities and whether some cost components and in-service data are captured completely. The Transport Agency is considering certain controls to improve the timeliness and accuracy of the main asset database – the Road Assessment and Maintenance Management database (RAMM). In addition, significant estimates and assumptions have been applied to the valuation, which include 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 periodically.

The Transport Agency is continuously improving the accuracy of the asset databases and the identification of all costs that can be capitalised through its state highway valuation improvement programme.

The state highway valuation improvement programme identified two streams of work to improve the accuracy of the underlying valuation. Stream 1 was completed in 2017/18. It changed the approach for the unit rates applied to several significant network components and updated the preliminary and general uplift factor. Stream 2 was undertaken during 2018/19 and focused on the formation costs, the professional fees component of the uplift factor and brownfield costs.

- Formation costs:** Unit cost rates for earthworks can vary significantly from site to site. Because of this high variability and the significance of earthworks as a component of the state highway valuation, a reassessment of earthworks costs was undertaken as an improvement action in 2018/19. BondCM, a cost estimator, was engaged to assess the formation earthworks cost rates for the various terrain classifications used in the valuation.
- Uplift factor:** Following on from the improvement work in the previous year, the focus in 2018/19 was on the estimation of professional fees, agency costs, allowance for third-party assets and an initial analysis of the one-off, non-repeatable works that occur with the initial construction but would not be required in asset replacement, such as consenting costs. Only the professional fees component was updated in the valuation assumptions for 2018/19.
- Brownfield costs:** Brownfield costs are significant when construction occurs in a high-density urban or city area. The previous valuation methodology was based on greenfield cost rates and did not recognise brownfield costs. The Transport Agency has adopted a rate of 15 percent for all replacement costs in urban and motorway environments and 5 percent for rural environments, as determined by WSP Opus.

The following represents estimated inputs used in the 2018/19 valuation.

| STATE HIGHWAY NETWORK COMPONENT | QUANTITY | RATE (\$) | USEFUL LIFE (YEARS) | BASIS OF VALUATION |
|----------------------------------|---|---|---|---|
| Land | Land corridor: 36,331ha | Market price | N/A | Corridor land (land associated with the road) is valued by Darroch Ltd at the market price per hectare of the surrounding land. Land quantity is sourced from the asset management database, which is derived from Land Information New Zealand. Held properties, which are properties not yet part of corridor land, are based on market prices determined by Darroch Ltd. |
| Formation (earthworks) | Formation: 103,252,988m ² Shoulder formation: 20,918,244m ² | Flat terrain: \$23 per m ² Rolling terrain: \$67 per m ² Mountainous terrain: \$127 per m ² Soft terrain: \$66 per m ² Special unit rates applied to some sections Overhead rate: 55.25% | N/A | Unit rates are provided by BondCM based on terrain type groupings 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 base course | Pavement other: 37,814,869m ³ Shoulder base course: 3,047,686m ³ | Base course: \$119-\$138 per m ³ Subbase: \$92-\$110 per m ³ Structural: \$100-\$108 per m ² Overhead rate: 55.25% | 50 for basecourse N/A for subbase which is non-depreciable | Depth of subbase and base course type is determined from Austroads Pavement Design Guide. Unit rates 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: 113,326,113m ² | Asphalt: \$26-\$108 per m ² Milling: \$5-\$17 per m ² Chipseal: \$7-\$8 per m ² Overhead rate: 55.25% | 9-14 | Unit rates are provided by BondCM and adjusted for overhead costs. Pavement surface area is recorded in the asset management database. |
| Drainage | Drainage: 53,549m and 63,799 units Stormwater channel: 15,159,790m | Drainage: \$451-\$18,132 per m Ancillary: \$60-\$7,017 per m Stormwater channel: \$36-\$387 per m Overhead rate: 55.25% | 50 | Unit rates 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 (sumps, manholes, kerb, and so on), location type (rural, urban and motorway) and region. |

| STATE HIGHWAY NETWORK COMPONENT | QUANTITY | RATE (\$) | USEFUL LIFE (YEARS) | BASIS OF VALUATION |
|---------------------------------|---|--|---------------------|---|
| Traffic facilities | Railings: 2,178,449m Signs: 187,358 units Traffic facilities: 11,632,918m | Traffic facilities: \$18,309-\$421,439 per km Signs: \$337-\$12,262 per unit Railing and barriers: \$99-\$40,780 per m Overhead rate: 55.25% | 10-25 | Unit rates are derived by WSP Opus from a combination of indexed historical cost data and recent construction costs. The large spread of rates relates to different prices for component type (guide, information, signs and so on), location type (rural, urban and motorway) and region. |
| Bridges | 2,725 bridges | Routine (single span): \$4,199 per m ² Routine (multi span): \$3,431 per m ² Motorway ramps: \$4,967 per m ² Exceptional rates: \$1,533-\$13,142 per m ² Overhead rate: 55.25% | 90-100 | Unit rates 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 | Culverts and subways: 1,667 units and 34,568m | Culverts and subways: \$6,049-\$42,547 per m Overhead rate: 55.25% | 50-75 | Unit rates are provided by BondCM, dependent on cross-sectional area, and multiplied by treatment length (and adjusted for overhead costs). |
| Other structures | Retaining walls: 3,924 units and 762,865m ² Tunnels: 34 structures Weigh stations: 136 structures | Retaining walls: \$476-\$2,644 per m Tunnels: \$5,000-\$270,000 per m Weigh station: \$702,475-\$819,554 per structure Overhead rate: 55.25% | 10-100 | Unit rates are derived from a combination of indexed historical cost data and recent construction costs. Tunnels includes excavation, lining, cladding and services. |

Unit prices

A significant component of the valuation is based on unit prices provided by 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 regional weightings are based on costs BondCM has observed in the regions. The unit rates 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

Overhead costs are estimated by BondCM 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 (35 percent) multiplied by professional fees, including Transport Agency costs (15 percent), and brownfields costs for urban and motorway (15 percent) and rural carriageways (5 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 extracted from the asset management system. 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 several years to fully complete. The total work in progress included within the valuation is \$4.3 billion, which is included at cost. The associated quantities are not included in the inputs table.

Valuation inputs subject to estimation uncertainty

The valuation inputs and/or assumptions subject to the most estimation uncertainty are as follows.

- **Preliminary and general (P&G) on-costs, related to multiple asset components:** P&G on-costs are associated with site establishment and disestablishment, site management and compliance costs, and contractor markup. In 2017/18, an analysis of recent projects revealed that P&G on-costs are higher than previously estimated due to higher health and safety requirements, higher compliance costs and general costs increases. This resulted in an increase in P&G on-costs from 10 percent for roading assets and 15 percent for structures to an average of 34 percent across all project types. Following further review during 2018/19 by BondCM and WSP Opus, this was refined to 35 percent.
- **Professional fees related to multiple asset components:** Professional fees are the costs for 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 provided by BondCM.
- **Formation:** This is the constructed land form profile and platform on which the pavement structure is built. Formation within the different terrain types can be highly variable, the valuation of formation is on an average basis with the unit rates used in the valuation provided by BondCM. For the 2018/19 valuation, a new terrain type of 'soft' has been incorporated for all regions, allowing some projects completed in the last five years to be updated to the new terrain type where applicable. Improvement work during the year also identified that roads being built today are at a higher level of service and safety standard than those built previously. However, the research and investigation to date has not identified a robust methodology on which to differentiate the levels of service in formation construction. The formation unit rates for the 2018/19 valuation are based on the existing levels of service assumption for all roads.
- **Brownfield costs:** A major component of brownfield costs are one-off costs necessary to make the land freely available to build the state highway. 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; for example, 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. BondCM provided a brownfield overhead rate for rural and urban areas that has been applied to the depreciable assets unit cost rates. The urban rate has also been applied to motorway carriageways.

Sensitivity analysis

The following sensitivity analysis represents possible impacts on the state highway network valuation based on changes to estimates of +10 percent.

| | CHANGE IN OPTIMISED DEPRECIATED REPLACEMENT COST (\$M) |
|---|---|
| Movement in P&G on-costs by 10% (from 35% to 38.5%) | 931 |
| Movement in external professional fees by 10% | 188 |
| Movement in formation unit costs by 10% | 1,288 |
| Movement in bridge unit costs by 10% | 807 |
| Movement in unit prices* by 10% | 1,613 |
| Movement in land corridor quantities by 10% | 1,195 |
| Movement in brownfield costs by 10% | 124 |

*Relates to bridges, culverts and pavements (surface and other).

WSP Opus 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 concluded that the overall valuation is likely to be between -7.5 percent and +10 percent of the current value.

The sensitivity analysis above is only an indication of the range of possible impacts and should not be interpreted as the likely actual impact.

Work undertaken in 2018/19 and 2017/18 has reduced the likelihood of understatement of the state highway networks value. At this stage, it has not been determined whether further work is necessary to the inputs of the valuation, given the complexity and underlying assumptions required to make further changes. One of the key areas to be considered is whether different levels of service rates should apply depending on the age of the asset. The Transport Agency is also considering approaches to streamline the calculation of the valuation that will focus effort on the high-value asset classes annually and the lower-value asset classes less frequently.

Property assets held for sale

The Transport Agency owns 76 properties valued at \$14.8 million (2017/18: 134 properties valued at \$50.0 million) that have been classified as held for sale. It is expected that these properties will be sold by 30 June 2020.

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 \$4,390.5 million (10 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 on-costs.

Assets vested to local authorities was \$158.4 million (87 percent) below budget. This is due to fewer than budgeted properties being vested to local authorities mainly due to delays in the completion of the MacKays to Peka Peka project. These properties are expected to be vested in 2019/20.

7 / PUBLIC-PRIVATE PARTNERSHIP ASSETS AND LIABILITIES

| | ACTUAL 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|--------------------------|--------------------------|
| Transmission Gully | 798.5 | 549.3 |
| Pūhoi to Warkworth | 517.9 | 306.2 |
| TOTAL PUBLIC-PRIVATE PARTNERSHIP ASSETS AND LIABILITIES | 1,316.4 | 855.5 |

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. 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:

- Wellington Gateway Partnership to deliver the Transmission Gully project
- Northern Express Group to deliver the Pūhoi 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 in 2020 and for Pūhoi 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 in arrears 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 a 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: These cover the operational costs of running, maintaining, insuring and ensuring the availability of the highway to the service level agreed with the Transport Agency. Some of these costs are indexed to the consumer 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.

The Transmission Gully public-private partnership has resulted in a dispute between the parties relating to technical and commercial matters. Further information is disclosed in note 16.

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 Pūhoi to Warkworth.

EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Public-private partnership assets and liabilities were below budget by \$72.1 million (5 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 (calculated based on forecasted expenditure) for the state highway network are as follows.

| | ACTUAL AS AT 30 JUNE 2019 \$M | ACTUAL AS AT 30 JUNE 2018 \$M |
|---|--|--|
| Not later than one year | 1,197.7 | 1,077.6 |
| Later than one year and not later than five years | 1,171.2 | 1,188.7 |
| Later than five years | 2,067.2 | 2,145.0 |
| TOTAL CAPITAL COMMITMENTS* | 4,436.1 | 4,411.3 |

* Included in total capital commitments is \$2.2 billion relating to the construction of the public-private partnership assets.

9 / TRANSPORT AGENCY EMPLOYEE COSTS AND EMPLOYEE ENTITLEMENTS

Employee costs (included in the statement of comprehensive revenue and expense)

| | ACTUAL 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|--------------------------|--------------------------|
| Salaries and wages | 100.2 | 92.5 |
| Defined contribution plan employer contributions | 3.4 | 2.9 |
| Other employee costs | 3.4 | 2.8 |
| TOTAL TRANSPORT AGENCY EMPLOYEE COSTS * | 107.0 | 98.2 |

* Total Transport Agency employee costs excludes contractor costs, which are included under note 10.

Employee entitlements (included in the statement of financial position)

| | ACTUAL 2018/19 \$M | ACTUAL 2017/18 \$M |
|---|--------------------------|--------------------------|
| Employee entitlements - current | 11.3 | 10.7 |
| Employee entitlements - non-current | 3.7 | 4.0 |
| TOTAL TRANSPORT AGENCY EMPLOYEE ENTITLEMENTS | 15.0 | 14.7 |

10 / TRANSPORT AGENCY OPERATING EXPENSES AND PAYABLES

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

| | NOTE | ACTUAL 2018/19 \$M | RESTATED ACTUAL 2017/18 \$M |
|--|------|--------------------------|--------------------------------------|
| Commissions and transaction costs | a | 71.0 | 71.3 |
| Contractors and professional services | b | 51.0 | 34.3 |
| Information technology | | 33.0 | 27.6 |
| Road user safety advertising | | 18.4 | 13.5 |
| Operating lease expense | c | 16.5 | 10.8 |
| Office and building management | | 7.5 | 6.1 |
| Staff travel | | 6.7 | 5.8 |
| Impairment of receivables | | 1.5 | 1.2 |
| Meetings and conferences | | 0.6 | 0.7 |
| Fees to principal auditors for: | | | |
| - audit of financial statements | | 0.5 | 0.4 |
| - other services | d | 0.3 | 0.1 |
| Other operating expenses | e | 6.0 | 7.2 |
| TOTAL TRANSPORT AGENCY OPERATING EXPENSES | | 213.0 | 179.0 |

- 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. Significant increases in this category are primarily attributed to regulatory response costs.
- c. This category includes the cost of providing for onerous contracts arising from a non-cancellable building lease in Palmerston North.
- d. Other services by KPMG includes the half-year review, scrutiny principle review, cost model audit, value-for-money evaluation and light rail business case secondment.
- e. This category includes the cost of re-certifications relating to suspended vehicle certifiers.

EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Operating expenses were \$16.1 million (8 percent) above budget due to the cost of re-certifications relating to suspended vehicle certifiers, the management of the regulatory response and the recognition of an onerous lease on the Transport Agency's Palmerston North premises.

Payables (included in the statement of financial position)

| | ACTUAL 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|--------------------------|--------------------------|
| Creditors | 474.7 | 562.5 |
| Income in advance | 10.5 | 12.6 |
| Onerous contracts | 5.4 | 0.1 |
| TOTAL TRANSPORT AGENCY PAYABLES | 490.6 | 575.2 |
| Classified as follows: | | |
| Current | 486.6 | 575.2 |
| Non-current | 4.0 | 0.0 |
| TOTAL | 490.6 | 575.2 |

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.

The onerous contracts arise from non-cancellable building leases where the unavoidable costs of meeting the lease contract exceeds the economic benefits to be received from it. The Transport Agency has one onerous lease due to the Palmerston North premises being assessed as earthquake prone and subsequently vacated. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net costs of continuing with the contract. The lease is due to expire in 2022/23.

EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Payables were \$105.8 million (18 percent) below budget. This is due to lower than expected state highway expenditure and lower than expected claims from local councils and other approved organisations.

11 / BORROWING, FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Transport Agency had the following borrowings at 30 June 2019.

| NAME | NOTIONAL AMOUNT BORROWED \$M | ACTUAL 2018/19 \$M | ACTUAL 2017/18 \$M | INTEREST RATE APPLIED | COMMENTS |
|--|------------------------------|--------------------|--------------------|---|---|
| Auckland Transport Package | 370.0 | 335.6 | 301.7 | Interest-free | The interest-free loan was discounted using government bond rates of 2.14% to 2.63%. |
| Housing Infrastructure Fund | 3.0 | 2.5 | 0.0 | Interest-free | The interest-free loan was discounted using government bond rates of 1.57% to 1.72%. |
| TOTAL INTEREST-FREE BORROWING | | 338.1 | 301.7 | | |
| Christchurch earthquake recovery | 183.4 | 0.0 | 24.2 | Fixed rates ranging from 2.57% to 2.84% | The loan, including capitalised interest, was fully repaid during the financial year. |
| Tauranga Eastern Link | 107.0 | 107.0 | 107.0 | \$87.0 million at fixed rates ranging from 4.99% to 5.14%. \$20.0 million at floating. | Interest of \$4.7m was paid during the financial year. |
| TOTAL BORROWING | | 445.1 | 432.9 | | |
| Tolling funds held in trust | | 4.1 | 3.8 | | |
| TOTAL BORROWING AND OTHER LIABILITIES | | 449.2 | 436.7 | | |
| Classified as follows: | | | | | |
| Current | | 19.1 | 28.0 | | |
| Non-current | | 430.1 | 408.7 | | |
| TOTAL | | 449.2 | 436.7 | | |

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 and Housing Infrastructure Fund interest-free loans resulted in a net fair value gain of \$6.0 million (2017/18: \$15.6 million).

Interest-free loan movements are as follows.

| | ACTUAL 2018/19 \$M | ACTUAL 2017/18 \$M |
|---|--------------------|--------------------|
| OPENING BALANCE | 301.7 | 211.7 |
| Nominal value of loans issued | 34.8 | 100.0 |
| Fair value adjustment | (6.0) | (15.6) |
| Repayments | 0.0 | 0.0 |
| Amortised interest (at government bond rates) | 7.6 | 5.6 |
| CLOSING BALANCE | 338.1 | 301.7 |

Borrowing facilities

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

| NAME | TOTAL AVAILABLE \$M | AMOUNT DRAWN DOWN AT 30 JUNE 2019 \$M | PURPOSE OR COMMENT |
|-----------------------------|------------------------|---|---|
| Short-term advance | 250.0 | 0.0 | To manage seasonal variations in cash flow (\$175.0 million) and to manage unexpected and unfavourable variations in cash flow (\$75.0 million). |
| Auckland Transport Package | 375.0 | 370.0 | 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 nine years with repayments commencing June 2020. |
| Housing Infrastructure Fund | 357.0 | 3.0 | The \$1 billion Housing Infrastructure Fund was established to accelerate infrastructure projects and support housing development in New Zealand's high-growth urban areas. The Transport Agency's share of the Fund is an interest-free loan facility of \$357.0 million, which is for transport initiatives. All loans drawn under the interest-free facility are repayable 10 years from draw-down date. |
| Tauranga Eastern Link | 107.0 | 107.0 | To accelerate the construction of the Tauranga Eastern Link toll road. Loan repayments commence June 2034. |
| TOTAL | 1,089.0 | 480.0 | |

Financial instruments

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

| | ACTUAL 2018/19 \$M | ACTUAL 2017/18 \$M |
|---|--------------------------|--------------------------|
| FINANCIAL ASSETS MEASURED AT AMORTISED COST | | |
| Cash and cash equivalents | 81.4 | 120.3 |
| Debtor National Land Transport Fund and Debtor Crown | 2,592.7 | 1,957.6 |
| Other receivables and other assets | 119.3 | 103.7 |
| TOTAL FINANCIAL ASSETS MEASURED AT AMORTISED COST | 2,793.4 | 2,181.6 |
| FINANCIAL LIABILITIES MEASURED AT AMORTISED COST | | |
| Payables | 490.6 | 575.2 |
| Borrowing and other liabilities | 449.2 | 436.7 |
| Public-private partnership liabilities | 1,316.4 | 855.5 |
| TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST | 2,256.2 | 1,867.4 |
| FINANCIAL LIABILITY - HEDGING INSTRUMENTS | | |
| Derivative financial liability | 461.7 | 203.7 |
| TOTAL FINANCIAL LIABILITY - HEDGING INSTRUMENTS | 461.7 | 203.7 |

Interest and finance costs are as follows.

| | ACTUAL 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|--------------------------|--------------------------|
| Interest on borrowing | 5.2 | 6.1 |
| Discount on Debtor National Land Transport Fund - debt related | 2.8 | 19.6 |
| Amortisation of discount on borrowing | 7.6 | 5.7 |
| Ineffective portion of cash flow hedge | (5.4) | 5.6 |
| TOTAL INTEREST AND FINANCE COSTS | 10.2 | 37.0 |

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 2019, approximately 96 percent of loans (2017/18: 93 percent) are either interest-free or on a fixed interest rate.

The Transport Agency has entered into public-private partnership agreements for the construction of Transmission Gully and Pūhoi to Warkworth. The arrangements require that a unitary charge is paid to the contractors from the time the section of state 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 held with the New Zealand Debt Management Office are as follows.

| SWAP RELATES TO | 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 | 332.5 |
| Pūhoi to Warkworth | 765.0 | August 2023 | August 2045 | 4.16 | Floating, with periodic reset | 129.2 |
| TOTAL DERIVATIVE FINANCIAL LIABILITY | | | | | | 461.7 |

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

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 and are independently valued by Bancorp Treasury Services Limited on a six-monthly basis.

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 whether 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 2018/19 \$M | ACTUAL 2017/18 \$M |
|--------------------------------|--------------------------|--------------------------|
| Balance as at 1 July | (128.2) | (42.1) |
| Effective cash flow hedge | (263.4) | (86.1) |
| CASH FLOW HEDGE RESERVE | (391.6) | (128.2) |

During the year, the total ineffective portion of the cash flow hedge reserve charged to surplus or deficit is \$5.4 million surplus (2017/18: \$5.6 million deficit). The ineffectiveness is a result of the late designation, for hedge accounting purposes, of interest rate swaps relating to Transmission Gully.

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.

| | 2018/19 | | 2017/18 | |
|--|------------|------------|------------|------------|
| | +1% \$M | -1% \$M | +1% \$M | -1% \$M |
| EFFECT ON SURPLUS OR DEFICIT | | | | |
| Cash and cash equivalents | 0.8 | (0.8) | 1.2 | (1.2) |
| EFFECT ON OTHER COMPREHENSIVE REVENUE AND EXPENSE | | | | |
| Derivative financial liability | 205.2 | (250.7) | 155.2 | (193.1) |
| EFFECT ON SURPLUS OR DEFICIT | | | | |
| Borrowing | (1.3) | 0.8 | (1.0) | 1.4 |

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 2019, 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 \$175.0 million to manage seasonal variations in cash flow and \$75.0 million to manage unexpected and unfavourable variations in cash flow.

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.

| | 2018/19 | | | |
|--|-------------------------|------------------|------------------|---------------------|
| | LESS THAN 1 YEAR \$M | 1-2 YEARS \$M | 2-5 YEARS \$M | OVER 5 YEARS \$M |
| Payables | 490.6 | 0.0 | 0.0 | 0.0 |
| Borrowing | 19.9 | 70.9 | 226.9 | 269.5 |
| Derivative financial liability | 0.0 | 9.1 | 117.3 | 462.4 |
| Public-private partnership liabilities | 0.0 | 163.4 | 317.2 | 1,937.9 |
| TOTAL | 510.5 | 243.4 | 661.4 | 2,669.8 |
| | 2017/18 | | | |
| | LESS THAN 1 YEAR \$M | 1-2 YEARS \$M | 2-5 YEARS \$M | OVER 5 YEARS \$M |
| Payables | 575.2 | 0.0 | 0.0 | 0.0 |
| Borrowing | 28.5 | 20.0 | 218.1 | 316.3 |
| Derivative financial liability | 0.0 | 0.0 | 51.5 | 227.1 |
| Public-private partnership liabilities | 0.0 | 0.0 | 223.5 | 1,257.0 |
| TOTAL | 603.7 | 20.0 | 493.1 | 1,800.4 |

EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Cash and cash equivalents was above budget by \$31.4 million (63 percent). Additional cash was held to meet expected year end claims from suppliers and approved organisations.

Borrowing was above budget by \$52.1 million (13 percent) due to borrowing being drawn down earlier than budgeted for the Auckland Transport Package.

Derivative financial liability was above budget by \$263.8 million (133 percent) due to movements in the fair value of the interest rate swap contracts entered into for the Transmission Gully and Pūhoi 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 \$M | RETAINED FUNDS \$M | MEMORANDUM ACCOUNTS \$M | EQUITY DERIVED FROM THE STATE HIGHWAY NETWORK \$M | CASH FLOW HEDGE RESERVE \$M | TOTAL \$M |
|---|----------------------|-----------------------|----------------------------|--|--------------------------------|-----------------|
| BALANCE AT 1 JULY 2017 | 5.6 | 17.0 | 25.8 | 34,925.9 | (42.1) | 34,932.2 |
| Surplus/(deficit) | 0.0 | 7.9 | 1.1 | 0.0 | 0.0 | 9.0 |
| Other comprehensive revenue and expense | 0.0 | 0.0 | 0.0 | 7,345.7 | (86.1) | 7,259.6 |
| Total comprehensive revenue and expense | 0.0 | 7.9 | 1.1 | 7,345.7 | (86.1) | 7,268.6 |
| Changes in equity | 0.0 | (8.5) | 0.0 | 2,073.2 | 0.0 | 2,064.7 |
| Total changes in equity | 0.0 | (0.6) | 1.1 | 9,418.9 | (86.1) | 9,333.3 |
| BALANCE AT 30 JUNE 2018/1 JULY 2018 | 5.6 | 16.4 | 26.9 | 44,344.8 | (128.2) | 44,265.5 |
| Surplus/(deficit) | 0.0 | 21.4 | (23.9) | 0.0 | 0.0 | (2.5) |
| Other comprehensive revenue and expense | 0.0 | 0.0 | 0.0 | 5,265.3 | (263.4) | 5,001.9 |
| Total comprehensive revenue and expense | 0.0 | 21.4 | (23.9) | 5,265.3 | (263.4) | 4,999.4 |
| Changes in equity - capital contribution from National Land Transport Fund | 0.0 | 0.0 | 0.0 | 1,842.3 | 0.0 | 1,842.3 |
| Changes in equity - prior year adjustment for PBE IFRS 9 expected credit loss | 0.0 | (0.7) | 0.0 | (0.7) | 0.0 | (1.4) |
| Changes in equity - prior year Community Road Safety Programme to equity | 0.0 | 3.2 | 0.0 | 0.0 | 0.0 | 3.2 |
| Changes in equity - transfer regulatory losses from memorandum accounts to retained funds | 0.0 | (4.2) | 4.2 | 0.0 | 0.0 | 0.0 |
| Changes in equity - transfer rail licensing deficit to retained funds | 0.0 | (2.5) | 2.5 | 0.0 | 0.0 | 0.0 |
| Changes in equity - transfer from general funds | (5.6) | 5.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Changes in equity - transfer developer contributions from retained funds to equity derived from the state highway network | 0.0 | (24.6) | 0.0 | 24.6 | 0.0 | 0.0 |
| Total changes in equity | (5.6) | (1.8) | (17.2) | 7,131.5 | (263.4) | 6,843.5 |
| BALANCE AT 30 JUNE 2019 | 0.0 | 14.6 | 9.7 | 51,476.3 | (391.6) | 51,109.0 |

Equity derived from the state highway network

| | ACTUAL 2018/19 \$M | ACTUAL 2017/18 \$M |
|---|--------------------------|--------------------------|
| STATE HIGHWAY INVESTMENT | | |
| Balance at 1 July | 25,381.1 | 23,307.9 |
| Transfer from the National Land Transport Programme and the Crown | 1,866.2 | 2,073.2 |
| BALANCE AT 30 JUNE | 27,247.3 | 25,381.1 |
| STATE HIGHWAY REVALUATION RESERVE | | |
| Balance at 1 July | 18,963.7 | 11,618.0 |
| Revaluations - state highway network | 5,265.3 | 7,345.7 |
| BALANCE AT 30 JUNE | 24,229.0 | 18,963.7 |
| TOTAL EQUITY DERIVED FROM THE STATE HIGHWAY NETWORK | 51,476.3 | 44,344.8 |

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 cash flows 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 cash flows from future National Land Transport Fund revenue to meet its repayment obligations.

Memorandum accounts

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

| | NOTE | ACTUAL 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|------|--------------------------|--------------------------|
| Customer licensing activities | a | 0.4 | 9.1 |
| Road user charges collection | | 0.3 | 3.7 |
| Vehicle standards compliance activities | b | 9.0 | 14.1 |
| TOTAL MEMORANDUM ACCOUNT - OTHER FEES AND CHARGES | | 9.7 | 26.9 |

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. The Transport Agency has commenced a fee and funding review for its regulatory activities, given the significant decline in memorandum account balances and the need to incur significant additional costs to improve its regulatory function.

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 2018/19 \$M | ACTUAL 2017/18 \$M |
|---|--------------------------|--------------------------|
| Not later than one year | 12.6 | 11.4 |
| Later than one year and not later than five years | 31.4 | 34.3 |
| Later than five years | 15.4 | 9.5 |
| TOTAL NON-CANCELLABLE OPERATING LEASES | 59.4 | 55.2 |

Significant operating leases are limited to buildings for office accommodation. 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.

14 / RELATED PARTY TRANSACTIONS AND BOARD MEMBER REMUNERATION

The Transport Agency is a wholly owned entity of the Crown

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client 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 and board member remuneration have been presented to the nearest thousand dollars (\$000) to provide more meaningful information to the users of the financial statements.

Key management personnel compensation

| | NOTE | ACTUAL 2018/19 \$000 | ACTUAL 2017/18 \$000 |
|--|------|----------------------------|----------------------------|
| Board members | | | |
| Remuneration | | 309 | 326 |
| Number of positions | a | 7 | 8 |
| Leadership team | | | |
| Remuneration | c | 6,702 | 5,569 |
| Number of personnel | d | 23 | 17 |
| TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION | | 7,011 | 5,895 |
| TOTAL PERSONNEL | | 30 | 25 |

a. Reflects the number of positions on the board during the financial year.

b. Leadership team includes key management personnel who report to the Chief Executive and have the authority and responsibility for planning, directing, and controlling the activities of the Transport Agency.

c. Includes full year remuneration of the leadership team.

d. Leadership team roles were revised as part of an organisational transformation resulting in changes in key management personnel throughout the financial year.

The total number of key management personnel at balance date is 18 (2017/18: 24).

Board member remuneration

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

| | APPOINTED | RESIGNED | ACTUAL 2018/19 \$000 | ACTUAL 2017/18 \$000 |
|--|----------------|---------------|----------------------------|----------------------------|
| Sir Brian Roche (Chair) | June 2019 | | 6 | 0 |
| Sheridan Broadbent | February 2019 | | 15 | 0 |
| Mark Darrow | May 2017 | | 36 | 36 |
| Leo Lonergan | May 2016 | | 36 | 36 |
| Nick Rogers* | September 2013 | | 40 | 36 |
| David Smol | February 2019 | | 15 | 0 |
| Vanessa van Uden | May 2017 | | 36 | 36 |
| Michael Stiassny (Chair) | April 2018 | April 2019 | 60 | 18 |
| Dame Fran Wilde (Deputy Chair)** | May 2016 | January 2019 | 27 | 50 |
| Chris Ellis | May 2016 | December 2018 | 20 | 36 |
| Adrienne Young-Cooper | August 2011 | December 2018 | 18 | 36 |
| Chris Moller (Chair) | March 2010 | January 2018 | 0 | 42 |
| TOTAL BOARD MEMBER REMUNERATION | | | 309 | 326 |

* Nick Rogers was appointed interim board chair from 27 April 2019 to 10 June 2019.

** No deputy chair has been formally appointed since Dame Fran Wilde resigned on 31 January 2019.

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 (2017/18: \$nil).

15 / EMPLOYEE REMUNERATION

| TOTAL REMUNERATION PAID OR PAYABLE | NO. OF STAFF 2018/19 | NO. OF STAFF 2017/18 |
|------------------------------------|-------------------------|-------------------------|
| 100,000-109,999 | 118 | 126 |
| 110,000-119,999 | 94 | 91 |
| 120,000-129,999 | 102 | 98 |
| 130,000-139,999 | 90 | 66 |
| 140,000-149,999 | 56 | 44 |
| 150,000-159,999 | 38 | 37 |
| 160,000-169,999 | 26 | 27 |
| 170,000-179,999 | 29 | 11 |
| 180,000-189,999 | 18 | 11 |
| 190,000-199,999 | 14 | 10 |
| 200,000-209,999 | 10 | 6 |
| 210,000-219,999 | 8 | 4 |
| 220,000-229,999 | 4 | 7 |
| 230,000-239,999 | 3 | 2 |
| 240,000-249,999 | 5 | 3 |
| 250,000-259,999 | 6 | 2 |
| 260,000-269,999 | 2 | 2 |
| 270,000-279,999 | 2 | 2 |
| 280,000-289,999 | 4 | 2 |
| 290,000-299,999 | 2 | 1 |
| 300,000-309,999 | 4 | 2 |
| 310,000-319,999 | 1 | 1 |
| 320,000-329,999 | 1 | 1 |
| 330,000-339,999 | 0 | 3 |
| 340,000-349,999 | 0 | 1 |
| 350,000-359,999 | 1 | 0 |
| 360,000-369,999 | 1 | 2 |
| 370,000-379,999 | 2 | 0 |
| 380,000-389,999 | 2 | 1 |
| 390,000-399,999 | 2 | 0 |
| 400,000-409,999 | 1 | 0 |
| 710,000-719,999 | 0 | 1 |
| TOTAL EMPLOYEES | 646 | 564 |

The table above contains remuneration information solely on permanent and fixed-term employees of the Transport Agency who have been paid more than \$100,000 in respect of the financial year in accordance with the requirements of the Crown Entities Act 2004. Contract personnel are not included.

During the year ended 30 June 2019, 24 (2017/18: nil) Transport Agency employees received compensation and other benefits in relation to cessation of \$1.8 million (2017/18: \$nil) these costs are excluded from the remuneration table above.

16 / CONTINGENCIES

Contingent liabilities as at 30 June 2019

Regulatory function

The Transport Agency has changed the way it manages its regulatory function. As a result of these changes, several service providers were suspended during the period to 30 June 2019, and the Transport Agency has offered to pay certain re-certification costs where a potential safety risk exists. The Transport Agency has provided \$5.1 million for the cost of these re-certifications relating to suspended vehicle certifiers. If further non-compliance issues with other regulated organisations are discovered, additional costs may be incurred. Until these ongoing investigations are completed, the final costs of regulatory re-certification are uncertain.

There are regulatory appeals from decisions made in our capacity as regulator that are currently before the courts. These include appeals to decline to grant or revoke a passenger endorsement, revoke a transport service licence, revoke a vehicle inspectors appointment or request the return of a personalised licence plate. The current value of possible obligations arising from regulatory appeals is not material.

Roading and other contract disputes

There are claims of \$385.4 million (2017/18: \$7.6 million) relating to a variety of roading and other contract disputes.

- In February 2019, the Transport Agency received a claim for \$352 million from the Wellington Gateway Partnership in relation to the Transmission Gully public-private partnership. The claim relates to the delays in the commencement of work. The Transport Agency's view is that there is no liability in relation to this claim.
- Apart from the above matters, there is regular dialogue between the Transport Agency and its contractors over technical and commercial matters that may result in material dispute between the parties. As at 30 June 2019, the Transport Agency does not consider that any matters formally notified to date are likely to have material financial impact.

Southern Corridor vibration complaints

The Transport Agency has received complaints of vibration damage from the road works being undertaken as part of the Southern Corridor improvements project in Auckland. Complaints are being worked through by the Transport Agency on a case by case basis to assess their validity. Until these assessments are completed, the final costs of the complaints are uncertain. A provision has been made in the financial statements for cases where a valid claim has been demonstrated.

17 / EVENTS AFTER BALANCE DATE

No significant events occurred after balance date.

SUPPLEMENTARY INFORMATION (UNAUDITED)

This supplementary information contains additional disclosures to the financial statements and provides further information on the Transport Agency's business.

In this section you will find:

- a summary of total Transport Agency expenditure
- performance by segment of the business
- a summary of National Land Transport Programme funding
- details of land transport management (road tolling scheme)
- details of Regional Fuel Tax.

This information is consistent with and should be read in conjunction with the financial highlights on pages 83 to 84 and the audited financial statements on pages 85 to 118.

TRANSPORT AGENCY EXPENDITURE

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|--------------------------|--------------------------|--------------------------|
| Personnel costs* | 143.7 | 122.4 | 121.8 |
| Operating expenses | 174.2 | 168.3 | 150.8 |
| Depreciation and amortisation expense | 14.7 | 11.3 | 13.5 |
| Transport Agency operating activities expense | 332.6 | 302.0 | 286.1 |
| Transport Agency capitalised expenditure | 43.6 | 53.7 | 37.3 |
| Transport Agency activities expenditure | 376.2 | 355.7 | 323.4 |
| Transport Agency expenditure | | | |
| Transport Agency expenditure allocated to National Land Transport Programme activities | 47.5 | 35.5 | 34.2 |
| TOTAL TRANSPORT AGENCY EXPENDITURE | 423.7 | 391.2 | 357.6 |

* Includes contractor costs.

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

PERFORMANCE BY SEGMENT OF THE BUSINESS

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

- Transport Agency operations
- land transport funding
- specific projects funded by the Crown.

TRANSPORT AGENCY OPERATIONS

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|--------------------------|--------------------------|--------------------------|
| REVENUE | | | |
| Transport Agency activities | 30.1 | 28.3 | 22.2 |
| National Land Transport Programme | 117.8 | 102.6 | 109.0 |
| Memorandum accounts - other fees and charges | 160.9 | 162.7 | 161.4 |
| Total revenue | 308.8 | 293.6 | 292.6 |
| EXPENDITURE | | | |
| Transport Agency activities | 32.5 | 28.2 | 23.7 |
| National Land Transport Programme | 158.9 | 147.3 | 139.3 |
| Capital expenditure | (43.6) | (44.7) | (37.3) |
| Memorandum accounts - other fees and charges | 184.8 | 171.2 | 160.4 |
| Total expenditure | 332.6 | 302.0 | 286.1 |
| SURPLUS/(DEFICIT) | | | |
| Transport Agency activities | (2.4) | 0.1 | (1.5) |
| National Land Transport Programme | 2.5 | 0.0 | 7.0 |
| Memorandum accounts - other fees and charges | (23.9) | (8.5) | 1.0 |
| SURPLUS/(DEFICIT) | (23.8) | (8.4) | 6.5 |

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 activities** 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 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|---|------|--------------------------|--------------------------|--------------------------|
| REVENUE | | | | |
| National Land Transport Fund | | 2,462.1 | 2,668.0 | 2,214.7 |
| Developer contributions on capital projects | | 21.9 | 27.8 | 3.8 |
| Non-cash revenue | a | 13.7 | 0.0 | 21.3 |
| Total revenue | | 2,497.7 | 2,695.8 | 2,239.8 |
| EXPENDITURE | | | | |
| National Land Transport Programme | | 3,541.7 | 4,034.0 | 3,457.8 |
| Public-private partnerships | | 724.3 | 465.0 | 433.3 |
| Depreciation and other non-cash items | | 539.6 | 530.0 | 393.3 |
| Capital expenditure | | (2,329.2) | (2,346.2) | (2,048.0) |
| Total expenditure | | 2,476.4 | 2,682.8 | 2,236.4 |
| SURPLUS/(DEFICIT) | | 21.3 | 13.0 | 3.4 |

a. This category includes the initial write-down of interest-free loans of \$6 million (2017/18: \$16 million) and amortisation of discount on the Debtor National Land Transport Fund – debt related of \$8 million (2017/18: \$5 million).

SPECIFIC PROJECTS FUNDED BY THE CROWN

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|--------------------------|--------------------------|--------------------------|
| REVENUE | | | |
| SuperGold card administration and public transport concessions | 29.3 | 29.4 | 28.3 |
| Urban Cycleways Programme | 12.7 | 20.4 | 33.3 |
| Investment management (Provincial Growth Fund) | 5.4 | 0.0 | 0.0 |
| Local road improvements (Provincial Growth Fund) | 10.9 | 0.0 | 0.0 |
| Kaikōura Earthquake Response | 41.9 | 35.0 | 62.2 |
| Total revenue | 100.2 | 84.8 | 123.8 |
| EXPENDITURE | | | |
| SuperGold card administration and public transport concessions | 29.3 | 29.4 | 28.3 |
| Urban Cycleways Programme | 13.0 | 25.4 | 38.6 |
| Investment management (Provincial Growth Fund) | 5.4 | 0.0 | 0.0 |
| Local road improvements (Provincial Growth Fund) | 10.9 | 0.0 | 0.0 |
| Regional improvements (Provincial Growth Fund) | 0.8 | 40.0 | 0.0 |
| Kaikōura Earthquake Response | 113.1 | 237.0 | 432.7 |
| Accelerated Regional Roding Programme | 18.8 | 33.4 | 43.6 |
| Capital expenditure | (91.1) | (280.4) | (418.5) |
| Total expenditure | 100.2 | 84.8 | 124.7 |
| SURPLUS/(DEFICIT) | 0.0 | 0.0 | (0.9) |
| TOTAL SURPLUS/(DEFICIT) OF SEGMENTS | (2.5) | 4.6 | 9.0 |

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

NATIONAL LAND TRANSPORT PROGRAMME

The National Land Transport Programme is a three-year programme of funding for land transport infrastructure and services throughout New Zealand. 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 first year of the 2018–21 National Land Transport Programme.

NATIONAL LAND TRANSPORT PROGRAMME

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|---|--------------------------|--------------------------|--------------------------|
| INFLOWS | | | |
| Capital contribution from the National Land Transport Fund (NLTF) | 1,027.9 | 1,155.2 | 1,212.9 |
| Capital contribution from the NLTF - public-private partnerships | 724.3 | 465.0 | 433.3 |
| Funding from the NLTF | 2,558.8 | 2,769.8 | 2,282.5 |
| Funding from the NLTF (rental and interest income) | 30.2 | 25.8 | 26.5 |
| Funding from state highway disposals | 35.0 | 42.1 | 37.1 |
| Funding from other activities | 48.3 | 27.8 | 33.9 |
| Total inflows from the National Land Transport Fund | 4,424.5 | 4,485.7 | 4,026.2 |
| OUTFLOWS | | | |
| State highway improvements | 1,210.9 | 1,369.5 | 1,174.8 |
| Auckland Transport Package | 12.5 | 12.5 | 121.7 |
| Public-private partnerships* | 724.3 | 465.0 | 433.3 |
| State highway maintenance | 717.0 | 665.0 | 735.8 |
| Local road improvements | 225.7 | 192.8 | 246.2 |
| Local road maintenance | 677.0 | 691.0 | 608.7 |
| Local road improvements (Housing Infrastructure Fund) | 3.0 | 23.3 | 0.0 |
| Transitional rail | 19.2 | 35.4 | 0.0 |
| Rapid transit | 9.9 | 130.4 | 0.0 |
| Public transport | 511.3 | 549.0 | 382.6 |
| Walking and cycling | 57.3 | 79.0 | 50.0 |
| Regional improvements | 138.5 | 112.3 | 140.1 |
| Road safety promotion and demand management | 44.7 | 52.0 | 36.0 |
| Investment management | 63.5 | 70.3 | 60.0 |
| Interest and finance costs | 9.7 | 38.7 | 37.0 |
| Total outflows | 4,424.5 | 4,486.2 | 4,026.2 |
| Carry over into next year | 0.0 | (0.5) | 0.0 |
| Opening balance | 1.0 | (3.5) | 1.0 |
| CLOSING BALANCE | 1.0 | (4.0) | 1.0 |

* Includes the fair value movement of the interest rate swaps.

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.

Tolling disclosures are presented to the nearest thousand (000) to provide more meaningful information to the users of the financial statements.

NORTHERN GATEWAY TOLL ROAD FOR THE YEAR ENDED 30 JUNE 2019

| | ACTUAL 2018/19 000 | BUDGET 2018/19 000 | FORECAST 2019/20 000 | ACTUAL 2017/18 000 |
|---|--------------------------|--------------------------|----------------------------|--------------------------|
| TRAFFIC VOLUMES (NUMBER OF VEHICLES) | | | | |
| Light vehicle | 6,928 | 7,128 | 7,067 | 6,808 |
| Heavy vehicle | 570 | 589 | 581 | 559 |
| Exempt | 20 | 23 | 20 | 21 |
| Unidentifiable | 0 | 1 | 0 | 1 |
| Technical loss | 13 | 16 | 13 | 15 |
| TOTAL | 7,531 | 7,757 | 7,681 | 7,404 |

| | ACTUAL 2018/19 \$000 | BUDGET 2018/19 \$000 | FORECAST 2019/20 \$000 | ACTUAL 2017/18 \$000 |
|--|----------------------------|----------------------------|------------------------------|----------------------------|
| TOLL REVENUE (PORTION DESIGNATED FOR REPAYMENT OF CROWN DEBT) | | | | |
| Light vehicle | 9,196 | 9,266 | 9,801 | 8,853 |
| Heavy vehicle | 1,956 | 1,995 | 2,020 | 1,900 |
| Interest | 46 | 51 | 0 | 51 |
| TOTAL | 11,198 | 11,312 | 11,821 | 10,804 |

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 the Crown holds.

TAURANGA EASTERN LINK TOLL ROAD FOR THE YEAR ENDED 30 JUNE 2019

| | ACTUAL 2018/19 000 | BUDGET 2018/19 000 | FORECAST 2019/20 000 | ACTUAL 2017/18 000 |
|--|----------------------------|----------------------------|------------------------------|----------------------------|
| TRAFFIC VOLUMES (NUMBER OF VEHICLES) | | | | |
| Light vehicle | 3,452 | 3,275 | 3,625 | 3,261 |
| Heavy vehicle | 511 | 476 | 536 | 480 |
| Exempt | 12 | 13 | 13 | 12 |
| Unidentifiable | 0 | 1 | 0 | 0 |
| Technical loss | 19 | 20 | 20 | 19 |
| TOTAL | 3,994 | 3,785 | 4,194 | 3,772 |
| TOLL REVENUE (PORTION DESIGNATED FOR REPAYMENT OF DEBT) | | | | |
| | ACTUAL 2018/19 \$000 | BUDGET 2018/19 \$000 | FORECAST 2019/20 \$000 | ACTUAL 2017/18 \$000 |
| Light vehicle | 3,662 | 3,406 | 4,082 | 3,365 |
| Heavy vehicle | 1,894 | 1,738 | 2,050 | 1,753 |
| Interest | 13 | 13 | 0 | 13 |
| TOTAL | 5,569 | 5,157 | 6,132 | 5,131 |
| DEBT AND OTHER FINANCIAL OBLIGATIONS | | | | |
| Borrowing | 107,000 | 107,000 | 107,000 | 107,000 |
| TOTAL | 107,000 | 107,000 | 107,000 | 107,000 |

A feasible, untolled alternative route remains available to road users on the Te Puke highway via Te Puke.

TAKITIMU DRIVE TOLL ROAD FOR THE YEAR ENDED 30 JUNE 2019

| | ACTUAL 2018/19 000 | BUDGET 2018/19 000 | FORECAST 2019/20 000 | ACTUAL 2017/18 000 |
|--|----------------------------|----------------------------|------------------------------|----------------------------|
| TRAFFIC VOLUMES (NUMBER OF VEHICLES) | | | | |
| Light vehicle | 3,647 | 3,135 | 3,829 | 3,191 |
| Heavy vehicle | 702 | 664 | 737 | 656 |
| Exempt | 15 | 13 | 15 | 13 |
| Unidentifiable | 0 | 1 | 0 | 0 |
| Technical loss | 38 | 46 | 40 | 36 |
| TOTAL | 4,402 | 3,859 | 4,621 | 3,896 |
| TOLL REVENUE (PORTION DESIGNATED FOR REPAYMENT OF DEBT) | | | | |
| | ACTUAL 2018/19 \$000 | BUDGET 2018/19 \$000 | FORECAST 2019/20 \$000 | ACTUAL 2017/18 \$000 |
| Light vehicle | 3,255 | 2,728 | 3,646 | 2,752 |
| Heavy vehicle | 2,483 | 2,305 | 2,690 | 2,284 |
| Interest | 13 | 13 | 0 | 13 |
| TOTAL | 5,751 | 5,046 | 6,336 | 5,049 |
| TOLL REVENUE INFLOW TO THE NATIONAL LAND TRANSPORT FUND | | | | |
| Takitimu Drive | 5,680 | 4,987 | 5,016 | 4,996 |
| TOTAL | 5,680 | 4,987 | 5,016 | 4,996 |

A feasible, untolled alternative route remains available to road users via Cameron Road or Cambridge-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 2019

| | NOTE | ACTUAL 2018/19 \$000 | BUDGET 2018/19 \$000 | ACTUAL 2017/18 \$000 |
|--------------------|------|----------------------------|----------------------------|----------------------------|
| REVENUE | | | | |
| Toll fees | a | 16,084 | 15,497 | 15,276 |
| Total revenue | | 16,084 | 15,497 | 15,276 |
| EXPENSE | | | | |
| Expense | | 16,878 | 15,820 | 15,635 |
| Total expense | | 16,878 | 15,820 | 15,635 |
| NET DEFICIT | | (794) | (323) | (359) |

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 the previous pages.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

| | ACTUAL 2018/19 \$000 | BUDGET 2018/19 \$000 | ACTUAL 2017/18 \$000 |
|--------------------------|----------------------------|----------------------------|----------------------------|
| ASSETS | | | |
| Current assets | 22,125 | 23,888 | 25,273 |
| Non-current assets | 11,025 | 8,771 | 13,260 |
| Total assets | 33,150 | 32,659 | 38,533 |
| LIABILITIES | | | |
| Liabilities | 12,345 | 12,045 | 11,462 |
| Total liabilities | 12,345 | 12,045 | 11,462 |
| NET ASSETS/EQUITY | 20,805 | 20,614 | 27,071 |

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

| | ACTUAL 2018/19 \$000 | BUDGET 2018/19 \$000 | ACTUAL 2017/18 \$000 |
|---|----------------------------|----------------------------|----------------------------|
| Net cash from operating activities | 22,644 | 22,665 | 22,332 |
| Net cash from financing activities | (21,826) | (21,308) | (20,456) |
| Net increase in cash and cash equivalents | 818 | 1,357 | 1,876 |
| Cash and cash equivalents at the beginning of the year | 11,319 | 11,319 | 9,443 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 12,137 | 12,676 | 11,319 |

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

REGIONAL FUEL TAX

The Land Transport Management (Regional Fuel Tax) Amendment Bill introduces a mechanism under which regional fuel taxes can be established to provide a way for regions to fund transport infrastructure programmes. The revenue is to go to the regional council responsible for the region where the taxed fuel is delivered for sale or consumption. Regional Fuel Tax began on 1 July 2018.

The Transport Agency is mandated to administer and manage the collection of the Regional Fuel Tax. Currently, the only Regional Fuel Tax is for Auckland. Proceeds are remitted to Auckland City Council and the Transport Agency is paid a fee for the services provided.

This supplementary information has been provided to fulfil the disclosure requirements under section 65Y of Land Transport Management Act 2003.

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2019

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M |
|-------------------------------------|--------------------------|--------------------------|
| REVENUE | | |
| Regional Fuel Tax | 153.3 | 150.0 |
| Rebates | (8.9) | (8.7) |
| Crown funds retained | (1.0) | (1.0) |
| Interest received | 0.1 | 0.0 |
| Total revenue | 143.5 | 140.3 |
| Distributed to: | | |
| Auckland City Council | 142.7 | 139.4 |
| Transport Agency administration fee | 0.8 | 0.9 |
| Total distributions | 143.5 | 140.3 |
| NET SURPLUS/(DEFICIT) | 0.0 | 0.0 |

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M |
|----------------------------------|--------------------------|--------------------------|
| ASSETS | | |
| Cash and cash equivalents | 18.9 | 18.2 |
| Total assets | 18.9 | 18.2 |
| LIABILITIES | | |
| Payables | 15.9 | 15.2 |
| Regional Fuel Tax rebate reserve | 3.0 | 3.0 |
| Total liabilities | 18.9 | 18.2 |
| NET ASSETS/EQUITY | 0.0 | 0.0 |

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M |
|---|-----------------------------------|-----------------------------------|
| Net cash from operating activities | 18.9 | 18.2 |
| Net increase in cash and cash equivalents | 18.9 | 18.2 |
| Cash and cash equivalents at the beginning of the year | 0.0 | 0.0 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 18.9 | 18.2 |

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

OUTPUT CLASS INCOME AND EXPENDITURE

INVESTMENT MANAGEMENT

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|--------------------------|--------------------------|--------------------------|
| OPERATING REVENUE | | | |
| Crown (Crash Analysis System) | 0.8 | 0.8 | 0.8 |
| Crown (Provincial Growth Fund) | 5.4 | 0.0 | 0.0 |
| National Land Transport Fund | 60.1 | 61.3 | 55.9 |
| Other | 1.9 | 0.0 | 1.1 |
| Total operating revenue | 68.2 | 62.1 | 57.8 |
| OPERATING EXPENSES | | | |
| Transport Agency (Crash Analysis System) | 0.2 | 0.8 | 0.3 |
| Funding to approved organisations (Provincial Growth Fund) | 5.4 | 0.0 | 0.0 |
| Funding to approved organisations | 11.5 | 12.3 | 8.4 |
| Transport Agency operating activities | 51.1 | 49.0 | 49.1 |
| Total operating expenses | 68.2 | 62.1 | 57.8 |
| Surplus/(deficit) | 0.0 | 0.0 | 0.0 |
| CAPITAL FUNDING | | | |
| National Land Transport Fund capital contribution | 0.9 | 9.0 | 2.9 |
| Total capital funding | 0.9 | 9.0 | 2.9 |
| CAPITAL EXPENDITURE | | | |
| Capital investment | 0.9 | 9.0 | 2.9 |
| Total capital expenditure | 0.9 | 9.0 | 2.9 |
| Net capital movement | 0.0 | 0.0 | 0.0 |
| TOTAL MOVEMENT | 0.0 | 0.0 | 0.0 |

ROAD USER CHARGES COLLECTION, INVESTIGATION AND ENFORCEMENT

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|--------------------------|--------------------------|--------------------------|
| OPERATING REVENUE | | | |
| National Land Transport Fund (investigation and enforcement) | 3.8 | 3.8 | 3.8 |
| National Land Transport Fund (refund) | 0.5 | 0.4 | 0.5 |
| Fees and charges | 13.1 | 13.5 | 12.7 |
| Total operating revenue | 17.4 | 17.7 | 17.0 |
| OPERATING EXPENSES | | | |
| Transport Agency (investigation and enforcement) | 2.5 | 2.0 | 2.2 |
| Transport Agency (refund) | 2.5 | 2.5 | 2.1 |
| Transport Agency (collection) | 16.5 | 15.1 | 13.2 |
| Total operating expenses | 21.5 | 19.6 | 17.5 |
| SURPLUS/(DEFICIT) | (4.1) | (1.9) | (0.5) |

REFUND OF FUEL EXCISE DUTY

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|---------------------------------------|--------------------------|--------------------------|--------------------------|
| OPERATING REVENUE | | | |
| National Land Transport Fund | 0.7 | 0.7 | 0.6 |
| Other | 0.1 | 0.1 | 0.2 |
| Total operating revenue | 0.8 | 0.8 | 0.8 |
| OPERATING EXPENSES | | | |
| Transport Agency operating activities | 0.8 | 0.8 | 0.8 |
| Total operating expenses | 0.8 | 0.8 | 0.8 |
| SURPLUS/(DEFICIT) | 0.0 | 0.0 | 0.0 |

STATE HIGHWAY IMPROVEMENTS

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|---|--------------------------|--------------------------|--------------------------|
| OPERATING REVENUE | | | |
| National Land Transport Fund | 548.0 | 726.0 | 401.4 |
| National Land Transport Fund (tolling) | 11.3 | 10.2 | 10.2 |
| Developer contributions | 20.5 | 13.0 | 1.5 |
| Interest and finance income | 13.7 | 14.8 | 21.3 |
| Other income | 0.8 | 0.0 | 1.1 |
| Total operating revenue | 594.3 | 764.0 | 435.5 |
| OPERATING EXPENSES | | | |
| Assets vested to local authorities | 24.4 | 182.8 | 0.0 |
| Depreciation and state highway write-offs | 539.6 | 530.0 | 393.3 |
| Interest on Tauranga Eastern Link borrowing | 4.7 | 0.0 | 5.1 |
| Other interest and finance costs | 5.0 | 38.2 | 30.9 |
| Other expenses | 0.1 | 0.0 | 4.7 |
| Total operating expenses | 573.8 | 751.0 | 434.0 |
| Surplus/(deficit) | 20.5 | 13.0 | 1.5 |
| CAPITAL FUNDING | | | |
| Crown (Accelerated Regional Roothing Programme) | 18.8 | 33.4 | 43.6 |
| National Land Transport Fund capital contribution | 591.4 | 601.6 | 738.1 |
| National Land Transport Fund (Auckland Transport Package) | 12.5 | 12.5 | 121.7 |
| National Land Transport Fund (public-private partnerships) | 724.3 | 465.0 | 433.3 |
| National Land Transport Fund (state highway disposals) | 35.0 | 42.1 | 37.1 |
| Depreciation funding utilised for investment in the state highway network | 539.6 | 530.0 | 393.3 |
| Net non-cash funding for losses/(income) utilised for investment in state highway network | 24.4 | 182.8 | 4.8 |
| Total capital funding | 1,946.0 | 1,867.4 | 1,771.9 |
| CAPITAL EXPENDITURE | | | |
| Crown investment (Accelerated Regional Roothing Programme) | 18.8 | 33.4 | 43.6 |
| Auckland Transport Package | 12.5 | 12.5 | 121.7 |
| Public-private partnerships* | 724.3 | 465.0 | 433.3 |
| Capital investment in the state highway network | 1,167.3 | 1,327.6 | 1,137.5 |
| Transport Agency capitalised expenditure | 43.6 | 41.9 | 37.3 |
| Total capital expenditure | 1,966.5 | 1,880.4 | 1,773.4 |
| Net capital movement | (20.5) | (13.0) | (1.5) |
| TOTAL MOVEMENT | 0.0 | 0.0 | 0.0 |

* During the year, the total public-private partnership construction costs were \$460.9 million (2017/18: \$347.2 million). This capital expenditure item included the cash flow hedge reserve movement during the year of \$263.4 million deficit (2017/18: \$86.1 million deficit).

STATE HIGHWAY MAINTENANCE

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|---|--------------------------|--------------------------|--------------------------|
| OPERATING REVENUE | | | |
| Crown (Kaikōura earthquake response) | 41.9 | 35.0 | 62.2 |
| National Land Transport Fund | 466.6 | 463.2 | 509.3 |
| National Land Transport Fund (rental and interest income) | 18.9 | 15.6 | 16.3 |
| Other revenue* | 9.5 | 1.9 | 8.1 |
| Total operating revenue | 536.9 | 515.7 | 595.9 |
| OPERATING EXPENSES | | | |
| Maintenance of the state highway network (Kaikōura earthquake response) | 41.9 | 35.0 | 62.2 |
| Maintenance of the state highway network | 449.9 | 450.5 | 492.8 |
| Works funded by third party contributions | 5.5 | 1.9 | 6.7 |
| Transport Agency operating activities | 38.7 | 28.3 | 31.9 |
| Total operating expenses | 536.0 | 515.7 | 593.6 |
| Surplus/(deficit) | 0.9 | 0.0 | 2.3 |
| CAPITAL FUNDING | | | |
| Crown (Kaikōura earthquake response) | 71.2 | 202.0 | 370.5 |
| National Land Transport Fund capital contribution | 222.0 | 186.2 | 202.1 |
| Total capital funding | 293.2 | 388.2 | 572.6 |
| CAPITAL EXPENDITURE | | | |
| Crown investment (Kaikōura earthquake response) | 71.2 | 202.0 | 370.5 |
| Capital investment | 222.9 | 186.2 | 204.4 |
| Total capital expenditure | 294.1 | 388.2 | 574.9 |
| Net capital movement | (0.9) | 0.0 | (2.3) |
| TOTAL MOVEMENT | 0.0 | 0.0 | 0.0 |

* Includes contributions from third parties of \$5.5 million (2017/18: \$6.7 million).

WALKING AND CYCLING

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|---|--------------------------|--------------------------|--------------------------|
| OPERATING REVENUE | | | |
| Crown (Urban Cycleways Programme) | 12.7 | 20.4 | 33.3 |
| National Land Transport Fund | 42.7 | 37.9 | 43.3 |
| Total operating revenue | 55.4 | 58.3 | 76.6 |
| OPERATING EXPENSES | | | |
| Funding to approved organisations (Urban Cycleways Programme) | 12.7 | 20.4 | 34.2 |
| Funding to approved organisations | 42.7 | 37.9 | 43.3 |
| Total operating expenses | 55.4 | 58.3 | 77.5 |
| Surplus/(deficit) | 0.0 | 0.0 | (0.9) |
| CAPITAL FUNDING | | | |
| Crown (Urban Cycleways Programme) | 0.3 | 5.0 | 4.4 |
| National Land Transport Fund capital contribution | 14.6 | 41.1 | 6.7 |
| Total capital funding | 14.9 | 46.1 | 11.1 |
| CAPITAL EXPENDITURE | | | |
| Crown investment (Urban Cycleways Programme) | 0.3 | 5.0 | 4.4 |
| Capital investment | 14.6 | 41.1 | 6.7 |
| Total capital expenditure | 14.9 | 46.1 | 11.1 |
| Net capital movement | 0.0 | 0.0 | 0.0 |
| TOTAL MOVEMENT | 0.0 | 0.0 | (0.9) |

PUBLIC TRANSPORT

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|---|--------------------------|--------------------------|--------------------------|
| OPERATING REVENUE | | | |
| National Land Transport Fund | 449.2 | 466.0 | 382.4 |
| Developer contributions | 1.4 | 0.0 | 0.0 |
| Other | 0.1 | 0.0 | 0.2 |
| Total operating revenue | 450.7 | 466.0 | 382.6 |
| OPERATING EXPENSES | | | |
| Funding to approved organisations | 448.7 | 465.5 | 382.6 |
| Transport Agency operating activities | 0.6 | 0.5 | 0.0 |
| Total operating expenses | 449.3 | 466.0 | 382.6 |
| Surplus/(deficit) | 1.4 | 0.0 | 0.0 |
| CAPITAL FUNDING | | | |
| National Land Transport Fund capital contribution | 60.6 | 83.0 | 0.0 |
| Total capital funding | 60.6 | 83.0 | 0.0 |
| CAPITAL EXPENDITURE | | | |
| Capital investment | 62.0 | 83.0 | 0.0 |
| Total capital expenditure | 62.0 | 83.0 | 0.0 |
| Net capital movement | (1.4) | 0.0 | 0.0 |
| TOTAL MOVEMENT | 0.0 | 0.0 | 0.0 |

SUPERGOLD CARD ADMINISTRATION AND PUBLIC TRANSPORT CONCESSIONS

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|---------------------------------------|--------------------------|--------------------------|--------------------------|
| OPERATING REVENUE | | | |
| Crown | 29.4 | 29.4 | 28.3 |
| Total operating revenue | 29.4 | 29.4 | 28.3 |
| OPERATING EXPENSES | | | |
| Funding to approved organisations | 29.3 | 29.3 | 28.2 |
| Transport Agency operating activities | 0.1 | 0.1 | 0.1 |
| Total operating expenses | 29.4 | 29.4 | 28.3 |
| SURPLUS/(DEFICIT) | 0.0 | 0.0 | 0.0 |

LOCAL ROAD IMPROVEMENTS

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|---|--------------------------|--------------------------|--------------------------|
| OPERATING REVENUE | | | |
| Crown (Provincial Growth Fund) | 10.9 | 0.0 | 0.0 |
| National Land Transport Fund | 225.7 | 192.8 | 246.2 |
| National Land Transport Fund (Housing Infrastructure Fund) | 3.0 | 23.3 | 0.0 |
| Total operating revenue | 239.6 | 216.1 | 246.2 |
| OPERATING EXPENSES | | | |
| Funding to approved organisations (Provincial Growth Fund) | 10.9 | 0.0 | 0.0 |
| Funding to approved organisations | 225.7 | 192.8 | 246.2 |
| Funding to approved organisations (Housing Infrastructure Fund) | 3.0 | 23.3 | 0.0 |
| Total operating expenses | 239.6 | 216.1 | 246.2 |
| SURPLUS/(DEFICIT) | 0.0 | 0.0 | 0.0 |

LOCAL ROAD MAINTENANCE

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|--------------------------|--------------------------|--------------------------|
| OPERATING REVENUE | | | |
| National Land Transport Fund | 653.4 | 668.0 | 597.0 |
| National Land Transport Fund (reinstatement of local roads in Christchurch) | 0.0 | 0.0 | (2.3) |
| Total operating revenue | 653.4 | 668.0 | 594.7 |
| OPERATING EXPENSES | | | |
| Funding to approved organisations | 653.4 | 667.5 | 593.7 |
| Interest and finance costs | 0.0 | 0.5 | 1.0 |
| Total operating expenses | 653.4 | 668.0 | 594.7 |
| Surplus/(deficit) | 0.0 | 0.0 | 0.0 |
| BORROWING FUNDING | | | |
| National Land Transport Fund (reinstatement of earthquake-damaged roads in Christchurch) | 23.6 | 23.0 | 15.0 |
| Total borrowing funding | 23.6 | 23.0 | 15.0 |
| BORROWING REPAYMENT | | | |
| Repayment of borrowing (reinstatement of earthquake-damaged roads in Christchurch) | 23.6 | 23.0 | 15.0 |
| Total borrowing repayment | 23.6 | 23.0 | 15.0 |
| Net borrowing | 0.0 | 0.0 | 0.0 |
| TOTAL MOVEMENT | 0.0 | 0.0 | 0.0 |

REGIONAL IMPROVEMENTS

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|--------------------------|--------------------------|--------------------------|
| OPERATING REVENUE | | | |
| National Land Transport Fund | 23.6 | 22.3 | 0.0 |
| Total operating revenue | 23.6 | 22.3 | 0.0 |
| OPERATING EXPENSES | | | |
| Funding to approved organisations | 23.6 | 22.3 | 0.0 |
| Total operating expenses | 23.6 | 22.3 | 0.0 |
| Surplus/(deficit) | 0.0 | 0.0 | 0.0 |
| CAPITAL FUNDING | | | |
| Crown (Provincial Growth Fund) | 0.8 | 40.0 | 0.0 |
| National Land Transport Fund capital contribution | 114.9 | 90.0 | 140.1 |
| Total capital funding | 115.7 | 130.0 | 140.1 |
| CAPITAL EXPENDITURE | | | |
| Funding to approved organisations (Provincial Growth Fund) | 0.8 | 40.0 | 0.0 |
| Capital investment | 114.9 | 90.0 | 140.1 |
| Total capital expenditure | 115.7 | 130.0 | 140.1 |
| Net capital movement | 0.0 | 0.0 | 0.0 |
| TOTAL MOVEMENT | 0.0 | 0.0 | 0.0 |

ROAD TOLLING

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|---------------------------------------|--------------------------|--------------------------|--------------------------|
| OPERATING REVENUE | | | |
| Fees and charges | 16.1 | 15.5 | 15.2 |
| Total operating revenue | 16.1 | 15.5 | 15.2 |
| OPERATING EXPENSES | | | |
| Transport Agency operating activities | 16.9 | 15.8 | 15.6 |
| Total operating expenses | 16.9 | 15.8 | 15.6 |
| SURPLUS/(DEFICIT) | (0.8) | (0.3) | (0.4) |

ROAD SAFETY PROMOTION AND DEMAND MANAGEMENT

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|--------------------------|--------------------------|--------------------------|
| OPERATING REVENUE | | | |
| National Land Transport Fund | 43.7 | 50.6 | 34.2 |
| Community Road Safety Programme | 3.8 | 3.3 | 3.4 |
| Other | 0.6 | 0.0 | 0.4 |
| Total operating revenue | 48.1 | 53.9 | 38.0 |
| OPERATING EXPENSES | | | |
| Funding to approved organisations | 18.3 | 22.0 | 12.8 |
| Transport Agency (vehicle impoundment) | 0.0 | 0.2 | 0.2 |
| Transport Agency operating activities | 26.0 | 28.4 | 21.7 |
| Transport Agency (Community Road Safety Programme) | 0.6 | 0.9 | 1.4 |
| Total operating expenses | 44.9 | 51.5 | 36.1 |
| Surplus/(deficit) | 3.2 | 2.4 | 1.9 |
| CAPITAL FUNDING | | | |
| National Land Transport Fund capital contribution | 1.0 | 1.4 | 1.3 |
| Total capital funding | 1.0 | 1.4 | 1.3 |
| CAPITAL EXPENDITURE | | | |
| Capital investment | 1.0 | 1.4 | 1.3 |
| Total capital expenditure | 1.0 | 1.4 | 1.3 |
| Net capital movement | 0.0 | 0.0 | 0.0 |
| TOTAL MOVEMENT | 3.2 | 2.4 | 1.9 |

LICENSING AND REGULATORY COMPLIANCE

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|--------------------------|--------------------------|--------------------------|
| OPERATING REVENUE | | | |
| Crown (driver licensing stop orders) | 0.1 | 0.1 | 0.1 |
| Crown (driver test subsidy) | 1.4 | 1.4 | 1.4 |
| Crown (drug and alcohol assessments) | 0.7 | 1.0 | 0.6 |
| Crown (ministerial advice and official correspondence) | 0.5 | 0.6 | 0.5 |
| Crown (rules development) | 0.8 | 0.9 | 0.9 |
| Better Public Services seed funding | 2.8 | 0.0 | 0.9 |
| Regional Fuel Tax administration | 0.7 | 0.0 | 1.0 |
| Fees and charges | 94.3 | 94.3 | 93.6 |
| Other | 0.4 | 0.0 | 0.0 |
| Total operating revenue | 101.7 | 98.3 | 99.0 |
| OPERATING EXPENSES | | | |
| Drug and alcohol assessments | 0.8 | 1.1 | 0.8 |
| Ministerial advice and official correspondence | 3.3 | 3.0 | 0.6 |
| Rules development | 0.5 | 0.1 | 1.0 |
| Fees and charges funded activities | 114.7 | 102.4 | 94.8 |
| Better Public Services seed funding | 2.8 | 0.0 | 0.9 |
| Regional fuel tax administration | 0.3 | 0.0 | 0.2 |
| Other | 1.3 | 0.0 | 0.0 |
| Total operating expenses | 123.7 | 106.6 | 98.3 |
| Surplus/(deficit) | (22.0) | (8.3) | 0.7 |
| CAPITAL EXPENDITURE | | | |
| Regional Fuel Tax capital expenditure | 0.0 | 0.0 | 0.7 |
| Total capital expenditure | 0.0 | 0.0 | 0.7 |
| Net capital movement | 0.0 | 0.0 | (0.7) |
| TOTAL MOVEMENT | (22.0) | (8.3) | 0.0 |

MOTOR VEHICLE REGISTRY

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|---------------------------------------|--------------------------|--------------------------|--------------------------|
| OPERATING REVENUE | | | |
| Fees and charges | 52.1 | 53.5 | 53.6 |
| Total operating revenue | 52.1 | 53.5 | 53.6 |
| OPERATING EXPENSES | | | |
| Transport Agency operating activities | 53.7 | 53.7 | 52.3 |
| Total operating expenses | 53.7 | 53.7 | 52.3 |
| SURPLUS/(DEFICIT) | (1.6) | (0.2) | 1.3 |

RAPID TRANSIT

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|---|--------------------------|--------------------------|--------------------------|
| CAPITAL FUNDING | | | |
| National Land Transport Fund capital contribution | 9.9 | 130.4 | 0.0 |
| Total capital funding | 9.9 | 130.4 | 0.0 |
| CAPITAL EXPENDITURE | | | |
| Capital investment | 9.9 | 130.4 | 0.0 |
| Total capital expenditure | 9.9 | 130.4 | 0.0 |
| NET CAPITAL MOVEMENT | 0.0 | 0.0 | 0.0 |

TRANSITIONAL RAIL

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|-----------------------------------|--------------------------|--------------------------|--------------------------|
| OPERATING REVENUE | | | |
| National Land Transport Fund | 19.2 | 35.4 | 0.0 |
| Total operating revenue | 19.2 | 35.4 | 0.0 |
| OPERATING EXPENSES | | | |
| Funding to approved organisations | 19.2 | 35.4 | 0.0 |
| Total operating expenses | 19.2 | 35.4 | 0.0 |
| SURPLUS/(DEFICIT) | 0.0 | 0.0 | 0.0 |

INDEPENDENT AUDITOR'S REPORT



TO THE READERS OF NZ TRANSPORT AGENCY'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2019

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 85 to 118, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Transport Agency on pages 27 to 80.

In our opinion:

- the financial statements of the Transport Agency on pages 85 to 118:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2019; 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 performance information on pages 27 to 80:
 - presents fairly, in all material respects, the Transport Agency's performance for the year ended 30 June 2019, 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 1 October 2019. 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 for our 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

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 26, 27 to 80 (excluding key performance indicators, service delivery and investment performance measures) 82 to 84, 119 to 140 and 147 to 174, 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.

A handwritten signature in black ink, appearing to be 'Brent Manning', written over a horizontal line.

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.)

The webpage also has links to two other webpages that list all funding decisions made by the Transport Agency Board² and delegated Transport Agency staff³ 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.

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/

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 2019

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 page 144 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 2019.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for implementing the systems and procedures associated with implementing the "scrutiny principle", and applying analytical and other limited assurance procedures. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement or an audit conducted in accordance with the Auditor-General's Auditing Standards. Consequently we do not seek to obtain evidence that allows us to provide the higher level of assurance afforded by an audit. Accordingly, we do not express a reasonable assurance or audit opinion.

Inherent limitations

Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our engagement is not designed to detect all weaknesses in the implementation of the systems and procedures required to give effect to the "scrutiny" principle, as the engagement has not been performed continuously throughout the period and the testing performed was undertaken on a sample basis.

The limited assurance conclusion expressed in this report has been formed on the above basis.

**Independence**

When carrying out the limited assurance engagement we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. Our firm has also provided audit services to the Transport Agency. Subject to certain restrictions, partners and employees of our firm may also deal with the Transport Agency on normal terms within the ordinary course of trading activities of the business of the Transport Agency. These matters have not impaired our independence as assurance providers of the Transport Agency for this engagement. We have no other relationship with, or interests in, the Transport Agency.

Conclusion

Based on our limited assurance engagement, which is not a reasonable assurance engagement or an audit, we have not become aware of any material matter that would lead us to believe that the Report prepared by the Transport Agency on the implementation of systems and procedures to give effect to the "scrutiny principle", on page 144, for the year ended 30 June 2019 is not fairly stated.

Our limited assurance engagement was completed on 1 October 2019 and our opinion expressed as at that date.

A handwritten signature in black ink, appearing to be 'Brent Manning', written over a horizontal line.

BRENT MANNING

KPMG

On behalf of the Auditor-General

Wellington, New Zealand

SECTION D

ABOUT US



WHO WE ARE

OUR BOARD (AS AT 20 SEPTEMBER 2019)

SIR BRIAN ROCHE CHAIR

Sir Brian Roche brings extensive governance, leadership and business experience to the Transport Agency.

In 2017, he was named a Knight Companion of the New Zealand Order of Merit for services to the state and business.

He was chief executive of the New Zealand Post Group from 2010 to 2017 and was chair of the NZ Transport Agency Board from 1 August 2008 to 31 March 2010.



NICK ROGERS

Nick is a geotechnical and environmental specialist with expertise in risk, resilience and disaster risk reduction. He has over 41 years' experience on major infrastructure projects.

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.



MARK DARROW

Mark is an experienced businessperson and director, specialising in corporate governance. He holds a Bachelor of Business and is a 25-year member of the New Zealand Institute of Chartered Accountants, a chartered fellow of the Institute of Directors and a Justice of the Peace of New Zealand.

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

Mark is chair of Leighs Constructions, The Lines Company, Primary ITO, Armstrong Motor Group, and Signum Holdings and a director for Balle Bros Group and Trustees Executors Limited.

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



SHERIDAN BROADBENT

Sheridan has been working in executive and governance roles in the infrastructure, technology and energy sectors in New Zealand and Oceania for over 20 years.

A chartered director, Sheridan was also the inaugural graduate of the New Zealand Institute of Directors Future Director programme.

Sheridan is deputy chair of Kordia Group, a director of Transpower and Timberlands, and company secretary and steering group member of the New Zealand Business Leaders' Health and Safety Forum.



LEO LONERGAN

Leo has 40 years' governance and commercial experience with deep knowledge in contracting, supply chain, infrastructure, trading and logistics and has a passion for safety and transparency as foundational to any business.

As a senior executive in the energy industry, Leo was based in North America, Europe, the Middle East and Asia for 27 years. He was elected an officer of both Caltex and Chevron Corporations. As Chevron's chief procurement officer, he led worldwide procurement and a supply chain with \$40 billion annual spend. Earlier global roles included president trading and president manufacturing and supply.

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



VANESSA VAN UDEN

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 and was a trustee of the Queenstown Trails Trust and a founding trustee of the Branches Charitable Trust and the Queenstown Lakes Baby Box Trust.



DAVID SMOL

David has over 35 years of experience in New Zealand and the United Kingdom in the public and private sectors. He has worked in the energy sector in both countries, including as director of an Oxford-based energy consulting firm, with clients in the United Kingdom and Europe, including large energy utilities and transmission companies, renewable energy generators, regulatory bodies and government departments.

In 2008, David was appointed as chief executive of the Ministry of Economic Development. From 2012 to 2017, he was the inaugural chief executive of the Ministry of Business, Innovation and Employment, where he was responsible for the stewardship of multiple regulatory systems.

David is an independent non-executive director for Contact Energy and is chair of VicLink, the commercialisation subsidiary of Victoria University of Wellington.

He was made a Companion of the Queen's Service Order in 2018.



GOVERNANCE REPORT

BOARD MEMBERSHIP AND COMPOSITION

The Minister of Transport is entitled to appoint up to eight independent, non-executive members to the 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. 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 itself or through delegation. The board makes major or significant planning, investment and funding decisions in line with the Transport Agency's significance policy. Board 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, and 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 management 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 Cabinet 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. Declaration of interests is a standing item on the agendas for all board and board committee meetings. Any changes to board members' interests are tabled and reviewed at the opening of every board meeting.

As part of the preparation for meetings, board secretariat staff review all draft board and board committee papers to check whether a conflict could arise. If a potential conflict of interest is identified, the board member in question and 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.

For completeness, the potential conflict of interest arising from the chair's former role on the Transmission Gully project have been managed in accordance with the board's Disclosure of Interest policy. This has included the chair recusing himself from discussions on Transmission Gully, including any assessment of the claim disclosed in the contingent liabilities note (page 118).

Code of conduct

The board endorses the State Services Commission's code of conduct as being consistent with the expectations of board members and their duties and responsibilities set out in the Crown Entities Act 2004.

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. The Transport Agency updated its written induction modules in anticipation of the appointment of a new board chair in June 2019. 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. Some of the schedules have been updated during 2018/19.

Risk management

The Audit, Risk and Assurance Committee of the Board has responsibility for:

- overseeing the Transport Agency's risk management processes to assist the Board in the monitoring and review of significant risks and their mitigation
- reviewing and advising on significant risks to protect the Transport Agency's credibility and reputation
- receiving reports, as appropriate, on key risks that affect the Transport Agency operations and treatment plans to reduce risk, including the risks over the Transport Agency's financial control environment and internal controls
- overseeing the operation of the insurance programme and monitoring its ability to address significant insurable risks.

The significant risks reported to the board at 30 June 2019 are:

1. Regulatory: The Transport Agency fails to deliver its regulatory responsibilities to ensure compliance in the land transport system
2. Health and safety: A Transport Agency employee, visitor, or contractor working for the Agency experiences a significant health/safety incident
3. Technology: The Transport Agency's technology systems may stop performing, in part or whole, and may not be recoverable for extended periods (weeks or months)
4. Social licence: The public loses confidence in the Transport Agency's ability to deliver its core functions
5. Cyber: Unauthorised access to the Transport Agency's key systems
6. Road safety outcomes: The Transport Agency does not achieve a significant reduction in deaths and serious injuries over the 2018-21 period
7. Funding sources (short-term): The Transport Agency's funding sources are not sufficient to fund its activities in the short term
8. Funding sources (medium to long-term): The Transport Agency's funding sources are not sufficient to fund demands for investment in the land transport system

Board activity in 2018/19

The board held 10 standard and 4 special meetings in 2018/19. These meetings were held in Wellington (12) and Auckland (2).

| BOARD FUNCTION | HIGHLIGHTS |
|--|---|
| Road safety, health, safety and wellness & environmental matters | <ul style="list-style-type: none"> Overseeing implementation of recommendations arising out of a health, safety and wellness governance review Ensuring steps taken to set expectations in respect of health and safety and strengthen corresponding reporting obligations Agreeing road safety priorities and activities plan Undertaking site visits and tours of various projects Agreeing to speed limit reviews and approving speed limit review decisions Approving the board's Health, Safety and Wellness Charter Instigating a review of compliance by contractors with terms of approvals in place for projects Endorsing work to support and influence changes to improve the safety of the light vehicle fleet on New Zealand roads |
| Regulatory matters | <ul style="list-style-type: none"> Overseeing the stabilisation phase of the regulatory compliance project Receiving updates on the proposal to update the operational policies for managing any conflicts of interest arising for vehicle inspection organisations and vehicle importers Strengthening board oversight of the regulatory policy function Accepting the Dargaville Diesel Inquiry report and ensuring implementation of its recommendations Agreed a future state rebuild of the regulatory compliance function |
| Setting sector and organisational direction | <ul style="list-style-type: none"> Maintaining oversight of the Transport Agency's further strategy refresh and transformation Adopting the National Land Transport Programme 2018-21 Receiving updates on the future of heavy rail in New Zealand Adopting Te Ara Kotahi / the Transport Agency Māori Strategy Approving the set of strategic risks for future reporting Supporting work connected to the Transport Agency mode shift plan Providing feedback on consultation documents for the new national Road Safety Strategy Supporting work toward a sustainability direction and implementation plan Approving an amended Statement of intent 2018-2022, including position statements |
| Confirming service and financial performance targets | <ul style="list-style-type: none"> Overseeing and approving the Statement of performance expectations 2019/20 Endorsing the External Audit Plan 2018/19 Approving the 2019/20 Assurance Programme Approving the 2019/20 Business Plan and Budget |
| Assessing progress against strategy and plans | <ul style="list-style-type: none"> Approving the financial results for 2017/18 and the 2017/18 Transport Agency and National Land Transport Fund annual reports Receiving quarterly progress reports, including financial reports |

| BOARD FUNCTION | HIGHLIGHTS |
|---|---|
| Governance matters | <ul style="list-style-type: none"> ▪ 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 ▪ Approving revised terms of reference for the Audit, Risk and Assurance Board Committee and Investment and Operations Board Committee ▪ Approving new conflicts of interest guidelines for the Transport Agency Board ▪ Ensuring updated induction material in place for new board members ▪ Agreeing to the proactive release of board papers, subject to grounds available under official information legislation ▪ Undertaking a nationwide stakeholder tour |
| Quality assurance of key organisational systems, processes and policies | <ul style="list-style-type: none"> ▪ Completing a review of current tolling arrangements and increasing toll tariffs ▪ Receiving updates on the review work programme connected to the Investment Decision Making Framework (including improvements to the business case approach) ▪ Approving the approach to developing and approving internal policies ▪ Endorsing Transport Agency procurement strategy and policy |
| Significant planning, investment and operational matters | <ul style="list-style-type: none"> ▪ Endorsing the final detailed business cases connected to specific Housing Infrastructure Fund projects, such as Auckland Council's North West Growth area ▪ Approving funding to Greater Wellington Regional Council for infrastructure activities for metro rail and inter-regional passenger rail projects ▪ Endorsing the Let's Get Wellington Moving Recommended Programme of Investment as a programme business case ▪ Approving the Hamilton to Auckland passenger rail start-up service business case and funding ▪ Endorsing proposed revised approaches for specific state highway corridors following re-evaluations of projects to align with the Government Policy Statement on land transport priorities ▪ Approving pre-implementation funding connected to the SeaPath project ▪ Delegating enforcement of parking restrictions on state highways to territorial authorities ▪ Endorsing the Safe Network Programme Case ▪ Approving implementation phase of Te Ahu a Turanga / Manawatū Tararua Highway project ▪ Releasing details about proposed Auckland Harbour active mode crossing project ▪ Maintaining oversight of the delivery of the 2018-21 National Land Transport Programme and funding constraints |
| Oversight of the internal and audit functions and findings | <ul style="list-style-type: none"> ▪ Approve the recommended steps to increase capacity of the assurance function |

Board and board committee attendance

This table includes attendance by board committee members only, and does not include attendance by other board members who are not members of the board committee.

| MEMBER | BOARD COMMITTEE MEETINGS ATTENDED | | | BOARD MEETINGS ATTENDED (OUT OF 14) |
|---------------------------------------|--------------------------------------|--------------------------------------|---|-------------------------------------|
| | INVESTMENT AND OPERATIONS (OUT OF 3) | AUDIT, RISK AND ASSURANCE (OUT OF 7) | REMUNERATION AND HUMAN RESOURCES (OUT OF 2) | |
| Sir Brian Roche (chair) ¹ | - | - | - | 1 |
| Nick Rogers | 3 | 1 | - | 14 |
| Leo Lonergan | | 7 | | 14 |
| Mark Darrow | - | 7 | - | 14 |
| Vanessa van Uden | 3 | - | 1 | 13 |
| David Smol ² | - | - | - | 7 |
| Sheridan Broadbent ³ | 1 | - | - | 7 |
| FORMER BOARD MEMBERS | | | | |
| Michael Stiassny (chair) ¹ | - | 6 | 2 | 12 |
| Dame Fran Wilde (deputy chair) | 0 | - | - | 6 |
| Adrienne Young-Cooper | - | - | 1 | 6 |
| Chris Ellis | 1 | - | - | 5 |

¹ The term of Sir Brian Roche's appointment to the Transport Agency Board commenced on 11 June 2019.

² The term of David Smol's appointment to the Transport Agency Board commenced on 1 February 2019.

³ The term of Sheridan Broadbent's appointment to the Transport Agency Board commenced on 1 February 2019.

OUR LEADERSHIP TEAM (AS AT 20 SEPTEMBER 2019)

MARK RATCLIFFE INTERIM CHIEF EXECUTIVE

Mark joined the Transport Agency in January 2019 as interim chief executive until a permanent chief executive is recruited.

Mark is a highly experienced chief executive with considerable expertise in running critical national infrastructure. He was chief executive of Chorus from 2008 when it was part of Telecom and through its demerger, before leaving in 2017.

Mark is also a director for First Gas Limited and a board member for 2degrees.



ROBYN FISHER DIRECTOR, OFFICE OF THE CHIEF EXECUTIVE

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.



BRETT GLIDDON TRANSPORT SERVICES GENERAL MANAGER

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 20 years' experience in infrastructure planning, design and delivery, including maintenance and operations. Brett has been involved in the development and delivery of some of New Zealand's largest infrastructure projects, including the Northern Busway, the Northern Gateway Toll Road (New Zealand's first electronic toll road), the Waterview Tunnel and Te Ara I Whiti (the Lightpath) cycleway.

In his current role, Brett leads the Transport Services team, who plan, design, build, operate and maintain New Zealand's integrated transport system.



GREG LAZZARO HEALTH SAFETY AND ENVIRONMENT GENERAL MANAGER

Greg joined the Transport Agency in March 2019. His portfolio encompasses road safety where he leads programmes in which he is committed to making a material reduction of deaths and serious injuries occurring on New Zealand roads.

Greg has a vast experience base and moved to New Zealand in 2015 to join Fonterra where he held a global health, safety, risk and resilience role. Previously, Greg was based in Australia where he held senior executive positions in health, safety and environment in Sodexo, UGL in Australia and various roles operational roles in ICI / Orica in Australia for over 10 years.

Greg resides in Auckland with his wife and two teenage children.

Greg holds a degree in chemical engineering.

**KANE PATENA** REGULATORY SERVICES GENERAL MANAGER

Kane joined the Transport Agency in April 2019 to lead the regulatory compliance group and help shape the future of land transport regulation in New Zealand.

Kane brings with him extensive regulatory experience from the public and private sector. His expertise has been publicly acknowledged as a previous recipient of the New Zealand Compliance Practitioner of the Year award.

Before his appointment, Kane worked as the Wellington City Council's director of strategy and governance. He has also served as a Crown prosecutor and been a partner at law firm Meredith Connell.

**CHRIS LOKUM** PEOPLE GENERAL MANAGER

Chris joined the Transport Agency in June 2019. Chris is a strategic and commercial senior human resources generalist with over 25 years as a business-focused professional and leader. She has a track record achieving organisational change and growth in organisational capability and providing strategic leadership. Chris has extensive experience in talent management, diversity and inclusion, reward and performance management, restructuring, learning and development, resourcing and coaching leaders.

She has held senior human resources positions in Australia, New Zealand, and the UK. Chris was most recently working for BP across Asia-Pacific as Vice President HR Fuels and recently served on the boards of the National Association of Women in Operations and Australian Terminal Operation Management.

Chris has qualifications in human resources, economics, management and psychology. She has completed executive programmes at Michigan and Cornell Universities and is a member of the Australian Institute of Company Directors.



GILES SOUTHWELL GENERAL MANAGER WORKPLACE AND TECHNOLOGY

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 improvement, 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.

**CARL DEVLIN** GENERAL MANAGER RAIL AND MASS TRANSIT SERVICES

Carl joined the NZ Transport Agency in February 2019. He is a highly accomplished, forward thinking and results orientated senior executive with more than 25 years' experience in senior leadership roles across the transport and infrastructure sectors in complex commercial, political and organisational environments.

He has built high performing teams, led complex multi-billion pound programmes and run business units within global organisations. His focus on high quality delivery, combined with an absolute focus on safety, stakeholder engagement and corporate responsibility has earned him an exemplary track record. He has worked for global leaders in project development and project delivery; and extensively for owner operator organisations in both the public and private sector in the UK.

High profile projects in the UK have included London to Paris High Speed Rail; Heathrow Terminal 5, Sub-surface Railway Upgrade for London Underground and the development of the Wylfa Newydd Nuclear Power Plant in Wales.

**NICK WOODWARD** INTERIM GENERAL MANAGER CORPORATE SUPPORT

Nick joined the Transport Agency in February 2019. He is an experienced leader with extensive general management experience. He has operated across a number of sectors and geographies with senior leadership roles in IT, product, sales and service. His most recent roles have been driving improvement in larger operational groups.

**LEIGH PEARSON** INTERIM GENERAL MANAGER ENGAGEMENT AND PARTNERSHIPS

Leigh joined the Transport Agency in March 2019 in this role until a new manager is recruited. Leigh has an extensive background in external relations in the public and private sectors and has expertise in stakeholder engagement, corporate affairs and media relations.

She is a former journalist. Leigh was a member of the Broadcasting Standards Authority for seven and a half years.



HOW WE WORK

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 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.

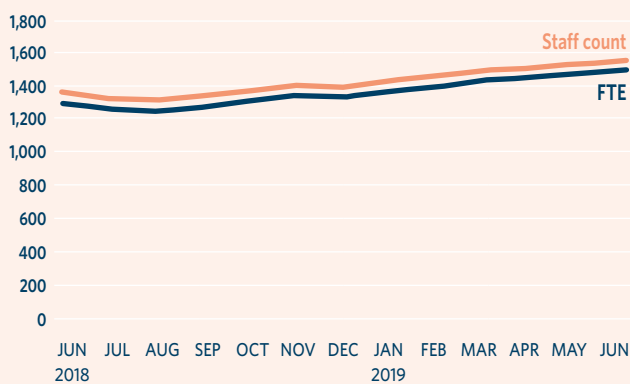
OUR WORKPLACE

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.

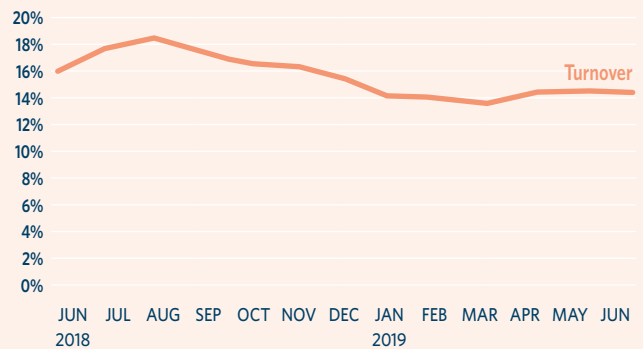
The following figures are as at June 2019 and except for annual turnover, are based on staff count (not FTE employees). The 1477.8 FTE employees are equivalent to 1534 individuals (which is a higher figure because some individuals work part time so are less than one FTE).

STAFF COUNT VS FTE COUNT



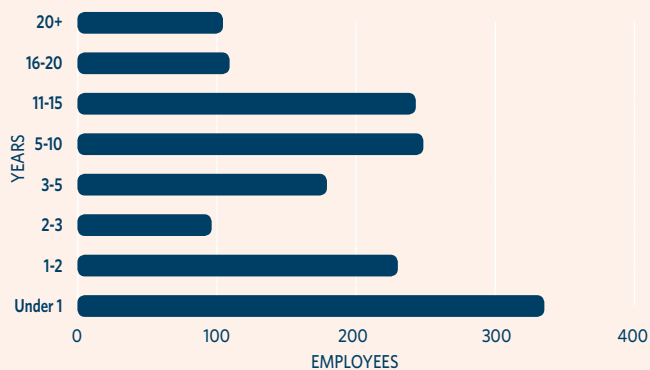
We had 1477.8 FTEs - an increase of 7.7 percent from 30 June 2018. The increase is due to new positions being created and filled to support our extensive delivery programme, including increasing our capacity to deliver our light rail and new regulatory functions.

ANNUAL TURNOVER OF FULL-TIME EQUIVALENT EMPLOYEES



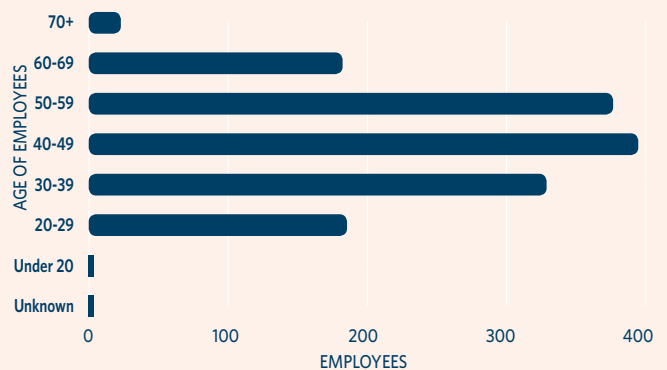
Our annual turnover of FTEs was 14.5 percent, 0.5 percentage points lower than the same time last year. Unplanned turnover of staff with less than two years' service was 38 percent (92 leavers). This is higher than the unplanned turnover of 14.7 percent as at 30 June 2018.

LENGTH OF SERVICE



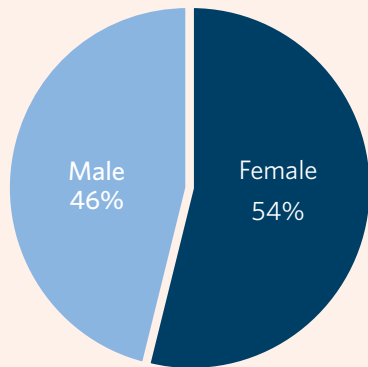
The largest group of our employees (21.58 percent) have less than one year's service with the Transport Agency, while 16.2 percent of our employees have 5-10 years' service. Overall, approximately 40 percent of our employees have over five years' service.

AGE PROFILE



The average age of our employees is 45 with 26.3 percent of employees aged 40 to 49. Employees aged 20 to 29 make up 12.7 percent of our employees.

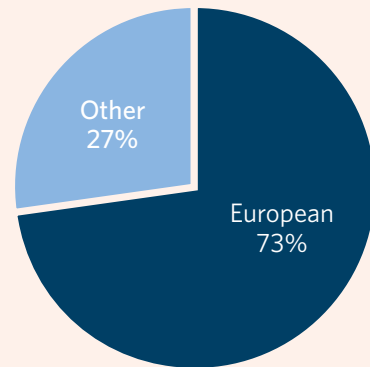
GENDER PROFILE



We have slightly more female than male employees (53.5 percent compared with 46.4 percent). The number of female employees increased 1.5 percentage points from the previous year.

Senior management (tiers 1 to 3) is 53 percent female (40 employees) and 47 percent male (36 employees).

ETHNICITY PROFILE (SELF-IDENTIFIED)



Other ethnic groups

| | | | |
|---------|----|-----------------|-----|
| Asian | 8% | Pacific | 1% |
| Māori | 5% | Other ethnicity | 1% |
| African | 2% | Not stated | 10% |

PAY PROFILE BY GENDER

Our gender pay gap is 25.6 percent based on the difference between the average pay for male and female employees. This overall gender pay gap is primarily a result of the over-representation of females in lower job bands and the under-representation of females in higher job bands.

The gender pay gap at a band-by-band level is shown in the table to the right (a negative percentage means that the average pay for female employees is higher than the average pay for male employees).

This information identifies where we need to concentrate our efforts in closing the gender pay gap across the Transport Agency.

| Employee job band | Average gender pay gap |
|-------------------|------------------------|
| 11 | -0.3% |
| 12 | -0.5% |
| 13 | -2.8% |
| 14 | -0.5% |
| 15 | 1.8% |
| 16 | 1.4% |
| 17 | 2.7% |
| 18 | 3.7% |
| 19 | 6.9% |
| 20 | -1.1% |
| 21 | 1.6% |
| 22+ | 5.8% |

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.¹³

The following table demonstrates the alignment between our main people policies and practices and the seven elements of being a good employer.

¹³ Human Rights Commission, Good employer advice, www.hrc.co.nz/your-rights/businessand-work/tools-and-research/reporting-crown-entities-goodemployers/

| GOOD EMPLOYER ELEMENTS | OUR MAIN PEOPLE POLICIES AND PRACTICES |
|--|--|
| Leadership, accountability and culture | <p>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.</p> <p>We have created a collaborative flexible 'team of teams' environment, where we work together to unlock diverse thinking so we deliver customer-focused solutions.</p> <p>Our chief executive's <i>The Way We Move</i> 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.</p> <p>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.</p> <p>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.</p> <p>We have 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.</p> <p>We hold people accountable through robust performance and development planning.</p> |
| Recruitment, selection and induction | <p>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.</p> <p>Videos and profiles on our career website and recruitment collateral feature employees from diverse backgrounds, and we use inclusive language in our online careers webpages.</p> <p>We are an accredited employer with the New Zealand Immigration Service.</p> <p>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.</p> <p>All new people are invited to the organisation-wide induction to the Transport Agency.</p> <p>Our development tools for managers who are recruiting include training on recognising and addressing unconscious bias towards applicants.</p> <p>We actively recruit multilingual people for some of our customer-facing roles.</p> |
| Employee development, promotion and exit | <p>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.</p> <p>We encourage 'teaming' and for people to work collaboratively.</p> <p>We value an ongoing process of feedback and two-way communication.</p> <p>Capability mapping, talent management, succession planning and progression frameworks are in place.</p> <p>We are an accredited Institute of Professional Engineers New Zealand professional development partner.</p> <p>We use our LinkedIn page to stay connected with current, former and prospective employees.</p> <p>We provide access to career planning tools and advice.</p> |

| GOOD EMPLOYER ELEMENTS | OUR MAIN PEOPLE POLICIES AND PRACTICES |
|--|---|
| Flexibility and work design | <p>We promote balanced work-life responsibilities through flexible working.</p> <p>Our people can request changes to their working arrangements, including job sharing, compressed weeks, reduced hours, working from home and leave during school holidays.</p> <p>We encourage people to take annual leave in the year it is accrued and manage their hours to maintain wellbeing.</p> |
| Remuneration, recognition and conditions | <p>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.</p> <p>We endeavour to make our job evaluation and remuneration practices transparent, equitable and gender neutral.</p> <p>Recognition is encouraged and we use a variety of ways to celebrate success and recognise people publicly and privately.</p> |
| Harassment and bullying prevention | <p>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.</p> <p>We have established an employee liaison service in partnership with FairWay, which provides issue resolution services free to all our people.</p> <p>We work collaboratively with unions to better understand harassment and provide tools and support for our people dealing with harassment.</p> <p>We have stand-alone bullying and harassment and sexual harassment policies, and an online learning module to support employee understanding of these policies.</p> |
| Safe and healthy environment | <p>The Transport Agency Board endorsed a revised health and safety policy, in which it set out its aspirations and objectives for the Transport Agency’s health and safety performance. The board also developed a charter that details how it will understand and meet governance and oversight obligations and activities. A new health and safety strategy for the Transport Agency will be developed in 2019/20 to give effect to the charter.</p> <p>Through our Health and Safety Work Programme, we completed several initiatives to improve health and safety outcomes for our people and contractors during 2018/19. These initiatives include developing health and safety improvement programmes to target specific risks (which include driving, prolonged sedentary work and psychological harm caused by aggressive customers or poor organisational factors).</p> <p>We improved our Temporary Traffic Management Improvement Programme to keep our road workers safe and produced a model for effective health and safety contractor management that we hope will be adopted across the civil construction sector.</p> <p>We work closely with our construction industry partners to improve health and safety practices and outcomes for our contractors and traffic management providers.</p> |

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 keep our policies and procedures 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

IMPROVING HEALTH AND SAFETY OF OUR PEOPLE AND CONTRACTORS

This year we re-established seven regional health, safety and wellbeing committees, comprising 118 health and safety representatives. These committees are critical to support our internal wellbeing campaigns that included the national Flu Jab campaign (reaching 1006 out of the 1800 staff) and Pink Shirt day (raising awareness and funds for the Mental Health Foundation), as well as promoting our voluntary bullying and harassment e-learning module (completed by over 190 staff).

As part of our approach towards mental wellbeing in the workplace, we completed a pilot project to train and embed 25 of our people as mental health first aiders. Staff feedback and uptake was positive, and 72 staff are now trained and in place across all our workplaces.

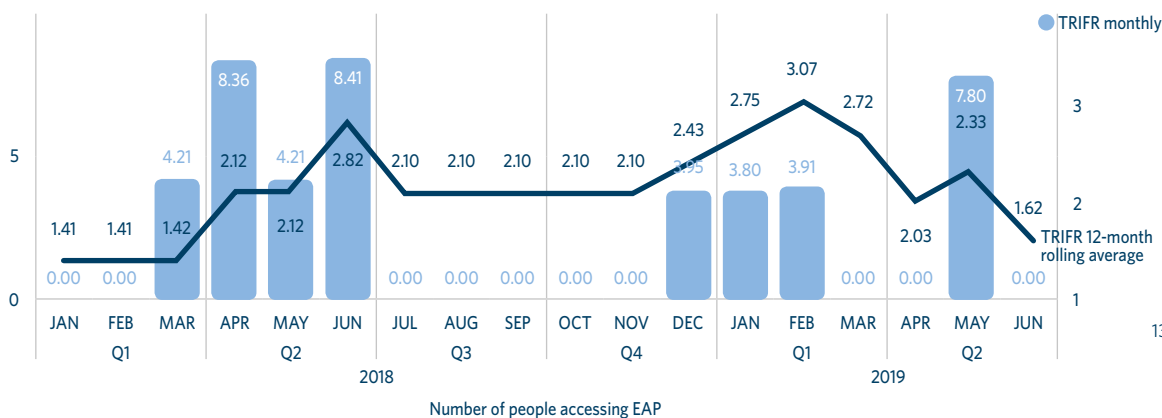
Following the tragic death of four road workers in early 2019, we worked with our construction industry partners and traffic management providers to improve our Temporary Traffic Management programme. The improved programme aims to change people’s behaviour when driving in and around road work sites and uses technology to eliminate risks associated with current ‘stop-go’ practices. We also engage and collaborate with our construction industry partners through regular monthly forums to improve health and safety outcomes for our contractors and traffic management providers.

We are now able to report accurately on our total recordable injury frequency rate (TRIFR) for our employees and contractors due to improvements to reporting systems over the past year.¹³ We use TRIFR to track and monitor our health and safety performance for employees and contractors. By tracking and reporting TRIFR, we can more easily benchmark our health and safety performance against that of peer organisations, identify opportunities to prevent incidents, and develop appropriate initiatives for our health and safety work programme.

Our people - TRIFR for 1 July 2018 to 30 June 2019

Our employees reported 60 incidents and near misses, 23 of which resulted in injury or illness. Of these, 7 required medical treatment and 5 resulted in lost time at work. The most common causes of injury to our people were minor falls in office environments and psychosocial factors such as aggressive customers.

Figure 7 TRIFR 12-month rolling average



Note: in the figure above, light blue figures show the monthly TRIFR. The dark blue line shows the trend, using 12-month rolling averages.¹⁴

13 TRIFR is the number of lost-time injuries + restricted work duty injuries and diseases + medical treatment injuries and diseases multiplied by 1 million hours and divided by the exposure hours.

14 Twelve-month rolling averages are used to remove any effects from seasonality or from an extreme result in a single month. To present a measure as a 12-month rolling average, each of the components in the calculation must also be a total of 12 months’ duration.

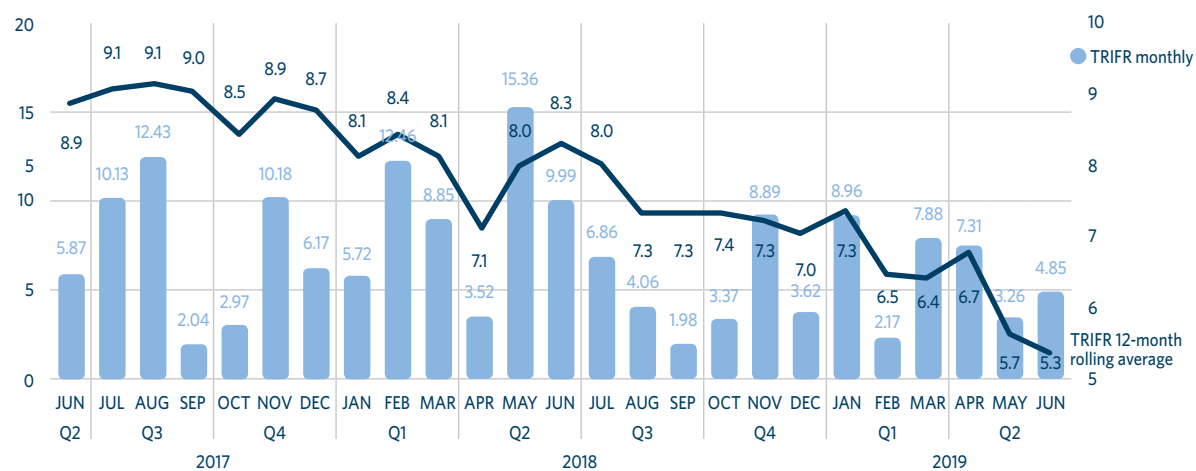
Our contractors – TRIFR for 1 July 2018 to 30 June 2019

Four road workers in Bay of Plenty and Wellington tragically died earlier this year while working on maintenance projects. This is a significantly worse outcome than in the previous year, where we had no fatal incidents.

We have worked with our construction contractors to fully understand the causes of these incidents and to implement system-wide improvements to improve outcomes for workers in maintenance and construction environments.

Our TRIFR on our construction projects and network maintenance operations fell from 8.0 to 5.3 over the year.

Figure 8 TRIFR - 12-month rolling average



Note: in the figure above, the light blue figures show the monthly TRIFR. The dark blue line shows the trend, using 12-month rolling averages.¹⁵

Across all construction and maintenance activities, the number of incidents involving injury to workers decreased, from 478 to 383. The number of incidents resulting in lost time or medical treatment also decreased from the previous year.

Contractor health and safety incidents resulting in injury

| YEAR | NUMBER OF INCIDENTS | NUMBER OF LOST TIME INJURIES | NUMBER OF MEDICAL TREATMENT | NUMBER OF FIRST AID |
|---------|---------------------|------------------------------|-----------------------------|---------------------|
| 2017/18 | 478 | 53 | 73 | 352 |
| 2018/19 | 383 | 32 | 47 | 304 |

The number of reported near misses fell during the year, from 4987 to 3771. Of the reported near misses, 266 were classified as serious, meaning they had potential to cause fatal or life changing injuries.

A revised monthly performance reporting framework has resulted in a significant improvement in the quality of health and safety performance information. The improved performance data has enabled us to better understand what critical risks are associated with incidents and near misses and to develop improvement initiatives in conjunction with our contractors.

¹⁵ Twelve-month rolling averages are used to remove any effects from seasonality or from an extreme result in a single month. To present a measure as a 12-month rolling average, each of the components in the calculation must also be a total of 12 months' duration.

ASSET PERFORMANCE MEASURES

Agencies, including the Transport Agency, are required to report on the performance of their assets.¹⁶ 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 (see appendix B, page 175).

STATE HIGHWAY ASSET PERFORMANCE MEASURES

The following performance measures for our state highway maintenance output class (reported on page 35), are asset performance measures for the state highway network.

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|-----------|---|--------------|----------------|--------------------------|----------|----------------|
| SHM3 | Network resilience: % of rutting ≥ 20 mm over state highway network | Achieved | 1% | $\leq 3\%$ ^a | 2% | 1% |
| SHM4 | Safe stopping: % of network above skid threshold | Not achieved | 97% | $\geq 98\%$ | 1% | 95% |
| | While our target was not achieved, the proportion of the road network above the skid threshold improved on last year following increased funding to treat network deficiencies. Additional funding is available for the remaining two years of the 2018-21 National Land Transport Programme to continue working towards this target. | | | | | |
| SHM5 | Smooth ride: % of travel on network classed as smooth | Achieved | 99% | $\geq 97\%$ | 2% | 99% |
| SHM6 | Availability of state highway network: % of unplanned road closures resolved within standard timeframes | Achieved | 85% | $\geq 75\%$ ^a | 10% | 82% |

^a The target was reduced for 2018/19 to take account of extreme weather events, which impact performance against this measure. The target has been revised back to $\geq 84\%$ for 2019/20 to reflect a more consistent baseline of historic performance.

¹⁶ Cabinet Office Circular CO (15)5: Investment management and asset performance in the state services. 2015. Wellington: Cabinet Office. <https://dpmc.govt.nz/publications/co-15-5-investment-management-and-asset-performance-and-asset-performance-state-services>

INFORMATION AND COMMUNICATIONS TECHNOLOGY ASSET PERFORMANCE MEASURES

This year, we developed a new set of measures for critical information and communications technology (ICT) services. These measures look at availability, utilisation and the condition of our ICT assets and services and replace the proxy measures we reported on in 2017/18.

The ICT asset performance measures were developed in line with Treasury’s best practice guidance. We report on our ICT asset performance as these assets are critical to delivering our core services.

| REFERENCE AREA | MEASURE NAME | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | 2017/18 ACTUAL |
|----------------|--|----------|----------------|------------------------------|-------------------------|
| | Cloud-based services: percentage of time cloud service is available (uptime) for the year (Tier 1 cloud services) | Achieved | 99.9% | Tier 1 cloud services: 99.0% | New measure for 2018/19 |
| | <p>Tier 1 cloud services are applications that run the business and the data bound to those applications. They are critical to the business delivering its services. We are moving our current systems to cloud-based systems as budget permits to address technology risks.</p> <p>‘Cloud-based’ refers to applications, services or resources made available to users on demand via the Internet from a cloud-computing provider’s server.</p> <p>Uptime is a measure of system reliability, expressed as the percentage of time a service or application has been working and available, and excludes planned maintenance.</p> | | | | |
| Availability | Cloud-based services: percentage of time cloud service is available (uptime) for the year (Tier 2 cloud services) | Achieved | 99.9% | Tier 2 cloud services: 99.0% | New measure for 2018/19 |
| | <p>Tier 2 cloud services are applications that are important for the business to deliver its services. If they are not available, the business’s ability to deliver its services is degraded. We are moving our current systems to cloud-based systems as budget permits to address technology risks.</p> <p>‘Cloud-based’ refers to applications, services or resources made available to users on demand via the Internet from a cloud-computing provider’s server.</p> <p>Uptime is a measure of system reliability, expressed as the percentage of time a service or application has been working and available, and excludes planned maintenance.</p> | | | | |
| Availability | Cloud-based services: percentage availability over total business days for the year (Tier 1 cloud services) | Achieved | 99.9% | Tier 1 cloud services: 99.0% | New measure for 2018/19 |
| | <p>Tier 1 cloud services are the applications that run the business and the data bound to those applications. They are critical to the business delivering its services. We are moving our current systems to cloud-based systems as budget permits to address technology risks.</p> <p>‘Cloud-based’ refers to applications, services or resources made available to users on demand via the Internet from a cloud-computing provider’s server.</p> <p>Uptime is a measure of system reliability, expressed as the percentage of time a service or application has been working and available, and excludes planned maintenance.</p> | | | | |
| Availability | Cloud-based services: percentage availability over total business days for the year (Tier 2 cloud services) | Achieved | 99.9% | Tier 2 cloud services: 99.0% | New measure for 2018/19 |
| | <p>Tier 2 cloud services are applications that are important for the business to deliver its services. If they are not available, the business’s ability to deliver its services is degraded. We are moving our current systems to cloud-based systems as budget permits to address technology risks.</p> <p>‘Cloud-based’ refers to applications, services or resources made available to users on demand via the Internet from a cloud-computing provider’s server.</p> <p>Uptime is a measure of system reliability, expressed as the percentage of time a service or application has been working and available, and excludes planned maintenance.</p> | | | | |

| REFERENCE AREA | MEASURE NAME | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | 2017/18 ACTUAL |
|---|--|------------------|--------------------------------|---|-------------------------|
| Availability | Cloud-based services: number of downtime hours in the year (Tier 1 cloud services) | Achieved | 0.03% (3 hours total downtime) | Tier 1 cloud services: ≤1% of total time available (no more than 87.6 hours downtime) | New measure for 2018/19 |
| <p>Target of ≤1% of total time available equates to no more than 87 hours downtime, based on the following calculation: Total hours in 365 days = 8,760 hours 1% of 8,760 hours = 87.6 maximum downtime hours a year</p> | | | | | |
| Availability | Cloud-based services: Number of downtime hours in the year (Tier 2 cloud services) | Achieved | 0.01% (1 hour total downtime) | Tier 2 cloud services: ≤1% of total time available (no more than 87.6 hours downtime) | New measure for 2018/19 |
| <p>Target of ≤1% of total time available equates to no more than 87 hours downtime, based on the following calculation: Total hours in 365 days = 8,760 hours 1% of 8,760 hours = 87.6 maximum downtime hours a year</p> | | | | | |
| Utilisation | On-premises services: Utilisation measures expressed as: <ul style="list-style-type: none"> ▪ % of available capacity for storage ▪ % utilisation of data centre server and storage assets ▪ % peak bandwidth usage ▪ % of disk or network utilisation capacity thresholds applicable to the assets being measured | Unable to report | Not available | ≥70% | New measure for 2018/19 |
| <p>Cloud-based services allow greater ability to recover from significant events affecting information technology data centres, systems and networks compared with on-premises services. The Transport Agency is focusing investment on moving services to the cloud. Consequently, tools that provide accurate and up-to-date information for on-premises services are limited and no investment in such tools is planned.</p> <p>Utilisation of any key systems remaining on a physical server on site is monitored as required in line with the applicable upgrade project.</p> <p>'On-premises services' are applications, services or resources made available to users via a physical server on site.</p> | | | | | |
| Condition | On-premises services: Faults as expressed as number of critical faults (priority 1) faults per year | Achieved | 95 faults | ≤100 faults | New measure for 2018/19 |
| <p>Achieved, but some outages were of several hours' duration.</p> | | | | | |

| REFERENCE AREA | MEASURE NAME | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | 2017/18 ACTUAL |
|----------------|--|------------------|--|----------------|-------------------------|
| Condition | On premises services: Condition rating of the asset expressed as % of Transport Agency ICT assets with a condition rating of poor | Unable to report | Not measured | ≤20% | New measure for 2018/19 |
| | Most on-premise key systems are on equipment and operating software that is at end of life and needs to be upgraded. The Transport Agency is moving these applications to cloud-based applications as funding permits. | | | | |
| Condition | On premises services: Condition rating of the asset expressed as % of infrastructure hardware aged under 5 years | Unable to report | Not measured | ≥30% | New measure for 2018/19 |
| | Most on-premise key systems are on equipment and operating software that is at end of life and needs to be upgraded. The Transport Agency is moving these applications to cloud-based applications as funding permits. | | | | |
| Functionality | On-premises services: % of key on-premises systems with disaster recovery capability in place and tested | Not achieved | Corporate: 64% of systems have disaster recovery capability in place and 18% have been tested. Integrated Transport Systems: 40% of systems have disaster recovery capability in place and 0% have been tested. | 100% | New measure for 2018/19 |
| | The Transport Agency is focusing investment on moving to cloud-based services, which provide greater ability to recover from significant events that affect IT data centres, systems and networks compared with on-premises services. Several of our key on-premises systems do not have fully tested disaster recovery capability. On premises refers to applications, services or resources made available to users via a physical server on site. Key on premises systems have been defined as applications that run the business and the data bound to those applications that rely on a physical server. | | | | |
| Functionality | On-premises services: % of transactions processed within 1-5 seconds (eg, claims management) | Achieved | Average of 99.35% | ≥85% | New measure for 2018/19 |
| | These are transactions critical for the Transport Agency to meet its statutory obligations (that is, core services). At least 85 percent of transactions must be processed within 1 -5 seconds (depending on transaction type). | | | | |



SECTION E

APPENDICES










APPENDIX A – SIGNIFICANT CAPITAL PROJECTS







KAIKŌURA EARTHQUAKE RESPONSE AND MANAWATŪ GORGE

| PROJECT | 2018/19 MILESTONE | YEAR-END RESULT |
|--|--|---|
| Kaikōura Earthquake Recovery | Complete reinstatement or recovery, and start improvements |  ACHIEVED |
| Additional scope of works will be delivered within the revised funding allocation. This additional scope will mean North Canterbury Transport Infrastructure Recovery will substantially complete the work in August 2020 and hand over all the projects by the end of 2020. | | |
| Te Ahu a Turanga: Manawatū Tararua Highway (Manawatū Gorge replacement) | Designate corridor designation, award alliance and start regional consenting |  ACHIEVED |
| We achieved designation and announced the preferred alliance partner. Consenting strategy includes the Alliance undertaking regional consenting in the next financial year. | | |

ROADS OF NATIONAL SIGNIFICANCE





| AREA | PROJECT | 2017/18 MILESTONE | YEAR-END RESULT |
|--------------------|--|---|---|
| Pūhoi-Wellsford | Pūhoi-Warkworth | Continue construction |  ACHIEVED |
| | Warkworth-Wellsford | Under re-evaluation |  ACHIEVED |
| Western Ring Road | Western Ring Route | Continue Lincoln to Westgate construction |  ACHIEVED |
| Waikato Expressway | Longswamp Section | Continue construction |  ACHIEVED |
| | Rangiriri Section | Place final asphalt surfacing |  NOT ACHIEVED, BUT SOME PROGRESS MADE |
| | Minor finishing work continues. Final surfacing delayed to ensure the pavement meets quality expectations. | | |
| | Huntly Section | Continue construction |  ACHIEVED |
| | Hamilton Section | Continue construction |  NOT ACHIEVED, BUT SOME PROGRESS MADE |

Project is 60 percent complete, with earthworks substantially complete, and 7 of 16 bridges completed with the remainder (9) under construction. Pavement construction was delayed. Project has not recovered from the weather delays experienced in previous construction seasons. Estimated completion date revised from late 2020 to late 2021.














| AREA | PROJECT | 2017/18 MILESTONE | YEAR-END RESULT |
|-------------------------------------|--|--|---|
| Wellington Northern Corridor | Ōtaki-Levin | Under re-evaluation |  ACHIEVED |
| | Ngāūranga-Airport | Complete business case |  ACHIEVED |
| | Transmission Gully | Continue construction |  ACHIEVED |
| | Peka Peka to Ōtaki | Continue construction |  ACHIEVED |
| Christchurch Motorways | Christchurch Northern Arterial Rural with QEII Drive | Open Belfast Road to traffic |  ACHIEVED |
| | | Move QEII Drive traffic to new carriageway | |
| | Christchurch Southern Motorway (Stage 2) | Open Weedons Road and Ross Road interchange to traffic Move traffic to new carriageway on the four-lane section |  SUBSTANTIALLY ACHIEVED |

Weedons Road/Ross Road interchange is complete and ready for opening once final Quality Records are received.

AUCKLAND TRANSPORT PACKAGE

| PROJECT | 2018/19 MILESTONE | YEAR-END RESULT |
|--------------------------------|---|---|
| Northern Corridor Improvements | Continue construction |  ACHIEVED |
| Southern Corridor Improvements | Continue construction |  ACHIEVED |
| State Highway 20A to Airport | Complete construction |  ACHIEVED |
| East West Connections | Complete re-evaluation and options review |  ACHIEVED |
| | Progress resolution of appeals of the current designation | |

ACCELERATED REGIONAL ROADING PROGRAMME

| PROJECT | 2018/19 MILESTONE | YEAR-END RESULT |
|---|--|--|
| Mingha Bluff to Rough Creek | Complete all remedial works |  ACHIEVED |
| Akerama Curves realignment and passing lane | Complete final road surfacing |  ACHIEVED |
| Whirokino Trestle Bridge replacement | Continue construction |  ACHIEVED |
| State Highway 2 Motu Bridge replacement | Completion (practical) |  SUBSTANTIALLY ACHIEVED |
| Bridge construction is complete and bridge is open to traffic. Resource consent is approved for final 250m of road construction, which is due to start in October 2019. Project completion is due in December 2019. | | |
| Ōpaoa River Bridge | Start construction |  ACHIEVED |
| Project is making good progress and remains on time and within budget for completion in mid-2020. | | |
| Loop Road North to Smeatons Hill safety improvements | Continue construction |  ACHIEVED |
| State Highway 3 Awakino Tunnel Bypass | Consents granted and award contract |  ACHIEVED |
| Mt Messenger and Awakino Gorge Corridor | Continue construction |  ACHIEVED |
| Mt Messenger Bypass | Gain consents and start enabling works |  NOT ACHIEVED, BUT SOME PROGRESS MADE |
| Resource Management Act appeals to go to the Environment Court in August 2019. Property acquisition was not finalised, so site establishment and start of mitigation work was unachievable. | | |
| Napier Port Access Package | | |
| State Highway Watchman Road, Hawke's Bay Airport Intersection | Construction complete (except minor defects) |  ACHIEVED |
| Hawke's Bay Expressway Safety Treatments | Construction started |  ACHIEVED |
| Prebensen Hyderabad Intersection Upgrade | Construction complete |  NOT ACHIEVED, BUT SOME PROGRESS MADE |
| The procurement process was put on hold with tender prices being well above the engineer's estimate and allocated budget. Re-evaluation of project scope and benefits is under way. Now aiming to construct a rescope project in 2019/20. | | |
| Nelson Southern Link | Develop detailed business case |  NOT ACHIEVED, BUT SOME PROGRESS MADE |
| Development of the detailed business case was delayed to achieve alignment with the Government Policy Statement on land transport. Scope of the investigation was agreed with key project partner Nelson City Council. Strategic case review is well under way and forecast to be completed in August 2019. | | |

APPENDIX B – TECHNICAL NOTES FOR NON-FINANCIAL PERFORMANCE MEASURES

OUTPUT CLASS SCOPE STATEMENTS AND PERFORMANCE MEASURES

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.

Technical notes

SHI1 *% of activities that are delivered to agreed standards and timeframes* compares time and cost of large and small programmes, and the cost of property acquisition programmes (at the time construction commenced). It is a measure of the effectiveness of the Transport Agency as a project manager. Within each programme, time and cost are equally weighted with targets of ≥ 90 percent. Aggregation to the overall result is based on weighted programme expenditure across the entire programme in the given year. Delivery to quality standards are tested through the different gateways in the project management process. This measure covers programmes and projects funded through the National Land Transport Fund and does not include Crown-funded programmes and projects under the regional state highways appropriation.

SHI2 *% of state highway road network modified to align with safe and appropriate speed* is a new measure in 2018/19 and tracks the proportion of the state highway network that has speed limit reductions or engineering improvements completed during the year to ensure travel speeds are safe at current or higher speed limits where appropriate. This is measured in kilometres and reported as a percentage of the total state highway network.

SHI3 *% of state highways available to high productivity motor vehicles (HPMV)* is the proportion of the total length of state highways that are available to HPMVs to the total length of the state highway network. This includes on/off ramps, roundabouts and increasing and decreasing links.

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.

Technical notes

SHM1 *% of activities that are delivered to agreed standards and timeframes* compares the physical achievement of pavement and surfacing renewals activities against planned. Achievement on activities is measured in trackers (lane kilometres or sites) and assessed against programme baseline. Where programme information is not available, a financial proxy is used by comparing actual spend against budget allocation. Aggregation to the overall result is based on weighted programme expenditure for each asset type against the total spent for the financial year.

SHM2 *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.

SHM3 *Network resilience: % of rutting ≥ 20 mm 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).

SHM4 *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).

SHM5 Smooth ride: % of travel on network classed as smooth is the proportion of travel (proportion of vehicle 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).

SHM6 % availability of state highway network: % of unplanned road closures resolved within standard timeframes is expressed as the sum of all unscheduled road closure incidences during the year (both urban and rural) that have a significant impact on road users addressed within standard protocol and timeframes (that is, urban less than 2 hours and rural less than 12 hours) divided by the total number of road closure incidences. Urban roads include certain sections only of the state highway network that service Auckland, Wellington and Christchurch. Performance against this measure is influenced by the frequency and severity of extreme weather events. This indicator is a functionality asset performance measure under Cabinet Office Circular CO 15(5).

SHM7 State highway maintenance cost per lane km delivered is calculated by dividing the amount spent on the maintenance of state highways by the total number of lane kilometres in the network. This is adjusted for inflation based on the network outcomes index.

SHM8 Reinstatement of the South Island transport corridors: % of activities delivered to agreed standards and timeframes compares the cost of activities delivered by the Transport Agency against forecast. Activities include core recovery, restoration and resilience work as well as improvements on the corridors. This is reported cumulatively across the 4-year programme.

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.

Technical notes

LRI1 % of approved organisations signed up to the 50MAX network measures the proportion of approved organisations that are signed up to allow 50MAX vehicles to travel on local roads. 50MAX vehicle combinations have one more axle than conventional 44-tonne vehicles combinations, meaning the overall truck load is spread further and there is no additional wear on roads per tonne of freight.

LRI2 % of local road network modified to align with safe and appropriate speed is a new measure in 2018/19 and tracks the proportion of the local roads network that have speed limit reductions or engineering improvements completed during the year to ensure travel speeds are safe at current or higher speed limits where appropriate. This is measured in kilometres and reported as a percentage of the total local road network.

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.

Technical notes

LRM1 Pavement integrity index of the sealed network utilises information from the pavement integrity index (PII), a combined index of the pavement faults in sealed road surfaces used widely for local roads in New Zealand.

LRM2 Surface condition index of the sealed network utilises information from the surface condition index (CI), an overall condition value that reports an aggregation of a number of surface defects over a specified length of sealed road.

LRM3 Smooth ride: % of travel on smooth roads is technically referred to as 'smooth travel exposure' and is the proportion of total vehicle kilometres travelled (VKT) that occurs on 'smooth' roads.

LRM4 *Local road maintenance cost per local road lane km delivered* is calculated by dividing the amount spent on the maintenance of local roads by the total number of lane kilometres in the network. This includes maintenance operations and renewals (excluding emergency works) and is adjusted for inflation based on the network outcomes index.

Road safety promotion and demand management

Scope

Promote safe and economic use of land transport networks and services under section 9 of the Land Transport Management Act 2003.

Technical notes

RSP1 *% of activities that are delivered to agreed standards and timeframes* is a measure of timeliness in delivering road safety education programmes. The overall result is the average of quarterly performance results that are based on the unweighted average of the assessment of each programme against a 100 percent target.

RSP2 *% of road safety advertising campaigns that meet or exceed their agreed success criteria* measures the success of road safety advertising campaigns delivered during the year. It is a composite measure reflecting the number and breadth of the advertising campaigns used, the varied media in which they are presented, and the different aspects of the campaigns that are measured (including likeability, relevance, message takeout, likelihood of changing attitude and prompted recall). These measures are collected from independently conducted surveys, and media and website reporting.

Road policing

Scope

Developing plans for improving the transport network and systems 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.

Technical notes

RI1 *Lane kilometres of improved regional roading* reflects new improved regional roading on state highways delivered during the year.

RI2 *Kilometres available to high productivity motor vehicles on key regional routes* is the total length in kilometres of state highways that are available to high productivity motor vehicles.

RI3 *% of activities delivered to agreed standards and timeframes* compares time and cost of large and small 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 and cost are equally weighted with targets of ≥ 90 percent. Aggregation to the overall result is based on weighted programme expenditure across the components in the given year. Delivery to quality standards are tested through the different gateways in the project management process. This measure covers programmes funded through the National Land Transport Fund and does not include Crown-funded programmes and projects under the regional state highways and the reinstatement of South Island transport corridors appropriations.

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 are authorised under section 9(3) and (4) of the Land Transport Management Act 2003.

Technical notes

PT1 *Number of passengers using urban public transport services (bus, train and ferry)* is the sum of all public transport passenger boardings by bus, train and ferry across all regions. This measure is sometimes called 'patronage'. It includes boardings using SuperGold card concessions. A boarding is a single trip made on public transport, for example when a person boards a bus to when they get off. This is not to be confused with a journey, which concerns an individual's origin and destination, which may involve multiple trips and modes.

PT2 *% of people with access to frequent public transport services in Auckland, Wellington and Christchurch* is the proportion of the population that is within 500m walking distance (isochrones using footpaths, rather than 'as the crow flies') of a frequent bus-stop or ferry terminal, or within 1km of a frequent rapid transit stop (mainly trains, but also includes grade-separated bus ways). Frequent means scheduled every 15 minutes (or 30 minutes for ferry) during the morning peak Monday to Friday (7am–9am). The overall result is the weighted average based on population across the three centres.

PT3 *Costs per passenger kilometre by bus, train and ferry* examines the change in service costs toward carrying an individual passenger across bus, train and ferry over time. It is an indicator of whether increased investment in public transport services and network redesign and improvements are leading to even greater growth in use. Cost reflects spend against the National Land Transport Fund only and excludes local share, fare revenue, SuperGold cardholder payments and third-party revenue.

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.

Technical notes

SG1 *% of 'on time' payment of Crown SuperGold Card allocation to authorised organisations* monitors the percentage of payments of the SuperGold allocation for the forward year made to authorised organisations in the first quarter of the financial year.

SG2 *Patronage (number of boardings using SuperGold concessions)* provides information to assess the effectiveness of the SuperGold cardholders' scheme in providing greater access and mobility opportunities for older people, and improving the use of public transport off-peak. It also indicates levels of demand for SuperGold concessions which will inform our management of the Crown funding appropriation for the scheme, particularly in distributing funds to participating local authorities.

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.

Technical notes

WC1 *Network kilometres of walking and cycling facilities delivered* is the total length of new walking and cycling facilities added to the network during the year and includes lengths of existing pathways and cycleways where improvements were made.

WC2 *Cycling count in Auckland, Wellington and Christchurch* reflects the number of cyclists counted in the annual cycling cordon count in each centre. A cordon count is a snapshot of the number of cycling trips through a specific area.

Rapid transit

Scope

This is a new output class for investment in rapid transit improvements.

Technical note

RPT1 % of activities delivered to investment requirements reports progress in developing the rapid transit output class programme of work in the first year.

Transitional rail

Scope

This is a new output class for investment to support urban and interregional rail services that assist passengers to access major employment and housing areas.

Technical note

TR1 % of projects approved for implementation reports the percentage of transitional rail business cases approved for implementation each year out of the total number of transitional rail business cases received for the same year.

TR2 % of activities delivered to investment requirements is the proportion of transitional rail projects that meet standards and timeframes as assessed through the business case process.

Licensing and regulatory compliance

Scope

Purchase of land transport regulatory implementation services, specialist land transport enforcement services and licensing services, including driver licensing. Purpose of vote transport appropriation limited to ministerial servicing by NZ Transport Agency.

Technical notes

LR1 *Unit transaction cost* measures the direct unit cost of delivering a driver licence, driver testing, warrant of fitness and certificate of fitness transaction or service, as well as regulatory compliance activities.

LR2 % 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 driver licence tests.

LR3 % accuracy of data entry into 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.

LR4 % of operational assurance activities completed is an aggregate of three specific dimensions: operational assurance activities (for example, audits) of course providers, transport operators and certifying agents, completed against planned. Aggregation is based on the average of the components in the given year.

LR5 % of activities delivered to agreed standards and timeframes is an aggregate of four specific dimensions: three audit activities (licensed operators, certifying agents, and rail licence operators) and the completion rate against standard of official correspondence. Aggregation to the overall result is based on the average of the components in the given year.

Road tolling

Scope

Collection of road tolling charges and enforcement activities to recover road tolling payment evasion.

Technical notes

RT1 *Unit transaction cost* is the direct unit cost of delivering a toll service. Cost excludes write-offs, bad debts and net of administration fees recovered from toll payment notices.

RT1 % revenue compliance is the total chargeable toll trips paid divided by the total chargeable toll trips. It excludes exempt trips (for example, emergency services), technical loss (for example, camera fault) and unidentified toll trips.

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.

Technical notes

MVR1 *Unit transaction costs* is the average direct unit cost of delivering a motor vehicle registration transaction. This includes fixed costs, commissions and variable costs.

MVR2 *% 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) completed over the Transport Agency Transact website, over Direct Connect and via an industry agent over the total number of motor vehicle transactions that are available online.

MVR3 *% accuracy of data entry into registers* reflects the accuracy of the information entered into the motor vehicle register. Data verification activities are focused on confirming vehicle attributes (vehicle ownership and address information) in the motor vehicle register. The measure combines the result of regular audit checks by regional staff, unverified owner and address information returns.

MVR4 *% revenue compliance* is a measure of the proportion of vehicles that have been relicensed on or before the licence expiry date. The measure is calculated as the number of active or current licences for the period divided by the total number of vehicles due for relicensing for the same period.

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.

Technical notes

RUC1 *Unit transaction cost* measures the direct unit cost of collecting RUC by dividing the sum of expenditure by road user charges volumes.

RUC1 *% of transactions completed online* is the proportion of light and heavy vehicle RUC licences purchased online over the total number of RUC licences purchased. Online refers to transactions via industry agents, Direct Connect, Transport Agency Transact website, e-RUC and automatic tellers.

Refund of fuel excise duty

Scope

Receipt and processing of applications for and the refunding of fuel excise duty.

Technical note

FED1 *Average number of days to deliver* is determined by how long it takes, on average, to process fuel excise duty refund applications. Days to deliver refers to the number of working days between the date an application was received to the date when a decision of the application outcome is made. It does not include applications that are rejected, queried or audited.

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.

Technical notes

IM1 *Total cost of managing the funding allocation system as a % of the National Land Transport Programme expenditure* is the Transport Agency service cost of managing the Investment on the Funding Allocation System (IFAS). IFAS activities are funded from the National Land Transport Fund and the Crown. It excludes the local authority funding contribution for investments in local transport activities.

IM2 *% of investments that meet NZ Transport Agency thresholds* is an aggregate of two measures to monitor the quality and efficiency of investment approval and decision activities: proportion of investments that meet the Transport Agency's investment threshold level (priority) for the relevant National Land Transport Programme and proportion of reviewed Transport Agency investment decisions that meet required process standards (post-approval reviews). All components of the measure have targets of 100 percent. Aggregation to the overall result is based on the arithmetic average of the components in the given year.

IM3 *% of operational assurance activities completed* is the average of two components: investment audit programme and benefits realisation programme completed on time. Investment audit 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. Reporting is based on the latest assurance programme approved by the Transport Agency's Audit, Risk and Assurance Committee.

IM4 *% 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.

IM5 *% of activities that are delivered to agreed standards and timeframes (sector research)* is a measure that compares planned or contracted time, cost and quality of research investment with actual performance. It is a measure of the effectiveness of the Transport Agency as a contract manager. Assessment against time and cost standards is based on contracted timeframes and cost. Assessment against quality standards is done through peer review. All aspects have targets of 90 percent and contribute equally to the overall result.

IM6 *Average number of days to action new funding approvals* 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 between the date of receipt and the date the approval was recorded in the Transport Information Online system.

IM7 *% stakeholder satisfaction (approved organisations and stakeholders)* is a new measure in 2018/19 and is 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.

APPENDIX C – VOTE TRANSPORT APPROPRIATION MEASURES

The Transport Agency is required to provide year-end performance information on appropriations that it is funded for.

| REFERENCE | APPROPRIATION MEASURE | 2017/18 ACTUAL | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | RESULT |
|--|--|-------------------|-------------------|-------------------|----------|--------------|
| Fuel Excise Duty Refund Administration | | | | | | |
| FED1 | Average number of days to deliver | 23.4 days | 16 days | ≤20 days | 4 days | Achieved |
| Crash Analysis | | | | | | |
| T3-CAS1 | Average number of days taken to enter fatal crash reports (from date of receipt) into Crash Analysis System | 10 days | 10 days | 10 days | 0 | Achieved |
| Licensing activities | | | | | | |
| T3-LIC1 | Number of drug or alcohol assessments funded | 1,087 | 1,051 | 1,800–2,000 | 749 | Not achieved |
| LICENSING ACTIVITIES | | | | | | |
| Ministerial Servicing by the New Zealand Transport Agency | | | | | | |
| T3-LR2 | % of requests completed within specified timeframes – ministerial correspondence | 88% | 90% | 100% | 10% | Not achieved |
| T3-LR3 | % of requests completed within specified timeframes – parliamentary question | 99% | 99% | 100% | 1% | Not achieved |
| T3-LR4 | % of requests completed within statutory timeframes – Official Information Act | 99% | 99% | 100% | 1% | Not achieved |
| National Land Transport Programme (PLA) | | | | | | |
| IM1 | Total cost of managing the funding allocation system as a % of the National Land Transport Programme expenditure | 0.91% | 1.03% | ≤1.1% | 0.07% | Achieved |
| RSP2 | % of road safety advertising campaigns that meet or exceed their agreed success criteria | 87% | 89% | ≥80% | 9% | Achieved |
| LRI1 | % of approved organisations signed up to the 50MAX network | 95% | 95% | ≥95% | 0 | Achieved |
| SHI3 | % of state highways available to high productivity motor vehicles | 62% | 71% | ≥62% | 9% | Achieved |
| LRM1 | Pavement integrity index of the sealed network ^a | 94 | 94 | 94 ^b | 0 | Achieved |
| LRM2 | Surface condition index of the sealed network ^c | 98 | 98 | 98 ^b | 0 | Achieved |
| LRM3 | Smooth ride: % of travel on smooth roads | 87% | 87% | ≥86% | 1% | Achieved |
| LRM4 | Local road maintenance cost per local road lane km delivered | \$3,095 | \$3,455 | ≤\$3,000 | \$455 | Not achieved |
| SHM1 | % of activities delivered to agreed standards and timeframes | 90% | 94% | ≥90% | 4% | Achieved |
| SHM5 | Smooth ride: % of travel on network classed as smooth | 99% | 99% | ≥97% | 2% | Achieved |

| REFERENCE | APPROPRIATION MEASURE | 2017/18 ACTUAL | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | RESULT |
|---|--|-------------------|-------------------|-----------------------|-------------|--------------|
| SHM7 | State highway maintenance cost per lane km delivered | \$24,705 | \$22,997 | \$21,500– \$24,500 | 0 | Achieved |
| PT1 | Number of passengers using urban public transport services (bus, train and ferry) | 158 million | 168 million | ≥164 million | 4 million | Achieved |
| WC1 | Network kilometres of walking and cycling facilities delivered | 79.3km | 104.8km | Increasing | - | Achieved |
| Road User Charges Investigation and Enforcement | | | | | | |
| T3-RUC1 | Number of products or services delivered or processed (investigations and audits) (This includes light and heavy vehicle road user charges investigation and enforcement activities (Road User Charges Act 2012).) | 26,505 | 29,799 | 23,000– 26,000 | 3,799 | Not achieved |
| Road User Charges Refunds | | | | | | |
| T3-RUC2 | Number of products or services delivered or processed (refunds applications processed) | 938,590 | 1,053,317 | 680,000– 720,000 | 333,317 | Not achieved |
| SuperGold Card - Administration of the Public Transport Concessions Scheme | | | | | | |
| SG1 | % of 'on time' payment of Crown SuperGold allocation to approved organisations | New measure | 64% | 100% | 36% | Not achieved |
| Bad Debt Provision - Motor Vehicle Registration/Licences and Road User Charges | | | | | | |
| T3-BDP1 | Proportion of bad debt for motor vehicle registrations and road user charges against forecast revenue | New measure | 0.41% | ≤0.47% | 0.06% | Achieved |
| Housing Infrastructure Fund - Fair Value Write Down | | | | | | |
| T3-HIF1 | Fair-value write down of interest-free loans is recognised in accordance with accounting standards for every interest free loan from the Housing Infrastructure Fund to the Transport Agency | New measure | Achieved | Achieved | - | Achieved |
| SuperGold Card - public transport concessions for cardholders | | | | | | |
| SG2 | Patronage (number of boardings using SuperGold concessions) | New measure | 15.7 million | 14 million | 1.7 million | Achieved |
| Auckland Transport Package Loan | | | | | | |
| T3-ATP1 | The loan will be drawn down for the purposes and on the terms agreed between the Transport Agency and Minister of Transport | 100% | 100% | 100% | 0 | Achieved |
| Housing Infrastructure Fund Loans | | | | | | |
| T3-HIF2 | The loan will be drawn down for the purposes and on the terms agreed between the Transport Agency and Minister of Transport | New measure | 100% | 100% | 0 | Achieved |

| REFERENCE | APPROPRIATION MEASURE | 2017/18 ACTUAL | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | RESULT |
|--|--|-------------------|-----------------------------|-------------------|----------|----------------|
| National Land Transport Programme Capital PLA | | | | | | |
| T3-SHI1 | % of state highway programme completed (construction phase) | 81% | 86% | 90% | 4% | Not achieved |
| SHI1 | % of activities delivered to agreed standards and timeframes | 86% | 88% | ≥90% | 2% | Not achieved |
| NLTF Borrowing Facility for Short-Term Advances | | | | | | |
| T3-NLTF1 | The loan will be drawn down for the purposes and on the terms agreed between NZ Transport Agency and the Minister of Transport | 100% | Not applicable ^d | 100% | - | Not applicable |
| Regional State Highways | | | | | | |
| T3-RSH1 | % of activities delivered to standards and timeframes | 87% | 61% | 90% | 29% | Not achieved |
| Urban Cycleways - Crown Assets | | | | | | |
| T3-UC2 | % of activities that are delivered to agreed standards and timeframe - % of expenditure to agreed purpose | 100% | 100% | 100% | 0 | Achieved |
| Reinstatement of the South Island Transport Corridors MCA | | | | | | |
| SHM8 | Reinstatement of the South Island Transport Corridors: % of activities delivered to agreed standards and timeframes | New measure | 81% | ≥90% | 9% | Not achieved |
| T3-SHM8a | Restoration of State Highway 1 between Picton and Christchurch: % of activities delivered to agreed standards and timeframes | New measure | 99% | ≥90% | 9% | Achieved |
| T3-SHM8b | Rebuild of State Highway 1 between Picton and Christchurch: % of activities delivered to agreed standards and timeframes | New measure | 29% | ≥90% | 61% | Not achieved |

| REFERENCE | APPROPRIATION MEASURE | 2017/18 ACTUAL | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | RESULT |
|--|--|----------------|-----------------------------|-----------------|----------------|----------------|
| Tuawhenua Provincial Growth Fund - Transport Projects MCA | | | | | | |
| T3-PGF1 | Supporting regional and infrastructure projects: average number of days to provide feedback on Provincial Growth Fund funding applications | New measure | 20 working days | 20 working days | 0 | Achieved |
| T3-PGF2 | Enabling infrastructure projects: average number of days to release Provincial Growth Fund infrastructure funding once approved | New measure | 13 working days | 20 working days | 7 working days | Achieved |
| T3-PGF3 | Regional projects and capability: % of regional project business cases completed to standard (approved organisations and Transport Agency) | New measure | 100% | 90% | 10% | Achieved |
| T3-PGF4 | Regional projects and capability: % of Transport Agency regional project business cases completed to timelines | New measure | 100% | 90% | 10% | Achieved |
| T3-PGF5 | Infrastructure projects: % of Transport Agency projects funded by the Provincial Growth Fund delivered to standards and timeframes | New measure | Not applicable ^e | 90% | - | Not applicable |

Note: MCA = multi-category appropriations; PLA = permanent legislative authority.

a The measure name was amended in the *Supplementary Estimates of Appropriations 2018/19* to ' % of the sealed local road network that meets pavement integrity targets' to reflect the Amended statement of performance expectations 2018/19. We have reverted to the old name for better clarity of what is being measured.

b The target in the *Supplementary Estimates of Appropriations 2018/19* was incorrectly expressed as a percentage.

c The measure name was amended in the *Supplementary Estimates of Appropriations 2018/19* to ' % of the sealed local road network that meets surface condition targets' to reflect the Amended statement of performance expectations 2018/19. We have reverted to the old name for better clarity of what is being measured.

d No drawdown was made in 2018/19.

e No projects were due for completion in 2018/19.

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 2019



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SECTION A

OVERVIEW OF 2018/19



CHAIR AND EXECUTIVE OVERVIEW

This is the first year of delivering the 2018–21 National Land Transport Programme (NLTP): a three-year, \$16.9 billion investment by the Transport Agency, local government and the Crown in response to the Government Policy Statement on land transport 2018/19–2027/28 (GPS).

In the GPS, the government makes it clear it wants a safer transport system that's free of death and injury; accessible and affordable transport; with reduced emissions; and value for money. The government has emphasised the impact that land-transport planning can have on society, the environment and the economy. The 2018–21 NLTP reflects the government's expectations that transport infrastructure will lead growth; respond to social deprivation; and shape towns and cities that people are proud to live in, work in and visit.

To ensure that new land-transport investments focus on the government's priorities, we have revised the assessment criteria for deciding which transport projects will be funded by the National Land Transport Programme. We've also included performance measures that align with the GPS in the Transport Agency *Statement of intent*. These measures tell us how the land-transport system is performing in relation to the results the government expects to see for New Zealanders in the short, medium and long-term. Where we already have data for some measures, such as access to social and economic opportunities, we've included it in this report.

Over the last year, we've put a lot of work into initiatives that respond to a significant change in direction.

We've invested 28 percent of NLTP (\$1,343 million) in improving safety; 59 percent (\$2,871 million) in improving access; and 13 percent (\$647 million) in reducing harm to the environment.¹⁷

We've prepared a national plan that will encourage people to make greater use of public transport and to walk and cycle more, by making those modes of transport more attractive and affordable. We've also worked with our regional partners on their plans to shift people to these modes of transport. Our new sustainability action plan is the first step in a long-term commitment to significantly reduce the adverse impacts that land transport has on people, the environment and the climate. We've been working closely with the Ministry of Transport on a road safety strategy to replace Safer Journeys, and, with NZ Police, we've developed a new framework to monitor how the Road Safety Partnership Programme is performing.

This year the Transport Agency has continued making good progress with existing projects in the regions and major centres. Some of this year's highlights include improving State Highway 20A to and from Auckland Airport; installing the Maungatapu underpass in Bay of Plenty; a roundabout at the intersection of State Highway 2, State Highway 2B and Watchman Road near Hawke's Bay Airport; and a pair of one-way cycle lanes in Dunedin. Our local government partners have continued delivering important transport projects in the regions, and we've included details of these in the regional highlights section of this report. For the first time, this year the 2018–21 NLTP has invested in rapid transit and transitional rail infrastructure, which are modes of transport that can move large numbers of people and reduce people's reliance on private vehicles.

Our new sustainability action plan is the first step in a long-term commitment to significantly reduce the adverse impacts that land transport has on people, the environment and the climate.

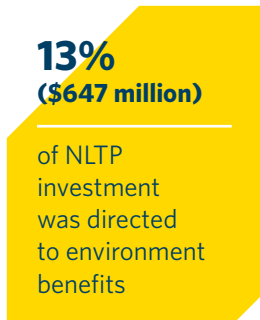
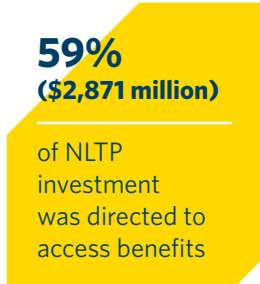


The National Land Transport Fund has spent 95 percent of its budget this year. Some of the larger activities, such as improving state highways, spent less than we planned. However, our forecasts show that expenditure will increase significantly over the remaining two years of the 2018–21 NLTP.

When we’re prioritising how to use land transport funding, we must stay mindful of the long-term funding constraints that we and our regional partners face. Pressure on the National Land Transport Fund means it will be hard to meet all the government’s expectations for transport with the money that’s available. At the same time, however, the Transport Agency and its co-investment partners need to work harder to keep their major projects on track, so that they make the best use of funding that’s been allocated to them.

Achieving the government’s priorities relies on the Transport Agency working closely with our co-investors and partners to deliver the 2018–21 NLTP – collaborating on planning and delivering projects is critical to us achieving an integrated transport system. We need to be more open and transparent in our relationships with others and work together to get the best value from the funding we have. We’ve asked our co-investors what they think of us and have undertaken to use the results of this survey to shape our work in future. Te Ara Kotahi | Our Māori Strategy outlines how we work with Māori and respond to their aspirations while we deliver transport solutions.

The Transport Agency is looking ahead and getting prepared to deliver the next GPS. It is revising its investment decision-making framework; gathering baseline information, so we can measure the benefits of our land-transport investments against a range of social, economic and environmental performance indicators; and planning for the long term. Our 10-year plan, Arataki, outlines the big changes we need to make to achieve the government’s vision for land transport in New Zealand. All this means safer, more accessible transport, better regional and local roads and rail, and better value from investments.



SIR BRIAN ROCHE
Chair

MARK RATCLIFFE
Interim Chief Executive

¹⁷ This includes funding from the National Land Transport Fund, local share and the Crown (it excludes investment from the Provincial Growth Fund).

TE PŪTEA Ā-MOTU O TE ARA HAERE Ā-WHENUA PŪRONGO Ā-TAU TIROHANGA A TE TIAMANA ME TE TUMU WHAKARAE

Ko ia tēnei te tau tuatahi o te whakarato i te Hōtaka ā-Motu o te Ara Haere ā-Whenua o 2018-21 e Waka Kotahi, e ngā kaunihera ā-rohe, me te Karauna hei whakautu i te Kaupapa-Here o te Kāwanatanga mō te ara haere ā-whenua 2018/19 - 2027/28.

Ki taua Kaupapahere, e mārama ana te hiahia a te kāwanatanga kia kaha ake te pūnaha ara haere kore aituā, kore haranga hoki; he wātea, he utu māmā; he iti iho nō te pihautanga; he mārama nō te uara ā-pūtea. Nāna i miramira te pānga o te rautaki o te ara haere ā-whenua ki te papori, te taiao, me te ōhanga. Kei taua Hōtaka ā-Motu o te Ara Haere ā-Whenua o 2018-21 rā anō ngā manako a te kāwanatanga mā te hangahanga o te ara haere e ārahi te tupu me te tupe o te papori; te waihanga o te taone me te taonenui e whai whakahīhi ai te nōhanga, te mahinga, me te toronga e te tangata.

Kia whakatūturuia te hāngai pū o ngā tāpaenga hou o te ara haere ā-whenua ki ngā whakamātuatanga a te kāwanatanga, kua whakahouhia e mātou te paearu arotakenga o te tuku pūtea ki ngā kaupapa ara haere. Kei reirā rā anō ngā paearu mahi e herea ana ki te Kaupapahere Kāwanatanga o te takune a Waka Kotahi. Kei ēnei paearu te inetanga o te pūnaha ara haere ā-whenua e pā ana ki ngā hua e manakohia ana e te kāwanatanga mō ngā Iwi o Aotearoa ki te wā poto, wā roa hoki. Ko ngā raraunga kua riro kē i a mātou pērā me te wātea ki ngā angitū ā-papori, ā-ōhanga hoki kei roto o tēnei pūrongo.

Nō roto o te tau kua hori nei he whakapaunga o ō mātou kaha ki ngā kaupapa o te whai ahunga rere kē atu anō. Ko tā mātou inenga ka 28 ōrau pea (\$1,343 miriona) o te tāpaenga ki ngā hua haumarū, ka 59 ōrau (\$2,871 miriona) ki ngā hua o te whai wātea, ā, ka 13 ōrau (\$647 miriona) ki ngā hua ā-taiao.

Kua whakatikahia e mātou tētahi rautaki ā-motu hei akiaki i te iwi kia kaha ake te whakamahi i te ara haere ā-tūmatanui, te hīkoi me te pahikara, mai i te whakareia me te utu māmā ake o ēnei tūmomo ara haere. Kua mahitahitia hoki me ō mātou hoa ā-rohe ki ā rātou rautakinga ki te whakanuku i te iwi ki ēnei tūmomo ara haere. Ko tā mātou rautaki whakauka te ūpane tuatahi ki te herenga mauroa ki te kaha kē ake o te whakaiti i ngā pānga kōtonga o te ara haere ā-whenua ki runga ki ngā iwi, ki te taiao me te ahurangi. He mahi ngātahi tā mātou me Te Manatū Waka ki tētahi rautaki rori-haumari hei whakakapinga mō Haerenga Haumarū; ā, he whakawhanaketanga ngātahi me Ngā Pirihimana o Aotearoa i te anga mātāi i te mahi a te Hōtaka Haumarū Mahi Ngātahi.

I tēnei tau ka ahu whakamua a Waka Kotahi ki ā mātou kaupapa mō ngā rohe me ngā pokapū matua. Ko ētahi o ngā hirahira ko te whakapaitanga ake o Rori Matua 20A e pātata ana ki te Paparererangi o Tāmaki -makaurau; me te tāuta o te anaroa o Maungatapu ki Tauranga; te hurihanga ki te pūtahitanga o Rori Matua 2, Rori Matua 2B me Watchman Road e pātata ana ki te Paparererangi o Te Matau O Te Ika; me tētahi tokorua o te ara pahikara ahunga-ara kotahi ki Otepoti. E haere tonu ana te whakarato a ō mātou hoamahi o ngā kāwanatanga ā-rohe i ngā kaupapa ara haere nui ki ngā rohe, ā, ko ngā whakamārama kei te wāhanga o ngā hirahira ki ngā rohe ki tēnei pūrongo. Kātahi anō ka tīmata te tāpae a te Hōtaka ā-Motu o te Ara Haere ā-Whenua 2018-21 i te hanganga o te whakawhitinga tere, rerewē hoki, arā, i ngā momo ara haere whakanuku i te tokomaha, me te whakaiti ake i te here a te iwi ki te motukā paraiwete.

Ko tā mātou rautaki whakauka te ūpane tuatahi ki te herenga mauroa ki te kaha kē ake o te whakaiti i ngā pānga kōtonga o te ara haere ā-whenua ki runga ki ngā iwi, ki te taiao me te ahurangi.



Kua pau te 95 ōrau o te Pūtea ā-Motu o te Ara Haere ā-Whenua mō tēnei tau. Ko ētahi o ngā kaupapa nui ake, pērā me te whakapai ake i ngā rori matua, he iti ake te whakapau i tā mātou i whakaaro ai. Heoi anō kei ō mātou matapae ka nui ake te whakapaunga pūtea ki ngā tau e rua e toe ana ki te 2018-21 NLTP.

I a mātou e whakamātua ana i te whakapaunga o te pūtea ara haere ā-whenua, me whai whakaaro tonu mātou ki ngā here o te rautakinga wā-roa kei mua i a mātou me ō mātou hoa mahi ā rohe. Nō te pēpēhi ki runga o te Pūtea ā-Motu o te Ara Haere ā-Whenua me te kore haere ōna he uaua te tūtaki i ngā manako a te kāwanatanga mō te ara haere. Heoi anō me kaha kē ake te mahi a Waka Kotahi me ōna hoa tāpaenga ki te whakatutuki i nga kaupapa matua, kia kitea ai te tika o te whakamahi i te pūtea e wātea ana ki a rātou.

Mā te mahi ngātahi a Waka Kotahi me ō mātou hoa mahi, hoa tāpaenga hoki ki te whakarato i te 2018-19 NLTP – he mea nui whakaharahara te mahi ngātahi ki te rautaki me te whakarato kaupapa ki te whakatutukinga o te punaha ara haere pāhekoheko. Me kaha kē ake te mārama, te pono hoki ki ō mātou whanaungatanga me te mahi ngātahi ki te matua whai uara mai i te pūtea e wātea ana ki a mātou. Kua uiuia ō mātou hoa tāpaenga ki ā rātou whakaaro mō mātou, mai i reirā te waihanga i ā mātou mahi haere ake nei. Kei Te Ara Kotahi tā mātou rautaki ki te mahi tahi me Ngāi Māori, me te whakautu i ā rātou hiahia ki te whakaratonga o ngā whakataunga o te ara haere.

Kei te titiro whakamua a Waka Kotahi kei te whakatika i te Kaupapahere Kāwanatanga o muri tata tonu mai. Kei te whakahoutia tā mātou anga whakaritenga tāpaenga; kei te kohia ngā mōhiohio matua e taea ai te ine i ngā hua o ā mātou tāpaenga ara haere ā-whenua ki ngā momo paearu mahi ā-papori, ā-ōhanga, ā-taiao mō te wā roa. Kei tā mātou rautaki 10-tau, Arataki, ngā whakarerekētanga nui hei whai mā mātou kia tutuki pai ai te whakakitenga o te kāwanatanga mō te ara haere ā-whenua o Aotearoa. Tōna mutunga iho, he kaha ake o te wātea ki te ara haere, he pai ake o ngā rori me te rerewē ā-rohe, ā-takiwā, he uara anō mai i ngā tāpaenga.

28%
(\$1,343 miriona)

o te tāpaenga o
NLTP ki ngā hua
haumarū

59%
(\$2,871 miriona)

o te tāpaenga o
NLTP ki ngā hua
whakawātea

13%
(\$647 miriona)

o te tāpaenga o
NLTP ki ngā hua
ā-taiao



SIR BRIAN ROCHE

Tiamana



MARK RATCLIFFE

Tumu Whakarae o te Wā

ABOUT THIS REPORT

The Transport Agency is responsible under the Land Transport Management Act 2003 (section 11) 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 activities funded under the National Land Transport Programme contribute 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 and delivered in partnership between the Transport Agency, local and regional authorities, New Zealand Police and other transport sector partners. Where the Transport Agency is funded to deliver activities in the National Land Transport Programme, performance is also reported in the Transport Agency's annual report.

This is the first annual report against the Government Policy Statement on land transport for 2018/19 to 2027/28.

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.

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| Walking and cycling improvements | 229 |
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In some cases, the Transport Agency solely delivers these activities, in others it delivers them with local authorities, and in others it invests in the activities through the National Land Transport Programme but does not deliver them.

ABOUT THE LAND TRANSPORT INVESTMENT SYSTEM

GOVERNMENT POLICY STATEMENT ON LAND TRANSPORT

The government's priorities for the land transport system are outlined in the Government Policy Statement for land transport for 2018/19 to 2027/28. The Government Policy Statement focuses on creating a safe, resilient, well-connected and multimodal transport system that enables new housing opportunities, liveable cities and sustainable economic development in regional New Zealand.

The Government Policy Statement guides decision-making on where investment and resources will be focused over the next 10 years. It provides guidance on how the Transport Agency will invest each year from the National Land Transport Fund, signals how much money local government will invest each year, and details further Crown investment per year.

The Government Policy Statement's four strategic priorities for the land transport system are:

- safety
- access
- environment
- value for money.

To achieve the government's strategic priorities for the land transport system, the Transport Agency is guided by the three themes in the Government Policy Statement that set out how the government intends the priorities to be delivered. The Transport Agency is working with others to:

- apply a **mode-neutral** approach to transport system investment
- use **technology and innovation** to improve performance
- **integrate land use and transport planning and delivery** activities.

THE 2018-21 NATIONAL LAND TRANSPORT PROGRAMME

The National Land Transport Programme is a three-year programme of all the land transport activities in the areas of public transport, road maintenance and improvements, walking and cycling, rapid transit, and transitional rail activities. The National Land Transport Programme forecasts 10-year funding and expenditure to give effect to the Government Policy Statement on land transport.

A total of \$16.9 billion is expected to be invested through the 2018-21 National Land Transport Programme, including \$13 billion from the National Land Transport Fund, \$3.4 billion from local authorities, and \$547 million in additional Crown funding to deliver specific programmes (see figure 1).

The National Land Transport Programme represents a snapshot of:

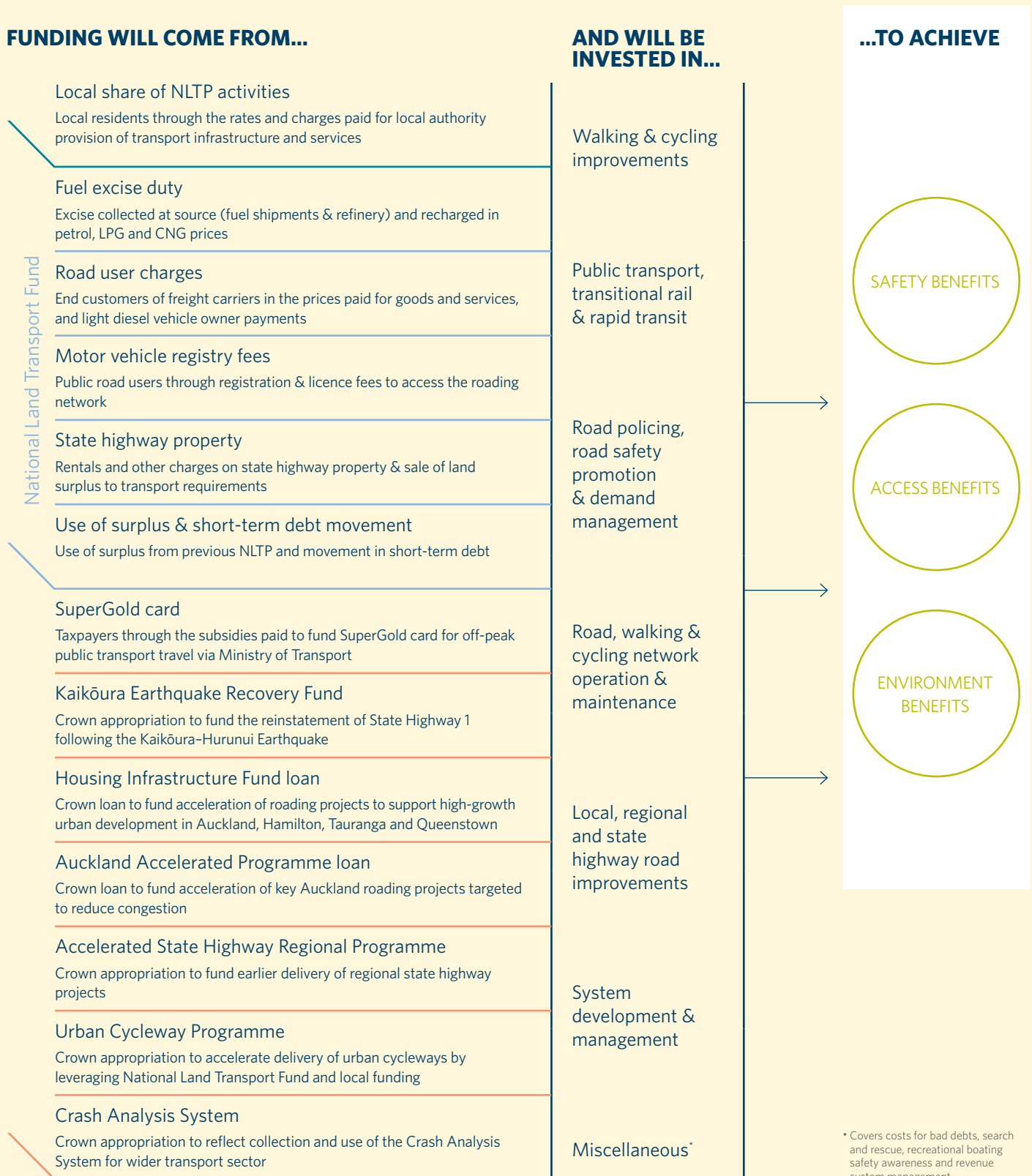
- committed funding from previous National Land Transport Programmes for transport improvements that are generally large scale
- continuous programmes the Transport Agency delivers every day, such as public transport and road maintenance
- upcoming activities the Transport Agency will consider funding,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

NATIONAL LAND TRANSPORT FUND

The National Land Transport Fund is a dedicated fund for maintaining and developing local and national transport services. It is a partnership between the Transport Agency, which uses the National Land Transport Fund to invest on behalf of the Crown, and approved organisations¹⁸ that invest local funding on behalf of ratepayers.

¹⁸ An 'approved organisation' is a regional council, a territorial authority or an approved public organisation such as the Department of Conservation.

Figure 1 – Revenue sources and activity classes for the 2018–21 National Land Transport Programme



* Covers costs for bad debts, search and rescue, recreational boating safety awareness and revenue system management.

TRANSPORT AGENCY'S INVESTMENT ROLE

The Transport Agency's primary objective under the Land Transport Management Act 2003 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 co-investment partners and stakeholders (local communities and national policy makers) to determine the transport solutions that will work best for New Zealand.

The national land transport funding and assessment system is illustrated in figure 2, page 199.

Investment principles

When considering the best mix of activities to receive investment funding, the Transport Agency follows 10 principles.

- A **partnership** approach, founded on trust, clarity and accountability, aligns regional and local investments with the Transport Agency's national priorities to optimise their 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, supports 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.
- A **risk-based** approach ensures risks are considered and managed through the planning to delivery process, including financing, for all transport activities funded from the National Land Transport Fund.
- The **Safe System** approach to planning, improving, maintaining, renewing and operating components of the land transport system 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 mitigate 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).
- The **scrutiny principle** is applied when making decisions in respect of land transport and planning and funding and ensures the Transport Agency gives the same level of scrutiny to its own proposed activities and combinations of activities as it would give to activities proposed by approved organisations.¹⁹

¹⁹ The scrutiny principle is set out in the Land Transport Management Act 2003 (section 96) and relates to Transport Agency decisions in respect of land transport and planning and funding under subpart 1 of part 2 of the Act. A report on the implementation of systems and procedures to give effect to the scrutiny principle is included in the Transport Agency annual report (page 144).

Assessing investment proposals

The Investment Decision Making Framework is used by the Transport Agency to assess and prioritise investment in land transport. The Transport Agency uses this framework to identify, assess and prioritise National Land Transport Programme investment proposals. The framework aligns with the Government Policy Statement, making sure investments in land transport infrastructure and services deliver the outcomes and priorities that the Government has set out in the government Policy Statement.

The Investment Assessment Framework forms part of the Investment Decision Making Framework (see the value for money section on page 213). Approved organisations, such as local and regional councils use the Investment Assessment Framework to assess their business case approach when developing proposed land transport activities for inclusion in Regional Land Transport Plans to ensure these proposals align with the priorities of the Government Policy Statement.

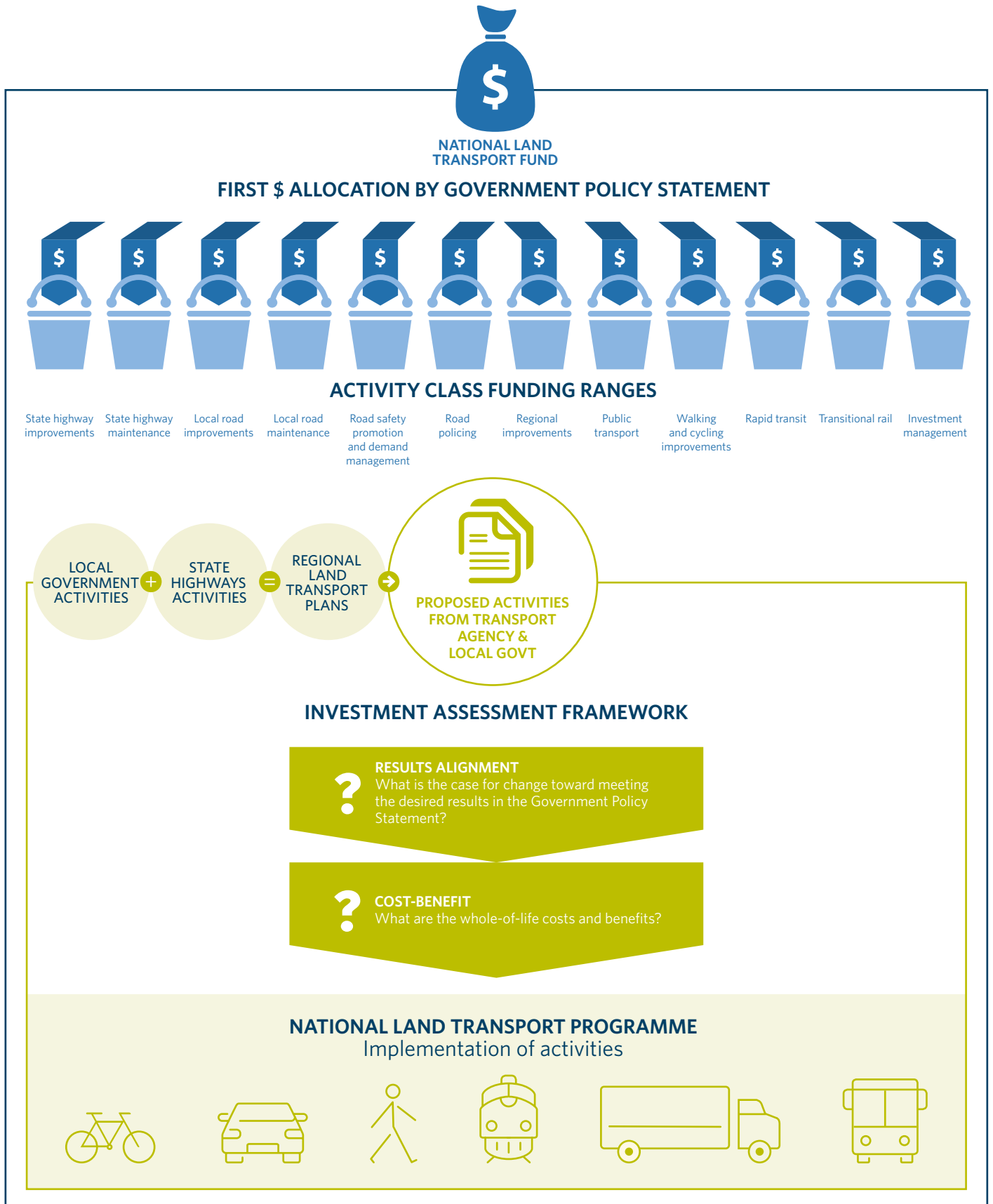
At each decision point during the development of a proposal, the Transport Agency uses the Investment Assessment Framework to check the proposals meet investment criteria and to determine what proposals in the regional plans will be prioritised for inclusion in the National Land Transport Programme and what proposals should be funded.

Two criteria in the Investment Assessment Framework are used to prioritise proposed activities.

- The **results alignment assessment** rates the proposal's degree of alignment with the results specified in the Government Policy Statement. This criteria focuses on customer service levels as an outcome and an integrated approach that targets the right results in the right places.
- The **cost-benefit appraisal** considers how well the proposed solution maximises the value of what is produced from the resources used and the timelines of intervention. The default assessment of improvement activities is the benefit to cost ratio, although other assessments may be used in certain circumstances; for example, cost-effectiveness and performance comparisons are used for road maintenance and public transport programmes.

The benefits management and the Investment Assessment Framework are linked through the assessment of the business case, which seeks evidence of critical thinking applied to the investment proposal. The business case approach means investment proposals are documented and includes robust consideration of issues, potential solutions and the benefits of those solutions. Use of the Investment Assessment Framework means investment proposals are assessed clearly and transparently.

Figure 2 – National land transport funding and assessment system



SECTION B

INVESTMENT SUMMARY



DELIVERING ON THE GOVERNMENT POLICY STATEMENT ON LAND TRANSPORT 2018/19–2027/28

This section summarises the investment made towards achieving the strategic priorities in the Government Policy Statement on land transport 2018/19–2027/28.

Investments made through the National Land Transport Programme by the Transport Agency and its co-investment partners aligned with Government Policy Statement strategic priorities through the Transport Agency's Investment Assessment Framework (explained on pages 198–9).

The impact of National Land Transport Programme investment is assessed through measures for the Transport Agency's position statements and output classes that directly align with Government Policy Statement measures. These measures are quantitative indicators of progress against the Government Policy Statement's strategic priorities and long-term and short-term results. More detail on each measure is in the annual report for the Transport Agency (section B, pages 27–80).

The Transport Agency also conducts benefits realisation reviews to assess how well a project (or package) has delivered its expected benefits and has developed a set of benefits measures to systematically assess the impact of investments over time.¹⁸

INVESTMENT TO GOVERNMENT POLICY STATEMENT STRATEGIC PRIORITIES

When developing the 2018–21 National Land Transport Programme, the Transport Agency estimated the proportion of planned total expenditure (from the National Land Transport Fund, local government and the Crown) across three of the four strategic priorities that support the direction in the Government Policy Statement: safety, access and environment. Value for money, the fourth priority, is delivered by carrying out robust economic appraisals of our investments rather than being a benefit itself.

At the end 2018/19, the overall spend (\$5.3 billion) from the National Land Transport Programme was 6 percent below the planned amount when the National Land Transport Programme was adopted in August 2018.¹⁹

Of this investment and estimate 28 percent was directed towards safety benefits, 59 percent towards access benefits and 13 percent towards environment benefits. Value for money, the fourth priority, is delivered by carrying out robust economic appraisals of our investments rather than being a benefit itself.

2018/19 planned investment in strategic priorities

| STRATEGIC PRIORITY | 2018/19 PLANNED INVESTMENT (%) |
|--------------------|--------------------------------|
| Safety | 28 |
| Access | 59 |
| Environment | 13 |

Planned investment benefits mapped to Government Policy Statement strategic priorities

| | SAFETY | ACCESS | ENVIRONMENT |
|--|-----------------|---------------------------------|--------------------------------|
| Benefits identified in Transport Investment Online | Safety | Throughput | Pollution |
| | Physical health | Reliability | Health noise |
| | | Travel time | Pollution and greenhouse gases |
| | | Access | Environmental noise |
| | | Resilience | Resource consumption |
| | | Comfort and customer experience | Biodiversity |
| | | Financial cost | Community cohesion |
| | | Pricing | Amenity value |

More detail on the investments that have contributed to these priorities is provided on pages 203–212 and in the regional highlights (see page 234).

¹⁸ These reviews are published on our website at <https://nzta.govt.nz/planning-and-investment/planning-and-investment-knowledge-base/monitoring-and-reporting-on-investments/benefit-realisation-reviews/>

¹⁹ The figures presented on pages 203, 206 and 210 for investment in safety, access and environment exclude some National Land Transport Programme activities.

SAFETY

NATIONAL LAND TRANSPORT OBJECTIVE

A land transport system that is a safe system, free of death and serious injury.

LONG-TERM RESULT

Significant reductions in deaths and serious injuries.

SHORT-TERM RESULTS

- Renewed strategic focus to have the greatest impact on reducing death and serious injury (including developing a new road safety strategy and action plan in the next 12-18 months)
- State highways and local roads are safer for everyone
- Cycling and walking are safer
- Effective enforcement activity to promote safe behaviour by road users
- Safer road use through appropriate education and promotion activities and regulatory changes

HIGHLIGHTS OF INVESTMENT IN SAFETY

- The Transport Agency began **implementing the Speed Management Guide** on the highest risk routes and intersections. Speed limit changes were implemented on 69km of the highest-risk parts of the state highway out of network 4200km identified for reassessment under the 2018-21 National Land Transport Programme.
- The Transport Agency also began delivering the **Safe Network Programme** to fast track delivery of safety improvements to New Zealand’s highest risk state highways and local roads to save 160 deaths and serious injuries each year. On state highways, 16km of median barriers, 98km of side barriers and 194km of rumble strips were installed. A further 33km of median barriers are under construction.
- The completion of **improvements to State Highway 20A** will increase safety for all road users by separating motorway traffic from local traffic at the Kirkbride Road intersection, reducing the high number of crashes as well as providing a much safer journey for pedestrians and cyclists crossing Kirkbride Road.
- A \$13 million roundabout on the Hawke’s Bay Expressway along with a new access road to Hawke’s Bay airport opened in September 2018. The **roundabout at Watchman Road** replaced the fifth highest risk intersection in New Zealand.
- The Transport Agency worked closely with the Ministry of Transport to **develop the new road safety strategy**, Road to Zero. The strategy focuses on five areas infrastructure and speed, vehicles, workplace, road user choices and system management.
- Investment has continued in **new and improved walking and cycling infrastructure**, including:
 - **Dunedin One-Way Pair Cycle Lanes** that will significantly improve cycle safety on the one-way system through north and central Dunedin
 - **Northcote Safe Cycle Route** project to provide a safer environment for people walking and biking, including children travelling to school.
- The Transport Agency launched a new **advertising campaign to encourage the safe use of e-scooters**. The campaign urges riders to use e-scooters safely, with a focus on safe speeds, giving way to other footpath users and wearing helmets.
- With NZ Police, the Transport Agency developed an initial performance framework for the **2019-21 Road Safety Partnership Programme** aligned with Road to Zero outcomes.

\$1.343 BILLION

invested in safety through the National Land Transport Programme in 2018/19 including:²⁰

\$25m 1.9% in state highway improvements

\$168m 12.5% in state highway maintenance

\$105m 7.8% in local road improvements

\$257m 19.1% in local road maintenance

\$43m 3.2% in road safety promotion and demand management

\$339m 25.2% in road policing

\$69m 5.1% in regional improvements

\$56m 4.2% in public transport

\$50m 3.7% in walking and cycling improvements

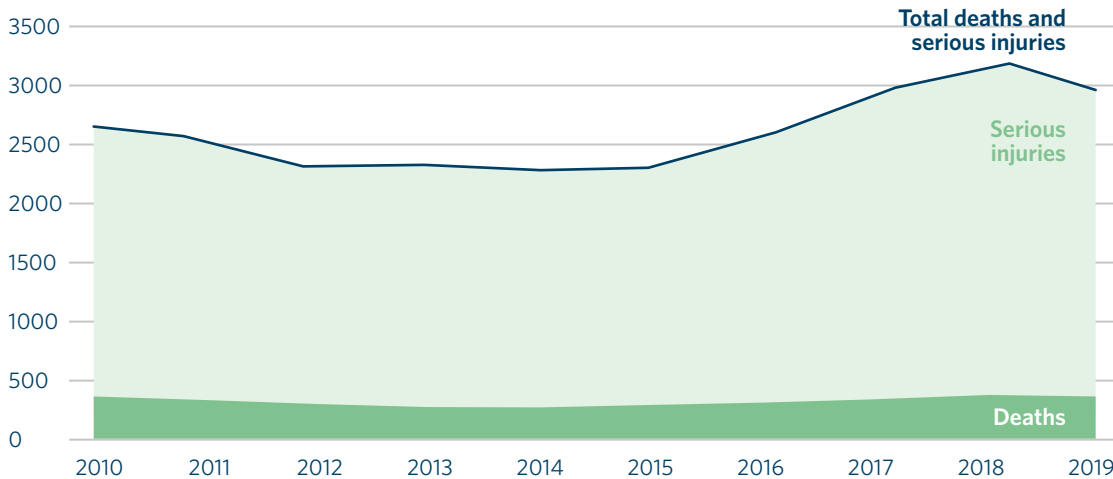
\$1m 0.1% in rapid transit

\$1m 0.1% in transitional rail

²⁰ This includes funding from the National Land Transport Fund, local share and the Crown (it excludes investment from the Provincial Growth Fund).

PERFORMANCE AGAINST SAFETY OBJECTIVES AND RESULTS DURING 2018/19

Deaths and reported serious injuries 2010–2019 (annualised totals)



Deaths and serious injuries were lower than last year, but still 8 percent higher than at the start of the 10-year Safer Journeys strategy. The Transport Agency’s response is a renewed emphasis on the main contributors of crashes: unsafe speeds, unforgiving road design, unsafe vehicles and driver impairment.

See pages 31–32 of the Transport Agency annual report for more detail.

Other safety-related results

69km (0.6%)

of state highway network modified to align with a safe and appropriate speed

6238 cycling trips

observed in Wellington, Auckland and Christchurch central business districts (up from 5605 last year)

89%

of the Transport Agency’s road safety advertising campaigns met or exceeded their agreed success criteria

104.8 network kilometres

of walking and cycling facilities delivered

8 out of 14 (57%)

of the available Road Safety Partnership Programme results met desired trend

CASE STUDY

Te Rapa section of the Waikato Expressway

The Te Rapa section of the Waikato Expressway was the first of seven expressway sections to be constructed. The route was officially renamed Mangaharakeke Drive after opening. It is a four-lane, median-divided expressway that redirects State Highway 1.

The Te Rapa section is delivering its expected benefits, including improved safety. Since the expressway opened, crashes have significantly reduced. Crashes before construction between 2002 and August 2010 numbered 456 and actual crashes after construction between 2013 and 2018 numbered 255 (even lower than the expected 314 crashes).

Minor, non-injury crashes are common, especially on the expressway's more congested southern end. In the six years 2013–18, 108 crashes were recorded on the expressway, with 82 percent of these crashes having no injuries.



ACCESS

NATIONAL LAND TRANSPORT OBJECTIVE

- A land transport system that provides increased access to economic and social opportunities
- A land transport system that enables transport choice and access
- A land transport system that is resilient

LONG-TERM RESULTS

- Metropolitan and high-growth urban areas are better connected and accessible
- Better access to markets and business areas and supports tourism
- Sustainable economic development of regional New Zealand is supported by safer and better transport connections
- Increased mode shift from private vehicle trips to walking, cycling and public transport
- More transport choice (including for people with less or limited access to transport)
- Improved network resilience for the most critical connections

For short-term results, see page 27 of the Government Policy Statement on land transport.²¹

HIGHLIGHTS OF INVESTMENT IN ACCESS

- In high-growth areas, the Transport Agency and partners established **planning processes that align strategic direction for growth to also support multimodal transport choices** (the Hamilton–Auckland Corridor Partnership, the Urban Form and Transport Initiative for the Western Bay of Plenty, and the Queenstown Spatial Plan).
- The Transport Agency worked with its partners to develop a **shared understanding with the regions** of the most important transport accessibility needs for freight and tourism.
- The **Taramakau Road Bridge (West Coast)** was completed in July 2018 replacing a single-lane, 132-year-old road-rail bridge. It provides a safer and more efficient transport link for West Coast locals and tourists.
- The \$18 million **Northland State Highway 10 Taipā Bridge** project replaces a busy, single-lane bridge and narrow footpath with a two-lane bridge and 3m-wide shared path, provides safer, more reliable travel options, including improved walking and cycling facilities, and removes delays during the peak visitor season.
- Through a **mode shift strategy**, the Transport Agency identified and prioritised what it can do to increase the attractiveness of public transport and walking, cycling and other active modes. It worked with Auckland Transport Alignment Project partners to develop a mode shift plan for Auckland, and regional plans for Hamilton, Tauranga, Wellington, Christchurch and Queenstown are being developed.
- The Transport Agency worked with the Ministry of Transport to **investigate a Green Card** that would subsidise the cost of public transport for low-income earners and their dependants and with the Office for Disability Issues to include in the **Disabled Action Plan 2019–2022** actions the Transport Agency can contribute to that will improve accessibility for disabled people.
- Investment has continued in **new and improved walking and cycling infrastructure** including:
 - **He Ara Kotahi**, a 7.1km pathway that connects Palmerston North city to Massey University, the Science Centres and the Linton Military Camp
 - the **Waterview Shared Path (Auckland)**, which connects the Waterview, Owairaka and New Windsor communities
 - a **variety of projects in Wellington**, including the Wainui Hill shared path; a cycling network in the eastern suburbs, including a section along Oriental Parade; and the Petone to Melling shared path.

\$2.871 BILLION

invested in access through the National Land Transport Programme in 2018/19 including:²²

\$688m 24%
in state highway improvements

\$509m 17.7%
in state highway maintenance

\$240m 8.4%
in local road improvements

\$694m 24.2%
in local road maintenance

\$12m 0.4%
in road safety promotion and demand management

\$68m 2.4%
in regional improvements

\$590m 20.6%
in public transport

\$46m 1.6%
in walking and cycling improvements

\$8m 0.3%
in rapid transit

\$18m 0.6%
in transitional rail

²² This includes funding from the National Land Transport Fund, local share and the Crown and excludes investment from the Provincial Growth Fund.

²¹ Available from <https://www.transport.govt.nz/multi-modal/keystrategiesandplans/gpsonlandtransportfunding>

- The North Canterbury Transport Infrastructure Recovery delivered \$218 million of **recovery and resilience works for State Highway 1 and the Main North Line** to reduce the number of closures on the road and rail network. This has provided direct access and safety benefits for tourism, freight and the travelling public.

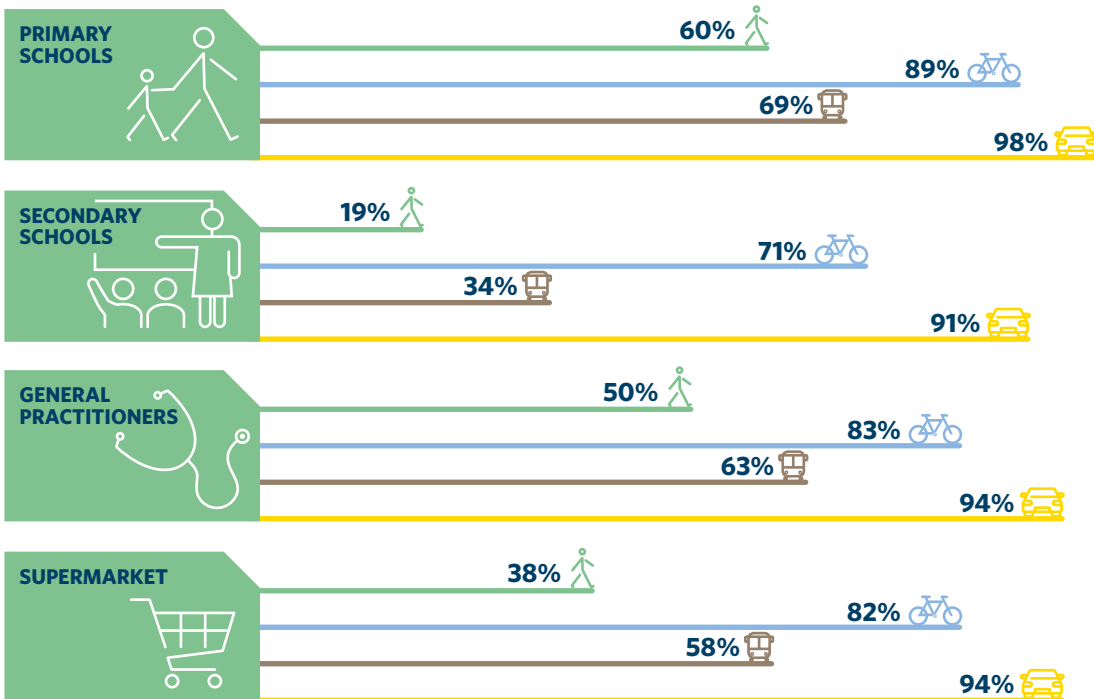
PERFORMANCE AGAINST ACCESS OBJECTIVES AND RESULTS DURING 2018/19

Access to social and economic opportunities

Measuring access to a key destination, rather than efficiency of transport (such as travel times on key corridors), is relatively new to the New Zealand transport sector and is foundational for considering how to improve accessibility, in particular through better integration of urban development and transport.

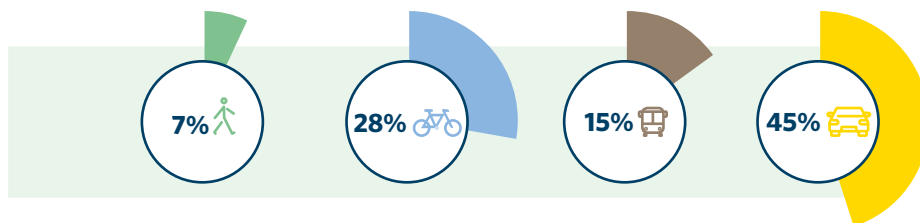
See page 42 of the Transport Agency annual report for more detail.

Proportion of population within 15 minutes of destination by mode

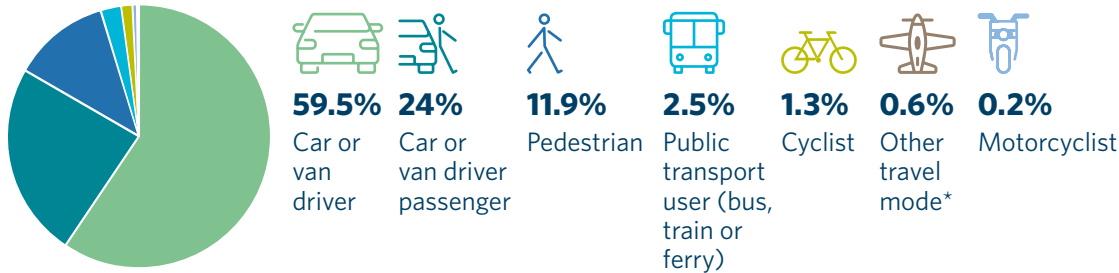


Proportion of jobs within 45 minutes by mode

This measure shows the proportion of jobs across New Zealand that can be reached in a reasonable time.



This measure shows the proportion of New Zealanders that can reach important destinations in a reasonable time.



Mode share (percentage of trips by mode)

The mode share results from the Household Travel Survey provide a valuable view on people’s transport choices. Most trips are undertaken by car or van, with pedestrian trips being the next most common.

Over time, we expect to see a larger proportion of trips by public transport and active modes such as walking and cycling as mode shift and travel demand management embed.

* ‘Other travel modes’ includes aircraft, boats (excluding ferry trips), mobility scooters and other modes like horse riding. Skateboarders and children in pushchairs are included with pedestrians.

Other access-related results

| | | |
|---|--|--|
| <p>168 million passengers</p> <p>used urban public transport services (6% growth)</p> | <p>29%</p> <p>of people in Auckland, Wellington and Christchurch have access to frequent public transport services</p> | <p>6238</p> <p>Cycling trips observed in Wellington, Auckland and Christchurch central business districts</p> |
| <p>15.7 million trips</p> <p>funded through the SuperGold cardholders’ scheme (up nearly 12%)</p> | <p>85%</p> <p>of unplanned road closures resolved within standard timeframes*</p> <p><small>* less than 2 hours for urban roads and less than 12 hours for rural roads.</small></p> | <p>151.7 lane kms</p> <p>of regional state highways improved (13 projects)</p> |
| <p>8225km</p> <p>of state highway available to high productivity motor vehicles on key regional routes</p> | <p>19%</p> <p>of trips in high-growth urban areas are on public transport or walking and cycling</p> | <p>73%</p> <p>of Transport Agency customers report increased ease of access to transport data and journey choices</p> |

CASE STUDY

Auckland Manukau Eastern Transport Initiative

The Auckland Manukau Eastern Transport Initiative (AMETI) will be progressed to deliver new dedicated busways and cycleways to improve access and safety in the area, unlocking housing development opportunities. Over the next three years, work will focus on the Eastern Busway from Panmure to Pakuranga, including the Reeves Road flyover. Construction on this stage of the project started in May 2019.

The AMETI Eastern Busway will significantly improve transport choices, reliability and journey times in southeast Auckland and to other parts of the region.

Once the busway is completed, you'll be able to travel by bus and train between Botany and Britomart in less than 40 minutes.

The busway will be supported by three new stations at Panmure, Pakuranga and Botany, new cycling and walking connections, urban design enhancements, and improvements for general traffic such as advanced signalling at important intersections.

A new flyover connecting Pakuranga Road with Pakuranga Highway is also planned to provide better travel options and reduce congestion.

Major transport improvements have already been made with the opening of the new Panmure Station (now the fifth busiest station in Auckland) and the development of Te Horeta Road.

The next stage will be construction of a busway with buses travelling on their own congestion-free lanes between Panmure and Pakuranga town centres.

The final stage between Panmure and Botany is due for completion in 2026.



ENVIRONMENT

NATIONAL LAND TRANSPORT OBJECTIVE

A land transport system that reduces greenhouse gas emissions and adverse effects on the local environment and public health

LONG-TERM RESULTS

- Reduce greenhouse gas emissions from transport
- Reduce transport's negative effects on the local environment and public health

For short-term results, see page 29 of the Government Policy Statement on land transport.²³

HIGHLIGHTS OF INVESTMENT IN ENVIRONMENT

- The Transport Agency developed a draft **Sustainability Action Plan and Monitoring Framework** focused on reducing land transport greenhouse gas emissions, addressing air and noise pollution, supporting increased physical activity as part of daily travel, reducing environmental harm to biodiversity and water quality from land transport construction and operation, and improving resource efficiency.
- An emissions reduction focus is embedded in the Transport Agency's **mode shift strategy**, which identifies and prioritises what the Transport Agency can do to increase the attractiveness of public transport and walking, cycling and other active modes.
- **Continued investment in walking, cycling and public transport** across the country is helping to provide alternative transport choices, while contributing to improved environmental outcomes.
- As part of delivering the new **Watchman Road roundabout** in Hawke's Bay, new cycling and walking paths were developed through the adjacent Ahuriri Estuary and Westshore Wildlife Reserve. The Transport Agency worked closely with a wildlife expert to protect and enhance the Westshore Wildlife Reserve wetland and the biodiversity that lives there.
- As part of the **Akerama Improvements Project** on State Highway 1 near Hukerenui, environmental effects were mitigated by constructing a new wetland to protect New Zealand's mud fish. Erosion and sediment controls were in place, and the Transport Agency worked in partnership with an ecologist and the Northland Regional Council to ensure best practice during construction.
- Improvements to **State Highway 20A**, the primary route to and from Auckland Airport, include improved storm-water drainage and treatment to protect the wider environment. Where possible, storm-water is treated with planted swales and storm-water wetlands to protect local waterways.

\$647 MILLION

invested in environment through the National Land Transport Programme in 2018/19, including:²⁴

\$13m 2.0%
in state highway improvements

\$112m 17.3%
in state highway maintenance

\$15m 2.3%
in local road improvements

\$224m 34.6%
in local road maintenance

\$0.3m 0.1%
in road safety promotion and demand management

\$0.5m 0.1%
in regional improvements

\$274m 42.3%
in public transport

\$6m 0.9%
in walking and cycling improvements

\$1m 0.2%
in rapid transit

\$0.5m 0.1%
in transitional rail

²⁴ This includes funding from the National Land Transport Fund, local share and the Crown and excludes investment from the Provincial Growth Fund.

PERFORMANCE AGAINST ENVIRONMENT OBJECTIVES AND RESULTS DURING 2018/19

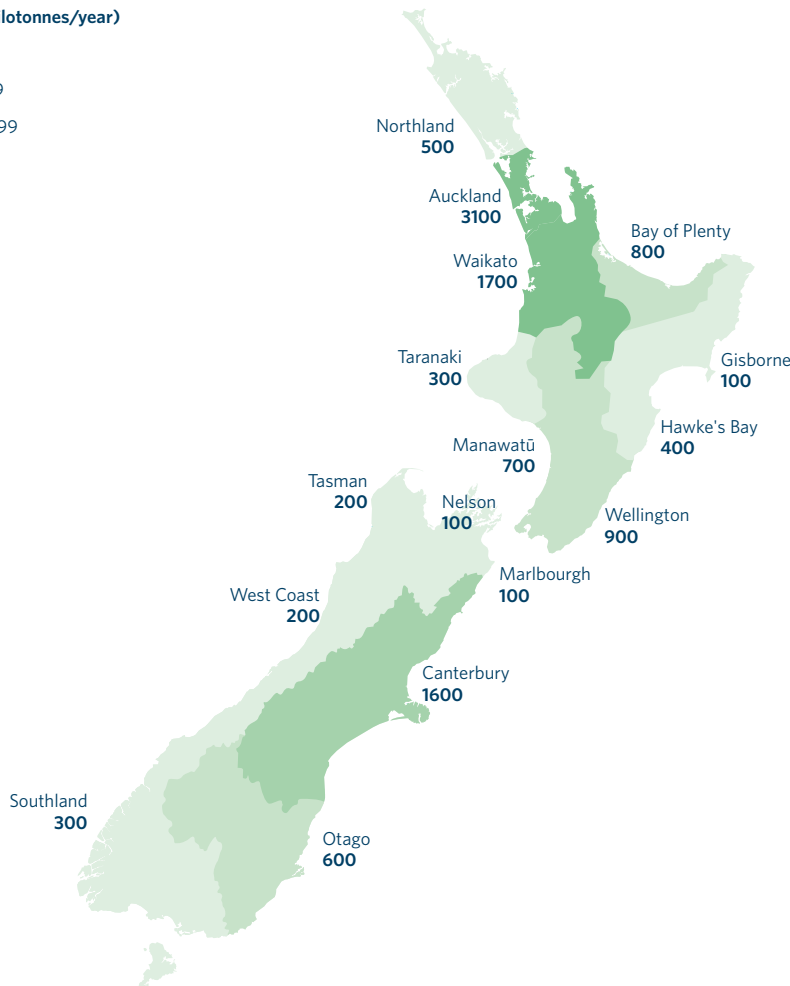
Greenhouse gas emissions from the land transport system

Emissions from the road network in 2018 totalled 11,500 kilotonnes, mainly from light vehicles and almost evenly split between petrol and diesel vehicles. The largest proportion of emissions came from Auckland, Waikato and Canterbury regions. From 2016 to 2018, overall land transport emissions increased around 6.5 percent (from 10,800 kilotonnes in 2016 and 2017) and most of the increase was due to an increase in the light vehicle fleet. The Transport Agency’s Sustainability Action Plan has a strong focus on reducing emissions from the land transport network.

See pages 62–63 of the Transport Agency annual report.

2018 CO₂ (Kilotonnes/year)

- 0–499
- 500–999
- 1000–1499
- >1499



CASE STUDY

Mt Messenger Bypass on State Highway 3

The Mt Messenger Bypass on State Highway 3 is planned to deliver better road safety, resilience and a better journey experience. The project to build the bypass has many facets, including designing to respect the landscape and cultural values, improving the natural environment, and boosting the regional economy.

The bypass is 5.2km (with additional work at the southern end creating about 6km of improvements) and runs east of the existing highway. It includes a bridge of 110m and a 230m tunnel under the ridgeline southeast of Mt Messenger. The consents process is under way, and construction is expected during 2019–2022.

Over the summer of 2018/19, the Transport Agency's ecology team searched for long-tailed bats, a critically endangered species, in the Mt Messenger area. With the help of bat experts, they located 14 maternity roosts (places where mother bats and their young stay). Long-tailed bats are being monitored to confirm the project's 3,650ha pest management area and suitability for the habitat of long-tailed bats. The pest management area is part of a broader ecological restoration package to mitigate and offset environmental impacts of the bypass project.

An ecology programme has been established to reduce harm to native wildlife and plants during and after bypass construction. Restoration planting will help offset native vegetation removed to build the bypass.

A landscape and environmental framework guides design and construction work with respect to the surrounding landscape.

Integrating cultural expression and project design recognises the importance of the spiritual and physical environment for Māori. Ngāti Tama has an important kaitiakitanga (guardianship) role over its rohe (area), and a Kaitiaki Forum Group will be established.



VALUE FOR MONEY

NATIONAL LAND TRANSPORT OBJECTIVE

A land transport system that delivers the right infrastructure and services to the right level at the best cost

LONG-TERM RESULTS

- Better informed investment decision making
- Improved returns

For short-term results, see page 29 of the Government Policy Statement on land transport.²⁵

The Transport Agency is progressing several projects to assess the value for money of projects and programmes delivered with National Land Transport Fund investment.

INVESTMENT DECISION-MAKING FRAMEWORK REVIEW

The Transport Agency and Ministry of Transport are jointly reviewing the Investment Decision-Making Framework that guides investment in New Zealand's land transport system.

The review was prompted by changes in the Government Policy Statement on land transport to increase the emphasis on social, economic, cultural and environmental outcomes in transport planning. The Transport Agency also wants to make sure the framework is easy to use and understand and supports delivery of a better transport system.

The framework is being reviewed to ensure investment in the land transport system will deliver on the government's social, economic and environmental priorities. This means a fundamental change for land transport, including putting people and place, rather than vehicles and networks, at the centre of decision making, and connecting people to family and friends, employment and education opportunities.

To reflect this change in focus, the Transport Agency is reviewing the framework and criteria it uses to decide which transport projects will be funded by the National Land Transport Fund. The programme is in the design phase, using the information from the earlier investigation phase and working with councils and other stakeholders to co-design changes to business cases development, activity assessment and prioritisation, and capability building.

The design phase will be completed by the end of 2019 and the changes implemented by June 2020.

MEASURING THE BENEFITS OF NATIONAL LAND TRANSPORT PROGRAMME INVESTMENTS

Benefit measures

To improve the way the Transport Agency measures the benefits delivered from National Land Transport Programme investments, it put in place an enduring set of benefit measures across all land transport modes and a wide range of benefits (for example, safety, access and resilience). The measures have been tested to check they can reflect past and present government priorities as expressed through successive Government Policy Statements. The measures have also been tested for their alignment with the Ministry of Transport's Transport Outcomes Framework.

The Transport Agency established a project to capture baseline data for the measures, so it can compare the scale of problems before it invests with the scale of problems after the investment has been delivered. Data sources and methodologies for each measure are being confirmed, and the Transport Agency has built a function to store benefits measurement data in Transport Investment Online, which is the system that records, processes and monitors funding applications.

For investments with selected measures in Transport Investment Online in 2018/19, reporting against benefits is expected to begin in next year's National Land Transport Fund annual report.

²⁵ Available from <https://www.transport.govt.nz/multi-modal/keystrategiesandplans/gpsonlandtransportfunding>

BENEFITS REALISATION REVIEWS

Each year, the Transport Agency conducts benefits realisation reviews on a sample of completed projects or packages that received National Land Transport Fund investment. These reviews provide insight into the outcomes these investments are achieving by comparing planned benefits with the actual benefits delivered from the investment.

Performance against value-for-money objectives and results during 2018/19

1.0%

of National Land Transport Programme expenditure was the total cost of managing the funding allocation system (within target)

\$3455

is the cost of local road maintenance per lane km delivered (above target)

\$22,997

is the cost of state highway maintenance per lane kilometre delivered (within target)

CASE STUDY

Northland Transportation Alliance

The Transport Agency worked with the four Northland councils to improve asset management practices by combining their three asset management plans into one for the Northland network.

The Northland Transportation Alliance (NTA) is a collaboration between local government and the Transport Agency to deliver joined-up services for roading and transportation in Northland. With the implementation of this new structure, there has been a step change towards a one-network approach. The NTA will coordinate staff and resources to deliver more consistent services and economies of scale by sharing specialist skills and purchasing power.

The Transport Agency's Road Efficiency Group has identified several areas where value for money, maintenance practices, forward programming and risk management can be improved.

The four Northland councils in the alliance have delivered new maintenance contracts that are in the second year of implementation. These new contracts are beginning to deliver better value for money and improve:

- planning and delivery of the maintenance programme with a significant reduction (approximately 20 percent) in public complaints
- contractor performance
- use of internal resources
- maintenance practices
- customer responsiveness
- co-funder confidence.



USE OF THE NATIONAL LAND TRANSPORT FUND

SUMMARY OF NATIONAL LAND TRANSPORT FUND EXPENDITURE IN 2018/19

Revenue for the National Land Transport Fund during 2018/19 was \$1.5 million higher than forecast in the published National Land Transport Programme.

At the end of the first year of the 2018–21 National Land Transport Programme (2018/19), the overall investment of \$4 billion from the National Land Transport Fund was 7 percent below the planned amount (or budget) when the programme was adopted in June 2018. While some slower progress has been made in some activity class programmes, this has been offset by higher expenditure and delivery levels in other programmes, particularly local road improvements.

State highway improvements expenditure was 11 percent below budget, largely due to lower spending in major state highway infrastructure projects.

State highway maintenance expenditure was 6 percent above budget. This was mostly due to emergency works on Manawatū Gorge, Takaka Hill and Waiho Bridge.

Local road improvements expenditure was 17 percent above budget. Performance is being driven, in part, by targeted enhanced funding assistance rates as well as completion of work that was approved in the 2015–18 National Land Transport Programme.

Road safety promotion and demand management expenditure was 13 percent below budget due to the slow start to a number of Transport Agency and locally delivered activities, in particular the alcohol interlock programme.

Regional improvements expenditure was 24 percent above budget due to many projects progressing ahead of plan.

Public transport expenditure was 7 percent below budget as a result of lower than planned activity across various public transport infrastructure projects.

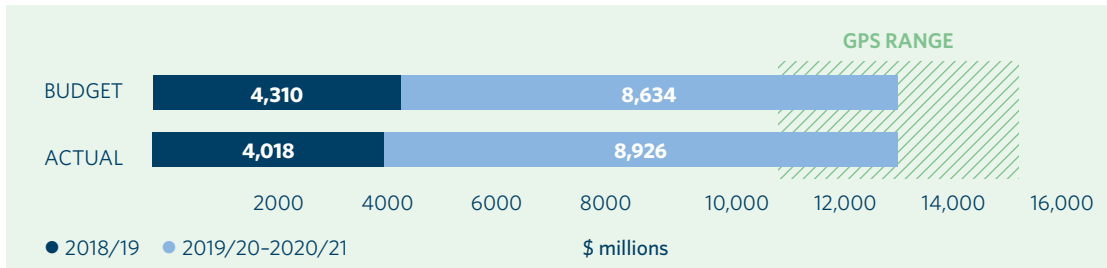
Walking and cycling expenditure was 28 percent below budget due to delays with the National Land Transport Fund expenditure component of Urban Cycleways Programme projects and later than planned start up for several large projects.

Rapid transit and **transitional rail** were new activity classes for the 2018–21 National Land Transport Programme. Expenditure on rapid transit was \$10 million, considerably lower than the \$130 million budget that was set before a review of project costs and cash flows. Expenditure on transitional rail was 46 percent below budget. This is because funding approvals for key Wellington projects were budgeted in 2018/19 and are now expected in 2019/20, which will boost expenditure during the remainder of the National Land Transport Programme.

The actual investments from the 2018–21 National Land Transport Fund for the planned level of funds allocated in the 2018–21 National Land Transport Programme are illustrated in the figures in the next sections. The figures do not account for National Land Transport Programme funds contributed by local authorities or other sources, including Crown grants and loans.

OVERALL USE OF THE NATIONAL LAND TRANSPORT FUND

The abbreviation GPS in the figures in this section stands for 'Government Policy Statement on land transport'.

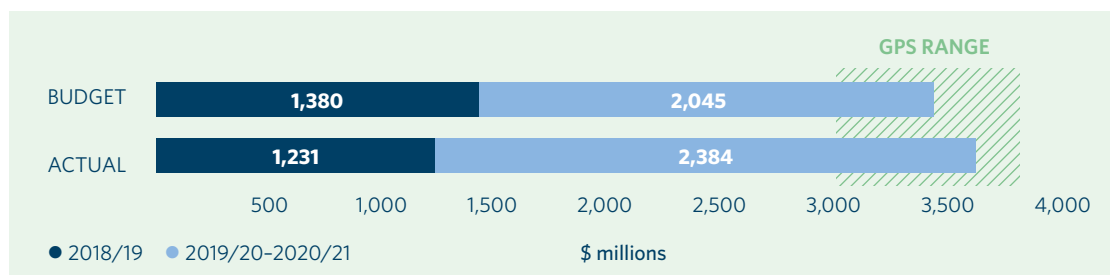


At the end of year one of a three-year programme, overall National Land Transport Fund spend across all activity classes is 7 percent below budget. This is within the range of expected expenditure outcomes at this stage of National Land Transport Programme delivery.

While some slower progress has been made in some activity class programmes, this has been offset by higher expenditure and delivery levels in other programmes, particularly local road improvements. Expenditure at the end of 2020/21 is forecast to fully utilise all funds available.

STATE HIGHWAY IMPROVEMENTS

State highway improvements expenditure



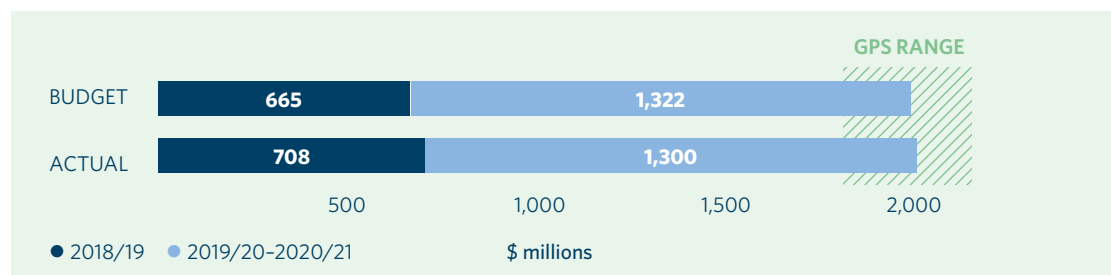
State highway improvements expenditure was \$149 million (11 percent) below budget at the end of 2018/19 primarily as a result of overly optimistic forecasting for the first year of the 2018–21 National Land Transport Programme. Projects contributing to the underspend include: Auckland’s Northern Corridor Improvements (\$56 million), Wellington’s Northern Corridor (\$31 million), Mackays to Peka Peka (\$17 million), Christchurch Northern Arterial (\$16 million) and Peka Peka to Ōtaki (\$14 million). Expenditure is forecast to increase significantly in the remainder of the 2018–21 National Land Transport Programme period as major construction projects continue or are completed.

State highway improvements performance measures

| REFERENCE MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|--|--------------|----------------|--------------------|----------|----------------|
| SHI1 % of activities delivered to agreed standards and timeframes | Not achieved | 88% | ≥90% | 2% | 86% |
| <p>The delivery of activities to agreed standards and timeframes was below target, although an improvement on last year’s result. This measure is 50 percent financial performance against budget and 50 percent delivery performance against milestones. The financial underspend was largely caused by overly optimistic forecasting across the state highway improvements programme in the first year of the 2018–21 National Land Transport Programme and a few large projects experienced delays caused by issues such as:</p> <ul style="list-style-type: none"> • delays receiving materials (Mackays to Peka Peka and Christchurch Northern Arterial) • unforeseen ground conditions delaying construction of a retaining wall (Western Ring Route) • consenting delays and property acquisition challenges (Mt Messenger Bypass) • final asphalt surfacing deferred to give chip seal more time to bed down and to ensure conditions are optimal (Waikato Expressway’s Rangiriri and Ngaruawahia sections, respectively). | | | | | |
| SHI2 % of state highway network modified to align with safe and appropriate speed | Baseline set | 0.6% (68.5km) | Baseline to be set | - | New measure |
| <p>We completed a review of speeds across the state highway network and have identified the top 10 percent that will result in the greatest reduction in death and serious injury when modified. A total of 68.5km of the state highway network had speed reductions this year. This includes 25.6km on State Highway 1 north and south of Kaikōura and 9km on State Highway 60 in Richmond. Both lengths of road are part of the top 10 percent of the network identified to have the greatest impact on reducing death and serious injuries when modified.</p> | | | | | |
| SHI3 % of state highways available to high productivity motor vehicles | Achieved | 71% | ≥62% | 9% | 62% |

STATE HIGHWAY MAINTENANCE

State highway maintenance expenditure



State highway maintenance expenditure was \$43 million (6 percent) above budget at the end of 2018/19. Emergency works were \$24 million above budget, largely from work on Manawatū Gorge, Takaka Hill and Waiho Bridge. Other variances were from higher spend on Route 70 (Kaikōura Inland Route) and Auckland Motorway Alliance mobilisation and the effect of traffic growth.

State highway maintenance performance measures

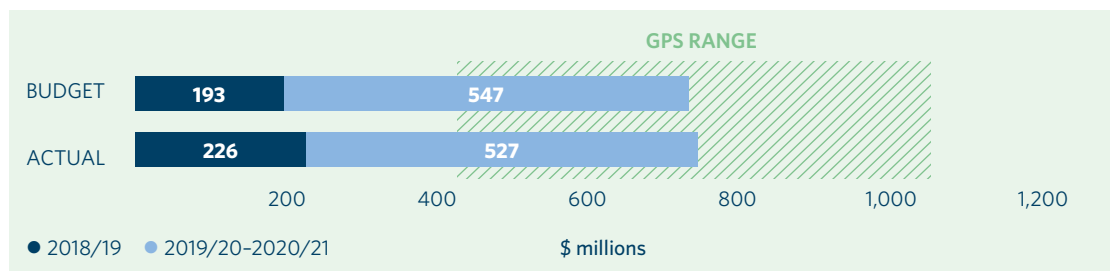
| REFERENCE MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|---|--------------|----------------|-------------------|----------|----------------|
| SHM1 % of activities delivered to agreed standards and timeframes | Achieved | 94% | ≥90% | 4% | 90% |
| SHM2 Safe stopping: % of network meeting surface texture standards | Achieved | 99% | ≥98% | 1% | 99% |
| SHM3 Network resilience: % of rutting ≥20mm over state highway network | Achieved | 1% | ≤3% ^a | 2% | 1% |
| SHM4 Safe stopping: % of network above skid threshold | Not achieved | 97% | ≥98% | 1% | 95% |
| While the target was not achieved, the proportion of the road network above the skid threshold improved on last year following increased funding to treat network deficiencies. Additional funding is available for the remaining two years of the 2018–21 National Land Transport Programme to continue working towards this target. | | | | | |
| SHM5 Smooth ride: % of travel on network classed as smooth | Achieved | 99% | ≥97% | 2% | 99% |
| SHM6 Availability of state highway network: % of unplanned road closures resolved within standard timeframes | Achieved | 85% | ≥75% ^b | 10% | 82% |
| SHM7 State highway maintenance cost per lane kilometre delivered | Achieved | \$22,997 | \$21,500–\$24,000 | 0% | \$24,705 |

^a This was published incorrectly as 3% in our *Amended statement of performance expectations 2018/19*.

^b The target was reduced for 2018/19 to take account of extreme weather events, which impact performance against this measure. The target has been revised back to ≥84% for 2019/20 to reflect a more consistent baseline of historic performance.

LOCAL ROAD IMPROVEMENTS

Local road improvements expenditure



Local road improvements expenditure was \$33 million (17 percent) above budget at the end of 2018/19. Performance is being driven, in part, by targeted enhanced funding assistance rates as well as completion of work that was approved in the 2015-18 National Land Transport Programme.

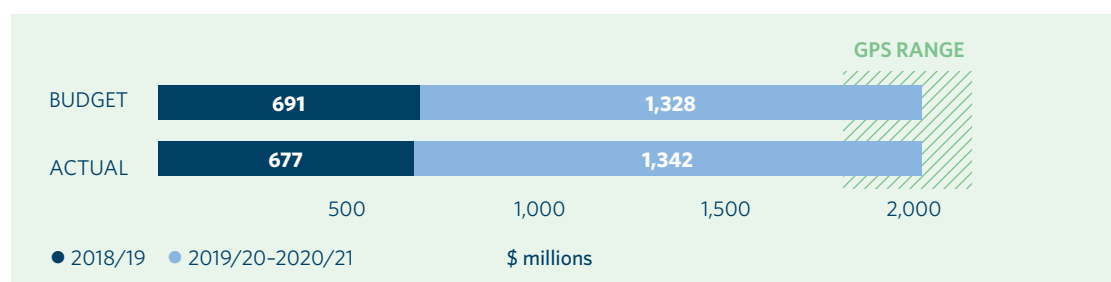
Local road improvements performance measures

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|-----------|---|----------|----------------|----------------|----------|----------------|
| LR11 | % of approved organisations signed up to the 50MAX network | Achieved | 95% | ≥95% | 0 | 95% |
| LR12 | % of local road network modified to align with safe and appropriate speed | - | Not available | Set baseline | - | New measure |

The Transport Agency has not reported on this measure because sufficiently robust data is not available. In future, data will be sourced from the National Speed Limit Register, which is being developed and is expected to be ready for local road reporting after December 2020.

LOCAL ROAD MAINTENANCE

Local road maintenance expenditure



Local road maintenance expenditure was \$14 million (2 percent) below budget due to lower than forecast emergency works claims. Funding approvals for emergency works are well above budget but several funding claims are yet to be finalised. The delivery of the base programme is close to budget.

Local road maintenance performance measures

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|-----------|--|--------------|----------------|-----------------|----------|----------------|
| LRM1 | Pavement integrity index of the sealed network ^a | Achieved | 94 | 94 ^b | 0 | 94 |
| LRM2 | Surface condition index of the sealed network ^c | Achieved | 98 | 98 ^b | 0 | 98 |
| LRM3 | Smooth ride: % of travel on smooth roads | Achieved | 87% | ≥86% | 1% | 87% |
| LRM4 | Local road maintenance cost per local road lane km delivered | Not achieved | \$3455 | ≤\$3000 | \$455 | \$3095 |

This measure is calculated by dividing the amount spent on the maintenance and renewal of local roads by the total number of lane kilometres in the network. Cost per local road lane kilometre was above target this year because more sealed pavement maintenance and routine drainage maintenance work were delivered than budgeted for. Network asset management activities were also higher than expected. Not all these activities contribute to an increase in lane kilometres.

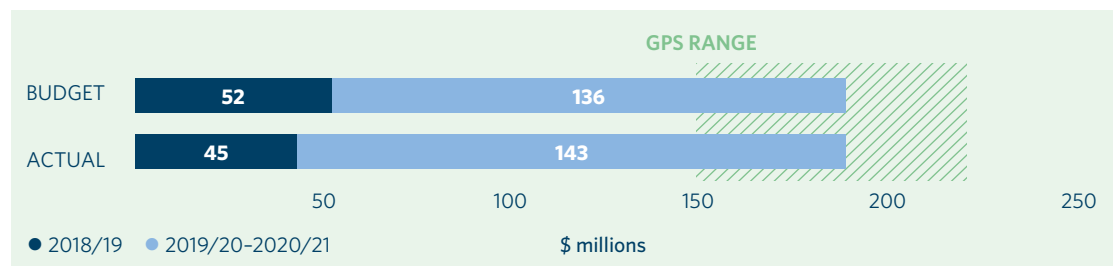
a This was published incorrectly in our *Amended statement of performance expectations 2018/19* as '% of the sealed local road network that meets pavement integrity targets' and has been corrected to reflect what is being measured. This is consistent with previous methodology and results.

b This was published incorrectly in our *Amended statement of performance expectations 2018/19* as a percentage.

c This was published incorrectly in our *Amended statement of performance expectations 2018/19* as '% of the sealed local road network that meets surface condition targets' and has been corrected to reflect what is being measured. This is consistent with previous methodology and results.

ROAD SAFETY PROMOTION AND DEMAND MANAGEMENT

Road safety promotion and demand management expenditure



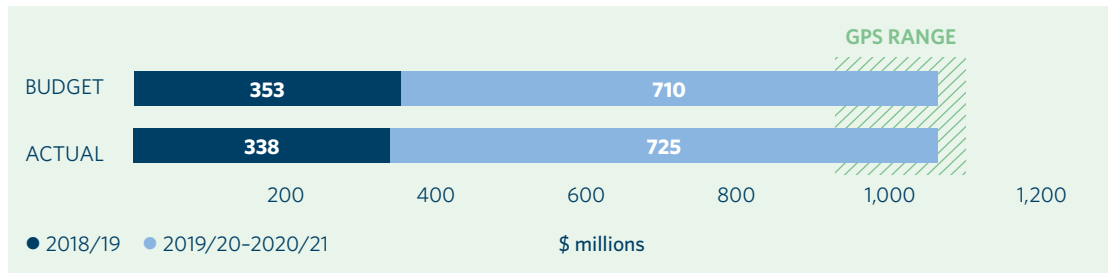
Expenditure was \$7 million (13 percent) below budget at the end of 2018/19. This is due to the slow start to a number of Transport Agency and locally delivered activities, in particular the alcohol interlock programme.

Road safety promotion and demand management performance measures

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|-----------|--|--------------|----------------|----------------|----------|----------------|
| RSP1 | % of activities delivered to agreed standards and timeframes | Not achieved | 76.5% | 100% | 23.5% | 100% |
| | The Transport Agency did not meet its target because of delays completing two of the three programmes planned for the third quarter (both were completed in quarter four) and two programmes planned for the fourth quarter. The Transport Agency did not complete the evaluation report of the Young Driver programme (delivered in July 2019) and the education component of the Safe Networks Programme, which was delayed to align with the speed management component of the programme. | | | | | |
| RSP2 | % of road safety advertising campaigns that meet or exceed their agreed success criteria | Achieved | 89% | ≥80% | 9% | 87% |

ROAD POLICING²⁶

Road policing expenditure



Road policing expenditure was \$15 million (4 percent) below budget due to slower than planned progress on approved special projects due to reallocation of resources into higher priority projects. A cash flow adjustment was approved in late 2018 and included in the calculation of work programme for 2019/20 and 2020/21, which was considered by the Transport Agency Board in August 2019 and approved for recommendation to the Minister of Transport.

Road Safety Partnership Programme

In consultation with New Zealand Police, the Transport Agency prepares the Road Safety Partnership Programme of New Zealand Police activities to be funded through the National Land Transport Fund and recommend it to the Minister of Transport for approval. The Transport Agency also monitor and report on delivery of the programme. The programme is funded through Vote Police, but the investment source is the National Land Transport Fund.

Road policing contributes to a safer land transport system by delivering prevention and enforcement activities that are targeted to risk, to make New Zealand’s roads safer and to support network management and compliance.

Monitoring the programme

An initial performance framework has been developed for the 2019-21 Road Safety Partnership Programme and this aligns with the emerging Road to Zero outcomes framework. The desired outcome is that the programme’s proposed activity levels and measures link directly to the Road to Zero intervention, system performance, and outcome indicators. This framework will be further refined as the Road to Zero outcomes are agreed and will include reporting on the contribution of the dedicated road policing officers and their planned operations targeting restraints, impairment distractions and speed.

Highlights for 2018/19

Operation Five

On 1 July 2018, New Zealand Police introduced a target to reduce road deaths by 5 percent every year. This was supported by a national operation – Operation Five. The first six months of Operation Five (July–December 2018) saw a reduction in road deaths against the same period in 2017 (although a 5 percent reduction was not achieved for the full 2018 calendar year). At this stage, road deaths are tracking towards the 2019 target. Operation Five is an ambitious, long-term challenge for action to reduce road deaths. New Zealand Police has prioritised enforcement for restraint use, impaired driving, distracted driving and speeding and identified high-risk deployment routes in each district.

²⁶ Road policing activities for developing plans for improving the transport network and systems are authorised under section 9(3) and (4) of the Land Transport Management Act 2003.

National Road Safety Dashboard

A second version of the National Road Safety Dashboard is being rolled out in all district command centres. The dashboard is an evolving tool that is continually improved as feedback is received so that it can better assist responsive deployment and ensure NZ Police are highly visible. The dashboard is moving closer to being in real-time with NZ Police-held data now updated every 24 hours.

Mobile Road Safety Bases

New Zealand Police is piloting a new type of mobile road safety base for use in alcohol checkpoints. The new base is fitted out on a smaller vehicle platform, which means it can be used in a wider variety of locations. Compared with the larger bases on truck platforms, the smaller base is more flexible, is easier to deploy, and has a lower whole-of-life cost. These smaller bases are a new tactical option and won't replace the larger bases in areas where they remain required to meet demand.

Special projects

Through the 2018/19 Road Safety Partnership Programme, \$18.5 million was allocated for delivering change initiatives to reduce death and serious injury on the roads and to improve the efficiency of the network.

To improve frontline road policing, New Zealand Police delivered:

- a new fleet of portable scales to Commercial Vehicle Safety Teams nationwide, so they can undertake more roadside weight tests instead of the commercial vehicle having to go to an inspection centre
- further improvements to mobility devices, including developing an addition to the OnDuty Mobility platform, so police can adapt more quickly to new road safety legislation and new road safety initiatives
- an augmented mapping system for the Air Support Unit – two Eagle helicopters were equipped with the system, which will improve public and officer safety and enable more successful resolution of incidents involving the pursuit of fleeing drivers.

Road Safety Partnership Programme

Over the year, the Road Safety Partnership Programme involved initiatives to bring the partnership to life. These initiatives include:

- improvements to the operating model between Transport Agency and NZ Police to ensure both agencies are delivering the correct functions, and these functions and resultant activities complement each other
- developing potential new models for investment in road policing and optimal allocation of funds within NZ Police (to align with the next Government Policy Statement)
- developing proofs of concept for multi-agency intelligence-led decision making and planning
- continuing to develop options for automated compliance and intervention management.

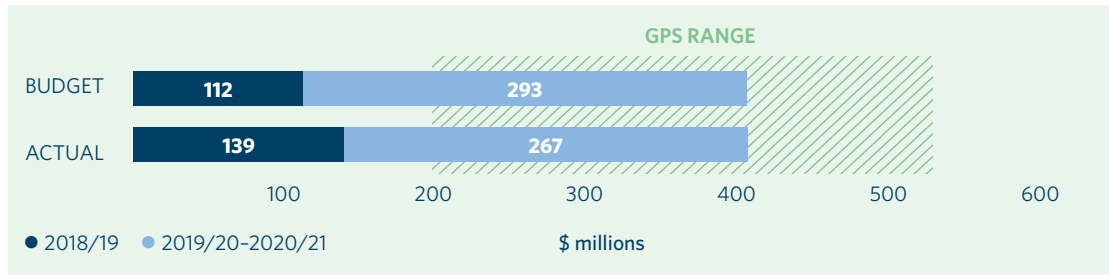
| AREA OF CONCERN | RESULTS TO WHICH NEW ZEALAND POLICE SIGNIFICANTLY CONTRIBUTES | DESIRED TREND | ASSESSMENT AGAINST DESIRED TREND | RESULT |
|--|--|---------------|----------------------------------|--------------|
| Speed, including a speed management programme with a mix of manual and automated enforcement and intervention | Number of 5-15km/h officer-issued infringement offence notices | Increase | Increase | Achieved |
| | Mobile camera deployment activity (hours) | Increase | Decrease | Not achieved |
| | Decrease of 2.8% from last year. | | | |
| | Number of officer-issued infringement offence notices ^a | Increase | Increase | Achieved |
| High-risk drivers, including recidivist drink drivers, disqualified drivers, fleeing drivers, and dangerous and reckless drivers | Number of officer-issued infringement offence notices for high-risk driving offences | Increase | Increase | Achieved |
| | Number of traffic stops (3Ts) | Increase | Increase | Achieved |
| | Number of Offender Management Plans in place for high-risk drivers | Increase | Not available | |
| | Offender management plans were not systematically tracked until 2018/19, so a trend cannot be determined. At the end of the year, 298 plans were in place. | | | |
| Restraints, including seatbelts, child restraints and helmets | Number of officer-issued infringement offence notices for restraint offences | Increase | Increase | Achieved |
| | Social media reach, interactions and shares during targeted national campaigns | Increase | Not available | |
| | Data on social media reach is not systematically collected and available. | | | |
| Impairment, including alcohol-, drug- and fatigue-related impairment | Number of officer-issued infringement offence notices for impaired driving offences | Increase | Decrease | Not achieved |
| | Indicator has remained largely flat, with a decrease of 0.5% in the financial year. | | | |
| | Number of breath tests completed | Increase | Decrease | Not achieved |
| | <p>The decrease of 27 percent in the financial year, is in part, due to the reinstatement of dedicated road policing staff and the roll-out of new impairment testing devices along with mobile road safety bases, which allow for greater agility in impairment enforcement.</p> <p>There is a balance between volume testing (to provide a general deterrence effect) and specific targeting to risk (to achieve a more targeted offence capture rate). Over recent years, while the overall volume of screening tests has dropped, the number of offences has remained static, and the number of deaths and serious injuries where impairment was a factor, have declined.</p> <p>The Transport Agency is working with NZ Police to develop the work programme for 2019/20 and 2020/21 to ensure overall volumes are reinstated to a more appropriate level.</p> <p>Future measures will cover specific and general deterrence and targeted operations while monitoring prosecutions.</p> | | | |
| | Number of compulsory impairment tests that result in positive blood tests | Decrease | Decrease | Achieved |
| | Decrease of 8% in the financial year. Note: This is a count of positive blood tests, not compulsory impairment tests. | | | |

^a Compliance seeks to achieve a road safety outcome through other means than an infringement notice. For breaches of the graduated driver licensing system and other offences (such as vehicle not up to warrant of fitness standard) an infringement could be issued with compliance offered, usually between 28 and 56 days to rectify the issue. On proof of corrective action, the infringement is waived.

| AREA OF CONCERN | RESULTS TO WHICH NEW ZEALAND POLICE SIGNIFICANTLY CONTRIBUTES | DESIRED TREND | ASSESSMENT AGAINST DESIRED TREND | RESULT |
|---|--|---------------|----------------------------------|--------------|
| Vulnerable and active road users, including elderly people, children, pedestrians, cyclists and motorcyclists | Number of driver licensing programmes available | Increase | Not available | |
| | Data on driver licence programmes is not systematically collected and available. | | | |
| | Number of compliance issued for gradual driver license breaches | Increase | Decrease | Not achieved |
| <p>The decrease of 18 percent in the financial year reflects compliance achieved (total number of infringement notices waived following completion of the compliance offered).</p> <p>The decrease in graduated drive licence (GDL) compliance from last year is in line with the corresponding overall reduction in GDL offence detection.</p> <p>The overall reduction in GDL offences is, in part, due to the increased focus on restraints, impairment, distractions and speed and increasing opportunities for police to refer an offender to a licensing programme, rather than issue an infringement notice.</p> | | | | |
| Distractions, including mobile phone use, careless use and distracting behaviours | Number of officer-issued infringement offence notices for mobile phone offences | Increase | Increase | Achieved |
| | Social media reach, interactions and shares during targeted national campaigns | Increase | Not available | |
| | Data on social media reach is not systematically collected and available. | | | |
| Vehicle safety and compliance, including regulatory compliance of commercial vehicles and driving | Number of vehicle dimension and mass offences detected | Increase | Increase | Achieved |
| Network maintenance and efficiency through effective crash investigation practices | Timeliness of fatal notification submission | Increase | Decrease | Not achieved |
| | Indicator has remained largely flat, with a decrease of 1% from last year. | | | |

REGIONAL IMPROVEMENTS

Regional improvements expenditure



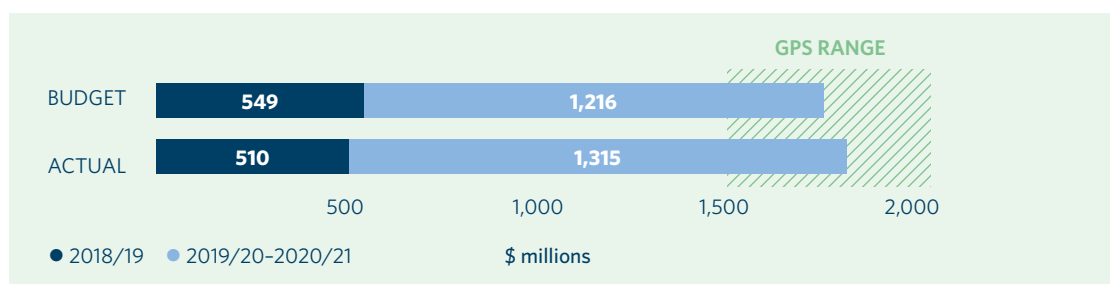
Regional improvements expenditure was \$27 million (24 percent) above budget at the end of 2018/19 due to many projects progressing ahead of plan. The forecast is to be close to budget over the 2018-21 National Land Transport Programme.

Regional improvements performance measures

| REFERENCE MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|---|----------|----------------|----------------|----------|----------------|
| RI1 Lane kilometres of improved regional roading | Achieved | 151.7 lane km | Increasing | - | 9.4km |
| RI2 Kilometres available to high productivity motor vehicles on key regional routes | Achieved | 8225km | Increasing | - | 7221km |
| RI3 % of activities delivered to agreed standards and timeframes | Achieved | 98% | 90% | 8% | 87% |

PUBLIC TRANSPORT

Public transport expenditure



Public transport expenditure is \$39 million (7 percent) below budget at the end of 2018/19 as a result of lower than planned activity across various public transport infrastructure projects. The 2018-21 National Land Transport Programme overall is forecast to be over budget, driven by strong delivery of local authority infrastructure projects and increased service costs from patronage growth and input cost pressures.

Public transport performance measures

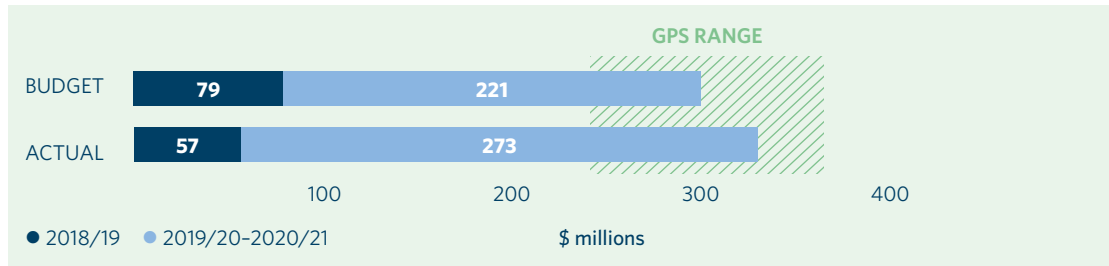
| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL | |
|-----------|--|----------|----------------|----------------|------------|------------------|-----------|
| PT1 | Number of passengers using urban public transport services (bus, train and ferry) | Achieved | 168 million | ≥164 million | 4 million | 158 million | |
| PT2 | % of people with access to frequent public transport services in Auckland, Wellington and Christchurch | Achieved | 29% | Increasing | 2% | 27% ^a | |
| PT3 | Cost per passenger kilometre by bus, train and ferry | Bus | Not achieved | \$0.20/km | ≤\$0.19/km | \$0.01/km | \$0.19/km |
| | | Train | Achieved | \$0.16/km | ≤\$0.16/km | 0 | \$0.16/km |
| | | Ferry | Not achieved | \$0.08/km | ≤\$0.06/km | \$0.02/km | \$0.06/km |

The increase in service cost of carrying passengers by bus was due to the 8 percent increase in service levels in Auckland, Waikato, Bay of Plenty and Otago. Ferry costs increased due to investment in greater capacity vessels and additional ferry services in Auckland. Cost indexation and inflation (about 4.5 percent for bus and ferry) also affected service costs. These costs across the three modes reflect spend against the National Land Transport Fund only. They exclude any local share of revenue, fare revenue, SuperGold cardholder payments and third-party revenue. If these exclusions are considered, total service cost per passenger kilometre is \$0.65/km for bus, \$0.49/km for train and \$0.60/km for ferry.

^a The 2017/18 actual figure, used as this measure's baseline, was recalculated from 30 percent to 27 percent due to an error by the external data supplier.

WALKING AND CYCLING IMPROVEMENTS

Walking and cycling expenditure



Walking and cycling expenditure is \$22 million (28 percent) below budget at the end of 2018/19. This is due to delays with the National Land Transport Fund expenditure component of Urban Cycleways Programme projects and later than planned start up for several large projects such as State Highway 88 Dunedin to Port Chalmers Safety Improvements (\$11 million) and State Highway 2 Baypark to Bayfair Link Upgrade (\$5 million). The expectation is for expenditure to pick up in 2019/20 and 2020/21 as delayed projects are implemented.

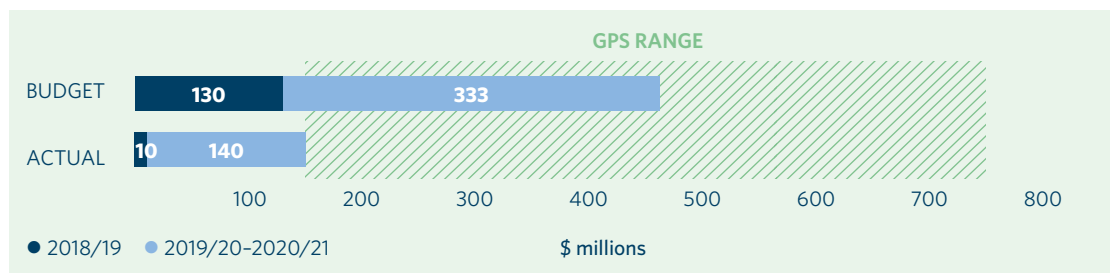
Walking and cycling performance measures

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|-----------|--|----------|---|----------------|----------|--|
| WC1 | Network kilometres of walking and cycling facilities delivered | Achieved | 104.8km (including 47.3km UCP projects) | Increasing | - | 79.3km (including 61.8km UCP projects) |
| WC2 | Cycling count in Auckland, Wellington and Christchurch | Achieved | 6238 | Increasing | - | 5605 |

Note: UCP = Urban Cycleways Programme.

RAPID TRANSIT

Rapid transit expenditure



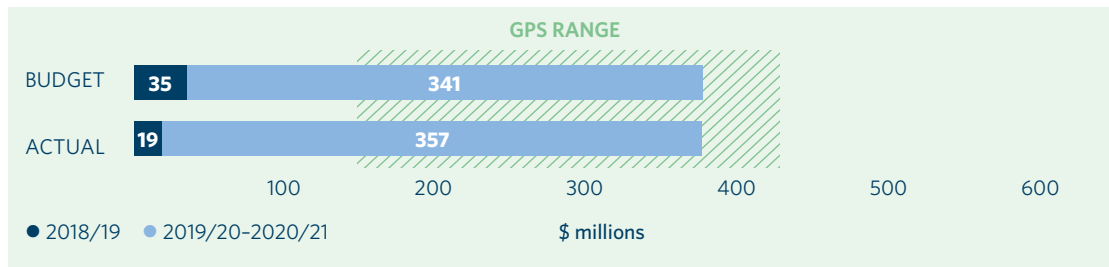
Rapid transit expenditure was \$120 million (92 percent) below budget. Budgeted spend was based on anticipated progress on the original plan for the City Centre to Mangere light rail project. Progress and expenditure has been impacted by the evaluation process underway to assess alternate project approaches by the Transport Agency and NZ Infra. As a result, rapid transit activity will not meet budget over the remainder of the 2018-21 National Land Transport Programme and the balance of unused funding has been reallocated to other output classes

Rapid transit performance measures

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|---|--|--------|----------------|----------------|----------|----------------|
| RPT1 | % of activities delivered to investment requirements | - | Not available | ≥90% | - | New measure |
| No activities reported against this measure have begun. | | | | | | |

TRANSITIONAL RAIL

Transitional rail expenditure



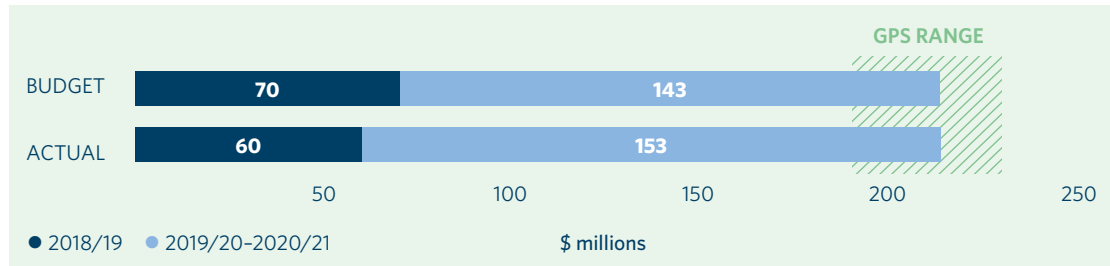
Transitional rail expenditure was \$16 million (46 percent) below budget. This was due to some projects not progressing as quickly as expected. Funding approvals for key Wellington projects were budgeted in 2018/19 and are now expected to occur in 2019/20. Further work on the Hamilton to Auckland connection is expected in 2019/20, which will boost expenditure during the remainder of the National Land Transport Programme.

Transitional rail performance measures

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|-----------|---|--------------|----------------|----------------|----------|----------------|
| TR1 | % of projects approved for implementation | Baseline set | 80% | Increasing | - | New measure |
| | Four out of five business cases received this year were approved for implementation. The Papakura to Pukekohe Rail Corridor Improvements business case has not been approved because pre-implementation work is yet to be completed. Therefore, the business case has gaps. The Transport Agency provided feedback to Auckland Transport, which is aiming to submit a revised business case for consideration by the Transport Agency Board at the board’s December 2019 meeting. | | | | | |
| TR2 | % of activities delivered to investment requirements | Baseline set | 100% | Set baseline | - | New measure |

INVESTMENT MANAGEMENT

Investment management expenditure



Investment management expenditure was \$10 million (14 percent) below budget. This underspend was primarily due to lower expenditure on the New Zealand Business Numbers Project.

Investment management performance measures

| REFERENCE | MEASURE | RESULT | 2018/19 ACTUAL | 2018/19 TARGET | VARIANCE | 2017/18 ACTUAL |
|-----------|--|--------------|----------------|----------------|----------|----------------|
| IM1 | Total cost of managing the funding allocation system as a % of National Land Transport Programme expenditure | Achieved | 1.03% | ≤1.1% | 0.07% | 0.91% |
| IM2 | % of investments that meet Transport Agency thresholds | Not achieved | 89% | 100% | 11% | 100% |
| | <p>Although 100 percent of investments met the Transport Agency's investment threshold levels only 77 percent (10 of 13) of reviewed investment decisions met required process standards. This was due to incomplete documentation and inconsistencies in the information provided. The Transport Agency is working on possible improvements to mitigate these issues, including workshops, third-party reviews, and more robust post-approval review feedback and follow-up.</p> | | | | | |
| IM3 | % of operational assurance activities completed | Achieved | 100% | 100% | 0 | 98% |
| IM4 | % of activities delivered to agreed standards and timeframes (transport planning) | Not achieved | 58% | ≥90% | 32% | 65% |
| | <p>Transport planning occurs in the lead up to developing a business case for investment from the National Land Transport Programme. Transport planning activities are behind schedule due to delays in delivering activities under the previous National Land Transport Programme (for example, Let's Get Wellington Moving) and slower than planned delivery of activities in the new National Land Transport Programme, which was published one month later than usual and requires a significant change in direction for the sector. More accurately forecasting such delays is an area for improvement for the sector (both the Transport Agency and approved organisations).</p> | | | | | |
| IM5 | % of activities delivered to agreed standards and timeframes (sector research) | Achieved | 96% | ≥90% | 6% | 100% |
| IM6 | Average number of days to action new funding approvals | Not achieved | 24.9 days | ≤20 days | 4.9 days | 17.2 days |
| | <p>The Transport Agency did not achieve its target due to an increase in processing times during the second quarter as it undertook a prioritisation exercise to optimise the allocation of constrained funding in several activity classes. This meant it took longer to action requests. Approval times were in line with performance targets for the rest of the year.</p> | | | | | |
| IM7 | % stakeholder satisfaction (approved organisations and stakeholders) | Baseline set | 45% | New measure | - | New measure |

REGIONAL HIGHLIGHTS FOR 2018/19



NORTHLAND

WHERE 2018-21 INVESTMENT IS FOCUSED

Investment in the 2018-21 National Land Transport Programme will focus on maintaining and improving the transport system, increasing safety, developing high productivity motor vehicle routes, enabling tourism, and promoting mode shift to public transport and walking and cycling.

INVESTMENT HIGHLIGHTS FOR 2018/19

Construction commenced in March 2019 of the **State Highway 1 loop road safety improvements**. Safety improvements on State Highway 1 south of Whāngārei include construction of a roundabout at Loop Road (North) and intersection improvements at the State Highway 1 and Portland Road intersection. This project is due for completion during the 2020-21 summer, with funding of \$27 million from the National Land Transport Fund.

State Highway 12 Matakohe bridges opened on 5 July 2019. This \$26 million, 2.5km project improves safety for all road users with two new two-lane bridges, a realignment of the state highway to remove the tight bends approaching the bridges, a new and improved intersection for the Matakohe township and the iconic Kauri Museum, and a shared path that incorporates the two old bridges.

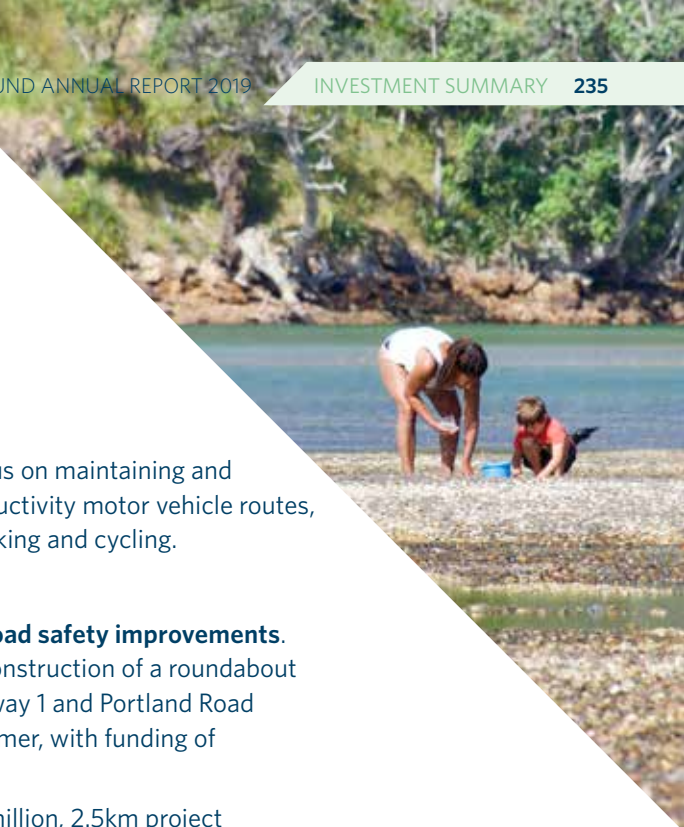
The \$18 million **State Highway 10 Taipā Bridge** project replaces a busy, single-lane bridge and narrow footpath with a two-lane bridge and 3m-wide shared path, provides safer, more reliable travel options, including improved walking and cycling facilities, and removes delays during the peak visitor season. State Highway 10 plays an important role as an alternative route when State Highway 1 is closed. This project is due for completion in October 2019.

The \$17 million **State Highway 1 Tarewa Road Intersection Safety Improvements** project is due for completion early 2020 and is the last of six projects in the Whāngārei Improvements package to ease bottlenecks and congestion and improving traffic flow and safety. The project will improve safety for those walking and cycling to and from Whāngārei Hospital, Northland Polytechnic and the central business district with a shared path under the new bridge complete with signalised pedestrian crossings.

Worked with Northland councils to complete the business case for the **Northland Integrated Cycling Implementation Plan**. It recommends a programme for building off-road walking and cycling tracks to be delivered in stages. It seeks the early development of approximately 140km of trails that would be added to the existing Twin Coast Cycle Trail to create a total of over 200km or 30 percent of Northland's Twin Coast Discovery Route.

NATIONAL LAND TRANSPORT FUND INVESTMENT

| ACTIVITY CLASS | 2018/19 ACTUAL \$000 |
|---|-------------------------|
| Northland total | 151,774 |
| State highway improvements | 55,198 |
| State highway maintenance | 36,023 |
| Local road improvements | 3,010 |
| Local road maintenance | 39,145 |
| Regional improvements | 11,648 |
| Public transport | 1,366 |
| Road safety promotion and demand management, investment management, and walking and cycling | 5,384 |
| Rapid transit and transitional rail | - |



AUCKLAND

WHERE 2018–21 INVESTMENT IS FOCUSED

Investment in the 2018–21 National Land Transport Programme will focus on improved choice for access to employment, education and services by improving connections for public transport, rapid transit, walking and cycling and by shaping more liveable communities with safe travel options.

INVESTMENT HIGHLIGHTS FOR 2018/19

The **Quay Street cycleway extension** opened in September 2018 and gives cyclists a safer ride into the city centre from east Auckland. The project extends the original two-way Quay Street cycleway from Plumer Street, past Spark Arena, to near The Strand intersection.

The **Ian McKinnon Drive walking and cycling shared path** opened at the end of 2018 and provides a dedicated cycleway from the end of the northwestern cycleway through Suffolk Reserve and along Ian McKinnon Drive to Upper Queen Street.

Construction, under way since 2015, continues on the \$268 million **State Highway 1 Southern Corridor improvements**, removing existing bottlenecks on the Southern Motorway between Manukau and Papakura and creating a brand new shared walking and cycling path between Takanini and Papakura to connect communities and provide more travel options. This project will be complete at the end of 2019.

Construction is well under way on the \$700 million Northern Corridor improvements and involves transport improvements on the Northern Motorway, including a new **State Highway 1 – State Highway 18** motorway connection to improve access and reduce congestion on surrounding local roads. The Northern Busway will be extended to Albany, and a new busway station will be constructed at Rosedale to provide more transport options in and around this busy industrial area.

Construction started in May 2019 on the **Auckland Manukau Eastern Transport Initiative (AMETI) Eastern Busway improvements**, with total investment expected to be \$240 million. This project aims for faster bus and train travel during peak times and safer travel, including new walking and cycling connections.

The more than \$110 million **State Highway 16 Lincoln to Westgate** project will be completed in late 2019, improving the Northwestern Motorway between Lincoln Road and Westgate to support growth in the western suburbs and increased traffic using the Western Ring Route.

NATIONAL LAND TRANSPORT FUND INVESTMENT

| ACTIVITY CLASS | 2018/19 ACTUAL \$000 |
|---|-------------------------|
| Auckland total | 917,529 |
| State highway improvements | 372,480 |
| State highway maintenance | 141,639 |
| Local road improvements | 78,581 |
| Local road maintenance | 128,554 |
| Regional improvements | - |
| Public transport | 166,004 |
| Road safety promotion and demand management, investment management, and walking and cycling | 18,517 |
| Rapid transit and transitional rail | 11,754 |



WAIKATO

WHERE 2018-21 INVESTMENT IS FOCUSED

Investment in the 2018-21 National Land Transport Programme will focus on congestion and safety across the region, with Waikato being prioritised for greater investment in the Safe Network Programme. Spatial planning in the land transport system will have a bigger role and be integrated with land use planning to support improved housing affordability and make our cities more liveable and multimodal. In Hamilton, this focus is seen in the Transport Agency's partnership with Hamilton City Council on its future-proof strategy and in the Auckland to Hamilton Start-up Rail project.

INVESTMENT HIGHLIGHTS FOR 2018/19

A new intersection at **Thomas and Gordonton Roads** in Hamilton city was completed with a \$2.4 million investment from the Transport Agency. As well as traffic lights, other safety measures have been implemented at the intersection such as raised safety platforms.

The \$637 million **Hamilton Section of the Waikato Expressway** is a 21.8km bypass taking State Highway 1 to the east of Hamilton city. This roading project, the region's biggest, involves 17 bridges and 5 interchanges. It includes \$7 million for the key Resolution Drive connection. The Hamilton section is scheduled for completion in mid-2021. The Transport Agency completed the 57 vertical metre cut through the Taupiri Pass on the Huntly Section, which involved shifting 1.3 million cubic metres of earth.

The \$409 million, 6km **Huntly Section of the Waikato Expressway** was progressed. It will take State Highway 1 over the Taupiri Range to the east of Huntly and is on schedule to open in early 2020.

The \$96 million, 5.9km **Longswamp Section of the Waikato Expressway** is progressing and is on schedule to be completed at the end 2019. This project involves widening this stretch of State Highway 1 to four lanes at 'expressway standard', while managing more than 20,000 vehicles a day through the site.

Hamilton City Council is developing the **Peacocke area** to the south of the city. To assist, council received a \$180.3 million, 10-year interest-free loan from the government's Housing Infrastructure Fund and \$110.1 million of Transport Agency subsidies for infrastructure, including a new bridge over the Waikato River.

The Transport Agency and KiwiRail are working together to deliver a \$26 million programme of level-crossing safety upgrades on or near the state highway network to prevent deaths and serious injuries at level crossings. In Waikato, upgrades are taking place at State Highway 29 Hinuera, State Highway 1 Huntly Bypass, and Tregoweth Lane.

NATIONAL LAND TRANSPORT FUND INVESTMENT

| ACTIVITY CLASS | 2018/19 ACTUAL \$000 |
|---|-------------------------|
| Waikato total | 518,017 |
| State highway improvements | 303,724 |
| State highway maintenance | 97,936 |
| Local road improvements | 21,043 |
| Local road maintenance | 69,117 |
| Regional improvements | 8,696 |
| Public transport | 13,209 |
| Road safety promotion and demand management, investment management, and walking and cycling | 2,616 |
| Rapid transit and transitional rail | 1,675 |

BAY OF PLENTY

WHERE 2018–21 INVESTMENT IS FOCUSED

Investment in the 2018–21 National Land Transport Programme will focus on supporting a strong and growing region by providing a transport system that is safer and more resilient and by increasing opportunities for alternative transport choices, such as public transport, walking and cycling.

INVESTMENT HIGHLIGHTS FOR 2018/19

The new **Western Bay of Plenty Public Transport Blueprint** network was launched in December 2018, providing higher frequency services based around key routes, more direct services from key origins and destinations, and extended operating hours.

The **State Highway 29 Whakapaewaka shared overbridge** opened in August 2018 over State Highway 29 Takitimu Drive, connecting Bethlehem and Gate Pā and creating a safe crossing for pedestrians and cyclists. It was partly funded by the Transport Agency's Urban Cycleways Fund.

Through the National Land Transport Fund, the Transport Agency funded 51 percent of the \$0.7 million **Kopurererua cycle path upgrade**, which opened in July 2019. A 5km rough gravel path through the Kopurererua Valley was upgraded and sealed to create a safer and easier route so more people can cycle between The Lakes and the central city.

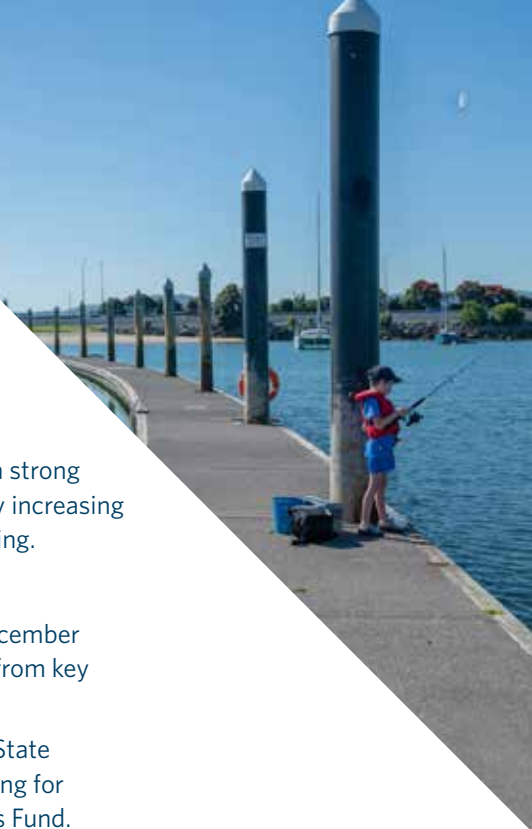
Progress continues on the \$120 million **upgrade to the Baypark to Bayfair Link**. It will improve the State Highway 2 – State Highway 29A Te Maunga intersection and the State Highway 2 Maunganui Road – Girven Road intersection and will complete the Eastern Corridor for the Bay of Plenty. The upgrade's features are two flyovers and improvements to the State Highway 29A Baypark and Truman Lane roundabout and the State Highway 2 Bayfair roundabout. Completion is expected mid-2021.

The Transport Agency funded 51 percent of the \$4.1 million **State Highway 36 overbridge**, which will make it safer for people to walk and cycle between The Lakes and Tauranga Crossing. The overbridge opened in July 2019.

Significant investment in safety along **State Highway 2 between Waihi and Ōmokoroa** is part of the Transport Agency's Safe Network Programme. The five-year \$107 million programme of work began in early 2019. This work focuses on preventing head-on and run-off crashes and providing safer connections for the local community.

NATIONAL LAND TRANSPORT FUND INVESTMENT

| ACTIVITY CLASS | 2018/19 ACTUAL \$000 |
|---|-------------------------|
| Bay of Plenty total | 167,792 |
| State highway improvements | 54,779 |
| State highway maintenance | 55,728 |
| Local road improvements | 11,843 |
| Local road maintenance | 36,828 |
| Regional improvements | 1,770 |
| Public transport | 814 |
| Road safety promotion and demand management, investment management, and walking and cycling | 6,029 |
| Rapid transit and transitional rail | - |



GISBORNE TAIRĀWHITI

WHERE 2018-21 INVESTMENT IS FOCUSED

Investment in the 2018-21 National Land Transport Programme will focus on providing a resilient and efficient transport network, due to the region's relative isolation and reliance on the state highway network and local roads to connect its communities, to get goods from farms and forests to market, and to support growth in tourism.

INVESTMENT HIGHLIGHTS FOR 2018/19

Awapuni Road on State Highway 35, was upgraded in April 2019. This road runs through a residential area and was rebuilt to be a stronger and more resilient road that will last longer and reduce noise from heavy freight traffic. The \$2.5 million project was fully funded by the National Land Transport Programme.

The **Wainui Stage II shared path** was completed in December 2018. This 1.6km stretch of shared path extended the popular Muriel Jones shared path from Sponge Bay to Kaiti. This \$1.7 million project was fully funded by the National Land Transport Fund.

The **Gladstone Road Bridge shared path** opened in April 2019. The \$2 million project was funded by the Urban Cycleways Programme and the National Land Transport Fund. The historic bridge was widened, and the balustrades were replaced with modern see-through railings to open up great views of the harbour.

The **Safety Boost programme** is well under way and includes \$6.3 million of funding from the Safe Network Programme for improvements on State Highway 2 between Wairoa and Gisborne and between Gisborne and Mātāwai and on State Highway 35 between Gisborne and Tolaga Bay. The improvements include shoulder widening, rumble strips and new roadside safety barriers in locations with a higher risk of run-off road crashes and where such a crash would most likely result in death or serious injury.

In 2019, a **central business district upgrade** package was completed for a selection of the city centre's roads and intersections that were particularly damaged and had not been upgraded for many years. The chip seal roads were replaced with asphalt for longer-lasting, stronger, smoother and quieter roads. This work was enabled by \$0.6 million from the Provincial Growth Fund.

Gisborne District Council is **repairing the road network** following a flood in June 2018. The repair bill is \$26.4 million, with 8 percent coming from the Provincial Growth Fund and 92 percent from the Transport Agency. Significant damage is also still being repaired from the 2017 storms Debbie and Cook.

In January 2019, work to widen the shoulders on a 7km stretch of the **Motu Trail/Rere Heartland Ride** was completed. This was enabled by \$0.8 million from Crown regional economic development funds.

NATIONAL LAND TRANSPORT FUND INVESTMENT

| ACTIVITY CLASS | 2018/19 ACTUAL \$000 |
|---|-------------------------|
| Gisborne total | 68,984 |
| State highway improvements | 8,980 |
| State highway maintenance | 27,193 |
| Local road improvements | 406 |
| Local road maintenance | 29,265 |
| Regional improvements | 2,367 |
| Public transport | 434 |
| Road safety promotion and demand management, investment management, and walking and cycling | 338 |
| Rapid transit and transitional rail | - |

HAWKE'S BAY

WHERE 2018-21 INVESTMENT IS FOCUSED

Investment in the 2018-21 National Land Transport Programme will recognise the importance of a regional land transport system that is safe and reliable with resilient access to remote communities where farming, forestry and tourism are essential economic drivers. Critical links between Napier Port and Palmerston North will be funded through the National Land Transport Fund, while resilience and safety through State Highway 2 from Napier to Tairāwhiti will be targeted through the Provincial Growth Fund.

INVESTMENT HIGHLIGHTS FOR 2018/19

A \$13 million roundabout on the **Hawke's Bay Expressway** along with a new access road to Hawke's Bay airport opened in September 2018. The roundabout at Watchman Road replaced the fifth highest risk intersection in New Zealand.

The \$10 million **Links Road/Pakowhai Road intersection roundabout** was completed on the Hawke's Bay Expressway in November 2018. The new roundabout will improve safety and efficiency at a key intersection on the main arterial route through the region.

Construction started on the \$3.5 million **Bay View to Hawke's Bay Airport passing lanes and safety improvements** in November 2018 and the \$10.5 million **Hawke's Bay Expressway safety improvements** in February 2019. Combined, these projects include 21km of median barrier construction.

The \$10 million **State Highway 2 Wairoa to Bay View** project and the first phase of the \$17.5 million of the **State Highway 2 Paki Paki to Waipukurau** were progressed and are nearly complete - this work includes shoulder-widening side barriers, rumble strips and new line markings, as well as a section of median barrier between Waipukurau and Waipawa.

The Transport Agency co-funded the \$20 million **Whakatu arterial route in Hastings**, enabling access to a large industrial area and allowing for expansion of industry in the region. This road provides access to the Hawke's Bay Expressway and is linked to the \$5 million State Highway 2 Napier Road roundabout, which was completed in early 2018.

The \$1.9 million **Raupunga Bluff Enhanced Resilience** project is key to the long-term connectivity of Wairoa to Napier on State Highway 2. The Transport Agency is working closely with local iwi and KiwiRail to deliver a solution that protects this key corridor north of Napier. Construction will be in 2019-2020.

A \$2.5 million investment in a Hastings District Council project has **strengthened bridges** on the local network to carry high productivity motor vehicles and 50MAX vehicles that transport goods to market.

NATIONAL LAND TRANSPORT FUND INVESTMENT

| ACTIVITY CLASS | 2018/19 ACTUAL \$000 |
|---|-------------------------|
| Hawke's Bay total | 96,264 |
| State highway improvements | 6,666 |
| State highway maintenance | 16,840 |
| Local road improvements | 5,481 |
| Local road maintenance | 37,819 |
| Regional improvements | 28,398 |
| Public transport | 213 |
| Road safety promotion and demand management, investment management, and walking and cycling | 846 |
| Rapid transit and transitional rail | - |



TARANAKI

WHERE 2018-21 INVESTMENT IS FOCUSED

Investment in the 2018-21 National Land Transport Programme will recognise the critical importance of the region's land transport system being well connected and resilient and enabling the safe passage of the heavy vehicles that travel more than 75 million kilometres on Taranaki roads each year.

INVESTMENT HIGHLIGHTS FOR 2018/19

The first stage of safety and resilience improvements covering 58km from **Awakino Gorge to Mt Messenger** was completed in September 2018. Improvements included new roadside safety barriers in high-risk areas, rumble strips, electronic warning signs, new formalised pull-over areas, and a new slow vehicle bay at Awakau Road for a total investment of \$7.5 million. Construction of more extensive improvements, including a new passing lane at Ladies Mile, began in early 2019 and are expected to be completed in mid-2020.

A preliminary stage of the \$29 million safety improvements to **State Highway 3 between Waitara and Bell Block** was completed with the removal of the northbound passing lane between Mahoetahi Road and Raleigh Street.

More than \$17 million was invested into the **Taranaki Network Outcomes Contract** to complete upgrades and safety improvements, including structural asphalt projects on State Highway 3 at New Plymouth Boys' High Hill and State Highway 44 near St Aubyn Street and works on State Highway 45 near Powderham Street.

Close to \$0.9 million of significant repairs were made to a rain-damaged culvert under **State Highway 3 near Lake Mangamahoe**. The Transport Agency also repaired a slip on State Highway 43 at Hospital Hill in Taumarunui that was threatening access to Taumarunui Hospital.

A major asphalt resurfacing upgrade was completed in the urban area of **State Highway 3 between Vickers Road and Smart Road** at a cost of \$1.2 million.

Work is under way to complete the remaining stages of **State Highway 3 Safety and Resilience improvements from Awakino Gorge to Mt Messenger**. This work includes construction of a passing lane at Ladies Mile, for which work began in early 2019, and is expected to be completed in mid-2020, at a total investment of \$14.5 million.

NATIONAL LAND TRANSPORT FUND INVESTMENT

| ACTIVITY CLASS | 2018/19 ACTUAL \$000 |
|---|-------------------------|
| Taranaki total | 52,752 |
| State highway improvements | 3,519 |
| State highway maintenance | 23,525 |
| Local road improvements | 4,091 |
| Local road maintenance | 18,103 |
| Regional improvements | 822 |
| Public transport | 1,909 |
| Road safety promotion and demand management, investment management, and walking and cycling | 783 |
| Rapid transit and transitional rail | - |



MANAWATŪ- WHANGANUI

WHERE 2018-21 INVESTMENT IS FOCUSED

Investment in the 2018-21 National Land Transport Programme will focus on critical road and rail corridors for economic prosperity in this important freight and transport hub for the North Island. Keeping the land transport system well maintained and safe is also a large part of the investment from the National Land Transport Programme in Manawatū-Whanganui. A key project for this region is a safe, resilient and efficient replacement route for the closed State Highway 3 through the Manawatū Gorge, and management of the detour routes currently in use.

INVESTMENT HIGHLIGHTS FOR 2018/19

Road widening between **Ashhurst and the Saddle Road bridge and Woodlands Road improvements** at State Highway 3 and Oxford Road were completed for investments of \$0.9 million and \$2 million, respectively.

A package of mitigation measures is being implemented to address noise and safety concerns raised by **Ashhurst** residents, which have arisen from Manawatū Gorge detour traffic travelling across Saddle Road. The total package is \$7 million with \$2.5 million already spent.

Work was completed on the 18km stretch of **State Highway 57, from State Highway 1 to Shannon**. The \$8.6 million project delivered 13.8km of side barriers and 14.3km of road markings and rumble strips.

Safety interventions such as rumble strips, improved signage and barriers at high high-risk locations were completed on four sections of road through the Safety Boost Programme:

- **State Highway 4 Taumarunui to National Park** - at a cost of \$0.4 million.
- **State Highway 2 Ngawapurua to Manawatū-Whanganui boundary** - at a cost of \$0.5m
- **State Highway 4 Tōhunga Junction to Whanganui** - at a cost of \$1.4 million
- **State Highway 3 Whangaehu to Bulls** - at a cost of \$0.4 million.

In December 2018, interim safety works were carried out from **Ōtaki to Levin**, including flexible posts on flush medians for \$0.2 million. Signs warning about high risk were installed from **Levin to Foxton** in early 2019.

Work is under way to install rumble strips, signs and, at high-risk locations, road safety barriers or a widened shoulder on five sections of **Manawatū-Whanganui** highways. This is an \$8.6 million investment as part of the Safety Boost Programme.

Construction is on schedule for completion in December 2019 for the **Whirokino Trestle and Manawatū River Bridge**. The new bridges will carry high productivity motor vehicles and have wider traffic lanes and a new 1.5m wide shoulder for cyclists, to improve safety.

NATIONAL LAND TRANSPORT FUND INVESTMENT

| ACTIVITY CLASS | 2018/19 ACTUAL \$000 |
|---|-------------------------|
| Manawatū-Whanganui total | 165,286 |
| State highway improvements | 24,725 |
| State highway maintenance | 34,935 |
| Local road improvements | 7,060 |
| Local road maintenance | 51,854 |
| Regional improvements | 38,319 |
| Public transport | 1,258 |
| Road safety promotion and demand management, investment management, and walking and cycling | 7,136 |
| Rapid transit and transitional rail | - |

WELLINGTON

WHERE 2018-21 INVESTMENT IS FOCUSED

Investment in the 2018-21 National Land Transport Programme will focus on cycleways in the Wellington region as major State Highway 1 roading projects, Transmission Gully and Peka Peka to Ōtaki, near completion. The next phase of the Let's Get Wellington Moving programme has been approved and detailed investigations will be under way in 2019/20.

INVESTMENT HIGHLIGHTS FOR 2018/19

The \$0.9 million **Oriental Bay cycleway** opened in December 2018. Hutt Road cycling improvements were also completed, apart from improvements to Kaiwharawhara Bridge. Wellington City Council delivered these projects in partnership with the government and Transport Agency.

The final stage of the **Wainuiomata Hill shared path** was opened in May 2019. Hutt City Council delivered this project in partnership with the government and Transport Agency. The whole project, including Pukeatua Bridge (which opened in 2015) cost \$14.8 million, with \$9 million invested by the Transport Agency (from the National Land Transport Fund and Urban Cycleways Fund).

In April 2019, constructions began on the **Evans Bay section of the Tahitai bike path**. This is a \$10 million project Wellington City Council is delivering in partnership with the government and Transport Agency.

Approved for funding in the Greater Wellington region were \$390 million of public transport projects, including work on **rail track upgrades** to the Hutt Valley, Wairarapa and Melling lines. This upgrade work will enable larger and more frequent trains on these lines and includes double-tracking between Trentham and Upper Hutt to increase capacity.

A new layout and metered lights were installed at the **Paremata roundabout** on 1 July 2019. These signals will help stagger northbound traffic through the roundabout, resulting in reduced queues for southbound traffic and making it easier for people in vehicles to exit the Paremata park-and-ride car park. This will help traffic flow through the area until Transmission Gully opens.

Construction progressed of the \$330 million **Peka Peka to Ōtaki Expressway**, which is expected to open in 2021. The bypass of Ōtaki and the provision of a high-standard four-lane expressway will ease local trip congestion and facilitate economic development in the area. Work continued on the \$850 million **Transmission Gully motorway**, with 12 of the project's 25 structures now complete. Construction is 75 percent complete, and the motorway is scheduled to open in 2020.

NATIONAL LAND TRANSPORT FUND INVESTMENT

| ACTIVITY CLASS | 2018/19 ACTUAL \$000 |
|---|-------------------------|
| Wellington total | 333,628 |
| State highway improvements | 113,048 |
| State highway maintenance | 56,393 |
| Local road improvements | 18,163 |
| Local road maintenance | 46,593 |
| Regional improvements | - |
| Public transport | 85,769 |
| Road safety promotion and demand management, investment management, and walking and cycling | 10,877 |
| Rapid transit and transitional rail | 2,785 |

TOP OF THE SOUTH

WHERE 2018–21 INVESTMENT IS FOCUSED

Investment in the 2018–21 National Land Transport Programme will focus on safer and better transport choices in Nelson and Richmond with improvements to cycling and the public transport network.

INVESTMENT HIGHLIGHTS FOR 2018/19

The **Tahunanui shared pathway**, in Nelson will encourage more people to walk and cycle in and around Tahunanui. Stage 1 was completed in July 2019, with the project moving to construction of stage 2 in April 2019.

The \$12 million shared path **Haven Road section of the Maitai to Rocks Road cycle facility** opened in September 2018. It provides cyclists and pedestrians with a safe, shared connection between existing cycling facilities and expands the network of cycling and walking paths.

The **LED streetlight upgrade** for \$0.8 million was completed and will save energy and create less light pollution.

An investment of almost \$0.3 million into **public transport ticketing solutions** will contribute to improving the experience of public transport users.

The **Nelson Future Access** project started in 2019. It is investigating a safe, resilient and accessible transport system for all users in Nelson.

Saltwater Creek bridge replacement, delivered by the Transport Agency in conjunction with Nelson City Council, is the second stage of the Maitai to Rocks Road cycle facility (\$0.5 million). It will provide cyclists and pedestrians with a safe, shared connection between existing cycling facilities and expand the network of cycle and walking paths. This work started in April and is due to be completed in late 2019.

In Marlborough, approved funding for local road improvements in 2018 include the **Tyntesfield No 1 Bridge replacement** (\$0.04 million), conversion of street lighting to LEDs (\$0.04 million), and the **Waihopai high productivity motor vehicles route** (\$0.6 million).

Construction of the new **bridge over the Ōpaoa River** commenced in late 2018. This bridge will make State Highway 1 more resilient and secure as New Zealand's main strategic road freight route connecting the North and South Islands. The existing bridge will become a pedestrian and cycle facility.

The **Kaikōura rebuild**, led by North Canterbury Transport Infrastructure Recovery, continues with \$1.3 billion allocated for this work. Work includes resilience work as well as upgrades such as walking and cycling tracks, improved amenities, and stopping areas such as at Ohau Point.

NATIONAL LAND TRANSPORT FUND INVESTMENT

| ACTIVITY CLASS | 2018/19 ACTUAL \$000 |
|---|-------------------------|
| Top of South total | 73,701 |
| State highway improvements | 12,895 |
| State highway maintenance | 32,590 |
| Local road improvements | 1,929 |
| Local road maintenance | 21,363 |
| Regional improvements | 1,929 |
| Public transport | 532 |
| Road safety promotion and demand management, investment management, and walking and cycling | 4,343 |
| Rapid transit and transitional rail | - |



CANTERBURY

WHERE 2018-21 INVESTMENT IS FOCUSED

Investment in the 2018-21 National Land Transport Programme will focus on safer, more reliable and more resilient routes to cater for growth in freight volumes and in tourist numbers in Canterbury and to help keep communities connected and support economic growth.

INVESTMENT HIGHLIGHTS FOR 2018/19

As part of a \$2.5 million project, safety barriers were installed down the middle and the sides of **Queen Elizabeth II Drive** in June 2019, making it safer for motorists, cyclists and students walking to school. Additional road markings that make it easier to see at night and in wet conditions were also put in place.

The alternative hazardous goods route was completed over **Evans Pass, from Sumner to Lyttelton**, in March 2019, having been closed since the 2011 earthquake. This was a complex and technical project to reinstate the road and protect road users from rock fall.

The \$28.7 million project to install a new fire deluge system in the **Lyttelton Tunnel** was completed in July 2019. The project will improve safety and reduce the risk of lengthy closures through a main transport route.

Construction of the **Christchurch Southern Motorway and the Northern Arterial** progressed. Both motorways are due for completion in 2020. They will provide safer travel to the north and south of the city and better access for freight, supporting economic growth of, not only Canterbury, but the wider South Island.

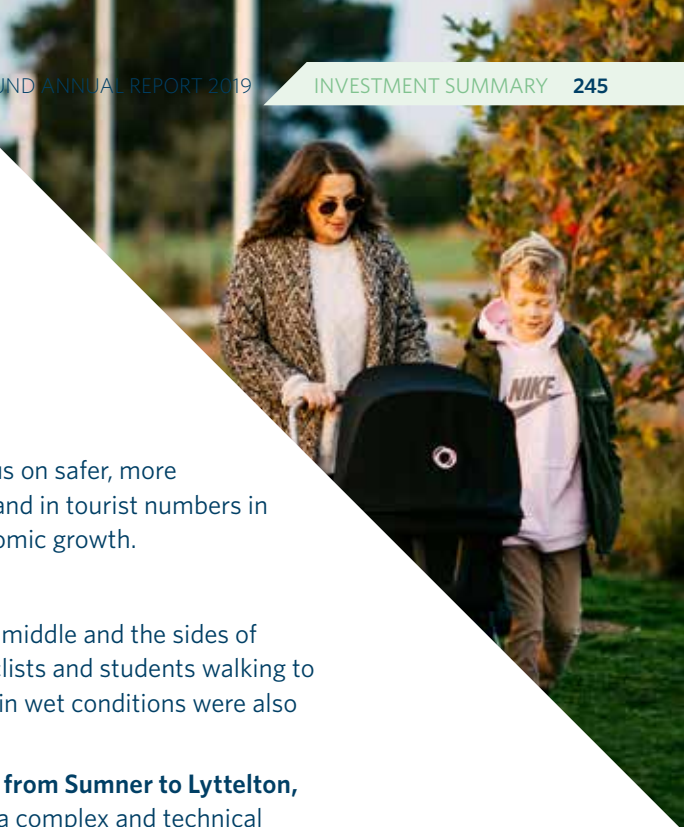
Work on **State Highway 7 from Waipara to Waikari** was completed in August 2019 for \$3.5 million. The project included installation of roadside safety barriers, rumble strips and upgrades of barriers on three bridges.

Work is under way to improve safety at level crossings at **Kirk Road (State Highway 1) in Christchurch, Rangitata (State Highway 79) in South Canterbury, and west of Christchurch at Kirwee (State Highway 73)**. This is part of \$26 million being spent nationally to make crossings safer for drivers and pedestrians by using low-cost improvements to prevent deaths and serious injuries, targeting crossings on or near state highways.

Service improvements to the public transport network are being progressed, including an on-demand public transport trial in Timaru. The Transport Agency will fund 51 percent of the trial, which will use smaller vans and make more effective use of technology to provide a more convenient service. This will be part of a much wider investigation into how public transport will meet increased demand.

NATIONAL LAND TRANSPORT FUND INVESTMENT

| ACTIVITY CLASS | 2018/19 ACTUAL \$000 |
|---|-------------------------|
| Canterbury total | 460,814 |
| State highway improvements | 220,379 |
| State highway maintenance | 73,775 |
| Local road improvements | 22,309 |
| Local road maintenance | 108,032 |
| Regional improvements | 3,944 |
| Public transport | 25,713 |
| Road safety promotion and demand management, investment management, and walking and cycling | 6,661 |
| Rapid transit and transitional rail | - |



WEST COAST

WHERE 2018–21 INVESTMENT IS FOCUSED

Investment in the 2018–21 National Land Transport Programme will focus on building resilience into the state highway network in West Coast so tourism, the region's main economic driver, can continue to grow and rely on safe, reliable access to the area.

INVESTMENT HIGHLIGHTS FOR 2018/19

The **Waiho River bridge** on State Highway 6 south of Franz Josef was washed away on 26 March 2019. The \$6.6 million Waiho River bridge repairs were completed in April 2019. The bridge is a vital link for tourism, hospitality and accommodation businesses.

Resilience work at **Dolomite Point**, Punakaiki, was completed at a cost of about \$7.8 million. This was an emergency repair project to provide shoreline rock protection following ex-tropical cyclone Fehi with some additional resilience work to ensure long-term protection against future events and sea-level rise.

Repairs from storm damage, also the result of ex-tropical cyclone Fehi, is ongoing at **17 Mile Bluff, Bruce Bay and Gates of Haast**. A significant part of the work at 17 Mile Bluff and Bruce Bay is sea protection work. Work at Gates of Haast is technically challenging. The total estimated cost for all three sites is \$25 million.

The **Taramakau Bridge build** was completed in July 2018 for \$25.08 million. This bridge, between Kumara Junction and Greymouth, replaced a single-lane, 132-year-old road-rail bridge. Eight slow-vehicle passing bays were installed to provide significantly more passing opportunities between Kumara and Otira on **State Highway 73**, and Reefton and the Rahu saddle on **State Highway 7** at a cost of nearly \$3 million. Both routes carry a significant proportion of heavy traffic and tourists.

Construction was completed of the **Marlborough Street – State Highway 6 roundabout** in Greymouth at a cost of \$1 million. This work addressed safety concerns arising from 19 people dying and 90 being seriously injured in crashes on State Highway 6 between Blenheim and Nelson between 2008 and 2017.

A project to replace the **Ahaura Bridge on State Highway 7** has commenced and is being tendered. The current single-lane, partially wooden bridge will be replaced with a two-lane concrete bridge.

NATIONAL LAND TRANSPORT FUND INVESTMENT

| ACTIVITY CLASS | 2018/19 ACTUAL \$000 |
|---|-------------------------|
| West Coast total | 71,487 |
| State highway improvements | 6,082 |
| State highway maintenance | 47,827 |
| Local road improvements | 861 |
| Local road maintenance | 11,080 |
| Regional improvements | 5,360 |
| Public transport | 93 |
| Road safety promotion and demand management, investment management, and walking and cycling | 183 |
| Rapid transit and transitional rail | - |

OTAGO AND SOUTHLAND

WHERE 2018-21 INVESTMENT IS FOCUSED

Investment in the 2018-21 National Land Transport Programme will encourage a shift from the use of private vehicles towards public transport and active options such as walking and cycling. This shift will support health outcomes and contribute towards a cleaner environment. This investment will also provide safe and improved access to schools, employment, and goods and services, as well as contributing to creating a liveable urban community.

INVESTMENT HIGHLIGHTS FOR 2018/19

A new \$6 million **Dunedin central city bus hub** opened in March 2019. The hub provides one central city service point for public transport and enables easier transfers between services. The facility aims to help grow public transport use in the city and includes a real-time bus information system that makes it easy for everyone to move around.

A new \$8 million one-way system of separated **cycle lanes on State Highway 1** through central and north Dunedin opened in March 2019, providing safer and improved access for cyclists on this busy key arterial route.

Work is under way on the Inner Harbour Links section of the **Dunedin City Council's Central City Cycle Network** project. This section includes a cycle bridge over Water of Leith and connects with the State Highway 88 shared path to Port Chalmers. It also provides a route through the harbour industrial area to Portsmouth Drive and via the rail corridor to Anzac Avenue in front of Dunedin's rail station. The \$7.8 million project is jointly funded and scheduled to open in May 2020.

Work on an **LED replacement** project started in July 2019. This two-year \$12.2 million project is replacing Dunedin's street-lighting network with LEDs. The Transport Agency is providing 85 percent of the funding. LED lighting increases safety and significantly reduces energy use and ongoing maintenance costs.

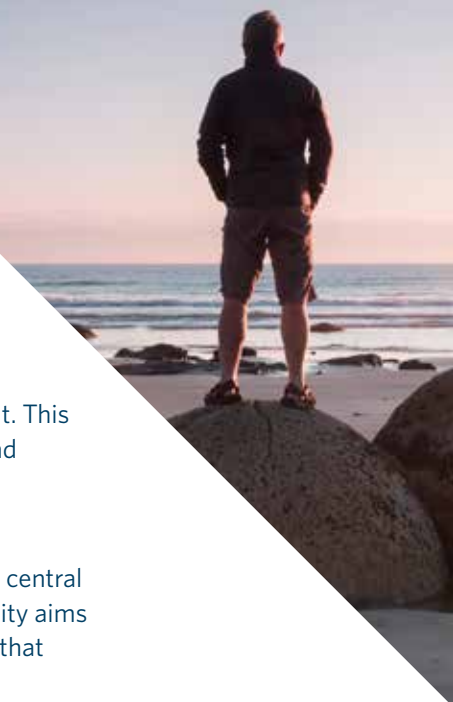
Work continues on Dunedin City Council's \$69.5 million **Portobello Road safety and resilience** project to improve safety and deliver a shared path for cyclists and walkers, raising low-lying sections of the road to protect against rising sea levels. The latest stage completed in May 2019 was the \$12.5 million, 2km section connecting Broad Bay and Portobello.

The Transport Agency invested \$6.4 million to improve safety and access at the busy **State Highway 6 - Tucker Beach Road intersection** in Frankton. Difficult right-hand turns across the highway have been resolved by building a new slip road on to State Highway 6 to Frankton. The new slip road opened on 6 May 2019.

The \$14 million **Boost Safety Programme** targeting low-volume highways in Otago and Southland has been completed. This programme installed safety barriers and rumble strips and upgraded curve-warning signs.

The \$10 million **visiting drivers' road safety programme** on key visitor routes in the Otago and Southland region was completed. Work included installing safety barriers and improved road markings and signage to keep visitors and local drivers safe.

Construction started in July 2018 on the \$13 million **State Highway 1 Edendale realignment** 30km north of Invercargill. The alignment, due for completion in mid-2020, will improve safety by moving highway traffic out of the Edendale township and will help the region to prosper by providing better access to economic and social opportunities.

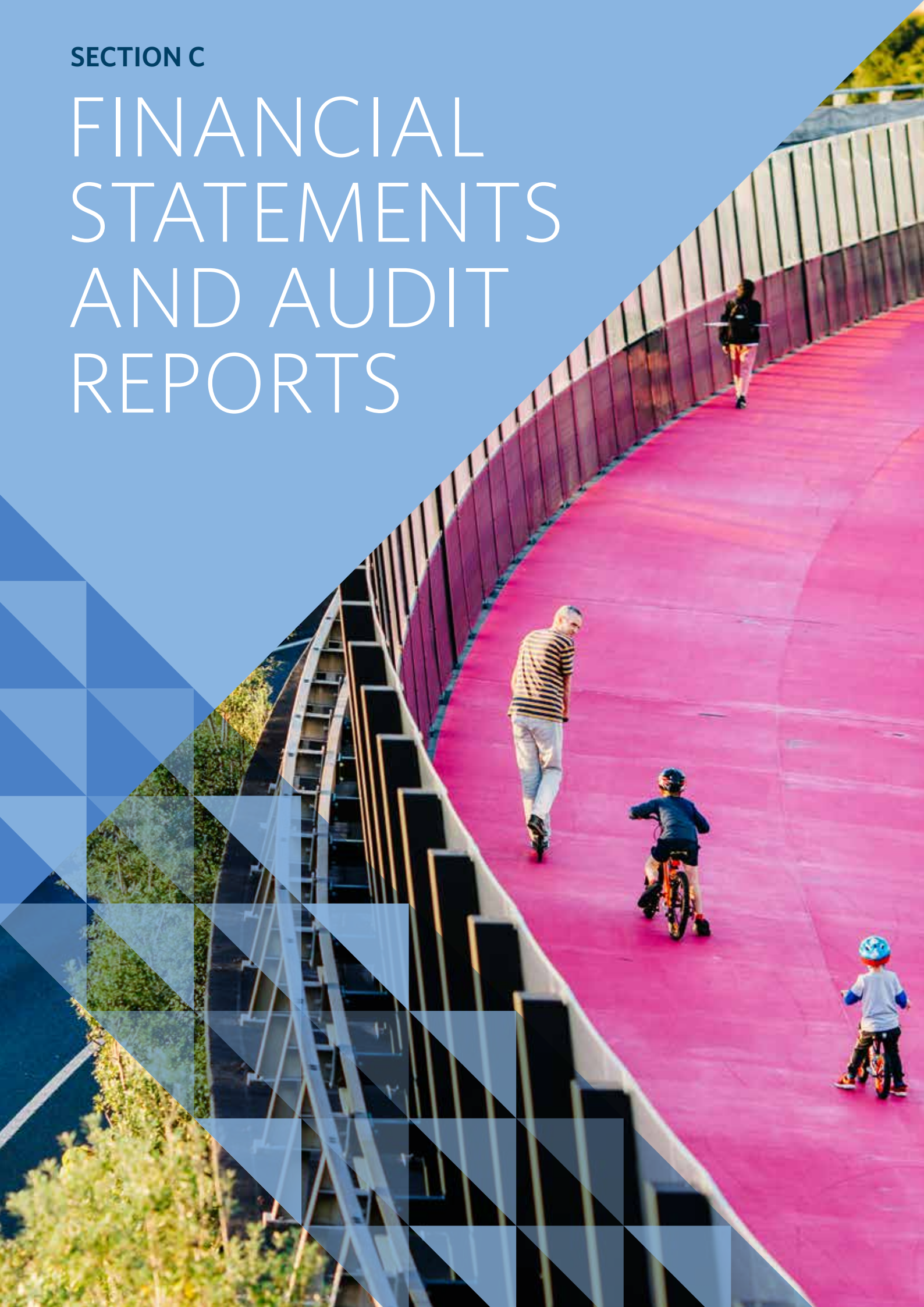


NATIONAL LAND TRANSPORT FUND INVESTMENT

| ACTIVITY CLASS | 2018/19 ACTUAL \$000 |
|--|-------------------------|
| Otago and Southland total | 207,160 |
| State highway improvements | 24,792 |
| State highway maintenance | 69,538 |
| Local road improvements | 24,534 |
| Local road maintenance | 53,464 |
| Regional improvements | 13,342 |
| Public transport | 13,727 |
| Road safety promotion and demand management, investment management, and walking and cycling | 7,764 |
| Rapid transit and transitional rail | - |

SECTION C

FINANCIAL STATEMENTS AND AUDIT REPORTS



STATEMENT OF RESPONSIBILITY

Under the Land Transport Management Act 2003, the Transport Agency Board is responsible for the preparation of the National Land Transport Fund 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 National Land Transport Fund under section 19A of the Public Finance Act 1989.

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

In the board's opinion, these financial statements and statement of performance fairly reflect the financial position and operations of the National Land Transport Fund for the year ended 30 June 2019.

Signed on behalf of the board:



SIR BRIAN ROCHE

Chair
1 October 2019



DAVID SMOL

Member of the
Transport Agency
Board
1 October 2019

Countersigned by:



MARK RATCLIFFE

Interim Chief Executive
1 October 2019



**HOWARD
CATTERMOLÉ**

Chief Financial Officer
1 October 2019

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2019

| | NOTE | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|------|--------------------------|--------------------------|--------------------------|
| REVENUE INFLOWS* | | | | |
| Land transport revenue | 3 | 3,854.4 | 3,876.3 | 3,657.6 |
| Management of Crown land | | 53.9 | 57.7 | 53.5 |
| Tolling revenue | | 11.3 | 10.2 | 10.2 |
| Interest revenue | | 9.9 | 12.0 | 11.7 |
| Total revenue inflows | 2 | 3,929.5 | 3,956.2 | 3,733.0 |
| OUTFLOWS | | | | |
| National Land Transport Programme | | 3,680.9 | 3,957.0 | 3,435.1 |
| Road Policing Programme | | 337.5 | 353.0 | 333.0 |
| Fuel excise duty/road user charges administration | | 4.9 | 4.9 | 5.2 |
| Forecasting and strategy | | 1.0 | 1.0 | 0.9 |
| Total outflows | 2 | 4,024.3 | 4,315.9 | 3,774.2 |
| SURPLUS/(DEFICIT) FROM CURRENT NLTF BALANCE | | (94.8) | (359.7) | (41.2) |
| Fair value gain on long-term payables | | 2.8 | 25.5 | 19.6 |
| NLTF expenditure to be funded long term | | (670.9) | (477.7) | (557.3) |
| Finance charges | | (7.7) | (7.5) | (5.7) |
| Deficit to be funded from future NLTF revenue | | (675.8) | (459.7) | (543.4) |
| SURPLUS/(DEFICIT) | | (770.6) | (819.4) | (584.6) |

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

| | NOTE | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|---------------------------------------|------|--------------------------|--------------------------|--------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | 6 | 419.0 | 251.1 | 515.5 |
| Receivables | 3, 6 | 257.2 | 269.8 | 271.5 |
| Total assets | | 676.2 | 520.9 | 787.0 |
| LIABILITIES | | | | |
| Payables | 4, 6 | 2,558.9 | 2,453.1 | 1,899.1 |
| Total liabilities | | 2,558.9 | 2,453.1 | 1,899.1 |
| NET ASSETS | | (1,882.7) | (1,932.2) | (1,112.1) |
| GENERAL FUNDS | | | | |
| General funds | | (1,882.7) | (1,932.2) | (1,112.1) |
| GENERAL FUNDS CLOSING BALANCE* | 7 | (1,882.7) | (1,932.2) | (1,112.1) |

* This heading 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 2019

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|---|--------------------------|--------------------------|--------------------------|
| GENERAL FUNDS OPENING BALANCE | | | |
| General funds - current | 435.3 | 433.7 | 476.5 |
| General funds - long term | (1,547.4) | (1,546.5) | (1,004.0) |
| Total general funds opening balance | (1,112.1) | (1,112.8) | (527.5) |
| CHANGES IN GENERAL FUNDS BALANCE | | | |
| Surplus/(deficit) from current NLTF balance | (94.8) | (359.7) | (41.2) |
| Surplus/(deficit) to be funded from future NLTF revenue | (675.8) | (459.7) | (543.4) |
| Total changes in general funds balance | (770.6) | (819.4) | (584.6) |
| GENERAL FUNDS CLOSING BALANCE | | | |
| General funds - current | 340.5 | 74.0 | 435.3 |
| General funds - long term | (2,223.2) | (2,006.2) | (1,547.4) |
| TOTAL GENERAL FUNDS CLOSING BALANCE* | (1,882.7) | (1,932.2) | (1,112.1) |

* 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 2019

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|---|--------------------------|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from land transport revenue | 3,943.8 | 3,957.4 | 3,692.5 |
| Payments to suppliers | (4,040.3) | (4,221.8) | (3,752.4) |
| Net cash from operating activities | (96.5) | (264.4) | (59.9) |
| Net increase/(decrease) in amounts held by the Crown | (96.5) | (264.4) | (59.9) |
| Amounts held by the Crown at the beginning of the year | 515.5 | 515.5 | 575.4 |
| AMOUNTS HELD BY THE CROWN AT THE END OF THE YEAR* | 419.0 | 251.1 | 515.5 |

* 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 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|--------------------------|--------------------------|--------------------------|
| SURPLUS/(DEFICIT) | (770.6) | (819.4) | (584.6) |
| ADD/(DEDUCT) MOVEMENTS IN WORKING CAPITAL ITEMS | | | |
| (Increase)/decrease in receivables | 14.3 | 2.1 | (40.5) |
| Increase/(decrease) in payables | 659.8 | 552.9 | 565.2 |
| Net movements in working capital items | 674.1 | 555.0 | 524.7 |
| NET CASH FROM OPERATING ACTIVITIES | (96.5) | (264.4) | (59.9) |

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:

- National Land Transport Programme for:
 - activities delivered by approved organisations
 - state highway activities
 - research
 - other Transport Agency activities, such as transport planning
- New Zealand Police Road Policing Programme

The 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 does not have any employees.

The financial statements for the National Land Transport Fund are for the year ended 30 June 2019 and were approved by the board on 1 October 2019.

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 2013, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The National Land Transport Fund 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. Further detail on the use of the going concern assumption is in note 7.

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 in millions (\$M) and rounded to the nearest hundred thousand dollars.

Budget figures

The budget figures are derived from the *2018/19 Amended statement of performance expectations* as approved by the board on 9 November 2018. 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 National Land Transport Fund is a notional entity, so is exempt from the payment of income tax.

Accounting standards issued and not yet effective

The National Land Transport Fund financial statements have adopted all accounting standards, amendments and interpretations to existing standards that have been published and are mandatory from 1 July 2018.

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 has adopted 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.

PBE IFRS 9 impacts the classifications of the following financial assets:

- cash and cash equivalents
- receivables

Until 30 June 2018, the National Land Transport Fund had classified these financial assets in the category 'loans and receivables' under PBE IPSAS 29. From 1 July 2018, these financial assets are classified in the category 'financial assets measured at amortised cost'. There is no change in the measurement of the financial assets as a result of the reclassification.

The standard introduces an expected credit losses (ECLs) model that replaces the existing 'loss incurred' model for impairment under PBE IPSAS 29. This is disclosed in note 3.

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

| | ACTUAL 2018/19 \$M | ACTUAL 2017/18 \$M | ACTUAL 2016/17 \$M |
|--|--------------------------|--------------------------|--------------------------|
| REVENUE INFLOWS | | | |
| Land transport revenue | 3,854.4 | 3,657.6 | 3,584.2 |
| Management of Crown land | 53.9 | 53.5 | 71.6 |
| Tolling revenue | 11.3 | 10.2 | 9.0 |
| Interest revenue | 9.9 | 11.7 | 9.3 |
| Total revenue inflows | 3,929.5 | 3,733.0 | 3,674.1 |
| OUTFLOWS | | | |
| National Land Transport Programme | 3,680.9 | 3,435.1 | 3,082.7 |
| Road Policing Programme | 337.5 | 333.0 | 321.0 |
| Fuel excise duty/road user charges administration | 4.9 | 5.2 | 5.0 |
| Forecasting and strategy | 1.0 | 0.9 | 0.5 |
| Total outflows | 4,024.3 | 3,774.2 | 3,409.2 |
| SURPLUS/(DEFICIT) FROM CURRENT NLTF BALANCE | (94.8) | (41.2) | 264.9 |
| Fair value gain on long-term payables | 2.8 | 19.6 | 17.5 |
| NLTF expenditure to be funded long-term | (670.9) | (557.3) | (310.2) |
| Finance charges | (7.7) | (5.7) | (3.1) |
| Deficit to be funded from future NLTF revenue | (675.8) | (543.4) | (295.8) |
| SURPLUS/(DEFICIT) | (770.6) | (584.6) | (30.9) |

The statement of inflows, outflows and capital expenditure including 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

Land transport revenue and tolling revenue have been classified and treated as non-exchange revenue and accounted for in accordance with PBE IPSAS 23 *Revenue from Non-Exchange Transactions*. 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 no direct exchange relationship exists 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 have been classified and treated as exchange revenue and accounted for in accordance with PBE IPSAS 9 *Revenue from Exchange Transactions*.

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 administration of fuel excise duty and road user charges
- New Zealand Police which provides the Road Policing Programme
- the 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 performance.

EXPLANATIONS OF MAJOR VARIANCES AGAINST BUDGET

Land transport revenue was \$21.9 million (1 percent) below budget due to lower fuel excise duty revenue, reflecting lower fuel volume demand than budgeted.

National Land Transport Programme was \$276.1 million (7 percent) below budget. This was due to lower than planned payments to approved organisations and lower than budgeted spend across state highway improvements, public transport and rapid transit as detailed in the statement of performance.

National Land Transport Fund expenditure to be funded long term was \$193.2 million (40 percent) above budget. This balance reflects expenditure on the Auckland Transport Package, public-private partnerships, the Housing Infrastructure Fund, and fair value changes of financial instruments. The most significant variance to budget relates to financial instruments associated with the public-private partnerships of \$259.3 million (56 percent) as a result of the fair value movements.

3 / LAND TRANSPORT REVENUE AND RECEIVABLES

Land transport revenue (included in the statement of comprehensive revenue and expense)

| | ACTUAL 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|--------------------------|--------------------------|
| REVENUE | | |
| Fuel excise duty | 2,040.2 | 1,956.6 |
| Road user charges | 1,726.9 | 1,593.8 |
| Motor vehicle registration and annual licensing fees | 227.7 | 228.1 |
| Total revenue | 3,994.8 | 3,778.5 |
| LESS REFUNDS | | |
| Fuel excise duty | 71.1 | 70.9 |
| Road user charges | 54.3 | 43.0 |
| Motor vehicle registration and annual licensing fees | 1.0 | 1.0 |
| Total refunds | 126.4 | 114.9 |
| Less bad debt write-off | 14.0 | 6.0 |
| TOTAL LAND TRANSPORT REVENUE | 3,854.4 | 3,657.6 |

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 for 2018/19 was \$13.0 million (2017/18: \$12.1 million).

Receivables (included in the statement of financial position)

| | ACTUAL 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|--------------------------|--------------------------|
| Debtors - fuel excise duty | 238.2 | 261.7 |
| Debtors - motor vehicle register/road user charges | 42.0 | 25.9 |
| Provision for doubtful debt | (23.0) | (16.1) |
| TOTAL RECEIVABLES | 257.2 | 271.5 |

Receivables are recognised at face value less an allowance for doubtful debt calculated using the ECLs model.

Debtors - motor vehicle register/road user charges

Debtors - motor vehicle register/road user charges is net of ECLs of \$23.0 million (2017/18: \$16.1 million). The National Land Transport Fund applies the simplified approach and recognises lifetime ECLs for Debtors - motor vehicle register/road user charges. Lifetime ECLs result from all possible default events over the expected life of the receivable. The ECLs for Debtors - motor vehicle register/road user charges are calculated in two groups, motor vehicle register debtors and road user charges debtors, to reflect the differences in collection and default rate history.

The impact of changes to the estimation technique or assumptions used in calculating the lifetime ECLs during 2018/19, following the adoption of PBE IFRS9, is shown in the table below.

| | LIFETIME ECL - DEBTORS - MOTOR VEHICLE REGISTER/ ROAD USER CHARGES 2018/19 \$M |
|--|--|
| Opening balance as at 1 July 2018 | 16.1 |
| Impairment expensed | 20.9 |
| Amounts written off | (14.0) |
| CLOSING BALANCE AT 30 JUNE 2019 | 23.0 |

Receivables are written off when they are deemed uncollectable. The total receivables written off during the year amounted to \$14.0 million (2017/18: \$6.0 million). Of the receivables written off none were still subject to enforcement activities.

Debtors - fuel excise duty

There was no indication that Debtors - fuel excise duty was impaired as at 30 June 2019.

4 / PAYABLES

| | ACTUAL 2018/19 \$M | ACTUAL 2017/18 \$M |
|--|--------------------------|--------------------------|
| Current payable to the Transport Agency - current balance | 335.7 | 351.8 |
| Current payable to the Transport Agency - to be funded from future revenue | 15.0 | 23.0 |
| Non-current payable to the Transport Agency - to be funded from future revenue | 2,208.2 | 1,524.3 |
| TOTAL PAYABLES | 2,558.9 | 1,899.1 |

Current payable to the Transport Agency - current balance is non-interest bearing and normally settled by the end of the month following the date of supply. Therefore, the carrying value of payables approximates their fair value.

Current payable to the Transport Agency - to be funded from future revenue is a mixture of interest and non-interest-bearing advances that will be settled within one year.

Non-current payable to the Transport Agency - to be funded from future revenue is a mixture of interest and non-interest-bearing advances that will be settled between one year and 31 years.

Non-interest bearing non-current payables are discounted to present value as at 30 June 2019.

5 / PLANNED OUTFLOWS

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

| | ACTUAL 2018/19 \$M | ACTUAL 2017/18 \$M |
|---|--------------------------|--------------------------|
| Not later than one year | 4,306.0 | 3,941.0 |
| Later than one year and not later than five years | 4,280.0 | 5,791.0 |
| Later than five years | 6,300.0 | 5,864.0 |
| TOTAL PLANNED OUTFLOWS | 14,886.0 | 15,596.0 |

6 / FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments

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

| | ACTUAL 2018/19 \$M | ACTUAL 2017/18 \$M |
|---|--------------------------|--------------------------|
| FINANCIAL ASSETS MEASURED AT AMORTISED COST | | |
| Cash and cash equivalents | 419.0 | 515.5 |
| Receivables | 257.2 | 271.5 |
| TOTAL FINANCIAL ASSETS MEASURED AT AMORTISED COST | 676.2 | 787.0 |
| FINANCIAL LIABILITIES MEASURED AT AMORTISED COST | | |
| Payables | 2,558.9 | 1,899.1 |
| TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST | 2,558.9 | 1,899.1 |

Financial risks

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

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 National Land Transport Fund's exposure to the risk of changes in market rates relates primarily to interest rates on long-term debt held by the Transport Agency. The National Land Transport Fund has the obligation to fund the Transport Agency's long-term debt repayments, so is exposed to the underlying interest rate risk.

Interest rate swaps are held by the Transport Agency to mitigate risks associated with interest rate fluctuations for the underlying debt instruments, details of which are in the financial statements of the Transport Agency.

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.

| | 2018/19 | | | | 2017/18 | | | |
|----------|----------------------------|---------------------|---------------------|------------------------|----------------------------|---------------------|---------------------|------------------------|
| | LESS THAN 1 YEAR \$M | 1-2 YEARS \$M | 2-5 YEARS \$M | OVER 5 YEARS \$M | LESS THAN 1 YEAR \$M | 1-2 YEARS \$M | 2-5 YEARS \$M | OVER 5 YEARS \$M |
| Payables | 356.0 | 243.0 | 661.0 | 2,670.0 | 380.0 | 20.0 | 493.0 | 1,800.0 |

7 / GENERAL FUNDS AND CAPITAL MANAGEMENT

| | ACTUAL 2018/19 \$M | ACTUAL 2017/18 \$M |
|---|--------------------------|--------------------------|
| General funds – current | 340.5 | 435.3 |
| Total general funds – current | 340.5 | 435.3 |
| NATIONAL LAND TRANSPORT PROGRAMME TO BE FUNDED LONG TERM | | |
| Auckland Transport Package | (370.0) | (357.7) |
| Housing Infrastructure Fund | (3.0) | 0.0 |
| Public-private partnerships* | (1,783.5) | (1,053.4) |
| Reinstatement of earthquake-damaged roads in Christchurch | 0.0 | (23.7) |
| Tauranga Eastern Link | (107.0) | (107.0) |
| Fair value changes in financial instruments | 40.3 | (5.6) |
| Total general funds – non-current | (2,223.2) | (1,547.4) |
| TOTAL GENERAL FUNDS CLOSING BALANCE | (1,882.7) | (1,112.1) |

* Includes related interest rate swaps.

The National Land Transport Fund has a negative general funds balance due to programmes that were accelerated and debt funding sourced from the Crown. The funding received has been recognised as long-term payables that are not due until 1 year to 31 years from balance date.

Although the National Land Transport Fund has a negative general funds balance, the board considers the going concern assumption valid because:

- the Fund's liquidity is actively managed
- the Fund has a positive cash balance of \$419.0 million as at 30 June 2019 (2017/18: \$515.5 million)
- the Fund's long-term forecasts demonstrate its ability to repay its obligations when they fall due
- the Fund's main revenue source is land transport revenue, which is forecast with inputs from other government departments and has been accurately forecast in recent years and is forecast to be sufficient to meet all future outgoings and commitments
- the Fund has the option to slow expenditure on the National Land Transport Programme or utilise the short-term borrowing facility of \$175 million if required to meet seasonal cash-flow cycles
- the Fund has the option to utilise the short-term borrowing facility of \$75 million to cover any revenue or expenditure shocks
- a debt management framework is in place to determine a sustainable and efficient level of future liabilities and 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 borrowing, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

The Transport Agency actively and prudently manages the National Land Transport Fund general funds as a by-product of prudent management of revenues, expenses, liabilities and general financial management.

The Transport Agency has policies in place to ensure the viability of the long-term position of the National Land Transport Fund as well as ensuring the National Land Transport 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 normal terms and conditions for such transactions.

9 / CONTINGENCIES

The National Land Transport Fund has no contingent liabilities or contingent assets (2017/18: \$nil).

The National Land Transport Fund may have exposure to those contingent liabilities of the Transport Agency arising from the delivery of the National Land Transport Programme.

10 / COMMITMENTS TO REGIONS REPORTING

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

| | LTMA COMMITMENT \$M | TOTAL EXPENDITURE TO 30 JUNE 2019 \$M |
|--|---------------------------|--|
| Wellington land transport (Western Corridor) | 625.0 | 379.2 |
| Bay of Plenty | 135.0 | 133.1 |
| TOTAL | 760.0 | 512.3 |

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.

Wellington land transport (Western Corridor) relates to Transmission Gully and is forecast to be completed in 2020.

Bay of Plenty relates to Rotorua projects and is forecast to be completed by 2023/24.

11 / EVENTS AFTER BALANCE DATE

There were no significant events after balance date.

STATEMENT OF PERFORMANCE

OUTPUT CLASS FUNDING TO THE TRANSPORT AGENCY

| | ACTUAL 2018/19 \$M | BUDGET 2018/19 \$M | ACTUAL 2017/18 \$M |
|---|--------------------------|--------------------------|--------------------------|
| Investment management | 60.1 | 70.3 | 58.9 |
| Public transport | 509.8 | 549.0 | 382.4 |
| Walking and cycling | 57.3 | 79.0 | 50.1 |
| Road safety promotion and demand management | 44.7 | 52.0 | 35.5 |
| Local road improvements | 225.7 | 192.8 | 246.2 |
| Local road maintenance | 677.0 | 691.0 | 627.0 |
| Regional improvements | 138.5 | 112.3 | 140.1 |
| State highway improvements | 1,231.2 | 1,380.0 | 1,167.3 |
| State highway maintenance | 707.5 | 665.0 | 727.6 |
| Rapid transit | 9.9 | 130.4 | 0.0 |
| Transitional rail | 19.2 | 35.4 | 0.0 |
| Funding to the Transport Agency - current | 3,680.9 | 3,957.2 | 3,435.1 |
| Road policing | 337.5 | 353.0 | 333.0 |
| TOTAL OUTPUT CLASS FUNDING | 4,018.4 | 4,310.2 | 3,768.1 |
| Auckland Transport Package | 12.5 | 12.5 | 121.7 |
| Housing Infrastructure Fund | 3.0 | 23.3 | 0.0 |
| Public-private partnerships | 724.3 | 465.0 | 433.3 |
| Reinstatement of earthquake-damaged roads in Christchurch | (23.6) | (23.0) | (17.3) |
| Fair value changes in financial instruments to surplus or deficit | (45.3) | (0.1) | 19.6 |
| TOTAL OUTPUT CLASS FUNDING (LONG TERM) | 670.9 | 477.7 | 557.3 |

EXPLANATIONS OF MAJOR VARIANCES AGAINST BUDGET

State highway improvements were \$148.8 million (11 percent) below budget. This is due to lower activity than planned across several projects. Amongst these projects are Auckland's Northern Corridor Improvements, Western Ring Route, MacKays to Peka Peka, Pūhoi to Warkworth, Christchurch Northern Arterial, Peka Peka to Ōtaki, Waikato Expressway and Western Belfast Bypass.

State highway maintenance was \$42.5 million (6 percent) above budget. The main contributors were traffic growth claims resulting from heavy traffic increasing by more than 10 percent in Bay of Plenty West, Central Otago, Northland and West Waikato.

Other emergency works also had a significant impact on expenditure and were \$24 million above budget. Severe weather events, including a West Coast rain event resulting in the loss of Waiho Bridge, river erosion on State Highway 6 at Haast, and a detour route following the closure of Manawatū Gorge, were key drivers of this overspend.

Rapid transit expenditure was \$120.5 million (92 percent) below budget. Budgeted spend was based on anticipated progress on the original plan for the City Centre to Mangere light rail project. Progress and expenditure has been impacted by the evaluation process underway to assess alternate project approaches by the Transport Agency and NZ Infra. As a result, rapid transit activity will not meet budget over the remainder of the 2018-21 National Land Transport Programme and the balance of unused funding has been reallocated to other output classes.

Public transport was \$39.2 million (7 percent) below budget primarily as a result of delays in delivery of infrastructure projects such as the Auckland Manukau Eastern Transport Initiative busway phase 1 (property), Auckland's Downtown Ferry Terminal Redevelopment, components of the Hamilton to Auckland rail project, and technology-based solutions related to public transport across several regions.

An acceleration of activity is expected in 2019/20 and forecast to exceed budget over the 2018-21 National Land Transport Programme driven by strong delivery of local authority infrastructure projects and input cost pressures.

Public-private partnerships were \$259.3 million (56 percent) above budget as a result of the fair value movements of related financial instruments.

INDEPENDENT AUDITOR'S REPORT



TO THE READERS OF NATIONAL LAND TRANSPORT FUND'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2019

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 251 to 262, that comprise the statement of financial positions as at 30 June 2019, 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 201 to 233

In our opinion:

- the financial statements of the NLTF on pages 251 to 262:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2019; 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 201 to 233:
 - presents fairly, in all material respects, the NLTF's performance for the year ended 30 June 2019, 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 1 October 2019. 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 our 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 is responsible for the other information. The other information comprises the information included on pages 190 to 200, 201 to 233 (excluding service delivery and investment performance measures), 234 to 248, and 263 to 264 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.

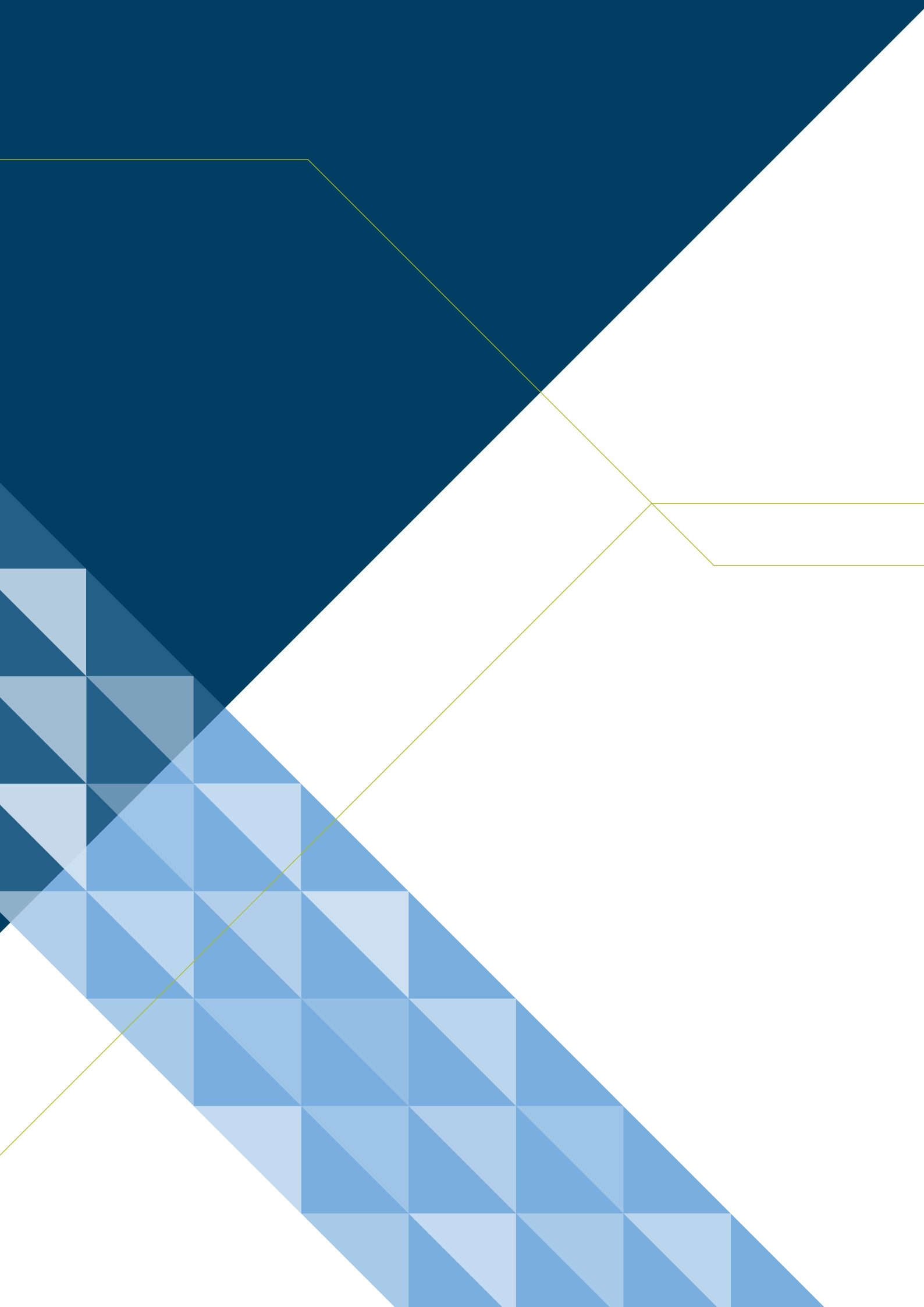
Independence

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





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