

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 2020



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Overview of 2019/20



Chair and executive overview

This was the second year of delivery of the three-year 2018–21 National Land Transport Programme. It is forecast, that along with the Crown and local authorities, Waka Kotahi will invest a record \$16.9 billion in New Zealand’s land transport system over the three years of the programme.

In line with the Government Policy Statement on land transport, this investment is targeted at safety, access and environmental outcomes. We’re working to develop a transport system that is free of deaths and serious injuries, provides access to affordable travel options, generates fewer carbon emissions and has a smaller impact on the environment, and offers value-for-money transport solutions for ratepayers and all New Zealanders.

In 2019/20, the total investment in the National Land Transport Programme from the National Land Transport Fund, local authorities and Crown was \$5.3 billion. This is approximately 31 percent of the total planned investment amount published in the 2018–21 National Land Transport Programme. Of this investment, 29 percent (\$1.503 billion) was directed toward improving safety, 58 percent (\$3.079 billion) toward improving access and 13 percent (\$693 million) toward reducing harm to the environment.

We launched Toitū Te Taiao, our new sustainability action plan, which sets out how Waka Kotahi will tackle climate change and work across the country to create a more sustainable land transport system that minimises its impact on people, the environment and the climate. This plan will help guide our future investment in the land transport system.

Keeping Cities Moving, our plan to increase the wellbeing of New Zealand cities by growing the share of travel by public transport, walking and cycling, was also launched this year. The plan outlines how we’ll increase the pace of change in our cities and ensure investment is targeted at providing more transport choice and reducing New Zealand’s dependency on private car travel. We’re working with our six urban growth areas to develop their plans to help shape urban form, make active travel more attractive and influence travel demand choice. Getting more people out of their cars and using buses and bikes and walking in our urban environments helps us to achieve the government’s priorities for a safer, more accessible and healthier transport system.

Safety remains our top priority. In the last year we introduced safer speeds on state highways in Auckland and the Bay of Plenty, helping to save lives.

The Ministry of Transport launched Road to Zero this year, the new road safety strategy that we will deliver in partnership over the next decade. The strategy recognises that everyone can make mistakes, but it shouldn’t cost them their life. We need to design our network and make road safety decisions that stop these mistakes resulting in one person being killed every day and another injured every hour on our roads.

We continued to make great progress delivering projects throughout the country. Highlights included opening the \$384 million Huntly section of the Waikato Expressway; the new \$19 million Taipā Bridge in Northland; the Lincoln to Westgate section of Auckland’s Western Ring Route providing a resilient north–south alternative to State Highway (SH) 1 over the Auckland Harbour Bridge; and the \$70 million Whirokino Trestle and Manawatū River Bridge, building safety, resilience and efficiency into the network for freight and people on SH1.

The COVID-19 pandemic has had a significant impact on our revenue from the National Land Transport Fund

We also delivered new walking and cycling facilities throughout the country, including the final section of the 8.4km Quarryman's Trail in Christchurch, from the central city to Halswell in the south-west; two stages of the 6km Kamo shared path in Whangārei, connecting the district's northern suburb and the city; and Rotorua's newest shared path, the 3.1km Linton Park Link, providing an off-road connection from residential areas to the inner city. These are all critical routes providing safe travel options for people to get on their bikes or walk and make a difference in their communities.

We also celebrated more than 20,000 school children having been involved in our Bikes in Schools programme, teaching them how to ride in a safe environment and, importantly, equipping them with road safety awareness skills. A further 23,000 children are expected to have benefited from the programme by the end of this National Land Transport Programme period.

The COVID-19 pandemic has had a significant impact on our revenue from the National Land Transport Fund. We saw a significant drop in revenue in the three months to the end of June 2020, and anticipate a further significant drop in revenue during the last year of this National Land Transport Programme period. While the full effects of COVID-19 are not yet known, there will be ongoing impacts on travel patterns and our revenue for several years. At the same time as our revenue fell, we had an increase in unbudgeted expenditure that was crucial to help both maintain a sustainable public transport service and to support the workforce of our contractors delivering projects under construction. We are forecasting additional costs for our projects, with many taking longer to complete as a result of the COVID-19 Alert Level 4 lockdown during a critical period of the construction season.

The National Land Transport Fund has required significant support. We used both existing and new Crown loan facilities to help meet our commitments in 2019/20, and the government has provided a funding and financing package to enable us to meet our commitments to the end of this National Land Transport Programme period.

The loss in revenue and servicing of this debt will have an ongoing impact on funding during the next two National Land Transport Programme periods – 2021–24 and 2024–27.

Waka Kotahi continues to plan and prepare for its delivery of the next Government Policy Statement and development of the 2021–24 National Land Transport Programme. We are finalising new investment tools and guidance; working with local government on the development of their Regional Land Transport Plans; revising Arataki, our 10-year strategy, to consider the impact of COVID-19; and preparing the Waka Kotahi Investment Proposal, which includes our planned investment in the state highway network and in other nationally significant activities. With the financial constraints facing both Waka Kotahi and its co-investment partners, we need to develop a programme that is affordable. The future land transport investment decisions we make need to be prioritised and targeted to provide value for money and the best outcomes for New Zealand.



Sir Brian Roche
Chair



Nicole Rosie
Chief Executive

He tirohanga whānui nā te Heamana me te Pou Whakahaere

Koinei te tau tuarua o te whakarato i te Kaupapa Ikiiki Whenua ā-Motu 2018–21. E matapaetia ana, i te taha o te Karauna me ngā kaunihera, ka haumi a Waka Kotahi i tētahi pūtea nui rawa o te \$16.9 piriona ki te pūnaha ikiiki i roto i ngā tau e toru o te kaupapa.

E ai ki te Tauākī Kaupapahere Kāwanatanga mō te ikiiki whenua, e hāngai ana tēnei haumitanga ki ngā putanga haumaruru, whai wāhi me te taiao. Kei te hangaia e mātau tētahi pūnaha ikiiki e ārai ana i ngā mate me ngā wharanga kino, e whai wāhi ki ngā kōwhiringa ikiiki whaiutu, me te whakaputa kia iti ake ngā tukunga waro iti kia iti ake te pānga ki te taiao, me te whakarato i ngā otinga ikiiki whai uara mō ngā kaiutu rēti me te iwi whānui o Aotearoa.

I te 2019/20, ko te haumitanga tapeke o te Kaupapa Ikiiki Whenua ā-Motu mai i te Tahua Ikiiki Whenua ā-Motu, ngā kaunihera me te Karauna he \$5.3 piriona. Tata ki te 31 ōrau tēnei o te rahinga haumitanga i whakaritea i roto i te Kaupapa Ikiiki Whenua ā-Motu 2018–21. O tēnei haumitanga, he 29 ōrau (\$1.503 piriona) i tukuna ki te whakapiki ake i te taha haumaruru, 58 ōrau (\$3.079 piriona) mō te whakapai ake i te whai wāhi atu me te 13 ōrau (\$693 miriona) mō te whakaiti iho i te tūkinu i te taiao.

I whakarewatia e mātau a Toitū Te Taiao, ko tā mātau mahere mahi toitūtanga hou tēnei, e whakatakoto ana ka pēhea te whakarite a Waka Kotahi i te huringa āhuarangi me te mahi puta noa i te motu hei waihanga i tētahi pūnaha ikiiki whenua toitū ake e whakaiti ana i te pānga ki te iwi, te taiao me te huarangi. Ka āwhina tēnei mahere i a mātau ki te ārahi i tō mātau haumitanga anamata i roto i te pūnaha ikiiki whenua.

I whakarewatia anō i tēnei tau ko Te Whakanekeneke i Ngā Tāonenui – ko tā mātau whakarite ki te whakapiki i te oranga o ngā tāonenui mā te whakatipu haere i te whakamahi a te iwi whānui i te ikiiki tūmatanui, te hīkoi me te eke pahikara. E whakarārangi ana tēnei i te āhua o te mātau whakatere ake i ngā rerekētanga i roto i ō tātau tāonenui me te whakarite ka hāngai ngā haumitanga ki te tuku kōwhiringa ikiiki atu anō me te whakaiti i te whirinakitanga o Aotearoa ki te haere mā runga motokā. Kei te mahi tahi mātau me ngā wāhi tipu ā-tāone e ono ki te waihanga i ā rātau mahere hei āwhina kia puta ai te āhua tapa tāone, ka pīrangitia te hāereere me te whakaawe i te kōwhiringa hiahia hāereere. Me nui haere ake te hunga e waiho i ō rātau motokā ka haere mā runga pahī, pahikara hoki me te hīkoi i roto i ō tātau tāone, ka āwhina tēnei i a mātau ki te whakatutuki i ngā kaupapa matua a te kāwanatanga mō tētahi pūnaha ikiiki haumaruru ake, whakatapoko ake, hauora ake.

Ko te haumaruru tonu tā mātau kaupapa matua. I te tau kua hipa nei kua whakaurua mai e mātau ngā tere haumaruru ake i ngā huarahi matua i Tāmaki Makaurau me Te Waiariki, e ārai ana i ngā matenga.

I whakarewahia e Te Manatū Waka te Road to Zero i tēnei tau, te rautaki haumaruru rori hou ka whakaratoa ngātahitia me ngā hoa i roto i te tekau tau e heke nei. E āhukahuka ana te rautaki ka pā noa mai te hē ki te tangata ahakoa ko wai, engari kia kaua te tangata e mate. Me hanga e mātau tā mātau kōtuinga me te tuku whakatau haumaruru rori e ārai ana i ēnei hēnga e mate ai he tangata i ia rā, ā, e whara ai te tangata i ia haora i ngā rori.

Kei te anga whakamua haere tonu mātau ki te tuku i ngā kaupapa puta noa i te motu. Ko ngā mea hira ko te whakatuwheratanga o te wāhanga o te Waikato Expressway \$384 miriona te wāriu i Rāhui Pokeka; te Piriti o Taipā hou \$19 miriona te wāriu i Te Tai Tokerau; te wāhanga o Lincoln i te Western Ring Route o Tāmaki Makaurau e tuku ana i tētahi ara raki-tonga kē ki te Huarahi Matua (SH) 1 mā te Piriti Nui o Tāmaki Makaurau; me te Kaupae o Whirokino me te Piriti o Manawatū \$70 miriona te wāriu e whakauru nei i te haumaruru, pakari me te tōtikatanga ki te kōtuinga mō ngā utanga me te iwi i SH1.

I hangaia anō e mātou ngā whakaurunga hīkoi me te eke pahikara hou puta noa i te motu, me te wāhanga whakamutunga o te Quarryman's Trail 8.4km te roa i Ōtautahi, mai i te pokapū tāone ki Halswell i te tonga-mā-uru; ngā wāhanga e rua o te ara tūhonohono 6km o Kamo i Whāngārei, e tūhono ana i te tapa tāone raki o te takiwā me te tāonenui; me te ara tūhonohono hou rawa o Rotorua, te Linton Park Link 3.1km te roa, he hono i waho huarahi mai i ngā wāhi noho ki roto o te tāone. He ara waiwai katoa ēnei e tuku ana i ngā kōwhiringa haerenga haumaruru mā ngā tāngata ki te eke pahikara, te hīkoi rānei, ā, kia whaitake ai ki ō rātau hapori.

I whakanuitia anō e mātau te ekenga ki te 20,000 ngā tamariki kura i whai wāhi mai ki tā mātau kaupapa Bikes in Schools, e whakaako ana i a rātau me pēhea te eke pahikara i roto i tētahi wāhi haumaruru, otirā ko te mea nui, e ako rātau i ngā pūkenga arokā haumaruru rori. E ai ki ngā whakaritenga 23,000 atu anō ngā tamariki ka whai hua i te kaupapa i te mutunga o tēnei wāhanga o te Kaupapa Ikiiki Whenua ā-Motu.

He pānga nui tō te mate urutā KOWHEORI-19 ki ā mātau moni whiwhi mai i te Tahua Ikiiki Whenua ā-Motu. He nui te hekenga o ngā moni whiwhi i roto i ngā marama e toru ki te mutunga o Hune 2020, ā, ko te matapae i tino heke anō ngā moni whiwhi i te tau whakamutunga o tēnei wāhanga Kaupapa Ikiiki Whenua ā-Motu. Ahakoa kāore anō kia tino mōhiotia ngā pānga nui o te KOWHEORI-19, ka haere tonu ngā pānga ki ngā haerenga me ā mātau moni whiwhi mō ngā tau maha. I te hekenga o ā mātau moni whiwhi, i piki anō ngā whakapaunga kāore i whakaritea e hira ana kia toitū tā tātau ratonga ikiiki tūmatanui me te tautoko i te ohu mahi o ā mātau kaikirimana e whakarato nei i ngā kaupapa e mahia ana. E matapae ana mātau ka taka mai ngā nama tāpiri anō mō ā mātau kaupapa, ā, he maha tonu ka tōmuritia nā te noho rāhui o te KOWHEORI-19 Taumata Whakatūpatō 4 i te wā hira o te wāhanga hangatanga.

Me whai tautoko nui te Tahua Ikiiki Whenua ā-Motu. I whakamahia e mātau ngā whakaritenga moni tārewa e rua onāiane, hou hoki a te Karauna i te 2019/20, ā, kua tukuna e te kāwanatanga he kaupapa pūtea, utu nama hoki e tutuki ai i a mātau ō mātau paiherenga ki te mutunga o tēnei wā Kaupapa Ikiiki Whenua ā-Motu.

Ka mau tonu te pānga o te heke o ngā moni whiwhi me te utu i tēnei nama ki ngā pūtea i roto i ngā wāhanga Kaupapa Ikiiki Whenua ā-Motu e rua e whai ake – 2021-24 me 2024-27.

Ka whakarite mahere tonu a Waka Kotahi me te whakariterite ki te tuku i te Tauākī Kaupapahere Kāwanatanga whai ake me te waihanganga i te Kaupapa Ikiiki Whenua ā-Motu 2021-24. Kei te whakaotihia e mātau ngā utauta haumi hou me ngā ārahitanga; te mahi tahi me ngā kaunihera mō te waihanganga i Ngā Kaupapa Ikiiki Whenua ā-Rohe; te whakahou i a Arataki, tā tātau rautaki 10-tau, hei whiriwhiri i te pānga o te KOWHEORI-19; me te whakarite Kaupapa Haumitanga Marohi a Waka Kotahi, kei roto ko tā mātau haumitanga kua whakaritea ki te kōtuinga huarahi matua, ā, ki ētahi atu mahi nui ā-motu. Nā ngā uauatanga ā-pūtea kei runga i a Waka Kotahi me ōna pātui haumitanga, me waihanganga e mātau he kaupapa ka taea te utu. Ko ngā whakataunga haumitanga ikiiki whenua me tuku mō āpōpō me whakaarotau, me hāngai hoki kia tino whaihua mō ngā pūtea me ngā putanga pai rawa mō Aotearoa.



Tā Brian Roche
Heamana



Nicole Rosie
Pou Whakahaere

Impact of COVID-19

On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. The New Zealand government raised its Alert Level to Alert Level 4 on 25 March 2020. This unprecedented event has had significant impacts on the country's health, wellbeing and economy.

Waka Kotahi, like all other organisations and businesses, has been significantly affected by COVID-19. This section outlines the specific impacts of the COVID-19 pandemic on the National Land Transport Fund and National Land Transport Programme. For detailed information on the COVID-19 impacts across Waka Kotahi and our organisational response, please see the 2019/20 Waka Kotahi annual report.

FISCAL IMPACTS

The economic consequences of COVID-19 have been significant. During Alert Levels 4 and 3, transport volumes fell significantly. Traffic counts in the major urban centres (Auckland, Hamilton, Wellington, Dunedin, Christchurch) fell by 72 percent on average during Alert Level 4 compared with the previous year, and 48 percent during Alert Level 3. As a result, fuel excise duties and road user charges, the main revenue sources for the National Land Transport Fund, were commensurately reduced.

The financial impact of this in 2019/20 was a reduction in National Land Transport Fund revenue by around seven percent (\$325 million), primarily during April and May. National Land Transport Fund revenue reduction will continue in 2020/21, the extent of which will depend on the enduring impacts of COVID-19 on travel behaviour, as well as recurrence of further periods of elevated Alert Levels.

DELIVERY AND SERVICES

Public transport continued throughout all COVID-19 Alert Levels as an essential service, supporting communities and enabling critical workers, such as those in the health sector, to get to their place of work. Waka Kotahi agreed to meet, from the National Land Transport Fund, the shortfall in public transport fares as patronage fell, as well as the costs for additional cleaning, personal protective equipment and other related costs.

The extra funding supported a fare-free policy designed to reduce the risk of infection by reducing personal interactions between passengers and public transport staff. Funding of \$90 million was provided under the scheme to 30 June 2020. Waka Kotahi has subsequently agreed to a further extension of the scheme.

FISCAL RESPONSE

The combination of reduced revenue and additional expenditure meant that the National Land Transport Fund required financial assistance from the Crown to deliver the National Land Transport Programme, including maintaining our co-investment with local authorities. In addition to utilising its existing borrowing facilities (\$250 million) to manage short-term shocks and seasonal cash flow variations as part of the government's initial COVID-19 response, borrowing facilities available to Waka Kotahi were increased by \$425 million. Funding was also provided to offset the impact of COVID-19 on Waka Kotahi regulatory revenue.

In July, additional Crown financial support was approved by Cabinet, including additional funding and financing totaling up to \$900 million to manage COVID-19 impacts in 2020/21.

The combination of reduced revenue and additional expenditure meant that the National Land Transport Fund required financial assistance from the Crown to deliver the National Land Transport Programme

About this report

Waka Kotahi 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. Waka Kotahi must prepare an annual report on the National Land Transport Fund, which must include 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 Waka Kotahi, local and regional authorities, New Zealand Police and other transport sector partners. Where Waka Kotahi is funded to deliver activities in the National Land Transport Programme, performance is also reported in the Waka Kotahi annual report.

This is the second 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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In some cases, Waka Kotahi solely delivers these activities, in other cases it delivers them with local authorities, and in further cases 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 on Land Transport for 2018/19 to 2027/28. The Government Policy Statement focuses on creating a safe, resilient, well-connected and multi-modal 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 Waka Kotahi 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 each 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, Waka Kotahi is guided by the three themes in the Government Policy Statement that set out how the government intends the priorities to be delivered. Waka Kotahi is working with others to:

- apply a mode-neutral approach to transport system investment
- use technology and innovation to improve performance
- integrate land use, transport planning and delivery activities.

THE NATIONAL LAND TRANSPORT PROGRAMME 2018-21

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 ten-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 Waka Kotahi delivers every day, such as public transport and road maintenance
- upcoming activities Waka Kotahi 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 Waka Kotahi, which uses the National Land Transport Fund to invest on behalf of the Crown, and approved organisations, which invest local funding on behalf of ratepayers.¹

¹ An 'approved organisation' is a regional council, a territorial authority or an approved public organisation such as the Department of Conservation.

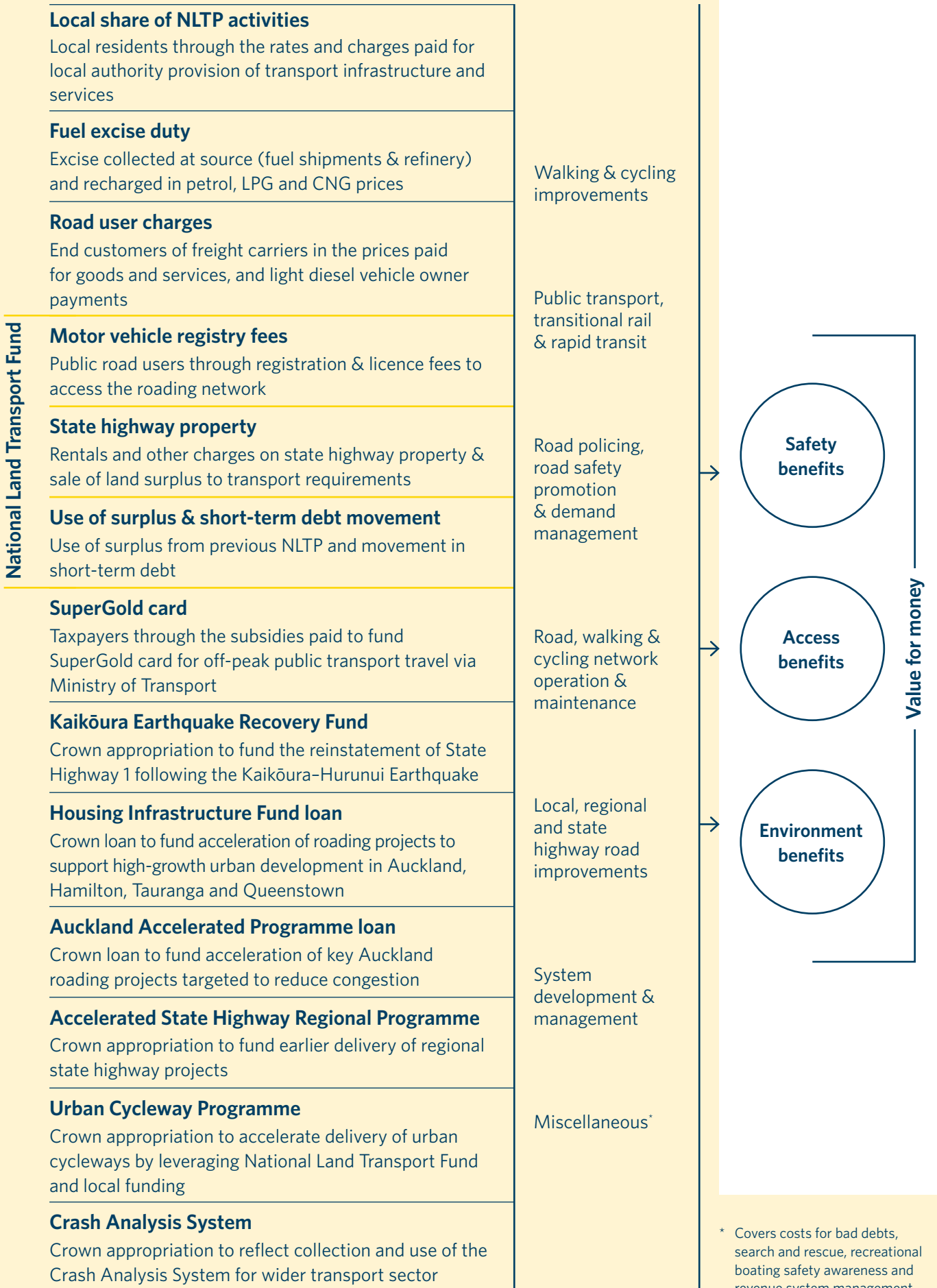
FIGURE 1

Revenue sources and activity classes for the 2018–21 National Land Transport Programme

Funding will come from...

and will be invested in...

...to achieve



WAKA KOTAHI INVESTMENT ROLE

Waka Kotahi has the primary objective under the Land Transport Management Act 2003 to undertake its functions in a way that contributes to an effective, efficient and safe land transport system in the public interest.

Waka Kotahi allocates funding across transport modes to give effect to the Government Policy Statement on land transport and build an affordable, integrated, safe, responsive and sustainable land transport system.

Waka Kotahi 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.

INVESTMENT PRINCIPLES

When considering the best mix of activities to receive investment funding, Waka Kotahi applies the following ten planning and investment principles to guide its investment decisions²:

- A partnership approach, founded on trust, clarity and accountability, aligns regional and local investments with Waka Kotahi 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 that Waka Kotahi 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.³

² A new set of investment principles was developed in 2019/20 as part of the Investment Decision Making Framework review. These will apply to future National Land Transport Programme periods.

³ The scrutiny principle is set out in the Land Transport Management Act 2003 (section 96) and relates to Waka Kotahi decisions in respect of land transport 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 2019/20 Waka Kotahi annual report. (page 187).

ASSESSING INVESTMENT PROPOSALS

The Investment Assessment Framework 2018–21 was used by Waka Kotahi to prioritise investment in land transport activities and programmes for the 2018–21 National Land Transport Programme. Waka Kotahi applied the business case approach to assess investment proposals in accordance with investment policies and requirements. Primary and secondary benefits were identified for each proposed investment activity and programme in the National Land Transport Programme. The breakdown of proposed benefits was identified at the start of the National Land Transport Programme to track progress. The expected contribution to benefits from actual expenditure will be included in the 2020/21 National Land Transport Fund report.

The benefits framework 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 with robust consideration of issues, potential solutions and the benefits of those solutions.

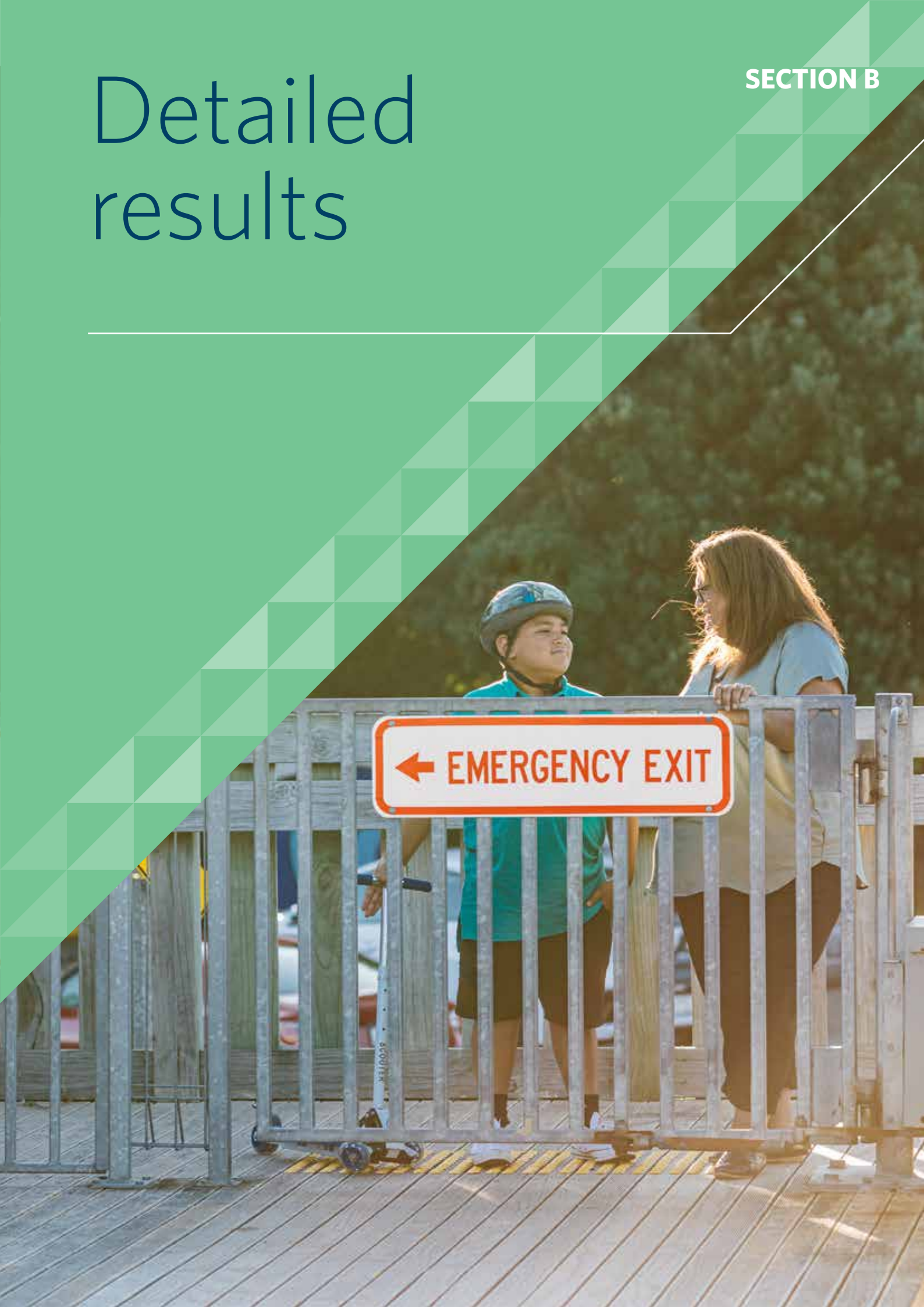
REVIEW OF THE INVESTMENT DECISION MAKING FRAMEWORK AND BENEFITS FRAMEWORK

Over 2019/20 and 2018/19 Waka Kotahi reviewed its Investment Decision Making Framework. The review was prompted by changes in the Government Policy Statement on land transport to support a system-based and outcomes focused approach and take a mode neutral approach to assessing transport interventions. The review resulted in a revised set of investment principles, business case development and optioning and assessment tools, the replacement of the Economic Evaluation Manual with the Monetised Benefits and Costs Manual and Non-Monetised Benefits Manual, a new benefits framework, and supporting materials to lift the capability of the sector when applying the Investment Decision Making Framework.

The new benefits framework aligns with outcomes in the Ministry of Transport's Transport Outcomes Framework. A benefits management approach guides how benefit measures are applied, monitored and reported, so all parties understand how and whether benefits are realised from land transport investment.

See the section on value for money, pages 25-26, for more information on the Investment Decision Making Framework review and new benefits framework.

Detailed results



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 Waka Kotahi and its co-investment partners align with Government Policy Statement strategic priorities through the Waka Kotahi Investment Assessment Framework (explained on page 262).

The impact of National Land Transport Programme investment is assessed through Waka Kotahi position statement measures and output class measures that directly align with Government Policy Statement measures. These measures are quantitative indicators of progress against the Government Policy Statement's strategic priorities and intended long-term and short-term results. More detail on each measure is in the annual report for Waka Kotahi (section B, pages 25–103).

INVESTMENT TO GOVERNMENT POLICY STATEMENT STRATEGIC PRIORITIES

The overall spend over the first two years of the 2018–21 National Land Transport Programme was \$10.8 billion, four percent below the planned amount when the programme was adopted in August 2018.

During 2019/20, approximately \$5.3 billion was invested across the safety, access and environment strategic priorities of the Government Policy Statement on land transport.⁴ An estimated 29 percent of this investment was directed towards safety benefits, 58 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 investments rather than being a benefit itself. For information on value for money see pages 280–281.

TABLE 1

2018/19 planned investment in strategic priorities

| Strategic priority | 2019/20 Planned investment (%) |
|--------------------|--------------------------------|
| Safety | 29 |
| Access | 58 |
| Environment | 13 |

Table 2 identifies the planned benefits of investments made through the 2018–21 National Land Transport Programme. These have been mapped to each Government Policy Statement strategic priority.

⁴ This figure and the figures presented in the following sections on safety, access and environment include funding from the National Land Transport Fund, local share and the Crown, and exclude investment from the Provincial Growth Fund, SuperGold Card funding and investment in the investment management activity class.

TABLE 2

Planned investment benefits mapped to Government Policy Statement strategic priorities

| Measure | Safety | Access | Environment |
|--|-----------------|---------------------------------|--------------------------------|
| Benefits identified in Transport Investment Online | Safety | ACCESS | Pollution |
| | Physical health | Throughput | Health noise |
| | | Reliability | Pollution and greenhouse gases |
| | | Travel time | Environmental noise |
| | | Access | Resource consumption |
| | | Resilience | Biodiversity |
| | | Comfort and customer experience | Community cohesion |
| | | Financial cost | Amenity value |
| | | Pricing | |

Relationship of the new Waka Kotahi benefits framework to the government's strategic priorities for the land transport system

The 2021-24 National Land Transport Programme will use the new Waka Kotahi benefits framework to inform investment decisions and measure investment benefits. Waka Kotahi also plans to use the new framework to report on benefits of investment in the 2020/21 National Land Transport Fund annual report, the last report for the 2018-21 National Land Transport Programme.

Table 3 shows how the benefits identified by the new framework relate to the strategic priorities in the current Government Policy Statement on land transport. In this report, each strategic priority section includes an example of related benefits and how these might be measured.

TABLE 3

Mapping the Government Policy Statement on land transport 2018/19-27/28 to the new Waka Kotahi benefits framework

| Measure | Safety | Access | Environment |
|---------|-------------------------|---|--|
| Safety | Healthy and safe people | Impact on social cost and incidents of crashes Impact on a safe system | Impact on perceptions of safety and security |

| Measure | Safety | Access | Environment |
|-----------------|------------------------------|---|---|
| Access | Inclusive access | Impact on mode choice Impact on access to opportunities | Impact on user experience Impact on community cohesion |
| | Resilience and security | Impact on system vulnerabilities (resilience) | Impact on heritage and cultural values Impact on landscape Impact on townscape Impact on te ao Māori |
| Environment | Environmental sustainability | Impact on greenhouse gas emissions Impact on water Impact on land and biodiversity | Impact on resource efficiency |
| | Healthy and safe people | Impact of mode on physical and mental health Impact of air emissions on health Impact of noise and vibration on health | |
| Value for money | Economic prosperity | Impact on system reliability Impact on network productivity and utilisation Wider economic benefit (productivity) Wider economic benefit (employment impact) Wider economic benefit (imperfect competition) Wider economic benefit (regional economic development) | |

Safety

National Land Transport Programme objective

A land transport system that is a safe system, free of death and serious injury.

Long-term results

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)
- 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

INVESTMENT HIGHLIGHTS

- The **Safe Vehicles programme** launched in February 2020 with a national advertising campaign and refreshed Rightcar website that combines three safety rating systems – the Australasian New Car Assessment Program (ANCAP), Used Car Safety Ratings and Vehicle Safety Risk Ratings. This enables over 95 percent of New Zealand’s fleet to have up-to-date safety ratings.
- **Road to Zero 2020–2030** was launched by the Ministry of Transport in December 2019 and is the New Zealand government’s plan to reduce deaths and serious injuries on New Zealand roads, cycleways and footpaths by 40 percent over the next 10 years. The strategy will guide the Waka Kotahi work programme for the next 10 years and identifies where the transport sector needs to be putting its road safety efforts.
- **Safer speed limits were introduced on state highways in Auckland and Bay of Plenty**, the first implemented for 2020 under the **Safe Network programme**. By reducing speeds on high risk roads, Waka Kotahi is giving effect to the Safe System principle to reduce impact speeds in crashes to levels the human body can withstand, making a positive contribution to Vision Zero. The setting of safer speed limits followed extensive engagement with councils, iwi, local communities, our road safety partners and other road users.
- Together with Waka Kotahi, NZ Police has implemented a new governance structure to provide increased assurance on the delivery of the **Road Safety Partnership Programme**. This new approach includes the Road Safety Partnership Programme Governance Board, providing oversight on the delivery of the programme and progress against key targets, supplemented by a separate Portfolio Governance Board, providing oversight on the delivery of change initiatives funded through this programme.

**\$1.503
BILLION**

invested in safety through the National Land Transport Programme in 2019/20 including:

\$278m 18.5%
in state highway improvements

\$213m 14.2%
in state highway maintenance

\$131m 8.7%
in local road improvements

\$293m 19.5%
in local road maintenance

\$47m 3.1%
in road safety promotion and demand management

\$363m 24.1%
in road policing

\$59m 3.9%
in regional improvements

\$67m 4.5%
in public transport

\$50m 3.3%
in walking and cycling improvements

\$1m 0.07%
in rapid transit

\$2m 0.13%
in transitional rail

- The **Huntly section of the Waikato Expressway** was completed with State Highway (SH) 1 now running east of Huntly, across lowlands and streams and over Taupiri Range, which is sacred to Waikato-Tainui. The Huntly section connects the completed expressway sections at Ohinewai in the north and the Ngāruawāhia section at Gordonton Road in the south. It brings major improvements in safety and efficiency, taking traffic away from the congestion point through Huntly, which has a poor safety record. The support of iwi was critical to the success of this project and building this section in such a culturally significant area. Waka Kotahi set out to recognise this cultural significance through pou and other artwork along the route, and the restoration of two paa sites.

Safety-related benefits

In the new benefits framework, safety-related investment benefits include reduced social costs and incidents of crashes. Current measures of these benefits include deaths and serious injuries, collective risk (crash density), personal risk (crash rate) and crashes by severity.

Another benefit is impact on a safe system. Current measures of this benefit include road assessment risk for roads and state highways. Waka Kotahi is also developing a measure of the travel speed gap (the difference between safe and appropriate speed, and actual speed).

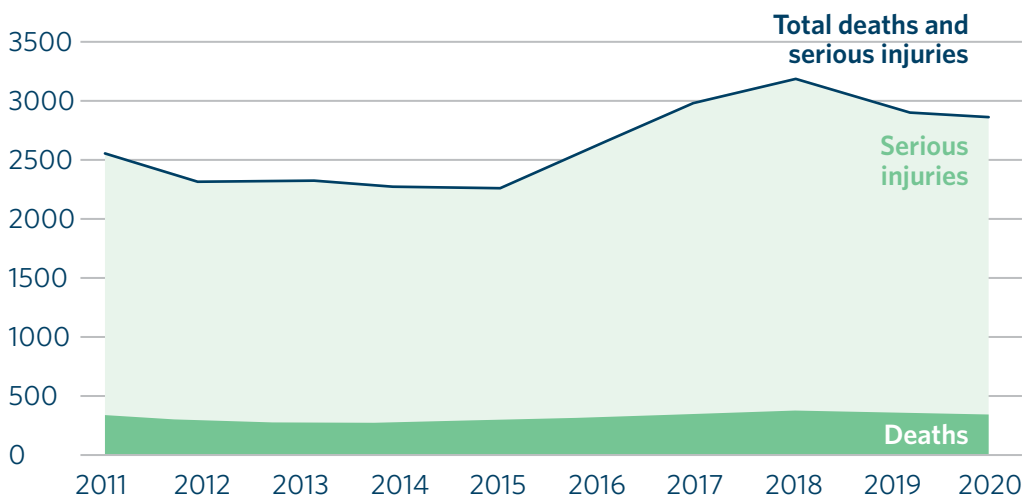
PERFORMANCE

Deaths and serious injuries

In the year to 31 March 2020, there were 346 deaths and 2451 serious injuries (five percent fewer deaths and four percent fewer serious injuries than in the previous year – see Figure 2). However, the year to 31 March 2020 was the third-highest year for deaths and the fourth-highest year for serious injuries in the past 10 years. The number of deaths in the year ending 31 March 2020 was almost identical to the number of deaths in the year ending 31 March 2011.

FIGURE 2

Number of road deaths and serious injuries



The government’s national road safety strategy Road to Zero was launched in December 2019. It outlines the government’s plan to stop people being killed or injured on New Zealand’s roads. Road to Zero articulates the government’s vision, guiding principles for how Waka Kotahi designs the road network and makes road safety decisions, as well as targets and outcomes to be achieved in the decade to 2030. This includes a target of a 40 percent reduction in deaths and serious injuries by 2030.

See the 2019/20 Waka Kotahi annual report, page 28, for more information on Road to Zero.

Other safety-related results

119km (1.1%)

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

More trains stop safely

In 2019/20, 93 trains went through a stop signal when they could have stopped safely, a decrease of 41 trains from 2018/19.



6,728

cycling trips



observed in Auckland, Wellington and Christchurch central business districts.



490 more trips than in 2018/19 (6,238 trips)

90%

of road safety advertising campaigns met or exceeded their agreed success criteria.

CASE STUDY

How safe is your car?

Safe vehicles are one of the four pillars of the Safe System approach used to help prevent crashes and protect road users from the forces that cause death and serious injury on New Zealand's roads.

The safety rating of a vehicle, from 1 to 5 stars, indicates the likely performance of a vehicle in a crash. People are twice as likely to die or be seriously injured in a crash involving a 1-star rather than a 5-star vehicle.

Waka Kotahi launched its Safe Vehicles Programme in February 2020 with a national advertising campaign and a refreshed Rightcar website.

Rightcar now combines three safety rating systems - ANCAP, Used Car Safety Ratings and a new rating system known as Vehicle Safety Risk Ratings. This means more than 95 percent of New Zealand's fleet has an up-to-date safety rating.

Through agreements with Trade Me and CarJam, these safety ratings are now displayed on vehicle listings at places where people are looking to buy vehicles. The Trade Me Motors app also has a vehicle safety filter option, making it easy for people to search for affordable and safe cars to purchase.

Vehicle safety ratings are supported by several industry organisations, such as the Automobile Association, the Motor Trade Association, Vehicle Testing New Zealand, Vehicle Inspection New Zealand and the Imported Motor Vehicle Industry Association.

An education module has been created for car dealers so they can understand the ratings system and explain vehicle safety ratings to their customers.

Safety ratings for most registered vehicles on New Zealand's roads can be found by searching the Rightcar website at www.rightcar.govt.nz



Access

National Land Transport Programme 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

Short-term results

For short-term results, see the Government Policy Statement on land transport, page 21.⁵

INVESTMENT HIGHLIGHTS

- Waka Kotahi completed phase 1 of **Innovating Streets for People**, which included case studies in eight cities across Aotearoa and workstreams to address systems barriers identified through engagement with local councils. As part of phase 2 a fund was launched to encourage councils to try a tactical urbanism approach to project delivery. Funding has been approved for over 40 projects, which will be delivered over the coming year with significant support from Waka Kotahi to improve capability within councils. Support includes a community of practice, online guidance and training programmes. The programme will be evaluated to identify opportunities to embed this practice into business as usual.
- **Keeping Cities Moving** aims to deliver on social, environmental and economic outcomes by growing the share of travel by public transport, walking and cycling (also known as mode shift). Plans are also being developed targeting place-based changes in the six high-growth urban areas with the greatest potential to achieve mode shift: Auckland, Hamilton, Tauranga, Wellington, Christchurch and Queenstown. The Auckland mode-shift plan **Better Travel Choices** has been completed and plans for the other five urban areas are underway.

**\$3.079
BILLION**

invested in access through the National Land Transport Programme in 2019/20 including:

\$731m 23.8%
in state highway improvements

\$463m 15.0%
in state highway maintenance

\$262m 8.5%
in local road improvements

\$582m 18.9%
in local road maintenance

\$12m 0.41%
in road safety promotion and demand management

\$60m 1.9%
in regional improvements

\$842m 27.4%
in public transport

\$54m 1.8%
in walking and cycling improvements

\$8m 0.3%
in rapid transit

\$62m 2.0%
in transitional rail

⁵ Available from <https://www.transport.govt.nz/multi-modal/keystrategiesandplans/gpsonlandtransportfunding>

- In this National Land Transport Programme period, more than 80 schools and 27,000 children have become part of the **Bikes in Schools programme** – with a further 14,000 children expected to benefit from the programme by mid-2021. Bikes in Schools involves installing a riding track within school grounds to allow students to learn and practise riding their bike in a safe area so they build cycling skills and confidence. Schools' projects typically also include a fleet of bikes, helmets and bike storage facilities. Bikes in Schools is part of the wider Waka Kotahi national cycling education system BikeReady. The BikeReady system delivers best practice cycle skills training by qualified instructors to children and adults. The aim is to make cycling feel like a real transport choice for most people.
- A new pedestrian bridge was built over the Southern Motorway near Pescara Point, linking Pescara Point Reserve (Hingaia) to Pāhurehure Esplanade Reserve as part of the **Southern Corridor Improvements Project**. The project extends from Manukau to Papakura and includes additional lanes in both directions, an upgraded Takanini Interchange, a new 4.5km shared use path alongside SH1 and the bridge at Pescara Point.

Access-related benefits

In the new benefits framework, key access-related investment benefits include the impact of investments on mode choice and access to opportunities. Current measures of these benefits include traffic mode share and mode distance and access to key destinations by mode.

Another key access-rated benefit is the impact of investments on system vulnerabilities and redundancies, which affect the resilience of the network. Current measures of this benefit include the availability of a viable alternative to high-risk and high-impact routes.

PERFORMANCE

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.

Mode share analysis for 2020 shows that the network continues to favour access by road-vehicles with access coverage lower for walking and public transport (see Figure 3).⁶ The network continues to favour access by road-vehicles with access coverage lower for walking and public transport. Although cycling access is fairly high, this assumes cyclists are confident, able and willing to cycle on public roads. (The analysis uses cycle-paths/shared facilities when they are present.)

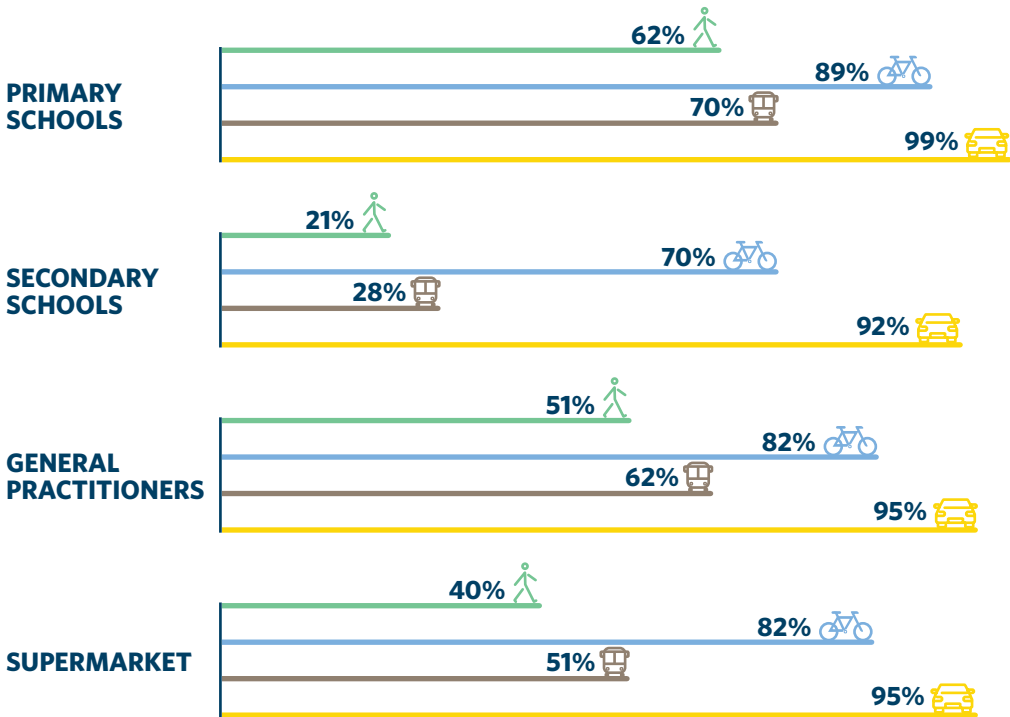
Improvements in access occur slowly on a national scale. Local results show that in some areas, access improvements have occurred in the past year. For example, in Waikato and Bay of Plenty, access to general practitioners and primary schools by public transport improved slightly between March 2019 and March 2020.

See the 2019/20 Waka Kotahi annual report, pages 42–43 for more detail.

⁶ In 2020 to improve the accuracy of results for this measure Waka Kotahi changed from using Google API (via Connected Journey Solutions in 2018/19) to a whole-of-network analysis using freely available sources (GTFS files, Open Street Maps, and the pre-existing TomTom network owned by Waka Kotahi). Results for 2019 were recalculated using this new method and were: primary schools – 61.5% walking, 89% cycling, 70.4% public transport; 98.5% driving; secondary schools – 20.9% walking, 70.4% cycling, 28% public transport; 91.9% driving; general practitioners – 51.3% walking, 82.2% cycling, 61.6% public transport, 95.2% driving; supermarkets – 39.6% walking, 81.8% cycling, 51.0% public transport, 95.3% driving.

FIGURE 3

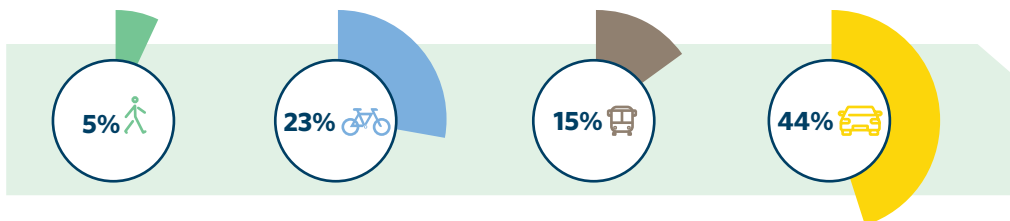
Proportion of population within 15 minutes access to nearest school, general practitioner and supermarket



Accessibility of jobs that can be reached within 45 minutes has generally dropped, indicating that growth of jobs has occurred away from areas that can be easily walked or cycled to (see Figure 4).

FIGURE 4

Proportion of jobs within 45 minutes access by mode during morning peak, 2019/20

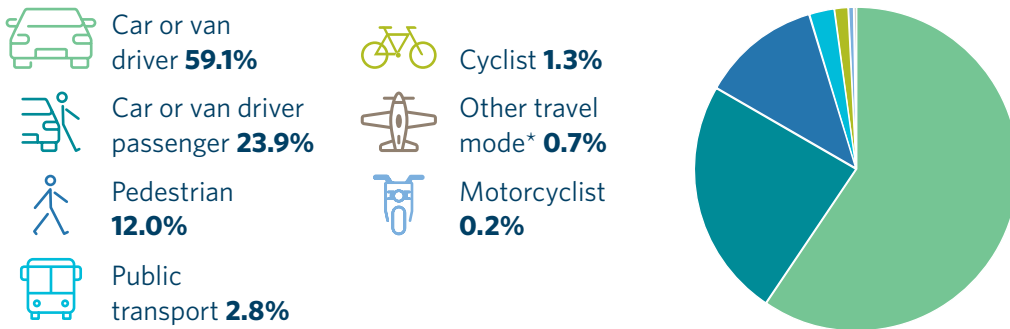


Mode share (percentage of trips by mode)

The mode share results from the Household Travel Survey provide a valuable view on people’s transport choices. These results show that most trips continue to be undertaken by car or van, with pedestrian trips being the next most common (see Figure 5). From the period 2015-18 to 2016-19, there was a slight decrease in travel by car, van and motorcycle, and a slight increase in public transport and active modes. Over time, a larger proportion of trips by public transport and active modes such as walking and cycling is expected as mode shift and travel demand management embed.


FIGURE 5


Mode share 2016-19 rolling averages



* Other travel modes include 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


19%  of total trips in high-growth urban areas on public transport, walking and cycling

24%  of people in Auckland, Wellington and Christchurch have access to frequent public transport services

71% of Waka Kotahi customers report increased ease of access to transport data and journey choices

139 million passengers used urban public transport services (bus, train and ferry)

63.2km  of walking and cycling facilities delivered

81%  of unplanned road closures resolved within standard timeframes

CASE STUDY

Getting children on their bikes

Bikes in Schools has given more than 27,000 school children the opportunity to learn to ride a bike in a safe place. The initiative involves installing a riding track on school grounds to allow students to learn and practise riding their bike in a safe area so they build cycling skills and confidence.

Cycle skills training helps children not only to be more active but to gain important road safety awareness. Cycling is a key life and confidence-building skill that has a variety of social, economic and environmental benefits.

In this National Land Transport Programme period, more than 80 schools and 27,000 children have benefited from the programme. A further 14,000 children are expected to have access to Bikes in Schools by mid-2021.

Bikes in Schools is part of the wider national cycling education system BikeReady. BikeReady delivers best practice cycle skills training by qualified instructors to children and adults. The aim of BikeReady is to make cycling feel like a real transport choice for most people.



Environment

National Land Transport Programme 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

Short-term results

For short-term results, see the Government Policy Statement on land transport, page 21.⁷

INVESTMENT HIGHLIGHTS

- **Toitū Te Taiao Our Sustainability Action Plan** was launched in April 2020. It is the first step in a long-term commitment to significantly reduce the adverse impacts of the land transport system on people, the environment and the climate and to significantly improve public health.
- New tools have been developed as part of the **Investment Decision Making Framework review** to ensure emissions impacts are considered in planning documents and when investment decisions are made. Development of a methodology for emissions profiling land transport investment programmes is well advanced and will inform the development of the Waka Kotahi Investment Plan (for input into the 2021–24 National Land Transport Programme).
- Waka Kotahi has committed to no longer using ground cover matting that contains plastics in landscaping applications next to Auckland state highways and is now using **100 percent biodegradable alternatives**. This initiative for positive change was started by Auckland System Management, an alliance between Waka Kotahi, Fulton Hogan and HEB Construction, which operates and maintains Auckland's motorway network. Concerns about plastic coir matting were originally raised by iwi and environmental advisors, following increased public concern about the pollution of waterways.
- The **Opononi Seawall Project** represented a significant resilience upgrade for SH12, protecting the area from further coastal erosion. The works were critical to future-proofing access to this beautiful part of Northland and to ensuring communities from end to end of the coast remain connected. Waka Kotahi worked closely with hapū, its partners and the community to ensure consideration of the environmental and cultural impacts of these works were at the forefront.
- **Millions of plants will be planted along the Waikato Expressway**, with 1.3 million already planted along the recently completed 15km Huntly section. The plantings are a key part of the environmental management for this significant project and mitigate both visual and noise impacts of the new road. By the time the Waikato Expressway is complete, 3.457 million plants will have been planted along its seven sections.

**\$693
MILLION**

invested in environment through the National Land Transport Programme in 2019/20 including:

\$20m 2.9%

in state highway improvements

\$113m 16.3%

in state highway maintenance

\$11m 1.5%

in local road improvements

\$224m 32.3%

in local road maintenance

\$0.2m 0.03%

in road safety promotion and demand management

\$1m 0.14%

in regional improvements

\$313m 45.1%

in public transport

\$11m 1.6%

in walking and cycling improvements

\$0.05m 0.01%

in rapid transit

\$0.8m 0.12%

in transitional rail

⁷ Available from <https://www.transport.govt.nz/multi-modal/keystrategiesandplans/gponlandtransportfunding>

Environment-related benefits

In the new benefits framework, key access-related investment benefits include the impacts on greenhouse gas emissions, water, and land and biodiversity. Waka Kotahi currently measures greenhouse gas emissions by measuring the tonnes of carbon dioxide equivalents emitted, and is working on measuring mode shift from single occupancy private vehicles as another key measure. It is also working on developing measures for water quality, biodiversity and productive land.

PERFORMANCE

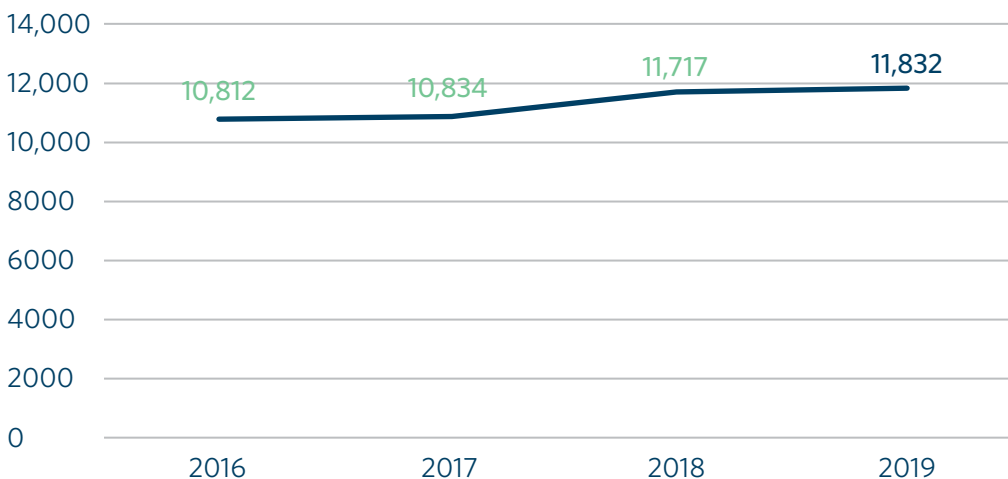
Greenhouse gas emissions from the land transport system

Carbon dioxide emissions from the road network in 2019 totaled 11,832 kilotonnes (see Figure 6).⁸ Road transport emissions have increased by 1 percent relative to the 2018 baseline.

Nationally, urban areas contribute around half of road transport carbon dioxide emissions, with the most emissions coming from large urban centres such as Auckland, Wellington and Christchurch where a large portion of economic activity occurs. Aside from these urban centres, land transport emissions from each region are mostly from travel in our rural areas.

FIGURE 6

Tonnes of greenhouse gases emitted per year from land transport



⁸ Road transport carbon dioxide emissions reported here are derived from the Waka Kotahi National Vehicle Emission Database which takes into account the vehicle fleet profile and travel on all roads in New Zealand during 2019. The calculation method Waka Kotahi uses is different to the method the Ministry for the Environment uses for the national greenhouse gas emissions inventory, so the numbers from the two methods are not directly comparable.

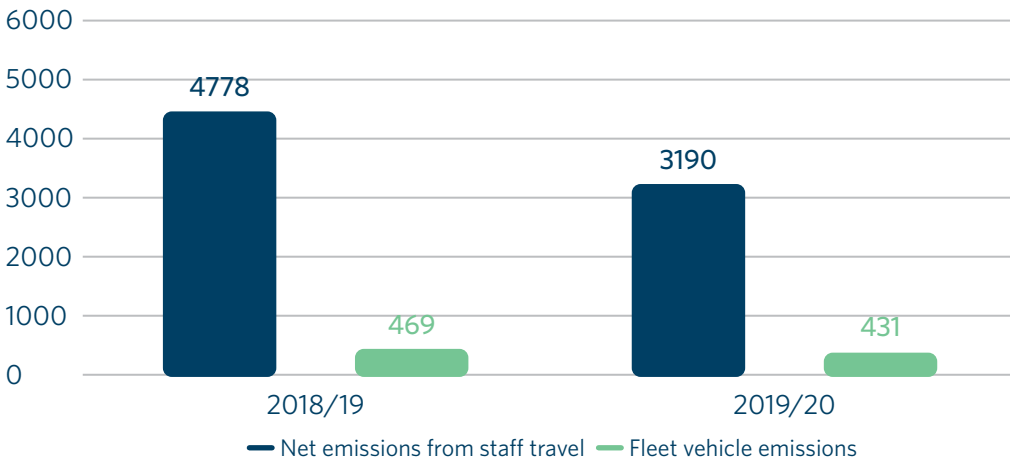
Other environment-related results

Total carbon emissions from staff travel (including flights, rental vehicles, taxis and claimed mileage) decreased from last year by approximately 33 percent (Figure 7). A contributing factor for this decrease was the restriction on travel during April and May due to COVID-19. Waka Kotahi is putting in place measures to maintain ongoing reductions.

The transition from petrol and diesel internal combustion engine vehicles to battery electric vehicles has allowed Waka Kotahi to see a decrease in carbon emissions from its vehicle fleet.

FIGURE 7

Net greenhouse gas emissions and Waka Kotahi fleet vehicle emissions (carbon dioxide equivalent) from staff travel (including offsets), 2018/19 and 2019/20



CASE STUDY

Millions of plants line Waikato Expressway

By the time the 102km Waikato Expressway is completed next year, 3.457 million native plants will have been planted along it.

The expressway, on which construction began in 2009, is being built in seven sections. More than one-third of the plants (1.3 million) are located along the 15km Huntly section, which opened to traffic in March 2020, and more than 650,000 plants have already been planted along the final Hamilton section.

The native plantings are a key part of the environmental management for this significant project. Waka Kotahi is committed to improving the contribution state highways make to the environment. The landscaping and planting mitigate both the visual and noise impacts of the new road.

All the plants along the expressway have been grown from seed, sourced from the area. The plants are all New Zealand native species, from the grasses and flaxes to the shrubs and small trees.

Along the Te Rapa section of the Waikato Expressway there are 547,000 plants, the Ngāruawāhia section 230,000, Cambridge section 350,000, Longswamp section 180,000 and Rangiriri section 200,000.



Value for money

National Land Transport Programme objective

To contribute to an effective, efficient and safe land transport system in the public interest

Long-term results

- Better informed investment decision making
- Improved returns

Short-term results

For short-term results, see the Government Policy Statement on land transport, page 21.⁹

Waka Kotahi has progressed several projects to improve the assessment of value for money of activities and programmes delivered with National Land Transport Fund investment

INVESTMENT DECISION MAKING FRAMEWORK REVIEW

Waka Kotahi and the Ministry of Transport jointly reviewed 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 support a system-based and outcomes focused approach and take a more neutral approach to assessing transport interventions. Changes include giving due weight to social, economic, environmental and other outcomes that cannot be readily monetised. Waka Kotahi also wanted the framework to be easy to use and understand, and to support the delivery of a better transport system.

Waka Kotahi also reviewed the criteria it uses to decide how transport projects will be funded by the National Land Transport Fund.

The changes apply to business case development and assessment, and the benefits framework from 31 August 2020.

MEASURING THE BENEFITS OF NATIONAL LAND TRANSPORT PROGRAMME INVESTMENTS

To improve the way Waka Kotahi measures the benefits delivered from National Land Transport Programme investments, it identified a consistent and enduring set of benefits that aligns with the Ministry of Transport's Transport Outcomes Framework.

Waka Kotahi developed a tool to capture baseline data for a selection of the measures, so it is possible to 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 have been identified, and benefits measurement data will be stored in Transport Investment Online, which is the system that records, processes and monitors funding applications.

For investments with selected measures in Transport Investment Online reporting against benefits is expected to begin in the 2020/21 National Land Transport Fund annual report, covering the last year of the 2018-21 National Land Transport Programme.

⁹ Available from the Ministry of Transport Website at <https://www.transport.govt.nz/multi-modal/keystrategiesandplans/gpsonlandtransportfunding>

Value for money

Waka Kotahi constantly considers how to deliver the outcomes sought by the government in the most effective and efficient manner to obtain the best value for money. It has a responsibility to ensure costs are kept under control, and that all funding delivers the best possible outcomes for New Zealand.

The application of investment principles, policies and tools and investment assurance help ensure investment decisions deliver value for money. Tools include the Investment Assessment Framework, business case approach, benefits management framework and Economic Evaluation Manual, which support the sector in delivering ongoing value for money.

Monitoring of benefits realised and tracking the benefit-cost ratios of approved investments provide objective data on value for money. During 2019/20, benefit cost ratios were reported monthly on the Waka Kotahi website for approved investments in activities.

CASE STUDY

Innovating streets for people

Innovating Streets for People is a \$13.95 million investment aimed at supporting Waka Kotahi local partners to take a tactical urbanism approach to transport planning. Tactical urbanism focuses on making urban streets safer, healthier and more people-friendly by testing layouts, materials and new designs before making permanent upgrades.

The Innovating Streets for People pilot fund will see 40 projects delivered across New Zealand to make streets more people friendly. These projects will reduce traffic and create more appealing environments for people to walk, cycle and play in; improve safety outcomes at intersections, making it easier for people to cross; and make business districts more vibrant.

The projects will be developed in partnership with local communities, and pop-ups and interim treatments will be installed to test potential changes and gain valuable community feedback to inform long-term solutions.

Innovating Streets for People will also support councils and communities to gain experience and knowledge in co-design processes and to deliver urban street upgrades faster and with more community involvement.

Innovating Streets for People will help achieve value for money through Waka Kotahi working closely with its local partners to understand local community needs, to test new ideas before making permanent changes and to build capability amongst its local partners in co-design and delivery.



Use of the National Land Transport Fund

SUMMARY OF NATIONAL LAND TRANSPORT FUND EXPENDITURE IN 2019/20

Revenue for the National Land Transport Fund during 2019/20 was \$362.7 million lower than forecast in the published 2018–2021 National Land Transport Programme.

At the end of year two of the three-year 2018–21 National Land Transport Programme, overall National Land Transport Fund spend across all activity classes is seven percent below budget. This is largely the result of using financing rather than the National Land Transport Fund money to fund the National Land Transport Programme following the significant revenue and cost impacts of the COVID-19 lockdown.

COVID-19 and reporting on our results

We have been working to better understand and assess the impact that the COVID-19 pandemic has had, and will continue to have, on the delivery of our core services and significant capital projects and the achievement of our performance targets.

For the purpose of reporting at year-end, Waka Kotahi has applied a COVID-impact rating against all impacted measures and financial results reported on in this section.

Planned and actual expenditure by activity class

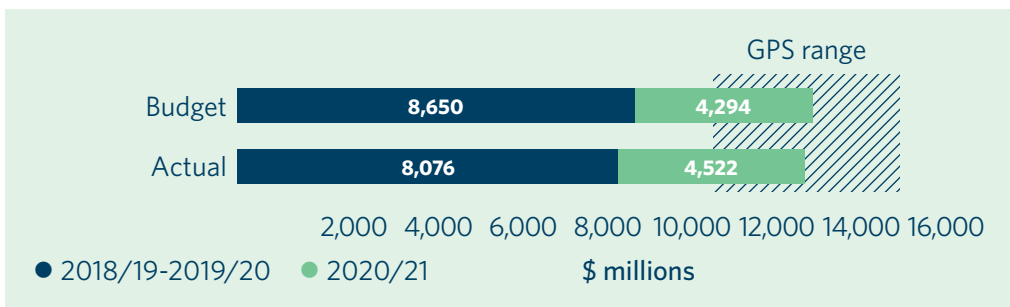
| Activity class | Planned and actual expenditure | |
|----------------------------|--------------------------------|--|
| State highway improvements | Above budget (2%) | This is the result of two public-private partnership settlements (\$274 million) and additional COVID-19 related costs (\$100 million). This is offset by \$247 million of expenditure being funded through debt rather than the National Land Transport Fund in 2019/20 and an underspend in the activity class in 2018/19. |
| State highway maintenance | Below budget (3%) | This is the result of \$173 million of expenditure being funded through debt rather than the National Land Transport Fund. This is offset by additional costs in emergency works and rising cost pressure from contract variations relating to additional traffic volumes; contract renewals or rewards; and the establishment of Auckland System Management and Total Traffic Management. |
| Local road improvements | Above budget (1%) | 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. This has been offset by minor delays and reduced expenditure due to the COVID-19 lockdown and \$13 million of expenditure being funded through debt rather than the National Land Transport Fund. |

| | | |
|---|----------------------|---|
| Local road maintenance | Below budget (7%) | The result reflects lower than forecast emergency works claims in 2018/19 and the minor delays and reduced expenditure due to the COVID-19 lockdown in 2019/20. In addition, \$33 million of expenditure was funded through debt rather than the National Land Transport Fund reducing actual expenditure against budget. |
| Road safety promotion and demand management | Below budget (14%) | This is due to the slow start to a number of Waka Kotahi and locally delivered activities, in particular the Alcohol Interlock Device Programme and the impacts of the COVID-19 lockdown resulting in a subsequent reduction in promotional activity. |
| Road policing | Materially on budget | Road policing expenditure was materially on budget. |
| Regional improvements | Below budget (4%) | Mainly driven by delays in project negotiations, property acquisition challenges, and complexity in certain designs. |
| Public transport | Below budget (2%) | This is the result of a result of \$109 million of expenditure being funded through debt rather than the National Land Transport Fund and lower than planned activity across various public transport infrastructure projects. This was offset by the increased expenditure (\$90 million) in 2019/20 to fund public transport during the COVID-19 lockdown. |
| Walking and cycling improvements | Below budget (30%) | Expenditure was under budget in 2018/19 due to delays with the National Land Transport Fund expenditure component of the Urban Cycleways Programme projects and later than planned start up for several large projects. Expenditure was expected to recover in 2019/20 but was further delayed by the COVID-19 lockdown and the reduced claims received from approved organisations. In addition, the Northern Gateway project over the Auckland harbour bridge is now funded by the Crown. |

| | | |
|-----------------------|--------------------|---|
| Rapid transit | Below budget (86%) | Budgeted spend was based on anticipated progress on the original plan for the City Centre to Māngere Light Rail project. Progress and expenditure on the Auckland Light Rail project have continued to be affected by the Crown evaluation process to assess alternative approaches to project design and delivery. As a result, rapid transit activity class will not meet budget over the remainder of the current National Land Transport Programme. |
| Transitional rail | Below budget (56%) | Spending in 2018/19 was 49 percent below budget due to lower than expected expenditure on projects including Wellington Metro Upgrade Programme and the Rail Network Growth Impact Management project. The recently announced New Zealand Upgrade Programme (NZUP) will fund some projects that were programmed in this activity class. A significant amount of spend is forecast for 2020/21. |
| Investment management | On budget | Investment management expenditure was on budget at the end of 2019/20. |

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 tables in the next sections. These tables do not account for National Land Transport Programme funds contributed by local authorities or other sources, including Crown grants and loans.

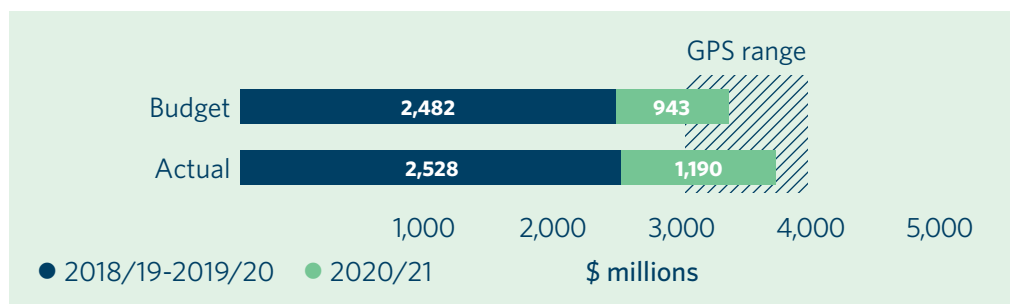
OVERALL USE OF THE NATIONAL LAND TRANSPORT FUND



At the end of year two of a three-year programme, overall National Land Transport Fund spend across all activity classes is seven percent below budget. This is largely the result of using debt financing rather than funding from the National Land Transport Fund for the National Land Transport Programme following the significant revenue and cost impacts of the COVID-19 lockdown. In the statement of comprehensive revenue and expense, the expenditure financed through the borrowing facilities is not shown as an outflow from the current National Land Transport Fund balance. Instead it is shown as National Land Transport Programme expenditure to be funded long-term. This represents the obligation of the National Land Transport Fund to repay the debt when it becomes due. Repayment of the debt will be shown as an outflow from the current National Land Fund balance in the period the repayment is made.

STATE HIGHWAY IMPROVEMENTS

State highway improvements expenditure



State highway improvements expenditure was \$46 million (two percent) above budget at the end of 2019/20 as a result of the two public-private partnership settlements (\$274 million) and additional COVID-19 related costs (\$100 million). This is offset by \$247 million of expenditure being funded through debt rather than the National Land Transport Fund in 2019/20 and an underspend in the activity class in 2018/19.

State highway improvements performance measures

| Reference | Measure | Result | 2019/20 Target | 2019/20 Actual | Variance ^o | 2018/19 Actual |
|--|--|--------------|----------------|---------------------------|-----------------------|----------------|
| SHI1 | Proportion of state highway improvement activities delivered to agreed standards and timeframes* | Not achieved | ≥90% | 71% | 19% | 88% |
| <p>The target was not achieved due to claim settlements during the year totalling \$344.2 million causing a significant overspend. COVID-19 has also negatively affected delivery of the programme due to the lockdown that delayed construction for at least 5 weeks and the resulting reduced productivity shortly thereafter with changes in work arrangements.</p> | | | | | | |
| SHI2 | Proportion of state highway network modified to align with safe and appropriate speed* | Achieved | Increasing | 1.1% (119km) [‡] | 0.5% (50.5km) | 0.6% (68.5km) |
| SHI3 | Proportion of regional state highway activities delivered to agreed standards and timeframes* | Not achieved | ≥90% | 60% | 30% | 61% |

The target was not met because of the Mt Messenger Bypass, which is progressing more slowly than originally planned due to consenting delays, Resource Management Act appeals to the Environment Court, property acquisition challenges, and a stalled compulsory acquisition process. Although delivery of activities was negatively affected by COVID-19, the result would have only slightly improved and target still missed.

See appendix 2 of the 2019/20 Waka Kotahi annual report, page 231 for technical details.

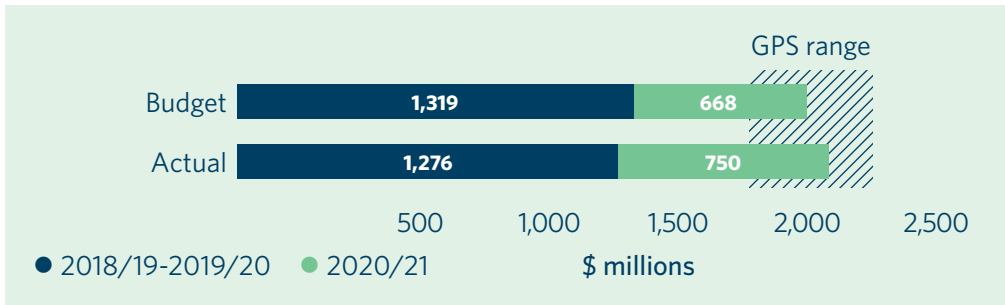
* This is also a performance measure for an appropriation in Vote Transport. See appendix 3 of the 2019/20 Waka Kotahi annual report, page 241 for all appropriation measures.

^o The variance is a percentage point change unless stated otherwise.

[‡] This does not include engineering interventions on road segments. This means the actual length of the network modified to align with safe and appropriate speed is actually higher. The full qualifying list of improvements is being scoped for inclusion in this measure in the future.

STATE HIGHWAY MAINTENANCE

State highway maintenance expenditure



State highway maintenance expenditure was \$43 million (three percent) below budget at the end of 2019/20 due to \$173 million of expenditure being funded through debt rather than the National Land Transport Fund. The reduction in expenditure is offset by additional costs in emergency works and rising cost pressure from contract variations relating to additional traffic volumes; contract renewals or rewards; and the establishment of Auckland System Management and Total Traffic Management.

State highway maintenance performance measures

| Reference | Measure | Result | 2019/20 Target | 2019/20 Actual | Variance ^o | 2018/19 Actual |
|-----------|--|----------|------------------|----------------|-----------------------|----------------|
| SHM1 | Proportion of state highway maintenance activities delivered to agreed standards and timeframes* | Achieved | ≥90% | 95% | 5% | 94% |
| | Renewal activities were affected by COVID-19 because majority of them are undertaken during the summer season and peaks from February to April. However, we were still able to achieve target because we were ahead of programme in some regions, and risk management activities were undertaken on those that were not. This enabled us to recover time lost during the lockdown. We continue to manage remaining activities (for example structural renewals) that still need to be completed. | | | | | |
| SHM2 | Safe stopping: proportion of network meeting surface texture standards | Achieved | ≥98% | 99% | 1% | 99% |
| SHM3 | Network resilience: proportion of rutting ≥20mm over state highway network | Achieved | ≤3% ^o | 1% | 2% | 1% |

| | | | | | | |
|---|--|--------------|-------------------|----------|----|----------|
| SHM4 | Safe stopping: proportion of network above skid threshold | Not achieved | ≥98% | 95% | 3% | 97% |
| <p>The survey to collect this information was conducted 27 November 2019 to 12 February 2020. During this period, the country experienced a hot dry spell of weather. This weather affected the road surface in many regions, causing it to become contaminated and making the survey results about road condition appear much worse than the actual condition of the road. This condition has happened before. The safe stopping threshold returns to above target levels soon after the road surface temperature has cooled down and the abrasion from vehicle tyres removes the contamination.</p> | | | | | | |
| SHM5 | Smooth ride: proportion of travel on network classed as smooth* | Achieved | ≥97% | 99% | 2% | 99% |
| SHM6 | Availability of state highway network: proportion of unplanned road closures resolved within standard timeframes | Not achieved | ≥84% | 81% | 3% | 85% |
| <p>The target was not met mainly because of severe weather conditions and road crashes. Extended closures in the first half of the year in the South Island were the result of prolonged snow, ice and avalanche hazards over winter, as well as flooding and slips. In quarter three, closures were mainly the result of serious crashes around the country. An improvement in the result was seen in quarter four, which was likely to be the result of limited traffic and travel being undertaken during the COVID-19 lockdown.</p> | | | | | | |
| SHM7 | State highway maintenance cost per lane kilometer delivered* | Achieved | \$24,000-\$28,000 | \$25,352 | - | \$22,997 |
| <p>Actual cost was higher due to COVID-19 claims and additional cost to undertake pavement and surfacing renewals outside the summer season, which required additional additives or design changes. Delivery of some of the renewal programmes were also reduced in particular structures and other assets.</p> | | | | | | |
| SHM8 | Restoration and rebuild of State Highway 1 between Picton and Christchurch – proportion of activities delivered to agreed standards and timeframes** | Achieved | ≥90% | 97%‡ | | 81% |

See appendix 2 of the 2019/20 Waka Kotahi annual report, page 231 for technical details.

■ The result could have been affected by COVID-19 but Waka Kotahi is unable to clearly determine this.

* This is also a performance measure for an appropriation in Vote Transport. See appendix 3 of the 2019/20 Waka Kotahi annual report, page 241 for all appropriation measures.

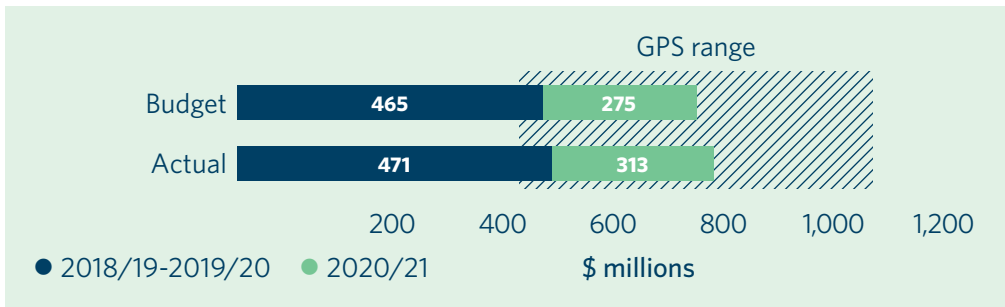
° The variance is a percentage point change unless stated otherwise.

◇ The 'less than or equal to' symbol was missed in the *Statement of performance expectations 2019/20*.

‡ Activities delivered are based on the number of projects completed rather than activities delivered. The methodology was changed this year to address last year's audit recommendations on improving robustness of the performance report. The result is not comparable to the 2018/19 result.

LOCAL ROAD IMPROVEMENTS

Local road improvements expenditure



Local road improvements expenditure was \$6 million (one percent) above budget at the end of 2019/20. 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. This has been offset by minor delays and reduced expenditure due to the COVID-19 lockdown and \$13 million of expenditure being funded through debt rather than the National Land Transport Fund.

Local road improvements performance measures

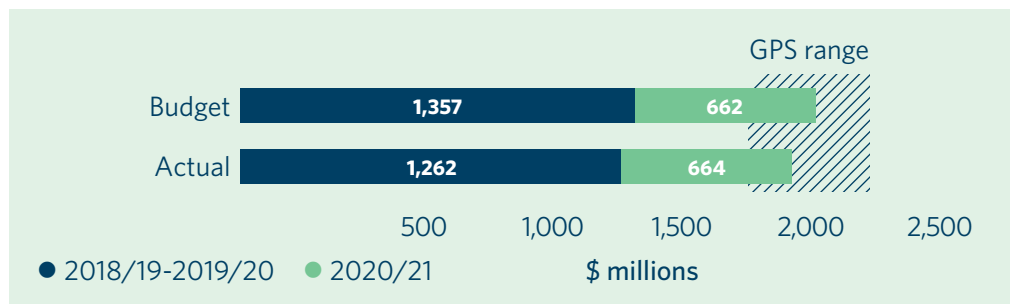
| Reference | Measure | Result | 2019/20 Target | 2019/20 Actual | Variance | 2018/19 Actual |
|-----------|---|--------------|------------------|-----------------|-----------------|-----------------|
| LRI1 | Proportion of the local road network modified to align with safe and appropriate speed* | Not measured | Not available | Not measured | - | Not available |
| | Waka Kotahi is unable to report against this measure because sufficiently robust data remains unavailable. Development of the National Speed Limit Register from which data will be sourced is ongoing. This work awaits the new land transport rule required to implement the Tackling Unsafe Speeds Programme announced in December 2019. | | | | | |
| LRI2 | Provincial Growth Fund enabling infrastructure projects – average number of days to release Provincial Growth Fund infrastructure funding once approved* | Achieved | ≤20 working days | 10 working days | 10 working days | 13 working days |
| LRI3 | Housing Infrastructure Fund loans – The loan will be drawn down for the purposes and on the terms agreed between Waka Kotahi and the Minister of Transport* | Achieved | 100% | 100% | - | 100% |

See appendix 2 of the 2019/20 Waka Kotahi annual report, page 231 for technical details.

* This is also a performance measure for an appropriation in Vote Transport. See appendix 3 of the 2019/20 Waka Kotahi annual report, page 241 for all appropriation measures.

LOCAL ROAD MAINTENANCE

Local road maintenance expenditure



Local road maintenance expenditure was \$95 million (seven percent) below budget due to lower than forecast emergency works claims in 2018/19 and the minor delays and reduced expenditure due to the COVID-19 lockdown in 2019/20. In addition, \$33 million of expenditure was funded through debt rather than the National Land Transport Fund reducing actual expenditure against budget.

Local road maintenance performance measures

| Reference | Measure | Result | 2019/20 Target | 2019/20 Actual | Variance [°] | 2018/19 Actual |
|-----------|---|--------------|------------------|----------------|-----------------------|----------------|
| LRM1 | Pavement integrity index of the sealed network* [◇] | Not achieved | ≥94 [§] | 93 | 1 | 94 |
| | Although we did not achieve the target, this level of variability is within steady and acceptable levels. | | | | | |
| LRM2 | Surface condition index of the sealed network* [‡] | Achieved | ≥98 [§] | 98 | - | 98 |
| LRM3 | Smooth ride: proportion of travel on smooth roads* | Achieved | ≥86% | 87% | 1% | 87% |
| LRM4 | Local road maintenance cost per local road lane kilometer delivered* | Not achieved | ≤\$3,000 | \$3,628 | \$628 | \$3,455 |

The target was not achieved because costs associated with recently awarded local authority maintenance contracts were higher than previously awarded contracts by 20-40 percent. The main reasons for local road authority contracts increasing are: Resource Management Act compliance, health and safety compliance, and the industry resetting the costs of maintenance physical works. Waka Kotahi is reviewing this measure in light of the steady cost increase across the National Land Transport Programme.

See appendix 2 of the 2019/20 Waka Kotahi annual report, page 231 for technical details.

* This is also a performance measure for an appropriation in Vote Transport. See appendix 3 of the 2019/20 Waka Kotahi annual report, page 241 for all appropriation measures.

[°] The variance is a percentage point change unless stated otherwise.

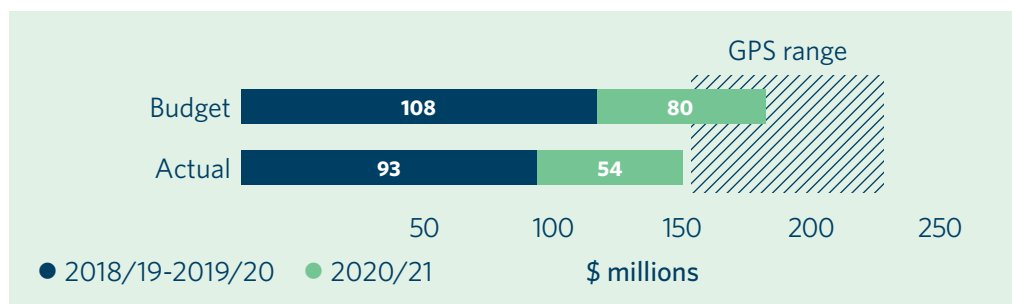
[◇] This was published incorrectly as 'proportion of the sealed local road network that meets pavement integrity targets' in the *Statement of performance expectations 2019/20*.

[‡] This was published incorrectly as 'proportion of the sealed local road network that meets surface condition targets' in the *Statement of performance expectations 2019/20*.

[§] This was incorrectly published as a percentage in the *Statement of performance expectations 2019/20*.

ROAD SAFETY PROMOTION AND DEMAND MANAGEMENT

Road safety promotion and demand management expenditure



Expenditure was \$15 million (14 percent) below budget at the end of 2019/20. This was due to the slow start to a number of Waka Kotahi and locally delivered activities, in particular the Alcohol Interlock Device Programme and the impacts of the COVID-19 lockdown resulting in a subsequent reduction in promotional activity during this time.

Road safety promotion and demand management performance measures

| Reference | Measure | Result | 2019/20 Target | 2019/20 Actual | Variance ^o | 2018/19 Actual |
|---|---|--------------|--------------------|----------------|-----------------------|----------------|
| RSP1 | Proportion of road safety advertising campaigns that meet or exceed their agreed success criteria* | Achieved | ≥80% | 90% | 10% | 89% |
| RSP2 | Proportion of road safety education programmes meeting targets for access to road safety information | Baseline set | Baseline to be set | 100% | - | New measure |
| RSP3 | Proportion of travel demand management activities delivered to agreed timelines | Not measured | Baseline to be set | Not measured | - | New measure |
| <p>Waka Kotahi is unable to report against this measure because it intended to track the 2019/20 programme milestones agreed in the travel demand management single stage business case, which was not approved. Although there were some travel demand management activities this year, this measure is not applicable as there was no active programme timeline to monitor against.</p> | | | | | | |
| RSP4 | Proportion of travel demand management strategies in high-growth centres approved jointly with councils | Not measured | Baseline to be set | Not measured | - | New measure |

Waka Kotahi is unable to report against this measure because travel demand management work has been subsumed by mode shift work. Travel demand management activity remains part of the work plan, but the indicator worked to this year was the number of mode shift plans created and agreed with regional and city councils for high-growth centres. Mode shift plans include travel demand management activities, but they were mainly funded and delivered under other output classes.

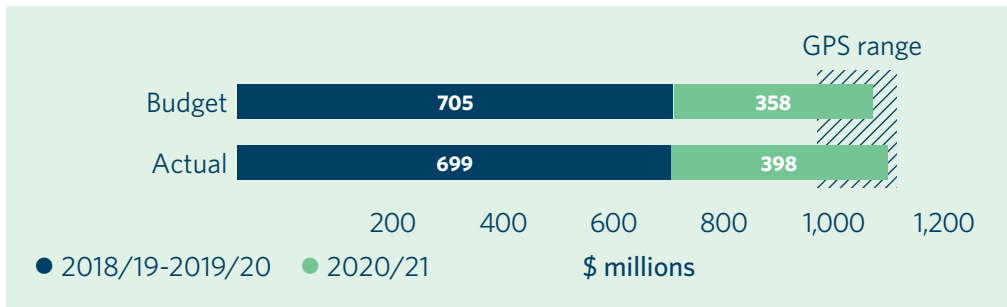
See appendix 2 of the 2019/20 Waka Kotahi annual report, page 231 for technical details.

* This is also a performance measure for an appropriation in Vote Transport. See appendix 3 of the 2019/20 Waka Kotahi annual report, page 241 for all appropriation measures.

^o The variance is a percentage point change.

ROAD POLICING

Road policing expenditure



Road policing expenditure was materially on budget.

Road policing performance measures

| Reference | Measure | Result | 2019/20 Target | 2019/20 Actual | Variance ^o | 2018/19 Actual |
|---|--|----------------|----------------|----------------|-----------------------|----------------|
| RP1 | Speed: Mobile camera deployment activity | Not achieved ■ | 80,000 hours | 62,074 hours | 17,926 hours | New measure |
| <p>The target was not met because of low staffing levels in New Zealand Police. However, New Zealand Police remains committed to continuing to improve deployment hours and supporting Waka Kotahi with the preparation for the transfer of the mobile camera network. Both agencies are working together to ensure deployed hours are targeted to the highest risk sites. Wider policing deployment priorities during the COVID-19 lockdown periods may have affected this result.</p> | | | | | | |
| RP2 | Speed: Percentage of 1-10km/h excess speed officer-issued Infringement Offence Notices | Not achieved ■ | 15% | 7% | 8% | New measure |
| <p>While the target was not met, there has been a continuing upward trend every quarter this year. The number of infringements issued in the 1-10km/h band increased from 4.5 percent in quarter one to 10 percent in quarter four. Wider policing deployment priorities during the COVID-19 lockdown periods may have affected this result.</p> | | | | | | |
| RP3 | Speed: Percentage of officer-issued speed offence notices which are rural | Not achieved ■ | 66% | 53% | 13% | New measure |
| <p>While the target was not met, there was a steady increase across quarters one to three. The result in quarter four was lower in the previous three quarters. Wider policing deployment priorities during the COVID-19 lockdown periods may have affected this result. New Zealand Police continues to support the delivery of increased rural deployment with a staff engagement plan.</p> | | | | | | |

| | | | | | | |
|---|--|--------------------------------|-----------------|-----------------|----------------|-------------|
| RP4 | Speed: Number of Offender Management Plans in place for high-risk drivers | Not achieved ■ | 1,700 plans | 448 plans | 1,252 plans | New measure |
| <p>Police continue to target high-risk drivers and offenders through various means, and the definition of how these are counted remains a primary factor in the result. High-risk drivers are an operational focus of New Zealand Police's tasking and coordination process and continue to remain a priority. Wider policing deployment priorities during the COVID-19 lockdown periods may have affected this result.</p> | | | | | | |
| RP5 | Restraints: Number of restraint offences | Not achieved due to COVID-19 ● | 52,000 offences | 44,041 offences | 7,959 offences | New measure |
| <p>While the target was not met, there has been a 3.5 percent increase on the previous year. The result in quarter four was significantly lower than in the previous three quarters, and the continued operational focus would have likely resulted in a closer end-of-year result if it were not for COVID-19 related impacts in quarter four.</p> | | | | | | |
| RP6 | Impairment: Number of passive breath tests and breath screening tests conducted | Not achieved due to COVID-19 ● | 2,000,000 tests | 1,615,359 tests | 384,641 tests | New measure |
| <p>While the target was not met, there has been a 27 percent increase on the previous year. The cessation of all breath screening testing (both checkpoint and individual based) during the COVID-19 period has affected the result, and this will be evident for many more months as breath testing devices are returned for their annual calibration and the number of tests performed on each device are counted.</p> | | | | | | |
| RP7 | Targeted operations: Number of RIDS (restraints, impairment, distraction and speed) operations | Achieved ■ | Ongoing | Ongoing | - | New measure |
| <p>New Zealand Police continues to focus on the priority areas of RIDS supported by national and district-based operations. As a result, the number of RIDS offences continues to trend upwards. The increase is attributable to the sustained focus on offences that contribute the most harm on the roads. Wider policing deployment priorities during the COVID-19 lockdown periods may have affected this result.</p> | | | | | | |

See appendix 2 of the 2019/20 Waka Kotahi annual report, page 231 for technical details.

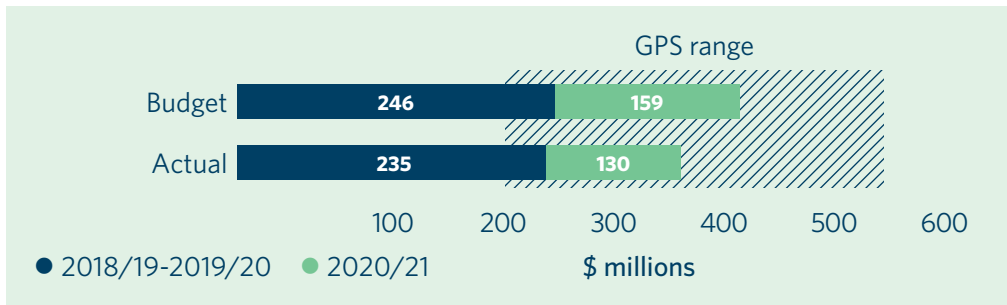
● The result was affected by COVID-19.

■ The result could have been affected by COVID-19 but Waka Kotahi is unable to clearly determine this.

° The variance is a percentage point change unless stated otherwise.

REGIONAL IMPROVEMENTS

Regional improvements expenditure



Regional improvements expenditure was \$11 million (four percent) below budget at the end of 2019/20 mainly driven by delays in project negotiations, property acquisition challenges, and complexity in certain designs.

Regional improvements performance measures

| Reference | Measure | Result | 2019/20 Target | 2019/20 Actual | Variance ^o | 2018/19 Actual |
|-----------|--|--------------|----------------|----------------|-----------------------|----------------|
| RI1 | Proportion of regional improvement activities delivered to agreed standards and timeframes | Not achieved | ≥90% | 88% | 2% | 98% |
| | The target was not met because large projects experienced delays. SH1 East Taupo Arterial Corridor Improvements and SH30 Eastern Corridor Connect Rotorua were delayed because physical works contracts were let significantly later than programmed as a result of pricing discussions taking longer than expected. The pre-implementation phase of Waitara to Bell Block (SH3/3A to Waitara) is taking longer than expected due to re-visiting business case items such as re-running traffic modelling and resolving existing flooding issues, land purchases and consenting delays. The construction of SH10 Kaeo Bridge Upgrade is starting later than planned due to the complexity of flood modelling. Although COVID-19 negatively affected the delivery of activities on some projects, it did not affect the major projects; the result would have only slightly improved and target still missed. | | | | | |
| RI2 | Provincial Growth Fund infrastructure projects – proportion of Waka Kotahi projects funded by the Provincial Growth Fund delivered to standards and timeframes* | Not measured | ≥90% | Not measured | - | Not measured |

No physical works projects were due to be completed this year.

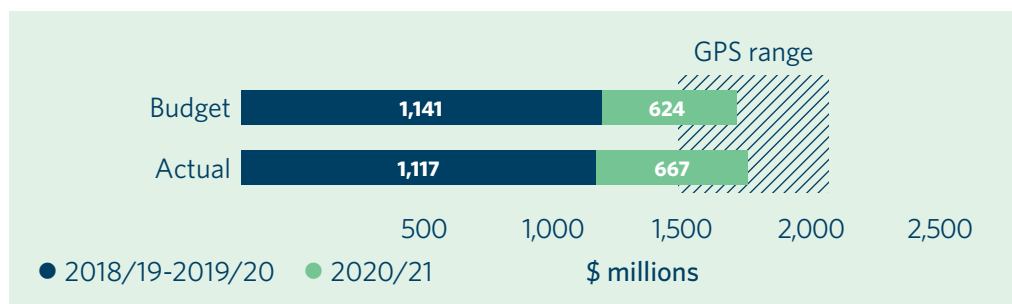
See appendix 2 of the 2019/20 Waka Kotahi annual report, page 231 for technical details.

* This is also a performance measure for an appropriation in Vote Transport. See appendix 3 of the 2019/20 Waka Kotahi annual report, page 241 for all appropriation measures.

^o The variance is a percentage point change.

PUBLIC TRANSPORT

Public transport expenditure



Public transport expenditure is \$24 million (two percent) below budget at the end of 2019/20 as a result of \$109 million of expenditure being funded through debt rather than the National Land Transport Fund and lower than planned activity across various public transport infrastructure projects. This was offset by the increased expenditure (\$90 million) to fund public transport during the COVID-19 lockdown.

Public transport performance measures

| Reference | Measure | Result | 2019/20 Target | 2019/20 Actual | Variance ^o | 2018/19 Actual |
|--|---|--------------------------------|--------------------------|-------------------------|------------------------|------------------|
| PT1 | Number of boardings on urban public transport services (bus, train and ferry)* | Not achieved due to COVID-19 ● | ≥165 million | 139 million | 26 million | 168 million |
| Public transport boardings significantly decreased this year due to COVID-19 travel restrictions in quarter four. Prior to that time boardings were tracking well to meet the target. | | | | | | |
| PT2 | Number of boardings on urban public transport services (bus, train and ferry) per capita* | Not achieved due to COVID-19 ● | ≥34 boardings per capita | 28 boardings per capita | 6 boardings per capita | New measure |
| Public transport boardings per capita significantly decreased this year due to COVID-19 travel restrictions in quarter four. Prior to that time boardings per capita were tracking well to meet the target. | | | | | | |
| PT3 | Proportion of people with access to frequent public transport services at peak time in Auckland, Wellington and Christchurch. | Not achieved | Increasing | 24% | 2% | 26% ^o |
| Access to public transport services at peak times in the metropolitan centres has slightly decreased. This is largely because of greenfield developments in Auckland and Wellington that have occurred away from public transport nodes. | | | | | | |

| | | | | | | |
|-----|---|--------------------------------|---|---|---|---|
| PT4 | Costs per passenger kilometre by bus, train and ferry | Not achieved due to COVID-19 ● | Decreasing Bus ≤\$0.20/km Train ≤\$0.16/km Ferry ≤\$0.07/km | Bus: \$0.33/km Train: \$0.28/km Ferry: \$0.18/km | Bus: \$0.13/km Train: \$0.12/km Ferry: \$0.11/km | Bus: \$0.20/km Train: \$0.19/km Ferry: \$0.08/km |
|-----|---|--------------------------------|---|---|---|---|

Costs per passenger kilometer significantly increased this year due to COVID-19. Public transport was designated as an essential service during the lockdown period which meant services continued regardless of patronage and revenue levels. From 24 March to 30 June, fares were not collected. Cost also increased to address health and safety requirements in delivering the service. The costs across the three modes reflect spend against the National Land Transport Fund only. If local share, fare revenue, SuperGold cardholder payments and third-party revenue are also considered, total cost per passenger kilometer are \$0.84, \$0.66 and \$0.76 for bus, train and ferry, respectively.

| | | | | | | |
|-----|---|--|--------------------|-----|---|-------------|
| PT5 | Mode share of people travelling by bus and car on key Auckland corridors [^] | | Baseline to be set | | - | New measure |
| | <ul style="list-style-type: none"> ▪ Pedestrians ▪ Cyclists ▪ By bus ▪ By train ▪ By ferry ▪ By car | | | 6% | | |
| | | | | 2% | | |
| | | | | 26% | | |
| | | | | 11% | | |
| | | | | 6% | | |
| | | | | 49% | | |

Mode share for public transport (bus, train and ferry) displayed long-term growth, and mode share for car displayed long-term decline, however, the trend was reversed as a result of the COVID-19 lockdown. Between March and April, public transport mode share significantly fell by 37 percentage points and car mode share significantly increased by 33 percentage points. The share of travel by public transport moved towards pre-COVID levels by the end of June although this has subsequently been impacted by a second COVID-19 lockdown in Auckland

| | | | | | | |
|-----|--|----------|--------------------|--------------------|---|-------------|
| PT6 | Punctuality of public transport services (bus, train and ferry) in Auckland [‡] | Achieved | Baseline to be set | 97.8% [§] | - | New measure |
|-----|--|----------|--------------------|--------------------|---|-------------|

See appendix 2 of the 2019/20 Waka Kotahi annual report, page 231 for technical details.

● The result was affected by COVID-19.

° The variance is a percentage point change unless stated otherwise.

* This is also a performance measure for an appropriation in Vote Transport. See appendix 3 of the 2019/20 Waka Kotahi annual report, page 241 for all appropriation measures.

◇ This year, Waka Kotahi used Statistics New Zealand population estimates rather than population data from the census. It back-casted the 2013 census-based 29 percent result last year for comparability.

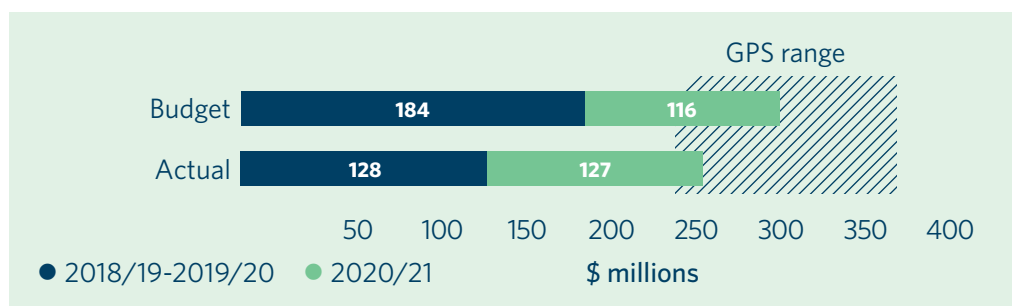
^ This is proxy measure. Waka Kotahi is unable to report on mode share of people travelling by bus and car on key Auckland corridors because robust data is not available.

‡ This is a proxy measure. Waka Kotahi is unable to report on a national figure on public transport punctuality due to the varying scope, method and definitions used by local authorities in capturing this information.

§ This information was provided by Auckland Transport. It is the average across all three modes, combined and weighted according to patronage.

WALKING AND CYCLING IMPROVEMENTS

Walking and cycling expenditure



Walking and cycling expenditure is \$56 million (30 percent) below budget at the end of 2019/20. Expenditure was under budget in 2018/19 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. Expenditure was expected to recover in 2019/20 but was further delayed by the COVID-19 lockdown resulting in reduced claims received from approved organisations. In addition, the Northern Pathway project over the Auckland Harbour Bridge was in the National Land Transport Fund but is now funded by the Crown.

Walking and cycling performance measures

| Reference | Measure | Result | 2019/20 Target | 2019/20 Actual | Variance | 2018/19 Actual |
|-----------|---|----------|----------------|---|----------|--|
| WC1 | Network kilometres of walking and cycling facilities delivered* | Achieved | Increasing | 63.2km (including 33.2km of Urban Cycleways Programme projects) | - | 104.8km (including 47.3km of Urban Cycleways Programme projects) |

A total of 63.2km of walking and cycling facilities were delivered this year, including 33.2km of facilities delivered under the Urban Cycleways Programme. The result was affected by the COVID-19 lockdown due to the suspension of construction works. The lockdown delayed the delivery of four projects: Rotorua Cycleway (Utuhina Cycle Link), Omokoroa to Tauranga cycleway, Tāhunanui project in Nelson and Oneporto-Wi Neera shared path.

| | | | | | |
|-----|--|-----------------------|--------------------|------------------|--------------------|
| WC2 | Cycling count in Auckland, Wellington and Christchurch | Achieved ■ Increasing | 6,728 cycle counts | 490 cycle counts | 6,238 cycle counts |
|-----|--|-----------------------|--------------------|------------------|--------------------|

Due to the COVID-19 lockdown, Auckland Transport was unable to have people on the streets to complete physical cordon counts. The cordon count for Auckland was taken from automated counters over a slightly different selection of sites from the previous manual counts. For Wellington, some surveys were cancelled, and appropriately adjusted averages were calculated for comparison with previous years. Christchurch was able to complete cordon counts before the COVID-19 lockdown.

See appendix 2 of the 2019/20 Waka Kotahi annual report, page 231 for technical details.

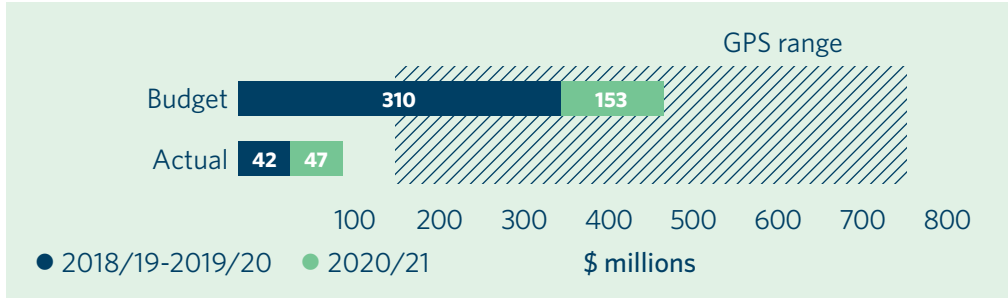
■ The result could have been affected by COVID-19 but Waka Kotahi is unable to clearly determine this.

* This is also a performance measure for an appropriation in Vote Transport. See appendix 3 of the 2019/20 Waka Kotahi annual report, page 241 for all appropriation measures.

† This is the total length of new walking and cycling facilities added to the network in 2019/20, including lengths on existing pathways and cycle ways where improvements were made.

RAPID TRANSIT

Rapid transit expenditure



Rapid transit expenditure was \$268 million (86 percent) below budget. Budgeted spend was based on anticipated progress on the original plan for the City Centre to Māngere Light Rail project. Progress and expenditure on the Auckland Light Rail project have continued to be affected by the Crown evaluation process to assess alternate approaches to project design and delivery. As a result, the rapid transit activity class will not meet budget over the remainder of the current National Land Transport Programme.

Rapid transit performance measures

| Reference | Measure | Result | 2019/20 Target | 2019/20 Actual | Variance [°] | 2018/19 Actual |
|-----------|---|--------------|----------------|----------------|-----------------------|----------------|
| RPT1 | Proportion of rapid transit activities delivered to investment requirements*† | Not achieved | ≥90% | 17% | 73% | Not available |

The target was not met because the significant component of planned investment was Auckland Light Rail which did not push through (refer to the 2019/20 Waka Kotahi annual report, page 55 for the report on Auckland Light Rail). This has also meant that the North West rapid transit network investigations have not commenced given their strong interdependencies.

See appendix 2 of the 2019/20 Waka Kotahi annual report, page 231 for technical details.

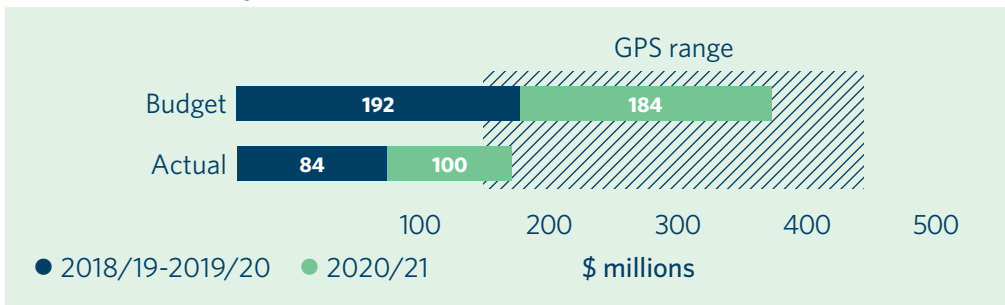
* This is also a performance measure for an appropriation in Vote Transport. See appendix 3 of the 2019/20 Waka Kotahi annual report, page 241 for all appropriation measures.

† The scope of this measure includes rapid transit projects other than Auckland Light Rail. Refer to the 2019/20 Waka Kotahi annual report, page 55 for our report on Auckland Light Rail.

° The variance is a percentage point change.

TRANSITIONAL RAIL

Transitional rail expenditure



Transitional rail expenditure was \$108 million (56 percent) below budget. Spending in 2018/19 was 49 percent below budget due to lower than expected expenditure on projects including Wellington Metro Upgrade Programme and the Rail Network Growth Impact Management project. The recently announced New Zealand Upgrade Programme (NZUP) will fund some projects that were programmed in this activity class. A significant amount of spend is forecast for 2020/21, as there are now five projects in the implementation phase.

Transitional rail performance measures

| Reference | Measure | Result | 2019/20 Target | 2019/20 Actual | Variance [°] | 2018/19 Actual |
|-----------|--|----------|----------------|----------------|-----------------------|----------------|
| TR1 | Proportion of transitional rail projects approved for implementation | Achieved | Increasing | 100% | 20% | 80% |

See appendix 2 of the 2019/20 Waka Kotahi annual report, page 231 for technical details.

° The variance is a percentage point change.

INVESTMENT MANAGEMENT

Investment management expenditure



Investment management expenditure was on budget at the end of 2019/20.

Investment management performance measures

| Reference | Measure | Result | 2019/20 Target | 2019/20 Actual | Variance ^o | 2018/19 Actual |
|-----------|---|--------------|--------------------|--------------------|-----------------------|----------------|
| IM1 | Total cost of managing the funding allocation system as a percentage of National Land Transport Programme expenditure ^{*†} | Achieved | ≤1.1% | 1.03% ^o | 0.07% | 1.03% |
| IM2 | Proportion of investments that meet Waka Kotahi investment thresholds level | Not achieved | 100% | 93% | 7% | 89% |
| IM3 | Proportion of planned transport system planning activities delivered [‡] | Baseline set | Baseline to be set | 63% | - | New measure |
| IM4 | Proportion of transport system planning activities delivered that were not planned [‡] | Baseline set | Baseline to be set | 27% | - | New measure |
| IM5 | Proportion of sector research activities delivered to agreed standards and timeframes | Achieved | ≥95% | 100% | 5% | 96% |

All investments met the Waka Kotahi investment threshold standard. However, of the 20 investment funding decisions reviewed this year, three did not meet required process standards: two had no economic evaluation, and the third had a poorly executed economic evaluation and no peer review. Waka Kotahi is developing additional training and guidance and providing advice to investment advisors and business case developers.

Research projects were affected by COVID-19. Face-to-face interviews could not proceed throughout Alert Levels 2 to 4. However, the impact was managed by varying contracts in a timely and appropriate manner.

| | | | | | | |
|---|---|-----------------------------------|-------------------|-----------------|-----------------|-------------------|
| IM6 | Proportion of investment audit activities completed | Not achieved due to COVID-19 ● | 100% | 79% | 21% | 100% |
| <p>The target was not achieved due to travel restrictions during COVID-19 Alert Levels 2 to 4, which deactivated all previously scheduled audit fieldwork for quarter four. All deferred audits are expected to be delivered in the first quarter of 2020/21 alongside planned audits for the year.</p> | | | | | | |
| IM7 | Average number of days to action new funding approvals | Achieved | ≤20 working days | 20 working days | - | 24.9 working days |
| IM8 | Stakeholder satisfaction | Achieved | ≥45% ^s | 54% | 9% | 45% ^s |
| IM9 | Proportion of requests completed within specified timeframes – ministerial correspondence* | Achieved | 100% | 100% | - | 90% |
| IM10 | Proportion of requests completed within specified timeframes – parliamentary questions* | Not achieved | 100% | 99% | 1% | 99% |
| <p>Of 1242 written parliamentary questions completed, 8 were late.</p> | | | | | | |
| IM11 | Proportion of requests completed within statutory timeframes – Official Information Act* | Not achieved | 100% | 99% | 1% | 99% |
| <p>Of 1124 Official Information Act requests completed, 6 were late.</p> | | | | | | |
| IM12 | Provincial Growth Fund regional projects and capability – proportion of regional project business cases completed to standard (approved organisations and Waka Kotahi)* | Achieved | ≥90% | 100% | 10% | 100% |
| IM13 | Provincial Growth Fund regional projects and capability – proportion of Waka Kotahi regional project business cases completed to timelines* | Achieved | ≥90% | 100% | 10% | 100% |
| IM14 | Provincial Growth Fund supporting regional and infrastructure projects – average number of days to provide feedback on Provincial Growth Fund funding applications* | Achieved | ≤20 working days | 9 working days | 11 working days | 20 working days |

| | | | | | | |
|------|---|----------|-----------------|----------------|----------------|-----------------|
| IM15 | Average number of days taken to enter fatal crash reports into the Crash Analysis System* | Achieved | 10 working days | 3 working days | 7 working days | 10 working days |
|------|---|----------|-----------------|----------------|----------------|-----------------|

See appendix 2 of the 2019/20 Waka Kotahi annual report, page 231 for technical details.

● The result was affected by COVID-19.

* This is also a performance measure for an appropriation in Vote Transport. See appendix 3 of the 2019/20 Waka Kotahi annual report, page 241 for all appropriation measures.

° The variance is a percentage point change unless stated otherwise.

† This covers cumulative cost to the end of second year of the current National Land Transport Programme period.

‡ This was slightly reworded for clarity. The scope and methodology of the measure have not changed.

§ This was incorrectly labelled as a new measure with 'baseline to be set' this year in the *Statement of performance expectations 2019/20*.

Regional highlights for 2019/20

Northland

WHERE 2018–21 INVESTMENT IS FOCUSED

Investment in the 2018–21 National Land Transport Programme in Northland is focused on creating a transport system that is safer, has stronger community connections, provides better access to economic and employment opportunities and is resilient enough to withstand extreme weather events.

INVESTMENT HIGHLIGHTS FOR 2019/20

- As part of the **Safe Network programme**, planning is underway for safety improvements between Whangārei and Wellsford, such as roadside barriers, median barriers, centre line widening and improved road marking.
- The **SH1 Dome Valley Safety Improvements Project** is under construction and includes both median and shoulder flexible safety barriers, widened shoulders, right-turn bays and improved signage to address the safety issues in this section of SH1. This road is an important link between Northland and Auckland for commuters, freight and tourists, but its unexpected curves, poor visibility and steep slopes make it difficult for people to drive safely. This project is expected to be completed in August 2021.
- The **SH10 Waipapa Corridor Improvements** project will provide a single-lane roundabout at the intersection of SH10 and Waipapa Road, making it safer for traffic to turn across the state highway and reducing peak time congestion and vehicle queuing on SH10. Construction of this \$24.5 million project, which includes a new local road link and bridge, started in October 2019 and is expected to be completed in April 2021. Funding for the project is made up of \$15.5 million from the National Land Transport Fund and \$9 million from the Provincial Growth Fund.
- The recently completed **SH12 Opononi Seawall Project** saw the repair of a seawall that had suffered erosion and was threatening the state highway at six locations. These works will improve the resilience of the route by protecting the state highway from further erosion.
- The **\$17 million SH1 Tarewa Road intersection improvements** are expected to be completed in October 2020. It is the last of six projects in the Whangārei improvements package. This project will improve traffic flow and safety with new traffic lights and double lanes for north and southbound traffic. The improvements will also improve safety for those walking and cycling to and from Whangārei Hospital, Northland Polytechnic and central Whangārei, with a shared path under a new bridge and pedestrian crossings at the intersection.



NATIONAL LAND TRANSPORT FUND INVESTMENT

| Activity class | 2019/20 Actual \$000 |
|---|---------------------------------|
| Northland total | 133,838 |
| State highway improvements | 18,864 |
| State highway maintenance | 35,304 |
| Local road improvements | 3,204 |
| Local road maintenance | 36,632 |
| Road safety promotion and demand management | 1,229 |
| Regional improvements | 36,014 |
| Public transport | 1,607 |
| Walking and cycling improvements | 615 |
| Rapid transit & transitional rail | - |
| Investment management | 368 |

Auckland

WHERE 2018–21 INVESTMENT IS FOCUSED

Investment in the 2018–21 National Land Transport Programme in Auckland is focused on improving 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.

The size and scale of Auckland's growth means it's essential to make good, well supported planning decisions, so benefits are unlocked for the region and the whole of New Zealand. The transport system needs to provide improved travel choices, support economic growth and ensure Auckland remains a great city in which to live, work and play.

INVESTMENT HIGHLIGHTS FOR 2019/20

- The **Safe Network and Speed Management** programmes will address safety and operational issues and implement a strategic speed management approach across Auckland's road network. Following consultation with stakeholders and the community, new speed limits on SH22 between Drury interchange and Paerata took effect at the end of June 2020. Waka Kotahi has been working collaboratively with Auckland Transport to implement speed limit changes to improve safety as the area continues to grow and traffic increases. New and safer speed limits on more than 600 roads across Auckland, including the central city, also came into effect as part of Auckland Transport's Safe Speeds programme.
- Opening of new motorway lanes as part of the **SH1 Southern Corridor Improvements** Project late last year will help ease congestion along this vital route. This project also includes a new shared walking and cycling path between Takanini and Papakura to connect communities and provide more travel options.
- The **SH16 Lincoln to Westgate Project** was completed in late 2019, adding new traffic and bus lanes to support growth in the western suburbs and increased traffic using the Western Ring Route. This project also extended the Northwestern Cycleway alongside the motorway from Lincoln Road to Westgate to provide more transport choice in this area.
- Completion of the **Franklin Road Upgrade Project** last July was jointly funded by Auckland Transport, Waka Kotahi and Auckland Council. This project includes safety improvements for pedestrians, cyclists and motorists, along with service and utility infrastructure upgrades.
- The Ōrākei Basin boardwalk (section 3) of the **Glen Innes to Tāmaki Drive Shared Path** was completed in July 2019. This involved widening the existing boardwalk to 4.5m (while keeping it open for use), installing new skid-resistant surfacing and a new balustrade with handrail lighting.



NATIONAL LAND TRANSPORT FUND INVESTMENT

| Activity class | 2019/20 Actual \$000 |
|---|---------------------------------|
| Auckland total | 1,415,617 |
| State highway improvements | 415,023 |
| State highway maintenance | 151,399 |
| Local road improvements | 126,920 |
| Local road maintenance | 136,616 |
| Road safety promotion and demand management | 4,886 |
| Regional improvements | - |
| Public transport | 510,088 |
| Walking and cycling improvements | 25,589 |
| Rapid transit & transitional rail | 45,107 |
| Investment management | 1,712 |

Waikato

WHERE 2018–21 INVESTMENT IS FOCUSED

Investment in the 2018–21 National Land Transport Programme in Waikato is focused on supporting a productive and growing regional economy. This means creating stronger communities with good access to employment, education and essential services and managing the increasing impacts of climate change. It also means delivering safe and reliable inter-regional journeys that enable the movement of people and freight to key destinations.

INVESTMENT HIGHLIGHTS FOR 2019/20

- The **\$409 million 15km Huntly section of the Waikato Expressway** opened in February 2020, taking SH1 over the Taupiri Range to the east of Huntly. Once completed, the Waikato Expressway will improve safety and reliability, and reduce congestion on SH1. The expressway is being built in seven sections, with the final section due for completion in late 2021.
- Construction of the **\$37.5 million Awakino Tunnel bypass** started in October 2019. This project is part of the SH3 safety and resilience improvements from Awakino Gorge to Mt Messenger and involves building two new bridges over the Awakino River as well as a passing lane and realigning a section of highway north of the tunnel. Further safety and resilience works are underway along this corridor, including the installation of flexible safety median and side barriers, line markings and rumble strips.
- Waka Kotahi approved the business case for a trial of **Te Huia, the Hamilton to Auckland passenger rail service**. The service is expected to be operational from November 2020. Waka Kotahi together with its council partners is co-investing \$96.9 million in the programme, which includes capital spending in stations and upgrading carriages of \$67.6 million (\$58.5 million from Waka Kotahi and \$9.1 million from local authorities). The total cost of the 54-month operating trial, including the service operated by KiwiRail, is an estimated \$29.3 million, including a \$22.1 million investment from Waka Kotahi.
- Waka Kotahi and KiwiRail are working together to deliver a **\$26 million programme of level crossing safety upgrades** on or near the state highway network to reduce the number of deaths and serious injuries at level crossings. Funding has been provided for 10 sites across the Waikato, of which six are complete and work continues at four: SH27 Pohlen Road, SH24 Broadway Morrinsville, SH27 Waitoa Road, and SH26 Morrinsville Road.
- Approximately **430.7km of state highway repairs and renewals maintenance** were completed in the Waikato as part of the 2019/20 summer work programme. This work occurred across 559 sites on SH1 between Tirau and Tokoroa, SH1 between Taupō and Waiouru, and SH25 and SH25A around the Coromandel Peninsula and the Hamilton urban area.



NATIONAL LAND TRANSPORT FUND INVESTMENT

| Activity class | 2019/20 Actual \$000 |
|---|---------------------------------|
| Waikato total | 494,566 |
| State highway improvements | 228,502 |
| State highway maintenance | 123,957 |
| Local road improvements | 22,148 |
| Local road maintenance | 67,805 |
| Road safety promotion and demand management | 1,745 |
| Regional improvements | 10,105 |
| Public transport | 15,396 |
| Walking and cycling improvements | 2,863 |
| Rapid transit & transitional rail | 21,439 |
| Investment management | 607 |

Bay of Plenty

WHERE 2018–21 INVESTMENT IS FOCUSED

Investment in the 2018–21 National Land Transport Programme in Bay of Plenty is focused on creating a safer, more resilient transport system to provide communities with access to employment, education and essential services as well as to manage the increasing impacts of climate change. Waka Kotahi is working with its partners to ensure development, infrastructure and transport options meet the different needs of the local communities.

INVESTMENT HIGHLIGHTS FOR 2019/20

- The **Urban Form and Transport Initiative (UFTI)** final report was completed on 1 July 2020, following 12 months of robust research, analysis and evaluation undertaken by the initiative's partners (SmartGrowth and Waka Kotahi) and involving Tauranga City Council, Western Bay of Plenty District Council, Bay of Plenty Regional Council, the Ministry of Housing and Urban Development, iwi and community leaders) in consultation with stakeholders. The initiative will shape how people live and move around the region and connect to the upper North Island in the future.
- **Speed reviews** were completed for rural Rotorua on SH33/SH30 Okere Falls to Rotokawa Road and SH5 Waiotapu, with new speed limits implemented on 29 June and 6 July 2020, respectively.
- The **SH36 pedestrian and cycle overbridge between The Lakes and Tauranga Crossing** opened in July 2019, creating a safe connection across the state highway. This work follows the installation of the Whakapaiwaka overbridge built in 2018 over SH29/Takitimu Drive, connecting Bethlehem and Gate Pā.
- The **SH2 Woodlands Ōpōtiki Shared Path** which provides a path for pedestrians and cyclists under the Waioeka Bridge in Ōpōtiki was completed in October 2019. Students no longer need to cross the busy SH2 Woodlands Road intersection.
- Construction on the **Eastern Corridor Stage One Project** started in February 2020 and will take about 18 months to complete. The improvements include the upgrade of the Tarawera roundabout to a signalised intersection, construction of four lanes between Allan Mills and Iles Roads, improvements to the Sala Street intersection, new shared paths, new watermains and the undergrounding of overhead powerlines.



NATIONAL LAND TRANSPORT FUND INVESTMENT

| Activity class | 2019/20 Actual \$000 |
|---|-------------------------|
| Bay of Plenty total | 213,069 |
| State highway improvements | 93,493 |
| State highway maintenance | 53,775 |
| Local road improvements | 6,300 |
| Local road maintenance | 31,810 |
| Road safety promotion and demand management | 1,038 |
| Regional improvements | 4,264 |
| Public transport | 12,496 |
| Walking and cycling improvements | 7,529 |
| Rapid transit & transitional rail | - |
| Investment management | 2,363 |

Tairāwhiti

WHERE 2018-21 INVESTMENT IS FOCUSED

Investment in the 2018-21 National Land Transport Programme in Tairāwhiti is focused 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 2019/20

- Waka Kotahi undertook significant community engagement on the **SH35 Resilience Project**. The business case for improvements to more than 20 preferred sites between Gisborne and Ōpōtiki has been submitted and endorsed. Work will begin in September and is expected to take about two years to complete. The work will be funded through the Provincial Growth Fund.
- Work on stage 2 of the **SH35 Wainui Cycleway** has been completed. For stage 3, Gisborne District Council have settled on a route that extends the existing Wainui shared path as far as Crawford Road, then continues down Crawford Road to the Esplanade to link up to the Gladstone Bridge widened path. Construction is planned over the next year.
- The **Safety Boost** programme has been completed. This included \$6.3 million of funding from the Safe Network programme for improvements on SH2 between Wairoa and Gisborne and between Gisborne and Matawai, and on SH35 between Gisborne and Tolaga Bay. The improvements include shoulder widening, installation of rumble strips and new roadside safety barriers where there is a risk of run-off road crashes and where such a crash would most likely result in deaths or serious injury.
- Upgrading specific sections of **SH2 between Gisborne and Ōpōtiki to enable High Productivity Motor Vehicles (HPMV)** weighing over 44 tonnes to travel the route is now complete. This work was part of a \$4 million project to strengthen six bridges along the route, bringing them up to HPMV standard. It has been funded by the National Land Transport Fund and Provincial Growth Fund and is part of the Tairāwhiti Roading package.



NATIONAL LAND TRANSPORT FUND INVESTMENT

| Activity class | 2019/20 Actual \$000 |
|---|-------------------------|
| Tairāwhiti total | 60,242 |
| State highway improvements | 5,976 |
| State highway maintenance | 20,614 |
| Local road improvements | 328 |
| Local road maintenance | 28,772 |
| Road safety promotion and demand management | 252 |
| Regional improvements | 3,360 |
| Public transport | 480 |
| Walking and cycling improvements | 277 |
| Rapid transit & transitional rail | - |
| Investment management | 183 |

Hawke's Bay

WHERE 2018–21 INVESTMENT IS FOCUSED

Investment in the 2018–21 National Land Transport Programme in Hawke's Bay recognises 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 SH2 from Napier to Tairāwhiti will be targeted through the Provincial Growth Fund.

INVESTMENT HIGHLIGHTS FOR 2019/20

- Waka Kotahi has committed to making 163km of roads in the region safer, with a variety of measures including shoulder widening, median barriers, side barriers, rumble strips and new line markings. Projects nearing completion include investments of:
 - \$13 million in **SH2 Pakipaki to Waipukurau** – including shoulder widening, side barriers, rumble strips and new line markings.
 - \$11.5 million on the stretch of **SH2 between Wairoa and Bay View** to widen shoulders, install side barriers, rumble strips and new line markings.
 - \$10.5 million in works on the **SH2 Hawke's Bay Expressway** to install median barriers, widen shoulders, side barriers, rumble strips and new line markings.
- Around \$102 million has been invested on local road network maintenance and operations** in Hawke's Bay, with key co-investment partners Hastings District Council, Wairoa District Council, Central Hawke's Bay District Council and Napier City Council.
- Waka Kotahi has approved funding for an electronic integrated ticketing system as part of **Project NEXT**. Waka Kotahi is supporting Hawke's Bay Regional Council in its investigation into trialling an on-demand service to supplement existing goBay services.
- The **SH2 Waikare Gorge** business case and pre-implementation work is underway, including property purchase, designation and design. The project is included in the Tairāwhiti Roding Package and has received funding from the Provincial Growth Fund.



NATIONAL LAND TRANSPORT FUND INVESTMENT

| Activity class | 2019/20 Actual \$000 |
|---|-------------------------|
| Hawke's Bay total | 85,955 |
| State highway improvements | 4,898 |
| State highway maintenance | 18,103 |
| Local road improvements | 1,377 |
| Local road maintenance | 32,345 |
| Road safety promotion and demand management | 257 |
| Regional improvements | 25,227 |
| Public transport | 2,695 |
| Walking and cycling improvements | 713 |
| Rapid transit & transitional rail | - |
| Investment management | 338 |

Taranaki

WHERE 2018-21 INVESTMENT IS FOCUSED

Taranaki has a strong export-based economy and continues to grow as a region. With that in mind, investment in the 2018-21 National Land Transport Programme is focused on improving access, and ensuring the region's highway network is resilient, is safer and enables reliable journey times. Improving the safety of the key corridors will reduce the numbers of deaths and serious injuries in the region.

Collaborative land use and transport planning for future growth will be critical in creating desirable urban spaces and liveable communities, as well as providing and promoting improved access through more affordable, safe and convenient travel choices.

INVESTMENT HIGHLIGHTS FOR 2019/20

- Waka Kotahi together with its co-investment partners, including the New Plymouth District Council and Taranaki Regional Council developed the **Keeping New Plymouth Moving and Growing business case** to provide a balanced transport system. This balanced transport system has three priorities for transport in Taranaki—improving safety, ensuring resilience and providing more travel choices.
- Through its **Low Cost/Low Risk safety programme**, Waka Kotahi made safety improvements to Hawera's main roundabout at the Glover Road/SH3 intersection and made a busy intersection at the Moturoa shops in New Plymouth safer and more accessible by creating a new half roundabout. A new signalised crossing will also be installed as part of the Moturoa safety improvement project. Drainage works to address the issue of water ponding on SH3 at the Rugby Road underpass between Stratford and Inglewood were also recently completed.
- Despite delays caused by the COVID-19 lockdown, **resilience work on SH3 between Awakino and Mt Messenger** is progressing well and nearing completion. The lockdown delayed completion of a new passing lane at the western end of the SH3 Awakino Gorge, an area known as Ladies Mile. Remaining pavement and surfacing works have been deferred until October 2020. Land negotiations and final consultation for the Tongaporutu intersection improvement and Rapanui Passing Lane (north of Tongaporutu) are nearing completion, with work set to start at these two sites in late 2020.
- Waka Kotahi has designed a **package of safety improvements**, including wide centrelines and sections of road safety barrier on **SH3 between Waitara and Bell Block**. These improvements will complement the more extensive improvements being designed, such as roundabouts for key intersections along the route.



NATIONAL LAND TRANSPORT FUND INVESTMENT

| Activity class | 2019/20 Actual \$000 |
|---|---------------------------------|
| Taranaki total | 48,584 |
| State highway improvements | 3,628 |
| State highway maintenance | 20,711 |
| Local road improvements | 2,772 |
| Local road maintenance | 16,918 |
| Road safety promotion and demand management | 440 |
| Regional improvements | 1,621 |
| Public transport | 2,137 |
| Walking and cycling improvements | 109 |
| Rapid transit & transitional rail | - |
| Investment management | 248 |

Manawatū-Whanganui

WHERE 2018-21 INVESTMENT IS FOCUSED

Investment in the 2018-21 National Land Transport Programme in Manawatū-Whanganui is focused 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. A key project for this region is a safe, resilient and efficient replacement route for the closed SH3 through the Manawatū Gorge, and management of the detour routes in use.

INVESTMENT HIGHLIGHTS FOR 2019/20

- The **SH1 Whirokino Trestle and Manawatū River Bridge** between Levin and Foxton opened in February 2020, improving this vital freight route. The new structures include wider lanes, safer road edges and reduce the need for heavy vehicles to take a detour via Shannon.
- The **Safety Boost** programme identified several regional state highways within Manawatū-Whanganui that would benefit from a variety of low-cost safety improvements. Some of these improvements have been completed and more are planned.
- Since April 2017, SH3 through the Manawatū Gorge has been closed because of slip damage. A safe, resilient and efficient replacement route – through **Te Ahu a Turanga: Manawatū Tararua Highway project** – is progressing well. Consent documents were submitted in March 2020, and enabling works are expected to begin in October 2020.
- In November 2019, **Whanganui's Te Tuaiwi (The Spine) cycleway** officially opened. It provides a safe route across the Whanganui City Bridge. This \$2.2 million project was delivered by Whanganui District Council with funding from the government and Waka Kotahi.
- In October 2019, a **15 hectare slip occurred about 19km south of the rural township of Raetihi**, severing the highway connection between Raetihi and Ohakune with Whanganui to the south. SH4 is a major trade corridor through the central North Island as well as a scenic tourist route. **A temporary road was opened** before Christmas 2019, with construction of a permanent solution expected to begin later in 2020.



NATIONAL LAND TRANSPORT FUND INVESTMENT

| Activity class | 2019/20 Actual \$000 |
|---|---------------------------------|
| Manawatū-Whanganui total | 188,462 |
| State highway improvements | 61,558 |
| State highway maintenance | 42,524 |
| Local road improvements | 1,146 |
| Local road maintenance | 51,408 |
| Road safety promotion and demand management | 888 |
| Regional improvements | 25,161 |
| Public transport | 4,589 |
| Walking and cycling improvements | 683 |
| Rapid transit & transitional rail | - |
| Investment management | 506 |

Wellington

WHERE 2018–21 INVESTMENT IS FOCUSED

Investment in the 2018–21 National Land Transport Programme in the Wellington region will shift focus to cycleways as major SH1 roading projects (Transmission Gully and Peka to Ōtaki) near completion.

The \$6.4 billion Let's Get Wellington Moving package will integrate modern rapid transit and public transport into the existing network, making city streets safe and attractive for pedestrians and cyclists. By offering congestion-free options like walking, cycling and rapid transit, more people will leave their car at home, freeing up the roads for those who need to drive.

INVESTMENT HIGHLIGHTS FOR 2019/20

- **Hutt Road cycling improvements, including Kaiwharawhara Bridge**, were completed. These improvements were delivered by Wellington City Council in partnership with the government and Waka Kotahi. The project cost \$6.8 million, with \$4.9 million invested by Waka Kotahi (from the National Land Transport Fund and Urban Cycleways Fund).
- Some of the early components of **Let's Get Wellington Moving** have begun, including work on bus priority improvements in the central city. Safer central city speeds will soon be introduced, and work continues on proposals for safer speeds on SH1 east of Mount Victoria tunnel and options for a crossing on Cobham Drive.
- The **Petone to Melling section of Te Ara Tupua**, the shared pathway linking Wellington with Hutt Valley, is underway and expected to be completed in early 2021. In June 2020, the government announced that the Ngāūranga to Petone section of Te Ara Tupua would be included in a fast-track consenting process as part of the post-COVID-19 economic stimulus package. Both sections of Te Ara Tupua are being delivered by Waka Kotahi, in partnership with Wellington City Council, Hutt City Council and Greater Wellington Regional Council.
- The **\$330 million Peka Peka to Ōtaki** section of the Kāpiti Expressway is under construction. Construction is progressing well, including activity on bridge works, earthworks and pavements. This was the first major project in the country to be given the all clear to re-mobilise back to site following the COVID-19 alert level 4 lockdown.
- **Mackays to Peka Peka** revocation work (the process of making the former state highway into a local road) is underway. It includes cycling and walking improvements, upgrading drainage, and making the corridor more appropriate through town centres. Designs for the Peka Peka to Ōtaki revocation project are being refined and will be presented to the wider community as engagement continues.



NATIONAL LAND TRANSPORT FUND INVESTMENT

| Activity class | 2019/20 Actual \$000 |
|---|---------------------------------|
| Wellington total | 618,523 |
| State highway improvements | 340,871 |
| State highway maintenance | 49,276 |
| Local road improvements | 12,511 |
| Local road maintenance | 46,367 |
| Road safety promotion and demand management | 1,892 |
| Regional improvements | - |
| Public transport | 115,788 |
| Walking and cycling improvements | 19,636 |
| Rapid transit & transitional rail | 26,588 |
| Investment management | 2,296 |

Top of the South

WHERE 2018–21 INVESTMENT IS FOCUSED

Investment in the 2018–21 National Land Transport Programme in the top of the South Island is focused on safer and better transport choices in Nelson and Richmond with improvements to cycling and the public transport network.

INVESTMENT HIGHLIGHTS FOR 2019/20

- The **Nelson Future Access Project** is underway, looking at how to develop a multi-modal transport system, a thriving central business district, a world-class waterfront and a safer, more accessible and resilient transport system. Community engagement began in June 2020 following extensive stakeholder engagement.
- The **SH6 Blenheim to Nelson speed and short-term safety review** is underway. The review will create a safer network, reducing the number of deaths and serious injuries along this stretch of state highway. This review includes the introduction of safer speed limits between Blenheim and Nelson. Formal consultation on safer speed limits has been completed, with a decision yet to be announced.
- The **SH6 Hope to Wakefield and SH60 Upper Takaka speed reviews** are underway, following community advocacy to have safer speed limits introduced. Engagement has been completed, and preparations are underway for formal consultation.
- Construction of the **shared pathway for walking and cycling between Takaka and Paines Ford** is underway. This project is in response to community concerns about walking and cycling along SH60 and is expected to be completed by late 2020.
- Construction of **a new bridge on SH1 over the Ōpaoa River** is expected to be completed by late 2020. Alongside the new SH1 Ōpaoa River bridge, work is underway to convert the historic SH1 bridge into a safe, separated walking and cycling facility.



NATIONAL LAND TRANSPORT FUND INVESTMENT

| Activity class | 2019/20 Actual \$000 |
|--|-------------------------|
| Top of the South (Nelson, Tasman & Marlborough) total | 67,620 |
| State highway improvements | 13,061 |
| State highway maintenance | 29,847 |
| Local road improvements | 4,105 |
| Local road maintenance | 16,087 |
| Road safety promotion and demand management | 733 |
| Regional improvements | 116 |
| Public transport | 1,596 |
| Walking and cycling improvements | 2,051 |
| Rapid transit & transitional rail | - |
| Investment management | 25 |

Canterbury

WHERE 2018–21 INVESTMENT IS FOCUSED

Investment in the 2018–21 National Land Transport Programme in Canterbury is focused on making the roading network safer, while still ensuring improved access to Christchurch's significant freight and tourism hubs such as Lyttelton Port and Christchurch Airport. Supporting these objectives is an investigation into the future of public transport, the potential of a mass transit corridor, and innovative ways to promote greater use of cycling and walking facilities. The completion of the northern and southern arterial motorways in 2020 will support safer and more reliable journeys into Christchurch. Work to improve safety at Canterbury's rural intersections, and safety in and around rural townships is ongoing.

INVESTMENT HIGHLIGHTS FOR 2019/20

- Sections of the **Christchurch Southern Motorway** have been opening progressively this year. This motorway will reduce congestion and crashes south of the city and substantially reduce traffic on Main South Road through Templeton – potentially 2000 fewer trucks per day.
- The **Northern Motorway** is expected to open in December 2020. It will include two sections of carpool/T2 lane. Benefits of the project include safer travel to the north and west of the city and better access for freight to and from the city, Lyttelton Port and Christchurch International Airport.
- Work is now well advanced on the **mode shift plan for Christchurch**. The plan brings into one document all planning and improvement work related to mode shift underway in Christchurch. In addition, Waka Kotahi is working with the Greater Christchurch Partnership to develop a travel demand management business case, focused on opportunities for behavioural change.
- To the west of Christchurch, on SH73 to the West Coast, the **realignment of Mingha Bluff in Arthur's Pass National Park** is now complete, providing safer and improved access for freight between Canterbury and the West Coast. Rockfall risk reduction work at Waimakariri Bluffs, just east of Arthur's Pass, has also been completed.
- Service improvements to the public transport network are ongoing, including a **demand response trial underway in Timaru** which is looking at opportunities to make more effective use of technology in the network.
- The **Kaikōura rebuild**, led by North Canterbury Transport Infrastructure Recovery alliance, is expected to be completed on 15 December 2020. Since the 2016 earthquake, the expertise of over 10,000 people from 1,350 different organisations has been brought together to rebuild the transport infrastructure along the Kaikōura coastline.



NATIONAL LAND TRANSPORT FUND INVESTMENT

| Activity class | 2019/20 Actual \$000 |
|---|---------------------------------|
| Canterbury total | 491,984 |
| State highway improvements | 257,961 |
| State highway maintenance | 74,430 |
| Local road improvements | 39,824 |
| Local road maintenance | 76,511 |
| Road safety promotion and demand management | 1,449 |
| Regional improvements | 3,674 |
| Public transport | 32,952 |
| Walking and cycling improvements | 4,064 |
| Rapid transit & transitional rail | 476 |
| Investment management | 643 |

West Coast

WHERE 2018–21 INVESTMENT IS FOCUSED

Investment in the 2018–21 National Land Transport Programme on the West Coast is focused on building resilience into the state highway network to support the region's economy. Tourism and dairy are key industries for the region, and rely on safe and resilient roads.

INVESTMENT HIGHLIGHTS FOR 2019/20

- Waka Kotahi supported Grey District Council, Development West Coast and the Ministry of Business, Innovation and Employment to improve the **Croesus Trail transport link** between Blackball township and the start of the Paparoa Track, with construction nearing completion. The Croesus Trail, 10km of which forms part of the 55km track through the Paparoa mountain range, links the villages of Blackball and Punakaiki. The Paparoa Track has been given Great Walk status, making it one of the premier outdoor experiences in New Zealand. It is the first new track to be added to the Great Walk network since the network was created in 1993 and the first to be built for both walkers and mountain bikers.
- On SH7, a key freight route from the north, work is underway to replace the single-lane wooden **Ahaura River Bridge** with a new two-lane bridge, including pedestrian and cyclist access and a realigned highway. Upgrading this bridge is part of an overall programme of work on the West Coast to improve freight connections and enable trucks to access the region's primary produce and move goods to market in the most cost-effective and efficient way.
- In the past 12 months, around **\$31 million has been spent on responding to storm events on the West Coast**. Examples include work at Dolomite Point, Punakaiki, 17 Mile Bluff near Barrytown, Starvation Point and Wallace Point in the Otira Gorge, Mt Hercules, Bruce Bay and Gates of Haast. Over the next three years, Waka Kotahi will continue to work with local government, other government agencies, and communities such as Franz Josef to improve the resilience of the state highway network.
- In partnership with KiwiRail, work continues **repairing the road and rail link on SH7 at Omoto** because of a historically active slip between Greymouth and Stillwater. Long-term remediation of the site will ensure resilience of this vital connection with the West Coast, including the TranzAlpine passenger service.



NATIONAL LAND TRANSPORT FUND INVESTMENT

| Activity class | 2019/20 Actual \$000 |
|---|---------------------------------|
| West Coast total | 71,425 |
| State highway improvements | 7,177 |
| State highway maintenance | 50,348 |
| Local road improvements | - |
| Local road maintenance | 12,086 |
| Road safety promotion and demand management | 119 |
| Regional improvements | 1,520 |
| Public transport | 111 |
| Walking and cycling improvements | - |
| Rapid transit & transitional rail | - |
| Investment management | 64 |

Otago and Southland

WHERE 2018–21 INVESTMENT IS FOCUSED

Investment in the 2018–21 National Land Transport Programme in Otago and Southland recognises the importance of a regional land transport system that gets goods to market and maintains growth in tourism. To support this an additional \$85 million is being invested in this National Land Transport Programme period to maintain and improve the state highways and local roads. Safer, more resilient and well-maintained roads are essential to provide access to remote communities and serve the farming, forestry and tourism industries that are the major drivers of economic growth in the Otago and Southland region.

INVESTMENT HIGHLIGHTS FOR 2019/20

- **Connecting Dunedin**, a transport partnership between the Dunedin City Council, Otago Regional Council and Waka Kotahi, is helping to ensure Dunedin is well placed to respond to the city's future transport needs. This partnership is working to ensure good alignment and co-ordination of key transport projects and programmes, future land use and transport development for the central city, where the new hospital will be situated. The work programme focuses on a range of cycling, safety and public transport initiatives, and travel demand management improvement projects.
- Construction started in January 2020 on the **SH88 Dunedin to Port Chalmers Safety Improvements Project**. It includes building the final 5km section of the SH88 shared cycling/walking path between St Leonards and Port Chalmers. When it opens in mid-2022, the path will provide a safer alternative route for cyclists on SH88, the main road freight link between Dunedin and Port Chalmers. Safety improvements on rural sections of SH88 are integral to this project and will include safety barriers, high-performance road marking and improved road signage.
- Waka Kotahi, with its partners Otago Regional Council and Queenstown Lakes District Council, introduced the **first subsidised bus service in Queenstown (a \$2 flat rate)**. This means a more affordable, frequent and reliable public transport service, and is an important step in reducing the town's reliance on single occupancy car trips.
- The **\$13 million SH1 Edendale realignment** 30km north of Invercargill opened in December 2019. The new alignment will improve safety by moving highway traffic out of the Edendale township, and help the region prosper by providing better access to economic and social opportunities.
- A new **\$1 million Alpine Operations Centre** opened near the eastern entrance to the Homer Tunnel. It houses tunnel operations staff, the Milford Road avalanche and rockfall protection programmes team and provides a modern base for road maintenance crews.



NATIONAL LAND TRANSPORT FUND INVESTMENT

| Activity class | 2019/20 Actual \$000 |
|---|---------------------------------|
| Otago and Southland total | 207,828 |
| State highway improvements | 15,765 |
| State highway maintenance | 76,914 |
| Local road improvements | 25,904 |
| Local road maintenance | 62,697 |
| Road safety promotion and demand management | 847 |
| Regional improvements | 7,237 |
| Public transport | 12,556 |
| Walking and cycling improvements | 5,100 |
| Rapid transit & transitional rail | - |
| Investment management | 808 |

Financial statements and audit reports



Statement of responsibility

Under the Land Transport Management Act 2003, the Waka Kotahi NZ Transport Agency Board (the 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 2020.

Signed on behalf of the Board:



Sir Brian Roche

Chair
18 September 2020



Cassandra Crowley

Chair of the Risk and Assurance Committee
18 September 2020

Countersigned by:



Nicole Rosie

Chief Executive
18 September 2020



Howard Cattermole

Chief Financial Officer
18 September 2020

Financial statements

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2020

| | Note | Actual 2019/20 \$M | Budget 2019/20 \$M | Actual 2018/19 \$M |
|---|------|--------------------------|--------------------------|--------------------------|
| Revenue inflows* | | | | |
| Land transport revenue | 3 | 3,790.2 | 4,077.9 | 3,854.4 |
| Management of Crown land | | 22.3 | 51.0 | 53.9 |
| Tolling revenue | | 11.1 | 10.5 | 11.3 |
| Interest revenue | | 3.7 | 9.0 | 9.9 |
| Total revenue inflows | 2 | 3,827.3 | 4,148.4 | 3,929.5 |
| Outflows | | | | |
| National Land Transport Programme (NLTP) | | 3,695.8 | 3,987.5 | 3,680.9 |
| Road Policing Programme | | 362.0 | 352.1 | 337.5 |
| Fuel excise duty/road user charges administration | | 4.8 | 5.0 | 4.9 |
| Forecasting and strategy | | 3.6 | 1.0 | 1.0 |
| Total outflows | 2 | 4,066.2 | 4,345.6 | 4,024.3 |
| Surplus/(deficit) from current National Land Transport Fund (NLTF) balance | | (238.9) | (197.2) | (94.8) |
| Fair value gain on long-term payables | | 1.1 | 8.0 | 2.8 |
| NLTP expenditure to be funded long-term | | (1,197.1) | (495.3) | (670.9) |
| Finance charges | | (8.1) | (8.6) | (7.7) |
| Deficit to be funded from future NLTF revenue | 2 | (1,204.1) | (495.9) | (675.8) |
| Surplus/(deficit) | | (1,443.0) | (693.1) | (770.6) |

* 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 2020

| | Note | Actual 2019/20 \$M | Budget 2019/20 \$M | Actual 2018/19 \$M |
|--|------|--------------------------|--------------------------|--------------------------|
| Assets | | | | |
| Cash and cash equivalents | 6 | 155.9 | 89.6 | 419.0 |
| Receivables | 3/6 | 223.1 | 321.7 | 257.2 |
| Prepayments | | 22.6 | 0.0 | 0.0 |
| Total assets | | 401.6 | 411.3 | 676.2 |
| Liabilities | | | | |
| Payables | 4/6 | 3,727.3 | 3,062.4 | 2,558.9 |
| Total liabilities | | 3,727.3 | 3,062.4 | 2,558.9 |
| Net assets | | (3,325.7) | (2,651.1) | (1,882.7) |
| General funds | | (3,325.7) | (2,651.1) | (1,882.7) |
| General funds closing balance * | 7 | (3,325.7) | (2,651.1) | (1,882.7) |

* 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 2020

| | Actual 2019/20 \$M | Budget 2019/20 \$M | Actual 2018/19 \$M |
|---|--------------------------|--------------------------|--------------------------|
| General funds opening balance | | | |
| General funds - current | 340.5 | 59.7 | 435.3 |
| General funds - long-term | (2,223.2) | (2,017.7) | (1,547.4) |
| Total general funds opening balance | (1,882.7) | (1,958.0) | (1,112.1) |
| Changes in general funds balance | | | |
| Surplus/(deficit) from current NLTF balance | (238.9) | (197.2) | (94.8) |
| Surplus/(deficit) to be funded from future NLTF revenue | (1,204.1) | (495.9) | (675.8) |
| Total changes in general funds balance | (1,443.0) | (693.1) | (770.6) |
| General funds closing balance | | | |
| General funds - current | 101.6 | (137.5) | 340.5 |
| General funds - long-term | (3,427.3) | (2,513.6) | (2,223.2) |
| Total general funds closing balance * | (3,325.7) | (2,651.1) | (1,882.7) |

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

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020

| | Actual 2019/20 \$M | Budget 2019/20 \$M | Actual 2018/19 \$M |
|---|--------------------------|--------------------------|--------------------------|
| Cash flows from operating activities | | | |
| Receipts from land transport revenue | 3,861.4 | 4,096.5 | 3,943.8 |
| Payments to suppliers | (4,124.5) | (4,363.8) | (4,040.3) |
| Net cash from operating activities | (263.1) | (267.3) | (96.5) |
| Net increase/(decrease) in amounts held by the Crown | (263.1) | (267.3) | (96.5) |
| Amounts held by the Crown at the beginning of the year | 419.0 | 356.9 | 515.5 |
| Amounts held by the crown at the end of the year * | 155.9 | 89.6 | 419.0 |

* 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 2019/20 \$M | Budget 2019/20 \$M | Actual 2018/19 \$M |
|---|--------------------------|--------------------------|--------------------------|
| Net surplus/(deficit) after tax | (1,443.0) | (693.1) | (770.6) |
| Add/(less) movements in working capital items: | | | |
| (Increase)/decrease in receivables | 11.5 | (51.9) | 14.3 |
| Increase/(decrease) in payables | 1,168.4 | 477.7 | 659.8 |
| Net movements in working capital items | 1,179.9 | 425.8 | 674.1 |
| Net cash from operating activities | (263.1) | (267.3) | (96.5) |

Notes to the financial statements

1 ENTITY INFORMATION

REPORTING ENTITY

The Land Transport Management Act 2003 includes a requirement for Waka Kotahi 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, rapid transit and walking and cycling activities
 - other Waka Kotahi activities, such as transport planning and sector research.
- New Zealand Police Road Policing Programme
- the Ministry of Transport - for forecasting and strategy.

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 entity, 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 2020 and were approved by the board on 18 September 2020.

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 details on the use of the going concern assumption are provided in note 7 and note 11.

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.

An assessment of the impact of COVID-19 on the National Land Transport Fund's financial performance and financial position is set out below.

| Statement of comprehensive revenue and expense item | COVID-19 Assessment | Note |
|--|---|------|
| Land transport revenue | There have been significant reductions in fuel excise duty and road user charges revenue against budget due to the COVID-19 lockdown. | 3 |
| National Land Transport Programme (NLTP) funded by current general funds | COVID-19 related expenditure has generally been funded by the Crown or borrowing facilities, except for additional public transport costs in 2019/20 that have been funded by the National Land Transport Fund. Repayment of the borrowing facilities will be funded by long-term general funds in the National Land Transport Fund (see Payables). | |
| National Land Transport Programme expenditure to be funded long-term | Long-term general funds recognises the obligations of the National Land Transport Fund to fund expenditure from future revenue. Expenditure to be funded long-term has increased due to increases in the interest rate swaps net liability and drawdown of borrowing facilities for COVID-19 related expenditure. | |
| Statement of financial position item | COVID-19 Assessment | Note |
| Cash and cash equivalents | There has been a reduction in cash due to increased costs and reduced revenue. Some costs have been met by the National Land Transport Fund but are expected to be recovered from the Crown in 2020/21 to enable Waka Kotahi to continue its planned programme of work in the current National Land Transport Programme. | |
| Receivables | There has been an immaterial increase in bad debts provisions due to COVID-19. | 3 |
| Payables | Payables have increased to reflect the additional costs associated with COVID-19 and the increases in debt and debt-related instruments that will be repaid from future National Land Transport Fund revenues. | 4 |

Budget figures

The budget figures are derived from the *Statement of performance expectations 2019/20* as approved by the board on 20 June 2019. 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).

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 2019.

2

STATEMENT OF INFLOWS, OUTFLOWS AND CAPITAL EXPENDITURE INCLUDING THE PREVIOUS TWO FINANCIAL YEARS

| | Actual 2019/20 \$M | Actual 2018/19 \$M | Actual 2017/18 \$M |
|---|--------------------------|--------------------------|--------------------------|
| Revenue inflows | | | |
| Land transport revenue | 3,790.2 | 3,854.4 | 3,657.6 |
| Management of Crown land | 22.3 | 53.9 | 53.5 |
| Tolling revenue | 11.1 | 11.3 | 10.2 |
| Interest revenue | 3.7 | 9.9 | 11.7 |
| Total revenue inflows | 3,827.3 | 3,929.5 | 3,733.0 |
| Outflows | | | |
| National Land Transport Programme (NLTP) | 3,695.8 | 3,680.9 | 3,435.1 |
| Road Policing Programme | 362.0 | 337.5 | 333.0 |
| Fuel excise duty/road user charges administration | 4.8 | 4.9 | 5.2 |
| Forecasting and strategy | 3.6 | 1.0 | 0.9 |
| Total outflows | 4,066.2 | 4,024.3 | 3,774.2 |
| Surplus/(deficit) from current National Land Transport Fund (NLTF) balance | (238.9) | (94.8) | (41.2) |
| Fair value gain on long-term payables | 1.1 | 2.8 | 19.6 |
| NLTP expenditure to be funded long-term | (1,197.1) | (670.9) | (557.3) |
| Finance charges | (8.1) | (7.7) | (5.7) |
| Deficit to be funded from future NLTF revenue | (1,204.1) | (675.8) | (543.4) |
| Surplus/(deficit) | (1,443.0) | (770.6) | (584.6) |

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

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.

Land transport revenue and tolling revenue have been classified and treated as non-exchange revenue and accounted for in accordance with PBE IPSAS 23. The nature of these revenue streams is that of taxes and duties. The payment of taxes and duties does not entitle the payer to an equivalent value of services or benefits, because no direct exchange relationship exists between paying taxes and duties and receiving services or benefits from the National Land Transport Fund.

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

Outflows

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

- Waka Kotahi – 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 section B detailed results, pages 263–301.

Explanations of major variances against budget

Revenue inflows

Land transport revenue was \$3,790.2 million, \$287.7 million (seven percent) below budget of \$4,077.9 million mainly due to lower fuel excise duty and road user charges revenue, due to the COVID-19 lockdown.

Outflows

National Land Transport Programme was \$3,695.8 million, \$291.7 million (seven percent) below budget of \$3,987.5 million. 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, \$575.0 million of expenditure was financed by borrowing facilities. This was offset by funding of unbudgeted pre-COVID-19 settlements relating to the two public-private partnerships (\$273.6 million).

National Land Transport Programme expenditure to be funded long-term was \$1,197.1 million, \$701.8 million (142 percent) above budget of \$495.3 million. This balance reflects the expenditure on the Auckland Transport Package, public-private partnerships, Housing Infrastructure Fund, fair value changes of financial instruments, and expenditure that is financed by borrowing facilities. The most significant variance to budget relates to movements in the fair value of financial instruments (interest rate swaps) associated with the public-private partnerships of \$269.1 million and expenditure due to COVID-19 that is financed by borrowing facilities.

3 LAND TRANSPORT REVENUE AND RECEIVABLES

| | Actual 2019/20 \$M | Actual 2018/19 \$M |
|--|--------------------------|--------------------------|
| Revenue | | |
| Fuel excise duty | 1,936.0 | 2,040.2 |
| Road user charges | 1,773.2 | 1,726.9 |
| Motor vehicle registration and annual licensing fees | 226.5 | 227.7 |
| Total revenue | 3,935.7 | 3,994.8 |
| Less refunds | | |
| Fuel excise duty | 73.7 | 71.1 |
| Road user charges | 57.1 | 54.3 |
| Motor vehicle registration and annual licensing fees | 0.9 | 1.0 |
| Total refunds | 131.7 | 126.4 |
| Less bad debt write-off | 13.8 | 14.0 |
| Total land transport revenue | 3,790.2 | 3,854.4 |

As per the Land Transport Management Act 2003, a payment is made for maritime search and rescue activities from fuel excise duty prior to the duty becoming land transport revenue. This payment was \$14.4 million (2018/19: \$13.0 million).

Receivables (included in the statement of financial position)

| | Actual 2019/20 \$M | Actual 2018/19 \$M |
|--|--------------------------|--------------------------|
| Debtors - fuel excise duty | 192.7 | 238.2 |
| Debtors - motor vehicle register/road user charges | 59.9 | 42.0 |
| Provision for doubtful debt | (29.5) | (23.0) |
| Total receivables | 223.1 | 257.2 |

Receivables are recognised at face value less an allowance for doubtful debt calculated using the expected credit losses (ECLs) model.

Debtors - motor vehicle register/road user charges

The provision for doubtful debt relates to Debtors - motor vehicle register/road user charges, the ECLs are \$29.5 million (2018/19: \$23.0 million). The National Land Transport Fund applies the simplified approach and recognises lifetime ECLs for these debtors. Lifetime ECLs recognise all possible default events over the expected life of the receivable. The ECLs were calculated in two groups, motor vehicle register debtors and road user charges debtors, to reflect the differences in collection and default rate history.

There have been no changes to the estimation techniques or assumptions used in calculating the lifetime ECLs during 2019/20.

The movement in ECLs for the year are shown in the table below.

| | Lifetime ECL - debtors - motor vehicle register/road user charges 2019/20 \$M | Lifetime ECL - debtors - motor vehicle register/road user charges 2018/19 \$M |
|--------------------------------------|--|--|
| Opening balance as at 1 July | 23.0 | 16.1 |
| Impairment expensed | 20.3 | 20.9 |
| Amounts written-off | (13.8) | (14.0) |
| Closing balance as at 30 June | 29.5 | 23.0 |

Receivables are written-off when they are deemed uncollectable. The total receivables written-off during the year amounted to \$13.8 million (2018/19: \$14.0 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 are impaired as at 30 June 2020.

4 PAYABLES

| | Actual 2019/20 \$M | Actual 2018/19 \$M |
|---|--------------------------|--------------------------|
| Current payable to Waka Kotahi - current balance | 299.9 | 335.7 |
| Current payable to Waka Kotahi - to be funded from future revenue | 241.0 | 15.0 |
| Non-current payable to Waka Kotahi - to be funded from future revenue | 3,186.4 | 2,208.2 |
| Total payables | 3,727.3 | 2,558.9 |

Current payable to Waka Kotahi - current balance is funded from current revenue, is non-interest bearing and normally settled by the end of the month following the date of supply. Therefore, the carrying value approximates fair value.

Current payable to Waka Kotahi - to be funded from future revenue is a mixture of interest and non-interest-bearing advances that will be settled within 1 year. Therefore, the carrying value approximates fair value.

Non-current payable to Waka Kotahi - to be funded from future revenue is a mixture of interest and non-interest-bearing advances that will be settled between 1 year and 30 years.

Non-interest bearing non-current payables are discounted to present value as at 30 June 2020.

5 PLANNED OUTFLOWS

The planned aggregate funding outflows, including both committed and probable outflows, for the National Land Transport Fund are as follows.

| | Actual 2019/20 \$M | Actual 2018/19 \$M |
|---|--------------------------|--------------------------|
| Not later than one year | 3,938.0 | 4,306.0 |
| Later than one year and not later than five years | 3,138.1 | 4,280.0 |
| Later than five years | 6,467.6 | 6,300.0 |
| Total planned outflows | 13,543.7 | 14,886.0 |

6 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments

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

| | Actual 2019/20 \$M | Actual 2018/19 \$M |
|---|--------------------------|--------------------------|
| Financial assets measured at amortised cost | | |
| Cash and cash equivalents | 155.9 | 419.0 |
| Receivables | 223.1 | 257.2 |
| Total financial assets measured at amortised cost | 379.0 | 676.2 |
| Financial liabilities measured at amortised cost | | |
| Payables | 3,727.3 | 2,558.9 |
| Total financial liabilities measured at amortised cost | 3,727.3 | 2,558.9 |

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

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 Waka Kotahi. The National Land Transport Fund has the obligation to fund Waka Kotahi long-term debt repayments, so is exposed to the underlying interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate swaps are held by the Waka Kotahi to mitigate risks associated with interest rate fluctuations for the underlying debt instruments relating to the public-private partnerships, details of which are in the financial statements of Waka Kotahi.

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.

Refer to note 5 for future outflows of National Land Transport Fund. The Board actively considers the National Land Transport Fund revenue forecast when planning the National Land Transport Programme to ensure the liquidity of the National Land Transport Fund is maintained.

Contractual maturity analysis of financial liabilities

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

| | 2019/20 | | | |
|----------|----------------------------|---------------------|---------------------|------------------------|
| | Less than 1 year \$M | 1-2 years \$M | 2-5 years \$M | Over 5 years \$M |
| Payables | 731.3 | 173.7 | 886.1 | 3,516.7 |
| | 2018/19 | | | |
| | 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 |

7 GENERAL FUNDS AND CAPITAL MANAGEMENT

| | Actual 2019/20 \$M | Actual 2018/19 \$M |
|---|--------------------------|--------------------------|
| General funds – current | 101.6 | 340.5 |
| Total general funds – current | 101.6 | 340.5 |
| National Land Transport Programme to be funded long-term | | |
| Auckland Transport Package | (355.0) | (370.0) |
| Housing Infrastructure Fund | (14.1) | (3.0) |
| Public-private partnerships* | (2,407.3) | (1,783.5) |
| NLTF borrowing facility for short-term advances | (250.0) | 0.0 |
| COVID-19 NLTF borrowing facility** | (325.0) | 0.0 |
| Tauranga Eastern Link | (107.0) | (107.0) |
| Fair value changes in financial instruments | 31.1 | 40.3 |
| Total general funds – non-current | (3,427.3) | (2,223.2) |
| Total general funds closing balance | (3,325.7) | (1,882.7) |

* Included related interest rate swaps

** Reflects total expenditure that is financed by the COVID-19 National Land Transport Fund borrowing facility at 30 June 2020, which comprises of \$125 million drawn down in June and \$200 million drawn down in July 2020 to meet creditor payments accrued in June but paid in July. The repayment of the debt will be funded through future National Land Transport Fund revenue and will be recognised as a reduction against the general fund current balance.

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 30 years from balance date.

Although the National Land Transport Fund has a negative general funds balance, the Waka Kotahi Board considers the going concern assumption valid because:

- the Fund's liquidity is actively managed
- the Fund has a positive cash balance of \$155.9 million as at 30 June 2020 (2018/19: \$419.0 million)
- the Fund's 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
- the Fund has the option to utilise the short-term borrowing facility of \$75 million to cover any revenue or expenditure shocks, or utilise the short-term borrowing facility of \$175 million to meet seasonal cash-flow cycles, note both of these were fully drawn at 30 June 2020. The repayment of these facilities has been included in the Fund's forecasts
- the government approved an additional \$425 million COVID-19 borrowing facility for Waka Kotahi during 2019/20, \$125 million of this was drawn at 30 June 2020, with a further \$200 million drawn down in July 2020
- in July 2020 the government approved additional funding up to \$600 million and signaled its intention to allow Waka Kotahi to raise additional financing up to \$300 million to manage ongoing COVID-19 impacts, to continue financial support for public transport and to allow the delivery of the remainder of the 2018–21 National Land Transport Programme
- the government has provided financial support to meet the additional costs associated with the COVID-19 claims from the two Waka Kotahi public-private partnership contracts
- the scenario analysis of possible fiscal impacts resulting from the post balance date COVID-19 Alert Level 3 restrictions in Auckland shows that there is still sufficient funding and financing to allow the delivery of the remainder of the 2018–21 National Land Transport Programme in most reasonable scenarios
- 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.

In the event of future extended lockdown periods, further financing or funding and/or reduction in expenditure may be required in order to prudently manage the National Land Transport Fund. The Waka Kotahi Board believes the above facilities and management programmes provide sufficient headroom that any such additional support can be procured in advance of being required.

The cost of financing will be met from future inflows into the National Land Transport Fund. The Waka Kotahi Board actively manages the forward work programme of Waka Kotahi, within Government Policy Statement on land transport parameters, to manage the liquidity of the National Land Transport Fund and it remains the Board's view that under present economic settings the National Land Transport Fund continues to be able to fund repayment of financing and continue to meet the Waka Kotahi forward work programme.

Capital management

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

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

Waka Kotahi actively manages the National Land Transport Fund general funds through prudent management of revenues, expenses, liabilities and general financial management.

Waka Kotahi 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 assets (2018/19: \$nil).

The National Land Transport Fund may have exposure to those contingent liabilities of Waka Kotahi arising from the delivery of the National Land Transport Programme.

10 COMMITMENTS TO REGIONS REPORTING

The Land Transport Management Amendment Act 2008 requires disclosure of expenditure incurred from the 2008/09 financial year to date, in fulfilling the Crown's commitment to certain specified activities as per the Act.

| | LTMA Commitment \$M | Total expenditure to 30 June 2020 \$M |
|--|---------------------------|---|
| Wellington land transport (Western Corridor) | 625.0 | 379.2 |
| Bay of Plenty | 135.0 | 134.2 |
| Total | 760.0 | 513.4 |

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 improvements in the corridor from Wellington to Kapiti.

Bay of Plenty relates to SH30 Eastern Corridor Improvements and SH30A Urban Revitalisation.

11 EVENTS AFTER THE BALANCE DATE

COVID-19 restrictions

After 102 days free of community transmission, COVID-19 cases were found outside a managed isolation or quarantine facility. As a result, the New Zealand Government announced on 11 August 2020 that Auckland was to move to Alert Level 3 restrictions and the rest of the country was to move to Alert Level 2. These restrictions are likely to have a material fiscal impact on the National Land Transport Fund position due to reduced revenue and increased costs from COVID-19 related claims from approved organisations, roading contractors and public-private partnership operators. Waka Kotahi has determined that the restrictions imposed from 11 August 2020 are a non-adjusting post balance date event, and therefore no adjustments have been made in the financial statements for this event.

COVID-19 National Land Transport Fund funding for cost pressures and revenue shocks

In July 2020, the Crown approved additional funding of \$600 million to manage ongoing revenue shock and cost pressure on the National Land Transport Fund as a result of COVID-19. The National Land Transport Fund provides the main source of revenue for Waka Kotahi. The Crown also signaled its intention to allow Waka Kotahi to raise additional financing of up to \$300 million to enable delivery of the National Land Transport Programme, subject to joint minister (Minister of Finance and Minister of Transport) approval.

Statement of performance

OUTPUT CLASS FUNDING TO WAKA KOTAHI

| | Actual 2019/20 \$M | Budget 2019/20 \$M | Actual 2018/19 \$M |
|---|--------------------------|--------------------------|--------------------------|
| Investment management | 80.7 | 70.7 | 60.1 |
| Public transport | 607.1 | 592.0 | 509.8 |
| Walking and cycling | 70.5 | 104.5 | 57.3 |
| Road safety promotion and demand management | 48.1 | 55.9 | 44.7 |
| Local road improvements | 245.5 | 272.0 | 225.7 |
| Local road maintenance | 584.5 | 666.0 | 677.0 |
| Regional improvements | 96.7 | 134.0 | 138.5 |
| State highway improvements | 1,296.8 | 1,101.9 | 1,231.2 |
| State highway maintenance | 569.0 | 653.5 | 707.5 |
| Rapid transit | 32.3 | 180.0 | 9.9 |
| Transitional rail | 64.6 | 157.0 | 19.2 |
| Funding to Waka Kotahi - current | 3,695.8 | 3,987.5 | 3,680.9 |
| Road policing | 362.0 | 352.1 | 337.5 |
| Total output class funding | 4,057.8 | 4,339.6 | 4,018.4 |
| Auckland Transport Package | (15.0) | (15.0) | 12.5 |
| Housing Infrastructure Fund | 11.1 | 41.0 | 3.0 |
| Public-private partnerships | 629.2 | 471.0 | 724.3 |
| Reinstatement of earthquake-damaged roads in Christchurch | 0.0 | 0.0 | (23.6) |
| NLTF borrowing facility for shocks/seasonal costs | 250.0 | 0.0 | 0.0 |
| COVID-19 National Land Transport Fund borrowing facility | 325.0 | 0.0 | 0.0 |
| Fair value changes in financial instruments to surplus or deficit | (3.2) | (1.7) | (45.3) |
| Total output class funding (long-term) | 1,197.1 | 495.3 | 670.9 |

The output class funding (current) above is net of borrowing used to finance activities carried out by Waka Kotahi.

During the year Waka Kotahi used \$175.0 million in borrowing that is due to be repaid within one year; \$75.0 million in borrowing that is due to be repaid within three years, and \$125.0 million from a \$425.0 million facility due to be repaid in seven years. A further \$200.0 million of the \$425.0 million facility was drawn down in July 2020 to finance June 2020 creditor payments made in July (\$325.0 million of the \$425.0 million facility has now been used). All of these borrowings will ultimately be repaid from the National Land Transport Fund and will appear in the output class funding (current) on repayment. The same accounting treatment applies to Auckland Transport Package, Housing Infrastructure Fund, and public-private partnerships.

The borrowings have been apportioned across output classes per the table below.

| OUTPUT CLASS | \$175.0 million borrowing facility \$M | \$75.0 million borrowing facility \$M | \$325.0 million borrowing facility \$M | TOTAL \$M |
|----------------------------|---|--|---|--------------|
| State highway improvements | 62.8 | 26.0 | 158.3 | 247.1 |
| State highway maintenance | 35.3 | 49.0 | 88.9 | 173.2 |
| Public transport | 31.0 | 0.0 | 77.8 | 108.8 |
| Local road maintenance | 33.2 | 0.0 | 0.0 | 33.2 |
| Local road improvements | 12.7 | 0.0 | 0.0 | 12.7 |
| Total apportionment | 175.0 | 75.0 | 325.0 | 575.0 |

EXPLANATIONS OF MAJOR VARIANCES AGAINST BUDGET

Local road maintenance was \$81.5 million (12 percent) below budget. The underspend was primarily due to lower expenditure in April and May as a result of the COVID-19 lockdown.

State highway improvements were \$194.9 million (18 percent) above budget. This is due to pre-COVID-19 settlements for claims made in relation to the Transmission Gully public-private partnership (\$190.6 million) and Pūhoi to Warkworth public-private partnership (\$83.0 million). There was \$247.1 million of state highway improvements spend which was financed by borrowing facilities and therefore does not appear in the state highway improvements class until repayment occurs. A note showing the spend by Waka Kotahi that was financed by the Crown via borrowing is shown in the Waka Kotahi annual report, output class income and expenditure summary.

State highway maintenance was \$84.5 million (13 percent) below budget. This was because \$173.2 million of the spend was financed by borrowing facilities rather than being funded through the National Land Transport Fund. Without financing, the spend would have exceeded budget due to higher emergency works costs, increased growth in the network, and increases in contract prices.

Rapid transit was \$147.7 million (82 percent) below budget. The underspend is a result of delays to allow for an evaluation process by the Ministry of Transport of an unsolicited bid from NZ Super Fund on the Auckland Light Rail project, alongside the proposal developed by Waka Kotahi.

Transitional rail was \$92.4 million (59 percent) below budget. This was a new output class in the 2018–21 National Land Transport Programme. Expenditure to date has been lower than budget due to project delays. In addition, some of the projects that were intended to be funded from this output class are now to be funded by the Crown as part of the New Zealand Upgrade Programme.

Public-private partnerships were \$158.2 million (34 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 2020

The Auditor-General is the auditor of National Land Transport Fund (the "NLTF"). The Auditor-General has appointed me, Ed Loudon, 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 327 to 341, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive revenue and expense, statement of changes in general funds balance 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 263 to 301.

In our opinion:

- the financial statements of the NLTF on pages 327 to 341:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2020; 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 263 to 301:
 - presents fairly, in all material respects, the NLTF's performance for the year ended 30 June 2020, 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 18 September 2020. 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 – Impact of Covid-19

Without modifying our opinion, we draw your attention to the disclosures about the impact of Covid-19 on the NLTF as set out in note 1 to the financial statements.

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 252 to 263, 264 to 301 (excluding service delivery and investment performance measures), 302 to 326, and 342 to 343 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.

A handwritten signature in black ink, appearing to read 'Ed Loudon', with a long, sweeping flourish extending to the right.

Ed Loudon

KPMG Wellington

On behalf of the Auditor-General
Wellington, New Zealand



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