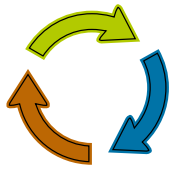


Annual Report 2003/2004
TRANSIT NEW ZEALAND





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SOCIAL



ECONOMIC

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Transit New Zealand is the Crown entity responsible for planning, maintaining and building the nation's state highways.

ISSN – 1171 – 2678

2003/2004

Communicating with our customers...

Listening...

Responding... with:

Capital Works

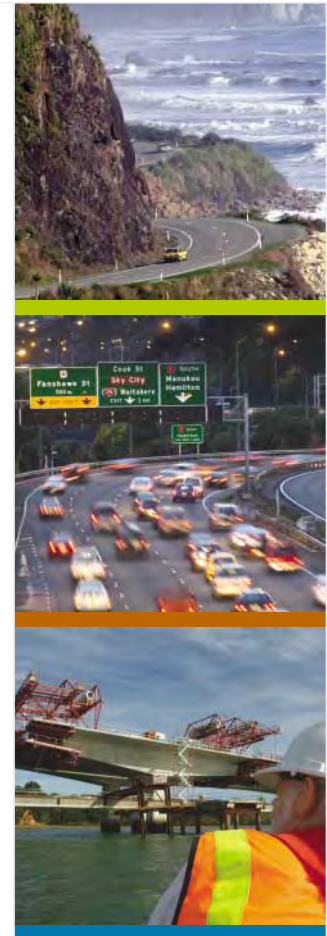
- Programme accelerated
- Momentum established for 2004/05

Congestion Management

- Relief at capacity bottlenecks
- Auckland traffic information and webcams
www.trafficnz.info
- Travel Demand Management Strategy
– ramp metering on Southern Motorway
- Auckland Traffic Control Centre

Highway Information

- 0800 4highways (South Island)



Cover Photos:

Top: SH6 near Punakaiki

Middle: SH1 Auckland city

Lower: SH18 Bridge duplication

Principal photographer:

Terry Hann



The 2003/04 financial year brought many changes to Transit New Zealand — a new Act and from mid year, a new chairperson and new chief executive.

At the outset I would like to acknowledge the contribution of my predecessor Alan Bickers who served on the Transit Authority from 1997 and was chair from 2000 to February 2004. Under his leadership the board renewed its focus on tackling the increasing problems of urban state highways while maintaining the rate of progress on the rural network.

In February Dr Robin Dunlop, Transit's founding chief executive, resigned to become Secretary for Transport. In that role he will spearhead changes heralded by the Land Transport Management Act (LTMA) and implement the Government's transport sector review. Dr Dunlop was CEO of Transit for 14 years, a period notable for much innovation and progress in raising to its present level the road consulting and contracting industry we have today.

In February the board appointed Rick van Barneveld to the position of acting chief executive. In June, following a search of international and local talent, it had much pleasure in appointing him permanently to the position.

During the year, Transit's capabilities have increased as it reduced the planning, investigation and design backlog. A measure of this change is the increase in construction commitments from \$398M in 2003/04 to \$501M in the coming year.

This progress was achieved during a year of flooding and land slips. Our special thanks to all those staff members, contractors and consultants who battled with the elements.

Following the adoption of the New Zealand Transport Strategy (NZTS), Transit has been revising its processes and structures to improve its delivery on the ground. The vision, the principles and objectives in the NZTS provided high-level guidance for Transit's new Strategic Plan.

In our current (2004/05) 10-year plan we anticipate expenditure of at least \$8.6 billion over the period. In addition, we are now in a position to accelerate activity, as further funds from an increase in petrol tax are made available for improvements to the state highway system in 2005. A total programme of over \$800 million for the forthcoming year represents a quantum leap in road user benefits over this year's \$670 million.

In 2003/04 we consulted widely with other agencies, as we worked to find the most appropriate transport solution or 'package' for meeting New Zealand's wider transport needs. This trend will continue as we increase our level of planning activity.

Transit welcomes the statutory focus on a sustainable land transport system. We need to preserve state highway corridors from the damaging and endangering effects of adjacent developments and preserve unimpeded flow on existing and new highways.

Transit took the opportunity created by the LTMA to investigate projects suitable for tolling. At the end of 2003/04 the formal

consultation period for the first proposed toll road near Orewa, the SH1 Northern Motorway Extension (ALPURT B2), had just ended.

Toll charging depresses demand and will thus be a key item in any future travel demand management (TDM) tool kit. The purpose of TDM is to actively manage the use of the road network to balance supply and demand to achieve sustainable levels of service. We have begun by appointing a senior practitioner to develop TDM projects, focused initially on Auckland and later, Tauranga and Wellington. One small step has come from the introduction of ramp metering at the Rimu Street on-ramp to SH20 at Mangere. More significant measures are planned.

While determining Transit's more multi-modal approach to land transport, the board has remained focused on the need for highway improvement projects. Additional government funding, including that for safety retrofit programmes, has enabled us to 'catch-up' in a number of areas. While good progress is being made on many congestion-relief projects so desperately needed in Auckland, much remains to be done. One especially complex project is the Auckland Central Motorway Junction which, when completed, will interconnect motorways in the area.

We are ensuring at this time of rising prices in the construction industry and unprecedented demand, we continue to approve projects that represent good value for money.

The progress made this year would not have been achieved without the efforts of the Transit board members. To Sir Tipene O'Regan (deputy chair), Mike Williams and John Wright, my appreciation. I want to thank Dr Jan Wright for her contributions both on the Transit board and for the high level of support we have received from her as chair of our principal funder, Transfund New Zealand. This year we welcomed Gary McIver to the board, a valuable and enthusiastic new member.

In my first term as chair of Transit I have been impressed by the dedication of the staff and their capacity to deliver on the board's tough demands. I am looking forward to continuing the effective working relationship already achieved with new chief executive Rick van Barneveld.

The current rate of change makes the future of Transit indeterminate. We are, however, confident that our service ethic, skills and commitment to effectiveness will be of value whatever direction the government requires us to take. The past year was notable for two significant changes – in new legislation, and new personnel at the top. Also notable was the disruption caused by serious flooding. All this failed to prevent an unprecedented increase in achievement and a higher state of readiness to meet future challenges.

David Stubbs

David Stubbs
Chairperson

BOARD PROFILES

The Transit New Zealand Board guides the organisation's policy direction in the management of New Zealand's state highway network. The board, which fulfils the function of a commercial board, is appointed by government and meets monthly from February through December.

John Wright

Rangiora

Former Member of Parliament for the Alliance, of which he was a founding member, and its spokesperson on transport. Former leader of the Democratic Party and Parliamentary Under-Secretary to several ministers.

David Stubbs

Chairperson

Whitianga

Formerly worked for the Auckland City Council, where he held positions as Director of Works and Director of Planning and Development Services. Former chair and current member of the Transfund New Zealand Board.

Gary McIver

Hastings

Part-time consultancy role with Toyota New Zealand and has an extensive background in commercial and general management, mainly in the motor industry.



Sir Tipene O'Regan

Deputy Chairperson

Wellington

Formerly chairperson of Ngai Tahu Holdings Corporation, the Treaty of Waitangi Fisheries Commission and the Sealord Group Ltd. Currently chairperson of the Escorial Company Ltd, director of Whale Watch Kaikoura Ltd, Hanover Group, Marine Stewardship Council (UK) and Stehr Group Holdings Ltd (Aust). Senior Research Fellow University of Canterbury.

Dr Janice Wright

Wellington

Independent policy adviser and analyst. Doctorate in Public Policy (Harvard University). Chair of the Transfund New Zealand Board.

Mike Williams

Auckland

President of the NZ Labour Party. Information technology analyst, Director of the institute of Geological and Nuclear Sciences Ltd, member of the ARTA, NZ Rail Corporation and Genesis Energy Boards.

As the new chief executive of Transit I welcome my first opportunity to report on Transit's successes over the last 12 months although I was only at the helm for the second half of the year.



My predecessor Dr Robin Dunlop was Transit's inaugural chief executive and in my previous capacity as national highway manager I worked closely with him over the last 14 years. His shoes are big ones to fill. His reputation as a mover and shaker in the roading sector is acknowledged both within New Zealand and internationally.

The 2003/04 year saw Transit produce its first 10-year plan. Local and regional authorities, plus key national organisations, were consulted during its compilation and the final plan provided a clear direction both for Transit and local communities throughout New Zealand. This improved planning certainly has allowed state highway improvements and major new works to be accelerated and our programme of committed works for the forward year has increased by \$112 million from one year ago.

Reviewing major projects

The Land Transport Management Act (LTMA), which gave some new direction and additional responsibilities to Transit, was passed in November 2003. Anticipating its enactment, Transit subjected six imminent major projects to a review process, examining their alignment with the new Act. An independent review panel was established and led by former Ombudsman Sir Brian Elwood.

The six major projects reviewed were: SH20 Mt Roskill Motorway Extension, the Esmonde Road Interchange, the North Shore Busway all in Auckland, the Mangatawhiri Deviation in the Waikato, the Hewletts Road Flyover in the Bay of Plenty and the Inner City Bypass in Wellington. The panel found that, subject to some conditions, they complied with the new Act.

I am pleased to report that at the close of the financial year all these projects were either underway or in the final pre-construction phase.

A particularly good outcome was reached on the SH20 Mt Roskill project enabling it to meet the new requirements of the LTMA while also remaining within budget. By consulting and working through issues with key parties such as the Auckland Volcanic Cone Society, the final design was one that everyone could agree to.

Momentum gathers on capital projects

As reported in the Year in Review section in this report and in the pages on Auckland projects, Transit has continued to make excellent progress on capital projects. Grafton Gully was finished early in the 2004 calendar year and is now bringing some congestion relief to Aucklanders and providing

a greatly enhanced route to the port. Similarly, the new Puhinui Interchange has freed up a very congested connection on SH20. The completion of passing lanes in Northland should yield improved safety results in the region with reduced driver frustration. Further passing lanes are currently under construction. In the Waikato, work continues apace on the Mercer to Long Swamp section of the Waikato Expressway and a median barrier is being installed on the section between Long Swamp and Rangiriri.

With such a major construction programme underway and more projects on the horizon, Transit is only too keenly aware that the resources of the construction industry are stretched. As our chairperson David Stubbs has noted we want to get value for money and ensure that public money is spent wisely. Transit's procurement specialists have been working closely with the industry advising them in advance of the likely construction programme so that the contractors have time to put together robust tenders and quality teams. In that way a good outcome is assured for all the parties.

Travel Demand Management

The LTMA established a special focus on travel demand management (TDM) and Transit proactively started developing a Travel Demand Strategy. As already mentioned by David Stubbs, an implementation plan has been developed for Auckland. We will be consulting on it with a view to securing alignment urgently with our partner transport controlling authorities.

International experience of TDM tools will be relevant, but undoubtedly such tools will require careful adaptation to the New Zealand context. We have made a good start but this is amongst the most important of the emerging issues for us.

Sharpened Safety Focus

In the course of the year additional funding announced by government for safety improvements allowed us to make a start on tackling a backlog of safety engineering work. Our regions had to work hard to fit this additional activity into their significantly increased annual programmes. That it was achieved is a testament both to Transit staff and our contractors and an acknowledgement of the key importance of safety on the state highways. There was also a special focus on retrofitting highway hazards such as bridge ends and protection barriers on banks following research work to determine which improvements would yield the highest safety benefits. This safety retrofit work will continue through the coming year.

Communicating and responding

This annual report is built around the theme of communicating with and responding to our stakeholders. We have introduced an 0800 road information service in the South Island where road users can phone to find out about state highway conditions and also report on hazards and incidents on the highways. It proved its worth during the winter storms and we have plans to extend it to the North Island in the coming year.

Improved services were also made available to Auckland road users during the year. Under Transit's direction, the Traffic Management Unit was established with staff from Transit, Auckland, North Shore, Waitakere and Manukau city councils working together as an integrated unit from one site operating traffic control on the highways and local roads.

Another very welcome move for Aucklanders has been the introduction of Transit's real-time Auckland traffic information website (www.trafficnz.info). A step towards travel demand management, it is part of our ongoing commitment to provide practical transport solutions through the smart use of technology.

Three webcams, updated every 60 seconds, are operated by the Traffic Management Unit. They give the road user an immediate view of the traffic on key routes to enable them to make more informed decisions about their journeys. Any incidents or road works on the network are highlighted and traffic volumes ranging from free flowing to congested are shown via colour coding.

Another area in which it was important to respond rapidly was in raising the existing Tangiwai Bridge on SH1 to above the level at which the predicted lahar from Mt Ruapehu might flow down the river. The \$4.1 million project got underway in record time to meet the required completion date of December 2004. Work continued through winter to strengthen and raise the bridge. A temporary Bailey bridge over the river was set at a height above the mean height of the 1953 lahar.

Intelligent Transport Systems

During the year Transit released its ITS Strategy. ITS is the term used to describe intelligent transportation systems involving the integrated application of information, electronic and communications technologies to the management of transport systems. The Auckland traffic information website is one example of this. ITS can play a major role in promoting and ensuring the sustainability of transport infrastructure by regulating and controlling demand and encouraging and facilitating the use of public transport and other alternatives. The strategy outlines in priority order the ITS tools appropriate for each of Transit's seven regions. These will be implemented over time as resources allow.

Responding to the LTMA

To better reflect and respond to the intent of the New Zealand Transport Strategy, the new legislation, and the need for a focussed general management team to establish and implement the new direction, we have taken the opportunity to make some organisational changes.

As the financial year ended five new senior general managers positions have been established, with three of these advertised both nationally and in Australia. In the interim, acting appointments will be made with full authority to implement the changes. The new structure will have general managers of Transport Planning, Capital Projects, Network Operations, Corporate Services, and Strategic Support who together with the chief executive will form the General Management Team.

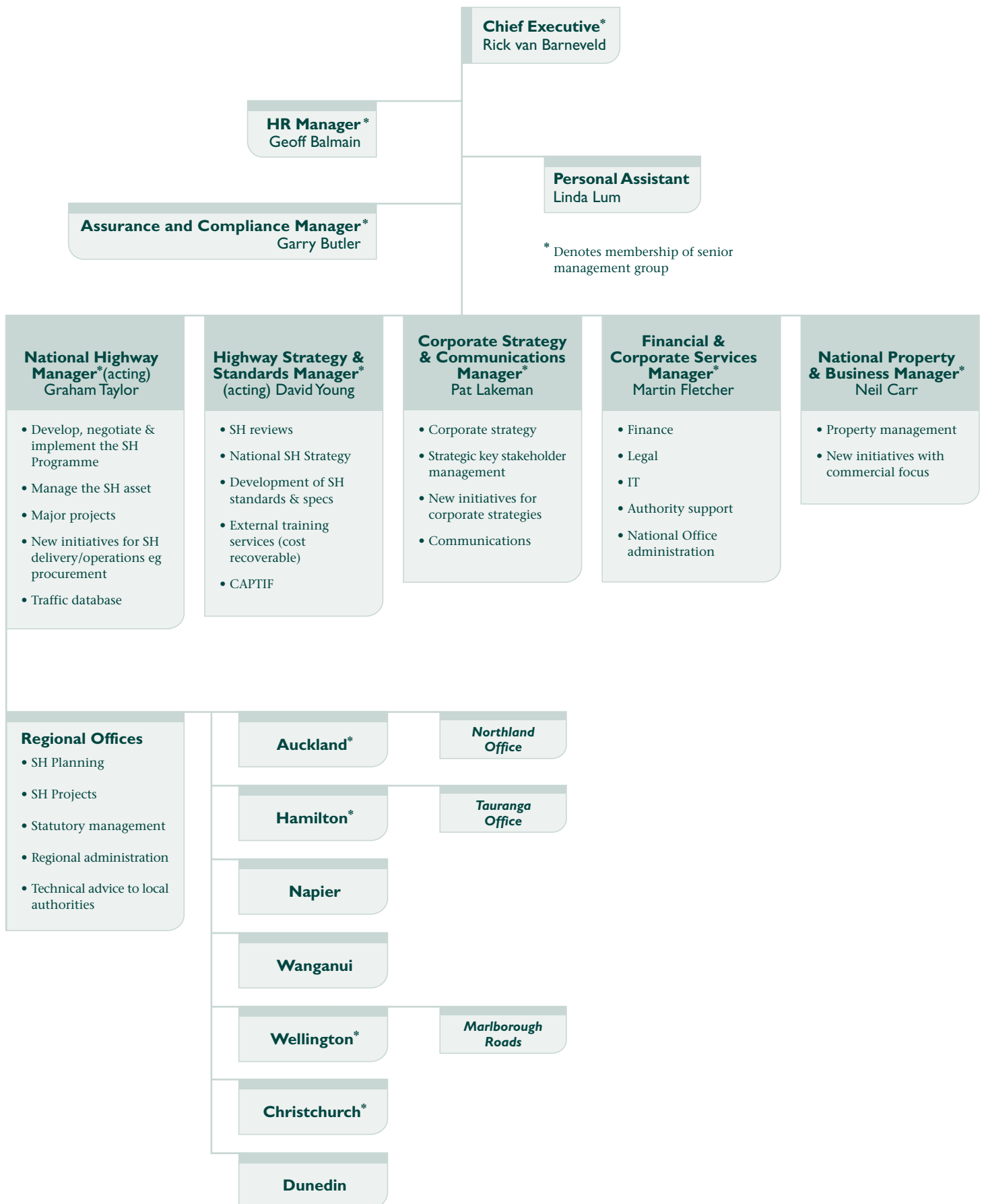
Our regional managers will continue to oversee the performance of each region but there will be a strong line of functional accountability to the new general managers in each of the key areas.

As a consequence of implementing this new structure, I look forward to a stronger focus on strategic alignment with those with whom we work or who have influence in the transport sector. I also look forward to reporting next year on the success of this reorganisation as we grow into the new era following a full year of operation under the Land Transport Management Act.



Rick van Barneveld
Chief Executive

TRANSIT NEW ZEALAND STRUCTURE • JULY 2004



MANAGEMENT TEAM

The Transit New Zealand corporate management group comprises senior managers responsible for ensuring the delivery of the Transit New Zealand Board's directives. There are four regional managers in this group.

Martin Fletcher
*Financial and Corporate
Services Manager*

Garry Butler
*Assurance and
Compliance Manager*

Neil Carr
*National Property
and Business Manager*

Wayne McDonald
*Regional Manager,
Auckland*

Brian Hasell
*Regional Manager,
Wellington*



Rick van Barneveld
Chief Executive

Robin Odams
*Regional Manager,
Christchurch*

Pat Lakeman
*Corporate Strategy and
Communications Manager*

Colin Knaggs
*Regional Manager,
Hamilton*

Graham Taylor
*National Highway
Manager (acting)*

THE YEAR IN REVIEW

Gateway to Christchurch 74

The first sod was turned for the start of construction of Stage 2 of the State Highway 74 Main North Road four-laning project. The project will provide a four-lane highway and a duplicate rail overbridge, eliminating the traffic bottlenecks that currently exist on the two-lane section of highway and bridge. The \$12 million project will produce safety and efficiency benefits. During consultation on the project for the first time the Accidental Discovery Protocol was adopted by Transit, Te Runanga o Ngai Tahu and The New Zealand Historic Places Trust. The 1.4 kilometre project will take almost two years to build.

Local Maori have strong cultural and historical links with the area for gathering mahinga kai and for the cultivation and harvesting of flax. The river was once used to drive waterwheels for flourmill, flaxmills and sawmills. The Styx River is also closely associated with early European settlement.



Turning the sod for the Main North Road four-laning project: (L to R) Transit Christchurch regional manager, Robin Odams; Guardians of the Styx, Dennis Hills; MP for Waimakariri, Clayton Cosgrove; Transit chief executive, Rick van Barneveld; Chair of the Regional Land Transport Committee, Judy Walters; and, Christchurch City Councillor, Dennis O'Rourke.

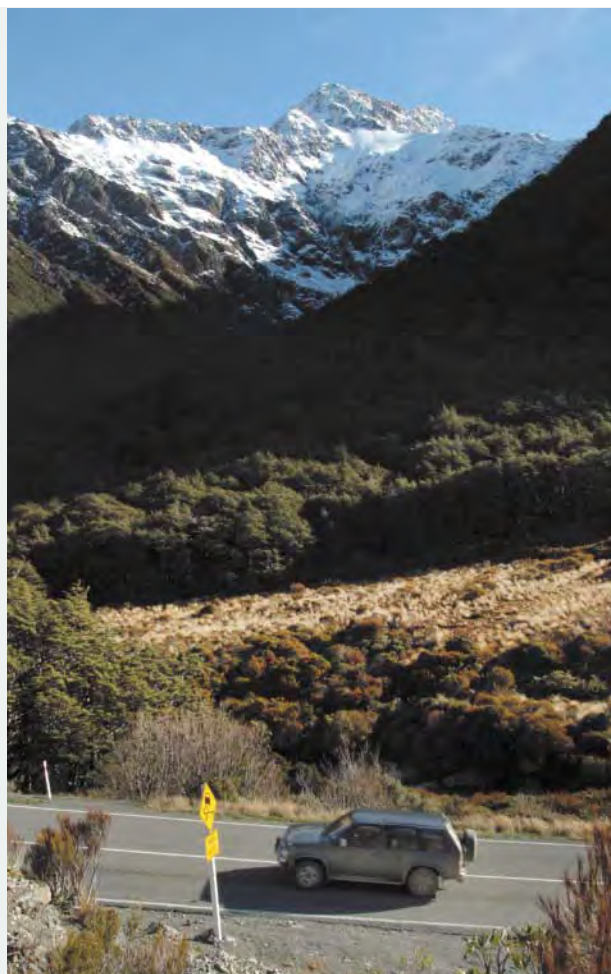
Covering the South Island – 0800

Transit's highway information line (0800 44 44 49) became fully operational on a trial basis in the South Island in May 2004. The 0800 line operates 24 hours a day 7 days a week and road users are able to talk to a real person about state highway road conditions in the South Island.

The information covers the most common questions:

- is the state highway opened or closed?
- are there any restrictions to my travel such as area warnings for snow?
- is the event significant (more than 20 minutes' delay)?

Callers also notify Transit about potholes, slips or any other hazards on the highway. This information is then sent to contractors for action.



THE YEAR IN REVIEW



Fitting special glass to a Paremata house to reduce traffic noise from the widened highway.

Keeping it quiet

One of the biggest acoustic mitigation projects in a New Zealand urban environment has been carried out on the \$27 million Plimmerton to Paremata Upgrade Project. The work on properties along Mana Esplanade, north of Wellington helps to reduce traffic noise in homes in the vicinity of the widened State Highway 1. Acoustic mitigation means tailor-made solutions for the properties, and might include a special fence to reduce the noise or re-glazing front windows with “hush” glass. In some cases ventilation systems have also been installed.

The hush glass (about 7mm thick) can reduce noise by about three decibels: an effect likened to hearing two cars idling and then turning off one car. As well as the special fences and glass, low-noise road surfacing will be laid. Mufflers on all machinery are keeping down construction noise on the site, and water dampens down dust till aggregate is laid or grass sown.



Trafficnz.info

Logging onto the Transit New Zealand traffic information website has become a new daily task for many Auckland commuters. The website is managed from the Traffic Management Unit (TMU) in Northcote.

The TMU combines the traffic management technologies of Transit and Auckland, Waitakere, Manukau and North Shore city councils. Staff monitor traffic flows across 35 kilometres of motorway, including 565 intersections that feed traffic onto the motorway, 24 hours a day, seven days a week. Much of the information including pictures from webcams (photo lower left), updated every 60 seconds, is fed into the website.

The feedback has been enthusiastic: Examples are:

“This is brilliant – can you please install more cameras? It helps work out a sensible way home that will reduce frustration.”

“Have bookmarked this and will use it daily.”

“Very good. Great start to managing our staff on the road.”

“I think this is great! It is such a useful and interesting tool! Once there are more cameras this site will be on every Aucklanders’ favourites’ list.”

“This site is great. Now we can check to see the status and make sensible decisions before leaving and getting caught in traffic.”

THE YEAR IN REVIEW

Sod turnings – CMJ Stage 2 and Greenhithe

Stage 2 of the Central Motorway Junction Project is currently the biggest roading construction contract in Auckland. Associate Minister of Transport and Minister with Responsibility for Auckland Issues Hon Judith Tizard joined Transit board member Mike Williams and Transit regional manager Wayne McDonald and Mayor of Auckland John Banks (pictured) in turning the first sod for the \$140 million project.

Later in the day, Mayor of North Shore City George Wood joined Ms Tizard to officially mark the start of work on the Greenhithe section of the SH18 Upper Harbour Corridor project. This \$95 million project at Greenhithe stretches five kilometres from Paul Mathews Drive in Albany to the Greenhithe end of the Upper Harbour Bridge.

The Upper Harbour Motoway will link the North Shore and Waitakere cities, reducing congestion and reliance on the Auckland Harbour Bridge.



Stock effluent – Canterbury

The number one project for Transit on the 2003/04 10-year state highway plan was the stock effluent dump, weigh bridge and compliance station at Glasnevin in North Canterbury. The New Zealand Police operate the station and process 600 vehicles in 24 hours.

Stock truck drivers using the stock effluent facility help in two ways: there is no longer the nuisance of effluent on the road, and the effluent no longer corrodes the road surface. At Glasnevin the contents of the 23,000-litre tanks are regularly emptied by Hurunui District Council through the council's effluent disposal system. Transit has recently completed two similar stock effluent facilities at Tinwald and Hokitika, with the other planned sites in the South Island being at Springfield, Jacksons, Murchison, Springs Junction, Kaikoura, Pareora (near Waimate), and Brightwater (near Nelson). Otago already has a number of facilities operating and more are planned.



Waimakariri MP Clayton Cosgrove cuts the ribbon to officially open the weigh bridge and disposal facility on behalf of the Minister of Transport, Pete Hodgson. This was the highest ranked project on Transit's 2003/04 10-year plan. Looking on are Regional Land Transport Committee chairperson, Judy Walters; Transit national highway manager Graham Taylor; Transit regional manager, Robin Odams; Mayor of Hurunui District Council, Tony Arps; and Inspector Ian James from the Office of the Commissioner of Police.

DEALING WITH EMERGENCIES

Devastating floods in the Rangitikei, Manawatu and Horowhenua caused widespread destruction following two days of unprecedented rain on February 15,16 2004. In the first two days of flooding only SH57 remained open throughout. Various sections of the other highways SH1, SH2, SH3, SH4, SH54 and SH56 – were closed during the event.

The Manawatu Gorge was most severely affected and was closed or partially closed for 75 days. It was re-opened only gradually because huge on-going slips had to be cleared. Traffic was reintroduced in stages, starting with east-bound trucks on 19 April, then all east-bound vehicles on 27 April, and on 30 April to all traffic, in both directions. Repair work continued with traffic being managed safely. The Road Transport Federation expressed its appreciation of this approach at its annual conference.

This had a big effect on the movement of freight between Manawatu and Hawke's Bay because one of the alternative routes, the Saddle Road, was also closed by a bridge washout. Instead, motorists used the Pahiatua Track to travel between Manawatu and Tararua. The Manawatu Gorge remains the best route through the area, despite two lengthy closures within eight years, both estimated to be in the order of 1-in-100-year events.

There were numerous slips on SH4 between Raetihi and Wanganui and work is ongoing with a Bailey bridge erected at one of the sites. The cost of repairs on SH4 will be \$5.5 million.

Other roads affected included the Rimutaka Hill road linking Wairarapa and the Hutt Valley.

The Taranaki region also suffered a deluge. Despite this, the only highway affected was SH43 (between Taumararua and Stratford) which was closed for several days. Repairs to this highway will cost \$1 million. Further south, the intense rainfall was such that it decimated the small southern Taranaki township of Waitotara.

Although the highways stood up well to the floods, the cost of clearing and repairing state highways across the Manawatu-Wanganui and Taranaki regions alone was estimated to be as high as \$16 million. All of the works are expected to be completed by May 2005.

Transit praised the dedication of the men in the contractors' teams. Fleets of trucks and unstinting manpower meant the national and regional links between communities were opened up quickly.

Bailey bridges

Transit's Bailey bridges proved their worth during the year's adverse weather events. During the February floods two Bailey bridges were erected on roads in Wainuiomata. The speed and efficiency of the engineering feat was gratefully appreciated by Greater Wellington.

A Bailey bridge was also installed on SH54 at Jamieson's bridge, east of Hunterville, immediately after the storms, and is likely to be in place for some months.

The Whangaeahu River is also sporting a Bailey bridge while the existing Bridge is raised to avoid any lahar from Mount Ruapehu.



Above: The Manawatu River under the Whirikino Bridge, SH1 south of Foxton. (Photo courtesy The New Zealand Herald)



Above: Local interest in watching the Bailey bridge being installed over a washout.

Below: The Bailey bridge makes the connection.



TRANSIT TODAY – A PROFILE

Transit manages the state highway network of 10,837 kilometres – 12 percent by length of New Zealand’s roads but carrying 49 percent of the total 37 billion kilometres travelled each year.

The value of the asset on a depreciated replacement basis is \$13.1 billion. Transit is responsible for expenditure of approximately \$800 million per year of which more than 95 percent is outsourced via competitively bid contracts. Funding is allocated across planning, maintenance and operations, construction and traffic management. Transit is a Crown entity established by statute with a board whose members are appointed by government. The Transit New Zealand Board exercises its governance function primarily by providing direction through a framework of strategies and policies within which Transit’s management operates.

Management during 2003/04 was organised through a national office and nine regional or local offices, and Marlborough Roads, a partnership with the Marlborough District Council under which Transit manages the local roads together with the area’s state highways. Offices are in Whangarei, Auckland, Hamilton, Tauranga, Napier, Wanganui, Wellington, Blenheim, Christchurch and Dunedin. Transit directly employs 280 staff.

With the changes in the focus for land transport, Transit plans in 2004/05 to reorganise its structure to better reflect and respond to the intent of the New Zealand Transport Strategy and the Land Transport Management Act (LTMA).

The state highway work programme

Transit has a robust process for forecasting the level of expenditure for the maintenance and operation of the network. Programmes are built up from a zero base, and comprise contract commitments and levels of work required to deliver the agreed levels of service (see Reporting on Performance

Indicators) together with the necessary periodic maintenance to ensure that the quality of the highway asset is maintained. This work programme is built up from on-site inspections, outputs from the various information systems and the collective intelligence of Transit’s staff, consultants and contractors.

Similarly, the capital works programme is developed through a detailed process based on likely funding levels and identified priorities that reflect government policies. Regional and local councils plus interest groups are consulted on project priorities and alignment with regional land transport strategies. In the forthcoming year Transit will be consulting more widely on its programme, under the requirements of the LTMA.

Transit is innovative in its procurement practices and has in place a range of contract types. They extend from the standard three-year network maintenance management contract for a section of highway, through hybrid contracts, to performance-specified 10-year contracts. There is also a range of contracts for capital projects from the traditional method of separate professional consultancy packages and a works contract, through design-construct, and full-delivery via alliance models.

Stakeholder engagement

Transit’s external stakeholders include all road users – private car owners, commercial drivers and companies, cyclists, pedestrians - as our main customers, the Minister of Transport and Parliament as our owner, central government organisations in transport and other disciplines, iwi as the government’s Treaty partner, local government (regional and territorial) as fellow road-controlling authorities and representatives of their communities, all communities bordering state highways, the general public, the media and our suppliers. A summary picture of communications with stakeholders is shown below.

Key Stakeholders

Stakeholder	Ongoing communication channels ↔	Feedback channels ←
The Minister	✓	✓
The Ministry of Transport	✓	✓
Members of Parliament	✓	✓
Road Users and Road User Groups	✓	✓
Iwi and Community Groups	✓	✓
Central Government Agencies	✓	✓
Local and Regional Authorities	✓	✓
Industry Groups and Organisations/Major Suppliers	✓	✓
Contractors and Consultants	✓	✓
Media	✓	✓
General Public	✓	✓
Staff (and the PSA)	✓	✓
International Roading Organisations	✓	✓

See page 64 for more detail on communication with stakeholders

REPORTING ON PERFORMANCE INDICATORS

In an annual report we must report on the measures we set in the previous year's Statement of Intent. As noted elsewhere in this report, notably in the report from the chairperson, this has been a year of significant change for Transit.

The passing of the LTMA mid year brought a change in focus. Some of the measures reported on here now have less relevance than when they were introduced and next year there will be further changes. However, many of these measure still present a valid picture of key Transit business in 2003/04 and as such report to our stakeholders on our annual performance.

Performance reporting is a critical activity for Transit, with regular reports on performance providing essential feedback for continuous improvement.




Transit's new Strategic Plan and its 'One -Page Strategy' both drive and reflect Transit performance and reporting procedures. Some annual measures will be further developed to obtain more meaningful "lead" indicators.

The reporting in the following pages encompasses triple bottom line (TBL) reporting, synonymous with sustainability reporting. It covers the economic, environmental and social aspects of Transit's work. The principles of sustainability require balancing the complex relationships among current economic, environmental and social needs in ways that do not compromise future needs.

A primary goal of reporting this way is to contribute to ongoing stakeholder dialogue that in turn, influences the decisions and behaviour of Transit itself and its stakeholders. To this end, the approach has been to integrate rather than split the measures into the three separate 'categories' and report in a rolling narrative format. Adopting this broader view demonstrates how parallel functions enrich each other.

In order to produce a balanced report Transit has adopted the recognised principles of triple bottom line reporting, namely, transparency, inclusiveness, completeness, accuracy, clarity, relevance, neutrality, timeliness and comparability, within a context of sustainability. Every attempt has been made to compile, analyse and present the data in a way that both internal and external assessors can attest to its reliability.

Each of the performance measures reported in the following pages is identified with the triple bottom line category into which they fit through the use of symbols. We have also followed this principle with the description of significant social and environmental achievements described in the sidebars.

-  Environmental
-  Social
-  Economic





Focussing on road safety

Transit welcomed the increase in its funding for minor safety works from \$11 million to \$22 million this year. Projects include more guardrails on bridges, traffic calming measures where state highways enter towns, widening seal, more right-hand-turn bays and protecting erring drivers from roadside hazards such as trees, drains and poles. Other measures include the elimination of small dips in the road, cycleway improvements, and heavy vehicle crawl lanes. Safety is an integral part of all Transit projects including maintenance activities and roading projects.



REPORTING ON PERFORMANCE INDICATORS

Environment and Health



Dollars spent on environmental issues.

Transit continues to undertake maintenance and improvement activities in a way which recognises their environmental impacts, and seeks to mitigate these. Further work has been undertaken during 2003/04 in both looking for ways to reduce the impact of Transit's activities (and the road network) on the environment, and in developing new performance indicators. As signalled in last year's annual report, this measure of environmental performance was seen as interim and this will be the final time it is reported. Next year, the performance indicators will focus on Transit's performance in specific areas of noise, vibration, water and air quality, as signalled in the 2004/05 *Statement of Intent* which better reflect the intent of the Land Transport Management Act (LTMA). The spend of some \$6.7 million on environmental mitigation in 2003/04 represents 3.2 percent of the actual construction activities.

Measure	2002/03	2003/04
	\$M	
Dollar value of mitigation of environmental effects on projects	\$4.5	\$6.7



Congestion through travel-time delays.

Transit measures congestion levels to show trends and to measure the effectiveness of land transport solutions to ease congestion and its associated social effects and air emissions. The survey this year included Christchurch and Tauranga and continued in Auckland and Wellington.

The congestion indicator (CGI) is calculated using the floating-car method. A vehicle travels with the normal flow of traffic in the morning and afternoon peak periods and the inter-peak period over five weekdays. Actual travel speeds are compared to travel at the legal speed limit – the difference reflects the degree of congestion.

The Auckland surveys are showing a reasonably consistent pattern with congestion heaviest in the morning peak, followed by the evening peak. In the inter-peak many Auckland roads flow smoothly as shown by the relatively high actual travel speeds. The All Day measure was 0.49 (minutes of delay per kilometre) for November 2002, 0.48 for November 2003 and 0.50 for March 2004. There was little change in congestion over the period.

Congestion in Wellington, on average, is fairly moderate except for several "pinch points" where severe congestion can occur, including the Paremata Roundabout, the SH1 and SH2 merge area at Ngauranga Gorge, and around Taranaki Street.

The All Day measure for Wellington was 0.32 for May 2003, 0.39 for November 2003 and 0.39 for March 2004. This may indicate an increase in congestion but further measurement is required to confirm a trend.

The survey sample of selected state highways, expressways and regional arterial routes in Tauranga included many of the most heavily travelled commuter routes. Tauranga has relatively low levels of congestion but there are a few roads that are heavily congested in peak periods. The All Day measure for Tauranga was 0.26 for April 2003, 0.32 for November 2003 (affected by roadworks) and 0.24 for March 2004. Technical issues mean the results for March 2004 are not directly comparable to other years.

REPORTING ON PERFORMANCE INDICATORS



Congestion in Christchurch showed relatively high average levels of congestion throughout the day. This is because most roads surveyed (representing the strategic road network) were major urban routes where traffic is slowed by traffic lights and roundabouts. Actual travel delay, even in peak periods, is relatively minor. The results from the first survey in March 2004 show an All Day measure of 0.49 minutes of delay per kilometre.



The percentage of projects where design commenced in the current financial year that considered, as part of their design brief, the provision of walking and cycling features.

The standard brief for highway improvement projects has now confirmed the requirement for the designer to consider the need for special cycle and pedestrian facilities as part of the project. Transit is developing a cycling strategy to provide clearer guidelines on the types of facilities and the circumstances where provision is considered justified. A review of design projects commenced in 2003/04 confirms 100 percent compliance with the measure.

Measure	2001/02	2002/03 Actual	2003/04 Target	2003/04 Actual
	Percent			
Percent of projects with design starting in current year which considered walking and cycling features in their design brief	N/A	100	100	100



Description of significant social and environmental achievements.

Descriptions and photos of significant social and environmental achievements can be found in the sidebars of this Reporting on Performance Indicators section of the report.



The proportion of the assessed media coverage that is positive.

An experienced journalist, independent of Transit, surveyed 12 percent of the year's media clippings. The definitions of positive, neutral and negative were those used by Transit in its weekly collation of clippings. Of a random selection of media clippings and transcripts featuring or mentioning Transit during 2003/04, 13 percent were found to be positive, 78 percent neutral and 9 percent negative. When compared with the previous financial year, the number of articles deemed negative has more than halved. This, coupled with a slight drop in the number of articles deemed positive, has seen a significant increase in the number of articles found to be neutral.

Landscaping the highways

The success of a trial growing wildflowers alongside Auckland's southern motorway means flowers will be seen along other highways round the country. The wildflowers were popular with the public, and saved on mowing grass verges.

Transit's *Criteria for Wildflowers on State Highways* is a guide to the most suitable species. The wildflower plantings replace exotic grasses so there is no loss of indigenous biodiversity. Promoting biodiversity within the state highway corridors is part of the Transit's *Guidelines for Highway Landscaping*.





58 Barrier monitored

A wire rope median barrier on State Highway 58 over Haywards Hill in Wellington should bring down the number of head-on crashes.

The barrier extends from the top of Haywards Hill near the reservoir to just north-west of the electricity substation. The project involved widening the road to allow for a two to three metre-wide painted median strip that frames the barrier, resealing and providing a consistent camber. The barrier is constantly monitored for effectiveness, and to date no serious accidents have been recorded since its installation.

Before it was installed there were a number of serious head-on crashes.

REPORTING ON PERFORMANCE INDICATORS



The social costs of road accidents.

The number of fatal crashes on the state highway network in 2003/04 was not able to match the reduction between 2001/02 and 2002/03. The current level is similar to that of 2001/02. Transit's efforts in terms of 'safe operation' of the network were increased in 2003/04, with programmes such as safety retrofitting and more minor safety works and improvement projects. An additional performance indicator relating to the effectiveness of Transit's blackspot programme is being trialled in 2004/05.

Measure	2000	2001	2002	2003
	Number			
Number of fatal crashes on state highway network	218	223	179	224
\$M				
Assessed cost of crashes on SH network	704.8	721.0	578.7	724.2



Percentage of state highway complying with agreed levels of service and standards for road conditions and geometry (i.e. up to design standards).

This measure demonstrates Transit's commitment to delivering a network that meets the agreed levels of service and standards. The levels of service are confirmed by road user satisfaction surveys and the funding available from Transfund New Zealand to achieve these levels. Again, the results below demonstrate a clear commitment to achieve, or better, the target. Further comment can be found in the Statement of Service Performance section of this report as can definitions of smooth travel, smoothness etc.

Level of service and standard	Actual 2001/02	Actual 2002/03	Target 2003/04	Actual 2003/04
	Percent			
Percent of network classified as smooth	99	99	97	99
Percent of expectation of smooth travel	99	99	97	99
Percent of network <20mm ruts	99.9	99.8	99	99.6
Percent of network with good skid exposure above threshold level	99	99	98	99
Percent of network with texture greater than 0.5mm	99.5	99.6	98	99.5



REPORTING ON PERFORMANCE INDICATORS



The percentage of emergencies on highways having single-lane access restored within 12 hours after the substantial end of the event.

This indicator is primarily a measure of how quickly Transit restores access after natural events have closed the highway. Achievement in 2003/04 was below target, primarily because damage caused by storms such as that which hit the Manawatu region in February 2004 was not physically repairable in anything like 12 hours. Nevertheless, providing reliable access is a high priority and to this end, consideration is being given to additional indicators to cover performance in clearing the road after incidents such as crashes or spills.

Measure	2001/02 Actual	2002/03 Actual	2003/04 Target	2003/04 Actual
	Percent			
Single-lane access restored within 12 hours	94	98	95	83

Responsiveness



Road user satisfaction with the national state highway network.



Road user satisfaction rating for the quality of the relationship with Transit New Zealand.

Transit surveys road users nationally every two to three years and participates in the regular Austroads survey of road users comparing New Zealand and Australian states. Transit also conducts targeted occasional surveys on key groups such as truck drivers and Auckland motorway users.

Quarterly meetings are held at senior level with the New Zealand Automobile Association and the Road Transport Forum. In Transit's 2003 survey of road users (the latest available data), 58 percent rated the state highway network a lot or a little better than two years ago while 13 percent rated it a little or a lot worse. The least positive rating highlighted two clear priorities for road users: improving safety (a top priority everywhere but Auckland) and reducing congestion (the number one priority for Auckland road users). Getting good information about road conditions and closures, and about new state highway projects, was rated important or very important by 70 percent of respondents.

An 0800 state highway information service started in May 2004, initially covering the South Island.



73 West Coast

Rehabilitation work on SH73 through the Okuku Scenic Reserve included widening the road and some minor safety realignments on two curves that had an accident history. The Department of Conservation recognised the conservation efforts of the works by presenting Opus International Consultants with a conservation award for the Transit project for their efforts in minimising the damage to vegetation and waterways. The work also included vegetation rehabilitation work which included removing many native seedlings for replanting and mulching vegetation for later spreading over the planted areas.

Planting of native trees through the Okuku Scenic Reserve, West Coast.





3 High-tech archaeological dig

The archaeological recording of a Maori meeting house near the two-kilometre Bell Block deviation project has been a new experience for Transit. The “high tech” dig enables archaeologists from Auckland University to rapidly locate artifacts hundreds of years old, by using the latest equipment, including laser theodolites and a laser scanner. The site is of historical interest to Te Atiawa, because it dates from the middle of the New Zealand wars and is of economic interest because trading with Sydney occurred during this time.



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Iwi, and recognised social and environmental interest group satisfaction with the national state highway network.



Iwi and recognised social and environmental interest groups satisfaction rating for the quality of the relationship with Transit.



Local and regional authority satisfaction with the national state highway network.



Local and regional authority satisfaction rating for the quality of the relationship with Transit.

Transit supports and helps co-ordinate the Road Controlling Authorities’ Forum. This body, which meets three times per year, includes local authorities, the Department of Conservation and Transit. Quarterly meetings are also held at chief executive level with Local Government New Zealand, and Transit consults closely with the Regional Land Transport Committees. Representatives of regional and territorial authorities at both elected and executive levels were included in the most recent Stakeholder Survey. Their satisfaction ratings for the state highway network were 77 percent ‘adequate or better’ and the quality of the relationship with Transit 87 percent ‘adequate or better’.

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Peer and industry perception of Transit's leadership in the New Zealand transport industry.

Transit's chief executive is a member of the Transport Chief Executives' Forum and the National Road Safety Committee. He has met monthly with the chief executives of Transfund New Zealand and the Land Transport Authority, and regularly with the Secretary for Transport.

Chief-executive level meetings are also held quarterly with the New Zealand Contractors Federation and Roothing New Zealand, formerly the Bitumen Contractors Association.

Representatives of suppliers were included in the Stakeholder Survey. A total of 86 percent of respondents gave a rating of adequate or better against the performance parameters.



Transfund New Zealand's satisfaction with Transit performance.

A contract is agreed with Transfund each year for the state highway component of the National Land Transport Programme. A key performance measure is Transfund's satisfaction with Transit's performance. A satisfaction rating of adequate or better was given by 95 percent of Transfund respondents in the Stakeholder Survey.



Minister of Transport's satisfaction with Transit performance.

Transit makes a quarterly report to the Minister of Transport on progress with major projects and handling of major issues and policy developments. In addition Transit is guided by an annual performance agreement, required by the Minister, which includes performance measures. This is administered by the Ministry of Transport. The *Transit Statement of Intent* and *Annual Report* are tabled by the Minister in Parliament each year. The key focus is on performance in relation to the Performance Agreement and *Statement of Intent*. From regular reporting and monthly meetings between the Minister and Transit's chief executive and chairperson, Transit believes the Minister was satisfied with Transit's performance in the 2003/04 year.



T The Normanby Realignment

Work on the \$4.4 million Normanby Realignment south of Timaru, is progressing.

The realignment includes a new 2.5km length of SH1 to replace 3.2km of existing highway through undulating farmland. The section of highway being replaced has a number of tight curves, and there was a significant number of crashes. Passing lanes will be constructed as part of the new alignment, so that motorists will have safer passing opportunities between Timaru and Pareora.

An aerial view of the Normanby realignment, south of Timaru (Photo courtesy The Timaru Herald)





Saving energy and reducing waste

An audit of waste from Transit offices has established the amount and type of waste going to landfills. National office, Wellington, Christchurch, Napier, Hamilton and Wanganui offices found that an average of 40kgs of waste (55 percent of it paper) per staff member is going to landfills per year. Individual offices will reduce the amount of waste going to landfill by reducing paper use, and recycling.


Transit has a target to reduce energy use in offices by 15 percent over five years. Transit's baseline for energy use in the 2002/2003 period was 111 kilowatt hours/m² of office floorspace. In 2003/2004, energy use in Transit offices increased to 115 kilowatt hours/m². Solutions to ensure the energy reduction target is achieved include installing movement sensors for lights to cut out-of-hours energy use, using energy saving modes on electronic devices such as printers and copiers, and encouraging staff to programme computer monitors to "sleep" after 10 minutes of inactivity.

Transit national office staff sort and weigh office waste to identify what can be recycled to establish practicable long-term targets.



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Transit Staff

 **Staff satisfaction rating with Transit as an innovator and good employer.**

Transit assesses its performance as a good employer through regular staff surveys. A staff survey was not conducted during 2003/04 because planned changes to Transit's structure were to occur in the new financial year and it was thought better to wait six months until the new structure had bedded down and then to survey the staff. The previous survey (2002/03) had a response rate of over 70 percent and more than half the staff felt Transit responded to new ideas. Across a range of goals and potential improvements, there were no significant negatives.


Transit management meets with the Public Service Association delegates, who represent one-third of staff, every six months. This year Transit successfully negotiated a new collective agreement for an 18-month term. The agreement is in the process of being ratified.

Transit has a steady staff turnover of around 11 percent and has found it hard to fill some positions with the shortage of engineering talent in the roading and transportation fields. This has mostly affected the Auckland region. Overseas recruitment strategies are in place to better fill these ongoing vacancies. Transit is an accredited employer with the Department of Immigration, which enables it to offer a Work to Residence Visa.

 **Staff satisfaction with Transit as a fiscally, socially and environmentally responsible organisation.**

As noted above, a staff survey was not conducted in 2003/04 because of planned changes. However, there was no indication that there was any significant change from the previous survey. Those findings are shown in the chart below.

Value	Adequate to Excellent	Good to Excellent
	Percent	
Financially responsible	92	76
Environmentally responsible	93	67
Socially responsible	91	63
Community minded	92	60

 **Total dollar spend on achievement of Strategic Training Plan as a percentage of payroll.**

Transit is committed to providing training opportunities for staff development. As well as the expected job/work-related training, Transit continues to support academic study for masters and MBA level qualifications where it is seen to benefit both the employee and Transit. Transit spent 2.7 percent of its total payroll on training in both 2002/03 and 2003/04. In those same years this represented \$1,500 per person and \$1,700 per person, respectively. All health and safety representatives have attended training organised by

REPORTING ON PERFORMANCE INDICATORS

the combined CTU/ACC. The training is to enable representatives to be able to carry out their health and safety responsibilities from the 2004 amendment to the Health and Safety in Employment Act.

The introduction of the Chartered Professional Engineer (CPEng) qualification in 2004 has seen approximately 25 percent of Transit's engineers obtaining this distinction.

Transit continues to support the engineering industry. In 2004 IPENZ (Institute of Professional Engineers of NZ) renewed Transit's Endorsed Employer status. One of the many requirements for the Endorsed Employer status is the policies and procedures around a Graduate Programme. Transit's Graduate Programme includes engineers, as well as planners and environmental planners. Ten percent of Transit staff are employed in the Graduate Programme.



Achievement of the Strategic Training Plan measured through the implementation of individual employee-agreed training plans.

Transit encourages all staff to continue to develop their skills. Not all individual staff training plans were completed due to a combination of the unavailability of courses, timing and rescheduling.

Transit's commitment to training can be measured in its achievement towards the Strategic Training plan.

Strategic Training Plan item	Measurement	Achievement
Performance appraisal	Meeting individual training plans	Average of 85 percent across Transit
Management training and development	2 senior managers to attend advanced management courses	3 senior managers attended = 150 percent Also ran 2 in-house Leadership Foundation Courses
Technical training and development	Study leave to attend courses. Continuous development for professionals	18 staff studying towards qualifications supported by Transit (excl. graduates) Graduate programme Mentoring training CPEng support
Non-technical training and development	Courses and training attended to meet work demands	Project Management Groupwise courses Working Smarter Not Harder Harassment Awareness Training
	Health and Safety Training	All OSH representatives booked on or completed attendance
Cultural alignment	Formal Induction courses on quality Bicultural training	5 Induction courses on quality held 10 people attended Bicultural training



50 Overbridge completes expressway project

The Kennedy Road Overbridge was opened in Napier in December. The \$3 million project eliminates the cross-traffic crashes at the intersection, previously controlled by traffic lights. The new bridge provides free flow for traffic on the Hawke's Bay Expressway and on Kennedy Road, and completes construction of the Airport to Taradale Road section of the route.



Central Motorway Junction

Stage 1

Work continued apace throughout 2003/04 on the \$55 million Stage 1 Central Motorway Junction upgrade project. It covers the section of the Southern Motorway between Symonds Street and Gillies Ave.

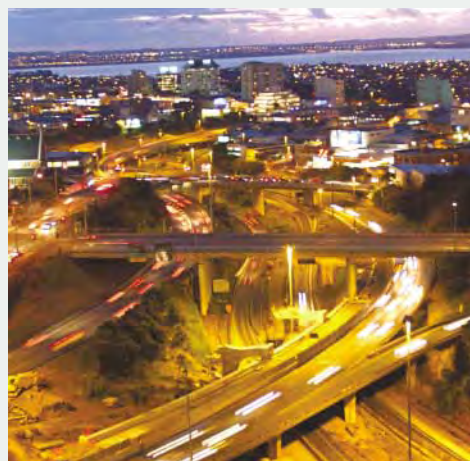
The upgrade will improve safety and efficiency, plus provide a new southbound lane and improved lane configurations at critical on-and-off-ramps. Extra road width has been created for the connection to the Stage 2 upgrade. Once completed, the Stage 1 works will provide a smoother traffic flow through the area and the wider carriageway.



Specially designed outrigger piers support the newly widened motorway. The piers enable traffic below to flow uninterrupted and height clearances to be maintained.

Stage 2

Construction began on the second stage of upgrading the Central Motorway Junction in February 2004. The \$140 million project covers the core of the motorway junction between Wellington Street and Symonds Street on the Southern Motorway and between Symonds Street and Bond Street on the Northwestern Motorway. The work involves 750 metres of new viaducts and bridges, 80,000 tonnes of asphalt laid on existing and new highways, and more than two kilometres of retaining walls. When completed it will provide four new motorway-to-motorway connections, additional lanes and upgraded safety measures. During construction traffic will continue to flow on New Zealand's busiest section of motorway, carrying 200,000 vehicles per day.



Site of Stage 2 of the Central Motorway Junction project at night.

ALPURT B2

Tunnel investigations

Geotechnical investigations are underway as part of site research on the proposed twin tunnels through Johnson's Hill, near Puhoi. Approximately 8 metres high, 13 metres wide and 240 metres long, the tunnels would preserve a significant area of native broadleaf forest. The tunnels would also reduce the gradient of the motorway, improving safety.

Consultation

At year end consultation was underway on Alpurt B2 as a toll road. This was to include hearings in front of a Consultation Hearing Panel, and a community survey.

Environmental enhancements

As part of the Environment Management Plan for ALPURT B2 Transit proposes extensive revegetation, fish culverts, a tunnel through Johnson's Hill, and eco-viaducts at both Nukumea Stream and Otanerua Stream. The eco-viaducts will enable regionally endangered fern birds to move safely underneath the motorway.



On the proposed route of the ALPURT B2 project careful attention is being paid to protecting the reed habitat of the New Zealand fern bird.

Esmonde Road interchange

In April 2004, the first sod was turned on the \$38 million upgrade of the Esmonde Road interchange. On completion, the interchange on the Northern Motorway will improve connections between Northcote, Takapuna and Devonport communities. Pedestrian and cyclist access across the motorway, and to and from the Auckland University of Technology (AUT), will also be significantly improved. The interchange, expected to be completed within two years, is a vital component of the Northern Busway (scheduled to start in summer 2004/05) and includes the creation of an underpass for the two-lane busway and a new bridge which will be built over 'live' traffic flowing along the motorway.

Top right: Associate Minister for Transport, Hon Judith Tizard celebrated the start of construction by turning the first ceremonial sod with (left) the Vice Chancellor of Auckland University of Technology Derek McCormack, and (right) North Shore City Mayor George Wood. Looking on are Transit Auckland regional manager Wayne McDonald and Transit chief executive Rick van Barneveld.

Right: Members of the public find out more about the busway after the sod turning ceremony to celebrate the start of construction on Esmonde Road interchange.



SH18 Greenhithe deviation

Construction progressed in 2003/04 on the \$94 million, SH18 Greenhithe deviation. On completion in 2007 it will deliver 5km of new four-lane motorway from Albany Highway to the Upper Harbour Bridge. The new motorway will include provision for bus lanes.

Environmental protection measures at Greenhithe include sedimentary control devices, 'fish-friendly' culvert designs, rehousing of native geckos and eventually, the planting of 250,000 native plants.

SH18 Upper Harbour Bridge and Causeway duplication

A new 400 metre-long bridge is being built alongside the original Upper Harbour Bridge to increase capacity (see right). The bridge is an important part of the new Upper Harbour Corridor and includes pedestrian and cycle lanes.

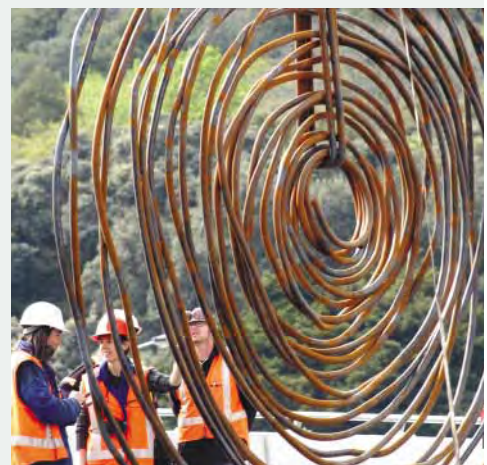


Art on Grafton

In celebrating the completion of three years of motorway work in Auckland, the Hon Judith Tizard, Minister with responsibility for Auckland Issues, unveiled an artwork (right) specially designed by Caroline Robinson.

The work "Maumahara mo Waiparuru - Remembering Ancient Pathways" is 80 metres long. It reflects the history of Grafton Gully, including the proximity of the old ropeworks.

Aesthetic values played an important role in the Grafton Gully Project, with embossed concrete on pillars, bridges and retaining walls, which will be further softened with the growth of the specially planted native trees and grasses. Transit and the Auckland City Council sponsored the artist to create several sculptural elements to celebrate the ecological and human heritage of the area.





Inner City Bypass

Transfund New Zealand approved in May \$39 million funding for the Inner City Bypass in Wellington. Construction is scheduled to start at the end of 2004.

The project is superior in social and environmental terms to what was first proposed, being fully integrated with the urban fabric of downtown Wellington and will contribute to a sustainable land transport system in Wellington. The project has seen several proposals, reviews and court action. The Bypass will relieve congestion, improve public transport on adjacent routes, introduce new cycle paths and support the revival of the Te Aro area for residential and commercial activity. In conjunction with the New Zealand Historic Places Trust, Transit will renovate and revive the heritage buildings and environment of the area, allowing future generations to appreciate the restored historic buildings.



An artist's drawing of part of the planned heritage precinct.

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Housing and Property



The percentage of properties in the tenantable portfolio that have been vacant for 6 months or more.

At 30 June 2004, 4 out of 950 tenantable properties (0.4 percent) in the portfolio had been vacant for six months or more. Overall, there were 28 (2.9 percent) vacancies as at 30 June, which although slightly higher than last year (0.5 percent), is quite modest as there was a higher level of demand and activity in the market during the last year.



The percentage change in returns from state highway property.

The rental yield is assessed on the basis of the 950 properties that generate 95 percent of the rental stream. This is the method that has been used since 1995.

The overall yield dropped during the year primarily due to the purchase of a large amount of high-value, low-income-producing land. The yield in the 95 percent category improved due to strong property market demand in the residential sector and good rent increases at review.

Transit property portfolio summary	2001/02	2002/03	2003/04	Change from 2002/03 to 2003/04 Percent
Number of properties	2,935	3,152	3,265	3.6
	\$M			
Total value of portfolio	344	445	545	22.4
Total value of leasable portfolio	280	367	379	32.6
Total value of unleasable portfolio	64	77	166	155.8
Value of 95 percent category	220	257	301	17.1
Value of 5 percent category	60	111	78	-300.0
	Percent			
Portfolio rental yield (95 percent category)	3.8	2.2	2.8	26.1

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Rate of surplus property disposals from projects completed in the previous financial year.

This measure is designed to give some indications of the speed at which surplus property is identified on completed projects.

The outcome of 100 percent achievement is not particularly unusual since standing instructions for project management require the production of the final land plan (and hence identification of surplus property) as part of the project completion.

Projects	2002/03 Actual	2003/04 Target	2003/04 Actual
	Number		
Number of construction projects completed	158		83
Number where surplus property was considered (including projects with no land or no surplus)	158		83
Percent			
Achievement	100	98	100



Change (due to investment, revocation or depreciation) in the dollar value of the state highway asset.

In economic terms, the impact of managing the state highway asset is very significant. With a replacement value of nearly \$13.1 billion, the network is one of New Zealand's largest infrastructure assets, supporting economic development and personal mobility.

Total Asset Value	2000/01	2001/02	2002/03	2003/04
\$M				
Depreciated Replacement Cost	11,056	11,946	12,556	13,081



94 Homer Tunnel lights up

The lights are on in the Homer Tunnel. There are traffic signals outside and roof lighting has been installed inside through the narrow tunnel. This is in response to the increase in the number of vehicles on the remote highway. The bigger vehicles have difficulty passing each other in the tunnel and traffic banks up behind them. A diesel generator has been installed in the shed at the eastern end of the tunnel to provide power for the lights. The guidance lighting along the sides of the tunnel is battery operated and is on at all times, but the traffic signals will operate only during peak traffic flows in summer. There are about 700 vehicles a day through the tunnel during the summer.



Homer Tunnel entrance with traffic lights



Popular info centres

A 3D model, posters, drawings and maps of Stage 2 of the Central Motorway Junction project are popular displays at the CMJ information centre. The centre aims to provide easily-understood information about the whole construction project, including its aims and objectives, and Transit's plans for Auckland. Members of the public have been particularly interested in the complex engineering involved in the CMJ project. Many people also visited the Grafton Gully information centre which also provides information on Stage 1 of CMJ.



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Planning



The percentage of the state highway network with a current state highway or corridor management plan.

Current state highway plans are those that have been reviewed or compiled within the last five years. The target of 85 percent is exceeded with 88 percent, by length of the network, having a current plan. Transit is now taking a more holistic view of the highway corridor, and the new format of plan is called a Corridor Management Plan. The first of these was produced in 2003/04, and is undergoing further refinement.

Measure	2002/03 Actual	2003/04 Target	2003/04 Actual
	Percent		
Percentage length of network with current state highway plan	93	85	88

Financial



Percentage forecast and actual annual dollar variance against State Highway Maintenance and Improvement Programme.

The original budgets for both maintenance and improvement projects showed significant movement through the year. Maintenance expenditure was primarily increased by the amount of new emergency works and preventive maintenance projects generated by extreme weather events. Final expenditure was within target and very close to the final allocation. For improvement projects, the opportunity was taken to advance a number of projects where resources allowed, and funding was available. In addition, several large projects made better progress than was envisaged 12 months earlier. Again, final expenditure was within target and this time slightly over allocation.

Expenditure	2003/04 Budget	2003/04 Target	2003/04 Actual	(2003/04 Revised Feb)	2003/04 Revised June
	\$M				
Maintenance	320.3		327.4	321.1	331.2
	Percent				
	102.2	98-102		102	98.9
\$M					
Replacement and Improvement	340.7		360.3	322.6	355.9
	Percent				
	105.8	Less than 103		111.7	101.2

REPORTING ON PERFORMANCE INDICATORS



Percentage change in maintenance costs per 100,000 VKT

This measure compares and normalises annual maintenance expenditure against the demand on the network, ie more traffic on the network could be expected to increase the amount of maintenance, management and operation expenditure.

Over the last eight years there has been a quite consistent cyclical trend. Why this should be reflected at a national level is not yet well understood. However, the overall picture is that the measure appears reasonably static, at around \$14,000 – \$15,000 per 100,000 vehicle kilometres travelled. This suggests that efficiencies achieved by more innovative contracting and work methods have been offset by increased levels of service demanded by road users and the community.

Maintenance Measures	2000/01	2001/02	2002/03	2003/04
Expenditure (\$M)	242.9	247.6	273.5	285.3
Total VKT (100,000)	16,977	17,571	18,061	18,681
Expenditure per 100,000 VKT (\$M)	14,310	14,090	15,140	15,272
Percentage change (percent) per 100,000 VKT	-6	-1.5	+7.5	+0.8



The variance between the funding allocation for state highways in the current year and the 10-year forecast for the asset management and capital forward works programme.

The last three years have thrown up significant changes in project criteria, project priorities and available funding. Therefore, in the absence of a steady state of affairs, it is difficult to judge whether the accuracy of predicting future funding requirements is good or indifferent. In any event, the annual programme adopted is essentially tailored to meet the expected available income.

Expenditure	2001/02	2002/03	2003/04	2003/04
	SOI Prediction	SOI Prediction	Budget	Actual
	\$(M)			
Maintenance Expenditure	296.4	309.0	320.3	327.4
Replacement and Improvement Expenditure	451.1	356.9	340.7	360.3
TOTAL	747.5	665.9	661.0	687.7



It's all go for Northland passing lanes

Northland road users are reaping the benefits of two new passing lanes on State Highway 1, at Tauroa Stream Road and Flyger Road, south of Whangarei, as well as the beginning of works on the realignment of State Highway 1 at Katetoke/Oakleigh. Thirteen passing lanes at a cost of \$9 million and totalling 15.5km are being established in Northland – four are already completed.

The Tauroa Stream Road (1.5km northbound) and Flyger Road (1.5km southbound) passing lanes are part of seven new passing lanes south of Whangarei. The first passing lane – at Lagoon Bridge (southbound) – was completed in 2003 and was followed by Hewlett's Road (1.3km northbound) and Mangapai River (1.3km southbound) early in 2004.

The main benefits of realignment of the 1.2km of SH1 at Katetoke/Oakleigh and the construction of two bridges, including a railway bridge, will also improve safety in the area. The new work at Katetoke/Oakleigh will replace the old railway bridge and will improve sight distances at the Mangapai Rd intersection. It is to be completed in 2005 at an expected cost of \$5 million.



Celebrating the opening of passing lanes, (l to r) Mary Wassell, Friday Pirihī, Te Ihi Tito, James Walsh (HEB Contractors); Hon Dover Samuels MP for Te Tai Tokerau; and Tom Murphy, Ngaire Baker and Robin Somner from HEB Contractors.



De-icing

Successful trials of Calcium Magnesium Acetate (CMA) on state highways mean that roads will be closed less often and for shorter periods during winter and the risk of crashes reduced. Road crashes in winter conditions have accounted for an average of 126 crashes per year for the last 13 years, 13 of them fatal or serious. The estimated cost of these crashes is \$25 million.

CMA is sprayed on the road to prevent ice forming (anti-icing) or applied in pellet form on an existing icy surface (de-icing). CMA works by preventing ice from bonding to the road surface. As an anti-icer it has a residual effect for up to 14 days. As a de-icer the pellets melt through the ice or snow pack, and then loosen the bond with the road. CMA cannot prevent highway closures due to snow or blizzard conditions.

Testing during the trials has established that the effects on the environment of CMA are insignificant even in the fragile alpine environment of the North Island Volcanic Plateau. CMA is no more corrosive than tap water, unlike traditional de-icing agents such as salt.

On the Desert Road, a weather station, weather forecasts and thermal maps of the highways provide predictions of road conditions as well as actual road conditions. This means that for 24 hours a day a watch is being kept on the weather and its effect on road conditions.



REPORTING ON PERFORMANCE INDICATORS

Capital projects



The percentage of capital projects delivered on time, within budget.

The measure has been calculated the same way as in 2002/03. As will be seen, Transit just failed to meet the target of 95 percent of the projects completed on time, achieving 93 percent (1 project makes the difference). This is still a creditable performance. For those projects that were completed, the actual final costs were 97 percent of the expected costs at the start of construction. It is, therefore, reasonable to say that the projects that were completed were done within budget in total and that the systems for estimating costs are robust.

Forecast number of construction projects expected to be completed in 2003/04	Actual number of construction projects completed in 2003/04	Percent Achievement (Target 95 percent)	Forecast cost of completing actual no of projects in 2003/04	Actual cost of completed projects 2003/04	Percent expenditure (Target <100 percent)
Number 89	Number 83	Percent 93	\$M \$137.2	\$M \$133.1	Percent 97



Forecast annual dollar benefits from annual project programme.

This measure seeks to quantify the expected benefits (both community and agency) that will be realised over the next 25 years from the construction and property purchase expenditure in 2003/04, in particular, the costs, journey times and vehicle operating costs. The methodology is to multiply the actual expenditure by the calculated benefit/cost (B/C) ratio of each project.

The result of just under \$1.3 billion return on expenditure of \$311M indicates a very favourable overall B/C of 4.1 – the investment in construction is still returning more than \$4 in benefits per \$1 of expenditure. The result from the comparative forecast performance measure indicates that this outcome is real.

Significant expenditure on large infrastructure projects in Auckland in 2003/04 with B/Cs of 4 and lower (because of the high construction cost in urban environments) has predominantly caused the slight lowering of the forecast investment from 2002/03.

Forecast annual dollar benefits	2002/03	2003/04
	\$M	
Construction and Property Expenditure	251.0	311.0
Forecast Benefits	\$1,079.8	\$1,275.4
	B/C	
Forecast investment B/C	4.3	4.1

REPORTING ON PERFORMANCE INDICATORS



Actual project dollar benefits compared to the forecast benefits.

A sample of six projects was selected for a post-construction audit by an independent engineering consultant. These six had been subject to preliminary post-construction audits by Transfund. Projects suitable for analysis also needed to have been completed for at least four years to allow time for benefit or disbenefit data to accumulate.

The dollar-benefit results from the six projects show that four had benefits within approximately 10 percent of the forecast benefits and (in most cases) was higher than estimated originally. The pre-construction benefit cost ratio, shown below, was that extant at the time of funding approval for the project. The project cost of the Duncans Passing Lanes in Takaka was less than anticipated and the travel time benefits higher, resulting in a BCR 200 percent higher than estimated at funding approval. Travel time benefits were greater because of improved methods used for analysis of passing lanes. This analysis was not in use at the time of scheme assessment. The BCR of the Vinegar Hill project near Ohingaiti reduced by 17 percent from that estimated due to project cost increases and a higher crash rate.

Overall, the correlation between the forecast and actual benefits at the time of funding approval and construction completion was reasonably good.

Project	Initial Scheme Assessment Benefit Cost Ratio	Funding Approval Benefit Cost Ratio	Post-Construction Benefit Cost Ratio (>70 percent confidence)	Comment
(B/C)				
Duncans Passing Lane project SH60 1996	5.3	4.7	15	Project costs less than expected. Greater travel time benefits than expected. BCR increase.
Glengarry Hill Realignment project SH5 2000	6.9	6.6	6.3	Benefits and costs largely as expected.
Makarora Bridges project SH6 1999	4.7	5.4	5.9	Benefits and costs largely as expected.
Troopers Road North Curve Realignment project SH3 2000	7.0	4.6	5.1	Benefits and costs largely as expected.
Vinegar Hill Realignment project SH1 2000	8.6	5.2	4.3	Project costs greater than expected. Initial crash trends higher than expected. BCR decrease.
Waikanae Southbound Passing Lane Extension SH1 1996	11.2	5.8	6.0	Benefits and costs largely as expected



49 Tangiwai Bridge will be safer

The Tangiwai Bridge over the Whangaehu River will be raised and strengthened to ensure the deck and spans will be above the two-metre bow wave expected from the worst possible lahar from Mt Ruapehu. The raised bridge will be completed by the end of 2004. A 60-metre Bailey bridge will be used while the \$4.1 million strengthening work is carried out on the bridge supports, which go deep into the gravel of the riverbed. The Bailey bridge is set higher than the mean height of the 1953 lahar.





Waianakarua Bridge improvement

The historic Waianakarua Bridge built in 1870 of Oamaru stone, is being widened and strengthened. The subtle changes to the heritage bridge mean its appearance will not be altered. While the work is carried out the old bridge will be closed and a temporary one-way Bailey bridge will be installed alongside. The \$3.6 million project also involves the removal of the old hump-backed Waianakarua Railway Overbridge, its replacement with a large steel culvert, and some 2 kilometres of new roadway through what is currently a forestry block at what is known as Sharpes Bend.

Detail of Waianakarua Bridge SH1



REPORTING ON PERFORMANCE INDICATORS



The number of projects where the benefits and/or costs have changed sufficiently from those forecast at the conclusion of the investigation and reporting phase to result in them being halted or delayed.

Although several projects have been re-prioritised as a result of the completion of the investigation phase, no projects were halted or delayed during the design phase. This continuing trend of sound design and construction phases provides confidence that the selection process for projects is robust.

Investment in the future



Dollars invested in research and development.

Transit's research facility is CAPTIF – Canterbury Accelerated Pavement Testing Facility, based in Christchurch. The only facility of its type in the southern hemisphere, it services both the Australasian and wider international markets. In the 2003/04 year its main contract was a New Zealand one. The total spent was \$386,900 reviewing the effects of heavy vehicles on thin-surfaced flexible pavements.

Transit through its Highway Strategy and Standards Division spent a further \$535,000 on research into a number of areas. These included: a chipsealing textbook, development of bridge design standards, waste and energy management policy, and research into full-depth asphalt, delineation guidelines (roadmarking), noise (including research into quieter surfacings), and development of pavement specifications.

In addition to the pure research and development undertaken at CAPTIF, Transit carries out operational research to investigate and implement new innovative solutions.

Examples of this type of investigative research work include:

- new road surface trials, including skid resistance improvements
- truck ride improvements
- innovative road safety products, including new road delineation initiatives
- pavement deterioration monitoring at benchmark sites
- low-growth verge vegetation trials
- environmental mitigation initiatives, including reduction in use of chemical sprays
- new location referencing technologies.

Compliance



Compliance with legislation, legislative instruments and external policy requirements.

Transfund New Zealand regularly audits Transit’s compliance with Transfund manuals. No material non-compliances were found. Audit New Zealand audits Transit annually and found no material non-compliances during 2003/04 apart from the late supply of the final SOI to the Minister. This was common to all the transport agencies reporting to the Minister of Transport and was due to a long-standing misinterpretation of the requirements of the Public Finance Act.

A number of notices, orders, requests or advice are notified to Transit by relevant authorities/agencies in relation to compliance matters. Given the depth and extent of Transit’s operation and infrastructure, a small number of non-compliances, while not condoned, is almost inevitable. Transit regards any non-compliance as serious and once detected, each is accorded immediate attention. In the reporting period the actions shown below have averted any prosecutions, fines or other penalties.

Related Legislation	Compliance Details	Required Action
Bio-Security Act or Local Bylaws	12 notices/requests concerning Transit sites (SH network and leased properties) where rubbish or noxious plant or vegetation control was deemed inadequate	Better control measures implemented or initiated
Building Act, Health Acts, Residential Tenancies Act, Pool Fencing Act	13 notices/requests where rectification required to property to meet appropriate standards	Repairs or demolition carried out or planned to rectify
Public Finance Act	Late supply of the 03/04 <i>Statement of Intent</i> document to the Minister	Steps taken to preclude repeat



Worksite safety at Grafton Gully

Safety was a priority on the Grafton Gully site project and the project celebrated an accident-free year. After a ‘not so good’ start the project managers worked on improving the safety culture throughout the whole project. This was achieved through a team approach where everyone was responsible not only for themselves but for their fellow workers. The main things to look out for were hazardous situations, repetitive strain injury, any hazards on the site and external hazards.



Freeflow health and safety manager Jonathan Pauro, Transit chief executive Rick van Barneveld and environmental control manager Rowan Smiley assess the safety billboard at the Grafton Gully Project.

AWARDS



Three Awards

Transit project manager **Jonnette Adams** received the Institution of Professional Engineers New Zealand (IPENZ) 2004 Communications Award award. She was recognised for outstanding achievement in communicating the Kaitoke to Te Marua Realignment project north of Upper Hutt to the media and the public.

Blair Monk received the 3M Traffic Engineer of the year Award 2004 for the Auckland Traffic Web Information service launched by Transit in May.

Stuart Fraser (left) receives the 2003 Safety Award from Road Safety Manufacturers Association president Reno Wijnstok. Stuart has been closely involved in developing training for temporary traffic management practices and setting up a Transit qualification system.



Environmental Award

Transit New Zealand recently received an environmental award from the Taranaki Regional Council for the stock effluent disposal facility on State Highway 3 at Waverley. Transit chief executive (acting) Rick van Barneveld and regional manager Errol Christiansen were presented with the award by Taranaki regional councillor Neil Walker. Congratulations were conveyed by Tom Cloke from the Taranaki Road Transport Association. The site of the dump is convenient for livestock truck drivers who were consulted about the site which has had high use. It is now quicker and easier to unload effluent at a site that suits trucks of all makes and sizes.

Celebrating the Taranaki Regional Council Environment Award are; L to R Rui Leitao, Apex Consultants; Transit chief executive (acting) Rick van Barneveld; project manager Chris Jordan; Taranaki RTA's Tom Cloke; and Transit regional manager Errol Christiansen.



Green Ribbon Award

The Airport to Taradale Road section of the Hawke's Bay Expressway crosses the environmentally sensitive wetlands of the Ahuriri Estuary. The estuary is considered to be one of the finest reserves in New Zealand for wading birds, and migrating species from Siberia and Alaska. More than 50 species of bird inhabit or visit the area. For their work, including the development of "scrape lakes" which are areas for wading birds, Transit, Opus International Consultants and Fulton Hogan Ltd were joint winners in the Caring for our water – fresh and sea water category of the Ministry for the Environment 2004 Green Ribbon Awards.



Work on the new two-lane Owen River Bridge on SH6 between Nelson and Murchison started in February. The single-lane bridge will be replaced and the alignment and approaches will be improved.

STATEMENT OF FINANCIAL PERFORMANCE for the year ended 30 June 2004

Previous Year (\$000)		Notes	Actual (\$000)	Recast Budget (\$000)
REVENUE				
562,310	Transfund New Zealand		654,538	648,900
206	Overweight Permit Fees		211	200
1,168	Investment Interest		1,036	800
12,636	Rents & Leases From Property		13,280	11,300
137	Miscellaneous Receipts		34	200
253	Self Funding Units	1	108	300
576,710	TOTAL REVENUE		669,207	661,700
EXPENDITURE				
OPERATING (Maintenance)				
59,950	Pavement Maintenance		56,813	56,565
18,055	Bridge Maintenance		18,865	19,179
79,435	Corridor Maintenance		85,320	83,174
15,332	Emergency Work		26,452	17,810
9,072	Property Management		10,292	9,324
14,588	Feasibility Studies		10,273	12,056
7,920	Other Operating Expenditure		9,593	9,500
204,352	Total Operating (Maintenance) Expenditure	2	217,608	207,608
OTHER				
198,880	Depreciation on the State Highway Network		219,124	210,560
7,860	State Highway Asset Write Off	5	10,332	0
206,740	Total Other Expenditure		229,456	210,560
411,092	TOTAL EXPENDITURE		447,064	418,168
165,618	SURPLUS AVAILABLE FOR STATE HIGHWAY IMPROVEMENTS		222,143	243,532

The accompanying accounting policies and notes form part of these financial statements.

STATEMENT OF MOVEMENTS IN EQUITY as at 30 June 2004

Previous Year (\$000)	Notes	Actual (\$000)	Recast Budget (\$000)
7,103	BALANCE AS AT 1 JULY	12,563,293	12,563,293
165,618	Surplus Available for State Highway Improvements	222,143	243,532
462,226	Increase in Asset Revaluation Reserve	313,746	0
627,844	TOTAL RECOGNISED REVENUES AND EXPENSES FOR THE YEAR	535,889	243,532
11,945,864	State Highway Network transferred from the Crown as at 1 July 2002	0	0
(17,518)	Proceeds from State Highway Property Disposal returned to the Crown	(4,445)	(18,000)
12,563,293	BALANCE AS AT 30 JUNE	13,094,737	12,788,825

The accompanying accounting policies and notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION as at 30 June 2004

Previous Year (\$000)		Notes	Actual (\$000)	Recast Budget (\$000)
12,101,067	GENERAL FUNDS		12,318,765	12,344,599
462,226	ASSET REVALUATION RESERVE	7	775,972	444,226
12,563,293	TOTAL EQUITY		13,094,737	12,788,825
	CURRENT ASSETS			
(2,424)	Cash in Bank		1,573	1,500
38,900	Investments	8	17,400	18,500
6,369	Accounts Receivable	9	15,363	6,247
58,217	Receivable from Transfund New Zealand		95,271	75,000
101,062	TOTAL CURRENT ASSETS		129,607	101,247
	LESS CURRENT LIABILITIES			
95,375	Accounts Payable	10	123,047	95,923
1,673	Employee Entitlements	11	1,843	1,700
97,048	TOTAL CURRENT LIABILITIES		124,890	97,623
4,014	NET CURRENT ASSETS		4,717	3,624
	PLUS NON CURRENT ASSETS			
4,223	Other Property, Plant and Equipment	12	4,009	5,376
12,555,593	State Highway Network	13	13,081,372	12,780,425
0	Bailey Bridging	14	5,277	0
12,559,816	TOTAL NON CURRENT ASSETS		13,090,658	12,785,801
	LESS NON CURRENT LIABILITIES			
537	Employee Entitlements	11	638	600
537	TOTAL NON CURRENT LIABILITIES		638	600
12,563,293	NET FUNDS EMPLOYED		13,094,737	12,788,825



M F Fletcher
GENERAL MANAGER CORPORATE SERVICES
26 October 2004

The accompanying accounting policies and notes form part of these financial statements.

STATEMENT OF CASH FLOW for the year ended 30 June 2004

Previous Year (\$000)		Notes	Actual (\$000)	Recast Budget (\$000)
CASH FLOW FROM OPERATING ACTIVITIES				
Cash was provided from:				
595,757	Transfund New Zealand		617,484	632,117
1,194	Investment Interest		1,044	791
12,689	Property Rental		13,432	11,800
596	Other Receipts		353	200
(741)	Net GST Received		(2,335)	(485)
609,495	Total		629,978	644,423
Cash was disbursed to:				
212,124	Payments to Suppliers and Employees		207,282	204,423
212,124	Total		207,282	204,423
397,371	Net Cash Flow from Operating Activities	15	422,696	440,000
CASH FLOW FROM INVESTING ACTIVITIES				
Cash was provided from:				
54	Sale of Fixed Assets		32	100
0	Sale of State Highway Property		14,673	0
54	Total		14,705	100
Cash was disbursed to:				
2,389	Purchase of Fixed Assets		2,047	3,184
390,292	State Highway Capital Expenditure		452,857	453,392
392,681	Total		454,904	456,576
(392,627)	Net Cash Flow from Investing Activities		(440,199)	(456,476)
4,744	Net Increase/(Decrease) in Cash		(17,503)	(16,476)
31,732	Add Opening Cash Brought Forward		36,476	36,476
36,476	Ending Cash Carried Forward		18,973	20,000
Ending Cash Represented By:				
(2,424)	Cash in Bank		1,573	1,500
38,900	Investments		17,400	18,500
36,476			18,973	20,000

The accompanying accounting policies and notes form part of these financial statements.

STATEMENT OF ACCOUNTING POLICIES for the year ended 30 June 2004

Reporting Entity

These are the Financial Statements of Transit New Zealand, a Crown Entity in terms of the Public Finance Act 1989.

These Financial Statements have been prepared in accordance with section 41 of the Public Finance Act 1989.

Measurement System

These Financial Statements comply with generally accepted accounting practice. The measurement base applied is historical cost adjusted for the revaluation of the State Highway Network. The accrual basis of accounting has been used unless otherwise stated.

Accounting Policies

The following accounting policies which materially affect the measurement of financial performance and financial position have been applied:

Budget Figures

The budget figures shown in Note 6 (State Highway Programme Expenditure) to these Financial Statements are those included in the Statement of Intent, which was approved by the Board at the beginning of the financial year. No account has been taken of changes to the level of funding approved by Transfund New Zealand during the financial year.

The budget figures shown in the Statement of Financial Performance are based on the figures included in the Statement of Intent but have been recast to comply with generally accepted accounting practice and are consistent with the accounting policies adopted by the Board for the preparation of the financial statements.

Revenue Recognition

Revenue from Transfund New Zealand is equal to the total cost of services delivered in accordance with the approved National Rooding Programme less revenue from property rents and leases and investment interest.

Income from property rents and leases, investment interest and other sources are recognised when earned and are reported in the financial period to which they relate.

Property, Plant and Equipment

State Highways are valued at depreciated replacement cost based on the estimated present cost of constructing the existing assets by the most appropriate method of construction, reduced by factors for the age and condition of the asset. Land associated with the State Highway is valued using an opportunity cost based on adjacent use, as an approximation to fair value.

Bailey Bridging is valued at optimised depreciated replacement cost based on the optimum size of asset holding by the unit cost for each category of asset.

Other property, plant and equipment are stated at cost.

The State Highway valuation is performed by Opus International Consultants Limited. The State Highway regions are subject to a full revaluation on a cyclical basis so that each region is revalued at an interval not exceeding five years. Those regions that are not subject to full revaluation in a particular year are subject to a valuation update through the use of price indices.

The Bailey Bridging valuation is performed by Opus International Consultants Limited.

The results of revaluing State Highways and Bailey Bridging are credited or debited to an Asset Revaluation Reserve for that class of asset. Where a revaluation results in a debit balance in the Asset Revaluation Reserve, the debit balance will be expensed in the Statement of Financial Performance.

To the extent that a revaluation gain reverses a loss previously charged to the Statement of Financial Performance, the gain is credited to the Statement of Financial Performance.

Depreciation

Depreciation is provided on a straight line basis on all fixed assets, other than land, formation works, the sub-base component of pavement (base) and items under construction, at a rate which will write off the cost (or valuation) of the assets to their estimated residual value over their useful lives.

Land, formation and the sub-base component of pavement (base) have not been depreciated as it is considered that the service potential of these components does not reduce over time.

STATEMENT OF ACCOUNTING POLICIES for the year ended 30 June 2004

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

Assets	Useful Life (Years)	Depreciation Rate (Percent)
State Highways – pavement (base)	50	2
State Highways – pavement (surface)	7	14.3
State Highways – drainage	60	1.7
State Highways – traffic facilities	15	6.7
State Highways – bridges	90-100	1-1.1
State Highways – culverts & subways	50-75	1.3-2.0
State Highways – other structures	100	1
Bailey Bridging – panels	70	1.42
Bailey Bridging – transoms	103	0.57
Bailey Bridging – stringers	100	0.67
Bailey Bridging – chord reinforcing	69	1.45
Bailey Bridging – other miscellaneous	76	1
Buildings	50	2
Computer Equipment	3	33.3
Office Furniture	5	20
Office Equipment	4	25
Motor Vehicles	4	25
Technical Equipment	8	12.5
Plant	10	10

Accounts Receivable

Accounts Receivable are stated at their estimated realisable value after providing for doubtful and uncollectable debts.

Investments

Investments are stated at the lower of cost and net realisable value.

Employee Leave Entitlements

Provision is made in respect of Transit New Zealand's liability for annual, long service and retirement leave. Entitlements that are expected to be settled within 1 year of reporting date, are measured at nominal values on an actual entitlement basis at current salary levels.

Entitlements that are payable beyond 1 year, such as long service and retirement leave, have been calculated on an actuarial basis based on the present value of expected future entitlements.

Goods and Services Tax (GST)

The Financial Statements are prepared on a GST exclusive basis, with the exception of Accounts Receivable and Accounts Payable which are stated with GST included. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

Taxation

Transit New Zealand is a Public Authority in terms of the Income Tax Act 1994 and consequently is exempt from income tax.

Operating Leases

Operating Lease payments, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are charged as expenses in the periods in which they are incurred.

STATEMENT OF ACCOUNTING POLICIES for the year ended 30 June 2004

Financial Instruments

Transit New Zealand is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, debtors, creditors and investments. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

Commitments

Future payments are disclosed as commitments at the point a contractual obligation arises, to the extent that they are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which Transit New Zealand invests as part of its day-to-day cash management.

Operating Activities include cash received from all income sources of the Crown Entity and records the cash payments made for the supply of goods and services.

Investing Activities are those activities relating to the acquisition and disposal of Non Current Assets.

Financing Activities comprise the change in Equity of Transit New Zealand.

Cost of Service Statements

The Statement of Objectives and Service Performance reports the net cost of services for the outputs of Transit New Zealand and are represented by the costs of providing the output less all the revenue that can be allocated to these activities.

Cost Allocation

Transit New Zealand has derived the net cost of service for each significant activity using the cost allocation system outlined below:

Cost Allocation Policy

Direct costs are those costs directly attributable to a significant activity.

Indirect costs are those costs, which cannot be identified in an economically feasible manner with a specific significant activity. Transit New Zealand has two types of indirect costs – Professional Services and Administration costs.

Cost Drivers for Allocation of Indirect Costs

Professional Services are allocated 72% to the work categories that comprise the funding groups, Structural Maintenance and Resurfacing, on a pro-rata basis and 28% to Corridor Maintenance. This is in accordance with the NRP Agreement with Transfund New Zealand.

For Note 6 (State Highway Programme Expenditure) to the Financial Statements, Administration costs are allocated across all outputs on a pro-rata basis.

For the Statement of Financial Performance, Administration costs are allocated across all operating outputs on a pro-rata basis and to Replacement and Improvement expenditure to the extent permitted by Financial Reporting Standard 3.

For the year ended 30 June 2004, Professional Services accounted for 6% of Transit New Zealand's total operating expenditure (2003: 12%).

For the year ended 30 June 2004, Administration costs accounted for 4.4% of Transit New Zealand's total operating expenditure (2003: 4.4%).

Changes in Accounting Policies

There have been no changes in accounting policies since the date of the last audited financial statements.

All policies have been applied on a basis consistent with previous years.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2004

	Actual (\$000)	Previous Year (\$000)
I. Self Funding Units		
Bailey Bridging:		
Revenue	677	317
Less Expenditure	560	142
Less Depreciation	112	0
Net Gain/(Loss)	<u>5</u>	<u>175</u>
CAPTIF: (Canterbury Accelerated Pavement Testing Indoor Facility)		
Revenue	388	376
Less Expenditure	366	356
Less Depreciation: Computer Equipment	10	5
Office Equipment	0	1
Office Furniture	1	1
Technical Equipment	8	6
Net Gain	<u>3</u>	<u>7</u>
Training and Education:		
Revenue	310	368
Less Expenditure	208	296
Less Depreciation: Computer Equipment	1	0
Office Furniture	1	1
Net Gain	<u>100</u>	<u>71</u>
Total Self Funding Units	<u>108</u>	<u>253</u>
2. Total Operating (Maintenance) Expenditure		
Includes:		
Fees Paid to Financial Statement Auditors		
– financial audit	84	73
– other services	132	92
Board Members Fees	126	123
Depreciation:		
– Buildings	2	2
– Computer Equipment	1,613	1,705
– Office Furniture	316	275
– Office Equipment	127	109
– Motor Vehicles	147	169
– Technical Equipment	25	86
– Plant	4	4
<i>Total Depreciation for the year</i>	2,234	2,350
(Gain)/Loss on Disposal of Fixed Assets	(26)	(50)
Rental Expenses	1,856	1,282
Superannuation Payments	270	286
Bad Debts Written Off	6	46
Increase/(Decrease) in Provision for Doubtful Debts	213	232

Bad Debts Written Off totalled \$57,667 (2003: \$97,393). Of this amount \$51,905 (2003: \$51,707) had been previously provided for.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2004

3. Employee Remuneration

During the year the number of employees or former employees who received remuneration and other benefits in their capacity as employees of Transit New Zealand, the value of which was or exceeded \$100,000 per annum was as follows:

Remuneration Ranges	Number of Employees	Previous Year
\$100,000 to \$109,999	10	5
\$110,000 to \$119,999	6	6
\$120,000 to \$129,999	4	5
\$130,000 to \$139,999	5	2
\$140,000 to \$149,999	2	1
\$150,000 to \$159,999	2	1
\$160,000 to \$169,999	2	2
\$170,000 to \$179,999	0	2
\$180,000 to \$189,999	2	0
\$190,000 to \$199,999	0	1
\$210,000 to \$219,999	2	0
\$270,000 to \$279,999	0	1

The Chief Executive's remuneration and benefits is in the \$210,000 to \$219,999 band (2003: \$270,000 to \$279,999 band) and reflects his resignation in February 2004.

	Actual (\$000)	Previous Year (\$000)
4. Board Members Fees		
The following Board members earned the following :		
Mr D Stubbs (Chairperson)	25	17
Sir T O'Regan (Deputy Chairperson)	22	21
Mr M Williams	17	17
Dr J Wright	17	17
Mr J Wright	17	10
Mr A Bickers (former Chairperson) (resigned 10 February 2004)	21	34
Mr G McIver (appointed 10 February 2004)	7	0
Mr J Shaw (resigned 31 October 2002)	0	7
Total Board Member's Fees	126	123

Board members remuneration through fees is all-inclusive and no consultancy or ex gratia payments or benefits have been provided to Board members other than fees (2003: Nil).

There have been no severance payments to Board members during the year (2003: Nil).

5. State Highway Asset Write Off

A write off of the state highway asset is made where an existing asset is abandoned or destroyed in the general process of highway renewal. This means that where a reconstructed road deviates slightly in alignment from the existing road, such that some of the old formation, pavement, drains or signs are no longer required, a write off is made.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2004

	Actual	Budget	Previous
	(\$000)	(\$000)	Year
			(\$000)
6. State Highway Programme Expenditure			
MAINTENANCE			
Structural Maintenance	126,766	127,600	119,771
Corridor Maintenance	85,320	82,700	79,435
Resurfacing	73,173	77,100	74,286
Emergency Work	26,452	17,800	15,332
Preventive Maintenance	5,415	5,800	5,215
Property Management	10,292	9,300	9,072
Total	327,418	320,300	303,110
REPLACEMENT AND IMPROVEMENT			
Pavement Smoothing	5,168	4,200	5,229
Minor Safety Projects	26,426	11,500	10,796
Construction	259,489	249,400	195,006
Property Purchase	64,811	68,100	57,937
Passenger Transport Roding Infrastructures	3,092	7,500	3,363
Walking and Cycling Facilities	1,311	0	672
Total	360,297	340,700	273,003
TOTAL STATE HIGHWAY PROGRAMME EXPENDITURE	687,715	661,000	576,113
Total Operating Expenditure	217,608	207,608	204,352
State Highway Capital Expenditure	470,107	453,392	371,761
TOTAL STATE HIGHWAY PROGRAMME EXPENDITURE	687,715	661,000	576,113
7. Asset Revaluation Reserve	Actual	Previous	
	(\$000)	Year	
		(\$000)	
Balance as at 1 July	462,226	0	
State Highways	308,357	462,226	
Bailey Bridging	5,389	0	
Balance as at 30 June	775,972	462,226	
8. Investments			

Short-term deposits totalling \$17.4M (2003: \$38.9M) with a maturity date of 1 July 2004 (\$10.0M) and 5 July 2004 (\$7.40M) were invested at the interest rate of 5.75% (2003: 5.25% to 5.30%).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2004

9. Accounts Receivable	Actual (\$000)	Previous Year (\$000)
Accounts Receivable comprise:		
Sundry Receivables	11,561	4,622
Less Provision for Doubtful Debts	529	307
	11,032	4,315
Interest Accrued	3	11
Prepayments	51	101
GST Owed by the Inland Revenue Department	4,277	1,942
Total Accounts Receivable	15,363	6,369

10. Accounts Payable

Accounts Payable comprise:		
Contractors, Consultants and Others	115,276	89,258
Accrued Expenses	7,771	6,117
Total Accounts Payable	123,047	95,375

11. Employee Entitlements

Current Liabilities:		
Annual Leave	1,211	1,062
Long Service Leave	56	68
Retirement Leave	576	543
Total current portion	1,843	1,673
Non Current Liabilities:		
Long Service Leave	191	160
Retirement Leave	447	377
Total non current portion	638	537
Total Employee Entitlements	2,481	2,210

12. Other Property, Plant and Equipment

	Actual			Previous Year		
	Historical Cost (\$000)	Accumulated Depreciation (\$000)	Net Book Value (NBV) (\$000)	Historical Cost (\$000)	Accumulated Depreciation (\$000)	Net Book Value (NBV) (\$000)
Assets						
Buildings	88	18	70	88	16	72
Computer Equipment	11,245	8,890	2,355	10,309	7,840	2,469
Office Furniture	3,203	2,306	897	3,005	1,998	1,007
Office Equipment	1,441	1,134	307	1,244	1,008	236
Motor Vehicles	965	670	295	951	615	336
Technical Equipment	3,506	3,433	73	3,486	3,399	87
Plant	1,774	1,762	12	1,774	1,758	16
TOTAL	22,222	18,213	4,009	20,857	16,634	4,223

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2004

13. State Highway Network

Description	Actual			Previous Year		
	Depreciation Charge (\$M)	Replacement Cost (\$M)	Valuation (\$M)	Depreciation Charge (\$M)	Replacement Cost (\$M)	Valuation (\$M)
Land	0	3,499	3,499	0	3,165	3,165
Formation	0	4,288	4,288	0	4,267	4,274
Pavement (Base)	32	2,740	1,970	29	2,605	1,855
Pavement (Surface)	111	788	374	101	768	357
Drainage	9	574	309	9	547	286
Traffic Facilities	20	304	143	18	281	134
Bridges	35	3,118	1,801	32	3,109	1,802
Culverts & Subways	4	256	155	4	253	152
Other Structures	8	642	542	7	629	531
TOTAL	219	16,209	13,081	199	15,624	12,556

	Actual (\$000)	Previous Year (\$000)
Balance as at 1 July	12,555,593	0
Plus Transfer from Crown	0	11,945,864
Plus Capital Expenditure	470,107	371,761
Less Asset Write Off	(10,332)	(7,860)
Less Depreciation	(219,124)	(198,880)
Plus Increase in Asset Revaluation Reserve	308,357	462,226
Less Proceeds from State Highway Property Disposals	(23,229)	(17,518)
Balance as at 30 June	13,081,372	12,555,593

14. Bailey Bridging

Description	Actual		
	Depreciation Charge (\$000)	Optimised Replacement Cost (\$000)	Valuation (\$000)
Panels	50	3,520	1,509
Transoms	6	1,056	740
Stringers	8	1,200	768
Chord Reinforcing	26	1,792	949
Other Miscellaneous	22	2,204	1,311
TOTAL	112	9,772	5,277

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2004

	Actual (\$000)	Previous Year (\$000)
15. Reconciliation of Cash with Reported Operating Surplus/(Deficit)		
Reported Operating Surplus	222,143	165,618
Add Non-Cash Items		
Depreciation	221,491	201,230
Write Off of State Highway Asset	10,332	7,860
Increase (Decrease) in Non Current Employee Entitlements	101	(54)
	231,924	209,036
Add (Less) Movements in Working Capital Items		
Accounts Payable	10,422	(9,838)
Accounts Receivable	(41,937)	32,439
Employee Entitlements	170	166
	(31,345)	22,767
Less Items Classified as Investing Activities		
Net Gain on Sale of Fixed Assets	(26)	(50)
	(26)	(50)
Net Cash Flow from Operating Activities	422,696	397,371

16. Transactions with Related Parties

Transit New Zealand undertakes transactions with Government Departments, Crown Agencies, State Owned Enterprises and Transfund New Zealand. These transactions are carried out on a commercial arms length basis and it is considered that these do not fall within the intended scope of related party disclosures.

17. Financial Instruments

Transit New Zealand is party to financial instrument arrangements as part of its everyday operations. These financial instruments include Bank accounts, Accounts Receivable and Accounts Payable.

Currency Risk

Transit New Zealand has no currency risk as all financial instruments are in New Zealand dollars.

Interest Rate Risk

As Transit New Zealand has no borrowings and has adopted the policy of holding short term investments until maturity, the interest rate risk is minimal.

Credit Risk

In the normal course of its business, Transit New Zealand incurs credit risk from Receivables and Financial Institutions. There are no significant concentrations of credit risk. Receivables are unsecured, but subject to credit control.

Fair Values

The fair values of Transit New Zealand's Assets and Liabilities are considered to approximate their carrying value.

STATEMENT OF RESOURCES as at 30 June 2004

The main assets relating to the Board's activities are:

The State Highway Network

The Board administers, maintains and constructs State Highways.

Currently, there are 10,837 kilometres (km) of State Highways (2003: 10,786 km). Of this length 5,909 km are in the North Island (2003: 5,889 km) and the remaining 4,928 km are in the South Island (2003: 4,897 km).

In addition, as a result of New Zealand's relatively hilly terrain, there are 4,005 bridges and large culverts (2003: 3,943) which represents a bridge every 2.7 km (2003: 2.7 km).

STATEMENT OF COMMITMENTS as at 30 June 2004

As a result of the 2004/2005 State Highway Programme's approval a high proportion of that Programme forms a definite commitment for the next year or further.

Commitments include for example:

- Capital Commitments which are construction contracts commenced but not completed in the period ending 30 June 2004. Some of these contracts are not due for completion until the 2004/2005 or later financial years;
- Operating Lease Commitments which are building lease agreements; and
- Other Operating Commitments which are agreements entered into prior to 30 June 2004, to undertake the maintenance requirements of the State Highway Network.

The value of Commitments are:

	Actual (\$M)	Previous Year (\$M)
Capital Commitments		
Not later than 1 year	241.87	155.11
Later than 1 year and less than 2 years	174.63	139.49
Later than 2 years and less than 5 years	83.58	103.60
Later than 5 years	0.00	0.00
	500.08	398.21
Operating Lease Commitments		
Not later than 1 year	1.18	1.19
Later than 1 year and less than 2 years	1.12	1.18
Later than 2 years and less than 5 years	2.00	2.72
Later than 5 years	0.00	0.40
	4.30	5.49
Other Operating Commitments		
Not later than 1 year	232.98	213.72
Later than 1 year and less than 2 years	146.96	152.51
Later than 2 years and less than 5 years	118.25	153.80
Later than 5 years	47.83	70.76
	546.02	590.80
Total Commitments	1,050.40	994.49

The increase in commitments from the previous year is due to:

- A greater number of construction contracts spanning several years

The accompanying accounting policies and notes form part of these financial statements.

STATEMENT OF CONTINGENCIES as at 30 June 2004

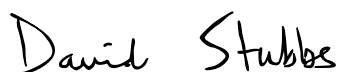
Transit New Zealand and its predecessor, the former National Roads Board, received a number of claims for contract and land settlement disputes. While not accepting liability for any of the outstanding claims which are pending arbitration or legal action, it is estimated that a maximum of \$20.8M (2003: \$20.8M) may be payable should the claimants be successful. Performance Bonds and Guarantees by Transit New Zealand in favour of third parties, totalled \$1.25M at year end (2003: \$1.25M).

STATEMENT OF RESPONSIBILITY for the year ended 30 June 2004

The Board and Management of Transit New Zealand acknowledges responsibility for the preparation of the Statements of Account and the judgements made therein.

In the opinion of the Board and Management of Transit New Zealand:

- The internal control procedures are considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the Statements of Account; and
- The Statements of Account have been prepared in accordance with generally accepted accounting practices and fairly reflect the financial position and operations of Transit New Zealand for the year ended 30 June 2004.



D Stubbs
Chairperson
26 October 2004



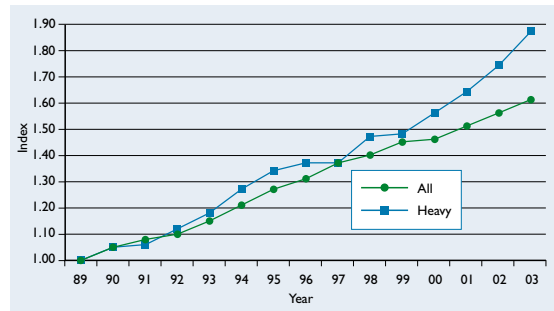
R van Barneveld
Chief Executive
26 October 2004

STATE HIGHWAY NETWORK

Total Asset Value

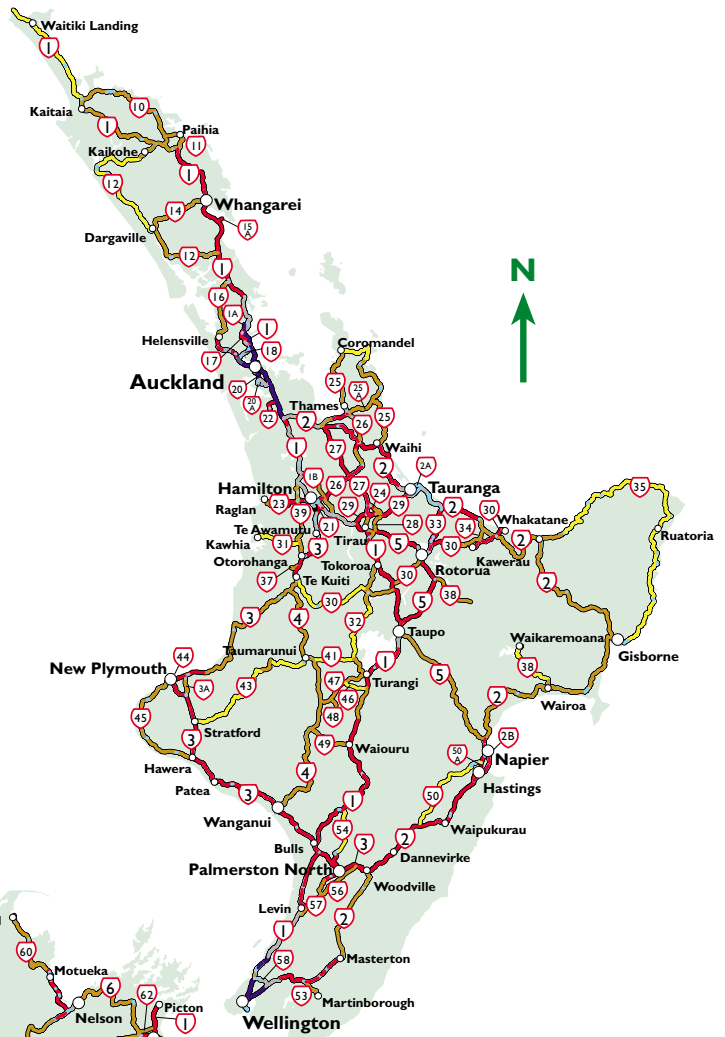
Year	2000/01	2001/02	2002/03	2003/04
Depreciated Replacement Cost (\$M)	11,056	11,946	12,556	13,081

Traffic Growth on State Highways



Strategic Hierarchy Classes: Vehicles per day (vpd)

Class	Definition	Color
M	Motorway/Expressway	Dark Purple
U	Towns	Light Blue
R1	Rural, >10,000 vpd	Grey
R2	Rural, 4,000 to 10,000 vpd	Red
R3	Rural, 1,000 to 4,000 vpd	Brown
R4	Rural, <1,000 vpd	Yellow



Vehicle Kilometres Travelled (VKT)

Region	Network Length (km) 2003/04	VKT in 2002/03 (M)	VKT in 2003/04 (M)
Northland	706.1	815	837
Auckland	326.3	4,009	4,110
Waikato	1,736.5	2,936	3,021
Bay of Plenty	711.6	1,327	1,366
Gisborne	330.9	180	184
Hawke's Bay	515.6	642	642
Taranaki	386.5	591	599
Manawatu/Wanganui	959.1	1,367	1,351
Wellington	235.9	1,631	1,659
Nelson/Marlborough	631.9	680	707
Canterbury	1,347.6	1,910	2,095*
West Coast	871.4	334	350
Otago	1,300.2	1,133	1,169
Southland	777.5	506	506
Total	10,837.1	18,061	18,596

* Canterbury VKT in 2003/04 reflect the big change in the SH network in Christchurch city that took effect on 1 January 04.



Strategic Hierarchy Classes

Length and VKT by State Highway Strategic Hierarchy. All State Highways	Class						Total
	M	R1	R2	R3	R4	U	
2003/04 Highway Length (km)	185.1	311.4	2,060.5	4,399.6	2,992.8	887.7	10,837.1
2003/04 VKT (M)	4,152	1,744	5,028	3,511	897	3,264	18,596

STATEMENT OF SERVICE PERFORMANCE for the year ended 30 June 2004

Transit New Zealand contributes to the lives of all New Zealanders through its provision of a state highway network that facilitates the activities of daily life. State highways also provide for the sustainability and growth of commerce, tourism and recreation, and as such contribute significantly to the nation's growth and well-being.

Transit manages, maintains and operates 10,837 kilometres of state highways including 171 kilometres of motorways. This length represents some 12 percent of New Zealand's total road length but carries around 50 percent of total traffic. In addition there are 4,005 bridges and major culverts on the network. Due to New Zealand's relatively hilly and harsh terrain, Transit monitors and pays special attention to bridges as they provide vital connections on busy freight routes and between townships. On state highways, there is a bridge for every 2.7 kilometres of road. Significant progress was made during the year on the seismic strengthening of key bridges and the investigation of some of the more difficult bridges for future retrofitting. Transit's infrastructure assets are currently valued at \$13.1 billion.

Transit's activities are currently financed 100 percent from the National Land Transport Fund through Transfund New Zealand. Funding comes from road user charges, which include some taxes built in to the price of petrol, CNG and LPG, and vehicle registration and licensing fees. Transit's operation of the network is funded from Transfund's Output Group 2 (State Highway Maintenance) and Output Groups 4 and 5 (State Highway Replacement and Improvement and Passenger Transport – Capital Expenditure).

Transit also receives some funding from Transfund's Output Group 7 (Regional Development) for those projects identified through a regional transport plan agreed by local and central government and industry representatives. Additional funding from Output Group 8 (Promotion of Walking and Cycling) for stand-alone cycling or pedestrian projects that are not associated with a road construction project is also available.

Transit's Statement of Projected Performance contained in the 2003/2004 *Statement of Intent* detailed Transit's targets and performance measures against each of these groups.

Summary of Output Group Expenditure

Output Groups	2001/02 Actual \$M	2002/03 Actual \$M	2003/04 Target \$M	2003/04 Actual \$M
1 State Highway Maintenance	278.3	303.1	320.3	327.4
2 State Highway Replacement and Improvement	280.9	268.9	333.2	355.7
3 Passenger Transport	3.4	3.4	7.5	3.1
4 Regional Development	N/A	N/A	N/A	0.2
5 Promotion of Walking and Cycling	N/A	0.7	N/A	1.3
Total (GST exclusive)	562.6	576.1	661.0	687.7
Total (GST inclusive)	632.9	648.1	743.6	773.7

Transit Comment

Output Group 1 – State Highway Maintenance

Transit continued during 2003/04 to identify and implement maintenance programmes that ensured communities received maximum benefits from investment in roading infrastructure. The methodology for this involves establishing priorities among competing demands on various parts of the network, taking into account both local and central government strategies. Well-maintained roads provide a safer and more comfortable ride and contribute to lower vehicle operating costs, particularly for heavy vehicles. As well as routine maintenance and operating functions activities, also includes safety improvements such as upgrading lighting, laying skid-resistant road surfacing, building new speed thresholds leading into towns, and widening key sections of the highway.

Maintaining a safe and efficient state highway network is vital to ensuring that people are able to move freely around New Zealand. An example is the ongoing work to repair recurring slips on state highways in Northland, the most geographically challenging area in the country. There has been significant success with the use of a new method using "deep soil technology" whereby slips are stabilised by forming cemented columns that penetrate the slope, effectively nailing the unstable slope to the deeper, more stable soils.

The 2003/04 year saw the completion of the five-yearly state highway review. Approximately 173 kilometres of new state highways were declared and 68 kilometres were revoked after a two-year process of consultation with local authorities,

STATEMENT OF SERVICE PERFORMANCE for the year ended 30 June 2004

communities (including directly affected iwi and hapu) and industry groups. The road to Cape Reinga was declared state highway, meaning SH1 now runs the length of the country.

The year also saw further development in the areas of traffic management and operation of the network. Most significant of these was the establishment of the Traffic Management Unit in Auckland, which combined the traffic signal units of four key Auckland local authorities (Auckland, Waitakere, Manukau and North Shore cities) with Transit's own capability to provide area-wide traffic control for the central Auckland area. Such co-ordination is vital for maximising the capability and capacity of the total network to provide the best level of service to road users. This area-wide view of the network performance is already showing benefits in terms of optimising traffic flows and management of incidents.

In the South Island Transit was able to implement the first stage of its 0800 highway information line to provide enhanced road information and easier access to Transit and its services. It is expected that the service will be extended into the North Island in 2004/05.

Nationwide, implementation of the protocol for incident management with New Zealand Police, New Zealand Fire Service and Ambulance New Zealand has continued with improved co-ordination, increased Transit participation and reduced road closure times.

The year's expenditure was \$7.1 million above target at \$327.4 million, with small under expenditure of \$0.7 million in the bulk maintenance items (structural and corridor maintenance and resurfacing). The increased expenditure in the overall maintenance output class was accounted for by the \$8.7 million increase in budget due to several major emergency events. The most significant of these was the intense storm centred on the Manawatu region in February, but which also affected most of the lower North Island. This 1-in-100-year storm resulted in the SH3 Manawatu Gorge being closed for 75 days, and also significant closures on other parts of SH1, SH3, SH4, SH54 and SH57.

Although all highways other than the Manawatu Gorge were re-opened within a week, a measure of the robust nature of the network, there is still major repair work outstanding on SH4 in the Paraparas and on SH3 in the Manawatu Gorge, which requires careful investigation of options before work is completed.

Output Group 2 – State Highway Replacement and Improvement (Capital Expenditure)

The enactment of the Land Transport Management Act (LTMA) in December 2003 resulted in a significant change in the criteria by which improvement projects were assessed. A number of large projects, scheduled for construction in 2003/04, were reviewed by an independent panel to satisfy the Transit Board and Transfund that the projects were consistent with the Act and the New Zealand Transport Strategy (NZTS). The findings of the panel that only minor amendments were required

showed that Transit's previous processes were by and large consistent with the new legislation and this allowed those major projects to continue to move towards funding approval without major delay.

The development of projects through the year was broadly consistent with Transit's 10-year plan, first published in June 2003. In light of the success of this initial plan and consistent with the original concept of updating it annually, a second version of the plan was widely circulated and consulted upon prior to publication in June 2004. This new 10-year plan took into account the revised directions signalled by the LTMA and the NZTS.

The announcement in October 2003 of a 100 percent increase in funding for low-cost safety engineering improvements in the minor works category, together with an increase in the upper limit of cost for these works, enabled Transit to begin to tackle a backlog of safety-related projects. To increase the programme from \$11 million to \$22 million and achieve more than full expenditure when already three months through the year was a creditable performance from Transit's staff and suppliers. In addition, Transit undertook a full year's programme of retrofitting hazards on the existing highway. Research was undertaken to determine the types of works that were likely to generate the greatest benefits and regional programmes were developed and implemented on this basis. Expenditure on this item came to \$7.6 million and the intention is to continue the programme in 2004/05 as one of Transit's main contributions to achievement of the government's Road Safety to 2010 strategy. Complementing this focus on safety improvement projects was the continuing programme of passing lane construction on the most important highways. A total of 21 new passing lanes were completed during the year, and a further 83 are planned for completion within the next three years.

There was also further implementation of the stock effluent disposal plan, with three new drop points being completed in the South Island. This initiative is a joint project with territorial local authorities, regional councils, the Road Transport Federation and Federated Farmers. The South Island network of stations is now well advanced and the similar network of stations in the North Island is under development. When completed, the stations will deliver significant environmental and safety benefits.

Transit in 2003/04 continued its focus on multi-modal transport solutions such as the Northern Busway project. Safety for all road users and affected communities as well as improved and more reliable access for people and freight remained important goals. The activities of Transit were focussed towards its contribution to the environmental and social well-being of New Zealand, including energy efficiency and public health.

During 2003/2004, \$360.3 million was invested in developing and improving state highways, an increase of \$87.3 million from the previous year. The \$22.5 million above the approved programme at the beginning of the year was mainly a result of Transit accelerating construction projects. There have been problems in the past with projects being stalled by last-minute

STATEMENT OF SERVICE PERFORMANCE for the year ended 30 June 2004

consent and land issues. In an effort to avoid these effects delaying the total programme, the Transit Board, with Transfund approval, made the decision to advance as many small safety and congestion relieving projects as possible within the available resources and funding. This decision resulted in Transit marginally exceeding its expenditure targets.

The out-turn in capital works was slightly offset by under expenditure in property acquisition. There were 635 property transactions (i.e. full / partial purchases, entry agreements etc) completed during the year with a total value of \$64.8 million (excluding fees).

Performance Measures

Transit New Zealand has streamlined its performance measures. In the past they have been focused on the delivery of physical outputs, but the revised performance measures now also incorporate the principle goals of Transit's strategic plan and the LTMA.

These performance measures are reported within the framework of the triple bottom line (TBL) approach. This has been chosen as the tool for assessing Transit's performance in economic, environmental and social terms.

Auckland/Northland

Fees Projects

- Manukau Harbour Crossing (investigation)
- Northcote to Sunnynook Auxillary Lane (investigation)
- ALPURT Sector B2 (design)
- Advanced Traffic Management System (ATMS) Stage 2 (design)
- Newmarket Viaduct (design)
- Newton Road to Western Springs Auxillary Lane (design)
- Waiouru Connection Interchange (design)
- Mt Roskill (design)

Construction Completed

- Grafton Gully (\$67.0M)
- Puhinui Interchange (\$13.3M)
- Hukerenui South Realignment (\$2.8M)
- Otonga Flat South Passing Lanes (\$1.5M)
- Waiharara Safety Improvements (\$1.4M)
- Mangapai River Bridge Passing Lanes (\$1.1M)

Construction Commenced or Underway

- Central Motorway Junction Improvements – Stages 1&2 – (\$199.8M)
- Greenhithe Deviation (\$94.4M)
- Esmonde Road Interchange (\$38.0M)
- Upper Harbour Motorway Stage 1 (\$9.0M)

- Katetoke/Oakleigh Realignment (\$5.0M)
- Longhill Southbound Passing Lanes (\$2.0M)
- Waipapakauri Safety Improvements (\$1.9M)

Waikato/Bay of Plenty

Fees Projects

- Maramarua Deviation (investigation)
- Te Rapa Bypass (investigation)
- Domain Road (design)
- Harbour Link Four-laning (design)
- Mangatawhiri Deviation (design)

Construction Completed

- Cobham/Grey Street Intersection Improvements (\$1.2M)
- Whitianga Bypass (\$1.1M)
- Turners Hill/Dohertys Safety Improvements (\$1.1M)

Construction Commenced or Underway

- Mercer-Long Swamp (\$57.7M)
- Hewletts Flyover (\$27.6M)
- Tapapa Curves Realignment (\$7.6M)
- Long Swamp–Rangiriri Safety Improvements (\$5.8M)
- Domain Road Intersection Upgrade (\$5.1M)
- Huntly Bypass (\$4.7M)
- Te Maunga/Maungatau Safety Improvements (\$3.5M)
- Matata Underpass Relignment (\$2.5M)
- Katikati-Bethlehem Safety Improvements (\$1.8M)
- Old Taupo Road Four-laning (\$1.8M)

Hawke's Bay/Napier

Fees Projects

- Meeanee Road Interchange (design)

Construction Completed

- Kennedy Road Interchange (\$3.1M)

Construction Commenced or Underway

- Awatoto Passing Lane and Safety Improvements (\$1.0M)
- South of Ngatarawa Road Curve (\$0.6M)
- Farndon Passing Lane (\$0.4M)
- Twin Culvert Passing Lane (\$0.4M)

STATEMENT OF SERVICE PERFORMANCE for the year ended 30 June 2004

Manawatu-Wanganui/Taranaki

Fees Projects

- Himatangi–Levin Passing Lanes (design and investigation)

Construction Completed

- Okoko North Reconstruction (\$1.9M)

Construction Commenced or Underway

- Hihitahi Bluffs Realignment (\$14.7M)
- Passing Lanes between Woodville and Dannevirke (\$2.8M)
- France Road Passing Lanes (\$1.6M)
- Kukuta Realignment on SH4 (\$1.2M)

Wellington/Nelson/Marlborough

Fees Projects

- Inner City Bypass (design)
- Dowse to Petone (design)
- Owen Bridge (design)
- Rai Saddle Curve Realignment (design)
- Ruby Bay Bypass (design)

Construction Completed

- Wairoa Bridge Replacement (\$1.4M)

Construction Commenced or Underway

- Plimmerton-Mana Widening (\$27.0M)
- MacKays Overbridge Replacement (\$20.0M)
- Kaitoke to Te Marua Realignment (\$15.5M)
- Paremata Bridge (\$6.4M)
- Owen River Bridge Replacement (\$4.2M)
- Elevation Overbridge Replacement (\$3.8M)

Canterbury/West Coast

Fees Projects

- Yaldhurst Road Intersection Signals Project Update (design)
- Southern Motorway (design)

Construction Completed

- Glasnevin Weigh Station and Effluent Disposal Site (\$1.7M)
- Otira Underpass (\$1.4M)
- Hurunui Road Curve Realignment (\$1.1M)
- Winslow Passing Lanes (\$1.0M)

Construction Commenced or Underway

- Main North Road Four-laning Stage 2 (\$12.0M)
- Normanby Realignment (\$4.6M)
- Yaldhurst Intersection Signalisation (\$2.4M)
- Buchanans Intersection Signalisation (\$1.5M)
- Omihi Twin Culverts Realignment (\$1.5M)

Otago/Southland

Fees Projects

- Underwood Realignment (design)

Construction Commenced or Underway

- Sharpes Bend/Waianakarua Bridge Realignment (\$3.6M)
- Four-mile Creek Passing Lane (\$0.5M)
- Milton Main Street Improvements (\$0.3M)
- Mosgiel Off-ramp Intersection (\$0.3M)
- Pearsons Road Alignment (\$0.3M)
- Waiwera Seal Widening (\$0.4M)

OUTPUT GROUP 1: State Highway Maintenance

Description

Transit manages, operates and maintains the state highway network from this output group.

Objectives

The objectives of Output Group 1 are to:

- Preserve the state highway asset
- Contribute to reductions in the rate and severity of highway crashes
- Limit effects on the environment wherever reasonable and practicable
- Limit traffic congestion as far as practicable through traffic management
- Minimise the sum of road agency and road user costs.

Outputs

The following outputs are included in Output Group 1:

Structural Maintenance

All maintenance of carriageways, and bridges/structures.

Corridor Maintenance

Provision and maintenance of delineation assets; maintenance of traffic signals, street lighting, guardrails and other safety facilities; traffic management and incident response and vegetation, graffiti and litter removal.

Resurfacing

Resurfacing of existing carriageways, including resealing and thin asphaltic concrete.

Property Management

Management and maintenance of Crown-owned property held by Transit for future projects.

Preventive Maintenance

Non-routine maintenance works to protect the serviceability of the road assets and to minimise the threat and cost of road closures.

Emergency Works

Unplanned work requiring the urgent reinstatement or provision of a safe trafficable highway, usually as a result of a natural event.

Cost of Outputs¹

Note:

¹ Project Control and Administration costs have been allocated across all outputs.

Output	2001/02	2002/03	2003/04	2003/04
	Actual	Actual	Target	Actual
	\$M	\$M	\$M	\$M
Structural Maintenance	105.6	119.8	127.6	126.8
Corridor Maintenance	73.0	79.4	82.7	85.3
Resurfacing	68.9	74.3	77.1	73.2
Property Management	8.2	9.1	9.3	10.2
Emergency Works	18.3	15.3	17.8	26.5
Preventive Maintenance	4.3	5.2	5.8	5.4
TOTAL	278.3	303.1	320.3	327.4

Achievement Against Management Performance Measures

Maintenance Measures

Structural Maintenance

Description	Unit	2001/02 Actual	2002/03 Actual	2003/04 Target	2003/04 Actual
Cost	\$M	105.6	119.8	127.6	126.8
Length ²	km	10,783	10,786	10,798	10,837
Unit Cost	\$/km	9,795	11,107	11,817	11,701

Note:

² Length excludes motorway ramps.

Resurfacing

Description	Unit	2001/02 Actual	2002/03 Actual	2003/04 Target	2003/04 Actual
Cost	\$M	68.9	74.3	77.1	73.2
Length	km	1,298	1,328	1,450	1,231
Unit Cost	\$/km	53,106	55,949	53,172	59,464

Corridor Maintenance

Description	Unit	2001/02 Actual	2002/03 Actual	2003/04 Target	2003/04 Actual
Cost	\$M	73	79.4	82.7	85.3
Length ²	km	10,783	10,786	10,798	10,837
Unit Cost	\$/km	6,768	7,361	7,659	7,871

Preventive Maintenance

Description	Unit	2001/02 Actual	2002/03 Actual	2003/04 Target	2003/04 Actual
Cost	\$M	4.3	5.2	5.8	5.4

Property Management

Description	Unit	2001/02 Actual	2002/03 Actual	2003/04 Target	2003/04 Actual
Cost	\$M	8.2	9.1	9.3	10.2
Asset Value	\$M	341	445	360	545

Emergency Works

Description	Unit	2001/02 Actual	2002/03 Actual	2003/04 Target	2003/04 Actual
Cost	\$M	18.3	15.3	17.8	26.5

Achievement Against Management Performance Measures

Management Comment

Resurfacing cost and achievement was affected by the unsuitable weather in the latter part of the year. Several instances of unsatisfactory contract performance resulted in work being held over for completion after the winter.

Corridor maintenance expenditure was more than budgeted as a result of the cost of achieving faster clearing of incidents and crashes on the network being higher than anticipated. The operating costs of the extended camera coverage of heavily used networks and the use of intelligent traffic management systems to enhance information to road users were also slightly more than was originally estimated.

Property management expenditure was more than budgeted due to the effect of the lag between Statement of Intent preparation and the effect of the major increase in property holdings being assessed.

Transit required an additional \$8.7 million over its emergency works funding to re-open and repair North Island state highways, mostly as a result of the February 2004 storms and flooding.

Notes:

³ Periodic Maintenance is defined as Area Wide Pavement Treatment, Maintenance Chip Seals, and Thin Asphaltic Surfacing.

⁴ This measure reflects the actual delivery as at 30 June against revised target lengths/values as at 28 February as per Transit/Transfund Performance Agreement.

⁵ The smoothness of the highway network is determined by measurement of roughness, defined in terms of international roughness index values, with the percentage less than threshold values classified as 'smooth'. Smoothness targets vary by highway strategy hierarchy. Smooth Travel Exposure reports the percentage of traffic volumes exposed to roads with roughness less than the threshold levels established for national state highway strategy hierarchies.

⁶ This measure reflects the proportion of the state highway network that is classified as having potentially hazardous ruts. A depression in the wheel path of lane is defined as a 'rut'. When the depression exceeds 20 mm in depth, it can hold water and cause a vehicle to aquaplane (Before 2000/01 this measure was the percent exceeding 30 mm in depth).

⁷ When bitumen rises to the top of chips it is defined as 'flushed'. When a highway becomes flushed it can become unsafe as oil, debris and water combine on the surface.

Comparison of Periodic Maintenance³ Achievement – Actual Versus Planned Cost

Description	Unit	2001/02 Actual	2002/03 Actual	2003/04 Target	2003/04 Actual
Percentage completion of National Roading Programme by cost of output ⁴	percent	99.7	101.2	98.5	98.6

Comparison of Periodic Maintenance³ Achievement – Actual Versus Planned

Description	Unit	2001/02 Actual	2002/03 Actual	2003/04 Target	2003/04 Actual
Percentage achievement of the Annual Plan output ⁴	percent	96.3	101.3	97.5-102.5	95.9

Management Comment

Incorrect data for the North Canterbury contract area resulted in the February target being overstated by 25.2 kilometres. Had this not occurred, Transit would have achieved the target.

Smooth Travel and Smooth Exposure⁵, Rutting⁶ & Flushing⁷ and Good Skid Exposure

The outputs from the levels of service indicators are reported under the Triple Bottom Line performance measure earlier in the report. Note 7 below explains the definitions. Further detailed breakdown of this data by highway classification and network management area is reported in Transit's Pavement Condition Report 2004, accessed via the Transit website: www.transit.govt.nz

OUTPUT GROUP 2: State Highway Replacement and Improvement (Capital Expenditure) and

OUTPUT GROUP 3: Passenger Transport

Description

Transit will provide replaced and improved state highway assets under these output groups.

Objectives

The objectives of Output Groups 2 and 3 are to:

- Respond to the demand for improved capacity of strategic roads.
- Contribute to reductions in the rate and severity of highway crashes.
- Minimise the sum of road user and road agency costs.
- Limit effects on the environment wherever reasonable and practicable.
- Limit disruption to traffic as far as practicable.
- Recognise community aspirations through consultation.

Outputs

The following outputs are included in Output Groups 2 and 3: (as per last year's layout)

Pavement Smoothing (previously Rehabilitation)

Replacement of existing carriageway pavements where rehabilitation is required for the benefit of road users.

Minor Safety Projects

Safety improvement projects with total cost of up to \$150,000 each and currently based on 8 percent of the maintenance allocation.

Construction

Improvement of existing roads and bridges; and construction of new roads and bridges including seal extension.

Property Purchase

Purchase of land needed for replacement and improvement projects.

Passenger transport

Improvement projects on state highways (Northern Busway).

Cost of Outputs

Output	2001/02 Actual \$M	2002/03 Actual \$M	2003/04 Target \$M	2003/04 Actual \$M
Construction	181.4	195.0	249.4	259.5
Pavement Smoothing	8.8	5.2	4.2	5.2
Minor Safety Projects	9.8	10.8	11.5	26.4
Property Purchase	80.9	58.0	68.1	64.8
Passenger Transport Rounding Infrastructure	3.4	3.3	7.5	3.1
TOTAL	284.3	272.3	340.7	358.8

Management Comment

The overall outturn was excellent given the significant change in environment resulting from the enactment of the Land Transport Management Act and the New Zealand Transport Strategy. Every opportunity was taken to advance projects where the funding and resources were available to do so, as commented upon at the start of this section.

Achievement Against Management Performance Measures

Pavement Smoothing

Description	Unit	2001/02 Actual	2002/03 Actual	2003/04 Target	2003/04 Actual
Cost	\$M	8.8	5.2	4.2	5.2
Length	km	48	23	30	23
Unit Cost	\$/km	184,100	226,086	140,000	226,086

Management Comment

A total of 23 kilometres of treatment was undertaken. This included 10 kilometres of conventional treatment and 12.8 kilometres of truck ride improvements. The targets set at the beginning of the year for unit cost and length proved to be unduly optimistic. Remarkably, however, the actual costs and achievement were identical to that achieved the previous year.

Property Purchase

Description	Unit	2001/02 Actual	2002/03 Actual	2003/04 Target	2003/04 Actual
Cost	\$M	80.9	58.0	68.1	64.8

Management Comment

The complexities of the current property market, particularly in relation to purchase negotiations for the various big projects in Auckland, prevented the full programme being achieved.

Passenger Transport Roothing Infrastructure

Description	Unit	2001/02 Actual	2002/03 Actual	2003/04 Target	2003/04 Actual
Cost	\$M	3.4	3.3	7.5	3.1

Management Comment

Transit's expenditure in this output group relates to one project, the Northern Busway, which is a joint project with Auckland and North Shore city councils. The complex nature of the project and its inter-relationship with other improvements meant that progress was less than programmed but significant momentum was established.

Achievement Against Management Performance Measures

State Highway Plans and Property Management

Description	2001/02 Actual	2002/03 Actual	2002/03 Target	2003/04 Actual
State Highway Plans				
• Percentage of state highway network with a current state highway plan	N/A	93	85	88
Property Vacancies				
• Percentage of tenable properties vacant for 6 months or more	N/A	0.5	≤10	0.4
Property Disposal				
• Rate of surplus property disposal from projects completed in previous financial year	N/A	100	98	100

Capital Works Costs

Fees Cost

Description	2001/02 Actual	2002/03 Actual	2002/03 Target	2003/04 Actual
Percentage completion of National Land Transport Programme by fee costs of capital works ⁸	95.0	94.9	≤103	101
Percentage achievement of National Land Transport Programme by construction costs of capital works ⁸	97.0	94.8	≤103	107

Note:

⁸ Targets are consistent with the Agreement between Transfund and Transit. Trends will be analysed on a three-year rolling average, which will provide a refined basis for projecting targets for future years.

Management Comment

The outcome with respect to the construction expenditure arose from the advancement of both block and non-block projects where the opportunity existed and in agreement with Transfund.

Capital Works Achievements

Reported under Triple Bottom Line Performance Measures earlier in the report.

OUTPUT GROUP 4: Regional Development

OUTPUT GROUP 5: Promotion of Walking and Cycling

Description

These two activities are focussed on identifying projects that promote regional development and encourage walking and cycling activities.

Objectives

The objectives of Groups 4 and 5 to:

Regional Development

- Provide or improve access in such a way as to encourage direct additional investment in the region
- Significantly reduce travel costs for industry
- Mitigate adverse effects on safety, environment and amenity including conflicts with tourist traffic; and/or reduce travel costs.

Promotion of Walking and Cycling

- Development of walking and cycling strategies
- Walking and cycling infrastructure projects
- Promotion of walking and cycling activities.

Outputs

The criteria for defining the output from these output classes are still being developed. Transit has identified a number of potential projects for funding that meet the output descriptions. None is currently approved.

In addition incorporation of walking and cycling improvement projects is considered at the time of design of roading projects.

Cost of Outputs

Output	2001/02 Actual \$M	2002/03 Actual \$M	2003/04 Target \$M	2003/04 Actual \$M
Regional Development	N/A	N/A	N/A	N/A
Promotion of Walking & Cycling	N/A	0.7	N/A	1.3
Total	0.0	0.7	0.0	1.3

Output Group 5: Promotion of Walking and Cycling

Description	Unit	2000/01 Actual	2001/02 Actual	2002/03 Target	2002/03 Actual
Percentage of projects with design starting in current year which considered walking and cycling features in design brief	%	N/A	100	100	100



Graham Taylor
NATIONAL HIGHWAY MANAGER (Acting)



FINANCIAL STATEMENTS for the year ended 30 June 2004

The Auditor-General is the auditor of Transit New Zealand. The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of Transit New Zealand on his behalf, for the year ended 30 June 2004.

Unqualified opinion

In our opinion the financial statements of Transit New Zealand on pages 13 to 21, 24 to 31, 34 to 48 and 50 to 60:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - Transit New Zealand's financial position as at 30 June 2004; and
 - the results of its operations and cash flows for the year ended on that date; and
 - its service performance achievements measured against the performance targets adopted for the year ended on that date.

The audit was completed on 26 October 2004, and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Board and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in the opinion.

Our audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;

- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support the opinion above.

Responsibilities of the Board and the Auditor

The Board is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of Transit New Zealand as at 30 June 2004. They must also fairly reflect the results of its operations and cash flows and service performance achievements for the year ended on that date. The Board's responsibilities arise from Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 43(1) of the Public Finance Act 1989.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

We have performed assurance assignments over tendering for Transit New Zealand, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in Transit New Zealand.

S B Lucy
 Audit New Zealand
 On behalf of the Auditor-General
 Wellington, New Zealand

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS

This audit report relates to the financial statements of Transit New Zealand for the year ended 30 June 2004 included on Transit New Zealand's website. The Board is responsible for the maintenance and integrity of the Transit New Zealand's website. We have not been engaged to report on the integrity of Transit New Zealand's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

We have not been engaged to report on any other electronic versions of the Transit New Zealand's financial statements, and accept no responsibility for any changes that may have occurred to electronic versions of the financial statements published on other websites and/or published by other electronic means.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 26 October 2004 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GLOSSARY

Austroroads

The Association of Australian and New Zealand Road Transport and Traffic Authorities comprising a formally constituted consultative entity of which Transit is a full member.

BCR

Also referred to as the 'benefit to cost ratio', is essentially the number of dollars of public benefit gained per dollar of roading authority expenditure, both capital and maintenance, over a 25-year period.

GST

Goods and Services Tax.

Lane Kilometre

A measure of length along one lane of a road.

LTMA

Land Transport Management Act 2003.

Materiality

Limits of materiality for each of the relevant measures will be determined in consultation with Audit New Zealand.

NAASRA

Road roughness is measured by a system developed by the former National Association of Australian State Rooding Authorities (NAASRA). Values are obtained by a special purpose vehicle travelling down both outside lanes the length of a road. The rougher the road, the higher the NAASRA counts per lane kilometre.

NLTP

For each year a National Land Transport Programme, as approved by the board of Transfund New Zealand, is produced in accordance with the Transit New Zealand Amendment Act, 1995.

Output

The goods and services produced by Transit as a Crown entity and as defined in the Public Finance Act 1989.

Output Class

A grouping of goods and services produced by Transit as defined in the Transit New Zealand Act 1989.

RAMM

Road Assessment Maintenance Management System.

SOI

The Statement of Intent, comprising the approved objectives and performance targets for that year against which Transit New Zealand is evaluated.

STE

Smooth Travel Exposure measures the percentage of vehicle kilometres travelled on highways smoother than the target roughness values.

Transfund

Transfund New Zealand.

Transit

Transit New Zealand, as established under the Transit New Zealand Act 1989 and continued under the Land Transport Management Act 2003.

Triple bottom line (TBL) reporting

Triple bottom line reporting involves reporting that gives consideration to financial outcomes, environmental quality and social equity. These are shown in this report by the following symbols.



GLOBAL REPORTING INITIATIVE (GRI) INDEX

In reporting on its economic, environmental and social performance in this report, Transit has used the framework of the 2002 Sustainability Reporting Guidelines as produced by the Global Reporting Initiative (GRI). The GRI is a joint initiative of CERES (Coalition for Environmentally Responsible Economies) and UNEP (United Nations Environmental Programme), and aims to develop a globally accepted reporting framework.

This GRI Content Index identifies the locations in this report of the various elements of the GRI framework, and the reasons for omissions where GRI core indicators are not reported on. The term N/A (not applicable) is used where Transit's status as a non-profit Crown entity makes a GRI core indicator inapplicable - eg "advertising".

Performance Indicator Category	Aspect	Comment
	Vision and Strategy - Chairperson's report - Chief executive's report	page 2 pages 4, 5, 65
	Profile - Organisational profile - Report scope - The year in review	page 12 page 1 pages 8-10, 22-23
	Governance Structures and Management Systems - Governance and Structure - Stakeholder engagement - Overarching policies and management systems	pages 2, 6 pages 12, 17-19 pages 1, 6, 7, 12
Economic (Direct Economic Impacts)	- Customers - Suppliers - Employees - Providers of capital - Public sector	pages 28, 29 pages 37, 50-60 pages 37, 42 pages 34-37 pages 34-37
Environmental	- Materials - Energy - Water - Biodiversity - Emissions, effluents, and waste - Suppliers - Products and Services - Compliance - Overall	see comments this page page 20, pages 17, 32 pages 15, 17, 22, 23, 28 pages 10, 20, 32 page 31 pages 10, 14, 15, 24, 32 page 31 page 14
Social (Labour Practices and Decent Work)	- Employment - Labour/management relations - Health and safety - Training and education - Diversity and opportunity	pages 6, 10 pages 20, 21 pages 25, 27, 32 pages 20, 21 pages 3, 6, 7, 20, 21
(Human Rights)	- Strategy and management - Indigenous rights - Freedom of Association	pages 20, 21 (see comment) pages 8, 18, 29 pages 20, 21
(Society)	- Community - Political contributions - Competition and pricing	pages 13-32 not applicable see comment
(Product Responsibility)	- Customer health and safety - Products and services - Advertising	pages 2, 4, 8, 10, 11, 14, 16, 19, 21, 25, 27, 28, 29, 32 pages 17-19 not applicable

We have not as yet collected information on the following GRI core indicators so cannot report on them this year:

Environmental – suppliers and transport costs.

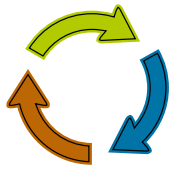
Social (Human Rights): Non-discrimination, disciplinary practices, security practices, core human rights and societal indicators.

Social aspects less relevant to Transit: child labour, forced and compulsory labour, and bribery and corruption. New Zealand ranks 2nd highest with 9.6 (Finland – least corrupt 9.7) as a country with very low levels of perceived corruption (Corruption/Perceptions Index 2004).

Product Responsibility: respect for privacy.

KEY STAKEHOLDERS

Stakeholder	Ongoing communication channels ↔	Feedback channels ←
The Minister of Transport	Transit chair and chief executive meet monthly with the Minister; quarterly reporting against Annual Performance Agreement; Statement of Intent. Close working relationships with the Minister's office, press and private secretaries.	Transit Authority
The Ministry of Transport	Close working relationships with the Ministry of Transport staff.	Stakeholder survey
Members of Parliament	Transit regional offices regular contact; info supplied on regional plans.	Requests for information
Road Users and Road User Groups	Media releases, newsletters national and regional. Regular meetings with NZAA and the Road Transport Forum	Road user surveys by Transit and Austroads Stakeholder survey Programme consultation
Iwi and Community Groups	Ongoing consultation; RMA consultation process; Memoranda of Understanding with iwi, Department of Conservation and NZ Historic Places Trust.	Scheduled meetings as per MoU Stakeholder survey Programme consultation
Central Government Agencies	Contract with Transfund; monthly Transfund/LTSA meetings. CE weekly meeting with the Secretary for Transport. Numerous working relationships with Transfund, LTSA, the Police and MoT.	Direct communication Stakeholder survey
Local Government and Regional Authorities	Regular regional office contact; RMA process; Road Controlling Authorities Forum; Regional Land Transport Committees	RCA Forum, Stakeholder survey Programme consultation
Industry Groups and Organisations/ Major Suppliers	Industry journals; quarterly meetings with NZ Contractors Federation, Roding NZ and Association of Consulting Engineers	Stakeholder survey Invites to Transit to address industry conferences/workshops, discuss industry performance
Contractors and Consultants	Daily contact at regions; monthly reporting; partnering charters, periodic CE level meetings.	Monthly consultant regional manager visit, annual national team visit; consultant company questionnaires Stakeholder survey
Media	Proactive and reactive communications (media releases, responses to media queries).	Media survey
General Public	Community consultation; <i>In Transit</i> and regional newsletters, project newsletters, media releases, Transit website; on-site information centres.	0800 number emails via website Programme consultation
Staff (and the PSA)	CE <i>On the Go</i> newsletter; Strategic Training Plan, performance appraisals; bi-annual PSA meetings.	Staff appraisal feedback Staff survey
International Roding Organisations	Austroads membership; international best practice.	Overseas delegations



Vision

A transport system that builds a better New Zealand



ENVIRONMENTAL

Statutory Objective

To operate the state highway system in a way that contributes to an integrated, safe, responsive and sustainable land transport system for New Zealand

Key Goals

- Ensure state highway corridors make the optimum contribution to an **integrated**, multi-modal land transport system
- Provide **safe** state highway corridors for all users and affected communities
- State highways will enable improved and more reliable **access and mobility** for people and freight
- Improve the contribution of state highways to **economic** development
- Improve the contribution of state highways to the **environmental and social** well-being of New Zealand, including energy efficiency and public **health**



SOCIAL

Values

- Leadership
- Integrity
- Stewardship
- Responsiveness
- Excellence
- Innovation



ECONOMIC

Transit New Zealand has used environmentally friendly paper stocks in production of this Annual Report.

The cover of this document is printed on 'Sundance'. This paper is 50% recycled including 30% post consumer waste.

The remainder of the report has been printed on 'Media'. This paper stock uses 100% virgin fibre produced from managed forests. It has been awarded the Nordic Environmental Swan Label, and is produced by Stora Enso of Europe, the first company in the world to adopt EMAS* (Eco-Management and Audit Scheme) and one of the few coated paper producers in the world to be certified to that standard.

* EMAS is a voluntary system based on European Union regulations and harmonised principles. The objective of EMAS is to ensure continuous improvements in environmental performance by getting companies and organisations to commit themselves to monitoring and improving their own environmental impact.

Transit New Zealand Directory

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Facsimile 04 496 6666

Auckland Regional Office

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191 Queen Street
P O Box 1459, Auckland.
Telephone 09 368 2000
Facsimile 09 368 2059

Northland Office

CPO Building
Level 1, Rathbone Street
P O Box 1899, Whangarei.
Telephone 09 430 4355
Facsimile 09 459 6944

Hamilton Regional Office

BNZ Building
Level 4,
354 Victoria Street
P O Box 973, Hamilton.
Telephone 07 957 1610
Facsimile 07 957 1437

Tauranga Office

405 Cameron Road
P O Box 430,
Tauranga.
Telephone 07 578 2903
Facsimile 07 578 2909

Napier Regional Office

Napier Library Building
22 Station Street
P O Box 740
Napier.
Telephone 06 835 1750
Facsimile 06 835 0283

Wanganui Regional Office

Seddon House
Park Place
P O Box 345,
Wanganui.
Telephone 06 345 4173
Facsimile 06 345 7151

Wellington Regional Office

Logical House
Level 8, 186 – 190 Willis Street
P O Box 27 477, Wellington.
Telephone 04 801 2580
Facsimile 04 801 2599

Marlborough Roads Office

The Forum, Level 1
Unit 2.4, Market Street
P O Box 1031, Blenheim.
Telephone 03 577 1850
Facsimile 03 577 5309
0800 MARLRDS (0800 627 573)

Christchurch Regional Office

Education House
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123 Victoria Street
P O Box 1479, Christchurch.
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Dunedin Regional Office

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