



Annual Report 2004/2005
TRANSIT NEW ZEALAND

TRANSIT NEW ZEALAND | ANNUAL REPORT 2004/2005

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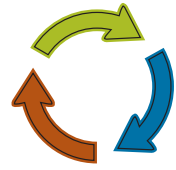
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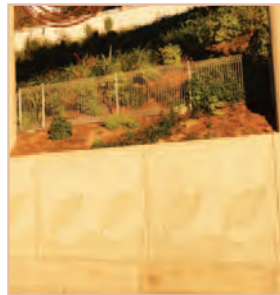
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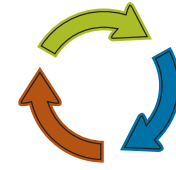
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Transit New Zealand is the Crown entity responsible for planning, maintaining and building the nation’s state highways.

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ENVIRONMENTAL

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

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SOCIAL



ECONOMIC

GEARING FOR GROWTH

A substantial increase in funding, an unprecedented level of activity and a demand for new capabilities have been the hallmarks of the 2004/05 year. With future investment in state highways approaching \$1 billion, Transit is progressing a number of key projects around the country. The level of activity generated by this funding is requiring Transit to change, as is the ongoing implementation of the Land Transport Management Act 2003 (LTMA). While strengthening capabilities in 2004/05 to manage the increased volume of traditional activities, we have also had to upskill to meet the challenge of new activities such as enhanced long-term planning, debt financing, tolling, ramp signalling and travel demand management. During a busy year, the call on Transit was to ensure we had the structure and the skills to deliver on the broadened expectations of our operating environment.

The increasing number of people drawn to the Bay of Plenty lifestyle sharpens the challenge of ensuring growth is well structured and its transport effects are provided for (see feature, pg 13).



CHAIRPERSON'S REPORT

Transit entered new territory in 2004/05. Never before has more funding been allocated to addressing New Zealand's land transport needs. Transit alone invested over \$800 million in transport infrastructure during the year, around \$140 million more than the previous year. Much of that investment has ensured we have maintained momentum on state highway projects already commissioned, many of which target significant congestion relief.



In November, we received indication that close to \$900 million would be available for the 2005/06 year. By late June, further government allocations saw the provision for Transit's level of annual investment rise to over \$1 billion.

Big for the country, huge for Auckland

Transit welcomes this timely boost. The increasing rise in traffic volumes continues to stretch the capacity of the state highway network. Nowhere is the situation more critical than in Auckland. With the current level of funding, we are now making significant progress in addressing Auckland's special transport problems without detriment to the rest of the country's network. The additional funding will also advance projects in the Waikato and Wellington regions, as well as maintaining progress on smaller projects and safety improvements around the country.

Broadening solutions

Today's critical and immediate need is for more capacity in the state highway network, including some important new links. The unparalleled activity over the next few years will provide this and thereby preserve network functionality that would otherwise be lost.

At the same time we have widened our approach to meeting future transport needs. Transit promotes alternative transport modes through such projects as the Northern Busway on State Highway 1 in North Shore city and priority bus lanes on Auckland's urban motorways. We also plan to more actively manage the use of the road network through improved traffic management in Auckland using the Traffic Management Unit. This joint project with local authorities improves control of traffic on highways and local roads and will employ new measures providing control signals at interchanges. We are improving traveller information systems, which include variable message signs, radio bulletins and a traffic website. Such initiatives will help shape future travel patterns and help ensure maximum use is made of the widest range of transport resources.

During the year we secured approval to begin work on New Zealand's first toll road project under the LTMA, the congestion-easing SH1 Northern Motorway Extension (ALPURT B2). While tolling ensures the project will begin earlier, it is also a way of implementing demand management.

The change underpinning such activities is that we no longer see our task as simply delivering roads to cope with new development. We also want to influence those developments, with the objective of ensuring state highways continue to function effectively.

Transport and land use planning are both needed to implement the Land Transport Management Act and the New Zealand Transport Strategy. As explained in more detail in the Chief Executive's report, we restructured the organisation to build a more functionally focused Transit. In particular, the restructure considerably boosted Transit's transport planning capability.

Valued partnerships

Our planning function necessarily involves close working relationships with key stakeholders. For example Transit is working closely with the Tauranga City Council, Western Bay of Plenty District Council and Environment Bay of Plenty on the SmartGrowth strategy. This work aims to determine the best growth and transport options for new development in this rapidly growing area. Whether formal or informal, relationships such as these will determine whether we in the transport sector collectively achieve an integrated approach.

Our partners in the consulting professions and contracting sector have also risen to the challenges of the present growth path and, on the board's behalf, I wish to record our appreciation of the risks they have taken.

Also appreciated has been the support from other government agencies and Transit's principal funder, Land Transport New Zealand (Land Transport NZ), in particular.

Revitalising the sector

It has been a challenging year for all at Transit: a new direction, a new structure and the demand for new skills. I particularly wish to thank my Board colleagues for their support during the year.

The high achievements and growth prospects ahead are a reflection of the confidence the sector has in our Chief Executive, management team and staff. To them I record my appreciation for the manner in which they have responded in a demanding year of change with very pleasing results.

With its increased level of activity, 2005/06 will bring further growth to Transit. With an eye on this challenge this year, we have put in place the building blocks to ensure we can deliver the best outcomes for that growth.

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 and Ministerial Under-Secretary. Involved in motor trade for many years, with a strong interest in road safety, business management and governance experience in a variety of business and not-for-profit organisations.

David Stubbs Chairperson *Whitianga*

Professionally qualified land surveyor and civil engineer. Held positions of Director of Planning and Technical Services, Director of Works and Associate Town Clerk, with the Auckland City Council. Was Project Director for the design and construction of Auckland's Aotea Centre. Former chair of Transfund NZ and current member of Land Transport NZ Board.

Gary McIver *Hastings*

Currently works as a consultant 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, the Sealord Group Ltd and Board Trustee of the Marine Stewardship Council (UK). Currently, chairperson of Clifford Bay Marine Farms Ltd, director of Whale Watch Kaikoura Ltd, Hanover Financial Services Ltd, Stehr Group Holdings Ltd.(Aust), Clean Seas Tuna Ltd.(Aust), and Assistant Vice Chancellor, University of Canterbury.

Dr Janice Wright *Wellington*

Independent policy adviser and analyst. Doctorate in Public Policy (Harvard University). Chair of the Land Transport NZ Board and member of the Accident Compensation Corporation 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 ARTA, Enterprise Waitakere, and NZ Railways Corporation and Genesis Energy boards.

CHIEF EXECUTIVE'S REPORT

2004/05 has seen no let up in either land use development or in the demands on the state highway network. However, the significant additional funding allocated to Transit during the year has brought new opportunities for us to make good progress on tackling continued and increasing pressure on state highways.



The funding has allowed us to visibly advance critical projects that will deliver the levels of service desired by road users. Even so, it is simply not possible to build roads either fast enough or to the extent needed to remove congestion and accommodate unrestrained growth. Right now, parts of the network are at capacity for significant periods of the day, and more of the network is running at or close to capacity at some time during the day.

New thinking and new solutions are needed. The demand for a new approach is echoed by the LTMA, which was in its first year of full effect in 2004/05. Under the Act, Transit must look beyond the 'predict and provide' solutions to the challenge of growing traffic volumes and increased demand for service. Activities such as debt financing, tolling, demand management and ramp signalling are no longer possibilities but certainties. Transit has had to evolve. Our planning, building and operations now include entirely different activities, and this was the motivation for reshaping the organisation during 2004/05. Five divisions – Strategic Support, Transport Planning, Network Operations, Capital Projects, and Corporate Services – now form the core of a more functionally focused Transit that emerged in September 2004.

Strategic Support

Understanding road user and stakeholder requirements of the state highway network is a function given added emphasis under the new organisation structure. Transit's ability to make progress is contingent on clarity of where we are going and our ability to communicate that direction. We recognise the need to energetically engage with our stakeholders to secure alignment with them. We know we also need to be responsive and vary our course according to what we learn from this engagement. Collaboration will be a core function of Transit's Strategic Support Division as a means to create the momentum for our future strategic direction and the solutions we provide.

Planning for the long term

Strategic planning is and has always been an integral component of Transit's business. In fact, the considerable programme of activity currently underway would not be possible without energetic planning undertaken during the nineties. Over the next few years road users will begin to enjoy the enhanced levels of service provided by Transit's past investigation and planning work.

Yet it is clear, building what is currently consented is not sufficient to deliver, even in the medium term, the required service levels of the road component of an integrated transport system.

Traffic growth has been increasing by around 3 percent per annum, while heavy vehicle (truck) traffic has been increasing at over 6 percent per annum. If we are to continue enhancing levels of service beyond the next few years, Transit must invest extraordinary energy in planning, today.

But it will be planning that has a different result to that of the past. More of the solution will be oriented toward managing the demand and ensuring all transport modes are effectively employed. This is already in evidence in our work programme. For example, there are currently a number of capacity-increasing projects underway in Auckland. None is being commissioned without a clear understanding with our other road partners of how demand is to be managed.

Certainly demand management and the promotion of public transport are being signalled in the integrated strategies we see currently taking form in the regions experiencing most growth. However, for each of them there remains a requirement for increased road capacity, albeit managed in a new way.

Building for growth

This year Transit's capital works programme grew by nearly 30 percent. Next year we anticipate a further increase of 50 percent. Such growth not only tests Transit's resources but also those of our partners, from territorial authorities to industry suppliers. A key consideration of the 2004/05 organisation restructure was how we could better manage the significant growth in our build programme. We recognise it is not sufficient for us to simply do more of the same.

To help facilitate change within the supply industry we have taken a more strategic approach by segmenting suppliers. For physical works projects this segmentation is via prequalification registration. The registration process predetermines which contractors demonstrate the ability to work with us on building various types of projects. This simplifies and accelerates the tendering process and allows us to be more responsive.

In working through this process we have identified ways in which we can better advance the New Zealand Transport Strategy's economic, social and environmental objectives through our contracts. Transit's leadership role in achieving these objectives has the greatest effect when we encourage alignment from our suppliers. We have done this in a number of ways. For the ALPURT B2 project, which began this year, we required the production of a sustainability report. The process of developing such a report necessarily focuses suppliers on the wider impacts of their work and on ways to address them.

We are also fostering safety objectives, through a process of workplace safety self-certification. We worked closely with Roothing New Zealand on a compliance programme for larger companies and separately with the New Zealand Contractors Federation on a scheme for smaller suppliers. This initiative has significant benefits for those working in the industry. But we believe those benefits extend far wider. The suppliers that have in place the practices needed to achieve self-certification are also the companies that are likely to apply the same principles in their dealings with the communities in which they work, the environment on which they impact and the road users affected by their activity.

Of note in this year's works programme, we have for the first time begun to tackle projects worth \$100 million or more. At this level of operation we have again segmented suppliers, this time to identify those with the necessary capability for projects of this size. This process helps ensure that we, together with our designers and contractors, are as effective and efficient as possible. It also ensures that we extract best value from the market at a time when it has to respond to rapidly increasing activity.

Operating for least harm and maximum benefit

Every day Transit spends \$1 million maintaining the state highway network, the life blood of New Zealand's transport system. Our ongoing challenge in maintaining and operating the network is how to better deliver on safety, environmental impacts and management of traffic.

During 2004/05 we continued our commitment to safety retrofitting state highways using measures such as clear zones, median barriers and speed zoning. (Page 14 of this report explains our safety activities in more detail.) A number of Transit's safety projects have pushed the boundaries of innovative practice. We installed a wire rope median barrier on the very constrained Centennial Highway on State Highway 1 north of Wellington. Believed to be the first time in the world this type of barrier has been installed on such a narrow two-lane highway, it is successfully improving safety in an area previously dogged by severe crashes.

Transit is strongly committed to contributing to a safe highway. The reality is we cannot protect everyone from trauma on the road. However, we believe that through innovation and attention to detail we can play a significant part in creating an environment where less harm occurs. And we are seeing results. Between 2003/04 and 2004/05 the total number of fatalities on state highways fell by 5 percent.

Providing road users with better access to onroad information contributes to their safety as well as ensuring maximum use is made of our existing highway capacity. During 2004/05 we expanded our road information facilities, both with traditional road condition signs, and increasingly, with electronic signs, which can be instantly altered or updated from a central location. In future we plan to include information such as current journey times on the motorway or arterial routes, which will help road users make sensible travel decisions.

Developing our capability

Latest global developments influence the solutions Transit delivers. Our interface with the international transport community in key areas of information management and transport sector best practice is managed by Corporate Services.

To grasp new opportunities and changing expectations, we have had to focus on the development of new skills and competencies, while also strengthening and recruiting to manage our core activities. Corporate Services has played a vital role of ensuring that Transit is able to operate reliably and well in all aspects of its day-to-day operation.

Challenged and changed

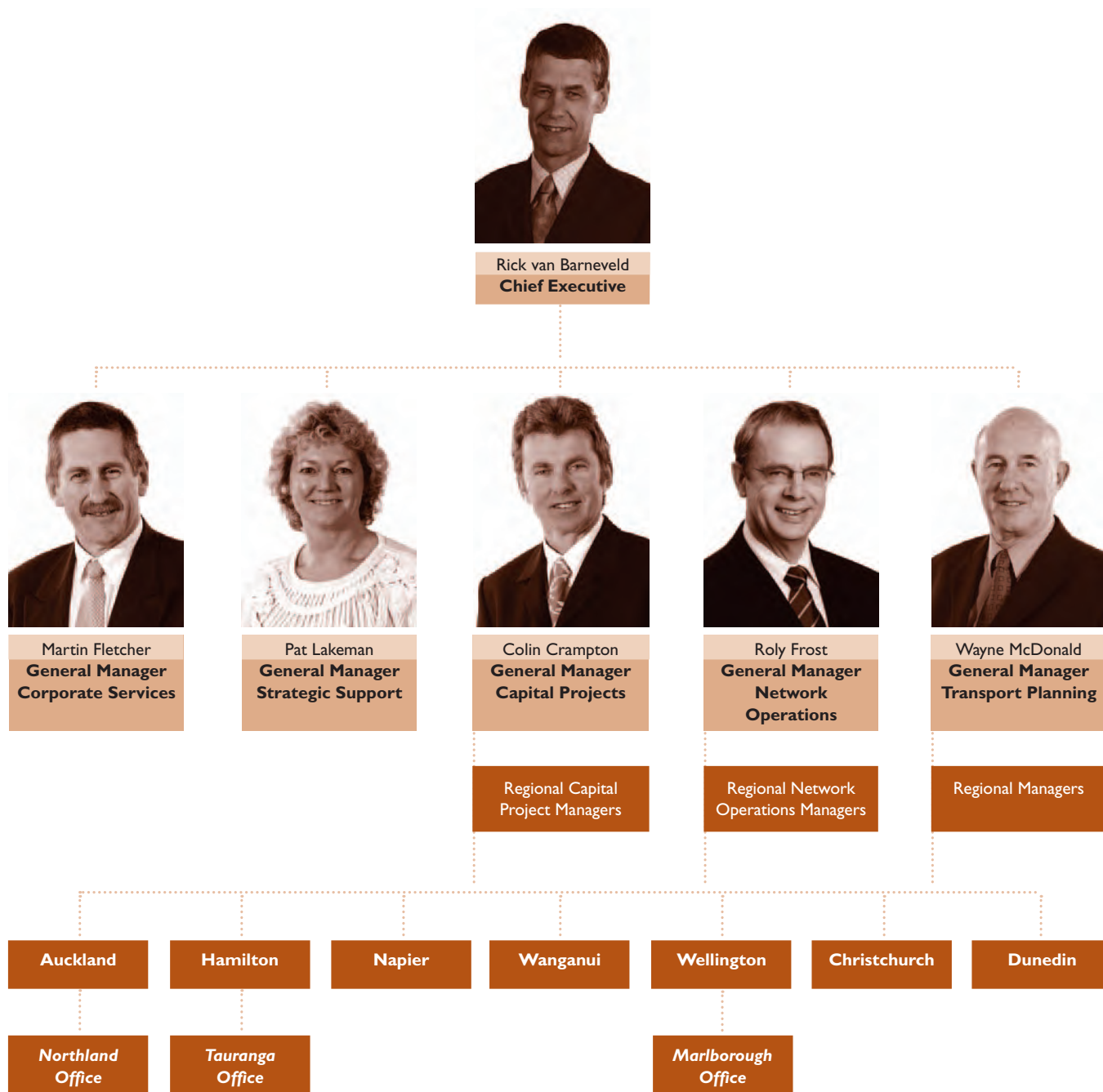
In many ways 2004/05 was a watershed year. It marked our entrée into very significant levels of funding and the demands that places on us as an organisation. It marked the arrival of new era activities such as debt financing, and it marked a changed organisation. I thank my executive colleagues and all Transit staff for their investment of time and energy this year. It has been a demanding year for all. The parallel evolution of both our business and organisation stands us in good stead to meet the challenges of the future.



Rick van Barneveld
Chief Executive

TRANSIT NEW ZEALAND MANAGEMENT TEAM AND STRUCTURE

The Transit New Zealand general management team comprises senior managers responsible for ensuring the delivery of the Transit New Zealand Board's directives.



TRANSIT'S PEOPLE

Transit's standing as a professional organisation relies on the quality and commitment of our staff. We employ a significant number of highly trained engineers and planners and other professional staff. Despite the high market demand for good experienced professionals we have this year continued to attract and retain quality people. In part, this is due to the nature of Transit's work and its contribution to New Zealand's infrastructure. It is also due to Transit's competitive employment practices, including attractive remuneration, a strong commitment to health and safety and support for post-graduate academic study. As a result Transit's staff turnover rate during the year was limited to 11.65 percent.

Building internal capability

While we still have a significant and growing need for the skills associated with our traditional activities, the broadening of Transit's functions under the LTMA has impacted on our capability requirements. Greater interaction with business partners and stakeholders requires enhanced communications skills. A greater sensitivity to environmental and social well-being requires a more holistic view. Working with others to develop long-term, multi-modal transport solutions requires macro planning skills. During the 2004/05 year we have had to address the demand for these capabilities. This is reflected in the increase in staff numbers from 280 in 2003/04 to around 350 in 2004/05.

A good employer

Transit invests in being a good employer and we recognise we have a social responsibility for our people. We regularly undertake staff surveys (1997, 2000, 2001, 2003 and 2005) to monitor our progress. The response rate for the last two surveys has reached 70 percent.

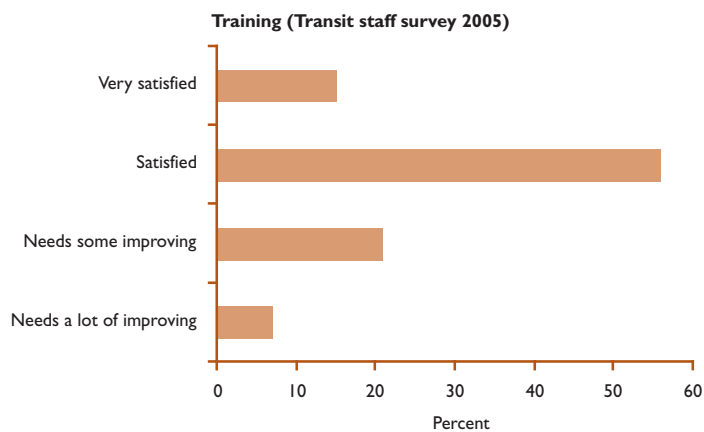
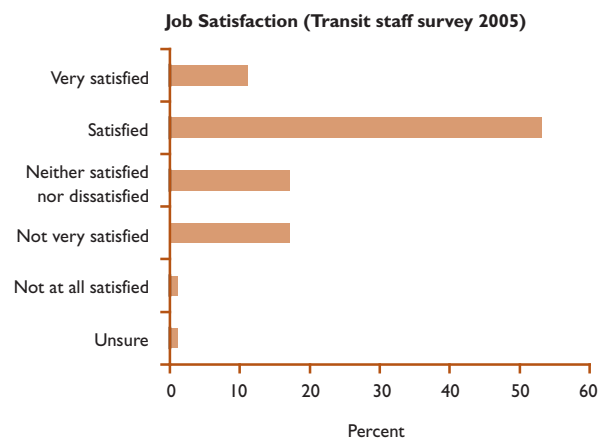
In the 2005 survey, nearly two-thirds of the 210 respondents rated themselves 'satisfied' to 'very satisfied' with their job. At a time of significant organisational change this was a pleasing result.

As a professional organisation we are committed to maintaining the development of our people, encouraging them to attend seminars, undertake job and work-related training and further academic study to update their professional competency. Transit continues to spend 2 to 3 percent of its total payroll on training (2.15 percent in 2004/05). Satisfaction with training attracted high ratings in the 2005 staff survey.

A high number of staff consider Transit to be a good employer, based on the ratings in the 2005 survey. This aspect attracted nearly 75 percent 'satisfied' to 'very satisfied' ratings.

Building external capability

The enactment of the LTMA has not only increased the capability demands on Transit itself but also on the industry within which we work. We continue to work alongside industry partners on a range of initiatives to encourage best practice and innovation, and also to help them grow and develop their skills and experience to deliver to our changing demands.



TRANSIT'S STAKEHOLDERS

Transit has a wide range of stakeholders. Key stakeholders and some of the ways we communicate with, and listen to them, are listed in the table opposite. In addition, many stakeholders:

- receive Transit's national *InTransit* newsletter, newsletters from regional offices, and on specific projects or activities
- go to forums, open days and information displays
- make submissions under consultation processes for projects or issues
- provide feedback via Transit's regular or topic-specific surveys.

One of the most important ways that stakeholder feedback makes a difference is to influence the way we measure and report our performance. Among the measures reported on in this report are stakeholder satisfaction with:

- our responsiveness to external views, needs and contributions
- state highways, and their appearance in the landscape, and
- the proportion of memoranda of understanding and protocols with stakeholders that are healthy.

In our 2002 survey of stakeholders, we asked for ratings against a range of parameters and also asked respondents to identify other topics that were important to them. This feedback influenced our priorities and helped design subsequent surveys. In our 2003 survey of road users, we asked respondents to identify their most important priorities (as well as to rate state highways and Transit's performance). The clear lead issues identified were the largely economic issue of improving traffic flow/reducing congestion, and the social concern to improve road safety. While this came as no surprise, it helped focus our actions. Performance measures for these areas are now regularly reported (including pages 22-31 of this report).

Our desire to respond to what is important to stakeholders has resulted in our most recent stakeholder survey including a question on the perceived balance in Transit's decision-making. It is hugely encouraging to find that nearly three out of four stakeholders think Transit's consideration of environmental issues (noise, water and air pollution, visual appearance) is "about right". As always, stakeholders are also quick to point out areas in which we need to improve.

We repeated our regular stakeholder survey just before year end and will repeat our road user survey in 2006. Key results of surveys are reported externally and full reports are made available on our website – www.transit.govt.nz We are increasingly using the Internet as an important information management tool to help people find out more and make enquiries.

A wide range of people and organisations regularly influence Transit's activities through consultation processes carried out under the Resource Management Act. During this year, two new statutory consultation processes were used to gain public feedback. Under s48 of the LTMA, we invited local communities to both make submissions and to respond to a survey, to assess the level of support for tolling on SH1 Northern Motorway Extension (ALPURT B2) north of Auckland and SH2 Harbour Link in Tauranga. The first of these projects is a feature in this report.

The second new consultation process applied during the year was for the 2005/06 10-year State Highway Forecast. It is the first prepared under the full provisions of the LTMA. We consulted more widely on our draft plan than ever before, with the general public having the opportunity to make submissions for the first time. We received over 900 written submissions and heard the views of more than 100 organisations or individuals at hearings held at 17 locations nationwide. The result of consultation was one of the key influences shaping the final Forecast and the task of responding to all those who made submissions is a very significant one.

TRANSIT'S STAKEHOLDERS

Stakeholder	Communication and feedback channels
The Minister of Transport	Weekly 'no surprises' reports and briefings on key topics. Monthly meetings with Transit's chair and chief executive. Quarterly reporting against the annual Performance Agreement. Annual Statement of Intent. Close working relationships with the Minister's office, press and private secretaries.
Ministry of Transport	Close working relationships with Ministry of Transport staff including regular meetings between chief executives and relationship meetings every 4-6 weeks between key staff. Stakeholder survey.
Members of Parliament	Written briefings to explain the local impacts of Transit's State Highway Forecast and inclusion in stakeholder briefings. Regular contact with Transit regional offices including project briefings, open days and visits to project sites. Annual Statement of Intent, Annual Report.
Road users and road user groups	0800 4 HIGHWAYS (0800 44 44 49) service for state highways in Taranaki, Wanganui and the South Island provides up-to-date information on state highway road conditions and a place to report significant problems or events on state highways. AA/Transit Highway Information Line (0900 33 222) also provides road conditions. Regular contact with representatives of road user groups such as NZ Automobile Association and Road Transport Forum. Road user and stakeholder surveys.
Iwi and community groups	Consultation over projects and processes, eg under Resource Management Act. Memoranda of Understanding, which schedule regular contact, are active with 21 iwi. Inclusion in stakeholder briefings and stakeholder surveys.
Central government agencies	Close working relationships with Land Transport NZ staff both nationally and in every region, including regular meetings between chair and chief executives. Regular contact on a range of topics with a range of agencies particularly NZ Police (both nationally and in every region), Ministry for the Environment, and the Treasury. Memoranda of Understanding, which schedule regular contact, are active with NZ Historic Places Trust and Department of Conservation. Inclusion in stakeholder briefings and stakeholder surveys.
Local government	Regular contact between Transit regional offices and territorial authorities, regional councils and regional land transport committees (and the Auckland Regional Transport Authority). Close interaction over planning issues and consultation on projects and processes. Memoranda of Understanding, which schedule regular contact, are active with 16 local authorities. Transit actively supports the RCA Forum which brings together representatives of road controlling authorities' representatives four times per year. Inclusion in stakeholder briefings and stakeholder surveys.
Business/industry groups and suppliers – including consultants and contractors	Memoranda of Understanding, which schedule regular contact, are active with the Association of Consulting Engineers (ACENZ), NZ Contractors Federation and Roading New Zealand. Contact with consultants and contractors is daily in regions, with monthly reporting, partnering charters, periodic CE level meetings. Transit participates regularly in conferences, workshops and industry journals. Inclusion in stakeholder briefings and stakeholder surveys.
Media	Proactive and reactive communications (media releases, responses to media queries). Inclusion in stakeholder briefings and stakeholder surveys, and targeted annual media surveys.
General public	Community consultation and information about local projects including open days/information centres; 0800 number, website and general enquiries. Public consultation annually on the State Highway Forecast.
Staff (and the PSA)	CE briefings and <i>On the Go</i> newsletter; performance appraisals and feedback; bi-annual meetings with Public Service Association representatives; staff survey.
International roading or transport organisations	Active membership and participation in Austroads; contributions to PIARC (World Road Congress) and REAAA (Road Engineering Association of Asia and Australasia); contact with International Road Federation and a range of overseas delegations.

YEAR IN REVIEW

2004/2005 'turned on the build' across the Auckland region. Transit commenced a number of major projects during the year including the SH1 Northern Motorway Extension (ALPURT B2), the SH1 Northern Busway, the SH1 Esmonde Road Interchange, Stage 2 of the SH1 Central Motorway Junction improvements, the SH18 Greenhithe Deviation and SH18 Upper Harbour Bridge Duplication, and the SH1 Waiouru Connection Interchange. These projects will extend the capacity and range of the motorway network in Auckland to help relieve congestion and support the Auckland Growth Strategy.



A report by the Parliamentary Commissioner for the Environment investigating noise and air quality complaints from residents neighbouring the Hawke's Bay Expressway identified past planning failures as the underlying problem. The once rural road has long been designated as an arterial route, but is now lined by houses for about one-fifth of its length and several hundred people live within 60 metres of it. In response to community concerns and the Commissioner's recommendations, Transit has resealed sections of the road with a quieter surface and erected combined safety and noise barriers. The environmental issues associated with the Hawke's Bay Expressway highlight the need for a more integrated approach to land use and transport planning, to avoid such problems from reoccurring. Transit has increased its capacity in this area over the past year.



Possible solutions to the increasing congestion on Wellington's Western Corridor, State Highway 1, between Ngauranga and Peka Peka has generated considerable interest. The Greater Wellington Regional Council and Transit are jointly providing a platform for the development of an integrated transport plan. This process is helping to determine the issues around route options including the high profile Transmission Gully and Coastal Highway roading options. When finalised, the integrated transport plan is expected to form part of Wellington's Regional Land Transport Strategy 2005-2015, the state highway component of which will influence Transit's decisions on its 10-year State Highway Forecast.



When the LTMA was enacted in November 2003 it provided for the use of tolling, specifically for new construction projects. Transit identified a number of projects that could be started earlier if tolls were applied, and, during 2004/05, secured an Order in Council permitting the tolling of the ALPURT B2 project on State Highway 1. Started in December 2004, the construction of ALPURT B2 is to be funded by a combination of government debt and funds from the National Land Transport Programme. Tolls collected from the route will be used to repay the debt. Transit plans to seek approval to apply tolls to a number of other new projects. Recently a second Order in Council was received, permitting tolling for Tauranga's Harbour Link project on State Highway 2. Transit is currently developing an electronic toll collection system that will allow vehicles to pass at normal speeds through toll gantries stationed above the highways. The system will be totally integrated so all toll roads can be managed centrally at one location.

YEAR IN REVIEW

Transit responded to local community concerns about the South Island's worst crash black spot. The Normanby Realignment on State Highway 1 south of Timaru was opened in June 2005, five months ahead of schedule and under budget. Half a million cubic metres of earth were moved to replace a 3.2 kilometre stretch that included a severe curve. A now straighter, flatter road, which includes passing lanes, offers a safer route for travellers.



Drawing tourists from all around the world, Queenstown also attracts significant interest from developers. Transit is particularly cognisant of the need to ensure that any development of this physically beautiful region is sustainable. During the year Transit took steps to work more closely with local and planning authorities to ensure that current and future planning for growth and development takes into account the impact on the sustainability of the area's state highway network.



Transit launched its first Environmental Plan in November 2004. The Plan contains Transit's Environmental Policy and sets out the steps it will take to achieve improved outcomes on a wide range of environmental and community issues, including noise, air and water pollution and resource use. In responding to the call to improve the sustainability of New Zealand's transport system, the plan recognises the need to balance environmental objectives with Transit's responsibility to improve safety, access and mobility and to contribute to economic development.



Transit launched the first in a series of education campaigns in the Waikato during Easter 2005. The Jafa – Just Another Fatigue Accident – campaign complements engineering improvements on the notorious State Highway 2 corridor in the Maramarua area. Run jointly with the New Zealand Police, Land Transport NZ, Environment Waikato, New Zealand Fire Service and the Franklin and Waikato district councils, the campaign especially targeted Aucklanders, who make up 65 percent of fatalities on this stretch of highway.



In March 2005 Transit signed up to the New Zealand Urban Design Protocol. The Protocol is a Ministry for the Environment initiative promoting quality urban design to make towns and cities attractive, liveable and sustainable. Recognising that state highways contribute to defining the form and function of urban environments, Transit was an early signatory to the Protocol. Transit's General Manager Transport Planning and General Manager Capital Projects are responsible for championing quality and innovative design in state highways. To give further effect to the Protocol Transit has adopted a set of Urban Design Implementation Principles and developed an action plan. The action plan defines quality urban design and its implications for Transit, and raises awareness of the value and meaning of quality urban design.

TRANSIT TODAY

Transit manages the state highway network of 10,894 kilometres – 12 percent by length of New Zealand's roads but carrying 49 percent of the total 37 billion kilometres travelled each year.

On a depreciated replacement basis, the value of the state highway asset is \$14.9 billion. Transit is responsible for expenditure of approximately \$1 billion 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. 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.

During the 2004/05 year, Transit underwent an organisation restructure. The restructure focused on responding to and reflecting the intent of the principles and objectives of the New Zealand Transport Strategy and the new statutory functions required by the LTMA. The new statutory functions particularly, pushed the need for new and enhanced capabilities, which from September 2004 were grouped into five new divisions:

- **Transport Planning**, planning for the long term, particularly focused on integrating growth, development and land use planning with multi-modal transport planning
- **Network Operations**, managing traffic flow, maintaining and getting the best value from the state highway network
- **Capital Projects**, delivering significant state highway improvement projects
- **Strategic Support**, focusing on key functions of setting direction, strategic communications, market research and stakeholder relationships
- **Corporate Services**, providing information management and systems, and human resources, financial and administration services.

The Strategic Support and Corporate Services divisions are centred in Transit's National Office. The Transport Planning, Network Operations and Capital Projects divisions span Transit's seven regional offices – Auckland, Hamilton, Napier, Wanganui, Wellington, Christchurch and Dunedin.

The state highway work programme

Transit has a robust work 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, refer to page 22) together with the necessary periodic maintenance to ensure that the quality of the state 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. Affordable programmes and plans in turn inform Transit's advice on appropriate land use and growth management. In line with the requirements of the LTMA, regional and local councils, interest groups, iwi and the public are consulted on project priorities and alignment with regional land transport strategies.

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.

To ensure Transit's ability to meet the LTMA's requirement for planning to be long term, Transit considerably strengthened its transport planning capability during the year. This investment in skills recognises the need to engage in greater interaction with other road controlling authorities and operators of other transport infrastructure and services.

Our vision

A transport system that builds a better New Zealand.

Our statutory objective

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

Our values

- **Leadership** – be a world leader in transport solutions
- **Integrity** – be honest, show respect for others and courage in our actions
- **Stewardship** – be environmentally sensitive, socially responsible, and economically efficient
- **Responsiveness** – proactively engage with communities, road users and partners
- **Excellence** – do it right, at the right time – and do it with enthusiasm and pride
- **Innovation** – examine alternatives and challenge assumptions

Our strategic emphasis

We have established a suite of five key goals to reflect the strategic emphasis for Transit and ensure the achievement of our vision. Actions Transit has taken to progress against these goals in 2004/05 are explained over the following five pages.

Key Goal 1

Ensure state highway corridors make the optimum contribution to an integrated multi-modal land transport system

New Zealand is growing. With our population at now over four million people, we need more homes, more schools, more roads. We know from experience that burgeoning development with little thought to the impact on the capacity of the state highway network is a prescription for future frustration.

Effective land use planning is needed to ensure that the network can support economic development now and in the future.

The introduction of the LTMA, now in full effect, has prompted a significant mind shift in the connection between land use and growth planning. If land development and its impacts are to be sustainable, the entities involved in planning land use and supporting transport infrastructure must take the longer-term view and an integrated approach.

The benefits of this shift can be seen by work progressed in Tauranga during 2004/05, through an initiative known as SmartGrowth. This initiative, which commenced prior to the enactment of the LTMA, focuses on strategic preparation for growth and includes consideration of transport needs alongside land use.

Over the next 20 to 30 years it is expected that a new city of some 45,000 people will settle in Papamoa East.

The Tauranga City Council, the Western Bay of Plenty District Council and Environment Bay of Plenty have joined together under SmartGrowth to guide the area's development.

In working with SmartGrowth, Transit's focus is, firstly, to protect the continued functionality of the region's existing and planned state highways. We are working to achieve this by ensuring the full range of transport modes – public transport, cycling and walking – are employed in future plans. We are also working to ensure that the designated land use is supported by a robust local road network. Good local networks provide convenient mobility within communities. They eliminate unnecessary short trips on state highways. They reduce the need for access onto state highways from private driveways. The combination of sound local networks and appropriately used state highways provides the optimum in travel options for all road users.

During 2004/05 Transit's organisation restructure took into account our need to more actively engage in planning processes such as SmartGrowth. Transit's new structure features an enhanced capability to build effective collaboration with local and planning authorities. What we seek from improved collaboration is to ensure growth in New Zealand communities is well structured and its transport effects are provided for.



Key Goal 2

Provide safe state highway corridors for all users and affected communities



Number of fatal crashes on state highways

Fatal Crashes	2003/04	2004/05	Percent
	Number		
Number of fatal crashes on state highway network	214	204	-5

Number of accident sites on state highways

Transit Region	2003/04	2004/05	Total change	Percent change
Auckland	499	462	-37	-7%
Hamilton	165	135	-30	-18%
Napier	38	39	1	3%
Wanganui	89	72	-17	-19%
Wellington	134	116	-18	-13%
Christchurch	61	69	8	13%
Dunedin	109	129	20	18%
Total	1,095	1,022	-73	-7%

Table shows the number of sites on state highways with five or more fatal, serious or minor accidents.

Whether planning state highways, building, operating or maintaining them, safety is inherent in Transit's business. Safety of road users, safety of road workers, safety of the state highway asset – we take each into account.

We begin by designing state highways to prevent accidents. We build roads so there are no surprises. We avoid acute curves. We make sure drivers can see far enough ahead so they can respond to unexpected events and obstacles. Where we are unable to eliminate surprises on roads that still reflect the geometry of past eras, we use consistent warning signs to inform and guide drivers.

Despite our best efforts, people have accidents. So we are equally focused on making the road more forgiving for when things go wrong. We include barriers to separate traffic, and crash cushions. We create clear zones, removing trees, poles and other hazards from high-risk sites.

On new roading projects Transit's focus on safety starts at the beginning. Experienced safety engineers audit projects from their inception, through to delivery.

We regularly audit our existing network to ensure safety standards are maintained. Every year we identify roads where skid resistance needs improvement. Over the last seven years we have reduced the percentage of roads where skid resistance is below standard from around 12 percent of the network to well under 2 percent. Through this measure alone we have reduced the number of wet road crashes by 35 percent.

Transit continues to pursue a greater knowledge of the reasons accidents happen. We analyse crash statistics to identify high-risk areas of our network. We have invested millions in a programme tackling hazards in these areas. We have applied rumble strips on centre and edge lines. We have retrofitted guardrails (see left) and wire rope barriers. We have provided better messages to road users. In more serious situations we have realigned the highway.

As the country's largest road controlling authority Transit has a responsibility to extend the safety capability of the wider sector. We do this through hosting workshops and conferences. For example we arrange regular meetings of the Road Controlling Authority Forum, an association of territorial local authorities and other organisations. The Forum provides an opportunity to exchange information and provide updates on issues ranging from legislation to standards. We also produce national specifications and use our network as a test bed for new ideas.

While safety on state highways is a priority, we recognise that we are only one contributor. Land Transport New Zealand has a responsibility for regulation and education. The NZ Police are responsible for enforcing road laws. Each has a part to play in keeping people safe on state highways, as do road users themselves. Together we are working consistently as partners throughout the country to better deliver safety to all New Zealand road users.

Key Goal 3

State highways will enable improved and more reliable access and mobility for people and freight

New Zealanders love their vehicles. In 2000 New Zealanders owned 2.5 million vehicles (excluding motorcycles). In 2015 this figure is predicted to increase to 3.1 million. Encouraging this independent nation out of their cars and into other forms of transport is a challenge. But, especially for cities such as Auckland, promoting maximum use of a full range of transport modes is a vital part of protecting the functionality of already strained state highways.

The SH1 Northern Busway project is a major public transport initiative that will increase Aucklanders' mobility choices. When fully operational, in 2008, the Busway will form the spine of a rapid transit system within the North Shore, and between the Shore and Auckland city. A frequent and reliable bus service will run to and from the city, and link with express and feeder buses from around the North Shore.

After 15 years on the drawing board, the first section of the main project construction contract was let in November 2004. In conjunction with the Busway, work has also started on the SH1 Esmonde Road Interchange to improve bus access to the adjacent bus station and to provide better cross-city connections for vehicles, cyclists and pedestrians in this part of the North Shore.

Also as part of the Busway project, Transit is working jointly with the North Shore City Council to construct ramps for buses to and from the motorway for the new Albany and Constellation bus station and park-and-ride facilities. These facilities will open for new bus services in November 2005.

Another project enhancing public transport as a travel option in Auckland was the construction of new bus shoulder lanes along the SH16 Northwestern Motorway. Opened late June 2005, the 1.3 kilometre lanes run between the Great North Road (Waterview) and Rosebank interchanges. Buses travelling on these lanes can bypass stalled or slow moving peak hour traffic. More bus-only lanes are planned on the outward-bound lane from Rosebank Road to Patiki Road, and city-bound from SH16 Te Atatu Road to Patiki Road. The upgrade of the SH1 Central Motorway Junction will also see provision for bus-only lanes, speeding the journey from Newton to St Lukes.

The promotion and encouragement of cycling gained greater weight under the provisions of the LTMA and, along with walking, featured more prominently in Transit's 10-year State Highway Forecast 2005/06-20014/15. It is now mandatory for all Transit projects to consider walking and cycling features within the design. While we are committed to developing dedicated walking and cycling projects in conjunction with local authority facilities, we are conscious of the vulnerability of these road users. Walking and cycling projects on state highways must place safety above any other considerations. As a result not all state highway projects will include these facilities, such as where we are unable reduce the safety risks to a satisfactory level.

Construction progress on the SH1 Northern Busway project.



Key Goal 4

Improve the contribution of state highways to economic development



Level of service standard achieved on state highways

Level of service and standard	Actual 2002/03	Actual 2003/04	Target 2004/05	Actual 2004/05
	Percent			
Percentage of network classified as smooth	99	99	97	99
Percent of expectation of smooth travel	99	99	97	97
Percent of network with <20mm ruts	99.8	99.6	99	99.6
Percent of network with good skid exposure above threshold level	99	99	98	98
Percent of network with texture greater than 0.5mm	99.6	99.5	98	99.5

State highway restoration after event

	2002/03	2003/04	2004/05
	Percent		
Single lane access restored within 12 hours	98	83	81

Nominally, the state highway network has a replacement value of \$14.9 billion. However, its real value to New Zealanders is far greater. State highways provide the link between communities. They connect our lives and our livelihoods. They are the means through which goods are transported around the country: 80 percent of freight is carried by road, the majority on state highways.

Managing how our network operates and is maintained helps deliver the mobility required for New Zealand's well-being. The first step involves monitoring. Every year Transit collects a range of data that allows us to track network condition. For example, the Sideway-force Coefficient Routine Investigation Machine (SCRIM) collects data on roughness, rutting and surface texture, and measures the skid resistance of the network to identify sections for treatment.

We are always looking for new pavement solutions and can determine the robustness and projected lifespan of any new pavement treatment using an accelerated level of testing. This testing is done at the purpose-built Canterbury Accelerated Pavement Testing Facility (CAPTIF) operated jointly by Transit and the University of Canterbury.

Armed with the data gained from monitoring and testing, Transit sets an annual operating and maintenance programme. This includes strengthening and resurfacing existing roads, maintaining bridges and tunnels, maintaining signs, vegetation and road markings, and managing traffic throughout the network to ensure ongoing availability.

Then there are the unexpected events. Emergency works crews are called out to repair slips, damaged roads and washed out bridges left in the wake of storms. In most cases at least one-way access is restored within only hours. More extensive damage can take considerably longer. But in every circumstance, the focus is on ensuring the functionality of state highways is restored as quickly as possible.

Congestion can significantly affect functionality. Unrelenting growth in traffic volume has contributed to congestion issues in all New Zealand's major cities, but none more so than Auckland. Along with a significant building programme, we have introduced a range of traffic management measures in Auckland to maximise the efficiency of the existing road and provide greater predictably of service levels and journey times.

The Traffic Management Unit, a joint venture with Auckland territorial authorities, centrally monitors traffic flows and incident response. To help manage traffic flow onto the motorway and maintain efficient speeds we are also improving information to drivers through variable message signs, radio bulletins and through www.trafficnz.info. While improving service to drivers, these measures also influence road user behaviour - the choice of routes, mode of transport and the time of day for travel. Other measures Transit is currently developing, such as signalling of interchange ramps to integrate their operation with local arterials and the tolling of new public roads, will further influence demand and complement improvement projects initiated to achieve efficient and effective use of the network.

Key Goal 5

Improve the contribution of state highways to the environmental and social well-being of New Zealand, including energy efficiency and public health

Transit is committed to being socially and environmentally responsible. Equally, we are committed to improving the contribution of state highways to the environmental and social well-being of New Zealand.

In releasing our inaugural Environmental Plan in November 2004, we acknowledged that constructing and maintaining state highways impacts the community and the environment in a range of ways, from noise levels, air and water quality, to aspects of culture and heritage.

Our first plan sets out our commitment and approaches to managing a wide range of issues. In doing so we have provided a platform on which our progress can be measured and improvements can be made.

Some examples of the Environmental Plan being put into action in the past six months include:

- A slip below State Highway 1 on Pilbrow Hill in the Brynderwyns threatened a known habitat of the Hochstetter frog, one of only four native frog species. Transit worked with the Department of Conservation to temporarily relocate the frogs while the slip was repaired. Strict management ensured no dirt or debris entered the nearby stream and a specially reconstructed channel resembling the frogs' natural habitat was installed for the frogs' return.
- Another slip, on State Highway 25A in the Coromandel, threatened a urupa (Maori cemetery) associated with the Pukehue Pa. Working with the local hapu Transit obtained consent from the district council, Ministry of Health and the NZ Historic Places Trust to re-inter the remains and relocate taonga to a less at-risk location on the site.
- By recycling the existing pavement, Transit reduced the need for new aggregate when resurfacing a section of State Highway 3 near Inglewood. We used the 'in-situ stabilisation' technique to provide a base for the new road surface. The technique involves hoeing the existing pavement and adding cement for strength. Recycling saved material and money (some \$25,000), and reduced the construction time – and disruption to road users – from over one week to just three days.
- Native planting was used to integrate three earth banks with the surrounding area of a new vehicle compliance and stock effluent station in Glasnevin, North Canterbury. The earth banks were constructed to reduce noise to neighbouring residents. Wetland species were also planted, in and around the stormwater drainage basin, to help filter road run-off.



STATE HIGHWAY NETWORK

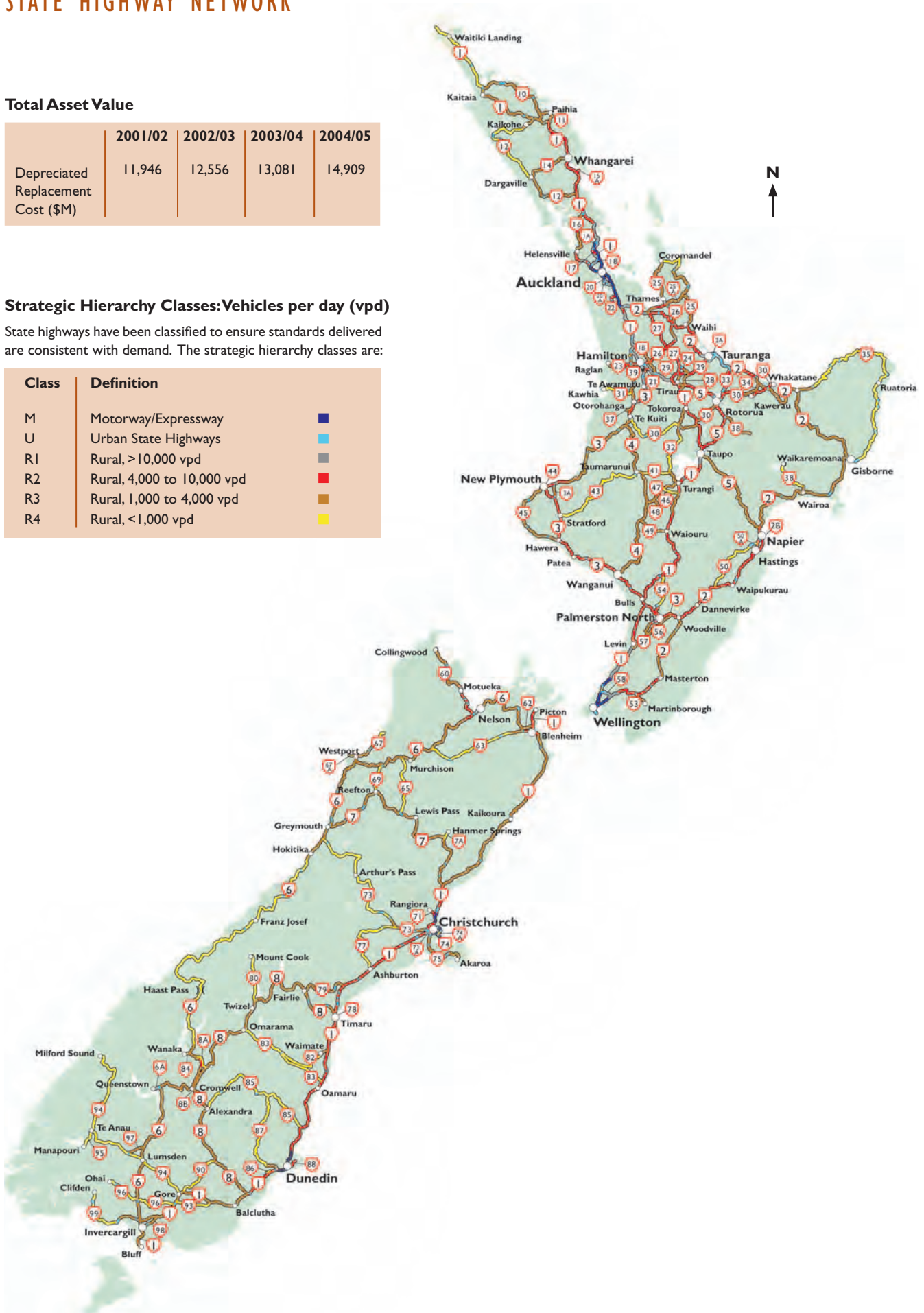
Total Asset Value

	2001/02	2002/03	2003/04	2004/05
Depreciated Replacement Cost (\$M)	11,946	12,556	13,081	14,909

Strategic Hierarchy Classes: Vehicles per day (vpd)

State highways have been classified to ensure standards delivered are consistent with demand. The strategic hierarchy classes are:

Class	Definition	
M	Motorway/Expressway	■
U	Urban State Highways	■
R1	Rural, >10,000 vpd	■
R2	Rural, 4,000 to 10,000 vpd	■
R3	Rural, 1,000 to 4,000 vpd	■
R4	Rural, <1,000 vpd	■



STATE HIGHWAY NETWORK

Strategic Hierarchy Classes

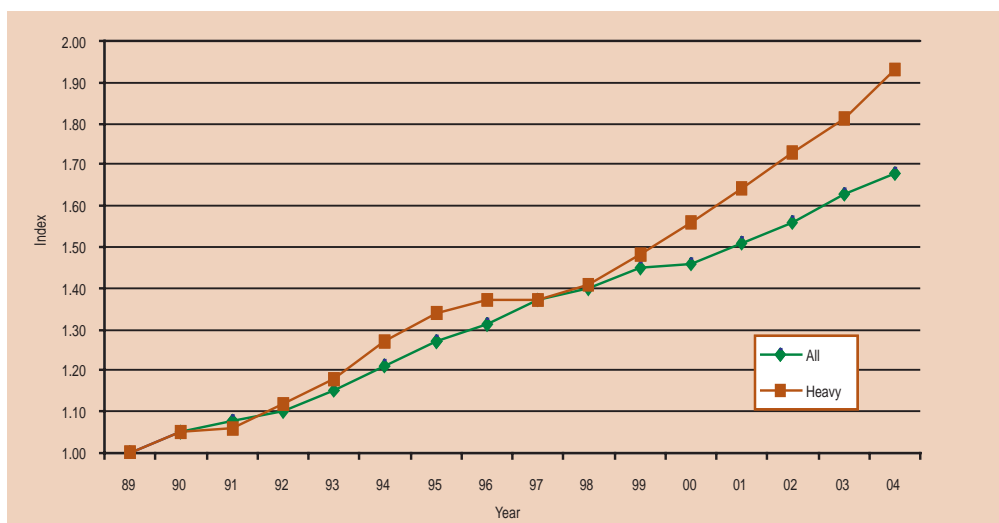
	All State Highways						Total
	Class						
	M	R1	R2	R3	R4	U	
2004/05 Highway Length (km)	183.5	306.5	2,111.8	4,426.5	2,975.7	890.4	10,894.4
2004/05 VKT (M)	4,204	1,833	5,292	3,730	922	3,301	19,282

Vehicle Kilometres Travelled

Region	Network Length (km) 2003/04	Network Length (km) 2004/05	VKT in 2003/04 (M)	VKT in 2004/05 (M)
Northland	706.1	750.0	837	895
Auckland	326.3	326.2	4,110	4,198
Waikato	1,736.5	1,728.8	3,021	3,141
Bay of Plenty	711.6	744.6	1,366	1,506
Gisborne	330.9	330.9	184	189
Hawke's Bay	515.6	505.7	642	663
Taranaki	386.5	391.3	599	636
Manawatu/Wanganui	959.1	959.1	1,351	1,382
Wellington	235.9	235.9	1,659	1,678
Nelson/Marlborough	631.9	644.8	707	745
Canterbury	1,347.6	1,327.4	2,095	2,116
West Coast	871.4	871.4	350	359
Otago	1,300.2	1,300.8	1,169	1,236
Southland	777.5	777.5	506	538
Total	10,837.1	10,894.4	18,596	19,282

Network lengths for 2004/05 differ from the previous year due to the state highway review that took effect on 1 July 2004. Some new state highways were declared resulting in some local authority roads becoming the responsibility of Transit. Similarly, some state highways were revoked and became local roads managed by the local authority in that area. Realignments and construction of new roads also contributed to slight increases and decreases in road lengths.

Traffic Growth on State Highways







STATE HIGHWAY 1 NORTHERN MOTORWAY EXTENSION (ALPURT B2)

Construction of the first stage of the 7.5 kilometre, four-lane Northern Motorway extension of State Highway 1 (ALPURT B2) north of Auckland began in December 2004. The project has broached new territory for Transit in two ways. It is the first toll road to be constructed under the LTMA. Secondly, delivered under an alliance contract, the project has presented Transit with an opportunity to further explore ways to achieve a full range of objectives – economic, social, environmental – through its contracts.

The project vision for ALPURT B2 is ‘to create a Northern Gateway that is a visual showcase of environmental and engineering excellence.’ This vision underpins the approach to design. Throughout the design phase a sustainability matrix drawn from LTMA principles was used to guide the selection of individual design elements. The project treats the design as organic, making changes as construction progresses to deliver better solutions economically, environmentally and from the community’s perspective. A second eco-viaduct, over the Nukumea Stream, and twin tunnels through Johnstone’s Hill are significant changes to the original design that were made to reduce the project’s ecological footprint.

Environmental concerns have a high priority in project works. Strict controls are in place to ensure vegetation clearance is restricted to areas of current works only and cleared vegetation is being recycled as mulch to aid revegetation. The Alliance has worked with NIWA to recreate the aquatic habitat inside culverts, building rock weirs to better help the passage of fish. Other measures are providing for the regionally endangered Fern Bird and native New Zealand lizard (mokomoko) species of the area. A focus on efficient resource use and waste management is also an important aspect of treading lightly on the environment.

A number of these measures result from the triple bottom line reporting focus of the project, encouraged by Transit’s commitment in this area. A suite of project objectives and key performance indicators, all based on triple bottom line measures, are driving the project’s vision down into the day-to-day site activities. On site, social objectives focus strongly on safety. The Alliance has invested significantly in raising workers’ awareness of safety issues and behaviour. The effort to achieve attitudinal shifts in this area extends broadly, with workers encouraged to come up with better ways of doing things. This is building a commitment to delivering outstanding performance at an individual level.

Externally, the impacts on the neighbouring community are also a strong focus of the project’s social objectives. The Alliance’s engagement with the local community and iwi has included presentations, newsletters and the establishment of a community reference group, as well as active involvement in local community life.

The ALPURT project is proving a showcase of what can be achieved in delivering on the LTMA requirements to address environmental and social responsibility. But as also required under the LTMA, development must represent value for money. ALPURT’s results to date demonstrate that a careful balance is needed, but is achievable.

REPORTING ON PERFORMANCE INDICATORS

Transit's performance measures provide the means through which we can track our progress in achieving our strategic goals. The measures help ensure our achievement of these goals are increasingly a part of our everyday operations.

The reporting in the following pages features a collection of measures that encompass triple bottom line reporting. For both internal and external reporting purposes we also employ other complementary performance measures. The measures included here reflect our progress in achieving economic, environmental and social objectives. This is synonymous with the principles of sustainability: striving for a balance of the complex relationships across current economic, environmental and social needs in a way that does not compromise future needs.

For Transit this means contributing to an integrated, safe, responsive and sustainable land transport system while exhibiting a sense of social and environmental responsibility. This includes:

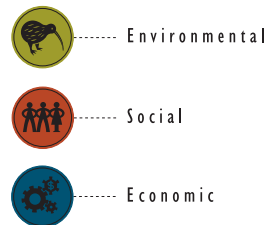
- Avoiding, to the extent reasonable in the circumstances, adverse effects on the environment
- Taking into account the views of affected communities
- Giving early and full consideration to land transport options and alternatives in a manner that contributes to the above

- Providing early and full opportunities for specific persons and organisations to contribute to the development of our land transport programmes.

The following measures seek to capture these aims in a quantifiable form. In compiling them we have recognised the principles of triple bottom line reporting: transparency, inclusiveness, completeness, accuracy, clarity, relevance, neutrality, timeliness and comparability. We have made every attempt to compile, analyse and present the data in a way that both internal and external assessors can attest to its reliability.

A number of the measures have changed from last year's report. This reflects Transit's organisational evolution during the year in order to better reflect the vision and aims of the New Zealand Transport Strategy and the LTMA.


We have identified the triple bottom line category applying to each of the following performance measures using symbols:



Strategic Direction

What is required?


To operate the state highway network so as to contribute to an integrated, safe, responsive and sustainable land transport system while exhibiting a sense of social and environmental responsibility.

Measure	Result
 Achievement of all SOI measures	As evidenced over the following pages, where assessment mechanisms of measures exist, Transit performed largely as expected. Comments included in the Statement of Service Performance on pages 49 to 59 provide more detailed explanation of some areas of under performance.

Key Goal 1-5

The delivery

Assurance that the views, needs and contributions of those Transit consults with have been taken into account and are considered early and fully.


 The satisfaction with Transit's responsiveness to external views, needs and contributions from those with whom Transit consults	This is a new measure for 2004/05. In Transit's Stakeholder Survey 2005, 70 percent of respondents across all stakeholder categories rated Transit as excellent, good or adequate on its 'responsiveness to external views, needs and contributions'.
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Key Goal 1-5


Transport Planning

What is required?

To demonstrate that Transit's plans for the state highway network assist economic development, assist safety and personal security, improve access and mobility, protect and promote public health, and ensure environmental sustainability.

Measure	Result
 <p>Degree of alignment between the state highway network plan and macro planning of land use, demand management, network and corridors</p>	<p>Performance is evidenced by the degree of alignment between Transit's 10-year State Highway Forecast and regional land transport strategies, regional and local growth strategies and long term council and community plans.</p> <p>Many local authorities still interpret the sustainability provisions of the RMA and LTMA as meaning that they plan for sustainable land use development, and Government, through Transit, is to provide the supporting transport infrastructure.</p> <p>Transit's medium term target would be 85 percent alignment. Currently, we assess this at less than 50 percent.</p> <p>Transit's organisational restructure during the year considerably strengthened the organisation's transport planning capability in order to strengthen relationships with local and planning authorities, and build alignment on issues such as travel demand strategies, access provisions, land use planning and alternative transport modes.</p>


Key Goal 1

 <p>Number of fatal accidents on state highways</p>	<p>There were 204 fatal accidents on state highways in 2004/05. This is a decrease of 5 percent on the 214 fatal accidents in 2003/04.</p> <p>The Government's goal is to reduce the social cost of road death to \$2.15 billion by the end of 2010. The average social cost per fatal accident on all roads increased from \$3.20 million (measured in 2003 prices) to \$3.50 million (2005 prices). On state highways, the social cost of fatal accidents in 2004/05 was \$714.0 million compared to \$684.8 million in 2003/04.</p>
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Key Goal 2

Number of Fatal Accidents by Transit Region

	2003/04	2004/05	Total change	Percent change
Auckland	37	30	-7	-19%
Hamilton	72	77	5	7%
Napier	16	14	-2	-13%
Wanganui	21	29	8	38%
Wellington	26	19	-7	-27%
Christchurch	26	26	0	0%
Dunedin	16	9	-7	-44%
Total	214	204	-10	-5%


 <p>Proportion of memoranda of understanding and protocols with other agencies that are healthy</p>	<p>This is a new measure for 2004/05.</p> <p>Transit has 22 Memoranda of Understanding (MoU) with local authorities and other transport partners. In an independent survey of the key contacts for MoU partners, 18 (of 21) respondents rated the relationship with Transit under the MoU as good or better. Transit also has 21 active MoU with iwi. Iwi partners were not surveyed in time for reporting in this annual report, but this is underway.</p>
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Key Goal 1-5


Measure	Result
 <p>Total amount of nitrogen dioxide (NO₂), carbon monoxide (CO) and carbon dioxide (CO₂) attributed to vehicle emissions</p>	<p>This is a new measure for 2004/05.</p> <p>Transit does not yet have a means of national assessment for this measure. However, during the year Transit undertook a pilot study in Wellington with assistance from the Greater Wellington Regional Council using 1998 Wellington air emissions inventory and Council data for ambient air quality (2004/05). This showed the levels of NO₂ and CO did not exceed New Zealand's National Environmental Standards for these substances.</p> <p style="text-align: right;">Key Goal 5</p>

Wellington Ambient Air, Pilot Study		
Substance	1998 Wellington air emissions inventory (tonnes per annum)	2004/05 ambient air quality data
NO ₂	11,683	Levels* did not exceed the National Environmental Standard (200 µg/m ³ for an average exposure time of 1 hour)
CO	48,889	Levels* did not exceed the National Environmental Standard (10 mg/m ³ for an average exposure time of 8 hours)
CO ₂	1,258,080	—

* Data collected April to July 2005 on the corner of Vivian and Victoria Streets (SH1)

 <p>Energy usage by, and non-recycled wastage from, Transit offices</p>	<p>This is a new measure for 2004/05.</p> <p>Energy use: National monitoring of electricity use showed Transit is close to its target of a 3 percent reduction per year of energy use per m² of office space.</p> <p>Waste reduction: Office waste audits in 2004 and 2005 show Transit has exceeded its target of a 25 percent reduction of waste to landfill per staff member. Nationally, at 31 kg per staff member per year, Transit has halved its waste from the previous year.</p> <p style="text-align: right;">Key Goal 5</p>
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 <p>Proportion of urban state highways with a speed environment greater than 70 km/h in noise-sensitive areas and where traffic noise is treated by designed solutions</p>	<p>This is a new measure for 2004/05.</p> <p>An extrapolation of results from a detailed Auckland study suggests this proportion is in the range of 40-50 percent. (Nationwide studies are underway but not yet complete.)</p> <p>Auckland has 76 kilometres of carriageway where the speed is greater than 70 kilometres per hour and is in a noise-sensitive area. Of this, 33.8 kilometres (43 percent) have been treated with designed solutions.</p> <p style="text-align: right;">Key Goal 5</p>
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 <p>Proportion of the network within sensitive receiving environments where stormwater run-off is treated by designed solutions</p>	<p>This is a new measure for 2004/05.</p> <p>An extrapolation of results from a detailed Auckland study suggests this proportion is in the range of 20-30 percent. (Nationwide studies are underway but not yet complete.)</p> <p>Auckland's state highway network has 324.9 kilometres, of which 149.2 kilometres (46 percent) is in sensitive receiving environments. Of this, 32.4 kilometres (22 percent) have been treated with designed solutions.</p> <p style="text-align: right;">Key Goal 5</p>
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Measure	Result
 <p>Road user and stakeholder satisfaction with the visual amenity of state highways</p>	<p>In Transit's Road User Survey 2003, 85 percent of respondents rated Transit's management of the overall appearance of state highways in the environment as excellent, very good or good. The Road User Survey will be repeated in 2006.</p> <p>In the Stakeholder Survey 2005, 73 percent of respondents rated Transit's consideration of the appearance of state highways in the landscape, in its decision-making, as 'about right'.</p> <p style="text-align: right;">Key Goal 5</p>
 <p>Benefits forecast for large projects which are scheduled for completion in the current year</p>	<p>This is a new measure for 2004/05.</p> <p>Some 65 percent of the total assessed benefits of large projects completed in 2004/05 are forecasted to be realised as social benefits. These mainly result from the reduced social cost of crashes.</p> <p>Economic savings account for 28 percent of the forecasted benefits, including reduced congestion and journey times.</p> <p>The remaining 7 percent of forecasted benefits will be realised as environmental benefits. Assessed environmental benefits do not tell the full story, as a significant cost of projects includes reducing the impact of vehicles and roads on the environment such as landscaping and stormwater control.</p> <p style="text-align: right;">Key Goal 2-5</p>
 <p>Actual project dollar benefits compared to forecast benefits</p>	<p>Seven projects were selected for independent post construction audit. Projects suitable for analysis had to have been completed for several years so costs and benefits could be reasonably identified.</p> <p>For this measure, achieved benefits and actual costs, and in turn, Benefit-Cost Ratio (BCR), were compared to those estimated at time of funding approval and investigation, respectively.</p> <p>The audit results indicate that the benefits predicted for the seven projects are largely being achieved.</p> <p>In terms of achieved BCR versus that estimated at funding approval, three projects had a lower BCR than expected due to construction costs exceeding estimates. For one further project, costs were less and benefits greater than expected, resulting in a BCR increase.</p> <p>Taking into account the uncertainties at the early investigation stages, the correlation between the BCR estimated at investigation versus that at funding approval was excellent.</p> <p style="text-align: right;">Key Goal 4</p>

Measure	Result
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Actual Project Benefits Compared to Forecast Benefits				
Project	Estimated BCR at...			Comment
	Investigation	Funding Approval	Post construction	
Kamo Bypass SH1 \$9.7M, 2002	3.8–5.3	5.2	3.1	Costs higher than expected. BCR decrease.
Fairfield Motorway SH1 \$20.9M, 2001	3.0–7.5	4.8	3.3	Costs higher than expected. BCR decrease.
Hawkeswood Deviation SH1 \$5.5M, 2001	5.5	5.1	5.4	Benefits and costs largely as expected.
Springbank Road Realignment SH1	6.3	7.1	9.6	Costs less than expected. Crash benefits better than expected. BCR increase.
Mokau Bridge Replacement SH3 \$7.5M, 2001	16	16	15	Benefits and costs largely as expected.
Rosebank Interchange SH16 \$17.0M, 1997	5.3	5.3	4.7	Benefits and costs largely as expected.
Newlands Interchange SH1 \$16.2M, 1998	10	8.0	4.6	Costs greater than expected. BCR decrease.

The delivery

An unambiguous, clear and stable state highway network plan that can be readily implemented by management.



Variance between actual large projects commenced in the reporting year versus what was planned in each of the two previous years

Overall, seven large projects were commenced in 2004/05 against a target of 11 planned for commencement. The reasons for four projects not commencing include appeals to the Environment Court, extended stakeholder consultations and alignment issues, and delays in property acquisitions.

Key Goal 4

Variance Between Projects Planned and Projects Commenced

Large projects planned for commencement in 2004/05 (Number)	Actual large projects commenced in 2004/05 (Number)	Percentage of planned commenced (Percent)
11	7	64

Operation of Network

What is required?

To deliver quality products and services on time without compromising community well-being.



Proportion of projects listed in Transit's performance agreement that are on time

This is a new measure introduced in 2004/05.


Of the 15 major projects listed in Transit's performance agreement, 10 (67 percent) were on time or ahead at year end.

Delays to the other five projects resulted from factors such as appeals to the Environment Court, extended stakeholder consultations and alignment issues, delays in property acquisitions and workflow management with industry to counter industry resource limitations.


Key Goal 4

Measure	Result
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Projects That Are On Time		
Projects listed in Transit's performance agreement in 2004/05 (Number)	Projects listed in Transit's performance agreement in 2004/05 that are on time (Number)	Proportion of projects listed in Transit's performance agreement in 2004/05 that are on time (Percent)
15	10	67

 <p>Compliance with legislation, legislative instruments and external policy requirements</p>	<p>Land Transport NZ found no material non-compliance from its regular audit of Transit's compliance with its manuals.</p> <p>The broad extent of Transit's operations means a small number of incidences of non-compliance are inevitable. During the year Transit received notice of 10 such incidences. Each is regarded seriously and given immediate attention.</p>	Key Goal 1-5
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Compliance with Legislation		
Related legislation	Compliance details	Action
Local Bylaws	1 notice: litter on Transit property	Contractor instructed to remedy
Resource Management Act	1 discharge to natural stream	Contractor fined. Systems improved
Official Information Act	1 statutory deadline not met for one interim response not provided	Systems improved
NZ Historic Places Trust	2 instances of work starting without Trust approval or consent	Contractors warned or reprimanded. Systems improved
Building Act	5 instances involving repairs or strengthening to properties	Buildings either repaired, demolished or to be demolished


 <p>Percentage forecast and actual annual dollar variance against state highway maintenance and improvement programme</p>	<p>While there was some movement in the original allocations for 2004/05, financial performance has been good despite extreme weather events.</p> <p>Overall, expenditure has been over the start-of-year allocation and within target for year-end projections.</p>	Key Goal 4
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Forecast and Actual State Highway Maintenance and Improvement					
Expenditure	2004/05 Budget	2004/05 Target	2004/05 Actual	(2004/05 Revised Feb)	(2004/05 Revised June)
Maintenance	\$M				
	352.5		362.5	363.9	362.4
	Percent				
	102.8	98-102		100.4	100.0
Replacement & Improvement*	\$M				
	434.2		446.0	429.9	451.2
	Percent				
	102.7	98-102		96.4	101.2

* Excludes regional development and promotion of walking and cycling outputs


The delivery

Management efficiently delivers an integrated, safe, responsive and sustainable state highway network to transport users.

Measure	Result
 <p>Road user satisfaction with state highways</p>	<p>In Transit's Road User Survey 2003, 78 percent of respondents rated state highways overall as excellent, very good or good. Nearly six out of 10 rated state highways 'better' than two years ago. Road users identified improving safety and reducing congestion as their top priorities, and this has reinforced Transit's focus on these areas as it prioritises and seeks funding for its work programme.</p> <p>The Road User Survey will be repeated in 2006.</p> <p style="text-align: right;">Key Goal 1-5</p>

 <p>Number of accident blackspots that are still in existence 12 months after identification</p>	<p>This is a new measure introduced in 2004/05.</p> <p>Transit is still refining this performance measure to provide a more meaningful assessment of how well Transit remedies blackspots.</p> <p>A blackspot is determined by the number of crashes over a five-year period. It takes at least three years after treatment to determine whether an area is no longer a blackspot. However, the table below summarises trends for the number of state highway sites with five or more fatal, serious or minor accidents over five years.</p> <p style="text-align: right;">Key Goal 2</p>
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Number of sites on state highways with five or more fatal, serious or minor accidents (based on: 250m radius open road, 30m radius urban roads over five years)				
Transit Region	2003/04	2004/05	Total change	Percent change
Auckland	499	462	-37	-7%
Hamilton	165	135	-30	-18%
Napier	38	39	1	3%
Wanganui	89	72	-17	-19%
Wellington	134	116	-18	-13%
Christchurch	61	69	8	13%
Dunedin	109	129	20	18%
Total	1,095	1,022	-73	-7%


 <p>Congestion through travel time delays</p>	<p>To monitor congestion Transit has undertaken travel time surveys in Auckland and Wellington for the past three years. This year Tauranga and Christchurch were included.</p> <p>These results show that all cities are experiencing increasing levels of congestion against the benchmark of the annual measurement begun in 2002.</p> <p style="text-align: right;">Key Goal 3-5</p>
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Measure	Result
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Congestion Measured in Four Cities			
City	Nov 2004 Delays in peak period seconds/km	Mar 2005 Delays in peak period seconds/km	Level of Service*
Auckland	AM: 40 PM: 31	AM: 47 PM: 36	(LOS) F**
Wellington	AM: 27 PM: 24	AM: 34 PM: 26	(LOS) E**
Christchurch	AM: 34 PM: 30	AM: 41 PM: 34	(LOS) E
Tauranga	AM: 25 PM: 21	AM: 28 PM: 21	(LOS) E

* Based on a comparison of actual average travel speeds and posted speeds

** See 'Traffic Flow Levels of Service' table below for definition

 <p>Proportion of kilometres on high volume urban areas of the network meeting level-of-service requirements for traffic flow</p>	<p>Of the approximately 11,000 kms of state highways in New Zealand, 9 percent (950 kms) is assessed as falling within the category 'high volume urban areas'. This determination is based on Transit New Zealand traffic count information. Based on travel time surveys, during peak hours high volume urban areas of the state highway achieve levels of service E or F for traffic flow (see abridged table below).</p>	Key Goal 3-5
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Traffic Flow Levels of Service		
Level of Service	Likely Average Speed of Traffic (km/h)	Characteristics of Traffic Flow
A	100	Users able to drive at their desired speed. Drivers delayed less than 30 percent of time by slow moving vehicles.
B	90	Users need to overtake to maintain their desired speed. Drivers may be delayed up to 45 percent of the time.
C	85	Traffic flow is stable but becoming susceptible to congestion due to turning traffic and slow moving vehicles. Drivers may be delayed up to 60 percent of the time.
D	80	Approaching unstable traffic flow. Turning vehicles and roadside distractions have major effect on the traffic stream. Drivers may be delayed up to 75 percent of the time.
E	50 to 75	Operating conditions are unstable and difficult to predict. Overtaking is virtually impossible. Drivers will be delayed over 75 percent of the time.
F	<50 and variable	Heavily congested stop/start flow with traffic demand exceeding capacity.

 <p>Total unplanned lane closures for periods greater than 12 hours or 2 hours for high-density urban roads at peak times</p>	<p>This is a new measure for 2004/05.</p> <p>In total, there were 272 unplanned lane closures, of which 221 (81 percent) were opened (at least a single lane) within 12 hours. Of these, 212 occurred on high density urban roads at peak times, of which 165 (78 percent) were opened within two hours. The availability was influenced by the extreme weather events in both islands during the year.</p>	Key Goal 3, 4
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Measure	Result
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Performance of 0800 service against level-of-service requirements

This is a new measure for 2004/05.

A suite of key performance indicators has been established to provide the basis of assessment for this measure.

The number of calls to the 0800 service varied dramatically over the year. The unexpected failure of the AA's web page and 0900 number on 3 June 2005 resulted in a 500 percent increase in volume. Up to this point the service had been on track to meeting annual service levels, but this event impacted significantly on Transit's performance indicators and, though close, the average service levels for the year were not met.

Key Goal 1-5

Summary of 0800 Performance Service Level for 2004/05

Year	Total call volume	Percent of calls abandoned (target < 5%)	Escalation of disputes (target < 2 months)	Average wait time in seconds (target < 20 sec)
2004/05	9449	5.2	0	20



Proportion of capital projects completed within expected cost and time parameters

Overall, 57 percent of capital projects met this measure. The target is 95 percent. Of the 118 projects planned for completion in 2004/05 Transit completed 67.

Of the 118 projects seven were within the large projects category of over \$3.0 million. Six of the large projects (86 percent) were completed in 2004/05. The seventh project, the Kaitoke to Te Marua realignment was delayed as a result of unfavourable weather conditions and is now scheduled for completion in 2005/06.


For the remaining 112 block projects planned, 64 (57 percent) were completed. This was a result of limited industry resources with some projects not let and others staggered to allow capacity to be employed smoothly from one project to another. The majority of the remaining projects are well underway and are now scheduled for completion in 2005/06.

At \$158.3 million, the actual costs of completed projects closely matched their forecast completion cost of \$158.6 million. This result indicates that, overall, completed projects were finalised within budget and that Transit's systems for estimating construction costs are robust.


Key Goal 4

Capital Projects Completed, Forecast and Actual

Year	Forecast number of construction projects expected to be completed (Number)	Actual number of construction projects completed (Number)	Percent achieved (Target 95 percent) (Percent)	Forecast cost of completing actual no of projects (\$M)	Actual cost of completed projects (\$M)	Percent expenditure (Target <100 percent) (Percent)
2003/04	89	83	93%	\$137.2M	\$133.1M	97%
2004/05	118	67	57%	\$158.6M	\$158.3M	99.9%

Measure	Result
 <p>Proportion of network maintained to level of service for road condition</p>	<p>Transit met or exceeded the levels of services for road condition.</p> <p>Further comment can be found in the Statement of Service Performance section of this report as can definitions (page 53) of level of service parameters such as smoothness, good skid exposure, etc.</p> <p style="text-align: right;">Key Goal 2, 4, 5</p>

Level of Service and Standard for Road Condition				
Level of service and standard	Actual 2002/03	Actual 2003/04	Target 2004/05	Actual 2004/05
	Percent			
Percentage of network classified as smooth	99	99	97	99
Percent of expectation of smooth travel	99	99	97	97
Percent of network with <20mm ruts	99.8	99.6	99	99.6
Percent of network with good skid exposure above threshold level	99	99	98	98
Percent of network with texture greater than 0.5mm	99.6	99.5	98	99.5

 <p>Maximised returns on the value of Transit properties without compromising construction start dates</p>	<p>The return for 2004/05 on Transit's \$637 million property portfolio was 2.6 percent*. This is slightly down on the previous year's yield of 2.8 percent, and despite a buoyant market with rising capital values.</p> <p>However, the reduction is in line with Transit's expectations as properties – mainly in Auckland and Wellington (where Transit's portfolio is weighted) – were vacated or demolished for new projects.</p> <p style="text-align: right;">Key Goal 4</p>
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*The valuation for the property portfolio is completed by DTZ NZ Limited each year using a mix of special and indexed valuations. The yield is assessed based on the properties that generate 95 percent of the rental



WELLINGTON INNER CITY BYPASS

After nearly 40 years of debate among ratepayers, interest groups and local and national bodies, Transit commissioned contractors to begin excavation work on the Wellington Inner City Bypass in September 2004. The Environment Court, an independent review panel and Land Transport NZ were involved in vetting the \$39.9 million project, scheduled for completion by mid 2007.

The bypass is a critical part of Transit's overall multi-modal strategy (and the Wellington Regional Land Transport Strategy) to address Wellington's traffic problems. The strategy integrates public transport, pedestrian, road and cycling needs.

The bypass will provide a safer and more efficient route between Wellington's southern and eastern suburbs and its northern gateway, reducing six major traffic turns to two. Studies show there will be a drop in exhaust emissions because of reduced congestion.

The route, which uses existing roads and 700 metres of new road, includes a cycle track and a tree-lined footpath. This will provide a natural separation between cyclists, pedestrians and motorists.

The contract to build the bypass includes construction of a new \$7 million Te Aro stormwater main, funded by Wellington City Council. Trenchwork to lay the 2.5 metre diameter main began in April 2005 and will continue until December 2006. Laying the large culvert sections involves excavation of a six-metre deep trench. The contract also includes close to \$1 million of underground service upgrades to be constructed in conjunction with the bypass and funded by the Wellington City Council.

Transit opened a visitors' centre in March to make information about the two-and-a-half year project easily accessible. The centre offers the public and groups such as school parties, residents' associations and service organisations the opportunity to look at detailed route plans, watch two 5-minute videos on the project and ask questions.

The project includes the relocation and restoration of 18 heritage buildings on the path of the bypass route. Two Willis Street shops were shifted 25 metres to the north in May 2005 and a former butcher's shop was relocated alongside these shops in June. Specialised movers were engaged to relocate the former Boys' Institute Arthur Street building. An innovative procedure using Teflon blocks enabled Transit to save this structure previously believed to be unmoveable. Restoration work has already begun on these buildings including the former Avonside boarding house relocated in February. Relocation will continue until the end of 2005, with restoration completed by mid 2007. From December 2004 to 30 June 2005, eight heritage buildings were relocated on site, eight other buildings were sold and removed from site and 12 non-heritage buildings were demolished.

A team of 26 archaeologists from around the country assembled in Te Aro in late January for a month-long project to excavate and examine the buildings and sections in historic Tonks Avenue and Arthur Street. Glass and stoneware bottles, colourful ceramics, a brick well and mid-18th century house foundations were amongst the finds. The investigations and open days for the public were amongst the conditions set by the NZ Historic Places Trust allowing modification of the archaeological sites.



STATEMENT OF FINANCIAL PERFORMANCE for the year ended 30 June 2005

Previous Year (\$000)		Notes	Actual (\$000)	Recast Budget (\$000)
REVENUE				
654,538	Land Transport New Zealand		789,510	771,200
211	Overweight Permit Fees		260	200
1,036	Investment Interest		1,050	800
13,280	Rents & Leases From Property		14,173	15,500
0	Net Gain/(Loss) of Declared & Revoked State Highways	1	86,400	0
34	Miscellaneous Receipts		43	600
108	Self Funding Units	2	533	400
669,207	TOTAL REVENUE		891,969	788,700
EXPENDITURE				
OPERATING (Maintenance)				
56,813	Pavement Maintenance		61,626	60,698
18,865	Bridge Maintenance		20,099	21,377
85,320	Corridor Maintenance		93,392	91,560
26,452	Emergency Work		36,506	33,087
10,292	Property Management		11,038	15,713
10,273	Feasibility Studies		9,126	10,000
9,593	Other Operating Expenditure		11,091	12,964
217,608	Total Operating (Maintenance) Expenditure	3	242,878	245,399
OTHER				
219,124	Depreciation on the State Highway Network	14	224,748	226,890
10,332	State Highway Asset Write Off	6	12,610	10,820
229,456	Total Other Expenditure		237,358	237,710
447,064	TOTAL EXPENDITURE		480,236	483,109
222,143	SURPLUS AVAILABLE FOR STATE HIGHWAY IMPROVEMENTS		411,733	305,591

STATEMENT OF MOVEMENTS IN EQUITY for the year ended 30 June 2005

Previous Year (\$000)		Notes	Actual (\$000)	Recast Budget (\$000)
12,563,293	BALANCE AS AT 1 JULY		13,094,737	12,809,005
222,143	Surplus Available for State Highway Improvements		411,733	305,591
313,746	Increase in Asset Revaluation Reserve	8	1,416,806	0
535,889	TOTAL RECOGNISED REVENUES AND EXPENSES FOR THE YEAR		1,828,539	305,591
(4,445)	Proceeds from State Highway Property Disposal returned to the Crown		0	0
13,094,737	BALANCE AS AT 30 JUNE		14,923,276	13,114,596

STATEMENT OF FINANCIAL POSITION as at 30 June 2005

Previous Year (\$'000)		Notes	Actual (\$'000)	Recast Budget (\$'000)
12,318,765	GENERAL FUNDS		12,730,498	12,652,370
775,972	ASSET REVALUATION RESERVE	8	2,192,778	462,226
13,094,737	TOTAL EQUITY		14,923,276	13,114,596
	CURRENT ASSETS			
1,573	Cash in Bank		2,818	1,500
17,400	Investments	9	7,800	33,565
15,363	Accounts Receivable	10	14,390	4,346
95,271	Receivable from Land Transport New Zealand		115,634	120,000
129,607	TOTAL CURRENT ASSETS		140,642	159,411
	LESS CURRENT LIABILITIES			
123,047	Accounts Payable	11	134,012	152,142
1,843	Employee Entitlements	12	1,762	2,000
124,890	TOTAL CURRENT LIABILITIES		135,774	154,142
4,717	NET CURRENT ASSETS		4,868	5,269
	PLUS NON CURRENT ASSETS			
4,009	Other Property, Plant and Equipment	13	4,901	4,481
13,081,372	State Highway Network	14	14,908,789	13,100,329
5,277	Bailey Bridging	15	5,445	5,167
13,090,658	TOTAL NON CURRENT ASSETS		14,919,135	13,109,977
	LESS NON CURRENT LIABILITIES			
638	Employee Entitlements	12	727	650
638	TOTAL NON CURRENT LIABILITIES		727	650
13,094,737	NET FUNDS EMPLOYED		14,923,276	13,114,596



M F Fletcher
GENERAL MANAGER CORPORATE SERVICES
28 October 2005

STATEMENT OF CASH FLOW for the year ended 30 June 2005

Previous Year (\$000)		Notes	Actual (\$000)	Recast Budget (\$000)
CASH FLOW FROM OPERATING ACTIVITIES				
Cash was provided from:				
617,484	Land Transport New Zealand		769,147	746,900
1,044	Investment Interest		1,025	783
13,432	Property Rental		14,035	15,500
353	Other Receipts		954	1,000
(2,335)	Net GST Received		1,724	(243)
629,978	Total		786,885	763,940
Cash was disbursed to:				
207,282	Payments to Suppliers and Employees		238,774	225,122
207,282	Total		238,774	225,122
422,696	Net Cash Flow from Operating Activities	16	548,111	538,818
CASH FLOW FROM INVESTING ACTIVITIES				
Cash was provided from:				
32	Sale of Fixed Assets		76	100
14,673	Sale of State Highway Property		8,706	21,500
14,705	Total		8,782	21,600
Cash was disbursed to:				
2,047	Purchase of Fixed Assets		3,189	2,500
452,857	State Highway Capital Expenditure		562,059	541,826
454,904	Total		565,248	544,326
(440,199)	Net Cash Flow from Investing Activities		(556,466)	(522,726)
(17,503)	Net Increase/(Decrease) in Cash		(8,355)	16,092
36,476	Add Opening Cash Brought Forward		18,973	18,973
18,973	Ending Cash Carried Forward		10,618	35,065
Ending Cash Represented By:				
1,573	Cash in Bank		2,818	1,500
17,400	Investments		7,800	33,565
18,973			10,618	35,065

STATEMENT OF ACCOUNTING POLICIES for the year ended 30 June 2005

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 and Bailey Bridging stock. 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 7 (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 Land Transport 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 Land Transport 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 annually 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 John Vessey BE (Civil), BA (Econs), TransCert (Econs), FIPENZ, CPEng, IntPE of 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 John Vessey of 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 allocate 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 2005

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 2005

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 which meet the criteria for this Land Transport New Zealand defined work category, are allocated on a pro-rata basis to the work categories that comprise the funding groups: 72% to Structural Maintenance and 28% to Corridor Maintenance. This is in accordance with the NLTP Agreement with Land Transport New Zealand.

For Note 7 (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 2005, Professional Services accounted for 5.7% of Transit New Zealand's total operating expenditure (2004: 6%).

For the year ended 30 June 2005, Fees & Services (including Professional Services) accounted for 12.8% of Transit New Zealand's total operating expenditure (2004: 15.2%).

For the year ended 30 June 2005, Administration costs accounted for 4.5% of Transit New Zealand's total operating expenditure (2004: 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 2005

1. Net Gain/(Loss) of Declared and Revoked State Highways

Under section 60 of the Transit New Zealand Act 1989, the Board may declare any road to be a State Highway within the meaning and for the purpose of this Act and revoke any declaration in a like manner. The difference in valuation between newly declared and revoked State Highways is treated as a gain or loss, whichever is the result.

	Actual (\$000)	Previous Year (\$000)
2. Self Funding Units		
Bailey Bridging:		
Revenue	687	677
Less Expenditure	317	560
Less Depreciation	118	112
Net Gain/(Loss)	252	5
CAPTIF(Canterbury Accelerated Pavement Testing Indoor Facility):		
Revenue	428	388
Less Expenditure	361	366
Less Depreciation: Computer Equipment	10	10
Office Furniture	2	1
Technical Equipment	8	8
Net Gain	47	3
Training and Education:		
Revenue	579	310
Less Expenditure	343	208
Less Depreciation: Computer Equipment	1	1
Office Furniture	1	1
Net Gain	234	100
Total Self Funding Units	533	108

3. Total Operating (Maintenance) Expenditure

Includes:

Fees Paid to Financial Statement Auditors		
– financial audit	95	84
– other services	146	132
Board Members' Fees	164	126
*Depreciation:		
– Buildings	2	2
– Computer Equipment	1,593	1,613
– Office Furniture	320	316
– Office Equipment	160	127
– Motor Vehicles	175	147
– Technical Equipment	7	25
– Plant	4	4
<i>Total Depreciation for the year on Property, Plant and Equipment</i>	2,261	2,234
(Gain)/Loss on Disposal of Property, Plant and Equipment	(62)	(26)
Rental Expenses	2,117	1,856
Superannuation Payments	233	270
Bad Debts Written Off	20	6
Increase/(Decrease) in Provision for Doubtful Debts	10	213

Bad Debts Written Off totalled \$94,801 (2004: \$57,667). Of this amount \$74,942 (2004: \$51,905) had been previously provided for.

* Depreciation on the State Highway Network is included in Other Expenditure

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2005

4. 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	8	10
\$110,000 to \$119,999	2	6
\$120,000 to \$129,999	9	4
\$130,000 to \$139,999	5	5
\$140,000 to \$149,999	1	2
\$150,000 to \$159,999	2	2
\$160,000 to \$169,999	0	2
\$170,000 to \$179,999	2	0
\$180,000 to \$189,999	0	2
\$190,000 to \$199,999	2	0
\$200,000 to \$209,999	1	0
\$210,000 to \$219,999	1	2
\$250,000 to \$259,999	1	0

The Chief Executive's remuneration and benefits is in the \$250,000 to \$259,999 band. He commenced in this position in June 2004. The remuneration and benefits of the former Chief Executive (who resigned in February 2004) is in the \$210,000 to \$219,999 band, in the previous year.

	Actual (\$000)	Previous Year (\$000)
5. Board Members' Fees		
The following Board members earned the following :		
Mr D Stubbs (Chairperson)	43	25
Sir T O'Regan (Deputy Chairperson)	29	22
Mr M Williams	23	17
Dr J Wright	23	17
Mr J Wright	23	17
Mr A Bickers (former Chairperson) (resigned 10 February 2004)	0	21
Mr G McIver	23	7
Total Board Members' Fees	164	126

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 (2004: Nil).

There have been no severance payments to Board members during the year (2004: Nil).

6. 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 2005

	Actual (\$000)	Budget (\$000)	Previous Year (\$000)
7. State Highway Programme Expenditure			
MAINTENANCE			
Structural Maintenance	221,161	216,200	126,766
Corridor Maintenance	93,289	90,000	85,320
Resurfacing*	0	0	73,173
Emergency Work	27,914	20,900	26,452
Preventive Maintenance	9,073	9,400	5,415
Property Management	11,037	16,000	10,292
Total	362,474	352,500	327,418
REPLACEMENT AND IMPROVEMENT			
Pavement Smoothing	3,768	4,200	5,168
Minor Safety Projects	26,067	24,500	26,426
Construction	340,206	353,700	259,489
Property Purchase	61,968	44,400	64,811
Passenger Transport Roading Infrastructures	13,889	7,400	3,092
Walking and Cycling Facilities	956	1,000	1,311
Regional Development	0	300	0
Total	446,854	435,500	360,297
TOTAL STATE HIGHWAY PROGRAMME EXPENDITURE	809,328	788,000	687,715
Total Operating Expenditure	242,878	231,175	217,608
State Highway Capital Expenditure (Note 14)	566,450	556,825	470,107
TOTAL STATE HIGHWAY PROGRAMME EXPENDITURE	809,328	788,000	687,715
	Actual	Previous	
	(\$000)	Year	
		(\$000)	
8. Asset Revaluation Reserve			
Balance as at 1 July	775,972	462,226	
State Highways	1,416,520	308,357	
Bailey Bridging	286	5,389	
Balance as at 30 June	2,192,778	775,972	
9. Investments			
Short-term deposits totalling \$7.8M (2004: \$17.4M) with a maturity date of 1 July 2005 were invested at the interest rate of 6.75% (2004: 5.75%).			

* Resurfacing is now reported under Structural Maintenance

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2005

	Actual (\$000)	Previous Year (\$000)
10. Accounts Receivable		
Accounts Receivable comprise:		
Sundry Receivables	10,962	11,561
Less Provision for Doubtful Debts	457	529
	<u>10,505</u>	<u>11,032</u>
Interest Accrued	28	3
Prepayments	1,304	51
GST Owed by the Inland Revenue Department	2,553	4,277
Total Accounts Receivable	<u>14,390</u>	<u>15,363</u>

11. Accounts Payable		
Accounts Payable comprise:		
Contractors, Consultants and Others	131,050	115,276
Accrued Expenses	2,962	7,771
Total Accounts Payable	<u>134,012</u>	<u>123,047</u>

12. Employee Entitlements		
Current Liabilities:		
Annual Leave	1,287	1,211
Long Service Leave	75	56
Retirement Leave	400	576
Total current portion	<u>1,762</u>	<u>1,843</u>
Non Current Liabilities:		
Long Service Leave	213	191
Retirement Leave	514	447
Total non current portion	<u>727</u>	<u>638</u>
Total Employee Entitlements	<u>2,489</u>	<u>2,481</u>

13. 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	20	68	88	18	70
Computer Equipment	11,452	8,422	3,030	11,245	8,890	2,355
Office Furniture	3,424	2,626	798	3,203	2,306	897
Office Equipment	1,627	1,286	341	1,441	1,134	307
Motor Vehicles	1,130	532	598	965	670	295
Technical Equipment	3,442	3,386	56	3,506	3,433	73
Plant	1,775	1,765	10	1,774	1,762	12
TOTAL	<u>22,938</u>	<u>18,037</u>	<u>4,901</u>	<u>22,222</u>	<u>18,213</u>	<u>4,009</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2005

14. 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	4,487	4,487	0	3,499	3,499
Formation	0	4,561	4,561	0	4,288	4,288
Pavement (Base)	32	2,952	2,156	32	2,740	1,970
Pavement (Surface)	114	859	425	111	788	374
Drainage	10	638	357	9	574	309
Traffic Facilities	22	361	180	20	304	143
Bridges	35	3,396	1,956	35	3,118	1,801
Culverts & Subways	4	281	175	4	256	155
Other Structures	8	726	612	8	642	542
TOTAL	225	18,261	14,909	219	16,209	13,081

	Actual (\$000)	Previous Year (\$000)
Balance as at 1 July	13,081,372	12,555,593
Plus Capital Expenditure	566,450	470,107
Plus Net Gain/(Loss) of Declared and Revoked State Highway	86,400	0
Less Asset Write Off	(12,610)	(10,332)
Less Depreciation	(224,748)	(219,124)
Plus Increase in Asset Revaluation Reserve	1,416,520	308,357
Less Proceeds from State Highway Property Disposals	(4,595)	(23,229)
Balance as at 30 June	14,908,789	13,081,372

15. Bailey Bridging

Description	Actual			Previous		
	Depreciation Charge (\$000)	Optimised Replacement Cost (\$000)	Valuation (\$000)	Depreciation Charge (\$000)	Optimised Replacement Cost (\$000)	Valuation (\$000)
Panels	53	3,711	1,538	50	3,520	1,509
Transoms	6	1,113	774	6	1,056	740
Stringers	9	1,265	801	8	1,200	768
Chord Reinforcing	27	1,889	973	26	1,792	949
Other Miscellaneous	23	2,324	1,359	22	2,204	1,311
TOTAL	118	10,302	5,445	112	9,772	5,277

	Actual (\$000)	Previous Year (\$000)
Balance as at 1 July	5,277	0
Less Depreciation	(118)	(112)
Plus Increase in Asset Revaluation Reserve	286	5,389
Balance as at 30 June	5,445	5,277

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2005

	Actual (\$000)	Previous Year (\$000)
16. Reconciliation of Cash with Reported Operating Surplus/(Deficit)		
Reported Operating Surplus	411,733	222,143
Add Non-Cash Items		
Depreciation	227,149	221,491
Write Off of State Highway Asset	12,610	10,332
Net Gain of Declared and Revoked State Highways	(86,400)	0
Increase (Decrease) in Non Current Employee Entitlements	89	101
	153,448	231,924
Add (Less) Movements in Working Capital Items		
Accounts Payable	6,574	10,422
Accounts Receivable	(23,501)	(41,937)
Employee Entitlements	(81)	170
	(17,008)	(31,345)
Less Items Classified as Investing Activities		
Net Gain on Sale of Fixed Assets	(62)	(26)
	(62)	(26)
Net Cash Flow from Operating Activities	548,111	422,696

17. Transactions with Related Parties

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

18. 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 2005

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 10,894 kilometres (km) of State Highways (2004: 10,837 km). Of this length 5,972 km are in the North Island (2004: 5,909 km) and the remaining 4,922 km are in the South Island (2004: 4,928 km).

In addition, as a result of New Zealand's relatively hilly terrain, there are 3,983 bridges and large culverts (2004: 4,005) which represents a bridge every 2.7 km (2004: 2.7 km).

STATEMENT OF COMMITMENTS as at 30 June 2005

As a result of the 2005/2006 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 2005. Some of these contracts are not due for completion until the 2005/2006 or later financial years;
- Operating Commitments, which are agreements entered into prior to 30 June 2005, to undertake the maintenance requirements of the State Highway Network; and
- Operating Lease Commitments, which are building lease agreements.

Capital and Operating Commitments have not had Administration costs or Professional Services allocated to them as per the accounting policies as this is unable to be done on a project by project basis.

The value of Commitments are:

	Actual (\$M)	Previous Year (\$M)
Capital Commitments		
Not later than 1 year	316.39	241.87
Later than 1 year and less than 2 years	290.06	174.63
Later than 2 years and less than 5 years	214.51	83.58
Later than 5 years	0.00	0.00
	820.96	500.08
Operating Commitments		
Not later than 1 year	251.00	232.98
Later than 1 year and less than 2 years	163.02	146.96
Later than 2 years and less than 5 years	174.21	118.25
Later than 5 years	29.03	47.83
	617.26	546.02
Operating Lease Commitments		
Not later than 1 year	1.21	1.18
Later than 1 year and less than 2 years	0.97	1.12
Later than 2 years and less than 5 years	1.09	2.00
Later than 5 years	0.00	0.00
	3.27	4.30
Total Commitments	1,441.49	1,050.40

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

- a significant increase in the construction programme particularly ALPURT B2 Toll Road project in Auckland; and
- a greater number of contracts for maintaining the State Highway Network, which span several years.

STATEMENT OF CONTINGENCIES as at 30 June 2005

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 \$20.6M (2004: \$20.8M) may be payable should the claimants be successful.

Performance Bonds and Guarantees by Transit New Zealand in favour of third parties totalled \$1.83M at year end (2004: \$1.25M).

STATEMENT OF RESPONSIBILITY for the year ended 30 June 2005

The Board and Management of Transit New Zealand acknowledge 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 2005.



D Stubbs

Chairperson

28 October 2005



R van Barneveld

Chief Executive

28 October 2005

STATEMENT OF SERVICE PERFORMANCE for the year ended 30 June 2005

State highways are part of the essential fabric of New Zealand. They are a key contributor to the integrated transport system that provides the lifelines linking our many communities; a facilitator of prosperity and well-being as products and produce are moved locally and begin their international journeys. They form part of New Zealanders daily lives – taking children to school, getting to work, providing services or enjoying leisure. State highways also provide for growth of commerce, tourism and recreation, and as such, contribute significantly to the nation's growth.

During 2004/05, Transit managed, maintained and operated 10,894 kilometres of state highways including 172 kilometres of motorways, 3,983 bridges and major culverts, and seven tunnels. On state highways, there is a bridge for every 2.7 kilometres of road. Transit's infrastructure assets are currently valued at \$14.9 billion.

Transit receives most of its funding from Land Transport NZ, with supplementary funding coming from cost sharing arrangements with developers and territorial authorities. Transit's operation of the network is funded from Land Transport NZ'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 funding from 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 is also available from Output Group 8 (Walking and Cycling) for stand-alone cycling or pedestrian projects that are not part of a road construction project.

Land Transport NZ approves funding annually, prior to the financial year. Some activities get approved at this time while others are approved during the year. Consequently, the National Land Transport Programme is an ongoing programme through which activities are approved. Transit's overall expenditure in 2004/05 was \$809.3 million, some \$21.3 million (2.7 percent) over the initial Land Transport NZ allocation. Additional allocations approved by Land Transport NZ to accelerate delivery of road projects during 2004/05, increased the year-end total allocation to \$815.8 million, with the result that Transit's overall expenditure was within year-end allocation.

Transit's Statement of Projected Performance contained in the 2004/05 Statement of Intent detailed Transit's targets and performance measures against each of these groups.

Summary of Output Group Expenditure¹

Output Groups ²	2002/03 Actual \$M	2003/04 Actual \$M	2004/05 Target \$M	2004/05 Actual \$M
1. State Highway Maintenance	303.1	327.4	352.5	362.5
2. State Highway Replacement and Improvement	268.9	355.7	426.8	432.0
3. Passenger Transport	3.4	3.1	7.4	13.9
4. Regional Development	N/A	0.2	0.3	0.0
5. Walking and Cycling	0.7	1.3	1.0	0.9
Total (GST exclusive)	576.1	687.7	788.0	809.3
Total (GST inclusive)	648.1	773.7	886.5	910.5

¹ Administration costs have been allocated across all outputs

² The featured output groups align with Land Transport NZ reporting requirements. This is a different reporting basis to the figures contained in the financial statements

OUTPUT GROUP 1: State Highway Maintenance and Operation

Description

Transit provides for the maintenance of the state highway network under this output group.

Objectives

The objectives of Output Group 1 are to:

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

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.
- 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: unexpected work requiring the urgent reinstatement or provision of a safe trafficable highway.

Comment

Transit continued to identify and implement maintenance programmes to preserve and enhance the asset and ensure communities receive maximum benefits from the investment in roading infrastructure. This involves establishing priorities among competing demands on various parts of the network, taking into account both local and central government strategies. Despite significant increases in funding levels over the years, funding programmes remain under pressure because of increasing demand, increasing expectations and the buoyant economy stretching available resources and skills. Maintaining levels of service in the face of this activity requires careful management.

Growing traffic volumes are an ongoing significant challenge. Following the trend of recent years traffic volumes grew in 2004/05 for both all traffic (3 percent) and heavy vehicles (over 6 percent). Such growth adds to the pressure on network capacity, particularly in urban areas. It also demands higher standards of traffic management and will inevitably increase the need for structural pavement maintenance.

It is because of these pressures that Transit is progressing a number of initiatives under the banner of Traffic Demand Management. These include rapid extension of interchange signalling on the Auckland Motorway network, major expansion of the Advanced Travel Information System on the Southern Motorway, again in Auckland, and improved network traffic management in both Auckland and Wellington. Completion of a number of capacity-improving projects in the main centres will also assist network operation.

The nature of state highways and how they are delivered and maintained has undergone rapid change over the years, mainly reflecting societal and technological shifts. The need for new responses to such change was reinforced with the introduction of the LTMA. Exploring new ways to reduce or re-use waste, and improve the environment conditions of noise and stormwater runoff adjacent to the highway through the use of new materials and processes continues to be a challenging area.

Ensuring a safer road environment for all road users is the focus of many of Transit's maintenance activities. These activities include the ongoing audit of elements such as signage, drainage and pavement maintenance, and also the annual assessment of road surface quality. During the year, Transit continued its commitment to safety retrofitting with measures such as clear zones, median barriers and speed zoning. Also this year, Transit partnered with the New Zealand Police in the Network Safety Coordination (NSC) initiative to deliver a consistent level of safety coordination throughout the country. The NSC partnership highlighted a lack of targeted safety education for state highways and Transit is now considering the development of road safety coordination expertise in-house.

Achievement Against Management Performance Measures

Other maintenance activity during 2004/05 included:

- \$71.0 million invested in resurfacing 1,294 kilometres of road and smoothing 18 kilometres of pavement.
- \$33.0 million maintaining road reserves.
- \$11.0 million spent on property management.
- \$9.1 million to protect the network's serviceability and minimise road closure.
- Extension of the 24 hour-a-day, 0800 state highway road information system.
- Maintenance and operation of 147 kilometres of cycle lanes and cycleways.
(Twenty-five cycleway and cycle lane projects were investigated, designed or built.)

At \$362.5 million, the year's total maintenance expenditure was some \$10.0 million above the start of the year budget. The over expenditure was mainly due to an additional \$7.0 million of emergency works incurred when severe storms affected much of New Zealand. Early in the year a major part of the southern North Island and some areas of the South Island were hit by torrential rain. Then, Wellington and the Wairarapa were affected by similar weather patterns in August 2004. In May 2005 severe storms hit the Bay of Plenty.

Over expenditure of \$2.5 million in professional services was also incurred, largely for legal costs associated with representing Transit's interests in land use applications. The high level of economic activity throughout the country created a number of contentious situations where Transit needed to vigorously defend the network from the effects of adjacent development.

Property maintenance (including restoration of heritage buildings) was underspent by some \$5.0 million due to the later-than-expected commencement of Wellington's Inner City Bypass project.

Cost of Outputs

Outputs ¹	2002/03 Actual \$M	2003/04 Actual \$M	2004/05 Target \$M	2004/05 Actual \$M
Structural Maintenance ²	119.8	216.2	216.2	221.2
Corridor Maintenance ²	79.4	85.3	90.0	93.3
Property Management	9.1	10.2	16.0	11.0
Emergency Works	15.3	26.5	20.9	27.9
Preventive Maintenance	5.2	5.4	9.4	9.1
Total	228.8	343.6	352.5	362.5

¹ Administration costs have been allocated across all outputs

² These figures include professional services (split 28% corridor & 72% structural)

Structural Maintenance

Description	Unit	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual
Cost	\$M	119.8	216.2	216.2	221.2
Length	Km	10,786	10,837	10,870	10,894
Unit Cost	\$/km	11,107	19,950	19,890	20,305

Management Comment

Structural maintenance expenditure was within a 2.5 percent target range. The main contributor to the increased expenditure was the advancement of several major rehabilitation projects from the 2005/06 programme because of rapid deterioration and the need to manage the risk of premature failure during the 2005 winter.

Corridor Maintenance

Description	Unit	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual
Cost	\$M	79.4	85.3	90.0	93.3
Length	Km	10,786	10,837	10,870	10,894
Unit Cost	\$/km	7,361	7,871	8,280	8,564

Achievement Against Management Performance Measures

Management Comment

Corridor maintenance expenditure was higher than expected due to the need for increased traffic control on roads with high volume traffic, more and faster clearing of incidents and crashes, and a number of unplanned but necessary upgrades of signage to improve safety.

Property Management

Description	Unit	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual
Cost	\$M	9.1	10.2	16.0	11.0
Asset Value	\$M	445	545	520	637

Management Comment

Property management expenditure was less than budgeted due to deferral of work associated with the Wellington Inner City Bypass that commenced later than originally planned.

Emergency Works

Description	Unit	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual
Cost	\$M	15.3	26.5	20.9	27.9

Management Comment

Primarily, the over expenditure in the state highway maintenance programme was due to the increase of some \$7.0 million in emergency works. This was required to re-open and repair state highways after major storm events in the North Island. If over expenditure in emergency works is omitted from maintenance work, the end of year result would be within 1 percent of the approved programme.

Preventive Maintenance

Description	Unit	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual
Cost	\$M	5.2	5.4	9.4	9.1

Management Comment

The rise in the targeted expenditure for the year resulted from the inclusion of several high cost one-off projects in the programme.

Comparison of Forecast & Actual Dollar Expenditure

Description	Unit	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual
Variance in percentage terms between forecast and actual expenditure on state highway maintenance programme at February review	percent	101.3	95.9	98-102	99.6

Management Comment

Overall, maintenance work planned as at the February review of the National Land Transport Programme was \$363.9 million. The actual cost at the end of the year was \$362.5 million.

Periodic Maintenance¹ Achievement – Actual Versus Planned

Description	Unit	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual
Percentage completion of National Roading Programme by cost of output ²	percent	101.2	98.6	97.5-102.5	101.4

Management Comment

Periodic maintenance work planned as at the February review was \$109.5 million and the actual cost of completed work was \$111.0 million. The results were within 1 percent of budget.

Achievement Against Management Performance Measures

Smooth Travel and Smooth Exposure³, Rutting⁴ & Flushing⁵ and Good Skid Exposure

The outputs from the levels of service indicators are reported under the TBL Performance Measure earlier in the report. The notes below explain the definitions. Further detailed breakdown of this data by highway classification and management area is reported in Transit's Pavement Condition report 2005, accessed via the Transit website: www.transit.govt.nz

¹ Periodic Maintenance is defined as Area Wide Pavement Treatment, Maintenance Chip Seals, and Thin Asphaltic Surfacing

² This measure reflects the actual delivery as at 30 June against revised target lengths/values as at 28 February as per Transit/Land Transport NZ Performance Agreement

³ 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 the 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

⁴ 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

⁵ 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

OUTPUT GROUP 2 & 3: State Highway Replacement and Improvement (Capital Expenditure), and Passenger Transport

Description

Transit provides new 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 & 3:

- Pavement Smoothing: 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).

Comment

The replacement and improvement of roads plays a vital role in the development of an integrated network system. Improvements and additions to the state highway network were a major focus for Transit in 2004/05. New projects undertaken in the year have promoted:

- Improved safety for all road users and communities
- Quality and efficiency
- Reduced congestion and travel times
- Environment improvements
- Improved and increased reliability of access for people and freight.

High priority projects were identified and assessed during the year, in accordance with Land Transport NZ's allocation process, as contributing to the objectives of the New Zealand Transport Strategy. The assessment included the collection and consideration of background project information along with priority rankings from various Regional Land Transport Committees and other submissions.

Major urban areas, particularly Auckland, require urgent attention to relieve congestion and accommodate traffic growth. This meant projects had a high priority for immediate start. Transit also continued its focus on multi-modal transport solutions progressing implementation of the Northern Busway project.

Additional passing lanes and other safety improvements throughout the state highway network featured strongly during 2004/05, along with the ongoing programme of developing stock effluent disposal facilities. A number of walking and cycling projects were also implemented and, now, all Transit projects must consider walking and cycling features within the design.

Achievement Against Management Performance Measures

Some of the projects that have commenced in 2004/05 include the:

- Auckland Western Ring Route
- Auckland Central Corridor
- Auckland Passenger Transport, Travel Demand Management and Traffic Management
- Waikato Expressway
- Hamilton Western Corridor
- Tauranga state highway network
- Wellington Western Corridor (SH1 up on Kapiti Coast)
- Wellington Inner City Bypass
- Wellington Hutt Corridor
- Christchurch southern and northern links.

During 2004/05, a total of \$446.9 million (including walking and cycling) was invested in developing and improving state highways, an increase of \$86.5 million (24 percent) from the previous year. This included over expenditure of \$11.3 million (2.5 percent) against the original allocation from Land Transport NZ. The additional spending resulted from both the better-than-expected delivery rate for the Northern Busway project and the advance purchase of properties to progress impending construction projects.

Forecast property purchases needed to deliver the approved state highway programme was above the approved allocation of \$44.4 million. Due to competing demands on funds, Land Transport NZ was only able to allocate an additional \$10.0 million to the property programme during the year.

Passenger Transport Infrastructure output also contributed to over expenditure. Although \$7.0 million funding was initially approved for the Northern Busway project this was increased to \$12.7 million due to accelerated progress. In conjunction with the busway, the Esmonde Road Interchange is also being upgraded with provision for north-facing ramps and an east-to-west connection between Takapuna and Northcote.

Cost of Outputs¹

Output	2002/03 Actual \$M	2003/04 Actual \$M	2004/05 Target \$M	2004/05 Actual \$M
Construction	195.0	259.5	353.7	340.2
Pavement Smoothing	5.2	5.2	4.2	3.8
Minor Safety Projects	10.8	26.4	24.5	26.0
Property Purchase	58.0	64.8	44.4	62.0
PT Roding Infrastructure	3.3	3.1	7.4	13.9
Total	272.3	359.0	434.2	446.0

¹ Administration costs have been allocated across all outputs

Management Comment

The overall out-turn was \$11.7 million (2.6 percent) over the approved allocation. This resulted cumulatively from the underspend in construction, overspend in property due to advanced purchases and the Northern Busway project construction progress exceeding expectations. During 2004/05 some capital projects were adversely affected by factors such as appeals to the Environment Court, extended stakeholder consultations and alignment issues, delays in property acquisition and workflow management with industry to counter industry resource limitations. These factors increased project costs and delayed completion. Further comment on the overall out-turn is contained under the comment above.

Pavement Smoothing

Description	Unit	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual
Cost	\$M	5.2	5.2	4.2	3.8
Length	km	23	23	30	17.8
Unit Cost	\$/km	226,087	226,087	140,000	213,483

Achievement Against Management Performance Measures

Management Comment

A total of 17.8 kilometres of treatment was undertaken. This included 4.6 kilometres of conventional treatment and 13.2 kilometres of truck ride improvements. The target set at the beginning of the year for unit cost and length was very optimistic and was not achieved. However, when compared to the original allocation, the achievement shows a positive return for every dollar spent and compares favourably to the previous two years.

Property Purchase

Description	Unit	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual
Cost	\$M	58.0	64.8	44.4	62.0

Management Comment

The actual cost of purchasing property needed to deliver the state highway programme was above the approved allocation. This was mainly due to settlements on several large long-term projects, which Transit's Board had previously decided to purchase in advance.

Passenger Transport Roothing Infrastructure

Description	Unit	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual
Cost	\$M	3.3	3.1	7.3	13.9

Management Comment

The \$7.0 million for this output was approved for the Northern Busway project. Due to better-than-expected progress on the project, expenditure increased to \$12.7 million for the year.

Capital Work Costs

Description	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual
Percentage completion of National Land Transport Programme by fee cost of capital works ¹	94.9	101	≤ 103	100
Percentage completion of National Land Transport Programme by construction cost of capital works ¹	94.8	107	≤ 103	98.6

¹ Targets are consistent with the Agreement between Land Transport NZ 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

A good result was achieved for both fees and construction phases for the year.

Achievement Against Management Performance Measures

Status of Projects in Transit Regions

The following list provides the region, status and phase cost (forecast) associated with capital projects implemented during the year.

Auckland/Northland

Fees Project

- Dome Hill Realignment (Investigation)
- Hoteo Bridge Realignment (Investigation)
- Bulls Gorge Realignment (Design)
- Greenlane East Interchange (Design)
- Orewa Township Upgrade (Investigation)

Construction Completed

- Hungry Creek Road Passing Lane (\$2.2M)
- Esmonde Road Interchange (\$13.5M)
- Flyger Road Passing Lane (\$0.8M)
- Huatau Slip Reconstruction (\$0.4M)
- Kaingaroa Hill Realignment (\$1.1M)
- Longhill Passing Lane (\$2.3M)
- Tauroa Stream Bridge Passing Lane (\$1.1M)

Construction Commenced and Underway

- ALPURT - Sector B2 - Toll Road (\$300.0M)
- Central Motorway Junction (Stage 1 & 2) (\$195.4M)
- Waitiki Landing to Cape Reinga Stage 1 (\$5.7M)
- Mount Roskill Extension (\$167.4M)
- Upper Harbour Bridge Duplication (\$36.8M)

Waikato/Bay of Plenty

Fees Project

- Coromandel Road Information System (Investigation)
- Otorohanga Southbound Passing Lane (Investigation & Design)
- Kopu East Passing Lane (Investigation)
- Church to Avalon Drive 4 Laning (Design)
- Tauranga Eastern Arterial (Investigation)

Construction Completed

- Huntly Internal Bypass (\$4.7M)
- Te Maunga to Maungatapu Safety Improvements (\$3.8M)
- Old Taupo Road 4 Laning (\$2.0M)
- Sarjants Corner – Awaitei Seal Widening (\$0.4M)
- Campbell Road South Passing Lane (\$0.5M)

Construction Commenced and Underway

- Maramarua Expressway Safety Improvements (\$3.3M)
- Control Gates Bridge Cycleway (\$0.5M)
- Hewletts Road Flyover (\$28.1M)
- Matata Underpass Realignment (\$5.5M)
- Te Maunga Junction Intersection (\$0.2M)

Hawke's Bay/Gisborne

Construction Completed

- Farndon Road Passing Lane (\$0.5M)
- South of Ngatarawa Road Curve Upgrade (\$0.6M)
- Wakarara Road Intersection Upgrade (\$0.3M)

Manawatu/Wanganui/Taranaki

Fees Project

- Mangaorei Road Intersection (Investigation)
- Pilot Road South Realignment (Investigation)
- Muggeridge South Realignment (Investigation)
- Wikitoria Road Intersection (Investigation)
- Awahuri Intersection (Design)

Construction Completed

- Mangaiti & Devon Intersection (\$0.2M)
- Himatangi – Levin Seal Widening (\$0.4M)
- Shannon South Curve (\$0.3M)
- McHardies Road North Safety Improvements (\$0.2M)
- Kukuta North Dropout (\$1.3M)

Wellington/Nelson/Marlborough

Fees Project

- Rimutaka Corner Easing (Investigation)
- Kapiti Western Link (Stage 1) (Investigation)
- Haywards – SH2 to Summit 4 Laning (Investigation)
- Wellington Region Variable Message Sign (Investigation)
- Waiohine Bridge (Design)

Achievement Against Management Performance Measures

Status of Projects in Transit Regions (continued)

Construction Completed

- Elevation Overbridge (\$2.5M)
- Owen River Bridge (\$2.8M)
- Lodder Lane Intersection (\$0.3M)
- Seventeen Valley Passing Lane (\$0.5M)

Construction Commenced and Underway

- Inner City Bypass (\$38.9M)
- MacKays Crossing Overbridge (\$17.0M)
- Rai Saddle Curve Realignment (\$0.3M)

Canterbury/West Coast

Fees Project

- Pound Road Intersection Improvement (Investigation)
- Orari North Passing Lane (Investigation)
- Hinds Passing Lane (Investigation)
- Winchester Southbound Passing Lane (Investigation)
- Empire Road Off-Ramp (Design)
- Kowai River No 2 Bridge (Design)
- Otumatu Point Curve Improvement (Investigation)

Construction Completed

- Normanby Realignment (\$5.3M)
- Hurunui Road Curve Realignment (\$1.1M)

- Rakaia Overbridge Upgrade (\$0.5M)
- Hells Gate Curve Improvements (\$1.6M)
- Dawsons to Tindalls Creek Guardrails (\$0.2M)

Otago/Southland

Fees Project

- Riccarton/School Road Intersection Improvements (Investigation)
- Tunnel Hill Realignment (Investigation)
- Homer East Portal Avalanche Shed (Investigation)
- Edendale Realignment (Investigation)
- Mill Road Intersection Improvements (Investigation)
- Tumai to Waikouaiti Realignment (Design)
- Lake Road Passing Lane (Design)
- Gold Mining Centre Vertical Realignment (Design)
- East Curve Realignment (Investigation)

Construction Completed

- Lorneville Roundabout (\$0.1M)
- Butchers Dam Realignment (\$0.4M)
- Wye Creek Bridge 2 Laning (\$0.6M)
- Waitiri Passing Lane (\$0.3M)

OUTPUT GROUP 4 & 5: Regional Development and 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 are:

Group 4: 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.

Group 5: Promotion of Walking and Cycling

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

Outputs

Under Output Group 4, the budget was originally allocated for two potential regional development projects. These projects were of very low priority in the regional land transport plans concerned and the allocation was transferred for use under Improvement Projects.

Under Output Group 5, Transit has both completed and is progressing a number of walking and cycling projects around the country, including footpaths, pedestrian underpasses or overpasses, cycleways (separate from the road) and cycle lanes. Many of the projects integrate with the walking and cycling networks, particularly in urban areas. The remainder have the objective of removing 'pinch points' for cyclists on rural state highways.

In addition, all Transit roading projects must now consider walking and cycling improvement at the time of design.

Cost of Outputs

Output	2002/03 Actual \$M	2003/04 Actual \$M	2004/05 Target \$M	2004/05 Actual \$M
Walking and Cycling	0.7	1.3	1.0	0.9
Regional Development	N/A	N/A	0.3	0.0
Total	0.7	1.3	1.3	0.9

Output Group 5: Promotion of Walking and Cycling

Description	Unit	2002/03 Actual	2003/04 Actual	2004/05 Target	2004/05 Actual
Percentage of projects with design starting in current year which considered walking and cycling features in design brief	percent	100	100	100	100



R van Barneveld
Chief Executive

AUDIT REPORT TO THE READERS OF TRANSIT NEW ZEALAND'S FINANCIAL STATEMENTS for the year ended 30 June 2005



Audit New Zealand

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 2005.

Unqualified opinion

In our opinion the financial statements of Transit New Zealand on pages 22 to 31 and 34 to 59:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - Transit New Zealand's financial position as at 30 June 2005; 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 28 October 2005, 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 2005. 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 2005 included on Transit New Zealand's website. Transit New Zealand's board is responsible for the maintenance and integrity of 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.

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 28 October 2005 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

Austrroads

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.

Land Transport NZ

Land Transport New Zealand.

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.

NLTP

For each year a National Land Transport Programme, as approved by the board of Land Transport 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

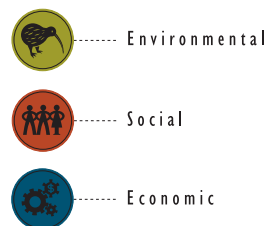
Smooth Travel Exposure measures the percentage of vehicle kilometres travelled on highways smoother than the target roughness values.

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* and the *Sector Supplement for Public Agencies Pilot Version 1.0* 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 <ul style="list-style-type: none"> - Chairperson's report - Chief executive's report 	page 2 pages 4, 5 pages 12, 22
	Profile <ul style="list-style-type: none"> - Organisational profile - report scope - The year in review 	page 12 pages 10-11
	Governance Structures and Management Systems <ul style="list-style-type: none"> - Governance and structure - Stakeholder engagement - Overarching policies and management systems 	pages 3, 6 pages 8, 9 pages 6, 12, 13-17
Economic (Direct Economic Impacts)	<ul style="list-style-type: none"> - Customers - Suppliers - Employees - Providers of capital - Public sector 	pages 25, 26 pages 37, 49-59 pages 7, 37, 42 pages 34-37 pages 34-37
Environmental	<ul style="list-style-type: none"> - Materials - Energy - Water - Biodiversity - Emissions, effluents, and waste - Noise - Suppliers - Products and Services - Compliance - Overall 	page 17 page 24 pages 17, 24, 33 pages 17, 21 page 24 pages 10, 24 page 33 pages 10, 11, 17, 24 page 27 pages 11, 17, 21
Social (Labour Practices and Decent Work)	<ul style="list-style-type: none"> - Employment - Labour/management relations - Health and safety - Training and education - Diversity and opportunity 	pages 1, 4, 7 page 7 pages 11, 14, 21, 23, 28 page 7 pages 11, 15
(Human Rights)	<ul style="list-style-type: none"> - Strategy and management - Indigenous rights - Freedom of Association 	page 12 (see comment) pages 17, 23
(Society)	<ul style="list-style-type: none"> - Community - Political contributions - Competition and pricing 	pages 22-31, 33 N/A (see comment)
(Product Responsibility: respect for privacy)	<ul style="list-style-type: none"> - Customer Health and Safety - Products and Servicing - Advertising 	pages 5, 11, 14, 23, 28 N/A

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).