

NZ TRANSPORT AGENCY

Q1 PERFORMANCE

1 July – 30 September 2017



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OVERVIEW

HIGHLIGHTS FROM THE FIRST QUARTER

- Reinstating critical transport connections in Kaikōura
- Launching the Transport Agency's new operating model
- Partnering with councils to address local issues
- Preparing to develop the next National Land Transport Programme

OUR FOCUS AREAS THIS QUARTER

CONNECT AND DEVELOP REGIONS

Kaikōura Earthquake Response – The continuing work to reinstate State Highway 1 through North Canterbury and Marlborough to ensure it can be open to traffic by the end of December 2017. Working in an alliance with KiwiRail Ltd, reinstatement of the rail line was completed in September. This work re-establishes a vital connection for the impacted communities, as well as freight and tourism. We are making sure that this strategic route will be more resilient in the future.

TRANSFORM THE TRANSPORT AGENCY

Launched the Transport Agency's new operating model – The new operating model and structure was launched on 3 July. This is vital to the transformation of the Transport Agency's ability to deliver on a strategy-led organisation. During the quarter there has been significant activity to build the culture across the organisation that is needed to team up and deliver on changes needed to address current and future transport challenges.

TARGET RAPID GROWTH

Partnering with councils to address local issues – An example is the completion of the first of three projects working as part of the Queenstown Transport Governance Group — a partnership between the Transport Agency, Queenstown Lakes District Council, Otago Regional Council and Queenstown Airport — to improve mobility in and around Queenstown. These projects will improve traffic flows and relieve congestion, as well as promote the use of public transportation and make walking and cycling easier

SHAPE THE LAND TRANSPORT SYSTEM

Setting up for the next National Land Transport Programme (NLTP) – Work is under way on the initial steps of the 2018–21 NLTP. This set up work has included the key steps of developing internal capability to review Regional Land Transport Plans and the assessment and prioritisation of activities proposed for inclusion in the NLTP. We have established a support model which identifies key Transport Agency contacts to help partners with each dimension of the NLTP. The development of the NLTP is a key Transport Agency deliverable for the year and there will be close attention to it during the year to make sure it is successfully delivered.

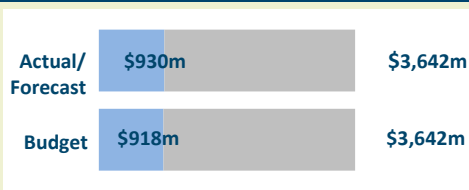
FINANCIAL SUMMARY

Our financial performance is on track.

■ Year to date ■ Full year

NATIONAL LAND TRANSPORT FUND REVENUE

\$12m
above
budget



Revenue year to date is 1 percent above budget with lower fuel excise duty offset by higher road user charges.

NATIONAL LAND TRANSPORT PROGRAMME (FUNDED FROM THE NATIONAL LAND TRANSPORT FUND) AND CROWN FUNDED EXPENDITURE

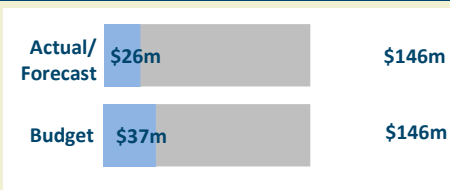
\$22m
below
budget



Expenditure year to date is 3 percent below budget mainly due to lower spending on state highway improvements offset by activities on Kaikōura SH1 reinstatement and Auckland Transport Package.

NZ TRANSPORT AGENCY NET OPERATIONAL EXPENDITURE

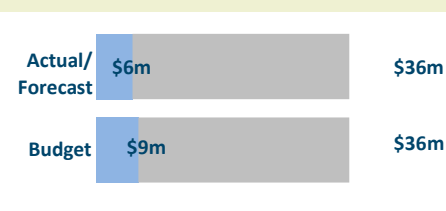
\$11m
below
budget



Net operational expenditure year to date is 30 percent below budget primarily due to the lower expenditure in investment management and road safety promotion, and higher motor vehicle registration revenue.

NZ TRANSPORT AGENCY OPERATIONAL INITIATIVES

\$3m
below
budget



Operational initiatives expenditure year to date is 37 percent below budget, with only inflight projects from last year in progress. Eleven projects had budgets approved during September and will begin implementation in the second quarter.

ZEROHARM ENSURING THE HEALTH AND SAFETY OF OUR PEOPLE

In everything we do, we want all our people to go home safe and healthy, no exceptions. ZeroHarm is about taking a proactive approach to looking after those who work for us and on our behalf – because it's the right thing to do by our people, their families and friends.

WHAT WE DID THIS QUARTER

Health and Safety Management System

A framework management system was developed for our intranet that will enable easy access to guidance material and risk management tools. The structure is aligned to recognised standards and links to other Transport Agency tools and systems, such as Learning Zone and WorkPlace. Staff input and consultation started on content via the Health and Safety committees and an implementation plan was developed to manage consultation and communication requirements.

Workplace Safety & Wellbeing Committees

Workplace committees have been reformed to ensure representation and consultation opportunities are in place at all workplaces. Standard tools and meeting templates have been implemented. Coaching and training has been provided to committee members and worker representatives.

Project Health and Safety Governance and Oversight

Governance reviews were completed on two maintenance contract operations that experienced worker fatalities the previous quarter. This included assessment of identified corrective actions to ensure that all Transport Agency and contractor practices and processes had been reviewed accordingly. Additionally health and safety audits were completed on a number of capital construction projects in conjunction with project managers.

Independent review of physical security at Transport Agency workplaces

A work plan was developed that incorporated the findings and recommendations arising from the physical security review conducted across Transport Agency office locations. The security governance group met to discuss the work plan and agree on priority actions to address identified critical risks. These included physical alterations to work places to allow separation of staff and public.

Safe Driving Policy

The Safety and Wellbeing team continued to progress ongoing initiatives and programs throughout the first quarter. This included a final draft Safe Driving Policy was developed in conjunction with Safety and Environments group. The policy supports the online training module and has been developed to provide a competency framework that can be made available to other government departments.

SAFETY STATISTICS — OUR PEOPLE

Key measure	YTD Trend	Current quarter (01/07–30/09)	Previous quarter (01/04–30/06)	YTD (Aug16–Sep17)
Fatality	→	0	0	0
Lost time injury	→	0	0	1
First aid injury	↓	9	2	19
Medical treatment injury	↓	2	5	28
Non-treatment injury	↓	1	4	23
Risk or Near misses	↑	29	18	112



WHAT WE HAVE PLANNED FOR NEXT QUARTER

Project Health and Safety Governance and Oversight

October will see the commencement of the 2017/18 Health and Safety audit schedule, which will review performance across construction and maintenance projects. Focus areas for audits will be subcontractor management, temporary traffic management and mobile plant safety. The audit program includes a monthly self-assessment of a health and safety management system element that will support the implementations schedule. The audit program will trail tools that have been developed in conjunction with project managers for use across construction and maintenance activities.

Health and Safety Performance Reporting

A standard project performance reporting framework will be piloted across both capital construction and maintenance contract projects. This is intended to improve the Transport Agency's ability to develop trend analysis and consistent performance reports that will better inform our project delivery teams and supply chain partners of the learnings and good practice trends we are experiencing on projects.

Annual Health and Safety Knowledge Forum

The third annual Transport Agency Health and Safety Knowledge forum will be held in Auckland in November. The forum will focus on wellbeing and includes workshops facilitated by recognised experts in the field of fatigue and impairment. It will be attended by people across the supply chain as well as by Transport Agency senior project managers. The forum is an opportunity for Transport Agency and its suppliers to increase their awareness of good practice and to implement in our work environments.

Wellbeing Program

The Wellbeing Program will be focusing on providing information to allow our people to improve their understanding of mental health and develop capabilities to build resilience. This will commence with information and tools for leaders to manage mental health in the work place being provided to people leaders as part of Mental Health Awareness Week.

Health and Safety Management System

The Health and Safety Management System: will be populated with content providing guidance on how to identify and manage health and safety risks in our workplaces and project environments. The content implementation will be supported by communication plan that has been developed in conjunction with channels and communications teams.

SAFETY STATISTICS — OUR CONTRACTORS

Key measure	YTD Trend	Current quarter (01/07 – 30/09)	Previous quarter (01/04 – 30/06)	YTD (Sep 16 – Sep 17)
Fatality	↓	0	2	2
Notifiable injury	↓	2	1	9
Lost time injury	↓	13	5	32
Medical treatment injury	↓	19	13	62
First Aid injury	↓	89	65	358
Near misses	↓	1241	2139	10049

FEATURE

RESTORING STATE HIGHWAY 1 NORTH AND SOUTH OF KAIKŌURA

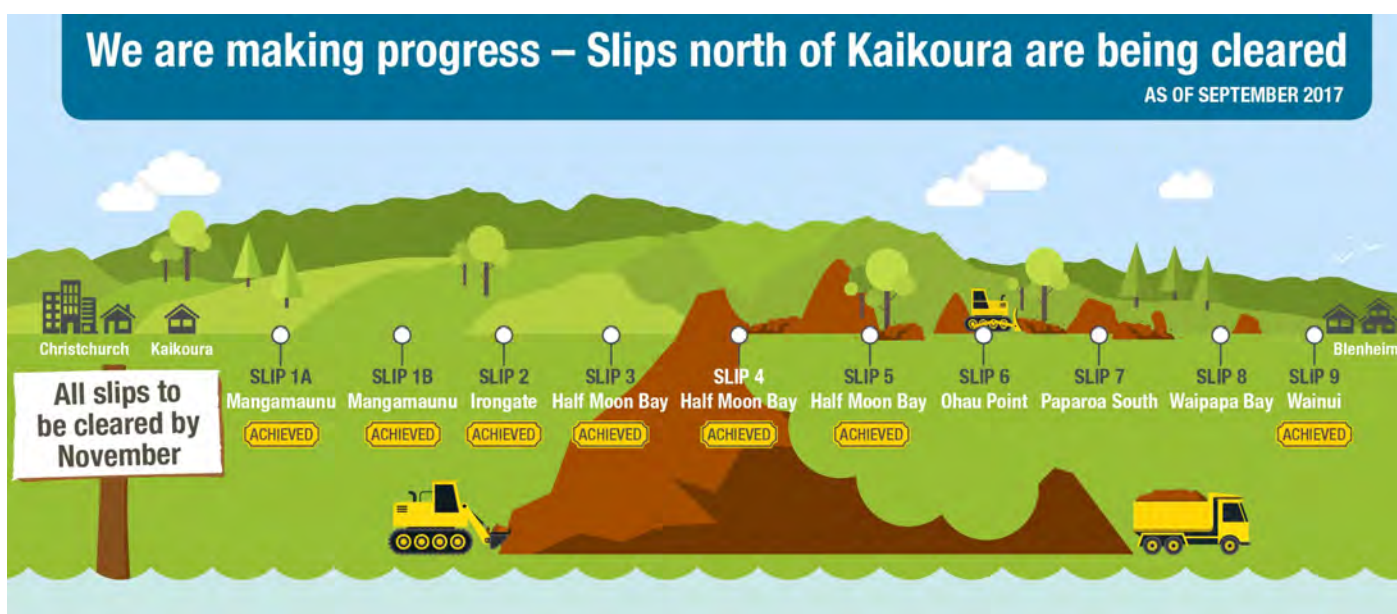
The 2016 Kaikōura earthquake caused significant damage to the area, closing both State Highway 1 and the Main North Line railway between Picton and Christchurch. This has disrupted the lives of those who live along the highway and who rely on the road and rail networks to access their homes, farms and businesses and the movement of goods to market.

With just a few months left before the end of the year, crews working on State Highway 1 between Christchurch and Picton are working hard to complete a number of key projects that will enable the road to reopen and keep rail freight running on the Main North Line.

The initial stages of the project were driven by the need to clear slips and get the Main North Line reopened. The rebuild of the highway began in earnest during the first part of winter and includes bridge repairs and building, seawall construction and road realignment, rock fall mitigation, tunnel repairs, and fixing the highway.

While work is happening on the ground at the critical sites, the office-based design teams (drainage, roading, geotechnical and structures) play a critical role in getting the jobs done. Supporting everyone with much needed mapping information is the Geographic Information System team.

South of Kaikōura work is taking place at more than 10 sites at the same time. Projects include rock fall mitigation and stabilising cliffs, tunnel repairs, bridge repairs and a massive work programme in the Hundalee.





North of Kaikōura, seven of the 10 major slips that came down after the November 2016 earthquake are cleared and work continues to clear the final three. This work should be completed by next month. Getting the slips cleared was the critical first step to make it safe for workers to begin building kilometres of seawalls, realigning the highway, and building/repairing bridges and retaining walls.

PROTECTING KAIKŌURA'S SEAL COLONY

Thousands of seals have been moved off construction sites and to safety during the rebuild of State Highway 1.

For most of this year, construction crews have been working to make Ohau Point safe, sluicing the slip sites and clearing debris, and now building a new road. During this time, professional seal handlers have moved 4500 seals away from the construction zone to the safety of the sea.

Senior Seal Handler Simon Childerhouse has more than 20 years' experience as a marine biologist and is a seal specialist. He has a PhD on NZ Sea Lions to prove it. As one of the country's seal experts he has been heading up the work on site to help keep seals and their pups safe. He's one of a handful of people on the project who are permitted to physically move the protected fur seals.



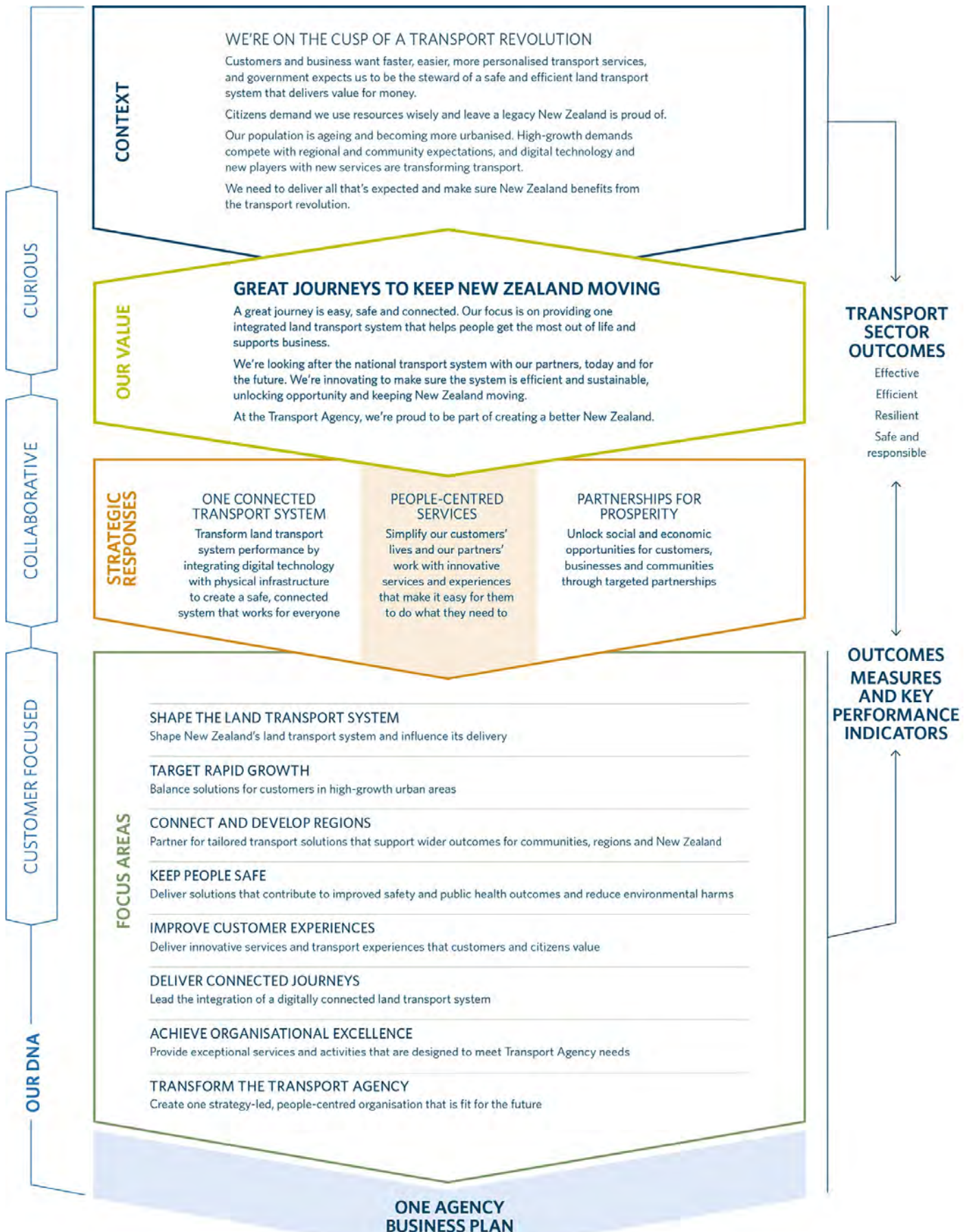
Simon Childerhouse holds a baby seal near Kaikōura.

'We have a huge amount of construction activity on the door step of New Zealand's largest fur seal colony, we're simply shifting them to safety so they can spend their day resting on rocks and we can continue to build a new road nearby,' said Simon.

There are about 2000 seals in the colony. Every day the handlers can move between zero to 100 seals, depending on how close they get to the work site. Simon says 90 percent of the seal team's job is building and maintaining relationships with the crew. As soon as a wayward seal is spotted, the seal handler team receive a tip off from the crew member so the seal can be safely moved off the work site and construction can continue.

'The construction crews have integrated the seal handlers into their teams. They've been really supportive, even when we are stopping their work so we can safely shift seals,' Simon said.

OUR STRATEGY



OUR CONTEXT

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

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

OUR VALUE

GREAT JOURNEYS TO KEEP NEW ZEALAND MOVING

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

STRATEGIC RESPONSES — THREE BIG CHANGES

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

One connected transport system

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

People-centred services

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

Partnerships for prosperity

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

FOCUS AREAS — MAKING THE THREE CHANGES

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

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

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



DETAILED PROGRESS REPORT

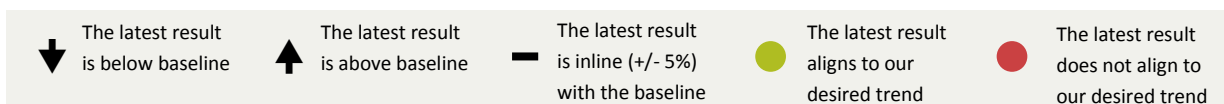
OUR FOCUS AREAS

We measure performance in our focus areas by tracking progress towards a set of specific outcomes that we aim to achieve. The following section summarises our progress towards achieving these outcomes by reporting the trend of key performance indicators to see if they match our desired result and by providing updates on the delivery of significant activities for each focus area.

Detailed information on each focus area, what it aims to achieve and the technical detail of its key performance indicators can be found in our [Statement of performance expectations 2017/18](#).

HOW WE TRACK OUR PROGRESS AGAINST OUR OUTCOME

To determine our progress toward the desired outcomes, we monitor key performance indicators (KPI) for each focus area. We track indexes of time series data for which we have determined a desired trend.



HOW WE TRACK OUR PROGRESS AGAINST OUR SIGNIFICANT ACTIVITIES

To monitor our performance against the delivery of our significant activities in 2017/18, we are utilising a 'delivery confidence' rating. This rating is focused on how confident we are that we can successfully deliver the significant activity — as specified in the Statement of performance expectations — by the end of the financial year.

This approach has been adopted from the methodology the Treasury use to report on major capital projects in New Zealand. The approach is future focused, with ratings based on whether the project is on schedule and to budget, as well as consideration of whether it is still on track to achieve its expected benefits. The delivery confidence rating provides the ability to monitor, manage and report on risks at a governance-level of interest.

DELIVERY CONFIDENCE ASSESSMENT SCALE



Successful delivery of the significant activity to time, cost and quality is highly likely and there are no major outstanding issues at this stage appear to threaten delivery



Successful delivery of the significant activity is probable. However, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.



Successful delivery of the significant activity is feasible, but significant issues exist requiring management attention. These appear resolvable at this stage and if addressed promptly, should not impact delivery or benefits expected



Successful delivery of the significant activity is in doubt with major risks or issues apparent for a number of key areas (time, cost, quality, benefits). Prompt action is needed to ensure these are addressed, and whether resolution is feasible.



Successful delivery of the significant activity is to be unachievable. There are major issues on definition, schedule, budget, quality or benefits delivery, which at this stage do not appear to be manageable or resolvable. The significant activity may need to be re-baselined and/or its overall viability reassessed.

SHAPE THE LAND TRANSPORT SYSTEM

Shape New Zealand's land transport system and influence its delivery

Outcome: Transport sector decision-making, investment and regulatory and policy interventions are based on a shared long-term view of the land transport system.

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

- influence and collaborate with our investment and delivery partners to develop an aligned view on the pressures, state and responses (including timing) at national and regional levels for an integrated land transport system
- plan with the whole transport system in mind (including the most important interventions required to enable one land transport system)
- take a consolidated and coordinated approach to the timing and progress of the agreed interventions, whether regulatory, policy, planning or investment focused. transport services within and between regions and minimises environmental and personal harms.

KPI Result

Partner experience



Under development

Desired trend — Increase

OUR HIGHLIGHTS THIS QUARTER

This quarter we:

- updated the first version of the Long-Term Strategic View to incorporate an initial round of feedback. We also began planning a series of discussions with our local government partners and have prioritised their statutory process against the outcome sought by the Long-Term Strategic View. Working collaboratively with our local government partners to develop a shared view of the future challenges and opportunities for New Zealand's transport system will help ensure that central and local government take a coordinated approach to planning, operating and building a transport system the works for all of the country
- began work on the initial steps to develop the 2018–21 National Land Transport Programme (NLTP). This set up work has included the key steps of developing internal capability to review Regional Land Transport Plans and the assessment and prioritisation of activities proposed for inclusion in the NLTP. We have established a support model which identifies key Transport Agency contacts to help partners with each dimension of the NLTP. The development of the NLTP is a key Transport Agency deliverable for the year and there will be close attention to it during the year to make sure it is successfully delivered
- prepared the Setting of Speeds Limits Rule to establish a new speed setting mechanism that is focussed on assisting road controlling authorities to set safe and appropriate speed limits, in particular in areas where there are high-benefit opportunities. The rule was signed by the previous Minister of Transport in August 2017, and went into effect in September.

THIS YEAR'S SIGNIFICANT ACTIVITIES

DELIVERY
CONFIDENCE

1.1 Lead the co-creation of a long-term strategic view of New Zealand's land transport system that all of our partners can easily access to inform their decision making.

G

1.2 Develop the 2018–21 National Land Transport Programme with a revised Investment Assessment Framework that gives effect to the Government Policy Statement on Land Transport, including: an increased focus on resilience; support for housing development; use of technology to improve the realisation of benefits; and clarification of the contribution of the National Land Transport Fund to reducing environmental harms.

G

1.3 Prepare and draft the Setting of Speed Limits and Driver Licensing Amendment Rules for signature by the Minister of Transport.

G

CHALLENGES WE'RE FACING

Re-establishing the appropriate relationships with our local government following our move to a new organisational structure will be crucial to the development of the 2018–21 National Land Transport Programme.

WHAT WE'RE WORKING ON NEXT QUARTER

Next quarter we will:

- begin a series of conversations with our local government partners on the future challenges and opportunities for New Zealand's transport system
- continue to develop the 2018–21 National Land Transport Programme with our local government partners.

IN FOCUS

NEW INFORMATION AND MODELLING TECHNOLOGY ENABLES COLLABORATION

We are working on a project to enable road managers all over the country to work together on complex projects, in real time, using the same up-to-date information.

This will be facilitated by enhancing base technology developed for the construction industry, Building Information Modelling/Management, and modifying it to build a real time tool for designing, maintaining, and mapping the national road network.

The national road network is managed by more than sixty local authorities, as well as the Transport Agency, plus vital input from contractors and consultants, and if successful this tool will be a major breakthrough to enable collaboration and achieve one connected transport system.

The Transport Agency is also working with our stakeholders in local government to ensure that the product can be easily rolled out across the whole road network once the basic 'spine' is in place.

TARGET RAPID GROWTH

Balance solutions for customers in high-growth urban areas

Outcome: Improved customer experience of urban travel in high-growth urban areas.

Through Target rapid growth we aim to significantly change the way people and businesses in high-growth urban areas are able to manage their transport needs. This means balancing the provision of new infrastructure with travel demand management and network optimisation that make the most of digital technologies and travel information. In particular, we will work swiftly to:

- deliver network improvements that unlock residential and business growth by ensuring planned developments have easy access to efficient transport choices and other amenities
- harness technology to make the best use of the transport system, incentivise a significant shift from single occupancy vehicles to other more efficient transport modes, and support predictable and reliable mobility services in real time
- improve the availability of real-time and multi-modal transport information for customers on the go.

KPI Results*

Network productivity

Available June 2018

Desired trend — Maintain

Network accessibility



Under development

Network travel time predictability



Desired trend — Maintain

OUR HIGHLIGHTS THIS QUARTER

This quarter we:

- supported the Ministry of Transport to draft an initial report on the use of road pricing as a demand management tool to help high-growth areas cope with the increasing demands on the transport system
- completed the first of three projects working as part of the Queenstown Transport Governance Group — a partnership between the Transport Agency, Queenstown Lakes District Council, Otago Regional Council and Queenstown Airport — to improve mobility in and around Queenstown. These projects will improve traffic flows and relieve congestion, as well as promote the use of public transportation and make walking and cycling easier
- established a collaborative working arrangement with Auckland Transport to focus on ways to optimise Auckland's existing transport system to improve the performance of key urban routes and provide customers with predictable and reliable journeys
- agreed with Auckland Transport to establish the Auckland Technology Transformation Group so that Auckland's transport system is able to utilise advances in digital technology to improve customer experiences and ensure that the city is prepared for advances in vehicle technologies
- continued to see the benefits of implementing the Public Transport Operating Model in major urban centres. This quarter, Auckland saw a 7.4 percent growth in public transport patronage compared with the same quarter last year.

THIS YEAR'S SIGNIFICANT ACTIVITIES

2.1 Support the Ministry of Transport in its role to investigate the introduction of road pricing as a demand management tool in Auckland.

DELIVERY
CONFIDENCE



2.2 Develop a framework in conjunction with Auckland Transport that uses traffic management and investment prioritisation to improve the productivity and flow of agreed urban routes in Auckland, and that could be applied to other urban areas.



2.3 Establish the Auckland Technology Transformation Group in conjunction with Auckland Transport and agree a roadmap for delivering digital transport systems in the region.	G
2.4 Lead the design and development of businesses cases for transport interventions identified by the Auckland Transport Alignment Project.	G
2.5 Deliver significant capital projects to schedule.	G
2.6 Develop a programme of activities to provide travel choices to customers in areas under pressure from growth.	G

MONITORING OUR PROGRESS*

Through this focus area we aim to significantly change the way people and businesses in high-growth urban areas are able to manage their transport needs. We track travel time predictability to understand the customer experience of urban travel in high-growth urban areas as part of this focus area. This means people and businesses should be able to retain their current ability to predict travel times allowing them to get to their destinations on time. The indicator of travel time predictability remains inline with baseline at 73 percent on the urban network this quarter.

WHAT WE'RE WORKING ON NEXT QUARTER

Next quarter we will:

- work with the Ministry of Transport to identify opportunities to trial and pilot road pricing investigations
- agree a set of key routes and areas to prioritise in Auckland for targeted traffic management and investment to improve productivity and flow
- continue to work with Auckland Transport to progress the Auckland Technology Transformation Group by agreeing the terms of reference for the group
- continue the tender process for projects identified by the Auckland Transport Alignment Project
- include a draft programme of travel choice activities in the development of our 2018/19 business plan.

CONNECT AND DEVELOP REGIONS

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


Outcome: Improved regional and interregional transport system service quality for people, freight and business.

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


- support regional economic development and interregional connections for business, freight and tourism
- co-design and deliver tailored transport solutions that support access to social and economic opportunities for regional communities and customers, particularly those facing significant social and economic challenges
- deliver a resilient, safe and efficient transport system that enables integrated transport services within and between regions and minimises environmental and personal harms.

KPI Results*

Network productivity
Available June 2018
Desired trend — Maintain

Network accessibility
Drivers without a licence

Desired trend — Decrease

Network travel time predictability
Baseline for the June-August is 95%
Desired trend — Maintain

Network resilience
Duration of closures

Desired trend — Maintain

OUR HIGHLIGHTS THIS QUARTER

This quarter we:

- put in place our new organisational structure to manage our stakeholder relationships and established new connections with our central and local government Regional Economic Growth Programme partners. Through these connections we will ensure that our activities are aligned to regional aspirations so that transport is able to provide safe connections to social economic opportunities for all of New Zealand
- continued work to reinstate State Highway 1 through North Canterbury and Marlborough to ensure it can be open to traffic by the end of December 2017. Working in an alliance with KiwiRail Ltd, reinstatement of the rail line was completed in September. Our work is re-establishing a vital connection for the impacted communities, as well as freight and tourism. We are making sure that this strategic route will be more resilient in case of any future events
- continued to deliver the programmes listed in the 2015–18 National Land Transport Programme to agreed standards and timeframes.

THIS YEAR'S SIGNIFICANT ACTIVITIES

DELIVERY CONFIDENCE

3.1 Support and deliver our part of agreed Regional Economic Development Action Plans.



3.2 Contribute to economic growth and productivity, road safety, travel choices, environmental and personal health, and resilience through the delivery of the final year of the 2015–18 National Land Transport Programme.



3.3 Rebuild State Highway 1 in accordance to the Kaikōura Earthquake Response.



3.4 Deliver significant capital projects to schedule.



MONITORING OUR PROGRESS*

We are committed to improving regional and interregional transport system service quality for people, freight and business. To help us understand how well we deliver transport activities that are integrated and unlock social and economic opportunity, we look at transport system quality via travel resilience, time predictability, and network accessibility.

The time taken to address closures on state highways helps us understand the resilience of the transport system and how reliably our customers can get to their destinations. The results this quarter (an increase from 1,355 hours at June 2016 to 8,552 hours), reflects a number significant events that occurred during the period. For example, the Manawatū Gorge and the Murupara slip and washout made some state highway sections unavailable for in excess of 1,000 hours. Work is under way on a revised KPI.

This quarter we began tracking travel time predictability on the rural network (currently 95 percent). As we capture more data over time we will be able to put future performance into more context. However, we do know that there has been a recent decline in predictability caused by more vehicles using rural roads.

If fewer people in rural areas are driving without a valid licence, that means more people have safe and legal access to social and economic opportunities. There was a 15 percent decrease in the number of people found driving without a valid driver licence compared to the March 2017 baseline. While this result gives us some insight into the accessibility of the transport network, work has begun on more comprehensive measurement of accessibility.

CHALLENGES WE'RE FACING

Wet weather continues to hamper projects that are in construction, which is impacting the state highway investment programme of the National Land Transport Programme. The National Institute of Water and Atmospheric Research reported above normal rainfall for much of the country during the first quarter.

The Rangiriri and Hamilton sections of the Waikato Expressway Road of National Significance have both experienced construction delays because of the wet weather. There was also a delay to public consultation on the Warkworth to Wellsford section of the Pūhoi to Wellsford Road of National Significance due to further geotechnical investigations to confirm the alignment of the tunnel section through the Dome Valley.

WHAT WE'RE WORKING ON NEXT QUARTER

Next quarter we will:

- open State Highway 1 through North Canterbury and Marlborough, reinstating the critical coastal connection between Picton and Christchurch and proving access to Kaikōura.

IN FOCUS

RESPONDING TO CUSTOMERS TO KEEP BUSINESSES MOVING

Following the November 2016 Kaikōura earthquake, the Marlborough wine industry found itself short of storage capacity due to damage incurred. To address this storage problem, they needed high productivity vehicles (HPMVs) – capable of carrying up to 58 tonnes – to transport large amounts of wine from Marlborough to Napier and Gisborne, but were limited by access: The direct route, via SH2, didn't meet HPMV requirements, and the alternative full-HPMV route via SH1 and the Napier-Taupo Rd added 200km.

It turned out that HPMVs would be able to use the route if a truck's weight could be guaranteed at a maximum of 58 tonnes. Collaborating with the local authorities on the route, the Transport Agency came up with a solution—issuing HPMV certificates with a special condition requiring a weigh bridge certificate.

KEEP PEOPLE SAFE

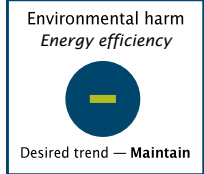
Deliver solutions that contribute to improved safety and public health outcomes and reduce environmental harms

Outcome: The land transport system is increasingly free from harms.

Through Keep people safe we aim to deliver and influence integrated, targeted interventions to prevent or reduce deaths and serious injuries, improve personal security and health, and prevent or reduce environmental harms across all land transport modes. We will work with partners and stakeholders to deliver a safer and healthier land transport system. This will involve:

- shifting the land transport sector’s thinking from ‘safety or mobility’ to ‘safe mobility’ – safety and efficient mobility will be treated as complementary and interdependent outcomes
- developing and implementing one coordinated programme of high-impact interventions to improve safety, public health and environmental outcomes
- embedding the transformational Safe System approach through partnerships and collaboration across the transport sector to create a safe land transport system for everyone

KPI Results*



OUR HIGHLIGHTS THIS QUARTER

This quarter we:

- worked with the New Zealand Police and the Ministry of Transport to agree the terms of reference and the project plan for a review of the Road Policing Programme’s content and mechanics. This review is designed to make sure the Road Policing Programme is providing value for money and is future fit
- launched ‘[The Phoney Case](#)’, which is a follow-on from our ‘Hello’ campaign to encourage phone-free driving. This campaign aims to use this insight and encourages young drivers to question their use of mobile phones while driving. ‘The Phoney Case’ aims to continue the conversation so people can express their unacceptance for use of a mobile phone when driving. We want to continue growing a sense of social pressure
- undertook a baseline of the national charging network of electric vehicles and established the Transport Agency’s charging network monitoring function



THIS YEAR’S SIGNIFICANT ACTIVITIES

DELIVERY CONFIDENCE

4.1 Develop an integrated intervention logic model to optimise safe system investment for the 2018–21 National Land Transport Programme.



4.2 Develop, with transport sector partners, an automated compliance strategy and implementation plan as part of the Safer Journeys Action Plan 2016–2020.



4.3 Complete a joint review with the New Zealand Police and Ministry of Transport of the Road Policing Programme content and mechanics to ensure it is future fit and provides value for money to inform the 2018–21 National Land Transport Programme.



4.4 Deliver a package of advertising, education and other safety information and promotions that target high-risk audiences with behavioural change messages, new knowledge and information.



4.5 Develop guidelines for the infrastructure requirements to enable the early adoption of new vehicle technology.

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4.6 Develop and publish, with the transport sector, a comprehensive view of a national charging network for electric vehicles.

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4.7 Refresh our rail regulatory frameworks, success measures and capability to focus on specific high-risk areas and activities.

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MONITORING OUR PROGRESS*

The energy efficiency of land transport remained steady since the March 2017 baseline. Unfortunately, there was a 12 percent increase in deaths and serious injuries on the road and rail network since the March 2017 baseline. The Transport Agency is committed, along with other agencies, to reducing the number of deaths and serious injuries on the roads. Through the Safer Journeys Strategy, investment is targeted where the greatest gains can be made. These include infrastructure improvements, speed management, safer vehicles and reducing risky behaviour (alcohol and drugs, failure to wear seatbelts).

CHALLENGES WE'RE FACING

There were delays to the establishment phase of the integrated intervention logic model to optimise safe system investment. This means that the timeframe to include the model in the development of 2018–21 National Land Transport Programme will be tight.

The refresh of our rail regulatory framework might be impacted by the ongoing Rail Funding Reviews. However, the timeframe for the completion of the review is unknown at this stage.

WHAT WE'RE WORKING ON NEXT QUARTER

Next quarter we will:

- identify a programme of high-benefit safety improvements for local roads and test it against proposal from our local government partners
- prepare the first tranche of projects to improve safety on a range of low traffic volume routes in four regions
- implement the *Speed Management Guide*
- continue to deliver safety improvements in Otago, Southland and the West Coast as part of the Visiting Drivers Project
- work with our partners to finalise the *Safer Journeys for motorcycling on New Zealand roads*
- analyse the national rapid charging network for electric vehicles to identify gaps
- start to draft safe driving guideline for government departments.

IMPROVE CUSTOMER EXPERIENCES

Deliver innovative services and experiences that customers and citizens value

Outcome: Customers trust us to deliver intuitive experiences that meet their needs and preferences.

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

- using customer insights and design principles to deliver the transport services and experiences that customers and citizens value and expect across the transport system
- removing barriers, so people can interact with us easily and in real time online, and providing information and services that customers value
- differentiating customer and citizen groups by need, so we can provide personalised and tailored experiences that are driven by these needs.

KPI Result

Customer and citizen experience



Under development — Available June 2018

Desired trend — Increase

OUR HIGHLIGHTS THIS QUARTER

This quarter we:

- approved the programme business case for the work to incorporate the New Zealand Business Number into our systems and processes. This project will allow business customers to use their unique New Zealand Business Number to access services, which should dramatically reduce the time and burden on small, medium and large enterprises when they interact with us
- made the necessary changes to our business process to prepare for the transition to new small passenger service rules, which came into effect on 1 October 2017. With new technologies now available, the changes are designed to enable the sector to be responsive to customer needs, encourage competition, allow for new technology and maintain safety for participants. This creates a level playing field for all, with similar rules applying across a range of small passenger services.

THIS YEAR'S SIGNIFICANT ACTIVITIES

DELIVERY CONFIDENCE

5.1 Contribute to all-of-government initiatives including:

- enabling customers to use the New Zealand Business Number to access services
- further enhancements to the drive.govt.nz website.



5.2 Make it easy to engage and do business with us by enabling customers to apply for a Transport Service Licence online.



CHALLENGES WE'RE FACING

The legal requirements related to customer data and privacy might complicate the ability to match data across the driver licence, motor vehicle register, road user charges and tolling databases. This could potentially compromise the full benefits of incorporating the New Zealand Business Number into our systems.

The government's Chief Privacy Officer has recommended that we develop an Approved Information Sharing Agreement — a legal mechanism that authorises the sharing of information between or within agencies for the purpose of delivering public services — between the Transport Agency, Registrar of Motor Vehicles, and Road User Charges collector. This risk will continue to be monitored.

WHAT WE'RE WORKING ON NEXT QUARTER

Next quarter we will:

- develop a set of possible technology solutions to integrating the New Zealand Business Number into our systems. We will also explore the legal options available to ensure that customers will be able to realise the full benefit of using the New Zealand Business Number to interact with us
- launch the first release of our new online driver licence services.

IN FOCUS

PEOPLE-CENTRED THINKING DRIVES LAND TRANSPORT AMENDMENT BILL

The recently-passed Land Transport Amendment Bill has changed the way taxis, shuttles, private hire and app-based services are regulated.

From 1 October 2017, these services became covered under the same rules, and are known as small passenger services (SPS).

An SPS vehicle has 12 seats or less, including the driver. Outdated provisions and rules that impose costs on operators but no longer provide significant benefits have been removed. For taxis, the new approach will mean fewer rules to follow, but it's important they know what those rules are. And some operators, such as private hire and tourism operators, will need to know of their increased requirements.

Simplified rules make it easier for businesses to operate and reduce the cost of doing the right thing. Simplified or reduced rules can also enable more opportunities for our customers to do business better and introduce innovations. That's the kind of people-centred thinking behind the changes.

Of course these considerations need to be balanced with one of the main reasons the Transport Agency regulates the sector: keeping people safe.

DELIVER CONNECTED JOURNEYS

Lead the integration of a digitally connected land transport system

Outcome: Digital solutions enable easier journeys for customers.

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

- a mobility-as-a-service marketplace that connects customers to a digital transport service marketplace where journeys can be accessed and paid for on demand
- an integrated package of digital transport solutions that supports a safe, connected system that works for everyone.

KPI Result

Customer and citizen experience



Under development

OUR HIGHLIGHTS THIS QUARTER

This quarter we:

- launched the *Choice* app in Queenstown as pilot to test a real-time information platform that establishes a marketplace for travellers. Through the marketplace, data feeds from transport providers are brought together all in one place, allowing people to choose their travel option through *Choice*. *Choice* is currently aimed at tourists in Queenstown and we are using it as a test before expanding the service to Auckland Airport
- completed a technical review for emerging vehicle technology trials. These tests will help ensure that New Zealand is positioned to take full advantage of these new technologies once they become mainstream.

THIS YEAR'S SIGNIFICANT ACTIVITIES

DELIVERY CONFIDENCE

6.1 Implement and evaluate a pilot in Queenstown and then Auckland Airport of a national, real-time information platform that establishes a marketplace for customers to plan and book travel across modes.



6.2 Launch the National Incident and Event Management System in Wellington and Christchurch.



6.3 Support and align with the Ministry of Transport to plan and facilitate trials for emerging vehicle technologies.



WHAT WE'RE WORKING ON NEXT QUARTER

Next quarter we will:

- review the initial benefits from the pilot of *Choice* in Queenstown and adjust our benefits realisation framework for mobility as a service
- launch the second version of *Choice* in Queenstown and launch a pilot version of *Choice* at the Auckland Airport
- prepare a commercial proposal and marketing plan for emerging vehicle technology trials
- developing and gaining agreement on the formation of the Transport Technology leadership advisory group
- developing the strategic case for DYNAC replacement
- supporting the North Canterbury Transport Infrastructure Recovery to deliver a State Highway 1 traveller information application using mobile virtual reality and augmented reality technology.

IN FOCUS

MOBILITY AS A SERVICE TRIAL IN QUEENSTOWN

The mobility as a service (MaaS) trial is a collaboration between Otago Regional Council, Queenstown Lakes District Council and the Transport Agency. It aims to integrate any transport service into a single, open mobility marketplace that customers can transact within.

The key is to provide services to customers in a better way than it currently is (across many individual channels across many silos) and to send those solutions to customers down a single, high speed, ultra-low latency, live data channel. This is the core element of the mobility marketplace. Customers can then transact with those services through a customer app, in this case the MaaS team has developed *Choice*, where customers can find a menu of real-time transport options, be it public transport, rideshare, taxis, e-bikes or ferries. They can then choose and plan where they want to go all within the app.

Choice is a mobile only app which launched during Queenstown's winter ski season. It aimed at getting visitors to Queenstown from its airport to the town centre and then from the town centre to the surrounding ski fields. A secondary aim was to provide an alternative solution to visitors' self-driving around the region, adding to the already congested transport system. Using *Choice*, visitors to the region can find and access real time travel options all in one place, waiting less and experiencing more.

For the customer, the MaaS technology offers a one place to find travel information with the opportunity to add other information so they can get more time back to do what they want, when they want and how they want. The real-time technology platform has been designed to allow any transport service provider, or any provider who is compliant, be it restaurants, hotels or doctor services to connect and provide real time service offerings to customers creating seamless experiences in a real-time ecosystem.

Choice is the Transport Agency's first customer app to prove the concept of a Mobility as a Service Mobility Marketplace and test the scalability of this concept for all of New Zealand utilising the Government's open data principles.

The MaaS team are now working on version 2 of *Choice* to which includes extra travel options allowing visitors to access more of Queenstown's adventure tourism and relaxation experiences. The lessons from the trial are informing an Auckland Airport pilot, scheduled to launch in December to create better journeys to and from Auckland Airport.

New technology is continually being introduced and we are responding by partnering with the public and private sector to create and integrate digital infrastructure solutions into or onto the physical infrastructure we already have to provide new solutions to traditional transport challenges. This type of innovation will start to play a greater role in what we do and deliver for our customers.

ACHIEVE ORGANISATIONAL EXCELLENCE

Provide exceptional organisational services and activities that are designed to meet Transport Agency needs

Outcome: Organisational services are more innovative, responsive and cost-effective and provide the capabilities (people, systems, processes, practices, tools and skills) required to deliver our strategy.

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

- internal technology systems, policies and processes that are fit for purpose, flexible and responsive to our needs
- our business intelligence system to help us to use high-quality analytics and insights to make great decisions that benefit our customers and citizens
- year-on-year improvements in our people development and performance management practices, particularly to address barriers to diversity and reduce the gender pay gap
- our communication and engagement to be strategy led, simple and effective, and conversation and people based
- our innovation zone to bring together people with diverse experiences, skills and knowledge to create new ways of addressing transport challenges.

KPI Results

Organisational efficiency
Performance improvement framework

Available June 2018

Desired trend — Increase

Value for money

Available June 2018

Desired trend — Maintain

OUR HIGHLIGHTS THIS QUARTER

This quarter we:

- agreed the approach for developing our workforce strategy and engaged with staff on the 'future of work'. The strategy will ensure that we have the right people, in the right places to deliver our new strategy by identifying the organisation's capability needs and any gaps
- completed a draft stakeholder engagement framework that identifies and defines our key stakeholders. This framework improve how we engage with stakeholders and work with our partners by providing clarity about our stakeholders' needs and the outcomes we are seeking through our engagement
- developed the requirements and secured a physical space for our Innovation Zone. The Innovation Zone will serve a space to run innovation design challenges with our partners to address specific transport challenges.

THIS YEAR'S SIGNIFICANT ACTIVITIES

DELIVERY CONFIDENCE

7.1 Identify our capability needs to deliver our new strategy and create a plan to fill any gaps.



7.2 Develop a plan to modernise our information technology infrastructure so that we can deliver cost-effective customer services and solutions.



7.3 Develop relationship plans for our key stakeholders to strengthen and clarify how we engage and work with our partners.



7.4 Develop and begin to implement action plans to improve the value for money of our output class investments.



7.5 Establish the space, tools and partnership arrangements for an innovation zone and run innovation design challenges with our partners to address specific transport challenges.



CHALLENGES WE'RE FACING

We have agreed the work programme and timelines to improve the value for money of our output class investments, but the first phase of the project's delivery has been slightly delayed.

WHAT WE'RE WORKING ON NEXT QUARTER

Next quarter we will:

- work at the business group level to identify specific capability needs and gaps
- begin to develop customer, analytics, transport and corporate technology roadmaps
- develop stakeholder management and monitoring tools and ensure that our senior leadership team has individual stakeholder management plans
- document and agree the value-for-money framework for four output classes.

TRANSFORM THE TRANSPORT AGENCY

Create one strategy-led, people-centred organisation that is fit for the future

Outcome: We have become a people-centred, strategy-led organisation that is supported by a robust strategy-to-action process.

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

- be strategy led with business-planning processes and an organisational structure that mean we have the right people and resources in the right places to deliver our strategy
- embed a new way of working, our 'DNA', so that our people share the beliefs and values that drive the way we deliver on our strategy.

KPI Results*

Organisational effectiveness
Performance improvement framework

Available June 2018

Desired trend — Increase

Organisational culture



Desired trend — Increase

OUR HIGHLIGHTS THIS QUARTER

The Transformation Programme is in place to ensure that as an organisation we transform not just restructure. The purpose of this multi-year programme is to collaboratively lead, manage and embed organisational change so we think, act, and organise as one, people-centred, strategy-led Transport Agency.

This quarter we:

- moved from our 'Preparation' phase to our 'Go Live and Embed' phase of the transformation, commencing with the launch of our new operating model and structure on 3 July. The focus this quarter has been on forming our new teams and understanding how foundational transformation elements such as changed processes, delegations and systems work to support people's success
- developed group work plans and personal development plans that align with our one agency business plan
- launched a programme of engagement, whereby every two weeks, the senior leadership team have been visiting offices across the country to listen to people's feedback about the change and talk about where we are at in our transformation journey
- commenced three critical programmes of work – our DNA programme, the Transformation Programme for the next 12 months and development of our workforce strategy to further embed our transformation
- completed a lessons-learned review of our new business planning process. The results of this review were then used to help inform the improvement of our next business planning round
- launched our 'DNA to Life' online tool that allows our people to take a quick quiz that reveals how to bring our DNA to life in their roles.

THIS YEAR'S SIGNIFICANT ACTIVITIES

DELIVERY CONFIDENCE

8.1 Implement a transition plan with supporting guidance and tools for change management to effectively transition our people into their new roles and teams.



8.2 Identify and implement a programme of improvements to our centralised business planning framework. (The new framework, which uses our strategy to direct business planning, resource allocation and performance measurement for the entire Transport Agency, was established in



8.3 Develop and shift our DNA (how we work): customer focus to deliver value, collaborate to achieve as one and curious to cultivate innovation.



MONITORING OUR PROGRESS*

The 'Ask Your Team' survey is our indicator of organisational culture. We moved to this approach in March 2017 to support the organisation's Transformation by providing more detailed, regular and real-time perspectives on how the Transformation is tracking across the business.

Against a benchmark survey in March 2017, this quarter's results show that people are engaging with the Transformation, but are seeking greater clarity on a number of issues. This was not unexpected given the transition to our new operating model on 3 July 2017. During the next quarter we will continue to provide staff with support for the Transformation, focussing on clarity and improving our people's ability to transition fully into the new operating model.

WHAT WE'RE WORKING ON NEXT QUARTER

Next quarter we will continue to embed our Transformation. Key activities for the quarter are:

- incorporate additional key activities into the Transformation Plan from the 'Ask our Team' survey and Performance Improvement review
- continuing to develop our workforce strategy, including Executive Leadership Team-led engagement sessions with all staff
- start the business planning process for the 2018/19 financial year. This includes a new blueprint of our new business plan with a one-year detailed view and a three-year outlook
- continue to bring clarity to our processes, delegations and internal control systems
- launching the Enterprise Project Management Office, training and transitioning all project managers to one tool for regular reporting
- launching a 'teaming' pilot and developing an approach that can be rolled out across the organisation, showing people how to team and introduce some key tools to help them
- bring our leadership expectations to life through the development and launch of our Leadership Programme
- launch of a new induction process to ensure new people quickly feel part of the Transport Agency, focussing early on what we do and why it matters and our DNA.

OUR OUTPUT CLASSES

The Transport Agency is funded to deliver and invest in (through the National Land Transport Programme) 17 output classes. This includes the Road Policing Programme, which is delivered by the New Zealand Police and appropriated through Vote Police. We measure our service delivery and investment performance through a range of time, cost and quality measures.

This quarter, 33 measures met expectations, while six missed their expectations. Below is information on the measures that missed their targets for this quarter.

OUTPUT CLASS	MEASURE	2017/18 TARGET	YTD ACTUAL				DETAIL
			Q1	Q2	Q3	Q4	
LICENSING AND REGULATORY COMPLIANCE	% of transactions completed online	50%	42%				Note 1
	% of operational assurance activities completed	100%	79%				Note 2
ROAD TOLLING	% revenue compliance	≥ 98%	97%				Note 3
INVESTMENT MANAGEMENT	% of activities delivered to agreed standards and timeframes (transport planning)	≥ 90%	14%*				Note 4
STATE HIGHWAY MAINTENANCE	Availability of state highway network: % of unplanned road closures resolved within 12 hours	≥ 90%	72%				Note 5
STATE HIGHWAY IMPROVEMENTS	% of activities delivered to agreed standards and timeframes	≥ 90%	88%				Note 6

*This is reported in a cumulative manner and the ≥ 90% is the end of year target

1. While the overall trend is upwards, a significant increase in online uptake is required to reach the end of year target. We expect the core functions for a new driver testing booking and scheduling system to be built by the third quarter to enable the system to be ready as early as the first quarter of 2018/19. We also expect it will be possible to apply online for a transport services licence in the fourth quarter.
2. This variance is primarily driven by lower than targeted assurance activities of course providers. This is because resources were diverted to complete a full review of the course providers regulatory system. That review is now complete. We expect to meet the end of year target for number of inspections.
3. The revenue compliance variance reflects the number of casual toll road users where the Transport Agency has been unable identify or locate the residential address of the liable driver (e.g. visiting drivers), and where casual users have failed to respond to debt collection activities.
4. A number of state highway activities did not meet cost and timeliness standards. This was largely due to minor accounting issues and forecasts not reflecting expected progress. It is anticipated that these issues will be resolved in the upcoming quarters.
5. Result relates to crashes on the urban networks and weather-related events across the country with snow, ice, and flooding events particularly in the South Island and Central North Island, which is not unexpected for that time of year (ie winter).
6. Physical progress impacted by ongoing wet weather and the establishment on some projects progressing slower than planned. The National Institute of Water and Atmospheric Research reported above normal rainfall for much of the country during the first quarter.

ROAD POLICING PROGRAMME

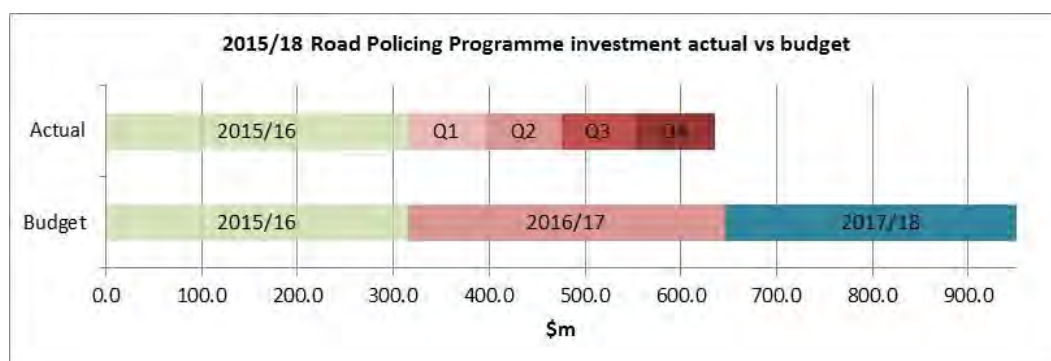
Notes on delivery:

- Speed continues to comprise a significant portion of enforcement activity, with more than 1 in 4 notices issued by the New Zealand Police being for a speed offence.
- The New Zealand Police note an increasing trend in vehicles travelling more than the 100km/h speed limit when passing cameras. Overall, 91 percent of vehicles complied with 50 and 100 km/h speed limits when they passed speed cameras, which is the lowest result for several quarters.
- Work continued on the implementation of the speed camera expansion programme with two Tranche 2 sites now commissioned and the third under quality assurance testing. In addition, the contract has been let for the construction of the 33 Tranche 3 sites, with work under way at two sites. The overall programme will provide up to 56 fixed cameras placed at high-risk sites across New Zealand (15 are already in place).
- There was an apparent further drop in service delivery during the fourth quarter of 2016/17, with total offence notices decreasing by 15 percent when compared with the previous quarter, largely as a result of camera notices issued decreasing by 31 percent due to a number of camera sites being recertified as part of the New Zealand Police quality assurance regime. See further explanation below.

New Zealand Police Road Policing Programme expenditure against budget

YEAR	ORIGINAL NLTF APPROVAL (\$M)	REVISED BUDGET (\$M) - 2016/17 RPP VARIATIONS	ACTUAL/YTD (\$M)
2015/16	315.0	314.7	314.7
2015/16 – Speed camera Expansion Programme	8.0		
2016/17	637.0	331.2	321.0
2017/18		324.1	
Total 2015-18 (NLTF only)	960.0	970.0	635.7

During the latter part of the 2016/17 financial year, an additional \$10m of National Land Transport Fund investment was approved for the Road Policing Programme. This approval allocated the monies to the 2016/17 financial year for the short term. As a result, the underspend for the 2016/17 financial year of \$10.2m will be applied to the 2017/18 financial year.



OUR CAPITAL PROJECTS

A range of significant transport projects are being delivered or accelerated with funding or borrowing from the Crown that is in addition to the investments we make through the National Land Transport Programme. The milestones we aim to deliver for each are set out in our Statement of performance expectations 2017/18.

Total investment in the Kaikoura Earthquake Response, Roads of National Significance, Auckland Transport Package and Accelerated Regional Roding Programme is \$15 billion (this does not include any costs for the Ngāūranga to Airport section of the Wellington Northern Corridor, but does include the cost of the East West Connections based on that project's scope as of 30 September 2017).

KAIKŌURA EARTHQUAKE RESPONSE

IN CONSTRUCTION		2017	2018	2019	2020	2021	\$	∞
Kaikōura Earthquake Response							●	●

ROADS OF NATIONAL SIGNIFICANCE

IN CONSTRUCTION		2017	2018	2019	2020	2021	\$	∞
Pūhoi to Wellsford	Pūhoi to Warkworth						●	●
Western Ring Route	Lincoln to Westgate						●	●
Waikato Expressway	Longswamp						●	●
	Rangiriri						●	●
	Huntly Section						●	●
	Hamilton Section						●	●
Wellington Northern Corridor	Transmission Gully						●	●
	Peka Peka to Ōtaki						●	●
Christchurch Motorways	Western Belfast Bypass						●	●
	Russely Road						●	●

PRE IMPLEMENTATION		2017	2018	2019	2020	2021	\$	∞
Pūhoi to Wellsford	Warkworth to Wellsford						●	●

BUSINESS CASE DEVELOPMENT		2017	2018	2019	2020	2021	\$	∞
Wellington Northern Corridor	Ōtaki to Levin						●	●
	Ngāūranga to Airport						●	●

Progress on the Ōtaki to Levin section of the Wellington Northern Corridor is progressing according to schedule following delays to public consultation in 2016/17. Consents are expected to be lodged in 2018/19.

The programme for the Ngāūranga to Airport section of the Wellington Northern Corridor was revised in 2016/17 and public consultation is set to begin in mid-November 2017.

AUCKLAND TRANSPORT PACKAGE

IN CONSTRUCTION	2017	2018	2019	2020	2021	\$	⌚
Northern Corridor Improvements	[Bar chart showing construction from 2017 to 2021]					●	●
Southern Corridor Improvements	[Bar chart showing construction from 2017 to 2020]					●	●
State Highway 20A to Airport	[Bar chart showing construction from 2017 to 2019]					●	●
PRE CONSTRUCTION	2017	2018	2019	2020	2021	\$	⌚
East West Connections	[Bar chart showing pre-construction from 2017 to 2018]					●	●

ACCELERATED REGIONAL ROADING PROGRAMME

COMPLETE	2017	2018	2019	2020	2021	\$	⌚
Motu Bridge Replacement (Gisborne)	[Bar chart showing completion in 2017]					—	—
IN CONSTRUCTION	2017	2018	2019	2020	2021	\$	⌚
Kawarau Falls Bridge (Otago)	[Bar chart showing construction from 2017 to 2018]					●	●
Mingha Bluff to Rough Creek Realignment (Canterbury)	[Bar chart showing construction from 2017 to 2018]					●	●
Akerama Curves Realignment and Passing Lane (Northland)	[Bar chart showing construction from 2017 to 2018]					●	●
Whirokino Trestle Bridge Replacement (Manawatū- Wanganui)	[Bar chart showing construction from 2017 to 2020]					●	●
Taramakau Road-Rail Bridge (West Coast)	[Bar chart showing construction from 2017 to 2018]					●	●
Mt Messenger and Awakino Gorge Corridor (Taranaki)	[Bar chart showing construction from 2017 to 2018]					●	●
Napier Port access package (Hawkes Bay) — Watchman section	[Bar chart showing construction from 2017 to 2018]					●	●
PRE IMPLEMENTATION	2017	2018	2019	2020	2021	\$	⌚
Opawa Bridge Replacement (Marlborough)	[Bar chart showing pre-implementation from 2017 to 2018]					●	●
Loop Road North to Smeatons Hill Safety Improvements (Northland)	[Bar chart showing pre-implementation from 2017 to 2018]					●	●
Mt Messenger Bypass (Taranaki)	[Bar chart showing pre-implementation from 2017 to 2018]					●	●
Awakino Tunnel Bypass (Waikato)	[Bar chart showing pre-implementation from 2017 to 2018]					●	●
Napier Port access package (Hawkes Bay) — Prebensen section	[Bar chart showing pre-implementation from 2017 to 2018]					●	●
Napier Port access package (Hawkes Bay) — Expressway section	[Bar chart showing pre-implementation from 2017 to 2018]					●	●
BUSINESS CASE DEVELOPMENT	2017	2018	2019	2020	2021	\$	⌚
Nelson Southern Link	[Bar chart showing business case development from 2017 to 2018]					●	●

The Kawarau Falls Bridge project was delayed to allow for the inclusion of a significant utility project for the local authority.

The Mingha Bluff to Rough Creek Realignment and Akerama Curves Realignment and Passing Lane projects were both delayed in 2016/17 due to wet weather. Both projects are on track to deliver to their revised deadlines.

Changes to the scope of the Mt Messenger Bypass project have led to slight delays and the detailed business case is to be finalised by the end October 2017.

The total Implementation costs for the combined Awakino Tunnel Bypass and Hammonds Corner Realignment are likely to be significantly higher than the current allocation.

The Nelson Southern Link project has been delayed while funding approval is sought.

URBAN CYCLEWAYS PROGRAMME

PROGRAMME PROGRESS (54 PROJECTS)

\$

⌚

Completed
(17 projects)

In Construction
(25 projects)

Pre Construction
(12 projects)



OUR HIGHLIGHTS THIS QUARTER

Overall, the Urban Cycleways Programme is now more than 60 percent complete. Below are projects were either completed or construction began.

Completed

- Mangaone underpasses, Palmerston North

Construction phase

- SH1 Dunedin One-Way Pair as part of Central City Cycle Network in Dunedin
- Rangiora to Woodend and Rangiora to Kaiapoi in Waimakariri
- Eastern Connections to City Centre in Auckland (section 3)
- Eastern Route package (Cobham Drive) in Wellington
- The Westhaven to CBD cycleway, part of the City Centre Network package in Auckland
- Final two routes of the Waitemata Safe Routes package, part of the Western Connections package in Auckland
- First of five phases of the Western Heights Link under way in Rotorua

WHAT WE'RE WORKING ON NEXT QUARTER

Next quarter we will:

- complete the Uni-Cycle route in Christchurch
- complete the Te Awa River Great River ride
- start the Links to Public Transport package in Auckland
- start the Heathcote Expressway route in Christchurch.



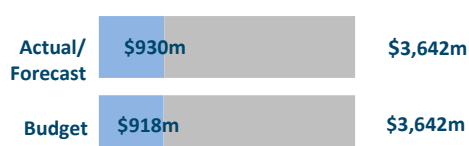
FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE SUMMARY

■ Year to date ■ Full year

NATIONAL LAND TRANSPORT FUND REVENUE

\$12m
above
budget



Revenue year to date is 1% above budget with lower fuel excise duty offset by higher road user charges.

Revenue is forecast at 102% of the 2015–18 published National Land Transport Programme three year target.

Higher revenue and lower state highway expenditure is expected to result in approximately \$340m surplus over 2015–18 period.

Watch list – NLTF surplus level and impact on cash reserves.

NATIONAL LAND TRANSPORT PROGRAMME (FUNDED FROM THE NATIONAL LAND TRANSPORT FUND) AND CROWN FUNDED EXPENDITURE

\$22m
below
budget



Expenditure year to date is 3% below budget mainly due to lower spending on state highway improvements offset by accelerated activities on Kaikōura SH1 reinstatement and Auckland Transport Package.

2015–18 programme is tracking behind budget with 69% of the three year expenditure programme spent to date compared to budgeted 73%.

Watch list (National Land Transport Programme)

Likely under GPS funding range: local road improvements

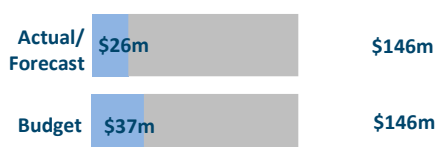
To monitor: regional improvements

Watch list (Crown projects)

Likely under target: Accelerated Regional Roding Programme, Urban Cycleways Programme

NZ TRANSPORT AGENCY NET OPERATIONAL EXPENDITURE

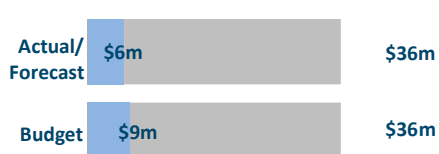
\$11m
below
budget



Net operational expenditure year to date is 30% below budget primarily due to the lower expenditure in investment management and road safety promotion, and higher motor vehicle registration revenue.

NZ TRANSPORT AGENCY OPERATIONAL INITIATIVES

\$3m
below
budget









Operational initiatives expenditure year to date is 37% below budget, with only inflight projects from last year in progress. 11 projects had budgets approved during September and will begin implementation in Q2.

LONGER TERM OUTLOOK

The 2015–18 National Land Transport Programme forecast has identified the following areas of concern with regards to meeting the Government Policy Statement (GPS) on Land Transport funding ranges.

- **Local road improvements** is forecast to under-deliver against the minimum GPS funding range at the end of the 2015–18 programme by approximately \$50 million. The Board’s decision to apply a targeted enhanced funding assistance rate for LED streetlight replacement, as well as expenditure on Route 70, should lift performance in 2017/18, but would still be unlikely to achieve the funding range minimum. It should be noted that Auckland Transport activity makes up 50 to 60 percent of this expenditure.
- **Regional improvements** under delivered in 2015/16 and 2016/17. Pressure is placed on the 2017/18 year to ensure delivery within the GPS funding range of \$180–\$270m. Current funding approvals stand at \$316m providing a base for delivery of the \$225m plan.

ASSURANCE AND COMPLIANCE OVER THE NATIONAL LAND TRANSPORT PROGRAMME AND CROWN FUNDED PROJECTS

NLTF cash position		The National Land Transport Fund has a positive cash position of \$508 million at 30 September 2017
NLTP 2015–18 funding		National Land Transport Fund revenue is forecast at 102% of the expenditure target for the 2015–18 National Land Transport Programme
Borrowings		There were \$1.056 billion of borrowings at 30 September, with the Transport Agency being compliant with all borrowing conditions
Crown projects		Two out of six projects are tracking significantly below budget (Accelerated Regional Rooding Programme, Urban Cycleways Programme)
Minimum GPS		One out of nine output classes is forecast to be below the minimum Government Policy Statement funding range (local road improvements)
Maximum GPS		There are no output classes forecast to be above the maximum Government Policy Statement funding range

NATIONAL LAND TRANSPORT FUND AND NATIONAL LAND TRANSPORT PROGRAMME

NATIONAL LAND TRANSPORT FUND REVENUE

SUMMARY	YEAR TO DATE					FULL YEAR			
	Actual	Budget	Variance	Variance	Forecast	Budget	Variance	Variance	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%	
<p>\$12m above YTD budget</p> <p>Budget Tracking 1% above year to date budget</p> <p>Full year forecast Current forecast is the 2017/18 budget. Revenue will be forecast in HYEFU in Nov 2017</p> <p>2015-18 NLTP Revenue forecast at 102% of published NLTP three year target</p> <p>Watch list Level of NLTF surplus and its cash reserves</p>	Fuel Excise duty	475	486	(11)	(2%)	1,887	1,887	0	0%
	Road user charges	374	348	26	8%	1,433	1,433	0	0%
	Motor vehicle registration and other revenue	81	84	(3)	(4%)	322	322	0	0%
	Total NLTF revenue	930	918	12	1%	3,642	3,642	0	0%

National Land Transport Fund year to date revenue is 1% above budget.


- **Fuel excise duty** is below budget due to increased fuel excise duty (FED) refunds of \$5m and the variable timing of fuel shipments.
- **Road user charges** is above budget, as a result of the continuing increase in the national fleet of diesel light vehicles, lower road user charges refunds and unbudgeted evasion and penalty revenue.
- **Motor vehicle registration and other revenue** are below budget due to reduced licensing activity.

National Land Transport Fund revenue for the three year period 2015–18 is forecast to be 102% of the published National Land Transport Programme three year target.

The current revenue forecast is the Budget Economic and Fiscal Update (BEFU) forecast prepared by the Ministry of Transport in April 2017 – it is also the forecast used in the 2017/18 budget. The forecast will be updated following the Half Year Economic and Fiscal Update (HYEFU) in November 2017.

The National Land Transport Fund is forecast to have a surplus of approximately \$340m for the current three year programme. This has reduced from the previous forecast at March 2017 of \$500m. Revenue is still based on the BEFU forecast, which expects revenue to be \$250m above the original forecast. Expenditure is now expected to be approximately \$90m lower than the published 2015–18 National Land Transport Programme (Q3 2017 forecast was \$250m below published NLTP).

2017/18 NATIONAL LAND TRANSPORT PROGRAMME (FUNDED FROM THE NATIONAL LAND TRANSPORT FUND) AND CROWN-FUNDED EXPENDITURE

SUMMARY	YEAR TO DATE				FULL YEAR				
	Actual	Budget	Variance	Variance	Forecast	Budget	Variance	Variance	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%	
 <p>NLTP budget Tracking 11% below budget</p> <p>NLTP full year forecast Expected to be 4% above budget</p> <p>Crown budget Tracking 37% above year to date budget</p> <p>Crown full year forecast Expected to be 10% above budget</p>	NLTP funded from NLTF	609	682	73	11%	3,387	3,266	(121)	(4%)
	Crown-funded projects	187	136	(50)	(37%)	557	505	(53)	(10%)
	NLTP & Crown expenditure	796	818	22	3%	3,944	3,771	(174)	(5%)

National Land Transport Programme (NLTP) expenditure year to date is \$73m (11%) below budget.

- **State highway improvements** expenditure is \$64m (21%) below budget. Poor weather continues to affect the major earthworks activity mainly in the Waikato region. While delivery is tracking behind budget at this stage, there are no major risks identified and we remain confident of achieving the year end target.
- **State highway maintenance** expenditure is tracking \$5m (4%) ahead of budget. This is expected to increase throughout the year to \$71m above budget for the full year. This is largely due to the increased activity on the Kaikōura Earthquake Alternate Route project.
- **Public transport** expenditure is \$8m (13%) above budget, this is in line with the full year forecast being \$33m (10%) above budget. The increased forecast is being driven by a ramp up in expenditure on infrastructure, e.g. new electric train units in Auckland, as well as proposed improvement in public transport services, mostly in Auckland.

Specific Crown-funded projects expenditure is \$50m (37%) above budget. This is primarily due to good progress on Kaikōura SH1 reinstatement (\$29m) and the Auckland Transport Package (\$19m).

The full year forecast is \$52m (10%) above budget due to the acceleration of the **Kaikōura SH1 reinstatement** work (\$29m) and **Accelerated Regional Roading Programme** expecting to be \$28m above budget, reflecting the progress on the Mt Messenger Bypass, Kawarau Falls Bridge and increased spend on the Akerama curves realignment.

2015–18 NATIONAL LAND TRANSPORT PROGRAMME (FUNDED FROM THE NATIONAL LAND TRANSPORT FUND) AND CROWN-FUNDED EXPENDITURE

SUMMARY	INCURRED TO DATE			3 YEAR NLTP			
	Actual	Actual	Budget	Adjusted Published	Forecast	Variance	
	\$m	%	%	\$m	\$m	\$m	
2015-18 NLTP							
70% of three year programme spent to date	NLTP funded from NLTF	6,675	70%	73%	9,724	9,448	(276)
	Crown-funded projects	706	65%	59%	1,093	1,076	(17)

2015–18 National Land Transport Programme expenditure incurred to date for the 27 months to 30 September 2017 is tracking below budget

- **Local road improvements** expenditure incurred to date of \$262m is at 56% of the target – this is behind the budgeted 69%.

Delivery against the Government Policy Statement funding range is forecast to be approximately \$50m under the minimum at the end of the 2015–18 programme – this includes the funding for LED streetlights replacement as a targeted enhanced rate (previously approved by the Board).

Auckland Transport activity makes up 50–60% of this expenditure.

Although the Kaikōura earthquake will require some improvements to road access into the Kaikōura township, this activity will not fully offset the under-spends.

- **Regional improvements** expenditure incurred to date of \$112m is at 50% of the target – this is behind the budgeted 76%.

Pressure is placed on the 2017/18 year to ensure delivery within the Government Policy Statement funding range of \$180–\$270m. Current funding approvals stand at \$316m providing a base for delivery of the \$225m plan. Approvals have reduced as projects continue to be assessed and reclassified as appropriate.

Specific Crown-funded projects expenditure incurred to date is tracking ahead budget

- **Urban Cycleways Programme** expenditure incurred to date of \$40m is at 41% of the target – this is behind the budgeted 72%.

The previous Minister’s approval for the Transport Agency to front load urban cycleway funds should enable utilisation of approximately 95% of the \$100m appropriation within the four year 2014–18 programme.

- **Accelerated Regional Roding Programme** expenditure incurred to date of \$87m is at 44% of the target – this is behind the budgeted 72%.

This was due to slower than planned progress on the Kawarau Falls Bridge Replacement and Mingha Bluff to Falls Creek realignment projects – together with poor weather conditions at some project sites.

The Crown funds available of \$212m are planned to be fully utilised by 2021.

- **Kaikōura SH1 reinstatement** expenditure incurred to date of \$204m is at 52% of the target – this is ahead of the 46% budget.

The Crown approved an appropriation of \$394m over the 2016/17 and 2017/18 financial years for the SH1 reinstatement.

Activity ramped up considerably in the last few months once the programme and scope of works became clearer to ensure SH1 is open to traffic by the end of the 2017 calendar year.

(Note – there is other Kaikōura earthquake related expenditure funded by the National Land Transport Fund included in state highway maintenance, state highway improvements, local road maintenance and local road improvements)

2015-18 NLTP watch list

Under GPS range

Local road improvements

To monitor

Regional improvements

2015-18 Crown projects

65% of three year funding spent to date

2015-18 Crown projects watch list

Urban Cycleways Programme


Accelerated Regional Roding Programme

CURRENT AND FUTURE NATIONAL LAND TRANSPORT PROGRAMME COMMITMENTS

SUMMARY	CURRENT AND FUTURE NLTP					
	2015-18 NLTP		2018-21 NLTP		2021-24 NLTP	
	\$m	%	\$m	%	\$m	%
Funding available						
\$4.5b available for future investment decisions up to 2024	10,877	100%	10,274	84%	9,996	80%
	25	0%	1,942	16%	2,528	20%
	10,902		12,216		12,524	
Current NLTP	Forecast funding available for investment decisions over the nine year period (2015–2024) is \$4.5b, a decrease of \$1.2b from the forecast at March 2017. This largely reflects the increase in commitments for state highway improvements over the last six months.					
\$25m available for investment decisions	2015–18 National Land Transport Programme					
	Nearly all of the \$10.9b National Land Transport Fund investment in the 2015–18 programme is formally committed, leaving just \$25m of uncommitted funds for investment decisions.					

NZ TRANSPORT AGENCY

NET OPERATIONAL EXPENDITURE

SUMMARY	YEAR TO DATE					FULL YEAR			
	Actual	Budget	Variance	Variance	Forecast	Budget	Variance	Variance	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%	
	Total expenditure represented by:								
	NLTP	23	31	7	24%	151	151	0	0%
	Regulatory	52	54	2	3%	184	184	0	0%
	Total expenditure	75	84	9	11%	336	336	0	0%
	Less operational revenue	(49)	(47)	2	4%	(190)	(190)	0	0%
	Net expenditure	26	37	11	30%	146	146	0	0%
Total expenditure	Total operational expenditure is \$9m below budget primarily due to lower spending year to date in investment management (\$4.3m) and road safety promotion (\$2.1m).								
Tracking 11% below year to date budget	Operational revenue is \$2m above budget primarily due to higher motor vehicle registration revenue of \$1.7m.								
Revenue	The current forecast is the 2017/18 budget. A reforecast will be reported at Q2 (31 Dec 2017).								
Tracking 4% above year to date budget									
Full year forecast	Current forecast is the 2017/18 budget								

OPERATIONAL INITIATIVES

SUMMARY	YEAR TO DATE						FULL YEAR			
	Opex Actual	Capex Actual	Total Actual	Total Budget	Variance	Forecast	Budget	Variance	Variance	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%	
<p>\$3m below YTD budget</p> <p>Budget Tracking 37% below year to date budget</p> <p>Funding Opex budget over programmed by \$1.4m</p> <p>Full year forecast Current forecast is the 2017/18 budget</p>	Shape the Land Transport System	0.4	0.0	0.4	0.5	0.1	2.1	2.1	0.0	0%
	Keep People Safe	0.0	0.0	0.0	0.2	0.2	0.7	0.7	0.0	0%
	Improve Customer Experiences	0.7	1.2	1.9	2.3	0.4	9.4	9.4	0.0	0%
	Achieve Org. Excellence	0.7	1.7	2.4	5.0	2.6	19.9	19.9	0.0	0%
	Transform the Transport Agency	0.9	0.0	0.9	0.9	0.0	3.4	3.4	0.0	0%
	Deliver Connected Journeys	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0%
	Total initiatives	2.7	2.9	5.6	8.9	3.3	35.7	35.7	0.0	0%
	<p>The approved operational initiatives programme is underspent by \$3.3m at this stage, with only the inflight projects from last year in progress.</p> <p>A further 11 initiatives had approval during September totalling \$6.3m and will begin implementation in Q2.</p> <p>The Opex budget is over programmed by \$1.4m on the assumption that some initiatives will experience delays that will allow for reprioritisation of funding.</p> <p>At this stage the budget is phased evenly over the year, further work will be undertaken in the Q2 reforecast to re-phase the budget now that the business plan has been approved.</p> <p>The current forecast is the 2017/18 budget. A reforecast will be reported at Q2 (31 Dec 2017).</p>									

FUNDING AND LONG TERM LIABILITIES

SUMMARY		Drawdown/ Liability	Total facility	Period
		\$m	\$m	Years
NLTF cash balance at 30 September				
	\$508m			
Short term facility				
	There was no drawdown in quarter one			
Long term facilities				
	There was no drawdown in quarter one			
Borrowings and financial liabilities				
	Short term revolving facility	0	250	Less than 1 yr
	Christchurch earthquake loan	41	183	9 yrs
	Auckland Transport Package loan	212	375	10 yrs
	Tauranga Eastern link loan	107	107	35 yrs
	Total borrowings	360	915	
	Transmission Gully (PPP)	450	1,100	31 yrs
	Pūhoi to Warkworth (PPP)	134	1,000	28 yrs
	Total borrowings (incl PPP)	944	3,015	
	Derivative financial liability	121		
	Derivative financial asset	(9)		
	Total borrowings (incl PPP and derivatives)	1,056		
Other Commitments			Commitment	Period
	Auckland Electrical Multiple Units		200	35 yrs
	Auckland Depots		50	50 yrs
	Wellington Matangi Electric Multiple Units		85	28 yrs

The notional balance in the National Land Transport Fund at 30 September 2017 was \$508m.

There has been no activity on the **short term** or **long-term facilities** during the quarter.

The Transport Agency has two **public-private partnerships** arrangements – Transmission Gully and Pūhoi to Warkworth. Under the public private partnership arrangements, as the assets are being constructed, the Transport Agency progressively recognises the growing asset through “work in progress” along with a corresponding financial liability representing the obligation to pay a unitary payment to the contractor. This is until completion when the unitary payments commence.

The **derivative financial asset** and **derivative financial liability** are the fair values of the interest rate swaps with the NZ Debt Management Office. The Transport Agency entered into interest rate swaps to hedge against fluctuating interest rates relating to the Transmission Gully and the Pūhoi to Warkworth agreements.

The interest rate swaps are revalued on a semi-annual basis by an external provider, BanCorp. The last valuation performed at 30 June 2017 had a derivative financial liability of \$121m on the Transmission Gully interest rate swaps and a derivative financial asset of \$9m on the Pūhoi to Warkworth interest rate swaps.

Other commitments are funding arrangements covering cash flow management and the longer term commitments for Auckland and Wellington Rail, subject to future claims.

ORGANISATIONAL STANDING

OUR PEOPLE — KEY INDICATORS FOR Q1

At the beginning of this quarter we transitioned to our new operating model and structure. This process included leaders down to Tier 4 being placed in roles in our new structure and all remaining staff being mapped to functions in our new operating model. Our approach was to limit the recruitment of permanent staff leading up to 'Go Live' on 3 July and to resume recruitment of permanent employees once the resourcing requirements for our new business plan were determined. This approach is evident in the key indicators below.

Full-time equivalent (FTE) employees

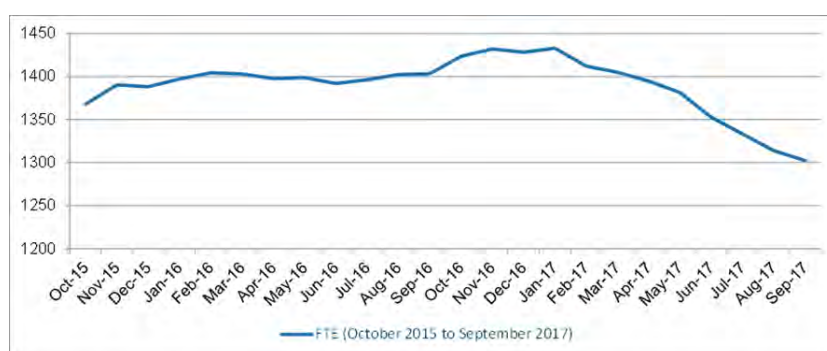
As at 30 September 2017 there were 1302.3 FTE employees.

The number of permanent FTEs has temporarily fallen during this year. This has been as a result of carefully managing the recruitment of permanent staff in the lead up to, and immediately following, the move to our new structure in July 2017. This was a deliberate approach in order to

minimise disruption for new staff joining the Transport Agency during the transition period. Resourcing gaps were temporarily covered through the use of contractors and temporary staff.

We have now transitioned to our new structure and recruitment for permanent staff to fill vacancies is under way.

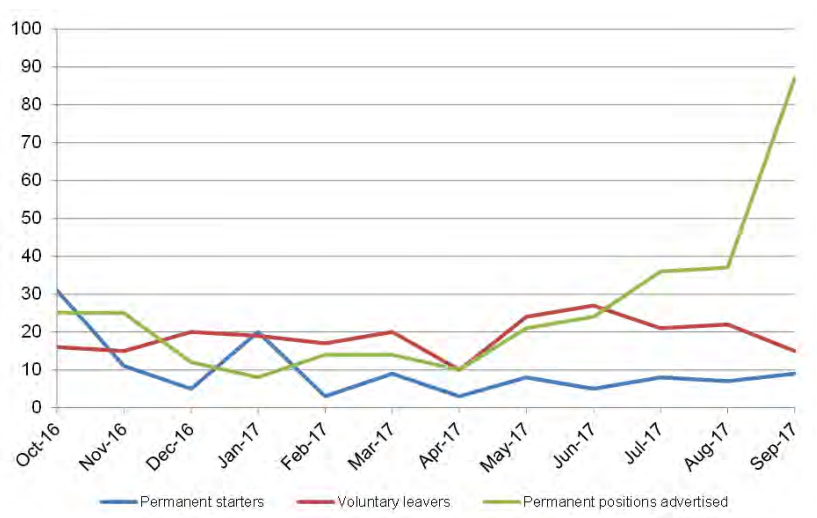
The number of permanent FTEs is expected to return to approximately 1430 as vacancies are filled.



Permanent comings and goings

This graph shows the sharp increase in the number of permanent vacancies advertised as recruitment of permanent staff commenced following the move to our new structure.

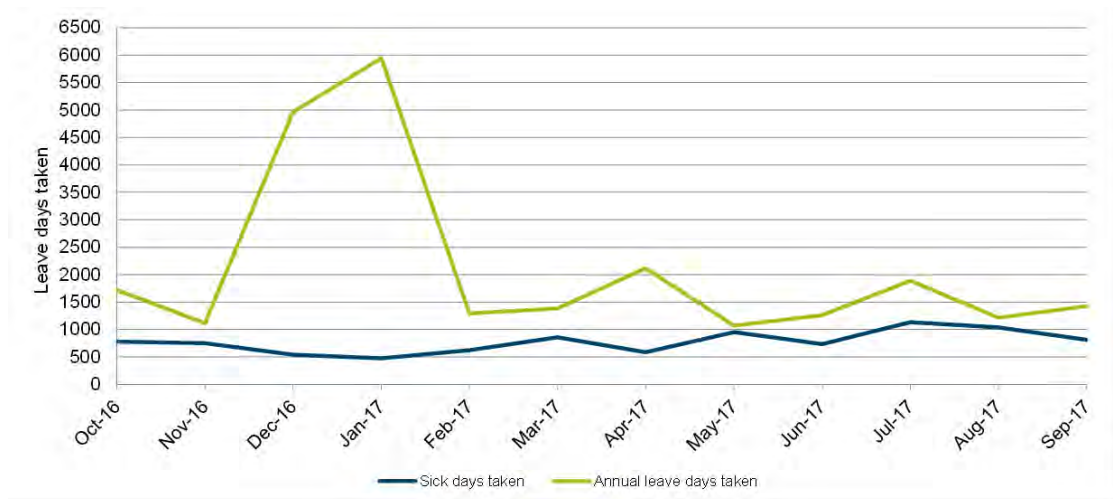
As at 30 September 2017 there were 87 permanent vacancies advertised. This includes roles being advertised both internally and externally. A number of roles will be filled internally and will result in the additional advertising of further vacancies.



Voluntary turnover currently sits at 16.6 percent, a slight increase since the last quarter when it was 15.3 percent. The current rate is higher than at the same time last year when it was 12.2 percent, and is also higher than State Services Commission benchmark of 11.1 percent.

Planned and unplanned leave taken

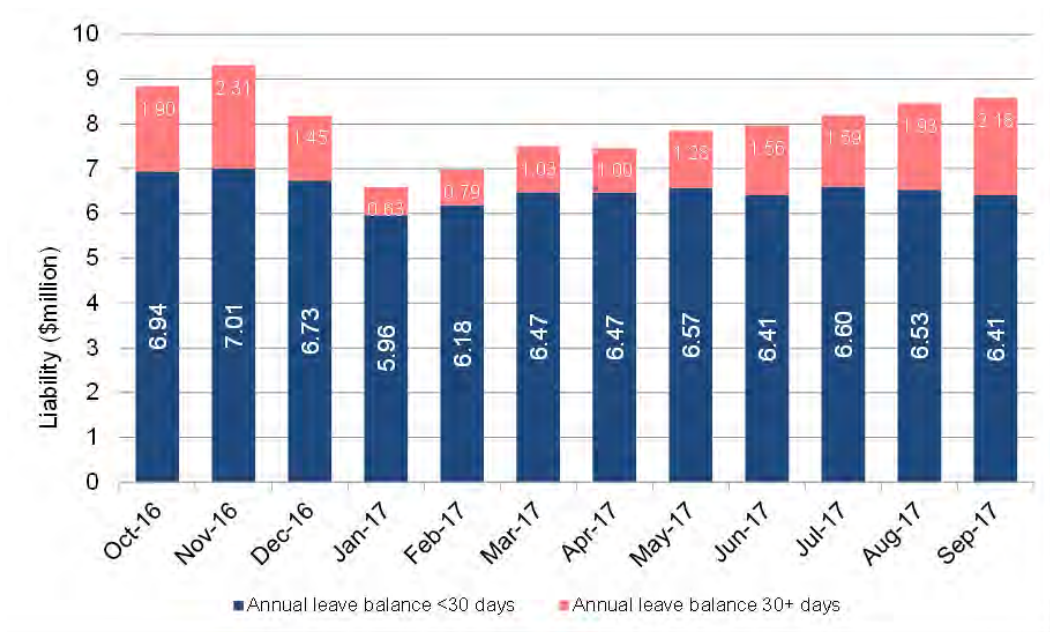
Our average annual leave balance as at 30 September 2017 was 16.9 days. This was higher than the previous quarter (15.6 days), and around 0.8 days more than at the same time last year (16.1 days). The balance continues to remain above our target average of 12.5 days, however will reduce following the holiday season in December 2017.



As anticipated the number of sick leave days taken since last quarter has increased, which is largely attributable to the winter season. Now that we are into spring, we can see a slight dip in sick leave taken in the month of September, and predict it to slowly decrease as we head into the much warmer months.

Annual leave liability

Our average annual leave balance as at 30 September 2017 was 16.9 days. This was higher than the previous quarter (15.6 days), and around 0.8 days more than at the same time last year (16.1 days). The balance continues to remain above our target average of 12.5 days, however will reduce following the holiday season in December 2017.



As anticipated the number of sick leave days taken since last quarter has increased, which is largely attributable to the winter season. Now that we are into spring, we can see a slight dip in sick leave taken in the month of September, and predict it to slowly decrease as we head into the much warmer months.

RISKS

RISK MANAGEMENT SUMMARY

Thirteen strategic risks that were identified as priority by management and the Board in March 2017 continue to be reported. Further risks are managed at the business group level.

There were no significant changes to the risk assessments since the previous quarter and no new risks were reported.

Strategic Risks

- Auckland outcomes
- Cybersecurity
- Internal control, system and/or regulatory failure
- Anticipated National Land Transport Programme benefits not achieved
- Safer Journeys does not deliver
- Tools, technology, capability do not keep pace with need
- Serious health and safety system failure
- Organisational and system resilience
- Focus on short-term rather than long term goals
- Connected Journeys does not deliver
- Urban complex projects
- Pressure on funding
- Transformation failure

These risks are continually monitored and actions are taken to mitigate them as needed.

