

NZ TRANSPORT AGENCY

Q2 PERFORMANCE

1 October – 31 December 2017



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OVERVIEW

HIGHLIGHTS FROM THE SECOND QUARTER

- Reopened critical transport connections in Kaikōura one year, one month and one day after the November 2016 earthquake
- Launched online Driver Licence renewals for customers with verified RealMe accounts
- Worked with our partners to provide the phase 1 report into road pricing as a demand management tool in Auckland
- Rolled out RideMate, a real-time transport app to help customers get from the airport to the CBD

OUR FOCUS AREAS THIS QUARTER

CONNECT AND DEVELOP REGIONS

Kaikōura Earthquake Response – State Highway 1 (SH1) north of Kaikōura reopened one year, one month and one day after the 2016 Kaikōura earthquake in allowing people to drive through from Picton to Christchurch on the coastal highway route. Work will continue in 2018 to bring State Highway 1 back to its pre-earthquake condition and complete a package of safety and amenity improvements on the 60km section of State Highway 1 between Clarence and Oaro.

IMPROVE CUSTOMER EXPERIENCES

Launched online Driver Licence renewals – Customers with a RealMe verified identity can now apply for a replacement driver licence card on our website, where and when it suits them. The new service is the start of offering, and moving, more of driver licensing transactions online. It's a first step for online driver licensing services that can test the ground with a smaller customer segment before we expand to additional services.

TARGET RAPID GROWTH

Worked with our partners to provide the phase 1 report into road pricing as a demand management tool in Auckland – Working with our transport sector partners, this report was provided to the Ministers of Finance and Transport, and the Mayor of Auckland. This report concluded that trials and demonstrations would be better considered once the project team had undertaken further development of pricing options and is in a better position to understand what information or purpose trials or pilots could offer (which is a focus of Phase 2)

DELIVER CONNECTED JOURNEYS

RideMate app launched in Auckland – Following the release of the Choice app in Queenstown, the NZ Transport Agency, Auckland Transport and Auckland Airport have come together to create and launch the first real-time transport app for Auckland. RideMate helps customers choose, plan and get to where they want to go, connecting them from Auckland Airport to the city. Information and services available through the app include airport maps, changing terminals, terminal buses, and important points of interest, information about public transport services and real-time information and tracking on a range of transport options.

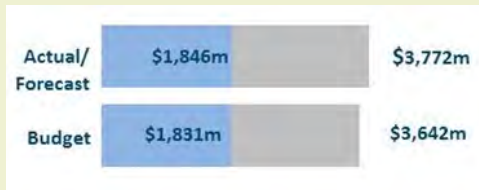
FINANCIAL SUMMARY

Our financial performance is on track.

■ Year to date ■ Full year

NATIONAL LAND TRANSPORT FUND REVENUE

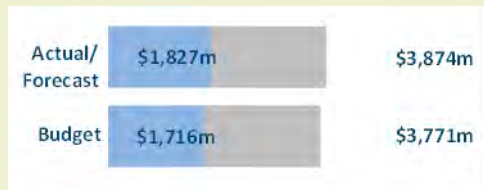
\$15m
above
budget



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

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

\$110m
above
budget

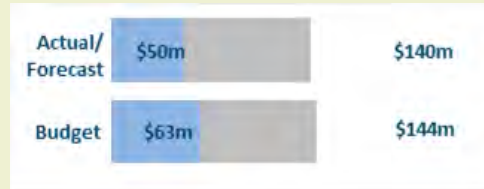


Expenditure, year to date, is 6% above budget due to accelerated activities on the Kaikōura State Highway 1 reinstatement and Auckland accelerated transport programme.

The 2015–18 programme is tracking behind budget, with 79% of the three year expenditure programme spent to date compared to budgeted 81%.

NZ TRANSPORT AGENCY NET OPERATIONAL EXPENDITURE

\$13m
below
budget

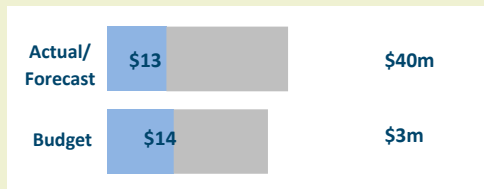


Net operational expenditure year to date is 21% below budget primarily due to the lower expenditure in state highways improvements and road safety promotion, and higher motor vehicle licensing revenue.

The year-end net forecast has been adjusted down 3% below budget to reflect the impact of the under spend to date.

NZ TRANSPORT AGENCY OPERATIONAL INITIATIVES NZ

\$1m
below
budget



Operational initiatives expenditure year to date is 7% below budget. In the first quarter inflight projects from last year were in progress, activity has increased during the second quarter but has not reached the levels initially anticipated. 27 of the budgeted 45 initiatives are now underway.

ZERO HARM ENSURING THE HEALTH AND SAFETY OF OUR PEOPLE

We want all our people to go home safe and well, no exceptions. Zero Harm 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

Zero Harm Leadership at NZTA

A facilitated workshop was held with the Senior and Executive Leadership teams to identify areas where the Transport Agency can lead health and safety practices and performances. The workshop developed a framework for the development of our Zero Harm strategy and associated programs of work. In early 2018 a comprehensive governance and management system review will be undertaken. The findings of the review will be used to further the proposed programme of work relating to safety and wellbeing.

Annual Zero Harm Knowledge Forum

The third annual Zero Harm Knowledge Forum was held in Auckland on 1st November 2017. The forum was attended by representatives from the Transport Agency, our construction and maintenance supply chain, government agencies and transport organisations. The forum focussed on building capability in worker health and fatigue management practices.

Following the forum, the Transport Agency, will continue to share knowledge and approaches to managing worker health risks across our physical works projects through Zero Harm Industry Group monthly meetings. In addition project audits have been scheduled to focus on assessing the controls to worker health risks developed by contractors.

Health and Safety Performance Reporting

In conjunction with System Design and Delivery, we have commenced a trial of a standardised monthly health and safety performance report. The trial is currently underway across network outcome contracts and construction projects, including those in design, investigation and construction phases. Data collected to date has allowed us to develop dashboards that will allow better data analysis, will provide Project Managers better insight of project performance and enable improved understanding of nationwide trends and common good practices.

Project Governance and Oversight

Collaborating with the North Canterbury Transport Infrastructure Recovery Alliance (NCTIR), associated work environment risks have been identified, including worker safety in temporary traffic management environments being a challenge for many projects. This is typically due to an inability to control driver behaviour and the physical limitations of worksites to allow sufficient traffic control set ups to be fully deployed. This has highlighted the need for additional resourcing to assist with the re-opening of the route. A number of construction and maintenance projects, including the Huntly section of Waikato Expressway and the Marlborough Roads Alliance were reviewed.

Wellbeing Programme

The 2018 Wellbeing Programme is under development with the objective of improving mental health outcomes of our people. The Wellbeing Program will be focusing on providing information to allow our people to improve their understanding of mental health and to develop capabilities to build resilience.

SAFETY STATISTICS — OUR PEOPLE

Key Measure	YTD Trend	Current quarter (01/10 – 31/12)	Previous quarter (01/07 – 30/09)	YTD (Jan 16-Nov 17)
Fatality	→	0	0	0
Lost time injury	→	0	0	1
First aid injury	↓	2	9	20
Medical treatment injury	↓	0	2	28
Non-treatment injury	↑	6	1	29
Risk or Near misses	↓	2	29	107



This will begin with information and tools being provided to leaders to manage mental health in the work place being as part of Mental Health Awareness Week.

Critical Risk Management

Fatigue: A program of work, related to the focus areas identified in conjunction with the Zero Harm Industry Group and ‘Collaborative Fatigue Toolkit’ developed and provided to our industry supply partners. WorkSafe have developed and published a “Quick Guide to Fatigue” the Transport Agency provided input to this document through an interagency workgroup. Temporary Traffic Management: In conjunction with Safety and Environment, we have identified multiple programs of work in place across Transport Agency that are working to improve safety outcomes for workers and customers in environments, where temporary traffic management is in place. These programmes have been connected and aligned to a single outcome of reducing driver speed through temporary traffic management sites.

WHAT WE HAVE PLANNED FOR NEXT QUARTER

Health and Safety Management System

The revised Health and Safety Management System will go live in January. This will include a communication and engagement program that will be delivered through existing channels, including Workplace, Health and Safety Committees, and group meetings. Contractor Health and Safety Management

Procurement in conjunction with the Safety and Wellbeing are developing a robust and transparent process to better manage the health and safety elements associated with the procurement and delivery of services of contractors and suppliers. Oversight audits have been scheduled across a number of construction and maintenance projects.

Critical Risk Management

Fatigue: In February, the Transport Agency will be presenting a proposed roadmap on how to develop and apply standards and guidelines for fatigue to its industry leadership group. These are based on the outputs from the ‘Fatigue’ work stream and inter-agency group. The work stream focuses on education and awareness-raising as the initial focus areas.

Temporary Traffic Management. A “design sprint”, to identify innovations to improve driver behaviour in TTM environments has been scheduled for February 2018, with agreed initiatives / programmes to be progressed through 2018. The design sprint will focus on developing innovations and initiatives that will reduce driver speeding through temporary traffic management sites.

Health and Wellbeing Programme

The 2018 Wellbeing programme will be launched in early February; this involves a program of activities and initiatives that will provide information and tools for our people to improve their physical, mental and social health outcomes. Information will be provided via the health and safety management system. The program has been aligned with national health and wellbeing programmes and events, such as mental health awareness week and national ride to work days.

SAFETY STATISTICS — OUR CONTRACTORS

Key Measure	YTD Trend	Current quarter* (01/10 – 30/11)	Previous quarter (01/07 – 30/09)	YTD (Jan 16-Nov 17)
Fatality	↑	1	0	3
Lost time injury	↓	1	13	8
First aid injury	↓	26	89	35
Medical treatment injury	↓	3	19	60
Notifiable Injury	↓	1	2	294
Risk or Near misses	↓	572	1241	6851

*Contractor reporting is for October and November only. Updated figures that include December results will be sent on 23 January.

FEATURE

PUBLIC TRANSPORT IN NEW ZEALAND

Public transport enables access to economic and social opportunities and provides a range of benefits to New Zealanders: from helping to reduce congestion on the road network by moving large numbers of people at peak times, to providing a travel alternative for those without access to a car.

Public transport can be thought of in terms of 'patronage services' and 'coverage services'. Patronage services are focused on encouraging the use of public transport to support more efficient use of road networks and land use. These services are essential in our largest cities which are growing fast and where congestion is a problem. The liveability of these cities can be hampered by gridlock and associated harmful carbon and particle emissions. Coverage services are focused on ensuring that those with limited access to a car have an alternative mobility option. Coverage services are important, especially in our smaller centres, for enabling access to essential services and opportunities that contribute to individual and community well-being.

Public transport is rarely self-funding from fare revenue, but the wider economic and social benefits generated are a good reason to invest in services. In New Zealand, approximately half the operating costs of public transport are met from fares and regional council rates, with the National Land Transport Fund (NLTF), which is administered by the Transport Agency, making up the difference.

The Transport Agency has a key role to play in making public transport an attractive travel choice across New Zealand. As a funder, a regulator, and developer and administrator of operational policy, we work with a range of local government agencies responsible for delivering public transport and with service providers to ensure that effective public transport is a key element of an integrated transport network. We are also a key provider of infrastructure for public transport services, such as the highly successful Northern Busway in Auckland.

The future of public transport will look very different from the present or the past. Continuous

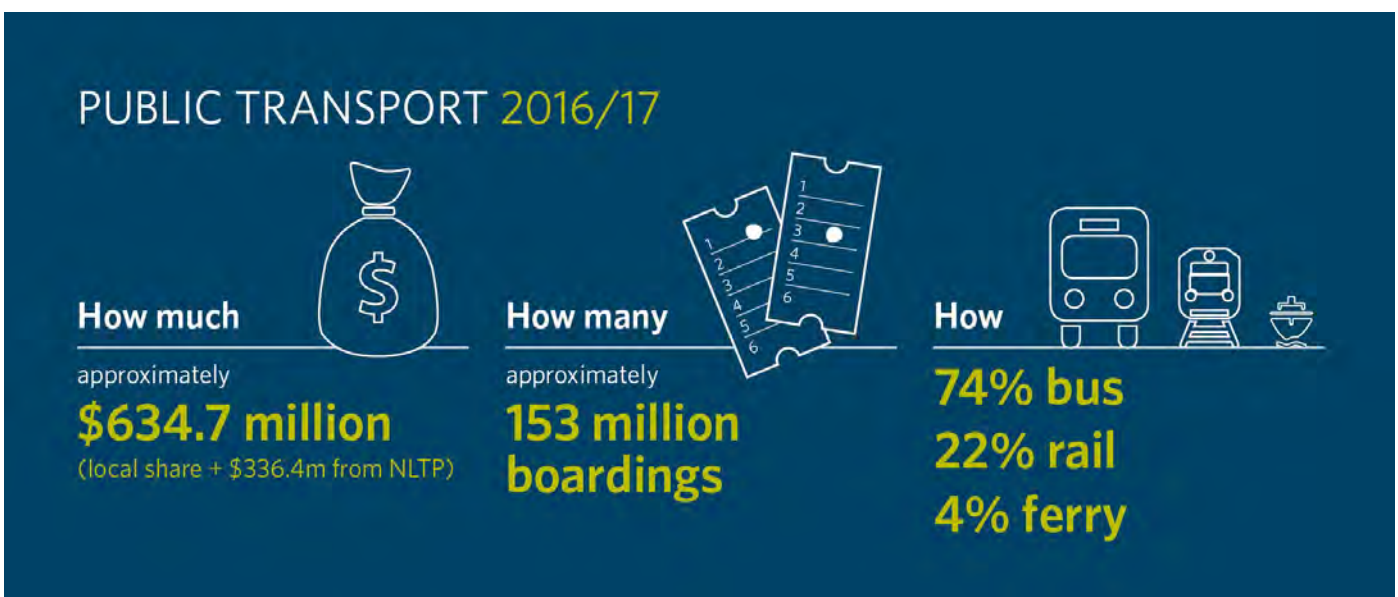
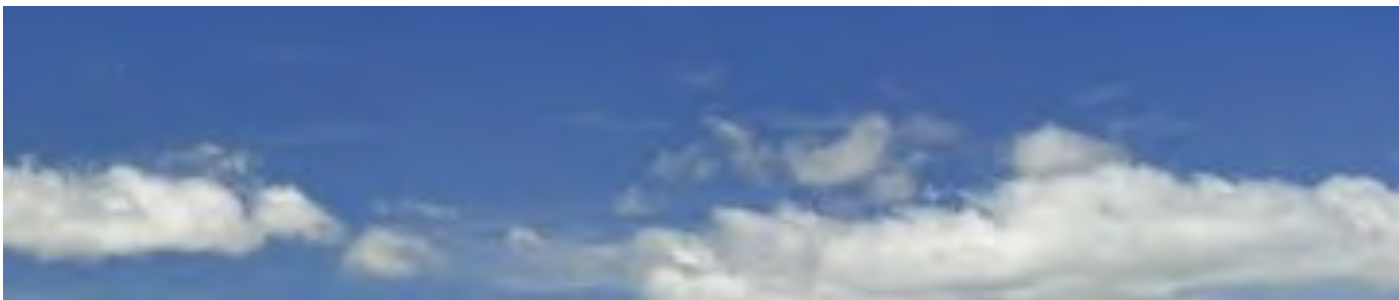


Fig. 1 Public transport in 2016/17



improvements to existing technology, disruptive new technologies like autonomous and connected vehicles, changing customer expectations, and rapid growth of our major centres are all contributing to a major shift in what people expect from public transport. , In an increasingly integrated travel environment, the time is right for public transport to become a more attractive travel choice for a greater proportion of New Zealanders as part of more liveable communities.

For public transport to be a truly attractive travel choice, a focus on customer's needs is critical. As travel options increase and technology improves, customers will actively change to whatever they perceive to be the cheapest, fastest, and most convenient travel mode. The challenge is to integrate more traditional fixed route, fixed schedule services with emerging on-demand flexible services that provide an attractive travel option.

With a clear focus on one connected transport system, people-centred services and partnering for prosperity, the Transport Agency has a critical role in ensuring that public transport makes a positive contribution to New Zealand's wider social, environmental and economic outcomes. Figure 1 shows that boardings totalled approximately 153 million in the year ended 30 June 2017, this is 15% increase over the past five years—from 133 million in 2012/13— and demonstrates the increasing role public transport plays in the lives of New Zealanders.

AUCKLAND'S PUBLIC TRANSPORT TRANSFORMATION

Working off plans first developed in the early 2000s, public transport is a tale of increasing access in New Zealand's 'Queen City'.

By investing in the existing rail network and creating the Northern Busway, the City now has the backbone of a Rapid Transit Network (RTN). The aim of this network is to provide fast, frequent services over significant parts of the day—especially at AM and PM peak times— backed up by regular services on other key arterial routes.

Delivering this transformation has required significant investment from the Crown and the region, especially into the rail corridor, stations, and electric trains. The investment is paying off with rail trips trebling over the last decade - from just under 7 million trips in 2007/08 to nearly 20 million in the 2016/17 year. Similar success has also been seen through the investment into the Northern Busway which provides a congestion free alternative to cars. Travel times on the RTN are 30-40 minutes faster than travelling by car during AM and PM peak times.

In addition to creating a new and more attractive network of integrated services, Auckland Transport has also developed a new zonal fare system that makes fares easier to understand and does not penalise users for transferring between services to complete journeys. The new fare system is supported by an electronic payment solution that is fast and easy to use.

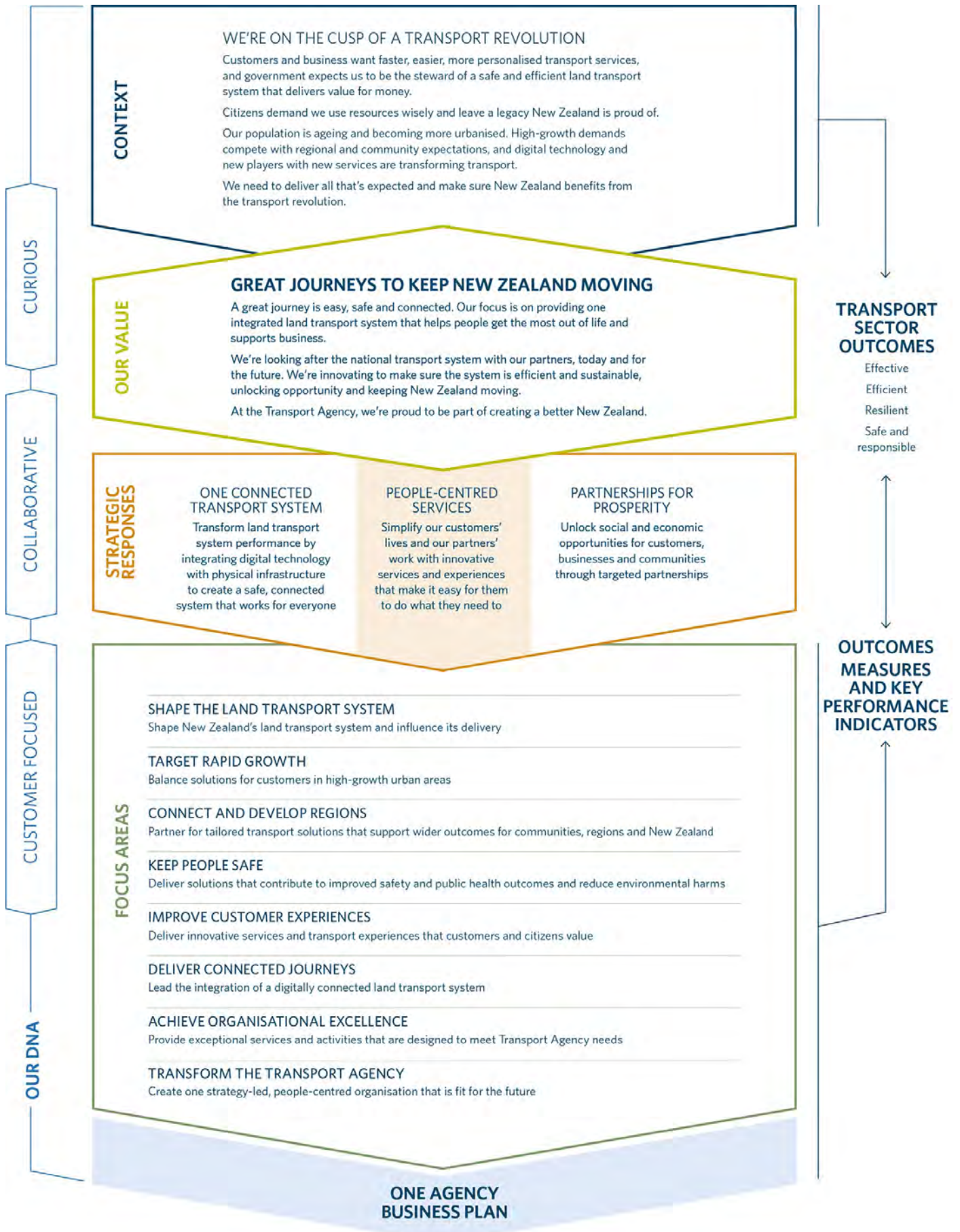
The next challenge for Auckland is providing higher capacity on the RTN, with light rail potentially playing a key part in providing improved links to the airport, to Westgate, and ultimately to the North Shore.

In the meantime, more and more people are leaving their cars at home, and taking advantage of Auckland's public transport revolution.



An Auckland train. Source: Auckland Transport

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

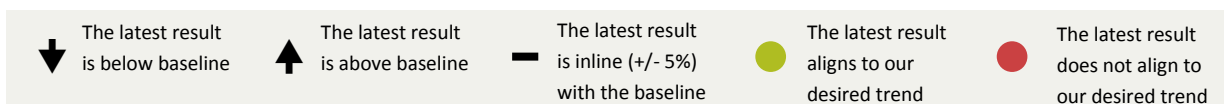
OUR FOCUS AREAS

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:

- Progressed the Long-term strategic view action plan, including how it will help shape the development of Regional Land Transport Plans and the 2018–21 National Land Transport Programmes
- Delivered National Land Transport Programme and business case approach online learning modules to over 500 users
- Ensured that the Driver Licensing Rule amendments are ready for public consultation.

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.



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.



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



WHAT WE'RE WORKING ON NEXT QUARTER

Next quarter we will:

- Continue to develop a resilience framework that clearly expresses our strategic approach to resilience, and will be used to prioritise, guide, and coordinate our ongoing activity and strategic work in this area.
- Widen our engagement and gain mandate from both internal and external partners for the LTSV and ensure there is an internal understanding of our role, purpose and how groups fit within the LTSV.
- Focus on the release of the new Government Policy Statement.

IN FOCUS: ENABLING A WALKING AND CYCLING FRIENDLY SYSTEM

We're working closely with our partners to ensure walking and cycling paths are integrated components in all of our infrastructure projects. By doing this we help connect communities and offer more transport choices.

Over the past decade cycling's contribution to New Zealand's transport system has grown exponentially. This has involved the NZ Transport Agency collaborating closely with our central and local government partners on building the network, listening to customers, engaging with communities, promoting cycling, and encouraging people to share the road and pathways. These efforts are paying off.

Currently more than three quarters of urban cycleway projects across the country are either fully complete or underway. These projects are providing kiwis with cycling options and, as a result, we are seeing more people getting on their bikes.

We've also been working to promote e-bikes and develop programmes to educate and upskill children to get them riding too. These programmes teach kids how to ride safely, be responsible road users, and keep them fit and healthy at the same time.



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:

- Provided the Phase 1 report into road pricing as a demand management tool in Auckland, which we developed with Ministry of Transport and Auckland Transport, to the Ministers of Finance and Transport, and the Mayor of Auckland. The report concludes that trials and demonstrations are better considered once the project team has undertaken further development of pricing options and is in a better position to understand what information or purpose trials or pilots could offer. This is the focus of Phase 2 and we look forward to continued progress in this complex area.
- Agreed the Terms of Reference with Auckland Transport and Auckland Council for developing a traffic management and investment prioritisation framework for Auckland. Phase 1 is progressing on shared definition, principles, and problem definition for Optimisation. The draft deliverables were considered by the governance group before Christmas and should be finalised in early 2018.

THIS YEAR'S SIGNIFICANT ACTIVITIES

DELIVERY CONFIDENCE

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

G

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.

G

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.



2.6 Develop a programme of activities to provide travel choices to customers in areas under pressure from growth.



MONITORING OUR PROGRESS

The Transport Agency tracks 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 in line with baseline at 73% on the urban network this quarter

CHALLENGES WE'RE FACING

Urban Cycleway Programme delivery is tracking slightly behind schedule but this represents only a limited portion of our capital projects delivery programme. Further details can be found in the Our Capital Projects on page 32.

The proposed draft programme of activities to provide travel choices to customers is behind schedule but expected to be complete in time for the NLTP and One Agency Business Plan in Q3.

WHAT WE'RE WORKING ON NEXT QUARTER

Next quarter we will:

- Identify and undertake trials and pilots as part of the ongoing investigations into road pricing as a demand management tool in Auckland, as part of our role to support the Ministry of Transport.
- Implement the framework for traffic management actions and investment priorities. Some of our key actions included in RLTP/NLTP & minor works underway.
- Draft a programme report focussing on activities to provide travel choices to customers in areas under pressure from growth due in early 2018.

IN FOCUS: WORKING ON THE AUCKLAND STORY

A new piece of work called 'The Auckland Story' is now underway. It originated from a desire to tell the overarching, strategic, and partnered story about all the great work we are doing in Auckland. We've been developing a set of the key themes that do more than just show how we're building new roads and infrastructure – it demonstrates how together with our partners we're making smarter use of Auckland's infrastructure and ensuring we're ready for new technologies and ways of thinking. Just as the transport system is all connected, so is the work we do here at the Transport Agency.



Key to our success will be working in partnership. No one organisation can do this alone, and together we can achieve great results for Auckland.

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 (RED) 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:

- Developed a programme of work for RED action plans, which were finalised and agreed with the business. The team to deliver this work has been recruited and internal and external relationships are on track. The delivery of projects is on track.
- Continued to deliver the 2015–18 National Land Transport Programme with 90% of Programmes delivered to 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

To help the Transport Agency understand how well it delivers transport activities that are integrated and unlock social and economic opportunity, the Transport Agency looks at transport system quality via travel resilience, time predictability, and network accessibility.

The time taken to address road closures on state highways helps the Transport Agency understand the

resilience of the transport system and how whether customers can get to their destinations reliably. The result this quarter (an increase from 1,355 hours at June 2016 to 10,418 hours), reflects a number significant events that occurred during the period. The current methodology is highly variable and impacted by events such as the Kaikōura Earthquake. To give this measure more meaning and comparability in the short term, the Transport Agency is reporting the median as well as the actual result to remove the impact of outliers. The median Q2 result was 24 hours, a 46% increase compared to the baseline median result of 16.4 hours.

This quarter travel time predictability on the rural network was 95%, which was the same result as Quarter 1. As the Transport Agency captures more data over time, it will be able to put future performance into more context.

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 26% decrease in the number of people found driving without a valid driver licence compared to the March 2017 baseline. While this result gives the Transport Agency some insight into the accessibility of the transport network, work has begun on more comprehensive measurement of accessibility.

CHALLENGES WE'RE FACING

Regional accelerated projects are tracking behind schedule and we are monitoring this. Further details can be found in the Our Capital Projects on page 32.

WHAT WE'RE WORKING ON NEXT QUARTER

Next quarter we will:

- Continuing to develop our relationships in relation to RED action plans as more regions and agencies become involved.
- Ensuring all Transport Agency components of the wider RED programme are delivered on time.
- Meeting our goal of completing 90 percent of the 2015–18 NLTP programmes listed on time and to standard
- Continuing with the rebuild of SH1 Picton–Christchurch at Kaikōura

IN FOCUS: MILESTONE REACHED FOR CHATHAM ISLANDS WAITANGI WHARF UPGRADE

A major milestone was reached last quarter on the Chatham Islands Waitangi Wharf upgrade, with the ship 'Southern Tiare' mooring against the new wharf for the first time. This is less than two years after construction equipment landed on the Island. In a three-year period the project has gone from an idea, to being consented, funded and now nearing the end of construction.

The Transport Agency is delivering the upgrade on behalf of The Department of Internal Affairs, which asked the agency to implement the \$55.7 million project just over three years ago.

The Wharf is a critical lifeline for the Chatham Islands, which is New Zealand's easternmost community. The wharf is the only cargo-handling facility for exports and essential supplies such as diesel for the electricity grid and fuel for air services.

Before the official opening of the wharf, planned for March 2018, there's still plenty of work to do including completion of the breakwater and wharf pavement and stock yards, construction of a wharf shed, lighting, and sealing the road to the wharf.



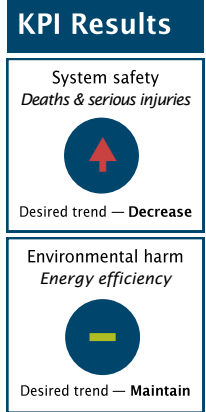
KEEP PEOPLE SAFE

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



OUR HIGHLIGHTS THIS QUARTER

This quarter we:

- Launched Sharehub.bike, the Transport Agency's directory of cycle training practices for getting more Kiwis cycling in our towns and cities.
- Completed the development – with sector partners – and automated compliance strategy and implementation plan as part of the Safer Journeys Action Plan 2016–2020 with submission of a final report to the National Road Safety Management Group in November. Significant automated compliance opportunities have been identified and will be progressed for investment decisions through the development of the Road Policing Programme 2018–21, Vehicle Dimension and Mass compliance programmes and inter-agency work on improving level crossing safety.
- Completed 90 percent of signposting for the National Rapid (DC) Public Charging infrastructure on the State Highway network.

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.

G

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

G

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

G

MONITORING OUR PROGRESS

There was an increase this quarter in deaths and serious casualties (DSI) on the road and rail network of 18% since the March 2017 baseline.

The energy efficiency of land transport has remained steady since the March 2017 baseline.

CHALLENGES WE'RE FACING

The Transport Agency recognises the very concerning increase in DSI and is committed, along with other agencies, to reducing the number of deaths and serious injuries on the roads and sees this as an urgent priority. 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 (such as alcohol and drugs, failure to wear seatbelts).

As mentioned in the Q1 report, there have been delays to the establishment phase of the integrated intervention logic model to optimise safe system investment. Recruitment of new position to lead the project has been unsuccessful and an internal project lead has been identified with backfill currently being organised. The timeframe for delivery remains extremely tight once establishment phase is complete.

WHAT WE'RE WORKING ON NEXT QUARTER

Next quarter we will:

- Provide potential interventions and implications for the integrated intervention logic model.
- Develop a Cabinet paper and priority business cases developed for the Automated Compliance Strategy and identify any changes to policy and regulations.
- Provide the final report recommending a preferred framework and investment approach
- Continue to launch targeted advertising, education and safety information with the launch of school resources on the subject of substance impairment and new learn to drive toolkit.
- Complete an international review to ascertain best practice options for implementation of infrastructure guidelines for early adoption of new vehicle technology.
- Finalise the Transport Agency's regulation/regulatory model.
- Complete the rail incident response framework, the rail funding review and revise and agree rail success measures.

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:

- Launched an online service which will allow customers with a verified RealMe identity to apply for replacement driver's licence. For more details see the In Focus item below.
- Implemented the changes to the Small Passenger Services legislation.

THIS YEAR'S SIGNIFICANT ACTIVITIES

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.

DELIVERY CONFIDENCE



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 NZBN register hosted by MBIE will not deliver capability for real time updating of Company information that is required. We have asked the Government Chief Information Officer (GCIO) for guidance and discussions with MBIE are continuing. An agreed approach is expected by the end of January 2018.

WHAT WE'RE WORKING ON NEXT QUARTER

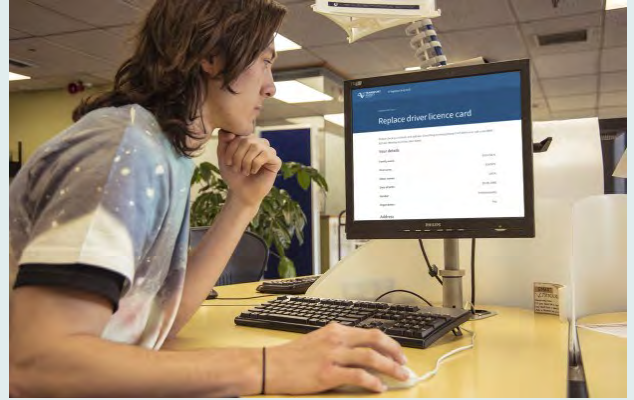
Next quarter we will:

- Contract preferred supplier for the drive.govt.nz. Following this we will be undertaking rapid prototyping to define and validate requirements and then commence design and development.
- Release the next update to online services for drivers' licencing.

IN FOCUS: ANOTHER CHOICE FOR DRIVER LICENCE REPLACEMENT

Customers with a RealMe verified identity can now apply for a replacement driver licence card on our website, where and when it suits them.

The new service is the start of offering, and moving, more driver licensing transactions online. It's a first step for online driver licensing services that can test the ground with a smaller customer segment before we expand to additional services. The insights into what we knew about the transactions our teams deal with, and what we knew about our customers, made online driver licence replacement a natural starting point.



The New Zealand Government-backed RealMe identity management service enables us to provide a secure way for customers to prove they are who they say they are, and an increasing number of people and services are using it. Customers have a RealMe verified identity if they've applied online and then visited a Post Shop to have their photo taken, or signed up for a verified identity when they renewed their passport online.

Customers currently have to visit a driver licensing agent to replace their licence card if it is lost, stolen or unreadable. While they'll still be able to do this – and in some situations will be directed to an agent to provide extra documents instead of applying online – it's great to be offering another option.

There were 109,000 driver licence replacement transactions last year, making it a high-volume administrative transaction. A high proportion of customers requiring a replacement licence are younger, so are more likely to want to undertake transactions online – and while many of them don't currently have RealMe verified identities, with services such as StudyLink increasingly using RealMe, that will change over time.

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 RideMate app in Auckland, our second pilot to test real-time information platforms that establishes a marketplace for travellers. See 'In Focus' below for more details in this product.
- Reviewed the Queenstown Choice app pilot and released an update prior to Christmas.
- Delivered a technical feasibility report 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.	G
6.2 Launch the National Incident and Event Management System in Wellington and Christchurch.	G
6.3 Support and align with the Ministry of Transport to plan and facilitate trials for emerging vehicle technologies.	G

WHAT WE'RE WORKING ON NEXT QUARTER

Next quarter we will:

- Review the *RideMate* pilot and continue to monitor engagement in the Queenstown *Choice* pilot .
- Agree a revised implementation roadmap and benefit realisation framework.
- Provide input to Christchurch City Council in support of the RED Zone testing ground, which is part of the Regenerate Christchurch programme.

IN FOCUS: RIDEMATE

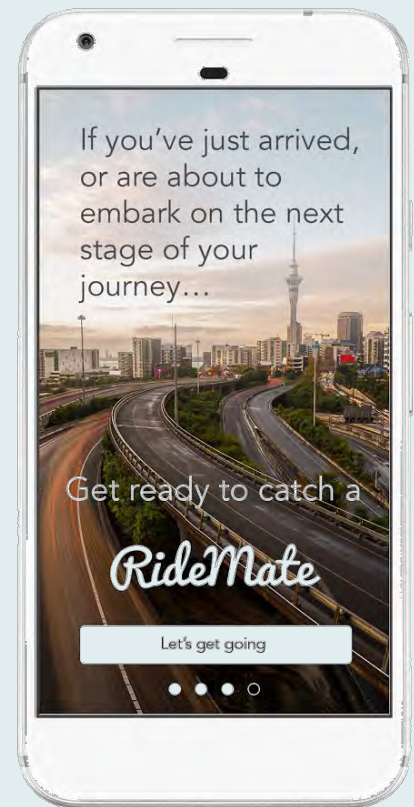
Following the release of the Choice app in Queenstown in the first quarter, the NZ Transport Agency, Auckland Transport and Auckland Airport have come together to create and launch the first real-time transport app for Auckland, called RideMate, in quarter two.

RideMate helps customers choose, plan and get to where they want to go, connecting them from Auckland Airport to the city.

Information and services available through the app include:

- Airport wayfinding information – maps, changing terminals, terminal buses, and important points of interest
- Information about public transport services
- Trip management – recent trips and bookings
- Real time information and tracking on a range of transport options
- Auckland Transport buses and trains
- Taxis: Alert Taxis, Auckland Co-op Taxis, Cheap Cabs, Corporate Cabs and Green Cabs
- Rideshare: Chariot and Smart Travel
- Shuttles: Super Shuttle
- Fun facts about Auckland

More transport options and features like multi-journey planning, in-app payments and additional languages are on their way. The app is available in English, Japanese, and Mandarin languages.



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:

- Consolidated the themes following staff engagement and developed an initial “straw-man” proposal of the workforce strategy to present to the Executive Leadership Team and staff early in the New Year.
- Developed a framework to apply to the relationship plans we have for our key stakeholders.
- Mapped our stakeholders at Group level and developed models for stakeholder management model options in preparation for ELT discussions.
- Completed Value for Money frameworks for investment management, motor vehicle registration, State Highway maintenance and Local Road output classes.
- Completed the Innovation zone property fit out and recruited innovation zone team members.
- Established the Mobility as a Service (MaaS) team in Auckland.

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

There is a slight delay in the development of the plan to modernise our technology infrastructure due to the need to engage the wider business on technology enablers and the competing priorities of establishing the security programme.

Development of Value for Money (VfM) action plans are slightly behind schedule due to resourcing issues in some areas.

WHAT WE'RE WORKING ON NEXT QUARTER

Next quarter we will:

- Develop capability programmes (e.g. graduate programme, diversity programme) – as per action plan – that are aligned to initial workforce strategy.
- Complete customer, analytics, transport and corporate technology roadmaps.
- Develop and approve stakeholder management and monitoring tools and provide SLT quarterly reporting on key relationships.
- Agree and document the VfM framework and develop four more of our larger output classes.
- Update our VfM maturity profile and confirm our 2018/19 KPI maturity target.
- Conduct assessments for the first four output classes.
- Develop the VfM performance story and improvement plans.
- Develop and deliver 'University challenge' and sponsor an innovation category as part of 2018 GEM awards

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

Available Q3

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:

- Implemented the transition plan and updated the supporting tools. A report on the transition was provided to the Executive Leadership Team.
- Amended the Business Planning Process to allow for greater understanding of government priorities before setting business plan priorities.
- Refreshed and reviewed current business plan activities. We have made several improvements to the framework as a result of our lessons learnt process.
- Analysed the feedback from the Q1 "Ask your Team" pulse check. Targeted actions have been implemented to address the key themes. The next pulse check will be run late Feb/early March.

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 2016/17).



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.



CHALLENGES WE'RE FACING

Momentum around DNA work is now building however it is slightly delayed as focus has been put into increased transition support.

WHAT WE'RE WORKING ON NEXT QUARTER

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

- Continuing to transition our people into their new roles and teams by updating the tools in the transition pack, conducting a review against our metrics, and providing a transition report to the ELT.
- Implementing improvements to the business planning programme, including developing financial reporting at Focus Area level and reviewing and reporting to the Senior Leadership Team on how the plan aligns with the strategy.
- Completing the draft output class measures and KPIs for the 2018/19 Statement of Performance Expectations.
- Launching the Teaming approach into the wider business and completing the actions from the DNA plan to support our people.

IN FOCUS: NEW WAYS OF WORKING TOWARDS TEAMING

Teaming is a process that brings together diverse groups of people and thinking, and creating a safe environment for people to contribute and challenge. Teaming will help us bring our DNA to life, by enabling us to deliver more agile and innovative outcomes to our complex challenges and programmes

As part of this work, we ran a “Power Week”, where two project teams (Auckland Growth Alliance and Business Case Approach) and 23 people from across the organisation were coached to apply Teaming to the way two teams operate and organise themselves. Practices include focusing on progress, not perfection; getting balanced contribution from all members of a team; and using a team retrospective on a regular basis to refine the solution.

Principal Project Manager Grant Foster, project lead for the Business Case Approach team, said his team has now started using some of the practices.

‘We took 30 minutes to go through our work plan and got people to take ownership of different tasks. It was great because by using an online document sharing tool, the team were happy to agree to take ownership of these tasks on the spot — they could instantly see what they were signing up to deliver and that they were happy with what they needed to deliver. The team also use Workplace [by Facebook] to discuss and share ideas and ask questions. It’s transparent and everyone on the team can have input,’ Foster said.

The 23 people brought in to work on Power Week are now our Teaming Champions. These people are introducing the methodology to their teams and work groups, and additional projects where Teaming can be applied have been identified.

We will continue to work to embed Teaming as a way of working throughout the Transport Agency. The focus for the next quarter is to continue building the capability of our existing Teaming Champions, developing more Teaming Champions, continuing to apply the Teaming methodology to suitable projects and regularly communicate the Teaming story to Transport Agency staff.



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, 34 measures met expectations, while five 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%	45%		Note 1	
	% of operational assurance activities completed	100%	79%	86%		Note 2	
ROAD TOLLING	% revenue compliance	≥ 98%	97%	96%		Note 3	
INVESTMENT MANAGEMENT	% of activities delivered to agreed standards and timeframes (transport planning)	≥ 90%	68%	39%*		Note 4	
	Total cost of managing the funding allocation system as a % of the NLTP expenditure	≤ 1%	1%	1.09%		Note 5	

1. Since September monthly performance has improved by 8 points. The Online driver licence replacement was launched on 8 December 2018 and saw approximately 500 customers using the service, without active promotion. Active promotion is planned to commence later in Q3 and this should support continued performance improvement.
2. Performance in Q2 improved 7 points on Q1 performance. A number of vacancies led to planned activity being delayed however these vacancies have now been filled and we expect the trend to continue its upward trend.
3. Performance for Q2, at 96%, is generally consistent with results since the inception of the Tolling system, and the deficit reflects the number of casual toll road users where the Agency has been unable to identify or locate the residential address of the liable driver (e.g. visiting drivers), or where casual users have failed to respond to debt collection activities.
4. The result of 39% is for the second quarter only and is lower than the 68% achieved in the first quarter. This measure reports on whether we have met our forecasts for programmed activity and budget across the planning stage of projects. The measure is tracking lower than last year, which can be partially explained by the lower number of planning activities scheduled in this third year of the three-year NLTP. With fewer activities, any non-achievement of targets is amplified in the result. We are performing better against the programme planning side than the budget phasing side of the measure and our focus is on addressing this in the third quarter. We are confident for an improved result by the end of the year. * Note this result is a snapshot for Q2.
5. The funding allocation system is currently being re-mapped to this output class in line with the new organisation structure and numbers will become clearer as this work is progressed.

NB: A data integrity issue was identified during Q2 so we are unable to report on Fuel Excise Duty (FED) at this time. We are working to resolve this in time for Q3 reporting.

ROAD POLICING PROGRAMME

The Review of Road Policing Strategy and Operating Models is now well underway with 4 inter-agency workshops held since the last quarterly report. The workshops have resulted in the development of five options for operating and investment models. These will be considered by the steering group during November with a view to moving one or two options forward for mid-level design by a cross-agency working group

Notes on delivery:

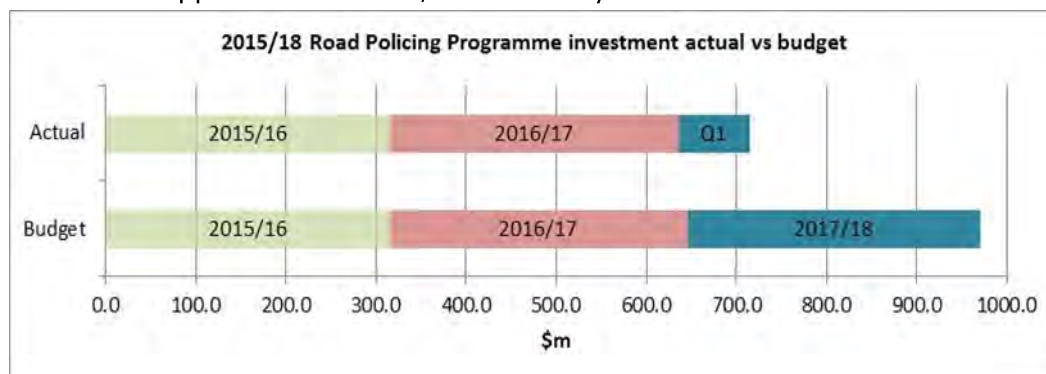
- Camera notices increased slightly in Q1 2017/18, by 7,000 or 6% over the previous quarter's result.
- Officer issued notices were 27,484 (11%) lower than the previous quarter and significantly below previous years' first quarter results (22% below Q1 2015/16 and 26% below Q1 2016/17).
- Police attribute the decline to fewer dedicated road policing staff and anecdotal evidence of an increase in alternative resolutions and written traffic warnings. Police are recovering road policing positions following the May 2017 approval of an additional \$10 million investment from the National Land Transport Fund through the Road Policing Programme.
- Police facilitated a workshop Improving road safety outcomes for Maori – Understanding our past to succeed in future for Police and Transport Agency staff. It explored the experiences of Maori throughout New Zealand history that have contributed to the situation we have today.

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		
2015/16 – Speed camera Expansion Programme	8.0	314.7	314.7
2016/17		331.2	321.0
2017/18	637.0	324.1	79.2*
Total 2015-18 (NLTF only)	960.0	970.0	714.9

* note that this figure is a quarter in arrears, covering Q1

During the latter part of the 2016/17 financial year, an additional \$10 million 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 \$10.2 million 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 Kaikōura 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 AND MANAWATU GORGE RESPONSE

IN CONSTRUCTION		2017	2018	2019	2020	2021	\$	⌚
Kaikōura Earthquake Response							●	●
BUSINESS CASE DEVELOPMENT		2017	2018	2019	2020	2021	\$	⌚
Manawatu Gorge Response							TBC	●

We are currently considering feedback and submissions on the shortlisted options for an alternate route. This feedback and input will be weighed up against the technical information for the four short listed options and the Transport Agency will be taking forward the option that best meets the needs of the region and provides a safe, efficient and resilient corridor. We are aiming to complete assessment of the short-listed options, including how they support regional freight connectivity and future economic development, in the first quarter of 2018, with the announcement of a preferred option soon after.

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						●	●

On the Huntly section of the Waikato Expressway, the Ralph Road Overbridge, Whangamaire Stream Bridge and Mangawara Stream Bridge are all complete. Overall completion is due for December 2019.

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						●	●

The second round of public engagement on the Otaki to North of Levin section of the Wellington Northern Corridor will commence in February, with a preferred route expected to be presented to the Board by mid-2018. On the Ngauranga to Aotea Quay section of the Wellington Northern Corridor, practical completion has been achieved and full automation of traffic management in the southbound direction is also complete, with further work required in the northbound direction.

AUCKLAND TRANSPORT PACKAGE

IN CONSTRUCTION	2017	2018	2019	2020	2021	\$	⌚
Northern Corridor Improvements	[Progress bar]					●	●
Southern Corridor Improvements	[Progress bar]					●	●
State Highway 20A to Airport	[Progress bar]					●	●

Construction of State Highway 20A to Auckland Airport is underway. Delays in securing site has delayed completion of Ascot Rd intersection, which is now expected be completed by the end of February 2018.

PRE CONSTRUCTION	2017	2018	2019	2020	2021	\$	⌚
East West Connection	[Progress bar]					●	●

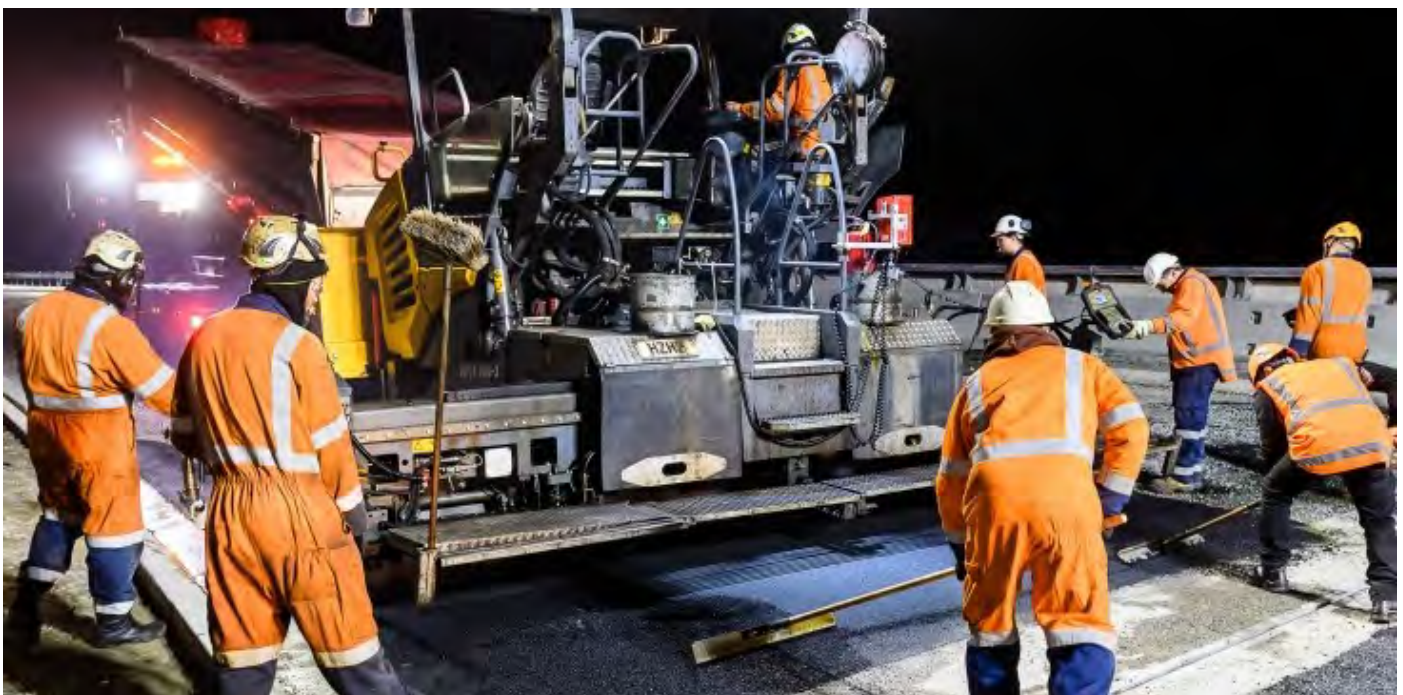
The Board of Inquiry issued its final decision confirming designations and granting resource consents for the East West Link project in late January. The Board of Inquiry decision is an important part in the ongoing statutory process and the consents are enabling and not obligatory. As part of the Transport Agency's work with the Government as it develops a new Government Policy Statement on land transport, a review of the East West Link is being undertaken to identify potential options to provide a lower cost, better value solution.

ACCELERATED REGIONAL ROADING PROGRAMME

COMPLETE	2017	2018	2019	2020	2021	\$	⌚
Motu Bridge Replacement (Gisborne)	[Progress bar]					✓	✓

IN CONSTRUCTION	2017	2018	2019	2020	2021	\$	⌚
Kawarau Falls Bridge (Otago)	[Progress bar]					●	●
Mingha Bluff to Rough Creek Realignment (Canterbury)	[Progress bar]					●	●
Akerama Curves Realignment and Passing Lane (Northland)	[Progress bar]					●	●
Whirokino Trestle Bridge Replacement (Manawatū- Wanganui)	[Progress bar]					●	●
Taramakau Road-Rail Bridge (West Coast)	[Progress bar]					●	●
Mt Messenger and Awakino Gorge Corridor (Taranaki)	[Progress bar]					●	●
Napier Port access package (Hawkes Bay) — Watchman section	[Progress bar]					●	●

'Stage 1' earthworks on the Whirokino Trestle replacement have recently been completed. We are now working through the consenting process before 'Stage 2' can commence.



PRE IMPLEMENTATION	2017	2018	2019	2020	2021	\$	⌚
Opawa Bridge Replacement (Marlborough)	█					●	●
Loop Road North to Smeatons Hill Safety Improvements (Northland)	█					●	●
Mt Messenger Bypass (Taranaki)	█	█				●	●
Awakino Tunnel Bypass (Waikato)	█	█				●	●
Napier Port access package (Hawkes Bay) — Prebensen section	█					●	●
Napier Port access package (Hawkes Bay) — Expressway section	█	█				●	●

The Opawa bridge replacement contract award is on hold while additional funding is sought, therefore construction will not begin in Q3 as planned.

The resource consent application for the Loop Road North—Smeatons Hill safety improvements has been deferred while alternative options for widening SH1 to four lanes between Whangarei and Port Marsden are considered.

The consent application for the Mt Messenger by-pass has now been notified and is open for public submissions.

The contract award for the Awakino Tunnel Bypass is awaiting confirmation of funding. The site will be established in Q3.

At the request of KiwiRail the Prebensen section of the Napier Port access package has been delayed. This is due to archaeological finds and evidence of asbestos contamination. Detailed design completion and tendering for construction will occur in Q3. Construction is estimated to start in September 2018.

BUSINESS CASE DEVELOPMENT	2017	2018	2019	2020	2021	\$	⌚
Nelson Southern Link	█					●	●

We will work with Nelson City Council on implementing the optimisation recommendations of the Programme Business Case. These recommendations state that a range of short-term improvements should be progressed by 2020, including intersection improvements, the addition of clearways on critical sections of Waimea Road and SH6 (Tahunanui Dr and Annesbrook Dr), improvements to public transport and improved accessibility for pedestrians and cyclists.

URBAN CYCLEWAYS PROGRAMME

PROGRAMME PROGRESS (54 PROJECTS)

\$

∞

Completed
(19 projects)

In Construction
(24 projects)

Pre Construction
(19 projects)



OUR HIGHLIGHTS THIS QUARTER

Overall, the Urban Cycleways Programme is now 65% complete. Below are projects were either completed or construction began.

However, there are currently 20 projects experiencing minor delays and cost increases.

Completed

- University–Cycle route, Christchurch
- Ngaruawahia to Horotiu section of the Te Awa River Ride, Waikato
- Section 1 of Rapanui–Shagrock, Christchurch
- Expressway link Stage 1, Napier
- Stage 1 Cobham Drive Eastern Route, Wellington

Construction phase

- Quarryman’s Trail, Christchurch
- Wainuiomata Hill shared path, Stage 1, Lower Hutt

WHAT WE’RE WORKING ON NEXT QUARTER

Next quarter we will:

- Start construction on the Heathcote Expressway in Christchurch
- Start construction of the Links to Public Transport package in Auckland
- Start construction on the Coronation Ave project in New Plymouth
- Start construction on the Eltham Road cycleway in Blenheim
- Start construction on Maitai to Rocks Road cycleway in Nelson



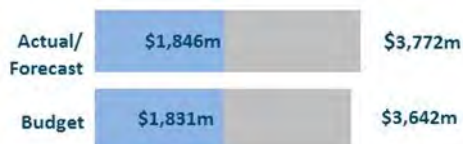
FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE SUMMARY

■ Year to date ■ Full year

NATIONAL LAND TRANSPORT FUND REVENUE

\$15m
above
budget



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

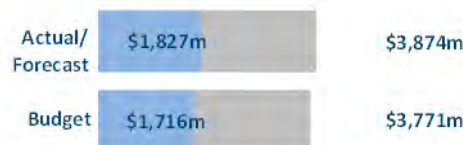
Revenue is forecast at 105% of the 2015–18 published National Land Transport Programme three year target.

NLTF surplus is forecast to be approximately \$692 million over the 2015–18 period. This surplus is higher than the \$340 million previously reported. The increase is primarily due to the higher revenue forecast which has increased by \$228m from the last forecast presented which was Budget Economic and Fiscal Update (BEFU) in April 2017.

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

\$110m
above
budget



Expenditure, year to date, is 6% above budget due to accelerated activities on the Kaikōura State Highway 1 reinstatement and Auckland accelerated transport programme.

The 2015–18 programme is below budget, with 79% of the three year expenditure programme spent to date compared to budgeted 82%.

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 roading programme, urban cycleways programme.

NZ TRANSPORT AGENCY NET OPERATIONAL EXPENDITURE

\$13m
below
budget

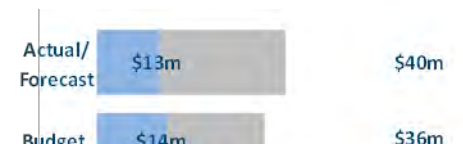


Net operational expenditure year to date is 21% below budget primarily due to the lower expenditure in state highways improvements and road safety promotion, and higher motor vehicle licensing revenue.

The year-end net forecast has been adjusted down 3% below budget to reflect the impact of the under spend to date.

NZ TRANSPORT AGENCY OPERATIONAL INITIATIVES

\$1m
below
budget









Operational initiatives expenditure year to date is 7% below budget. In the first quarter inflight projects from last year were in progress, activity has increased during the second quarter but has not reached the levels initially anticipated. 27 of the budgeted 45 initiatives are now underway. The operational initiatives are forecast to be over budget. This will be subject to further management review.

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 street-light replacement, as well as expenditure on Route 70, should lift expenditure in 2017/18, however is unlikely to achieve the funding range minimum.
- **Regional improvements** expenditure incurred to date of \$137 million is at 61% of the three year expenditure programme target, compared to budgeted 87%. The 2017/18 year needs an increase in activity to ensure delivery within the GPS funding range of \$180 to \$270 million. Current funding approvals provide a significant base for delivery of the \$225 million 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 \$597m at 31 December 2017
NLTP 2015–18 funding		National Land Transport Fund revenue is forecast at 105% of the expenditure target for the 2015–18 National Land Transport Programme
Borrowings		There is \$1.263 billion of borrowings at 31 December, with the Transport Agency being compliant with all conditions
Crown projects		One out of six projects is tracking significantly below budget (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

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

- **Fuel excise duty** is below budget, due to the variable nature of fuel shipments. There was a significant drop in October which was not fully recovered in the later part of the quarter. In addition, there have been increased fuel excise duty refunds. The full year forecast expects revenue to be 3% above budget which reflects the increased economic activity.
- **Road user charges** is above budget due to the continuing increase in the national fleet of light diesel vehicles and the recovery of road user charges from non-compliant vehicles. In terms of classes, Heavy is \$14 million above budget, Light \$22 million above budget and non-compliant recovery across both is \$19 million. The level of RUC refunds is \$6 million less than expected. These trends are expected to continue through to the end of the year, but to a reduced extent, with full year revenue forecast to be 4% above budget.
- **Motor vehicle registration** and other revenue is below budget, due to reduced licensing activity in the first half of the year. This is expected to recover during the second half of the year, with forecast revenue consistent with previous year. Also impacting other revenue is the reduction in the property disposal programme. Properties that were expected to have been disposed are now being held as they may be required for new projects, particularly in the Auckland region, depending on the new government priorities. Property disposals are still expected to meet the full year budget as a number of substitute transactions are being worked on.

Summary

\$15m
above YTD
budget

Budget

Tracking 1% above year to date budget

Full year forecast

Expected to be 4% above budget

2015-18 NLTP

Revenue forecast at 105% of published NLTP three year target

National Land Transport Fund revenue for the three year period 2015–18 is forecast to be 105% of the published National Land Transport Programme three year target.

The current revenue forecast is the Half Year Economic and Fiscal Update (HYEFU) prepared by the Ministry of Transport in November 2017.

	YEAR TO DATE				FULL YEAR			
	Actual \$m	Budget \$m	Variance \$m	Variance %	Forecast \$m	Budget \$m	Variance \$m	Variance %
Fuel Excise duty	919	949	(30)	(3%)	1,951	1,887	64	3%
Road user charges	779	716	63	9%	1,493	1,433	60	4%
Motor vehicle registration and other revenue	148	166	(18)	(11%)	328	322	6	2%
Total NLTF revenue	1,846	1,831	15	1%	3,772	3,642	130	4%

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

National Land Transport Programme (NLTP) expenditure, year to date, is \$31 million (2%) below budget.

- **State highway improvements** expenditure is \$58 million (10%) below budget. The poor weather that hampered delivery on the Waikato Expressway programme (Huntly and Hamilton sections) in Q1 has abated and good progress is being made on that programme, however the programme will not be back on track before year end. Full year expenditure is expected to be approximately \$100 million behind budget. This forecast reflects the uncertainty around the change in government, particularly with East West Link for example, and the intended property purchases this financial year.
- **State highway maintenance** expenditure is tracking \$23 million (8%) ahead of budget. This is expected to increase throughout the year to \$70–\$90 million 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 \$29 million (22%) above budget. This is partly due to the seasonality of the claims cycle which had not been included in the budget. The full year forecast is to be \$30 million (9%) above budget. This reflects the increased expenditure on infrastructure (new electric train units in Auckland), as well as proposed improvements in public transport services (mostly in Auckland).

Specific Crown-funded projects expenditure year to date is \$142 million (56%) above budget, primarily due to good progress on the Kaikōura State Highway 1 reinstatement and the Accelerated Auckland transport programme.

The full year forecast is \$111 million (22%) above budget, due to the acceleration of the Kaikōura State Highway 1 reinstatement work (\$79 million) and Accelerated Auckland transport programme (\$30 million). The Accelerated regional roading programme is also expected to be \$15–20 million above budget reflecting heightened activity on some projects, including Kaware Falls Bridge, Mingha Bluff and Akerama curves all of which were with fully or partially opened prior to Christmas.

Summary

\$110m
above YTD
budget

NLTP Budget

Tracking 2% below budget

NLTP full year forecast

Expected to be on budget

Crown budget

Tracking 56% above year to date budget

Crown full year forecast

Expected to be 22% above budget

	YEAR TO DATE				FULL YEAR			
	Actual \$m	Budget \$m	Variance \$m	Variance %	Forecast \$m	Budget \$m	Variance \$m	Variance %
NLTP funded from NLTF	1,431	1,462	31	2%	3,257	3,266	9	0%
Crown-funded projects	396	254	(142)	(56%)	616	505	(112)	(22%)
NLTP & Crown expenditure	1,827	1,716	(110)	(6%)	3,874	3,771	(103)	(3%)

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

2015–18 National Land Transport Programme expenditure incurred to date for the 30 months to 31 December 2017 is tracking slightly below budget i.e. 79% vs. 82% budgeted.

Local road improvements expenditure to date is \$293 million. This is 66% of the lower end (\$465million) of the GPS funding range set for the NLTP and behind where expenditure was expected to be at this point.

Expenditure in this area is dependent on the value of approved project costs claimed by approved organisations. Local authorities have experienced competing resource and investment priorities which have contributed to the current underspend.

Historically Auckland Transport has made up a significant proportion of the expenditure on local road improvements (67% in the previous NLTP) and is therefore key to reaching the funding range. Currently Auckland Transport comprises 40% of the total spend and approvals to date in the current NLTP, with the next three largest councils comprising an additional 15%.

There have been initiatives, such as additional funding for LED streetlights replacement programmes at an enhanced funding assistance rate of 85% and increasing the limit for minor improvements to \$1m, to aid approved organisations and to move towards the current GPS funding range. However there is still forecast to be an underspend of \$50 million at the end of the 2015–18 National Land Transport Programme for local road improvements.

- **Regional improvements** expenditure of \$137 million is at 61% of the target, which is behind the budgeted 87%.

Pressure is placed on the 2017/18 programme to ensure delivery within the Government Policy Statement funding range of \$180 to \$270 million. Current funding approvals stand at \$316 million, providing a base for delivery of the \$225 million plan.

- **Specific Crown-funded** project expenditure is tracking ahead of budget.

Urban cycleways expenditure of \$47 million is at 49% of the target – this is behind the budgeted 80%. The 2017/18 full year forecast is for expenditure to be \$14 million under budget as more time has been needed on scope, costs and routes prior to implementation. This is likely to result in the \$100 million four year 2014–18 appropriation to be under spent by approximately \$20 million. Discussions are currently underway with the Ministry of Transport to extend the appropriation into the 2018/19 financial year.

Accelerated regional roading programme expenditure of \$99 million is at 50% of the 2015–18 target – this is behind the budgeted 78%.

This is 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 \$212 million are planned to be fully used by 2021.

- **Kaikōura State Highway 1 reinstatement** expenditure of \$363 million is at 92% of the target – this is ahead of the 86% budget.

The Crown approved an appropriation of \$394 million over the 2016/17 and 2017/18 financial years for the State Highway 1 reinstatement.

Activity has ramped up considerably over quarter two to ensure the milestone of opening of SH1 on 15 December to traffic was met. Expenditure increased from \$101 million in

Summary

2015–18 NLTP

79% of three year programme spent to date

2015–18 NLTP watch list

Under GPS range:
Local road improvements

To monitor:
Regional improvements

2015–18 Crown projects

84% of three year funding spent to date

2015–18 Crown projects watch list

Urban cycleways
Accelerated regional roading programme

quarter one to \$168 million in quarter two.

The road opening was successfully achieved, and for the remaining quarters of this financial year the focus will be on completion of the core recovery work.

Spending year to date is \$270 million and current forecasts are estimated at \$404 million. The current 2017/18 appropriation is \$325 million. Discussions have started with the Ministry of Transport and Treasury to bring forward some of the 2018/19 \$418m tagged contingency and for this adjustment to appropriations to be included in the March Baseline Update.

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.

	INCURRED TO DATE			3 YEAR NLTP		
	Actual	Actual	Budget	Adjusted Published	Forecast	Variance
	\$m	%	%	\$m	\$m	\$m
NLTP funded from NLTF	7,496	79%	82%	9,724	9,323	(401)
Crown-funded projects	915	84%	77%	1,093	1,135	42

NATIONAL LAND TRANSPORT FUND

The **NLTF is forecast to have a surplus** of \$692 million for the current three year programme. This has increased from previous forecast (September 2017:\$342 million).

The main contributor to the surplus is higher revenue. Revenue is now based on the HYEPU forecast completed in November 2017, which expects revenue to be \$478 million (5%) above the original forecast. This has increased by \$228 million on the last forecast presented which was the Budget Economic and Fiscal Update (BEFU) in April 2017.

Expenditure is forecast to be \$214 million (3%) lower than the published 2015–18 NLTP. The lower expenditure is primarily due to lower expenditure on state highway improvements, including projects delivered below budget, and lower spend on local road improvements, which is driven by the level of investment activity by approved organisations.

Surplus funds at the end of the current NLTP, will be utilised in the next NLTP.

The **NLTF cash position** at 31 December 2017 was \$597 million. This reflects the opening cash balance of \$39 million, and the actual surpluses in the 2015/16 and 2016/17 years

Summary

2015–18 NLTF

Forecast at \$692m surplus for three year programme

NLTF cash position

\$597m at 31 December 2017

Watchlist

Level of NLTF Surplus and its cash reserves

	Cash position	3 year programme			Cash position
	Actual \$m	Forecast \$m	Published NLTP \$m	Variance \$m	Forecast \$m
Opening cash balance (1 July 2015)	39				
NLTF revenue		10,978	10,500	478	
NLTF funded expenditure*		(10,286)	(10,500)	214	
NLTF net surplus		692	0	692	
Closing cash balance					731

*Including Police expenditure

NZ TRANSPORT AGENCY

NET OPERATIONAL EXPENDITURE

Total operational expenditure is \$8 million below budget, primarily due to lower spending in state highway improvements and in road safety promotions as our existing campaigns continue to achieve their success measures.

Operational revenue is \$5 million above budget mainly due to higher revenue received in motor vehicle licensing of \$2 million and standards development of \$2 million.

The **year-end net forecast** has been adjusted down 3% below budget to reflect the impact of the under spend to date.

Summary

\$13m
below YTD
budget

Total expenditure

Tracking 5% below
year-to-date
budget

Revenue

Tracking 6% above
year-to-date budget

Full year forecast

Full year forecast is
3% below budget

	YEAR TO DATE				FULL YEAR			
	Actual \$m	Budget \$m	Variance \$m	Variance %	Forecast \$m	Budget \$m	Variance \$m	Variance %
Expenditure represented by:								
NLTP	62	70	8	12%	138	151	14	9%
Regulatory	88	88	(0)	(0%)	193	184	(9)	(5%)
Total expenditure	150	158	8	5%	331	336	5	1%
Less operational revenue	(100)	(95)	5	6%	(191)	(191)	0	0%
Net expenditure	50	63	13	21%	140	144	5	3%

OPERATIONAL INITIATIVES

The approved **operational initiatives** programme is underspent by \$1 million, with spend mainly on the inflight projects from last year led by Driver Licensing reform, Insight Hub, Crash Hub, and PCI. The annual ICT refresh programme has spent \$1.7 million (50%) of its budget.

The actual to budget variance has reduced from where it had been tracking in prior months due to the rephasing of the budget following the November forecast.

The full year opex forecast is an increase of \$1.7 million over budget, which aligns with the known over programming of the initiatives on the assumption that some initiatives will experience delays that will allow for reprioritisation of funding allowing the agency to remain within the board approved initiative programme budget. If all was to proceed as forecasted the additional funding requirement can be covered by savings in the wider Agency operating budget.

The full year capital forecast is an increase of \$2.7 million over budget from increased funding requirements of Crash Hub, Insight Hub, Cyber security and Driver Licensing reform seeking \$5 million more than their budget. The full impact being partially offset by forecast reductions, in particular, NZ Business Number \$1.4 million from deferred activity and the general unallocated provision \$0.7 million.

Summary

\$1m
below YTD
budget

Budget

Tracking 7% below
YTD budget

Funding

Opex budget over
programmed by
\$2.0m in the
business plan

Full year forecast

Increase of \$1.7m
opex and \$2.7m
capex providing a
total of \$4.4m over
the 2017/18
budget

	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	%
Shape the Land Transport System	0.5	0.0	0.5	0.9	0.4	2.3	2.1	0.2	10%
Keep People Safe	0.2	0.0	0.2	0.3	0.1	0.7	0.7	0.0	0%
Improve Customer Experiences	1.2	2.3	3.5	3.8	0.3	10.6	9.4	1.2	13%
Achieve Org. Excellence	2.2	5.1	7.3	8.0	0.7	22.9	19.9	3.0	15%
Transform the Transport Agency	2.0	0.0	2.0	1.4	-0.6	3.4	3.4	0.0	0%
Deliver Connected Journeys	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0%
Total initiatives	6.1	7.4	13.5	14.5	1.0	40.0	35.7	4.4	12%

FUNDING AND LONG TERM LIABILITIES

The notional balance in the National Land Transport Fund at 31 December 2017 was \$597m.

There has been no activity on the **short term facility** during the quarter. Activity on the **longer term facilities** included:

- Auckland accelerated loan – \$50 million drawdown in the quarter ended 31 December 2017
- Christchurch earthquake loan – repayment of \$15 million principal and \$2 million interest was made in the quarter ended 31 December 2017

The Transport Agency has two **public-private partnerships** arrangements – Transmission Gully and Puhoi 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 Puhoi to Warkworth agreements.

The interest rate swaps are revalued on a semi-annual basis by an external provider, BanCorp. The latest valuation performed at 31 December 2017 had a derivative financial liability of \$160 million on the Transmission Gully (June 2017: \$121 million) and derivative financial liability of \$18 million on the Puhoi to Warkworth (June 2017: financial asset of \$9 million).

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

Summary

NLTF Cash balance at 31 December
\$597m

Short term facility

There was no drawdown in Q2

Long term facilities

\$50m drawdown on Auckland accelerated loan in Q2

\$15m repayment of Christchurch loan in Q2

	Q2 liability \$m	Q1 liability \$m	Total facility \$m	Period Years
Borrowings and financial liabilities				
Short term revolving facility	0	0	250	Less than 1
Christchurch earthquake loan	24	41	183	9
Auckland Accelerated loan	257	212	375	10
Tauranga Eastern link loan	107	107	107	35
Total borrowings	388	360	915	
Transmission Gully (PPP)	514	450	1,100	31
Puhoi to Warkworth (PPP)	183	134	1,000	28
Total borrowings (incl PPP)	1,085	944	3,015	
Derivative financial liability	178	121		
Derivative financial asset	0	(9)		
Total borrowings (incl PPP and derivatives)	1,263	1,056		
			Commitment	Period Years
Other Commitments				
Auckland Electrical Multiple Units			200	35
Auckland Depots			50	50
Wellington Matangi Electric Multiple Units			85	28

ORGANISATIONAL STANDING

OUR PEOPLE — KEY INDICATORS FOR Q2

The key indicators for this quarter continue to reflect the dip in permanent recruitment in the lead up to going live with our new operating model on 3 July 2017.

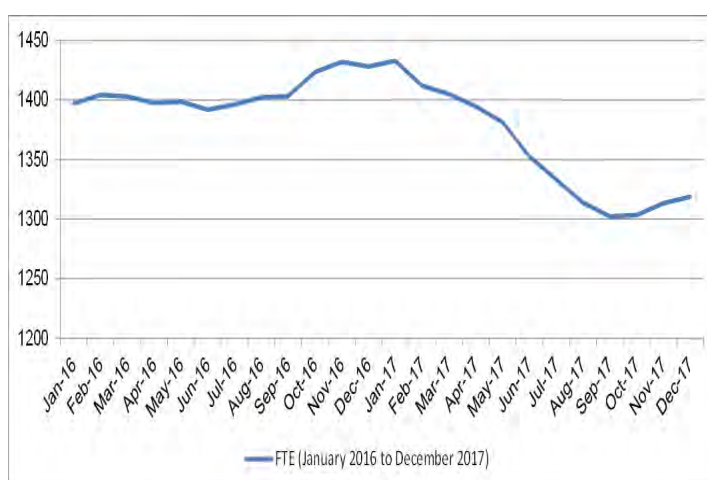
In the last quarter the number of permanent FTE employees started to increase and we expect this to continue to rise in the following quarter as newly appointed employees commence with the Agency.

Full-time equivalent (FTE) employees

As at 31 December 2017 there were 1318.7 FTE employees.

The numbers of permanent FTEs had temporarily fallen during 2017. This was the 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.

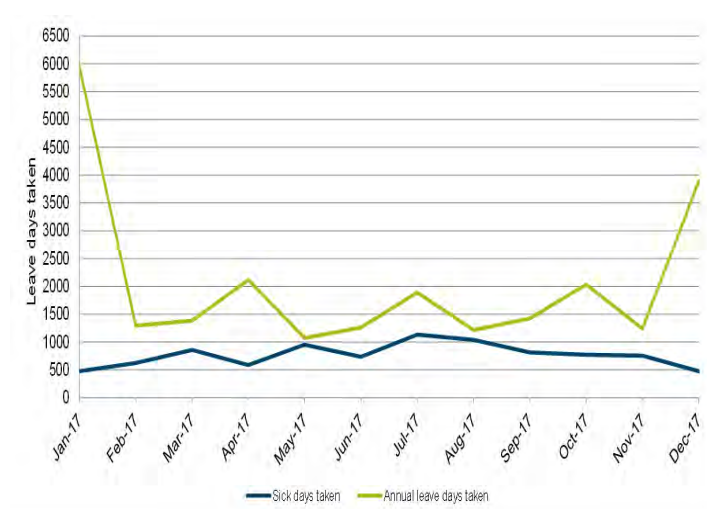
Over the last quarter we have been actively recruiting to fill vacancies with permanent staff and we are now starting to see the number of permanent FTEs increase again. The number of permanent FTEs is expected to return to approximately 1430 as vacancies are filled. The System Design and Delivery group has the most active vacancies and the most common recruited position in that group is project manager.



Planned and unplanned leave taken

Our average annual leave balance as at 31 December 2017 was 15.2 days. This is a moderate drop from the last quarter (16.9 days), which was expected as annual leave bookings for the holiday period were realised. The balance however continues to remain above our target average of 12.5 days, and is slightly higher than at the same time last year (15.0 days).

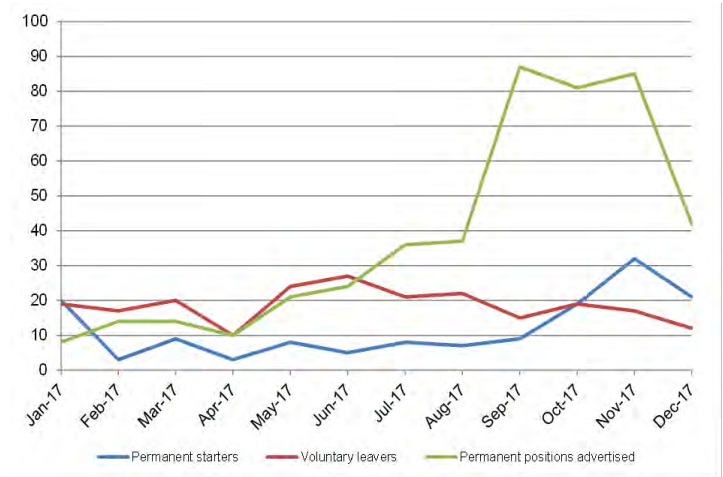
As predicted, the number of sick leave days taken since the last quarter has decreased. This is a 33% reduction in sick leave taken this quarter, when compared to the previous quarter. This downward trend can be attributed to the generally much warmer months towards the end of the year.



Permanent comings and goings

As at 31 December 2017 there were 42 permanent vacancies advertised. The spike in the vacancies in the months prior to this was a result of the increase in permanent recruitment following the transition to our new operating model. A number of these roles has been filled internally and have resulted in the additional advertising of further vacancies.

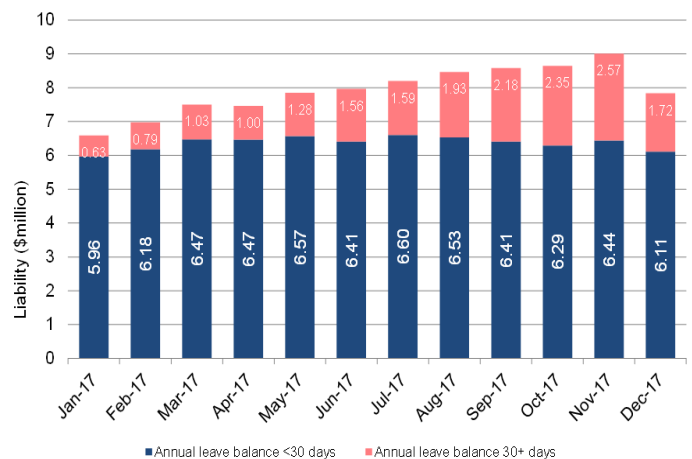
Voluntary turnover sits at 16.4%, a marginal decrease since the last quarter when it was 16.6%. The current rate is higher than as at the same time last year, when it was 13.4%, and is also higher than the State Services Commission June 2017 benchmark of 11.5%. While the increase in turnover may be partially attributable to the transition to our new operating model, we have also noticed that the employment market has been increasingly buoyant in recent months.



Annual leave liability

Our average annual leave liability as at 31 December 2017 was \$7.84 million (approximately \$5,738 per person), which is \$746,000 less than the last quarter. It is also 4.2% less than the liability of \$8.18 million that was reported at the same time last year.

There were 120 employees with an excessive annual leave balance (30+ days), a 21.1% reduction since the previous quarter, and it is due to the holiday season. When future booked leave is taken into consideration, the number of employees with an excessive leave balance significantly reduces to 36 employees (2.6% of all staff).



IN FOCUS: A PICTURE OF OUR PEOPLE

As at 31 December 2017, our overall people tenure is 8.0 years, average age of our staff is 45.1 years, average sick leave taken over the year is 7.6 days, and the average leave balance stands at 15.2 days.

We have a generally balanced workforce with slightly more female employees than male employees: 52 percent and 48 percent respectively.



RISKS

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

The risk rating for Internal control and/or regulatory failure (Risk 9) has reduced from “high” to “medium” as a result of all “high” risk regulatory recommendations being addressed.

STRATEGIC RISKS

- Auckland outcomes
- Cyber security
- Anticipated NLTP benefits not achieved
- Safer Journeys doesn't deliver
- Tools, technology, capability don't keep pace with need
- Serious health and safety system failure
- Organisational system resilience
- Internal control and/or regulatory failure
- Focus on short-term rather than long-term goals
- Connected journeys doesn't deliver
- Urban complex projects
- Pressure on funding
- Transformation failure