

New boardwalk near southwest corner of new Watchman Road, roundabout, Napier.

Photo credit: Raewyn Pudsey

2018/19 SECOND QUARTER PERFORMANCE REPORT

01 October – 31 December 2018

Copyright information

This publication is copyright © NZ Transport Agency. Material in it may be reproduced for personal or inhouse use without formal permission or charge, provided suitable acknowledgement is made to this publication and the NZ Transport Agency as the source. Requests and enquiries about the reproduction of material in this publication for any other purpose should be made to:

Manager, Information
NZ Transport Agency
Private Bag 6995
Wellington 6141

The permission to reproduce material in this publication does not extend to any material for which the copyright is identified as being held by a third party. Authorisation to reproduce material belonging to a third party must be obtained from the copyright holder(s) concerned.

Disclaimer

The NZ Transport Agency has endeavoured to ensure material in this document is technically accurate and reflects legal requirements. However, the document does not override governing legislation. The NZ Transport Agency does not accept liability for any consequences arising from the use of this document. If the user of this document is unsure whether the material is correct, they should refer directly to the relevant legislation and contact the NZ Transport Agency.

More information

NZ Transport Agency
NZBN: 9429041910085
Published: April 2019
ISSN 2624-3385

If you have further queries, call our contact centre on 0800 699 000 or write to us:

NZ Transport Agency
Private Bag 6995
Wellington 6141

This document is available on the NZ Transport Agency's website at:

<https://nzta.govt.nz/resources/quarterly-report/>

Contents

OVERVIEW	6
MINISTER'S MONITORING PRIORITIES	7
Organisational capability and operating model	7
Organisational capability	7
Review of our Investment Decision Making Framework.....	7
Significant delivery and performance risks	8
Regulatory performance	8
Specific projects	9
Auckland light rail	9
Delivery of mode shift programmes in metropolitan areas	9
Relationships with our local government partners/stakeholders	10
RESPONSE TO EXTERNAL REVIEWS.....	11
FINANCIAL PERFORMANCE SUMMARY FOR THE SIX MONTHS ENDING 31 DECEMBER 2018	14
FEATURE BIKEREADY	15
HEALTH, SAFETY AND WELLNESS	16
What we did this quarter	16
What we have planned for next quarter	17
OUR STRATEGY	18
OUR REFRESHED STRATEGY	19
Our context.....	19
Our value.....	19
STRATEGIC RESPONSES – THREE BIG CHANGES WE'LL MAKE.....	19
OUR POSITION STATEMENTS – WHAT WE'LL DO TO MAKE THESE CHANGES	19
OUR PROGRESS	20
Overview	20
Our significant activities	20
How we track progress against our significant activities	20
Year-end delivery confidence assessment scale.....	20
TRANSPORT SAFETY	21
Key performance indicators	21
How we are tracking	21
Our highlights this quarter.....	21
INCLUSIVE ACCESS.....	24
How we are tracking	24
Our highlights this quarter.....	25
LIVEABLE COMMUNITIES	27
How we are tracking	27
Our highlights this quarter.....	27

TRANSPORT TECHNOLOGY	29
How we are tracking	29
Our highlights this quarter	29
RESILIENCE	31
How we are tracking	31
Our highlights this quarter	31
ENVIRONMENT	32
How we are tracking	32
Our highlights this quarter	32
REGULATORY	33
How we are tracking	33
Our progress this quarter	33
TRANSPORT AGENCY	35
How we are tracking	35
Our highlights this quarter	35
OUR OUTPUT CLASSES	37
ROAD SAFETY PARTNERSHIP PROGRAMME	38
Operation Five	38
Quarterly progress	38
Road Safety Partnership Initiatives	41
2018-21 special projects	42
OUR CAPITAL PROJECTS	44
OVERVIEW	44
City centre to Māngere light rail	44
Kaikōura earthquake response and Manawatū Gorge response	44
Roads of National Significance	45
Auckland Transport Package	46
Accelerated Regional Roding Programme	47
Provincial Growth Fund projects	48
URBAN CYCLEWAYS PROGRAMME UPDATE	49
Progress this quarter	49
What we're working on next quarter	50
FINANCIAL PERFORMANCE FOR THE SIX MONTHS ENDING 31 DECEMBER 2018	51
National Land Transport Fund AND National Land Transport Programme	52
National Land Transport Fund Revenue	52
National Land Transport Programme (funded from the National Land Transport Fund) and crown-funded expenditure	53
NZ TRANSPORT AGENCY	55
Net operational and capital expenditure	55
MEMORANDUM ACCOUNTS	56
Appendix - New Zealand Transport Agency and National Land Transport Fund Special Purpose Financial Statements for the half year ended 31 December 2018 (unaudited)	58

NZ Transport Agency Special Purpose Financial Statements (unaudited)	59
National Land Transport Fund Financial Statements (unaudited)	70
ORGANISATIONAL HEALTH	74
Our people metrics	74

OVERVIEW

This quarter, we have been building on the work that we started in the first quarter and started other programmes of work to deliver the significant activities covered in our *Amended statement of performance expectations 2018/19*. This report covers the progress we are making this quarter against our significant activities for 2018/19 and also provides information about key priority areas that we are monitoring to ensure that we making progress to deliver government priorities (such as light rail and mode shift) as set out in the Government Policy Statement on Land Transport 2018/19 – 2027/28.

MINISTER'S PRIORITIES

There are seven priorities that we are monitoring and this quarter we report on progress against these. Work continues to stabilise and strengthen our regulatory function as we apply significant resources to manage this critical function. Read more about this on pages 7–10.

More detail about the work we did this quarter can be found on pages 21–36. Particular highlights this quarter include:

- endorsing the Safe Network Programme which will allow fast approval of safety projects on local roads
- progressing our mode shift approach
- finalising a draft policy framework to build a shared understanding of inclusive access
- establishing a national trials and innovations working group to support interim 'liveable' interventions and projects in towns and cities
- finalising the National Resilience Strategic Case
- fully establishing all health, safety and wellness committees across the Transport Agency
- developing our draft Environment Sustainability Framework.

Our significant activities will help us make the big changes we want to see over the next three years We use a 'delivery confidence' rating to report progress against our significant activities (see pages 21–36). Overall performance is positive with 26 out of 38 significant activities (68%) on track. However, there are 11 significant activities that require constant attention to ensure risks do not materialise into major issues that would threaten year-end delivery. Read more on pages 21–36.

This quarter, 22 measures in our output classes met their targets. Three measures did not meet their targets. More information about the performance of our output class measures can be found on page 37.

Our financial performance is on track with six months to go to the end of the 2018/19 financial year (see pages 50–72).

We continue to regularly monitor and report on our 13 significant strategic risks. The board held a risk workshop in mid-December 2018 to consider the Transport Agency's current strategic risks.

TURNING STRATEGY INTO ACTION

OUR PERFORMANCE

MINISTER'S MONITORING PRIORITIES

The government has set a new, transformational programme for the land transport system which aims to reshape the role of transport in New Zealand. This transformational programme through the Government Policy Statement on Land Transport (GPS) includes the delivery of significant long-term initiatives which require us to work differently to deliver in new areas.

To ensure that we are on track to deliver a transformed land transport system, there are a number of key priority areas of work for the Transport Agency that the Minister of Transport is monitoring. These key priority areas fall into three categories:

1. our organisation capability and operating model
2. significant delivery and performance risks, and
3. specific projects.

Organisational capability and operating model

We have an ambitious programme of work ahead to deliver the government's priorities for transforming the land transport system. This means that we need to ensure that our organisation (both systems and people) is flexible, responsive and that we continue to build a mature approach to partnership and collaboration.

We need to address the challenges that we face, such as addressing future funding and investment pressures and developing transport solutions with other partners. We also need to address issues arising from external reviews such as the Performance Improvement Framework (PIF) and the Investor Confidence Rating (ICR). Read more about the work we are doing to address these challenges on page 11.

Organisational capability

We continue to focus our efforts on building organisational capacity for the Transport Agency. Organisational capability is much broader than 'People' capability, and includes our systems thinking (strategy and planning), processes and tools (technology reviews; graduate and intern programmes; talent acquisition focus; ICR and our Portfolio, Programme and Project Management Maturity Model).

We have undertaken some initial work to provide more proactive responsive technology services and platforms and to reduce our technology risks relating to resilience, security and legacy applications. This, along with the increased investment in cyber security will continue in the coming years.

Our ability to attract high-performing talent to the Transport Agency remains strong, with an 8.3 week time to hire (from initiation of recruitment through to placement). Turnover across the Transport Agency has declined over time and is now static and comparable with other organisations (refer to our key people metrics for quarter two on page 73).

There are currently three external reviews of the Transport Agency underway. Once these reviews are concluded, the findings will provide valuable third-party views and external insights to the board and executive leadership team (ELT) on what we need to do. We will develop additional actions after the reviews to further build our capability.

Review of our Investment Decision Making Framework

Our Investment Decision Making Framework (IDMF) is the framework that guides investment in New Zealand's land transport system.

We are reviewing our investment decision making framework to ensure it supports fit for purpose decision making including supporting the direction signalled in the GPS. This includes ensuring:

- a mode neutral approach to evaluation and prioritisation of investments
- all modes and alternatives are considered, and decisions are based on ability to deliver positive social, environmental, and economic outcomes

- investment decisions are well-considered decisions that transparently recognise the trade-offs between different benefits and impacts.

The success of this review relies on strong support from local government to help build the tools, and develop the rules and processes. Together, we need to develop a framework that is easy to use and ensures our decision making is robust, transparent and easy to understand.

We want to work with local government to ensure we develop a suite of investment decision making tools that ensure we make the right investment decisions for New Zealand.

Progress this quarter

During this quarter, we:

- released updates to our *Economic evaluation manual* (EEM) in relation to safety, travel time, public transport, environment, resilience, intelligent transport systems, and simplified procedure
- undertook detailed planning of IDMF review workstreams
- initiated the process to update monetised values for the statistical value of life, and travel time including market sounding for procurement of the research required
- researched international and national best practice investment decision making
- held engagement workshops on pain points for the end to end process of investment decision making and on investment principles.

In quarter three, we will focus on detailed investigations to establish a future state for: investment principles and policies, assessment tools, processes and requirements, business case requirements and processes and prioritisation methods and criteria. This will set us up well for the design phase beginning in quarter four.

Significant delivery and performance risks

There are 13 areas of strategic risk that we monitor through our governance and risk and assurance processes. These risks are actively monitored and regularly reported to ELT and the board, including the work we are doing to manage and mitigate these risks. These include, among others, pressure on funding, transformation, our regulatory controls and health and safety.

Regulatory performance

Recent issues and the failure of our regulatory model requires us to move to more of a compliance and enforcement focus and away from an education-based model, putting focus and effort into the deficit in the regulatory ecosystem (both in and beyond the Transport Agency).

The Regulatory Non-Compliance Programme involved establishing and operating several workstreams to manage the investigation, decision making and resolution of approximately 850 regulatory non-compliance matters. (This number increased to 882 actual matters). Alongside the file review process, interim structures, policy, process and systems were developed to facilitate the work and provide a foundation for future state development of the Transport Agency regulatory compliance function.

At the end of the second quarter, the status of the 882 compliance matters was:

- 635 matters (72%) closed
- 60 matters (7%) under active enforcement
- 109 matters (12%) under investigation awaiting further information prior to making a determination with 43 matters related to heavy vehicle specialist certifiers (HVSCs) which are being investigated separately
- 79 matters (9%) are low priority items under standard review with:
 - 54 of these Transport Service License holders where more information is being gathered (for example, speeding offences and other compliance items) and is expected to be completed by end March 2019
 - the remainder are also being pursued to be completed by end March 2019.

The remaining matters are now managed through ongoing structures and processes, alongside focusing on work to complete any rectification required. This includes the review of HVSCs which is expected to continue through March 2019.

The plan for quarter three is to complete the work that was remaining from the second quarter (for example, review of HVSCs) and also continue to put in place strengthened interim structures, processes and tools to support the newly established Regulatory business group. This includes the ongoing management and support for new cases as they are identified and continuing to improve the approaches to managing this key function of the Transport Agency.

Specific projects

There are key projects which require ongoing monitoring to ensure that they remain on track to deliver the government's transport outcomes. The projects also require us to collaborate and work in partnership with local government and with other key stakeholders.

Auckland light rail

The government is committed to the Auckland Light Rail project that extends Auckland's rapid transit network. Light rail is at the centre of plans to build a modern transport system for Auckland that will support mass public transport and enable high quality urban development. International experience shows that investment in light rail will support urban regeneration and transformation within the corridors through which it travels and the centres it connects. This investment will significantly change public transport and urban development.

The Auckland Light Rail Programme aims to provide light rail between the city centre and Māngere and to Auckland's northwest within the next 10 years (2018-2028).

We have the knowledge, expertise and relationships to deliver on what will be New Zealand's largest infrastructure project and we are leading the development of the Auckland Light Rail Programme with the support of our partners.

Progress was made this quarter to further develop the business case for the City Centre to Māngere light rail project. We completed the Risk Profile Assessment (RPA) for this project in line with Treasury's requirements and put in place a robust governance and assurance process to assist us as we continue to establish the project office including developing the business case.

During the quarter, tenders were issued, and preferred suppliers identified, for planning and engineering services and legal services. A new appointment was made to the position of Head of Light Rail New Zealand to review the project and ensure that what we have planned is correct.

The City Centre to Māngere light rail is an urban regeneration project that will connect communities along its route. While it is not a fast train to Auckland's airport, it will support Auckland's growth by creating a more integrated transport system.

Delivery of mode shift programmes in metropolitan areas

We have progressed work to strengthen and clarify our strategic approach to accelerating a transition from private vehicles to public transport and active modes. In quarter two, we agreed with the Minister of Transport that we will provide a series of briefings to outline and embed the new strategic approach. The ministerial briefings have been deferred to the next quarter to allow time for the board to consider the strategic approach.

The proposed strategic approach is two-pronged, building on a range of activities that are already underway.

- **National-level (system-wide) changes:** identifying opportunities across policy, regulatory, planning and investment decision making to accelerate mode shift; and
- **Regional-level (place-based) changes:** partnering with councils and others to ensure statutory plans for the six key metros (Auckland, Hamilton, Tauranga, Wellington, Christchurch and Queenstown) make a strong contribution to achieving mode shift. Initially, this work will focus on optimising investment plans for the current National Land Transport Programme (NLTP) period, using the National Priority Programmes as a key mechanism to

bring forward priority projects and programmes for delivery in the next three years; and on partnering with councils in key metros to ensure a strong focus on mode shift (including clear mode shift targets) in investment plans for the next NLTP period (2021-24).

We will provide further details of the proposed approach in Q3, and then develop action plans to embed the agreed approach.

In response to a request from the board in mid-December 2018, we are also scoping options to build our capability to understand and model the interaction between multiple factors that impact on mode shift – such as fares, patronage and subsidies. This work will inform future regional ‘place-based’ interventions for mode shift – including spatial planning, regulatory interventions, behaviour change, infrastructure investment, and operational delivery.

Relationships with our local government partners/stakeholders

We are committed to working with our partners to create a transport system that is safe, connected and easy to use. As our core planning, investment, delivery and operating partner, local government is critical to the Transport Agency enabling great journeys to keep New Zealand moving.

Local government brings the views of communities to our processes through the activity of Regional Transport Committees and facilitates the development of Regional Transport Plans which form the basis of the NLTP.

The Transport Agency is represented by senior management on the Regional Transport Committee focusing on high level oversight of our relationships with councils. Each local government organisation is also supported by a cross organisation team covering long term special planning, business case development for specific projects, delivery maintenance and operations of the network. In the event of an unforeseen event such as a major weather event or earthquake, the Transport Agency responds by standing up a team to support the necessary activity to maintain network operations and undertake repairs as quickly as practicable.

Overall, the relationship with local government has been constructive during this quarter. We will continue to engage with local government on a range of live projects including the Auckland Transport Alignment Project, Let’s Get Wellington Moving, addressing growth in Queenstown, mode shift in the major metropolitan areas, Auckland to Hamilton rail, Provincial Growth Fund planning and delivery over the next six months.

Progress this quarter

During this quarter we:

- Completed a nationwide programme of stakeholder events led by our Chair, attended by other board members, the Chief Executive and senior staff. These were well attended by local government and key stakeholders and enabled discussion of the NLTP that gives effect to the new GPS.
- Supported local government with applications on Targeted Enhanced Funding Assistance Rates to bring forward locally delivered activities that help deliver the government’s transport objectives.
- Actively engaged with local government affected by re-evaluations of projects to ensure that relevant risks and concerns were recognised during the re-evaluation process.
- Worked with Councils on specific speed limits reviews.
- Actively engaged with local authorities and other agencies on Provincial Growth Fund applications and projects.
- Adopted Te Ara Kotahi, the Transport Agency’s Māori strategy, which gives direction to how we will improve our engagement with Māori and meet our various obligations in this area.

RESPONSE TO EXTERNAL REVIEWS

The Performance Improvement Framework (PIF) review was published in April 2018, and the Investor Confidence Review (ICR) result was provided by Treasury New Zealand in August 2018.

The PIF review identified five key challenges facing the Transport Agency. The ICR review identified four areas that we need to improve.

We've made commitments to address findings from these reviews and have summarised the findings and actions we need to take (refer to tables 1 – 3).

In quarter three, we will complete an assessment of the effectiveness of each activity. This will form part of our preparation for when the PIF reviewers return to assess progress (this date is yet to be confirmed).

Future quarterly reports will have an increased focus on the activities we are undertaking in response to external reviews presenting a clearer story about our progress to improve the performance of the Transport Agency.

Table 1: Summary of key challenges we face identified through the Transport Agency PIF report

SUMMARY OF KEY CHALLENGES FACING THE NEW ZEALAND TRANSPORT AGENCY FROM THE PIF REPORT				
Transport system strategy	Transport disruption driven by smart technology and new mobility options	Transport regulatory system	Organisational transformation	Stakeholder management
<p>Supporting the development of a genuine all-of transport strategy (with a strong focus on leveraging all modes)</p> <p>Bringing in a wider group of stakeholders to inform the Transport Agency's long-term strategic view</p> <p>Working closely with the Ministry of Transport to set the long-term direction for the land transport system</p>	<p>Need for the Transport Agency to improve its capability to take advantage of disruption in transport due to new mobility options and embedded smart technology</p> <p>Harnessing the benefits of smart analytics and technology to better inform decision making and planning within the land transport system</p> <p>Develop a clear plan for leveraging the benefits of technology in responding to future disruption and challenges in the system, with a specific focus on improving network utilisation and providing customers with more choice.</p>	<p>Regulatory system overly prescriptive and unable to adapt to changing technological world</p> <p>Increasing need for a responsive, multi-modal focused transport regulatory system</p> <p>Positioning the regulatory system to be responsive to future needs and challenges for the Transport Agency and wider land transport system</p>	<p>The Transport Agency is heading in the right pathway to ensure it is prepared for changes in the future (centred around embedding a customer centric operating model)</p> <p>Need to focus on getting the new operating model embedded – matching people and finances at an enterprise level, aligned planning and delivery</p> <p>Improving information management systems and capability and having flexible systems</p>	<p>Stakeholders feel that the Transport Agency has become more inward looking in recent times.</p> <p>Reconnecting with stakeholders on how they can interact with the Transport Agency and engaging stakeholders on the its change process</p> <p>Outlined the need for the Transport Agency to widen interaction with government stakeholders to better leverage transport in other portfolios (health, education, environment)</p>

Table 2: We've committed to addressing the key challenges identified through the PIF. This table is a summary of our responses to address the key challenges we face.

SUMMARY OF OUR RESPONSE TO ADDRESS THE KEY CHALLENGES IDENTIFIED THROUGH THE TRANSPORT AGENCY'S PIF REPORT					
Key challenges	Transport system strategy	Transport disruption driven by smart technology and new mobility options	Transport regulatory system	Organisational transformation	Stakeholder management
Our commitments	Develop the Long Term Strategic View	Develop a transport futures strategy and implementation plan	Develop and implement a regulatory work programme	Finalise and implement a workforce strategy Develop and deliver an enterprise technology plan	Strengthen our partnerships with government colleagues
Specific activities underway	<p>Development of the Long Term Strategic View</p> <p>Findings from the external Review of Investment Policy</p> <p>Utilise our role in ATAP to consider infrastructure support for housing</p> <p>The Transport Agency is developing Optimised Journey Activities for the major urban areas</p> <p>Updating Investment Assessment Framework</p>	<p>Develop the Transport Technology Futures Plan (strategy and implementation)</p> <p>Develop the Transport Operating System that will widen our operating system to multi-modal</p> <p>Wider roll out of the Mobility Operating System pilot</p> <p>Enhance Capability and Capacity in Analytics</p>	<p>Develop a Regulatory Management Strategy</p> <p>Develop a Regulatory Compliance Operating Model</p> <p>Review the Rail Regulatory Framework</p> <p>Review of the New and Used Vehicle Entry Certification</p> <p>Assess Staff Capability requirements</p>	<p>Develop the Capability and Capacity Plan and the Implementation Plan</p> <p>Complete the Organisation Transformation Plan</p> <p>Roll out the Leadership Programme</p> <p>Roll out the Cultural Change Programme</p> <p>Complete the Organisational Design</p> <p>Develop the Enterprise Technology Plan</p>	<p>We will use the development of the Long Term Strategic View to improve our interaction with stakeholders</p>

Table 3: This table summarises the areas of improvement and activity underway to address the findings from the Investor Confidence Rating (ICR) assessment

AREAS TO IMPROVE OUR PERFORMANCE FROM THE ICR REPORT			
Programme and portfolio management maturity	Benefit delivery performance	Long-term investment planning	Additional activities to maintain other areas
AREAS OF IMPROVEMENT			
<p>Implement portfolio management</p> <p>Apply assurance across projects in a consistent manner</p> <p>Ensure projects have a consistent governance terms of reference tailored to the risk profile and needs of the organisation</p> <p>Embed the Project Control Framework</p>	<p>Continue embedding improvements to benefits management</p> <p>Ensure benefits expected from investors have measures that are specific, measurable, achievable, attributable, relevant and time bound, that targets for these are explicitly set and benefits are tracked</p>	<p>Continue to evolve the Long Term Strategic View, with a focus on connecting across the Transport Agency's business (for example, the Transport Agency Investment Plan, Corridor Management Plans)</p>	<p>The Transport Agency scored well in asset management maturity, organisational change management and procurement capability.</p> <p>Several activities are underway to ensure we maintain this level of effectiveness</p>
CURRENT ACTIVITY			
<p>Roll out the revised Project Controls Framework</p> <p>Confirm and implement the new Governance Structure for project, programmes and portfolios</p> <p>Define and introduce Portfolio Management</p>	<p>Design and develop new tools and processes for benefit management using the NLTP framework and process</p>	<p>Improve long-term investment planning by utilising findings from:</p> <p>The Foresight Programme that considers the GPS, trend analysis and horizon scanning</p> <p>Refreshing the Long-Term Strategic View</p> <p>Development of a Strategy to Action Plan</p> <p>The review of the Transport Agency's Investment Plan</p> <p>Working with the MoT on Long Term Planning Scenarios</p>	<p><u>Asset management maturity</u></p> <p>Refresh the Asset Management Policy</p> <p>Digital Engineering for Transport (DEfT) Initiative to address information gaps in the asset management database</p> <p><u>Asset performance</u></p> <p>Develop measures for Technology Asset Performance</p> <p><u>Procurement capability index</u></p> <p>Roll out a suite of training and capability initiatives (6)</p> <p><u>Organisational change management maturity</u></p> <p>Develop the Workforce Strategy</p>

FINANCIAL PERFORMANCE SUMMARY FOR THE SIX MONTHS ENDING 31 DECEMBER 2018

NATIONAL LAND TRANSPORT FUND REVENUE

\$30.7m
below
budget

Revenue year to date is 2% (\$31m) below budget due to lower revenue received from fuel excise duty caused by the variability of imported fuel shipments.

Of our other revenue sources, road user charges are 3% (\$20.6m) above budget while motor vehicle licensing and registrations are on budget.

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

\$171.9m
below
budget

Expenditure year to date is 9% below budget primarily due to lower spending on state highway improvements (\$89.3m), Kaikōura earthquake response (\$36.9m) and rapid transit (\$27.1m).

NZ TRANSPORT AGENCY NET OPERATIONAL EXPENDITURE

\$12.0m
below
budget

Total expenditure is 4% below budget primarily due to phasing of road safety promotion activity spend where most of the costs are expected in quarter four, lower commission and transaction costs and delays to projects on the corporate initiatives programme.

Operational revenue is 7% above budget due to higher memorandum account fees and charges received, as well as the receipt of carry forward Crown funding for the Drive programme. As a result, net operational expenditure year to date is 16% below budget.

MEMORANDUM ACCOUNTS

\$4.3m
above
budget

Memorandum account closing balances are \$4.3 million above budget due to increased revenue from standards development, transport licensing and over dimension permits and lower expenditure in driver testing commissions.

FUNDING AND LONG-TERM LIABILITIES

\$456.1m

The total long-term funding liability, excluding Public Private Partnerships, at 31 December 2018 is \$456.1 million. The Transport Agency is compliant with all loan conditions.

FEATURE | BIKEREADY

Our national cycling education system - BikeReady - was up and pedalling with the launch of the public facing section of the programme on 26 November 2018. Associate Minister of Transport Julie Anne Genter marked this milestone on a wet Wellington day at Titahi Bay School.

“Cycling is a fun, easy way to make exercise part of everyday life. These programmes are about giving our kids space to develop the skills and confidence to safely ride a bike,” said Julie Anne Genter.

BikeReady’s goals are to grow a new generation of confident, safe cyclists and to support adults (new or returning to cycling) to be safe and confident riders.

The Transport Agency has worked collaboratively with ACC, local government, the education community and cycling stakeholders to develop BikeReady. Cycling education equips people with the right skills to be safe and considerate out on the road by:

- giving kids skills at the right time in their life; learning bike handling skills in primary school and how to ride on-road when they’re ready
- lifting competence and confidence, especially for young people on bikes
- helping adults gain confidence for the road conditions they’d expect to encounter, especially those who have never ridden a bike or haven’t ridden for a while.



Photo credit: New Zealand Transport Agency

The BikeReady system includes cycle skills training, regular opportunities to develop bike handling skills, school curriculum resources and the successful Bikes in Schools initiative.

The Bikes in Schools initiative allows participating school students to learn and practice riding their bikes in a safe area within school grounds.

Bikes in Schools will be supported with \$6.7 million of funding over three years until 2021 and is expected to give an additional 43,000 Kiwi kids access to Bikes in Schools facilities.

BikeReady is one component of New Zealand’s long-term investment to establish cycling as an attractive and safe mobility option. An integrated, Safe System approach is being taken to this investment, which includes creating a safer network for people on bikes, a more empathetic transport environment, more skilled cyclists and more aware motorists.



Photo credit: New Zealand Transport Agency

HEALTH, SAFETY AND WELLNESS

We want all our people to go home safe and healthy, no exceptions. We take 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

Developed a Health, Safety and Wellness Leadership Programme

A facilitated workshop was held in November 2018 for ELT members to commence the Health, Safety and Wellness (HSW) Leadership Programme at the Transport Agency. The workshop allowed the ELT to collectively explore and understand:

- Transport Agency specific context and how our leaders may adopt and include the principles from the 'Safe System' approach into the leadership programme
- define the behaviours leaders will commit to that will help move the Transport Agency to its desired state of health and safety leadership
- the contexts and drivers that HSW Leadership may take at the Transport Agency, specifically focusing on moving from a compliance context to a commitment context based on personal and shared organisational values.

The workshop outcomes have been developed into a framework that documents the commitment and values, behaviours and actions that underpin the health and safety leadership programme. The HSW Team is working with our ITC teams to develop simple tools to allow for easy recording and sharing of leadership actions.

Critical health and safety risks

Workshops were held during quarter two with business groups to determine the critical health and safety risks facing Transport Agency employees. We are in the process of developing specific risk descriptors for these critical risk areas we identified in our workshops.

We've scheduled further workshops for quarter three that will allow us to further capture and share critical risk controls that are in place or still required. We'll then develop a programme to implement any additional controls/corrective action

We will be developing an updated HSW risk register for the Transport Agency including a revised dashboard of critical risks.

Progressed Psychological Injury Prevention Programme

Pilots are underway in the Transport Agency of the Psychological Injury Prevention Programme. The pilots are taking place across:

- Customer Assessment Teams
- Licensing Assessments
- Medical Reviews.

The programme represents a sector – leading application of good practice models to proactively identify and manage work related psychological hazards. The programme elements have been identified through audit of global good practice models from Canada, Australia and the UK. The programme allows managers to identify and control sources of work related psychological harm.

The Business Leaders Health and Safety Forum have recently released a *CEO's Guide to mental health*. The HSW team has mapped our current activities against the guide to ensure that our approach to managing mental health in the workplace is reflective of current New Zealand good practice models.

Worker safety and Temporary Traffic Management

The Temporary Traffic Management (TTM) Improvement Programme has been developed to progress identified opportunities to improve worker health and safety in TTM work environments.

The programme steering group has met to ensure that innovations and pilot projects can be progressed with input and resources from relevant stakeholders and that any subsequent adoption of the Code of Practice can be achieved to allow rapid adoption across the supply chain.

We are piloting some innovations which include a mix of hard 'engineering' controls and initiatives to influence driver behaviour through improving information about the work, nature of risks and people working on the site.

An initiative being trialled and evaluated in the Tasman region is centred around decreasing driving speeds. The initiative involves providing information to customers about who is working on the site, what they do, where they are from, and their connection to the wider community. This is to ensure drivers see our workers on site as people.

What we have planned for next quarter

Implementing the Health and Safety Reporting System

In conjunction with internal ITC teams, we will finalise the functional build and implementation of the Transport Agency's Health and Safety Reporting Tool. This will include organisation wide training and familiarisation sessions coordinated through workplace health and safety committees.

Implementing Monthly Improved Performance Reports

We will complete the review of our current monthly performance reports and dashboards and develop new report templates and standard reports that will be available through the reporting systems. The standard monthly dashboard will be revised to include specific performance indicators for key areas the 'Safe Plus' assessment scheme is based around: *Leadership, Worker Engagement and Risk Management*

Engaging our Health and Safety Representatives and Committees

We will run the first Transport Agency Health and Safety Representatives Day in February. This will be an opportunity for all our newly elected health and safety representatives to spend a day learning new skills sharing good practice ideas and understanding how their role and function help contribute to the Transport Agency's overall strategic objectives.

Improve how we share information

We will complete the evaluation of the existing Transport Agency external Health and Safety Information Portal that is currently used to share health and safety information with our supply chain partners. The design of the information sharing model will be undertaken in conjunction with existing suppliers and contractors and will be completed to ensure that the framework meets our shared health and safety duties and obligations.

SAFETY STATISTICS – OUR CONTRACTORS

November tends to be a month that sees an increase in incidents which is then followed by a short working month in December as sites close down for the Christmas period. This increase in incidents may reflect an increase in activity levels on site as work is required to be completed before the Christmas/New Year closure. While there was a reduction in near misses reported this quarter, serious injuries have increased slightly and first aid injuries are higher than the previous quarter. However, the data for this quarter in 2018 is lower for all of the key measures when compared with the same quarter in 2017.

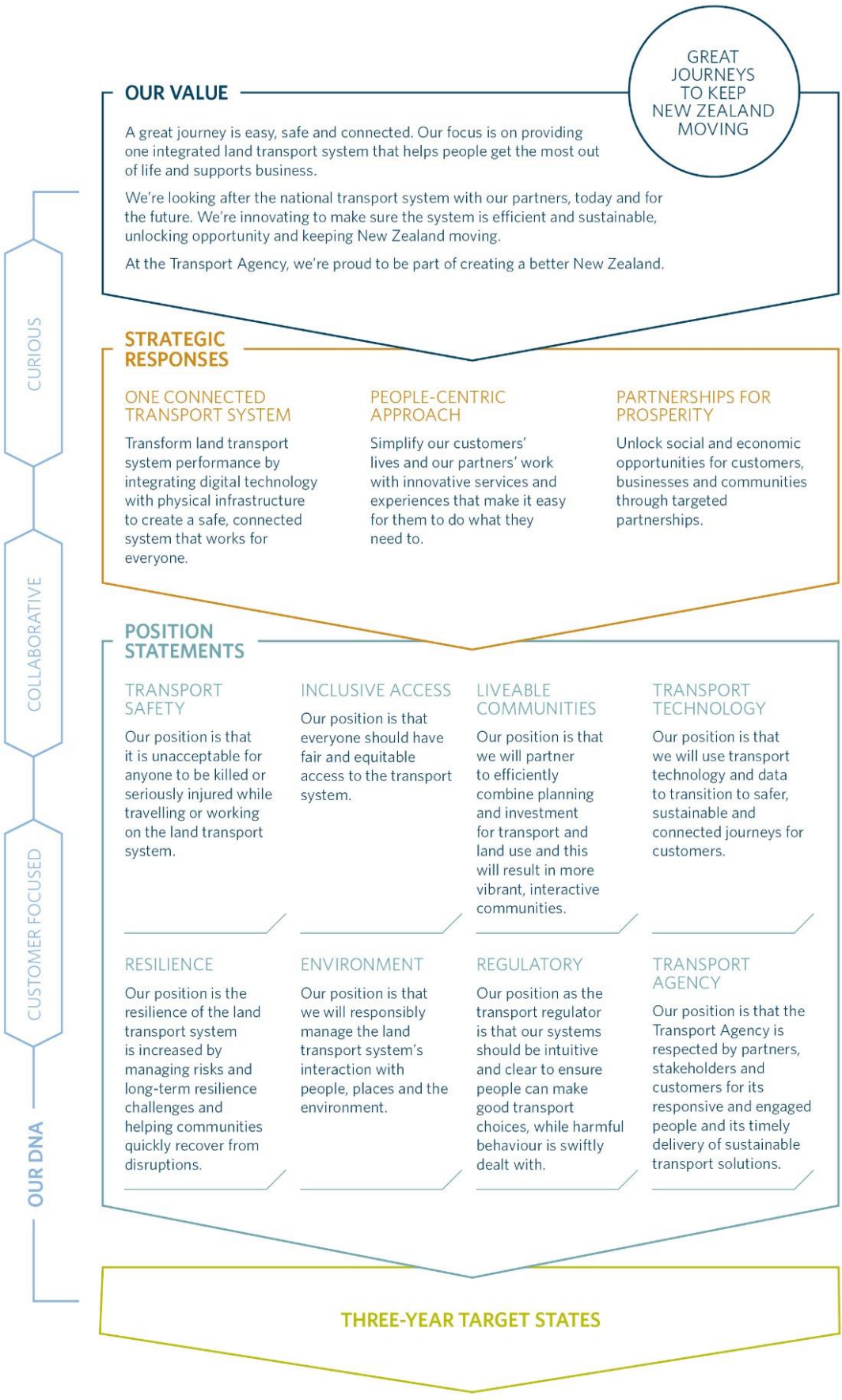
Key measure	Quarterly Trend	Current Quarter (1/10 - 31/12)	Previous Quarter (1/07 - 30/09)	Rolling 12 Months Dec 17 - Dec 18
Fatality	→	0	0	0
Notifiable injury	→	1	1	9
Lost time injury (LTI)	↑	10	6	50
Medical treatment injury (MTI)	↑	13	9	66
First aid injury	↑	95	65	354
Near misses	↓	970	1143	4825

SAFETY STATISTICS – OUR PEOPLE

We continue to have low levels of incident reporting which we expect will improve as we migrate to a new reporting system. The current data for this quarter includes an anaphylactic shock medical treatment incident when one of our people had a reaction to an unknown ingredient in a morning tea food item. Injuries sustained by a fall/slip/trip, cut finger and a fainting episode all required some degree of first aid treatment from our trained first aiders.

Key measure	Quarterly Trend	Current Quarter (1/10 - 31/12)	Previous Quarter (1/07 - 30/09)	Rolling 12 Months Dec 17 - Dec 18
Fatality	→	0	0	0
Notifiable injury	→	0	0	0
Lost time injury (LTI)	→	0	0	1
Medical treatment injury (MTI)	↑	1	0	6
First aid injury	→	3	3	8
Near misses	↓	0	2	15

OUR STRATEGY



GREAT JOURNEYS TO KEEP NEW ZEALAND MOVING

OUR VALUE

A great journey is easy, safe and connected. Our focus is on providing one integrated land transport system that helps people get the most out of life and supports business.

We're looking after the national transport system with our partners, today and for the future. We're innovating to make sure the system is efficient and sustainable, unlocking opportunity and keeping New Zealand moving.

At the Transport Agency, we're proud to be part of creating a better New Zealand.

CURIOUS

STRATEGIC RESPONSES

ONE CONNECTED TRANSPORT SYSTEM

Transform land transport system performance by integrating digital technology with physical infrastructure to create a safe, connected system that works for everyone.

PEOPLE-CENTRIC APPROACH

Simplify our customers' lives and our partners' work with innovative services and experiences that make it easy for them to do what they need to.

PARTNERSHIPS FOR PROSPERITY

Unlock social and economic opportunities for customers, businesses and communities through targeted partnerships.

COLLABORATIVE

POSITION STATEMENTS

TRANSPORT SAFETY

Our position is that it is unacceptable for anyone to be killed or seriously injured while travelling or working on the land transport system.

INCLUSIVE ACCESS

Our position is that everyone should have fair and equitable access to the transport system.

LIVEABLE COMMUNITIES

Our position is that we will partner to efficiently combine planning and investment for transport and land use and this will result in more vibrant, interactive communities.

TRANSPORT TECHNOLOGY

Our position is that we will use transport technology and data to transition to safer, sustainable and connected journeys for customers.

CUSTOMER FOCUSED

RESILIENCE

Our position is the resilience of the land transport system is increased by managing risks and long-term resilience challenges and helping communities quickly recover from disruptions.

ENVIRONMENT

Our position is that we will responsibly manage the land transport system's interaction with people, places and the environment.

REGULATORY

Our position as the transport regulator is that our systems should be intuitive and clear to ensure people can make good transport choices, while harmful behaviour is swiftly dealt with.

TRANSPORT AGENCY

Our position is that the Transport Agency is respected by partners, stakeholders and customers for its responsive and engaged people and its timely delivery of sustainable transport solutions.

OUR DNA

THREE-YEAR TARGET STATES

OUR REFRESHED STRATEGY

We have refreshed our strategy to respond to recent changes in our operating environment, new transport sector outcomes, external reviews and new government priorities in the Government Policy Statement on Land Transport 2018/19 – 2027/28 (GPS). Our refreshed strategy will help us continue to adapt so we can keep New Zealand moving by investing in innovative transport solutions.

Our context

Our context is formed by the pressures that impact on what we do and how we do it. We are facing many opportunities and challenges, for example, changes in customer and business expectations, government priorities, technology and long-term trends such as high-growth demands and a more urbanised, older population. We need to create a land transport system for New Zealand that supports wider social, economic and environmental outcomes. Our strategy positions us to respond to these opportunities and challenges and the impacts they have to make sure everyone is kept safe and benefits from the transport revolution.

Our value

Great journeys to keep New Zealand moving

Our value statement describes why we do what we do and the unique value we offer our customers and New Zealand. This means more than just moving people and goods. We see transport as a dynamic and complex system. We will work to improve the transport system so that we provide affordable access and create safe and seamless connections to keep New Zealand moving.

STRATEGIC RESPONSES – THREE BIG CHANGES WE’LL MAKE

Our strategic responses – a system response, a people-centric response and a community response – describe the direction we’ll take to deliver value to New Zealand. These are the three big changes we need to make longer term to deliver what is expected of us and ensure customers and citizens’ benefit from the changes happening in transport.

One connected transport system

We will transform the performance of the land transport system by integrating digital technology with physical infrastructure to create a safe, connected system that works for everyone.

People-centric approach

We will simplify our customers’ lives and our partners’ work with innovative services and experiences that make it easy for them to do what they need to do.

Partnerships for prosperity

We will unlock social and economic opportunities for customers, businesses and communities through targeted partnerships.

OUR POSITION STATEMENTS – WHAT WE’LL DO TO MAKE THESE CHANGES

Our eight position statements in our *Statement of intent 2018–22* describe the significant challenges for the sector and the Transport Agency over the next four years. We need to address these challenges to make the big strategic changes we are aiming for. Our position statements also describe our position on each of these challenges, what outcomes we seek to achieve, the big shifts we need to make in the land transport system to deliver change and why we are stepping up to lead the response.

OUR PROGRESS

Overview

In our *Statement of intent 2018–22*, we describe our position statements and our target states, which are the results and changes we want to see over the next three years. We completed the development of our key performance indicators for each position statement and its relevant three-year target states in December 2018. We will report progress against our key performance indicators from the third quarter of 2018/19 so that we can monitor progress towards our three-year target states.

Our significant activities

In quarter one, we amended our statement of performance expectations for 2018/19 to align our significant activities with our refreshed strategy. Our *Amended statement of performance expectations 2018/19* contains detailed information about each position statement and information about the significant activities that we will deliver during 2018/19 against each position statement. Overall, good progress is being made against each significant activity. There are 11 significant activities that will require constant monitoring to ensure that we remain on track to deliver by year end.

How we track progress against our significant activities

To monitor our performance against the delivery of our significant activities in 2018/19, we use a 'delivery confidence' rating to report on these activities. This rating is focused on how confident we are that we can successfully deliver the significant activity by the end of the financial year.

This approach has been adopted from the methodology the Treasury uses 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.

Year-end delivery confidence assessment scale



Successful delivery of the significant activity to budget, time and quality appears highly likely and there are no major outstanding issues that will threaten delivery by year-end.



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



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



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 appears 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.



TRANSPORT SAFETY

Our position is that it is unacceptable for anyone to be killed or seriously injured while travelling or working on the land transport system.

Transport safety is our top priority. We want people to be safe when travelling or working on the land transport system. The activities we will deliver in 2018/19 will set us up to design and deliver programmes that will improve safety. We will work with our partners to prioritise delivery of these programmes, which aim to deliver targeted safety interventions such as speed management. We will also work on fully establishing our rail safety regulatory function and will contribute to the development of a new road safety strategy for New Zealand by working in partnership with the Ministry of Transport and other agencies.

Key performance indicators

Over the period September 2017 to September 2018, a total of 379 people were killed or seriously injured on New Zealand's roads¹, and 2414 people were seriously injured². In the next quarter, we will be reporting our progress against the key performance indicators that we have developed for the initiatives designed to reduce the number of people killed or seriously injured while travelling on the land transport system, and which will move us towards our three year target state of improving safety outcomes.

How we are tracking

2018/19 TRANSPORT SAFETY SIGNIFICANT ACTIVITIES	YEAR-END DELIVERY CONFIDENCE
1.1 Begin delivery of a safe network improvement programme on high risk routes and intersections	
1.2 Begin implementation of the Speed Management Guide on the highest risk routes and intersections.	
1.3 Develop a communications programme to educate consumers on the benefits of safer vehicles.	
1.4 Fully establish the Rail Safety Regulator to be a proactive, risk based regulator	
1.5 Continue to work with the Ministry of Transport on developing a new Road Safety Strategy for 2019	

Our highlights this quarter

The Safe Network Programme (SNP) is a \$1.4 billion three-year programme that has been endorsed, and which will allow fast approval of safety projects on local road and state highways. This programme is our commitment to a safe system and aims to reduce 160 deaths and serious injuries on our roads every year. As part of completing the Programme Case, we have identified and prioritised safety risk for speed and roads and roadsides. Standard Safety Interventions (SSI)

¹ Latest provisional data (reported three months in arrears) for the quarter ending December 2018. This figure excludes deaths and serious injuries on the rail corridor/network.

² Latest provisional data (reported three months in arrears) for the quarter ending September 2018. This figure excludes deaths and serious injuries on the rail corridor/network

have also been developed. Initiatives include boost upgrades that can be installed quickly. These are measures such as rumble strips, safety barriers and shoulder widening.

Work continues on the speed management communication plans to implement the Speed Management Guide on the highest risk routes. The communication plans will be presented to the board during quarter 3.

We are also pursuing safety through a programme to reduce the number of one and two star safety rated light vehicles in the NZ fleet. A review of New Zealand's light vehicle fleet shows that approximately 45% of the light vehicle fleet is dominated by 1 and 2 star safety rated vehicles. Encouraging people to purchase safer 4 and 5 star rated vehicles will support the overall outcome of reducing deaths and serious injuries on our roads.

We are making a significant investment over three years in a comprehensive integrated communications programme to educate consumers on the significant role high safety rated vehicles play in keeping people safe on the road, and ensuring they have information at the point of sale to enable them to make a safer vehicle choice. The campaign launched on 25 November 2018 on television, TVNZ OnDemand, 3NOW, cinema, print, online via YouTube and other relevant sites, and on social media. The campaign encourages parents and caregivers to get their young drivers into safer cars. We will deliver this education programme in partnership with the motor vehicle industry.

A Programme Delivery Strategy has been drafted that reviews the findings of the safety of the light vehicle fleet. A stakeholder workshop was held in November 2018. The strategy aims to provide the strategic framework to develop a detailed marketing and communication plan. This is now being reviewed by the project team.

Work is underway to fully establish the rail safety regulatory function. In the second quarter, we completed the funding review consultation and the implementation work for planning regulations. The board approved the final recommendations for the funding review and these are now with the Ministry of Transport to progress through the parliamentary process.

The first National Rail Industry Advisory Forum (NRIAF) meeting with all representatives was held in early December 2018 to confirm terms of reference so that the work programme can be developed in quarter three.

During quarter two, we paused the project scoping and planning work for the review of the rail risk-based assessment framework. There is a possibility that this work may be superseded by the outcomes of the regulatory review that is underway as the outcomes of the review may impact this work.

A new Road Safety Strategy for 2019 is being developed. This work is being led by the Ministry of Transport and we are contributing to the development of this strategy. During this quarter, we contributed to five inter-agency reference groups by providing information, insights and advice. We also co-led two of the groups. Through the reference groups, a range of topics were covered and a number of overarching themes emerged which will inform the development of the Road Safety Strategy.

Visiting drivers campaign underway for summer


The Transport Agency runs an advertising and education campaign targeting drivers visiting New Zealand for the summer months. The campaign comprises a range of advertising initiatives with three main touch-points – on the road on key South Island routes, when visitors arrive into New Zealand, and prior to visitors arriving in New Zealand.

It's part of the Visiting Drivers Project – a collaboration of central and local government, the private sector and others in New Zealand and overseas to improve road safety for and of visiting drivers, while maintaining New Zealand's reputation as an attractive and safe tourist destination.

The campaign includes road safety billboards on high-risk routes around the South Island; road safety messages on coffee cups distributed to cafes, posters in public toilets and on digital screens in petrol stations along key South Island routes; advertising on the back of trucks and buses travelling around the South Island; Facebook advertising; and advertising on relevant websites. When arriving in New Zealand, visitors may see road safety messages on digital advertising in Auckland, Queenstown and Christchurch airports. Prior to arrival, those who are travelling to NZ are targeted with online advertising on international websites.

For more information, go to:

<https://www.saferjourneys.govt.nz/action-plans/signature-programme/visiting-drivers-project/>



NZ roads are different
Allow extra time

INCLUSIVE ACCESS



Our position is that everyone should have fair and equitable access to the land transport system.

Fair and equitable access to the land transport system will give people more travel choices, more opportunities for access to employment, education and recreation opportunities, and reduce negative environment, health, and safety impacts.

The activities we will deliver in 2018/19 will help us to develop a shared understanding of inclusive access so we can identify gaps and prioritise our work. Fair and equitable access to the land transport system also means we support a mode shift in our urban and regional transport planning to include other forms of public transport, such as cycling and walking.

How we are tracking

2018/19 INCLUSIVE ACCESS SIGNIFICANT ACTIVITIES	YEAR-END DELIVERY CONFIDENCE
2.1 Build understanding and shared investment approaches with central and local government about the needs of the transport disadvantaged, and which interventions work best for which groups	
2.2.1 Develop initiatives to encourage many more people onto public transport and active modes including:	
<ul style="list-style-type: none"> a mode shift strategy to identify and prioritise what we can do to increase the attractiveness of public transport, walking, cycling and other active modes 	
2.2.2 Develop initiatives to encourage many more people onto public transport and active modes including:	
<ul style="list-style-type: none"> a demand management programme that aims to enable better travel choices 	
2.3 Develop a shared understanding in regional New Zealand of the most important transport accessibility needs for freight and tourism, and begin to take action.	
2.4 Support local government to develop planning approaches and approvals that support multimodal transport choices	
2.5.1 Deliver our commitments as a key partner in the Provincial Growth Fund programme to lift regional productivity, including:	
<ul style="list-style-type: none"> working with the Provincial Development Unit to identify investment opportunities, provide advice on applications and release funding for land transport projects 	
2.5.2 Deliver our commitments as a key partner in the Provincial Growth Fund programme to lift regional productivity, including:	
<ul style="list-style-type: none"> delivering the Waipapa intersection (Northland) 	
2.5.3 Deliver our commitments as a key partner in the Provincial Growth Fund programme to lift regional productivity, including:	
<ul style="list-style-type: none"> developing seven business cases as part of the next phase in the Twin Coast Discovery Route programme (Northland) 	

2.5.4 Deliver our commitments as a key partner in the Provincial Growth Fund programme to lift regional productivity, including:

G

- developing a single stage business case to identify potential improvements for State Highway 43, the Forgotten World highway (Taranaki)

2.5.5 Deliver our commitments as a key partner in the Provincial Growth Fund programme to lift regional productivity, including:

G

- delivering a significant pipeline of work in Tairāwhiti/Gisborne made up of physical works, emergency works and business cases

2.6 Implement National Priority Programme for regional development

G

Our highlights this quarter

A number of workshops were held during the second quarter to finalise the draft policy framework on inclusive access which aims to build a shared understanding of what we mean by 'inclusive access'. In quarter three, we aim to review and approve the draft framework. Once approved, the draft framework will inform the further actions we take.

We continued to develop and refine our mode shift approach. Our approach (which includes an overarching strategy) will focus on developing initiatives that aim to accelerate the transition from private vehicles to public transport and active modes. While our approach is still to be agreed, it is two-pronged and will consider national-level (system-wide) changes to identify opportunities across policy, regulatory, planning and investment decision making to accelerate mode shift; and regional-level (place-based) changes.

This quarter, we designed behavioural insight research for our travel demand management programme which will provide us with data we need to develop a demand management programme that aims to enable better travel choices. We started work with local councils and entities to identify opportunities to pilot or evaluate travel demand management (TDM) initiatives and these trials are currently underway. This work is vital to ensuring everyone has access to the transport system and can make travel choices that work for them.

To move towards multimodal transport choices, we need to support local government to develop planning approaches and approvals. This quarter, a draft place based action plan has been developed for each high growth urban area. The plans are under review and further work will be done to finalise these action plans in quarter three.

We mapped key regional freight and tourism corridors across New Zealand this quarter. The results of the mapping will be shared and tested within the Transport Agency during quarter three and with local government in quarter four to support a shared understanding of important transport accessibility needs. The outcome of the shared understanding will inform future work to ensure safe and reliable journeys for freight and tourists.

We continue to focus on enabling better access to transport in provincial regions through our contribution to the Provincial Growth Fund programme. A Memorandum of Understanding between the Transport Agency, Ministry of Transport and the Provincial Development Unit was signed on 28 November 2018 which allowed us to draft funding agreements for all approved Transport Agency-led Provincial Growth Fund projects.

There are a number of Transport Agency-led Provincial Growth Fund projects that are underway to improve access to transport in the regions:

- Waipapa intersection (Northland)
- Twin Coast Discovery Route programme (Northland)
- State Highway 43, the Forgotten World Highway (Taranaki).
- Tairāwhiti Roading Package (Gisborne and Hawkes Bay)

The detailed design is underway for the SH10 Waipapa corridor. The property purchase and consenting remain an identified risk to timeline.

The detailed business case is on track for the Northland Twin Coast Discovery Route programme and State Highway 43, the Forgotten World Highway (Taranaki).

In Tairāwhiti/Gisborne and Hawkes Bay, the early stages of the two and five –year programme activities are in the initiation phase. We are in the early stages of identifying risks that will impact on final delivery.

Councils that identify locally-led activities meeting the appropriate criteria within the 2018-21 National Land Transport Programme will automatically be eligible for a targeted financial assistance rate (TEFAR). Previously, the criteria applied only to projects that were considered high priority. Funding through TEFAR has now been extended to low cost/low risk programmes of less than \$1m for public transport or local road improvements to assist councils progress their local activities which contribute to key strategic outcomes of improved safety, resilience across the road network, mode shift and regional economic development.






LIVEABLE COMMUNITIES

Our position is that we will partner to efficiently combine planning and investment for transport and land use and this will result in more vibrant, interactive communities.

Shaping the land transport system through good urban design solutions will allow people to move around more safely and easily. The activities we will deliver for 2018/19 will allow us to influence and shape the transport system to make our cities more liveable by combining investment in the land transport system with urban design planning solutions that integrate different modes of travel to make our communities safer and more attractive.

How we are tracking

2018/19 LIVEABLE COMMUNITIES SIGNIFICANT ACTIVITIES	YEAR-END DELIVERY CONFIDENCE
3.1 Further integrate 'placemaking' in solutions by developing places and spaces alongside transport facilities and integrating active modes and use of technology	
3.2 Identify transport gaps for targeted regions to ensure access to essential services for all New Zealanders	
3.3 Partner with the Auckland Transport Alignment Project (ATAP) agencies to implement the indicative package (including light rail) and progress the ATAP recommendations	

Our highlights this quarter

This quarter, we established a national trials and innovations working group to support interim 'liveable' interventions and projects in towns and cities. These are techniques used to make improvements to streets that are faster and at lower costs so that they are more liveable and safer. Research is underway which aims to classify, value and measure the 'place function' of roads. Findings from this research project will help us develop and inform national guidance on interim interventions. This project is due to be completed in the second quarter of 2019/20.

Work is underway to map transport accessibility with a focus on understanding barriers faced by those who may be considered transport disadvantaged.

To deliver on the transport outcomes for Auckland that were signalled in the GPS, we need to work with Auckland Transport to identify areas where better coordination results in better customer and/or business outcomes. In November 2018, the chief executives of the Transport Agency and Auckland Transport, together with a selection of their senior leadership teams, met to discuss a proposed approach for working together. Key areas discussed included key risks, challenges, constraints and opportunities and key interfaces of implementation. An action plan was developed.

Improving our investment decision making

The GPS calls for better informed investment decision making and ensuring our investments represent the best use of resources through a rigorous cost-benefit analysis. We're reviewing our Investment Decision Making Framework and *Economic evaluation manual* (EEM) to ensure we have a system-based approach to assess proposals for transport investment that takes account of the full range of costs and benefits.

The EEM is the industry's standard for the economic evaluation of land transport activities for New Zealand. It sets out procedures and values used to calculate benefits and costs of applications for investment. Together with the Ministry of Transport we're scoping a study to update the EEM values for safety, travel time, reliability and other non-market benefits. We're also reviewing the range of benefits for evaluating projects, such as social, environmental, system quality and amenity values.

We're holding a workshop on 1 February with technicians and practitioners from central and local government, academia, professional bodies, industry and interest groups to present recent research on developing these values.

TRANSPORT TECHNOLOGY

Our position is that we will use transport technology and data to transition to safer, sustainable and connected journeys for customers.



We need to increase our investment in transport technology to enable us to innovate, experiment and develop transport technology solutions so that we understand where this technology can best be used and on what scale. The activities we will deliver for 2018/19 will move us towards our three-year goal of having a single integrated plan for investing in digital transport technology. This will give customers increased access to information about their transport options so they can make journeys that are safer, sustainable and more connected.

How we are tracking

2018/19 TRANSPORT TECHNOLOGY SIGNIFICANT ACTIVITIES	YEAR-END DELIVERY CONFIDENCE
4.1 Enable customers to have the opportunity to shape New Zealand's digital transport technology system through pilots and the roadmap	G
4.2. Invest in the priority components necessary to deliver an enduring and flexible digital transport system	G/A
4.3 Understand the environment and have in place aligned forward plans for investment in the products	G

Our highlights this quarter

New and emerging technology in the transport sector is promising to increase access and improve safety outcomes. By investing in transport technology, we will learn what processes need to change and barriers removed for a coordinated approach to transport investment.

If we don't start to plan how we will invest in our future transport system now, we won't realise the benefits across all the transport outcomes as early as we might which is a cost.

The majority of our significant activities in this area are on track this quarter. The Future Transport National Programme Strategic Case was endorsed. This programme will enable us to find solutions to existing barriers around investment in technology and improve our investment approach. The single stage business case is under development and seeks funding approval for three years for the Future Transport National Programme.

As part of this work, we started to develop a customer vision for New Zealand's future transport system.

Plans are well underway to get the New Zealand Mobility Laboratory (Mlab) operating in Christchurch. A partner charter was confirmed with Mobility Steering Lab Group, a mapping contract was signed and a draft website is being developed.

Investing in a flexible, enduring digital transport system continues to be a key focus for us. Mobility OS, Future Transport and National Ticketing are three priority components we are investing in.

In quarter two, three year funding of \$19.3m was approved for the Mobility Operating System (MobilityOS). Funding was also approved to develop business cases for the Transport Operating System (TransportOS) Programme. We developed a strategic approach for the TransportOS Programme and in quarter three we will commence the development of a product roadmap.

We also successfully implemented a new user interface in incident and event management. This means that the Wellington Transport Operations Centre (WTOC) can now use one system rather than two to log and manage incidents and events on their road network.

We are continuing the process to shortlist capable suppliers for Project NEXT, a National Ticketing solution. The Regional Integrated Ticketing Solution (RITS) forms part of this. Currently, there is an overall project delay of 3-6 months for RITS while technology issues are being worked through.

Leveraging technology to make better decisions about infrastructure assets

To improve digital collaboration, the Transport Agency, with the wider transport sector, has launched the national Asset Management Data Standard (AMDS) project.

AMDS seeks to enable the New Zealand roading sector to access and realise the benefits of common data standards, data sharing and shared analytics. AMDS will develop data libraries and standards specifically for the land transport sector while aligning with other users of the 'transport corridors', i.e. the utilities.

The project will help improve work planning, strategic asset management and sector-wide investment decisions by supporting a richer, consistent, spatially-enabled evidence base. It will also improve business efficiency. Similar measures overseas show New Zealand could save up to 10 percent of the cost of construction and maintenance throughout an assets' lifecycle.

AMDS is the transport sector's response to the need for a national suite of infrastructure metadata standards identified in the National Infrastructure Plan of 2015.



RESILIENCE

Our position is the resilience of the land transport system is increased by managing risks and long-term resilience challenges and helping communities quickly recover from disruptions.

The potential for increasing impacts from the effects of climate change and more frequent and intense rainfall events and possible sea level rise will effect the resilience of New Zealand's land transport system. The activities we will deliver in 2018/19 will enable us to begin work with our partners to build the resilience capability of the transport system. We will work to understand the resilience risks communities and business face so that we can help them quickly recover from disruptions.

How we are tracking

2018/19 RESILIENCE SIGNIFICANT ACTIVITIES	YEAR-END DELIVERY CONFIDENCE
5.1. Build capability and/or resources with our central and local government partners to deliver against resilience priorities more effectively for communities	G
5.2 Draft the Resilience National Business Case	G
5.3 Begin joint programmes with local government and other partners to build a shared understanding of risk tolerance for communities and business, and improve capability and self sufficiency to manage disruptive events	G
5.4 Include a broader range of benefits and costs for resilience project evaluations through the Investment Decision Making Review	G

Our highlights this quarter

We completed and submitted the National Emergency Response Framework for approval this quarter. The National Emergency Response Framework aims to strengthen our structures and resources to be able to respond to a national level emergency. Approval of the framework by senior management is expected early in quarter three. Once approved, we will promote the framework and our approach with Transport Agency staff and our central and local government partners.

The Resilience National Strategic Case was approved this quarter and refreshes the Transport Agency's 2013 resilience strategic case. It presents the case for improving resilience across the entire land transport system, not just the state highways network. The refreshed strategic case will enable us to prioritise where and when we should plan and invest to capture the costs and benefits of long-term resilience. During quarter three we will engage with key partners to develop the national programme business case in quarter three.

During this quarter we engaged with internal teams and some external partners such as Local Government New Zealand (LGNZ) and Canterbury regional lifelines committee, on the community impacts approach of the resilience framework and position statement including presenting a conference paper to NZ Institute of Highway Technology (NZIHT).

ENVIRONMENT



Our position is that we will responsibly manage the land transport system’s interaction with people, places and the environment.

The activities we will deliver in 2018/19 will enable us to begin to drive environmental change and mitigate the harmful effects of pollution. A well-defined strategy and a robust implementation plan with well-defined measures and targets (formed by the environmental sustainability performance framework that we will develop) will ensure an environmentally sustainable transport system that is good for people and the environment.

How we are tracking

2018/19 ENVIRONMENT SIGNIFICANT ACTIVITIES	YEAR-END DELIVERY CONFIDENCE
6.1 Build and begin monitoring an environmental sustainability performance framework, including climate change mitigation measures	G
6.2 Develop a sustainability strategy, focusing on climate change, improving public health and reducing environmental harm that incorporates robust measures and targets and is supported by a comprehensive implementation plan	G

Our highlights this quarter

Over the quarter we developed a draft Sustainability Strategy Monitoring Framework to support the sustainability strategy. Data sources for the framework, data categories and the approach to data was socialised internally and the Ministry of Transport to test the approach. The draft framework is being populated with data and also being reviewed.

A project plan and timelines for developing the sustainability strategy were confirmed. The strategy’s broad themes were agreed through a ministerial briefing and an evidence base is under development. A gap analysis was also started. An early draft of the Sustainability Strategy and Implementation Plan is expected to be developed and tested with the board in quarter three. The draft Sustainability Strategy will provide more (but not comprehensive) detail on the Framework - primarily the evidence base derived from the data underpinning the framework plus the measures and targets that will be drawn from the framework.



REGULATORY

Our position as the transport regulator is that our systems should be intuitive and clear to ensure people make good transport choices, while harmful behaviour is swiftly dealt with.

This activity we will deliver in 2018/19 will improve, strengthen and develop a future state for our regulatory function and performance to ensure effective compliance and enforcement.

How we are tracking

2018/19 REGULATORY SIGNIFICANT ACTIVITIES	YEAR-END DELIVERY CONFIDENCE
7.1 Develop and begin to implement a future state regulatory function	Assessment to follow review

Our progress this quarter

As a result of the systematic failures and issues identified with the Transport Agency's regulatory function in September 2018, stabilising our regulatory function remains our priority. The Regulatory Non-Compliance programme was established to identify, investigate and put in place plans to manage compliance, quality and timeliness issues relating to the backlog of 850 regulatory non-compliance cases. This programme had two main aims:

- develop and establish interim structures, policy, process and systems to facilitate the review work and
- provide a foundation for developing the future state of our regulatory compliance and enforcement function.

Stabilising our regulatory function involved making progress in four key areas: improving competency and capacity through building the right tools and improving our regulatory leadership and culture, processing the outstanding files, rectifying issues and reporting progress frequently.

During the quarter, we've made progress in these areas. Risk assessments have been carried out on all 850 open compliance files and management plans are in place (see page 8 for more details about progress made as at end of December 2018). More than 173 formal compliance actions have been processed with more continuing.

The findings from the independent report that was commissioned into Dargaville Diesel Specialists by Kristie McDonald QC detailed 25 recommendations that we need to implement as part of fixing our broken regulatory system. We have accepted all the recommendations and are in the process of implementing 10 of them. The remaining 15 recommendations focus on the future state of our regulatory system. We will address these recommendations as we develop our new regulatory system in consultation with the transport sector.

The Ministry of Transport review of the regulatory function was announced in November 2018. The findings of this review will need to be considered as part of confirming our future regulatory structure and operating model.

Staff are undertaking Government Regulatory Capability programme (G-REG) cross-government training and qualifications to formalise and improve leadership, culture and capability in regulatory practice throughout local and central government.

We have also begun to increase our regulatory capacity through the creation of 35 new positions in the Regulatory group which came into effect on 07 January 2019, with 12 staff already being recruited. The new regulatory business group will be headed by a General Manager, Regulatory. This is a new ELT position within the Transport Agency and recruitment is underway to fill this position.

The NZ Transport Agency Board agreed in February 2019 to cover the recertification and repair costs for vehicle owners who need to recheck their warrant of fitness (WoF) or recertify heavy vehicle tow bars.

While a lot of work has been done there is still a significant amount to do.

TRANSPORT AGENCY



Our position is that the Transport Agency is respected by partners, stakeholders and customers for its responsive and engaged people and its timely delivery of sustainable transport solutions.

We need to continue to transform, becoming more agile and responsive and improving the way we work with others to provide better transport solutions for New Zealand.

The activities we will deliver in 2018/19 will improve and strengthen our organisation's capability and capacity. We will do this by having people-centred policies, resilient systems and effective digital tools which will enable us to operate in an agile, engaged environment. By building our partnerships across the transport sector, we will deliver sustainable, timely transport solutions.

How we are tracking

2018/19 TRANSPORT AGENCY SIGNIFICANT ACTIVITIES	YEAR-END DELIVERY CONFIDENCE
8.1 Lift employee and contractor health and safety	G
8.2 Close the like-for-like gender pay gap	G/A
8.3 Implement year one of our Diversity and Inclusion Plan	G
8.4 Progress all people leaders through the Great Leaders Programme	G
8.5 Roll out improved digital collaboration tools for all staff	G
8.6 Improve availability and resilience of key systems	G
8.7 Commence process automation for key financial processes and develop automated workflows for selected regulatory and compliance processes	G
8.8 Improve our cyber security maturity.	G
8.9 Complete our Workforce Strategy	A

Our highlights this quarter

Employee and contractor health and safety

During this quarter, all Health, Safety and Wellness committees were established with elected representatives and terms of reference. All committees have been fully established and will enable us to effectively engage with our people around health and safety. There is a committee representing each office in the country.

Health and safety expectations were developed for fatigue management and mobile plant and sub-contractor management. This is part of our ongoing work to develop and finalise standard health and safety expectation across our operations.

Working with Safe Roads, Marlborough Roads, supply chain partners and Police, we identified and progressed a number of innovations to be included in the Temporary Traffic Management work

programme and the Code of Practice for Temporary Traffic Management (COPTTM). These were presented to the Governance Group in December.

In quarter three we will be working to define all critical health, safety and wellness risks.

People capability

During the second quarter, the proposed approach to closing like-for-like gender pay gap was developed. The approach will be presented to the board in quarter three. The State Services Commission and the Ministry for Women have changed the timeline for closing the like-for-like gender pay in starting salaries from the end of 2018. Recruitment guidelines are now in place to support a no gap in like-for-like starting offers from 2019.

Reviews are underway of people policies, guidelines and processes. Work has started to develop resources around unconscious bias. It will require time to implement and change behaviours.

Updating the next iteration of Great Leaders Programme framework is on track.

As a result of organisational changes during quarter two, no work was done to advance our workforce strategy. A review of recruitment processes has also been delayed as a result. We will start work on our workforce strategy and a review of recruitment processes in quarter three.

Systems

The migration of Skype for business telephony system is being rolled out and training is in progress.

Improving the resilience and availability of key systems continues to be a focus. During quarter two, we started to progress the procurement of the next generation corporate network.

Improving our cyber security maturity practices has been a key focus and we have several activities underway that will continue to strengthen and embed cyber security; such as a cyber e-learning module which will be re-established for all starters. Our cyber security awareness campaign is due to be refreshed in early 2019.

Supporting mental wellbeing

Our Zero Harm Strategy 2014–20 supports our belief that everyone who comes to work at the Transport Agency should go home healthy and safe. We have a strong focus on both the physical and mental wellbeing of our people. In October 2018, we held a Mental Health First Aid Certificate pilot in both Palmerston North and Wellington and received fantastic feedback from those who attended. Over the rest of the year we will be training more of our people to have at least one Mental Health First Aider in each office.

In the Mental Health First Aid course people are taught how to:

- assist someone experiencing mental health challenges, mental distress, developing mental illness, or in a mental health crisis
- recognise and respond to mental illness: anxiety (including post-traumatic stress disorder (PTSD), depression, psychosis and substance misuse
- recognise and respond to mental health crisis: suicidal thoughts and behaviour, panic attacks, psychotic episodes, severe effects from alcohol or drug misuse and aggressive behaviour
- feel confident in their role as a Mental Health First Aider to help others get the ongoing support they need (including referrals).

OUR OUTPUT CLASSES

The Transport Agency is funded to deliver and invest in (through the National Land Transport Programme) 19 output classes. This includes road policing, 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, 22 measures³ met their targets, while three did not meet their targets. Below is information on the measures that missed their targets.

KEY

	On track/achieved
	Target not met and there is a risk of not achieving year-end target
	Target not met and will not achieve year-end target
	Not available

Output class	Performance measure	2018/19 year-end target	Q2 result	Variance
Licencing and regulatory compliance	Unit transaction costs ^a	≤ \$13.00	\$14.59	\$1.59
Unit transition costs have been affected due to increased and improved capacity in the regulatory area. This has a follow-on effect by increasing the overhead allocations. The December holiday period has also contributed to the increase with lower transaction volumes for the month. Because of regulatory impacts this target may need to be reviewed for the following financial year.				
Licencing and regulatory compliance	% of operational assurance activities completed	100%	88%	12%
The SPE target has not been met this quarter as regulatory compliance activities have been specifically focused on actioning and managing the cases identified as part of the Non-compliance Project. It's expected that performance will improve as this work is gradually completed and becomes integrated into normal business activities.				
Investment management	% of activities delivered to agreed standards and timeframes (transport planning) ^b	≥ 90%	54%	36%
The result is the average of two components: performance against targets for the cost of transport planning activity (which achieved 42%) and the timeliness of transport planning activity (which achieved 66%). Performance this quarter is still strongly influenced by the unfinished 2015-18 National Land Transport Programme (NLTP) activities which carry overspends and missed milestones into 2018/19. Activities in the current NLTP have just begun meaning that even small levels of expenditure and progress variation compared to forecast can lead to large variations expressed in percentage terms. Future performance is expected to improve as activities in the past NLTP reach completion and those in the new 2018-21 NLTP mature as variations becoming less significant in relative terms.				

^a Reported year-to-date

^b Status as of the end of the reporting period

³ This figure excludes 25 measures that are only able to be reported annually.

ROAD SAFETY PARTNERSHIP PROGRAMME ⁴

Through the Road Safety Partnership Programme, the New Zealand Police contributes to delivering a safe system on New Zealand's roads, and to targeting an overall reduction in death and serious injuries through the delivery of prevention and enforcement activity. This activity is focused on the high-risk areas of the network, and on high-risk behaviours relating to restraints, impairment, distraction, and speed (RIDS).

Operation Five

To complement the delivery of the 2018/19 programme, **Operation Five** also commenced on 1 July 2018, and brings the Police target of a 5% reduction in road deaths each and every year to life. The target was introduced to focus policing efforts on reversing the upward trend in road deaths over 2014 - 2018 and reflects the fact that loss of life on our roads is not acceptable and that road deaths are preventable.

The mission statement of Operation Five is to prevent harm on New Zealand roads by ensuring all sworn staff are effectively deployed to mitigate road safety risk. Operation Five was initially a six month operation but has been extended indefinitely.

Over the first six months of Operation Five (July – December 2018) the increasing trend in road deaths has shown signs of reversing with 12 less road deaths than in the same period of the previous year.

Police are on track to meet their 5% reduction target, which is reflective of all our efforts to keep our roads safe. Concerted efforts have continued over the high-risk summer months through all Police districts.

One thousand and seventy dedicated road policing positions have been re-established and filled, and through Operation Five, activity in key areas is increasing. The primary focus continues to be on restraints, impairment, distraction and speed, as well as targeting to the highest risk journeys in each district.

A road safety dashboard is now available in all NZ Police District Command Centres to assist in deployment that is both visible and responsive to demand and local risk.

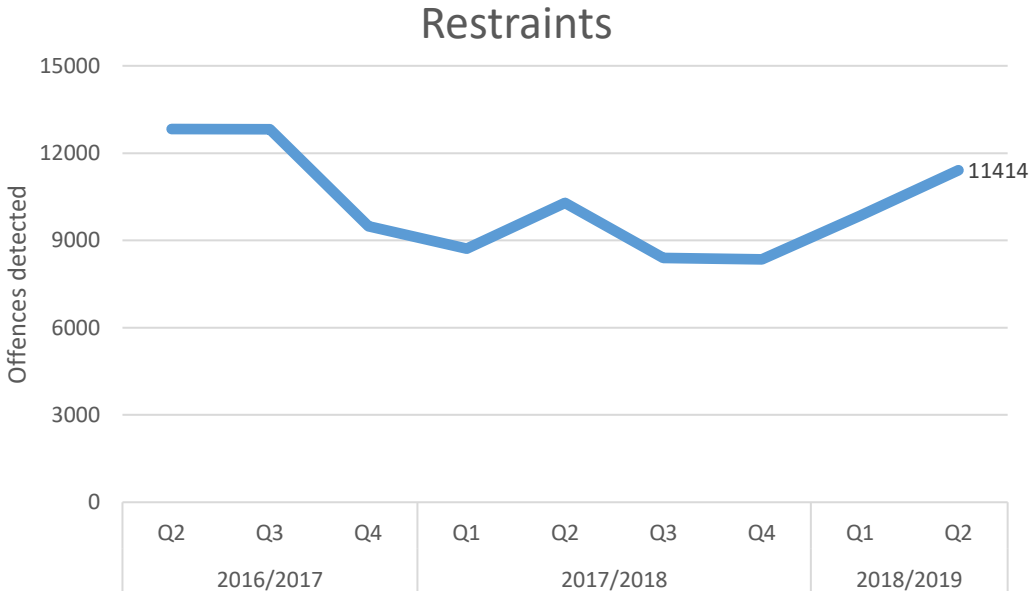
Quarterly progress

The 2018/19 Road Safety Partnership Programme (RSPP) has 18 outcome indicators covering RIDS, plus other indicators for high-risk drivers, vulnerable and active road users, vehicle safety compliance and network maintenance and efficiency. These outcome indicators are reported as desired trends.

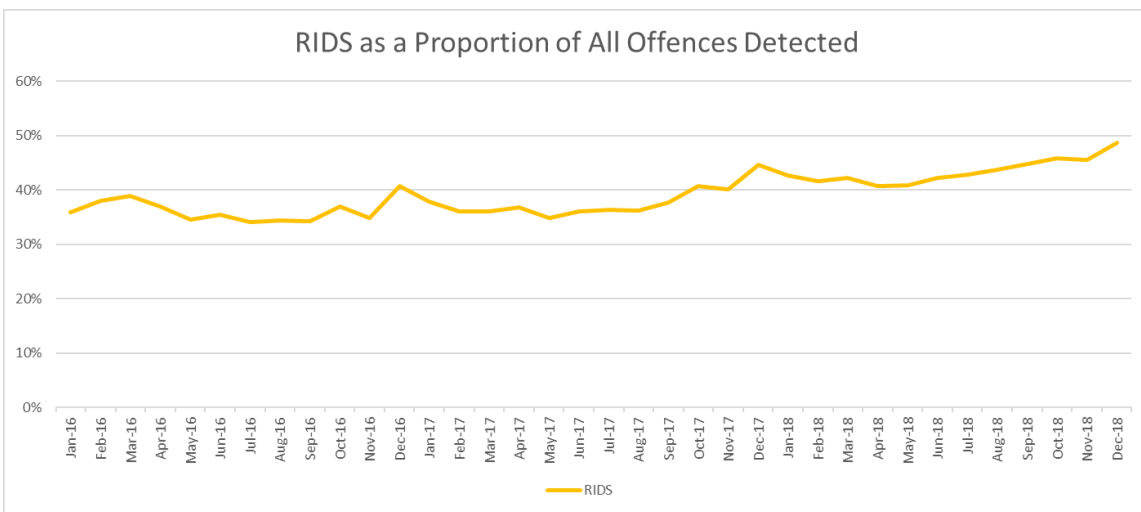
⁴. An improved reporting format is under development for the next quarterly report.

The proportion of RIDS offences continues to climb, and currently sits at 45% of the total number of notices issued. This represents increased targeting to high-risk behaviours, underpinning Operation Five.

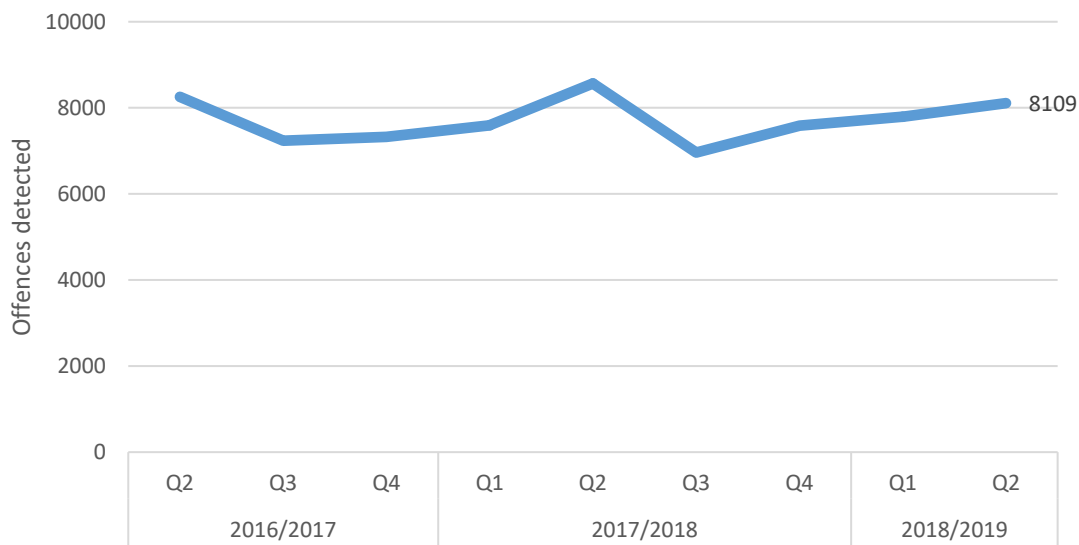
Restraints – Officer issued restraint enforcement has increased over the quarter. This has been driven by an ‘all of policing’ approach to restraint enforcement through both dedicated and non-dedicated road policing staff under operational order ‘see something – do something’.



Impairment – The number of breath tests completed has remained largely static over the quarter.

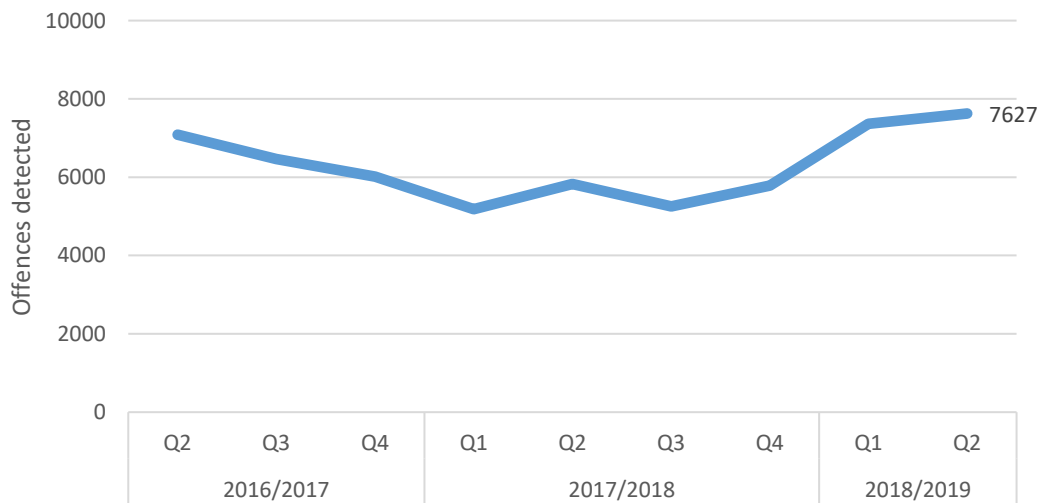


Impairment



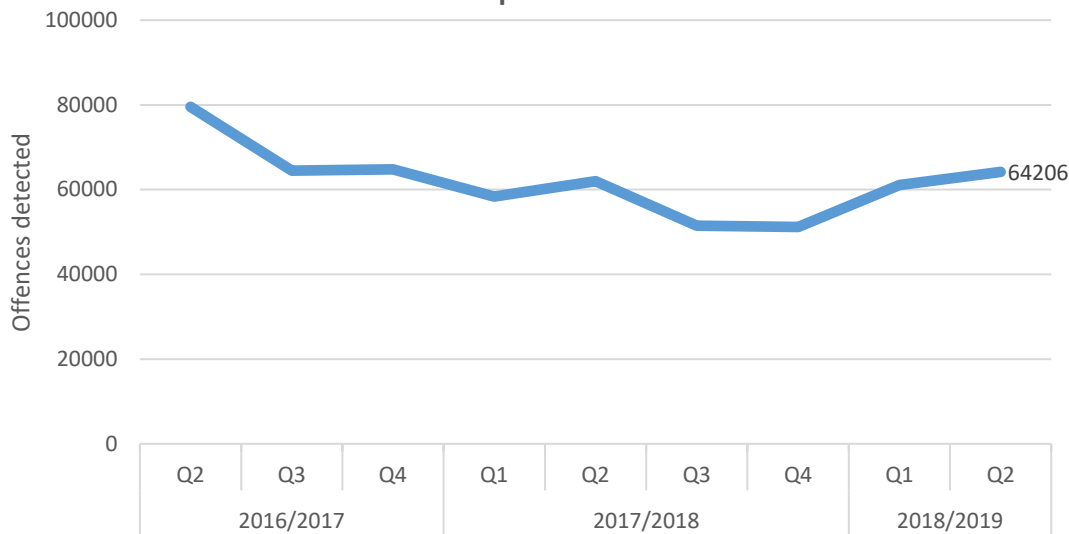
Distraction – Distraction offences continue to improve significantly, with the year to date result is 42% more than last fiscal year. This, again, is driven by an ‘all of policing’ approach.

Distraction



Speed - Officer issued infringements, mobile camera deployment hours, and the number of written traffic warnings issued have all increased over the quarter. When looking at speed notice distribution, it is evident that enforcement of the 11-15 km/h speed band has fallen off in favour of the 16-20 km/h band, indicating that there is an increase in higher speeding offences being detected and actioned.

Speed



NZ Police continues to work with partner agencies on aligning their deployment effort to risk, and complementing other activity on the network through joint operations.

Road Safety Partnership Initiatives

The Road Safety Partnership was established in February 2018 and is a partnership between the NZ Police, the Transport Agency and the Ministry of Transport to deliver better road safety outcomes. The partnership is governed by the Partnership Steering Group and is led by co-directors from Police and the Transport Agency.

The partnership is well established now at Police National Head Quarters and has grown to 12 full-time members who are working together on a programme of work that comprises six initiatives. The programme of work is now scheduled and underway across each of the partnership agencies.

Progress against the Road Safety Partnership's work programme is shown below.

Develop a new **operating model** between the Transport Agency and NZ Police that aligns organisational designs and strengths

Overall, work continues as planned, and is scheduled to present options to the Steering Group in August 2019.

A communications programme has commenced to ensure that all involved workgroups from both agencies are well informed of the project, with the Police Association and Police Managers Guild having also been informally and formally notified of the project.

Research continues into effective cross agency collaborative operation models. This research will provide some options as to how the partnership can be embedded on the longer term, and will be used in the next stages of the project

Develop a new investment model for road policing

A number of potential new investment models have been assessed by the Steering Group and other officials, with two models selected for further analysis. Following analysis, they will be presented to decision makers and Ministers in early 2019.

Develop a new process for developing future Road Safety Partnership Programmes, and delivering the 2019-21 Road Safety Partnership Programme

A group has begun to develop the shared road safety outcomes and performance requirements for the partner agencies. Work continues on the updated investment assurance approach and programme assessment.

Develop a shared knowledge (data, intelligence, and insights) capability for road safety

The discovery phase of this initiative has commenced, which will determine short-term and longer term outputs. Work is now underway to update relevant MOU's between partner organisations to

free up information flow in certain key areas.

Investigate options, and deliver automated compliance solutions, and a new intervention management system

A series of workshops has been held and we have agreed high level requirements which will feed into a market sounding request for information (RFI), and high level technical solutions options.

The project team have also commenced initial work on the camera network development, using a risk and behavioural change approach.

Deliver a strategic change programme to support the new partnership approach

This initiative was approved at the December meeting of the partnership Steering Group.

The high level scope of the initiative is to lay the foundation for transforming how we work in partnership to achieve maximum road safety outcomes by providing an integrated management programme that aligns efforts across all partner initiatives.

2018-21 special projects

The 2018–21 Road Safety Partnership Programme (RSPP) includes an investment of up to \$18.5 million in special projects. The proposed special projects align to the RSPP's component programmes, especially in relation to the areas of speed, distractions, restraints and impairment. There are all areas where lives could be saved if prevention activities are supported by effective tools and equipment.

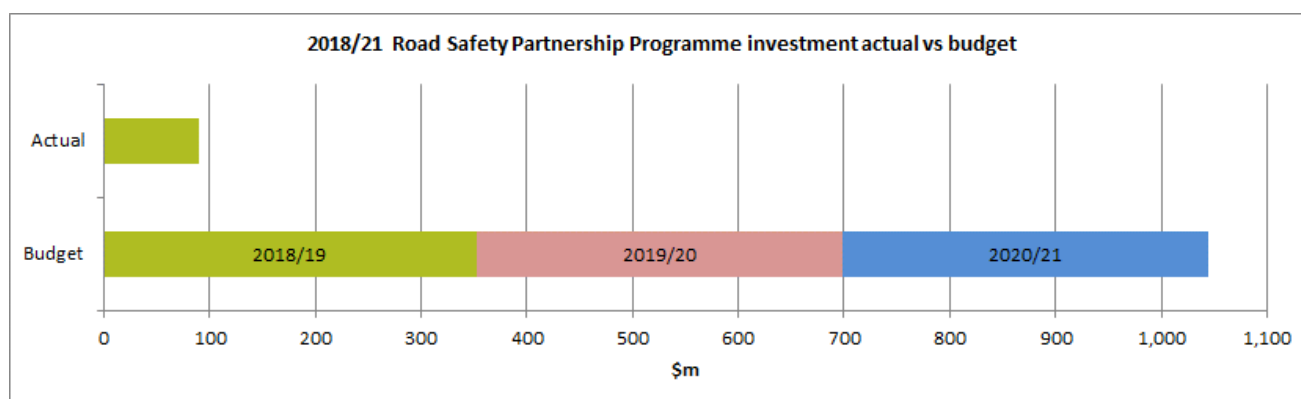
A number of the projects will also positively impact on the roading network by providing better data for decision making or helping to reduce damage to infrastructure, with others helping to keep the public and commercial fleet moving.

Initial work has commenced on the special projects, and they are now progressing through business case development and investment logic mapping, where appropriate.

NZ ROAD SAFETY PARTNERSHIP PROGRAMME EXPENDITURE AGAINST BUDGET⁵

YEAR	NLTF APPROVAL (\$M)	ACTUAL/YTD (\$M)
2018/19	\$352.7	\$89
2019/20	\$692.3*	N/A
2020/21		
Total 2018–21 (NLTF only)	\$1,045.0*	N/A

*The values shown for 2019–21 and the overall 2018–21 period is a provisional allotment only, with a decision on the final amount to be made after completion of the review of the road policing operating and investment model.



⁵ Latest financial data not yet available for reporting.

OUR CAPITAL PROJECTS







OVERVIEW

A range of significant transport projects are being delivered through our investment in NLTP or accelerated with funding or borrowing from the Crown. The milestones we aim to deliver for each are set out in our *Amended statement of performance expectations 2018/19*.

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.

A number of projects which are in early stages of development (investigation and business case development) are being re-evaluated to better align with the Government Policy Statement (GPS) on Transport, as outlined in the Transport Agency Investment Proposal (TAIP).

KEY

Budget		Schedule	
	On budget		On schedule
	5-10% variance		Over schedule <3 months
	>10% variance		Over schedule >3 months

City centre to Māngere light rail

The Government is committed to the Auckland Light Rail project that extends Auckland’s rapid transit network. Light rail is at the centre of plans to build a modern transport system for Auckland that will support mass public transport and enable high quality urban development. International experience shows that investment in light rail will support urban regeneration and transformation within the corridors through which it travels and the centres it connects. This investment will significantly change public transport and urban development.

The Auckland Light Rail programme aims to provide light rail between the City Centre and Māngere and to Auckland’s northwest within the next 10 years (2018-2028).




We have the knowledge, expertise and relationships to deliver on what will be New Zealand’s largest infrastructure project and we are leading the development of the Auckland Light Rail programme with the support of our partners.

Progress was made this quarter to further develop the business case for the City Centre to Māngere light rail project. We completed the Risk Profile Assessment (RPA) for this project in line with Treasury’s requirements and put in place a robust governance and assurance process to assist us as we continue to establish the project office including developing the business case.

During the quarter, tenders were issued, and preferred suppliers identified, for planning and engineering services and legal services. A new appointment was made to the position of Head of Light Rail New Zealand to review the project and ensure that what we have planned is correct.

The City Centre to Māngere light rail is an urban regeneration project that will connect communities along its route. While it is not a fast train to Auckland’s airport, it will support Auckland’s growth by creating a more integrated transport system.

Kaikōura earthquake response and Manawatū Gorge response

IMPLEMENTATION PHASE	2017	2018	2019	2020	2021	\$	⌚
Kaikōura earthquake recovery							

Work to increase the size of road tunnels for freight customers was completed in November 2018 and opening of the Ohau Point safe stopping area was completed in October 2018. This is the first in a series of new safe stopping areas to be completed along state highway 1. Work is on track to substantially complete reinstatement by the end of the financial year.

Current North Canterbury Transport Infrastructure Recovery (NCTIR) forecasts indicate that there will be some residual landscaping work to complete post year end.

As a result we have signalled via the March budgetary update that a carryover of funding will be required (\$29.4m requested)

Note: This excludes the SH1 Improvements package which is funded by the NLTP.

PRE-IMPLEMENTATION PHASE	2017	2018	2019	2020	2021	\$	⌚
Te Ahu a Turanga; Manawatū Tararua Highway (Manawatū Gorge replacement)	[Bar chart showing funding from 2017 to 2021]					●	●

Notice of requirement (NOR) was lodged and notified during this quarter. Alliance procurement commenced, and two potential consortia have been shortlisted.

Although the application for implementation funding was planned this quarter, this has been moved to March to allow more time to review estimates.

The Land Requirements Plan was finalised and initial conversations with landowners completed. Though land acquisition under the Public Works Act has not commenced, land valuation for potential full acquisitions has commenced.

Roads of National Significance

POST IMPLEMENTATION	2017	2018	2019	2020	2021	\$	⌚
Waikato Expressway Rangiriri Section	[Bar chart showing funding from 2017 to 2021]					●	●

IMPLEMENTATION	2017	2018	2019	2020	2021	\$	⌚
Pūhoi to Wellsford Pūhoi to Warkworth	[Bar chart showing funding from 2017 to 2021]					●	●
Western Ring Route Western Ring Route – Road of National Significance	[Bar chart showing funding from 2017 to 2021]					●	●
Waikato Expressway	[Bar chart showing funding from 2017 to 2021]					●	●
	[Bar chart showing funding from 2017 to 2021]					●	●
	[Bar chart showing funding from 2017 to 2021]					●	●
Wellington Northern Corridor	[Bar chart showing funding from 2017 to 2021]					●	●
	[Bar chart showing funding from 2017 to 2021]					●	●
Christchurch Motorways	[Bar chart showing funding from 2017 to 2021]					●	●
	[Bar chart showing funding from 2017 to 2021]					●	●

Implementation of the **Western Ring Route** continues on the Lincoln to Westgate section. During the quarter stage 1 of Lincoln Road Bridge was completed on schedule. However, an extension of time claim is being prepared due to unforeseen ground conditions when drilling the anchors for a retaining wall.

The Hamilton section of the **Waikato Expressway** is forecast to exceed its approved budget allocation. The additional costs relate to increased material and resources as a result of the impact of the weather on the programme, geotechnical issues and bitumen price increases. We are now looking at opening Hamilton section a year later than originally planned.

The **Peka Peka to Ōtaki** project is progressing well. The remaining consenting details are being finalised. The programme is currently under review due to scope changes following the inclusion of a shared path.

We continue to work with the contractor on **Christchurch Southern Motorway (Stage 2)** to resolve some issues around disruptions and traffic control and design. These issues have delayed progress and will continue to delay progress until resolved.

SINGLE BUSINESS CASE		2017	2018	2019	2020	2021	\$	🕒	
Wellington Northern Corridor	Ōtaki - Levin	[Bar chart showing budget allocation from 2017 to 2021]						●	●

Ōtaki to north of Levin was one of the 12 corridors being re-evaluated. The indicative business case was approved and preferred road alignment confirmed by the board during Q2. We advised land owners of the preferred route during the quarter. The re-evaluation process has impacted on the projects schedule.

SINGLE BUSINESS CASE		2017	2018	2019	2020	2021	\$	🕒	
Pūhoi to Wellsford	Warkworth to Wellsford	[Bar chart showing budget allocation from 2017 to 2021]						●	●
Wellington Northern Corridor	Ngāūranga to Airport	[Bar chart showing budget allocation from 2017 to 2021]						●	●

Auckland Transport Package

IMPLEMENTATION	2017	2018	2019	2020	2021	\$	🕒	
Northern Corridor Improvements	[Bar chart showing budget allocation from 2017 to 2021]						●	●
Southern Corridor Improvements	[Bar chart showing budget allocation from 2017 to 2021]						●	●
State Highway 20A to Airport	[Bar chart showing budget allocation from 2017 to 2021]						●	●

Northern Corridor Improvements: A price level adjustment is being prepared. This will include land acquisition where costs to date have exceeded the current budget allocation, construction cost changes and SH 1-18 committed costs. During the quarter work continued on motorway resurfacing and Tirohanga Whānui walking and cycling bridge. Work was completed on the new North Harbour BMX facility. Construction is ongoing for the new North Harbour Hockey facility as well as an upgrade to Wainoni Park Pony Club.

Southern Corridor Improvements: Due to three large historic scope changes: 1) Spartan Road overbridge, 2) Pahurehure bridge replacement, and 3) the redesign of the Takanini intersection (north bound on ramp), the project is currently forecast to spend over the current funding allocation. The project is expected to be completed ahead of its planned due date of February 2020.

IN PRE-IMPLEMENTATION	2017	2018	2019	2020	2021	\$	⌚
East West Connections						●	●

East West Connections is one of the 12 corridors being re-evaluated. During Q2 the draft re-evaluation was reported to the Transport Agency Board and we are doing further work on the preferred programme. We are continuing to progress the resolution of appeals of the current designation. This has impacted on the overall project schedule.

Accelerated Regional Roothing Programme

POST-IMPLEMENTATION	2017	2018	2019	2020	2021	\$	⌚
Motu Bridge Replacement (Gisborne)						●	●

A price level/scope adjustment for additional funding has been approved to increase the budget by \$2m due to geotechnical difficulties.

The old Motu Bridge removal was completed in May 2018. The new Motu Bridge separable portion 1 is now completed. Stage 2 works are on track for completion by the end of 2018/19.

IMPLEMENTATION	2017	2018	2019	2020	2021	\$	⌚
Mingha Bluff to Rough Creek						●	●
Akerama Curves Realignment and Passing Lane						●	●
Whirokino Trestle Bridge Replacement						●	●
Ōpaoa River Bridge*						●	●
Mt Messenger and Awakino Gorge Corridor						●	●
Mt Messenger Bypass						●	●
Napier Port Access Package Hawkes Bay Expressway Safety Treatments						●	●
Napier Port Access Package Prebensen Hyderabad Intersection upgrade						●	●
Napier Port Access Package – State Highway Watchman Road, Hawkes Bay Airport Intersection						●	●

* This was previously reported as Opawa Bridge Replacement.

Mingha Bluff to Rough Creek Realignment opened to traffic significantly behind schedule and pavement remedial work is still required due to construction problems. Several claims are in dispute and mediation attempts to date have been unsuccessful.

Akerama Curves Realignment and Passing Lane: works are now substantially complete on this project with a final coat seal to be undertaken in March 2019.

Mt Messenger and Awakino Gorge Corridor: costs are higher than estimated in the detailed business case. Overall costs will be reviewed before physical works are awarded for stage 2 of the project. Stage 2 of the construction programme has been pushed over two construction seasons

due to the nature of the works (earthworks, pavements and surfacing) which are not suitable for winter construction and the late start of the Ladies Mile passing lane (first of stage 2 works) which is expected to continue into winter 2019 and requires part of the 2019/20 construction season to complete. There are ongoing discussions with local iwi/hapu on on-site monitoring during construction.

Mt Messenger Bypass: construction start will be delayed due to the need to resolve key ecological mitigation issues with key stakeholders through the consent process. A decision confirming the designation and granting consents was awarded on 10 December 2018. Appeals have been made to the Commissioner’s decision.

Construction has been completed on the **Napier Port Access Package – State Highway Watchman Road, Hawkes Bay Airport Intersection**. However, a price level/scope adjustment (PLA) will be required due to planned changes to material used for preload and pavement material. The project was unable to use on-site material as planned and needed to source appropriate material from elsewhere.

PRE-IMPLEMENTATION	2017	2018	2019	2020	2021	\$	⌚
Loop Road North to Smeatons Hill Safety Improvements						●	●
State Highway 3 Awakino Tunnel Bypass						●	●

Loop Road North to Smeatons Hill Safety Improvements construction is expected to be underway in Q4 2018/19. The design is now complete and procurement for construction is underway.

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

Provincial Growth Fund projects

There are a number of Transport Agency-led Provincial Growth Fund projects that are underway to improve access to transport in the regions:



- Waipapa intersection (Northland)
- Twin Coast Discovery Route programme (Northland)
- State Highway 43, the Forgotten World Highway (Taranaki)
- Tairāwhiti Rooding Package (Gisborne and Hawkes Bay).

The detailed design is underway for the SH10 Waipapa corrdor. The property purchase and consenting remain an identified risk to timeline.

The detailed business case is on track for the Northland Twin Coast Discovery Route programme and State Highway 43, the Forgotten World highway (Taranaki).

In Tairāwhiti/Gisborne and Hawkes Bay, the early stages of the two and five –year programme activities are in the initiation phase. We are in the early stages of identifying risks that will impact on final delivery.

URBAN CYCLEWAYS PROGRAMME UPDATE

PROGRAMME PROGRESS (54 PROJECTS)			\$	⌘
Completed (29 projects)	In Construction (21 projects)	Pre-Construction (4 projects)		

Progress this quarter

Overall, the Urban Cycleways Programme (UCP) has now completed 77 percent of the project milestones. Below are projects or project phases that were either completed or started construction for the quarter ending 31 December 2018.

Of the original 54 projects 11 are experiencing delays and completion is now forecast to extend through to June 2021. The deferred delivery time frames of these projects means the \$100 million UCF funds will not be fully utilised by 30 June 2019 and we are seeking approval to carry forward approximately \$7.5million of the appropriation through to 30 June 2021 (BRI-1531 refers).

Projects and Project Stages Completed

- Seabrook Ave Cycleway in the Links to New Lynn project in Auckland (Q2)
- Wainui Road shared walk and cycle pathway in Gisborne (Q2)
- Ian McKinnon Cycleway in the City Centre Network programme in Auckland (Q2)
- Stage 2 of the Kamo Route in Whangarei (Q2)
- Oriental Parade section of the Wellington Eastern Route package (Q2)
- Section 15 (Te Puna Road) of the Omokoroa to Tauranga trail (Q2)
- Ranolf project and Springfield phase two in the Rotorua CyWay (Q2)
- Water of Leith Bridge in the Dunedin City's Central Cycle Network (Q2)
- Quarryman's Trail in Christchurch (Q1)
- Te Tuaiwi ('The Spine') in Wanganui (Q1)
- Eltham Road Cycle Link in Blenheim (Q1)
- iWay Hastings Extension (Q1)
- Maitai to Rocks Road section of the Nelson Coastal Route Project in Nelson (Q1)
- Quay St extension, section 1 of the Tamaki Drive project in Auckland's City Centre Network (Q1)
- Ngāūranga to Thorndon Quay section of the Ngāūranga to Bunny St Project in Wellington (Q1)

Projects and Project Stages Commencing Construction Phase

- Kilbirnie routes in Wellington Eastern Connections (Q2)
- Section 4 (ECMT Railway to Bridge 1) and Section 6 (Bridge 1 to Huharua Reserve) on the Omokoroa to Tauranga trail (Q2)
- Rail Corridor shared pathway in Wanganui (Q2)
- Salt Water Creek Bridge in Nelson (Q2)
- Waitemata Safe Routes of the Western Connections to City Centre, Auckland (Q1)
- Bridge construction for the Dunedin Central City Cycle network (Q1)
- Stage 2 of the Wainuiomata Hill project in Lower Hutt (Q1)



Transport Minister Phil Twyford and Auckland Mayor Phil Goff officially open the Seabrook Avenue cycleway in New Lynn - and get on bikes to try it out with kids from the New Lynn School.

What we're working on next quarter

In the third quarter of 2018/19 we expect to:

- commence physical works on Karangahape Road in the Auckland City Centre Network programme
- complete enabling works (utilities diversions) for the New Lynn to Avondale link in Auckland
- commence construction on sections 2 & 3 of the Tāmaki Drive project within the City Centre Network, Auckland
- begin construction work on Sections 3 and 4 of the Kamo Route in Whangarei
- complete stage 1 of the Wainuiomata Hill project in Lower Hutt
- begin construction work on Evans Bay route in Wellington
- complete the St Hill Street shared pathway in Whanganui
- complete the Rail Corridor shared pathway in Whanganui
- complete construction on section 6 (Bridge 1 to Huharua Reserve), section 9 (Plummers Point Road to Bridge 3), and sections 17-19 (Lothead Paper Road to Teihana Cycleway Crossing) of the Omokoroa to Tauranga trail.
- complete construction of Turitea Bridge on the Manawatū River Bridge and Shared Path project
- commence the Birchville to Te Marua sections on the Hutt River Cycleway
- commence construction on the Salt Water Creek Bridge in Nelson
- complete the Heathcote Expressway in Christchurch
- complete the Dunedin One Way Pair Cycle Lanes project.

FINANCIAL PERFORMANCE FOR THE SIX MONTHS ENDING 31 DECEMBER 2018

NATIONAL LAND TRANSPORT FUND REVENUE

\$30.7m
below
budget

Revenue year to date is 2% (\$30.7m) below budget due to lower revenue received from fuel excise duty caused by the variable timing of imported fuel shipments and their quantities.

Of our other revenue sources, road user charges are 3% (\$20.6m) above budget while motor vehicle licensing and registrations are on budget.

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

\$171.9m
below
budget

Expenditure year to date is 9% below budget primarily due to lower spending on state highway improvements (\$89.3m), Kaikōura earthquake response (\$36.9m) and rapid transit (\$27.1m).

NZ TRANSPORT AGENCY NET OPERATIONAL EXPENDITURE

\$12.0m
below
budget

Total expenditure is 4% below budget primarily due to phasing of road safety promotion activity spend where most of the costs are expected in quarter four, lower commission and transaction costs and delays to projects on the corporate initiatives programme.

Operational revenue is 7% above budget due to higher memorandum account fees and charges received, as well as the receipt of carry forward Crown funding for the Drive programme. As a result, net operational expenditure year to date is 16% below budget.

MEMORANDUM ACCOUNTS

\$4.3m
above
budget

Memorandum account closing balances are \$4.3 million above budget due to increased revenue from standards development, transport licensing and over dimension permits and lower expenditure in driver testing commissions.

FUNDING AND LONG-TERM LIABILITIES

\$456.1m

The total long-term funding liability, excluding Public Private Partnerships, at 31 December 2018 is \$456.1 million. The Transport Agency is compliant with all loan conditions.

National Land Transport Fund AND National Land Transport Programme

National Land Transport Fund Revenue

National Land Transport Fund (NLTF) year to date revenue is 2% below budget.

- **Fuel excise duty (FED)** is \$48.6 million (5%) below budget due to the variable timing of imported fuel shipments and their quantities.
- **Road user charges (RUC)** is \$20.6 million (3%) above budget on both heavy and light vehicle sales.
- **Motor vehicle registration and licensing (MVR & Lic)** is on budget.
- **Other revenue** is materially on budget.

SUMMARY

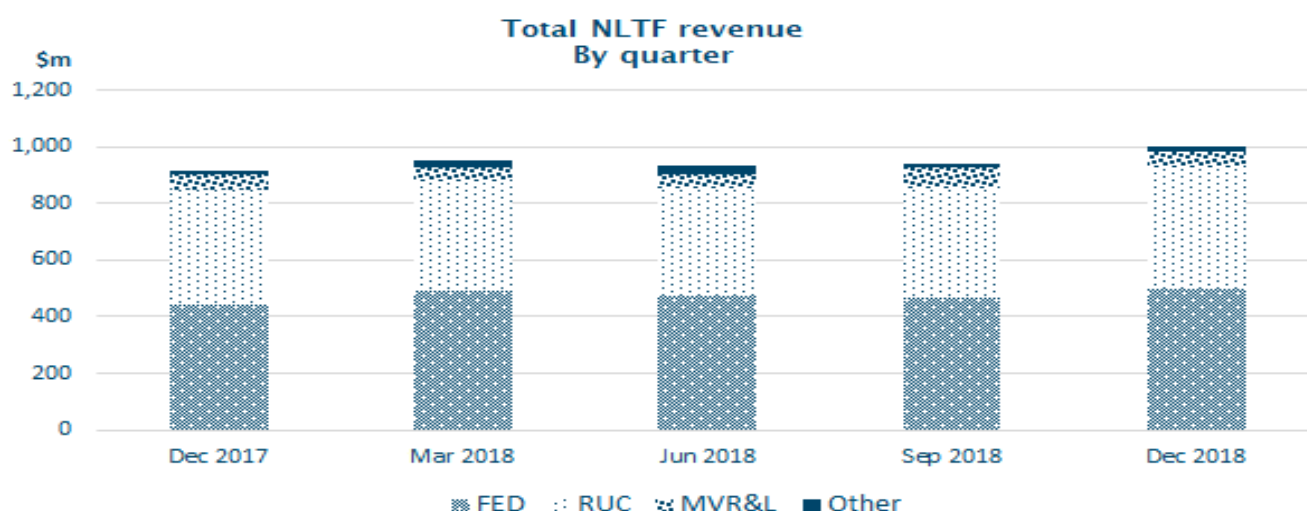
\$30.7m

below budget

FED 5% below budget
 RUC 3% above budget
 MVR & Lic on budget

Last quarter NLTF revenue was \$53m, 6% behind budget

	YEAR TO DATE				FULL YEAR
	Actual \$m	Budget \$m	Variance \$m	Variance %	Budget — \$m —
Fuel Excise Duty	965.3	1,013.9	(48.6)	(5%)	2,041.0
Road user charges	823.4	802.8	20.6	3%	1,602.0
Motor vehicle registration and licensing	123.5	123.5	0.0	0%	233.3
Other revenue	32.8	35.5	(2.7)	(8%)	79.9
Total NLTF revenue	1,945.0	1,975.7	(30.7)	(2%)	3,956.2



National Land Transport Programme (funded from the National Land Transport Fund) and crown-funded expenditure

National Land Transport Programme (NLTP) year to date expenditure is \$114.4 million (7%) below budget.

- **State highway improvements** is \$89.3 million (13%) below budget from lower activity than initially planned across the many projects in the programme. The main underspends identified as the Christchurch Southern Motorway projects (\$12 million), Western Ring Route (\$10 million), Christchurch Northern Arterial (\$8 million), Mackays to Peka Peka (\$8 million), and Peka Peka to Ōtaki (\$7 million).
- **Rapid transit** is \$27.1 million (84%) below budget. Activity is currently focussed on planning and the development of the detailed business case. It is likely that \$24 million of the \$130 million budget will be required in 2018/19 with the balance being carried forward to next year.
- **Regional improvements** are \$22.1 million (52%) above budget due to many projects progressing ahead of plan. Expenditure is likely to be over the current year's budget but will remain within the three-year programme budget.

Specific Crown-funded projects year to date expenditure is \$57.5 million (35%) below budget due to:

- **Kaikōura earthquake response** is \$36.9 million (35%) below budget mainly due to unspent risk provision, cost efficiencies and a reduced activity over the Christmas-New Year period. The Kaikōura spend is expected to carry over into 2019/20 and the Transport Agency is working with the Ministry of Transport in preparation.
- **Provincial Growth Fund** expenditure is underway, but well below plan as delivery plans are still being firmed up and projects are reviewed for suitability. The Provincial Growth Fund spend is expected to carry over into 2019/20 and as such a process for managing funding for projects that may be deferred or delivered post June 2019 is to be agreed.
- **Urban Cycleways** expenditure is \$5.7 million (49%) below budget as claims are down mainly in the Auckland projects and for the Petone to Melling Walking Cycling Link, which is currently under review. It is expected the funding will not be fully spent this financial year and we are seeking a carry forward (currently forecast to be \$7 million) through to 2020/21 from MoT/Treasury.

SUMMARY

\$171.9m
below budget

NLTP

6% below budget

Crown

35% below budget

\$82m below budget last quarter where NLTP was 9% below budget and Crown was 14% below budget.

	YEAR TO DATE				FULL YEAR			
	Actual	Budget	Variance	Variance	Forecast	Budget	Variance	Variance
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Investment management*	23.8	32.3	8.5	26%	64.1	71.1	7.0	10%
Public transport*	206.1	205.8	(0.3)	(0%)	558.6	549.0	(9.6)	(2%)
Rapid transit	5.3	32.4	27.1	84%	24.0	130.4	106.4	82%
Transitional rail	0.1	3.0	2.9	97%	35.0	35.4	0.4	1%
Walking and cycling*	26.8	31.5	4.7	15%	77.0	79.0	2.0	3%
Road safety promotion and demand mgmt*	15.5	22.8	7.3	32%	52.9	52.9	0.0	0%
Local road improvements	74.5	57.8	(16.7)	(29%)	264.5	192.8	(71.7)	(37%)
Local road improvements (Housing Infrastructure Fund)	0.9	4.7	3.8	81%	23.3	23.3	0.0	0%
Local road maintenance	262.6	263.9	1.3	0%	717.0	690.5	(26.5)	(4%)
Regional improvements*	66.6	44.5	(22.1)	(50%)	156.0	112.3	(43.7)	(39%)
State highway improvements*	580.2	669.5	89.3	13%	1,348.9	1,369.5	20.6	2%
Auckland Transport Package*	12.5	12.5	0.0	0%	12.5	12.5	0.0	0%
State highway maintenance*	320.4	329.0	8.6	3%	684.5	666.9	(17.6)	(3%)
NLTF funded expenditure	1,595.3	1,709.7	114.4	7%	4,018.3	3,985.6	(32.7)	(1%)
SuperGold card	27.3	27.1	(0.2)	(1%)	29.5	29.5	0.0	0%
Urban Cycleways Programme	5.8	11.5	5.7	49%	18.4	25.4	7.0	28%
Provincial Growth Fund	0.0	13.0	13.0	100%	40.0	40.0	0.0	0%
Accelerated Regional Roding Programme*	10.5	12.6	2.1	16%	26.4	33.4	7.0	21%
Kaikōura earthquake response*	67.4	104.3	36.9	35%	159.8	237.0	77.2	33%
Crown funded expenditure	111.0	168.5	57.5	34%	274.1	365.3	91.2	25%
NLTP & Crown expenditure**	1,706.3	1,878.2	171.9	9%	4,292.4	4,350.9	58.5	1%
*Includes investment in state highways	1,104.2	1,285.5	181.3	14%	2,520.6	2,714.2	193.6	7%

**Excluded from the above numbers are PPP's and developer's contributions.

Operational expenditure	847.1	826.8	(20.3)	(2%)	2,256.3	2,147.3	(109.0)	(5%)
Capital expenditure**	859.2	1,051.4	192.2	18%	2,036.1	2,203.6	167.5	0%
Total expenditure	1,706.3	1,878.2	171.9	9%	4,292.4	4,350.9	58.5	1%

**Excluded from the above numbers are PPP's and developer's contributions.

NZ TRANSPORT AGENCY

Net operational and capital expenditure

Transport Agency net operational expenditure was \$67.5 million.

- **Total operational expenditure** is \$6.7 million (4%) below budget due to lower commission and transactions costs and lower spending on the promotion of road safety and demand management due to budget phasing, with most of the higher cost delivery work scheduled for quarter four. There have also been delays to some of projects on the initiatives programme, primarily in IT infrastructure.
- **Operational revenue** is \$5.3 million (7%) above budget due to higher memorandum account fees and charges, as well as Crown funding received for the Drive project.
- **Transport Agency capital expenditure** is \$5 million below budget due to delays to project spend on the initiative programme, primarily in IT infrastructure and the Auckland regional office relocation.

SUMMARY	
<div style="border: 2px solid white; border-radius: 50%; width: 100px; height: 100px; margin: 0 auto; display: flex; align-items: center; justify-content: center;"> <div style="text-align: center;"> <p>\$12.0m</p> <p>below budget</p> </div> </div>	
Total expenditure	4% below budget
Revenue	7% above budget
<p>Last quarter, net operational expenditure was \$11m below budget with expenditure 10% below budget and revenue 5% above budget.</p>	

	YEAR TO DATE				FULL YEAR
	Actual	Budget	Variance	Variance	Budget
	\$m	\$m	\$m	%	\$m
Expenditure classified by *:					
Personnel costs	80.8	75.9	(4.9)	(6%)	153.3
Operating expenses	82.4	93.6	11.2	12%	188.3
Depreciation/amortisation	6.1	6.5	0.4	6%	14.1
Total expenditure	169.3	176.0	6.7	4%	355.7
Expenditure classified by:					
NLTP	70.7	76.8	6.1	8%	150.1
Regulatory	98.6	99.2	0.6	1%	205.6
Total expenditure	169.3	176.0	6.7	4%	355.7
Less operational revenue	(101.8)	(96.5)	5.3	5%	(191.7)
Net expenditure	67.5	79.5	12.0	15%	164.0
Capital expenditure	6.9	11.8	4.9	42%	20.0

*These costs represent the core costs of the Transport Agency, including some costs that are ultimately allocated to land transport funding activities. Personnel costs include certain contractors.

MEMORANDUM ACCOUNTS

The combined **memorandum accounts** balance is \$4.3 million (17%) above budget due to higher standards development, transport licensing, and over dimension permit revenue, and lower driver testing commission costs.

The rail licensing fee review is under consultation. Driver licensing and driver testing fee reviews are in the preparation phase with implementation expected during 2019/20.

SUMMARY

\$4.3m
above budget

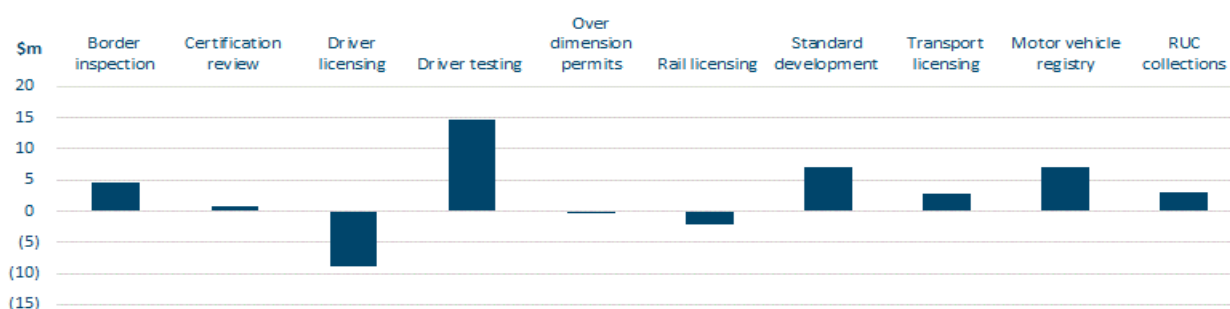
Closing balance

17% above budget

Last quarter the balance was \$3m (13%) above budget.

Closing Balance	YEAR TO DATE				FULL YEAR
	Actual \$m	Budget \$m	Variance \$m	Variance %	Budget \$m
Border inspection	4.7	4.7	0.0	1%	5.0
Certification review	0.7	0.8	(0.1)	(13%)	2.9
Driver licensing	(8.9)	(9.2)	0.3	3%	(14.7)
Driver testing	14.6	13.0	1.6	12%	14.8
Over dimension permits	(0.3)	(0.8)	0.5	59%	(1.8)
Rail licensing	(2.1)	(2.0)	(0.1)	(5%)	(5.5)
Standard development	7.1	5.6	1.5	28%	7.3
Transport licensing	2.8	2.5	0.3	11%	2.6
Licensing and regulatory	18.6	14.6	4.0	27%	10.6
Motor vehicle registry	7.2	7.0	0.2	3%	5.7
Motor vehicle registry	7.2	7.0	0.2	3%	5.7
RUC collections	3.1	3.0	0.1	2%	2.1
RUC collections	3.1	3.0	0.1	2%	2.1
Total closing balances	28.9	24.6	4.3	17%	18.4

Memorandum account
Year to date closing balance



FUNDING AND LONG-TERM LIABILITIES

The total long-term funding liability at 31 December 2018 is \$1,805.6 million, incorporating specific loan packages, Public Private Partnership commitments and the derivative financial liability.

The Transport Agency is compliant with all loan conditions.

There are two interest rate swaps relating to future payments under the Public Private Partnerships that are valued twice per year. At 31 December 2018, the valuation is a liability of \$290.2 million.

The final drawdown of the Auckland Transport Package for state highways has been completed. It is unlikely that the remaining \$5.0 million available for local roads will be drawn-down.

The notional cash balance in the National Land Transport Fund is \$436.7 million.

SUMMARY

NLTF Cash balance at 31 December

\$436.7m

Long term facilities

\$11.5m repayment on Christchurch earthquake loan in Q2

\$31.8m drawdown on Auckland Transport Package loan in Q2

	BALANCE			STATUS	
	December 2018	June 2018	Movement	Total Facility Available	Remaining Repayment Period
	\$m	\$m	\$m	\$m	Years
Short term revolving facility	0.0	0.0	0.0	250.0	N/A
Christchurch earthquake loan	11.5	23.0	(11.5)	0.0	Less than 1 year
Auckland Transport Package loan	370.0	338.2	31.8	5.0*	8 years
Tauranga Eastern Link loan	107.0	107.0	0.0	0.0	32 years
Loans	488.5	468.2	20.3	255.0	
Fair value and other adjustments	(32.4)	(31.5)	(0.9)		
Total loans	456.1	436.7	19.4	255.0	
Transmission Gully (PPP)	649.5	549.3	100.2	1,100.0	22 years
Pūhoi to Warkworth (PPP)	409.8	306.2	103.6	950.0	22 years
Total public-private partnerships	1,059.3	855.5	203.8	2,050.0	
Derivative financial liability	290.2	203.8	86.4		
Total funding liability	1,805.6	1,496.0	309.6	2,305.0	

*For use by Auckland Transport

Appendix - New Zealand Transport Agency and National Land Transport Fund Special Purpose Financial Statements for the half year ended 31 December 2018 (unaudited)

This Appendix includes special purpose financial statements and explanation notes for both New Zealand Transport Agency (Transport Agency) and National Land Transport Fund (NLTF) for the six-month period ending 31 December 2018 (the 'interim statements'). The statements should be read in conjunction with the normal quarterly information contained on pages 49 to 55, and the Transport Agency and NLTF annual financial statements for the year ended 30 June 2018.

This is the first time that the Transport Agency has published the special purpose interim statements. The interim statements have been prepared in accordance with generally accepted accounting principles (GAAP). The accounting policies adopted are consistent with those followed in the preparation of the Transport Agency and NLTF's annual financial statements for the year ended 30 June 2018. The interim statements are unaudited.

The preparation and publication of interim statements is designed to provide additional transparency over the financial performance of the Transport Agency and its management and disbursement of the NLTF.

Highlights from Transport Agency financial statements:

- A significant lift in depreciation, amortisation and state highway write-offs to \$281.3 million compared to \$201.9 million in the previous comparative period. The increase reflects the substantially higher state highway valuation (as at 30 June 2018) and the impact of value reductions in relation to the state highway through the Manawatū Gorge road and pavement remediation on the Mackays to PekaPeka expressway
- A substantial reduction in payables to \$219.7 million from \$575.2 million at 30 June 2018, which reflected the significant number of funding claims from approved organisations at the end of the 2015-2018 NLTP period.

Highlights from NLTF financial statements:

- NLTF revenue of \$1,944.4 million is higher than the previous comparative period of \$1,846.0 million with the increase in FED and RUC rates applying from 1 October 2018
- NLTF expenditure of \$1,746.4 million for the first six months of the new NLTP period is slightly below the budget of \$1,877.0 million due to lower spending on state highway improvements (\$90 million) and rapid transit (\$27 million)
- Cash and cash equivalents balance \$436.7 million at 31 December 2018 compares with \$515.5 million at 30 June 2018
- The NLTF general funds balance reduced in the period to negative \$1,206.1m from negative \$1,112.0m at 30 June 2018. The negative balance reflects debt obligations, including Public Private Partnerships held by the Transport Agency to be met from future land transport revenue.

Signed by:

.....
Howard Cattermole
General Manager Investment and Finance
26 February 2019

NZ Transport Agency Special Purpose Financial Statements (unaudited)

Statement of comprehensive revenue and expense

For the half year ended 31 December 2018

	Note	Actual HY 2018/19 \$M	Budget HY 2018/19 \$M	Actual HY 2017/18 \$M
Revenue				
Funding from the National Land Transport Fund	1	1,065.4	1,051.8	935.5
Funding from the Crown	1	53.9	41.8	85.9
Revenue from other activities	3	114.9	105.9	111.2
Total revenue		1,234.2	1,199.5	1,132.6
Expense				
Land transport funding		797.2	760.1	765.0
Employee costs		51.1	60.4	52.6
Operating expenses		90.5	84.2	85.0
Interest and finance costs		12.9	19.4	9.1
Depreciation, amortisation and state highway write-off	4	281.3	271.5	201.9
Total expense	1	1,233.0	1,195.6	1,113.6
Surplus/(deficit)		1.2	3.9	19.0
Other comprehensive revenue and expense				
Movement in state highway network revaluations	4	21.5	-	-
Net movement in cash flow hedges		(82.3)	-	(62.7)
Total other comprehensive revenue and expense		(60.8)	-	(62.7)
Total comprehensive revenue and expense		(59.6)	3.9	(43.7)

Statement of financial position As at 31 December 2018

		Actual	Budget	Actual
		HY	HY	Audited
		2018/19	2018/19	FY
	Note	\$M	\$M	2017/18
				\$M
Assets				
Cash and cash equivalents		154.8	50.0	120.3
Debtor Crown		32.2	34.6	58.6
Receivables and other assets		77.1	45.8	103.9
Debtor National Land Transport Fund		46.1	255.6	351.7
Debtor National Land Transport Fund – debt related		1,839.4	1,757.4	1,547.3
Property assets held for sale		50.0	40.0	50.0
Public private partnership assets	5	1,059.3	1,091.6	855.5
Property, plant, equipment and intangible assets	4	60.4	63.2	59.7
State highway network	4	43,778.4	43,976.6	43,204.3
Total assets		47,097.7	47,314.8	46,351.3
Liabilities				
Payables		219.7	287.0	575.2
Employee entitlements		14.4	13.0	14.7
Derivative financial liability		290.2	203.8	203.7
Borrowing and other liabilities		455.6	441.5	436.7
Public private partnership liabilities	5	1,059.3	1,091.6	855.5
Total liabilities		2,039.2	2,036.9	2,085.8
Net assets		45,058.5	45,277.9	44,265.5
Equity				
Contributed capital		5.6	5.6	5.6
Retained funds		47.6	40.7	43.3
Equity derived from the state highway network		45,215.8	45,359.8	44,344.8
Cash flow hedge reserve		(210.5)	(128.2)	(128.2)
Total equity		45,058.5	45,277.9	44,265.5

Statement of changes in equity For the half year ended 31 December 2018

	Actual	Budget	Actual
	HY 2018/19	HY 2018/19	FY 2017/18
	\$M	\$M	\$M
Balance as at 1 July	44,265.5	44,265.5	34,932.2
Surplus/(deficit)	1.2	3.9	9.0
State highway network revaluations	21.5	0.0	7,345.6
Movement in cash flow hedges	(82.3)	0.0	(86.1)
Capital contribution	852.6	1,008.5	2,064.8
Balance as at 31 December	45,058.5	45,277.9	44,265.5

Statement of cash flows For the half year ended 31 December 2018

	Actual HY 2018/19 \$M	Budget HY 2018/19 \$M	Actual HY 2017/18 \$M
Cash flows from operating activities			
Receipts from the National Land Transport Fund	1,366.2	1,148.0	1,077.1
Receipts from the Crown	61.5	65.8	67.5
Receipts from other revenue	120.1	155.2	43.1
Payments to employees	(55.5)	(62.2)	(56.4)
Payments to suppliers	(1,138.3)	(1,132.8)	(991.2)
Goods and services tax (net)	(14.5)	0.4	(25.3)
Net cash from operating activities	339.5	174.4	114.8
Cash flows from investing activities			
National Land Transport Fund receipts from sale of state highway-held properties	12.8	16.6	8.9
Purchase of property, plant, equipment and intangible assets	(6.8)	(10.0)	(7.3)
Investment in the state highway network	(949.6)	(1,045.3)	(1,040.1)
Net cash from investing activities	(943.6)	(1,038.7)	(1,038.5)
Cash flows from financing activities			
Capital contribution from the National Land Transport Fund	541.3	666.6	650.8
Capital contribution from the Crown	79.5	129.1	225.9
Receipts from borrowing	31.8	12.5	50.0
Repayment of borrowing	(11.0)	(11.0)	(15.0)
Interest paid on borrowing	(3.0)	(3.2)	(4.8)
Net cash from financing activities	638.6	794.0	906.9
Net (decrease)/increase in cash and cash equivalents	34.5	(70.3)	(16.8)
Cash and cash equivalents at the beginning of the year	120.3	120.3	65.4
Cash and cash equivalents at the end of the year	154.8	50.0	48.6

Reconciliation of net surplus to net cash from operating activities

	Actual HY 2018/19 \$M	Budget HY 2018/19 \$M	Actual HY 2017/18 \$M
Surplus/(deficit)	1.2	3.9	19.0
Add/(deduct) non-cash/non-operating items:			
Depreciation, amortisation and state highway write-off	281.3	271.5	201.9
(Gains)/losses on disposal of disposal of non-financial assets	-	-	-
Fair value loss and amortisation of losses on receivables	(1.5)	16.5	-
Interest on borrowings	2.7	3.0	3.2
Fair value gain and amortisation of gains on borrowings	(1.9)	(7.4)	(4.7)
Ineffective portion of cash flow hedge	4.2	(0.1)	3.4
Total non-cash/non-operating items	284.8	283.5	203.8
Add/(deduct) movements in working capital:			
(Increase)/decrease in debtor National Land Transport Fund and Crown	270.1	120.1	112.7
(Increase)/decrease in receivables and other assets	26.7	57.1	(69.1)
Increase/(decrease) in creditors and other payables	(242.9)	(288.5)	(151.4)
Increase/(decrease) in employee entitlements	(0.4)	(1.7)	(0.2)
Net movements in working capital items	53.5	(113.0)	(108.0)
Net cash from operating activities	339.5	174.4	114.8

1 Operating funding revenue and expense

Revenue and expense from the Crown and National Land Transport Fund is as follows.

	Revenue Actual HY 2018/19 \$M	Expenditure Actual HY 2018/19 \$M	Revenue Actual HY 2017/18 \$M	Expenditure Actual HY 2017/18 \$M
National Land Transport Fund				
State highway improvements	278.0	278.4	203.0	196.0
Local road maintenance	262.6	262.6	228.8	228.8
State highway maintenance	218.1	228.1	231.0	238.3
Public transport	175.2	175.0	163.5	163.5
Local road improvements	74.5	74.5	47.7	47.7
Local road improvements (housing infrastructure fund)	-	0.9	-	-
Investment management	22.4	23.7	27.6	28.4
Walking and cycling	16.7	16.7	17.7	17.7
Road safety promotion and demand management	14.7	14.8	14.1	14.4
Road user charges collection, investigation and enforcement	2.1	2.2	1.6	1.7
NZTA operating activities for road policing	0.7	0.7	-	-
Refund of fuel excise duty	0.3	0.4	0.5	1.4
Transitional rail	0.1	0.1	-	-
Regional improvements	-	-	-	-
Other	-	1.0	-	(0.1)
Total national land transport funding and expense	1,065.4	1,079.1	935.5	937.8
Crown				
SuperGold card administration and public transport concessions	27.3	27.3	24.3	24.3
Kaikōura earthquake response	15.5	15.5	50.0	50.0
Other Crown funding and expense	11.1	12.0	11.6	11.0
Total Crown funding and expense	53.9	54.8	85.9	85.3
Total	1,119.3	1,133.9	1,021.4	1,023.1
Total funding from fees, charges and other revenue	114.9	99.1	111.2	90.5
Total revenue and expense	1,234.2	1,233.0	1,132.6	1,113.6

Operating spend between the Transport Agency and other approved organisations

In HY 2018/19 the total paid from the National Land Transport Fund to approved organisations is \$607 million (HY 2017/18 \$557 million) as outlined in the below table.

The total for the Transport Agency's own investment in state highways, maintenance of state highways and operating activities is \$627 million (HY 2017/18 \$557 million) as outlined in the below table.

	Agency's own investment in state highways	Paid to approved organisations	Total	Agency's own investment in state highways	Paid to approved organisations	Total
	Expenditure Actual	Expenditure Actual	Expenditure Actual	Expenditure Actual	Expenditure Actual	Expenditure Actual
	HY 2018/19	HY 2018/19	HY 2018/19	HY 2017/18	HY 2017/18	HY 2017/18
	\$M	\$M	\$M	\$M	\$M	\$M
National Land Transport Fund						
Local road maintenance	-	262.6	262.6	0.6	228.2	228.8
State highway maintenance	209.4	18.7	228.1	223.5	14.8	238.3
State highway improvements	278.4	-	278.4	196.0	-	196.0
Local road improvements	-	74.5	74.5	-	47.7	47.7
Local road improvements (housing infrastructure fund)	-	0.9	0.9	-	-	-
Public transport	-	175.0	175.0	-	163.5	163.5
Walking and cycling	-	16.7	16.7	-	17.7	17.7
Road safety promotion and demand management	9.5	5.4	14.8	9.6	4.8	14.4
Investment management	22.2	1.5	23.7	21.8	6.6	28.4
Road user charges collection, investigation and enforcement	2.2	-	2.2	1.7	-	1.7
Refund of fuel excise duty	0.4	-	0.4	1.4	-	1.4
NZTA operating activities for road policing	0.7	-	0.7	-	-	-
Other	-	1.0	1.0	-	(0.1)	(0.1)
Total national land transport expense	522.8	556.3	1,079.1	454.6	483.2	937.8
Crown						
Kaikōura earthquake response	-	15.5	15.5	-	50.0	50.0
Supergold card administration and public transport concessions	0.1	27.2	27.3	-	24.3	24.3
Other Crown expense	4.5	7.5	12.0	2.5	8.5	11.0
Total expense	4.6	50.2	54.8	2.5	82.8	85.3
Total	527.4	606.5	1,133.9	457.1	566.0	1,023.1
Total expense from fees, charges and other revenue	99.1	-	99.1	90.5	-	90.5
Total expense	626.5	606.5	1,233.0	547.6	566.0	1,113.6

2 Capital funding and expenditure

Capital funding and expenditure from the National Land Transport Fund and Crown is as follows.

	Capital funding Actual HY 2018/19 \$M	Capital expenditure Actual HY 2018/19 \$M	Capital funding Actual HY 2017/18 \$M	Capital expenditure Actual HY 2017/18 \$M
National Land Transport Fund				
State highway improvements	286.9	286.9	315.7	324.2
Public private partnerships	286.1	286.1	251.6	251.6
State highway maintenance	92.1	92.3	78.4	80.1
Regional improvements	66.6	66.6	55.3	55.3
Public transport	30.7	30.7	-	-
Auckland Transport Package	12.5	12.5	66.7	66.7
Walking and cycling	8.3	8.3	4.4	4.4
Rapid transit	5.3	5.3	-	-
Investment management	-	-	2.0	2.0
Road safety promotion and demand management	0.1	0.1	0.2	0.2
Total National Land Transport Fund capital funding and expenditure	788.6	788.8	774.3	784.5
Funded from the Crown				
Kaikō ura earthquake response	52.0	52.0	220.0	220.0
Other Crown capital funding and expenditure	8.8	8.8	26.7	26.7
Total Crown capital funding and expenditure	60.8	60.8	246.7	246.7
Total capital funding and expenditure	849.4	849.6	1,021.0	1,031.2

Capital funding is recognised as a capital contribution when expenditure for capital projects is incurred.

3 Other revenue		
Revenue from other activities	Actual HY 2018/19 \$M	Actual HY 2017/18 \$M
Motor vehicle licensing fees	28.1	28.7
Driver licensing fees	17.7	17.8
Driver testing fees	12.3	12.4
Road user charges collections	6.7	6.4
Transport licensing fees	6.4	6.2
Certification review fees	6.3	6.1
Standards development fee and certification levies	3.8	3.8
Rail licensing fees	0.6	0.6
Over-dimension and overweight permits	0.7	0.6
Border inspection fees	0.4	0.5
Total fees and charges	83.0	83.0
Recoveries from National Land Transport Programme activities	10.4	9.8
Interest and finance income	10.3	7.9
Tolling fees and contributions	7.7	7.3
Levy on personalised plates for community road safety initiatives	1.9	1.7
Rental recoveries	0.7	1.1
Administration fee from Accident Compensation Corporation	0.3	0.2
Miscellaneous revenue	0.6	0.2
Total revenue from other activities	114.9	111.2

4 State highway network, property, plant and equipment and intangible assets

	STATE HIGHWAY NETWORK		PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	
	Actual HY 2018/19 \$M	Actual FY 2017/18 \$M	Actual HY 2018/19 \$M	Actual FY 2017/18 \$M
Opening balance	43,204.3	34,218.8	59.7	45.6
Additions	851.6	2,070.7	6.9	26.3
Depreciation	(240.0)	(382.8)	(5.2)	(10.0)
Write-offs ^{1 2}	(46.1)	(10.5)	-	-
Disposals	(12.9)	(37.2)	(1.0)	(2.2)
Net revaluation ²	21.5	7,345.7	-	-
Assets transfer to/from held for sale	-	(0.4)	-	-
Closing balance	43,778.4	43,204.3	60.4	59.7

¹ In the period ended 31 December 2018, \$25 million expenditure on MacKays to Peka Peka state highway (that had been capitalised in the previous period) was derecognised as a result of defects identified in certain sections of the pavement. The derecognised expenditure represents the estimated additional costs of remedying the defects.

² The period ended 31 December 2018 includes a revaluation reversal relating to the Manawatū Gorge and a related disposal of \$16.9 million regarding the same assets.

5 Public private partnership assets and liabilities

	Actual HY 2018/19 \$M	Actual FY 2017/18 \$M
Transmission Gully	649.5	549.3
Pūhoi to Warkworth	409.8	306.2
Total public private partnership assets and liabilities	1,059.3	855.5

6 Contingencies

Contingent liabilities as at 31 December 2018

The NZ Transport Agency has made a number of changes to the way it manages its regulatory function. As a result of these changes, a number of suspensions of service providers have occurred during the period to 31 December 2018 and the Transport Agency has offered to pay certain re-certification costs where there is a potential safety risk. The Transport Agency has provided for the cost of these re-certifications.

On 7 February 2019, the NZ Transport Agency Board agreed to cover the re-certification and repair costs relating to the suspension of Patrick Chu, an Auckland based heavy vehicle certifier. As a non-adjusting, post balance date event, no provision for these costs has been made. The likely cost is approximately \$2.5 million. In the event that further non-compliance issues with other regulated organisations are discovered, additional costs may be incurred. Until these ongoing investigations are completed, the final costs of the regulatory response are uncertain.

There are claims of \$17.2 million (HY 2017/18: \$5.8 million, FY 2017/18 \$7.6 million) relating to a variety of roading and other contract disputes.

In February 2019, the Transport Agency received a material claim from the Wellington Gateway Partnership in relation to the Transmission Gully Public Private Partnership. It is assumed that there is no liability in relation to this claim.

Apart from the above matters, there is constant dialogue between the Transport Agency and its contractors over technical and commercial matters that may result in dispute between the parties. As at 31 December 2018, the Transport Agency does not consider that any matters raised to date are likely to have material financial impact.

National Land Transport Fund Financial Statements (unaudited)

Statement of comprehensive revenue and expense			
For the half year ended 31 December 2018			
	Actual	Budget	Actual
	HY	HY	HY
	2018/19	2018/19	2017/18
	\$M	\$M	\$M
Revenue inflows ^a			
Land transport revenue	1,911.6	1,940.2	1,823.6
Management of Crown land	22.4	24.4	12.0
Tolling revenue	5.5	5.1	5.1
Interest revenue	4.9	6.0	5.3
Total revenue inflows	1,944.4	1,975.7	1,846.0
Outflows			
National Land Transport Programme	1,573.4	1,697.5	1,453.0
Road Policing Programme	170.1	176.5	161.3
Fuel excise duty/road user charges administration	2.4	2.5	2.5
Forecasting and strategy	0.5	0.5	0.3
Total outflows	1,746.4	1,877.0	1,617.1
Surplus/(deficit) from current National Land Transport Fund balance	198.0	98.7	228.9
Fair value gain on long-term payables	2.4	12.7	7.0
National Land Transport Fund expenditure to be funded long-term	(290.7)	(249.6)	(295.0)
Finance charges	(3.8)	(3.7)	(2.5)
Deficit to be funded from future National Land Transport Fund revenue	(292.1)	(240.6)	(290.5)
Surplus/(deficit)	(94.1)	(141.9)	(61.6)

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

Statement of financial position As at 31 December 2018

	Actual	Budget	Actual
	HY	HY	FY
	2018/19	2018/19	2017/18
	\$M	\$M	\$M
Assets			
Cash and cash equivalents	436.7	521.9	515.5
Receivables	242.7	236.3	271.5
Total assets	679.4	758.2	787.0
Liabilities			
Current payable to NZTA – current NLTF balance ^a	46.1	255.6	351.7
Current payable to NZTA – to be funded from future NLTF revenue ^a	13.0	13.0	23.0
Non-current payable to NZTA – to be funded from future NLTF revenue ^a	1,826.4	1,744.4	1,524.3
Total liabilities	1,885.5	2,013.0	1,899.0
Net assets	(1,206.1)	(1,254.8)	(1,112.0)
General funds	(1,206.1)	(1,254.8)	(1,112.0)
General funds closing balance ^b	(1,206.1)	(1,254.8)	(1,112.0)

- a. Current payables are recorded at their face value. Current payables are non-interest bearing and are normally settled on 30-day terms. The carrying value of current payables approximates their fair value. Non-current payables are a mixture of interest and non-interest bearing advances which will be settled between 1 to 32 years. Non-interest bearing non-current payables are discounted to present value as at 31 December 2018.
- b. This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003.

Statement of changes in general funds balance For the half year ended 31 December 2018

	Actual	Budget	Actual
	HY 2018/19	HY 2018/19	HY 2017/18
	\$M	\$M	\$M
Note			
General funds opening balance			
General funds	(1,112.0)	(1,112.9)	(528.0)
Total general funds opening balance	(1,112.0)	(1,112.9)	(528.0)
Changes in general funds balance			
Surplus/(deficit)	(94.1)	(141.9)	(61.6)
Total changes in general funds balance	(94.1)	(141.9)	(61.6)
General funds closing balance			
General funds	(1,206.1)	(1,254.8)	(589.6)
Total General funds closing balance ^a	(1,206.1)	(1,254.8)	(589.6)

Statement of cash flows For the year ended 30 June 2018

	Actual	Budget	Actual
	HY	HY	HY
	2018/19	2018/19	2017/18
	\$M	\$M	\$M
Cash flows from operating activities			
Receipts from land transport revenue	1,973.7	2,011.2	1,843.7
Payments to suppliers	(2,052.5)	(2,004.8)	(1,822.0)
Net cash from operating activities	(78.8)	6.4	21.7
Net increase/(decrease) in amounts held by the Crown	(78.8)	6.4	21.7
Amounts held by the Crown at the beginning of the year	515.5	515.5	575.0
Amounts held by the Crown at the end of the year^b	436.7	521.9	596.7

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

b. The National Land Transport Fund is a notional account only. There are no actual cash and cash equivalents as funds are held by the Crown. However, this statement has been provided to meet the requirements of section 11 of the Land Transport Management Act 2003.

Reconciliation of net surplus/(deficit) to net cash from operating activities

	Actual	Budget	Actual
	HY	HY	HY
	2018/19	2018/19	2017/18
	\$M	\$M	\$M
Net surplus/(deficit) after tax	(94.1)	(141.9)	(61.6)
Add/(less) movements in working capital items:			
(Increase)/decrease in receivables	29.4	35.1	(2.6)
Increase/(decrease) in payables	(14.1)	113.2	85.9
Net movements in working capital items	15.3	148.3	83.3
Net cash from operating activities	(78.8)	6.4	21.7

1 General funds		
	Actual HY 2018/19 \$M	Actual FY 2017/18 \$M
General funds - current	633.3	435.4
Total General funds – current	633.3	435.4
National Land Transport Programme expenditure to be funded long-term		
Auckland transport package	(370.0)	(357.7)
Public private partnerships	(1,295.6)	(1,001.0)
Reinstatement of earthquake damaged roads in Christchurch	(12.9)	(23.7)
Tauranga Eastern Link	(107.0)	(107.0)
Fair value changes in financial instruments	(53.9)	(58.0)
Total General funds – non-current	(1,839.4)	(1,547.4)
Total general funds closing balance	(1,206.1)	(1,112.0)

The fund has a negative general funds balance due to the programmes which were accelerated, and current funding was sourced from the Crown. The funding received has been recognised as long-term payables which are not due until 1 to 32 years from balance date.

Although the Fund has a negative general funds balance, the Directors consider the going concern assumption valid due to the following:

- The Fund's liquidity is actively managed.
- The Fund's has a positive cash balance of \$436.7 million as at 31 December 2018 (30 June 2018: \$515.5 million).
- The Fund's long-term forecasts showed its ability to repay these obligations when they fall due.
- The main revenue source of the Fund is the land transport revenue which is forecast with inputs from other government departments and has been accurately forecast in recent years.
- The Fund has the option to slow down expenditure on the National Land Transport Programme or utilise the short-term borrowing facility of \$250 million if required to meet obligations as they fall due in the short term.
- A debt management framework is in place to determine a sustainable and efficient level of future liabilities. The framework is based on the expected level of National Land Transport Fund inflows and forward commitments and comprises measures and target operating ranges to guide decision making.

ORGANISATIONAL HEALTH

Our people metrics

We are now focused on continuing to evolve, simplify and embed our operating model to respond to our operating context and help us deliver better services, faster, for our customers. We are taking into account the new strategic priorities that are emerging, such as light rail and regulatory, while maintaining the integrity of our operating model, and enabling our organisation to better adapt and change quickly.

In quarter two, we have been focused on supporting the Transport Agency with key priorities and strategic deliverables, by filling several new positions in the Light Rail and Regulatory business units.

Working in partnership across the business, we have reduced the annual leave balances for those with a high leave balance of 30+ days of entitled annual leave.

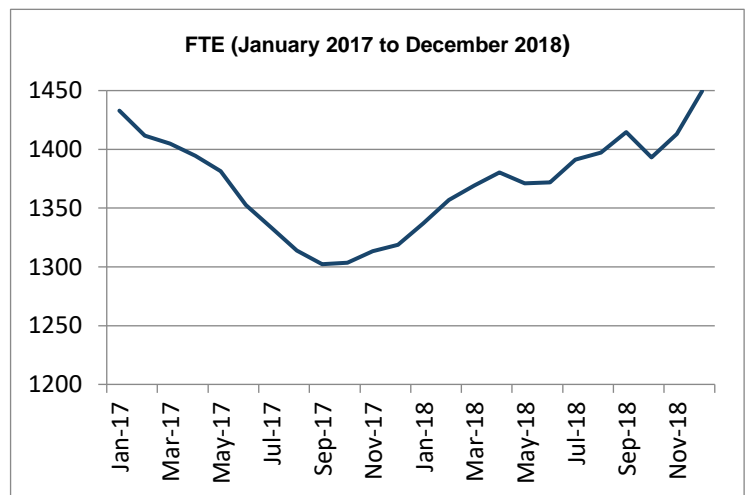
In our next phase, we are focused on our cultural growth and continuing to support our people and capability, particularly by developing our leaders to operationalise our culture and ways of working into their teams. Leadership development offerings commenced in the last year including Leaders' induction, our Core Capability Portal and programmes, and the Great Leaders Programme.

Full-time equivalent (FTE) employees

As at 31 December 2018 there are 1449.58 full-time equivalent employees (FTEs). Since the last quarter the number of FTEs has grown by 2.48%. This is due to new positions created to support the delivery of the Transport Agency's strategy and new priorities, such as light rail and new regulatory positions. The flow-on impact of the capability and capacity review, undertaken in early 2018, has also resulted in small FTE increases within existing teams.

A small dip in FTEs in October 2018 was due to a series of fixed-term contracts ending in September/October 2018. The subsequent increase in November/December 2018 reflects managers confirming additional resourcing because of an increase in general workload and the Regulatory review culminating in 35 new positions at the end of 2018.

The decrease in FTEs from January 2017 – September 2017 was the intentional result of carefully managed recruitment leading up to and moving into the new structure in July 2017.

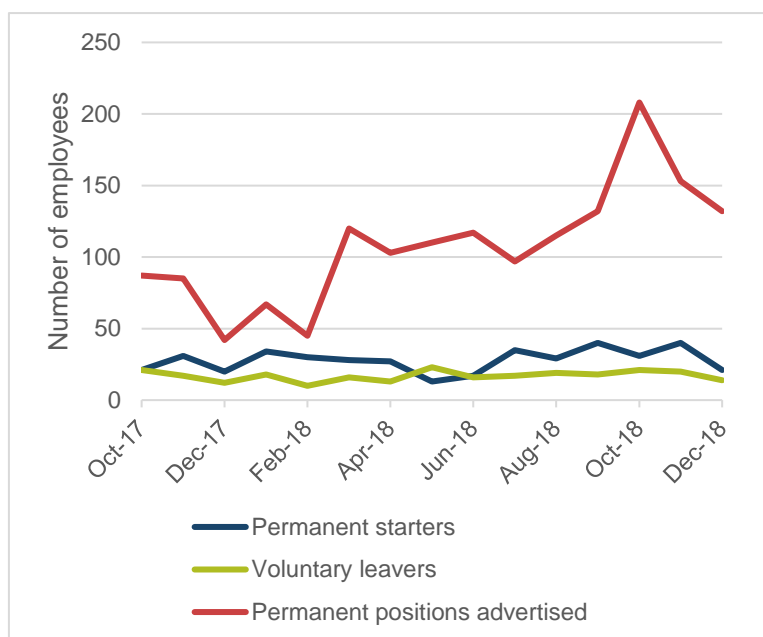


Permanent new starters and departures

As at 31 December there were 132 permanent, full-time roles in the active recruitment phase with 33 of these roles in the regulatory business unit.

In December, 12 regulatory roles were filled, with new starters to join in late January and early February 2019. Other campaigns included Road Safety Engineers and Senior/Principal Rail Safety Officers.

Voluntary turnover which includes permanent employees only, sits at 14.7% this quarter which is consistent with 14.6% in the last quarter.

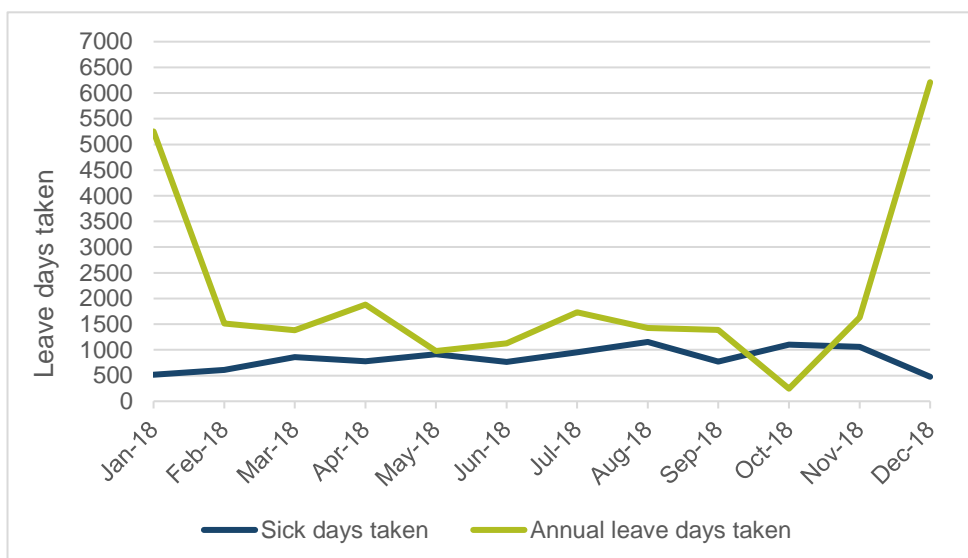


Planned and unplanned leave taken

Our average annual leave balance at 31 December 2018 was 8.23 days (entitled leave and accrued leave, less any leave which has been booked for future use). This is a substantial decrease from the last quarter average of 16.1 days.

Annual leave usage in quarter two follows the established trend of high use over the holiday season and throughout the mandatory shut-down period, steadily increasing through November and with a sharp increase in December. This is expected to ease by February 2019 in accordance with established patterns.

Leave plans were put in place for those staff members with a high annual leave balance, which has seen the average balance reduce below our target average of 12.5 days.



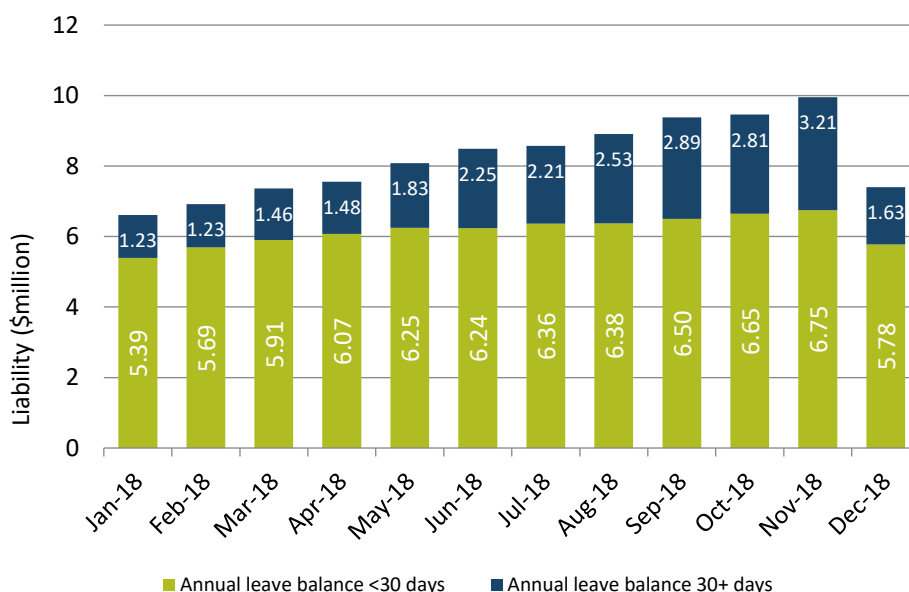
Average sick leave taken over the year is 7.13 days, a slight decrease from the quarter one average of 7.40 days and continuing the downward trend established for the summer and holiday period of the previous year.

A small increase in sick leave taken in October is due to late-in-season illness throughout New Zealand. Sick leave usage overall is not of concern.

Annual leave liability

Our average annual leave liability as at 31 December 2018 was \$7.40 million (approximately \$4,779 per person), which is \$1.98 million less than last quarter. It is also 5.6% less than the liability of \$7.84 million recorded at the same time last year. The significant drop in liability is due to the annual leave bookings which were realised over the holiday period. The drop is also significant due to the increase in staff numbers during the quarter, and the impact of recent remuneration increases at the end of quarter one.

There were 105 employees with an excessive annual leave balance of 30+ days entitled leave, a 42.3 percent decrease since the last quarter. When annual leave that has been booked but not yet used is taken into consideration, the number of employees with an excessive annual leave balance reduces significantly to 35 employees (2.3% of staff). Of those 35 employees, 17 have an entitled annual leave balance of over 20+ days (also factoring in future booked leave).



Business Partners have been working closely with business groups to establish leave plans for those with high annual leave balances, and a drastic reduction in leave can be seen particularly between November and December 2018. To continually manage leave balances over time, the Employee Experience team are now actively monitoring annual leave balances, and any employee leave balance over 20 days will trigger a conversation with the manager and employee to discuss and establish leave plans.