

NZ TRANSPORT AGENCY

Q3 PERFORMANCE

1 January – 31 March 2018



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OVERVIEW

HIGHLIGHTS FROM THE THIRD QUARTER

- National moderation of funding proposals for continuous programmes
- Ad campaign tackles speeding drivers
- First 'Hackathon' held in Auckland

OUR FOCUS AREAS THIS QUARTER

SHAPE THE LAND TRANSPORT SYSTEM

National moderation of funding proposals for continuous programmes — A significant step in the development of the 2018-21 National Land Transport Programme (2018-21 NLTP) has been taking place at the Transport Agency this quarter as assessors from around the country came together to moderate funding proposals for continuous programmes. Moderation brings assessors together to make sure there is a consistent approach to assessment and prioritisation of land transport programmes across the country. For more details see the 'In focus' story on page 15

KEEP PEOPLE SAFE

Ad campaign tackles speeding drivers — The campaign, launched on 7 January 2018, attempts to stop speeding drivers from continuing to defend their perceived right to speed and to get the audience to accept the role of speed enforcement - to understand that the role of Police is to protect those who use the road by dealing with anything that might cause harm.

DELIVER CONNECTED JOURNEYS

First 'Hackathon' held in Auckland — Customer focus, collaboration and curiosity were all to the fore in our first ever 'Hackathon' held recently in Auckland. The Hackathon represents a chance to ask questions around how we can deliver things differently, to create new and innovative concepts, and bring together diverse groups of people to get different ideas sparking off each other. Registrations for the event filled up in 48 hours and there was a waitlist of 100 people. Ideas ranged from apps to influence customer behaviour, software and hardware. The winning team proposed creating an app to incentivise safe driving behaviour in teenagers on restricted licences. Read more about this initiative on page 24.

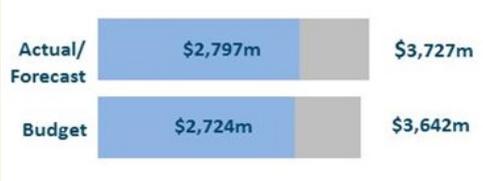
FINANCIAL SUMMARY

Our financial performance is on track. Full financial statements are on page 35.

Year to date ■ Full year ■

NATIONAL LAND TRANSPORT FUND REVENUE

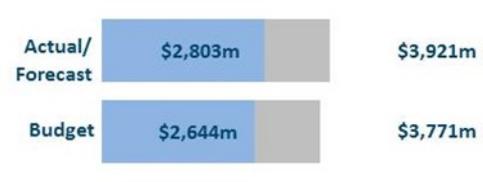
\$73m
above
budget



Revenue, year to date, is 3% above budget due to higher road user charges revenue. Fuel excise duty is on budget. Revenue is forecast at 104% of the 2015-18 published National Land Transport Programme three year target. NLTF surplus is forecast to be approximately \$634 million for the 2015-18 period. This surplus is lower than the \$692 million previously reported as projected revenue has dropped slightly (\$36 million), and forecast expenditure has increased slightly (\$22 million).

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

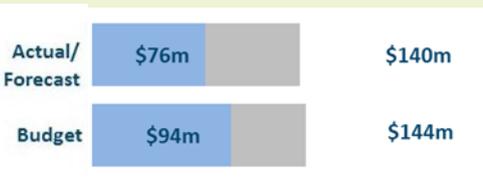
\$160m
above
budget



Expenditure, year to date, is 6% above budget due to accelerated activities on the Kaikōura State Highway 1 reinstatement and Accelerated Auckland Transport Programme, as well as increased expenditure on State highway maintenance and Public Transport. The 2015-18 programme is below budget, with 88% of the three year expenditure programme spent to date compared to budgeted 91%.

NZ TRANSPORT AGENCY NET OPERATIONAL EXPENDITURE

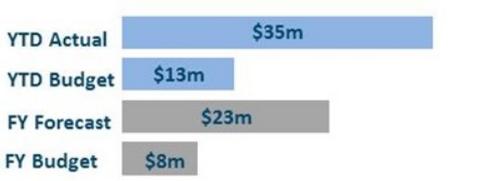
\$18m
below
budget



Total operational expenditure year to date is 6% below budget primarily due to the lower personnel expenditure (\$12 million behind budget) across all output classes. Operational revenue is 3% above budget with the most significant variances being higher motor vehicle registrations, standards development levy and transport licensing.

NZ TRANSPORT AGENCY OPERATIONAL INITIATIVES NZ

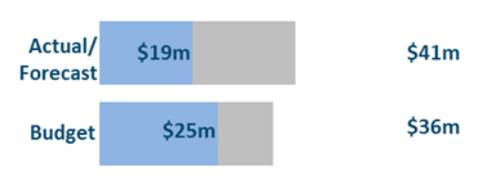
\$22m
above
budget



Operational initiatives expenditure year to date is 21% below budget and is likely to be under budget for the full year. Capex outturn remains over budget for which Board approval is being sought in early quarter 4.

MEMORANDUM ACCOUNTS

\$5.1m
below
budget



Memorandum account closing balances are 176% above budget. Opening balances were \$15 million above budget, and the year to date surplus is \$7 million above budget. This surplus is the result of higher motor vehicle licensing and transport licensing revenues and lower costs in driver testing, motor vehicle licensing and standards development. The full year closing balance is forecast to be \$15 million above budget.

We want all our people to go home safe and well, no exceptions. Zero Harm is about taking a proactive approach to looking after those who work for us and on our behalf – because it’s the right thing to do by our people, their families and friends.

WHAT WE DID THIS QUARTER

Zero Harm leadership at the Transport Agency

The Transport Agency provided input to the design of the Business Leaders’ Zero Harm Forum Annual Survey, which will now include Government sector CEOs. The Transport Agency met with representatives from the Ministry of Business Innovation and Employment (MBIE) to understand the schedule and time frames for development and implementation of specific health and safety regulations. Input was provided to the proposed plant and structures regulations.

The Transport Agency attended Board meetings of Civil Contractors New Zealand and Site Safe which provided an opportunity to understand issues facing the civil construction industry. Potential areas of collaboration were also identified for projects and initiatives, including improvement of safety outcomes for workers in temporary traffic management environments and developing capabilities to enable improved management of occupational health risks.

A program to incorporate Board health and safety interactions into scheduled location visits has been established.

Zero Harm construction industry leadership

The Zero Harm Leadership Forum met on 14 February 2018. The meeting resulted in agreement from our supply chain to support the Transport Agency’s development of standards and expectations relating to the management of fatigue (an identified critical risk) in construction and maintenance environments. These will include specific limitations on hours worked and recovery time between shifts, and will also require

contractors to develop and implement appropriate fatigue management plans.

Temporary traffic management

The Transport Agency ran a week long design innovation sprint from 26 February to 2 March 2018. It sought to develop innovations that would reduce driver speeding and improve safety outcomes for road workers. A number of initiatives were presented at the end of the week and will be progressed through a joint programme of work involving the Safety and Environment and Safety and Wellness teams.

Additionally, the Auckland Motorway Alliance (AMA) has commenced trials of new worksite barriers and controls to prevent lane closure breaches. These, along with innovations being progressed by the Transport Agency, will be monitored for effectiveness and reported back to industry and governance groups over the coming months.

Transport Agency Construction and Maintenance Site visits

Pūhoi – Warkworth Expressway: The visit to Pūhoi – Warkworth Expressway provided an opportunity to discuss how the project effectively assesses and manages the health risks to workers through project work, task planning processes and approaches to sub-contractor health and safety capabilities and performance.

Kaikōura North Canterbury Transport Infrastructure Recovery (NCTIR) Alliance projects: The site visit to NCTIR resulted in support being provided to the project to enable capability building and risk management approaches to facilitate improved management of risks associated with working in live traffic.

SAFETY STATISTICS - OUR PEOPLE

Key Measure	YTD Trend	Current quarter (01/01 – 31/03)	Previous quarter (01/10 – 31/12)	YTD Rolling (Mar 17 – Mar 18)
Fatality	→	0	0	0
Lost time injury	→	0	0	0
First aid injury	↓	0	2	0
Medical treatment injury	↑	1	0	5
Notifiable injury	↓	0	6	16
Risk or near misses	↑	7	2	84

Huntly/Waikato Expressway: The systems and site audit resulted in a number of positive improvements on this project. Training and upskilling of workers and plant operators will continue to improve retention rates, ensuring a reduction in resource risk and concurrently improving skills in the industry. Evidence of beneficial health and wellbeing initiatives for workers was verified across the whole project.

WHAT WE HAVE PLANNED FOR NEXT QUARTER

Health and Safety Strategy and Work Programme 2018-2020

The Senior Leadership Team has developed its health, safety and wellness programme aspiration. This will be progressed through the development of a health, safety and wellbeing strategy and work programme for 2019 and beyond. The work programme will include activities and initiatives to improve management of critical risks and the related reporting, oversight and governance activities.

Health and Safety Management System

The intranet-based system went live with available content in February 2018. A plan for the development and publishing of additional content has been produced, based on the levels of associated risk and organisational relevance. The management system will continue to be populated with information and material as it is developed.

The pilot of a standard contractor performance reporting template was completed during the first quarter of 2018. The reporting template will be implemented across network outcomes contracts from July 2018. Implementation of the template across capital construction projects will be progressed as part of contractor management process being developed as part of a wider NZTA work plan.

Wellbeing Programme – development and launch

The 2018 Wellbeing programme is underway to improve wellbeing and mental health outcomes of

our people. The Wellbeing programme will be focusing on providing information to allow our people to improve their understanding of mental health and to develop capabilities to build resilience.

Wellbeing programme calendar activities this quarter included the February ‘Aotearoa Bike Challenge’ and the ‘March Light it Orange for Shine – Domestic Violence Awareness’ campaigns. Resources for our people and people leaders have been developed and added for agency-wide access to the health and wellbeing resources repository on the Transport Agency’s intranet.

Critical Risk Management

Temporary Traffic Management - A program of work, based on the outputs of the AMA workshop, Transport Agency “design sprint”, Zero Harm Leadership Forum Road Workers Safety Group , and a review of the Code of practice for temporary traffic management will be developed for delivery during 2018-2019.

SAFETY STATISTICS – OUR CONTRACTORS

Key Measure	YTD Trend	Current quarter (01/01 – 31/03)	Previous quarter (01/10 – 31/12)	YTD Rolling (Mar 17 – Mar 18)
Fatality	→	0	0	2
Lost time injury	↑	15	12	53
First aid injury	↓	84	98	374
Medical treatment injury	↑	21	13	73
Notifiable injury	↑	3	2	10
Risk or near misses	↓	1275	1310	7296

WEIGH RIGHT: ADDRESSING THE IMPACTS OF HEAVY VEHICLE OVERLOADING

The NZ Transport Agency's Weigh Right Programme aims to reduce heavy vehicle overloading.

By addressing the impacts of heavy vehicle overloading, the Weigh Right Programme is contributing to increased productivity for compliant operators through fewer weigh station stops. It also supports a level playing field across the commercial heavy vehicle industry. Currently, compliant operators may be unfairly disadvantaged by competitors who are illegally overloading. Heavy vehicle safety will also improve by reducing the risk of rollovers from overloading.

The programme is developing intelligent software and installing road side technology to direct potentially overloaded vehicles into weigh stations throughout New Zealand.

To support weight compliance, the programme is also investigating solutions to build a heavy vehicle permits' system that is easy for customers to use and that can process and manage permit information efficiently.

One of the benefits of the programme is that useful data on heavy vehicle activity will be collected and accessible to the wider Transport Agency.

The Weigh Right Programme will deliver 12 national weight compliance sites on national state highways and cover nearly half of all New Zealand's freight kilometres travelled.

A weight compliance site includes the weigh station itself and Weigh Right technology. Weigh Right technology includes weigh-in-motion, vehicle identification and variable messaging technologies, linking to a centralised heavy vehicle screening information system.

The national sites are Marsden in Northland, three locations in the Auckland region (Albany, Stanley St and Bombay), Port of Tauranga, Paengaroa (Bay of Plenty), Taupō, Napier, Ohakea (Manawatū) and Mackay's Crossing (Wellington). In the South Island



Proposed Weigh Right site locations across New Zealand

there will be a site at Rakaia (South Canterbury) and Glasnevin (North Canterbury).

The programme's first three sites will be existing weigh stations (Stanley St, Glasnevin and Paengaroa). On these existing sites the Transport Agency will upgrade as necessary and install the Weigh Right technology.

A weight compliance site prototype will build and test complex parts of the vehicle screening system and refine the solution design. The prototype phase will provide confidence that the system delivered across all 12 weight compliance sites can do the job required that is identifying potentially overweight heavy vehicles, which can then be directed into a weigh station for further investigation.



Overall, the programme is delivering smarter regulation through targeted enforcement, contributing to a greater return on investment.

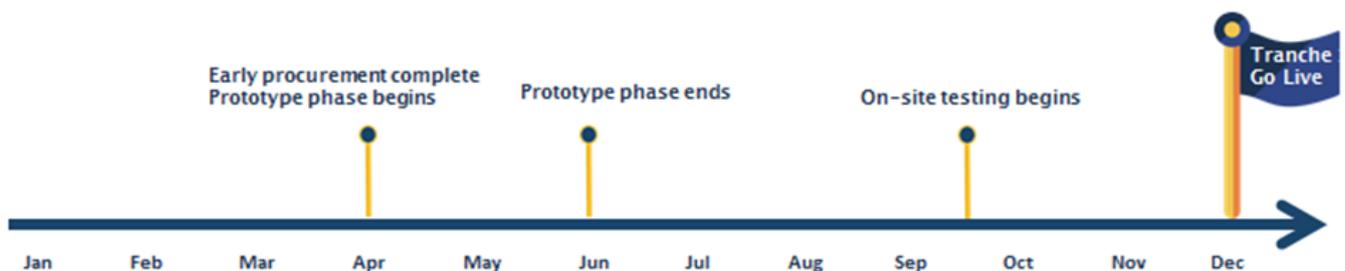
Teams across the Transport Agency, in partnership with NZ Police's Commercial Vehicle Safety Team (CVST), and local and international suppliers are delivering the programme.

CVST's role is to encourage heavy vehicle operators and drivers to operate within safety regulations, and enforce non-compliance. As part of this role, it manages weigh stations on the road network.

The Weigh Right Programme aligns with four of the Transport Agency's focus areas:

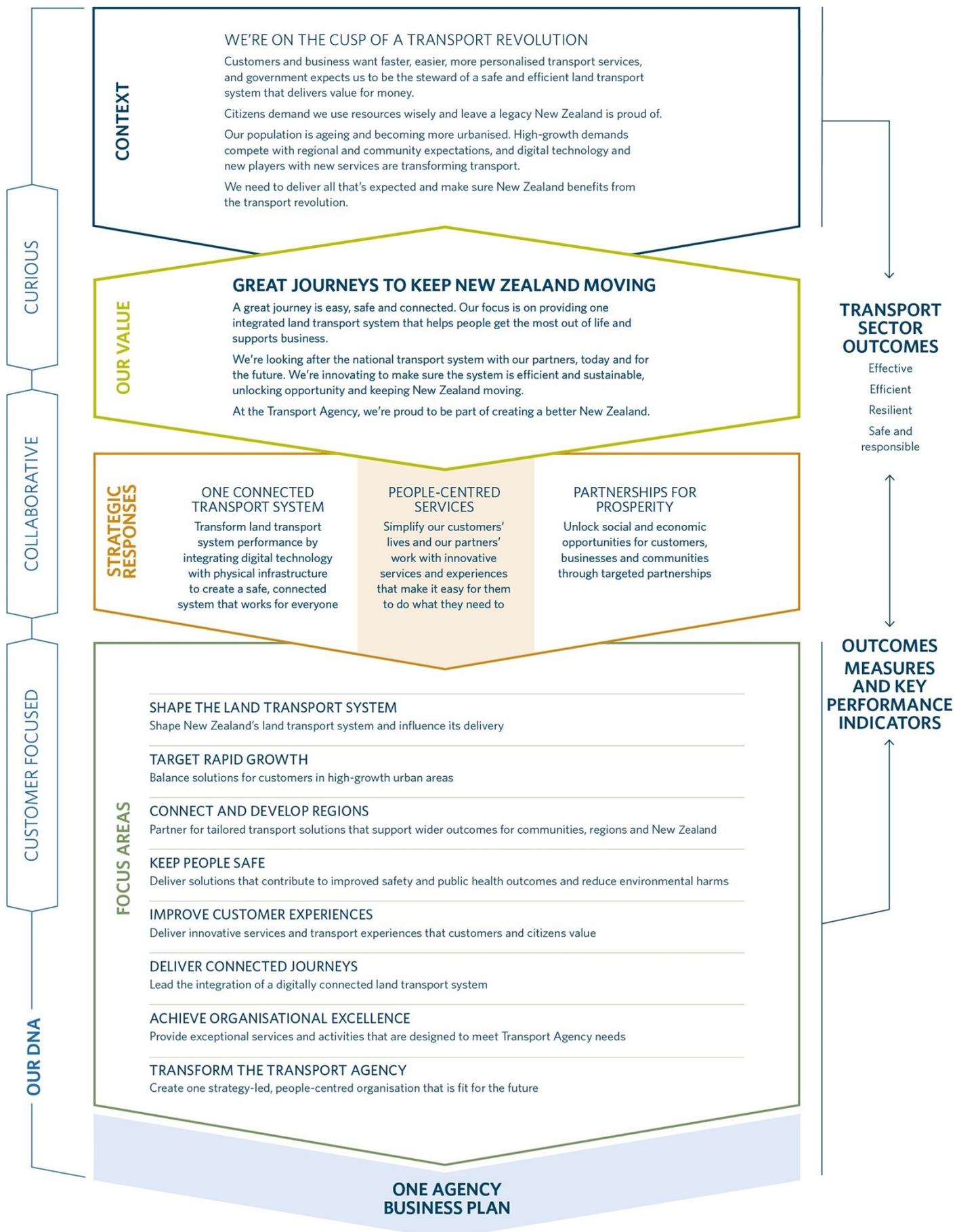
- **Connecting and developing regions:** Implementing a robust weight non-compliance system will level the playing field for compliant operators.
- **Keeping people safe:** A reduced incidence of heavy vehicle overloading might reduce overloading-related crash risk to provide safe and reliable journeys.

- **Improve customer experience:** The programme focus on screening for weight non-compliant heavy vehicles. Compliant operators will experience benefits through uninterrupted journeys.
- **Deliver connected journeys:** Digital solutions enable easier journeys for customers.



Weigh Right project milestones for 2018.

OUR STRATEGY



OUR CONTEXT

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

OUR VALUE

GREAT JOURNEYS TO KEEP NEW ZEALAND MOVING

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

STRATEGIC RESPONSES — THREE BIG CHANGES

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

One connected transport system

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

People-centred services

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

Partnerships for prosperity

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

FOCUS AREAS — MAKING THE THREE CHANGES

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

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

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



DETAILED PROGRESS REPORT

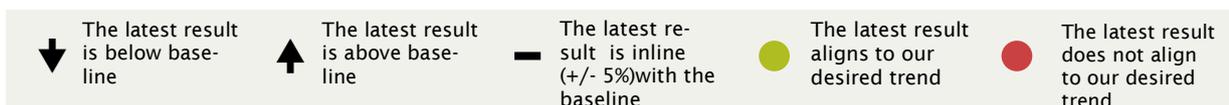
OUR FOCUS AREAS

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

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

HOW WE TRACK OUR PROGRESS AGAINST OUR OUTCOME

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



HOW WE TRACK OUR PROGRESS AGAINST OUR SIGNIFICANT ACTIVITIES

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

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

DELIVERY CONFIDENCE ASSESSMENT SCALE



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



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



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



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



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

SHAPE THE LAND TRANSPORT SYSTEM

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

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

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

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

KPI Result*

Partner experience



Under development
Desired trend – Increase

THIS YEAR'S SIGNIFICANT ACTIVITIES

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

DELIVERY CONFIDENCE



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



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



OUR HIGHLIGHTS THIS QUARTER

This quarter we continued to develop a clear, shared and integrated view of New Zealand's land transport system. We completed the strategic context for the first version of the long term view (LTV). For each regional transport committee we developed tailored messages to help them shape the development of their Regional land transport plans (RLTPs). In Transport Investment Online, the key tool for managing our investment in the transport system, we developed a benefits realisation model and confirmed the fields for collecting information. The work to put the Speed Limits Rule into force was also completed this quarter and the rule will be enacted in due course. A significant step in the development of the 2018-21 National Land Transport Programme (2018-21 NLTP) has been taking place at the Transport Agency this quarter as assessors from around the country came together to moderate funding proposals for continuous programmes.

CHALLENGES WE'RE FACING

We have found over the quarter that capability and capacity within local government are impacting on when co-creation of the LTV can begin. A change in direction from central government is also affecting priorities within the work programme. We are working with the Ministry of Transport to confirm the role

of each organisation and how version two of the LTV fits with the new Government Policy Statement (GPS) and National Land Transport Programme (NLTP).

WHAT WE'RE WORKING ON NEXT QUARTER

Next quarter we will be focussing on completing our significant activities for the year end. A lot of our focus will be on the LTV and NLTP. This includes rolling out the modified first version of the LTV and planning the creation of version two. We will start linking the NLTP 18-21 to the LTV and getting strategic cases for select high priority locations and intervention levers underway. Engagement with internal and external partners will also increase as we look to gain a mandate for the LTV – this includes engaging with staff to ensure they understand the purpose, our role, and how the groups fit in relation to the LTV. Another key milestone we are working towards by the end of quarter four is assessing and prioritising our improvement programmes to reflect changes to the NLTP timeline and processes.

IN FOCUS: STRONG PARTNERSHIPS CRITICAL FOR SUCCESS

Strong partnerships are critical for the success of the Transport Agency to keep New Zealand moving. A lot of work to strengthen those partnerships is done at a personal level. Sharing, listening and learning about community aspirations and working with our co-investment partners to keep communities, families, friends and business connected.

Stakeholder events this quarter have taken place in Northland, Waikato and Bay of Plenty – these are important connections for the Transport Agency to meet our co-investment partners and others and better understand the land transport issues affecting our customers and communities.



Our Board and Chief Executive Fergus Gammie hosted a stakeholder event in Tauranga in April ahead of the board meeting in the city (every second board meeting is held in a regional centre), and CE-hosted events were held in Waikato (March) and Northland (April) stakeholders.

The need to work together to co-create a better land transport system has been highlighted this quarter by changes to the draft Government Policy Statement (GPS) on land transport and the Government's shift in strategic direction for road and rail.

There has been regular Transport Agency interaction with local government and the contracting industry to provide them with a clearer understanding of the draft GPS, and for us to better understand their concerns.

We have partnered with Local Government NZ to provide support and resources to help councils prepare for the changes they need to make in their Regional Land Transport Plans. At the same time, regional roadshows were organised for the contracting industry supported by our procurement teams discussing future options with the industry.

The draft GPS has reinforced the importance and value for the Transport Agency in having open and transparent relationships.

Reviewing the Transport Agency's long term strategic view of land transport provides an important opportunity to collaborate with our public sector colleagues at central and regional levels to ensure transport and services contribute to wider social and economic development.

While our recent transformation provides us with more flexibility to respond to shifts in Government policy, development of our partnerships remains necessary to create value and to help people get the most out of their lives using a land transport system that delivers choice, efficiency and safety.

TARGET RAPID GROWTH

Balance solutions for customers in high-growth urban areas

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

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

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

KPI Results*

Network productivity

Available June 2018

Desired trend — Maintain

Network accessibility



Under development

Network travel time predictability



Desired trend — Maintain

THIS YEAR'S SIGNIFICANT ACTIVITIES

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

DELIVERY CONFIDENCE



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



2.3 Establish the Auckland Technology Transformation Group in conjunction with Auckland Transport and agree a roadmap for delivering digital transport systems in the region.



2.4 Lead the design and development of businesses cases for transport interventions identified by the Auckland Transport Alignment Project.



2.5 Deliver significant capital projects to schedule.



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



OUR HIGHLIGHTS THIS QUARTER

This quarter we were pleased to be able to share the strategy paper with the Auckland Transport Optimisation governance group. This paper will be used to prepare a strategic case, followed by a programme business case that captures optimisation requirements for Auckland over the next 10 years. This is part of our work develop a framework in conjunction with Auckland Transport that uses traffic management and investment prioritisation to improve the productivity and flow of agreed urban routes in Auckland and that could be applied to other urban areas. We also submitted the NLTP and RLTP actions for the state highway improvement proposals – this also feeds into our commitment to developing a traffic management and investment prioritisation framework for Auckland.

CHALLENGES WE'RE FACING

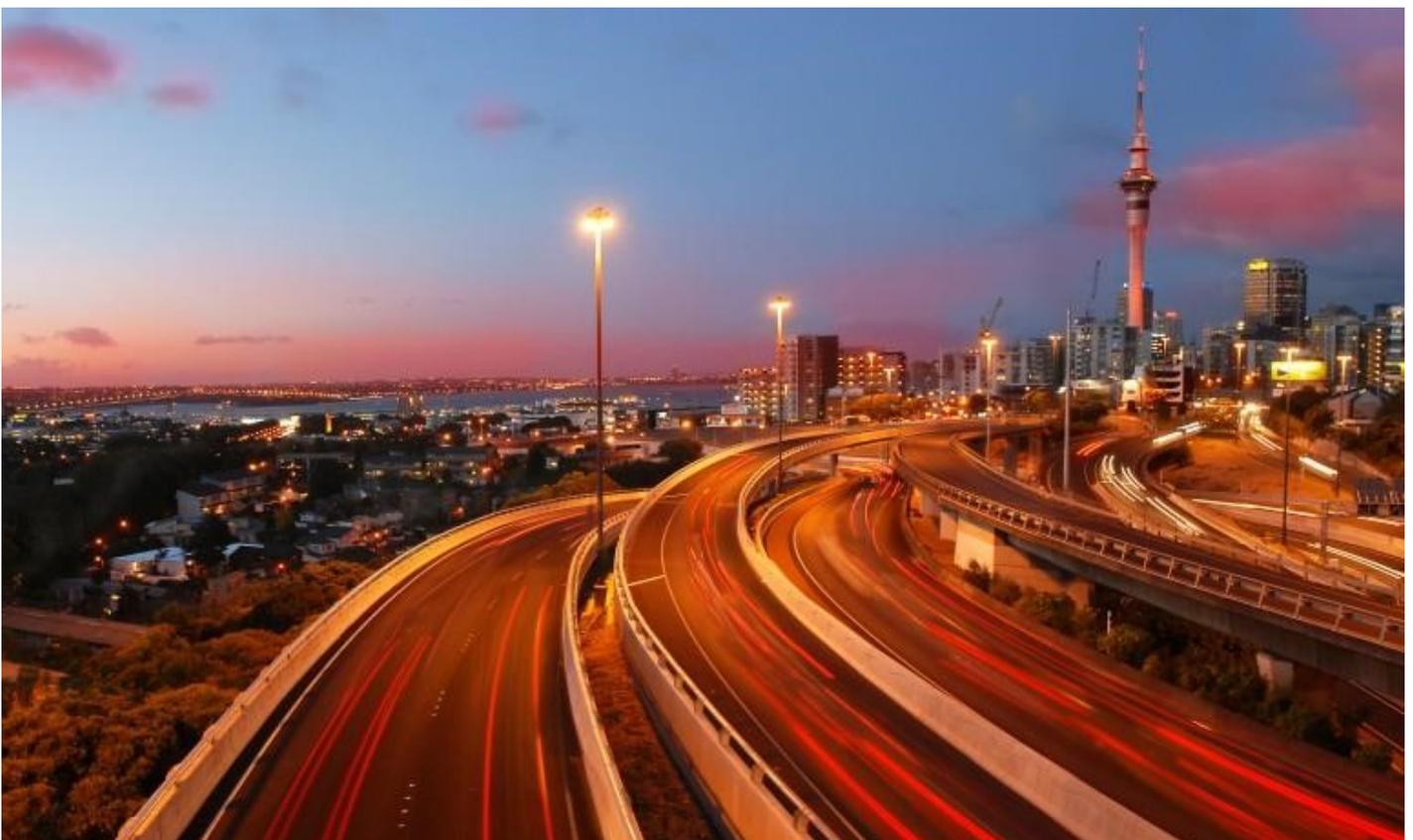
The review of the Auckland Transport Alignment Programme (ATAP) and development of the new GPS have seen some business cases put on hold while we wait on final outcomes. When these are known, we will then re-baseline programmes to reflect the new context. In terms of our capital projects, the changes to the GPS and prolonged wet weather have seen delays for some of our key projects. Engagement with stakeholders on the Urban Cycleways Programme (UCP) is also taking longer than expected and has put pressure on some of our timelines – more information on the UCP is provided on page 34 of this report.

MONITORING OUR PROGRESS

The Transport Agency tracks travel time predictability to understand the customer experience of urban travel in high-growth urban areas as part of this focus area. This means people and businesses should be able to retain their current ability to predict travel times allowing them to get to their destinations on time. The indicator of travel time predictability remains in line with baseline at 72% on the urban network this quarter.

WHAT WE'RE WORKING ON NEXT QUARTER

The final quarter of the year will be busy as we complete our work programme for 2017/18 and prepare for 2018/19. Our Auckland work will include supporting the development of the draft Phase 2 report on road pricing as a demand management tools and identify short list options for pricing and assess the results of pilot projects as well as updating the Optimisation Planning Framework (OPF) with our key partners and stakeholders, and ensuring it aligns it with the NLTP intervention hierarchy and business case approach.



CONNECT AND DEVELOP REGIONS

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

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

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

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

KPI Results*

Network productivity

Available June 2018

Desired trend — Maintain

Network accessibility
Drivers without a licence



Desired trend — Decrease

Network travel time
predictability

93%
(95% in Q2)

Desired trend — Maintain

Network resilience
Duration of closures



Desired trend — Maintain

THIS YEAR'S SIGNIFICANT ACTIVITIES

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

DELIVERY
CONFIDENCE



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



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



3.4 Deliver significant capital projects to schedule.



OUR HIGHLIGHTS THIS QUARTER

In Q3 we remained on track to have SH1 north and south of Kaikōura open 24/7 by the end of the year. We also continued to develop external relationships as more regions and agencies join the Regional Economic Development programme. Delivery of the 2015-18 National Land Transport Programme (2015-18 NLTP) continued with 90 percent of programmes delivered on time and to agreed standards to date.

CHALLENGES WE'RE FACING

The overall programme to support and deliver our part of agreed regional Development Action plans is going well but there is concern over the delivery of three projects in Gisborne by the end of the FY, however we have put in place mitigations in response to these challenges.

The majority of projects that are being delivered as part of our contribution to economic growth and productivity, road safety, travel choices, environmental and personal health, and resilience through the delivery of the final year of the 2015-18 NLTP have been completed or on track to deliver, however about 10 percent are signalling either delays or overspend, which is in line with our target of 90 percent of programmes being delivered on time and to agreed standards.

There are delays to some significant capital projects as a result of the requirement for consents to carry out remedial work, and sites being isolated and difficult. Details of these are in Our Capital projects on page 32.

MONITORING OUR PROGRESS

Travel time predictability for the national rural network was at 93% this quarter. This measure is influenced by seasonal fluctuations and should be compared to the same period in the previous year. However, as this is a new measure, information is not available to assess performance in the previous year. As we capture more data we will be able to understand the performance trend of this measure.

The median number of hours taken to address road closures increased this quarter by 48% from the baseline. This reflects significant adverse natural events that have occurred during the period including the Kaikōura earthquake, the Manawatu Gorge slip and the Murupara slip and washout. In February, ex-tropical cyclone Gita hit the country resulting in rock falls and surface flooding on State Highway 1 between Peketa and Goose Bay (south of Kaikōura) and also flooding in Edgecombe in the Bay of Plenty. These events required several days' work before roads could be re-opened.

WHAT WE'RE WORKING ON NEXT QUARTER

In Q4 our focus will be on completing SH1 Kaikōura reinstatement, delivering all of the Transport Agency's components of the Regional Economic Development programme, completing the 2015-18 NLTP programmes listed on time and to standard, and delivering our state highway capital project programme.

IN FOCUS: NCTIR TAKES TOP HONOURS FOR RAIL EARTHQUAKE RESPONSE

The North Canterbury Transport Infrastructure Response (NCTIR) team, a partnership between the Transport Agency and KiwiRail, have been recognised for their work on the Main North Line (MNL).

The MNL Earthquake recovery project was announced as the winner of the Railway Technical Society of Australasia (RTSA) Biennial project award.

Walter Rushbrook and Daniel Headifen, from KiwiRail, were in Sydney at the society's conference to collect the award on behalf of NCTIR. This award recognises the work of everyone involved in NCTIR and stakeholders such as local and central government, and the local community.



The judges noted the attention to safety and risk identification and management and an inspiring example of responding energetically and successfully to severe challenges, and “is a worthy recipient of this award.”

“The win is well-deserved recognition and endorses the professionalism and dedication of all those involved in the wider project. We would like to once again take the opportunity to thank all those involved in the project for contributing to the restoration of the Main North Line,” says Todd Moyle, Chief Operating Officer at KiwiRail

Freight rail services resumed 10 months after the earthquake on the Main North Line. Two freight trains now travel the Main North Line each night so that the rebuild of the road and rail can continue throughout the day.

Reopening the Main North Line months earlier than expected was a huge success that benefited communities cut off by the earthquake, increased efficiency in the South Island supply chain, and significantly benefited companies that generate freight, contributing to economic growth. The milestone also meant that rail services, even in a limited capacity, took thousands of trucks off the alternate Picton to Christchurch route through Lewis Pass.

KEEP PEOPLE SAFE

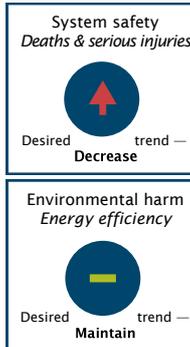
Deliver solutions that contribute to improved safety and public health outcomes and reduce environmental harms

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

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

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

KPI Results*



THIS YEAR’S SIGNIFICANT ACTIVITIES

	DELIVERY CONFIDENCE
4.1 Develop an integrated intervention logic model to optimise safe system investment for the 2018–21 National Land Transport Programme.	
4.2 Develop, with transport sector partners, an automated compliance strategy and implementation plan as part of the Safer Journeys Action Plan 2016–2020.	
4.3 Complete a joint review with the New Zealand Police and Ministry of Transport of the Road Policing Programme content and mechanics to ensure it is future fit and provides value for money to inform the 2018–21 National Land Transport Programme.	
4.4 Deliver a package of advertising, education and other safety information and promotions that target high-risk audiences with behavioural change messages, new knowledge and information.	
4.5 Develop guidelines for the infrastructure requirements to enable the early adoption of new vehicle technology.	
4.6 Develop and publish, with the transport sector, a comprehensive view of a national charging network for electric vehicles.	
4.7 Refresh our rail regulatory frameworks, success measures and capability to focus on specific high-risk areas and activities.	

OUR HIGHLIGHTS THIS QUARTER

In December, Associate Transport Minister Julie Anne Genter announced the \$22.5 million Boost Safety Programme. Physical works are being delivered from February through to June 2018 delivering a range of high-benefit, low-cost safety improvements on selected roads in Northland, Taranaki, Manawatu-Wanganui, Otago and Southland. These roads carry lower volumes of traffic but collectively account for approximately 60 deaths and serious injuries each year. Improvements will involve a range of proven measures including rumble strips, improved signs and road marking, and in some cases, installing safety barriers.

In March, consultation began on proposals to install Rural Intersection Activated Warning Signs (RIAWS) at 10 state highway intersections around the country. This is the next step for the Safety Boost Programme. RIAWS are electronic signs that can detect when someone is turning into or out of a side road and temporarily reduce the speed limit on the state highway (usually from 100 km/h to 60km/h or 70km/h). The intersections that are planned for RIAWS have high crash rates, and by having lower speeds approaching the intersection safety will be improved for everyone using them.

A concept to improve the driving skills of 15 to 19 year olds won the Transport Agency's first ever Hackathon. The team called License Me proposed creating an app to incentivise safe driving behaviour in teenagers on restricted licences. Licence Me estimated their concept could save 55 young lives a year by increasing the time drivers spent behind the wheel with feedback from experienced drivers so they learnt good habits early. The team proposed developing an app to track driver progress that focussed on controlling speed, braking, accelerating and cornering. The incentive for young drivers would be to learn good driving skills and reduce their time on a restricted licence from 18 to 12 months. The Transport Agency is currently investigating how this concept can be taken forward.

This quarter we continued our road safety advertising programme by launching campaigns highlighting the importance of speed enforcement and not drinking and driving. We also promoted the community learn to drive toolkit, the new substance impairment teaching resources for schools and the 'Drive' video content went live on the Drive.govt.nz website.

We also worked with our government and industry partners on operational road safety initiatives such as :

- an education day, including health checks, to raise awareness and understanding of safety issues like fatigue and speed for truck drivers in the central north island
- a two-day operation to inspect tourist coaches and rental vehicles in Te Anau/Milford, which indicated a high standard of vehicle and logbook compliance
- Operation Dockside, with four random inspections in Auckland to test the integrity of the process for inspecting used light vehicles that are imported into New Zealand. The operation identified a number of issues and further random checks are planned.

CHALLENGES WE'RE FACING

The level of serious road trauma on New Zealand roads is increasing at a rate far higher than population growth or vehicle kilometres travelled. While population growth increased by 8% and vehicle kilometres increased by 10% from 2013 - 2017, road deaths and serious injuries rose by 40%. The Transport Agency is very concerned about this and is currently working with local government and NZ Police to accelerate targeted interventions to reduce this trend. These interventions include infrastructure improvements, such as more rumble strips and barriers, and more active speed management that will improve safety for all users. The challenges we face in accelerating these interventions relate to public and community acceptance, local government commitments to co-funding interventions on local roads, and satisfying current investment criteria.

WHAT WE'RE WORKING ON NEXT QUARTER

In the next quarter a new Transport Agency Road Safety Programme will be developed to reflect the draft GPS. This will focus on improving road safety for all users and targeting investment to highest risk areas.

Work will continue to accelerate the application of the new speed management approach. This includes implementing a national speed management programme that focuses on the highest benefit state highway corridors, and includes reducing speed limits - if engineering improvements proposed are some time off - to ensure we achieve safer outcomes as quickly as possible. We will continue to support the three highest benefit regions (Auckland, Waikato and Canterbury) in developing and implementing regional speed management programmes as well as any other Road Controlling Authorities that want to progress speed management opportunities in line with the priorities identified by the speed management maps.

The Boost Programme will continue throughout the next quarter with the installation of Rural Intersection Activated Warning Signs and further rumble strips, improved signs and road marking and safety barriers.

Our road safety advertising programme is developing a new restraints campaign to target the small, difficult to reach group who repeatedly fail to wear their seatbelt. This requires new, innovative approaches.

Road policing will be a focus in the next quarter including the Board's consideration of the recommended programme of road policing activities for the 2018-21 NLTP. The Road Policing Partnership comprising of the Transport Agency, the Ministry of Transport and NZ Police will start to develop the mid-level design of the operating model, investment approach and delivery model for road policing activities.

The Transport Agency is strongly supporting the development of a new national road safety strategy. Next quarter we will be working closely with the Ministry of Transport to help develop the evidence base and will be undertaking an analysis of successful road safety strategies in other countries.

As part of our role in rail safety we will be developing a rail regulatory framework and success measures and revising the Rail Safety Case framework.

In our work on emerging technology, we will be developing a proposal (including investment business case) for a suite of guidance and standards on the early adoption of new vehicle technology. We will also be part-funding DC public charging stations for electric vehicles where there are gaps to achieve the target 80 percent coverage across State Highway 1 by the end of 2018.

IN FOCUS: KEEPING KIDS SAFE ON THEIR WAY TO SCHOOL

A recent safety and compliance operation is ensuring that the Transport Agency has an evidence based view of safety levels of NZ's rural school buses.

This work gives the Transport Agency a view of the current state in an area that is not traditionally exposed to regular compliance checks. It will give us information about the levels of risk associated with rural school buses and therefore help us to ensure that we are exercising appropriate oversight so that the potential for accidents involving school transport is minimised.

The operation, led by the Transport Agency, was carried out across the country in February and March and involved members of the Regulatory Compliance Road Corridor team, Service provider team, and Police Commercial Vehicle Safety Team. The Transport Agency used its vehicle specialists and commercial transport officers, by carrying out inspections of buses on site. They noted (and where necessary addressed) any issues with the buses themselves, and/or the management systems that are in place to manage fatigue, maintenance and speed (for example).

Once data from the operation is collated we will be able to generate a summary of the findings, which will inform our future work and stakeholder management programmes.



IMPROVE CUSTOMER EXPERIENCES

Deliver innovative services and experiences that customers and citizens value

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

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

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

KPI Result*

Customer and citizen experience



Under development — Available June 2018
Desired trend — Increase

THIS YEAR'S SIGNIFICANT ACTIVITIES

5.1 Contribute to all-of-government initiatives including:

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

DELIVERY CONFIDENCE



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



OUR HIGHLIGHTS THIS QUARTER

This quarter we launched the second release of an online service that allows customers with a verified RealMe account to apply for driver licensing online. We also made progress on enabling our customers to book practical tests online and continued the cross-agency programme on Image Access, which is investigating solutions and options to better manage identity information in the Justice sector.

CHALLENGES WE'RE FACING

In this quarter it became apparent that the New Zealand Business Number (NZBN) register could not deliver real time updating of company information, which is key to enabling our customers to use this number to access our services. The Ministry of Business Innovation and Employment (MBIE) is in the process of building a new product which will resolve this issue, and the Transport Agency will engage in the co-design of that product. Now a path forward has been established, programme milestones will be repositioned for phased implementation (although the original timeframe for delivery is still on track).

WHAT WE'RE WORKING ON NEXT QUARTER

In the next quarter we will seek approval for the programme business case and receive external legal advice on implementing the NZBN. We will also complete the minimum viable product build for the enhanced drive.govt.nz website and undertake a testing pilot as well as in-car tests and evaluation which will inform our planning for 'Phase 2', which will also begin in Q4. Our customers will be able to also apply for transport service licence (TSL) online from the next quarter.

DELIVER CONNECTED JOURNEYS

Lead the integration of a digitally connected land transport system

Outcome: Digital solutions enable easier journeys for customers.

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

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

KPI Result*

Customer and citizen experience



Under development

THIS YEAR'S SIGNIFICANT ACTIVITIES

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

DELIVERY CONFIDENCE



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



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



OUR HIGHLIGHTS THIS QUARTER

This quarter we continued to monitor and review analytics from the RideMate app at Auckland Airport, and engagement with the Choice app in Queenstown.

We progressed the benefits realisation framework for the future National Incident and Event Management System (NIEMS). NIEMS will provide capability for logging and managing disruptions to the various transport network modes we are responsible for in New Zealand. This national system will replace the relevant functions currently provided by various regional legacy applications.

WHAT WE'RE WORKING ON NEXT QUARTER

Next quarter will see the completion of our significant activities. This includes presenting a proposal to the Transport Agency Board on the future of Mobility as a Service (MaaS), based on the reviews of the Auckland and Queenstown pilots, and creating a detailed business case for national rollout of MaaS. We will implement the NIEMS capability and tools and launch the system in Wellington and Christchurch. Also in Christchurch, we will complete the Red Zone connected and autonomous vehicles test site feasibility report and work with the Ministry of Transport to plan and facilitate trials for emerging vehicle technologies.

IN FOCUS: CONCEPT TO IMPROVE SKILLS OF RESTRICTED LICENCE DRIVERS CLAIMS HACKATHON

The three strands of our DNA – customer focus, collaborate and curious – were all to the fore in our first ever ‘Hackathon’ held recently in Auckland. A concept to improve the driving skills of 15 to 19 year-olds won the Hackathon.

The theme of the hackathon was “Save one more life” and the winning team proposed creating an app to incentivise safe driving behaviour in teenagers on restricted licences. The team - called “Licence Me” - worked through the weekend, competing with 11 other groups to develop and pitch ideas to make New Zealand roads safer.

The panel of judges were looking for the concept that would make the biggest difference; was easy to do; and was technically feasible.



Licence Me tackled the problem of young drivers on restricted licences. In their pitch to judges, Licence Me said restricted drivers represent 4.6% of the driving population but were involved in 14% of fatal and serious injury crashes.

Licence Me estimated their concept could save 55 young lives a year by increasing the time they spent behind the wheel with feedback from experienced drivers so they learnt good habits early.

The team proposed developing an app to track driver progress that focussed on controlling speed, braking, accelerating and cornering. The incentive for young drivers would be to learn good driving skills and reduce their time on a restricted licence from 18 to 12 months.

The Transport Agency will work with the Licence Me team to develop their concept into a marketable proposition. Another Hackathon is planned for September.

ACHIEVE ORGANISATIONAL EXCELLENCE

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

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

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

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

KPI Results*

Organisational efficiency
Performance improvement
framework

Available June 2018
Desired trend — Increase

Value for money

Available June 2018

Desired trend — Maintain

THIS YEAR'S SIGNIFICANT ACTIVITIES

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

DELIVERY
CONFIDENCE



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



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



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



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



OUR HIGHLIGHTS THIS QUARTER

In this quarter we undertook a review of our short-term organisational capability and capacity. We continued to work on workforce strategy so that it aligns with the GPS and recommendations from our recently published Performance Improvement Framework review. Our workforce strategy and associated programmes/strategies are on track to be completed by the end of the financial year. We have also completed customer, analytics, transport, and corporate technology roadmaps.

CHALLENGES WE'RE FACING

However, the value for money programme of work is slightly behind schedule due to other priorities, including the update to our maturity profile and 2018/19 KPI maturity target; and the development of

four more of our larger output classes. The Going the Extra Mile (GEM) awards, have also not been developed for 2018.

WHAT WE'RE WORKING ON NEXT QUARTER

In the next quarter we will focus on meeting our significant activities for the year. We will develop capability programmes (e.g. graduate programme, diversity programme) as per the action plan that is aligned to our workforce strategy. We will complete a first review of each key stakeholder management plan and have new plans developed and in operation.

Technology and innovation work will be completed by way of agreeing the prioritisation of technology roadmaps, completing three design sprints, establishing the space, tools and partnership arrangements for an Innovation Zone and run innovation design challenges to address specific transport challenges.

The value for money work will involve documenting and agreeing all Output Classes in the VfM Framework, developing a performance story and VfM improvement plans, as well as providing an update on our Value for Money maturity profile.

IN FOCUS: NEW RECOGNITION CARDS MAKING IT EASY TO SAY THANKS

Saying thanks goes a long way. It's such a simple way to let someone know what you appreciate about working with them. The Transport Agency does this by producing recognition cards to make it easy to recognise and celebrate its people.

Some new options were released in quarter three, covering:

- a simple thanks
- letting someone know where you've seen them live our DNA
- for fronting up and acknowledging when something could have been done differently
- for resolving tricky problems together, and sharing our ideas and different perspectives.

Staff can post cards on the internal social media channel, Workplace, or via e-cards, with limited physical versions also available on request.



TRANSFORM THE TRANSPORT AGENCY

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

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

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

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

KPI Results

Organisational effectiveness
Performance improvement framework

Available June 2018
Desired trend — Increase

Organisational culture



THIS YEAR'S SIGNIFICANT ACTIVITIES

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

DELIVERY CONFIDENCE



8.2 Identify and implement a programme of improvements to our centralised business planning framework. (The new framework, which uses our strategy to direct business planning, resource allocation and performance measurement for the entire Transport Agency, was established in 2016/17)



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



OUR HIGHLIGHTS THIS QUARTER

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

This quarter we provided to our Executive Leadership team the organisational development plan and a transition report resulting in a plan for on-going activity being established, while the supporting tools continued to be updated. We reviewed the state of maturity for transformation outcomes (metrics), implemented our improvements programme, completed strategy refresh and short term priority development, and continued to embed 'teaming' across the Transport Agency.

CHALLENGES WE'RE FACING

While the elements of the transition plan have been developed and delivered as planned, the feedback from the March 2018 pulse survey has told us that more effort is required in terms of helping our people adjust to the organisational changes. A work programme was developed at the Senior Leaders Forum (Tier 2 and Tier 3 leaders) with four areas of focus.

The Organisational Development Plan (which encompasses DNA) was developed and shared with ELT. Teaming tools are continuing to be embedded across the Agency, and were used as part of the Transition Support Team methodology. While work is progressing in this area, timeline health has been flagged as orange as we have not made as much progress as we would liked. Additional resources have recently been brought into the OD team to address this.

MONITORING OUR PROGRESS

We undertook a staff survey in March 2018 which sought feedback on how our people feel about working at the Transport Agency. Over 1,100 people (80%) responded and there were over 2,500 responses to the free text questions. This resulted in a 10% decrease from the 66% baseline against this quarter. This was expected following the transition to our new operating model on 3 July 2017. Work is needed to provide clarity to roles and how we work together.

Results from the State Services Commission Performance Improvement Framework review 2 show a slight decrease in the Transport Agency's effectiveness in delivering our core activities from the 2.7 baseline in March 2017 to 2.6. The assessment was based on a four-point rating scale with 2.6 landing on the "needs improvement" rating. This means work remains to be done to improve how well we use our resources to maximise the benefits we deliver to New Zealanders. We have already identified responses to meet the challenges on the areas that need improvement.

WHAT WE'RE WORKING ON NEXT QUARTER

Next quarter we will continue to embed our transformation. Key activities for the quarter include (but are not limited to) completing the transition plan and updating the tools in the transition pack to meet our transformation milestones, approving the final 2018/19 and 3-year outlook for the business plan, and developing a roadmap for our output class measures and strategic metrics to set us up for the new performance year.

IN FOCUS: TEAMING IN ACTION DELIVERS RESULTS

Teaming is a big part of our transformation story but how can it work in practice? A project to streamline the decision-making process around business cases and funding decisions is an early example.

Up until recently there were multiple processes involved in progressing business case and funding decisions. Over time this has resulted in a backlog in decision-making, increased churn, and frustration both internally and externally.

The goal of the project was to use teaming to help standardise information requirements by working through the end-to-end process, ensuring faster sign-off, and providing better support to those writing business cases.

The new process has helped the business make a solid start to clearing the backlog. Over 280 business case and funding decisions were cleared by the beginning of March, with the balance cleared by the end of the quarter.

Progress can be attributed to the consistent efforts of various team members involved in streamlining processes and finding ways to deliver more effectively to our stakeholders.



OUR OUTPUT CLASSES

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

This quarter, 27 measures met expectations, while six missed their expectations. Below is information on the measures that missed their targets for this quarter.

OUTPUT CLASS	MEASURE	2017/18 TARGET	YTD ACTUAL				DETAIL
			Q1	Q2	Q3	Q4	
LICENSING AND REGULATORY COMPLIANCE	% of transactions completed online	50%	42%	45%	46%	Note 1	
	% of operational assurance activities completed	100%	79%	86%	88%	Note 2	
ROAD TOLLING	% revenue compliance	≥ 98%	97%	96%	96%	Note 3	
REFUND OF FUEL EXCISE DUTY	Average number of days to deliver	≤ 20	16.9	n/a	28.9	Note 4	
INVESTMENT MANAGEMENT	% of activities delivered to agreed standards and timeframes (transport planning)	≥ 90% *	68%	39%	44%	Note 5	
STATE HIGHWAY MAINTENANCE	Availability of state highway network: % of unplanned road closures resolved within 12 hours	≥ 90%	72%	91%	82%	Note 6	

1. The Online driver licence replacement was launched on 8 December 2017 and saw approximately 500 customers using the service, without active promotion. Active promotion this quarter resulted in an upward trend for this measure with more than 1,300 customers using the Replacement Licence online application.
2. While all assurance activities on certifying agents and transport operators have been completed as planned, we continued to face challenges in achieving our targets for driver testing agents' officers and course providers. Solid progress had been made this quarter in relation to course provider audits but the risk remains on completing planned assurance activities on driver testing agents' officers due to increased focus on non-compliance
3. The results for this measure have been consistent since inception of the Tolling system and reflects the number of casual toll road users where the Agency has been unable to identify or locate the residential address of the liable driver (e.g. visiting drivers), or where casual users have failed to respond to debt collection activities.
4. The target was not achieved this quarter as key performance indicators have been volatile due to public holidays, fluctuations in staff numbers and process changes. We are investigating different avenues to mitigate current resourcing issues.
5. This represents the average result for Q3 of cost and timeliness standards. The cost achievement for this quarter is 38%. The programme timeliness achievement for this quarter is 50% which in part is due to a number of activities constrained by resource availability. This 50% achievement is an improvement on the previous quarter. Note: Results are snapshots for each quarter.
6. The vast majority of closures which extend beyond target durations are related to weather events particularly the ex-tropical cyclones in February. If these were excluded, target would have been achieved with a 92% result.

ROAD POLICING PROGRAMME

The Review of Road Policing Strategy and Operating Models continues to make good progress, with the preferred model supported by the steering group, and mid-level design work now underway for the operating, investment and delivery models. The cross-agency project team are now almost fully established, and will soon be co-located at Police National Head Quarters. Funding for the road policing element of the 2018-21 NLTP has been agreed in principle, and will be presented to the Transport Agency Board in May for recommendation to the Minister.

Notes on delivery:

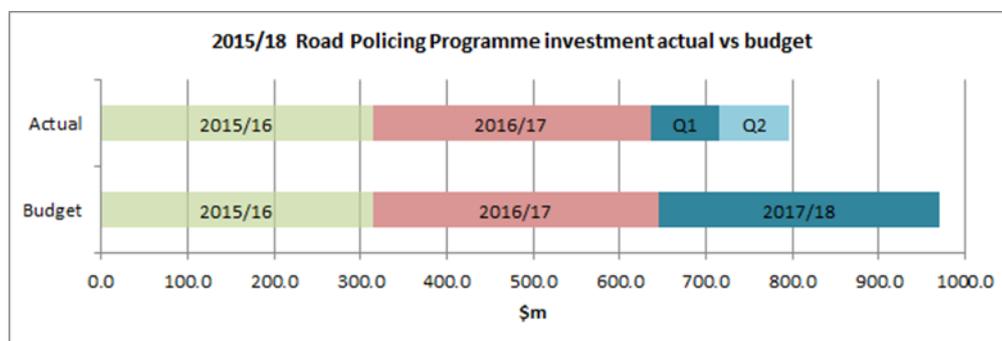
- Camera notices increased significantly in Q2 2017/18, by 54,000 or 40% over the previous quarter's result.
- Officer issued notices were 3,337 (6%) higher than the previous quarter but still below previous years' results.
- Police attribute the decline to fewer dedicated road policing staff and anecdotal evidence of an increase in alternative resolutions and written traffic warnings. Police are recovering road policing positions following the May 2017 approval of an additional \$10 million investment from the

NEW ZEALAND POLICE ROAD POLICING PROGRAMME EXPENDITURE AGAINST BUDGET

YEAR	ORIGINAL NLTF APPROVAL (\$M)	REVISED BUDGET (\$M) - 2016/17 RPP VARIATIONS	ACTUAL/YTD (\$M)
2015/16	315.0		
2015/16 – Speed camera Expansion Programme	8.0	314.7	314.7
2016/17		331.2	321.0
2017/18	637.0	324.1	161.3*
Total 2015-18 (NLTF only)	960.0	970.0	797.0

*note that this figure is a quarter in arrears, covering Q2

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



OUR CAPITAL PROJECTS

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

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

The speed of the Kaikōura earthquake response has seen funding from 2018/19 brought forward to ensure the pace of work can be maintained. Our response to the Manawatu Gorge is also tracking well.

Weather conditions over the quarter have inevitably impacted timelines where projects are in construction, especially where earthworks are in progress.

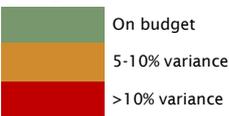
A number of projects which are in early stages of development (investigation and business case development) are being re-evaluated to better align with the Government Policy Statement on Transport, as outlined in the draft Transport Agency Investment Proposal (TAIP).

Key

Schedule



Budget



KAIKŌURA EARTHQUAKE RESPONSE AND MANAWATU GORGE RESPONSE



There has been significant progress along the Kaikōura coast with the project on track to extend SH1 access to 24/7 hours from the end of April. The Main North Line is on track to provide 24/7 railway operations by October 2018 ahead of the peak freight period.

Spend for March was \$43M, versus \$45M budget. Life to date spend is \$688M or 62 percent of budget. There was increase to the appropriation in March, reflecting the accelerated progress of the project. This adjustment represents a timing difference only, and will be deducted from 2018/19 funding. More details are available in the 2015-18 National land transport programme (funded from the National land transport fund) and Crown-funded expenditure, in the finance summary on page 40.

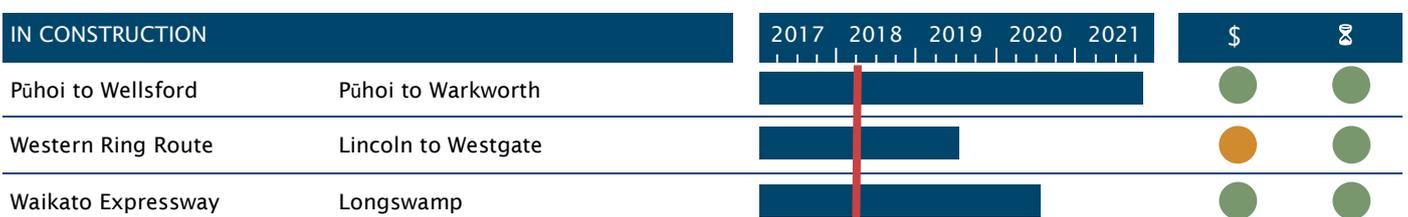
The North Canterbury Transport Infrastructure Alliance (NCTIR) is shifting to a Target Outturn Cost (TOC) alliance model from 1 July 2018. This will help bring increased commercial tension and confirm the project forecast. Current estimate updates indicate that the proposed works remain within the \$1.118B crown funding envelope. This excludes the SH1 Improvements package which is funded by the NLTP.

An Independent Estimator, appointed by the Transport Agency and KiwiRail, will prepare a cost estimate to provide a check price to reconcile NCTIR's proposed TOC price. In addition, an independent, high-level Targeted Investment Review (using The Treasury's Gateway Review methodologies) will be undertaken in April 2018. It will focus on the status of NCTIR's finance and commercial processes. This will further build confidence around financial performance.



A preferred alternate route option was agreed and publicly announced in March. Work on finishing the detailed business case is nearing completion. An investigation into a freight ring route for Palmerston North and a second bridge crossing is in progress.

ROADS OF NATIONAL SIGNIFICANCE



IN CONSTRUCTION		2017	2018	2019	2020	2021	\$	⌚
Waikato Expressway	Rangiriri	█					●	●
	Huntly Section	█					●	●
	Hamilton Section	█					●	●
Wellington Northern Corridor	Transmission Gully	█					●	●
	Peka Peka to Ōtaki	█					●	●
Christchurch Motorways	Western Belfast Bypass	█					●	●
	Russely Road	█					●	●

There is pressure on the Western Ring Route programme due to the extra work required on some areas of retaining wall. An insurance claim is currently being finalised in relation to these works which will assist in relieving budget pressures.

There have been delays on the Hamilton section of the Waikato Expressway due to wet weather conditions, but earthworks have continued to progress well. A redesign is underway to reduce construction costs at one bridge where ground conditions are less than ideal. This will involve extensive improvements ahead of construction and require additional land to be purchased. There is also a risk that more time is required for completion.

The Peka Peka to Otaki project is experiencing delays while we respond to consenting requirements.

PROPERTY		2017	2018	2019	2020	2021	\$	⌚
Pūhoi to Wellsford	Warkworth to Wellsford	█					●	●

The Warkworth to Wellsford section is currently being re-evaluated to better align with the GPS, as outlined in the draft Transport Agency Investment Proposal (TAIP)

BUSINESS CASE DEVELOPMENT		2017	2018	2019	2020	2021	\$	⌚	
Wellington Northern Corridor	Ngāuranga to Airport *	█						●	●

*This was previously reported under Other State Highway Improvements with cost >\$20 million.

INVESTIGATION		2017	2018	2019	2020	2021	\$	⌚
Wellington Northern Corridor	Ōtaki to Levin	█					●	●

The detailed business case is near completion, however, re-evaluation of the project is required following the release of the TAIP.

AUCKLAND TRANSPORT PACKAGE

IN CONSTRUCTION		2017	2018	2019	2020	2021	\$	⌚	
Northern Corridor Improvements		█						●	●
Southern Corridor Improvements		█					●	●	
State Highway 20A to Airport		█					●	●	
East West Connections		█					●	●	

Auckland Transport is applying for additional funding for additional scope requirements on the Northern Corridor Improvements. On the Southern Corridor, quality issues with the existing pavement have put pressure on the project milestones. The key focuses moving forward are safety, the environment, and quality of the works, which have been generally adequate but have seen some examples that fall below the expected standard.

Cost increases on the SH20A to the Airport project are changes in a number of areas to meet engineering requirements and pavement design changes. Work required on an area of contaminated land has also resulted in delays.

ACCELERATED REGIONAL ROADING PROGRAMME

COMPLETE	2017	2018	2019	2020	2021	\$	⌚
Motu Bridge Replacement (Gisborne)	█					✓	✓

IN CONSTRUCTION	2017	2018	2019	2020	2021	\$	⌚
Kawarau Falls Bridge (Otago)	█					●	●
Mingha Bluff to Rough Creek Realignment (Canterbury)	█					●	●
Akerama Curves Realignment and Passing Lane (Northland)	█					●	●
Taramakau Road-Rail Bridge (West Coast)	█	█	█			●	●
Napier Port access package (Hawkes Bay) — Watchman section	█					●	●

Overall completion of the Kawarau Falls Bridge is June 2018, with an extension of time required to install two major pipelines. The new bridge opened to traffic in both directions in early May, 2018.

There is an expected increase in the budget for the Napier Port Access Watchman section.

DESIGN	2017	2018	2019	2020	2021	\$	⌚
Napier Port access package (Hawkes Bay) — Prebensen section	█					●	●

Delays to the project relate to archaeological issues and evidence of asbestos contamination.

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

Pre-implementation of the Expressway section of the Napier Port access restarted in late October 2017 following the completion of pre-implementation of two other Hawkes Bay projects.

The Whirokino Trestle Bridge Replacement has been delayed due to an issue with finding a suitable source for aggregate. This has been further complicated by having to work around 'no work' times in the Manawatu River associated with fish spawning.

The contract award for Opawa Bridge was on hold awaiting funding approval, this approval has now been given.

There is some uncertainty around works for the Loop Road North to Smeatons Hill Safety Improvements as construction start is subject to finalising necessary approvals. Budget, scope and risk items will need to be reassessed once the go ahead for the project is given.

The Assessment of Environmental Effects hearing date for Mt Messenger Bypass (Taranaki) has been delayed by four months to May 2018. The detailed design began in March 2018 with construction scheduled for December 2018, which will see an overall delay of two months. On the Mt Messenger and Awakino Gorge Corridor, delays with consents have had an effect on works. Issues faced on the Awakino Tunnel Bypass include its isolated location and general difficulty on the site. Tender process for the design and construct contract has been completed. The award of contract was awaiting additional funding approval, this has now been given. A delay in construction start is likely.

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

URBAN CYCLEWAYS PROGRAMME

PROGRAMME PROGRESS (54 PROJECTS)

\$

🕒

Completed
(20 projects)

In Construction
(27 projects)

Pre Construction
(7 projects)



OUR HIGHLIGHTS THIS QUARTER

Overall, the Urban Cycleways Programme is now 68% complete. Below are projects that were either completed or started construction.

There are approximately 21 projects experiencing minor delays and cost increases. These are anticipated to extend beyond June 2018, requiring an estimated \$15 million—\$23 million of Urban Cycleways Fund to be carried over into the 2018/19 year.

Completed

- Rangiora to Kaiapoi, Waimakariri

Construction phase

- Coronation Ave cycleway, New Plymouth
- Links to Public Transport, Auckland
- Heathcote Expressway, Christchurch
- Maitai to Rocks Road cycleway, Nelson

WHAT WE'RE WORKING ON NEXT QUARTER

Next quarter we will:

- Start and complete construction on the Eltham Road cycle link in Blenheim
- Start construction on Wainui to CBD and local connections project in Gisborne
- Start construction on three projects in Napier
- Complete the Seal and Widening Hutt River Trail project in Upper Hutt
- Complete the Stride n' Ride project in Kāpiti
- Complete the Quarryman's Trail in Christchurch
- Complete the Rangiora to Woodend shared pathway in Waimakariri
- Complete section 2 of the Rapanui-Shagrock cycleway in Christchurch



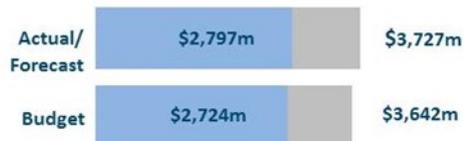
FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE SUMMARY

■ Year to ■ date

NATIONAL LAND TRANSPORT FUND REVENUE

\$73m
above
budget



Revenue, year to date, is 3% above budget due to higher road user charges revenue. Fuel excise duty is on budget.

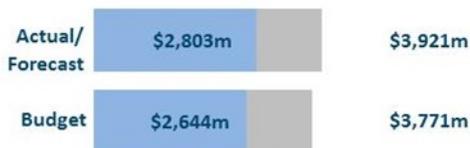
Revenue is forecast at 104% of the 2015-18 published National Land Transport Programme three year target.

NLTF surplus is forecast to be approximately \$634 million for the 2015-18 period. This surplus is lower than the \$692 million previously reported as projected revenue has dropped slightly (\$36 million), and forecast expenditure has increased slightly (\$22 million). The NLTF revenue forecast is based on the draft Budget Economic and Fiscal Update (BEFU) that was prepared by MoT in April 2018.

Watch list NLTF surplus level and impact on cash reserves.

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

\$160m
above
budget



Expenditure, year to date, is 6% above budget due to accelerated activities on the Kaikōura State Highway 1 reinstatement and Accelerated Auckland Transport Programme, as well as increased expenditure on State highway maintenance and Public Transport.

The 2015-18 programme is below budget, with 88% of the three year expenditure programme spent to date compared to budgeted 91%.

Watch list (National Land Transport Programme)

Likely under GPS funding range: Local road improvements

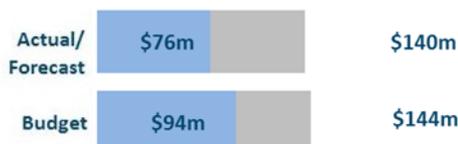
To monitor: Regional improvements

Watch list (Crown projects)

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

NZ TRANSPORT AGENCY NET OPERATIONAL EXPENDITURE

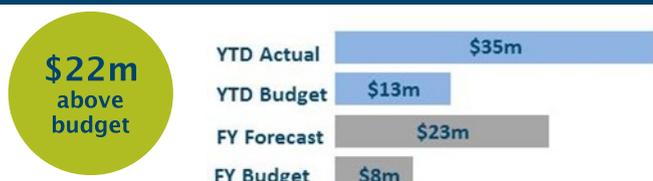
\$18m
below
budget



Total operational expenditure year to date is 6% below budget primarily due to the lower personnel expenditure (\$12 million behind budget) across all output classes.

Operational revenue is 3% above budget with the most significant variances being higher motor vehicle registrations, standards development levy and transport licensing.

MEMORANDUM ACCOUNTS



Memorandum account closing balances are 176% above budget. Opening balances were \$15 million above budget, and the year to date surplus is \$7 million above budget. This surplus is the result of higher motor vehicle licensing and transport licensing revenues and lower costs in driver testing, motor vehicle licensing and standards development.

The full year closing balance is forecast to be \$15m above budget.

NZ TRANSPORT AGENCY OPERATIONAL INITIATIVES



Operational initiatives expenditure year to date is 21% below budget and is likely to be under budget for the full year.

Capex outturn remains over budget for which Board approval is being sought in early quarter 4.

LONGER TERM OUTLOOK

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

- **Local road improvements expenditure** to date of \$345 million is behind budget. Delivery against the Government Policy Statement on Land Transport (GPS) funding range is forecast to be below the minimum GPS funding range at the end of the 2015-18 programme by approximately \$33 million. This is despite the additional funding previously approved by the Board for LED street-light replacement programmes at a targeted enhanced funding assistance rate (of 85%) and increasing the limit for minor improvements to \$1 million. The level of NLTP expenditure is dependent on the value of projects submitted by approved organisations, with many local authorities having competing resource and investment priorities.
- **Regional improvements expenditure** incurred to date of \$166 million is at 74% of the three year expenditure programme target, compared to budgeted 99%. Expenditure over the 2015-18 National Land Transport Programme is expected to be within the \$180 to \$270 million Government Policy Statement funding range.

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

NLTF cash position		The National Land Transport Fund has a positive cash position of \$622 million at 31 March 2018
NLTP 2015-18 funding		National Land Transport Fund revenue is forecast at 104% of the expenditure target for the 2015-18 National Land Transport Programme
Borrowings		There is \$1.412 billion of borrowings at 31 March, with the Transport Agency being compliant with all conditions
Crown projects		One out of six projects is tracking significantly below budget (urban cycleways programme)
Minimum GPS		One out of nine output classes is forecast to be below the minimum Government Policy Statement funding range (local road improvements)
Maximum GPS		There are no output classes forecast to be above the maximum Government Policy Statement funding range

NATIONAL LAND TRANSPORT FUND AND NATIONAL LAND TRANSPORT PROGRAMME

NATIONAL LAND TRANSPORT FUND REVENUE

National Land Transport Fund, year to date revenue is 3% above budget.

- **Fuel excise duty** is tracking to budget following the March volumes being at the highest level this year. This increase has now offset the significant drop that occurred in October that had resulted in fuel excise duty previously tracking behind budget. The full year forecast expects revenue to be 1% above budget.
- **Road user charges** revenue is above budget due to the continuing increase in the national fleet of light diesel vehicles and the recovery of road user charges from non-compliant vehicles. In terms of classes, Heavy is \$17 million above budget, Light \$33 million above budget and non-compliant recovery across both is \$28 million above budget. The level of RUC refunds is \$7 million less than budgeted. These trends are expected to continue through to the end of the year, but to a reduced extent, with full year revenue forecast to be 5% above budget.
- **Motor vehicle registration** and other revenue is 8% below budget primarily due to the reduction in the property disposal programme which is included in other revenue. Properties that were expected to have been disposed are now being held as they may be required for new projects, particularly in the Auckland region, depending on the new government priorities. Property disposal revenue for the full year is forecast to be \$15 million (30%) below budget.

National Land Transport Fund revenue for the three year period 2015-18 is forecast to be 104% of the published National Land Transport Programme three year target.

The current revenue forecast is the draft Budget Economic and Fiscal Update (BEFU) prepared by the Ministry of Transport in April 2018.

Summary

\$73m
above YTD
budget

Budget

Tracking 3% above year to date budget

Full year forecast

Expected to be 2% above budget

2015-18 NLTP

Revenue forecast at 104% of published NLTP three year target

	YEAR TO DATE				FULL YEAR			
	Actual \$m	Budget \$m	Variance \$m	Variance %	Forecast* \$m	Budget \$m	Variance \$m	Variance %
Fuel Excise duty	1,414	1,411	4	0%	1,911	1,887	24	1%
Road user charges	1,164	1,077	88	8%	1,505	1,433	72	5%
Motor vehicle registration and other revenue	218	236	(18)	(8%)	311	322	(11)	(3%)
Total NLTF revenue	2,797	2,724	73	3%	3,727	3,642	85	2%

*The Forecast is based on the BEFU forecast prepared by MoT

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

Total investment in the state highways included in both NLTP and Crown expenditure (improvements, maintenance and crown funded highways projects) year to date is \$1.9 billion. This is \$139 million (8%) ahead of budget.

National Land Transport Programme (NLTP) expenditure, year to date, is \$16 million (1%) above budget.

- **State highway improvements** expenditure is \$57 million (6%) below budget. This variance is primarily driven by programme slippage on the Waikato Expressway, as a result of poor weather that substantially hampered earthworks, and the Wellington Northern Corridor programmes with Peka Peka to Otaki experiencing delays in securing a number of consents.

Full year expenditure is expected to be approximately \$130-170 million behind budget. This forecast reflects the uncertainty around East West Link, and the reduced level of property purchases.

- **State highway maintenance** expenditure is tracking \$67 million (15%) ahead of budget. This is expected to increase to \$90-\$110 million above budget for the full year. This is largely due to the increased activity on the Kaikōura Earthquake Alternate Route project and recent weather events.
- **Public transport** expenditure is \$36 million (16%) above budget. This is partly due to the seasonality of the claims cycle which was not reflected in the budget. The full year forecast is \$52 million (15%) above budget. This reflects the increased expenditure on infrastructure (new train units in Auckland), as well as proposed improvements in public transport services (mostly in Auckland). The end of 2015-18 NLTP position continues to be forecast slightly over the published allocation of \$1.02 billion, but still well within the Government Policy Statement funding range maximum of \$1.215 billion.

Specific Crown-funded projects expenditure year to date is \$144 million (39%) above budget, primarily due to good progress on Kaikōura SH1 reinstatement and the Accelerated Auckland Transport Programme.

The full year forecast is \$133 million (26%) above budget, due to the acceleration of the Kaikōura SH1 reinstatement work (\$81 million) and Accelerated Auckland Transport Programme (\$53 million). The accelerated regional roading programme is also expected to be \$13 million above budget reflecting activity on projects, including Kawarau Falls bridge, Mingha Bluff and Akerama curves, that were all fully or partially opened in 2017.

Summary	
\$160m above YTD	
NLTP Budget	Tracking 1% above budget
NLTP full year forecast	Expected to be 1% above budget
Crown budget	Tracking 39% above year to date budget
Crown full year forecast	Expected to be 26% above budget

	YEAR TO DATE				FULL YEAR			
	Actual \$m	Budget \$m	Variance \$m	Variance %	Forecast* \$m	Budget \$m	Variance \$m	Variance %
NLTP funded from NLTF	2,289	2,272	(16)	(1%)	3,282	3,266	16	(1%)
Crown-funded projects	515	371	(144)	(39%)	639	505	(134)	(26%)
NLTP & Crown expenditure	2,803	2,643	(160)	(6%)	3,921	3,771	(150)	(4%)

*The forecast was prepared at Quarter 3

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

2015–18 National Land Transport Programme (NLTP) expenditure incurred to date for the 33 months to 31 March 2018 is tracking slightly below budget – that is, 88% versus 91% budgeted.

- **Local road improvements** expenditure of \$345 million is tracking behind budget. The level of NLTP expenditure is dependent on the value of projects submitted by approved organisations with many local authorities having competing resource and investment priorities. Delivery against the Government Policy Statement on Land Transport (GPS) funding range is forecast to be \$33 million under the minimum at the end of the 2015-18 National Land Transport Programme. This is despite the additional funding previously approved by the Board for LED streetlights replacement programmes at a targeted enhanced funding assistance rate (of 85%) and increasing the limit for minor improvements to \$1 million.
- **Regional improvements** expenditure of \$166 million is tracking behind budget. However, it is now expected that expenditure will be within the \$180 - \$270 million three year GPS funding range.

Specific Crown–funded project expenditure is tracking above budget.

- **Urban Cycleways Programme** expenditure of \$55 million is behind budget as more time has been required on defining scope, costs and routes prior to implementation. It is expected that the 2014-18 appropriation of \$100 million will be under spent by more than \$20 million. Discussions with the Ministry of Transport and Treasury confirm that the appropriation can be extended into the 2018/19 financial year.
- **Accelerated Regional Roding Programme** expenditure of \$106 million is at 54% of the 2015-18 target and is behind the budgeted 82%. This is due to slower than planned progress on the Kawarau Falls bridge replacement and Mingha Bluff to Falls Creek realignment projects - together with poor weather conditions at some project sites. In addition, the Opawa Bridge replacement and Loop Road projects are on hold pending funding approvals from the Board in early quarter 4. The Crown funds available of \$212 million are planned to be fully used by 2021.
- **Kaikōura State Highway 1 reinstatement** year to date expenditure was \$347 million. The Crown appropriation for this year was originally set at \$325 million, but was increased as part of the March Baseline Update (MBU) to reflect the accelerated progress of the project. This acceleration represents a timing difference only, and will be deducted from the 2018/19 funding.

The total three year appropriation for the Kaikōura State Highway 1 reinstatement was \$812 million. The North Canterbury Transport Infrastructure Recovery (NCTIR) team, and the Transport Agency have reviewed the remaining programmes of work and re-confirmed the current forecast for the SH1 reinstatement is \$775 million (which includes \$60 million contingency). As a result, MoT is releasing \$37 million from the 2018/19 tagged contingency back to the Crown. The updated 2018/19 appropriation of \$237 million will be requested through the Budget Economic and Fiscal Update (BEFU) process. The \$237 million is subject to various conditions around designs being completed

Summary

2015–18 NLTP
88% of three year programme spent to date

2015–18 NLTP watch list
Under GPS range:
Local road improvements
To monitor:
Regional improvements

2015–18 Crown projects
95% of three year funding spent to date

2015–18 Crown projects watch list
Urban cycleways
Accelerated regional roding programme

before it can be drawn down.

The Transport Agency is funding costs for all of the works and being reimbursed by KiwiRail for its costs. There have been a number of delays in receiving payment from KiwiRail. The receivable at 31 March 2018 was \$70 million. We understand KiwiRail has recently received crown funding and therefore we expect to be paid shortly.

	INCURRED TO DATE			3-YEAR NLTP		
	Actual	Actual	Budget	Adjusted published	Forecast*	Variance
	\$m	%	%	\$m	\$m	\$m
NLTP funded from NLTF	8,354	88%	91%	9,724	9,348	376
Crown-funded projects	1,034	95%	88%	1,093	1,158	(65)

*The forecast was prepared at Quarter 3

NATIONAL LAND TRANSPORT FUND

The **NLTF is forecast to have a surplus** of \$634 million for the current three year programme. This has decreased from previous forecast (December 2017: \$692 million).

The main contributor to the surplus is higher revenue. Revenue is now based on the draft Budget Economic and Fiscal Update (BEFU) forecast that was prepared by MoT in April 2018, which expects revenue to be \$442 million (4%) above the original forecast. This has decreased slightly (\$36 million) on the last forecast presented.

Expenditure is forecast to be \$192 million (2%) lower than the published 2015-18 NLTP. The lower expenditure is primarily due to lower expenditure on state highway improvement projects delivered below budget, and lower spend on local road improvements, which is driven by the level of investment activity by approved organisations.

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

The **NLTF cash position** at 31 March 2018 was \$662 million. This reflects the opening cash balance of \$39 million, and the actual surpluses in the 2015/16 and 2016/17 years.

Summary

2015-18 NLTF
Forecast at \$634m surplus for three year programme

NLTF cash position

\$662m at 31 March 2018

Watchlist

Level of NLTF Surplus and its cash reserves

	Cash position	3-year programme			Cash position
	Actual \$m	Forecast \$m	Published NLTP \$m	Variance \$m	Forecast \$m
Opening cash balance (1 July 2015)	39				
NLTF revenue		10,942	10,500	442	
NLTF funded expenditure*		(10,308)	(10,500)	192	
NLTF net surplus		634	0	634	
Closing cash balance					673

*Including Police expenditure

NZ TRANSPORT AGENCY

NET OPERATIONAL EXPENDITURE

Total operational expenditure is \$222 million. This is \$14 million below budget primarily due to lower personnel expenditure of \$12 million across output classes.

Operational revenue is \$146 million. This is \$4 million above budget, with the most significant variances being motor vehicle registration, standards development levy and transport licensing.

The **year-end net forecast** is 3% below budget reflecting the impact of the under spend to date.

Summary

\$18m
below YTD
budget

Total expenditure

Tracking 6% below
year-to-date bud-
get

Revenue

Tracking 3% above
year-to-date budget

Full year forecast

Full year forecast is
3% below budget

	YEAR TO DATE				FULL YEAR			
	Actual \$m	Budget \$m	Variance \$m	Variance %	Forecast* \$m	Budget \$m	Variance \$m	Variance %
Expenditure represented by:								
NLTP	93	105	12	12%	146	151	6	4%
Regulatory	130	131	2	1%	185	184	(1)	(0%)
Total expenditure	222	236	14	6%	331	336	5	1%
Less operational revenue	(146)	(142)	4	3%	(191)	(191)	(1)	(0%)
Net expenditure	76	94	18	19%	140	144	4	3%

*The forecast was prepared at Quarter 2

MEMORANDUM ACCOUNTS

The **memorandum accounts** closing balance is \$22 million above budget.

- **Opening balances** were \$15 million higher than budgeted.
- **Revenue** is \$1 million above budget, mainly due to higher volumes in motor vehicle licensing and transport licensing fees.
- **Expenditure** is \$7 million below budget, due to lower costs in driver testing, motor vehicle licensing and standards development.
- A fee review programme, beginning with the rail safety fee, was the subject of a board paper that went to the March board meeting. An update on the rail safety review was provided to the April Board meeting.

Summary

\$22m
above YTD
budget

Closing balances budget

Tracking 176%
above YTD budget

	YEAR TO DATE				FULL YEAR			
	Actual \$m	Budget \$m	Variance \$m	Variance %	Forecast* \$m	Budget \$m	Variance \$m	Variance %
Opening balance	26	11	15	133%	26	11	15	133%
Revenue	123	122	1	1%	162	162	0	0%
Expenditure	114	121	7	5%	164	164	0	0%
Net surplus/(Deficit)	9	2	7	100%	(3)	(3)	0	3%
Closing balance	35	13	22	176%	23	8	15	176%

*The forecast was prepared at Quarter 2

OPERATIONAL INITIATIVES

The approved **operational initiatives** programme is underspent by \$5.1 million (21%). \$2.3 million of operating expenditure is no longer expected to proceed this financial year and the balance is from initiatives that have had delayed starts or are behind expected progress.

Following a review in March the full year initiative expenditure outturn is now expected to be \$1.6 million below budget.

- Operating expenditure outturn is expected to be \$2.6 million below budget. This is mainly from the initiatives that are no longer proceeding this financial year and reductions of inflight initiatives.
- Capital expenditure outturn is expected to be above budget and is subject to a separate board approval.

Summary

\$5.1m
below YTD
budget

Budget

Tracking 21%
below year to date
budget

Funding

\$1m crown funded
Regional Fuel Tax
initiative added to
budget during Q3

Outturn

Opex \$2.6m below
budget (November
forecast was \$1.7m
above budget)
Capex \$1.0m
above budget
(November forecast
was \$2.7m above
budget)

	YEAR TO DATE					FULL YEAR			
	Opex Actual	Capex Actual	Total Actual	Total Variance Budget		Forecast	Budget	Variance	Variance
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	%
Shape the Land Transport System	0.5	0.0	0.5	1.4	0.9	2.3	2.1	0.2	10%
Keep People Safe	0.3	0.0	0.3	0.5	0.2	0.7	0.7	0.0	0%
Improve Customer Experiences	1.5	3.7	5.2	6.3	1.1	10.6	9.4	1.2	13%
Achieve Org. Excellence	3.8	7.6	11.4	14.0	2.6	22.9	19.9	3.0	15%
Transform the Transport Agency	2.1	0.0	2.1	2.3	0.2	3.4	3.4	0.0	0%
Deliver Connected Journeys	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0%
Total initiatives	8.2	11.3	19.5	24.6	5.1	40.0	35.7	4.4	12%

FUNDING AND LONG TERM LIABILITIES

The notional balance in the National Land Transport Fund at 31 March 2018 was \$662 million.

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

- **Auckland accelerated loan** - \$30 million drawdown in the quarter ended 31 March 2018.

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

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

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

Other commitments represent the longer term commitments to fund Auckland and Wellington Rail, subject to future claims being submitted.

Summary

NLTF Cash
balance at 31
March
\$662m

Short term facility

There was no
drawdown in Q3

Long term facilities

\$30m drawdown
on Auckland
accelerated loan in
Q3

	Q3 liability	Q2 liability	Total facility	Period
	\$m	\$m	\$m	Years
Borrowings and financial liabilities				
Short term revolving facility	0	0	250	Less than 1 yr
Christchurch earthquake loan	24	24	183	9 yrs
Auckland Accelerated loan	287	257	375	10 yrs
Tauranga Eastern link loan	107	107	107	35 yrs
Total borrowings	418	388	915	
Transmission Gully (PPP)	586	514	1,100	31 yrs
Pūhoi to Warkworth (PPP)	230	183	1,000	28 yrs
Total borrowings (incl PPP)	1,234	1,085	3,015	
Derivative financial liability	178	178		
Derivative financial asset	0	0		
Total borrowings (incl PPP and derivatives)	1,412	1,263		

Other Commitments	Commitment	Period
	\$m	
Auckland Electrical Multiple Units	200	35 yrs
Auckland Depots	50	50 yrs
Wellington Matangi Electric Multiple Units	85	28 yrs

ADDITIONAL FINANCIAL INFORMATION

NATIONAL LAND TRANSPORT FUNDED AND CROWN-FUNDED EXPENDITURE 2017/18 FINANCIAL YEAR

	2017/18 YEAR TO DATE				2017/18 FULL YEAR			
	YTD	YTD	YTD	YTD	FY18	FY	Variance	Variance
	Actual	Budget	Variance	Variance	Forecast	Budget	Variance	Variance
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Regional improvements*	84	108	24	23%	109	138	29	21%
Local road maintenance	377	394	17	4%	621	595	(26)	-4%
Local road improvements	100	85	(15)	-18%	187	157	(30)	-19%
Road safety promotion	23	26	3	11%	38	37	(1)	-2%
Walking and cycling	35	39	4	10%	59	71	12	17%
Public transport	262	225	(37)	-16%	388	336	(52)	-15%
Investment management	44	41	(3)	-7%	63	62	(0)	-1%
State highway maintenance*	515	448	(67)	-15%	705	596	(109)	-18%
State highway improvements*	849	906	57	6%	1,113	1,274	161	13%
NLTF funded expenditure	2,289	2,272	(16)	-1%	3,282	3,266	(16)	-1%
Supergold card	26	28	2	7%	29	29	0	1%
Auckland Accelerated*	91	49	(42)	-85%	123	70	(53)	-76%
Canterbury earthquake	0	0	0	0%	0	0	0	0%
Urban Cycleways	21	30	8	28%	42	56	14	24%
Regional Accelerated*	30	21	(9)	-41%	38	25	(13)	-54%
Kaikoura SH1 reinstatement*	347	244	(104)	-42%	406	325	(81)	-25%
Crown funded expenditure	515	371	(144)	-39%	639	505	(134)	-26%
NLTP & Crown expenditure	2,803	2,643	(160)	-6%	3,921	3,771	(150)	-4%
*Investment in state highways	1,915	1,776	(139)	-8%	2,495	2,427	(68)	-3%

Year to date (YTD) expenditure is 9 months expenditure up to 31 March 2018

NATIONAL LAND TRANSPORT FUNDED AND CROWN-FUNDED EXPENDITURE 2015-18

	INCURRED TO DATE			3 YEAR NLTP					GPS funding range \$m
	Actual \$m	Actual %	Budget %	Forecast \$m	NLTP Published \$m	Variance \$m	* Adj NLTP Published \$m	Variance \$m	
NLTF Revenue				10,942	10,500	(442)	10,500	(442)	
Regional improvements	166	74%	99%	191	225	34	225	34	180-270
Local road maintenance	1,524	89%	92%	1,768	1,704	(64)	1,815	47	1,230-1,815*
Local road improvements	345	74%	86%	432	465	33	465	33	465-720
Road safety promotion	88	86%	90%	103	102	(1)	102	(1)	92-113
Walking and cycling	119	116%	167%	143	103	(40)	167	24	46 - 167*
Public transport	917	90%	91%	1,043	1,020	(23)	1,020	(23)	865-1,215
Investment management	165	94%	95%	183	176	(7)	185	2	162-185*
State highway maintenance	1,553	92%	97%	1,744	1,684	(60)	1,684	(60)	1,350-1,810
State highway improvements	3,477	86%	86%	3,741	4,061	320	4,061	320	3,150 - 4,350
NLTF funded expenditure	8,354	88%	91%	9,348	9,540	192	9,724	376	
Add Road Policing				960	960	0	960	0	
NLTF funded expenditure (incl Police)				10,308	10,500	192	10,684	376	
NLTF Surplus				634	0	(634)			
Supergold card	80	93%	96%	84	86	3	86	3	
Auckland Accelerated	327	157%	49%	359	208	(151)	208	(151)	
Canterbury earthquake	25	23%	100%	25	111	86	111	86	
Urban Cycleways	55	58%	89%	77	96	19	96	19	
Regional Accelerated	106	54%	82%	115	198	83	198	83	
Kaikoura reinstatement	440	112%	106%	499	0	(499)	394	(105)	
Crown funded expenditure	1,034	95%	88%	1,158	699	(459)	1,093	(65)	
NLTP & Crown expenditure	9,388	88%	91%	10,506	10,239	(267)	10,817	311	

Incurred to date (ITD) expenditure is 33 months expenditure up to 31 March 2018

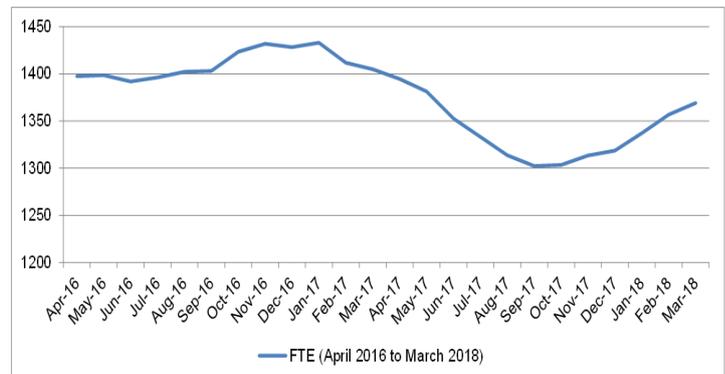
* Adjusted NLTP published is the published NLTP with changes made since it was published. The changes include the approval from the Minister to lift the maximum limits of the GPS funding ranges for local road maintenance, walking and cycling and investment management. The Adj NLTP Published also includes Crown funding approved for Kaikoura reinstatement.

ORGANISATIONAL STANDING

OUR PEOPLE — KEY INDICATORS FOR Q3

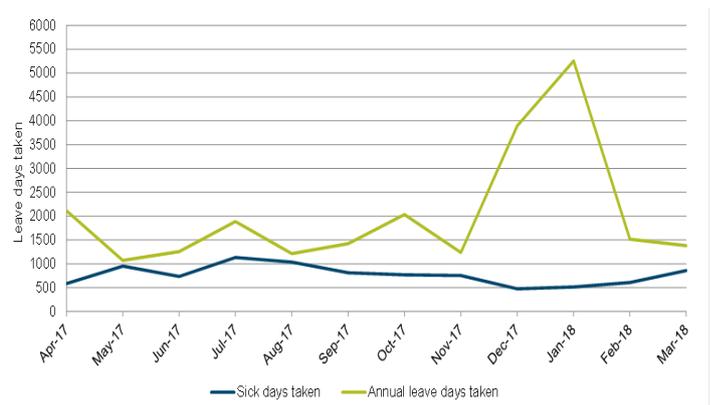
Full-time equivalent (FTE) employees

As at 31 March 2018 there were 1369.1 FTE employees, up 3.8% since the last quarter. It appears this growth of FTEs will continue to trend upwards, with the addition of 127 active vacancies (120 permanent and 7 fixed-term roles) that were being recruited for. As vacancies are filled, it is expected FTEs will climb back up to and above the high of 1432.9, in which they stood at the end of January 2017.



Planned and unplanned leave taken

Our average annual leave balance as at 31 March 2018 was 13.7 days. This is a reasonable drop from the last quarter (15.2 days), which was forecasted as annual leave bookings for the holiday period in the month of January were realised. The balance came closely to touching our target average of 12.5 days, as it reached 12.9 days as at the end of January 2018; however since then it has been slowly climbing. It is however encouraging seeing that the current balance is slightly lower than as at the same time last year (14.2 days).

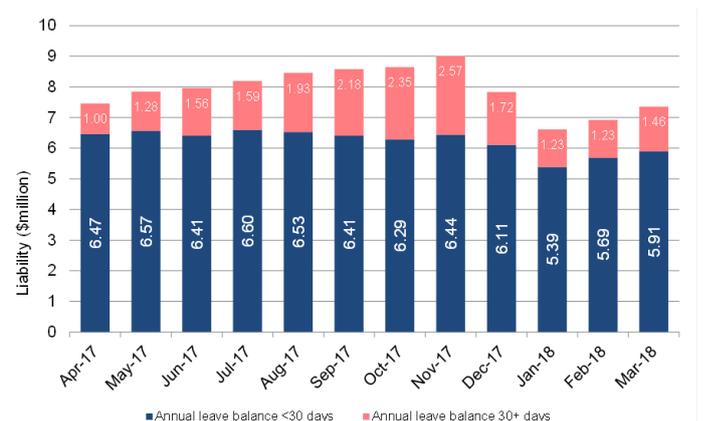


The number of sick leave days taken since the last quarter has remained relatively similar. There is only a 1.1% reduction in the number of sick leave days taken this quarter, when compared to the previous quarter. Overall the average number of sick leave taken over the year is 7.4 days per employee.

Annual leave liability

Our average annual leave liability as at 31 March 2018 was \$7.36 million (approximately \$5,196 per person), which is \$475,000 less than the last quarter. It is also 1.9% less than the liability of \$7.50 million that was reported at the same time last year.

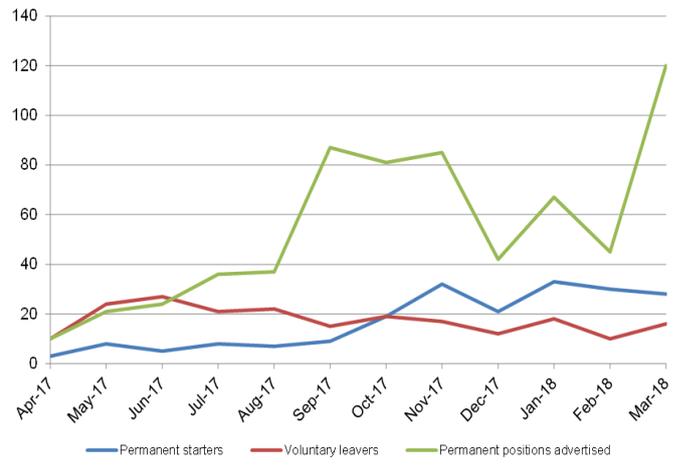
There were 99 employees with an excessive annual leave balance (30+ days), a 17.5% reduction since the previous quarter, and it is due to the holiday season. When future booked leave is taken into consideration, the number of employees with an excessive leave balance significantly reduces to 58 employees (4.1% of all staff).



Permanent comings and goings

As at 31 March 2018 there were 120 permanent vacancies advertised, increasing from 42 roles from the last quarter. This large spike in positions being recruited for was due to the capability and planning initiative that was signed off by SLT. This resulted in an additional 54 roles that were approved for immediate recruitment. Some of these roles had been created to convert contractors to FTE staff, and some of the roles have already been filled and others are still in progress.

Voluntary turnover sits at 15.6%, a moderate decrease since the last quarter when it was 16.4%. A contributor to our turnover rate dropping has been the significant increase in headcount over the past few months. The current rate is higher than as at the same time last year, when it was 14.2%, and is also higher than the State Service Commission June 2017 benchmark of 11.5%.



RISKS

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

STRATEGIC RISKS

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