NZ TRANSPORT AGENCY STATEMENT OF PERFORMANCE EXPECTATIONS 2017/18

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NZ TRANSPORT AGENCY
WAKA KOTAHI

New Zealand Government

NZ Transport Agency
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This publication is also available on NZ Transport Agency's website at **www.nzta.govt.nz**

In our strategy we refer to customers and citizens – both are important to us. 'Citizen' reminds us that we are here to serve people and get the best return on their investment in government. 'Customer' reminds us that the experience people have of New Zealand's transport system is defined by individual touch-points and how well these are designed to meet customer needs.

DEFINITIONS

CUSTOMER When we say 'customers' we mean:

- people who are directly experiencing our products or services
- people who tell us how we're doing and how we can improve our service delivery
- people interacting with us for a specific purpose and time period.

CITIZEN When we say 'citizens' we mean:

- people in the wider community who are entitled to a return on their investment in government
- people who have a say in what we do and who hold us to account on our overall outcomes
- people who we (as part of the government) are here to serve
- people with whom we aim to have an enduring relationship.

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INTRODUCTION

Our statement of performance expectations sets out what we'll deliver in 2017/18. This is directed by our strategy, described fully in our *Statement of intent 2017–21*, which responds to rapid changes in our operating environment and positions us to meet the increasing expectations of the government and New Zealanders.[1]

Over the next three to five years, we'll be working to deliver three big changes that form the foundation of our new direction:

- One connected transport system: Transform the performance of the land transport system by integrating digital technology with physical infrastructure to create a safe, connected system that works for everyone.
- People-centred services: Simplify our customers' lives and our partners' work with innovative services and experiences that make it easy for them to do what they need to.
- Partnerships for prosperity: Unlock social and economic opportunities for customers, businesses and communities through targeted partnerships.

We'll make these changes through our focus areas, which capture the outcomes we aim to achieve for New Zealand and direct our activities for 2017/18.

In high-growth urban areas and regions, travel will be more efficient and reliable and people, businesses and communities will have better access to transport. We will invest $3.68 billion from the National Land Transport Fund, as well as additional Crown funding, in the final year of the 2015–18 National Land Transport Programme to deliver significant transport improvements nationwide. As a consequence of rising revenue and successful project tendering, the National Land Transport Fund is well positioned to meet a forecast planned increase in investment needs during the coming years.

We'll work with our Auckland Transport Alignment Project partners to deliver targeted interventions to optimise the flow of traffic on the existing Auckland road network, promote alternative transport choices and manage travel demand. We'll also work to improve the performance of the existing urban transport system to ensure predictable connections so freight can reach retail shelves, consumers and factories on time.

In the regions, we will focus on enabling wider social and environmental benefits through transport. We'll support and deliver transport initiatives that enable the social outcomes and economic opportunities sought by the government's Regional Growth Programme through 10 Regional Economic Development Action Plans.

Regional and interregional transport networks will also be more resilient. We will continue restoring State Highway 1 through Marlborough and North Canterbury as part of the Kaikōura Earthquake Response. Improved resilience will also feature more prominently in our development of the 2018–21 National Land Transport Programme.

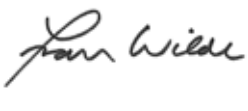
We'll work with customers to improve their experiences by tailoring our services and creating digital solutions that make it easier for them to access and use the transport system. We will begin to trial a national real-time platform that allows customers to digitally view and book travel across various modes.

We will leverage existing technology to improve the transport system for our customers and take steps to prepare New Zealand to benefit from emerging transport technologies. We will continue to work with the Ministry of Transport to deliver the Intelligent Transport Systems Action Plan 2014–18, including the roll out of the National Incident and Event Management System in Wellington and Christchurch.

We'll continue to work on reducing harms from the transport system, keeping people safe on our roads and reducing the impact that transport has on the environment. We will do our part in delivering the Safer Journeys Action Plan 2016–2020, including developing a national prioritised list of safety improvements for state highways and local roads. To promote the uptake of electric vehicles, we'll develop and publish a comprehensive view of a national electric vehicle charging network.

There is no doubt that 2017/18 will be an important and challenging year as we transition to our new strategy and ways of working. This year, especially, we'll be making sure we have the right capability and information technology and that we support our people to be successful in new roles. While we're changing, we will remain focused on delivery and making a measurable difference for New Zealand.

CHRIS MOLLER
Chair



DAME FRAN WILDE
Deputy Chair

FERGUS GAMMIE
Chief Executive

[1] Available from our website at www.nzta.govt.nz/soi

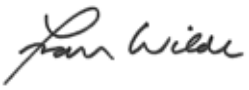
STATEMENT OF RESPONSIBILITY

The information contained in the *NZ Transport Agency Statement of performance expectations 2017/18* has been prepared in accordance with the Crown Entities Act 2004.

In signing this statement, we acknowledge our responsibility for the information contained in this statement of performance expectations and confirm the appropriateness of the assumptions underlying the prospective operations and financial statements of the NZ Transport Agency.

SIGNED ON BEHALF OF THE BOARD

CHRIS MOLLER
Chair
9 JUNE 2017

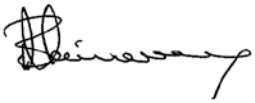


DAME FRAN WILDE
Deputy Chair
9 JUNE 2017

COUNTERSIGNED BY

FERGUS GAMMIE
Chief Executive
9 JUNE 2017

PAUL LAPLANCHE
Chief Financial Officer
9 JUNE 2017



BRANDON MAINWARING
National Manager
Accountability and Performance
9 JUNE 2017

OUR STRATEGY AND PERFORMANCE FRAMEWORK

CONTEXT

WE'RE ON THE CUSP OF A TRANSPORT REVOLUTION

Customers and business want faster, easier, more personalised transport services, and government expects us to be the steward of a safe and efficient land transport system that delivers value for money.

Citizens demand we use resources wisely and leave a legacy New Zealand is proud of.

Our population is ageing and becoming more urbanised. High-growth demands compete with regional and community expectations, and digital technology and new players with new services are transforming transport.

We need to deliver all that's expected and make sure New Zealand benefits from the transport revolution.

OUR VALUE

GREAT JOURNEYS TO KEEP NEW ZEALAND MOVING

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

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

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

STRATEGIC RESPONSES

ONE CONNECTED TRANSPORT SYSTEM

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

PEOPLE-CENTRED SERVICES

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

PARTNERSHIPS FOR PROSPERITY

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

FOCUS AREAS

SHAPE THE LAND TRANSPORT SYSTEM

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

TARGET RAPID GROWTH

Balance solutions for customers in high-growth urban areas

CONNECT AND DEVELOP REGIONS

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

KEEP PEOPLE SAFE

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

IMPROVE CUSTOMER EXPERIENCES

Deliver innovative services and transport experiences that customers and citizens value

DELIVER CONNECTED JOURNEYS

Lead the integration of a digitally connected land transport system

ACHIEVE ORGANISATIONAL EXCELLENCE

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

TRANSFORM THE TRANSPORT AGENCY

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

TRANSPORT SECTOR OUTCOMES

SHAPE THE LAND TRANSPORT SYSTEM

OUTCOME

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

TARGET RAPID GROWTH

OUTCOME

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

CONNECT AND DEVELOP REGIONS

OUTCOME

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

KEEP PEOPLE SAFE

OUTCOME

The land transport system is increasingly free from harms.

IMPROVE CUSTOMER EXPERIENCES

OUTCOME

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

DELIVER CONNECTED JOURNEYS

OUTCOME

Digital solutions enable easier journeys for customers.

ACHIEVE ORGANISATIONAL EXCELLENCE

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.

TRANSFORM THE TRANSPORT AGENCY

OUTCOME

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

Effective / Efficient / Resilient / Safe and responsible

MEASURES AND DESIRED TRENDS

PARTNER EXPERIENCE: The maturity of the collaborative processes that result in a shared long-term view of the transport system

↑ **INCREASE** BASELINE 38.8

NETWORK PRODUCTIVITY: How much of the road network's capacity is used in high-growth urban areas

— **MAINTAIN** BASELINE 55.0

NETWORK ACCESSIBILITY: *Under development*

NETWORK TRAVEL TIME PREDICTABILITY: How predictable travel times are for customers travelling on roads and public transport within high-growth urban areas

— **MAINTAIN** BASELINE 69.7

NETWORK PRODUCTIVITY: How much of the road network's capacity is used on key interregional routes (including those in the government's Regional Growth Programme)

— **MAINTAIN** BASELINE 78.1

NETWORK ACCESSIBILITY: The number of people found driving without a valid driver licence in rural areas

↓ **DECREASE** BASELINE 4484

NETWORK TRAVEL TIME PREDICTABILITY: The predictability of travel times for customers travelling by road on key interregional routes

— **MAINTAIN** BASELINE 88.0

NETWORK RESILIENCE: The time taken to address unplanned closures on the state highway network

↓ **DECREASE** BASELINE 1355

SYSTEM SAFETY: The number of people killed or seriously injured on the road and rail systems

↓ **DECREASE** BASELINE 2738

ENVIRONMENTAL HARM: The energy efficiency of road transport

— **MAINTAIN** BASELINE 6.88

CUSTOMER AND CITIZEN EXPERIENCE: How satisfied customers are with the transport system and the services they receive from us

↑ **INCREASE** BASELINE 63.0

CUSTOMER AND CITIZEN EXPERIENCE: *Under development*

ORGANISATIONAL EFFICIENCY: How well we use resources (people, relationships, information technology and business practices and tools)

↑ **INCREASE** BASELINE 2.2

VALUE FOR MONEY: The maturity of our practices to get the best value for every dollar spent improving the transport system

— **MAINTAIN** BASELINE 3.0

ORGANISATIONAL EFFECTIVENESS: How effective we are at delivering our core activities

↑ **INCREASE** BASELINE 2.7

ORGANISATIONAL CULTURE: How positively staff perceive our organisational culture

↑ **INCREASE** BASELINE 61.0

Note: Our performance is reflected through indexes of time series data.

See appendix 3 for technical details.

OUR CONTEXT

WE'RE ON THE CUSP OF A TRANSPORT REVOLUTION

Our context is the pressures that impact on what we do and how we do it. We are facing a number of opportunities and challenges:

- customers and business want faster, easier, more personalised transport services
- our population is ageing and becoming more urbanised
- digital technology and new players with new services are transforming transport
- high-growth demands compete with regional and community expectations
- the government expects us to continue to provide a safe and efficient land transport system that delivers value for money
- citizens demand we use resources wisely and develop a land transport system New Zealand can be proud of, now and into the future.

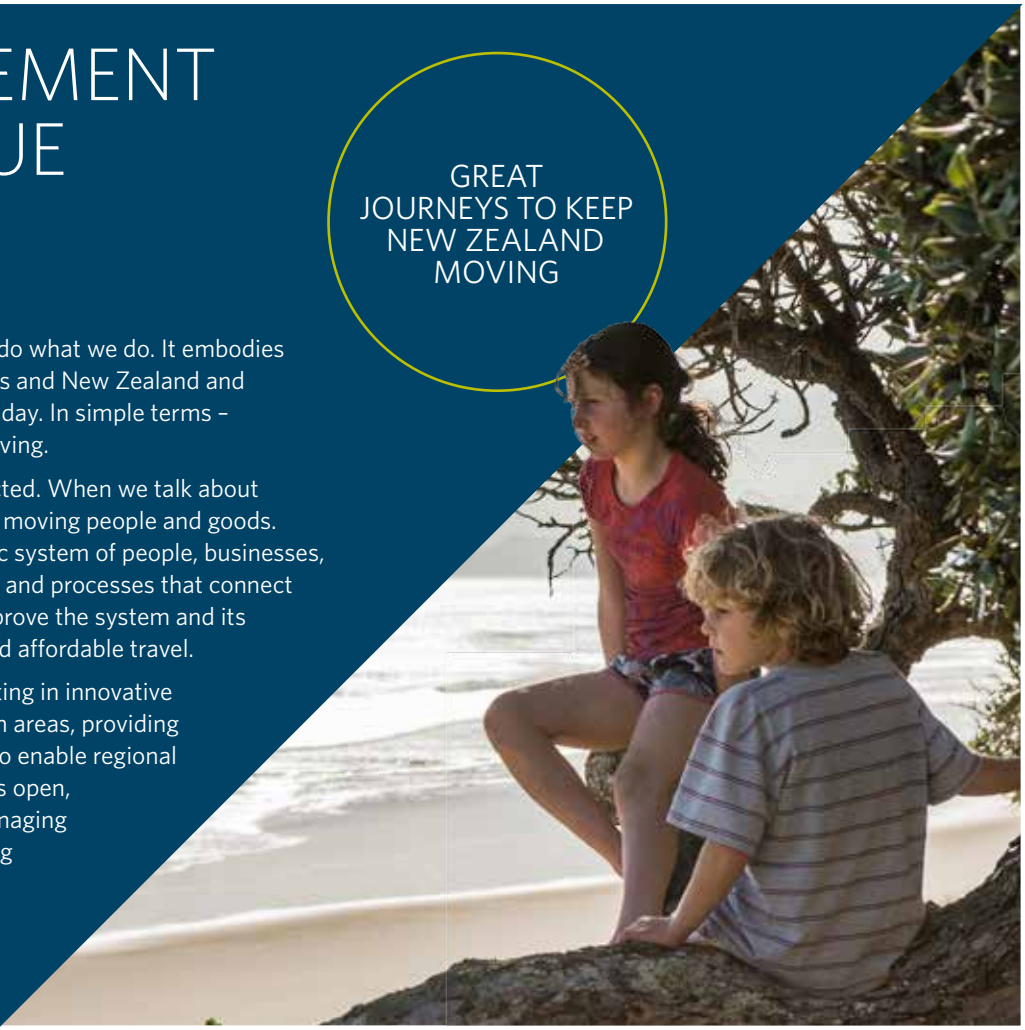
In particular, technology is leaping ahead with autonomous and electric vehicles and with applications that are transforming personal mobility services and supply chain logistics. Customers are increasingly connected to information, services and social networks through smart devices, and they expect personalised transport services and real-time information when they are on the go.

Businesses also expect reliable and predictable connections so they can make sure their goods reach retail shelves and factories in New Zealand and around the globe.

Our strategy positions us to respond to these external challenges and the impact that they have on the expectations of our customers and the government to make sure every person and business in New Zealand benefits from the transport revolution.

VALUE STATEMENT – OUR UNIQUE OFFERING

GREAT JOURNEYS TO KEEP NEW ZEALAND MOVING



Our value statement describes why we do what we do. It embodies the unique value we offer our customers and New Zealand and describes the difference we make every day. In simple terms – great journeys to keep New Zealand moving.

A great journey is easy, safe and connected. When we talk about great journeys, we mean more than just moving people and goods. We see transport as a complex, dynamic system of people, businesses, infrastructure, vehicles of all types, data and processes that connect the parts of the system. We want to improve the system and its connections to create seamless, safe and affordable travel.

We keep New Zealand moving by investing in innovative transport solutions in high-growth urban areas, providing regional and interregional connections to enable regional development, keeping access to markets open, maintaining the main tourist routes, managing national data registers and implementing safety regulations.

STRATEGIC RESPONSES – THREE BIG CHANGES WE'LL MAKE

Our three strategic responses – a system response, a service response and a community response – describe the direction we'll take to deliver value to New Zealand. They're the three big changes we need to make in the next five years to deliver what is expected of us and ensure customers and citizens benefit from the rapid changes happening in transport.

ONE CONNECTED TRANSPORT SYSTEM

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

This strategic response is about the connection between transport networks and services. We have a good track record of delivering physical road networks, and now we need to be just as good at integrating the physical with the digital: Delivering one connected transport system that is safe and works for people and businesses.

An integrated transport system keeps everything connected, keeps everyone safe and supports easy information and transport connections. New digital tools and players create new interactions between all parts of the system, realising new opportunities for transport, freight movements and mobility services, and new ways to manage and regulate the system – so we all get the very best from the system.

This strategic response sets a direction that will see us investing in modern infrastructure and services to grow New Zealand's economy and improve the lives of all New Zealanders. It will enable technological and innovative solutions to tackle complex and enduring problems in the transport system and make sure New Zealand can take full advantage of the rapid changes taking place in transport.

PEOPLE-CENTRED SERVICES

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

The transport system exists to serve people – our customers and our planning, investment and delivery partners. For our customers, a collaborative transport-as-a-service approach starts with understanding customer needs and mining rich customer information and interactions to design better transport experiences. Service offerings are tailored to create the most value for customers and for New Zealand – economically and socially. Transport operations and demand management are critical in helping people get the best real-time experience. We will collaborate with our partners, working to understand what they need and balancing those needs with our responsibilities.

This strategic response addresses the government's overarching goal to be customer focused. It emphasises the need to provide better experiences to customers and citizens. It's about collaboratively designing innovative services and information with customers and reducing the burden of interacting with government. In urban areas, we will manage demand on overcrowded roads by making buses, trains, ferries and cycling more attractive options for commuters.

PARTNERSHIPS FOR PROSPERITY

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

We're focusing on great transport links and services that promote improved social, economic and environmental outcomes for communities and for business.

This strategic response supports the broad ambitions of central and local government to invest in ways that enable everyone in New Zealand to lead better lives. This means partnering with others and playing our role in creating connected and safe communities and a more productive economy that delivers more jobs, higher incomes and higher living standards for New Zealanders. Transport services and other activities will be more joined up as we support the plans of others to help improve lives and livelihoods.

HOW WE'LL DELIVER OUR STRATEGY

Our eight focus areas describe what we will do in the next three to five years to make the changes signalled in our strategic responses. These areas confirm where we will direct our efforts and resources to deliver measurable outcomes for our customers and citizens.

The focus area Shape the land transport system sets the overall direction for our activities with specialist direction setting for safety coming from the Keep people safe focus area. That direction is delivered by the five areas: Target rapid growth, Connect and develop regions, Improve customer experiences, Deliver connected journeys, and Keep people safe. Our internal direction is set and delivered by the focus area Achieve organisational excellence. However, in 2017/18, the focus area Transform the Transport Agency will support our transition to our strategy and ways of working.

We will reflect our progress using indexes of time series data. This makes it easy to understand a change in performance from one period to the next, and it enables us to compare variables of different magnitude.

SHAPE THE LAND TRANSPORT SYSTEM

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

WHAT WE'RE AIMING FOR

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.

OUTCOME	MEASURE	KEY PERFORMANCE INDICATOR*	HISTORIC TREND	DESIRED TREND 2017/18
Transport sector decision-making, investment and regulatory and policy interventions are based on a shared long-term view of the land transport system.	Partner experience	Index of collaborative relationship process maturity	New indicator	↑ Increase *Baseline 38.8*
		Our partners feel we have improved the way we work alongside them to deliver outcomes for their communities.		

* See appendix 3 for technical details.

HOW WE'LL GET THERE

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.

STEPS WE'LL TAKE THIS YEAR

If the land transport system is to meet the current and future needs of people, communities and businesses, the transport sector must work together, planning and investing in a shared vision of that future. It is crucial that this shared vision is not developed by looking at the land transport system in isolation, but rather in the context of other national and regional plans, programmes and strategies. This broader context will allow us to design a coordinated and staged programme of work that focuses our collective efforts on delivering regulatory, policy, planning and infrastructure interventions to meet the aspirations of people, communities and businesses.

In the coming year, we will finalise a long-term strategic view with our partners to set the direction for the planning, programming and investment in the transport system for the next 10–30 years. We will take a lead role in coordinating and drafting this view, which will be co-designed and co-owned by the members of New Zealand's transport sector. This will create an aligned view of how the land transport system can ease the pressures of urban growth, aid regional economic development, support access to social infrastructure and services, and integrate with airports and ports.

This long-term view will help inform our collaborative development of the 2018–21 National Land Transport Programme with our regional partners. The development of the 2018–21 programme will use new frameworks to increase the focus on resilience, support for housing development and the use of technology.

We will also work closely with the Ministry of Transport to agree the investment parameters, policies and regulations required to implement the long-term strategic view. This vision will require a staged and focused approach to altering regulatory and investment settings, so the transport sector can cope with the rapid changes taking place in the transport industry and meet the changing expectations of customers. The regulatory system needs to enable new vehicle technologies as well as make it easy and intuitive for customers to comply with the law. Our planning and investment settings also need to be flexible enough to adapt to changing technologies and customer expectations. This flexibility will be accompanied by robust frameworks that test and manage the benefits realised from our work to demonstrate our responsible use of public money.

SIGNIFICANT ACTIVITIES FOR 2017/18

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

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

TARGET RAPID GROWTH

Balance solutions for customers in high-growth urban areas

WHAT WE'RE AIMING FOR

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.

OUTCOME	MEASURE	KEY PERFORMANCE INDICATOR*	HISTORIC TREND	DESIRED TREND 2017/18
Improved customer experience of urban travel in high-growth urban areas.	Network productivity	Index of network productivity	Decreasing	– Maintain *Baseline 55.0*
		People and freight can move around our cities at their same current speed and flow, halting the recent decrease in productivity caused by more vehicles using urban roads.		
	Network accessibility	Under development	Not applicable	Not applicable
		This indicator is under development.		
	Network travel time predictability	Index of travel time predictability	Decreasing	– Maintain *Baseline 69.7*
		People and businesses retain their current ability to predict travel times in urban areas, allowing them to get to their destinations on time. This halts the recent decline in predictability caused by more vehicles and people using urban transport systems.		

* See appendix 3 for technical details.

HOW WE'LL GET THERE

We will work with others to improve the performance of the transport system and the services it provides for people and businesses. This means balancing the provision of new infrastructure with travel demand management[2] and network optimisation[3] 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.

STEPS WE'LL TAKE THIS YEAR

Managing transport needs in areas of high growth requires a combination of approaches to ease pressures on the transport system and create new linkages for residential and commercial developments. We will continue to develop, design and deliver new infrastructure and improvements to existing infrastructure in high-growth areas to improve the performance and reliability of the transport system. This will require working closely with our partners so these interventions are based on strong customer insights and aligned to the long-term strategic view of New Zealand's transport system. This work includes the final stages of the Roads of National Significance Programme, as well as targeted interventions such as the Auckland Transport Package and the Auckland Transport Alignment Project.

However, new infrastructure alone will not meet the demands being placed on the transport system. We need the ability to connect with customers and influence their travel choices. To do this, we will improve the tools we use to operate the transport system so we can react in real time to incidents and disruption by adjusting traffic flows remotely and communicating alternative routes to customers.

[2] Demand management is a generic classification for activities that encourage more efficient and sustainable travel and transport behaviour. Demand management aims to encourage motor vehicle users to use alternative means of transport when appropriate.

[3] Network optimisation aims to make better use of existing transport networks and services and considers transport demand for all modes of transport.

We also need to investigate ways to reduce the number of single-occupancy vehicles on the roads at peak times. For example, exploring alternative methods of pricing access to the transport system and investigating the practicality of implementing such a system in a way to improve customer experience. This work also involves promoting and providing viable alternatives to travelling to and from high-growth areas in personal vehicles.

SIGNIFICANT ACTIVITIES FOR 2017/18

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

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 (see appendix 1) (this includes the Roads of National Significance and Urban Cycleways Programmes).

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

CONNECT AND DEVELOP REGIONS

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

WHAT WE'RE AIMING FOR

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.

OUTCOME	MEASURE	KEY PERFORMANCE INDICATOR*	HISTORIC TREND	DESIRED TREND 2017/18
Improved regional and interregional transport system service quality for people, freight and business.	Network productivity	Index of network productivity	New indicator	– Maintain *Baseline 78.1*
		People and freight can move on key interregional routes at their same current speed and flow, halting the recent decrease in productivity caused by more vehicles using the road network.		
	Network accessibility	Index of the number of people found driving without a valid driver licence	Increasing	↓ Decrease *Baseline 4484*
		Fewer people in rural areas are driving without a valid driver licence, meaning they have safe access to social and economic opportunity.		
	Network travel time predictability	Index of travel time predictability	New indicator	– Maintain *Baseline 88.0*
		People and businesses retain their current ability to predict travel times on key interregional routes, allowing them to get to their destinations on time. This halts the recent decline in predictability caused by more vehicles using these routes.		
	Network resilience	Index of duration of observed closures on the state highway network	Variable	↓ Decrease *Baseline 1355*
		Our customers experience fewer delays from unplanned road closures, allowing them to reliably get to their destinations.		

* See appendix 3 for technical details.

HOW WE'LL GET THERE

Our work in the regions will support wider social and economic outcomes where transport has a significant role to play. Through existing and new partnerships, we will:

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

STEPS WE'LL TAKE THIS YEAR

For each region, we need to understand why and where customers are travelling to better inform our planning and investment in regional and interregional connections. We need to build collaborative relationships with local government and other stakeholders to better understand, align and optimise regional development opportunities for communities, businesses and tourists.

Our relationships with our investment partners will be robust, so we can effectively implement agreed strategies, plans and programmes to enhance regional development and wellbeing. We will play our part in the delivery of Regional Economic Development Action Plans. The resilience of interregional routes will also be a focus in the coming year and we will continue restoring State Highway 1 through Marlborough and North Canterbury as part of the Kaikōura Earthquake Response.

Together with our partners we will also deliver the regulatory change initiatives that are implemented regionally. Some of these initiatives will be tailored to regional communities and customers, particularly those facing significant social and economic challenges.

We will effectively and responsibly manage customer journeys through a whole-of-transport-system approach. This includes building effective partnerships and plans to co-manage our main customer journeys. The continued implementation of the One Network Road Classification will embed consistent service levels and aid the optimisation of road maintenance across regions.

SIGNIFICANT ACTIVITIES FOR 2017/18

3.1 Support and deliver our part of agreed Regional Economic Development Action Plans for:
- Northland
- Waikato
- Bay of Plenty
- Gisborne
- Hawke's Bay
- Taranaki
- Manawatū – Whanganui
- West Coast
- Canterbury
- Southland.

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 (see appendix 1).

3.4 Deliver significant capital projects to schedule (see appendix 1) (this includes the Accelerated Regional Roading Package).

KEEP PEOPLE SAFE

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

WHAT WE'RE AIMING FOR

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.

OUTCOME	MEASURE	KEY PERFORMANCE INDICATOR*	HISTORIC TREND	DESIRED TREND 2017/18
The land transport system is increasingly free from harms.	System safety	Index of deaths and serious injuries	Decreasing	↓ Decrease *Baseline 2738*
		Fewer people are killed or seriously injured using the land transport system by creating a system that is more forgiving of human error.		
	Environmental harm	Index of energy efficiency of road transport	Increasing	– Maintain *Baseline 6.88*
		Fuel consumption for the national fleet stays the same and minimises the environmental damage caused by road transport despite the national average edging higher in recent years.		

* See appendix 3 for technical details.

HOW WE'LL GET THERE

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 significantly 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.

STEPS WE'LL TAKE THIS YEAR

Reducing the transport system's harm to people and the environment requires us to strengthen our relationships across the public and private sectors to address these problems together. By using and sharing sector-wide data, especially customer insights, we will develop and design interventions to deliver safe mobility and improve our processes, policies and guidelines.

Our use of robust data will allow our interventions to be coordinated, predictive and targeted to risk. This evidence base will inform how and where we invest to reduce harm. It will also help improve our rail-safety capability to focus our efforts on the areas and activities of greatest risk.

We will continue to work with our partners to embed the Safe System approach and deliver the Safer Journeys Action Plan 2016–2020. This work includes designing, developing and delivering safety improvements to the road network. We will also continue to influence user behaviour through targeted safety messages.

Our goal of a transport system increasingly free from harms is being aided by the introduction of new technologies. We need to make sure vehicle certifications and standards facilitate, not hinder, the use of connected and automated vehicles. We will also continue to support the uptake of electric vehicles to reduce the negative impacts of vehicle emissions.

SIGNIFICANT ACTIVITIES FOR 2017/18

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.

IMPROVE CUSTOMER EXPERIENCES

Deliver innovative services and experiences that customers and citizens value

WHAT WE'RE AIMING FOR

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.

OUTCOME	MEASURE	KEY PERFORMANCE INDICATOR*	HISTORIC TREND	DESIRED TREND 2017/18
Customers trust us to deliver intuitive experiences that meet their needs and preferences.	Customer and citizen experience	Index of customer service quality	Increasing	↑ Increase *Baseline 63.0*
		Customers and citizens feel more satisfied with our services and performance, making it easy for them to get information and make the right decisions.		

* See appendix 3 for technical details.

HOW WE'LL GET THERE

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.

STEPS WE'LL TAKE THIS YEAR

To be truly customer focused we must think of the customer in every aspect of our work. This requires identifying our customers and what they need, so the impact of our work on customer experiences forms an important part of how we make decisions. We will use customer feedback, insights and metrics to ensure customer voices are present when investment and delivery decisions are made.

Making the transport system easy and intuitive to use will help make it safer and more predictable for customers, and it will reduce the headaches customers experience when interacting with us. This requires rethinking how we present information to customers, as well as how we design our services. We will make it easy for people and businesses to access and use information and services, preferably online, by re-orienting business processes and practices to align to customer needs and outcomes. We will enable people to legally, safely and efficiently use the transport system.

Our focus on customers and citizens extends to when we work with or deliver through partners. We need to make sure our service contracts measure performance based on customer experiences. We need to design and collaborate with our local government partners on a shared understanding of customer needs. We will work with and across local and central government to achieve wider outcomes for people, communities and businesses. This includes supporting initiatives in the government's Better Public Services and Business Growth Agenda programmes.

SIGNIFICANT ACTIVITIES FOR 2017/18

5.1 Contribute to all-of-government initiatives including:
- enabling customers to use the New Zealand Business Number to access services
- further enhancements to the drive.govt.nz website.

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

DELIVER CONNECTED JOURNEYS

Lead the integration of a digitally connected land transport system

WHAT WE'RE AIMING FOR

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.

OUTCOME	MEASURE	KEY PERFORMANCE INDICATOR*	HISTORIC TREND	DESIRED TREND 2017/18
Digital solutions enable easier journeys for customers.	Customer and citizen experience	Under development	Not applicable	Not applicable
		This indicator is under development.		

* See appendix 3 for technical details.

HOW WE'LL GET THERE

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.

STEPS WE'LL TAKE THIS YEAR

We will support, develop and maintain digital transport systems and platforms that aid the effective operation and use of the road network. Digital transport systems will also enable us to change the way we view and respond to planned and unplanned events on the roads. We will roll out a system that allows operations centres to respond more quickly to and be more aware of other events on the transport system across the country.

An important part of this focus area is creating a digital transport platform that allows us to connect with customers in new ways. For example, mobility as a service is a new approach to transport that combines journey options from many providers into a single mobile service (using an app) where customers can select and pay for all their journeys in one place and don't need to own a vehicle.

New technologies – in particular, connected and fully autonomous vehicles – are already being used in transport systems around the world. It's our job to make sure New Zealand can benefit from these technologies. We will actively facilitate, plan for and provide a receptive environment for emerging transport technology trials. This work will mean we are planning for and investing in a transport system that is fit for tomorrow.

SIGNIFICANT ACTIVITIES FOR 2017/18

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

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

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

ACHIEVE ORGANISATIONAL EXCELLENCE

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

WHAT WE'RE AIMING FOR

Through Achieve organisational excellence we aim to make sure we have the right people, capabilities and organisational services (technology, systems, policies and processes) to meet our needs and deliver our strategy.

OUTCOME	MEASURE	KEY PERFORMANCE INDICATOR*	HISTORIC TREND	DESIRED TREND 2017/18
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.	Organisational efficiency	Index of Performance Improvement Framework assessment ratings (efficiency)	New indicator	↑ Increase *Baseline 2.2*
		We improve how efficiently we use our resources to maximise the benefits we deliver to New Zealanders.		
	Value for money	Index of value-for-money maturity	New indicator	– Maintain *Baseline 3.0*
		Our ability to achieve value for money and demonstrate our responsible management of public finances stays the same as we change our internal structure, operating model and ways of working.		

* See appendix 3 for technical details.

HOW WE'LL GET THERE

We will work as an integrated agency to develop or acquire the right people, skills and tools so we can deliver and effectively communicate our strategy. 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.

STEPS WE'LL TAKE THIS YEAR

To deliver our new strategy, we need to improve the Transport Agency's tools, processes and capabilities. This begins with making sure we have the right people working on the right projects. We need to understand the skills required to meet the rapid changes in our operating environment and establish a plan to develop and reward these skills.

We need to modernise our enabling services and tools to deliver the agile, responsive and cost-effective workspaces, processes and tools our new strategy requires. The foundations of our information technology infrastructure need to be transformed to meet the increasing demands for connected, digital services. In the coming year, we will look to cloud-based computing solutions to support our development of cost-effective solutions for customers.

Our processes for engaging and communicating with stakeholders and customers will be consolidated so we are clearer and more consistent. These processes will stress our strategic direction and focus on enabling participation and co-creation. We will use a strong understanding of our stakeholders and partners to construct a clear plan to detail our engagement approaches.

The evidence we use to inform all of our decisions needs to be based on robust customer insights and data analytics. This requires a business intelligence platform that is trusted, easy to use and accessible to all staff. We need to refine the information we gather and review how we analyse and present it to decision-makers.

We also need to think differently about how we tackle entrenched problems in the transport system. We will create an innovation zone that will be a collaborative space where we bring together diverse groups from the public, private and academic sectors. These groups will rapidly brainstorm, prototype and implement solutions co-designed and tested with customers.

SIGNIFICANT ACTIVITIES FOR 2017/18

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

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

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

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

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

TRANSFORM THE TRANSPORT AGENCY

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

WHAT WE'RE AIMING FOR

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.

OUTCOME	MEASURE	KEY PERFORMANCE INDICATOR*	HISTORIC TREND	DESIRED TREND 2017/18
We have become a people-centred, strategy-led organisation that is supported by a robust strategy-to-action process.	Organisational effectiveness	Index of Performance Improvement Framework assessment ratings (effectiveness)	New indicator	↑ Increase *Baseline 2.7*
		We improve how effectively we use our resources to maximise the benefits we deliver to New Zealanders.		
	Organisational culture	Index of organisational culture	New indicator	↑ Increase *Baseline 61.0*
		Our people's ability to be ambassadors for our strategy, culture and operating model will improve, delivering benefits for our customers and stakeholders.		

* See appendix 3 for technical details.

HOW WE'LL GET THERE

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.

These organisational changes will require all parts of the agency to commit to a single plan to achieve our strategic outcomes, new approaches that incentivise the behaviours we value, and a new value-chain operating model that will influence the way we organise ourselves.

STEPS WE'LL TAKE THIS YEAR

To make the changes identified by our Performance Improvement Framework self-assessment and implement our new strategic direction we need to successfully transition to our new operating model and structure. This requires having the right systems, processes and care in place as we transition our people into the new structure, so they understand what is expected of them in their new roles and can deliver on our new strategy.

Becoming a strategy-led organisation requires new processes for strategy development, business planning, decision-making and resource allocation that ensure we have the right people and resources to continue to refine and deliver our strategy. Delivering a strategy-led business plan also requires us to work in the right way. We will implement a change programme to embed our new DNA: customer focus to deliver value, collaborate to achieve as one, and curious to cultivate innovation.

SIGNIFICANT ACTIVITIES FOR 2017/18

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

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

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

PERFORMANCE EXPECTATIONS FOR OUR OUTPUT CLASSES

This section sets out how we will measure our performance for our output classes (the activities that we deliver and invest in through the National Land Transport Fund) and shows their projected income and expenditure.

LICENSING AND REGULATORY COMPLIANCE

How it contributes to our focus areas

Licensing and regulatory compliance primarily contributes to the Keep people safe focus area outcome of a land transport system increasingly free from harms. This is achieved by reducing deaths and serious injuries through regulation of drivers, vehicles and commercial operators and the associated influence on drivers and driver behaviour. There is also a contribution to the Connect and develop regions focus area outcome of improved regional and interregional transport system service quality for people, freight and business through the support of freight supply chain and vehicle fleet efficiency.

What we do

Under this output class, the Transport Agency:

- develops land transport rules (under contract to the Ministry of Transport)
- develops clear and well-understood standards for:
  - vehicle inspection and certification
  - transport service licensing operations
  - rail safety operations
  - vocational driver licensing
- monitors and audits compliance with regulatory standards and requirements for vehicles, drivers, operators and transport systems providers
- provides ministerial services
- provides driver and transport operator (including rail operator) licensing and testing services
- maintains the driver licence register
- issues overdimension permits
- administers drug and alcohol assessments of drivers and operators
- provides licensing information and advice.

Funding is from fees and charges and from the Crown, including from Crown contracts for specific activities.

How we will assess our delivery performance*

MEASURE	ESTIMATED ACTUAL 2016/17	TARGET 2017/18
Unit transaction costs	$10.95	≤ $11
% of transactions completed online	40%	50%
% accuracy of registers	96%	≥ 93%
% of operational assurance activities completed	100%	100%
% of activities that are delivered to agreed standards and timeframes	90%	≥ 90%
Number of products or services delivered or processed†	6.3m	≥ 6.0m

How much it will cost‡

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
Income	95,577	96,464
Expenditure	96,415	97,676
Net surplus (deficit)	**(838)**	**(1,212)**

* See appendix 3 for technical details.

† Target is demand driven, which can be variable, and is set as a minimum standard.

‡ See pages 57–64 for full details on output class revenue and expenditure.

ROAD TOLLING

How it contributes to our focus areas

Road tolling contributes to the Connect and develop regions focus area outcome of improved regional and interregional transport system service quality for people, freight and business. The collection of fees from existing infrastructure allows for the investment in future infrastructure projects.

What we do

Under this output class, the Transport Agency:

- manages the tolling roadside and back office systems, customer interfaces and payment channels
- collects toll revenues and disbursements to the Crown
- provides information and advice to the public.

How we will assess our delivery performance*

MEASURE	ESTIMATED ACTUAL 2016/17	TARGET 2017/18
Unit transaction costs	$0.65	≤ $0.75
% revenue compliance	97%	≥ 98%
Number of products or services delivered or processed†	15m	≥ 13m

How much it will cost‡

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
Income	13,340	14,577
Expenditure	12,788	10,964
Net surplus (deficit)	**552**	**3,613**

* See appendix 3 for technical details.
† Target is demand driven, which can be variable, and is set as a minimum standard. Volume growth on current toll roads is slowing.
‡ See pages 57–64 for full details on output class revenue and expenditure.

MOTOR VEHICLE REGISTRY

How it contributes to our focus areas

Motor vehicle registry services contribute to the Keep people safe focus area outcome of a land transport system increasingly free from harms. When a vehicle is first registered into the New Zealand fleet, vehicle safety and environmental standards have to be met before the vehicle can be licensed for access to the road network. This helps to reduce deaths and serious injuries from road crashes and reduces adverse environmental effects.

What we do

Under this output class, the Transport Agency:

- operates the motor vehicle register
- delivers motor vehicle registration and licensing services
- collects and refunds registration and licensing revenue, which is paid to the National Land Transport Fund
- provides information and advice to the public.

How we will assess our delivery performance*

MEASURE	ESTIMATED ACTUAL 2016/17	TARGET 2017/18
Unit transaction costs	$5.50	≤ $6.00
% of transactions completed online	41%	≥ 45%
% accuracy of registers	95%	≥ 95%
% revenue compliance	99%	≥ 98%
Number of products or services delivered or processed†	10.3m	≥ 9.5m
% customer satisfaction	83%	85%

How much it will cost‡

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
Income	55,431	54,800
Expenditure	61,080	57,005
Net surplus (deficit)	**(5,649)**	**(2,205)**

* See appendix 3 for technical details.

† Target is demand driven, which can be variable, and is set as a minimum standard. High volumes in recent years were driven by an Accident Compensation Corporation levy change. Volumes are expected to drop in 2017/18.

‡ See pages 57–64 for full details on output class revenue and expenditure.

ROAD USER CHARGES COLLECTION, INVESTIGATION AND ENFORCEMENT

How it contributes to our focus areas

Road user charges (RUC) collection, investigation and enforcement contributes to the Connect and develop regions focus area outcome of improved regional and interregional transport system service quality for people, freight and business. The revenue from RUC is used for the National Land Transport Programme, so it supports Transport Agency investment in the land transport system.

What we do

Under this output class, the Transport Agency:

- collects revenue for the National Land Transport Fund through the sale of RUC licences for vehicles subject to RUC and refunds RUC
- investigates evasion of RUC and enforces payment of RUC
- provides information and advice to the public.

How we will assess our delivery performance*

MEASURE	ESTIMATED ACTUAL 2016/17	TARGET 2017/18
Unit transaction costs	$4.20	≤ $5.50
% of transactions completed online	59%	≥ 65%
Number of products or services delivered or processed†	3.8m	≥ 3m

How much it will cost‡

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
Income	16,103	17,300
Expenditure	17,679	17,502
Net surplus (deficit)	**(1,576)**	**(202)**

* See appendix 3 for technical details.
† Target is demand driven, which can be variable, and is set as a minimum standard. Volume growth is slowing.
‡ See pages 57–64 for full details on output class revenue and expenditure.

REFUND OF FUEL EXCISE DUTY

How it contributes to our focus areas

Refund of excise duty is a Transport Agency function performed on behalf of the Ministry of Transport. It is an adjunct to the collection of fuel excise duty and is provided for under the Land Transport Management Act 2003. This output makes no direct contribution to a Transport Agency focus area.

What we do

Under this output class, the Transport Agency records, refunds and accounts for fuel excise duty refund applications.

How we will assess our delivery performance*

MEASURE	ESTIMATED ACTUAL 2016/17	TARGET 2017/18
Average number of days to deliver†	20 days	≤ 20 days
Number of products or services delivered or processed†	> 67,000	≥ 130,000

How much it will cost‡

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
Income	1,223	823
Expenditure	1,223	823
Net surplus (deficit)	**0**	**0**

* See appendix 3 for technical details.
† The methodology for this measure has changed. See appendix 3 for more details.
‡ See pages 57–64 for full details on output class revenue and expenditure.

INVESTMENT MANAGEMENT

How it contributes to our focus areas

Investment management contributes to the Shape the land transport system outcome of transport sector decision-making, investment, regulatory and policy intervention based on a shared long-term view. It does this by providing greater certainty for regional land transport plans, infrastructure development and activity management, and investment in the New Zealand transport system. It also manages the National Land Transport Fund investments to maximise the overall benefit for New Zealand's transport system.

What we do

Under this output class, the Transport Agency invests in or influences (or both):

- the development and management of regional land transport plans
- the development and update of transport models
- the preparation and improvement of land transport activity management plans, regional public transport plans, road safety action plans and procurement strategies
- the preparation of programme business cases for land transport investments of approved organisations or for the state highway network
- land transport research.

The Transport Agency contributes to operating costs to:

- develop and manage the National Land Transport Programme efficiently
- develop a shared view of planning and investing with its investment partners
- provide policy advice to the government on policy frameworks.

How we will assess our delivery performance*

MEASURE	ESTIMATED ACTUAL 2016/17	TARGET 2017/18
Total cost of managing the funding allocation system as a % of the National Land Transport Programme expenditure	1%	≤ 1%
% of activities completed to agreed standards and timeframes (management of funding allocation system)	100%	100%
% of operational assurance activities completed	100%	100%
% of activities delivered to agreed standards and timeframes (transport planning)	90%	≥ 90%
% of activities delivered to agreed standards and timeframes (sector research)	100%	≥ 90%
Average number of days to deliver (approved organisations)†	18	≤ 20
% customer satisfaction (approved organisations and stakeholders)	Not applicable	New measure

How much it will cost‡

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
Income	64,621	62,241
Expenditure	64,621	62,241
Net surplus (deficit)	**0**	**0**

* See appendix 3 for technical details.

† The methodology of this measure has changed. The measure relates to the Transport Agency's response times to approved organisation funding requests. The target level is appropriate as performance is based on both council request timing and Transport Agency approval process.

‡ See pages 57–64 for full details on output class revenue and expenditure.

PUBLIC TRANSPORT

How it contributes to our focus areas

Public transport primarily contributes to the Target rapid growth outcome of improved customer experience of urban travel in high-growth urban areas. It does this by providing customers more ways to travel, easing urban congestion and making better use of existing transport system capacity. There is also a secondary contribution to the Keep people safe outcome of a land transport system increasingly free from harms. This occurs through the reduction in adverse environmental effects and reduction in deaths and serious injuries from road crashes

These contributions are supported by the administration of the SuperGold cardholders' scheme and enhanced public transport concessions for SuperGold cardholders output classes.

What we do

Under this output class, the Transport Agency and approved organisations (in conjunction with third parties and operators, where appropriate) invest in bus, ferry and rail public transport services, technology, facilities and infrastructure to achieve increased patronage with reduced reliance on subsidies. This includes investment in subsidised door-to-door transport for people with mobility impairments.

Rail infrastructure is generally excluded from this activity class as the intention is to fund this outside the National Land Transport Fund.

How we will assess service delivery performance*

See investment management on page 26.

How we will assess investment performance

MEASURE	ESTIMATED 2016/17	DESIRED TREND 2017/18
Number of passengers using urban public transport services (bus, train and ferry)	148.8m	≥ 148m
Fare revenue as a % of total expenditure	≥ 47%	≥ 48%
Change in productivity (costs per passenger kilometre) by:†		
Bus	$0.16/km	≤ $0.15/km
Train	$0.12/km	≤ $0.13/km
Ferry	$0.07/km	≤ $0.06/km
Change in productivity (costs per passenger kilometre) where available by peak and off-peak *Note: alternative measure used – change in productivity (cost per passenger boarding) by:†*	Not available	Decreasing
Bus	$1.30/km	Decreasing cost
Train	$3.13/km	Decreasing cost
Ferry	$0.97/km	Decreasing cost

How much it will cost‡

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
Income	339,400	335,744
Expenditure	339,400	335,744
Net surplus (deficit)	**0**	**0**

* See appendix 3 for technical details.

† The cost represents only the contribution from the National Land Transport Fund. See appendix 3 for more details.

‡ See pages 57–64 for full details on output class revenue and expenditure.

ADMINISTRATION OF THE SUPERGOLD CARDHOLDERS' SCHEME AND ENHANCED PUBLIC TRANSPORT CONCESSIONS FOR SUPERGOLD CARDHOLDERS

How it contributes to our focus areas

The SuperGold cardholders' concessionary fares scheme primarily contributes to the Target rapid growth outcome of improved customer experience of urban travel in high-growth urban areas. It does this by providing more transport mode choices for older people and improving the utilisation of public transport capacity during off-peak hours.

What we do

Under the first output class (administration of the SuperGold cardholders' scheme), the Transport Agency and regional councils administer the SuperGold cardholders' scheme. Under the second output class (enhanced public transport concessions for SuperGold cardholders), the Transport Agency funds regional councils to provide enhanced public transport concessions for SuperGold cardholders.

Both outputs are funded as specific projects by the Crown. The Transport Agency manages the SuperGold cardholders' scheme on behalf of the Ministry of Transport. The local authorities participating in the scheme are not all regional councils, but they are referred to here as 'regional councils' for simplicity.

How we will assess service delivery performance*

MEASURE	ESTIMATED ACTUAL 2016/17	TARGET 2017/18
Average number of days to deliver†	17.5	≤ 20
% of activities delivered to agreed standards and timeframes	100%	100%

How much it will cost‡

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
Income	28,415	29,415
Expenditure	28,415	29,415
Net surplus (deficit)	**0**	**0**

* See appendix 3 for technical details.

† The target level is appropriate as performance is based on both regional council claim timing and Transport Agency claim approval process and payment timing.

‡ See pages 57–64 for full details on output class revenue and expenditure.

WALKING AND CYCLING

How it contributes to our focus areas

Walking and cycling contributes primarily to the Target rapid growth outcome of improved customer experience of urban travel in high-growth urban areas. It does this by facilitating more transport choices in urban environments where walking or cycling is offered to the community. This contribution supports better use of transport capacity and relieves congestion. There is also a contribution to the Keep people safe focus area outcome of a land transport system increasingly free from harms. This occurs through the reduction of adverse environmental effects and the reduction of deaths and injuries from road crashes.

What we do

Under this output class, the Transport Agency invests in new and improved walking and cycling infrastructure for transport purposes, as well as community education and promotion activities. Walking and cycling facilities include cycle paths, cycle lanes, footpaths, facilities for crossing roads, shelters and bicycle-parking facilities.

New walking and cycling facilities that are a component of a roading improvement project are funded as part of investments to improve roading networks rather than through the walking and cycling activity class.

How we will assess our investment performance*

MEASURE	ESTIMATED 2016/17	DESIRED TREND 2017/18
Change in network kilometres of cycle lanes	50–80km	Increasing
% increase in cycling trip legs per person across Auckland, Wellington and Christchurch	Not available	Increasing

How much it will cost†

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
Income	85,400	126,680
Expenditure	85,400	126,680
Net surplus (deficit)	**0**	**0**

* See appendix 3 for technical details.
† See pages 57–64 for full details on output class revenue and expenditure.

ROAD SAFETY PROMOTION

How it contributes to our focus areas

Road safety promotion contributes to the Keep people safe focus area outcome of a land transport system increasingly free from harms. It does this by influencing the behaviour of drivers and other road users to reduce deaths and serious injuries from road crashes.

What we do

Under this output class, the Transport Agency manages and invests in activities that contribute to the safe, efficient and effective use of land transport networks and services, including road user advertising, education and information initiatives that contribute to the high and medium priority areas of the Safer Journeys strategy.

How we will assess service delivery performance*

MEASURE	ESTIMATED ACTUAL 2016/17	TARGET 2017/18
% of activities delivered to agreed standards and timeframes	100%	100%
% of road safety advertising campaigns that meet or exceed their agreed success criteria	75%	≥ 75%

How much it will cost†

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
Income	35,501	38,281
Expenditure	34,945	37,324
Net surplus (deficit)	**556**	**957**

* See appendix 3 for technical details.
† See pages 57–64 for full details on output class revenue and expenditure.

ROAD POLICING PROGRAMME

How it contributes to our focus areas

The Road Policing Programme primarily contributes to the Keep people safe focus area outcome of a land transport system increasingly free from harms. It does this through a reduction in deaths and serious injuries from road crashes by enforcing the laws that apply to road users. There is a secondary contribution to the Connect and develop regions focus area outcome of improved regional and interregional transport system service quality for people, freight and business. This occurs through the protection of the roading asset by enforcing the laws that apply to road users, which yields more efficient freight supply chains and improves the resilience and security of the transport network.

What we do

The Transport Agency prepares the Road Policing Programme and recommends it to the Minister of Transport for approval. The Transport Agency also monitors and reports on delivery of the programme.

The Road Policing Programme is funded through Vote Police, but the investment source is the National Land Transport Fund.

How we will assess service delivery performance*

See investment management on page 26.

How we will assess investment performance

AREA OF CONCERN	RESULTS TO WHICH NEW ZEALAND POLICE SIGNIFICANTLY CONTRIBUTES	DESIRED TREND
Vehicle dimension and mass (VDAM)	Number of VDAM offences detected	Decreasing
Commercial vehicle operators	% of overweight heavy vehicles	Decreasing
High risk drivers	Number of disqualified driving offences	Decreasing
	Number of unlicensed or incorrectly licensed driving offences	Decreasing
Traffic management	Time to reinstate traffic flow after road or carriageway closure or crash	Decreasing
	% of local authorities, Transport Agency and Accident Compensation Corporation injury prevention consultants satisfied that New Zealand Police delivery of traffic management activities has addressed risk	Increasing
Speed	% of vehicles complying with open road 100km/h speed limits	Increasing
	% of vehicles complying with urban road 50km/h speed limits	Increasing
	% of heavy vehicles complying with open road 90km/h speed limits	Increasing
	% of heavy vehicles complying with urban road 50km/h speed limits	Increasing
	% of vehicles exceeding speed limits by 1–10km/h	Decreasing
	% of respondents who agree that enforcing the speed limit lowers the road toll	Increasing
Young drivers	% of youth (15-24 years) with the expectation that the risk of being caught drink driving is small	Decreasing
	% of youth (15–24 years) with the expectation that the risk of being caught speeding is small	Decreasing
Alcohol	Number of alcohol-impaired driving offences	Decreasing
	% of respondents who agree there is a good chance of being stopped at an alcohol checkpoint if driving late at night	Increasing

AREA OF CONCERN	RESULTS TO WHICH NEW ZEALAND POLICE SIGNIFICANTLY CONTRIBUTES	DESIRED TREND
Walking and cycling	% of vehicles complying with urban road (50km/h) speed limits	Increasing
	Number per 100,000 population of pedestrians and cyclists killed or seriously injured enough to be hospitalised for longer than one day	Decreasing
Motorcycles	Number of motorcycle warrant of fitness offences	Decreasing
Light vehicles	Number of light vehicle warrant of fitness offences	Decreasing
Restraints	% of adults wearing safety belts in front seats	Increasing
	% of adults wearing safety belts in rear seats	Increasing
	% of children aged 5–9 using restraints (including booster seats, child seats and child harnesses)	Increasing
	% of children aged 0–5 using child restraints	Increasing
Older road users	Fatal and serious injuries to older road users per 100,000 population	Decreasing
Crash reporting	% of fatal traffic crash reports received within 10 weeks	Increasing
	% of serious injury traffic crash reports received within 10 weeks	Increasing
	% of minor injury traffic crash reports received within 10 weeks	Increasing
	% of non-injury traffic crash reports received within 10 weeks	Increasing

How much it will cost†

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
Expenditure	334,000	322,000
Net surplus (deficit)	**0**	**0**

* See appendix 3 for technical details.
† See pages 57–64 for full details on output class revenue and expenditure.

LOCAL ROAD IMPROVEMENTS

How it contributes to our focus areas

Local road improvements contribute to the Connect and develop regions focus area outcome of improved regional and interregional transport system service quality for people, freight and business, as well as the Target rapid growth outcome of improved customer experience of urban travel in high-growth urban areas. It makes these contributions by improving the efficiency of freight supply chains, increasing the resilience and security of the local road network and easing severe congestion. This has a consequential contribution to the Keep people safe focus area outcome of a land transport system increasingly free from harms by reducing deaths and serious injuries from road crashes.

What we do

Under this output class, the Transport Agency, in conjunction with approved organisations, invests in local road improvements, including new roads, seal extensions, new traffic management facilities and the replacement of bridges and other structures.

How we will assess service delivery performance*

See investment management on page 26.

How we will assess our investment performance

MEASURE	ESTIMATED 2016/17	DESIRED TREND 2017/18
Change in travel times on key local roads serving major metropolitan areas:		Maintaining
Auckland	2.5	2.5
Wellington	1.9	1.9
Christchurch	2.7	2.7
Change in the productivity of the local road network in major metropolitan areas	Not available	Increasing
Change in the % of local roads made available to high productivity motor vehicles *Note: alternative measure used – % of approved organisations signed up to the 50MAX network.*	90%	≥ 90%

How much it will cost†

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
Income	161,400	157,000
Expenditure	161,400	157,000
Net surplus (deficit)	**0**	**0**

* See appendix 3 for technical details.
† See pages 57–64 for full details on output class revenue and expenditure.

LOCAL ROAD MAINTENANCE

How it contributes to our focus areas

Local road maintenance contributes to the Connect and develop regions focus area outcome of improved regional and interregional transport system service quality for people, freight and business, as well as the Target rapid growth outcome of improved customer experience of urban travel in high-growth urban areas. It does this by ensuring that the existing network can endure the impacts of use through the sound management of maintenance activities and of the operation of the network. Ensuring that surface condition standards are maintained and effectively managing traffic flow and incidences have broad impacts, including better use of transport capacity, improved network resilience and security, freight supply chain efficiency, lower urban congestion and a reduced risk of road crashes.

What we do

Under this output class, the Transport Agency invests, in conjunction with investment from approved organisations, in local road maintenance and operations, including the maintenance of pavements, structures, drains, and traffic services.

How we will assess our investment performance*

MEASURE	ESTIMATED 2016/17	DESIRED TREND 2017/18
Pavement integrity of the sealed network	94	≥ 94
Surface condition of the sealed network	98	≥ 97
Smooth ride: % of travel on smooth roads	84%	≥ 86%
Change in local road maintenance cost per lane kilometre expenditure by road classification	Approx $3,000	≤ $3,000

How much it will cost†

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
Income	601,000	580,000
Expenditure	601,000	580,000
Net surplus (deficit)	**0**	**0**

* See appendix 3 for technical details.
† See pages 57–64 for full details on output class revenue and expenditure.

REGIONAL IMPROVEMENTS

How it contributes to our focus areas

Regional improvements contribute to the Connect and develop regions focus area outcome of improved regional and interregional transport system service quality for people, freight and business. It does this by maintaining the resilience and security of the whole road network, ensuring efficient and reliable freight supply chains and easing the risk of road crashes.

What we do

Under this output class, the Transport Agency plans and invests in regionally important state highway and local road projects (outside the main metropolitan areas) that address regional safety, resilience or economic productivity through the movement of freight and tourists.

How we will assess service delivery performance*

See investment management on page 26.

How we will assess investment performance†

MEASURE	ESTIMATED 2016/17	DESIRED TREND 2017/18
Change in kilometres of improved regional roading	331km	Increasing
Change in kilometres available to high productivity motor vehicles on key regional routes	5,392km	Increasing
% of activities delivered to agreed standards and timeframes	≥ 90%	≥ 90%

How much it will cost†

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
Income	87,000	138,000
Expenditure	87,000	138,000
Net surplus (deficit)	**0**	**0**

* See appendix 3 for technical details.
† See pages 57–64 for full details on output class revenue and expenditure.

STATE HIGHWAY IMPROVEMENTS

How it contributes to our focus areas

State highway improvements contributes to the Connect and develop regions focus area outcome of improved regional and interregional transport system service quality for people, freight and business, as well as the Target rapid growth outcome of improved customer experience of urban travel in high-growth urban areas. It does this through capital investment in the state highway network, which contributes to more efficient freight supply chains, a resilient and secure transport system and less congestion in urban areas. This has a consequential contribution to the Keep people safe focus area outcome of a land transport system increasingly free from harms by reducing deaths and serious injuries from road crashes.

What we do

Under this output class, the Transport Agency manages and invests in state highway network infrastructure to reduce the number and severity of crashes and improve the time and reliability of travel between destinations connected by the network. The Transport Agency does this in socially and environmentally responsible ways.

How we will assess service delivery performance*

MEASURE	ESTIMATED ACTUAL 2016/17	TARGET 2017/18
% of activities delivered to agreed standards and timeframes	≥ 90%	≥ 90%

How we will assess our investment performance

MEASURE	ESTIMATED 2016/17	DESIRED TREND 2017/18
Change in travel times on key state highways serving major metropolitan areas†		Maintaining
Auckland	1.1	1.1
Wellington	1.4	1.4
Christchurch	1.2	1.2
Change in productivity of the state highway network in major metropolitan areas (morning peak)		Maintaining
Auckland	62%	≥ 62%
Wellington	63%	≥ 63%
Christchurch	35%	≥ 35%
Change in the % of state highways available to high productivity motor vehicles	45%	≥ 45%

How much it will cost‡

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
Income	1,570,325	1,862,257
Expenditure	1,570,325	1,862,257
Net surplus (deficit)	**0**	**0**

* See appendix 3 for technical details.

† Measures represent average travel time per kilometre travelled. For example, a change of 0.1 between years would represent an increase of six seconds per kilometre travelled.

‡ See pages 57–64 for full details on output class revenue and expenditure.

STATE HIGHWAY MAINTENANCE

How it contributes to our focus areas

State highway maintenance contributes to the Connect and develop regions focus area outcome of improved regional and interregional transport system service quality for people, freight and business, as well as the Target rapid growth outcome of improved customer experience of urban travel in high-growth urban areas. It does this through contributing to maintaining the resilience and security of the state highway network, ensuring efficient and reliable freight supply chains, easing congestion and reducing the risk of road crashes. This is achieved by ensuring that the established state highway network asset condition is sustained by an ongoing capital investment programme.

What we do

Under this output class, the Transport Agency manages and invests in the maintenance and operation of the state highway network infrastructure to ensure that it is in as safe a condition as possible and provides a reliable travel journey for customers. The infrastructure is maintained to meet skid resistance and rutting standards and to ensure interventions occur at the optimal time to reduce exposure to future maintenance costs arising from wear and tear on our roads.

How we will assess service delivery performance*

MEASURE	ESTIMATED ACTUAL 2016/17	TARGET 2017/18
% of activities delivered to agreed standards and timeframes	≥ 90%	≥ 90%
Safe stopping: % of network meeting surface texture standards	≥ 98%	≥ 98%
Network resilience: % of rutting ≥ 20mm over state highway network	3%	3%
Safe stopping: % of network above skid threshold	≥ 98%	≥ 98%
Smooth ride: % of travel on network classed as smooth	≥ 97%	≥ 97%
Availability of state highway network: % of unplanned road closures resolved within 12 hours	85%	≥ 90%
% customer satisfaction	> 50%	≥ 50%

How we will assess our investment performance

MEASURE	ESTIMATED 2016/17	DESIRED TREND 2017/18
Surface condition of the sealed network	Not applicable	New measure
Smooth ride: % of travel on smooth roads	98%	≥ 98%
Change in state highway maintenance cost per lane kilometre expenditure by road classification	< $21,400	≤ $21,400

How much it will cost†

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
Income	623,000	921,000
Expenditure	623,000	921,000
Net surplus (deficit)	**0**	**0**

* See appendix 3 for technical details.
† See pages 57–64 for full details on output class revenue and expenditure.

PROSPECTIVE FINANCIAL STATEMENTS

This section provides forecast financial statements for the:

NZ TRANSPORT AGENCY

FINANCIAL OVERVIEW

We have budgeted revenue of $11.0 billion for 2015–18 to fund:

- **Land transport** – $10.0 billion, which includes our investment in the state highway network and funding we provide to approved organisations for the delivery of services. We will be investing $4.5 billion in new capital across the state highway network, as well as maintaining our assets with $1.1 billion of expenditure.
- **NZ Transport Agency operating activities** – $1 billion, which includes activities that the Transport Agency is accountable for and delivers in-house or contracts out.

FUNDING SOURCES AND EXPENDITURE 2015–18

FUNDING SOURCES		OPERATING AND CAPITAL EXPENDITURE						
		Land transport funding			Transport Agency operating activities			
		PLANNING & INVESTING IN LAND TRANSPORT	MANAGING THE STATE HIGHWAY NETWORK	SPECIFIC CROWN PROJECTS	ACCESS TO & USE OF LAND TRANSPORT	PLANNING & INVESTING IN LAND TRANSPORT	MANAGING THE STATE HIGHWAY NETWORK	SPECIFIC CROWN PROJECTS
Funding from the National Land Transport Fund	Operating $6,276.4m Capital $2,979.6m	$3,344.4m	$1,119.2m $4,461.4m		$16.2m	$236.3m	$68.4m $117.5m	
Revenue from other activities	Operating $665.6m				$527.9m	$4.4m	$4.2m	
Funding from the Crown	Operating $351.0m Capital $333.4m Borrowing $338.0m			$338.3m $332.9m $338.0m	$13.5m	$4.9m		$0.5m
Totals	$10,944.0m	$3,344.4m	$5,580.6m	$1,009.2m	$557.6m	$245.6m	$190.1m	$0.5m
		Total $9,934.2m			**Total $993.8m**			

NZ TRANSPORT AGENCY OPERATING ACTIVITIES

This table shows the Transport Agency's total expenditure from its operating activities.

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
Personnel costs	100,095	104,202
Operating expenses	190,643	180,674
Depreciation and amortisation expense	11,800	13,460
TOTAL EXPENDITURE	**302,538**	**298,336**
Additional capitalised operating expenses	38,213	37,505
NZ TRANSPORT AGENCY EXPENDITURE	**340,751**	**335,841**

MANAGING OUR ASSETS

Each year the Transport Agency prepares a capital programme to ensure it has the infrastructure required to fulfil its functions. The budget set aside for 2017/18, not including state highway network activities, is set out below.

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
Computer hardware	2,740	3,410
Computer software	9,130	9,200
Leasehold improvements	625	0
Furniture and fittings	55	0
Office, plant and equipment	18	0
Motor vehicles	120	0
TOTAL	**12,688**	**12,610**

The focus of the capital programme is on upgrading our technology and making improvements to business critical systems and applications.

From an infrastructure perspective, the assets purchased primarily relate to the replacement of assets that have exceeded their useful life or, in the case of computer equipment and furniture, are part of a planned replacement programme.

OTHER FEES AND CHARGES FUNDED ACTIVITIES

Memorandum accounts are notional accounts that record the accumulated balance of surpluses and deficits incurred for third party funded outputs operating on a full cost recovery basis.

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
Customer licensing activities*	6,645	4,073
Road user charges collection	1,839	1,869
Vehicle standards compliance activities†	2,582	2,483
TOTAL MEMORANDUM ACCOUNT – OTHER FEES/CHARGES	**11,066**	**8,425**

* Includes one negative projected memorandum account balance as at 30 June 2018 (2017: one).

† Includes two negative projected memorandum account balances as at 30 June 2018 (2017: one).

All memorandum accounts areas are reviewed to ensure costs are aligned with fee revenue with the longer-term aim of balancing each of these. Until these reviews are fully completed, some memorandum accounts will continue to forecast negative balances.

LAND TRANSPORT FUNDING

The Transport Agency develops the three-year National Land Transport Programme (NLTP) based on the policy direction in the Land Transport Management Act 2003, the Government Policy Statement on Land Transport and regional priorities. The table below shows the activity classes that are funded from the NLTP and associated activities funded from the Crown. The investment in land transport is net of the expenditure on new and renewal of state highways, which is capitalised, and the Transport Agency operating expenditure, which is separately shown in the statement of comprehensive revenue and expense.

The three-year NLTP period covers 2015 to 2018. The budget for each year depends on the portion of the programme that is delivered in the previous years. The investment in local roads and public transport is the NLTP contribution only and does not include the significant contribution from local authorities.

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
Investment management	64,621	62,241
Public transport	339,400	335,744
Walking and cycling	54,400	71,137
Road safety promotion	33,400	35,367
Local road improvements	161,400	157,000
Local roads maintenance	593,742	591,848
Reinstatement of earthquake damaged roads in Christchurch*	6,000	0
Regional improvements	87,000	138,000
State highway improvements	1,184,500	1,153,500
Kaikōura Earthquake Response	0	120,000
Auckland Transport Package*	124,000	70,000
Public private partnerships	199,992	463,330
State highway maintenance	553,012	593,788
Interest and finance costs	24,791	33,779
TOTAL NLTP EXPENDITURE	**3,426,258**	**3,825,734**
ACTIVITIES FUNDED ON BEHALF OF THE CROWN		
SuperGold card administration and public transport concessions	28,320	29,320
Urban cycleways	31,000	55,543
Kaikōura Earthquake Response – operating	69,000	98,000
Kaikōura Earthquake Response – capital	0	227,000
Accelerated Regional Roading Programme	38,300	24,800
Activities funded on behalf of the Crown	166,620	434,663
	3,592,878	4,260,397
Less capital expenditure	(1,804,584)	(2,386,203)
Less Transport Agency operating activities funded from the NLTP	(110,725)	(110,102)
Less interest and finance costs	(24,791)	(33,779)
TOTAL LAND TRANSPORT FUNDING	**1,652,778**	**1,730,313**

* Funded by Crown loans.

PROSPECTIVE FINANCIAL STATEMENTS

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDING 30 JUNE

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
REVENUE		
Funding from the Crown	129,537	181,734
Funding from the National Land Transport Fund	2,039,240	2,209,822
Revenue from other activities	196,375	205,623
Assets vested from local authorities	51,000	0
Total revenue	2,416,152	2,597,179
EXPENSE		
Personnel costs	100,095	104,202
Operating expenses	190,643	180,674
Land transport funding	1,652,778	1,730,313
Interest and finance costs	24,791	33,779
Depreciation and amortisation expense	441,800	448,460
State highway asset write-off	13,000	10,000
Assets vested to local authorities	0	88,800
Total expense	2,423,107	2,596,228
SURPLUS/(DEFICIT)	**(6,955)**	**951**
OTHER COMPREHENSIVE REVENUE AND EXPENSE		
Gain/(loss) state highway network revaluations	543,000	560,000
Net movement in cash flow hedges	100,543	5,416
Total other comprehensive revenue and expense	643,543	565,416
TOTAL COMPREHENSIVE REVENUE AND EXPENSE	**636,588**	**566,367**

PROSPECTIVE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
ASSETS		
Current assets		
Cash and cash equivalents	50,000	50,000
Debtor National Land Transport Fund	319,806	356,287
Debtor Crown	20,082	27,400
Receivables	91,630	93,450
Property assets held for sale	40,000	70,000
Other current assets	1,100	1,100
Total current assets	522,618	598,237
Non-current assets		
Debtor National Land Transport Fund	1,003,451	1,475,544
Property, plant and equipment	23,960	21,878
State highway network	33,586,438	35,444,482
Public-private partnership assets	545,504	1,014,250
Intangible assets	34,298	35,530
Loans and advances	1,400	1,400
Derivative financial asset	12,098	11,554
Total non-current assets	35,207,149	38,004,638
TOTAL ASSETS	**35,729,767**	**38,602,875**
LIABILITIES		
Current liabilities		
Payables	382,757	399,078
Tolling funds held in trust	3,000	3,000
Employee entitlements	9,000	9,000
Borrowing	15,000	47,000
Total current liabilities	409,757	458,078
Non-current liabilities		
Payables	100	100
Public-private partnership liabilities	545,504	1,014,250
Employee entitlements	4,000	4,000
Borrowing	346,385	356,460
Derivative financial liability	112,432	106,158
Total non-current liabilities	1,008,421	1,480,968
TOTAL LIABILITIES	**1,418,178**	**1,939,046**
NET ASSETS	**34,311,589**	**36,663,829**
EQUITY		
General funds	5,606	5,606
Retained funds	18,296	16,388
Memorandum account – other fees and charges	11,066	8,425
Equity derived from the state highway network	34,307,941	36,659,314
Cash flow hedge reserve	(31,320)	(25,904)
TOTAL EQUITY	**34,311,589**	**36,663,829**

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 30 JUNE

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
EQUITY – OPENING BALANCES		
General funds	5,606	5,606
Retained funds	22,865	18,296
Memorandum account – other fees and charges	18,952	11,066
Equity derived from the state highway network	32,389,597	34,307,941
Cash flow hedge reserve	(131,863)	(31,320)
Total equity – opening balance	32,305,157	34,311,589
CHANGES IN EQUITY		
Equity movements		
Retained funds	(1,375,344)	(1,791,373)
Equity derived from the state highway network	1,375,344	1,791,373
	0	0
Total comprehensive revenue and expense for the year		
Retained funds	931	3,592
Memorandum account – other fees and charges	(7,886)	(2,641)
Surplus/(deficit)	(6,955)	951
State highway network revaluations	543,000	560,000
Movement in cash flow hedges	100,543	5,416
	636,588	566,367
Capital funding		
Crown	42,300	257,800
National Land Transport Programme	1,327,544	1,528,073
	1,369,844	1,785,873
Total changes in equity	2,006,432	2,352,240
EQUITY – CLOSING BALANCES		
General funds	5,606	5,606
Retained funds	18,296	16,388
Memorandum account – other fees and charges	11,066	8,425
Equity derived from the state highway network	34,307,941	36,659,314
Cash flow hedge reserve	(31,320)	(25,904)
TOTAL EQUITY – CLOSING BALANCES	**34,311,589**	**36,663,829**

PROSPECTIVE STATEMENT OF CASH FLOWS FOR THE YEAR ENDING 30 JUNE

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from the Crown	122,667	174,416
Receipts from the National Land Transport Fund	2,212,062	2,131,212
Receipts from other revenue	172,667	179,004
Payments to suppliers	(1,835,385)	(1,884,666)
Payments to employees	(101,362)	(104,202)
Goods & services tax (net)	(21,753)	(10,000)
Net cash from operating activities	548,896	485,764
CASH FLOWS FROM INVESTING ACTIVITIES		
National Land Transport Fund receipts from sale of state highway held properties	42,740	51,530
Purchase of property, plant and equipment	(3,558)	(3,410)
Purchase of intangible assets	(9,130)	(9,200)
Investment in the state highway network	(1,612,632)	(1,913,373)
Loans and advances	58	0
Net cash from investing activities	(1,582,522)	(1,874,453)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution from the Crown	42,300	257,800
Capital contribution from the National Land Transport Fund	838,775	1,083,543
Receipts from borrowing	131,000	70,000
Repayment of borrowing	0	(15,000)
Interest paid on borrowing	(5,500)	(7,654)
Net cash from financing activities	1,006,575	1,388,689
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(27,051)**	**0**
Cash and cash equivalents at the beginning of the year	77,051	50,000
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**50,000**	**50,000**

NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS

PROSPECTIVE FINANCIAL STATEMENTS AND ASSUMPTIONS

Use of information contained in these prospective financial statements

These prospective financial statements have been prepared in accordance with the Crown Entities Act 2004 for the purpose of providing information on the Transport Agency's future operating intentions and financial position, against which it must report and be formally audited at the end of the financial year.

The information in these financial statements might not be appropriate for purposes other than those described.

The Transport Agency has complied with financial reporting standard PBE FRS 42 *Prospective Financial Statements* in the preparation of these prospective financial statements.

These prospective financial statements are based on significant financial assumptions as to future events that the Transport Agency reasonably expects to occur at the time this information was prepared. Any changes to these assumptions during the year will not be reflected in these financial statements.

The reader of this report should note that no actual operating results are contained in these prospective financial statements. Actual results achieved for the forecast periods are likely to vary from the information presented and some variations might be material. The Transport Agency does not intend to update the prospective financial statements subsequent to publication.

Statement of significant underlying assumptions

The Transport Agency has made assumptions in preparing the prospective financial statements. The most significant of these are outlined below.

Funding from the National Land Transport Fund	Funding from the National Land Transport Fund (NLTF) is based on the expenditure programme in the National Land Transport Programme (NLTP), assuming sufficient funding is available for the NLTP. Further assumptions on the funding from the NLTF are defined in the NLTF prospective financial statements.
Fees and charges	Forecast revenue (and associated costs) is driven by volume projections with most significant assumption being a continued increase in volumes for driver testing, licensing and road user charges. No fee review impacts have been taken into account.
Personnel costs	The forecast costs assume the current organisational structure will be in place throughout the period. Remuneration increases are expected to be minimal, with any increases being absorbed through operating efficiencies. The forecast assumes that the impact of the new operating model will be accommodated in the current funding levels.
Expenditure – regulatory activities	The forecast cost for regulatory activities is driven mainly by volumes. The main assumption regarding volumes is the continued projected increase in driver testing, licensing and road user charges. The average cost per transaction is assumed to remain constant from 2017/18.
Expenditure – NLTP	The Transport Agency has developed a 2015–18 National Land Transport Programme. The expenditure for 2017/18 is most likely to change depending on the progress of the programme.
Core infrastructure and business initiatives	Core infrastructure and business initiatives have been forecast into 2017/18.
Capital	The Transport Agency is undertaking a programme of capital spending aimed at improving and renewing the state highway network. Projected costs and timing of expenditure are based on project plans and quotations current when these forecasts were prepared. Capital programmes that are accelerated and funded by loans and public-private partnerships are recognised as capital contributions as the projected expenditure are incurred. This assumption is dependent on the NLTF generating sufficient revenue in future.
Asset revaluations	The state highway network is revalued annually in line with the information provided by valuers. These valuations are dependent on changes in the value of the land, properties and asset components of the state highway network.
Cash flow hedge reserve	The derivative financial instruments, designated as hedging instruments, are valued semi-annually using a valuation technique. Valuation assumes that the hedging relationship will be highly effective with changes on the instruments' fair value being recognised substantially in cash flow hedge reserve.
Opening equity	Estimated opening equity assumes 2016/17 total comprehensive revenue and expense of $636.6 million. This impacts on estimated amounts of cash in hand and net assets.
Kaikōura earthquake	The impacts of the Kaikōura Earthquake Response include reinstatement of damaged roads and improvements. The forecast cost estimate for clean-up, reinstating access to roads and minor repairs are treated as operating expenses. Major repairs and improvements to the roads are treated as capital expenditure. Judgement has been applied to segregate components of operating from capital expenditure. The projected costs do not include contingencies. The projected 2016/17 financials also includes state highway asset write off for existing roads that are to be abandoned because of intended road realignment. There is also impairment charged to the state highway network revaluation for partly damaged assets.
Output class expenditure	The forecast costs assume the current organisational structure and operating model. The Transport Agency's new operating model is forecast to be accommodated within the current funding levels, however there might be a reallocation of expenditure between the output classes.

KEY ISSUES IMPACTING ON BUDGET

Estimates of appropriations for the year ending 30 June 2018

This table shows the funding the Transport Agency receives from the government as disclosed in the *Estimates of appropriations* and the movements to the revenue published in the *Statement of performance expectations 2017/18* (SPE).

OUTPUT CLASS	APPROPRIATIONS 2017/18 $000	FUNDING MOVEMENTS $000	SPE 2017/18 $000
Investment management	56,430	1,626	58,056
Public transport	332,000	3,744	335,744
Walking and cycling	61,000	137	61,137
Road safety promotion	36,000	(1,633)	34,367
Local road improvements	157,000	0	157,000
Local roads maintenance	596,000	(1,000)	595,000
State highway improvements	442,550	89,506	532,056
State highway maintenance	385,787	38,753	424,540
National Land Transport Programme (PLA)*	2,066,767	131,133	2,197,900
State highway improvements	868,977	(300,807)	568,170
Kaikōura Earthquake Response	0	120,000	120,000
State highway maintenance	154,163	0	154,163
Regional improvements	122,000	16,000	138,000
Investment management	3,410	0	3,410
Walking and cycling	10,000	0	10,000
Road safety promotion	1,000	0	1,000
Auckland Transport Package†	116,000	(46,000)	70,000
Public-private partnerships‡	0	463,330	463,330
National Land Transport Programme – State highway renewals and improvements (PLA)*	1,275,550	252,523	1,528,073
Licensing and regulatory compliance	3,098	0	3,098
Road user charges collection, investigation and enforcement	4,229	0	4,229
Refund of fuel excise duty	823	0	823
Investment management (crash analysis system)	775	0	775
SuperGold card administration and public transport concessions	29,415	0	29,415
Urban cycleways	55,543	0	55,543
Kaikōura Earthquake Response – operating	98,000	0	98,000
Kaikōura Earthquake Response – capital	227,000	0	227,000
Accelerated Regional Roading Programme	35,700	(10,900)	24,800
Crown funded	454,583	(10,900)	443,683
TOTAL	**3,796,900**	**372,756**	**4,169,656**

* PLA – Permanent legislative authority

† Funded by Crown loans.

‡ This will be paid by National Land Transport Fund in the next 4 to 25 years.

STATEMENT OF ACCOUNTING POLICIES

Reporting entity

The Transport Agency is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled and operates in New Zealand. The relevant legislation governing the Transport Agency's operations includes the Crown Entities Act 2004 and the Land Transport Management Act 2003. The Transport Agency's ultimate parent is the New Zealand Crown.

The Transport Agency's primary objective is to provide services to the New Zealand public. Its purpose is to deliver effective, efficient, safe, responsible and resilient transport solutions that support a thriving New Zealand. The Transport Agency does not operate to make a financial return.

The Transport Agency is designated as a public benefit entity (PBE) for financial reporting purposes.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements of the Transport Agency have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Financial Reporting Act 2013. They comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars, and all values are rounded to the nearest thousand dollars ($000) unless stated otherwise.

Standards issued and not yet effective

The Transport Agency has adopted all standards, amendments and interpretations to existing standards that have been published and are mandatory for its accounting periods beginning on 1 July 2017. The Transport Agency was not an early adopter of standards that were not yet effective as at 1 July 2017.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Funding from the Crown and the National Land Transport Fund

The Transport Agency is primarily funded through revenue received from the Crown and the National Land Transport Fund, which is restricted in its use for the purpose of the Transport Agency meeting its objectives as specified in the *Statement of performance expectations 2017/18*.

Funding from the Crown and the National Land Transport Fund is recognised as revenue when earned and is reported in the financial period to which it relates.

Interest

Interest revenue is recognised in the surplus or deficit using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.

Rental revenue

Lease receipts under an operating sublease are recognised as revenue on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs are recognised as an expense in the financial year in which they are incurred.

Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars (the functional currency) using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Financial assets

Financial assets are classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables include (a) debtors and other receivables and (b) cash and cash equivalents in the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Debtors and receivables

Debtors and receivables are recognised initially at fair value, less any provision for impairment.

A receivable is considered impaired when there is evidence that the Transport Agency will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of amounts expected to be collected.

Property assets held for sale

Property assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Property assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of property assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Property assets held for sale (including those that are part of a disposal group) are not depreciated while they are classified as held for sale.

Property, plant and equipment

Property, plant and equipment consist of the following asset classes: leasehold improvements, furniture and fittings, plant and office equipment, and motor vehicles.

Property, plant and equipment are measured at cost, less any accumulated depreciation and impairment losses.

Additions and subsequent costs

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Transport Agency and the cost of the item can be measured reliably.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Transport Agency and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.

State highway network

Valuation

State highways are valued at depreciated replacement cost based on the estimated present cost of constructing the existing assets by the most appropriate method of construction, reduced by factors for the age and condition of the asset. Land associated with the state highway is valued using an opportunity cost based on adjacent use, as an approximation to fair value. Borrowing costs have not been capitalised.

A cyclical basis is now being used so that each region is revalued at an interval not exceeding three and a half years. Those regions that are not subject to full revaluation in a particular year will be subject to a valuation update through the use of price indices.

A revaluation surplus arising on revaluation of state highway is recorded in other comprehensive revenue and expense and credited to the revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same class of asset previously recognised in surplus or deficit, the increase is recognised in surplus or deficit. A revaluation deficit is recognised in the surplus or deficit, except to the extent that it offsets an existing surplus on the same asset class recognised in the revaluation reserve.

An allowance is made in the valuation for brownfield costs. Brownfield cost is a generic term for the additional costs of constructing in a particular location because of the increased intensity of surrounding land use compared with the cost of constructing in a vacant greenfield situation. A major component of brownfield costs are one-off costs necessary to make the land freely available to build the state highway and are not part of the physical construction cost. They include capital works relating to relocation and refurbishment of assets owned by other parties, work to protect the privacy and environment of adjoining properties, and compensation to landowners.

Other components of brownfield cost result from the increased constraints or requirements imposed when constructing in an already developed location. Examples include increased traffic management and security, limitations on available contractor areas for storage, parking, buildings and general operations, noise and dust limitations and restricted hours of work.

Additions and subsequent costs

The cost of constructing the state highway network is recognised as an asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Transport Agency and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the surplus or deficit during the financial period in which they are incurred.

Disposals

Gains and losses on disposals are determined being the difference between the net proceeds and the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When revalued assets are sold, the amounts included in the asset revaluation reserve in respect of those assets are transferred to equity.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment and state highway network assets other than land, held properties, formation and the sub-base component of pavement (base), at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

The state highway network assets are depreciated based on revalued carrying amount of the asset.

Depreciation expense is recognised in the surplus or deficit.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

ASSETS	USEFUL LIFE (YEARS)	DEPRECIATION RATE (%)
State highways – pavement (base)	50	2.0
State highways – pavement (surface)	9 – 14	7.1 – 11.1
State highways – drainage	60	1.7
State highways – traffic facilities	15	6.7
State highways – bridges	90 – 100	1.0 – 1.1
State highways – culverts & subways	50 – 75	1.3 – 2.0
State highways – other structures	100	1.0
Bailey bridging	69 – 103	0.97 – 1.4
Motor vehicles	4	25.0
Computer equipment	3 – 4	25 – 33.3
Plant	5 – 10	10.0 – 20.0
Equipment	5 – 8	12.5 – 20.0
Furniture & fittings	5 – 10	10.0 – 20.0
Office equipment	4 – 5	20.0 – 25.0
Leasehold improvements	Shorter of the life of lease or asset's useful life	7.7 – 33.0

Land, held properties, formation and the sub-base component of pavement (base) are not depreciated as the service potential of these components is considered not to reduce over time.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Intangible assets

Software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include software development employee costs and an appropriate portion of directly attributable overheads.

Costs associated with development and maintenance of the Transport Agency's website are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

ASSETS	USEFUL LIFE (YEARS)	DEPRECIATION RATE (%)
Computer software	3 – 10	10 – 33.3

Impairment of state highway network assets, property, plant and equipment and intangible assets

The Transport Agency does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

Non-cash generating assets

Assets that have an indefinite useful life, such as land, are not subject to amortisation and are tested on a cyclical basis so that each region is reviewed at an interval not exceeding three-and-a-half years for impairment.

State highway network assets, property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that there might be a reduction in the future service potential that can be expected to be derived from the asset. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is determined using an approach based on a depreciated replacement cost approach, restoration cost approach or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable service amount. An impairment loss is recognised in the surplus or deficit, except to the extent that it offsets an existing surplus on the same asset class recognised in the asset revaluation reserve.

Public-private partnerships

Public-private partnerships for the construction of state highways are treated as service concession arrangements and accounted for in accordance with PBE IPSAS 32 *Service Concession Arrangements: Grantor*.

During construction the cumulative cost, including financing, is recognised as a public-private partnership asset, with a matching public-private partnership liability representing the Transport Agency's obligations under the arrangement should conditions exist such that the arrangement will not continue through to the service commencement date. Before the service commencement date, there are no scheduled payments under the agreement.

On completion the public-private partnership asset and liability will be remeasured to fair value.

On the service commencement date, the following payments will occur:

- a design and construction payment from the Transport Agency to the contractor
- a rental prepayment from the contractor to the Transport Agency.

In practice, these two payments will be set off against each other and there is no cash transaction.

At the time the public-private partnership assets become operational, the Transport Agency will pay the contractor a quarterly unitary payment subject to satisfactory performance against the agreed service levels.

The unitary payments are accounted for according to their substance as a reduction in the public-private partnership liability, a finance charge and operating costs for the period.

This treatment is consistent with the Treasury's Public-Private Partnership Accounting Guidelines.

Once operational, the public-private partnership assets are accounted for in accordance with the policies adopted by the Transport Agency in respect of the rest of the state highway.

Payables

Short-term creditors and other payables are recorded at their face value.

Borrowing

Borrowing is initially recognised at their fair value plus transaction costs. After initial recognition, all borrowing is measured at amortised cost using the effective interest method.

Derivative financial instruments and hedging

The Transport Agency uses derivative financial instruments, mainly interest rate swaps, to mitigate risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date of which a derivative contract is entered into and are subsequently remeasured to fair value at balance date.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Derivative assets and liabilities are classified as non-current when the remaining maturity is more than 12 months or current when the remaining maturity is less than 12 months.

The fair values of interest rate swaps are determined using a valuation technique based on cash flows discounted to present value using current market interest rates.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to surplus or deficit, except for the effective portion of derivatives designated in cash flow hedges, which is recognised in other comprehensive revenue and expense.

The hedge relationship is designated as a cash flow hedge and the Transport Agency formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they were designated.

Employee entitlements

Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after balance date in which the employee renders the related service are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned, but not yet taken at balance date, and sick leave.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information
- the present value of the estimated future cash flows.

Presentation of employee entitlements

Sick leave, annual leave and vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to the Government Superannuation Fund, KiwiSaver, National Superannuation Scheme and Post Office Pension Fund are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit as incurred.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Jointly controlled operations

The Transport Agency has interests in jointly controlled operations. These include the Auckland Motorway Alliance and Marlborough Roads. It recognises in its financial statements the:

- assets that it controls and the liabilities that it incurs
- revenue and expenses that it incurs from the operations of the jointly controlled operation.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- general funds
- retained funds
- memorandum account – other fees and charges
- equity derived from the state highway network
- cash flow hedge reserve.

Goods and services tax

All items in the financial statements are presented exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, Inland Revenue, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

The Transport Agency is a public authority, so is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

Critical accounting estimates and assumptions

In preparing these financial statements, the Transport Agency has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

State highway network useful lives and residual value

At each balance date, the useful lives and residual values of the state highway network assets are reviewed. Assessing the appropriateness of useful life and residual value estimates of the state highway network requires factors to be considered such as the physical condition of the asset, expected period of use of the asset by the Transport Agency, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact the depreciation expense recognised in the surplus or deficit, and carrying amount of the asset in the statement of financial position. The Transport Agency minimises the risk of this estimation uncertainty by:

- physically inspecting and condition monitoring of assets
- asset management planning
- asset replacement programmes.

The Transport Agency has not made significant changes to past assumptions concerning useful lives and residual values.

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies for the state highway network assets.

Critical judgements relate to:

- estimating the replacement cost of existing assets, including the impact of cost allocation and whether a cost should be capitalised or expensed. (The Transport Agency incurs expenditure on maintaining state highways and state highway infrastructure improvements. Professional judgement and engineering assessments are used to determine whether costs incurred on state highways should be capitalised or expensed)
- the age, condition and remaining economic life of existing assets, including the impact of maintenance thereon
- determining the optimum level of Bailey bridging stock.

The brownfield construction costs represent a significant proportion of the capitalised cost of the state highway. Brownfield costs are not recorded in the state highway asset management system, but are accounted for generically with the value derived from costs in the financial records.

OUTPUT CLASS FUNDING AND EXPENDITURE

LICENSING AND REGULATORY COMPLIANCE

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
OPERATING REVENUE		
Crown (ministerial advice & official correspondence)	548	548
Crown (rules development)	903	903
Crown (drug and alcohol assessments)	1,421	1,030
Crown (driver licensing stop orders)	75	75
Crown (driver test subsidy)	1,445	1,445
Fees and charges	90,834	92,463
Other	351	0
Total operating revenue	95,577	96,464
OPERATING EXPENSES		
Ministerial advice and official correspondence	886	836
Rules development	777	1,060
Drug and alcohol assessments	1,421	1,406
Fees and charges funded activities	93,331	94,374
Total operating expenses	96,415	97,676
SURPLUS/(DEFICIT)	**(838)**	**(1,212)**

ROAD TOLLING

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
OPERATING REVENUE		
Fees and charges	13,340	14,577
Total operating revenue	13,340	14,577
OPERATING EXPENSES		
Transport Agency operating activities	12,788	10,964
Total operating expenses	12,788	10,964
SURPLUS/(DEFICIT)	**552**	**3,613**

MOTOR VEHICLE REGISTRY

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
OPERATING REVENUE		
Fees and charges	55,431	54,800
Total operating revenue	55,431	54,800
OPERATING EXPENSES		
Transport Agency operating activities	61,080	57,005
Total operating expenses	61,080	57,005
SURPLUS/(DEFICIT)	**(5,649)**	**(2,205)**

ROAD USER CHARGES COLLECTION, INVESTIGATION AND ENFORCEMENT

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
OPERATING REVENUE		
National Land Transport Fund (investigation and enforcement)	3,779	3,779
National Land Transport Fund (refund)	450	450
Fees and charges	11,874	13,071
Total operating revenue	16,103	17,300
OPERATING EXPENSES		
Transport Agency (investigation and enforcement)	3,914	3,884
Transport Agency (refund)	706	577
Transport Agency (collection)	13,059	13,041
Total operating expenses	17,679	17,502
SURPLUS/(DEFICIT)	**(1,576)**	**(202)**

REFUND OF FUEL EXCISE DUTY

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
OPERATING REVENUE		
National Land Transport Fund	1,108	708
Other	115	115
Total operating revenue	1,223	823
OPERATING EXPENSES		
Transport Agency operating activities	1,223	823
Total operating expenses	1,223	823
SURPLUS/(DEFICIT)	**0**	**0**

INVESTMENT MANAGEMENT

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
OPERATING REVENUE		
Crown (crash analysis system)	775	775
National Land Transport Fund	55,576	58,056
Total operating revenue	56,351	58,831
OPERATING EXPENSES		
Transport Agency (crash analysis system)	3,452	3,896
Transport Agency operating activities	45,374	50,935
Funding to approved organisations	7,525	4,000
Total operating expenses	56,351	58,831
SURPLUS/(DEFICIT)	**0**	**0**
CAPITAL FUNDING AND EXPENDITURE		
National Land Transport Fund	8,270	3,410
Capital investment	(8,270)	(3,410)
NET CAPITAL MOVEMENT	**0**	**0**
TOTAL MOVEMENT	**0**	**0**

PUBLIC TRANSPORT

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
OPERATING REVENUE		
National Land Transport Fund	339,400	335,744
Total operating revenue	339,400	335,744
OPERATING EXPENSES		
Transport Agency operating activities	10,150	5,744
Funding to approved organisations	329,250	330,000
Total operating expenses	339,400	335,744
SURPLUS/(DEFICIT)	**0**	**0**

SUPERGOLD CARD ADMINISTRATION AND PUBLIC TRANSPORT CONCESSIONS

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
OPERATING REVENUE		
Crown	28,415	29,415
Total operating revenue	28,415	29,415
OPERATING EXPENSES		
Transport Agency operating activities	95	95
Funding to approved organisations	28,320	29,320
Total operating expenses	28,415	29,415
SURPLUS/(DEFICIT)	**0**	**0**

WALKING AND CYCLING

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
OPERATING REVENUE		
Crown (urban cycleways)	27,000	49,543
National Land Transport Fund	44,400	61,137
Total operating revenue	71,400	110,680
OPERATING EXPENSES		
Transport Agency operating activities	1,133	1,137
Funding to approved organisations	43,267	60,000
Funding to approved organisations (urban cycleways)	27,000	49,543
Total operating expenses	71,400	110,680
SURPLUS/(DEFICIT)	**0**	**0**
CAPITAL FUNDING		
Crown (urban cycleways)	4,000	6,000
National Land Transport Fund	10,000	10,000
Total capital funding	14,000	16,000
CAPITAL EXPENDITURE		
Investment in the state highway network (urban cycleways)	4,000	6,000
Investment in the state highway network	10,000	10,000
Total capital expenditure	14,000	16,000
NET CAPITAL MOVEMENT	**0**	**0**
TOTAL MOVEMENT	**0**	**0**

ROAD SAFETY PROMOTION

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
OPERATING REVENUE		
National Land Transport Fund	32,400	34,367
Community road safety programme	2,101	2,914
Total operating revenue	34,501	37,281
OPERATING EXPENSES		
Transport Agency (community road safety programme)	1,545	1,957
Transport Agency (vehicle impoundment)	204	204
Transport Agency operating activities	23,704	23,163
Funding to approved organisations	8,492	11,000
Total operating expenses	33,945	36,324
SURPLUS/(DEFICIT)	**556**	**957**
CAPITAL FUNDING AND EXPENDITURE		
National Land Transport Fund	1,000	1,000
Capital investment	(1,000)	(1,000)
NET CAPITAL MOVEMENT	**0**	**0**
TOTAL MOVEMENT	**556**	**957**

LOCAL ROAD IMPROVEMENTS

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
OPERATING REVENUE		
National Land Transport Fund	161,400	157,000
Total operating revenue	161,400	157,000
OPERATING EXPENSES		
Funding to approved organisations	161,400	157,000
Total operating expenses	161,400	157,000
SURPLUS/(DEFICIT)	**0**	**0**

LOCAL ROADS MAINTENANCE

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
OPERATING REVENUE		
National Land Transport Fund	595,000	580,000
National Land Transport Fund (reinstatement of earthquake damaged roads in Christchurch)	6,000	0
Total operating revenue	601,000	580,000
OPERATING EXPENSES		
Transport Agency operating activities	167	200
Funding to approved organisations	593,575	576,648
Funding to approved organisations (reinstatement of earthquake damaged roads in Christchurch)	6,000	0
Interest and finance costs	1,258	3,152
Total operating expenses	601,000	580,000
SURPLUS/(DEFICIT)	**0**	**0**
BORROWING FUNDING AND REPAYMENT		
National Land Transport Fund (reinstatement of earthquake damaged roads in Christchurch)	0	15,000
Repayment of borrowing (reinstatement of earthquake damaged roads in Christchurch)	0	(15,000)
NET FUNDING	**0**	**0**
TOTAL MOVEMENT	**0**	**0**

REGIONAL IMPROVEMENTS

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
CAPITAL FUNDING AND EXPENDITURE		
National Land Transport Fund	87,000	138,000
Capital investment	(87,000)	(138,000)
NET CAPITAL MOVEMENT	**0**	**0**

STATE HIGHWAY IMPROVEMENTS

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
OPERATING REVENUE		
National Land Transport Fund	385,392	532,056
National Land Transport Fund (tolling)	8,800	6,900
Finance income on financial assets and liabilities	21,341	25,471
Assets vested from local authorities	51,000	0
Total operating revenue	466,533	564,427
OPERATING EXPENSES		
Interest and finance costs	23,533	30,627
Depreciation and state highway write-offs	443,000	445,000
Assets vested to local authorities	0	88,800
Total operating expenses	466,533	564,427
SURPLUS/(DEFICIT)	**0**	**0**
CAPITAL AND LOAN FUNDING		
Crown (Accelerated Regional Roading Programme)	38,300	24,800
National Land Transport Fund	749,760	568,170
National Land Transport Fund (Kaikōura Earthquake Response)	0	120,000
National Land Transport Fund (state highway disposals)	42,740	51,530
National Land Transport Fund (Auckland Transport Package)	124,000	70,000
National Land Transport Fund (public-private partnerships)	199,992	463,330
Depreciation funding utilised for state highway network	443,000	445,000
Non-cash expenditure/(income) funding for assets vested to/from local authorities	(51,000)	88,800
Total capital and loan funding	1,546,792	1,831,630
CAPITAL EXPENDITURE		
Transport Agency operating activities	36,884	36,102
Investment in the state highway network	1,147,616	1,117,398
Investment in state highway network (Kaikōura Earthquake Response)	0	120,000
Investment in state highway network (Accelerated Regional Roading Programme)	38,300	24,800
Investment in state highway network (Auckland Transport Package)	124,000	70,000
Investment in state highway network (public-private partnerships)	199,992	463,330
Total capital expenditure	1,546,792	1,831,630
NET CAPITAL MOVEMENT	**0**	**0**
TOTAL MOVEMENT	**0**	**0**

STATE HIGHWAY MAINTENANCE

	PROJECTED 2016/17 $000	BUDGET 2017/18 $000
OPERATING REVENUE		
Crown (Kaikōura Earthquake Response)	69,000	98,000
National Land Transport Fund	390,405	424,540
National Land Transport Fund (rental and interest revenue)	15,085	15,085
Other	988	2,212
Total operating revenue	475,478	539,837
OPERATING EXPENSES		
Transport Agency operating activities	28,018	26,636
Investment in the state highway network	378,460	415,201
Investment in state highway network (Kaikōura Earthquake Response)	69,000	98,000
Total operating expenses	475,478	539,837
SURPLUS/(DEFICIT)	**0**	**0**
CAPITAL FUNDING		
Crown (Kaikōura Earthquake Response)	0	227,000
National Land Transport Fund	147,522	154,163
Total capital funding	147,522	381,163
CAPITAL EXPENDITURE		
Transport Agency operating activities	1,329	1,403
Investment in the state highway network	146,193	152,760
Investment in the state highway network (Kaikōura Earthquake Response)	0	227,000
Total capital expenditure	147,522	381,163
NET CAPITAL MOVEMENT	**0**	**0**
TOTAL MOVEMENT	**0**	**0**

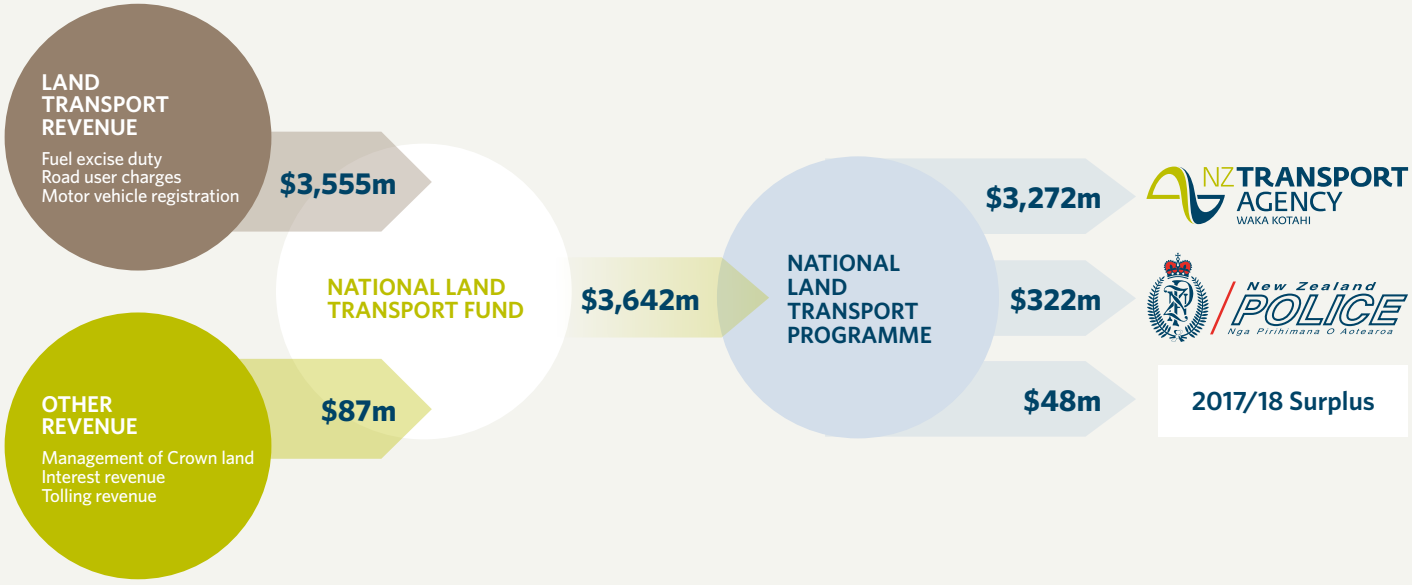
NATIONAL LAND TRANSPORT FUND

FINANCIAL OVERVIEW

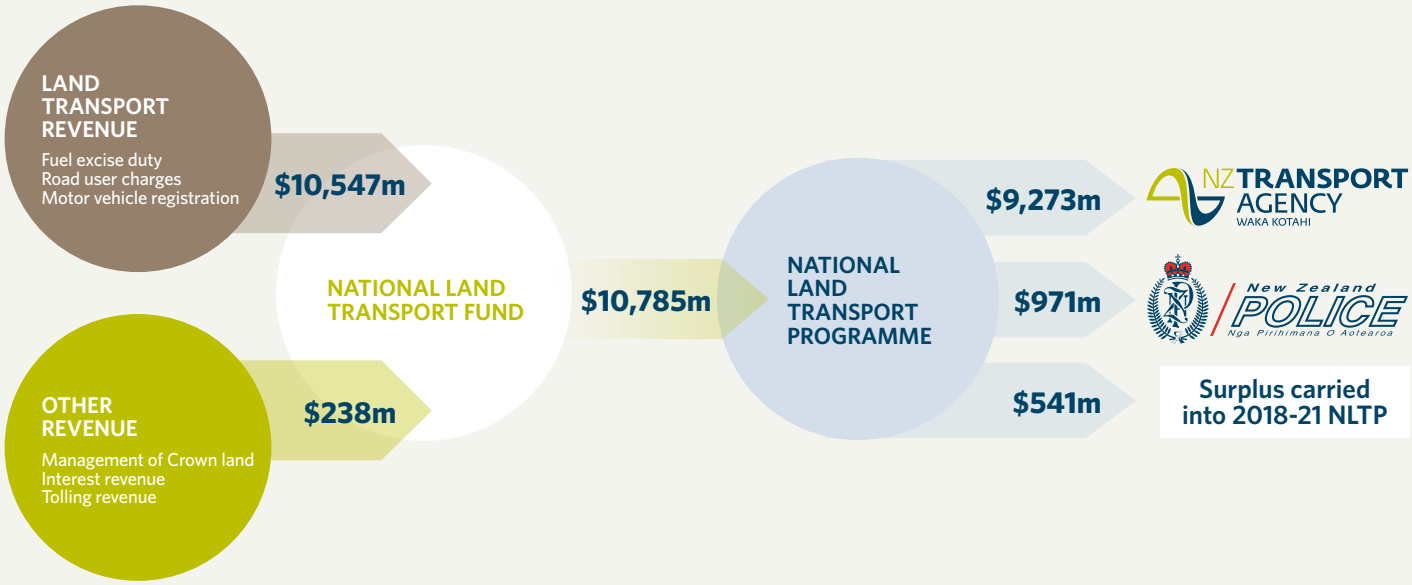
The National Land Transport Fund (NLTF) is a key tool to facilitate the government's investment on behalf of transport users. All revenue from fuel excise duty, road user charges, motor vehicle registration and licensing fees, revenues from Crown appropriations and management of Crown land, interest and tolling are accounted for in the NLTF. The NLTF is used to manage:

- the funding of the New Zealand Police Road Policing Programme
- the funding of the National Land Transport Programme (NLTP) for:
  - activities delivered by an approved organisation
  - state highway activities
  - research
  - other Transport Agency activities, such as transport planning.

2017/18 FUNDING INFLOWS AND OUTFLOWS (CURRENT)



2015–18 NLTP FUNDING INFLOWS AND OUTFLOWS (CURRENT)



PROSPECTIVE FINANCIAL STATEMENTS

NLTF PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDING 30 JUNE

	PROJECTED 2016/17 $m	BUDGET 2017/18 $m
REVENUE INFLOWS*		
Land transport revenue	3,533	3,555
Management of Crown land	58	67
Tolling revenue	9	7
Interest revenue	10	13
Total revenue inflows	3,610	3,642
OUTFLOWS		
National Land Transport Programme (NLTP)	3,077	3,266
Roading Policing Programme	334	322
Fuel excise duty/road user charges administration	5	5
Forecasting and strategy	1	1
Total outflows	3,417	3,594
SURPLUS FROM CURRENT NLTF BALANCE	**193**	**48**
Fair value gain on long-term payables	20	20
NLTP expenditure to be funded long term	(327)	(518)
Finance charges	(3)	(6)
Deficit to be funded from future NLTF revenue	(310)	(504)
SURPLUS/(DEFICIT)	**(117)**	**(456)**

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

NLTF PROSPECTIVE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	PROJECTED 2016/17 $m	BUDGET 2017/18 $m
ASSETS		
Current assets		
Cash and cash equivalents	458	509
Receivables	251	253
Total assets	709	762
LIABILITIES		
Current liabilities		
Payables	320	356
Non-current liabilities		
Payables	1,003	1,476
Total liabilities	1,323	1,832
NET ASSETS	**(614)**	**(1,070)**
General funds	(614)	(1,070)
GENERAL FUNDS CLOSING BALANCE*	**(614)**	**(1,070)**

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

NLTF PROSPECTIVE STATEMENT OF CHANGES IN GENERAL FUNDS BALANCE FOR THE YEAR ENDING 30 JUNE

	PROJECTED 2016/17 $m	BUDGET 2017/18 $m
GENERAL FUNDS OPENING BALANCE		
General funds – current	211	404
General funds – long term	(708)	(1,018)
Total general funds opening balance	(497)	(614)
CHANGES IN GENERAL FUNDS BALANCE		
Surplus from current NLTF balance	193	48
Deficit to be funded from future NLTF revenue	(310)	(504)
Total changes in general funds balance	(117)	(456)
GENERAL FUNDS CLOSING BALANCE		
General funds – current	404	452
General funds – long term	(1,018)	(1,522)
GENERAL FUNDS CLOSING BALANCE*	**(614)**	**(1,070)**

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

NLTF PROSPECTIVE STATEMENT OF CASH FLOWS FOR THE YEAR ENDING 30 JUNE

	PROJECTED 2016/17 $m	BUDGET 2017/18 $m
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from land transport revenue	3,627	3,660
Payments to suppliers	(3,431)	(3,609)
Net cash from operating activities	196	51
NET INCREASE/(DECREASE) IN AMOUNTS HELD BY CROWN	**196**	**51**
Amounts held by the Crown at the beginning of the year	262	458
AMOUNTS HELD BY THE CROWN AT THE END OF THE YEAR*	**458**	**509**

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

NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS

PROSPECTIVE FINANCIAL STATEMENTS AND ASSUMPTIONS

Use of information contained in these prospective financial statements

These prospective financial statements have been prepared in accordance with the Crown Entities Act 2004 for the purpose of providing information on the National Land Transport Fund's future operating intentions and financial position, against which it must report and be formally audited at the end of the financial year.

The information in these financial statements may not be appropriate for purposes other than those described.

The Transport Agency has complied with financial reporting standard PBE FRS 42 *Prospective Financial Statements* in the preparation of these National Land Transport Fund prospective financial statements.

These prospective financial statements are based on significant financial assumptions as to future events that the Transport Agency reasonably expects to occur at the time this information was prepared. Any changes to these assumptions during the year will not be reflected in these financial statements.

The reader of this report should note that no actual operating results are contained in these prospective financial statements. Actual results achieved for the forecast periods are likely to vary from the information presented and some variations might be material.

The Transport Agency does not intend to update the prospective financial statements subsequent to the publication of these statements.

Statement of significant underlying assumptions

The Transport Agency has made assumptions in preparing the National Land Transport Fund prospective financial statements. The most significant of these are outlined below.

Land transport revenue	The revenue forecast for the National Land Transport Fund includes estimates of fuel excise duty, road user charges and motor vehicle registration inflows into the fund. The forecasts for each are determined by the revenue forecasting model managed by the Ministry of Transport with input from the NZ Transport Agency, The Treasury and the New Zealand Customs Service. Forecasts are based on the current historical trends and the economic outlook as presented by The Treasury, including economic growth, growth in the vehicle kilometres travelled and current price assumptions.
Management of Crown land and interest	Forecast revenues are influenced by the management of rental properties and interest revenue on cash holdings. Assumptions are based on historical performance and trends.
National Land Transport Programme	The Transport Agency has developed a 2015–18 National Land Transport Programme. The Transport Agency is undertaking a programme of capital spending aimed at improving and renewing the state highway network. Projected costs and timing of expenditure are based on project plans and quotations current when these forecasts were prepared.
Opening equity	Estimated opening equity assumes a 2016/17 deficit of $117 million. This impacts on estimated amounts of cash on hand and net assets.

GENERAL FUNDS

The National Land Transport Fund has a negative general funds balance because of the programmes that were accelerated and current funding was sourced from the Crown and public-private partnerships. The funding received has been recognised as long-term payables, which are not due until 1 to 27 years from balance date.

Although the National Land Transport Fund has a negative general funds balance, the going concern assumption is valid because the:

- National Land Transport Fund's liquidity is actively managed
- National Land Transport Fund has a forecast available cash balance of $458 million and $509 million as at 30 June 2017 and 30 June 2018 respectively, to meet obligations as they fall due
- the main revenue source of the National Land Transport Fund is the land transport revenue, which is forecast with inputs from other government departments and has been accurately forecast in recent years.

The component of general funds is shown below:

	PROJECTED 2016/17 $m	BUDGET 2017/18 $m
General funds – current	404	452
General funds – long term	(1,018)	(1,522)
TOTAL GENERAL FUNDS	**(614)**	**(1,070)**

STATEMENT OF ACCOUNTING POLICIES

Reporting entity

The Land Transport Management Act 2003 includes a requirement for the Transport Agency to prepare, at the end of the financial year, an annual report on the National Land Transport Fund.

All revenue from fuel excise duty, road user charges, motor vehicle registration and licensing fees, revenues from Crown appropriations, management of Crown land, interest and tolling are accounted for in the National Land Transport Fund. The National Land Transport Fund is used to manage the funding of the:

- New Zealand Police Road Policing Programme
- National Land Transport Programme for:
  - activities delivered by an approved organisation
  - state highway activities
  - research
  - other Transport Agency activities, such as transport planning.

The National Land Transport Fund cash funds are held as part of the total Crown funds. The Ministry of Transport is responsible for authorising any payments from the National Land Transport Fund and administration of appropriations.

The National Land Transport Fund is a public benefit entity (PBE) for financial reporting purposes.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements of the National Land Transport Fund have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Financial Reporting Act 2013, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest million dollars ($m).

Standards issued and not yet effective

The National Land Transport Fund has adopted all standards, amendments and interpretations to existing standards that have been published and are mandatory for its accounting periods beginning on 1 July 2017. The National Land Transport Fund was not an early adopter of standards that were not yet effective as at 1 July 2017.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue inflows

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the National Land Transport Fund's business. Revenue is shown net of GST.

Revenue is recognised when the amount can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the National Land Transport Fund activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activity giving rise to the revenue have been resolved.

Interest

Interest revenue is recognised in the net surplus or deficit using the effective interest method.

Outflows

The National Land Transport Fund accounts for the flow of funds to the:

- Transport Agency – for the funding of the National Land Transport Programme, and fuel excise duty and road user charges administration
- New Zealand Police – that provides the Road Policing Programme
- Ministry of Transport – for forecasting and strategy.

Under section 9(1) of the Land Transport Management Act 2003, the National Land Transport Fund funds search and rescue activities and recreational boating safety and safety awareness.

The various activities are outlined in the statement of comprehensive revenue and expense.

Assets

The National Land Transport Fund, being a notional account, does not hold any physical assets.

Employee entitlements

The National Land Transport Fund has no employees.

Goods and services tax

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis.

Income tax

The National Land Transport Fund is a public authority, so is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

Payables

Current payables are non-interest bearing and are normally settled by the end of the month following the date of supply. Therefore, the carrying value approximates its fair value.

Non-current payables are a mixture of interest and non-interest bearing advances that will be settled between 2 and 27 years. Non-interest bearing non-current payables are discounted to present value as at balance sheet date.

STATEMENT OF SERVICE PERFORMANCE – FINANCIALS

Output class funding to the NZ Transport Agency

	ACTUAL 2015/16 $m	PROJECTED 2016/17 $m	BUDGET 2017/18 $m	TOTAL NLTP 2015–18 $m	PUBLISHED NLTP 2015–18 $m
Investment management	60	64	62	186	176
Public transport	307	340	336	983	1,020
Walking and cycling	40	54	71	165	103
Road safety promotion	30	33	35	98	102
Local road improvements	104	161	157	422	465
Local roads maintenance	553	595	595	1,743	1,704
Regional improvements	13	87	138	238	225
State highway improvements	1,343	1,190	1,278	3,811	4,061
State highway maintenance	462	553	594	1,609	1,684
OUTPUT CLASS FUNDING TO THE TRANSPORT AGENCY – CURRENT	**2,912**	**3,077**	**3,266**	**9,255**	**9,540**
Road policing	315	334	322	971	960
TOTAL OUTPUT CLASS FUNDING	**3,227**	**3,411**	**3,588**	**10,226**	**10,500**
Auckland Transport Package	112	124	70	306	0
Public-private partnerships	215	197	463	875	0
Reinstatement of earthquake damaged roads in Christchurch	23	6	0	29	0
Less non-operating activites (repayment of loans)	0	0	(15)	(15)	0
TOTAL OUTPUT CLASS FUNDING (INCLUDING LONG-TERM FUNDING)	**3,577**	**3,738**	**4,106**	**11,421**	**10,500**

National Land Transport Fund Surplus

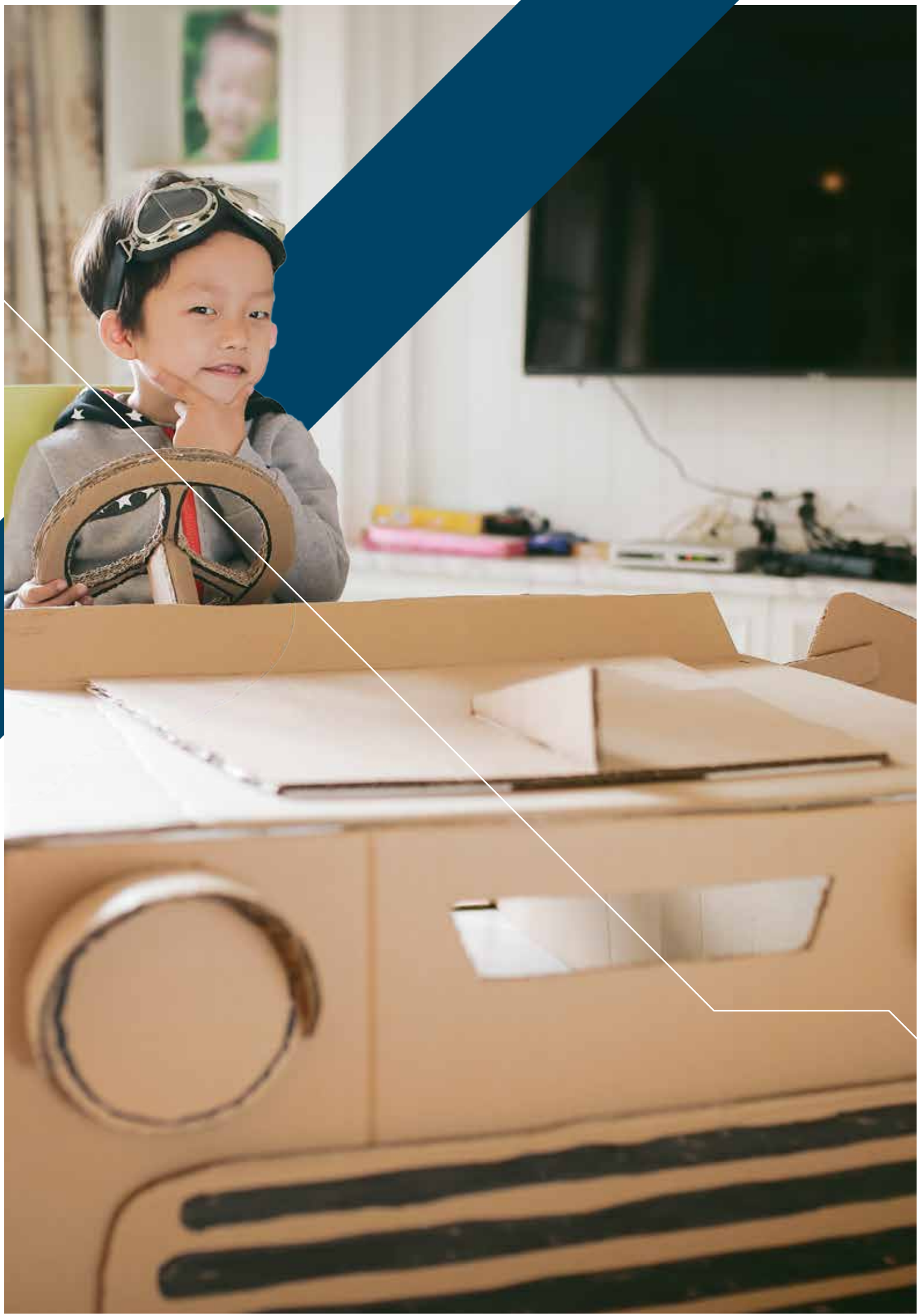
	ACTUAL 2015/16 $m	PROJECTED 2016/17 $m	BUDGET 2017/18 $m	TOTAL NLTP 2015–18 $m	PUBLISHED NLTP 2015–18 $m
Land transport and other revenue	3,533	3,610	3,642	10,785	10,492
National Land Transport Programme and road policing expenditure	(3,227)	(3,411)	(3,588)	(10,226)	(10,500)
Other National Land Transport Fund funded expenditure	(6)	(6)	(6)	(18)	(18)
NATIONAL LAND TRANSPORT FUND FUNDING SURPLUS/(DEFICIT)	**300**	**193**	**48**	**541**	**(26)**

Land transport and other revenue

The land transport and other revenue is forecast to be $293 million higher than the published three-year National Land Transport Programme. This is primarily due to the increase in fuel excise duty and road user charges as a result of raised levels of economic activity.

National Land Transport Programme and road policing expenditure

The National Land Transport Programme expenditure is forecast to be $274 million lower than the published three-year National Land Transport Programme. This is primarily due to the lower expenditure on state highway improvements due to cost savings across a significant number of our major projects.



APPENDIX 1: MILESTONES FOR SIGNIFICANT CAPITAL PROJECTS

KAIKŌURA EARTHQUAKE RESPONSE

The Kaikōura Earthquake Response is the Transport Agency's work to restore State Highway 1 through North Canterbury and Marlborough after the November 2016 earthquake. Funding for reinstatement is provided by the Crown, while funding for any improvements is provided by the National Land Transport Fund.

FOCUS AREA	PROJECT	2017/18 MILESTONE
Connect and develop regions	Kaikōura Earthquake Response	State Highway 1 reopened and fully functional with no traffic management

ROADS OF NATIONAL SIGNIFICANCE

The Roads of National Significance are based around New Zealand's five largest population centres: Auckland, Hamilton, Tauranga, Wellington and Christchurch. Regional land use and transport studies have identified them as having strategically significant investment needs.

FOCUS AREA	PROJECT	2017/18 MILESTONE
Target rapid growth	Pūhoi to Wellsford	Pūhoi to Warkworth construction under way
		Warkworth to Wellsford route protection
Target rapid growth	Western Ring Route	Lincoln to Westgate construction started
Target rapid growth	Waikato Expressway	Longswamp: Earthworks substantially complete and pavement under construction
		Rangiriri: Final asphalt surfacing placed
		Huntly Section: Earthworks substantially complete; pavement construction starts
		Hamilton Section: Earthworks substantially complete; pavement construction starts
Connect and develop regions	Wellington Northern Corridor	Ōtaki to Levin under design
		Ngāūranga to Airport business case developed
		Transmission Gully and Peka Peka to Ōtaki construction under way
Target rapid growth	Christchurch Motorways	Western Belfast Bypass open to traffic
		Russely Road complete and open to traffic

AUCKLAND TRANSPORT PACKAGE

The Auckland Transport Package is a programme of critical projects targeted for acceleration. Funding is from the National Land Transport Fund and is supported by borrowing from the Crown that will be repaid from the National Land Transport Fund.

FOCUS AREA	PROJECT	2017/18 MILESTONE
Target rapid growth	Northern Corridor Improvements	Detailed design and construction under way
	Southern Corridor Improvements	Construction under way
	State Highway 20A to Airport	Landing drive intersection completed
	East West Connections	Full link consents granted; procurement under way (subject to consents granted)

ACCELERATED REGIONAL ROADING PROGRAMME

The Accelerated Regional Roading Programme is a Crown-funded programme of regional state highway projects targeted for acceleration.

FOCUS AREA	PROJECT	2017/18 MILESTONE
Connect and develop regions	Kawarau Falls Bridge (Otago)	Construction complete and road open to traffic
	Mingha Bluff to Rough Creek Realignment (Canterbury)	Construction complete and road open to traffic
	Akerama Curves Realignment and Passing Lane (Northland)	Construction complete and road open to traffic
	Whirokino Trestle Bridge Replacement (Manawatū–Wanganui)	Construction under way
	Motu Bridge Replacement (Gisborne)	Construction complete and bridge open to traffic
	Opawa Bridge Replacement (Marlborough)	Construction started
	Taramakau Road–Rail Bridge (West Coast)	Road–rail bridge complete
	Loop Road North to Smeatons Hill Safety Improvements (Northland)	Construction under way
	Mt Messenger and Awakino Gorge Corridor (Taranaki)	Consents lodged
	Mt Messenger Bypass	Consents lodged
	Awakino Tunnel Bypass (Taranaki)	Consents lodged
	Napier Port access package (Hawkes Bay)	Watchman – construction started
		Prebensen – construction started
		Expressway – construction started
	Nelson Southern Link	Project is under investigation and next steps are to be reviewed

URBAN CYCLEWAYS PROGRAMME

The Urban Cycleways Programme is a package of urban cycleway projects that the government is seeking to accelerate by providing Crown funding in addition to the contributions from the National Land Transport Fund and local authorities.

The following milestones are for the 10 projects in the Urban Cycleways Programme requiring the largest investment.

FOCUS AREA	PROJECT	2017/18 MILESTONE
Target rapid growth	Auckland: City Centre Network	Ian McKinnon – construction complete
		K Road – construction under way
		Parnell Road – construction under way
		Tamaki Drive – construction under way
		Victoria Street – construction under way
		Westhaven – construction complete
Target rapid growth	Auckland: Eastern Connections to City Centre	Construction of sections 2–3 under way
Target rapid growth	Auckland: Western Connections to City Centre	Construction substantially complete
Target rapid growth	Auckland: links to public transport	Construction under way
Target rapid growth	Melling to Petone	Construction substantially complete
Target rapid growth	Rapanui–Shagrock Cycleway (Christchurch)	Construction substantially complete
Target rapid growth	Heathcote Expressway (Christchurch)	Construction complete
Target rapid growth	Papanui Parallel (Christchurch)	Construction complete
Target rapid growth	Wellington eastern route package	Cobham Drive – construction substantially complete
		Evans Bay to Oriental – construction under way
Connect and develop regions	Dunedin SH1 One-Way Pair cycleway	Construction substantially complete

APPENDIX 2: PERFORMANCE EXPECTATIONS FOR NATIONAL LAND TRANSPORT FUND INVESTMENTS

This section includes progress indicators for the 2015–19 Government Policy Statement on Land Transport. These indicators reflect our views on appropriate outcome indicators and take into consideration the direction of our planning and investment for outcomes approach, the One Network Road Classification, and progress made with public transport information. Accordingly, these indicators contain new indicators that are not yet fully in production, but will come on stream during the period of the government policy statement. Progress on these indicators will be reported as information becomes available.

PUBLIC TRANSPORT

ASSESSMENT OF INVESTMENT PERFORMANCE	2016/17 ESTIMATE	DESIRED TREND 2016–2019
Number of passengers using urban public transport services (bus, train and ferry)	148.8m	Increasing
Fare revenue as a % of total expenditure	≥ 47%	Maintaining
Change in productivity (costs per passenger kilometre) by:		
Bus	$0.16/km	Increasing
Train	$0.12/km	
Ferry	$0.07/km	
Change in productivity (costs per passenger kilometre) where available by peak and off-peak	Not available	Increasing

ACTIVE MODES OF TRANSPORT

Walking and cycling

ASSESSMENT OF INVESTMENT PERFORMANCE	2016/17 ESTIMATE	DESIRED TREND 2016–2019
Change in network kilometres of cycle lanes	50–80km	Increasing
% increase in cycling trip legs per person across Auckland, Wellington and Christchurch	Not available	Increasing

ROAD NETWORK – IMPROVEMENTS

Local roads

ASSESSMENT OF INVESTMENT PERFORMANCE	2016/17 ESTIMATE	DESIRED TREND 2016–2019
Change in travel times on key local roads serving our major metropolitan areas:		Maintaining
Auckland	2.5	
Wellington	1.9	
Christchurch	2.7	
Change in the productivity of the local road network in major metropolitan areas	Not available	Increasing
Change in the % of local roads made available to high productivity motor vehicles (Note: alternative measure used – % of approved organisations signed up to the 50MAX network.)	90%	Increasing

State highways

ASSESSMENT OF INVESTMENT PERFORMANCE	2016/17 ESTIMATE	DESIRED TREND 2016–2019
Change in travel times on key state highways serving our major metropolitan areas		Maintaining
Auckland	1.1	
Wellington	1.4	
Christchurch	1.2	
Change in productivity of the state highway network in major metropolitan areas (morning peak)		Maintaining
Auckland	62%	
Wellington	63%	
Christchurch	35%	
Change in the % of state highways available to high productivity motor vehicles		Increasing

ROAD NETWORK – MAINTENANCE

Local roads

ASSESSMENT OF INVESTMENT PERFORMANCE	2016/17 ESTIMATE	DESIRED TREND 2016–2019
Pavement integrity of sealed network	94	Maintaining
Surface condition of the sealed network	98	Maintaining
Smooth ride: % of travel on smooth roads	84%	Maintaining
Change in local road maintenance cost per lane kilometre expenditure by road classification	Approx $3,000	Maintaining (in real terms)

State highways

ASSESSMENT OF INVESTMENT PERFORMANCE	2016/17 ESTIMATE	DESIRED TREND 2016–2019
Surface condition of the sealed network	Not applicable	Maintaining
Smooth ride: % of travel on smooth roads	98%	Maintaining
Change in state highway maintenance cost per lane kilometre expenditure by road classification	< $21,400	Maintaining (in real terms)

ROAD NETWORK – REGIONAL IMPROVEMENTS

Regional

ASSESSMENT OF INVESTMENT PERFORMANCE	2016/17 ESTIMATE	DESIRED TREND 2016–2019
Change in kilometres of improved regional roading	331km	Increasing

APPENDIX 3: TECHNICAL NOTES FOR PERFORMANCE MEASURES AND TARGETS

These notes explain the key performance indicators and targets for our focus areas and the non-financial performance measures for our output classes.

FOCUS AREA PERFORMANCE TARGETS

We will reflect our progress using indexes of time series data. We will use baselines to establish one-year targets. Any changes to the composition of the indexes will result in a restatement of the baseline for the next year.

Shape the land transport system

Partner experience

The maturity of the collaborative processes that result in a shared long-term view of the transport system.

Index of collaborative relationship process maturity

This indicator measures our maturity when it comes to the collaborative processes that support the development of the long-term view of the land transport system.

This indicator allows us to understand how collaborative we are compared with best practice and where we can improve to collaborate with our partners more effectively.

This indicator is measured using the results of a survey designed to align with the international standard for collaborative business relationships.[4] The survey questions our employees about perceptions of the maturity of our collaborative processes.

Future enhancements to this indicator will include expanding the survey to ask questions of our external partners to determine their perceptions of our maturity.

DESIRED TREND	BASELINE MEASURE	BASELINE UNITS
Increase	38.8	Maturity of organisational collaborative practice (%)

Our partners feel we have improved the way we work alongside them to deliver outcomes for their communities.

Target rapid growth

Network productivity

How much of the road network's capacity is used in high-growth urban areas.

Index of network productivity

This indicator measures capacity utilisation of the road network in some of New Zealand's fastest-growing urban centres: Auckland, Wellington and Christchurch. Capacity utilisation is a measure of the extent to which the productive capacity of a road is being used.

This indicator allows us to understand how the network is responding to demand and informs us where resources are best focused.

This indicator is measured using a methodology that compares the actual speed and flow of traffic with the optimal speed and flow of traffic on selected routes. These measures are aggregated on a volume-weighted basis to provide a network-level view of productivity.

Future enhancements to this indicator will expand its scope to include other fast-growing urban centres and public transport.

DESIRED TREND	BASELINE MEASURE	BASELINE UNITS
Maintain	55.0	Road capacity utilisation (%)

People and freight can move around our cities at their same current speed and flow, halting the recent decrease in productivity caused by more vehicles using urban roads.

[4] ISO (2017) *ISO 44001:2017 Collaborative business relationships management system*, Geneva, International Organization for Standardization.

Network accessibility

This indicator will be developed during 2017/18.

Network travel time predictability

How predictable travel times are for customers travelling on roads and public transport within high-growth urban areas.

Index of travel time predictability

This indicator measures how reliable travel times are for customers who use the transport system in Auckland, Wellington and Christchurch.

This indicator allows us to monitor how our activities and projects are improving travel time predictability for our customers.

Travel time predictability for roads is calculated using a 'buffer time' method. The buffer time method represents the extra time that travellers must add or subtract to their average travel time when planning trips.

Travel time predictability for public transport uses a similar method as that of roads.

Results are generated for Auckland, Wellington and Christchurch with an aggregated, volume-weighted result being provided across all three cities and all modes (roads and public transport).

Future enhancements to this indicator will expand its scope to include other fast-growing urban centres.

DESIRED TREND	BASELINE MEASURE	BASELINE UNITS
Maintain	69.7	Proportion of road and public transport journeys that are predictable (%)

People and businesses retain their current ability to predict travel times in urban areas, allowing them to get to their destinations on time. This halts the recent decline in predictability caused by more vehicles and people using urban transport systems.

Connect and develop regions

Network productivity

How much of the road network's capacity is used on key interregional routes (including those in the government's Regional Growth Programme).

Index of network productivity

This indicator measures capacity utilisation of the road network on key interregional routes. Capacity utilisation is a measure of the extent to which the productive capacity of a road is being used.

This indicator allows us to understand how the road network is responding to demand and informs us where resources are best focused.

This indicator is measured using a methodology that compares the actual speed and flow of traffic with the optimal speed and flow of traffic on selected routes. These measures are aggregated on a volume-weighted basis to provide a network-level view of productivity.

Future enhancements to this indicator will include incorporating public transport as an additional mode, as well as increasing the coverage to larger provincial centres.

DESIRED TREND	BASELINE MEASURE	BASELINE UNITS
Maintain	78.1	Road capacity utilisation (%)

People and freight can move on key interregional routes at their same current speed and flow, halting the recent decrease in productivity caused by more vehicles using the road network.

Network accessibility

The number of people found driving without a valid driver licence in rural areas.

Index of the number of people found driving without a valid driver licence

This indicator measures the number of people recorded not having a valid driver licence when stopped by police.

This indicator allows us to assess how accessible the transport system is for our customers because not having a valid driver licence is a barrier to accessing the economic and social opportunities that exist in rural areas.

DESIRED TREND	BASELINE MEASURE	BASELINE UNITS
Decrease	4484	Number of people

Fewer people in rural areas are driving without a valid driver licence, meaning they have safe access to social and economic opportunity.

Network travel time predictability

The predictability of travel times for customers travelling by road on key interregional routes.

Index of travel time predictability

This indicator measures how reliable travel times are for customers travelling by road on key interregional routes.

This indicator allows us to monitor how our activities and projects are improving travel time predictability for our customers.

Travel time predictability for road is calculated using a 'buffer time' method. The buffer time method represents the extra time that travellers must add or subtract to their average travel time when planning trips.

Results are generated for key interregional routes with an aggregated, volume-weighted result being provided.

Future enhancements to this indicator will expand its scope to include larger provincial centres and public transport.

DESIRED TREND	BASELINE MEASURE	BASELINE UNITS
Maintain	88.0	Proportion of road journeys that are predictable (%)

People and businesses retain their current ability to predict travel times on key interregional routes, allowing them to get to their destinations on time. This halts the recent decline in predictability caused by more vehicles using these routes.

Network resilience

The time taken to address unplanned closures on the state highway network.

Index of duration of observed closures on freight and public transport routes

This indicator measures disruptions that affect traffic. These disruptions vary from adverse natural events to vehicle-related incidents.

This indicator allows us to measure the impact of our activities on the resilience of the state highway network.

This indicator is measured by monitoring the total number of hours and minutes for all network road closures that result from unplanned disruptions.

Future enhancements to this indicator will focus on measuring the impact of unplanned disruptions on traffic volumes for key interregional and public transport routes.

DESIRED TREND	BASELINE MEASURE	BASELINE UNITS
Decrease	1355	Time taken to address road closures (hours)

Our customers experience fewer delays from unplanned road closures, allowing them to reliably get to their destinations.

Keep people safe

System safety

The number of people killed or seriously injured on the road and rail systems.

Index of deaths and serious injuries

This indicator measures the number of people killed or seriously injured on New Zealand's road and rail systems.

This indicator provides us with information about whether our activities are reducing the physical harms to those interacting with and using the transport system.

The number of people killed or seriously injured on the road includes people driving, cycling and walking.

The number of people killed or seriously injured on our rail system includes those who travel by rail and those who interact with the rail system, such as people who work on it and people who attempt to cross it, either on foot or in a vehicle, at designated rail crossings.

DESIRED TREND	BASELINE MEASURE	BASELINE UNITS
Decrease	2738	Number of people

Fewer people are killed or seriously injured using the land transport system by creating a system that is more forgiving of human error.

Environmental harm

The energy efficiency of road transport.

Index of energy efficiency of transport

This indicator measures fossil fuel consumption by motor vehicles using the road. A decrease in fossil fuel consumption per vehicle kilometres travelled reduces transport-related emissions, including carbon dioxide (CO_2), leading to reduced harm to people and the surrounding environment.

This indicator allows us to monitor the effect of our regulatory activities targeted at improving energy efficiency and reducing transport-related emissions.

This indicator is measured by the total amount of petrol and diesel fuel consumed by the transport sector divided by vehicle kilometres travelled by all vehicles, including electric vehicles.

DESIRED TREND	BASELINE MEASURE	BASELINE UNITS
Maintain	6.88	Fuel consumed per 100km travelled (l/100 km)

Fuel consumption for the national fleet stays the same and minimises the environmental damage caused by road transport despite the national average edging higher in recent years.

Improve customer experiences

Customer and citizen experience

How satisfied customers are with the transport system and the services they receive from us.

Index of customer service quality

This indicator measures how satisfied customers are when accessing and using the transport system.

This indicator allows us to better understand the experience customers have when interacting with us.

This indicator is measured by surveying customers to determine their level of satisfaction when transacting with us and when using the transport system.

Future enhancements to this indicator will focus on surveying customers to better understand what they want from a transport system.

DESIRED TREND	BASELINE MEASURE	BASELINE UNITS
Increase	63.0	Level of customer satisfaction when accessing and using the transport system (%)

Customers and citizens feel more satisfied with our services and performance, making it easy for them to get information and make the right decisions.

Deliver connected journeys

Customer and citizen experience

This indicator will be developed during 2017/18.

Achieve organisational excellence

Organisational efficiency

How well we use resources (people, relationships, information technology and business practices and tools).

Index of Performance Improvement Framework assessment ratings (efficiency)

This indicator measures our organisational efficiency.

This indicator allows us to understand how well we use our resources (people, relationships, information technology and business practices and tools) against the government Performance Improvement Framework.

This indicator is measured by assessing and scoring various elements of organisational efficiency identified in the Performance Improvement Framework. These scores are then aggregated into a single score.

Scoring will be conducted first by a formal assessment from the State Services Commission, followed by a self-assessment the next year. This cycle with then be repeated.

DESIRED TREND	BASELINE MEASURE	BASELINE UNITS
Increase	2.2	Maturity of organisational efficiency practices (scale of 1 to 4)

We improve how efficiently we use our resources to maximise the benefits we deliver to New Zealanders.

Value for money

The maturity of our practices to get the best value for every dollar spent improving the transport system.

Index of value-for-money maturity

This indicator measures our maturity in achieving value for money within and across our core activities.

This indicator allows us to understand where we need to improve as an organisation to get the best value for every dollar spent. More mature organisational value-for-money practices are essential to meet the challenges in our operating environment.

This indicator is measured by assessing and scoring four elements of value-for-money – economy, efficiency, effectiveness and equity – and then aggregating them into a single score.

DESIRED TREND	BASELINE MEASURE	BASELINE UNITS
Maintain	3.0	Maturity of organisational value-for-money practices (scale of 1 to 4)

Our ability to achieve value for money and demonstrate our responsible management of public finances stays the same as we change our internal structure, operating model and ways of working.

Transform the Transport Agency

Organisational effectiveness

How effective we are at delivering our core activities.

Index of Performance Improvement Framework assessment ratings (effectiveness)

This indicator measures our organisational effectiveness.

This indicator allows us to understand how effective we are at delivering our core activities against the government Performance Improvement Framework.

This indicator is measured by assessing and scoring various elements of organisational effectiveness identified in the Performance Improvement Framework. These scores are then aggregated into a single score.

Scoring will be conducted first by a formal assessment from the State Services Commission, followed by a self-assessment the next year. This cycle with then be repeated.

DESIRED TREND	BASELINE MEASURE	BASELINE UNITS
Increase	2.7	Maturity of organisational effectiveness practices (scale of 1 to 4)

We improve how effectively we use our resources to maximise the benefits we deliver to New Zealanders.

Organisational culture

How positively staff perceive our organisational culture.

Index of organisational culture

This indicator measures staff perceptions of our organisational culture (our DNA).

This indicator allows us to understand where we need to invest and to plan our resources to build our desired way of working (our DNA).

This indicator is measured using the results of a staff survey of organisational culture. The survey asks teams to rate our performance against a set of factors deemed crucial to organisational success, including internal culture and leadership.

DESIRED TREND	BASELINE MEASURE	BASELINE UNITS
Increase	61.0	Maturity of organisational cultural practices (%)

Our people's ability to be ambassadors for our strategy, culture and operating model will improve, delivering benefits for our customers and stakeholders.

OUTPUT CLASS SCOPE STATEMENTS AND PERFORMANCE TARGETS

Licensing and regulatory compliance

Scope

Purchase of land transport regulatory implementation services, specialist land transport enforcement services and licensing services, including driver licensing.

Purpose of vote transport appropriation limited to ministerial servicing by NZ Transport Agency.

Technical notes

Unit transaction cost measures the direct unit cost of delivering a driver licence or driver testing transaction or service as well as the warrants of fitness and certificates of fitness.

The *% of transactions completed online* is the proportion of practical test bookings and rescheduled test bookings completed through the Transport Agency website divided by the total number of test bookings completed for motor vehicle and motorcycle licences.

The *% accuracy of registers* is a measure of the data input accuracy of the driver licence register based on monthly audit checks from a random sample of 100 callers and a selection of agents' work processed against what is written on the form and recorded in the driver licence register. The measure reflects the average of the audit results.

The *% of operational assurance activities completed* is an aggregate of three specific operational assurance activities (for example, audits) of driver testing agents, transport operators and certifying agents completed against planned. Aggregation is based on the weighted volume of activity in the given year.

The *% of activities that are delivered to agreed standards and timeframes* is an aggregate of six specific dimensions: four audit activities of driver testing agent officers and course providers, transport operators, certifying agents, and regulatory compliance and agent service delivery (with targets of greater than 90%) and two completion rates against standard of official correspondence and transport rules development programmes (with targets of 100%). Aggregation to the overall result is based on the weighted volume of activity across the components in the given year.

The *number of products and services delivered or processed* includes warrants of fitness, certificates of fitness, new and renewed driver licences, issuing of driver and transport operator testing services, certification review, border inspection, overdimension permits, and drug and alcohol assessments funded.

Road tolling

Scope

Collection of road tolling charges and enforcement activities to recover road tolling payment evasion.

Technical notes

Unit transaction cost is the direct unit cost of delivering a toll service. Cost excludes write offs, bad debts and administration fees from toll payment notices. Future target ranges have remained consistent despite the forecast increase in tolling volumes as there is ongoing system investment to manage the increased volume and complexity associated with the introduction of additional toll roads (Tauranga Eastern Link and Route K).

Motor vehicle registry

Scope

Registration and licensing of motor vehicles, the collection and refund of motor vehicle registration and licensing revenue, and the operation of the motor vehicle register.

Technical notes

The *% of transactions completed online* is the proportion of annual motor vehicle licensing (including reversals), new registrations and register maintenance actions (including vehicle licensing exemptions, change of ownership (buyer), change of ownership (seller), change of name or address, registered person name and address) purchased over the internet, Direct Connect, and through an industry agent divided by the total number of motor vehicle registrations.

The *% accuracy of register* reflects the accuracy of the information entered into the motor vehicle registry. Data-verification activities are focused on confirming vehicle attributes (vehicle ownership and address information) in the motor vehicle registry. The measure combines the result of regular audit checks by regional staff, unverified owner and address information returns.

The *% customer satisfaction* reflects the proportion of motor vehicle register customers who consider the internet transaction they undertook was easy to complete. It is sourced from a feedback survey open to all users of the online transaction service. Responses are based on the following online transactions: vehicle licence renewal, bought or sold a vehicle, a registered person or stolen vehicle check, an exemption from vehicle licensing, applying for registered person name and address, and revoking access to personal details.

Road user charges collection, investigation and enforcement

Scope

Collection and refund of road user charges (RUC) and the investigation and enforcement of evasion of RUC.

Technical notes

The *% of transactions completed online* is the proportion of light and heavy vehicle RUC licences purchased online over the total number of RUC licences purchased. Online refers to transactions through Direct Connect, Transact, e-RUC and automatic tellers.

The *number of products or services delivered or processed* includes light and heavy vehicle RUC licence purchases and off-road RUC rebate claims. This is an aggregate figure showing a total of assessment, enforcement and refund activities.

Refund of fuel excise duty

Scope

Receipt and processing of applications for and the refunding of fuel excise duty.

Technical notes

Average number of days taken to deliver is determined by how long it takes, on average, to process and approve fuel excise duty refunds. Days to deliver refers to the number of working days between the date of application to the date of approval recorded in the fuel excise duty database system.

The *number of products or services delivered or processed* is the number of fuel excise duty refund applications processed or delivered for the reporting period. The volume of applications is based on the processing date.

Investment management

Scope

Managing, monitoring and advising transport sector stakeholders on the allocation of national land transport funds, developing plans for improving the transport network and systems, and developing transport sector capability and research, as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.

Technical notes

The *total cost of the management of the funding allocation system* is the Transport Agency service delivery cost for this output less the cost of crash analysis system business activity that is not part of the management funding allocation system.

The *% of activities that are delivered to agreed standards and timeframes* (investment management) is an aggregate of four specific measures to monitor the quality and efficiency of managing National Land Transport Programme (NLTP) expenditure and forecast standards, including investment approval and decision activities. All components of the measure have targets of 100%. Aggregation to the overall result is based on weighted volume of activity across the components in the given year.

The *% of operational assurance activities* completed is an aggregate of three specific dimensions: lessons learned, audits and post-implementation review programmes. Operational assurance activities are assessed according to their effectiveness, economic efficiency and strategic fit (that is, high, medium or low). Aggregation is based on the weighted volume of activity in the given year.

The *% of activities that are delivered to agreed standards and timeframes* (transport planning) includes transport planning, model development, activity management planning and programme business cases. These components are individually assessed against targets of greater than 90%. Aggregation of these results is based on the weighted volume of activity for each area. The Transport Agency works collaboratively with its local authority partners as they prepare strategies, plans and packages to help ensure that when they are formally received they are of high quality and meet the Transport Agency assessment criteria, so are suitable for support or endorsement by the Transport Agency. It provides an indication of how well the Transport Agency manages its transport planning activities to time and cost standards.

The *% of activities that are delivered to agreed standards and timeframes* (sector research) is a measure that compares planned time, cost and quality of research investment with actual performance. All aspects have targets of 100% and contribute equally to the overall result. It is a measure of the effectiveness of the Transport Agency as a programme manager.

The *average number of days taken to deliver* is determined by how long it takes, on average, to process and approve funding of a new NLTP activity. Days to funding approval is defined as the number of working days between the date of receipt to the date the approval was recorded in the transport information online system The methodology of this measure has changed. The measure relates to the Transport Agency's response times to approved organisation funding requests. The target level is appropriate as performance is based on both council request timing and Transport Agency approval process.

The *% customer satisfaction* demonstrates the percentage of approved organisations' stakeholders (regional, local and unitary authorities, the Department of Conservation, Auckland Transport and the Waitangi National Trust) that were satisfied with the relationship between their organisation and the Transport Agency. This is measured through an independently conducted survey.

Public transport

Scope

Renewal and improvement of infrastructure to support public transport and non-commercial public transport services are authorised under section 9(3) and (4) of the Land Transport Management Act 2003.

Non-commercial public transport services, as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.

Technical notes

The *productivity (costs per passenger kilometre) by bus, train and ferry* indicator, where available, reflects a new Government Policy Statement on Land Transport reporting requirement that examines changing costs of public transport provision (bus, train and ferry) by passenger use. This is an aspirational measure that leverages the introduction of integrated ticketing. Information is available for only Auckland, Wellington and Christchurch. As the coverage of integrated ticketing improves throughout the period of the current NLTP, reporting from other regions will be included. The indicator's overall desired trend over the period of the NLTP is for reduced costs per passenger kilometre across the public transport modes of bus, train and ferry. The figures represent on the subsidised costs covered by the National Land Transport Fund and do not include farebox revenue or local share. In addition, not all ferries are subsidised by the National Land Transport Fund.

The *productivity (costs per passenger kilometre) by peak and off-peak* indicator, where available, reflects a

new Government Policy Statement on Land Transport reporting requirement that examines changing costs of public transport provision (bus, train and ferry) by passenger use. This is an aspirational measure that leverages the introduction of integrated ticketing. Information is available for only Auckland. As the coverage of integrated ticketing improves throughout the period of the current NLTP, reporting from other regions will be included. The indicator's overall desired trend over the period of the NLTP is for reduced costs per passenger kilometre across the public transport modes of bus, train and ferry.

Alternative measure of productivity – change in productivity (cost per passenger boarding) has been used. This represents the cost of operating public transport services per boarding by bus, train and ferry. The figures represent the subsidised costs covered by the National Land Transport Fund and do not include farebox revenue or local share. In addition, not all ferries are subsidised by the National Land Transport Fund.

Administration of SuperGold cardholders' scheme and **Enhanced public transport concessions for SuperGold cardholders**

Scope

Administration of the scheme to provide enhanced public transport concessions for SuperGold cardholders.

Technical note

The *% of activities that are delivered to agreed standards and timeframes* is a measure of our speed of processing and approving SuperGold claims to regional councils. The component measure is the average number of days taken to process claims received from regional councils. Days to process is defined as the difference between the date the payment was made and the date the claim was submitted or recorded in the Transport Information Online or Land Transport Programme website by the regional council. Claims are received, validated and paid electronically.

Walking and cycling

Scope

New and improved walking and cycling infrastructure for transport purposes, as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.

Technical note

The *% increase in cycling trip legs per person across Auckland, Wellington and Christchurch* reflects the number of annual trips made by bike as measured in the annual Household Travel Survey conducted by the Ministry of Transport.

Road safety promotion

Scope

Promote safe and economic use of land transport networks and services under section 9 of the Land Transport Management Act 2003.

Technical notes

The *% of activities that are delivered to agreed standards and timeframes* is a measure of timeliness and effectiveness in delivering road safety education, advertising and promotion. Components of this measure look at the percentage of road safety education and advertising campaigns completed on time and the percentage of education and promotion programmes that meet forecast participation rates. All components have a 100% target and contribute equally to the overall result.

The *% of road safety advertising campaigns that meet or exceed their agreed success criteria* is a measure based on the success of road safety advertising campaigns. It is a composite measure reflecting the number and breadth of the advertising campaigns used, the varied media in which they are presented (including online), and the different aspects of the campaigns that are measured (including likeability, relevance, message takeout, likelihood to change attitude and prompted recall). These measures are collected from independently conducted surveys, media and website reporting.

Road Policing Programme

Scope

Developing plans for improving the transport network and systems as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.

Local road improvements

Scope

Management and delivery of improvement of local roads as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.

Local road maintenance

Scope

Management and delivery of renewals to the existing local road infrastructure as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.

Regional improvements

Scope

Planning and investing in regionally important state highway and local road projects outside the main metropolitan areas.

State highway improvements

Scope

Capital works for new infrastructure for state highways as authorised by section 9(3) and (4) of the Land Transport Management Act 2003.

Technical notes

The *% of activities that are delivered to agreed standards and timeframes* compares time, cost and quality of large, block and property acquisition programmes (at the time construction commenced). It is a measure of the effectiveness of the Transport Agency as a project manager. Within each programme, time, cost and quality are equally weighted with targets of greater than 90%. Aggregation to the overall result is based on weighted programme expenditure across the components in the given year.

The *productivity of the state highway network in major metropolitan areas* indicator measures lane capacity utilisation (network productivity) of the urban network. Productivity is measured in terms of the product of speed and flow compared with road lane optimal vehicle throughput. It demonstrates how effectively the current road network and operational management activities handle peak demand for vehicle movement. This indicator provides information to help deliver on our priority of making the most of urban network capacity. The higher the productivity percentage value, the more productive the road network is because of both speed and flow being maintained near maximum values (that is, near free-flow speed and capacity respectively). The lower the productivity percentage value, the less productive the road network is because of either or both low traffic flow and speed. It is noted that a low productivity may also occur in scenarios of low demand, so may not be due to poor network performance

State highway maintenance

Scope

Activities that manage, maintain and operate state highway infrastructure as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.

Technical notes

The *% of activities that are delivered to agreed standards and timeframes* presents the physical achievement of maintenance and renewal activities (including progress of state highway pavement renewal programme) against baseline. It is a measure to keep track of the delivery of physical performance targets. The single component aspect of this measure examines the proportion of state highway maintenance and renewal work completed compared with the planned kilometres and budget.

Safe stopping: *% of network meeting surface texture standards* reflects efficiency in meeting surface texture standards (to ensure safe stopping) as per sector research. Maintenance of the state highway focuses on ensuring skid resistance (to ensure safe stopping). Minimum acceptable levels of skid resistance are set in relation to the road environment. The annual programme of reseals (surface renewals) is driven, in part, by the need to maintain network skid resistance.

Network resilience: *% of rutting > 20mm over state highway network* is the proportion of rutting (long shallow channels generally found in wheel paths) above the 20mm threshold over the length of the state highway network. Rutting in the road surface is one of the key indicators of the health of the underlying pavement and the need for pavement renewal. Ruts often also hold water, so lower skid resistance.

Safe stopping: *% of travel on network above skid threshold* reflects efficiency in meeting surface texture standards (to ensure safe stopping) as per sector research. Minimum acceptable levels of skid resistance are set in relation to the road environment. The annual programme of reseals (surface renewals) is driven, in part, by the need to improve skid resistance.

Smooth ride: *% of travel on network classed as smooth* is the proportion of travel (proportion of vehicles kilometres travelled on the network surveyed) that occurs on pavements smoother than a nominated surface texture standard over the length of the network surveyed.

The *% availability of state highway network* is expressed as the sum of all unscheduled road closure incidences (both urban and rural) that have a significant impact on road users addressed within standard timeframes (that is urban less than 2 hours and rural less than 12 hours) and protocol over the total number of road closure incidences. This indicator is a functionality asset performance measure under the Cabinet Office Circular CO 15(5).

The *% customer satisfaction* reflects the proportion of the public satisfied with the availability of network information and the overall rating of the state highways in New Zealand. It is sourced from several customer surveys. These are a computer-aided telephone interviewing design survey with quotas set for target audiences according to age, race, sex and residential region (prescribed numbers are set for each to ensure balance and fairness).

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This publication is also available on NZ Transport Agency's website at **www.nzta.govt.nz**