
NZ Transport Agency annual report

Provided to the Minister of Transport and presented to the House of Representatives pursuant to section 150 of the Crown Entities Act 2004

AND THE

National Land Transport Fund annual report

Provided to the Minister of Transport and presented to the House of Representatives pursuant to section 11 of the Land Transport Management Act 2003 and section 150 of the Crown Entities Act 2004

for the year ended 30 June 2013



OUR PURPOSE

CREATING TRANSPORT SOLUTIONS FOR A THRIVING NEW ZEALAND



For the NZTA
annual report
go to page

1



For the NLTF
annual report
go to page

155



NZ Transport Agency

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

NZ Transport Agency

Private Bag 6995

Wellington 6141.

This publication is also available on
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www.nzta.govt.nz

NZ TRANSPORT AGENCY ANNUAL REPORT

Provided to the Minister of Transport and presented
to the House of Representatives pursuant to section
150 of the Crown Entities Act 2004

**FOR THE YEAR ENDED
30 JUNE 2013**



CONTENTS

SECTION

A

2012/13
AT A GLANCE

4

Our
strategy

6

Our operating
environment
in 2012/13

8

Our
activities

9

Our
finances

10

Our
successes

SECTION

B

GOVERNANCE
REPORT

15

Report from
the Chair

20

Board member
profiles

SECTION

C

CHIEF
EXECUTIVE'S
REPORT

23

Chief
Executive's
report

32

Leadership
team profiles

34

Organisational
structure

SECTION

D

PROGRESS ON
THE STATEMENT
OF STRATEGIC
INTENT

36

Progress on
long-term
sector impacts

39

Progress on
our strategic
direction - by
priority

46

Progress on
our other key
focus areas

51

Organisational
capability and
health

SECTION

E

STATEMENT
OF SERVICE
PERFORMANCE

60

Statement of
responsibility

61

Statement of
service
performance

62

Achievement
of performance
measures

63

Output class
case studies

70

Output classes
the Transport
Agency delivers

85

Output classes
the Transport
Agency partly
delivers along
with local
authorities

90

Output classes
where the
Transport
Agency invests,
but does not
deliver services

95

Appendix 1:
Strategic
framework
diagram

96

Appendix 2:
How our
outputs
contribute to
impacts

98

Appendix 3:
Supplementary
information for
non-financial
measurement

102

Appendix 4:
Output class
income and
expenditure

SECTION

F

STATEMENT
OF FINANCIAL
PERFORMANCE

111

Highlights
from our
financial
statements

114

Financial
statements

118

Notes to the
financial
statements

143

Supplementary
information

151

Independent
auditor's
report

153

Putting the
scrutiny
principle into
practice

154

Independent
review report
of the Auditor-
General

**SECTION A:
2012/13
AT A GLANCE**



OUR STRATEGY

The Transport Agency contributes to government's overarching goal of growing the New Zealand economy to deliver greater prosperity, security and opportunities for all New Zealanders.

The government's long-term outcomes for the transport sector:

- An efficient transport system that supports the government's goal of high levels of economic productivity, provides strong international connections for freight, business and tourism, and meets international obligations.
- A sustainable funding basis for transport infrastructure investments and use.
- A high-quality transport system for Auckland, the nation's economic hub.
- An accessible and safe transport system that contributes positively to the nation's economic, social and environmental welfare.

IMMEDIATE PRIORITIES: investment in infrastructure, better regulation, better public service, road safety.

NZTA

5

We work to help deliver the government's long-term outcomes and immediate priorities through our strategy - the NZTA 5.

1

WHY WE ARE HERE**1 PURPOSE**

Creating transport solutions for a thriving New Zealand

We help New Zealand thrive when we contribute to achieving eight long-term impacts:

- Better use of existing transport capacity.
- More efficient freight supply chains.
- A resilient and secure transport network.
- Easing of severe urban congestion.
- More efficient vehicle fleets.
- Reduction in deaths and serious injuries from road crashes.
- More transport mode choices.
- Reduction in adverse environmental effects from land transport.

2

WHO WE SERVE**2 CUSTOMER GROUPS****1. Individuals**

We help people make the best use of New Zealand's transport system – whether they are drivers, passengers, people getting their Wof, licence or registering their vehicle, or businesses that need permits or commercial operator licences.

2. New Zealand communities

We help plan cities that are easier to get around, we build new highways, we invest in roads, public transport, walking and cycling in regions and towns, and we make the roads safer. We do this by working with our stakeholders.

We want our customers and stakeholders to be satisfied that:

- we deliver services and solutions that are convenient, effective and efficient and that represent good value for money
- we help them make more efficient, effective and safe transport choices
- we listen to them and consider their views even when, in the end, we might not provide the answer or investment decision they had hoped for.

3

HOW WE WORK**3 BEHAVIOURS**

To help build the effectiveness of our organisation, we have developed three behaviours:

1. Sign up – We commit to where we are going and we put our heart into what we do. We get engaged every day.

2. Team up – We enjoy the people we work with and appreciate their talents. We find solutions for our customers with joined up thinking.

3. Front up – We are courageous. We tackle the difficult issues. We know our value and bring it to our work with confidence and good judgement.

Our Organisational Development Strategy focuses on building a high-performing culture, by:

- developing our people, because what distinguishes a great organisation is the calibre of its people
- working with others really well, because we engage with a wide range of stakeholders and customers every day
- achieving together, because we need to offer customers and stakeholders a Transport Agency that is joined up.

4

WHAT WE DO**4 FUNCTIONS**

Our core business over the longer term is:

1. Planning the land transport network

Integrating one network

We are integrating land use and transport planning so that there are many ways to get around our towns and cities seamlessly – walking, cycling, using public transport or motor vehicles. We also want to ensure New Zealand has a resilient transport infrastructure backbone.

2. Providing access to and use of the land transport system

Shaping smart choices

We are helping shape the transport choices that people make by providing good information and encouraging them to travel safely and efficiently. We want to work cooperatively with other network operators to unlock the land transport system's contribution to a thriving New Zealand.

3. Investing in land transport

Maximising return for New Zealand

We are making smart investments in the national, regional and local land transport system because we need to ensure every dollar we spend helps New Zealand thrive. Together with our partners we allocate funds to advance national and regional transport objectives.

4. Managing the state highway network

Delivering highway solutions for customers

We are ensuring that each state highway plays its part in the wider transport network and provides safe and reliable journeys. Over time we want to improve the experiences that people have on our highways, and recognise the different needs of freight, commuters, tourists, business and leisure travellers.

5

**OUR IMMEDIATE FOCUS
5 STRATEGIC PRIORITIES****1. Improving customer service while reducing compliance costs**

Focus our efforts on providing high levels of customer service while being smart about reducing costs.

2. Embedding the Safe System approach

Help deliver Safer Journeys by implementing a Safe System approach to reduce serious injuries and deaths on our roads.

3. Improving the efficiency of freight movements

Contribute to a significant improvement in safe and efficient access of freight to markets.

4. Planning for and delivering roads of national significance

Plan for and substantially deliver by 2020 seven new roads on some of the most important parts of the state highway network.

5. Improving the effectiveness of public transport

Lift the effectiveness of public transport services to better use existing transport capacity and ease congestion in our big cities.

OUR OPERATING ENVIRONMENT IN 2012/13

EXTERNAL ENVIRONMENT

2.5%

increase in economic activity due to growth in domestic spending

5.4%

increase in export volumes and a 1.2% increase in imports

10.8%

rise in construction related activity, underpinned by the Canterbury re-build

REVENUES

\$2.86bn

flows into the National Land Transport Fund - 4.4% higher than in 2011/12

\$1.57bn

from fuel excise duties - 3.8% higher than in 2011/12

\$1.12bn

from road user charges - 1.9% higher than in 2011/12

PRICE LEVELS

1.4%

increase in input costs faced by the construction sector for the year ending March 2013

3.8%

increase in labour costs for the construction sector in Canterbury (2.1% nationally)

8.9%

increase in the average price of 91 octane petrol paid at the pump

VEHICLE KILOMETRES TRAVELLED

19.608bn

kilometres travelled by all vehicles on state highways - 0.8% lower than in 2011/12

4.3%

decrease in kilometres travelled in Auckland

2.6%

increase in kilometres travelled in Wellington and a 0.5% increase for Canterbury

**TRAVEL
BY HEAVY
VEHICLES****1.996bn**

kilometres travelled by
heavy vehicles - 0% change
from last year

5.1%

decrease in kilometres
travelled by heavy vehicles
in Auckland

3.4%

increase in kilometres
travelled by heavy vehicles
in Wellington and 4.5%
growth recorded
for Canterbury

**TRANSACTION
VOLUMES****1.5%**

increase in the number of
motor vehicle registration
transactions

5.3%

decrease in the number
of road user charge licences
purchased by diesel
powered vehicles

15.4%

increase in the number
of tolling transactions

**PUBLIC
TRANSPORT****132.7m**

boardings on public
transport - a marginal
increase of 0.2%

18.4%

increase in patronage
numbers in Canterbury

2.8%

decrease in public transport
patronage in Auckland
- boardings fell by
0.8% in Wellington

OUR ACTIVITIES

1.0%

OF NLTf EXPENDITURE SPENT ON MANAGING THE FUNDING ALLOCATION

Total expenditure on managing the funding allocation system was 0.7% lower than budget and 1.7% lower than the 2011/12 expenditure. This reflects delays on a number of projects, such as the *Economic evaluation manual* review, the enterprise geospatial rollout and the Crash Analysis System, which are now due to be completed in 2013/14.

77

OUT OF 100 IS KIWIS COUNT SCORE FOR MOTOR VEHICLES

The Kiwis Count survey scored the quality of service for the motor vehicles group as five points higher than the public sector average. The average score of 77 (out of 100) was the third highest of any public sector group for the nine-month period ending March 2013.

1

MILLION MOTOR VEHICLE REGISTRATION TRANSACTIONS COMPLETED ONLINE

1.054 million or 22.6% of all motor vehicle registration transactions were bought online during 2012/13. In part this reflects a continued trend towards purchasing motor vehicle licences of shorter frequencies. It is expected that the number of online transactions will continue to grow.

0.9

MILLION ROAD USER CHARGE LICENCES WERE PURCHASED ONLINE

0.884 million or 47.3% of all road user charge licences were bought online during 2012/13. It is expected that the number of online transactions will continue to grow.

36

RESEARCH PROGRAMME REPORTS WERE PUBLISHED ON THE NZTA WEBSITE

A further 19 research projects were completed and the associated research reports were being finalised for publication as at June 2013. In addition, 22 research projects were actively managed during the year.

\$1.5

BILLION INVESTED IN STATE HIGHWAY PROJECTS

\$1.5 billion was invested in state highway projects in 2012/13 – an increase of 5.6% on the previous year. This covers new and improved infrastructure, renewal of existing infrastructure, and maintenance and operations.

4 OF 5

LARGE STATE HIGHWAY PROJECTS ACHIEVED THEIR COMPLETION TARGET

Successfully delivered projects include Newmarket Viaduct in Auckland, the Te Rapa section of the Waikato Expressway, stage one of the Christchurch Southern Motorway and Caversham Highway improvements in Dunedin.

1,484

KILOMETRES OF STATE HIGHWAY PAVEMENT RENEWED

1,484 kilometres or 2,960 lane kilometres of the state highway network was renewed during 2012/13. Expenditure on renewals was 11% under budget and 12.4% lower than in 2011/12. Renewal works were prioritised to address the different needs of each state highway classification.

46%

INCREASE IN VISITS TO THE ROAD SAFETY EDUCATION PORTAL IN 2012/13

There were 19,815 visits to the road safety education portal for teachers in 2012/13 (compared to 13,576 in the previous year). The portal contains over 60 curriculum resources for use in years 1-13.

12,459

PEOPLE REGISTERED ON THE PRACTICE PROGRAMME IN 2012/13

9,590 learner licence drivers and 2,869 coaches registered for the free Practice practical driving programme jointly created by the Transport Agency and ACC to help learner drivers pass the restricted test.

97%

OF PEOPLE RECALLED ROAD SAFETY ADVERTISING MESSAGES

97% of people responding to our online tracking survey recalled one or more of the road safety television advertisements when prompted. These advertisements targeted drink-driving, fatigue, speeding, young drivers, distraction, vehicle safety and drugged driving.

3,613

RAIL SAFETY OCCURRENCES REPORTED TO NZTA

Of the occurrences (accidents and incidents) reported, 306 involved actual or risk of death or serious injury.

OUR FINANCES

WE HAVE ENDED THE FINANCIAL YEAR TO 30 JUNE 2013 WITH A NET SURPLUS OF \$56.8 MILLION, COMPARED TO A SURPLUS OF \$41.4 MILLION IN THE PREVIOUS YEAR.

Further information and analysis of our results is provided under the 'Highlights from our financial statements' on pages 111 to 113.

\$2.1 BILLION TOTAL INCOME

Our operating income was \$63 million higher than in 2011/12 due to changes in economic activity leading to an increase in both road user charges and fuel excise duty revenue.

\$2.0 BILLION TOTAL EXPENDITURE

Our total expenditure was \$48 million higher than in 2011/12. This year our main emphasis has been on increasing our investment in new and improved local roads and public transport.

\$26.8 BILLION TOTAL ASSETS

The total value of our assets is \$298 million higher than in 2011/12, which reflects the \$1.2 billion invested in the state highway network, less depreciation and change in the value of the network.

\$1.2 BILLION CAPITAL EXPENDITURE

Our capital expenditure was \$95 million higher than in 2011/12. This is in line with our continued investment in roads of national significance and other capital.

OUR SUCCESSSES

At the Transport Agency, we strive for excellence in everything we do to create transport solutions for a thriving New Zealand. This year we have been recognised, alongside our partners, by a number of industry and professional bodies for innovation and best practice. This section showcases some of our successes.

EXCELLENCE IN ENGINEERING FOR SAFETY

The Transport Agency and MWH Global received recognition in 2012 for their project, KiwiRAP (Road Assessment Programme) star ratings and KAT (Kiwi Analysis Tool): The development of a proactive road safety assessment tool.

The KiwiRAP star rating has attracted international recognition for its innovation and effectiveness as a proactive road safety assessment and management tool. It is a key means for moving towards the Safe System approach, promoted by the New Zealand road safety strategy, Safer Journeys.

Launched by the Minister of Transport in June 2010, KiwiRAP star ratings have been used to assess the safety afforded by road infrastructure and allocate a star rating from 1 star through to 5 stars, across 10,000km of the rural state highway network.

KiwiRAP is improving safety outcomes by helping to grow public awareness, and provides a common nationwide assessment methodology for highway network planners and managers. By understanding deficiencies in road infrastructure features that increase crash risk through KiwiRAP, it is possible to proactively and more accurately prioritise road safety investment to target resources to those routes and features where the greatest road safety gains can be achieved.

'The ability to accurately, systematically and cost effectively quantify existing roads in a way that enables the relative risks of crashes to be determined is a major step forward in road infrastructure management,' said awards judge Andrew Read of Pedersen Read Consulting Engineers in Christchurch.

The Excellence in Engineering for Safety Award recognises outstanding activities associated with engineering that promote excellence in health and safety, or an individual who has championed health and safety.

The Transport Agency was also recognised in the Information, Communication, Electrical and Electronic Technology category for the world-leading Milford and Knobs Flat variable message signs (VMS).



BUSINESS CONTINUITY PROGRAMME WINS OVER JUDGES WITH 'WOW' FACTOR

The Transport Agency's Business Continuity Programme (BCP) was named IT Project of the Year at the 2012 ITEX Computerworld Awards, which acknowledge and celebrate the outstanding efforts of people in the IT industry.

The BCP, which addressed the approaching end-of-life of the Agency's registry IT systems environment, won out over two other finalists: Fulton Hogan for the IT establishment of SCIRT (Stronger Christchurch Infrastructure Rebuild Team), and Rugby New Zealand for the IT programme that supported the 2011 Rugby World Cup.

The judges were particularly impressed with the size and complexity of our programme.

According to Craig Soutar, our Chief Information Officer, 'It wasn't just the delivery of the BCP that was the success. The bigger "wow" factor was that we also delivered Driver Licensing Amendment Act changes, road user charges reform and motor vehicle administration fee changes.

'When organisations do "re-platforming" changes, Craig says, they usually freeze their systems for the project duration while migrating. We didn't do that. We piled a record level of change on at the same time. We also conducted extensive research prior to committing to the project and we sought insights and advice as we progressed through the 15-month implementation phase.'



LEFT TO RIGHT: REX DOBSON (UNISYS), MALCOLM MCDERMOTT, LOUISE MURRELL (UNISYS), CELIA PATRICK, CRAIG SOUTAR, CHRISTIAN HAYES

CIO OF THE YEAR CRAIG SOUTAR

Leadership and innovation at the Transport Agency was recognised with our own Craig Soutar winning the Chief Information Officer (CIO) of the Year award in June 2013.

The award is a prestigious one, and Craig was competing against finalists from companies such as Beca and Meridian Energy. It recognises New Zealand CIOs who show innovation and have key successes that fit with their company's overall business strategy.

The judges said 'Craig is a role model CIO and makes a significant contribution to the IT industry in NZ. He demonstrates leadership, innovation and strong influencing skills'.

Craig acknowledges the culture at the Transport Agency that has allowed him and his IS teams to be successful. 'A wonderful responsibility for leaders is to set conditions and create a culture for people to thrive and be all that they can be. This is what our Senior Leadership Team and other leaders are crafting – and this has been a critical factor in me winning the award.

'While I have been recognised by my peers, I want to share and celebrate this with all of our IS people as my recognition has been achieved through their outstanding contributions and behaviours.'



THE JUDGES SAID 'CRAIG IS A ROLE MODEL CIO AND MAKES A SIGNIFICANT CONTRIBUTION TO THE IT INDUSTRY IN NZ. HE DEMONSTRATES LEADERSHIP, INNOVATION AND STRONG INFLUENCING SKILLS'.



THE TRANSPORT AGENCY'S COMMUNICATION CHAMPIONS

Two major communication campaigns were acknowledged at the 2013 Public Relations Institute of New Zealand (PRINZ) Awards and the 2012 Plain English Awards.

Double winners at the PRINZ awards

The Transport Agency gained two awards at the PRINZ Awards.

The communications team for the Manawatu Gorge road closure won in the Issues, Crisis or Emergency Management category. The judges said it was a fantastic example of back-to-basics communication but with a creative twist.

The other win went to the give way rules change campaign in the Government or Quasi-Government Public Relations category. The judges said it was a well presented project, with some smart thinking included.

The annual PRINZ Awards recognise and reward outstanding public relations and communication management projects in New Zealand. They are the country's only dedicated PR and communication management awards. To win is a high accolade and shows that your work gets results.

Plain English champions

The Transport Agency was also a winner (and finalist) in the Plain English Champion Best Individual or Team award at the 2012 WriteMark Plain English Awards.

The communications team for the Manawatu Gorge road closure won the Plain English Champion award for the Best Individual or Team. The judges said the documents submitted in this entry were so well written that every judge commented on how they read as if they were a page-turner novel. The fact that two of the judges were from the US and could easily understand the complexities of a situation that is not familiar to them speaks to how clearly the team wrote the emails.

The team who worked on the give way rule changes were a finalist in the same category. The judges said 'This campaign shows the power of plain English to communicate clearly to a broad audience and avoid misunderstanding. In this case it was literally a matter of life and death. Their focus on the essential messages is a great demonstration of plain English principles'.

LEGEND CAMPAIGN GOES FOR GOLD

The Transport Agency picked up three golds at the Effie Awards for the drink-driving campaign, Legend. The gold Effies were for social marketing/public sector, best strategic thinking and hardest challenge.

The Effie judges said the Legend campaign helped start a conversation among the core audience. They noted the positive news coverage that the campaign generated and said Legend was a powerful story that got young men owning the message by talking with each other about drink-driving.

Introduced in 1968 by the New York American Marketing Association, Effie is the pre-eminent award in the advertising industry. It is the only award that honours creative achievement in meeting and exceeding advertising objectives. Legend also scooped awards at the ESET NetGuide Web Awards 2012 for best viral video and best web advertisement. The NetGuide Awards are decided by an online public vote and are the highest reaching technology awards in New Zealand.



THE TRANSPORT AGENCY LEADS THE WAY IN PLANT CONSERVATION

The Transport Agency was recognised by the New Zealand Plant Conservation Network with a special award for efforts in 'Restoring native plant life to road corridors' at their awards held in November 2012.

The New Zealand Plant Conservation Network is the country's only non-governmental organisation devoted to protecting indigenous flora, and was set up as an incorporated society in 2003 to work towards implementing the New Zealand Biodiversity Strategy and the Global Plant Conservation Strategy.

The Transport Agency's Environment and Urban Design Team was ecstatic about their win. 'It's great to have our commitment to using native plants in the roading corridor recognised. This practice promotes native biodiversity and decreases our long-term maintenance costs by selecting plants that can survive in the local conditions.'



'IT'S GREAT TO HAVE OUR COMMITMENT TO USING NATIVE PLANTS IN THE ROADING CORRIDOR RECOGNISED.'

PRACTICE PICKS UP GOLD

The young driver injury prevention programme 'Practice', delivered by the Transport Agency and ACC, won gold in the Industry category at the New Zealand Direct Marketing (NZDM) Awards, held in February 2013.

The Practice summer campaign included both a direct marketing and online campaign. The campaign targeted learner licence holders aged 16 to 19 and encouraged them to sign up to the web-based Practice programme to help them pass their restricted licence test.

The results of the campaign exceeded all expectations. There were double the registrations to Practice compared with the

previous two months. Young driver registrations were up 33% and coach registrations up 37% against the same period the previous year.

Given the success of this programme, an annual campaign is now in place and based around the school holidays when teens are more likely to start learning to drive. The second round of the campaign conducted over the summer holidays generated over 30,000 visits to the Practice website in January alone.

The NZDM Awards recognise excellence in insight-driven direct marketing projects and campaigns that generate outstanding results. Practice was also a finalist in the CRM and Data Management category for innovative programme reporting.



NEWMARKET VIADUCT WINS ON WORLD STAGE

The NGA Newmarket Alliance won the Civils Demolition Award at the World Demolition Awards in Amsterdam. The Alliance won the award for the unique way they constructed the new viaduct while deconstructing the original one and the way they successfully engaged with the Auckland community throughout the project.

A panel of international experts selected the Alliance as winners ahead of tough global competition.

Recognition in such prestigious international awards shows that the Transport Agency is leading the way in innovation, not just in New Zealand but on the world stage.



EXCELLENCE IN NETWORKED GOVERNMENT

The Transport Agency's Registry System Modernisation, Business Continuity Programme won the Excellence in Networked Government award at the 2013 IPANZ Gen-i Public Sector Excellence Awards. The awards showcase and highlight the significant contribution of the wider public sector to meeting the needs of New Zealand and New Zealanders. They recognise and promote excellence in terms of vision, innovation and the achievement of results, and encourage continuous improvement in services to New Zealanders.

The Transport Agency's driver licence and motor vehicle registers, and its road user charge and inspection systems are four of New Zealand's largest IT systems. Through careful planning, scoping, risk management and project management, these systems were migrated from hardware and software platforms that were nearing the end of their life and soon to be unsupported to the very latest systems available – ahead of schedule and under budget.



THROUGH CAREFUL PLANNING, SCOPING, RISK MANAGEMENT AND PROJECT MANAGEMENT, THESE SYSTEMS WERE MIGRATED FROM HARDWARE AND SOFTWARE PLATFORMS THAT WERE NEARING THE END OF THEIR LIFE AND SOON TO BE UNSUPPORTED TO THE VERY LATEST SYSTEMS AVAILABLE – AHEAD OF SCHEDULE AND UNDER BUDGET.



SECTION B:
GOVERNANCE
REPORT

REPORT FROM THE CHAIR

INTRODUCTION

I am pleased to present the 2012/13 annual report for the NZ Transport Agency.

This report outlines a year of successful delivery against the milestones and the ambitious targets we set for our priority areas in our 2012-15 *Statement of intent*. We have continued to deliver on the government's priorities for the land transport system in terms of our emphasis on activities that support economic growth and productivity, improve road user safety and deliver value for money.

Working with our partners, we are focused on planning and delivering a land transport network and services that provide transport users with increasingly safer, more efficient and more reliable travel. Our achievements over the year highlight this focus.

They also reflect the Transport Agency's ongoing dedication to designing and delivering services and solutions that place the customer at the heart of our business, and represent good value for money.

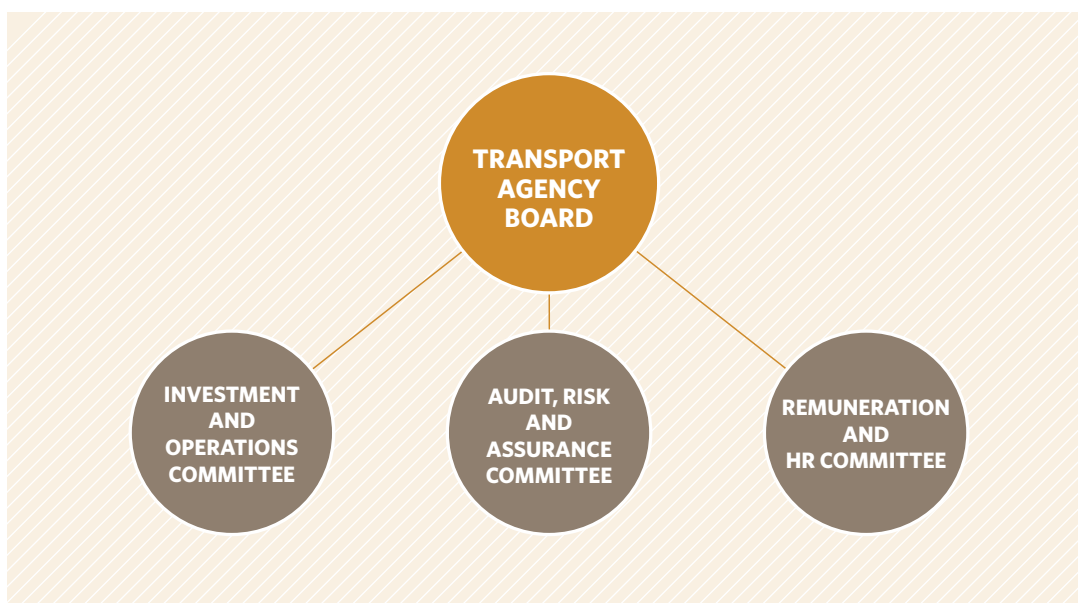
Our completion of another successful year is underpinned by a strong team. I want to recognise the dedication of the Transport Agency's staff and my fellow Board members in helping to create transport solutions for a thriving New Zealand. The work programme ahead of us will continue to be ambitious, and I am confident we have the focus and capability to make it happen.

Chris Moller

Chair
NZ Transport Agency

BOARD MEMBERSHIP AND COMPOSITION

The Minister of Transport appoints up to eight independent non-executive members to the Board of the Transport Agency. Board members are appointed for up to a three-year period that may be extended. The Board selects the membership of its three committees.



BOARD FUNCTIONS

The Board performs five functions that direct the operations of the Transport Agency:

1. Setting sector and organisational direction.
2. Confirming service and financial performance targets.
3. Directing significant planning, investment and operational matters.
4. Assuring quality of key organisational systems, policies and processes.
5. Assessing progress against plan.

The planning, investment and funding decisions reserved for the Board are set out in its significance policy, and include:

- approving annual budgets
- making significant funding decisions and contract awards
- authorising changes to the organisational structure
- authorising significant changes to processes or procedures for the allocation of the National Land Transport Fund (NLTF)
- reviewing the performance and remuneration of the Chief Executive.

The Board sets clear policies that define the individual and collective responsibilities of committee management, operating structure, lines of responsibility and the areas of authority extended to each. Operational responsibility is delegated to the Chief Executive via a formal delegated authority framework. Day-to-day operations are managed by senior managers led by the Chief Executive.

While the Board committees have no delegated authority, they help the Board to:

- provide assurance of compliance with policies and controls
- monitor and advise on delegated investment, operational procedures and projects
- annually review the performance of the Chief Executive.

In summary, the Board is responsible for the success of the Transport Agency. The Minister's formal line of accountability with the Transport Agency is through the Board's chair.

BOARD MEMBER REMUNERATION

The rates of remuneration for Board members are set by the Minister of Transport, in accordance with government rates for members' fees.

DISCLOSURE OF INTERESTS

Board members are required to complete a declaration of interest each year. The process is independently audited every year. An updated schedule of Board members' interests is tabled and reviewed at the opening of every Board meeting.

CODE OF CONDUCT

The Board formulated and adopted a code of conduct for its members in 2010. The code is based on best practice. It is informed by the State Services Commission's *Board appointment and induction guidelines*, and by the Office of the Auditor-General's *Managing conflicts of interest: Guidance for public entities and Guidance for members of local authorities about the law on conflicts of interest*.

BOARD ACTIVITY IN 2012/13

The Board held nine scheduled and three special meetings in 2012/13. The scheduled meetings were held in Wellington (7), Tauranga (1) and Christchurch (1). The Board considered 81 separate items. In October the Board also held a workshop on direction and targets for 2013-16, covering strategic, service delivery and financial performance.

BOARD FUNCTION	HIGHLIGHTS
SETTING SECTOR AND ORGANISATIONAL DIRECTION	<ul style="list-style-type: none"> • Safer Journeys action plan update and next steps • Vehicle licensing review of options for public consultation • Direction for the funding assistance rates review • Organisational capability development plan 2013-16 • NZ Transport Agency Public Private Partnership (PPP) policy • Auckland integrated transport plan • NZ Transport Agency communications strategy • Workshops - safer speeds and travel demand • PPP procurement policy
CONFIRMING SERVICE AND FINANCIAL PERFORMANCE TARGETS	<ul style="list-style-type: none"> • Agreeing to ambitious targets for priority areas for the <i>Statement of intent 2013-16</i> • Confirmation of NZ Transport Agency <i>Statement of intent 2013-16</i> • Direction for revenue, short and long-term borrowing • Adopting the National Land Transport Programme (NLTP) and the Road Policing Programme (RPP) (including quality assurance)
SIGNIFICANT PLANNING, INVESTMENT AND OPERATIONAL MATTERS	<ul style="list-style-type: none"> • Transmission Gully PPP procurement strategy • Transmission Gully PPP payment and performance mechanism • Business case for Transmission Gully PPP • Procurement approval for SH PPP • Funding approval: Wellington inner city improvements project of northern RoNS corridor • Tolling system review • Rotorua Integrated Network Strategy • Strategic support for Auckland Integrated Transport Programme • Rail safety service fee review
QUALITY ASSURANCE OF KEY ORGANISATIONAL SYSTEMS, POLICIES AND PROCESSES	<ul style="list-style-type: none"> • NLTF cash flow management review: Implementation of recommendations • National advertising programme • Health and safety practices • Lessons from Pike River Royal Commission • IT security • Privacy policy process culture and practice • Crash Analysis System support of road safety • Approved organisation procurement processes • Framework and process for regulatory fee setting • State highway tolling policy (update)
ASSESSING PROGRESS AGAINST PLAN	<ul style="list-style-type: none"> • Chief Executive's report (6) • Quarterly progress report (4) • Performance improvement framework (follow up) • Better Administrative Support Services (BASS) 2011/12 Benchmark results • Basin Bridge Wellington City Council alternative assessment • Adoption of 2011/12 annual report • Privacy management update • Fatality on SH 94 Milford Road • Milford Road and Homer tunnel operations/management, including portal rock fall management • Media and communications updates • Quarterly health and safety incident register review • Financial reports

BOARD AND BOARD COMMITTEE ATTENDANCE IN 2012/13

BOARD MEMBER	Board Committee Meetings			Board Meetings	
	Investment and Operations Board Committee	Audit, Risk and Assurance Board Committee	Remuneration and Human Resources Board Committee	Meetings	Teleconferences
Chris Moller (NZTA Board Chair)	3/3	4/4	3/3	9/9	3/3
Patsy Reddy (NZTA Board Deputy Chair) (Remuneration and Human Resources Board Committee Chair)			3/3	8/9	3/3
Gill Cox		4/4		9/9	3/3
Tony Lanigan	3/3			8/9	3/3
Jerry Rickman (Audit, Risk and Assurance Board Committee Chair)		4/4		8/9	3/3
Alick Shaw (Investment and Operations Board Committee Chair)	3/3		3/3	8/9	2/3
Adrienne Young-Cooper	3/3			9/9	3/3

INVESTMENT AND OPERATIONS BOARD COMMITTEE

The purpose of the Investment and Operations Committee is to exercise stewardship over the Transport Agency's investment decisions in the transport network. It oversees the performance of the Transport Agency's business operations, including its legislative and regulatory responsibilities, and the state highway business. The committee provides advice to the Board by making recommendations on funding applications and investment decisions, and procurement proposals across all modes, within delegations reserved to the board.

The committee comprises four serving Transport Agency Board members and has the authority to seek independent advice to discharge its functions. The committee provides business stewardship and guidance for a range of matters including:

- delivery of the National Land Transport Programme by approved organisations and adjustments to programmes to achieve longer-term goals
- recommendations on procurement, tendering and commencement of state highway projects or other projects approved for funding
- property management and tendering processes, leases and contracts
- development of tolling operations, integrated ticketing systems, registry operations and the delivery of legislative compliance and regulated safety regimes
- establishment of appropriate regulatory governance and monitoring arrangements
- development and implementation of asset management strategies, risk assessment, environmental audit and performance monitoring of state highways.

The committee met three times during 2012/13.

AUDIT, RISK AND ASSURANCE BOARD COMMITTEE

The Audit, Risk and Assurance Committee comprises up to three serving Transport Agency Board members. The committee is served by the Chief of Assurance and Risk and meetings are attended by the Chief Executive, Group Manager Organisational Support and Chief Financial Officer. The Ministry of Transport's Chief Executive has been appointed by the Board as a committee member, with specific reference to monitoring responsibilities under section 101 of the Land Transport Management Act 2003.

The committee's responsibilities include:

- achieving and maintaining confidence that the Transport Agency has suitable risk management practices¹
- monitoring and reviewing significant financial, reporting and other risks
- reviewing and approving the internal audit programme
- achieving and maintaining confidence that the internal audit process is independent, objective and effective
- monitoring and reviewing significant findings arising from internal audits
- reviewing the programme and monitoring the effectiveness of the external auditor
- receiving reports from the external auditor
- reporting an overview of the committee's activities to the Board.

The committee met four times during 2012/13. Meetings were timed to occur with the quarterly governance reporting process.

REMUNERATION AND HUMAN RESOURCES BOARD COMMITTEE

The purpose of this committee is to provide strategic governance in conjunction with the Chief Executive over human resources capability, remuneration, employment relations and key human resources strategies. The committee also helps the Board fulfil its responsibilities relating to the remuneration of the Chief Executive and senior management.

In discharging its strategic governance responsibilities, the committee:

- maintains awareness of human resources trends, benchmarks, issues and risks, including employee turnover and their engagement, internal capability and succession requirements
- provides advice and guidance where required in the development of human resource strategies, frameworks and policies, workforce and succession planning, performance management, remuneration, retention and engagement, employment relations and code of conduct and behavioural expectations and in the development of human resources delegations
- recommends staff remuneration strategies and overall market position to the Board
- oversees organisational compliance with statutory obligations under the governing legislation on behalf of the Board.

In discharging its responsibility for the Chief Executive's employment relationship and remuneration, the committee:

- establishes the annual key performance objectives for the Chief Executive and reviews the Chief Executive's annual performance against those objectives
- maintains an overview of trends and best practice in executive employment conditions and remuneration
- makes recommendations to the board regarding the Chief Executive's performance assessment and remuneration and consults with the State Services Commission about any proposed changes
- if circumstances require, establishes and manages the process for Chief Executive recruitment and appointment.

The committee met three times during 2012/13.

¹ The Transport Agency has adopted enterprise risk management (ERM), substantially incorporating the elements of the Joint Australian New Zealand International Standard AS/NZS ISO 31000:2009 Risk management: Principles and guidelines. ERM is an integrated and systematic approach to managing the organisation's risks, including strategic, tactical and operational risks.

BOARD MEMBER PROFILES

The Transport Agency is a crown entity governed by a board appointed by the Minister of Transport.

Chris Moller
(Wellington)
Chair



Chris is a non-executive director who chairs the boards of Meridian Energy Ltd and SKYCITY Entertainment Group Ltd. He is also a Director of Westpac New Zealand Ltd. He was previously Chief Executive of the New Zealand Rugby Union, Deputy Chief Executive of Fonterra Co-operative Group Ltd, and a director of a range of joint venture and subsidiary organisations within the New Zealand dairy industry, both domestically and internationally.

Patsy Reddy
(Wellington)
Deputy Chair, Chair of
the Remuneration and
Human Resources Board
Committee



Patsy is a non-executive director and a qualified lawyer. She is Chair of the New Zealand Film Commission, and is a director of Payments NZ Ltd and Active Equity Holdings Ltd. She is also a chief crown negotiator for Treaty of Waitangi settlements in the Bay of Plenty. Her previous directorships include Telecom Corporation of NZ Ltd, SKYCITY Entertainment Group Ltd, New Zealand Post and Air New Zealand Ltd.

Gill Cox
(Christchurch)



Gill is a chartered accountant and business consultant. He chairs MainPower NZ Ltd and Transwaste Canterbury Ltd, and is a director of a number of large, privately held companies involved in various industries including manufacturing, warehousing and distribution, infrastructure and seafood. Gill is also a member of the CERA Community Forum in Christchurch and the Greater Christchurch Education Advisory Board.

Tony Lanigan
(Auckland)



Tony is a professional civil engineer (FIPENZ), project management consultant and former general manager with Fletcher Construction. Tony was Chancellor of Auckland University of Technology and a director of Infrastructure Auckland. He is currently Vice Chair of Habitat for Humanity in New Zealand and Chair of New Zealand Housing Foundation. He is a director of Watercare Services Limited. Tony was made a member of the NZ Order of Merit in the 2013 New Year's Honours list for services to tertiary education and the community.

Jerry Rickman
(Hamilton)
Chair of the Audit, Risk
and Assurance Board
Committee



Jerry is a chartered accountant and professional director. Jerry currently chairs Alandale Life Care Ltd, EziBuy Holdings Ltd, HG Leach Ltd and Tidd Ross Todd Ltd and is a director of Power Farming Holdings Ltd. He was a member of Telecom's Independent Oversight Group. He has chaired the boards of Waikato Regional Airport Ltd, Waikato District Health Board, and Innovation Waikato Ltd.

Alick Shaw
(Wellington)
Chair of the Investment
and Operations Board
Committee



Alick has served as a councillor and Deputy Mayor of Wellington City. He is an accredited commissioner for hearings convened under the Resource Management Act, a member of the New Zealand Parole Board and has served on the boards of a wide range of organisations in the sport, cultural and charitable sectors, council controlled organisations, Crown entities and privately held companies.

**Adrienne
Young-Cooper**
(Auckland)



Adrienne is a businesswoman, professional director and an Accredited Fellow of the Institute of Directors. She has a 30-year career in resource management and planning specialising in spatial planning, metropolitan growth management including infrastructure planning and large projects. Adrienne was the Deputy Chair of Auckland Regional Transport Authority (replaced by Auckland Transport) and was a Board member of Maritime New Zealand until 2011. Her experience and contribution in transport governance is extensive. She also is Deputy Chair of Auckland Waterfront Development Agency Limited (Waterfront Auckland), Deputy Chair of Housing New Zealand Corporation and Chair of the Hobsonville Land Company Limited. She also serves on several charitable trusts.



**SECTION C:
CHIEF
EXECUTIVE'S
REPORT**

CHIEF EXECUTIVE'S REPORT

It's been a year of delivery for the Transport Agency. Our activities span everything from helping a new driver attain a licence to working with cities and regions on how they plan and invest in their transport networks. We build and maintain the roads that underpin New Zealand's economic growth and prosperity. We work hard to make our transport system as safe and effective as possible.

At the heart of our focus on delivery are the individuals and communities who depend on a safe, reliable, efficient and responsible land transport system. That makes every New Zealander our customer and we take that responsibility seriously.

And we are seeing results: we've helped to lift freight productivity across the transport sector; we've made significant contributions to extending and improving public transport services; we've made important progress in delivering the roads of national significance programme; the road toll has declined significantly in recent years; and we are getting better at putting the customer at the heart of our business so we can meet their desire for reliable, safe and efficient travel choices.

At the completion of the first year of the 2012-15 National Land Transport Programme, we are on track in our investment partnership with local authorities. With our local government partners we are working to become more efficient in our delivery of road maintenance and to better target and optimise our investment.

There is much more that could be done to improve our transport system than resources allow. That means we need to focus our efforts on clearly defined priorities. And our investment activities are dependent on the actual revenue received from fuel excise duty, road user charges and annual vehicle licence fees. When revenue is less than what's been forecast, we need to reset the timing of elements of the programme to ensure we live within our budget.

What follows is a summary of our achievements against the targets and deliverables we set ourselves for the 2012/13 year, some of which were set by the Board to be ambitious or 'stretch' targets in areas of focus.

AT THE HEART OF OUR FOCUS ON DELIVERY ARE THE INDIVIDUALS AND COMMUNITIES WHO DEPEND ON A SAFE, RELIABLE, EFFICIENT AND RESPONSIBLE LAND TRANSPORT SYSTEM. **THAT MAKES EVERY NEW ZEALANDER OUR CUSTOMER** AND WE TAKE THAT RESPONSIBILITY SERIOUSLY.

OUR ACTIVITIES SPAN EVERYTHING FROM HELPING A NEW DRIVER ATTAIN THEIR LICENCE TO WORKING WITH CITIES AND REGIONS ON HOW THEY PLAN AND INVEST IN THEIR TRANSPORT NETWORKS. WE BUILD AND MAINTAIN THE ROADS THAT UNDERPIN NEW ZEALAND'S ECONOMIC GROWTH AND PROSPERITY. WE WORK HARD TO MAKE OUR TRANSPORT SYSTEM AS SAFE AND EFFECTIVE AS POSSIBLE.



IMPROVING CUSTOMER SERVICE WHILE REDUCING COMPLIANCE COSTS

We are working hard to put our customers at the heart of what we do. Delivering great customer service requires us to design with the customer in mind. We are working hard to create a customer-focused culture, where customers are front-of-mind in every aspect of our business.

Our understanding of customers' experiences when they interact with us has matured during the year. We have achieved this by bringing customer voices to the table, more routinely and deliberately, as we work to redesign and improve our systems and services.

Month by month we've made improvements at a systems level and for individual customers. For example, in response to customer feedback we've made it possible for customers to purchase more than \$1,000 of RUC online at any given time. While just a small change, it means a lot to our fleet managers who now don't have to complete transactions with us as often.

Over the past year we have seen online transaction volumes grow by 16%. We set ambitious online transaction targets for 2012/13 and in the areas of licensing, tolling and registration, we have met or exceeded these.

Great customer service also means helping people make informed travel choices. Our Joint Transport Operations Centre operated with Auckland Transport has gone from strength to strength. And we have now established Transport Operations Centres jointly with local government in Wellington and Christchurch. Over time they will increasingly manage their urban transport networks as 'one-network' guiding people and goods efficiently through their regions.

Customers have also seen positive changes as we have spent more time observing and understanding how transport networks are experienced firsthand. For example, when designing the high productivity motor vehicle routes project, our staff travelled in the cab of a log truck from forest to port to gain a richer understanding of the challenges operators face along these routes. Transport Agency staff also joined road policing patrols to observe driver behaviour and the delivery of the roadside enforcement activities, and to help shape the requirements of the Road Policing Programme.

Even small improvements in transport regulation can have significant benefits for households and businesses. Over the past year we have worked with the Ministry of Transport to propose a reduction in the frequency of warrants of fitness and certificates of fitness on newer vehicles. The government accepted these proposals and has made changes to better target these systems to risk, and recognise that both vehicle technology and the business environment have changed markedly since the systems were initially put in place nearly 75 years ago. In real terms what this means is lower frequency warrants of fitness for modern light vehicles, and a certificate of fitness inspection provider market that is more agile and able to adapt to meet the business needs of its customers. We are working to deliver these changes from 1 January 2014. This will provide big savings to vehicle owners and operators (more than \$1.8 billion in net social benefits over 30 years), without compromising vehicle safety.

16%

GROWTH
IN ONLINE TRANSACTION
VOLUMES.



WHEN DESIGNING THE HIGH PRODUCTIVITY MOTOR VEHICLE (HPMV) ROUTES PROJECT, OUR STAFF TRAVELLED IN THE CAB OF A LOG TRUCK FROM FOREST TO PORT TO GAIN A RICHER UNDERSTANDING OF THE CHALLENGES OPERATORS FACE ALONG THESE ROUTES.

EMBEDDING THE SAFE SYSTEM APPROACH

The government's Safer Journeys strategy continues to underpin our road safety efforts, providing the framework for prioritising our activities in conjunction with our partners.

Our efforts to create a more forgiving road system, where a mistake doesn't cost a life or a limb, have continued to deliver measurable benefits. There were 2,400 deaths and serious injuries on New Zealand's roads during 2012/13. This compared with 2,533 in 2010/11 and 2,657 in 2009/10.

A 16% improvement in young driver/passenger safety outcomes is testament to the effectiveness of a package of initiatives focused on young people. In 2012/13, 280 15-19 year olds died or were seriously injured on the roads, compared to 334 people in 2011/12.

In 2011/12 we introduced a longer and more challenging practical test to lift the level of skill required to obtain a restricted driver licence. This is the most risky period for drivers - of any age - when they drive solo for the first time. There is still only a 52% pass rate for this test, meaning that more coaching and experience is needed to get the skill level required. This year, to support young people who find it difficult to gain the necessary levels of experience to pass the higher restricted licence test requirements, we've worked with the Automobile Association and local councils and community groups to trial a driver mentoring scheme in some parts of the country. We are pleased with the success of this scheme and plan to work with other communities in the coming year to enlarge the coverage.

New Zealand's roads and roadsides are gradually becoming more forgiving of human error, with investment prioritised in accordance with the *High-risk rural roads guide* and our new *High-risk intersection guide*. These guides enable us to target areas of greatest risk, and guide the application of a wide range of interventions.

We've been applying technology in high speed environments around rural schools to improve safety. In high-risk situations we are introducing variable speed limits and associated electronic signage to slow traffic at the beginning and end of the school day. Behind the scenes we've also done the necessary work to support the upcoming law change to increase the use of booster seats for young children.

Improving the safety of New Zealand's vehicle fleet is critical and our work to promote safer vehicles has continued throughout the year. The Rightcar website now provides even more information about the safety ratings of vehicles to enable people to buy the safest car they can afford. For heavy vehicles, the Operator Rating System encourages safe choices by commercial operators and their drivers.

Improving safety for motorcyclists is an area of high concern in the Safer Journeys strategy and in October 2012 we introduced the learner approved motorcycle scheme and subsequently an improved basic handling skills test. We've also been working with the Motorcycle Safety Advisory Council to develop a best practice guide for road maintenance activities to ensure the needs of motorcyclists are taken into account.

As we continue embedding the Safe System approach it is important that we change the road safety conversation from one that focuses too much on the driver or rider to one that recognises the whole range of factors that contribute to improved safety. During the year we launched the Drive Social campaign to encourage different conversations about how we all interact with other road users. We also continued our advertising campaign that targets people who influence drink-drivers. This reflects the importance of everyone sharing responsibility for road safety, which is a key principle of the Safe System approach.

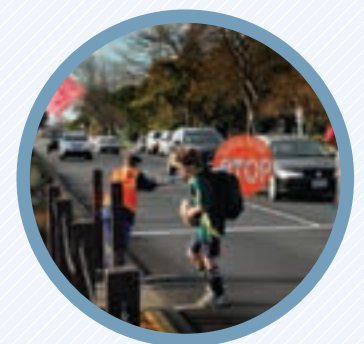
We've focused on building knowledge and skills within the transport sector to grow understanding of the world leading Safe System approach so staff can apply it in their work. We've developed our own safe system training course (a world first) and 448 staff from the Transport Agency and our road safety partners, especially NZ Police and local government, have benefited from this initiative so far.

16%

**IMPROVEMENT
IN YOUNG DRIVER/PASSENGER
SAFETY OUTCOMES IS
TESTAMENT TO THE
EFFECTIVENESS OF A PACKAGE
OF INITIATIVES FOCUSED ON
YOUNG PEOPLE.**



**WE'VE BEEN APPLYING
TECHNOLOGY IN HIGH SPEED
ENVIRONMENTS AROUND
RURAL SCHOOLS TO IMPROVE
SAFETY.**



IMPROVING FREIGHT MOVEMENT EFFICIENCY

Moving freight safely and efficiently is vital to New Zealand's social and economic wellbeing. Up to ten percent of the price of goods we buy and sell is made up of transport and storage costs. The more efficient our freight movements are, the cheaper and more competitive our goods will be – both for us as consumers and also for us as an exporting nation.

To that end, we are helping freight operators move more freight with fewer truck trips. Allowing high productivity motor vehicles (HPMV) to operate will reduce fuel consumption, vehicle operating costs and driver hours (per unit of freight moved). They will also provide safety benefits as fewer and better quality trucks reduce the crash risk exposure of these trucks on our roads. The evidence is compelling, so we are accelerating the uptake of HPMVs by improving the permitting process and delivering a strategic HPMV network on the high volume freight routes across the country.

We've made significant progress over the last year. Many routes and bridges have been opened up with little additional investment, but we have also begun our first HPMV bridge upgrades, in Northland. We are on track to have 4,500 kilometres of state highways and local roads available for full HPMV access by the end of this National Land Transport Programme.

For the remainder of the road network where heavier HPMV access is not feasible, and volumes of freight are important but smaller than the key routes, we've developed the 50MAX HPMV concept. This new truck design allows five extra tonnes of freight to be carried on each truck with minimal infrastructure upgrades. What changes is the design of the truck. 50MAX HPMVs use nine axles to spread out the load, meaning the impact on pavements and bridges will be comparable to a current 44 tonne truck.

We're working with local councils and industry to take this concept further and hope to see 50MAX trucks trialled across New Zealand over the next few years.

Over the last year we've also been working to implement the government's response to the Productivity Commission inquiry into International Freight Transport. A key recommendation was for greater coordination of investment across the freight transport system. Providing greater certainty around the long-term intentions for investment and regulation will in turn allow industry to make more informed decisions about what investments they could make to improve productivity and grow their businesses.

We've been involved in collaborative central government/local government/private sector freight planning processes around the country – the Upper North Island Freight Story led by the Upper North Island Strategic Alliance, has been completed and planning processes in central New Zealand and the South Island are well advanced. These planning processes have identified significant national and intra-regional issues that affect the efficiency of freight supply chains.

We are working with our partners to better integrate the road, rail, air and maritime networks. The roads of national significance are key to delivering a high performing strategic freight network, and will improve national and intra-regional connectivity, improve travel times and provide greater travel reliability to and from areas of significant freight activity – such as key processing sites, ports and markets. This investment is being complemented by KiwiRail's improvement of the national rail network through their Turnaround Plan.

WE ARE HELPING FREIGHT OPERATORS MOVE MORE FREIGHT WITH FEWER TRUCK TRIPS. ALLOWING HIGH PRODUCTIVITY MOTOR VEHICLES (HPMVS) TO OPERATE WILL REDUCE FUEL CONSUMPTION, VEHICLE OPERATING COSTS AND DRIVER HOURS (PER UNIT OF FREIGHT MOVED).



WE ARE ON TRACK TO HAVE
4,500
KILOMETRES
OF STATE HIGHWAYS AND LOCAL ROADS AVAILABLE FOR FULL HPMV ACCESS BY THE END OF THIS NATIONAL LAND TRANSPORT PROGRAMME.

DELIVERING THE ROADS OF NATIONAL SIGNIFICANCE

The roads of national significance programme is one of New Zealand's biggest ever infrastructure investments and a key part of the National Infrastructure Plan. When completed, these routes will ease the most significant pressure points in the national network, reduce congestion in and around our five largest metropolitan areas, improve road safety and link our major sea and airports more effectively into the state highway network.

In 2012/13 we have made great progress on these projects. In Christchurch we delivered the first stage of the Southern Motorway, and in Waikato we completed another section of the Waikato Expressway at Te Rapa. The construction contract for the Cambridge section of the Waikato Expressway was also awarded, and work is due to start there in the

first quarter of 2013/14. In the second quarter of 2013/14 we are set to deliver a further section of the expressway at Ngaruawahia.

In Auckland we continued construction of the Waterview Connection SH20 tunnels section - New Zealand's largest ever roading project. The tunnel boring machine has been successfully delivered to the site and is currently being assembled. Progress on the Tauranga Eastern Link has continued on target and we expect construction to start on the Mackays to Peka Peka section of the Wellington Northern Corridor very soon.

**IN AUCKLAND
WE CONTINUED
CONSTRUCTION OF
THE WATERVIEW
CONNECTION SH20
TUNNELS SECTION
- NEW ZEALAND'S
LARGEST EVER
ROADING PROJECT**

IMPROVING PUBLIC TRANSPORT EFFECTIVENESS

We're working hard to keep improving the effectiveness of public transport in our major cities.

In Auckland and Wellington we are working alongside our local government partners to increase capacity and improve reliability of services, and investing in new trains and rail upgrades and in technology that improves the user experience such as integrated ticketing and real-time journey information.

Our focus is on ensuring public transport services meet the needs of users and help make the whole transport network more effective. Giving people in our main cities the option of using public transport reduces the effects of congestion on other road users.

The current National Land Transport Programme (NLTP) includes investment of \$1.74 billion in New Zealand's public transport system - a 21% increase from the previous three-year period.

We've worked closely with Auckland Transport to support the roll-out of the HOP smart-card that provides integrated ticketing on ferry, rail and bus services.

Work has also started on an integrated ticketing system for Wellington's bus and train networks.

In Wellington the real-time information system has been expanded to include train services, and the first group of Matangi electric units are now successfully in service, with more on order to replace the remaining ageing units. Auckland also has new electric units on order and these will begin service in 2014/15.

We've been working closely with regions and public transport operators to implement the Public Transport Operating Model. This is a new approach to planning and contracting public transport services. It will help deliver better public transport networks, with higher quality services, by ensuring more effective and efficient contracting arrangements that build strong partnerships between regional councils and operators. Together with our recent investment in improving infrastructure and technology, the improvements in the planning and provision of services are designed to make public transport a more attractive option in our major cities and to grow patronage.



**2012-15 NLTP INCLUDES
INVESTMENT OF**

**\$1.74
BILLION**

**IN NEW ZEALAND'S PUBLIC
TRANSPORT SYSTEM -
A 21% INCREASE FROM
THE PREVIOUS THREE-YEAR
PERIOD.**

REBUILDING CHRISTCHURCH AND GROWING CANTERBURY

We're delivering key projects that will help grow Canterbury and support Christchurch's recovery.

In the last year, we have invested \$96.8 million in earthquake related emergency work projects (\$61.3 million from the National Land Transport Fund (NLTF) and \$35.5 million from the Canterbury Earthquake Recovery Fund) to help Christchurch City Council and the Selwyn and Waimakariri District Councils with critical infrastructure repairs.

We have been working closely with the Christchurch City Council, the Canterbury Earthquake Recovery Authority and the contractors within the Stronger Christchurch Infrastructure Rebuild Team (SCIRT) to coordinate the repair and reconstruction of damaged roads and other infrastructure (storm, waste and drinking water) in the city. The SCIRT alliance brings together public and private sector expertise and a joined up approach to getting the job done – during the year the alliance delivered a work programme of over \$500 million.

We facilitated the development of the Greater Christchurch Transport Statement, working with the city and district councils, Environment Canterbury, KiwiRail, Christchurch International Airport and the Port of Lyttelton. This provides a joined up strategic direction for investment in the transport network by each of the agencies. We've also actively participated in developing the Draft Land Use Recovery Plan for greater Christchurch. This work will help ensure better integration of land use and transport planning across the region, delivering benefits that will extend well beyond the rebuilding phase.

Our Joint Transport Operations Centre, developed in conjunction with Christchurch City Council and Environment Canterbury went fully live in July 2013.

It will increasingly ensure that the city council and state highway transport networks are operated as one network, including coordinating with roads affected by the rebuild activity. Importantly it will work to minimise the impact of roadworks and network changes on the efficiency of the urban bus passenger transport service.

Other important achievements during the year included confirming a \$6.5 million investment to replace the Ashley River Bridge and \$22 million for the Ferrymead Bridge (with both investments from the NLTF).

Our Christchurch roads of national significance projects are a critical component of our contribution to growing Canterbury. With the acceleration of the programme we were able to complete the initial stage of the Christchurch Southern Motorway in December 2012, ahead of schedule and under budget. This has significantly improved traffic flows in the southwest of the city.

We've also seen good progress on the State Highway 1 Western Corridor, where four-laning of the Avonhead Road to Yaldhurst Road section is substantially complete and construction is underway on two other sections. Planning is substantially complete for the Northern Corridor.

When completed, these projects will deliver 55 kilometres of new or greatly improved highway, easing congestion, increasing safety, reducing travel times and providing better access to Christchurch Airport and the Port of Lyttelton.

GROWING AUCKLAND

With some big transport challenges to address, Auckland gets a lot of our attention.

We have continued to strengthen our 'one system' partnership with Auckland Transport and Auckland Council, with a big focus on developing the Auckland Integrated Transport Programme (2011-41) and its relationship with the Unitary Plan.

The Waterview project moved into top gear. The suite of projects that make up the Western Ring Route were in full swing by June 2013. The Newmarket Viaduct was also formally completed and this project has been featured in engineering journals around the world, in recognition of its world class innovation and engineering excellence.

We've made important progress in planning and protecting the route for the next harbour crossing and worked with the Ministry of Transport and Treasury to test the City Centre Future Access Study (which supports the case for a multi-modal public transport solution for Auckland made up of bus improvements and the City Rail Link).

We completed the year in a strong position to support the successful implementation of the Prime Minister's transport acceleration package for Auckland, announced in late June. This will see key state highway and public transport improvements for Auckland completed more quickly.

DELIVERING VALUE FOR MONEY IN ALL THAT WE INVEST IN AND DO

Everything we do is underpinned by making sure we get the most out of every dollar invested in New Zealand’s transport system.

Our approach to maximising value for money combines three interrelated elements – economy, efficiency and effectiveness. These elements are reflected in the investment activities set out in the National Land Transport Programme. They are also reflected in the whole-of-system approach that we take to ensure that transport investments provide the greatest economic and social returns at the local, regional and national level.

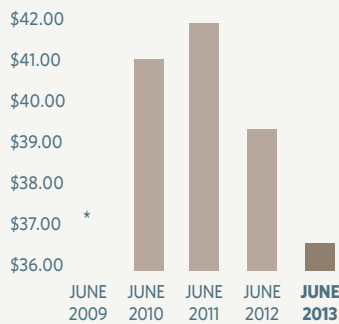
Over the long term, effective transport planning is the key to maximising value for money. Integrating transport and land use planning with investment and working closely with key stakeholders early in

the process, will ultimately ensure better transport outcomes. To that end we are working closely with our sector partners – local authorities, the private sector, and the Police – and increasingly our customers to make sure that together, we make the most of the available land transport investments.

Over the last year we’ve also been working hard to drive more efficiency into our own state highway operations by changing how we specify and contract for maintenance and operations. Where it makes sense we will increasingly do this in an integrated ‘one network’ way with local authorities.

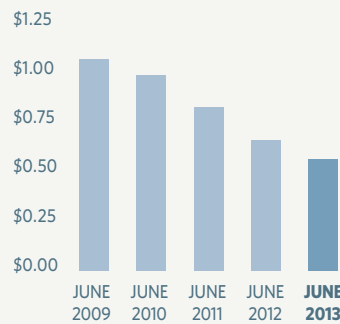
In 2012/13 we achieved a reduction in the unit cost per transaction in three of our four transactional output classes.

UNIT TRANSACTION COSTS - TRENDS

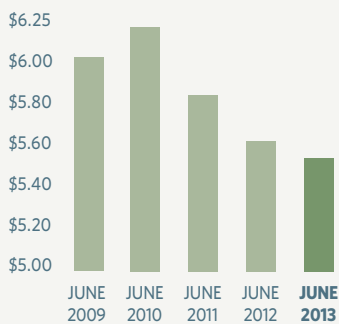


DRIVER LICENSING
NZ\$ DOLLARS

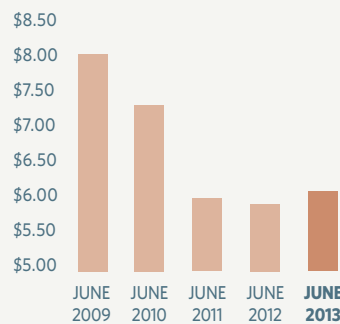
*figures not available



TOLLING
NZ\$ DOLLARS



MOTOR VEHICLE REGISTER
NZ\$ DOLLARS



ROAD USER CHARGES
NZ\$ DOLLARS

ENSURING HEALTH AND SAFETY IN THE WORKPLACE

At the Transport Agency we are committed to a safe and healthy working environment for everyone using our premises as a place of work or visiting on business, for contractors on our work sites and through our rail regulatory activities. We have made improvements to our health and safety practices and culture. We continue to reduce the risk posed on our premises and apply the lessons learnt from incidents. The recent tragic incidents on our contractors' work sites in Milford, West Whanganui

and the Marlborough Sounds have been thoroughly investigated and health and safety practices improved.

We have also been increasing our focus on rail system safety, including the requirements associated with the new passenger trains in Auckland. We are reviewing the resourcing requirements of our rail safety activities as we respond to increasing demands.

A TEAM EFFORT

Our achievements over the past year reflect the efforts of a committed team – within the Transport Agency and beyond it. It's a team that includes our many partners and stakeholders in local, regional and central government, in industry as well as our suppliers, our agents and those groups with a strong interest in transport matters.

To ensure we make sound investment decisions, provide sound planning advice to decision makers, and develop and implement smart approaches to shaping road users' behaviour, we work to engage early with our partners, stakeholders and customers. This helps to strengthen our understanding of their needs, interests and concerns, ensure that we are clear about the expectations we have of each other, and understand where we share a common purpose.

In 2013 we conducted our second organisation wide Stakeholder Perceptions Survey of key stakeholders from central and local government, iwi, suppliers, industry and interest groups. Changes in perception take time, but results showed that we had improved our already strong positive relationships with central government, industry and interest groups. And we had also significantly enhanced our relationships with our partners in local government. Trust and confidence in the Transport Agency had also grown significantly over the year.

Although two-thirds of stakeholder groups were satisfied or very satisfied with their current relationship with us, all groups said they would like more engaged relationships with us than they currently have. We will be building on our success over the coming year.

The other foundation of our team effort is the people that make up the Transport Agency. Our success starts with the 1372 people in our 14 offices around the country. Leading a team dedicated to achieving the best transport outcomes for all New Zealanders is a privilege. In the fourth year of our Employee Engagement Programme, we have seen another big lift in the level of engagement across the Transport Agency. Overall, staff satisfaction has increased significantly since we were established five years ago. More staff believe the jobs they do are important to our success, and they say the best things about working here are their colleagues and making a difference to New Zealand.



Geoff Dangerfield
Chief Executive

APPROXIMATELY

1400

PEOPLE

**WORK AT THE
TRANSPORT AGENCY IN**

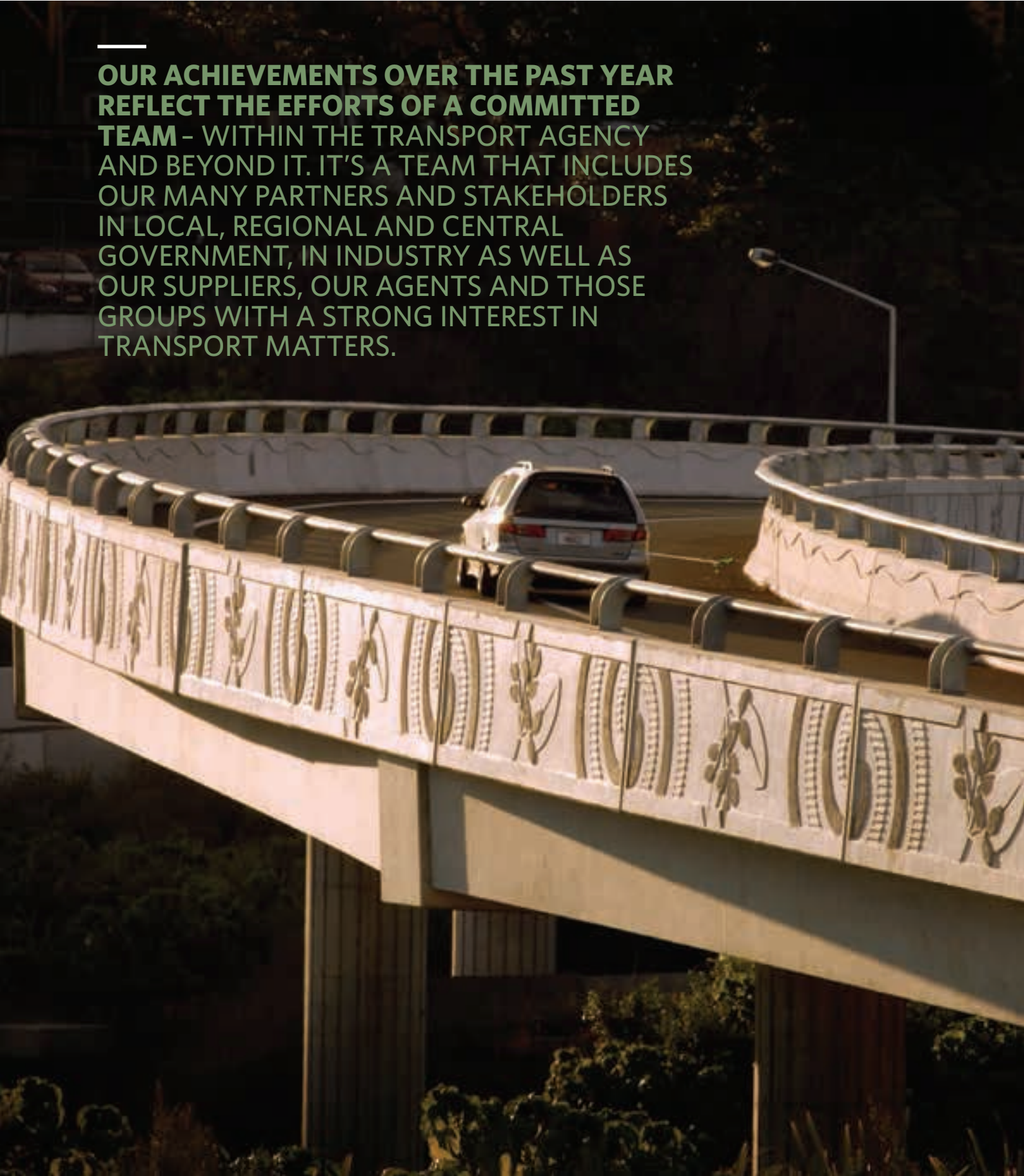
14

LOCATIONS

AROUND THE COUNTRY



OUR ACHIEVEMENTS OVER THE PAST YEAR REFLECT THE EFFORTS OF A COMMITTED TEAM – WITHIN THE TRANSPORT AGENCY AND BEYOND IT. IT'S A TEAM THAT INCLUDES OUR MANY PARTNERS AND STAKEHOLDERS IN LOCAL, REGIONAL AND CENTRAL GOVERNMENT, IN INDUSTRY AS WELL AS OUR SUPPLIERS, OUR AGENTS AND THOSE GROUPS WITH A STRONG INTEREST IN TRANSPORT MATTERS.



LEADERSHIP TEAM PROFILES

CHIEF EXECUTIVE

Geoff Dangerfield Chief Executive

BSc, MSc
(Resource Management)



Geoff became the first Chief Executive for the Transport Agency in August 2008 and oversees the development of the new organisation and its approach to integrated transport development. He was previously Chief Executive of the Ministry of Economic Development and Deputy Secretary to the Treasury, and began his public sector career with the Ministry of Works and Development.

SENIOR LEADERSHIP TEAM

Dave Brash Group Manager Planning and Investment

BSc (Hons) (Geography)



Dave joined the Transport Agency in December 2008 and was previously General Manager of the Emissions Trading Group with the Treasury. His role at the Treasury was a secondment from the Ministry for the Environment, where he was General Manager responsible for central government policy. Dave has 35 years experience working with central and local government agencies on complex policy reforms and managing change.

Jenny Chetwynd Regional Director Central

Bachelor of Regional
Planning (BRP Hons), MBA



Jenny joined the Transport Agency in October 2008. Jenny has 20 years of experience in working with local government and businesses in both the policy development and project delivery fields focusing on environmental planning and public engagement.

Colin Crampton Group Manager Highways and Network Operations

BE (Hons), Dip BA, FIPENZ



Colin has worked at the Transport Agency since its inception in 2008 and, prior to that, for Transit New Zealand. Colin has over 20 years of experience in the transport sector.

Allan Frost Group Manager Organisational Support

Chartered Accountant



Allan joined the Transport Agency in October 2008. Allan has extensive experience in financial and information management executive roles and has worked for over 15 years in senior leadership roles focusing on getting the best from people, systems and dollars.

Jim Harland
Regional Director
Southern

BA, Dip TP, MTP (Hons),
MNZPI, MinstD, FNZIM



Before taking this position in January 2011, Jim was the Dunedin City Council's Chief Executive for 11 years. He has held a variety of senior roles in local government and the private sector, specialising in strategic thinking and change management. Jim also worked as a tourism consultant for several years and initiated a tourism planning course at Auckland University.

Celia Patrick
Group Manager
Access and Use

Graduate Diploma in
Business, MBA



Celia joined the Transport Agency in October 2011. She has more than 20 years of experience working in the financial services sector, including various executive roles with the BNZ. Prior to joining the Transport Agency, Celia worked for Housing New Zealand Corporation as Director of Operations for Auckland.

Karen Quigan
Acting Group Manager
People and Capability
(March–August 2013)

Executive Masters in Public
Administration (MPA – Exec)



Karen joined the People and Capability Group of the Transport Agency in May 2011, having previously headed up the Human Resource functions at Department of Building and Housing and Ministry of Maori Development. Her 20-year experience in HR includes time with the New Zealand Fire Service and London Transport in the UK.

Stephen Town
Regional Director
Auckland/Northland

MBA



Stephen joined the Transport Agency in October 2010 to support the newly established Auckland Council and Auckland Transport. Stephen was previously Chief Executive of Tauranga City Council for eight years and Chief Executive of Franklin District Council for four years. Before that he was in the education sector, having served four years as Chief Executive of the Whanganui Polytechnic before entering local government.

Harry Wilson
Regional Director
Waikato/Bay of Plenty



Harry has had 30 years of professional leadership experience in central and local government. He was the Chief Executive of Waikato Regional Council before taking up this position with the Transport Agency in November 2008.

Ernst Zöllner
Group Manager Strategy,
Communications
and Performance

Masters in City &
Regional Planning,
BCom (Hons) in Economics



Ernst has worked for 20 years as a consultant, in academia and for local and central governments, focusing on economic and strategic development as well as infrastructure and urban planning. Before joining the Transport Agency in October 2008, Ernst was the Director of Urban Development and Transport at Wellington City Council.

ORGANISATIONAL STRUCTURE

OUR GROUP STRUCTURE

The Transport Agency is built around three functional business groups and three support groups.

Functional business groups

- The Access and Use group (with approximately 480 staff) provides users with access to the transport system (such as driver licences and motor vehicle registration), sets standards for vehicles and drivers and regulates transport operators and rail.
- The Highways and Network Operations group (with approximately 380 staff) is responsible for moving people and freight around the state highway network, and for undertaking improvements to the state highway network to maintain the condition of the asset, improve travel time reliability and reduce the risk of deaths and serious injuries to motorists.
- The Planning and Investment group (with approximately 180 staff) develops regional and national partnerships that enable us to influence land use planning and optimise our investment in integrated transport solutions. The group manages the investment of the National Land Transport Fund (NLTF) through assessment and prioritisation of activities put forward by approved organisations and the NZ Transport Agency, for state highways, to deliver integrated transport solutions.

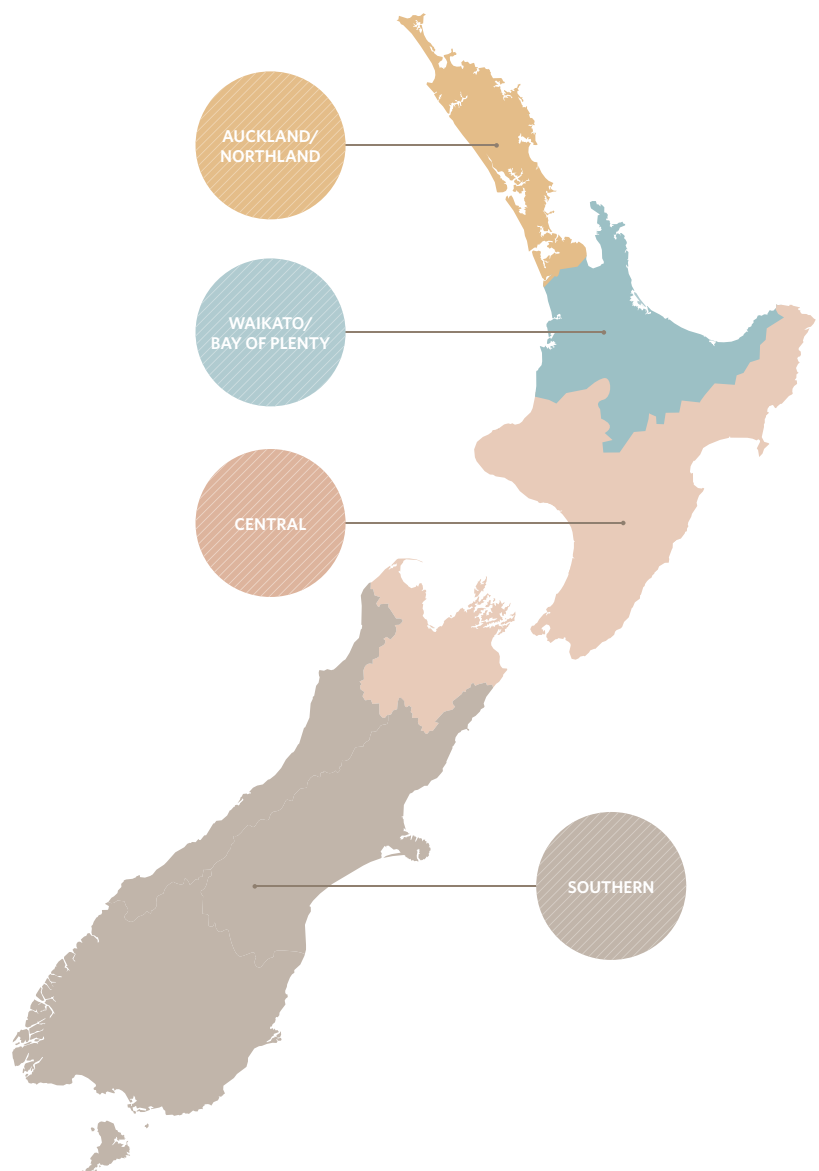
Corporate support groups

Approximately 350 staff make up the following corporate support groups:

- The Strategy, Communications and Performance group translates government and sector direction into organisational direction, and communicates this direction and our performance against it, to staff and stakeholders.
- The Organisational Support group ensures that the Transport Agency has corporate strategies, policies and systems in place to support organisational health and capability.
- The People and Capability group ensures that the Transport Agency can deliver on its organisational direction through its people capability.

NZ TRANSPORT AGENCY REGIONS

We have four regional areas that support a regionally focused planning environment



SECTION D:
PROGRESS ON
THE STATEMENT
OF STRATEGIC
INTENT



PROGRESS ON LONG-TERM SECTOR IMPACTS

We track our progress towards our long-term goals or impacts through the following key result indicators.

TRANSPORT AGENCY'S DESIRED LONG-TERM IMPACT INDICATORS	DESIRED TREND	2012/13 RESULTS IN THE CONTEXT OF PREVIOUS RESULTS
<p>An efficient transport system that supports high levels of economic productivity, provides strong international connections for freight, business and tourism, and meets international obligations</p>		
<p>Better use of existing transport capacity</p>	<p>Increase</p> 	<p>Number of vehicle kilometres (million) travelled per network kilometre</p>  <p>*based on estimated vehicle kilometres travelled on local roads</p>
<p>More efficient supply chains</p>	<p>Increase</p> 	<p>Average daily measured weight of freight vehicles (tonnes)</p> 


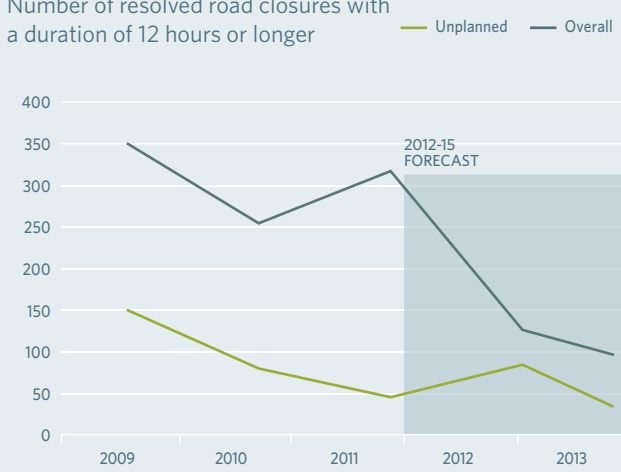

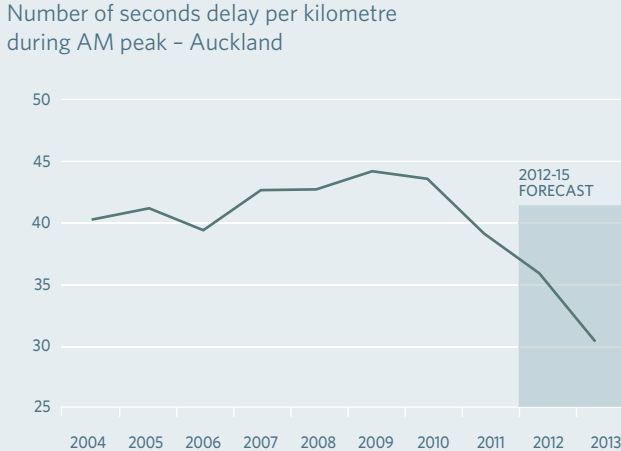

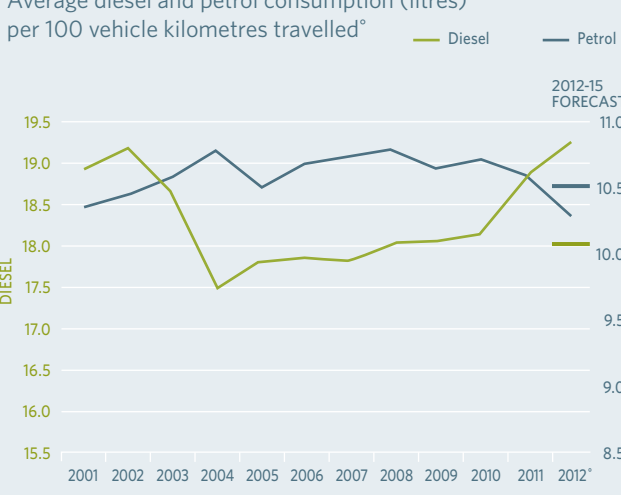
0.5% increase

in capacity utilisation of the network reflects an increase in travel on local roads (which offsets falling demand on the state highway network).⁽¹⁾

1.8% increase

in average daily measured weight of freight vehicles reflects the combined impact of responses to the new RUC system, the introduction of permitting for high productivity motor vehicles (HPMVs) and improving domestic economic conditions.⁽²⁾

* For notes, see appendix 3 on page 98

TRANSPORT AGENCY'S DESIRED LONG-TERM IMPACT INDICATORS	DESIRED TREND	2012/13 RESULTS IN THE CONTEXT OF PREVIOUS RESULTS
<p>A resilient and secure network capacity</p>	<p>Decrease</p> 	<p>Number of resolved road closures with a duration of 12 hours or longer</p> 
<p>Easing of severe congestion</p>	<p>Decrease</p> 	<p>Number of seconds delay per kilometre during AM peak - Auckland</p> 
<p>More efficient vehicle fleets</p>	<p>Decrease</p> 	<p>Average diesel and petrol consumption (litres) per 100 vehicle kilometres travelled*</p>  <p>*travel by petrol and diesel powered vehicles has been estimated for 2012</p>

64.7%
decrease

in unplanned road closures reflects relatively mild and stable weather conditions over the past 12 months and continuing improvements in how we respond to incidences on the network.⁽³⁾

15.0%
decrease

in congestion reflects the completion of works on the Newmarket Viaduct, increases in capacity resulting from the completion of the Victoria Park Tunnel and a 4.3% reduction in vehicle kilometres travelled in Auckland over the period.⁽⁴⁾




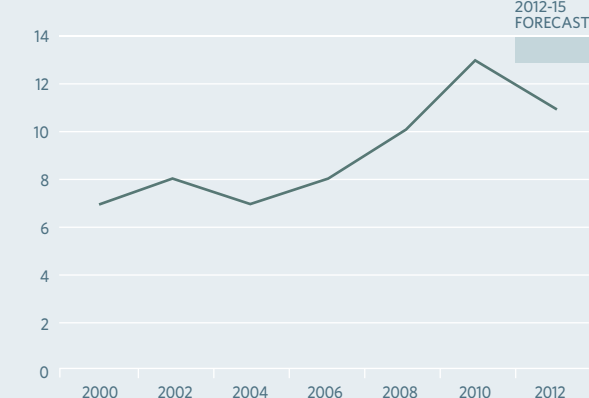
2.3%
increase

IN DIESEL CONSUMPTION per 100 km travelled reflects the impact of HPMVs on the road (which now account for about 13% of heavy vehicle travel) and a shortening of average trip lengths.⁽⁵⁾

2.6%
decrease

IN PETROL CONSUMPTION reflects the entry of new, fuel efficient vehicles into the fleet - first registrations of new vehicles were up 18.2% in 2012.

* For notes, see appendix 3 on page 98

TRANSPORT AGENCY'S DESIRED LONG-TERM IMPACT INDICATORS	DESIRED TREND	2012/13 RESULTS IN THE CONTEXT OF PREVIOUS RESULTS
An accessible and safe transport system that contributes positively to the nation's economic, social and environmental welfare.		
Reduction in deaths and serious injuries	Decrease 	<p>Number of road deaths and serious injuries per million vehicle kilometres travelled^o</p>  <p>^oDeaths and serious injuries results as at 30 March 2013 and year end VKT estimates</p>
More transport mode choices	Increase 	<p>% of survey respondents that consider public transport as a good option for taking all of their work or study trips in Auckland</p> 
Reduction in adverse environmental effects from land transport		<p>Environmental impact is a co-benefit from the following existing impacts:</p> <ul style="list-style-type: none"> - Easing severe congestion - More efficient vehicle fleets - More transport mode choices

8.1% decrease^o

in deaths and serious injuries on our roads reflects progress towards implementing the Safe System and a greater focus on areas of concern within Safer Journeys, ie alcohol/drug impaired driving; safety of young drivers; safe roads and roadsides; safe speeds and the safety of motorcyclists.⁽⁶⁾

15.4% decrease

in the proportion of people who believe public transport is a good option can be attributed to an increase in occasional use of public transport and the adverse effect of high levels of unemployment on travel in general.⁽⁷⁾

Refer above

* For notes, see appendix 3 on page 98

PROGRESS ON OUR STRATEGIC DIRECTION - BY PRIORITY

WE ARE IMPROVING CUSTOMER SERVICE AND WORKING TO REDUCE COMPLIANCE COSTS

Towards better public service and regulation

The overall customer service performance score for the year was 70%. There was a 16% growth in transactions completed online – 2% below our stretch target. The modernised road user charges system has been implemented in line with the Road User Charges Act 2012, and progress continues with partners across both the investment and streamlining initiatives.

LINK TO GOVERNMENT PRIORITIES FOR TRANSPORT

Better regulation, better public services

KEY RESULT INDICATOR	BASELINE 2010/11	DESIRED TREND 2012-15	ACTUAL 2012/13
Customer service performance score ²	New measure	Increasing	70%

The overall customer service score for the year was 70%³. This result is a combination of three customer satisfaction ratings and will form the baseline result for comparison in future years. Strong levels of satisfaction were evident across the three components – driver licensing satisfaction rating averaged 73% across the year, with motor vehicle registration satisfaction at 80% and an overall rating of state highways of 58%.

KEY DELIVERABLES FOR 2012/13	OUR RESULTS	WHAT WE DID
Improvement in the percentage of online transactions in accordance with the statement of service performance	Partially achieved	<p>We achieved 16% growth in the proportion of transactions being completed online since 2011/12. This reflects our strong commitment to customer service focused process design and promotion of online transactions channels to customers.</p> <p>The average improvement in the percentage of online transactions across output classes was 2% below our target (36% achieved versus target of 38). Three of the four areas (licensing and regulatory compliance, road tolling and motor vehicle registry) achieved target. Road user charges were 7.7% below the stretch target (47.3% achieved versus target of 55%).</p>
Negotiate with our investment partners unambiguous terms for the Transport Agency's investment delivery as part of streamlining	Partially achieved	<p>We partially achieved this objective in the 2012/13 year, and have prepared the ground for the 2013/14 year.</p> <p>We advised our investment partners of the investment priorities as set out in the <i>Statement of intent</i> and in the National Land Transport Programme during the delivery of the 2012/13 year, the first year of the current three-year NLTP. These investment signals have taken into account progress with delivery of the key initiatives and also the revenue available.</p> <p>Also we have prepared for 2013/14 as the year to make significant progress in refining these signals in the lead up to the next NLTP.</p> <p>A series of key actions has been identified and included in our 2013/14 business plan that will deliver on this outcome.</p>

² The customer service performance score is a weighted index of customer service quality drawing on a sample of key services that the Transport Agency provides to the public.

³ Refer to appendix 3 (note 8) on page 98 for details on calculation and weighting.

KEY DELIVERABLES FOR 2012/13	OUR RESULTS	WHAT WE DID
Implement the modernised road user charges system in line with the Road User Charges Act 2012	Achieved	<p>The new Road User Charges (RUC) Act 2012 came into effect on 1 August 2012 and the focus in 2012/13 has been on closing residual issues and ensuring smooth operation of the new system. Key achievements are:</p> <ul style="list-style-type: none"> (i) The new RUC staffing model is now fully operational. (ii) Operational policy is largely complete, however liaison with industry regarding RUC assessment operational policy is yet to be undertaken. (iii) Preparations for implementing the section 40 exemption process on 1 July 2013 are complete. This exemption allows owners of light diesel vehicles, who use their vehicle primarily off-road to be exempted from paying RUC, as long as the vehicle stays within a ten kilometre boundary of its housed address. (iv) The \$1,000 limit on credit card RUC licence purchases was removed in late May 2013 and uptake of larger RUC purchases has been good. This was the first step in a plan to further grow RUC online transactions and it has been well received by industry. <p>The automatic debt assessment process has been implemented and is achieving anticipated results.</p>

ROAD TRANSPORT HAS BECOME SAFER, WITH MORE TO COME

Towards further reducing deaths and serious injuries from road crashes

We have made good progress towards embedding the Safe System approach by building capability and removing barriers to adoption of Safe System treatments. The sector completed or substantially progressed 90% of the 2011/12 Safer Journeys Action Plan.

LINK TO GOVERNMENT PRIORITIES FOR TRANSPORT

Road safety

KEY RESULT INDICATOR	BASELINE 2010/11	DESIRED TREND 2012-15	ACTUAL 2012/13
% of relevant NZ Transport Agency staff who demonstrate awareness of what change is needed to implement the Safe System approach	New measure	Increasing	70% ⁴

Transport Agency staff with a role to play in implementing the Safe System approach have participated in training sessions throughout the year. Of these staff, 70% considered themselves able to meet most or all aspects of the training's learning outcomes. While this result is encouraging, a number of relevant Transport Agency staff are yet to attend.

KEY DELIVERABLES FOR 2012/13	OUR RESULTS	WHAT WE DID
Contribute to the delivery of the 2011/12 Safer Journeys Action Plan, and the completion of the 2013-15 Action Plan	Partially achieved	The 2012-15 Safer Journeys Action Plan has been prepared and steady progress is being made on the four transformational strategic actions. Four actions from the 2011/12 Safer Journeys Action Plan were not completed in 2012/13. All four are now nearing completion or programmed for completion during 2013/14.
Key* Transport Agency manuals, policies and operating procedures aligned to require and not inhibit Safe System treatments and interventions	Partially achieved	Most safety specific systems, processes and manuals that guide decision making are now aligned or moving toward embedding the approach. Of the 26 key manuals, systems and processes influencing decision making originally identified for review, 16 are aligned sufficiently not to present a barrier. Of the remaining ten, six are in progress or programmed for review in 2013/14, and four need further reassessment to determine the extent to which they present a barrier to applying the approach.
Safe System training pilot successfully complete	Achieved	The Safe System in Practice training course has been piloted with over 90% satisfaction rating received. The follow up survey showed 77% of respondents had increased their use of the Safe System approach. The course is now delivered on a monthly basis in conjunction with road safety partners. As at 30 June 2013, 448 sector staff have attended.

⁴ For details of this measure refer to appendix 3 (note 9) on page 98

*As specified in the 2012 edition of the Transport Agency's Road Safety Strategic Plan

FOUNDATIONS ARE BEING SET FOR FUTURE FREIGHT MOVEMENT EFFICIENCY GAINS

Towards more efficient freight supply chains, better use of existing transport capacity and further reductions in deaths and serious injuries from road crashes

Due to the low level of economic activity in several regions, the freight priority work area did not achieve its target for 2012/13, but we achieved or partially achieved our three key deliverables.

LINK TO GOVERNMENT PRIORITIES FOR TRANSPORT

Better regulation, better public services

KEY RESULT INDICATOR	BASELINE 2009/10	DESIRED TREND 2012-15	ACTUAL 2012/13
Average daily measured weight of freight vehicles (tonnes)	22.7	Increasing	22.1

The average daily measured weight of freight vehicles (tonnes) was 0.6 tonnes below the 2009/10 baseline reflecting current economic conditions. This figure is expected to rise as economic conditions improve.

KEY DELIVERABLES FOR 2012/13	OUR RESULTS	WHAT WE DID
Upper North Island Freight Plan completed	Partially achieved	The Upper North Island Freight Story is now complete, including delivery of two key products: the 'Summary of critical issues' and the 'Shared evidence base'. The Upper North Island Freight Plan work has begun, with scope confirmed and full completion due in 2013/14.
High productivity motor vehicle (HPMV) route investment programme initiated	Achieved	During 2012/13 the HPMV national network was identified for investigation and upgrade investment. This national network is made up of the high volume freight routes on state highway and local road networks. Substantial progress has been made on the bridge assessment process for this 4500km of HPMV network, which will be available for full HPMVs (up to 62 tonnes). The upper North Island has been identified as a priority area for these bridge assessments and has been largely completed. Work has also begun on bridge assessments in the lower North Island and South Island.
Progress network planning collaboration with KiwiRail	Partially achieved	There has been broad agreement between KiwiRail and the Transport Agency to develop a proposal for greater collaboration on network planning. This will build on the significant progress that has been made on network resilience, and we now have agreement on how we can better respond to events that impact on both our networks. The network collaboration proposal will be progressed in 2013/14.

THE ROADS OF NATIONAL SIGNIFICANCE (RoNS) PROGRAMME IS RIGHT ON TARGET

Towards more efficient freight, greater network resilience and security, less congestion and safer roads

The RoNS programme has had another good year and achieved some major milestones. The highlights were completing the Te Rapa section of the Waikato Expressway and the first stage of the Christchurch Southern Motorway. Both opened ahead of schedule and on budget. The Ngaruawahia section of the Waikato Expressway was slightly behind schedule at the end of 2012/13, but is scheduled for completion in quarter two of 2013/14.

LINK TO GOVERNMENT PRIORITIES FOR TRANSPORT

Investment in infrastructure

KEY RESULT INDICATOR	BASELINE 2009/10	DESIRED TREND 2012-15	ACTUAL 2012/13
Percentage of RoNS activities that are delivered to agreed performance standards and timeframes	100%	Increasing	93%

The percentage of RoNS activities delivered to agreed performance standards and timeframes was 7% below the 2009/10 baseline level. 93% of the 56 milestones for the year were achieved. A number of milestones which were due for completion in the last month of the year are now due to be completed in the first quarter of 2013/14.

MILESTONES FOR 2012/13	OUR RESULTS	WHAT WE DID
Puhoi to Wellsford › Scheme assessment	On schedule	Key deliverables were achieved during 2012/13 such as securing funding for the planning work, establishing the Further North Alliance to the detailed route proposal, including the resource consent applications and Notice of Requirements documentation, due for delivery to the Environmental Protection Authority (EPA) in quarter two of 2013/14.
Western Ring Route › Construction continues on Waterview Connection › Tender for SH16 causeway works	On schedule	Significant progress has been made in the construction of the Waterview Connection (SH20) and the Lincoln Road Interchange (SH16). Excavation of the southern approaches was completed and the tunnel boring machine is now on site. Once assembled and tested, it is due to start work in quarter two of 2013/14. The causeway upgrade works (SH16) were successfully tendered and the Causeway Alliance established, with site preparation and initial construction work underway well before the end of 2012/13.
Waikato Expressway › Construction continues on Te Rapa and Ngaruawahia sections	Slightly behind schedule	The highlight of 2012/13 was the opening of the Te Rapa section on 1 December. The project was achieved seven months ahead of schedule and \$40 million under budget. Construction on the Ngaruawahia section continues. While this section was slightly behind schedule at the end of 2012/13, completion is due in quarter two of 2013/14.
Tauranga Eastern Link › Construction continues	On schedule	Construction work has made steady progress with most milestones achieved during the year. Key achievements during this period include completion of the Mangatawa interchange preload and the installation of the bridge piers on the Kaituna River Bridge. We are now halfway through completion of the structures programme and five of the seven Tauranga Eastern Link enabling works projects have been completed.

MILESTONES FOR 2012/13	OUR RESULTS	WHAT WE DID
Wellington Northern Corridor › Commence national consenting process for Wellington Inner City Improvements	On schedule	Major milestones have been achieved in design and consenting processes for the Wellington Northern Corridor. This includes having the scheme assessment approved and the stage 1 design completed for the Ngauranga to Aotea Quay section. Additionally the scheme assessment was also approved for the Wellington International Airport to Mt Victoria Tunnel section. We began the consenting process for the Basin Reserve Bridge in quarter three of 2012/13. Consent was obtained for the Mackays to Peka Peka section of the Kapiti Expressway, with construction scheduled to begin in quarter one of 2013/14. The Transmission Gully project is currently being assessed as a Public Private Partnership (PPP) procurement, and tenders close in October 2013.
Buckle Street underpass	On schedule	In quarter one of 2012/13 the Prime Minister announced that a National War Memorial Park will be built by April 2015 and that Buckle Street (SH1) would be moved underground to allow this. Physical works for the Memorial Park Underpass began in quarter two of 2012/13, which incorporated archaeology investigations and a temporary bypass road.
Christchurch Motorways Construction continues on Southern Motorway Stage 1	On schedule	We delivered the Christchurch Southern Motorway Stage 1 ahead of schedule and on budget in quarter two of 2012/13. The next stage is the Christchurch Southern Motorway Stage 2. We lodged the notices of requirement and consent applications for this project with the EPA as a proposal of national significance in quarter three of 2012/13, with the consenting work to continue into 2013/14.
Western Corridor	On schedule	There has been significant progress and some delays here. Harewood to Avonhead has been delayed by two years and will now be delivered to a revised schedule. While this is a critical section of the route, albeit small, we will work to ensure we meet the agreed delivery date for the entire Western Corridor. There have also been some delays in obtaining consents for Western Belfast Bypass. Design work is continuing, however, and we expect to deliver on the project timeline. Construction commenced on the Sawyers Arms to Harewood Road section in quarter three of 2012/13. Construction was completed on the Pyne Gould to Avonhead section and the road was open to traffic in quarter four of 2012/13.

WE ARE WORKING TO IMPROVE THE EFFECTIVENESS OF PUBLIC TRANSPORT

Towards better use of existing transport capacity, congestion relief and more transport choice

The public transport priority work area did not achieve its cost effectiveness target for 2012/13, and one key deliverable was successfully completed and two were partially completed.

LINK TO GOVERNMENT PRIORITIES FOR TRANSPORT

Better regulation, better public services

KEY RESULT INDICATOR	BASELINE 2009/10	DESIRED TREND 2012-15	ACTUAL 2012/13
Public transport boardings per dollar from the National Land Transport Fund that is invested in public transport services	0.67	Increasing	0.55
Fare revenue as a percentage of total expenditure	45.2%	Increasing	46.4%

There was a decrease (0.12) in public transport boardings per dollar from the National Land Transport Fund that is invested in public transport services compared to the 2009/10 baseline. Track access charges have increased to fund the required improvements in service quality and reliability as well as the forecast growth in service provision in Auckland. We continue to forecast public transport patronage growth and invest in network and service improvements to meet future demand.

The fare revenue as a percentage of total expenditure has increased (46.4% compared to the 2009/10 baseline figure of 45.2%) but was below the forecast range of 47-50%.

KEY DELIVERABLES FOR 2012/13	OUR RESULTS	WHAT WE DID
Develop nationally consistent customer satisfaction survey to collect information about customer experience and service delivery	Completed	The Transport Agency has a national customer satisfaction survey that is being implemented in regions, in line with their planned surveying programme.
Implement the new Public Transport Operating Model (PTOM) - emphasising commercial goals and public private partnerships to ensure a stronger focus on improved service performance	In progress, but some delay against programme	<p>The new PTOM was partially implemented before the end of June, as per our milestone target. This objective will be delivered slightly late due to legislation delays.</p> <p>Now that the Land Transport Management Act amendments have been enacted, we are revising the <i>Guidelines for regional public transport plans</i> as required for the planning of the public transport networks that will be contracted in the PTOM environment.</p> <p>Auckland Transport has a well advanced PTOM implementation plan and Greater Wellington Regional Council is starting more detailed planning. The Transport Agency is working with other regions to implement the necessary parts of the PTOM model for each region - depending on the size of the network.</p> <p>The relationship with Otago Regional Council has improved and they are working with Transport Agency staff on reviewing the Dunedin public transport network and developing their PTOM implementation approach.</p>
Complete implementation of integrated ticketing in Auckland, improving customer experience and driving service efficiencies	In progress, but some delay against programme	<p>Implementation of integrated ticketing in Auckland has been partially completed before the end of June, as per our milestone target.</p> <p>The Auckland Transport (AT) implementation continues, with full roll out on buses expected to be operational by December 2013.</p> <p>AT is now gearing up internally for ongoing growth and improvement in the effectiveness of Auckland public transport, with integrated ticketing as one of the foundations.</p>

PROGRESS ON OUR OTHER KEY FOCUS AREAS

WE DELIVER VALUE FOR MONEY

We have achieved four of our ten value for money targets and six of our seven key deliverables for 2012/13.

VALUE FOR MONEY INDICATORS	RELEVANCE OF THE INDICATOR	2012/13 RESULT	2012/13 TARGET	2011/12 RESULT
Dimension 1: Financial management				
Personnel and operating expenditure (excludes transfers to third parties for research, training and road safety advertising)	Managing expenditure and cost inflation while maintaining or improving performance	\$238.8m	\$237.6m	254.4
Operating expenditure as above as % of total expenditure	Delivering core functions with the same or less resources	7.5%	7.2%	8.4%
Cost of administrative and support functions as % of total operating running costs <i>(Reported a year in arrears as the 2012/13 BASS survey will be completed in October 2013)</i>	Focusing resources on customer facing frontline services	-	≤4.66%	4.78%⁵

2012/13's operating expenditure in total, and as a percentage of total expenditure, both showed significant improvement towards the targets – while not quite fully achieving them we were only 0.5% from target. And, the administrative and support cost as a % of operating costs (2011/12) reported a year in arrears – remained similar to the 2010/11 result (4.76%).

Dimension 2: Delivery of core functions				
Total cost of managing the funding allocation system, as % of NLTP expenditure	Efficient delivery of our investment function	1.0%	≤1%	1.03%
Unit transaction cost for licensing and regulatory compliance	Efficient delivery of our access and use function	\$36.45	<\$37.54	\$39.39
Unit transaction costs for motor vehicle registrations		\$5.50	<\$5.99	\$5.60
Cost of state highway renewals (excluding emergency works) per network lane km	Efficient delivery of our state highway management function	\$7,565	<\$9,687	\$8,552
Cost of maintaining and operating the state highway network (excluding emergency works) per network lane km		\$12,357	<\$11,971	\$11,949

The cost of maintaining and operating the state highway network per network lane km was \$386 (3%) higher than forecast. This reflects that the efficiency gains sought across this and the renewal activity are still in the process of being realised as costs and demands on the network continue to grow. It should be noted that there is a difference between the maintenance and operations budget stated in the 2012-15 SOI and the subsequently final approved NLTP. The cost of maintaining and operating the network per lane kilometre of \$12,357 would have achieved a revised forecast target of <\$12,782.

⁵ The Transport Agency compares favourably to its 'peer group' of similar sized agencies in New Zealand and is in the top 25th percentile for finance, ICT, and corporate and executive services.

VALUE FOR MONEY INDICATORS	RELEVANCE OF THE INDICATOR	2012/13 RESULT	2012/13 TARGET	2011/12 RESULT
Dimension 3: Investment that maximises return				
Public transport boardings per NLTF \$ invested in public transport services	Effective use of public transport networks	0.55	>0.67	0.59
Public transport fare revenue as a percentage of total expenditure		46.4%	47-50%	46.0%
<p>2012/13's public transport boardings per NLTF \$ invested in public transport were 0.12 below target and 0.04 lower than in 2011/12. Track access charges have increased to fund the required improvements in service quality and reliability as well as the forecast growth in service provision in Auckland. We continue to forecast public transport patronage growth and invest in network and service improvements to meet future demand.</p> <p>The fare revenue as a percentage of total expenditure has increased (46.4% compared to the baseline 2009/10 figure of 45.2%) but was below the forecast range of 47-50%.</p>				

KEY DELIVERABLES FOR 2012/13	OUR RESULTS	WHAT WE DID
Financial management		
Collaborate with other public sector agencies where we can help improve cross-agency performance, including examination of shared service opportunities	Achieved	<p>Significant progress has been made towards shared services for communications services, HR, ministerial services and risk and assurance Chief Executives will meet to review the implementation plans early in the first quarter of the 13/14 year.</p> <p>We are working to develop an opportunity to participate in an all-of-government (AoG) cluster in information and communications technology. We are also signing up to AoG procurement initiatives and are actively involved in the AoG property initiative.</p>
Deliver on recommendations from Agency efficiency reviews	Partially achieved	These projects are progressing slower than planned. Next steps for efficiency reviews have been confirmed with wider oversight and cross Agency support.
Delivery of core functions		
Develop and commence implementation of a five-year Access and Use business transformation programme	On schedule	<p>Significant progress has been made towards the programme which has the following focus areas:</p> <ul style="list-style-type: none"> › highly engaged staff › customers at the heart of our business › smarter regulation › smarter business processes › exceptional stakeholder relationships.
Develop and embed a continuous improvement culture through implementation of Performance Improvement Framework (PIF) recommendations	Partially achieved	Some issues raised in the follow-up PIF are yet to be addressed. The outstanding items have all been included in the forward work programme for the 2013/14 year.
Deliver transport planning and project development business improvements	On schedule	We have put in place the capability (systems, tools and training) to transition to a business case approach for transport planning and project development over the next two years. The changes are starting to shape how we work at project, programme and whole of National Land Transport Programme levels. Benefits of process efficiency are being realised, leading to wider benefits such as increased political confidence, stakeholder and customer satisfaction, integrated planning and network optimisation.

KEY DELIVERABLES FOR 2012/13	OUR RESULTS	WHAT WE DID
Implement the recommendations from the Maintenance and Operations Review and the Road Maintenance Taskforce	On schedule	<p>The Maintenance and Operations Review and Road Maintenance Taskforce were combined into one delivery team and renamed the Roding Efficiency Group (REG). Contract boundaries between local authorities are now finalised, although some adjustments may be needed.</p> <p>Development of the new Operations and Maintenance Outcome Contract (OMC) model and documentation has been completed as a collaborative process with the wider supply chain.</p> <p>An organisational design to facilitate the changes is on track to be implemented early in the 2013/14 year.</p>
Investment that maximises return		
Partner with the Ministry of Transport to reform the vehicle and operator licensing regulatory framework	Achieved	<p>Cabinet sign off of the reforms was achieved in January 2013. All major implementation milestones have been achieved, including Cabinet decisions on the approach to funding warrant of fitness and certificate of fitness changes, joint Transport Agency/Police design of an education and mitigation package to support WoF changes, and consultation on required changes to rules.</p>

WE ARE ACTIVELY HELPING TO REBUILD CHRISTCHURCH

We continue to make a substantial contribution to the rebuilding of Canterbury through the roads of national significance (RoNS) programme, our investment in the region and contributing our expertise to the rebuild.

KEY DELIVERABLES FOR 2012/13	OUR RESULTS	WHAT WE DID
Take part and fully support the various rebuilding planning processes	Achieved	<p>Regional staff have worked closely with the Greater Christchurch Urban Development Strategy (UDS) partners and the Canterbury Earthquake Recovery Authority (CERA) to develop:</p> <ul style="list-style-type: none"> › the Greater Christchurch Transport Statement (GCTS) (Transport Agency led) › the Accessible City (transport) chapter of the Central City Recovery Plan, which is awaiting Ministerial approval (CERA led) › the Land Use Recovery Plan requested by the Minister of Earthquake Recovery (Environment Canterbury led). The Transport Agency led the development of the infrastructure integration chapter. › the Lyttelton access study and the freight strategic network study that are GCTS priorities (Transport Agency led).
Continue to provide all our other services to underpin the region's full recovery	Achieved	All services to the wider region continue to be delivered. The change to co-management of our engagement across the whole southern region (Christchurch and Dunedin offices) is working well.
Invest in the rebuilding of the city - the full cost to the Transport Agency of repairing damage is in the range of \$845-1,015 million over five or more years	Achieved	<p>The Agency has been very actively involved in all levels of the infrastructure rebuild governance and management.</p> <p>We have led the development and implementation of the audit and monitoring framework and have been advocating for strengthening the governance and management frameworks to improve delegated decision making across all the client organisations.</p>
Improving the effectiveness of public transport in Christchurch	Achieved	<p>Crown agreement with Christchurch City Council (CCC) has positioned CERA to lead public transport improvements in, and associated with, the central city recovery plan. The Transport Agency has joined the Governance and project groups for these projects with CERA, CCC and Environment Canterbury (Ecan), to ensure our long-term public transport objectives are met.</p> <p>We are also working closely with Ecan as it reviews its public transport operational performance which has shown incremental performance improvement throughout the year.</p> <p>Patronage in Canterbury grew for a fifth consecutive quarter, rising most dramatically by 13.2% in the March 2013 quarter compared to the same quarter in 2012.</p>

GROWING AUCKLAND IS KEY FOR US

The Transport Agency's investments and planning initiatives are making a major contribution to the Auckland economy.

KEY DELIVERABLES FOR 2012/13	OUR RESULTS	WHAT WE DID						
Improving the effectiveness of public transport in Auckland	Achieved	<p>We have worked closely with Auckland Transport (AT) as they prepare to implement the Public Transport Operating Model in Auckland in 2013.</p> <p>The Auckland Regional Public Transport Plan (RPTP) is set to be approved by the AT Board now that the supporting legislation has been enacted by government.</p> <p>To address recent concerns over patronage levels, the AT board have undertaken a number of initiatives in a systematic manner, seeking to take a customer centric approach.</p> <p>AT has begun consultation over its proposal for the Southern Sector Public Transport Network.</p> <p>Infrastructure improvements delivered this year include the Hobsonville Ferry Terminal, a pedestrian concourse at Mt Albert Rail Station, and the new electric trains maintenance facility at Wiri.</p> <p>Integrated ticketing for rail and ferry was rolled out in late 2012, and the staged rollout of integrated ticketing for buses has started, with completion due by end of 2013.</p>						
		<p>Public transport boardings per dollar invested in Auckland public transport services from the National Land Transport Fund.</p> <table border="1"> <thead> <tr> <th>BASELINE 2009/10</th> <th>2011/12 RESULT</th> <th>2012/13 RESULT</th> </tr> </thead> <tbody> <tr> <td>0.63</td> <td>0.61</td> <td>0.62</td> </tr> </tbody> </table>	BASELINE 2009/10	2011/12 RESULT	2012/13 RESULT	0.63	0.61	0.62
		BASELINE 2009/10	2011/12 RESULT	2012/13 RESULT				
		0.63	0.61	0.62				
<p><i>Due to the high level of rail investment we did not achieve our cost effectiveness target for public transport in Auckland.</i></p>								
Improving the efficiency of freight supply chains in Auckland	Achieved	<p>The Upper North Island Freight Story (UNIFS) has been shared with approved organisations (AOs) and stakeholders.</p> <p>HPMV: we have progressed developing the programme for state highways and local roads in collaboration with AOs.</p> <p>50 MAX: the load/axle ratio determination for freight vehicles and subsequent programme of permitting has been canvassed with stakeholders. Support of the initiative is growing.</p>						
		<p>Average daily measured weight of freight vehicles (tonnes) (Results from weigh and motion station at Drury)</p> <table border="1"> <thead> <tr> <th>BASELINE 2009/10</th> <th>2011/12 RESULT</th> <th>2012/13 RESULT</th> </tr> </thead> <tbody> <tr> <td>20.5</td> <td>20.35</td> <td>20.6</td> </tr> </tbody> </table>	BASELINE 2009/10	2011/12 RESULT	2012/13 RESULT	20.5	20.35	20.6
		BASELINE 2009/10	2011/12 RESULT	2012/13 RESULT				
		20.5	20.35	20.6				
<p><i>We met our cost effectiveness target for freight efficiency in Auckland.</i></p>								

ORGANISATIONAL CAPABILITY AND HEALTH

WE ARE ACTIVELY GROWING OUR ORGANISATIONAL CAPABILITY

We have achieved all our organisational development targets for 2012/13 and business improvement initiatives have continued to grow our organisational capability and capacity.

KEY RESULT INDICATORS	BASELINE 2010/11	ACTUAL 2011/12	DESIRED TREND/ TARGET 2012-15	ACTUAL 2012/13
Quality of current stakeholder relationship (NZ Transport Agency Stakeholder Perception Survey)	New measure	56%	Increase	65%
Level of staff engagement (Gallup Engagement Survey)	3.73	3.82	Increase	3.92
Cost of administrative and support functions as a percentage of total expenditure (BASS) <i>(Reported a year in arrears. The 2012/13 BASS survey will be completed in October 2013)</i>	4.76%	4.78%	Decrease	-
Percentage of time core systems available	100%		100%	99.87%

WE ARE DEVELOPING OUR PEOPLE

We have achieved all our organisational development targets for 2012/13 and business improvement initiatives have continued to grow our organisational capability and capacity.

2012/13 OBJECTIVES	OUR RESULTS	WHAT WE DID
Our leaders and managers are exceptional	Significant improvement	<p>The Stage One Leadership Programmes are now nearly completed. The expectation is that these people leadership skills will be sought as part of the recruitment process.</p> <p>The Stage Two Leadership Development Programme has continued for the 2012/13 year. It maintains its focus on adaptive leadership with a view to extending our leaders' breadth and depth of thinking. The Senior Leadership Team sponsors have been positive about the progress that has been made.</p> <p>Feedback has indicated a growth in collaboration and confidence, and an awareness of impact of participants' engagement with staff and stakeholders. An outcome of this is reflected in the quality of work and engagement results. There is now also a common leadership language which has facilitated better understanding around what is expected.</p> <p>The emerging leaders framework is in its second year and continues to be a credible way to build the capability of our up-and-coming leaders.</p> <p>The Leaders' Forum (management tiers two and three from around the country) met twice in 2012/13. It continued to be a valuable way of discussing themes that are important for the Transport Agency, with a focus on how we lift customer service and the role leadership continues to play.</p>

2012/13 OBJECTIVES	OUR RESULTS	WHAT WE DID
We strive for performance excellence – proud of our culture of high performance	Improvement	<p>With a continued focus on creating a line of sight for the work of every person to connect their work to the Transport Agency's purpose, the alignment of individual performance development plans to results sheets and business plans is more advanced than previous years. This is also evidenced in the 2013 engagement results where there has been an increase in staff understanding what is expected of them and also in feeling the mission and purpose of the organisation makes them feel their job is important.</p> <p>Of the staff that were appointed in the 24 months to June 2012, 80 percent were achieving or exceeding expectations.</p> <p>We have made good progress in this area.</p>
Our people have the opportunity to grow and develop their careers – excelling in current roles and growing toward future roles	Improvement	<p>Workforce planning continues to occur within the business, which has helped to inform our people resourcing decisions and assisted growing our people for the future.</p> <p>We have an active succession management process in place for our most critical roles and we have active development plans to support this, with our Senior Leadership Team maintaining oversight.</p> <p>We have made good progress in growing our staff through our talent management framework, succession and performance development plans alongside regular conversations. Our recent engagement survey indicated staff continue to be more satisfied with our focus on growth, which now places us above the 50th percentile worldwide.</p> <p>We have made good progress on this theme.</p>
The Transport Agency is a great place to work	Improvement	<p>We continue to attract good quality candidates as, of the positions filled since our online recruitment system went live in late September 2012, one in five applicants have progressed to the next stage, with an average of four people being interviewed for each role. Some advertised roles have attracted in excess of 100 applications.</p> <p>Our annual graduate recruitment continues to receive a strong response with 90 applicants for this year's engineering intake. Over the previous two years we have recruited 18 graduates in the engineering and planning areas and we maintained a 100% retention rate. Feedback on the quality of staff in our graduate programme is very positive and was also a key factor in IPENZ recently awarding the Transport Agency a five year accreditation of the Professional Development Partner status.</p> <p>There has been a tangible shift in the culture and engagement in areas that tended to have lower engagement following a considered effort to life engagement in these areas. Much effort has gone into having robust conversations regarding line of sight and this has also contributed to the step change.</p> <p>We implemented a refreshed <i>Code of conduct</i> geared around our behaviours of Sign Up, Team Up, Front Up, and emphasising the importance of trust and making better judgements. This was rolled out via a series of conversations and was well received by staff. Through this we can continue to monitor the integrity and conduct of our staff and take action as necessary.</p>

WE ACHIEVE TOGETHER

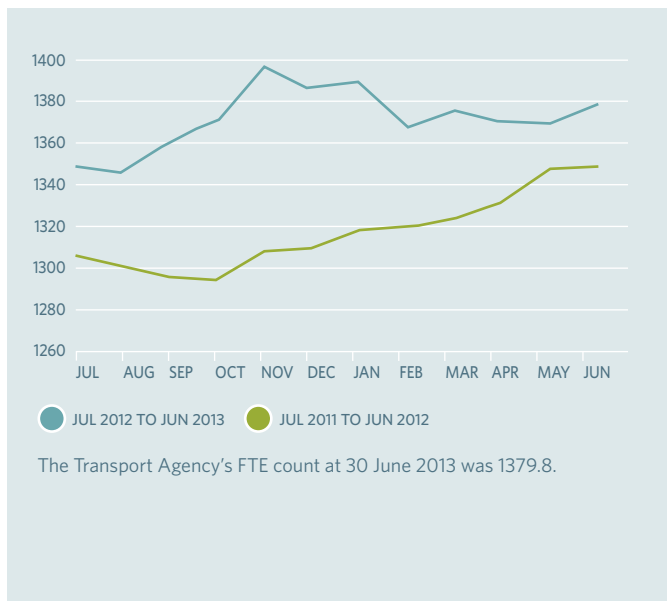
2012/13 OBJECTIVES	OUR RESULTS	WHAT WE DID
<p>Our actions are driven by strategy-led decision making that is future regarding, evidence based and delivers value for money - robust decision making will align our resources with our strategic intent</p>	<p>Significant improvement</p>	<p>In 2012/13 we refreshed our strategic framework for our 2013-16 <i>Statement of intent</i> to ensure it remains aligned with our operating environment and government policy. This strategic direction drives decision making and business planning across the organisation. It places a strong emphasis on the organisation to deliver value for money in all we do and ensuring that our decisions are 'future fit' and based on robust analysis.</p> <p>Our organisational capability plan - <i>Growing agility</i> - was also completed in 2012/13 and we have been embedding it into our business. It focuses on ensuring that we have the right capabilities (skills and tools) to deliver on our strategic direction, while building an organisation that is resilient and innovative. This capability plan is also being implemented through our business planning and staff development processes.</p>
<p>Our systems and processes are simple and effective for customers and staff - integrated systems and processes will help implement our strategic direction</p>	<p>Improvement</p>	<p>We moved our financial systems across to an SAP system during the year, and have subsequently transferred our property and revenue systems to the same system. Having all these fully integrated and linked to other core systems increases our efficiency and reduces double handling of data. Our invoice processing has been fully automated, significantly reducing the manual inputting of data.</p> <p>We have continued to integrate our support services to create efficiencies through electronic booking of cars and travel. Our information systems have been reviewed to ensure they are secure and compliant with privacy requirements.</p> <p>We continue to improve our documentation and website to make transacting by the public easier and more efficient.</p>

WE ARE WORKING WITH OTHERS

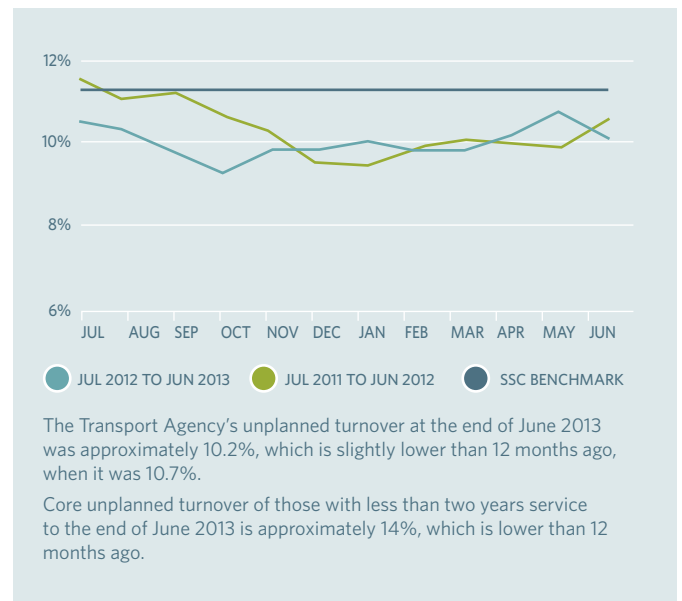
2012/13 OBJECTIVES	OUR RESULTS	WHAT WE DID
We use a best practice approach to stakeholder engagement – they welcome and actively look for opportunities to collaborate with the Transport Agency	Improvement	The second Transport Agency Stakeholder Perceptions Survey was carried out this year. 397 stakeholders completed the survey – representing an overall response rate of 37%. Overall, results compared favourably to the 2012 survey. Across most of the measures our performance has either remained consistent or has improved. Overall, 43 percent of stakeholders would like a more engaged relationship with us than they currently have. 78% of stakeholders are looking for either a partnership or collaborative relationship with us over the next two years. Our <i>Effective engagement toolkit</i> , our Transport Agency Stakeholder Engagement Plan and our focus on supporting priority stakeholder relationships have all helped to support best practice and a consistent approach.
We create and maintain relationships that foster high levels of trust, respect and confidence – our stakeholders and customers have confidence that we understand and consider their interests and values	Improvement	<p>The priority stakeholder programme has continued and relationship owners in the Senior Leadership Team continue to work with identified priority stakeholders. The Transport Agency Stakeholder Perceptions Survey shows priority stakeholders' overall trust and confidence in us has improved significantly year on year. 63% of our priority stakeholders have full or quite a lot of trust and confidence in us – up from 48% last year.</p> <p>Most stakeholder groups believed their relationship with the Transport Agency had stayed the same over the last 12 months with 36% saying the relationship had improved. Over 60% of stakeholders stated that they are satisfied or very satisfied with their current relationship with us.</p> <p>Work has continued this year on moving relationships with Māori from a 'consultation model' to an 'engagement model'. For the first time this year iwi stakeholders were included in the Stakeholder Perceptions Survey to provide a baseline of information about their perspectives.</p> <p>At the group level, the Planning and Investing for Outcomes (PIFO) programme looks to be effective in improving our relationships with local government. Two of the Transport Agency's groups reviewed their relationship management approach for their key suppliers and stakeholders.</p> <p>For the Transport Agency overall, progress is already evident in several areas of focus identified from the 2012 survey. While we are recognised as increasingly seeking and genuinely listening to stakeholders' opinions about issues of common interest and concern, we need to do more to understand our stakeholders' situations and acknowledge their value.</p>
Our messages are clear and consistent for stakeholders and customers – we are seen as an integrated agency that is living our values	Improvement	Work around the positioning of the Transport Agency and embedding organisational key messages from the Communications Strategy developed last year has continued. Stakeholder survey results have shown that there has been some progress on agreement with our key messages by our stakeholders. Our one network message has shown an overall increase from 33% to 41% and our message about providing a range of travel choices is at 44% which is nearly at our 2014 target of 45%. There has been a concerted effort to have more integration in our communication activities.
Our communication with stakeholders and customers is planned, consistent and targeted – they understand our decisions	Improvement	<p>Communication of high-profile announcements such as the 2012-15 NLTP, as well as the provision of regular updates in response to unplanned major events like the massive landslide in the Manawatu Gorge helped the Transport Agency maintain a high public profile throughout 2012/13.</p> <p>A total of 1,781 articles on Transport Agency issues were published in monitored daily publications. The Transport Agency's share of positive or balanced news for the year was measured at 89%, with 62% of articles generated by the Agency and 66% including comment from a Transport Agency spokesperson.</p> <p>57% of stakeholders believe that we explain our decisions clearly – an increase from 49% last year. 45% of stakeholders agree that we make decisions in a timely manner – an increase from 40% last year</p> <p>The National Communications Strategy developed last year is providing direction for well-planned, consistent and targeted communications. This high level, principle-based strategy sets direction and approach for communications and stakeholder engagement activities across the Transport Agency.</p>

KEY PEOPLE METRICS

FULL-TIME EQUIVALENT (FTE) EMPLOYEES AGAINST ESTABLISHMENT



ANNUAL TURNOVER



AGE PROFILE

44.0 years is the average age of our employees (at 30 June 2013), with 15.6% under 30 years and 20% over 55 years. Our average is similar to that of the public sector.

GENDER PROFILE

The Transport Agency has almost a **50:50 male/female** staff ratio. This is compared to the public sector ratio of 40:60. Of our senior management roles (tiers 1-3), 44% are filled by females. The average female representation in senior management within the public service was 42% in June 2012.

ETHNIC PROFILE (SELF IDENTIFIED)

Asian **7.1%**, Māori **4.7%**, Middle Eastern/Latin American/African **0.6%**, Not stated **14.5%**, NZ European **54.8%**, Other ethnicity **1.7%**, Other European **15.2%**, Pacific peoples **1.4%**

EQUAL EMPLOYMENT OPPORTUNITIES STATEMENT

The Transport Agency promotes equal employment opportunities (EEO) to ensure that its people capability practices are in line with its obligations as a 'good employer'.

OUR ACTIVITIES AGAINST THE SIX KEY ELEMENTS OF BEING A GOOD EMPLOYER ARE SUMMARISED BELOW.

Leadership, accountability and culture	<ul style="list-style-type: none"> › Leadership networking, through senior leader forums and cooperative learning groups. › Targeted leadership development programmes for experienced, new and future leaders. › Employee engagement programme. › At the Transport Agency, the three behaviours underpinning the way we work are "Sign up, team up and front up". We proactively get the right people in the room to share their knowledge and identify problems and solutions. We involve our employees and their unions at the front end to manage change programmes, develop policies and programmes, and to continuously improve our practices as a good employer.
Recruitment, induction and selection	<ul style="list-style-type: none"> › Robust recruitment and selection processes. › Profiles of staff from diverse backgrounds promoted on the NZ Transport Agency website. › Accredited employer with the New Zealand Immigration Service. › Progression within the Transport Agency is based on merit rather than service, and is built around competencies and skills. › National induction to the Transport Agency for all staff.
Employee development, promotion and exit	<ul style="list-style-type: none"> › Talent management and succession planning frameworks in place. › Development calendar offering a range of development programmes to all staff. › External mentoring programme for senior leaders. › Accredited IPENZ professional development partner and offer a comprehensive graduate development programme. › Alumni network, via LinkedIn for current and former staff.
Flexibility and work design	<ul style="list-style-type: none"> › Organisation-wide flexible working programme; a focus on promoting and encouraging a culture that supports this.
Remuneration, recognition and conditions	<ul style="list-style-type: none"> › Recognition programme to recognise high performers. › Transparent, equitable and gender-neutral job evaluation and remuneration practices. › Annual review of remuneration against market rates.
Safe and healthy environment	<ul style="list-style-type: none"> › Employee code of conduct and relevant health and safety and harassment policies available at all times with nominated contact avenues. › Strong focus on employee health, safety and wellbeing through provision of support services including: <ul style="list-style-type: none"> - employee assistance programme (EAP) for all staff - in the event of heightened stress additional services are provided through critical event debrief, onsite EAP presence, change process support and resilience training - ergonomic workstation assessments - health and safety induction for all staff and managers - healthy living encouraged and free flu vaccination and health check to all our people each year - active return to work programme. › ACC accredited in workplace safety management practices and annual self assessment audit.

ENSURING HEALTH AND SAFETY IN THE WORKPLACE

At the Transport Agency we are committed to a safe and healthy working environment for everyone using our premises as a place of work or visiting on business. We are guided by best practice and comply with the requirements of all relevant legislation and codes of practice.

COMMITTING AS AN ORGANISATION TO HEALTH AND SAFETY

We're all committed to:

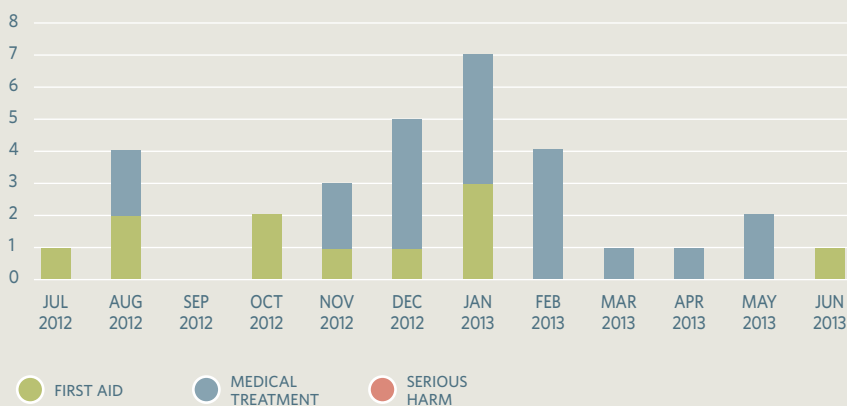
- providing an effective organisational programme to ensure that all workplace hazards are identified, reviewed and appropriate measures are implemented
- maintaining appropriate records of the hazard management programme
- giving staff and their representatives the opportunity to participate in the development and maintenance of health and safety practices
- ensuring all relevant documentation relating to occupational health and safety issues is made available to staff
- ensuring staff and contractors are provided with adequate induction, training, equipment, information, instruction and supervision where necessary

- ensuring our organisation is committed to continuous improvement in health and safety, including annually reviewing policies and procedures
- ensuring that all accidents and incidents (near misses) are recorded, reported and investigated appropriately
- providing staff who are injured or have an accident have access to a return to work programme so they can get back to work as soon as possible.

The Transport Agency's Health and Safety Committee includes senior manager and union representatives and elected health and safety representatives. The committee is responsible for planning, implementing, monitoring, and reviewing health and safety policies, systems and practices.

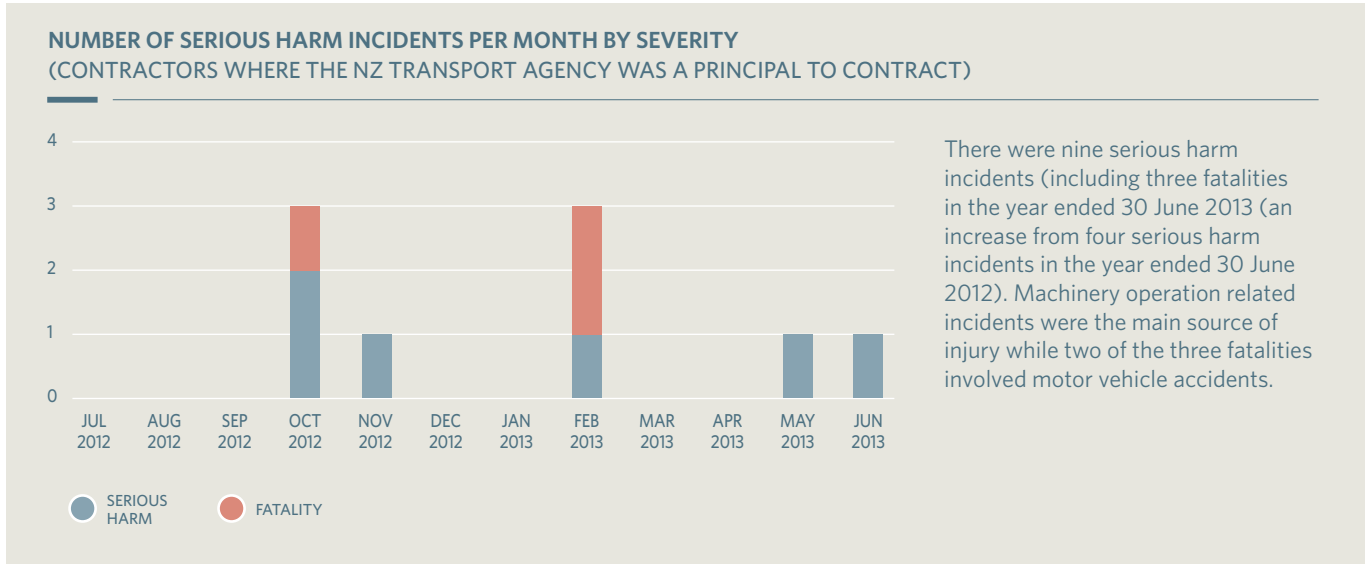
As part of our commitment to organisational health and safety we monitor the number and severity of injuries suffered by Transport Agency employees on a monthly basis. By investigating these accidents and incidents we can identify areas for improvement.

NUMBER OF INJURIES PER MONTH BY SEVERITY (TRANSPORT AGENCY EMPLOYEES ONLY)

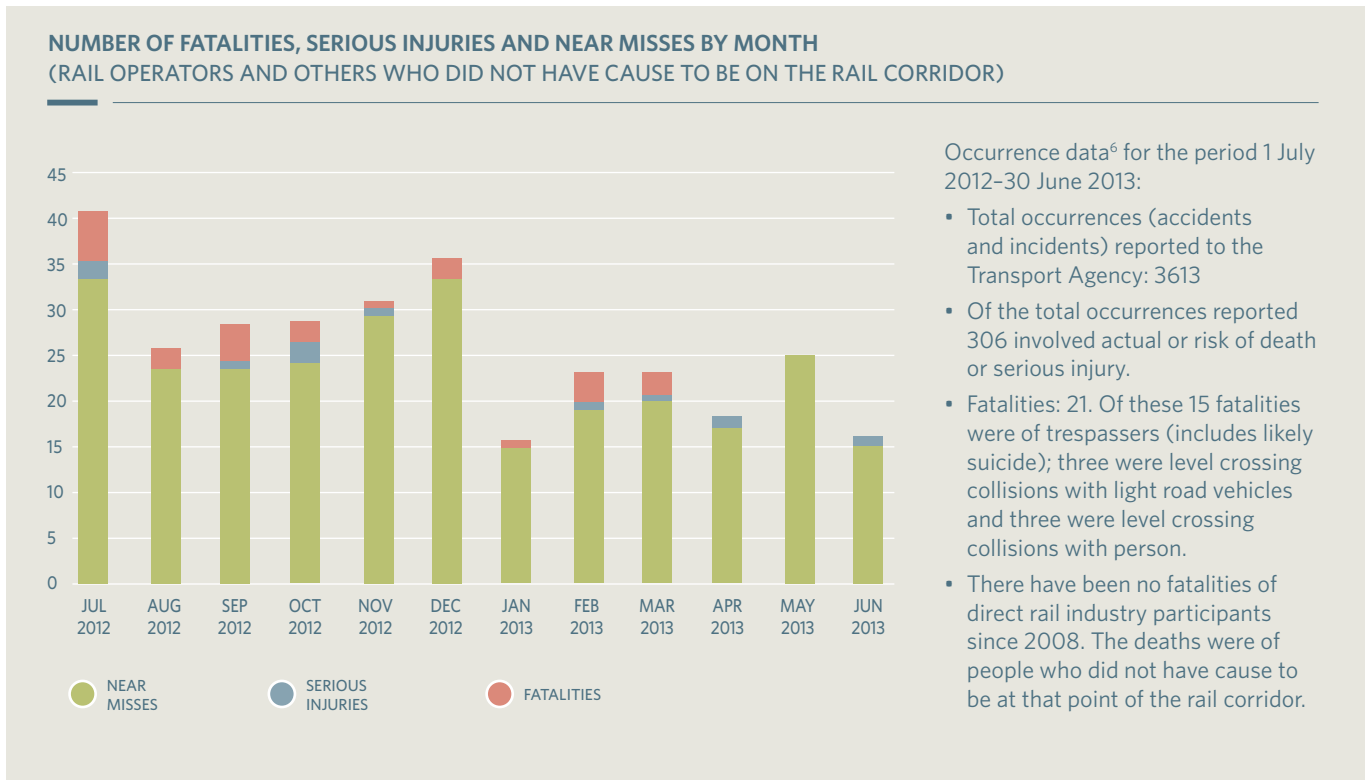


There were 31 injuries in the year ended 30 June 2013 (an increase from 25 injuries in the year ended 30 June 2012). While slips, trips and falls continue to be the main causes of injury, there has been an increase in reporting of incidents involving body stressing (eg muscle strain).

We also record serious harm incidents where the Transport Agency is an employer, a principal to contract or responsible for members of the public as a result of our work.



The Transport Agency's rail regulatory function seeks to ensure that the rail system is safe through approval, licensing and monitoring of rail participant safety management systems.



⁶ The Railways Act 2005 requires that rail participants report accidents and incidents to the NZ Transport Agency as follows:

'Any accident, where accident is defined as an occurrence associated with the operation of a rail vehicle or the use of railway infrastructure or railway premises that causes the death of, or serious injury to, individuals. Any other incident where incident is defined as an occurrence, other than an accident; that is associated with the operation of a rail vehicle or the use of railway infrastructure or railway premises that placed, or could have placed a person at risk of death or serious injury.'

**SECTION E:
STATEMENT
OF SERVICE
PERFORMANCE**



STATEMENT OF RESPONSIBILITY

The Board is responsible for the preparation of the Transport Agency's financial statements and statement of service performance, and for the judgements made in them.

The Board of the Transport Agency has the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board's opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the Transport Agency for the year ended 30 June 2013.

Signed on behalf of the Board:



Chris Moller

Chair

25 SEPTEMBER 2013



Jerry Rickman

Chair of Audit, Risk and Assurance Board Committee

25 SEPTEMBER 2013

Countersigned by:



Geoff Dangerfield

Chief Executive

25 SEPTEMBER 2013



Paul Helm

Chief Financial Officer

25 SEPTEMBER 2013



Brandon Mainwaring

National Manager Trends and Performance

25 SEPTEMBER 2013

STATEMENT OF SERVICE PERFORMANCE

This statement of service performance sets out the outputs (goods and services) the Transport Agency is funded to provide and the standards to which we assess our service delivery performance. It is divided into three categories.

OUTPUT CLASSES THE TRANSPORT AGENCY DELIVERS

- › Licensing and regulatory compliance
- › Road tolling
- › Motor vehicle registry
- › Road user charges collection, investigation and enforcement
- › Refund of fuel excise duty
- › Management of the funding allocation system
- › Sector research
- › New and improved infrastructure for state highways
- › Renewal of state highways
- › Maintenance and operation of state highways

OUTPUT CLASSES THE TRANSPORT AGENCY PARTLY DELIVERS ALONG WITH LOCAL AUTHORITIES

- › Public transport infrastructure
- › Transport planning
- › Road safety
- › Administration of the SuperGold cardholders scheme and Enhanced public transport concessions for SuperGold cardholders

OUTPUT CLASSES THE TRANSPORT AGENCY INVESTS IN, BUT DOES NOT DELIVER SERVICES FOR

- › New and improved infrastructure for local roads
- › Renewal of local roads
- › Maintenance and operation of local roads
- › Public transport services
- › Walking and cycling

ACHIEVEMENT OF PERFORMANCE MEASURES

The statement of service performance in the following pages describes the services the Transport Agency delivered and invested in during 2012/13. This statement reports how we performed, and the revenue earned and expenses incurred for each output class. It compares this with the forecast standards included in our *Statement of intent 2012-15*.

In total, the Transport Agency achieved 31 of 43 (72%) service delivery targets, while the NLTF achieved 24 of 36 (67%) investment forecast results. This reflects steady performance across the three core functions of planning and investing in land transport networks, managing the state highway network, and providing access to and use of the land transport system.

The following table sets out our performance by output class on key performance targets for the year.

FUNDING SOURCE	OUTPUT CLASS	NZTA PERFORMANCE MEASURES ACHIEVED	NLTF PERFORMANCE
OUTPUT CLASSES THE NZ TRANSPORT AGENCY DELIVERS			
Funded from fees, charges and Crown contracts	Licensing and regulatory compliance	5 of 6	
	Road tolling	5 of 5	
	Motor vehicle registry	6 of 6	
	Road user charges collection, investigation and enforcement	2 of 4	
	Refund of fuel excise duty	1 of 2	
Funded from the NLTF	Management of the funding allocation system	2 of 4	
	New and improved infrastructure for state highways	0 of 1	2 of 2
	Renewal of state highways	2 of 3	6 of 6
	Maintenance and operation of state highways	4 of 4	2 of 4
	Sector research	0 of 1	
OUTPUT CLASSES THE NZ TRANSPORT AGENCY PARTLY DELIVERS ALONG WITH LOCAL AUTHORITIES			
Funded from the Crown	Administration of the SuperGold cardholders scheme and Enhanced public transport concessions for SuperGold cardholders	2 of 2	
Funded from the NLTF	Public transport		2 of 3
	Transport planning	0 of 1	
	Road safety	2 of 3	
OUTPUT CLASSES THE NZ TRANSPORT AGENCY INVESTS IN, BUT DOES NOT DELIVER SERVICES FOR			
Funded from the NLTF	New and improved infrastructure for local roads		0 of 2
	Renewal of local roads		5 of 7
	Maintenance and operation of local roads		1 of 4
	Walking and cycling		0 of 1
	Road Policing Programme		7 of 7

OUTPUT CLASS CASE STUDIES

1**MODERNISING OUR REGISTRY**

OUTPUT CLASS: Motor vehicle register

2**CUSTOMERS AT THE HEART A WIN-WIN**

OUTPUT CLASS: Licensing and regulatory compliance

3**INVESTING IN MODEL COMMUNITIES**

OUTPUT CLASS: Walking and cycling

4**A TRANSFORMATIONAL CHANGE TO PUBLIC TRANSPORT SERVICES**

OUTPUT CLASS: Public transport

5**WATERVIEW CONNECTION PROJECT HAS MOVED CLOSER**

OUTPUT CLASS: New and improved infrastructure for state highways

6**ROAD SAFETY IS SOMETIMES A BLAST**

OUTPUT CLASS: Maintenance and operation of state highways

1

CASE STUDY

MODERNISING OUR REGISTRY MOTOR VEHICLE DATABASE MOVED AND MODERNISED

Moving more than 1.7 billion records to a new computer platform would be difficult in any circumstances without the added complexity of continuing to deliver business as usual, but that was the brief for modernising the Transport Agency's database.

The database hosts the motor vehicle register, as well as information on road user charges, warrants of fitness and certificates of fitness. It handles around one million transactions a day, making it one of New Zealand's largest and most important databases.

With the 17-year-old mainframe system due to become unsupported in 2014, the decision was made to shift the database onto a new Windows-based computer.

Transport Agency CIO Craig Soutar says the existing system had been very reliable due to being well maintained over the years, but it wasn't feasible to keep investing in old and expensive, technology.

'The new computer platform has increased our ability to introduce a wider range of new services, as well as save money on maintaining and upgrading our registers. This project was an important step to ensure we are able to accommodate future advances in technology, as well as legislative changes.'

'Over time, we will be able to make changes to the registers more frequently and for a lower overall cost, as well as providing the opportunity to develop new online and mobile channels to engage with customers.'

The \$8.2 million project was made even more complex because of legislative changes that needed to be accommodated while it was underway, including new road user charges and the introduction of the alcohol interlock programme.

Access and Use Group Manager Celia Patrick said business continuity was a key focus during the migration, to ensure that the Transport Agency could continue to deliver services to customers throughout the project.

'The central register is a critical element in the Transport Agency's infrastructure as it holds all information about driver licences and motor vehicle registrations in New Zealand. As a result, it was only towards the very end of the project that we took the databases offline for a short period.'

The Transport Agency worked closely with our partners including AA, VTNZ, VINZ and NZ Post to mitigate the effects of this outage for customers. Posters, flyers, social media and trade magazine articles were used, as well as messages on the 95,000 vehicle licence renewal forms the Transport Agency mails out each week.

The project was completed ahead of time and well under budget, and the cost is expected to be recovered in the next two years. It is estimated that it saved the Transport Agency more than \$70 million, compared to the cost of replacing the registry systems. Avoiding the mainframe upgrade alone is estimated to have saved \$2 million.

In naming the Transport Agency as the winner of the Project of the Year at the 2012 ITEX Computerworld awards, the judges described the project as an 'exemplar of a government ICT project done very well indeed. Congratulations go to the NZ Transport Agency for an impressive and complex project that demonstrates excellence in IT.'

**THIS CASE STUDY RELATES TO THE OUTPUT CLASS
MOTOR VEHICLE REGISTRY
GO TO PAGE 73 FOR MORE INFORMATION.**



OVER 1.7 BILLION RECORDS WERE MOVED IN THE SHIFT TO THE NEW COMPUTER PLATFORM

2

CASE STUDY

CUSTOMERS AT THE HEART A WIN-WIN REDUCING COMMERCIAL LICENSING WAITING TIMES

Putting our customers at the heart of the business has proven to be a winning formula for the Transport Agency's Commercial Licensing team, with reduced waiting times for customers and less stress for staff.

Each year the team processes approximately 15,000 applications for PVIO (passenger, vehicle recovery, inspector, testing officer) endorsements. Their job is to ensure that these applicants are 'fit and proper' – so that their customers can be confident that they will receive a professional service.

Until they have a current endorsement, these applicants can't operate, so timeliness is crucial for them and for their employers such as bus companies, as scheduled services may be affected if drivers have to be stood down until an application is processed.

The team previously aimed to have applications processed in four weeks, but maintaining that average was a struggle, and sometimes required large amounts of overtime.

After a challenge from the Bus and Coach Association to do better, the team examined all aspects of the application process, including customer input and went right down to details such as the number of trips to the photocopier.

Resulting changes have led to dramatic improvements. These changes include a central hub controlling all applications, with team members taking small amounts of work at a time from the hub and getting more only when work is completed.

While previously staff had up to 40 applications on their desk at any one time, now they only have those that can be actioned in the next 24 hours.

From struggling to maintain a 20 day average turnaround time for standard new or renewal applications, they are now averaging 11 days, – a 43% reduction in wait time achieved with minimal extra staff resource, and there are times when it has reduced even further to only 8 or 9 days.

The team previously received around 600 phone calls per month, often from customers concerned that their application would be processed in time for them to continue working. Now these have reduced by a third, says team leader Mark Pugin.

'Our customers have certainly benefited as a result. From the individual driver to the company that employs them, they now have confidence that we are consistently processing applications in an efficient and timely manner.'

Staff have also benefited.

'Productivity has increased and staff feel less stressed, more in control of their work and happy that they are part of a success story.'

'The process improvements have been maintained and we are continuing to exceed what we previously viewed as optimistic goals. Gaining control of our work is enabling us to now look at some of those items previously put to one side, so our success will produce even more success.'

**THIS CASE STUDY RELATES TO THE OUTPUT CLASS
LICENSING AND REGULATORY COMPLIANCE
GO TO PAGE 70 FOR MORE INFORMATION.**



WE RESPONDED TO THE FEEDBACK FROM OUR CUSTOMERS AND CHANGED OUR PROCESSES



APPROXIMATELY 17,000 PIVO APPLICATIONS ARE PROCESSED EACH YEAR TO ENSURE APPLICANTS ARE 'FIT AND PROPER'

3

CASE STUDY

INVESTING IN MODEL COMMUNITIES

The Transport Agency seeks to provide people with transport options, based on preferences and location, wherever possible.

One example is our ongoing support for the walking and cycling 'model communities' initiatives in New Plymouth and Hastings. By funding model communities, the Transport Agency encourages a planning and investment approach that fully integrates walking and cycling in urban transport networks.

Since our initial investment in 2010, both New Plymouth and Hastings have delivered comprehensive walking and cycling programmes, and the overall investment has contributed to wider outcomes – for example more efficient transport systems, fewer car trips, lower transport costs, increased business activity and tourism, and positive health impacts.

Model communities are urban environments where walking and cycling are offered to the community as the easiest transport choices. The intention is to deliver safer environments for novice users, with a range of community destinations within reasonable riding or walking distance from residential population centres.

New Plymouth's Let's Go is a programme of initiatives to enable, educate and encourage the use of shared pathways. The programme has extended and/or upgraded existing tracks to make them safer and more user-friendly, ensuring they connect to the right destinations. The community now has more than 20 kms of roads with defined cycle lanes and plenty of bike racks in popular parts of the city. Barriers have also been widened on 33 access ways, making them more accessible for all users.

Let's Go is also working with 24 schools, four kindergartens and 19 businesses and community groups to assist them with travel planning.

In Hastings, a multi-modal urban transport model has been developed in partnership with the Transport Agency and Hawke's Bay Regional Council. The community's vision is to create key walking and cycling arterials and a highly visible joined-up network of routes that link where people live, work and learn. The urban transport model is being used to identify the best routes, taking into account trip length, attractiveness, traffic volume and speed, and roadside parking.

**THIS CASE STUDY RELATES TO THE OUTPUT CLASS
WALKING AND CYCLING
GO TO PAGE 94 FOR MORE INFORMATION.**



THE COASTAL WALKWAY IN NEW PLYMOUTH



OPENING OF THE HAVELOCK WALKING & CYCLING ARTERIAL LINKING HAVELOCK NORTH TO HASTINGS

4

CASE STUDY

A TRANSFORMATIONAL CHANGE TO PUBLIC TRANSPORT SERVICES

On 30 March 2012 the government announced that it intended to introduce a new operating framework for the provision of bus and ferry services. This was in response to government concerns that the increase in costs to provide the services was far outstripping the increase in patronage. The new framework is a Public Transport Operating Model (PTOM) designed to grow patronage and reduce reliance on public subsidy. While some aspects of PTOM are not new, as a whole it will result in a transformational change to the way services are planned, procured and delivered.

The government expects the Transport Agency to use its statutory functions related to planning, funding and procurement to ensure the successful implementation of PTOM. The benefits of such an approach are expected to grow over the medium to long term.

The new framework is a fundamental shift in the delivery of public transport services. It contains a range of measures and ideas to incentivise investment and collaboration between the commercial and business acumen of public transport operators with the public policy and planning expertise of regional councils for the benefits of public transport users. The new framework provides an exciting platform for the development of public transport services in New Zealand.

Over the past year, the Transport Agency, the Ministry of Transport, and representatives of regional government and operators have worked together to provide advice on a practical approach for the new framework and changes to the legislation. The enactment of the Land Transport Management Amendment Act in June 2013, among other things, set in place the statutory framework for PTOM. It is now over to the Transport Agency to complete the development of the operational policy to ensure that value for money is achieved through the planning and procurement of services.⁷

The development of operational policy and of working closely with our partners is an area where we have really added value. During the year we have worked in close collaboration with regions and the Bus and Coach Association to review our planning and procurement requirements to ensure that PTOM gives better value for money. A consultation document setting out the proposed changes was released on 23 April 2013 resulted in 20 or so submissions which are currently being assessed. The Transport Agency expects to release its final policy position later in 2013 through an update of the Procurement manual and revised Regional Public Transport Plan (RPTR) guidelines.

All regions are aware of the changes in legislation and the Transport Agency's progress on policy development. Regions are at various stages of the review of their RPTRs (as required by the changes in the legislation) and the tendering of services in the new PTOM environment. A new focus for the sector will be on the development of a partnering approach (as opposed to a legal partnership).

The Transport Agency is providing tailored support and guidance to all regions when required.

We will continue to develop the policy, promote it and work closely with regions as required and monitor progress with the implementation.

The Transport Agency was asked to report to the Minister on progress in 2015 and we're confident we'll be able to report substantial progress.

THIS CASE STUDY RELATES TO

PUBLIC TRANSPORT

GO TO PAGE 85 FOR MORE INFORMATION.



THE PUBLIC TRANSPORT OPERATING MODEL (PTOM) IS A FUNDAMENTAL SHIFT IN THE DELIVERY OF PUBLIC TRANSPORT SERVICES.

⁷ The Transport Agency will, among other things, implement PTOM by exercising its statutory functions, in terms of section 95 (1) (ia) issue guidelines for, and monitor the development of, regional public transport plans and, in terms of section 25 (1) approve procurement procedures that are designed to obtain the best value for money spent.

5

CASE STUDY

WATERVIEW CONNECTION PROJECT HAS MOVED CLOSER 'ALICE' - THE BORING MACHINE HAS ARRIVED

A critical component to the landmark Waterview Connection project is named Alice, reflecting a long-held tunnelling tradition of naming the machines. Following her long trip from China, Alice the tunnel boring machine is being reassembled on site and is expected to start work on New Zealand's biggest-ever roading project in October.

The \$1.4 billion Waterview Connection – New Zealand's largest roading project – is one of six projects to complete the 48km Western Ring Route, which will bypass the city centre to the west and will provide a seamless link between Manukau City and the North Shore. It is being built by the Well-Connected Alliance comprising the Transport Agency, McConnell Dowell, Fletcher, Parsons Brinckerhoff, Obayashi, Beca, and Tonkin and Taylor.

The tunnel boring machine is the tenth largest machine of its kind ever built. Designed in Germany and built in China, Alice operates as an underground factory tunnelling and constructing a 2.5km-long tunnel wide enough for three lanes of traffic. Alice will emerge after a year at Waterview and be turned around to build the second tunnel connecting Auckland's Northwestern (SH16) and Southwestern (SH20) motorways.

The circular cutting head – painted all black with a silver fern together with the Transport Agency's Māori name 'Waka Kotahi' – is just over 14m wide, the equivalent of a three-storey building, and is almost 100m long, the length of a rugby field.

Alice's safe arrival in kitset form followed a massive logistical operation from the factory in China, across the Pacific and through the streets of Auckland to Owairaka where she was reassembled.

To welcome the tunnel boring machine to New Zealand, schools in the Waterview area were asked to complete a task traditionally linked to huge machines like this – finding a name for the unique New Zealand giant.

The clear winner that emerged from public voting for the preferred name was 'Alice' from the classic tale, Alice in Wonderland. 'Alice' was submitted by a nine-year-old Auckland schoolboy because the tunnel boring machine will make a tunnel to go through, and just like the rabbit hole Alice used, 'Wonderland' will be on the other side.

**THIS CASE STUDY RELATES TO TWO OUTPUT CLASSES
NEW AND IMPROVED INFRASTRUCTURE FOR STATE HIGHWAYS
GO TO PAGE 78 FOR MORE INFORMATION.**



ALICE THE TUNNEL BORING MACHINE



SOUTHERN APPROACH TRENCH OF THE WATERVIEW CONNECTION PROJECT

6

CASE STUDY

ROAD SAFETY IS SOMETIMES A BLAST

Sometimes the Transport Agency has to go to great heights to ensure our roads are safe.

That was the case on the Milford Road in May 2013, when 2,000 tonnes of unstable rock several hundred metres above the western entrance of the Homer Tunnel on State highway 94 posed a major risk to road users.

Regarded as one of New Zealand's most scenic roads, it is also susceptible to the vagaries of weather. Part of the rock feature had broken free in November 2012, causing disruptions to traffic using State Highway 94 from the eastern entrance of the Homer Tunnel to Milford Sound.

Although the road was quickly cleared and reopened at the time, the Transport Agency continued to monitor the remaining rock on the feature. As part of its efforts to increase road user safety, a temporary portal was erected at the western entrance to the Homer Tunnel in February 2013 to protect road users from shatter rock that might fall from this site. In early May 2013, a geotechnical inspection revealed that the unstable feature was largely detached from the rock face and would likely fall when put under pressure from winter freeze/thaw conditions.

The Transport Agency acted quickly, knowing that if the rock wasn't removed before the onset of winter, there was no guarantee the road could be kept open over winter.

Road user safety is always our top priority, said Southland Area Manager Peter Robinson. 'If we couldn't remove the unstable rock before winter, we knew we wouldn't have the margins of road user safety that are important to us.'

The biggest challenge was finding enough fine days for the New Zealand based team of high-altitude rock stabilisation specialists to carry out the precision drilling and blasting required to remove the unstable rock. The road was closed for a month, while this team of specialists waited patiently for enough good days to do the work that eventually led to most of the unstable rock being successfully blasted in mid-June 2013.

On the ground, Transport Agency staff regularly met with and communicated to local tour operators and businesses to explain the situation and the need to move quickly to safely bring this unstable rock down in a managed way. 'While there is never an ideal time to do this sort of work from the perspective of people who depend on the route for their livelihood, May and June was the least disruptive as visitor numbers to Milford are at seasonal lows then,' Peter said.

Although the stabilisation work was a success, the Transport Agency continues to monitor the rock face as part of its ongoing road safety activities.

**THIS CASE STUDY RELATES TO THE OUTPUT CLASS
MAINTENANCE AND OPERATIONS FOR STATE HIGHWAYS
GO TO PAGE 82 FOR MORE INFORMATION.**



TEMPORARY PORTAL AT THE ENTRANCE TO THE HOMER TUNNEL



REMOVAL OF THE UNSTABLE ROCK REQUIRED PRECISION DRILLING AND BLASTING

OUTPUT CLASSES

THE TRANSPORT AGENCY DELIVERS

LICENSING AND REGULATORY COMPLIANCE

What does the NZ Transport Agency do?

Under this output class, the Transport Agency:

- › monitors and audits compliance with regulatory standards/ requirements for vehicles, drivers, operators and transport systems providers and rail system participants
- › provides ministerial services
- › provides driver and transport operator (including rail operator) licensing and testing services
- › maintains the driver licence register
- › issues over-dimension permits
- › administers drug and alcohol assessments of drivers and operators (funded by the Ministry of Health)
- › provides licensing information and advice.
- › 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

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

How does this output contribute to desired transport impacts?

Licensing and regulatory compliance primarily contributes to reducing deaths and serious injuries through regulation of rail system participants, drivers, vehicles and commercial operators and the associated influence on drivers and driver behaviour. Secondary contribution to impact is also derived from regulatory activities through support of efficiency of freight supply chains, vehicle fleet efficiency and reducing adverse environmental effects. For further details see appendix 2, page 96.

What were our key achievements?

The key achievements for licensing and regulatory compliance are a result of a strong focus in 2012/13 on continuous service improvement.

Key achievements were:

- › simplifying the PVIO licensing endorsement⁸ process which resulted in:
 - 67% reduction in processing times
 - 30% reduction in customer process enquiries

- › implementing the new restricted and full licence driving test regimes.
- › delivering a 4.7% reduction in unit transaction costs across this output class since 2011/12. This reflects our increased focus on designing processes that suit customer needs and the promotion of our online channels.
- › approved the rail licence to the manufacturer and maintainer of the new rolling stock for Auckland. The licence was approved after auditing the Spanish company's factory processes to ensure that they meet our safety requirements.

How do we assess our service delivery performance?

	ACTUAL 2012/13	TARGET 2012/13	VARIANCE 2012/13	ACTUAL 2011/12
% accuracy of registers (10)	96.1%	>93%	+3.1%	96.3%
Unit transaction costs (11)	\$36.45	<\$37.54	+\$1.09	\$38.26
% of operational assurance activities completed (12)	100%	100%	-	100%
% of activities that are delivered to agreed standards and timeframes (13)	88%	100%	-12%	86.5%
Number of products/services delivered or processed (14)	930k	883-1,014k	-	N/A
% of transactions completed online (15)	15%	>15%	-	12.2%

For notes see appendix 3 on page 98.

* Full output class financials are set out in appendix 4 on page 102.

⁸ PVIO (driver licence endorsement for passenger, vehicle recovery, driving instructor or testing officer)

How was the money spent?*

	ACTUAL 2012/13 \$000	BUDGET 2012/13 \$000	VARIANCE 2012/13 \$000	ACTUAL 2011/12 \$000
Income	75,693	73,567	2,126	75,244
Expenditure	70,612	70,729	117	74,043
Net surplus/(deficit) [†]	5,081	2,839	2,242	1,201

How do we interpret our performance results?

Transport Agency service delivery

Regulatory implementation and enforcement achieved/exceeded five of six performance targets this year.

- › The percentage of transactions completed online met the target due to small but effective changes made to improve the customer online experience.
- › The percentage of activities delivered to agreed standards and timeframes was 12% below target. It was identified that some internal auditing activities were not being delivered to required standards. Changes were made to ensure these errors were rectified and that all activities are delivered to standard. In addition, while Ministerial official correspondence met statutory timeframes on 87% of occasions this was below the 100% target. It should be noted that part way through the year the timeframes reduced from 15 to 10 days.

Financial results

The licensing activities output class recorded a net surplus at yearend of \$5.1m which was \$2.2m above the budgeted surplus of \$2.8m.

Revenue was ahead of budget by \$2.1m and the following outputs contributed to the unbudgeted year end surplus:

Driver testing revenue was ahead of budget by \$2.3m due to transaction volumes being 10% higher than the prior year.

Border inspection revenue was ahead of budget by \$1.0m due to 14% higher transaction volumes when compared to the prior year.

Driver licensing, over dimension permits and rail licensing together contributed \$1.6m to the revenue surplus.

Volumes for other categories were down but overall the net transactions were in line with forecast (883-1,014k).

These increases were partly offset by the transport service licensing revenue being \$1.7m below forecast.

Business efficiencies have resulted in the ability to service the higher than expected volumes within existing budgets.

SCOPE OF OUTPUT CLASS: Purchase of land transport regulatory implementation services, specialist land transport enforcement services, and licensing services, including driver licensing.

Ministerial servicing is limited to services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities.

For notes see appendix 3 on page 98.

* Full output class financials are set out in appendix 4 on page 102.

[†] Any annual surpluses or deficits resulting from 3rd party fee funded activities in this output class are managed over the long-term to achieve a net cost recovery position. Further information can be found in the statement of financial position on page 115.

ROAD TOLLING

What does the NZ Transport Agency do?

Under this output class, the NZ Transport Agency:

- › manages the tolling road side and back office systems, customer interfaces and payment channels
- › undertakes the collection of toll revenues and disbursements to the Crown
- › provides information and advice to the public.

How does this output contribute to desired transport impacts?

Road tolling supports the impacts provided from new infrastructure investment through the collection of fees for infrastructure investment repayments.

For further details see appendix 2, page 96

What were our key achievements?

The key achievements for road tolling were:

- › a 5% growth in trips charged to online prepay accounts as a result of promoting this easy payment method to customers.

- › a high degree of revenue compliance (97%) by providing services to make paying toll charges as easy as possible.

How do we assess our service delivery performance?

	ACTUAL 2012/13	TARGET 2012/13	VARIANCE 2012/13	ACTUAL 2011/12
% of revenue compliance	97%	>96%	+1%	96.5%
Value of bad debt written off	\$551k	≤\$658k	+\$107k	\$400k
Unit transaction costs (16)	\$0.60	<\$0.70	+\$0.10	\$0.65
Number of products/ services delivered or processed (17)	6.0m	5.5m-6.0m	-	5.2m
% of transactions completed online	60%	>60%	-	55%

How was the money spent?*

	ACTUAL 2012/13 \$000	BUDGET 2012/13 \$000	VARIANCE 2012/13 \$000	ACTUAL 2011/12 \$000
Income	5,843	6,000	(157)	5,544
Expenditure	5,272	5,971	699	5,388
Net surplus/(deficit) [†]	571	29	542	156

How do we interpret our performance results

Transport Agency service delivery

Road tolling achieved/exceeded all of its service delivery performance targets this year.

Financial results

Tolling revenue was \$157k lower than budget due to a combination of factors:

- › Fewer tolling payment notices were issued resulting in lower revenue from associated administration fees.
- › Increased online uptake resulted in lower transaction costs than forecast.

Road tolling expenditure was \$699k below budget due to a deferral in tolling system development to the next financial year.

The resulting net surplus of \$571k will be carried forward to the next financial year to complete the tolling system development.

SCOPE OF OUTPUT CLASS: Collection of road tolling charges and enforcement activities to recover road tolling payment evasion.

For notes see appendix 3 on page 98.

* Full output class financials are set out in appendix 4 on page 102.

[†] Any annual surpluses or deficits resulting from 3rd party fee funded activities in this output class are managed over the long-term to achieve a net cost recovery position. Further information can be found in the statement of financial position on page 115.

MOTOR VEHICLE REGISTRY

What does the NZ Transport Agency do?

Under this output class, the NZ Transport Agency:

- › operates the motor vehicle register
- › delivers motor vehicle registration and licensing services
- › undertakes the collection and refund of registration and licensing revenue, which is paid to the National Land Transport Fund
- › provides information and advice to the public.

How does this output contribute to desired transport impacts?

Motor vehicle registry services, by helping manage the motor vehicle fleet, contribute to the following impacts: reduction in deaths and serious injuries from road crashes, reduction in adverse environmental effects from land transport and more efficient vehicle fleets.

For further details see appendix 2, page 96

What were our key achievements?

The key achievements for the motor vehicle registry were:

- › completing the first phase of the reform of the vehicle licensing regime aimed at improving vehicle licensing compliance. This was undertaken jointly with the Ministry of Transport as part of the Vehicle and Operator Licensing Reform project. The new regime aims to allow us to work more effectively and efficiently, while saving New Zealanders money without compromising their safety
- › delivering a 1.8% reduction in unit transaction costs across this output class since 2011/12. The majority of the efficiency was achieved by shifting customers to lower-cost channels, such as online
- › achieving a 38% growth in the proportion of transactions being completed online since 2011/12. This reflects our increased focus on designing processes that suit customer needs and the promotion of our online channels.

How do we assess our service delivery performance?

	ACTUAL 2012/13	TARGET 2012/13	VARIANCE 2012/13	ACTUAL 2011/12
% of accuracy of registers (18)	95%	≥95%	-	95.1%
% of revenue compliance	99%	≥98%	+1%	98.6%
Value of bad debt written off	\$0.045m	<\$3.6m	+\$3.6	\$4.1m
Unit transaction costs	\$5.50	<\$5.99	+\$0.49	\$5.60
Number of products/services delivered or processed	9.2m	8.6–9.6m	-	9.0m
% of transactions completed online (19)	22.6%	>20%	+2.6%	16.4%

How was the money spent?*

	ACTUAL 2012/13 \$000	BUDGET 2012/13 \$000	VARIANCE 2012/13 \$000	ACTUAL 2011/12 \$000
Income	54,295	52,773	1,522	53,616
Expenditure	51,795	53,309	1,514	56,926
Net surplus/(deficit)*	2,500	(535)	3,036	(3,310)

How do we interpret our performance results?

Transport Agency service delivery

Motor vehicle registry achieved or exceeded all of its performance targets this year.

Highlights include:

- › bad debt written off was \$45k against a target of \$3.6m. This large favourable variance is due to revising our basis for revenue recognition, in line with International Accounting Standards (NZ IAS 18).

Financial results

Revenue was \$1.5m higher than budgeted due to volumes of vehicle registrations for new and used car imports being 18% higher than forecast.

The higher revenue combined with \$1.5m less expenditure than budgeted, due to IT costs from changing the motor vehicle register platform, contributed to a net surplus of \$2.5m.

SCOPE OF OUTPUT CLASS: 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.

For notes see appendix 3 on page 98.

* Full output class financials are set out in appendix 4 on page 102.

* Any annual surpluses or deficits resulting from 3rd party fee funded activities in this output class are managed over the long-term to achieve a net cost recovery position. Further information can be found in the statement of financial position on page 115.

ROAD USER CHARGES COLLECTION, INVESTIGATION AND ENFORCEMENT

What does the NZ Transport Agency do?

Under this output class, the NZ Transport Agency:

- › collects, through the provision of licences for diesel vehicles, and refunds road user charges (RUC), which is paid to the National Land Transport Fund
- › investigates evasion of RUC and enforces payment
- › provides information and advice to the public.

How does this output contribute to desired transport impacts?

Road user charges collection, investigation and enforcement, by helping manage the motor vehicle fleet, contributes to the following impacts: reduction in deaths and serious injuries from road crashes, reduction in adverse environmental effects from land transport and more efficient vehicle fleets.

For further details see appendix 2, page 96.

What were our key achievements?

The key achievements for road user charges collection, investigation and enforcement were:

- › successfully implementing the first major changes to the Road User Charges Act in 30 years. The new RUC system is simpler for customers to use and cheaper to operate. The new regime is expected to reduce compliance costs and, over time, to increase RUC compliance

- › identifying more RUC non-compliance where odometer readings show outstanding RUC at WoF or CoF inspection through automated RUC assessment invoicing
- › achieving a 7.7% growth in the proportion of transactions being completed online since 2011/12. This reflects our increased focus on designing processes that suit customer needs and the promotion of our online channels.

How do we assess our service delivery performance?

	ACTUAL 2012/13	TARGET 2012/13	VARIANCE 2012/13	ACTUAL 2011/12
Value of bad debt written off	\$3m	<\$2.4m	-\$600k	\$2.1m
Unit transaction costs	\$6.08	<\$6.50	+\$0.42	\$5.80
Number of products/services delivered or processed (20)	2.4m	2.4-2.7m	-	2.6m
% of transactions completed online (21)	47.3%	>55%	-7.7%	43.9%

How was the money spent?*

	ACTUAL 2012/13 \$000	BUDGET 2012/13 \$000	VARIANCE 2012/13 \$000	ACTUAL 2011/12 \$000
Income	17,002	18,514	(1,512)	16,485
Expenditure	16,016	18,773	2,757	16,897
Net surplus/(deficit) [†]	986	(259)	1,245	(412)

How do we interpret our performance results?

Transport Agency service delivery

RUC collection, investigation and enforcement achieved/exceeded two of four performance targets this year.

- › The new automated RUC assessment invoicing has resulted in more RUC non-compliance being identified. This has had flow on implications to the level of bad debt for both heavy and light vehicles. As the new RUC system embeds we will be able to improve our bad debt forecasting in line with a better understanding of RUC non-compliance. Introduction of customer focused service options that support compliance are planned in 2013/14.
- › The proportion of transactions completed online were 7.7% below our stretch target. As a result of the new RUC Act requiring customers to make fewer RUC purchases we have seen a reduction in transaction volumes and correspondingly the growth in the proportion of transactions completed online is less than originally expected.

For notes see appendix 3 on page 98.

* Full output class financials are set out in appendix 4 on page 102.

[†] Any annual surpluses or deficits resulting from 3rd party fee funded activities in this output class are managed over the long-term to achieve a net cost recovery position. Further information can be found in the statement of financial position on page 115.

Financial results

The re-sequencing of planned system and business changes to help implement the new RUC Act 2012 has meant that some planned expenditure will not happen until next financial year. This output class is funded by appropriation from the Ministry of Transport and the resulting surplus will be carried forward to the next financial year.

SCOPE OF OUTPUT CLASS: Collection and refund of road user charges, and the investigation and enforcement of evasion of road user charges.

REFUND OF FUEL EXCISE DUTY

What does the NZ Transport Agency do?

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

How does this output contribute to desired transport impacts?

Refund of excise duty is an NZ Transport Agency function performed on behalf of the Ministry of Transport as an adjunct to the collection of fuel excise duty, as provided for under the Land Transport Management Act 2003. This output makes no direct contribution to the Transport Agency's desired impacts.

What were our key achievements?

The key achievements for refund of fuel excise duty were:

We achieved a simpler fuel excise duty claim process by:

- › developing new protocols and agreements to enable independent agents to file claims on behalf of clients

- › developing an online application system which is due to go live in 2014
- › implementing a new financial management system to administer fuel excise refunds which will provide efficiency and customer benefits. This includes allowing online applications.

How do we assess our service delivery performance?

	ACTUAL 2012/13	TARGET 2012/13	VARIANCE 2012/13	ACTUAL 2011/12
Average number of days taken to deliver (22)	12.65	10	-2.65	9.7
Number of products/services delivered or processed (23)	29,114	28,128	+986	N/A

How was the money spent?*

	ACTUAL 2012/13 \$000	BUDGET 2012/13 \$000	VARIANCE 2012/13 \$000	ACTUAL 2011/12 \$000
Income	429	429	0	441
Expenditure	461	429	(32)	501
Net surplus/(deficit) [†]	(32)	0	(32)	(60)

How do we interpret our performance results?

Transport Agency service delivery

Refund of fuel excise duty achieved/exceeded one of two performance targets this year.

Specifically,

- › the average number of days taken to deliver refunds exceeded the target by 2.7 days. This was a result of increased refund application and customer inquiry volumes due to independent agents filing on behalf of clients. Work is underway to reduce the time to deliver through online and process efficiencies
- › the number of fuel excise duty refunds processed exceeded target due to third party agents generating more applications. Volumes also increased due to a refund rate change, which meant that customers were required to lodge applications for pre and post change refunds separately.

Financial results

This output is funded by appropriation from the Crown (Vote Transport), thus the revenue attributed in the year matched budget. A small deficit arose due to a higher than anticipated level of resource being required to support simplifying customer claims processing and implementing the development of the new financial management system. The increase in expenditure was offset to a small degree by a lower than anticipated administration fee charged by Customs.

SCOPE OF OUTPUT CLASS: Receipt and processing of applications for, and the refunding of, fuel excise duty.

For notes see appendix 3 on page 98.

* Full output class financials are set out in appendix 4 on page 102.

† Any annual surpluses or deficits resulting from 3rd party fee funded activities in this output class are managed over the long-term to achieve a net cost recovery position. Further information can be found in the statement of financial position on page 115.

MANAGEMENT OF THE FUNDING ALLOCATION SYSTEM

What does the NZ Transport Agency do?

This output class covers the NZ Transport Agency's internal operating costs to:

- › develop and manage the National Land Transport Programme (NLTP)
- › develop the Transport Agency's planning and investing strategies and plans
- › provide policy advice to government on policy framework
- › monitor and audit the performance of organisations that receive funding from us
- › provide investment policy advice on public transport services
- › monitor and report on work undertaken in the national Road Policing Programme⁹.

› How does this output contribute to desired transport impacts?

Management of the funding allocation system contributes to seven of our eight desired impact areas (excluding more efficient vehicle fleets) through the management of the National Land Transport Fund investments. The Transport Agency seeks to invest in outputs that maximise the overall benefit for the New Zealand transport system.

For further details see appendix 2, page 96.

What were our key achievements?

The key achievements for the management of the funding allocation system (MOFAS) were:

- › launching the 2012-15 NLTP that shapes the investment in the land transport system
- › working with investment partners to influence the integration of land use and transport planning, such as the Christchurch land use recovery planning and the Auckland draft unitary plan

- › embedding a business case approach to planning and investment
- › working with the sector to develop a range of tools to optimise use of the network, and developing a structured programme to deliver the next NLTP in a more outcomes based approach
- › supporting the Ministry of Transport to enable enactment of the legislative framework for the Public Transport Operating Model through the Land Transport Management Amendment Act 2013
- › working with Police on improving quarterly monitoring and reporting on the delivery of the Road Policing Programme.

How do we assess our service delivery performance?

	ACTUAL 2012/13	TARGET 2012/13	VARIANCE 2012/13	ACTUAL 2011/12
Total cost of managing the funding allocation system as a % of NLTP expenditure (24)	1%	≤1%	-	1%
% of operational assurance activities completed (25)	90%	100%	-10%	100%
% of activities that are delivered to agreed standards and timeframes (26)	97%	100%	-3%	81%
Average number of days taken to deliver (27)	19	25	+6	24

How was the money spent?*

	ACTUAL 2012/13 \$000	BUDGET 2012/13 \$000	VARIANCE 2012/13 \$000	ACTUAL 2011/12 \$000
Income	29,613	29,775	(162)	29,371
Expenditure	29,569	29,775	206	29,891
Net surplus/(deficit)	44	0	44	(520)

For notes see appendix 3 on page 98.

* Full output class financials are set out in appendix 4 on page 102.

⁹ For detailed information about the Road Policing Programme refer to page 190.

How do we interpret our performance results?

NZ Transport Agency service delivery

Management of the funding allocation system achieved two of the four service delivery performance targets this year.

- › Audit resources were reprioritised to assist with the establishment of an audit programme for the Christchurch infrastructure rebuild. This resulted in six low-risk audits being postponed to next year.
- › The percentage of activities delivered to agreed standards and timeframes was 3% below target. While this component was 4% under target it still reflects a high level of control for a large and complex programme.

Financial results

Expenditure was \$206k under budget due to:

- › delays on a number of projects with some activity still to be completed in 2013/14. This includes the Economic evaluation manual review and the enterprise geospatial rollout
- › expenditure on the Crash Analysis System was \$44k under budget and will be carried forward to 2013/14.

SCOPE OF OUTPUT CLASS: Managing, monitoring and advising transport sector stakeholders on the allocation of National Land Transport Funds, as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003.

NEW AND IMPROVED INFRASTRUCTURE FOR STATE HIGHWAYS

What does the NZ Transport Agency do?

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

How does this output contribute to desired transport impacts?

New and improved infrastructure for state highways primarily contributes to more efficient freight supply chains, resilient and secure transport network, easing of severe urban congestion, as well as helping to reduce deaths and serious injuries from road crashes, through capital investment in the state highway network. For further details see appendix 2, page 96.

What were our key achievements?

The key achievements for new and improved infrastructure for state highways were:

- › successful delivery of a number of projects including Newmarket Viaduct in Auckland and Caversham Highway Improvements in Dunedin
- › continued construction of the Waterview Connection SH20 Tunnels. Excavation of the southern approach trench to the tunnels was

completed and the plant for manufacturing the precast tunnel linings was completed. The Tunnel Boring Machine, 'Alice' was delivered to site in July

- › progression of the RoNS programme, with notable achievements including the completion of the Te Rapa section of the Waikato Expressway, the award of the construction contract on the Cambridge section, and completion of Stage One of the Christchurch Southern Motorway.

How do we assess our service delivery performance?

	ACTUAL 2012/13	TARGET 2012/13	VARIANCE 2012/13	ACTUAL 2011/12
% of activities that are delivered to agreed standards and timeframes (28)	64%	>90%	-26%	90%

How do we assess our investment performance?

	ACTUAL 2012/13	FORECAST 2012/13	VARIANCE 2012/13	ACTUAL 2011/12
Length of road reconstruction and new road completed (lane km)	85	No forecast in SOI	NA	89
Length of bridge replacements (lane km)	12.6	No forecast in SOI	NA	1.6

How was the money spent?*

	ACTUAL 2012/13 \$000	BUDGET 2012/13 \$000	VARIANCE 2012/13 \$000	ACTUAL 2011/12 \$000
Income	935,884	945,791	(9,907)	806,950
Expenditure	992,559	992,216	(343)	888,295
Net surplus/(deficit)	(56,675)	(46,425)	(10,250)	(81,345)

How do we interpret our performance results?

Transport Agency service delivery and investment

New and improved infrastructure for state highways did not meet its service delivery target this year.

This indicator includes three components: large projects, small projects and property acquisition. The overall achievement result is 26% below target. The variance was a result of under performance of the small project programme and a delay in getting the safety programme underway.

- › **Small projects:** Four of the 12 small projects achieved their completion target. Of the eight that missed, half were in the safety programme. This programme came under intense scrutiny at the start of the year to ensure we were picking the right Safe System projects. This led to a slight delay in getting the programme going, and combined with some optimistic completion dates means some year-end deadlines have been missed.
- › **Large projects:** Four of the five projects achieved their completion target. One, the SH2 Papatawa realignment project, did not meet its schedule completion dates. Initial delays due to contractor financial issues were not able to be made up.
- › **Property acquisition:** The programme was achieved with the highlights being the strong purchase activity on the Christchurch RoNS route, Mackays to Peka Peka and Cambridge Bypass.

Investment performance achievements in any particular year are sensitive to the completion date of activities which are only 'completed' once the works are deemed substantially completed and fully open to the public.

Financial results

Expenditure on the new and improved infrastructure of state highways ended on budget.

A significant proportion of the expenditure (60%) is on multi-year projects, including the RoNS.

While the overall expenditure for the year is on budget, results differed between projects. For example, Waterview, one of the large projects, ended the year well ahead of projections while the Papatawa realignment progressed slower than expected.

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

Contributing towards the purchase of state highway improvements as outlined in the 2006/07 State Highway Forecast.

RENEWAL OF STATE HIGHWAYS

What does the NZ Transport Agency do?

Under this output class, the NZ Transport Agency manages and invests in renewals of existing state highway network infrastructure to maintain standards of skid resistance and rutting, and to intervene at the optimal time to reduce exposure to future maintenance costs arising from wear and tear on our roads.

How does this output contribute to desired transport impacts?

Renewal of state highway infrastructure primarily contributes to maintaining the resilience and security of the whole road network, efficiency of freight supply chains and the easing of severe congestion, by ensuring that the established state highway network asset condition is sustained by an ongoing capital investment programme.

For further details see appendix 2, page 96.

What were our key achievements?

The key achievements for renewal of state highways were:

- › completion of 1,484km of pavement renewals including chip sealing and pavement rehabilitation
- › completion of 167km of pavement rehabilitation renewal through pavement strengthening work.

This was achieved despite the programme being reduced to remain within the funding constraints, the need for more sophisticated treatments and an increasing proportion of the work on heavy traffic routes.

How do we assess our service delivery performance?

	ACTUAL 2012/13	TARGET 2012/13	VARIANCE 2012/13	ACTUAL 2011/12
% of activities that are delivered to agreed standards and timeframes (29)	108%	>90%	+18%	93%
Safe stopping: % of travel on network above skid threshold (30)	97.2%	≥98%	-0.8%	97.6%
Network resilience: % of rutting >20mm over state highway network (31)	0.8%	<1.5%	+0.7%	0.8%

How do we assess our investment performance?

	ACTUAL 2012/13	FORECAST 2012/13	VARIANCE 2012/13	ACTUAL 2011/12
Cost of renewal of the network excluding emergency reinstatement (cents per vehicle kilometre travelled)	0.87c/vkt	<0.97c/vkt	+0.10 c/vkt	0.99 c/vkt
Cost of renewals (excluding emergency reinstatement) per network lane km	\$7,565	<\$9,687	+\$2,122	\$8,552
% of sealed network resurfaced (based on road length in lane km)	11.5	No forecast in SOI	NA	10
% of network rehabilitated (based on road length in lane km)	1.3	No forecast in SOI	NA	1.7
Pavement integrity of the sealed network	99	>97	+2	97
Surface condition of the sealed network	98	>98	-	98

How was the money spent?*

	ACTUAL 2012/13 \$000	BUDGET 2012/13 \$000	VARIANCE 2012/13 \$000	ACTUAL 2011/12 \$000
Income	175,009	195,000	(19,991)	199,731
Expenditure	175,009	195,000	19,991	199,731
Net surplus/(deficit)	0	0	0	0

For notes see appendix 3 on page 98.

* Full output class financials are set out in appendix 4 on page 102.

How do we interpret our performance results?

Transport Agency service delivery and investment

Renewal of state highways achieved/exceeded two of the three service delivery targets this year.

- › Activities were delivered to agreed standards and timeframes exceeded target. This is a good result as we under-spent on the overall renewals budget yet achieved more treatment length against the baseline. A greater quantity of work was completed in some of the contract areas with fixed annual price contracts both because works not completed in 2011/12 were carried forward into 2013/14 and some works were advanced from 2013/14 where there was a need. Additionally some works used new techniques with a lower unit cost.
- › The percentage of travel on the network above skid threshold was below target. The definition of good skid resistance was tightened this year by increasing targets on the riskier sections of state highways, such as tight bends. We are now using better performing chip in these situations because it will ensure the roads perform better for longer giving better long-term value for money.

Renewal of state highways achieved/exceeded four investment performance forecasts this year.

- › Renewal works undertaken this year were achieved under budget. This resulted in the positive variances in the cost of network renewal measures.

Financial results

Expenditure on renewal of state highways was 11% under budget. Close analysis of the network resulted in a choice to apply lower cost treatments in some areas.

SCOPE OF OUTPUT CLASS: Renewal work on the state highway network, as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003.

MAINTENANCE AND OPERATION OF STATE HIGHWAYS

What does the NZ Transport Agency do?

Under this output class the NZ Transport Agency:

- › operates the state highway network to ensure customers are aware of conditions before they travel and when they do travel that it is safe and reliable
- › maintains the road and the roadside to ensure it is in as safe a condition as possible to travel on
- › maintains the state highway network to ensure it continues to provide a reliable travel journey.

How does this output contribute to desired transport impacts?

Maintenance of state highway infrastructure helps ensure that the impact of established network has on the transport system are sustained. Sound management of maintenance activities and of the operation of the network have a broad impact including better use of transport capacity, ensuring network resilience and security and freight supply chain efficiency as well as reducing urban congestion and the risk of road crashes, by ensuring that surface condition and skid resistance network standards are maintained and traffic flow and incidences effectively managed.

For further details see appendix 2, page 96.

What were our key achievements?

The key achievements for maintenance and operation of state highways were:

- › maintaining a consistent and safe environment on the state highway. Where there were closures, alternative routes were generally available to travellers
- › increasing the Wellington Traffic Operation Centre hours to 24/7 provides an increasingly seamless experience for customers across the entire state highway network
- › completing the first major review in 20 years of how state highways are maintained and operated, which comes under the wider umbrella of the Road Efficiency Group. There are two main drivers for this change:

- strategy- our one network strategy of contributing to managing the land transport network as a resilient and integrated whole that supports New Zealand's economic growth, productivity and social goals
- cost-effectiveness - there is an annual cap on expenditure for our maintenance and renewals work
- › we have moved to a primary supplier model that brings professional services and physical works components into one contract, called a network outcome contract.

How do we assess our service delivery performance?

	ACTUAL 2012/13	TARGET 2012/13	VARIANCE 2012/13	ACTUAL 2011/12
% of activities that are delivered to agreed standards and timeframes (32)	96%	>90%	+6%	100%
Safe stopping: % of network meeting surface texture standards (33)	99%	≥98%	+1%	99.7%
Smooth ride: % of travel on network classed as smooth (34)	99%	≥97%	+2%	99%
% of availability of state highway network (35)	94%	90%	+4%	99.6%

How do we assess our investment performance?

	ACTUAL 2012/13	FORECAST 2012/13	VARIANCE 2012/13	ACTUAL 2011/12
Cost of emergency reinstatement	\$56m	\$70m	+\$14m	\$65.3m
Cost of maintaining and operating the network excluding emergency reinstatement (cents per vehicle kilometre travelled)	1.43 c/vkt	<1.25 c/vkt	-0.18 c/vkt	1.38 c/vkt
Cost of maintaining and operating the network excluding emergency reinstatement (\$ per lane km)	\$12,357	<\$11,971	-\$386	\$11,949
Network resilience - % of travel on smooth roads	99	>98	-	99

For notes see appendix 3 on page 98.

* Full output class financials are set out in appendix 4 on page 102.

How was the money spent?*

	ACTUAL 2012/13 \$000	BUDGET 2012/13 \$000	VARIANCE 2012/13 \$000	ACTUAL 2011/12 \$000
Income	345,046	325,964	19,082	365,325
Expenditure	343,383	325,865	(17,518)	345,844
Net surplus/(deficit)	1,663	99	1,564	19,481

How do we interpret our performance results?

Transport Agency service delivery and investment

Maintenance and operation of state highways achieved/exceeded all service delivery targets this year.

- › The percentage of the network meeting surface texture standards exceeded target. The texture threshold has now been reduced in some lower speed environments in line with the lower risk there. This will require less work to maintain good texture over the network.
- › The percentage of travel on network classified as 'smooth' exceeded target. This report is against the old classification system. The new levels of service targets for the new lower classifications of state highways allow for greater roughness on roads with lower volume than before. Service levels for higher classification roads remain similar to before.

Maintenance and operation of state highways achieved/exceeded two of the four investment performance forecasts this year.

- › The significant contributors to emergency works spend continued to be related to the Canterbury earthquakes and the Manawatu Gorge slip.
- › The cost of maintaining and operating the network measures are above both target and last year's result due to higher than budgeted spend on these activities. This reflects that the efficiency gains sought across this and the renewal activity are still in the process of being realised as costs and demands on the network continue to grow.

Financial results

Maintenance and operation of state highways was \$18m over budget. This over-spend was in line with expectations.

2012/13 was the first year of the three-year NLTP period, so while an over-spend is showing we are managing the expenditure over the three-year programme.

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

SECTOR RESEARCH

What does the NZ Transport Agency do?

Under this output class, the NZ Transport Agency purchases research to improve knowledge and investment decisions made in the land transport system. The research programme informs the Transport Agency's policies and guidelines and is made available to transport stakeholders and the general public. Sector training addresses gaps in core transport capability training that cannot be addressed by other means.

How does this output contribute to desired transport impacts?

Sector research contributes to all eight desired areas of impact – it does so indirectly and enables better delivery of all other outputs. The Transport Agency seeks to manage this output to maximise the overall benefit derived from all other outputs. For further details see appendix 2, page 96.

What were our key achievements?

The key achievements for sector research¹⁴ were:

- › we published 36 research programme reports on the Transport Agency website. A further 19 research projects were completed and the associated research reports were being finalised for publication as at June 2013. In addition, 22 research projects were actively managed, including 16 new contracts which were procured during 2012/13
- › we approved 27 research programme topics for investment in the upcoming 2013/14 financial year

- › we published seven NZ Transport Agency research (quarterly and high profile research supplementary) newsletters to promote research reports to policy makers, stakeholders and the public
- › we invested \$1m in the Austroads' research programme which provides New Zealand with considerable leverage, in terms of both investment and expertise, given the broad Austroads' membership (all Australian states and New Zealand). It is planned that this level of investment will continue into the foreseeable future, as the Transport Agency uses Austroads' design and planning guides, and standards; and the projects and task forces challenge and develop new approaches which transfer well to the New Zealand context.

How do we assess our service delivery performance?

	ACTUAL 2012/13	TARGET 2012/13	VARIANCE 2012/13	ACTUAL 2011/12
% of activities that are delivered to agreed standards and timeframes (36)	84%	100%	-16%	97%

How was the money spent?*

	ACTUAL 2012/13 \$000	BUDGET 2012/13 \$000	VARIANCE 2012/13 \$000	ACTUAL 2011/12 \$000
Income	3,194	4,000	(806)	5,002
Expenditure	3,194	4,000	806	3,858
Net surplus/(deficit)	0	0	0	1,144

How do we interpret our performance results?

Transport Agency service delivery

Transport Agency research programme management did not achieve service delivery performance target for this year.

Research activities were measured against three components, namely agreed cost (42%), peer reviews (100%) completed (quality) and timeliness (86%). Refer to the technical notes section for details on the measure.

- › We planned to complete 42 research projects during the year. Ten were published, 4 were cancelled, 15 delayed to 2014/15 and final pre-publication checks for 13 will be carried forward into 2014/15.

This performance is expected due to the nature of the arrangement where the Transport Agency manages the programme and is reliant on third party research providers.

Financial results

Expenditure on research ended the year \$806k under budget because of the Transport Agency's termination of research projects due to complications and delays in progress.

The Transport Agency is managing the 2012–15 Research Programme as a three-year programme, and has plans in place to expend the full three-year budget allocation during this period.

SCOPE OF OUTPUT CLASS: Research and transport sector capability development, as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003.

For notes see appendix 3 on page 98.

* Full output class financials are set out in appendix 4 on page 102.

¹⁴ The methodology for calculating this measure has been revised. This year's results are not comparable to 2011/12.

OUTPUT CLASSES

THE TRANSPORT AGENCY PARTLY DELIVERS ALONG WITH LOCAL AUTHORITIES

PUBLIC TRANSPORT

What does the NZ Transport Agency do?

Under this output class, the NZ Transport Agency invests, in conjunction with investment from approved organisations, in the renewal and improvement of road and ferry infrastructure to support public transport services, including bus lanes, bus bays, public transport facilities (eg terminals, park and ride facilities and public transport technology – including delivering the national integrated ticketing programme). Rail infrastructure is generally excluded from this activity class as the intention is to fund this outside the National Land Transport Fund.

Under the output class, the Transport Agency also invests, in conjunction with investment from approved organisations, in public road, rail and ferry (except for commercial services), and total mobility transport services.

How does this output contribute to desired transport impacts?

Public transport primarily contributes to more mode choices, easing urban congestion and reduction in adverse environmental effects. Public transport's secondary contributions include supporting better use of existing transport capacity, reducing deaths and serious injury from road crashes (especially when bus replaces multiple single occupant cars), and aiding transport system resilience and security. Public transport's contribution to long term impacts is supported by administration of the SuperGold cardholders scheme and enhanced public transport concessions for SuperGold cardholders

For further details see appendix 2, page 96.

What were our key achievements?

The key achievements for public transport were:

- › investing \$243.2m across the country in public transport services and operations for 2012/13. 90% of this investment was in the major urban centres of Auckland, Wellington and Christchurch
- › co-funding further upgrading and installation of new and refurbished rail stations at Onehunga, Otahuhu and Remuera and multi-modal interchanges at Hobsonville and Beachhaven in Auckland
- › co-funding the Matangi train fleet upgrade across the Wellington rail network
- › supporting the successful adoption of Wellington's public transport spine study
- › continuing funding and assisting with the implementation of the Auckland integrated fares system (AIFS) with rail and ferry services being rolled out during the year
- › completing development of National Integrated Ticketing Interoperability Standards and certified equipment for use in Auckland.

How do we assess our service delivery performance?

See 'Management of the funding allocation system' (MOFAS) for service delivery measures.

How do we assess our investment performance?

	ACTUAL 2012/13	FORECAST 2012/13	VARIANCE 2012/13	ACTUAL 2011/12
Number of passengers using urban public transport services (bus, train and ferry)	132.7m	>128m	+4.7m	132.4m
Public transport boardings per NLTF \$ invested on public transport services	0.55	>0.67	-0.12	0.66
Fare revenue as a % of total expenditure (farebox recovery ratio)	46.4%	47-50	-0.6%	43.3%

How was the money spent?*

	ACTUAL 2012/13 \$000	BUDGET 2012/13 \$000	VARIANCE 2012/13 \$000	ACTUAL 2011/12 \$000
Income	287,532	310,000	(22,468)	268,019
Expenditure	284,950	310,000	25,050	249,398
Net surplus/(deficit)	2,582	0	2,582	18,621

How do we interpret our performance results?

Transport Agency investment

Public transport achieved/exceeded one of the three investment performance forecasts this year.

- › The decline in public transport boardings per NLTF\$ invested in public transport services for 2012/13 reflects lower patronage in Auckland and Wellington relative to the levels achieved last year during the Rugby World Cup. Track charges have increased to fund the required improvements in service quality and reliability as well as the forecast growth in service provision in Auckland. We continue to forecast public transport patronage growth and invest in network and service improvements to meet future demand.

Financial results

Public transport expenditure ended the year \$25m below budget. This was due to underspends reported in Auckland and Wellington public transport service and operations related costs: Contributing to this underspend were:

- › new Auckland bus services delayed until 2013/14 (\$4.5m)
- › deferred expenditure on Wellington's trolley bus overhead lines to 2013/14 due to more time being taken to prepare business cases (\$2m)
- › Timing changes in the payments for new train rolling stock in Auckland mean there is a carry forward (\$3m) from 2012/13 to 2013/14
- › passenger rail services in Auckland was under-spent (\$6m) due to:
 - a delay in implementing its new track access agreement with KiwiRail
 - improved cost management with Veolia
 - reduced payment to Veolia as a result of missing a customer service target
- › increased fare revenue in the Wellington rail network was greater than forecast resulting in a reduced net cost outlay (\$4m)
- › further minor savings were experienced across most of the other regional public transport networks (\$1.3m).

A further \$2.6m has been invested in the public transport automated fare collection system. This is capital expenditure and is funded from the net surplus.

SCOPE OF OUTPUT CLASS: 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.

TRANSPORT PLANNING

What does the NZ Transport Agency do?

Under this output class the NZ Transport Agency invests in and influences:

- › the development of regional land transport strategies and programmes
- › the development and improvement of service, network and asset management plans by approved organisations and in relation to state highways
- › activities that contribute to the long-term transport planning of approved organisations and the state highway network.

How does this output contribute to desired transport impacts?

Transport planning contributes to seven of our eight desired impact areas, excluding more efficient vehicle fleets, by providing greater certainty for regional land transport strategies and programmes, infrastructure development, and activity management and investment in New Zealand's transport system.

For further details see appendix 2, page 96.

What were our key achievements?

The key achievements for transport planning were:

- › contributing to transport studies for the Auckland Unitary Plan, and contributing to and investing in Auckland sub-regional planning and planning for the East-West link, and the Integrated Transport Programme which is now complete
- › contributing to and investing in Wellington transport planning, with the Public Transport Spine Study completed, and the Northern Corridor RoNS network plan ready to be reported to the Board
- › contributing to and investing in Christchurch recovery planning, including the Greater Christchurch Transport Statement
- › being actively involved with the freight sector in completing the Upper North Island Freight story, and progressing the Central and Southern Freight Plans to support efficient freight movement, including strategic routes for high productivity motor vehicles
- › working on developing the State Highway Activity Management Plan for the 2015-18 NLTP to further optimise spend on maintenance and operation of the state highway network.

How do we assess our service delivery performance?

	ACTUAL 2012/13	TARGET 2012/13	VARIANCE 2012/13	ACTUAL 2011/12
% of activities that are delivered to agreed standards and timeframes (37)	92%	100%	-8%	87%

How was the money spent?*

	ACTUAL 2012/13 \$000	BUDGET 2012/13 \$000	VARIANCE 2012/13 \$000	ACTUAL 2011/12 \$000
Income	13,438	20,000	(6,562)	25,088
Expenditure	13,438	20,000	6,562	22,614
Net surplus/(deficit)	0	0	0	2,474

How do we interpret our performance results?

NZ Transport Agency service delivery

Transport planning did not fully achieve the service delivery performance target this year.

- › Overall, our transport planning performance was strong, with a number of key planning projects either completed or well progressed. The incomplete portion of the programme of work will be carried forward into the 13/14 programme.
- › Uptake of transport planning activities at the start into the 12/15 NLTP was slow due to further refining of the programme. This was to ensure good value for money through a focused and efficient programme targeted at high priority issues.

Financial results

Transport planning expenditure ended the year \$6.5m below budget. This was the consequence of a slow start into the 2012-15 NLTP due to:

- › further refining of the programme to ensure good value for money
- › extended timelines for some projects because of the added value of transitioning to the new business case approach for transport planning and investing.

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

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

What does the NZ Transport Agency do?

Under the first output class (Administration of the SuperGold cardholders scheme), the NZ Transport Agency and regional councils administer the SuperGold cardholders scheme. Under the second output class (Enhanced public transport concessions for SuperGold cardholders) the NZ Transport Agency provides funding to regional councils for the provision of enhanced public transport concessions for SuperGold cardholders.

Both outputs are funded as specific projects by the Crown. The Transport Agency manages the scheme on behalf of the Ministry of Transport. The local authorities participating in the scheme are mostly (but not all) regional councils. All are referred to here as 'regional councils'.

How does this output contribute to desired transport impacts?

SuperGold cardholders concessionary fares scheme supports the impact contribution of public transport investments (service and infrastructure) by providing more transport mode choice for the elderly and improving the utilisation of public transport capacity during off-peak hours.

For further details see appendix 2, page 96.

What were our key achievements?

The key achievement for administration of the SuperGold cardholders scheme and enhanced public transport concessions for SuperGold cardholders was:

- › 11.1 million SuperGold card trips were made during the year. This represents a 5% increase over the 10.6m trips made in 2011/12.

How do we assess our service delivery performance?

	ACTUAL 2012/13	TARGET 2012/13	VARIANCE 2012/13	ACTUAL 2011/12
Average number of days taken to deliver	17	20	+3	N/A
% of activities that are delivered to agreed standards and timeframes (38)	100%	100%	-	100%

How was the money spent?*

	ACTUAL 2012/13 \$000	BUDGET 2012/13 \$000	VARIANCE 2012/13 \$000	ACTUAL 2011/12 \$000
Income	22,850	21,400	1,450	21,385
Expenditure	22,458	21,400	(1,058)	21,385
Net surplus/(deficit)	392	0	392	0

How do we interpret our performance results?

Transport Agency service delivery

SuperGold cardholders scheme and enhanced public transport concessions for SuperGold cardholders achieved 2 of 2 performance targets for the year.

Financial results

Administration of the SuperGold cardholders scheme and enhanced public transport concessions for SuperGold cardholders expenditure was \$1.1m above the original budget due to:

- › more people being eligible and signing up to the SuperGold scheme across the country
- › general usage patterns increasing within the eligible population.

Part way through the year, the anticipated shortfall was recognised and additional Crown funding was agreed and provided in advance of the end of the year. The surplus of \$392k will be carried forward and made available to this activity in 2013/14.

SCOPE OF OUTPUT CLASS: Administration of the scheme to provide enhanced public transport concessions for SuperGold cardholders. Providing enhanced public transport concessions for SuperGold cardholders.

ROAD SAFETY

What does the NZ Transport Agency do?

Under this output class, the NZ 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 does this output contribute to desired transport impacts?

Road safety's primary contribution is to the reduction in death and serious injuries from road crashes by influencing the behaviour of drivers and other road users. Its secondary contribution is to a more efficient vehicle fleet by encouraging the use of vehicles with 5-star safety rating.

For further details see appendix 2, page 96.

What were our key achievements?

The key achievements for road safety were:

- › launching the *Drive Social* advertising campaign which encourages people to step back and look at 'driving' from a different perspective and reframes 'driving' from a solo pursuit to an activity that is much more social. The ultimate aim is encourage better driving behaviour across all of our priority areas
- › Transport Agency investment in local authorities continues to address local safety issues and increase alignment to the Safer Journeys priorities

- › advertising work continues to be recognised within the industry, with several successes at the Communication Agencies Association of New Zealand (CAANZ Axis) and Media Awards including:
 - Radio Legends
 - Drug-driving Integrated Campaign
 - Flash speeding game - Interactive.

How do we assess our service delivery performance?

	ACTUAL 2012/13	TARGET 2012/13	VARIANCE 2012/13	ACTUAL 2011/12
% of activities that are delivered to agreed standards and timeframes (39)	100%	100%	-	100%
% of target audience aware of road user safety messages (40)	75%	≥70%	+5%	78%
% of road safety target audience that rate advertising as relevant to them (41)	49%	≥60%	-11%	53%

How was the money spent?*

	ACTUAL 2012/13 \$'000	BUDGET 2012/13 \$'000	VARIANCE 2012/13 \$'000	ACTUAL 2011/12 \$'000
Income	27,592	32,000	(4,408)	40,841
Expenditure	27,592	32,000	4,408	41,097
Net surplus/(deficit)	0	0	0	(256)

How do we interpret our performance results?

Transport Agency service delivery

Road user safety achieved or exceeded 2 of the 3 service delivery performance targets.

- › Results remain below expectation for the target audiences rating of the advertising being relevant to them. To date, drug-driving is not perceived as relevant to a large part of our audience. This measure has been removed in our Statement of intent for 2013-16 as it no longer accurately measures our range of mixed media used by the advertising programme.

Financial results

Expenditure on road safety was lower than budget by \$4.4m because of delayed expenditure on the following:

- › \$2.7m under-spend in local authorities expenditure
- › \$1.3m carry-over of alcohol advertising as a result of delayed production
- › \$0.4m under-spend in share the road advertising with work delayed due to slower progress in stakeholder engagement and alignment.

SCOPE OF OUTPUT CLASS: Promote safe and economical use of land transport networks and services, pursuant to section 9 of the Land Transport Management Act 2003.

For notes see appendix 3 on page 98.

* Full output class financials are set out in appendix 4 on page 102.

OUTPUT CLASSES WHERE THE TRANSPORT AGENCY INVESTS, BUT DOES NOT DELIVER SERVICES

NEW AND IMPROVED INFRASTRUCTURE FOR LOCAL ROADS

What does the NZ Transport Agency do?

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

How does this output contribute to desired transport impacts?

New and improved infrastructure for local roads helps increase the resilience and security of freight supply chains and ease severe congestion. Improved road engineering also significantly helps reduce the risk of road crashes.

For further details see appendix 2, page 96.

What were our key achievements?

The key achievement for new and improved infrastructure for local roads was continued investment in the following major projects:

- › Construction work completed in 2013 included the Lower Hatea Bridge in Whangarei and the Glenfield Road on the North Shore.

- › Work is continuing on the Hamilton Ring Road and the Auckland Manukau Eastern Transport Initiative (AMETI). AMETI comprises a series of related construction projects, five of which are significant budget items.

How do we assess our service delivery performance?

See 'Management of the funding allocation system' (MOFAS) for service delivery measures.

How do we assess our investment performance?

	ACTUAL 2012/13	FORECAST 2012/13	VARIANCE 2012/13	ACTUAL 2011/12
Length of road construction and new roads completed (lane km)	89.6	120-200	-30.4	230
Length of bridge replacements (lane metres)	1,116	Approx 1,200	-84	400

How was the money spent?*

	ACTUAL 2012/13 \$000	BUDGET 2012/13 \$000	VARIANCE 2012/13 \$000	ACTUAL 2011/12 \$000
Income	152,562	165,000	(12,438)	137,000
Expenditure	152,562	165,000	12,438	110,132
Net surplus/(deficit)	0	0	0	26,868

How do we interpret our performance results?

Transport Agency investment

New and improved infrastructure for local roads achieved neither of the two investment performance forecasts this year.

- › The forecasts for new construction were based on historic levels and published before the 2012-15 NLTP programme was approved. The approved programme now concentrates construction in Auckland and Christchurch. The actual result reflects the approved projects in the NLTP.

- › The Auckland Manukau Eastern Transport Initiative (AMETI) is under way and will continue for some years. Reconstruction of Christchurch is not apparent in these results but can be expected to significantly contribute to the length of road construction.
- › The length of bridge replacements is close to target being just 7% under reflecting the lane km of approved projects in 2012/13.

Financial results

Expenditure was under budget by \$12.4m. This was anticipated given the reported reduction in the number of lane km completed during the year.

SCOPE OF OUTPUT CLASS: Management and delivery of improvement of local roads, as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003.

RENEWAL OF LOCAL ROADS

What does the NZ Transport Agency do?

Under this output class, the NZ Transport Agency invests, in conjunction with investment from approved organisations, in the capital expenditure and management of renewal activities required to minimise the long-term cost of retaining serviceable local roading infrastructure, including resurfacing sealed and unsealed roads, renewing drains, rehabilitating road pavements and structures, and preventative maintenance.

How does this output contribute to desired transport impacts?

Renewal of local road infrastructure primarily contributes to maintaining the resilience and security of the whole road network, efficiency of freight supply chains and the easing of severe congestion, by ensuring that the established local road network asset condition is sustained by an ongoing capital investment programme.

For further details see appendix 2, page 96.

What were our key achievements?

The key achievement for renewal of local roads was continued investment in:

- › Renewal activity sustaining the road network in good serviceable condition. Achievement is shown by stable condition measures although it should be recognised that there may be variations of road condition both within and among road controlling authorities.

How do we assess our service delivery performance?

See 'Management of the funding allocation system' (MOFAS) for service delivery measures.

How do we assess our investment performance?

	ACTUAL 2012/13	FORECAST 2012/13	VARIANCE 2012/13	ACTUAL 2011/12
% of sealed network resurfaced (based on road length in lane km)	6.5%	>6%	+0.5%	6%
% of network rehabilitated (based on road length in lane km)	0.6%	1-2%	-0.4%	0.7%
% of unsealed network metalled (based on road length in centreline km)	28%	20-35%	-	28.9%
Pavement integrity of the sealed network (steady trend) (42)	94	>94 (Steady)	Steady	93.7
Surface condition of the sealed network (steady trend) (43)	98	>98 (Steady)	Steady	97.9
Cost of renewal of the network excluding emergency reinstatement (cents per vehicle kilometre travelled) (44)	0.94c/vkt	<1.0 c/vkt	+0.06c/vkt	0.87 c/vkt
Cost of renewals (excluding emergency reinstatement) per network lane km (45)	\$1,346	<\$1,319	-\$27	\$1,240

How was the money spent?*

	ACTUAL 2012/13 \$000	BUDGET 2012/13 \$000	VARIANCE 2012/13 \$000	ACTUAL 2011/12 \$000
Income	204,410	228,000	(23,590)	185,000
Expenditure	204,410	228,000	23,590	188,227
Net surplus/(deficit)	0	0	0	(3,227)

For notes see appendix 3 on page 98.

* Full output class financials are set out in appendix 4 on page 102.

How do we interpret our performance results?

Transport Agency investment

Renewal of local roads achieved five of seven investment performance forecasts this year.

- › For resealing, a target of covering 6% of the road network each year gives an average life of 16-17 years. This is toward the upper end of what might be expected for the life of a sealed surface.
- › For rehabilitation, the life of pavements is very uncertain but thought to be between 30 and 70 years with an average of 50 years. That would suggest a target rehabilitation rate of 2%. The current rate of renewal of around 1% is low and has been maintained for some years without road condition deteriorating. In fact there has been a small improvement in pavement condition in recent years. There are a number of possible explanations for this variation and research about pavement life is ongoing.

The total volume of metal applied to unsealed roads is about 920,000 cubic metres which should be enough to renew the network on a 3-5 year cycle. This is an appropriate renewal rate.

Financial results

Renewal of local roads expenditure is \$23.6m under budget in delivering the planned programmes of activities due to:

- › local authorities deferring some activity to 2013/14 and some applications for funding being moved to maintenance and operations.

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

The reinstatement of local roads in Canterbury is limited to the reinstatements following the earthquakes as approved by the NZ Transport Agency under relevant legislation.

MAINTENANCE AND OPERATION OF LOCAL ROADS

What does the NZ Transport Agency do?

Under this output class the NZ Transport Agency invests, in conjunction with approved organisations, in the routine maintenance and operation of local roading infrastructure, including the maintenance of pavements, structures, drains, the environment, traffic services, cycle paths and level crossings, and the emergency reinstatement of roads.

How does this output contribute to desired transport impacts?

Maintenance of local road infrastructure helps ensure that the impacts the established networks have on the transport system are sustained. Sound management of maintenance activities and of the operation of the network have a broad impact including on better use of transport capacity, ensuring network resilience and security, freight supply chain efficiency, and reducing urban congestion and the risk of road crashes.

For further details see appendix 2, page 96.

What were our key achievements?

The key achievement for the maintenance and operation of local roads this year was to keep costs at the same level as last year while maintaining the condition of the roads and responding appropriately to emergency conditions.

How do we assess our service delivery performance?

See 'Management of the funding allocation system' (MOFAS) for service delivery measures.

How do we assess our investment performance?

	ACTUAL 2012/13	FORECAST 2012/13	VARIANCE 2012/13	ACTUAL 2011/12
Smooth ride - % of travel on smooth roads	84%	>86%	-2%	85.7%
Cost of emergency reinstatement	\$84m	\$90m	+\$6m	\$92m
Cost of maintaining and operating the network (excluding emergency reinstatement) per network lane km	\$1,290	<\$1,052	-\$238	\$1,320
Cost of maintaining and operating the network excluding emergency reinstatement (cents per vehicle kilometre travelled)	0.90c/vkt	<0.75 c/vkt	-0.15 c/vkt	0.93 c/vkt

How was the money spent?*

	ACTUAL 2012/13 \$000	BUDGET 2012/13 \$000	VARIANCE 2012/13 \$000	ACTUAL 2011/12 \$000
Income	279,379	298,000	(18,621)	275,000
Expenditure	279,379	298,000	18,621	292,639
Net surplus/(deficit)	0	0	0	(17,639)

How do we interpret our performance results?

Transport Agency investment

Maintenance and operation of local roads achieved one of four investment performance forecasts this year.

- › Network performance for smooth travel was below forecast. This is a result of changes in measurement methods rather than a decline in road condition in the data reported by individual authorities.
- › The cost of maintaining the network is very close to that seen in 2011/12. The Road Maintenance Task Force report in October 2012 has resulted in the Transport Agency working with local authorities on ways of controlling maintenance costs.

- › The amount of travel per vehicle has declined slightly year-on-year resulting in an increase in the costs of maintaining and operating the network per vehicle kilometre travelled.

Financial results

Maintenance and operation expenditure was \$18.6m below budget. Of the \$84m spent on emergency works, the \$50m approved for Canterbury roads reinstatement after the earthquakes was fully used.

SCOPE OF OUTPUT CLASS: Management and operation of existing local road infrastructure, as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.

WALKING AND CYCLING

What does the NZ Transport Agency do?

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

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

How does this output contribute to desired transport impacts?

Walking and cycling infrastructure has its main impact through facilitating more transport choices in urban environments where walking or cycling is offered to the community. This contribution indirectly supports better use of transport capacity, reducing adverse environmental effects, congestion relief and reduction in deaths and injuries from road crashes.

For further details see appendix 2, page 96.

What were our key achievements?

The key achievements for walking and cycling were:

- › continued investment in model communities in New Plymouth and Hastings (\$2.4m)
- › initiation of the Central Motorway connection in Auckland (\$1.1m)

- › completion of Southern Motorway connections in Christchurch (\$4m)
- › completion of the Tawa walkway connection in Wellington (\$1.4m)

Activities which contribute to walking and cycling outcomes are delivered in many other activity classes, for example, new facilities as part of road or public transport infrastructure, shoulder widening or reallocation of road space through maintenance and operations.

How do we assess our service delivery performance?

See 'Management of the funding allocation system' (MOFAS) for service delivery measures.

How do we assess our investment performance?

	ACTUAL 2012/13	FORECAST 2012/13	VARIANCE 2012/13	ACTUAL 2011/12
Kilometres of new footpaths, cycle lanes and cycle paths	46.6	140-170	-93.4	65.3

How was the money spent?*

	ACTUAL 2012/13 \$000	BUDGET 2012/13 \$000	VARIANCE 2012/13 \$000	ACTUAL 2011/12 \$000
Income	8,449	13,000	(4,551)	7,000
Expenditure	8,449	13,000	4,551	11,708
Net surplus/(deficit)	0	0	0	(4,708)

How do we interpret our performance results?

Walking and cycling did not achieve the investment performance forecast this year.

NZ Transport Agency investment

A number of high value, short distance projects are underway at present, eg work initiated on the Central Motorway connection in Auckland, Christchurch Southern Motorway connections and the Tawa stream pathway in Wellington.

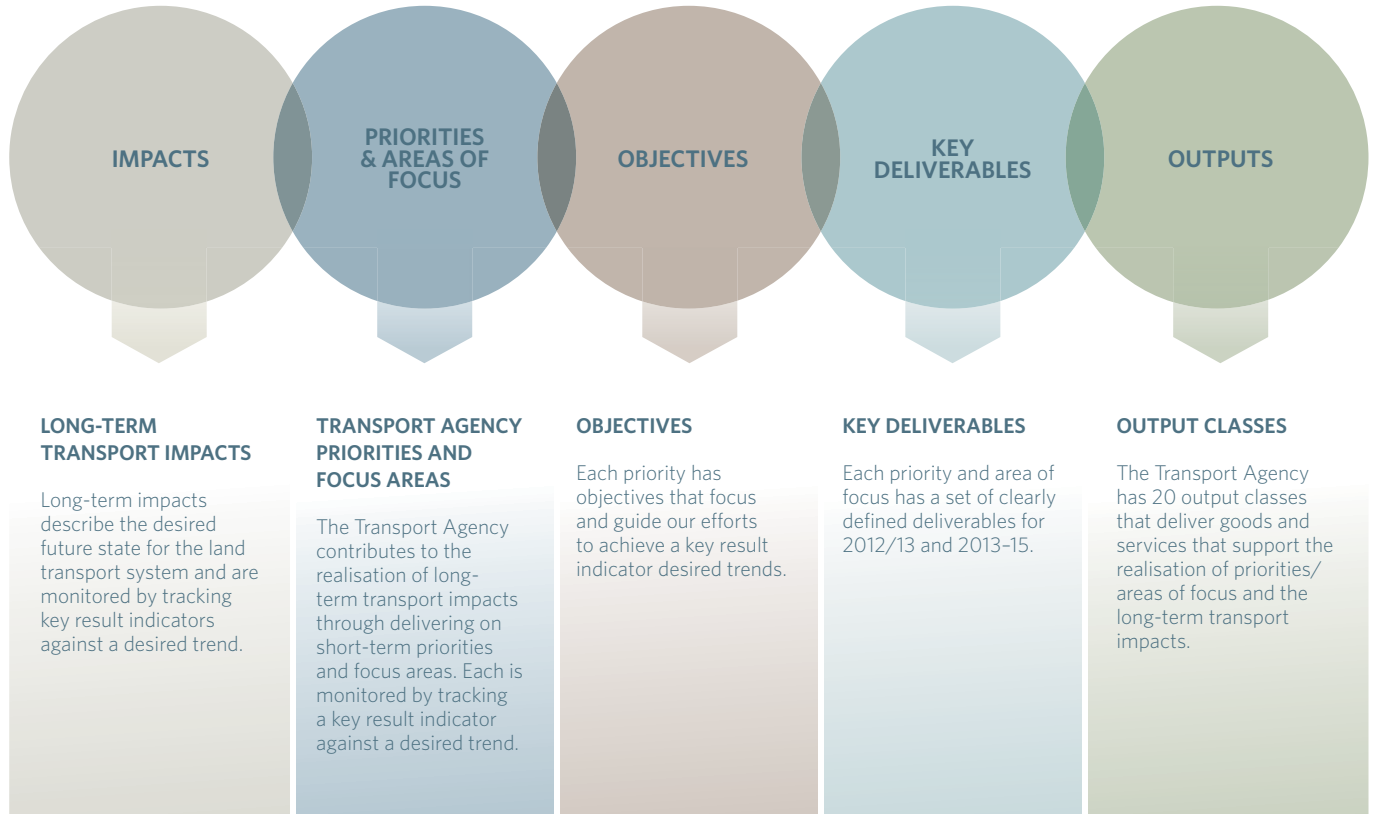
Only stand-alone walking and cycling activities are delivered within this activity class rather than as part of the other projects, ie walking and cycling facilities built as part of new and improved state highway or local road infrastructure are included in the new and improved infrastructure activity classes.

Financial results

Expenditure is below budget by almost \$4.5m due to both approved organisations and the State Highways Programme not completing their planned activity. However, there has been significant activity on walking and cycling projects undertaken as an integral part of state highway projects and this activity has been funded from the state highways activity classes.

SCOPE OF OUTPUT CLASS: 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.

APPENDIX 1: STRATEGIC FRAMEWORK DIAGRAM



APPENDIX 2: HOW OUR OUTPUTS CONTRIBUTE TO IMPACTS

The NZ Transport Agency produces 20 outputs, each of which contributes to our desired long-term impacts in different ways. The following table sets out the contribution of our outputs to our desired long-term impact

OUTPUT CLASS	OUR DESIRED LONG-TERM IMPACTS							
	Better use of existing transport capacity	More efficient freight supply chains	Resilient and secure transport network	Easing of severe urban congestion	More efficient vehicle fleets	Reductions in deaths and serious injuries from road crashes	More transport mode choices	Reduction in adverse environmental effects from road transport
Management of the funding allocation system	●	●	●	●		●	●	●
Transport planning	●	●	●	●		●	●	●
Sector research	●	●	●	●	●	●	●	●
Public transport**	●		●	●		●	●	●
Road safety					●	●		
Road Policing Programme*		●	●			●		
New and improved infrastructure for local roads*		●	●	●		●		
Renewal of local roads*	●	●	●	●				
Maintenance and operation of local roads*	●	●	●	●		●		●
Walking and cycling*	●			●		●	●	●

OUTPUT CLASS	OUR DESIRED LONG-TERM IMPACTS							
	Better use of existing transport capacity	More efficient freight supply chains	Resilient and secure transport network	Easing of severe urban congestion	More efficient vehicle fleets	Reductions in deaths and serious injuries from road crashes	More transport mode choices	Reduction in adverse environmental effects from road transport
Licensing and regulatory compliance		●			●	●		●
Road tolling	Revenue collection supports repayment of debt-funded infrastructure investment							
Motor vehicle registry						●	●	●
Road user charges collection, investigation and enforcement	Revenue collection for the NLTP supports the NZ Transport Agency's investment in the land transport system							
Refund of fuel excise duty								
New infrastructure for state highways		●	●	●		●		
Renewal of state highways	●	●	●	●				
Maintenance and operation of state highways	●	●	●	●		●		●
<p>* The NZ Transport Agency does not deliver these goods or services directly. These output classes receive NLTP investment funds. Actual outputs are delivered by approved organisations. Measure of the Transport Agency's performance, in relation to investment output classes, can be found in the management of the funding allocation system.</p> <p>** Includes administration of the SuperGold cardholders scheme and enhanced public transport concessions for SuperGold cardholders.</p>								
KEY	● Minor/secondary contribution		● Major/primary contribution			NB: Where there is no dot, there may still be a small contribution		

APPENDIX 3: SUPPLEMENTARY INFORMATION FOR NON-FINANCIAL MEASUREMENT

This section provides explanation and technical details for non-financial performance measures. These notes include long-term impact indicators, priority indicators, investment service indicators and result performance measures. Throughout the document there has been a consistent approach to rounding of non-financial performance results to the nearest whole number or one decimal place where relevant for the particular measure.

PROGRESS ON LONG-TERM IMPACTS

1. The *number of vehicle kilometres travelled (VKT) per network kilometre (network length)* is used to reflect the use of existing transport capacity. It is based on the total number of VKT and network lane kilometres submitted by approved organisations (AOs), ie regional councils, territorial authorities or business units approved to carry out minor or ancillary works, in their annual returns to the NZ Transport Agency.
2. The *average daily measured weight of freight vehicles (in tonnes)* is used to reflect efficiency of road freight. It is based on the traffic freight and vehicle weights measured in weigh-in-motion (WiM) sites across the country. WiM sites are located in Auckland (Drury), Waikato (Tokoroa), Bay of Plenty (Te Puke), Hamanatua Bridge (Gisborne), Eskdale (Hawke's Bay) and Canterbury (Waipara). This indicator is currently reported by financial year.
3. The *number of resolved road closures with a duration of 12 hours or longer* is used to reflect a resilient and secure network. It is based on the number of resolved road closures (planned or unplanned) recorded in the Traffic Road Event Information System (TREIS). TREIS contains information on a range of roading events such as planned roadworks, unplanned incidents, area warnings like flooding among others. This indicator is currently reported by financial year.
4. The *number of seconds delay per km during AM peak hours in Auckland* is used to reflect how well we are doing in easing severe congestion. It is based on the bi-annual Travel Time Survey results. This survey provides average travel speeds and congestion indicators for the NZ Transport Agency. The survey covers a representative sample of the network covering key centres including Auckland, Christchurch, Hamilton, Tauranga and Wellington. For purposes of monitoring progress in easing severe congestion, Auckland was selected as the primary centre of significant congestion. This indicator is currently reported by financial year.
5. The *average diesel and petrol consumption (in litres) per 100 vehicle kilometres travelled* is used to reflect our progress on a more efficient vehicle fleet. It is based on the annual oil consumption data provided by the Ministry of Business Innovation and Employment and the New Zealand vehicle fleet by fuel type data provided by the Ministry of Transport. This indicator is currently reported by calendar year.
6. The *number of road deaths and serious injuries per million vehicle kilometres travelled* is used to monitor how well we are progressing in reducing the number of deaths and serious injuries. It is based on a quarterly report generated from the Crash Analysis System (CAS) and the combined annual vehicle kilometres travelled from local roads and state highways. This indicator is currently reported by financial year.
7. The *% of survey respondents that consider public transport as a good option for taking all of their work or study trips in Auckland* is used to monitor our progress in providing more transport mode choices. It is based on Auckland Council's 2-yearly Community Perceptions of Personal Transport Choices Survey.

PROGRESS ON OUR STRATEGIC DIRECTION - BY PRIORITY

8. *Customer service performance score* is an aggregate of three customer satisfaction measures to show the overall level of satisfaction with a sample of key services that NZ Transport Agency provides to the public. Two of the components (driver licensing and motor vehicle registration) are sourced from the State Services Commission 'Kiwi Counts' survey with the third focusing on state highways. All surveys are independently commissioned online surveys of the general public. The overall score is weighted on the basis of sample size for each survey component.
9. The *% of relevant NZ Transport Agency staff who demonstrate awareness of what change is needed to implement the Safe System approach* reflects the proportion of those Transport Agency staff attending Safe System training whose self assessed ratings average between 4 and 5 (on a 5 point scale) across the courses eight learning outcomes. A self assessed rating of between 4 and 5 shows that the individual feels able to meet most or all aspects of the learning outcomes. The eight learning outcomes for the course are: I can understand and talk about the Safe System principles using real world examples; I can understand and talk about the 'human factors' approach to error and the limits of human performance; I can understand and talk about what we are aiming to achieve in improving each area of the Safe System; I can understand and talk about interrelationships across the road system; I have contributed to a group Safe System case study that will have identified the contributions that all Safe System pillars make to a crash or other road safety issue; I will be able to apply the above in my own role, ie identify roles and responsibilities across the sector and know whom I should personally work with and why; I can identify effective road safety interventions across all pillars; I will be able to make at least one change in my work to apply the Safe System approach and report back on this.

OUTPUT CLASSES THE NZ TRANSPORT AGENCY DELIVERS

Licensing and regulatory compliance

10. The *% accuracy of registers* is a measure of the data input accuracy of the driver licence register (DLR) based on monthly audit checks from a random sample of 100 callers and a selection of agents' work processed against what's written on the form and recorded in DLR. The measure reflects the average of the audit results.
11. *Unit transaction cost* measures the direct unit cost of delivering a driver licence/driver testing transaction/service.
12. The *% of operational assurance activities completed* is an aggregate of three specific operational assurance activities (eg 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.
13. 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 >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 weighted volume of activity across the components in the given year.
14. The *number of products and delivered or processed* include new and renewed driver licences, issuing of driver and transport operator testing services, certification review, border inspection, over-dimension permits, and drug and alcohol assessments funded.
15. The *% of transactions completed online* is the proportion of practical test bookings completed through the Transport Agency website divided by the total number of test bookings completed for motor vehicle and motorcycle licences.

Road tolling

16. *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.
17. The *% of transactions completed online* is the proportion of casual trip payments and Toll Payment Notice (TPN) transactions completed through the internet over the total number of trip and TPN payments. Toll payment notices are issued to customers who have not paid their toll fees within five days.

Motor vehicle registry

18. The *% accuracy of register* reflects the accuracy of the information entered into the motor vehicle registry (MVR). Data verification activities are focused on confirming vehicle attributes; vehicle ownership and address information in the MVR. It combines the result of regular audit checks by regional staff, unverified owner and address information returns.
19. The *% of transactions completed online* is the proportion of motor vehicle annual licensing (new and renewals) purchased over the internet, direct connect and via an industry agent divided by the total number of motor vehicle registrations.

Road user charges (RUC) collection, investigation and enforcement

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

Refund of fuel excise duty (FED)

22. *Average number of days taken to deliver* is determined by how long it takes, on average, to process and approve FED refunds. Days to deliver refer to the number of working days between the date of application to the date of approval recorded in the FED database system.
23. The *number of products/services delivered or processed* is the number of FED refund applications processed or delivered for the reporting period. The volume of application is based on the processing date.

Management of the funding allocation system

24. The *total cost of the management of the funding allocation system* is the NZ Transport Agency service delivery cost for this output less the cost of taxi enforcement activity and Crash Analysis System (CAS) business activities which are not part of the management funding allocation system.
25. 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 (ie high, medium, low). Aggregation is based on the weighted volume of activity in the given year.
26. The *% of activities that are delivered to agreed standards and timeframes* is an aggregate of four specific measures to monitor the quality and efficiency of managing 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.
27. 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.

New and improved infrastructure for state highways

28. *% 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 that construction commenced). It is a measure of the effectiveness of the NZ Transport Agency as a project manager. Within each programme, time, cost and quality are equally weighted with targets of >90%. Aggregation to the overall result is based on weighted programme expenditure across the components in the given year.

Renewal of state highways

29. The *% of activities that are delivered to agreed standards and timeframes* presents the physical achievement of renewal activities and 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 renewal work completed compared to the planned kilometres.
30. *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.
31. *Network resilience: % of rutting >20mm over state highway network* is the proportion of rutting above the 20mm threshold over the length of the state highway network. Rutting in the road surface (long shallow channels generally found in wheelpaths) is one of the key indicators of the health of the underlying pavement and the need for pavement renewal. Ruts often also hold water and thus lower skid resistance.

Maintenance and operation of state highways

32. The *% of activities that are delivered to agreed standards and timeframes* presents the physical achievement of maintenance activities and progress of state highway maintenance 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 contracts terminated for non-performance of agreed contractual obligations.
33. *Safe stopping: % of travel on network above skid threshold* 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.
34. *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.*
35. *% availability of state highway network.* It is expressed as the sum of all unscheduled road closure incidences (both urban and rural) which have a significant impact on road users addressed within standard timeframes (ie urban <2 hours; rural <12 hours) and protocol over the total number of road closure incidences.

Sector research

36. The *% of activities that are delivered to agreed standards and timeframes* 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 NZ Transport Agency as a programme manager.

OUTPUT CLASSES THE NZ TRANSPORT AGENCY DELIVERS ALONG WITH LOCAL AUTHORITIES

Transport planning

37. The *% of activities that are delivered to agreed standards and timeframes* includes transport planning, studies, strategies and models and activity management planning activities. These components are individually assessed against targets of >90%. Aggregation of these results is based on the weighted volume of activity for each area. The NZ 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, meet the Transport Agency assessment criteria and are therefore 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.

Administration of the SuperGold cardholders' scheme

38. 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/record in the Transport Information Online (TIO) or Land Transport Programme (LTP) website by the Regional Council (RC). Claims are received, validated and paid electronically.

Road safety

39. 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 the 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.
40. *% of target audience aware of road user safety messages* is a measure based on a computer aided telephone interviewing (CATI) 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). It is currently limited to advertising and television. The scope to include other communication media such as print, web (eg YouTube) and phone (eg Twitter) is currently being considered.
41. *% of target audience aware of road user safety messages as relevant to them* is a measure based on a computer aided telephone interviewing (CATI) 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). It is currently limited to advertising and television. The scope to include other communication media such as print, web (eg YouTube) and phone (eg Twitter) is currently being considered.

OUTPUT CLASSES WHERE THE NZ TRANSPORT AGENCY INVESTS, BUT DOES NOT DELIVER SERVICES

Renewal of local roads

42. The *pavement integrity of the sealed network* reflects the structural integrity of the network based on the rutting faults per unit length of the road. This was changed from simply reporting the proportion of rutting faults per unit length of the road.
43. The *surface condition* of the sealed network reflects the overall surface health of the network based on surface faults per unit length of the road. This was changed from simply reporting the proportion of surface faults per unit length of the network. Surface faults include visual inspection of cracking, ravelling, potholes, pothole patches and flushing across the network.
44. The *cost of renewal of the network excluding emergency reinstatement (cents per vehicle kilometres travelled)* is based on the NLTP cost of renewal of local roads expressed in cents per vehicle kilometres travelled.

APPENDIX 4: OUTPUT CLASS INCOME AND EXPENDITURE

Planning and investing in land transport networks

MANAGEMENT OF THE FUNDING ALLOCATION SYSTEM			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Revenue from the Crown (crash analysis system)	775	775	0
Revenue from the National Land Transport Fund	28,838	29,000	29,371
Total income	29,613	29,775	29,371
EXPENDITURE			
NZ Transport Agency operating activities (crash analysis system)	731	775	0
NZ Transport Agency operating activities (taxi enforcement and RSC)	71	1,276	1,408
NZ Transport Agency operating activities	28,767	27,724	28,483
Total expenditure	29,569	29,775	29,891
NET SURPLUS/(DEFICIT)	44	0	(520)

TRANSPORT PLANNING			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Revenue from the National Land Transport Fund	13,438	20,000	25,088
Total income	13,438	20,000	25,088
EXPENDITURE			
NZ Transport Agency operating activities	7,055	7,000	7,668
Funding to approved organisations	6,383	13,000	14,946
Total expenditure	13,438	20,000	22,614
NET SURPLUS/(DEFICIT)	0	0	2,474

SECTOR RESEARCH			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Revenue from the National Land Transport Fund	3,194	4,000	5,000
Revenue from other activities	0	0	2
Total income	3,194	4,000	5,002
EXPENDITURE			
NZ Transport Agency operating activities	3,194	4,000	3,858
Total expenditure	3,194	4,000	3,858
NET SURPLUS/(DEFICIT)	0	0	1,144

PUBLIC TRANSPORT			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Revenue from the National Land Transport Fund	287,532	310,000	268,019
Total income	287,532	310,000	268,019
EXPENDITURE			
NZ Transport Agency operating activities	2,607	3,268	2,551
Funding to approved organisations	282,343	306,732	246,847
Total expenditure	284,950	310,000	249,398
NET SURPLUS/(DEFICIT)	2,582	0	18,621

A further \$2.582 million has been invested in the public transport automated fare collection system asset. This capital expenditure is funded from this net surplus.

ROAD SAFETY			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Revenue from the National Land Transport Fund	27,592	32,000	40,841
Total income	27,592	32,000	40,841
EXPENDITURE			
NZTA operating activities (vehicle impoundment)	201	444	171
NZ Transport Agency operating activities	15,892	17,456	20,218
Funding to approved organisations	11,499	14,100	20,708
Total expenditure	27,592	32,000	41,097
NET SURPLUS/(DEFICIT)	0	0	(256)

NEW AND IMPROVED INFRASTRUCTURE FOR LOCAL ROADS			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Revenue from the National Land Transport Fund	152,562	165,000	137,000
Total income	152,562	165,000	137,000
EXPENDITURE			
Funding to approved organisations	152,562	165,000	110,132
Total expenditure	152,562	165,000	110,132
NET SURPLUS/(DEFICIT)	0	0	26,868

RENEWAL OF LOCAL ROADS			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Revenue from the National Land Transport Fund	204,410	228,000	185,000
Total income	204,410	228,000	185,000
EXPENDITURE			
Funding to approved organisations	204,410	228,000	188,227
Total expenditure	204,410	228,000	188,227
NET SURPLUS/(DEFICIT)	0	0	(3,227)

MAINTENANCE AND OPERATION OF LOCAL ROADS			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Revenue from the National Land Transport Fund	279,379	298,000	275,000
Total income	279,379	298,000	275,000
EXPENDITURE			
Funding to approved organisations	279,379	298,000	292,639
Total expenditure	279,379	298,000	292,639
NET SURPLUS/(DEFICIT)	0	0	(17,639)

WALKING AND CYCLING			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Revenue from the National Land Transport Fund	8,449	13,000	7,000
Total income	8,449	13,000	7,000
EXPENDITURE			
Funding to approved organisations	8,449	13,000	11,708
Total expenditure	8,449	13,000	11,708
NET SURPLUS/(DEFICIT)	0	0	(4,708)

RAIL AND COASTAL FREIGHT			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Revenue from the National Land Transport Fund	0	0	0
Total income	0	0	0
EXPENDITURE			
Funding to approved organisations	0	0	72
Total expenditure	0	0	72
NET SURPLUS/(DEFICIT)	0	0	(72)

Providing access to and use of the land transport system

LICENSING AND REGULATORY COMPLIANCE			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Revenue from the Crown (ministerial advice and official correspondence)	548	548	548
Revenue from the Crown (rules development)	674	804	848
Revenue from the Crown (drug and alcohol assessments)	1,100	1,030	1,030
Revenue from the Crown (driver licensing system)	600	1,286	0
Revenue from the Crown (driver test subsidy)	1,445	1,245	1,445
Revenue from other activities (fees and charges)	70,366	68,196	69,343
Revenue from other activities (other)	960	458	2,030
Total income	75,693	73,567	75,244
EXPENDITURE			
Ministerial advice and official correspondence	852	554	701
Rules development	1,061	804	541
Drug and alcohol assessments	1,075	1,030	1,060
Fees and charges funded activities	66,698	66,950	71,424
Other (including driver licensing system)	926	1,391	317
Total expenditure	70,612	70,729	74,043
NET SURPLUS/(DEFICIT)	5,081	2,839	1,201
ROAD TOLLING			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Revenue from other activities	5,843	6,000	5,544
Total income	5,843	6,000	5,544
EXPENDITURE			
NZ Transport Agency operating activities	5,272	5,971	5,388
Total expenditure	5,272	5,971	5,388
NET SURPLUS/(DEFICIT)	571	29	156
MOTOR VEHICLE REGISTRY			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Revenue from the Crown	0	0	47,966
Revenue from other activities	54,295	52,773	5,650
Total income	54,295	52,773	53,616
EXPENDITURE			
NZ Transport Agency operating activities	51,795	53,309	56,926
Total expenditure	51,795	53,309	56,926
NET SURPLUS/(DEFICIT)	2,500	(535)	(3,310)

ROAD USER CHARGES COLLECTION, INVESTIGATION AND ENFORCEMENT			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Revenue from the Crown (RUC collection)	17,002	14,273	16,485
Revenue from the Crown (RUC investigation and enforcement)	0	4,241	0
Total income	17,002	18,514	16,485
EXPENDITURE			
NZTA operating activities (RUC collection)	16,016	14,532	16,897
NZTA operating activities (RUC investigation and enforcement)	0	4,241	0
Total expenditure	16,016	18,773	16,897
NET SURPLUS/(DEFICIT)	986	(259)	(412)

REFUND OF FUEL EXCISE DUTY			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Revenue from the Crown	429	429	441
Total income	429	429	441
EXPENDITURE			
NZ Transport Agency operating activities	461	429	501
Total expenditure	461	429	501
NET SURPLUS/(DEFICIT)	(32)	0	(60)

Managing the state highway network

NEW AND IMPROVED INFRASTRUCTURE FOR STATE HIGHWAYS			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Capital contribution from the National Land Transport Fund	430,064	512,564	373,625
Revenue from the NLTF (renewals)	471,295	412,000	408,000
Revenue from the NLTF (rental and interest income)	34,525	21,227	24,875
Revenue from other activities	0	0	450
Total income	935,884	945,791	806,950
EXPENDITURE			
NZ Transport Agency operating activities	32,525	31,165	29,770
NZ Transport Agency investment in the state highway network	960,034	961,051	858,526
Total expenditure	992,559	992,216	888,295
NET SURPLUS/(DEFICIT)	(56,675)	(46,425)	(81,345)

RENEWAL OF STATE HIGHWAYS			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Capital contribution from the National Land Transport Fund	175,009	195,000	199,731
Total income	175,009	195,000	199,731
EXPENDITURE			
NZ Transport Agency operating activities	9,815	8,735	10,728
NZTA investment in the state highway network	165,194	186,265	189,003
Total expenditure	175,009	195,000	199,731
NET SURPLUS/(DEFICIT)	0	0	0

MAINTENANCE AND OPERATION OF STATE HIGHWAYS			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Revenue from the National Land Transport Fund	342,209	325,000	364,159
Revenue from other activities (business units)	2,837	964	1,166
Total income	345,046	325,964	365,325
EXPENDITURE			
NZ Transport Agency operating activities	9,069	8,735	10,728
NZ Transport Agency operating activities (business units)	1,173	865	1,202
NZTA investment in the state highway network	333,141	316,265	333,914
Total expenditure	343,383	325,865	345,844
NET SURPLUS/(DEFICIT)	1,663	99	19,481

Specific projects funded by the Crown

REINSTATEMENT OF LOCAL ROADS IN CANTERBURY			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Revenue from the Crown	26,200	91,000	45,000
Total income	26,200	91,000	45,000
EXPENDITURE			
Funding to approved organisations	35,019	91,000	36,106
Total expenditure	35,019	91,000	36,106
NET SURPLUS/(DEFICIT)	(8,819)	0	8,894

CANTERBURY TRANSPORT PROJECT			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Revenue from the Crown	0	0	5,000
Total income	0	0	5,000
EXPENDITURE			
Funding to approved organisations	0	0	5,000
Total expenditure	0	0	5,000
NET SURPLUS/(DEFICIT)	0	0	0

REGIONAL DEVELOPMENT TRANSPORT FUNDING			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Revenue from the Crown	0	0	2,000
Total income	0	0	2,000
EXPENDITURE			
Funding to approved organisations	0	0	2,256
Total expenditure	0	0	2,256
NET SURPLUS/(DEFICIT)	0	0	(256)

ENHANCED PUBLIC TRANSPORT CONCESSIONS FOR SUPERGOLD CARDHOLDERS			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Revenue from the Crown	22,755	21,305	21,339
Total income	22,755	21,305	21,339
EXPENDITURE			
Funding to approved organisations	22,363	21,305	21,339
Total expenditure	22,363	21,305	21,339
NET SURPLUS/(DEFICIT)	392	0	0

ADMINISTRATION OF THE SUPERGOLD CARDHOLDERS SCHEME			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Revenue from the Crown	95	95	46
Total income	95	95	46
EXPENDITURE			
NZ Transport Agency operating activities	95	95	46
Total expenditure	95	95	46
NET SURPLUS/(DEFICIT)	0	0	0

CONSTRUCTION OF PASSING OPPORTUNITIES ON SH2 BETWEEN NAPIER AND GISBORNE			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Revenue from the Crown	150	0	0
Total income	150	0	0
EXPENDITURE			
NZTA investment in the state highway network	150	0	0
Total expenditure	150	0	0
NET SURPLUS/(DEFICIT)	0	0	0

NATIONAL WAR MEMORIAL PARK			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Capital contribution from the Crown	15,000	0	0
Total income	15,000	0	0
EXPENDITURE			
NZTA investment in the state highway network	15,000	0	0
Total expenditure	15,000	0	0
NET SURPLUS/(DEFICIT)	0	0	0

SECTION F: STATEMENT OF FINANCIAL PERFORMANCE

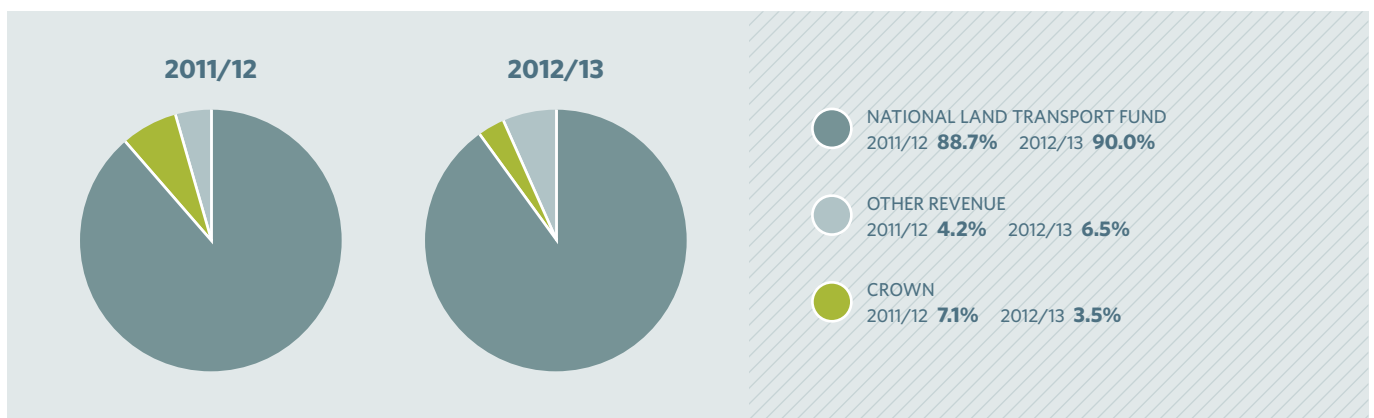


HIGHLIGHTS FROM OUR FINANCIAL STATEMENTS

\$2.1 billion TOTAL INCOME

The largest contribution to our income is from the National Land Transport Fund. We also receive revenue from the Crown to support specific projects such as the Canterbury rebuild and the SuperGold cardholders' scheme. Other revenue comes mostly from our licensing and regulatory activities, as well as motor vehicle licensing. The motor vehicle licensing fee income, previously funded primarily from Crown revenue in 2011/12, is now funded directly to the Transport Agency.

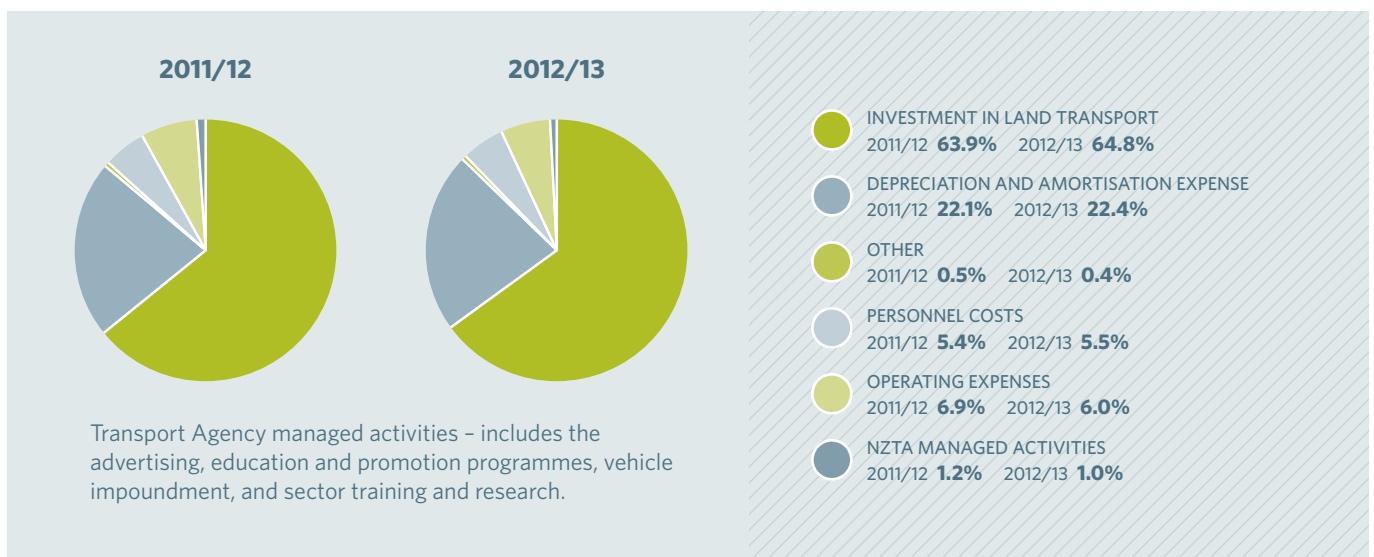
INCOME BY SOURCE



2.0 billion TOTAL EXPENDITURE

Our expenditure is guided by the *Government Policy Statement on Land Transport Funding (GPS)* and the priorities identified in our *Statement of intent*. The majority of our expenditure was directly related to maintaining and improving our land transport infrastructure (65%). Depreciation and amortisation, reflecting the cost of asset ownership, contributed 22% of our annual expenditure.

EXPENSE BY TYPE



\$56.8 million NET SURPLUS

Our net surplus reflects the combined operations of the Transport Agency itself, our investment in land transport and specific projects completed on behalf of the Crown.

OPERATIONS		INVESTMENT IN LAND TRANSPORT		SPECIFIC PROJECTS FUNDED BY THE CROWN		TOTAL
Income \$223.826m	+	Income \$1,786.569m	+	Income \$49.105m	=	Total income \$2,059.500m
-		-		-		-
Expenditure \$213.934m	+	Expenditure \$1,731.283m	+	Expenditure \$57.532m	=	Total expenditure \$2,002.749m
=		=		=		=
Net surplus/(deficit) \$9.892m	+	Net surplus/(deficit) \$55.286m	+	Net surplus/(deficit) \$(8.427)m	=	Total net surplus/(deficit) \$56.751m

OPERATIONS

Activities the Transport Agency is accountable for, and delivers inhouse or contracts out.

This surplus compares favourably to the budgeted surplus of \$1.1 million due to:

- › higher volumes than forecast for motor vehicle registrations and their accompanying revenue from plates
- › volume driven driver licensing revenue being ahead of budget due to higher numbers of licence renewals and reinstatements
- › continued close monitoring of costs and seeking efficiencies in operations and projects.

INVESTMENT IN LAND TRANSPORT

Funding for the maintenance and operation of the state highway network, and funding provided by the Transport Agency to local authorities and approved organisations for the delivery of services.

This surplus was the result of local authorities and approved organisations spending less than planned due to the new National Land Transport Programme (NLTP) being approved after the start of the year.

SPECIFIC PROJECTS FUNDED BY THE CROWN

This includes the reinstatement of local roads in Canterbury transport project and SuperGold card public transport concessions.

This deficit was the result of a catch up from last year of work done to reinstate the local roads in Canterbury, which was funded in 2011/12.

Supplementary information for each of these segments is provided on pages 143 to 150.

\$26.3 billion NET ASSETS

The statement of financial position shows what we own (our assets), what we owe (our liabilities) and our overall net worth (represented by our net assets/equity).

	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
Total assets	26,844,828	28,991,696	26,545,024
Less total liabilities	558,273	408,506	523,880
NET ASSETS/EQUITY AT END OF YEAR	26,286,556	28,583,190	26,021,144

We continue to maintain a strong balance sheet, with \$26.8 billion of assets and a very low level of liabilities. The state highway network accounts for 97% of our overall asset base.

HOW WE HAVE INVESTED IN OUR ASSETS

We have spent \$1.2 billion on our capital expenditure programme, which has been invested in the following:

	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
Investment in state highways	1,182,555	1,187,216	1,087,026
Investment in information technology	8,516	9,883	6,109
Investment in offices and equipment	710	1,175	1,718
TOTAL	1,191,781	1,198,274	1,094,853

This year we delivered more kilometres of renewals than planned, for a lower than planned cost.

Investment in other assets was lower than budgeted due to the timing of projects, with the balance to be carried forward into 2013/14.

\$26.3 billion TOTAL EQUITY

Equity is represented by our net worth, which is the total value of our assets of \$26.8 billion less total liabilities of \$558 million

	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
Crown's investment in the Transport Agency	5,606	5,606	5,198
Retained funds for operations	44,318	39,917	47,858
Surplus/(deficit)s accumulated from other revenue activities	1,018	(4,385)	(6,568)
Crown's investment in the state highway network	26,235,614	28,542,052	25,974,656
TOTAL EQUITY	26,286,556	28,583,190	26,021,144

Total equity is \$2.3 billion lower than budgeted. The 2012/13 budget was set prior to the finalisation of the 2011/12 state highway valuation. A significant focus on cost reduction has contributed to the positive balance for other revenue activities.

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME				
Revenue from the Crown	3	71,773	137,031	142,149
Revenue from the National Land Transport Fund	3	1,853,425	1,857,227	1,769,352
Revenue from other activities	4	134,302	128,392	84,185
Total income		2,059,500	2,122,650	1,995,686
EXPENDITURE				
Personnel costs	5	109,232	108,224	105,326
Operating expenses	6	139,097	144,322	158,214
Investment in land transport ^a		1,293,497	1,426,502	1,244,440
Interest on borrowing		4,098	3,575	5,326
Depreciation and amortisation expense	7	449,346	421,460	432,134
State highway asset write-off		7,480	17,500	8,870
Total expenditure		2,002,749	2,121,583	1,954,310
NET SURPLUS		56,751	1,067	41,376
OTHER COMPREHENSIVE INCOME				
Gain/(loss) state highway network/bailey bridging revaluations		(411,820)	985,000	140,920
Total other comprehensive income		(411,820)	985,000	140,920
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(355,069)	986,067	182,296

a. Investment in land transport refers to funding the NZ Transport Agency provides to approved organisations for local roads (new and improved infrastructure, renewals, maintenance and operations), public transport and road safety, and the NZ Transport Agency's maintenance and operation of the state highway network.

Explanations of major variances against budget are provided in note 34.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	8	16,580	50,000	58,265
Debtor National Land Transport Fund	9	443,424	349,145	407,453
Debtor Crown	9	80,783	44,450	48,565
Debtors and other receivables	10	72,798	15,000	69,311
Property assets held for sale	11	83,813	0	57,772
Prepayments		7,015	500	2,256
Inventories		257	200	208
Total current assets		704,670	459,295	643,830
NON-CURRENT ASSETS				
Property, plant and equipment	12	18,702	23,761	18,518
State highway network	13	26,071,781	28,462,183	25,836,699
Bailey bridging	14	7,209	6,952	7,375
Intangible assets	15	41,611	39,010	37,747
Loans and advances	16	855	495	855
Total non-current assets		26,140,158	28,532,401	25,901,194
TOTAL ASSETS		26,844,828	28,991,696	26,545,024
LIABILITIES				
CURRENT LIABILITIES				
Creditors and other payables	17	439,296	291,137	373,755
Tolling funds held in trust		2,183	2,924	3,191
Employee entitlements	18	11,934	9,700	12,009
Borrowing	19	100,000	100,000	130,000
Total current liabilities		553,413	403,761	518,955
NON-CURRENT LIABILITIES				
Creditors and other payables	17	207	745	227
Employee entitlements	18	4,653	4,000	4,698
Total non-current liabilities		4,860	4,745	4,925
TOTAL LIABILITIES		558,273	408,506	523,880
NET ASSETS		26,286,556	28,583,190	26,021,144
EQUITY				
General funds		5,606	5,606	5,198
Retained funds	20	44,318	39,917	47,858
Memorandum account – other fees and charges	21	1,018	(4,385)	(6,568)
State highway network ^a	22	26,235,614	28,542,052	25,974,656
TOTAL EQUITY		26,286,556	28,583,190	26,021,144

a. The state highway network includes the state highway investment (including Bailey bridging) and revaluation reserves. Explanations of major variances against budget are provided in note 34.

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Note	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
EQUITY - OPENING BALANCES				
General funds		5,198	5,198	5,198
Retained funds		47,858	40,778	66,739
Memorandum account - other fees and charges		(6,568)	(6,341)	(6,088)
State highway network		25,974,656	26,849,516	25,199,643
Total equity - opening balance		26,021,144	26,889,151	25,265,492
CHANGES IN EQUITY				
Equity movements				
Retained funds		(672,751)	(707,536)	(634,093)
Memorandum account - tolling	21	(27)	0	0
State highway network		672,778	707,536	634,093
		0	0	0
Comprehensive income				
Retained funds		49,138	(889)	41,856
Memorandum account - other fees and charges		7,613	1,956	(480)
State highways network - gain/(loss) on revaluations		(411,820)	985,000	140,920
		(355,069)	986,067	182,296
Owner transactions				
Capital contribution - general funds		408	408	0
Capital contribution - Crown		15,000	0	0
Capital contribution - National Land Transport Programme	23	605,073	707,564	573,356
		620,481	707,972	573,356
Total changes in equity		265,412	1,694,039	755,652
EQUITY - CLOSING BALANCE				
General funds		5,606	5,606	5,198
Retained funds		44,318	39,917	47,858
Memorandum account - other fees and charges		1,018	(4,385)	(6,568)
State highway network		26,235,614	28,542,052	25,974,656
TOTAL EQUITY - CLOSING BALANCES		26,286,556	28,583,190	26,021,144

Explanations of major variances against budget are provided in note 34.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Note	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Crown revenue		39,555	137,031	142,149
Receipts from National Land Transport Fund revenue		1,787,454	1,948,227	1,765,941
Receipts from other revenue		130,492	128,019	57,146
Interest received		323	373	243
Payments to suppliers		(1,270,241)	(1,613,799)	(1,295,538)
Payments to employees		(109,351)	(108,224)	(104,213)
Goods & services tax (net)		(1,956)	600	(9,093)
Net cash from operating activities	24	576,276	492,227	556,635
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from sale of property, plant and equipment		804	0	3,453
Receipts from sale of state highway held properties		60,771	50,000	20,403
Payments to suppliers		(100,692)	(94,977)	(88,357)
Purchase of property, plant and equipment		(4,671)	(4,050)	(6,381)
Purchase of intangible assets		(8,001)	(5,358)	(7,587)
State highway network		(1,152,555)	(1,092,239)	(1,107,026)
Loan to local authority		(0)	0	27,980
Net cash from investing activities		(1,204,344)	(1,146,624)	(1,157,515)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contribution (Crash Analysis System)		408	408	0
Capital contribution from the Crown		15,000	0	0
Capital contribution from the National Land Transport Fund		605,073	707,564	573,356
Borrowing		160,000	150,000	170,000
Repayment of borrowing		(190,000)	(200,000)	(150,000)
Interest paid on borrowing		(4,098)	(3,575)	(5,326)
Net cash from financing activities		586,383	654,397	588,030
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at the beginning of the year		58,265	50,000	71,115
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	16,580	50,000	58,265

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements. The 2011/12 receipts from other revenue, payments to suppliers and GST (net) have been adjusted to correct misclassification.

Explanations of major variances against budget are provided in note 34.

NOTES TO THE FINANCIAL STATEMENTS

1 NEW ZEALAND TRANSPORT TICKETING LIMITED

New Zealand Transport Ticketing Ltd has been established as a Crown Entity Subsidiary, under the governance of the Transport Agency, to execute the operational plan for supporting a national integrated transport ticketing system and managing information services generated from such a system.

New Zealand Transport Ticketing Ltd was incorporated on 14 November 2011.

The Transport Agency has not consolidated its wholly-owned subsidiary, as New Zealand Transport Ticketing Ltd has not traded during the year and has no assets or liabilities as at 30 June 2013.

The Transport Agency is in the course of developing a New Zealand wide public transport automated fare collection system.

2 STATEMENT OF ACCOUNTING POLICIES

Reporting entity

The Transport Agency is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled in New Zealand. As such, the Transport Agency's ultimate parent is the New Zealand Crown.

The Transport Agency's primary objective is to provide services to the NZ public, as opposed to making a financial return. Accordingly, the Transport Agency has designated itself a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements for the Transport Agency are for the year ended 30 June 2013, and were approved by the Board on 25 September 2013.

Basis of preparation

Statement of compliance

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

These financial statements have been prepared in accordance with NZ GAAP as appropriate for public benefit entities and they comply with NZ IFRS.

Measurement base

The financial statements have been prepared on a historical cost basis, except where modified by the revaluation of the state highway network and Bailey bridging stock. The measurement of financial assets and financial liabilities is at amortised cost.

Functional and presentation currency

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

The functional currency of the Transport Agency is New Zealand dollars (NZ\$).

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments and interpretations issued but not yet effective that have not been early adopted and which are relevant to the Transport Agency, are:

- › NZ IFRS 9 *Financial instruments* will eventually replace NZ IAS 39 *Financial instruments: recognition and measurement*. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and measurement, Phase 2 Impairment methodology, and Phase 3 Hedge accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Transport Agency is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the Transport Agency expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, the Transport Agency is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope. The Transport Agency is still to assess the impact of the changes as they are only exposure drafts at this stage.

Significant accounting policies

REVENUE

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

Revenue 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 intent.

Revenue 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 income is recognised using the effective interest method. Interest income on an impaired financial asset is recognised using the original effective interest rate.

Rental income

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

BORROWING COSTS

The Transport Agency has elected to defer adoption of the revised NZ IAS 23 Borrowing costs (revised 2007) in accordance with the transitional provisions of NZ IAS 23 that are applicable to public benefit entities. Consequently, all 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 NZ\$ (the functional currency) using the exchange rates prevailing at the dates 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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes 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 OTHER RECEIVABLES

Short-term debtors and other receivables are recorded at their face value, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the Transport Agency will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the debt is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

INVENTORIES

Inventories held for distribution in the provision of services that are not supplied on a commercial basis are measured at the lower of cost (calculated using the weighted average method), adjusted, when applicable, for any loss of service potential. Where inventory is acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventory held for use in the provision of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the weighted average cost method.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

PROPERTY ASSETS HELD FOR SALE

Property assets 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 or amortised 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 or valuation, less any accumulated depreciation and impairment losses.

Additions

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.

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

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at its fair value as at the date of acquisition.

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. When revalued assets are sold, the amounts included in revaluation reserves in respect of those assets are transferred to general funds.

Subsequent costs

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.

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

VALUATION OF STATE HIGHWAY NETWORK AND BAILEY BRIDGING

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.

Bailey bridging is valued at optimised depreciated replacement cost based on the optimum size of asset holding by the unit cost for each category of asset.

A cyclical basis is used so that each region is revalued at an interval not exceeding 3.5 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.

Increases in the carrying amount arising on revaluation of the state highway are credited to the asset revaluation reserve. Decreases that offset previous increases of the same asset are charged against the asset revaluation reserve. All other decreases are charged to the statement of comprehensive income. Each year the depreciation, based on the revalued carrying amount of the asset, is charged to the statement of comprehensive income. The gain or loss on the asset revaluation reserve is also charged to the statement of comprehensive income.

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 statement of comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of comprehensive income. When revalued assets are sold, the amounts included in the assets revaluation reserve in respect of those assets are transferred to general funds.

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.

Brownfield costs have been accounted for where they can be reliably measured. 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 to 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.

DEPRECIATION

Depreciation is provided on a straight-line basis on all property, plant and equipment 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 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)	7	14.3
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 and subways	50-75	1.3-2.0
State highways - other structures	100	1.0
Bailey bridging - panels	70	1.4
Bailey bridging - transoms	103	0.97
Bailey bridging - stringers	100	1.0
Bailey bridging - chord reinforcing	69	1.4
Bailey bridging - other miscellaneous	76	1.3
Motor vehicles	4	25.0
Computer equipment	3	33.3
Plant	5-10	10.0-20.0
Equipment	5-8	12.5-20.0
Furniture and fittings	5-10	10.0-20.0
Office equipment	4-5	20.0-25.0
Leasehold improvements	Life of lease	7.7-33.0

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 relevant overheads.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

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 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE 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.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Transport Agency would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For re-valued assets, the impairment loss is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation reserve in equity for the class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a re-valued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a re-valued asset is credited to the other comprehensive income and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a re-valued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

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 are included in debtors and other receivables or cash and cash equivalents in the balance sheet.

Loan to local authority

Loans to the local authorities, made at the government bond rate, are initially recognised at present value of their future cash flows, discounted at the current market rate of return for a similar financial instrument. The difference between the face value and present value of the expected future cash flows of the loan is recognised in the statement of comprehensive income.

CREDITORS AND OTHER 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.

EMPLOYEE ENTITLEMENTS

Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the period 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 to but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

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, and
- › 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 scheme 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.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

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
- › the 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
- › state highway investment and revaluation reserve.

State highway revaluation reserve

This reserve relates to the revaluation of the state highway network and Bailey bridging.

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, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the Inland Revenue Department, 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 and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

BUDGET FIGURES

The budget figures are derived from the Statement of intent as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

COST ALLOCATION

The Transport Agency has determined the cost of outputs using the cost allocation system outlined below.

Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be identified in an economically feasible manner, with a specific output.

Direct costs are charged directly to outputs. Indirect costs are charged to outputs based on cost drivers and related activity/usage information. The three types of indirect costs are:

1. **Corporate overheads** – costs arising from the Board, Chief Executive, Group Managers (Organisational Support, People and Capability, Strategy, Communications and Performance) and business support units such as Finance, Human Resources, Information Technology, Legal, Audit and others. These costs are allocated to output classes then to business activities using full time equivalents responsible for delivering the output and their corresponding salaries as the cost drivers.
2. **Regional office costs** – costs relating to operating and maintaining a regional office such as office rent and building management. These costs are allocated to output classes then to business activities using the number of full time equivalents in each region as the cost driver.
3. **Operational cost centres' own shared costs** – costs incurred directly on account of more than one business activity within that operational cost centre. These shared costs are assigned to business activities based on the proportion of the estimated time spent on the affected business activities.

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:

Property, plant and equipment useful lives and residual value

At each balance date, the useful lives and residual values of property, plant, and equipment are reviewed. Assessing the appropriateness of useful life and residual value estimates of property, plant, and equipment requires a number of 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:

- › physical inspection 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.

Retirement and long service leave

Note 18 provides an analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Management has exercised the following critical judgements in applying accounting policies:

State highway network and Bailey bridging

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.

Bailey bridging is valued at optimised depreciated replacement cost based on the optimum size of asset holding by the unit cost for each category of asset.

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 on new and improved infrastructure for state highways. 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 asset base has been compiled over a number of years and has a degree of inaccuracy as some historic records are incomplete.

Brownfield construction costs are included in the valuation where they can be reliably measured. Brownfield construction costs include:

- › temporary traffic management
- › demolition and removal of displaced assets
- › restoration of damaged/severed utility infrastructure
- › re-establishment of the interface between the new and existing development (landscaping, footpaths, roads, fences, driveways etc)
- › environment compliance
- › work restrictions (noise, hours, limitations on available site area for contractors, storage/plant/offices etc).

Further work is currently being carried out to determine a reliable measure of brownfield costs not included in the state highway assets.

Leases classification

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Transport Agency.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant, and equipment, whereas for an operating lease no such asset is recognised.

The Transport Agency has exercised its judgement on the appropriate classification of equipment leases, and has determined a number of lease arrangements are finance leases.

3 REVENUE FROM THE CROWN AND NATIONAL LAND TRANSPORT FUND

The Transport Agency has been provided with funding from the Crown and the National Land Transport Fund for the specific purposes of the Transport Agency as set out in its founding legislation and the scope of the relevant government appropriations. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to government or National Land Transport Fund funding.

4 REVENUE FROM OTHER ACTIVITIES

	Note	Actual 2012/13 \$000	Actual 2011/12 \$000
Border inspection fees		1,794	1,691
Certification review fees		7,516	7,674
Driver licensing fees		29,090	28,381
Driver testing fees		16,478	15,385
Motor vehicle licensing fees	a	52,535	0
Over-dimension and overweight permits		459	441
Rail licensing fees		1,230	656
Standards development fee and certification levies		6,106	5,971
Transport licensing fees		6,707	8,319
Total fees and charges		121,914	68,518
Administration fee from Accident Compensation Corporation	b	855	5,300
Business units	c	1,040	1,166
Crash analysis system support		39	257
Levy on personalised plates for community road safety initiatives		84	584
Road Safety Trust administration		106	85
Tolling fees and contributions		5,839	5,539
Interest income		323	243
Net gain on disposal of assets		0	723
Kiwisaver		158	970
Recoveries from state highway activities (eg damages to state highway furniture)		3,498	459
Miscellaneous revenue		444	341
TOTAL REVENUE FROM OTHER ACTIVITIES		134,302	84,185

a. Motor vehicle licensing, previously funded primarily from Crown revenue, is now funded directly to the Transport Agency.

b. ACC no longer contributes to the cost of administration.

c. These are activities the Transport Agency has undertaken, which are not funded from the National Land Transport Programme, but where operating costs are covered by the income generated from these activities.

	Bailey bridging \$000	CAPTIF \$000	Training & education \$000	Total \$000
Revenue earned in 2012/13	0	372	668	1,040
Revenue earned in 2011/12	74	521	571	1,166

CAPTIF - Canterbury Accelerated Pavement Testing Indoor Facility

5 PERSONNEL COSTS

	Note	Actual 2012/13 \$000	Actual 2011/12 \$000
Salaries and wages	a	106,243	101,064
Defined contribution plan employer contributions		1,640	1,264
Other personnel costs		1,349	2,998
TOTAL PERSONNEL COSTS		109,232	105,326

a. An additional \$12.125 million (2012: \$11.535 million) was incurred for staff who are employed to manage state highway capital projects. These project management staff are charged directly to the projects and the costs capitalised.

6 OPERATING EXPENSES

	Note	Actual 2012/13 \$000	Actual 2011/12 \$000
Fees to principal auditors:			
– audit fees for financial statement audit		379	320
– fees to Audit New Zealand for probity audit services		11	0
Operating lease expense		18,026	21,928
Impairment of receivables		296	248
Commissions		43,927	45,378
Transaction costs		17,300	17,526
Professional services		14,715	20,564
Road user safety advertising		13,277	14,388
Publications and promotions		1,965	2,308
Information technology	a	12,348	17,654
Meetings and conferences		873	773
Staff travel		6,061	5,968
Communications		2,053	1,877
Office management		2,871	2,832
Building management		2,555	2,364
Fees for Board members		292	305
Courses, training and professional subscriptions		1,994	2,802
Other		151	980
TOTAL OPERATING EXPENSES		139,097	158,214

a. Following successful implementation of the registry modernisation programme, a reduction in ongoing operating costs for support/operation of the registers (drivers, motor vehicle, safety, RUC) is now being realised.

7 DEPRECIATION AND AMORTISATION EXPENSE

	Actual 2012/13 \$000	Actual 2011/12 \$000
Depreciation (note 12)	3,668	4,013
Depreciation on state highway network (note 13)	441,332	423,474
Depreciation on Bailey bridging (note 14)	194	186
Amortisation (note 15)	4,151	4,461
TOTAL DEPRECIATION AND AMORTISATION EXPENSE	449,346	432,134

8 CASH AND CASH EQUIVALENTS

	Actual 2012/13 \$000	Actual 2011/12 \$000
Cash at bank and on hand	11,786	53,481
Cash at bank and on hand (for tolling accounts)	4,795	4,784
TOTAL CASH AND CASH EQUIVALENTS	16,580	58,265

The carrying value of cash at bank and short-term deposits with maturities less than three months approximates their fair value.

9 DEBTOR NATIONAL LAND TRANSPORT FUND AND CROWN

The Debtor National Land Transport Fund represents amounts owed by the National Land Transport Fund to the Transport Agency. This is for activities completed by the Transport Agency where the National Land Transport Fund is the source of the funding. The Debtor Crown represents amounts owed by the Crown to the Transport Agency. This is for activities completed by the Transport Agency where the Crown directly sources the funding.

10 DEBTORS AND OTHER RECEIVABLES

	Actual 2012/13 \$000	Actual 2011/12 \$000
Debtors and other receivables	76,137	71,660
Less: Provision for impairment	3,339	2,349
TOTAL DEBTORS AND OTHER RECEIVABLES	72,798	69,311

Fair value

The carrying value of receivables approximates their fair value.

Actual 2011/12 debtors and other receivables has been adjusted for GST receivable, which was previously reported as an offset to creditors and other payables. The adjustment is an increase of \$43.3m.

Impairment

The ageing profile of receivables at year end is detailed below:

	Gross \$000	2012/13 Impairment \$000	Net \$000	Gross \$000	2011/12 Impairment \$000	Net \$000
Not past due date	71,252	0	71,252	64,032	0	64,032
Past due 1-30 days	1,035	0	1,035	1,824	0	1,824
Past due 31-60 days	556	(45)	511	359	0	359
Past due 61-90 days	663	(663)	0	2,462	0	2,462
Past due over 90 days	2,631	(2,631)	0	2,983	(2,349)	634
TOTAL	76,138	(3,339)	72,798	71,660	(2,349)	69,311

All receivables greater than 30 days in age are considered to be past due.

Impairment is determined by review of individual overdue debts. However, all old debts are vigorously followed up.

Movements in the provision for impairment of receivables are as follows:

	Actual 2012/13 \$000	Actual 2011/12 \$000
Balance at 1 July	2,349	5,668
Operating provisions made during the year	296	248
Additional provisions made during the year	1,200	654
Receivables written off during the year	(506)	(4,221)
BALANCE AT 30 JUNE	3,339	2,349

11 PROPERTY ASSETS HELD FOR SALE

The Transport Agency owns 280 properties valued at \$83.813 million (2012: \$57.772 million) which have been classified as held for sale. It is expected that these properties will be sold by 30 June 2014.

12 PROPERTY, PLANT AND EQUIPMENT

Movements for each class of property, plant and equipment are as follows:

	Motor vehicles \$000	Computer equipment \$000	Furniture fittings \$000	Leasehold improvements \$000	Office, plant & equipment \$000	Total \$000
COST OR VALUATION						
Balance at 1 July 2011	222	7,920	4,760	15,938	1,624	30,464
Additions	0	2,159	807	2,545	109	5,620
Reclassification	0	453	(36)	(56)	(363)	(2)
Work in progress	0	0	0	(2,308)	0	(2,308)
Disposals	(164)	(2,272)	(635)	(327)	(55)	(3,453)
Balance at 30 June 2012	58	8,260	4,896	15,792	1,315	30,321
Balance at 1 July 2012	58	8,260	4,896	15,792	1,315	30,321
Additions	0	2,382	105	379	226	3,092
Reclassification	0	(103)	(74)	0	0	(177)
Work in progress	0	0	0	831	81	912
Disposals	0	(562)	(64)	(143)	(35)	(804)
Balance at 30 June 2013	58	9,977	4,863	16,859	1,587	33,344
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 July 2011	187	4,964	1,772	3,007	998	10,928
Depreciation expense	22	1,801	594	1,310	286	4,013
Reclassification	0	296	23	(15)	(305)	(1)
Impairment losses	0	(129)	(62)	(57)	(6)	(254)
Elimination on disposal	(151)	(2,081)	(455)	(151)	(45)	(2,883)
Balance at 30 June 2012	58	4,851	1,872	4,094	928	11,803
Balance at 1 July 2012	58	4,851	1,872	4,094	928	11,803
Depreciation expense	1	1,714	444	1,396	113	3,668
Reclassification	0	(214)	120	0	59	(35)
Impairment losses	0	(41)	(6)	0	0	(47)
Elimination on disposal	(1)	(560)	(61)	(91)	(34)	(747)
Balance at 30 June 2013	58	5,750	2,369	5,399	1,066	14,642
CARRYING AMOUNTS						
At 30 June 2012	0	3,409	3,024	11,698	387	18,518
At 30 June 2013	0	4,227	2,494	11,460	521	18,702

13 STATE HIGHWAY NETWORK

Movements for the state highway network are as follows:

	Actual 2012/13 \$000	Actual 2011/12 \$000
COST OR VALUATION		
Balance at 1 July	25,836,699	25,119,414
Additions - capital expenditure	1,182,555	1,087,026
Revaluation gains/(losses)	(411,848)	140,671
Depreciation expense	(441,332)	(423,474)
Disposals	(60,771)	(20,403)
Asset write-off	(7,480)	(8,870)
Change in non-current assets held for sale	(26,041)	(57,772)
Tolling system assets	0	107
BALANCE AT 30 JUNE	26,071,782	25,836,699

The most recent valuation of the state highway network and Bailey bridging was performed by a registered independent valuer, J Vessey, BE (Civil), BA (Economics), FIPENZ (Civil), CPEng, of Opus International Consultants Ltd. The total fair value amounted to \$26.072 billion (2012: \$25.837 billion) and this valuation is effective as at 30 June 2013.

Depreciated replacement cost is used to value these assets and is calculated by deducting an allowance for accumulated depreciation from the replacement cost, using a number of significant assumptions. These significant assumptions include:

- › the valuation methodology detailed in significant accounting policies
- › the remaining useful life of assets is estimated
- › straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

	Replacement cost \$000	Accum deprn \$000	Valuation 2012/13 \$000	Replacement cost \$000	Accum deprn \$000	Valuation 2011/12 \$000
State highway corridor land	6,930,313	0	6,930,313	7,393,681	0	7,393,681
Held properties	988,685	0	988,685	901,388	0	901,388
Formation	7,287,210	0	7,287,210	7,232,840	0	7,232,840
Pavement (other)	4,426,196	1,333,932	3,092,264	4,175,530	1,005,500	3,170,030
Pavement (surface)	1,202,600	598,470	604,130	1,171,180	575,020	596,160
Drainage	1,207,270	545,920	661,350	1,170,170	530,250	639,920
Traffic facilities	1,709,550	761,430	948,120	1,634,560	691,480	943,080
Bridges	6,473,360	2,580,470	3,892,890	6,105,680	2,605,820	3,499,860
Culverts and subways	490,710	191,520	299,190	470,620	191,480	279,140
Other structures	1,764,590	396,960	1,367,630	1,548,420	367,820	1,180,600
TOTAL	32,480,484	6,408,702	26,071,782	31,804,069	5,967,370	25,836,699

Other structures include retaining walls, minor structures, sea and river protection, tunnels, and rock fall netting.

There are some uncertainties about the values assigned to different components (land, formation, bridges, etc) of the state highway network. These uncertainties include whether the Transport Agency's databases have accurate quantities, remaining life and complete capture for some cost components. Some uncertainties are inherent, but those for both the quantity and costs of components can be reduced by improvements in the accuracy of the underlying databases.

The Transport Agency has identified a few instances where some of the quantities have been understated and some actual costs have not been included in the underlying databases.

The valuer has valued the state highway on the basis of the information in the databases. In arriving at a value, the valuer has noted that the reported valuation is potentially understated due to the issues described above.

Brownfield costs are assessed as being the most significant part of the potential undervaluation with the remaining due to incomplete records.

The Transport Agency has a plan to improve the accuracy of the asset databases and identify all costs able to be capitalised, which will serve to reduce the understatement of the value of the state highway network.

Work in progress

The total amount of the state highway network in the course of construction is \$919.420 million (2012: \$797.050 million).

14 BAILEY BRIDGING

Movements for Bailey bridging are as follows:

	Actual 2012/13 \$000	Actual 2011/12 \$000
COST OR VALUATION		
Balance at 1 July	7,375	7,312
Revaluation gains/(losses)	28	249
Depreciation expense	(194)	(186)
BALANCE AT 30 JUNE	7,209	7,375

Note 13 has commentary on the valuation which is also relevant to Bailey bridging.

	Replacement cost \$000	Accumulated depreciation \$000	Valuation 2012/13 \$000	Replacement cost \$000	Accumulated depreciation \$000	Valuation 2011/12 \$000
Panels	4,838	2,794	2,044	5,363	3,236	2,127
Transoms	1,810	764	1,046	1,718	667	1,051
Stringers	2,057	984	1,073	1,952	872	1,080
Chord reinforcing	3,218	1,865	1,353	3,054	1,659	1,395
Other miscellaneous	3,765	2,072	1,693	3,573	1,851	1,722
TOTAL	15,688	8,479	7,209	15,660	8,285	7,375

15 INTANGIBLE ASSETS

Movements within acquired software assets are as follows:

	Actual 2012/13 \$000	Actual 2011/12 \$000
COST		
Balance at 1 July	60,445	54,304
Additions	6,134	11,758
Reclassification	97	2
Work in progress movements	1,867	(4,171)
Disposals	(164)	(1,448)
Balance at 30 June	68,379	60,445
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES		
Balance at 1 July	22,698	19,511
Amortisation expense	4,151	4,461
Reclassification	34	0
Disposals	(116)	(1,274)
Balance at 30 June	26,767	22,698
CARRYING AMOUNTS		
At 30 June 2012	37,747	34,793
At 30 June 2013	41,611	37,747

There are no restrictions over the title of the Transport Agency's intangible assets, nor are any intangible assets pledged as security for liabilities.

Work in progress

The total amount of intangible assets in the course of development is \$22.065 million (2012: \$20.198 million). This includes \$20 million for a New Zealand wide public transport automated fare collection system.

16 LOANS AND ADVANCES

Statutory advances

Under the Public Works Act, the Transport Agency has provided statutory advances of \$0.855 million (2012: \$0.855 million).

17 CREDITORS AND OTHER PAYABLES

	Actual 2012/13 \$000	Actual 2011/12 \$000
CURRENT PORTION		
Creditors	432,042	368,379
Income in advance	4,625	3,148
Income in advance (for tolling)	2,521	2,110
Lease make-good provision	70	70
Onerous contracts	38	48
Total current portion	439,296	373,755
NON-CURRENT PORTION		
Onerous contracts	207	227
Total non-current portion	207	227
TOTAL CREDITORS AND OTHER PAYABLES	439,503	373,982

Actual 2011/12 creditors and other payables has been adjusted for GST receivable, which was previously reported as an offset to creditors and other payables. The adjustment is an increase of \$43.3m.

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of creditors and other payables approximates their fair value.

Lease make-good provision

In respect of a number of its leased premises, the Transport Agency is required at the expiry of the lease term to make good any damage caused to the premises and to remove any fixtures or fittings installed by the Transport Agency. In many cases, the Transport Agency has the option to renew these leases, which affects the timing of expected cash outflows to make-good the premises. Information about the Transport Agency's leasing arrangements is disclosed in note 25.

Onerous contracts provision

The Transport Agency has non-cancellable leases for office space that is no longer used by the Transport Agency due to restructuring. A provision has been recognised for the future rental payments.

18 EMPLOYEE ENTITLEMENTS

	Actual 2012/13 \$000	Actual 2011/12 \$000
CURRENT PORTION		
Accrued salaries and wages	3,141	3,129
Annual leave	8,010	7,950
Sick leave	424	479
Long service leave	359	451
Total current portion	11,934	12,009
NON-CURRENT PORTION		
Retirement and long service leave	4,653	4,698
Total non-current portion	4,653	4,698
TOTAL EMPLOYEE ENTITLEMENTS	16,587	16,707

The actuarial valuation as at 30 June 2013 was conducted inhouse rather than by external consultants, as in the past, using prescribed Treasury guidance.

The sick, long service and retirement leave valuations involves making projections of each employee over their future service. The employee leaving probability have been determined with reference to updated public service leaving statistics. Additional economic assumptions were taken from Treasury guidance.

Sensitivity analysis has been performed to assess the financial impact of the changes in the assumptions to the retirement and long service leave liabilities. Using 2% salary increase factor, with all other factors held constant, the carrying amount of the expected liability would be \$258,000 lower. Using 4% salary increase factor, the expected liability would be \$93,000 higher.

Using 50% of the assumed resignation rate, with all other factors held constant, the amount of expected liability would be \$443,000 higher. If the resignation rate is at 150% of the assumed rate, then the expected liability would be \$345,000 lower.

19 BORROWING

The Estimates of Appropriations includes a borrowing facility for short-term advances to the Transport Agency from the Crown, to manage variations between cash outlays from and flows of hypothecated revenue into the National Land Transport Fund. The maximum amount of such advances at any one time shall not exceed \$250 million.

The Transport Agency has received \$100 million as at 30 June 2013 (2012: \$130 million).

The fair value of the borrowing is \$100.139 million (2012: \$130.116 million), based on cash flows discounted using Treasury determined coupon rate of 3.25% (2012: 3.25%).

20 RETAINED FUNDS

	Note	Actual 2012/13 \$000	Actual 2011/12 \$000
RETAINED FUNDS - NZ TRANSPORT AGENCY OPERATIONS			
Balance at 1 July		21,018	24,469
Surplus/(deficit) from operations		2,278	(3,451)
Tolling balance from memorandum account		27	0
Balance at 30 June		23,323	21,018
RETAINED FUNDS - NATIONAL LAND TRANSPORT PROGRAMME			
Balance at 1 July		0	0
Capital contribution from the National Land Transport Fund		605,073	573,356
Surplus/(deficit) from operations		0	1,072
Surplus/(deficit) from Investment in land transport		55,286	35,597
Transfer to state highway investment	a	(657,778)	(634,093)
NLTP funds provided for public transport automated fare collection system		(2,582)	24,068
Balance at 30 June		0	0
RETAINED FUNDS - SPECIFIC PROJECTS FUNDED BY THE CROWN			
Balance at 1 July		9,422	784
Capital contribution from the Crown		15,000	0
Surplus/(deficit)		(8,427)	8,638
Transfer to state highway investment	a	(15,000)	0
Balance at 30 June		995	9,422
NLTP FUNDS PROVIDED FOR PUBLIC TRANSPORT AUTOMATED FARE COLLECTION SYSTEM			
Balance at 1 July		17,418	41,486
Funds from the National Land Transport Programme		2,582	(24,068)
Balance at 30 June		20,000	17,418
TOTAL RETAINED FUNDS		44,318	47,858

a. Below is a breakdown of the movement of the National Land Transport Programme funds to state highways.

	Actual 2012/13 \$000	Actual 2011/12 \$000
Capitalised expenditure	1,167,555	1,087,026
State highway depreciation and asset write-off	(449,006)	(432,530)
State highway disposals to the National Land Transport Programme	(60,771)	(20,403)
Retained funds - National Land Transport Programme	657,778	634,093
Capitalised expenditure	15,000	0
Retained funds - specific projects funded by the Crown	15,000	0
TRANSFER TO STATE HIGHWAY INVESTMENT	672,778	634,093

21 MEMORANDUM ACCOUNT – OTHER FEES AND CHARGES

	Actual 2012/13 \$000	Actual 2011/12 \$000
Balance at 1 July	(6,568)	(6,088)
Surplus/(deficit) from operations	7,613	(480)
Tolling balance to retained funds – NZ Transport Agency operations	(27)	0
TOTAL MEMORANDUM ACCOUNT – OTHER FEES AND CHARGES	1,018	(6,568)

Below are the closing balances of the memorandum accounts by funding activities.

	Actual 2012/13 \$000	Actual 2011/12 \$000
Customer licensing activities	(3,389)	(6,654)
Vehicle standards compliance activities	4,407	59
Tolling	0	27
TOTAL MEMORANDUM ACCOUNT – OTHER FEES AND CHARGES	1,018	(6,568)

Customer licensing activities include driver licensing and testing, and rail and transport operator licensing.

Vehicle standards compliance activities include border inspections, certification reviews, motor vehicle licensing, over-dimension permits, and standards development and certification.

22 STATE HIGHWAY NETWORK

	Note	Actual 2012/13 \$000	Actual 2011/12 \$000
STATE HIGHWAY INVESTMENT			
Balance at 1 July		17,768,174	17,134,081
Transfer from the National Land Transport Programme	20	672,778	634,093
Balance at 30 June		18,440,952	17,768,174
STATE HIGHWAY REVALUATION RESERVE			
Balance at 1 July		8,206,482	8,065,562
Revaluation gains/(losses) – state highway network		(411,848)	140,671
Revaluation gains/(losses) – Bailey bridging		28	249
Balance at 30 June		7,794,662	8,206,482
TOTAL STATE HIGHWAY NETWORK		26,235,614	25,974,656

23 CAPITAL CONTRIBUTION – NATIONAL LAND TRANSPORT PROGRAMME

	Actual 2012/13 \$000	Actual 2011/12 \$000
New and improved infrastructure for state highways	430,064	373,625
Renewal of state highways	175,009	199,731
TOTAL CAPITAL CONTRIBUTION – NATIONAL LAND TRANSPORT PROGRAMME	605,073	573,356

24 RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FROM OPERATING ACTIVITIES

	Actual 2012/13 \$000	Actual 2011/12 \$000
NET SURPLUS/(DEFICIT)	56,751	41,376
ADD/(LESS) NON-CASH ITEMS:		
Depreciation and amortisation expense	449,346	432,134
State highway asset write-off	7,480	8,870
Increase/(decrease) in employee entitlements	(45)	745
Total non-cash items	456,781	441,749
ADD/(LESS) ITEMS CLASSIFIED AS INVESTING OR FINANCIAL ACTIVITIES:		
Payments to suppliers	100,692	88,357
Borrowing	160,000	170,000
Repayment of borrowing	(190,000)	(150,000)
Interest on borrowing	4,098	5,326
Total items classified as investing or financing activities	74,790	113,683
ADD/(LESS) MOVEMENTS IN STATEMENT OF FINANCIAL POSITION ITEMS:		
(Increase)/decrease in debtor National Land Transport Fund and Crown	(68,189)	(23,411)
(Increase)/decrease in debtors and other receivables	(3,487)	(26,796)
(Increase)/decrease in prepayments and inventories	(4,808)	(1,786)
Increase/(decrease) in creditors and other payables	65,521	11,205
Increase/(decrease) in tolling funds held in trust for Ministry of Transport	(1,008)	248
Increase/(decrease) in employee entitlements	(75)	368
Net movements in working capital items	(12,046)	(40,172)
NET CASH FROM OPERATING ACTIVITIES	576,276	556,636

25 CAPITAL COMMITMENTS AND OPERATING LEASES

National Land Transport Programme funding commitments

The future aggregate funding commitments for the National Land Transport Programme are as follows:

	Actual 2012/13 \$000	Actual 2011/12 \$000
Not later than one year	2,780,993	1,175,795
Later than one year and not later than five years	3,076,390	1,683,963
Later than five years	248,761	132,171
TOTAL FUNDING COMMITMENTS	6,106,144	2,991,929

Capital commitments

The future aggregate construction contract commitments for the state highway network are as follows:

	Actual 2012/13 \$000	Actual 2011/12 \$000
Not later than one year	1,009,489	745,587
Later than one year and not later than five years	1,311,920	1,703,923
Later than five years	5,872	150,244
TOTAL CAPITAL COMMITMENTS	2,327,281	2,599,754

Construction of the state highway network is a component of the National Land Transport Programme. These capital commitments are also included under the National Land Transport Programme funding commitments.

Operating leases as lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	Actual 2012/13 \$000	Actual 2011/12 \$000
Not later than one year	18,554	19,818
Later than one year and not later than five years	50,749	60,099
Later than five years	30,187	37,798
TOTAL NON-CANCELLABLE OPERATING LEASES	99,490	117,715

26 CONTINGENCIES

Contingent liabilities

Contract and land settlements

There are claims of \$4.5 million (2012: \$10.9 million) relating to a range of roading and other contract disputes.

Contingent assets

The Transport Agency has contingent assets of \$0.581 million (2012: \$0.581 million) relating to claims for legal costs.

27 RELATED PARTY TRANSACTIONS

All related party transactions have been entered into on an arms-length basis.

The Transport Agency is a wholly owned entity of the Crown.

Significant transactions with government-related entities

The Transport Agency has been provided with funding from the Crown and National Land Transport Fund of \$1.925 billion (2012: \$1.912 billion) for specific purposes as set out in its founding legislation and the scope of the relevant government appropriations. The Crown has also made available to the Transport Agency, a borrowing facility of \$250 million for short-term advances.

Collectively, but not individually, significant, transactions with government-related entities

In conducting its activities, the Transport Agency is required to pay various taxes and levies (such as GST, FBT, PAYE, and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The Transport Agency is exempt from paying income tax.

The Transport Agency also purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2013 totalled \$57.275 million (2012: \$51.478 million). These government-related entities include New Zealand Post Ltd of \$24.223 million, KiwiRail Holdings Ltd of \$9.058 million, and Ministry of Education of \$7.303 million. These purchases also include the purchase of electricity from Genesis Energy and Meridian Energy, and air travel from Air New Zealand.

The Chief Executive and his nominee were representatives on the Road Safety Trust as trustees. The Transport Agency received funding from the Road Safety Trust for providing administrative support. The Road Safety Trust has been wound up as at 31 May 2013, and its remaining reserves are being managed by the Transport Agency.

During the 2012/13 financial year Board members and staff of the Transport Agency were involved in minor transactions with the motor vehicle registry and driver licensing systems when re-registering their vehicle or driver licences.

Key management personnel – Director transactions

The following material transactions were entered into during the year with entities the Directors have a relationship with. All transactions were at arm's length and under normal commercial terms:

Board member/entity	Relationship	Transaction ^a	Transaction value		Balance outstanding	
			2012/13 \$000	2011/12 \$000	2012/13 \$000	2011/12 \$000
CHRIS MOLLER						
Meridian Energy Ltd	Chair	Energy costs	380	377	0	38
Westpac NZ Ltd	Director	Income from interest received	2,614	2,190	0	0
Westpac NZ Ltd	Director	Fees for banking services	2,559	3,117	114	100
GILL COX						
Mainpower NZ Ltd	Chair	Highway maintenance services	50	74	4	6
TONY LANIGAN						
Watercare Services Ltd	Director	Income for share of relocation costs	2,186	55	12	54

a. Transactions are expenditure items unless stated as income.

There are no close family members of key management personnel employed by the Transport Agency.

Key management personnel compensation

	Actual 2012/13 \$000	Actual 2011/12 \$000
Salaries and other short-term employee benefits	4,205	4,127
Termination benefits	33	57
TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION	4,238	4,184

Key management personnel include all Board members, the Chief Executive, and the 10 (2012: 10) members of the Senior Leadership Team.

Funds held in trust

The following funds are held in trust while awaiting roading work to be completed. When the requirements of the agreement with the depositor are met, the funds are paid over to the Transport Agency.

	Actual 2012/13 \$000	Actual 2011/12 \$000
Chapman Tripp	5,271	5,670
Public Trust	758	805
TOTAL FUNDS HELD IN TRUST	6,029	6,475

28 BOARD MEMBER REMUNERATION

The total value of remuneration paid or payable to each Board member during the year was:

	Actual 2012/13 \$000	Actual 2011/12 \$000
Chris Moller (Chair)	68	68
Patsy Reddy	42	42
Gill Cox	34	34
Tony Lanigan	34	34
Jerry Rickman	34	34
Alick Shaw	34	34
Adrienne Young-Cooper	34	31
Bryan Jackson (Retired in October 2012)	12	28
TOTAL BOARD MEMBER REMUNERATION	292	305

There have been no payments made to committee members appointed by the Board who were not Board members during the financial year. The Transport Agency has effected Directors and Officers Liability and Professional Indemnity Insurance cover during the financial year in respect of the liability or costs of Board members and employees. The Board has also taken insurance cover covering personal accident and travel risk for Board members and employees where injury or loss occurs whilst on Transport Agency business.

No Board members received compensation or other benefits in relation to cessation (2012: nil).

Subsequent to the year end, Nick Rogers was appointed to the Board on 5 September 2013.

29 EMPLOYEE REMUNERATION

Total remuneration paid or payable	No. of staff 2012/13	No. of staff 2011/12
100,000-109,999	84	69
110,000-119,999	53	55
120,000-129,999	57	40
130,000-139,999	32	33
140,000-149,999	18	21
150,000-159,999	15	15
160,000-169,999	16	14
170,000-179,999	12	8
180,000-189,999	9	6
190,000-199,999	4	6
200,000-209,999	7	7
210,000-219,999	3	3
220,000-229,999	0	1
230,000-239,999	2	2
240,000-249,999	0	1
250,000-259,999	6	1
260,000-269,999	1	3
270,000-279,999	1	0
300,000-309,999	0	1
310,000-319,999	1	1
320,000-329,999	1	1
330,000-339,999	3	1
340,000-349,999	1	1
360,000-369,999	0	1
380,000-389,999	0	1
390,000-399,999	1	1
400,000-409,999	1	0
600,000-609,999	0	*1
610,000-619,999	*1	0
TOTAL EMPLOYEES	329	294

* Chief Executive

During the year ended 30 June 2013, 6 (2012: 15) employees received compensation and other benefits in relation to cessation totalling \$0.332 million (2012: \$0.787 million).

30 EVENTS AFTER THE BALANCE DATE

There were no significant events after the balance date.

31 FINANCIAL INSTRUMENT CATEGORIES

The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

	Actual 2012/13 \$000	Actual 2011/12 \$000
LOANS AND RECEIVABLES		
Cash and cash equivalents	16,580	58,265
Debtors National Land Transport Fund and Crown	524,207	456,018
Debtors and other receivables	72,798	69,311
Loans and advances	855	855
TOTAL LOANS AND RECEIVABLES	614,440	584,449
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Creditors and other payables (current and non-current)	439,503	373,982
Borrowing	100,000	130,000
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	539,503	503,982

32 FINANCIAL INSTRUMENT RISKS

The Transport Agency's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Transport Agency has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Fair value interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Transport Agency's exposure to fair value interest rate risk is limited to its bank deposits which are held at fixed rates of interest. The Transport Agency does not actively manage its exposure to fair value interest rate risk.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Investments and borrowing issued at variable interest rates expose the Transport Agency to cash flow interest rate risk.

The Transport Agency's investment policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements. The Transport Agency currently has no variable interest rate investments.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Transport Agency purchases goods and services overseas which require it to enter into transactions denominated in foreign currencies.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Transport Agency, causing the Transport Agency to incur a loss.

Due to the timing of its cash inflows and outflows, the Transport Agency invests surplus cash with registered banks.

The Transport Agency has processes in place to review the credit quality of customers prior to the granting of credit.

In the normal course of business, the Transport Agency is exposed to credit risk from cash and term deposits with banks, debtors and other receivables, and derivative financial instrument assets. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

The Transport Agency limits the amount of credit exposure to any one financial institution for term deposits to no more than \$40 million. The Transport Agency invests funds only with registered banks that have a Standard and Poor's credit rating of at least A-1 for short-term and for long-term investments. The Transport Agency has experienced no defaults of interest or principal payments for term deposits.

The Transport Agency holds no collateral or other credit enhancements for financial instruments that give rise to credit risk.

Maximum exposure to credit risk

The Transport Agency's maximum credit risk exposure for each class of financial instrument is as follows:

	Actual 2012/13 \$000	Actual 2011/12 \$000
Cash and cash equivalents	16,580	58,265
Debtors National Land Transport Fund and Crown	524,207	456,018
Debtors and other receivables	72,798	69,311
Loans and advances	855	855
TOTAL CREDIT RISK	614,440	584,449

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings.

	Actual 2012/13 \$000	Actual 2011/12 \$000
CASH AND CASH EQUIVALENTS		
AA	16,580	58,265
TOTAL CASH AND CASH EQUIVALENTS	16,580	58,265

Liquidity risk**Management of liquidity risk**

Liquidity risk is the risk that the Transport Agency will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash.

The Transport Agency mostly manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

Contractual maturity analysis of financial liabilities

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

	2012/13			2011/12		
	Less than 6 months \$000	6-12 months \$000	Later than 1 year \$000	Less than 6 months \$000	6-12 months \$000	Later than 1 year \$000
Creditors and other payables	439,188	108	207	373,637	118	227
Borrowings	0	100,000	0	0	130,000	0

Contractual maturity analysis of financial assets

The table below analyses financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

	2012/13		2011/12	
	Less than 6 months \$000	Later than 1 year \$000	Less than 6 months \$000	Later than 1 year \$000
Cash and cash equivalents	16,580	0	58,265	0
Debtors National Land Transport Fund and Crown	524,207	0	456,018	0
Debtors and other receivables	72,798	0	69,311	0
Loans and advances	0	855	0	855

Borrowing

The Transport Agency's borrowing facility from the Crown is the result of the acceleration of our investment in state highways, which is to cover seasonal variations in cash flows where state highway works progress ahead of funding available from the National Land Transport Fund. The Transport Agency is addressing this risk through prudent management of expenditure on state highways and cash flows from the National Land Transport Fund.

Sensitivity analysis

Interest rate risk

The table below illustrates the potential effect on the surplus or deficit for reasonably possible market movements, with all other variables held constant, based on the Transport Agency's financial instrument exposure at balance date.

	2012/13 Effect on surplus or deficit		2011/12 Effect on surplus or deficit	
	+1% \$000	-1% \$000	+1% \$000	-1% \$000
Cash and cash equivalents	89	(89)	534	(534)

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a 1% change in interest rates.

	2012/13 Effect on surplus or deficit		2011/12 Effect on surplus or deficit	
	+0.5% \$000	-0.5% \$000	+0.5% \$000	-0.5% \$000
Borrowing	1,024	(1,024)	1,331	(1,331)

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a 0.5% change in the Treasury determined coupon rate.

33 CAPITAL MANAGEMENT

The Transport Agency's capital is its equity, which comprises general funds, accumulated funds and revaluation reserves. Equity is represented by net assets.

The Transport Agency is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowing, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives.

The Transport Agency manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure the Transport Agency effectively achieves its objectives and purpose, while remaining a going concern.

34 EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Explanations for major variances from the Transport Agency's budgeted figures in the *Statement of intent* are as follows:

Statement of comprehensive income

INCOME

Revenue from the Crown was \$65 million lower than budgeted. Funding for the reinstatement of local roads in Canterbury was not fully utilised this year as the funds were not required.

EXPENDITURE

Investment in land transport was \$133 million lower than budgeted. A delay in the approval of the 2012-15 NLTP meant approved organisations initiated their projects later than planned, and the final 2012-15 NLTP had a lower funding level for 2012/13 than originally budgeted.

Depreciation and amortisation expense was \$28 million higher than budget. This predominately relates to the state highway depreciation budget being established before the revaluation at the end of last year.

State highway asset write-off was \$10 million lower than budget. Write-offs relate to maintenance and renewals projects, which ended up being lower than estimated.

Statement of financial position

CURRENT ASSETS

Debtor National Land Transport Fund was \$94 million higher than budgeted. This level of debtor arises in the short term to cover the gap between NLTF revenue and expenditure remaining.

Debtor Crown was \$36 million higher than budgeted, which is linked to the carry forward of Crown revenue largely for the reinstatement of local roads in Canterbury.

Debtors and other receivables were \$58 million higher than an under-estimated budgeted.

Property assets held for sale are the result of properties that are identified as surplus to road building requirements as a result of more detailed planning. This is an exercise that we now budget for.

NON-CURRENT ASSETS

State highway network was \$2.4 billion lower than budgeted. The 2012/13 budget was set prior to the finalisation of the 2011/12 state highway valuation and was estimated with an annual increase consistent with previous years' valuation increases.

CURRENT LIABILITIES

Creditors and other payables were \$148 million higher than budgeted due to a higher level of activity at the end of the year than anticipated.

SUPPLEMENTARY INFORMATION

This supplementary information section contains additional disclosure and guidance material to the financial statements and has been provided to give a better understanding of the Transport Agency's business.

In this section you will find the following:

- › detailed performance by segment of the business
- › National Land Transport Programme
- › land transport management (road tolling scheme).

This information is consistent with and should be read in conjunction with, the financial highlights on pages 111 to 113 and the audited financial statements on pages 114 to 117.

DETAILED PERFORMANCE BY SEGMENT OF THE BUSINESS

The following tables provide further detailed financial performance information for each of these segments.

OPERATIONS			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
REVENUE FROM THE CROWN			
Management of the funding allocation system	775	775	0
Licensing and regulatory compliance	4,367	4,913	3,871
Motor vehicle registry	0	0	47,966
Road user charges collection, investigation and enforcement	17,002	18,514	16,485
Refund of fuel excise duty	429	429	441
Administration of the SuperGold cardholders scheme	95	95	46
	22,668	24,726	68,810
REVENUE FROM THE NATIONAL LAND TRANSPORT FUND			
Management of the funding allocation system	28,838	29,000	29,371
Transport planning	7,055	7,000	7,668
Sector research	3,194	4,000	5,000
Public transport	2,607	3,268	2,551
Road safety	16,093	17,900	20,389
Maintenance and operation of state highways	9,069	8,735	10,728
	66,856	69,903	75,707
REVENUE FROM OTHER ACTIVITIES			
Licensing and regulatory compliance	71,326	68,654	71,373
Road tolling	5,843	6,000	5,544
Motor vehicle registry	54,295	52,773	5,650
Sector research	0	0	2
New infrastructure for and renewal of state highways	0	0	450
Maintenance and operation of state highways	2,837	964	1,166
	134,302	128,392	84,185
TOTAL INCOME	223,826	223,021	228,702

	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
EXPENDITURE			
OPERATING ACTIVITIES			
Management of the funding allocation system	731	775	0
Licensing and regulatory compliance	70,612	70,729	74,043
Road tolling	5,272	5,971	5,388
Motor vehicle registry	51,795	53,309	56,926
Road user charges collection, investigation and enforcement	16,016	18,773	16,897
Refund of fuel excise duty	461	429	501
Administration of the SuperGold cardholders scheme	95	95	46
	144,982	150,081	153,802
OPERATING ACTIVITIES (NATIONAL LAND TRANSPORT PROGRAMME)			
Management of the funding allocation system	28,838	29,000	29,891
Transport planning	7,055	7,000	7,668
Sector research	3,194	4,000	3,858
Public transport	2,607	3,268	2,551
Road safety	16,093	17,900	20,390
New and improved infrastructure for state highways	32,525	31,165	29,770
Renewal of state highways	9,815	8,735	10,728
Maintenance and operation of state highways	9,069	8,735	10,728
	109,196	109,803	115,583
OPERATING ACTIVITIES (BUSINESS UNITS)			
Maintenance and operation of state highways	1,173	865	1,202
Expenses relating to the delivery of outputs	255,351	260,749	270,587
Expenses relating to the merger	924	1,077	1,471
Total expenditure	256,274	261,826	272,058
STATE HIGHWAY NETWORK			
Less capitalised expenditure	(42,340)	(39,900)	(40,497)
Total expenditure	213,934	221,926	231,561
NET SURPLUS/(DEFICIT)	9,892	1,095	(2,859)

Movement of operations net surplus/(deficit) to equity

This table shows the net result of the Transport Agency's operations. The net surplus/(deficit) is separated into three retained funds based on the source of funding:

- › *Retained funds – NZ Transport Agency operations* refers to Crown funded (excluding the driver test subsidy), contracted services, non third party fees and charges activities and expenses relating to the merger.
- › *Memorandum account – other fees and charges* refers to activities funded from fees and charges.
- › *Retained funds – National Land Transport Programme* refers to activities that are funded from the National Land Transport Fund.

Movement of operations net surplus/(deficit) to equity	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Retained funds – NZ Transport Agency operations	30,863	30,903	76,213
Retained funds – National Land Transport Programme	66,856	69,903	76,157
Memorandum account – other fees and charges	126,107	122,215	76,332
	223,826	223,021	228,702
EXPENDITURE			
Retained funds – NZ Transport Agency operations	28,585	31,764	79,664
Retained funds – National Land Transport Programme	66,856	69,903	75,085
Memorandum account – other fees and charges	118,494	120,258	76,812
	213,934	221,926	231,561
NET SURPLUS/(DEFICIT)			
Retained funds – NZ Transport Agency operations	2,278	(861)	(3,451)
Retained funds – National Land Transport Programme	0	0	1,072
Memorandum account – other fees and charges	7,613	1,956	(480)
NET SURPLUS/(DEFICIT)	9,892	1,095	(2,859)

INVESTMENT IN LAND TRANSPORT			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
REVENUE FROM THE NATIONAL LAND TRANSPORT FUND			
Transport planning	6,383	13,000	17,420
Public transport	284,925	306,732	265,468
Road safety	11,499	14,100	20,451
New and improved infrastructure for local roads	152,562	165,000	137,000
Renewal of local roads	204,410	228,000	185,000
Maintenance and operation of local roads	279,379	298,000	275,000
Walking and cycling	8,449	13,000	7,000
New infrastructure for and renewal of state highways	505,821	433,227	432,875
Maintenance and operation of state highways	333,141	316,265	353,431
Total income	1,786,569	1,787,324	1,693,645
EXPENDITURE			
INVESTMENT IN LAND TRANSPORT			
Transport planning	6,383	13,000	14,946
Public transport	282,343	306,732	246,847
Road safety	11,499	14,100	20,708
New and improved infrastructure for local roads	152,562	165,000	110,132
Renewal of local roads	204,410	228,000	188,227
Maintenance and operation of local roads	279,379	298,000	292,639
Walking and cycling	8,449	13,000	11,708
Rail and coastal freight	0	0	72
New and improved infrastructure for state highways	960,034	961,051	858,526
Renewal of state highways	165,194	186,265	189,003
Maintenance and operation of state highways	333,141	316,265	333,914
Interest on borrowings	4,098	3,575	5,326
	2,407,492	2,504,988	2,272,047
STATE HIGHWAY NETWORK			
State highway depreciation	441,526	412,180	423,660
State highway asset write-off	7,480	17,500	8,870
Less capitalised expenditure	(1,125,215)	(1,147,316)	(1,046,529)
	(676,209)	(717,636)	(613,999)
Total expenditure	1,731,283	1,787,352	1,658,048
NET SURPLUS/(DEFICIT)	55,286	(28)	35,597

SPECIFIC PROJECTS FUNDED BY THE CROWN			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
REVENUE FROM THE CROWN			
Reinstatement of local roads in Canterbury	26,200	91,000	45,000
Canterbury transport project	0	0	5,000
Regional development transport funding	0	0	2,000
Enhanced public transport concessions for SuperGold cardholders	22,755	21,305	21,339
Passing opportunities on SH2 between Napier and Gisborne	150	0	0
Total income	49,105	112,305	73,339
EXPENDITURE			
Reinstatement of local roads in Canterbury	35,019	91,000	36,106
Canterbury transport project	0	0	5,000
Regional development transport funding	0	0	2,256
Enhanced public transport concessions for SuperGold cardholders	22,363	21,305	21,339
Passing opportunities on SH2 between Napier and Gisborne	150	0	0
National War Memorial Park	15,000	0	0
	72,532	112,305	64,701
STATE HIGHWAY NETWORK			
Less capitalised expenditure	(15,000)	0	0
Total expenditure	57,532	112,305	64,701
NET SURPLUS/(DEFICIT)	(8,427)	0	8,638

This supplementary information does not form part of the Transport Agency's audited financial statements.

NATIONAL LAND TRANSPORT PROGRAMME

The National Land Transport Programme outlines a three-year programme of funding for land transport infrastructure and services throughout the country. The Transport Agency develops the National Land Transport Programme based on the policy direction in the Land Transport Management Act and the Government Policy Statement On Land Transport Funding (and regional priorities).

The following table shows the movements in the National Land Transport Programme balance for the first year of the programme.

NATIONAL LAND TRANSPORT PROGRAMME			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Capital contribution from National Land Transport Fund	605,073	707,564	573,356
Revenue from the National Land Transport Fund	1,818,900	1,836,000	1,744,477
Revenue from the NLTF (rental and interest income)	34,525	21,227	24,875
Revenue from state highway disposals	60,771	50,000	20,403
Revenue from other activities	0	0	450
Total income for the National Land Transport Programme	2,519,270	2,614,791	2,363,561
EXPENDITURE			
Transport planning	13,438	16,000	22,614
Road safety	27,592	32,000	41,097
Walking and cycling	8,449	13,000	11,708
Public transport	284,950	300,000	249,398
Maintenance and operation of local roads	279,379	285,000	292,639
Maintenance and operation of state highways	342,210	329,000	344,642
Renewal of local roads	204,410	234,000	188,227
Renewal of state highways	175,009	210,000	199,731
New and improved infrastructure for local roads	152,562	160,000	110,132
New and improved infrastructure for state highways	992,559	1,010,000	888,295
Sector research	3,194	5,000	3,858
Management of the funding allocation system	28,838	29,000	29,891
Rail and sea freight	0	0	72
Interest on borrowing	4,098	0	5,326
Total expenditure	2,516,687	2,623,000	2,387,629
CARRY OVER INTO NEXT YEAR	2,582	(8,209)	(24,068)
Loan to local authority	0	0	28,340
Public transport infrastructure - automated fare collection system	(2,582)	0	(4,272)
Opening balance	0	0	0
CLOSING BALANCE AT THE END OF THE YEAR	0	(8,209)	0

This supplementary information does not form part of the Transport Agency's audited financial statements.

LAND TRANSPORT MANAGEMENT (ROAD TOLLING SCHEME)

This supplementary information has been provided to fulfil section 17 of the Land Transport Management (Road Tolling Scheme for ALPUR T B2) Order 2005.

The Northern Gateway Toll Road was officially opened on 24 January 2009, bringing about a safer and more reliable journey between Auckland and Northland. In the year to 30 June 2013, 5.4 million trips were made on the toll road. In addition to this, another 2.1 million trips have been made via the now less congested alternate free route, State Highway 17.

Toll tariffs

The toll tariffs are now set at \$2.20 for light vehicles (3.5 tonnes and under) and motorcycles, and \$4.40 for heavy vehicles (over 3.5 tonnes). There is no cost for towing a trailer or caravan.

Toll revenue

The toll tariff consists of three parts: revenue, transaction charge and GST. Toll revenue is the portion of the tariff used to repay the debt, while the transaction charge element provides funding towards the operation costs (of running tolling). For a \$2.20 toll this is \$1.21 and \$0.70 respectively. The remaining \$0.29 is GST. Over \$7.1 million of toll revenue has been paid to the Ministry of Transport for the period ending 30 June 2013, for debt repayment.

TRAFFIC VOLUMES FOR THE YEAR ENDED 30 JUNE 2013

Class of motor vehicle	Actual 2012/13 000	Budget 2012/13 000	Actual 2011/12 000
Light vehicle	4,958	4,847	4,773
Heavy vehicle	392	392	381
Exempt	19	21	19
Unidentifiable	12	12	11
Technical loss	31	12	14
TOTAL	5,412	5,284	5,198

TOLL REVENUE (PORTION DESIGNATED FOR REPAYMENT OF DEBT) FOR THE YEAR ENDED 30 JUNE 2013

	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
PAID TOLL			
Light vehicle	5,856	5,634	5,266
Heavy vehicle	1,212	1,223	1,105
Interest	47	41	43
TOTAL FUNDS AVAILABLE	7,115	6,898	6,414
OUTSTANDING DEBTOR BALANCE AS AT 30 JUNE			
Unpaid toll revenue to be collected for the Ministry of Transport	148		142
Unpaid operating charge to be collected	82		79
Unpaid administration charges to be collected	317		329
GST to be collected	82		82
TOTAL OUTSTANDING DEBTOR BALANCE AS AT 30 JUNE	629		632

USE OF TOLL ROAD AND ALTERNATIVE ROUTE(S) FOR THE YEAR ENDED 30 JUNE 2013

	Actual 2012/13 %		Actual 2011/12 %
Northern Gateway Toll Road (SH 1)	79.0%		71.4%
Free alternative route(s) (SH 16 or 17)	21.0%		28.6%
TOTAL	100.0%		100.0%

COMPLIANCE WITH TOLLING FOR THE YEAR ENDED 30 JUNE 2013				
	Volumes Actual 2012/13 000	Revenue Actual 2012/13 \$000	Volumes Actual 2011/12 000	Revenue Actual 2011/12 \$000
Total chargeable toll trips	5,350	12,631	5,154	11,423
Total administration charges	n/a	2,212	n/a	2,243
TOTAL TOLL REVENUE	5,350	14,843	5,154	13,666
Paid toll trips	5,190	12,267	4,981	11,051
Paid administration charges	n/a	1,730	n/a	1,681
PAID TOLL REVENUE	5,190	13,997	4,981	12,732
Unpaid toll trips	160	364	173	372
Unpaid administration charges	n/a	482	n/a	562
UNPAID TOLL REVENUE	160	846	173	934
Administration charge payment compliance	n/a	78.2%	n/a	74.9%
Toll payment compliance	97.0%	97.1%	96.6%	96.7%

Financial statements for tolling

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
INCOME			
Toll fees	5,839	6,032	5,540
Total income	5,839	6,032	5,540
Expenditure	5,268	5,971	5,383
NET SURPLUS/(DEFICIT)	571	61	157

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
ASSETS			
Current assets	8,399	9,039	5,951
Non-current assets	2,677	2,678	3,298
TOTAL ASSETS	11,076	11,717	9,249
Liabilities	4,922	6,074	5,236
NET ASSETS/EQUITY	6,154	5,643	4,013

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013			
	Actual 2012/13 \$000	Budget 2012/13 \$000	Actual 2011/12 \$000
Net cash from operating activities	7,237	7,689	7,123
Net cash from investing activities	0	0	0
Net cash from financing activities	(7,063)	(6,801)	(6,237)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	174	888	886
Cash and cash equivalents at the beginning of the year	4,784	4,784	3,898
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4,958	5,672	4,784

This supplementary information does not form part of the Transport Agency's audited financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

TO THE READERS OF NEW ZEALAND TRANSPORT AGENCY'S FINANCIAL STATEMENTS AND NON FINANCIAL PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2013

The Auditor General is the auditor of New Zealand Transport Agency (the Transport Agency). The Auditor General has appointed me, Kelly Rushton, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and non financial performance information of the Transport Agency on her behalf.

We have audited:

- the financial statements of the Transport Agency on pages 114 to 142, that comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the non financial performance information of the Transport Agency that comprises the statement of service performance on pages 70 to 109 and the report about impacts on pages 36 to 38.

OPINION

In our opinion:

- the financial statements of the Transport Agency on pages 114 to 142:
 - › comply with generally accepted accounting practice in New Zealand; and
 - › fairly reflect the Transport Agency's:
 - financial position as at 30 June 2013; and
 - financial performance and cash flows for the year ended on that date.
- the non financial performance information of the Transport Agency on pages 70 to 109 and 36 to 38:
 - › complies with generally accepted accounting practice in New Zealand; and
 - › fairly reflects the Transport Agency's service performance and impacts for the year ended 30 June 2013, including for each class of outputs:
 - its service performance compared with forecasts in the statement of forecast service performance at the start of the financial year; and
 - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 25 September 2013. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities, and we explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and non financial performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and non financial performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and non financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Transport Agency's financial statements and non financial performance information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Transport Agency's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the appropriateness of the reported non financial performance information within the Transport Agency's framework for reporting performance;
- the adequacy of all disclosures in the financial statements and non financial performance information; and
- the overall presentation of the financial statements and non financial performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and non financial performance information. Also we did not evaluate the security and controls over the electronic publication of the financial statements and non financial performance information.

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for preparing financial statements and non financial performance information that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the Transport Agency's financial position, financial performance and cash flows; and
- fairly reflect its service performance and impacts.

The Board is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and non financial performance information that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the publication of the financial statements and non financial performance information, whether in printed or electronic form.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Land Transport Management Act 2003.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and non financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001, the Crown Entities Act 2004 and section 11(3) of the Land Transport Management Act 2003.

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit we have carried out probity assurance assignments. Other than the audit and these assignments, we have no relationship with or interests in the Transport Agency.



K M Rushton

Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

PUTTING THE SCRUTINY PRINCIPLE INTO PRACTICE

Report on the implementation of systems and procedures to give effect to the scrutiny principle for the period 1 July 2012 to 30 June 2013.

BACKGROUND

The Land Transport Management Act (LTMA) 2003 provides for an operating principle for the NZ Transport Agency, namely, that it must:

...ensure that... it gives, when making decisions in respect of planning and funding under subpart 1 of part 2, the same level of scrutiny to its own proposed activities and combinations of activities as it would to those proposed by approved organisations (section 96(1) d).

The NZ Transport Agency is required to do a number of things in relation to this principle including developing systems and procedures to enable it to give effect to the scrutiny principle, and include a report on its implementation of the systems and procedures in its annual report.

SYSTEMS AND PROCEDURES

The NZ Transport Agency has set up a number of systems and procedures to give effect to the scrutiny principle. Three sets of procedures have been developed to ensure compliance: operational procedures, to ensure individual decisions apply the appropriate level of scrutiny; managerial procedures, to oversee the application of the scrutiny principle; and monitoring/reporting procedures, to confirm the operational procedures are followed and the scrutiny principle has been properly applied.

The operational procedures enable employees and Board members of the NZ Transport Agency to know when and how to comply with the principle in relation to individual decisions, including:

- following the same procedure for similar types of activities
- applying equivalent evaluation criteria
- requiring an equivalent level of information
- applying the same level of rigour to the analysis
- applying the same level of tolerance to cost estimate rigour
- staff with equivalent seniority and experience involved with equivalent decisions.

IMPLEMENTATION

The NZ Transport Agency has published its approach to giving effect to the scrutiny principle on its website page titled 'The scrutiny principle' (<http://www.nzta.govt.nz/planning/what-funding/scrutiny-principle.html>).

This page also lists the systems and procedures it has in place to apply the scrutiny principle and provides links to documentation – the procurement manuals and the Planning and Investment Knowledge Base where the systems and procedures are set out in detail. Monitoring of the webpage during 2013 indicates the page is accessed on average 15 times a month (2012: 15).

A further link on this page links to a webpage that lists all the funding decisions the NZ Transport Agency has made since August 2008 (prescribed date in the legislation is 1 October 2008) <http://www.nzta.govt.nz/planning/what-funding/board-decisions/index.html>. The page is updated monthly once the previous month's decisions have been confirmed. Monitoring of the webpage during 2013 indicates the page is accessed on average 136 times a month (2012: 352).

The key system used by the NZ Transport Agency was the web-based Transport Investment Online (TIO) system and is used to manage the National Land Transport Programme. It contains all the activities proposed for funding and sets out for all applicants, both approved organisations and the NZ Transport Agency for its own activities, the information required for the assessment and evaluation of the activities for funding. The system also records the decisions made by the NZ Transport Agency including any conditions applied to the funding. The system is transparent. Every approved organisation can see the details of their proposals, the NZ Transport Agency's recommendations and decisions and those of any other approved organisation and the NZ Transport Agency. This effectively provides assurance that the requirements placed on any one approved organisation can be compared against others.

A number of different monitoring procedures are in place to provide quality assurance to the NZ Transport Agency Board that employees and members are complying with the principle. These include:

- management reviews and checking of assessments/decisions
- audits conducted on both NZ Transport Agency and approved organisation projects by the investment monitoring team
- periodic, risk based review of the performance of procedures by the internal audit team. Results from this work are reported to the NZ Transport Agency's Audit, Risk and Assurance Committee. The Secretary for Transport is an advisor to this committee and attends the meetings
- Audit New Zealand review as required to verify this report.

INDEPENDENT REVIEW REPORT OF THE AUDITOR-GENERAL

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

TO THE READERS OF THE NEW ZEALAND TRANSPORT AGENCY'S REPORT ON THE IMPLEMENTATION OF SYSTEMS AND PROCEDURES TO GIVE EFFECT TO THE "SCRUTINY" PRINCIPLE

We have completed a review of the report by the New Zealand Transport Agency on the implementation of systems and procedures to give effect to the "scrutiny" principle, for the period 1 July 2012 to 30 June 2013.

The Auditor General is the auditor of the New Zealand Transport Agency. The Auditor General has appointed me, Kelly Rushton, using the staff and resources of Audit New Zealand, to carry out the review on her behalf.

CONCLUSION

- › Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the report by the New Zealand Transport Agency on the implementation of systems and procedures to give effect to the "scrutiny" principle, on page 153, for the period 1 July 2012 to 30 June 2013 is not fairly stated.
- › Our review was completed on 25 September 2013, and is the date at which our conclusion is expressed.
- › The basis of our review conclusion is explained below. In addition, we outline the responsibilities of the Board of the New Zealand Transport Agency and the Auditor, and explain our independence.

BASIS OF CONCLUSION

We carried out our review in accordance with International Standard on Assurance Engagements (New Zealand) 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

Our review involved obtaining sufficient and appropriate evidence and explanations from the New Zealand Transport Agency personnel to be able to conclude whether any matters have come to our attention to indicate that the information presented in the report has not been fairly stated.

Our review was limited primarily to enquiries of the New Zealand Transport Agency personnel, and reading the report to assess whether the information therein was consistent with our understanding of the New Zealand Transport Agency's systems and procedures, as obtained during our annual audit of the New Zealand Transport Agency.

RESPONSIBILITIES OF THE BOARD OF THE NEW ZEALAND TRANSPORT AGENCY AND THE AUDITOR

The Board is responsible for preparing a report on the implementation of systems and procedures to give effect to the "scrutiny" principle, pursuant to section 96(2)(b) of the Land Transport Management Act 2003. The New Zealand Transport Agency's report is required to be included in its annual report.

Section 96(3) of the Land Transport Management Act 2003 requires the Auditor General to report on the New Zealand Transport Agency's report on the implementation of the systems and procedures to give effect to the "scrutiny" principle.

INDEPENDENCE

When carrying out the review we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

In addition to the audit we have carried out probity assurance assignments. Other than the audit and these assignments, we have no relationship with or interests in the Transport Agency.



K M Rushton

Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

NATIONAL LAND TRANSPORT FUND ANNUAL REPORT

Provided to the Minister of Transport and presented to the House of Representatives pursuant to section 11 of the Land Transport Management Act 2003 and section 150 of the Crown Entities Act 2004

**FOR THE YEAR ENDED
30 JUNE 2013**



CONTENTS

SECTION

A

NLTF
OVERVIEW

158

Chair's
report

158

Chief
Executive's
report

159

2012/13 NLTF
investment
performance
at a glance

160

Overview of
the land
transport
investment
system

163

Investment
strategy

164

Progress on
the 2012-15
National Land
Transport
Programme
(NLTP)

166

Significant
activity class
actuals versus
budget for the
2012-15 NLTP
- as at 30 June
2013

171

Regional NLTF
investment
highlights

186

Looking
forward

SECTION

B

STATEMENT
OF SERVICE
PERFORMANCE

188

Statement of
responsibility

189

Summary of
National Land
Transport Fund
investment
performance

190

Road Policing
Programme

193

Appendix 1:
Statement
of service
performance
- financials

SECTION

C

STATEMENT
OF FINANCIAL
PERFORMANCE

195

Financial
statements

197

Notes to the
financial
statements

203

Independent
auditor's report

SECTION A:
NLTF
OVERVIEW



CHAIR'S REPORT

The 2012/13 annual report for the National Land Transport Fund provides information on how the fund has been invested by the NZ Transport Agency to create transport solutions for a thriving New Zealand. The National Land Transport Fund receives its revenue from transport users by way of fuel excise duties, road user charges and annual vehicle licensing fees.

The fund is the primary source of central government funding for the development of the land transport system.

This annual report demonstrates how investments of the National Land Transport Fund continue to meet the goals outlined in the Government Policy Statement on Land Transport Funding.



Chris Moller
Chair

CHIEF EXECUTIVE'S REPORT

The 2012/13 National Land Transport Fund annual report provides information on how the fund has been invested in the first year of the three-year 2012-15 National Land Transport Programme.

Throughout the full three-year period, the National Land Transport Programme will target investment in land transport where it is most needed. These investments will reflect a whole-of-life view to ensure that the best transport system is developed for the long-term benefit of New Zealanders.

To make the most of the National Land Transport Fund investments, the NZ Transport Agency and local authorities are increasingly working together on the transport system - to maintain and build improvements to local roads, state highways and public transport and to operate them as an integrated network. The first year success of this National Land Transport Programme reflects the joined-up thinking that comes from working with our transport sector partners and stakeholders.



Geoff Dangerfield
Chief Executive

2012/13 NLTF INVESTMENT PERFORMANCE AT A GLANCE

\$636m

invested in local
road projects

90km

of new and improved
local roads were
completed

\$84m

invested in emergency
reinstatement of
local roads

\$288m

invested in public
transport - 13.8%
higher than in
2011/12

132.7m

passenger boardings
on public transport
received NLTF funding
assistance

\$895m

invested in road
user safety

\$68m

invested in
walking and cycling
facilities

47km

new walking and cycling
facilities were funded
from the NLTF

28,581

crashes were attended
by the Police as part
of the Road Policing
Programme

2.9m

alcohol readings were
taken by the Police as
part of the Road Policing
Programme

\$997m

invested in new
and improved
infrastructure for
state highways

**85
lane km**

of reconstruction and
new roads completed
on the state highway
network

**12.6
lane km**

of bridge replacements
on the state highway
network

\$175m

invested in
renewal of state
highways

11.5%

of sealed state
highway network
resurfaced

\$342m

invested in
maintenance and
operation of state
highways

99%

of the state highway
network meets safe
stopping surface
texture standards

\$56m

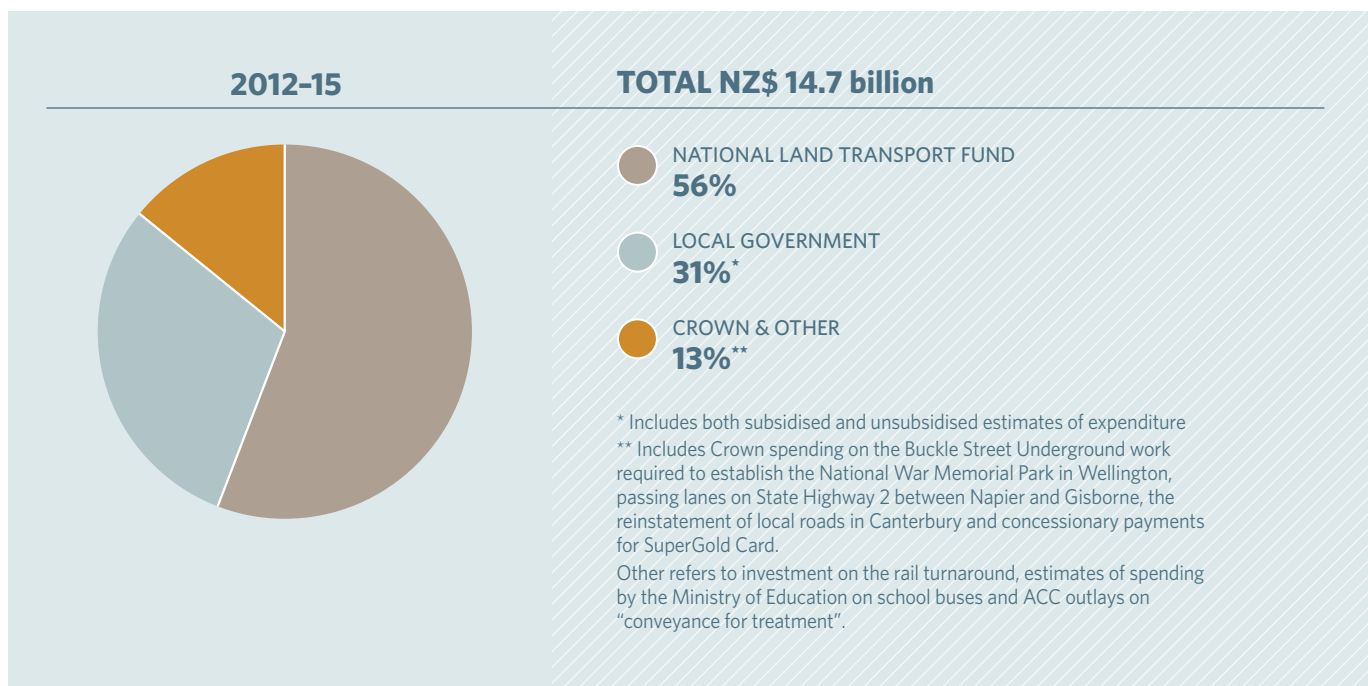
invested in state
highway emergency
reinstatement

OVERVIEW OF THE LAND TRANSPORT INVESTMENT SYSTEM

INVESTMENT IN TRANSPORT

New Zealand's road users primarily fund the country's land transport system through fuel excise duty (petrol tax), charges on diesel and heavy vehicles (road user charges) and vehicle registration and licensing fees. These funds are paid into the National Land Transport Fund to facilitate the government's investment in maintaining and improving land transport networks and services. There are many investors that contribute to providing and using the land transport system such as local authorities that invest on behalf of communities. A significant number of firms and individuals also invest in transport infrastructure (eg subdivision roads) and associated infrastructure. This includes vehicle storage facilities, and other user-based costs such as access charges, parking, taxi and public transport fares.

2012-15 ESTIMATED LAND TRANSPORT PUBLIC SECTOR INVESTMENT



CHANGES IN THE ENVIRONMENT

Our economy has outperformed many of its peers. Although the drought which occurred in the early part of 2013 slowed the pace of economic activity, the economy still managed to post solid growth of 2.5% for the year ending March 2013.

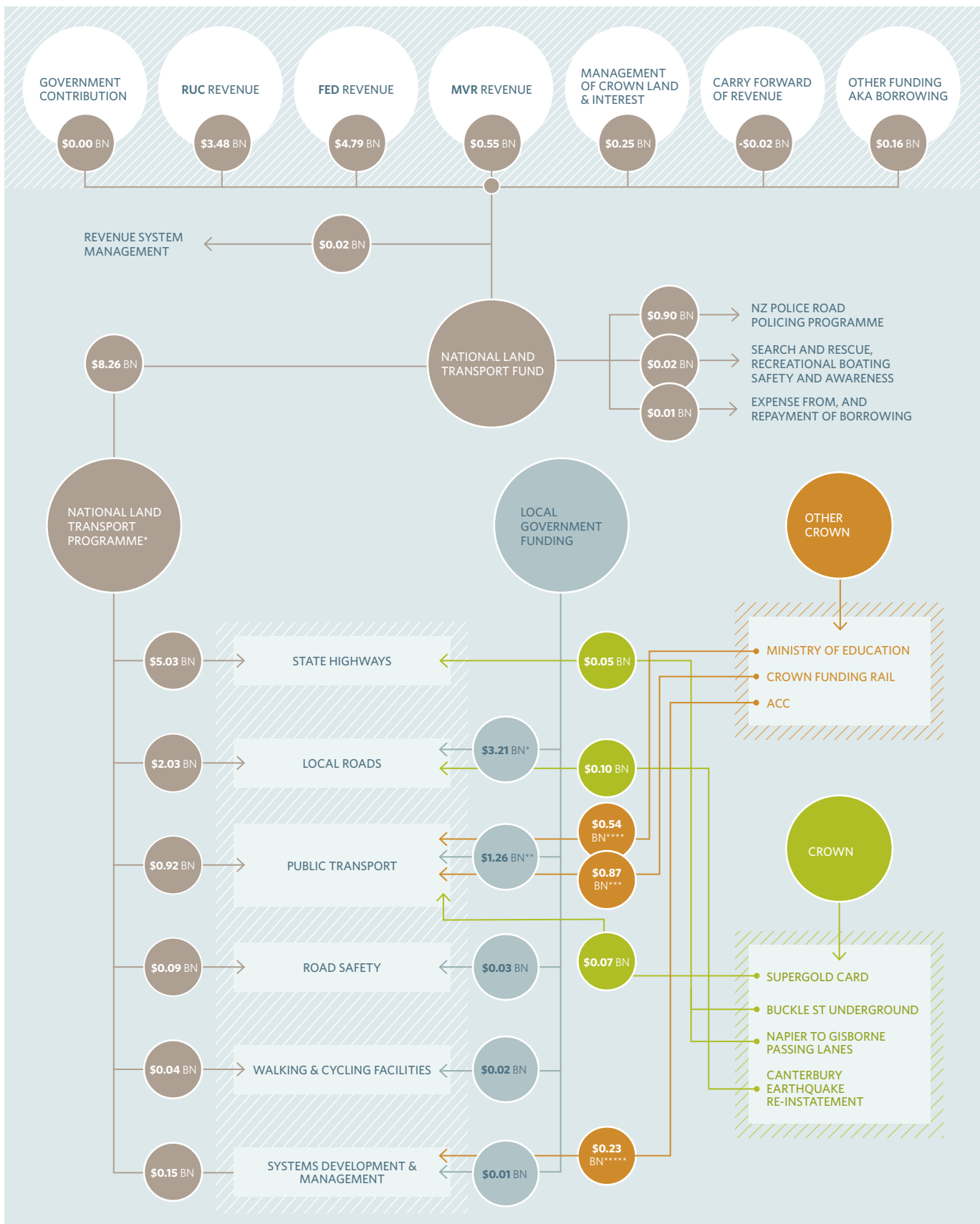
Key contributors include

- an improvement in domestic conditions
- the improving financial position of households
- a continuation of an accommodative monetary policy
- ongoing fiscal prudence
- a buoyant housing market in Auckland
- increasing post-earthquake recovery efforts in Christchurch.

Against this backdrop, revenues flowing into the National Land Transport Fund were up 2.7% for the year ending June 2013 to \$2.764 billion. However, they were also 4% lower than budget.

- Net revenues generated from fuel excise duties were 3.5% higher than recorded for the previous year, but 5% under budget. This performance reflects adjustments to the rate at which excise duties are levied, a 17.7% increase in refunds and relatively flat energy prices which offset the impact of still high unemployment on discretionary private vehicle travel.
- Net revenues generated from road user charges were 1.9% higher than recorded for the previous year, but 5% lower than budget. Contributing factors include little or no growth in vehicle kilometres travelled by heavy vehicles, a 1.8% increase in average weight carried by heavy vehicles and changes in purchasing behaviour following the introduction of the new system of road user charges.
- Net revenues generated from motor vehicle registrations were marginally down on the previous year, but up 7% on budget. This reflects a trend to shorter frequency purchases, and ongoing affordability issues for some vehicle owners.

FUNDING FOR 2012-15 NATIONAL LAND TRANSPORT PROGRAMME



* Made of a subsidised amount of NZ\$1.63bn plus an unsubsidised estimate of NZ\$1.58bn
 ** Made of a subsidised amount of NZ\$0.74bn plus an unsubsidised estimate of NZ\$0.52bn
 *** Rail Funding for Kiwirail turnaround plan of NZ\$0.87bn
 **** Ministry of Education spending on school buses amounts to about \$0.18bn per annum
 ***** Estimated ACC expenditure of NZ\$0.08bn per annum

NOTE: An estimated NZ\$0.2bn of additional spending in Walking & Cycling facilities is included as an investment in State Highways, Local Roads, Road Safety and Systems Development & Management

INVESTMENT STRATEGY

The Transport Agency's Investment and Revenue Strategy sets out the prioritisation framework that is used to develop and manage the National Land Transport Programme. It provides the framework to give effect to the Government Policy Statement on Land Transport Funding (GPS).

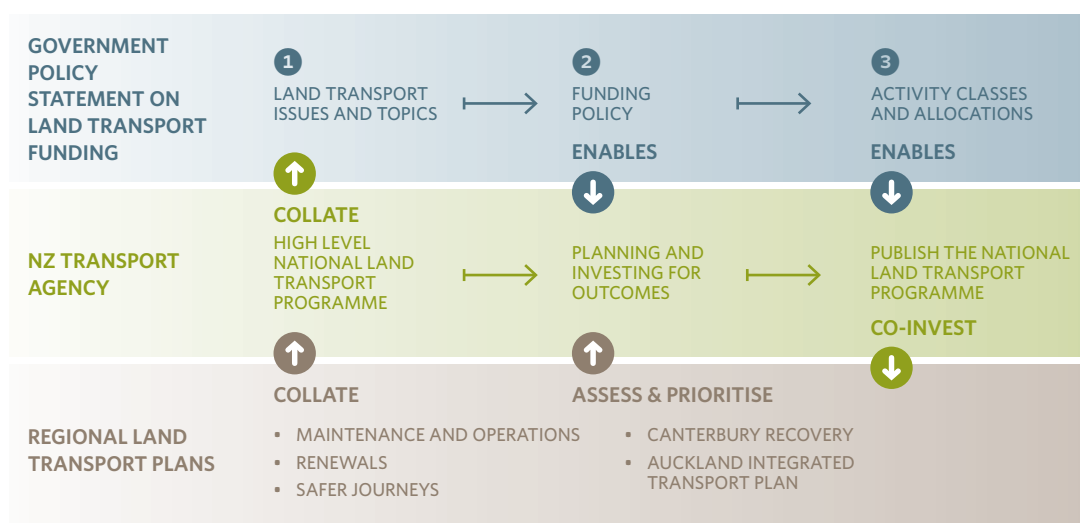
The GPS is issued by the Minister of Transport.

The GPS identifies the key land transport issues for planning and funding from a central government perspective.

It specifies funding policy for the National Land Transport Fund and how the National Land Transport Fund should be divided among activity classes to achieve the objectives sought by government for land transport

Our planning and investing for outcomes approach translates between activity levels described by funding levels in the GPS and outcomes sought through our direct investment on state highways and co-investment with local government and others.

GOVERNMENT POLICY STATEMENT



The Investment and Revenue Strategy ensures that the Transport Agency invests in the right activities that have the greatest potential to support a thriving New Zealand. It enables us to be a 'smart investor' in the following ways:

- The strategic fit test ensures we prioritise investment that provides the economic growth, productivity and safety impacts of the GPS.
- The effectiveness test ensures that those activities are delivered in the way that has the greatest impact.
- The efficiency test ensures that those activities are delivered at the best possible whole-of-life cost.

The Investment and Revenue Strategy prioritises National Land Transport Programme investment towards:

- the Safer Journeys road safety strategy (including the adoption of a Safe System approach) and reducing deaths and serious injuries
- relieving congestion in major urban areas and improving journey time reliability
- optimisation of the land transport network and services

- key tourism and freight routes, including those for high productivity motor vehicles
- transport planning, research and training investment that makes the greatest contribution to priorities in other activity classes and those above
- encouraging integrated planning approaches.

In 2012/13 we revised the revenue part of the strategy:

- Public Private Partnerships will be considered as a procurement approach for state highway improvements when it can offer greater value for money than would be expected under a conventional procurement approach.
- The updated approach to state highway tolling requires that all new state highway road links are evaluated for their suitability for tolling. That includes continuing to provide net financial and economic benefits.

For information on the contributions output classes have to the impacts contained in the GPS, refer to page 96.

PROGRESS ON THE 2012-15 NATIONAL LAND TRANSPORT PROGRAMME

OVERVIEW OF THE 2012/13 INVESTMENT PORTFOLIO

In the year to 30 June 2013, National Land Transport Fund (NLTF) investment through the published 2012-15 National Land Transport Programme (NLTP) was \$2,805 million. Measured against the initial phasing of the NLTP, we are currently \$116 million or 4% behind programme. The end of 2012-15 NLTP position is expected to be down 1% against the published NLTP.

State highway network

Investment in the new and improved infrastructure for state highways output class amounted to \$993 million in 2012/13, around 2% behind plan, and is on target to achieve the published 2012-15 NLTP in the three-year period. A number of high profile nationally significant projects have advanced:

- Replacement of the Newmarket viaduct.
- Western Ring Route: Significant progress has been made in the construction of the Waterview Connection (SH20) and the Lincoln Road Interchange (SH16). The tunnel boring machine for the Waterview tunnel section of the SH20 extension was delivered to site.
- Waikato Expressway: The Te Rapa section was completed and opened to traffic and construction work continues on the Ngaruawahia Bypass section.
- Wellington Northern Corridor is being delivered with Resource Management Act consents for the SH1 MacKays to PekaPeka Expressway – consents for PekaPeka to Ōtaki lodged with the Environmental Protection Authority, and Transmission Gully is being progressed as a Public Private Partnership.
- Christchurch Motorways project: Two sections were opened to traffic – Christchurch Southern Motorway Stage 1 and the Pyne Gould to Avonhead section of the Christchurch Western Corridor.
- Bridge investigations in the upper North Island for the delivery of the high productivity motor vehicle (HPMV) strategic network have been completed. Upgrade work has commenced on two bridges in Northland on State Highway 1.

In addition, another \$461 million was spent on the renewals, maintenance and operation of the state highway network during 2012/13.

This assisted in keeping the state highways available 94% of the time. 11.5% of the sealed network was resurfaced during 2012/13, up from 10% in the previous year.

In excess of \$56 million was spent on emergency works, including the restoration of the Manawatu Gorge route following significant slips.

Local roads

The NLTF invested close to \$400 million in local road renewals, and maintenance and operations (excluding emergency works). This was approximately 7% below the NLTP plan for 2012/13, mainly due to the 13% under-spend on renewals, with routine maintenance and operations expenditure being on plan. The under-spend on renewals is expected to continue through to the end of the 2012-15 NLTP. However, the forecast spend on maintenance and operations will be close to plan. Local authorities have transferred some renewal funds to routine maintenance and operations, and more transfers are being signalled. Reasons for the under expenditure in renewals are local authority decisions to focus more on maintenance and operations, local authorities prioritising other investment areas for local funds and efficiencies, slower than expected progress on programmes and efficiencies in delivering the same work at a lower cost than budgeted.

Local road improvements expenditure was close to the NLTP plan for 2012/13, although this was assisted substantially by the bringing forward of claims for Auckland Transport front-loaded projects (around \$33 million) for early payment. The end of 2012-15 NLTP spend is expected to be below plan by approximately 8%.

Major investments in local roads were:

- continuing development of the Auckland Manukau Eastern Transport Initiative (AMETI)
- the Hamilton Ring Road, including the four-laning of Wairere Drive and Peachgrove, Te Aroha, Ruakura upgrade
- construction of the Lower Hatea River Bridge in Whangarei
- replacement of the Ashley River Bridge in the Waimakariri district
- four-laning of Lake Road in Rotorua
- four-laning of Tara Road, Tauranga.

Emergency works

Emergency works expenditure across local roads and state highways was down approximately 9% on budget. The \$50 million NLTF contribution to the Christchurch earthquake rebuild was fully spent. The under-spend represents slower reinstatement than expected. At this stage, the under-spend is assumed to continue, acknowledging that the actual spend at the end of the NLTP will depend on claims received for weather events and seismic activity in the remaining two years.

In addition to the NLTF investment, around \$65 million of central government funding was contributed to the reinstatement of damaged roads in Christchurch in the 2012/13 NLTP year.

Public transport infrastructure

Investment in public transport infrastructure projects was prioritised and targeted to activities and areas that maximised our investment return, in particular Auckland, where there is a need for greater focus on relieving severe congestion and enabling economic growth. Public transport infrastructure spend was around 35% above plan for 2012/13 as a result of the cost-scope increase for the Auckland integrated fares project. Key investments in this activity class included:

- Auckland integrated fare system construction/implementation
- real-time system extension (Auckland passenger rail)
- Auckland Manukau Eastern Transport Initiative (AMETI) package (stage 1)
- Manukau City rail link construction
- Mount Albert station construction.

Public transport services

During the year, the NLTF invested \$243 million across all regional networks in public transport services and operations. This expenditure on public transport services was about 8% lower than the 2012/13 plan and largely represents lower than expected costs of approved organisations in delivering their services. The majority of this investment, close to 90%, was in Auckland, Wellington and Christchurch where the majority of the services and related costs are targeted at assisting in relieving severe congestion. Much of the increase in expenditure is the result of additional investment in services in Auckland, passenger rail operational related costs in Auckland and Wellington, and operating costs associated with implementing and running Auckland's integrated ticketing system.

As well as an increase in the level of our investment, public transport patronage has increased by 0.3 million to 132.7 million during the year across the country. The level of this increase was affected by recovery in Christchurch following the earthquake on 22 February 2011, and minimal patronage movement across the majority of other networks.

Road safety

During the year the NLTF invested \$28 million in local government programmes and in nationally delivered advertising and education activities that increase the safe and efficient use of the land transport system. The greatest proportion of spend in 2012/13 was on alcohol and drug impaired driving risks, followed by younger drivers, speeding and cycling safety.

Walking and cycling

Initial delivery of walking and cycling infrastructure against plan is disappointing, considering the level of funding approved activities for 2012/13. The most significant expenditure was based in Auckland with the initiation of the large Central Motorway connection and completion of several smaller activities, followed by the New Plymouth and Hastings model communities, and Canterbury. The investment is beginning to demonstrate the long-term benefits of an increase in walking and cycling numbers in the urban centres.

Road Policing Programme

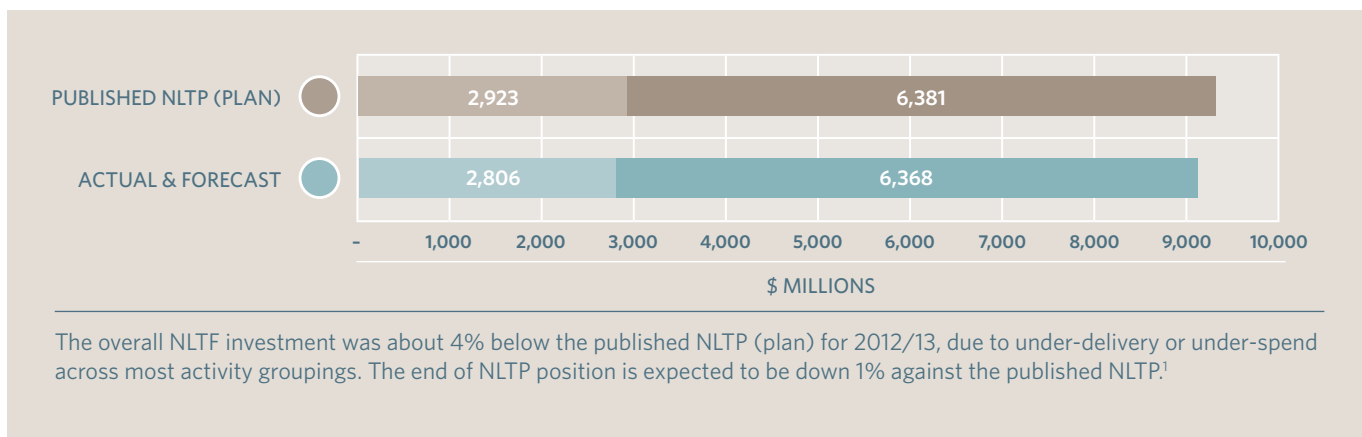
The Road Policing Programme (RPP) achieved all targets and was under-spent by approximately 3% in 2012/13 due to \$10 million being carried forward to the 2013/14 financial year.

A reinvestment programme has been developed to commit these funds to support high value road safety activities.

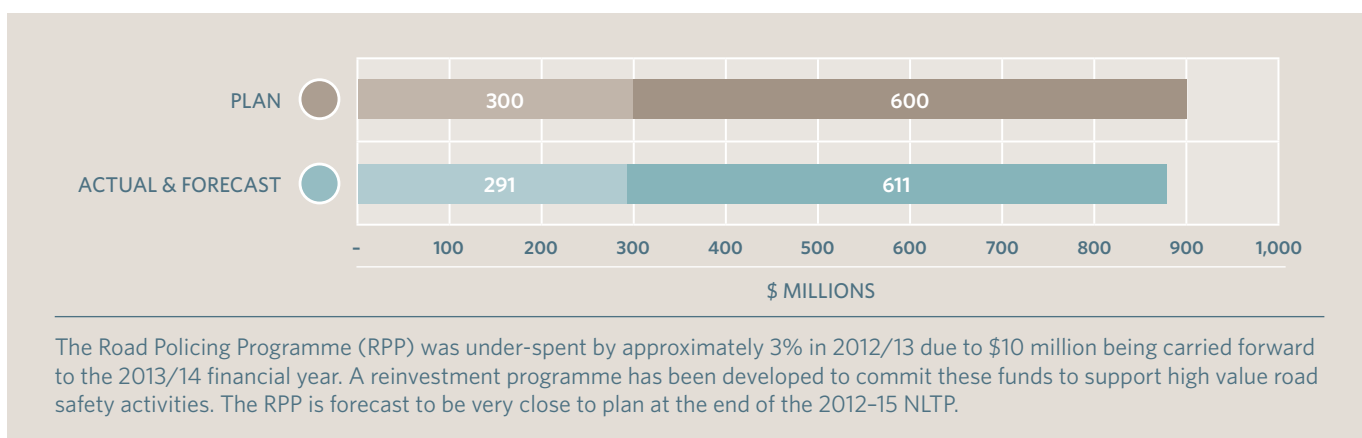
The RPP is forecast to be very close to plan at the end of the 2012-15 NLTP.

SIGNIFICANT ACTIVITY CLASS ACTUALS VERSUS BUDGET FOR THE 2012-15 NATIONAL LAND TRANSPORT PROGRAMME AS AT 30 JUNE 2013

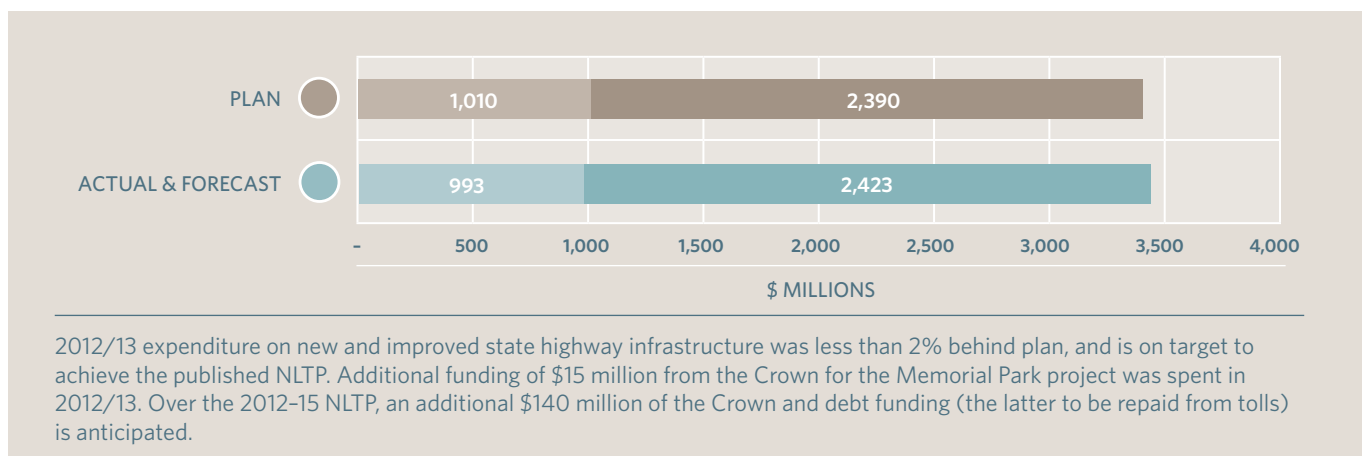
OVERALL



ROAD POLICING

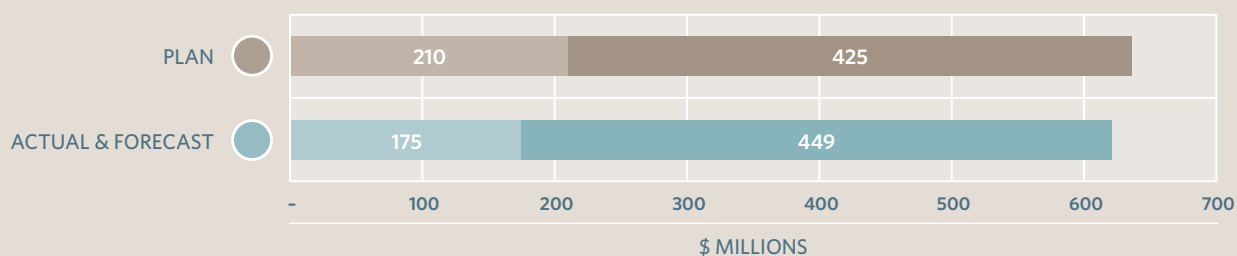


STATE HIGHWAY NEW AND IMPROVED INFRASTRUCTURE



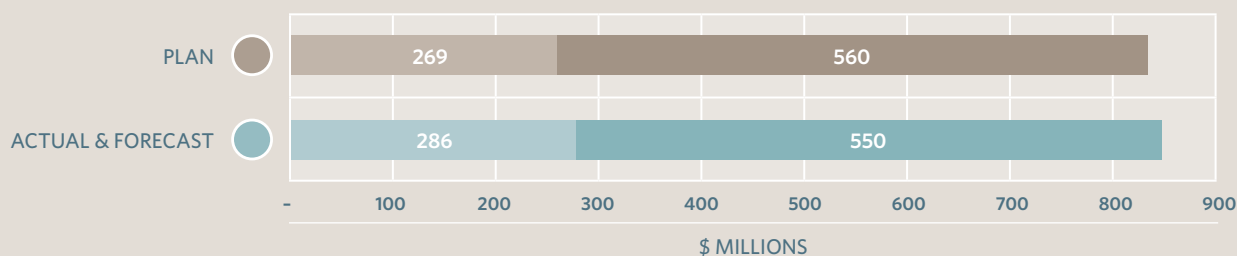
¹ For the NLTF contribution to the NLTP the final overall spend in the 2012-15 NLTP will be dependent on revenue flows into the NLTF. As at August 2013, actual revenue appears to be tracking the April 2013 forecast, but this is lower than the revenue forecast at the time the decision was made to increase fuel excise duty (FED) and road user charges (RUC) by three cents per litre for three years from 2013/14.

STATE HIGHWAY RENEWALS



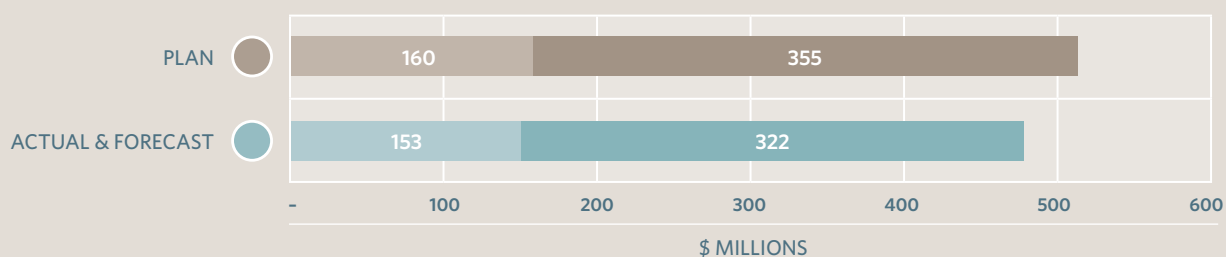
2012/13 expenditure on state highway renewals was almost 17% less than plan, largely as a result of a greater focus on maintenance and operations during the year. This under-spend is expected to be substantially recovered by the end of the NLTP to bring the overall state highway renewals and maintenance programme into balance.

STATE HIGHWAY MAINTENANCE & OPERATIONS (EXCLUDING EMERGENCY WORKS)



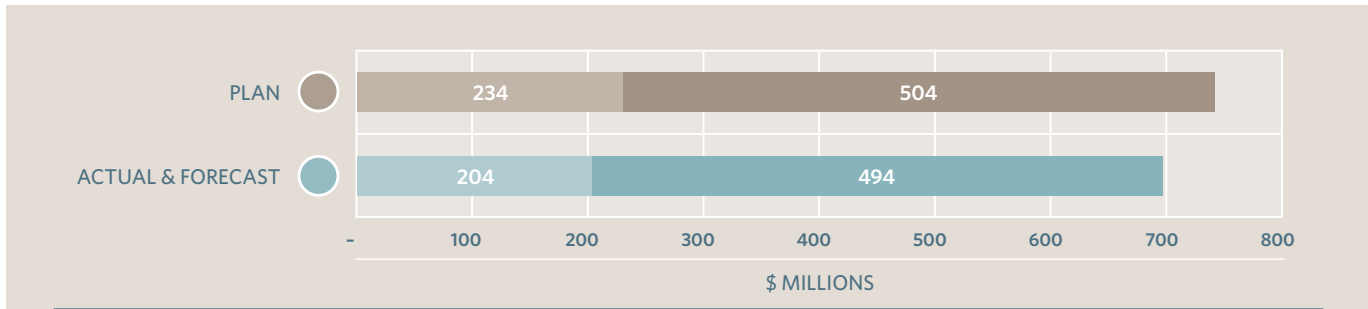
2012/13 expenditure on state highway maintenance and operations was 6% more than plan, but has been offset by the under-spend in state highway renewals. State highway maintenance and operations is forecast to be very close to plan at the end of the 2012-15 NLTP.

LOCAL ROADS NEW & IMPROVED INFRASTRUCTURE



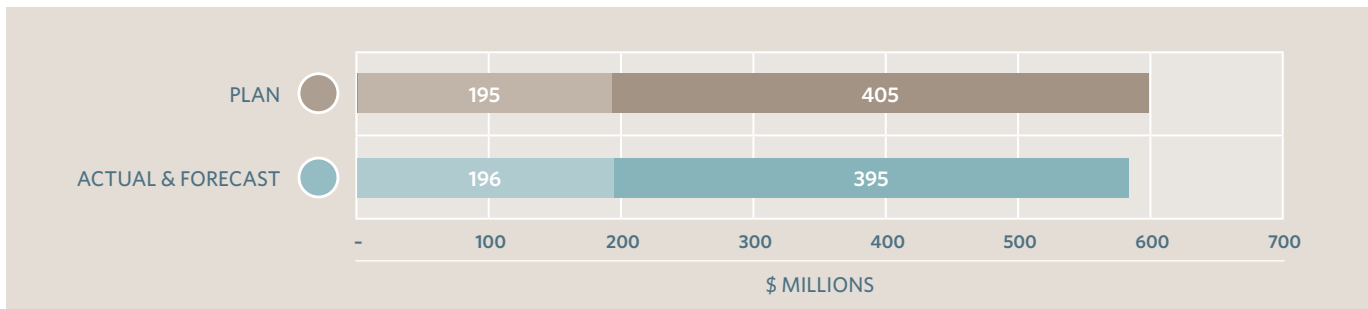
2012/13 expenditure on new and improved local road infrastructure was close to plan, although this was assisted substantially by the bringing forward of claims for Auckland Transport's front-loaded projects (around \$33 million) for early payment. This activity class is expected to be below plan by almost 8% at the end of the 2012-15 NLTP. Approximately \$30 million of funding is earmarked for local road improvements in Christchurch as part of the earthquake rebuild, although some of this may transfer to other activity classes, for example public transport infrastructure.

LOCAL ROADS RENEWALS



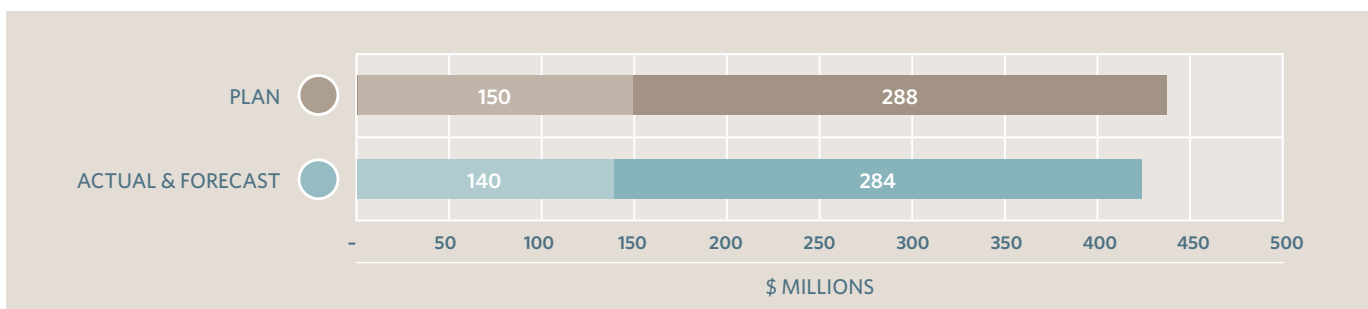
2012/13 expenditure on local road renewals was almost 13% below plan and a similar under-spend is forecast through to the end of the 2012-15 NLTP. Local authorities have transferred some renewals funding to routine maintenance and operations, and more transfers are being signalled. This under spend is caused by a number of factors: decisions to focus more on maintenance and operations; local authorities prioritising other investment areas for local funds and efficiencies; slower than expected progress on programmes; and efficiencies in delivering the same work at a lower cost than budgeted.

LOCAL ROADS MAINTENANCE & OPERATIONS (EXCLUDING EMERGENCY WORKS)



2012/13 expenditure on local road maintenance and operations (excluding emergency works) was very close to plan and this activity class is forecast to continue close to plan through to the end of the 2012-15 NLTP.

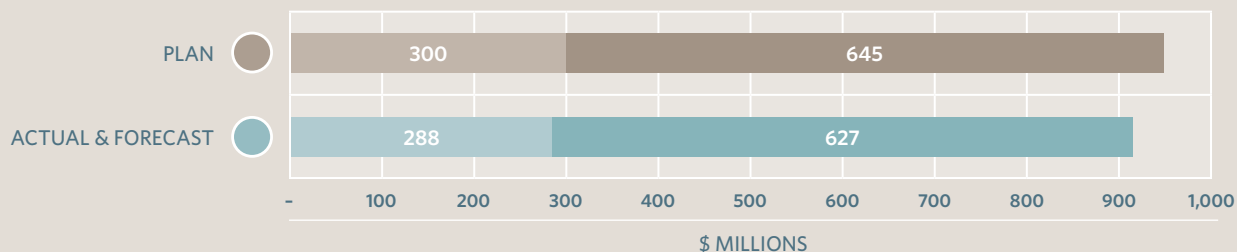
EMERGENCY WORKS (STATE HIGHWAYS AND LOCAL ROADS)



2012/13 expenditure on emergency works across state highways and local roads was almost 7% less than plan. The \$50 million NLTF contribution to the Christchurch earthquake rebuild was fully spent. This under-spend is forecast to carry through to the end of the 2012-15 NLTP. However, actual spend on emergency works will depend on claims received for weather events and seismic activity in the remaining two years.

In addition to the NLTF spend, approximately \$65 million of central government funding will be contributed to the reinstatement of damaged roads in Christchurch in the 2012-15 NLTP period.

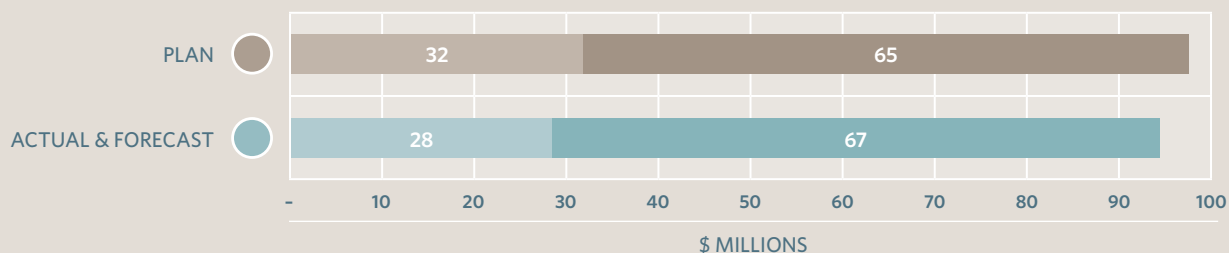
PUBLIC TRANSPORT



Overall, 2012/13 expenditure on public transport services and infrastructure was 4% less than plan. The spend on public transport services was approximately 8% less than plan, largely as a result of approved organisations delivering their services at lower cost. These efficiencies are forecast to continue through to the end of the 2012-15 NLTP. 2012/13 expenditure on public transport infrastructure was almost 29% more than plan as a result of the cost-scope increase for the Auckland integrated fares project. Expectations are that Auckland's programme will adjust to match the remaining budget for the 2012-15 NLTP.

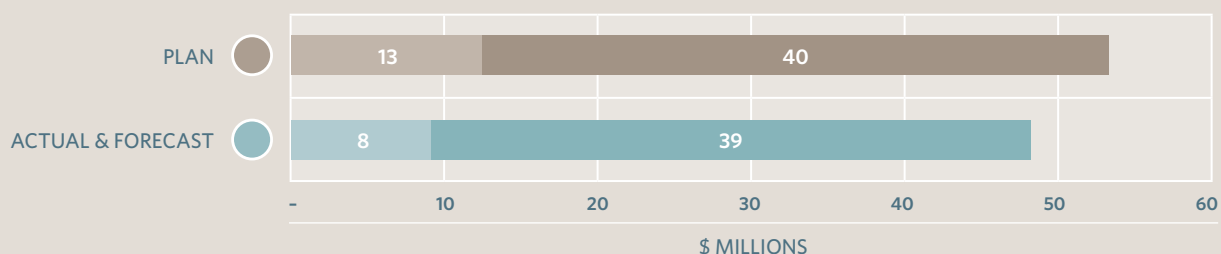
Outside of the NLTF, managed by the Transport Agency on behalf of the Ministry of Transport, about \$23 million was spent on SuperGold card fares and administration in 2012/13.

ROAD SAFETY



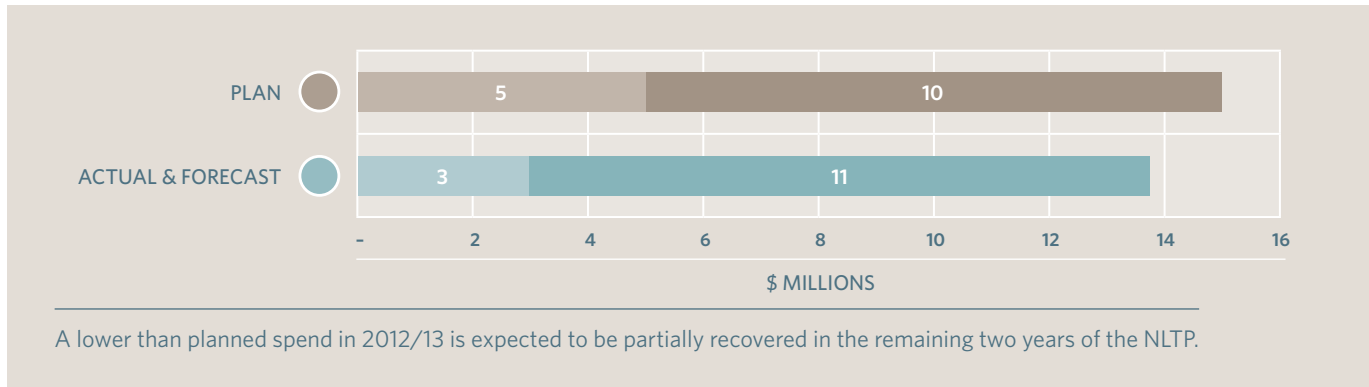
2012/13 expenditure on road safety was 12.5% less than plan, largely as a result of lower than expected delivery of programmes by approved organisations and lower spend by the Transport Agency on nationally delivered advertising and education programmes. Road safety is forecast to be very close to plan at the end of the 2012-15 NLTP.

WALKING & CYCLING

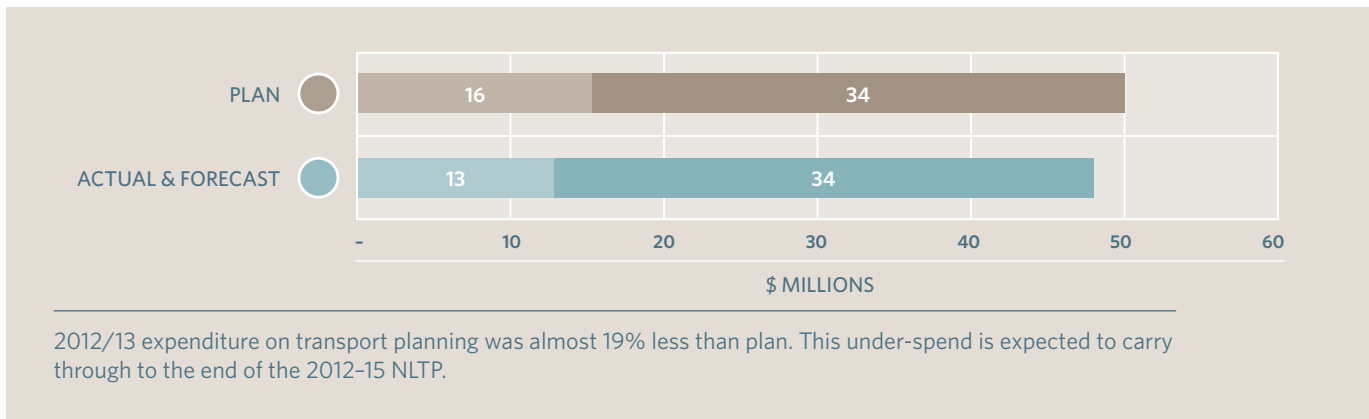


Initial delivery of walking and cycling infrastructure against plan is disappointing, considering the level of funding approved activities for 2012/13. While the apparent demand for funds is strong, based on the current level of funding approvals (\$27 million at August 2013), there is some doubt whether these and new projects will be delivered to achieve the \$39 million forecast spend over the balance of the 2012-15 NLTP, given performance to date.

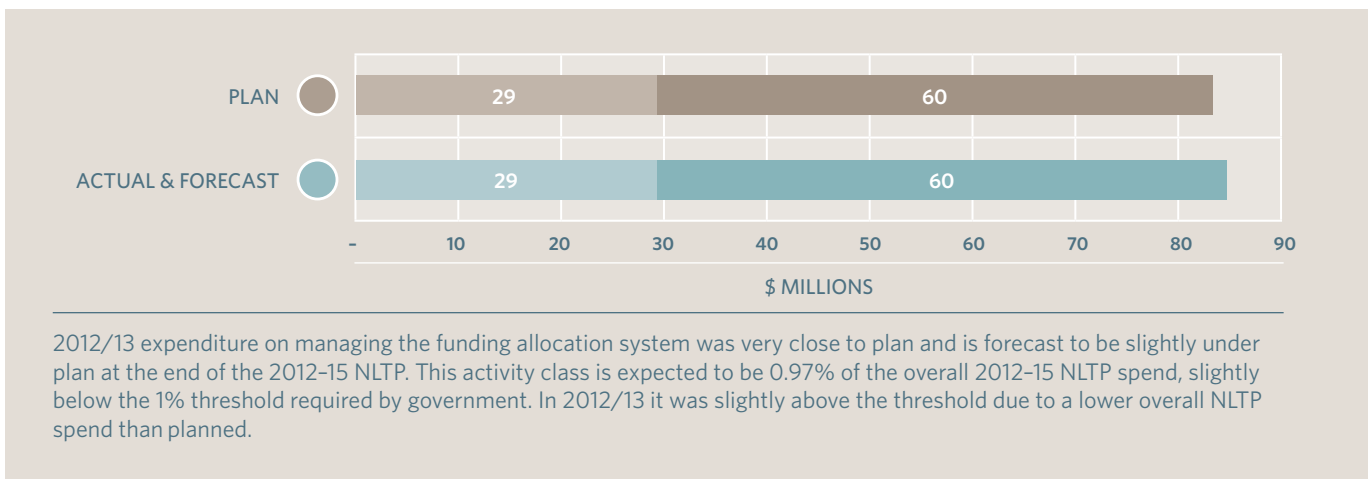
SECTOR RESEARCH



TRANSPORT PLANNING

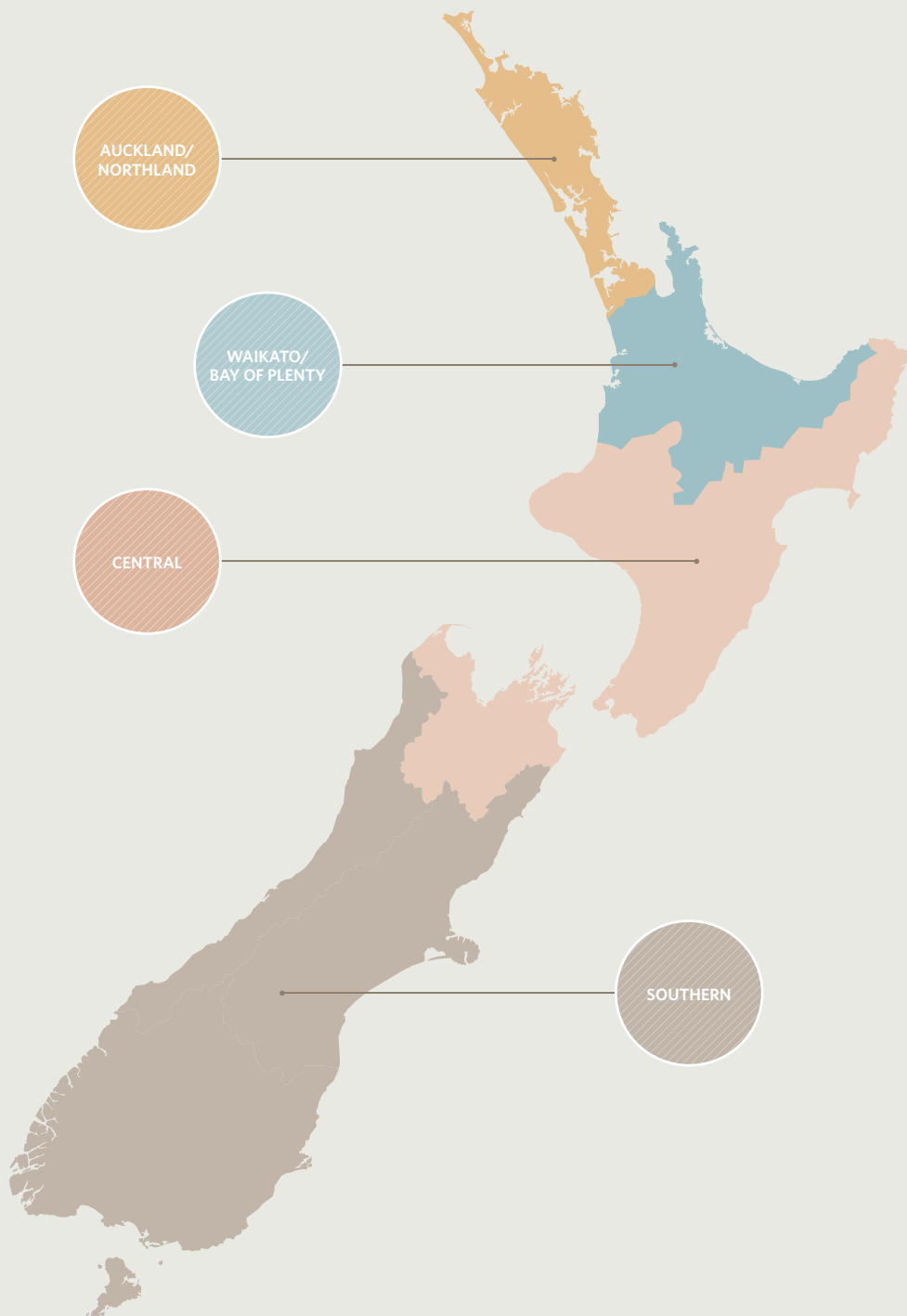


MANAGEMENT OF THE FUNDING ALLOCATION SYSTEM



REGIONAL NLTF INVESTMENT HIGHLIGHTS

The NLTF, via the 2012-15 NLTP, has invested in a targeted manner across New Zealand. Significant regional investment highlights for the year ended 30 June 2013 are detailed below.



AUCKLAND AND NORTHLAND REGION

The Transport Agency's Auckland/Northland region covers the top of the North Island - everything north of the Bombay Hills.



NORTHLAND

The 2012-15 NLTP investment in the Northland region (\$291 million) is focused on maintaining the region's extensive network in resilient condition, to enable its far-flung residents to travel safely and freight to move efficiently.

- › 19 deaths in the Northland region in 2012/13, and 118 serious injuries. Overall this is a 13% increase from 2011/12.
- › 12,700 lane kms currently maintained in the Northland region, including local roads and state highways.
- › 305,737 trips were taken by bus, almost exactly the same as the previous year.

INVESTMENT HIGHLIGHTS 2012/13

Lower Hatea Bridge completed.

Two bridges on the Hikurangi to Portland route (State Highway 1) are being strengthened to open access for high productivity motor vehicles (HPMV). This route is part of the strategic HPMV network being delivered over the next two years.

2012/13 NLTF INVESTMENT IN THE REGION'S TRANSPORT SYSTEM	ACTUAL \$000
NORTHLAND TOTAL	86,153
New and improved infrastructure for state highways	11,111
Renewal, maintenance and operation of state highways	34,715
New and improved infrastructure for local roads	9,873
Renewal, maintenance and operation of local roads	28,687
Public transport services	524
Other*	1,243

* Other includes: road safety, transport planning, and walking and cycling activities.



AUCKLAND

The 2012-15 NLTP investment in the Auckland region (\$3,154 million) is focused on making it increasingly easier for commuters to move around Auckland and enabling more efficient freight movements.

- › 47 deaths in the Auckland region in 2012/13, and 395 serious injuries. Overall, this is an 8% increase from 2011/12.
- › 15,700 lane kms currently maintained in the Auckland region, including local roads and state highways.
- › 53,529,916 bus trips and 10,038,806 train trips were taken, while a further 5,506,218 trips were taken by ferry. Bus patronage was 2.2% down on the previous year.

INVESTMENT HIGHLIGHTS 2012/13

Progress was made on the Puhoi to Wellsford road of national significance with lodging for planning approval from the Environmental Protection Authority being sought after extensive planning work.

Completion of Newmarket Viaduct - this work on Auckland's busiest stretch of motorway will reduce congestion through the central motorway junction.

Progress was made on a suite of projects on the Western Ring Route:

- › The Waterview tunnel
- › The causeway between Waterview and Patiki
- › Te Atatu Interchange
- › Lincoln Road Interchange
- › St Lukes Road Interchange.

State Highway 1 Constellation Drive to Greville Road northbound three-laning, design funding.

Albany Highway (Sunset Road to SH18).

Dominion Road corridor upgrade.

North Shore - Albany highway corridor upgrade.

Auckland Manukau Eastern Transport Initiative (AMETI).

Panmure bus and rail station.

Mt Albert Rail Station upgrade.

Walking and cycling related projects as part of the Central Motorway connection.

2012/13 NLTF INVESTMENT IN THE REGION'S TRANSPORT SYSTEM	ACTUAL \$000
AUCKLAND TOTAL	914,757
New and improved infrastructure for state highways	445,559
Renewal, maintenance and operation of state highways	91,489
New and improved infrastructure for local roads	98,249
Renewal, maintenance and operation of local roads	83,620
Public transport infrastructure	39,751
Public transport services	146,359
Other*	9,730

* Other includes: road safety, transport planning, and walking and cycling activities.

WAIKATO AND BAY OF PLENTY REGION

The Waikato/Bay of Plenty region reaches from the bottom of the Bombay Hills to the Desert Road summit, from just south of Mokau in the west, through the Waioeka Gorge near Opotiki, and midway along the Taupo-Napier Road.



WAIKATO

The 2012–15 NLTF investment in the Waikato region (\$1,163 million) focuses on improving the efficiency and safety of Waikato's roading network, maximising freight movements and reducing deaths and serious injuries on the roads.

- › 59 deaths in the Waikato region in 2012/13, and 294 serious injuries. Overall this is a 1% decrease from 2011/12.
- › 21,500 lane kms currently maintained in the Waikato region, including local roads and state highways.
- › 5,039,324 trips were taken by bus, a 1.1% decrease compared to the previous year.

INVESTMENT HIGHLIGHTS 2012/13

Completion of the State Highway 1 Atiamuri Bridge project in the South Waikato. This project unlocks economic and tourism opportunities, in particular, and enables a key high productivity route servicing the forestry sector, and providing journey time reliability.

Opening of the Te Rapa section of the Waikato Expressway. This resulted in immediate travel time savings of around four minutes for users of both the state highway and local road networks, as well as enabling development of significant areas of new industrial and commercial land in North Hamilton.

Continuation of the construction of the Ngaruawahia section, and commencement of the Cambridge/Tamahere and Rangiriri sections of the Waikato Expressway.

Good progress was made on the Hamilton City Ring Road project, which is a key component of the Access Hamilton Strategy and the Waikato Expressway Network Plan, improving transport outcomes for all modes in the Hamilton network.

Work continued on optimising the region's public transport network with the aim of making it more efficient and effective. In excess of five million passengers used public transport across the region.

NLTF investment was made by both the Transport Agency and councils to deliver safety improvements works, both large and small. Key projects included; development of the Coromandel motorcycle demonstration project and the implementation of audio-tactile centre-line roadmarking on the strategic state highway corridors to reduce the risk of loss of control and head-on crashes.

2012/13 NLTF INVESTMENT IN THE REGION'S TRANSPORT SYSTEM	ACTUAL \$000
WAIKATO TOTAL	293,171
New and improved infrastructure for state highways	152,427
Renewal, maintenance and operation of state highways	69,299
New and improved infrastructure for local roads	11,485
Renewal, maintenance and operation of local roads	50,052
Public transport infrastructure	50
Public transport services	7,798
Other*	2,060

* Other includes: road safety, transport planning, and walking and cycling activities.



BAY OF PLENTY

The opening of the Tauranga Harbour Link project in The 2012-15 NLTP investment in the Bay of Plenty region (\$580 million) is focused on enabling the roading network to meet the demands of heavy vehicles using the Port of Tauranga, contribute to safe journeys for all road users, and be resilient to natural hazards.

- › 23 deaths in the Bay of Plenty region in 2012/13, and 137 serious injuries. Overall this is an 18% decrease from 2011/12.
- › 8,900 lane kms currently maintained in the Bay of Plenty region, including local roads and state highways.
- › 2,854,444 trips were taken by bus, almost exactly the same as the previous year.

INVESTMENT HIGHLIGHTS 2012/13

Good progress continued on the construction of the Tauranga Eastern Link (TEL) project; one of seven roads of national significance.

Supporting the TEL project, the investigation phase of the Maunganui-Girven and Te Maunga intersections neared completion.

Investigation continues on finding a preferred route for the Tauranga Northern Link, a route which in the longer term will provide an essential freight linkage between the Hauraki-Coromandel and the Western Bay of Plenty.

Significant transport planning activity was undertaken to develop a strategic transport network for Tauranga. This work will support and inform the review of the Smartgrowth strategy (including the Tauranga Urban Network Study), preparation of the Tauranga Transport Strategy and progress on the investigation phases for the SH29 Tauriko project and the Tauranga Northern Link.

Funding was approved to enable integration of Tauranga school bus passengers onto the public transport network in preparation of the withdrawal of the Ministry of Education funded services.

Work continued on addressing route security issues in the Eastern Bay of Plenty. Investigation continues on the Pekatahi Bridge across the Whakatane River and also at a number of other locations along SH2 between Whakatane and Opotiki.

The Transport Agency's Board provided support for the Rotorua Integrated Network Strategy, which identified three strategic transport corridors in the district. One, which the district has identified as a long-term priority, is the Rotorua Eastern Arterial which will provide longer-term transport options and connectivity to the Eastern and Western Bay of Plenty sub-regions.

2012/13 NLTF INVESTMENT IN THE REGION'S TRANSPORT SYSTEM	ACTUAL \$000
BAY OF PLENTY TOTAL	166,533
New and improved infrastructure for state highways	82,016
Renewal, maintenance and operation of state highways	49,436
New and improved infrastructure for local roads	6,346
Renewal, maintenance and operation of local roads	22,746
Public transport infrastructure	56
Public transport services	4,895
Other*	1,038

* Other includes: road safety, transport planning, and walking and cycling activities.

CENTRAL REGION

The Central region stretches up from the top of the South Island (Nelson, Tasman and Marlborough) to the southern and central North Island, reaching across Taranaki, Manawatu-Wanganui, Wellington, to the Hawke's Bay and Gisborne.



GISBORNE

The 2012–15 NLTP investment in the Gisborne region (\$114 million) is focused on improving key linkages to the Port of Gisborne to support forestry in the region, and improving route resilience and security for both local road users and loggers.

- › 11 deaths in the Gisborne region in 2012/13, and 15 serious injuries. Overall this is a 4% increase from 2011/12.
- › 3,600 lane kms currently maintained in the Gisborne region, including local roads and state highways.
- › 157,008 trips were taken by bus, almost exactly the same as the previous year.

INVESTMENT HIGHLIGHTS 2012/13

Detailed HPMV investigation has shown that significantly less investment is required than originally anticipated to implement the forest to port route.

Worked with Gisborne District Council on developing a joint approach to road maintenance, which is expected to generate significant efficiencies and deliver a better service to customers.

Gisborne District Council programme is primarily focused on the core business of maintenance and operations, renewals, minor improvements and bridge strengthening.

2012/13 NLTF INVESTMENT IN THE REGION'S TRANSPORT SYSTEM	ACTUAL \$000
GISBORNE TOTAL	32,293
New and improved infrastructure for state highways	949
Renewal, maintenance and operation of state highways	16,696
New and improved infrastructure for local roads	714
Renewal, maintenance and operation of local roads	13,461
Public transport infrastructure	9
Public transport services	183
Other*	281

* Other includes: road safety, transport planning, and walking and cycling activities.



HAWKE'S BAY

The 2012-15 NLTP investment in the Hawke's Bay region (\$202 million) is focused on improving freight links between industrial growth areas, the wider region and the Port, and encouraging transport choice through a pilot walking and cycling programme.

- › 10 deaths in the Hawke's Bay region in 2012/13, and 77 serious injuries. Overall this is a 22% decrease from 2011/12.
- › 8,600 lane kms currently maintained in the Hawke's Bay region, including local roads and state highways.
- › 761,392 trips were taken by bus – 11.7% higher than the previous year.

INVESTMENT HIGHLIGHTS 2012/13

We continue to invest in model communities in Hastings. The focus of the work is on improving the connectivity of outer lying communities to Hastings CBD.

South of Te Mahanga passing lane and South of Paki Paki intersection passing lanes were both completed.

2012/13 NLTP INVESTMENT IN THE REGION'S TRANSPORT SYSTEM	ACTUAL \$'000
HAWKE'S BAY TOTAL	56,433
New and improved infrastructure for state highways	3,072
Renewal, maintenance and operation of state highways	20,539
New and improved infrastructure for local roads	1,570
Renewal, maintenance and operation of local roads	28,176
Public transport infrastructure	10
Public transport services	2,095
Other*	981

* Other includes: road safety, transport planning, and walking and cycling activities.



MANAWATU-WHANGANUI

The 2012-15 NLTP investment in the Manawatu-Whanganui region (\$250 million) focuses on improving the efficiency of moving freight, maintaining the network to a high standard and improving its safety, resilience and security.

- › 23 deaths in the Manawatu/ Whanganui region in 2012/13, and 124 serious injuries. Overall this is a 19% decrease from 2011/12.
- › 15,000 lane kms currently maintained in the Manawatu/ Whanganui region, including local roads and state highways.
- › 1,620,202 trips were taken by bus – slightly lower (0.9%) than the previous year.

INVESTMENT HIGHLIGHTS 2012/13

SH2 Papatawa Realignment is now open to traffic, with the majority of construction complete.

SH2 Corby Road Realignment was completed.

SH1 Waiauti realignment and right turn bay were completed.

2012/13 NLTP INVESTMENT IN THE REGION'S TRANSPORT SYSTEM	ACTUAL \$'000
MANAWATU-WHANGANUI TOTAL	75,132
New and improved infrastructure for state highways	8,825
Renewal, maintenance and operation of state highways	22,248
New and improved infrastructure for local roads	2,941
Renewal, maintenance and operation of local roads	38,139
Public transport infrastructure	73
Public transport services	2,266
Other*	640

* Other includes: road safety, transport planning, and walking and cycling activities.

CENTRAL REGION CONTINUED



TARANAKI

The 2012–15 NLTP investment in the Taranaki region (\$177 million) targets efficient freight movement in this productive area, and relieves congestion through public transport and a pilot walking and cycling programme.

- › 15 deaths in the Taranaki region in 2012/13, and 61 serious injuries. Overall this is a 13% decrease from 2011/12.
- › 6,300 lane kms currently maintained in the Taranaki region, including local roads and state highways.
- › 556,017 trips were taken by bus – 2.3% higher than the previous year.

INVESTMENT HIGHLIGHTS 2012/13

Design work for the Waiwhakaiho Basin improvements (Vickers to City) has been tendered and is in progress and community consultation has taken place.

A suite of safety improvements have been implemented at the Normanby Overbridge and around the South Taranaki area.

2012/13 NLTF INVESTMENT IN THE REGION'S TRANSPORT SYSTEM	ACTUAL \$000
TARANAKI TOTAL	50,581
New and improved infrastructure for state highways	2,578
Renewal, maintenance and operation of state highways	29,213
New and improved infrastructure for local roads	924
Renewal, maintenance and operation of local roads	14,554
Public transport infrastructure	40
Public transport services	1,124
Other*	2,148

* Other includes: road safety, transport planning, and walking and cycling activities.



WELLINGTON

The 2012-15 NLTP investment in the Wellington region (\$1,389 million) is focused on relieving congestion, enhancing public transport efficiency and improving the safety and resilience of key economic links across Wellington's transport network.

- › 12 deaths in the Wellington region in 2012/13, and 128 serious injuries. Overall this is a 31% decrease from 2011/12.
- › 8,000 lane kms currently maintained in the Wellington region, including local roads and state highways.
- › 23,613,394 bus trips and 11,355,403 train trips were taken, while a further 192,549 trips were taken by ferry. Bus patronage was 1.7% down on the previous year.

INVESTMENT HIGHLIGHTS 2012/13

A number of high profile nationally significant projects have advanced:

- › Wellington Northern Corridor roads of national significance package is being delivered with approval of the SH1 MacKays to PekaPeka Expressway, and consents for PekaPeka to Ōtaki lodged with the Environmental Protection Authority.
- › The Transmission Gully project is progressing well as is the Public Private Partnership (PPP) procurement process. However, we'll only progress Transmission Gully as a PPP if it is demonstrated that this provides value for money than would be expected under a conventional procurement approach. We'll know this once tenders close in October. We will then announce the successful consortium in early 2014 and have construction underway late next year, with a safe and resilient road open for traffic in 2020.

Investment in 35 new Matangi trains and upgrades to the existing 43 units increasing the overall capacity of the Wellington passenger rail fleet.

Refurbishment of train carriages for use on the Wairarapa rail service.

The safety works for the Terrace and Mt Victoria tunnels were completed.

The Network Operating Framework process was commenced with Wellington City Council and Greater Wellington to develop a Network Operating Plan for Wellington City.

Paekakariki intersection upgrade and resurfacing completed.

Otaihanga roundabout safety improvement commenced.

Notice of Requirement and resource consent applications lodged with the Environmental Protection Authority for the Basin Bridge project.

Study on Petone to Ngauranga cycle and pedestrian improvements commenced.

Wellington state highway network structures were assessed as HPMV compliant.

Tawa shared path (walking/cycling route) was substantively completed including an improved rail crossing.

Network resilience improvements were completed to minimise risk at critical vulnerable sites in Ngaio Gorge and Churchill Drive.

Continuing preventative maintenance and emergency works on Cape Palliser Road in South Wairarapa to provide network resilience and connectivity in the region.

Resource consent approved for the construction for the replacement of Manawa Bridge No.3.

2012/13 NLTF INVESTMENT IN THE REGION'S TRANSPORT SYSTEM	ACTUAL \$000
WELLINGTON TOTAL	216,195
New and improved infrastructure for state highways	98,974
Renewal, maintenance and operation of state highways	26,139
New and improved infrastructure for local roads	4,923
Renewal, maintenance and operation of local roads	31,481
Public transport infrastructure	1,841
Public transport services	50,330
Other*	2,507

* Other includes: road safety, transport planning, and walking and cycling activities.

CENTRAL REGION CONTINUED



NELSON

The 2012–15 NLTP investment in the Nelson region (\$54 million) focuses on safety, route efficiency and alternative transport mode choices.

- › 10 deaths in the Nelson, Tasman and Marlborough regions in 2012/13, and 49 serious injuries. Overall this is a 21% decrease from 2010/11.
- › 500 lane kms currently maintained in the Nelson region, including local roads and state highways.
- › 351,685 trips were taken by bus, which is 167.7% higher than the previous year's patronage.

INVESTMENT HIGHLIGHTS 2012/13

Invested \$14 million in a programme of improvements which will encourage safer journeys by cyclists and pedestrians.

Design work on SH6 Rai Saddle safety improvements undertaken.

Initiated a package of projects to significantly improve the efficiency of the Waimea Road corridor. The first project to improve the Waimea/Motueka Street Intersection commenced.

Maitai shared path improvement project commenced.

Commenced a three-year programme to significantly improve shared path lighting at specific locations to improve personal security.

2012/13 NLTF INVESTMENT IN THE REGION'S TRANSPORT SYSTEM	ACTUAL \$000
NELSON TOTAL	7,706
New and improved infrastructure for state highways	651
Renewal, maintenance and operation of state highways	2,932
New and improved infrastructure for local roads	400
Renewal, maintenance and operation of local roads	2,825
Public transport services	414
Other*	484

* Other includes: road safety, transport planning, and walking and cycling activities.



TASMAN

The 2012-15 NLTP investment in the Tasman region (\$76 million) is focused on maintaining a safe and resilient network, which provides route security for tourism and freight movement, and keeps local communities safe and connected.

- › 10 deaths in the Nelson, Tasman and Marlborough regions in 2012/13, and 49 serious injuries. Overall this is a 21% decrease from 2010/11.
- › 3,100 lane kms currently maintained in the Tasman region, including local roads and state highways.

INVESTMENT HIGHLIGHTS 2012/13

Innovation in the reinstatement of storm damaged sections of Totaranui Road produced significant cost savings.

Birds Hill (SH60) reinstatement completed following weather event.

Joint work between the Transport Agency and the Tasman District Council to protect a vulnerable section of SH65 was completed.

2012/13 NLTF INVESTMENT IN THE REGION'S TRANSPORT SYSTEM	ACTUAL \$'000
TASMAN TOTAL	23,170
New and improved infrastructure for state highways	364
Renewal, maintenance and operation of state highways	14,856
New and improved infrastructure for local roads	489
Renewal, maintenance and operation of local roads	7,255
Other*	206

* Other includes: road safety, transport planning, and walking and cycling activities.

MARLBOROUGH

The 2012-15 NLTP investment in the Marlborough region (\$65 million) focuses on improving the HPMV capability of Marlborough's roads to improve the efficiency of freight movements, while continuing investment in maintenance should retain current levels of service, safety and route security.

- › 10 deaths in the Nelson, Tasman and Marlborough regions in 2012/13, and 49 serious injuries. Overall this is a 21% decrease from 2010/11.
- › 4,400 lane kms currently maintained in the Marlborough region, including local roads and state highways.
- › 25,149 trips were taken by bus, 5.8% higher than in the previous year.

INVESTMENT HIGHLIGHTS 2012/13

Progressed Grovetown safety improvements.

Reinstatement of transport networks affected by weather events.

Replacement of Pine Valley No 2 Bridge.

Approval of Dashwood Overbridge replacement.

2012/13 NLTF INVESTMENT IN THE REGION'S TRANSPORT SYSTEM	ACTUAL \$'000
MARLBOROUGH TOTAL	15,617
New and improved infrastructure for state highways	876
Renewal, maintenance and operation of state highways	8,460
New and improved infrastructure for local roads	331
Renewal, maintenance and operation of local roads	5,641
Public transport services	143
Other*	166

* Other includes: road safety, transport planning, and walking and cycling activities.

SOUTHERN REGION

The Southern is the largest of the Transport Agency's four regions, embracing all of the South Island except Nelson, Tasman and Marlborough.



CANTERBURY

The 2012–15 NLTP investment in the Canterbury region (\$689 million) is mainly focused on growing Canterbury and supporting the recovery of Christchurch, while continuing to support Canterbury's resilient export sector by maintaining and enhancing strategic freight routes.

- › 37 deaths in the Canterbury region in 2012/13, and 278 serious injuries. Overall this is a 7% decrease from 2011/12.
- › 29,400 lane kms currently maintained in the Canterbury region, including local roads and state highways.
- › 13,417,358 bus trips and 112,480 ferry trips were taken. Bus patronage increased by 18.2% from the previous year.

The past two years have been challenging for the greater Christchurch sub-region as the transition from the response phase immediately after the February 2011 earthquakes to building momentum in the recovery phase. The infrastructure rebuild programme is now close to the full annual delivery programme necessary to restore levels of service by the end of 2016. Over \$110 million was invested as part of the reinstatement programme following the Canterbury earthquakes.

The Christchurch RoNS programme was accelerated during this period, especially the Western Corridor in order to ensure the network is able to manage the changed traffic patterns following the earthquakes.

INVESTMENT HIGHLIGHTS 2012/13

Christchurch Southern Motorway Stage 1 completed ahead of schedule and below budget.

Good progress was made on the State Highway 1 Western Corridor:

- › Construction substantially complete on four-laning Avonhead Road to Yaldhurst Road.
- › Construction of the Yaldhurst Road to Waterloo Road and the Saywers Arms Road to Harewood Road sections.
- › Funding was approved for four-laning other sections of the Western Corridor.

Designation and resource consents are currently being considered by the Environmental Protection Authority for the Christchurch Southern Motorway Stage 2.

Designation application has been lodged for the Northern Arterial.

Completion of the Orari south SH1 passing lanes.

Funding for the structural upgrades to two important bridges was approved. These are: the old Waitaki River bridges at Kurow and the full replacement of the Ferrymead Bridge (pre-earthquake funding had been approved to strengthen this bridge).

Construction funding approved for Waimakariri District Council Ashley River Bridge replacement (\$6 million).

Provided over \$110 million of financial assistance during 2012/13 for earthquake recovery works.

2012/13 NLTF INVESTMENT IN THE REGION'S TRANSPORT SYSTEM	ACTUAL \$000
CANTERBURY TOTAL	276,612
New and improved infrastructure for state highways	97,033
Renewal, maintenance and operation of state highways	50,766
New and improved infrastructure for local roads	9,992
Renewal, maintenance and operation of local roads	94,514
Public transport infrastructure	49
Public transport services	21,565
Other*	2,693

* Other includes: road safety, transport planning, and walking and cycling activities.



WEST COAST

The 2012–15 NLTP investment in the West Coast region (\$106 million) concentrates on maintaining the good current condition of its key strategic roads, with a focus on route security and safety.

- › Four deaths in the West Coast region in 2012/13, and 28 serious injuries. Overall this is a 22% decrease from 2011/12.
- › 5,000 lane kms currently maintained in the West Coast region, including local roads and state highways.
- › 40,518 trips were taken by bus, 36.3% higher than in the previous year.

INVESTMENT HIGHLIGHTS 2012/13

Taramakau Bridge refurbishment (contribution to road-to-rail bridge refurbishment in conjunction with Kiwi Rail).

Installation of new guardrail on SH73 Starvation Point.

Completion of street works on High Street (SH6) in Greymouth.

Pedestrian crossing installed on SH67 in as part of this year's safety improvement programme.

Excellent response to emergency events affecting the coast.

Deck restoration work was undertaken at the SH6 Suspension Bridge.

Preventive maintenance work was undertaken at Kellys Creek adjacent to SH73.

Collaboration continues with Grey District Council on the national cycleway initiatives, resulting in some safety improvements at a number of bridges.

2012/13 NLTF INVESTMENT IN THE REGION'S TRANSPORT SYSTEM	ACTUAL \$000
WEST COAST TOTAL	39,156
New and improved infrastructure for state highways	1,538
Renewal, maintenance and operation of state highways	28,244
New and improved infrastructure for local roads	451
Renewal, maintenance and operation of local roads	8,673
Public transport services	60
Other*	190

* Other includes: road safety, transport planning, and walking and cycling activities.

SOUTHERN REGION CONTINUED



OTAGO

The 2012–15 NLTP investment in the Otago region (\$286 million) focuses on maintaining the efficiency, overall resilience and safety of the extensive network for individual road users and freight movers.

- › 14 deaths in the Otago region in 2012/13, and 168 serious injuries. Overall this is a 3% increase from 2011/12.
- › 17,900 lane kms currently maintained in the Otago region, including local roads and state highways.
- › 2,912,081 trips were taken by bus, 29.3% higher than in the previous year.

INVESTMENT HIGHLIGHTS 2012/13

Stage one of four-laning Glen Road to Caversham Valley was completed and work on stage two Caversham Valley to Lookout Point was well advanced.

Improvements to Clydevale Bridge commenced which will enable freight access by HPMVs.

The second stage of the Maia to St Leonards off-highway cycleway was completed.

We consulted with the public on the preliminary designs for the replacement Kawarau Falls Bridge and are considering the feedback that was received.

Completed the successful trial of public transport enhancement for the Wakatipu Basin.

2012/13 NLTF INVESTMENT IN THE REGION'S TRANSPORT SYSTEM	ACTUAL \$'000
OTAGO TOTAL	86,651
New and improved infrastructure for state highways	11,912
Renewal, maintenance and operation of state highways	30,941
New and improved infrastructure for local roads	2,770
Renewal, maintenance and operation of local roads	35,720
Public transport infrastructure	70
Public transport services	4,135
Other*	1,103

* Other includes: road safety, transport planning, and walking and cycling activities.



SOUTHLAND

The 2012–15 NLTP investment in the Southland region (\$166 million) focuses on maintaining the efficiency, overall resilience and safety of its extensive network for individual road users and the freight movement of its primary products.

- › Five deaths in the Southland region in 2012/13, and 66 serious injuries. Overall this is an 8% decrease from 2011/12.
- › 14,300 lane kms currently maintained in the Southland region, including local roads and state highways.
- › 310,531 trips were taken by bus, 21% higher than in the previous year.

INVESTMENT HIGHLIGHTS 2012/13

Re-piling work on Tiwai Point Bridge.

Completion of the new portal on the east side of Homer Tunnel.

Construction of roundabout on the intersection of SH1 Tay Street and Ellis Road.

Invercargill public transport initial estimates of farebox recovery increasing from 27 to 34%.

Rural intersection active warning signs (RIAWS) were installed on SH1 at Kennington as part of an attempt to reduce serious crashes at this site.

2012/13 NLTF INVESTMENT IN THE REGION'S TRANSPORT SYSTEM	ACTUAL \$000
SOUTHLAND TOTAL	46,732
New and improved infrastructure for state highways	1,654
Renewal, maintenance and operation of state highways	24,492
New and improved infrastructure for local roads	1,394
Renewal, maintenance and operation of local roads	17,468
Public transport services	1,290
Other*	434

* Other includes: road safety, transport planning, and walking and cycling activities.

LOOKING FORWARD

The balance of the current 2012-15 NLTP will be delivered during the remaining two years of the programme. The overall expenditure was about 4% below the 2012/13 plan, due to under-delivery or under-spend across most activity groupings. The end of NLTP position is expected to be down 1% against the published NLTP and the expenditure target set out in the GPS.

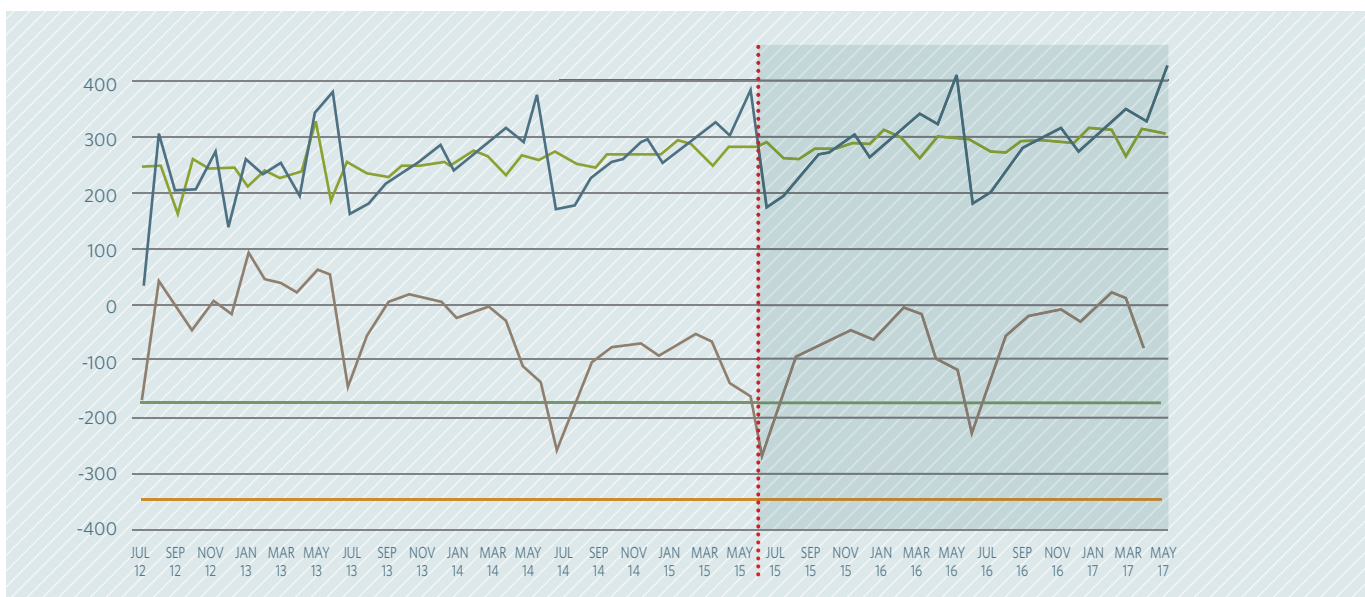
The final overall spend in the 2012-15 NLTP will be dependent on both revenue flows into the NLTF and greater flexibility in the use of the short-term borrowing facility in place to manage cash flow and revenue changes.

Actual revenue appears to be tracking the April 2013 forecast, but this is lower than the revenue forecast at the time the decision was made to increase FED and RUC by three cents per litre for three years from 2013/14.

The latest cash flow projections for the 2012-15 NLTP three-year period are shown in the graph below.

As shown, we expect to be in deficit at the end of the 2012-15 NLTP. We have the short-term borrowing facility to help us manage cash flows. The facility helps to accommodate seasonal and unexpected fluctuations and ensures we will be able to maintain delivery at the programmed level.

2012-15 NLTP FORECAST CLOSING POSITION



— EXPENDITURE
 — REVENUE
 — CLOSING BALANCE
 — WORKING DEBT LIMIT
 — MAXIMUM DEBT LIMIT

⋮ 2012-15 NLTP FORECAST CLOSING POSITION

SECTION B: STATEMENT OF SERVICE PERFORMANCE

for the year ended 30 June 2013



STATEMENT OF RESPONSIBILITY

In terms of the Land Transport Management Act 2003, the NZ Transport Agency is responsible for the preparation of the National Land Transport Fund financial statements and statement of service performance, and for the judgements made in them.

The NZ Transport Agency has the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board's opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the National Land Transport Fund for the year ended 30 June 2013.

Signed on behalf of the Board:



Chris Moller

Chair

25 SEPTEMBER 2013



Jerry Rickman

Chair of Audit, Risk and
Assurance Board Committee

25 SEPTEMBER 2013

Countersigned by:



Geoff Dangerfield

Chief Executive

25 SEPTEMBER 2013



Paul Helm

Chief Financial Officer

25 SEPTEMBER 2013



Brandon Mainwaring

National Manager Trends and Performance

25 SEPTEMBER 2013

SUMMARY OF NATIONAL LAND TRANSPORT FUND INVESTMENT PERFORMANCE

In 2012/13, 24 of our 36 investment performance targets were achieved (67%).

A full summary of the Transport Agency's investment performance measures can be found in the statement of service performance in the NZ Transport Agency's annual report for the year ended 30 June 2013.

KEY INVESTMENT HIGHLIGHTS FOR 2012/13 INCLUDE:

Management of funding allocation system

The cost of managing the funding allocation system remained $\leq 1\%$ of the total annual fund, excluding the Road Policing Programme. This result tells us management costs are under control and the available funds are being maximised to invest in the transport system.

State highway network

State highway investments in new construction and renewals achieved all eight of the investment targets. The renewal costs per vehicle kilometre travelled and per network lane kilometre were significantly below forecast. This was as a result of fixed annual contracts in some areas, bringing forward work from 2013/14 where appropriate and the use of new road treatment techniques. The maintenance and operations of state highways achieved/exceeded two of the four investment performance targets this year. The cost of maintaining and operating state highways was higher than forecast targets and last year's result. This was due to the higher than budgeted spend on these activities. This reflects that the efficiency gains sought across this and the renewal activity are still being realised as costs and demands on the network continue to grow.

Sector research

A total of 36 research programme reports were published on the Transport Agency website. A further 19 research projects were completed and the associated research reports were being finalised for publication as at June 2013. In addition, 22 research projects were actively managed, including 16 new contracts procured during 2012/13.

Transport planning

Overall transport planning performance was strong. Considerable contributions were made to key regional planning work including the Auckland Unitary Plan and the Integrated Transport Programme. The Transport Agency also contributed to, and invested in, Wellington planning and Christchurch recovery planning and sub-regional plans for the East-West link in Auckland and the completion of the Wellington Public Transport Spine Study.

Public transport

Public transport services achieved/exceeded one of the three investment performance forecasts this year. The decline in the number of boardings per NLTF\$ invested in public transport services for 2012/13 reflects lower patronage in Auckland and Wellington compared to last year during the Rugby World Cup. Track charges have increased to fund the required improvements in service quality and reliability as well as the forecast growth in services needed in Auckland. We continue to forecast public transport patronage growth, and invest in network and service improvements to meet future demand.

Road safety

The ultimate aim is to encourage better driving behaviour across all of our Safer Journeys priority areas.

Advertising work continues to be recognised within the industry with several successes at the Communication Agencies Association of New Zealand (CAANZ Axis) and Media Awards including: Radio Legends, Drug driving Integrated Campaign, and Flash speeding game - Interactive.

The Drive Social advertising campaign was launched which encourages people to step back and look at driving from a different perspective by reframing it from a solo pursuit to an activity that is much more social.

Local road networks

Six of thirteen investment targets were achieved across new and improved infrastructure, renewals and maintenance and operations. The cost of maintaining the network (per network lane km and cents/vehicle kms travelled) was above forecast but is very close to that seen in 2011/12. The Road Maintenance Task Force report in October 2012 resulted in the Transport Agency working with local authorities on ways of controlling maintenance costs. The amount of travel per vehicle has declined slightly year-on-year resulting in an increase in the costs of maintaining and operating the network per vehicle kilometre travelled.

Walking and cycling

Walking and cycling did not achieve its investment performance forecasts this year. A number of high value, short distance projects are currently underway, reflecting that only isolated walking and cycling activities are delivered within this activity class rather than as part of other projects. This includes work initiated on the Central Motorway connection in Auckland, Christchurch Southern Motorway connections and the Tawa stream pathway in Wellington. A total of 46.6 kilometres of new footpaths and cycle paths were completed during 2012/13 against a target of 140-170 kilometres. A further \$60 million is spent on walking and cycling projects as part of state highway activities.

ROAD POLICING PROGRAMME

The Road Policing Programme is a special type of NLTF investment in the land transport system, delivered by the NZ Police and appropriated through Vote Police.

The NZ Transport Agency prepares the Road Policing Programme with NZ Police and recommends it to the Minister of Transport for approval. The Transport Agency also monitors and reports on the delivery of the programme, as designated by the Secretary of Transport.

The Road Policing Programme contributes to a reduction in deaths and serious injuries from road crashes, by deterrence and enforcing the law applying to road users. The activity has a secondary contribution, through the protection of the roading asset, to ensuring more efficient freight supply chains and the resilience and security of the transport network. This is again delivered by deterrence and enforcing the law.

THE KEY ACHIEVEMENTS DURING 2012/13 WERE THAT THE TRANSPORT AGENCY:

- › finalised and published the 2012-15 Road Policing Programme, which implemented the new outcome investment approach for NLTF funded activities, as recommended by the road policing class activity review
- › led the Transport Agency/NZ Police Road Policing Programme Strategic Oversight Committee, the membership of which comprised senior managers from both organisations. The committee considered a wide range of issues during the year, including the value-for-money of the Road Policing Programme, the static camera expansion programme and the improvement programme addressing intervention logic mapping and benchmarking for road policing
- › reported to the Associate Minister of Transport on NZ Police delivery of the 2012-15 Road Policing Programme by applying the new monitoring and reporting framework which focuses on the outcomes to which Police make a significant contribution, and is designed to enable the monitoring of efficiency and effectiveness, maintain investment confidence and improve future delivery of the programme.

For full details of NZ Police activities, including the Road Policing Programme, see the 2012/13 NZ Police annual report.

This investment covers:

- › the delivery of services outlined in the Road Policing Programme directed towards the achievement of road safety outcomes, and the delivery of key strategic services such as: highway patrol, speed and traffic camera operations, restraint device control, drink or drugged driver control operations, commercial vehicle investigation activity and visible road safety enforcement
- › court prosecution and infringement management
- › road safety education activities and community services
- › services associated with traffic management such as peak flow, event traffic control and crash attendance.

Sector or departmental outcome links

Evaluation at the programme level establishes the clearest linkage between the interventions identified under this output and overall road safety outcomes. As a member of the transport sector, Police contributes towards the achievement of the Safer Journeys outcomes and road policing strategy actions.

Outputs purchased with this investment

Strategic road policing

This output covers the:

- › detection and deterrence of speed offending
- › detection and deterrence of drink-drive offending and targeting recidivist drink-drivers
- › enforcement of breaches of front and rear restraint usage law
- › enforcement of the road code and traffic laws and promotion of safer driving practices
- › enforcement of road user charges and commercial vehicle investigation.

HOW DO WE ASSESS OUR INVESTMENT PERFORMANCE

Performance measures	Actual 2012/13	Forecast	Variance 2012/13	Actual 2011/12
Number of young drivers killed or seriously injured per 100,000 15-24 year olds	50	<15.1* (The forecast figure was incorrect in the SOI - correct forecast is <58)	+8	58
ACC entitlement claims on the motor vehicle account from motorcyclists	945	<1,059	+114	1,059
Fatalities or serious injuries in crashes with alcohol/drugs per 100,000 population	12.5	<14.1	+1.6	14.1
Percentage of vehicles exceeding 100km/h and 50km/h limits	25% (100km/h) 53% (50km/h)	<31% (100km/h) <59% (50km/h)	+6% (100km/h) +6% (50km/h)	31% (100km/h) 59% (50km/h)
Fatal and serious injury crashes in head-on or run-off crashes	883	897-952	+15	955
Percentage of new light vehicles with 5 star safety rating	74%	>58%	+16%	58%

Actual 2011/12	How the Police assess service delivery performance (reproduced from the NZ Police annual report 2013)	Actual 2012/13	Performance standard 2012/13
STRATEGIC ROAD POLICING			
Not available*	Number of compulsory breath tests (CBT) conducted	Not available*	2,000,000
Not available*	Number of mobile breath tests (MBT) conducted	Not available*	700,000
2,864,380	Number of breath alcohol tests conducted	2,903,250	2,700,000
New measure for 2012/13	Number of complaints upheld relating to vehicle stops	Not available**	Fewer than 5
96%	Percentage of roadside inspection reports for all heavy motor vehicles inspected that are entered into the Transport Agency's road inspection database within 20 working days	100%	100%
94%	Percentage of all commercial vehicle combinations stopped by Commercial Vehicle Investigation Unit (CVIU) staff, and for which vehicle inspection reports are completed	100%	100%
COMMUNITY ENGAGEMENT ON ROAD SAFETY			
New measure for 2012/13	Number of secondary school road safety sessions delivered by police education officers	8,863	7,000
New measure for 2012/13	Number of primary school road safety sessions delivered by police education officers (including school patrol training).	50,220	43,000

Actual 2011/12	Performance measure	Actual 2012/13	Performance standard 2012/13
ROAD POLICING INCIDENT AND EMERGENCY MANAGEMENT			
Nil	Number of complaints upheld against the Police relating to attendance at traffic emergencies and disasters	Not available**	Fewer than 5
8 minutes 36 seconds	Median response time to emergency traffic events in urban policing areas	7 minutes 38 seconds	8 to 9 minutes
10 minutes 54 seconds	Median response time to emergency traffic events in rural policing areas	10 minutes 22 seconds	12 to 14 minutes
ROAD POLICING RESOLUTIONS			
69,797	Number of traffic cases prosecuted	64,848***	83,000 to 88,000
Nil	Number of complaints upheld relating to the execution of road policing court documents	Not available**	Nil

Notes

* From the 2011/12 year, Police have reported a combined result for CBTs and MBTs, and have introduced a new measure based on information from sniffer units used by frontline police officers. The sniffer unit counts are electronically recorded when a breath test is conducted and test volumes are downloaded and reported to Police every six months by the manufacturer of the units.

** It is not possible to report on the origin of a particular complaint due to changes in Police recording systems. Police are however reporting the total numbers of complaints upheld as an outcome measure.

*** The 2012/13 standard was set prior to the alignment of road policing activities to the Safer Journeys strategy. Increased use of written traffic warnings and better compliance by road users has resulted in fewer than expected prosecutions.

Commentary on Police service performance is available in the NZ Police annual report 2013 (www.police.govt.nz).

HOW IS THE MONEY SPENT?

Road safety programme for the year ended 30 June 2013

2011/12 Actual \$000		2012/13 Actual \$000	2012/13 Budget \$000
297,593	Total revenue	286,667	300,609
290,329	Total expenses	286,652	300,609
7,264	Net surplus (deficit)	15	-

HOW DO WE INTERPRET THESE PERFORMANCE RESULTS?

NLTF investment

Road policing achieved all forecasts. Overall, the Road Policing Programme continues to provide a positive return on NLTF investment.

OFFICIAL SCOPE: Enabling NZ Police to deliver the Road Policing Programme. The Minister of Transport invests in road policing to improve road safety outcomes.

APPENDIX 1: STATEMENT OF SERVICE PERFORMANCE

FINANCIALS

OUTPUT CLASS FUNDING TO THE NZ TRANSPORT AGENCY			
	Actual 2012/13 \$m	Budget 2012/13 \$m	Actual 2011/12 \$m
Management of the funding allocation system	29	29	28
Transport planning	13	20	24
Sector research	3	4	5
Public transport	288	310	253
Road safety	28	32	39
New and improved infrastructure for local roads	153	165	130
Renewal of local roads	204	228	174
Maintenance and operation of local roads	279	298	263
Walking and cycling	8	13	6
New and improved infrastructure for state highways	997	996	703
Renewal of state highways	175	195	390
Maintenance and operation of state highways	342	325	348
TOTAL OUTPUT CLASS FUNDING TO THE NZ TRANSPORT AGENCY	2,519	2,615	2,363

A delay in the approval of the 2012-15 NLTP meant approved organisations initiated their projects slower than planned, plus the budget for 2012/13 had differing funding allocation levels than what was subsequently set by the NLTP.

SECTION C: STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2013



FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 20 JUNE 2013

	Note	Actual 2012/13 \$m	Budget 2012/13 \$m	Actual 2011/12 \$m
INCOME INFLOWS^a				
Land transport revenue	3	2,764	2,897	2,692
Government contribution to land transport revenue		3	0	1
Management of Crown land and interest		95	71	48
Total income flows		2,862	2,968	2,741
OUTFLOWS				
NZTA National Land Transport Programme		1,853	1,857	1,790
NZTA National Land Transport Programme - capital contribution		666	758	573
NZ Police		280	300	297
Search and rescue		6	6	6
Total outflows		2,805	2,921	2,666
NET SURPLUS		57	47	75

a. This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003. Explanations of major variances against budget are provided in note 17.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	Actual 2012/13 \$m	Budget 2012/13 \$m	Actual 2011/12 \$m
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	4	114	2	44
Debtors	5	214	208	191
Total assets		328	210	235
LIABILITIES				
CURRENT LIABILITIES				
Creditors and other payables	6	443	349	407
Total liabilities		443	349	407
NET ASSETS		(115)	(139)	(172)
General funds		(115)	(139)	(172)
GENERAL FUNDS CLOSING BALANCE^a	7	(115)	(139)	(172)

a. This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003. Explanations of major variances against budget are provided in note 17.

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN GENERAL FUNDS BALANCE FOR THE YEAR ENDED 30 JUNE 2013

	Note	Actual 2012/13 \$m	Budget 2012/13 \$m	Actual 2011/12 \$m
GENERAL FUNDS OPENING BALANCE				
General funds		(172)	(186)	(247)
Total general funds opening balance		(172)	(186)	(247)
CHANGES IN GENERAL FUNDS BALANCE				
Net surplus		57	47	75
Total changes in general funds balance		57	47	75
GENERAL FUNDS CLOSING BALANCE				
General funds		(115)	(139)	(172)
TOTAL GENERAL FUNDS CLOSING BALANCE^a		(115)	(139)	(172)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Note	Actual 2012/13 \$m	Budget 2012/13 \$m	Actual 2011/12 \$m
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from land transport revenue		2,839	2,962	2,736
Payments to suppliers		(2,769)	(3,013)	(2,692)
Net cash from operating activities	8	70	(51)	44
Net (decrease)/increase in amounts held by the Crown		70	(51)	44
Amounts held by the Crown at the beginning of the year		44	53	0
AMOUNTS HELD BY THE CROWN AT THE END OF THE YEAR^b		114	2	44

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

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

Explanations of major variances against budget are provided in note 17.

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

Reporting entity

The Land Transport Management Act 2003 includes a requirement for the NZ 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 and management of Crown land, and interest are accounted for in the National Land Transport Fund. The National Land Transport Fund is used to manage:

- › the funding of the NZ Police Road Policing Programme
- › the funding of the National Land Transport Programme for:
 - activities delivered by an approved organisation
 - state highway activities
 - research
 - other NZ 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 financial statements of the National Land Transport Fund are for the year ended 30 June 2013 and were approved by the Board on 25 September 2013.

Basis of preparation

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, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZGAAP).

These financial statements have been prepared in accordance with NZ GAAP as appropriate for public benefit entities and they comply with NZ IFRS.

Measurement base

The financial statements have been prepared on a historical cost basis.

Function and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest million dollars (\$m). The functional currency of the National Land Transport Fund is New Zealand dollars (NZ\$).

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments and interpretations issued but not yet effective that have not been early adopted and which are relevant to the National Land Transport Fund, are:

- › NZ IFRS 9 *Financial instruments* will eventually replace NZ IAS 39 *Financial instruments: recognition and measurement*. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and measurement, Phase 2 Impairment methodology, and Phase 3 Hedge accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the National Land Transport Fund is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the National Land Transport Fund expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, the National Land Transport Fund is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Significant accounting policies

INCOME INFLOWS

Income 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 goods and services tax (GST).

Income is recognised when the amount of revenue 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 income is recognised using the effective interest method. Interest income on an impaired financial asset is recognised using the original effective interest rate.

Assets

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

OUTFLOWS

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

- › the NZ Transport Agency for the funding of the National Land Transport Programme
- › the Police who provide the Road Policing Programme.

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 statements of service performance.

FINANCIAL ASSETS

The National Land Transport Fund is a notional account with funds held as part of the total Crown funds.

CASH AND CASH EQUIVALENTS

The cash and cash equivalents of the National Land Transport Fund are held by the Crown.

EMPLOYEE ENTITLEMENTS

The National Land Transport Fund has no employees.

COMMITMENTS

The National Land Transport Fund is the major funder of the National Land Transport Programme. The commitments outlined in the notes reflect the funding commitments documented in the National Land Transport Programme 2012-15.

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.

Commitments and contingencies are disclosed exclusive of GST.

INCOME TAX

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

BUDGET FIGURES

The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the NZ Transport Agency in preparing these financial statements.

2 STATEMENT OF INFLOWS, OUTFLOWS, AND CAPITAL EXPENDITURE FOR THE PREVIOUS TWO FINANCIAL YEARS

	Actual 2012/13 \$m	Actual 2011/12 \$m	Actual 2010/11 \$m
INCOME INFLOWS			
Land transport revenue	2,764	2,692	2,634
Government contribution to land transport revenue	3	1	44
Management of Crown land and interest	95	48	50
Total income flows	2,862	2,741	2,728
OUTFLOWS			
NZTA National Land Transport Programme	1,853	1,790	1,746
NZTA National Land Transport Programme - capital contribution	666	573	987
NZ Police	280	297	288
Search and rescue	6	6	6
Total outflows	2,805	2,666	3,027
NET SURPLUS/(DEFICIT)	57	75	(299)

This statement of inflows, outflows, and capital expenditure for the previous two financial years is provided under the requirements of the Land Transport Management Act 2003.

Separate disclosure of the Management of Crown land and interest is required under the Land Transport Management Act 2003.

3 LAND TRANSPORT REVENUE

	Actual 2012/13 \$m	Actual 2011/12 \$m
REVENUE		
Fuel excise duty	1,570	1,513
Road user charges	1,119	1,092
Motor vehicle registration fees	174	175
	2,863	2,780
LESS REFUNDS		
Fuel excise duty	41	35
Road user charges	53	46
	94	81
Less bad debt write-off	5	7
TOTAL LAND TRANSPORT REVENUE	2,764	2,692

4 CASH AND CASH EQUIVALENTS

The National Land Transport Fund is a notional account only. The cash and cash equivalents reported in these statements are held by the Crown in the consolidated fund.

5 DEBTORS

	Actual 2012/13 \$m	Actual 2011/12 \$m
Debtors - fuel excise duty	196	169
Debtors - motor vehicle register/road user charges	18	22
TOTAL DEBTORS	214	191

6 CREDITORS AND OTHER PAYABLES

	Actual 2012/13 \$m	Actual 2011/12 \$m
NZ Transport Agency (to the National Land Transport Programme)	443	407
TOTAL CREDITORS AND OTHER PAYABLES	443	407

Creditors and other payables are non-interest bearing and are normally settled by the end of the month following date of supply, therefore the carrying value of creditors and other payables approximates their fair value.

7 GENERAL FUNDS CLOSING BALANCE

Although the National Land Transport Fund has a negative equity, the Fund will continue to meet all its obligations over the next 12 months.

8 RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FROM OPERATING ACTIVITIES

	Actual 2012/13 \$m	Actual 2011/12 \$m
NET SURPLUS/(DEFICIT) AFTER TAX	57	75
ADD/(LESS) MOVEMENTS IN WORKING CAPITAL ITEMS:		
(Increase)/decrease in debtors	(23)	(5)
Increase/(decrease) in creditors and other payables	36	(26)
Net movements in working capital items	13	(31)
NET CASH FROM OPERATING ACTIVITIES	70	44

9 CAPITAL COMMITMENTS AND OPERATING ROADING COMMITMENTS

The future aggregate funding commitments for the National Land Transport Fund are as follows:

	Actual 2012/13 \$m	Actual 2011/12 \$m
Not later than one year	2,781	1,478
Later than one year and not later than five years	3,076	2,895
Later than five years	249	1,352
TOTAL FUNDING COMMITMENTS	6,106	5,725

10 CONTINGENCIES

Contingent liabilities

The National Land Transport Fund has no contingent liabilities (2012: Nil).

Contingent assets

The National Land Transport Fund has no contingent assets (2012: Nil).

11 RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

All related party transactions have been entered into on an arms-length basis.

The National Land Transport Fund is a wholly owned notional fund of the Crown.

Significant transactions with government-related entities

The National Land Transport Fund has been provided with funding of \$2.862 billion (2012: \$2.741 billion) for specific purposes as set out in its founding legislation and the scope of the relevant government appropriations.

Collectively, but not individually, significant transactions with government-related entities

The National Land Transport Fund purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2013 totalled \$2.805 billion (2012: \$2.666 billion). These purchases included the funding of the NZ Police Road Policing Programme, and the NZ Transport Agency National Land Transport Programme.

Key management personnel compensation

Under the definition of NZ IAS 24, the National Land Transport Fund has no key management personnel.

12 EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

13 FINANCIAL INSTRUMENT CATEGORIES

The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

	Actual 2012/13 \$m	Actual 2011/12 \$m
LOANS AND RECEIVABLES		
Cash and cash equivalents	114	44
Debtors	214	191
TOTAL LOANS AND RECEIVABLES	328	235
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Creditors and other payables	443	407
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	443	407

14 FINANCIAL INSTRUMENT RISKS

The National Land Transport Fund's activities do not expose it to any financial instrument risks, such as market risk, credit risk, or liquidity risk.

15 CAPITAL MANAGEMENT

The National Land Transport Fund's capital is its general funds. General funds are represented by net assets.

The National Land Transport Fund is subject to the financial management and accountability provisions of the Public Finance Act 1989, which imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

The NZ Transport Agency manages the National Land Transport Fund general funds as a by-product of prudent management of revenues, expenses, liabilities, and general financial dealings, to ensure the National Land Transport Fund effectively achieves the requirements set out in the Land Transport Management Act 2003.

16 COMMITMENTS TO REGIONS REPORTING

The Land Transport Management Amendment Act 2008 requires disclosure of expenditure incurred from the 2008/09 financial year to date, in fulfilling the Crown's commitment as per the Act.

	LTMA commitment \$m	Due by	Actual to date \$m
Auckland land transport	130	2012/13	130
Bay of Plenty	135	2015/16	89
Waikato land transport	188	2017/18	188
Wellington land transport	163	2015/16	37
Wellington land transport (Western Corridor)	640	2016/17	141
TOTAL	1,256		585

Auckland land transport commitment was met in 2010/11.

Waikato land transport commitment was met in 2012/13.

17 EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

Explanations for significant variations from the National Land Transport Fund's budgeted figures are as follows:

Statement of comprehensive income

INCOME INFLOWS

Land transport revenue was lower than budgeted by \$133 million. This is the net result of fuel excise duty and road user charges revenue being below budget by \$88 million and \$57 million respectively. Offsetting this is motor vehicle registration revenue being \$11 million above budget.

Management of Crown land and interest was higher than budgeted by \$24 million. Improved management of Crown land and the property disposal programme has resulted in higher income from properties.

OUTFLOWS

NZ Transport Agency National Land Transport Programme – capital contribution was lower than budgeted by \$92 million, but this is in line with the state highways programme for 2012/13.

NZ Police was lower than budgeted by \$20 million. This is in line with the Road Policing Programme for 2012/13, and includes \$10 million set aside for the recently agreed expansion of the speed camera programme, and \$7 million under-spend brought forward from 2011/12.

INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

The Auditor General is the auditor of the National Land Transport Fund (the NLTF). The Auditor General has appointed me, Kelly Rushton, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the NLTF on her behalf.

We have audited:

- the financial statements of the NLTF on pages 195 to 202, that comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in general funds balance and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the NLTF on pages 189 to 193.

OPINION

In our opinion:

- the financial statements of the NLTF on pages 195 to 202:
 - › comply with generally accepted accounting practice in New Zealand; and
 - › fairly reflect the NLTF's:
 - financial position as at 30 June 2013; and
 - financial performance and cash flows for the year ended on that date.
- the statement of service performance of the NLTF on pages 189 to 193:
 - › complies with generally accepted accounting practice in New Zealand; and
 - › fairly reflects, for each activity class, the NLTF's service performance achievements and expenses measured against the performance targets and budgets adopted for the year ended 30 June 2013.

Our audit was completed on 25 September 2013. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities, and we explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the NLTF's financial statements and statement of service performance that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the NLTF's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the NLTF's financial position, financial performance and cash flows; and
- fairly reflect its service performance.

The Board is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the publication of the financial statements and statement of service performance, whether in printed or electronic form.

The Board's responsibilities arise from the Land Transport Management Act 2003.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and the statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 11(3) of the Land Transport Management Act 2003.

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the NLTF.



K M Rushton

Audit New Zealand

On behalf of the Auditor-General

Wellington, New Zealand



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

NZ Transport Agency
Private Bag 6995
Wellington 6141.

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