



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

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 2015



New Zealand Government

CREATING TRANSPORT SOLUTIONS FOR A THRIVING NEW ZEALAND



NZ Transport Agency

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NZ Transport Agency



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

An aerial photograph of a coastal town, likely Auckland, New Zealand. In the foreground, a multi-lane highway bridge spans across a body of water. Several vehicles, including a large truck and a white SUV, are visible on the bridge. The middle ground shows a mix of residential and commercial buildings, a parking lot, and a building with a blue roof. In the background, there are rolling green hills and a bay with a few boats. The sky is clear and blue. Overlaid on the right side of the image are three large, semi-transparent white circles.

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Transport and presented to
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**FOR THE YEAR ENDED
30 JUNE 2015**

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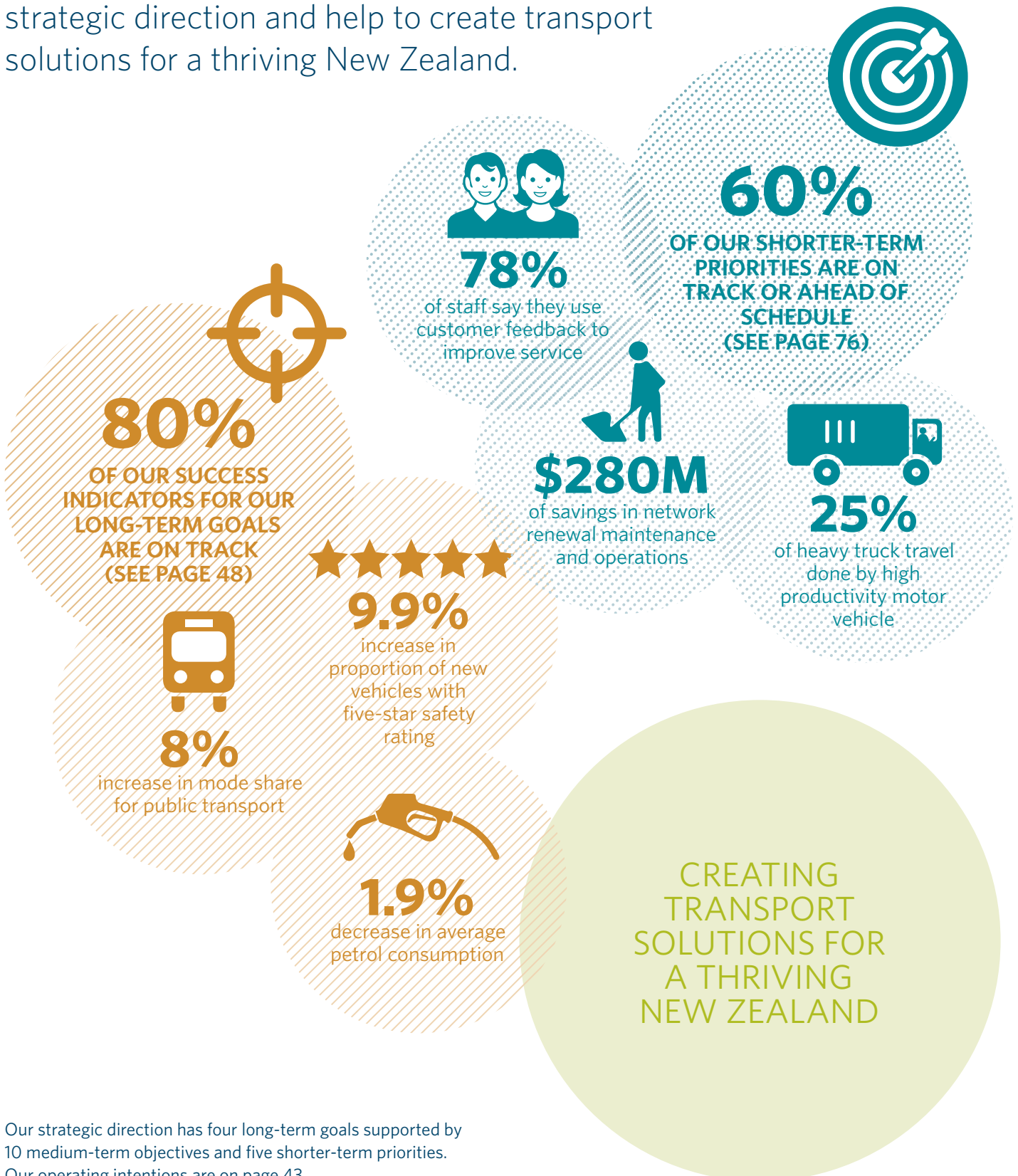


2014/15 AT A GLANCE

Free peat pick-up point from the MacKays to Peka Peka project

OUR RESULTS AT A GLANCE

Our key achievements over 2014/15 support our strategic direction and help to create transport solutions for a thriving New Zealand.

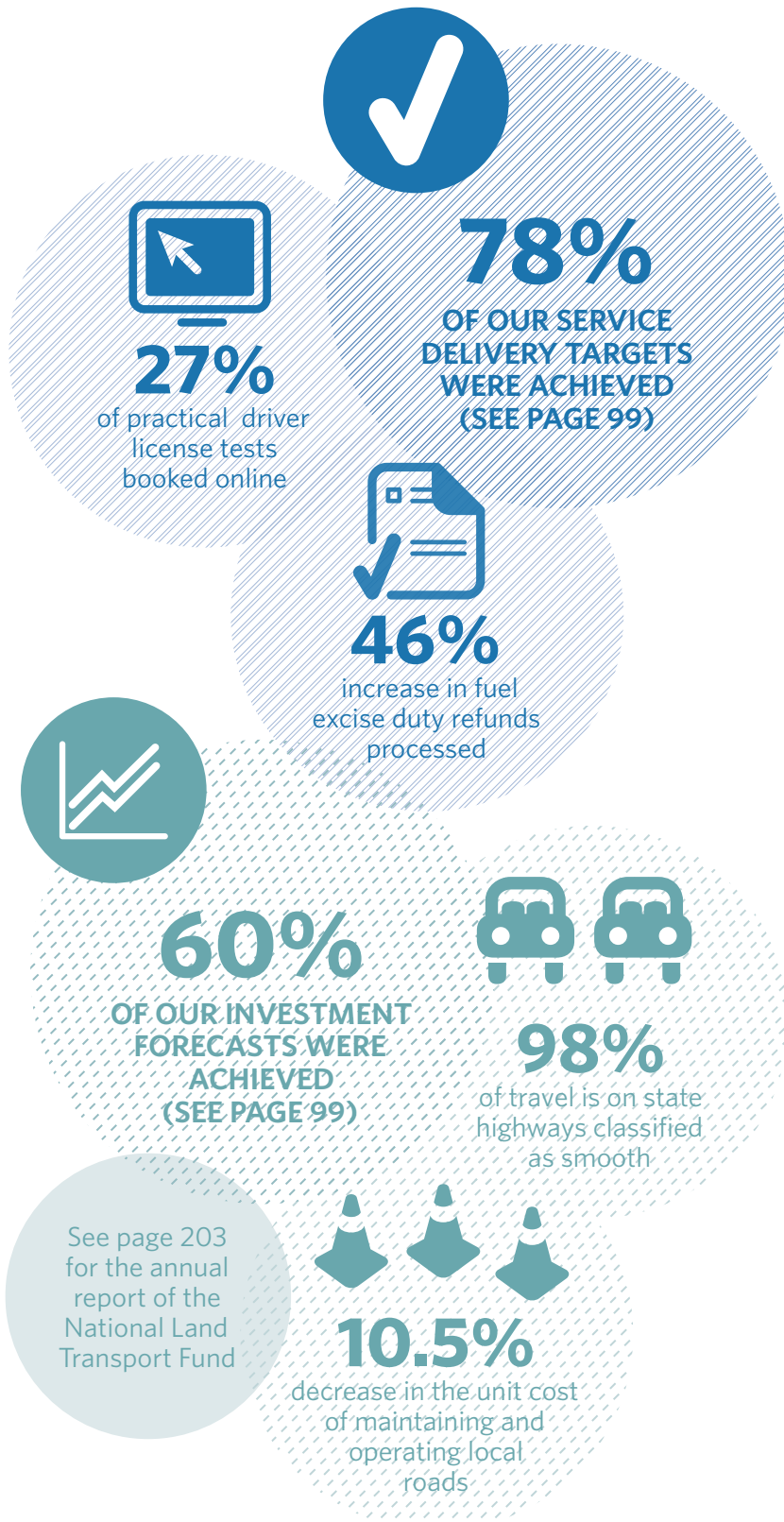


Our strategic direction has four long-term goals supported by 10 medium-term objectives and five shorter-term priorities. Our operating intentions are on page 43.

OUR FINANCES

We have ended the financial year to 30 June 2015 with a net surplus of \$59.7 million, compared to a surplus of \$78.7 million in the previous year.

Further information and analysis of our results is provided on pages 154 to 156.



We deliver services and make investments, through the National Land Transport Programme, under 20 output classes. Our statement of performance for these activities is on pages 98 - 152.



TOTAL INCOME

Our operating income was \$122 million higher than in 2013/14. Changes in economic activity have led to increased fuel excise duty income.



TOTAL EXPENDITURE

Our total expenditure was \$141 million higher than in 2013/14. This reflects an increase in licensing volumes, land transport funding, and state highway depreciation.



TOTAL ASSETS

The total value of our assets is \$1.8 billion higher than in 2013/14, which reflects the \$1.6 billion invested in state highways, and \$573 million increase in the value of the network, offset by annual depreciation.



CAPITAL EXPENDITURE

Our capital expenditure was \$223 million higher than in 2013/14. This is in line with our continued investment in roads of national significance and other capital projects.

SECTION A OVERVIEW OF 2014/15

Vintage cars waiting
to drive at the opening
of the Tauranga
Eastern Link



CHAIR'S FOREWORD

I am pleased to present the 2014/15 annual report for the NZ Transport Agency.

This has been another successful year for the Transport Agency. We have continued to deliver strongly for New Zealand on the Government's priorities for the transport system and the people and businesses that rely on it.

This year has seen significant progress on putting the customer at the heart of our business, with benefits evident across the transport sector. We are pleased with the strong relationship with local government, and what we have achieved together in regional communities and our cities. We are a demanding client for our private sector contractors, always looking for good value from the investment of resources entrusted to us on behalf of users of our land transport system.

This year marked the end of the 2012-15 National Land Transport Programme (NLTP), with the 2015-18 programme launched on 30 June 2015. The development of the NLTP is an example of an effective partnership approach between the NZ Transport Agency, councils and local communities. We have extended this partnership with the development of joint ventures with local authorities for the delivery of road maintenance activities that benefit ratepayers and road users alike.

This success would not have been possible without the hard work and dedication of the Transport Agency's staff and my fellow Board members. Thank you. We are well placed to deliver on the ambitious work programme we have set ourselves in the coming year.

I wish to record the Board's thanks to Geoff Dangerfield, our Chief Executive who is stepping down in December. Geoff has led the development of the Transport Agency since its inception in 2008 and has been at the forefront of its approach to integrated transport networks and achieving best value for money. We wish him well for the future.



CHRIS MOLLER

Chair

THIS YEAR HAS SEEN SIGNIFICANT PROGRESS ON PUTTING THE CUSTOMER AT THE HEART OF OUR BUSINESS, WITH BENEFITS EVIDENT ACROSS THE TRANSPORT SECTOR.

CHIEF EXECUTIVE'S REPORT

The Transport Agency has made some significant achievements this year. We have focused our efforts and resources on the Government's clearly defined priorities and delivered on what we promised. Our reputation is built on getting things done and our constant challenge is to ensure that we plan for the long term and yet adapt our plans to meet changing circumstances and the needs of our customers.

The Board set some challenging performance expectations – and we have succeeded in most but not all cases. But we would rather strive for better performance than rest on our past successes.

It is the outcomes for New Zealanders that matter – what we do is for a purpose: creating transport solutions for a thriving New Zealand. We are focused on four long-term strategic goals:

INTEGRATING ONE NETWORK FOR CUSTOMERS

Our one network approach reflects the very nature of transport systems – connected and interlocking networks of different transport modes. The people who use them want to be able to move across networks and between them easily and seamlessly. The challenge is to ensure that our broader land use planning systems are well placed to integrate future transport requirements into how communities seek to be connected, and people and businesses function.

We have focused on improving our integrated planning, working with our regional planning and investment partners to ensure regional land transport plans, regional public transport plans, freight plans and the transport component of transport activity management plans will deliver one effective and resilient network for our customers. A key piece of work has been the involvement in Auckland Transport's investment planning, providing a strong strategic context for its Integrated Transport Programme.

The one network approach has seen us put more emphasis on integrating road and rail networks and ensuring effective connections with sea and airports in our transport planning. We have also placed a stronger emphasis on cycling networks and the interface with public transport.

Over the past year we have made significant progress on the One Network Road Classification system with local government. This is a major step forward in terms of gaining a strong understanding of the role and function of every part of the road network across New Zealand, and sets the stage for a more consistent and forward looking asset management approach that can adapt to changing requirements.



WHAT WE DO IS
FOR A PURPOSE:
CREATING TRANSPORT
SOLUTIONS FOR A
THRIVING
NEW ZEALAND.

SHAPING SMART TRANSPORT CHOICES

Our goal here is to make our transport system safer and to reduce deaths and serious injuries by enabling people to make smarter transport choices.

New Zealand's road safety performance has improved over recent years, but the reduction in deaths and serious injuries has plateaued in absolute terms and we do not have the road safety performance we see in Australia and elsewhere. This requires a concerted effort across many agencies and a clear sense of priorities.

We recognise the need to implement a Safe System approach to create a forgiving land transport system that accommodates human error and vulnerability. We have delivered Safe Systems in Practice training to around 1,100 people from the Transport Agency, NZ Police, local authorities, other agencies and consultancies.

Over the year we have improved road infrastructure with a substantial safety programme across the state highway network. The high-risk intersections project has seen improvements to eight high-risk state highway intersections completed over the last year from the top 100, with the rest at various stages of construction or planning. A number of high and medium-risk rural roads have also been improved, including SH2 Rimutaka Hill, SH29 Kaimai, SH75 Little River, and SH4 Kopaki. We expanded our rumble strips programme to lift safety on well-travelled tourist routes to help with the visiting drivers campaign and ensure the safety of all road users.

The development of a visiting drivers programme has been a major area of focus. We are working with a range of agencies to build a programme to give visitors from overseas a better understanding about driving on our roads and to make sure they are better prepared. There has been critical work undertaken with car and campervan rental companies to lift their awareness and scrutiny of overseas drivers and to help them be safe themselves on the road as well as lifting the safety of other road users.

We supported the Cycling Safety Panel and its work, and have picked up all the recommendations that are within our responsibilities. The Government has invested strongly in more cycling infrastructure, and we are working with local government and others to implement that programme over the next three years.

The Government has enhanced the effectiveness of regulations we administer. Learner and restricted licences now have time limits, new electronic stability control rules have been introduced, and we are supporting efforts to strengthen drug driving enforcement. The Government introduced lower drink driving limits and we worked with the NZ Police to support the change and help drivers be aware of their responsibilities.

As the rail safety regulator we are responsible for ensuring that those who hold rail operator licences exercise their safety obligations fully and effectively. Over the last year we have increased the resourcing for this work and built stronger relationships with WorkSafe NZ and the wide range of rail operators. There is ongoing work to do to ensure that level crossing risks are addressed and there is increased focus on urban crossings given the lift in metro rail operations in Auckland in particular. We have also become a more active member and funder of TrackSafe and its programme to improve public safety within the rail corridor.

**WE RECOGNISE THE
NEED TO IMPLEMENT A
SAFE SYSTEM APPROACH
TO CREATE A FORGIVING
LAND TRANSPORT
SYSTEM THAT
ACCOMMODATES
HUMAN ERROR AND
VULNERABILITY.**



DELIVERING HIGHWAY SOLUTIONS FOR CUSTOMERS

The state highway system is a critical part of the country's economic infrastructure. While just 11% of the total road network, it carries around 50% of all traffic and 65% of all heavy traffic. This strategic road network is vital to connecting our major areas of economic activity across the regions, our export ports and the functioning of our major metropolitan areas. Our aim is to deliver efficient, safe and resilient highway solutions for all customers.

Over the last few years we have revised our asset management and maintenance contracting approach to make it more efficient and effective – and we have seen substantial efficiency gains achieved. A further seven state highway network outcome contracts have been awarded over the past year – in Northland, Bay of Plenty West, West Waikato, Central Waikato, East Waikato, Manawatū/Whanganui and West Coast.

Our major capital projects including the roads of national significance are all tracking on or ahead of schedule, with the exception of the Wellington Inner City Improvements. The Basin Reserve project – as part of better service to Wellington's eastern suburbs and the airport as well as for the Bus Rapid Transit system – will now not proceed and we are working with our partners to reassess the options for the future. At the beginning of the year we completed the procurement of the Transmission Gully project through a public private partnership (PPP) and given the good outcome achieved there, have now embarked on a further PPP approach for the procurement of the Pūhoi to Wellsford project.

The Tauranga Eastern Link opened in early August 2015 ahead of schedule and under budget. Construction is on schedule for the Waterview Connection and other projects as part of the Western Ring Route, and the Waikato Expressway. Memorial Park was completed on time for the ANZAC Day ceremonies.

MAXIMISING RETURNS FOR NEW ZEALAND

Every activity we carry out is viewed as an investment in New Zealand, and we are constantly looking for ways to maximise the returns. There are always more projects and services we can invest in than there are available resources, so it is crucial that we have a robust framework for assessing investment choices that give the very best benefits.

We lifted our focus on planning and investment for outcomes. A major focus during the year was the development of the 2015-18 National Land Transport Programme, developed to give effect to the Government Policy Statement on Land Transport for 2015/16–2024/25, released in December 2014.

We also embarked on a review of our Investment Assessment Framework which underpins our decision making for the National Land Transport Programme. Immediate and effective changes were made for the 2015-18 programme and we are well placed to make longer-term changes in line with best international practice for the 2018-21 programme.

Improvements to our procurement processes in our Highways and Network Operations Group have been implemented following a review this year, and all approved organisations have current procurement strategies approved by us.



EVERY ACTIVITY
WE CARRY OUT
IS VIEWED AS AN
INVESTMENT IN
NEW ZEALAND.

PROGRESSING OUR PRIORITIES

In delivering our shorter-term priorities we have focused on the following areas:

PUTTING CUSTOMERS AT THE HEART OF OUR BUSINESS

Our focus on our customers has continued to strengthen this year, with their needs front of mind in all our decision making. Customer feedback is actively sought and directed to the relevant teams so it can be used for continuous improvement.

Our online services website has also been upgraded to a mobile-friendly design making it easier for customers to transact with us. A great step forward this year is the improved capability to renew your vehicle licence online. Overall, the percentage of motor vehicle registry transactions completed online has risen from 31 – 35%.

We launched our new Transport Agency website to create a more customer orientated and efficient digital channel. The site allows our customers to find information that helps them to make good transport decisions, conduct easy digital transactions, and interact with us in a digital environment that accommodates mobile technology.

We streamlined our process for distributing customer feedback and addressing any customer complaints. We have developed a tool to turn customer feedback into insights that are used to keep improving our services, and we are developing a consolidated Transport Agency-wide understanding of our customers, their needs and expectations to harness insights and identify gaps in what we offer.

Throughout the year, we have made it a priority to increase the capability and understanding that all Transport Agency staff have of what an exceptional customer experience looks like, and how their role can directly or indirectly help to achieve it. Local government mayors and chairs rated the Transport Agency as the central government body that makes the most effective contribution to local authorities. The majority (50%) rated the Transport Agency as the most helpful government agency.

ENHANCING URBAN NETWORK CAPACITY

This year we have continued to look for ways to improve our urban transport networks. The benefits to major cities and local communities of lifting throughput and safety are significant. A lot of effort has gone into understanding the transport choices that users make – between private motor vehicle, public transport, cycling and walking – and offering better solutions for users.

The number of people using public transport has grown in our three major cities this year, with Auckland public transport patronage seeing an increase of 10%. This year, New Zealanders made 144 million trips on public transport.

We have worked closely with local authorities to jointly offer better solutions for transport users. Planning work is now much more aligned and we see scope to further enhance the overall optimisation programmes across the three largest metros – Auckland, Wellington and Christchurch.

All three Transport Operations Centres (TOCs) are now producing network key performance indicator reports to their stakeholder boards, and we have seen progress on the Wellington Transport Operations Centre operating as a joint network entity together with Hutt, Upper Hutt and Porirua. The TOCs are positioned to ensure our customers have up-to-the-minute information to guide their travel choices.

MOVING MORE FREIGHT ON FEWER TRUCKS

We have achieved this year's target of 25% of heavy trucks now using high productivity motor vehicles (HPMVs). These safer and more efficient heavy vehicles travelled 403 million kilometres this year, which represents between \$125m to \$163m in operator cost savings.

Over 3,500 50MAX permits were issued throughout the year. For those parts of the road network that cannot carry heavier HPMVs, we have continued to grow 50MAX access.

We have seen the migration of heavy road freight to HPMVs continue, reflecting the increasing availability of network access and new HPMV-capable trucks and trailers being brought into service. These newer vehicles are more productive, cleaner and have more advanced safety equipment built in. New trailers are being registered in record numbers, however the registration of new trucks is now slowing.

The significant progress made this year means the Transport Agency can now look at ways to improve the efficiency of the wider freight network, particularly on the connections between road, rail and inter-modal freight hubs.

SAFE SPEEDS TO REDUCE DEATH AND SERIOUS INJURY

Safe speeds that reduce death and serious injury continue to be an extremely important area of focus for the Transport Agency. We know that travel speed affects the outcome of every crash, no matter what the cause.

Throughout the year we have maintained our focus on reducing deaths and serious injuries on open roads, working with local authorities to implement our *Speed management guide*, which aligns speeds to road function and design.

The *Speed management guide* has been developed to implement a stronger focus and guidance on ensuring speeds that are right for the road, the vehicle and the environment.

Progress has been made with the Road Policing Programme, providing a framework for NZ Police to work with other road safety partners on the roll-out of the speed management approach.

Safe speeds will not be achieved without the support of the public, our stakeholders and partners. We know from monitoring the driving behaviour of our own staff that we cannot take safe driving habits for granted. Since we introduced an internal education campaign to focus on this issue, we have seen driving speeds drop substantially.

EFFICIENT ROAD MAINTENANCE AND DELIVERY

This year we have developed a new priority for ensuring efficient road maintenance investment and delivery. Using the One Network Road Classification system allows us to focus on investing in roads with a view to maintaining effective and efficient levels of customer service.

Our focus on asset management and improved procurement practices has led to cumulative savings on state highway and local road renewals, maintenance and network operations of \$280 million. Local road renewals, maintenance and network operations expenditure ended the 2012-15 NLTP period with cumulative savings of \$94 million, significantly higher than the target of \$50 million. The cumulative estimated savings on state highways reached \$186 million, above the target of \$160 million for the same period.

The next step is to foster continued collaboration and information sharing between road controlling authorities to build capability for efficient activity management and procurement of road maintenance services.

REBUILDING CANTERBURY

Good progress is being made with the Christchurch rebuild. In the last year working closely with the Christchurch City Council, the Canterbury Earthquake Recovery Authority and the Stronger Christchurch Infrastructure Rebuild Team (SCIRT), we invested \$48 million in the earthquake-related transport network rebuild programme.

The Transport Agency has now invested \$361.5 million in the rebuild of the Christchurch city network to get the city moving again. The majority of the city programme is being delivered through the SCIRT alliance programme. SCIRT has completed about 75% of the total programme, including the repair of 62% of all roads and 80% of all bridges.

We invested \$16 million in the newly opened \$53 million Christchurch central city bus interchange, and \$18 million in the first phase of the network changes within the central city to support the opportunities to grow public transport use, cycling and walking. We have worked with the Canterbury Earthquake Recovery Authority (CERA) and our Christchurch partners on the planning and funding of these key projects which will help make Christchurch one of New Zealand's most accessible cities.

Development of the Christchurch Motorways is well on track, with the last of the three stages now underway for the Western Corridor and designations in place for both the Southern Motorway stage 2 and Northern Arterial. These new motorways are important to significantly improve network resilience and economic productivity, as well as ensuring motorists enjoy safer and more predictable journeys.



**THE TRANSPORT
AGENCY HAS NOW
INVESTED \$361.5
MILLION IN THE
REBUILD OF THE
CHRISTCHURCH
CITY NETWORK
TO GET THE CITY
MOVING AGAIN.**

INVESTING IN AUCKLAND

The transport challenges in Auckland are substantial, and will only be addressed through a concerted and coordinated programme of action across all modes. This is especially important in terms of our relationship with Auckland Transport and the development of the integrated transport programme over the coming years. At year end, the Government and Auckland Council have jointly agreed to work together to identify an aligned strategic direction for the development of Auckland's transport system that delivers the best possible outcomes for Auckland and New Zealand. The Transport Agency is part of that process.

The Accelerated Auckland Programme is progressing on or ahead of schedule. The first improvements to the Northern Corridor opened to traffic ahead of schedule in December, design of the Southern Corridor is complete, and construction is underway for State Highway 20A.

There is substantial and continued investment with Auckland Transport on public transport services and good patronage results have been achieved this year. The cycleways programme is well underway.

REGIONAL INFRASTRUCTURE INVESTMENT

Last year the Government announced a Crown funded programme of regional state highway projects targeted for acceleration under the Accelerated Regional Roding Package. This initiative gave an additional boost to the State Highway Improvements Programme that could be accommodated within the resources of the National Land Transport Programme.

We have seen good progress over the last 12 months. The Panikau Hill and Wallis Hill slow vehicle bays on SH2 near Gisborne have been completed and four projects have either started their construction phase or are just about to begin - the new Kawarau Falls Bridge in Otago, Mingha Bluff to Rough Creek Realignment in Canterbury, Akerama Curves Realignment and Passing Lane in Northland, and the Normanby Overbridge Realignment in Taranaki.

The initial investigation stage has been completed on a further six projects, with another three in the investigation stage. The Government will make investment decisions on these projects once the initial phases have been completed.

THERE IS SUBSTANTIAL AND CONTINUED INVESTMENT WITH AUCKLAND TRANSPORT ON PUBLIC TRANSPORT SERVICES AND GOOD PATRONAGE RESULTS HAVE BEEN ACHIEVED THIS YEAR.



URBAN CYCLEWAYS

In September last year the Government established the Urban Cycleways Fund with \$100 million of resources for the next three years. Cycling is a fast growing mode of transport in several cities and towns across New Zealand.

We have resourced a stronger work programme on cycling, lifted our planning effort and the development of the Urban Cycleways Programme. Construction is now underway on the first tranche of projects. The Longburn Cycleway was completed in June – an off-road cycle and pedestrian path alongside a busy state highway corridor that links the Longburn community and commercial area with the rest of Palmerston North.

The Nelson Street Cycleway, which connects Newtown Road to Victoria Street in Auckland will open in December 2015, and construction of the Rolleston to Lincoln Cycleway is well underway – a new off-road path for pedestrians and cyclists that will connect fast growing townships to each other and to Christchurch. In late June, the second tranche of urban cycleway projects was announced – \$236 million will be invested in a further 41 projects.

PEOPLE AND TEAMWORK

It has been a privilege to lead the Transport Agency over the last seven years since it was established in 2008. I will step down as Chief Executive in December this year, well satisfied that the Transport Agency is in good shape to address the challenges of the future and with a strong track record of achievement across all its functions and responsibilities.

I am proud of the people who work here and the passion they bring to serving the people who use our transport systems and the communities they live in. Thank you. The public sector attracts people who are motivated to serve and work in the public interest, and I am proud of the relationships we build with the people and organisations we work with – across local and central government, the private sector and in individual communities.

My thanks to Ministers of Transport – past and present – for your leadership and support, and to the Board of the Transport Agency for your guidance and constant encouragement. To my Senior Leadership Team, your dedication and commitment is outstanding.



GEOFF DANGERFIELD

Chief Executive

I AM PROUD OF
THE PEOPLE WHO
WORK HERE AND
THE PASSION
THEY BRING.



SECTION B OUR ORGANISATION

Peter Jackson's
poppies in the
Arras Tunnel



WHAT WE DO

Our purpose is to create transport solutions for a thriving New Zealand.

Our strategy is about shaping the future to deliver on this purpose. We have worked with others in the wider transport sector to agree what that future should look like. While our special focus is on the land transport system, we have signed up with others across the transport sector to create transport solutions and work towards a transport system that is:

- **effective** – moves people and freight where they need to go in a timely manner
- **efficient** – delivers the right infrastructure and services to the right level at the best cost
- **safe and responsible** – reduces the harms from transport
- **resilient** – meets our future needs and endures shocks.

New Zealand thrives when the whole transport system – maritime, aviation and land transport – works together to achieve these enduring sector-wide transport outcomes.

We create transport solutions by:

- **integrating one effective and resilient network for our customers**

We take a one network approach to integrating land use and transport planning so that there are many ways to get around our towns and cities easily and safely – walking, cycling, driving or using public transport. Our experience has shown that by integrating planning and operating the transport network more efficiently we contribute to economic growth and social connectivity.

- **shaping smart transport choices that are safe, efficient and responsible**

We're working cooperatively with our customers, suppliers and partners to help people and business make good choices about their legal obligations, driving, vehicles and travel. We're making compliance easier and empowering people to take responsibility for their actions and how they interact with the licensing and transport network, making the existing network safer and more efficient.

- **delivering efficient, safe and responsible highway solutions for New Zealand road users**

We ensure that each road in the state highway network is playing its part in making New Zealand a more prosperous and safer place, through an ongoing programme of renewal, maintenance and operational management. We're using the Safe System approach and One Network Road Classification to improve the experience that drivers have on the highway and recognise the different needs of freight, commuters, tourists, and business and leisure travellers.

- **maximising effective, efficient and strategic returns for New Zealand**

We make sound, independent investments in the national, regional, and local land transport system to achieve one network transport solutions that best meet the needs of communities both today and into the future. Every day, we ensure that each dollar we spend delivers good transport results for New Zealanders and is cost effective. Every time we allocate funds from the National Land Transport Fund (NLTF) and co-invest with our local government partners, we do the right things, at the right time, for the right price to achieve the results set out in the Government Policy Statement on Land Transport (GPS).

For more information on our strategic direction, see our operating intentions on page 43.

OUR BOARD

BOARD MEMBER PROFILES

The Transport Agency is a Crown entity governed by a Board, which is appointed by the Minister of Transport.

CHRIS MOLLER, CHAIR (WELLINGTON)

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.

DAME PATSY REDDY, DEPUTY CHAIR (WELLINGTON)

Dame Patsy has been a non-executive director of a wide range of companies in both the public and private sectors over the past 25 years. She is currently Chair of the New Zealand Film Commission and Education Payroll Ltd and is a director of Payments NZ Ltd and Active Equity Holdings Ltd. She is a chief Crown negotiator for Treaty of Waitangi settlements and a lead reviewer for the Performance Improvement Framework for the State Services Commission. 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 non-executive director. He chairs MainPower NZ Ltd, Transwaste Canterbury Ltd and Ngai Tahu Farming Ltd. He is also a director of a number of privately held businesses involved in manufacturing, warehousing and distribution, infrastructure, property development, medical services, legal services and fishing. Gill is a member of the CERA Community Forum in Christchurch and the Canterbury Earthquake Recovery Advisory Board.

TONY LANIGAN (AUCKLAND)

Tony is a professional civil engineer, project management consultant and former general manager with Fletcher Construction. Tony was the inaugural Chancellor of AUT University and a director of Infrastructure Auckland. He is currently Vice Chair of Habitat for Humanity in New Zealand and Chair of the New Zealand Housing Foundation. He is a director of Watercare Services Limited. Tony is the Group Director - Estates at Auckland University of Technology (AUT) as well as a Senior Research Fellow in the AUT School of Construction Management. Tony is a member of the Ministry of Health's Hospitals Redevelopment Partnership Group for Canterbury hospitals. In March 2015, Tony was elected a Distinguished Fellow of the Institution of Professional Engineers (Dist. FIPENZ).

MARK OLDFIELD (TIMARU)

Mark is a director of Brenchley Farms Ltd in South Canterbury. He has over 30 years' experience working with businesses and communities in the Canterbury region. He also has interests in Nelson/Tasman and Queenstown. From 1997 to 2010, he was a member of the Canterbury Regional Council (including Regional Land Transport, Public Passenger Transport and Road Safety committees). Mark has been a Board member/vice president of the South Canterbury Chamber of Commerce, as well as a Board member of the Energy Efficiency Conservation Authority 2010-2014.

JERRY RICKMAN (HAMILTON)

Jerry is a chartered accountant and professional director. Jerry currently chairs the Boards of HG Leach Ltd, Tidd Ross Todd Ltd, Spectrum Dairies 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, Innovation Waikato Ltd and EziBuy Holdings Ltd.

NICK ROGERS (AUCKLAND)

Nick Rogers is a geotechnical specialist with expertise in land stability, foundation support and natural disaster assessment. He has over 34 years' experience on major infrastructure projects and in conducting land damage assessments for the Earthquake Commission in New Zealand. He has also worked on projects across the Asia-Pacific region. Nick has been a director for Tonkin and Taylor, and the international development consulting firm ANZDEC. Nick was made a Companion of the Queen's Service Order for his services in natural disaster assessment throughout New Zealand, and in the recovery work in Christchurch during and after the Canterbury earthquakes.

ADRIENNE YOUNG-COOPER (AUCKLAND)

Adrienne is a businesswoman, professional director and a Chartered Fellow of the Institute of Directors. She has a 30-year career in resource management and planning - specialising in spatial planning, metropolitan growth and management (including infrastructure planning and large projects). Adrienne was the Deputy Chair of the 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 is Deputy Chair of Housing New Zealand Corporation and Chair of the Hobsonville Land Company Limited. She also serves on several charitable trusts.



**MARK
OLDFIELD**



**NICK
ROGERS**



**GILL
COX**



**CHRIS
MOLLER**
Chair



**DAME PATSY
REDDY**
Deputy Chair



**TONY
LANIGAN**



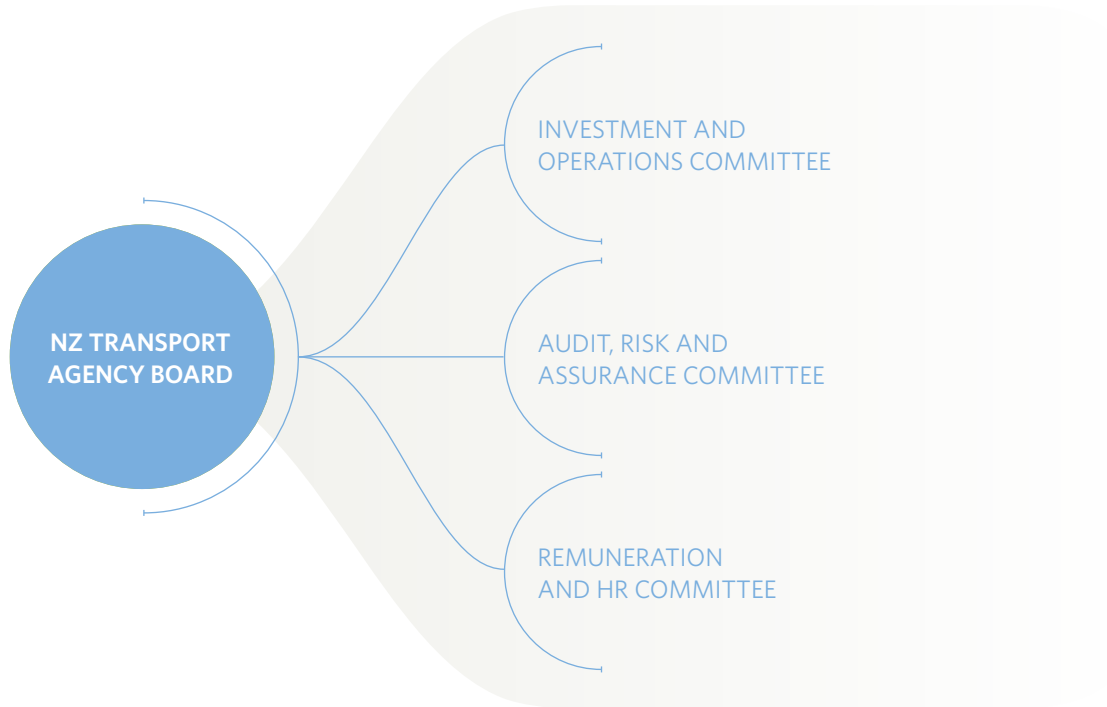
**ADRIENNE
YOUNG-COOPER**



**JERRY
RICKMAN**

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. A recent review confirmed that the Board should continue with the current structure, but sharpen the focus of the Investment and Operations Committee.



BOARD FUNCTIONS AND OPERATIONS

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 our strategy and plans.

The planning, investment and funding decisions the Board must make are set out in its significance policy. They include:

- approving annual budgets
- making significant funding decisions and awarding major contracts
- 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 by:

- assuring compliance with policies and controls
- monitoring and advising on delegated investment, operational procedures and projects
- reviewing the performance of the Chief Executive annually.

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

BOARD MEMBER REMUNERATION

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

DISCLOSURE OF INTERESTS

Board members must complete a declaration of interests each year. Any changes to Board members' conflicts of interest are tabled and reviewed at the opening of every Board meeting. The process is independently audited every year.

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*.

BOARD PERFORMANCE REVIEWS

At least every two years, the Board reviews its own overall performance, in a process run by the Chair. Individual Board member performance will be assessed as part of this process.

GOVERNANCE STATEMENT

The Board's governance statement is formally adopted and published on our website: www.nzta.govt.nz/about-us/about-the-nz-transport-agency/our-board/.

BOARD ACTIVITY IN 2014/15

The Board held eight scheduled and two special meetings in 2014/15. The scheduled meetings were held in Wellington (8), Auckland (1) and Christchurch (1). The Board considered 99 separate items. In March, the Board also held a workshop on direction and targets for 2015-19, covering strategic direction, service delivery and financial performance.

| BOARD FUNCTION | HIGHLIGHTS |
|--|---|
| Governance matters | <ul style="list-style-type: none"> ▪ Suggested use of the <i>Register of Board member interests</i> ▪ Board member skill and competency assessment |
| Setting sector and organisational direction | <ul style="list-style-type: none"> ▪ 2015-18 National Land Transport Programme (NLTP): <ul style="list-style-type: none"> - Inputs to 2015-18 NLTP development <ul style="list-style-type: none"> - process changes - investment signals - Key changes to the Investment Assessment Framework - Māori engagement - Engagement and communications plan - Endorsement of indicative investment levels for programmed activities - Improvement activity and other programmes - Assurance - Adoption ▪ Procurement review – project update ▪ Support for release of draft State Highway Activity Management Plan (SHAMP) to regional transport committees ▪ National speed programme – overview ▪ New Zealand Transport Ticketing Limited – update ▪ Funding Assistance Rate (FAR) review – decision on the methodology for setting normal funding assistance rates ▪ Changing gear in cycling – delivering more through leadership, innovation and partnerships ▪ Road and rail interface – update ▪ Maintenance and operations – overview of market competitiveness ▪ Finalising the Investment Assessment Framework ▪ Delegation of practical driver testing service functions ▪ Motor vehicle registration and licensing delegations ▪ Sector Legislative and Policy Programme update ▪ Regulatory Change Programme – progress report |
| Confirming service and financial performance targets | <ul style="list-style-type: none"> ▪ <i>Statement of intent 2015-19</i> – reconfirming the goals, objectives and priorities, and related indicators and targets ▪ Confirming <i>Statement of intent 2015-19</i> and <i>Statement of performance expectations 2015-19</i> |

Significant planning, investment and operational matters

- Roads of national significance – procurement overview
- Additional Waitemata Harbour Crossing – route protection
- Auckland Southern Corridor improvements – construction funding
- Northland Inland Freight Route – reviewing the function of Mangakahia Road
- Longswamp section – construction funding
- Waikato Expressway (SH1) road of national significance: Hamilton section – detailed design and construction funding
- SH20A to Airport Project – contract award and funding for property, design and construction
- East West Connections – recommended approach
- Christchurch roads of national significance – construction funding approval and programme update
- Maunganui-Girven (SH2) and Te Maunga (SH2 / SH29) intersections improvements – design funding
- Route K (Tauranga) declaration as state highway and tolling
- Western Ring Route – final design and cost adjustments
- East-West Link and Auckland Manukau Eastern Transport Initiative
- Transmission Gully public private partnership (PPP) – financial close
- Ara Tūhono Pūhoi to Warkworth Project – recommendation for procurement as a PPP
 - Update on procurement process and optimisation of borrowing capacity
 - Update on value for money assurance
 - Value for money procurement and property investment approval
- Christchurch rebuild update
 - Christchurch bus interchange construction funding
 - Christchurch City Council – accessible city transport projects phase 1 construction funding
- Accelerated Regional State Highway package update
- Basin Bridge High Court Appeal approval
- Review of long-term financial liabilities policy
- Interim toll pricing principles and Tauranga Eastern Link toll price update
- Administration agreement and delegations to New Zealand Transport Ticketing Limited
- Instrument of Board delegation – ‘Tairāwhiti Roads’ Joint Roading Management Business Unit
- LicenSys NZ Holdings Ltd – contract to manufacture number plates
- Contract to provide practical driver testing services
- Walking and cycling across the Auckland Harbour Bridge
- Sale of registry suite intellectual property
- Upper North Island Freight Plan and freight planning
- Delegation to approved organisations – funding decisions
- Instrument of Board delegation – Wairoa District Council maintenance management of SH38 unsealed sections

| | |
|---|--|
| <p>Quality assurance of key organisational systems, policies and processes</p> | <ul style="list-style-type: none"> ▪ Improving asset management practices – lessons learnt in other sectors ▪ Review of the NZ Transport Agency significance policy ▪ Transport Agency Road Safety Advertising Programme – overview and effectiveness ▪ Transmission Gully PPP – lessons learnt ▪ Progress on health and safety programme <ul style="list-style-type: none"> - due diligence - guidance for site visits - Zero harm update (Q1) and Board due diligence framework |
| <p>Assessing progress against plan</p> | <ul style="list-style-type: none"> ▪ Chief Executive’s report (8) ▪ Quarterly progress report, including financial report (4) ▪ Additional financial reports (4) ▪ Media and communications update (7) ▪ Delegation to NZ Driver Licensing (1998) Limited ▪ Assurance to auditors about the Transport Agency’s contribution to NZ Government’s annual financial statements ▪ Approval of the 2013/14 annual report ▪ Budget strategy and value add propositions for 2014/15 ▪ Changes to Board general instrument of delegation and instrument of Board delegation ▪ Confirming the role of the Investment and Operations Committee ▪ 2013/14 Benchmarking Administrative and Support Services (BASS) results |

BOARD AND BOARD COMMITTEE ATTENDANCE

| MEMBER | BOARD COMMITTEE MEETINGS | | | BOARD MEETINGS |
|---|---|---|--|----------------|
| | INVESTMENT AND OPERATIONS BOARD COMMITTEE | AUDIT, RISK AND ASSURANCE BOARD COMMITTEE | REMUNERATION AND HUMAN RESOURCES BOARD COMMITTEE | |
| Chris Moller (Transport Agency Board Chair) | | | 3/3 | 10/10 |
| Dame Patsy Reddy (Transport Agency Board Deputy Chair) (Remuneration And Human Resources Board Committee Chair) | | | 3/3 | 10/10 |
| Gill Cox | | 7/7 | | 10/10 |
| Tony Lanigan | 4/4 | | | 9/10 |
| Mark Oldfield | 3/3 | | | 9/9 |
| Jerry Rickman (Audit, Risk And Assurance Board Committee Chair) | | 7/7 | | 10/10 |
| Nick Rogers | 4/4 | | | 10/10 |
| Adrienne Young-Cooper | 4/4 | | | 10/10 |

INVESTMENT AND OPERATIONS COMMITTEE

The Investment and Operations Committee is the steward for 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, investment decisions and procurement proposals across all modes of transport, within delegations reserved for the Board.

The committee comprises five serving Board members and provides business stewardship and guidance on matters including:

- delivery of the National Land Transport Programme (NLTP) 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 four times during 2014/15.

AUDIT, RISK AND ASSURANCE COMMITTEE

The Audit, Risk and Assurance Committee is made up of two serving Board members. The committee is served by the Chief of Assurance and Risk and the Chief Executive. The Group Manager Organisational Support and Chief Financial Officer also attend meetings. The Ministry of Transport's Chief Executive has been appointed by the Board as a committee member, to facilitate his 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 audit 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 seven times during 2014/15.

REMUNERATION AND HUMAN RESOURCES COMMITTEE

This committee, along with the Chief Executive, provides strategic governance over human resources capability, remuneration, employment relations and key human resources strategies. The committee also helps the Board fulfil its responsibilities for remuneration of the Chief Executive and senior management.

To meet 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 needed for human resource strategies, frameworks and policies, workforce and succession planning, performance management, remuneration, retention and engagement, employment relations, code of conduct and behavioural expectations, and development of human resources delegations
- recommends staff remuneration strategies and overall market position to the Board
- oversees organisational compliance with legal obligations.

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

The committee met three times during 2014/15.

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.

OUR ORGANISATIONAL STRUCTURE

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

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 390 staff) is responsible for moving people and freight around the state highway network, and for improving the state highway network to maintain its condition, improve travel time reliability and reduce the risk of death or serious injury to motorists.
- The Planning and Investment Group (with approximately 160 staff) manages how the National Land Transport Fund (NLTF) is invested to deliver integrated transport solutions. It does this by assessing and prioritising activities put forward by approved organisations and the Transport Agency for state highways, and influencing land-use planning.

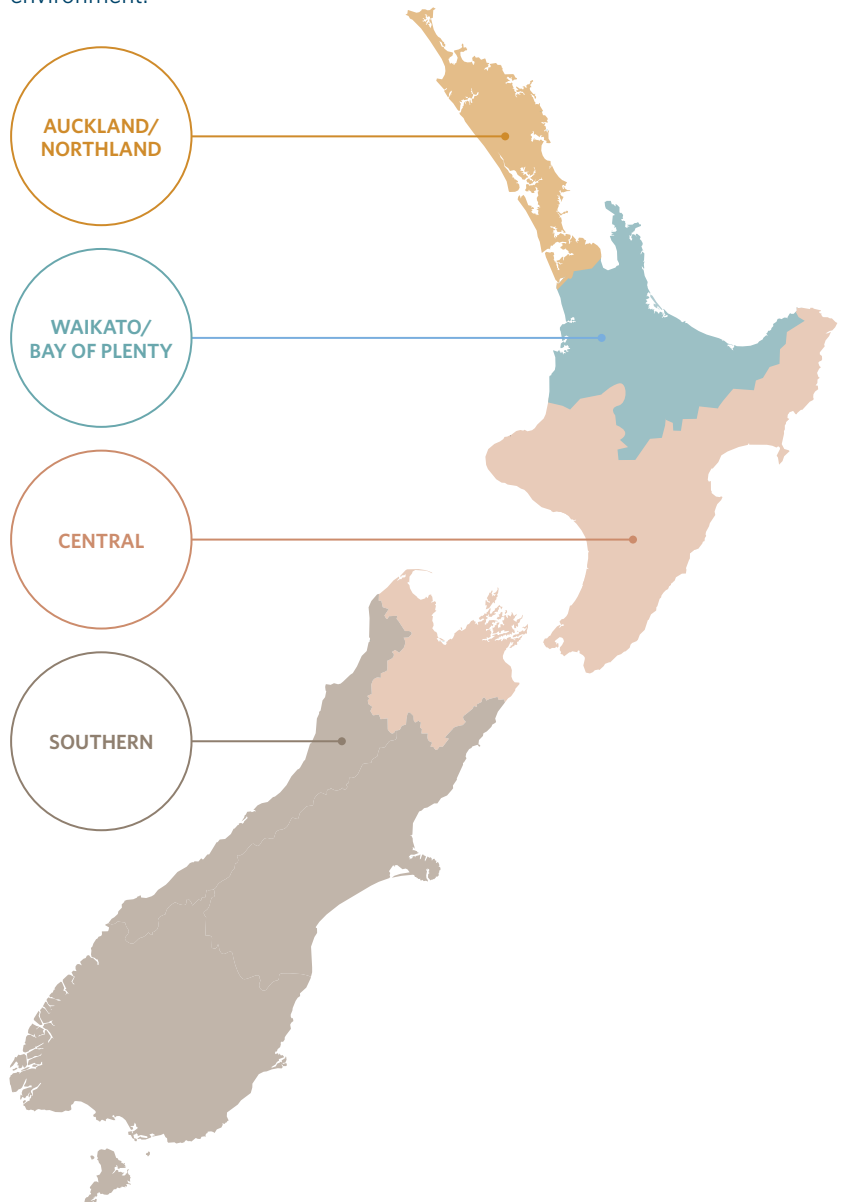
Corporate support groups

Approximately 340 staff make up the following corporate support groups:

- The Strategy, Communications and Performance Group translates government and sector direction into organisational direction, then 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 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.



OUR LEADERSHIP TEAM

Chief Executive

GEOFF DANGERFIELD

MSc (Resource Management)

Geoff became the first Chief Executive for the Transport Agency in August 2008 and leads the development of the 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

RAEWYN BLEAKLEY REGIONAL DIRECTOR CENTRAL

Bachelor's Degree majoring in Human Nutrition, Post Grad Diploma of Science

Raewyn joined the Transport Agency in October 2014. Raewyn was previously Chief Executive of Business Central (incorporating the Wellington Chamber of Commerce) in Wellington, after almost five years leading the Bus and Coach Association and Rental Vehicle Association. Prior to that Raewyn was National Operations Manager for the Hospitality Association of New Zealand.

Raewyn brings a strong customer focus, and has an extensive background in fostering collaboration and advocating for continued improvement across the transport, tourism, business and local government sectors.

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.

SARA BROADHURST GROUP MANAGER PEOPLE AND CAPABILITY

Sara joined the Transport Agency in 2013, bringing more than 14 years' experience in human resources in New Zealand and the United Kingdom from a wide range of industries including infrastructure, telecommunications, housing, manufacturing, banking and not-for-profit organisations. She has a strong track record of managing organisational change, organisational design, employee relations, recruitment and remuneration.

JENNY CHETWYND GROUP MANAGER STRATEGY, COMMUNICATIONS AND PERFORMANCE

Bachelor of Regional Planning (BRP) (Hons), MBA

Jenny joined the Transport Agency in 2008, and was previously the Environmental Strategy Manager for Transpower. Jenny has over 20 years' experience working with local government and business in relationship management, public engagement, policy development and project delivery fields.

ALLAN FROST GROUP MANAGER ORGANISATIONAL SUPPORT

Bachelor of Business Studies, Chartered Accountant, Fellow Certified Public 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 20 years in senior leadership roles focusing on getting the best from people, information, technology and finance.

JIM HARLAND REGIONAL DIRECTOR SOUTHERN

Bachelor of Arts, Diploma in Town Planning, Masters Town Planning (Hons), Member NZ Planning Institute, Member Institute of Directors NZ, Fellow NZ Institute of Management

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.

TOMMY PARKER
GROUP MANAGER HIGHWAYS AND NETWORK OPERATIONS

BA (Hons) (Urban Planning), Dip (Urban Planning Implementation), MSc (Transportation Planning and Engineering)

Tommy has been with both Transit and the Transport Agency for over 10 years and has a well-established presence in the Auckland market. He has held various roles including Highways Manager for Auckland and Northland. Tommy has over 20 years' experience in transport planning in both the public sector and private consultancy. His recent appointment as Group Manager Highways and Network Operations provides Tommy with the exciting challenge of embedding many of the recent change initiatives across Highways and Network Operations.

HARRY WILSON
REGIONAL DIRECTOR WAIKATO/BAY OF PLENTY; DIRECTOR OF FREIGHT

Harry has 30 years' 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.

CELIA PATRICK
GROUP MANAGER ACCESS AND USE; DIRECTOR OF RAIL SAFETY

Grad Dip (Business), MBA

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

ERNST ZÖLLNER
REGIONAL DIRECTOR AUCKLAND/NORTHLAND; DIRECTOR OF ROAD SAFETY

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

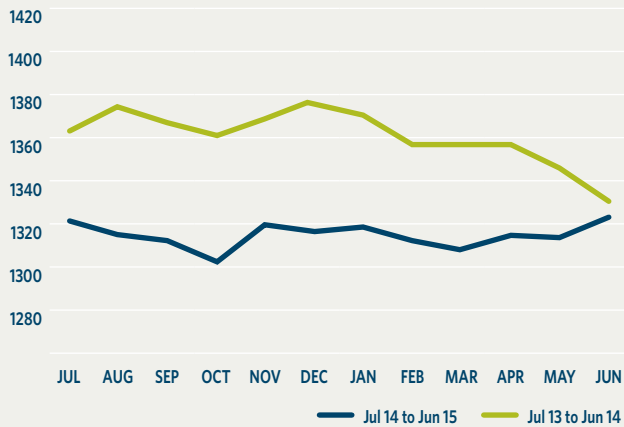


OUR PEOPLE

WORKPLACE PROFILE

Our people mean a lot to us. In fact, they're everything. It's their effort and commitment that enables us to do what we do. Our diverse workforce is located in 14 locations, from Whāngārei to Du nedin.

FULL-TIME EQUIVALENT (FTE) EMPLOYEES



The Transport Agency's FTE count at 30 June 2015 was 1,322.

AGE PROFILE

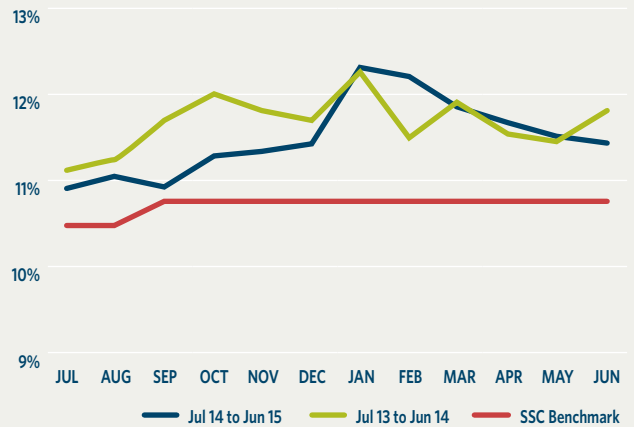
The average age of our employees (at 30 June 2015) is **44.5 years**, with 11.8% under **30 years** and 19.8% over **55 years**. Our average is similar to that of the public sector as a whole.

ETHNIC PROFILE

Ethnic groups (self-identified)

| | |
|---------------------------------------|-------|
| Asian | 7.1% |
| Māori | 5.8% |
| Middle Eastern/Latin American/African | 0.5% |
| Not stated | 13.3% |
| NZ European | 54.4% |
| Other ethnicity | 1.8% |
| Other European | 15.6% |
| Pacific peoples | 1.5% |

ANNUAL TURNOVER



Our unplanned turnover at the end of June 2015 was 11.4%, which is lower than 12 months ago, when it was 11.7%.

Core unplanned turnover of those with less than two years' service to the end of June 2015 is 10.6%, which is lower than 12 months ago, when it was 14.8%.

GENDER PROFILE

We have an even ratio of male and female employees, compared to the public sector male/female ratio of **40:60**.

Of our senior management roles (tiers 1-3), 41% are filled by females. The average female representation in senior management within the public service was 42% in June 2014.

DISABILITY

Our workforce profile does not include disabilities as this information is not currently recorded; however, we are committed to valuing the diversity of our people.

We recognise, respect and value differences and do not discriminate. This includes making reasonable accommodation for those with disabilities.

EQUAL EMPLOYMENT OPPORTUNITIES STATEMENT

We are committed to ensuring our people have equal access to the employment of their choice and have the chance to perform at their best.

The Transport Agency promotes equal employment opportunities (EEO) to ensure that our people, policies and practices are in line with our obligations as a good employer.

The Transport Agency People Plan 2014-16 provides direction for our people practices and focuses on supporting our people to be high performing. The four key themes of the plan are organisational reputation, culture, engagement, and skills and capability.

Being a good employer means we get better outcomes for our people who are more satisfied with their employment, and the people we're ultimately here for, the people of New Zealand.

The following table demonstrates the alignment between our key people policies and practices and the seven elements of being a good employer.²

| GOOD EMPLOYER ELEMENTS | OUR KEY PEOPLE POLICIES |
|--|--|
| <p>Leadership, accountability and culture</p> | <ul style="list-style-type: none"> ▪ We have created a 'people leader' community for our 300 people leaders, focusing on positive leadership for our people, motivating everyone at the Transport Agency to perform at their best. This is being achieved through monthly meetings, an annual conference for all people leaders and regional people leader conferences throughout the year. ▪ The way we lead provides clear expectations for people leaders and drives our leadership development programmes. ▪ We hold people accountable through robust performance and development planning. ▪ Strong behavioural expectations are provided by our three behaviours: sign up, team up and front up. ▪ We involve our people and their unions at the front end to manage change programmes, develop policies and to continuously improve our practices as a good employer. |
| <p>Recruitment, induction and selection</p> | <ul style="list-style-type: none"> ▪ We have robust recruitment and selection processes. ▪ Videos and profiles on our career website and recruitment collateral feature employees from diverse backgrounds. ▪ We are an 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. ▪ All new people attend the organisation-wide induction to the Transport Agency. |

² Human Rights Commission, Good employer advice: www.hrc.co.nz/your-rights/employment-opportunities/our-work/reporting-crown-entities-good-employers/

| GOOD EMPLOYER ELEMENTS | OUR KEY PEOPLE POLICIES |
|--|--|
| Employee development, promotion and exit | <ul style="list-style-type: none"> • We have a culture of development at all levels. • Development opportunities include project work, acting in other roles, secondment, mentoring and coaching, as well as formal learning programmes offered via our development calendar. • An ongoing process of feedback and two-way communication is encouraged. • Capability mapping, talent management, succession planning and progression frameworks are in place. • We are an accredited IPENZ professional development partner. • We use our LinkedIn page to stay connected with our people, including current employees, former employees and prospective candidates. |
| Flexibility and work design | <ul style="list-style-type: none"> • We promote balanced work-life responsibilities, through flexible working, including taking opportunities to support the community. • Our people can request changes to their working arrangements, including job sharing, compressed weeks, working from home and leave during school holidays. • We encourage people to take annual leave in the year it is accrued and manage their hours to maintain wellbeing. |
| Remuneration, recognition and conditions | <ul style="list-style-type: none"> • Our policies and frameworks are similar to many organisations in New Zealand in that they are based on the principle that pay will reflect the market and performance – not tenure, cost-of-living or other personal circumstances. • We conduct an annual remuneration review process, including comparing our remuneration ranges to public sector and other organisations' market data. • Our job evaluation and remuneration practices are transparent, equitable and gender-neutral. • Recognition is encouraged using a variety of ways, including celebrating success, recognising people at team meetings and through resources, such as thank you cards that reflect examples of our three behaviours. |
| Harassment and bullying prevention | <ul style="list-style-type: none"> • We are committed to maintaining a safe working environment for all our people where we experience mutual respect, trust, dignity and security. • We have worked collaboratively with unions to better understand harassment and provide tools to support people working through issues. |



| GOOD EMPLOYER ELEMENTS | OUR KEY PEOPLE POLICIES |
|--|---|
| <p>Safe and healthy environment</p> | <ul style="list-style-type: none"> ▪ Our Zero Harm Strategy 2014–2020 supports our belief that everyone who comes to work at the Transport Agency should go home healthy and safe. ▪ The code of conduct and relevant health and safety and harassment policies are readily accessible. ▪ Our strong focus on employee health, safety and wellbeing is supported through the provision of support services, such as: <ul style="list-style-type: none"> - employee assistance programme (EAP) for all staff - additional services in the event of heightened stress, such as critical event debrief, onsite EAP presence, change process support and resilience training - ergonomic workstation assessments - annual free flu vaccination available for all our people. ▪ We have tertiary ACC accreditation for our workplace safety management practices. |

Reviewing policies and procedures

We involve unions in the development and implementation of policies and procedures and consult with our people before making any significant changes. To ensure our policies and procedures remain relevant we review them on a two-yearly cycle, or more often if necessary. We are receptive to feedback on our policies at any time.

ENSURING HEALTH AND SAFETY FOR OUR PEOPLE

We believe that everyone who comes to work for the Transport Agency should go home healthy and safe and that we should be a leader and key influencer for zero harm in the workplace.

We face the most significant workplace health and safety reform to happen in New Zealand for more than 30 years. As a nation we need to make a step-change in our approach to our health and safety performance so that all New Zealanders go home safe and healthy from work, every day.

As part of the Transport Agency's commitment to keeping our people safe, we have continued to focus on our Zero Harm Strategy. Our objective is to ensure that we carry out services for our customers without sustaining any fatal or lost time injuries for our people, including our contractors.

Our Zero Harm Strategy 2014-2020 has a clear objective:

'By 2020 or sooner all our people, regardless of employer will go home safe and healthy, every day, no exceptions.'

The strategy provides a risk-based approach to health and safety delivering consistent outcomes across the Transport Agency. The initial priority is to focus on the high-risk areas of the organisation.

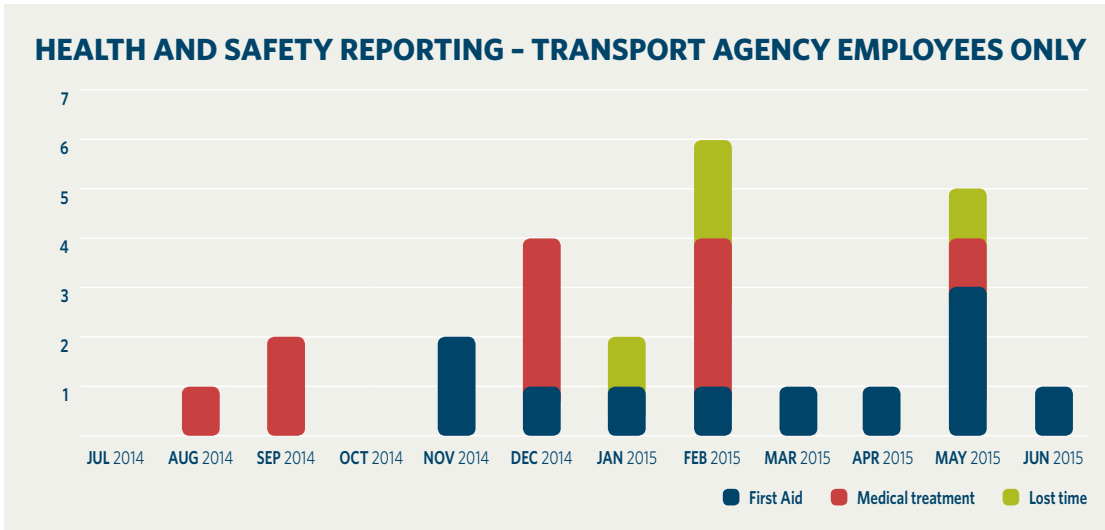
To embed our Zero Harm Strategy, we have put the following in place:

- **Robust corporate governance framework** – risk assessments were carried out, allowing the Board and our people to understand our critical risks and how we mitigate them. We provide a real-time, zero harm dashboard for Board members showing how we are performing against our lead and lag indicators.
- **Training** – our people and their leaders receive training that helps and empowers them to actively engage in health and safety in the office, on the highway, railway, testing stations, or wherever they are working.
- **Systems** – we are making it easier for our people and our industry to do the right thing in health and safety by providing sharp innovative tools and solutions, and easy to implement industry standards. These are available for our own people and anyone else who needs them. We are working with our suppliers to provide leadership, training, information and tools to smaller organisations that lack the resources or specialists.
- **Culture** – we are encouraging our people and our suppliers to sign up, team up and front up to achieve zero harm through the Institution of Occupational Safety and Health Managing Safely course.

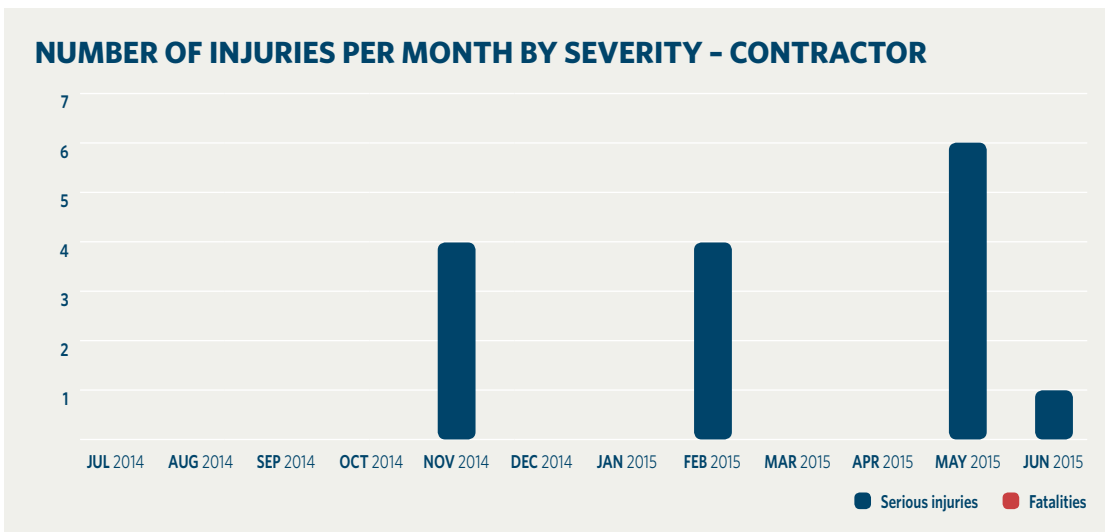
Our contribution to health and safety within our wider industry was recognised in 2015, when our zero harm reporting app was awarded the Impac best significant health and safety initiative by a large organisation at the NZ Workplace Health & Safety Awards 2015. Developed together with an industry working group, the app allows for real-time reporting of incidents that happen in the office, on the network, or on a project site, regardless of employer.

We now have a fully resourced team in place with dedicated zero harm advisors to support our business groups. In addition to this, we continue to ensure that our people are inducted, trained and competent to do their jobs safely. If our people are injured, we will support them and provide an environment that enables them to return to work as soon as they are ready.

As part of our commitment to workplace health and safety, we regularly assess reporting and monitored metrics that demonstrate performance against lead and lag indicators. The data allows us to assess where we are performing well, and highlights areas where we need to improve.



The most common type of injury to our people over the past financial year was caused by slips, trips and falls. The second cause of injury was people burning hands from hot water in kitchens.



The most common cause of serious injuries to our contractors is associated with people interacting with heavy construction plant (machinery). We are working with industry to develop and implement a minimum standard for working around mobile plant to mitigate the risks associated in this area.

OUR SUCCESSES

This year we've been recognised alongside our partners, by a number of leading industry and professional bodies.



NZ TRANSPORT AGENCY WINS AWARD FOR HEALTH AND SAFETY APP

From left to right, starting third left: Rhys Beddow, Mieszko Iwaskow, Nick Rodgers, Michele Berry, Jon Harper-Slade, James Mear, Kaye Clark, Martin McMullan, James Kaye, Anita Collins, Wayne Troughton

The zero harm reporting tool app we developed along with an industry liaison group won the Impac Best Significant Health and Safety Initiative (by a large organisation) at the 2015 New Zealand Workplace Health and Safety Awards.

The tool is an easy-to-use reporting app that allows for real-time reporting of health and safety incidents that occur in the office or on a project site regardless of employer. It's cloud-based so it can be accessed through a range of mobile and tablet devices.

We have made the reporting tool available free to our contractors and industry partners who can adopt the system and tailor it to their own specifications at no cost.

Reporting of health and safety incidents is vital to helping us understand how we can improve. It provides greater visibility of what's happening on the transport network at any given time in offices and on projects.

By collecting data and encouraging industry to proactively report on health and safety performance, the tool helps to paint a true picture of health and safety trends over time. The consistent reporting helps identify and address the root cause of incidents and then assess the effectiveness of corrective actions - a first for the New Zealand roading industry.

Our Zero Harm Manager, Martin McMullan, said 'We're committed to leading the industry towards zero harm in the workplace so that all employees and contractors go home safe and healthy every day'.

REPORTING OF HEALTH AND SAFETY INCIDENTS IS VITAL TO HELPING US UNDERSTAND HOW WE CAN IMPROVE.

SPOTLIGHT ON COLLABORATION



Dave Hadfield, GM Tairawhiti Roads (at right) with his joint team at the opening of their new Gisborne office. Set to manage the maintenance of a combined highways and local roads network - a shining example of true collaboration.

SAVINGS HAVE BEEN ACHIEVED FOR BOTH ORGANISATIONS THROUGH THE NEW JOINT CONTRACTS, AND THERE HAVE ALREADY BEEN IMPROVEMENTS IN CUSTOMER SERVICE AND EVENT RESPONSE TIMES.

The Transport Agency and Hamilton-based consultancy Bloxam Burnett and Olliver were the big winners at the 2015 New Zealand Planning Institute Awards.

Planning practices for the Huntly section of the Waikato Expressway saw them jointly claim the Best Practice Award for District and Regional Planning, and the overall Nancy Northcroft Supreme Best Practice Award.

The Huntly section involves 15km of four-lane expressway, four million cubic metres of earthworks, an 80 metre cut through the Taupiri Range, over 100 hectares of forest, bush and wetland enhancement and permanent protection of a sacred lagoon and two pa sites.

The judges described the project as 'demonstrating outstanding creativity and innovation in an example of best practice planning in an environmentally and culturally sensitive environment'.

Close collaboration and engagement with key affected parties throughout the development phase resulted in no resource consent hearings being required, and only a brief hearing to finalise designation conditions, with no appeals to the Environment Court.

A key focus was the partnership with iwi to ensure the Huntly section recognised the rich cultural history of the area. There was also close collaboration with stakeholders such the Department of Conservation, Waikato Regional Council and Waikato District Council.

A KEY FOCUS WAS THE PARTNERSHIP WITH IWI TO ENSURE THE HUNTLY SECTION RECOGNISED THE RICH CULTURAL HISTORY OF THE AREA.

To manage the maintenance operations of the combined regional roading network, we have embarked on a collaborative venture with Gisborne District Council to establish a joint business unit in a stand-alone Gisborne office.

Officially launched by the Minister of Transport in May 2015, Tairawhiti Roads is the first joint venture of its kind in the country.

Since then the team has been busy tendering two joint Network Outcomes Contracts comprising both state highways and local roads. Savings have been achieved for both organisations through the new joint contracts, and there have already been improvements in customer service and event response times.

Tairawhiti Roads was established to manage roading maintenance, but will also deliver some regional capital projects on behalf of the Transport Agency. Tairawhiti Roads has been created with the ability to expand further and neighbouring councils will be involved in discussions this year.

CREATIVITY AND INNOVATION HELPS SCOOP TOP PLANNING AWARD



Transport Agency Huntly project manager Mercedes Santos and John Olliver on awards night.

LEGAL TEAM SETTING A BENCHMARK



Members of our in-house legal team, from left to right: Dave Whiteridge, Andrew Thompson, Jane Small, Michael Beedell, Angela Duncan and Alan Malthus.

THE QUALITY OF THE TEAM'S WORK AND THE COLLABORATIVE PARTNERING APPROACH WERE SEEN AS KEY CONTRIBUTORS TO OUR EFFECTIVENESS AND HIGH SUCCESS RATE.

The professionalism and collaboration of our legal team saw them make the finals of the Australasian Law Awards and the NZ Law Awards.

The quality of the team's work and the collaborative partnering approach were seen as key contributors to our effectiveness and high success rate.

As finalists in the In-House Team of the Year, the team was acknowledged for helping to deliver more effective approaches to infrastructure planning, consenting and construction, including:

- New Zealand's biggest roading project, and the largest infrastructure public private partnership
- the first planning alliance involving lawyers as non-owner participants
- driving innovation into New Zealand's most significant planning process.

Against strong industry-wide competition from Fletcher Building, Westpac and others, our Chief Legal Counsel was also recognised. Dave Whiteridge was co-winner of the In-House Lawyer of the Year award.

With the highest number of nominations ever, 2014 was a year of records for the NZ Law Awards, resulting in a group of finalists of the finest calibre.

ALLIANCE PLAYING FAIR AND SAFE



In the past year, the MacKays to Peka Peka Alliance, between the Transport Agency, Beca, Fletcher and Higgins, has been recognised for excellence in safety, innovative construction and community engagement.

The Health and Safety team picked up the Innovation Award at the Construction Health and Safety Awards in 2014 for its innovative approach to training videos that used cartoon clips to help workers engage with important safety issues in a fun and simple way. The clips also took the team to the finalist stage at the Safeguard NZ Workplace Health and Safety Awards in 2015.

The Alliance team also took out two Fletcher Construction Excellence Awards this year. The Piling team picked up the Best NZ Product or Service Innovations Award which recognised the team's success in delivering New Zealand's first three-metre diameter piles. The Stakeholder and Communications team picked up the Living Play Fair Award for its approach to community consultation and communications - being respectful and inclusive in their relationships with fellow employees, customers and communities.

THE ALLIANCE TEAM ALSO TOOK OUT TWO FLETCHER CONSTRUCTION EXCELLENCE AWARDS THIS YEAR.



Winners of the inaugural Community Initiative of the Year at the 2015 Deloitte Energy Awards. The Minister of Transport and representatives from the Transport Agency, CDMP partners AA and Chevron NZ, and the Counties Manukau Sporting Trust, the local provider for the South Auckland programme.

An outstanding initiative that has demonstrated wide-reaching benefits to the Transport Agency and the communities involved was acknowledged at the 2015 Deloitte Energy Excellence Awards.

Chevron New Zealand won the inaugural Community Initiative of the Year Award for the Community Driver Mentor Programme, which is led by the Transport Agency.

The programme addresses the barriers that young people aged 16–24 face when attempting to get their driver licence, such as access to a safe car and fuel for driving practice and an appropriate mentor to teach them safe driving habits. Chevron New Zealand, who market the Caltex brand, have eliminated one of those barriers by supporting the programme with \$100,000 worth of fuel.

Chevron’s Jeremy Clarke said he was proud to be involved. ‘The programme is a true partnership, bringing together the multiple common goal of making a difference to the communities in which we operate. Through that focus and by being actively engaged, the Transport Agency, AA, Chevron and other supporters have seen the success of the programme and we believe it has exceeded expectations with additional social benefits being realised.’

The six programmes around the country involve 18 different partners, all of whom are passionate about helping young people achieve the milestone of having their restricted driver licence. These partnerships are central to the success of the programme, and include the AA who provide professional driving instruction, Hyundai New Zealand who have sponsored cars for the programme, the NZ Police who support the programme and act as mentors, and community groups who do deliver the programme and work with volunteer driving mentors to give learners the driving practice they need.

THE PROGRAMME IS A TRUE PARTNERSHIP, BRINGING TOGETHER THE MULTIPLE COMMON GOAL OF MAKING A DIFFERENCE TO THE COMMUNITIES IN WHICH WE OPERATE.



This year we again received worldwide recognition for road safety advertising that supports the Government's Safer Journeys strategy.

The speed campaign 'Mistakes' and the drugged-driving campaign 'Tinnyvision' received accolades at many of the highly acclaimed advertising awards both nationally and internationally throughout the year.

Both campaigns received excellent recognition at the AWARD (Australasian Writers and Art Directors Association) Awards in March 2015 which celebrate the most outstanding creative communications work in the Asia Pacific region. Mistakes also took out the top award of the show, the coveted Chairman's Choice Award.

Along with the drink-driving campaign 'Local Legends', both Mistakes and Tinnyvision received awards at New Zealand's AXIS Creative Excellence Awards in March 2015. Mistakes also received the top award of the night, the Grand AXIS.

The Mistakes advertising campaign, which uses a Safe System approach to encourage people to slow down, has been seen as groundbreaking by road safety organisations around the world with many using it in their own country.

THE MISTAKES ADVERTISING CAMPAIGN, WHICH USES A SAFE SYSTEM APPROACH TO ENCOURAGE PEOPLE TO SLOW DOWN, HAS BEEN SEEN AS GROUND BREAKING BY ROAD SAFETY ORGANISATIONS AROUND THE WORLD WITH MANY USING IT IN THEIR OWN COUNTRY.

SECTION C PROGRESS AGAINST OUR GOALS AND OBJECTIVES

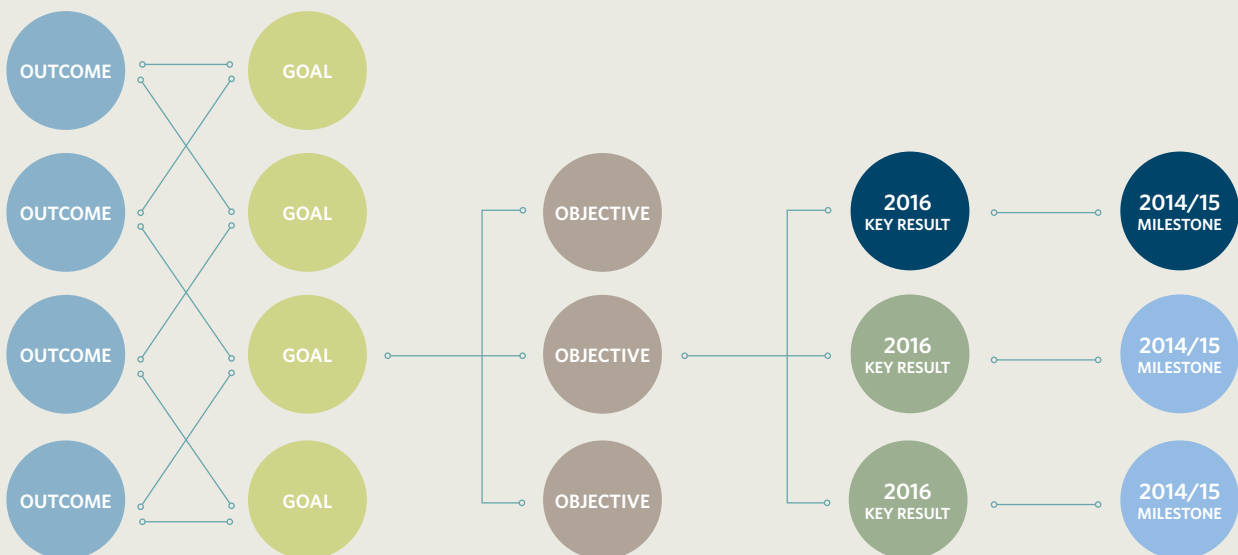
Educators creating a virtual field trip for school students to experience the Smart Motorway project



OUR OPERATING INTENTIONS

Our long and short-term operating intentions give effect to the Government’s direction for the transport sector.

OUR OUTCOMES FRAMEWORK



TRANSPORT SECTOR OUTCOMES

These describe the desired future state for the transport sector.

TRANSPORT AGENCY LONG-TERM GOALS

We contribute to the realisation of the enduring outcomes by pursuing four long-term goals. The goals shape our direction and actions over the next 20 years. Indicators track our progress against each goal.

TRANSPORT AGENCY MEDIUM-TERM OBJECTIVES

For each goal there are three medium-term objectives. These objectives have a 10-year outlook and guide our 10-year work programme.

KEY RESULTS BY 2016

For each objective we have between 1 and 8 key results to deliver by 2016. Some of the results may be prioritised – there are five clusters of priority results that relate to a specific goal success indicator.

MILESTONES BY 2013/14

For each key result there are specific milestones to achieve in 2013/14.

TRANSPORT AGENCY SHORTER-TERM PRIORITIES

Five clusters of key results have been prioritised for 2013-16, achieving specific targets against goals, as illustrated above.

The following framework diagram provides an overview of the relationship between the sector outcomes and the contributions we said we would undertake, as well as the indicators that measure our progress toward achieving the desired goals and outcomes.





Desired outcomes

For the New Zealand transport sector.

EFFECTIVE

Moves people and freight where they need to go in a timely manner

EFFICIENT

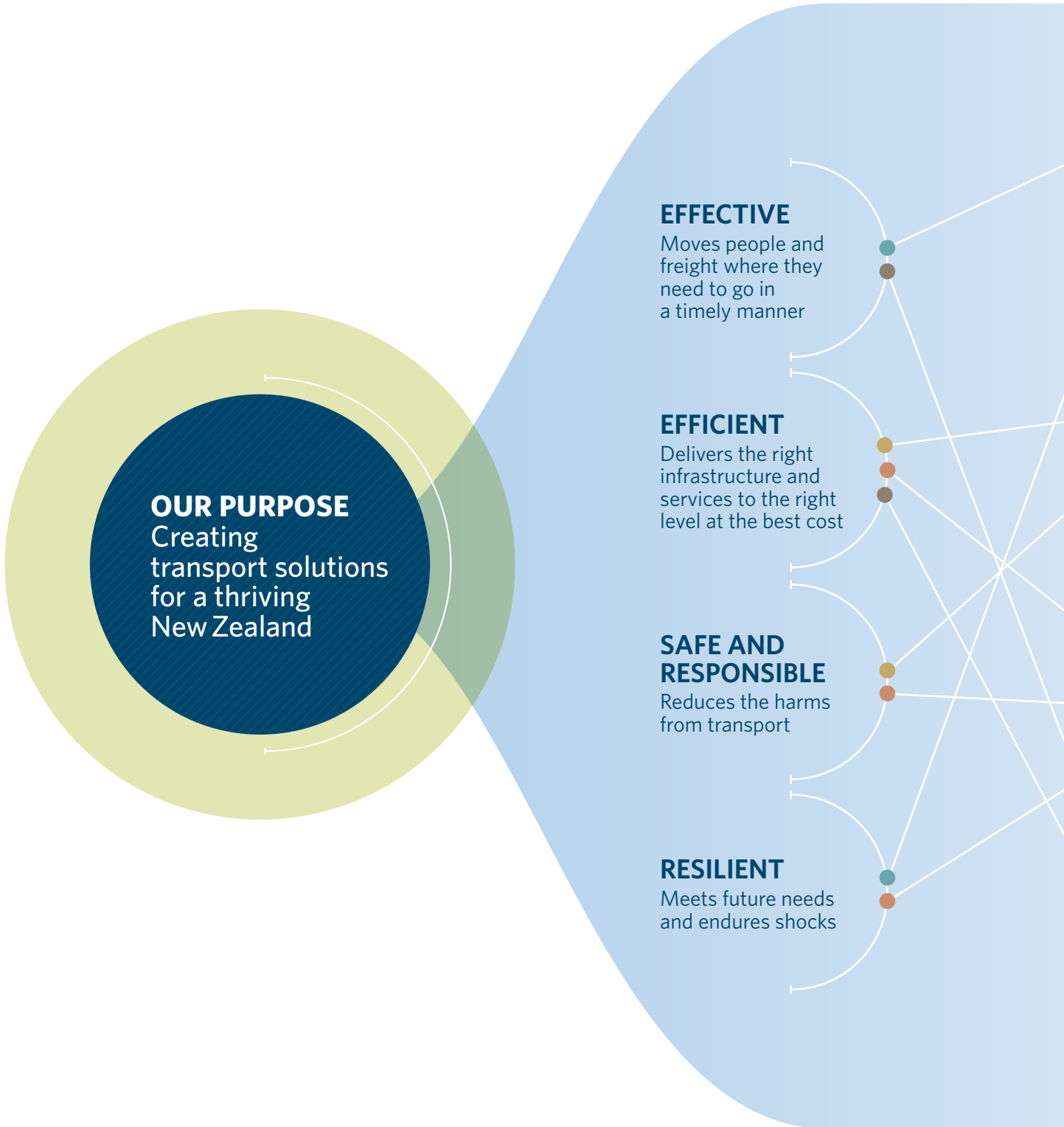
Delivers the right infrastructure and services to the right level at the best cost

SAFE AND RESPONSIBLE

Reduces the harms from transport

RESILIENT

Meets future needs and endures shocks



2013-32

Long-term goals

Our strategic direction.

2013-22

Medium-term objectives

Implemented through the Transport Agency 10-year work programme, with key results specified for 2016.

Integrate one effective and resilient network for customers

SEE PAGE 48

- 1 Integrate land uses and transport networks to shape demand at national, regional and local levels.
- 2 Integrate national and local transport networks to support strategic connections and travel choice.
SHORT-TERM FOCUS: *making the most of urban network capacity* PRIORITY 2
- 3 Improve freight supply chain efficiency.
SHORT-TERM FOCUS: *moving more freight on fewer trucks* PRIORITY 3

Shape smart, efficient, safe and responsible transport choices

SEE PAGE 54

- 4 Implement the Safe System approach to create a forgiving land transport system that accommodates human error and vulnerability.
SHORT-TERM FOCUS: *safe speeds to reduce deaths and serious injuries* PRIORITY 4
- 5 Incentivise and shape safe and efficient travel choices using a customer-focused approach.
- 6 Reduce costs for transport users through better regulation and willing compliance.

Deliver efficient, safe and responsible, and resilient highway solutions for customers

SEE PAGE 64

- 7 Greater resilience of the state highway network.
- 8 Deliver consistent levels of customer service that meet current expectations and anticipate future demand.
SHORT-TERM FOCUS: *safe speeds to reduce deaths and serious injuries* PRIORITY 4
SHORT-TERM FOCUS: *efficient road maintenance investment and delivery* PRIORITY 5
- 9 Plan for and deliver the roads of national significance.

Maximise effective, efficient and strategic returns for New Zealand

SEE PAGE 72

- 10 Align investment to agreed national, regional and local outcomes and improve value for money in all we invest in and deliver.
SHORT-TERM FOCUS: *efficient road maintenance investment and delivery* PRIORITY 5
- 11 Ensure effective and efficient co-investment with our partners.
- 12 Explore innovative revenue, pricing and financing approaches that enhance the value delivered by land transport investments.

2013-16 Short-term priorities

Our key areas of focus to achieve ambitious targets against the goals.

2014 → Outputs

1 Putting customers at the heart of our business

3-year emphasis of all objectives [SEE PAGE 76](#)

PLANNING THE LAND TRANSPORT NETWORK
output classes

2 Making the most of urban network capacity

3-year emphasis of objective **2** [SEE PAGE 78](#)

PROVIDING ACCESS TO AND USE OF THE LAND TRANSPORT SYSTEM
output classes

3 Moving more freight on fewer trucks

3-year emphasis of objective **3** [SEE PAGE 82](#)

MANAGING THE STATE HIGHWAY NETWORK
output classes

4 Safe speeds to reduce deaths and serious injuries

3-year emphasis of objectives **4** **8** [SEE PAGE 84](#)

INVESTING IN LAND TRANSPORT
output classes

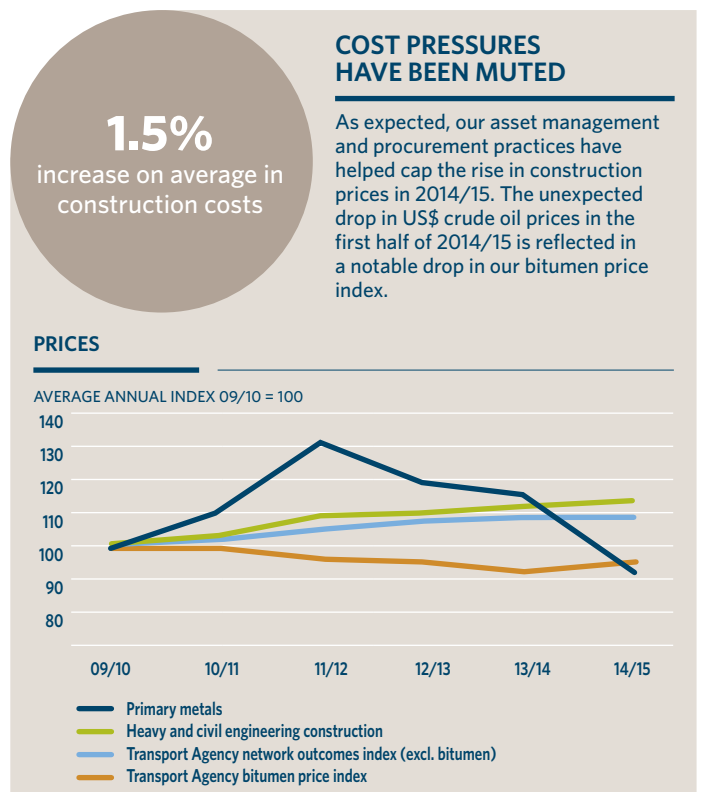
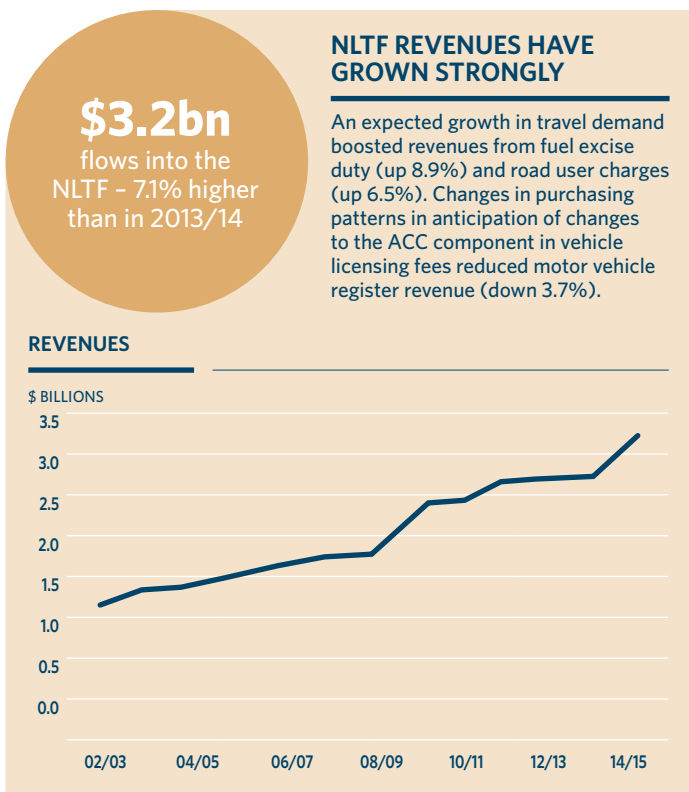
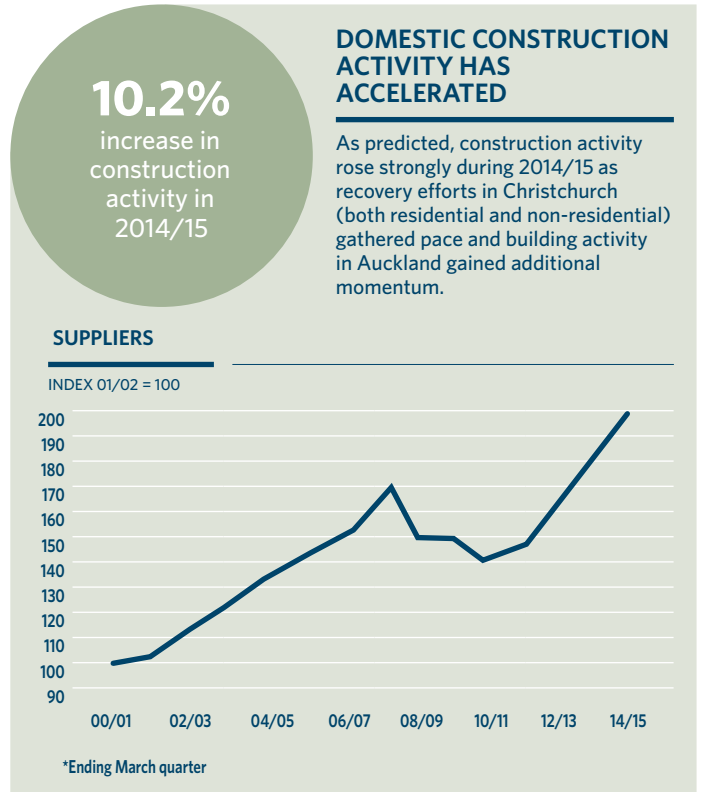
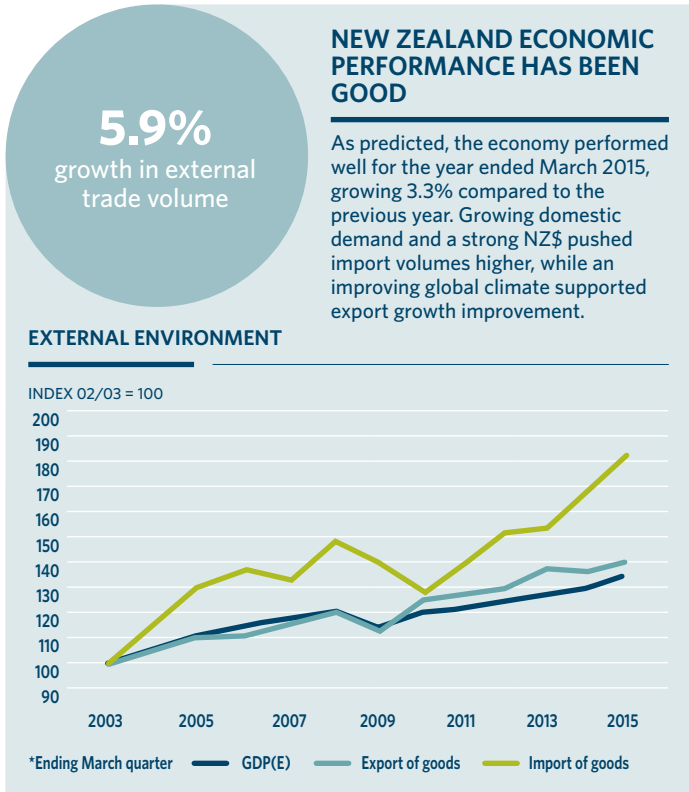
5 Efficient road maintenance investment and delivery

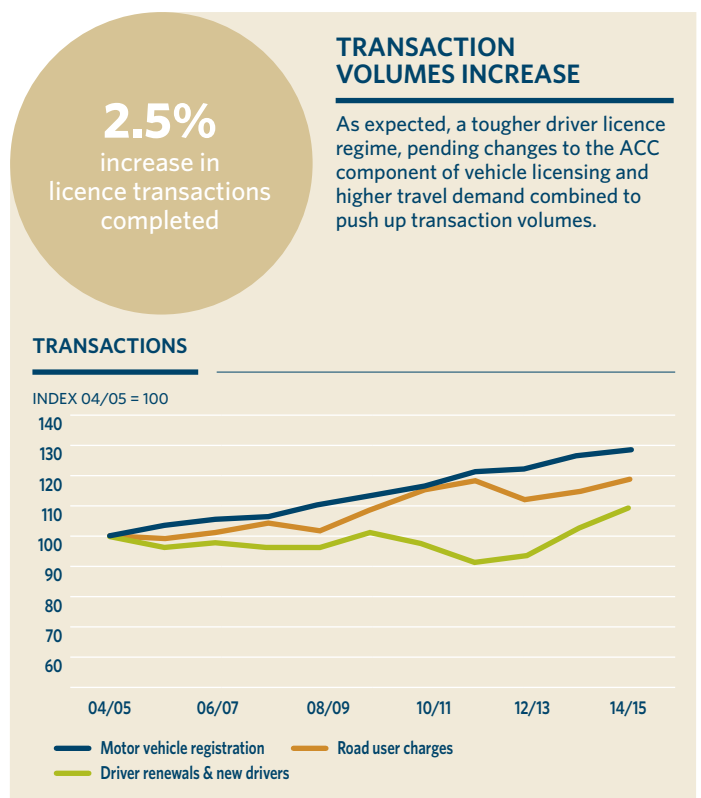
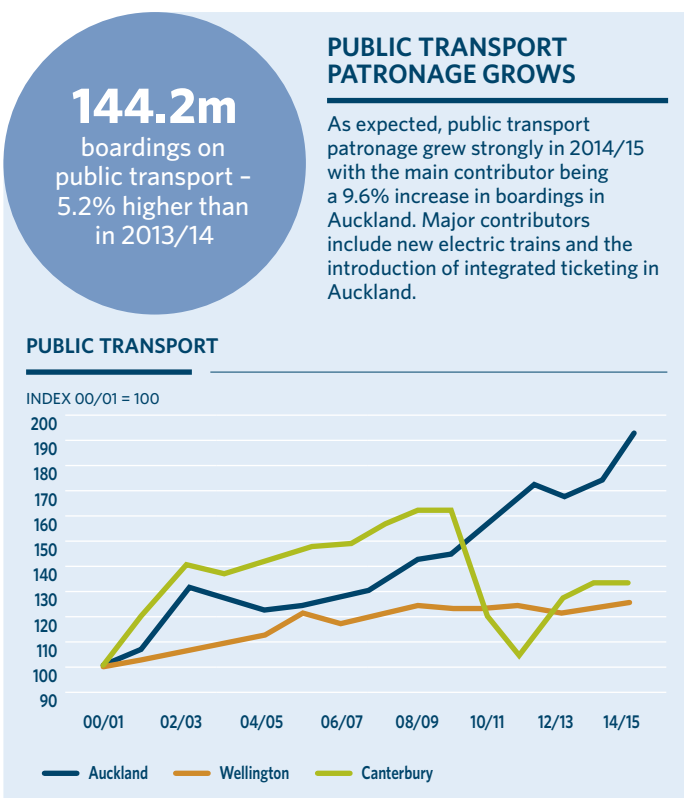
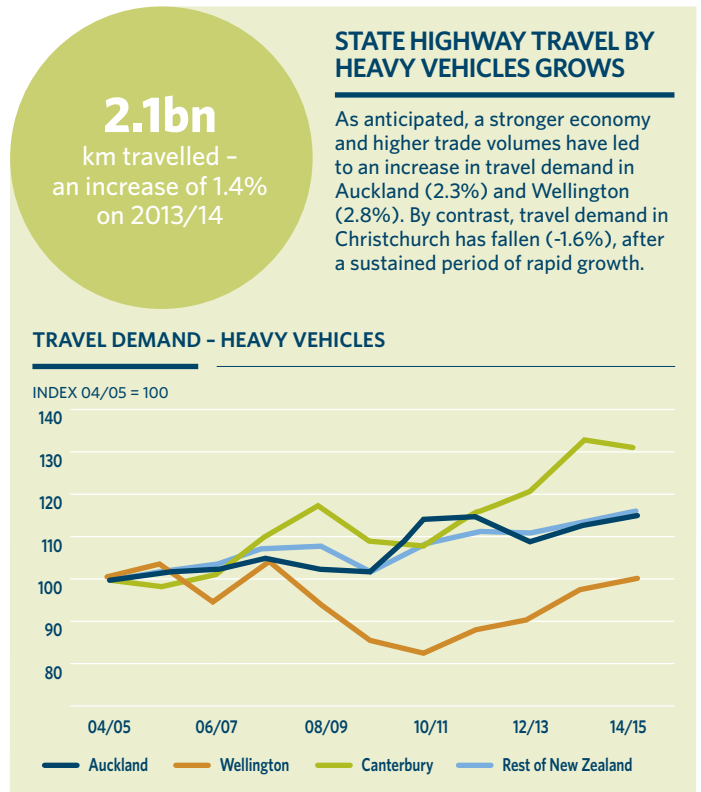
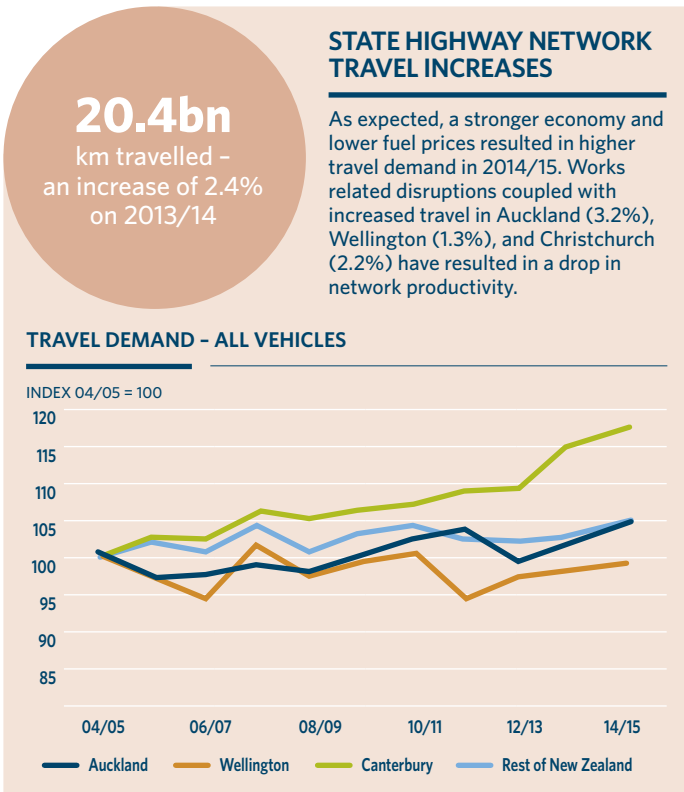
3-year emphasis of objectives **8** **10** [SEE PAGE 86](#)

* For further information on output classes, refer to the annual *Statement of performance expectations*.

OUR OPERATING ENVIRONMENT IN 2014/15

This section summarises the key developments that have shaped our operating environment in 2014/15. Growth in travel demand reflects buoyant economic performance in 2014/15. Despite growth in building and construction activity, prices continue to reflect softness in global commodities .





PROGRESS AGAINST OUR GOALS AND OBJECTIVES

GOAL

INTEGRATE ONE NETWORK FOR CUSTOMERS

We are integrating planning, investment and operations so that travel around our towns, cities and rural areas is seamless and more efficient – whether by walking, cycling, using public transport, freight vehicles or cars.

Three objectives with a 10-year outlook help us achieve our **one network** goal:

- Integrate land use and transport networks.
- Integrate national and local strategic networks.
- Improve freight supply chain efficiency.

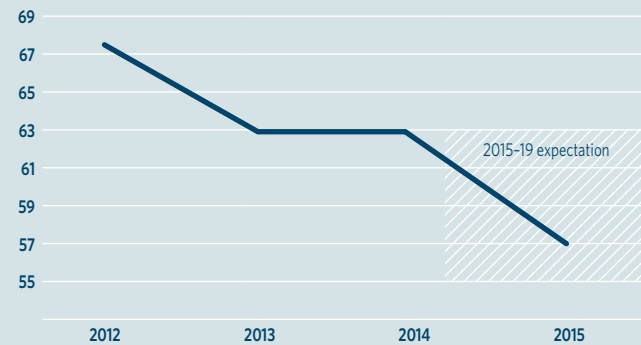
GOAL SUCCESS INDICATORS

PEOPLE MOVEMENT IS MORE EFFICIENT AND RELIABLE:

% NETWORK PRODUCTIVITY (VEHICLE SPEED AND FLOW ON URBAN NETWORKS IN AUCKLAND)

**NETWORK PRODUCTIVITY:
AUCKLAND URBAN NETWORK – AM PEAK**

% OF OPTIMAL SPEED AND TRAFFIC FLOW



**9.5%
DECREASE**



DESIRED TREND

in network productivity during the morning peak in Auckland reflects a combination of higher traffic volumes on the network as a result of increased economic activity and the displacement caused by major road works, which has resulted in bottlenecks at certain points.

FREIGHT MOVEMENT IS MORE EFFICIENT AND RELIABLE:

% OF TRAVEL BY HPMVS OF TOTAL HEAVY VEHICLE KILOMETRES TRAVELLED (VKT)

PROPORTION OF HEAVY VEHICLES TAKING UP HPMV

% OF TOTAL HEAVY COMMERCIAL TRUCKS TRAVEL



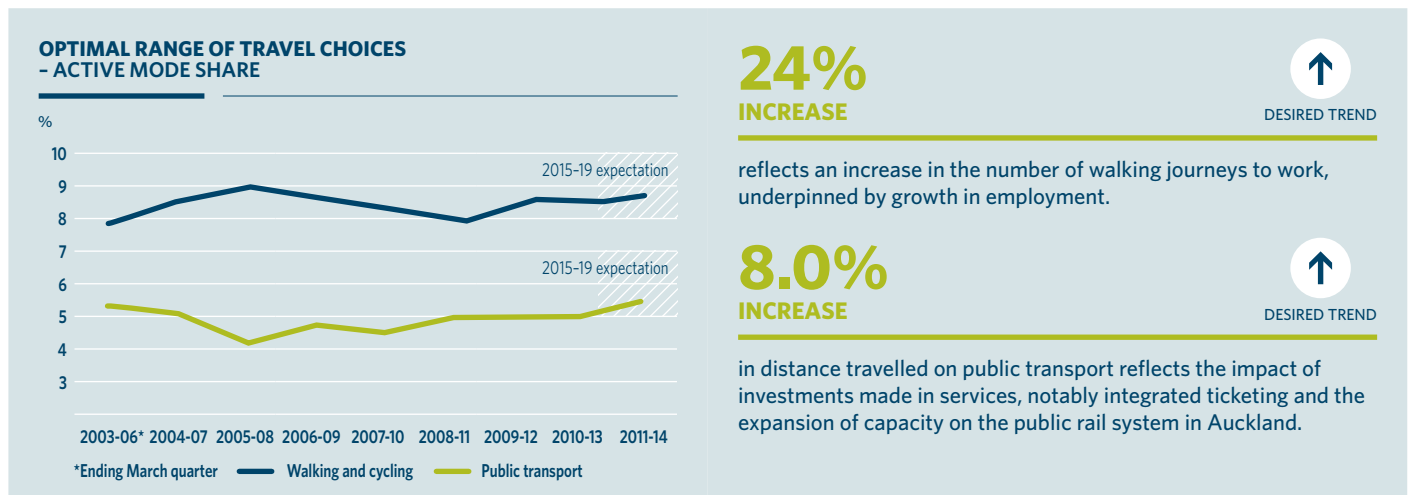
**33%
INCREASE**



DESIRED TREND

in the proportion of heavy trucks on the road that are HPMVs between 2013/14 Q4 and 2014/15 Q4. This reflects buoyant domestic growth, cost efficiency gains associated with using larger trucks, the expansion of the available network to HPMVs and improved turnaround times when processing permit applications.

THERE IS AN OPTIMAL RANGE OF TRAVEL AND TRANSPORT CHOICES FOR EACH LOCATION:
 % MODE SHARE - PUBLIC TRANSPORT/WALKING AND CYCLING



OBJECTIVE 1

INTEGRATE LAND USES AND TRANSPORT NETWORKS TO SHAPE DEMAND AT NATIONAL, REGIONAL AND LOCAL LEVELS

MILESTONES FOR 2014/15

OUR RESULTS WHAT WE DID

Deliver a national investor’s perspective into Regional Land Transport Plans (RLTPs), Regional Public Transport Plans (RPTPs), freight plans and the transport component of transport activity management plans by improving the way our information and data is presented.

(Note: this is a shared milestone with local government)



We have improved the way our information and data is presented. In particular, RLTP activity development has been underpinned by the development of an investment calculator, which has improved the prioritisation process.

In Auckland, an RPTP variation undertaken in the final quarter includes updates to reflect progress on the new network plan and routes for bus services consistent with Public Transport Operating Model (PTOM) development.

Chatham Islands Council missed the required date for submitting a final RLTP. Therefore its activities were not included in the adopted National Land Transport Programme (NLTP) and will need to be incorporated through a review process in the first quarter of 2015/16.

MILESTONES FOR 2014/15**OUR RESULTS****WHAT WE DID**

Submissions on local government planning matters advocate a one network approach, in particular a coordinated approach to housing affordability, including special housing areas.



ACHIEVED

Input into key government planning-related reforms and initiatives is ongoing. A submission to the Productivity Commission issues paper *Using land for housing* reinforced our planning-led transport investment approach. There is significant work ensuring the submission's integrated planning messages are taken up by key departments and by resource management proposals around land supply, housing affordability, and streamlining the Resource Management Act 1991 processes.

At a regional level we engaged early with councils and other infrastructure providers on future land use. For example, in Auckland we engaged with the future urban land supply strategy and have influenced the sequencing of structure plans to ensure they are aligned to available and future infrastructure. We have also undertaken significant advocacy for a one network approach in Hamilton, Tauranga, Wellington, Christchurch and Queenstown.

Submissions on local government planning matters seek to minimise transport sector compliance costs through our ability to influence and shape planning documents and resource consents.

(Note: these are shared milestones with local government, who take the lead on land use planning)



ACHIEVED

We have engaged in planning submission opportunities and resolving appeals when there is the greatest change in land use and transport demand.

A significant amount of resource has been put into the mediation and hearings for the Auckland Unitary Plan. Work has been done to identify areas or provisions of the plan that result in greater cost increases. This is assisting with prioritising tasks and informing evidence.

The Unitary Plan also provides the opportunity to shape the methodology for long-term land use planning and growth sequencing. The process is ongoing and decisions are not due until 2016.

Our input (on behalf of the Crown for infrastructure) to the Christchurch City Council District Plan review led to our principles based approach to integrated land use and transport planning being accepted in the first tranche of decisions.

Integrated planning collaboration in Queenstown Lakes District is very good, with rapid growth and transport infrastructure being very topical. Integrated planning opportunities have been accepted with strong positive outcomes.

OBJECTIVE 2

INTEGRATE NATIONAL AND LOCAL TRANSPORT NETWORKS TO SUPPORT STRATEGIC CONNECTIONS AND TRAVEL CHOICE

MILESTONES FOR 2014/15

OUR RESULTS WHAT WE DID

Refer to priority 2: making the most of urban network capacity on page 78

Auckland Integrated Transport Programme priorities that give effect to the Government Policy Statement (GPS) outcomes are considered for inclusion in the 2015-18 National Land Transport Programme (NLTP).

(Note: this is a shared milestone with Auckland Transport)



ACHIEVED

We have been involved in Auckland Transport’s investment logic mapping, which was used to develop the Integrated Transport Programme. This provided a strong strategic context for activities in Auckland Transport’s 2015-18 Regional Land Transport Plan (RLTP). The methodology used was consistent with the GPS and the programme is designed to give effect to Auckland Council’s Long Term Plan as required by the Land Transport Management Act 2003. Subsequently, Auckland Transport’s programme has been reflected in the Transport Agency’s 2015-18 NLTP.

Targeted support provided to road controlling authorities for the application of the One Network Road Classification (ONRC) and activity management plan development.

(Note: these are shared milestones with local government)



ACHIEVED

Support was provided by Equip, our ‘flying squad’ of Road Efficiency Group (REG) experts, drawing on Transport Agency personnel, including regional staff, where requested. Overall development of this framework by the REG - a significant change for the sector - has taken longer than anticipated, resulting in the development of transition plans to ensure the remaining requirements for this framework are implemented during the 2015-18 period.

We supported road controlling authorities to develop their transition plans. We followed up plans that didn’t meet requirements initially, and supplied additional details so they could meet the conditions applied to the indicative maintenance allocations.




2015-18 Regional Land Transport Plans (RLTPs) apply the One Network Road Classification (ONRC) to their network, identify differences in customer levels of service, and agree appropriate performance measures.

(refer to priority 5: efficient road maintenance and delivery)



PARTIALLY ACHIEVED

The transition plans reflected in the RLTPs, along with intent to improve activity management planning for this purpose, will assist in identifying gaps in the ONRC customer levels of service that will then be used to agree appropriate performance measures.

| MILESTONES FOR 2014/15 | OUR RESULTS | WHAT WE DID |
|---|--|--|
| <p>The national public transport ticketing back office processing system is effectively servicing the Auckland ticketing scheme and is prepared for use by other regions as they introduce new integrated ticketing schemes.</p> <p><i>(Note: this is a shared milestone with NZ Transport Ticketing Ltd)</i></p> |  ACHIEVED | <p>Auckland Transport has implemented and is continually improving its HOP scheme, and is now integrating its fare structures. Greater Wellington Regional Council is planning its requirements for its regional scheme. Ten other regions are working together to achieve efficiencies through a shared regional ticketing scheme.</p> <p>We have worked closely with all regions to optimise the investment in ticketing technology, including the use by regions of a shared national public transport ticketing back office processing system, which will be deployed as regional schemes are implemented.</p> |
| <p>Wellington is well advanced in its planning for an integrated fares and ticketing programme, with preparation for the procurement well developed.</p> <p><i>(Note: this is a shared milestone with Wellington local government)</i></p> |  PARTIALLY ACHIEVED | <p>Developing the full business case has taken longer than originally envisaged, due to the need to align the work on integrated fares and ticketing with other interdependent activities to improve public transport. Procurement of the technology to support a regional integrated ticketing scheme is planned for the 2016 calendar year; we expect the actual timeframes to become clearer as the interdependencies are managed.</p> |
| <p>For the main provincial centres outside the three metros, agreement has been reached on joint procurement for a new integrated ticketing system, using the national back-end processing system and interoperability standards.</p> <p><i>(Note: this is a shared milestone with local government)</i></p> |  ACHIEVED | <p>We have worked closely with a consortium of 10 regional councils to develop and manage shared transitional ticketing system arrangements and plan the joint procurement of a new shared ticketing system. The joint work has specified regional requirements and identified the optimal procurement approach to minimise risk and maximise value for the regions, while ensuring implementation of a robust future-proofed ticketing system.</p> |

OBJECTIVE 3

IMPROVE FREIGHT SUPPLY CHAIN EFFICIENCY

MILESTONES FOR 2014/15

OUR RESULTS WHAT WE DID

Refer to priority 3: moving more freight on fewer trucks on page 82

Weigh-in-motion site proposals are considered for inclusion in the 2015-18 National Land Transport Programme (NLTP).



Weigh-in-motion site proposals have been included in the 2015-18 NLTP.

Specific guidance on the incentives for reducing illegal overloading is provided in the Beyond Compliance Framework.



The overarching strategy for Beyond Compliance has been deferred to 2015/16 and we have instead focused on implementing priority incentives. For example, we have aligned the Heavy Vehicle Offences and Penalties Amendments with incentives to the high productivity motor vehicle (HPMV) permitting regime. In addition, the vehicle dimension and mass (VDAM) reform has progressed and operational compliance activity for road user charges (RUC) and operator safety have been enhanced.

(Note: this is a shared milestone with NZ Police)

Short- to medium-term investment proposals for freight, including road/rail integration are considered for inclusion in the 2015-18 NLTP.



Programmes of investment proposals for freight, including road/rail integration, have been included in the 2015-18 NLTP.

The focus has been on:

- extending the HPMV and 50MAX networks to provide connectivity to significant production and business areas and optimal value for money
- weigh facilities to enable fair and consistent compliance
- improving the access to distribution freight hubs such as Auckland's East-West Link.

Work with KiwiRail to develop an integrated long-term freight plan as part of a wider safe and efficient national freight system.



We continue to work with KiwiRail to develop closer links on integrated long-term freight planning, including a draft scope of work for 2015/16. A long-term freight plan for the national freight system will eventuate from this work in the 2016-19 period.

(Note: this is a shared milestone with KiwiRail, local government, port operators and the freight sector)

We have a new freight priority, *Integrate road and rail to improve freight network productivity*, for 2015-19. The performance measure for this priority will be developed during 2015/16.

GOAL

SHAPE SMART TRANSPORT CHOICES

We are helping shape the transport choices that people make by providing good information and encouraging them to travel safely and efficiently.

A fully integrated transport system means customers will be able to make smart choices about how they drive, the vehicles they use, the journeys they take and the time they travel.

Three objectives with a 10-year outlook help us achieve our **smart choices** goal:

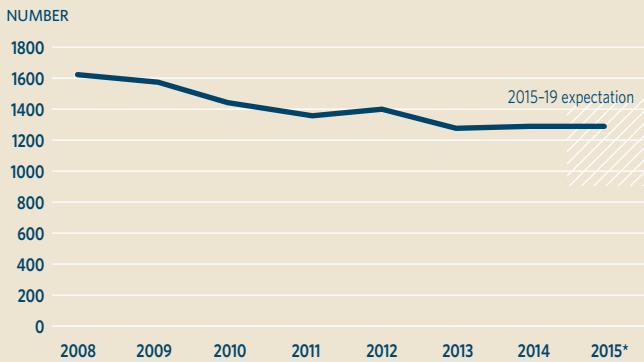
- Implement the Safe System approach.
- Incentivise safe and efficient transport choices.
- Reduce costs for transport users.

GOAL SUCCESS INDICATORS

SPEEDS ARE SAFE:

DEATHS AND SERIOUS INJURIES ON OPEN ROADS (80-100KM/H)

DEATHS AND SERIOUS INJURIES IN CRASHES ON OPEN ROADS



* For the year ending 31 March 2015. March 2015 figures are based on provisional data.

1.3% INCREASE



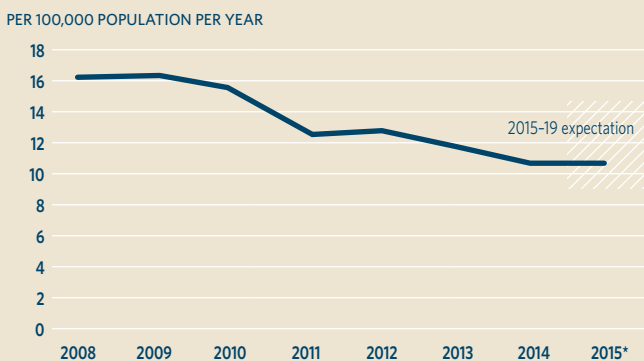
DESIRED TREND

should be seen within the context of the long-term declining trend and increased risk exposure resulting from a 2.4% rise in travel demand over the same period.

ROADS ARE USED SAFELY:

DEATHS AND SERIOUS INJURIES IN ALCOHOL/DRUG RELATED CRASHES

FATAL AND SERIOUS INJURIES IN ALCOHOL/DRUG CRASHES



* For the year ending 31 March 2015. March 2015 figures are based on provisional data.

0% NO CHANGE



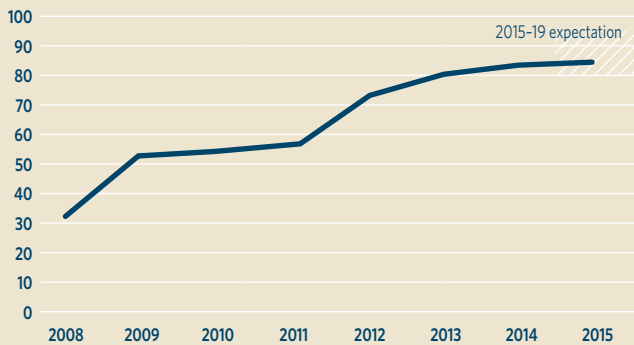
DESIRED TREND

in the number of death and serious injury crashes per head of population where alcohol/drugs played a part reflects the ongoing positive effect of enforcement efforts (as part of the Safer Journeys strategy) at a time when demand for travel has shown a significant increase.

VEHICLES ARE SAFE:
PERCENTAGE OF NEW VEHICLES WITH FIVE-STAR SAFETY RATING

NEW CARS WITH FIVE-STAR RATING

% OF NEW CARS ENTERING THE FLEET



3.7%
INCREASE

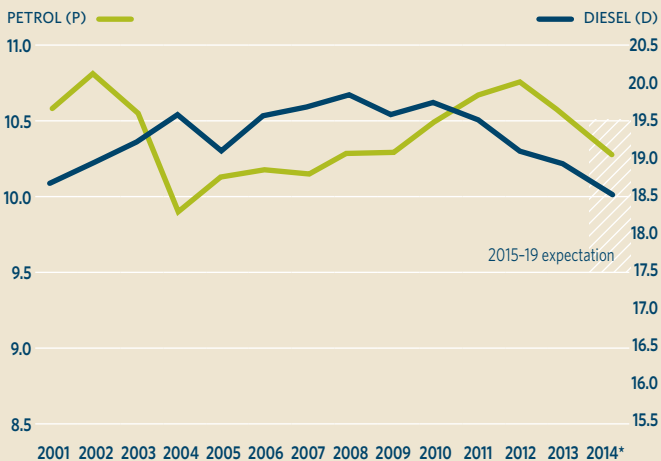


DESIRED TREND

in the percentage of vehicles entering the vehicle fleet with a five-star safety rating reflects ongoing improvements in overseas safety standards for vehicles supplied to New Zealand, an increase in new vehicle sales, relatively low interest rates and a stronger domestic economy.

VEHICLES ARE MORE EFFICIENT:
AVERAGE PETROL AND DIESEL CONSUMPTION (LITRES) PER 100 VEHICLE KILOMETRES TRAVELLED (VKT)

AVERAGE FUEL CONSUMPTION PER 100VKT



1.9%
DECREASE



DESIRED TREND

in average petrol consumption continues an already well-established trend. It also reflects the entry of more efficient vehicles into the fleet - first registration of new cars was up 12.1%, while registrations of late-model used cars rose by almost 32% in 2014. Decreasing mean speeds, longer distances travelled and the RightCar and FuelSaver information initiatives will also have contributed to an improvement in petrol consumption efficiency.

3.0%
DECREASE



DESIRED TREND

in average diesel consumption reflects the continued entry of more fuel efficient heavy vehicles. First registration of new trucks was up almost 25.4% in 2014 while registrations of late-model used trucks rose by 24.5%. The positive impact of Safe and Fuel Efficient Driving New Zealand (SAFED NZ) on driving behaviour, growth in the number of diesel powered passenger vehicles into the vehicle fleet, and the RightCar and FuelSaver information initiatives referred to above will have contributed to an improvement in diesel consumption efficiency.

OBJECTIVE 4

IMPLEMENT THE SAFE SYSTEM APPROACH TO CREATE A FORGIVING LAND TRANSPORT SYSTEM THAT ACCOMMODATES HUMAN ERROR AND VULNERABILITY

MILESTONES FOR 2014/15

OUR RESULTS WHAT WE DID

Refer to priority 4: safe speeds to reduce deaths and serious injuries on page 84

Two signature projects are developed, funded and are demonstrating the Safe System approach.

(Note: this is a shared milestone with the Ministry of Transport, ACC, NZ Police and local government)



PARTIALLY
ACHIEVED

The Visiting Drivers Signature Project progressed well, while the Eastern Bay of Plenty project is being scaled down.

The visiting drivers project has a programme business case and is delivering safety enhancements in partnership with a wide range of stakeholders. A comprehensive communications plan is being prepared ahead of the forthcoming tourism season.

The Eastern Bay of Plenty project is transitioning out of the signature programme. Instead, we will develop a programme business case for road and roadside improvements to reduce road safety risk on specific high-risk corridors in the Opotiki area. A comprehensive evaluation process is underway to ensure the lessons learnt from the Eastern Bay of Plenty signature project inform the development of the 2016-20 Safer Journeys Action Plan.

The *Economic evaluation manual* (EEM) Stage 2 review reflects the Safe System approach.



ACHIEVED





Changes to the EEM, such as predictive crash risk and the requirement to consider options and programmes of work, support a safe system approach .

Deliver Safe System training to community and business leaders.



ACHIEVED

International stakeholder interest in the safety DVD 'The difference between life and death' continues. Around 1,100 people from the Transport Agency, Police, local authorities, other agencies and consultancies attended Safe System in Practice training courses this year. Feedback has been overwhelmingly positive - over 90% of attendees rate the course as excellent or good. The programme has helped build relationships across the sector.

| MILESTONES FOR 2014/15 | OUR RESULTS | WHAT WE DID |
|--|--|--|
| <p>Eight state highway and 12 local road intersections are improved (in addition to the 30 that are being completed).</p> <p><i>(Note: this is a shared milestone with local government)</i></p> |  ACHIEVED | <p>We have completed improvements to eight high-risk state highway intersections from the top 100:</p> <ol style="list-style-type: none"> 1. SH1B Holland Road rural intersection warning signs 2. SH2/50 Paki Paki roundabout 3. SH1/Williams St rural intersection warning signs 4. SH1/Aylesbury rural intersection warning signs 5. SH1/5 roundabout 6. SH2/25 roundabout 7. SH3/37 roundabout 8. SH1/Karo Drive red light camera. <p>The high-risk intersection project has exceeded all targets and is now complete.</p> <p>Of the total top 100 intersections:</p> <ul style="list-style-type: none"> ▪ 29 intersections improvements have either been completed or construction is underway, including the 12 local road intersections in the milestone ▪ 49 intersections have agreements in place for treatment and are in a programme, including the 30 local road intersections mentioned in the milestone ▪ 18 intersections are in the planning stage ▪ four are not in a programme. |
| <p>Learner and restricted licences have time limits.</p> |  ACHIEVED | <p>The Land Transport (Driver Licensing) Amendment Rule 2014 came into force on 1 December 2014. The amendment rule placed time limits on learner and restricted licences.</p> |
| <p>Implement government decisions for electronic stability control on new and used vehicles.</p> |  ACHIEVED | <p>The Electronic Stability Control Rule changes were signed, published, gazetted and communicated to stakeholders in 2014, and the first phase of the introduction of mandatory electronic stability control requirements (for new vehicles) was implemented on 1 July 2015.</p> |
| <p>Develop vehicle safety standards map.</p> |  ACHIEVED | <p>The vehicle standards map has been completed, provided to the Minister of Transport and posted on the Safer Journeys website.</p> |

MILESTONES FOR 2014/15**OUR RESULTS****WHAT WE DID**

Improve selected high-risk rural roads and motorcycling routes.



**IN PROGRESS,
BUT SOME
DELAY AGAINST
PROGRAMME**

We have improved a number of high- and medium-risk rural roads, including the following locations:

1. SH2 Rimutaka Hill
2. SH29 Kaimai
3. SH75 Little River
4. SH4 Kopaki

No further motorcycling routes, beyond the completed Southern Coromandel project, have been included in the State Highway Activity Management Plan until we have determined the success of the Southern Coromandel project.

Support efforts to strengthen drug-driving enforcement.



ACHIEVED

We have completed the initial survey component of our research project on the prevalence and impairment effects of drugged driving. The next stages include follow-up surveys with users of the most prevalent drugs, and a systematic review of their impairment effects.

The multi-agency impairment working group chaired by the Ministry of Transport has developed five options for a drug testing and enforcement regime, based on feedback from a multi-agency (government and non-government) workshop in May. We are providing information for the supporting analysis of benefits and costs. A draft policy went to the Associate Minister of Transport in July 2015.

Through the Road Policing Programme (RPP), police contribute to the Safer Journeys outcome of fewer people driving while impaired by drugs by delivering drug-impairment tests and by targeting their activities to localities, communities, routes and times of greatest risk.

MILESTONES FOR 2014/15

OUR RESULTS WHAT WE DID

Cycling Safety Panel recommendations are considered and an implementation plan is developed for the sector.

(Note: this is a shared milestone with the Ministry of Transport, NZ Police, local government and ACC)



ACHIEVED

The Cycling Safety Panel's final report, Safer Journeys for people who cycle, was delivered to the Associate Minister of Transport on 5 December 2014.

With the Ministry of Transport, we provided advice to the Associate Minister on the implementation of the report on 31 March, including advice that work to implement most of the panel's recommendations was underway. A consultative approach was proposed for the more sensitive issues of mandatory minimum passing distance and heavy vehicle technologies. We'll be working with the Ministry of Transport to progress this work in 2015/16.

On 25 June the Prime Minister announced that the Urban Cycleways Programme will facilitate investment of over \$333 million in safer cycling infrastructure by 2019, although wider network investment means the total spent on cycling in 2015-18 will be around \$380-400 million. This delivers on the panel's recommendations to increase the priority of cycling in government policy and accelerate delivery of urban cycling networks.

We have made cycling one of our six priorities for 2015-19 and will deliver a programme to make urban cycling a safer and more attractive transport choice, including delivering the Urban Cycleways Programme, cycle facility design guidance, speed management, a review of relevant regulations and promotion of cycling as a transport choice. This will progress many of the panel's recommendations over the next three years. Where actions fall under local authorities' or other agencies' responsibility, we will work in partnership to support them, facilitate delivery, or to establish best practice solutions.

Improved rail safety monitoring is in place and being widely communicated.



ACHIEVED

We have initiated a research project into international benchmarking of rail safety indicators. We also approved a research project into rail safety risks through our 2015/16 research programme.

We are now focused on improving the quality of interim lead and lag indicator monitoring, which has been established and is being used for monitoring and reporting.

The governance and operation of National Rail System Standards has been reviewed.



**IN PROGRESS,
BUT SOME
DELAY AGAINST
PROGRAMME**

The National Rail System Standards review was delayed as priority was given to management of high-risk rail safety issues. The National Rail System Standards review will now be initiated in Q2 of 2015/16.

MILESTONES FOR 2014/15**OUR RESULTS WHAT WE DID**

The range of strategic relationships with other rail regulators and safety focused organisations has increased.

**ACHIEVED**

We have built strong strategic relationships with a range of regulatory bodies and safety oriented organisations. We have taken a planned approach, targeting key stakeholder and industry partners, and regular meetings are occurring. We have joined a common compliance capability programme, and the rail safety function is taking a leadership role across the Transport Agency in this area. By sharing more information, we have been able to consider safety management approaches to an array of issues more effectively.

Safety improvement strategies are in place for tunnels, signals passed at danger (SPADs), level crossings and unauthorised access.

**PARTIALLY ACHIEVED**

We have developed and implemented safety improvement strategies and programmes across the industry for tunnels and SPADs. These are being managed by appropriate parties with robust oversight from us, as the rail safety regulator. Actions are underway for level crossings and unauthorised access interventions, but overarching strategy documentation has not been completed.

Discussions on complex and seemingly intractable rail safety issues are multidisciplinary and involve a wide range of internal and external stakeholders. Safe System thinking is being applied.

**PARTIALLY ACHIEVED**

We have gained commitment to addressing safety issues with the relevant industry stakeholders, and have involved internal and external stakeholders from a range of safety disciplines in discussions.

While good progress has been made in 2014/15, challenges remain and maintaining momentum will be essential to drive further improvements over the coming years.

OBJECTIVE 5

INCENTIVISE AND SHAPE SAFE AND EFFICIENT TRAVEL CHOICES USING A CUSTOMER-FOCUSED APPROACH

| MILESTONES FOR 2014/15 | OUR RESULTS | WHAT WE DID |
|--|--|---|
| <p>Deliver changes to road user charges (RUC) services, including compliance and enforcement services, and provide incentives to transport users to comply with RUC requirements.</p> |  <p>IN PROGRESS, BUT SOME DELAY AGAINST PROGRAMME</p> | <p>We have incentivised compliance by developing and implementing a RUC evasion plan and a code of practice for RUC electronic system providers. We did not complete the project to integrate payments for RUC assessment debt – an initiative to improve customer experience and reduce barriers to paying debt – this financial year because we prioritised developing a service for tolling. Once we have delivered the tolling solution, we will reassess the project for RUC.</p> |
| <p>Implement initiatives to support easy compliance with annual vehicle licence (AVL) requirement.</p> |  <p>ACHIEVED</p> | <p>To support easy compliance with AVL requirements we:</p> <ul style="list-style-type: none"> ▪ upgraded our Transact website contributing to a better customer experience ▪ implemented the decrease in the ACC levy portion of AVL fees ▪ developed a pilot as part of scoping conducted for the larger project, which showed that providing our customers with text and email capability would significantly lift on-time compliance behaviour, and increase online uptake of our services. This knowledge will be useful for future thinking about how to support compliance with AVL requirements ▪ introduced changes to the postal reminder notice (MR1) and late payment notice (MR1R) and accompanying envelopes to provide a simpler and easier to interpret reminder. |
| <p>All key regulatory change projects incorporate user-based design principles to support willing compliance.</p> <p><i>(Note: this is a shared milestone with local government and transport information suppliers)</i></p> |  <p>ACHIEVED</p> | <p>We have formalised our approach and grown our capability in service design during 2014/15. All regulatory change projects undergo a review/scoping exercise to identify opportunities for service design methodologies to be used. This helps us to engage our customers and influence them to undertake safe and compliant behaviours. We have used service design techniques and methodologies to better determine which digital reminders would drive a higher proportion of on-time AVL payments and, through our preferred online channels, reduce the risk of creating an online product customers may not connect with. We have also connected with other agencies that are exploring service design as a capability, to share our experience and to create a community of practice across government.</p> |

MILESTONES FOR 2014/15**OUR RESULTS****WHAT WE DID**

Options for exiting less safe vehicles tested and supported by key stakeholders.

(Note: this is a shared milestone with the Ministry of Transport, NZ Police and ACC)



ACHIEVED

This project's expectations changed during the year and the project will now be incorporated into a broader vehicle safety National Land Transport Programme bid, a position that stakeholders accepted. An update has been provided to the National Road Safety Committee and the Associate Minister for Transport through the Ministry of Transport.

Implement Government's decision to lower blood alcohol concentration limits.

(Note: this is a shared milestone with the Ministry of Transport and NZ Police)



ACHIEVED




To implement the Government's decision to lower blood alcohol concentration limits, we made internal business changes and delivered a public information campaign. The communications to advertise the changes had a broad reach - of all people aged 18 and over, 82% (2,745,000) saw the public information campaign at least once, and on average nine times.

NZ Police undertook extensive preparations for the introduction of the lower adult breath alcohol limits on 1 December 2014. All frontline officers were trained on the new procedures and forms for processing drink-drive offences, and a new blood-taking kit was issued. While reviewing processes and forms, NZ Police took the opportunity to build in time-saving efficiencies and reduce the likelihood of errors, and the new blood-taking kits were brought into line with current medical practice.

In addition, NZ Police began a project to replace its 3,000 hand-held breath screening devices. The new devices are more advanced and can conduct passive, screening and evidential breath testing. They are providing further efficiencies in terms of officer time, and are being phased in at a rate of 200 units per quarter over the next four years.

OBJECTIVE 6

REDUCE COSTS FOR TRANSPORT USERS THROUGH BETTER REGULATION AND WILLING COMPLIANCE

| MILESTONES FOR 2014/15 | OUR RESULTS | WHAT WE DID |
|--|---|--|
| <p>Review the driver licensing and vehicle dimension and mass systems, and consult on reform initiatives to improve productivity and reduce compliance costs.</p> |  PARTIALLY ACHIEVED | <p>We have consulted with key stakeholders on possible changes to rules for driver licensing and public consultation on these changes is planned for September 2015.</p> <p>Rule changes for vehicle dimension and mass are behind schedule with new timeframes under development. This milestone has been included in our <i>Statement of performance expectations</i> for completion in 2015/16.</p> |
| <p>Deliver agreed 2014/15 programme of rule amendments in support of 'better regulation' objectives.</p> <p><i>(Note: this is a shared milestone with the Ministry of Transport)</i></p> |  ACHIEVED | <p>We published amendments to the rules on driver licensing, light vehicle brakes, vehicle dimension and mass, and the Omnibus Amendment Rule 2014. We consulted on a high-priority rule on urban buses and the Omnibus Amendment Rule 2015. A number of rules scheduled for consultation and signing have been moved back into the policy investigation phase.</p> |
| <p>Multi-modal travel information is available in the three major urban areas encouraging greater customer choice for mode, route selection and time of travel.</p> |  PARTIALLY ACHIEVED | <p>We have made estimated journey times available in the three major urban areas, including some multi-modal information in Auckland, but we still have some work to do to bring this into the single locations. This work continues into 2015/16.</p> |

GOAL

DELIVER HIGHWAY SOLUTIONS FOR CUSTOMERS

State highways are integral to New Zealand's land transport network and we are ensuring that the state highway network plays its part in the wider transport system.

We are improving the ability of the network to adapt to adverse events, working on solutions that help customers make smart journey choices, and delivering significant transport infrastructure when needed.

Three objectives with a 10-year outlook help us achieve our **highway solutions** goal:

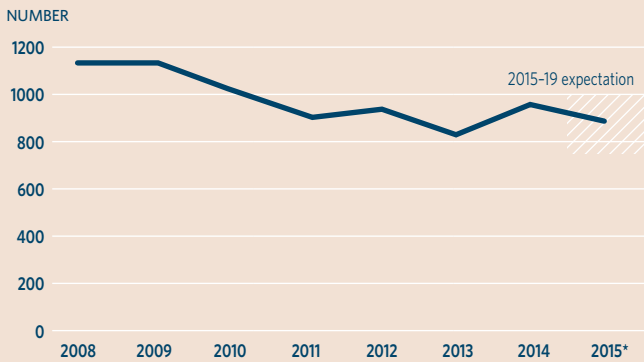
- Greater state highway resilience.
- Deliver consistent levels of customer service.
- Provide significant transport infrastructure.

GOAL SUCCESS INDICATORS

HIGHWAY JOURNEYS ARE SAFER:

NUMBER OF DEATHS AND SERIOUS INJURIES IN HEAD-ON AND RUN-OFF-ROAD CRASHES

DEATHS AND SERIOUS INJURIES IN HEAD-ON AND RUN OFF ROAD CRASHES



* For the year ending 31 March 2015. March 2015 figures are based on provisional data.

4.0%
DECREASE



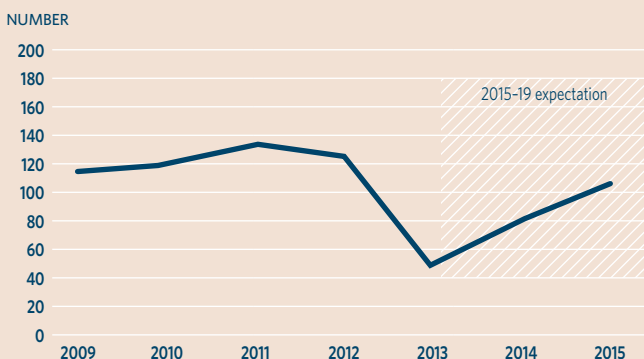
DESIRED TREND

reflects continued progress made on implementing the Safe System approach, including risk targeted road and roadside treatments such as median barriers, lower open road speeds and vehicle safety.

HIGHWAY JOURNEYS ARE EFFICIENT AND RELIABLE:

NUMBER OF RESOLVED ROAD CLOSURES WITH A DURATION OF 12 HOURS OR LONGER

RESOLVED STATE HIGHWAY CLOSURES OF MORE THAN 12 HOURS*



33.3%
INCREASE

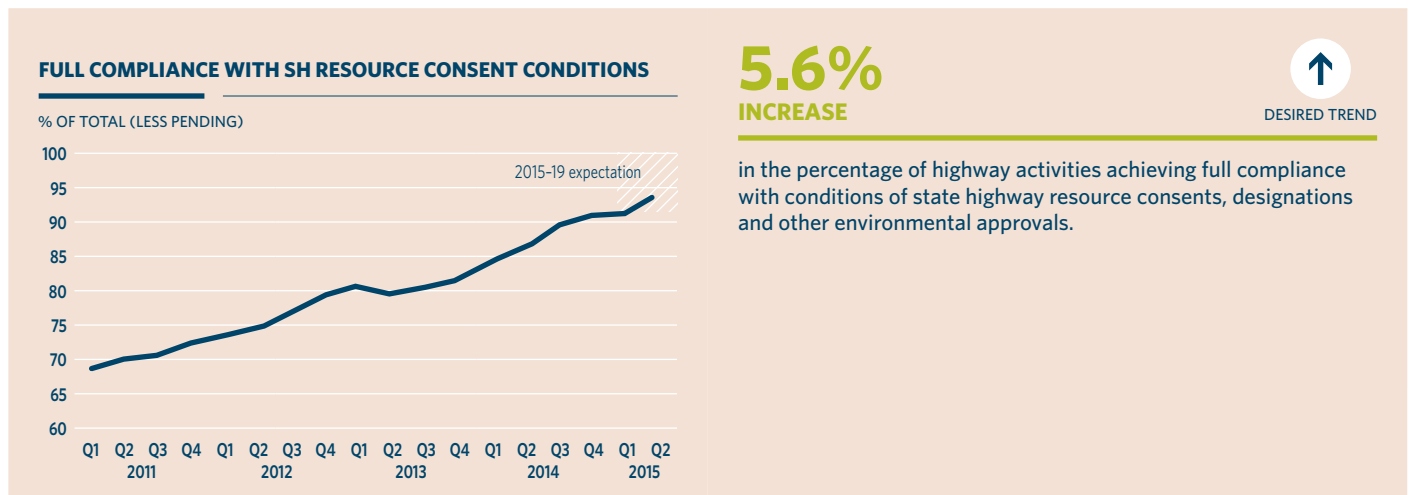


DESIRED TREND

in unplanned road closures exceeding the standard timeframes of 12 hours on the rural network and two hours on the Auckland and Wellington urban networks primarily reflects adverse weather events, natural hazards such as slips, and increases in road crashes as travel demand rises.

* Also indicates the number of unplanned closures in Auckland and Wellington that have taken two hours or more to resolve.

HIGHWAYS ARE SOCIALLY AND ENVIRONMENTALLY RESPONSIBLE:
 % COMPLIANCE WITH STATE HIGHWAY CONSENT CONDITIONS



OBJECTIVE 7

GREATER RESILIENCE OF THE STATE HIGHWAY NETWORK

MILESTONES FOR 2014/15

Outcomes sought in the resilience programme business case are captured in the State Highway Activity Management Plan (SHAMP) and are considered for inclusion in the 2015-18 National Land Transport Programme (NLTP).

(Note: this is a shared milestone with other national network operators and local authorities)

OUR RESULTS

WHAT WE DID



We have captured the outcomes from the state highway resilience programme business case in the draft SHAMP and included them for consideration in the NLTP, along with associated local authority requirements.

OBJECTIVE 8

DELIVER CONSISTENT LEVELS OF CUSTOMER SERVICE THAT MEET CURRENT EXPECTATIONS AND ANTICIPATE FUTURE DEMAND

MILESTONES FOR 2014/15

OUR RESULTS WHAT WE DID

Refer to priority 4: safe speeds to reduce deaths and serious injuries on page 84

Refer to priority 5: efficient road maintenance investment and delivery on page 86

Maintenance and operations performance reporting demonstrates efficiency benefits against our State Highway Activity Management Plan (SHAMP) objectives.



ACHIEVED

We have achieved the targeted cost efficiencies and exceeded the requirement to save \$160 million on state highway renewal, maintenance and operations in the three years ended 30 June 2015.

Award nine state highway network outcome contracts (NOC).



PARTIALLY ACHIEVED

We have awarded the following seven NOCs, all of which are progressing well: Northland, Bay of Plenty West, West Waikato, Central Waikato, East Waikato, Manawatū/Whanganui and West Coast.

The two we have not yet awarded are Milford Road contract, although the current contract has been extended for a further two years, and Waikato (PSMC007), which is close to conversion.

OBJECTIVE 9A

PLAN FOR AND DELIVER THE ROADS OF NATIONAL SIGNIFICANCE (RoNS)

MILESTONES FOR 2014/15

OUR RESULTS WHAT WE DID

Pūhoi to Wellsford

Confirm designation and consents for Pūhoi to Warkworth



ON SCHEDULE

We have made good progress on this project. Designations and consents were confirmed on 12 September 2014 for Pūhoi to Warkworth, the public private partnership recommendation was endorsed by the Board, and the procurement alliance is fully operational.

Waikato Expressway

Start construction on Huntly section



ON SCHEDULE

We have made good progress on the Huntly section of the Waikato Expressway, with the construction contract awarded on 12 March 2015.

Complete construction on Ngāruawāhia section

Construction was completed on the Ngāruawāhia section, which opened to traffic on 14 December 2013.

We are progressing well on the Hamilton and Cambridge sections, and have some minor consenting issues outstanding across most projects.

Tauranga Eastern Link (TEL)

Construction continues



ON SCHEDULE

TEL opened to traffic ahead of schedule at the beginning of August 2015 and construction continues on programme. We have completed 100 kilometres of lane pavement, and installed and commissioned the toll gantry system ready for opening.

MILESTONES FOR 2014/15

OUR RESULTS WHAT WE DID

Western Ring Route (WRR)

Construction start St Lukes to Great North Road



ON SCHEDULE

Progress on each WRR project is meeting agreed milestones. The Lincoln Road Motorway works are complete and the Waterview Connection project remains on track for completion in Q3 2016/17. The St Luke's Interchange, Te Atatu Interchange and Causeway Upgrade works are progressing well.



SH 20 tunnels: The tunnel boring machine (TBM) has progressed well in boring the second tunnel. The casting of the final segment of the 24,000 concrete linings was completed in Q4 2014/15, marking a major milestone for the project. Early stages of permanent road pavement are now being laid on the northern approach to the tunnel, marking another significant milestone. Construction of the new ramps at the Great North Road Waterview Interchange is well advanced. The Great North Road Interchange (GNRI) has met planned milestones for the year and is on schedule. The GNRI piling has now been finished following the completion of the ramp 2 piles in August. Work is progressing well on the final ramp 2 columns and cross heads. Further work on this is still to be completed. The complex interface coordination between the Well Connected Alliance and the Causeway Alliance has been well managed in this area.

SH16 Causeway: The upgrade is progressing well with preload settlements complete and uplift underway. Bridges Works at Whau River, Patiki onramp and Causeway eastbound have been completed. Sections of the new cycleway have been commissioned. Completion is targeted for Q1 2016/17 well ahead of the Well Connected Alliance.

St Luke's Interchange: Major works of the Eastbound and Westbound shoulders are well advanced. Replacement of the St Luke's Road bridge has all deck beams in place for the second half of the structure. The Great North Road-St Luke's junction reconfiguration has been completed and the project is progressing well to meet the final completion date in Q3 2015/16.




Te Atatu Interchange: Bridge jacking works have been completed and pavement construction and noise wall erection are well advanced. The project is well on track for early completion in Q3 2015/16.



Lincoln Road Interchange: The works have been completed on schedule in September 2015 and the contract has been suspended while awaiting the final epoxy modified surfacing, which will be completed in Q3 2015/16.

| MILESTONES FOR 2014/15 | OUR RESULTS | WHAT WE DID |
|--|---|---|
| <p>Wellington Northern Corridor</p> <p>Construction start: Transmission Gully, Basin Reserve improvements</p> <p>Memorial Park open to traffic</p> |  <p>IN PROGRESS, HOWEVER BASIN RESERVE BRIDGE APPEAL DISMISSED</p> | <p>Construction has begun on Transmission Gully.</p> <p>Memorial Park was completed on time and was ready for the ANZAC day ceremonies.</p> <p>The High Court has dismissed our appeal against last year's Board of Inquiry decision that cancelled the Notice of Requirement for designation and declined the resource consents sought for the Basin Bridge Project in Wellington.</p> |
| <p>Christchurch Motorways</p> <p>Western Corridor:</p> <p>Sawyers Arms to Wairakei (Harewood) Road four-laning open to traffic</p> <p>Construction start: Western Belfast Bypass, Memorial Ave Interchange, Groyne to Sawyers</p> |  <p>ON SCHEDULE</p> | <p>We have achieved this year's milestones. Sawyers Arms to Wairakei (Harewood) Road four-laning is open to traffic and we have started construction on Western Belfast Bypass, Memorial Ave Interchange, and Groyne to Sawyers.</p> |

OBJECTIVE 9B

PLAN FOR AND DELIVER THE ACCELERATED AUCKLAND TRANSPORT PROGRAMME






| MILESTONES FOR 2014/15 | OUR RESULTS | WHAT WE DID |
|---|---|--|
| <p>Northern Corridor (three projects)</p> <p>Complete full scheme design</p> <p>Application for notice of requirement and consents lodged</p> <p>Construction contract awarded</p> |  <p>ON SCHEDULE</p> | <p>The full scheme design for the Southern Corridor is complete. Applications for the Notice of Requirement and consents were lodged, and are on track to be in place by construction start. The construction contract is on track to be awarded in early 2015/16.</p> |
| <p>Southern Corridor (five projects)</p> <p>Complete full scheme design</p> <p>Application for notice of requirement and consents lodged</p> <p>Construction contract awarded</p> |  <p>SLIGHTLY BEHIND SCHEDULE</p> | <p>The full scheme design for the Southern Corridor is complete. Applications for the Notice of Requirement and consents were lodged, and are on track to be in place by construction start. The construction contract is on track to be awarded in early 2015/16.</p> |
| <p>State Highway 20A</p> <p>Consenting and property acquisition commence</p> |  <p>ON SCHEDULE</p> | <p>We have achieved the milestones of commencing the consenting and property acquisition processes. The project is progressing well with construction underway.</p> |

| MILESTONES FOR 2014/15 | OUR RESULTS | WHAT WE DID |
|--|--|---|
| <p>Auckland Manukau Eastern Transport Initiative (AMETI)</p> <p>Design start: stage 2a (Panmure to Pakuranga) and 2b (Pakuranga to Botany)</p> <p>Designation process underway for Reeves Road flyover</p> <p>Construction start: Sylvia Park bus lanes</p> |  <p>IN PROGRESS, BUT SOME DELAY AGAINST PROGRAMME</p> | <p>Design of stage 2a (Panmure to Pakuranga) is progressing on schedule. The design/designation process has not started for stage 2b (Pakuranga to Botany) as this is still in the investigation phase.</p> <p>The Reeves Road flyover designation process has been delayed and the timing of this is being reviewed.</p> <p>We expect construction of Sylvia Park bus lanes to begin in 2015/16.</p> |
| <p>East-West Link</p> <p>Complete indicative and detailed business case</p> |  <p>SLIGHTLY BEHIND SCHEDULE</p> | <p>Indicative business case for SH20 Improvements Gloucester Park Interchange to Queenstown Road, and SH1 Mt Wellington Interchange access improvements has been completed and endorsed by the Board. The detailed business case is now well advanced and due for completion by August.</p> |

OBJECTIVE 9C

PLAN FOR AND DELIVER THE REGIONAL ROADS PROGRAMME




The regional accelerated projects are packaged into three tranches:

| TRANCHE | OUR RESULTS | WHAT WE DID |
|---|--|--|
| <p>1. Projects in construction phase</p> |  <p>IN PROGRESS, BUT SOME DELAY AGAINST PROGRAMME</p> | a. Kawarau Falls Bridge (Otago) |
| |  <p>ON SCHEDULE</p> | b. Mingha Bluff to Rough Creek realignment (Canterbury) |
| |  <p>ON SCHEDULE</p> | c. Akerama Curves realignment and passing lane (Northland) |
| |  <p>ON SCHEDULE</p> | d. Panikau Hill and Wallace Hill slow vehicle bays (project complete) (Gisborne) |
| |  <p>ON SCHEDULE</p> | e. Normanby Overbridge realignment (Taranaki) |
| <p>These projects are progressing to plan with the exception of Kawarau Falls Bridge, which is slightly behind programme.</p> | | |

| TRANCHE | OUR RESULTS | WHAT WE DID |
|---|---------------|---|
| 2. Projects where we have completed the initial investigation stages and are reporting back to the Minister of Transport in Q1 of 2015/16. | ○ ON SCHEDULE | a. Whirokino Trestle (Manawatū-Whanganui) |
| | ○ ON SCHEDULE | b. Motu Bridge replacement (Gisborne) |
| | ○ ON SCHEDULE | c. Opawa and Wairau Bridges replacement (Marlborough) |
| | ○ ON SCHEDULE | d. Taramakau Road/Rail Bridge (West Coast) |
| | ○ ON SCHEDULE | e. Loop Road to Smeatons Hill (Northland) |
| | ○ ON SCHEDULE | f. Mt Messenger and Awakino Gorge Corridor (Taranaki) |
| 3. Projects still in investigation and we are due to report back to the Minister of Transport in 2016 | ○ ON SCHEDULE | a. Napier Port Access |
| | ○ ON SCHEDULE | b. Nelson Southern Link |
| | ○ ON SCHEDULE | c. Rotorua Eastern Corridor |

OBJECTIVE 9D

PLAN FOR AND DELIVER THE URBAN CYCLEWAY PROGRAMME

| PROJECT | OUR RESULTS | WHAT WE DID |
|--|--|--|
| Urban Cycleways Programme (UCP) and roll-out of cycleways |  ON SCHEDULE | <p>Construction began on nearly all of the first tranche of UCP projects. The following projects made quick progress:</p> <ul style="list-style-type: none"> Longburn Cycleway - an off-road cycle and pedestrian path alongside a busy state highway corridor linking the Longburn community and commercial area with the rest of Palmerston North. This project was completed in June 2015 and opened on 2 July. Nelson Street Cycleway - a new cycleway - the first phase of a longer cycleway to Quay Street connecting Newtown Road to Victoria Street in Auckland, utilising the Nelson Street off-ramp. The project enhances work already underway on the Auckland cycle network and is one of two key strategic links into the city. Design work was completed in this quarter, and a bridge was constructed off-site and lifted into place. On-site construction continues and the cycleway is expected to open in December 2015. Rolleston to Lincoln Cycleway - a new 9km off-road path for pedestrians and cyclists alongside Boundary Road and Lincoln Rolleston Road, connecting fast growing townships to each other and to Christchurch. Construction of this cycleway was well underway by the end of June with completion expected around the end of July/early August. <p>On 25 June, the Prime Minister and Minister of Transport jointly announced the second tranche of UCP projects at an event in Rotorua. Forty-one projects were announced, which, combined with funding from local councils and the National Land Transport Fund, will receive \$296 million to invest in urban cycleways.</p> |
| Cycling Safety Panel |  ON SCHEDULE | <p>We began developing an action plan to implement the Cycling Safety Panel's recommendations, many of which have been implemented and embedded in our cycling work programme.</p> |
| Programme and governance |  ON SCHEDULE | <p>Cycling became one of our six strategic priorities for 2015-19 and we have developed a comprehensive work programme to make cycling a safer and more attractive transport choice. We scoped a programme business case for promotion and changing user behaviour, and we tested faster procurement and delivery options.</p> |

GOAL

MAXIMISE
RETURNS FOR
NEW ZEALAND

We are making smart and innovative investments in the national, regional and local land transport system because we need to ensure every dollar we spend helps New Zealand thrive.

To drive the best value from available resources we are ensuring that co-investment decisions deliver desired transport outcomes. We are also looking at additional ways to raise the revenue required to meet New Zealand's land transport needs.

Three objectives with a 10-year outlook help us achieve our **maximise returns** goal:

- Invest in agreed national, regional and local outcomes.
- Ensure effective and efficient co-investment with partners.
- Innovate to deliver value for money.

We are working closely with our sector and local government partners to make sure that investment is aligned to agreed national, regional and local outcomes, and to deliver cost-effective one network transport solutions that take into account innovative revenue, pricing and financing approaches that can enhance the value delivered by land transport investments.

See the *National Land Transport Fund annual report* on pages 203-277.

OBJECTIVE 10

ALIGN INVESTMENT TO AGREED NATIONAL, REGIONAL AND LOCAL OUTCOMES,
AND IMPROVE VALUE FOR MONEY IN ALL WE INVEST IN AND DELIVER

MILESTONES FOR 2014/15

OUR RESULTS WHAT WE DID

Refer to priority 5: *efficient road maintenance investment and delivery* on page 86

All approved organisations (AOs) have current procurement strategies approved by the Transport Agency.



ACHIEVED

This has been achieved.

Review and update our procurement framework and manual to support transparency on value for money, market health and service provider performance.



PARTIALLY ACHIEVED

We received a draft report on the review of the procurement framework and manual. The report supports transparency on value for money, market health and service provider performance. We will update the framework and manual once the review findings have been finalised.

Complete the Highways and Network Operations procurement improvement programme and implement the programme improvement activities.



ACHIEVED

The procurement review was completed in the early part of the financial year. The findings have been incorporated into the procurement process and documentation.

MILESTONES FOR 2014/15

OUR RESULTS WHAT WE DID

Stakeholder surveys indicate a greater level of confidence in the efficiency and effectiveness of our procurement practices.



The completed stakeholder perceptions survey shows that 55% of the 244 survey respondents agree or strongly agree that the Transport Agency's procurement policies and advice ensures procurement efficiency and effectiveness. Only 10% of respondents disagreed or strongly disagreed.

Although we do not have any baseline data from previous years, we received positive feedback on the question 'do you find our tools, systems and processes simple and easy to use?'. We have added the procurement question to this year's survey so next time we will have a baseline to refer back to.

Complete construction of the new Christchurch bus interchange.



Construction of the new Christchurch bus interchange is complete. Phase 1 opened on 25 May 2015 and phase 2 became operational in September 2015.

Complete planning and design, and commence construction of phase 1 central city transport projects.



Planning and design is now complete and construction of phase 1 central city transport projects has commenced.

(Note: these are shared milestones with other central government agencies, local authorities and contractors)

Hagley Avenue and Hospital corner stage 1 is now complete. Tuam Street/Lichfield Streets are in construction. Design is complete and consultation is underway for remainder of the stage 1 works with construction due for completion in early 2016. NLTF contribution of \$18 million has been fully expended.


Develop and implement a joint transport research information management plan with the Ministry of Transport and other key transport research entities.



An efficiency and effectiveness review of our internal research processes was completed and recommendations agreed. The cross-sector information management plan was still being developed with the Ministry of Transport and other sector entities at year end and is planned to be launched in November 2015.

OBJECTIVE 11

ENSURE EFFECTIVE AND EFFICIENT CO-INVESTMENT WITH OUR PARTNERS

| MILESTONES FOR 2014/15 | OUR RESULTS | WHAT WE DID |
|---|---|---|
| Implement the reviewed Funding Assistance Rate (FAR) system in the 2015-18 National Land Transport Programme (NLTP). |  ACHIEVED | We have implemented the reviewed Funding Assistance Rate (FAR) system in the 2015-18 NLTP. The decisions from the FAR review, including the transition plan, have been communicated and explained to approved organisations (AOs), and fully applied to their maintenance programmes and improvement activities included in the NLTP. |
| Develop the 2015-18 NLTP using a planning and investment for outcomes (PIFO) approach that maximises returns from National Land Transport Fund (NLTF) investment. |  PARTIALLY ACHIEVED | We have developed the 2015-18 National Land Transport Programme using a PIFO approach that maximises returns from NLTF investment. |
| Our planning and investment signals ensure the NLTP and the Road Policing Programme are optimised in line with key outcomes and priorities. |  ACHIEVED | We have mapped the National Transport Planning Overview and the Road Policing Programme priorities against draft RLTPs and they generally align. We ran moderation workshops to ensure proposed activities are prioritised against the outcomes sought. |
| The 2015-18 Road Policing Programme supports the implementation of the cross-agency automated enforcement strategy to enhance road safety and network efficiency. |  NOT ACHIEVED | The development of the strategy will now be considered as part of the Safer Journeys Action Plan 2016-20 and will be implemented by a future Road Policing Programme as appropriate. Refer to priority four: safe speeds to reduce deaths and serious injuries (page 84) for more detail. |
| Incorporate resilience into the investment assessment framework. |  ACHIEVED | The investment assessment framework now includes resilience levels of service concepts. These were agreed by the Board and issued as part of the investment signals to councils in mid-September 2014. |
| Auckland, Wellington and Christchurch tranches of bus contracts for Public Transport Operating Model Units are being/have been tendered and negotiated, with increased confidence that services are priced efficiently and there is access to public transport markets for competitors. |  PARTIALLY ACHIEVED | <p>In Wellington and Auckland it has taken longer than originally envisaged to complete all of the precursor requirements, such as reviewing procurement strategies and finalising contract details, to be ready to go out to tender. The delay is due to the complexity of the project, which needed to bring along support and clarity with AOs and across the industry before decisions were made.</p> <p>The process is progressing well, with strong joint work by Auckland Transport and Greater Wellington Regional Council and public transport operators. Tendering and negotiation of Public Transport Operating Model (PTOM) units will be well underway during 2016/17, starting with South Auckland bus units being tendered in July-August 2015.</p> <p>In Christchurch interim PTOM contracting arrangements have been implemented to enable the post-earthquake recovery and redesign of the bus service network.</p> |

MILESTONES FOR 2014/15

OUR RESULTS WHAT WE DID

Regions have reviewed and adopted new Regional Public Transport Plans (RPTPs) that explain the transport needs of regional communities and set out how the regional public transport network and services will contribute to meeting these transport needs.



The Auckland RPTP was adopted in 2013. A variation is currently underway to reflect network service changes, RLTP updates, changes to fare zones, and Auckland Transport's investigation into light rail.

Councils in the Waikato and Bay of Plenty regions have developed, consulted on and adopted RLTPs. The RPTPs demonstrate alignment with PTOM and our investment priorities including fare box and business case.

RPTPs are also in place in Otago and Southland.

Partnering relationships are well established in Auckland, Wellington and Christchurch, between public transport service operators and regional councils/ Auckland Transport, to facilitate improved network capacity utilisation.



Auckland Transport is delaying going to market for rail services so operators can concentrate on tendering for the Wellington market. The Auckland shortlist has been developed and participation agreements have been signed by these operators.

Environment Canterbury has a positive relationship with Christchurch bus operators, which has enabled a smooth transition to a new contract model and the new 'hub and spoke' network delivery model.

(Note: these are shared milestones with regional councils, local authorities and public transport operators)

OBJECTIVE 12

EXPLORE INNOVATIVE REVENUE, PRICING AND FINANCING APPROACHES THAT ENHANCE THE VALUE DELIVERED BY LAND TRANSPORT INVESTMENTS

MILESTONES FOR 2014/15

OUR RESULTS WHAT WE DID

Complete programme business case for tolling opportunities.



We are progressing the development of preliminary tolling business cases for Transmission Gully and the Petone to Grenada Link Road.

PROGRESS ON OUR PRIORITIES

PRIORITY 1

PUTTING CUSTOMERS AT THE HEART OF OUR BUSINESS

We are focusing on better understanding the needs of our customers and partners, so that we can deliver fit-for-purpose solutions that reduce red tape and make it easier for them to interact with us. In 2014/15, 77.8% of staff used customer feedback to improve the level of service to our customers. This is the same as the previous year.

SUCCESS INDICATOR

Average Gallup score for staff who identify their team uses feedback from customers to improve our services

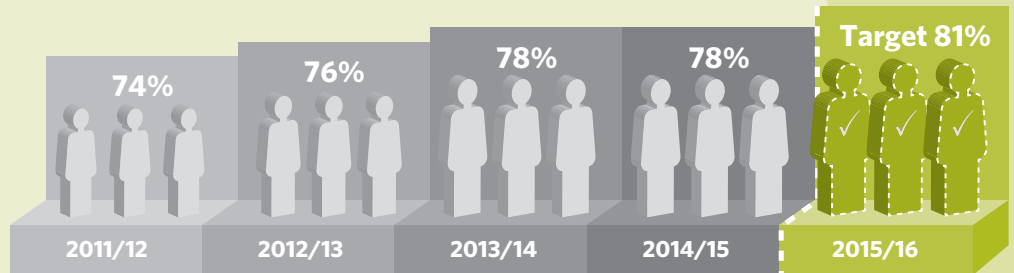
| 2012 BASELINE | 2012/13 RESULT | 2013/14 RESULT | 2014/15 RESULT | 2016 TARGET | DESIRED TREND |
|---------------|----------------|----------------|----------------|-------------|---------------|
| 73.6% | 76.0% | 77.8% | 77.8% | 81.0% | ↑ |

Customers remain at the heart of our business. The percentage of staff who indicate that their team uses customer feedback to make our services more responsive to our customers' needs was 77.8% in 2014/15, the same as that recorded for 2013/14. Our latest customer service satisfaction research shows 80% of our customers had a positive impression when dealing with us, compared with 71% in 2013/14.

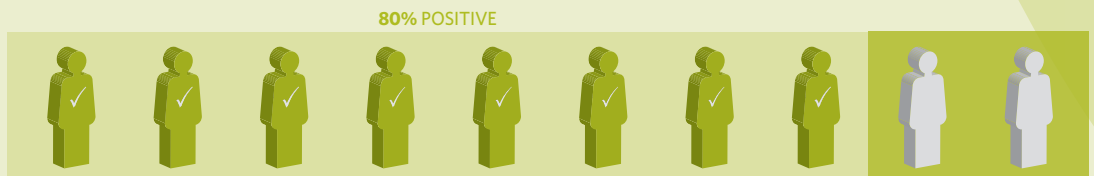
A new priority for 2015-19, make it easy for our customers to do business with us, replaces putting customers at the heart of our business. We will continue to build our understanding of our customers and design better ways of meeting their needs.

Average Gallup score for staff who identify their team uses feedback from customers to improve our services

80% OF OUR CUSTOMERS HAD A POSITIVE IMPRESSION WHEN DEALING WITH US, COMPARED WITH 71% IN 2013/14.



People who had a positive impression when dealing with the Transport Agency



MILESTONES FOR 2014/15

OUR RESULTS

WHAT WE DID

Increase the Transport Agency staff level of capability and understanding of what an exceptional customer experience looks like and how this relates to their role.



ACHIEVED

Customer-focus and how to deliver an excellent customer experience are now part of the transferrable skills portion of our capability development programme. This portion of the programme provides tools and resources to all our people, including how to map customer experiences and generate insights. A customer foundations training module will accompany this section in the next financial year. In addition, design thinking techniques were employed on several projects and assessments are being carried out to ensure this capability is nurtured and maximised in the coming year.

Ensure a consolidated Transport Agency-wide articulation and understanding of our customers, their needs, and their expectations by harnessing ongoing customer insight techniques and identifying any gaps.



PARTIALLY ACHIEVED

A Transport Agency-wide articulation of who our customers are and how our people can ensure an excellent customer experience is being developed and will be deployed in the next financial year. In addition, a set of draft customer personas has been developed and is awaiting further feedback and development.

Customer feedback is actively solicited and directed to the relevant teams and used for continuous improvement.



ACHIEVED

Customers are now able to provide feedback to us through a wide range of channels promoted on our website. We are also increasingly using social media to collect and respond to customer feedback. A cross-organisation group has streamlined the process of addressing complaints and distributing feedback across business groups. This group has also developed a tool to turn customer feedback into insights that can be used by teams to continuously improve our offering to customers.

New online transaction capabilities and usability improvements are implemented, and business cases developed for services to migrate online.



PARTIALLY ACHIEVED

We have upgraded our online services website (formerly Transact) to a mobile-friendly design. It has been given a modern look, and adapts itself to suit most mobile devices. We have removed identity verification by driver licence from the renew vehicle licence online transaction, allowing customers (including commercial customers and those without a New Zealand driver licence) to renew their vehicle licence online. We also added functionality that allows people to check the address we hold for them before updating their address online. Road user charge assessment payments will now be progressed during 2015/16.

Our new transactional website for tolling users, emphasising self-management, went live on 25 July, well before the opening of the new toll roads (Takitimu Drive and the Tauranga Eastern Link) on 1 August 2015.

PRIORITY 2
MAKING THE MOST OF URBAN NETWORK CAPACITY

We are working closely with local government in our biggest cities to ensure better integration of planning, investment and operational activities for state highways, local roads and public transport. This one network approach offers significant economic gains for the entire country, as well as social benefits for drivers, cyclists and public transport users from having an urban transport network that provides safe and reliable journeys.

SUCCESS INDICATOR

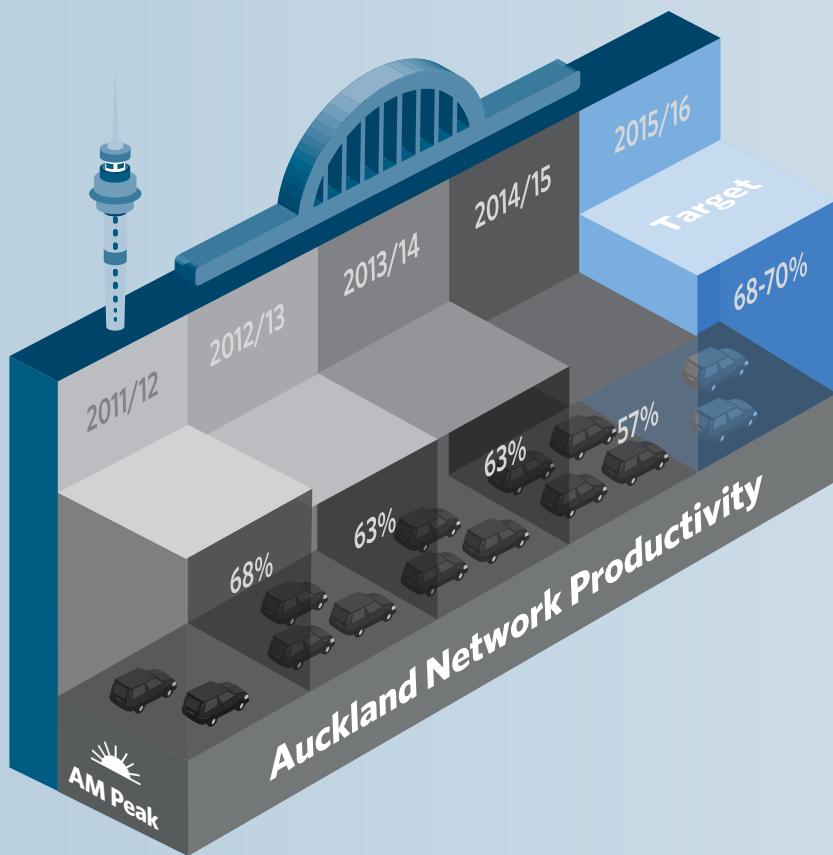
Network productivity (vehicle speed and flow on urban networks in Auckland)

| 2012 BASELINE | 2012/13 RESULT | 2013/14 RESULT | 2014/15 RESULT | 2016 TARGET | DESIRED TREND |
|---------------|----------------|----------------|----------------|-------------|---------------|
| 68% | 63% | 63% | 57% | 68-70% | ↑ |

Productivity of the urban network in Auckland declines.

Network productivity of Auckland's urban network was 57% in 2014/15, lower than the 63% recorded for the previous year and the 68 - 70% target range for 2015/16. This result reflects ongoing works to address increases in travel demand (up 3.2% in 2014/15), which caused an increase in the proportion of stop-start traffic, intermittent flow breakdown and delays. Significant capital works on the Auckland network during 2014/15 included: SH16 (Waterview Tunnel, St Lukes Road to CBD, Te Atatu Road Interchange, Lincoln Road Interchange, Causeway); SH20 (Maioro Street Interchange); SH20A to Airport preparatory works; and SH1 (Silverdale Interchange, Takanini Interchange, Warkworth plantation cornering and Dome Valley). Achieving our targets within Auckland will remain a challenge and we continue to focus on providing customers with a range of travel choices for work, study and leisure trips.

We have developed a new priority for 2015-19, predictable journeys for urban customers. This new priority seeks to improve travel time predictability in our major centres by actively managing our networks and providing accurate information so customers can make informed travel choices.



MAKING BETTER USE OF URBAN CAPACITY IN AUCKLAND HAS PROVEN DIFFICULT GIVEN HIGHER TRAFFIC VOLUMES AND ONGOING WORKS TO IMPROVE THE NETWORK.

MILESTONES FOR 2014/15

OUR RESULTS

WHAT WE DID

Auckland, Wellington and Christchurch optimisation activities have been considered for inclusion in the 2015-18 National Land Transport Programme (NLTP).

(Note: this is a shared milestone with these local authorities)



ACHIEVED

Across the three largest metros there is scope to further enhance the overall optimisation programmes. Activities that meet the Investment Assessment Framework have been included in the 2015-18 NLTP.

All network operating plans are aligned and consistent for easy integration within the transport planning activity – eg regional freight plans, Highways and Network Operations, Public Transport Operating Model (PTOM) and critical journeys.

(Note: this is a shared milestone with local authorities)



ACHIEVED

We ensured that our transport planning was aligned with our network operations planning by understanding the main interregional and urban journeys and choices transport users make, including mode choice between vehicle, public transport, cycling, and walking.

The Wellington Transport Operations Centre (WTOC) is operating as a joint one network entity with participation from Wellington, Hutt, Upper Hutt, and Porirua councils.

(Note: this is a shared milestone with these local authorities)



PARTIALLY ACHIEVED

We have made progress with the WTOC. The joint Board has reviewed the one network charter with a view to reshaping the membership. This resulted in the membership being restructured to include Greater Wellington Regional Council (GWRC), Wellington City Council (WCC), the Transport Agency and NZ Police, and where necessary, second tier participation from other councils (including Upper Hutt and Hutt councils).

We continue to hold discussions with WCC (in particular) around how we fully integrate the TOC functions.

Implement the Transport Operations Centres' (TOCs) key performance indicator reporting regime and capture in the quarterly reports.



ACHIEVED

All three TOCs are now producing network key performance indicator reports to their Boards.

TOC's business continuity plans allow for failover between centres and simulated disaster event carried out.



PARTIALLY ACHIEVED

We have undertaken disaster recovery exercises across the TOCs and the level of failover capability is now well understood.

We have increased our travel information capability and can now provide cover across the country, although system access needs to be addressed as it currently limits the level of failover achievable between centres.

MILESTONES FOR 2014/15

OUR RESULTS

WHAT WE DID

Clearly differentiate Auckland and Wellington bus routes into types and levels of service, with a focus on efficient and effective commuter services.



ACHIEVED

Auckland Transport (AT) and GWRC have reviewed their public transport networks and are clearly differentiating bus routes into types and customer levels of service, with a focus on efficient and effective commuter services. The new networks are described in their regional public transport plans and are being implemented as services and contracted using the PTOM.

Improve network capacity utilisation in Auckland, Wellington and Christchurch as a result of establishing good partnering relationships between public transport service operators and regional councils/Auckland Transport.



ACHIEVED

Auckland/Northland region: During the year AT gained our endorsement of its bus services and ferry strategies, and our approval of its rail operator procurement strategy and procedure. We are finalising our approval of the bus services request for tender (RFT), and preparing to receive the ferry RFT. AT has carried out a large amount of work developing its rail RFT. AT consulted on a variation to its Regional Public Transport Plan (RPTP) earlier in the year, and its zonal fares proposal. Northland has finalised its RPTP and is developing its bus procurement strategy. All incumbent Auckland operators have signed the Participation Agreement, indicating commitment to tender for Auckland units, commencing with eight South Auckland units in mid to late August.

(Note: this is a shared milestone with regional councils, public transport operators and territorial local authorities)

Central region: We approved GWRC's rail request for tender (RFT). GWRC released the RFT to three shortlisted tenderers who will submit their proposals in September 2015. We have been working closely with GWRC to improve the governance and management of their public transport programme. GWRC have continued to build their capability both in terms of their overall public transport programme management and implementation of PTOM. The council has made good progress on the development of a procurement strategy for bus services, and has reached agreement in principle with incumbent operators. We will continue to work collaboratively with GWRC on issues that need to be resolved and we will continue to actively monitor their progress.

Southern region: Environment Canterbury has a positive relationship with Christchurch bus operators. This has enabled a smooth transition to a new contract model and the new 'hub and spoke' delivery model implemented in December 2014. The Greater Christchurch Public Transport Working Group is improving the coordination of public transport delivery across greater Christchurch, but challenges lie ahead to further improve public transport across the region.

PRIORITY 3

MOVING MORE
FREIGHT ON
FEWER TRUCKS

By collaborating with our partners we are delivering major improvements for the freight industry. We are working more closely with local government and industry to improve freight movement by opening up more of the state highway network to high productivity motor vehicles (HPMV) and the wider road network (including local roads) to 50MAX vehicles. With these initiatives, approximately 25% of total heavy truck kilometres travelled are by HPMVs, a five percentage point increase from the previous year.

SUCCESS INDICATOR

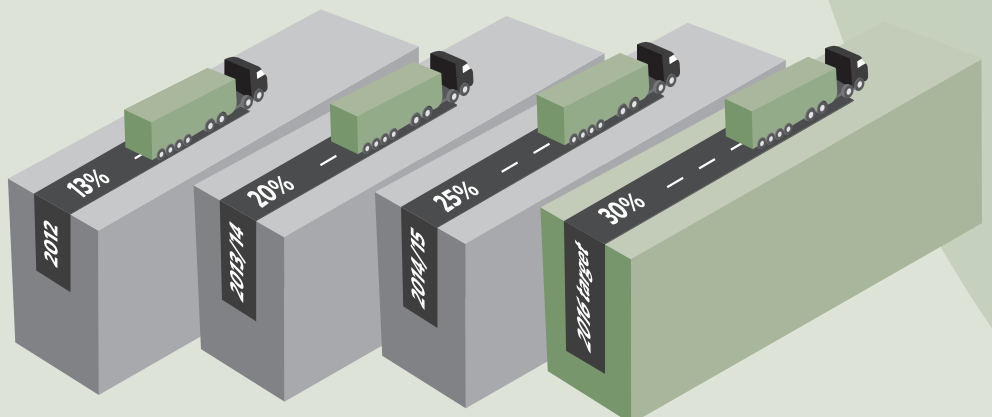
% of travel by HPMV as a total of heavy vehicle kilometres travelled

| 2012 BASELINE (ESTIMATE) | 2013/14 RESULT | 2014/15 RESULT | 2016 TARGET |
|--------------------------|----------------|----------------|-------------|
| 13% | 20% | 25% | 30% |

More freight is being moved on fewer trucks. We have achieved our target of lifting HPMV use to 25% of all heavy truck trips by the end of 2014/15. Estimated HPMV travel of 403 million kilometres during 2014/15 represents between \$125m to \$163m in operator cost savings. These results can be attributed to robust domestic economic growth, bringing into service new HPMV-capable trucks and trailers, and the increased network access for HPMVs, including 50MAX. During 2014/15, the Transport Agency, together with local government, delivered the remaining components of the 4,500km HPMV freight network, which carries about 50% of the road freight task and most of New Zealand’s inter-regional road freight. The number of 50MAX bridge exceptions has reduced from 46 to 19 since 50 MAX began.

Based on this success, we have established a new priority for 2015-19, integrate road and rail to improve freight network productivity, to look at ways to improve the efficiency of the wider freight network, focusing on the connections between road, rail and inter-modal freight hubs.

**WE HAVE
ACHIEVED OUR
TARGET OF
LIFTING HPMV
USE TO 25%
OF ALL HEAVY
TRUCK TRIPS
BY THE END OF
2014/15.**



MILESTONES FOR 2014/15

OUR RESULTS

WHAT WE DID

Deliver the upgrade programme for the remaining North Island and South Island investment routes, providing access to 4,500 kilometres on the strategic HPMV network, including first-last mile local road access.



ACHIEVED

A total of 4,500 kilometres of state highway and connecting local roads are available to HPMVs.

50MAX HPMV access available on all suitable state highway and local road networks.



ACHIEVED

State highway access for HPMVs is extensive with entire state highways 1, 2 and 3 open to 50MAX.

The 50MAX network is defined by where operators are not allowed to go – either bridge or road exceptions that they are not allowed to cross. The number of 50MAX bridge exceptions on the state highway network has reduced from 46 to 19 since 50MAX began. The remaining 19 bridge exceptions are in areas where investment benefits do not justify strengthening or are already identified in the second tranche of the bridge strengthening programme.

Most of the local road network is available to 50MAX with 82% of councils having delegated permitting to the Transport Agency. Most councils that are not signed up are issuing their own permits allowing partial access to their networks.

Develop second tranche of HPMV and 50MAX bridge upgrades for consideration for inclusion in the 2015-18 National Land Transport Programme (NLTP).



ACHIEVED

A second tranche of HPMV and 50MAX bridge upgrades has been identified and included in the 2015-18 NLTP, although many of the routes will require regional funding.

(Note: these are shared milestones with local authorities)

Non-complex* HPMV permits for state highways are issued within five working days.



ACHIEVED

During 2014/15, non-complex* HPMV permits for state highways have been issued, on average, in 3.1 days.

The use of 50MAX permits has continued to increase as operators upgrade their fleets and more of the network becomes available for 50MAX. As new 50MAX combinations are built and demand for 50MAX permits has increased, there has been a corresponding decrease in demand for overlength permits.

90% of complex^ permits meet the customer turnaround commitment given to operators.



PARTIALLY ACHIEVED

We have implemented the centralised process for HPMV, and we are now able to monitor and measure our HPMV permitting performance. Even without performance indicators, we know our performance has improved due to the reduction in turnaround times and positive feedback from operators. We are now in a position to collect data to inform discussions with local authorities about turnaround timeframes and will proceed with these discussions within the next three to six months.

(Note: this is a shared milestone with local authorities)

* Non-complex HPMV permits definition: overlength, 50MAX and any other permits that are processed centrally and do not require a hand off to any other party

^ Complex permits definition: any HPMV permit that requires a handoff and input from other parties both internal and external.

PRIORITY 4

SAFE SPEEDS TO
REDUCE DEATHS AND
SERIOUS INJURIES

We are working closely with our road safety partners to forge a new national direction and guidance for speeds, defined by road function, design, safety and use. We are also seeking to change the public's attitude about safe speeds through road safety campaigns, including the internationally acclaimed 'Mistakes' advertising campaign, and by jointly leading a cross-sector programme on the impact of travel speeds.

SUCCESS INDICATOR

Number of deaths and serious injuries on open roads (80-100km/h)³

| 2012 BASELINE | 2013/14 RESULT | 2014/15 RESULT | 2016 TARGET |
|------------------|-------------------|-------------------|----------------|
| 1,353 | 1,267 | 1,283 | 1,107 |

Deaths and serious injuries on open roads (80 - 100km/h)

increased. The 1.3% increase in deaths and serious injuries in crashes where speed has been a significant influence during 2014/15 should be seen within the context of the well-established long-term declining trend (refer to page 54 - goal success indicator graph) and increased risk exposure resulting from 2.4% rise in travel demand over the same period.

We estimate that social cost savings achieved by the reduced number of deaths and serious injuries since 2012 amounts to \$185m. Although significant, these savings are well down on the 2015/16 target of \$650m. Given that travel demand is forecast to increase further in the coming year, reducing the number of deaths and serious injuries in crashes on open roads will prove challenging.

We will continue to work with our partners on implementing the Safe System approach through the Safer Journeys Action Plan, focusing on: appropriate vehicle speeds and speed limits; ensuring that drivers understand their vulnerability; delivering roads and roadsides that are forgiving; and enforcing compliance with speed limits. In addition, we have established a new priority for 2015-19 that targets travel speeds on high-risk roads. As part of safer speeds that are right for the road, we will maintain our focus on reducing deaths and serious injuries on open roads, work with local authorities to implement the *Speed management guide*, and align speeds to road function and design.

THE NUMBER
OF DEATHS AND
SERIOUS INJURIES
ON OUR OPEN
ROADS, WHICH
FOR MANY YEARS
HAD SHOWN
A LONG-TERM
DECLINING TREND,
HAS INCREASED
SLIGHTLY IN
2014/15.

³ Safety results are for the year ended 31 March 2015. March 2015 figures are based on provisional data.

MILESTONES FOR 2014/15

OUR RESULTS

WHAT WE DID

Develop a *Speed management guide* to implement a new national direction and guidance on speeds that are right for the road, the vehicle and the environment.



ACHIEVED

We have developed the *Speed management guide* to implement a new national direction and guidance on speeds that are right for the road, the vehicle and the environment. The development process included undertaking broad engagement and incorporating the feedback we received into the guide.

Ensure the Road Policing Programme (RPP), State Highway Activity Management Plan (SHAMP) and regional transport plans give effect to the national speed management programme – the proposals for which are considered for inclusion in the 2015-18 National Land Transport Programme.



ACHIEVED

The RPP, which was developed for consultation with the Commissioner of Police and Secretary for Transport, was finalised and recommended to the Minister of Transport in August 2015 for approval in consultation with the Minister of Police. The RPP incorporates speed as a high priority activity to be delivered by Police. The programme notes the collaborative approach in the sector and provides the framework for Police to work with other road safety partners to roll out the speed management approach.

The SHAMP incorporates the safer roads and roadsides programme business case and includes activities to give effect to the speed management programme in collaboration with the wider sector.

Develop a cross-agency automated enforcement strategy to enhance road safety and network efficiency.



NOT ACHIEVED

Preparation of the project brief with sector partners highlighted the importance of building public support for speed management as a key enabler for greater use of automated enforcement approaches. We are reassessing the timing and scope of this work given that sector efforts to build the necessary climate of public support (especially through work to change the conversation on speed) are yet to fully deliver the expected results.

This initiative is now being considered as part of the development of the Safer Journeys Action Plan 2016–20.

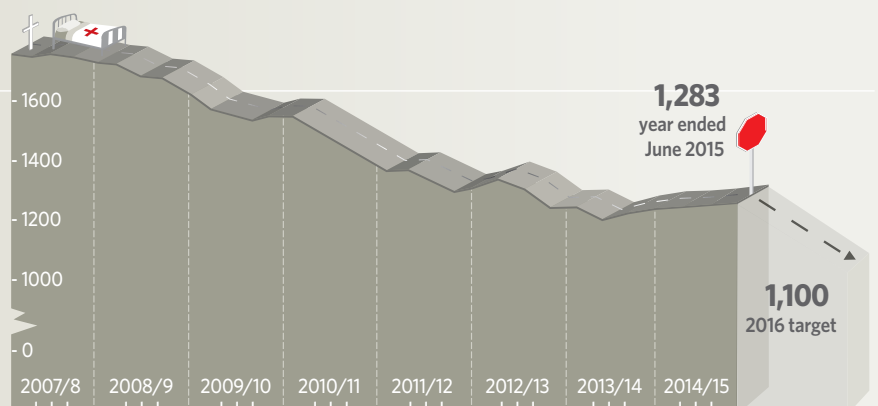
Deliver a long-term communication and engagement programme to increase partner, stakeholder and public understanding of, and support for, safe speeds.



PARTIALLY ACHIEVED

We made good progress on the programme this year, securing a consultancy to assist with its development. We have aligned the programmes in the speed management portfolio to maximise outcomes through collaboration. To date we have delivered a completed programme business case and a fully developed stakeholder strategy. In addition, funding has been secured to develop a detailed business case.

(Note: this is a shared milestone with the Ministry of Transport, NZ Police, local government, ACC and road user groups)



PRIORITY 5

EFFICIENT ROAD
MAINTENANCE
INVESTMENT AND
DELIVERY

We are improving efficiencies in road maintenance by implementing the recommendations made by the Road Maintenance Task Force. These recommendations encourage collaboration with local government to get better cost efficiencies from road investments. The recommendations also encourage innovation in the way we manage local roads and state highways. We have saved \$280 million since July 2012 by implementing these recommendations.

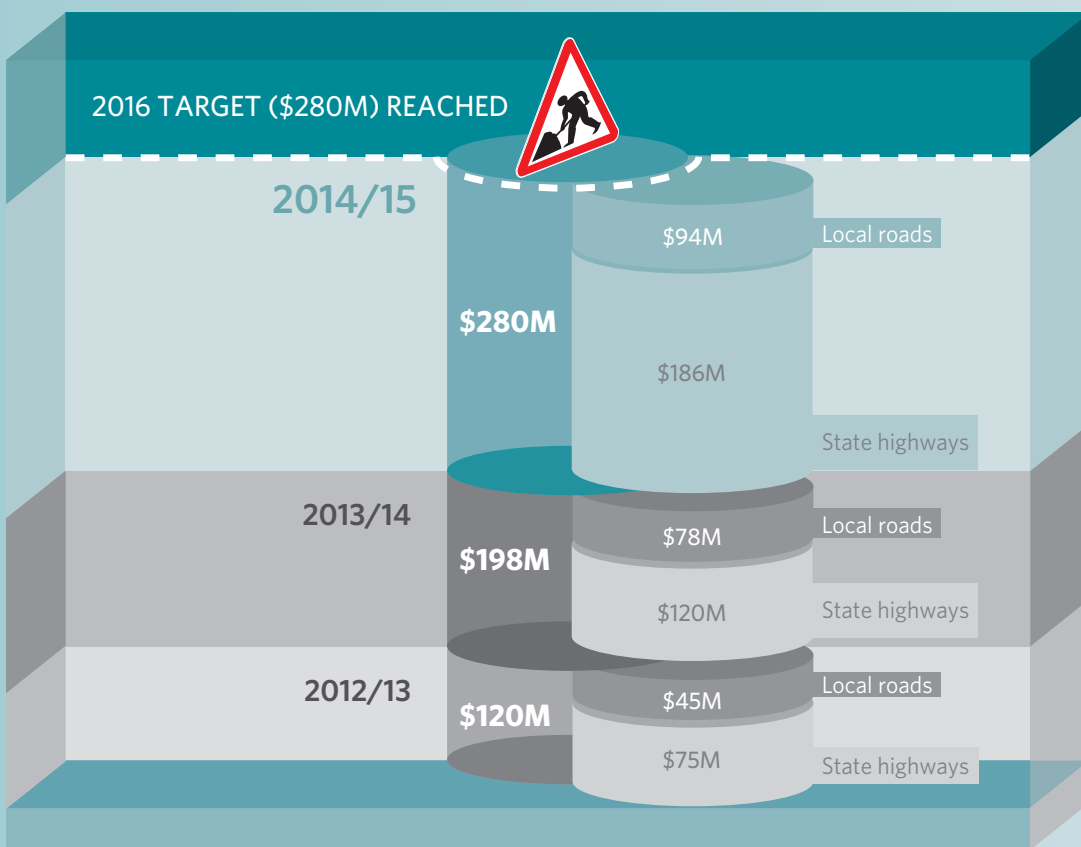
SUCCESS INDICATOR

Programmed savings in maintenance and operations activity in 2012-15 NLTP

| 2012 BASELINE | 2013/14 RESULT | 2014/15 RESULT | 2016 TARGET |
|------------------|-------------------|-------------------|----------------|
| \$0 | \$198m | \$280m | \$280m |

We are achieving greater efficiency from road investment and delivery. At the end of 2014/15, we have already achieved our 2016 target of \$280 million for cost savings on renewals, maintenance and operation of state highways and local roads. Of these cost savings, an estimated \$186m was achieved from state highway related activities, with the remainder coming from renewals, maintenance and operation of local roads. We are pleased with the tender prices we are receiving on our new network outcomes contracts, and have seen new players enter the New Zealand road maintenance market.

Looking forward, we have a new 2015-19 priority for ensuring efficient road maintenance investment and delivery: driving value through smart road maintenance. This new priority will ensure we deliver value from our investment by differentiating customer levels of service; that is, delivering value from our investment by providing the right level of service to meet the functional requirements on each part of the network.



THIS YEAR WE ACHIEVED OUR 2016 TARGET OF \$280M IN COSTS SAVINGS ON MAINTENANCE, OPERATION AND RENEWAL OF STATE HIGHWAYS AND LOCAL ROADS.

MILESTONES FOR 2014/15

OUR RESULTS

WHAT WE DID

Develop and adopt the One Network Road Classification (ONRC), including customer levels of service and performance indicators, as a basis for National Land Transport Programme investment in transport programmes.

(Note: this is a shared milestone with local authorities)



The Road Efficiency Group (REG) has adopted the ONRC including the customer levels of service and performance measures. This framework has been endorsed by the Board as the basis for investment in the maintenance programme through the NLTP. Elements of the framework were used to moderate the 2015-18 NLTP allocations.

Approved organisations (AOs) and Highways and Network Operations Group have quantified the impact of ONRC on their network requirements.

(Note: this is a shared milestone with local authorities)



All AOs have applied the ONRC framework to their road networks and the national moderation has been substantially completed, which is a significant achievement for the transport sector.

We are collating data to analyse current performance against the customer levels of service. We expect this information to be used to inform the development of value for money targets for the customer levels of service.

All AOs have transition plans in place to ensure the ONRC framework and the business case principles are fully applied to their activity management plans for 2018-21.

The 2015-18 National Land Transport Programme (NLTP) funding allocations for renewals, maintenance and operations, reflect the application of the ONRC.



The Board approved the maintenance allocations to AOs (including our Highways and Network Operations group for state highways) taking into account the extent that AOs have embraced the ONRC framework, such as classification of their networks, application of the business case principles to their activity management plans, and their intention to complete the remaining requirements as articulated in transition plans.

The ONRC framework was not fully completed in time for the maintenance negotiations so we were only able to partially influence the allocations.

We have facilitated collaborative arrangements between road controlling authorities through the establishment and ongoing support of the local government centre of excellence.

(Note: this is a shared milestone with local authorities)



Through our participation in the REG Governance Group we have helped to establish the Local Government NZ Road Transport Unit as a centre of excellence, to grow capability and understanding of the ONRC framework. The unit's funded work programme includes facilitating collaborative arrangements between road controlling authorities as well as sharing best practice and developing guidance material to grow capability within the sector.

MILESTONES FOR 2014/15

OUR RESULTS

WHAT WE DID

The Highways and Network Operations centre of excellence for asset management has shared its lessons learnt from the network outcomes contracts roll-out and State Highway Activity Management Plan (SHAMP) development with the wider transport sector.



ACHIEVED

Network outcomes contracts reports are available on our website, including contracts awarded and the tender programme. We have undertaken a review of lessons learnt on the development of the SHAMP and shared the results with the sector.

Investment decision-making incentivises best practice activity management planning and the application of the ONRC.



ACHIEVED

Our investment decision-making process included a review of the extent to which the ONRC framework was incorporated into activity management plans as part of the assessment of investment levels. We encouraged developing and sharing best practice.

The ONRC has informed targeted investment in the SHAMP for capital improvements and maintenance and operations activities.

Asset management planning supports a less risk adverse approach to the renewal and maintenance of the network.



ACHIEVED

As part of our approach to assessing and moderating AOs' maintenance programmes this year, we considered their activity management plans as a business case to better understand the risks and how they will be managed. This approach has allowed us to accept more risk.

PROGRESS ON GROWING OUR AGILITY

To reach our targets and deliver our results effectively and efficiently, we continue to invest in our organisational capacity, capability and external relationships. At the same time we apply the highest standards to our decision-making and behaviour. We are moving towards greater agility as we build our organisational capability.



Harnessing all our available knowledge to help deliver transport solutions

We are working hard to simplify access to data and information for our stakeholders and customers. By investing in our capability to store and manage data and information we will increase our capability to make smarter, more aligned decisions promptly. This will increase the confidence of our customers, colleagues and stakeholders in the reliability and accuracy of the data and information we provide.

| INDICATOR | 2013 | 2014 | 2015 | DESIRED TREND |
|---|------|-------|-------|---------------|
| Stakeholders are satisfied with the manner in which the Transport Agency makes decisions <i>(Transport Agency stakeholder perception survey)</i> | 48% | 48% | 50% | Increase |
| Internal staff perception survey on the accuracy and accessibility of our information ⁴ <i>(Customer Satisfaction survey of Organisational Support)</i> | NA | 56.2% | 76.8% | Increase |

DESIRED RESULT BY 2019

All major information projects are aligned to the Information and Knowledge Management Strategy.

OUR RESULTS



ACHIEVED

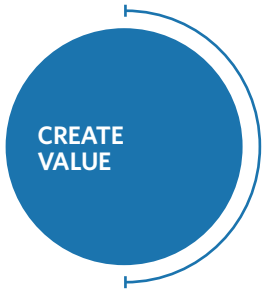
WHAT WE DID

All our major information projects are aligned to the Information and Knowledge Management Strategy, including our organisational information and learning tools.

A new information governance group has been set up and is accountable for the Information and Knowledge Management Strategy and associated programmes, from a business leadership, information leadership, culture, change and benefits-realisation perspective.

⁴ The actual question is 'Over the last 12 months it has become easier for me to find Transport Agency Information and Data'. The results include neutral, agree and strongly agree.

| DESIRED RESULT BY 2019 | OUR RESULTS | WHAT WE DID |
|--|--|---|
| Implement the next phase of our enterprise data warehousing, business intelligence and information programme. |  PARTIALLY ACHIEVED | <p>We have made substantial progress on our information programme this year. Our new Transport Agency website, using the all-of-government common web platform, went live at the beginning of July 2015.</p> <p>We delivered our enterprise geospatial system in November 2014 and have exceeded targets on the number of web-maps that are available to staff, empowering them with insight from location-based information.</p> <p>We have put our enterprise data warehouse on hold and we are implementing a workaround to cover short- to medium-term needs.</p> |
| Advance open data through the transport data release programme. |  ACHIEVED | <p>We have made good progress on our data release programme. Three significant data assets, regional crash data, motor vehicle register statistics and 50MAX interactive maps have been released. All content on our new website has had creative commons licensing applied to encourage reuse of our website content without explicit approval.</p> |
| Support increased analytical capability by implementing new enterprise reporting, geospatial, analytics and information tools. |  PARTIALLY ACHIEVED | <p>We have increased our analytical capability through a number of successful change programmes, specifically by improving geospatial information, content management, collaboration and reporting.</p> <p>We have increased the use of our geospatial tools to support our strategic priorities, including providing customers with access to interactive maps to support the 50MAX programme.</p> <p>There is still work to do to replace our Crash Analysis System and plans are in place to ensure a fit-for-purpose solution is developed in early 2016.</p> |
| Deliver an information security and privacy awareness programme. |  ACHIEVED | <p>This year we have delivered privacy awareness training, included a privacy component in inductions, implemented an interactive guide to privacy on the intranet, and delivered a Privacy Week programme. In addition, a dedicated full-time staff member was appointed from 1 June 2015 for a 13 month secondment to lead a programme of work to lift the maturity of our privacy policies and procedures in line with guidance from the Government Chief Privacy Officer. This will include a full review of our strategy, accountabilities, policies and procedures.</p> |
| Develop a robust and fit for purpose business continuity planning framework. |  ACHIEVED | <p>We have developed a fit-for-purpose business continuity planning framework and targeted areas of the business have applied and exercised their plans. In 2015/16 we will be implementing further disaster recovery capability and testing plans for completeness.</p> |



Collaborate closely across the sector and with customers to create additional value

We seek feedback annually through formal, independent surveys as well as seeking ongoing ad-hoc feedback. These insights help to ensure we are working constructively with our stakeholders in service to our customers.

| INDICATOR | 2012 | 2013 | 2014 | 2015 | DESIRED TREND |
|--|------|------|------|------|---------------|
| Quality of stakeholder relationship <i>(Transport Agency stakeholder perception survey)</i> | 56% | 65% | 71% | 73% | Increase |
| Customer service satisfaction <i>(Reputation research)</i> | NA | NA | 71% | 80% | Increase |

DESIRED RESULT BY 2019

Celebrate and embed our three behaviours in our actions and operations.



OUR RESULTS



WHAT WE DID

Our three behaviours (Sign Up, Team Up, Front Up) have been embedded in our actions and operations throughout the year.

Staff input was used to develop behaviour descriptors, a resource that is being used to support performance and development discussions. This work has also fed into an initiative called The Way We Move, which brings together our purpose, culture and behaviours to tell the story of what it is like to work at the Transport Agency. The recent launch of our new Transport Agency careers video also complements this work.

| DESIRED RESULT BY 2019 | OUR RESULTS | WHAT WE DID |
|--|--|--|
| <p>Embed engagement principles in our people practices.</p> |  ACHIEVED | <p>Employee engagement is a key theme of our People Plan 2014-16, with a goal to have world-class employee engagement by 2016. Our approach has included a range of initiatives at the team, group and organisational level.</p> <p>Our 2015 engagement survey was conducted in March 2015, with a participation rate of 86.5%. The results saw a meaningful shift in our engagement results with our grand mean (a weighted average across key measures) increasing by 0.13 to 4.09. We are now placed at the 51st percentile of the Gallup worldwide database and at the 71st percentile in the New Zealand state sector, which represents a great result. This provides a solid foundation as we strive towards our goal of world-class engagement.</p> |
| <p>Implement the transport sector's collaborative and shared capability (TSCC) strategy.</p> |  ACHIEVED | <p>We continue to make an active contribution to the Transport Sector Leadership Group (TSLG), which, led by the Ministry of Transport, oversees the implementation of innovative improvements to the efficiency and quality of the services delivered across the sector supporting the Government's priority of Better Public Services.</p> <p>A key role of the group has been oversight of the continued sector delivery of the Collaboration and Capability Programme. This programme has focused on developing a better understanding of the capability requirements of individual agencies and allowing all transport sector agencies to learn from others' experiences.</p> <p>In 2014/15, the programme led to collaboration on information and communications technology (ICT) and ministerial services, as well as maintaining impetus and embedding existing collaboration initiatives.</p> |



Commit to continuous improvement and innovation

Highly engaged people are more likely to be open to new ways of doing things and to look for ways to improve on what they are already doing. By investing in specialist resources to support proactive innovation and leveraging the skills we already have, we can grow our innovation capability and capture, test and develop great ideas to share across the whole organisation and sector.

| INDICATOR | 2012 | 2013 | 2014 | 2015 | DESIRED TREND |
|--|---|------|------|------|------------------|
| Staff engagement survey (Gallup engagement survey) | 3.82 | 3.92 | 3.96 | 4.09 | Increase 4.33 |
| % of organisational resources allocated to innovation and continuous improvement | An innovation fund was established in 2015/16 and invested \$65.5k to test five innovative ideas. | | | | |

| DESIRED RESULT BY 2019 | OUR RESULTS | WHAT WE DID |
|---|-----------------|--|
| Implement the first year of our People Plan – employee value proposition is clearly articulated and understood; organisational behaviours are reinvigorated to help drive employee engagement and performance; and an assessment of core competencies and learning model are developed. | <p>ACHIEVED</p> | <p>The first year of the People Plan has focused on four key themes of the plan (organisational reputation, engagement, culture, and skills and capability), and provided a consistent end-to-end employee experience for our people.</p> <p>Highlights for the year have included:</p> <ul style="list-style-type: none"> the inaugural people leader conference held in August a strong focus on performance and development the recent launch of our careers video embedding the People & Capability (P&C) operation model, with features such as the one-stop MYHR service and P&C business partners sitting with their business groups. |
| Implement the first year of our innovation approach. | <p>ACHIEVED</p> | <p>We successfully piloted the first investment round of the innovation fund. We completed three ‘fast lanes’ – intensive five-day service design workshops designed to deliver breakthrough thinking on critical challenges, developed an internal innovation network and an innovation toolkit for people leaders, piloted creativity and innovation workshops as part of the learning and development calendar and ran the #giveitago engagement campaign that shared experiences of innovation and continuous improvement within the Transport Agency. These initiatives have helped to build an environment where creativity and innovation are valued and staff feel empowered to give new ideas a go.</p> |

| DESIRED RESULT BY 2019 | OUR RESULTS | WHAT WE DID |
|--|---|---|
| Implement the Zero Harm Strategy 2014-18. |  ACHIEVED | <p>This year has seen the implementation of the first year of our Zero Harm Strategy. We are working towards creating a zero harm culture so that all our people go home safe and healthy every day.</p> <p>Key highlights during the year include:</p> <ul style="list-style-type: none"> ▪ developing the Due Diligence Framework, showing risk assessment outputs in an easy to understand format and outlining the task critical risks and what we are working on, timelines for completion and progress against them ▪ continuing to demonstrate industry leadership through presenting at conferences, such as the NZ Contractors and ACNZ Conference and the Safeguard National Health and Safety Conference ▪ forming a national working group with representatives from each business group ▪ releasing the zero harm reporting tool mobile app, which won the Impac Best Significant Health and Safety Initiative by a large organisation at the New Zealand Workplace Health and Safety Awards. The tool is a simple to use reporting app that allows for real-time reporting of incidents that occur in the office or on a project site regardless of employer. The tool is beginning to provide us with comprehensive reporting, suggestions and information about near misses. <p>Our new Zero Harm team is now fully resourced and gaining traction with its approach across the business, as well as continuing to demonstrate industry leadership.</p> |
| There is an ongoing programme of internal reviews of key organisational processes. |  ACHIEVED | <p>For the 2014/15 programme of continuous improvements, six of the eight reviews were completed and reported back to the Senior Leadership Team (SLT). Where appropriate, these are being monitored quarterly. Of the two that have not been completed, one has been deferred due a dependency on another project and one review is going to take up to a year to complete due to its complexity.</p> |
| Use the relocation of the Wellington and Christchurch regional offices to pilot the development of an agile workplace. |  ACHIEVED | <p>Wellington regional office is scheduled for relocation in Q1 of 2015/16; the agile workplace (known as Better Ways of Working) principles are being incorporated in the physical and technology design and change process for both Wellington and Christchurch offices as appropriate.</p> |

SECTION D STATEMENT OF PERFORMANCE

Hitting the streets of Wellington to find out how our customers prefer to license their vehicle online



STATEMENT OF RESPONSIBILITY

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

The Board is responsible for any end-of-year performance information provided by the Transport Agency under section 19A of the Public Finance Act 1989.

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 performance fairly reflect the financial position and operations of the Transport Agency for the year ended 30 June 2015.

Signed on behalf of the Board:



CHRIS MOLLER
Chair
19 OCTOBER 2015



JERRY RICKMAN
Chair of Audit, Risk and Assurance Board Committee
19 OCTOBER 2015

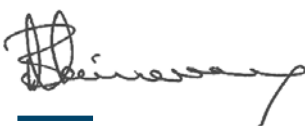
Countersigned by:



GEOFF DANGERFIELD
Chief Executive
19 OCTOBER 2015



PAUL LAPLANCHE
Chief Financial Officer
19 OCTOBER 2015



BRANDON MAINWARING
National Manager Accountability and Performance
19 OCTOBER 2015

STATEMENT OF PERFORMANCE

This statement of performance sets out the outputs (goods and services) we are funded to provide, including those funded by the National Land Transport Fund (NLTF), and the standards to which we assess our service delivery and investment performance. These output classes fall under four broad functions:

PLANNING THE LAND TRANSPORT NETWORK (PAGES 100 - 105)

- Management of the funding allocation system
- Transport planning
- Sector research

PROVIDING ACCESS TO AND USE OF THE LAND TRANSPORT SYSTEM (PAGES 106 - 115)

- Licensing and regulatory compliance
- Road tolling
- Motor vehicle registry
- Road user charges collection, investigation and enforcement
- Refund of fuel excise duty

MANAGING THE STATE HIGHWAY NETWORK (PAGES 116 - 121)

- New and improved infrastructure for state highways
- Renewal of state highways
- Maintenance and operation of state highways

INVESTING IN LAND TRANSPORT (PAGES 122 - 135)

- Public transport
- Administration of the SuperGold cardholders' scheme and Enhanced public transport concessions for SuperGold cardholders
- Road safety promotion
- New and improved infrastructure for local roads
- Renewal of local roads
- Maintenance and operation of local roads
- Walking and cycling

SUMMARY OF OUR SERVICE DELIVERY AND INVESTMENT PERFORMANCE

The statement of performance in the following pages describes the services we delivered and invested in during 2014/15. 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 performance expectations 2014-18*.

The following table summarises our performance against our service delivery targets and investment forecasts by output class. In total, we achieved 36 out of 46 (78%) of our service delivery targets, while our investments through the NLTF achieved 15 of 25 (60%) of our forecast results. This reflects steady performance across our four core functions of planning and investing in land transport networks, providing access to and use of the land transport system, managing the state highway network, and investing in land transport.

| DELIVERED BY | OUTPUT CLASS | NUMBER ACHIEVED | |
|---|---|--------------------------|----------------------|
| | | SERVICE DELIVERY TARGETS | INVESTMENT FORECASTS |
| PLANNING THE LAND TRANSPORT NETWORK | | | |
| Transport Agency | Management of the funding allocation system | 3 of 5 | |
| Transport Agency and local authorities | Transport planning | 0 of 1 | |
| Transport Agency | Sector research | 1 of 1 | |
| PROVIDING ACCESS TO AND USE OF THE LAND TRANSPORT SYSTEM | | | |
| Transport Agency | Licensing and regulatory compliance | 4 of 7 | |
| | Road tolling | 4 of 4 | |
| | Motor vehicle registry | 5 of 6 | |
| | Road user charges collection, investigation and enforcement | 3 of 3 | |
| | Refund of fuel excise duty | 2 of 2 | |
| MANAGING THE STATE HIGHWAY NETWORK | | | |
| Transport Agency | New and improved infrastructure for state highways | 3 of 4 | 2 of 2 |
| | Renewal of state highways | 3 of 3 | 2 of 5 |
| | Maintenance and operations of state highways | 4 of 5 | 2 of 3 |
| INVESTING IN LAND TRANSPORT | | | |
| Transport Agency and local authorities | Public transport | | 2 of 3 |
| | Administration of the SuperGold cardholders' scheme and Enhanced public transport concessions for SuperGold cardholders | 2 of 2 | |
| | Road safety promotion | 2 of 2 | |
| Local authorities | New and improved infrastructure for local roads | | 0 of 2 |
| | Renewal of local roads | | 4 of 6 |
| | Maintenance and operations of local roads | 0 of 1 | 3 of 3 |
| Transport Agency and local authorities | Walking and cycling | | 0 of 1 |

PLANNING THE LAND TRANSPORT NETWORK

OUTPUT CLASS

MANAGEMENT OF THE FUNDING ALLOCATION SYSTEM

Delivered by the Transport Agency and funded from the NLTF and the Crown

What do we do?

The scope of this output class is managing, monitoring and advising transport sector stakeholders on the allocation of the National Land Transport Fund, as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003. It covers our internal operating costs to:

- › efficiently develop and manage the National Land Transport Programme (NLTP) to achieve operational objectives and long-term transport outcomes
- › develop a shared view of planning and investing with our investment partners
- › provide policy advice to government on policy frameworks
- › monitor and audit land transport activities and the performance of organisations that we invest with
- › provide investment and procurement advice on land transport activities including public transport
- › monitor and report on work undertaken in the national Road Policing Programme.¹

How does this contribute to our long-term goals?

Management of the funding allocation system helps deliver on our long-term goal of integrating one network for customers. It makes a contribution to a number of medium-term objectives through management of NLTF investments. We seek to invest in outputs that maximise the overall benefit for New Zealand's land transport system.

What were our key achievements?

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

- › following an extensive review, finalising Funding Assistance Rates (FARs) for transport investments made by local authorities and other approved organisations, following an extensive review
- › developing the Investment Assessment Framework, which is used to assess all proposed activities and determine whether they are eligible for funding and their investment priority
- › working with planning and investment partners as they developed their Regional Land Transport Programmes that contributed to the 2015-18 NLTP
- › successfully delivering the 2015-18 NLTP, developed using a number of significant initiatives, including benefits modelling and the journey approach
- › contributing to the ongoing work of the Road Efficiency Group to support greater collaboration in the sector, including embedding the One Network Road Classification, and introducing other initiatives to improve procurement practices
- › assessing and allocating funding to new improvement activities and monitoring the implementation and delivery of approved activities and programmes through the third year of the 2012-15 NLTP
- › delivering an investment assurance programme targeted to risk and ensuring funded activities delivered value for money. For 2014/15 this included a lead role in ensuring the Christchurch infrastructure rebuild programme is being well managed, as well as 27 investment audits of organisations that received funding through the NLTP and seven post-implementation reviews of completed improvement projects
- › working with the NZ Police to prepare the 2015-18 Road Policing Programme in accordance with the Land Transport Management Act 2003, including the work programme to be delivered in 2015/16 by police.



This year we successfully delivered the 2015-18 NLTP, which was developed using a number of new initiatives, such as benefits modelling and the journey approach, while keeping costs to <1% of NLTP expenditure.

¹ For detailed information about the Road Policing Programme refer to page 258.

How did we perform?

We achieved three of our five targets for management of the funding allocation system.

Investment assurance activities were reprioritised in 2014/15 to focus on leading an assurance programme to ensure the Christchurch infrastructure programme is being well managed and delivering value for money. This is part of a concerted and ongoing effort to direct investment assurance resources to the areas of greatest perceived risk or need. As a result, three of the 30 planned investment audits and two of nine planned post-implementation reviews were deferred until 2015/16.

The percentage of activities delivered to agreed standards has declined against 2013/14 as resources were prioritised towards the development of the 2015-18 NLTP. Work streams are in place to address the slippage.

| SERVICE DELIVERY ^o | ACTUAL 2014/15 | TARGET 2014/15 | VARIANCE 2014/15 | ACTUAL 2013/14 |
|--|-------------------|-------------------|---------------------|-------------------|
| Total cost of managing the funding allocation system as a % of total NLTP expenditure ⁽¹⁾ | 0.9% | <1% | - | 1% |
| % of operational assurance activities completed ⁽²⁾ | 85% | 100% | -15% | 90% |
| % of activities that are delivered to agreed standards and timeframes ⁽³⁾ | 95% | 100% | -5% | 99% |
| Average number of days taken to deliver ⁽⁴⁾ | 7.9 | 20 | +12.1 | 14 |
| % customer satisfaction ⁽⁵⁾ | 73% | >65% | +8% | 74% |

| | | | |
|------------|-----------------|-----------------|-----------------------|
| KEY | Value for money | Service quality | Customer satisfaction |
|------------|-----------------|-----------------|-----------------------|

^o For the technical details of each performance measure see pages 137 - 140.

How is the money spent?*

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | VARIANCE 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|-----------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| Income | 31,761 | 30,775 | 986 | 30,486 |
| Expenditure | 31,761 | 30,775 | (986) | 30,736 |
| Net surplus (deficit) | 0 | 0 | 0 | (250) |

* For full output class income and expenditure, see pages 143 - 152.

OUTPUT CLASS
**TRANSPORT
 PLANNING**

Delivered by the Transport Agency and local authorities and funded from the NLTF

What do we do?

The scope of this output class is developing plans for improving the transport network and systems, as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003. Under this output class we invest in and influence:

- › the development of regional land transport strategies and regional land transport 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 contribute to our long-term goals?

Transport planning helps deliver on our long-term goal of integrating one network for customers. It contributes to a number of our medium-term objectives by providing greater certainty for regional land transport strategies and programmes, infrastructure development and activity management, and investment in the New Zealand transport system.

What were our key achievements?

The key achievements for transport planning reflect our goal to integrate transport into one network for customers through land use and transport planning, which will deliver greater safety and efficiency while growing more jobs. Our key achievements were:

- › drafting the Upper North Island Freight Accord to support driver training and engage the freight sector in further reducing the cost of freight movement (we consulted with industry and have begun working on key areas identified in the document)
- › completing the programme business case into Bus Rapid Transit within Wellington city to determine the preferred options
- › drafting the South Island Freight Story and the Freight Action Plan, which form the basis for prioritising actions to reduce the cost of freight movement in the South Island, especially in and around Christchurch
- › completing reviews of our State Highway Activity Management Plan, which enable prioritisation of funding from the NLTP for state highway maintenance, renewals and improvements.



The key achievements for transport planning reflect our goal to integrate transport into one network for customers through land use and transport planning.

How did we perform?

Overall our transport planning performance for the year was strong and we completed a number of key projects. We did not achieve our service delivery target due to resource constraints and some projects progressing more slowly than planned. Eight of our 29 activities for studies, strategies and models, and programme business cases did not meet 'on time' standards. We plan to complete the unfinished work in 2015/16. Additionally, five activities did not meet 'on cost' standards. Activity management planning achieved all 'on time' and 'on cost' standards.

| SERVICE DELIVERY ^o | ACTUAL 2014/15 | TARGET 2014/15 | VARIANCE 2014/15 | ACTUAL 2013/14 |
|--|-------------------|-------------------|---------------------|-------------------|
| % of activities that are delivered to agreed standards and timeframes ⁽⁶⁾ | 86% | >90% | -4% | 82% |

| | | | |
|-----|-----------------|-----------------|-----------------------|
| KEY | Value for money | Service quality | Customer satisfaction |
|-----|-----------------|-----------------|-----------------------|

^o For the technical details of each performance measure see pages 137 - 140.

Financial results

Transport planning expenditure ended the year \$8m below budget due to extended timelines for some projects because of the added value of transitioning to the new business case approach for transport planning and investing. This gives a total spend over the 2012-15 NLTP of \$44m against a planned expenditure of \$50m, putting it at the lower range of the Government Policy Statement (GPS) allocation. We achieved the anticipated outcomes for significantly less expenditure than anticipated through smarter procurement of internal resources and progress on better collaboration with councils, including early business case workshops, working on the One Network Road Classification and developing state highway management plans.

How is the money spent?*

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | VARIANCE 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|-----------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| Income | 15,226 | 23,356 | (8,130) | 14,927 |
| Expenditure | 15,226 | 23,356 | 8,130 | 14,927 |
| Net surplus (deficit) | 0 | 0 | 0 | 0 |

* For full output class income and expenditure, see pages 143 - 152.

OUTPUT CLASS SECTOR RESEARCH

Delivered by the Transport Agency and funded from the NLTF

What do we do?

The scope of this output class is research as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003. Under this output class we purchase research to improve knowledge and investment decisions made in the land transport system. The research programme informs our policies and guidelines and is made available to transport stakeholders and the general public

How does this contribute to our long-term goals?

Sector research contributes to our long-term goal of integrating one network and to our other transport goals indirectly. We seek to manage research to maximise the delivery of and the benefit derived from all our other outputs.

What were our key achievements?

Our key achievements were:

- › realising benefits for the sector from the NLTF investment in research, through:
 - procuring and contracting 36 new research projects on topics ranging from economic analysis to asset management and from technology solutions to safety
 - publishing 16 peer reviewed and edited research reports on our website, providing free access to research findings and recommendations²
 - publishing five research newsletters promoting 22 research projects³
- › investing a total of \$4m over the year across research topics areas such as asset management (\$2m), safety (\$600k), network optimisation (\$355k), environmental effects (\$340k), economic analysis (\$330k) and technology solutions (\$290k)
- › increasing awareness and use of our research reports and their findings through presentations at conferences and articles in newsletters (and we have seen an increasing amount of media interest in our research)
- › enhancing transport sector decision making and service delivery by contributing to the sector's thinking, knowledge and evidence base.



Sector research enhances transport sector decision making and service delivery by contributing to the sector's thinking, knowledge and evidence base.

² www.nzta.govt.nz/planning-and-investment/our-investments/research/

³ www.nzta.govt.nz/resources/nzta-research/

How did we perform?

We achieved 100% against our service delivery target for this year. Research activities were measured against three components: agreed cost, quality and timeliness.

| SERVICE DELIVERY ^o | ACTUAL 2014/15 | TARGET 2014/15 | VARIANCE 2014/15 | ACTUAL 2013/14 |
|--|-------------------|-------------------|---------------------|-------------------|
| % of activities that are delivered to agreed standards and timeframes ⁽⁷⁾ | 100% | 100% | - | 100% |

| | | | |
|-----|-----------------|-----------------|-----------------------|
| KEY | Value for money | Service quality | Customer satisfaction |
|-----|-----------------|-----------------|-----------------------|

^o For the technical details of each performance measure see pages 137 - 140.

Financial results

Sector research expenditure ended the year \$1.1m below the 2014/15 budget and the original \$6.1m 2014/15 NLTP allocation. However, the forecast spend was adjusted down during the year from \$6.1m to \$5m based on the number of topics assessed as high priority for research and the resources available internally to manage their delivery. The actual spend is consistent with the revised expected spend. Over the 2012-15 NLTP, sector research spend was slightly above the midpoint of the GPS range of \$12m, averaging \$4.2m per annum.

How is the money spent?*

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | VARIANCE 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|-----------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| Income | 5,001 | 6,100 | (1,099) | 4,197 |
| Expenditure | 5,001 | 6,100 | 1,099 | 4,197 |
| Net surplus (deficit) | 0 | 0 | 0 | 0 |

* For full output class income and expenditure, see pages 143 - 152.

PROVIDING ACCESS TO AND USE OF THE LAND TRANSPORT SYSTEM

OUTPUT CLASS LICENSING AND REGULATORY COMPLIANCE

Delivered by the Transport Agency and funded from fees and charges and the Crown

What do we do?

The scope of this output class is purchase of land transport regulatory implementation services, specialist land transport enforcement services, and licensing services, including driver licensing. Under this output class, we:

- › develop land transport rules (under contract to the Ministry of Transport)
- › develop clear and well-understood standards for vehicle inspection and certification, transport service licensing operations, rail safety operations and vocational driver licensing
- › monitor and audit compliance with regulatory standards/requirements for vehicles, drivers, operators and transport systems providers
- › provide ministerial services
- › provide driver and transport operator (including rail operator) licensing and testing services
- › maintain the driver licence register
- › issue overdimension permits
- › administer drug and alcohol assessments of drivers and operators (funded by the Ministry of Health)
- › provide licensing information and advice.

How does this contribute to our long-term goals?

Licensing and regulatory compliance primarily contributes to our long-term goal of shaping smart transport choices. Licensing and regulatory compliance services reduce deaths and serious injuries through regulation of drivers, vehicles and commercial operators, and the associated influence on drivers and driver behaviour. Regulatory activities also make a secondary contribution by incentivising and supporting the efficiency of freight supply chains, reducing adverse environmental effects, and vehicle fleet efficiency.

What were our key achievements?

Our key achievements were regulatory and business improvements.

Regulatory improvements included:

- › reducing compliance costs for customers while maintaining road safety outcomes by implementing major changes to the certificate of fitness (CoF) system and making changes to warrant of fitness (WoF) frequency requirements
- › incentivising novice drivers to progress through the graduated driver licensing system by implementing a five-year time limit on new, learner and restricted car and motorcycling licences. This is expected to contribute to better safety outcomes for young drivers
- › with NZ Police, implementing lower legal alcohol limits. This change brings New Zealand law into line with the

limits in the majority of OECD (Organisation for Economic Co-operation and Development) countries, providing safer journeys for all New Zealanders

- › addressing a critical barrier to supporting productivity in the freight sector by amending the Vehicle Dimensions and Mass Rule and linked regulations to ensure the penalties for breaches of high productivity motor vehicles (HPMVs) permit requirements and conditions incentivise productive use of vehicles and correct purchase of road user charges (RUC)
- › enhancing our effectiveness as the rail regulator by increasing our capability, risk focus and collaboration with partner agencies
- › progressing measures to improve rail tunnel safety – we saw a reduction in fatalities on the rail corridor and occurrences of signals passed at danger (SPAD)
- › conducting a Special Safety Assessment on the National Train Control Centre to test the safety performance of this critical function, and improving in response to opportunities identified in the assessment.

Business improvements included:

- › transitioning to a new supplier for practical driver testing services, improving the availability and delivery of testing services and providing an environment for further service improvements over the next two years
- › with ACC, developing a series of online videos to help learner drivers master the key driving skills they need to pass their restricted licence test and set them up for a lifetime of safe driving habits
- › expanding the driver mentor programme thereby helping more disadvantaged young learner drivers get their restricted licence, achieve greater independence and improve their employment prospects. The programme is now in Northland, South Auckland, Te Kuiti, Porirua, Gisborne and Christchurch
- › improving the efficiency and effectiveness of our compliance management system by implementing new audit and risk-targeted compliance processes for WoF and CoF inspecting organisations
- › continuing to improve our online services, for example, making the application for an HPMV route permit faster and more customer-friendly, significantly increasing the percentage of our customers choosing to engage with us online.



This year we saw a reduction in fatalities on the rail corridor and occurrences of signals passed at danger (SPAD).

How did we perform?

We achieved four of our seven performance targets for licensing and regulatory compliance. This included a significant lift in the percentage of transactions completed online due to an increase in the number of people booking their driver licensing tests online. Improved audit processes and risk-targeted compliance processes for WoF and CoF reduced the number of operational assurance activities delivered and the percentage of activities delivered to agreed standards and timeframes. The new processes were embedded in quarter three and achieved positive results in quarter four, indicating a good foundation has been set for 2015/16.

Although we did not meet our customer satisfaction target, enhancements to and increased take-up of online services, along with other business process improvements, resulted in an increase in satisfaction from 64% in 2013/14 to 69% this year. The lift represents a good step towards our ambitious target of >73%.

| SERVICE DELIVERY ^o | ACTUAL 2014/15 | TARGET 2014/15 | VARIANCE 2014/15 | ACTUAL 2013/14 |
|---|-------------------|-------------------|---------------------|-------------------|
| Unit transaction costs ⁽⁸⁾ | \$10.14 | \$10 - \$12 | - | \$7.73 |
| % of transactions completed online ⁽⁹⁾ | 27% | >17% | +10% | 18% |
| % accuracy of the registers ⁽¹⁰⁾ | 94% | >93% | +1% | 95% |
| % of operational activities completed ⁽¹¹⁾ | 88% | 100% | -12% | 100% |
| % of activities that are delivered to agreed standards and timeframes ⁽¹²⁾ | 89% | >90% | -1% | 95% |
| Number of products/services delivered or processed ⁽¹³⁾ | 6.4m | 6.1m - 6.5m | - | 7.65m |
| % customer satisfaction ⁽¹⁴⁾ | 69% | >73% | -4% | 64% |

| | | | |
|------------|-----------------|-----------------|-----------------------|
| KEY | Value for money | Service quality | Customer satisfaction |
|------------|-----------------|-----------------|-----------------------|

^o For the technical details of each performance measure see pages 137 - 140.

Financial results

The licensing and regulatory compliance output class recorded a net surplus of \$3m at year end.

Income was \$8.5m above budget, due mainly to driver licensing and testing volumes being 22% higher than forecast. Higher border inspection volumes and interest revenue also contributed. Combined, these created \$10.2m of additional income, which was offset by \$1.7m less income than forecast in the certification and standard development service areas. Certification fee income was \$773k less than forecast due to the delayed introduction of changes to certification fees. Standards development fee income, which is collected via the motor vehicle licence ('rego') was \$900k less than forecast due to customers changing behaviour and purchasing shorter duration vehicle licences to take advantage of reductions to the ACC vehicle risk levy effective 1 July 2015. (This latter impact is temporary and revenue is forecast to be higher in 2015/16 as a consequence.)

Expenditure was \$5.6m above budget. This reflects the higher driver licensing and testing volumes and the cost associated with the transition to a new supplier of practical driver testing services and the associated improved service levels.

How is the money spent?*

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | VARIANCE 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|-----------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| Income | 87,214 | 78,732 | 8,482 | 82,754 |
| Expenditure | 84,194 | 78,638 | (5,556) | 79,694 |
| Net surplus (deficit) | 3,020 | 94 | 2,926 | 3,060 |

* For full output class income and expenditure, see pages 143 - 152.

OUTPUT CLASS ROAD TOLLING

Delivered by the Transport Agency and funded from fees and charges

What do we do?

The scope of this output class is collection of road tolling charges and enforcement activities to recover unpaid road tolls. Under this output class, we:

- › manage the tolling road-side and back-office systems, customer interfaces and payment channels
- › collect toll revenues and make disbursements to the Crown
- › provide information and advice to the public.

How does this contribute to our long-term goals?

Road tolling supports our long-term goal to shape smart transport choices. The tolls we collect allow us to fund investments that improve the land transport network.

What were our key achievements?

Our key achievements were:

- › increasing compliance by growing the number of customers that use toll accounts to pay their tolls – 64.89% of chargeable trips were assigned to toll road accounts in the last financial year, a 0.91% increase from the last financial year (63.98%)
- › installing toll infrastructure and improved toll collection systems in readiness for two new toll routes (Tauranga Eastern Link and Route K) to go live on 3 August 2015. This work included removing the need for toll booths to improve traffic flow on toll roads and providing more payment options to make paying tolls easier.



Toll infrastructure installed on Tauranga Eastern Link and Route K removed the need for toll booths, improving traffic flow.

How did we perform?

We met or exceeded our four performance targets for service delivery. The per unit transaction cost was lower than forecast due to some system upgrade costs being deferred to 2015/16 and process efficiencies enabling higher toll volumes to be managed without incurring additional personnel costs.

| SERVICE DELIVERY ^o | ACTUAL 2014/15 | TARGET 2014/15 | VARIANCE 2014/15 | ACTUAL 2013/14 |
|--|-------------------|--------------------|---------------------|-------------------|
| Unit transaction costs ⁽¹⁵⁾ | \$0.58 | \$0.58 - \$0.75 | - | \$0.61 |
| % of transactions completed online ⁽¹⁶⁾ | 94% | >94%* | - | 61% |
| % revenue compliance | 97% | >96% | +1% | 97% |
| Number of products/services delivered or processed | 6.7m | 6.0m - 6.5m | +0.2m | 6.3m |

| | | | |
|-----|-----------------|-----------------|-----------------------|
| KEY | Value for money | Service quality | Customer satisfaction |
|-----|-----------------|-----------------|-----------------------|

^o For the technical details of each performance measure see pages 137 - 140.

* Targets increased in 2014/15 because we changed the way we calculate the measure. In 2014/15 we added electronic account holders to the result, whereas in the past we had only counted internet transactions.

Financial results

More toll road users paid their tolls on time in 2014/15, which meant fewer toll payment notices were issued and fewer penalty related administration fees were paid by road users. This meant total income was 6% less than forecast despite the higher volume of toll services delivered.

Tolling expenditure was 10% below budget because planned upgrades to the tolling revenue system were deferred while work was undertaken to support the opening of the new toll roads on 1 August 2015. This deferred expenditure is now planned for 2015/16.

How is the money spent?*

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | VARIANCE 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|-----------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| Income | 6,332 | 6,694 | (362) | 6,056 |
| Expenditure | 5,541 | 6,123 | 582 | 5,481 |
| Net surplus (deficit) | 791 | 571 | 220 | 575 |

* For full output class income and expenditure, see pages 143 - 152.

OUTPUT CLASS

MOTOR VEHICLE REGISTRY

Delivered by the Transport Agency and funded from fees and charges

What do we do?

The scope of this output class is 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. Under this output class, we:

- › maintain the motor vehicle register
- › deliver motor vehicle registration and licensing services
- › collect and refunds registration and licensing fees, which are paid to the NLTF
- › provide information and advice to the public.

How does this contribute to our long-term goals?

Motor vehicle registry services contribute to our long-term goal of shaping smart transport choices. This is achieved by reducing deaths and serious injuries from road crashes, providing more transport mode choices, and reducing adverse environmental effects through first registration of vehicles into the New Zealand fleet. At first registration, vehicle safety and environmental standards have to be met before the vehicle can be licensed for access to the road network.

What were our key achievements?

Our key achievements were:

- › making the online motor vehicle licensing ('rego') process more user-friendly for our customers by completing a significant upgrade to our website and improving our licensing reminders and invoices
- › with ACC, preparing to implement the reduced and risk-rated ACC levy, which is collected via the motor vehicle licence. This included successfully informing customers about the upcoming change and maintaining a high level of customer satisfaction as customers enquired about their specific situation.



This year a significant upgrade to our website made the online motor vehicle licensing ('rego') process more user-friendly for our customers.

How did we perform?

We achieved or exceeded five of our six performance targets for motor vehicle registry.

We delivered more products/services than planned due to 14% higher than forecast new vehicle registrations and 2.6% higher than forecast motor vehicle licences.

We narrowly missed out on achieving our customer satisfaction target of >95%, instead maintaining our result of 94%. This was considered a good result given the increased volumes we managed. We continued to actively monitor customer satisfaction levels, and adopted a continuous improvement approach to customer complaints and feedback.

| SERVICE DELIVERY ^o | ACTUAL 2014/15 | TARGET 2014/15 | VARIANCE 2014/15 | ACTUAL 2013/14 |
|--|-------------------|-------------------|---------------------|-------------------|
| Unit transaction costs | \$5.62 | \$5.50 - \$5.80 | - | \$5.50 |
| % of transactions completed online ⁽¹⁷⁾ | 35% | >30% | - | 31% |
| % accuracy of the registers ⁽¹⁸⁾ | 96% | ≥95% | +1% | 95% |
| % revenue compliance | 99% | ≥98% | +1% | 99% |
| Number of products/services delivered or processed ⁽²¹⁾ | 10.3m | 9.1m - 10m | +0.3m | 9.5m |
| % customer satisfaction ⁽¹⁹⁾ | 94% | >95% | -1% | 94% |

KEY Value for money Service quality Customer satisfaction

^o For the technical details of each performance measure see pages 137 - 140.

Financial results

Overall income was \$4.7m over budget. The majority of this variance stemmed from motor vehicle licensing ('rego') income, which was \$3.2m above expectations. Approximately half of this variance can be attributed to motor vehicle licensing volumes being 2.6% above planned. The remaining variance occurred over the last quarter of the year, when a significant number of customers chose to licence their vehicle for a period of less than three months. This behaviour was driven by changes to the ACC vehicle levy, which came into effect from 1 July 2015. Customers opted to purchase shorter licences to take advantage of the lower levies effective 1 July 2015, leading to a surge in volume that can be seen in the higher than planned revenue.

The remaining \$1.4m positive revenue variance was the result of record numbers of new vehicles entering New Zealand in 2014/15. New vehicle registration volumes exceeded forecast by 14%.

Despite this increased activity across the output class, expenditure remained within 5% of budget, with variances largely stemming from increased commissions and transaction costs due to increased volumes.

How is the money spent?*

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | VARIANCE 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|-----------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| Income | 59,524 | 54,871 | 4,653 | 56,779 |
| Expenditure | 58,611 | 56,152 | (2,459) | 54,033 |
| Net surplus (deficit) | 913 | (1,281) | 2,194 | 2,747 |

* For full output class income and expenditure, see pages 143 - 152.

OUTPUT CLASS

ROAD USER CHARGES COLLECTION, INVESTIGATION AND ENFORCEMENT

Delivered by the Transport Agency and funded from NLTF, fees and charges and the Crown

What do we do?

The scope of this output class is collection and refund of road user charges (RUC), and the investigation and enforcement of evasion of RUC. Under this output class, we:

- › collect and refund RUC, which is paid to the NLTF
- › investigate evasion of RUC and enforce payment
- › provide information and advice to the public.

How does this contribute to our long-term goals?

Collecting, investigating and enforcing RUC contributes to our long-term goal of shaping smart transport choices through revenue collection for the NLTP, and therefore supports our investment in the land transport system.

What were our key achievements?

Our key achievements were:

- › increasing the number of customers who purchase their RUC online, which reduces compliance costs for customers and administration costs for the Transport Agency
- › improving the quality of our data and our monitoring processes, which allowed us to target non-compliance relating to RUC overrun, use of an incorrect RUC band, and RUC evasion
- › joining up with the NZ Police to identify overweight diesel vehicles that should be paying more RUC, and invoicing owners for additional weight
- › increasing revenue compliance and improving vehicle owners' understanding of regulatory requirements by conducting field assessments to check vehicle weights and educate owners.



This year we increased the number of customers who purchase their RUC online from 50% to 53%, which reduces costs and improves customer experience.

How did we perform?

We achieved or exceeded our three performance targets for RUC collection, investigation, and enforcement, delivering a higher than planned number of services at a lower than forecast per unit cost.

Higher than forecast volumes were most likely a response to improved economic conditions, which have led to an increase in travel demand in some areas.

The per unit transaction cost was lower than anticipated at \$5.58 transaction due to an increase in the number of RUC customers using the less expensive online channel to purchase RUC, which reduces costs to both the customer and the Transport Agency, and due to the efficiencies achieved with higher volumes.

| SERVICE DELIVERY ^o | ACTUAL 2014/15 | TARGET 2014/15 | VARIANCE 2014/15 | ACTUAL 2013/14 |
|--|-------------------|--------------------|---------------------|-------------------|
| Unit transaction costs | \$5.58 | \$5.80 - \$6.40 | \$0.22 | \$6.50 |
| % of transactions completed online ⁽²⁰⁾ | 53% | >52% | +1% | 50% |
| Number of products/services delivered or processed ⁽²¹⁾ | 2.8m | 2.5m - 2.7m | +0.1m | 2.5m |

| | | | |
|-----|-----------------|-----------------|-----------------------|
| KEY | Value for money | Service quality | Customer satisfaction |
|-----|-----------------|-----------------|-----------------------|

^o For the technical details of each performance measure see pages 137 - 140.

Financial results

Income and expenditure for this output class fell within 5% of budget. RUC licensing volumes[^] averaged at 4% over planned levels for the year and this is reflected in the result.

The collections element of the output class moved from being funded by appropriation to being fully funded by third-party fees from 1 November. Investigations, enforcement and refund activity continue to be funded via appropriation. The transition of the RUC collections output to a memorandum account allows the Transport Agency to self-manage its future funding for this output; with an expectation that over time the administration fees collected will be sufficient to cover the ongoing administration and development of this function.

How is the money spent?*

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | VARIANCE 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|-----------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| Income | 16,597 | 15,973 | 624 | 19,935 |
| Expenditure | 15,737 | 15,459 | (278) | 17,051 |
| Net surplus (deficit) | 860 | 514 | 346 | 2,884 |

* For full output class income and expenditure, see pages 143 - 152.

[^] RUC licensing volumes represent 2.5m out of the total 2.8m highlighted under the service delivery measure. It is these that have a direct relationship to revenue generation; the costs of maintenance and issue of assessment are covered by our fixed appropriation.

OUTPUT CLASS
REFUND OF FUEL
EXCISE DUTY

Delivered by the Transport Agency and funded from the NLTF

What do we do?

The scope of this output class is receipt and processing of applications for and the refunding of fuel excise duty. Under this output class, we record, refund and account for fuel excise duty refund applications.

How does this contribute to our long-term goals?

Refund of excise duty is 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 our desired goals.

What were our key achievements?

Our key achievements were:

- › processing 56,336 claims while reducing the average time taken to approve a claim from 13 days in 2013/14 to five days. These claims total \$51m worth of duty returned to New Zealanders
- › managing the higher than expected number of claims that are a result of new and existing agents filing fuel excise refund claims on behalf of clients. This has also raised awareness of the refund process and resulted in an increase in refunds directly from claimants
- › continuing to develop an online application system for filing claims. This is currently being tested and will help to manage the volume of claims more efficiently dependant on uptake.



This year we processed 56,336 claims while reducing the average time to approve a claim from 13 days to five days.

How did we perform?

We achieved our two targets for refund of fuel excise duty.

| SERVICE DELIVERY ^o | ACTUAL 2014/15 | TARGET 2014/15 | VARIANCE 2014/15 | ACTUAL 2013/14 |
|--|-------------------|-------------------|---------------------|-------------------|
| Average number of days taken to deliver ⁽²²⁾ | 5.33 | 10 | +5 | 13 |
| Number of products/services delivered or processed ⁽²³⁾ | 56k | 29k - 33k | +23k | 38,598 |

KEY Value for money Service quality Customer satisfaction

^o For the technical details of each performance measure see pages 137 - 140.

Financial results

This output is funded by appropriation from the Crown (Vote Transport). The income from the appropriation was increased this year to cater for the increased claim volume, which was 45% greater than last year. Expenditure was higher than budget due to the employment of temporary staff required to process the increased claim volume.

How is the money spent?*

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | VARIANCE 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|-----------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| Income | 564 | 399 | 165 | 429 |
| Expenditure | 553 | 399 | (154) | 505 |
| Net surplus (deficit) | 11 | 0 | 11 | (76) |

* For full output class income and expenditure, see pages 143 - 152.

MANAGING THE STATE HIGHWAY NETWORK

OUTPUT CLASS

NEW AND IMPROVED INFRASTRUCTURE FOR STATE HIGHWAYS

Delivered by the Transport Agency and funded from the NLTF and the Crown

What do we do?

The scope of this output class is capital works for new infrastructure for state highways, as authorised by section 9 (3) and (4) of the Land Transport Management Act 2003.

The appropriation for the Buckle Street undergrounding project is limited to that part of State Highway 1 necessary for the establishment of the National War Memorial Park in Wellington.

The appropriation for the Napier to Gisborne passing lanes is limited to the investigation, design and implementation of passing opportunities on State Highway 2 between the two cities.

Under this output class, we manage and invest 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. We do this in a socially and environmentally responsible way.

How does this contribute to our long-term goals?

New and improved infrastructure for state highways helps deliver on our long-term goal of delivering highway solutions for customers by contributing to more efficient freight supply chains, a resilient and secure transport network and easing of severe urban congestion, and by helping to reduce deaths and serious injuries from road crashes. This is achieved through capital investment in the state highway network.

What were our key achievements?

This year's programme was the largest ever State Highway Improvements Programme we have delivered – with a budget about 20% larger than the 2013/14 programme.

Five of the six roads of national significance are tracking on or ahead of programme. Key achievements included completing the Memorial Park and Arras Tunnel project on time for the ANZAC centenary celebrations, and 100km of pavement on the Tauranga Eastern Link (officially opened in August 2015). Work has begun on a number of significant projects on the Christchurch Motorways and Waikato Expressway, and we began construction on Transmission Gully.

Four of the five projects that make up the Auckland Accelerated Transport Programme are on, or ahead of, schedule, and thirteen of the fourteen projects contained within the Regional Accelerated Transport programme are on schedule.

We have delivered 4,500km of full high productivity motor vehicle (HPMV) routes on state highways and connecting local roads.

Customer satisfaction exceeded target by 22% resulting from continued development of our stakeholder relationship capability and expanding the network of organisations for which we have a dedicated relationship manager. We have also taken on board industry feedback and redesigned our industry liaison programme to provide a stronger sense of connection for all supplier groups.



This year's programme was the largest ever State Highway Improvements Programme we have delivered – with a budget about 20% larger than the 2013/14 programme.

How did we perform?

We achieved three of our four targets for new and improved infrastructure for state highways.

We did not achieve our service delivery target for the State Highway Improvements Programme, in part due to the Basin Reserve Board of Inquiry declining resource consent, which prevented a number of significant milestones from being delivered, and because property purchases were lower than targeted due to a number of large complex purchases where negotiations became protracted. These have been reforecast to settle in 2015/16.

Investment performance

We achieved our two targets for investment in new and improved infrastructure for state highways.

| SERVICE DELIVERY ^o | ACTUAL 2014/15 | TARGET 2014/15 | VARIANCE 2014/15 | ACTUAL 2013/14 |
|--|-------------------|-------------------|---------------------|-------------------|
| % of activities that are delivered to agreed standards and timeframes ⁽²⁴⁾ | 84% | >90% | -6% | 92% |
| % of activities that are delivered to agreed standards and timeframes – National War Memorial Park – Buckle Street undergrounding project ⁽²⁴⁾ | 100% | 100% | - | 100% |
| % of activities that are delivered to agreed standards and timeframes – Construction of passing opportunities on State Highway 2 between Napier and Gisborne ⁽²⁴⁾ | 100% | 100% | - | 100% |
| % customer satisfaction ⁽²⁵⁾ | 77% | >55% | +22% | 72% |
| INVESTMENT PERFORMANCE | FORECAST | | | |
| Length of road reconstruction and new road completed (lane km) | 108km* | 80km – 100km | +8km | 106km |
| Length of bridge replacements (lane km) | 1km | 1km – 2km | - | 2.5km |

| | | | |
|------------|-----------------|-----------------|-----------------------|
| KEY | Value for money | Service quality | Customer satisfaction |
|------------|-----------------|-----------------|-----------------------|

^o For the technical details of each performance measure see pages 137 – 140.

* This includes 100km of pavement completed as part of the Tauranga Eastern Link by 30 June, although the road was not officially opened until August 2015.

Financial results

Final revenue and expenditure on new and improved infrastructure of state highways exceeded budget by \$63.1m and \$71.2m respectively. This is because the financials captured activities undertaken where costs were recovered from third parties.

How is the money spent?*

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | VARIANCE 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|-----------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| Income | 1,463,774 | 1,400,671 | 63,103 | 1,261,992 |
| Expenditure | 1,460,738 | 1,393,500 | (67,238) | 1,258,659 |
| Net surplus (deficit) | 3,036 | 7,171 | (4,135) | 3,333 |

* For full output class income and expenditure, see pages 143 – 152.

OUTPUT CLASS

RENEWAL OF STATE HIGHWAYS

Delivered by the Transport Agency and funded from the NLTF

What do we do?

The scope of this output class is renewal work on the state highway network, as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003. We manage and invest 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 contribute to our long-term goals?

Renewal of state highways helps deliver on our long-term goal of delivering highway solutions for customers by contributing to maintaining the resilience and security of the whole road network, efficient and reliable freight supply chains and the easing of severe congestion. This is achieved by ensuring that the condition of the established local road network is sustained by an ongoing capital investment programme.

What were our key achievements?

Our key achievements were delivering 591km of pavement renewals, including chip sealing and pavement rehabilitation, and 81km of pavement rehabilitation renewal through pavement strengthening work. This was achieved in line with our more rigorous approach to asset renewals as stated in the 2012-15 State Highway Asset Management Plan (SHAMP).



This year we delivered 591km of pavement renewals and 81km of pavement rehabilitation renewal through pavement strengthening work.

How did we perform?

We achieved our three targets for renewal of state highways.

Investment performance

We achieved two of our five forecasts for investment in renewal of state highways.

Cost of renewals missed forecast as the expenditure includes a number of third-party transactions, which have been balanced out by revenue.

The percentage of sealed network resurfaced and the percentage of network rehabilitated were below forecast, however, these results are in line with our more rigorous approach to renewals. We continue to work our assets harder by renewing them later in their lifecycles. This approach continues to have the most impact on lower classification state highways to ensure that we are maintaining the network to the One Network Road Classification levels of service.

| | ACTUAL 2014/15 | TARGET 2014/15 | VARIANCE 2014/15 | ACTUAL 2013/14 |
|---|-------------------|-------------------|---------------------|-------------------|
| SERVICE DELIVERY^o | | | | |
| % of activities that are delivered to agreed standards and timeframes ⁽²⁶⁾ | 95% | >90% | +5% | 87% |
| Safe stopping: % of travel on network above skid threshold ⁽²⁷⁾ | 98% | ≥98% | - | 98% |
| Network resilience: % of rutting >20mm over the state highway network ⁽²⁸⁾ | 1% | <2% | +1% | 1% |
| INVESTMENT PERFORMANCE FORECAST | | | | |
| Cost of renewals (excluding emergency reinstatement) per network lane km (total cost) | \$8,444 | <\$8,000 | -\$444 | \$7,369 |
| % of sealed network resurfaced (based on road length in lane km) | 6.5% | 10 - 12% | -3.5% | 10% |
| % of network rehabilitated (based on road length in lane km) | 0.8% | 1 - 2% | -0.2% | 1% |
| Pavement integrity of the sealed network | 94% | ≥94% | - | 93% |
| Surface condition of the sealed network | 98% | ≥97% | +1% | 98% |

| | | | |
|------------|-----------------|-----------------|-----------------------|
| KEY | Value for money | Service quality | Customer satisfaction |
|------------|-----------------|-----------------|-----------------------|

^o For the technical details of each performance measure see pages 137 - 140.

Financial results

The underspend reflects savings made in the renewals programme as a result of continuing to take a more rigorous approach to asset renewals.

How is the money spent?*

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | VARIANCE 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|-----------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| Income | 191,781 | 213,853 | (22,072) | 168,593 |
| Expenditure | 191,781 | 213,853 | 22,072 | 168,593 |
| Net surplus (deficit) | 0 | 0 | 0 | 0 |

* For full output class income and expenditure, see pages 143 - 152.

OUTPUT CLASS

MAINTENANCE AND OPERATION OF STATE HIGHWAYS

Delivered by the Transport Agency and funded from the NLTF

What do we do?

The scope of this output class is activities that manage, maintain and operate state highway infrastructure, as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003. Under this output class we:

- › operate 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
- › maintain the road and the roadside to ensure it is in as safe a condition as possible to travel on
- › maintain the state highway network to ensure it continues to provide a reliable travel journey.

How does this contribute to our long-term goals?

Maintenance of state highway infrastructure helps deliver on our long-term goal of delivering highway solutions for customers by ensuring that the impact of the established network on the transport system is sustained. Sound management of maintenance activities and the operation of the network have a broad impact. This includes better use of transport capacity, network resilience and security, freight supply chain efficiency as well as reducing urban congestion and the risk of road crashes. This is done by ensuring that surface condition and skid resistance network standards are maintained and traffic flow and incidences effectively managed.

What were our key achievements?

Through the Traffic Operations Centres (TOCs) in Auckland, Wellington and Christchurch with our partners we continue to monitor the transport flows, manage incidents and provide real time information about traffic and road conditions to our customers to provide better travel experiences and improve the reliability of the transport network.

The roll-out of the Network Outcome Contracts (NOCs) has continued in 2014/15. Six contracts were formally tendered and awarded in 2014/15 (11 contracts have been awarded to date) and the delivery of the NOC programme has been largely on time.

Early indications are that the NOCs are performing well, in particular the collaboration with subcontractors. There does not appear to be overinvestment in the network management areas and there looks to be no outstanding faults or issues or any undue complaints.

We increased overall customer satisfaction this year, particularly with the provision of travel information during journeys. We continue to focus on our customers' experience and providing quality travel information to enable customers to make informed choices about their journeys.

Cost savings on maintenance and renewals activities exceeded the \$160 million targeted for the last three years.



We increased overall customer satisfaction this year, particularly with the provision of travel information that allows customers to make informed choices about their journeys.

How did we perform?

We achieved four of our five targets for maintenance and operation of state highways.

We did not reach our target for availability of the state highway network due to the effect of major weather events (mainly in the lower North Island, and Southland) and crashes (mainly on the urban network). Of the 512 recorded unplanned events on the network, 79% were reopened within standard timeframes. For several years we have seen extreme weather events impact on the availability of the state highway network. We will be looking to understand this further through the resilience work programmed in the 2015-18 NLTP.

Investment performance

We achieved two of our three forecasts for investment in maintenance and operation of state highways.

The cost of maintaining and operating the network was higher than forecast because we undertook more maintenance activity and less renewal activity to extend the life of assets. This result is consistent with our approach to asset maintenance and renewal outlined in the SHAMP.

| | ACTUAL 2014/15 | TARGET 2014/15 | VARIANCE 2014/15 | ACTUAL 2013/14 |
|--|-------------------|-------------------|-----------------------|-------------------|
| SERVICE DELIVERY^o | | | | |
| % of activities that are delivered to agreed standards and timeframes ⁽²⁹⁾ | 90% | >90% | - | 103% |
| Safe stopping: % of network meeting surface texture standards ⁽³⁰⁾ | 99% | ≥97% | +2% | 99% |
| Smooth ride: % of travel on network classed as smooth ⁽³¹⁾ | 98% | ≥97% | +1% | 99% |
| Availability of state highway network: % of unplanned road closures resolved within 12 hours ⁽³²⁾ | 79% | 90% | -11% | 85% |
| % customer satisfaction ⁽³³⁾ | 52% | >45% | +7% | 48% |
| INVESTMENT PERFORMANCE FORECAST | | | | |
| Cost of emergency reinstatement | \$36.4m | \$50m - \$55m | \$13.6m | \$60m |
| Cost of maintaining and operating the network excluding emergency reinstatement (\$ per lane km) | \$14,346 | <\$13,000 | (\$1,346) | \$13,707 |
| Smooth ride - % of travel on smooth roads | 98% | ≥97% | +1% | 99% |
| KEY | Value for money | Service quality | Customer satisfaction | |

^o For the technical details of each performance measure see pages 137 - 140.

How is the money spent?*

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | VARIANCE 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|-----------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| Income | 363,091 | 364,804 | (1,713) | 373,170 |
| Expenditure | 363,284 | 363,471 | 187 | 372,786 |
| Net surplus (deficit) | (193) | 1,333 | (1,526) | 384 |

* For full output class income and expenditure, see pages 143 - 152.

INVESTING IN LAND TRANSPORT

OUTPUT CLASS PUBLIC TRANSPORT

Invested in by the Transport Agency, delivered by local authorities and funded from the NLTF

What do we do?

The scope of this output class is renewal and improvement of infrastructure to support public transport and non-commercial public transport services, authorised under section 9 (3) and (4) of the Land Transport Management Act 2003.

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

Rail infrastructure is generally excluded from this activity class as the intention is to fund this outside the NLTF.

How does this contribute to our long-term goals?

Public transport primarily contributes to our long-term goal of maximising returns for New Zealand by providing more mode choices, easing urban congestion, and reducing adverse environmental effects. Public transport makes secondary contributions to better use of existing transport system capacity, resilience and security. It can also contribute to reducing deaths and serious injuries from road crashes. These contributions are supported by administration of the SuperGold card scheme and enhanced public transport concessions for SuperGold cardholders.

What were our key achievements?

We enabled local authorities to progress with Public Transport Operating Model (PTOM) contracts. Four regions, Taranaki, Gisborne, Bay of Plenty and Otago, have awarded new PTOM contracts. Wellington is currently evaluating the tender for Wellington metro rail services, and Auckland is preparing to release new PTOM contracts for bus services. Auckland's patronage has increased by 10% during the year. Much of the growth in Auckland across the previous three-year period has been in the last year alone (10% of the 12% in total growth achieved). The recent introduction of both the HOP electronic smart card and new electrified trains, among other recent initiatives, appears to be making a difference to further stimulate patronage growth across the Auckland network.

In Auckland we have invested in the following public transport infrastructure projects which will contribute to future patronage increases and relieving Auckland's network congestion:

- › Manukau Transport interchange – the upgrade of the rail and station network is intended to increase public transport patronage and ease congestion.
- › Panmure Interchange – this is an essential component of the multi-modal Auckland-Manukau Eastern Transport Initiative (AMETI) project, designed to increase accessibility to south eastern Auckland.
- › Swanson station upgrade and park and ride – this upgrade completes the rail station upgrades on the western line designed to increase public transport patronage and ease congestion.

We invested \$16 million in the recently completed Christchurch bus exchange, which will assist patronage growth and is a key transformational project that will help to reinvigorate the city centre.



Supported by initiatives such as the HOP card and new electrified trains, Auckland's patronage has increased by 10% during the year.

How did we perform?

We achieved two of our three forecasts for public transport. Although passenger boardings on public transport did not reach our aspirational target, boardings across the country have increased by 5% since 2013/14. Growth was primarily driven by our two main urban centres with an impressive increase in Auckland (10%) and sustained growth in Wellington (2%). Rail patronage in Auckland alone increased by 22%. Growth in Auckland’s overall patronage – measured by the recently introduced and more accurate HOP data – is lower than would have been predicted using the previous operator-reported manual count system. Christchurch’s network return for 2014/15 was flat, as expected, prior to the introduction of the new exchange and a greater uptake of travel back to the city centre. Some smaller regions experienced slight decreases in public transport boardings across their networks.

| INVESTMENT PERFORMANCE ^o | ACTUAL 2014/15 | FORECAST 2014/15 | VARIANCE 2014/15 | ACTUAL 2013/14 |
|--|-------------------|---------------------|---------------------|-------------------|
| Number of passengers using urban public transport services (bus, train and ferry) | 144.2m | 147m - 154m | -2.8m | 138m |
| Public transport boardings per NLTF \$1,000 invested on public transport services (including track access charges) | 532 | 450 - 550 | - | 535 |
| Fare revenue as a % of total expenditure | 48% | >47% | +1% | 46% |

KEY Value for money Service quality Customer satisfaction

^o For the technical details of each performance measure see pages 137 - 140.

Financial results

Actual expenditure across public transport ended the year at 6% (\$20.5m) under budget. Slower than planned delivery of infrastructure projects in Auckland, efficiencies in the services programme, and the impact of lower fuel costs on service delivery all played a part in the lower expenditure. The total spend for the 2012-15 NLTP is \$864.7m. This is \$80.2m under our target spend for the three years of \$945m. The final actual spend for the three years to June 2015 is within the GPS funding range for 2012-15.

How is the money spent?*

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | VARIANCE 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|-----------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| Income | 298,934 | 319,391 | (20,457) | 272,266 |
| Expenditure | 304,937 | 319,391 | 14,454 | 272,266 |
| Net surplus (deficit) | (6,003) | 0 | (6,003) | 0 |

* For full output class income and expenditure, see pages 143 - 152.

OUTPUT CLASS

ADMINISTRATION OF THE SUPERGOLD CARDHOLDERS' SCHEME

OUTPUT CLASS

ENHANCED PUBLIC TRANSPORT CONCESSIONS FOR SUPERGOLD CARDHOLDERS

Delivered by the Transport Agency and local authorities and funded from the Crown

What do we do?

The scope of these output classes is administration of the scheme to provide enhanced public transport concessions for SuperGold cardholders and providing enhanced public transport concessions for SuperGold cardholders.

Under the first output class (Administration of the SuperGold cardholders' scheme), the Transport Agency and regional councils administer the SuperGold cardholders' scheme. Under the second output class (Enhanced public transport concessions for SuperGold cardholders), we provide 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. We manage 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 contribute to our long-term goals?

The SuperGold card concessionary fares scheme contributes to our long-term goal of maximising returns for New Zealand by providing more transport mode choice for the elderly and improving the use of public transport capacity during off-peak hours.

What were our key achievements?

The key achievements in our work on the SuperGold card scheme were:

- › supporting 12.6 million SuperGold card trips during the year, an increase of 6% from the 11.9 million trips in 2013/14
- › supporting the Ministry of Transport's review of the SuperGold card policy, culminating in policy decisions from Cabinet to shift to a new bulk funding methodology, to be developed during 2015/16.



SuperGold card trips increased 6% from the 11.9 million trips in 2013/14.

How did we perform?

We achieved our two targets for administration of the SuperGold card scheme and enhanced public transport concessions for SuperGold cardholders.

| SERVICE DELIVERY ^o | ACTUAL 2014/15 | TARGET 2014/15 | VARIANCE 2014/15 | ACTUAL 2013/14 |
|--|-------------------|-------------------|---------------------|-------------------|
| Average number of days taken to deliver (working days taken to process claims received from regional councils) | 18 | 20 | +2 | 18 |
| % of activities that are delivered to agreed standards and timeframes ⁽³⁴⁾ | 100% | 100% | - | 100% |

| | | | |
|-----|-----------------|-----------------|-----------------------|
| KEY | Value for money | Service quality | Customer satisfaction |
|-----|-----------------|-----------------|-----------------------|

^o For the technical details of each performance measure see pages 137 - 140.

Financial results

Administration of the SuperGold card scheme and enhanced public transport concessions for SuperGold cardholders ended the year slightly over budget (\$424k). The main drivers are the continued growth in Auckland, the increase in fares coming in the final two months of this year for Auckland, and some minor overspends for other regions.

How is the money spent?*

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | VARIANCE 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|-----------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| Income | 26,211 | 26,000 | 211 | 24,000 |
| Expenditure | 26,424 | 26,000 | (424) | 24,205 |
| Net surplus (deficit) | (213) | 0 | (213) | (205) |

* For full output class income and expenditure, see pages 143 - 152.

OUTPUT CLASS

ROAD SAFETY PROMOTION

Delivered by the Transport Agency and local authorities and funded from the NLTF

What do we do?

The scope of this output class is to promote safe and economic use of land transport networks and services, pursuant to section 9 of the Land Transport Management Act 2003. Under this output class, we manage and invest 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 contribute to our long-term goals?

Road safety promotion's primary contribution to our long-term goals of shaping smart transport choices and maximising returns for New Zealand is through the reduction in deaths and serious injuries from road crashes by influencing the behaviour of drivers and other road users.

What were our key achievements?

Road safety promotion continues to play an important role in our Safer Journeys strategy 2010–2020. Over the last year we had a number of successful campaigns.

The Mistakes advertising campaign, which uses a Safe System approach to encourage people to slow down, has been seen as groundbreaking by road safety organisations around the world, many seeking permission to use it in their own country. It has gained high accolades for its approach, and has won many highly acclaimed advertising awards both nationally and internationally throughout the year.

The Substance Impaired Driving Project aims to contribute to a decrease in the impact of substance impaired driving on New Zealand roads. Effective collaboration with pharmacists and general practitioners has led to the development and successful pilot of education resources for drivers and health professionals. These resources will help drivers make responsible choices relating to driving and the use of prescription medications that may impair.

Pathways Awarua is an innovative approach that helps more adults to understand the NZ Road Code, to prepare for driver licensing. It has been developed in partnership with the Tertiary Education Commission by literacy and numeracy experts, is free, and is being used by a wide range of individuals and groups privately and within tertiary settings.

Our investment in local authorities continues to address local safety issues and increase alignment to the Safer Journeys priorities.



The Mistakes campaign, which uses a Safe System approach to encourage people to slow down, has been seen as groundbreaking by road safety organisations around the world.

How did we perform?

We achieved our two targets for road safety promotion.

| SERVICE DELIVERY ^o | ACTUAL 2014/15 | TARGET 2014/15 | VARIANCE 2014/15 | ACTUAL 2013/14 |
|--|-------------------|-------------------|---------------------|-------------------|
| % of activities that are delivered to agreed standards and timeframes ⁽³⁵⁾ | 100% | 100% | - | 100% |
| % of road safety advertising campaigns that meet or exceed their agreed success criteria ⁽³⁶⁾ | 75% | ≥75% | - | New measure |

| | | | |
|-----|-----------------|-----------------|-----------------------|
| KEY | Value for money | Service quality | Customer satisfaction |
|-----|-----------------|-----------------|-----------------------|

^o For the technical details of each performance measure see pages 137 - 140.

Financial results

Expenditure on road safety promotion in 2014/15 was under budget by \$3.4m. This gives a total spend over the 2012-15 NLTP of \$92m. The initial target spend for the three years was \$97m, which was revised at the end of year two (2013/14) to \$91m, recognising underspends across the programme. The final actual spend is consistent with the revised expected spend and is within the GPS funding range for 2012-15.

The \$3.4m underspend for 2014/15 can be attributed to \$1.2m in the national drug and alcohol advertising and \$1.2m in the national young driver advertising as a result of delayed production, and \$1.4m in the local road safety promotion programmes. This underspend can be attributed to the historical behaviour by local authorities to run the budget slightly under the allocation to ensure the programme is not overspent. This behaviour stems from limited local funding availability for such user behaviour programmes.

The underspend in the national advertising budget is slightly offset by a \$400k overspend on the national tactical advertising budget, which was used for the Drive Social campaign, supporting the high priority areas of speed and drugs.

How is the money spent?*

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | VARIANCE 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|-----------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| Income | 34,132 | 34,810 | (678) | 32,829 |
| Expenditure | 32,972 | 36,397 | 3,425 | 32,445 |
| Net surplus (deficit) | 1,160 | (1,587) | 2,747 | 384 |

* For full output class income and expenditure, see pages 143 - 152.

OUTPUT CLASS

NEW AND IMPROVED INFRASTRUCTURE FOR LOCAL ROADS

Invested in by the Transport Agency, delivered by local authorities and funded from the NLTF

What do we do?

The scope of this output class is management and delivery of improvement of local roads, as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003. Under this output class we invest, in conjunction with approved organisations, in local road improvements including new roads, seal extensions, new traffic management facilities and replacing bridges and other structures.

How does this contribute to our long-term goals?

New and improved infrastructure for local roads primarily contributes to our long-term goal of maximising returns for New Zealand. It achieves this by improving the efficiency of freight supply chains, increasing the resilience and security of the local road network, easing severe congestion, and consequently reducing deaths and serious injuries from road crashes.

What were our key achievements?

This year's activity has been concentrated in Auckland, Tauranga and Christchurch. Significant projects include the following:

- › Albany Highway North Upgrade - widening 4km of Albany Highway between Schnapper Rock Road and SH17, providing for T3 lanes, on and off-road cycle lanes, new wide footpaths, flush and raised medians, and undergrounding of overhead services.
- › Auckland Manukau Eastern Transport Initiative (AMETI) - planning requirements and property. The AMETI package 1 covers an area extending from Glen Innes in the north to Mt Wellington Highway in the south. The project is to be constructed in three phases between 2011 and 2018. The main components of package 1 are:
 - constructing a new road linking Mt Wellington Highway and Merton Road to remove some traffic from the town centre and to serve proposed developments to the north of Panmure
 - realigning Mountain Road to meet Jellicoe Road at Pleasant View Road, which will assist the future development of a transit oriented development centred on Panmure Rail Station
 - upgrading the existing Panmure Rail Station by providing a cover over the new link road adjacent to Panmure Rail Station, between Ellerslie-Panmure Highway and Mountain Road, to prevent the new link road from being a barrier to movement between the station and proposed developments to the west.
- › Te Atatu Road Corridor Improvements - from Edmonton Road to SH16 interchange (1.9km) to provide a central flush median along the length of Te Atatu Road, replace the existing roundabout at the Edmonton Road/Flanshaw Road intersection with traffic signals, and create cycling and pedestrian facilities.
- › The transfer of Route K from Tauranga City Council to the Transport Agency - the Transport Agency and the council agreed to this toll road, which provides access to the port of Tauranga, becoming part of the state highway network.
- › Tauranga Eastern Link - Mangatawa Interchange is part of a RoNS (TEL project) and provides direct access to the Papamoa area.
- › Christchurch - the Accessible City plan is part of the recovery plan for Christchurch.

For more information on regional investment highlights see pages 225 to 253 of the National Land Transport Fund annual report.



This year has been concentrated on projects in Auckland, Tauranga and Christchurch, such as the Auckland Manukau Eastern Transport Initiative, the Tauranga Eastern Link and Christchurch's Accessible City.

How did we perform?

We did not achieve our two investment performance forecasts for new and improved infrastructure for local roads. Construction activity on local roads has slowed in all but a few areas as local authorities seek to limit their demands on ratepayers or divert funding to other priorities, eg three waters infrastructure replacement. In recent years there has been limited growth in traffic demand on local roads except for a few areas of greater economic activity – in Auckland, Tauranga and Christchurch. New roads continue to be built, as subdivision roads are paid for by developers and vested in local authorities.

Bridge replacement activity is at a low level as most bridges have already been replaced in permanent materials. While some timber bridges remain, very few are weight or speed restricted and do not yet require replacement.

We are monitoring the impact of heavier trucks (high productivity motor vehicles) on the bridge structure, corrosion on steel components and the vulnerability of bridges to erosion and scour.

| INVESTMENT PERFORMANCE ^o | ACTUAL 2014/15 | FORECAST 2014/15 | VARIANCE 2014/15 | ACTUAL 2013/14 |
|--|-------------------|---------------------|---------------------|-------------------|
| Length of road reconstruction and new road completed (lane km) | 48km | 120km – 200km | -72km | 69km |
| Length of bridge replacements (lane km) | 0.3km | 1km – 1.5km | -0.7km | 0.3km |

| | | | |
|-----|-----------------|-----------------|-----------------------|
| KEY | Value for money | Service quality | Customer satisfaction |
|-----|-----------------|-----------------|-----------------------|

^o For the technical details of each performance measure see pages 137 – 140.

Financial results

Expenditure is over budget by 12% (\$20.5m). The Route K settlement occurred in June (\$62m), which, along with Christchurch’s inner city improvements (\$9m), was the key driver for the variance against budget.

The total spend for the 2012-15 NLTP is \$465.1m. This is \$49.8m under our target spend for the three years of \$515m. The final actual spend for the three years to June 2015 is within the GPS funding range for 2012-15.

How is the money spent?*

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | VARIANCE 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|-----------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| Income | 187,509 | 167,000 | 20,509 | 125,043 |
| Expenditure | 187,509 | 167,000 | (20,509) | 125,043 |
| Net surplus (deficit) | 0 | 0 | 0 | 0 |

* For full output class income and expenditure, see pages 143 – 152.

OUTPUT CLASS
RENEWAL OF
LOCAL ROADS

Invested in by the Transport Agency, delivered by local authorities and funded from the NLTF

What do we do?

The scope of this output class is management and delivery of renewals to the existing local road infrastructure, as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003. The reinstatement of local roads in Canterbury is limited to the reinstatements following the earthquakes as approved by the Transport Agency under relevant legislation.

Under this output class, we invest, 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 contribute to our long-term goals?

Renewal of local road infrastructure primarily contributes to our long-term goal of maximising returns for New Zealand by maintaining the resilience and security of the whole road network, supporting efficient freight supply chains and easing severe congestion to ensure that the established condition of the local road network is sustained through an ongoing capital investment programme.

What were our key achievements?

The key achievement in renewal of local roads is the continued investment in activities that sustain the condition of the network and maintain it at an adequate level of service - shown by the stable measures for the condition of local roads. It should be recognised that local authorities manage their own renewals programmes and there may be variations in road condition across them.



This year we continued to invest in activities like the One Network Road Classification that sustain the condition of the local road network and maintain it at adequate customer levels of service.

How did we perform?

We achieved four of our six forecasts for renewal of local road infrastructure.

Variance against the forecast for cost of renewals per network lane km can be attributed to a combination of increased upfront investment (made to reduce renewal costs over the whole life of the asset), and above inflationary increases in the cost of labour, materials, plant and machinery.

The percentage of the network to be rehabilitated is less than forecast as local authorities are better targeting areas of work and extending the life of existing assets through maintenance, reducing the need for renewals.

| INVESTMENT PERFORMANCE ^o | ACTUAL 2014/15 | FORECAST 2014/15 | VARIANCE 2014/15 | ACTUAL 2013/14 |
|---|----------------------|---------------------|---------------------|-------------------|
| Cost of renewals (excluding emergency reinstatement) per network lane km (total cost) | \$3,182 [^] | <\$2,800 | -\$382 | \$3,006 |
| % of sealed network resurfaced (based on road length in lane km) | 6.1% | 6-8% | - | 6% |
| % of network rehabilitated (based on road length in lane km) | 0.6% | 1-2% | -0.4% | 1% |
| % of unsealed network metalled (based on road length in centreline km) | 26.3% | 20-35% | - | 16% |
| Pavement integrity of the sealed network | 94% | ≥94% | - | 94% |
| Surface condition of the sealed network | 98% | ≥97% | +1% | 98% |

| KEY | Value for money | Service quality | Customer satisfaction |
|-----|-----------------|-----------------|-----------------------|
|-----|-----------------|-----------------|-----------------------|

^o For the technical details of each performance measure see pages 137 - 140.

[^] Cost of renewal for local roads reflects the full cost of the activity including an average FAR rate of 50%.

Financial results

Expenditure is 1% (\$3.4m) under budget due to the combination of a more rigorous approach to asset renewals and actual escalation rates being below budget rates (as a result of favourable macroeconomic conditions, for example a drop in oil prices).

The total spend for the 2012-15 NLTP is \$684.7m. This is \$53.2m under our target spend of \$738m for the three years. The final actual spend for the three years to June 2015 is within the GPS funding range for 2012-15.

How is the money spent?*

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | VARIANCE 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|-----------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| Income | 247,539 | 251,000 | (3,461) | 232,761 |
| Expenditure | 247,539 | 251,000 | 3,461 | 232,761 |
| Net surplus (deficit) | 0 | 0 | 0 | 0 |

* For full output class income and expenditure, see pages 143 - 152.

OUTPUT CLASS

MAINTENANCE AND OPERATION OF LOCAL ROADS

Invested in by the Transport Agency, delivered by local authorities and funded from the NLTF and the Crown

What do we do?

The scope of this output class is management and operation of existing local road infrastructure, as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003. Under this output class, the Transport Agency and approved organisations (in conjunction with third parties and operators where appropriate), invest in bus, ferry and rail public transport services, technology, facilities and infrastructure to achieve increased patronage with reduced reliance on subsidy. This includes investing in subsidised door-to-door transport for people with mobility impairments. Rail infrastructure is generally excluded from this activity as the intention is to fund this outside the NLTF.

How does this contribute to our long-term goals?

Maintenance of local road infrastructure contributes to our long-term goal of maximising returns for New Zealand. It helps to ensure that the impacts the established network has on the transport system are sustained. By ensuring that surface condition standards are maintained and traffic flow and incidences are effectively managed, sound management of maintenance activities and of the operation of the network have a broad impact. This includes 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.

What were our key achievements?

Our key achievement for maintenance and operation of local roads was keeping costs per lane kilometre at a similar level to last year while maintaining the condition of the roads and responding appropriately to emergency conditions. The condition indicators can be seen on our website.⁸ In addition, as a result of the work of the Road Maintenance Task Force, local authorities are implementing changes such as:

- › introduction of the One Network Road Classification is encouraging a greater focus on the levels of service
- › alternative approaches to procurement have been investigated and adopted. Following success in the Bay of Plenty and Marlborough an alliance between our own Highways and Network Operations Group and Gisborne District Council has been implemented
- › local authorities are increasing collaboration, for example the Waikato's Road Authority Technical Alliance. We are seeing increasing interest in local authorities inviting their peers to share their experiences and review treatments and programmes.

Local authorities are reviewing their performance data and revising their programmes. For example, Queenstown Lakes substantially reduced its rehabilitation programme and Central Otago has undertaken a comprehensive review of its roading needs, reducing its programme in some areas and improving minimum standards in others.



This year the condition of local roads was maintained while keeping costs per lane kilometre at a similar level to last year.

⁸ www.nzta.govt.nz/assets/userfiles/transport-data/RoadCondition.swf

How did we perform?

During 2013/14, the Crown agreed to provide the Transport Agency with a loan of \$183.4m over 2013/14 to 2016/17 to top up the contribution from the National Land Transport Fund of \$50m per year for the reinstatement of Christchurch's roads following the earthquakes. Only \$3m of the \$100m loan facility budgeted in Vote Transport for 2014/15 was claimed. In part this is due to programming of roading works lagging the reinstatement of other horizontal infrastructure, eg, three waters. A better understanding of cost estimates has been developed and the requirement to top up the NLTF contribution has reduced against the original plan. About \$150m over the 2012-15 NLTP has been invested from the NLTF to reinstate Christchurch city's earthquake damaged transport network. Planned works are scheduled in 2015/16 and 2016/17, which we estimate at around \$200m, which will be funded from the NLTF (\$100m) and the loan facility for any balance.

Investment performance

We achieved all three of our forecasts for maintenance and operation of local roads.

| | ACTUAL 2014/15 | TARGET 2014/15 | VARIANCE 2014/15 | ACTUAL 2013/14 |
|--|-------------------|-------------------|-----------------------|-------------------|
| SERVICE DELIVERY^o | | | | |
| % of activities that are delivered to agreed standards and timeframes | 3% | 100% | -97% | 75% |
| › reinstatement of earthquake damaged local roads in Canterbury - Loan* | | | | |
| INVESTMENT PERFORMANCE | | | | |
| FORECAST | | | | |
| Cost of maintaining and operating the network (excluding emergency reinstatement) per network lane km (total cost) | \$2,684** | <\$3,000 | \$316 | \$2,608 |
| Cost of emergency reinstatement | \$85.5m | \$85m - \$90m | - | \$101m |
| Smooth ride - % of travel on smooth roads | 86.3% | ≥86% | - | 86% |
| KEY | Value for money | Service quality | Customer satisfaction | |

^o For the technical details of each performance measure see pages 137 - 140.

* % of activities that are delivered to agreed standards and timeframes is measured by the proportion of the loan claimed over the financial year.

** Cost of maintenance and operations for local roads reflects the full cost of the activity including an average FAR rate of 50%.

Financial results

The maintenance allocation includes both routine maintenance and emergency works. The expenditure variance is due to a combination of a \$97m underspend due to drawing down only \$3m of the \$100m loan facility for repairs in Christchurch and a slight overspend (\$6m) in other districts' maintenance activities.

The total spend for the 2012-15 NLTP is \$860.9m. This is \$17m under our target spend of \$878m for the three years. The final actual spend for the three years to June 2015 is within the GPS funding range for 2012-15.

How is the money spent?*

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | VARIANCE 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|-----------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| Income | 291,161 | 385,000 | (93,839) | 333,418 |
| Expenditure | 294,298 | 385,000 | 90,702 | 332,969 |
| Net surplus (deficit) | (3,137) | 0 | (3,137) | 449 |

* For full output class income and expenditure, see pages 143 - 152.

OUTPUT CLASS

WALKING AND CYCLING

Invested in by the Transport Agency, delivered by local authorities and funded from the NLTF and the Crown

What do we do?

The scope of this output class is 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. Under this output class, we invest 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, shelters, facilities for crossing roads and cycle parking facilities.

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

How does this contribute to our long-term goals?

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 a reduction in deaths and injuries from road crashes.

What were our key achievements?

Investment in walking and cycling activities has increased significantly during 2014/15. Our key investment goal is to provide greater mode choice, which assists in easing congestion on the existing network and providing access for economic growth. In addition, investment in walking and cycling contributes to the liveability of our main cities. Our key achievements were:

- › initiating the first tranche of Urban Cycleways Fund (Crown funded) projects, which includes six projects in Auckland, three in Christchurch, and one each in Hamilton, Palmerston North, Wellington and Dunedin
- › commencing construction on eight new cycle paths in the Auckland region, including the six Urban Cycleways Fund projects. Some significant projects for which construction was initiated during 2014/15 in Auckland include Nelson St off-ramp, Glen Innes to Tamaki Drive, Airport to CBD Cycle Trail and Don Buck Road Cycleway, which were all able to be brought forward to 2014/15 with financial assistance from the Urban Cycleways Fund
- › continuing to invest in the walking and cycling model communities in New Plymouth and Hastings, including education and advertising as well as infrastructure.

Additionally, significant expenditure on activities that contribute to walking and cycling outcomes are delivered in many other activity classes. For example, new walking and cycling facilities as part of new road or public transport infrastructure; shoulder widening or reallocation of road space through maintenance and operations, education and promotional activities, such as bike to work challenges, community and school bike training, and advertising are carried out as part of the road safety promotion activity class.



This year we initiated the first tranche of Crown funded Urban Cycleways projects, which are in Auckland, Christchurch, Hamilton, Palmerston North, Wellington and Dunedin.

How did we perform?

We did not achieve our investment performance forecast for walking and cycling. The forecast was based on a ratio of actual kilometres of new pedestrian and cycle facilities delivered to expenditure incurred during the 2009-12 NLTP. During the 2009-12 NLTP there were many long on-road cycle facilities and cycle lanes that were relatively low-cost. In contrast, projects funded during the 2012-15 NLTP were more often segregated cycleways, which require a greater level of investment for shorter lengths of facility, but are preferable as they move cycle traffic away from motor vehicles, minimising conflict points and giving users a greater perception of safety.

| INVESTMENT PERFORMANCE ^o | ACTUAL 2014/15 | FORECAST 2014/15 | VARIANCE 2014/15 | ACTUAL 2013/14 |
|--|-------------------|---------------------|---------------------|-------------------|
| Kilometres of new footpaths, cycle lanes and cycle paths | 43.5km | 80km - 100km | -36.5km | 33.1km |

| | | | |
|-----|-----------------|-----------------|-----------------------|
| KEY | Value for money | Service quality | Customer satisfaction |
|-----|-----------------|-----------------|-----------------------|

^o For the technical details of each performance measure see pages 137 - 140.

Financial results

In August 2014 the Government announced an additional \$100m of funding for an Urban Cycleways Programme to be implemented between 2014 and 2018. The aim of this additional funding is to make significant improvements in cycling infrastructure in the main urban areas. This announcement spurred councils and the Transport Agency's Highways and Network Operations Group into gear to increase funding for cycleways. In addition, the Transport Agency increased the available allocation for walking and cycling projects to allow for this acceleration. In 2014/15 this has resulted in an increased spend in the walking and cycling activity class.

The total spend for the 2012-15 NLTP is \$57.8m. This is \$4.8m over our target spend of \$53m for the three years. The final actual spend for the three years to June 2015 is within the GPS funding range for 2012-15.

How is the money spent?*

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | VARIANCE 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|-----------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| Income | 36,141 | 18,000 | 18,141 | 18,197 |
| Expenditure | 33,738 | 18,000 | (15,738) | 18,197 |
| Net surplus (deficit) | 2,403 | 0 | 2,403 | 0 |

* For full output class income and expenditure, see pages 143 - 152.

APPENDIX 1: SUPPLEMENTARY INFORMATION FOR NON-FINANCIAL MEASURES

TYPES OF PERFORMANCE MEASURE

We use three types of performance measure based on assessing value for money, service quality and customer satisfaction. Taken as a set, they provide a holistic picture of our service delivery and investment performance.

| FUNCTION | TYPES OF MEASURES | | |
|---|--|---|--|
| | VALUE FOR MONEY | SERVICE QUALITY | CUSTOMER SATISFACTION |
| Planning the land transport network | Total cost of managing the funding allocation system as a % of NLTP expenditure | % of activities delivered to agreed standards and timeframes % of operational assurance activities completed Average number of days taken to deliver | % customer satisfaction of approved organisations |
| Providing access to and use of the land transport system | Unit transaction costs: › driver licensing › motor vehicle registration › road user charges › road tolling % of transactions completed online: › driver licensing › motor vehicle registration › road user charges › road tolling | % of operational assurance activities completed % accuracy of registers Number of products/services delivered or processed % of activities delivered to agreed standards and timeframes % revenue compliance Average number of days taken to deliver | % customer satisfaction driver licensing motor vehicle registration |
| Managing the state highway network | % of activities delivered to agreed standards and timeframes: › new and improved infrastructure for state highways (National War Memorial Park Buckle Street undergrounding project and - construction of passing opportunities on State Highway 2 between Napier and Gisborne › renewal of state highways › maintenance and operation of state highways | Length of road construction and new roads completed (lane km) Length of bridge replacements (lane km) % of sealed network resurfaced (based on road length in lane km) % of network rehabilitated (based on road length in lane km) % of unsealed network metalled (based on road length in centreline km) Safe stopping: % of travel on network above skid threshold Network resilience: % of rutting >20mm over state highway network Smooth ride: % of travel on network classed as smooth Availability of state highway network: % of unplanned road closures resolved within 12 hours | % customer satisfaction of suppliers and public |
| Investing in land transport | % of activities delivered to agreed standards and timeframes: › renewal of local roads › maintenance and operation of local roads Public transport boardings per NLTF \$ invested on public transport services (including track access charges) Cost of renewals (excluding emergency reinstatement) per network lane km (total cost) Cost of maintaining and operating the network (excluding emergency work) per network lane km (total cost) | Fare revenue as a % of total expenditure Length of road construction and new roads completed (lane km) Length of bridge replacements (lane km) % of sealed network resurfaced (based on road length in lane km) % of network rehabilitated (based on road length in lane km) % of unsealed network metalled (based on road length in centreline km) Smooth ride - % of travel on smooth roads Kilometres of new footpaths, cycle lanes and cycle paths Number of passengers using urban public transport services (bus, train and ferry) Pavement integrity of the sealed network Surface condition of the sealed network Average number of days taken to deliver % of activities delivered to agreed standards and timeframes % of road user safety advertising campaigns that meet or exceed their agreed success criteria Cost of emergency reinstatement Road Policing Programme (refer to page 258) | |

*key operating assumptions

TECHNICAL NOTES

This section explains and provides technical detail on our non-financial performance measures. This includes our progress indicators for our strategic goals and priorities and our measures of service delivery and investment performance. Throughout this 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.

PROGRESS ON LONG-TERM GOALS

Integrating one network for customers

People movement is more efficient and reliable: Network productivity of the Auckland urban network is estimated by taking the product of recorded speed and flow and expressing this as a percentage of optimal speed and flow for a specified network lane length. This indicator demonstrates how effectively current road network and operational management activities handle travel by vehicles. This indicator provides information to help deliver on our priority of making the most of urban network capacity.

Freight movement is more efficient and reliable: % of travel by high productivity motor vehicles (HPMVs) is estimated by taking the amount of travel undertaken by HPMVs and expressing it as a percentage of total kilometres travelled by heavy trucks. An increase in HPMV kilometres travelled can be expected to increase freight efficiency as fewer truck trips are undertaken but at higher loads. This increased efficiency will help deliver on our priority of moving more freight on fewer trucks and subsequently lift the transport sector's productivity.

There is an optimal range of travel and transport choices for each location: % mode share – public transport and walking and cycling is estimated by taking the number of journeys on public transport and/or by walking and cycling (calculated on a three year moving average basis), and expressing these as a percentage of total journeys across all modes.

Shaping smart transport choices

Safe speeds: The number of deaths and serious injuries on open roads (80–100km/h). This indicator focuses on the high proportion of road deaths that take place on our high speed open roads. This indicator shows progress on our priority of ensuring safe speeds on the roads to reduce deaths and serious injuries.

Using roads safely: The number of deaths and serious injuries in alcohol/drug related crashes. This indicator focuses on fatal and serious injuries resulting from crashes where alcohol/drugs have been key influencing factors.

Using safer vehicles: % of new vehicles with a five-star safety rating. A higher proportion of 5-star safety rated vehicles in the New Zealand vehicle fleet should have a positive impact on the number and severity of injuries caused by crashes.

Making efficient use of vehicles: Average petrol and diesel consumption (litres) per 100 vehicle kilometres travelled. This indicator reflects changes in the fuel efficiency of diesel and petrol vehicles within the New Zealand fleet.

Delivering highway solutions for customers

Safe highway journeys: The number of deaths and serious injuries in head-on and run-off-road crashes on state highways. This indicator shows that road design can have considerable impact on these types of crashes.

Efficient and reliable highway journeys: The number of resolved road closures with a duration of 12 hours or longer. This indicator reflects our responsiveness to any unplanned closures that occur on the state highway network. This responsiveness ensures that disruption to the reliability and efficiency of the network is minimised.

Social and environmentally responsible highways: % compliance with state highway consent conditions. This indicator reflects the desire to minimise social and environmental impacts through our activities on the state highway network by complying with resource consent conditions. The measure includes conditions relating to environmental permits in resource consents, designations, Department of Conservation concessions, Historic Places Trust authorities and building consents as recorded in Transport Agency's consent compliance management system.

Maximising returns for New Zealand

Efficient road maintenance investment & delivery: Efficient road maintenance investment is measured by the programmed savings in maintenance and operations activity in 2012–15 National Land Transport Programme (NLTP). This indicator reflects the need to pursue greater value for money in a constrained funding environment.

PLANNING THE LAND TRANSPORT NETWORK

Management of the funding allocation system

1. The total cost of the management of the funding allocation system is the Transport Agency service delivery cost for this output less the cost of crash analysis system (CAS) business activity, which is not part of the management funding allocation system.
2. 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.
3. 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.
4. 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 Investment Online (TIO)

system.

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

Transport planning

- 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%. The Transport Agency works collaboratively with its local authority partners as they

prepare strategies, plans and packages to help ensure that when they are formally received they are of high quality, 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.

Sector research

- 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 Transport Agency as a programme manager.

PROVIDING ACCESS TO AND USE OF THE LAND TRANSPORT SYSTEM

Licensing and regulatory compliance

- Unit transaction cost* measures the direct unit cost of delivering a driver licence/driver testing transaction service. The unit transaction cost range reflects the impact of including warrant of fitness (WoF) and certificate of fitness (CoF) volumes into the number of products and services delivered.
- The % of transactions completed online is the proportion of practical test bookings and rescheduled test bookings completed through the Transport Agency website divided by the total number of test bookings completed for motor vehicle and motorcycle licences.
- The % accuracy of registers is a measure of the data input accuracy of the driver licence register (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.
- 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.
- The % of activities that are delivered to agreed standards and timeframes is an aggregate of six specific dimensions. They comprise 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.
- The number of products/services delivered or processed includes WoFs, CoFs, 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.

- The % *customer satisfaction* reflects the proportion of licensing customers who considered it easy to complete their driver licensing test booking via the internet. It is sourced from a feedback survey open to all users of the internet transaction service.

Road tolling

- 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.
- The % of transactions completed online is the proportion of casual trip and account holder trip transactions completed through a self-service channel (internet, kiosk and accounts) over the total number of trip and account holder trip transactions completed.

Motor vehicle registry

- The % of transactions completed online is the proportion of motor vehicle annual vehicle licensing (including reversals), new registrations, and register maintenance actions (including vehicle licensing exemptions, change of ownership (buyer), change of ownership (seller), change of name/address, registered person name and address) processed over the internet, Direct Connect and via an industry agent.
- 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.
- The % *customer satisfaction* reflects the proportion of motor vehicle register customers who consider the internet transaction they undertook was easy to complete. It is sourced from a feedback survey open to all users of the online transaction service. Responses are based on the following online transactions: vehicle licence renewal, bought or sold a vehicle, a registered person or stolen vehicle check, an exemption from vehicle licensing, applying for registered person name and address and revoking access to personal details.

Road user charges (RUC) collection, investigation and enforcement

20. 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.
21. 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.

MANAGING THE STATE HIGHWAY NETWORK

New and improved infrastructure for state highways

24. % 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 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.
- For National War Memorial Park: Buckle Street undergrounding project and Construction of passing opportunities on State Highway 2 between Napier and Gisborne, the % of activities that are delivered to agreed standards and timeframes is based on the proportion of the fund spent according to scope and Vote Transport for new and improved state highway work on Buckle Street in Wellington and on passing lanes between Napier and Gisborne.
25. The % of customer satisfaction demonstrates the percentage of supplier stakeholders that were satisfied with the relationship between their organisation and the Transport Agency. This is measured through an independently conducted survey.

Renewal of state highways

26. 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.
27. 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.
28. 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.

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.

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

29. 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 expenditure against baseline budget outlined in the state highway annual budget.
30. Safe stopping: % of network meeting surface texture standards reflects efficiency in meeting surface texture standards (to ensure safe stopping) as per sector research. Maintenance of the state highway focuses on ensuring skid resistance (to ensure safe stopping). Minimum acceptable levels of skid resistance are set in relation to the road environment. The annual programme of reseals (surface renewals) is driven (in part) by the need to maintain network skid resistance.
31. Smooth ride: % of travel on network classed as smooth is the proportion of travel (proportion of vehicle kilometres travelled on the network surveyed) that occurs on pavements smoother than a nominated surface texture standard over the length of the network surveyed.
32. % availability of state highway network 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.
33. The % customer satisfaction reflects the proportion of the public who are satisfied with the availability of network information and the overall rating of the state highways in New Zealand. It is sourced from several customer surveys. These are computer aided telephone interviewing (CATI) design surveys with quotas set for target audiences according to age, race, gender and residential region (prescribed numbers are set for each to ensure balance and fairness).

INVESTING IN LAND TRANSPORT

Administration of the SuperGold Card scheme

34. 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/recorded in the Transport Investment Online (TIO) system or Land Transport Programme website by the regional council. Claims are received, validated and paid electronically.

Road safety promotion

35. 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.

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

APPENDIX 2: SUMMARY OF HOW OUR OUTPUTS CONTRIBUTE TO OUR LONG-TERM GOALS

We produce 20 outputs, each of which contributes to our desired long-term goals in different ways. This relationship is shown in the following table and further detail is provided under each output class (on pages 100 - 135).

| | | CONTRIBUTION TO OUR LONG-TERM GOALS | | | |
|--|--|-------------------------------------|---------------------------------|------------------------------|------------------------------------|
| FUNCTION | OUTPUT | INTEGRATING ONE NETWORK | SHAPING SMART TRANSPORT CHOICES | DELIVERING HIGHWAY SOLUTIONS | MAXIMISING RETURNS FOR NEW ZEALAND |
| Planning the land transport network | Management of the funding allocation system | ● | | | ● |
| | Transport planning** | ● | | | ● |
| | Sector research | ● | ● | ● | ● |
| Providing access to and use of the land transport system | Licensing and regulatory compliance | | ● | | |
| | Road tolling | | ● | ● | ● |
| | Motor vehicle registry | | ● | | |
| | Road user charges collection, investigation and enforcement | | ● | | ● |
| | Refund of fuel excise duty | | ● | | ● |
| Managing the state highway network | New infrastructure for state highways | | | ● | ● |
| | Renewal of state highways | | | ● | ● |
| | Maintenance and operation of state highways | | | ● | ● |
| Investing in land transport | Public transport** | ● | ● | ● | ● |
| | Administration of the SuperGold cardholders scheme and enhanced public transport concessions for SuperGold cardholders (two outputs)** | | ● | | ● |
| | Road safety promotion** | ● | ● | ● | ● |
| | Road Policing Programme* | | ● | ● | ● |
| | New and improved infrastructure for local roads* | ● | | | ● |
| | Renewal of local roads* | | | | ● |
| | Maintenance and operation of local roads* | | | | ● |
| | Walking and cycling** | ● | ● | | ● |

* We do not deliver these goods or services directly. We invest in these output classes through the National Land Transport Programme. Actual outputs are delivered by approved organisations, such as local authorities. Information on how we measure our investment performance can be found under the output class *Management of the funding allocation system*.

** We partly deliver these services along with approved organisations/local authorities.

| | | | |
|------------|------------------------------|--------------------------------|--|
| KEY | ● Major/primary contribution | ● Minor/secondary contribution | NB: Where there is no dot, there may still be a small contribution |
|------------|------------------------------|--------------------------------|--|

APPENDIX 3: HOW OUR OUTPUTS CONTRIBUTE TO LONG-TERM IMPACTS

We produce 20 outputs, each of which contributes to our desired long-term impacts, which are aligned to the direction in the Government Policy Statement on Land Transport Funding 2012/13-2021/22. This relationship is shown in the following table.

| FUNCTION | OUTPUT CLASS | OUR DESIRED GOALS | | | | | | | |
|--|--|---|--------------------------------------|--|-----------------------------------|-------------------------------|---|-----------------------------|--|
| | | 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 |
| PLANNING THE LAND TRANSPORT NETWORK | Management of the funding allocation system | ● | ● | ● | ● | | ● | ● | ● |
| | Transport planning | ● | ● | ● | ● | | ● | ● | ● |
| | Sector research | ● | ● | ● | ● | ● | ● | ● | ● |
| PROVIDING ACCESS TO AND USE OF THE LAND TRANSPORT SYSTEM | 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 Transport Agency's investment in the land transport system | | | | | | | |
| | Refund of fuel excise duty | Revenue collection for the NLTP supports the Transport Agency's investment in the land transport system | | | | | | | |
| MANAGING THE STATE HIGHWAY NETWORK | New infrastructure for state highways | | ● | ● | ● | | ● | | |
| | Renewal of state highways | ● | ● | ● | ● | | | | |
| | Maintenance and operation of state highways | ● | ● | ● | ● | | ● | | ● |
| INVESTING IN LAND TRANSPORT | Public transport Administration of the SuperGold cardholders' scheme | ● | | ● | ● | | ● | ● | ● |
| | Enhanced public transport concessions for SuperGold cardholders | | | | | | | | |
| | Road safety promotion | | | | | ● | ● | | |
| | Road Policing programme* | | ● | ● | | | ● | | |
| | New and improved infrastructure for local roads* | | ● | ● | ● | | ● | | |
| | Renewal of local roads* | ● | ● | ● | ● | | | | |
| | Maintenance and operation of local roads* | ● | ● | ● | ● | | ● | | ● |
| | Walking and cycling* | ● | | | ● | | ● | ● | ● |

* We do not deliver these goods or services directly. These output classes receive NLTP investment funds. Actual outputs are delivered by approved organisations. Measures of our performance in relation to investment output classes can be found in the management of the funding allocation system.

| | | | |
|------------|------------------------------|--------------------------------|--|
| KEY | ● Major/primary contribution | ● Minor/secondary contribution | NB: Where there is no dot, there may still be a small contribution |
|------------|------------------------------|--------------------------------|--|

APPENDIX 4: OUTPUT CLASS INCOME AND EXPENDITURE

PLANNING AND INVESTING IN LAND TRANSPORT NETWORKS

MANAGEMENT OF THE FUNDING ALLOCATION SYSTEM

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--|----------------------------|----------------------------|----------------------------|
| INFLOWS | | | |
| Crown (crash analysis system) | 775 | 775 | 771 |
| National Land Transport Fund | 30,714 | 30,000 | 29,573 |
| Other | 272 | 0 | 142 |
| Total inflows | 31,761 | 30,775 | 30,486 |
| OUTFLOWS | | | |
| Transport Agency (crash analysis system) | 469 | 775 | 1,021 |
| Transport Agency operating activities | 31,292 | 30,000 | 29,715 |
| Total outflows | 31,761 | 30,775 | 30,736 |
| NET SURPLUS/(DEFICIT) | 0 | 0 | (250) |

TRANSPORT PLANNING

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---------------------------------------|----------------------------|----------------------------|----------------------------|
| INFLOWS | | | |
| National Land Transport Fund | 15,201 | 23,356 | 14,495 |
| Other | 25 | 0 | 432 |
| Total inflows | 15,226 | 23,356 | 14,927 |
| OUTFLOWS | | | |
| Transport Agency operating activities | 4,672 | 4,200 | 4,291 |
| Funding to approved organisations | 10,554 | 19,156 | 10,636 |
| Total outflows | 15,226 | 23,356 | 14,927 |
| NET SURPLUS | 0 | 0 | 0 |

SECTOR RESEARCH

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---------------------------------------|----------------------------|----------------------------|----------------------------|
| INFLOWS | | | |
| National Land Transport Fund | 5,001 | 6,100 | 4,197 |
| Total inflows | 5,001 | 6,100 | 4,197 |
| OUTFLOWS | | | |
| Transport Agency operating activities | 5,001 | 6,100 | 4,197 |
| Total outflows | 5,001 | 6,100 | 4,197 |
| NET SURPLUS | 0 | 0 | 0 |

PUBLIC TRANSPORT

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---|----------------------------|----------------------------|----------------------------|
| INFLOWS | | | |
| National Land Transport Fund | 298,382 | 319,391 | 271,926 |
| Other | 552 | 0 | 340 |
| Total inflows | 298,934 | 319,391 | 272,266 |
| OUTFLOWS | | | |
| Transport Agency operating activities | 10,083 | 3,093 | 573 |
| Funding to approved organisations (PT infrastructure) | 25,343 | 24,807 | 15,554 |
| Funding to approved organisations (PT services) | 269,511 | 291,491 | 256,139 |
| Total outflows | 304,937 | 319,391 | 272,266 |
| NET SURPLUS/(DEFICIT) | (6,003) | 0 | 0 |

The deficit results from the impairment of the public transport automated fare collection system.

ROAD SAFETY PROMOTION

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--|----------------------------|----------------------------|----------------------------|
| INFLOWS | | | |
| National Land Transport Fund | 32,553 | 33,350 | 31,453 |
| Community road safety programme | 1,205 | 1,460 | 1,018 |
| Other | 374 | 0 | 359 |
| Total inflows | 34,132 | 34,810 | 32,829 |
| OUTFLOWS | | | |
| Transport Agency (community road safety programme) | 46 | 3,047 | 634 |
| Transport Agency (vehicle impoundment) | 185 | 200 | 151 |
| Transport Agency operating activities | 19,741 | 18,900 | 18,844 |
| Funding to approved organisations | 13,000 | 14,250 | 12,816 |
| Total outflows | 32,972 | 36,397 | 32,445 |
| NET SURPLUS/(DEFICIT) | 1,160 | (1,587) | 384 |

NEW AND IMPROVED INFRASTRUCTURE FOR LOCAL ROADS

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|-----------------------------------|----------------------------|----------------------------|----------------------------|
| INFLOWS | | | |
| National Land Transport Fund | 187,509 | 167,000 | 125,043 |
| Total inflows | 187,509 | 167,000 | 125,043 |
| OUTFLOWS | | | |
| Funding to approved organisations | 187,509 | 167,000 | 125,043 |
| Total outflows | 187,509 | 167,000 | 125,043 |
| NET SURPLUS | 0 | 0 | 0 |

RENEWAL OF LOCAL ROADS

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|-----------------------------------|----------------------------|----------------------------|----------------------------|
| INFLOWS | | | |
| National Land Transport Fund | 247,539 | 251,000 | 232,761 |
| Total inflows | 247,539 | 251,000 | 232,761 |
| OUTFLOWS | | | |
| Funding to approved organisations | 247,539 | 251,000 | 232,761 |
| Total outflows | 247,539 | 251,000 | 232,761 |
| NET SURPLUS | 0 | 0 | 0 |

MAINTENANCE AND OPERATION OF LOCAL ROADS

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---|----------------------------|----------------------------|----------------------------|
| INFLOWS | | | |
| Crown (Reinstatement of local roads in Canterbury) | 0 | 0 | 30,800 |
| National Land Transport Fund | 291,161 | 385,000 | 302,607 |
| Other | 0 | 0 | 11 |
| Total inflows | 291,161 | 385,000 | 333,418 |
| OUTFLOWS | | | |
| Transport Agency operating activities | 32 | 0 | 0 |
| Funding to approved organisations | 291,129 | 285,000 | 290,445 |
| Funding to AOs (Christchurch earthquake funding) | 3,137 | 100,000 | 12,173 |
| Funding to AOs (Reinstatement of local roads in Canterbury) | 0 | 0 | 30,351 |
| Total outflows | 294,298 | 385,000 | 332,969 |
| NET SURPLUS/(DEFICIT) | (3,137) | 0 | 449 |

The additional expenditure to assist in the Christchurch earthquake recovery, over that already provided for in the NLTP, is funded by a loan from the Crown. The deficit in one year is drawn down against the loan in the following year.

WALKING AND CYCLING

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---|----------------------------|----------------------------|----------------------------|
| INFLOWS | | | |
| Crown (Urban Cycleways) | 3,654 | 0 | 0 |
| Capital contribution Crown (Urban cycleways) | 1,346 | 0 | 0 |
| National Land Transport Fund | 29,971 | 18,000 | 17,947 |
| Other | 1,170 | 0 | 250 |
| Total inflows | 36,141 | 18,000 | 18,197 |
| OUTFLOWS | | | |
| Funding to approved organisations | 31,142 | 18,000 | 18,197 |
| Crown funding to approved organisations (Urban cycleways) | 1,250 | 0 | 0 |
| Crown investment in the state highway network | 1,346 | 0 | 0 |
| Total outflows | 33,738 | 18,000 | 18,197 |
| NET SURPLUS | 2,403 | 0 | 0 |

The reported surplus relating to the Urban Cycleway programme arises from recognition of revenue based on the amount appropriated in the Crown accounts. In the future it is intended to use "approval in principle" to carry forward unspent funds, and match the revenue to the level of expenditure each year.

PROVIDING ACCESS TO AND USE OF THE LAND TRANSPORT SYSTEM

LICENSING AND REGULATORY COMPLIANCE

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--|----------------------------|----------------------------|----------------------------|
| INFLOWS | | | |
| Crown (ministerial advice & official correspondence) | 548 | 548 | 548 |
| Crown (rules development) | 899 | 899 | 824 |
| Crown (drug and alcohol assessments) | 1,238 | 1,238 | 1,200 |
| Crown (driver licensing stop orders) | 75 | 75 | 900 |
| Crown (driver test subsidy) | 1,445 | 1,445 | 1,445 |
| Fees and charges | 82,221 | 74,153 | 76,909 |
| Other | 788 | 374 | 928 |
| Total inflows | 87,214 | 78,732 | 82,754 |
| OUTFLOWS | | | |
| Ministerial advice and official correspondence | 814 | 848 | 826 |
| Rules development | 702 | 734 | 601 |
| Drug and alcohol assessments | 1,273 | 1,281 | 1,256 |
| Fees and charges funded activities | 81,246 | 75,065 | 75,845 |
| Other (including driver licensing stop orders) | 159 | 710 | 1,166 |
| Total outflows | 84,194 | 78,638 | 79,694 |
| NET SURPLUS | 3,020 | 94 | 3,060 |

ROAD TOLLING

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---------------------------------------|----------------------------|----------------------------|----------------------------|
| INFLOWS | | | |
| Fees and charges | 6,332 | 6,694 | 6,056 |
| Total inflows | 6,332 | 6,694 | 6,056 |
| OUTFLOWS | | | |
| Transport Agency operating activities | 5,541 | 6,123 | 5,481 |
| Total outflows | 5,541 | 6,123 | 5,481 |
| NET SURPLUS | 791 | 571 | 575 |

MOTOR VEHICLE REGISTRY

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---------------------------------------|----------------------------|----------------------------|----------------------------|
| INFLOWS | | | |
| Fees and charges | 59,524 | 54,871 | 56,779 |
| Total inflows | 59,524 | 54,871 | 56,779 |
| OUTFLOWS | | | |
| Transport Agency operating activities | 58,611 | 56,152 | 54,033 |
| Total outflows | 58,611 | 56,152 | 54,033 |
| NET SURPLUS/(DEFICIT) | 913 | (1,281) | 2,747 |

ROAD USER CHARGES COLLECTION, INVESTIGATION AND ENFORCEMENT

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--|----------------------------|----------------------------|----------------------------|
| INFLOWS | | | |
| Crown (RUC collection) | 4,720 | 0 | 15,630 |
| NLTF/Crown (RUC investigation and enforcement) | 3,779 | 3,984 | 3,835 |
| NLTF/Crown (RUC refund) | 450 | 450 | 470 |
| Fees and charges | 7,648 | 11,539 | 0 |
| Total inflows | 16,597 | 15,973 | 19,935 |
| OUTFLOWS | | | |
| Transport Agency (RUC investigation and enforcement) | 2,969 | 3,984 | 3,835 |
| Transport Agency (RUC refund) | 794 | 450 | 470 |
| Transport Agency (RUC collection) | 11,974 | 11,025 | 12,746 |
| Total outflows | 15,737 | 15,459 | 17,051 |
| NET SURPLUS | 860 | 514 | 2,884 |

RUC investigation and enforcement, and refunds was funded from the Crown in 2013/14, but is now funded from the NLTF.

REFUND OF FUEL EXCISE DUTY

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---------------------------------------|----------------------------|----------------------------|----------------------------|
| INFLOWS | | | |
| National Land Transport Fund/Crown | 475 | 399 | 429 |
| Other | 89 | 0 | 0 |
| Total inflows | 564 | 399 | 429 |
| OUTFLOWS | | | |
| Transport Agency operating activities | 553 | 399 | 505 |
| Total outflows | 553 | 399 | 505 |
| NET SURPLUS/(DEFICIT) | 11 | 0 | (76) |

This output class was funded from the Crown in 2013/14, but is now funded from the NLTF.

MANAGING THE STATE HIGHWAY NETWORK

NEW AND IMPROVED INFRASTRUCTURE FOR STATE HIGHWAYS

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--|----------------------------|----------------------------|----------------------------|
| INFLOWS | | | |
| Crown (Construction of passing opportunities on SH2) | 500 | 0 | 3,350 |
| Capital contribution Crown (National war memorial park) | 10,000 | 10,000 | 25,000 |
| Capital contribution Crown (Regional state highways) | 12,000 | 0 | 0 |
| Capital contribution National Land Transport Fund | 696,878 | 751,550 | 614,975 |
| National Land Transport Fund | 523,051 | 457,171 | 517,974 |
| National Land Transport Fund (interest income) | 1,199 | 17,350 | 2,096 |
| Other (contributions) | 51,823 | 0 | 18,904 |
| State highway disposals | 61,323 | 57,600 | 79,693 |
| Borrowing from the Crown (Tauranga Eastern Link) | 107,000 | 107,000 | 0 |
| Total inflows | 1,463,774 | 1,400,671 | 1,261,992 |
| OUTFLOWS | | | |
| Transport Agency operating activities | 36,302 | 31,760 | 31,299 |
| Transport Agency investment in the state highway network | 1,294,936 | 1,189,740 | 1,199,010 |
| Transport Agency investment (Auckland transport initiatives) | 0 | 55,000 | 0 |
| Transport Agency investment (Tauranga Eastern Link) | 107,000 | 107,000 | 0 |
| Crown investment (Passing opportunities on SH2) | 500 | 0 | 3,350 |
| Crown investment (National war memorial park) | 10,000 | 10,000 | 25,000 |
| Crown investment (Regional state highways) | 12,000 | 0 | 0 |
| Total outflows | 1,460,738 | 1,393,500 | 1,258,659 |
| NET SURPLUS | 3,036 | 7,171 | 3,333 |

RENEWAL OF STATE HIGHWAYS

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--|----------------------------|----------------------------|----------------------------|
| INFLOWS | | | |
| Capital contribution National Land Transport Fund | 175,443 | 213,853 | 161,252 |
| National Land Transport Fund | 0 | 0 | 0 |
| Other (contributions) | 16,338 | 0 | 7,341 |
| Total inflows | 191,781 | 213,853 | 168,593 |
| OUTFLOWS | | | |
| Transport Agency operating activities | 8,450 | 8,000 | 10,710 |
| Transport Agency investment in the state highway network | 183,331 | 205,853 | 157,883 |
| Total outflows | 191,781 | 213,853 | 168,593 |
| NET SURPLUS | 0 | 0 | 0 |

MAINTENANCE AND OPERATION OF STATE HIGHWAYS

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---|----------------------------|----------------------------|----------------------------|
| INFLOWS | | | |
| National Land Transport Fund | 341,251 | 362,483 | 348,382 |
| National Land Transport Fund (rental and interest income) | 16,524 | 0 | 17,048 |
| Other (contributions) | 5,316 | 2,321 | 7,741 |
| Total inflows | 363,091 | 364,804 | 373,170 |
| OUTFLOWS | | | |
| Transport Agency operating activities | 19,101 | 16,042 | 12,950 |
| Transport Agency investment in the state highway network | 344,183 | 347,429 | 359,836 |
| Total outflows | 363,284 | 363,471 | 372,786 |
| NET SURPLUS/(DEFICIT) | (193) | 1,333 | 384 |

The decision to split the inflows from the NLTF was made after the budget was approved.

SPECIFIC PROJECTS FUNDED BY THE CROWN

ENHANCED PUBLIC TRANSPORT CONCESSIONS FOR SUPERGOLD CARDHOLDERS

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|-----------------------------------|----------------------------|----------------------------|----------------------------|
| INFLOWS | | | |
| Crown | 26,116 | 25,905 | 23,905 |
| Total inflows | 26,116 | 25,905 | 23,905 |
| OUTFLOWS | | | |
| Funding to approved organisations | 26,329 | 25,905 | 24,110 |
| Total outflows | 26,329 | 25,905 | 24,110 |
| NET SURPLUS/(DEFICIT) | (213) | 0 | (205) |

ADMINISTRATION OF THE SUPERGOLD CARDHOLDERS' SCHEME

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---------------------------------------|----------------------------|----------------------------|----------------------------|
| INFLOWS | | | |
| Crown | 95 | 95 | 95 |
| Total inflows | 95 | 95 | 95 |
| OUTFLOWS | | | |
| Transport Agency operating activities | 95 | 95 | 95 |
| Total outflows | 95 | 95 | 95 |
| NET SURPLUS | 0 | 0 | 0 |

SECTION E FINANCIAL STATEMENTS

Senior drivers attending a Staying Safe workshop



Responsibility for MY safety rests with ME
in spite of the actions of others
and conditions affecting ME.

HIGHLIGHTS FROM OUR FINANCIAL STATEMENTS

**\$2.3
BILLION**

TOTAL INCOME

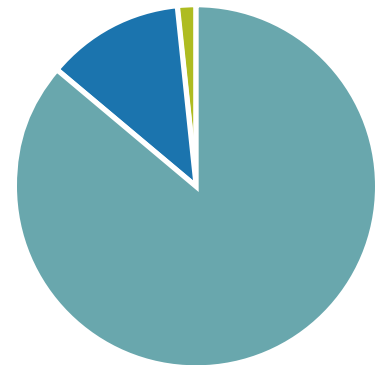
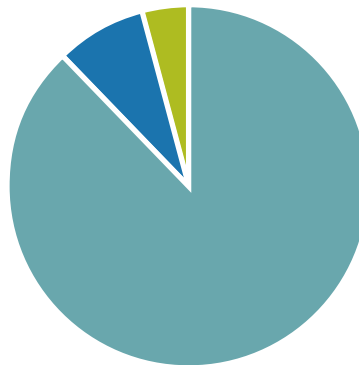
The largest contribution to our income is from the National Land Transport Fund. We also receive revenue from the Crown to support our objectives and for specific projects. Other revenue comes mostly from our licensing and regulatory activities.

EXPENSE BY TYPE

2013/14

2014/15

- NATIONAL LAND TRANSPORT FUND
2013/14 **88.0%** 2014/15 **88.1%**
- OTHER REVENUE
2013/14 **8.1%** 2014/15 **10.2%**
- CROWN
2013/14 **3.9%** 2014/15 **1.7%**



**\$2.2
BILLION**

TOTAL EXPENDITURE

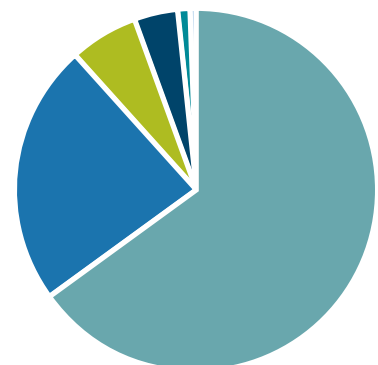
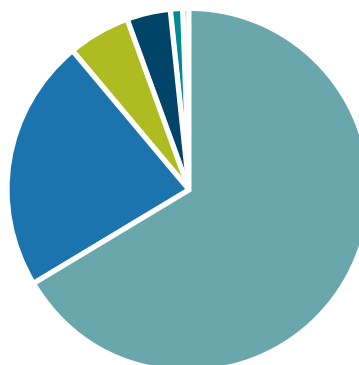
Our expenditure is guided by the Government Policy Statement on Land Transport Funding (GPS) and the priorities identified in our Statement of intent. The majority of our expenditure was directly related to land transport funding the Transport Agency provides to approved organisations for the delivery of services, associated activities funded from the Crown, and the Transport Agency's maintenance and operation of the state highway network (65%). Depreciation and amortisation, reflecting the cost of asset ownership, contributed 24% of our annual expenditure.

EXPENSE BY TYPE

2013/14

2014/15

- LAND TRANSPORT FUNDING
2013/14 **66.5%** 2014/15 **65.0%**
- DEPRECIATION AND AMORTISATION EXPENSE
2013/14 **22.6%** 2014/15 **23.4%**
- OPERATING EXPENSES
2013/14 **5.4%** 2014/15 **6.1%**
- PERSONNEL COSTS
2013/14 **4.1%** 2014/15 **4.0%**
- TRANSPORT AGENCY MANAGED ACTIVITIES
2013/14 **1.1%** 2014/15 **1.1%**
- OTHER
2013/14 **0.3%** 2014/15 **0.3%**



NZ Transport Agency managed activities – includes the advertising, education and promotion programmes, vehicle impoundment, and sector training and research.

\$59.7
MILLION

NET SURPLUS

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

| OPERATIONS | | LAND TRANSPORT FUNDING | | SPECIFIC PROJECTS FUNDED BY THE CROWN | | TOTAL |
|-------------------------|---|---------------------------|---|---------------------------------------|---|---------------------------------|
| Income \$258.7m | + | Income \$2,009.5m | + | Income \$30.3m | = | Total income \$2,298.5m |
| - | | - | | - | | - |
| Expenditure \$263.2m | + | Expenditure \$1,947.5m | + | Expenditure \$28.1m | = | Total expenditure \$2,238.8m |
| = | | = | | = | | = |
| Net deficit \$(4.5)m | + | Net surplus \$62.0m | + | Net surplus \$2.2m | = | Total net surplus \$59.7m |

OPERATIONS

Activities the Transport Agency is accountable for, and delivers in-house or contracts out.

This deficit predominately relates to the impairment loss resulting from the revaluation of the central system for integrated ticketing. This is offset by higher than expected volumes for driver testing and applications.

LAND TRANSPORT FUNDING

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.

The surplus arises through the recognition of third party contributions for capital projects as revenue rather than capital injection.

SPECIFIC PROJECTS FUNDED BY THE CROWN

This includes the SuperGold card public transport concessions and the urban cycleways.

Supplementary information for each of these segments is provided on pages 187 to 191.



\$30.3
BILLION

NET ASSETS/EQUITY

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 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---|----------------------------|----------------------------|----------------------------|
| Total assets | 31,041,453 | 30,199,343 | 29,241,724 |
| Less total liabilities | 785,887 | 909,070 | 514,603 |
| NET ASSETS/EQUITY AT END OF YEAR | 30,255,566 | 29,290,272 | 28,727,121 |

We continue to maintain a strong balance sheet, with \$31 billion of assets and very low levels of liabilities.

The state highway network accounts for 97% of our overall asset base.

HOW WE HAVE INVESTED IN OUR ASSETS

We have spent \$1.7 billion on our capital expenditure programme, which has been invested in the following:

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--------------------------------------|----------------------------|----------------------------|----------------------------|
| Investment in state highways | 1,648,277 | 1,597,353 | 1,424,065 |
| Investment in information technology | 11,537 | 12,900 | 8,013 |
| Investment in offices and equipment | 514 | 2,200 | 1,878 |
| Total | 1,660,328 | 1,612,453 | 1,433,956 |

Investment in state highways is ahead of budget due to the acceleration of capital projects in the state highway programme.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2015

| | NOTE | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--|------|----------------------------|----------------------------|----------------------------|
| REVENUE | | | | |
| Funding from the Crown | 2 | 40,065 | 30,980 | 84,202 |
| Funding from the National Land Transport Fund | 2 | 2,024,761 | 2,075,034 | 1,915,502 |
| Revenue from other activities | 3 | 233,686 | 153,912 | 177,209 |
| Total revenue | | 2,298,512 | 2,259,926 | 2,176,913 |
| EXPENSE | | | | |
| Personnel costs | 4 | 90,553 | 90,369 | 85,455 |
| Operating expenses | 5 | 161,885 | 144,488 | 137,314 |
| Land transport funding ^a | | 1,453,187 | 1,543,642 | 1,391,234 |
| Interest on borrowing | | 3,036 | 7,171 | 3,335 |
| Depreciation and amortisation expense | 6 | 523,083 | 460,746 | 474,073 |
| State highway asset write-off | | 7,030 | 10,000 | 6,759 |
| Total expenses | | 2,238,774 | 2,256,416 | 2,098,170 |
| SURPLUS/(DEFICIT) | | 59,738 | 3,510 | 78,743 |
| OTHER COMPREHENSIVE REVENUE AND EXPENSE | | | | |
| Gain/(loss) state highway network revaluations | | 573,040 | 560,000 | 1,560,595 |
| Total other comprehensive revenue and expense | | 573,040 | 560,000 | 1,560,595 |
| TOTAL COMPREHENSIVE REVENUE AND EXPENSE | | 632,778 | 563,510 | 1,639,338 |

Budget figures have been adjusted to correspond with current year's presentation of personnel costs, operating expenses and land transport funding in the statement of comprehensive revenue and expense.

a. Land transport funding refers to National Land Transport Programme funding the NZ Transport Agency provides to approved organisations for the delivery of services, associated activities funded from the Crown, and the NZ Transport Agency's maintenance and operation of the state highway network.

Explanations of major variances against budget are provided in note 30.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

| | NOTE | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---|------|----------------------------|----------------------------|----------------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | | 43,281 | 50,050 | 23,922 |
| Debtor National Land Transport Fund | | 397,280 | 652,263 | 468,365 |
| Debtor Crown | | 53,464 | 79,500 | 49,222 |
| Receivables | 7 | 91,478 | 70,241 | 38,105 |
| Property assets held for sale | 8 | 56,150 | 80,000 | 58,825 |
| Prepayments | | 1,074 | 7,000 | 4,787 |
| Inventories | | 155 | 200 | 87 |
| Total current assets | | 642,882 | 939,254 | 643,313 |
| Non-current assets | | | | |
| Property, plant and equipment | | 16,304 | 15,821 | 17,662 |
| State highway network | 9 | 30,179,446 | 29,192,860 | 28,537,672 |
| Service concession asset (Transmission Gully) | 10 | 161,899 | 0 | 0 |
| Intangible assets | 11 | 39,742 | 50,552 | 42,221 |
| Loans and advances | 12 | 1,180 | 855 | 855 |
| Total non-current assets | | 30,398,571 | 29,260,089 | 28,598,410 |
| TOTAL ASSETS | | 31,041,453 | 30,199,343 | 29,241,724 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Payables | 13 | 484,014 | 504,669 | 394,775 |
| Tolling funds held in trust | | 2,525 | 2,000 | 2,573 |
| Employee entitlements | 14 | 12,870 | 11,513 | 12,895 |
| Borrowing | 15 | 0 | 100,000 | 100,000 |
| Total current liabilities | | 499,409 | 618,182 | 510,243 |
| Non-current liabilities | | | | |
| Payables | 13 | 84 | 200 | 131 |
| Service concession liability (Transmission Gully) | 10 | 161,899 | 0 | 0 |
| Employee entitlements | 14 | 4,979 | 4,500 | 4,229 |
| Borrowing | 15 | 119,516 | 286,188 | 0 |
| Total non-current liabilities | | 286,478 | 290,888 | 4,360 |
| TOTAL LIABILITIES | | 785,887 | 909,070 | 514,603 |
| NET ASSETS | | 30,255,566 | 29,290,272 | 28,727,121 |

The accompanying notes form part of these financial statements.

| | NOTE | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--|------|----------------------------|----------------------------|----------------------------|
| EQUITY | | | | |
| General funds | | 5,606 | 5,606 | 5,606 |
| Retained funds | 16 | 36,563 | 41,973 | 46,278 |
| Memorandum account - other fees and charges | 17 | 11,480 | 3,747 | 6,254 |
| Equity derived from the state highway network ^a | 18 | 30,201,917 | 29,238,946 | 28,668,982 |
| TOTAL EQUITY | | 30,255,566 | 29,290,272 | 28,727,121 |

a. The state highway network includes the state highway investment and revaluation reserves. Explanations of major variances against budget are provided in note 30.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

| | NOTE | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---|------|----------------------------|----------------------------|----------------------------|
| EQUITY - OPENING BALANCES | | | | |
| General funds | | 5,606 | 5,606 | 5,606 |
| Retained funds | | 46,278 | 45,479 | 44,318 |
| Memorandum account - other fees and charges | | 6,254 | 3,981 | 1,018 |
| Equity derived from the state highway network | | 28,668,982 | 27,696,193 | 26,235,614 |
| Total equity - Opening balance | | 28,727,121 | 27,751,259 | 26,286,556 |
| CHANGES IN EQUITY | | | | |
| Equity movements | | | | |
| Retained funds | | (961,394) | (972,753) | (872,773) |
| Memorandum account - other fees and charges | 17 | 1,500 | 0 | 0 |
| Equity derived from the state highway network | 16a | 959,894 | 972,753 | 872,773 |
| | | 0 | 0 | 0 |
| Total comprehensive revenue and expense for the year | | | | |
| Retained funds | | 56,012 | 3,744 | 73,506 |
| Memorandum account - other fees and charges | | 3,726 | (234) | 5,236 |
| Surplus/(deficit) | | 59,738 | 3,510 | 78,743 |
| State highway network revaluations | | 573,040 | 560,000 | 1,560,595 |
| | | 632,778 | 563,510 | 1,639,338 |
| Capital funding (to retained funds) | | | | |
| General | | 0 | 100 | 0 |
| Crown | | 23,346 | 10,000 | 25,000 |
| National Land Transport Programme | 19 | 872,321 | 965,403 | 776,227 |
| | | 895,667 | 975,503 | 801,227 |
| Total changes in equity | | 1,528,445 | 1,539,013 | 2,440,565 |
| EQUITY - CLOSING BALANCES | | | | |
| General funds | | 5,606 | 5,606 | 5,606 |
| Retained funds | | 36,563 | 41,973 | 46,278 |
| Memorandum account - other fees and charges | | 11,480 | 3,747 | 6,254 |
| Equity derived from the state highway network | | 30,201,917 | 29,238,946 | 28,668,982 |
| TOTAL EQUITY - CLOSING BALANCES | | 30,255,566 | 29,290,272 | 28,727,121 |

Explanations of major variances against budget are provided in note 30.

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

| | NOTE | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---|-----------|----------------------------|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from the Crown | | 35,824 | 34,569 | 115,763 |
| Receipts from the National Land Transport Fund | | 2,095,845 | 2,014,703 | 1,890,561 |
| Receipts from other revenue | | 180,077 | 153,321 | 211,613 |
| Interest received | | 236 | 350 | 289 |
| Payments to suppliers | | (1,584,984) | (1,586,184) | (1,636,301) |
| Payments to employees | | (89,828) | (116,439) | (84,918) |
| Goods & services tax (net) ^a | | 63,302 | 600 | 65,944 |
| Net cash from operating activities | 20 | 700,472 | 500,920 | 562,950 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Receipts from sale of property, plant and equipment | | 286 | 0 | 3,068 |
| Receipts from sale of state highway held properties | | 61,323 | 57,600 | 79,693 |
| Purchase of property, plant and equipment | | (514) | (3,600) | (6,149) |
| Purchase of intangible assets | | (11,537) | (11,400) | (6,047) |
| Investment in the state highway network | | (1,642,493) | (1,714,353) | (1,424,065) |
| Loans and advances | | (325) | 0 | 0 |
| Net cash from investing activities | | (1,593,260) | (1,671,753) | (1,353,500) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Capital contribution from the Crown | | 23,346 | 10,000 | 25,000 |
| Capital contribution from the National Land Transport Fund | | 872,321 | 965,404 | 776,227 |
| Receipts from borrowing | | 119,516 | 292,000 | 60,000 |
| Repayment of borrowing | | (100,000) | (90,000) | (60,000) |
| Interest paid on borrowing | | (3,036) | (6,521) | (3,335) |
| Net cash from financing activities | | 912,147 | 1,170,883 | 797,892 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | 19,359 | 50 | 7,342 |
| Cash and cash equivalents at the beginning of the year | | 23,922 | 50,000 | 16,580 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | | 43,281 | 50,050 | 23,922 |

a. There was a classification error in the prior year between Payments to suppliers and net GST and those lines have been re-stated by \$46.333 million. Explanations of major variances against budget are provided in note 30.

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

The financial statements for the Transport Agency are for the year ended 30 June 2015, and were approved by the Board on 19 October 2015.

CONSOLIDATION OF SUBSIDIARY

The consolidated financial statements include the parent NZ Transport Agency and its wholly owned subsidiary NZ Transport Ticketing Limited, which is a Crown entity company. NZ Transport Ticketing Limited was established to execute the operational plan for supporting a national integrated transport ticketing system to improve the effectiveness of public transport and achieve long term value for money outcomes from the public transport system in New Zealand.

The subsidiary is accounted for using the purchase method, which involves adding together corresponding assets, liabilities, revenues and expenses on a line-by-line basis. All inter-company transactions are eliminated on consolidation.

Consistent accounting policies are applied to the subsidiary's financial statements and are prepared for the same reporting period as the parent entity.

BASIS OF PREPARATION

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

Statement of compliance

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

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

These financial statements comply with PBE accounting standards.

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards.

Presentation currency and rounding

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

Standards issued

In May 2013, the External Reporting Board issued a new suite of PBE accounting standards for application by public sector entities for reporting periods beginning on or after 1 July 2014. The Transport Agency has applied these standards in preparing the 30 June 2015 financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

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

Funding from the Crown and the National Land Transport Fund

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

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

Interest

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

Rental revenue

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

Borrowing costs

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

Foreign currency transactions

Foreign currency transactions are translated into 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, other short-term highly liquid investments with original maturities of three months or less.

Debtors and receivables

Short-term debtors and receivables are recognised initially at fair value, less any provision for impairment.

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

Property assets held for sale

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

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

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

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

Property, plant and equipment

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

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

Additions

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.

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 equity.

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 the state highway network

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

A cyclical basis is now being used so that each region is revalued at an interval not exceeding 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 other comprehensive revenue and expense. Each year the depreciation, based on the revalued carrying amount of the asset, is recognised in the surplus or deficit.

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 revenue and expense 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 surplus or deficit. When revalued assets are sold, the amounts included in the asset revaluation reserve in respect of those assets are transferred to equity.

An allowance is made in the valuation for brownfield costs. Brownfield cost is a generic term for the additional costs of constructing in a particular location because of the increased intensity of surrounding land use compared 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, restricted hours of work etc.

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 & subways | 50 – 75 | 1.3 – 2.0 |
| State highways – other structures | 100 | 1.0 |
| Bailey bridging | 69 – 103 | 0.97 – 1.4 |
| Motor vehicles | 4 | 25.0 |
| Computer equipment | 3 | 33.3 |
| Plant | 5 – 10 | 10.0 – 20.0 |
| Equipment | 5 – 8 | 12.5 – 20.0 |
| Furniture & fittings | 5 – 10 | 10.0 – 20.0 |
| Office equipment | 4 – 5 | 20.0 – 25.0 |
| Leasehold improvements | Life of Lease | 7.7 – 33.0 |

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

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

Intangible assets

Software acquisition and development

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

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

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

Amortisation

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

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

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

Impairment of property, plant and equipment and intangible assets

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

Non-cash generating assets

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

Property, plant and equipment and intangible assets held at cost that have a finite useful life, 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 service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

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.

Service Concession Arrangements

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

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

On completion the asset and liability will be re-measured to fair value.

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

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

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

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

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

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

Once operational, the service concession assets are accounted for in accordance with the policies adopted by the Transport Agency in respect of the rest of the state highway.

Payables

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

Borrowing

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

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.

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.

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 revenue and expenses that it incurs from the operations of the jointly controlled operation.

Equity

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

- › general funds
- › retained funds
- › memorandum account – other fees and charges
- › state highway investment and revaluation reserve

State highway revaluation reserve

This reserve relates to the revaluation of the state highway network.

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 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 Transport Agency *Statement of performance expectations* 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.

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

The Employee Entitlements note 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.

Critical judgements relate to:

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

The asset base has been compiled over a number of years and has a degree of inaccuracy as some historic records are incomplete.

The brownfield construction costs referred to on page 172 represent a significant proportion of the capitalised cost of the state highway. Brownfield costs are not recorded in the state highway asset management system, but are accounted for generically with the value derived from costs in the financial records.

2 FUNDING 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 Crown or National Land Transport Fund funding.

3 REVENUE FROM OTHER ACTIVITIES

| | NOTE | ACTUAL 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---|------|----------------------------|----------------------------|
| Border inspection fees | | 865 | 947 |
| Certification review fees | | 9,646 | 8,061 |
| Driver licensing fees | | 34,110 | 31,567 |
| Driver testing fees | | 22,737 | 19,781 |
| Motor vehicle licensing fees | | 57,824 | 54,073 |
| Over dimension and overweight permits | | 821 | 608 |
| Rail licensing fees | | 1,130 | 1,066 |
| Road user charges collections | | 7,646 | 0 |
| Standards development fee and certification levies | | 4,708 | 5,642 |
| Transport licensing fees | | 7,598 | 8,545 |
| Total fees and charges | | 147,085 | 130,290 |
| Administration fee from Accident Compensation Corporation | | 932 | 904 |
| Business units | a | 1,507 | 1,570 |
| Crash analysis system support | | 36 | 38 |
| Levy on personalised plates for community road safety initiatives | | 1,205 | 996 |
| Tolling fees and contributions | | 6,332 | 6,056 |
| Interest income | | 236 | 289 |
| Net gain/(loss) on disposal of assets | | 29 | (39) |
| Recoveries from NLTP activities | b | 73,409 | 36,627 |
| Miscellaneous revenue | | 2,915 | 478 |
| TOTAL REVENUE FROM OTHER ACTIVITIES | | 233,686 | 177,209 |

All revenue from other activities, with one exception, has been classified and treated as exchange revenue and accounted for in accordance with PBE IPSAS 9. The nature of these revenue streams is that approximate equivalent value is given in exchange. The exception is the grant received for CAPTIF.

a. These are activities the Transport Agency has undertaken, which are not funded from the National Land Transport Programme, but where operating costs are offset by the income generated from these activities.

| | BAILEY BRIDGING \$000 | CAPTIF \$000 | TRAINING & EDUCATION \$000 | TOTAL \$000 |
|---------------------------|--------------------------|-----------------|----------------------------------|----------------|
| Revenue earned in 2014/15 | 60 | 729 | 718 | 1,507 |
| Revenue earned in 2013/14 | 432 | 404 | 734 | 1,570 |

CAPTIF - Canterbury Accelerated Pavement Testing Indoor Facility

b. Contributions for 2014/15 of \$48.975 million (2014: \$21.614 million) for projects in Wellington and the Tauranga Eastern Link have resulted in a higher recovery from NLTP activities.

4 PERSONNEL COSTS

| | NOTE | ACTUAL 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--|------|----------------------------|----------------------------|
| Salaries and wages | a | 85,895 | 81,242 |
| Defined contribution plan employer contributions | | 2,646 | 2,466 |
| Other personnel costs | | 2,012 | 1,747 |
| TOTAL PERSONNEL COSTS | | 90,553 | 85,455 |

a. An additional \$40.355 million (2014: \$41.276 million) was incurred for staff who are employed to manage our state highway network (including capital projects).

5 SIGNIFICANT OPERATING EXPENSES

| | NOTE | ACTUAL 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|-------------------------------------|------|----------------------------|----------------------------|
| Fees to principal auditors: | | | |
| - for audit of financial statements | | 387 | 315 |
| - for other services | a | 103 | 7 |
| Operating lease expense | | 18,292 | 18,116 |
| Impairment of receivables | | 289 | 571 |
| Commissions and transaction costs | | 71,846 | 67,483 |
| Professional services | | 25,647 | 11,501 |
| Road user safety advertising | | 16,505 | 15,320 |
| Information technology | | 8,441 | 10,684 |
| Meetings and conferences | | 736 | 656 |
| Staff travel | | 4,406 | 3,588 |
| Office and building management | | 3,621 | 3,952 |
| Impairment of asset | b | 6,003 | 0 |

a. Other services to KPMG this year is primarily for a review of Transmission Gully lessons learnt and a Total Assurance project for Risk and Assurance.

b. An independent valuation was obtained of the assets making up the Integrated Ticketing System software (the Central System), leading to a write down in the carrying amount to \$14 million. The Transport Agency has provided funding, through the NLTP, to develop the Central System in association with Auckland Transport. The Central System is reported within intangible assets.

6 DEPRECIATION AND AMORTISATION EXPENSE

| | ACTUAL 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--|----------------------------|----------------------------|
| Depreciation on property, plant and equipment | 3,977 | 3,795 |
| Depreciation on state highway network | 513,030 | 464,840 |
| Amortisation of intangible assets | 6,076 | 5,437 |
| TOTAL DEPRECIATION AND AMORTISATION EXPENSE | 523,083 | 474,073 |

7 RECEIVABLES

| | ACTUAL 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---------------------------------|----------------------------|----------------------------|
| Receivables (gross) | 94,594 | 40,364 |
| Less : Provision for impairment | 3,116 | 2,259 |
| TOTAL RECEIVABLES | 91,478 | 38,105 |

All receivables relate to exchange revenue.

FAIR VALUE

The carrying value of receivables approximates their fair value.

IMPAIRMENT

The ageing profile of receivables at year end is detailed below:

| | 2014/15 | | | 2013/14 | | |
|-----------------------|----------------|---------------------|---------------|----------------|---------------------|---------------|
| | GROSS \$000 | IMPAIRMENT \$000 | NET \$000 | GROSS \$000 | IMPAIRMENT \$000 | NET \$000 |
| Not past due date | 80,207 | 0 | 80,207 | 25,499 | 0 | 25,499 |
| Past due 1-30 days | 11,108 | 0 | 11,108 | 10,865 | 0 | 10,865 |
| Past due 31-60 days | 435 | (272) | 163 | 269 | 0 | 269 |
| Past due 61-90 days | 154 | (154) | 0 | 390 | 0 | 390 |
| Past due over 90 days | 2,690 | (2,690) | 0 | 3,341 | (2,259) | 1,082 |
| TOTAL | 94,594 | (3,116) | 91,478 | 40,364 | (2,259) | 38,105 |

Movements in the provision for impairment of receivables are as follows:

| | ACTUAL 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--|----------------------------|----------------------------|
| Balance at 1 July | 2,259 | 3,339 |
| Operating provisions made during the year | 289 | 571 |
| Additional provisions made during the year | 1,936 | (1,044) |
| Receivables written-off during the year | (1,368) | (607) |
| BALANCE AT 30 JUNE | 3,116 | 2,259 |

8 PROPERTY ASSETS HELD FOR SALE

The Transport Agency owns 109 properties valued at \$56.150 million (2014: 112 properties valued at \$58.825 million) which have been classified as held for sale. It is expected that these properties will be sold by 30 June 2016.

9 STATE HIGHWAY NETWORK

Movements for the state highway network are as follows:

| | ACTUAL 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---------------------------------|----------------------------|----------------------------|
| COST OR VALUATION | | |
| Balance at 1 July | 28,537,672 | 26,078,990 |
| Additions - Capital expenditure | 1,648,277 | 1,424,065 |
| Revaluation gains/(losses) | 573,040 | 1,560,595 |
| Depreciation expense | (513,230) | (464,840) |
| Disposals | (61,323) | (79,693) |
| Asset write off | (7,030) | (6,433) |
| Change in assets held for sale | 2,675 | 24,988 |
| Tolling system assets | (635) | 0 |
| BALANCE AT 30 JUNE | 30,179,446 | 28,537,672 |

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 \$30.179 billion (2014: \$28.538 billion) and this valuation is effective as at 30 June 2015.

Optimised Depreciated Replacement Cost is used to value these assets. Optimisation involves adjustments to eliminate the effect of any excess capacity, over design, technological obsolescence and inefficient layout. The value 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 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 DEPRECIATION \$000 | VALUATION 2014/15 \$000 | REPLACEMENT COST \$000 | ACCUM DEPRECIATION \$000 | VALUATION 2013/14 \$000 |
|-------------------------------|------------------------------|--------------------------------|-------------------------------|------------------------------|--------------------------------|-------------------------------|
| State highway corridor land | 7,606,238 | 0 | 7,606,238 | 7,487,292 | 0 | 7,487,292 |
| Held properties | 1,701,638 | 0 | 1,701,638 | 1,301,100 | 0 | 1,301,100 |
| Formation | 7,995,460 | 0 | 7,995,460 | 7,785,120 | 0 | 7,785,120 |
| Pavement (other) | 4,599,660 | 991,540 | 3,608,120 | 4,357,070 | 976,310 | 3,380,760 |
| Pavement (surface) | 1,361,840 | 675,280 | 686,560 | 1,302,690 | 640,900 | 661,790 |
| Drainage | 1,358,240 | 569,010 | 789,230 | 1,317,560 | 570,900 | 746,660 |
| Traffic facilities | 2,016,900 | 820,010 | 1,196,890 | 1,918,570 | 791,190 | 1,127,380 |
| Bridges | 7,262,060 | 2,507,620 | 4,754,440 | 6,945,290 | 2,638,640 | 4,306,650 |
| Culverts & subways | 630,060 | 231,770 | 398,290 | 544,140 | 203,120 | 341,020 |
| Other structures ^a | 1,860,020 | 417,440 | 1,442,580 | 1,777,640 | 377,740 | 1,399,900 |
| TOTAL | 36,392,116 | 6,212,670 | 30,179,446 | 34,736,472 | 6,198,800 | 28,537,672 |

a. 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 and lives and whether there is complete capture for some cost components. Some uncertainties are inherent, but those arising from 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 not been captured in the underlying databases.

Additional 'brownfield' costs associated with road construction in urban areas are assessed as being the most significant part of the potential undervaluation, with the remaining due to incomplete records. An allowance to recognise these costs has been included for the current and previous year. However, historical brownfield costs cannot be reliably measured and are currently excluded from the valuation.

The Transport Agency has commenced improving the accuracy of the asset databases and identifying all costs able to be capitalised. This is reducing the understatement inherent in the current value of the state highway network.

WORK IN PROGRESS (INCLUDED IN THE ASSETS COMPONENTS AND BALANCE)

The total amount of the state highway network in the course of construction is \$1.397 billion (2014: \$2.886 billion).

10 SERVICE CONCESSION ASSET AND LIABILITY (TRANSMISSION GULLY)

The Transport Agency has entered into a Public Private Partnership agreement with the Wellington Gateway Partnership for the delivery of a stretch of state highway through Transmission Gully. The Wellington Gateway Partnership will design, build, finance, operate and maintain the section of state highway. Under the agreement, the Transport Agency has provided land it owns to the contractor on which to build the state highway.

The construction phase for Transmission Gully is expected to be completed by April 2020. The operational agreement runs for a period of 25 years from the service completion date, after which the responsibility for on-going operation and maintenance of the road will revert to the Transport Agency. Under the operating agreement the Transport Agency pays a unitary charge to the contractor from the time the section of state highway becomes operational. The unitary charge includes:

1. A reduction in the service concession liability
2. Finance costs – under the terms of the agreement, the operator has provision to re-price the finance costs at intervals during the 25 year period. The Transport Agency has entered into an interest rate swap with the NZ Debt Management Office as a hedge against any fluctuating interest rates.
3. Service Costs – these cover the operational costs of running, maintaining, insuring and ensuring the availability of the highway to the service level agreed with the Transport Agency. A number of these costs are indexed to the consumers' price index or to other relevant indices and can be varied from time to time.

Finance and service costs are recognised as an expense in the period incurred.

The Crown has issued an indemnity to the Consortium for all Indemnified Amounts (as defined in the Deed of Indemnity). In general terms, the Indemnified Amount consists of sums payable by the Transport Agency in the operational phase of the project and defined compensation sums payable in the event of default on payment by the Transport Agency. If the Crown makes a payment for indemnity, this is to be reimbursed by the under the Reimbursement and Management Agreement (the RAMA).

As the state highway is currently under construction, no depreciation on the asset has been incurred to date.

11 INTANGIBLE ASSETS

Movements for intangible assets are as follows:

| | ACTUAL 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---|----------------------------|----------------------------|
| COST | | |
| Balance at 1 July | 74,426 | 68,379 |
| Additions | 4,099 | 5,806 |
| Work in progress movements | 5,329 | 241 |
| Balance at 30 June | 83,854 | 74,426 |
| ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES | | |
| Balance at 1 July | 32,205 | 26,767 |
| Amortisation expense | 6,075 | 5,437 |
| Impairment of the Central System (Integrated Ticketing) | 6,003 | 0 |
| Reclassification | (171) | 1 |
| Balance at 30 June | 44,112 | 32,205 |
| CARRYING AMOUNTS | | |
| At 30 June 2014 | 42,221 | 41,611 |
| At 30 June 2015 | 39,742 | 42,221 |

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 (INCLUDING IN THE COST AND CARRYING AMOUNTS)

The total value of intangible assets in the course of development is \$7.632 million (2014: \$22.306 million).

Included in intangible assets is the value of the National Integrated Ticketing System (\$14 million), which is held in trust for the Transport Agency by Auckland Transport under the terms of a Memorandum of Understanding.

12 LOANS AND ADVANCES

STATUTORY ADVANCES

Under the Public Works Act, the Transport Agency has provided statutory advances of \$1.180 million (2014: \$0.855 million).

13 PAYABLES

| | ACTUAL 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|----------------------------------|----------------------------|----------------------------|
| CURRENT PORTION | | |
| Creditors | 474,555 | 389,134 |
| Income in advance | 9,411 | 5,593 |
| Onerous contracts | 48 | 48 |
| Total current portion | 484,014 | 394,775 |
| NON-CURRENT PORTION | | |
| Onerous contracts | 84 | 131 |
| Total non-current portion | 84 | 131 |
| TOTAL PAYABLES | 484,098 | 394,906 |

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.

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.

14 EMPLOYEE ENTITLEMENTS

| | ACTUAL 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|------------------------------------|----------------------------|----------------------------|
| CURRENT PORTION | | |
| Accrued salaries and wages | 4,400 | 3,858 |
| Annual leave | 7,494 | 8,082 |
| Sick leave | 467 | 509 |
| Retirement and long service leave | 509 | 446 |
| Total current portion | 12,870 | 12,895 |
| NON-CURRENT PORTION | | |
| Retirement and long service leave | 4,979 | 4,229 |
| Total non-current portion | 4,979 | 4,229 |
| TOTAL EMPLOYEE ENTITLEMENTS | 17,849 | 17,124 |

The actuarial valuation as at 30 June 2015 was conducted in-house using prescribed Treasury guidance.

The sick, long service, and retirement leave valuations involve making future service projections for each employee. The probability of an employee leaving has been determined with reference to current public service leaving statistics. Additional economic assumptions were taken from Treasury guidance.

Sensitivity analysis has been performed to assess the financial impact of changes in the assumptions to the retirement and long service leave liabilities.

Using 50% of the assumed resignation rate, with all other factors held constant, the amount of expected liability would be \$529,000 higher (2014: \$420,000). If the resignation rate is at 150% of the assumed rate, then the expected liability would be \$400,000 lower (2014: \$328,000).

15 BORROWING

The Transport Agency has a borrowing facility for short term advances from the Crown to cover seasonal variations in cash flows. The maximum amount of such advances at any one time shall not exceed \$250 million.

Under this short term facility, the Transport Agency has no current borrowings as at 30 June 2015 (2014: \$100 million). The fair value of the 2014 \$100 million was \$100.338 million based on a 4% coupon rate.

The Transport Agency has a borrowing facility of up to \$183.4 million to assist in the Christchurch earthquake recovery, with \$12 million borrowing drawn down in August 2014. The \$12 million loan has incurred interest of \$0.515 million to date which has been capitalised against the loan balance.

The Transport Agency also has a loan facility of \$107 million as a contribution towards the Tauranga Eastern Link toll road. This loan was fully drawn down on the 30 June 2015.

The final loan facility currently available to the Transport Agency is a \$375 million facility for the Auckland Accelerated Programme. At 30 June 2015 there had been no draw-downs against this facility.

16 RETAINED FUNDS

| NOTE | ACTUAL 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---|----------------------------|----------------------------|
| RETAINED FUNDS - NZ TRANSPORT AGENCY OPERATIONS | | |
| Balance at 1 July | 25,039 | 23,323 |
| Surplus/(deficit) from Operations | (1,264) | 1,716 |
| RUC retained funds to memorandum account | (1,500) | 0 |
| Balance at 30 June | 22,275 | 25,039 |
| RETAINED FUNDS - NATIONAL LAND TRANSPORT PROGRAMME | | |
| Balance at 1 July | 0 | 0 |
| Capital contribution from the National Land Transport Fund | 872,321 | 776,227 |
| Deficit from Operations | (6,921) | (142) |
| Surplus from Land transport funding | 62,008 | 71,687 |
| Transfer to state highway investment | a (936,548) | (847,773) |
| Funds provided for public transport automated fare collection system | 6,003 | 0 |
| Balance at 30 June | (3,137) | 0 |
| RETAINED FUNDS - SPECIFIC PROJECTS FUNDED BY THE CROWN | | |
| Balance at 1 July | 1,239 | 995 |
| Capital contribution from the Crown | 23,346 | 25,000 |
| Surplus/(deficit) | 2,190 | 244 |
| Transfer to state highway investment | (23,346) | (25,000) |
| Balance at 30 June | 3,429 | 1,239 |
| FUNDS PROVIDED FOR PUBLIC TRANSPORT AUTOMATED FARE COLLECTION SYSTEM | | |
| Balance at 1 July | 20,000 | 20,000 |
| Funds from the National Land Transport Programme | (6,003) | 0 |
| Balance at 30 June | 13,997 | 20,000 |
| TOTAL RETAINED FUNDS | 36,563 | 46,278 |

a. Below is a breakdown of the movement of the National Land Transport Programme funds to state highways.

| | NOTE | ACTUAL 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--|------|----------------------------|----------------------------|
| Capitalised expenditure - National Land Transport Programme | | 1,624,931 | 1,399,065 |
| Tauranga Eastern Link expenditure funded by loan | | (107,000) | 0 |
| State highway depreciation and asset write-off | | (520,060) | (471,599) |
| State highway disposals to the National Land Transport Programme | | (61,323) | (79,693) |
| Retained funds - National Land Transport Programme | | 936,548 | 847,773 |
| Capitalised expenditure - Crown | | 23,346 | 25,000 |
| Retained funds - Specific projects funded by the Crown | | 23,346 | 25,000 |
| TRANSFER TO STATE HIGHWAY INVESTMENT | 18 | 959,894 | 872,773 |

17 MEMORANDUM ACCOUNT - OTHER FEES AND CHARGES

| | ACTUAL 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--|----------------------------|----------------------------|
| Balance at 1 July | 6,254 | 1,018 |
| Surplus from operations | 3,726 | 5,236 |
| RUC retained funds to memorandum account | 1,500 | 0 |
| TOTAL MEMORANDUM ACCOUNT - OTHER FEES AND CHARGES | 11,480 | 6,254 |

Below are the closing balances of the memorandum accounts by funding activities.

| | ACTUAL 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--|----------------------------|----------------------------|
| Customer licensing activities | 7,257 | 3,188 |
| Road user charges collections | 1,894 | 0 |
| Vehicle standards compliance activities | 2,329 | 3,067 |
| TOTAL MEMORANDUM ACCOUNT - OTHER FEES AND CHARGES | 11,480 | 6,254 |

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.

18 EQUITY DERIVED FROM THE STATE HIGHWAY NETWORK

| | NOTE | ACTUAL 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--|------|----------------------------|----------------------------|
| STATE HIGHWAY INVESTMENT | | | |
| Balance at 1 July | | 19,313,725 | 18,440,952 |
| Transfer from the National Land Transport Programme | 16a | 959,894 | 872,773 |
| Balance at 30 June | | 20,273,619 | 19,313,725 |
| STATE HIGHWAY REVALUATION RESERVE | | | |
| Balance at 1 July | | 9,355,257 | 7,794,662 |
| Revaluations - State highway network | | 573,040 | 1,560,595 |
| Balance at 30 June | | 9,928,297 | 9,355,257 |
| TOTAL EQUITY DERIVED FROM THE STATE HIGHWAY NETWORK | | 30,201,917 | 28,668,982 |

19 CAPITAL FUNDING - NATIONAL LAND TRANSPORT PROGRAMME

| | ACTUAL 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---|----------------------------|----------------------------|
| New and improved infrastructure for state highways | 696,878 | 614,975 |
| Renewal of state highways | 175,443 | 161,252 |
| TOTAL CAPITAL CONTRIBUTION - NATIONAL LAND TRANSPORT PROGRAMME | 872,321 | 776,227 |

20 RECONCILIATION OF NET SURPLUS TO NET CASH FROM OPERATING ACTIVITIES

| | ACTUAL 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--|----------------------------|----------------------------|
| NET SURPLUS | 59,738 | 78,743 |
| Add non-cash items: | | |
| Depreciation and amortisation expense | 523,083 | 474,073 |
| State highway asset write-off | 7,030 | 6,759 |
| Total non-cash items | 530,113 | 480,832 |
| Add/(less) items classified as investing or financial activities: | | |
| Interest on borrowing | 3,036 | 3,335 |
| Impairment of asset | 6,003 | 0 |
| Total items classified as investing or financing activities | 9,039 | 3,335 |
| Add/(less) movements in statement of financial position items: | | |
| (Increase)/decrease in debtor National Land Transport Fund and Crown | 66,844 | 6,620 |
| (Increase)/decrease in other receivables | (53,373) | 34,693 |
| (Increase)/decrease in prepayments and inventories | 3,645 | 2,398 |
| (Increase) decrease in property, plant and equipment work in progress | (77) | 0 |
| (Increase) decrease in intangible asset work in progress | (5,326) | 0 |
| Increase/(decrease) in creditors and other payables | 89,192 | (44,597) |
| Increase/(decrease) in tolling funds held in trust for Ministry of Transport | (48) | 390 |
| Increase/(decrease) in employee entitlements | 725 | 537 |
| Net movements in working capital items | 101,582 | 40 |
| NET CASH FROM OPERATING ACTIVITIES | 700,472 | 562,950 |

21 CAPITAL COMMITMENTS AND OPERATING LEASES

CAPITAL COMMITMENTS

The future aggregate construction contract commitments for the state highway network are as follows:

| | ACTUAL 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---|----------------------------|----------------------------|
| No later than one year | 1,488,516 | 1,233,118 |
| Later than one year and not later than five years | 2,524,291 | 1,190,798 |
| Later than five years | 47,602 | 15,762 |
| TOTAL CAPITAL COMMITMENTS | 4,060,409 | 2,439,678 |

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 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---|----------------------------|----------------------------|
| Not later than one year | 9,832 | 17,770 |
| Later than one year and not later than five years | 40,964 | 36,084 |
| Later than five years | 18,833 | 17,747 |
| TOTAL NON-CANCELLABLE OPERATING LEASES | 69,629 | 71,601 |

Significant operating leases are limited to buildings for office accommodation and provision of registry systems.

22 CONTINGENCIES

CONTINGENT LIABILITIES

Contract and land settlements

There are claims of \$15.9 million (2014: \$32.8 million) relating to a range of roading and other contract disputes.

CONTINGENT ASSETS

The Transport Agency has contingent assets of \$0.581 million (2014: \$0.581 million) relating to claims for legal costs.

The Transport Agency is party to a number of pieces of litigation in which, if the Transport Agency is successful, modest costs orders could be awarded in its favour. Because costs are always at the discretion of the Court, and even if awarded may be impossible to recover, it is not possible reliably to estimate legal costs orders as contingent assets.

23 RELATED PARTY TRANSACTIONS

THE TRANSPORT AGENCY IS A WHOLLY OWNED ENTITY OF THE CROWN

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Transport Agency would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the nominal terms and conditions for such transactions.

KEY MANAGEMENT PERSONNEL COMPENSATION

| | ACTUAL 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--|----------------------------|----------------------------|
| BOARD MEMBERS | | |
| Remuneration | 290 | 287 |
| Full-time equivalent members | 8 | 9 |
| LEADERSHIP TEAM | | |
| Remuneration | 4,001 | 4,230 |
| Full-time equivalent members | 12 | 11 |
| TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION | 4,291 | 4,517 |
| TOTAL FULL TIME EQUIVALENT PERSONNEL | 20 | 20 |

24 BOARD MEMBER REMUNERATION

The total value of remuneration paid or payable to each Board member during the year was:

| | ACTUAL 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--|----------------------------|----------------------------|
| Chris Moller (Chair) | 62 | 63 |
| Dame Patsy Reddy | 39 | 39 |
| Gill Cox | 31 | 32 |
| Tony Lanigan | 31 | 32 |
| Mark Oldfield | Appointed July 2014 | 31 |
| Jerry Rickman | | 31 |
| Nick Rogers | Appointed September 2013 | 31 |
| Alick Shaw | Stepped down in May 2014 | 0 |
| Adrienne Young-Cooper | | 34 |
| TOTAL BOARD MEMBER REMUNERATION | 290 | 287 |

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 (2014: nil).

25 EMPLOYEE REMUNERATION

| TOTAL REMUNERATION PAID OR PAYABLE | NO. OF STAFF 2014/15 | NO. OF STAFF 2013/14 |
|------------------------------------|-------------------------|-------------------------|
| 100,000 - 109,999 | 115 | 96 |
| 110,000 - 119,999 | 81 | 71 |
| 120,000 - 129,999 | 55 | 57 |
| 130,000 - 139,999 | 38 | 45 |
| 140,000 - 149,999 | 32 | 31 |
| 150,000 - 159,999 | 19 | 13 |
| 160,000 - 169,999 | 17 | 17 |
| 170,000 - 179,999 | 11 | 11 |
| 180,000 - 189,999 | 13 | 11 |
| 190,000 - 199,999 | 9 | 7 |
| 200,000 - 209,999 | 4 | 3 |
| 210,000 - 219,999 | 5 | 7 |
| 220,000 - 229,999 | 2 | 3 |
| 230,000 - 239,999 | 1 | 0 |
| 240,000 - 249,999 | 2 | 1 |
| 250,000 - 259,999 | 0 | 1 |
| 260,000 - 269,999 | 3 | 4 |
| 270,000 - 279,999 | 1 | 1 |
| 280,000 - 289,999 | 0 | 2 |
| 300,000 - 309,999 | 0 | 1 |
| 310,000 - 319,999 | 2 | 0 |
| 320,000 - 329,999 | 1 | 0 |
| 330,000 - 339,999 | 1 | 1 |
| 340,000 - 349,999 | 0 | 1 |
| 350,000 - 359,999 | 1 | 3 |
| 360,000 - 369,999 | 2 | 1 |
| 370,000 - 379,999 | 1 | 0 |
| 380,000 - 389,999 | 0 | 1 |
| 390,000 - 399,999 | 1 | 0 |
| 620,000 - 629,999 | 0 | *1 |
| 660,000 - 669,999 | *1 | 0 |
| TOTAL EMPLOYEES | 418 | 390 |

* Chief Executive Officer.

During the year ended 30 June 2015, 23 (2014: 20) employees received compensation and other benefits in relation to cessation totalling \$1.376 million (2014: \$0.786 million).

26 EVENTS AFTER THE BALANCE DATE

There were no significant events after the balance date.

27 FINANCIAL INSTRUMENT CATEGORIES

The carrying amounts of financial assets and liabilities are categorised as follows:

| | ACTUAL 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---|----------------------------|----------------------------|
| LOANS AND RECEIVABLES | | |
| Cash and cash equivalents | 43,281 | 23,922 |
| Debtors National Land Transport Fund and Crown | 450,744 | 517,587 |
| Receivables | 91,478 | 38,105 |
| Loans and advances | 1,180 | 855 |
| TOTAL LOANS AND RECEIVABLES | 586,683 | 580,469 |
| FINANCIAL LIABILITIES MEASURED AT AMORTISED COST | | |
| Payables (current and non-current) | 484,098 | 394,906 |
| Borrowing | 119,516 | 100,000 |
| TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST | 603,614 | 494,906 |

28 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. The Transport Agency does not actively manage its exposure to currency risk.

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.

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 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--|----------------------------|----------------------------|
| Cash and cash equivalents | 43,281 | 23,922 |
| Debtors National Land Transport Fund and Crown | 450,744 | 517,587 |
| Receivables | 91,478 | 38,105 |
| Loans and advances | 1,180 | 855 |
| TOTAL CREDIT RISK | 586,683 | 580,469 |

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 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--|----------------------------|----------------------------|
| Cash and cash equivalents | | |
| AA- | 43,281 | 23,922 |
| TOTAL CASH AND CASH EQUIVALENTS | 43,281 | 23,922 |

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.

| | 2014/15 | | | 2013/14 | | |
|-----------|--------------------|-------------|-------------------|--------------------|-------------|-------------------|
| | LESS THAN 6 MONTHS | 6-12 MONTHS | LATER THAN 1 YEAR | LESS THAN 6 MONTHS | 6-12 MONTHS | LATER THAN 1 YEAR |
| Payables | 483,966 | 48 | 84 | 394,727 | 48 | 131 |
| Borrowing | 0 | 0 | 119,516 | 0 | 100,000 | 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.

| | 2014/15 | | 2013/14 | |
|--|-----------------------|----------------------|-----------------------|----------------------|
| | LESS THAN 6 MONTHS | LATER THAN 1 YEAR | LESS THAN 6 MONTHS | LATER THAN 1 YEAR |
| Cash and cash equivalents | 43,281 | 0 | 23,922 | 0 |
| Debtors National Land Transport Fund and Crown | 450,744 | 0 | 517,587 | 0 |
| Receivables | 91,478 | 0 | 38,105 | 0 |
| Loans and advances | 0 | 1,180 | 0 | 855 |

BORROWING

The Transport Agency's borrowing facility from the Crown is the result of the acceleration of the 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.

| | 2014/15 EFFECT ON SURPLUS OR DEFICIT | | 2013/14 EFFECT ON SURPLUS OR DEFICIT | |
|---------------------------|--|--------------|--|--------------|
| | +1% \$000 | -1% \$000 | +1% \$000 | -1% \$000 |
| Cash and cash equivalents | 285 | (285) | 144 | (144) |

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.

| | 2014/15 EFFECT ON SURPLUS OR DEFICIT | | 2013/14 EFFECT ON SURPLUS OR DEFICIT | |
|-----------|--|----------------|--|----------------|
| | +0.5% \$000 | -0.5% \$000 | +0.5% \$000 | -0.5% \$000 |
| Borrowing | 395 | (395) | 542 | (542) |

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.

29 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.

30 EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Explanations for major variances from the Transport Agency's budgeted figures in the *Statement of performance expectations* are as follows:

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

Revenue

Funding from the Crown was \$9 million (29%) higher than budgeted. The Transport Agency received \$4.7 million from the Crown until RUC collections funding changed to third party revenue, and the Transport Agency is now receiving funding for urban cycleways.

Funding from the National Land Transport Fund was \$50 million (2%) lower than budgeted. Funding reflects the delivery of the National Land Transport Programme in the current year.

Revenue from other activities was \$80 million (52%) higher than budgeted. This was due to:

- › contributions to state highway project income that was previously categorised as either National Land Transport Fund revenue or cost recoveries, now being categorised as other revenue (contributions)
- › volume-driven licensing and testing revenue being ahead of budget due to higher numbers of new drivers and higher volume of driver tests
- › higher than forecast volumes for motor vehicle registrations and their accompanying revenue from plates.

Expenditure

Operating expenses was \$17 million (12%) higher than budget. This predominately relates to the impairment loss resulting from the revaluation of the public transport automated fare collection system, (\$6 million), higher commissions and transactions costs due to higher volumes of driver testing and vehicle licensing than budgeted (\$4.7 million), and work undertaken on behalf of and funded by Department of Internal Affairs and Police (\$3.7 million).

Land transport funding was \$90 million (6%) lower than budgeted which mainly came from the net impact of these activities:

- › Transport planning was under budget by \$8 million as the anticipated 'ramp-up' to prepare for the 2015-18 NLTP, including activity management planning and programme business case development, did not occur as expected.
- › Public transport was under budget by \$14 million due to slower than planned delivery of infrastructure projects in Auckland, efficiencies in the services programme, and the impact of lower fuel costs on service delivery.
- › New and improved infrastructure for local roads was over budget by \$20 million. The Tauranga Route K settlement occurred in June, which, along with Christchurch's inner city improvements was the key driver for the variance against budget.
- › Maintenance, operation and renewal of local roads were \$100 million under budget, mainly due to Christchurch only claiming \$3 million of the budgeted \$100 million for earthquake related emergency expenditure.
- › Walking and cycling was \$13 million over budget. This performance demonstrates the local authority response to the impetus provided by the Urban Cycleways Programme.

Depreciation and amortisation expense was \$62 million (14%) higher than budget. This predominately relates to the state highway depreciation budget being established before the revaluation at the end of last year.

STATEMENT OF FINANCIAL POSITION

Current assets

Debtor National Land Transport Fund was \$255 million (39%) lower than budgeted. When the budget was developed, the debtor amount was aligned to the increase in funding from the National Land Transport Fund.

Debtor Crown was \$26 million (33%) lower than budgeted, which arises in the short term to cover the gap between revenue and expenditure remaining and is lower than budgeted.

Receivables were \$21 million (30%) higher due to a GST receivable planned for receipt in June, received in the first week of July.

Non-current assets

State highway network was \$987 million (3%) higher than budgeted. A higher than budgeted revaluation in 2013/14 meant the opening value of the state highway network was higher than what was budgeted.

Current liabilities

Payables were \$21 million (4%) lower than budgeted due to a lower level of activity at the end of the year than anticipated.

Borrowing was lower than budgeted as a better than forecast cash position meant the Transport Agency did not need to draw down on the \$100 million borrowing facility.

Non-current liabilities

Borrowing was \$167 million (58%) below budget as the funding for Auckland transport initiatives and Christchurch earthquake funding was not called upon.

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)
- › NZ Transport Ticketing Ltd.

This information is consistent with and should be read in conjunction with, the financial highlights on pages 154 to 156 and the audited financial statements on pages 157 to 186.

DETAILED PERFORMANCE BY SEGMENT OF THE BUSINESS

The following tables further detailed financial performance information for each of these segments.

OPERATIONS

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---|----------------------------|----------------------------|----------------------------|
| REVENUE | | | |
| Revenue from the Crown | | | |
| Management of the funding allocation system | 775 | 775 | 771 |
| Licensing and regulatory compliance | 4,205 | 4,205 | 4,917 |
| Road user charges collection, investigation and enforcement | 4,720 | 0 | 19,935 |
| Refund of fuel excise duty | 0 | 0 | 429 |
| Administration of the SuperGold cardholders' scheme | 95 | 95 | 95 |
| | 9,795 | 5,075 | 26,147 |
| Revenue from the National Land Transport Fund | | | |
| Management of the funding allocation system | 30,714 | 30,000 | 29,573 |
| Transport planning | 4,673 | 4,200 | 4,291 |
| Sector research | 5,001 | 6,100 | 4,197 |
| Public transport | 4,080 | 3,093 | 573 |
| Road safety promotion | 19,927 | 19,100 | 18,995 |
| Maintenance and operation of local roads | 32 | 0 | 0 |
| Road user charges collection, investigation and enforcement | 4,229 | 4,434 | 0 |
| Refund of fuel excise duty | 475 | 399 | 0 |
| Maintenance and operation of state highways | 17,087 | 15,054 | 11,764 |
| | 86,218 | 82,380 | 69,393 |

OPERATIONS (CONTINUED)

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---|----------------------------|----------------------------|----------------------------|
| REVENUE FROM OTHER ACTIVITIES | | | |
| Road safety promotion | 1,205 | 1,460 | 1,018 |
| Licensing and regulatory compliance | 83,009 | 74,527 | 77,837 |
| Road tolling | 6,332 | 6,694 | 6,056 |
| Motor vehicle registry | 59,524 | 54,871 | 56,779 |
| Road user charges collection, investigation and enforcement | 7,648 | 11,539 | 0 |
| Refund of fuel excise duty | 89 | 0 | 0 |
| New and improved infrastructure for state highways | 3,409 | 0 | 0 |
| Maintenance and operation of state highways | 1,507 | 2,321 | 1,570 |
| | 162,723 | 151,412 | 143,260 |
| Total revenue | 258,736 | 238,867 | 238,800 |
| EXPENDITURE | | | |
| Operating activities | | | |
| Management of the funding allocation system | 469 | 775 | 1,021 |
| Road safety promotion | 46 | 3,047 | 634 |
| Licensing and regulatory compliance | 84,194 | 78,638 | 79,694 |
| Road tolling | 5,541 | 6,123 | 5,481 |
| Motor vehicle registry | 58,611 | 56,152 | 54,033 |
| Road user charges collection, investigation and enforcement | 15,737 | 15,459 | 17,051 |
| Refund of fuel excise duty | 553 | 399 | 505 |
| Administration of the SuperGold cardholders scheme | 95 | 95 | 95 |
| | 165,246 | 160,688 | 158,513 |
| Operating activities (National Land Transport Programme) | | | |
| Management of the funding allocation system | 31,292 | 30,000 | 29,715 |
| Transport planning | 4,673 | 4,200 | 4,291 |
| Sector research | 5,001 | 6,100 | 4,197 |
| Public transport | 10,084 | 3,093 | 573 |
| Road safety promotion | 19,927 | 19,100 | 18,995 |
| Maintenance and operation of local roads | 32 | 0 | 0 |
| New and improved infrastructure for state highways | 36,302 | 31,760 | 31,299 |
| Renewal of state highways | 8,118 | 8,000 | 10,710 |
| Maintenance and operation of state highways | 17,427 | 15,054 | 11,764 |
| | 132,856 | 117,307 | 111,543 |

OPERATIONS (CONTINUED)

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---|----------------------------|----------------------------|----------------------------|
| Operating activities (business units) | | | |
| Maintenance and operation of state highways | 2,014 | 988 | 1,186 |
| Expenses relating to the delivery of outputs | 300,116 | 278,983 | 271,242 |
| Other expenses | 4,091 | 2,447 | 2,755 |
| Total expenditure | 304,207 | 281,430 | 273,997 |
| State highway network | | | |
| Less capitalised expenditure | (41,011) | (39,760) | (42,009) |
| Total expenditure | 263,196 | 241,670 | 231,989 |
| NET SURPLUS/(DEFICIT) | (4,460) | (2,803) | 6,811 |

Movement of operations net surplus 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.
- › Retained funds - National Land Transport Programme refers to activities that are funded from the National Land Transport Fund.
- › Memorandum account - Other fees and charges refers to activities funded from fees and charges.

Movement of operations net surplus to equity

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--|----------------------------|----------------------------|----------------------------|
| REVENUE | | | |
| Retained funds - NZ Transport Agency Operations | 18,256 | 19,312 | 34,274 |
| Retained funds - National Land Transport Programme | 84,923 | 77,547 | 69,393 |
| Memorandum account - Other fees and charges | 155,557 | 142,008 | 135,133 |
| | 258,736 | 238,867 | 238,800 |
| EXPENDITURE | | | |
| Retained funds - NZ Transport Agency Operations | 19,520 | 21,881 | 32,557 |
| Retained funds - National Land Transport Programme | 91,845 | 77,547 | 69,535 |
| Memorandum account - Other fees and charges | 151,831 | 142,242 | 129,897 |
| | 263,196 | 241,670 | 231,989 |
| NET SURPLUS | | | |
| Retained funds - NZ Transport Agency Operations | (1,264) | (2,569) | 1,716 |
| Retained funds - National Land Transport Programme | (6,922) | 0 | (142) |
| Memorandum account - Other fees and charges | 3,726 | (234) | 5,236 |
| NET SURPLUS/(DEFICIT) | (4,460) | (2,803) | 6,811 |

LAND TRANSPORT FUNDING

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--|----------------------------|----------------------------|----------------------------|
| INFLOWS | | | |
| Transport planning | 10,553 | 19,156 | 10,636 |
| Public transport | 294,854 | 316,298 | 271,693 |
| Road safety promotion | 13,000 | 14,250 | 12,816 |
| New and improved infrastructure for local roads | 187,509 | 167,000 | 125,043 |
| Renewal of local roads | 247,539 | 251,000 | 232,761 |
| Maintenance and operation of local roads | 291,129 | 385,000 | 302,618 |
| Walking and cycling | 31,141 | 18,000 | 18,197 |
| New and improved infrastructure for state highways | 572,665 | 474,521 | 538,974 |
| Renewal of state highways | 16,338 | 0 | 7,341 |
| Maintenance and operation of state highways | 344,497 | 347,429 | 359,836 |
| Management of the funding allocation system | 272 | 0 | 142 |
| Total inflows | 2,009,497 | 1,992,654 | 1,880,057 |
| OUTFLOWS | | | |
| Transport planning | 10,554 | 19,156 | 10,636 |
| Public transport | 294,854 | 316,298 | 271,693 |
| Road safety promotion | 13,000 | 14,250 | 12,816 |
| New and improved infrastructure for local roads | 187,509 | 167,000 | 125,043 |
| Renewal of local roads | 247,539 | 251,000 | 232,761 |
| Maintenance and operation of local roads | 294,266 | 385,000 | 302,618 |
| Walking and cycling | 31,141 | 18,000 | 18,197 |
| New and improved infrastructure for state highways | 1,401,936 | 1,351,740 | 1,199,010 |
| Renewal of state highways | 183,331 | 205,853 | 157,883 |
| Maintenance and operation of state highways | 344,183 | 347,429 | 359,836 |
| Interest on borrowings | 3,036 | 7,171 | 3,335 |
| | 3,011,349 | 3,082,897 | 2,693,827 |
| State highway network | | | |
| State highway depreciation | 513,030 | 450,000 | 464,840 |
| State highway asset write-off | 7,030 | 10,000 | 6,759 |
| Less capitalised expenditure | (1,583,920) | (1,557,593) | (1,357,057) |
| | (1,063,860) | (1,097,593) | (885,458) |
| Total outflows | 1,947,489 | 1,985,304 | 1,808,370 |
| NET SURPLUS/(DEFICIT) | 62,008 | 7,350 | 71,687 |

Future National Land Transport Programme funding commitments

| | ACTUAL 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---|----------------------------|----------------------------|
| Not later than one year | 3,385,945 | 2,940,126 |
| Later than one year and not later than five years | 5,893,242 | 1,247,206 |
| Later than five years | 3,791,760 | 695,654 |
| TOTAL FUNDING COMMITMENTS | 13,070,947 | 4,882,986 |

SPECIFIC PROJECTS FUNDED BY THE CROWN

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---|----------------------------|----------------------------|----------------------------|
| REVENUE | | | |
| Revenue from the Crown | | | |
| Enhanced public transport concessions for SuperGold cardholders | 26,116 | 25,905 | 23,905 |
| Passing opportunities on SH2 between Napier and Gisborne | 500 | 0 | 3,350 |
| Reinstatement of local roads in Canterbury | 0 | 0 | 30,800 |
| Urban cycleways | 3,654 | 0 | 0 |
| Total revenue | 30,270 | 25,905 | 58,055 |
| EXPENDITURE | | | |
| Enhanced public transport concessions for SuperGold cardholders | 26,329 | 25,905 | 24,110 |
| Passing opportunities on SH2 between Napier and Gisborne | 500 | 0 | 3,350 |
| Reinstatement of local roads in Canterbury | 0 | 0 | 30,351 |
| National war memorial park | 10,000 | 10,000 | 25,000 |
| Regional state highways | 12,000 | 0 | 0 |
| Urban cycleways | 2,597 | 0 | 0 |
| | 51,426 | 35,905 | 82,811 |
| State highway network | | | |
| Less capitalised expenditure | (23,346) | (10,000) | (25,000) |
| Total expenditure | 28,080 | 25,905 | 57,811 |
| NET SURPLUS/(DEFICIT) | 2,190 | 0 | 244 |

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 third year of the programme.

NATIONAL LAND TRANSPORT PROGRAMME

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---|----------------------------|----------------------------|----------------------------|
| INFLOWS | | | |
| Capital contribution from National Land Transport Fund | 872,321 | 965,403 | 776,227 |
| Revenue from the National Land Transport Fund | 2,002,333 | 2,052,851 | 1,896,358 |
| Revenue from the NLTF (rental and interest income) | 17,723 | 17,350 | 19,144 |
| Revenue from state highway disposals | 61,323 | 57,600 | 79,693 |
| Revenue from other activities | 74,363 | 0 | 33,949 |
| Total inflows for the National Land Transport Fund | 3,028,063 | 3,093,204 | 2,805,370 |
| Borrowing (for Toll roads) | 107,000 | 107,000 | 0 |
| Total inflows for the National Land Transport Programme | 3,135,063 | 3,200,204 | 2,805,370 |
| OUTFLOWS | | | |
| Transport planning | 15,226 | 17,000 | 14,927 |
| Road safety promotion | 32,926 | 33,000 | 31,811 |
| Walking and cycling | 31,141 | 20,000 | 18,197 |
| Public transport | 304,937 | 330,000 | 272,266 |
| Maintenance and operation of local roads | 291,161 | 299,000 | 290,445 |
| Maintenance & operation of local roads (Christchurch earthquake fund) | 3,137 | 0 | 12,173 |
| Maintenance and operation of state highways | 361,610 | 335,000 | 371,600 |
| Renewal of local roads | 247,539 | 253,000 | 232,761 |
| Renewal of state highways | 191,449 | 215,000 | 168,593 |
| New and improved infrastructure for local roads | 187,509 | 185,000 | 125,043 |
| New and improved infrastructure for state highways | 1,438,239 | 1,230,000 | 1,230,309 |
| Sector research | 5,001 | 5,000 | 4,197 |
| Management of the funding allocation system | 31,292 | 30,000 | 29,715 |
| Interest on borrowing | 3,036 | 0 | 3,335 |
| Total outflows | 3,144,203 | 2,952,000 | 2,805,370 |
| CARRY OVER INTO NEXT YEAR | (9,140) | 248,204 | 0 |
| Public transport infrastructure - automated fare collection system | 6,003 | 0 | 0 |
| Opening balance | 0 | 0 | 0 |
| CLOSING BALANCE AT THE END OF THE YEAR | (3,137) | 248,204 | 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 ALPURT 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 2015, 6.1 million trips were made on the toll road. Based on volumes recorded at a point just north of the toll road, traffic volumes were 7.5 million, indicating that 1.4 million used the 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 \$8.0 million of toll revenue has been paid to the Ministry of Transport for the period ending 30 June 2015, for debt repayment.

TRAFFIC VOLUMES FOR THE YEAR ENDED 30 JUNE 2015

| CLASS OF MOTOR VEHICLE | ACTUAL 2014/15 000 | BUDGET 2014/15 000 | ACTUAL 2013/14 000 |
|------------------------|--------------------------|--------------------------|--------------------------|
| Light vehicle | 5,585 | 5,484 | 5,288 |
| Heavy vehicle | 439 | 467 | 422 |
| Exempt | 22 | 21 | 20 |
| Unidentifiable | 9 | 12 | 11 |
| Technical loss | 20 | 27 | 20 |
| TOTAL | 6,075 | 6,011 | 5,761 |

TOLL REVENUE (PORTION DESIGNATED FOR REPAYMENT OF DEBT) FOR THE YEAR ENDED 30 JUNE 2015

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---|----------------------------|----------------------------|----------------------------|
| PAID TOLL | | | |
| Light vehicle | 6,626 | 6,543 | 6,285 |
| Heavy vehicle | 1,359 | 1,337 | 1,309 |
| Interest | 71 | 48 | 54 |
| TOTAL FUNDS AVAILABLE | 8,056 | 7,928 | 7,648 |
| Outstanding debtor balance as at 30 June | | | |
| Unpaid toll revenue to be collected for the Ministry of Transport | 177 | | 159 |
| Unpaid operating charge to be collected | 99 | | 89 |
| Unpaid administration charges to be collected | 385 | | 325 |
| GST to be collected | 99 | | 86 |
| TOTAL OUTSTANDING DEBTOR BALANCE AS AT 30 JUNE | 760 | | 659 |

USE OF TOLL ROAD AND ALTERNATIVE ROUTE(S) FOR THE YEAR ENDED 30 JUNE 2015

| | ACTUAL 2014/15 | ACTUAL 2013/14 |
|--|-------------------|-------------------|
| Northern Gateway Toll Road (SH 1) | 80.9% | 80.2% |
| Free alternative routes (SH 16 and 17) | 19.1% | 19.8% |
| TOTAL | 100.0% | 100.0% |

COMPLIANCE WITH TOLLING FOR THE YEAR ENDED 30 JUNE 2015

| | VOLUMES ACTUAL 2014/15 000 | REVENUE ACTUAL 2014/15 \$000 | VOLUMES ACTUAL 2013/14 000 | REVENUE ACTUAL 2013/14 \$000 |
|--|-------------------------------------|---------------------------------------|-------------------------------------|---------------------------------------|
| Total chargeable toll trips | 6,024 | 14,219 | 5,710 | 13,491 |
| Total administration charges | n/a | 2,276 | n/a | 2,196 |
| TOTAL TOLL REVENUE | 6,024 | 16,495 | 5,710 | 15,687 |
| Paid toll trips | 5,836 | 13,781 | 5,538 | 13,093 |
| Paid administration charges | n/a | 1,643 | n/a | 1,644 |
| PAID TOLL REVENUE | 5,836 | 15,424 | 5,538 | 14,737 |
| Unpaid toll trips | 188 | 438 | 172 | 398 |
| Unpaid administration charges | n/a | 633 | n/a | 552 |
| UNPAID TOLL REVENUE | 188 | 1,071 | 172 | 950 |
| Administration charge payment compliance | n/a | 72.2% | n/a | 74.9% |
| Toll payment compliance | 96.9% | 96.9% | 97.0% | 97.0% |

FINANCIAL STATEMENTS FOR TOLLING

Statement of comprehensive revenue and expense for the year ended 30 June 2015

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|------------------------------|----------------------------|----------------------------|----------------------------|
| REVENUE | | | |
| Toll fees | 6,332 | 6,694 | 6,056 |
| Total revenue | 6,332 | 6,694 | 6,056 |
| Expenditure | 5,541 | 6,123 | 5,481 |
| NET SURPLUS/(DEFICIT) | 791 | 571 | 575 |

Statement of financial position for the year ended 30 June 2015

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--------------------------|----------------------------|----------------------------|----------------------------|
| ASSETS | | | |
| Current assets | 12,526 | 11,090 | 10,730 |
| Non-current assets | 1,465 | 1,735 | 2,074 |
| Total assets | 13,991 | 12,825 | 12,804 |
| Liabilities | 6,452 | 5,526 | 6,075 |
| NET ASSETS/EQUITY | 7,539 | 7,299 | 6,729 |

Statement of cash flows for the year ended 30 June 2015

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|---|----------------------------|----------------------------|----------------------------|
| Net cash from operating activities | 8,417 | 8,226 | 8,087 |
| Net cash from financing activities | (7,955) | (7,968) | (7,458) |
| Net (decrease)/increase in cash and cash equivalents | 462 | 258 | 629 |
| Cash and cash equivalents at the beginning of the year | 5,587 | 5,587 | 4,958 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 6,049 | 5,845 | 5,587 |

This supplementary information does not form part of the Transport Agency's audited financial statements.

NZ TRANSPORT TICKETING LTD

NZ Transport Ticketing Limited 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, to improve the effectiveness of public transport, achieve long-term value for money outcomes, and manage information services generated from such a system.

Through NZ Transport Ticketing Ltd, an infrastructure will be developed to support:

- › the transport ticketing central system processing capability for all customers and related service delivery agreements, including national settlement services
- › information management support services, including the information registrar function and security management for the public transport system in New Zealand detailed performance by segment of the business
- › other system services, including gateways and interfaces as required.

This table sets out the key financial information of NZ Transport Ticketing Ltd:

NZ TRANSPORT TICKETING LTD

| | ACTUAL 2014/15 \$000 | BUDGET 2014/15 \$000 | ACTUAL 2013/14 \$000 |
|--|----------------------------|----------------------------|----------------------------|
| COMPREHENSIVE REVENUE AND EXPENSE | | | |
| Funding from the Transport Agency | 1,045 | 396 | 0 |
| Revenue from other activities | 10 | 2,500 | 0 |
| Total expenditure | 1,055 | 3,933 | 0 |
| SURPLUS/(DEFICIT) | 0 | (1,037) | 0 |
| FINANCIAL POSITION | | | |
| Assets | | | |
| Cash and cash equivalents | 815 | 50 | 0 |
| Receivables | 206 | 241 | 0 |
| Property, plant and equipment | 0 | 1,600 | 0 |
| Intangible assets | 0 | 17,400 | 0 |
| | 1,021 | 19,291 | 0 |
| Liabilities | | | |
| Payables | 997 | 215 | 0 |
| Employee entitlements | 24 | 13 | 0 |
| | 1,021 | 228 | 0 |
| Equity | | | |
| Contributed capital | 0 | 20,100 | 0 |
| Accumulated surplus/(deficit) | 0 | (1,037) | 0 |
| NET ASSETS/EQUITY | 0 | 19,063 | 0 |

This supplementary information does not form part of the Transport Agency's audited financial statements.

INDEPENDENT AUDITOR'S REPORT



To the readers of the NZ Transport Agency and group's financial statements and performance information for the year ended 30 June 2015

The Auditor-General is the auditor of NZ Transport Agency (the "Transport Agency") and group, comprising the Transport Agency and its subsidiary. The Auditor-General has appointed me, Brent Manning, using the staff and resources of KPMG, to carry out the audit of the financial statements and the performance information, including the performance information for appropriation, of the group consisting of the Transport Agency and its subsidiary (collectively referred to as the "Group"), on her behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 157 to 186, that comprise the statement of financial position as at 30 June 2015, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 48 to 75 and 99 to 135.

In our opinion:

- the financial statements of the Group:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2015; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity International Public Sector Accounting Standards.
- the performance information:
 - presents fairly, in all material respects, the Group's performance for the year ended 30 June 2015 including:
 - for each class of reportable outputs:
 - its standards of performance achieved as compared with forecasts included in the statement of performance expectations for the financial year;
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year;
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 19 October 2015. 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 the 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 the 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 the performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Group's financial statements and performance information 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 Group'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 performance information within the Transport Agency's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and the performance information; and
- the overall presentation of the financial statements and the 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;
- present fairly the Group's financial position, financial performance and cash flows; and
- present fairly the Group's performance.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

The Board is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error. The Board are also responsible for the publication of the financial statements and the performance information, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

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 a public private partnership procurement review and provided advice in respect of the Transport Agency's Total Assurance Approach. These assignments are compatible with those independence requirements.

Other than the audit and these assignments, we have no relationship with or interests in the Transport Agency.



BRENT MANNING

KPMG

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 2014 to 30 June 2015.

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 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 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 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 Transport Agency has published its approach to giving effect to the scrutiny principle on its website page titled 'How decisions are made' <http://www.nzta.govt.nz/planning-and-investment/our-investments/investment-decisions/how-decisions-are-made/>.

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 2015 indicates the page is accessed on average 11 times a month (2014: 17).

A further link on this page links to a webpage that lists all the funding decisions the Transport Agency has made since August 2008 (prescribed date in the legislation is 1 October 2008) <http://www.nzta.govt.nz/planning-and-investment/our-investments/investment-decisions/board-decisions/>. The page is updated monthly once the previous month's decisions have been confirmed. Monitoring of the webpage during 2015 indicates the page is accessed on average 133 times a month (2014: 151).

The key system used by the Transport Agency is the web-based Transport Investment Online (TIO) system and it 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 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 Transport Agency including any conditions applied to the funding. The system is transparent. Every approved organisation can see the details of their proposals, the Transport Agency's recommendations and decisions and those of any other approved organisation and the 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 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 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 Transport Agency's Audit, Risk and Assurance committee. The Secretary for Transport is an advisor to this committee and attends the meetings
- external audit review as required to verify this report.

INDEPENDENT LIMITED ASSURANCE REPORT



Independent Limited Assurance Report to the Readers of the NZ Transport Agency's Report on Putting the Scrutiny Principle into Practice for the year ended 30 June 2015

We have carried out work to provide limited assurance on whether any matter has come to our attention that would lead us to believe that the report prepared by the New Zealand Transport Agency (the "Transport Agency") on Putting the Scrutiny Principle into Practice (the "Report") on pages 199 and 200 of the annual report does not fairly reflect the implementation of systems and procedures that are required to give the same level of scrutiny to its own proposed activities and combinations of activities, when making decisions in respect of land transport planning and funding under subpart 1 of Part 2 of the Land Transport Management Act 2003 (the Act), as it would give to those proposed by approved organisations.

The Auditor-General is the auditor of the Transport Agency. The Auditor-General has appointed me, Brent Manning, using the staff and resources of KPMG, to carry out this work on her behalf.

Responsibilities of the Directors

The Directors of the Transport Agency are responsible for preparing a report on the implementation of the systems and procedures that are required to give the same level of scrutiny to its own proposed activities and combinations of activities, when making decisions in respect of land transport planning and funding under subpart 1 of Part 2 of the Act, as it would give to those proposed by approved organisations. We refer to this as the "scrutiny principle". The Transport Agency's Report is required to be included in its annual report, and to be fairly stated. Fairly stated, in the context of the Transport Agency's Report, requires that the report is complete, correct and understandable.

Responsibility of the Auditor

Section 96(3) of the Act requires the Auditor-General to conclude whether the Report fairly states the Transport Agency's implementation of the systems and procedures to give effect to the "scrutiny principle" in accordance with section 96(1)(d)(ii) of the Act.

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ((ISAE (NZ) 3000 (Revised)) in order to state whether anything has come to our attention that would indicate that the systems and procedures, as described in the Report, have not, in all material respects, been consistently applied in order to give effect to the "scrutiny principle" for the year ended 30 June 2015.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for implementing the systems and procedures associated with implementing the "scrutiny principle", and applying analytical and other limited assurance procedures. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement or an audit conducted in accordance with the Auditor-General's Auditing Standards. Consequently we do not seek to obtain evidence that allows us to provide the higher level of assurance afforded by an audit. Accordingly, we do not express a reasonable assurance or audit opinion.

Inherent limitations

Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our engagement is not designed to detect all weaknesses in the implementation of the systems and procedures required to give effect to the "scrutiny" principle, as the engagement has not been performed continuously throughout the period and the testing performed was undertaken on a sample basis.

The limited assurance conclusion expressed in this report has been formed on the above basis.

Independence

When carrying out the limited assurance engagement we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. Our firm has also provided audit services to the Transport Agency. Subject to certain restrictions, partners and employees of our firm may also deal with the Transport Agency on normal terms within the ordinary course of trading activities of the business of the Transport Agency. These matters have not impaired our independence as assurance providers of the Transport Agency for this engagement. We have no other relationship with, or interests in, the Transport Agency.

Conclusion

Based on our limited assurance engagement, which is not a reasonable assurance engagement or an audit, we have not become aware of any material matter that would lead us to believe that the Report prepared by the Transport Agency on the implementation of systems and procedures to give effect to the "scrutiny principle", on pages 199 and 200, for the year ended 30 June 2015 is not fairly stated.

**BRENT MANNING**

KPMG

ON BEHALF OF THE AUDITOR-GENERAL
WELLINGTON, NEW ZEALAND