

NATIONAL LAND TRANSPORT FUND

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 2016



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THE NZ TRANSPORT AGENCY'S INVESTMENT ROLE

Under the Land Transport Management Act 2003, the NZ Transport Agency is responsible for allocating and investing the National Land Transport Fund and preparing the National Land Transport Programme. The Transport Agency is required to prepare an annual report on the National Land Transport Fund, including how the funding of activities under the National Land Transport Programme contributes to the Government Policy Statement on Land Transport.

The National Land Transport Fund is a dedicated fund for maintaining and developing local and national transport services. The National Land Transport Programme is a three-year programme of transport activities the Transport Agency intends to invest in using the National Land Transport Fund or co-invest in along with funds from local government and the Crown to give effect to the Government Policy Statement on Land Transport.

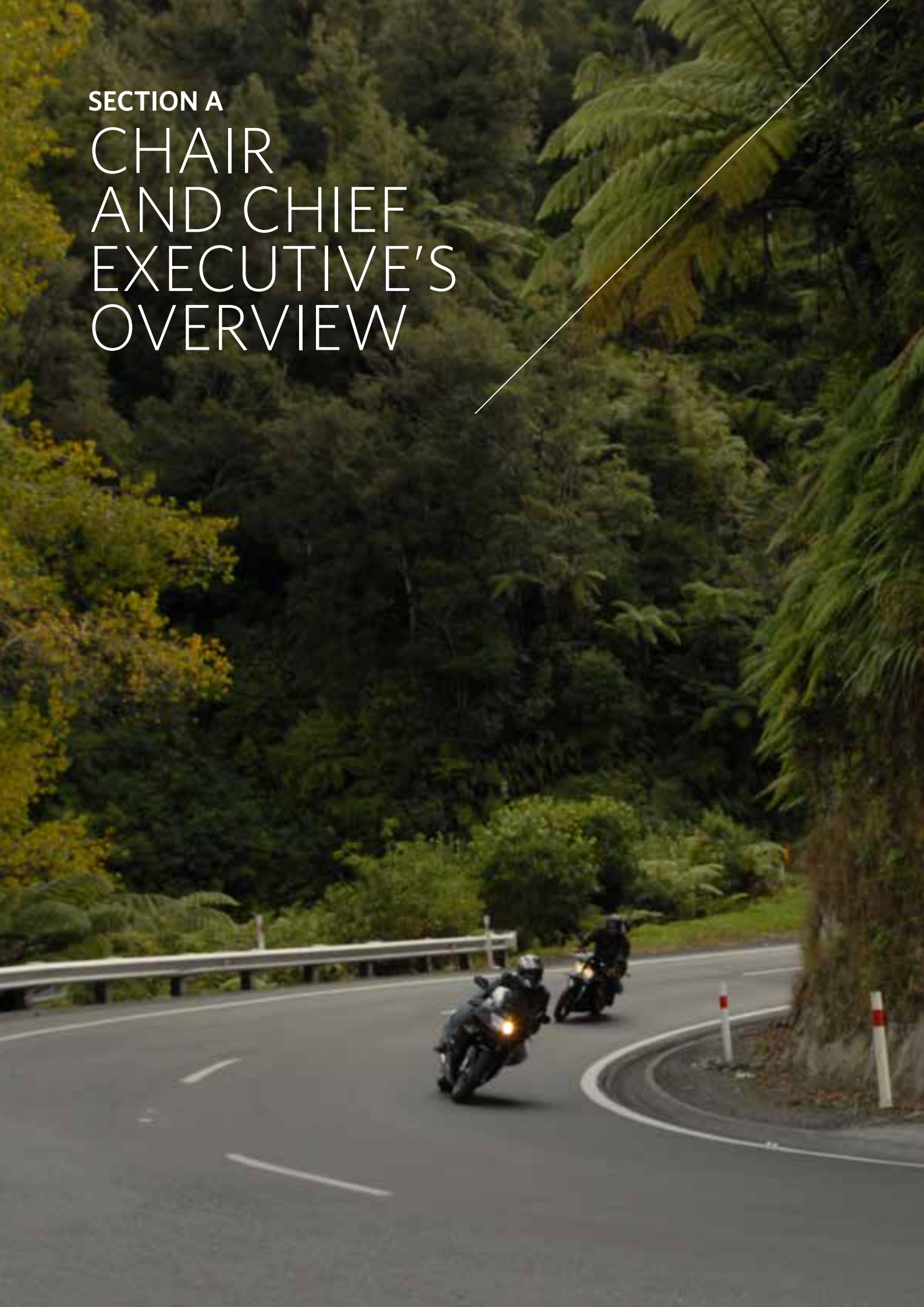
The activities in the National Land Transport Programme are planned, invested in and delivered in partnership between the Transport Agency, local authorities, the NZ Police and other transport sector stakeholders. The outcomes and achievements presented in this report are the result of a collective investment in land transport and the efforts of all those delivering the activities in and around the National Land Transport Programme.

Where the Transport Agency is funded to deliver activities in the National Land Transport Programme, performance is also reported in the *NZ Transport Agency annual report*.

For more detail on the land transport investment system, see section E of this report (page 257).

SECTION A

CHAIR AND CHIEF EXECUTIVE'S OVERVIEW



INVESTING IN TRANSPORT SOLUTIONS FOR NEW ZEALAND'S FUTURE

This year is the first of three to be delivered under the 2015–18 National Land Transport Programme: the largest and most ambitious yet. The \$13.9 billion forecast expenditure for 2015–18 marks a 15 percent increase compared with the previous 2012–15 programme and includes a direct Crown contribution of \$226 million to accelerate the delivery of regionally important state highways and improve cycling networks in urban areas, as well as borrowing of \$338 million from the Government to advance critical state highway projects in Auckland.

In 2015/16, total investment from the National Land Transport Fund was \$3.3 billion, representing 96 percent of the published National Land Transport Programme. Of the total estimated 2015/16 National Land Transport Programme investment of \$4.5 billion, 53 percent was invested in economic growth and productivity outcomes, 22 percent in safety outcomes and 25 percent in travel choice, health, environment and resilience outcomes.

State highway programmes, including the Roads of National Significance, made significant progress this year with investment above planned levels. On the Waikato Expressway, for example, the Cambridge section was opened ahead of schedule and construction began on the Hamilton and Huntly sections. The expressway will be the key strategic transport corridor for the Waikato region, connecting Auckland to the agricultural and business centres of Waikato and Bay of Plenty.

Work to reinstate earthquake-damaged roads in Christchurch is coming to an end, but the city's growth continues to be supported through investment in the Christchurch Roads of National Significance programme and local authority activities. This year, funding was confirmed for stage 2 of the Christchurch Southern Motorway, which aims to address increased travel demand and congestion in the south of Christchurch and Canterbury.



\$3.3
BILLION NLTF
INVESTMENT

53%

INVESTED IN
ECONOMIC
GROWTH AND
PRODUCTIVITY
OUTCOMES*



Auckland's growth has and will continue to require significant investment to meet the city's transport needs. Investment in transport planning activities this year has supported extensive collaboration between central and local government on the Auckland Transport Alignment Project and the Transport for Urban Growth project.

Outside the major metropolitan areas, under a new programme of regional improvements, investment was focused on developing business cases to increase the safety, resilience and efficiency of the regional state highway network.

Investment in improving local roads has been lower than expected; gaining momentum over the next two years will be important to achieve the current forecasts. Most local road improvements delivered this year were in Auckland, but significant improvements were made in other areas, for example, the construction of the Hamilton Ring Road and improvements to Otago Peninsula coast road for vehicles and to create space for cycling.

*National Land Transport Programme investment to outcomes.

The Urban Cycleways Programme boosted walking and cycling activity this year. Investments made to expand and improve New Zealand’s urban cycling network saw nine of the 54 Urban Cycleways Programme projects completed, with a further 13 under construction and the remainder in the investigation or design stage.

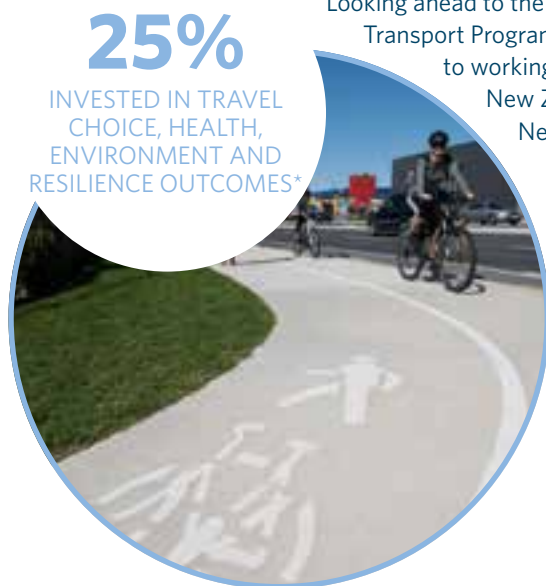
To support more efficient and attractive public transport networks, investment continued in public transport infrastructure, especially in Auckland. Key public transport projects that started in 2015/16 include Auckland’s Otahuhu bus interchange and an upgrade to the Half Moon Bay ferry terminal. National public transport patronage grew 2.6 percent over the year.

Targeted investment in safety outcomes remains critical to reducing the number of deaths and serious injuries on New Zealand’s roads, which increased over the past two years. A \$550 million increase in funding is being applied to achieve road safety outcomes over the 2015–18 National Land Transport Programme. Improvements to and maintenance of roads and cycling infrastructure, road policing activities and road safety promotion are all being delivered in line with the Safer Journeys strategy and the Safe System approach to create a safe road system increasingly free of death and serious injury.



22%
INVESTED IN
SAFETY
OUTCOMES*

Looking ahead to the remaining two years of the 2015–18 National Land Transport Programme and beyond, the Transport Agency is committed to working with its investment partners to improve New Zealand’s transport system for all users, in all of New Zealand’s regions and cities.



25%
INVESTED IN TRAVEL
CHOICE, HEALTH,
ENVIRONMENT AND
RESILIENCE OUTCOMES*

CHRIS MOLLER
Chair
NZ Transport Agency

FERGUS GAMMIE
Chief Executive
NZ Transport Agency

*National Land Transport Programme investment to outcomes.

TRANSPARENT AND ROBUST INVESTMENT DECISIONS

The Transport Agency operates in a transparent and robust way to invest the National Land Transport Fund. An investment assessment framework prioritises investment in activities that give effect to the outcomes sought in the Government Policy Statement on Land Transport and, where the Transport Agency plans to invest in its own activities, the same level of scrutiny is applied to its investment proposals as to those put forward by other organisations.¹

To ensure the National Land Transport Fund is sustainable over the longer term and that investment levels can meet the expenditure ranges within the Government Policy Statement on Land Transport, the Transport Agency has developed a 10-year view of revenue and expenditure.² Expenditure from the National Land Transport Fund is balanced with the revenue expected from fuel excise duty, road user charges, motor vehicle registry fees and state highway surplus property sales and property income.

The 2015-18 National Land Transport Programme brings in two initiatives to improve transport investment and decision-making and deliver increased value for money. Funding assistance rates for local government activities have been reviewed and updated to better reflect the needs of rural and provincial areas and to make the system fairer between different types of transport activities. The One Network Road Classification is being embedded to establish consistent, fit-for-purpose levels of service for all roads in every part of the country. This enables consistent and fair investment decisions in partnership with local councils for the funding of road maintenance activities.

¹ A report on the scrutiny principle (including assurance information) is included in the *NZ Transport Agency annual report* (pages 149).

² Available at www.nzta.govt.nz/planning-and-investment/2015-18-national-land-transport-programme/about-the-2015-18-national-land-transport-programme/looking-forward-a-ten-year-view/

SECTION B
INVESTMENT
SUMMARY



PROGRESS ON THE 2015-18 NATIONAL LAND TRANSPORT PROGRAMME

2015-18 NATIONAL LAND TRANSPORT PROGRAMME

The 2015-18 National Land Transport Programme contains all land transport activities, including public transport, road maintenance and improvement, and walking and cycling activities, that the NZ Transport Agency expects funding over the period.¹ The three-year programme represents a \$13.9 billion investment by the Transport Agency from the National Land Transport Fund, by local authorities, and by the Government through Crown investments and loans in New Zealand's land transport system.

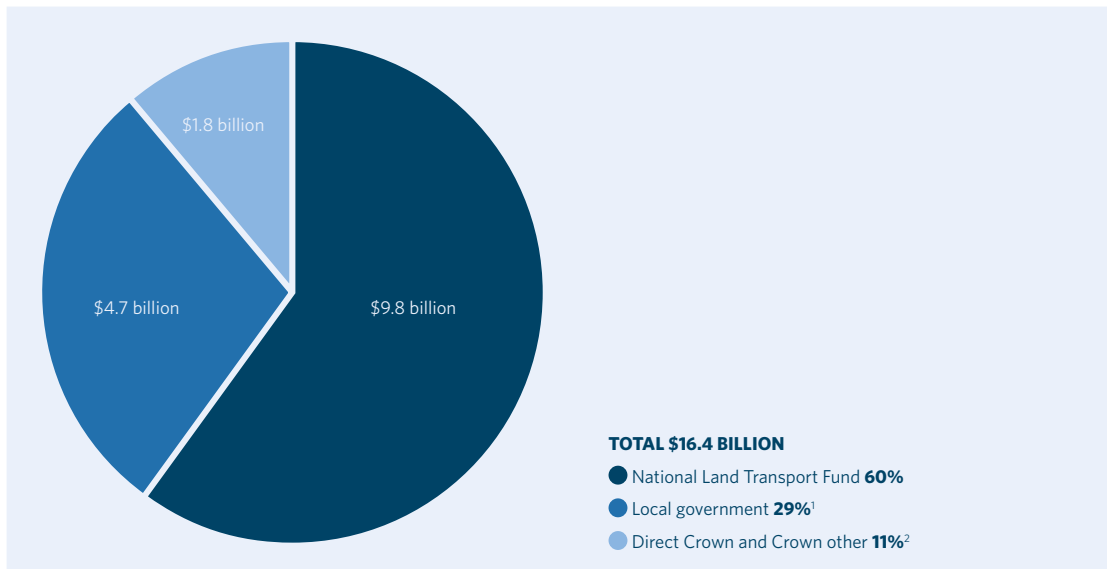
The programme focuses on four themes, reflecting the strategic direction set by the Government Policy Statement on Land Transport and underpinned by the continued focus on value for money:

- encouraging economic growth and productivity
- making journeys safer
- shaping smart transport choices
- effective and resilient networks.

Estimated total public sector investment

Estimated total investment in the land transport system over the 2015-18 National Land Transport Programme, shown in figure 1, is \$16.4 billion. Of this, \$9.8 billion is from the National Land Transport Fund. A total of \$4.7 billion comes from local government investment through the National Land Transport Programme as well as unsubsidised spending (for example, works paid for by local rates). Direct Crown funding, including \$226 million for the Accelerated Regional Transport Programme and the Urban Cycleways Programme, and investment by the Government in rail and other transport initiatives, makes up \$1.8 billion.

FIGURE 1 – SUMMARY OF ESTIMATED TOTAL PUBLIC SECTOR INVESTMENT IN LAND TRANSPORT OVER 2015-18



¹ Includes subsidised and unsubsidised estimates of expenditure.

² Includes Crown spending on the Accelerated Regional Transport Programme, concessionary payments for the SuperGold card, funding for the Crash Analysis System and the Urban Cycleways Programme. Other refers to investment in rail, estimates of spending by the Ministry of Education on school buses and ACC outlays on 'conveyance for treatment'.

USE OF THE NATIONAL LAND TRANSPORT FUND AGAINST PLAN

Overall National Land Transport Fund investment at \$3.3 billion in 2015/16 was 4 percent below the planned level in the published National Land Transport Programme. While expenditure was above or below plan in several activity classes, total investment over 2015-18 is expected to be very close to the published \$13.9 billion.

Above-plan expenditure in state highway improvements continued the momentum of the 2012-15 programme on the Roads of National Significance and other state highway projects. These projects are being advanced with funding freed up from lower spending in other activity classes. They will have a positive impact on road safety and resilience and New Zealand's economic growth and productivity.

Expenditure in state highway maintenance was below plan, reflecting lower input costs, for example from falling oil prices,² optimisation of the Transport Agency's renewals programme (the good condition of the road network means high cost renewals can be delayed to later years), and fewer events requiring emergency works funding. Overall, planned levels of service have been maintained at lower cost, freeing up funds for investment in other activity classes.

Regional improvements is a new activity class in the 2015-18 National Land Transport Programme, which aims to progress important roading infrastructure outside metropolitan areas. Regional improvements expenditure for 2015/16 was below plan, reflecting the time and effort required to establish and develop these projects. However, as construction activity increases over the next two years, the Transport Agency is confident that funds applied to regional improvements will be close to plan at the end of the National Land Transport Programme.

Expenditure in local road improvements was below plan despite forecasts by local authorities well above the published National Land Transport Programme. It appears the focus of many local authorities has shifted from road improvements to other priorities. The Transport Agency will work more closely with local authorities to improve the level of investment over the next two years.

Above-plan expenditure in walking and cycling improvements was driven by the successful delivery of state highway walking and cycling projects with strong support from local authorities and increased investment in cycling from the National Land Transport Fund (under the Urban Cycleways Programme). Expenditure from the Urban Cycleways Fund, a Crown fund established by the Government to accelerate urban cycling projects, was below plan for 2015/16, but is expected to increase over the next two years.

More detail on these variations is provided under the use of the National Land Transport Fund (page 201).

DELIVERING ON THE GPS OUTCOMES

When developing the 2015-18 National Land Transport Programme, the Transport Agency estimated the proportion of planned total expenditure (from the National Land Transport Fund, local government and the Crown) across three groups of outcomes that support the direction in the Government Policy Statement on Land Transport:

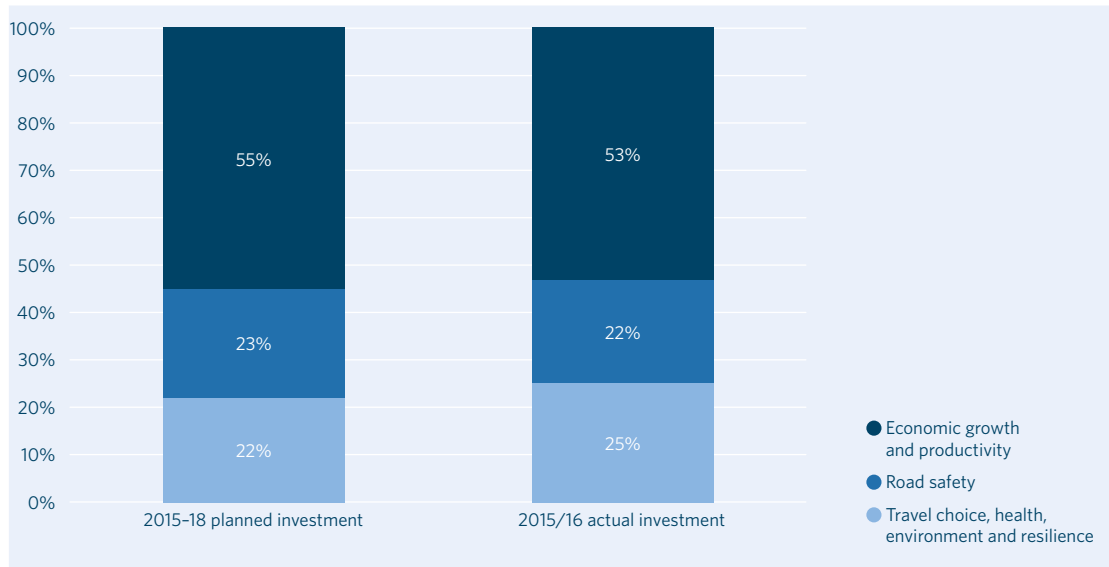
- economic growth and productivity
- road safety
- travel choice, health, environment and resilience.

Despite the National Land Transport Fund expenditure variations, the proportion of outcomes invested in during 2015/16 is very close to the published National Land Transport Programme (see figure 2).

More detail on investments that have contributed to these outcomes is provided in the regional highlights (pages 207-232).

² Refer to operating assumptions in appendix 1 of the Transport Agency annual report, page 174.

FIGURE 2 - 2015-18 NATIONAL LAND TRANSPORT PROGRAMME PLANNED INVESTMENT AND 2015/16 ACTUAL INVESTMENT IN TARGETED OUTCOMES



Economic growth and productivity

Around 53 percent of National Land Transport Programme expenditure contributed to economic growth and productivity outcomes in 2015/16, close to the planned 55 percent across the three years of the National Land Transport Programme.

A wide range of transport activities support New Zealand's economic growth and productivity. State highways and local roads, in particular, by providing access to markets, employment and business areas.

Under the Roads of National Significance programme, interregional state highway journeys that are critical to supporting exports, freight and tourism progressed, including the Waikato Expressway, the Wellington Northern Corridor and the Christchurch Northern Corridor. These projects and Ara Tūhono – Pūhoi to Wellsford contributed to the upgrade of strategic freight routes that will improve the safety and efficiency of the main road connections between freight destinations. Considerable planning effort was applied to investigating the transport issues and needs of other interregional routes through the North and South Islands to inform the 2018-21 National Land Transport Programme.

Investments in the state highway and local road network also enabled the uptake of high productivity motor vehicles (including 50MAX), with 32 percent of all heavy truck trips undertaken by these safer, cleaner vehicles. Through the Transport Agency's partnership with KiwiRail, development began on a framework to improve the integration of the road and rail networks.

State highway projects in the Crown-funded Accelerated Regional Transport Programme progressed as planned, and investment began this year in the new regional improvements activity class. Residual funds in the legacy R funds scheme (regionally distributed funds collected from fuel excise duty and road user charges between 2006 and 2015) are also being applied to regional improvement projects with a focus on Gisborne, Hawke's Bay, Manawatū-Whanganui, West Coast and Southland. Nelson's R funds are intended to be spent in the 2018-21 National Land Transport Programme.

Projects under the Accelerated Auckland Transport Programme continued, and the Transport Agency focused on responding to Auckland's population growth through the delivery of key transport projects, such as the Waterview Tunnel, and through participation in major planning initiatives. The Transport Agency supported the development of plans for the Auckland Transport Alignment Project and Transport for Future Urban Growth - initiatives that aim to meet the future transport needs of the rapidly growing city and require strong collaboration between central and local government.

Emergency works to reinstate transport infrastructure damaged in the Canterbury earthquake and subsequent aftershocks are drawing to a close in this National Land Transport Programme. The National Land Transport Fund contributed just over \$50 million in 2015/16, with a further \$23.5 million from Crown debt funding that will be repaid from the National Land Transport Fund. The Transport Agency supported growth in Christchurch by delivering the Christchurch Roads of National Significance programme and is funding an increased programme of local authority maintenance and improvement activities.

The Government Policy Statement on Land Transport notes the importance of maintaining state highways and local roads while improving returns from road maintenance expenditure. The funding allocated to road maintenance programmes is guided by the One Network Road Classification system. This classification system will assist in directing investment to where it is needed most to achieve the right level of service for each road classification, based on robust evidence in business cases. This approach is driving efficiencies in road maintenance programmes, with savings expected on the state highway network over the 2015-18 National Land Transport Programme.

Road safety

Approximately 22 percent of National Land Transport Fund expenditure contributed to road safety outcomes in 2015/16, close to the planned 23 percent across the three years of the National Land Transport Programme. While this proportion is similar to the 2012-15 National Land Transport Programme, the larger size of the 2015-18 programme means that a \$550 million increase in funding is being applied to achieve road safety outcomes over the three years. This investment remains critical to supporting a reduction in the number of deaths and serious injuries on our roads, which have increased during the last two years.

Infrastructure improvements delivered by the Transport Agency and local authorities under the Safer Journeys Action Plan 2016-2020 continue to focus on creating safer roads and roadsides. These activities range from major roading projects such as the Waikato Expressway to urban intersection improvements to low-cost improvements such as rumble strips.

The ongoing maintenance of roads and their safety features is a high priority within state highway and local road maintenance programmes. Low expenditure in local road improvements could mean some safety initiatives are not delivered as expected. However, much of local authorities' safety-focused activity under the National Land Transport Programme is delivered through their minor improvements programmes and expenditure in these programmes was 97 percent of the published National Land Transport Programme.

Investment in cycling also aims to increase the safety of users through better cycle networks and by encouraging more people to ride bicycles more often and all road users to share the road.

The Road Policing Programme is a cornerstone of maintaining and improving road safety. Considerable effort was made leading into the 2015-18 National Land Transport Programme to ensure that the Road Policing Programme had a clear focus on reducing deaths and serious injuries from road crashes in a way that provides value for money, for example, by exploring greater use of technology and innovative ways of working.

Investment in road safety promotion focuses on improving road user behaviour through advertising, education and promotion. The Transport Agency continues to influence behaviour according to the Safe System principles, including safe speeds and safe road use. While some targeted and collaborative initiatives are being delivered through the country, opportunities need to be explored to develop a more coordinated and effective approach to road safety promotion for the 2018-21 National Land Transport Programme.

Travel choice, health, environment and resilience

Around 25 percent of National Land Transport Fund expenditure contributed to travel choice, health, environment and resilience outcomes in 2015/16, slightly more than the planned 22 percent across the three years of the National Land Transport Programme.

Projects delivered under the walking and cycling improvements activity class, for example, have provided more and better facilities and improved the safety of users, contributing to travel choices and health in urban areas.

Investment in public transport continued to implement the Public Transport Operating Model, a new framework for the provision of urban bus and ferry services. The model aims to provide a more competitive market place for public transport services and to optimise how services are delivered to maximise their effectiveness and efficiency.

In public transport infrastructure, investment focused on supporting more efficient and attractive public transport networks, especially in Auckland. Key public transport projects started in 2015/16 include Auckland's Otahuhu bus interchange and an upgrade to the Half Moon Bay ferry terminal. Public transport patronage grew 2.6 percent over the year, driven largely by rail patronage growth in Auckland and Wellington.

Resilience is an outcome that occurs from a wide variety of activities delivered this year, including:

- joint traffic operations centres that provide traffic flow resilience by optimising the useful capacity of busy and congested networks
- maintenance and renewal activities that ensure critical links such as bridges and road surfaces are resilient for journey reliability
- enforcement of heavy vehicle axle weights that protect pavement and structural integrity and provide journey resilience
- activities that improve resilience by proactively preventing or mitigating the impact of damaging events, for example, river bank protection works
- activities that provide or improve alternative routes, for example, the Saddle Road alternative to Manawatū Gorge (State Highway 3), and the Western Ring Route as a strategic alternative to State Highway 1 in Auckland.

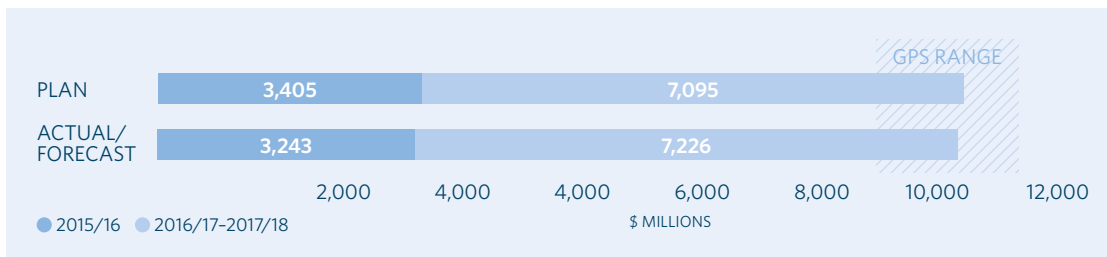
Analysis of the road improvement activities in the 2015-18 National Land Transport Programme showed that while only 2 percent of projects targeted resilience as a primary outcome, 52 percent identified resilience as a secondary outcome.

All land transport activities are planned and delivered in a way that considers the surrounding environment and to mitigate adverse effects. Improved environmental outcomes can also result from investment in public transport, freight productivity, easing congestion and improving journey-time predictability and making cycling a safer and more attractive transport choice and from transport projects that make our cities more accessible, safe and easy to live in.

USE OF THE NATIONAL LAND TRANSPORT FUND

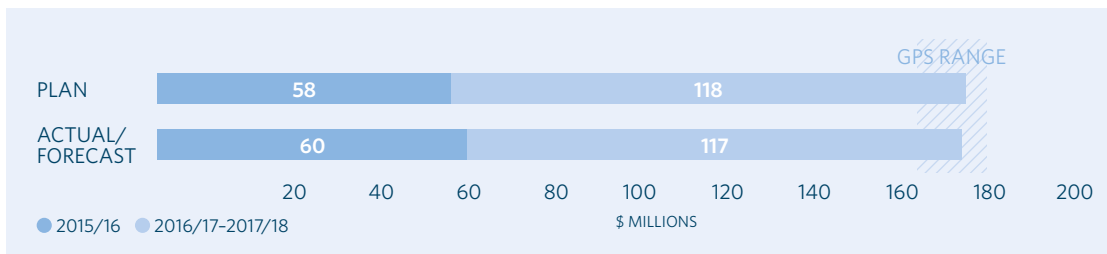
Following are the investments made from the National Land Transport Fund for the year to 30 June 2016 against the planned level of funds allocation in the published 2015–18 National Land Transport Programme.³ These figures do not account for National Land Transport Programme funds contributed by local authorities or other sources, including Crown grants and loans and repayment of Crown loans is included. Additionally, the figures take a cash perspective on the use of funds and exclude non-cash items such as depreciation and book value movements.

OVERALL USE OF THE FUND



Overall, the use of the National Land Transport Fund at the end of 2015/16 was 95 percent of the planned 2015/16 expenditure in the published National Land Transport Programme. By the end of the 2015–18 programme, National Land Transport Fund expenditure is expected to be very close to the published \$10.5 billion.

USE OF THE FUND BY ACTIVITY CLASS

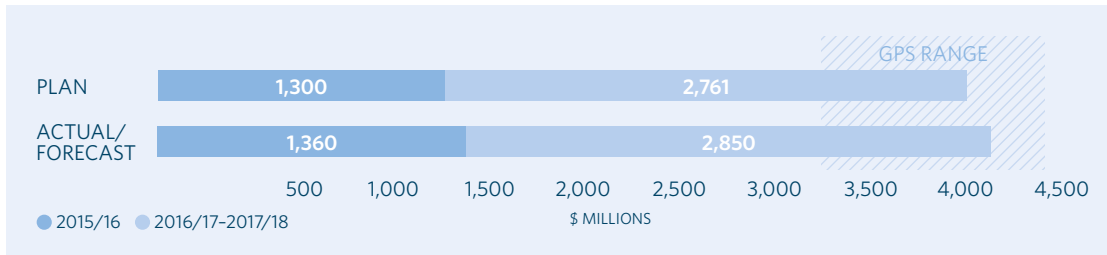


Investment management

Funding applied to investment management activities at the end of 2015/16 was 6 percent above the expenditure in the published National Land Transport Programme. This is due to transport planning activities, which surged ahead this year as resources were directed to planning for Auckland’s growth, developing interregional programme business cases to support regional economic development, and progressing the Road Efficiency Group’s work to improve activity management planning. Transport planning work is expected to ease back over the next two years with the spend slightly ahead of plan by the end of the National Land Transport Programme, but still within the funding range in the Government Policy Statement on Land Transport.

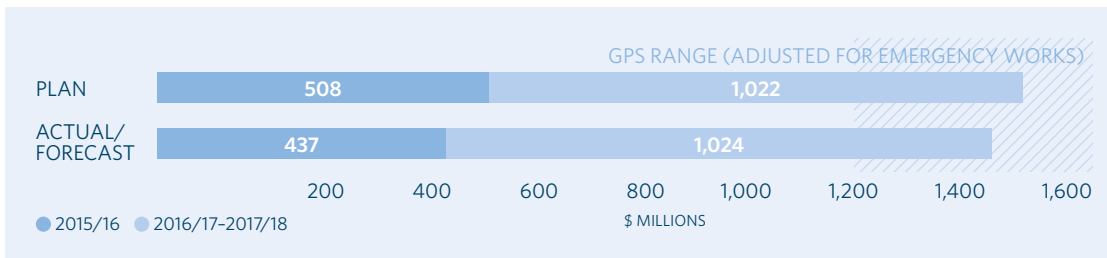
³ Available at www.nzta.govt.nz/planning-and-investment/2015-18-national-land-transport-programme/

State highway improvements



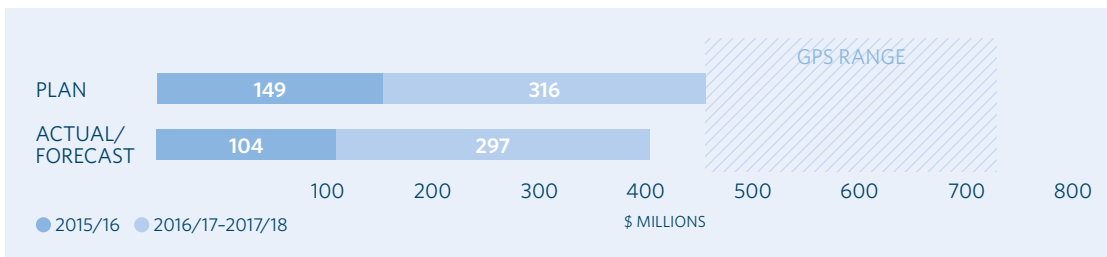
Funding applied to state highway improvements in 2015/16 was 4 percent above the amount in the published National Land Transport Programme, reflecting good momentum delivering major state highway projects, including the Roads of National Significance. For the remaining two years of the programme, funding freed up from lower than planned spending in other activity classes is being directed to high-priority activities in this activity class, and expenditure is expected to be around 3 percent higher than planned.

State highway maintenance (excluding emergency works)



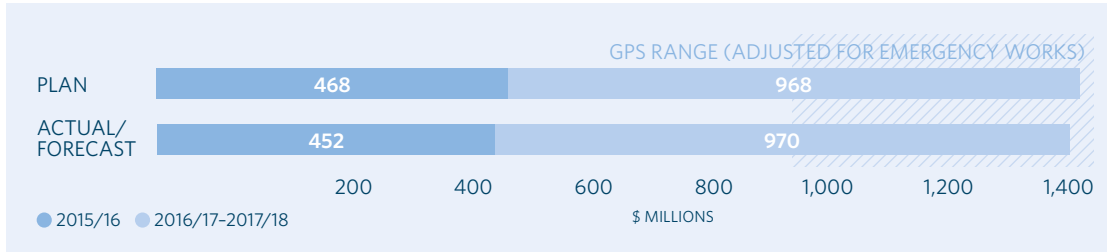
Expenditure on state highway maintenance at the end of 2015/16 was 14 percent below the expenditure in the published National Land Transport Programme. This is largely the result of optimising the timing of high cost renewal activities (the good condition of the road network means renewals can be delayed to later years), efficiencies gained through network operating contracts and lower input costs, especially oil prices. While the use of funds is expected to be higher in the next two years, the forecast assumes that savings from this year will be carried through to the end of the National Land Transport Programme.

Local road improvements



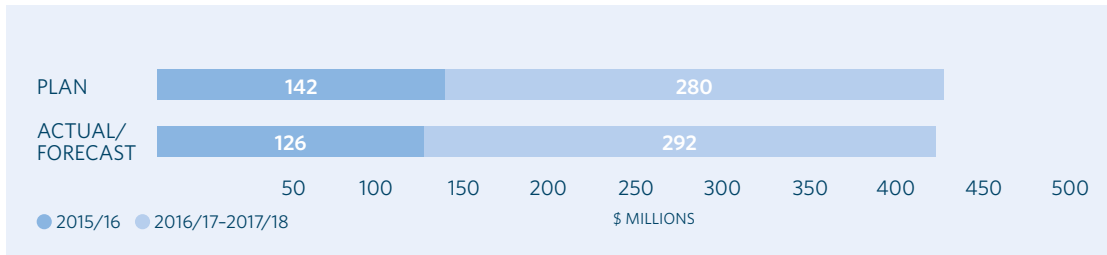
Expenditure on local road improvements at the end of 2015/16 was 30 percent below the expenditure in the published National Land Transport Programme. Toward the end of the 2012-15 programme, local government funding for road improvements dropped substantially, due to increased focus on other priorities such as three waters infrastructure and, in Auckland, the City Rail Link. Because of this lower spend, the funding allocation for 2015-18 was set at the bottom of the Government Policy Statement range. Some ground should be made in the next two years as large projects in Auckland and Christchurch progress. Current forecasts of funding requirements from local authorities exceed the Government Policy Statement minimum, but based on historic expenditure, gaining momentum to spend within the range will prove challenging.

Local road maintenance (excluding emergency works)



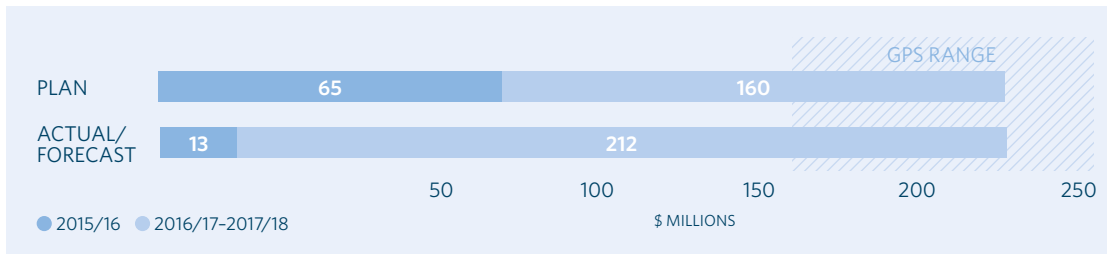
Funding applied to local road maintenance were 3 percent below the amount published in the National Land Transport Programme, reflecting lower input costs and procurement efficiencies. Most 2015/16 savings are expected to carry through to the end of the programme. However, a new methodology for assessing the impact of dust from unsealed roads on people’s wellbeing could lead to an increase in local authorities’ spending on maintenance programmes to introduce dust mitigation.

Emergency works on state highways and local roads



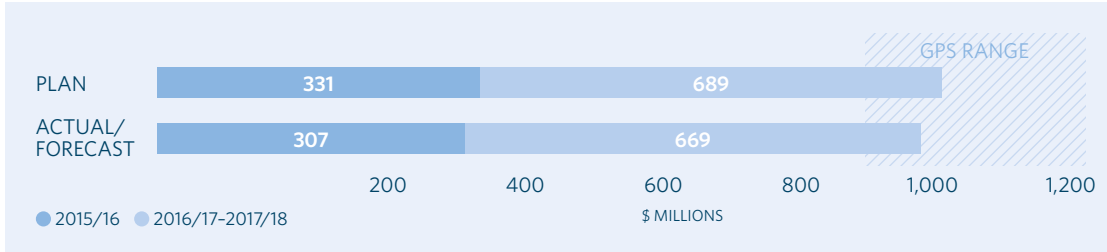
Emergency works expenditure at the end of 2015/16 was 12 percent below the expenditure published in the National Land Transport Programme because the impact of emergency events was lower than expected. Local road claims were above the provision made in the National Land Transport Programme by around \$11 million, mainly due to the June 2015 Whanganui-Taranaki floods. State highway expenditure, at around \$25 million, was the lowest level of emergency works expenditure for 10 years. While some state highways were affected by the Whanganui-Taranaki floods, elsewhere in the country expenditure was lower than expected in part, because of a prolonged summer.

Regional improvements



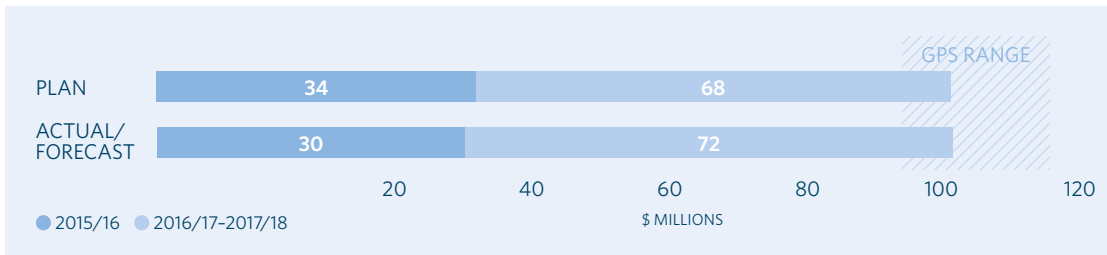
Regional improvements is a new activity class in this National Land Transport Programme, all of which is planned to be delivered on the state highway network. Delivery started slowly with only 20 percent of planned expenditure in 2015/16, reflecting the time and effort required to establish and develop these projects. While expenditure is expected to increase with construction activity over the next two years, it will be a challenge to deliver to the target spend of \$225 million set for the 2015-18 National Land Transport Programme.

Public transport



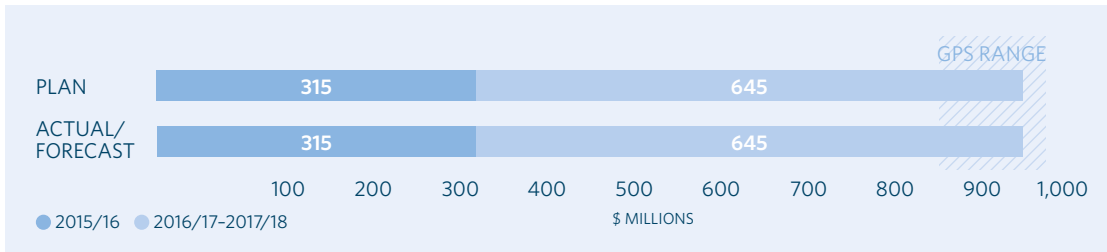
Overall use of public transport funds for 2015/16 was 7 percent below the amount in the published National Land Transport Programme. Regional authority use of funds on public transport services was below the National Land Transport Programme plan, reflecting lower than planned input costs, for example, fuel costs. Expenditure on public transport infrastructure and activities that the Transport Agency delivers nationally was also below plan, in part due to a change in which technology to use to deliver a national integrated ticketing scheme for public transport.

Road safety promotion



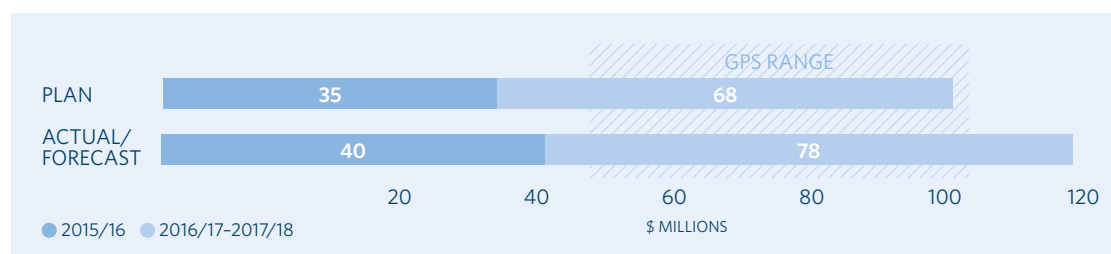
At the end of 2015/16, expenditure on road safety promotion was 11 percent below expenditure in the published National Land Transport Programme, mostly because the Transport Agency spent 15 percent less than its funding allocation. This is due, in part, to delays producing advertising campaigns. Some local authorities are delivering their road safety promotion programmes more slowly than planned, for example, Whakatāne District Council and Gisborne District Council, with local authorities' expenditure 9 percent below expenditure in the the published National Land Transport Programme. Delivery of programmes is expected to catch up during the next two years, and the position at the end of the 2015-18 National Land Transport Programme should be close to the published plan.

Road policing



Funding applied to the Road Policing Programme is the same as in the published National Land Transport Programme, and expenditure at the end of the programme is forecast at the published level of \$960 million.

Walking and cycling improvements



Walking and cycling expenditure was 26 percent above expenditure in the published National Land Transport Programme at the end of 2015/16, largely due to a successful year delivering state highway walking and cycling projects.

Investment in this activity class will continue to deliver on the Government's objective to accelerate the delivery of cycling networks in urban areas. Expenditure at the end of the National Land Transport Programme is expected to be 18 percent above plan, which was set before fully appreciating the level of investment required in the Urban Cycleways Programme.

The forecast expenditure above the Government Policy Statement range is mainly due to requiring more from the National Land Transport Fund to deliver the Urban Cycleways Programme than initially planned, a substantial carryover of projects from the 2012-15 National Land Transport Programme, and high priority projects from the 2015-18 programme requiring funding from the National Land Transport Fund.

LOOKING AHEAD

Revenue forecast

Actual revenue into the National Land Transport Fund during 2015/16 was \$161 million higher than forecast in the published National Land Transport Programme, owing to:

- legal rulings made on tax payable on bio-additives and oil pipeline slops
- Transport Agency customers purchasing vehicle licences for longer periods due to reductions in ACC levies
- increases in travel volumes, including freight, leading to higher fuel consumption and income from road user charges.⁴

Some of these are one-off increases that will not result in any material increase in revenue for the remainder of the National Land Transport Programme.

Overall, forecast revenue for the 2015-18 National Land Transport Programme is very close to the published figure. A conservative approach is being taken to forecasting the balance of the programme and the higher than expected volume increases in 2015/16 have not been factored into the revenue forecast for the next two years. Higher 2015/16 revenue offsets the impact of the Government's decision not to increase fuel excise duty and road user charges rates in 2016/17 and 2017/18.

⁴ Refer to the operating assumptions in appendix 1 of the Transport Agency annual report, page 174.

Expenditure forecast

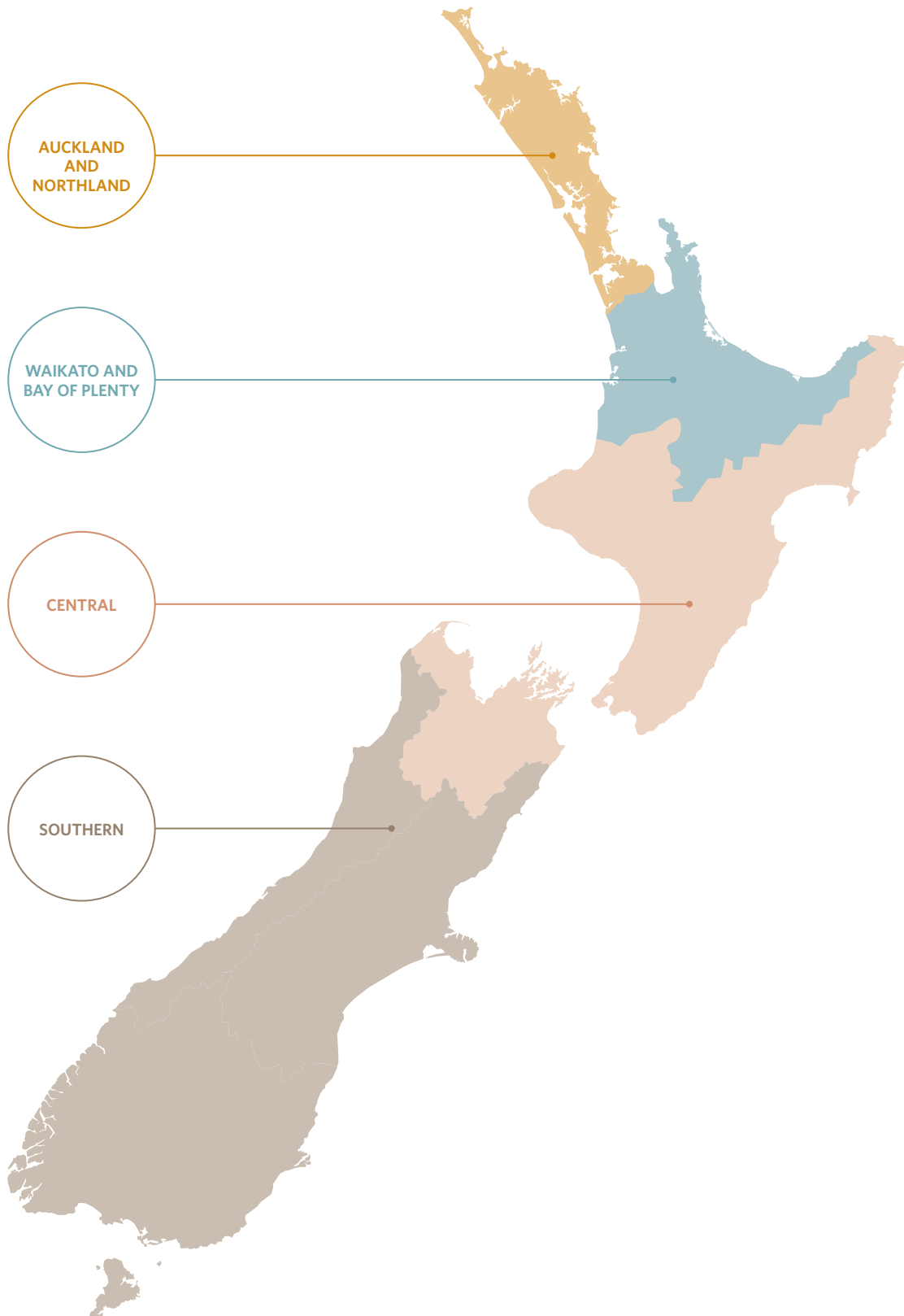
Forecast expenditure for the National Land Transport Fund over the 2015-18 National Land Transport Programme remains very close to the \$10.5 billion shown in the published programme. Forecast expenditure for the National Land Transport Programme, however, reduces from \$13.9 billion in the published programme to \$13.7 billion. This is due to changes to the forecast expenditure between activity classes, for example, lower forecast expenditure on local roads.

The National Land Transport Fund short-term debt facility, which is in place to assist the Transport Agency to manage short-term cash-flows, was not required in 2016 given higher revenue and lower expenditure than planned. The National Land Transport Programme forecast shows that the facility may not be required over the next two years either, although this will depend on actual revenue flows and expenditure, particularly in the activity classes delivered by local authorities, as well as extreme weather or other emergency events.

If the short-term debt facility is not drawn down during the current National Land Transport Programme, this would put the National Land Transport Fund in a reasonably strong position leading into the 2018-21 programme, which is expected to require a substantial increase in investment to respond to Auckland and regional growth.

REGIONAL HIGHLIGHTS

The National Land Transport Fund made targeted investments across New Zealand through the 2015-18 National Land Transport Programme.



AUCKLAND AND NORTHLAND

The Transport Agency's Auckland and Northland region covers the top of the North Island – everything north of the Bombay Hills.



NORTHLAND



WHERE 2015–18 INVESTMENT IS FOCUSED

The 2015–18 National Land Transport Programme's investment in Northland is focused on contributing to the region's economic growth, improving transport network resilience and accessibility, and improving road safety performance, as well as growing public transport and encouraging cycling and walking.

This investment includes:

- delivering work and future plans to improve the journey between Auckland and Northland to deliver more predictable journey times and to address ongoing safety issues
- maintaining a resilient network that can reliably provide for the transport needs of Northlanders during regular severe weather events, which continues to be a priority for the region
- increasing investment significantly in road maintenance across state highway and local road networks, in line with national standards and levels of service.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Continued improvements to the State Highway 1 Whangarei corridor: improvements totalling \$35 million, including four-laning part of the highway, aim to make this trip safer and achieve more reliable journey times.

Improved safety and journey time on Northland roads: the suite of contributing projects includes State Highway 1 Loop Road improvements (delivered under the Accelerated Regional Transport Programme), Matakohē Bridges (both subject to programming), the Akerama Curves realignment, and extensive work undertaken on the northern side of the Brynderwyn Hills.

Progressing the declaration of Mangakahia Road as a state highway: completion of this project will remove the financial burden from the local councils and empower the Transport Agency to support economic growth by meeting freight demands and providing accessibility in a safe and resilient manner.

Investing an extra \$2.9 million from the Government's Urban Cycleways Fund to advance completion of the Kamo Route: this route will provide a safer connection for school children travelling through the suburb into the city centre. The extra investment will allow the Kamo Route to be delivered sooner than expected.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2015/16 ACTUAL \$000	REGIONAL STATISTICS*
Northland total	102,612	12,700 LANE KMS of local roads and state highways maintained
State highway improvements	24,482	
State highway maintenance	29,599	
Local road improvements	6,740	30% INCREASE in deaths and serious injuries in road crashes (from 136 to 177)
Local road maintenance	36,740	
Regional improvements	1,065	
Public transport infrastructure	76	2% INCREASE in trips taken on public transport (from 312,821 to 318,249)
Public transport services	717	
Road safety, investment management and walking and cycling	3,196	

*All percentage figures are for 2015/16 compared with 2014/15. Road safety figures are for the year ended 31 March and based on latest available data.

AUCKLAND



WHERE 2015-18 INVESTMENT IS FOCUSED

The 2015-18 National Land Transport Programme's investment in Auckland focuses on supporting the region's complex transport network to handle the demands of special housing areas, freight, general road traffic, public transport, as well as cycling.

This investment includes:

- critical investment in the expansion of the region's rapid transit network, in particular the new busway between Panmure and Botany, as part of the multimodal Auckland Manukau Eastern Transport Initiative
- major steps towards completing the region's motorway and strategic roading network, including the Waterview link to complete the Western Ring Route Road of National Significance, the new East/West Link between State Highway 1 and State Highway 20 (delivered under the Accelerated Auckland Transport Programme), and the much-needed motorway link between the CBD and Auckland International Airport
- in partnership with Auckland Transport, delivering further key elements of the region's strategic cycling network that aim to significantly this active transport mode
- NZ Transport Agency and Auckland Council co-investment of a further \$82 million in the Auckland Manukau Eastern Transport Initiative for Auckland Transport to deliver significant improvements to roads, public transport services, public transport stations, transport interchanges, walking routes and cycleways.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Developing a transport network to support Auckland's new housing and business areas: Auckland Transport, Auckland Council and the Transport Agency worked together to develop a network that supports Auckland's new housing and business areas. This network includes a mix of new or upgraded roads, upgraded state highways, optimised existing networks and new public transport and cycling infrastructure.

Upgrading the Manukau Transport Interchange: the Transport Agency invested \$20 million in significant upgrades to the interchange. The proposed bus station, next to the train station, will connect bus and train services, improving the efficiency of public transport in Auckland.

Opening of Nelson Street Cycleway to the public: the completed Nelson Street Cycleway links Upper Queen Street (and the Grafton Gully cycleway) to Quay Street via the pink Lightpath (Te Ara I Whiti). The cycleway, delivered under the Urban Cycleways Programme, was the supreme award winner of the 2016 Bike to the Future Awards.

Beginning upgrades to State Highway 20A: work has commenced on upgrades to increase journey reliability to and from Auckland Airport. Safety for all road users will be improved by separating motorway traffic from local traffic at the State Highway 20A and Kirkbride Road intersection.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2015/16 ACTUAL \$000	REGIONAL STATISTICS*
Auckland total	901,159	15,800 LANE KMS of local roads and state highways maintained
State highway improvements	440,781	26% INCREASE in deaths and serious injuries in road crashes (<i>from 489 to 616</i>)
State highway maintenance	96,160	
Local road improvements	46,145	5% INCREASE in trips taken on public transport (<i>from 79,249,549 to 82,904,160</i>)
Local road maintenance	105,150	
Public transport infrastructure	17,463	
Public transport services	166,691	
Road safety, investment management and walking and cycling	28,770	

*All percentage figures are for 2015/16 compared with 2014/15. Road safety figures are for the year ended 31 March and based on latest available data.

WAIKATO AND BAY OF PLENTY REGION

The Waikato and Bay of Plenty region reaches from the bottom of the Bombay Hills to the Desert Road summit, from just south of Mokau in the west, through the Waioeka Gorge near Opotiki, and midway along the Taupō–Napier Road.



WHERE 2015–18 INVESTMENT IS FOCUSED

The 2015–18 National Land Transport Programme's investment in the Waikato region is targeted to support significant residential growth, new industrial development and jobs, while also ensuring efficient freight movement and access to markets across New Zealand, as well as the export ports of Tauranga and Auckland.

This investment includes:

- continued investment in the Auckland to Tauranga via Hamilton journey, including completing and opening more sections of the Waikato Expressway Road of National Significance and completing the Hamilton Ring Road, with forecast travel time savings of up to 23 minutes, as well as improving safety for customers on the journey
- expected safety improvements to State Highway 1 between Cambridge and Paerere (intersection of state highways 1 and 29)
- working with partners and stakeholders including the NZ Police to improve road safety for motorists for the Pōkeno to Tauranga via Waihi key journey
- improving high-risk intersections such as state highways 3 and 21 south of Hamilton near the airport
- under the Government's Accelerated Regional Transport Programme, improving resilience and safety outcomes through the Awakino Gorge.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Continuing progress on the Waikato Expressway: the expressway project will enable considerable opportunity for economic development and is expected to save at least 23 minutes of journey time for trips between Tirau and the Bombays. Work on 102km of expressway is due for completion by 2020. Work on the Cambridge and Tamahere sections south of Hamilton is complete, work on the 21.8km of the Hamilton section can begin with the contract now awarded, and construction of the Huntly and Rangiriri sections continues.

Confirmed investment and programme of work for State Highway 2 Pōkeno to Mangatarata: work on this section of highway over the next 10 years will improve road safety, provide more reliable journey times and support growth in the east Waikato and Coromandel areas. Planning work began for the full 32 km length of this project, which will be delivered in sections.

Commencing state highway safety initiatives: several region-wide state highway safety initiatives have begun under the delivery of the Safe Roads Alliance. Implementation works have started on State Highway 3 between Hamilton and Te Awamutu, State Highway 37 (Waitomo Caves) and along State Highway 23, the route to Raglan from Hamilton, which is an historical crash area. Other routes being investigated by the Safe Roads Alliance include State Highway 1B east of Hamilton and State Highway 3 south to Awakino – an essential freight route to the Taranaki region.

Constructing a roundabout at the intersection of State Highway 3 and State Highway 21 (Airport Road): located southwest of Hamilton, the new roundabout will address an historical high-risk safety issue and enable economic development by providing access to industrial land adjacent to the Hamilton International Airport.

Continuing to develop the State Highway 1/29 programme business case: the business case identifies the long-term transport network required to support the key journey between the Bay of Plenty, Waikato and the wider upper North Island. Similar business cases are being developed on State Highway 1 Cambridge to Paipere, Paipere to Taupō, and Taupō to Waiouru. The business cases are being developed in collaboration with industry interest groups, iwi and councils adjoining the corridors.

Collaborative planning and investigation for the future: an integrated programme of walking and cycling initiatives is underway across the region that considers the economic, transport, health, environmental and social benefits derived from increasing walking and cycling. Areas that will benefit include Cambridge to Tamahere, the Western Rail Trail, Te Awa Pathways connection between Horotiu and Ngāruawāhia, and the Cobham Drive underpass connection.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2015/16 ACTUAL \$000	REGIONAL STATISTICS*
Waikato total	388,559	21,800 LANE KMS of local roads and state highways maintained
State highway improvements	241,152	19% INCREASE in deaths and serious injuries in road crashes (<i>from 285 to 338</i>)
State highway maintenance	65,509	
Local road improvements	7,484	6% DECREASE in trips taken on public transport (<i>from 4,341,361 to 4,085,467</i>)
Local road maintenance	52,571	
Regional improvements	8,211	
Public transport infrastructure	61	
Public transport services	8,352	
Road safety, investment management and walking and cycling	5,219	

*All percentage figures are for 2015/16 compared with 2014/15. Road safety figures are for the year ended 31 March and based on latest available data.

BAY OF PLENTY



WHERE 2015-18 INVESTMENT IS FOCUSED

2015-18 National Land Transport Programme's investment in the Bay of Plenty is targeted to support significant residential growth and new industrial land development and jobs while also ensuring efficient freight movement and access to the Port of Tauranga.

This investment includes:

- increasing investment in urban cycling and walking to address safety issues and to get more people to cycle or walk
- working with stakeholders in Tauranga to extend the public transport network and transition urban school bus services into an integrated network to reduce congestion and maintain journey-time reliability
- continuing to invest in the Tauranga to Auckland via the Waikato key journey, introducing electronic tolling to Takitimu Drive Toll Road and investigating how to make the journey easier to travel through areas such as Tauriko and onto the State Highway 29 regional part of the journey
- furthering safety improvements to the Tauranga to Auckland via the Waikato key journey and the Pōkeno and Tauranga via Waihi key journey to prevent deaths and serious injuries
- investigating how the road and rail networks can complement each other, the scale and shape of future freight in the Bay of Plenty, and the local growth pressures on the outskirts of Tauranga.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Completing the Tauranga Eastern Link, including toll road: as one of the seven Roads of National Significance, the Tauranga Eastern Link aims to reduce travel times to the Port of Tauranga from the central North Island and Eastern Bay, improve safety and enable significant local growth.

Confirming a programme of work to improve State Highway 2 Waihi to Tauranga: over the next 10 years and beyond, work will begin to improve road safety, provide more reliable journey times, and support growth along one of New Zealand's highest risk and fastest growing travel routes. The programme includes the construction of the Tauranga Northern Link.

Confirming a programme of improvements for Rotorua: Connect Rotorua supports local growth, regional economic development and city centre revitalisation.

Investing in cycling infrastructure: investment in the Rotorua, Tauranga, urban networks and the Omokoroa to Tauranga cycleway will improve travel choice and safety.

Continuing construction of key intersection improvements: improvements, including the Maungatapu Underpass and the Bayfair to Baypark intersections, will support growth and access to the Port of Tauranga and improve safety. Construction of the State Highway 2 Minden and Te Puna intersection improvements began, aiming to increase safety and support local growth.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2015/16 ACTUAL \$000	REGIONAL STATISTICS*
Bay of Plenty total	117,346	9,500 LANE KMS of local roads and state highways maintained
State highway improvements	57,458	3% DECREASE in deaths and serious injuries in road crashes (<i>from 150 to 146</i>)
State highway maintenance	24,857	
Local road improvements	3,299	7% INCREASE in trips taken on public transport (<i>from 3,138,381 to 3,352,802</i>)
Local road maintenance	22,435	
Regional improvements	44	
Public transport infrastructure	112	
Public transport services	6,569	
Road safety, investment management and walking and cycling	2,573	

*All percentage figures are for 2015/16 compared with 2014/15. Road safety figures are for the year ended 31 March and based on latest available data.

CENTRAL REGION

The Central region stretches up from the top of the South Island (Nelson, Tasman and Marlborough) to the southern and central North Island, reaching across Taranaki, Manawatū-Whanganui and Wellington to the Hawke's Bay and Gisborne



GISBORNE



WHERE 2015-18 INVESTMENT IS FOCUSED

Investment in the Gisborne region from the 2015-18 National Land Transport Programme is focused on developing and maintaining a resilient transport network. Roads in the region are a lifeline for the local population and enable the efficient movement of freight, on which the economy depends.

This investment includes:

- an estimated investment of \$5 million in cycling and walking, including \$1.3 million from the Urban Cycleways Fund
- funding from the Government's Accelerated Regional Transport Programme for the construction of additional passing opportunities on State Highway 35 at Panikau Hill and Wallis Hill to increase safety and traffic flows
- investigation of the replacement of the single-lane Motu Bridge on State Highway 2 (also funded by the Government's Accelerated Regional Transport Programme)
- improvements to bridges to allow an additional 20km of high productivity motor vehicles (HPMV) routes, enabling more freight to be carried on fewer trucks.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Completing Stage 1 of the Wainui Cycleway: this joint local road and state highway project between the local council and the Transport Agency provides a safer, mainly off-road, cycleway from Wainui to Gisborne by removing conflicts between heavy vehicles and vulnerable road users.

Strengthening the Tokomaru Bay sea wall: this strengthening will increase the resilience of the network from coastal erosion.

Completing high productivity motor vehicle improvements: improvements to these bridges will improve freight efficiency by allowing HPMV movements between Tolaga Bay and Matawhero to Eastland Port.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2015/16 ACTUAL \$000	REGIONAL STATISTICS*
Gisborne total	30,009	3,600 LANE KMS of local roads and state highways maintained
State highway improvements	3,701	3% DECREASE in deaths and serious injuries in road crashes (from 30 to 29)
State highway maintenance	12,168	
Local road improvements	1,612	6% INCREASE in trips taken on public transport (from 138,261 to 146,129)
Local road maintenance	11,407	
Regional improvements	443	
Public transport infrastructure	11	
Public transport services	286	
Road safety, investment management and walking and cycling	381	

*All percentage figures are for 2015/16 compared with 2014/15. Road safety figures are for the year ended 31 March and based on latest available data.

HAWKE'S BAY



WHERE 2015-18 INVESTMENT IS FOCUSED

The Hawke's Bay region is experiencing a prolonged period of economic growth. Significant investment from the 2015-18 National Land Transport Programme is being made across the transport network to support increased demand, particularly from freight. This investment includes:

- investment of \$13 million to sustain and grow public transport patronage and enhance existing services
- investment in promoting cycling is an expected \$9 million, including \$2.9 million from the Urban Cycleways Fund
- planned investment of \$22 million for regionally significant transport corridors to improve resilience and safety, increase freight efficiency within the region, and strengthen interregional journeys between the Hawke's Bay and neighbouring regions
- investigating opportunities to improve access to the Port of Napier, in recognition of its expanding use, as part of the Government's Accelerated Regional Transport Programme.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Developing options to improve the safety of SH2- SH2B-Watchman Road intersections: these are located on a national strategic state highway and the strategic route to the port and Hawke's Bay airport.

Developing a detailed business case for Napier Port Access: an Accelerated Regional Transport Programme activity to improve the connection to Port of Napier and provide safe journeys for all road users.

Beginning work on the Whakatū Arterial Link: this work will improve access for freight and enhance supply chain efficiency while reducing the risk of deaths and serious injuries. The link provides opportunities for modal integration between road, rail, the freight distribution centre (inland port at Whakatū) and coastal shipping.

Completing construction of shared paths from Havelock North to Hastings: shared paths to support the development of a network of combined walking and cycling routes through the corridors where people work, live and learn.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2015/16 ACTUAL \$000	REGIONAL STATISTICS*
Hawke's Bay total	54,601	8,400 LANE KMS of local roads and state highways maintained
State highway improvements	2,587	7% INCREASE in deaths and serious injuries in road crashes (from 100 to 107)
State highway maintenance	16,942	
Local road improvements	2,464	7% DECREASE in trips taken on public transport (from 744,381 to 694,557)
Local road maintenance	25,301	
Regional improvements	1,053	
Public transport infrastructure	29	
Public transport services	2,004	
Road safety, investment management and walking and cycling	4,221	

*All percentage figures are for 2015/16 compared with 2014/15. Road safety figures are for the year ended 31 March and based on latest available data.

TARANAKI



WHERE 2015-18 INVESTMENT IS FOCUSED

Investment in the Taranaki region from the 2015-18 National Land Transport Programme focuses on freight efficiency, route resilience, interregional connectivity, road maintenance and public transport.

This investment includes:

- expected investment of \$9 million in public transport to further encourage growth in the use of public transport
- investment of \$2 million in cycling and walking, including \$147,000 from the Urban Cycleways Fund
- improvements to State Highway 3 to improve safety at two of New Zealand's highest-risk intersections
- under the Government's Accelerated Regional Transport Programme, investigating how to improve State Highway 3 between New Plymouth and Hamilton (Mount Messenger to Awakino Gorge), and completing the State Highway 3 Normanby Overbridge Project so it is suitable for high productivity motor vehicles and to improve safety and journey-time reliability
- investment of \$8.5 million along the interregional state highways to safeguard the regional economy by ensuring the freight transport links with the rest of New Zealand are safe and resilient.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Development of cycling facilities on the Mangati Walkway and Coronation Ave: this work completes a missing link to the Coastal Walkway and provides a safe off-road route to cycle to the CBD.

Delivering the State Highway 3 Vickers to City project: this project improves journey-time reliability to and from the New Plymouth CBD, provides dedicated facilities for cyclists, and improves safety and route security.

Developing a strategic business case for a second crossing of the Waiwhakaiho River: this business case also addresses replacing bridges and structures on Korito, Old Mountain and Okau roads. The aim is to meet future demands of the network, provide a reliable and resilient alternative route, improve freight efficiency, ease congestion and increase safety.

Developing a strategic business case for a Mt Messenger State Highway 3 bypass of existing road alignment: the bypass is proposed between Hamilton and New Plymouth to improve safety, resilience, route availability and travel times.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2015/16 ACTUAL \$000	REGIONAL STATISTICS*
Taranaki total	54,544	7,200 LANE KMS of local roads and state highways maintained
State highway improvements	13,115	
State highway maintenance	11,172	
Local road improvements	1,837	3% INCREASE in deaths and serious injuries in road crashes (from 64 to 66)
Local road maintenance	25,555	
Public transport infrastructure	122	
Public transport services	1,284	3% INCREASE in trips taken on public transport (from 586,306 to 605,603)
Road safety, investment management and walking and cycling	1,460	

*All percentage figures are for 2015/16 compared with 2014/15. Road safety figures are for the year ended 31 March and based on latest available data.

MANAWATŪ-WHANGANUI



WHERE 2015-18 INVESTMENT IS FOCUSED

Investment in the Manawatū-Whanganui region from the 2015-18 National Land Transport Programme is focused on developing and maintaining a resilient transport network that supports an economy heavily reliant on its role as a distribution hub and getting produce to market.

This investment includes:

- \$19.3 million planned investment in public transport
- \$7m investment in cycling and walking, including \$4.3 million of Urban Cycleways funding, which includes a walking-cycling bridge over the Manawatū River and completion of Mountains to River 'Great Ride'
- improvements to State Highway 1 targeted towards reducing travel time
- \$2.5 billion investment in the Wellington Roads of National Significance that will deliver travel-time savings of up to 40 minutes between Levin and Wellington Airport
- the Saddle Road upgrade, which will ease the impact of any future Manawatū Gorge closures on customer journeys by providing a safer, more efficient alternative route
- \$21 million planned investment on State Highway 2 between Woodville and Hawke's Bay to increase freight efficiency while helping to keep road users safe
- under the Accelerated Regional Transport Programme, proposed replacement of the State Highway 1 Whirokino Trestle Bridge to reduce freight costs
- investigating new passing opportunities on State Highway 1 between Foxton and Waiouru to improve journey times, while enhancing safety and easing driver frustration on a nationally strategic state highway.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Completing Saddle Road upgrades: the upgrades provide a safer, more efficient alternative route in the event State Highway 3 Manawatu Gorge is closed.

Completing investigations into the proposed replacement of the State Highway 1 Whirokino Trestle Bridge: a replacement bridge would improve safety, efficiency and resilience, including allowing high productivity motor vehicles to take 14km detour routes.

Beginning construction of State Highway 2 Whakaruatapu Stream Bridge replacement and Otamaraho Curves passing lane extension: these projects will help increase freight efficiency and help keep road users safe.

Completing Akitio seafront road repairs: these repairs will prevent further loss of access to Akitio via River Road and Coast Road.

Investing in emergency works: in response to June 2015 flood events, these emergency works will help to ensure lifelines are open and performance of the transport network can be restored quickly.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2015/16 ACTUAL \$000	REGIONAL STATISTICS*
Manawatū-Whanganui total	112,890	15,900 LANE KMS of local roads and state highways maintained
State highway improvements	20,256	
State highway maintenance	19,561	
Local road improvements	5,776	13% DECREASE in deaths and serious injuries in road crashes (<i>from 190 to 165</i>)
Local road maintenance	62,006	
Regional improvements	1,687	
Public transport infrastructure	-	6% DECREASE in trips taken on public transport (<i>from 1,447,403 to 1,356,938</i>)
Public transport services	2,686	
Road safety, investment management and walking and cycling	917	

*All percentage figures are for 2015/16 compared with 2014/15. Road safety figures are for the year ended 31 March and based on latest available data.

WELLINGTON



WHERE 2015-18 INVESTMENT IS FOCUSED

Investment in the Wellington region from the 2015-18 National Land Transport Programme focuses on improving travel-time reliability in the city's commuter peak travel times, enabling the development of a multimodal network and supporting a safe and resilient network for freight and commuters.

This investment includes:

- investment of \$456 million in public transport to encourage continued patronage growth
- expected investment of \$49 million in cycling and walking, including \$22m from the Urban Cycleways Fund
- construction of the Wellington Northern Corridor on State Highway 1, a Road of National Significance, to increase resilience, journey reliability and safety for commuters and freight
- construction of the Mackays to Peka Peka section of the Wellington Northern Corridor Road of National Significance, forecast to improve average journey times by 3.5 minutes and improve safety
- new routes at Transmission Gully and, potentially, Petone to Grenada are expected to significantly improve the resilience of the overall network, by providing alternative routes and more capacity
- continued work to resolve outstanding issues for transport between the Ngāūranga Gorge interchange and Wellington Airport.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Investing in the development of additional Waikanae and Paraparaumu commuter car park facilities: the 250 additional car parks support rail patronage growth.

Beginning work on the Wainuiomata Hill cycleway: a shared cycling and pedestrian path connecting Wainuiomata to Lower Hutt.

Completing Mount Victoria Tunnel safety improvements: improving the quality of a key link by providing a safe environment for users and increasing resilience of the walkway in a seismic event.

Approving over \$7 million for cycling improvements: a \$7.9 million 10-year programme of cycling improvements was agreed with Kāpiti Coast District Council, utilising \$1.6 million of Urban Cycleways funding.

Beginning construction of the State Highway 2 and State Highway 58 Haywards Interchange: this includes realignment of the Manor Park highway connection, McDougal Grove and Hebden Crescent, car parking, and a pedestrian bridge to Manor Park Railway Station. The interchange will facilitate traffic separation between State Highway 2 and State Highway 58, improving safety and journey-time reliability.

Completing realignment of State Highway 58: realignment between Harris and Mt Cecil Roads ensures a safer journey between Hutt Valley and Porirua.

Developing business cases to address access to Port of Wellington: this will improve safety, journey-time reliability and resilience on the SH2 corridor between Ngāūranga and Masterton, and provide multimodal solutions for congestion between Ngāūranga Gorge and Wellington Airport.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2015/16 ACTUAL \$000	REGIONAL STATISTICS*
Wellington total	472,864	
State highway improvements	306,367	8,100 LANE KMS of local roads and state highways maintained
State highway maintenance	49,699	
Local road improvements	6,664	15% DECREASE in deaths and serious injuries in road crashes (<i>from 167 to 142</i>)
Local road maintenance	35,427	
Public transport infrastructure	5,525	3% INCREASE in trips taken on public transport (<i>from 36,406,866 to 37,330,479</i>)
Public transport services	64,270	
Road safety, investment management and walking and cycling	4,911	

*All percentage figures are for 2015/16 compared with 2014/15. Road safety figures are for the year ended 31 March and based on latest available data.

TOP OF THE SOUTH



WHERE 2015-18 INVESTMENT IS FOCUSED

The focus of 2015-18 National Land Transport Programme investment in the Top of the South is on maintaining efficiency of key freight routes, addressing route resilience challenges, investing in cycling and public transport and helping to fund the costs of maintenance, operations and renewals.

This investment includes:

- through the Government's Accelerated Regional Transport Programme, investigating a replacement for the Ōpāwa Bridge in Marlborough to remove the pinch point on State Highway 1 enabling better access for high productivity motor vehicles
- further investment to enable 50MAX and high productivity motor vehicle access to forestry plantations in the Northbank and Waihōpai areas
- work to address a pinch point for cyclists in the Gentle Annie pass on SH6 in Nelson, which, when completed will deliver 3.5 metre-wide lanes and 1.5 metre shoulders for motorists and cyclist travelling in both directions
- continued investment in Nelson's walking and cycling programme of improvements, including investigations into Rocks Road and Tāhunanui
- expected investment of \$1 million investment in cycling and walking in Blenheim, including \$710,000 from the Urban Cycleways Fund.

THIS YEAR'S INVESTMENT HIGHLIGHTS

These are some of the key investments made in the Top of the South this year.

Investigating options for a Nelson arterial link as part of the Accelerated Regional Transport Programme:

this will address future congestion and improve journey times between Nelson City and the Annesbrook roundabout.

Nearing completion of bridge replacements at Kaka Bridge on Northbank Road and Tynesfield Bridge in the Waihōpai Valley: these replacements secure the network and support efficient movement of freight.

Beginning construction on the upgrade of the Quarantine St roundabout on State Highway 6: this work increases capacity at peak periods.

Investing in State Highway 6 Rai Saddle second curve realignment: this project aims to reduce the number and severity of crashes.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2015/16 ACTUAL \$000	REGIONAL STATISTICS*
Top of the South total	43,336	8,100 LANE KMS of local roads and state highways maintained
State highway improvements	4,313	
State highway maintenance	21,264	
Local road improvements	1,738	16% INCREASE in deaths and serious injuries in road crashes (from 64 to 74)
Local road maintenance	12,542	
Regional improvements	2,249	
Public transport infrastructure	93	1% DECREASE in trips taken on public transport (from 442,305 to 439,815)
Public transport services	678	
Road safety, investment management and walking and cycling	460	

*All percentage figures are for 2015/16 compared with 2014/15. Road safety figures are for the year ended 31 March and based on latest available data.

SOUTHERN REGION

The Southern region is the largest of the Transport Agency's four regions, embracing all of the South Island except Nelson, Tasman and Marlborough.



CANTERBURY



WHERE 2015-18 INVESTMENT IS FOCUSED

2015-18 National Land Transport Programme's investment in Canterbury will continue to target completing earthquake recovery work and making significant progress developing Christchurch motorways.

This investment includes:

- planned investment of \$137 million in public transport
- expected investment of \$65 million in cycling and walking, including \$19.9 million from the Urban Cycleways Fund
- \$700 million in new roads and network improvements, including \$490 million to deliver network efficiency and safety improvements to substantially complete the Transport Agency's Christchurch motorways projects
- \$310 million allocated for maintenance, operation and renewal of local roads
- \$150 million for the maintenance, operation and renewal of the state highway networks
- \$50-65 million for the Christchurch City Council's \$80 million project to re-open Sumner Road to the Lyttelton Port of Christchurch
- \$3 million in bridge strengthening on Blenheim to Christchurch route, supporting the growth in high productivity motor vehicles, reducing the overall number of freight vehicles on our highways and improving safety
- under the Government's Accelerated Regional Transport Programme, \$22 million towards realigning State Highway 73 from Mingha Bluff to Rough Creek through Arthur's Pass National Park to improve safety and build greater resilience through the alpine pass.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Beginning construction on state highway widening and improvements at Mingha Bluffs: this work addresses safety issues.

Investing \$71,000 in the Timaru District LED street lighting replacement project: this work provides improved energy and cost efficiency.

Completing the Canterbury State Highway's Seismic Retrofit three-year programme of improvements: support to route resilience, the programme of improvements was completed with the strengthening of Shale Peak bridge on State Highway 7.

Investing \$5 million on safety, accessibility and resilience: minor improvements were completed across the region, as well as \$61m spent on maintaining state highways and local roads and \$5 million on support provided for response to emergency events during the year.

Collaborative planning and investigation for the future: this work supports the programme and indicative business cases for Christchurch's major cycleway networks.

Completing sections of the Uni-Cycle (Matai Street) and Papanui Parallel (Grassmere) cycleways: this project provides a safer, off-road cycleway.

Completing the Wigram Magdala bridge link: providing greater connectivity between the southwest residential and industrial development to the central city.

Supporting the An Accessible City programme business case: the city council is progressing through phases 1 and 2 of the programme business case.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2015/16 ACTUAL \$000	REGIONAL STATISTICS*
Canterbury total	364,180	30,200 LANE KMS of local roads and state highways maintained
State highway improvements	174,385	15% DECREASE in deaths and serious injuries in road crashes (<i>from 370 to 315</i>)
State highway maintenance	49,214	
Local road improvements	14,242	3% DECREASE in trips taken on public transport (<i>from 14,344,095 to 13,859,074</i>)
Local road maintenance	100,322	
Regional improvements	210	
Public transport infrastructure	274	
Public transport services	21,765	
Road safety, investment management and walking and cycling	3,768	

*All percentage figures are for 2015/16 compared with 2014/15. Road safety figures are for the year ended 31 March and based on latest available data.

WEST COAST



WHERE 2015-18 INVESTMENT IS FOCUSED

The 2015-18 National Land Transport Programme's investment in the West Coast region focuses on safety, travel-time reliability and route resilience, particularly for freight and tourists.

This investment includes:

- \$25 million to maintain state highways and local roads and \$2.2 million to support the response to emergency events during the year, including Jackson Bay Road slip repairs and Buller River rock armouring
- the Visiting Drivers Safety Signature project, which is focused on the Otago, Southland and Westland regions.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Furthering progress on the Visiting Drivers programme: a detailed business case for the state highway improvements component is being finalised, and a local road network is being reviewed for project opportunities. The programme will improve road safety for and of visiting drivers, while maintaining New Zealand's reputation as an attractive and safe tourist destination.

Completing design for the State Highway 6 Taramakau Road Rail Bridge replacement: under the Government's Accelerated Regional Transport Programme, a new two-lane bridge will be constructed 30 metres downstream of the existing bridge to carry vehicles, as well as a separated off-road shared facility for pedestrians and cyclists. Rail traffic will remain on the existing bridge. This separates all modes of traffic to improve safety and efficiency. The realigned road will also pass over the existing rail south of the river via an overpass.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2015/16 ACTUAL \$000	REGIONAL STATISTICS*
West Coast total	31,542	5,000 LANE KMS of local roads and state highways maintained
State highway improvements	1,706	26% INCREASE in deaths and serious injuries in road crashes (from 35 to 44)
State highway maintenance	18,465	
Local road improvements	1,448	2% INCREASE in trips taken on public transport (from 23,952 to 24,549)
Local road maintenance	9,068	
Regional improvements	675	
Public transport infrastructure	-	
Public transport services	100	
Road safety, investment management and walking and cycling	80	

*All percentage figures are for 2015/16 compared with 2014/15. Road safety figures are for the year ended 31 March and based on latest available data.

OTAGO



WHERE 2015-18 INVESTMENT IS FOCUSED

The 2015-18 National Land Transport Programme's investment in the Otago region focuses on safety, travel-time reliability and route resilience, particularly for freight and tourists.

This investment includes:

- \$36 million proposed for co-investment with the Otago Regional Council in public transport
- \$10 million expected total cycling and walking investment with Dunedin City Council, including \$3.5 million of Urban Cycleways funding
- finishing more of Dunedin City Council's Harrington Point to Dunedin sea-level rise mitigation and improvements to safety, walking and cycling on key tourist and commuter routes
- completing the final stage of the Transport Agency's State Highway 88 shared cycling and walking path between Dunedin and Port Chalmers
- projects to improve safety, including \$40-45 million of safety improvements on State Highway 1 between Anderson's Bay Road and Lookout Point in Dunedin
- the Visiting Drivers Safety Signature project, which focused on the Otago, Southland and Westland regions
- \$745 million for highway and local road maintenance, operations and renewals
- a new two-lane bridge at Kawarau Falls, at Frankton on State Highway 6, as part of the Government's Accelerated Regional Transport Programme.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Completing \$45 million of safety improvements on State Highway 1: Anderson's Bay Road and Lookout Point in Dunedin is a 3km stretch of state highway, forming part of the southern arterial route into Dunedin. The construction of a new bridge over the highway to directly link Mornington Road, Riselaw Road and South Road will improve safety and ease traffic congestion.

Completing high productivity motor vehicles bridge-strengthening work at Alexandra and Kakaho Creek: this activity supports local economy by improving freight efficiency to accommodate heavier loads.

Completing improvements to the Glenda Drive intersection and local road links: these improvements provide improved road capacity, access and safety for existing and new commercial activities for Wakatipu Basin by downgrading the existing state highway roundabout and allowing for only left turns into Glenda Drive from State Highway 6.

Establishing the Strategic Partners Governance Group: this group provides united leadership in planning, delivering and funding transport matters in Queenstown. This collaboration is needed to accommodate and manage growth on the transport system, achieve an attractive and liveable environment for residents, and ensure the continued economic success of Queenstown.

Awarding the Nuggets Road seal extension project contract: part of the Southern Penguin Scenic Journey in the Catlins and a high-priority tourist route will be sealed. Sealing this road will improve visitor experience, safety and accessibility.

Dunedin public transport improvements: the design phase for a central city bus hub focuses on improving effectiveness of the public transport network and growing patronage.

Approving funding for regional council joint procurement of public transport ticketing: this procurement will provide improved public transport planning and the ability to introduce a wider variety of fare products to increase patronage.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2015/16 ACTUAL \$000	REGIONAL STATISTICS*
Otago total	83,157	
State highway improvements	13,437	18,300 LANE KMS of local roads and state highways maintained
State highway maintenance	27,597	
Local road improvements	3,595	5% DECREASE in deaths and serious injuries in road crashes (<i>from 195 to 185</i>)
Local road maintenance	33,073	
Regional improvements	145	5% DECREASE in trips taken on public transport (<i>from 2,809,010 to 2,681,639</i>)
Public transport infrastructure	295	
Public transport services	3,555	
Road safety, investment management and walking and cycling	1,460	

*All percentage figures are for 2015/16 compared with 2014/15. Road safety figures are for the year ended 31 March and based on latest available data.

SOUTHLAND



WHERE 2015-18 INVESTMENT IS FOCUSED

Southland's 2015-18 National Land Transport Programme investment focuses on safety, travel-time reliability and route resilience, particularly for freight and tourists.

This investment includes:

- \$47 million for highway and local road maintenance, operations and renewals
- \$4 million of funding for regional council joint procurement of public transport ticketing in Otago and Southland to provide improved public transport planning and a wider variety of fare products to increase patronage
- the Visiting Drivers Safety Signature project, which focuses on the Otago, Southland and Westland regions.

THIS YEAR'S INVESTMENT HIGHLIGHTS

Completing Woodlands passing lanes on State Highway 1: a \$3 million investment in extra passing lanes on this stretch of highway will ensure safe and reliable journeys, reduce driver frustration, support efficient movement of freight and improve access to a local dairy factory.

Beginning detailed design on the Edendale Realignment project State Highway 1: an investment of \$12 million will improve access to the local dairy plant, improve safety for the local community by realigning SH1 to the northwest of Edendale and place a roundabout close to the southern end of the new alignment.

Approving \$7 million of funding for the Curio Bay/Haldane Road seal extension project: this project aims to improve visitor experience and reduce accidents, and is a more cost-effective option than frequent grading.

Completing the Tiwai Bridge deck and pile replacement: this \$10 million investment has reinstated high productivity motor vehicle access to the local smelter. The speed and weight of heavy traffic were reduced in 2004 because of erosion to the bridge's beams.

Collaborative planning and investigation for the future: development of the Southland Cycling Strategy began which aims to increase the uptake of cycling for commuting, school, recreational and tourism trips.

Southland District Council winning local government EXCELLENCE Award: Southland District Council was awarded the 2016 Local Government New Zealand Chorus EXCELLENCE Award for Best Practice in Infrastructure Management for its Changing Direction - The Way Forward for Southland's Roads programme. The council's project used new technology, resource allocation tools and procurement methods to make smart decisions on managing the district's roads, which, as New Zealand's second largest roading network in the country, is facing pressure from increased economic activity, particularly from the dairy industry.

THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2015/16 ACTUAL \$000	REGIONAL STATISTICS*
Southland total	39,102	14,400 LANE KMS of local roads and state highways maintained
State highway improvements	2,274	38% INCREASE in deaths and serious injuries in road crashes (<i>from 61 to 84</i>)
State highway maintenance	16,809	
Local road improvements	896	14% DECREASE in trips taken on public transport (<i>from 245,118 to 211,425</i>)
Local road maintenance	17,566	
Regional improvements	301	
Public transport infrastructure	18	
Public transport services	963	
Road safety, investment management and walking and cycling	274	

*All percentage figures are for 2015/16 compared with 2014/15. Road safety figures are for the year ended 31 March and based on latest available data.

SECTION C

STATEMENT OF PERFORMANCE



STATEMENT OF RESPONSIBILITY

In terms of the Land Transport Management Act 2003, we are responsible for the preparation of the National Land Transport Fund financial statements and statement of service performance and for the judgements made in them.

We are responsible for any end-of-year performance information provided by the National Land Transport Fund under section 19A of the Public Finance Act 1989.

We have 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 our opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the National Land Transport Fund for the year ended 30 June 2016.

Signed on behalf of the Board:



CHRIS MOLLER

Chair
NZ Transport Agency
26 SEPTEMBER 2016



GILL COX

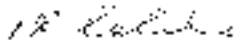
Chair of the Audit, Risk and
Assurance Board Committee
26 SEPTEMBER 2016

Countersigned by:



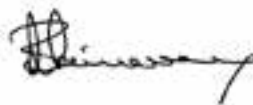
FERGUS GAMMIE

Chief Executive
NZ Transport Agency
26 SEPTEMBER 2016



PAUL LAPLANCHE

Chief Financial Officer
NZ Transport Agency
26 SEPTEMBER 2016



BRANDON MAINWARING

National Manager Accountability
and Performance
NZ Transport Agency
26 SEPTEMBER 2016

NATIONAL LAND TRANSPORT FUND STATEMENT OF PERFORMANCE 2015/16

The following activity classes from the Government Policy Statement on Land Transport are funded from the National Land Transport Fund. Further detail for each activity class, with the exception of road policing, is in the *NZ Transport Agency annual report* (pages 55–82).



In some cases the Transport Agency delivers these activities, in others it partly delivers them along with local authorities, and in others it invests in the activities (through the National Land Transport Programme), but does not deliver them. In total, investments through the National Land Transport Fund achieved 89 percent of forecast results where trend information was available.

INVESTMENT IN LAND TRANSPORT

PUBLIC TRANSPORT

All available investment measures match the desired trend; two are new measures.

100%

INVESTMENT PERFORMANCE*	ACTUAL 2014/15	ACTUAL 2015/16	DESIRED TREND 2015/16	ASSESSMENT AGAINST DESIRED TREND
Number of passengers using urban public transport services (bus, train and ferry)	144.2	148.0m	Increasing	Increasing 
Fare revenue as a % of total expenditure	48%	49.5%	Maintaining	Maintaining 
Productivity (costs per passenger kilometre) where available by bus, train and ferry ^{NOTE 31} (Auckland)	New measure	Bus: 0.15 \$/km Train: 0.13 \$/km Ferry: 0.06 \$/km	Increasing productivity [#]	New measure -
Productivity (costs per passenger kilometre) where available by peak and off-peak ^{NOTE 32}	New measure	Under development	Increasing	New measure -


* For the technical details of each performance measure, see pages 181–184.

An increase in productivity will reduce cost per passenger per km

ACTIVE MODES OF TRANSPORT (WALKING AND CYCLING)

All available investment measures match the desired trend.

100%

INVESTMENT PERFORMANCE*	ACTUAL 2014/15	ACTUAL 2015/16	DESIRED TREND 2015/16	ASSESSMENT AGAINST DESIRED TREND
Network kilometres of cycle lanes	43.5km	45.5km (including 20.9km Urban Cycleways Programme projects)	Increasing	Increasing 
Percentage increase in cycling trip legs per person across Auckland, Wellington and Christchurch ^{NOTE 34}	32m	Not available	Increasing	Not applicable -

* For the technical details of each performance measure, see pages 181–184.

ROAD NETWORK IMPROVEMENTS

LOCAL ROADS

All available investment measures match the desired trend.

100%

INVESTMENT PERFORMANCE	ACTUAL 2014/15	ACTUAL 2015/16	DESIRED TREND 2015/16	ASSESSMENT AGAINST DESIRED TREND	
Travel times on key local roads serving our major metropolitan areas (am peak) [#]	Auckland: 2.5 Wellington: 2.1 Christchurch: 2.2	Auckland: 2.5 Wellington: 1.9 Christchurch: 2.7	Maintaining	Maintaining overall	●
Change in the productivity of the local road network in major metropolitan areas	New measure	Not available	Increasing	Not applicable	-
Change in the proportion of local roads that are made available to high productivity motor vehicles (HPMVs) (Note: alternative measure used - % of approved organisations signed up to the 50MAX network.)	85%	87%	Increasing	Increasing	●

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

STATE HIGHWAYS

All investment measures match the desired trend.

100%

INVESTMENT PERFORMANCE*	ACTUAL 2014/15	ACTUAL 2015/16	DESIRED TREND 2015/16	ASSESSMENT AGAINST DESIRED TREND	
Travel times on key state highways serving our major metropolitan areas (Auckland, Wellington and Christchurch) (am peak) [#]	Auckland: 1.1 Wellington: 1.5 Christchurch: 1.2	Auckland: 1.1 Wellington: 1.4 Christchurch: 1.2	Maintaining	Maintaining	●
Productivity of the state highway network in major metropolitan areas (Auckland, Wellington and Christchurch - am peak) ^{NOTE 36}	Auckland: 57% Wellington: 61% Christchurch: 26%	Auckland: 62% Wellington: 63% Christchurch: 35%	Maintaining	Improving from previous year	●
Proportion of state highways available to HPMV	New measure Baseline 2014/15: 41%	45%	Maintaining	Increasing	●

* For the technical details of each performance measure, see pages 181-184.




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

ROAD NETWORK MAINTENANCE

LOCAL ROADS

Two of three investment measures match the desired trend.



67%

INVESTMENT PERFORMANCE	ACTUAL 2014/15	ACTUAL 2015/16	DESIRED TREND 2015/16	ASSESSMENT AGAINST DESIRED TREND	
Pavement integrity of the sealed network (index)	94	94	Maintaining	Maintaining	
Surface condition of the sealed network (index)	98	98	Maintaining	Maintaining	
Smooth ride – % of travel on smooth roads	86%	84%	Maintaining	Steady	
Local road maintenance cost per lane km by road classification (excluding emergency works)	New measure	\$2,919	Maintaining (in real terms)	New measure	-

STATE HIGHWAYS

All available investment measures match the desired trend.


100%

INVESTMENT PERFORMANCE	ACTUAL 2014/15	ACTUAL 2015/16	DESIRED TREND 2015/16	ASSESSMENT AGAINST DESIRED TREND	
Surface condition of the sealed network	98	Not available	Maintaining	Not applicable	-
Smooth ride – % of travel on smooth roads	98%	98%	Maintaining	Maintaining	
Change in state highway maintenance cost per lane kilometre expenditure by road classification	Estimated \$21,400	\$19,389	Maintaining (in real terms)	Maintaining	

ROAD NETWORK REGIONAL IMPROVEMENTS

One investment measure matches the desired trend; the other is a new measure.

100%

INVESTMENT PERFORMANCE	ACTUAL 2014/15	ACTUAL 2015/16	DESIRED TREND 2015/16	ASSESSMENT AGAINST DESIRED TREND	
Change in kilometres of improved regional roading	New measure	Not applicable	Increasing	New measure	-
Kilometres available to high productivity motor vehicles on key regional routes	New measure 4,500km	5,342km	Increasing	Increasing	

ROAD POLICING

The Road Policing Programme⁵ is a special type of National Land Transport Fund investment in the land transport system, delivered by NZ Police and appropriated through Vote Police.

The Transport Agency prepares the Road Policing Programme with NZ Police and recommends it to the Minister of Transport for approval in consultation with the Minister of Police. The Transport Agency also monitors and reports to the Minister of Transport on the delivery of the programme against the desired outcomes in the Road Policing Programme (see page 239).

The Road Policing Programme contributes to a reduction in deaths and serious injuries from road crashes and the resulting trauma, by deterring dangerous behaviour by road users and by enforcing the law applying to road users. The programme also contributes to economic growth and productivity through these activities and by increasing compliance with road user charges, commercial vehicle operator and vehicle dimension and mass rules; protecting the roading asset; ensuring more efficient freight supply chains and supporting the resilience and security of the transport network.

Key achievements

A major focus for the Transport Agency during 2015/16 was the 2016–18 variation to the 2015–18 Road Policing Programme. Options for delivering the programme for the remaining two years were developed in consultation with NZ Police and assessed against multiple criteria to ensure the desired outcomes could be delivered within the approved investment level. The variation was approved by the Minister of Transport in consultation with the Minister of Police.

The Transport Agency also led the Transport Agency/NZ Police Road Policing Programme Strategic Oversight Committee. The committee provides a regular forum for senior representatives of the Transport Agency and NZ Police to maintain strategic oversight of and provide direction on the Road Policing Programme. The committee considered a variety of issues during the year, including the variation to the Road Policing Programme, the safety camera expansion programme, and inter-agency management of the Road Policing Programme.

What Road Policing Programme investment covers

Road Policing Programme investment covers the delivery of activities listed in the Road Policing Programme by NZ Police. The activities align with the Safer Journeys strategy and focus on the following high-priority activities:

- Speed, including the use of automated cameras, hand-held cameras, enforcement demerits and driving to the conditions.
- Distractions and restraints (in-car behaviour), including mobile phones, child car seats, motorcycle helmets and cycle helmets.
- Impaired driving, which addresses drug and alcohol affected driving as well as impairment from fatigue.
- Vulnerable road users, such as pedestrians, cyclists, elderly people, disabled people, inexperienced drivers, visiting drivers, road workers, skateboarders and motorcyclists.
- High-risk behaviour, which addresses dangerous and reckless driving, fleeing drivers, and intersection and centre line offences. It also addresses high-risk behaviours in commercial vehicles such as dangerous goods, insecure loads and overloading.
- Network maintenance and efficiency, including crash attendance and event management, driver licence stop orders, road user charges, and vehicle mass and dimension rules.

⁵ Available at www.nzta.govt.nz/planning-and-investment/our-investments/road-policing-investment/

NZ Police can adjust its road policing activities and resources to ensure it delivers on the desired outcomes of the Road Policing Programme. In delivering road policing activities, NZ Police:

- encourages all drivers on New Zealand roads to observe and abide by road rules
- works with individuals and groups in the community so they take responsibility for themselves and others on the roads
- works with local authorities and transport authorities, for example to reduce speed
- targets road policing delivery to provide general deterrence and address analysed risk
- considers opportunities for enhanced road safety through environmental design.

How the investment performed

Overall, the Road Policing Programme continues to provide a positive return on National Land Transport Fund investment, with 79 percent of the Road Policing Programme results that NZ Police contributes to matching the desired trend.

AREA OF CONCERN	ROAD POLICING PROGRAMME RESULTS WHERE NZ POLICE MAKES A SIGNIFICANT CONTRIBUTION	DESIRED TREND	ASSESSMENT AGAINST DESIRED TREND	
Vehicle dimension and mass (VDAM)	Number of VDAM offences detected	Decrease	Decrease	●
Commercial vehicle operators	Percentage of overweight heavy vehicles	Decrease	Increase	●
High risk drivers	Number of disqualified driving offences	Decrease	Decrease	●
	Number of unlicensed or incorrectly licensed driving offences	Decrease	Decrease	●
Traffic management	Time to reinstate traffic flow after road or carriageway closure or crash	Decrease	Increase	●
Traffic management	Percentage of local authorities, Transport Agency and ACC injury prevention consultants satisfied that NZ Police delivery of traffic management activities has addressed risk	Increase	Increase	●
Speed	Percentage of vehicles complying with open road 100km/h speed limits	Increase	Increase	●
	Percentage of vehicles complying with urban road 50km/h speed limits	Increase	Increase	●
	Percentage of heavy vehicles complying with open road 90km/h speed limits	Increase	Increase	●
	Percentage of heavy vehicles complying with urban road 50km/h speed limits	Increase	Increase	●
	Percentage of vehicles exceeding speed limits by 1-10km/h	Decrease	Decrease	●
	Percentage of respondents who agree that enforcing the speed limit lowers the road toll	Increase	Increase	●
Young drivers	Percentage of youth (15-24 years) with the expectation that the risk of being caught drink driving is small	Decrease	Increase	●
	Percentage of youth (15-24 years) with the expectation that the risk of being caught speeding is small	Decrease	Decrease	●
Alcohol	Number of alcohol-impaired driving offences	Decrease	Decrease	●
	Percentage of respondents who agree there is a good chance of being stopped at an alcohol checkpoint if driving late at night	Increase	Decrease	●

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

What NZ Police deliver

Full details of the NZ Police's service performance are available in the *New Zealand Police annual report 2015/2016* at www.police.govt.nz.

SECTION D

FINANCIAL STATEMENTS AND AUDIT REPORT



FINANCIAL STATEMENTS

We are responsible for any end-of-year performance information provided by the National Land Transport Fund under section 19A of the Public Finance Act 1989.

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	ACTUAL 2015/16 \$M	BUDGET 2015/16 \$M	ACTUAL (RESTATED) 2014/15 \$M
REVENUE INFLOWS^a				
Land transport revenue	3	3,458	3,331	3,184
Interest revenue		5	0	7
Management of Crown land		63	67	79
Tolling		7	0	0
Fair value gain on long-term payables		11	0	0
Total revenue inflows	4	3,544	3,398	3,270
OUTFLOWS				
National Land Transport Programme		3,278	3,095	3,293
Road Policing Programme		315	297	298
Fuel excise duty/road user charges administration		5	5	5
Forecasting and strategy		1	1	1
Total outflows		3,599	3,398	3,597
SURPLUS/(DEFICIT)		(55)	0	(327)

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

Explanations of major variances against budget are provided in note 17.

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	NOTE	ACTUAL 2015/16 \$M	BUDGET 2015/16 \$M	ACTUAL (RESTATED) 2014/15 \$M
ASSETS				
Current assets				
Cash and cash equivalents	5	262	86	39
Receivables	6	248	257	267
Total assets		510	343	306
LIABILITIES				
Current liabilities				
Payables	7	299	496	397
Total current liabilities		299	496	397
Non-current liabilities				
Payables	7	708	0	351
Total non-current liabilities		708	0	351
Total liabilities		1,007	496	748
NET ASSETS				
General funds		(497)	(153)	(442)
GENERAL FUNDS CLOSING BALANCE^a	8	(497)	(153)	(442)

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

Explanations of major variances against budget are provided in note 17.

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN GENERAL FUNDS BALANCE FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	ACTUAL 2015/16 \$M	BUDGET 2015/16 \$M	ACTUAL (RESTATED) 2014/15 \$M
GENERAL FUNDS OPENING BALANCE				
General funds		(442)	(153)	(115)
Total general funds opening balance		(442)	(153)	(115)
CHANGES IN GENERAL FUNDS BALANCE				
Surplus/(deficit)		(55)	0	(327)
Total changes in general funds balance		(55)	0	(327)
GENERAL FUNDS CLOSING BALANCE				
General funds		(497)	(153)	(442)
TOTAL GENERAL FUNDS CLOSING BALANCE^a		(497)	(153)	(442)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	ACTUAL 2015/16 \$M	BUDGET 2015/16 \$M	ACTUAL 2014/15 \$M
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from land transport revenue		3,552	3,384	3,232
Payments to suppliers		(3,329)	(3,390)	(3,329)
Net cash from operating activities	9	223	(6)	(97)
NET INCREASE / (DECREASE) IN AMOUNTS HELD BY THE CROWN				
Amounts held by the Crown at the beginning of the year		39	92	136
AMOUNTS HELD BY THE CROWN AT THE END OF THE YEAR^b		262	86	39

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

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

Explanations of major variances against budget are provided in note 17.

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 / STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

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

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

- the funding of the NZ Police road policing programme
- the funding of the National Land Transport Programme for:
 - activities delivered by an approved organisation
 - state highway activities
 - research
 - other Transport Agency activities, such as transport planning

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

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

The financial statements for the National Land Transport Fund are for the year ended 30 June 2016, and were approved by the Board on 26 September 2016.

BASIS OF PREPARATION

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

Statement of compliance

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

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

Presentation currency and rounding

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue inflows

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

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

Interest

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

Outflows

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

- The Transport Agency – for the funding of the National Land Transport Programme, and Fuel Excise Duty/Road User Charges administration
- The NZ Police – who provide the Road Policing Programme
- The Ministry of Transport – for forecasting and strategy.

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

The various activities are outlined in the Statement of performance.

Assets

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

Employee entitlements

The National Land Transport Fund has no employees.

Goods and services tax

All items in the financial statements are presented exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST inclusive basis.

Income tax

The National Land Transport Fund is a public authority 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.

PRIOR YEAR RESTATEMENT

We have restated some areas of the financial statements retrospectively. The restatement relates to the highly probable outflow of resources in the future, with respect to expenditure incurred by the Transport Agency which was funded by borrowings, and the public private partnership.

Statement of Comprehensive Revenue and Expense 2014/15

	AFTER RESTATEMENT \$M	BEFORE RESTATEMENT \$M	INCREASE / (DECREASE) IN SURPLUS OR DEFICIT \$M
SURPLUS OR DEFICIT			
Outflows – National Land Transport Programme	3,293	2,954	339
NET IMPACT ON SURPLUS/(DEFICIT)	(3,293)	(2,954)	(339)

Statement of Financial Position 2014/15

	AFTER RESTATEMENT \$M	BEFORE RESTATEMENT \$M	INCREASE / (DECREASE) IN NET ASSETS \$M
NET ASSETS			
Long-term payables	351	0	351
NET DECREASE IN NET ASSETS	(351)	0	(351)

Statement of Changes in General Funds Balance 2014/15

	AFTER RESTATEMENT \$M	BEFORE RESTATEMENT \$M	INCREASE / (DECREASE) IN GENERAL FUNDS \$M
GENERAL FUNDS			
General funds opening balance	(115)	(103)	(12)
General funds movement			
Surplus/(deficit)	(327)	12	(339)
GENERAL FUNDS CLOSING BALANCE	(442)	(91)	(351)

The restatements above related to the expenditure incurred on the reinstatement of earthquake damaged roads in Christchurch, Tauranga Eastern Link and Transmission Gully. The restatements have impacted the disclosure on the Output Class Funding to the Transport Agency under local road maintenance and state highway improvements.

2 / STATEMENT OF INFLOWS, OUTFLOWS, AND CAPITAL EXPENDITURE FOR THE PREVIOUS TWO FINANCIAL YEARS

	ACTUAL 2015/16 \$M	ACTUAL (RESTATED) 2014/15 \$M	ACTUAL (RESTATED) 2013/14 \$M
REVENUE INFLOWS			
Land transport revenue	3,458	3,184	2,994
Interest revenue	5	7	3
Management of Crown land	63	79	99
Tolling	7	0	0
Fair value gain on long-term payables	11	0	0
Total revenue inflows	3,544	3,270	3,096
OUTFLOWS			
National Land Transport Programme	3,278	3,293	2,783
Road Policing Programme	315	298	307
Fuel excise duty/road user charges administration	5	5	5
Forecasting and strategy	1	1	1
Total outflows	3,599	3,597	3,096
SURPLUS/(DEFICIT)	(55)	(327)	0

This statement of inflows, outflows, and capital expenditure for the previous two financial years is provided under the requirements of the Land Transport Management Act 2003.

Separate disclosure of the Management of Crown land and interest is required under the Land Transport Management Act 2003.

3 / LAND TRANSPORT REVENUE

	ACTUAL 2015/16 \$M	ACTUAL 2014/15 \$M
REVENUE		
Fuel excise duty	1,932	1,790
Road user charges	1,433	1,335
Motor vehicle registration and annual licensing fees	215	181
	3,580	3,306
LESS REFUNDS		
Fuel excise duty	65	60
Road user charges	52	52
Motor vehicle registration and annual licensing fees	1	1
	118	113
Less bad debt write-off	4	9
TOTAL LAND TRANSPORT REVENUE	3,458	3,184

As per the Land Transport Management Act 2003, a payment is made for maritime search and rescue activities from fuel excise duty prior to the duty becoming land transport revenue. This payment was \$9m (2015: \$9m).

4 / TOTAL REVENUE INFLOWS

The land transport revenue and tolling has been classified and treated as non-exchange revenue and accounted for in accordance with PBE IPSAS 23. The nature of these revenue streams is that of taxes and duties.

The interest earned on the nominal cash balance and the management of Crown land revenue has been classified and treated as exchange revenue and accounted for in accordance with PBE IPSAS 9.

5 / CASH AND CASH EQUIVALENTS

The National Land Transport Fund is a notional account only. The cash and cash equivalents reported in these statements are held by the Crown in the consolidated fund.

6 / RECEIVABLES

	ACTUAL 2015/16 \$M	ACTUAL 2014/15 \$M
Debtors - fuel excise duty	237	249
Debtors - motor vehicle register/road user charges	24	32
Provision for doubtful debt	(13)	(14)
TOTAL RECEIVABLES	248	267

7 / PAYABLES

	ACTUAL 2015/16 \$M	ACTUAL (RESTATED) 2014/15 \$M
Transport Agency (for the National Land Transport Programme) – current	299	397
Transport Agency (for the National Land Transport Programme) – non-current	708	351
TOTAL PAYABLES	1,007	748

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

Non-current payables are a mixture of interest and non-interest bearing advances which will be settled between 2 to 28 years. Non-interest bearing non-current payables are discounted to present value as at 30 June 2016.

8 / GENERAL FUNDS CLOSING BALANCE

The Fund has a negative general funds balance due to the programmes which were accelerated and current funding was sourced from the Crown. The funding received has been recognised as long-term payables which are not due until 2 to 28 years from balance date.

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

- The Fund's liquidity is actively managed.
- The Fund has a positive cash balance of \$262 million as at 30 June 2016.
- The Fund's long-term forecasts showed its ability to repay these obligations when they fall due.
- The main revenue source of the Fund is the land transport revenue which is forecast with inputs from other government departments and has been accurately forecast in recent years.
- The Fund has the option to slow down expenditure on the National Land Transport Programme, or utilise the short-term borrowing facility of \$250 million if required to meet obligations as they fall due in the short term.
- There is a long-term financial liabilities policy that prioritises borrowing repayments over other commitments and limits borrowings to an annual repayment threshold of 10% of the land transport revenue.

9 / RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FROM OPERATING ACTIVITIES

	ACTUAL 2015/16 \$M	ACTUAL (RESTATED) 2014/15 \$M
SURPLUS/(DEFICIT)	(55)	(327)
ADD/(LESS) MOVEMENTS IN WORKING CAPITAL ITEMS:		
(Increase)/decrease in receivables	19	(38)
Increase/(decrease) in payables	259	268
Net movements in working capital items	278	230
NET CASH FROM OPERATING ACTIVITIES	223	(97)

10 / CAPITAL COMMITMENTS AND OPERATING ROADING PLANNED OUTFLOWS

The planned aggregate funding outflows for the National Land Transport Fund are as follows:

	ACTUAL 2015/16 \$M	ACTUAL 2014/15 \$M
Not later than one year	3,958	3,386
Later than one year and not later than five years	4,803	5,893
Later than five years	3,956	3,792
TOTAL PLANNED FUNDING	12,717	13,071

11 / CONTINGENCIES

Contingent liabilities

The National Land Transport Fund has no contingent liabilities (2015: Nil).

Contingent assets

The National Land Transport Fund has no contingent assets (2015: Nil).

12 / RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

The National Land Transport Fund 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 National Land Transport Fund 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

Under the definition of PBE IPSAS 20, the National Land Transport Fund has no key management personnel.

13 / FINANCIAL INSTRUMENT CATEGORIES

The carrying amounts of financial assets and liabilities in each of the PBE IPSAS 30 categories are as follows:

	ACTUAL 2015/16 \$M	ACTUAL (RESTATED) 2014/15 \$M
LOANS AND RECEIVABLES		
Cash and cash equivalents	262	39
Receivables	248	267
TOTAL LOANS AND RECEIVABLES	510	306
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Payables	1,007	748
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	1,007	748

14 / FINANCIAL INSTRUMENT RISKS

The National Land Transport Fund's activities expose it to a variety of financial instrument risks, including credit risk and liquidity risk. The National Land Transport Fund has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from these risks. These policies do not allow any transactions that are speculative in nature to be entered into.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the National Land Transport Fund, causing the National Land Transport Fund to incur a loss.

In the normal course of business, the National Land Transport Fund is exposed to credit risk from debtors and other receivables. For these, the maximum credit exposure is best represented by the carrying amount in the Statement of financial position.

The cash balance is nominal and held within the Government's Crown account.

The National Land Transport Fund holds no collateral or other credit enhancements for financial instruments that give rise to credit risk.

Maximum exposure to credit risk

The National Land Transport Fund's maximum credit risk exposure for each class of financial instrument is as follows:

	ACTUAL 2015/16 \$M	ACTUAL 2014/15 \$M
Receivables	248	267
TOTAL CREDIT RISK	248	267

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 2015/16 \$M	ACTUAL 2014/15 \$M
CASH AND CASH EQUIVALENTS		
AA+	262	39
TOTAL CASH AND CASH EQUIVALENTS	262	39

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the National Land Transport Fund will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash.

The National Land Transport Fund mostly manages liquidity risk by continuously monitoring forecast and actual cash flow requirements (refer to note 8 for additional information).

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. The amounts below are contractual cash flows which in some instances will differ from the carrying amount of the relevant liability in the Statement of financial position.

	2015/16				2014/15			
	0-1 YEAR \$M	1-2 YEARS \$M	2-5 YEARS \$M	OVER 5 YEARS \$M	0-1 YEAR \$M	1-2 YEARS \$M	2-5 YEARS \$M	OVER 5 YEARS \$M
Payables	304	21	181	839	402	5	29	568

15 / CAPITAL MANAGEMENT

The National Land Transport Fund's capital is its general funds. General funds are represented by net assets.

The National Land Transport Fund is subject to the financial management and accountability provisions of the Public Finance Act 1989, which imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

The Transport Agency manages the National Land Transport Fund's general funds as a by-product of prudent management of revenues, expenses, liabilities, and general financial dealings, to ensure the National Land Transport Fund effectively achieves the requirements set out in the Land Transport Management Act 2003.

16 / COMMITMENTS TO REGIONS REPORTING

The Land Transport Management Amendment Act 2008 requires disclosure of expenditure incurred from the 2008/09 financial year to date, in fulfilling the Crown's commitment as per the Act.

	LTMA COMMITMENT \$M	DUE BY	ACTUAL TO DATE \$M
Bay of Plenty	135	2015/16	130
Wellington land transport (Western corridor) *	625	2016/17	367
TOTAL	760		497

* Changes were made to the Land Transport Management Act 2008 Amendment in 2013.

All other regional commitments have been fully met.

17 / EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

Explanations for significant variations from the National Land Transport Fund's budgeted figures are as follows:

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

Revenue inflows

Land transport revenue was \$127 million above budget primarily due to a change in road user behaviour as a result of lower petrol prices and the reduced ACC levy.

Tolling is a new revenue source from the new toll roads in Tauranga.

Outflows

National land transport programme was \$183 million above budget. This was largely due to expenditure on the Auckland Accelerated Package, reinstatement of earthquake-damaged roads in Christchurch and the expenditure in Transmission Gully during the year. This is offset by underspend in Approved Organisations payments and lower expenditure on maintenance due to the good condition of the state highways, and low level of emergency works required.

18 / EVENTS AFTER THE BALANCE DATE

The Transport Agency has entered into Preferred Bidder negotiations with the Northern Express Group for the Pūhoi to Warkworth project. This is the second Public private partnership for a state highway project in New Zealand. Pending the successful completion of negotiations, the Transport Agency expects to award the contract for the Pūhoi to Warkworth project by late calendar year 2016.

On 3 July 2016, the Prime Minister announced a new \$1 billion Housing Infrastructure Fund to accelerate housing supply in New Zealand's high growth areas. The Transport Agency is working closely with the relevant government agencies and departments to determine the design of the Housing Infrastructure Fund and how to operationalise it from a transport perspective. It is likely the National Land Transport Fund will be used as an effective mechanism to enable transport-related funds from the Housing Infrastructure Fund to be administered.

There were no other significant events after the balance date.

OUTPUT CLASS FUNDING TO THE TRANSPORT AGENCY

	ACTUAL 2015/16 \$M	BUDGET 2015/16 \$M	ACTUAL (RESTATED) 2014/15 \$M
Investment management	60	59	51
Public transport	307	331	298
Walking and cycling	40	31	30
Road safety promotion	30	34	33
Local road improvements	104	149	188
Local road maintenance	576	555	542
Regional improvements	13	65	0
State highway improvements	1,686	1,311	1,618
State highway maintenance	462	560	533
TOTAL OUTPUT CLASS FUNDING TO THE TRANSPORT AGENCY	3,278	3,095	3,293

Public transport was \$24 million below budget as less funding was needed due to infrastructure project delays and services being delivered at a lower cost.

Walking and cycling was \$9 million above budget as there was a significant spend this year, largely from approved projects carried over from the 2012-15 NLTP.

Local road improvements were \$45 million below budget. This is due to delivery being well under expected levels as approved organisations focussed on other priorities such as the Central Rail Link.

Local road maintenance was \$21 million above budget. This was due to expenditure incurred relating to reinstatement of earthquake-damaged roads in Christchurch.

Regional improvements were \$52 million below budget. Momentum for this activity has been slow, but confidence still remains that funding will reach the GPS funding range.

State highway improvements were \$375 million above budget due to the expenditure incurred on the Auckland Accelerated Package and the Transmission Gully project. Also, the construction programme was ahead of expectation.

State highway maintenance was \$98 million below budget due to the state highway network being in a good condition and a lower level of emergency works were needed this year.

INDEPENDENT AUDITOR'S REPORT



To the readers of National Land Transport Fund's financial statements and performance information for the year ended 30 June 2016

The Auditor-General is the auditor of National Land Transport Fund (the "NLTF"). 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 appropriations, of the NLTF on her behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the NLTF on pages 242 to 254, that comprise the statement of financial position as at 30 June 2016, the statement of comprehensive revenue and expense, statement of changes in general funds balance 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
- the statement of performance of the NLTF on pages 235 to 240.

In our opinion:

- the financial statements of the NLTF:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2016; 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 NLTF's performance for the year ended 30 June 2016, 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 appropriations; 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 26 September 2016. 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 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 NLTF'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 NLTF's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the appropriateness of the reported performance information within the NLTF'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 the performance information. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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 performance information that:

- comply with generally accepted accounting practice in New Zealand;
- present fairly the NLTF's financial position, financial performance and cash flows; and
- present fairly the NLTF's performance.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Land Transport Management Act 2003.

The Board is also 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 is 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.

Other than the audit, we have no relationship with or interests in the NLTF.



BRENT MANNING

KPMG WELLINGTON

ON BEHALF OF THE AUDITOR-GENERAL

WELLINGTON, NEW ZEALAND

SECTION E

ABOUT THE LAND TRANSPORT INVESTMENT SYSTEM



LAND TRANSPORT INVESTMENT SYSTEM

This section describes the relationship between the National Land Transport Fund and the National Land Transport Programme and the role of the NZ Transport Agency in the land transport investment system. More information about what the Transport Agency does and how its performance is measured is in the statement of performance for investment management (page 56 of the *NZ Transport Agency annual report*).

NATIONAL LAND TRANSPORT FUND

The National Land Transport Fund is a fully hypothecated (ring-fenced) transport fund made up of fuel excise duty, road user charges, a portion of the annual vehicle licensing fee, and income from the sale and lease of state highway property. This means that all the revenue collected from transport users (see figure 4) is dedicated to investment in land transport.

The NZ Transport Agency Board has independent statutory responsibilities for the allocation and investment of the National Land Transport Fund, which occurs through the National Land Transport Programme.

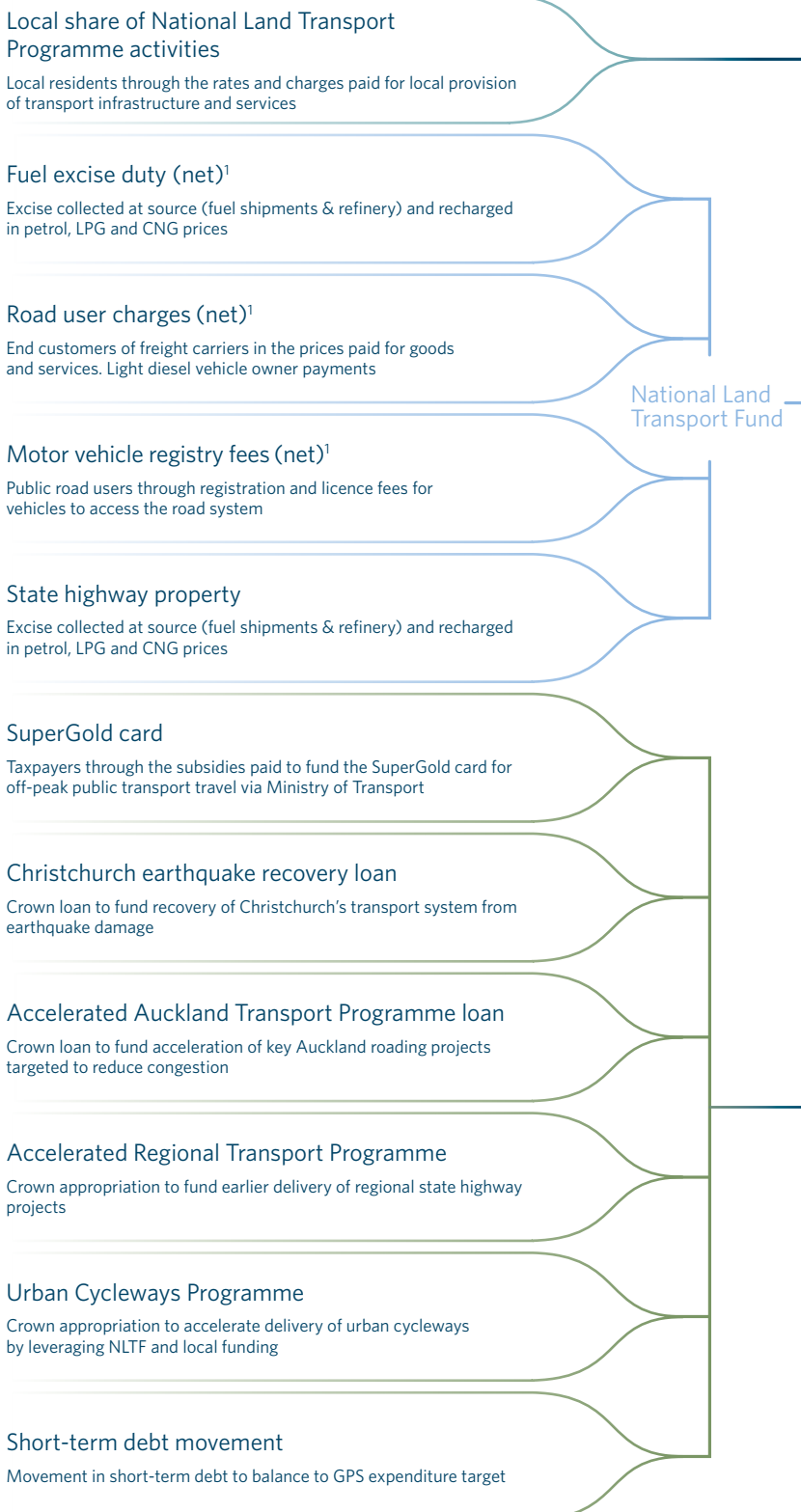
NATIONAL LAND TRANSPORT PROGRAMME

The National Land Transport Programme is a three-year planning and investment partnership between the Transport Agency, local authorities, NZ Police and transport sector stakeholders. It sets out the programme of transport activities the Transport Agency intends to fund to give effect to the Government Policy Statement on Land Transport.

The National Land Transport Programme co-invests funds from National Land Transport Fund, local government and the Crown (see figure 4) and contains all land transport activities that may be considered for investment during the three-year programme under activity classes for public transport, road policing, road safety promotion, walking and cycling, and state highway and local road construction and maintenance. No transport activity can be funded from the National Land Transport Fund unless it is in the National Land Transport Programme.

FIGURE 4 - REVENUE SOURCES AND ACTIVITY CLASSES FOR THE 2015-18 NATIONAL LAND TRANSPORT PROGRAMME

Funding comes from...



and is invested in...



1. Net of refunds and administration costs.
2. Covers costs for bad debts, search and rescue, recreational boating safety awareness and revenue system management.

THE TRANSPORT AGENCY'S INVESTMENT STRATEGY

The Government sets the strategic direction for the investment of the National Land Transport Fund through the Government Policy Statement on Land Transport and determines the funding range allocations to each activity class, thereby shaping the investment across modes and the transport system.

When developing the National Land Transport Programme, the Transport Agency uses an investment assessment framework to ensure that it gives effect to the Government Policy Statement and to determine which activities will receive funding within the overall funding ranges. The investment assessment framework is a prioritisation tool that helps to optimise the mix of investments that represent the best value for money and contribute to the Government's priorities.

When approved organisations, including parts of the Transport Agency and regional partners, develop proposals for the National Land Transport Programme, they are expected to follow a four-stage business case approach. At each stage, the investment assessment framework is used to ensure the proposal identifies the right issues and opportunities and puts forward appropriate responses that are eligible for funding through the National Land Transport Programme.

Specifically, all proposals are assessed against three criteria:

1. **Strategic fit:** whether the benefits identified in a proposal align with the Government Policy Statement results.
2. **Effectiveness:** whether the business case approach has been applied to ensure the best solution is put forward.
3. **Benefit and cost appraisal:** identifies all possible monetised whole-of-life costs and benefits.

This year, the development of the 2015-18 National Land Transport Programme aimed to deliver more value to users of the transport system by:

- being clearer with investment partners about the outcomes to be achieved for users of the transport system
- optimising programmes to deliver these outcomes by working with our partners to do the right things, at the right time, for the right price
- refining the balance of investment between the National Land Transport Fund and local government through a review of funding assistance rates.

The One Network Road Classification, which categorises roads based on the functions they perform as part of an integrated national network, ongoing improvements to the evidence base, and the new business case approach have also supported the drive to deliver more value.

FIGURE 5 - NATIONAL LAND TRANSPORT FUNDING AND ASSESSMENT SYSTEM

