SECTION C

STATEMENT OF PERFORMANCE

STATEMENT OF RESPONSIBILITY

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

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

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

In the Board's opinion, these financial statements and statement of performance fairly reflect the financial position and operations of the Transport Agency for the year ended 30 June 2016.

Signed on behalf of the Board:

CHRIS MOLLER

Chair
NZ Transport Agency
26 SEPTEMBER 2016

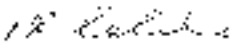
GILL COX

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

Countersigned by:

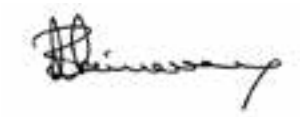
FERGUS GAMMIE

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

STATEMENT OF PERFORMANCE

OUTPUT CLASS PERFORMANCE

THIS YEAR WE ACHIEVED 85 PERCENT OF OUR SERVICE DELIVERY TARGETS

Investment management /
43 percent (3 of 7 targets)

SEE PAGES 56–58

Licensing and regulatory compliance /
100 percent (6 of 6 targets)

Road tolling /
67 percent (2 of 3 targets)

Motor vehicle registry /
100 percent (6 of 6 targets)

Road user charges /
100 percent (3 of 3 targets)

Road safety promotion /
100 percent (2 of 2 targets)

SEE PAGES 59–66

State highway improvements /
100 percent (1 of 1 target)

State highway maintenance /
86 percent (6 of 7 targets)

SEE PAGES 67–70

SuperGold Card /
100 percent (2 of 2 targets)

Local road maintenance /
100 percent (1 of 1 target)

Fuel excise duty /
100 percent (2 of 2 targets)

SEE PAGES 73–82

THIS YEAR 89 PERCENT OF INVESTMENT INDICATORS MET EXPECTATIONS

State highway improvements /
100 percent (3 of 3 expectations)

State highway maintenance /
100 percent (2 of 2 expectations)

SEE PAGES 67–70

Public transport /
100 percent (2 of 2 expectations)

Local road improvements /
100 percent (2 of 2 expectations)

Local road maintenance /
67 percent (2 of 3 expectations)

Walking and cycling /
100 percent (1 of 1 expectation)

Regional improvements /
100 percent (1 of 1 expectation)

SEE PAGES 71–82

OUTPUT CLASSES THAT SUPPORT OUR ONE NETWORK GOAL

INVESTMENT MANAGEMENT

Delivered by the Transport Agency and funded from the National Land Transport Fund and the Crown

HOW INVESTMENT MANAGEMENT CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,[°] we invest in or influence:

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

We contribute to our operating costs to:

- develop and manage the National Land Transport Programme efficiently
- develop a shared view of planning and investing with our investment partners
- provide advice to Government on policy matters affecting land transport planning and investment
- encourage closer integration of stakeholders' land-use and transport planning
- monitor and audit land transport activities and the performance of organisations that we invest with
- provide investment and procurement advice on land transport activities, including public transport
- monitor and report on the national Road Policing Programme.

Investment management helps deliver on our long-term goal of integrating one network for customers by:

- providing greater certainty for regional land transport plans, infrastructure development and activity management, and investment in the New Zealand transport system
- advising on how land transport planning and investment contributes to all-of-government outcomes
- managing the National Land Transport Fund investments to maximise the overall benefit for New Zealand's transport system.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements for investment management included:

- working alongside the Ministry of Transport on proposed amendments to the Resource Management Act 1991 and Local Government Act 2002, the proposed development of a National Policy Statement on Urban Development and the development of the sector-wide Transport Research Strategy and the Transport Domain Plan
- working with councils on key transport business cases, including regional economic development opportunities in Northland, Bay of Plenty, East Coast, Manawatū–Whanganui and the West Coast; the Auckland Transport Alignment Project; Auckland's Transport for Urban Growth business case; the Let's Get Wellington Moving project; and the Queenstown–Wanaka transport study
- completing the review of the investment decision-making process – design and implementation work addressing the review findings are being integrated into the policy and guidance material for the investment decision-making processes that will be applied to the next National Land Transport Programme
- continuing to support the implementation of the Public Transport Operating Model across the country and the establishment of a national ticketing programme involving 13 councils and that will deliver a nationally coordinated approach to regional ticketing systems

[°] Output class scope statements are in appendix 5, page 186.

- working in partnership with local government through the Road Efficiency Group to further embed the One Network Road Classification framework, build sector capability, and share asset management and procurement best practice to deliver efficiencies and effectiveness from investment in road maintenance
- making significant progress in planning for strategic cycling routes in urban areas and accompanying behavioural change programmes as part of the national cycling programme to promote cycling as an attractive travel choice
- investing in sector research, procuring and contracting 23 new research projects on wide-ranging topics, publishing 20 peer-reviewed and edited research reports on our website, and providing free access to research findings and recommendations[1] and publishing four research newsletters promoting 17 research projects.[2]

HOW WE PERFORMED[3]

We met three of our seven performance targets for investment management.

	SERVICE DELIVERY*	ACTUAL 2014/15	ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	RESULT
VALUE FOR MONEY	Total cost of managing the funding allocation system as a % of the NLTP expenditure (NOTE 1)	0.9%	1.1%	≤1%	-0.1%	1
SERVICE DELIVERY	% of activities that are delivered to agreed standards and timeframes (investment in the funding allocation system) (NOTE 2)	95%	100%	100%	-	
	% of operational assurance activities completed (NOTE 3)	85%	95%	100%	-5%	2
	Average number of days taken to deliver (NOTE 4)	7.9	7.6	≤20	12.4	
	% of activities that are delivered to agreed standards and timeframes (transport planning) (NOTE 5)	86%	75%	≥90%	-15%	3
	% of activities that are delivered to agreed standards and timeframes (sector research) (NOTE 6)	100%	100%	≥90%	10%	
CUSTOMER SATISFACTION	% customer satisfaction (approved organisations/stakeholders) (NOTE 7)	73%	66%	≥70%	-4%	4

* For technical notes, see page 181.

1 Expenditure in this category exceeded the 1 percent target despite being $0.63 million below budget. The lower expenditure across the National Land Transport Fund and Crown funding drove the measure up in percentage terms. The National Land Transport Fund spend was $119 million less than forecast. Additionally, the Crown-funded Urban Cycleways Fund and Accelerated Regional Transport Programme expenditure was below budget. It is expected that programme expenditure will increase over the next two years, meeting published National Land Transport Programme expectations, and the measure across the three years should be within target.

[1] Available at www.nzta.govt.nz/planning-and-investment/our-investments/research/

[2] Available at www.nzta.govt.nz/resources/nzta-research/

[3] A Crown appropriation funds the management of the Crash Analysis System in this output class. For this appropriation, we monitor the average number of days taken (from date of receipt) to enter fatal crash reports into the system. For 2015/16, the average number of days was 6 against a budget standard of 20.

2 The target to complete 100 percent of the published 2015/16 investment assurance programme of audits and reviews was not fully met because resources were reprioritised to meet changing business needs. This resulted in two planned post-implementation review projects being deferred to the first quarter of 2016/17.

3 Overall service delivery targets for the year are based on the total number of activities delivered. This target was not met due to transport planning programme delays and a decision to focus on high priority activities.

The declined planning approval for the Wellington Basin Bridge required rescoping of transport network optimisation activities within the region, resulting in programme delays. The announcement of the Auckland Transport Alignment Project resulted in refocusing resources to a smaller number of high priority activities from lower priority programmes. The work programme for all the high priority activities was achieved, and the Activity Management Planning achieved 'on time' and 'on cost' standards. Unfinished work is planned for completion in 2016/17.

4 The satisfaction rating reflects, in part, the number of changes implemented this year in organisational processes and approaches that are key to laying the foundations for better transport investment and decision-making in the future. While we have communicated these changes to stakeholders, we are aware there is more work to do to ensure they continue to build their capability. We are developing a new customer-led design approach and tools to build this capability and to simplify processes. We are committed to building stronger relationships with our stakeholders and continuing to tailor our communications and engagement programme to provide greater opportunity for stakeholder involvement in our business process design.

WHAT IT COST

	ACTUAL 2015/16 $000	BUDGET 2015/16 $000	VARIANCE 2015/16 $000	ACTUAL 2014/15 $000
Income	62,281	59,775	2,506	51,988
Expenditure	62,281	59,821	(2,460)	51,988
Net surplus/(deficit)	0	(46)	46	0

Transport planning expenditure was $3.4 million higher than budget. Budget underspends in sector research ($0.3 million) and investment in the funding allocation system ($0.6 million) resulted in a $2.5 million investment management expenditure overspend.

The transport planning budget overspend was due to the following:

- The Auckland Transport Alignment Project was formed after the 2015/16 budget was finalised and the required resourcing was greater than what could be provided through reprioritisation.
- The decision to consolidate expenditure for the development of the Road Efficiency Group activity management plan resulted in a greater spend in investment management.
- Extra resource was allocated to progress state highway priority programme business cases earlier than initially planned.

OUTPUT CLASSES THAT SUPPORT OUR SMART CHOICES GOAL

LICENSING AND REGULATORY COMPLIANCE

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

HOW LICENSING AND REGULATORY COMPLIANCE CONTRIBUTES TO OUR LONG TERM GOALS

Under this output class,[°] we:

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

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

Licensing and regulatory compliance primarily contributes to the long-term goal of shaping smart transport choices. This is achieved by reducing deaths and serious injuries through regulation of drivers, vehicles and commercial operators and the associated influence on drivers and driver behaviour. A secondary contribution is also derived from regulatory activities through the support of efficiency of freight supply chains and vehicle fleet efficiency and by reducing adverse environmental effects.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements for licensing and regulatory compliance included:

- issuing 6 percent more over-dimension permits than in the previous year, encouraging more freight on fewer vehicles and making it easier for our customers to receive their permits with turnaround times for applications consistently meeting our target of 10 days or less
- working in collaboration with the Ministry of Transport on changes to the Driver Licensing Rule and on changes to the Vehicle Dimensions and Mass Rule to reduce barriers to compliance and enable greater productivity
- transitioning successfully to a new provider for practical driver licensing tests – customer effort scores have been high and customers have been able to book their practical driving test within the target period of 18 days.

Rail safety achievements include the following:

- We launched the inaugural Tourist & Heritage Rail Safety Award to encourage and lift rail safety awareness and recognise excellence in rail safety innovation. The award was presented to Goldfields Railway for an initiative to increase public awareness at level crossings situated within the local Waihi community.
- We worked with Auckland public transport providers Auckland Transport, KiwiRail and Transdev Auckland to ensure that changed safety risks associated with an increase in train frequency on the Western Line were identified and appropriately managed.
- We provided interim approval to Transdev Wellington to operate the Wellington metro train service from 3 July 2016. Our oversight of the transition from the former KiwiRail TranzMetro operation to Transdev Wellington focused on ensuring safety was not compromised by the change in operator.

[°] Output class scope statements are in appendix 5, page 186.

STRENGTHENING THE DRIVER LICENSING SYSTEM

During the year the integrity of the driver licensing system was challenged. Incidents were discovered where driver licences had been issued to drivers who had not met all requirements. We acted immediately to prevent further incidents occurring and initiated an independent review of end-to-end system integrity. Our own investigation and the review informed an action plan to address any vulnerabilities in the driver licensing system. Actions have included strengthening controls to improve our oversight over the system, our ability to identify trends and anomalies, and our scrutiny over high-risk areas such as overseas conversions and approved courses.

HOW WE PERFORMED

We have achieved our six performance targets for licensing and regulatory compliance.

	SERVICE DELIVERY*	ACTUAL 2014/15	ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	RESULT
VALUE FOR MONEY	Unit transaction costs (NOTE 8)	$10.14	$10.98	≤$11	-$0.02	
	% of transactions completed online (NOTE 9)	31%	38%[1]	≥25%	+13%	
SERVICE DELIVERY	% of accuracy of registers (NOTE 10)	94%	93%	≥93%	-	
	% of activities that are delivered to agreed standards and timeframes (NOTE 11)	89%	92%	≥90%	+2%	
	% of operational assurance activities completed (NOTE 12)	88%	100%	100%	-	
	Number of products/services delivered or processed (NOTE 13)	6.4m	6.2m	≥6.0m	+0.2m	

* For technical notes see page 181.

[1] This measure includes online practical test reschedules, as well as initial bookings. The result for 2014/15 has updated to reflect this.

WHAT IT COST

	ACTUAL 2015/16 $000	BUDGET 2015/16 $000	VARIANCE 2015/16 $000	ACTUAL 2014/15 $000
Income	95,532	89,523	6,009	87,214
Expenditure	90,281	88,472	(1,809)	84,194
Net surplus/(deficit)	5,251	1,051	4,200	3,020

The licensing and regulatory compliance output class recorded a net surplus of $5.3 million at year end.

Licensing and regulatory compliance income was $6 million above budget. Of this, $3.1 million was due to higher than expected transaction volumes for driver licensing and driver testing. In addition, higher than expected standard development fee and transport licensing revenue was collected, contributing a further $1.8 million. These fees are collected as part of vehicle licensing transactions, which saw higher than expected volumes. A further $1.2 million of income resulted from a one-off accounting adjustment that ensured pre-paid licensing revenue from 2014/15 was included in the accounts.

Expenditure was above budget by $1.8 million. This was due to the higher transaction costs associated with the additional driver licensing and driver testing volumes. In addition, investment was undertaken to transition driver licence endorsement applications onto an online case management platform.

We commenced work on the driver licensing system in preparation for expected investment over the next two years to improve system integrity and to respond to changes following the Government's changes to the Driver Licensing Rule.

ROAD TOLLING

Delivered by the Transport Agency and funded from fees and charges

HOW ROAD TOLLING CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,° we:

- manage the tolling roadside and back office systems, customer interfaces and payment channels
- undertake the collection of toll revenues and disbursements to the Crown
- provide information and advice to the public.

Road tolling supports our long-term goal to shape smart transport choices. This is achieved by supporting the impacts provided from new infrastructure investment through the collection of fees for infrastructure investment repayments.

OUR MAJOR ACHIEVEMENTS THIS YEAR

We opened two new roads in August 2015: Takitimu Drive Toll Road, formerly known as Route K Toll Road, and the Tauranga Eastern Link Drive Toll Road. These toll points are single-gantry, multi-lane free-flow systems, the first of their kind in New Zealand, where motorists do not need to stop to pay the toll.

We have enhanced our digital payment options for tolling to improve the ease of compliance for customers through new services such as e-payment in service stations. In addition, the proportion of trips assigned to a tolling account increased to 76 percent at the end of the financial year.

HOW WE PERFORMED

We have achieved or exceeded two of our three performance targets for tolling.

	SERVICE DELIVERY*	ACTUAL 2014/15	ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	RESULT
VALUE FOR MONEY	Unit transaction costs (NOTE 14)	$0.58	$0.61	≤$0.75	-$0.14	
SERVICE DELIVERY	% revenue compliance	97%	97%	≥98%	-1%	1
	Number of products/services delivered or processed	6.7m	12.8m	≥9.8m[1]	+3m	

* For technical notes, see page 181.

[1] The target noted in the *Statement of performance expectations 2015/16* was incorrectly transposed. The correct target is noted here.

The two new toll roads have driven a large increase in the number of tolling transactions, with nearly double the amount processed in 2015/16 than in the previous financial year and 30 percent more than our target.

While the number of transactions has significantly increased, increased investment in the tolling system to accommodate the two new toll roads and transform the customer experience has resulted in only a slight increase in the unit transaction costs for this output area.

1 Annual performance for tolling revenue compliance was within one percentage point of the target of 98 percent. Tolling revenue compliance measures the number of trips paid for as a percentage of all trips for the same period. Customers do not always pay their trips immediately, meaning a proportion of trips with outstanding payments are paid early in the next period.

° Output class scope statements are in appendix 5, page 186.

WHAT IT COST

	ACTUAL 2015/16 $000	BUDGET 2015/16 $000	VARIANCE 2015/16 $000	ACTUAL 2014/15 $000
Income	11,785	10,453	1,332	6,332
Expenditure	10,798	10,197	(601)	5,541
Net surplus/(deficit)	987	256	731	791

The road tolling output class recorded a net surplus of $0.987 million at year end.

Road tolling income was $1.33 million above budget. Income is made up of two main streams: income from trips and tolling payment notices. Trip volumes were higher than planned, which resulted in income from trips of $1.13 million above budgeted levels. Tolling notices delivered $0.2 million above budgeted levels.

Tolling expenditure was $0.6 million above budget. Increased expenditure of $0.27 million was due to increased activity related to the opening of two new toll roads. Additionally, $0.33 million of costs were incurred to ensure that the tolling system remains compliant with Payment Card Industry standards over the longer term.

MOTOR VEHICLE REGISTRY

Delivered by the Transport Agency and funded from fees and charges

HOW MOTOR VEHICLE REGISTRY CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,[o] we:

- operate the motor vehicle register
- deliver motor vehicle registration and licensing services
- undertake the collection and refund of registration and licensing revenue, which is paid to the National Land Transport Fund
- provide information and advice to the public.

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

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements for motor vehicle registry included:

- together with ACC, successfully implementing the first changes to the ACC vehicle risk rating levy
- in response to changing customer needs, extending our digital presence with the addition of an immediately popular live chat channel to provide real-time online advice and information and using digital campaigns on Facebook and Twitter to raise awareness of online services
- making information on written-off vehicles available to third-party online providers such as Trade Me, Autotrader, CarJam, so these providers could present consumer warnings specific to individual vehicles.

[o] Output class scope statements are in appendix 5, page 186.

HOW WE PERFORMED

We have achieved all six performance targets for the motor vehicle registry.

	SERVICE DELIVERY*	ACTUAL 2014/15	ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	RESULT
VALUE FOR MONEY	Unit transaction costs	$5.62	$5.51	≤$6.00	-$0.49	
	% of transactions completed online (NOTE 15)	35%	38%	≥35%	+3%	
SERVICE DELIVERY	% of accuracy of registers (NOTE 16)	96%	96%	≥95%	+1%	
	% of revenue compliance	99%	99%	≥98%	+1%	
	Number of products/services delivered or processed	10.3m	10.6m	≥9.5m	+1.1m	
CUSTOMER SATISFACTION	% customer satisfaction (NOTE 17)	94%	95%	≥87%	+8%	

* For technical notes, see page 181.

WHAT IT COST

	ACTUAL 2015/16 $000	BUDGET 2015/16 $000	VARIANCE 2015/16 $000	ACTUAL 2014/15 $000
Income	59,672	55,679	3,993	59,524
Expenditure	58,888	57,684	(1,204)	58,611
Net surplus/(deficit)	784	(2,005)	2,789	913

The motor vehicle registry output class recorded a net surplus of $0.784 million at year end.

Motor vehicle registry income was $3.99 million above budget. Of the amount over budget, $1.9 million was due to higher than expected volumes of vehicle licensing transactions, as more customers attempted to align their licence end dates with the introduction of lower ACC vehicle risk rating levies, which came into effect on 1 July 2016.

Further income also resulted from the growth in New Zealand's vehicle fleet, which grew 4 percent over the course of the year, resulting in higher than planned revenue from registrations, licence plates and changes of ownership.

Expenditure was above budget by $1.2 million. This was due to the additional transaction costs necessary to service the higher than expected volumes.

ROAD USER CHARGES COLLECTION, INVESTIGATION AND ENFORCEMENT

Delivered by the Transport Agency and funded from the National Land Transport Fund, fees and charges, and the Crown

HOW ROAD USER CHARGES COLLECTION, INVESTIGATION AND ENFORCEMENT CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,° we:

- collect and refund road user charges (RUC), which are paid to the National Land Transport Fund
- investigate evasion of RUC and enforce payment
- provide information and advice to the public.

RUC collection, investigation and enforcement contribute to the long-term goal of shaping smart transport choices through revenue collection for the National Land Transport Programme and, therefore, supports Transport Agency investment in the land transport system.

OUR MAJOR ACHIEVEMENTS THIS YEAR

This year, a major achievement is that digital RUC transactions have continued to increase among both commercial and private customers, reducing customer effort and contributing to improving the cost efficiency of the RUC system. We expect digital growth to continue as we take on new e-RUC providers with a focus on private light diesel customers.

We have also improved our capability for combatting RUC evasion using data-driven processes to detect and address compliance issues.

HOW WE PERFORMED

We have achieved all three performance targets for road user charges.

	SERVICE DELIVERY*	ACTUAL 2014/15	ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	RESULT
VALUE FOR MONEY	Unit transaction costs	$4.73	$4.46	≤$5.50	-$1.04	●
	% of transactions completed online (NOTE 18)	53%	58%	≥55%	+3%	●
SERVICE DELIVERY	Number of products/services delivered or processed (NOTE 19)	3.3m	3.6m[1]	≥3m	+0.6m	●

* For technical notes, see page 181.

[1] This measure has been expanded to include rebookings. The 2014/15 figure as well as the unit transaction cost, have been updated to reflect this.

The percentage of digital RUC purchases increased by 5 percentage points in comparison to 2014/15. There has been an ongoing increase in digital RUC transactions among both commercial and private customers, reducing compliance efforts for the Transport Agency and ensuring the RUC system is more cost effective.

RUC transaction volumes increased by 300,000 compared with volumes in 2014/15 due to a combination of increased RUC purchases and refunds for off-road users, contributing to lower unit transaction costs.

° Output class scope statements are in appendix 5, page 186.

WHAT IT COST

	ACTUAL 2015/16 $000	BUDGET 2015/16 $000	VARIANCE 2015/16 $000	ACTUAL 2014/15 $000
Income	16,047	15,071	976	16,597
Expenditure	16,233	15,821	(412)	15,737
Net surplus/(deficit)	(186)	(750)	564	860

The road user charges output class recorded a net deficit of $0.186 million at year end. This was more favourable than expected due to higher than planned income from RUC transaction fee revenue.

RUC income is sourced from three revenue streams: collections income collected through third-party fees, two appropriations covering the costs of administering investigation and enforcement activity, and the costs of administering RUC refunds.

RUC collections income was $0.976 million above budget, and appropriations were as expected. Collections income was above expectations, due to increased licensing activity, with a higher proportion of customers opting to purchase shorter distance licences more often, so paying more in transaction fees.

Necessary Payment Card Industry compliance work on our systems meant that expenditure was $0.4 million higher than planned over the year.

ROAD SAFETY PROMOTION

Delivered by the Transport Agency and local authorities and funded from the National Land Transport Fund

HOW ROAD SAFETY PROMOTION CONTRIBUTES TO OUR LONG-TERM GOALS

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

Road safety promotion contributes to the long-term goals of shaping smart transport choices and maximising returns for New Zealand by influencing the behaviour of drivers and other road users to support a reduction in deaths and serious injuries from road crashes.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our Hello Distractions advertisement was a huge hit on social media and generated significant positive interest on the global stage, including 57 million views world-wide (more than 13 million views on New Zealand websites). It also won gold at the Cannes Lions International Festival of Creativity in the Cyber Category for Social Video. The advertisement is aimed at young people using their phones behind the wheel. Research showed passengers feel uncomfortable when their driver uses their phone. Hello Distractions makes that discomfort visible without being judgemental and gives people a new way to talk with friends and family about driving without using a cell phone.

Together with ACC, we launched a free website called Drive to make it easier for young people to become confident and capable drivers. Drive.govt.nz contains features and engaging content that makes learning the road rules and learning to drive easier and more fun. Throughout the creation of Drive, we worked extensively with young drivers and sought input from experts in education, behavioural change, driving instruction, digital technologies and game design.

° Output class scope statements are in appendix 5, page 186.

HOW WE PERFORMED

We achieved both targets for road safety promotion.

	SERVICE DELIVERY*	ACTUAL 2014/15	ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	RESULT
SERVICE DELIVERY	% of activities that are delivered to agreed standards and timeframes (NOTE 20)	100%	100%	100%	–	●
	% of road safety advertising campaigns that meet or exceed their agreed success criteria (NOTE 21)	75%	80%	≥75%	5%	●

* For technical notes, see page 181.

WHAT IT COST

	ACTUAL 2015/16 $000	BUDGET 2015/16 $000	VARIANCE 2015/16 $000	ACTUAL 2014/15 $000
Income	31,606	34,824	(3,218)	34,132
Expenditure	31,040	35,242	4,202	32,972
Net surplus/(deficit)	566	(418)	984	1,160

Expenditure on road safety promotion in 2015/16 was under budget by $4.2 million.

This underspend was caused predominantly by delays to the production of some new campaigns under the national advertising programme. The underspend will be rolled into the 2016/17 programme and is expected to be made up over the course of the 2015–18 National Land Transport Programme.

Significant underspends were due to the following reasons:

- The Mistakes speed campaign lasted longer than expected, delaying the production of a new safer speeds campaign ($1.8 million carried into 2016/17).
- A review of the current state of cycling advertising, education and promotion activities was carried out during 2015/16. We are awaiting decisions on this review to inform future cycling campaigns ($0.8 million carried into 2016/17).
- Delays in the national drugs and alcohol, older road users, restraints, and visiting drivers campaigns contributed a further $0.8 million to the underspend in the national advertising budget.
- In the locally delivered programmes, there were small variances between budget and actual spend by a significant number of approved organisations. While none of these underspends was significant individually, together they contributed around $0.8 million to the underspend in this output class.

OUTPUT CLASSES THAT SUPPORT OUR HIGHWAY SOLUTIONS GOAL

STATE HIGHWAY IMPROVEMENTS

Delivered by the Transport Agency and funded from the National Land Transport Fund and the Crown

HOW STATE HIGHWAY IMPROVEMENTS CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,° we manage and invest in state highway network infrastructure to reduce the number and severity of crashes and improve the time and reliability between destinations connected by the network. We do this in a socially and environmentally responsible way.

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

OUR MAJOR ACHIEVEMENTS THIS YEAR

The major achievements for state highways improvements included:

- delivering the state highway programme successfully, with most of key programmes running to plan
- progressing five of the six Roads of National Significance on or ahead of schedule. Key achievements included:
  - completing the Cambridge section of the Waikato Expressway ahead of schedule and beginning construction on the Hamilton and Huntly sections
  - breaking through the second Waterview Connection tunnel
  - opening two projects (St Lukes interchange and Te Atatu interchange) on the Western Ring route to traffic
  - funding the final project in the Christchurch Roads of National Significance programme (Christchurch Southern Motorway Stage 2)
- progressing four of the five Auckland Accelerated Transport Programme projects on or ahead of schedule
- progressing 13 of the 14 projects in the Accelerated Regional Transport Programme on or close to schedule and completing the Panikau and Wallace Hill Slow Vehicle Bays project in Gisborne complete.

The Safe Roads Alliance, set up to accelerate the delivery of safety projects was established and is delivering on its programme.

HOW WE PERFORMED

Service delivery

We have achieved our target for state highway improvements.

	SERVICE DELIVERY*	ACTUAL 2014/15	ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	RESULT
VALUE FOR MONEY	% of activities that are delivered to agreed standards and timeframes (NOTE 22)	84%	95%	>90%	5%	●

* For technical notes, see page 181.

We have achieved more this year than expected due to good progress on large committed projects. We are in a good position for delivery in the second and third years of the 2015–18 National Land Transport Programme. Progressing projects through the early project phases presents challenges and continues to be an important focus.

Some milestones within the programme were not achieved. The Wellington Roads of National Significance programme has undergone a significant change with the Ngāūranga to Airport package now a joint initiative between the Transport Agency, Wellington City Council and Greater Wellington Regional Council.

° Output class scope statements are in appendix 5, page 186.

Investment

Three of our three investment measures match the desired trend.

SERVICE DELIVERY

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, Christchurch)[1]	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, Christchurch – am peak) (NOTE 23)	Auckland: 57% Wellington: 61% Christchurch: 26%	Auckland: 62% Wellington: 63% Christchurch: 35%	Maintaining	Improving from previous year	1
Proportion of state highways available to HPMVs	41%	45%	Maintaining	Increasing	

* For technical notes, see page 181.

[1] Measure 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.

1 The 8.8 percent improvement in network productivity during the am peak in Auckland reflects the positive impact of previously completed road works and less disruption caused by ongoing works on the network, despite a 3.1 percent increase in travel demand during 2015/16. In Wellington, network productivity during the am peak increased from 61 percent to 63 percent over the same period, despite a 2.1 percent increase in travel demand and the impact of smart motorway road works on State Highway 1. The largest gain, however, was in Christchurch, where lower levels of disruption caused by road works resulted in network productivity in the morning peak, rising from 26 percent to 35 percent.

WHAT IT COST

	ACTUAL 2015/16 $000	BUDGET 2015/16 $000	VARIANCE 2015/16 $000	ACTUAL 2014/15 $000
Income	2,061,890	1,405,981	655,909	1,692,489
Expenditure	2,061,890	1,398,040	663,850	1,689,453
Net surplus/(deficit)	0	7,941	(7,941)	3,036

Expenditure was $663.9 million (47 percent) above budget. The key driver of this variance to budget relates to assets vested to local authorities of $286.5 million and the spending in Transmission Gully of $214.9 million. The Auckland Accelerated Transport Programme was above budget due to faster than planned progress in construction of both the Southern Corridor and State Highway 20 Airport projects ($62.0 million). Transport Agency expenditure was above budget due to the construction programme being ahead of expectation ($76.8 million).

STATE HIGHWAY MAINTENANCE

Delivered by the Transport Agency and funded from the National Land Transport Fund

HOW STATE HIGHWAY MAINTENANCE CONTRIBUTES TO OUR LONG-TERM GOALS

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

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

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements for state highway maintenance included the following:

- Through the traffic operations centres in Auckland, Wellington and Christchurch and with our partners, we continued to monitor traffic flows, manage incidents and provide real-time information about traffic and road conditions to our customers. This provides better travel experiences and improves the reliability of the transport network.
- We made good progress on delivering predictable journeys for urban customers. This includes developing insight into travel-time predictability for key journeys in Auckland, Wellington and Christchurch that will inform initiatives to improve the predictability of these journeys. We also undertook initiatives that provide travel information to customers, including travel advisory radio, the Holiday Hotspots webpage, and the OnTheMove website.
- We continued to roll out Network Outcomes Contracts. Ten contracts were formally tendered and awarded during the year, and the delivery of the Network Outcomes Contracts programme remains on time.
- We delivered 535km of pavement renewals, including chip seals and pavement rehabilitation, and 61km of pavement rehabilitation renewal through pavement strengthening work. This was achieved in line with our more rigorous approach to asset renewals, as stated in the 2012 15 State Highway Activity Management Plan.

HOW WE PERFORMED

Service delivery

We achieved six of our seven targets for state highway maintenance.

	SERVICE DELIVERY*	ACTUAL 2014/15	ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	RESULT
VALUE FOR MONEY	% of activities that are delivered to agreed standards and timeframes (NOTE 24)	90%	93%	≥90%	3%	●
	Safe stopping: % of network meeting surface standard texture standards (NOTE 25)	99%	99%	≥98%	1%	●

° Output class scope statements are in appendix 5, page 186.

	SERVICE DELIVERY*	ACTUAL 2014/15	ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	RESULT
SERVICE DELIVERY	Network resilience: % of rutting >20mm over state highway network (NOTE 26)	1%	1%	≤2.5%	1.5%	
	Safe stopping: % of travel on network above skid threshold (NOTE 27)	98%	98%	≥98%	-	
	Smooth ride: % of travel on network classed as smooth (NOTE 28)	98%	98%	≥97%	1%	
	Availability of state highway network: % of unplanned road closures resolved in 12 hours (NOTE 29)	79%	87%	≥90%	-3%	1
CUSTOMER SATISFACTION	% customer satisfaction (NOTE 30)	52%	52%	≥50%	2%	

* For technical notes, see page 181.

1 We did not reach our target for availability of the state highway network due to the effect of major weather events (mainly in the central North Island and Southland) and crashes (mainly on the urban network). Of the 604 recorded unplanned closures, 87 percent were reopened within standard timeframes. We continue to review and understand this better through the resilience work we are doing with a view to improving performance in this area.

Investment

Two of our three investment measures match the desired trend.

	INVESTMENT PERFORMANCE	ACTUAL 2014/15	ACTUAL 2015/16	DESIRED TREND 2015/16	ASSESSMENT AGAINST DESIRED TREND	
VALUE FOR MONEY	Surface condition of the sealed network	98%	Not available[1]	Maintaining	Not applicable	-
SERVICE DELIVERY	Smooth ride – % of travel on smooth roads	98%	98%	Maintaining	Maintaining	
	Cost of state highway maintenance (excluding emergency reinstatement) per network lane km (total cost)	Estimated $21,400	$19,389	Maintaining (in real terms)	Maintaining	

1 A review of the surface condition rating methodology identified areas for improved validity. Under the current methodology the index rating remained at 98 percent. We are currently testing a replacement measure based on laser technologies and, if suitable, expect it to be in place in two years.

WHAT IT COST

	ACTUAL 2015/16 $000	BUDGET 2015/16 $000	VARIANCE 2015/16 $000	ACTUAL 2014/15 $000
Income	479,660	560,988	(81,328)	554,872
Expenditure	479,660	560,988	81,328	555,065
Net surplus/(deficit)	0	0	0	(193)

Expenditure on state highway maintenance was under budget by $81.3 million. The underspend for the year reflects the good condition of the network, which has enabled optimisation of some works into later years; lower inflation because of reducing international oil prices; and a significantly lower level of emergency works than budgeted for.

OUTPUT CLASSES THAT SUPPORT OUR MAXIMISE RETURNS GOAL

PUBLIC TRANSPORT

Invested in by the Transport Agency, delivered by local authorities and funded from the National Land Transport Fund

HOW PUBLIC TRANSPORT CONTRIBUTES TO OUR LONG-TERM GOALS

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

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

The public transport output primarily contributes to the long-term goal of maximising returns for New Zealand by providing more mode choices, easing urban congestion and reducing adverse environmental effects. Public transport has secondary contributions to better use of existing transport system capacity, resilience and security. It can also contribute to reducing deaths and serious injuries from road crashes.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements for public transport included the following:

- We worked with our partners to establish a national ticketing programme, which involves 13 councils delivering a nationally coordinated approach to regional ticketing systems. The programme aims to maximise value for money from national and local investment in ticketing systems at an acceptable level of risk.
- We continued to support the implementation of the Public Transport Operating Model across the country. In 2015/16:
  - the Greater Wellington Regional Council engaged a new rail operator (Transdev) for its metro rail services
  - Auckland Transport tendered its South Auckland bus units, resulting in healthy competition and good prices. West Auckland units went to market late in the 2015/16 financial year
  - we approved Auckland Transport's ferry services request for tender with release to the market in August 2016
  - we endorsed the Waikato Regional Council's procurement strategy and approved its request for tender for bus services. The tender was released to the market at the end of the financial year
  - we endorsed Horizon's (Manawatū and Whanganui) procurement strategy.
- We continued to invest in public transport infrastructure, especially in Auckland, to support more efficient and attractive public transport networks. Key public transport projects that began in 2015/16 and are nearing completion include Auckland's Otahuhu bus interchange and an upgrade to the Half Moon Bay ferry terminal.

INTEGRATED PUBLIC TRANSPORT TICKETING

During the year there was a change in the approach to integrated public transport ticketing. While it was originally planned to roll out the ticketing system used in Auckland to other regions, the emergence of new technology, and concerns over the proposed procurement process, resulted in a review of the ticketing approach. This change meant that the Auckland Integrated Ticketing System asset has been removed from the Transport Agency's accounts.

[°] Output class scope statements are in appendix 5, page 186.

HOW WE PERFORMED

Two investment measures match the desired trend. Two are new measures.

	INVESTMENT PERFORMANCE*	ACTUAL 2014/15	ACTUAL 2015/16	DESIRED TREND 2015/16	ASSESSMENT AGAINST DESIRED TREND	
SERVICE DELIVERY	Number of passengers using urban public transport services (bus, train and ferry)	144.2m	148.0m	Increasing	Increasing	1
SERVICE DELIVERY	Fare revenue as a % of total expenditure	48%	48.4%	Maintaining	Maintaining	
VALUE FOR MONEY	Productivity (costs per passenger km)[1] where available by bus, train and ferry (NOTE 31)	New measure	Bus: 0.15 $/km Train: 0.13 $/km Ferry: 0.06 $/km	Increasing productivity	New measure	–
VALUE FOR MONEY	Productivity (costs per passenger km) where available by peak and off-peak (NOTE 32)	New measure	Under development	Increasing	New measure[2]	–

* For technical notes, see page 181.

[1] An increase in productivity is considered to reduce cost per passenger per km.

[2] The data required to report on this measure is not available. We continue to test the viability of this data and are investigating a potential alternative measure.

1 Patronage grew 2.6 percent over 2015/16, driven largely by rail patronage growth in Auckland (20.6 percent) and Wellington (5.6 percent).

WHAT IT COST

	ACTUAL 2015/16 $000	BUDGET 2015/16 $000	VARIANCE 2015/16 $000	ACTUAL 2014/15 $000
Income	307,445	331,000	(23,555)	298,934
Expenditure	321,445	331,000	9,555	304,937
Net surplus/(deficit)	(14,000)	0	(14,000)	(6,003)

Expenditure across public transport was 3 percent ($9.6 million) under budget. The primary reasons for expenditure being lower than budgeted were delays in infrastructure projects in Auckland (the Otahuhu exchange) and Wellington (integrated ticketing) and services being delivered at a lower cost. This was slightly offset by the allocation of $14 million spent in 2011–13 on Auckland's Integrated Ticketing Central System. This asset was previously held by the Transport Agency, as it was planned to be used as a national asset, but is now recognised as part of Auckland's ticketing system and will be used within the National Ticketing Programme. This has resulted in the asset being written off the Transport Agency's accounts and charged as an operating expense.

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

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

HOW SUPERGOLD CARD OUTPUTS CONTRIBUTE TO OUR LONG-TERM GOALS

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

Both outputs are funded as specific projects by the Crown. The Transport Agency manages the scheme on behalf of the Ministry of Transport. The local authorities participating in the scheme are mostly regional councils. All are referred to here as 'regional councils'.

The SuperGold cardholder concessionary fares scheme contributes to the long-term goal of maximising the return for New Zealand by providing more transport mode choices for the elderly and improving the utilisation of public transport capacity during off-peak hours.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements in our work on the SuperGold cardholder scheme were supporting 12.9 million SuperGold trips during the year, an increase of 3 percent from the 12.6 million trips in 2014/15, and continuing to support and deliver the Government's decision to move towards a more sustainable funding methodology over the next two years.

HOW WE PERFORMED

We achieved both our two targets for Administration of the SuperGold cardholders' scheme and Enhanced public transport concessions for SuperGold cardholders.

	SERVICE DELIVERY*	ACTUAL 2014/15	ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	RESULT
SERVICE DELIVERY	Average number of days taken to deliver (working days taken to process claims received from regional councils) (NOTE 33)	18	17	≤20	3	
	% of activities that are delivered to agreed standards and timeframes	100%	100%	100%	–	

* For technical notes, see page 181.

WHAT IT COST

	ACTUAL 2015/16 $000	BUDGET 2015/16 $000	VARIANCE 2015/16 $000	ACTUAL 2014/15 $000
Income	28,559	28,224	335	26,211
Expenditure	28,559	28,224	(335)	26,424
Net surplus/(deficit)	0	0	0	(213)

Expenditure for administration of the SuperGold cardholders' scheme and enhanced public transport concessions for SuperGold cardholders was slightly over budget ($0.3 million). The over-spend comes from $0.2 million of funding for the SuperGold bulk funding project and a $0.1 million increase in SuperGold card concessions.

° Output class scope statements are in appendix 5, page 186.

WALKING AND CYCLING

Invested in by the Transport Agency, delivered by local authorities and funded from the National Land Transport Fund and the Crown

HOW WALKING AND CYCLING CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,[9] we invest in new and improved walking and cycling infrastructure for transport or safety purposes, as well as associated education and promotion activities. This includes the delivery of the Urban Cycleways Programme. Walking and cycling facilities may include cycle paths, cycle lanes, new footpaths, facilities for crossing roads, shelters and bicycle parking facilities.

New walking and cycling facilities may also be delivered as a component of an integrated roading improvement project. These facilities are included within the road improvements investment, rather than as standalone projects within the walking and cycling output class.

Walking and cycling infrastructure has its main impact through facilitating more transport choices in urban environments where walking or cycling is offered to the community. This contribution indirectly supports better use of transport capacity, reductions in adverse environmental effects, congestion relief and reductions in deaths and injuries from road crashes. In addition, investment in walking and cycling infrastructure encourages active mode travel, resulting in significant health benefits.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements for walking and cycling included the following:

- We completed Auckland's Lightpath, a shared path that utilises the disused Nelson Street off-ramp. This is part of a wider Nelson Street Cycleway and tranche 1 of the Urban Cycleways Programme. When complete, this cycleway will link Upper Queen Street to Quay Street, providing easier and safer access to and from the city centre. Early results from the opening of this path are promising: 100,000 users were monitored on the Lightpath cycleway in the first four months. This is a key connection in supporting ongoing cycling growth in Auckland, which has resulted in the number of people on bikes entering the central business district doubling in the past three years.
- We completed the Quay Street cycleway in Auckland. The cycleway provides a separate facility along the waterfront, delivered as part of the city centre network, part of the second tranche of the Urban Cycleways Programme.
- We started construction tranche 2 Urban Cycleways Programme projects in Rotorua, Napier, Palmerston North, Whanganui and the second stage of the Christchurch Uni-Cycle route.

A project in the first tranche of the Urban Cycleways Programme, a 400m section of the Matai Street Uni-Cycle route in Christchurch, has encouraged more journeys by bicycle. From November 2015 to February 2016, the average number of cyclists using the route increased 50 percent.

Additionally, significant expenditure on activities that contribute to walking and cycling outcomes are delivered in many other output classes. For example, new walking and cycling facilities as part of new road or public transport infrastructure; shoulder widening or reallocation of road space through maintenance and operations programmes; education and promotional activities, such as bike to work challenges, community and school bike training; and advertising are carried out as part of the road safety promotion output class.

[9] Output class scope statements are in appendix 5, page 186.

HOW WE PERFORMED

One of our two investment measures matches the desired trend.

	INVESTMENT PERFORMANCE*	ACTUAL 2014/15	ACTUAL 2015/16	DESIRED TREND 2015/16	ASSESSMENT AGAINST DESIRED TREND	
SERVICE DELIVERY	Network kilometres of cycle lanes	New measure	45.5km (including 20.9km Urban Cycleways Programme projects)	Increasing	Increasing	1
	Percentage increase in cycling trip legs per person across Auckland, Wellington and Christchurch (NOTE 34)	32m	Not available[1]	Increasing	Not applicable	–

* For technical notes, see page 181.

[1] The measure capturing the percentage increase in cycling trip legs per person across Auckland, Wellington and Christchurch is sourced from the Household Travel Survey. Due to methodology changes, results from this survey will not be available until 2019. During 2015/16, cordon counts have been undertaken to establish baseline trip information. Changes in cycling trip legs against this new baseline will be used to report on this performance measure from June 2017 until the results of the Household Travel Survey are available.

1 The 2015/16 year is the first year for the second tranche and bulk of Urban Cycleways Programme activities. Delivery of 20.9km of new cycle lanes is a successful start for what is largely the planning year of the second tranche of the programme. Kilometres of new cycle lanes are expected to increase over the next year and are expected to be at their highest in year 3 of the National Land Transport Programme (2017/18) as Urban Cycleways Programme projects reach implementation stages. Once complete, the Urban Cycleways Programme is expected to deliver almost 350km of new cycle lanes across the country.

The 24.6km of new cycle lanes, delivered as part of projects outside the Urban Cycleways Programme, is reflective of the projects that were committed to in 2014/15 and completed during 2015/16.

WHAT IT COST

	ACTUAL 2015/16 $000	BUDGET 2015/16 $000	VARIANCE 2015/16 $000	ACTUAL 2014/15 $000
Income	50,948[1]	62,000[2]	(11,052)	36,141[3]
Expenditure	52,889[4]	62,000	9,111	33,738[5]
Net surplus/(deficit)	(1,941)	0	(1,941)	2,403

[1] Includes $8.5 million revenue for Urban Cycleways Programme (Crown funded).

[2] Comprises $31 million for walking and cycling (from the National Land Transport Fund) and $31 million for the Urban Cycleways Programme (Crown funded).

[3] Includes $5 million budgeted for the Urban Cycleways Programme (Crown funded).

[4] Includes $10.4 million spent on the Urban Cycleways Programme (Crown funded).

[5] Includes $2.6 million spent on the Urban Cycleways Programme (Crown funded).

The introduction of the Urban Cycleways Programme, first announced in August 2014, increased investment in cycling projects in the 2014/15 financial year. The implementation of some of these projects, approved in 2014/15, has continued into 2015/16. This expenditure on previously approved projects combined with the significant investment in the programme resulted in an overspend in the walking and cycling output class of $11.5 million (37 percent), which was offset by an underspend in the Urban Cycleways Programme, resulting in a net underspend of $20.6 million.

The overspend in the walking and cycling output class marks a significant change to the historical underspend in this output class. This is due to the introduction of the Urban Cycleways Programme and provides assurance that this additional government funding has accelerated the delivery of urban networks around the country. While there is an underspend in the Urban Cycleways Programme, this is in line with expectations, reflecting the planning required before construction.

A slight decline in spending in 2016/17 is expected as construction from previously approved activities is completed and planning of new projects continues, with some implementation starting. The biggest spend in construction for the programme will be in the final year of the National Land Transport Programme (2017/18), so another increase is expected in this final year.

With the net underspend in 2015/16, expenditure in the next two years will be closely monitored to track expected total spend for the 2015–18 National Land Transport Programme and the Urban Cycleways Programme.

LOCAL ROAD IMPROVEMENTS

Invested in by the Transport Agency, delivered by local authorities and funded from the National Land Transport Fund

HOW LOCAL ROAD IMPROVEMENTS CONTRIBUTES TO OUR LONG-TERM GOALS

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

Local road improvements primarily contribute to the long-term goal of maximising returns for New Zealand by improving the efficiency of freight supply chains, increasing the resilience and security of the local road network, easing severe congestion and, consequently, reducing deaths and serious injuries from road crashes.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Most local road improvements this year were completed in the Auckland region. Major achievements included:

- the Albany Highway staged upgrade to improve capacity and safety of the corridor to Albany – this year's programme $28 million
- the Auckland Manukau Eastern Transport Initiative – a series of projects over several years to improve capacity at key traffic bottlenecks and encourage greater use of public transport – this year $11 million
- the Te Atatu corridor upgrade from State Highway 16 to Edmonton Road to address congestion that incorporates four lanes, flush median, walking and cycling facilities, and intersection improvements – this year $10 million.

Major road improvements in other areas included:

- the Whāngārei Mill Road/Nixon Street intersection improvements to relieve congestion ($4.8 million)
- the Hamilton Ring Road – Hamilton City Council has continued with construction to enable traffic flow around central Hamilton with just a short length of the route and the construction of the intersection with Cobham Drive to be completed ($2 million)
- the Porirua Link roads to connect to the Transmission Gully project ($2 million)

[°] Output class scope statements are in appendix 5, page 186.

- work to strengthen or replace sections of retaining walls to improve earthquake resilience by Wellington City Council, including Karori, the Hataitai bus tunnel and Ngaio–Wadestown ($3 million)
- a bridge over Curletts Road to service growth areas to the South West of Christchurch ($13 million)
- widening the Factory Road Bridge in Timaru to improve access to a milk processing factory ($1.5 million)
- the Frankton Flats development in Queenstown Lakes ($0.9 million)
- construction of the seventh section of road to improve the Otago Peninsula coast road for vehicles and to create space for cycling.

At least 10 approved organisations gained approval to renew streetlights with energy- and cost-efficient LED lighting. The LED replacement programmes, totalling $39 million, are to be implemented over several years. Many approved organisations make improvements through their minor works programmes – a series of small projects, each less than $300,000, aimed at improving traffic flow and safety at multiple locations. While each project is small, the total spend across the network accrues to a point where it becomes noticeable as a line of improvement activity.

HOW WE PERFORMED

	INVESTMENT PERFORMANCE*	ACTUAL 2014/15	ACTUAL 2015/16	DESIRED TREND 2015/16	ASSESSMENT AGAINST DESIRED TREND	
SERVICE DELIVERY	Travel times on key local roads serving our major metropolitan areas (am peak)[1]	Auckland: 2.5 Wellington: 2.1 Christchurch: 2.2	Auckland: 2.5 Wellington: 1.9 Christchurch: 2.7	Maintaining	Maintaining overall	●
	Productivity of the local road network in major metropolitan areas	New measure	Not available[2]	Increasing	Not applicable	–
	% of approved organisations signed up to the 50MAX network[3]	85%	87%	Increasing	Increasing	●

* For technical notes, see page 181.

[1] 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.

[2] The coverage of local roads in the productivity model is currently too small to provide a representative sample. This measure will be reported as additional local roads are added.

[3] Note that this is a proxy measure. It is not possible to report on the GPS measure of *% of local roads that are made available to high productivity motor vehicles (HPMVs)* as roads are made available on the basis of individual journey permits. The sign-up to 50MAX signals an intent to make the network available to 50MAX complying vehicles as of right.

WHAT IT COST

	ACTUAL 2015/16 $000	BUDGET 2015/16 $000	VARIANCE 2015/16 $000	ACTUAL 2014/15 $000
Income	104,112	148,800	(44,688)	187,509
Expenditure	104,112	148,800	44,688	187,509
Net surplus/(deficit)	0	0	0	0

Expenditure across local road improvements was 30 percent ($44.7 million) under budget. Expenditure in this output class relies on local authorities actively progressing their road improvement projects put forward for inclusion in Regional Land Transport Programmes and the National Land Transport Programme. Forecasts received from local authorities throughout the year were above or close to budget, but actual expenditure did not meet the forecast or budget.

The key reasons for the underspend were that:

- other priorities have impacted on councils' focus on local road improvements
- some projects were delayed due to reconsideration of options, for example, by Hamilton City Council about the completion of Ring Road.

LOCAL ROAD MAINTENANCE

Invested in by the Transport Agency, delivered by local authorities and funded from the National Land Transport Fund and the Crown

HOW LOCAL ROAD MAINTENANCE CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,[°] we invest, in conjunction with investment from approved organisations, in local road maintenance, operations and renewals, including pavements, structures, drains, street lighting, traffic signs and signals.

Maintenance of local road infrastructure contributes to the long-term goal of maximising returns for New Zealand. It helps ensure that the established networks are maintained in a sustainable fit-for-purpose condition and fulfil their role in the transport system. Sound management of maintenance activities and of the operation of the network has a broad impact, including better use of transport capacity, ensuring network resilience and security, and freight supply chain efficiency. Effective maintenance and operational management can also reduce urban congestion and the risk of road crashes, by ensuring surface condition standards are maintained and traffic flow and incidents are effectively managed.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Major achievements for local road maintenance included the following:

- The first year in the 10-year Christchurch resurfacing programme to address the condition of the network following the 2010 earthquake and subsequent aftershocks was delivered. The National Land Transport Programme allocation for maintenance increased from $36 million in 2014/15 to $45 million in 2015/16.
- Road maintenance programmes by Northland councils increased in response to a short-term increase of $15 million to alleviate the effects of logging traffic on local roads.
- Local authorities completed emergency repairs as well as their normal maintenance programmes in response to a severe weather event in Whanganui.

There are further examples of collaboration among road controlling authorities to improve maintenance management. In addition to initiatives in the Bay of Plenty, Marlborough, Gisborne and Waikato, changes this year included the Transport Agency forming an alliance with three Northland local authorities to manage roads in the region and, subsequently, creating a new state highway to act as an inland freight route, primarily catering to logging traffic. In addition, four local authorities in the South Canterbury area arranged joint procurement and evaluated a variety of options before concluding a single contract for maintenance services.

Through the Road Efficiency Group, the sector continues to implement recommendations from the Road Maintenance Task Force (2012). We focused our efforts on reviewing maintenance investment criteria to embed the One Network Road Classification in the sector's decision-making, and advised the sector of its draft proposal at year end.

The Road Efficiency Group 2015/16 work streams focused on supporting the sector to be ready to submit the programme to the 2018–21 National Land Transport Programme. Pivotal Road Efficiency Group achievements during the year included the development of a web-based reporting tool for all road controlling authorities to begin reporting performance against the One Network Road Classification performance measures framework, the establishment of 10 regional support and working groups for road controlling authorities, and the publication of numerous guides and case studies to support industry self-learning.

[°] Output class scope statements are in appendix 5, page 186.

HOW WE PERFORMED

Service delivery

The service delivery measure and two of three condition measures have been met.

	SERVICE DELIVERY	ACTUAL 2014/15	ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	RESULT
SERVICE DELIVERY	% of activities that are delivered to agreed standards and timeframes • Reinstatement of earthquake damaged local roads in Canterbury – Crown loan	100%[1]	100%	100%	–	●

[1] This is different from the published 2014/15 result because it reflects the corresponding appropriation measure of the percentage of expenditure spent on agreed purpose rather than the percentage of loan used.

Investment

Two of our three investment measures match desired trend.

	INVESTMENT PERFORMANCE	ACTUAL 2014/15	ACTUAL 2015/16	DESIRED TREND 2015/16	ASSESSMENT AGAINST DESIRED TREND	
SERVICE DELIVERY	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	1
VALUE FOR MONEY	Local road maintenance cost per lane km by road classification (excluding emergency works)[1]	New measure	$2,919[2]	Maintaining (in real terms)	New measure[3]	–

[1] It has not been possible to assess cost by road classification. The cost of maintenance is recorded through 23 work categories. While some of the work categories can be readily assigned to sections of road, many types of work do not readily link to road class. For example, costs such as lighting or measuring road roughness are managed at a network level. While the long-term intention is to assess cost by road class, several changes to management processes and accounting systems are needed before the long-term intention can be met.

[2] This figure represents maintenance, operations and renewals (excluding emergency works) by New Zealand total lane kms.

[3] We will continue reporting road maintenance costs on an aggregated kilometre cost basis until data becomes available on a functional classification basis. This is not expected to be available until after 2018 on a national basis.

1 The variation in smooth travel exposure is not regarded as a significant change. The measure can vary as a result of changes in estimated travel and measurement strategies. Over the last 10 years the measure has remained within 82 to 87 percent.

WHAT IT COST

	ACTUAL 2015/16 $000	BUDGET 2015/16 $000	VARIANCE 2015/16 $000	ACTUAL 2014/15 $000
Income	576,670	555,000	21,670	541,837
Expenditure	576,670	623,000[1]	46,330	541,837
Net surplus/(deficit)	0	(68,000)	68,000	0

[1] This includes the reinstatement of earthquake-damaged roads in Christchurch.

Expenditure was 7 percent ($46.3 million) below the revised budget, which included the Crown loan funded reinstatement of earthquake damaged roads in Christchurch. Reinstatement expenditure in Christchurch, at $23.5 million, was 65 percent lower than the $68 million plan due to slower progress being made than expected and a reduced programme.

Excluding the lower reinstatement spend, expenditure was less than 1 percent ($2.5 million) below budget due to above budget emergency works expenditure (17 percent or $14.6 million) – largely the result of responding to the Taranaki and Whanganui June 2015 flood damage – being offset by an underspend in the base maintenance programmes for local authorities. This 3 percent ($17.1 million) underspend by local authorities is due to lower input costs and optimising the timing of some works by deferring them.

REGIONAL IMPROVEMENTS

Delivered by the Transport Agency and funded from the National Land Transport Fund

HOW REGIONAL IMPROVEMENTS CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,[°] we plan and invest in regionally important state highway and local road projects outside the main metropolitan areas that address regional safety, resilience and/or economic productivity through the movement of freight and tourists.

Regional improvements help deliver on our long-term goal of maximising returns for New Zealand by maintaining the resilience and security of the whole road network, efficient and reliable freight supply chains and easing the risk of road crashes.

OUR MAJOR ACHIEVEMENTS THIS YEAR

This was the first year of investment in the regional improvements output class. Most of the investment was used to prepare business cases for investment in state highway improvements designed to increase the safety, resilience and efficiency of the regional highway network.

Major achievements included:

- implementing safety improvements on Waikato highways as part of the National Safer Roads and Roadsides programmes
- upgrading the intersection of State Highway 6 and Quarantine Road in Nelson to improve safety and efficiency that was compromised by a roundabout performing beyond its safe and efficient capacity
- developing detailed business cases for safety initiatives, including parts of the National Safer Roads and Roadsides programmes, Visiting Drivers Signature Projects for Southland and West Coast, and Hawke's Bay airport access
- progressing designs for replacement of the Taramakau road/rail bridge in the West Coast and Manawatū's Whirokino Trestle and Manawatū River Bridge and a number of improvements to allow greater use of the state highway network by high productivity motor vehicles.

[°] Output class scope statements are in appendix 5, page 186.

HOW WE PERFORMED

	INVESTMENT PERFORMANCE	ACTUAL 2014/15	ACTUAL 2015/16	DESIRED TREND 2015/16	ASSESSMENT AGAINST DESIRED TREND	
SERVICE DELIVERY	Kilometres of improved regional roading	New measure	Not applicable[1]	Increasing	New measure	–
	Kilometres available to HPMV on key regional routes	4,500km	5,342km	Increasing	Increasing	

[1] No regional roading activities were completed in this year, which is the first year of expenditure in the new output class.

No new projects have been completed as this is a new output class. Improvements that have been completed in 2015/16 were approved as state highway improvements in the previous 2012–15 National Land Transport Programme.

Tranche 2 of high productivity motor vehicle improvements is under development in this output class. Current progress on increasing the availability of the network for high productivity motor vehicles is a result of activities approved as state highway improvements in the 2012–15 National Land Transport rogramme.

WHAT IT COST

	ACTUAL 2015/16 $000	BUDGET 2015/16 $000	VARIANCE 2015/16 $000	ACTUAL 2014/15 $000
Income	13,121	65,000	(51,879)	0
Expenditure	13,121	65,000	51,879	0
Net surplus/(deficit)	0	0	0	0

Expenditure for regional improvements ended the year at 80 percent ($51.9 million) under budget.

This is a new output class for the 2015–18 National Land Transport Programme, starting from a zero-base, with no committed expenditure on activities approved in the previous programme. Approvals are now in place for expenditure on phases from indicative business case through to construction of significant projects in the final two years of the 2015–18 programme.

REFUND OF FUEL EXCISE DUTY

Delivered by the Transport Agency and funded from the National Land Transport Fund

HOW REFUND OF FUEL EXCISE DUTY CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,° we record, refund and account for fuel excise duty refund applications.

Refund of excise duty is a Transport Agency function performed on behalf of the Ministry of Transport as an adjunct to the collection of fuel excise duty and as provided for under the Land Transport Management Act 2003. This output makes no major contribution to our desired goals.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements for refund of fuel excise duty included processing 77,767 claims while meeting the target to approve claims within 10 days. These claims total $65 million worth of duty returned to New Zealanders over the year.

The number of claims continues to exceed expectations with growth primarily as a result of agents being active in the market filing claims on behalf of claimants.

HOW WE PERFORMED

We achieved both targets for refund of fuel excise duty.

	SERVICE DELIVERY*	ACTUAL 2014/15	ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	RESULT
VALUE FOR MONEY	Average number of days taken to deliver (NOTE 35)	7.3[1]	8.2	≤10	1.8	●
SERVICE DELIVERY	Number of products/services delivered or processed (NOTE 36)	56k	77,767	≥54k	23,767	●

* For technical notes see page 181

[1] The incorrect figure of 5.33 was published in the 2014/15 annual report.

WHAT IT COST

	ACTUAL 2015/16 $000	BUDGET 2015/16 $000	VARIANCE 2015/16 $000	ACTUAL 2014/15 $000
Income	659	519	140	564
Expenditure	659	612	(47)	553
Net surplus/(deficit)	0	(93)	93	11

This output is funded by appropriation from the National Land Transport Fund. The income from the appropriation was increased this year to cater for the increased claim volume, which was 44 percent greater than last year.

Expenditure was higher due to the employment of temporary staff required to process the increased claim volume.

° Output class scope statements are in appendix 5, page 186.