

NZ TRANSPORT AGENCY ANNUAL REPORT

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

NATIONAL LAND TRANSPORT FUND ANNUAL REPORT

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

**FOR THE YEAR ENDED
30 JUNE 2016**



CREATING TRANSPORT SOLUTIONS FOR A THRIVING NEW ZEALAND



NZ Transport Agency

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NZ Transport Agency



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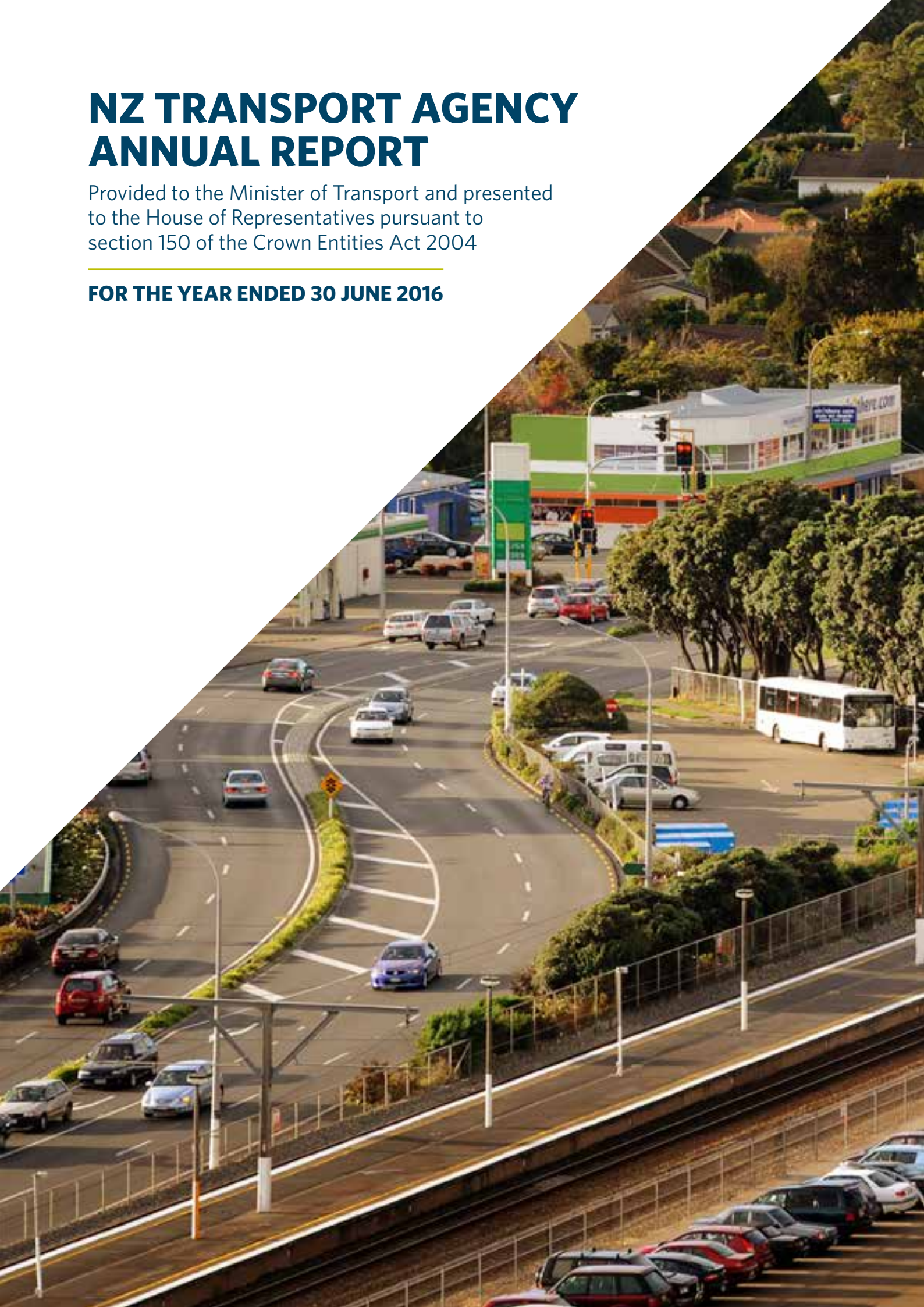
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CONTENTS

SECTION A	OVERVIEW OF 2015/16	3
	Chair's foreword	4
	Chief Executive's overview	5
SECTION B	DELIVERING OUR STRATEGY	7
	Our strategy	8
	About our strategy	11
	Progress on our goals	12
	Progress on our priorities	36
SECTION C	STATEMENT OF PERFORMANCE	53
	Statement of responsibility	54
	Statement of performance	55
SECTION D	FINANCIAL STATEMENTS AND AUDIT REPORTS	83
	Highlights from our financial statements	84
	Financial statements	87
	Notes to the financial statements	92
	Supplementary information	127
	Output class income and expenditure	138
	Independent auditor's report	147
	Putting the scrutiny principle into practice	149
	Independent limited assurance report	151
SECTION E	ABOUT US	153
	What we do	154
	Our Board	155
	Our structure	164
	Our leadership team	165
	Our workplace	168
APPENDICES		
	Appendix 1: Key operating assumptions	174
	Appendix 2: Goal success indicators – trend information	176
	Appendix 3: Technical notes for non-financial measures	181
	Appendix 4: Summary of how our outputs contribute to our long-term goals	185
	Appendix 5: Output class scope statements	186

SECTION A
OVERVIEW
OF 2015/16



CHAIR'S FOREWORD

The NZ Transport Agency's purpose is to create transport solutions for a thriving New Zealand. It is firmly focused on the Government's priorities for a transport system that supports economic growth and productivity, road safety and value for money. These priorities are delivered on through the Transport Agency's strategic direction for 2015-19 and through the National Land Transport Programme that it develops every three years to shape investment in New Zealand's land transport network.

Once again, the Transport Agency has delivered strongly on the goals and priorities that underpin its strategic direction. Investments made through the 2015-18 National Land Transport Programme, presented in the annual report for the National Land Transport Fund, have been an important part of this success.

A major focus for the Board has been overseeing the delivery of the Roads of National Significance and the Crown-funded programmes that the Transport Agency and its partners deliver on behalf of the Government, namely the Urban Cycleways Programme (\$300 million), the Accelerated Auckland Transport Programme (\$1680 million) and the Accelerated Regional Transport Programme (\$212 million). With only a few exceptions, these programmes continue to run to plan and several major milestones were achieved in 2015/16.

Leveraging its leadership role and close relationships with the sector, the Transport Agency collaborated widely to support Auckland's growth and economic development in New Zealand's regions, trialled innovative approaches to improving road safety, and worked with its partners to better integrate the entire transport system, including public transport and road and rail.

Good progress has been made on improving the efficiency of New Zealand's freight supply chain. A partnership with KiwiRail has established the foundations for greater integration of road and rail networks, and the Transport Agency continued its work to ensure major strategic freight routes are reliable and resilient and that connections between local roads and state highways enable freight to move efficiently.

As the rail safety regulator, the Transport Agency made significant ground with monitoring and interventions supporting and encouraging a strong safety culture in rail operator organisations. In other policy areas, it made good progress in focusing on meeting customer needs by improving regulation and encouraging willing compliance to reduce costs for transport users.

The Transport Agency's commitment to delivering value for money is evident in its work to improve asset management practices for state highways and local roads, reduce transaction times and costs for customers, and invest in new technologies to improve the performance of the land transport system.

This year the Board welcomed three new members, Fran Wilde (Deputy Chair), Chris Ellis and Leo Lonergan, who were appointed by the Minister of Transport on 1 May 2016. I also wish to express the Board's gratitude to Dame Patsy Reddy, Tony Lanigan and Jerry Rickman, whose terms ended in 2015/16, for their significant contribution to New Zealand's land transport system.

The Board also appointed Fergus Gammie as Chief Executive in March 2016. Fergus brings extensive sector experience and a passion for transport and the difference it can make to New Zealand. In addition and on behalf of the Board I would like to thank Dave Brash for ensuring continuity as Acting Chief Executive following Geoff Dangerfield's decision to step down in December 2015. Geoff was the inaugural Chief Executive of the Transport Agency and deserves significant credit for the enviable position that the organisation is in today.

As transport solutions evolve, so too do the needs and expectations of our customers. Looking ahead, the Board is focused on positioning the Transport Agency to respond to these changes and to continue delivering an increasingly connected, safe and efficient transport system for New Zealand.

**AS TRANSPORT
SOLUTIONS EVOLVE,
SO TOO DO THE NEEDS
AND EXPECTATIONS
OF OUR CUSTOMERS**



Chris Moller

CHRIS MOLLER

Chair

CHIEF EXECUTIVE'S OVERVIEW

I feel very privileged to have been appointed as the second Chief Executive of the Transport Agency, and I am honoured to be succeeding Geoff Dangerfield, who in my opinion did an excellent job leading the organisation.

The Government's strong focus on transport is in recognition of the fact that transport plays an important part in the lives of all New Zealanders. It touches all our lives and livelihoods. Transport is critical to the growth and prosperity of our communities and building a better future for the nation. New Zealand requires an integrated national transport system that keeps people and freight moving safely and efficiently.

I am proud to be leading an organisation that over the past 12 months has continued to improve the transport system on behalf of the Government. We achieved 94 percent of the milestones that we committed to in our *Statement of performance expectations 2015/16* and delivered a range of initiatives that contribute to the Government's priorities for land transport – economic growth and productivity, road safety and value for money.

Delivering an improved integrated transport system is not something we can achieve on our own. Our stakeholders and partners are critical to our success in delivering value for New Zealanders. We will continue to work closely with our government colleagues and our local government, public transport and freight stakeholders and partners, to deliver value to New Zealand.

An important area of focus for us has been responding to the impact of growth in the Auckland region. The Transport Agency achieved all its annual deliverables under the Accelerated Auckland Transport Programme and dedicated significant time and resources to planning and collaborating on Auckland's transport issues. We have also focused on playing our part in the Auckland Transport Alignment Project, which brings together a number of organisations to address how we can ensure one integrated system that works for Auckland as it continues to grow. There was good progress too on the Accelerated Regional Transport Programme, where construction began (or continued) on all of the tranche 1 projects, and we worked with local government to support economic development opportunities in our regions through transport planning.

We remain focused on understanding what is important to customers and making transport choices easier. Over the past 12 months we have designed an improvement programme to progressively reduce the cost for small- to medium-sized enterprises to do business with us. In a Better Public Services result 9 survey of businesses, we were rated as requiring the least effort to deal with compared with major government agencies and best-performing private sector providers. We also improved the driver licensing experience and we made it easier for customers to interact with us online.

Many more achievements are outlined in this annual report – from our work to improve safety on the rail network to making cycling a safer and more attractive transport choice – to improving freight productivity through the integration of road and rail.



**TRANSPORT IS
CRITICAL TO THE
GROWTH AND
PROSPERITY OF OUR
COMMUNITIES**

We are also focused on the safety of our customers. The number of deaths and serious injuries on open roads increased 2.2 percent this year (and 1.3 percent in 2014/15), after years of decline. Addressing this trend is a significant challenge. We are committed to creating a safe road system and have worked in collaboration with our partners to ensure we continue to work harder towards making the system safer. This includes ensuring that improvements to and maintenance of roads and cycling infrastructure, road policing activities and road safety promotion are delivered in line with the government's Safer Journeys strategy and Safe System approach to create a road system increasingly free of death and serious injuries.

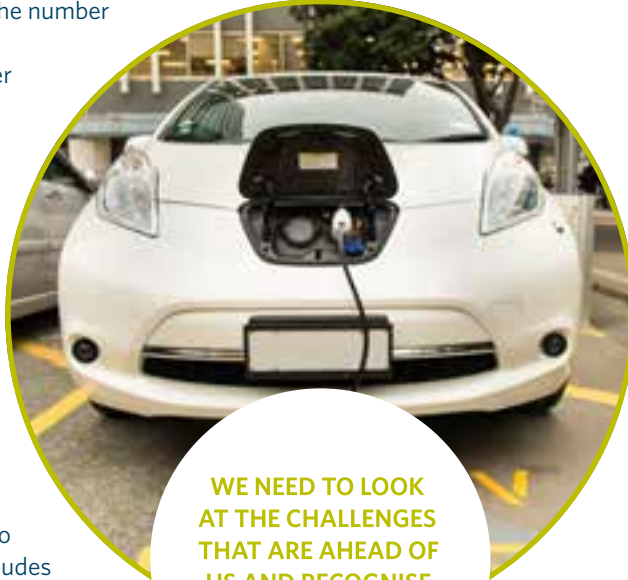
The integrity of the driver licensing system was challenged this year. Since then, we have taken steps to strengthen the integrity of the overall system. This includes strengthening the verification of overseas documents presented by applicants for conversion to a New Zealand licence, improving agent measures for quality assurance and end-to-end quality control and assurance processes.

As an organisation, we have made good progress over the last 12 months – but we have more to do to get to where we want to be.

Turning to the future, we are focused on how the Transport Agency can build on its successful foundation and move to a higher level of performance and delivery. To do this, we need to look at the challenges that are ahead of us and recognise that we live in a rapidly changing world. If we continue to travel on the same path, transport is at risk of lagging behind.

There are key pivot points that we must focus on. Instead of thinking about products and processes, we need to be people centred. It is no longer enough to consider just the roading, rail and public transport networks, we need to be creating a fully integrated transport system. And we must remain focused on delivering value for New Zealand – not just transport outcomes, but social, economic and environmental outcomes that will help shape a better future for New Zealand.

I am looking forward to leading the Transport Agency as we build on our successes and move to a higher level of performance. We will do this by being customer and citizen focused, by focusing on providing an integrated transport system and by being innovative in how we adapt and use new technology.



**WE NEED TO LOOK
AT THE CHALLENGES
THAT ARE AHEAD OF
US AND RECOGNISE
THAT WE LIVE IN A
RAPIDLY CHANGING
WORLD**

FERGUS GAMMIE

Chief Executive

SECTION B

DELIVERING OUR STRATEGY



OUR STRATEGY

Desired outcomes

For the New Zealand transport sector

OUR PURPOSE
Creating transport solutions for a thriving New Zealand

EFFECTIVE

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

EFFICIENT

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

SAFE AND RESPONSIBLE

Reduces the harms from transport

RESILIENT

Meets future needs and endures shocks



Long-term goals

To deliver by 2032

Medium-term objectives

To deliver by 2022

Integrate one effective and resilient network for customers

- 1 Integrate land uses and transport networks to shape demand at national, regional and local levels.
- 2 Integrate national and local transport networks to support strategic connections and travel choices.
- 3 Improve freight supply chain efficiency.

Shape smart, efficient, safe and responsible transport choices

- 4 Implement the Safe System approach to create a forgiving land transport system that accommodates human error and vulnerability.
- 5 Incentivise and shape safe and efficient travel choices using a customer-focused approach.
- 6 Reduce costs for transport users through better regulation and willing compliance.

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

- 7 Greater resilience of the state highway network.
- 8 Deliver consistent levels of customer service that meet current expectations and anticipate future demand.
- 9 Provide significant transport infrastructure.

Maximise effective, efficient and strategic returns for New Zealand

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

Growing agility as a high-performing organisation

- 1 Harness knowledge to make informed and timely decisions.
- 2 Create value with others.
- 3 Encourage continuous improvement and innovation.

Near-term priorities and results

To achieve by 2019

- 1 **Make it easy for customers to do business with us**
- 2 **Predictable journeys for urban customers**
- 3 **Integrate road and rail to improve freight network productivity**
- 4 **Safer speeds that are right for the road**
- 5 **Driving value through smart road maintenance**
- 6 **Make urban cycling a safer and more attractive transport choice**

111 MILESTONES FOR 2015/16

64 RESULTS BY 2019

Output classes

Activities we deliver and invest in*

- Investment management
- Licensing and regulatory compliance
- Road tolling
- Motor vehicle registry
- Road user charges collection, investigation and enforcement
- Road safety promotion
- State highway improvements
- State highway maintenance
- Public transport
 - Administration of the SuperGold cardholder scheme and Enhanced public transport concessions for SuperGold cardholders
 - Walking and cycling
 - Local road improvements
 - Local road maintenance
 - Regional improvements
 - Refund of fuel excise duty
 - Road Policing Programme (NZ Police output)

* For how our output classes contribute to our long-term goals see appendix 4.

ABOUT OUR STRATEGY

The Transport Agency’s strategy is designed to respond to its operating context and deliver specific outcomes for its many customers on behalf of the Government.

A thriving New Zealand needs land transport to work seamlessly as part of a wider transport system (maritime, aviation and land transport), and we need to work with others to help deliver on the Government’s wider transport sector outcomes. We are heading towards a transport system for our customers that is:

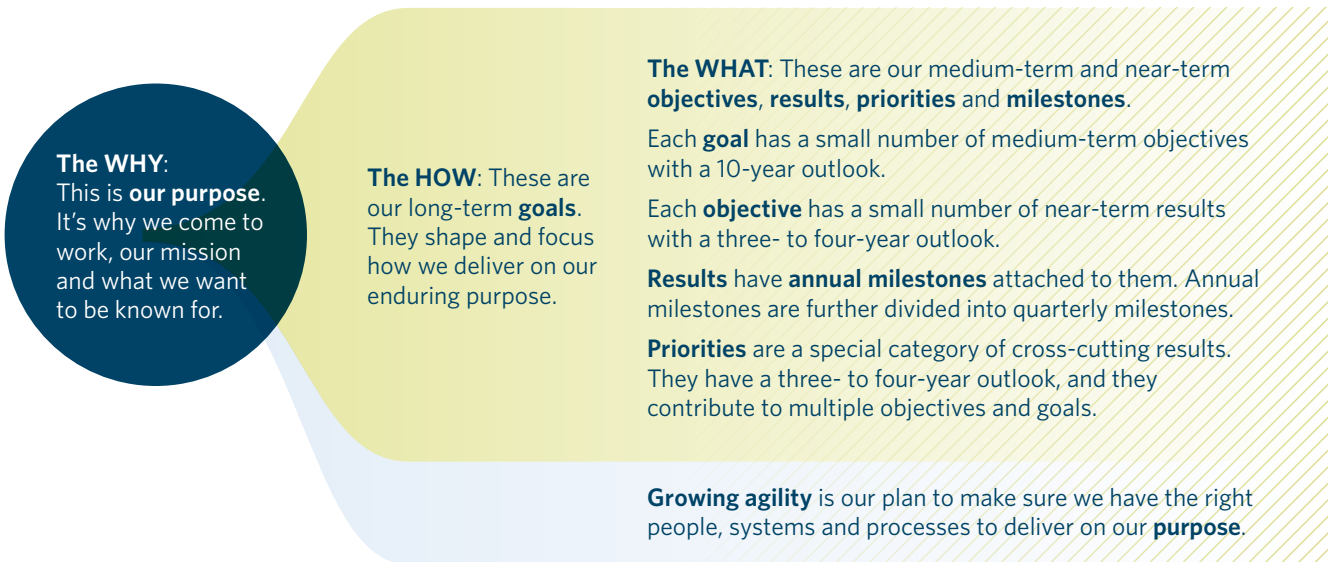
EFFECTIVE in moving people and freight where they need to go in a timely manner

EFFICIENT in delivering the right infrastructure and services at the right level at the best cost

SAFE AND RESPONSIBLE, reducing the harms from transport

RESILIENT, meets future needs and endures shocks.

Our strategy has three components:



PROGRESS ON OUR GOALS

94%

THIS YEAR WE ACHIEVED 94 PERCENT OF THE MILESTONES UNDERPINNING OUR GOALS

100%

Integrate one effective and resilient network for customers

Achieved 8 milestones of 8 SEE PAGE 13

92%

Shape smart, efficient, safe and responsible transport choices

Achieved 11 milestones of 12 SEE PAGE 16

91%

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

Achieved 29 milestones of 32 SEE PAGE 21

100%

Maximise effective, efficient and strategic returns for New Zealand

Achieved 9 milestones of 9 SEE PAGE 27

94%

Growing agility

Achieved 15 milestones of 16 SEE PAGE 31



INTEGRATE ONE EFFECTIVE AND RESILIENT NETWORK FOR CUSTOMERS

Our transport system is made up of multiple networks, modes and services that many different public and private entities own, fund and use. People rarely confine themselves to using one part of the system, often sharing the space with others who may have competing needs.

To integrate one effective and resilient network for customers, we focus on the entire transport system rather than its constituent parts. This focus ensures all of the network’s parts work together seamlessly.

In the medium term, we are focusing on:

- **integrating land-use planning and transport planning** to support growth in major urban areas
- **integrating national and local strategic networks** to enable seamless movement of people and freight across the network, to coordinate incident management and traffic operations in real time, and to facilitate a variety of travel choices
- **improving the efficiency of the freight supply chain** to make sure major strategic freight routes are reliable and resilient and that connections between local roads and state highways enable freight to move efficiently across the network.

OUR PROGRESS THIS YEAR

We have made very good progress on integrating one network, achieving or substantially achieving all eight of our milestones for the year. We focused on the challenges associated with Auckland’s growth, actively collaborating with national, regional and local authorities and organisations through the Auckland Transport Alignment Project. We also began developing a national 30-year view of the transport network that will clarify the solutions we need to successfully integrate the land transport network.

Integrating land-use planning and transport planning

CONTRIBUTING PRIORITIES

Predictable urban journeys

Urban cycling

Our aim is to integrate land uses and transport networks to shape demand for transport at national, regional and local levels. With our investment partners, we agreed a view of what the successful integration of long-term growth plans into land-use and transport plans would look like for all major growth areas, including the Auckland greenfield areas through the Auckland Transport for Urban Growth project.

We also evaluated transport investment proposals for the Government’s regional development plan areas: Northland, Bay of Plenty, Gisborne, Hawke’s Bay and Manawatū-Whanganui. In Northland, we worked on an integrated programme of activities to enable economic initiatives identified in the Tai Tokerau Northland Economic Action Plan (February 2016). Te Moana Bay of Plenty Economic Action Plan was released in October 2015. Our focus in Bay of Plenty has been supporting a business case to grow aquaculture in Ōpōtiki harbour (through the Ōpōtiki Harbour Transformation Project), resolving the best network solutions for Rotorua, and developing relationships with Ngāi Tūhoe and Whakatāne District Council. The latter will enable us to identify a long-term solution for the Waikaremoana Rainforest Route (a special purpose road). Action plans for Hawke’s Bay and Manawatū-Whanganui were released in July 2016 and August 2016 respectively.

Integrating national and local strategic networks

CONTRIBUTING PRIORITIES

Predictable urban journeys

Integrate road and rail freight

Urban cycling

We work with other transport network operators to ensure national and local networks are seamlessly integrated and managed, including integrated ticketing, to support strategic connections and travel choices for our customers.

This year we worked closely with our partners on the Auckland Transport Alignment Project to together clarify the strategic context and define the issues for improving the development of Auckland's transport network.

The planned Auckland investments in the 2015–18 National Land Transport Programme and those confirmed to date are reflected in the Auckland Transport Alignment Project.

To support strategic connections, we identified key journeys and their expected benefits and outcomes. We defined benefits and outcomes based on customer insights that are being shared and used through multiple avenues, including by transport planners and planners developing the 30-year view of the transport network, business cases and project development.

Overall, public transport boardings continued to increase this year. There were 134.1 million public transport boardings in Auckland, Wellington and Christchurch, a 9.5 percent increase from the 2013/14 baseline and an improvement from the 6.1 percent increase reported last year. Ferry and rail patronage increased, but bus patronage decreased. Despite this setback for bus patronage, we are confident that the result by 2019 (a 10–16% increase in national public transport boardings from the 2013/14 baseline) will be met. The large cities are implementing their new networks and the Public Transport Operating Model, which will increase patronage. Christchurch is expecting growth over the next two years as its city centre is rebuilt.

We established a national ticketing programme to coordinate the approach to achieving modern, fully integrated ticketing and fares. This programme involves all local authorities with public transport responsibilities, including Auckland Transport, Greater Wellington Regional Council, Environment Canterbury, and a consortium of 10 regional councils. We have been working on the programme through our representation on the National Ticketing Programme Board and through New Zealand Transport Ticketing Limited (a wholly owned subsidiary of the Transport Agency that is advising the National Ticketing Programme).

Improving the efficiency of the freight supply chain

CONTRIBUTING PRIORITIES

Integrate road and rail freight

We continued to work with network operators and our investment partners to improve the efficiency of freight supply chains.

This year we completed freight plans for the Upper North Island and Central regions, guiding the Upper North Island Freight Accord (released in October 2015 and endorsed by the Upper North Island Strategic Alliance) and the Central Freight Story (which incorporates the freight programme in the central region and will be used when we engage with regional transport committees and the wider transport sector on investment plans). We finished consultation on the South Island Freight Plan and expect to finalise it in December 2016.

These plans focus our delivery of freight initiatives such as extending the network available for high productivity motor vehicles (HPMVs) and increasing the use of HPMVs to more than 30 percent of heavy-vehicle kilometres travelled. These initiatives will improve access to markets and productivity.

More information on our freight activities is included under our priority *Integrate road and rail to improve freight network productivity* (page 42).

GOAL SUCCESS INDICATORS TO 2032*		2012/13 BASELINE	DESIRED TREND	2014/15 ACTUAL	2015/16 ACTUAL	
People movement is more efficient and reliable	% network productivity (vehicle speed and flow on urban networks in Auckland)	63%	Increase	57%	62%	
Freight movement is more efficient and reliable	Number of km delivered for the high productivity freight network (up to 58 tonnes)	0km	Increase	4,500km	5,343km	
There is an optimal range of travel and transport choices for each location	% mode share public transport	2.7%	Increase	Due to changes in the Household Travel Survey results are not available this year.		
	% mode share walking and cycling	1.4%	Increase			

* Refer to appendix 2, page 176 for trend information.

MILESTONES FOR 2015/16



OBJECTIVE 1: INTEGRATE LAND USES AND TRANSPORT NETWORKS TO SHAPE DEMAND AT NATIONAL, REGIONAL AND LOCAL LEVELS

MILESTONES FOR 2015/16		RESULT
OB 1.1	<p>RESULT BY 2019 Land-use and transport plans for the top five growth areas demonstrate improved coordination of land-use development with transport infrastructure investment.</p> <p>We have agreed a shared view with our investment partners of what successful integration of long-term growth plans into land-use and transport plans looks like.</p>	 ACHIEVED
OB 1.2	<p>RESULT BY 2019 Transport plans for the Government's four regional development plan areas are developed and integrated with land-use plans.</p> <p>Transport investment proposals for four regions have been evaluated.</p> <p><i>Since we set this target, the Government expanded its regional growth programme to cover five areas. All five regions' transport investment proposals were evaluated.</i></p>	 ACHIEVED

OBJECTIVE 2: INTEGRATE NATIONAL AND LOCAL TRANSPORT NETWORKS TO SUPPORT STRATEGIC CONNECTIONS AND TRAVEL CHOICES

MILESTONES FOR 2015/16		RESULT
OB 2.1	<p>RESULT BY 2019 The benefits and outcomes from key journeys in major centres are being delivered.</p> <p>Key journeys have been identified and expected benefits and outcomes defined.</p>	 ACHIEVED
OB 2.2	<p>RESULT BY 2019 We expect public transport boardings to increase 10-16% (from a 2013/14 baseline) in the main urban centres of Auckland, Wellington and Christchurch.</p> <p>Public transport boardings increase 3-7% in 2015/16 in the main urban centres of Auckland, Wellington and Christchurch.</p>	 ACHIEVED
OB 2.3	<p>RESULT BY 2016 The strategy set out in Auckland's Integrated Transport Programme is given effect to in the 2015-18 National Land Transport Programme.</p>	 ACHIEVED
OB 2.4	<p>RESULT BY 2016 Modern, fully integrated ticketing and fares are being implemented in Auckland, Wellington, Christchurch and main provincial centres.</p>	 ACHIEVED

OBJECTIVE 3: IMPROVE FREIGHT SUPPLY CHAIN EFFICIENCY

	MILESTONES FOR 2015/16	RESULT
OB 3.1	RESULT BY 2016 Smarter, more comprehensive enforcement of illegally overloaded trucks encourages operator uptake of high productivity motor vehicle permits.	 ACHIEVED
OB 3.2	RESULT BY 2016 A series of freight plans that improve access to markets and productivity for major freight routes through targeted investments are guided by the Upper North Island, Central and South Island freight plans. <i>We have completed the freight plans for the Upper North Island and Central regions, and we expect to finalise the South Island Freight Plan by December 2016 (we extended consultation to accommodate further engagement with our partners).</i>	 SUBSTANTIALLY ACHIEVED

Output classes that support our one network goal*

Service delivery

Investment management – 43 percent (3 of 7 targets)

* Refer to page 56 for a full description of this year's activities and performance.



GOAL | SHAPE SMART, EFFICIENT, SAFE AND RESPONSIBLE TRANSPORT CHOICES

People make travel choices every day – choosing how, when, and where to get around. People also make choices about the types of vehicles they want to own and their behaviour on the transport network. Everyone's choices affect how the network works, and they affect other people.

Through our goal to shape, smart efficient, safe and responsible transport choices we keep our customers at the heart of our mission. This goal makes sure we see the transport system as more than just a network and services; instead, we see the system is for people, and people make choices every day about where, when and how they get where they need to go.

In the medium term, we are focusing on:

- **implementing the Safe System approach to road safety** to reduce deaths and serious injuries on our roads
- **incentivising safe and efficient travel choices** using our regulatory and information tools
- **reducing costs for transport users** and removing barriers to compliance.

OUR PROGRESS THIS YEAR

This year we made good progress on shaping smart transport choices, achieving or substantially achieving 11 of our 12 annual milestones. Sadly, the number of deaths and serious injuries on open roads increased by 2.2 percent. We are committed to creating a safe road system for New Zealanders. A significant focus was on implementing the Safe System approach to protect people from death and serious injury, using what we have learnt to refine our approach and interventions and to inform future work. We advised the Minister of Transport on the required legislative changes to encourage willing compliance, including changes to the Vehicle Dimension and Mass Rule, and provided advice to the Ministry of Transport on other legislative changes. Another significant focus was on improving monitoring, so we can better target our rail safety and commercial operator interventions.

Implementing the Safe System approach to road safety

CONTRIBUTING PRIORITIES

Safer speeds
Urban cycling

The Safe System approach aims to create a forgiving land transport system that accommodates human error and vulnerability. This year we developed a business case for a programme of initiatives to change the public conversation on speed. These initiatives are now being implemented. They aim to actively grow public and community understanding of speed’s role in road crashes and

to seek solutions that have broad public or community support. The approach was trialled in the Waikato, and we have incorporated lessons from the trial into the *Speed management guide* for use nationwide. The guide offers a toolbox of different ways to manage speeds on roads, including changing speed limits, road markings, signage or the roadside.

The Safe System Signature Programme delivers projects with the potential to demonstrably reduce road trauma for all road users by implementing the Safe System approach within regions and communities. The Signature Programme is jointly led by the Accident Compensation Corporation and the Transport Agency. There are three projects in the Signature Programme – the Future Streets Project, which aims to make cost-effective changes to urban streets that improve road safety and make walking and cycling easier; the Behind the Wheel Māngere/Young Drivers project, which aims to support young people in Māngere to become safe and fully licensed drivers; and the Visiting Drivers Project, which aims to improve road safety for all road users including visitors (domestic and international) and maintain New Zealand’s reputation as an attractive and safe tourist destination. In addition to working on these projects, we evaluated and shared what we learnt from the Eastern Bay of Plenty signature project, which focused on rural road safety, with the road safety community.

We contributed to the Safer Journeys Action Plan 2016–2020 (released in May 2016). The plan is based on Safe System principles and guides the direction of road safety activities for the sector. It captures work already planned to 2018, for example, through the National Land Transport Programme and Road Policing Programme. The plan also contains four new actions to address Safer Journeys areas where disproportionate harm is still occurring: enable smart and safe choices on the road, make motorcycling safer, ensure roads and roadsides support safer travel, and encourage safe vehicles. A cross-cutting theme in the plan is making better use of technology in the vehicle, on the roadside, and with drivers and riders to keep people safe. We will lead the implementation of the roads and roadsides actions in the plan in collaboration with road controlling authorities and contribute to the other actions.

Our monitoring and interventions in the rail sector are supporting and encouraging a strong safety culture in rail operator organisations. We improved our rail safety monitoring by embedding a risk-based evaluation model and framework for more effective auditing of rail participants. These improvements have been communicated to the rail sector.

This enhanced monitoring has sharpened our ability to target and reduce two critical risk areas: tunnels and level crossings. For example, we introduced a requirement that only fire-suppressed locomotives may enter and travel through the Otira tunnel.

In addition to our risk-targeted rail safety interventions, we developed an enhanced assessment framework and process for implementing the new assessment system to improve identification and monitoring of the approach of rail operators on important safety issues.

We made substantial progress towards completing the review of the governance and operation of the National Rail System Standards. This independent review will be completed in September 2016.

Incentivising safe and efficient travel choices

CONTRIBUTING PRIORITIES

Easy for customers
Predictable urban journeys
Safer speeds
Smart road maintenance

We made good progress towards increasing levels of compliance through safe vehicle and safe road user requirements. We established a framework for monitoring compliance levels and safety outcomes that is now used to set performance targets for safe vehicle and safe user requirements, including an improved risk framework to monitor the compliance levels of commercial operators.

Although we are behind schedule to develop a business case for a national travel information programme, we undertook several initiatives to provide travel information to customers. We started the Highways Radio project (now known as Travel Advisory Radio) and launched the Holiday Hotspots webpage that allows customers to plan the best route and time to travel over long weekends and holiday periods. We also developed the OnTheMove website, which tells customers about delays on their planned journey and is available on mobile devices, and promoted it through a variety of channels in conjunction with Auckland Transport.

Reducing costs for transport users

CONTRIBUTING PRIORITIES

Easy for customers

We made good progress towards improving regulation and willing compliance to reduce costs for transport users. For example, we completed the policy work on the legislative changes required to implement the recommendations of the reviews for Vehicle Dimension and Mass and Driver Licensing rules.

GOAL SUCCESS INDICATORS TO 2032*		2012/13 BASELINE	DESIRED TREND	2014/15 ACTUAL	2015/16 ACTUAL	
Speeds are safe	Number of deaths and serious injuries on open roads (80–100km/h) (March year ends)	1577	Decreasing	1,317	1,346	1
GOAL SUCCESS INDICATORS TO 2032*		2008/09 BASELINE	DESIRED TREND	2014/15 ACTUAL	2015/16 ACTUAL	
Vehicles are safe	% of new vehicles with five-star rating	51%	Increasing	89%	93%	●
	% of vehicles in fatal/serious crashes with non-current warrant of fitness (or similar) (March year ends)	12%	Decreasing	9%	12%	2
Vehicles are more efficient	Average petrol and diesel consumption – litres per 100 vehicle kilometres travelled	10.7 Petrol	Decreasing	9.97	9.91	●
		19.0 Diesel		18.48	18.41	
Freight is more efficient and reliable	% of travel by high productivity motor vehicles of total heavy truck kilometres travelled	0%	Increasing	25%	32%	●

1 A 2.2 percent increase in the number of deaths and serious injuries on open roads for the year ending March 2016 (compared with the corresponding period in the previous year) should be seen in the context of an increasing risk exposure associated with a 4.4 percent increase in travel on the state highway network during 2015/16.#









2 The increase in the percentage of vehicles with a non-current warrant of fitness involved in fatal/serious crashes shows a return to the 2008/09 level. The 2014/15 figure is unusually low when considered as part of the gradual long term declining trend since 2008/09.

* Refer to appendix 2 page 176, for trend information.



Refer to operating assumptions, page 174.

MILESTONES FOR 2015/16



OBJECTIVE 4: IMPLEMENT THE SAFE SYSTEM APPROACH TO CREATE A FORGIVING LAND TRANSPORT SYSTEM THAT ACCOMMODATES HUMAN ERROR AND VULNERABILITY

MILESTONES FOR 2015/16	RESULT
<p>OB 4.1 RESULT BY 2019 The successful elements of the safety signature programme are replicated elsewhere in New Zealand where appropriate.</p> <p>Learnings from the delivery of projects within the signature programme are published.</p>	 ACHIEVED
<p>OB 4.2 RESULT BY 2019 All relevant Transport Agency staff, community and business leaders, and transport practitioners understand and apply the Safe System approach, and decision-making frameworks and partnerships support the successful implementation of a safe road system in New Zealand.</p> <p>We have created a benchmark for where we need to be and what we need to do to get there so stakeholders and the community understand and apply the Safe System approach.</p>	 ACHIEVED
<p>OB 4.3 RESULT BY 2019 The public conversation about how individual behaviour and choices affect road safety outcomes is strong (as measured by attitude surveys) and contributes to a positive road culture.</p> <p>A business case will be developed and implementation of the business case will commence.</p>	 ACHIEVED
<p>OB 4.4 RESULT BY 2019 The Safer Journeys Action Plan 2016–20 is evidence based, and the applied actions are demonstrably reducing safety risk on our roads.</p> <p>(The published result 'The Transport Agency-led actions from the 2013–15 action plan have been implemented' has been updated.)</p> <p>Contribute to the development of the 2016–19 action plan.</p>	 ACHIEVED
<p>OB 4.5 RESULT BY 2019 Transport Agency monitoring and interventions are supporting and incentivising a strong safety culture in rail operator organisations.</p>	
<p>Enhanced rail safety monitoring is in place and is sharpening risk targeting and risk reducing activities.</p>	 ACHIEVED
<p>Improved rail safety monitoring is in place and being widely communicated.</p>	 ACHIEVED
<p>The governance and operation of National Rail System Standards have been reviewed.</p> <p><i>The final report of the review of the governance and operation of the National Rail System Standards will be completed in September 2016.</i></p>	 SUBSTANTIALLY ACHIEVED
<p>OB 4.6 RESULT BY 2019 Transport Agency staff, community leaders and stakeholders are joined up and making demonstrably good progress on reducing deaths, serious injuries and near misses for road users and pedestrians interacting with the rail corridor.</p>	
<p>A multidisciplinary safety action plan is complete, and priority actions are being implemented as planned.</p>	 ACHIEVED

OBJECTIVE 5: INCENTIVISE AND SHAPE SAFE AND EFFICIENT TRAVEL CHOICES USING A CUSTOMER-FOCUSED APPROACH

	MILESTONES FOR 2015/16	RESULT
OB 5.1	<p>RESULT BY 2019 Increased levels of compliance with safe vehicle and safe road user requirements are reducing safety risks and disruption on the land transport network.</p> <p>A framework for monitoring compliance levels and outcomes is established and being used to set targets.</p>	<p> ACHIEVED</p>
OB 5.2	<p>RESULT BY 2019 Information to inform travel mode and travel time choice is readily available to customers using high-demand networks and corridors, and this is measurably improving journey predictability.</p> <p>A national travel information programme business case is complete. (Connected to the predictable journeys for urban customers priority result 1 milestone 2.)</p> <p><i>While a programme business case for national travel information was not completed, we have undertaken three initiatives that provide travel information to customers. We started the Highways Radio project (now known as Travel Advisory Radio) and launched the Holiday Hotspots webpage that allows customers to plan the best route and time to travel over long weekends and holiday periods. We also developed the OnTheMove website, which tells customers about delays on their planned journey and is available on mobile devices, and promoted it through a variety of channels in conjunction with Auckland Transport. We will continue to promote travel information in our 2016/17 work programme.</i></p>	<p> NOT ACHIEVED, BUT SOME PROGRESS MADE</p>

OBJECTIVE 6: REDUCE COSTS FOR TRANSPORT USERS THROUGH BETTER REGULATION AND WILLING COMPLIANCE

	MILESTONES FOR 2015/16	RESULT
OB 6.1	<p>RESULT BY 2019 Reviews of the Vehicle Dimension and Mass and Driver Licensing rules have reduced compliance costs for customers and make it easier for customers to meet their transport requirements.</p> <p>Policy work on legal changes required to enable both review objectives to be met is complete and a Land Transport Act Amendment Bill is being considered by Parliament.</p> <p><i>We completed the policy work on the legislative changes required to implement the recommendations of the reviews of Vehicle Dimension and Mass and Driver Licensing rules. The Minister of Transport agreed that changes to the Land Transport Act Amendment Bill are not essential to current proposed driver licensing-related policy changes, so they will not be progressed in the current Land Transport Amendment Bill.</i></p>	<p> ACHIEVED</p>
OB 6.2	<p>RESULT BY 2019 The opportunities in the annual regulatory programme to improve incentives for customers to operate efficiently and safely on the network are being identified and progressed without increasing costs.</p> <p>Incentives to comply with vehicle dimension and mass (VDAM) requirements will be enhanced as part of VDAM reform.</p>	<p> ACHIEVED</p>

Output classes that support our smart choices goal*

Service delivery

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)

* Refer to page 59 for a full description of this year's activities and performance.

95%



DELIVER EFFICIENT, SAFE AND RESPONSIBLE, AND RESILIENT HIGHWAY SOLUTIONS FOR CUSTOMERS

The Transport Agency manages the state highway network. This network is the strategic backbone of the land transport system, connecting communities and regions.

Our goal to deliver efficient, safe and responsible, and resilient highway solutions positions the state highway network as part of the wider transport system. This goal means that when we are building, maintaining or operating state highways, we don't treat them in isolation; instead, we make sure they work seamlessly with all other parts of the network.

In the medium term, we are focusing on delivering:

- **greater state highway resilience** to deal with planned and unplanned events
- **consistent levels of customer service** consistent with the One Network Road Classification
- **significant transport infrastructure** to meet current and expected gaps in the ability of the network to meet demand, particularly in Auckland and between our largest population centres.

OUR PROGRESS THIS YEAR

We made significant progress on delivering highway solutions this year, achieving or substantially achieving 28 of our 32 annual milestones. We focused on integrating resilience into our way of working, continuing to deliver more value from our renewals programme and working towards levels of customer service consistent with the One Network Road Classification. Most of our projects in the Roads of National Significance Programme, Accelerated Auckland Transport Programme and Accelerated Regional Transport Programme remain on track.

Delivering greater resilience of the state highway network

CONTRIBUTING PRIORITIES

Predictable urban journeys	Greater resilience helps us to deal with planned and unplanned events on New Zealand's state highway network. This year we continued to embed resilience considerations into our work programmes, moving us closer to a more resilient state highway network.
Safer speeds	We assessed 4000 kilometres of state highway for hazards to improve our understanding of where we should be investing in resilience activities on the network. We use a business case approach to develop proposals for funding under the National Land Transport Programme. We incorporated resilience considerations into our top nine priority programme business cases and started the next phase, indicative business cases, where applicable.
Smart road maintenance	

We identified alternative routes for state highway outages in agreement with our local authority partners, and we improved their understanding of what resilience means under the One Network Road Classification. This work lays the foundation for us to work together to align One Network Road Classification customer levels of service for resilience.

To manage unplanned events, we drafted business continuity plans for most of our state highway offices, and emergency response plans and escalation procedures are in place for each network, each region and nationwide.

Delivering consistent levels of customer service

CONTRIBUTING PRIORITIES

Easy for customers
Predictable urban journeys
Safer speeds
Smart road maintenance

We continue to anticipate, shape and respond to new demands on state highways so we can meet the expectations of our customers.

This year, we reviewed the success of our aggressive pavements renewals programme, which targets where we invest on the network and means our assets work harder because we renew them later in their life cycles. Our review found that this approach did not create any untoward risk from the condition of the network, so we will continue with this approach in 2016/17 with the same contingency for failures as was budgeted and used last year. However, recent modelling confirms that renewals programmes will have to increase significantly within three years. The impact of this increase will be reflected in

the State Highway Activity Management Plan 2018–21.

All our analysis this year informed an activity management improvement process to be delivered in 2016/17 (previously called the Transforming Asset Management project) and will inform the draft State Highway Activity Management Plan 2018–21, which will be developed in 2016/17.

Delivering significant transport infrastructure

The seven Roads of National Significance are based around New Zealand's five largest population centres and represent one of New Zealand's biggest infrastructure investments. The Roads of National Significance Programme is a critical component of the Government's National Infrastructure Plan and the Government Policy Statement on Land Transport. The Accelerated Auckland Transport Programme and Accelerated Regional Transport Programme include projects targeted for acceleration with funding from the National Land Transport Fund and the Crown.

Most projects in the Roads of National Significance Programme continue to run to plan, and we achieved several milestones this year. The tenders for Pūhoi to Warkworth closed in March 2016, and the preferred bidder was announced in August 2016. In Auckland, the second tunnel of the Waterview Connection project (part of the Western Ring Route) broke through in October 2015. Two projects on the Western Ring Route opened to traffic: the St Lukes Interchange and Te Atatu Interchange.

We continue to make good progress on the Waikato Expressway with construction starting on both the Huntly and Hamilton sections. A major milestone was achieved with the opening of the Cambridge section six months ahead of schedule. The Tauranga Eastern Link toll road opened to the public on 1 August and has traffic volumes 30 percent higher than estimated.

The Wellington Northern Corridor underwent many changes this year. For example, the Airport to Mount Victoria Tunnel project was incorporated into the Ngāūranga to Airport programme. This programme is a joint initiative between the Transport Agency, Wellington City Council and Greater Wellington Regional Council and will allow for greater collaboration on integrating Wellington's transport systems. The MacKays to Peka Peka project remains on track, and the Peka Peka to Ōtaki project is in the tender process.

Funding was approved for stage 2 of the Christchurch Southern Motorway in December 2015, so we expect construction to begin in 2016/17. All sections of the Christchurch Roads of National Significance are now funded.

The Accelerated Auckland Transport Programme continues to run to plan, and the Transport Agency achieved all its annual deliverables. Construction began this year on the Southern Corridor and State Highway 20A. The close working relationship between the project team and Māngere Central School received accolades from the Ministry of Education. Pupils had the opportunity to visit our worksites and learn about the transport story for their city and different roles in the transport sector.

This year, construction continued or began on all of the tranche 1 projects in the Accelerated Regional Transport Programme. The Panikau Hill and Wallace Hill slow vehicle bays in Gisborne were completed and opened to traffic. In January, the Minister of Transport announced funding for tranche 2 projects, all of which are under way with most achieving their yearly target. Of note, after starting construction on the Normanby Overbridge realignment in Taranaki, the project team found an unexpected archaeological site. Positive discussions with local hapū and South Taranaki District Council on how to manage the site have led to improvements in the surrounding land use.

The projects in tranche 3 (Nelson Southern Link, Napier Port Access and Rotorua Eastern Arterial) have business cases under development.

GOAL SUCCESS INDICATORS TO 2032*		2010/11 BASELINE	DESIRED TREND	2014/15 ACTUAL	2015/16 ACTUAL	
Highway journeys are safer	Number of deaths and serious injuries in head-on and run-off road crashes on state highways (March year ends)	912	Decreasing	911	975	1
Highways journeys are efficient and reliable	Percentage of road closures with a duration > 12 hours in rural areas and > 2 hours in urban areas	36%	Decreasing	21%	13%	
Highways are socially and environmentally responsible	% compliance with state highway resource consent conditions	64%	Increasing	94%	95%	
Freight movement is more efficient and reliable	Number of km delivered for the high productivity freight network (up to 58 tonnes)	90%	Increasing	84%	95%	






1 A 7 percent increase in the number of deaths and serious injuries in head-on and run-off crashes for the year ending March 2016 (compared with the corresponding period in the previous year) reflects an increase in exposure risk associated with a 4.4 percent rise in traffic volumes over the period. # Progress on implementing the Safe System approach in the safer Journeys strategy is expected to contribute to an improving trend over the longer-term.

* Refer to appendix 2, page 176, for trend information.
Refer to operating assumptions, page 174.



MILESTONES FOR 2015/16

OBJECTIVE 7: GREATER RESILIENCE OF THE STATE HIGHWAY NETWORK






MILESTONES FOR 2015/16	RESULT
<p>OB 7.1 RESULT BY 2019 A framework is in place that allows us to invest in resilience work where required on the network.</p> <p>Hazards have been assessed on 4000km of state highway using the GNS Science hazard assessment tool to ensure nationwide consistency, and potential works have been identified to support achievement of One Network Road Classification levels of service. All works proposals warrant funding under the investment framework.</p> <p><i>We have assessed all national (high volume) and regional state highways for natural hazards and potential works are being assessed for funding against the Investment Assessment Framework.</i></p>	<p>● SUBSTANTIALLY ACHIEVED</p>

OB 7.2	RESULT BY 2019 We have collaborated with local authority partners to agree alternative routes on the local road network and can demonstrate a joined-up approach to resilience in all areas.	 ACHIEVED
	All current alternative routes and their potential role and traffic demand have been collated consistently nationwide.	
	Conversations regarding suitability and how to address any performance gap have commenced with partners for each state highway that has had a hazard assessment. <i>Our regional staff have information on resilience that they are using to discuss proposals and identify performance gaps for each state highway. Meetings with our partners are planned for the first quarter of 2016/17.</i>	 SUBSTANTIALLY ACHIEVED
	Business continuity plans are in place and actionable for each state highway office and its support systems and for each maintenance contractor. <i>While we have not put in place plans for all offices because of resource constraints, plans are in draft for most of our state highway offices and some have undertaken business continuity planning exercises to test their plans. This work will continue in 2016/17.</i>	 NOT ACHIEVED, BUT SOME PROGRESS MADE
	Emergency response plans and escalation procedures are in place and actionable for each network, each region and nationwide.	 ACHIEVED
OB 7.3	RESULT BY 2019 We have identified the corridors that require physical improvements, and these are included in the State Highway Activity Management Programme and the 2018-21 National Land Transport Programme.	
	Indicative business cases have been initiated for high priority works on corridors.	 ACHIEVED

OBJECTIVE 8: DELIVER CONSISTENT LEVELS OF CUSTOMER SERVICE THAT MEET CURRENT EXPECTATIONS AND ANTICIPATE FUTURE DEMAND

MILESTONES FOR 2015/16	RESULT
OB 8.1 RESULT BY 2019 The State Highway Activity Management Programme clearly demonstrates value for money through: <ul style="list-style-type: none"> the benefits and outcomes of our operations the condition of the network and the levels of risk we are currently taking in maintenance and renewals our future investment needs for improvements and their return on investment. 	
The interim success of the aggressive pavement renewals process has been reviewed and is informing future plans.	 ACHIEVED
OB 8.2 RESULT BY 2019 Based on data from our current contracts: <ul style="list-style-type: none"> levels of service are consistent with the One Network Road Classification framework we have confirmed our future operating model for asset management we have reviewed the lessons learned and formalised principles for the next round of maintenance and operations procurement, including healthy market analysis. 	
The indicative business case for the Transforming Asset Management project has been approved and is being actioned.	 ACHIEVED

OBJECTIVE 9: PROVIDE SIGNIFICANT TRANSPORT INFRASTRUCTURE

MILESTONES FOR 2015/16		RESULT
OB 9.1 Roads of National Significance	Pūhoi to Wellsford	 ACHIEVED
	Programme development and pre-implementation under way	
	Western Ring Route	 ACHIEVED
	Open to traffic: Lincoln Road Interchange, St Lukes Interchange, Te Atatu Interchange	
	Waikato Expressway	 ACHIEVED
	Construction start: Huntly and Hamilton sections	
	Tauranga Eastern Link	 ACHIEVED
Project open to traffic		
Wellington Northern Corridor	 NOT ACHIEVED, BUT SOME PROGRESS MADE	
Consenting process: Airport to Mount Victoria Tunnel, Ōtaki to Levin		
<i>The Airport to Mount Victoria consenting process was incorporated into the Ngāūranga to Airport programme (a joint initiative between NZ Transport Agency, Wellington City Council and Greater Wellington Regional Council). The implementation plan for this programme is expected to be completed in March 2017.</i>		
<i>The consenting process has commenced for the Waitarere Curves section of Ōtaki to North Levin.</i>		
<i>Engagement and the consenting process on the proposed long-term improvement options to State Highway 1 between Ōtaki and Levin were delayed to allow for additional investigations. These investigations will consider new growth predictions and emerging economic trends, as well as take into account potential transport demands that will be generated by Horowhenua District Council's plans for the Levin town centre and associated growth.</i>		
Christchurch Northern Corridor	 SUBSTANTIALLY ACHIEVED	
Construction start: Southern Motorway Stage 2, Western Belfast Bypass, Harewood to Avonhead Park		
<i>Construction started on the Western Belfast Bypass and Harewood to Avonhead Park. Construction of stage 2 of the Southern Motorway is expected to start in 2016/17. This delay was because the tender period was extended to ensure the quality of tenders submitted.</i>		
OB 9.2 Accelerated Auckland Transport Programme	Northern Corridor (three projects)	 ACHIEVED
	Consenting and property acquisition commence	
	Southern Corridor (five projects)	 ACHIEVED
	Construction start: Hill Road to Takanini, Takanini on-ramp improvements, Takanini to Papakura, Takanini Interchange SH20 to Hill Road	
	State Highway 20A	 ACHIEVED
Construction start		
Auckland Manukau Eastern Transport Initiative	AUCKLAND TRANSPORT DELIVERABLE	
Open to traffic: Sylvia Park bus lanes		
Construction start: Stage 2a (Panmure to Pakuranga)		
<i>Construction of Sylvia Park bus improvements was delayed because Auckland Transport experienced issues when finalising the property purchases. Construction is expected to start in early 2017/18 with the project open to traffic mid-2018.</i>		
<i>Construction of stage 2a (Panmure to Pakuranga) is scheduled to start in 2017/18, following approval of the revised busway delivery strategy by the Auckland Transport Board. Auckland Transport lodged a notice of requirement for the stage 2a busway corridor in March 2016 and is progressing preliminary design for the Reeves Road flyover and local road improvements around the Pakuranga town centre (also part of stage 2a). This work is essential ahead of the lodgement of a notice of requirement for these components in early 2017/18.</i>		
East West Link	 ACHIEVED	
Programme development and pre-implementation under way		

MILESTONES FOR 2015/16		RESULT
OB 9.3 Accelerated Regional Transport Programme	Kawarau Falls Bridge (Otago) Construction start	 ACHIEVED
	Mingha Bluff to Rough Creek Realignment (Canterbury) Construction complete and road open to traffic	 ACHIEVED
	Akerama Curves Realignment and Passing Lane (Northland) Construction complete and road open to traffic	 ACHIEVED
	Panikau Hill and Wallace Hill Slow Vehicle Bays (Gisborne) Construction complete and open to traffic	 ACHIEVED
	Normanby Overbridge Realignment (Taranaki) Construction complete and road open to traffic	 ACHIEVED
	Whirokino Trestle Bridge Replacement (Manawatū-Wanganui) Programme development and pre-implementation under way	 ACHIEVED
	Motu Bridge Replacement (Gisborne) Programme development and pre-implementation under way	 ACHIEVED
	Ōpawa and Wairau Bridges Replacement (Marlborough) Programme development and pre-implementation under way <i>Following the Government's announcement that the Opawa Bridge, but not the Wairau Bridge, would be replaced, further design work and public engagement has been undertaken.</i>	 ACHIEVED
	Taramakau Road/Rail Bridge (West Coast) Programme development and pre-implementation under way	 ACHIEVED
	Loop Road North to Smeatons Hill Safety Improvements (Northland) Programme development and pre-implementation under way <i>The single stage business case was completed and progress was made on the approvals process. During the approvals process there will be more targeted work and stakeholder engagement, followed by property acquisition and consenting. Construction is expected to start in summer 2017/18.</i>	 SUBSTANTIALLY ACHIEVED
	Mt Messenger and Awakino Gorge Corridor (Taranaki) Programme development and pre-implementation under way	 ACHIEVED
	Napier Port Access Package (Hawke's Bay) Work on detailed business case and pre-implementation continues	 ACHIEVED
	Nelson Southern Link Work on detailed business case and pre-implementation continues <i>Development of the second phase (the programme business case) is complex so completion of this phase has been slower than expected. It is on track to be completed by the end of 2016.</i>	 NOT ACHIEVED, BUT SOME PROGRESS MADE
	Rotorua Eastern Arterial Work on detailed business case and pre-implementation continues	 ACHIEVED

Output classes that support our highway solutions goal*

Service delivery

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

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



Investment performance

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

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



* Refer to page 67 for a full description of this year’s activities and performance.



MAXIMISE EFFECTIVE, EFFICIENT AND STRATEGIC RETURNS FOR NEW ZEALAND

We invest public funds in land transport solutions for our customers. Through our goal to maximise effective, efficient and strategic returns for New Zealand, we aim to get the best value for money from the investments and maximise the benefits for all New Zealanders.

In the medium term, we are focusing on:

- **aligning investment to agreed national, regional and local outcomes and improving value for money** – agreeing outcomes early so we can agree on and prioritise the right investments
- **ensuring effective and efficient co-investment** – making investment criteria and processes clear and transparent
- **exploring innovative revenue, pricing and financing approaches** – looking for funding models and ways to deliver value for money that will remain appropriate for the foreseeable future.

The annual report for the National Land Transport Fund (page 189) provides more information about this year’s investments.

OUR PROGRESS THIS YEAR

We made very good progress this year towards our objective of ensuring that all land transport investments deliver the maximum possible returns. We achieved or substantially achieved all nine of our milestones. An important achievement was completing the investment decision-making review that will align investment, agreed outcomes and delivery of customer benefits. Significant work has also been done to ensure transport investments deliver value for money; for example, we evaluated transport investment proposals for all regional development plan areas and continuously implemented and monitored deliverables under the Public Transport Operating Model.

Aligning investment and improving value for money

CONTRIBUTING PRIORITIES

Predictable urban journeys
Safer speeds
Smart road maintenance
Urban cycling

We align investments with agreed national, regional and local outcomes to improve value for money in all we invest and deliver. This year we completed the National Land Transport Programme investment decision-making review. Feedback from the Treasury, the Ministry of Transport, Local Government New Zealand and other system users in local government and the private sector helped us understand different perspectives on the system and the implementation implications of our initial review findings. Significant recommendations include:

- looking at how we give greater weight to regional and local outcomes when we prioritise National Land Transport Programme initiatives

- finding better ways to embed the business case approach into the sector's planning and investment process
- providing greater clarity about our investment decisions
- improving the way we do benefit-cost appraisals.

We started addressing these recommendations by working on the design of the investment assessment framework in late 2015.

We also progressed the national and interregional 30-year view of the transport network from investigation to implementation. We used findings from an agreed 'most likely' future demand scenario in the Upper North Island to assess the implications. The results were used to agree a 30-year view for the Central and Southern regions.

In Canterbury, we and our partners delivered the Transport Network Recovery Programme for 2015/16. Major achievements include commissioning the new Christchurch Central City Bus Interchange and agreeing the scope and the funding of the Stronger Christchurch Infrastructure Rebuild Programme. Challenges to the full recovery of the transport network remain. Although most of the rebuild programme continues to progress to plan, implementation of the programme An Accessible City Phase 1 was slower than expected and unstable rock faces delayed improvements to the Sumner-Lyttelton Corridor.

We supported the Ministry of Transport to develop the Sector Transport Research Strategy, which is substantially complete. The project was extended to allow for more comprehensive engagement with important transport stakeholders. Publication of the strategy is expected in early 2016/17 .

Ensuring effective and efficient co-investment with our partners

CONTRIBUTING PRIORITIES

Predictable urban journeys
Safer speeds
Smart road maintenance
Urban cycling

We assess all proposed land transport investments with our partners so that we are all confident we are investing in the right things in the right way at the right time. To support this approach this year, we identified key journeys in New Zealand's land transport network as well as the expected benefits and outcomes for each journey. Benefits and outcomes were based on customer insights - understanding what influences customers' decision-making when faced with multiple routes between Auckland, Hamilton and Tauranga and understanding customers' values and what influences travel behaviour. An example is the extent to which easy access to stop-off facilities influences drivers' route choice, in particular long-haul truck drivers. These insights are

being shared and used in multiple areas such as the ongoing development of the 30-year view of the transport network, in business cases and in project development.

We also worked closely with our investment partners in major centres, in particular Auckland, Wellington and Christchurch, to implement the Public Transport Operating Model. This model ensures services are priced efficiently and that competitors have access to public transport markets. We were closely involved in endorsing procurement strategies, reviewing tender documents before they were sent out, and making sure tender processes were run consistently with the intent of government policy.

The Public Transport Operating Model is still being rolled out, but experience to date indicates that it has had a positive effect on competition, particularly in the largest market of Auckland. In its first tender round in South Auckland, Auckland Transport received bids from multiple operators and secured a reduction in subsidy of approximately \$3 million per year for affected services while also securing an increase in total service kilometres and hours of operation.

Exploring innovative revenue, pricing and financing approaches

To enhance the value delivered by land transport investments we are investigating innovative revenue, pricing and financing approaches. This year we developed an internal revenue and financing framework that enables us to better plan our financing initiatives and to action them prudently. We will continue to make improvements to the framework and incorporate feedback from stakeholders. Principles within the framework are being applied to test options for accelerating projects in Auckland and may be applied across New Zealand. We will continue to progress work on the external framework in 2016/17.

We also continued to apply our tolling and public-private partnership policies where appropriate.

GOAL SUCCESS INDICATORS TO 2032*		2012-15 BASELINE	DESIRED TREND	2015/16 ACTUAL	
National Land Transport Fund investments align to government investment priorities	% of activities that meet funding priority thresholds for public transport/road (improvements)/road (maintenance, cycling and other	99.47%	Increasing	99.93%	
National Land Transport Fund investments have a high degree of effectiveness	Refer to National Land Transport Fund annual report (pages 189-261).				
National Land Transport Fund investments have a high degree of efficiency					




* Refer to appendix 2, page 176, for trend information.

MILESTONES FOR 2015/16



OBJECTIVE 10: ALIGN INVESTMENT TO AGREED NATIONAL, REGIONAL AND LOCAL OUTCOMES, AND IMPROVE VALUE FOR MONEY IN ALL WE INVEST IN AND DELIVER

MILESTONES FOR 2015/16	RESULT
OB 10.1 RESULT BY 2019 Identify and describe a comprehensive planning and investment decision-making process for the Transport Agency (including the use of our Investment Assessment Framework) that provides stakeholders with confidence that our investments are prioritised transparently and optimally (as measured through the stakeholder survey).	
Complete the National Land Transport Programme investment decision-making review.	 ACHIEVED
OB 10.2 RESULT BY 2019 The recovery of Canterbury’s transport networks is substantially complete and the National Land Transport Programme contributions to Canterbury’s recovery achieve best value for money.	
Deliver the agreed 2015/16 recovery programme.	 ACHIEVED
OB 10.3 RESULT BY 2019 Urban network capacity investments in the next National Land Transport Programme are consistent with the One Network Road Classification. (This is also a result for objective 2.)	
There is no 2015/16 milestone as work begins in 2017/18.	
OB 10.4 RESULT BY 2019 We have clearly identified national and interregional issues that drive our medium-term and long-term opportunities.	
Progress the national and interregional long-term transport view project from the investigation phase into the implementation phase.	 ACHIEVED
OB 10.5 RESULT BY 2016 A transport research framework exists that optimises the ability of public entities to meet their accountabilities while ensuring the total transport research investment supports required functions and outcomes.	 SUBSTANTIALLY ACHIEVED
<i>The development of the Sector Transport Research Strategy (led by the Ministry of Transport) is substantially complete. An extended period for stakeholder feedback delayed the production of the final document, so it will now be released in early 2016/17.</i>	

OBJECTIVE 11: ENSURE EFFECTIVE AND EFFICIENT CO-INVESTMENT WITH OUR PARTNERS

	MILESTONES FOR 2015/16	RESULT
OB 11.1	<p>RESULT BY 2019 The network monitoring framework to measure customer benefits is in place for selected key routes/journeys.</p> <p>Identify key journeys and define expected benefits and outcomes.</p>	<p> ACHIEVED</p>
OB 11.2	<p>RESULT BY 2019 We have increased the satisfaction level of our investment partners by 10% through our tools, systems, policies and procedures.</p> <p>There is no milestone for 2015/16 as work will begin on this result in 2017/18.</p>	
OB 11.3	<p>RESULT BY 2019 Network performance measures have been implemented and are being used by investment partners.</p> <p>Establish network performance measures.</p> <p><i>We have identified and tested the first set of draft network performance measures and applied them in the Upper North Island, including Auckland, as part of the 30-year view of the transport network. Progress on the measures was slower than expected as we are ensuring they align with the One Network Road Classification performance measures and benefit measures in our business case approach.</i></p>	<p> SUBSTANTIALLY ACHIEVED</p>
OB 11.4	<p>RESULT BY 2016 Effective public transport network design and management delivers progressively increased returns per National Land Transport Fund dollar invested.</p> <p>(This is a shared desired result with regional councils, local authorities and public transport operators.)</p> <p>Auckland, Wellington and Christchurch tranches of bus contracts for Public Transport Operating Model units are being or have been tendered and negotiated with increased confidence that services are priced efficiently and there is access to public transport markets for competitors.</p>	<p> ACHIEVED</p>

OBJECTIVE 12: EXPLORE INNOVATIVE REVENUE, PRICING AND FINANCING APPROACHES THAT ENHANCE THE VALUE DELIVERED BY LAND TRANSPORT INVESTMENTS

	MILESTONES FOR 2015/16	RESULT
OB 12.1	<p>RESULT BY 2019 A Transport Agency revenue and financing framework has been developed.</p> <p>We are applying an agreed internal framework while work on the external framework is progressed.</p>	<p> ACHIEVED</p>
OB 12.2	<p>RESULT BY 2016 The Transport Agency's tolling and public-private partnership policies are successfully applied to new state highway road development where appropriate.</p>	<p> ACHIEVED</p>

Output classes that support our maximise returns goal*

Service delivery

- 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)



Investment performance

- 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)



* Refer to page 71 for a full description of this year's activities and performance.



GROWING AGILITY

To live and work successfully in changing and challenging times, people must be quick thinking and quick acting as well as supported by responsive and flexible systems and processes that are underpinned by a culture of innovation, collaboration and clear leadership.

To grow our agility in the medium term, we are focusing on:

- **harnessing knowledge** – making better decisions that are supported by solid evidence
- **creating value with others** – collaborating across the Transport Agency and the sector
- **encouraging continuous improvement and innovation** – building a culture of innovation to support continuous and transformational improvement.

OUR PROGRESS THIS YEAR

We made very good progress on growing our agility this year, achieving or substantially achieving 15 of our 16 milestones and making some progress with our information programme. We continued to make the Transport Agency a great place to work through our People Plan and increased employee engagement, and continued to build a more innovative workplace culture. We were also recognised for our leadership of and contribution to health and safety in the transport sector. To create a more resilient and responsive organisation, we tested business continuity through emergency management exercises in Auckland, Wellington and Christchurch and moved to new regional offices in Wellington and Christchurch.

Harnessing knowledge

We harness knowledge to make timely, well-considered and evidence-based decisions to better respond to the needs of our customers, stakeholders and colleagues.

Through our harnessing knowledge strategy, we balance our approach to creating a more agile organisation by focusing on four components: systems, processes and tools; leadership and behaviours; people and skills; and information and evidence. We continue to make good progress on the strategy through our information programme, which included the roll-out of our award-winning knowledge management system, and by improving our ability to manage and share information. Our privacy work programme and projects to improve information security and business continuity support a positive shift in culture and behaviour.

Our information systems and environment have become increasingly complex, and we need more time to appreciate the impacts of this complexity across our organisation. This complexity delayed delivery of our protective security capability maturity model, which will now be delivered early in 2016/17. It also delayed our compliance with the Payment Card Industry Data Security Standards (a component of our information security programme), which will now be delivered by the end of 2016/17.

To support resilience and business continuity, we put in place service level agreements for our most important customer-centric and internal systems, including Driver License Education Theory Testing, OPermit (overweight, over-dimension trucks), Roadside Inspection Database (with New Zealand Police), and systems critical to journey time predictability such as our Traffic Monitoring System (with transport operation centres).

Our refreshed website went live at the beginning of July 2015. It is now easier for our customers to transact with us online, undertake driver licensing and make more-informed choices about their journeys.

Creating value with others

We create value by focusing on high performance and collaborating across the Transport Agency and the sector.

During the year, we completed our People Plan. This two-year plan focuses on driving high performance, driving consistent people leadership, and creating an environment where Transport Agency staff are safe, well and highly engaged.

Our latest engagement results show employee engagement continues to rise, increasing from 3.51 in 2010 to 4.16 in 2016, showing good progress towards our goal of world-class engagement. As part of the People Plan, we introduced new tools and resources, with a focus on performance and development, to support our people leaders. When we moved offices in Christchurch and Wellington, we created new environments and introduced technology that let us work together in different ways.

We launched The Way We Move, which is a programme that creates a line of sight between our day-to-day work and our strategy and embeds our three behaviours (sign up, team up, front up). The programme helped our people understand and bring to life what it means to work for the Transport Agency.

We continued to implement our Zero Harm Strategy and embed a Zero Harm culture within the Transport Agency and the wider roading industry. Our approach meant we were well prepared for the Health and Safety at Work Act 2015, which came into effect in April 2016.






Our commitment to having a safe workplace was demonstrated by the results of our Accident Compensation Corporation (ACC) Workplace Safety Management Practices Audit - we maintained our tertiary grade (the highest level).

Our contribution to health and safety within the wider sector was recognised when the Zero Harm Reporting Tool received the HR Technology award 2016 from the Human Resources Institute of New Zealand. Our industry leadership was further acknowledged when we received the ACC Best Leadership of an Industry Sector award at the New Zealand Workplace Health and Safety Awards 2016.

During the year, we continued to strengthen our relationships with sector partners. We introduced weekly reporting to enhance transparency and information sharing with our partners and the minister. We worked constructively with the Ministry of Transport, our Crown entity monitor, so the ministry could provide effective oversight through its Crown Entity Assessment Framework. We also partnered with the Treasury to complete the Investor Confidence Rating assessment, obtaining a respectable B grade.

Encouraging continuous improvement and innovation

We encourage continuous improvement and innovation to strengthen our ability to identify, prioritise and implement ways of doing things better. We continued to build a culture that supports and enables innovative thinking and new ideas. The #giveitago Innovation Fund made a significant contribution to building innovation awareness and capability across the Transport Agency. In particular, the pilot round of the fund gained external recognition as a finalist in the Human Resources Institute of New Zealand Innovation Awards. Across the Transport Agency, we have established a wide network of people with the ability to address opportunities and challenges using tools that encourage creativity and innovation.










GOAL SUCCESS INDICATORS TO 2032*		2010/11 BASELINE	DESIRED TREND	2014/15 ACTUAL	2015/16 ACTUAL	
Harness knowledge	Priority stakeholders are satisfied with the manner in which the Transport Agency makes decisions	48%	Increasing	50%	55%	
Harness knowledge	Internal staff perception survey on the accuracy and accessibility of our information	45%	Increasing	50%	54%	
Create value with others	Quality of stakeholder relationship – priority stakeholders’ overall satisfaction with their organisations’ current relationship with the Transport Agency	71%	Increasing	74%	70%	
Continuous improvement	Staff engagement survey (Gallup engagement survey)	3.96	Increasing	4.09	4.16	
	% of organisational resources allocated to innovation and continuous improvement	The Innovation Fund committed \$79,000 to test six innovative ideas and further \$5000 to seed fund five ‘just do it’ ideas.				

1 The 70 percent result this year is consistent with 2014 (71 percent), but lower than 2015 (74 percent), which was uniquely high. While the difference between 2016 and 2015 is less than 5 percent, which in part, reflects the number of changes to organisational processes and approaches over the last year and the need to apply a consistent stakeholder engagement framework across the organisation.







* Refer to appendix 2, page 176, for trend information.

MILESTONES FOR 2015/16


HARNESS KNOWLEDGE

	MILESTONES FOR 2015/16	RESULT
GA 1.1	RESULT BY 2019 Our people value information as a shared asset.	
	Expand our knowledge professional programme to understand the importance of information as an asset.	 ACHIEVED
GA 1.2	Enhance our people skills required to transform information into knowledge and business decisions.	 ACHIEVED
	RESULT BY 2019 Our information tools and processes make it easy to find integrated information and we continually strive to simplify and rationalise them.	
GA 1.3	Harness our knowledge in business decision-making through using new collaboration and information tools. We will complete our refresh of our knowledge management system, continue our investment in geospatial technology and understand the value/benefit from further investment in business intelligence capability.	 ACHIEVED
	Make it easier to use knowledge and collaborate with others by refreshing our information and knowledge strategy, and embedding our new information governance.	 ACHIEVED
GA 1.4	RESULT BY 2019 We effectively balance an open information culture with robust processes to ensure appropriate information security and privacy.	
	Ensure our information, building and people security programme is resilient and raise awareness of the importance of security and privacy in the workplace. <i>Our privacy work programme is progressing well and we increased awareness of privacy issues across the Transport Agency, but we did not achieve everything we set out to under this milestone.</i> <i>We started developing a protective security capability maturity model, which involves assessing the Transport Agency's security governance across its buildings, information and people. This work will highlight the different security issues, needs and expectations across these areas and identify areas of security risk to be addressed in 2016/17.</i> <i>We did not achieve our target of 90% compliance with Payment Card Industry Data Security Standards. However, we have work planned that will result in 100% compliance by the end of 2016/17.</i>	 NOT ACHIEVED, BUT SOME PROGRESS MADE
	Ensure our information security programme addresses the key Government Communications Security Bureau recommendations.	 ACHIEVED
	Deliver on privacy improvements, ensuring they are a key part of our customer promise.	 ACHIEVED
GA 1.5	RESULT BY 2019 We have a robust and fit-for-purpose business continuity planning framework.	
	Ensure continuity of business operations to our customers by delivering a robust, fit-for-purpose business continuity framework, including disaster recovery and emergency event management. <i>This milestone has been substantially achieved. However, the disaster recovery component of the framework was not fully completed. We will be testing disaster recovery processes in 2016/17 to confirm that they are fit for purpose.</i>	 SUBSTANTIALLY ACHIEVED
GA 1.5	RESULT BY 2019 The website is meeting the needs of customers and stakeholders.	
	Make it easier for customers to transact online, undertake driver licensing and make choices about their journeys through a refresh of our website.	 ACHIEVED

CREATE VALUE WITH OTHERS

	MILESTONES FOR 2015/16	RESULT
GA 2.1	<p>RESULT BY 2019 Relationships with key sector partners improved</p> <hr/> <p>Continue to strengthen our relationships with key sector partners.</p>	<p> ACHIEVED</p>
GA 2.2	<p>RESULT BY 2019 The Transport Agency is a great place to work that anticipates and responds well to change, is recognised as high performing and has outstanding, agile people.</p> <hr/> <p>Implement the second year of our People Plan – focusing on driving high performance, consistent leadership and being recognised as a great place to work both internally and externally.</p>	<p> ACHIEVED</p>
GA 2.3	<p>RESULT BY 2019 We have created an environment where our people are highly engaged, recognising the correlation between high engagement and high performance in organisations.</p> <hr/> <p>Engagement principles continue to be embedded in our people practices.</p>	<p> ACHIEVED</p>
GA 2.4	<p>RESULT BY 2019 The principle underlying the Transport Agency's Zero Harm Strategy is that by 2020 or sooner all our people, regardless of employer, will go home safe and healthy, every day, no exceptions.</p> <hr/> <p>Continue to implement the Zero Harm Strategy 2014–20, which results in better transport industry collaboration and standards to ensure our people go home safe every day, no exceptions.</p> <hr/> <p>Greater employee awareness of and commitment to the principles of Zero Harm.</p>	<p> ACHIEVED</p> <p> ACHIEVED</p>
GA 2.5	<p>RESULT BY 2019 Our workplace allows our people to work where, when and how they need to by integrating technology, space and people to deliver greater performance.</p> <hr/> <p>Develop and implement the Better Ways of Working Programme, which provides the environment and tools and resources that enable our people to be high performing.</p>	<p> ACHIEVED</p>

ENCOURAGE CONTINUOUS IMPROVEMENT AND INNOVATION

	MILESTONES FOR 2015/16	RESULT
GA 3.1	<p>RESULT BY 2019 We have a reputation as an innovator, where innovative thinking and behaviours underpin agile systems and processes, creating solutions that deliver outcomes for customers and stakeholders.</p> <hr/> <p>Ongoing implementation of the #giveitago programme resulting in more value placed on innovation as a key lever to drive high performance.</p>	<p> ACHIEVED</p>

PROGRESS ON OUR PRIORITIES

97%

THIS YEAR WE ACHIEVED 97 PERCENT OF THE MILESTONES UNDERPINNING OUR PRIORITIES

100%

Make it easier for customers to do business with us

Achieved 9 milestones of 9 SEE PAGE 37

83%

Predictable journeys for urban customers

Achieved 5 milestones of 6 SEE PAGE 40

100%

Integrate road and rail to improve network productivity

Achieved 3 milestones of 3 SEE PAGE 42

100%

Safer speeds that are right for the road

Achieved 4 milestones of 4 SEE PAGE 44

100%

Driving value through smart road maintenance

Achieved 5 milestones of 5 SEE PAGE 47

100%

Make urban cycling a safer and more attractive transport choice

Achieved 5 milestones of 5 SEE PAGE 49



MAKE IT EASY FOR CUSTOMERS TO DO BUSINESS WITH US

SUPPORTS

Smart choices
(objectives 5 and 6)

Highway solutions
(objective 8)

We need to keep enhancing how we meet customer needs at the best cost. Making it easy for customers to do business with us contributes directly to the Government's Better Public Services result 9 (better for business – making it easier for business customers to deal with government) and 10 (New Zealanders can complete their transactions with government easily in a digital environment). This priority also contributes to the Government's aim in the Government Policy Statement on Land Transport to deliver value for money and reduce the costs of doing business.

This year we focused on:

- **reducing transaction times and costs for small to medium-sized enterprises** – making an important contribution to their bottom lines and New Zealand's overall productivity
- **improving driver licensing processes** – making it easier for new drivers to be safe drivers and easier for those who find it difficult to participate in the current process
- **continuing to improve online services** – helping people find the information they need when they need it and complete their transactions swiftly.

OUR PROGRESS THIS YEAR

This year we made very good progress on making it easier for customers to do business with us, achieving or substantially achieving all nine of our annual milestones. We reduced the cost of doing business with us for small to medium-sized enterprises, improved the driver licensing experience and made it easier for our customers to interact with us digitally.

Reducing transaction times and costs for small to medium-sized enterprises

By developing insight into our customers' critical 'pain points' (real or perceived problems), we have enabled a prioritised improvement programme to reduce the cost to small to medium-sized enterprises from doing business with us.

In a Better Public Services result 9 survey of businesses, we were rated as requiring the least effort to deal with out of major government agencies and best-performing private sector providers – 68 percent of respondents said dealing with us required low effort. We were rated in the top two government agencies well above average – 83 percent were satisfied with their most recent dealing and 74 percent had their most recent matter resolved within two contacts.

Improving driver licensing processes

One of the main areas of progress to improve the end-to-end driver licensing experience has been improving the experience for customers who face barriers that cannot be addressed solely by the Driver Licensing Review. Progress includes:

- launching the free website Drive (www.drive.govt.nz) in partnership with the Accident Compensation Corporation to make it easier for young people to become confident and capable drivers
- developing, in partnership with the Ministry of Education, three unit standards that let customers progress through the graduated driver licensing system within the New Zealand qualifications framework
- introducing road code and heavy vehicle licensing modules to Pathways Awarua (a free online literacy and numeracy resource) with the Tertiary Education Commission to develop literacy and numeracy while allowing learners to practise for their learner and restricted licence tests
- establishing a partnership with the Howard League for Penal Reform to support learning for prisoners and ex-prisoners to progress through the graduated licensing system.

In addition, we continued to see the success of the Community Driver Mentor Programme with the 500th person obtaining their driver licence under the programme.

As the lead for a cross-agency task force, we started identifying opportunities from across the sector to further eliminate or lower barriers to people getting a driver licence. Ministers agreed an action plan that involves policy and research as well as operational initiatives. The action plan focuses on supporting vulnerable youth to obtain a driver licence and will lead to greater alignment of transport and employment outcomes.


We improved the experience for visiting drivers by providing better information and education. This included supporting Tourism New Zealand to develop self-drive video modules for travel agents to share with visiting drivers. We also updated the Driving in New Zealand leaflet and information on hand-held devices that police use at the roadside to explain important safety matters to drivers. We surveyed hirers of rental cars in Southland. This survey gave us an understanding of the effectiveness and quality of advice that rental car companies provide. Overall, the survey found that most hirers understood our key safety messages, and we gained insight into those companies conveying those messages well and those that need further assistance.

We transitioned to a new driver-testing provider and a new approach that focuses on improving the driver licensing experience. For example, we started to roll out tablets for testing officers, which will improve the quality of feedback provided to people undertaking their practical test while improving controls for the quality and integrity of practical tests. We have also improved monitoring and integrity of the overall driver licensing system. This includes strengthening the verification of overseas documents presented by applicants for conversion to a New Zealand licence, improving agent measures for quality assurance and quality control and assurance processes.










Continuing to improve online services

Over the year, we made good progress towards making it easier for our customers to interact with us digitally. This growth is attributed to the investment we made in making it easier for customers who need to pay tolls to transact online and to create accounts tailored to their needs. Our ongoing effort to continually improve our digital transaction services based on customer feedback has also contributed to this progress (for example, customers said they wanted to be able to renew their motor vehicle registration online for periods shorter than three months, and now they can).

More broadly, we improved the online experience for customers seeking information and wanting to interact with us digitally, including introducing a live web chat service. We also introduced the ability for customers applying for a passenger endorsement to self-monitor the progress of their applications. Continuing to improve online services remains a priority and will be supported by a digital growth strategy that outlines our work programme for the next three years.

PRIORITY SUCCESS INDICATORS TO 2032	2013 BASELINE	2019 TARGET	2014/15 ACTUAL	2015/16 ACTUAL	
% of survey responses that stated it required little effort to deal with the Transport Agency	71%	>90%	76%	78%	

MILESTONES FOR 2015/16

	MILESTONES FOR 2015/16	RESULT
PR 1.1	<p>RESULT BY 2019 The reduced cost of doing business with us helps our small-medium enterprise commercial customers increase their productivity.</p>	
	<p>Prioritised improvement programme to reduce small and medium-sized enterprises' costs (aligned to Better Public Services result 9 - better for business - making it easier for business customers to deal with government') is enabled by development of customer experience maps providing insight into critical pain points for small and medium-sized enterprises.</p>	<p> ACHIEVED</p>
	<p>Third-party partner and supplier contract processes are reviewed and improvement areas are identified.</p>	<p> ACHIEVED</p>
PR 1.2	<p>RESULT BY 2019 The end-to-end driver licensing experience improves safety and makes it easier for everyone to be a safe driver.</p>	
	<p>The changes required to support the creation of a more flexible and resilient driver licensing rule are included in the Land Transport Amendment Bill.</p>	<p> ACHIEVED</p>
	<p><i>We completed the policy work on legislative changes required to support the creation of a more flexible and resilient driver licensing rule. The Minister of Transport agreed that changes to the Land Transport Amendment Bill were not required, so changes will not be progressed in the current amendment bill.</i></p>	
	<p>New driver testing provider and approach is implemented.</p>	<p> ACHIEVED</p>
	<p>A prioritised work programme has been developed to improve the driver licensing experience for customers who face barriers that cannot be addressed solely by the Driver Licensing Review.</p>	<p> ACHIEVED</p>
	<p>The experience for visiting drivers has been improved through better information and education.</p>	<p> ACHIEVED</p>
PR 1.3	<p>RESULT BY 2019 Our customers find it easy to interact with us digitally - they find the right information when they need it, in the form they need it, and they can transact with us effortlessly.</p>	
	<p>A strategy has been developed and a prioritised programme of investment is in place that identifies our critical systems, timing, cost and the required design to make it easier for customers to interact with us.</p>	<p> SUBSTANTIALLY ACHIEVED</p>
	<p><i>We developed initial roadmaps to inform the programme of investments, and work will continue in 2016/17 on developing a digital growth strategy to support future online programme prioritisation. We also developed priority reusable services (services that can be reused across the business) that make it easier for customers to interact with us. These services include a common payment system, a web-based vehicle risk rating service, and solutions to support intelligent transport systems for the Waterview Connection.</i></p>	
	<p>Increase online transactions to 40%. (This target was published incorrectly in our <i>Statement of performance expectations 2015/16</i> as 'increase online transactions by 40%'.)</p>	<p> ACHIEVED</p>
	<p>The online experience for customers seeking information or wanting to interact with us digitally has improved.</p>	<p> ACHIEVED</p>



PREDICTABLE JOURNEYS FOR URBAN CUSTOMERS

SUPPORTS

One network
(objectives 1 & 2)

Smart choices
(objective 5)

Highway solutions
(objectives 7 & 8)

Maximise returns
(objectives 10 & 11)

We need to make travel times more predictable so our customers avoid lost time and productivity. By understanding and reducing the impact of delays, and by improving the quality and availability of travel information, we can help our customers to plan their journeys with more confidence.

This year we focused on:

- **improving journey-time predictability for customers** – developing insight into travel-time predictability
- **managing multimodal urban networks as a single system** – enhancing our capability to get customers to where they want to go easily and predictably.

OUR PROGRESS THIS YEAR

During the year, we made good progress on delivering predictable journeys for urban customers, achieving or substantially achieving five of our six milestones. We focused on developing insight into travel-time predictability for key journeys in Auckland, Wellington and Christchurch. This analysis informs initiatives to improve the predictability of key journeys across our major cities.

Improving journey-time predictability for customers

We developed a baseline for travel-time predictability during peak periods for key journeys in Auckland, Wellington and Christchurch, and expanded our understanding of the customer experience on these routes. Variability in travel times is caused by a variety of factors, including demand exceeding network capacity, the impact of crashes and breakdowns, reduced capacity resulting from road works, and the way in which the network is optimised (for example, how signals are operating).

We prepared a work programme that focuses on reducing variability in travel time, including:

- clearing crashes and breakdowns more quickly
- making better use of technology to manage traffic demand and capacity at peak times
- coordinating construction and maintenance road works and other planned events better.

This work programme is delivered through several programmes within our State Highway Plan for 2016/17.

During the year, we also started developing the Transport for New Zealand website. An important aspect of this website is to give customers in urban areas the information they need to make smart travel choices and experience predictable journey times.

We also developed a clearer understanding of the values that customers associate with their mode of travel. Where alternatives are available, travel time, cost, reliability and predictability are key factors in mode and route choice.

Managing multimodal urban networks as a single system

Managing our urban networks as a single system helps us get customers to where they want to go safely, easily and predictably. Good progress has been made towards integrating transport operations across modes and networks, particularly in Auckland and Christchurch. Responses to large incidents and events are now commonly managed through a multimodal and multi-agency approach that brings together NZ Police, transport operations centres, local authorities, public transport operators, contractors and recovery services.

We improved the availability of real-time multimodal transport information through on-road displays of comparative journey times for State Highway 1, State Highway 16/18 and the Northern Express bus on Auckland's North Shore. We delivered comparative Christchurch journey times, by mode, through the Transport for Christchurch website. This helps customers consider different travel options when planning their journey.

A national system to allow sharing of transport operations information across regions and modes was to be delivered as part of the National Intelligent Transport Management System (NITMS). This included delivery of improved and nationally consistent incident and event management capability, as well as identification of further improvements to enhance intelligent transport management systems in New Zealand’s main centres. To reduce delivery and cost risks, the decision was made to stop the procurement of NITMS in its original form and focus on improved incident and event management capability. Procurement is under way for a National Incident and Event Management System, due to be fully implemented by mid-2017. This system will be the first in a series of projects to enhance intelligent transport management nationwide.

Appropriate technology support services are in place for Transport Agency systems that are critical to journey time predictability. Work is ongoing to standardise these support arrangements and ensure their sustainability.



Good progress has been made in predictability measurement across the network. We commissioned research to measure public transport predictability in June 2016 and will use the findings of this research to understand how best to monitor predictability and provide information to customers.





PRIORITY SUCCESS INDICATORS TO 2019	2014 BASELINE	2019 TARGET	2014/15 ACTUAL	2015/16 ACTUAL	
% of urban journeys that are predictable (Aggregate of Auckland, Wellington and Christchurch)	80%	80–82%	75%	70%	1

1 Our most recent estimates for each of our major cities suggest that travel-time predictability deteriorated during 2015/16, although an improvement was evident in the latter part of 2015. Several reasons are likely for this trend. Each of our major cities experienced significant increases in traffic volumes in 2015/16.* Our own activities can also have an impact. Large capital projects and maintenance and network operations activity, for example, can lead to a temporary deterioration in travel times while work is under way, but an improvement once works are completed. Travel-time predictability can also be affected by adverse weather and hazards.

* Refer to operating assumptions, page 174.

MILESTONES FOR 2015/16

MILESTONES FOR 2015/16	RESULT
<p>PR 2.1 RESULT BY 2019 Key urban transport routes are planned and actively managed within and across modes to improve journey-time predictability for customers.</p> <p>We have benchmarked customer understandings of travel-time predictability and mode choice in Auckland, Wellington and Christchurch.</p> <p><i>We have established a baseline for travel-time predictability for key journeys at peak times in Auckland, Wellington and Christchurch. This baseline, with ongoing refinement of the measure and underlying data, will help us set improvement targets.</i></p> <p>Business cases and annual programmes to improve journey-time predictability have been developed for Auckland, Wellington and Christchurch.</p> <p>(Note: This is a shared milestone with result 5.2.)</p>	<p> SUBSTANTIALLY ACHIEVED</p> <p> ACHIEVED</p>
<p>PR 2.2 RESULT BY 2019 Our network operations are better integrated with key partners to manage multimodal urban networks as a single system.</p>	

MILESTONES FOR 2015/16	RESULT
There is better integration of transport operations centres to manage multimodal journeys, particularly in Auckland.	 ACHIEVED
A national system to allow sharing of transport operations information across regions and modes is designed. <i>A national system to allow sharing of transport operations information across regions and modes was to be delivered as part of the National Intelligent Transport Management System (NITMS). A decision was made to stop the procurement of NITMS in its original form and focus on improved incident and event management capability. Procurement is under way for a National Incident and Event Management System, which is due to be implemented in mid-2017.</i>	 NOT ACHIEVED, BUT SOME PROGRESS MADE
An agreed level of service for technology support services is implemented.	 ACHIEVED
Predictability measurements are extended to include urban national, high volume, regional and arterial roads under the One Network Road Classification.	 ACHIEVED



INTEGRATE ROAD AND RAIL FREIGHT TO IMPROVE NETWORK PRODUCTIVITY

Better road-rail integration can increase freight productivity, improve the overall return on New Zealand's investment in land transport infrastructure, and contribute to economic growth and improving the

SUPPORTS

One network
(objectives 2 & 3)

standard of living for all New Zealanders. To improve the efficiency of the wider freight network we are focusing on connections between road, rail and intermodal freight hubs. We have partnered with KiwiRail and the wider freight sector so planning and investment are more integrated and we all get the best outcomes for the sector.

This year we focused on:

- **working in partnership with KiwiRail and others** – forming a shared understanding of road-rail integration
- **integrating road and rail** – learning from the intermodal freight terminal in Tokoroa
- **moving freight efficiently and safely** – developing a more productive transport system.

OUR PROGRESS THIS YEAR

Following the Minister of Transport's request in May 2015, the Transport Agency and KiwiRail are working together to better integrate the road and rail networks to create a more efficient transport system. In this first year, we made good progress, focusing on building this relationship and establishing the foundations for working together. We made substantial progress towards all three milestones for 2015/16.

Working in partnership

This year we developed a partnership with KiwiRail to form a common understanding of what road-rail integration might look like and the value of integration and how it could be achieved. We also worked with KiwiRail on wider transport sector initiatives such as the Urban Cycleways Programme, ensuring local authorities understood the application and approval processes required for constructing shared pathways on KiwiRail-owned land. We funded a cycleways project management role within KiwiRail to accelerate Urban Cycleways Programme projects and provide more targeted support to local authorities.

We established a collaborative framework for greater road-rail integration across the sector. This involved aligning freight planning settings and regional transport plans to include planning and investment for road-rail integration and establishing joint governance work programmes with KiwiRail.

This collaborative framework is part of an overall strategic work programme that aims to develop the wider concept and value of road-rail integration. This programme is complemented by a tactical work programme to advance immediate opportunities that can inform our broader thinking and build partnerships through example projects.

Under the strategic programme, we improved our understanding of how moving freight on the rail network benefits the wider transport system (separate from the direct commercial benefits that users of the rail network derive from moving freight). We identified four initial themes where moving freight by rail provides tangible benefits to the wider transport system and economic benefits. These themes are:

- managing freight volumes across high-demand parts of the wider system
- providing additional national and interregional connectivity, option value and resilience
- reducing the negative effects of moving freight
- enabling freight productivity opportunities (which provides direct benefits to those moving freight by rail as well to the wider economy).

These themes will be developed further during 2016/17 in consultation with stakeholders to better quantify the public value of rail in moving freight. We will also develop a monitoring system to track and quantify the value of integrating road and rail. From there, we can apply our understanding to where investment in the road and rail networks will provide the greatest benefits across the wider transport system, provide commercial opportunities for KiwiRail (the cost of which can be recovered from rail users), and provide New Zealanders with an increased return on their investment in the land transport system.

Integrating road and rail – the Tokoroa intermodal freight terminal

An example of what this new integrated approach can achieve is the intermodal freight terminal in Tokoroa, which opened in October 2015. The terminal was developed to handle the growing volumes of freight moving to and from south Waikato, particularly containerised imports and exports for dairying that suit movement by rail. Through an innovative and collaborative approach, the publicly owned terminal was planned and built with support from a local road transport company, the South Waikato District Council, KiwiRail and the Transport Agency.

The intermodal terminal provides commercial benefits of greater freight volumes for KiwiRail along with freight efficiencies for businesses in south Waikato. The road-rail freight hub also offers regional economic development potential for the district and helps manage the growing freight volumes moving to and from the Port of Tauranga, which travel on high-volume parts of the wider transport system.

Moving freight efficiently and safely

Part of developing a more productive transport system for moving freight is also ensuring it is safe. As part of our road-rail integration priority, we worked with KiwiRail and other sector partners to look at how we could reduce the safety risk at level crossings.

We sought to include new perspectives from different disciplines (such as regulation, education and engineering) to determine how we could significantly reduce the risk on the country's 1320 public level crossings. This approach recognises that level-crossing safety is a shared rail and road challenge and that by taking a customer-centred approach we can develop new ways to reduce the risk that level crossings present.

Working with New Zealand Police, local government and TrackSAFE NZ, we helped to initiate a new campaign, 'Always expect trains', featuring a large train-like billboard that moved around rural level crossings from the Wairarapa to Hawke's Bay to Whanganui. This low-cost initiative reminds our customers not to be complacent at crossings in rural areas, which, unlike many crossings in urban areas, do not have warning bells and barriers.




Our work on level-crossing safety will continue in 2016/17 with opportunities to trial solutions at crossings where increasing train and road traffic may require a different approach.

PRIORITY SUCCESS INDICATORS TO 2019

By 2019 the road and rail networks are planned and managed in a more complementary way that optimises overall freight network productivity

We have worked with KiwiRail to develop a success indicator. Endorsement of this indicator will be sought in 2016/17.

MILESTONES FOR 2015/16

MILESTONES FOR 2015/16	RESULT
<p>PR 3.1 RESULT BY 2019 The road and rail networks are planned and managed in a more complementary way that maximises overall freight network productivity.</p>	
<p>A measurement system to monitor the benefits of integrating road and rail has been developed.</p> <p><i>A draft performance measure has been developed that recognises and quantifies the public and commercial values the rail network provides within the wider transport system. Endorsement of the measure from key stakeholders and decision-makers will be sought in 2016/17.</i></p>	<p> SUBSTANTIALLY ACHIEVED</p>
<p>A collaborative framework for working across the sector is established.</p> <p><i>We have identified and begun discussions with key sector stakeholders on what road-rail integration is and is not trying to achieve. The development of this framework will continue into 2016/17 through a collaborative, consensus-building approach.</i></p>	<p> ACHIEVED</p>
<p>A multidisciplinary safety action plan is complete and priority actions are being implemented.</p> <p><i>The TrackSAFE Board has asked for a wider rail safety strategy that will incorporate the work we have completed on level crossings. An initial programme has been delivered to reduce the risk of crashes on high-volume sections of the road network, particularly those catering for longer freight vehicles. This work will be progressed in 2016/17.</i></p>	<p> SUBSTANTIALLY ACHIEVED</p>

PRIORITY

SAFER SPEEDS THAT ARE RIGHT FOR THE ROAD

SUPPORTS

Smart choices
(objectives 4 & 5)

Highway solutions
(objectives 7 & 8)

Maximise returns
(objectives 10 & 11)

We need to work with other agencies to reduce deaths and serious injuries on our roads. We are working with local authorities to implement the *Speed management guide* and align speeds to road function and design. We are working with others to shift attitudes to speed and road safety risks, and build support for safer speeds that are right for the road. We will pinpoint our highest risk urban arterials and target them for treatments to improve safety while seeking to maintain efficient travel times.

Our priority of safer speeds that are right for the road is an important part of delivering the Government's Safer Journeys Strategy 2010–20. It also makes a direct contribution to the Government's aims in the Government Policy Statement on Land Transport to improve road safety, embed the Safe System approach, and reduce deaths and serious injuries.

This year we focused on:

- **demonstrating the national speed management guide** – helping road controlling authorities to align speed and speed limits with road function, design, safety and use while maintaining economic productivity
- **making highest risk urban arterial roads safer** – considering safe roads and roadsides as well as speed
- **growing community understanding of speed risks in road crashes** – working with others to build public acceptance of speed management practices.

OUR PROGRESS THIS YEAR

We made very good progress with safer speeds that are right for the road this year, achieving all four of our annual milestones. The Waikato demonstration project, led by Waikato Regional Council in close partnership with the Transport Agency and other regional road safety partners, allowed us to test two critical elements of our work programme. We also trialled a new approach to managing speed in the region. This approach included a national programme to change the conversation on speed that aims to reduce deaths and serious injuries while supporting economic productivity. Through this work, we gained valuable insight into how to engage with communities on proposed changes and deliver mutually acceptable outcomes. We have gained support from other districts to use the *Speed management guide* once it is finalised. This work is part of our ongoing focus to reduce the number of deaths and serious injuries on high-risk roads, which unfortunately increased 2 percent this year.

Demonstrating the national speed management guide

Our aim is to work with road controlling authorities to increasingly align speed and speed limits with road function, design, safety and use, recognising the need to maintain economic productivity as well as improve road safety.

This year our work focused on demonstrating the practices in the national draft *Speed management guide* (published in September 2015). The road safety sector developed the guide, which offers a toolbox of different ways to manage speeds on roads, including changing speed limits, road markings, signage or roadsides.

As part of the Waikato demonstration project, several locations in the region were chosen to demonstrate the speed management tools in the guide. Waikato continues to have one of the highest year-to-date road fatality tolls in the country – 69 deaths in 2015. One finding of this ongoing project is that public support is central to the success of any new approach to speed management.

We also developed a geospatial tool for road controlling authorities to implement the Safer Speeds Programme and develop their speed management plans. The resulting speed management maps show the best corridors for speed management reviews based on risk and other factors. A speed management map was used in the Waikato demonstration project, and similar maps are now available for all road controlling authorities.

Making highest risk urban arterial roads safer

In the Safe System approach, if we are to reduce deaths and serious injuries from road crashes, speed cannot be considered on its own. Safe roads and roadsides are equally important. To work towards reducing deaths and serious injuries on our highest risk urban networks, we will support Auckland Transport to develop a business case for treatments for its highest risk urban arterial routes. This work will be incorporated into the safe roads and roadsides actions that we are leading under the Safer Journeys Action Plan 2016–20.

Growing community understanding of speed risks in road crashes

This year we continued to work with others to build public acceptance of speed management practices through a better understanding of road safety risks. We developed a business case for a programme of initiatives to change the public conversation on speed. These initiatives aim to actively grow public and community understanding of the risk of speed in road crashes and seek solutions that have broad public or community support. The approach was also trialled in the Waikato demonstration project, and learnings from the trial have been incorporated into the *Speed management guide*.





As part of the business case, we developed a baseline measure for community understanding of speed risk and attitudes to speed management. This measure will be used to determine the success of this initiative.

PRIORITY SUCCESS INDICATORS TO 2019	2014 BASELINE	2019 TARGET	2014/15 ACTUAL	2015/16 ACTUAL	
Number of deaths and serious injuries on high-risk roads	1345	Not more than 1,210	1312	1338	

1 A 2 percent increase in the number of deaths and serious injuries on high-risk roads for the year ending March 2016 (compared with the corresponding period in the previous year) reflects an increase in exposure risk associated with a 4.4 percent rise in traffic volumes over the period.*

* Refer to operating assumptions, page 174.

MILESTONES FOR 2015/16

MILESTONES FOR 2015/16	RESULT
<p>PR 4.1 RESULT BY 2019 All road controlling authorities are working to one network speed management plans, applying the tools and methodologies in the <i>Speed management guide</i>, including routes identified in the state highway speed business case.</p> <p>A baseline of mean speed data (eg the proportion of the network within the safer speeds framework) is established to determine the evidence base for speed management plans and prioritise 2016-19 actions.</p>	 ACHIEVED
<p>A geospatial tool is developed to assist road controlling authorities to implement the Safer Speeds Programme and develop their speed management plans.</p>	 ACHIEVED
<p>PR 4.2 RESULT BY 2019 Reduced deaths and serious injuries by 10% on the highest risk urban arterials.</p> <p>A business case has been developed for treatments for a prioritised list of the highest risk urban arterial routes.</p>	 ACHIEVED
<p>PR 4.3 RESULT BY 2019 Demonstrated improvement in community understanding of speed risk and attitudes to speed management.</p> <p>A baseline measure for community understanding of speed risk and attitudes to speed management is developed.</p>	 ACHIEVED



DRIVING VALUE THROUGH SMART ROAD MAINTENANCE

SUPPORTS

Highway solutions
(objectives 7 & 8)

Maximise returns
(objectives 10 & 11)

We need to give our customers the best value and service from our significant investment in road maintenance. We have defined different types of national and local roads using the One Network Road Classification. We can now work with our partners to put in place better management and procurement of road maintenance services. We will keep checking in with our customers to make sure they are experiencing the levels of service they expect for the types of road they are using.

Driving value through smart road maintenance makes a direct contribution to the Government’s aim in the Government Policy Statement on Land Transport of achieving value for money through improved returns from road maintenance and ensuring the right infrastructure and services are delivered at the right level.

This year we focused on:

- **improving road controlling authorities’ capability to make maintenance decisions that drive efficiencies** – improving the quality of data to inform such decisions, developing customer levels of service and benchmarking performance measures
- **improving customer understanding of service levels and associated costs** – explaining the link between investment and the One Network Road Classification levels of service
- **increasing road controlling authorities’ activity management planning and procurement capability** – using case studies to share the benefits of collaborative working arrangements.

OUR PROGRESS THIS YEAR

We made very good progress in driving value through smart road maintenance, achieving all five of our milestones this year.

With our support, the Road Efficiency Group delivered an online reporting tool, so road controlling authorities can report against the One Network Road Classification customer levels of service. This tool captures information for 15 performance measures and work is under way to add more measures and enhance the tool’s reporting function. The information gathered will help to improve maintenance decisions and planning by providing benchmarking information relevant to different road classifications for road controlling authorities.

We made further progress on implementing the new customer-focused network outcome contracts for state highways with 10 contracts starting during the year.

As part of delivering consistent customer levels of service, we have stepped up our collaborative work with our partners with a focus this year on improving maintenance capability in the sector.

Improving road controlling authorities’ capability to make maintenance decisions that drive efficiencies

Through the Road Efficiency Group, we contracted the Road Transport Unit of Equip (Local Government New Zealand’s centre for governance and management excellence) to develop road controlling authorities’ capability to implement the new approach to maintenance. This new approach involves applying the business case principles and embedding the One Network Road Classification framework (including customer levels of service) into activity management plans for transport. Good progress was made with regional workshops based around 10 geographic clusters. In each cluster, the level of attendance and engagement from road controlling authorities increased as the value of collaborative learning became more widely recognised.

Through the work of the Road Efficiency Group we have seen an improvement in the quality of data road controlling authorities are using. This includes regional capability-building workshops, the development of customer levels of service and data being made available to the wider sector through benchmarking of performance measures.

Improving customer understanding of levels of service and associated costs

We have improved customer understanding of levels of service and costs, building off our investment signals for the 2015–18 National Land Transport Programme. In particular, we clearly articulated to approved organisations the link between investment and the One Network Road Classification levels of service in their development of transition plans. We have also communicated the importance of embedding the levels of service activity management plans before the next National Land Transport Programme.

We released a draft investment policy (which will apply to the next National Land Transport Programme) to fully embed the One Network Road Classification (including customer levels of service) into the assessment framework for maintenance activities. The release of this material along with background material is the next step in developing the sector's understanding of how the levels of service delivered to customers will be linked to investment levels.

We also developed a mechanism for gathering state highway customer feedback using three primary sources: a public survey of state highway users, a customer relationship management system that captures customer queries, and customer insight that we use to inform our programme business cases. The insights that this information provides will help us to shape how we deliver consistent customer levels of service across the state highway network.

Increasing road controlling authorities' activity management planning and procurement capability

We have made progress towards improving the capability of road controlling authorities in activity management planning and procurement by sharing the benefits of collaborative working arrangements through case studies.






The Road Efficiency Group has published 16 case studies covering all aspects of activity management good practice, including collaborative working arrangements such as the Road Asset Technical Accord, the Tairāwhiti Roads collaboration and the Northern Transport Alliance.

In the Waikato–Bay of Plenty area, the Waikato Roothing Authority Technical Accord has generated more than \$350,000 of savings (efficiencies). This accord has nine local authorities working together to improve how they procure and gather asset management data by introducing a technical peer review process and aligning levels of service. The participating local authorities have confirmed funding for the accord for the next two years.

Local authorities across the country are now seeking advice from the Road Asset Technical Accord as they seek to establish their own partnership initiatives.

PRIORITY SUCCESS INDICATORS TO 2019	2014/15 BASELINE	2019 TARGET	2015/16 ACTUAL
% of the network that meets One Network Road Classification level of service	New measure	70–75%	Indicator under development and will be reported on in 2016/17.

MILESTONES FOR 2015/16

MILESTONES FOR 2015/16		RESULT
PR 5.1	RESULT BY 2019 Road controlling authorities have improved capability to make maintenance decisions that deliver efficiencies through improved data and collaborative working arrangements.	
	Road controlling authorities' capability development is facilitated by the services that local government and New Zealand Equip are contracted to provide for the Transport Agency.	 ACHIEVED
	The final Transport Agency audit for 2015/16 demonstrates a significant improvement in data quality.	 ACHIEVED
PR 5.2	RESULT BY 2019 Customer understanding and experience of levels of service and costs shapes our delivery of consistent customer levels of service.	
	A mechanism for gathering state highway customer feedback is developed to shape the delivery of consistent customer levels of service.	 ACHIEVED
	The relationships between investment and One Network Road Classification levels of service are clearly understood and have been communicated with partners and customers.	 ACHIEVED
PR 5.3	RESULT BY 2019 Road controlling authorities increasingly demonstrate advanced activity management planning and procurement capability through collaborative working arrangements to deliver maintenance efficiencies.	
	The benefits of collaborative working arrangements are shared through case studies such as the Road Asset Technical Accord.	 ACHIEVED



MAKE URBAN CYCLING A SAFER AND MORE ATTRACTIVE TRANSPORT CHOICE

SUPPORTS

One network (objectives 1 & 2)
Smart choices (objectives 4 & 5)
Maximise returns (objectives 10 & 11)

We want to support and encourage cycling as a viable transport choice in main urban areas. We are working with our local government partners to prioritise strategic cycling networks when they are planning urban transport networks. This is a challenge – providing safe, efficient and attractive cycling choices in urban environments and on busy multimodal urban networks is complex and sometimes controversial.

Our work is directly linked to the Government’s aim in the Government Policy Statement on Land Transport of achieving a land transport system that provides appropriate and safe transport choices. This work is also an important

element in the delivery of the Government’s \$100 million supplementary funding for the Urban Cycleways Programme.

This year we focused on:

- **delivering the Urban Cycleways Programme** – investing in new urban cycling infrastructure
- **increasing safety for cyclists** – embedding recommendations from the Cycling Safety Panel into the Urban Cycleways Programme
- **delivering a national cycling behavioural change programme** – providing investment to encourage more people to ride bicycles more often and all road users to share the road.

OUR PROGRESS THIS YEAR

This year we made very good progress on making urban cycling a safer and more attractive transport choice, achieving or substantially achieving all five of our annual milestones. A significant focus was on ensuring delivery of the Urban Cycleways Programme projects that remained to be completed, embedding key recommendations from the Cycling Safety Panel into the national cycling programme, and developing a national cycling behavioural change programme to enable significantly more activity. An independent evaluation of the establishment and implementation of the National Cycling Programme found evidence to suggest the programme was highly influential, effective and on track to deliver meaningful outcomes.

Delivering the Urban Cycleways Programme

The Urban Cycleways Programme is an investment programme dedicated to building new urban cycling infrastructure between 2014/15 and 2017/18. The programme has driven the identification of strategic cycleway networks in Auckland, Wellington and Christchurch. Further refinement of this investment focus will continue as we work to support the network planning and business cases in Auckland, Wellington and Christchurch, particularly in Wellington where a review of Wellington City Council's delivery of its package of Urban Cycleways Programme projects has resulted in a refresh of its cycling programme.

At the end of 2015/16, nine Urban Cycleways Programme projects were complete, 13 were under construction, and the remaining 32 were all in the investigation or design stages. We worked collaboratively with local authorities to complete Te Ara I Whiti (the Lightpath) and the Quay Street cycleways in Auckland, start construction on the Manawatū River Bridge and shared path and the Tauranga central business district connections, and develop a business case to confirm funding requirements for the Ōmokoroa to Tauranga cycleway.

We also improved our framework to measure cycling benefits. All local authorities provided us with monitoring plans that met the requirements of the framework and undertook baseline network surveys. This information will help us to understand the benefits derived from our investments in cycleways.

Several projects are experiencing delays because of issues associated with consultation, consenting, KiwiRail negotiations, funding approvals, interdependencies with other projects and unexpected cost escalations. While most local authorities report being confident of delivery within the three-year timeframe of the Urban Cycleways Programme, a risk exists that some projects in the major cities are delivered after that timeframe. We are working with these councils to try to achieve faster delivery, and, in Wellington and Dunedin, we are directly supporting their programmes to ensure progress does not stop due to negative community reaction to a particular project spilling over to other proposed cycling projects in these cities.

Increasing safety for cyclists





We have focused on increasing safety for cyclists by embedding key recommendations from the Cycling Safety Panel into the Urban Cycleways Programme national cycling programme. These recommendations include a comprehensive set of actions to enhance the policy framework for cycling and improve the quality of the transport network for people on bicycles. The most significant progress has been made in developing cycling network guidance, developing and delivering urban cycling networks through the Urban Cycleways Programme, and increasing the prioritisation of cycling in government policy.

Delivering a national cycling behavioural change programme

Local authorities in all main urban areas from Whangarei to Dunedin have a cycling programme aimed at increasing uptake and safety. This year we identified critical transport actions to support local authorities' cycling programmes and funded them through our cycling behavioural change programme business case. These actions are all being delivered or developed. Actions include providing significant new investment to encourage more people to ride bicycles more often and all road users to share the road. An initial evaluation shows that the 'Share the Road' advertising campaign has had a positive impact, so we plan to refresh and extend the campaign in 2016/17.

PRIORITY SUCCESS INDICATORS TO 2019	2014/15 BASELINE	2019 TARGET	2015/16 ACTUAL
Increase total annual cycling trips (Sum of Auckland, Wellington and Christchurch)	32 million	42 million	Due to changes in the Household Travel Survey results are not available this year.

MILESTONES FOR 2015/16

MILESTONES FOR 2015/16	RESULT
<p>PR 6.1 RESULT BY 2019 Degree of development of the planned urban cycleway networks across Auckland, Wellington and Christchurch.</p> <p>Strategic cycleway networks have been identified in Auckland, Wellington and Christchurch.</p>	 ACHIEVED
<p>PR 6.2 RESULT BY 2019 Lower rate of fatal and injury crashes involving cyclists on the road network.</p> <p>Key recommendations from the Cycling Safety Panel are embedded into the Transport Agency's cycling programme.</p>	 ACHIEVED
<p>PR 6.3 RESULT BY 2019 Cycling is given appropriate priority in the planning and management of urban transport networks and urban systems.</p> <p>Councils in main urban areas have a cycling programme aimed at increasing uptake and safety and their funding commitments to cycling programmes are included in their regional long-term plans.</p> <p>An improved measurement and monitoring framework to measure cycling benefits has been developed.</p>	 ACHIEVED  ACHIEVED

MILESTONES FOR 2015/16	RESULT
PR 6.4 RESULT BY 2019 Complete Urban Cycleways Programme.	 SUBSTANTIALLY ACHIEVED
Auckland	
<ul style="list-style-type: none"> ▪ Nelson Street Cycleway ▪ Glen Innes to Tamaki Drive Cycleway design ▪ Glen Innes to Meadowbank Cycleway ▪ Airport to Central Business District National Cycle Trail ▪ Central Park Drive Cycleway ▪ Don Buck Road Cycleway 	
Waikato	
<ul style="list-style-type: none"> ▪ Te Awa Cycleway (Hamilton to Ngāruawāhia) 	
Palmerston North	
<ul style="list-style-type: none"> ▪ Longburn Cycleway 	
Wellington	
<ul style="list-style-type: none"> ▪ Wainuiomata Hill Cycleway 	
Christchurch	
<ul style="list-style-type: none"> ▪ Mātai Street East Cycleway ▪ Papanui Parallel Cycleway ▪ Rolleston to Lincoln Cycleway 	
Dunedin	
<ul style="list-style-type: none"> ▪ South Dunedin Cycleway enhancements 	
<p><i>The following projects were not complete by the end of 2015/16 because of design, consenting or tendering issues:</i></p>	
<ul style="list-style-type: none"> ▪ Glen Innes to Meadowbank Cycleway (due to be completed October 2016) ▪ Te Awa Cycleway (due to be completed March 2017) ▪ Wainuiomata Hill Cycleway (due to be completed June 2017) ▪ South Dunedin Cycleway enhancements (due to be completed September 2017). 	

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

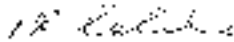
Chair of the Audit, Risk and
Assurance Board Committee
26 SEPTEMBER 2016

Countersigned by:



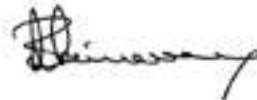
FERGUS GAMMIE

Chief Executive
NZ Transport Agency
26 SEPTEMBER 2016



PAUL LAPLANCHE

Chief Financial Officer
NZ Transport Agency
26 SEPTEMBER 2016

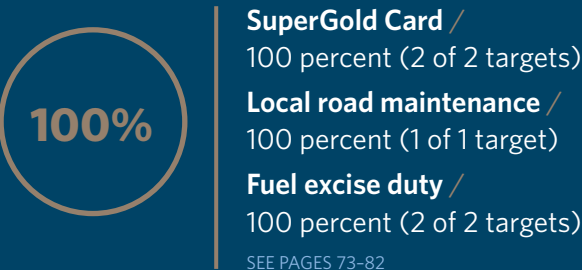
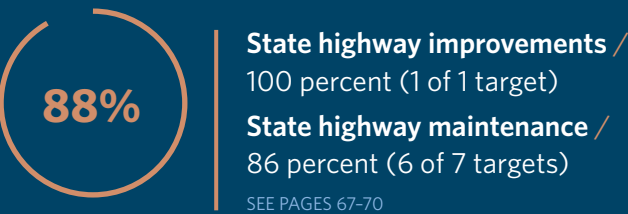
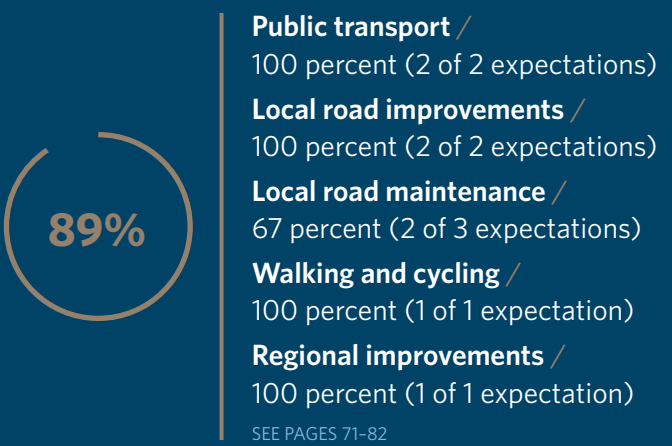
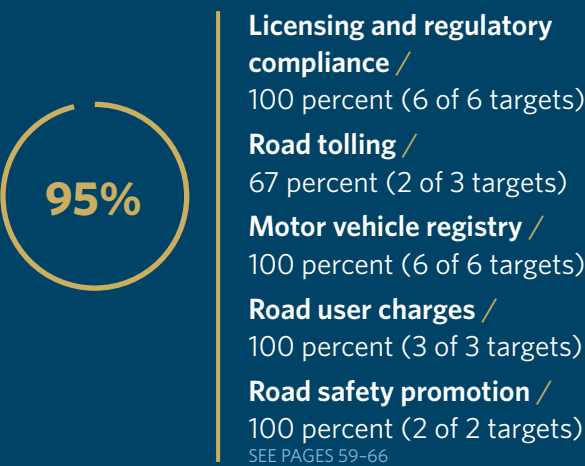
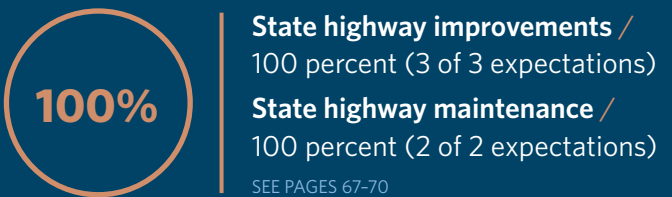


BRANDON MAINWARING

National Manager Accountability
and Performance
NZ Transport Agency
26 SEPTEMBER 2016

STATEMENT OF PERFORMANCE

OUTPUT CLASS PERFORMANCE



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,^o 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

^o 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 recommendations¹ and publishing four research newsletters promoting 17 research projects.²

HOW WE PERFORMED³

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 <small>(NOTE 1)</small>	0.9%	1.1%	≤1%	-0.1%	1
	% of activities that are delivered to agreed standards and timeframes (investment in the funding allocation system) <small>(NOTE 2)</small>	95%	100%	100%	-	●
	% of operational assurance activities completed <small>(NOTE 3)</small>	85%	95%	100%	-5%	2
SERVICE DELIVERY	Average number of days taken to deliver <small>(NOTE 4)</small>	7.9	7.6	≤20	12.4	●
	% of activities that are delivered to agreed standards and timeframes (transport planning) <small>(NOTE 5)</small>	86%	75%	≥90%	-15%	3
	% of activities that are delivered to agreed standards and timeframes (sector research) <small>(NOTE 6)</small>	100%	100%	≥90%	10%	●
CUSTOMER SATISFACTION	% customer satisfaction (approved organisations/stakeholders) <small>(NOTE 7)</small>	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,^o 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.

^o 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,^o 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	
	% revenue compliance	97%	97%	≥98%	-1%	
SERVICE DELIVERY	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.

- 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.

^o 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.

	ACTUAL 2014/15	ACTUAL 2015/16	TARGET 2015/16	VARIANCE 2015/16	RESULT
SERVICE DELIVERY*					
VALUE FOR MONEY					
Unit transaction costs	\$5.62	\$5.51	≤\$6.00	-\$0.49	●
% of transactions completed online (NOTE 15)	35%	38%	≥35%	+3%	●
% of accuracy of registers (NOTE 16)	96%	96%	≥95%	+1%	●
SERVICE DELIVERY					
% 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,^o 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.

^o 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,^o 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.

^o 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,^o 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.

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


Investment

Three of our three investment measures match the desired trend.

	ACTUAL 2014/15	ACTUAL 2015/16	DESIRED TREND 2015/16	ASSESSMENT AGAINST DESIRED TREND	
INVESTMENT PERFORMANCE*	Auckland: 1.1	Auckland: 1.1	Maintaining	Maintaining	
	Wellington: 1.5	Wellington: 1.4			
	Christchurch: 1.2	Christchurch: 1.2			
SERVICE DELIVERY	Auckland: 57%	Auckland: 62%	Maintaining	Improving from previous year	
	Wellington: 61%	Wellington: 63%			
	Christchurch: 26%	Christchurch: 35%			
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.

-  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,^o 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.

	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 <small>(NOTE 24)</small>	90%	93%	≥90%	3%	
Safe stopping: % of network meeting surface standard texture standards <small>(NOTE 25)</small>	99%	99%	≥98%	1%	

VALUE FOR MONEY

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

	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.

	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,^o 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.

^o 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
	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	-
	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,^o 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.

^o 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,^o 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.

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

HOW WE PERFORMED

One of our two investment measures matches the desired trend.

	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 <small>(NOTE 34)</small>	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,⁹ 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)

⁹ 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

	ACTUAL 2014/15	ACTUAL 2015/16	DESIRED TREND 2015/16	ASSESSMENT AGAINST DESIRED TREND	
INVESTMENT PERFORMANCE*					
SERVICE DELIVERY	Auckland: 2.5	Auckland: 2.5	Maintaining	Maintaining overall	
	Wellington: 2.1	Wellington: 1.9			
	Christchurch: 2.2	Christchurch: 2.7			
Travel times on key local roads serving our major metropolitan areas (am peak) ¹					
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,^o 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.

^o 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					
	<ul style="list-style-type: none"> 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	
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.

 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,^o 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.

^o 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 programme.

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,^o 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.

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

SECTION D

FINANCIAL
STATEMENTS
AND AUDIT
REPORTS

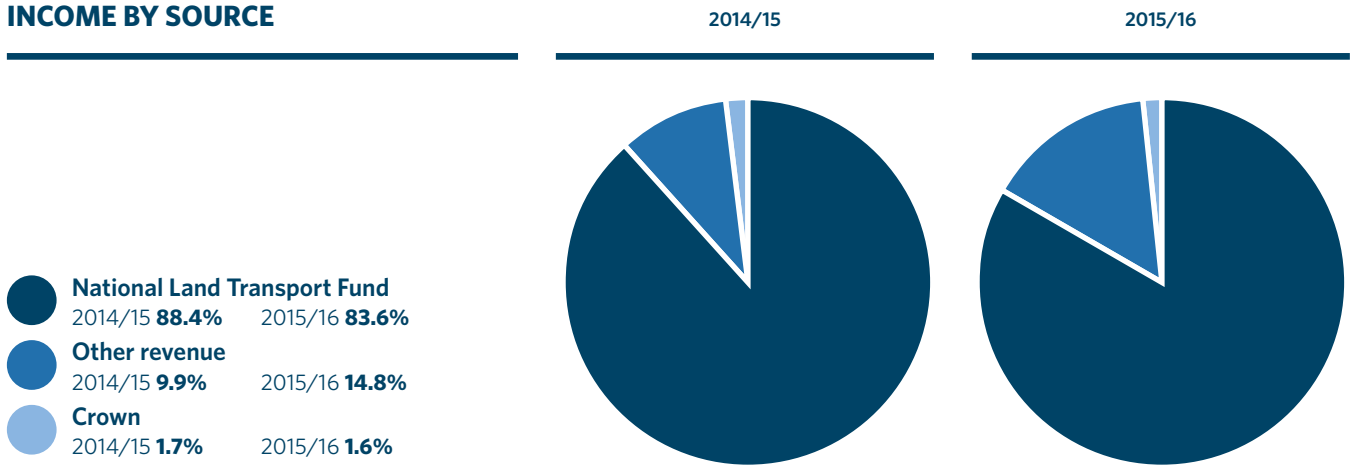


HIGHLIGHTS FROM OUR FINANCIAL STATEMENTS

\$2.46 BILLION
TOTAL REVENUE

The largest contribution to our revenue is from the National Land Transport Fund. We also receive revenue from the Crown to support our objectives and for specific projects. Other revenue comes mostly from our licensing and regulatory activities as well as some developers' contributions received. During the year, assets with fair value of \$99.4 million were received from local authorities, which are included under other revenue.

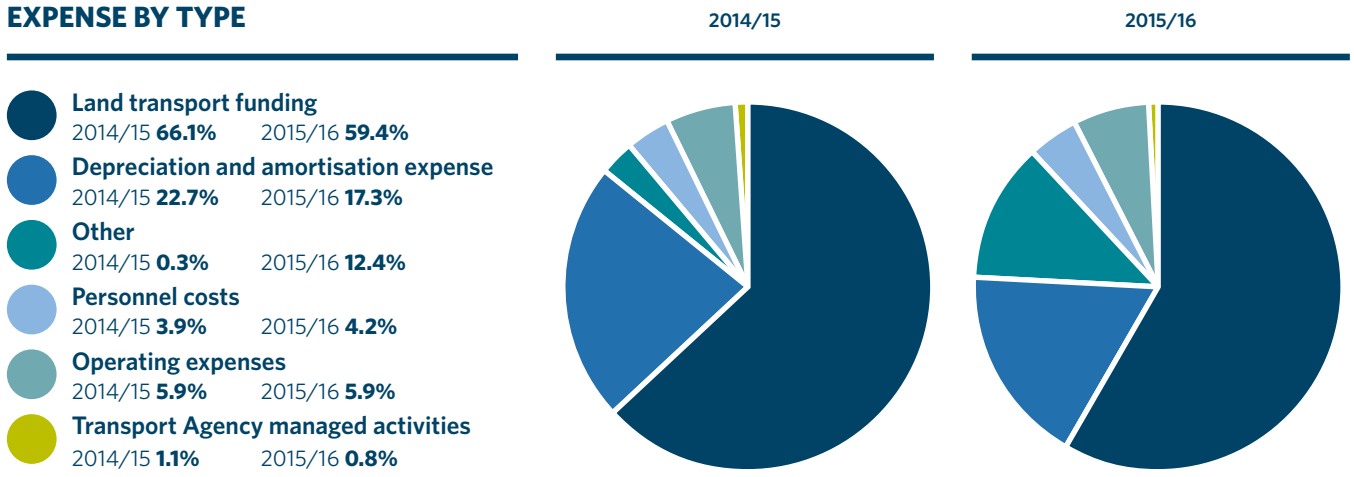
INCOME BY SOURCE



\$2.42 BILLION
TOTAL EXPENSE

Our expenditure is guided by the Government Policy Statement on Land Transport Funding (GPS) and the priorities identified in our Statement of Intent. The majority of our expenditure was directly related to land transport funding the Transport Agency provides to approved organisations for the delivery of services, associated activities funded from the Crown, and the Transport Agency's maintenance and operation of the state highway network (59%). Depreciation and amortisation, reflecting the cost of asset ownership, contributed 17% of our annual expenditure while other expenses amounted to 12% of the total expenses mainly due to assets of \$286.5 million vested to local authorities during the year.

EXPENSE BY TYPE



\$39.5 MILLION
NET SURPLUS

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

OPERATIONS		LAND TRANSPORT FUNDING		SPECIFIC PROJECTS BY THE CROWN		TOTAL
Income \$279.9m	+	Income \$2,141.0m	+	Income \$34.7m	=	Total income \$2,455.6m
-		-		-		-
Expenditure \$275.4m	+	Expenditure \$2,103.6m	+	Expenditure \$37.1m	=	Total expenditure \$2,416.1m
=		=		=		=
Net surplus \$4.5m	+	Net surplus \$37.4m	+	Net surplus \$(2.4)m	=	Total net surplus \$39.5m

OPERATIONS

Activities the Transport Agency is accountable for, and delivers in-house or contracts out.

This surplus predominantly relates to the higher than expected volumes for driver testing and applications.

LAND TRANSPORT FUNDING

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

The surplus arises through the recognition of third party contributions for capital projects as revenue rather than capital injection offset by write-off of the National Integrated Ticketing system.

SPECIFIC PROJECTS FUNDED BY THE CROWN

This includes the SuperGold card public transport concessions and the Urban Cycleways.

The deficit is primarily due to Urban Cycleways' surplus last year utilised this year.

Supplementary information for each of these segments is provided on pages 127 to 131.

\$32.3 BILLION
NET
ASSETS/EQUITY

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

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
Total assets	33,395,187	33,075,627	31,392,305
Less total liabilities	1,090,030	1,235,986	852,703
NET ASSETS/EQUITY AT END OF YEAR	32,305,157	31,839,641	30,539,602

We continue to maintain a strong balance sheet, with \$33.4 billion of assets and very low levels of liabilities.

The state highway network accounts for 95% of our overall asset base.

HOW WE HAVE INVESTED IN OUR ASSETS

We have spent \$1.7 billion on our capital expenditure programme, which has been invested in the following:

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
Investment in state highways	1,686,371	1,548,040	1,648,277
Investment in information technology	13,633	13,166	11,537
Investment in offices and equipment	14,932	2,000	514
TOTAL	1,714,936	1,563,206	1,660,328

Investment in state highways is ahead of budget due to the acceleration of capital projects in the state highway programme.

FINANCIAL STATEMENTS

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

	NOTE	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL (RESTATED) 2014/15 \$000
REVENUE				
Funding from the Crown	2	39,757	60,996	40,065
Funding from the National Land Transport Fund	2	2,052,798	2,025,574	2,094,714
Revenue from other activities	3	263,682	170,255	233,686
Assets vested from local authorities	9	99,399	0	0
Total revenue		2,455,636	2,256,825	2,368,465
EXPENSE				
Personnel costs	4	102,632	98,072	90,553
Operating expenses	5	162,099	162,104	161,885
Land transport funding ^a		1,408,784	1,568,985	1,453,187
Interest and finance costs	6a	24,973	7,941	69,852
Depreciation and amortisation expense	6b	418,363	484,485	523,083
State highway asset write-off		12,760	10,000	7,030
Assets vested to local authorities	9	286,533	0	0
Total expense		2,416,144	2,331,587	2,305,590
SURPLUS/(DEFICIT)		39,492	(74,762)	62,875
OTHER COMPREHENSIVE REVENUE AND EXPENSE				
Gain/(loss) state highway network revaluations	9	640,549	560,000	573,040
Net movement in cash flow hedges	27	(131,863)	0	0
Total other comprehensive revenue and expense		508,686	560,000	573,040
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		548,178	485,238	635,915

a. Land transport funding refers to National Land Transport Programme funding the NZ Transport Agency provides to approved organisations for the delivery of services, associated activities funded from the Crown, and the NZ Transport Agency's maintenance and operation of the state highway network.

Explanations of major variances against budget are provided in note 30.

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	NOTE	ACTUAL 2015/16 \$'000	BUDGET 2015/16 \$'000	ACTUAL (RESTATED) 2014/15 \$'000
ASSETS				
Current assets				
Cash and cash equivalents		77,051	50,023	43,281
Debtor National Land Transport Fund		299,302	496,307	397,280
Debtor Crown		13,167	35,656	53,464
Receivables	7	83,796	36,223	91,478
Property assets held for sale	8	42,160	58,500	56,150
Prepayments		1,764	4,700	1,074
Inventories		81	200	155
Total current assets		517,321	681,609	642,882
Non-current assets				
Debtor National Land Transport Fund		708,143	0	350,852
Property, plant and equipment		25,966	17,249	16,304
State highway network	9	31,865,926	31,870,168	30,179,446
Service concession asset (Transmission Gully)	10	244,969	465,221	161,899
Intangible assets	11	31,404	40,525	39,742
Loans and advances	12	1,458	855	1,180
Total non-current assets		32,877,866	32,394,018	30,749,423
TOTAL ASSETS		33,395,187	33,075,627	31,392,305
LIABILITIES				
Current liabilities				
Payables	13	377,611	483,095	484,014
Tolling funds held in trust		3,484	2,000	2,525
Employee entitlements	14	9,712	12,538	12,870
Total current liabilities		390,807	497,633	499,409
Non-current liabilities				
Payables	13	11	200	84
Service concession liability (Transmission Gully)	10	244,969	465,221	161,899
Employee entitlements	14	4,555	4,000	4,979
Borrowing	15	244,156	268,932	119,516
Derivative financial liability	27	205,532	0	66,816
Total non-current liabilities		699,223	738,353	353,294
TOTAL LIABILITIES		1,090,030	1,235,986	852,703
NET ASSETS		32,305,157	31,839,641	30,539,602

	NOTE	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL (RESTATED) 2014/15 \$000
EQUITY				
General funds		5,606	5,606	5,606
Retained funds	16	22,865	(17,817)	39,700
Memorandum account - other fees and charges	17	18,952	10,870	11,480
Equity derived from the state highway network ^a	18	32,389,597	31,840,982	30,482,816
Cash flow hedge reserve	27	(131,863)	0	0
TOTAL EQUITY		32,305,157	31,839,641	30,539,602

a. The state highway network includes the state highway investment and revaluation reserve.
 Explanations of major variances against budget are provided in note 30.
 The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	ACTUAL 2015/16 \$'000	BUDGET 2015/16 \$'000	ACTUAL (RESTATED) 2014/15 \$'000
EQUITY - OPENING BALANCES				
General funds		5,606	5,606	5,606
Retained funds		39,700	3,215	46,278
Memorandum account - other fees and charges		11,480	10,785	6,254
Equity derived from the state highway network		30,482,816	30,213,492	28,680,983
Total equity - opening balance		30,539,602	30,233,098	28,739,121
CHANGES IN EQUITY				
Equity movements				
Retained funds		(1,267,332)	(1,018,890)	(1,230,293)
Memorandum account - other fees and charges	17	1,100	1,400	1,500
Equity derived from the state highway network	16 ^a	1,266,232	1,067,490	1,228,793
		0	50,000	0
Total comprehensive revenue and expense for the year				
Retained funds		33,120	(73,447)	59,149
Memorandum account - other fees and charges		6,372	(1,315)	3,726
Surplus/(deficit)		39,492	(74,762)	62,875
State highway network revaluations		640,549	560,000	573,040
Movement in cash flow hedges		(131,863)	0	0
Other comprehensive revenue and expense		508,686	560,000	573,040
		548,178	485,238	635,915
Capital funding (to retained funds)				
Crown		33,310	48,000	23,346
National Land Transport Programme	19	1,184,267	1,023,305	1,141,220
		1,217,577	1,071,305	1,164,566
Repayment of capital		(200)	0	0
Total changes in equity		1,765,555	1,606,543	1,800,481
EQUITY - CLOSING BALANCES				
General funds		5,606	5,606	5,606
Retained funds		22,865	(17,817)	39,700
Memorandum account - other fees and charges		18,952	10,870	11,480
Equity derived from the state highway network	18	32,389,597	31,840,982	30,482,816
Cash flow hedge reserve		(131,863)	0	0
TOTAL EQUITY - CLOSING BALANCES		32,305,157	31,839,641	30,539,602

Explanations of major variances against budget are provided in note 30.
The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL (RESTATED) 2014/15 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from the Crown		42,262	48,898	35,824
Receipts from the National Land Transport Fund		1,914,544	2,071,616	2,095,845
Receipts from other revenue		250,404	168,111	180,077
Interest received		1,083	350	236
Payments to suppliers		(1,580,948)	(1,779,003)	(1,584,984)
Payments to employees		(102,708)	(98,040)	(89,828)
Goods & services tax (net)		21,607	19,000	63,302
Net cash from operating activities	20	546,244	430,932	700,472
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts from sale of property, plant and equipment		0	0	286
Receipts from sale of state highway held properties		46,775	50,550	61,323
Purchase of property, plant and equipment		(15,138)	(5,467)	(514)
Purchase of intangible assets		(11,585)	(9,698)	(11,537)
Investment in the state highway network		(1,770,048)	(1,696,040)	(1,642,493)
Loans and advances		(278)	0	(325)
Net cash from investing activities		(1,750,274)	(1,660,655)	(1,593,260)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contribution from the Crown		43,000	48,000	23,346
Capital contribution from the National Land Transport Fund		1,063,541	1,019,101	872,321
Receipts from borrowing		261,999	238,000	119,516
Repayment of borrowing		(125,000)	(70,000)	(100,000)
Interest paid on borrowing		(5,540)	(5,355)	(3,036)
Repayment of capital		(200)	0	0
Net cash from financing activities		1,237,800	1,229,746	912,147
NET INCREASE IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at the beginning of the year		43,281	50,000	23,922
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR				
		77,051	50,023	43,281

Explanations of major variances against budget are provided in note 30.
The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 / STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

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

CONSOLIDATION OF CONTROLLED ENTITY

The consolidated financial statements include the controlling entity the Transport Agency and its controlled entity NZ Transport Ticketing Limited, which is a Crown entity. The purpose of NZ Transport Ticketing Limited is to assist and advise the National Ticketing Programme.

In preparing the consolidated financial statements, the Transport Agency's financial statements are combined with NZ Transport Ticketing Limited line by line, by adding together like items of assets, liabilities, equity, revenues and expenses. All inter-entity transactions are eliminated on consolidation.

Consistent accounting policies are applied to the controlled entity's financial statements and are prepared for the same reporting period as the controlling entity.

BASIS OF PREPARATION

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

Statement of compliance

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

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

Presentation currency and rounding

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

Standards issued and not yet effective

The Transport Agency has adopted all standards, amendments and interpretations to existing standards that have been published and are mandatory for its accounting periods beginning on 1 July 2015. The Transport Agency did not early adopt standards which were not yet effective as at 1 July 2015.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

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

Funding from the Crown and the National Land Transport Fund

The Transport Agency is primarily funded through revenue received from the Crown and the National Land Transport Fund, which is restricted in its use for the purpose of the Transport Agency meeting its objectives as specified in the Statement of Performance Expectations.

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

Interest

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

Rental revenue

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

Borrowing costs

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

Foreign currency transactions

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

Leases

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

Financial assets

Financial assets are classified as loans and receivables.

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

Cash and cash equivalents

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

Debtors and receivables

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

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

Property assets held for sale

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

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

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

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

Property, plant and equipment

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

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

Additions and subsequent costs

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

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

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

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

Disposals

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

State highway network

Valuation

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

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

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

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

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

Additions and subsequent costs

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

Disposals

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

Depreciation

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

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

Depreciation expense is recognised in the surplus or deficit.

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

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

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

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

Intangible assets

Software acquisition and development

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

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

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

Amortisation

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

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

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

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

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

Non-cash generating assets

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

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

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

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

Service concession arrangements

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

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

On completion the asset and liability will be re-measured to fair value.

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

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

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

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

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

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

Once operational, the service concession assets are accounted for in accordance with the policies adopted by the Transport Agency in respect of the rest of the state highway.

Payables

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

Borrowing

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

Derivative financial instruments and hedging

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

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

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

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

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

Employee entitlements

Short-term employee entitlements

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

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

Long-term employee entitlements

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

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

Presentation of employee entitlements

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

Superannuation schemes

Defined contribution schemes

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

Provisions

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

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

Jointly controlled operations

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

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

Equity

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

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

Goods and services tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Income tax

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

Budget figures

The budget figures are derived from the *Statement of 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 materially consistent with those adopted by the Board in preparing these financial statements.

Critical accounting estimates and assumptions

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

State highway network useful lives and residual value

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

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

- physical inspection and condition monitoring of assets
- asset management planning
- asset replacement programmes.

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

Critical judgements in applying accounting policies

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

Critical judgements relate to:

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

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

PRIOR YEAR RESTATEMENT

We have restated some areas of the financial statements retrospectively. The restatement related to the following:

- The Transport Agency had a receivable from the National Land Transport Fund in relation to various borrowings undertaken by the Transport Agency to finance the National Land Transport Programme. This receivable has been recognised at 30 June 2015.
- The interest rate swaps contract which was entered into in the 2014/15 financial year was recognised as at 30 June 2015.

Statement of Comprehensive Revenue and Expense 2014/15

	AFTER RESTATEMENT \$000	BEFORE RESTATEMENT \$000	INCREASE / (DECREASE) IN SURPLUS OR DEFICIT \$000
SURPLUS OR DEFICIT			
Revenue - funding from the National Land Transport Fund	2,094,714	2,024,761	69,953
Expense - interest and finance cost	(69,852)	(3,036)	(66,816)
NET IMPACT ON SURPLUS/DEFICIT	2,024,862	2,021,725	3,137

The restatement above related to the expenditure incurred on the reinstatement of earthquake damaged roads in Christchurch and the fair value of interest rate swaps for the 2014/15 financial year. The restatement has impacted the disclosure on the Detailed Performance by Segment of the Business under Land Transport Funding, the National Land Transport Programme disclosure and the Output Class Income and Expenditure report for local road maintenance.

Statement of Financial Position 2014/15

	AFTER RESTATEMENT \$000	BEFORE RESTATEMENT \$000	INCREASE / (DECREASE) IN NET ASSETS \$000
NET ASSETS			
Debtor National Land Transport Fund (non-current)	350,852	0	350,852
Derivative financial liability	(66,816)	0	(66,816)
NET INCREASE IN NET ASSETS	284,036	0	284,036

Statement of Changes in Equity 2014/15

	AFTER RESTATEMENT \$000	BEFORE RESTATEMENT \$000	INCREASE / (DECREASE) IN EQUITY \$000
EQUITY			
Equity, opening balance	28,739,121	28,727,121	12,000
Changes in equity			
Surplus/(deficit)	62,875	59,739	3,136
Other comprehensive revenue and expense	573,040	573,040	0
Capital funding	1,164,566	895,666	268,900
Total changes in equity	1,800,481	1,528,445	272,036
EQUITY CLOSING BALANCE	30,539,602	30,255,566	284,036

The restatement on the Statement of financial position and the Statement of changes in equity related to the expenditure incurred on the reinstatement of earthquake damaged roads in Christchurch, Tauranga Eastern Link and Transmission Gully. It also included the liability arising from changes in the fair value of the interest rate swaps contract. The restatements have impacted the disclosure on the Detailed Performance by Segment of the Business under Land Transport Funding, the National Land Transport Programme disclosure and the Output Class Income and Expenditure report for local road maintenance and state highway improvements.

2 / FUNDING FROM THE CROWN AND NATIONAL LAND TRANSPORT FUND

The Transport Agency has been provided with funding from the Crown and the National Land Transport Fund (NLTF) for the specific purposes as set out in its founding legislation and the scope of the relevant government appropriations. Apart from these general restrictions, there are no unfulfilled conditions or contingencies attached to Crown or National Land Transport Fund funding.

During the year, the total funding received from the Crown was \$39.757 million (2015: \$40.065 million) while funding received from NLTF was \$2.053 billion (2015: \$2.095 billion).

3 / REVENUE FROM OTHER ACTIVITIES

	NOTE	ACTUAL 2015/16 \$000	ACTUAL 2014/15 \$000
Border inspection fees		885	865
Certification review fees		11,645	9,646
Driver licensing fees		35,101	34,110
Driver testing fees		24,370	22,737
Motor vehicle licensing fees		58,340	57,824
Over dimension and overweight permits		1,007	821
Rail licensing fees		1,212	1,130
Road user charges collections		11,816	7,646
Standards development fee and certification levies		6,899	4,708
Transport licensing fees		10,593	7,598
Total fees and charges		161,868	147,085
Administration fee from Accident Compensation Corporation		864	932
Business units	a	1,292	1,507
Crash analysis system support		0	36
Levy on personalised plates for community road safety initiatives		1,456	1,205
Tolling fees and contributions		11,769	6,332
Interest income		1,083	236
Fair value gain on borrowings		13,061	0
Net gain/(loss) on disposal of assets		28	29
Recoveries from NLTP activities	b	60,862	73,409
Miscellaneous revenue		11,399	2,915
TOTAL REVENUE FROM OTHER ACTIVITIES		263,682	233,686

a. These are activities the Transport Agency has undertaken, which are not funded from the National Land Transport Programme, but where operating costs are offset by the income generated from these activities.

	BAILEY BRIDGING \$000	CAPTIF \$000	TRAINING & EDUCATION \$000	TOTAL \$000
Revenue earned in 2015/16	426	0	866	1,292
Revenue earned in 2014/15	60	729	718	1,507

CAPTIF - Canterbury Accelerated Pavement Testing Indoor Facility

b. Contributions for 2015/16 of \$54.142 million for projects in Wellington, Auckland and Marlborough represented recoveries from NLTP activities (2015: \$48.975 million for projects in Wellington and the Tauranga Eastern Link).

4 / PERSONNEL COSTS

	NOTE	ACTUAL 2015/16 \$000	ACTUAL 2014/15 \$000
Salaries and wages		96,862	85,895
Defined contribution plan employer contributions		3,018	2,646
Other personnel costs		2,752	2,012
TOTAL PERSONNEL COSTS	a	102,632	90,553

a. An additional \$35.138 million (2015: \$40.355 million) was incurred for staff who are employed to manage our state highway network (including capital projects).

5 / SIGNIFICANT OPERATING EXPENSES

		ACTUAL 2015/16 \$000	ACTUAL 2014/15 \$000
Fees to principal auditors:			
- for audit of financial statements		491	387
- for other services	a	115	103
Operating lease expense		19,895	18,292
Impairment of receivables		1,073	289
Commissions and transaction costs		73,688	71,846
Professional services		22,601	25,647
Road user safety advertising		13,387	16,505
Information technology		11,869	8,441
Meetings and conferences		878	736
Staff travel		4,922	4,406
Office and building management		4,246	3,621
Impairment of asset		330	6,003

a. Other services paid to KPMG this year was for Driver Licensing Process, Transport Service Delivery Site Audit Support and Risk Workshop Facilitation.

6 / OTHER NON-OPERATING EXPENSES

a. Interest and finance costs

		ACTUAL 2015/16 \$000	ACTUAL (RESTATED) 2014/15 \$000
Interest on borrowings		6,243	3,036
Fair value loss on receivables		11,877	0
Changes in fair value of derivative financial liability charged to surplus or deficit		6,853	66,816
TOTAL INTEREST AND FINANCE COSTS		24,973	69,852

b. Depreciation and amortisation expense

	ACTUAL 2015/16 \$000	ACTUAL 2014/15 \$000
Depreciation on property, plant and equipment	4,957	3,977
Depreciation on state highway network	407,483	513,030
Amortisation of intangible assets	5,923	6,076
TOTAL DEPRECIATION AND AMORTISATION EXPENSE	418,363	523,083

7 / RECEIVABLES

	ACTUAL 2015/16 \$000	ACTUAL 2014/15 \$000
Receivables (gross)	86,937	94,594
Less : Provision for impairment	3,141	3,116
TOTAL RECEIVABLES	83,796	91,478

Fair value

The carrying value of receivables approximates their fair value.

Impairment

The ageing profile of receivables at year end is detailed below:

	2015/16			2014/15		
	GROSS \$000	IMPAIRMENT \$000	NET \$000	GROSS \$000	IMPAIRMENT \$000	NET \$000
Not past due date	81,829	0	81,829	80,207	0	80,207
Past due 1-30 days	287	0	287	11,108	0	11,108
Past due 31-60 days	846	(250)	596	435	(272)	163
Past due 61-90 days	852	(616)	236	154	(154)	0
Past due over 90 days	3,123	(2,275)	848	2,690	(2,690)	0
TOTAL	86,937	(3,141)	83,796	94,594	(3,116)	91,478

Movements in the provision for impairment of receivables are as follows:

	ACTUAL 2015/16 \$000	ACTUAL 2014/15 \$000
Balance at 1 July	3,116	2,259
Operating provisions made during the year	1,073	289
Additional provisions made/(reversed) during the year	(626)	1,936
Receivables written-off during the year	(422)	(1,368)
BALANCE AT 30 JUNE	3,141	3,116

8 / PROPERTY ASSETS HELD FOR SALE

The Transport Agency owns 125 properties valued at \$42.160 million (2015: 109 properties valued at \$56.150 million) which have been classified as held for sale. It is expected that these properties will be sold by 30 June 2017.

9 / STATE HIGHWAY NETWORK

Movements for the state highway network are as follows:

	NOTE	ACTUAL 2015/16 \$000	ACTUAL 2014/15 \$000
COST OR VALUATION			
Balance at 1 July		30,179,446	28,537,672
Additions – capital expenditure		1,686,371	1,648,277
Assets vested from local authorities	a	99,399	0
Revaluation gains/(losses)		640,549	573,040
Depreciation expense		(407,483)	(513,230)
Assets vested to local authorities	a	(286,533)	0
Disposals		(46,775)	(61,323)
Asset write off		(12,760)	(7,030)
Change in assets held for sale		13,990	2,675
Tolling system assets		(278)	(635)
BALANCE AT 30 JUNE		31,865,926	30,179,446

- a. The Transport Agency has vested assets to and from local authorities. During the year, the carrying value of assets vested to local authorities was \$286.533 million and assets with fair value of \$99.399 million have been received and recognised in the financial statements.

The most recent valuation of the state highway network and bailey bridging was performed by a registered independent valuer, J Vessey, BE (Civil), BA (Economics), FIPENZ (Civil), CPEng, of Opus International Consultants Ltd. The total fair value amounted to \$31.866 billion (2015: \$30.179 billion) and this valuation is effective as at 30 June 2016.

Optimised Depreciated Replacement Cost is used to value these assets. Optimisation involves adjustments to eliminate the effect of any excess capacity, over design, technological obsolescence and inefficient layout. The value is calculated by deducting an allowance for accumulated depreciation from the replacement cost, using a number of significant assumptions. These significant assumptions include:

- the valuation methodology detailed in significant accounting policies
- the useful life of assets is estimated
- straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

NOTE	2015/16			2014/15		
	REPLACEMENT COST \$000	ACCUMULATED DEPRECIATION \$000	VALUATION \$000	REPLACEMENT COST \$000	ACCUMULATED DEPRECIATION \$000	VALUATION \$000
State highway corridor land	8,758,203	0	8,758,203	8,236,238	0	8,236,238
Held properties	957,107	0	957,107	1,071,638	0	1,071,638
Formation	8,308,253	0	8,308,253	7,995,460	0	7,995,460
Pavement (other)	4,950,678	1,025,156	3,925,522	4,599,660	991,540	3,608,120
Pavement (surface)	1,368,514	638,093	730,421	1,361,840	675,280	686,560
Drainage	1,440,225	582,508	857,717	1,358,240	569,010	789,230
Traffic facilities	2,093,973	811,631	1,282,342	2,016,900	820,010	1,196,890
Bridges	7,662,452	2,574,295	5,088,157	7,262,060	2,507,620	4,754,440
Culverts & subways	671,827	236,209	435,618	630,060	231,770	398,290
Other structures	a 2,017,221	494,635	1,522,586	1,860,020	417,440	1,442,580
TOTAL	38,228,453	6,362,527	31,865,926	36,392,116	6,212,670	30,179,446

a. Other structures include retaining walls, minor structures, sea and river protection, tunnels, and rock fall netting.

There are some uncertainties about the values assigned to different components (land, formation, bridges, etc.) of the state highway network. These uncertainties include whether the Transport Agency's databases have accurate quantities and lives and whether there is complete capture for some cost components. Some uncertainties are inherent, but those arising from both the quantity and costs of components can be reduced by improvements in the accuracy of the underlying databases.

Additional 'Brownfield' costs associated with road construction in urban areas are assessed as being the most significant part of the potential undervaluation, with the remaining due to incomplete records. An allowance to recognise these costs has been included for the current and the previous two financial years. However, historical brownfield costs cannot be reliably measured and are currently excluded from the valuation.

The Transport Agency is continuously improving the accuracy of the asset databases and identify all costs able to be capitalised. This is reducing the understatement inherent in the current value of the state highway network.

Work in progress (included in the assets components and balance)

The total amount of the state highway network in the course of construction is \$3.715 billion (2015: \$3.220 billion).

10 / SERVICE CONCESSION ASSET AND LIABILITY (TRANSMISSION GULLY)

The Transport Agency has entered into a public private partnership agreement with the Wellington Gateway Partnership for the delivery of a stretch of state highway through Transmission Gully. The Wellington Gateway Partnership will design, build, finance, operate and maintain the section of state highway. Under the agreement, the Transport Agency has provided land it owns to the contractor on which to build the state highway.

The construction phase for Transmission Gully is expected to be completed by April 2020. The operational agreement runs for a period of 25 years from the service completion date, after which the responsibility for ongoing operation and maintenance of the road will revert to the Transport Agency. Under the operating agreement the Transport Agency pays a unitary charge to the contractor from the time the section of state highway becomes operational. The unitary charge includes:

1. a reduction in the service concession liability
2. finance costs – under the terms of the agreement, the operator has provision to re-price the finance costs at intervals during the 25 year period. The Transport Agency has entered into an interest rate swap with the NZ Debt Management Office as a hedge against any fluctuating interest rates
3. service costs – these cover the operational costs of running, maintaining, insuring and ensuring the availability of the highway to the service level agreed with the Transport Agency. A number of these costs are indexed to the consumers' price index or to other relevant indices and can be varied from time to time.

Finance and service costs are recognised as an expense in the period incurred. The total estimated capital and operating expenditure to be paid throughout the 25 year period is \$2.7 billion.

The Crown has issued an indemnity to the Consortium for all Indemnified Amounts (as defined in the Deed of Indemnity). In general terms, the Indemnified Amount consists of sums payable by the Transport Agency in the operational phase of the project and defined compensation sums payable in the event of default on payment by the Transport Agency. If the Crown makes a payment for indemnity, this is to be reimbursed under the Reimbursement and Management Agreement (the RAMA).

As the state highway is currently under construction, no depreciation on the asset has been incurred to date.

11 / INTANGIBLE ASSETS

Movements for intangible assets are as follows:

	NOTE	ACTUAL 2015/16 \$000	ACTUAL 2014/15 \$000
COST			
Balance at 1 July		83,854	74,426
Additions		14,936	4,099
Work in progress movements		(1,303)	5,329
Intangible asset written off while in progress		(2,048)	0
Disposals		(2,836)	0
Balance at 30 June		92,603	83,854
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES			
Balance at 1 July		44,112	32,205
Amortisation expense		5,923	6,075
Write-off of the National Integrated Ticketing System	a	14,000	6,003
Reclassification		0	(171)
Disposals		(2,836)	0
Balance at 30 June		61,199	44,112
CARRYING AMOUNTS			
At 30 June		31,404	39,742

a. An intangible asset for the National Integrated Ticketing system with a carrying value of \$14 million has been written off during the year.

There are no restrictions over the title of the Transport Agency's intangible assets, nor are any intangible assets pledged as security for liabilities.

Work in progress (included in the cost and carrying amounts)

The total value of intangible assets in the course of development is \$4.281 million (2015: \$7.632 million).

A total amount of \$2.048 million relating to Crash Analysis System has been written off while in progress.

12 / LOANS AND ADVANCES

Statutory advances

Under the Public Works Act, the Transport Agency has provided statutory advances of \$1.458 million (2015: \$1.180 million).

13 / PAYABLES

	ACTUAL 2015/16 \$000	ACTUAL 2014/15 \$000
CURRENT PORTION		
Creditors	364,120	474,555
Income in advance	13,491	9,411
Onerous contracts	a 0	48
Total current portion	377,611	484,014
NON-CURRENT PORTION		
Onerous contracts	a 11	84
Total non-current portion	11	84
TOTAL PAYABLES	377,622	484,098

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of creditors and other payables approximates their fair value.

- a. The Transport Agency has non-cancellable leases for office space that is no longer used by the Transport Agency. A provision has been recognised for future rental payments.

14 / EMPLOYEE ENTITLEMENTS

	ACTUAL 2015/16 \$000	ACTUAL 2014/15 \$000
CURRENT PORTION		
Accrued salaries and wages	502	4,400
Annual leave	8,292	7,494
Sick leave	433	467
Retirement and long service leave	485	509
Total current portion	9,712	12,870
NON-CURRENT PORTION		
Retirement and long service leave	4,555	4,979
Total non-current portion	4,555	4,979
TOTAL EMPLOYEE ENTITLEMENTS	14,267	17,849

The actuarial valuation as at 30 June 2016 was conducted in-house using prescribed Treasury guidance.

The sick, long service, and retirement leave valuations involve making future service projections for each employee. The probability of an employee leaving has been determined with reference to current public service leaving statistics. Additional economic assumptions were taken from Treasury guidance.

Sensitivity analysis has been performed to assess the financial impact of changes in the assumptions to the retirement and long service leave liabilities.

Using 50% of the assumed resignation rate, with all other factors held constant, the amount of expected liability would be \$620,000 higher (2015: \$529,000). If the resignation rate is at 150% of the assumed rate, then the expected liability would be \$461,000 lower (2015: \$400,000).

15 / BORROWING

The Transport Agency has a borrowing facility for short term advances from the Crown to cover seasonal variations in cash flows. The maximum amount of such advances at any one time shall not exceed \$250 million. Under this short term facility, the Transport Agency has no current borrowing as at 30 June 2016 (2015: nil).

The Transport Agency has a borrowing facility of up to \$183.420 million to assist in the Christchurch earthquake recovery. \$27 million has been drawn down as at 30 June 2016 (2015: \$12 million). The borrowing has incurred interest of \$1.218 million to date (2015: \$0.515 million), which has been capitalised against the borrowing balance.

The Transport Agency also has a borrowing facility of \$107 million as a contribution towards the Tauranga Eastern Link toll road, which was fully drawn down as at 30 June 2015. During the year, the borrowing has incurred interest of \$5.125 million (2015: \$2.521 million).

The final borrowing facility currently available to the Transport Agency is a \$375 million facility for the Auckland accelerated package of which \$122 million has been drawn down as at 30 June 2016. The amount is a series of interest-free loans with terms ranging between four to six years. As at 30 June 2016, the borrowing's carrying amount is \$108.939 million which was discounted using government bond yields of 2.14% to 2.24%. This gave rise to a fair value gain of \$13.061 million.

16 / RETAINED FUNDS

	NOTE	ACTUAL 2015/16 \$000	ACTUAL (RESTATED) 2014/15 \$000
RETAINED FUNDS - NZ TRANSPORT AGENCY OPERATIONS			
Balance at 1 July		22,275	25,039
Surplus/(deficit) from operations		(1,837)	(1,264)
RUC retained funds to memorandum account		(1,100)	(1,500)
Balance at 30 June		19,338	22,275
RETAINED FUNDS - NATIONAL LAND TRANSPORT PROGRAMME			
Balance at 1 July		0	0
Capital contribution from the National Land Transport Fund		1,184,267	1,141,220
Deficit from operations		0	(6,922)
Surplus/(deficit) from Land transport funding		37,361	65,145
Transfer to state highway investment	a	(1,233,383)	(1,205,447)
Funds provided for public transport automated fare collection system		13,996	6,004
Balance at 30 June		2,241	0
RETAINED FUNDS - SPECIFIC PROJECTS FUNDED BY THE CROWN			
Balance at 1 July		3,429	1,239
Capital contribution from the Crown		33,310	23,346
Surplus/(deficit)		(2,404)	2,190
Transfer to state highway investment	a	(32,849)	(23,346)
Repayment of capital for SuperGold card administration		(200)	0
Balance at 30 June		1,286	3,429
FUNDS PROVIDED FOR PUBLIC TRANSPORT AUTOMATED FARE COLLECTION SYSTEM			
Balance at 1 July		13,996	20,000
Funds from the National Land Transport Programme		(13,996)	(6,004)
Balance at 30 June		0	13,996
TOTAL RETAINED FUNDS		22,865	39,700

a. Below is a breakdown of the movement of the National Land Transport Programme funds to state highways.

	ACTUAL 2015/16 \$000	ACTUAL 2014/15 \$000
Capitalised expenditure - National Land Transport Programme	1,672,602	1,624,931
Non-operating expenditure (public private partnership)	214,933	161,899
State highway depreciation and asset write-off	(420,243)	(520,060)
State highway disposals to the National Land Transport Programme	(46,775)	(61,323)
Net impact of assets vested (to)/from local authorities	(187,134)	0
Retained funds - National Land Transport Programme	1,233,383	1,205,447
Capitalised expenditure - Crown	32,849	23,346
TRANSFER TO STATE HIGHWAY INVESTMENT	1,266,232	1,228,793

17 / MEMORANDUM ACCOUNT - OTHER FEES AND CHARGES

	ACTUAL 2015/16 \$000	ACTUAL 2014/15 \$000
Balance at 1 July	11,480	6,254
Surplus from operations	6,372	3,726
RUC retained funds to memorandum account	1,100	1,500
TOTAL MEMORANDUM ACCOUNT - OTHER FEES AND CHARGES	18,952	11,480

Below are the closing balances of the memorandum accounts by funding activities.

	NOTE	ACTUAL 2015/16 \$000	ACTUAL 2014/15 \$000
Customer licensing activities	a	8,934	7,257
Road user charges collections		3,025	1,894
Vehicle standards compliance activities	b	6,993	2,329
TOTAL MEMORANDUM ACCOUNT - OTHER FEES AND CHARGES		18,952	11,480

- a. Customer licensing activities include driver licensing and testing, and rail and transport operator licensing.
- b. Vehicle standards compliance activities include border inspections, certification reviews, motor vehicle licensing, over-dimension permits, and standards development and certification.

18 / EQUITY DERIVED FROM THE STATE HIGHWAY NETWORK

	ACTUAL 2015/16 \$000	ACTUAL (RESTATED) 2014/15 \$000
STATE HIGHWAY INVESTMENT		
Balance at 1 July	20,554,518	19,325,725
Transfer from the National Land Transport Programme	1,266,232	1,228,793
Balance at 30 June	21,820,750	20,554,518
STATE HIGHWAY REVALUATION RESERVE		
Balance at 1 July	9,928,298	9,355,258
Revaluation - State highway network	640,549	573,040
Balance at 30 June	10,568,847	9,928,298
TOTAL EQUITY DERIVED FROM THE STATE HIGHWAY NETWORK	32,389,597	30,482,816

19 / CAPITAL FUNDING - NATIONAL LAND TRANSPORT PROGRAMME

	ACTUAL 2015/16 \$000	ACTUAL (RESTATED) 2014/15 \$000
State highway improvements	806,531	803,878
State highway renewals	122,243	175,443
Walking and cycling	18,761	0
Regional improvements	13,121	0
Investment management (transport planning)	7,826	0
Road safety promotion	852	0
Public private partnership	214,933	161,899
TOTAL CAPITAL CONTRIBUTION - NATIONAL LAND TRANSPORT PROGRAMME	1,184,267	1,141,220

20 / RECONCILIATION OF NET SURPLUS TO NET CASH FROM OPERATING ACTIVITIES

	ACTUAL 2015/16 \$000	ACTUAL (RESTATED) 2014/15 \$000
SURPLUS/(DEFICIT)	39,492	62,875
ADD/(DEDUCT) NON-CASH/NON-OPERATING ITEMS:		
Depreciation and amortisation expense	418,363	523,083
State highway asset write-off	12,760	7,030
(Gains)/losses on disposal of disposal of property, plant and equipment	188	0
Write off/impairment of intangible asset	14,330	6,003
Net impact of assets vested to/from local authorities	187,134	0
Fair value loss on receivables	11,877	0
Interest on borrowing	6,243	3,036
Fair value gain on borrowings	(13,061)	0
Ineffective portion of cash flow hedge	6,853	0
Changes in fair value of derivative financial liability	0	66,816
Total non-cash/non-operating items	644,687	605,968
ADD/(LESS) MOVEMENTS IN STATEMENT OF FINANCIAL POSITION ITEMS:		
(Increase)/decrease in debtor National Land Transport Fund and Crown	(147,960)	(3,109)
(Increase)/decrease in other receivables	35,784	(53,373)
(Increase)/decrease in prepayments and inventories	(616)	3,645
(Increase)/decrease in property, plant and equipment work in progress	0	(77)
(Increase)/decrease in intangible asset work in progress	0	(5,326)
Increase/(decrease) in creditors and other payables	(22,521)	89,192
Increase/(decrease) in tolling funds held in trust for Ministry of Transport	959	(48)
Increase/(decrease) in employee entitlements	(3,581)	725
Net movements in working capital items	(137,935)	31,629
NET CASH FROM OPERATING ACTIVITIES	546,244	700,472

21 / CAPITAL COMMITMENTS AND OPERATING LEASES

Capital commitments

The future aggregate construction contract commitments for the state highway network are as follows:

	ACTUAL 2015/16 \$000	ACTUAL 2014/15 \$000
Not later than one year	1,788,484	1,488,516
Later than one year and not later than five years	2,341,294	2,524,291
Later than five years	1,268,661	47,602
TOTAL CAPITAL COMMITMENTS	5,398,439	4,060,409

Construction of the state highway network is a component of the National Land Transport Programme. These capital commitments are included under the National Land Transport Programme funding commitments.

Operating leases as lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	ACTUAL 2015/16 \$000	ACTUAL 2014/15 \$000
Not later than one year	19,496	9,832
Later than one year and not later than five years	43,612	40,964
Later than five years	15,688	18,833
TOTAL NON-CANCELLABLE OPERATING LEASES	78,796	69,629

Significant operating leases are limited to buildings for office accommodation and provision of registry systems.

22 / CONTINGENCIES

Contingent liabilities

Contract and land settlements

There are claims of \$15.3 million (2015: \$15.9 million) relating to a range of roading and other contract disputes.

Contingent assets

The Transport Agency does not have material contingent assets as at 30 June 2016 (2015: no material contingent assets).

23 / RELATED PARTY TRANSACTIONS

The Transport Agency is a wholly owned entity of the Crown

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Transport Agency would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the nominal terms and conditions for such transactions.

Key management personnel compensation

	ACTUAL 2015/16 \$000	ACTUAL 2014/15 \$000
Board members		
Remuneration	295	290
Full-time equivalent members	8	8
Leadership team		
Remuneration	4,450	4,001
Full-time equivalent members	13	12
TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION	4,745	4,291
TOTAL FULL TIME EQUIVALENT PERSONNEL	21	20

24 / BOARD MEMBER REMUNERATION

The total value of remuneration paid or payable to each Board member during the year was:

		ACTUAL 2015/16 \$000	ACTUAL 2014/15 \$000
Chris Moller (Chair)		71	62
Fran Wilde	Appointed May 2016	7	0
Gill Cox		36	31
Chris Ellis	Appointed May 2016	6	0
Leo Lonergan	Appointed May 2016	6	0
Mark Oldfield		36	31
Nick Rogers		36	31
Adrienne Young-Cooper		36	34
Dame Patsy Reddy	Stepped down in April 2016	37	39
Tony Lanigan	Stepped down in October 2015	12	31
Jerry Rickman	Stepped down in October 2015	12	31
TOTAL BOARD MEMBER REMUNERATION		295	290

There have been no payments made to committee members appointed by the Board who were not Board members during the financial year.

The Transport Agency has effected Directors and Officers Liability and Professional Indemnity Insurance cover during the financial year in respect of the liability or costs of Board members and employees. The Board has also taken insurance cover covering personal accident and travel risk for Board members and employees where injury or loss occurs whilst on Transport Agency business.

No Board members received compensation or other benefits in relation to cessation (2015: nil).

25 / EMPLOYEE REMUNERATION

TOTAL REMUNERATION PAID OR PAYABLE	NO. OF STAFF 2015/16	NO. OF STAFF 2014/15
100,000-109,999	126	115
110,000-119,999	98	81
120,000-129,999	103	55
130,000-139,999	44	38
140,000-149,999	38	32
150,000-159,999	31	19
160,000-169,999	24	17
170,000-179,999	*21	11
180,000-189,999	12	13
190,000-199,999	14	9
200,000-209,999	6	4
210,000-219,999	8	5
220,000-229,999	8	2
230,000-239,999	2	1
240,000-249,999	2	2
250,000-259,999	2	0
260,000-269,999	2	3
270,000-279,999	3	1
280,000-289,999	1	0
310,000-319,999	2	2
320,000-329,999	0	1
330,000-339,999	0	1
340,000-349,999	2	0
350,000-359,999	1	1
360,000-369,999	0	2
370,000-379,999	0	1
380,000-389,999	2	0
390,000-399,999	1	1
430,000-439,999	1	0
660,000-669,999	0	**1
710,000-719,999	**1	0
TOTAL EMPLOYEES	555	418

* Current Chief Executive

** Former Chief Executive

During the year ended 30 June 2016, 18 (2015: 23) employees received compensation and other benefits in relation to cessation totalling \$1.024 million (2015: \$1.376 million).

26 / 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.

27 / FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities are categorised as follows:

	ACTUAL 2015/16 \$000	ACTUAL (RESTATED) 2014/15 \$000
LOANS AND RECEIVABLES		
Cash and cash equivalents	77,051	43,281
Debtors National Land Transport Fund and Crown	1,020,612	801,596
Receivables	80,549	91,478
Loans and advances	1,458	1,180
TOTAL LOANS AND RECEIVABLES	1,179,670	937,535
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Payables (current and non-current)	377,622	484,098
Borrowing	244,156	119,516
Service concession liability	244,969	161,899
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	866,747	765,513
FINANCIAL LIABILITY AT FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE AND EXPENSE		
Derivative financial liability	205,532	0
FINANCIAL LIABILITY AT FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE AND EXPENSE	205,532	0
FINANCIAL LIABILITY AT FAIR VALUE THROUGH SURPLUS OR DEFICIT		
Derivative financial liability	0	66,816
FINANCIAL LIABILITY AT FAIR VALUE THROUGH SURPLUS OR DEFICIT	0	66,816

Fair value hierarchy

The Transport Agency uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices). Inputs on the valuation were derived from Bloomberg.

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The following provides the fair value measurement hierarchy of the Transport Agency's financial liability measured at fair value:

	ACTUAL 2015/16 \$000	ACTUAL 2014/15 \$000
LEVEL 2		
Derivative financial liability	205,532	66,816

Below shows the movement of cash flow hedge reserve as at 30 June 2016:

	ACTUAL 2015/16 \$000	ACTUAL 2014/15 \$000
Balance as at 1 July	0	0
Movement in fair value of interest rate swaps	(131,863)	0
CASH FLOW HEDGE RESERVE	(131,863)	0

During the year, the total ineffective portion of the cash flow hedge reserve charged to surplus or deficit was \$6.853 million (2015: nil).

The cash flows are expected to eventuate and impact the surplus or deficit from financial year 2021.

28 / FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Transport Agency's exposure to the risk of changes in market rates relates primarily to interest rates on the Transport Agency's long-term debt obligations. This is managed by ensuring loans are at fixed interest rates. As at 30 June 2016, approximately 86% of loans are on a fixed interest rate.

The Transport Agency also hedges exposure to highly probable forecast transactions. As discussed in note 10, the Transport Agency has entered into a public private partnership agreement for the construction of Transmission Gully. The arrangement requires that a unitary charge is paid to the contractor from the time the section of state highway becomes operational. The unitary charge includes payment for finance costs in which the operator has provision to re-price during the 25-year period. The Transport Agency has entered into an interest rate swap contract to hedge the re-pricing of interest costs. The total amount of forecast payments exposed to interest rate risk is fully hedged with a fixed interest rate of 5.58%. The total notional amount of the interest rate swaps contract is \$857.789 million.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Transport Agency purchases goods and services overseas which require it to enter into transactions denominated in foreign currencies. The Transport Agency's foreign currency denominated transactions are not material therefore the impact of exposure to currency risk is minimal.

Credit risk

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

Due to the timing of its cash inflows and outflows, the Transport Agency invests surplus cash with registered banks. In the normal course of business, the Transport Agency is exposed to credit risk from cash and term deposits with Banks and debtors and other receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the Statement of financial position.

The Transport Agency invests funds only with registered banks that have a Standard and Poor's credit rating of at least A-. The Transport Agency has experienced no defaults of interest or principal payments for term deposits.

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

Maximum exposure to credit risk

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

	ACTUAL 2015/16 \$000	ACTUAL 2014/15 \$000
Cash and cash equivalents	77,051	43,281
Debtors National Land Transport Fund and Crown	1,020,612	801,596
Receivables	80,549	91,478
Loans and advances	1,458	1,180
TOTAL CREDIT RISK	1,179,670	937,535

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 \$000	ACTUAL 2014/15 \$000
CASH AND CASH EQUIVALENTS		
AA-	77,051	43,281
TOTAL CASH AND CASH EQUIVALENTS	77,051	43,281

Liquidity risk*Management of liquidity risk*

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

The Transport Agency mostly manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

Contractual maturity analysis of financial liabilities

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts below are contractual cash flows which in some instances will differ from the carrying amounts of the relevant liability in the Statement of financial position.

	2015/16				2014/15			
	0-1 YEAR \$000	1-2 YEARS \$000	2-5 YEARS \$000	OVER 5 YEARS \$000	0-1 YEAR \$000	1-2 YEARS \$000	2-5 YEARS \$000	OVER 5 YEARS \$000
Payables	377,611	11	0	0	484,014	84	0	0
Borrowing	0	21,038	109,167	249,693	5,051	5,051	28,571	213,758
Derivative financial liability	0	0	6,470	286,973	0	0	0	95,395
Service concession liability	0	0	53,288	312,313	0	0	0	258,705

Sensitivity analyses

Interest rate risk

The table below illustrates the potential effect on the surplus or deficit and other comprehensive revenue and expense for reasonably possible market movements, with all other variables held constant, based on the Transport Agency's financial instrument exposure at balance date.

	2015/16		2014/15	
	EFFECT ON SURPLUS OR DEFICIT		EFFECT ON SURPLUS OR DEFICIT	
	+1% \$000	-1% \$000	+1% \$000	-1% \$000
Cash and cash equivalents	694	(694)	285	(285)

	2015/16		2014/15	
	EFFECT ON OTHER COMPREHENSIVE REVENUE AND EXPENSE		EFFECT ON OTHER COMPREHENSIVE REVENUE AND EXPENSE	
	+1% \$000	-1% \$000	+1% \$000	-1% \$000
Derivative financial liability	(95,463)	111,744	0	0

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a 1% change in interest rates.

	2015/16		2014/15	
	EFFECT ON SURPLUS OR DEFICIT		EFFECT ON SURPLUS OR DEFICIT	
	+0.5% \$000	-0.5% \$000	+0.5% \$000	-0.5% \$000
Borrowing	784	(784)	395	(395)

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a 0.5% change in the Treasury determined coupon rate.

29 / CAPITAL MANAGEMENT

The Transport Agency's capital is its equity, which comprises general funds, accumulated funds, revaluation reserve and cash flow hedge reserve. Equity is represented by net assets.

The Transport Agency is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowing, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives.

The Transport Agency manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure the Transport Agency effectively achieves its objectives and purpose, while remaining a going concern.

30 / EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Explanations for major variances from the Transport Agency's budgeted figures in the *Statement of performance expectations* are as follows:

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

Revenue

Funding from the Crown was \$21 million (35%) below budget. This is mainly due to lower spending in Urban Cycleways in which the project is expected to accelerate in the next two years.

Funding from the National Land Transport Fund was \$27 million (1%) above budget. Actual funding is in line with budget and reflects the delivery of the National Land Transport Programme in the current year.

Revenue from other activities was \$93 million (55%) above budget. This was due to:

- contributions to state highway project income which was not factored in the budget
- volume-driven licensing and testing revenue being above budget due to higher numbers of new drivers and higher volume of driver tests
- higher than forecast volumes for motor vehicle registrations due to the shift in licensing patterns as a result of the change in ACC levies at the start of the financial year.

Also, during the year, the Transport Agency has recognised some assets, with fair value of \$99 million, vested from local authorities. This has been recognised as revenue during the year.

Expense

Land transport funding was \$160 million (10%) below budget which mainly came from the net impact of these activities:

- *Local road improvements* were \$45 million below budget due to approved organisation's competing priorities.
- *Local road maintenance* was \$46 million below budget mainly a result of the slower than expected progress of the repair of earthquake damaged local roads in Christchurch.
- *State highway maintenance* was \$37 million below budget. This is mainly due to: 1) good condition of the road enabling optimisation of some works into later years; 2) lower inflation because of reducing international oil prices; and 3) significantly lower level of emergency works than expected.
- *Walking and Cycling* was \$29 million below budget. This is a combination of 1) expenditure resulted to assets capitalised, and 2) the Urban Cycleways being a new programme of work this year and delivery has been slower than anticipated due to the low spend phase of the development being underestimated.
- *Public transport* was below budget by \$10 million due to delays in infrastructure projects and our expectation that services will be delivered at a lower cost, given the continued reduction in the public transport input cost index. This was offset by the intangible asset written off relating to the National Integrated Ticketing system.

Interest and finance costs were \$17 million (214%) above budget. This was mainly due to the discount recognised in non-interest bearing long-term receivable and the ineffective portion of cash flow hedge which were not factored in the budget.

Depreciation and amortisation expense was \$66 million (14%) below budget. This predominately relates to the state highway depreciation budget being established before the revaluation at the end of last year.

Assets vested to local authorities were \$287 million compared to nil budget. The Transport Agency has vested some assets to local authorities with total carrying amount of \$287 million. This was recognised as an expense in the surplus or deficit.

STATEMENT OF FINANCIAL POSITION

Current assets

Receivables including Debtor National Land Transport Fund and Debtor Crown were \$172 million (30%) below budget. This is mainly a result of prudently managing the levels of receivable and payable at the end of the year. This has resulted in drawing down more from the NLTF to fund creditors' payments.

Non-current assets

Debtor National Land Transport Fund was \$708 million compared to nil budget. The balance in this account relates to expenditure on the Auckland accelerated package and Tauranga Eastern Link, repair of damaged roads in Christchurch and spending on the Transmission Gully project. A receivable from the National Land Transport Fund was recognised for these National Land Transport Programme activities financed by borrowings.

Service concession asset (Transmission Gully) was \$220 million (47%) below budget mainly due to slower phase of project delivery than expected.

Current liabilities

Payables were \$105 million (22%) below budget as a result of managing the payables more prudently therefore paying suppliers on time.

Non-current liabilities

Service concession liability (Transmission Gully) was \$220 million (47%) below budget. Relates to the service concession asset explanation.

Borrowing was \$25 million (9%) below budget due mainly to lower spending in the reinstatement of Christchurch earthquake-damaged roads.

Derivative financial liability was \$206 million compared to nil budget. This represents the fair value of the interest rate swaps contract as at 30 June 2016.

SUPPLEMENTARY INFORMATION

This supplementary information section contains additional disclosure and guidance material to the financial statements and has been provided to give a better understanding of the Transport Agency's business.

In this section you will find the following:

- detailed performance by segment of the business
- National Land Transport Programme
- land transport management (road tolling scheme)
- NZ Transport Ticketing Ltd

This information is consistent with and should be read in conjunction with, the financial highlights on pages 84 to 86 and the audited financial statements on pages 87 to 126.

DETAILED PERFORMANCE BY SEGMENT OF THE BUSINESS

The following tables further detailed financial performance information for each of these segments.

OPERATIONS

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
REVENUE			
FUNDING FROM THE CROWN			
Licensing and regulatory compliance	3,966	3,997	4,205
Road user charges collection, investigation and enforcement	0	0	4,720
Investment management	775	775	775
SuperGold card administration and public transport concessions	295	95	95
	5,036	4,867	9,795
FUNDING FROM THE NATIONAL LAND TRANSPORT FUND			
Road user charges collection, investigation and enforcement	4,229	4,229	4,229
Refund of fuel excise duty	545	519	475
Investment management	45,255	45,932	40,388
Public transport	3,447	9,000	4,080
Walking and cycling	954	119	0
Road safety promotion	18,597	19,438	19,927
Local road maintenance	137	200	32
State highway maintenance	16,968	19,155	17,087
	90,132	98,592	86,218

OPERATIONS (CONTINUED)

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
REVENUE FROM OTHER ACTIVITIES			
Licensing and regulatory compliance	91,566	85,526	83,009
Road tolling	11,785	10,453	6,332
Motor vehicle registry	59,672	55,679	59,524
Road user charges collection, investigation and enforcement	11,818	10,842	7,648
Refund of fuel excise duty	114	0	89
Road safety promotion	1,456	924	1,205
State highway improvements	0	0	3,409
State highway maintenance	1,293	988	1,507
	177,704	164,412	162,723
Revenue relating to the delivery of outputs	272,872	267,871	258,736
Other revenue	7,102	0	0
Total revenue	279,974	267,871	258,736
EXPENDITURE			
OPERATING ACTIVITIES			
Licensing and regulatory compliance	90,281	88,472	84,194
Road tolling	10,798	10,197	5,541
Motor vehicle registry	58,888	57,684	58,611
Road user charges collection, investigation and enforcement	16,234	15,821	15,737
Refund of fuel excise duty	659	612	553
Investment management	3,356	821	469
SuperGold card administration and public transport concessions	297	95	95
Road safety promotion	891	1,342	46
State highway maintenance	953	988	2,014
	182,357	176,032	167,260
OPERATING ACTIVITIES (NATIONAL LAND TRANSPORT PROGRAMME)			
Investment management	45,255	45,932	40,966
Public transport	3,447	9,000	10,084
Walking and cycling	954	119	0
Road safety promotion	18,597	19,438	19,927
Local road maintenance	137	200	32
State highway improvements	34,436	33,253	36,302
State highway maintenance	24,330	27,117	25,545
	127,156	135,059	132,856
Expenses relating to the delivery of outputs	309,513	311,091	300,116
Other expenses	7,723	1,146	4,091
Total expenditure	317,236	312,237	304,207

OPERATIONS (CONTINUED)

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
STATE HIGHWAY NETWORK			
Less capitalised expenditure	(41,797)	(41,215)	(41,011)
Total expenditure	275,439	271,022	263,196
SURPLUS/(DEFICIT)	4,535	(3,151)	(4,460)

MOVEMENT OF OPERATIONS NET SURPLUS TO EQUITY

This table shows the net result of the Transport Agency's operations. The surplus/(deficit) is separated into three retained funds based on the source of funding:

- **Retained funds - NZ Transport Agency operations** refers to Crown funded (excluding the driver test subsidy), contracted services, non-third party fees and charges activities, and expenses relating to the merger.
- **Retained funds - National Land Transport Programme** refers to activities that are funded from the National Land Transport Fund.
- **Memorandum account - Other fees and charges** refers to activities funded from fees and charges.

Movement of operations net surplus to equity

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
REVENUE			
Retained funds - NZ Transport Agency Operations	30,114	20,885	18,256
Retained funds - National Land Transport Programme	85,359	93,844	84,923
Memorandum account - Other fees and charges	164,501	153,142	155,557
	279,974	267,871	258,736
EXPENDITURE			
Retained funds - NZ Transport Agency Operations	31,951	22,721	19,520
Retained funds - National Land Transport Programme	85,359	93,844	91,845
Memorandum account - Other fees and charges	158,129	154,457	151,831
	275,439	271,022	263,196
NET SURPLUS			
Retained funds - NZ Transport Agency Operations	(1,837)	(1,836)	(1,264)
Retained funds - National Land Transport Programme	0	0	(6,922)
Memorandum account - Other fees and charges	6,372	(1,315)	3,726
SURPLUS/(DEFICIT)	4,535	(3,151)	(4,460)

LAND TRANSPORT FUNDING

	ACTUAL 2015/16 \$'000	BUDGET 2015/16 \$'000	ACTUAL (RESTATED) 2014/15 \$'000
INFLOWS			
Investment management	8,425	13,068	10,825
Public transport	303,998	322,000	294,854
Walking and cycling	22,776	30,881	31,141
Road safety promotion	10,700	14,462	13,000
Local road improvements	104,112	148,800	187,509
Local road maintenance	576,534	554,800	541,805
State highway improvements	662,749	486,330	639,481
State highway maintenance	339,157	360,845	360,835
Assets vested from local authorities	99,399	0	0
Fair value gain on borrowings	13,061	0	0
Total inflows	2,140,911	1,931,186	2,079,450
OUTFLOWS			
Investment management	13,669	13,068	10,554
Public transport	317,998	322,000	294,854
Walking and cycling	41,537	30,881	31,141
Road safety promotion	11,553	14,462	13,000
Local road improvements	104,112	148,800	187,509
Local road maintenance	552,366	554,800	538,668
Reinstatement of earthquake damaged roads in Christchurch	23,466	68,000	3,137
Regional improvements	13,121	65,000	0
State highway improvements	1,358,366	1,269,787	1,401,936
Auckland accelerated package	112,039	50,000	0
Tauranga Eastern Link	0	0	107,000
Public private partnership	221,786	0	228,715
State highway maintenance	454,378	532,883	527,514
Interest on borrowings	6,243	7,941	3,036
Fair value loss on receivables	11,877	0	0
	3,242,511	3,077,622	3,347,064
STATE HIGHWAY NETWORK			
State highway depreciation	407,483	470,000	513,030
State highway asset write-off	12,760	10,000	7,030
Assets vested to local authorities	286,533	0	0
Less non-operating expenditure	(1,845,737)	(1,506,825)	(1,852,819)
	(1,138,961)	(1,026,825)	(1,332,759)
Total outflows	2,103,550	2,050,797	2,014,305
SURPLUS/(DEFICIT)	37,361	(119,611)	65,145

Future National Land Transport Programme funding commitments

	ACTUAL 2015/16 \$000	ACTUAL 2014/15 \$000
Not later than one year	3,958,349	3,385,945
Later than one year and not later than five years	4,803,278	5,893,242
Later than five years	3,956,139	3,791,760
TOTAL FUNDING COMMITMENTS	12,717,766	13,070,947

SPECIFIC PROJECTS FUNDED BY THE CROWN

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
REVENUE			
Funding from the Crown			
SuperGold card administration and public transport concessions	28,264	28,129	26,116
Urban Cycleways	6,457	28,000	3,654
Construction of passing opportunities on SH2	0	0	500
Total revenue	34,721	56,129	30,270
EXPENDITURE			
SuperGold card administration and public transport concessions	28,264	28,129	26,329
Urban Cycleways	8,860	31,000	2,597
Urban Cycleways capital expenditure	1,538	0	0
Construction of passing opportunities on SH2	0	0	500
National War Memorial Park	0	0	10,000
Regional state highways	31,310	45,000	12,000
	69,972	104,129	51,426
STATE HIGHWAY NETWORK			
Less capitalised expenditure	(32,847)	(45,000)	(23,346)
Total expenditure	37,125	59,129	28,080
SURPLUS/(DEFICIT)	(2,404)	(3,000)	2,190

This supplementary information does not form part of the Transport Agency's audited financial statements.

NATIONAL LAND TRANSPORT PROGRAMME

The National Land Transport Programme outlines a three year programme of funding for land transport infrastructure and services throughout the country. The Transport Agency develops the National Land Transport Programme based on the policy direction in the Land Transport Management Act and the Government Policy Statement on Land Transport (and regional priorities).

The following table shows the movements in the National Land Transport Programme balance for the first year of the programme.

NATIONAL LAND TRANSPORT PROGRAMME

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL (RESTATED) 2014/15 \$000
INFLOWS			
Capital contribution from the National Land Transport Fund	969,334	1,019,101	872,321
Capital contribution from the National Land Transport Fund - Public private partnership	214,933	0	161,899
Capital contribution from the National Land Transport Fund - Tauranga Eastern Link	0	0	107,000
Funding from the National Land Transport Fund	2,024,203	2,008,700	2,072,286
Funding from the National Land Transport Fund (rental and interest income)	23,821	16,330	17,723
Funding from state highway disposals	46,775	50,550	61,323
Funding from other activities	78,845	0	74,363
Total inflows from the National Land Transport Fund	3,357,911	3,094,681	3,366,915
OUTFLOWS			
State highway improvements	1,392,802	1,300,000	1,438,239
Auckland accelerated package	112,039	0	0
Public private partnership	221,786	0	228,715
State highway maintenance	478,708	560,000	553,059
Local road improvements	104,112	149,000	187,509
Local road maintenance	552,502	558,000	538,700
Reinstatement of earthquake damaged roads in Christchurch	23,466	0	3,137
Public transport	321,445	331,000	304,937
Walking and cycling	42,490	35,000	31,141
Regional improvements	13,121	65,000	0
Road safety promotion	30,150	34,000	32,926
Investment management	58,925	58,000	51,519
Interest on borrowing	6,243	7,941	3,036
Fair value loss on receivables	11,877	0	0
Total outflows	3,369,666	3,097,941	3,372,918
CARRY OVER INTO NEXT YEAR	(11,755)	(3,260)	(6,003)
Public transport infrastructure - automated fare collection system	13,996	0	6,003
Opening balance	0	0	0
CLOSING BALANCE AT THE END OF THE YEAR	2,241	(3,260)	0

This supplementary information does not form part of the Transport Agency's audited financial statements.

LAND TRANSPORT MANAGEMENT (ROAD TOLLING SCHEME)

This supplementary information has been provided to fulfil the disclosure requirements for the Northern Gateway, Tauranga Eastern Link, and Takitimu Drive toll roads.

NORTHERN GATEWAY TOLL ROAD FOR THE YEAR ENDED 30 JUNE 2016

	ACTUAL 2015/16 000	BUDGET 2015/16 000	FORECAST 2016/17 000	ACTUAL 2014/15 000
TRAFFIC VOLUMES				
Light vehicle	6,119	5,816	6,254	5,585
Heavy vehicle	469	478	504	439
Exempt	22	23	24	22
Unidentifiable	19	12	10	9
Technical loss	6	20	4	20
TOTAL	6,635	6,349	6,796	6,075
	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	FORECAST 2016/17 \$000	ACTUAL 2014/15 \$000
TOLL REVENUE (PORTION DESIGNATED FOR REPAYMENT OF DEBT)				
Light vehicle	7,754	6,972	8,070	6,626
Heavy vehicle	1,545	1,486	1,604	1,359
Interest	61	54	54	71
TOTAL	9,360	8,512	9,728	8,056

A feasible, untolled, alternative route remains available to road users on state highway 17 via Orewa.

TAURANGA EASTERN LINK TOLL ROAD FOR THE YEAR ENDED 30 JUNE 2016

	ACTUAL 2015/16 000	BUDGET 2015/16 000	FORECAST 2016/17 000	ACTUAL 2014/15 000
TRAFFIC VOLUMES				
Light vehicle	2,260	1,625	2,305	0
Heavy vehicle	350	254	351	0
Exempt	10	7	9	0
Unidentifiable	6	5	4	0
Technical loss	12	8	2	0
TOTAL	2,638	1,899	2,671	0
	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	FORECAST 2016/17 \$000	ACTUAL 2014/15 \$000
TOLL REVENUE (PORTION DESIGNATED FOR REPAYMENT OF DEBT)				
Light vehicle	2,309	1,698	2,299	0
Heavy vehicle	1,271	899	1,144	0
Interest	15	30	30	0
Total	3,595	2,627	3,473	0
DEBT AND OTHER FINANCIAL OBLIGATIONS				
Borrowing	107,000	107,000	107,000	107,000
TOTAL	107,000	107,000	107,000	107,000

A feasible, untolled, alternative route remains available to road users on the Te Puke state highway, through Te Puke.

TAKITIMU DRIVE TOLL ROAD FOR THE YEAR ENDED 30 JUNE 2016

	ACTUAL 2015/16 000	BUDGET 2015/16 000	FORECAST 2016/17 000	ACTUAL 2014/15 000
TRAFFIC VOLUMES				
Light vehicle	2,040	1,704	2,150	0
Heavy vehicle	452	140	416	0
Exempt	11	7	9	0
Unidentifiable	8	3	4	0
Technical loss	18	6	2	0
TOTAL	2,529	1,860	2,581	0
	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	FORECAST 2016/17 \$000	ACTUAL 2014/15 \$000
TOLL REVENUE (PORTION DESIGNATED FOR REPAYMENT OF DEBT)				
Light vehicle	1,745	1,478	1,885	0
Heavy vehicle	1,563	487	1,357	0
Interest	14	30	30	0
Total	3,322	1,995	3,272	0
TOLL REVENUE INFLOW TO THE NATIONAL LAND TRANSPORT FUND				
Takitumu Drive	3,322	0	3,303	0
TOTAL	3,322	0	3,303	0

A feasible, untolled, alternative route remains available to road users via Cameron Road or Cambridge/Moffat Roads.

FINANCIAL STATEMENTS FOR ROAD TOLLING OPERATIONS

Statement of comprehensive revenue and expense for the year ended 30 June 2016

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
REVENUE			
Toll fees	11,785	10,453	6,332
Total revenue	11,785	10,453	6,332
Expenditure	10,798	10,197	5,541
SURPLUS/(DEFICIT)	987	256	791

Statement of financial position as at 30 June 2016

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
ASSETS			
Current assets	17,127	15,350	12,526
Non-current assets	18,371	17,975	1,465
Total assets	35,498	33,325	13,991
Liabilities	9,649	9,295	6,452
NET ASSETS/EQUITY	25,849	24,030	7,539

Statement of cash flows for the year ended 30 June 2016

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
Net cash from operating activities	18,460	14,238	8,417
Net cash from investing activities	0	0	0
Net cash from financing activities	(16,180)	(12,545)	(7,955)
Net increase/(decrease) in cash and cash equivalents	2,280	1,693	462
Cash and cash equivalents at the beginning of the year	6,049	6,049	5,587
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8,329	7,742	6,049

This supplementary information does not form part of the Transport Agency's audited financial statements.

NZ TRANSPORT TICKETING LIMITED

The NZ Transport Ticketing Limited has been established as a Crown entity subsidiary, under the governance of the NZ Transport Agency. Its primary purpose is to assist and advise the National Ticketing Programme. Through NZ Transport Ticketing Limited, an infrastructure will be developed to support:

- the transport ticketing central system processing capability for all customers and related service delivery agreements, including national settlement services
- information management support services, including the information registrar function and security management
- other system services, including gateways and interfaces as required.

This table sets out the key financial information of the NZ Transport Ticketing Limited:

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
COMPREHENSIVE REVENUE AND EXPENSE			
Funding from the Transport Agency	2,976	4,596	1,045
Revenue from other activities	128	5,843	10
Total expenditure	3,318	12,439	1,055
SURPLUS/(DEFICIT)	(214)	(2,000)	0
FINANCIAL POSITION			
Assets			
Cash and cash equivalents	786	23	815
Receivables	4	870	206
Property, plant and equipment	0	485	0
Intangible assets	0	15,916	0
	790	17,294	1,021
Liabilities			
Payables	944	804	997
Employee entitlements	60	38	24
	1,004	842	1,021
Equity			
Contributed capital	0	18,382	0
Accumulated surplus/(deficit)	(214)	(1,930)	0
NET ASSETS/EQUITY	(214)	16,452	0

This supplementary information does not form part of the Transport Agency's audited financial statements.

OUTPUT CLASS INCOME AND EXPENDITURE

OUTPUT CLASSES THAT SUPPORT OUR ONE NETWORK GOAL

INVESTMENT MANAGEMENT

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
OPERATING REVENUE			
Crown (crash analysis system)	775	775	775
National Land Transport Fund	51,849	59,000	50,916
Other	1,831	0	297
Total operating revenue	54,455	59,775	51,988
OPERATING EXPENSES			
Transport Agency (crash analysis system)	3,356	821	469
Transport Agency operating activities	45,255	45,932	40,965
Funding to approved organisations	4,294	13,068	10,554
Total operating expenses	52,905	59,821	51,988
Surplus/(deficit)	1,550	(46)	0
CAPITAL FUNDING AND CAPITAL EXPENDITURE			
National Land Transport Fund capital contribution	7,826	0	0
Capital investment	(9,376)	0	0
Net capital movement	(1,550)	0	0
TOTAL MOVEMENT	0	(46)	0

OUTPUT CLASSES THAT SUPPORT OUR SMART CHOICES GOAL

LICENSING AND REGULATORY COMPLIANCE

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
OPERATING REVENUE			
Crown (ministerial advice and official correspondence)	548	548	548
Crown (rules development)	899	899	899
Crown (drug and alcohol assessments)	999	1,030	1,238
Crown (driver licensing stop orders)	75	75	75
Crown (driver test subsidy)	1,445	1,445	1,445
Fees and charges	91,566	85,176	82,221
Other	0	350	788
Total operating revenue	95,532	89,523	87,214
OPERATING EXPENSES			
Ministerial advice and official correspondence	962	874	814
Rules development	731	757	702
Drug and alcohol assessments	1,135	1,467	1,273
Fees and charges funded activities	87,453	85,374	81,246
Other (including driver licensing stop orders)	0	0	159
Total operating expenses	90,281	88,472	84,194
SURPLUS	5,251	1,051	3,020

ROAD TOLLING

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
OPERATING REVENUE			
Fees and charges	11,785	10,453	6,332
Total operating revenue	11,785	10,453	6,332
OPERATING EXPENSES			
Transport Agency operating activities	10,798	10,197	5,541
Total operating expenses	10,798	10,197	5,541
SURPLUS	987	256	791

MOTOR VEHICLE REGISTRY

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
OPERATING REVENUE			
Fees and charges	59,672	55,679	59,524
Total operating revenue	59,672	55,679	59,524
OPERATING EXPENSES			
Transport Agency operating activities	58,888	57,684	58,611
Total operating expenses	58,888	57,684	58,611
SURPLUS/(DEFICIT)	784	(2,005)	913

ROAD USER CHARGES COLLECTION, INVESTIGATION AND ENFORCEMENT

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
OPERATING REVENUE			
Crown (RUC collection)	0	0	4,720
NLTF/Crown (RUC investigation and enforcement)	3,779	3,779	3,779
NLTF/Crown (RUC refund)	450	450	450
Fees and charges	11,818	10,842	7,648
Total operating revenue	16,047	15,071	16,597
OPERATING EXPENSES			
Transport Agency (RUC investigation and enforcement)	3,763	3,795	2,969
Transport Agency (RUC refund)	683	627	794
Transport Agency (RUC collection)	11,787	11,399	11,974
Total operating expenses	16,233	15,821	15,737
SURPLUS/(DEFICIT)	(186)	(750)	860

ROAD SAFETY PROMOTION

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
OPERATING REVENUE			
National Land Transport Fund	29,199	33,900	32,553
Community road safety programme	1,456	924	1,205
Other	99	0	374
Total operating revenue	30,754	34,824	34,132
OPERATING EXPENSES			
Transport Agency (community road safety programme)	891	1,342	46
Transport Agency (vehicle impoundment)	216	200	185
Transport Agency operating activities	18,381	19,238	19,741
Funding to approved organisations	10,678	14,462	13,000
Total operating expenses	30,166	35,242	32,972
Surplus/(deficit)	588	(418)	1,160
CAPITAL FUNDING AND CAPITAL EXPENDITURE			
National Land Transport Fund capital contribution	852	0	0
Capital investment	(874)	0	0
Net capital movement	(22)	0	0
TOTAL MOVEMENT	566	(418)	1,160

OUTPUT CLASSES THAT SUPPORT OUR HIGHWAY SOLUTIONS GOAL

STATE HIGHWAY IMPROVEMENTS

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL (RESTATED) 2014/15 \$000
OPERATING REVENUE			
National Land Transport Fund	611,667	470,000	589,867
National Land Transport Fund (tolling)	6,917	16,330	1,199
Developers contributions	31,159	0	51,823
Assets vested from local authorities	99,399	0	0
Contribution from recoverable projects	13,005	0	0
Fair value gain on borrowings	13,061	0	0
Total operating revenue	775,208	486,330	642,889
OPERATING EXPENSES			
Interest and finance costs	24,271	0	66,816
Depreciation and state highway write offs	420,243	470,000	523,051
Expenditure on recoverable projects	13,003	0	0
Assets vested to local authorities	286,533	0	0
Total operating expenses	744,050	470,000	589,867
Surplus	31,158	16,330	53,022
CAPITAL FUNDING			
Crown capital contribution (National War Memorial Park)	0	0	10,000
Crown capital contribution (regional state highways)	31,310	45,000	12,000
Crown capital contribution (construction of passing opportunities on SH2)	0	0	500
National Land Transport Fund capital contribution	694,491	774,101	696,878
National Land Transport Fund capital contribution (Auckland accelerated package)	112,039	50,000	0
National Land Transport Fund capital contribution (public private partnership)	214,933	0	161,899
National Land Transport Fund capital contribution (Tauranga Eastern Link)	0	0	107,000
National Land Transport Fund capital contribution (state highway disposals)	46,775	50,550	61,323
Depreciation funding utilised for investment in the state highway network	420,243	470,000	523,051
Non-cash expenditure funding for assets vested to/from local authorities	187,134	0	0
Total capital funding	1,706,925	1,389,651	1,572,651

STATE HIGHWAY IMPROVEMENTS (CONTINUED)

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL (RESTATED) 2014/15 \$000
CAPITAL EXPENDITURE			
Crown investment (National War Memorial Park)	0	0	10,000
Crown investment (regional state highways)	31,310	45,000	12,000
Crown investment (construction of passing opportunities on SH2)	0	0	500
Transport Agency capitalised expenditure	34,436	33,253	36,302
Auckland accelerated package	112,039	50,000	0
Public private partnership	214,933	0	161,899
Tauranga Eastern Link	0	0	107,000
Transport Agency investment in the state highway network	1,345,365	1,269,787	1,294,936
Total capital expenditure	1,738,083	1,398,040	1,622,637
Net capital movement	(31,158)	(8,389)	(49,986)
TOTAL MOVEMENT	0	7,941	3,036

STATE HIGHWAY MAINTENANCE

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
OPERATING REVENUE			
National Land Transport Fund	322,233	380,000	341,251
National Land Transport Fund (rental and interest income)	16,904	0	16,524
Other (contributions)	18,280	988	21,654
Total operating revenue	357,417	380,988	379,429
OPERATING EXPENSES			
Transport Agency operating activities	17,921	20,143	19,101
Transport Agency investment in the state highway network	325,562	360,845	344,183
Total operating expenses	343,483	380,988	363,284
Surplus/(deficit)	13,934	0	16,145
CAPITAL FUNDING			
National Land Transport Fund capital contribution	122,243	180,000	175,443
Total capital funding	122,243	180,000	175,443
CAPITAL EXPENDITURE			
Transport Agency capitalised expenditure	7,361	7,962	8,450
Transport Agency investment in the state highway network	128,816	172,038	183,331
Total capital expenditure	136,177	180,000	191,781
Net capital movement	(13,934)	0	(16,338)
TOTAL MOVEMENT	0	0	(193)

OUTPUT CLASSES THAT SUPPORT OUR MAXIMISE RETURNS GOAL

PUBLIC TRANSPORT

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
OPERATING REVENUE			
National Land Transport Fund	307,196	331,000	298,382
Other	249	0	552
Total operating revenue	307,445	331,000	298,934
OPERATING EXPENSES			
Transport Agency (NZTTL)	2,967	8,800	1,045
Transport Agency operating activities	480	200	9,038
Funding to approved organisations	317,998	322,000	294,854
Total operating expenses	321,445	331,000	304,937
SURPLUS/(DEFICIT)	(14,000)	0	(6,003)

SUPERGOLD CARD ADMINISTRATION AND PUBLIC TRANSPORT CONCESSIONS

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
OPERATING REVENUE			
Crown	28,559	28,224	26,211
Total operating revenue	28,559	28,224	26,211
OPERATING EXPENSES			
Transport Agency operating activities	297	95	95
Funding to approved organisations	28,262	28,129	26,329
Total operating expenses	28,559	28,224	26,424
SURPLUS/(DEFICIT)	0	0	(213)

WALKING AND CYCLING

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
OPERATING REVENUE			
Crown (Urban Cycleways)	6,457	28,000	3,654
National Land Transport Fund	21,276	31,000	29,971
Other	2,454	0	1,170
Total operating revenue	30,187	59,000	34,795
OPERATING EXPENSES			
Crown funding to approved organisations (Urban Cycleways)	8,860	28,000	1,250
Transport Agency operating activities	954	119	0
Funding to approved organisations	20,322	30,881	31,142
Total operating expenses	30,136	59,000	32,392
Surplus/(deficit)	51	0	2,403
CAPITAL FUNDING			
Crown capital contribution (Urban Cycleways)	2,000	3,000	1,346
National Land Transport Fund capital contribution	18,761	0	0
Total capital funding	20,761	3,000	1,346
CAPITAL EXPENDITURE			
Crown investment in the state highway network (Urban Cycleways)	1,538	3,000	1,346
Capital investment in walking and cycling	21,215	0	0
Total capital expenditure	22,753	3,000	1,346
Net capital movement	(1,992)	0	0
TOTAL MOVEMENT	(1,941)	0	2,403

LOCAL ROAD IMPROVEMENTS

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
OPERATING REVENUE			
National Land Transport Fund	104,112	148,800	187,509
Total operating revenue	104,112	148,800	187,509
OPERATING EXPENSES			
Funding to approved organisations	104,112	148,800	187,509
Total operating expenses	104,112	148,800	187,509
SURPLUS	0	0	0

LOCAL ROAD MAINTENANCE

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL (RESTATED) 2014/15 \$000
OPERATING REVENUE			
National Land Transport Fund	553,204	555,000	538,700
National Land Transport Fund (reinstatement of roads in Christchurch)	23,466	0	3,137
Total operating revenue	576,670	555,000	541,837
OPERATING EXPENSES			
National Land Transport Programme (reinstatement of roads in Christchurch)	23,466	68,000	3,137
Transport Agency operating activities	137	200	32
Funding to approved organisations	552,365	554,800	538,668
Interest on borrowing	702	0	0
Total operating expenses	576,670	623,000	541,837
SURPLUS/(DEFICIT)	0	(68,000)	0

REGIONAL IMPROVEMENTS

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
CAPITAL FUNDING			
National Land Transport Fund capital contribution	13,121	65,000	0
Total capital funding	13,121	65,000	0
CAPITAL EXPENDITURE			
Transport Agency investment in the state highway network	13,121	65,000	0
Total capital expenditure	13,121	65,000	0
NET CAPITAL MOVEMENT	0	0	0

REFUND OF FUEL EXCISE DUTY

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	ACTUAL 2014/15 \$000
OPERATING REVENUE			
National Land Transport Fund	545	519	475
Other	114	0	89
Total operating revenue	659	519	564
OPERATING EXPENSES			
Transport Agency operating activities	659	612	553
Total operating expenses	659	612	553
SURPLUS/(DEFICIT)	0	(93)	11

INDEPENDENT AUDITOR'S REPORT



To the readers of NZ Transport Agency and groups financial statements and performance information for the year ended 30 June 2016

The Auditor-General is the auditor of NZ Transport Agency (the "Transport Agency") and group. The Auditor-General has appointed me, Brent Manning, using the staff and resources of KPMG, to carry out the audit of the financial statements and the performance information, including the performance information for appropriation, of the group consisting of the Transport Agency and its subsidiary (collectively referred to as the "Group"), on her behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 87 to 126, that comprise the statement of financial position as at 30 June 2016, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 12 to 35 and 55 to 82.

In our opinion:

- the financial statements of the Group:
 - 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 Group'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 appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 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 Group's financial statements and performance information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the appropriateness of the reported performance information within the Transport Agency's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the non-financial performance information. Also we did not evaluate the security and controls over the electronic publication of the financial statements and non-financial performance information.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board

The Board is responsible for preparing financial statements and non-financial performance information that:

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

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

The Board is responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error. The Board 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.

In addition to the audit we have carried out an independent review on Drivers Licensing End-to-End System Integrity, provided Transport Service Delivery Site Audit support and Risk Workshop Facilitation. These assignments are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interest in the Transport Agency.



BRENT MANNING

KPMG

ON BEHALF OF THE AUDITOR-GENERAL

WELLINGTON, NEW ZEALAND

PUTTING THE SCRUTINY PRINCIPLE INTO PRACTICE

Report on the implementation of systems and procedures to give effect to the scrutiny principle for the period 1 July 2015 to 30 June 2016.

BACKGROUND

The Land Transport Management Act 2003 provides for an operating principle for the NZ Transport Agency, namely, that it must:

...ensure that... it gives, when making decisions in respect of planning and funding under subpart 1 of Part 2, the same level of scrutiny to its own proposed activities and combinations of activities as it would to those proposed by approved organisations (section 96(1) d).

The Transport Agency is required to do a number of things in relation to this principle including developing systems and procedures to enable it to give effect to the scrutiny principle, and including a report on its implementation of the systems and procedures in its annual report.

SYSTEMS AND PROCEDURES

The Transport Agency has set up a number of systems and procedures to give effect to the scrutiny principle. Three sets of procedures have been developed to ensure compliance: operational procedures, to ensure individual decisions apply the appropriate level of scrutiny; managerial procedures, to oversee the application of the scrutiny principle; and monitoring and reporting procedures, to confirm the operational procedures are followed and the scrutiny principle has been properly applied.

The operational procedures enable employees and board members of the Transport Agency to know when and how to comply with the principle in relation to individual decisions, including:

- following the same procedure for similar types of activities
- applying equivalent evaluation criteria
- requiring an equivalent level of information
- applying the same level of rigour to the analysis
- applying the same level of tolerance to cost estimate rigour
- staff with equivalent seniority and experience involved with equivalent decisions.

IMPLEMENTATION

The Transport Agency has published its approach to giving effect to the scrutiny principle on its website.¹ This page also lists the systems and procedures it has in place to apply the scrutiny principle and provides links to documentation – the procurement manuals and the Planning and Investment Knowledge Base – where the systems and procedures are set out in detail. Monitoring of the webpage during 2016 indicates the page was accessed on average 30 times a month (2015: 11).

A further link on this page links to a webpage that lists all the funding decisions the Transport Agency has made since August 2008 (the prescribed date in the Land Transport Management Act 2003 is 1 October 2008).² The page is updated monthly once the previous month's decisions have been confirmed. Monitoring of the webpage during 2016 indicates the page was accessed on average 73 times a month (2015: 133).

The key system used by the Transport Agency is the web-based Transport Investment Online (TIO) system, which is used to manage the National Land Transport Programme. It contains all the activities proposed for funding and sets out for all applicants, both approved organisations and the Transport Agency for its own activities, the information required for assessing and evaluating the activities for funding. The system also records the decisions made by the Transport Agency including any conditions applied to the funding. The system is transparent. Approved organisations can see the details of their proposals and the Transport Agency's recommendations and decisions.

¹ www.nzta.govt.nz/planning-and-investment/our-investments/investment-decisions/how-decisions-are-made/

² www.nzta.govt.nz/planning/what-funding/board-decisions/index.html

A number of different monitoring procedures are in place to provide quality assurance to the Transport Agency Board that employees and members are complying with the scrutiny principle. These include:

- management reviews and checking of assessments and decisions
- audits conducted on both Transport Agency and approved organisation projects by the investment monitoring team
- periodic, risk-based review of the performance of procedures by the internal audit team. Results from this work are reported to the Transport Agency's Audit, Risk and Assurance committee. The Secretary for Transport is an advisor to this committee and attends the meetings
- external audit review as required to verify this report.

INDEPENDENT LIMITED ASSURANCE REPORT



Independent Limited Assurance Report to the readers of the NZ Transport Agency's Report on Putting the Scrutiny Principle into Practice for the year ended 30 June 2016

We have carried out work to provide limited assurance on whether any matter has come to our attention that would lead us to believe that the report prepared by the NZ Transport Agency (the "Transport Agency") on Putting the Scrutiny Principle into Practice (the "Report") on pages 149-150 of the annual report does not fairly reflect the implementation of systems and procedures that are required to give the same level of scrutiny to its own proposed activities and combinations of activities, when making decisions in respect of land transport planning and funding under subpart 1 of Part 2 of the Land Transport Management Act 2003 (the Act), as it would give to those proposed by other approved organisations.

The Auditor-General is the auditor of the Transport Agency. The Auditor-General has appointed me, Brent Manning, using the staff and resources of KPMG, to carry out this work on her behalf.

Responsibilities of the Directors

The Directors of the Transport Agency are responsible for preparing a report on the implementation of the systems and procedures that are required to give the same level of scrutiny to its own proposed activities and combinations of activities, when making decisions in respect of land transport planning and funding under subpart 1 of Part 2 of the Act, as it would give to those proposed by other approved organisations. We refer to this as the "scrutiny principle". The Transport Agency's Report is required to be included in its annual report, and to be fairly stated. Fairly stated, in the context of the Transport Agency's Report, requires that the report is complete, correct and understandable.

Responsibility of the Auditor

Section 96(3) of the Act requires the Auditor-General to conclude whether the Report fairly states the Transport Agency's implementation of the systems and procedures to give effect to the "scrutiny principle" in accordance with section 96(1)(d)(ii) of the Act.

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ((ISAE (NZ) 3000 (Revised))) in order to state whether anything has come to our attention that would indicate that the systems and procedures, as described in the Report, have not, in all material respects, been consistently applied in order to give effect to the "scrutiny principle" for the year ended 30 June 2016.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for implementing the systems and procedures associated with implementing the "scrutiny principle", and applying analytical and other limited assurance procedures. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement or an audit conducted in accordance with the Auditor-General's Auditing Standards. Consequently we do not seek to obtain evidence that allows us to provide the higher level of assurance afforded by an audit. Accordingly, we do not express a reasonable assurance or audit opinion.

Inherent limitations

Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our engagement is not designed to detect all weaknesses in the implementation of the systems and procedures required to give effect to the "scrutiny" principle, as the engagement has not been performed continuously throughout the period and the testing performed was undertaken on a sample basis.

The limited assurance conclusion expressed in this report has been formed on the above basis.

Independence

When carrying out the limited assurance engagement we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. Our firm has also provided audit services to the Transport Agency. Subject to certain restrictions, partners and employees of our firm may also deal with the Transport Agency on normal terms within the ordinary course of trading activities of the business of the Transport Agency. These matters have not impaired our independence as assurance providers of the Transport Agency for this engagement. We have no other relationship with, or interests in, the Transport Agency.

Conclusion

Based on our limited assurance engagement, which is not a reasonable assurance engagement or an audit, we have not become aware of any material matter that would lead us to believe that the Report prepared by the Transport Agency on the implementation of systems and procedures to give effect to the "scrutiny principle", on pages 149-150 for the year ended 30 June 2016 is not fairly stated.

Our limited assurance engagement was completed on 26 September 2016 and our opinion is expressed as at that date.



BRENT MANNING

KPMG

ON BEHALF OF THE AUDITOR-GENERAL

WELLINGTON, NEW ZEALAND

SECTION E
ABOUT US



WHAT WE DO

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

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

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

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

We create transport solutions by:

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

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

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

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

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

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

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

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

OUR BOARD

BOARD MEMBER PROFILES

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

CHRIS MOLLER, CHAIR (WELLINGTON)

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



CHRIS ELLIS (AUCKLAND)

Chris's background spans the manufacturing, heavy construction and engineering sectors. He is chair of Energyworks Holdings Ltd and Highway Group Ltd and serves on the board of directors of WorkSafe New Zealand and Horizon Energy Ltd. He has held chief executive roles with Brightwater Group, and before that at Fletcher Building Ltd where he was Chief Executive of the Building Products Division. Earlier, he held general management roles in Winstone Aggregates and Fletcher Construction. Chris has a bachelor of engineering degree from the University of Canterbury and a master's degree in engineering science and management from Stanford University in California.



FRAN WILDE, DEPUTY CHAIR (WELLINGTON)

Fran is a non-executive director who chairs the Remuneration Authority and is a director of other enterprises. Fran was previously a Cabinet Minister, Mayor of Wellington and Chair of the Wellington Regional Council. She was Chief Executive of the NZ Trade Development Board, has chaired Housing NZ Ltd, Wellington Waterfront Ltd, the Food Safety Advisory Board and the NZ International Arts Festival, and has been a director on listed, privately held and government-owned companies. Fran also chaired the Government's Expert Advisory Group on Local Government Infrastructure Efficiency.



LEO LONERGAN (WELLINGTON)

Leo returned to New Zealand in 2013 after a 36-year career with Chevron Corporation, including executive assignments in North America, Europe, Middle East and Asia. He was elected an officer of Chevron in 2005 and most recently led Chevron's worldwide procurement and supply chain organisations with a team of 5000 people and global spend of US\$50 billion per year.



GILL COX (CHRISTCHURCH)

Gill is a chartered accountant and non-executive director. He chairs MainPower NZ Ltd, Transwaste Canterbury Ltd and Ngāi Tahu Farming Ltd. He is also a director of privately held businesses involved in manufacturing, warehousing and distribution, infrastructure, property development, medical services, legal services and fishing. Gill is a member of the Canterbury Earthquake Recovery Authority Community Forum in Christchurch and the Canterbury Earthquake Recovery Advisory Board.



MARK OLDFIELD (TIMARU)

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



NICK ROGERS (AUCKLAND)

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

**ADRIENNE YOUNG-COOPER (AUCKLAND)**

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

**Board members whose terms ended in 2015/16****DAME PATSY REDDY (WELLINGTON)**

Dame Patsy was a non-executive director of a wide variety of companies in the public and private sectors over the past 25 years. At the time of her retirement from the Transport Agency Board, she was also serving as Chair of the New Zealand Film Commission and Education Payroll Ltd and was a director of Payments NZ Ltd and Active Equity Holdings Ltd. She was a chief Crown negotiator for Treaty of Waitangi settlements and a lead reviewer for the Performance Improvement Framework for the State Services Commission. Her previous directorships include Telecom Corporation of NZ Ltd, SKYCITY Entertainment Group Ltd, New Zealand Post and Air New Zealand Ltd.

JERRY RICKMAN (HAMILTON)

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

TONY LANIGAN (AUCKLAND)

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

BOARD MEMBERSHIP COMPOSITION

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



BOARD FUNCTIONS AND OPERATIONS

Board functions

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

- sets sector and organisational direction
- confirms service and financial performance targets
- assesses progress against the Transport Agency's strategy and plans
- assures the quality of key organisational systems, policies and processes
- directs significant planning, investment and operational matters.

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

- approving annual budgets
- making significant funding decisions and awarding major contracts
- authorising changes to the organisational structure
- authorising significant changes to processes or procedures for the allocation of the National Land Transport Fund
- reviewing the performance and remuneration of the Chief Executive.

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

The board committees help the Board by:

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

The Audit, Risk and Assurance Committee has delegated authority to approve the Transport Agency's annual assurance programme.

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

Board member remuneration

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

Disclosure of interests

Board members must complete a declaration of interests each year. Any changes to board members' interests are tabled and reviewed at the opening of every board meeting. This process is considered a part of the overall external audit of the Transport Agency.

Code of conduct

The Board endorses the State Services Commission's code of conduct as being consistent with the expectations of board members set out in the Crown Entities Act 2004.

Declaration of interests is a standing item on the agendas for all board and board committee meetings. Board members' interests are listed on a register of declarations of interests maintained by the board secretariat. Board secretariat staff review all draft board and board committee papers to check whether a conflict could arise. If a potential conflict of interest is identified, the board member in question and board chair are notified, and the member and Chair agree whether there is an issue and, if so, how to manage it. For board decisions relating to potentially more contentious projects, any potential conflict issues are discussed with the probity advisor appointed to the project.

There is a Travel and Expense Policy and an Acceptance of Gifts and Invitations Policy for Board and board committee members. Gifts and hospitality received by members with a value of \$100 or more must be registered on the Transport Agency Probity Register.

Induction

Induction training is provided to all new board members with all board members welcome to attend. In 2015/16 this included an induction workshop provided by the Ministry of Transport. This is being followed up (in 2016/17) with written induction modules and workshops delivered by senior managers at the Transport Agency.

Board performance reviews

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

Governance statement

The Board operates according to its charter, which sets out the governance arrangements for the Transport Agency. The charter was developed with guidance from the State Services Commission, the Treasury and the Office of the Auditor-General.

Board activity in 2015/16

The Board held seven scheduled and three special meetings in 2015/16. The scheduled meetings were held in Wellington (three), Auckland (two), Queenstown (one) and Gisborne (one). One matter was dealt with out of session by unanimous written assent of the board members.

BOARD FUNCTION	HIGHLIGHTS
Setting sector and organisational direction	<p>Maintaining oversight of:</p> <ul style="list-style-type: none"> the Transport Agency's total assurance framework and approach a review of the Transport Agency's investment decision-making system the outputs of the Auckland Transport Alignment Project Transport Agency work in relation to Auckland greenfield growth areas. <p>Considering the basis and rationale for the Transport Agency's approach to speed management.</p> <p>Agreeing to further testing of a draft approved organisations' relationship framework and agreeing to a proposed memorandum with Northland councils on transportation collaboration.</p>
Confirming service and financial performance targets	<p>Overseeing and approving the <i>Statement of performance expectations 2016/17</i>.</p>
Assessing progress against our strategy and plans	<p>Approving the financial results for 2014/15 and the 2014/15 Transport Agency and National Land Transport Fund annual reports.</p> <p>Receiving quarterly progress reports, including the financial reports.</p> <p>Considering the Transport Agency's:</p> <ul style="list-style-type: none"> preliminary investor confidence rating and proposed improvements in response to the investor confidence findings 2014/15 Benchmarking Administrative and Support Services results.
Quality assurance of key organisational systems, processes and policies	<p>Maintaining oversight of the roll-out of network outcome contracts for state highway maintenance and operations.</p> <p>Considering the Transport Agency's full-time equivalent employee cap.</p> <p>Endorsing the Transport Agency's personal information management framework and approving the Transport Agency's annual self-assessment report to the Government Chief Privacy Officer.</p> <p>Adopting the Transport Agency's Zero Harm: officers' due diligence framework.</p>
Significant planning investment and operational matters	<p>Appointment of the new Chief Executive, Fergus Gammie.</p> <p>Commissioning, jointly with the Ministry of Transport, an independent review of the operating model for tolling.</p> <p>Approving the methodology for implementing funding policy changes for the SuperGold free off-peak travel scheme.</p> <p>Maintaining oversight of:</p> <ul style="list-style-type: none"> the delivery of the 2015-18 state highway programme emerging priorities for interregional routes the Transport Agency's delivery of long-term value for money through business transformation the development of an approach to national delivery of regional integrated ticketing systems.

Agreeing to the strategy and strategy implementation for key upper North Island journeys: Auckland-Hamilton-Tauranga.

Endorsing the Connecting Northland: Auckland to Whāngārei corridor strategy.

Undertaking the Pūhoi to Warkworth public private partnership procurement process.

Endorsing Auckland Transport's 2015-18 procurement strategy.

Approving the preferred option for the Auckland Northern Corridor improvement project.

Approving the staging for the East West Connections project.

Reviewing the tariffs for the Northern Gateway Toll Road.

Approving the programme business case for the Auckland Central Access Plan.

Focusing the options for further investigations for a rapid transit network from south-west Auckland to the Auckland Airport and agreeing to invest in widening the State Highway 20A trench under Kirkbride Road, to future proof it for a rapid transit network.

Approving funding for developing an indicative business case for Auckland Transport's northwestern rapid transit corridor.

Supporting the programme business case for the State Highway 1 Cambridge to Piarere corridor programme and approving funding for detailed business cases for the State Highway 1 Cambridge to Piarere improvements project.

Undertaking the procurement process for the Hamilton section of the Waikato Expressway Road of National Significance.

Funding the implementation of the State Highway 2 Pokeno to Mangatarata improvements programme.

Supporting the programme for the State Highway 2 corridor between Waihi and Tauranga.

Supporting the Connect Rotorua Eastern and Central Corridor programme business cases and approving funding for the implementation of those business cases.

Funding the construction of the Peka Peka to Ōtaki Expressway project.

Approving the preferred options for the:

- Ōtaki to Levin section of the Wellington Northern Corridor
 - Petone to Grenada Link Road.
-

Governance matters

Amending the board delegations and approving delegations to external parties - such as Gisborne District Council employees at the Tairāwhiti Roads joint roading management business unit.

Integrating new board members by approving an induction programme and reviewing the membership of board committees.

BOARD AND BOARD COMMITTEE ATTENDANCE

MEMBER	BOARD COMMITTEE MEETINGS			BOARD MEETINGS
	INVESTMENT AND OPERATIONS BOARD COMMITTEE	AUDIT, RISK AND ASSURANCE BOARD COMMITTEE	REMUNERATION AND HUMAN RESOURCES BOARD COMMITTEE	
Chris Moller ¹ (Chair)		4/4	3/3	10/10
Fran Wilde ² (Deputy Chair)				2/2
Gill Cox		6/7		9/10
Mark Oldfield	3/3			10/10
Nick Rogers	3/3			9/10
Adrienne Young-Cooper	3/3			10/10
Chris Ellis ³				1/2
Leo Lonergan ⁴				2/2
FORMER BOARD MEMBERS 2015/16				
Dame Patsy Reddy ⁵ (Deputy Chair and Remuneration and Human Resources Board Committee Chair)			3/3	7/8
Jerry Rickman ⁶ (Audit, Risk and Assurance Board Committee Chair)		3/3		3/3
Tony Lanigan ⁷	1/1			3/3

¹ Following Jerry Rickman's departure from the Board on 31 October 2015, Chris Moller attended Audit, Risk and Assurance Committee meetings as a member, fulfilling the quorum until new board members were appointed.

² Fran Wilde's term commenced on 1 May 2016.

³ Chris Ellis's term commenced on 1 May 2016.

⁴ Leo Lonergan's term commenced on 1 May 2016.

⁵ Dame Patsy Reddy's term ended on 1 April 2016.

⁶ Jerry Rickman's term ended on 31 October 2015.

⁷ Tony Lanigan's term ended on 31 October 2015.

INVESTMENT AND OPERATIONS COMMITTEE

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

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

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

The committee met three times during 2015/16.

AUDIT, RISK AND ASSURANCE COMMITTEE

The Audit, Risk and Assurance Committee is made up of three serving board members. The committee is served by the Chief of Assurance and Risk and the Chief Executive. The Group Manager, Organisational Support and Chief Financial Officer also attend meetings. The Ministry of Transport's Chief Executive has been appointed by the Board as a committee member to facilitate his responsibilities under section 101 of the Land Transport Management Act 2003.

The committee's responsibilities include:

- achieving and maintaining confidence that the Transport Agency has suitable risk management practices⁴
- monitoring and reviewing significant financial, reporting and other risks
- reviewing and approving the internal audit programme
- achieving and maintaining confidence that the internal audit process is independent, objective and effective
- monitoring and reviewing significant findings arising from internal audits
- reviewing the audit programme and monitoring the effectiveness of the external auditor
- receiving reports from the external auditor
- reporting an overview of the committee's activities to the board.

The committee met seven times during 2015/16.

⁴ The Transport Agency has adopted enterprise risk management, substantially incorporating the elements of the Joint Australian New Zealand International Standard AS/NZS ISO 31000:2009 *Risk management: principles and guidelines*. Enterprise risk management is an integrated and systematic approach to managing an organisation's risks, including strategic, tactical and operational risks.

REMUNERATION AND HUMAN RESOURCES COMMITTEE

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

To meet its strategic governance responsibilities, the committee:

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

To meet its responsibility for the Chief Executive's employment relationship and remuneration, the committee:

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

The committee met three times during 2015/16.

OUR STRUCTURE

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

BUSINESS GROUPS

- The Access and Use group (with approximately 510 staff) provides users with access to the transport system (such as driver licences and motor vehicle registration), sets standards for vehicles and drivers, and regulates transport operators and rail.
- The Highways and Network Operations group (with approximately 420 staff) is responsible for moving people and freight around the state highway network and for improving the state highway network to maintain its condition, improve travel-time reliability and reduce the risk of death or serious injury to road users.
- The Planning and Investment group (with approximately 140 staff) develops regional and national partnerships that enable us to influence land-use planning and make the most of our investment in integrated transport solutions. The group manages how the National Land Transport Fund is invested to deliver integrated transport solutions. It does this by assessing and prioritising activities put forward by approved organisations and the Transport Agency for state highways.

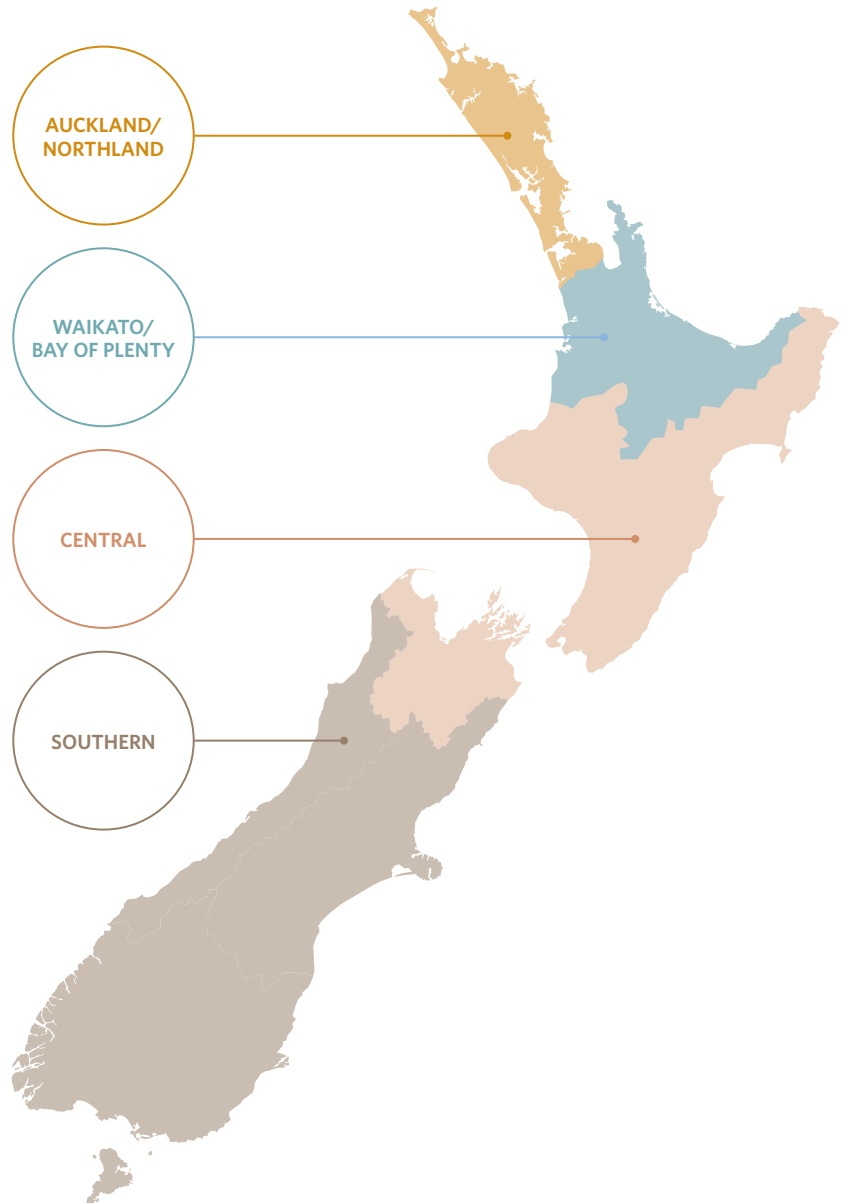
CORPORATE SUPPORT GROUPS

Approximately 340 staff make up the following corporate support groups:

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

NZ TRANSPORT AGENCY REGIONS

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



OUR LEADERSHIP TEAM

CHIEF EXECUTIVE

FERGUS GAMMIE

*Bachelor of Arts,
Certificate in Management*

The Transport Agency's new Chief Executive, Fergus Gammie, is passionate about technology, innovation and delivering results for customers.

Fergus stepped into his new role in March 2016. He is a former Chief Executive of Auckland Regional Transport Authority, Chief Operating Officer of Auckland Transport and Deputy Director General Transport Services, and was Deputy Secretary Infrastructure & Services of Transport for New South Wales.



ROBERT BRODNAX ACTING GROUP MANAGER PLANNING AND INVESTMENT

Master of Science (Hons)

Robert has been with the Transport Agency since 2009. Previously, he held a variety of roles at the Waikato Regional Council, including three years as Group Manager Policy and Strategy. He has worked in a wide variety of fields from waste and contaminated land management to spatial planning and environmental policy development. He has also held a variety of governance roles for not-for-profit trusts such as the Agrecovery Foundation, the Product Stewardship Foundation and the Maungatautari Ecological Island Trust. He is an experienced policy manager with a particular focus on leading collaborative processes at the interface between business, communities and public sector agencies.



SENIOR LEADERSHIP TEAM

RAEWYN BLEAKLEY REGIONAL DIRECTOR CENTRAL

*Bachelor in Human Nutrition,
Postgraduate Diploma of Science*

Raewyn joined the Transport Agency in October 2014. Raewyn was previously Chief Executive of Business Central (incorporating the Wellington Chamber of Commerce) in Wellington, after almost five years leading the Bus and Coach Association and Rental Vehicle Association. Before that Raewyn was National Operations Manager for the Hospitality Association of New Zealand. Raewyn has an extensive background in fostering collaboration and advocating for continued improvement across the transport, tourism, business and local government sectors.



JENNY CHETWYND GROUP MANAGER STRATEGY AND PERFORMANCE

*Bachelor of Regional Planning
(BRP) (Hons), Masters of Business
Administration*

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



ALLAN FROST GROUP MANAGER ORGANISATIONAL SUPPORT

*Bachelor of Business Studies,
Chartered Accountant, Fellow
Certified Public Accountant*

Allan joined the Transport Agency in October 2008. Allan has extensive experience in financial and information management executive roles and has worked for over 20 years in senior leadership roles, focusing on getting the best from people, information, technology and finance.



JIM HARLAND
REGIONAL DIRECTOR SOUTHERN

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



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

BARBARA HARRISON
GROUP MANAGER PEOPLE AND CAPABILITY

Bachelor of Business (Management), Wharton Business School's Advanced Management Program



Barbara joined the Transport Agency in August 2016 after working for Northpower for 11 years. Barbara has significant human resources, safety and management experience, bringing extensive experience in leading people and capability teams. Barbara's career spans leadership roles in infrastructure and industrial environments in New Zealand and Australia.

TOMMY PARKER
GROUP MANAGER HIGHWAYS AND NETWORK OPERATIONS

Bachelor of Arts (Hons in Urban Planning), Diploma (Urban Planning Implementation), Masters of Science (Transportation Planning and Engineering)



Tommy has been with Transit and the Transport Agency for over 10 years. He has held various roles including Highways Manager for Auckland and Northland. Tommy has over 20 years' experience in transport planning in the public sector and private consultancy.

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

Graduate Diploma (Business), Masters of Business Administration



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

HARRY WILSON
ROAD SAFETY DIRECTOR

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



ERNST ZÖLLNER
REGIONAL DIRECTOR AUCKLAND/ NORTHLAND

Bachelor of Commerce (Hons in Economics), Masters in City & Regional Planning



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

Former senior leadership team members**GEOFF DANGERFIELD
FORMER CHIEF EXECUTIVE**

Masters of Science (Resource Management)

Geoff became the first Chief Executive for the Transport Agency in August 2008 and led the development of the organisation and its approach to integrated transport development until stepping down in December 2015. He was previously Chief Executive of the Ministry of Economic Development and Deputy Secretary to the Treasury, and began his public sector career with the Ministry of Works and Development.

**DAVE BRASH
FORMER GROUP MANAGER PLANNING
AND INVESTMENT**

BSc (Hons) (Geography)

Dave joined the Transport Agency in December 2008 and moved into an advisory role within the Transport Agency in August 2016. Before joining the Transport Agency, he was General Manager of the Emissions Trading Group with the Treasury and General Manager responsible for central government policy at the Ministry for the Environment. Dave has 35 years' experience working with central and local government agencies on complex policy reforms and managing change.

**SARA BROADHURST
FORMER GROUP MANAGER PEOPLE
AND CAPABILITY**

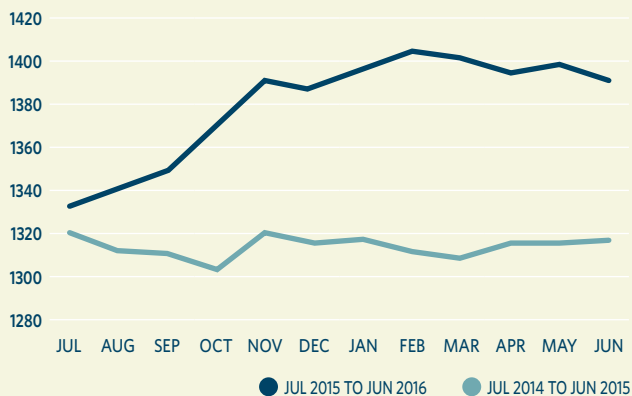
Sara joined the Transport Agency in 2013, bringing more than 14 years' experience in human resources in New Zealand and the United Kingdom from a wide variety of industries, including infrastructure, telecommunications, housing, manufacturing, banking and not-for-profit organisations. Sara left the Transport Agency in January 2016.

OUR WORKPLACE

WORKPLACE PROFILE

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

FULL-TIME EQUIVALENT (FTE) EMPLOYEES



Our FTE count at 30 June 2016 was 1392. The 2015/16 year saw a 6 percent increase from 30 June 2015, which is attributable to our increased work programme.

AGE PROFILE

The average age of our employees (at 30 June 2016) is 44.7 years, with 11.8 percent under 30 years and 19.8 percent over 55 years.

The average age of our workforce is representative of the average age of the New Zealand public service. During the last five years, the average age of our workforce has fallen to meet the average age of the overall New Zealand public sector workforce.

AVERAGE AGE (YEARS)

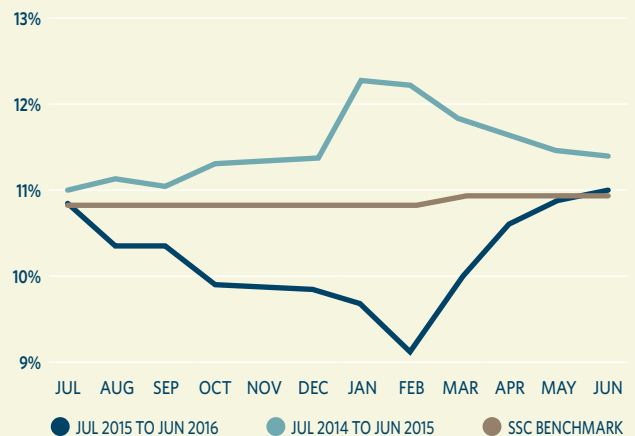
YEAR (AT 30 JUNE)	TRANSPORT AGENCY	NZ PUBLIC SECTOR
2011	48.2	42.1
2016	44.7	44.8

GENDER PROFILE

We have slightly more female employees than male employees (52 percent to 48 percent). This compares with the public sector which is 61 percent female and 39 percent male.

Of our senior management roles, 36 percent are filled by women. Female representation in senior management within the public service averaged 42 percent in June 2015.

ANNUAL TURNOVER



Our unplanned turnover at the end of June 2016 was 11 percent, which is slightly lower than 12 months ago when it was 11.4 percent.

Unplanned turnover of those with less than two years' service to the end of June 2016 was 11.3 percent, which is higher than 12 months ago when it was 10.6 percent.

DISABILITY

Our workforce profile does not include disability as this information is not currently recorded. However, we are committed to valuing diversity.

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

ETHNIC PROFILE

Ethnic groups (self-identified)

Asian	7.7%
Māori	6.2%
Middle Eastern/Latin American/African	0.6%
New Zealand European	71.5%
Pacific peoples	1.5%
Other ethnicity	0.5%
Not stated	12.0%

BEING A GOOD EMPLOYER

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

We have involved our people and their unions at the initiation stage to manage change programmes, develop policies and continuously improve our practices as a good employer.⁵

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

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

GOOD EMPLOYER ELEMENTS	OUR KEY PEOPLE POLICIES AND PRACTICES
Leadership, accountability and culture	<ul style="list-style-type: none"> • We created a ‘people leader’ community for our 300 people leaders, focusing on positive leadership for our people and motivating everyone at the Transport Agency to perform at their best. Monthly meetings, an annual conference for all people leaders, and regional people leader conferences throughout the year contributed to increased capability and awareness of good leadership practices. • ‘The way we lead’, our leadership development programme, has provided clear expectations for people leaders and driven our leadership development programmes. • We hold people accountable through robust performance and development planning. • Strong behavioural expectations have been provided by our three behaviours: sign up, team up and front up. • We have focused on creating a great place to work where our people are engaged and able to perform at their best.
Recruitment, selection and induction	<ul style="list-style-type: none"> • We have robust recruitment and selection processes. • Videos and profiles on our career website and recruitment collateral feature employees from diverse backgrounds, and we use inclusive language in our external careers pages. • We are an accredited employer with the New Zealand Immigration Service. • Progression within the Transport Agency is based on merit rather than service and is built around competencies and skills. • All new people are invited to attend the organisation-wide induction to the Transport Agency. • Our development tools for managers who are recruiting include training on recognising and addressing unconscious bias towards applicants. • We actively recruit multi-lingual people for some of our customer-facing roles.
Employee development, promotion and exit	<ul style="list-style-type: none"> • We promote a culture of continued development at all levels. • Development opportunities include project work, acting in other roles, secondment, mentoring and coaching, as well as formal learning programmes offered via our development calendar. • An ongoing process of feedback and two-way communication is encouraged. Capability mapping, talent management, succession planning and progression frameworks are in place. • We are an accredited Institute of Professional Engineers New Zealand professional development partner. • We use our LinkedIn page to stay connected with our people, including current employees, former employees and prospective candidates. • We provide access to retirement planning tools and advice. • We trialled knowledge transfer programmes with people who are leaving the Transport Agency.

⁵ Human Rights Commission *Good employer advice*. www.hrc.co.nz/your-rights/employment-opportunities/our-work/reporting-crown-entities-good-employers/

Flexibility and work design	<ul style="list-style-type: none"> ▪ We promote balanced work-life responsibilities, through flexible working, including taking opportunities to support the community. ▪ Our people can request changes to their working arrangements, including job sharing, compressed weeks, reduced hours, working from home and leave during school holidays. ▪ We encourage people to take annual leave in the year it is accrued and manage their hours to maintain wellbeing.
Remuneration, recognition and conditions	<ul style="list-style-type: none"> ▪ Our remuneration policies and frameworks are based on the principle that pay reflects the market and performance – not tenure, cost of living or other personal circumstances. ▪ We conduct an annual remuneration review, including comparing our remuneration ranges to public sector and other organisations' market data. ▪ We endeavour to ensure our job evaluation and remuneration practices are transparent, equitable and gender-neutral. ▪ Recognition is encouraged using a variety of ways to celebrate success and recognise people publicly and privately. We also provide recognition resources, such as thank-you cards that reflect examples of our three behaviours.
Harassment and bullying prevention	<ul style="list-style-type: none"> ▪ We are committed to maintaining a safe working environment for all our people where we experience mutual respect, trust, dignity and security. ▪ We have worked collaboratively with unions to better understand harassment and provide tools and support for our people working through these issues. ▪ Our focus on wellbeing (both physical and mental) is an important part of our Zero Harm Strategy 2014–2020 (refer below).
Safe and healthy environment	<ul style="list-style-type: none"> ▪ Our Zero Harm Strategy 2014–2020 supports our belief that everyone who comes to work at the Transport Agency should go home healthy and safe. ▪ The code of conduct and relevant health and safety and harassment policies are readily accessible. ▪ Our strong focus on employee health, safety and wellbeing is supported through the provision of support services such as: <ul style="list-style-type: none"> – the employee assistance programme for all staff – additional services in the event of heightened stress, such as critical event debrief, onsite employee assistance programme presence, change process support and resilience training – ergonomic workstation assessments – annual free flu vaccination available for all our people. ▪ We have tertiary ACC accreditation for our workplace safety management practices.

Reviewing policies and procedures

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

ENSURING HEALTH AND SAFETY FOR OUR PEOPLE

We believe that everyone who comes to work for the Transport Agency should go home healthy and safe, and that we should be a leader and key influencer for zero harm in the workplace. That's why we remain committed to our Zero Harm Strategy 2014–2020.

Our Zero Harm Strategy has a clear objective: **By 2020 or sooner, all our people, regardless of employer, will go home safe and healthy, every day, no exceptions.**

This year we continued to make good progress in the implementation of our Zero Harm Strategy. A significant focus was on embedding a Zero Harm culture within the Transport Agency and the wider roading industry.

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

- **Robust corporate governance framework** – risk assessments were carried out, allowing our Board and our people to understand our critical risks and how we mitigate them. We provide a real-time Zero Harm dashboard for our board members, showing how we are performing against our lead and lag indicators.
- **Training** – our people and their leaders receive training that helps and empowers them to actively engage in health and safety in the office, on the state highway network, in the rail corridor, at testing stations or wherever they are working.
- **Systems** – we are making it easier for our people and our industry to do the right thing in health and safety by providing innovative tools and solutions and easy to implement industry standards. These are available for our own people and anyone else who needs them. We are working with our suppliers to provide leadership, training, information and tools to smaller organisations that lack the resources or specialists.
- **Culture** – we are encouraging our people and our suppliers to sign up, team up and front up to achieve Zero Harm. We take an approach based on the value of our people, not just as a health and safety compliance exercise.

We have worked closely with our industry partners to increase awareness around our Zero Harm expectations and encouraged a proactive industry approach to making it easier for all our people to make a real difference in health and safety every day.

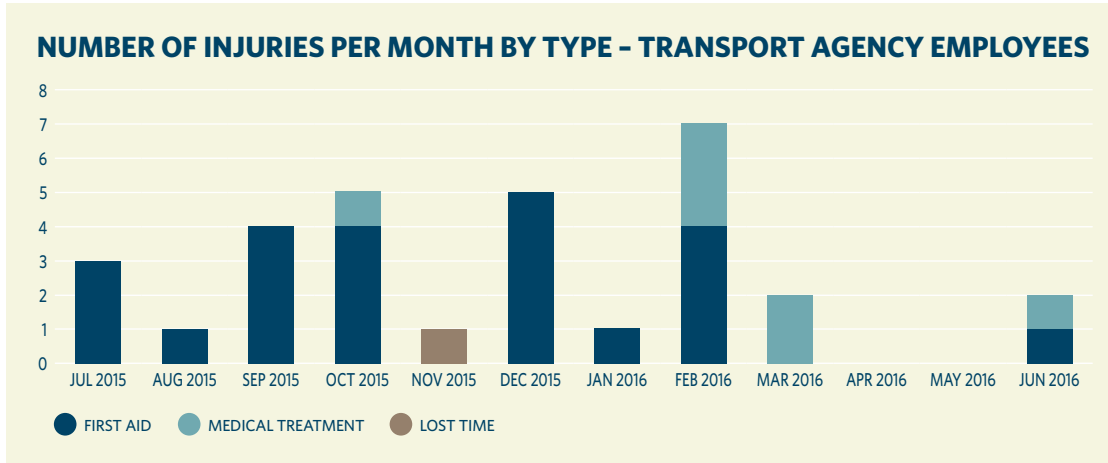
We continue to ensure that our people are inducted, trained and competent to do their jobs safely. If our people are injured, we will support them and provide an environment that enables them to return to work as soon as they are ready.

On 4 April 2016, the Health and Safety at Work Act 2015 came into effect. Our Zero Harm Strategy ensured that we were well prepared for the introduction of the new legislation. We have created an environment that allows people to make a difference to safety performance at all levels – from those working in our offices or on-site through to our Board.

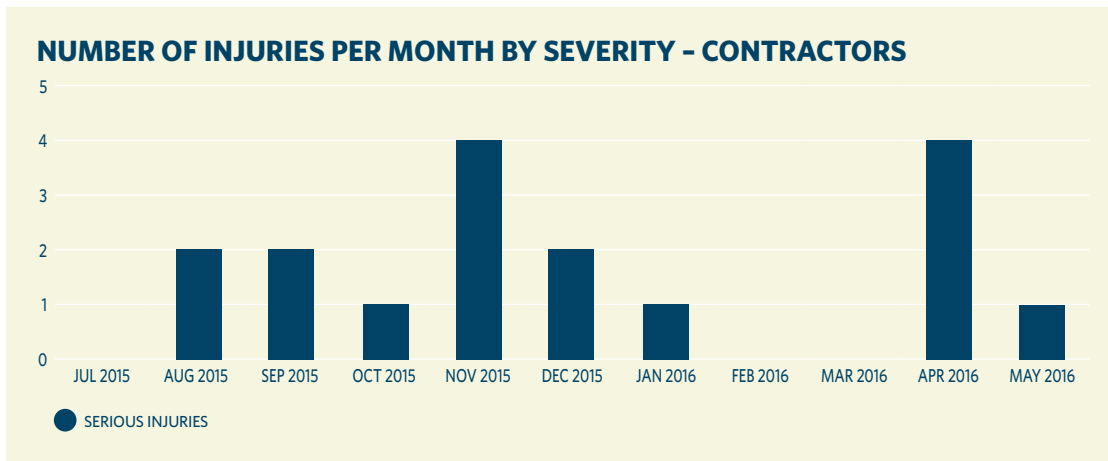
We maintained our tertiary grade in the ACC workplace safety management practices audit, demonstrating best practice and a commitment to continuous improvement in workplace health and safety.

Our contribution to health and safety within our industry was recognised when the Zero Harm reporting tool received the HR Technology Award 2016 from the Human Resources Institute of New Zealand. Our industry leadership was further acknowledged when we were awarded the ACC Best Leadership of an Industry Sector Award at the NZ Workplace Health & Safety Awards 2016.

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



The most common causes of injury to our people were slips, trips and falls, and burns to hands from hot water in kitchens. Another major cause of injury was people hitting objects with their body, such as bumping into doors or desks.



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

There were no fatal injuries.

APPENDICES



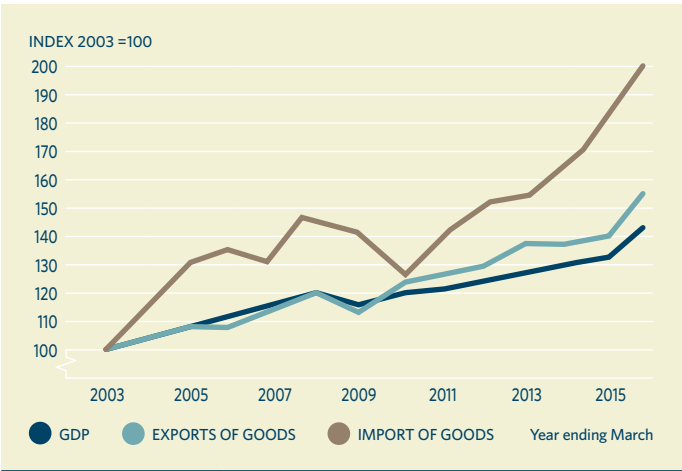
APPENDIX 1: KEY OPERATING ASSUMPTIONS

EXTERNAL ENVIRONMENT

NEW ZEALAND ECONOMIC PERFORMANCE HAS BEEN GOOD

10.3%
growth in
external trade
volumes

As predicted, the economy continued to perform well, growing 3.1% for the 12 months ending March 2016. Export and import volumes grew 10.3% and 10.2% respectively over the same period.

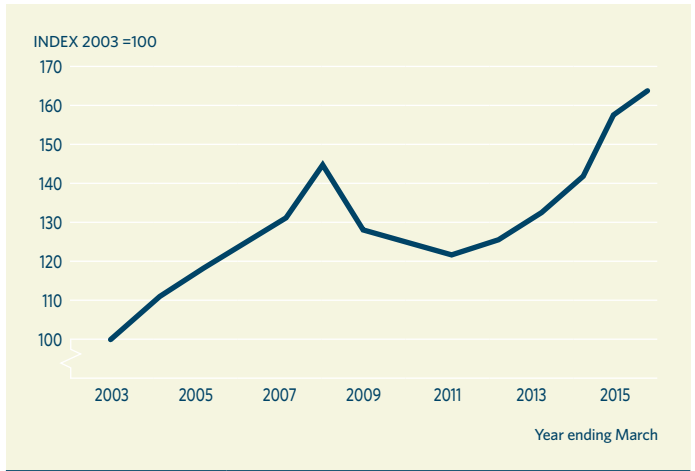


SUPPLIERS

DOMESTIC CONSTRUCTION ACTIVITY HAS GROWN

3.9%
increase in
construction
activity in
2015/16

As expected, activity in the construction sector continued to grow as recovery efforts in Christchurch advanced and investment in residential activity, notably in Auckland, grew strongly.

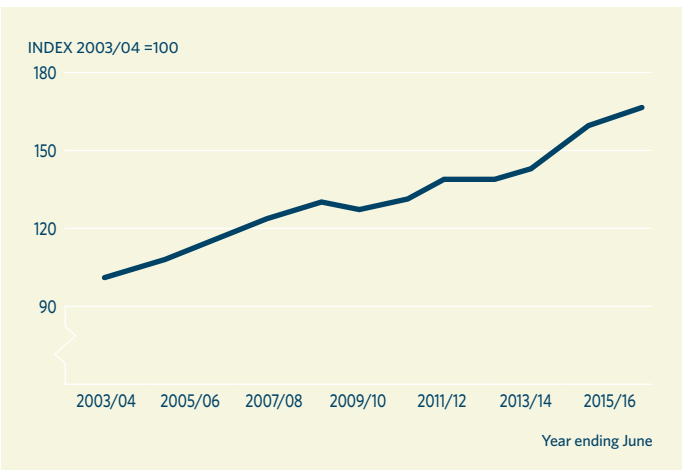


REVENUES

NATIONAL LAND TRANSPORT FUND REVENUES HAVE GROWN STRONGLY

\$3.4bn
flows into
the NLTF - 8.6%
higher than in
2014/15

As predicted, increased travel demand resulted in more revenue generated from fuel excise duty (7.9%) and road user charges (7.6%). Higher licensing and registration transaction volumes translated to a 18.9% increase in revenues from motor vehicle registration.

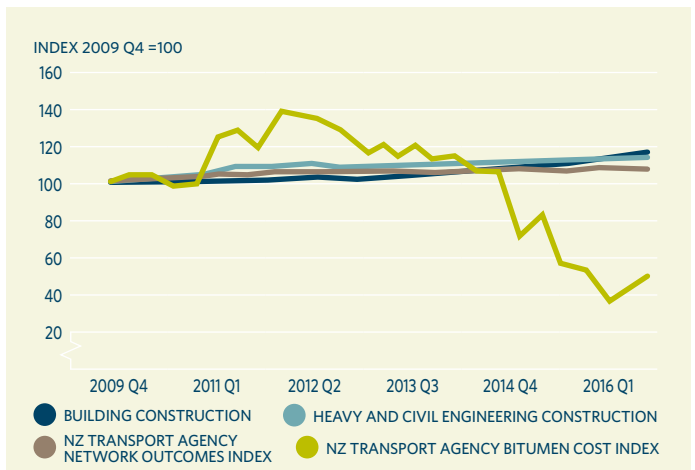


PRICES

COST PRESSURES HAVE BEEN FLAT

0.5%
increase in
our network
outcomes
index

As expected, Transport Agency asset management and procurement practices have helped to curb construction costs. The Transport Agency bitumen price index reflects the effect of falling oil prices.

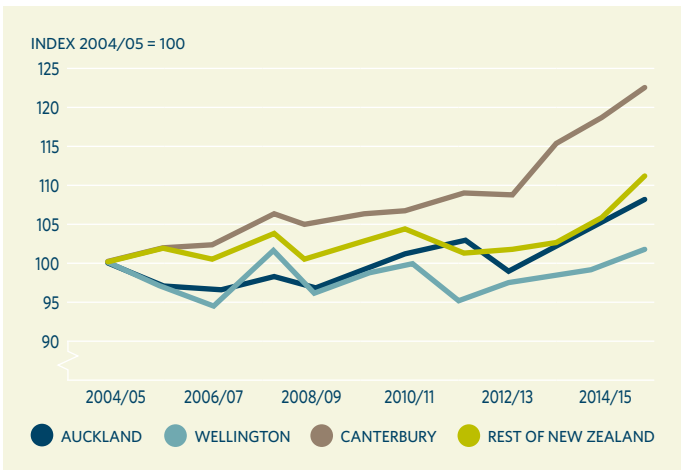


TRAVEL DEMAND - ALL VEHICLES

STATE HIGHWAY TRAVEL HAS CONTINUED TO GROW

21.3bn
km travelled - an increase of 4.4% in 2015/16

As expected, a stronger economy and contained fuel prices led to increased travel demand in 2015/16. Increased travel in Auckland (3.3%), Wellington (2.1%) and Christchurch (3.9%) was accompanied by a deterioration in travel-time predictability.

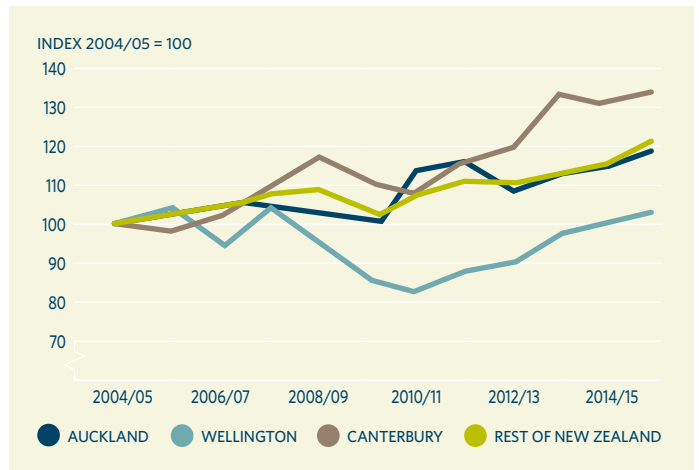


TRAVEL DEMAND - HEAVY VEHICLES

TRAVEL BY HEAVY VEHICLES HAS INCREASED

2.2bn
km travelled - an increase of 4.4% on 2013/14

As expected, a stronger domestic economy coupled with higher trade volumes through the ports resulted in an increase in heavy vehicle travel in Auckland (3.6%), Wellington (2.4%) and Christchurch (2.3%).



PUBLIC TRANSPORT

USE OF PUBLIC TRANSPORT HAS GROWN

148m
public transport boardings - an increase of 2.8% in 2015/16

As expected, public transport patronage grew further in 2015/16, mainly due to a 4.6% increase in boardings in Auckland. Rail patronage in Auckland grew 20.6% as a result of further investment in new capacity and services.

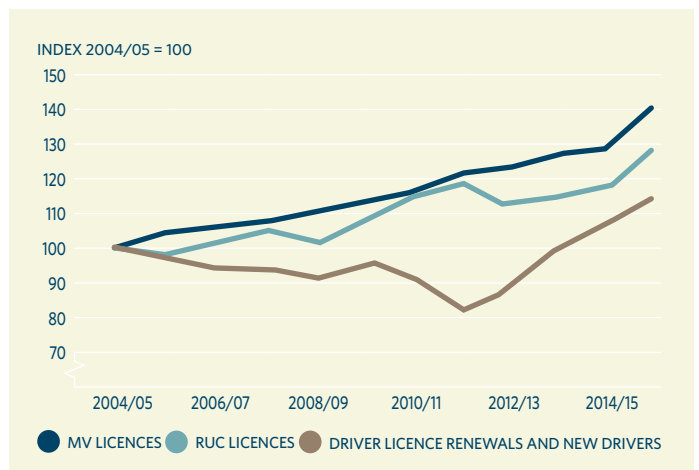


TRANSACTIONS

TRANSACTION VOLUMES HAVE RISEN

8.4%
increase in licence transactions completed

As expected, stronger demand for travel, growth in new vehicle sales, higher driver licence pass rates and the positive effect of changes to the ACC component of vehicle licensing have supported transaction volumes.



APPENDIX 2: GOAL SUCCESS INDICATORS – TREND INFORMATION

INTEGRATE ONE EFFECTIVE AND RESILIENT NETWORK FOR CUSTOMERS

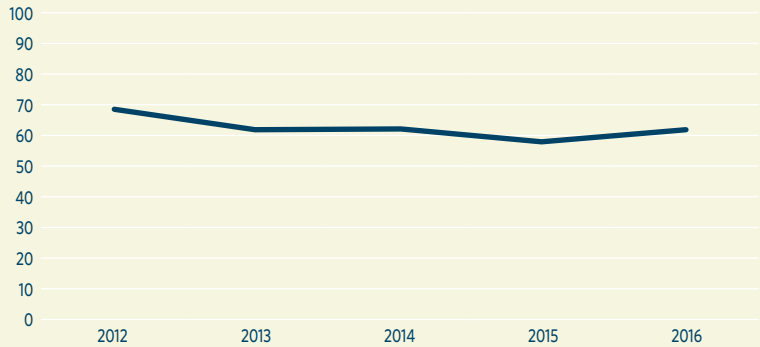
SUCCESS INDICATOR	DESIRED TREND	TREND
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People movement is more efficient and reliable (% network productivity (vehicle speed and flow on urban networks in Auckland))



Network productivity - Auckland urban network - am peak

% OF OPTIMAL SPEED AND TRAFFIC FLOW

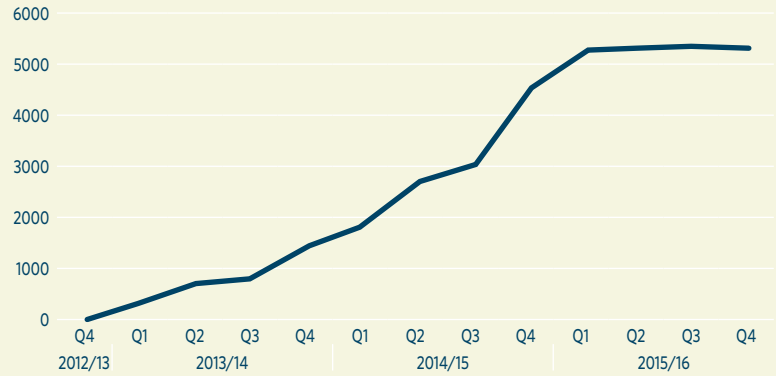


Freight movement is more efficient and reliable (number of km delivered for the high productivity freight network (up to 58 tonnes))



Length of network open to high productivity motor vehicles

CENTRE LINE KILOMETRES



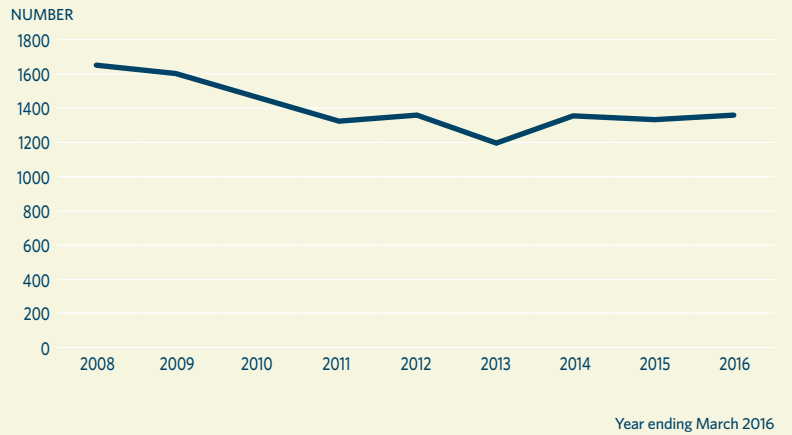
SHAPE SMART, EFFICIENT, SAFE AND RESPONSIBLE TRANSPORT CHOICES

SUCCESS INDICATOR DESIRED TREND TREND

Speeds are safe (number of deaths and serious injuries on open roads (80-100km/h))



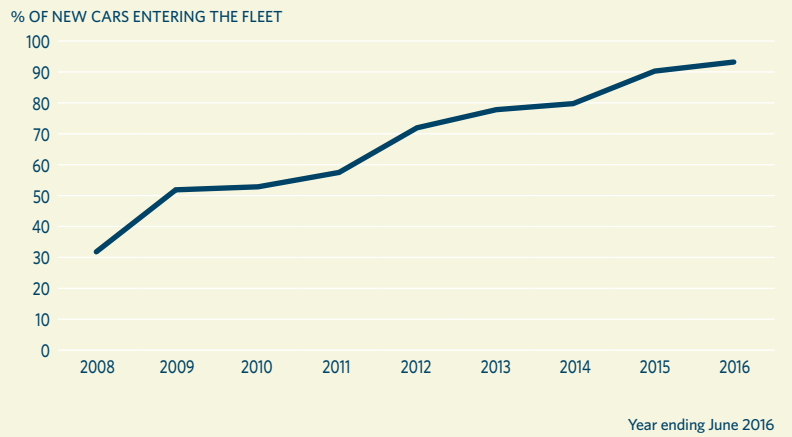
Deaths and serious injuries in crashes on open roads



Vehicles are safe (% of new vehicles with five-star rating)



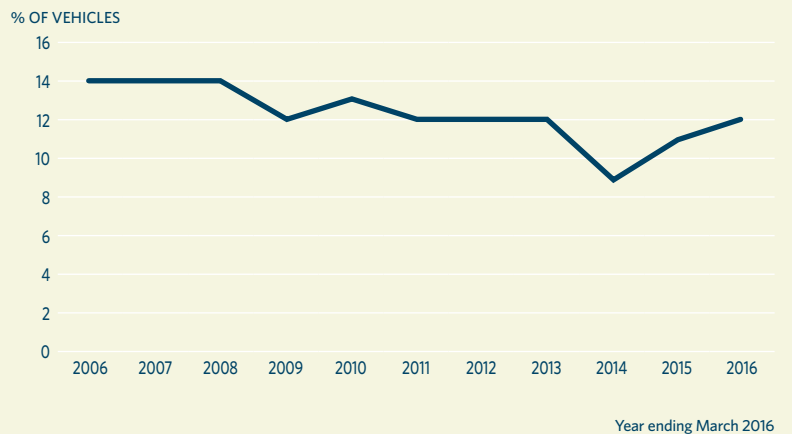
New cars with five-star rating



Vehicles are safe (% of vehicles in fatal/serious crashes with non-current warrant of fitness (or similar))



Vehicles in fatal/serious crashes with non-current warrant of fitness



SUCCESS INDICATOR

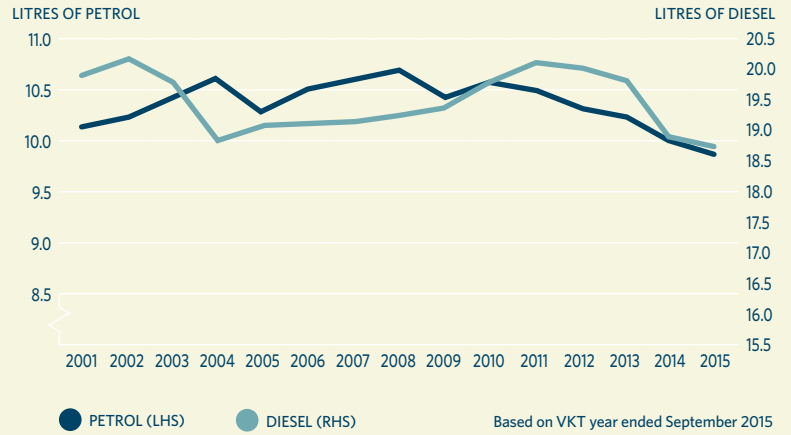
DESIRED TREND

TREND

Vehicles are more efficient (average petrol and diesel consumption – litres per 100 vehicle kilometres travelled (VKT))



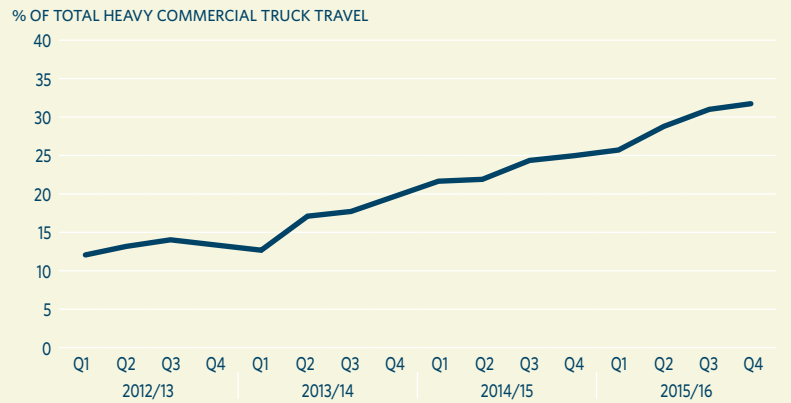
Average fuel consumption per 100vkt



Freight is more efficient and reliable (% of travel by high productivity motor vehicles (HPMVs) of total heavy truck kilometres travelled)



Proportion of heavy trucks taking up HPMV



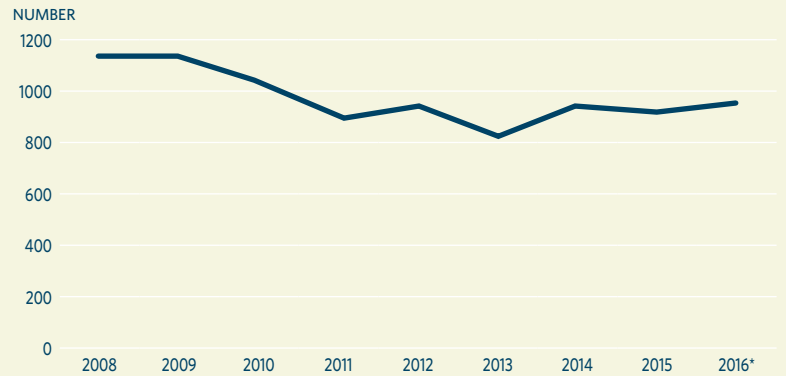
DELIVER EFFICIENT, SAFE AND RESPONSIBLE, AND RESILIENT HIGHWAY SOLUTIONS FOR CUSTOMERS

SUCCESS INDICATOR DESIRED TREND TREND

Highway journeys are safer (number of deaths and serious injuries in head-on and run-off road crashes on state highways)



Deaths and serious injuries in head-on and run-off crashes

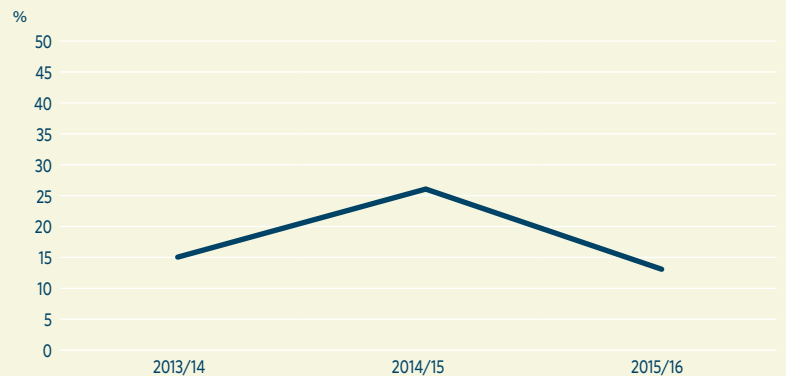


*Year ending March 2016

Highways journeys are efficient and reliable (% of resolved road closures with a duration of 12 hours or more rural areas, 2 hours or more in urban areas)



State highway closures of more than 12 hours*

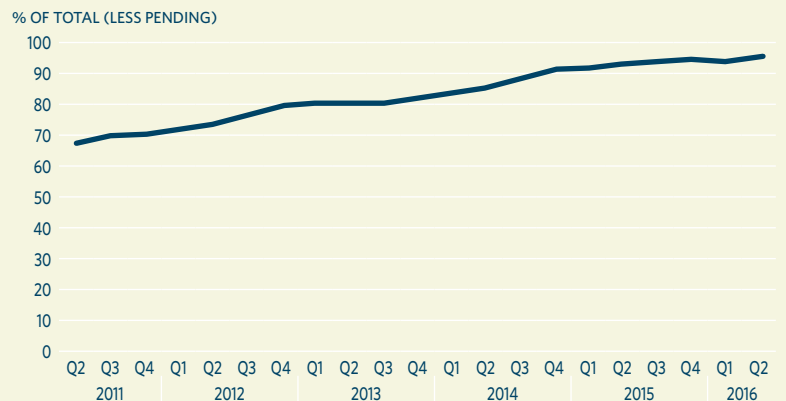


*Includes the number of unplanned closures in Auckland and Wellington that have taken 2 hours or more to resolve

Highways are socially and environmentally responsible (% compliance with state highway resource consent conditions)



Full compliance with state highway resource consent conditions



SUCCESS INDICATOR

Highways are being delivered on time (% of capital improvements completed according to milestones)

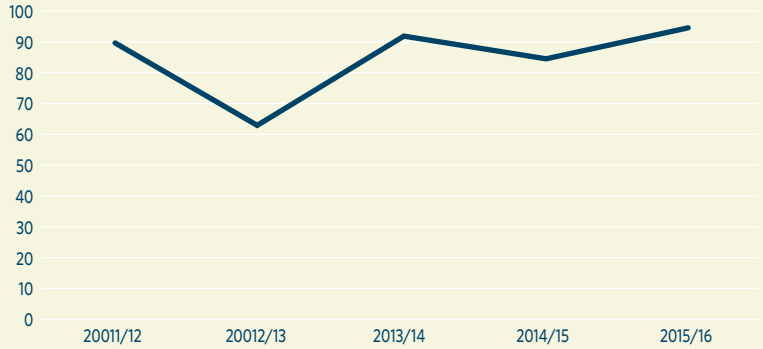
DESIRED TREND



TREND

Completion of construction phase of large state highway projects

PERCENTAGE



APPENDIX 3: TECHNICAL NOTES FOR NON-FINANCIAL MEASURES

OUTPUT CLASSES THAT SUPPORT OUR ONE NETWORK GOAL

Investment management

1. *The total cost of the management of the funding allocation system* is the Transport Agency service delivery cost for this output less the cost of crash analysis system business activity that is not part of the management funding allocation system.
2. *The % of activities that are delivered to agreed standards and timeframes (investment management)* is an aggregate of two measures to monitor the quality and efficiency of investment approval and decision activities. All components of the measure have targets of 100%. Aggregation to the overall result is based on weighted volume of activity across the components in the given year.
3. *The % of operational assurance activities completed* is an aggregate of two specific dimensions: audits and post-implementation review programmes. Operational assurance activities are assessed according to their effectiveness, benefit and cost appraisal and strategic fit (ie high, medium, low). Aggregation is based on the weighted volume of activity in the given year.
4. *The average number of days taken to deliver* is determined by how long it takes, on average, to process and approve funding of a new National Land Transport Programme activity. Days to funding approval is defined as the number of working days from the date of receipt to the date the approval was recorded in Transport Investment Online.
5. *The % of activities that are delivered to agreed standards and timeframes (transport planning)* includes the following transport planning activities: transport model development, activity management planning improvement and programme business case development. These components are individually assessed against targets of >90%. The result is derived through the aggregation of its three components. This aggregation is based on the unweighted volume of activity for each area. The Transport Agency works collaboratively with its local authority partners as they prepare transport models, programme business cases and activity management to help ensure that when they are formally received they are of high quality and meet the Transport Agency assessment criteria, so are suitable for support or endorsement by the Transport Agency. It provides an indication of how well the Transport Agency manages its transport planning activities to time and cost standards.
6. *The % of activities that are delivered to agreed standards and timeframes (sector research)* is a measure that compares planned time, cost and quality of research investment with actual performance. All aspects have targets of 100% and contribute equally to the overall result. It is a measure of the effectiveness of the Transport Agency as a programme manager.
7. *The % customer satisfaction* demonstrates the percentage of approved organisations' stakeholders (regional, local and unitary authorities, the Department of Conservation, Auckland Transport and the Waitangi National Trust) that were satisfied with the relationship between their organisation and the Transport Agency. This is measured through an independently conducted survey.

OUTPUT CLASSES THAT SUPPORT OUR SMART CHOICES GOAL

Licensing and regulatory compliance

8. *Unit transaction cost* measures the direct unit cost of delivering a driver licence or driver testing transaction or service as well as the warrants of fitness (WoF) and certificates of fitness (CoF).
9. *The % of transactions completed online* is the proportion of practical test bookings and rescheduled test bookings completed through the Transport Agency website divided by the total number of test bookings completed for motor vehicle and motorcycle licences.
10. *The % accuracy of registers* is a measure of the data input accuracy of the driver licence register based on monthly audit checks from a random sample of 100 callers and a selection of agents' work processed against what is written on the form and recorded in the register. The measure reflects the average of the audit results.
11. *The % of activities that are delivered to agreed standards and timeframes* is an aggregate of six specific dimensions – four audit activities of driver testing agent officers and course providers, transport operators, certifying agents and regulatory compliance and agent service delivery (with targets of

>90%) and two completion rates against standard of official correspondence and transport rules development programmes (with targets of 100%). Aggregation to the overall result is based on weighted volume of activity across the components in the given year.

12. The *% of operational assurance activities completed* is an aggregate of three specific operational assurance activities (eg audits) of driver testing agents, transport operators and certifying agents completed against planned. Aggregation is based on the weighted volume of activity in the given year.
13. The *number of products and services delivered or processed* includes WoF, CoF, new and renewed driver licences, issuing of driver and transport operator testing services, certification review, border inspection, overdimension permits, and drug and alcohol assessments funded.

Road tolling

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

Motor vehicle registry

15. The *% of transactions completed online* is the proportion of annual motor vehicle licensing (including reversals), new registrations and register maintenance actions (including vehicle licensing exemptions, change of ownership (buyer), change of ownership (seller), change of name or address, registered person name and address) purchased over the internet, direct connect and via an industry agent divided by the total number of motor vehicle registrations.
16. The *% accuracy of register* reflects the accuracy of the information entered into the motor vehicle registry (MVR). Data verification activities are focused on confirming vehicle attributes and vehicle ownership and address information in the MVR. It combines the result of regular audit checks by regional staff and unverified owner and address information returns.
17. The *% customer satisfaction* reflects the proportion of motor vehicle register customers who state that it requires little effort to relicence their motor vehicle. It is sourced from an independently conducted (Research New Zealand) survey.

Road user charges (RUC) collection, investigation and enforcement

18. The *% of transactions completed online* is the proportion of light and heavy vehicle RUC licences purchased online over the total number of RUC licences purchased. Online refers to transactions via Direct Connect, Transact, e-RUC and automatic tellers.
19. The *number of products/services delivered or processed* includes light and heavy vehicle RUC licence purchases and off-road RUC rebate claims. This is an aggregate figure showing a total of assessment, enforcement and refund activities.

Road safety promotion

20. The *% of activities that are delivered to agreed standards and timeframes* is a measure of timeliness and effectiveness in delivering road safety education, advertising and promotion. Components of this measure look at the percentage of the road safety education and advertising campaigns completed on time and the percentage of education and promotion programmes that meet forecast participation rates. All components have a 100% target and contribute equally to the overall result.
21. The *% of road safety advertising campaigns that meet or exceed their agreed success criteria* is a measure based on the success of road safety advertising campaigns. It is a composite measure reflecting the number and breadth of the advertising campaigns used, the varied media in which they are presented (including online) and the different aspects of the campaigns that are measured (including likeability, relevance, message takeout, likelihood to change attitude and prompted recall). These measures are collected from independently conducted surveys, media and website reporting.

OUTPUT CLASSES THAT SUPPORT OUR HIGHWAY SOLUTIONS GOAL

State highways improvements

22. The *% of activities that are delivered to agreed standards and timeframes* compares time, cost and quality of large, block and property acquisition programmes (at the time that construction commenced). It is a measure of the effectiveness of the Transport Agency as a project manager. Within each programme, time, cost and quality are equally weighted with targets of >90%. Aggregation to the overall result is based on weighted programme expenditure across the components in the given year.
23. The *change in productivity of the state highway network in major metropolitan areas* indicator measures lane capacity utilisation (network productivity) of the urban network. Productivity is measured in terms of the product of speed and flow compared with road lane optimal vehicle throughput. It demonstrates how effectively the current road network and operational management activities handle peak demand for vehicle movement. This indicator provides information to help deliver on our priority of making the most of urban network capacity. The higher the productivity percentage value, the more productive the road network is due to both speed and flow being maintained near maximum values (ie near free-flow speed and capacity respectively). The lower the productivity percentage value, the less productive the road network is due to either or both low traffic flow and speed. It is noted that a low productivity may also occur in scenarios of low demand, so may not be due to poor network performance. This indicator is a utilisation asset performance measure under the Cabinet Office Circular CO 15(5).

State highway maintenance

24. The *% of activities that are delivered to agreed standards and timeframes* presents the physical achievement of maintenance and renewal activities (including progress of state highway pavement renewal programme) against baseline. It is a measure to keep track of the delivery of physical performance targets. The single component aspect of this measure examines the proportion of state highway maintenance and renewal work completed compared with the planned kilometres and budget.
25. Safe stopping: *% of network meeting surface texture standards* reflects efficiency in meeting surface texture standards (to ensure safe stopping) as per sector research. Maintenance of the state highway focuses on ensuring skid resistance (to ensure safe stopping). Minimum acceptable levels of skid resistance are set in relation to the road environment. The annual programme of reseals (surface renewals) is driven, in part, by the need to maintain network skid resistance.
26. Network resilience: *% of rutting >20mm over state highway network* is the proportion of rutting (long shallow channels generally found in wheelpaths) above the 20mm threshold over the length of the state highway network. Rutting in the road surface is one of the key indicators of the health of the underlying pavement and the need for pavement renewal. Ruts often also hold water, so lower skid resistance. This indicator is a condition asset performance measure under the Cabinet Office Circular CO 15(5).
27. Safe stopping: *% of travel on network above skid threshold* reflects efficiency in meeting surface texture standards (to ensure safe stopping) as per sector research. Minimum acceptable levels of skid resistance are set in relation to the road environment. The annual programme of reseals (surface renewals) is driven in part by the need to improve skid resistance. This indicator is a functionality asset performance measure under the Cabinet Office Circular CO 15(5).
28. Smooth ride: *% of travel on network classed as smooth* is the proportion of travel (proportion of vehicles kilometres travelled on the network surveyed) that occurs on pavements smoother than a nominated surface texture standard over the length of the network surveyed. This indicator is a functionality asset performance measure under the Cabinet Office Circular CO 15(5).
29. The *% availability of state highway network*. It is expressed as the sum of all unscheduled road closure incidences (both urban and rural) that have a significant impact on road users addressed within standard timeframes (ie urban < 2 hours; rural <12 hours) and protocol over the total number of road closure incidences. This indicator is a functionality asset performance measure under the Cabinet Office Circular CO 15(5).

30. The *% customer satisfaction* reflects the proportion of the public who are satisfied with the availability of network information and the overall rating of the state highways in New Zealand. It is sourced from quarterly public surveys. These surveys are conducted online and designed with quotas set for target audiences according to age, race, sex and residential region (prescribed numbers are set for each to ensure balance and fairness). Additional computer aided telephone interviewing elements are used to target hard-to-reach groups.

OUTPUT CLASSES THAT SUPPORT OUR MAXIMISE RETURNS GOAL

Public transport

31. The *productivity (costs per passenger kilometre) where available by bus, train and ferry* indicator reflects a new GPS reporting requirement that examines changing costs of public transport provision (bus, train and ferry) by passenger use. This is an aspirational measure that leverages the introduction of integrated ticketing. Information is currently available only for Auckland, Wellington and Christchurch – as the coverage of integrated ticketing improves throughout the period of the current NLTP the reporting from other regions will be included. The indicator's overall desired trend over the period of the NLTP is for reduced costs per passenger kilometre across the public transport modes of bus, train and ferry.
32. The *productivity (costs per passenger kilometre) where available by peak and off-peak* indicator reflects a new GPS reporting requirement that examines changing costs of public transport provision (bus, train and ferry) by passenger use. This is an aspirational measure that leverages the introduction of integrated ticketing. Information is currently available only for Auckland – as the coverage of integrated ticketing improves throughout the period of the current NLTP the reporting from other regions will be included. The indicator's overall desired trend over the period of the NLTP is for reduced costs per passenger kilometre across the public transport modes of bus, train and ferry.

Administration of the SuperGold cardholder scheme

33. The *average number of days taken to deliver* is a measure of our speed of processing and approving SuperGold claims to regional councils. The component measure is the average number of days taken to process claims received from regional councils. Days to process is defined as the difference between the date the payment was made and the date the claim was submitted or recorded in the Transport Investment Online (TIO) or Land Transport Programme (LTP) website by the regional council. Claims are received, validated and paid electronically.

Walking and cycling

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

Refund of fuel excise duty (FED)

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

APPENDIX 4: SUMMARY OF HOW OUR OUTPUTS CONTRIBUTE TO OUR LONG-TERM GOALS

The following table sets out the contribution of our outputs to our long-term goals. More detail on these contributions is included in the statement of performance (pages 55-82).

OUTPUT	GOAL			
	ONE NETWORK	SMART CHOICES	HIGHWAY SOLUTIONS	MAXIMISING RETURNS
Investment management	●	●	●	●
Licensing and regulatory compliance		●		
Road tolling		●	●	●
Motor vehicle registry		●		
Road user charges collection, investigation and enforcement		●		●
Road safety promotion*	●	●	●	●
State highway improvements			●	●
State highway maintenance			●	●
Public transport	●	●	●	●
Administration of SuperGold cardholder scheme and Enhanced public transport concessions for SuperGold cardholders		●		●
Walking and cycling**	●	●		●
Local road improvements*	●			●
Local road maintenance*				●
Regional improvements	●		●	●
Refund of fuel excise duty		●		●
Road Policing Programme (NZ Police output)*		●	●	●

* We do not deliver these activities directly. We invest in them through the National Land Transport Programme, and the activities are delivered by approved organisations such as local authorities. Information on how we assess our investment performance is included under the output class investment management on page 56.

**We partly deliver the services along with approved organisations and local authorities.

APPENDIX 5: OUTPUT CLASS SCOPE STATEMENTS

OUTPUT CLASS	SCOPE
Output classes that support our one network goal	
Investment management	Managing, monitoring and advising transport sector stakeholders on the allocation of national land transport funds, developing plans for improving the transport network and systems, and developing transport sector capability and research, as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.
Output classes that support our smart choices goal	
Licensing and regulatory compliance	Purchase of land transport regulatory implementation services, specialist land transport enforcement services, and licensing services, including driver licensing. Purpose of Vote Transport appropriation limited to ministerial servicing by the Transport Agency.
Road tolling	Collection of road tolling charges and enforcement activities to recover road tolling payment evasion.
Motor vehicle registry	Registration and licensing of motor vehicles, the collection and refund of motor vehicle registration and licensing revenue, and the operation of the motor vehicle register.
Road user charges collection, investigation and enforcement	Collection and refund of road user charges and the investigation and enforcement of evasion of road user charges.
Road safety promotion	Promote safe and economic use of land transport networks and services, pursuant to section 9 of the Land Transport Management Act 2003.
Output classes that support our highway solutions goal	
State highway improvements	Capital works for new infrastructure for state highways, as authorised by section 9(3) and (4) of the Land Transport Management Act 2003.
State highway maintenance	Activities that manage, maintain and operate state highway infrastructure, as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.

OUTPUT CLASS	SCOPE
Output classes that support our maximise returns goal	
Public transport	Renewal and improvement of infrastructure to support public transport and non-commercial public transport services are authorised under section 9(3) and (4) of the Land Transport Management Act 2003. Non-commercial public transport services, as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.
Administration of the SuperGold cardholder scheme <i>and</i> Enhanced public transport concessions for SuperGold cardholders	Administration of the scheme to provide enhanced public transport concessions for SuperGold cardholders.
Walking and cycling	New and improved walking and cycling infrastructure for transport purposes, as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.
Local road improvements	Management and delivery of improvement of local roads, as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.
Local road maintenance	Management and delivery of renewals to the existing local road infrastructure, as authorised under section 9(3) and (4) of the Land Transport Management Act 2003. The reinstatement of local roads in Canterbury is limited to the reinstatements following the earthquakes, as approved by the Transport Agency under relevant legislation.
Regional improvements	Planning and investing in regionally important state highway and local road projects outside the main metropolitan areas.
Refund of fuel excise duty	Receipt and processing of applications for, and the refunding of, fuel excise duty.
Output class delivered by NZ Police	
Road Policing Programme	Developing plans for improving the transport network and systems, as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.

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



CONTENTS

SECTION A	CHAIR AND CHIEF EXECUTIVE'S OVERVIEW	191
	Investing in transport solutions for New Zealand's future	192
SECTION B	INVESTMENT SUMMARY	195
	Progress on the 2015-18 National Land Transport Programme	196
	Use of the National Land Transport Fund	201
	Regional highlights	207
SECTION C	STATEMENT OF PERFORMANCE	233
	Statement of responsibility	234
	National Land Transport Fund statement of performance 2015/16	235
SECTION D	FINANCIAL STATEMENTS AND AUDIT REPORT	241
	Financial statements	242
	Notes to the financial statements	245
	Output class funding to the Transport Agency	254
	Independent auditor's report	255
SECTION E	ABOUT THE LAND TRANSPORT INVESTMENT SYSTEM	257
	Land transport investment system	258
	The Transport Agency's investment strategy	260

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.

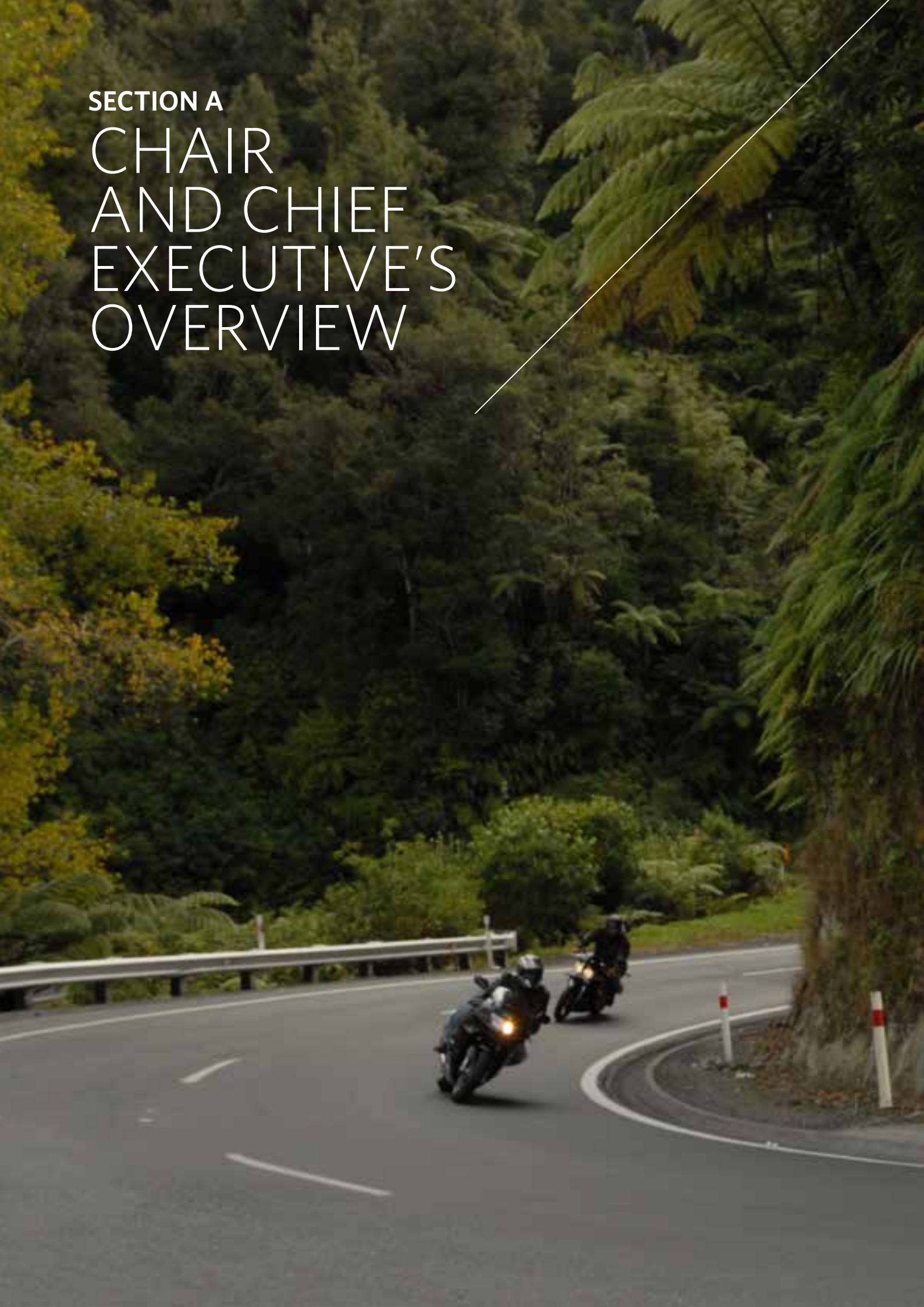
The activities in the National Land Transport Programme are planned, invested in and delivered in partnership between the Transport Agency, local authorities, the NZ Police and other transport sector stakeholders. The outcomes and achievements presented in this report are the result of a collective investment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

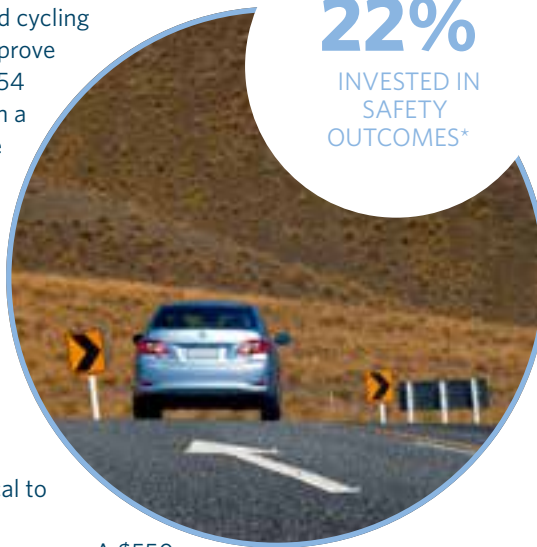
Outside the major metropolitan areas, under a new programme of regional improvements, investment was focused on developing business cases to increase the safety, resilience and efficiency of the regional state highway network.

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.

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.

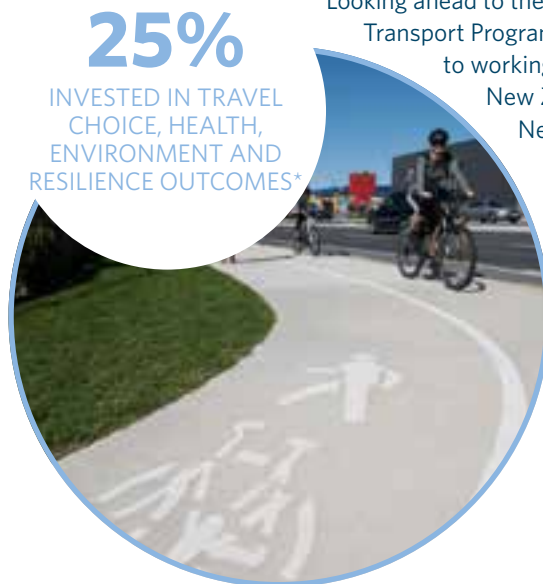
To support more efficient and attractive public transport networks, investment continued in public transport infrastructure, especially in Auckland. Key public transport projects that started in 2015/16 include Auckland’s Otahuhu bus interchange and an upgrade to the Half Moon Bay ferry terminal. National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

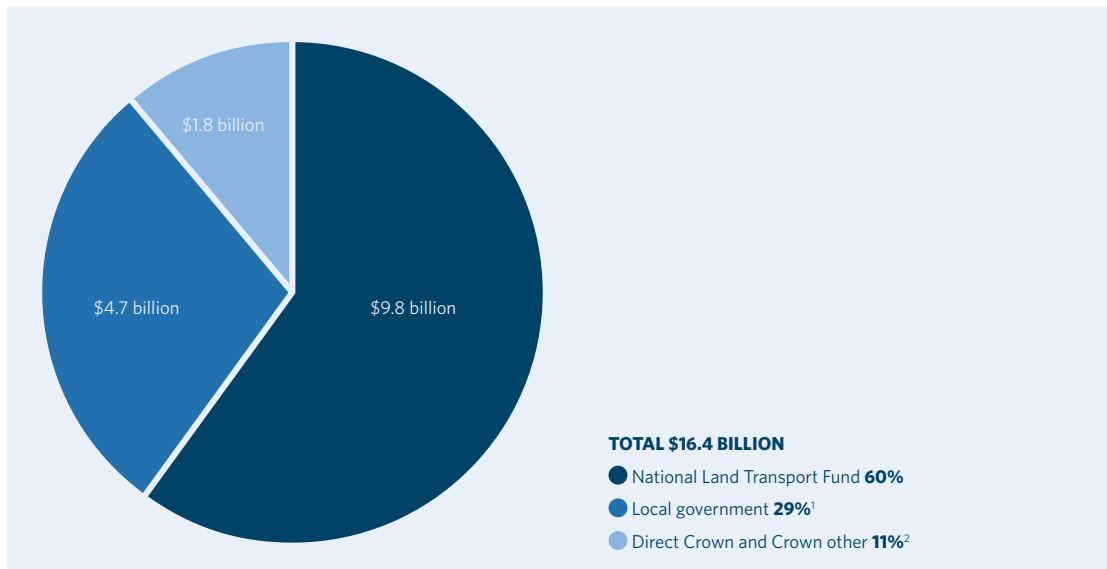
The programme focuses on four themes, reflecting the strategic direction set by the Government Policy Statement on Land Transport and underpinned by the continued focus on value for money:

- 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:

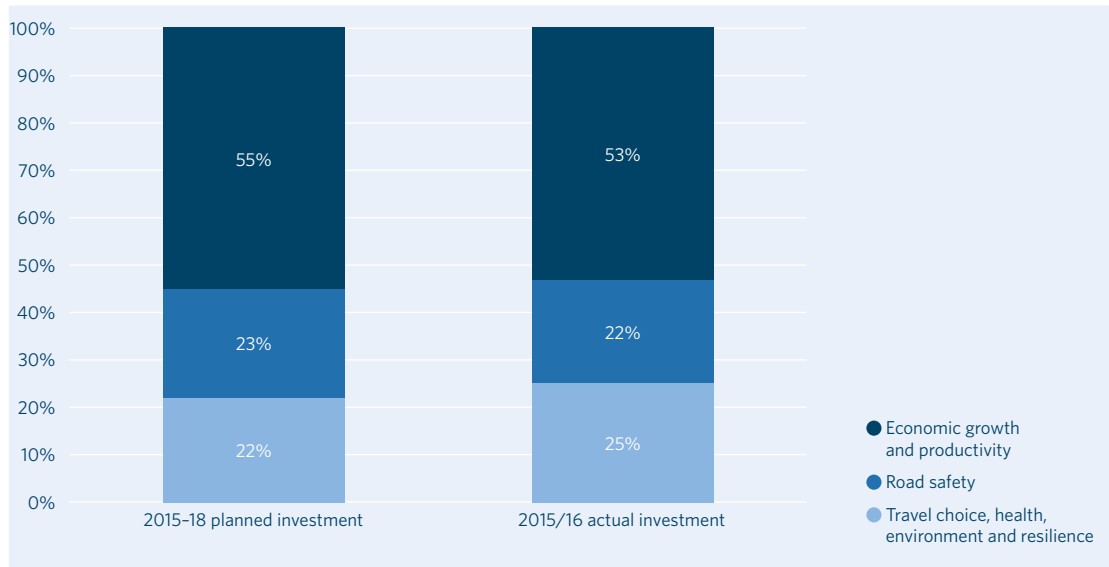
- economic growth and productivity
- road safety
- travel choice, health, environment and resilience.

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.

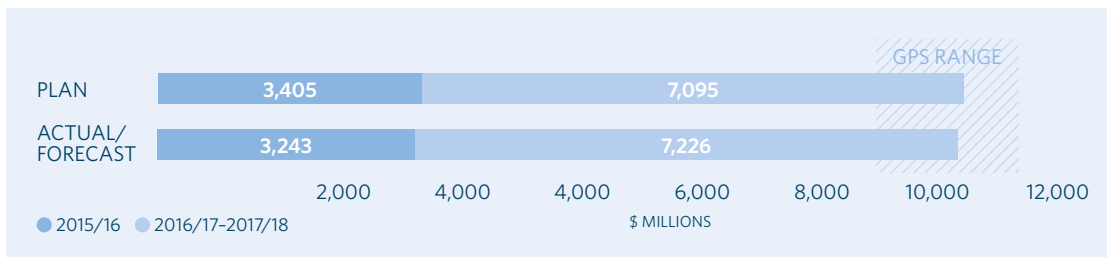
Analysis of the road improvement activities in the 2015-18 National Land Transport Programme showed that while only 2 percent of projects targeted resilience as a primary outcome, 52 percent identified resilience as a secondary outcome.

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

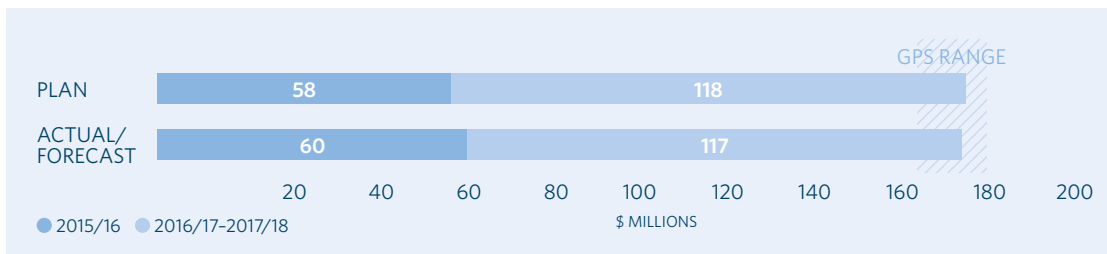
Following are the investments made from the National Land Transport Fund for the year to 30 June 2016 against the planned level of funds allocation in the published 2015–18 National Land Transport Programme.³ These figures do not account for National Land Transport Programme funds contributed by local 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

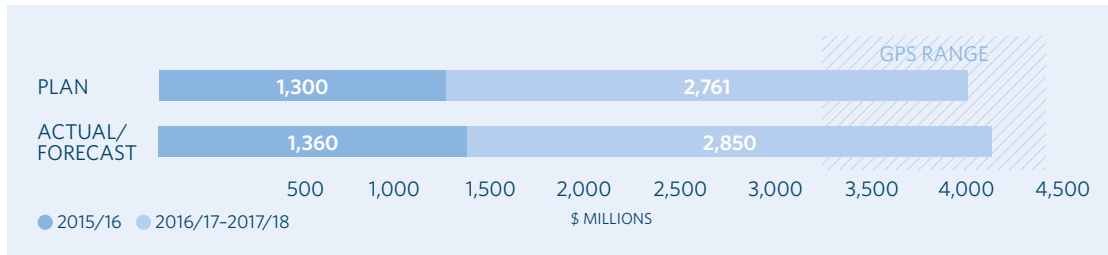


Investment management

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.

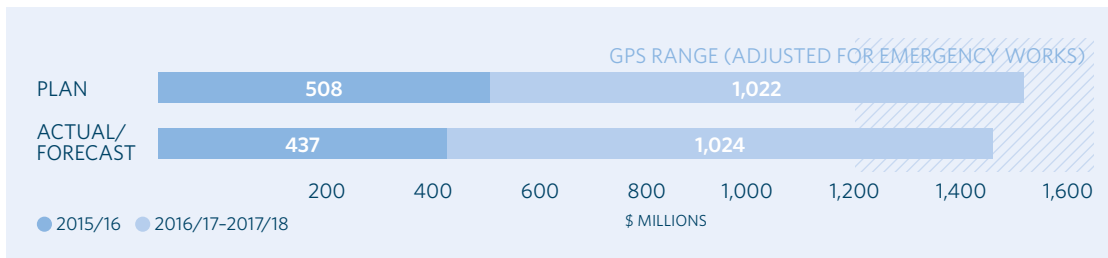
³ Available at www.nzta.govt.nz/planning-and-investment/2015-18-national-land-transport-programme/

State highway improvements



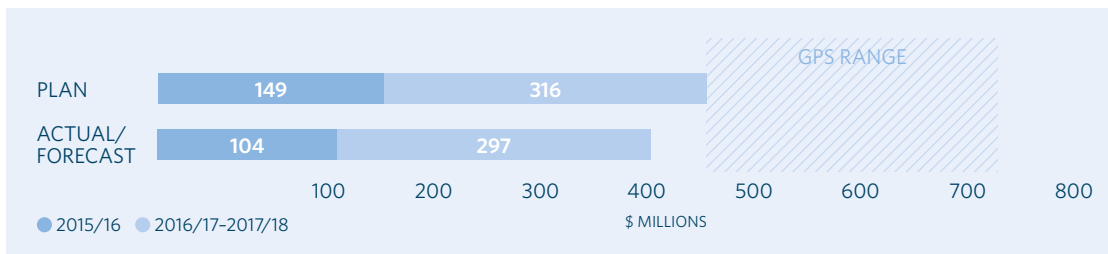
Funding applied to state highway improvements in 2015/16 was 4 percent above the amount in the published National Land Transport Programme, reflecting good momentum delivering major state highway projects, including the Roads of National Significance. For the remaining two years of the programme, funding 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)



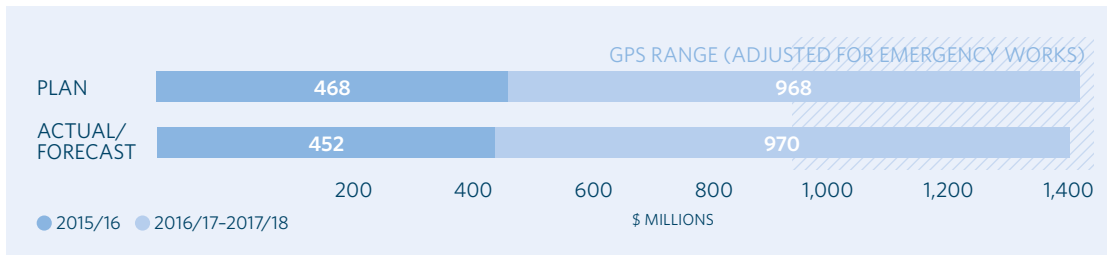
Expenditure on state highway maintenance at the end of 2015/16 was 14 percent below the expenditure in the published National Land Transport Programme. This is largely the result of optimising the timing of high cost renewal activities (the good condition of the road network means renewals can be delayed 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



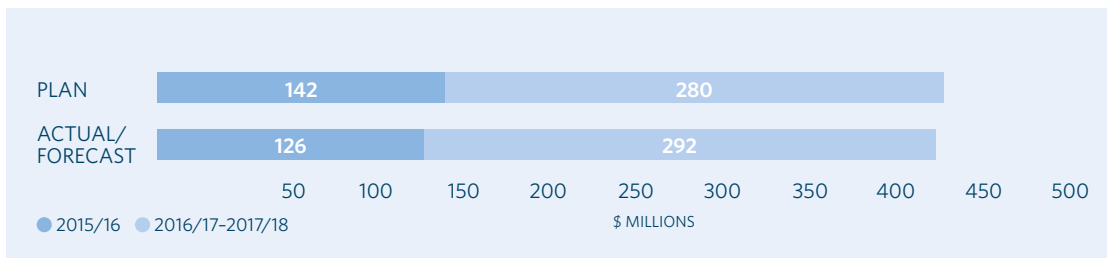
Expenditure on local road improvements at the end of 2015/16 was 30 percent below the expenditure in the published National Land Transport Programme. Toward the end of the 2012-15 programme, local government funding for road improvements dropped substantially, due to increased focus on other priorities 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)



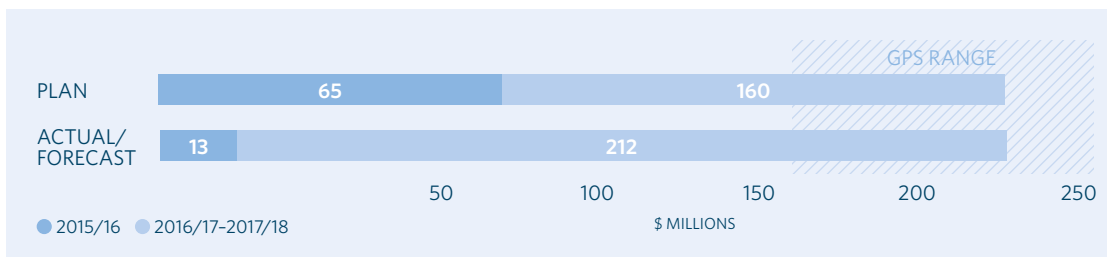
Funding applied to local road maintenance were 3 percent below the amount published in the National Land Transport Programme, reflecting lower input costs and procurement efficiencies. Most 2015/16 savings are expected to carry through to the end of the programme. However, a new methodology for assessing 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



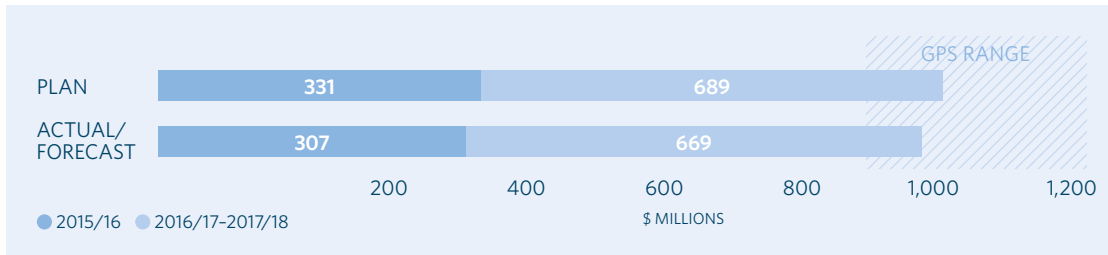
Emergency works expenditure at the end of 2015/16 was 12 percent below the expenditure published in the National Land Transport Programme because the impact of emergency events was lower than expected. Local road claims were above the provision made in the National Land Transport Programme by around \$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



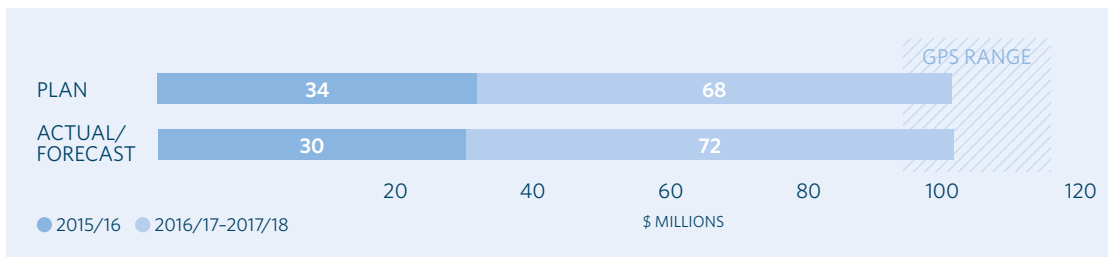
Regional improvements is a new activity class in this National Land Transport Programme, all of which is planned to be delivered on the state highway network. Delivery started slowly with only 20 percent of planned expenditure in 2015/16, reflecting the time and effort required to establish and develop 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



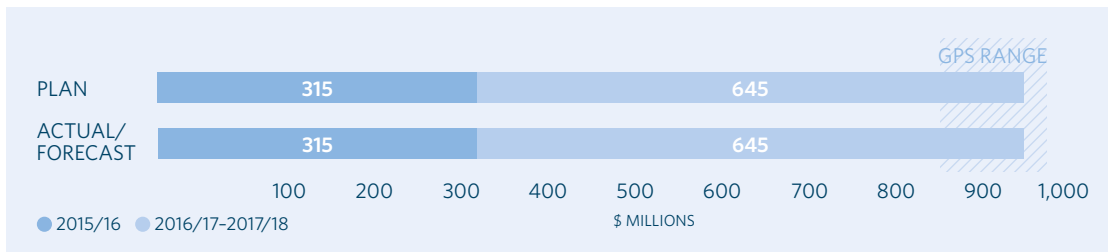
Overall use of public transport funds for 2015/16 was 7 percent below the amount in the published National Land Transport Programme. Regional authority use of funds on public transport services was below the National Land Transport Programme plan, reflecting lower than planned input costs, for example, 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



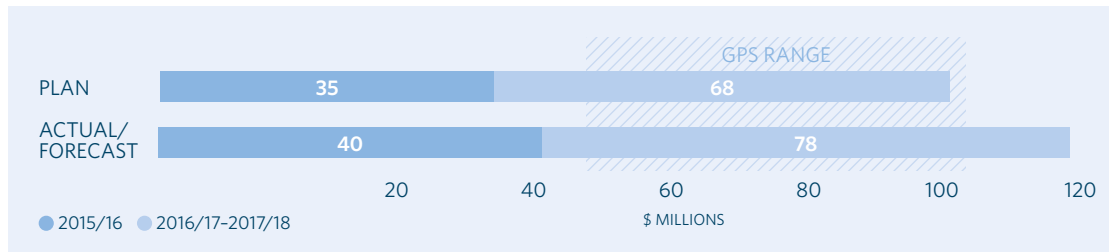
At the end of 2015/16, expenditure on road safety promotion was 11 percent below expenditure in the published National Land Transport Programme, mostly because the Transport Agency spent 15 percent less than its funding allocation. This is due, in part, to delays producing advertising campaigns. Some 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

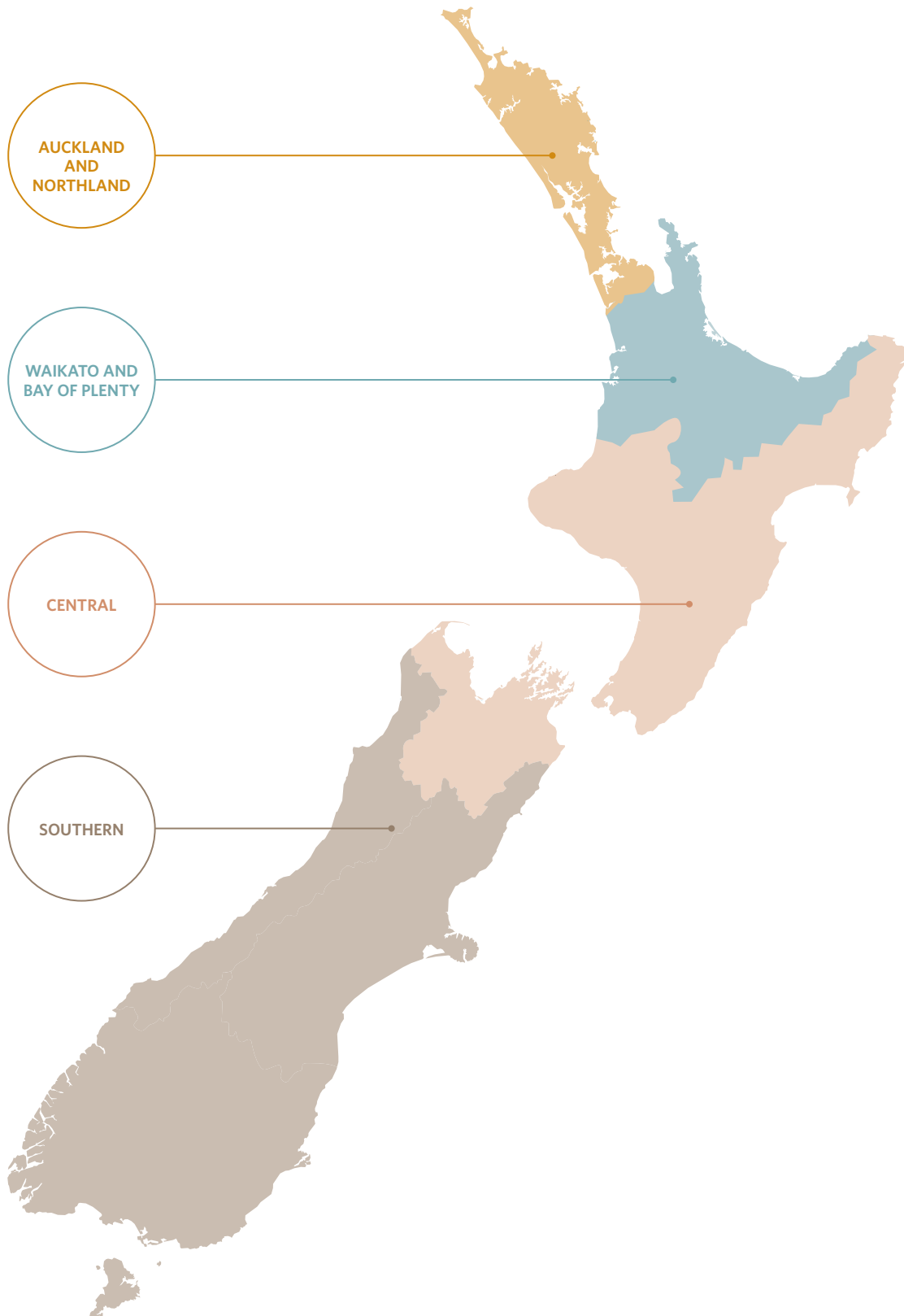
Forecast expenditure for the National Land Transport Fund over the 2015-18 National Land Transport Programme remains very close to the \$10.5 billion shown in the published programme. Forecast expenditure for the National Land Transport Programme, however, reduces from \$13.9 billion in the published 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), Matakohe 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	
State highway maintenance	96,160	
Local road improvements	46,145	26% INCREASE in deaths and serious injuries in road crashes (from 489 to 616)
Local road maintenance	105,150	
Public transport infrastructure	17,463	
Public transport services	166,691	5% INCREASE in trips taken on public transport (from 79,249,549 to 82,904,160)
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 Paerere, Paerere 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	
State highway maintenance	24,857	
Local road improvements	3,299	3% DECREASE in deaths and serious injuries in road crashes (<i>from 150 to 146</i>)
Local road maintenance	22,435	
Regional improvements	44	
Public transport infrastructure	112	7% INCREASE in trips taken on public transport (<i>from 3,138,381 to 3,352,802</i>)
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	
State highway improvements	3,701	3,600 LANE KMS of local roads and state highways maintained
State highway maintenance	12,168	
Local road improvements	1,612	3% DECREASE in deaths and serious injuries in road crashes (from 30 to 29)
Local road maintenance	11,407	
Regional improvements	443	6% INCREASE in trips taken on public transport (from 138,261 to 146,129)
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.

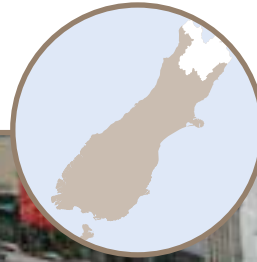
THIS YEAR'S NATIONAL LAND TRANSPORT FUND INVESTMENT

ACTIVITY CLASS	2015/16 ACTUAL \$000	REGIONAL STATISTICS*
Top of the South total	43,336	
State highway improvements	4,313	8,100 LANE KMS of local roads and state highways maintained
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	1% DECREASE in trips taken on public transport (from 442,305 to 439,815)
Public transport infrastructure	93	
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	
State highway maintenance	16,809	
Local road improvements	896	38% INCREASE in deaths and serious injuries in road crashes (<i>from 61 to 84</i>)
Local road maintenance	17,566	
Regional improvements	301	
Public transport infrastructure	18	14% DECREASE in trips taken on public transport (<i>from 245,118 to 211,425</i>)
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

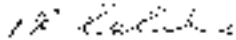
Chair of the Audit, Risk and
Assurance Board Committee
26 SEPTEMBER 2016

Countersigned by:



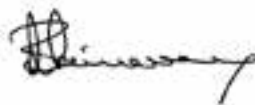
FERGUS GAMMIE

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.

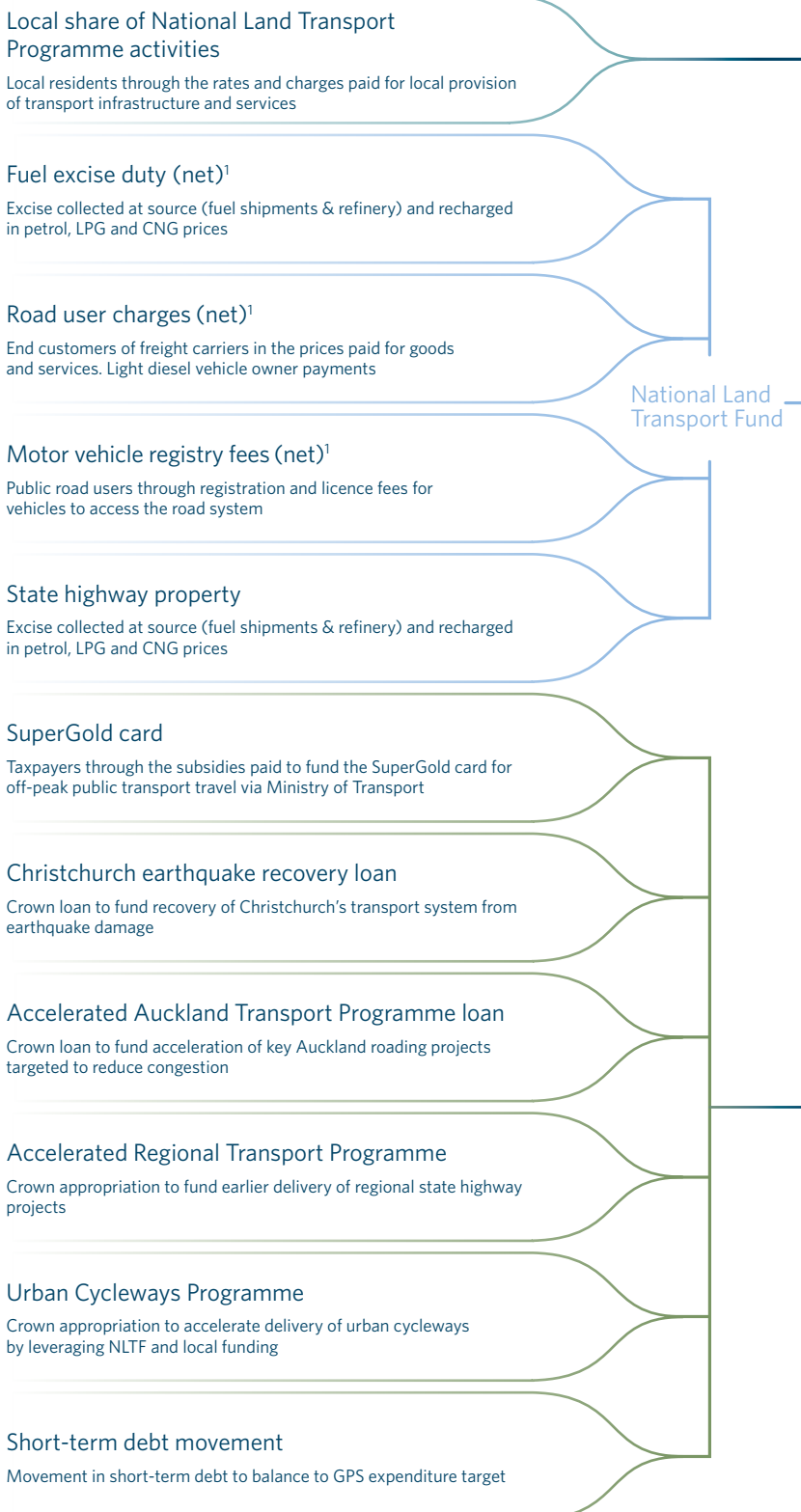
NATIONAL LAND TRANSPORT PROGRAMME

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.

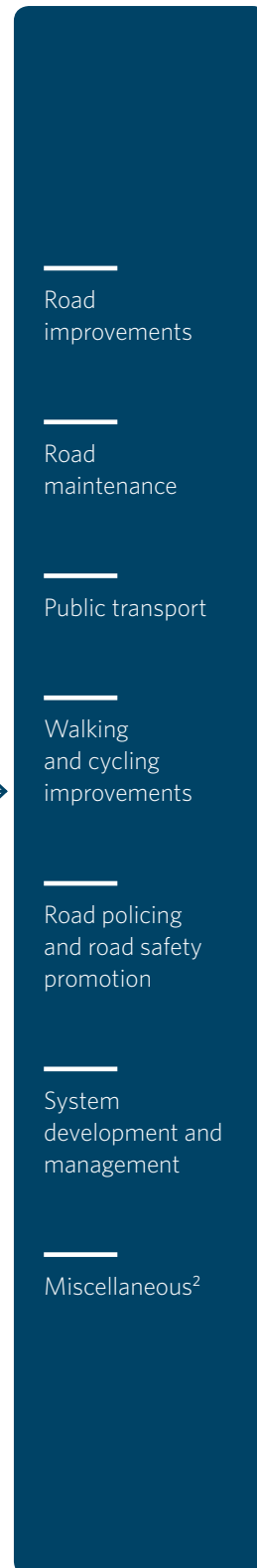
The National Land Transport Programme co-invests funds from National Land Transport Fund, local government and the Crown (see figure 4) and contains all land transport activities that may be considered for investment during the three-year programme under activity classes for public transport, road policing, 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:

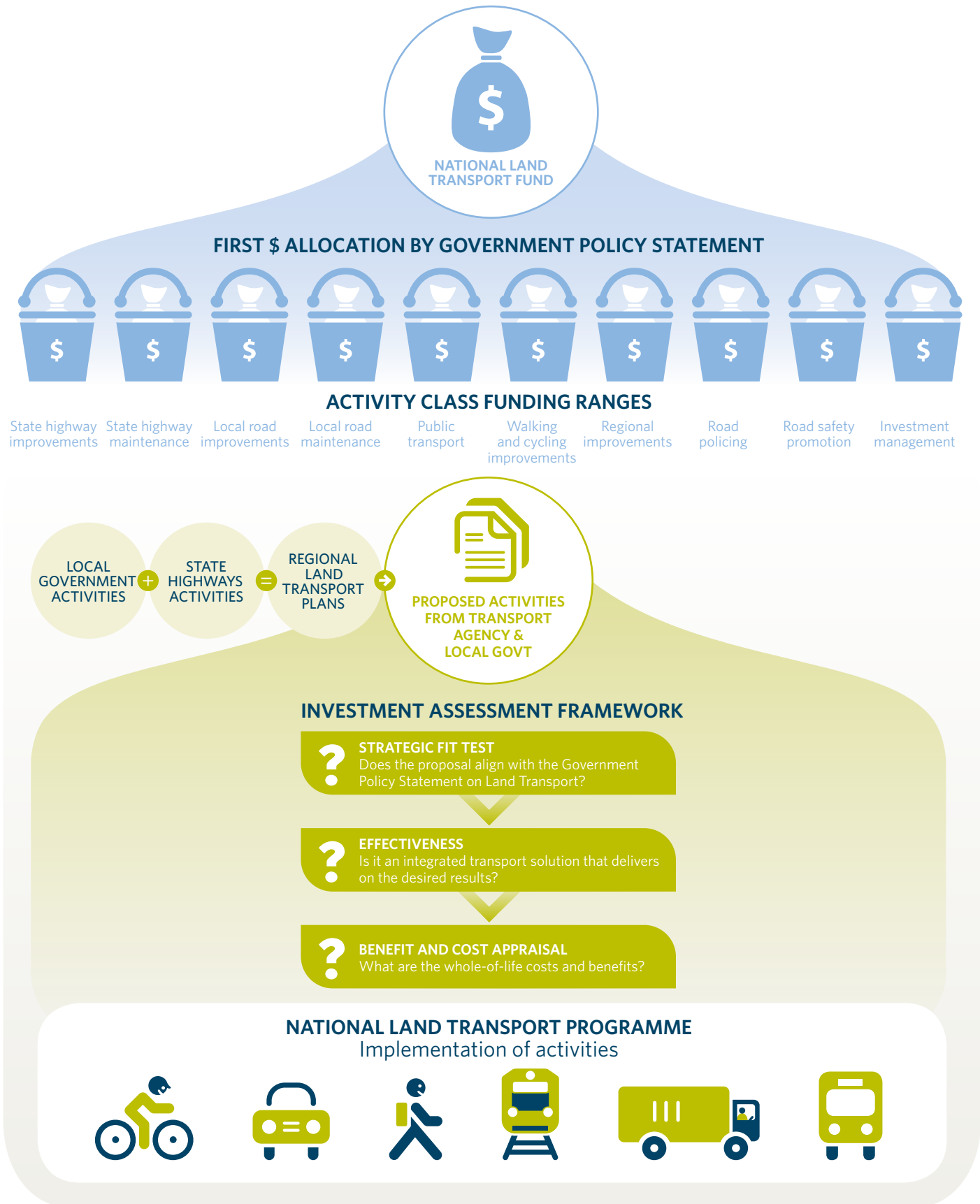
1. **Strategic fit:** whether the benefits identified in a proposal align with the Government Policy Statement results.
2. **Effectiveness:** whether the business case approach has been applied to ensure the best solution is put forward.
3. **Benefit and cost appraisal:** identifies all possible monetised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





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

NZ Transport Agency
Private Bag 6995
Wellington 6141.

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