

# NZ Transport Agency Annual report

for the year ended 30 June 2010

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Presented to the House of Representatives pursuant  
to section 151 of the Crown Entities Act 2004.

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Building a better transport system  
for New Zealanders

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NZ TRANSPORT AGENCY  
WAKA KOTAHI

New Zealand Government



NZ TRANSPORT AGENCY  
WAKA KOTAHI

# Annual report 2010

NZ Transport Agency  
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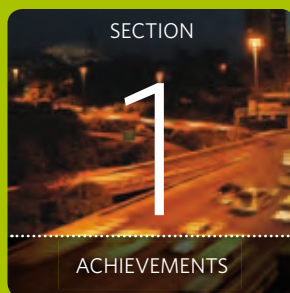
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This publication is also available  
on the NZ Transport Agency's  
website at [www.nzta.govt.nz](http://www.nzta.govt.nz)

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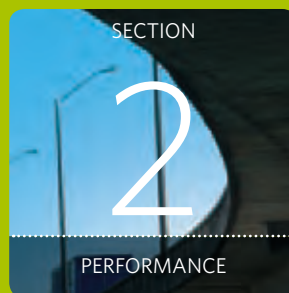
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## From the Chair



**I am pleased to present the 2009/10 Annual Report for the NZ Transport Agency (NZTA).** This report marks the first full year of operation for the NZTA since its establishment in August 2008. It's been a very busy year and I am proud of all that has been achieved.

I want to take this opportunity to express my gratitude to the previous Chair and Board members for providing me and the team with a solid foundation upon which to build in the coming year and beyond.

Our strong focus on the delivery of strategic priority areas for land transport has continued within the context of a firm commitment to ensuring value for money in all of our activities.

The continued development of a customer focused culture both internally and externally assists us to be increasingly knowledgeable and responsive to the needs of our key stakeholders. There remains

# ensuring value for money in all that we do

room for further improvement but I am confident that our people have the capability and commitment required to ensure our success.

I look forward to the coming year which holds further challenges for us. I am confident that we are well positioned to meet these challenges and achieve our objectives. I believe that staff and leadership in the NZTA share the sense of urgency and dedication that will enable us to meet these challenges head on.

Thank you to my Board colleagues for their ongoing commitment to the work of the NZTA and to staff and management for their enthusiasm and proficiency in converting our strategy into action. ■

**Chris Moller**  
Chair

..... Chris Moller

# Introducing the NZTA Board

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

## Board members as at 30 June 2010



**Chris Moller**

**Chris Moller - Chair**  
Wellington

Chris is a professional director and holds a portfolio of commercial board positions including Meridian Energy Limited, SKYCITY Entertainment Group Limited, NZX Limited, New Zealand Cricket Inc (chair) and Rugby New Zealand 2011 Ltd. He is a trustee of the Victoria University Foundation and Westpac Regional Stadium Trust. He was formerly Chief Executive of the New Zealand Rugby Union and Deputy Chief Executive of Fonterra Co-operative Group Ltd.



**Garry Moore**

**Garry Moore - Deputy Chair**  
Christchurch

Garry is an accountant and was a member of the boards of Land Transport New Zealand and Transit New Zealand from April 2007 to August 2008. Garry served two terms as a councillor on the Christchurch City Council and was Mayor of Christchurch from 1998 to 2007. He led the restructuring of the council at both elected and administrative levels.



**Christine Caughey**

**Christine Caughey**  
Auckland

Christine is a qualified planner with a professional background in local and regional government in Auckland. She was an Auckland city councillor from 2004 to 2007. She is an experienced and certified planning commissioner under the Resource Management Act 1991.



**Paul Fitzharris**

**Paul Fitzharris**  
Picton

Paul was the Acting Chair of Land Transport New Zealand from March 2007 to August 2008 and served on its board from May 2005. During the latter part of his career with the New Zealand Police, Paul represented the New Zealand Police on the National Road Safety Committee.

## Board Chair farewell in March 2010



**Brian Roche**

**Brian Roche - Chair**  
Wellington

Brian has now taken up the position of Chief Executive of the NZ Post Group. Brian has held a number of key government appointments, including being the Establishment Chair of the Auckland Regional Transport Authority, and the first Board Chair of the NZTA.



**Grahame Hall**

**Grahame Hall**  
Rotorua

Grahame is a retired Mayor of Rotorua and Local Government New Zealand representative, Chair of the Rotorua Energy Charitable Trust and Rotorua Arts Trust. He is a former President of Rotorua Federated Farmers, and Chair of New Zealand Agricultural Training Council.



**Bryan Jackson JP**

**Bryan Jackson JP**  
Waikanae

Bryan was Acting Chair of Transit New Zealand from March 2007 to August 2008. He is Chair of Vehicle Testing New Zealand and a director of a number of public and private companies including the KiwiRail group. He is a past President of the Motor Trade Association, and previously owned and operated a major motor vehicle dealership.



**Alick Shaw**

**Alick Shaw**  
Wellington

Alick has governance experience gained from nine years as a Wellington city councillor and from his directorships on a range of government, community and trust boards.

### New board members welcomed in August 2010



**Tony Lanigan**

**Tony Lanigan**  
Auckland

Tony Lanigan is a professional civil engineer (FIPENZ), project management consultant and former general manager of Fletcher Construction. Tony was Chancellor of Auckland University of Technology and a director of Infrastructure Auckland. He is currently vice chair of Habitat for Humanity International and a director of NZ Housing Foundation. He was a director of Inframax Construction Ltd and a member of the advisory board of GHD New Zealand Ltd.



**Jerry Rickman**

**Jerry Rickman**  
Hamilton

Jerry Rickman is a chartered accountant, a professional director, and a consultant to the firm PriceWaterhouse. Jerry currently chairs the Waikato Regional Airport Ltd, HG Leach Ltd, and Tidd Ross Todd Ltd. He is a member of Telecom's Independent Oversight Group and director of Alandale Life Care Ltd. He has chaired the Waikato District Health Board, Dallas Motors Ltd, Greens Industries Ltd, Innovation Waikato Ltd, Dow Group Ltd, and Katolyst Group.

### New board member joining us in October 2010

**Patsy Reddy** Wellington

Patsy Reddy is a professional director, consultant, and barrister and solicitor. She is chair of the New Zealand Film Commission, a member of Active Equities Ltd and the NZ Markets Disciplinary Tribunal, a trustee of the New Zealand International Festival of the Arts and a Chief Crown Negotiator for Treaty Settlements. Patsy was a director of Telecom, SKYCITY Entertainment Group, New Zealand Post, Air New Zealand and Southern Petroleum New Zealand.



## Chief Executive's introduction



**The NZTA is a young organisation** but has achieved remarkable progress in a short time. This report outlines our achievements for our first full year of operation and shows how far we have already come in delivering on our strategic priorities that support the government's focus on economic development.

Our strategic priority areas are – planning for and delivering the roads of national significance, improving the road safety system, improving the efficiency of freight, improving the effectiveness of public transport and improving customer service and reducing compliance costs.

Our aim is to substantially complete the seven roads of national significance projects within 10 years. These projects represent the largest ever investment in New Zealand's roading infrastructure. It's an ambitious programme of work and we are already making solid progress on all of the projects with our partners in the construction industry.

To improve our road safety outcomes we were a key partner in the development of the government's *Safer Journeys to 2020* strategy. Work has been underway this year to shape the delivery of the strategy's first actions which will improve safe access to, and use of, our roads. One of the first steps in this strategy is to redevelop the



# building a safer and more efficient transport system

restricted driver licence test to make it more meaningful and demanding of a driver's competence. The advertising programme also continued its focus on young drivers, and improving and increasing access to road safety education for young people.

Good progress was made in developing a freight plan through discussion with the freight industry and other road user groups. This Freight Forward Plan will guide our work over the next three years with a focus on improving the efficiency of freight movements. We launched changes to the Vehicle Dimensions and Mass Rule which will improve freight vehicle and fleet operating efficiency and support economic development.

The NZTA worked with the newly formed Public Transport Leadership Forum that seeks to create a unified public transport system and services for New Zealand. Funding was injected into public transport infrastructure, walking and cycling initiatives to reduce congestion in main urban areas and local government programmes targeting road user safety.

We seek to be a customer driven organisation. We have developed strategies, tools and feedback loops so we can engage more effectively with our stakeholders and be responsive to their needs. We are focused on improving customer service and reducing compliance costs.

The streamlining transport investment project ensures integrated land use and transport planning are considered at the start of the investment life cycle, and compliance costs are reduced once the project is in delivery. We are also reviewing how we communicate with our customers about regulatory services to ensure they can access information and contact us quickly and efficiently, and in a way that is cost effective too.

We have launched our Integrated Planning Strategy, working with local government, community and transport user groups to promote integrated planning, land use and transport outcomes. We've updated our economic evaluation procedures and worked with local government to embed new procurement procedures and completed the 2010/11 State Highway Plan and a comprehensive State Highway Asset Management Plan that shows how we intend to manage the \$25 billion state highway asset.

By far, the biggest investment we've made in the past year was through the launch of the first three-year National Land Transport Programme. This demonstrated a record level of investment and was the result of an extensive process including the work of 16 regional transport committees and the Auckland Regional Transport Authority to outline the key activities to deliver on their transport strategies. This approach has allowed us to align regional and national views to decide the most appropriate investment of funds to achieve wider economic and transport goals.

While much of this annual report focuses on financial targets and the outputs we've delivered throughout the year, it is worth remembering that we can only be successful in delivering quality services and products to New Zealanders if our organisation is strong. We have worked hard over the past year to continue to grow our capability and develop staff in line with our Organisational Development Strategy.

The achievements outlined in this report are due to the skills, commitment and support of our people and our stakeholders.

I am proud of what the NZTA has achieved in the last year and can see that these can be built on as we continue to focus on boosting New Zealand's economic development, safety and efficiency of the land transport system. ■

**Geoff Dangerfield**  
Chief Executive



# 1

## This year's key achievements

This section highlights the areas we gave particular focus to in the 2009/10 year.



# financial overview

THE NZTA IS RESPONSIBLE FOR OPERATING  
REVENUES AND EXPENDITURE OF CLOSE TO

2.0  
billion dollars

TOTAL ASSETS

25.3  
billion dollars

**The NZTA is responsible for** operating revenues and expenditure of close to \$2.0 billion, and total assets of \$25.3 billion. We have two key documents that the government uses to measure our performance in our use of those funds:

- Our *Statement of intent* sets out the goals and objectives for the upcoming three years and how we'll work to meet them.
- Our *Annual report* outlines our achievements against those measures.

This section of our *Annual report* presents an overview of the NZTA's financial results for the period 1 July 2009 to 30 June 2010 against our planned performance as outlined in the *Statement of intent*.

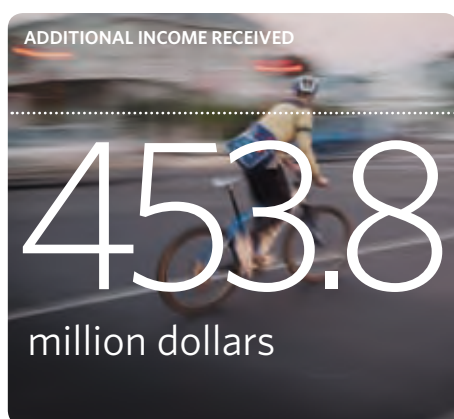
'The NZTA has ended the financial year to 30 June 2010 with a net surplus of \$13.6 million, compared to a budgeted deficit of \$321.9 million.'

The net surplus for the NZTA reflects the combined operations of the NZTA itself, our investment in land transport (via the National Land Transport Fund) and specific projects completed on behalf of the Crown. Further information and analysis of the disaggregated results for each of these areas is provided in the supplementary disclosures on pages 118 to 130.

The difference in budgeted and actual surplus of \$335.5 million has resulted from a number of factors. The primary reasons for the variance are as follows:

Additional income of \$453.8 million arising from:

- increased revenue from the National Land Transport Fund (NLTF) of \$443.6 million, primarily as a result of the recognition of \$380 million funding for state highway depreciation (budgeted as a capital contribution) and funding for the loan to Auckland Regional Council (\$25.9 million)
- additional funding from the Crown of \$9.1 million, principally to reflect the underlying costs of the motor vehicle registration activity, and to fund the Canterbury Transport Project.



This increased income was offset by additional expenditure of \$118.3 million. Significant variances from budget were as follows:

- Depreciation and amortisation exceeded budget by \$72.1 million, as a result of increased asset values arising from the capital expenditure programme.
- Operating expenses were greater than budget by \$23.8 million due to the impact of state highway-related costs being assessed as operating in nature rather than capital (as per the *Statement of intent* (SOI) budget).
- Personnel costs exceeded budget by \$5.4 million as a result of the timing of severance payments and the impact of budgeted efficiency savings being made in general operating expenditure rather than personnel. ■

# our achievements by function

Our role in improving the land transport system is carried out through the delivery of our four core functions. This section details our major achievements for 2009/10 in each of these functional areas.

# 1

## launched

OUR INTEGRATED PLANNING STRATEGY



## released

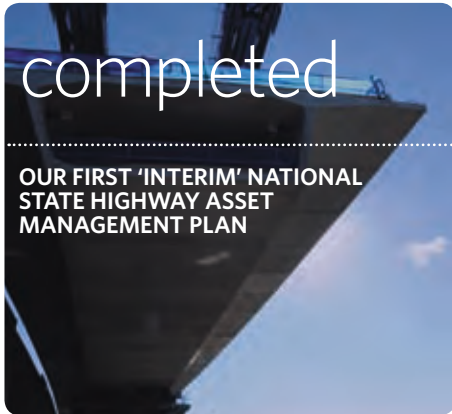
UPDATED ECONOMIC EVALUATION PROCEDURES



## Planning the land transport networks

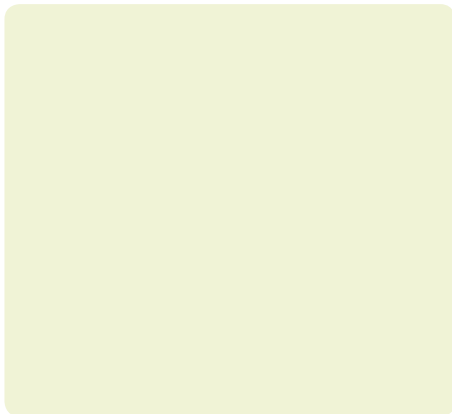
### We launched our Integrated Planning Strategy

We work with local government, community and transport user groups to promote integrated planning, good land use and transport outcomes. In 2009/10 we launched our Integrated Planning Strategy to ensure we undertake an integrated approach to transport planning. This strategy aims to promote good regional and urban planning and design so that we can achieve the lowest possible long-term transport expenditure for firms and households.



completed

OUR FIRST 'INTERIM' NATIONAL STATE HIGHWAY ASSET MANAGEMENT PLAN



TOOK AN ACTIVE ROLE IN VARIOUS LEGISLATIVE REVIEWS



assisted

LOCAL GOVERNMENT WITH THE PREPARATION OF TRANSPORT STRATEGIES AND ACTION PLANS



worked

WITH LOCAL GOVERNMENT TO DEVELOP STRATEGIES FOR PROCURING PUBLIC TRANSPORT INFRASTRUCTURE AND SERVICES

**We updated our economic evaluation procedures and worked with local government to embed new procurement procedures**

In January 2010, we released new *Economic evaluation manuals* containing updated procedures and values for assessing the economic efficiency of proposed activities in the National Land Transport Programme (NLTP). Our economic evaluation procedures provide the industry's standard for the economic evaluation of transport activities and are used by approved organisations preparing funding applications to the NZTA. Assessing economic efficiency, particularly with benefit cost ratios, is one of the key factors informing funding decisions.

All activities funded through the NLTP must be purchased through the use of procurement procedures approved by the NZTA. This year we have been assisting approved organisations to transition to a new procurement environment. All approved organisations are now required to have a procurement strategy in place to comply with approved procurement procedures. Eleven approved organisations had a procurement strategy in place by the end of June 2010, and we expect all to comply by October 2010.



completed

OUR 2010/11 STATE HIGHWAY PLAN

### **We completed our 2010/11 State Highway Plan and our first State Highway Asset Management Plan**

Each year we update our *State Highway Plan* to communicate our annual work programme to stakeholders, and to provide internal guidance on how the state highway network can be best managed to achieve the government's objectives and meet the needs of our customers - while balancing competing demands on available funding. For the first time, our 2010/11 plan includes national and regional summaries to improve communication to stakeholders.

In addition to our annual *State Highway Plan*, we launched a plan outlining how we manage the \$25 billion state highway asset. Our *State Highway Asset Management Plan* describes the services our state highway system provides, outlines how we intend to manage the assets we use, and details the expenditure required in the future. It is vital that we have a robust asset management process in place to ensure the state highway network effectively contributes to economic growth and productivity and individual travel choices through a customer-focused approach.

### **We have been preparing for the 2011 Rugby World Cup**

In 2011, New Zealand will host the Rugby World Cup. It is estimated that up to 85,000 international visitors will attend events over the course of the six-week tournament. Hosting an event of this magnitude will have a significant impact on the transport network, not only on match days, but throughout the course of the event. Transport networks in host cities will need to cope with a far greater demand during this time, and we need to ensure that people can travel to and from the games, and around host cities, as safely and easily as possible. We have been working with the Ministry of Economic Development and the Ministry of Transport to identify the potential issues the Rugby World Cup may create for transport and to put plans in place to deal with these.





world cup

COMMENCED PREPARATIONS FOR  
THE 2011 RUGBY WORLD CUP

### **We worked with local authorities and stakeholders on integrated transport and land use planning**

Over the course of the year, we have been working with local government and key stakeholders to plan for land use and identify the best choice of transport systems for local communities, regions and nationally. This work includes assisting with the preparation of strategies and action plans that inform the NZTA's transport investment, and ensuring that access to the state highway network is well managed and integrated with local transport networks.

With our transport partners, we have continued to progress transport studies that assist the development of integrated, multi-modal and sustainable packages of land transport activities. Studies progressed this year include the Heretaunga Plains Transportation Study and Auckland City Council Crash Reduction Studies. We also supported and endorsed a number of strategies and packages including the Hamilton City Council's Access Hamilton integrated transport strategy.

### **We have been actively involved in the review of legislation impacting on the transport sector**

Throughout the year we have been involved in the review of various pieces of legislation with implications for the transport sector including:

- Land Transport Management Act (LTMA) – reviewing the planning processes and processes associated with tolling with a view to making them simpler to use.
- Public Transport Management Act (PTMA) – reformulating the 'operating model', ie the relationship between regional councils and transport operators – to reflect a desire from the Ministry of Transport for the PTMA to better support a commercial approach to public transport provision.
- Resource Management Act (RMA) – the second round of amendments to this act which include potential changes to the provisions relating to infrastructure (including designations) and planning frameworks.
- Land Transport Act Amendment Bill – providing input into Ministry of Transport proposals for the implementation of *Safer Journeys* policies and transfer and updating of local authority bylaw and parking enforcement powers.
- Land Transport (Enforcement Powers) Amendment Act 2009 – input into the Ministry of Transport's review of the management of 'boy racers' and drugged drivers, and the draft legislation. ■

# 2

## Investing in land transport networks



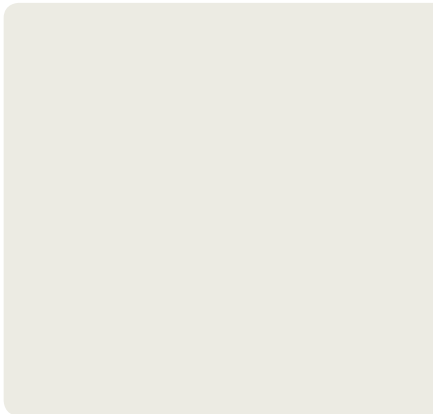
### We launched the first three-year National Land Transport Programme

The 2009-12 National Land Transport Programme (NLTP) represents a record level of investment in land transport in New Zealand - \$8.7 billion over three years. This is our first ever three-year programme outlining investment in land transport activities and New Zealand's largest ever investment in land transport. It seeks to ensure that we support economic activity and assist economic growth through a series of highly targeted national and regional investments designed to deliver the best possible returns for New Zealand in the long term.

This NLTP is the result of an extensive development process in which 16 regional transport committees and the Auckland Regional Transport Authority developed regional land transport programmes outlining the activities they sought funding for. This regional perspective has enabled the NZTA to build a view of transport requirements across the country, and to align regional and national views in deciding the most appropriate investment of funds to give effect to government priorities for transport, and provided local government with greater certainty on the availability of funding.

### We launched our Investment and Revenue Strategy

In August 2009 we launched our Investment and Revenue Strategy which ensures that the NLTP gives effect to the government's priorities for land transport, as stated in the *Government policy statement on land transport funding (GPS)*, and the requirements of our founding legislation, the Land Transport Management Act 2003 (LTMA). This strategy documents the NZTA's strategic intent for investment, and sets out the prioritisation frameworks used in the development and ongoing management of the NLTP. It assists the NZTA to balance competing priorities and select the optimal mix of activities for funding, in order to make the greatest contribution to the purpose and objectives of the LTMA and the government's desired impacts.



**We reviewed our investment priorities for sector training and research, transport planning, and programmes that promote safe road user behaviours**

We have been reviewing the operational policy that directs our investment in sector training and research, transport planning, and programmes that promote road user behaviours that are safe, healthy and reduce congestion. This is a key part of our work to align our operational policy with the government's desired outcomes for transport and its desired short to medium-term impacts. Each review has resulted in the creation of a clear operational policy that will ensure our investments are targeted to government priorities. We have developed specific investment criteria that will provide clear signals about investment priorities to the transport sector and will direct our investment decisions to ensure we invest in the highest priority activities in an effective way that will give the best return. As a result, training and research will be focused more on supporting transport decision-makers, transport planning activities will more strongly focus on shaping future investment priorities, and road user behaviour programmes will support the government's *Safer Journeys* strategy priorities.

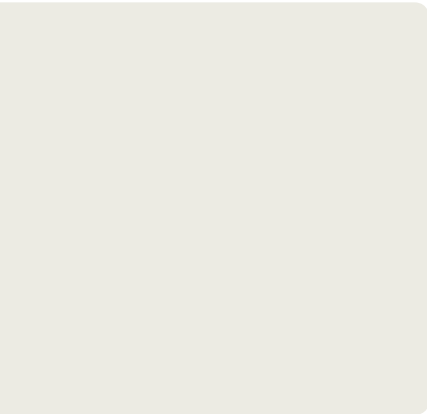
**Some of our major investments for 2009/10 include:**

**Local roads** - we made investments to improve the reliability of travel time along key routes, and the safety and operation of local roads. Over \$40 million was invested in the East Taupo Arterial project in 2009/10 (now nearing completion), providing a bypass of Taupo for through traffic in order to shorten journey times and relieve congestion on roads within Taupo. A further \$100 million was spent on works across the country addressing local safety and route efficiency issues.

During 2009/10 we worked with local authorities to advance works to make use of available funding and construction sector capacity. For example, we expect that works on Wairere Drive in Hamilton and on heavy freight routes across the country will now commence a year earlier than planned.

**Public transport infrastructure** - we focused investment primarily on supporting improvement to passenger rail services in Wellington and Auckland to relieve congestion on roads through improvement to rail stations, bus priority measures, integrated ticketing and real time information projects. Major projects include:

- Auckland Integrated Fare Solution/National Integrated Ticketing.
- Various ferry terminal upgrades in Auckland (Bayswater, Birkenhead, CBD downtown).
- Grafton Rail Station.
- New Lynn TOD Passenger Transport Interchange.
- Newmarket Rail Station Construction.
- Kingsland Station Enhancements.
- Avondale Rail Station.
- New Lynn Rail Station.



Investing in  
land transport  
networks  
continued

Property purchase and design work for the new Christchurch bus interchange commenced, and funding approved for construction will be released once the commercial arrangements are completed.

**Public transport services** - we focused on improving the efficiency of investment, supporting existing services, and developing enhanced services to address congestion on roads, particularly in Auckland. The NZTA, with sector stakeholders, is developing a coordinated approach to the introduction and use of technology to enhance passenger transport services across New Zealand. We also collaborated with stakeholders to develop and release a policy promoting a fair contribution towards service cost by users and other parties.

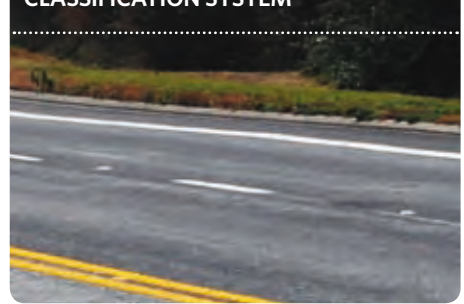
**Walking and cycling** - improving the contribution that walking and cycling activities make to the reduction of congestion in main urban areas is a funding priority in the 2009-12 NLTP. We are targeting investment at communities that have a long-term commitment to significantly increasing walking and cycling. This year we committed to invest \$7.3 million over the next two years to New Zealand's first walking and cycling model communities in New Plymouth and Hastings.

**Road user safety** - we invested \$15 million in local government programmes that increase the safe and efficient use of the land transport system, and provide increased access through promoting multiple modes of transport. These programmes target nationally identified priorities and local issues through promotion, education, advertising, awareness campaigns and training programmes. The greatest proportion of spend in 2009/10 was on school-based activities which promote safety around the school gate, safe travel to school, increased use of active modes and driver awareness around schools. Local authority programmes outside of the main centres focus on safety programmes addressing themes such as alcohol and drugs, speed, fatigue, restraints and intersection behaviour. ■

MADE GREAT PROGRESS ACROSS ALL SEVEN ROADS OF NATIONAL SIGNIFICANCE PROJECTS



DEVELOPED LEVELS OF SERVICE FOR THE STATE HIGHWAY NETWORK AS PART OF THE STATE HIGHWAY CLASSIFICATION SYSTEM



COMPLETED

60

CONSTRUCTION PHASES AGAINST A PLANNED 33 ON OUR SMALL AND MEDIUM-SIZED STATE HIGHWAY PROJECTS

## Managing the state highway network

### We made great progress against our state highway improvements programme

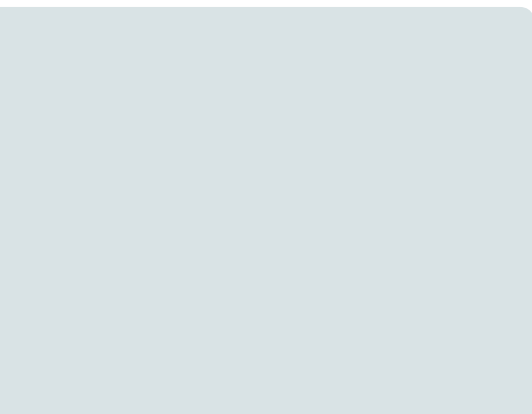
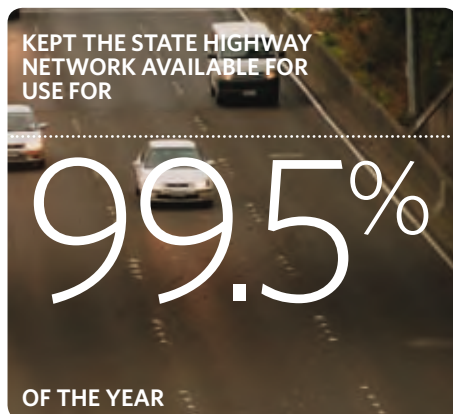
We have made significant progress against our state highway improvements programme this year - lifting the level of service we provide to our customers and delivering against the key priorities of the government. Our investments have led to improved journey time reliability and increased levels of safety across the national network for both freight and personal travel.

We have seen a significant increase in the levels of activity undertaken in the last 12 months. A number of significant projects have been funded and commenced, and we have carried out higher than ever levels of activity in our small and medium sized projects programme. In addition to the increased level of funding, current market conditions and resulting competitive tender prices have allowed us to complete significantly more activity than initially planned, while still finishing the year within 5% of our financial target. Advancing these works has also given us the opportunity to provide the contracting industry with more work in the face of declining private sector activity.

The table below provides a progress report on some our significant state highway improvement projects. For information on all of our state highway projects, go to [www.nzta.govt.nz/network/projects/](http://www.nzta.govt.nz/network/projects/).

PROJECT NAME	I	D	C
Newmarket Viaduct (Auckland)			*
Hobsonville Deviation (Auckland)			*
Atiamuri Bridge replacement (Waikato)		*	
Hairini Link (Bay of Plenty)	*		
Hawke's Bay Expressway Southern Extension			*
Matahorua Gorge Realignment (Hawke's Bay)			*
Terrace Tunnel and Mount Victoria Tunnel safety improvements (Wellington)		*	
Waitaki Bridges No 1 and 2 replacement (Canterbury)		*	
Homer Tunnel safety improvements (Southland)	*		

I Investigation  
D Design  
C Construction



Managing the state highway network continued

In addition to building new state highway infrastructure, we undertake a variety of renewal activities on the state highway network, such as pavement maintenance, replacement of drainage facilities, bridge widening, and traffic signal replacements. Highly competitive market conditions (and hence lower prices) in the contracting industry this year have enabled us to advance some works originally planned for 2010/11. As a result, we achieved 3.3% more pavement renewals than programmed at the start of the year - 48km of pavement over the baseline target of 1456km.

**We continued to improve safety and reliability on the state highway network**

Operating the state highway network has become increasingly important over the last decade as we try to derive maximum capacity, safety and efficiency from the network. We are increasingly adding new and improved facilities to both manage traffic and respond to incidents on the network that generate delays and congestion. As the network operates at or near capacity, the demand for better information for the travelling public both before and during their journeys becomes paramount; requiring better and more sophisticated systems. Some of our highlights this year include:

- Keeping state highways available for more than 99.5% of the time across the year.
- Opening a new purpose-built traffic management unit in Auckland to manage traffic flows and respond rapidly to conditions or incidents that stop or slow traffic.
- Using MetService weather forecasting that will allow us to more specifically target areas of the network that are at risk of incidents so that we can respond more quickly to imminent events and provide a safer network.
- Completing the variable message signage on the Wellington Urban Motorway, and the roll-out of journey time information on the Auckland Motorway onramps - providing better information for road users while they're travelling, and an opportunity to optimise traffic flows. ■

COMPLETED A

16

LAND TRANSPORT RULE DEVELOPMENT PROGRAMME, AND IMPLEMENTED SIX RULES DESIGNED TO IMPROVE SAFETY ON OUR ROADS.

4

delivered

930,000 LICENCES AND TESTS

implemented

CHANGES TO THE VEHICLE DIMENSION AND MASS RULE

## Access to and use of the land transport networks

### **We implemented changes to the Vehicle Dimensions and Mass Rule**

On 1 May 2010 we implemented changes to the Vehicle Dimensions and Mass Rule (VDM Rule) that have broadened the grounds on which a heavy motor vehicle can operate in terms of weight and, in some cases, length. The VDM Rule also introduced a new type of permit – the 'high-productivity' vehicle permit. As at June 2010 we had received over 300 applications for higher mass, and 40 applications for additional length, of which we have been able to issue 19 high-productivity permits for higher mass, and 18 for additional length.

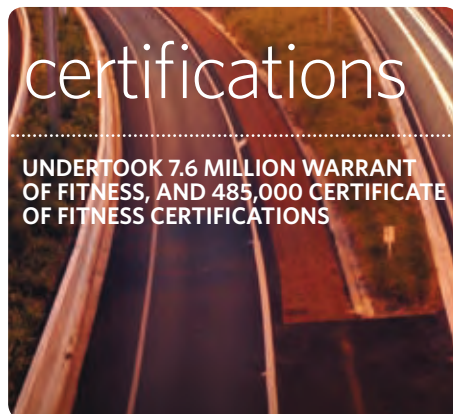
### **We continued working to improve transport operator compliance**

We completed development of the Operator Rating System (ORS), which is due to publish its first public rating in 2012/13. The ORS aims to provide a fair and accurate indication of the safety of an operator's fleet and the operators' compliance with land transport safety regulation. Operators will know how well they're complying with legislation, customers will find and support operators with good safety ratings and we will be able to target regulatory activities where they are most needed.

We inspect taxis and taxi operators for compliance over a range of activities, such as whether they are roadworthy, logbooks are up-to-date and accurate, and the person behind the wheel is the person that should be driving the taxi. During 2009/10, we continued our work to improve taxi compliance and safety levels including auditing taxi organisations and working with drivers on issues of driver safety such as ensuring compliance with 24/7 communications policies and education around the pending introduction of mandatory security cameras.

### **We improved the way transport licences are issued**

As part of the enhancement of customer service delivery, the processing of transport service licences and a range of driver licence endorsements is now being undertaken through the Transport Registry Centre. These processes were previously undertaken through regional offices. This enhancement means a consistent approach to licence processing across all services in all regions. Since making this change, processing times have dropped from between 30-60 days to between 20-30 days.



### **We improved the driver testing system**

Our driver testing system has been enhanced with the implementation of computerised theory testing, which has replaced the 'scratch' test paper. The new screen-based test randomly presents questions from *The official New Zealand road code*, preventing rote learning by candidates and compelling them to study the road code prior to sitting the test.

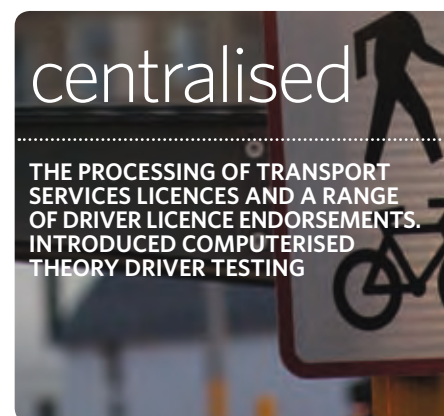
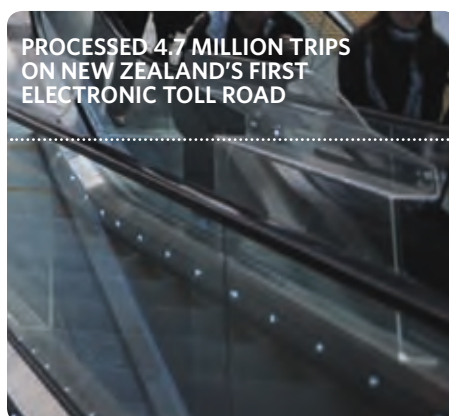
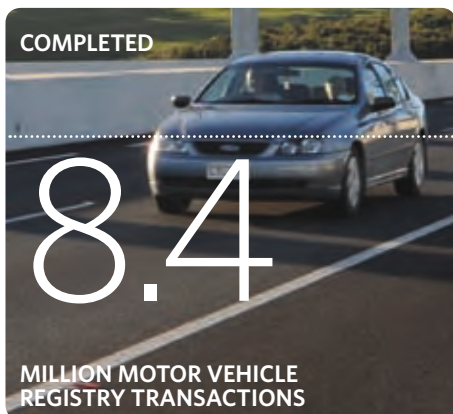
### **We delivered the 2009/10 rules development programme as agreed with the Ministry of Transport**

We completed a 16 transport rule development programme in the areas of, for example, vehicle safety standards, fatigue, and driver licensing, and implemented the following six rules:

- Vehicle Dimensions and Mass Amendment – sets out the requirements for dimension and mass limits to enable vehicles, in particular, heavy truck and trailer combinations, to be operated safely on New Zealand's roads.
- Tyres and Wheels Amendment – sets requirements relating to tyres and wheels and their assembly with hubs and axles, on all motor vehicles and also on pedal cycles.
- Traction Engines<sup>1</sup> – sets out the requirements for the safety certification of traction engines and the qualifications required for users of traction engines.
- Work Time and Logbooks Amendment – sets out how the limits to the work time hours for a driver of a commercial vehicle are to be administered.
- Steering Systems Amendment – covers the design, construction and maintenance of steering systems in motor vehicles.
- Dangerous Goods Amendment – sets requirements for the safe transport of dangerous goods on land in New Zealand.

<sup>1</sup> A traction engine is a steam-powered locomotive for drawing heavy loads along surfaces other than tracks.





**We processed over 11 million transactions to provide transport users with access to the land transport system**

A large part of our role in managing access to the land transport system revolves around providing driver testing services, issuing driver and transport licences, undertaking vehicle certification, registration and licencing activities. In 2009/10 we delivered 930,000 licences and tests, undertook over 7.6 million warrant of fitness certifications, completed 8.4 million motor vehicle registry transactions, and 2.3 million road user charges transactions. We achieved over 94% data accuracy on the driver licence and motor vehicle registers which has underpinned the collection of \$1,099 million of Crown revenue that has been directed into the National Land Transport Fund for investment in various transport activities.

**We processed almost five million trips on New Zealand's first electronic toll road**

The end of 2009/10 marked the first full year of operation for the Northern Gateway Toll Road, New Zealand's first electronic toll road. One of the biggest challenges we've encountered has been familiarising motorists with paying a toll to use part of the state highway network. This year, traffic flows were 6% higher than predicted, with 76% of vehicles now using the toll road, compared with 24% using the alternative free route. ■

# our achievements by strategic priority

**In April 2009**, we adopted five strategic priorities – our areas of focus over the medium term. They are the platforms from which we drive the transformation of our organisation and represent our best opportunities to influence the development of the transport sector, and make progress on the government's outcomes. Each of these priorities spans two or more of our functions.



Infrastructure development is one of the government's key planks for economic growth. A key departure from road planning in the past is the 'lead infrastructure' approach of the roads of national significance (RoNS) projects. This means the government is investing in infrastructure now to encourage future economic growth rather than wait until the strain on the network impedes progress.

The Government policy statement on land transport funding identifies seven roads of national significance, representing some of New Zealand's most essential state highways. These seven RoNS provide access within and between New Zealand's five largest population centres. Improving these critical sections of state highway will significantly improve the safe and efficient movement of people and freight.

**What we did at the strategic level**

This year we have focused on developing a clear strategic context and direction for each of the seven RoNS. We have achieved this through:

**UNDERTAKING AN ECONOMIC ANALYSIS OF THE RoNS PROGRAMME**

We undertook an economic analysis to assess how the seven RoNS, as leading infrastructure investments, will trigger increased economic activity and unlock regional growth potential. The economic analysis looked at the wider economic benefits they would generate, in addition to the economic indicators already used in the standard project assessment process such as safety and improvements in travel time.

**IMPROVING COMMUNICATIONS AROUND THE RoNS PROGRAMME**

We developed improved communications and stakeholder engagement for the programme, including preparing and publishing project summary statements for each RoNS on the NZTA website.

**WORKING TO ENSURE RoNS PROJECTS ARE INTEGRATED WITH THE LAND TRANSPORT NETWORK AND WITH LAND USE PLANS**

We have been working with our local and regional partners to ensure that the strategic context of each RoNS project is well understood, and that network plans are developed for each project to guide their delivery and maximise their benefit to the transport system.

**DEVELOPING RESOURCE CONSENTING STRATEGIES**

Five of the seven RoNS projects require significant Resource Management Act (RMA) approvals. We have developed resource consenting strategies for these projects that will implement best practice for RMA decision-making.

**DEVELOPING A POST-CONSTRUCTION BENEFITS ASSESSMENT FRAMEWORK**

A post-construction analytical framework is being implemented across all RoNS to better assess and quantify their benefits as they are completed, allowing a better 'before and after' picture of the inputs, outputs and outcomes of each of the projects.

**What we did at the project level**

Very good progress has been made across all RoNS during the year. Construction has commenced on Victoria Park Tunnel and the Christchurch Motorways, and construction funding has been secured for the Tauranga Eastern Link and sections of the Waikato Expressway. Development funding was obtained for the newer Puhoi to Wellsford and Levin to Wellington routes, and the programme for the Auckland Western Ring Route is on track to meet a revised construction start date of late 2011.

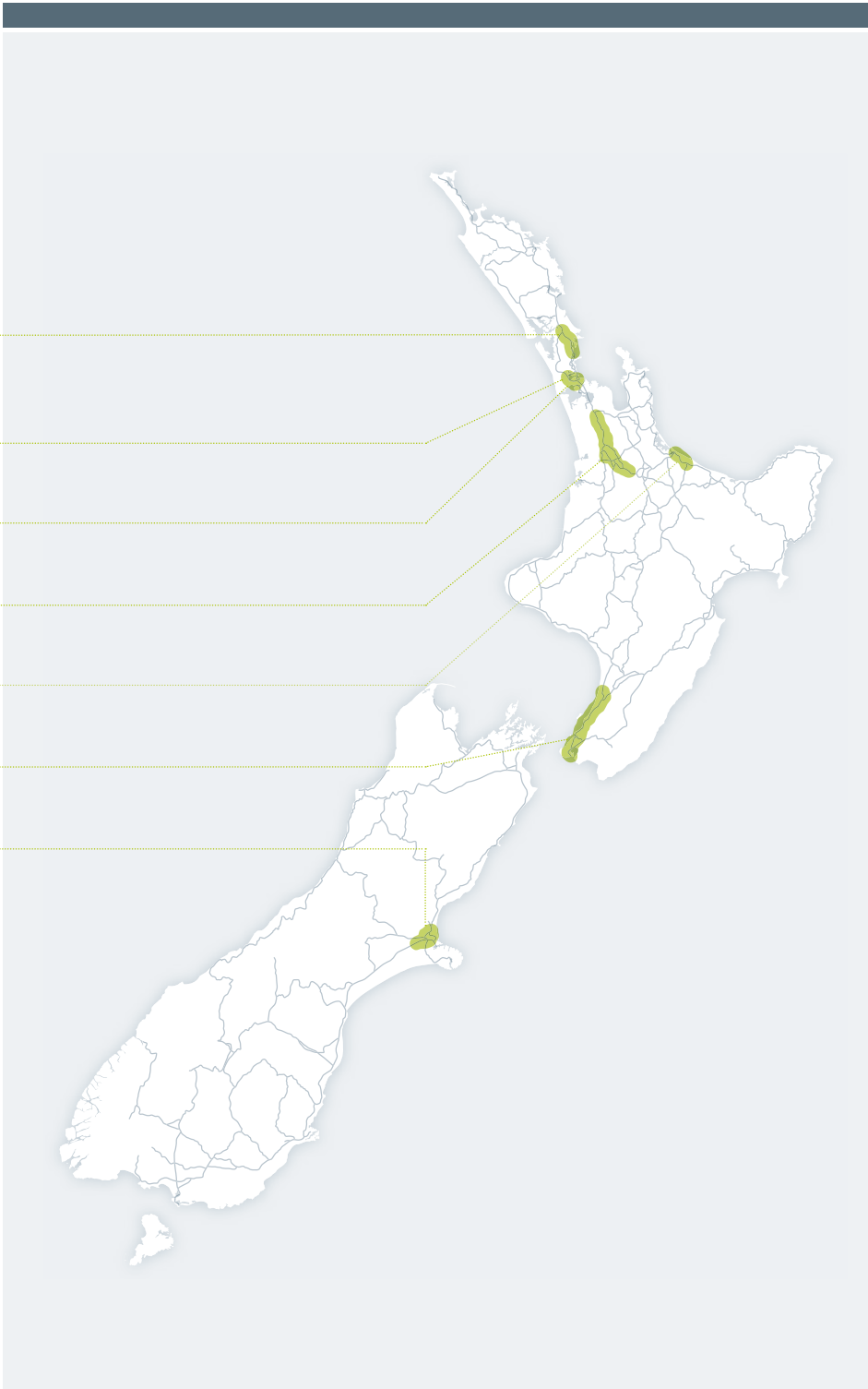
For progress on the RoNS projects during 2009/10 refer to the table on page 26. For up to date information go to [www.nzta.govt.nz/network/rons/](http://www.nzta.govt.nz/network/rons/).

**2009/10 progress  
on roads of national  
significance**

PROJECT	ACHIEVEMENTS
Puhi to Wellsford	Development funding was secured and work commenced with scheme assessments underway and scoping workshops undertaken. Consultation has commenced for the Puhoi to Warkworth section. This has focused on communicating the key project principles with the community and involves distribution of newsletters, community meetings, radio and newspaper advertisements.
Victoria Park Tunnel	This project has progressed at a rapid rate. Construction has commenced and progress is ahead of schedule.
Western Ring Route	This project is on track to meet an accelerated construction start for the main works in late 2011. Significant achievements for 2009/10 include: <ul style="list-style-type: none"> <li>▪ Consultation, confirmation and announcement of the preferred option for the Waterview Connection and for the length of SH16 from St Lukes to Westgate.</li> <li>▪ Construction funding was approved.</li> </ul>
Waikato Expressway	These sections have made good progress throughout 2009/10. The Te Rapa section has had both construction funding approved and a contract for the physical works awarded. Over the winter of 2010, detailed design is being progressed with construction expected to commence this spring. Other significant achievements include: <ul style="list-style-type: none"> <li>▪ Award of Huntly investigation works.</li> <li>▪ Tendering of Hamilton investigation works.</li> </ul>
Tauranga Eastern Link	This project has progressed well during 2009/10. The target was to conclude discussion on a funding plan to advance this project. This has been achieved with tolling confirmed as the funding option to advance the project. Other significant achievements include: <ul style="list-style-type: none"> <li>▪ Enabling works were started and are progressing well.</li> <li>▪ Tendering for the main contract is underway.</li> </ul>
Levin to Wellington	Good progress has been made on these projects, although there have been delays on the Basin Reserve section. We have completed planning for delivery along the corridor including agreement on our approach to procurement and delivery, and established an alliance team for the delivery of the Mackays to Peka Peka section.
Christchurch Motorways	Construction has commenced on the Christchurch Motorways, some three months ahead of schedule. Good progress has been made developing other sections of the route including the procurement of consultants to progress investigation and design of priority sections.  Established a consenting strategy for all sections of the RoNS which identifies that Christchurch Motorway stages 2 & 3 (Springs Road to Rolleston) will require the national consenting process.

## Location of the seven RoNS projects

- 1 Puhoi to Wellsford
- 16 20 Completing the Western Ring Route
- 1 Victoria Park Tunnel
- 1 Waikato Expressway
- 2 Tauranga Eastern Link
- 1 Wellington Northern Corridor
- 1 73 74 Christchurch Motorways





Over the past 30 years, New Zealand has made good progress in improving road safety, but too many families and communities continue to feel the personal impact of deaths and serious injuries on our roads. The estimated social cost of crashes is \$3.8 billion annually, not including the indirect drain on the health system, and the wider economic impacts of crashes on other road users. In response, the government's *Safer Journeys: New Zealand's road safety strategy 2010-2020* challenges any assumption that road trauma is inevitable, and sets out road safety priorities to be addressed immediately.

**What we did**

**WE ASSISTED WITH THE DEVELOPMENT OF THE GOVERNMENT'S SAFER JOURNEYS STRATEGY**

The release of *Safer Journeys* was a milestone and represents the culmination of much NZTA cross-sector work and leadership. We made significant progress this year to align our work and our investment with the vision and priorities of the strategy.

**WE WORKED TO INCREASE THE SAFETY OF YOUNG DRIVERS**

One of the 'first steps' initiatives in the *Safer Journeys* is to redevelop the restricted driver licence test to make it a more meaningful and demanding test of driver competence. We also introduced computerised delivery of the learner licence theory test, requiring young drivers to have better knowledge of the road code before they learn to drive. The advertising programme continued its focus on young drivers, and improving and increasing access to road safety education for young people. For the first time, the 2010/11 Road Policing Programme will direct resources towards investment in young driver safety.

**WE WORKED TO ENSURE SAFER ROADS AND ROADSIDES**

We started developing a classification system for the roading network that will ensure consistent safety engineering design standards for each type of road in the country based on its level of use and its intended function. This work is on track with categories and safety levels of service being developed for the state highway network initially. These can be extended to local and rural roads through the newly developed Standard 4404, which will play a key role in integrating road safety into land use planning.

The recently released KiwiRAP star rating of rural state highways provides an assessment of the relative levels of safety built into our state highways. One-star roads have the lowest safety rating and five-star roads have the highest. These ratings are primarily an information tool for motorists and help raise public awareness of the different levels of safety over rural sections of the state highway network.

On completion, the RoNS projects are expected to make a significant improvement

to safety along high-volume, high-risk, state highways. Other significant safety works recently completed or nearing the end of construction include: the realignment of Rugby Road and Bell Block Bypass (Taranaki), Ohingaiti-Makohine (Manawatu-Wanganui), Rimutaka corner easing (Wellington), Bulls Gorge Realignment (Northland) and the Hawke's Bay Expressway Southern Extension.

We continued to deliver state highway safety improvement programmes such as the safety retrofit, seal widening, skid resistance improvements, minor works and rumble strip programmes as planned, primarily targeting the highest risk routes.

**WE ENCOURAGED SAFE USE OF THE ROAD SYSTEM**

A number of land transport rules that influence safer use of the road system were signed into law during the year. Changes included the banning of cell phone use while driving and improving transport operator safety by amending, for example, the Work Time and Logbooks Rule and Dangerous Goods Rule.

We made further progress on the Operator Rating System (ORS), which will rate commercial road transport operators on their performance against transport standards and regulations. The system will enable the NZTA to produce a safety rating for each commercial road transport operator in New Zealand. We have completed the build of the ORS engine, marking a significant milestone in the delivery of the ORS strategy.

**WE PROMOTED SAFER VEHICLES AND WORKED TO IMPROVE THE SAFETY OF NEW ZEALAND'S VEHICLE FLEET**

Our national advertising programme continued to raise awareness of electronic stability control and the Rightcar website to assist vehicle buyers to make purchasing decisions based on safety ratings. A number of land transport rules addressing vehicle safety were signed, including the Traction Engines Rule that sets out the requirements for the safety certification of traction engines and the qualifications required for users of traction engines, and the Steering Systems Rule that covers the design, construction and maintenance of steering systems in motor vehicles.



Improving the efficiency of freight movements is vital to lowering the cost of transport, improving New Zealand's competitiveness and unlocking New Zealand's economic potential. New Zealand relies on trade with distant markets and the cost of transport is added to the price of our exports and imports. To overcome our geographic disadvantage, we need to work harder and smarter to develop more efficient supply chains.

**What we did**

**WE DEVELOPED OUR FREIGHT FORWARD PLAN**

We developed Freight Forward, our draft freight plan to guide our work over the next three years and promote discussion with our stakeholders. As we increase our understanding of New Zealand's supply chains, we will adapt our work to eventually transform the services we deliver. The plan will be revised and updated as new opportunities arise.

**WE CONTRIBUTED TO IMPROVED FREIGHT VEHICLE AND FLEET OPERATING EFFICIENCY**

We have implemented the Vehicle Dimensions and Mass Amendment Rule (VDM Rule) to improve the productivity of New Zealand's freight vehicle fleet. We have worked closely with public and private sector organisations, including freight transport operators, heavy vehicle manufacturers, road controlling authorities and the NZ Police, to implement the changes to the VDM Rule. This change included adapting our investment and planning procedures to give greater assistance to road controlling authorities to identify suitable routes for high productivity motor vehicles (HPMVs), and working with the freight transport industry to identify appropriate vehicle configurations that allow for additional length.

**WE IDENTIFIED FREIGHT AND TOURISM ROUTES**

We undertook analysis to identify the key freight routes that carry significant volumes of freight traffic so that we can better identify opportunities to improve the efficiency of freight movements in New Zealand. Preliminary analysis was undertaken on the movement of international tourists on key tourist routes, recognising the significant contribution tourism makes to New Zealand's economic performance. This work was incorporated into the development of the state highway classification system, which will guide future investment and management of the network. The system will ensure that our state highway investment and operational activities result in improved safety and performance on our highways.

**WE ADOPTED A CUSTOMER-FOCUSED APPROACH TO DRIVE OUR WORK ON IMPROVING THE EFFICIENCY OF FREIGHT MOVEMENTS**

We have begun engaging with New Zealand freight generators and freight transporters to better understand the needs of the sector. Through this engagement, we have learnt more about their supply chains and the opportunities that exist to realise efficiency gains. We have also worked closely with the Ministry of Transport and local government to develop a more cohesive government approach to improving the efficiency of freight movements.

**WE LAUNCHED A NEW STRATEGIC FREIGHT RESEARCH PROGRAMME**

We implemented the NZTA Research Programme Investment Framework that sets out a more strategic and focused approach to our research investment. Our new approach aligns the research programme with the work of transport decision makers (the NZTA, the Ministry of Transport and approved organisations). Freight is one of the five research priorities for the 2010-12 programme.



Effective public transport services are an essential component of a transport network in a growing and productive economy. Improving the effectiveness of New Zealand's public transport system will contribute to economic growth and productivity by easing severe congestion, making more efficient use of the transport network, and delivering value for money invested in public transport services and infrastructure. Improving New Zealand's public transport system will also lead to more transport choices, and contribute to reductions in deaths and serious injuries from road crashes. Our primary focus is on improving the effectiveness of public transport in the major urban centres, and in particular Auckland and Wellington.

### What we did

#### WE WORKED TO IMPROVE SECTOR COLLABORATION ON PUBLIC TRANSPORT ISSUES

The Public Transport Leadership Forum was established in August 2009 to lead the development of an effective public transport sector. This forum is jointly chaired by the Ministry of Transport and the NZTA and includes chief executives from key public transport operators (bus, train and ferry), and regional councils. The establishment of this forum is significant – marking the first time that key parties from across the public transport sector have worked together to address the challenges facing public transport provision and create a unified public transport system and services for New Zealand.

#### WE ENDORSED A SECTOR FRAMEWORK AND ACTION PLAN FOR IMPROVING PUBLIC TRANSPORT EFFECTIVENESS

The NZTA together with the Public Transport Leadership Forum have endorsed a sector framework for public transport effectiveness and a three-year sector action plan. The framework identifies six strategic objectives – three of a transformational nature, ie improved customer experience, integrated networks and strengthened leadership, and three enabling objectives, ie an improved operating model, aligned resources and smarter technology. For each of the strategic objectives, a range of deliverables have been identified with responsibility for implementation running across the public transport sector. The short-term focus is on improving effectiveness in time for the Rugby World Cup.

#### WE WORKED AS PART OF THE PUBLIC TRANSPORT LEADERSHIP FORUM TO DEVELOP AND ADOPT A 50-YEAR VISION FOR PUBLIC TRANSPORT

A 50-year vision for the sector has been adopted by the Public Transport Leadership Forum, titled *Growing public transport* as a mode of choice in our cities – by developing a cost effective, smart and reliable public transport network. The sector is working collaboratively to achieve the vision that seeks to improve customer experience, integrate networks and strengthen leadership by improving the public transport operating model, aligning resources and investing in smarter technology.

#### WE MADE PROGRESS ON A NATIONAL APPROACH TO PUBLIC TRANSPORT TECHNOLOGY

The national approach to public transport technology will include technologies such as integrated ticketing, real-time information, Google transit applications, service scheduling packages, bus priority technology and customer service information systems. This year, we started work on the Auckland Integrated Fare System and on the National Integrated Ticketing Programme. Integrated ticketing makes public transport easier to use by allowing passengers to travel across a city using different modes of transport with a single ticket. It offers flexibility and convenience for passengers and is a key building block of a quality public transport system.

#### WE DEVELOPED A FAREBOX RECOVERY POLICY

We announced a new farebox recovery policy aimed at improving the efficiency of public transport in New Zealand and ensuring the costs of providing services are shared fairly between public transport users, ratepayers and road users. The new policy aims to achieve a minimum national farebox recovery ratio of 50% by 2018, and requires all regional councils (and the Auckland Regional Transport Authority) to set their own farebox recovery policies and target ratio by 1 January 2012 as part of their regional public transport plans.

#### WE PARTICIPATED IN THE ONGOING DEVELOPMENT OF A PUBLIC TRANSPORT OPERATING MODEL

We, along with the Ministry of Transport and other sector participants, have developed an operating model for public transport services. This work will pave the way for an amendment to the Public Transport Management Act, along with non-regulatory changes in the areas of procurement and regional public transport plans.

#### WE CONTRIBUTED TO THE MINISTRY OF TRANSPORT'S REVIEW OF THE SUPERGOLD FREE OFF-PEAK PUBLIC TRANSPORT SCHEME

A market research survey of 1500 SuperGold card users was conducted, providing valuable information on the benefits to users of the SuperGold scheme. Analysis of data from the survey informed the preparation of a draft discussion document setting out options for changes to the SuperGold scheme, which was sent to partners and stakeholders for comment. The Minister of Transport is considering a set of recommendations.





There are many opportunities to improve the level of service we offer our customers while at the same time reducing costs to our organisation. Our challenge is to balance costs with the levels of service we provide, and legislated standards. Many of our services are delivered through a wide network of agents, stakeholders and contractors, and we interact with every New Zealander who uses the land transport system. To be successful, we must maintain a high degree of customer focus.

**What we did**

**WE DESIGNED A PROJECT THAT WILL IMPROVE THE WAY WE ASSESS AND INVEST IN TRANSPORT ACTIVITIES**

Streamlining the way that we assess and invest in transport activities will reduce compliance costs for our transport funding partners and improve decision-making efficiency. Moving from a focus on funding for outputs towards investing for outcomes will ensure our early involvement in the transport planning process where we can add the most value and deliver services that are simpler for both local government and our own staff to use.

**WE WORKED TO IMPROVE OUR CUSTOMER FOCUS**

We have developed a customer service operating model to meet the challenge of providing outstanding customer service to users, agents, stakeholders and contractors of the land transport system at acceptable cost. The model describes our intention to build our operations around our customers, manage our stakeholder relationships with care, and understand our customers so that we can deliver the services that they require.

A three-year action plan has been developed with a focus on developing and embedding a customer care ethos within our organisation. The first year will focus on building competency and establishing standards, the second on performance management and improvement, and the third on achieving sector-leading customer service.

In 2009 we designed and launched a new NZTA website that provides a great tool for our partners, stakeholders and transport users to access information about our services, using the state highway network, key projects we're delivering, investments we have made, and much more.

**WE WORKED TO PROVIDE THE RIGHT LEVEL OF SERVICE TO OUR CUSTOMERS**

The services we provide involve large numbers of transactions to be carried out each day. Our contact centre handles (on average) over 5000 phone calls each day and we conduct over 11.6 million transactions each year - the cost of which represents a significant component of our overall operating costs.

We have developed a service delivery channel strategy so that we can minimise transaction costs while optimising convenience for our customers. We want to ensure that we provide the right level of service to our customers while increasing the delivery and uptake of lower cost delivery channels such as text and web-based transactions. ■

# organisational capability and development

**Much of this report** focuses on our financial targets and the outputs we have delivered throughout the year. However, we can only be successful in delivering quality services and products to New Zealanders if our organisation is strong. This section outlines how we have continued to grow our capability and develop our staff over the last 12 months in line with our Organisational Development Strategy.

## **Our purpose and values**

Our organisational purpose is to build a better transport system for New Zealanders.

To achieve our purpose we need to exhibit the following values:

- Achievement - we achieve excellent results.
- Service - we provide outstanding service.
- Integrity - we are honest, ethical and trustworthy.
- Respect - we show consideration for others.
- Professionalism - we produce high quality work.

## **Our Organisational Development Strategy**

In December 2009, we launched our Organisational Development Strategy. This strategy details how we will strengthen and develop the capability of our people and systems over the next few years. We plan to review the strategy regularly to ensure it remains appropriate to the needs of our organisation.

## Developing our people

### **WE IMPLEMENTED A LEADERSHIP CAPABILITY FRAMEWORK TO DEVELOP AND ENHANCE THE PERFORMANCE OF OUR LEADERS AND MANAGERS THROUGHOUT THE NZTA**

As an organisation we aspire to develop leaders who can challenge themselves and others to reach for excellence. The leadership framework includes the delivery of programmes targeted to the senior leadership team and other leaders, as well as programmes designed to enhance presentation and facilitation skills. We have continued to facilitate leadership forums throughout the year that enable the leaders throughout the organisation to work together and develop our strategic direction.

### **WE TOOK STEPS TO SHIFT OUR PLANNING, PERFORMANCE AND ACHIEVEMENT PROCESS FROM A COMPLIANCE ACTIVITY TO ONE THAT ADDS VALUE TO INDIVIDUALS AND THE ACHIEVEMENT OF TEAM AND AGENCY GOALS**

We have been promoting the benefits of the performance process and introduced a programme focused on developing people. Support has been given to assist with managing poor performance and rewards and recognition guidelines were introduced to facilitate recognition of good performance. One job evaluation system has been introduced and all jobs have been reviewed and placed into the NZTA banding framework to provide a transparent system.

Our organisational goals and values have also been promoted through the introduction of the NZTA code of conduct which was introduced in July 2009.

### **WE DEVELOPED AN ONLINE REPORTING TOOL TO MAKE COMPREHENSIVE, ACCURATE INFORMATION AVAILABLE TO MANAGERS**

This is designed to allow evidence-based people management decisions, and to have real-time information available to managers when and where they need it. The people information held in the HRMIS/payroll system has been reviewed to ensure that it is accurate and measures have been developed to enable dashboard reporting.

### **WE REVIEWED OUR PEOPLE DEVELOPMENT PROGRAMMES TO ENSURE THAT THEY ARE APPROPRIATE, TIMELY AND COST EFFICIENT, AND WILL MEET THE FUTURE NEEDS OF THE ORGANISATION**

In the last year we have offered a series of development programmes designed to increase the capability of staff. The programmes were designed around operating principles that included supporting managers to build the capability of their teams, optimising value for money, ensuring

initiatives that are enduring and sustainable, and linking to the business goals of the organisation. In the 2009/10 year we delivered 54 of these programmes to a total of 627 staff.

We offered a broad range of NZ Qualifications Authority qualifications starting at level 3 for business administration roles, to level 4 management qualifications and through to level 5 and 6 leadership qualifications. All assessment methods are based on actual work performance, and development comes from on-the-job experience and opportunities.

We continued to offer a graduate development programme and support graduates across a range of disciplines. The programme includes mentoring, the opportunity for internal rotation within NZTA offices, secondment through contracting and consulting partners, and ongoing training.

### **WE ADDRESSED THE INCONSISTENCIES IN PEOPLE PRACTICES BETWEEN OUR TWO LEGACY ORGANISATIONS**

The NZTA collective agreements with the Public Service Association and EPMU have been negotiated and ratified, and over 600 staff have had their individual agreements reviewed and updated to reflect the one agency approach.

In December 2009, we were accredited tertiary level for our workplace safety management practices by ACC. Ongoing work is continuing within the regions to ensure that commitment to workplace health and safety remains strong and the goals for each region are achieved.

We conducted the first NZTA Gallup engagement survey in April 2010, with a great response rate of 89.6%. The results will provide a baseline for future years, and identify areas where organisational improvement is needed.

### Working with others

#### WE DEVELOPED AN AGREED APPROACH TO STAKEHOLDER ENGAGEMENT

Being a relatively new organisation, our focus over the last 12 months has been on identifying our key stakeholders, partners and customers, and developing the framework that will guide the way we interact and communicate with these groups.

#### WE DEVELOPED AN AGREED APPROACH TO STAKEHOLDER ENGAGEMENT

The NZTA *Effective engagement toolkit* was published in June 2010, and will enable NZTA staff to adopt a consistent approach to planning, engaging and evaluating stakeholder engagement activities.

The toolkit has been designed to help us effectively engage with internal and external stakeholders. It provides a common methodology, tools and guidance to make it easier to plan, manage and evaluate engagement activities.

#### WE IDENTIFIED THE NZTA'S PRIORITY STAKEHOLDERS

Our priority stakeholders have been identified and relationship owners agreed. The role of the relationship owner is about building and monitoring the success of the relationship – as the sum of all interactions.

#### WE DEVELOPED AND BEGAN IMPLEMENTATION OF A PROACTIVE MEDIA ENGAGEMENT PLAN

A proactive media engagement plan was developed outlining the steps we are taking to build relationships with media, increase understanding of who we are, what we do

and why we do it, and ensure that we take advantage of opportunities to work with media to tell our stories to New Zealand.

#### WE ESTABLISHED AN OFFICIAL CORRESPONDENCE UNIT

The establishment of the Official Correspondence Unit was confirmed. Key features of the new unit include:

- Comprehensive and centralised logging and coordination of all official correspondence (ministerial letters, parliamentary questions and Official Information Act requests).
- Designated experienced writers to draft replies to external customers.
- Close collaboration with business units to produce high quality official correspondence on time.

#### WE DEVELOPED A FRAMEWORK FOR ENGAGING EFFECTIVELY WITH MĀORI

The framework describes what effective engagement is, what the NZTA is trying to achieve, and outlines how we will move toward public sector best-practice. The framework includes roles and responsibilities for our staff, guidelines for effective engagement and information on partnership mechanisms.

### Building 'one agency'

#### WE LAUNCHED OUR NZTA STRATEGY SYSTEM

At the start of the year we documented our approach to strategic planning, budgeting and performance reporting to ensure that we are a strategy-led and results-focused organisation. The strategy system ensures

## How we performed

PRIORITY	DESCRIPTION	MEASURE	RESULT 2009/10
Managing staffing level	To actively manage full-time equivalent staff numbers within the cap set by government	Progress against the agreed cap of 1372	We currently have 1299 FTE staff – 73 positions below the agreed cap
Reducing accumulated leave	To actively reduce the proportion of staff with outstanding leave balances in excess of 30 days	6% of staff will have leave balances above 30 days in a three-year timeframe	15.5% of staff have leave balances over 30 days, down from 18% at the start of the year
Managing workplace safety accreditation	To improve workplace safety accreditation to raise safety awareness and reduce ACC compliance costs	Achievement of workplace safety management secondary level accreditation by 30 June 2010	Tertiary level accreditation for workplace safety management practices was achieved in December 2009, six months ahead of schedule. ACC compliance costs have now been reduced by 20%

that our large, innovative and agile organisation recalibrates itself at key points of the multi-year planning, budgeting and reporting processes. The system also helps us maintain focus on the medium and longer-term transport outcomes we are aiming for.

### **WE DEVELOPED OPERATIONAL POLICY TO ENSURE OUR DECISIONS ARE ALIGNED WITH GOVERNMENT POLICY**

As discussed in more detail elsewhere in this report, we have undertaken a variety of actions this year to ensure our operational decision-making, our investments and our activities are aligned with government policy including: the review of sector research, transport planning and road user safety activity classes, commencing development of the state highway classification system, scoping a freight action plan, a public transport effectiveness plan, and business level strategies to guide our functions.

### **WE IMPROVED OUR BUSINESS PLANNING AND BUDGETING PROCESSES**

We established a new and comprehensive planning and budgeting process – making us output-based, strategy-led, with the budget process orientated towards implementing business improvement and other initiatives to implement our strategic intent. Our budgeting is based on a developing 10-year model that helps us make cost effective investments in services and capital.

### **WE IMPROVED OUR PERFORMANCE MANAGEMENT MEASURES**

We have developed new and comprehensive service delivery performance management

measures to monitor how we make decisions and manage key customer orientated processes as well as being able to report what we delivered. The result of this development work is made transparent in our Statement of intent for 2010-13.

### **WE STRENGTHENED OUR RISK ARRANGEMENTS**

Significant work has been done this year to establish a new NZTA enterprise risk management system, including the launch of our new NZTA Risk Management Framework and Strategy that has established a single organisation-wide approach to risk management. We completed a review of our financial management information systems that will provide direction for future improvements in key areas such as project and asset management, business planning and budgeting and reporting. We developed an Information Systems Strategic Plan that describes how investment information, systems and communications will support the NZTA's business.

### **WE BEGAN WORK TO MODERNISE THE TRANSPORT REGISTRY SYSTEMS**

The driver and motor vehicle registry system holds all core vehicle and driver related data for over four million vehicles and 3.2 million drivers. This motor vehicle registry business, including road user charges and fuel excise duty, provides in excess of \$2 billion annually to the National Land Transport Fund. We want to move towards modernised information systems and technology that will provide enhanced capability to support the whole of our regulatory business, not just the motor vehicle and driver licensing registers. ■

# sharing and enjoying our success

**We are an organisation** made up of talented individuals who are passionate about the job they do and the contribution they make to New Zealand. This section celebrates some of our successes for 2009/10.

For infrastructure project awards, our success as 'owner' of these projects often relies on close and effective working relationships with contractors and consultants. The profile associated with gaining these awards is highly valued as a sign of operational excellence both internally and externally.

## **NZ Engineering Excellence Awards 2009**

**Transportation Infrastructure**, Northern Busway.

## **Ingenium Engineering Excellence Awards 2010**

**Projects over \$2 million**, SH20 Mt Roskill Motorway extension.

**Roading Excellence Awards 2009**  
Goughs Excellence Award for a Minor Road Project, SH60 Eureka Bend reinstatement.





**Goughs Excellence Award for a Minor Road Project – highly commended**, SH35 Goldsmiths realignment. Oamaru Monument relocation and Thames Street (SH1) improvements.

**Infratrains New Zealand Industry Best Practice Award – Environmental Sustainability**, Healing Te Rerenga Wairua – Cape Reinga upgrade.

**IPANZ Awards 2010**

**Public sector communications – finalist**, for Waterview Connection project.

**Association of Consulting Engineers’ Innovate NZ Awards of Excellence 2010**

**Silver Awards**, Auckland Motorways, ramp signalling project. Mackays Crossing road over rail bridge, SH1. SH2/29 Hairini and Maungatapu roundabout signalisation. SH20 Mt Roskill extension. SH60 Eureka Bend reinstatement.



**Merit Awards**, Geotechnical and feasibility study for Transmission Gully. Lyttleton Tunnel power upgrade. Tauranga Harbour Link – stage 2.

**New Zealand Architecture Awards 2009**

**Urban Design Award**, for Hillcrest Road Bridge.

**Nancy Northcroft Planning Award**

Awarded to the NZTA for the urban design principles guidance material.

**Public Relations Institute of New Zealand (PRINZ) Awards 2010**

**Supreme Award**, for communications around the Tauranga Harbour Link project

**Government or Quasi-government Public Relations Category – winner**, for communications around the Tauranga Harbour Link project.

**Crystal Clear Literacy Category – highly commended**, for communications supporting the Feet First programme. For communications around changes to the Land Transport (Road User) Rule 2009 (banning cell phones while driving).

**Marketing Public Relations Category– highly commended**, for communications supporting the Feet First programme.

**Sustained Public Relations Category– Highly Commended**, for communications around the Dowse to Petone project.

**Web Marketing Association Standard of Excellence Award**

**Education Standard of Excellence**, for the Feet First programme.

**Government Standards Excellence**, for the Feet First programme.



**New Zealand Grande ORCA**

For the intersections ‘Sliding Doors’ radio execution.

**Peoples Choice Awards**

For the intersections ‘Sliding Doors’ radio execution.

**53rd Annual New York Festival**

**Gold Award** – for the intersections ‘Sliding Doors’ radio execution.

**Silver Award** – for the drink-driving initiative ‘Heaven’ radio.

**International Digital Emmy Awards**

For the ‘Reservoir Hill’ online interactive series initiative (with the inclusion of NZTA drugged-driving messaging).

**CAANZ Media Awards**

**Silver Award**, for the ‘Reservoir Hill’ online interactive series initiative.

**Australasian Pacific Area Newspaper Publishers Award (PANPA)**

**Best Print Campaign**, Robyn Gardener for the motorcycle safety campaign.



**New Zealand Chemical Industry Council**

**Responsible Care Award 2009**, Richard Bean for his commitment to improving the management of safety, health and environmental performance, particularly with hazardous substances. ■

# management and organisational structure

## **Our Senior Leadership Team**

Our Senior Leadership Team comprises the Chief Executive, six group managers and five regional directors.

It is the Senior Leadership Team's role to work in the collective interest of the organisation by:

- driving the vision for the NZTA and the desired culture for a successful organisation
- framing and recommending on the organisation's strategy, priorities and resourcing
- implementing strategy to build the NZTA's capability and organisational development
- integrating and connecting the work of the different groups within the NZTA to strengthen overall performance.





**Seated left to right**

**Bruce Richards**  
Regional Director  
Otago/Southland

**Ian Gordon**  
Group Manager  
Access and Use

**Liz Huckerby**  
Group Manager  
People and Capability

**Harry Wilson**  
Regional Director  
Waikato/Bay of Plenty

**Dave Brash**  
Group Manager  
Regional Partnerships  
and Planning

**Standing left to right**

**Mark Yaxley**  
Regional Director  
Canterbury/West Coast

**Jenny Chetwynd**  
Regional Director Central

**Colin Crampton**  
Group Manager Highways  
and Network Operations

**Deb Hume**  
(left NZTA May 2010)  
Regional Director  
Wellington, Nelson,  
Marlborough and Tasman

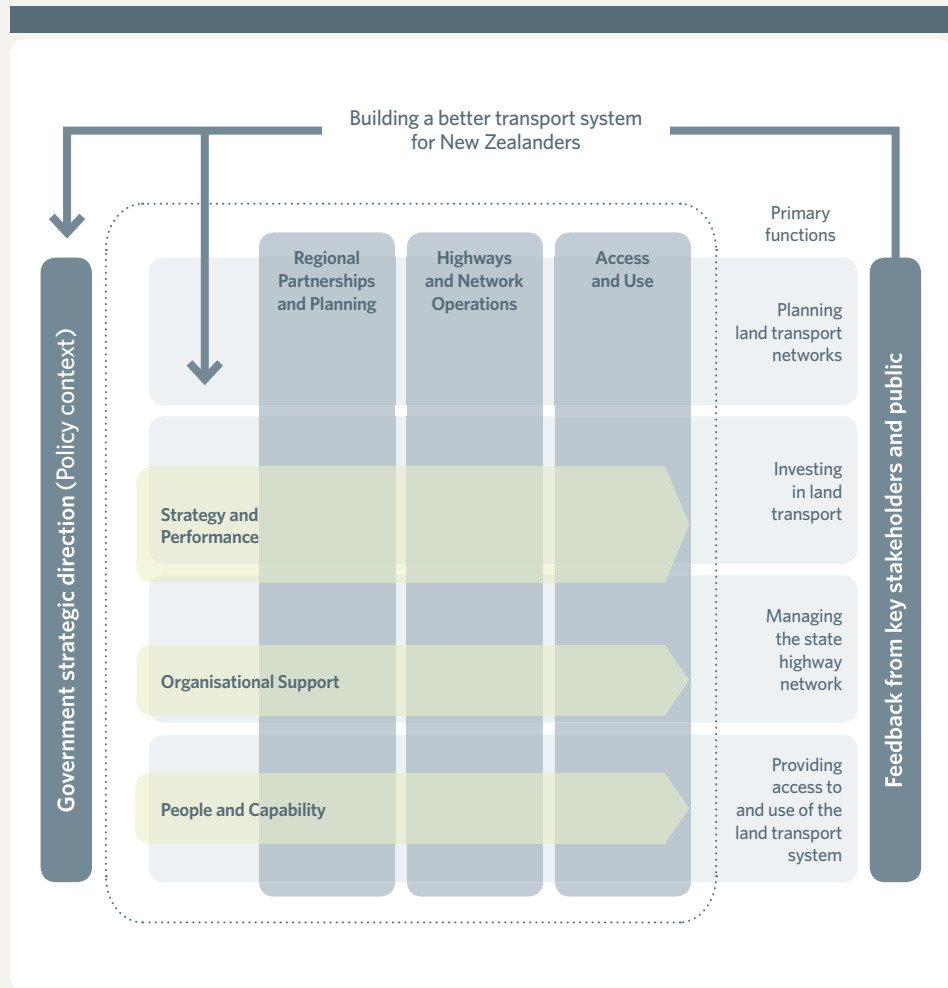
**Wayne McDonald**  
Regional Director  
Auckland/Northland

**Geoff Dangerfield**  
Chief Executive

**Allan Frost**  
Group Manager  
Organisational Support

**Ernst Zöllner**  
Group Manager  
Strategy and Performance

## High level business model



### Our group structure

The NZTA is built around four functional business groups and two support groups:

- The Strategy and Performance group is the primary interface with the Ministry of Transport, government themes, objectives and strategies, and is responsible for servicing the Board in relation to approval of the National Land Transport Programme (NLTP).
- The Regional Partnerships and Planning group interfaces with local government to work in partnership on regional planning and programming processes.
- The Highways and Network Operations group is responsible for building, maintaining and operating the state highway network.
- The Access and Use group provides users with access to the transport system (such as driver licences and motor vehicle registration) and regulates transport operators.

The support groups are:

- the Organisational Support group ensures that the NZTA has corporate strategies and policies to support strategy and organisational performance.
- the People and Capability group ensures that the NZTA can deliver on its outcomes through its people capability.

## NZ Transport Agency Regional Areas

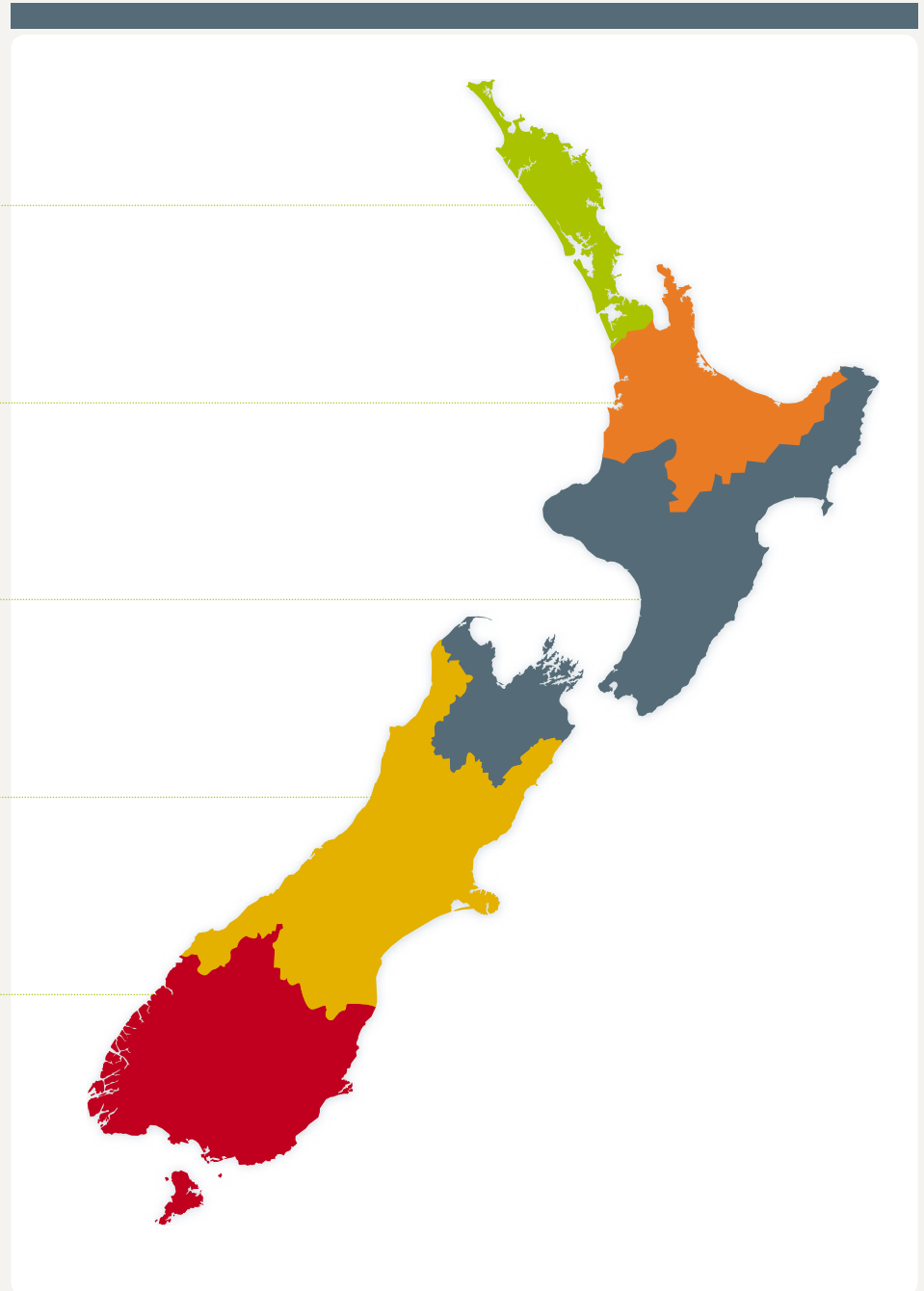
Auckland/Northland

Waikato/Bay of Plenty

Central region

Canterbury/West Coast

Otago/Southland



### **Our regional structure**

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

# managing in a changeable environment

## **Value for money**

The NZTA's enabling legislation includes a specific operating principle for the Agency of 'using its revenue in a manner that seeks value for money', and this principle underpins our approach to all aspects of our work. Since establishment in mid-2008, we have made considerable progress on reviewing our operations to sharpen the focus and lift the efficiency of delivery. We will continue to make changes to drive costs down and improve value in line with the approach being taken in the core public sector.

Over the past 18 months we have worked to align the expenditure of the National Land Transport Fund (NLTF) with the significant shift in the government's priorities as outlined in the *Government policy statement on land transport funding* (GPS). This has been undertaken through a series of actions to sharpen the investment and evaluation policies, to review and reshape transport proposals and activities, and to improve asset management and procurement policies. We prepared the \$8.7 billion 2009-12 NLTP to give effect to the new GPS priorities and have continued to refine the investment profile to deliver best value for money.

Of the \$268 million NZTA operating budget, around \$152 million is for the registry services and regulatory enforcement outputs - with services costs met by fee payers and revenue collection funded by the Crown. Cost structures are driven by regulatory process requirements. The remaining \$116 million is for outputs funded from the NLTF and includes all state highway operations, asset management and development services, and the transport planning and investment services in conjunction with local government and other partners.

## Risk management

Our approach to risk is set out in four documents:

- The NZTA Risk Management Framework describes the organisation's risk management system and meets the Board's requirements for ensuring appropriate processes and controls are in place to manage risks. This framework is consistent with the new AS/NZS ISO 31000: 2009 standard *Risk management: Principles and guidelines*.
- The NZTA Risk Management Strategy specifies the Board and executive mandate and commitment to risk management, and recognises the importance of organisational leadership, culture, integration and capability for successful implementation of risk management.
- The NZTA Risk Management Policy specifies the responsibilities and accountabilities for risk management.
- The NZTA *Risk management manual* provides staff and contractors with a range of risk management tools which can be applied in a variety of circumstances.

By enhancing the NZTA's approach to risk management, we have increased the organisation's capability to deliver on challenging targets to improve New Zealand's road network and safety, raise standards, improve service quality, reform management systems and provide increased value for money. Ultimately, good risk management results in clearer priorities, better decision-making, timely action and added value.

Significant work has been done this year to establish a new NZTA enterprise risk management system. The new NZTA Risk Management Framework and Strategy has established a single organisation-wide approach to risk management. We have built on the risk management practices used by our legacy organisations to develop a common risk assessment methodology which allows us to prioritise our risks across the full range of our activities and locations.

Our focus is firmly on the risks associated with achieving the NZTA's strategic direction and goals. Our top 10 risks have been identified and reviewed quarterly by the NZTA Audit, Risk and Assurance Board Committee and actions have been taken to address these - resulting in some risks being removed or downgraded and new emerging risks being added to the list.

## Maintaining funding neutrality and transparency

Under the Land Transport Management Act 2003 (LTMA), there is a requirement that the NZTA apply the same level of scrutiny to its own activities as those of its key stakeholders (principally local road controlling authorities and regional councils) when making certain decisions.

There are also other mechanisms that ensure that revenue and expenditure are accounted for in a transparent fashion and that funds are used to achieve overall best value for money.

Specific provisions in the LTMA include:

- An audited annual report on the National Land Transport Fund (s 11).
- The form and content of regional land transport programmes, and procedures for the NZTA to propose activities for inclusion in such a programme (s 16 and s 16a).
- Notification of decisions with reasons not to include activities in the NLTP or to change the priorities set out in a regional land transport programme (s 19d).
- Reasons for making decisions to approve or decline funding for all activities to be made available (s 20d).
- The Agency to give effect to the GPS when exercising its functions (s 89).
- The operating principles of the NZTA (s 96).
- The Secretary for Transport's responsibilities to monitor and review specified land transport activities, including those of the NZTA (s 101).

Under section 20 of the Land Transport Management Act 2003 (2008 amendment): 'the Agency may approve an activity or combination of activities as qualifying for payments from the National Land Transport Fund'.

The NZTA has ensured it did not favour its own activities over those of its key stakeholders by using the same assessment methodology for both, as set out by activity class in the *Planning, programming and funding manual*. After the Board approves proposed activities or combination of activities to be delivered by the NZTA and by key stakeholders, the decisions are made publicly available through our website.

#### **PROCUREMENT**

We have an independent statutory function under section 25 of the Land Transport Management Act 2003 (LTMA) to approve procurement procedures that are 'designed to obtain the best value for money spent by approved organisations and persons, having regard to the purpose of this Act'. The LTMA takes a broader view of procurement than previous legislation and requires consideration of whole-of-life value for money, keeping in mind fair competition and encouraging competitive and efficient markets.

A new *Procurement manual* was published in July 2009 to help approved organisations and the NZTA to take a long-term, strategic approach to procurement by developing a procurement strategy for land transport activities funded through the NLTP, and to obtain the best value for money spent. ■

ONE  
SECTION \_ TWO  
THREE

2

Statement  
of service  
performance

# achievement of performance measures

The table below summarises how we performed against our targets for the 2009/10 year in each output class.

The full statement of service performance in the following pages describes the services the NZTA delivered and invested in during 2009/10, reports back on how we performed, and the actual revenue earned and output expenses incurred in these areas as compared with the forecast standards included in our *Statement of intent for 2009-12*.

	Output class	All performance measures achieved	More than 80% of performance measures achieved	Less than 80% of performance measures achieved	Page reference
Funded from the NLTF	<b>Output classes the NZTA delivers</b>				
	Management of the funding allocation system	√			Pg49
	New and improved infrastructure for and renewal of state highways		√		Pg 50
	Maintenance and operation of state highways		√		Pg 52
	Sector training and research	√			Pg 55
Funded from fees, charges and Crown contracts	Regulatory implementation and enforcement	√			Pg 57
	Licensing activities	√			Pg 58
	Motor vehicle registry		√		Pg 59
	Road user charges collection, investigation and enforcement	√			Pg 60
	Refund of fuel excise duty	√			Pg 61
Funded from the NLTF	<b>Output classes the NZTA partly delivers along with local authorities</b>				
	Transport planning			√	Pg 63
	Demand management and community programmes	√			Pg 64
	Walking and cycling facilities	√			Pg 65
	<b>Output classes the NZTA invests in, but does not deliver services</b>				
	New and improved infrastructure for local roads	√			Pg 67
	Renewal of local roads	√			Pg 68
	Maintenance and operation of local roads	√			Pg 69
	Public transport infrastructure	√			Pg 71
	Public transport services			√	Pg 72
Rail and coastal freight	n/a			Pg 73	
Funded from Crown contributions to specific activities	Canterbury transport project	√			Pg 75
	Enhanced public transport concessions for SuperGold cardholders	√			Pg 76



# Statement of responsibility

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In terms of the Crown Entities Act 2004, the Board is responsible for the preparation of the NZTA's financial statements and statement of service performance, and the judgements made in them.

The Board of the NZTA has the responsibility for establishing, and has established a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board's opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the NZTA for the year ended 30 June 2010.

Signed on behalf of the Board:

**Chris Moller**  
Chair  
23 September 2010

..... 

**Garry Moore**  
Deputy Chair  
23 September 2010

..... 

Countersigned by:  
**Geoff Dangerfield**  
Chief Executive Officer  
23 September 2010

..... 

**Paul Helm**  
Chief Financial Officer  
23 September 2010

..... 

output  
classes  
the  
NZTA  
delivers

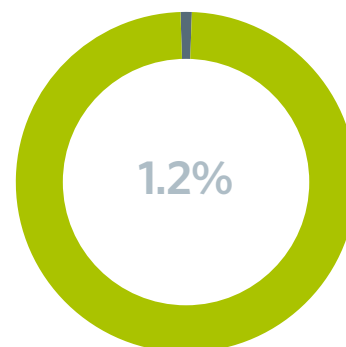
# Output class: Management of the funding allocation system

## Description

This output class covered the NZTA's internal costs to:

- develop and manage the National Land Transport Programme
- develop procurement procedures, policies and guidelines for approved organisations
- monitor and audit the performance of organisations that receive funding from us
- assist and advise approved organisations and regional transport committees
- provide investment policy advice on public transport services
- monitor and report on work undertaken from the national Road Policing Programme.

Output class as a percentage of the NLTP (plus the Road Policing Programme)



## How we measured our performance

Performance measures	Actual 2008/09	Target 2009/10	Actual 2009/10
Quantity/Quality			
Development and delivery of a National Land Transport Programme that meets all its statutory requirements <sup>1</sup>	Yes <sup>2</sup>	Yes	Yes
Preparation of the NZ Police's Road Policing Programme for recommendation to the Minister of Transport	Yes	Yes	Yes
Delivery of a performance monitoring audit programme <sup>3</sup>	Yes	Yes	Yes

1 The statutory requirements are set out in section 20 of the Land Transport Management Act 2003.

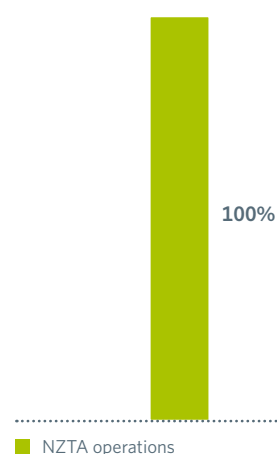
2 Timeframe for the development of the NLTP was extended to 30 August 2009.

3 The performance monitoring audit programme is designed to check that allocated funds realise expected outcomes.

## Financials

Management of the funding allocation system PLA	Actual 2010 \$000	Budget 2010 \$000
<b>Income</b>		
Revenue from the National Land Transport Fund (taxi enforcement)	1,423	1,423
Revenue from the National Land Transport Fund (NZTA internal)	34,317	34,577
<b>Total income</b>	<b>35,740</b>	<b>36,000</b>
<b>Expenditure</b>		
Operating activities (taxi enforcement)	2,249	2,226
Operating activities (NZTA internal)	33,457	34,435
<b>Total expenditure</b>	<b>35,706</b>	<b>36,661</b>
<b>Net surplus/(deficit)</b>	<b>34</b>	<b>(661)</b>

Output class expenditure split



## OFFICIAL SCOPE FOR THIS OUTPUT CLASS

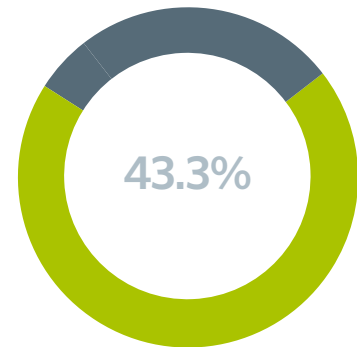
Managing, monitoring and advising transport sector stakeholders on the allocation of National Land Transport Funds pursuant to section 9 of the Land Transport Management Act 2003.

# Output class: New and improved infrastructure for and renewal of state highways

Under this output class, we managed and invested in:

- renewals of the existing state highway network to maintain standards of skid resistance and rutting and to intervene at the optimal time to reduce exposure to future maintenance costs arising from wear and tear on our roads
- reducing the number and severity of crashes on the state highway network, and maintaining and improving the time and reliability to travel between destinations connected by the state highway network. We do this in a social and environmentally responsible way.

Output class as a percentage of the NLTP (plus the Road Policing Programme)



## Activity class | New and improved infrastructure for state highways

### How we measured our performance

Performance measures	Actual 2008/09	Target 2009/10	Actual 2009/10
Quantity/Quality			
Development and delivery of a state highway improvement programme that is consistent with performance guidelines	1	100%	100%
All funds invested in best eligible activities	Yes	100%	100%
Portfolio delivered to programme (phase completion)	New	≥90% ≤110%	103%
Roads of national significance delivered to programme (milestones hit)	New	>90%	91%
Journey time improvements on roads of national significance	New	Establish baseline	Baseline established <sup>2</sup> for 3 of the 7 RoNS
Post-construction reviews (% of sample size) (realisation of benefits Yes/No)	New	>90%	60% <sup>3</sup>
The satisfaction level of road users on state highways as determined by an independent annual road user survey	New	>75%	69% <sup>4</sup>

1 We are confident that the programme has been developed and approved in accordance with the required procedures (the three factor assessment profile specified in the *Planning, programming and funding manual*).

2 Baseline established for Christchurch Motorways, Waterview Connection, and Victoria Park Tunnel. Puhoi-Wellsford and Levin-Wellington are in the early project development phases. Work on compiling these will commence once the projects are further developed. Waikato Expressway and Tauranga Eastern Link will be surveyed in November 2010, prior to commencement of significant works.

3 This measure would more correctly read: Percentage of projects from a sample (at post-implementation review) that achieve intended benefits where 'Intended Benefits' = achieved BCR > funded BCR, OR achieved BCR > 4. The 09/10 statistic reflects one project achieved out of three audits completed. The programme sample size for 09/10 is 14 projects. The projects reviewed were completed between 2003/04 and 2006/07. During this time approximately 140 projects were completed, meaning the sample size is about 10% of all projects completed during this time. We are currently reviewing the methodology for conducting post-implementation reviews.

4 The overall annual satisfaction rating showed little variation over the quarterly monitoring cycle, varying less than one percentage point over the period year. The rating compares favourably with the latest comprehensive benchmarking of Australian road controlling authorities (2007) which revealed an average rating of 66%. An updated benchmarking exercise is expected to take place in late 2010.

## Activity class | Renewal of state highways

### How we measured our performance

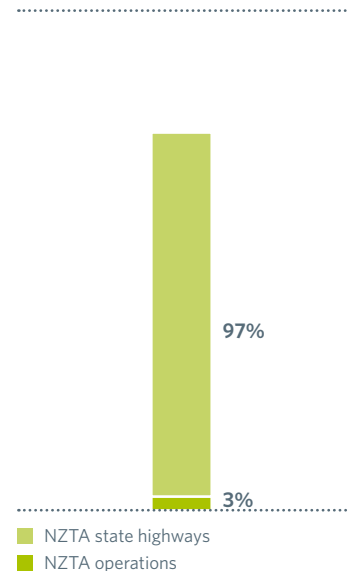
Performance measures	Actual 2008/09	Target 2009/10	Actual 2009/10
Quantity/Quality			
Development and delivery of a state highway renewal programme that is consistent with performance guidelines	<sup>1</sup>	Yes	Yes
All funds invested in best eligible activities	Yes	100%	100%
Percentage rutting > 20mm over state highway network	New	<2%	<1%
Delivery to programme	New	≥95% ≤105%	103%
The satisfaction level of road users on state highways as determined by an independent annual road user survey	New	>75%	69% <sup>2</sup>

- 1 We are confident that the programme has been developed and approved in accordance with the required procedures (the three factor assessment profile specified in the *Planning, programming and funding manual*).
- 2 The overall annual satisfaction rating showed little variation over the quarterly monitoring cycle, varying less than one percentage point over the period year. The rating compares favourably with the latest comprehensive benchmarking of Australian road controlling authorities (2007) which revealed an average rating of 66%. An updated benchmarking exercise is expected to take place in late 2010.

### Financials

New infrastructure for and renewal of state highways	Actual 2010 \$000	Budget 2010 \$000
<b>Income</b>		
Capital contribution from the NLTF (Crown)	1,302	5,065
Capital contribution from the NLTF (NZTA internal)	36,521	36,521
Capital contribution from the NLTF (NZTA contracts)	576,677	893,778
Revenue from the National Land Transport Fund (NZTA contracts)	401,467	35,000
Revenue from third parties	743	0
<b>Total income</b>	<b>1,016,710</b>	<b>970,364</b>
<b>Expenditure</b>		
Operating activities (NZTA internal)	37,325	36,521
National Land Transport Programme (NZTA contracts)	1,218,706	1,039,779
<b>Total expenditure</b>	<b>1,256,031</b>	<b>1,076,300</b>
<b>Net surplus/(deficit)</b>	<b>(239,321)</b>	<b>(105,936)</b>

### Output class expenditure split



### COMMENTARY ON THE FINANCIAL PERFORMANCE

NLTP retained funds of \$183.5 million were used to fund the additional activity in the new and renewal output. The remaining variance of \$56.0 million was due to property purchases being estimated as a \$20.0 million under spend in the initial outturn. However, the actual expense level was \$6.3 million over budget. Also a general overspend in new and improvements to state highways on the roads of national significance of \$35.4 million accounts for the majority of the remainder of the variance.

### OFFICIAL SCOPE FOR THIS OUTPUT CLASS

Capital works for new infrastructure and renewal of state highways pursuant to section 9 of the Land Transport Management Act 2003.

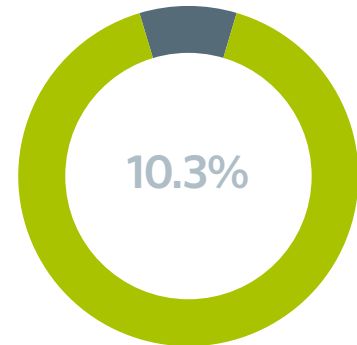
# Output class: Maintenance and operation of state highways

## Description

Under this output class we:

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

Output class as a percentage of the NLTP (plus the Road Policing Programme)



## How we measured our performance

Performance measures	Actual 2008/09	Target 2009/10	Actual 2009/10
<b>Quantity/Quality</b>			
Travel time reliability in major cities: (Auckland, Hamilton, Tauranga, Wellington, Christchurch)	New	Improving in all cities	Improving in most cities <sup>1</sup>
Development and delivery of a state highway maintenance programme that is consistent with performance guidelines	<sup>2</sup>	Yes	Yes
All funds invested in best eligible activities	Yes	100%	100%
Cost of maintenance activities (per network-km) relative to the overall level of service being provided	New	Steady or improving <sup>3</sup>	
Cost of maintenance per network-km			Decreasing <sup>4</sup>
Cost of maintenance per vehicle kilometres travelled			Decreasing
Pavement condition indicators:			
<ul style="list-style-type: none"> <li>smooth travel exposure</li> <li>roughness</li> <li>texture</li> <li>rutting</li> <li>skid resistance</li> <li>surface condition</li> </ul>			Improving Improving Deteriorating <sup>5</sup> Improving Deteriorating <sup>6</sup> Improving

<sup>1</sup> The sample size for the data collection was a five-day period in March, which was compared to a five-day period in March 2009. The results indicated that there were improvements in journey time in all centres except Christchurch. There were recorded improvements in both AM and PM peaks in Hamilton and Tauranga, while Auckland had improvements in AM peak and Wellington had improvements in PM peak. Christchurch did not have improvements in either peak period.

<sup>2</sup> For 2008/09 a specific system was not in place to measure the percentage of programme delivered consistent with performance guidelines. The programme however has been developed in accordance with historical practice and is based on regional requests. The requests are evaluated on an individual, and across the board judgement basis and a recommendation for overall programme levels and specific funding approvals made to the NZTA Board for approval.

<sup>3</sup> This measure cannot be quantified with a single statement. We have instead shown the measure broken down into its three constituent parts: cost per network-km, cost per vehicle kilometre travelled, and pavement condition indicators.

<sup>4</sup> Cost excludes any emergency works, preventive maintenance and administration funding.

<sup>5</sup> Deteriorating slightly from 2008/09 to 99.65%, but still well within NZTA's performance target of > 98% network-km.

<sup>6</sup> Deteriorating from 2008/09 to 97.7%, and now slightly outside NZTA's performance target of > 98% annual vkt.

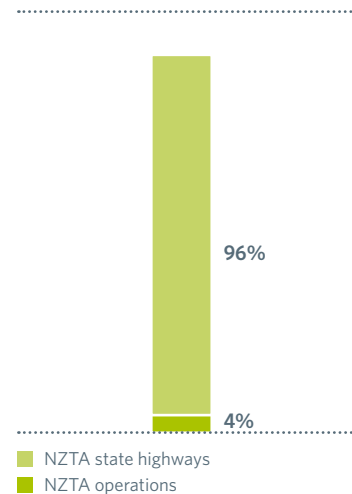
Performance measures	Actual 2008/09	Target 2009/10	Actual 2009/10
<b>Quantity/Quality</b>			
The satisfaction level of road users on state highways as determined by an independent annual road user survey	New	>75%	69% <sup>1</sup>
Condition of the network:			
▪ Smooth ride – % of network classed as smooth	New	98%	98.8%
▪ Safe stopping – % of network with good skid exposure above threshold level	New	98%	97.7% <sup>2</sup>
▪ Safer travel – % of network with texture greater than 0.5mm	New	98%	99.7%
Reduce the number of bridges that have full load capacity restrictions (currently 12)	New	11	n/a <sup>3</sup>
Availability of state highway asset (incidents etc)	New	Improving trend in all cities	Improving in Tauranga and Wellington. Deteriorating in Auckland and Hamilton <sup>4</sup>

- The overall annual satisfaction rating showed little variation over the quarterly monitoring cycle, varying less than one percentage point over the period year. The rating compares favourably with the latest comprehensive benchmarking of Australian road controlling authorities (2007) which revealed an average rating of 66%. An updated benchmarking exercise is expected to take place in late 2010.
- Latest available data published April 2010, but measurement undertaken in 2008/09.
- Six bridges have weight restrictions, four bridges are restricted to one heavy vehicle at a time, one bridge the NZTA administer but carries no state highway traffic and the final being the Auckland Harbour Bridge 'clip-ons'.
- Continuous enhancements to the underlying systems means we are getting more up to date information on the availability of the network.

## Financials

Maintenance and operation of state highways PLA	Actual 2010 \$000	Budget 2010 \$000
<b>Income</b>		
Revenue from the National Land Transport Fund (NZTA internal)	10,894	10,894
Revenue from the National Land Transport Fund (NZTA contracts)	310,000	276,106
Revenue from third parties	957	0
<b>Total income</b>	<b>321,851</b>	<b>287,000</b>
<b>Expenditure</b>		
Operating activities (NZTA internal)	11,225	10,894
National Land Transport Programme (NZTA contracts)	295,349	276,106
<b>Total expenditure</b>	<b>306,574</b>	<b>287,000</b>
<b>Net surplus/(deficit)</b>	<b>15,277</b>	<b>0</b>

## Output class expenditure split



## COMMENTARY ON THE FINANCIAL PERFORMANCE

Maintenance Crown revenue includes emergency works funding. The level of emergency works was lower than budget resulting in a surplus.

## OFFICIAL SCOPE FOR THIS OUTPUT CLASS

Manage, maintain and operate state highway infrastructure pursuant to section 9 of the Land Transport Management Act 2003.

# Output class: Crown contribution to accelerated state highway construction

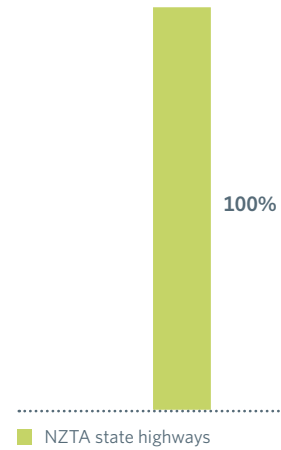
## Description

As part of the government’s stimulus package, extra funding was made available for state highway construction. Under this output class the NZTA invested funds to state highway improvements and pavement renewal projects as part of the government’s stimulus package.

## Financials

Crown contribution to accelerated state highway construction	Actual 2010 \$000	Budget 2010 \$000
<b>Income</b>		
Capital contribution from the NLTF	78,700	73,700
<b>Total income</b>	<b>78,700</b>	<b>73,700</b>
<b>Expenditure</b>		
National Land Transport Programme (NZTA capital)	77,455	73,700
<b>Total expenditure</b>	<b>77,455</b>	<b>73,700</b>
<b>Net surplus/(deficit)</b>	<b>1,245</b>	<b>0</b>

Output class expenditure split



## COMMENTARY ON THE FINANCIAL PERFORMANCE

There have been minor delays with projects in Wellington and Hawke’s Bay due to poor weather, which has resulted in a \$1.2 million surplus in renewals.

## OFFICIAL SCOPE FOR THIS OUTPUT CLASS

State highway improvements and pavement renewal projects agreed between the NZTA and the Minister of Transport.

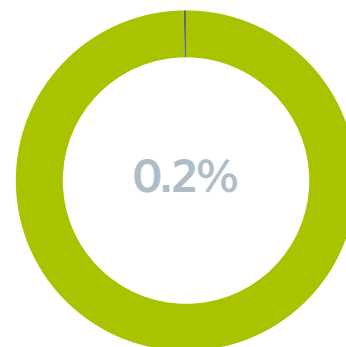


# Output class: Sector training and research

## Description

Under this output class, the NZTA improved the competence and capacity of the sector to develop and implement land transport programmes by providing information, education and support to organisations and their agents. Sector training funds tertiary providers to deliver graduate and postgraduate programmes in transportation.

Output class as a percentage of the NLTP (plus the Road Policing Programme)



## How we measured our performance

Performance measures	Actual 2008/09	Target 2009/10	Actual 2009/10
Quantity/Quality			
Delivery of a land transport annual achievement report	Yes <sup>1</sup>	Yes	Yes
Delivery of a published research programme <sup>2</sup>	Yes <sup>1</sup>	Yes	Yes

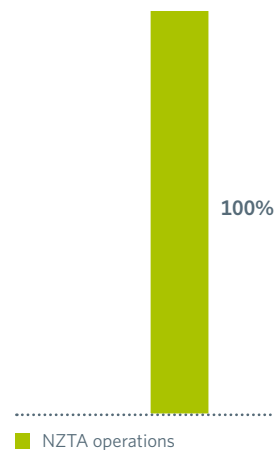
<sup>1</sup> These are new measures for 2009/10, but historical data is available for 2008/09.

<sup>2</sup> For the 2009/10 year, we approved 30 new research projects for funding at an average cost of \$121,221.

## Financials

Sector training and research PLA	Actual 2010 \$000	Budget 2010 \$000
<b>Income</b>		
Revenue from the National Land Transport Fund (NZTA internal)	6,000	6,000
Revenue from third parties	17	0
<b>Total income</b>	<b>6,017</b>	<b>6,000</b>
<b>Expenditure</b>		
Operating activities (NZTA internal)	5,371	6,000
<b>Total expenditure</b>	<b>5,371</b>	<b>6,000</b>
<b>Net surplus/(deficit)</b>	<b>646</b>	<b>0</b>

## Output class expenditure split



# Output class: Administration of the SuperGold cardholders scheme

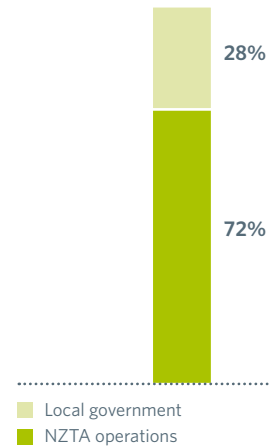
## Description

Under this output class, the NZTA and regional councils administered the SuperGold cardholders scheme. The government provides the NZTA with funding to administer this scheme.

## Financials

Administration of the public transport concessions for SuperGold card scheme	Actual 2010 \$000	Budget 2010 \$000
<b>Income</b>		
Revenue from the Crown (operating activities)	455	248
Revenue from the Crown	169	452
<b>Total income</b>	<b>624</b>	<b>700</b>
<b>Expenditure</b>		
Operating activities	455	248
Funding to approved organisations	173	452
<b>Total expenditure</b>	<b>628</b>	<b>700</b>
<b>Net surplus/(deficit)</b>	<b>(4)</b>	<b>0</b>

Output class expenditure split



## COMMENTARY ON THE FINANCIAL PERFORMANCE

The deficit reflects the level of claims from local authorities. This is to be funded by the retained surplus from 2008/09.

## OFFICIAL SCOPE FOR THIS OUTPUT CLASS

Administration costs of the scheme to provide enhanced public transport concessions for SuperGold cardholders.

# Output class: Regulatory implementation and enforcement

## Description

Under this output class, the NZTA implemented government policy by:

- developing land transport rules (under contract to the Ministry of Transport)
- developing clear and well understood, standards for:
  - vehicle inspection and certification
  - transport service licensing operations
  - rail safety operations
  - vocational driver licensing
- monitoring and auditing compliance with regulatory standards/requirements for vehicles, drivers, operators and transport systems providers
- tolling revenue management.

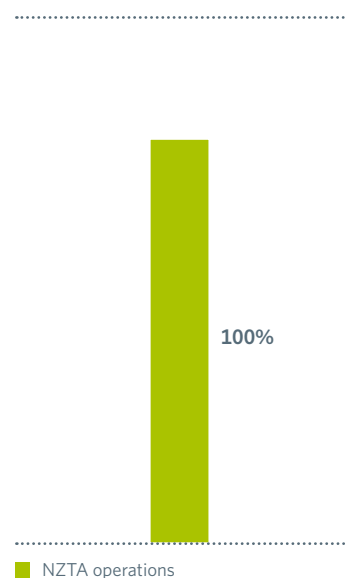
## How we measured our performance

Performance measures	Actual 2008/09	Target 2009/10	Actual 2009/10
<b>Quantity/Quality</b>			
Delivery of an agreed rules development programme that meets the quality and timeliness requirements in the agreement for rules development services	Yes	Yes	Yes
Delivery of an agreed audit programme meeting agreed standards and covering: <ul style="list-style-type: none"> <li>▪ regulatory compliance of rail licence holders and licensed transport operators, eg passenger services (including taxis) and goods services</li> <li>▪ agent service delivery (including driver testing, licence administration, and vehicle certification services)</li> </ul>	Yes	Yes	Yes
Audits of regulatory compliance and agent service delivery carried out according to agreed standards	Yes	Yes	Yes

## Financials

Regulatory implementation and enforcement	Actual 2010 \$000	Budget 2010 \$000
<b>Income</b>		
Revenue from the Crown	548	548
Revenue from the Crown for contracted services (rules)	813	933
Revenue from third parties (fees and charges)	28,590	26,980
Revenue from third parties (other)	2,977	2,370
<b>Total income</b>	<b>32,928</b>	<b>30,831</b>
<b>Expenditure</b>		
Rules development	761	933
Fees and charges funded activities	30,121	31,318
Other	786	612
<b>Total expenditure</b>	<b>31,668</b>	<b>32,863</b>
<b>Net surplus/(deficit)</b>	<b>1,260</b>	<b>(2,032)</b>

## Output class expenditure split



## COMMENTARY ON THE FINANCIAL PERFORMANCE

The surplus is predominantly due to the higher than forecasted tolling revenue as a result of residual construction project funds of \$1.2 million being made available to fund the tolling operational expense shortfall. The tolling business has moved to a marginal cost basis as approved at the start of the project, which impacts the costs charged to tolling.

# Output class: Licensing activities

## Description

Under this output class, the NZTA:

- provided driver and transport operator (including rail operator) licensing and testing services
- maintained the driver licence register
- issued overdimension permits
- administered drug and alcohol assessments of drivers and operators (funded by the Ministry of Health)
- provided licensing information and advice to the public service and the public.

## How we measured our performance

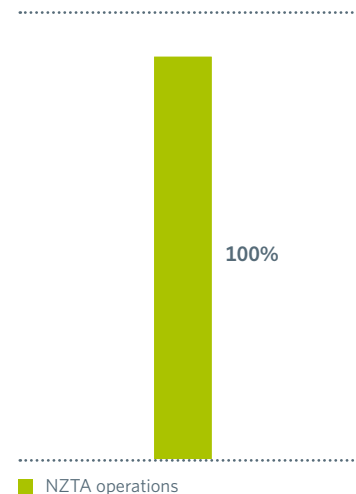
Performance measures	Actual 2008/09	Target 2009/10	Actual 2009/10
<b>Quantity/Quality</b>			
Accuracy of data on the driver licensing register	95.5% <sup>1</sup>	>95%	95.6%
Contact centre grade of service for driver licensing activities and/or enquiries:			
• Calls answered within 30 seconds	86.3% <sup>1</sup>	>80%	83.2%
• Quality assurance of customer service representatives' performance	98.7% <sup>1</sup>	>97%	99%

<sup>1</sup> These are new measures for 2009/10, but historical data is available for 2008/09.

## Financials

Licensing activities	Actual 2010 \$000	Budget 2010 \$000
<b>Income</b>		
Revenue from the Crown (drug and alcohol assessments)	800	833
Revenue from the Crown (driver test subsidy)	1,445	1,642
Revenue from third parties	42,928	46,362
<b>Total income</b>	<b>45,173</b>	<b>48,837</b>
<b>Expenditure</b>		
Drug and alcohol assessments	800	833
Fees and charges funded activities	51,147	52,275
<b>Total expenditure</b>	<b>51,947</b>	<b>53,108</b>
<b>Net surplus/(deficit)</b>	<b>(6,774)</b>	<b>(4,271)</b>

## Output class expenditure split



## COMMENTARY ON THE FINANCIAL PERFORMANCE

Revenue is lower than forecast primarily due lower driver licensing volumes. Expected increases in older driver licence renewals and endorsements did not materialise. The increase in driver licence and driver testing fees did not come into effect until 1 July 2010.

# Output class: Motor vehicle registry

## Description

Under this output class, the NZTA:

- operated the motor vehicle register (MVR)
- delivered motor vehicle registration and licensing services
- undertook the collection and refund of registration and licensing revenue, which is paid to the National Land Transport Fund
- provided information and advice to the public.

## How we measured our performance

Performance measures	Actual 2008/09	Target 2009/10	Actual 2009/10
<b>Quantity/Quality</b>			
MVR licensing compliance (proportion of licensed vehicles with current licence)	87.6%	>88%	89.1%
MVR revenue compliance (proportion of vehicles relicensed within 12 months of licence expiry)	98.5%	>98%	98.5%
Accuracy of data on the MVR	94.1% <sup>1</sup>	>93%	94.1%
Contact centre grade of service for driver licensing activities and/or enquiries:			
▪ Calls answered within 30 seconds	88.2% <sup>1</sup>	>80%	85.9%
▪ Quality assurance of customer service representatives' performance	98.6% <sup>1</sup>	>97%	98.6%
MVR revenue written off as bad debt	\$2.048m <sup>1</sup>	<\$4m	\$6.83m <sup>2</sup>
Costs per MVR transaction	\$6.04	<\$6.29	\$6.21

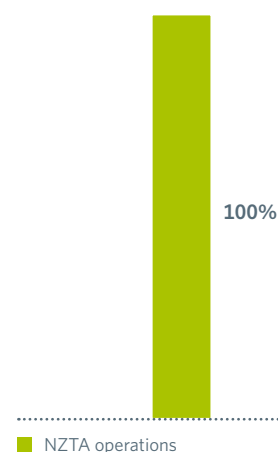
<sup>1</sup> These are new measures for 2009/10, but historical data is available for 2008/09.

<sup>2</sup> An error with the debt collection agency's system meant accounts meeting the criteria to be written off were not automatically processed in a timely manner, which resulted in a large backlog of CVL debts from the previous financial year being written off in 2009/10.

## Financials

Motor vehicle register	Actual 2010 \$000	Budget 2010 \$000
<b>Income</b>		
Revenue from the Crown	39,536	35,991
Revenue from third parties	12,809	12,102
<b>Total income</b>	<b>52,345</b>	<b>48,093</b>
<b>Expenditure</b>	<b>52,981</b>	<b>55,887</b>
<b>Net surplus/(deficit)</b>	<b>(636)</b>	<b>(7,794)</b>

## Output class expenditure split



## COMMENTARY ON THE FINANCIAL PERFORMANCE

Some expenditure savings were offset by commissions being greater than expected, in line with volumes being higher than forecast.

# Output class: Road user charges collection, investigation and enforcement

## Description

Under this output class, the NZTA:

- collected, through the provision of licences for diesel vehicles, and refunded road user charges (RUC) which are paid to the National Land Transport Fund
- investigated evasion of RUC and enforced payment
- provided information and advice to the public.

## How we measured our performance

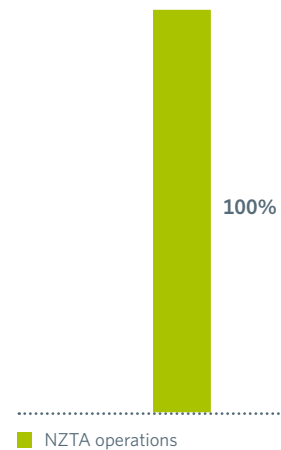
Performance measures	Actual 2008/09	Target 2009/10	Actual 2009/10
Quantity/Quality			
Identified road user charges evasion	\$18.625m <sup>1</sup>	>\$8m	\$18.233m
Road user charges revenue written off as bad debt	\$0.35m <sup>1</sup>	<\$1m	\$0.886m
Costs per road user charges transaction	\$8.03 <sup>1</sup>	<\$7.36	\$7.36

<sup>1</sup> These are new measures for 2009/10, but historical data is available for 2008/09.

## Financials

Road user charges collection, investigation and enforcement	Actual 2010 \$000	Budget 2010 \$000
<b>Income</b>		
Revenue from the Crown for contracted services	17,344	17,344
<b>Total income</b>	<b>17,344</b>	<b>17,344</b>
<b>Expenditure</b>	<b>17,451</b>	<b>17,075</b>
<b>Net surplus/(deficit)</b>	<b>(107)</b>	<b>269</b>

Output class expenditure split



# Output class: Refund of fuel excise duty

## Description

Under this output class, the NZTA recorded, refunded and accounted for fuel excise duty refund applications.

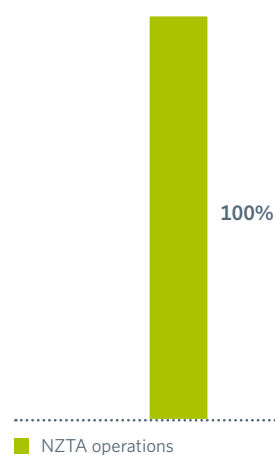
## How we measured our performance

Performance measures	Actual 2008/09	Target 2009/10	Actual 2009/10
Quantity/Quality			
Refunds actioned within 10 working days	New	New	39.16%

## Financials

Refund of fuel excise duty	Actual 2010 \$000	Budget 2010 \$000
<b>Income</b>		
Revenue from the Crown for contracted services	429	429
<b>Total income</b>	<b>429</b>	<b>429</b>
<b>Expenditure</b>	<b>595</b>	<b>482</b>
<b>Net surplus/(deficit)</b>	<b>(166)</b>	<b>(53)</b>

## Output class expenditure split



## COMMENTARY ON THE FINANCIAL PERFORMANCE

Expenditure is greater than budget as a result of more accurate costs now being allocated to this activity through the allocation of indirect costs and overheads. Fuel excise duty is now being allocated costs relative to the effort involved.

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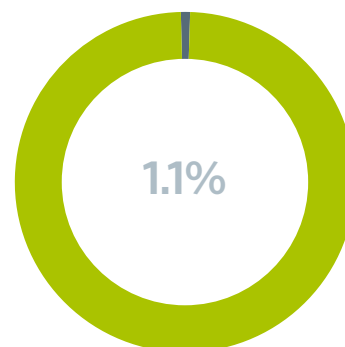
# Output class: Transport planning

## Description

Under this output class, the NZTA invested in, and influenced:

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

Output class as a percentage of the NLTP (plus the Road Policing Programme)



## How we measured our performance

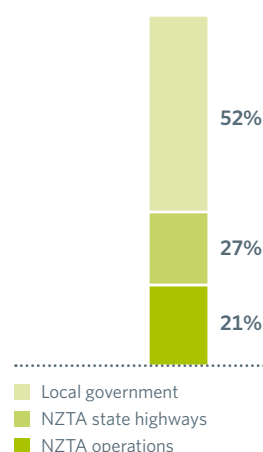
Performance measures	Actual 2008/09	Target 2009/10	Actual 2009/10
Quantity/Quality			
Stakeholder satisfaction with the NZTA's contribution to regional transport planning as measured by stakeholder survey	New	≥80%	45% <sup>1</sup>
Transport strategies, studies and plans are consistent with performance requirements	New	Yes	Yes

<sup>1</sup> This was the first survey where respondents were asked for their views on how well the NZTA performed its role of promoting transport planning. Many of the respondents may have little visibility of our role in regional planning. Notwithstanding this the result reflects that we have just begun to establish the structures and processes necessary to lift our focus on transport planning and the benefits to be gained from supporting the sector in this area. We expect planned changes to our regional and national organisational structures, improvement of internal processes, and further promotion of integrated planning to improve the result next year.

## Financials

Transport planning PLA	Actual 2010 \$000	Budget 2010 \$000
<b>Income</b>		
Revenue from the National Land Transport Fund (NZTA internal)	5,143	5,143
Revenue from the National Land Transport Fund (NZTA contracts)	24,857	31,857
<b>Total income</b>	<b>30,000</b>	<b>37,000</b>
<b>Expenditure</b>		
Operating activities (NZTA internal)	4,202	5,143
National Land Transport Programme (NZTA contracts)	15,911	30,857
<b>Total expenditure</b>	<b>20,113</b>	<b>36,000</b>
<b>Net surplus/(deficit)</b>	<b>9,887</b>	<b>1,000</b>

## Output class expenditure split



## COMMENTARY ON THE FINANCIAL PERFORMANCE

The expected level of claims from approved organisations for new projects that have had funding approved, did not materialise.

## OFFICIAL SCOPE FOR THIS OUTPUT CLASS

Developing plans for improving the transport network and systems pursuant to section 9 of the Land Transport Management Act 2003.

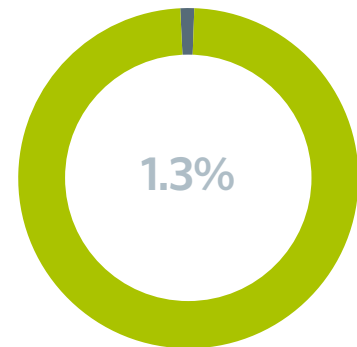
# Output class: Demand management and community programmes

## Description

Under this output class, the NZTA managed and invested 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
- network user information initiatives in larger urban centres that address issues such as congestion and travel time reliability
- education and information initiatives to support the development and implementation of the 'model communities' programme.

Output class as a percentage of the NLTP (plus the Road Policing Programme)



## How we measured our performance

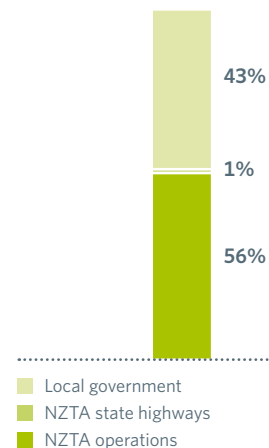
Performance measures	Actual 2008/09	Target 2009/10	Actual 2009/10
Quantity/Quality			
Percentage of programme delivered consistent with performance guidelines	100% <sup>1</sup>	100%	100%
All funds invested in best eligible activities	Yes <sup>1</sup>	Yes	Yes

<sup>1</sup> These are new measures for 2009/10, but historical data is available for 2008/09.

## Financials

Demand management and community programmes PLA	Actual 2010	Budget 2010
	\$000	\$000
<b>Income</b>		
Revenue from the National Land Transport Fund (NZTA internal)	23,058	23,082
Revenue from the National Land Transport Fund (NZTA contracts)	17,818	23,918
<b>Total income</b>	<b>40,876</b>	<b>47,000</b>
<b>Expenditure</b>		
Operating activities (NZTA internal)	20,502	23,082
National Land Transport Programme (NZTA contracts)	15,758	23,918
<b>Total expenditure</b>	<b>36,260</b>	<b>47,000</b>
<b>Net surplus/(deficit)</b>	<b>4,616</b>	<b>0</b>

Output class expenditure split



## COMMENTARY ON THE FINANCIAL PERFORMANCE

Expected increase in activity late in the year did not occur resulting in a surplus.

## OFFICIAL SCOPE FOR THIS OUTPUT CLASS

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

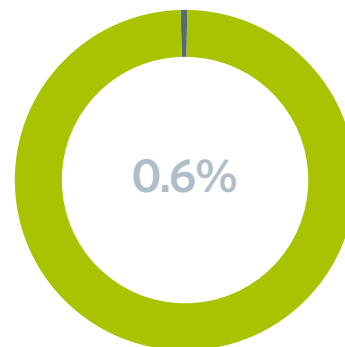
# Output class: Walking and cycling facilities

## Description

Under this output class, the NZTA invested in and managed the delivery of new and improved walking and cycling infrastructure for transport purposes. Walking and cycling facilities include: cycle paths, cycle lanes, new footpaths, facilities for crossing roads, shelters and bicycle parking facilities.

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

Output class as a percentage of the NLTP (plus the Road Policing Programme)



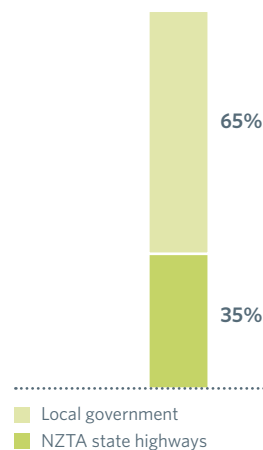
## How we measured our performance

Performance measures	Actual 2008/09	Target 2009/10	Actual 2009/10
Quantity/Quality			
Percentage of programme developed consistent with performance guidelines	100%	100%	100%
All funds invested in best eligible activities	Yes	Yes	Yes

## Financials

Walking and cycling facilities PLA	Actual 2010 \$000	Budget 2010 \$000
<b>Income</b>		
Revenue from the National Land Transport Fund (NZTA contracts)	20,000	16,000
<b>Total income</b>	<b>20,000</b>	<b>16,000</b>
<b>Expenditure</b>		
National Land Transport Programme (NZTA contracts)	17,771	16,000
<b>Total expenditure</b>	<b>17,771</b>	<b>16,000</b>
<b>Net surplus/(deficit)</b>	<b>2,229</b>	<b>0</b>

Output class expenditure split



## COMMENTARY ON THE FINANCIAL PERFORMANCE

Approved organisations had indicated that they would spend up to their allocation. However, this did not eventuate as there was a delay in approved organisations initiating their work programmes.

## OFFICIAL SCOPE FOR THIS OUTPUT CLASS

New and improved walking and cycling infrastructure for transport purposes pursuant to section 9 of the Land Transport Management Act 2003.

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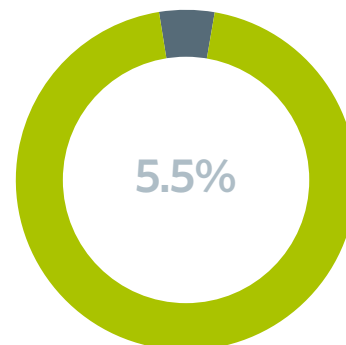
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# Output class: New and improved infrastructure for local roads

## Description

Under this output class, the NZTA invested, in conjunction with investment from approved organisations, in local road improvements including new roads, seal extensions, new traffic management facilities and replacement of bridges and other structures.

Output class as a percentage of the NLTP (plus the Road Policing Programme)



## How we measured our performance

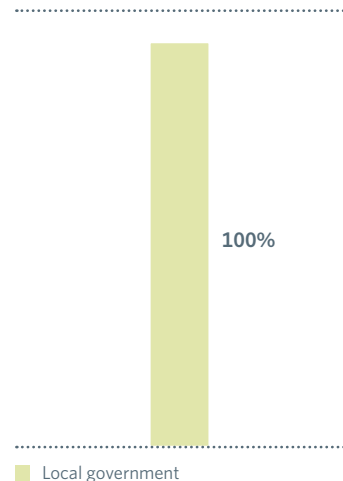
Performance measures	Actual 2008/09	Target 2009/10	Actual 2009/10
Quantity/Quality			
Development and delivery of a local road improvement programme that is consistent with performance guidelines	1	Yes	Yes
All funds invested in best eligible activities	100% <sup>2</sup>	100%	100%

- 1 We are confident that the programme has been developed and approved in accordance with the required procedures (the three factor assessment profile specified in the *Planning, programming and funding manual*).
- 2 Not all funds were allocated. Those that were, were allocated to best eligible activities.

## Financials

New and improved infrastructure for local roads PLA	Actual 2010 \$000	Budget 2010 \$000
<b>Income</b>		
Revenue from the National Land Transport Fund (NZTA contracts)	175,000	196,000
<b>Total income</b>	<b>175,000</b>	<b>196,000</b>
<b>Expenditure</b>		
National Land Transport Programme (NZTA contracts)	165,167	180,000
<b>Total expenditure</b>	<b>165,167</b>	<b>180,000</b>
<b>Net surplus/(deficit)</b>	<b>9,833</b>	<b>16,000</b>

Output class expenditure split



## COMMENTARY ON THE FINANCIAL PERFORMANCE

Key items causing the underspend of \$9.8 million include the Taupo diversion being lower than their new target by \$5.0 million, and the Kapiti Coast District Council spend being lower than their allocation due to the status of the bypass being changed from a local road project to a state highway project.

## OFFICIAL SCOPE FOR THIS OUTPUT CLASS

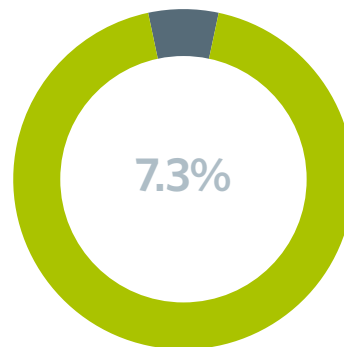
Management and delivery of improvement of local roads pursuant to section 9 of the Land Transport Management Act 2003.

# Output class: Renewal of local roads

## Description

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

Output class as a percentage of the NLTP (plus the Road Policing Programme)



## How we measured our performance

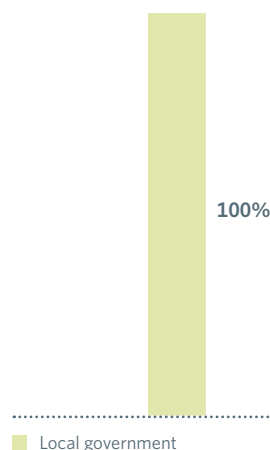
Performance measures	Actual 2008/09	Target 2009/10	Actual 2009/10
Quantity/Quality			
Development and delivery of a local road renewal programme that is consistent with performance guidelines	New	Yes	Yes
All funds invested in best eligible activities	100% <sup>1</sup>	100%	100%

<sup>1</sup> This is a new measure for 2009/10, but historical data is available for 2008/09.

## Financials

Renewal of local roads PLA	Actual 2010 \$000	Budget 2010 \$000
<b>Income</b>		
Revenue from the National Land Transport Fund (NZTA contracts)	218,000	222,000
<b>Total income</b>	<b>218,000</b>	<b>222,000</b>
<b>Expenditure</b>		
National Land Transport Programme (NZTA contracts)	204,774	222,000
<b>Total expenditure</b>	<b>204,774</b>	<b>222,000</b>
<b>Net surplus/(deficit)</b>	<b>13,226</b>	<b>0</b>

Output class expenditure split



## COMMENTARY ON THE FINANCIAL PERFORMANCE

The advice from local authorities is that contract costs have been substantially lower than budgeted, while more is being done with the funds available.

## OFFICIAL SCOPE FOR THIS OUTPUT CLASS

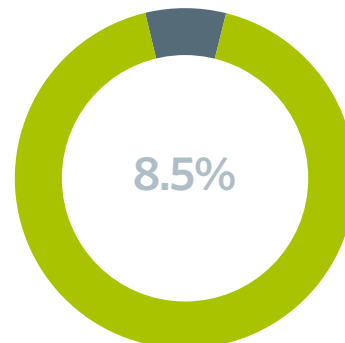
Management and delivery of renewals to the existing local road infrastructure pursuant to section 9 of the Land Transport Management Act 2003.

# Output class: Maintenance and operation of local roads

## Description

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

Output class as a percentage of the NLTP (plus the Road Policing Programme)



## How we measured our performance

Performance measures	Actual 2008/09	Target 2009/10	Actual 2009/10
<b>Quantity/Quality</b>			
Development and delivery of a local roads maintenance programme that is consistent with performance guidelines	1	Yes	Yes
All funds invested in best eligible activities	100%	100%	100%
Cost of maintenance activities (per network-km) relative to the overall level of service being provided		Steady or improving <sup>2</sup>	
Cost of maintenance per network-km			Steady
Cost of maintenance per vehicle kilometres travelled			Steady
Pavement condition indicators:			
▪ smooth travel exposure			Improving
▪ severe roughness			Steady
▪ pavement integrity			Steady
▪ surface condition			Steady

<sup>1</sup> For 2008/09 a specific system was not in place to measure the percentage of programme delivered consistent with performance guidelines. The programme however has been developed in accordance with historical practice and is based on individual and across the board judgement basis and a recommendation for overall programme levels and specific funding approvals made to the NZTA Board for approval.

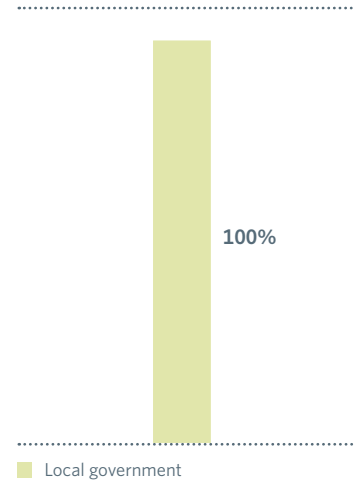
<sup>2</sup> This measure cannot be quantified with a single statement. We have instead shown the measure broken down into its three constituent parts: cost per network-km, cost per vehicle kilometre travelled, and pavement condition indicators.

## Output class: Maintenance and operation of local roads continued

### Financials

Maintenance and operation of local roads PLA	Actual 2010 \$000	Budget 2010 \$000
<b>Income</b>		
Revenue from the National Land Transport Fund (NZTA contracts)	215,000	245,000
<b>Total income</b>	<b>215,000</b>	<b>245,000</b>
<b>Expenditure</b>		
National Land Transport Programme (NZTA contracts)	224,332	237,000
<b>Total expenditure</b>	<b>224,332</b>	<b>237,000</b>
<b>Net surplus/(deficit)</b>	<b>(9,332)</b>	<b>8,000</b>

### Output class expenditure split



### COMMENTARY ON THE FINANCIAL PERFORMANCE

Maintenance of local roads was reforecast to be \$30.0 million lower than budget due to a slow start to the year and lower contract prices. There was a late increase in activity and the final result was only \$20.0 million lower than budget, but as the appropriation was based on forecast this resulted in a \$9.3 million deficit.

### OFFICIAL SCOPE FOR THIS OUTPUT CLASS

Management and operation of existing local road infrastructure pursuant to section 9 of the Land Transport Management Act 2003.

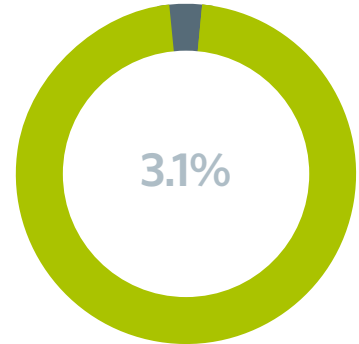


# Output class: Public transport infrastructure

## Description

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

Output class as a percentage of the NLTP (plus the Road Policing Programme)



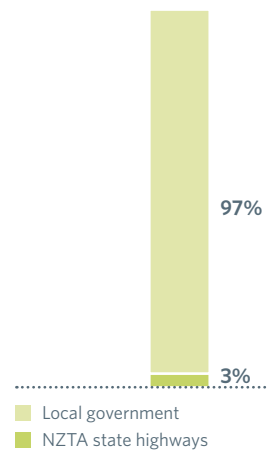
## How we measured our performance

Performance measures	Actual 2008/09	Target 2009/10	Actual 2009/10
Quantity/Quality			
Development of public transport infrastructure programme that is consistent with government and regional public transport priorities	New	Yes	Yes
All funds invested in best eligible activities	Yes	100%	100%

## Financials

Public transport infrastructure PLA	Actual 2010 \$000	Budget 2010 \$000
<b>Income</b>		
Revenue from the National Land Transport Fund (NZTA contracts)	135,641	27,000
<b>Total income</b>	<b>135,641</b>	<b>27,000</b>
<b>Expenditure</b>		
National Land Transport Programme (NZTA contracts)	100,792	44,000
<b>Total expenditure</b>	<b>100,792</b>	<b>44,000</b>
<b>Net surplus/(deficit)</b>	<b>34,849</b>	<b>(17,000)</b>

## Output class expenditure split



## COMMENTARY ON THE FINANCIAL PERFORMANCE

The \$34.8 million surplus consists of funding of a loan to the Auckland Regional Council of \$25.9 million which is a balance sheet movement as it is a loan to be repaid. A further \$9.0 million of surplus relates to under spend by approved organisations on infrastructure projects, in particular Greater Wellington.

## OFFICIAL SCOPE FOR THIS OUTPUT CLASS

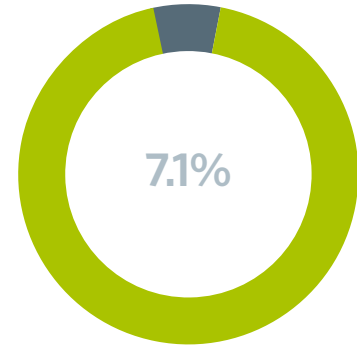
Renewal and improvement of infrastructure to support public transport services pursuant to section 9 of the Land Transport Management Act 2003.

# Output class: Public transport services

## Description

Under this output class, the NZTA invested, in conjunction with investment from approved organisations, in public road, rail and ferry (except for commercial services), and total mobility transport services.

Output class as a percentage of the NLTP (plus the Road Policing Programme)



## How we measured our performance

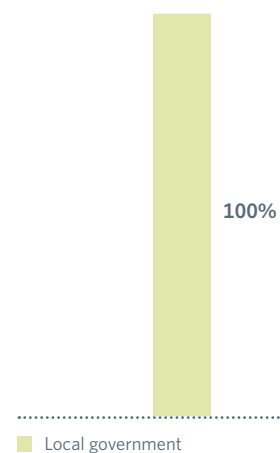
Performance measures	Actual 2008/09	Target 2009/10	Actual 2009/10
Quantity/Quality			
Development of a public transport infrastructure programme that is consistent with government and regional public transport priorities	New	Yes	Yes
All funds invested in best eligible activities	Yes	100%	100%
Percentage of users who rate public transport services as 'good or better' as determined by an independent annual survey.	New	>75%	91%
Percentage of staff responses from approved organisations rate the NZTA on its administration and processing of public transport funding applications and procurement procedures as good or better		>75%	61% <sup>1</sup>
Percentage of staff responses from approved organisations rate the NZTA on its ability to assist and advise its public transport funders with technical knowledge as good or better		>75%	39% <sup>1</sup>

<sup>1</sup> Lower than target results primarily come from survey respondents perceiving a reduction in public transport funding and a lack of understanding of public transport issues. To address these concerns we will conduct a series of focus groups with respondents to identify and work through the reasoning behind their issues as a first step towards improving these ratings. A stand alone public transport team will be established this year that will see an increased emphasis on the public transport area. We expect this increased emphasis to contribute towards improved ratings.

## Financials

Public transport services PLA	Actual 2010 \$000	Budget 2010 \$000
<b>Income</b>		
Revenue from the National Land Transport Fund (NZTA contracts)	200,000	201,000
<b>Total income</b>	<b>200,000</b>	<b>201,000</b>
<b>Expenditure</b>		
National Land Transport Programme (NZTA contracts)	187,306	201,000
<b>Total expenditure</b>	<b>187,306</b>	<b>201,000</b>
<b>Net surplus/(deficit)</b>	<b>12,694</b>	<b>0</b>

## Output class expenditure split



## COMMENTARY ON THE FINANCIAL PERFORMANCE

Approved organisations had indicated that they would spend up to their allocation as there was an anticipation of cost increases. However, this did not eventuate.

## OFFICIAL SCOPE FOR THIS OUTPUT CLASS

Non-commercial public transport services pursuant to section 9 of the Land Transport Management Act 2003.

# Output class: Rail and coastal freight

## Activity class | Domestic sea freight development

### Description

Under this output class, the NZTA provided seed funding for the development of new or improved coastal shipping freight services and related infrastructure, and for studies of the feasibility of such services in order to increase the freight volumes carried by this transport mode.

### How we measured our performance

Performance measures	Actual 2008/09	Target 2009/10	Actual 2009/10
Quantity/Quality			
All funds allocated to best eligible activities	Yes	Yes	Not applicable <sup>1</sup>

<sup>1</sup> There were no new programmes developed through the year, only wind-down of previously approved activities.

## Activity class | Rail and sea freight

### Description

Under this output class, the NZTA invested in initiatives in regional land transport plans that encourage the movement of freight by rail and coastal shipping (including barging) instead of by road to reduce the cost of road freight to the community.

### How we measured our performance

Performance measures	Actual 2008/09	Target 2009/10	Actual 2009/10
Quantity/Quality			
Development of programme consistent with performance guidelines	100% <sup>1</sup>	Yes	Not applicable <sup>2</sup>
All funds allocated to best eligible activities	Yes	100%	Not applicable <sup>2</sup>

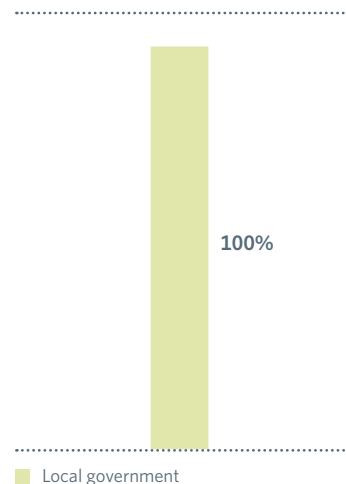
<sup>1</sup> This is a new measure for 2009/10, but historical data is available for 2008/09.

<sup>2</sup> There were no new programmes developed through the year, only wind-down of previously approved activities.

### Financials

Rail and coastal freight PLA	Actual 2010 \$000	Budget 2010 \$000
<b>Income</b>		
Revenue from the National Land Transport Fund (NZTA contracts)	2,000	2,000
<b>Total income</b>	<b>2,000</b>	<b>2,000</b>
<b>Expenditure</b>		
National Land Transport Programme (NZTA contracts)	1,225	2,000
<b>Total expenditure</b>	<b>1,225</b>	<b>2,000</b>
<b>Net surplus/(deficit)</b>	<b>775</b>	<b>0</b>

### Output class expenditure split



### OFFICIAL SCOPE FOR THIS OUTPUT CLASS

Activities that encourage the economical movement of freight by modes other than road pursuant to section 9 of the Land Transport Management Act 2003.

# Output class: Regional development transport funding

## Description

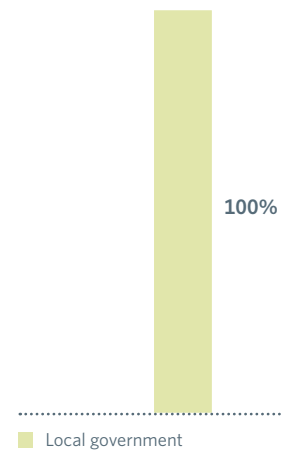
Under this output class, the NZTA invested in regional development initiatives to develop the roading infrastructure providing access for harvesting forests in Northland and Tairāwhiti. NLTP funding for this output class is limited to 2009/10 and 2010/11.

The government is the investor in this output class, and the NZTA manages the allocation of funding of activities on behalf of the Ministry of Transport.

## Financials

Regional development transport funding	Actual 2010 \$000	Budget 2010 \$000
<b>Income</b>		
Revenue from the Crown	9,000	10,000
<b>Total income</b>	<b>9,000</b>	<b>10,000</b>
<b>Expenditure</b>	<b>8,353</b>	<b>10,000</b>
<b>Net surplus/(deficit)</b>	<b>647</b>	<b>0</b>

Output class expenditure split



## OFFICIAL SCOPE FOR THIS OUTPUT CLASS

Developing the forestry roading infrastructure in Northland and Tairāwhiti.

# Output class: Canterbury transport project

## Description

Under this output class, the NZTA funded projects in the Canterbury region that help the region meet its long-term transport needs. The government is the investor in state highway extension projects and the NZTA manages the allocation of funding of activities on behalf of the Ministry of Transport.

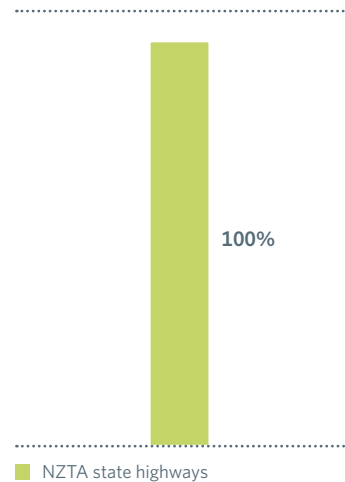
## How we measured our performance

Performance measures	Actual 2008/09	Target 2009/10	Actual 2009/10
Quantity/Quality			
Percentage of funds allocated to projects that meet the criteria set out in the MOU between Environment Canterbury, Ministry of Transport and the NZTA	New	100%	100%

## Financials

Canterbury transport project	Actual 2010 \$000	Budget 2010 \$000
<b>Income</b>		
Revenue from the Crown	14,500	10,000
<b>Total income</b>	<b>14,500</b>	<b>10,000</b>
<b>Expenditure</b>	<b>14,500</b>	<b>10,000</b>
<b>Net surplus/(deficit)</b>	<b>0</b>	<b>0</b>

## Output class expenditure split



## OFFICIAL SCOPE FOR THIS OUTPUT CLASS

Assisting the Canterbury region to implement a land transport package.

# Output class: Enhanced public transport concessions for SuperGold cardholders

## Description

Under this output class, the NZTA provided funding to regional councils for the provision of enhanced public transport concessions for SuperGold cardholders.

The government is the investor in this output class and the NZTA manages the allocation of funding activities on behalf of the Ministry of Transport.

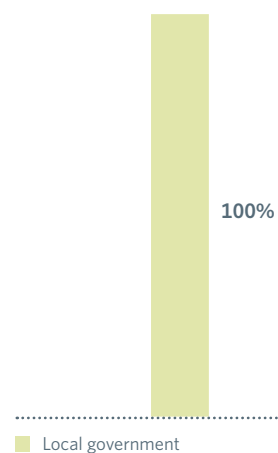
## How we measured our performance

Performance measures	Actual 2008/09	Target 2009/10	Actual 2009/10
Quantity/Quality			
Percentage of regional councils that implement enhanced public transport concessions for SuperGold cardholders	New	100%	100%

## Financials

Enhanced public transport concessions for SuperGold cardholders	Actual 2010 \$000	Budget 2010 \$000
<b>Income</b>		
Revenue from the Crown	19,627	17,300
<b>Total income</b>	<b>19,627</b>	<b>17,300</b>
<b>Expenditure</b>	<b>19,783</b>	<b>17,300</b>
<b>Net surplus/(deficit)</b>	<b>(156)</b>	<b>0</b>

## Output class expenditure split



## COMMENTARY ON THE FINANCIAL PERFORMANCE

The deficit reflects the level of claims from local authorities. This is to be funded by the retained surplus from 2008/09 of \$0.2 million.

## OFFICIAL SCOPE FOR THIS OUTPUT CLASS

Providing enhanced public transport concessions for SuperGold cardholders.

ONE  
TWO  
SECTION \_ THREE

# 3

Statement  
of financial  
performance



# Highlights from our financial statements

The following graph shows the various sources of the NZTA's \$1.994 billion total income. The largest contribution is from the National Land Transport Fund (NLTF). We also receive funding from the Crown to support our objectives and for specific projects such as the Canterbury transport project and the SuperGold cardholders scheme. Third party funding comes predominantly from our licensing activities, motor vehicle register and regulatory activities.

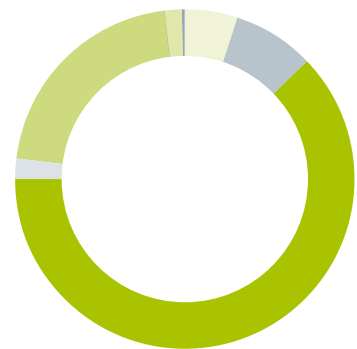
Income by source



- Crown - 5.25%
- National Land Transport Fund - 90.29%
- Third Party Funding - 4.46%

The following graph shows the allocation of our \$1.980 billion of expenditure by type. The NZTA's expenditure is guided by the priorities identified in our *Statement of intent*. The majority of our expenditure in 2009/10 was directly related to maintaining and improving our land transport infrastructure. Depreciation and amortisation, reflecting the cost of asset ownership, contributed 20.91% of our annual expenditure.

Expenses by type



- Personnel costs - 5.06%
- Operating expenses - 7.9%
- Investment in land transport - 62.35%
- Specific projects funded by the Crown - 2.16%
- Depreciation and amortisation expense - 20.91%
- Capital charge - 0.07%
- State highway asset write-off - 1.42%
- Expenses relating to the merger - 0.14%



We provide a range of services in the transport sector. The charts below provide a breakdown of the performance of each of our output classes. Our performance and the reasons for variance from budget are discussed in more detail in the statement of service performance section of this report on pages 45 to 76

Output class	Actual income \$000	Actual expenditure \$000	Actual surplus/ (deficit) \$000	Budget surplus/ (deficit) \$000
Regulatory implementation and enforcement	32,928	31,668	1,260	(2,032)
Licensing activities	45,173	51,947	(6,774)	(4,271)
Motor vehicle register	52,345	52,981	(636)	(7,794)
Road user charges collection, investigation and enforcement	17,344	17,451	(107)	269
Refund of fuel excise duty	429	595	(166)	(53)
Accelerated state highway construction	78,700	77,455	1,245	0
New infrastructure for and renewal of state highways	1,016,710	1,256,031	(239,321)	(105,936)
Maintenance and operation of state highways	321,851	306,574	15,277	0
New and improved infrastructure for local roads	175,000	165,167	9,833	16,000
Renewal of local roads	218,000	204,774	13,226	0
Maintenance and operation of local roads	215,000	224,332	(9,332)	8,000
Public transport services	200,000	187,306	12,694	0
Public transport infrastructure	135,641	100,792	34,849	(17,000)
Demand management and community programmes	40,876	36,260	4,616	0
Walking and cycling facilities	20,000	17,771	2,229	0
Sector training and research	6,017	5,371	646	0
Rail and coastal freight	2,000	1,225	775	0
Transport planning	30,000	20,113	9,887	1,000
Management of the funding allocation system	35,740	35,706	34	(661)
Canterbury transport project	14,500	14,500	0	0
Regional development transport funding	9,000	8,353	647	0
Enhanced public transport concessions for SuperGold cardholders	19,627	19,783	(156)	0
Administration of the public transport concessions for SuperGold card	624	628	(4)	0

### 'The NZTA's net worth is calculated to be \$24.955 billion as at 30 June 2010'

The statement of financial position (see page 84) shows what we own (our assets), what we owe (our liabilities) and our overall net worth (represented by our net assets/equity).

	Actual 2009/10 \$000	Budget 2009/10 \$000	Actual 2008/09 \$000
Total assets	25,322,189	24,732,024	24,731,243
Less total liabilities	367,085	354,181	418,843
<b>Net assets/equity at end of year</b>	<b>24,955,105</b>	<b>24,377,843</b>	<b>24,312,400</b>

We continue to maintain a strong balance sheet, with over \$25 billion of assets, and a very low level of liabilities. Our most significant asset is the state highway network, which accounts for 98% of our overall asset base. This asset has been revalued during 2009/10, resulting in a decrease of \$64.120 million.

## How we have invested in our assets

We have invested \$1.3 billion in our capital expenditure programme for 2009/10 – the breakdown is as follows:

Capital expenditure	Actual \$000	Budget \$000
Investment in information technology	4,720	7,502
Investment in the driver licence and motor vehicle registers	3,937	6,248
Investment in offices and equipment	3,601	4,405
Investment in state highways	1,289,617	1,150,064
	<b>1,301,875</b>	<b>1,168,219</b>

Total capital expenditure was \$133.7 million higher than budgeted as a result of additional investment in state highways and roads of national significance, and property acquisitions. This increased expenditure was funded from the NLTF. Significant state highways projects included the completion of Waipukurau overbridge, Bell Block bypass, and Christchurch bus priority lanes and the opening of the Dillons Hill realignment.

Investment in other assets was lower than budgeted due to the timing of projects, with the balance to be carried forward into 2010/11.

### 'The statement of changes in equity shows what the NZTA owns, less what it owes.'

Equity is represented by the NZTA's net worth, that is, 'what we own' (total assets of \$25.322 billion) minus 'what we owe' (total liabilities of \$367.085 million). Equity, as at 30 June 2010, was \$24.955 billion – an increase of \$642.7 million from 2008/09, and \$577.3 million higher than budgeted. The majority of the increase relates to our continued investment in state highways, as outlined in the previous section.

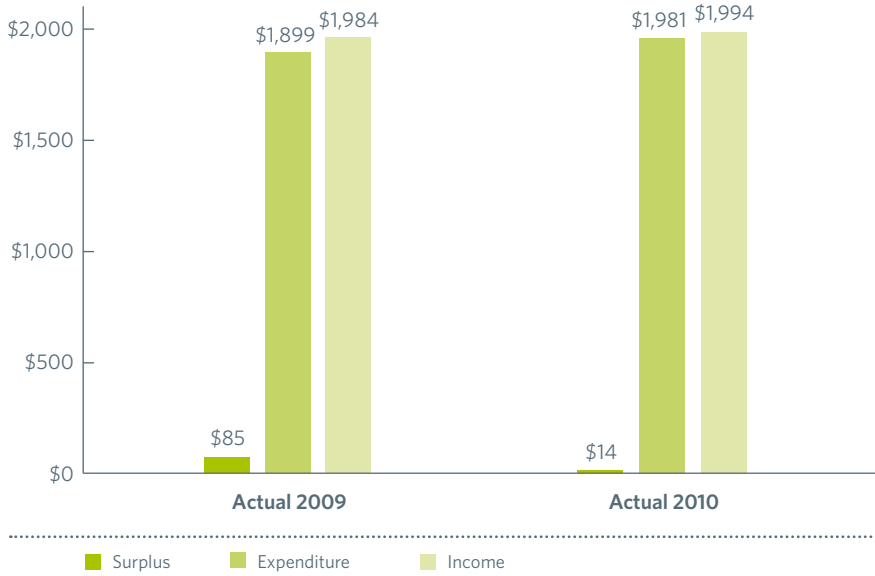
Equity	Actual 2009/10 \$000	Budget 2009/10 \$000	Actual 2008/09 \$000
Crown's investment in the NZTA	5,198	25,785	25,785
Crown's investment in the state highway network	24,887,386	24,499,683	23,642,614
Funds retained for future use	39,208	(122,870)	658,930
Deficit accumulated from third party activities	(2,647)	(24,755)	(14,929)
Loan to local authority	25,960	0	0
	<b>24,955,105</b>	<b>24,377,843</b>	<b>24,312,400</b>

Total equity is \$577.3 million higher than budgeted. This is primarily as a result of the following:

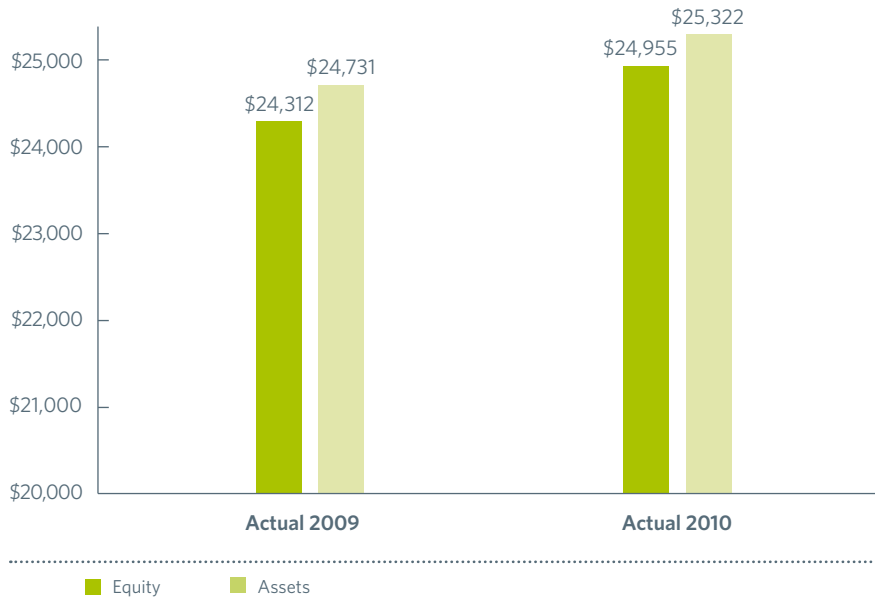
- Opening equity being \$1,071.8 billion higher than budgeted, as a result of the timing of the finalisation of the 2008/09 financial statements, including the state highway revaluation movement.
- The actual net surplus being \$335.5 million higher than budget; offset by:
  - The revaluation movement for state highway network for 2009/10 being \$514.1 million less than budget
  - The capital contribution from the NLTF being \$315.9 million lower than budgeted, as depreciation funding was received as operating revenue rather than as a capital contribution.

## Trends

Our income and expenses – two year trends (\$m)



Our assets and equity – two year trends (\$m)

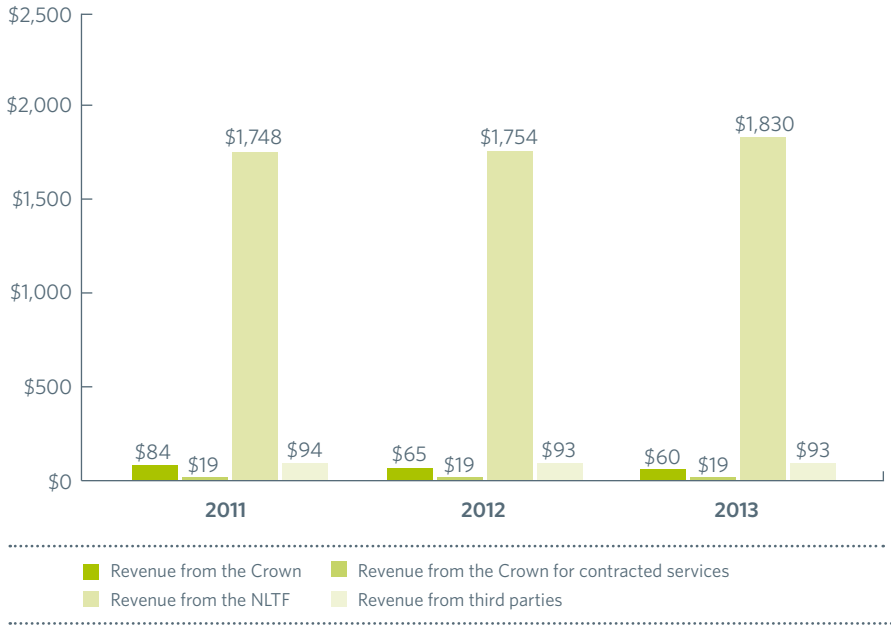


**'While we have made strong progress in our first two years of operation, we are continually looking ahead.'**

Our *Statement of intent* sets out our planned operating and capital expenditure programmes for 2010/11 (and forecasts for 2011/12 and 2012/13).

The following graphs highlight the NZTA's financial plans for the next three years:

Forecast operating revenue (\$m)



# Financial statements

## Statement of comprehensive income for the year ended 30 June 2010

	Note	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
<b>Income</b>				
Revenue from the Crown	2	86,080	77,014	59,975
Revenue from the Crown for contracted services	2	18,586	18,706	19,093
Revenue from the National Land Transport Fund	2	1,800,618	1,357,000	1,792,000
Revenue from third parties	3	89,021	87,814	112,966
<b>Total income</b>		<b>1,994,305</b>	<b>1,540,534</b>	<b>1,984,034</b>
<b>Expenditure</b>				
Personnel costs	4	100,145	94,701	96,132
Operating expenses	5	156,385	132,544	161,315
Investment in land transport <sup>a</sup>		1,234,926	1,232,881	1,199,599
Specific projects funded by the Crown		42,809	37,752	20,431
Depreciation and amortisation expense	6	414,102	342,006	389,281
Capital charge	7	1,409	2,192	1,893
State highway asset write-off		28,050	15,000	25,734
<b>Expenses relating to the delivery of outputs</b>		<b>1,977,826</b>	<b>1,857,076</b>	<b>1,894,385</b>
Expenses relating to the merger	8	2,854	5,308	4,489
<b>Total expenditure</b>		<b>1,980,680</b>	<b>1,862,384</b>	<b>1,898,874</b>
<b>Net surplus/(deficit)</b>		<b>13,625</b>	<b>(321,850)</b>	<b>85,160</b>
<b>Other comprehensive income</b>				
Gain/(loss) on state highway network and bailey bridging revaluations		(64,120)	450,000	2,290,020
<b>Total other comprehensive income</b>		<b>(64,120)</b>	<b>450,000</b>	<b>2,290,020</b>
<b>Total comprehensive income for the year</b>		<b>(50,495)</b>	<b>128,150</b>	<b>2,375,180</b>

a Investment in land transport refers to National Land Transport Programme funding the NZTA provides to approved organisations for the delivery of services. Investment in land transport also includes the NZTA's maintenance and operation of the state highway network. Further details are in the supplementary information provided.

Explanations of significant variances against budget are detailed in note 30.

*The accompanying notes form part of these financial statements.*

## Statement of financial position as at 30 June 2010

	Note	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	9	62,585	1,850	107,477
Crown receivable		297,709	300,000	478,415
Debtors and other receivables	10	52,577	20,000	41,677
Prepayments		496	250	895
Inventories		104	200	196
<b>Total current assets</b>		<b>413,471</b>	<b>322,300</b>	<b>628,660</b>
<b>Non-current assets</b>				
Property, plant and equipment	11	19,535	14,809	17,762
State highway network	12	24,833,709	24,357,070	24,059,505
Bailey bridging	13	7,384	5,900	7,314
Intangible assets	14	22,130	31,945	18,002
Loan to local authority	15	25,960	0	0
<b>Total non-current assets</b>		<b>24,908,718</b>	<b>24,409,724</b>	<b>24,102,583</b>
<b>Total assets</b>		<b>25,322,189</b>	<b>24,732,024</b>	<b>24,731,243</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Creditors and other payables	16	351,755	345,131	406,192
Lease make good provision		531	0	565
Tolling funds held in trust		1,520	850	868
Employee entitlements	17	10,487	5,600	8,505
<b>Total current liabilities</b>		<b>364,293</b>	<b>351,581</b>	<b>416,130</b>
<b>Non-current liabilities</b>				
Employee entitlements	17	2,792	2,600	2,713
<b>Total non-current liabilities</b>		<b>2,792</b>	<b>2,600</b>	<b>2,713</b>
<b>Total liabilities</b>		<b>367,085</b>	<b>354,181</b>	<b>418,843</b>
<b>Net assets</b>		<b>24,955,105</b>	<b>24,377,843</b>	<b>24,312,400</b>
<b>Equity</b>				
General funds		5,198	25,785	25,785
Retained funds - NZTA operations		22,971	14,766	23,926
Memorandum account - Third party fees and charges		(2,647)	(24,755)	(14,929)
State highways <sup>a</sup>		24,887,386	24,499,683	23,642,614
Retained funds - National Land Transport Programme		14,181	(137,636)	633,435
Retained funds - specific projects funded by the Crown		2,056	0	1,569
Loan to local authority		25,960	0	0
<b>Total equity</b>	18	<b>24,955,105</b>	<b>24,377,843</b>	<b>24,312,400</b>

a State highways includes the state highway investment (including bailey bridging) and revaluation reserves.

The accompanying notes form part of these financial statements.

## Statement of changes in equity for the year ended 30 June 2010

	Note	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
<b>Equity - Opening balances</b>				
General funds		25,785	25,785	18,795
Retained funds - NZTA operations		23,926	25,346	24,673
Memorandum account - Third party fees and charges		(14,929)	(16,146)	(4,901)
State highways		23,642,614	22,916,574	20,976,019
Retained funds - National Land Transport Programme		633,435	289,070	135,916
Retained funds - specific projects funded by the Crown		1,569	0	0
Loan to local authority		0	0	0
<b>Total equity - Opening balance</b>		<b>24,312,400</b>	<b>23,240,629</b>	<b>21,150,502</b>
<b>Changes in equity</b>				
<b>Equity movements</b>				
General funds <sup>a</sup>		(20,587)	0	0
Memorandum account - Third party fees and charges <sup>a</sup>		20,587	0	0
State highways		1,308,892	1,133,109	376,575
Retained funds - National Land Transport Programme		(1,334,852)	(1,133,109)	(376,575)
Loan to local authority		25,960	0	0
		<b>0</b>	<b>0</b>	<b>0</b>
<b>Comprehensive income</b>				
Retained funds - NZTA operations		(955)	(10,580)	(747)
Memorandum account - third party fees and charges		(8,305)	(8,609)	(10,028)
Retained funds - National Land Transport Programme		22,398	(302,661)	94,366
Retained funds - specific projects funded by the Crown		487	0	1,569
State highways - gain/(loss) on revaluations		(64,120)	450,000	2,290,020
		<b>(50,495)</b>	<b>128,150</b>	<b>2,375,180</b>
<b>Capital contribution from Crown</b>				
General funds		0	0	6,990
Retained funds - National Land Transport Programme		693,200	1,009,064	779,728
	19	<b>693,200</b>	<b>1,009,064</b>	<b>786,718</b>
<b>Total changes in equity</b>		<b>642,705</b>	<b>1,137,214</b>	<b>3,161,898</b>
<b>Equity - Closing balance</b>				
General funds		5,198	25,785	25,785
Retained funds - NZTA operations		22,971	14,766	23,926
Memorandum account - third party fees and charges		(2,647)	(24,755)	(14,929)
State highways		24,887,386	24,499,683	23,642,614
Retained funds - National Land Transport Programme		14,181	(137,636)	633,435
Retained funds - specific projects funded by the Crown		2,056	0	1,569
Loan to local authority		25,960	0	0
<b>Total equity - Closing balance</b>	18	<b>24,955,105</b>	<b>24,377,843</b>	<b>24,312,400</b>

a The Board has agreed to write-off from general funds, the accumulated deficit of \$20.587 million derived from driver licensing and testing operations in the memorandum account.

The accompanying notes form part of these financial statements.

## Statement of cash flows for the year ended 30 June 2010

	Note	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
<b>Cash flows from operating activities</b>				
Receipts from Crown revenue		104,666	95,720	79,068
Receipts from National Land Transport Fund revenue		1,981,324	1,376,823	1,733,787
Receipts from third party revenue		77,549	69,314	139,356
Interest received		572	1,500	8,533
Payments to suppliers		(1,518,856)	(1,415,983)	(1,428,165)
Payments to employees		(98,084)	(94,756)	(94,823)
Payments for capital charge		(1,409)	(2,192)	(1,893)
Goods & services tax (net)		28,554	0	31,463
<b>Net cash from operating activities</b>	20	<b>574,316</b>	<b>30,426</b>	<b>467,326</b>
<b>Cash flows from investing activities</b>				
Receipts from sale of property, plant and equipment		1,420	0	0
Receipts from sale of intangible assets		2,310	0	0
Receipts from sale of investments		0	39,830	23,430
Receipts from sale of state highway held properties		15,137	17,000	13,776
Purchase of property, plant and equipment		(2,697)	(13,170)	(4,873)
Purchase of intangible assets		(13,001)	(726)	(12,517)
State highway network		(1,289,617)	(1,150,064)	(1,240,544)
Loan to local authority		(25,960)	0	0
<b>Net cash from investing activities</b>		<b>(1,312,408)</b>	<b>(1,107,130)</b>	<b>(1,220,728)</b>
<b>Cash flows from financing activities</b>				
Capital contribution from the National Land Transport Fund		693,200	1,009,064	786,718
Repayment of MVR&RM & alcohol assessment surplus to the Crown <sup>a</sup>		0	0	(2,965)
<b>Net cash from financing activities</b>		<b>693,200</b>	<b>1,009,064</b>	<b>783,753</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(44,892)</b>	<b>(67,640)</b>	<b>30,351</b>
Cash and cash equivalents at the beginning of the year		107,477	69,490	77,126
<b>Cash and cash equivalents at the end of the year</b>	9	<b>62,585</b>	<b>1,850</b>	<b>107,477</b>

a MVR&RM - Motor vehicle registry and revenue management output class.

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements.

*The accompanying notes form part of these financial statements.*



# Notes to the financial statements

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## 1 Statement of accounting policies for the year ended 30 June 2010

### Reporting entity

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

The NZTA was formed on 1 August 2008 through the amalgamation of Land Transport NZ and Transit NZ. The NZTA's primary objective is to provide services to the NZ public, as opposed to making a financial return. Accordingly, the NZTA has designated itself a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The NZTA produced the first three year NLTP in August 2009. The NLTF is the primary funding source of the NLTP.

The financial statements for the NZTA are for the year ended 30 June 2010, and were approved by the Board on 23 September 2010.

### Basis of preparation

#### STATEMENT OF COMPLIANCE

The financial statements of the NZTA have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). The financial statements comply with NZ IFRS, and other applicable financial reporting standards, as appropriate for public benefit entities.

#### MEASUREMENT BASE

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of the State highway network and Bailey bridging stock. The measurement of financial assets and financial liabilities is at amortised cost.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant will be disclosed by way of separate notes to the financial statements.

#### FUNCTIONAL AND PRESENTATION CURRENCY

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

#### CHANGES IN ACCOUNTING POLICIES

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

The NZTA has adopted the following revisions to accounting standards during the financial year, which have had only a presentational or disclosure effect:

- NZ IAS 1 *Presentation of financial statements (revised 2007)* replaces NZ IAS 1 *Presentation of financial statements* (issued 2004). The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The statement of comprehensive income will enable readers to analyse changes in equity resulting from non-owner changes separately from transactions with owners. The NZTA has decided to prepare a single statement of comprehensive income for the year ended 30 June 2010 under the revised standard. Financial statement information for the year ended 30 June 2009 has been restated accordingly. Items of other comprehensive income presented in the statement of comprehensive income were previously recognised directly in the statement of changes in equity.
- Amendments to NZ IFRS 7 *Financial instruments: disclosures*. The amendments introduce a three-level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of valuation inputs used. A maturity analysis of financial assets is also required to be prepared if this information is necessary to enable users of the financial statements to evaluate the nature and extent of liquidity risk. The transitional provisions of the amendment do not require disclosure of comparative information in the first year of application. The NZTA has elected to disclose comparative information.

## 1 Statement of accounting policies continued

### STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED

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

- NZ IAS 24 *Related party disclosures (revised 2009)* replaces NZ IAS 24 *Related party disclosures (issued 2004)* and is effective for reporting periods commencing on or after 1 January 2011. The revised standard:
  - i) Removes the previous disclosure concessions applied by the NZTA for arms-length transactions between the NZTA and entities controlled or significantly influenced by the Crown. The effect of the revised standard is that more information is required to be disclosed about transactions between the NZTA and entities controlled or significantly influenced by the Crown.
  - ii) Provides clarity on the disclosure of related party transactions with Ministers of the Crown. Further, with the exception of the Minister of Transport, the Ministry will be provided with an exemption from certain disclosure requirements relating to transactions with other Ministers of the Crown. The clarification could result in additional disclosures should there be any related party transactions with Ministers of the Crown.
  - iii) Clarifies that related party transactions include commitments with related parties.

The NZTA expects it will early adopt the revised standard for the year ended 30 June 2011.

- NZ IFRS 9 *Financial instruments* will eventually replace NZ IAS 39 *Financial instruments: recognition and measurement*. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and measurement, Phase 2 Impairment methodology, and Phase 3 Hedge accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended 30 June 2014. The NZTA has not yet assessed the effect of the new standard and expects it will not be early adopted.

### Significant accounting policies

#### 1.1 Revenue

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the NZTA's business. Revenue is shown net of GST.

Revenue is recognised when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the NZTA's 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.

#### REVENUE FROM THE CROWN

The NZTA is primarily funded through revenue received from the Crown and the NLTF, which is restricted in its use for the purpose of the NZTA meeting its objectives as specified in the *Statement of intent*.

Revenue from the Crown and the NLTF is recognised in line with our agreed appropriation, which represents the goods and services supplied to the Crown.

#### OTHER GRANTS

Non-government grants are recognised as revenue when they become receivable unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation the grants are initially recorded as grants received in advance, and recognised as revenue when conditions of the grant are satisfied.

Revenue from third parties consists of the following:

#### INTEREST

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

## RENTAL INCOME

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

## SALE OF PUBLICATIONS

Sales of publications are recognised when the product is sold to the customer.

## PROVISION OF SERVICES

Revenue derived through the provision of services to third parties is recognised when earned and is reported in the financial period to which it relates.

## VESTED ASSETS

Where a physical asset is gifted to or acquired by the NZTA for nil or nominal cost, the fair value of the asset received is recognised as income. Such assets are recognised as income when control over the asset is obtained. The NZTA has no vested assets.

### 1.2 Capital charge

The capital charge is recognised as an expense in the period to which the charge relates. The capital charge for 2009/10 has been calculated by applying the capital charge rate to the balance of general funds.

### 1.3 Grant expenditure

Non-discretionary grants are those grants awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the NZTA has no obligation to award on receipt of the grant application and are recognised as expenditure when approved and the approval has been communicated to the applicant.

### 1.4 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made by the NZTA under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

### 1.5 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less and are shown within current assets on the statement of financial position.

### 1.6 Debtors and other receivables

Debtors and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debtors and other receivables is established when there is objective evidence that the NZTA will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

### 1.7 Inventories

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

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

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

## 1 Statement of accounting policies continued

### 1.8 Property, plant and equipment

Property, plant and equipment asset classes consist of land, buildings, leasehold improvements, furniture and fittings, plant and office equipment, and motor vehicles.

Property, plant and equipment are shown at cost or valuation, less any accumulated depreciation and impairment losses.

#### ADDITIONS

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

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

#### 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 included in the statement of comprehensive income.

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

#### SUBSEQUENT COSTS

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

The costs of day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as they are incurred.

### 1.9 Valuation of state highway network and Bailey bridging

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

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

In 2008/09, all 14 state highway regions were subject to a full revaluation. In future, a cyclical basis will be used so that each region is revalued at an interval not exceeding 3.5 years.

Those regions that are not subject to full revaluation in a particular year will be subject to a valuation update through the use of price indices.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the NZTA and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

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

### 1.10 The useful lives and the associated depreciation rates of major classes of assets

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Assets	Useful life (years)	Depreciation rate (%)
State highways – pavement (base)	50	2.0
State highways – pavement (surface)	7	14.3
State highways – drainage	60	1.7
State highways – traf c 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 – panels	70	1.42
Bailey bridging – transoms	103	0.57
Bailey bridging – stringers	100	0.67
Bailey bridging – chord reinforcing	69	1.45
Bailey bridging – other miscellaneous	76	1.0
Buildings	50	2.0
Motor vehicles	4	25.0
Computer equipment	3	33.3
Plant	5-10	10.0-20.0
Equipment	5-8	12.5-20.0
Furniture & fittings	5-10	10.0-20.0
Of ce equipment	4-5	20.0-25.0
Leasehold improvements	Life of lease	7.7-33.0

### 1.11 Intangible assets

#### COMPUTER SOFTWARE

NZTA's policy requires an intangible asset to be recognised if, and only if:

- it is probable that the future economic benefits that are attributable to the asset will flow to the entity, and
- the cost of the asset can be measured reliably.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs that are directly associated with the production of identifiable and unique software products controlled by the NZTA and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised on a straight-line basis.

Staff training costs are recognised in the surplus or deficit when incurred.

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

## 1 Statement of accounting policies continued

### 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 statement of comprehensive income.

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	3-5	20-33.3

### 1.12 Impairment of property, plant and equipment and intangible assets

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

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of comprehensive income.

For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of comprehensive income.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the statement of comprehensive income, a reversal of the impairment loss is also recognised in the statement of comprehensive income.

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the statement of comprehensive income.

### 1.13 Financial assets

Financial assets are classified as loans and receivables.

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

### LOAN TO LOCAL AUTHORITY

Loans to local authorities, made at the government bond rate, are initially recognised at present value of their future cash flows, discounted at the current market rate of return for a similar financial instrument. The difference between the face value and present value of the expected future cash flows of the loan is recognised in the statement of comprehensive income.

The amount of impairment is the difference between market interest rate and the government bond rate. Gains and losses when the loan is impaired are recognised in the statement of comprehensive income.

### 1.14 Creditors and other payables

Creditors and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 1.15 Employee entitlements

### SHORT-TERM EMPLOYEE ENTITLEMENTS

Employee entitlements that the NZTA expects to be settled within 12 months of balance date are measured at undiscounted nominal values 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, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The NZTA recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date; to the extent the NZTA anticipates it will be used by staff to cover those future absences.

The NZTA recognises a liability and an expense for at-risk payments where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation.

### LONG-TERM EMPLOYEE ENTITLEMENTS

Entitlements that are payable beyond 12 months, such as long service leave and retirement leave 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 entitlements information, and
- the present value of the estimated future cash flows.

The discount rate is based on the weighted average of interest rates for government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

### PRESENTATION OF EMPLOYEE ENTITLEMENTS

Annual leave, sick leave, vested long service leave, and 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.

## 1.16 Superannuation schemes

### DEFINED CONTRIBUTION SCHEMES

Obligations for contributions to the Government Superannuation Fund, KiwiSaver, State Sector Retirement Savings Scheme, National Superannuation Scheme, Pension National Scheme, and Super Trust New Zealand are accounted for as defined contribution superannuation scheme and are recognised as an expense in the statement of comprehensive income as incurred.

## 1.17 Provisions

Provisions for future expenditure are recognised when:

- the NZTA has a present legal or constructive obligation as a result of past events
- it is more likely than not that an outflow of resources will be required to settle the obligation
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures 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 a finance cost.

## 1.18 Jointly controlled operations

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

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

## 1 Statement of accounting policies continued

### 1.19 Equity

Equity is the Crown's interest in the NZTA and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- general funds
- retained funds - NZTA operations
- memorandum account - third party fees and charges
- state highway investment
- state highway revaluation reserve
- retained funds - National Land Transport Programme
- retained funds - specific projects funded by the Crown
- loan to local authority

#### STATE HIGHWAY REVALUATION RESERVE

This reserve relates to the revaluation of the state highway network and Bailey bridging to fair value.

### 1.20 Goods and Services Tax (GST)

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

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

The net GST paid to, or received from the IRD, 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.

### 1.21 Income tax

The NZTA is a public authority and consequently is exempt from the payment of income tax. Accordingly, no charge for income tax has been provided for.

### 1.22 Budget figures

The budget figures are derived from the *Statement of intent* as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the NZTA for the preparation of the financial statements.

### 1.23 Cost allocation

The NZTA has determined the cost of outputs using the cost allocation system outlined below.

Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be identified in an economically feasible manner, with a specific output.

Direct costs are charged directly to outputs. Indirect costs are charged to outputs based on cost drivers and related activity/usage information. The three types of indirect costs are:

1. Corporate overheads - costs arising from the Board, Chief Executive, Group Managers, and business support units such as Finance, HR, IT, Legal, Audit and others. These costs are allocated to operational cost centres (cost centres that are responsible for delivering the output) using either full-time equivalents (FTEs) (the number of staff) or the expenditure budget, as appropriate.
2. Regional office costs - costs relating to operating and maintaining a regional office such as office rent and building management. These costs are allocated to operational cost centres using the number of FTEs in each region as cost driver.
3. Operational cost centres own shared costs - costs incurred directly on account of more than one business activity within that operational cost centre. These shared costs are assigned to business activities based on the proportion of the estimated time spent on the affected business activities.



### 1.24 Critical accounting estimates and assumptions

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

#### PROPERTY, PLANT AND EQUIPMENT USEFUL LIVES AND RESIDUAL VALUE

When necessary the NZTA reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires the NZTA to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the NZTA, 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 statement of comprehensive income, and carrying amount of the asset in the statement of financial position. The NZTA minimises the risk of this estimation uncertainty by:

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

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

### 1.25 Critical judgements in applying NZTA's accounting policies

Management has exercised the following critical judgements in applying the NZTA's accounting policies for the period ended 30 June 2010:

#### NON-GOVERNMENT GRANTS

The NZTA must exercise judgement when recognising grant income to determine if conditions of the grant contract have been satisfied. This judgement will be based on the facts and circumstances that are evident for each grant contract.

#### STATE HIGHWAY NETWORK & BAILEY BRIDGING

State highways are valued at depreciated replacement cost based on the estimated present cost of constructing the existing assets by the most appropriate method of construction and, reduced by factors for the age and condition of the asset. Land associated with the state highway is valued using an opportunity cost based on adjacent use, as an approximation to fair value.

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

Critical judgements relate to:

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

## 2 Revenue from the Crown and National Land Transport Fund

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

### 3 Revenue from third parties

	Note	Actual 2010 \$000	Actual 2009 \$000
Border inspection fees		1,655	1,101
Certification review fees		7,191	7,182
Driver licensing fees		26,968	25,378
Driver testing fees		15,477	14,776
Overdimension and overweight permits		330	184
Rail licensing fees		856	871
Standards development fee and certification levies		5,297	5,455
Tolling fees and contributions		5,371	2,311
Transport licensing fees		8,373	8,332
<b>Fees and charges</b>		<b>71,518</b>	<b>65,590</b>
Administration fee from Accident Compensation Corporation		12,809	12,302
Business units	a	957	3,281
Crash analysis system support		330	253
Rents and leases from property	b	0	19,793
Road Safety Trust administration		137	193
Sale of road safety materials		899	978
Interest income		572	8,533
Net gain on disposal of assets		187	0
Miscellaneous revenue		1,612	2,043
<b>Total revenue from third parties</b>		<b>89,021</b>	<b>112,966</b>

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

b Rents and leases from property is now included under revenue from the National Land Transport Fund.

	Auckland TMU <sup>c</sup> \$000	Bailey bridging \$000	CAPTIF <sup>d</sup> \$000	Training & education \$000	Total \$000
Revenue earned in 2009/10	0	131	349	477	957
Revenue earned in 2008/09	2,008	585	209	479	3,281

c The Auckland Traffic Management Unit is no longer a business unit but is now part of a partnership arrangement with local authorities.

d CAPTIF - Canterbury Accelerated Pavement Testing Indoor Facility.

## 4 Personnel costs

	Note	Actual 2010 \$000	Actual 2009 \$000
Salaries and wages	a/b	98,236	93,681
Employer contributions to defined contribution plans		938	248
Other personnel costs		971	2,203
<b>Total personnel costs</b>		<b>100,145</b>	<b>96,132</b>

a An additional \$10.166 million (2009: \$5.680 million) was paid to staff who are employed to manage state highway capital projects, which is more cost effective than employing contractors. These project management staff are charged directly to the projects.

b An additional \$1.210 million (2009: \$1.760 million) of personnel costs are included in the expenses relating to the merger.

## 5 Operating expenses

	Note	Actual 2010 \$000	Actual 2009 \$000
Fees to principal auditors:			
- audit fees for financial statement audit		320	320
- audit fees for assurance services	a	0	27
Operating lease expense		10,600	9,337
Impairment of receivables (note 10)		411	220
Commissions		47,784	44,310
Transaction costs		18,406	17,100
Professional services		22,794	29,423
Advertising		14,009	17,080
Publications and promotions		2,382	4,257
Information technology		22,286	21,661
Meetings and conferences		569	809
Staff travel		5,105	5,478
Phones		2,635	3,431
Office management		3,702	3,226
Building management		1,940	2,412
Board members fees		286	315
Courses, training & professional subscriptions	b	3,087	1,539
Other		69	370
<b>Total operating expenses</b>		<b>156,385</b>	<b>161,315</b>

a The audit fees for assurance services in 2009 was for a review of the NZTA's cost allocation model, and other assurance work on tender documents and purchasing policies.

b Courses and training was previously classified as other personnel costs in 2008/09.

## 6 Depreciation and amortisation expense

	Actual 2010 \$000	Actual 2009 \$000
Depreciation (note 11)	4,389	4,162
Depreciation on state highway network (note 12)	402,430	377,249
Depreciation on bailey bridging (note 13)	180	170
Amortisation (note 14)	7,103	7,700
<b>Total depreciation and amortisation expense</b>	<b>414,102</b>	<b>389,281</b>

## 7 Capital charge

The NZTA pays a capital charge to the Crown on its general funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2010 was 7.5% (2009: 7.5%).

## 8 Expenses relating to the merger

	Actual 2010 \$000	Actual 2009 \$000
Expenses relating to the merger	2,854	4,489
<b>Total operating expenses relating to the merger</b>	<b>2,854</b>	<b>4,489</b>
Property, plant and equipment	2,509	1,200
Intangible assets	894	90
<b>Capital expenses relating to the merger</b>	<b>3,403</b>	<b>1,290</b>
<b>Total expenses relating to the merger (including capital)</b>	<b>6,257</b>	<b>5,779</b>

## 9 Cash and cash equivalents

	Note	Actual 2010 \$000	Actual 2009 \$000
Cash on hand and at bank		24,633	20,128
Cash and cash equivalents for tolling accounts		3,372	2,174
Cash equivalents - term deposits	a	34,580	85,175
<b>Total cash and cash equivalents</b>		<b>62,585</b>	<b>107,477</b>

a The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value. The weighted average effective interest rate for term deposits is 2.93% (2009: 2.95%).

## 10 Debtors and other receivables

	Actual 2010 \$000	Actual 2009 \$000
Debtors and other receivables	57,498	44,498
Less: provision for impairment	(4,921)	(2,821)
<b>Total debtors and other receivables</b>	<b>52,577</b>	<b>41,677</b>

The carrying value of receivables approximates their fair value.

As at 30 June 2010 and 2009, all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	2010			2009		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due date	49,671	0	49,671	36,854	0	36,854
Past due 1-30 days	997	0	997	601	0	601
Past due 31-60 days	806	0	806	392	0	392
Past due 61-90 days	275	0	275	1,349	0	1,349
Past due >91 days	5,749	(4,921)	828	5,302	(2,821)	2,481
<b>Total</b>	<b>57,498</b>	<b>(4,921)</b>	<b>52,577</b>	<b>44,498</b>	<b>(2,821)</b>	<b>41,677</b>

The provision for impairment has been calculated based on expected losses for the NZTA's pool of debtors. Expected losses have been determined based on an analysis of the NZTA's losses in previous periods, and review of specific debtors.

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

	Actual 2010 \$000	Actual 2009 \$000
Balance at 1 July	2,821	0
Additional provisions made during the year (note 5)	411	220
Additional provisions made during the year (NLTP)	1,689	2,601
Receivables written-off during the period	0	0
<b>Balance at 30 June</b>	<b>4,921</b>	<b>2,821</b>

## 11 Property, plant and equipment

Movements for each class of property, plant and equipment are as follows:

	Motor vehicles \$000	Computer equipment \$000	Furniture fittings \$000	Leasehold improvement \$000	Office, plant, & equipment \$000	Total \$000
<b>Cost or valuation</b>						
Balance at 1 July 2008	539	3,347	3,115	9,011	1,039	17,051
Additions	0	2,658	1,064	1,808	342	5,872
Disposals	(30)	(4)	(43)	(1,339)	(10)	(1,426)
<b>Balance at 30 June 2009</b>	<b>509</b>	<b>6,001</b>	<b>4,136</b>	<b>9,480</b>	<b>1,371</b>	<b>21,497</b>
Balance at 1 July 2009	509	6,001	4,136	9,480	1,371	21,497
Additions	0	3,022	454	2,701	189	6,366
Work in progress	0	0	0	396	0	396
Disposals	(65)	(549)	(589)	(132)	(85)	(1,420)
<b>Balance at 30 June 2010</b>	<b>444</b>	<b>8,474</b>	<b>4,001</b>	<b>12,445</b>	<b>1,475</b>	<b>26,839</b>
<b>Accumulated depreciation and impairment losses</b>						
Balance at 1 July 2008	0	0	0	0	0	0
Depreciation expense	248	1,951	776	828	359	4,162
Eliminate on disposal	(30)	(4)	(43)	(340)	(10)	(427)
<b>Balance at 30 June 2009</b>	<b>218</b>	<b>1,947</b>	<b>733</b>	<b>488</b>	<b>349</b>	<b>3,735</b>
Balance at 1 July 2009	218	1,947	733	488	349	3,735
Depreciation expense	103	2,097	600	1,038	551	4,389
Eliminate on disposal	(43)	(361)	(302)	(54)	(60)	(820)
<b>Balance at 30 June 2010</b>	<b>278</b>	<b>3,683</b>	<b>1,031</b>	<b>1,472</b>	<b>840</b>	<b>7,304</b>
<b>Carrying amounts</b>						
At 30 June 2009	291	4,054	3,403	8,992	1,022	17,762
At 30 June 2010	166	4,791	2,970	10,973	635	19,535

### Work in progress

The total amount of leasehold improvements in the course of construction is \$0.396 million (2009: Nil).

## 12 State highway network

Movements for the state highway network are as follows:

	Actual 2010 \$000	Actual 2009 \$000
<b>Cost or valuation</b>		
Balance at 1 July	24,059,505	20,946,772
Additions – capital expenditure	1,289,617	1,240,544
Revaluation gains/(losses)	(64,370)	2,288,948
Depreciation expense	(402,430)	(377,249)
Disposals	(15,137)	(13,776)
Asset write off	(28,050)	(25,734)
Tolling assets now recorded under computer equipment and intangible assets	(5,426)	0
<b>Balance at 30 June</b>	<b>24,833,709</b>	<b>24,059,505</b>

The state highway valuation as at 30 June 2010, was performed by Opus International Consultants Ltd. The principal valuer is J Vessey, BE (Civil), BA (Economics), FIPENZ (Civil), CPEng.

The state highway network is valued at the depreciated replacement cost, calculated by deducting an allowance for accumulated depreciation from the replacement cost.

	Note	Replacement cost \$000	Accumulated depreciation \$000	Valuation \$000
Land	a	8,644,890	0	8,644,890
Formation		6,729,270	0	6,729,270
Pavement (other)		3,908,810	829,020	3,079,790
Pavement (surface)		1,109,220	478,010	631,210
Drainage		1,039,640	448,010	591,630
Traffic facilities		1,380,470	576,490	803,980
Bridges		5,459,140	2,134,640	3,324,500
Culverts & subways		440,960	170,410	270,550
Other structures	b	1,045,720	287,831	757,889
<b>Total</b>		<b>29,758,120</b>	<b>4,924,411</b>	<b>24,833,709</b>

a Land includes the state highway corridor valued at \$7.6 billion and held properties of \$904 million.

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

### 13 Bailey bridging

Movements for Bailey bridging are as follows:

	Actual 2010 \$000	Actual 2009 \$000
<b>Cost or valuation</b>		
Balance at 1 July	7,314	6,412
Additions	0	0
Revaluation gains/(losses)	250	1,072
Depreciation expense	(180)	(170)
Disposals	0	0
<b>Balance at 30 June</b>	<b>7,384</b>	<b>7,314</b>

The Bailey bridging valuation as at 30 June 2010, was performed by Opus International Consultants Ltd. The principal valuer is J Vessey, BE (Civil), BA (Economics), FIPENZ (Civil), CPEng.

The Bailey bridging is valued at the depreciated replacement cost, calculated by deducting an allowance for accumulated depreciation from the replacement cost.

	Replacement cost \$000	Accumulated depreciation \$000	Valuation \$000
Panels	5,455	3,269	2,186
Transoms	1,637	613	1,024
Stringers	1,860	802	1,058
Chord reinforcing	2,910	1,497	1,413
Other miscellaneous	3,404	1,701	1,703
<b>Total</b>	<b>15,266</b>	<b>7,882</b>	<b>7,384</b>



## 14 Intangible assets

Movements within acquired software assets are as follows:

	Actual 2010 \$000	Actual 2009 \$000
<b>Cost</b>		
Balance at 1 July	25,702	13,185
Additions	2,339	2,500
Work in progress	10,662	10,017
Disposals	(2,310)	0
<b>Balance at 30 June</b>	<b>36,393</b>	<b>25,702</b>
<b>Accumulated amortisation and impairment losses</b>		
Balance at 1 July	7,700	0
Amortisation expense	7,103	7,700
Disposals	(540)	0
<b>Balance at 30 June</b>	<b>14,263</b>	<b>7,700</b>
<b>Carrying amounts</b>		
At 1 July	18,002	13,185
At 30 June	22,130	18,002

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

### Work in progress

The total amount of intangible assets in the course of construction is \$10.662 million (2009: \$10.017 million).

## 15 Loan to local authority

The Board has agreed to provide the Auckland Regional Council with a loan facility of \$32.800 million, to fund the upgrade of Auckland's rail carriages. This loan and accrued interest will be repaid by 30 June 2013.

The NZTA has provided \$25.411 million to the Auckland Regional Council as at 30 June 2010.

Loan date	Principal \$000	Accrued interest \$000	Carrying amount \$000	Bond rate	Market rate	Fair value \$000
9 December 2009	15,726	430	16,156	4.88%	5.65%	15,653
4 February 2010	3,979	75	4,054	4.70%	5.65%	3,914
3 May 2010	5,706	44	5,750	4.78%	5.65%	5,570
<b>Total</b>	<b>25,411</b>	<b>549</b>	<b>25,960</b>			<b>25,137</b>

The fair value is based on cash flows discounted using a rate based on the borrowing rate of 5.65%.

There are no comparatives due to the loan being new this year.

## 16 Creditors and other payables

	Actual 2010 \$000	Actual 2009 \$000
Creditors	313,688	214,230
Income in advance	2,460	1,083
Income in advance for tolling	1,352	0
Accrued expenses	34,255	190,879
<b>Total creditors and other payables</b>	<b>351,755</b>	<b>406,192</b>

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 is a reasonable approximation of their fair value.

## 17 Employee entitlements

	Actual 2010 \$000	Actual 2009 \$000
<b>Current employee entitlements are represented by:</b>		
Accrued salaries and wages	2,636	1,538
Annual leave	7,268	6,949
Sick leave	37	18
Long service leave	546	0
<b>Total current portion</b>	<b>10,487</b>	<b>8,505</b>
<b>Non-current employee entitlements are represented by:</b>		
Retirement and long service leave	2,792	2,713
<b>Total non-current portion</b>	<b>2,792</b>	<b>2,713</b>
<b>Total employee entitlements</b>	<b>13,279</b>	<b>11,218</b>

Actuarial valuations as at 30 June 2010, were performed by Eriksen & Associates Ltd. The valuer is J Eriksen, Fellow of the NZ Society of Actuaries.

The measurement of the retirement and long service leave obligations depend on a number of factors that are determined on a actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

The discount rate is based on NZ government bond data as 30 June 2010 and specified by the Treasury. The salary inflation factor has been determined after considering the expected rate of inflation, again specified by the Treasury, historical salary inflation patterns and after obtaining advice from an independent actuary.

If the discount rate were to increase by 1% from the NZTA's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$176,000 lower.

If the salary inflation factor were to increase by 1% from the NZTA's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$192,000 higher.

## 18 Total equity

	Note	Actual 2010 \$000	Actual 2009 \$000
<b>General funds</b>			
Balance at 1 July		25,785	18,795
Capital contribution		0	6,990
Transfer to memorandum account	a	(20,587)	0
<b>Balance at 30 June</b>		<b>5,198</b>	<b>25,785</b>
<b>Retained funds – NZTA operations</b>			
Balance at 1 July		23,926	24,673
Surplus/(deficit) from Operations		(955)	(747)
<b>Balance at 30 June</b>		<b>22,971</b>	<b>23,926</b>
<b>Memorandum account – third party fees and charges</b>			
Balance at 1 July		(14,929)	(4,901)
Surplus/(deficit) from Operations		(8,305)	(10,028)
Transfer from general funds	a	20,587	0
<b>Balance at 30 June</b>	b	<b>(2,647)</b>	<b>(14,929)</b>
<b>State highway investment</b>			
Balance at 1 July		14,870,869	14,494,294
Transfer from the National Land Transport Programme	c	1,308,892	376,575
<b>Balance at 30 June</b>		<b>16,179,761</b>	<b>14,870,869</b>
<b>State highway revaluation reserve</b>			
Balance at 1 July		8,771,745	6,481,725
Revaluation gains/(losses) – state highway network		(64,370)	2,288,948
Revaluation gains/(losses) – Bailey bridging		250	1,072
<b>Balance at 30 June</b>		<b>8,707,625</b>	<b>8,771,745</b>
<b>Retained funds – National Land Transport Programme</b>			
Balance at 1 July		633,435	135,916
Capital contribution		693,200	779,728
Surplus/(deficit) from operations		5,529	0
Surplus/(deficit) from investment in land transport		16,869	94,366
Transfer to state highway investment	c	(1,308,892)	(376,575)
Funds loan to local authority		(25,960)	0
<b>Balance at 30 June</b>		<b>14,181</b>	<b>633,435</b>
<b>Retained funds – specific projects funded by the Crown</b>			
Balance at 1 July		1,569	0
Surplus/(deficit)		487	1,569
<b>Balance at 30 June</b>		<b>2,056</b>	<b>1,569</b>
<b>Loan to local authority</b>			
Balance at 1 July		0	0
Funds from the National Land Transport Programme		25,960	0
<b>Balance at 30 June</b>		<b>25,960</b>	<b>0</b>
<b>Total equity</b>		<b>24,955,105</b>	<b>24,312,400</b>

a The Board has agreed to write-off from general funds, the accumulated deficit of \$20.587 million derived from driver licensing and testing operations in the memorandum account.

b The table on page 106 shows the balance of the memorandum account by the source of funding.

## 18 Total equity continued

	Balance at 1 July	Revenue	Expenditure	Net surplus/ (deficit)	Movement of funds	Balance at 30 June
	\$000	\$000	\$000	\$000	\$000	\$000
Border inspections	89	1,655	1,674	(19)	0	70
Certification reviews	(1,874)	7,191	7,122	69	0	(1,805)
Driver licensing	(11,452)	28,413	33,343	(4,930)	16,382	0
Driver testing	(2,537)	15,477	17,145	(1,668)	4,205	0
Overdimension & overweight permits	(1)	330	226	104	0	103
Rail licensing	(1,531)	856	1,306	(450)	0	(1,981)
Standards development	5,654	5,297	4,702	595	0	6,249
Tolling administration	(641)	5,371	4,874	497	0	(144)
Transport licensing	(2,636)	8,373	10,876	(2,503)	0	(5,139)
<b>Total</b>	<b>(14,929)</b>	<b>72,963</b>	<b>81,268</b>	<b>(8,305)</b>	<b>20,587</b>	<b>(2,647)</b>

Tolling administration is included in the memorandum account so these funds can be separately recognised from the NZTA's other operating activities. The objective is to have tolling administration in balance by June 2011.

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

	Actual 2010	Actual 2009
	\$000	\$000
Reclassification of capital investment from the NLTP to state highways	449,935	779,728
Capitalised expenditure	1,289,617	0
State highway depreciation and asset write-off	(430,660)	(403,153)
<b>Transfer to state highway investment</b>	<b>1,308,892</b>	<b>376,575</b>

The opening retained funds balance of \$633,435 million has been aligned to the \$183,500 million opening balance in the National Land Transport Programme (refer to the supplementary information provided).

## 19 Capital contribution from Crown

	Actual 2010 \$000	Actual 2009 \$000
<b>General funds</b>		
Transfer of the LANDATA asset from the Ministry of Transport	0	6,990
<b>Retained funds – National Land Transport Programme</b>		
Accelerated state highway construction	78,700	30,000
New and improved infrastructure for state highways (Crown)	1,302	0
New and improved infrastructure for state highways (NZTA internal)	36,521	0
New and improved infrastructure for state highways (NZTA contracts)	576,677	727,065
ALPURT B2 project	0	24,948
Realignment of Buckle Street	0	(2,285)
	<b>693,200</b>	<b>779,728</b>
<b>Total capital contribution from Crown</b>	<b>693,200</b>	<b>786,718</b>

## 20 Reconciliation of net surplus/(deficit) to net cash from operating activities

	Actual 2010 \$000	Actual 2009 \$000
<b>Net surplus/(deficit) after tax</b>	13,625	85,160
<b>Add/(less) non-cash items:</b>		
Depreciation and amortisation expense	414,102	389,281
State highway asset write-off	28,050	25,734
Increase/(decrease) in employee entitlements	79	2,713
<b>Total non-cash items</b>	<b>442,231</b>	<b>417,728</b>
<b>Add/(less) movements in working capital items:</b>		
(Increase)/decrease in Crown receivable	180,706	(58,213)
(Increase)/decrease in debtors and other receivables	(10,900)	34,923
(Increase)/decrease in prepayments and inventories	491	738
Increase/(decrease) in creditors and other payables	(54,437)	(13,039)
Increase/(decrease) in lease make good provision	(34)	565
Increase/(decrease) in tolling funds held in trust for MoT	652	868
Increase/(decrease) in employee entitlements	1,982	(1,404)
<b>Net movements in working capital items</b>	<b>118,460</b>	<b>(35,562)</b>
<b>Net cash from operating activities</b>	<b>574,316</b>	<b>467,326</b>

## 21 Capital commitments and operating leases

### National Land Transport Programme funding commitments

The future aggregate funding commitments for the National Land Transport Programme are as follows:

	Actual 2010 \$000	Actual 2009 \$000
Not later than one year	2,387,578	2,521,639
Later than one year and not later than five years	2,051,150	2,452,400
Later than five years	339,544	86,753
<b>Total funding commitments</b>	<b>4,778,272</b>	<b>5,060,792</b>

### Capital commitments

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

	Actual 2010 \$000	Actual 2009 \$000
Not later than one year	1,036,192	418,690
Later than one year and not later than five years	799,285	338,667
Later than five years	0	0
<b>Total capital commitments</b>	<b>1,835,477</b>	<b>757,357</b>

Capital commitments have not had administration costs or professional services allocated to them, as per accounting policies, as this is not able to be calculated on a project by project basis.

### Operating leases as lessee

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

	Actual 2010 \$000	Actual 2009 \$000
Not later than one year	21,245	21,217
Later than one year and not later than five years	54,386	63,625
Later than five years	42,293	44,953
<b>Total non-cancellable operating leases</b>	<b>117,924</b>	<b>129,795</b>

## 22 Contingencies

### Contingent liabilities

#### CONTRACT AND LAND SETTLEMENTS

The contractor of the SH 20 Manukau extension is claiming \$40 million for time delays of up to 21 months, which disrupted the efficient completion of the works by the contractor. The NZTA is of the opinion that the contractor has failed to demonstrate any entitlement under the conditions of contract.

A Kapiti Coast developer is appealing a recent high court decision that found in favour of the NZTA. The appeal related to a claim that land was no longer required and should have been offered back to the plaintiff on various dates since 1982. The appeal is for \$13.6 million (2009: \$23 million). The NZTA continues to dispute this claim.

There are other claims of \$9.5 million (2009: \$1 million) relating to a range of roading and property contract disputes.

### Contingent assets

The NZTA has no contingent assets (2009: \$0.601 million).

## 23 Related party transactions and key management personnel

### Related party transactions

The NZTA is a wholly owned entity of the Crown. The government significantly influences the role of the NZTA in addition to being its major source of revenue.

The NZTA enters into transactions with government departments, state-owned enterprises and other Crown entities. Those transactions that occur within a normal supplier or client relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the NZTA would have adopted if dealing with that entity at arm's length in the same circumstances have not been disclosed as related party transactions.

THE FOLLOWING TRANSACTIONS WERE CARRIED OUT WITH RELATED PARTIES OTHER THAN THOSE DESCRIBED ABOVE:

All related party transactions have been entered into on an arms-length basis.

The NZTA receives funding from the Road Safety Trust for providing administrative support. The Chief Executive, or his nominee is a representative on the Road Safety Trust as a trustee.

During the 2009/10 financial year Board members and staff of the NZTA were involved in minor transactions with the motor vehicle registry and driver licensing systems when re-registering their vehicle or driver licences.

### Related party transactions

Board member	Related party	Transaction value		Balance outstanding	
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
	<b>Income</b>				
	Goods & services provided to:				
Bryan Jackson	KiwiRail Holdings Ltd	239	363	5	53
	NZ Railways Corporation	3,250	4,228	3,259	3,426
	On Road NZ Ltd	1	33	0	0
	On the Go (NZ) Ltd	2	1	0	0
	Vehicle Testing Group	223	217	17	20
Brian Roche	NZ Post Ltd	35	7	12	6
	<b>Expenditure</b>				
	Goods & services provided by:				
Chris Moller	Meridian Energy Ltd	132	0	10	11
Bryan Jackson	KiwiRail Holdings Ltd	34	17	0	0
	NZ Railways Corporation	3,960	19,516	0	101
	On Road NZ Ltd	0	313	0	0
	Urban Plus Ltd	3	105	0	10
	Vehicle Testing Group	4,997	4,809	0	0
Alick Shaw	NOSH Management Ltd	7	0	0	0
	Wellington Museums Trust	2	0	0	0
Brian Roche	NZ Post Ltd	25,001	26,879	0	28
	PricewaterhouseCoopers	505	79	339	0

Bryan Jackson is a director of KiwiRail Holdings Ltd, NZ Railways Corporation, On Road NZ Ltd and On the Go (NZ) Ltd. Bryan Jackson is also Chair of Urban Plus Ltd and the Vehicle Testing Group.

The Vehicle Testing Group is an NZTA service delivery agent. The Vehicle Testing Group receives a commission for collecting Crown revenue, including motor vehicle registration fees and road user charges.

Chris Moller is a director of Meridian Energy Ltd. Alick Shaw is Chair of Nosh Management Ltd and a board member on the Wellington Museums Trust. Brian Roche is a partner with PricewaterhouseCoopers and Chief Executive Of cer of NZ Post Ltd.

## 23 Related party transactions and key management personnel continued

### Key management personnel compensation

	Actual 2010 \$000	Actual 2009 \$000
Salaries and other short-term employee benefits	4,320	4,279
Post-employment benefits	0	0
Other long-term benefits	0	0
Termination benefits	0	783
<b>Total key management personnel compensation</b>	<b>4,320</b>	<b>5,062</b>

Key management personnel include all board members, the Chief Executive, and the 12 (2009: 12) members of the Senior Leadership Team. Also included in 2009 were the Chief Executives and senior management teams from Transit NZ and Land Transport NZ.

## 24 Board member remuneration

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

	Actual 2010 \$000	Actual 2009 \$000
Chris Moller (Chairperson)      Appointed March 2010	18	0
Garry Moore	43	43
Christine Caughey	35	31
Paul Fitzharris	35	36
Grahame Hall	35	33
Bryan Jackson	35	38
Alick Shaw	35	31
Brian Roche                      Stepped down in March 2010	52	68
Michael Williams	0	14
Ernesto Henriod	0	3
James Hill	0	3
Murray King	0	3
Gary Mclvor	0	3
Gregory Presland	0	3
John Rutledge	0	3
Janet Stephenson	0	3
<b>Total Board member remuneration</b>	<b>288</b>	<b>315</b>

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

The NZTA 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 while on NZTA business.



## 25 Employee remuneration

Total remuneration paid or payable	No. of staff 2010	No. of staff 2009
100,000-109,999	68	58
110,000-119,999	43	45
120,000-129,999	38	27
130,000-139,999	18	15
140,000-149,999	18	7
150,000-159,999	21	20
160,000-169,999	10	16
170,000-179,999	10	15
180,000-189,999	5	2
190,000-199,999	3	2
200,000-209,999	6	3
210,000-219,999	1	1
220,000-229,999	3	3
230,000-239,999	0	2
240,000-249,999	1	0
250,000-259,999	1	1
260,000-269,999	1	2
270,000-279,999	1	0
290,000-299,999	2	0
300,000-309,999	2	0
320,000-329,999	2	0
330,000-339,999	1	1
340,000-349,999	1	1
360,000-369,999	1	0
560,000-569,999	*1	*1
<b>Total employees</b>	<b>258</b>	<b>222</b>

\* Chief Executive Officer

During the year ended 30 June 2010, 33 (2009: 19) employees received compensation and other benefits in relation to cessation totalling \$1.871 million (2009: \$1.487 million). No Board members received compensation or other benefits in relation to cessation.

## 26 Events after the balance sheet date

On 4 September 2010 the Canterbury area suffered a major earthquake which has potentially affected the NZTA's assets.

There is damage to office equipment, chattels and garaged vehicles in the two leased NZTA offices in the area. Costs associated with clean-up, property replacement and business interruption are expected to be covered by insurance.

There is damage to the state highways. Work is underway to determine the initial estimate of the reinstatement cost. The current assessment is that damage to the state highway network is limited and therefore the state highway valuation will not have altered significantly. The NLTP includes an emergency work provision to reinstate networks (both state highway and local roads) damaged by unforeseen natural events. The reinstatement work is likely to be funded from this provision and through the reprioritisation of planned road renewal and maintenance works funding.

## 27 Categories of financial assets and liabilities

The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

	Actual 2010 \$000	Actual 2009 \$000
<b>Loans and receivables</b>		
Cash and cash equivalents	62,585	107,477
Crown receivable	297,709	478,415
Debtors and other receivables	52,577	41,677
Loan to local authority	25,960	0
<b>Total loans and receivables</b>	<b>438,831</b>	<b>627,569</b>
<b>Financial liabilities measured at amortised cost</b>		
Creditors and other payables	351,755	406,192
<b>Total financial liabilities measured at amortised cost</b>	<b>351,755</b>	<b>406,192</b>

## 28 Financial instrument risks

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

### Market risk

The interest rates on the NZTA's investments are disclosed in note 9.

#### FAIR VALUE INTEREST RATE RISK

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The NZTA's exposure to fair value interest rate risk is limited to its bank deposits which are held at fixed rates of interest.

#### CASH FLOW INTEREST RATE RISK

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Investments and borrowings issued at variable interest rates expose the NZTA to cash flow interest rate risk.

The NZTA's investment policy requires a spread of investment maturity dates to limit exposure to short-term interest rate movements. The NZTA currently has no variable interest rate investments.

#### CURRENCY RISK

A 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 NZTA purchases goods and services overseas which require it to enter into transactions denominated in foreign currencies.

### Credit risk

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

Due to the timing of its cash inflows and outflows, the NZTA invests surplus cash with registered banks. The NZTA's investment policy limits the amount of credit exposure to any one institution.

The NZTA has processes in place to review the credit quality of customers prior to the granting of credit.

The NZTA's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents (note 9), and net debtors (note 10). There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

The NZTA has no significant concentrations of credit risk, as it has a small number of credit customers and only invests funds with registered banks with specified Standard and Poor's credit ratings.

The NZTA holds term deposits with the ANZ, ASB, BNZ, Citibank, Kiwibank, and Westpac. These banks are part of the Crown retail deposit guarantee scheme and so deposits held with these banks are guaranteed by the Crown up to \$1 million.

## MAXIMUM EXPOSURE TO CREDIT RISK

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

	Actual 2010 \$000	Actual 2009 \$000
Cash and cash equivalents	62,585	107,477
Crown receivable	297,709	478,415
Debtors and other receivables	52,577	41,677
Loan to local authority	25,960	0
<b>Total credit risk</b>	<b>438,831</b>	<b>627,569</b>

The credit quality of financial assets that are neither past due nor impaired can be assessed by referenced to Standard and Poor's credit ratings.

	Actual 2010 \$000	Actual 2009 \$000
<b>Cash and cash equivalents</b>		
AA	39,472	79,077
AA-	3,995	7,000
A+	19,118	21,400
<b>Total cash and cash equivalents</b>	<b>62,585</b>	<b>107,477</b>

## Liquidity risk

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

In meeting its liquidity requirements, the NZTA maintains a target level of investments that must mature within specified timeframes.

The table below analyses the NZTA's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	2010 Less than 6 months \$000	2009 Less than 6 months \$000
Creditors and other payables (note 16)	351,755	406,192

The table below analyses the NZTA's financial assets into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	2010		2009	
	Less than 6 months \$000	2-5 years \$000	Less than 6 months \$000	2-5 years \$000
Cash and cash equivalents	62,585	0	107,477	0
Crown receivable	297,709	0	478,415	0
Debtors and other receivables	52,577	0	41,677	0
Loan to local authority	0	25,960	0	0

## 28 Financial instrument risks continued

### Sensitivity analysis

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

	2010		2009	
	Effect on surplus or deficit		Effect on surplus or deficit	
	+1% \$000	-1% \$000	+1% \$000	-1% \$000
Cash and cash equivalents	254	(254)	655	(655)

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.

## 29 Capital management

The NZTA's capital is its equity, which comprises general funds, accumulated funds and revaluation reserves. Equity is represented by net assets.

The NZTA manages its revenues, expenses, assets, liabilities, and general financial dealings prudently. The NZTA's equity is largely managed as a by-product of managing income, expenses, assets, liabilities, and compliance with the government budget processes, Treasury instructions, and the Crown Entities Act 2004.

The objective of managing the NZTA's equity is to ensure that the NZTA effectively achieves its goals and objectives for which it has been established, while remaining a going concern.

## 30 Explanation of significant variances against budget

Explanations for significant variations from the NZTA's budgeted figures in the *Statement of intent* are as follows:

### Statement of comprehensive income

#### INCOME

*Revenue from the Crown* was greater than budgeted by \$9.1 million. This was due to:

- additional \$3.6 million approved funding for the motor vehicle register, which was not included in the budget
- Canterbury transport project funding of \$4.5 million being brought forward to accelerate the construction of the southern motorway road of national significance
- increased SuperGold cardholder concessions funding of \$2.3 million due to higher volume uptake
- lower regional development funding of \$1.0 million due to delays in the approved programmes.

*Revenue from the National Land Transport Fund* was greater than budgeted by \$443.6 million. This was due to:

- funding for state highway depreciation of \$380.0 million being funded from operating revenue, whereas the budget assumption was for this to be from a capital contribution, which is recognised through equity movements
- the loan to local authority of \$25.9 million, funded through the public transport infrastructure output class, only being agreed in 2009 and therefore not included in the original budget
- increased funding of \$82.7 million to accelerate public transport infrastructure activity, particularly in the Greater Wellington and Auckland regions
- lower funding for local road activities of \$55.0 million due to lower contracting costs, and delays with some capital projects.

#### EXPENDITURE

*Personnel costs* were greater than budgeted by \$5.4 million. This was due to:

- \$2.7 million expected efficiency savings. These savings were achieved in operating expenditure rather than in personnel costs
- severance payments being budgeted to be settled by 30 June 2009. However, \$1.9 million was paid in the 2009/10 financial year.

*Operating expenses* were greater than budgeted by \$23.8 million due to \$36.5 million of state highways related operating costs being budgeted in the SOI as capital expenditure.

However, year to year expenditure was \$4.9 million lower due to efficiency savings. These savings included:

- \$1.4 million on software projects
- \$3.3 million on consultants
- \$0.9 million on television production for the Safer Journey's project.

*Specific projects funded by the Crown* was greater than budgeted by \$5.1 million. This was due to:

- higher Canterbury transport project expenditure of \$4.5 million used to accelerate the construction of the southern motorway road of national significance
- \$2.5 million increase in SuperGold cardholder concession volumes
- lower regional development spending of \$1.6 million due to delays in approved programmes.

*Depreciation and amortisation expense* was greater than budgeted by \$72.1 million due to the increased highways network depreciation of \$75 million, as a result of the asset value increasing due to capital spend on new and renewals of state highways.

*State highway asset write-off* was greater than budgeted by \$13.1 million due to changes in the annual state highway revaluation.

*Expenses relating to the merger* was lower than budgeted by \$2.5 million due to surrender costs for the Auckland building being budgeted at \$2.3 million, but the property was not surrendered as there was no prospective sub-lessee.

## **Statement of financial position**

### **CURRENT ASSETS**

*Cash and cash equivalents* was greater than budgeted by \$60.7 million. This was due to the budget not accounting for monies held in call account and short term investments.

The full year movement of a \$44.9 million decrease in our cash position is due to only drawing cash from the Crown as required.

*Debtors and other receivables* was greater than budgeted by \$32.6 million due to increased debtors due to increased state highway activity.

### **NON-CURRENT ASSETS**

*Property, plant and equipment* was greater than budgeted by \$4.7 million. This was primarily due to:

- the inclusion of \$1.3 million of tolling assets
- two office fit-outs in Auckland and Napier adding \$2.6 million.

*State highway network* was greater than budgeted by \$476.6 million due to increased spending on new and renewal of state highways.

*Intangible assets* was less than budgeted by \$9.8 million. The original budget was revised down to \$15.0 million due to an improved capital programme methodology, and resources constraints with our IT provider. Variances to the revised budget were due to:

- the inclusion of \$4.1 million of tolling assets
- additions of \$2.2 million, the largest of which was the email consolidation project
- work in progress of \$10.6 million, which include the operator rating system and 'Kete' document management system.

*Loan to local authority* was greater than budgeted by \$25.9 million due to the loan to the Auckland Regional Council, funded through the public transport infrastructure output class, only being agreed in 2009 and therefore not included in the original budget.

### **CURRENT LIABILITIES**

Employee entitlements was greater than budgeted by \$4.9 million due to accrued leave being higher than budgeted.

# Audit report

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## To the readers of NZ Transport Agency's financial statements and statement of service performance for the year ended 30 June 2010

The Auditor General is the auditor of NZ Transport Agency (NZTA). The Auditor General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf. The audit covers the financial statements and statement of service performance included in the annual report of the NZTA for the year ended 30 June 2010.

### Unqualified opinion

In our opinion:

- The financial statements of the NZTA on pages 83 to 115:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - > the NZTA's financial position as at 30 June 2010; and
    - > the results of its operations and cash flows for the year ended on that date.
- The statement of service performance of the NZTA on pages 48 to 76:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects for each class of outputs:
    - > its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
    - > its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 23 September 2010, and 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 the Auditor, and explain our independence.

### Basis of opinion

We carried out the audit in accordance with the Auditor General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

#### **Responsibilities of the Board and the Auditor**

The Board is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the NZTA as at 30 June 2010 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the NZTA's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. The Board's responsibilities arise from the Crown Entities Act 2004 and Land Transport Management Act 2008.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001, the Crown Entities Act 2004 and section 11(3) of the Land Transport Management Act 2008.

#### **Independence**

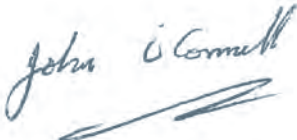
When carrying out the audit we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

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

#### **John O'Connell**

Audit New Zealand

On behalf of the Auditor-General  
Wellington, New Zealand

A handwritten signature in black ink, reading "John O'Connell", with a horizontal flourish underneath. To the left of the signature is a vertical dotted line.

## **Matters relating to the electronic presentation of the audited financial statements and statement of service performance**

This audit report relates to the financial statements and statement of service performance of the New Zealand Transport Agency (NZ Transport Agency) for the year ended 30 June 2010 included on the NZ Transport Agency's website. The NZ Transport Agency's Board is responsible for the maintenance and integrity of the NZ Transport Agency's website. We have not been engaged to report on the integrity of the NZ Transport Agency's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance as well as the related audit report dated 23 September 2010 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.



# 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 NZTA business.

In this section you will find the following:

- Understanding the NZTA reporting entity.
- Third party fees and charges funded activities.
- National Land Transport Programme.
- Land transport management.

This information is consistent with, and should be read in conjunction with, the audited financial statements on pages 83 to 115, and the financial overview on pages 78 to 82.

## Understanding the NZTA reporting entity

The NZTA is a Crown entity formed on 1 August 2008 through the amalgamation of Land Transport NZ and Transit NZ. The NZTA financial statements reflect the combined results of:

- *operations* - activities the NZTA is accountable for, and delivers in-house or contracts out
- *investment in land transport* - funding for the maintenance and operation of the state highway network, and funding provided by the NZTA to approved organisations for the delivery of services
- *specific projects funded by the Crown* - for 2009/10 this includes the Canterbury transport project, regional development transport funding, and SuperGold card public transport concessions.

The following pages show:

- The breakdown of the overall NZTA financial performance (as shown on pages 118 to 124) into the three segments of the business outlined above.
- Further detailed financial performance information for each of these segments.

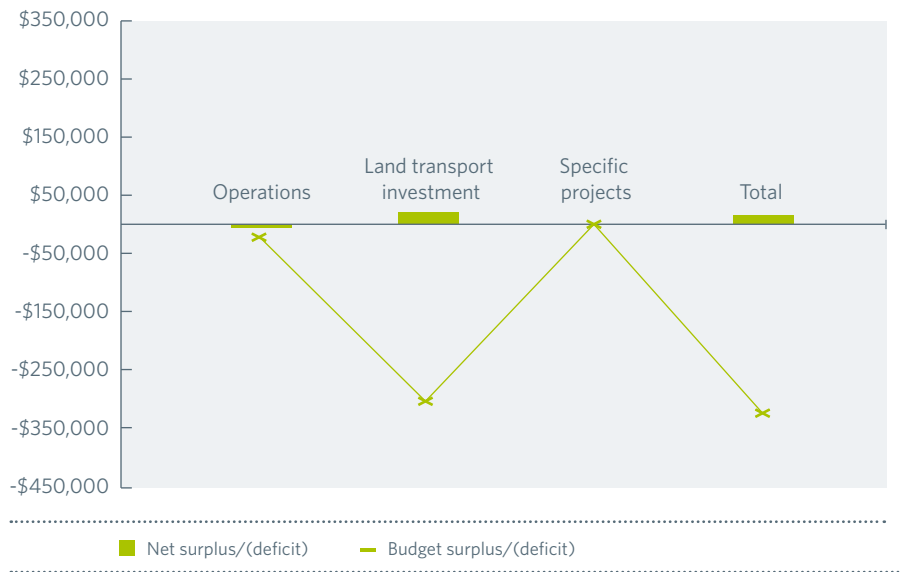
## Breakdown of result

Operations	Land transport	Specific projects	Total
Revenue from operations \$231.226m	Revenue from land transport investment \$1,719.783m	Revenue from specific projects \$43.296m	Total revenue \$1,994.305m
Expenditure on operations \$234.957m*	Expenditure on land transport investment \$1,702.914m	Expenditure on specific projects \$42.809m	Total expenditure \$1,980.680m
Net surplus/(deficit) on operations (\$3.731m)	Net surplus/(deficit) on land transport investment \$16.869m	Net surplus/(deficit) on specific projects \$0.487m	Total net surplus/(deficit) \$13.625m

\* Includes \$2.854m expenditure relating to the merger

### Commentary on performance against budget

The overall net surplus is \$13.625 million against a budgeted deficit of \$321.850 million. This is explained in further detail in the financial overview on pages 78 to 82. The variance is broken into the three areas of the business in the section below:



*Operations* has recorded an overall deficit of \$3.731 million, compared to a budgeted deficit of \$19.850 million. The variance is primarily due to:

- increased revenue from the Crown for motor vehicle register (\$3.6 million)
- \$4.9 million lower operating expenditure as a result of efficiency savings
- \$2.0 million impact of changes in allocation of overheads
- \$2.5 million lower than anticipated spend on merger-related activities.

*Land transport investment* has recorded an overall surplus of \$16.869 million compared to a budget deficit of \$302.0 million. The variance relates to:

- increased revenue of \$443.9 million, primarily as a result of the recognition of \$380.0 million funding for state highway depreciation (budgeted as a capital contribution) and funding for the loan to Auckland Regional Council (\$25.9 million); offset by
- increased expenditure of \$125.0 million, primarily arising from increased state highways network depreciation (\$72.6 million), state highways asset write-offs arising from changes in the annual valuation (\$13.1 million) and changes in the split of operating and capital costs (\$36.5 million).

*Specific projects* has recorded an overall surplus of \$0.487 million, compared to a budget break even position. This is due to unbudgeted surpluses in regional development transport funding and administration of the SuperGold cardholders scheme. These are temporary surpluses only (ie timing in nature), as the funds will be spent during 2010/11.

## Detailed performance by segment of the business

### Operations

	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
<b>Income</b>			
<b>Revenue from the Crown</b>			
Regulatory implementation and enforcement	548	548	548
Licensing activities	2,245	2,475	2,095
Motor vehicle register	39,536	35,991	35,332
Administration of the SuperGold cardholders scheme	455	248	0
	<b>42,784</b>	<b>39,262</b>	<b>37,975</b>
<b>Revenue from the Crown for contracted services</b>			
Regulatory implementation and enforcement	813	933	1,013
Road user charges collection, investigation and enforcement	17,344	17,344	17,688
Refund of fuel excise duty	429	429	392
	<b>18,586</b>	<b>18,706</b>	<b>19,093</b>
<b>Revenue from the National Land Transport Fund (NZTA internal)</b>			
Maintenance and operation of state highways PLA	10,894	10,894	0
Demand management and community programmes PLA	23,058	23,082	0
Sector training and research PLA	6,000	6,000	0
Transport planning PLA	5,143	5,143	0
Management of the funding allocation system PLA	35,740	36,000	0
Regulatory implementation and enforcement	0	0	5,821
Research and performance monitoring	0	0	11,776
Promotion, information and education	0	0	30,544
Management of funding allocation system	0	0	74,156
	<b>80,835</b>	<b>81,119</b>	<b>122,297</b>
<b>Revenue from third parties</b>			
Regulatory implementation and enforcement	31,567	29,350	27,116
Licensing activities	42,928	46,362	40,579
Motor vehicle register	12,809	12,102	12,777
New infrastructure for and renewal of state highways	743	0	0
Maintenance and operation of state highways PLA	957	0	0
Sector training and research PLA	17	0	0
Research and performance monitoring	0	0	6
Promotion, information and education	0	0	1,792
New and improved infrastructure for state highways	0	0	3,281
	<b>89,021</b>	<b>87,814</b>	<b>85,551</b>
<b>Total income</b>	<b>231,226</b>	<b>226,901</b>	<b>264,916</b>

	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
<b>Expenditure</b>			
<b>Operating activities</b>			
Regulatory implementation and enforcement	31,668	32,863	31,612
Licensing activities	51,947	53,108	52,728
Motor vehicle register	52,981	55,887	50,459
Road user charges collection, investigation and enforcement	17,451	17,075	17,947
Refund of fuel excise duty	595	482	512
Administration of the SuperGold cardholders scheme	455	248	0
Research and performance monitoring	0	0	7,957
Promotion, information and education	0	0	33,307
Management of funding allocation system	0	0	73,420
New and improved infrastructure for state highways	0	0	3,260
	<b>155,097</b>	<b>159,663</b>	<b>271,202</b>
<b>Operating activities (NZTA internal)</b>			
New infrastructure for and renewal of state highways	37,325	36,521	0
Maintenance and operation of state highways PLA	11,225	10,894	0
Demand management and community programmes PLA	20,502	23,082	0
Sector training and research PLA	5,371	6,000	0
Transport planning PLA	4,202	5,143	0
Management of the funding allocation system PLA	35,706	36,661	0
	<b>114,331</b>	<b>118,301</b>	<b>0</b>
<b>Total output expenditure</b>	<b>269,428</b>	<b>277,964</b>	<b>271,202</b>
<b>State highway network</b>			
Less capitalised expenditure	(37,325)	(36,521)	0
	<b>(37,325)</b>	<b>(36,521)</b>	<b>0</b>
Expenses relating to the merger	2,854	5,308	4,489
<b>Total expenditure</b>	<b>234,957</b>	<b>246,751</b>	<b>275,691</b>
<b>Net surplus/(deficit)</b>	<b>(3,731)</b>	<b>(19,850)</b>	<b>(10,775)</b>

#### **Movement of operations net surplus/(deficit) to equity**

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

*Retained funds - NZTA operations* refers to Crown funded (excluding the driver test subsidy), contracted services, non third party fees and charges activities, and expenses relating to the merger.

*Memorandum account* refers to activities funded from third party fees and charges.

*Retained funds - National Land Transport Programme* refers to activities that are funded from the National Land Transport Fund.

## Detailed performance by segment of the business continued

	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
<b>Income</b>			
Retained funds - NZTA operations	75,728	70,798	76,305
Memorandum account - third party fees and charges	72,963	74,984	66,314
Retained funds - National Land Transport Programme	82,535	81,119	122,297
	<b>231,226</b>	<b>226,901</b>	<b>264,916</b>
<b>Expenditure</b>			
Retained funds - NZTA operations	76,683	81,378	199,349
Memorandum account - third party fees and charges	81,268	83,593	76,342
Retained funds - National Land Transport Programme	77,006	81,780	0
	<b>234,957</b>	<b>246,751</b>	<b>275,691</b>
<b>Net surplus/(deficit)</b>			
Retained funds - NZTA operations	(955)	(10,580)	(747)
Memorandum account - third party fees and charges	(8,305)	(8,609)	(10,028)
Retained funds - National Land Transport Programme	5,529	(661)	0
	<b>(3,731)</b>	<b>(19,850)</b>	<b>(10,775)</b>

## Investment in land transport

	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
<b>Income</b>			
<b>Revenue from the National Land Transport Fund (NZTA contracts)</b>			
New infrastructure for and renewal of state highways	401,467	35,000	0
Maintenance and operation of state highways PLA	310,000	276,106	0
New and improved infrastructure for local roads PLA	175,000	196,000	0
Renewal of local roads PLA	218,000	222,000	0
Maintenance and operation of local roads PLA	215,000	245,000	0
Public transport services PLA	200,000	201,000	0
Public transport infrastructure PLA	135,641	27,000	0
Demand management and community programmes PLA	17,818	23,918	0
Walking and cycling facilities PLA	20,000	16,000	0
Rail and coastal freight PLA	2,000	2,000	0
Transport planning PLA	24,857	31,857	0
Rail and sea freight	0	0	2,500
Transport demand management, and walking and cycling	0	0	33,748
Passenger transport services	0	0	313,800
New and improved infrastructure for state highways	0	0	175,740
Maintenance of state highways	0	0	298,524
New and improved infrastructure for local roads	0	0	313,064
Maintenance of local roads	0	0	240,622
Regional land transport	0	0	319,120
<b>Total income</b>	<b>1,719,783</b>	<b>1,275,881</b>	<b>1,697,118</b>

	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
<b>Expenditure</b>			
<b>National Land Transport Programme (NZTA contracts)</b>			
Accelerated state highway construction	77,455	73,700	0
New infrastructure for and renewal of state highways	1,218,706	1,039,779	0
Maintenance and operation of state highways PLA	295,349	276,106	0
New and improved infrastructure for local roads PLA	165,167	180,000	0
Renewal of local roads PLA	204,774	222,000	0
Maintenance and operation of local roads PLA	224,332	237,000	0
Public transport services PLA	187,306	201,000	0
Public transport infrastructure PLA	100,792	44,000	0
Demand management and community programmes PLA	15,758	23,918	0
Walking and cycling facilities PLA	17,771	16,000	0
Rail and coastal freight PLA	1,225	2,000	0
Transport planning PLA	15,911	30,857	0
Rail and sea freight	0	0	874
Transport demand management, and walking and cycling	0	0	35,470
Passenger transport services	0	0	263,525
New and improved infrastructure for state highways	0	0	983,501
Maintenance of state highways	0	0	319,899
New and improved infrastructure for local roads	0	0	323,523
Maintenance of local roads	0	0	243,484
Regional land transport	0	0	236,325
<b>Total output expenditure</b>	<b>2,524,546</b>	<b>2,346,360</b>	<b>2,406,599</b>
<b>State highway network</b>			
State highway depreciation	402,610	330,000	377,419
State highway asset write-off	28,050	15,000	25,734
Capital expenditure on ALPURT project	0	0	33,544
Less capitalised expenditure	(1,252,292)	(1,113,479)	(1,240,544)
	<b>(821,632)</b>	<b>(768,479)</b>	<b>(803,847)</b>
<b>Total expenditure</b>	<b>1,702,914</b>	<b>1,577,881</b>	<b>1,602,752</b>
<b>Net surplus/(deficit)</b>	<b>16,869</b>	<b>(302,000)</b>	<b>94,366</b>

## Detailed performance by segment of the business continued

### Specific projects funded by the Crown

	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
<b>Income</b>			
<b>Revenue from the Crown</b>			
Canterbury transport project	14,500	10,000	0
Regional development transport funding	9,000	10,000	8,000
Enhanced public transport concessions for SuperGold cardholders	19,627	17,300	14,000
Administration of the SuperGold cardholders scheme	169	452	0
<b>Total income</b>	<b>43,296</b>	<b>37,752</b>	<b>22,000</b>
<b>Expenditure</b>			
Canterbury transport project	14,500	10,000	0
Regional development transport funding	8,353	10,000	6,591
Enhanced public transport concessions for SuperGold cardholders	19,783	17,300	13,840
Administration of the SuperGold cardholders scheme	173	452	0
<b>Total expenditure</b>	<b>42,809</b>	<b>37,752</b>	<b>20,431</b>
<b>Net surplus/(deficit)</b>	<b>487</b>	<b>0</b>	<b>1,569</b>

*This supplementary information does not form part of the NZTA's audited financial statements.*

## Third party fees and charges funded activities

Memorandum accounts are notional accounts to record the accumulated balance of surpluses and deficits incurred for outputs operating on a full cost recovery basis. These accounts are intended to provide a long-run perspective on the pricing of outputs.

The NZTA has the following memorandum accounts:

- Border inspections.
- Certification reviews.
- Driver licensing.
- Driver testing.
- Rail licensing.
- Standards development and certification.
- Tolling.
- Transport licensing.

The following table provides a further breakdown of the financial performance of the memorandum accounts - third party fees and charges, as outlined in note 18 on page 105 of the financial statements.

### Third party fees and charges funded activities

	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
<b>Revenue from the Crown (driver test subsidy)</b>			
Driver licensing	1,445	1,642	1,445
<b>Revenue from third parties (fees and charges)</b>			
<b>Regulatory implementation and enforcement output class</b>			
Border inspections	1,655	711	1,101
Certification reviews	7,191	6,980	7,182
Driver licensing	809	954	761
Driver testing	929	845	887
Rail licensing	556	565	566
Standards development and certification	5,297	5,772	5,455
Tolling administration	5,371	3,523	1,589
Transport licensing	6,782	7,630	6,749
	<b>28,590</b>	<b>26,980</b>	<b>24,290</b>
<b>Licensing activities output class</b>			
Driver licensing	26,159	30,834	24,618
Driver testing	14,548	13,234	13,889
Overdimension and overweight permits	330	200	184
Rail licensing	300	304	305
Transport licensing	1,591	1,790	1,583
	42,928	46,362	40,579
<b>Total revenue from third party (fees and charges)</b>	<b>71,518</b>	<b>73,342</b>	<b>64,869</b>
<b>Total income</b>	<b>72,963</b>	<b>74,984</b>	<b>66,314</b>

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	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
<b>Expenditure on fees and charges funded activities</b>			
<b>Regulatory implementation and enforcement output class</b>			
Border inspections	1,674	948	1,261
Certification reviews	7,122	9,537	9,313
Driver licensing	605	628	619
Driver testing	965	1,039	118
Rail licensing	844	921	990
Standards development fee and certification	4,702	3,459	2,751
Tolling administration	4,874	3,523	2,230
Transport licensing	9,335	11,263	6,982
	<b>30,121</b>	<b>31,318</b>	<b>24,264</b>
<b>Licensing activities output class</b>			
Driver licensing	32,738	33,396	32,892
Driver testing	16,180	17,059	15,787
Overdimension and overweight permits	226	257	214
Rail licensing	462	461	408
Transport licensing	1,541	1,102	2,777
	51,147	52,275	52,078
<b>Total expenditure</b>	<b>81,268</b>	<b>83,593</b>	<b>76,342</b>
<b>Net surplus/(deficit)</b>	<b>(8,305)</b>	<b>(8,609)</b>	<b>(10,028)</b>

As the memorandum account recorded a deficit for the year, there was insufficient third party revenue to cover associated costs. As a result, this is required to be funded from the NZTA's reserves. We will continue to work with to manage these deficits – this will include investigating options to reduce costs, review fees and seek additional funds as appropriate.

## National Land Transport Programme

The National Land Transport Programme (NLTP) outlines a three-year programme of funding for land transport infrastructure and services throughout the country. In developing the NLTP, the *Government policy statement on land transport funding* (GPS) has been our guiding document. An expression of the government's priorities for investment in land transport, it recognises that quality land transport infrastructure and services are an essential part of a robust economy.

The NLTP invests in a range of projects in all regions, providing guaranteed funding levels for each region over the next three years. The preparation of the NLTP was informed by 16 regional transport committees and the Auckland Regional Transport Authority (ARTA) developing and submitting regional land transport programmes outlining activities to be prioritised for NLTP funding. When the NZTA prepares the NLTP, it must make sure that programme contributes to the purpose of the Land Transport Management Act and the five New Zealand transport strategy objectives, ie to the aim of achieving an affordable, integrated, safe, responsive, and sustainable land transport system and to assisting economic development, assisting safety and personal; security, improving access and mobility, protecting and promoting public health and ensuring environmental sustainability.

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The following table shows the movements in the NLTP balance for the year:

### National Land Transport Programme

	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
<b>Income</b>			
Capital contribution from NLTF (Crown)	1,302	5,065	0
Capital contribution from NLTF (accelerated SH construction)	78,700	73,700	30,000
Capital contribution from NLTF (new & improved SH infrastructure)	613,198	930,299	727,065
Revenue from the National Land Transport Fund	1,800,618	1,357,000	1,792,000
Revenue from third parties	1,700	0	27,415
Less funding for NZTA operations	0	0	(122,297)
<b>Total income for the National Land Transport Programme</b>	<b>2,495,518</b>	<b>2,366,064</b>	<b>2,454,183</b>
<b>Expenditure</b>			
New and improved infrastructure for state highways	1,101,787	1,003,500	955,571
Renewal of state highways	231,699	229,000	180,089
Maintenance and operation of state highways	306,574	298,000	319,899
New and improved infrastructure for local roads	165,167	184,000	164,336
Renewal of local roads	204,774	228,000	199,791
Maintenance and operation of local roads	224,332	244,000	238,831
Public transport services	187,306	200,000	0
Public transport infrastructure	100,792	162,000	0
Demand management and community programmes	36,260	42,000	0
Walking and cycling facilities	17,771	20,000	0
Sector training and research	5,371	6,000	0
Domestic sea freight development	1,013	1,000	0
Rail and sea freight	212	1,000	0
Transport planning	20,113	32,000	0
Management of the funding allocation system	35,706	36,700	0
Regional development	0	0	7,828
Use of the land transport system	0	0	36,149
Passenger transport	0	0	278,908
Administration	0	0	81,468
Less expenditure from NZTA operations	0	0	(56,271)
<b>Total expenditure</b>	<b>2,638,877</b>	<b>2,687,200</b>	<b>2,406,599</b>
<b>Carry over into 2010/11</b>	<b>(143,359)</b>	<b>(321,136)</b>	<b>47,584</b>
Loan to local authority	(25,960)	0	0
Opening balance	183,500	183,500	135,916
<b>Closing balance at the end of the year</b>	<b>14,181</b>	<b>(137,636)</b>	<b>183,500</b>

Priorities for the NLTP through till 2012 are outlined in the National Land Transport Programme 2009-2012: Regional programmes, which can be accessed on our website [www.nzta.govt.nz](http://www.nzta.govt.nz)

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## Land transport management (road tolling scheme)

This supplementary information has been provided to fulfil section 17 of the Land Transport Management (Road Tolling Scheme for ALPURT B2) Order 2005.

The Northern Gateway Toll Road was officially opened on 24 January 2009, bringing about a safer and more reliable journey between Auckland and Northland. In the year to 30 June 2010 over 5 million trips were made on the toll road. In addition to this, another 1.5 million trips have been made via the now less congested alternate free route, SH17.

In the last financial year the NZTA has processed 5 million toll transactions, answered 297,000 phone calls, 9,900 emails and there are now over 47,000 active accounts.

### Toll tariffs

The toll tariffs were set at \$2.00 for light vehicles (3.5 tonnes and under), \$4.00 for heavy vehicles (over 3.5 tonnes). There is no cost for towing a trailer or caravan. A toll for motorcycles was introduced as of 1 June 2010, and this is the same as for all other light vehicles, \$2.00.

### Toll revenue

The toll tariff consists of three parts: revenue, transaction charge and GST. Toll revenue is the portion of the tariff used to repay the debt, while the transaction charge is used to fund the operation costs (of running tolling). For a \$2.00 toll this is \$1.13 and \$0.65 respectively. The remaining \$0.22 is GST. Over \$6 million of toll revenue has been paid to the Ministry of Transport, for the period ending 30 June 2010, for debt repayment. This means the NZTA has met all its debt obligations to date.

A more detailed report for the twelve months ended 30 June 2010 will be available shortly on [www.tollroad.govt.nz/Documents/Media](http://www.tollroad.govt.nz/Documents/Media).

### Traffic volumes for the year ended 30 June 2010

Class of motor vehicle	Actual 2010 \$000	Forecast 2010 \$000	Actual 2009 \$000
Light vehicle	4,551	4,318	1,769
Heavy vehicle	384	393	151
Motorcycles	53	47	25
Exempt	18	19	6
Unidentifiable	3	4	7
<b>Total</b>	<b>5,009</b>	<b>4,781</b>	<b>1,958</b>

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### Toll revenue (portion designated for repayment of debt) for the year ended 30 June 2010

	Actual 2010 \$000	Forecast 2010 \$000	Actual 2009 \$000
<b>Paid toll</b>			
Light vehicle	4,926	4,606	1,887
Heavy vehicle	1,103	1,113	423
Interest	31	3	2
<b>Total funds available</b>	<b>6,060</b>	<b>5,722</b>	<b>2,312</b>
<b>Outstanding debtor balance</b>			
Unpaid toll revenue to be collected for the MoT	293		128
Unpaid operating charge to be collected	154		68
Unpaid administration charges to be collected	272		34
GST to be collected	90		30
<b>Total outstanding debtor balance</b>	<b>809</b>		<b>260</b>

\$0.165 million of the unpaid toll revenue relates to revenue earned in the year to 30 June 2010.

### Response of traffic to tolling traffic volumes per route for the year ended 30 June 2010

	Actual 2010 %	Forecast 2010 %	Actual 2009 %
Northern Gateway Toll Road (SH 1)	77.1%	70.0%	73.2%
Free alternative route(s) (SH 16 or 17)	22.9%	30.0%	26.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### Compliance with tolling for the year ended 30 June 2010

	Volumes Actual 2010 \$000	Revenue Actual 2010 \$000	Volumes Actual 2009 \$000
Total chargeable toll trips	4,937	10,642	1,920
Total administration charges	n/a	1,062	n/a
<b>Total toll revenue</b>	<b>4,937</b>	<b>11,704</b>	<b>1,920</b>
Paid toll trips	4,748	10,252	1,806
Paid administration charges	n/a	782	n/a
<b>Paid toll revenue</b>	<b>4,748</b>	<b>11,034</b>	<b>1,806</b>
Unpaid toll trips	189	390	114
Unpaid administration charges	n/a	280	n/a
<b>Unpaid toll revenue</b>	<b>189</b>	<b>670</b>	<b>114</b>
Administration charge payment compliance	n/a	73.6%	n/a
Toll payment compliance	96.2%	94.3%	94.1%

*This supplementary information does not form part of the NZTA's audited financial statements.*

## Financial statements for tolling

### Statement of comprehensive income for the year ended 30 June 2010

	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
<b>Income</b>			
Toll fees	4,161	3,809	1,392
Additional project funds received from the Crown	1,210	3,109	722
<b>Total income</b>	<b>5,371</b>	<b>6,918</b>	<b>2,114</b>
Expenditure	5,371	6,918	2,671
<b>Net surplus/(deficit)</b>	<b>0</b>	<b>0</b>	<b>(557)</b>

### Statement of financial position as at 30 June 2010

	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
<b>Assets</b>			
Current assets	4,456	2,500	2,446
Non-current assets	4,541	5,500	5,162
<b>Total assets</b>	<b>8,997</b>	<b>8,000</b>	<b>7,608</b>
Liabilities	3,571	3,000	2,739
<b>Net assets/equity</b>	<b>5,426</b>	<b>5,000</b>	<b>4,869</b>

### Statement of cash flows for the year ended 30 June 2010

	Actual 2010 \$000	Budget 2010 \$000	Actual 2009 \$000
Net cash from operating activities	3,126	700	3,145
Net cash from investing activities	0	0	0
Net cash from financing activities	(1,914)	(500)	(1,025)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>1,212</b>	<b>200</b>	<b>2,120</b>
Cash and cash equivalents at the beginning of the year	2,120	2,100	0
<b>Cash and cash equivalents at the end of the year</b>	<b>3,332</b>	<b>2,300</b>	<b>2,120</b>

*This supplementary information does not form part of the NZTA's audited financial statements.*

# Putting the scrutiny principle into practice

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Report on the implementation of systems and procedures to give effect to the scrutiny principle for the period 1 July 2009 to 30 June 2010.

## Background

The Land Transport Management Act (LTMA) 2003 provides for a new operating principle for the NZ Transport Agency (NZTA), 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 NZTA is required to do a number of things in relation to this principle including developing systems and procedures to enable it to give effect to the scrutiny principle, and include a report on its implementation of the systems and procedures in its annual report.

## Systems and procedures

The NZTA has set up two different sorts of systems and procedures required to give effect to the scrutiny principle:

- **Operational procedures** – to enable employees and members of the NZTA 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
  - applying the same criteria to decisions on procurement procedures.
- **Monitoring procedures** – to provide quality assurance to the NZTA Board that employees and members are complying with the principle. This includes:
  - internal – reports to the NZTA's finance and audit committee, and an audit of performance by the internal audit team
  - external – an audit of performance by an independent consultant.

## Implementation of the procedures

### Operational procedures

The NZTA has published its approach to giving effect to the scrutiny principle on its website page titled The scrutiny principle ([www.nzta.govt.nz/planning/what-funding/scrutiny-principle.html](http://www.nzta.govt.nz/planning/what-funding/scrutiny-principle.html)). This page also lists the systems and procedures it has in place to apply the scrutiny principle and provides links to the manuals – the *Procurement manual* and the *Planning, programming and funding manual* where the systems and procedures are set out in detail. Monitoring of the webpage during 2010 indicates the page is accessed on average 24 times a month.

A further link on this page links to a web page that lists all the funding decisions the NZTA has made since August 2008 (prescribed date in the legislation is 1 October 2008) ([www.nzta.govt.nz/planning/what-funding/board-decisions/index.html](http://www.nzta.govt.nz/planning/what-funding/board-decisions/index.html)). The page is updated monthly once the NZTA Board has confirmed its previous month's decisions. Monitoring of the webpage during 2010 indicates the page is accessed on average 299 times a month.

The key system used by the NZTA is the web-based Land Transport Programmes (LTP) online system. This system 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 NZTA for its own activities, the information required for the assessment and evaluation of the activities for funding. The system also records the decisions made by the NZTA including any conditions applied to the funding. The system is totally transparent. Every approved organisation can see the details of their proposals, the NZTA's recommendations and decisions and those of any other approved organisation and the NZTA. This effectively provides assurance that the requirements placed on any one approved organisation can be compared against others.

### Monitoring procedures

The NZTA Assurance and Risk section has established a risk based internal audit programme. This programme includes coverage of areas relevant to the scrutiny principle.

Audit results are reported to the Audit, Risk and Assurance Committee. The Secretary for Transport is an advisor to this Committee and attends the meetings.

## Independent review report of the Auditor-General

### To the readers of the NZ Transport Agency's report on the implementation of systems and procedures to give effect to the "scrutiny" principle

We have completed a review of the report by the NZ Transport Agency (NZTA) on the implementation of systems and procedures to give effect to the "scrutiny" principle, on page 131, for the period 1 July 2009 to 30 June 2010.

The Auditor-General is the auditor of the NZTA. The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the review on her behalf.

#### Conclusion

- Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the report by the NZ Transport Agency on the implementation of systems and procedures to give effect to the "scrutiny" principle, on page 131, for the period 1 July 2009 to 30 June 2010 is not fairly stated.
- Our review was completed on 23 September 2010, and is the date at which our conclusion is expressed.
- The basis of our review conclusion is explained below. In addition, we outline the responsibilities of the Board of the NZTA and the Auditor, and explain our independence.

#### Basis of Conclusion

We carried out our review in accordance with International Standard on Assurance Engagements (New Zealand) 3000: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

Our review involved obtaining sufficient and appropriate evidence and explanations from Agency personnel to be able to conclude whether any matters have come to our attention to indicate that the information presented in the report has not been fairly stated.

Our review was limited primarily to enquiries of Agency personnel, and reading the report to assess whether the information therein was consistent with our understanding of the NZTA's systems and procedures, as obtained during our annual audit of the NZTA.

#### Responsibilities of the Board of the NZ Transport Agency and the Auditor

The Board is responsible for preparing a report on the implementation of systems and procedures to give effect to the "scrutiny" principle, pursuant to section 96(2)(b) of the Land Transport Management Amendment Act 2008. The NZTA's report is required to be included in its annual report.

Section 96(3) of the Land Transport Management Amendment Act 2008 requires the Auditor-General to report on the NZTA's report on the implementation of the systems and procedures to give effect to the "scrutiny" principle.

#### Independence

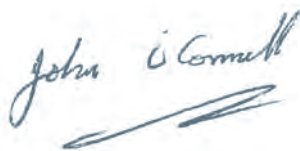
When carrying out the review we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

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

#### John O'Connell

Audit New Zealand

On behalf of the Auditor-General  
Wellington, New Zealand



#### Inclusion of Electronic Links in the Report by the NZ Transport Agency on the Implementation of Systems and Procedures to give Effect to the 'Scrutiny' Principle

Our review report relates to the report of the NZ Transport Agency (NZTA) on the implementation of systems and procedures to give effect to the 'scrutiny' principle for the year ended 30 June 2010. The NZTA's Board is responsible for the maintenance and integrity of the NZTA's website. We have not been engaged to report on the integrity of the NZTA's website. We accept no responsibility for any changes that may have occurred to the information that has been electronically linked from the above report to the NZTA's website after the date of our review report.





## Our contact details

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For general enquiries, or contact information about NZ Transport Agency please check our website [www.nzta.govt.nz](http://www.nzta.govt.nz) or email us at [info@nzta.govt.nz](mailto:info@nzta.govt.nz)

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This *Annual report* is printed on environmentally-responsible paper manufactured using FSC-certified pulp harvested from sustainable, purpose-grown forests.



NZ TRANSPORT AGENCY  
WAKA KOTAHI

New Zealand Government