



Briefing to the Incoming Minister of Transport

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October 2014

6 October 2014



Hon Simon Bridges
Minister of Transport
Parliament Buildings
Wellington

Dear Minister

Welcome to your role as Minister of Transport.

The NZ Transport Agency is the government's transport delivery agency. Our work spans from helping a new driver complete their licence application to working alongside the freight industry on planning their transport needs; from working on road and rail safety campaigns to investing in public transport and delivering major state highway projects.

Attached is an introductory briefing on the activities and areas of focus for the Transport Agency over the coming months and the next one to three years. This is designed to give you an overview of work and our areas of focus. We can provide further briefings or follow up on any matters you may wish to learn more about.

As Minister you will set the working style, including how we build and maintain our relationship with you. In the past, frequent meetings between the Minister, the Chair and the Chief Executive have enabled good information flows.

We would also encourage and welcome you to meet with the Transport Agency Board at a convenient time.

Yours sincerely

A handwritten signature in black ink that reads 'Chris Moller'.

Chris Moller
Chair

A handwritten signature in black ink that reads 'Geoff Dangerfield'.

Geoff Dangerfield
Chief Executive

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OUR PURPOSE

CREATING TRANSPORT SOLUTIONS
FOR A THRIVING NEW ZEALAND

1 SUMMARY

This briefing outlines who we are and what we do. It identifies the areas of focus for the Transport Agency over the next three to six months, and the next one to three years. We will provide you with specific briefings on these topics at the appropriate times.

We are a delivery agency with a strong track record of achievement and working in partnership with local government and the private sector. We're here to deliver the results the government seeks for the land transport sector.

A key benefit the Transport Agency brings to the government and the transport sector is to provide an independent and 'whole-of-network' view to multi-modal transport planning, investment, regulation and delivery. This perspective underpins our approach to land transport investment across the country: balancing major local and regional benefits with national benefits.

It also drives our collaborative work with other network owners and operators – local authorities, public transport operators, freight and logistics firms, ports and KiwiRail – to deliver an integrated land transport network. This recognises that the network capacity required for New Zealanders' transport needs can be provided in a number of ways according to location, and that all the modes of transport – road, rail, public transport, and walking and cycling – need to complement each other to provide this capacity. This is particularly relevant in the main metropolitan centres of Auckland, Wellington and Christchurch where addressing the challenge of peak-time transport capacity and choice requires a broad and multi-modal approach to transport planning and delivery.

Key areas of focus during the next **three to six months** include:

- The Government Policy Statement on Land Transport 2015/16. This is a crucial policy steer on what the government seeks to achieve through our investment of the National Land Transport Fund. Timing is important. The Ministry for Transport is your lead adviser on this.
- Working with our local government partners to prepare the 2015-18 National Land Transport Programme, which must 'give effect to' the Government Policy Statement on Land Transport.
- Implementing decisions arising from our review of funding assistance rates. These rates determine the percentage of funding contributed from the National Land Transport Fund to local authorities (and other approved organisations) for local transport activities including road maintenance and development, public transport, and walking and cycling facilities. We have developed a simplified and more efficient funding assistance framework.

- Supporting KiwiRail, the Ministry of Transport and the Treasury in considering the future of rail in the context of the wider transport network.
- Developing a programme to improve cycling safety. We have been working with an expert panel which has recently released a number of recommendations for cycling safety.
- Developing a new national direction on speed. We are aiming for speeds which are safe and appropriate for road function, design and use, while recognising the importance of efficient movement on particular routes.
- Implementing a new Certificate of Fitness market model to support productivity by reducing the time commercial heavy vehicles are off the road.
- Considering the potential for our engagement in the enabling works to develop the Auckland City Rail Link, as a mechanism to help identify and manage Crown risk.
- Appealing to the High Court the decision of the Board of Inquiry to decline resource consents for the Basin Bridge proposal in Wellington. The decision may be problematic for future transport planning and consenting activities more generally, and there are potential errors of law to be addressed.

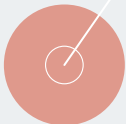
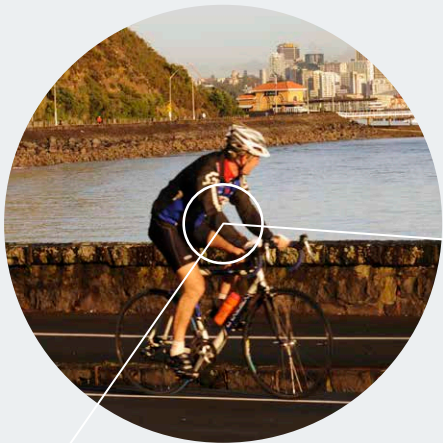
Over the next **three years** we will focus on:

- Improving efficiency, safety and modal integration for freight, urban networks, public transport, walking and cycling, and making the most of urban network capacity.
- Addressing key risks for road safety (focusing on safe speeds), developing the Road Policing Programme to deliver key Safer Journeys results, and considering the future of road policing.
- Continuing to deliver state highway, regional and local road improvements which support economic growth and productivity and improve the resilience of the land transport network. We will continue to deliver the programmes for the Roads of National Significance, the Auckland Accelerated Transport Package and the regional road investment package. We will also focus on improving the efficiency of state highway and local road maintenance.
- Addressing regional challenges related to changing demographics and the long-term affordability of infrastructure investment, continuing to support the rebuilding of Christchurch, and addressing the challenges posed by the infrastructure needs of Auckland.
- Seeking efficiency gains and opportunities from regulatory reform and the deployment of intelligent transport systems.
- Addressing rail safety and considering long-term revenue challenges.

We have core operating principles which underpin how we undertake our functions and provide better public services. In particular we focus on improving value for money. We drive continuous improvement in all our operational activities and strive to reduce compliance costs.

Most New Zealanders' lives are touched at some point by the Transport Agency. We are focussed on them as customers and committed to delivering effective transport solutions for our many customers, stakeholders and partners through collaborative, open and transparent ways of working.

We work across the transport sector to improve coordination, share information and lessons learned, and promote best practice. As part of the public sector, we are actively pursuing opportunities for shared services with other transport sector agencies.



PART ONE : WHAT WE DO AND WHO WE ARE

2 WHAT WE DO – OUR FUNCTIONS

The Transport Agency is the government's land transport delivery arm. We invest in, manage and regulate most aspects of New Zealand's land transport network. Our functions are set out in the Land Transport Management Act 2003. We were established in 2008 through the integration of the functions of the previously separate organisations Land Transport NZ and Transit NZ. The objective in establishing the Transport Agency was to build a more comprehensive and responsive approach to the development of the transport system with a strong focus on partnership and the needs of users.

PLANNING LAND TRANSPORT NETWORKS

We take a 30-year to 50-year view of what is needed for an effective land transport system – across all modes and all regions of New Zealand. This requires a clear focus on integrating land use and transport planning at the regional level and a clear understanding of the future requirements on national networks of road and rail and their connections to sea ports and airports.

We are guided by what the government wants to achieve and its national strategic direction for the land transport sector as set out in the Government Policy Statement on Land Transport.

At the regional level the Transport Agency is a full member of each of the 15 regional transport committees. We bring our expertise to these local government forums, which are responsible for developing regional transport plans – the building blocks of the whole of New Zealand network development plan and implementation programme. We are also a member of the Board of Auckland Transport and work in partnership to address Auckland's long-term transport challenges.

As well as these regional and national planning functions, we have established specific sector forums to develop long-term plans for public transport and the freight sector. Over the last five years the Public Transport Leadership Forum, convened in conjunction with the Ministry of Transport, has developed a 50-year view of the role of public transport. It has also shaped specific developments such as the new contracting model and the use of technology in lifting levels of service and patronage.

We have established a Freight Operators Forum made up of the major freight companies, major users, KiwiRail and the ports of Tauranga and Auckland. The forum was established to develop a long-term sector approach to the growing freight task. We have worked with the forum to determine and enable the best routes for the deployment of High Productivity Motor Vehicles so that freight can be moved more efficiently across New Zealand and to export markets.

INVESTING IN LAND TRANSPORT

We are responsible for investing the National Land Transport Fund. This is a dedicated fund for the maintenance and development of local and national transport services. It receives all the land transport revenue raised from fuel excise duty on petrol and road user charges and motor vehicle registration and licensing fees. We are required to make independent investment decisions that will deliver the results set out in the Government Policy Statement on Land Transport. It is critical that we make the mix of investments that represents best value for money in the use of the fund and that the investment contributes to the government's identified priorities of economic growth, productivity and safety.

The investment programme has a 10-year focus and is developed and renewed every three years. The current 2012-15 National Land Transport Programme specifically outlines the projects and programmes for the \$12.28 billion that will be invested over this period. This investment makes a significant contribution to local economics and has a net national benefit. We have a current target of seeking \$210 million of efficiencies in the maintenance and operations activity classes of the National Land Transport Programme so that these funds can be reinvested in other activities which will benefit transport users and the economy. Over the next nine months we will work with local government to develop the next three-year programme for 2015-18.

MANAGING THE STATE HIGHWAY NETWORK

The state highway network is one of the country's most important pieces of economic infrastructure. This strategic network makes up 12 percent of New Zealand's total road network but carries 50 percent of the vehicle traffic and around 66 percent of the kilometres driven by heavy vehicles. The network connects with all sea ports and airports and fulfils a key role alongside the national rail network in addressing the increasing freight task. The Transport Agency is the network operator and works to get the best value from the network.

The infrastructure improvement programme is focused on the capacity of the heavily trafficked areas of our major metropolitan areas as well as key regional infrastructure and safety improvements. We have developed strong expertise in capital works procurement and have a good track record in the effective delivery of major projects. The delivery of the Roads of National Significance component of the development programme is well on track.

PROVIDING ACCESS TO AND USE OF THE LAND TRANSPORT SYSTEM

We are the land transport regulator with a focus on safety and efficiency. We set the standards for safe vehicles and how they are to be operated, we issue driver licences to those who demonstrate they can drive safely, and we develop a road policing programme with the New Zealand Police to enforce the road rules (a contract with the New Zealand Police of around \$300 million per year).

A key part of our role is informing and shaping peoples' transport choices. We do this by providing people with clear standards and good information, and encouraging them to travel safely and efficiently. We also work collaboratively with other network operators to make existing networks safer and more efficient.

We collect land transport revenue through administering the Road User Charges system as well as the annual vehicle registration and licensing systems. Through our IT systems we successfully manage the registration of more than 4.4 million vehicles and 3.3 million individual driver licences across the country. We are making it easier for our customers to interact with us with 43% of our transactions conducted digitally in 2013-14. For Key Result Area 10 we continue to see growth in customers paying for their vehicle licenses digitally (26.2% in the last quarter of 2013-14).

We are the rail safety regulator and have specific responsibilities to regulate taxi operators.



THE OBJECTIVE IN ESTABLISHING THE TRANSPORT AGENCY WAS TO BUILD A MORE COMPREHENSIVE AND RESPONSIVE APPROACH TO THE DEVELOPMENT OF THE TRANSPORT SYSTEM WITH A STRONG FOCUS ON PARTNERSHIP AND THE NEEDS OF USERS.

3 WHO WE ARE

3.1 OUR INDEPENDENT ROLE

The Land Transport Management Act 2003 outlines our role, functions and operating principles. It also sets out the instruments which define the relationship between the Minister of Transport and the Transport Agency, including the Government Policy Statement on Land Transport and the development of our statement of intent.

The Crown Entities Act 2004 provides the framework for the governance and operation of all Crown entities such as the Transport Agency. Crown entities are legal entities in their own right and separate from the Crown. A decision to assign a government activity or function to a Crown entity indicates that the function is to be carried out at 'arm's length' from the government with independent decision-making powers. However, Crown entities remain instruments of the Crown and the Transport Agency is required to give effect to government policy.

The Transport Agency's statutorily independent functions are outlined in the Land Transport Management Act 2003 and include (among other things) the approval of procurement procedures, determining whether particular activities are to be included in a National Land Transport Programme and all decisions on funding of activities from the National Land Transport Fund, as well as its regulatory functions.

3.2 THE TRANSPORT AGENCY BOARD

The Board is the governing body of the Transport Agency. Board members are accountable to the Minister of Transport for performing their duties. The Minister appoints up to eight independent non-executive members to the Board. These appointments are typically for a two or three-year period that may be extended. The Board selects the membership of its three committees and has appointed the Secretary for Transport as a member of the Audit, Risk and Assurance Committee. This is consistent with the Ministry's role as the monitoring department and adviser to the Minister of Transport on our performance.

The Transport Agency Board supports the Minister of Transport by performing six functions which govern the operations and performance of the Transport Agency:

- setting the direction of the Transport Agency
- setting plans and targets for services and financial performance
- reviewing and reporting on the Transport Agency's performance against plans and targets
- providing quality assurance of key operational policies, systems and processes
- making significant planning, investment and funding decisions
- influencing and contributing to the land transport sector.

The Board works to ensure that the Transport Agency and our supply chain strive for better economic value in the interests of achieving the government's objectives. The Board advises the Minister of Transport every quarter on the performance of the Transport Agency in meeting its targets. It also provides advice on the implications of changes to the operating environment, and the emerging risks and opportunities for the Transport Agency and the transport sector as a whole.

Transport Agency Board members



CHRIS MOLLER, CHAIR (WELLINGTON)

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



DAME PATSY REDDY, DEPUTY CHAIR (WELLINGTON)

Patsy is a non-executive director and a qualified lawyer. She is Chair of the New Zealand Film Commission, and is a director of Payments NZ Ltd and Active Equity Holdings Ltd. She is a chief crown negotiator for Treaty of Waitangi settlements and is also a lead reviewer for the Performance Improvement Framework for the State Services Commission. Her previous directorships include Telecom Corporation of NZ Ltd, SKYCITY Entertainment Group Ltd, New Zealand Post and Air New Zealand Ltd.



GILL COX (CHRISTCHURCH)

Gill is a chartered accountant and business consultant. He chairs MainPower NZ Ltd and Transwaste Canterbury Ltd, and is a director of a number of large, privately held companies involved in various industries including manufacturing, warehousing and distribution, infrastructure and seafood. Gill is also a member of the CERA Community Forum in Christchurch and the Greater Christchurch Education Advisory Board.



MARK OLDFIELD (TIMARU)

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



ADRIENNE YOUNG-COOPER (AUCKLAND)

Adrienne is a businesswoman, professional director and an Accredited Fellow of the Institute of Directors. She has a 30-year career in resource management and planning specialising in spatial planning and metropolitan growth, management including infrastructure planning and large projects. Adrienne was the Deputy Chair of Auckland Regional Transport Authority (replaced by Auckland Transport) and was a Board member of Maritime New Zealand until 2011. She is Deputy Chair of Auckland Waterfront Development Agency Limited (Waterfront Auckland), Deputy Chair of Housing New Zealand Corporation and Chair of the Hobsonville Land Company Limited.



JERRY RICKMAN (HAMILTON)

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



TONY LANIGAN (AUCKLAND)

Tony is a professional civil engineer (FIPENZ), project management consultant and former general manager with 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 in New Zealand and Chair of New Zealand Housing Foundation. He is a director of Watercare Services Limited. Tony was made a Member of the NZ Order of Merit in the 2013 New Year's Honours list for services to tertiary education and the community.



NICK ROGERS (AUCKLAND)

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

TRANSPORT AGENCY ORGANISATIONAL STRUCTURE

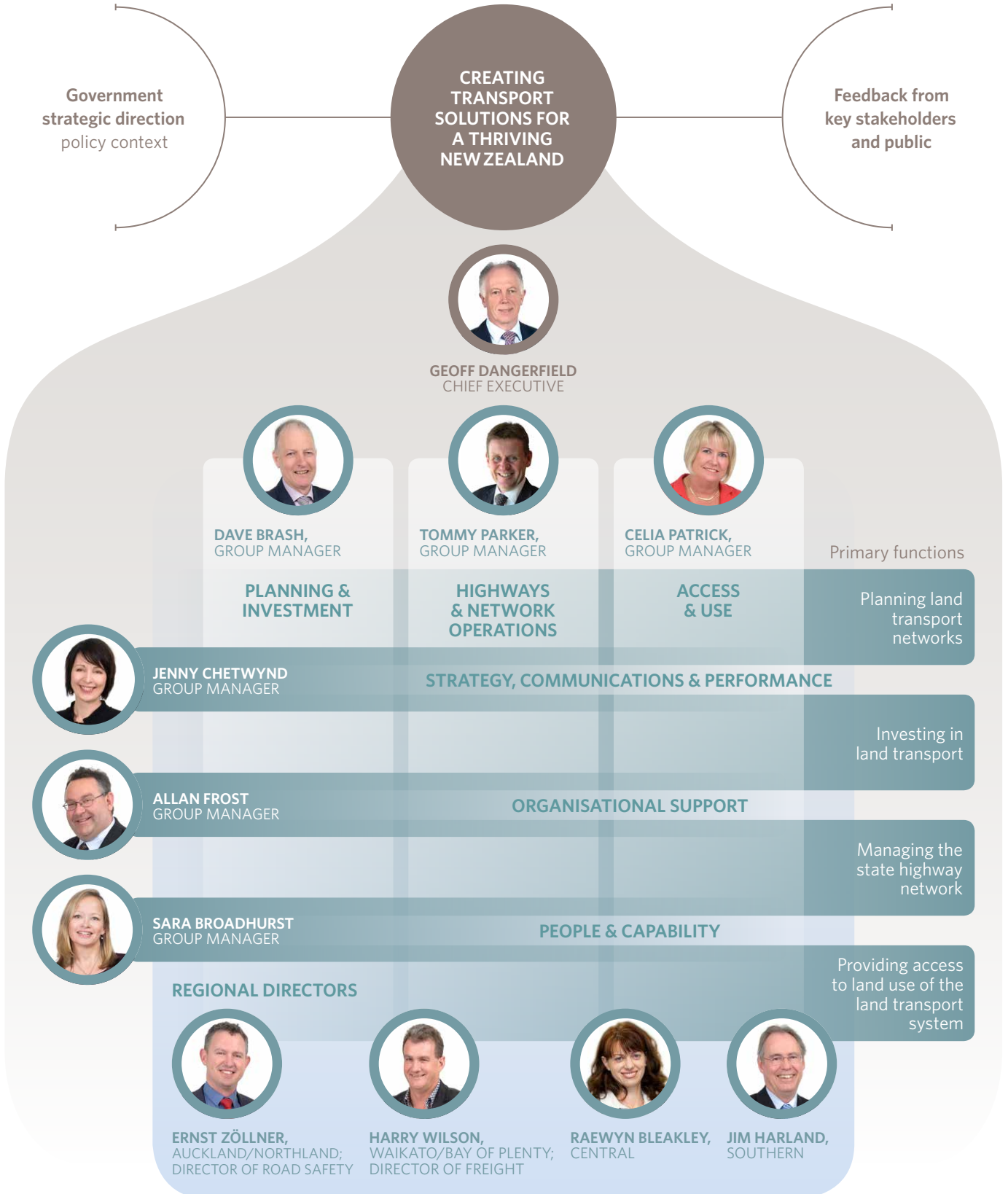


Figure 1 Transport Agency Organisational Structure

Transport Agency Senior Leadership Team members

CHIEF EXECUTIVE

GEOFF DANGERFIELD

MSc (Resource Management), FCILT

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

FUNCTIONAL BUSINESS GROUPS

DAVE BRASH

GROUP MANAGER PLANNING AND INVESTMENT

BSc (Hons) (Geography)

Dave has 35 years' experience working with central and local government agencies on complex policy reforms and managing change. Dave was previously General Manager of the Emissions Trading Group with the Treasury. His role at the Treasury was a secondment from the Ministry for the Environment where he was General Manager responsible for central government policy.

TOMMY PARKER

GROUP MANAGER HIGHWAYS AND NETWORK OPERATIONS

BA (Hons) Urban Planning; Diploma in Urban Planning Implementation from the University of Westminster; MSc in Transportation Planning and Engineering from the University of Salford

Tommy has held various roles including Highways Manager for Auckland and Northland. He has over 20 years' experience in transport planning in both the public sector and private consultancy.

CELIA PATRICK

GROUP MANAGER ACCESS AND USE;
DIRECTOR OF RAIL SAFETY

Graduate Diploma in Business, MBA

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

SUPPORT GROUPS

JENNY CHETWYND

GROUP MANAGER STRATEGY, COMMUNICATIONS AND PERFORMANCE

Bachelor of Regional Planning (BRP Hons), MBA

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

ALLAN FROST

GROUP MANAGER ORGANISATIONAL SUPPORT

BBS, CA, FCPA

Allan joined the Transport Agency in October 2008. Allan has extensive experience in financial and information management executive roles and has worked for over 15 years in senior leadership roles focusing on getting the best from people, information, systems and dollars.

SARA BROADHURST

GROUP MANAGER PEOPLE AND CAPABILITY

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

REGIONAL DIRECTORS**ERNST ZÖLLNER**

REGIONAL DIRECTOR AUCKLAND/NORTHLAND;
DIRECTOR OF ROAD SAFETY

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

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

HARRY WILSON

REGIONAL DIRECTOR WAIKATO/BAY OF PLENTY;
DIRECTOR OF FREIGHT

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

RAEWYN BLEAKLEY

REGIONAL DIRECTOR CENTRAL

BSC, Post Grad Business Admin

Raewyn joined the Transport Agency in 2014 and brings to our senior leadership team significant commercial sector and operational management experience. She was formerly the Chief Executive of the Wellington Employers' Chamber of Commerce and prior to that she was Chief Executive Officer of the NZ Bus and Coach and Rental Vehicle Associations. Raewyn has also previously held the role of National Operations Manager for the Hospitality Association of New Zealand.

JIM HARLAND

REGIONAL DIRECTOR SOUTHERN

BA, Dip TP, MTP (Hons), MNZPI

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

Functional business groups

- The Planning and Investment group interfaces with local government to work in partnership on regional integrated transport planning and investment programme processes.
- The Highways and Network Operations group is responsible for building, maintaining and operating the state highway network.
- The Access and Use group regulates access to the road and rail networks (through certification and licensing) and monitors and manages the safe use of the networks.

Support groups

- The Strategy, Communications and Performance group steers the Transport Agency through strategy, provides performance information and insight, and communicates our strategic vision. It advises the Board on the approval of the National Land Transport Programme.
- The Organisational Support group ensures the Transport Agency has corporate strategies and policies to support strategy and organisational performance, including finance, IT, legal, and assurance and risk.
- The People and Capability group ensures the Transport Agency can deliver on its outcomes through a capable and developing workforce.

Regional focus

- We are a regionally focussed delivery agency with offices in Whangarei, Auckland, Hamilton, Tauranga, Napier, Palmerston North, New Plymouth, Wellington, Blenheim, Christchurch and Dunedin.
- Our regional directors lead our interaction with key customers and stakeholders, and represent the Transport Agency on regional transport committees.

4 OUR OPERATING CONTEXT

4.1 THE FUNDING, PLANNING AND INVESTMENT CONTEXT

Annually over \$3 billion of road user revenue (mainly fuel excise duty, road user charges and motor vehicle registration and licensing fees) is dedicated into the National Land Transport Fund. It is invested in land transport activities by the Transport Agency on behalf of central government. Investment decisions follow extensive planning processes by local government which are set out in the Land Transport Management Act 2003. We work with local government to plan any activities that may be funded from the National Land Transport Fund, including any state highway activity in their regions, and then shape the investment of an additional \$900 million annually of local share in local transport activities.

The National Land Transport Programme is essentially a delivery programme and financial plan for all of the Transport Agency's land transport investment. It covers 10 years but focuses on the first three years. It covers local government activities as well as those undertaken by the Transport Agency on national safety programmes, state highway developments and the Road Policing Programme. It is funded by payments into the National Land Transport Fund which are used to pay for the capital and operating costs of land transport activities. The National Land Transport Fund is a 'hypothecated fund' because the revenue collected for the fund from transport users is dedicated to investment in land transport activities and cannot be diverted to other government expenditure.

The Land Transport Management Act 2003 provides 'permanent legislative authority' for expenditure from the fund up to the level of revenue. If the Transport Agency seeks to borrow funds, it must seek the approval of the Minister of Finance. Short-term borrowing arrangements have been put in place to allow the Transport Agency to smooth out the cash flow demands of the delivery programme - to balance out the uneven flows of revenue and expenditure over the course of the year.

The revenue and expenditure for the 2012-15 National Land Transport Programme is set out on the next page.

The next National Land Transport Programme (2015-18) is dependent on government decisions on the draft Government Policy Statement on Land Transport. Based on the draft, funding available for allocation is projected to increase from around \$3.4 billion per annum in 2015/16 to \$4.4 billion per annum by 2024/25. This expenditure is likely to be supplemented by about \$1 billion per year of local government transport expenditure.

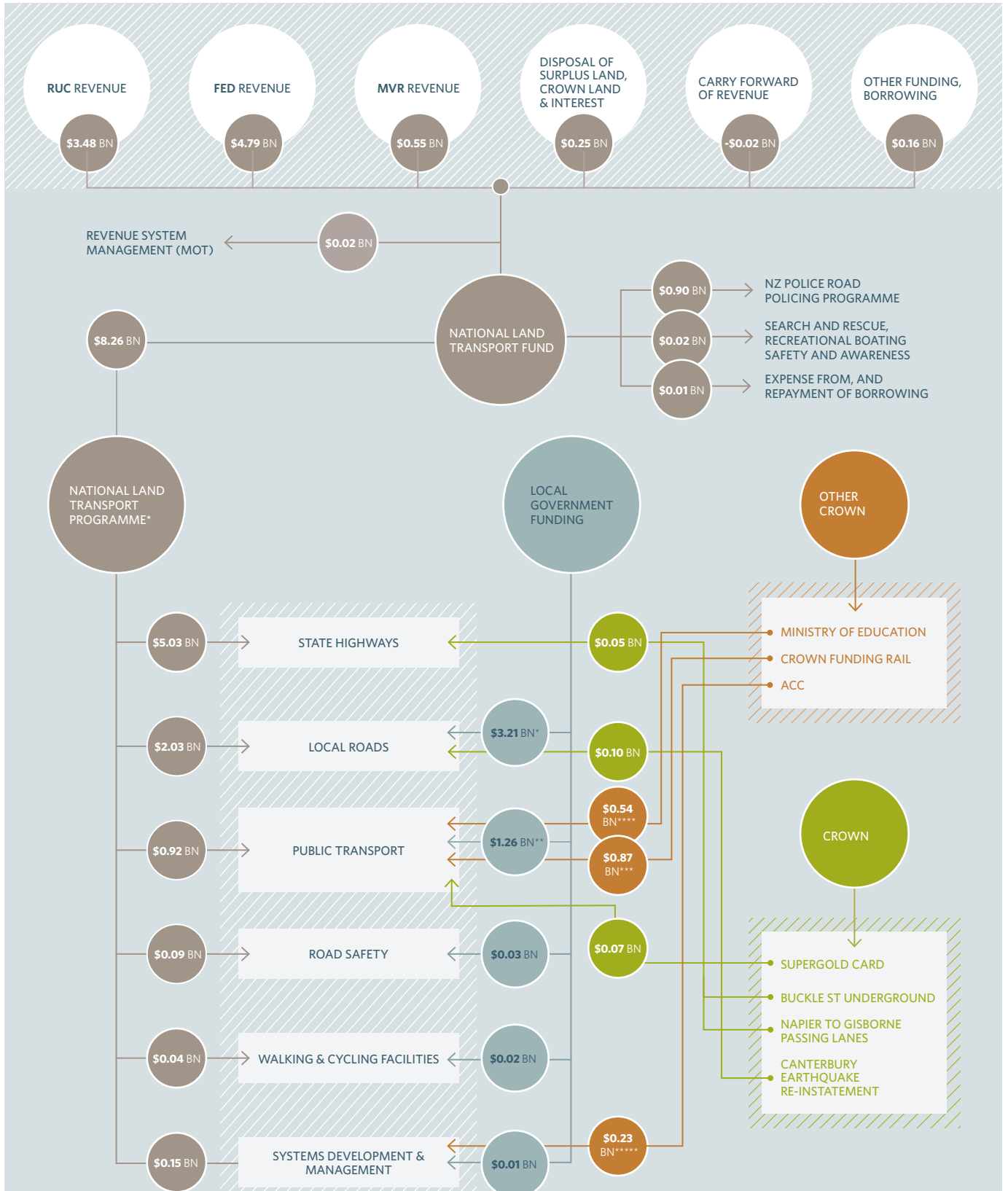
As this revenue will predominantly be sourced from fuel excise duties, road user charges, and motor vehicle registration and licensing fees, the draft Government Policy Statement on Land Transport anticipates increased rates of fuel excise duty and road user charges during the period by the rate of inflation. The government has committed to a 3 cents per litre increase in fuel excise duty and equivalent increase in road user charges on 1 July 2015. This would be followed by potential annual increases in the order of 1.5 cents per litre from 2016/17, reflecting the forecast rate of inflation.

In addition to the funding available from road user revenue, \$100 million of Crown funding will be made available over the next four years for urban cycling infrastructure and \$212 million from the government's Future Investment Fund to accelerate a package of regionally important state highway projects.

THE
NATIONAL
LAND TRANSPORT
PROGRAMME IS
ESSENTIALLY A DELIVERY
PROGRAMME AND
FINANCIAL PLAN FOR
ALL OF THE TRANSPORT
AGENCY'S LAND
TRANSPORT
INVESTMENT.



FUNDING FOR 2012-15 NATIONAL LAND TRANSPORT PROGRAMME (THREE YEARS)



* Made of a subsidised amount of NZ\$1.63bn plus an unsubsidised estimate of NZ\$1.58bn
 ** Made of a subsidised amount of NZ\$0.74bn plus an unsubsidised estimate of NZ\$0.52bn
 *** Rail funding for KiwiRail turnaround plan of NZ\$0.87bn
 **** Ministry of Education spending on school buses amounts to about \$0.18bn per annum
 ***** Estimated ACC expenditure of NZ\$0.08bn per annum

NOTE: An estimated NZ\$0.2bn of additional spending in Walking & Cycling facilities is included as an investment in State Highways, Local Roads, Road Safety and Systems Development & Management

Figure 2 Funding for 2012-15 National Land Transport Programme

4.2 VALUE FOR MONEY - ENSURING OPERATIONAL EFFICIENCY AND ADDING VALUE

Underpinning the delivery of all our functions is our drive to deliver value for money. We seek value for money in all that we do. The sections below outline a number of elements in our value for money assurance.

Assessing investment priorities

By far the most important aspect of our value for money approach is the robust process for assessing priorities to ensure the investment of the National Land Transport Fund yields the best value. Every year we assess proposals for around \$3 billion of investment.

The first step in the investment process is the initial allocation of funding to activity classes. This is undertaken by Ministers and outlined as funding ranges in the Government Policy Statement on Land Transport. This sets the approximate amount of funding the government wishes to be invested in each activity class and hence every part of the land transport 'system' (total road maintenance, state highways, public transport etc). The Government Policy Statement on Land Transport enables the government to define what is 'in the public interest' by identifying the economic, social, cultural and environmental results to be achieved from land transport investment.

We use three criteria when assessing and prioritising programmes and projects for inclusion and possible investment from the National Land Transport Fund (within each activity class):

- 1. Strategic fit assesses** whether the benefits identified from the business case align with the desired results of the Government Policy Statement on Land Transport. This reinforces the results approach and acts as the initial gateway for further development of the business case.
- 2. Effectiveness** assesses the consistency of the proposal with the business case and how well it delivers on the results identified in the strategic fit assessment.
- 3. Cost benefit appraisal** of projects which reach the detailed business case stage. This quantitatively assesses the whole-of-life benefits and costs of the proposal based on our Economic Evaluation Manual. This allows projects to be ranked according to priority. Those with the highest cost benefit ratio for the results being sought are funded first. All projects from local government and the Transport Agency's state highway activities are assessed in this way to ensure a consistent approach across the country.

See figure 3 for a graphic representation of this process.

The Land Transport Management Act 2003 requires us to publish the reasons for every funding decision. We must place a copy of each decision, and the reasons for it, on our website.

The Land Transport Management Act 2003 requires us to give the same level of scrutiny to our own proposed activities as we give to those of local government (and other approved organisations). This is the 'scrutiny principle' and the systems and process which achieve this are subject to an annual independent audit by the Auditor General.

Procurement practices

Last year we commissioned an independent review of our state highway procurement practices. The review compared our current practice against best-practice elsewhere (especially in Australia) and identified areas for improvement in our procurement practice.

The review concluded that "it is widely accepted that the Transport Agency's procurement practice represents New Zealand's best practice and rates strongly in comparison with the Australian states". The review went on to say that our practices are highly regarded by other contracting agencies and widely respected by the industry, and that we have a demonstrated ability for continuous improvement.

The review identified a number of areas that would further improve state highway procurement. We are well underway with implementing a procurement improvement plan to address these findings.

Continuous improvement programme

Our continuous improvement programme ensures our business processes and support functions are operating efficiently and effectively and that they represent value for money. Organisational reviews are focusing, among other things, on our information management use and storage, including our analytical capability and our wider information services function.

In addition to internal reviews, we participate in external reviews and benchmarking exercises. We have undergone two broad performance reviews since being established. These include a Performance Improvement Framework (PIF) review and the Better Administration Support Services (BASS) benchmarking exercise. We performed well in these reviews and use them to shape our continuous improvement programme.

FUNDING AND ASSESSMENT SYSTEM

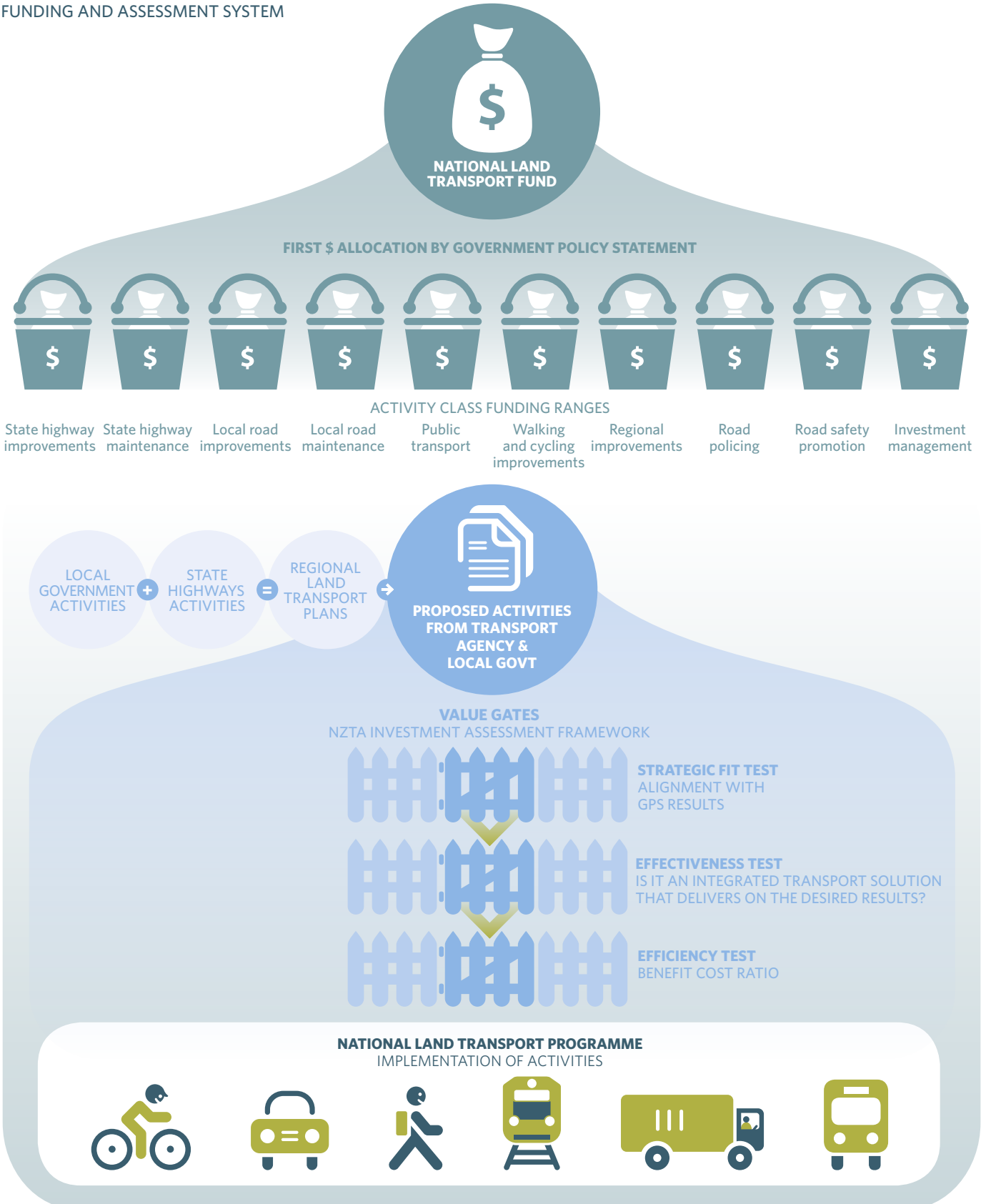


Figure 3 NZ Transport Agency funding and assessment system

Reducing transaction costs and increasing online service options

As a core member of the Better Public Services Result 10 initiative, we are committed to the goal of having 70 percent of New Zealanders' most common transactions with government completed in the digital environment by 2017. We have an extensive work programme underway to improve our current suite of digital services and are looking at ways to migrate additional services to the digital environment. This work includes refreshing our Annual Vehicle Licensing online, launching a new version of our website and implementing easier ways for customers to pay online. By making digital the preferred and easiest choice for our customers, we hope to reduce the burden on all our users, increase compliance, and reduce operational expenses through greater integration of systems and processes.

Implementing shared services

We are working with other transport sector agencies to develop a shared services model to enable capability and capacity to be used across the sector. The Transport Sector Collaboration and Capability programme brings together the Transport Agency, the Ministry of Transport, the Civil Aviation Authority, Maritime NZ and the Transport Accident Investigation Commission to examine how we can innovate and work together to deliver more cost-effective and efficient services.

Initiatives developed to date include establishing a Risk Assurance Centre of Excellence and collaboration between us and Maritime New Zealand on automated invoice processing (which the Ministry of Transport and the Civil Aviation Authority may join). Other service areas such as information and communication technology, information management and finance are examining opportunities to streamline back-office services.

We are also working on maximising value from the delivery aspects of our business. Current focus areas include road maintenance efficiencies, reducing transaction costs, ensuring that investment criteria support delivery of government policy, and facilitating greater collaboration in relation to transport sector research.

4.3 REPORTING

Every year we prepare a Statement of Intent and Statement of Performance Expectations for the Minister of Transport. These documents describe our key objectives and milestones and how they will be measured.

The culmination of this reporting cycle is the statutory Annual Report which details our achievements against the Statement of Intent. It also includes our financial statements. The complementary National Land Transport Fund Annual Report tracks our progress in investing the fund in the National Land Transport Programme to achieve the results of the Government Policy Statement on Land Transport.

The Transport Agency Board also undertakes a quarterly performance assessment and reports to the Minister of Transport. Quarterly reports are an important part of this reporting cycle because they provide an early success or warning indicator on our progress against our strategic commitments, service delivery and financial performance. The quarterly reports also provide the Minister of Transport with regular updates on our operating environment, risks, key result areas, finances, service delivery performance and organisational capability and health.

4.4 WORKING WITH OTHERS

Engaging with our customers and stakeholders

We value and nurture our many relationships with customers and stakeholders. Our stakeholders span local, regional and central government, the public and private transport sectors and beyond. Our 2014 survey of stakeholder perceptions shows they continue to feel increasingly positive about their relationships with us. Over the last three years we've seen a 22 percent increase in the number of stakeholders who told us they were satisfied or very satisfied with their relationship with us.

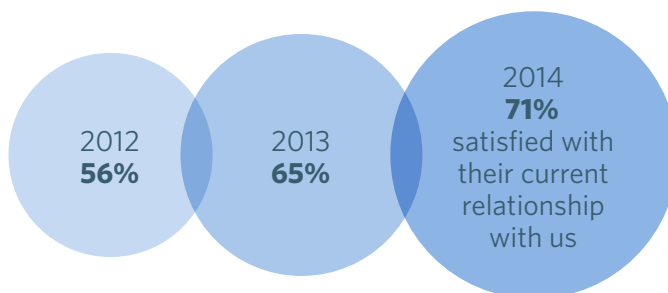


Figure 4 Increasing customer and stakeholder satisfaction

Our stakeholders also told us they want greater engagement in our work at a strategic level and better coordination across the various ways we work with them.

Putting customers at the heart of our business and seeing transport from their many points of view is one of our top priorities. We continue to develop our customer foundations programme, becoming more adept at using customer insights in the design of all of our products and services to meet customer needs and efficiently manage the network.

Ensuring transparency

Every year we hold stakeholder meetings with communities to discuss key issues and how we are performing regionally and nationally. These meetings provide a face-to-face opportunity to discuss the land transport issues which are important to our communities and to share our national insights on land transport issues. Support for this approach is reflected in a Local Government New Zealand report containing the views of 80 percent of mayors and chairs of local authorities. The report states the Transport Agency is “the most proactive in informing, engaging and providing assistance to local government”.

Collaboration

Collaboration enables us to achieve shared goals with our customers and stakeholders. Key examples of collaboration with local government include the Road Efficiency Group’s work to reduce costs and encourage innovation in the management of local roads and state highways as a single network; and the joint traffic operation management centres in Auckland, Wellington and Christchurch which are run in partnership with local government. Examples of wider sector collaboration include the development of the One Network Road Classification which establishes agreed standards for all roads with local government and key sector stakeholders such as the Automobile Association and the Road Transport Forum; and our work to improve freight planning and coordination across local government, KiwiRail, ports, and other public and private sector participants in the freight sector.

Our 2014 Stakeholder Effectiveness Survey found that 44 percent of respondents believed they have a relationship with us that is based on partnership or collaboration. When asked what kind of relationship they’d like to have with us in two years’ time, 80 percent of stakeholders expressed a desire to move to a relationship of collaboration or partnership.

Community engagement

We have a significant responsibility to communities throughout New Zealand. We work closely with people and organisations affected by our work to ensure clear lines of communication and understanding. We consult on significant projects and talk regularly with road users, people living alongside our state highways, consultants and contractors, and other stakeholders including local authorities.

Iwi engagement

We engage with Māori as a treaty partner. We are committed to giving effect to the principles of the Treaty of Waitangi and fulfilling our obligations under the Land Transport Management Act 2003. We engage with hapu and iwi wherever possible on activities that are likely to affect them or their interests, provide Māori with the opportunity to participate in our decision-making and work with Māori to build their capacity to contribute to our decision-making activities.

How we communicate

We are committed to making it easy for customers to communicate with us. We have a range of communication channels which we continue to improve. These include:

- Contact centres: We use innovative approaches to help people get through to us faster and we aim to resolve issues through a single contact. This has decreased total call volumes and improved service levels and quality.
- Online channels: We are making it easier for customers to transact online and have already seen an increase in online transaction volumes.
- Advertising and social media: We are committed to helping people make smart choices and keeping them safe. Our safety advertising programme keeps winning awards and we see good results reflected in a record low road toll.
- Education: Our innovative learning resources are a popular tool for teachers. The resources are built on a practical, active learning approach to help students apply their learning in real life.

PART TWO : AREAS OF FOCUS

5 THE NEXT 3-6 MONTHS

5.1 FINALISING THE GOVERNMENT POLICY STATEMENT ON LAND TRANSPORT 2015/16 - 2024/25

The Ministry of Transport is your lead adviser on the Government Policy Statement on Land Transport. An engagement draft was issued in June 2014 and submissions sought from interested parties. The Government Policy Statement on Land Transport for 2015/16 - 2024/25 needs to be issued well in advance of the 2015-2018 National Land Transport Programme. Our preference is for it to be issued before the end of 2014 to give local government enough time to respond to the government's investment strategy when developing and finalising their regional land transport plans.

The Government Policy Statement on Land Transport is the direction setting document for the Transport Agency and the land transport sector. It provides a mechanism for the government to describe the results it wants to achieve in the land transport sector, and broadly how much it wishes to see invested in each activity class such as public transport, road transport, walking and cycling, and road policing.

We provide guidance to local government, the New Zealand Police and approved organisations on how to assess, prioritise and coordinate investment towards the government's desired results. We are responsible for allocating funding to specific activities (or groups of activities) which collectively make up the National Land Transport Programme. Each three-year National Land Transport Programme must 'give effect to' the Government Policy Statement on Land Transport.

We made the following general points in our submission on the draft Government Policy Statement on Land Transport:

- support for the continuation and improved clarity of the government's investment strategy
- bringing to attention the challenge of managing uncertainties in future revenue and cost pressures in a highly committed programme
- support for the funding range increases for road maintenance that strike a balance between providing for an increased capacity to manage future risks while still requiring value for money trade-offs

- support for the consolidation of activity classes for road maintenance, public transport and investment management to allow the Transport Agency to better manage value for money
- support for more comprehensive reporting on results achieved
- a suggestion to better recognise the partnership with local government where National Land Transport Fund expenditure is matched by contributions of local share by local government.

5.2 PREPARING THE 2015-2018 NATIONAL LAND TRANSPORT PROGRAMME

From now until April 2015 we and our local government partners will focus on preparing the 2015-2018 National Land Transport Programme.

The National Land Transport Programme is developed through a collaborative process with local government. The Transport Agency is a full member of all regional transport committees and Auckland Transport. The committees develop the regional land transport plans and we help shape them through our planning and investment expertise.

Activities selected for inclusion in the National Land Transport Programme are drawn from regional land transport plans. There contain activities from local authorities, the New Zealand Police, approved organisations across the country and the Transport Agency's Highways and Network Operations group. Regional land transport plans must be consistent with the Government Policy Statement on Land Transport.

Activities within regional land transport plans which are proposed for the National Land Transport Programme are evaluated against our investment assessment framework to ensure they are the right priorities, ready to be delivered in the right way, at the right time and for the best cost.

The diagram on the next page shows the relationship between the Government Policy Statement on Land Transport, the National Land Transport Programme and regional land transport plans.

RELATIONSHIP BETWEEN PLANNING DOCUMENTS

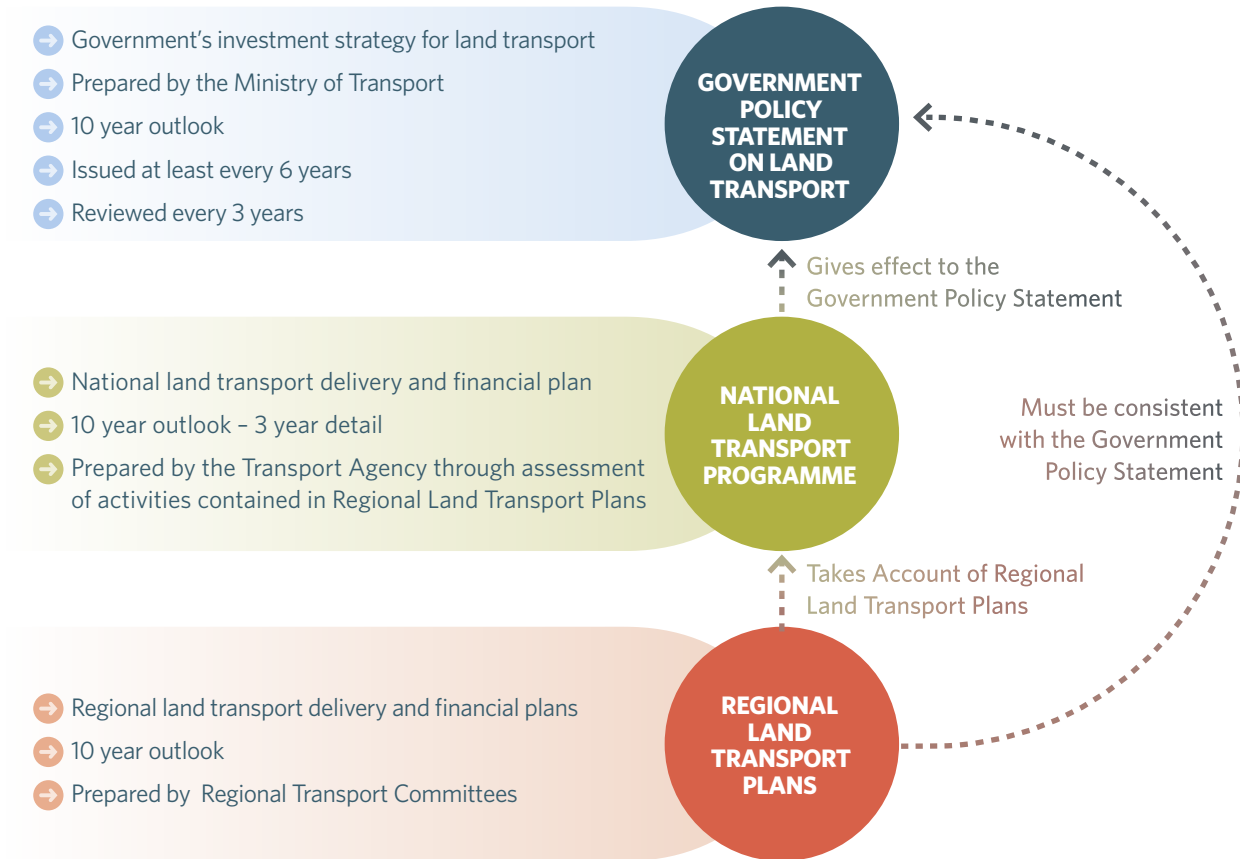


Figure 5 Relationship between planning documents

The 2015-18 National Land Transport Programme is being developed and will be adopted by the Transport Agency Board by 30 June 2015. It will invest about \$14 billion (including funds from the National Land Transport Fund and additional Crown appropriations and local government contributions) over three years in:

- local road and state highway improvements, maintenance and operations
- public transport, and walking and cycling
- regional improvements

- road policing
- road safety promotion
- investment management, including research and planning.

The National Land Transport Fund contribution is around \$10.1 billion over three years. Approximately 12 percent of this has already been committed (that is, funding has already been approved). However, implied commitments to road maintenance, public transport and road policing programmes mean that about 85 percent of the National Land Transport Fund component is already committed to ongoing activities these areas.

NLTF FUNDING COMMITMENTS & BALANCE FOR INVESTMENT DECISIONS

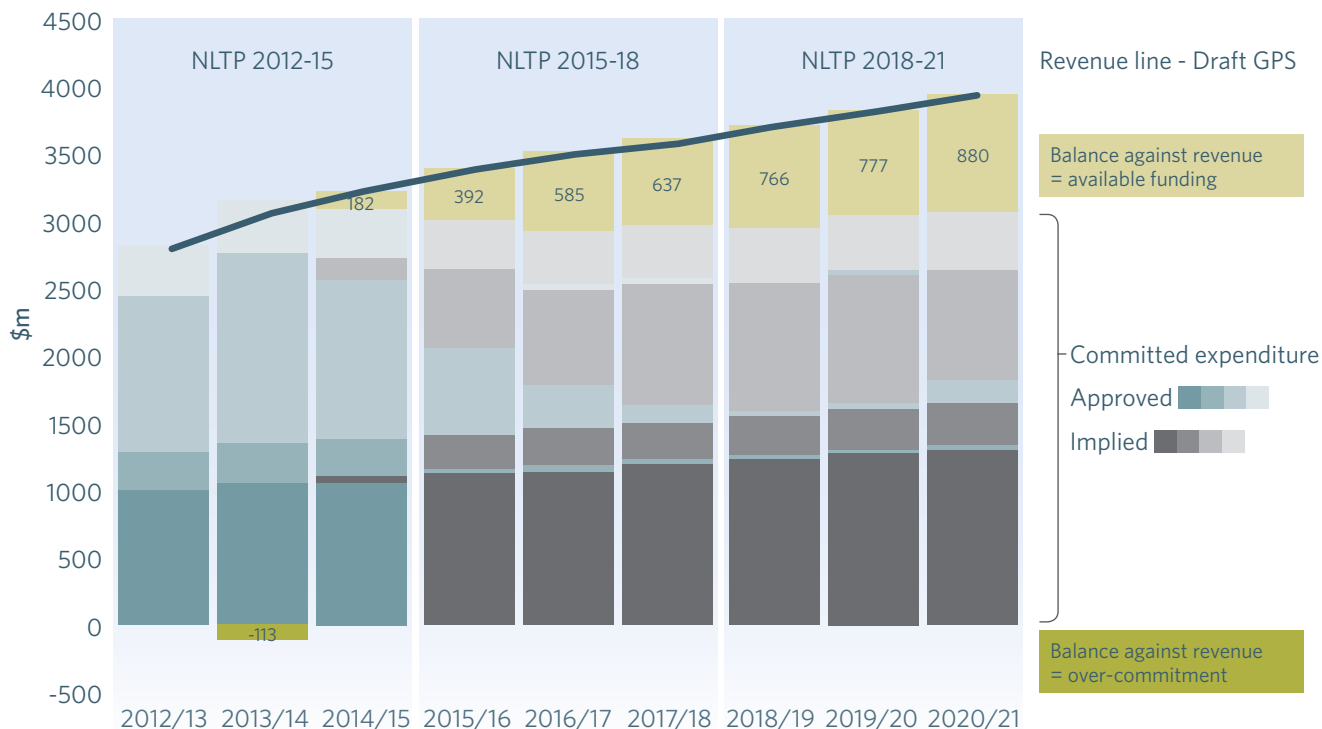


Figure 6 NLTF funding commitments & balance for investment decisions

Funding pressure points

The funding ranges in the draft Government Policy Statement on Land Transport for state highway and local road maintenance are tight, requiring us to retain a strong focus on efficiency. There is little contingency to cover increased emergency works over and above what we usually set aside.

Underlying the forecast expenditure for the 2015-18 National Land Transport Programme are increases in fuel excise duty and road user charges rates of 3 cents per litre in 2015/16 (approved by Cabinet) and consumer price index increases in 2016/17 and 2017/18 (not yet approved). If further consumer price index increases are not subsequently approved revenue will reduce by around \$200 million, with the strongest impact falling on state highway improvements.

5.3 FUNDING ASSISTANCE RATES FOR LOCAL GOVERNMENT

As part of the process to develop the National Land Transport Programme we will begin implementing decisions arising from our review of funding assistance rates. We co-invest a significant proportion of the National Land Transport Fund with local government in local land transport activities, including local roads, public transport, and walking and cycling. On

average we fund 53 percent of all the costs of these local transport activities. The amount funded is determined by the funding assistance rate set by us. This rate varies between individual local authorities according to their circumstances.

The current funding assistance rate system has remained virtually unchanged for 30 years. The existing effective funding assistance rates range from 44 percent to 67 percent (with the Chatham Islands an outlier at 91 percent). These rates are based on the size of the approved maintenance programme and a proxy for wealth through land values. We reviewed the funding assistance rates and the underlying framework in 2013 and recently confirmed:

- a new, simplified and more efficient funding assistance framework
- maintaining the overall national co-investment rate of 53 percent (with a core rate of around 52 percent)
- one funding assistance rate for all land transport activities that a local authority undertakes (rather than the variety of rates at present)
- the overall rate will vary above the core rate for local authorities which are materially affected by their ability to raise local share to deliver the right land transport outcomes.

The new approach is more consistent, fair and efficient. It removes perverse incentives to continue spending to a baseline rather than seeking efficiencies.

While the national average co-investment rate will be 53 percent, some local authorities will be eligible for a higher rate than the core rate. This is determined by comparing the relative ability of local authorities to raise their local share and assessing factors such as rateable capital values, the number of rateable units, the deprivation index of the population and the length of the transport network within a local authority area. Most local authorities will be at one core rate. The impact is that some local authorities will get higher funding assistance than they currently receive, while others will get lower funding assistance.

We have established a transition period of nine years for the new system to ensure that local authorities can manage changes to their funding assistance rates. During the transition period local authorities will experience no more than a 1 percent movement up or down on their funding assistance rate each year. We are working through the detailed options for the best combination of inputs to set future funding assistance rates.

Overall there has been a positive response from the local government sector to the review and how it has been conducted. Some local authorities have raised concerns about potential reductions in their funding assistance rates, linking those concerns to wider issues of investment in rural road networks.

Some outstanding issues need to be confirmed, including identifying which local authorities will receive a lower or higher funding assistance rate than the national co-investment rate and confirming the actual funding assistance rates for all local authorities. The Transport Agency Board will make these decisions in November 2014.

5.4 RAIL 2045

The future role of rail in moving freight is a significant question for the whole transport system, with implications for the movement of both people and freight. We are assisting with the refresh of KiwiRail's 30-year business strategy and options for the business to become more self-sustaining. [REDACTED]

Withheld under s9(2)(f)(iv) of the Official Information Act 1982

[REDACTED]

An emerging question related to public value, first raised by the Productivity Commission in 2012, is how rail could be better integrated into the wider land transport network. Our thinking on this is well advanced in terms of rail's role in providing regional public transport services. This whole-of-network approach can also be applied to freight services. For example, there is increasing demand on the roads around New Zealand's busiest ports. There is potential for greater use of rail to move containerised freight to and from these ports, thereby increasing the volume carried by rail and releasing capacity on the road network.

This larger question requires looking at public investment in the rail network as a 30-year proposition, during which time freight volumes will grow and travel patterns will change depending on the needs of the private sector. In many cases road and rail, or rail and coastal shipping, do not and cannot compete. However there are instances where there is an opportunity to make better use of the network by seeing where public value opportunities exist.

5.5 CYCLING SAFETY PANEL REPORT

We are developing a programme to improve cycling safety. Cyclists have a disproportionate risk of death or serious injury compared to car drivers or passengers.



Figure 7 Cycling Safety Panel and Cycling Community Links

Following a November 2013 coroner's recommendation we convened the Cycling Safety Panel in March 2014. The panel includes cycling advocates, road safety experts and a representative of the Automobile Association. A draft report and recommendations has recently been released for consultation for stakeholders on ways in which central and local government can improve cycling safety. We expect the report and recommendations will be finalised in November 2014 following a summit on 17 October 2014. The Transport Agency and the Ministry of Transport will jointly brief you on the implications of the panel's recommendations.

5.6 SAFER SPEEDS PROGRAMME

Safe speed is a current priority in the Safer Journeys strategy. We are co-leading the development and implementation of a new national direction on speed as part of a 10-year Safer Speeds Programme. The national direction aims for speeds which are safe and appropriate for road function, design and use, while recognising the economic importance of efficient movement on particular routes.

For routes with an important economic function we aim to maintain or decrease travel times primarily through infrastructure improvements, while maintaining safety. For high-risk, unimproved routes with a lesser economic function we aim to manage speeds down rather than spend to improve the quality of the roads. Speeds will also be managed down on some mixed-use urban arterial routes to support safe walking and cycling.

Implementation of the Safer Speeds Programme has started and will influence the 2015-18 National Land Transport Programme and the Road Policing Programme. It will continue over the next decade alongside other Safer Journeys actions already programmed.

We expect the issue of travel speeds, particularly changes to them, will generate much public interest. We are working closely with partners such as the Automobile Association to develop a broad-based communication programme to influence public discussion. We will issue a draft speed management guide by December 2014 and are supporting the Ministry of Transport to review the speed management rule.

5.7 CERTIFICATE OF FITNESS (COF) IMPLEMENTATION

We regulate the vehicle inspection industry, which certifies vehicles as safe for use on New Zealand's roads. From 1 December 2014, we are implementing changes to the Certificate of Fitness process to increase productivity. The changes will enable organisations to offer both inspection and vehicle maintenance and repair services. Currently Certificate of Fitness inspections are completed separately by independent providers which increases the amount of time commercial vehicles are out of service.

The transition to the new market model is expected to be smooth. However, there is likely to be some discontent from current Certificate of Fitness providers as their market share is reduced by new players entering the market. The current providers have had significant time to prepare and develop changes to their services, and most are intending to do so.

5.8 CITY RAIL LINK - AUCKLAND

Auckland Council and Auckland Transport are continuing to plan, design and acquire property for the City Rail Link. The City Rail Link is now being delivered in two distinct parts.

Phase One is the enabling works to build two rail tunnels between Britomart under Queen Street and the Downtown Shopping Centre, and a 'cut and cover' tunnel under Albert Street as far as Wyndham Street. The enabling works are planned for 2016 to 2017 to coincide with the planned redevelopment of the Downtown Shopping Centre by Precinct Properties Ltd. Auckland Council is budgeting between \$240 million and \$250 million for these works. The aim is to complete the enabling works before the World Masters Games in April 2017. We think this is a sensible sequencing of enabling works which will minimise disruption of critical intersections in the CBD, and enable compliance with the planning conditions that only one intersection can be out of action at any one time. A more compact construction schedule at a later time would prove too disruptive.

Phase Two is the tunnel boring machine and station building stages of the project. This phase could start as early as 2018 and be completed by 2022 at a cost of around \$2 billion. Design and procurement decisions for this phase could be taken progressively from 2015/16 onwards, but are dependent on future funding decisions and commitments.

The Crown is not currently an active partner in the City Rail Link project implementation. The government has signalled it will only consider being a funding partner to enable a construction start in 2020, or possibly earlier if certain patronage or other targets are achieved. The risk of not being involved in these early stages is that the key elements of the project get determined in the meantime. If the Crown is to be a future funding partner it needs a mechanism to identify options and risks around planning, design, procurement and financing.

We have experience in complex infrastructure projects of the scale of the City Rail Link. One mechanism to help manage Crown risk could be for the Transport Agency to become a technical partner with Auckland Transport in developing the City Rail Link. This would be consistent with the one transport system arrangements that have been forged with Auckland Transport and Auckland Council over the last 3-4 years.

5.9 APPEAL ON BASIN BRIDGE/INNER CITY WELLINGTON IMPROVEMENTS PROPOSAL

We have lodged an appeal with the High Court on the decision of the Board of Inquiry to decline the resource consents sought for the Basin Bridge proposal in Wellington. The Board's decision can only be appealed on points of law.

We consider that if the decision stands as it is, it could be problematic for future transport planning and consenting activities, and possibly for other infrastructure providers. The appeal addresses a number of potential errors in law relating to the Board of Inquiry's consideration and assessment of alternatives, transport benefits, heritage and visual effects, and the assessment of effects being undertaken without proper regard to relevant planning documents.

5.10 TOLLING

Toll revenues provide a contribution towards the planning, design, supervision, construction, maintenance or operation of a new road. They also broaden the revenue collection mechanisms based on willingness to pay for additional benefits.

We operate a toll road and a toll system back-office. The toll system back-office requires scale in the longer term to optimise performance. The system is electronic (based on number plate recognition) which provides a free flow access experience for customers. The Transport Agency Board sets toll tariffs, within a maximum (inflation adjusted) price range set by the government through an Order in Council.

The Northern Gateway Toll Road has been operating since 2009. The net toll revenues are returned to the Crown to pay back Crown borrowings raised to build the road. This money was initially forecast to be fully paid by 2045 but is now forecast to take until 2054.

We are progressing two toll roads in Tauranga. The first is Tauranga Eastern Link, a Road of National Significance, which is currently being constructed and expected to open mid-2015. We would also like to declare Route K a State highway, since it functions as part of the SH29 direct access to the Port of Tauranga. This is currently being tolled and we have progressed negotiations with Tauranga City Council to take over responsibility for the route, inclusive of the existing debt and collection of tolls. We hope to accomplish the transition at the start of the 2015/16 financial year. These tolling schemes require an Order In Council for each route. Securing the relevant approvals is a priority for the NZ Transport Agency to fit with our delivery programmes, mitigate investment risks and allow us to engage with the public and we will be seeking your help to progress this with Cabinet as soon as possible.

Several other planned new state highways are being considered for tolling over the coming decade, including Transmission Gully. Tolling decisions can form an important part of the overall business case of a project and subsequent changes in decisions to toll or not to toll can affect its financial viability.

6 AREAS OF FOCUS OVER THE NEXT 1-3 YEARS

6.1 DELIVERING AN INTEGRATED LAND TRANSPORT NETWORK

The land transport network can only be considered truly integrated, efficient and resilient when its users experience seamless connections between different transport modes and locations, and between transport infrastructure and surrounding land uses.

In delivering an integrated land transport network, we take a 'whole of system' or 'one network' approach. This recognises that the network capacity required for New Zealanders can be provided in a number of ways according to location, and that all transport modes – road, rail, public transport, and walking and cycling – need to complement each other to provide this capacity. This is particularly relevant in the main metropolitan centres of Auckland, Wellington and Christchurch where roads alone are unable to provide the necessary transport capacity at peak times.

An integrated land transport approach also recognises that not all parts of the network service the same demands or are equal in terms of their contribution to New Zealand's growth and productivity. Some parts of the network are safer and more resilient than others. These key issues underpin our investment approach when considering integration between land use and transport planning, between local roads and state highways, and between different transport modes.

We interact with local authorities' planning processes in a number of ways including protecting corridors for future projects, consenting new projects, managing the impact of land use on the transport network, and aligning land use with growth and planning of the land transport system. In this context we have a strong interest in resource management reforms, including:

- the guidelines and terms of reference for the Environmental Protection Authority Board of Inquiry process
- provisions for nationally significant infrastructure
- rationalising the number of resource management plans
- having a consistent national template for resource management plans
- reviewing provisions for national policy statements and national environmental standards
- ensuring appropriate planning for growth
- aligning resource management reforms with other government reform programmes such as the better local government programme and housing affordability.

Our experiences with the recent Basin Bridge decision and the Proposed Auckland Unitary Plan demonstrate the importance of appropriate planning for growth, efficient and adaptable processes, and the ability to balance the provision of significant infrastructure with the management of adverse effects.

6.2 IMPROVING THE EFFICIENCY OF THE FREIGHT SYSTEM

We are tasked by the current and draft Government Policy Statement on Land Transport to improve the efficiency of freight movements and freight supply chains. Improving freight productivity and efficiency within our transport system is particularly important to New Zealand's economy given our reliance on the export of large volumes of goods to distant markets.

Along with improving productivity, managing freight growth is a critical challenge with the National Freight Demand Study 2014 forecasting substantive growth in the volume of freight rising 58 percent from 236 million tonnes in 2012 to 373 million tonnes by 2042. The growth will be heaviest in Auckland, Canterbury and the Waikato.

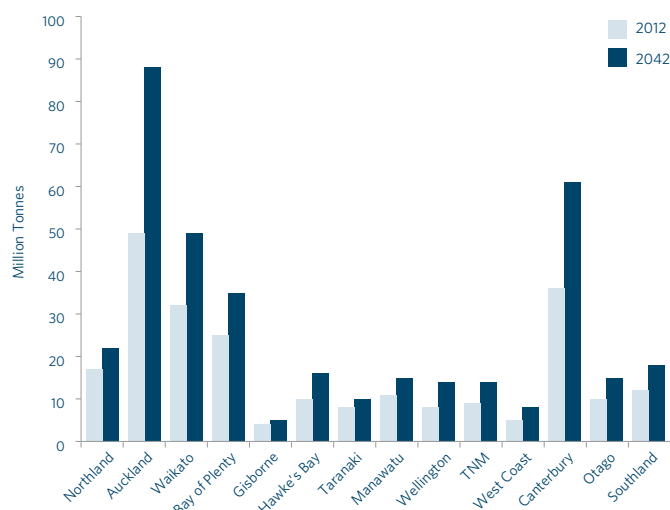


Figure 8 Future freight growth

Our key actions to improve the efficiency and safety of freight movements and supply chains include:

Improving sector coordination in relation to freight planning

We see an opportunity to unlock efficiencies across the freight system through closer planning and strategic alignment with other infrastructure providers, particularly ports, airports and KiwiRail. The Productivity Commission's 2012 Inquiry into International Freight Services found that uncertain demand, multiple decision-makers and the uneven nature of transport investment creates risks of both under-investment and over-investment in the freight system. We have been working across the freight system with both private and public sector participants (for example, KiwiRail, ports and local government) to improve freight planning, information and coordination.

Our initial focus has been on the upper North Island which hosts more than 50 percent of New Zealand's freight movements. We are finalising an Upper North Island Freight Accord with our regional partners. The accord will set out common freight assumptions and a three-year work programme, informing regional and national planning and investment decision-making. Similar freight statements for the central North Island and South Island are also being developed during 2014/15.

Delivering a high performing strategic freight network

A major theme of the freight planning work has been the importance of the major national and inter-regional networks for efficient freight movements. With most of New Zealand's freight moved by road, most of the increase in freight will be felt on particular parts of the road network. Each year around 217 million tonnes of freight is moved by road, which is 91 percent of the total by volume (rail being 7 percent and coastal shipping 2 percent), and 70 percent of tonnes/kilometres taking into account weight and distances (compared to 16 percent by rail and 14 percent by coastal shipping). Our investment in strategic road freight routes will address some of the critical intra and inter-regional freight network constraints. Freight planning discussions have also recognised the role of coastal shipping for supporting less time-critical inter-island freight movements, and the role of rail for the long haul movement of large volumes of freight.

Developing one freight network for customers

A systems approach informs our freight planning, as does a better understanding of market demand and trends. For example, understanding the impact of changing patterns of international containerised trade is critical as it will change freight demand to and from New Zealand's major sea ports. More work is needed to better understand these and other developments, and prepare for the most likely future scenarios. Continued engagement with industry will be important to understand system-wide developments and impacts. Closely related to this is considering what the future of rail may look like.

Safely moving more freight on fewer trucks

Moving more freight onto fewer trucks reduces the cost of doing business, improves safety and lessens the energy, environmental and amenity impact of freight movements. The focus of this work is enabling industry to make greater use of high productivity motor vehicles which can improve productivity by 14-20 percent. These are heavier and/or longer trucks which have been issued permits to carry additional volumes of freight under rule changes made in 2010. Only trucks suitable to safely carry additional freight are permitted to be high productivity motor vehicles, and then only on routes which are suitable. Our goal is to increase the number of 'high productivity' trips from around 15 percent of 'big/heavy truck' trips in 2012/13, to 20 percent by 2016.

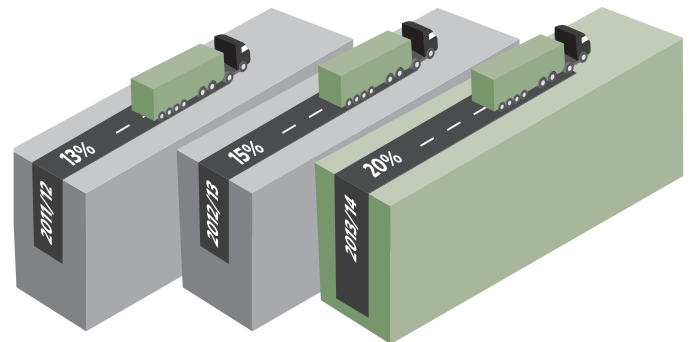


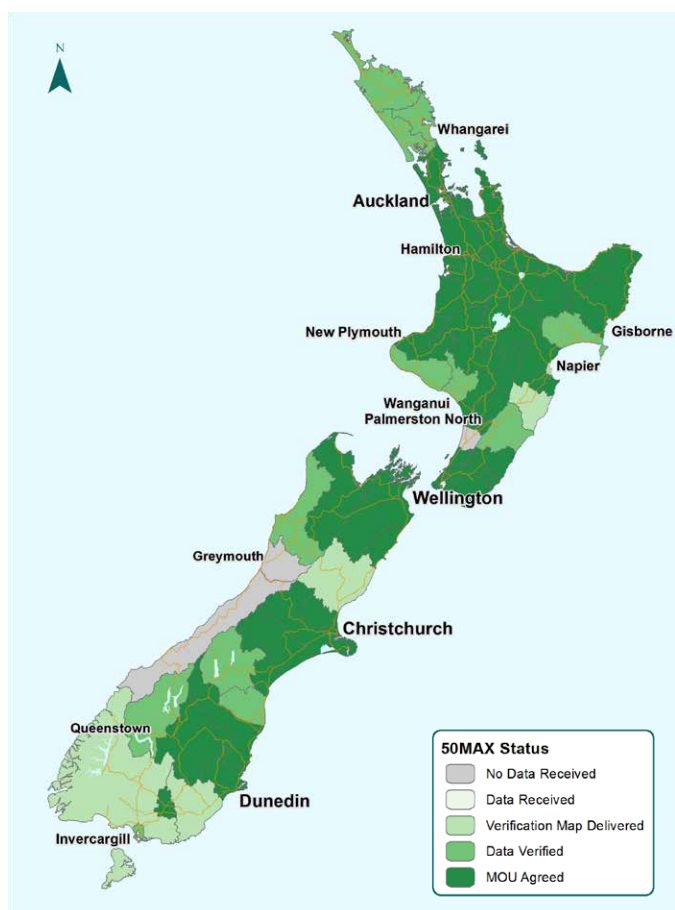
Figure 9 Increasing high productivity trips

We are investing to open up more routes suitable for a range of high productivity motor vehicles weighing up to 58 tonnes (see map below). We are also reviewing the permit system to identify efficiency opportunities to improve customer service.



Map 1 High productivity freight network (full-HPMV by 2015)

Different types of high productivity motor vehicles are designed to move different types of freight and access different parts of the road network, depending on the ability of the roads to cater for them. The 50MAX vehicles are proving particularly popular with the industry. Their design allows them to carry substantially more freight per truck, on routes which are not capable of carrying the heaviest high productivity vehicles. These trucks not only carry more freight but can also access more of the road network because of their lower pavement impacts and because additional bridge strengthening is not required on most routes.



MAP 2 50MAX Programme participation

Along with productivity benefits, the uptake of newer high productivity motor vehicles, particularly the popular 50MAX option, provides significant safety benefits through features like advanced braking systems and higher standards for load stability and vehicle lighting.

6.3 MAKING THE MOST OF URBAN NETWORK CAPACITY

We are committed to getting the best out of existing networks, especially those in major urban areas. We actively engage with local government to ensure land use and transport planning is integrated so that the benefits of existing, new and planned infrastructure can be realised. Key areas of focus are:

Urban network operating plans

We have worked with local government to develop a Network Operating Framework which prioritises the competing demands on constrained networks by mode and by time of day. Collaboratively developed network operating plans based on the framework are now in place for Auckland, Hamilton, Wellington and Christchurch, helping us to make the best use of existing capacity and to support growth and productivity.

Network operating plans enable us to shape urban transport demand and actively manage traffic growth through a range of travel information and road management activities including:

- allocating road space to buses and high occupancy vehicles
- providing safe and convenient walking and cycling opportunities
- enabling park-and-ride facilities
- proactively managing the movement of freight on the network
- providing travel information to customers through a range of channels.

Contributing to planning for Special Housing Areas

We are working to ensure that Special Housing Areas identified for Auckland, Tauranga, Wellington and Christchurch are located where there is adequate existing or planned capacity on the transport network. We work with local authorities to avoid the location of these areas in places where significant additional, unplanned transport infrastructure investment from the National Land Transport Fund would be required to service the developments. This work requires us to take long-term integrated planning perspective, considering the down-stream impacts of housing location decisions on transport demand and funding.

Working with others to operate the transport network

We have adopted an end-to-end journey management approach to get the best out of existing networks on a daily basis. This sees us working with local government partners to manage local roads and state highways as a single network which moves people and goods safely and efficiently under a variety of conditions, including during disruptions.

Transport operating centres in Auckland, Wellington and Christchurch are key mechanisms to ensure traffic operates efficiently, safely and effectively. The centres are jointly managed with our local government partners. They enable us to monitor, manage, inform and optimise the use of the transport network in these cities and provide services for the entire state highway network. We are expanding the capability of the transport operating centres to deliver integrated, real-time operations and provide cross-functionality in the event that any of them is disabled, for example, as the result of an earthquake.



Map 3 Transport operating centres

6.4 IMPROVING THE EFFECTIVENESS OF PUBLIC TRANSPORT

Integrated cross-modal public transport (bus, rail and ferries) is a critical component of getting the best out of existing networks and providing real transport choices and solutions for customers.

Consistent with the direction of the Government Policy Statement on Land Transport our public transport investment with local government continues to focus on improving network capacity in major urban areas and enhancing access to markets, employment and education. Ninety percent of the current public transport investment is in the three major urban areas of Auckland, Wellington and Christchurch. Investment in these areas is targeted at creating additional network capacity (where that capacity will have the greatest benefit) and providing public transport as a reliable travel choice.

Several large 'enablers' of public transport system improvements are well underway including the implementation of the new public transport operating model, improved planning of public transport networks, integrated ticketing and fares, and fleet improvements. These enablers are the foundations for delivering more effective public transport in New Zealand and ensuring the benefits of the significant investment in public transport to date are realised.

Implementing the Public Transport Operating Model

The Public Transport Operating Model introduces a substantially new planning, contracting and business development approach for public transport. It aims to grow confidence that services are priced efficiently, increase competition for public transport contracts, grow the commerciality of public transport services and create incentives for services to become fully commercial. We are working closely with regional councils and Auckland Transport as they review existing networks and prepare to tender under the new model.

The new operating model is a major policy change in planning and contracting public transport services. It is attracting international interest as an example of best practice in the regulation of public transport contracting. Now that the policy framework is in place full implementation will take several years. The first tender round is planned to start in Auckland in late 2014. Tendering will conclude by 2018/19 for all regions as existing contracts expire.

Implementing integrated public transport fares and ticketing

Integrated fares and ticketing (using smart card or similar technology) are foundation requirements for effective public transport services and increased patronage in our cities. The Auckland integrated ticketing scheme was co-funded by the Transport Agency and fully implemented in April 2014. We are now working with Auckland Transport on the next stage of fully integrating fares across its network and working with Greater Wellington Regional Council to plan the Wellington scheme. A consortium of smaller regions is developing a joint integrated ticketing scheme.

To get best value from investment in regional ticketing systems we have established a subsidiary entity (NZ Transport Ticketing Ltd) to own and operate the back-end transaction processing system for Auckland and all other regional ticketing schemes. This central system has been fully funded by the Transport Agency in the context of the development of the Auckland scheme.

Investing in public transport network operation, planning and fleet improvements

Ninety percent of our expenditure on public transport is in Auckland, Wellington and Christchurch. Continued investment for Auckland and Wellington is required for rail service and planned rolling stock upgrades, improved bus priority measures, and to continue to get the best value from network services. Our investment to date has supported significantly increased public transport patronage in Auckland, a 'steady state' for Wellington, and a rebuilding of public transport patronage in Christchurch following the earthquakes.

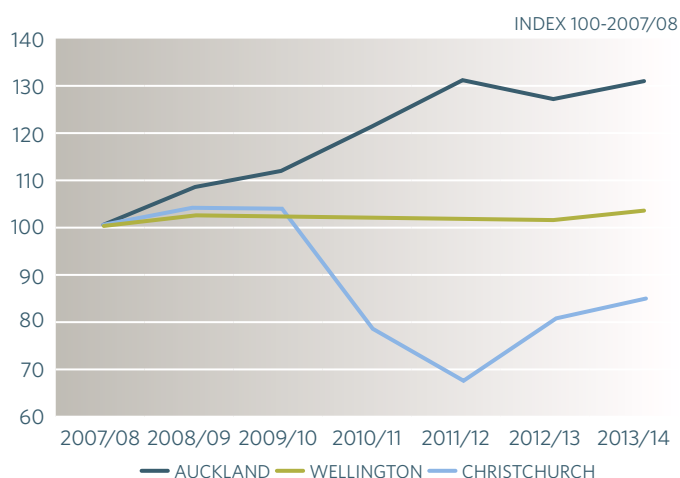


Figure 10 Public transport patronage

Major efficiency improvements are becoming possible through the potential introduction of modern diesel-electric hybrid buses and double-decker buses on busy metropolitan routes; through improved network planning to provide bus lanes and bus priority at intersections; and using the rich data from integrated ticketing systems to better plan and adjust services.

Supporting metro rail services procurement

Auckland Transport and Greater Wellington Regional Council have started the procurement process for their metro rail operations with new contracts starting in 1 July 2016. We are required to approve the procurement procedures for these rail services and are working closely with Auckland Transport and Greater Wellington Regional Council.

Providing targeted transport choices

The Total Mobility Scheme provides subsidised taxi trips for people with disabilities who are unable to use public transport. This is an important service and we are scoping a review of the operational policy settings of the scheme.

The SuperGold scheme provides free off-peak public transport for people aged 65 and over. It is funded from a separate Crown appropriation through the Ministry of Transport and administered by the Transport Agency.

6.5 CYCLING INFRASTRUCTURE

In August 2014 the government announced an additional \$100 million of Crown funding will be made available over the next four years for urban cycling infrastructure. This is in addition to funding provided through the walking and cycling activity class of the National Land Transport Programme. An Urban Cycling Investment Panel consisting of representatives from central and local government and other organisations will be appointed to investigate opportunities to invest in urban cycleways which will expand and improve the cycling network.

Terms of reference for the investment panel require Cabinet approval by around the end of October 2014. An investment strategy will be developed to ensure projects are good quality and 'investment ready' before construction starts. The delivery of this cycling infrastructure will be integrated with the implementation of the approved recommendations from the separate Cycling Safety Panel.

In response to heightened public and political interest, and investment in improving cycling options and safety, the Transport Agency is dedicating increased resources to cycling planning, investment and safety promotion.

As a co-investment partner in the regions, a key challenge for the Transport Agency will be the extent to which local government is willing to prioritise cycling improvements ahead of other demands on its (sometimes reducing) funds. To address this we have advised urban councils that we will work closely with them to build their capability to deliver better and safer cycling infrastructure, and that we intend to co-invest with them to complete existing cycling networks to 'unlock' the benefits of previous investment. We are also encouraging innovative thinking about how walking and cycling space on the network can be shared in a safe and efficient way.

6.6 ADDRESSING KEY RISKS FOR ROAD SAFETY

The Transport Agency is a key partner with other National Road Safety Committee agencies in implementing *Safer Journeys: New Zealand's road safety strategy 2010-2020*. This strategy is based on the world leading 'Safe System' approach which recognises that people make mistakes and are vulnerable. It rejects any assumption that serious road trauma is inevitable. It promotes shared responsibility to design, maintain and operate a forgiving road system that minimises error and trauma when crashes occur.



Figure 11 Safe System

The Safer Journeys vision of 'a safe road system increasingly free of death and serious injury' requires a new level of ambition and innovation. New Zealand's road safety performance has steadily improved since 2010 (reducing from 375 road deaths in 2010 to 254 in 2013), although we still have a death rate double that of world-leading countries.

Serious injuries remain high and are not reducing at the same rate as fatalities. The social cost of road trauma remains a significant burden on the economy with latest estimates at \$3.29 billion per annum.

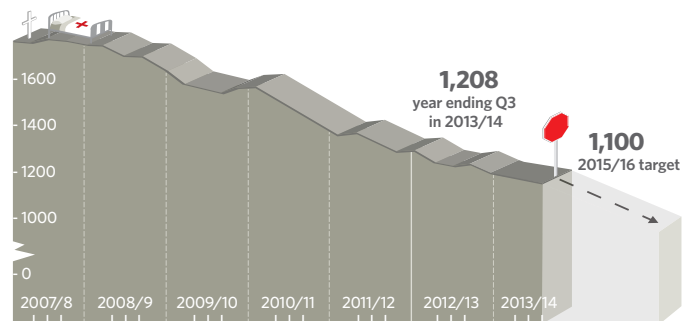


Figure 12 Reducing deaths and serious injuries on open roads

Safer Journeys action plans

Safer Journeys initiatives are delivered through a series of action plans. The 2011-2012 Action Plan reduced young driver risk and made good progress in the areas of roads and roadsides, high-risk drivers, fatigue and distraction. Improving motorcycle safety remains a particularly challenging area in New Zealand and internationally.

The 2013-2015 Action Plan addresses speed, vehicle safety (arising from our aging light vehicle fleet) and impaired driving (largely due to drugs and alcohol). The Transport Agency is co-leading the development of a national direction for speed management. The Signature programme is a testing ground for innovative partnership-based approaches to intractable issues. We are also leading the roads and roadsides work with local government, which focuses on reducing risks on high-risk rural roads and at high-risk intersections. Other actions include reducing adult blood alcohol content to 0.05, improving the effectiveness of automated enforcement, encouraging the introduction of safer vehicles, and changing the road safety conversation.

We are working with the Ministry of Transport, the New Zealand Police and the Accident Compensation Corporation to review the effectiveness of the two action plans delivered to date, develop the third and final action plan for 2016-2020, and indicate a direction for road safety after 2020.

6.7 IMPROVING ROAD POLICING

We invest around \$300 million each year in road policing. We work with the New Zealand Police to prepare the three-year Road Policing Programme which is part of the National Land Transport Programme. The programme is subject to the approval of the Minister of Transport and we report to the Minister on the delivery of the programme. The programme is appropriated through Vote: Police alongside other Police outputs, but the source of the funds is the National Land Transport Fund.

The Road Policing Programme is integrated with the Safer Journeys strategy and includes priorities such as implementing new alcohol limits and the National Speed Management Programme.

The Transport Agency is participating in the New Zealand Police Excellence Programme which considers how to transform policing for the future. This work has already identified that a step-change in the delivery of road policing is required if we wish to significantly reduce deaths and serious injuries. It has also identified that increased use of automated, mobile and information technologies is a key part of future road policing.

Through the Road Policing Programme we have started to invest in an increased use of technology to improve the effectiveness and efficiency of road policing. For example, a digital speed camera programme is being implemented and mobile technology is increasingly being used for on-the-spot issuing of infringement notices and crash reporting.

Withheld under s9(2)(f)(iv) and s9(2)(g)(i) of the Official Information Act 1982

[Redacted text]

6.8 IMPROVING ROAD MAINTENANCE EFFICIENCY

We have been working with local government to improve the efficiency of road maintenance, share best practice asset management, and develop a consistent set of standards to guide road maintenance treatments for different types of roads. Underpinning these efforts is the recognition that not all state highways are equal and some local roads carry more traffic than some state highways.

The Road Efficiency Group

The Road Efficiency Group is a collaborative initiative of the road controlling authorities of New Zealand. It was nominated by the government to carry out the recommendations of the broader Road Maintenance Task Force established in 2011. The group aims to deliver value for money and improve performance in state highway and local road maintenance, operations and renewals across the country. Since the group's formation in 2012 considerable progress has been made on identifying opportunities to improve performance and innovation, and reduce costs.

The Road Efficiency Group focused on three areas:

- Developing the One Network Road Classification. This classifies roads according to their function and use. It applies different levels of service (maintenance standards) to different classes of road. It provides a nationally consistent and standardised way of assessing like-for-like roads across the country.
- Sharing best practice asset management planning and advice with road controlling authorities.
- Collaborating with the industry and road controlling authorities to share information, staff and management practices.

By 2016 we are targeting maintenance and renewal savings for state highways and local roads of \$280 million compared to a budget based on 'business as usual'.

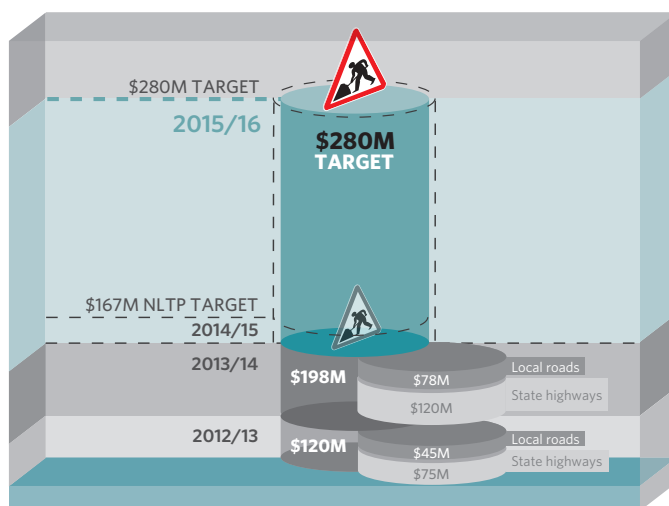


Figure 13 Road maintenance efficiency target

One Network Road Classification

The One Network Road Classification is a key tool to help us and our local government partners to ensure road maintenance investment goes where it is most needed. It provides a framework for classifying roads according to their function and use, and setting differentiated service standards according to classifications: better quality roads for high-volume and strategic routes, and potential downgrades on routes which do not warrant such a high standard. In real terms this means we tend to focus on improving the capacity of national, high-volume routes. On other less strategic routes we will maintain the focus on safety and resilience.

Over time we are likely to see some roads which exceed the levels of service set out for them in the classification being managed downwards. This will mean that some of the lower classified roads will receive more patching in place of resealing or renewal work. We will monitor this carefully to ensure network performance does not become unsafe or overly costly to renew and maintain.

Developing the classification has been a joint sector project between us and Local Government New Zealand. The classification includes both state highways and local roads and provides a consistent way of setting, monitoring, measuring and comparing road asset performance across the entire road network.

The classification is new and will increasingly be used to guide road asset management investment and delivery during the 2015-18 National Land Transport Programme. From 2018 we expect all road programmes to use the classification.

6.9 INCREASING THE FOCUS ON RESILIENCE

In the wake of the Canterbury earthquakes and major weather-related events we have increased our focus on the resilience of the network. We recently developed a joint resilience operating policy with Transpower and KiwiRail. This provides us with a common framework and methodology for assessing the resilience of core infrastructure and responding to a range of risks.

We have used the resilience operating policy to develop a programme to provide a clearer picture of the risk and resilience profile of the state highway network from a national perspective. The programme will provide a nationally coordinated approach to progressively improve the resilience of the state highway network, including its ability to withstand natural and man-made events and recover quickly from road closures.

The resilience programme will progressively enable our regional teams to work more effectively with local government and other infrastructure partners to plan and improve our joint preparedness and capability to respond to events or ensure a viable alternative route is available.

6.10 DELIVERING THE STATE HIGHWAY PROGRAMME

We currently invest around \$2 billion in the state highway network each year. Of this around \$1.5 billion each year is spent on improving the network. Approximately 60 percent of the improvements funding each year will be spent on the Roads of National Significance and the Auckland transport package. The remaining \$500 million each year is for maintenance, operations and renewal of the state highway network. We continue to invest in safety initiatives as part of the Safer Journeys strategy, and technology-based solutions to get the best from the existing network. Funding for state highway capital improvements over the next three years is largely committed to projects already underway.

We continue to make good progress on delivering the remaining Roads of National Significance. Their current status and future milestones are at Appendix A. The milestones rely on revenue from fuel excise duty and road user charges, both of which depend on travel volumes. Any changes to available funding would result in changes to the milestones.

Given the size and complexity of the programme and the increasing costs of operating and maintaining these improvements, targeting investment for the national roading network is increasingly important. Projects of this scale and complexity are monitored throughout their development to ensure delivery can be matched to the available funding.

6.11 DELIVERING THE REGIONAL ROAD INVESTMENT PACKAGE

Regional improvements in the draft Government Policy Statement on Land Transport

The draft Government Policy Statement on Land Transport creates a new contestable 'regional improvements' activity class. It prioritises investment in regional state highways and local roads towards improvements which support regional economic growth and access to markets (more efficient freight movement), resilience and reliability, and improved safety. The new activity class will enable us to better balance major regional benefits with national benefits, helping our regions to grow. The new activity class effectively replaces existing regionally distributed funding and signals a change in the regional investment focus.

As a co-investment partner in the regions, a key challenge for us will be the extent to which local government is willing to prioritise local transport infrastructure improvements ahead of other demands on their (sometimes reducing) funds.

The Crown-funded accelerated regional package

In June 2014 the government announced funding to accelerate a package of regionally important state highway projects. Up to \$212 million from the government's Future Investment Fund will be available to the package. The package has three parts:

PACKAGE	PROJECTS
PART 1 \$80 million Accelerating critically important regional projects that are 'construction ready'	1. Otago: Kawarau Falls Bridge 2. Canterbury: Mingha Bluff to Rough Creek realignment 3. Northland: Akerama Curves realignment and passing lane 4. Gisborne: Panikau Hill and Wallace Hill slow vehicle bays 5. Taranaki: Normanby Overbridge realignment
PART 2 \$5 million Finalising the investigation phase of regionally important projects	6. Manawatu/Whanganui: Whirokino Trestle Bridge replacement 7. Gisborne: Motu Bridge replacement 8. Marlborough: Opawa and Wairau Bridge replacements 9. West Coast: Taramakau Road/Rail Bridge 10. Northland: Loop Road north to Smeatons Hill safety improvements 11. Taranaki: Mt Messenger and Awakino Gorge Corridor
PART 3 \$12 million Investigating and designing regionally important projects	12. Hawke's Bay: Port of Napier access package 13. Nelson: Nelson Southern Link 14. Bay of Plenty: Rotorua Eastern Arterial
Total of \$97 million to advance parts 1 - 3, with the balance (\$115 million) available to fund construction	

Table 1 Accelerated regional package

The projects are important to their respective regions, and will address economic efficiency, safety, and resilience issues for regional transport networks.

Once the investigation phases of the projects in Parts 2 and 3 are completed, we will provide the Minister of Transport with information on the expected costs, benefits, timing and any other relevant matters to inform a decision on whether to fund construction from the remaining Crown funding.

Our focus across both programmes of work will be to ensure regions have the efficient, safe and resilient land transport network needed to support regional growth and productivity.

6.12 REGIONAL CHALLENGES AND OPPORTUNITIES

While main centres are likely to see continued growth, some regions and rural communities are anticipating population decline. This will have a significant impact on the nature of transport demand in these areas and the ability of communities to maintain the quality of their infrastructure at present day levels. Local authorities are considering the following issues as they prepare their long-term infrastructure plans:

- the affordability of maintaining current infrastructure quality given reducing rating bases
- whether the current quality of infrastructure will be appropriate for a smaller and older population
- the community acceptability and long-term costs of adjusting infrastructure quality over time
- what kind of infrastructure will be needed to support changing demand (for example, reduced frequency of travel as the population ages and modal shifts)
- the impacts of the loss of core infrastructure (for example, hospitals, courts and schools) on the demand for rural passenger transport services with more people needing to travel further to access services
- the ability of local authorities to retain specialist staff to plan for and manage these issues.

We are responding to these regional challenges on two fronts:

- delivering the government's accelerated package of regional highway projects and investing in regional improvements consistent with the Government Policy Statement on Land Transport
- working with local government partners to reduce the costs of maintaining roads, finding opportunities to share services, and exploring other opportunities for amalgamation or clustering arrangements.

There is increasing recognition that transport planning and investment, especially in our complex metropolitan areas, is best done on a regional basis to achieve integration across all modes. We have seen the benefits of the Auckland Transport approach, which has involved bringing all the region's transport activities together under one organisation to enable the best use of resources and an optimal regional land transport programme of investment. There may be an opportunity to adapt the Auckland Transport model in other urbanised regions and we would welcome a discussion with you on this. We note Christchurch is already considering the issue of a more broadly based 'transport agency' for its metropolitan area. In Wellington a proposal for local government amalgamation from the Local Government Commission is expected before the end of this year and transport is likely to be a strong driver for a more integrated approach, regardless of what the final institutional arrangements for the region might be.

One particular activity where adopting a regional approach to transport management would have benefits is bus public transport. Currently Regional Councils are responsible for transport planning and public transport at a regional level, but they do not have direct control over local roads. This makes it difficult to make the best of road space for public transport at peak travel times and opportunities for greater network efficiency and integration with other modes are lost.

6.13 REBUILDING CANTERBURY

We are assisting with the planning and funding of earthquake recovery works for Canterbury in conjunction with contributions from the Christchurch Earthquake Recovery Fund and local authorities. By far the largest component is required for reinstatement work in Christchurch city. Our contribution to the rebuilding of Canterbury is being managed within our budget and a loan facility to help us to manage any peaks and troughs in delivery and/or funding availability.

We are using the skills gained as New Zealand's major public infrastructure provider to help local agencies with the management and procurement of the rebuild. With agreement of these agencies we have led a number of strategic reviews to improve alignment of the planned rebuild effort. We are committed to a collaborative approach, with our staff working alongside or seconded to key agencies to assist with capability building and coordination.

Christchurch city

In July 2013 the Crown entered a cost share agreement with Christchurch City Council to rebuild city infrastructure and provide a number of anchor projects. These projects include the Christchurch Bus Interchange which will create a major public transport hub. The cost share agreement sets the total Crown contribution for the anchor projects and repair of horizontal infrastructure (water, waste water, sewer and roads). Details of the agreement and its financial impact on the Transport Agency are set out in the following table:

SCHEDULE	CROWN AND TRANSPORT AGENCY CONTRIBUTION	CHRISTCHURCH CITY COUNCIL
Horizontal infrastructure Gross (max) Costs: \$2.9 billion	Crown \$1.8 billion maximum (includes maximum Transport Agency share of \$635 million)	\$1.1 billion
Bus interchange and potential for two central city super stops Gross costs: \$90.493 million Construction has commenced Scheduled completion: April 2015	Crown \$44.593 million Transport Agency \$15.967 million	\$29.93 million
Phase 1 Transport projects (CERA-led central city recovery) Gross costs: \$71 million In design phase Construction during 2014-2016	Crown \$27 million Transport Agency \$18 million	\$27 million

Table 2 Christchurch cost share agreement

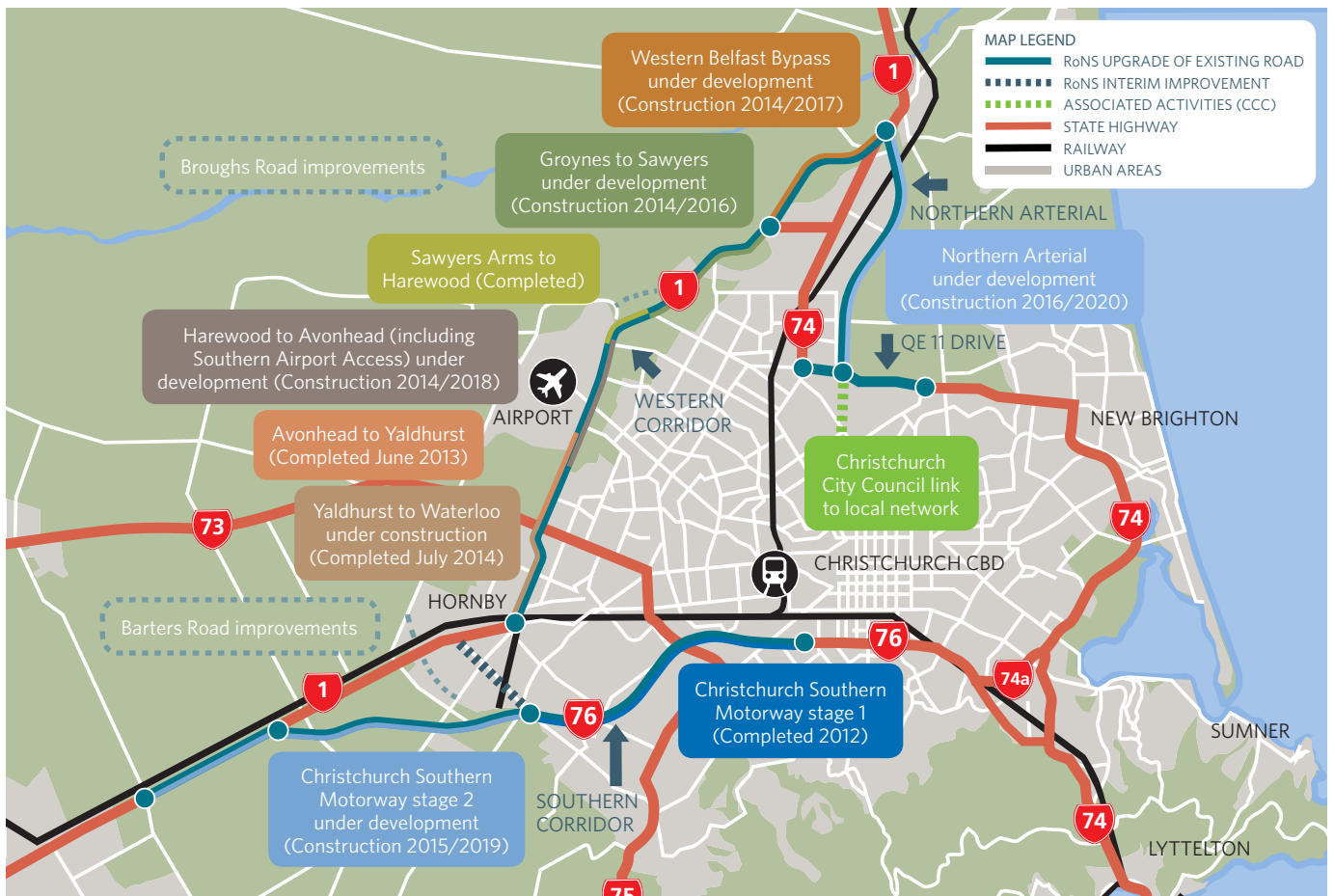
We are represented on the governance structure for the infrastructure rebuild and anchor projects. We are also represented on the Stronger Christchurch Infrastructure Rebuild Team Board – a multi-party alliance contract responsible for the planning, design and delivery of approximately 65-70 percent of the rebuild.

The cost share agreement falls about \$500 million short of the estimated costs of completing all works. The Crown and Christchurch City Council are prioritising the remainder of the works to be delivered within available funds. We expect the Transport Agency’s available funds to be fully committed by the end of 2014 with the physical works to be substantially complete by the end of 2016.

Between 4 September 2010 and 30 June 2014 the total Transport Agency investment in the Christchurch city transport related response and recovery was \$313 million. Based on the current forecast costs for the programme still to be delivered (within the constraints of the cost share agreement) we anticipate investing a further \$120 million from July 2014 until the end of the rebuild in 2016.

Christchurch state highway programme

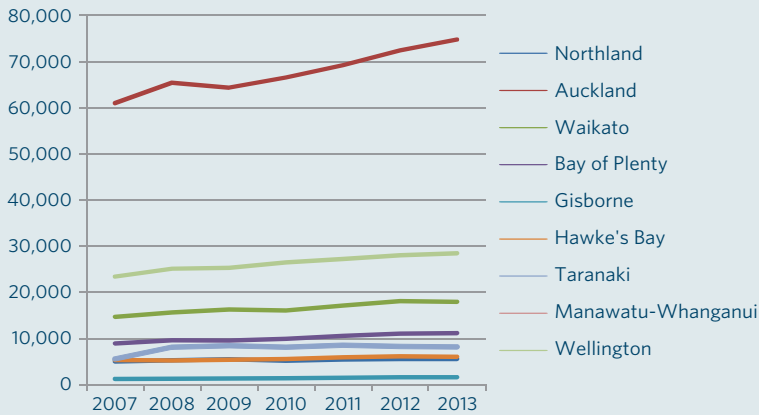
Our contribution to Canterbury’s recovery includes the construction of state highways: the extension to the Southern Motorway, the Northern Arterial and the Western Corridor. The completion of these projects will improve access for freight and people and support the region’s recovery from the 2010 and 2011 earthquakes.



Map 4 Christchurch state highway programme

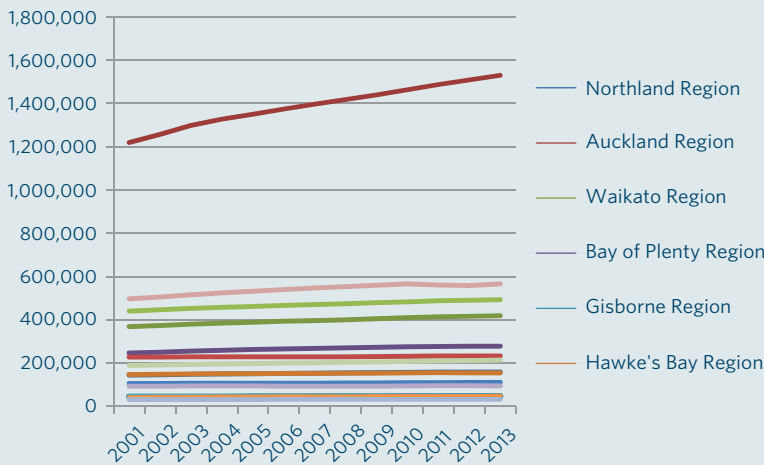
THE AUCKLAND CONTEXT

REGIONAL MACRO TRENDS



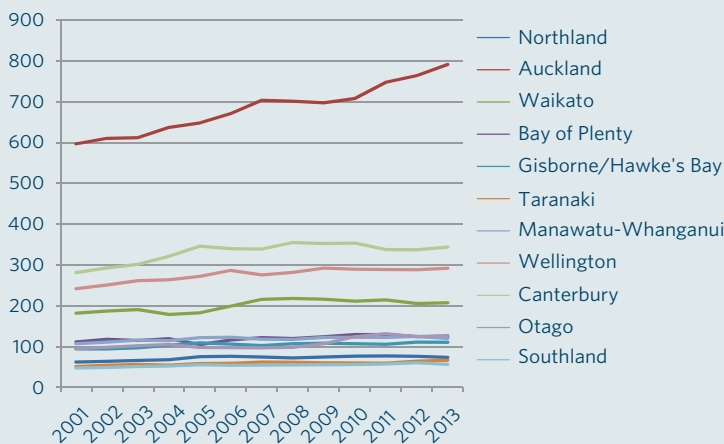
GDP

Regional GDP was approximately \$75 billion in 2013 with significant growth between 2007 and 2013. Auckland has the highest GDP in New Zealand. More than a quarter of the GDP is made up by the manufacturing and service sectors.



Population

The Auckland region's population has grown substantially since 2001, increasing by more than 200,000 people. It has the largest population in New Zealand.



Employment

The employee count in Auckland has continued to grow over the last 10 years to slightly fewer than 800,000 people currently employed across the region.

Figure 14 The Auckland context

6.14 ADDRESSING AUCKLAND'S INFRASTRUCTURE NEEDS

The Auckland context

Auckland contributes 35 percent of national GDP, accounts for a third of all national employment and is home to 34.2 percent of New Zealand's population. The region's current population of 1.5 million is predicted to reach to more than 1.9 million by 2031. Ports of Auckland and Auckland Airport trade 20 percent of New Zealand's exports and nearly 58 percent of our imports. Auckland's freight task is projected to increase by 78 percent by 2042.

By far the highest number of vehicle kilometres travelled on local roads and state highways is in the Auckland region.

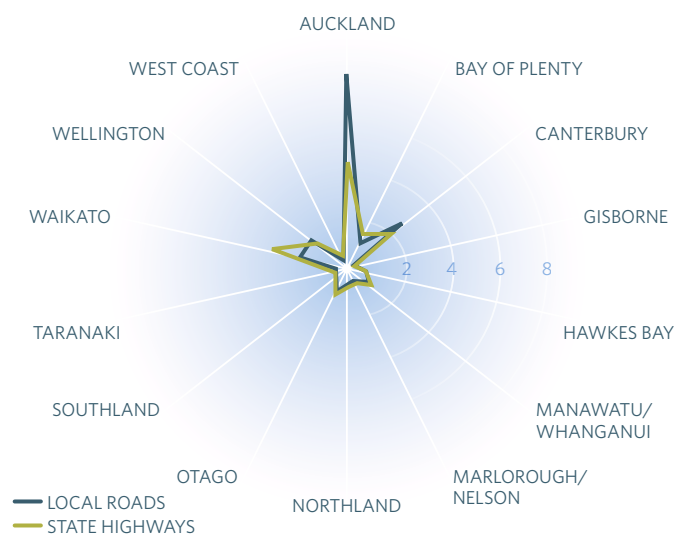


Figure 14 Regional vehicle kilometres travelled

Since 2009 the government has undertaken major transport investment in Auckland to address transport network constraints. Additional population and economic growth over the next 20 to 30 years will put increasing pressure on Auckland's transport network. Ongoing transport investment will be required to support Auckland and its contribution to the national economy.

Auckland's network challenges

Parts of the existing road network are experiencing severe congestion which will be exacerbated with increased growth. The state highway programme includes projects aimed at improving travel times and safety for people and freight and increasing the capacity of routes under particular pressure. In addition, Budget 2014 provided for a \$375 million interest-free loan to the Transport Agency to accelerate \$815 million worth of Auckland transport projects (see next page).

As well as investing in new capacity, we are making the most of existing network capacity to maximise the throughput of people and freight as Auckland grows. Investment priorities include active network management by time and mode, public transport improvements, targeted provision for walking and cycling networks, and co-establishment with Auckland Transport of the Joint Traffic Operations Centre to manage Auckland roads as a single, co-ordinated network.

Our investments in new capacity and in maximising the use of the existing network through a one network, multi-modal and collaborative approach are designed to support Auckland's economic growth through improved network efficiency and productivity.

Auckland city centre faces growth challenges and changing travel patterns unlike any other New Zealand location. Even with the City Rail Link (irrespective of its timing), providing for and managing growth will require a step-change in bus infrastructure and operations. We are working with Auckland Transport to guide and review the business cases for proposed investments to meet these challenges.

The Auckland Plan sets out the direction for land use and transport planning over the next 30 years. The strategic direction for transport in the Auckland Plan is to "create better connections and accessibility within Auckland, across New Zealand and to the world." The direction of transport strategy in the Auckland Plan could be generally described as an increasing focus on public transport and active modes from the past, but also includes significant investment in new roads, particularly in the large areas of greenfield land to be urbanised. This proposed strategy has been criticised by some as it acknowledges that despite the proposed sixty billion dollar transport investment congestion is still as bad in 30 years' time. However this fails to recognise the significant growth over this period and that a network free of congestion is not an appropriate goal. While severe congestion is undesirable, the focus needs to be on supporting economic growth and productivity through provision of better access to markets, employment and business areas.

URBAN DELAYS IN AUCKLAND, WELLINGTON AND CHRISTCHURCH

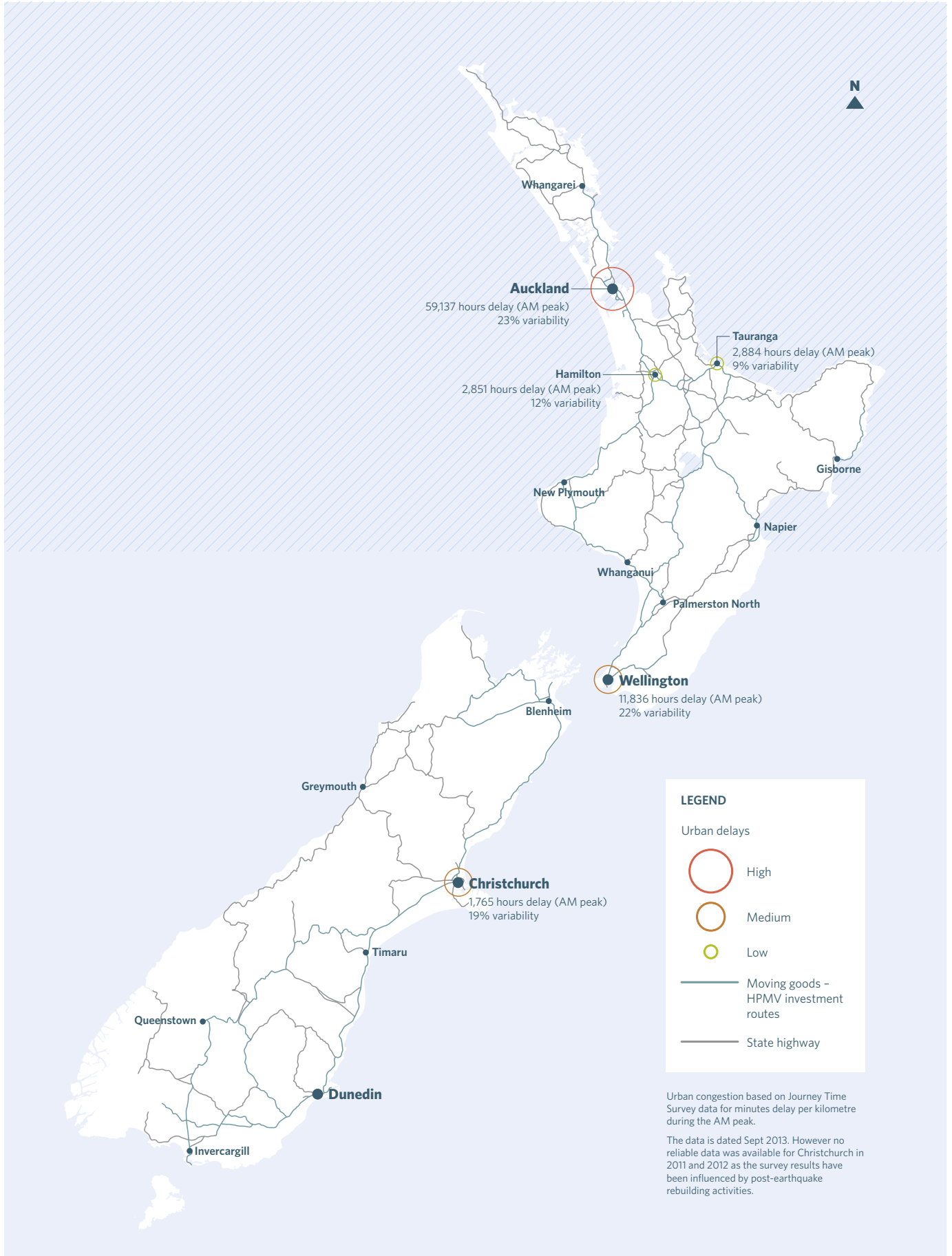


Figure 17 Urban delays in Auckland, Wellington and Christchurch

Transport investment in the short to medium term is focused on increasing the capacity of the road network, completing key links as well as improved management of the network to maximise capacity and efficiency for the movement of people and freight. Increasingly as Auckland continues to grow, and in line with international experience in large cities, a greater emphasis and investment is needed on public transport, active modes and demand management.

The Transport Agency considers the strategic direction for transport outlined in the Auckland Plan is basically sound and that the focus needs to be on sustained delivery while continuing to refine the strategy over time.

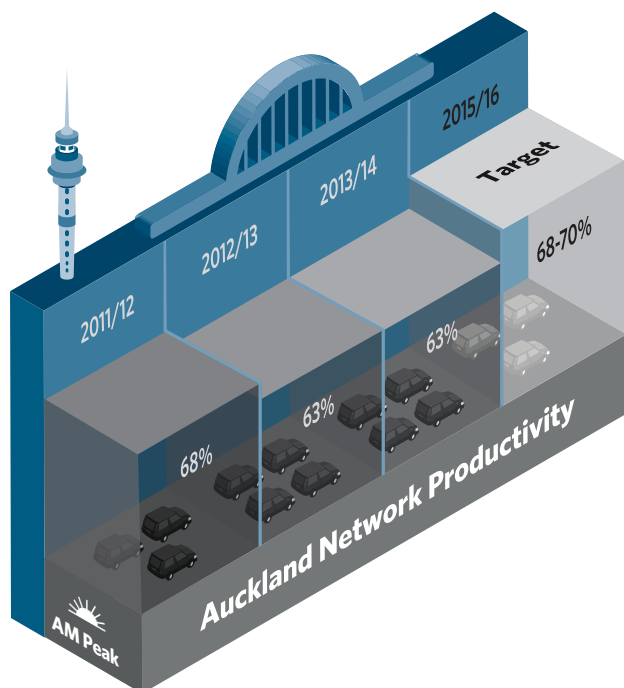


Figure 16 Auckland network productivity

The Auckland Accelerated Transport Package

In response to the nature and scale of the challenges facing the Auckland region and in an effort to capitalise on existing projects, the Transport Agency proposed to government a package of projects that could be brought forward to address Auckland's needs sooner. Budget 2014 contained a \$375 million loan to the Transport Agency to accelerate \$815 million worth of Auckland transport projects. These projects were already in the 10-year programme but the loan enables them to be brought forward. The projects will address delays, capitalise on the benefits of major projects already under way (such as the Western Ring Route) and improve access to Auckland Airport. The accelerated projects will help ensure better links, improved journeys and trip reliability for commercial and private users on key routes which provide the backbone to national economic growth and productivity. The package will also improve the safety and resilience of the state highway and local road networks, including enhanced public transport options and improved regional and inter-regional connectivity.

The package includes funding for:

- delivery of projects on the Northern Corridor, Southern Corridor and State Highway 20A to Auckland Airport by 2019/20
- further investigations to determine the preferred scope of the East-West Connections project during 2014/15
- progression of the Panmure to Pakuranga phase of the Auckland Manukau Eastern Transport Initiative (AMETI) during 2014/15.

Funding options for the East-West Connections project will depend on the preferred option identified during the detailed business case currently underway. In early 2015 project options and corresponding funding options for the further development and construction of the East-West Connections and the Panmure to Pakuranga phase of the Auckland Manukau Eastern Transport Initiative will be reported to government. We have identified the East-West Connections as a project of high priority and will endeavour to make funding available from the National Land Transport Fund. Where there are likely to be timing differences between the availability of this funding and the delivery timeframe sought by government, we may require Crown assistance to accelerate construction.

Additional Waitemata Harbour Crossing

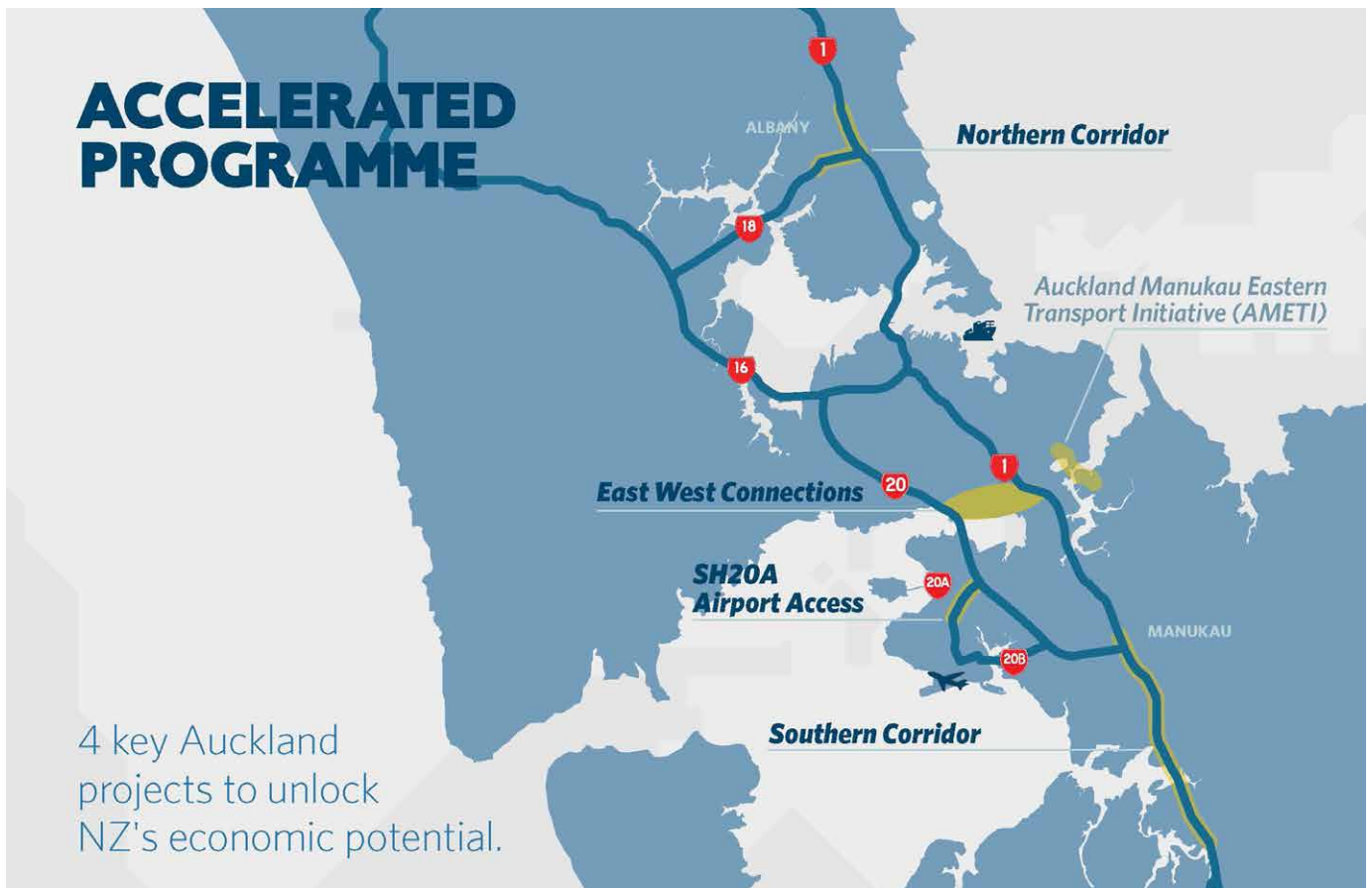
An Additional Waitemata Harbour Crossing, to be operated in conjunction with the existing Auckland Harbour Bridge, has been identified as the most appropriate option to provide flexibility, resilience and sustainability for Auckland’s expected growth. Together, the existing bridge and additional crossing will provide 14 lanes for general traffic, public transport, and walking and cycling.

In June 2013 the government announced its support for a tunnel. The next steps for the project include obtaining designations to protect a tunnel route east of the existing bridge and continuing to investigate the final form and timing of construction.

Auckland delivery challenges - the Proposed Auckland Unitary Plan

We are engaged in the development of the Proposed Auckland Unitary Plan. The plan as currently drafted has the potential to challenge our ability to deliver the current and future investment programme on time and to budget on two counts. First, it introduces significant growth in new areas, which is in addition to increased growth in areas we have supported with transport investment. This will increase demand in areas where there is currently minimal transport infrastructure, adding further stress to already constrained networks. Continued transport investment will be required to respond to Auckland Council’s growth strategy and government’s desire for the release of more greenfield land for housing.

AUCKLAND ACCELERATED STATE HIGHWAY PACKAGE



Map 8 Auckland Accelerated state highway package

Secondly, the plan as currently drafted will impose higher consenting and mitigation costs because it responds to higher national environmental standards. To deliver significant and strategic infrastructure, often in sensitive environments, we must be able to balance the need for the infrastructure with management of adverse environmental and social effects. Under the draft plan there is potential for environmental bottom lines to take precedence over a balancing approach where mitigation rather than avoidance is permissible under certain circumstances.

Nevertheless, the plan as currently drafted contains the major building blocks to support economic growth and productivity in the region and provide the whole of network capacity (road, public transport, and walking and cycling) to achieve this. It will be important to maintain the delivery momentum to ensure Auckland's development is not hindered through lack of appropriate investment.

Auckland funding

The cost of meeting Auckland's transport infrastructure and services needs is very high. Estimates suggest between \$40-60 billion will be required over the next 30 years. Major investments include provision for the City Rail Link and the Additional Waitemata Harbour Crossing. Hypothecated funds from the National Land Transport Fund are unlikely to be sufficient to meet Auckland's land transport infrastructure needs. We are working with Auckland Council and the Treasury to consider alternative sources of revenue. Auckland Council released a 'consensus building' report on this in 2013 and discussions about revenue opportunities are ongoing.

The Mayor of Auckland has recently announced he will present a funding proposal for a more ambitious fully integrated transport network for Auckland later in 2014. It will include options for tolls, congestion charges and regional fuel taxes.

6.15 RAIL SAFETY

The Transport Agency is the Rail Safety Regulator. Our role is to secure the safety of rail workers, passengers and the public when in, or in the vicinity of, the rail corridor. We carry out this role through licensing and monitoring rail operators and working with other agencies with similar or complementary goals.

We are addressing a number of significant safety risk issues with rail operators. These include an increasing trend in deaths of people in the rail corridor (where they have no cause to be there), rail tunnel safety, signals passed at danger (a precursor event to more serious events including train collisions) and worker safety on construction sites within the rail corridor.

Our rail safety team is taking an increasingly active role in ensuring rail operators are giving adequate attention to these risks and is working with other agencies such as Worksafe NZ. Our more active approach has required some rail operators to adapt their management of safety risks.

KiwiRail is one of our priority rail licence holders and is responsible for the safety of most rail operations in New Zealand. Following a recent safety assessment and a number of safety related incidents we are considering our regulatory approach and potential further actions to ensure KiwiRail is giving adequate attention and resource to addressing these risks. These actions may have significant cost implications for the rail network both in terms of capital and ongoing operational costs.

6.16 REGULATORY REFORM

As the land transport regulator we manage access to, and use of, the land transport network. We deliver a broad range of regulatory services including driver licensing, vehicle registration, licensing and certification, road user charges and transport services licensing. We have more than 20 million customer interactions each year. There are very few New Zealanders whose lives are not touched at some point by the Transport Agency.

In 2013 the Treasury published *Expectations of Regulatory Stewardship*. These require us, with the Ministry of Transport, to demonstrate how well our regulatory regimes are implemented, monitored and maintained. A recent Productivity Commission report on Regulatory Institutions and Practices (June 2014) also highlighted the need for improved regulatory monitoring and evaluation, more up-to-date legislation, investment in up-skilling staff, and institutional improvements that could include greater delegation of technical rule-making to Crown Entities.

We are working with the Ministry of Transport on a number of joint projects to improve the land transport regulatory system. These include a review of the legislative framework for land transport (which is currently overly prescriptive, making compliance difficult for many) and exploring possible changes to the mechanisms for production of land transport rules.

We are also working on several regime-specific projects including:

- completing delivery of vehicle licensing reform to achieve efficiency improvements in the Warrant of Fitness and Certificate of Fitness inspection and certification regimes
- revising the driver licensing legislation to improve service delivery and customer access to enable online transactions and other efficiencies
- reforming the regulatory framework which applies to the dimension and mass of vehicles operating on New Zealand roads to enable improvements in vehicle fleet productivity.

We see vehicle standards and classification as the next big area of reform. Vehicles are now entering the fleet that cannot be properly classified. There is a significant body of vehicle rules and standards which are increasingly difficult to maintain given rapid changes in technology. Vehicle standards reform will need to be prioritised if we are to make the most of the safety and efficiency benefits offered by enhanced vehicle technologies.

6.17 ENABLING INTELLIGENT TRANSPORT TECHNOLOGIES

Intelligent transport systems have an increasingly important role as key enablers of a transport system which is able to shape smart transport choices for customers, support safer journeys and enable more efficient freight supply chains. When applied to traffic management, back-office systems and vehicles, intelligent transport systems offer opportunities to significantly improve the performance of transport. In a position statement we released in April 2014 we committed to making more effective use of technology to maximise the potential of intelligent transport systems.

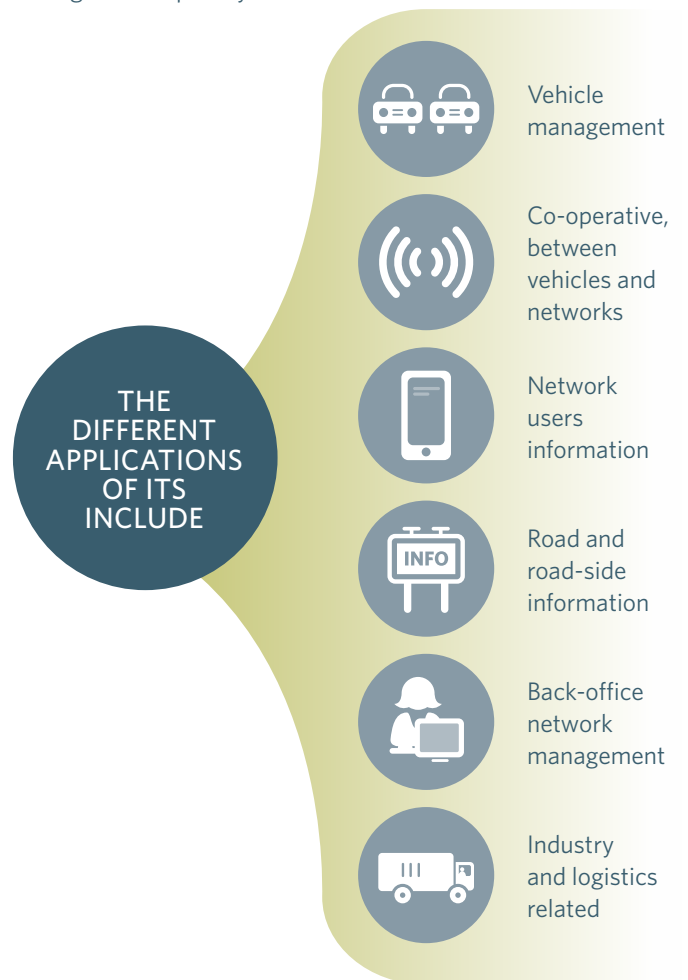


Figure 18 Applications for intelligent transport systems

We have already made a significant investment in intelligent transport systems through facilities such as variable electronic message boards on state highways, ramp metering (to facilitate smooth flows and reduce queues at peak travel times), and providing real-time travel information. In the next five years we will work with the wider transport sector to develop a shared approach to implementing intelligent transport systems. Intelligent transport systems raise multiple policy challenges including privacy and security concerns, trade-offs between public and private benefits, issues around the management and integration of new technologies (for example, automated vehicles), determining who should pay for enabling technologies (for example, the communication network) and who should be liable when things go wrong.

We are working with the Ministry of Transport on these challenges and a forward work programme is being developed. This will incorporate the actions in the Intelligent Transport Systems Technology Action Plan 2014-18.

6.18 REVENUE

Existing revenue mechanisms (fuel excise duty, road user charges, motor vehicle registration and licensing fees), even if used more fully, may not be sustainable in the long term. This is due to a range of factors including improved vehicle fuel efficiency, changing travel behaviours, an ageing population, and increasing public transport use and active modes.

The Ministry of Transport is considering long-term policy options for funding of the land transport system. We are represented on a small external peer review group for the project. We are also exploring innovative revenue, pricing and financial approaches within the existing policy settings, for example, tolling.

We continue to explore innovative procurement options and ways to manage cash flow and debt through mechanisms such as permitted borrowing (including for public private partnerships) to advance the delivery of projects, facilitate innovation, spread risks and potentially share costs with future users in a way not permitted by the PAYGO framework.

Our work will focus on five key areas:

1

Strengthening the sector by facilitating a sector-wide consensus on the use of intelligent transport systems.

2

Improving transport information by developing integrated information services for travellers, network operators and other users.

3

Improving active network management with better network information, dynamic network control and improved functionality of network operating centres.

4

Advancing transport safety and efficiency to enable the faster adoption of advanced vehicle safety features, including improving speed advisories and automated enforcement options.

5

Enabling innovative customer services such as providing better payment, pricing and compliance options.

GLOSSARY

Certificate of Fitness (CoF): A regular check to ensure vehicles meet required safety standards. It is required for heavy vehicles, passenger service vehicles and rental vehicles.

Farebox recovery: A measure of the fares paid by passengers on public transport systems. It is normally described as a ratio of operating expenses paid by passengers.

Fuel Excise Duty (FED): An excise duty paid on fuels at source. This includes petrol, compressed natural gas (CNG) and liquefied petroleum gas (LPG).

Funding Assistance Rates (FAR): One tool within the land transport investment system which assists local government, other approved organisations and the Transport Agency to achieve optimal land transport outcomes within their combined financial resources. Funding assistance rates determine the Transport Agency and approved organisations' shares of the cost of activities approved for funding from the National Land Transport Fund.

Government Policy Statement on Land Transport (GPS): The government's investment strategy issued under the Land Transport Management Act 2003. The Government Policy Statement on Land Transport sets the strategic direction for investment in the land transport sector and sets funding ranges for individual 'activity classes' over the next three years within a 10-year financial forecast.

High-Productivity Motor Vehicle (HPMV): A new class of vehicle allowed after the 1 May 2010 amendment of the Land Transport Rule: Vehicle Dimensions and Mass 2002. Previously the maximum mass limit for a vehicle combination carrying a divisible load was 44 tonnes. High-Productivity Motor Vehicles can be permitted to operate with a heavier and/or longer configuration on suitable routes.

HPMV 50MAX: A new type of high-productivity motor vehicle that can operate at a total weight of up to 50 tonnes. These vehicle combinations are designed to access most of the road network compared to heavier High-Productivity Motor Vehicles. They are issued network permits that include state highways and local roads where the local authority has approved access.

Hypothecation: Dedication of revenue collected mainly through fuel excise duty and road user charges from land transport users exclusively to the National Land Transport Fund. Under the Land Transport Management Act 2003 all of this revenue is directed to the National Land Transport Fund and must be used to fund land transport to give effect to the Government Policy Statement on Land Transport.

Land Transport Management Act 2003; amended in 2008 and 2013 (LTMA): This Act provides the legal framework for managing and funding land transport activities and establishes the objectives and functions of the Transport

Agency. The purpose of the Land Transport Management Act 2003 is to contribute to the aim of achieving an effective, efficient and safe land transport system in the public interest.

Motor Vehicle Register (MVR): This register records information about vehicles used on New Zealand roads and the persons responsible for their use.

National Land Transport Fund (NLTF): A funding source for New Zealand's transport infrastructure and services funded through the National Land Transport Programme. The revenue for the fund comes from a number of sources including fuel excise duty, road user charges, motor vehicle registration and licensing fees.

National Land Transport Programme (NLTP): The programme collated by the Transport Agency containing all the land transport activities, such as public transport and road construction and maintenance, which may receive funding from the National Land Transport Fund.

Public Transport Operating Model (PTOM): A planning, procurement and business development framework for the provision of urban bus, rail and ferry services. The model's legislative components are established in the Land Transport Management Act 2003 Amendment Act 2013. The aim of the model is to contribute to the government's goal of growing public transport patronage with less reliance on subsidy.

Regional Land Transport Plan (RLTP): A plan required by the Land Transport Management Act 2003 which collates and prioritises all land transport activities in a region every six years.

Regional State Highway Projects: Funding from the Future Investment Fund to accelerate a package of 14 regionally important state highway projects.

Regional Transport Committee (RTC): Committees established under the Land Transport Management Act 2003 which prepare regional land transport plans and provide transport advice as requested by a regional council.

Road User Charges (RUC): A road user levy paid by owners of vehicles over 3.5 tonnes of the manufacturer's gross laden weight, or a vehicle which uses diesel or other fuel not taxed at source.

Transport Operating Centre (TOC): Centres which manage short-term network capacity and incidents, and provide information to travellers about the current operating state.

Upper North Island Strategic Alliance (UNISA): A long-term collaboration between Northland Regional Council, Whangarei District Council, Auckland Council, Waikato Regional Council, Hamilton City Council, Bay of Plenty Regional Council and Tauranga City Council to respond to and manage a range of inter-regional and inter-metropolitan issues.

APPENDIX A

ROADS OF NATIONAL SIGNIFICANCE MILESTONES

ROAD OF NATIONAL SIGNIFICANCE	CURRENT STATUS	2014/15	2015/16	2016/17	2017/18
Puhi to Wellsford	In development, consenting complete	Confirm designation and consents			Construction to start: Puhoi to Warkworth
Western Ring Route	All sections (but one) under construction	Construction start: St Lukes to Great North Road	Lincoln Road interchange open to traffic.	Waterview Connection open to traffic SH 16 Causeway widening open to traffic Te Atatu interchange open to traffic	Construction start: Lincoln to Westgate
Victoria Park Tunnel	Complete				
Waikato Expressway	Over 50% of sections now under construction		Construction start: Huntly and Hamilton sections	Construction start: Long swamp section.	Long swamp section open to traffic Under construction: Huntly and Hamilton section
Tauranga Eastern Link	Under construction		Project open to traffic		
Wellington Northern Corridor	3 sections under construction; 5 others in development	Construction start: Transmission Gully	Consenting process: Airport to Mount Victoria Tunnel and Otaki to Levin	Construction start: Ngauranga to Aotea Quay	Under construction: Peka Peka to Otaki Consenting process: Terrace Tunnel Duplication
Christchurch Motorways	Western corridor under construction	Sawyers Arms to Wairakei (Harewood) Road four-laning open to traffic Construction start: Western Belfast Bypass; Groynes to Sawyers.	Construction start: Southern Motorway Stage 2	Construction start: Northern Arterial with QE2 Groynes to Sawyers and Memorial Ave Interchange open to traffic	Western Belfast Bypass open to traffic

