

## STATEMENT OF INTENT

2006/07 – 2008/09

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2006/07 — 2008/09

## Transit New Zealand's Vision

A transport system that builds a better New Zealand

### Triple Bottom Line reporting



..... Environmental



..... Social



..... Economic

Transit New Zealand  
Wellington New Zealand  
June 2006

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## THE WIDER CONTEXT

### **Key background information about Transit and its operating environment.**

Transit New Zealand (Transit) is a Crown entity established under the Transit New Zealand Act 1989 and continued under the Land Transport Management Act 2003 (LTMA), which reviewed and extended its functions and responsibilities

### THE NEW ZEALAND GOVERNMENT TRANSPORT SECTOR

The Ministers and agencies that comprise the government transport sector are explained in Appendix 1. Sector agencies work collaboratively to achieve the New Zealand Transport Strategy (NZTS). Three major sectoral initiatives are underway, having commenced in 2005:

- Transport Sector Strategic Directions document 2006/07 (TSSD) — identifies nationally important priorities to be addressed collectively by transport agencies.
- Sector Monitoring & Indicators Framework — a hierarchy of measurable indicators to monitor the sector's progress towards delivering the NZTS.
- Integrated strategic documents — a common format for elements of Crown Entities' Statements of Intent to reflect the sector's integration and collaboration.

### THE NEW ZEALAND TRANSPORT STRATEGY

The Government's New Zealand Transport Strategy (NZTS) was released on December 2002. Its principles are embedded in Transit's statutory objectives. They are:

- Sustainability
- Integration
- Safety and
- Responsiveness

The NZTS has five objectives, which Transit must take into account in Section 12 of the LTMA, when it prepares its land transport programme under the LTMA. The objectives are:

- Assisting economic development
- Assisting safety and personal security
- Improving access and mobility
- Protecting and promoting public health
- Ensuring environmental sustainability.

### THE TREATY OF WAITANGI

The Crown's responsibility to take appropriate account of the principles of the Treaty of Waitangi is recognised in transport legislation, and there are specific provisions in the LTMA and sections 6 and 8 of the Resource Management Act 1991 which govern Transit's interaction with Maori. The LTMA requires consultation with Maori on Transit's land transport programme, toll schemes and concession agreements, defines consultation principles and procedures, and encourages the development of Maori capacity to contribute to Transit's decision-making processes.

### KEY LEGISLATION

#### **Land Transport Management Act 2003**

**(LTMA)** — establishes a new statutory objective for Transit; requires Transit to exhibit a sense of social and environmental responsibility when meeting that objective; sets out the funding framework that applies to Transit; and enables road tolling schemes and concession agreements.

**Crown Entities Act 2004** — clarifies accountability relationships between government and Crown entities, and provides for strategic engagement and monitoring between Crown entities and Ministers about each Crown entity's strategic direction, intended operations, and performance.

## FUNDING FRAMEWORK

Demand for funding for land transport exceeds supply. Public expectations for transport infrastructure are high. An increasing proportion of Transit's activities involve very large projects which, once commenced, have very significant cash flow implications. Funding is therefore a critical issue.

Increasingly, funding for land transport initiatives from traditional sources such as petrol excise duty and Road User Charges (allocated to Transit by Land Transport New Zealand) are being supplemented by new sources such as borrowing supported by tolling, and local contributions, for example Transit is currently forecasting substantial completion by 2015 of the Western Ring Route in Auckland, subject to borrowing supported by tolling.

In the 2006 Budget, the Government announced changes to the way the state highway construction programme and other land transport programmes are funded through the National Land Transport Programme (NLTP). Funding allocations are made by Land Transport New Zealand through the NLTP following submission of programmes by Transit and local authorities. A five-year funding guarantee has been given for an agreed programme of state highway construction projects and a five-year revenue guarantee for the remainder of the NLTP. These guarantees mean that Transit can have greater confidence in its forward planning. The key deliverables expected from the initial five-year funding package for state highways is attached in Appendix 2.

The forecast allocation for state highway construction is synchronised with Transit's 10-year State Highway Forecast and with government funding.

Overall, Transit's progress will depend on a number of factors, including the list below. Only the first three are substantively within Transit's control:

- Further refinement of priorities after assessment of feedback from consultation.
- Changing scope of major projects – Transit focuses first on cost-effective transport solutions which respond to the NZTS and are robust under

the LTMA, but only public consultation, and the planning process under the Resource Management Act, can clarify the balance of scope, cost and timing that may be possible.

- Completion of investigation phases of projects to ensure a high level of confidence in project scoping and cost estimating.
- Cost escalation.
- Funding allocations to state highways under the National Land Transport Programme (NLTP), made by Land Transport New Zealand, other than state highway construction projects which have the benefit of the Government's five-year funding guarantee.
- Funding contributions from local authorities and developers.
- Use of tolling to accelerate major projects.
- Better integration of land-use planning and transport planning to moderate demand for transport systems in the longer term.
- The balance between rail freight charges and Road User Charges.
- Consideration of longer-term application of wider road charging policies.
- New transport technologies, including the potential to differentiate road charges according to the time of day of travel and the routes selected.
- Further Government decisions on the level of revenue streams into the National Land Transport Fund eg petrol excise, or regional fuel taxes.

The Transit Board has resolved to maintain momentum in times of change, by sometimes forecasting expenditure ahead of Land Transport New Zealand's indicative funding allocations for future years. Transit's commitment is to hold expenditure to final approved funding levels, as necessary, as each year proceeds. Potential reductions in levels of activity will be carefully managed to ensure that the means to hold expenditure to the approved level, if required, are real and robust.

# WHAT TRANSIT DOES

## ROLE AND FUNCTION

Transit's statutory objective under section 77 of the LTMA is to build, maintain and operate the state highway system in a way that contributes to an integrated, safe, responsive and sustainable land transport system.

## VISION AND VALUES

Transit's vision is:

**A transport system that builds a better New Zealand**

Transit's values are:

**Leadership** — be a world leader in transport solutions

**Integrity** — be honest, show respect for others and courage in our actions

**Stewardship** — be environmentally sensitive, socially responsible, and economically efficient

**Responsiveness** — proactively engage with communities, road users and partners

**Excellence** — do it right, at the right time – and do it with enthusiasm and pride

**Innovation** — discover alternatives and challenge assumptions

### Key facts

- Transit manages state highways which measure 10,894 kilometres
- State highways make up 12% by length of New Zealand's roads
- State highways account for nearly half of the 36 billion vehicle kilometres travelled each year
- Motorways are 0.4% by length of NZ's roads and carry 9% of the traffic
- 24 km of state highways within the Auckland region carry 22% of vehicle kilometres travelled on the total state highway network
- The replacement value of state highways in accounting terms is approximately \$15 billion

## SCOPE OF OPERATIONS



As the manager of the national state highway network, Transit:

- **Plans** the state highway network in collaboration with other transport sector participants, local and regional authorities and communities
- **Secures funding** to enable state highway planning and construction to take place
- **Designs** new works and amendments to existing infrastructure in order to meet the changing transport needs of communities
- **Builds** the network
- **Maintains** the network to an acceptable standard
- **Operates** the network to provide safe, accessible transport corridors for people and freight
- **Educates** stakeholders, road users and other interested parties in how best to access the network and use it effectively and efficiently. This includes updates, in conjunction with sector partners, on the serviceability of the network and access status.

All of these functions are monitored by Transit to ensure desired results are being achieved.

Transit produces an annual State Highway Forecast, which is a 10-year financial forecast as required by clause 8 of Schedule 1 of the LTMA, and includes Transit's land transport programme for the coming year. The Forecast details the scope of Transit's operations for the coming year, in terms of state highway maintenance, replacement and improvement of state highways, and passenger transport, walking and cycling projects.

Transit's Draft State Highway Forecast is put out for public consultation each year. It includes information on possible construction timeframes for major projects, and is based on indications of future funding allocations under the NLTP, augmented by other funding options identified by Transit (such as borrowing supported by toll revenues).

Transit publishes its annual, 10-year State Highway Forecast following Land Transport New Zealand's final funding allocation under the NLTP.

To succeed in delivering on its State Highway Forecast, Transit must secure a high level of co-operation from key partners, both within the transport sector and beyond. This includes working with a number of partners, but in particular local authorities, Land Transport New Zealand and the contracting industry.

Transit's 10-year State Highway Forecast publications are available on Transit's website: [www.transit.govt.nz](http://www.transit.govt.nz).

## CONSTRAINTS ON TRANSIT'S OPERATIONS

Transit's confirmed State Highway Forecast each year is dependent on final allocations of funding under the National Land Transport Programme.

Any borrowing proposed by Transit must have the approval of the Minister of Finance.

## ORGANISATION STRUCTURE

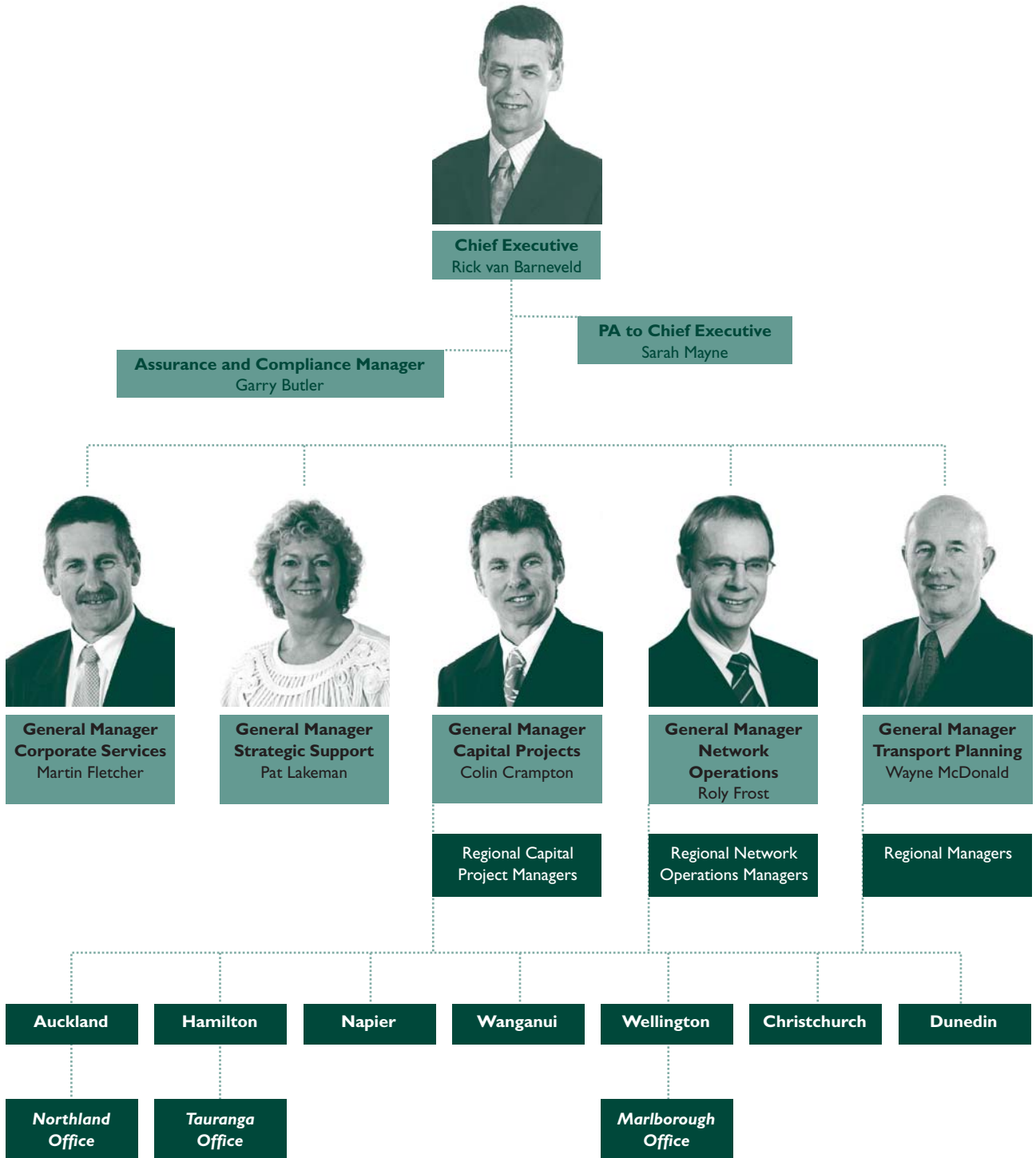
Transit is governed by a Board, with members:

- David Stubbs, chairperson
- Sir Tipene O'Regan, deputy chairperson
- Gary McIver
- Mike Williams
- Dr Janice Wright
- John Wright.

Transit is organised into five divisions. Three of these – Transport Planning, Network Operations and Capital Projects – span our seven regional offices (in Auckland, Hamilton, Napier, Wanganui, Wellington, Christchurch and Dunedin). Strategic Support and Assurance and Compliance are smaller teams centred at National Office. Corporate Services Division provides support to the organisation as a whole, also from National Office in Wellington.



# TRANSIT NEW ZEALAND MANAGEMENT STRUCTURE



# OUTCOMES, IMPACTS AND OBJECTIVES

## CONTRIBUTING TO TRANSPORT SECTOR OUTCOMES

The chart shows how Transit contributes to the NZ Transport Strategy (NZTS) and the Directional Statements identified in the “Transport Sector Strategic Directions Document 2006/7” (TSSD).

### GOVERNMENT GOALS

#### NZTS VISIONS

By 2010 New Zealand will have an affordable, integrated, safe, responsive and sustainable transport system

### NZTS OBJECTIVES

ASSISTING ECONOMIC DEVELOPMENT

ASSISTING SAFETY AND PERSONAL SECURITY

IMPROVING ACCESS AND MOBILITY

PROTECTING AND PROMOTING PUBLIC HEALTH

ENSURING ENVIRONMENTAL SUSTAINABILITY

### TSSD DIRECTIONAL STATEMENTS

Growth and development are increasingly integrated with transport

Transport users increasingly understand and meet the costs they create

New Zealand’s transport system is improving its international and domestic linkages including intermodal transfers

The effectiveness of the transport system is being maintained or improved

The efficiency of the transport system is continuing to improve

The negative impacts of land-use developments on the transport system are reducing.

New Zealand’s transport system is increasingly safe and secure

The transport system is improving its ability to recover quickly and effectively from adverse events

The transport system is increasingly providing affordable and reliable community access

Negative impacts of transport are reducing in terms of fatalities, injuries and harm to health

The transport system is actively moving towards reducing the use of non-renewable resources and their replacement with renewable resources

Negative impacts of transport are reducing in terms of the human and natural environments.

### TRANSIT STRATEGIC OUTCOMES

#### Outcome 1

Ensure state highway corridors make the optimum contribution to an **integrated** multi-modal land transport system.

#### Outcome 2

Provide **safe** state highway corridors for all users and affected communities.

#### Outcome 3

State highways will enable improved and more reliable **access & mobility** for people and freight.

#### Outcome 4

Improve the contribution of state highways to **economic** development.

#### Outcome 5

Improve the contribution of state highways to the **environmental and social** well being of NZ, including **energy** efficiency and public **health**.

## ORGANISATIONAL PERFORMANCE MEASUREMENT

Transit's strategic outcomes are closely aligned with the principles and objectives of the NZ Transport Strategy. Transit translates its strategic outcomes into business plans and activities using its "One-Page Strategy" (see page 11).

Organisational performance measures have been developed to measure Transit's success in achieving its strategic outcomes, as well as achieving a balance across environmental, social and economic aspects of performance.

Transit is participating in the sector-wide "Monitoring Indicators Framework" initiative which aims to develop a hierarchy of measurable indicators to monitor the sector's progress towards delivering the New Zealand Transport Strategy. As performance indicators are developed under that project, Transit will review and revise its own performance measures to ensure good alignment with sector-wide performance and reporting.

Improving performance measures is an ongoing task for Transit as well as the sector as a whole. Not all of Transit's organisational measures yet have performance targets. Some measures are

holding a place until better indicators of performance are developed and can be reported on. Improvements are sought at a rate that does not undermine the evaluation of trends in performance.

Organisational performance measures aim to assess achievement against Transit's strategic outcomes and impacts. They are supplemented by performance measures in our Statement of Forecast Service Performance (see pages 33-41), which measure achievement under the activity classes through which Transit delivers its activities.

To underpin areas of current strategic focus, Transit also has additional objectives which are set out in our Strategic Plan 2004. Progress against these objectives is reported twice yearly to the Transit Board.

Transit's achievements against its organisational performance measures, along with achievements against its forecast service performance by individual activity classes are independently audited each year.

# TRANSIT NEW ZEALAND – THE ONE-PAGE STRATEGY

## Transit New Zealand Vision

**A transport system that builds a better New Zealand**

Transit's Strategic Outcomes

### Outcome 1

Ensure state highways (SH)s make the optimum contribution to an integrated multi-modal land transport system

### Outcome 2

Provide safe state highway corridors for all users and affected communities

### Outcome 3

SHs will enable improved and more reliable access and mobility for people and freight

### Outcome 4

Improve the contribution of SHs to economic development

### Outcome 5

Improve the contribution of SHs to the environmental and social well-being of NZ, including energy efficiency and public health

What is required of us?

### A. Direction

The Minister requires the Board to operate the state highway network so as to contribute to an integrated, safe, responsive and sustainable land transport system while exhibiting a sense of social and environmental responsibility

### B. Transport Planning

The Board requires the Chief Executive (CE) to demonstrate that Transit's plans for the state highway network assist economic development, assist safety and personal security, improve access and mobility, protect and promote public health, and ensure environmental sustainability

### C. Operation of the Network

The CE requires management to deliver quality products and services on time without compromising community well-being

What do we deliver?

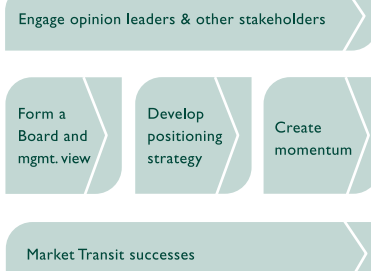
The Board delivers assurance to the Minister that the views, needs and contributions of opinion leaders and other stakeholders have been taken into account and are considered early and fully

The CE delivers to the Board an unambiguous, clear and stable SH network plan that can be readily implemented by management

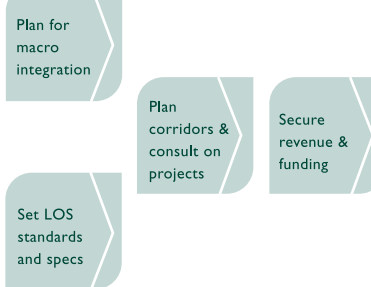
Transit management efficiently delivers an integrated, safe, responsive and sustainable state highway network to transport users

How do we manage?

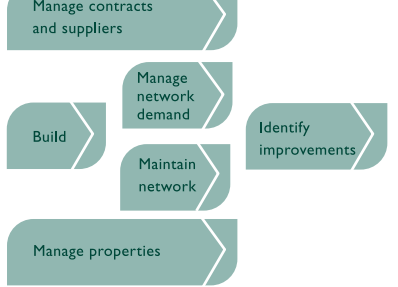
### Collaborate



### Plan for the long term



### Deliver



Performance monitoring, risk reporting, advice, counsel and communication

What do we need?

Enhance the people and information capability of Transit and its suppliers to support the aims of the New Zealand Transport Strategy and the Land Transport Management Act

## SUSTAINABLE DEVELOPMENT & TRIPLE BOTTOM LINE REPORTING

“Sustainable development can be described as meeting the needs of the present generation without compromising the ability of future generations to meet their own needs” (New Zealand Cabinet, January 2000.) Sustainable transport is a key principle in the New Zealand Transport Strategy.

Triple Bottom Line (TBL) reporting is a tool that can help development become more sustainable through the integration of economic, environmental and social aspects of decision-

making and actions. Transit committed to TBL reporting in 2001 and continues to develop its performance measures in TBL terms. Our economy, society and environment all need to be maintained in good order. As we achieve transport improvements, we are substantially reducing adverse impacts through the way we work.

Symbols alongside our organisational performance measures indicate their contribution to our economic, social and environmental performance.

## ORGANISATIONAL PERFORMANCE MEASURES — OUTCOMES, IMPACTS AND OBJECTIVES

Key:  Environmental  Social  Economic

### Impact

### Objective

#### Achievement of all SOI measures (Outcomes 1-5)



By using a comprehensive annual report, Transit will summarise the progress against all SOI measures for the Minister.

A comprehensive annual report outlining the progress against all SOI measures will be provided to the Minister following the completion of the reporting period.

**Outcomes 1-5**

#### Stakeholder satisfaction with Transit’s responsiveness (Outcomes 1-5)



The change in level of satisfaction with Transit’s responsiveness to external views, needs and contributions will be assessed through regular canvassing of stakeholder experiences with Transit.

To maintain the satisfaction levels with Transit’s responsiveness to external views, needs and contributions, of stakeholders and others with whom Transit consults, to >70%.

**Outcomes 1-5**

**Alignment of state highway network plan (Outcome 1)**

The change in the degree of alignment between the state highway network plan and macro planning of land use, demand management, network and corridors as a result of collaboration with local authorities and other transport sector members.

Increasing Transit's contribution to transport sector objectives by achieving 85% alignment between Transit's 10-year State Highway Forecast and regional land transport strategies, regional and local growth strategies, and long term council and community plans (by 2010)

**Outcome 1****Fatal accidents on state highways (Outcome 2)**

The number of fatal accidents on state highways will reflect the safety mitigation activities undertaken by Transit, as well as the actions of other agencies and road users. By working in collaboration with other transport agencies in the wider sector, Transit will positively influence the road toll.

By applying the principles of the "3Es" (engineering, enforcement and education) — particularly engineering and education — to road planning and management, Transit will contribute to reducing the number of deaths by accident on state highways to <200 per annum by the end of 2007/08.

**Outcome 2****Healthy relationships with other agencies and lwi (Outcomes 1-5)**

The change in proportion of MoUs and protocols with other agencies that are healthy, as a direct result of Transit's actions to monitor and respond to stakeholder needs and achieve stronger alignment.

By meeting regularly and openly communicating to increase understanding, >75% of MoUs and protocols with other agencies, local authorities and lwi will be rated good or better by the end of 2007.

**Outcomes 1-5****Vehicle emissions (Outcome 5)**

Vehicle emissions [total amount of nitrogen dioxide (NO<sub>2</sub>), particulate matter (PM<sub>10</sub>), carbon monoxide (CO) and carbon dioxide (CO<sub>2</sub>)] to be reduced as the consequence of improved traffic flows in key urban areas.

The reduction in vehicle emissions (NO<sub>2</sub>, PM<sub>10</sub>, CO and CO<sub>2</sub>) from actively optimising traffic flows and working in collaboration with others in the sector to reduce congestion in key urban areas.

**Outcome 5**

### Energy usage by, and non-recycled wastage from, Transit offices (Outcome 5)



The reduction in energy use and reduction in non-recycled wastage from Transit offices as a direct result of improved staff education and awareness of the issues.

Reducing energy use by 3% per m<sup>2</sup> of office space over the previous 12 month period, and reducing the non-recycled wastage from Transit offices by 5% per staff member in the period 2006/07, compared with the previous year's waste sort results, by making staff more aware of energy and resource issues and providing facilities to allow recycling to take place.

**Outcome 5**

### Noise levels (Outcome 5)



The change in the proportion of state highways in urban areas with a speed environment greater than 70 km/h where designed solutions, such as quiet road surfaces and noise barriers, are installed to protect adjacent noise-sensitive areas.

\* see footnote

Increasing the proportion of noise sensitive areas, adjacent to urban state highways with a speed environment of greater than 70 km/h, which are protected by the use of designed solutions such as quiet road surfaces and noise barriers. The proportion of Auckland carriageways treated with designed solutions is in the range of 40-50 percent.

**Outcome 5**

\* **footnote:** Without comprehensive annual noise measurements being undertaken (in conjunction with noise mapping), it is impossible to identify the actual "reduction in noise" originally proposed. In addition, as measures of "noise" are location specific, there is no measure that will describe a change over a wider area. As the performance of "designed" noise treatments, such as quiet road surfaces and noise barriers can be reliably estimated, measuring the input is a reliable estimator of improved performance by Transit.

### Storm-water runoff in sensitive areas (Outcome 5)



The change in the proportion of the network where designed water treatment solutions, such as both natural and mechanical water-filtering systems, are used to control the potential negative impacts of rain washing vehicle and pavement contaminants from the road into sensitive environmental areas.

Increasing the proportion of the network within sensitive environments, where potential water pollution, as the result of rain washing vehicle and pavement contaminants from the road, is controlled by designed solutions, such as both natural and mechanical water-filtering systems. This proportion is currently in the range of 20-30 percent in the Auckland area.

**Outcome 5**

**Road user satisfaction with the appearance of state highways (Outcome 5)**

Road user satisfaction with the visual amenity of state highways will increase as the result of landscaping and other solutions to mitigate the visual impact of state highways.

Road user satisfaction with the visual amenity of state highways will exceed 75%, as measured in road user surveys.

**Outcome 5****Benefits forecast for large projects (Outcomes 2-5)**

Transit will structure its reporting to classify benefits from large projects as environmental, social and economic to provide transparency in terms of Transit's triple bottom line.

Transit will forecast benefits of large projects in terms of the environmental, social, and economic impacts consistent with Transit's triple bottom line reporting. Forecast benefits from large projects completed in the 2006/07 year, are expected to be approximately 65% social benefits (reduced social cost of crashes), 28% economic (reduced congestion and journey times) and 7% environmental (landscaping and storm-water control).

\* see footnote

**Outcomes 2-5**

\* **footnote:** percentages are in line with percentages forecasted in the 2004/05 Annual Report

**Actual project benefits comparing favourably to forecast benefits (Outcome 4)**

The degree to which large projects contribute to the objectives of the Land Transport Management Act by reporting benefits of large projects annually.

To report annually the benefits of large projects proportioned between social, economic and environmental.

**Outcome 4****Project delivery within the 10-year State Highway Forecast (Outcome 4)**

The degree to which benefits of large projects are realised is measured through post completion reviews.

The degree of variance between measured project benefits compared to those predicted before construction started.

**Outcome 4**



## Impact

## Objective

### Proportion of projects that are on time (Outcome 4)



Delivering land transport improvements in a timely manner by monitoring a selection of strategic projects, as agreed with the Minister.

The degree of variance of measured progress against planned progress for selected large projects, monitored quarterly.

**Outcome 4**

### Compliance with legislation and external policy requirements (Outcomes 1-5)



Ensuring full compliance with legislation, legislative instruments and external policy requirements.

No material breaches of legislation, legislative instruments and external policy requirements during the reporting period, as demonstrated by comprehensive monitoring and reporting.

**Outcomes 1-5**

### Delivery of Transit's annual state highway maintenance and improvement programme (Outcome 4)



The change in the tracking of the state highway maintenance and improvement programme as a direct result of using cash flow variance to compare the forecast to actual dollars spent.

To contain expenditure within  $\pm 5\%$  of target from the start of the year.

**Outcome 4**

### Road user satisfaction with state highways (Outcomes 1-5)



The change in road user satisfaction with state highways as a direct result of Transit's management of the state highway network.

Maintaining the satisfaction level of road users on state highways to  $>75\%$  and having a majority of road users rate state highways better than two years ago, by the end of 2008/09, as measured in road user surveys.

**Outcomes 1-5**

### Accident Blackspots (Outcome 2)



The change in the number of accident blackspots following the application of safety mitigation measures to affected locations.

Reducing the number of accident blackspots by the end of the reporting period, by applying appropriate safety mitigation measures. (A blackspot is determined by the number of crashes over a five-year period, and monitored at least three years after treatment to determine whether it is still a blackspot).

**Outcome 2**

**Congestion through travel time delays (Outcomes 3-5)**

Reduction in travel time delays as a result of increasing the capacity of the network.

Slowing down the rate of growth of congestion on key urban state highways during peak times, by a combination of capital works and comprehensive traffic management.

**Outcomes 3-5**

**Unplanned lane closures (Outcomes 3,4)**

Maintain the level of availability of lanes through improved incident-response times.

Minimising the number of unplanned lane closures on both low density (<12 hours per closure) and high density (<2 hours per closure) urban roads at peak times, through improved incident-response times. The objective is to have >80% lane availability at peak times.

**Outcomes 3, 4**

**Performance of customer information services against level-of-service requirements (Outcomes 1-5)**

The change in level of customer service through the establishment of customer information options, which recognise the changing needs of road users.

Enhancing the access to customer information services, which meet the changing needs of road users. Target for phone-based information is to have <5% abandoned calls, average wait time <20 seconds and escalation of disputes <2 months, and for website/electronic information to be available >98% of the time.

**Outcomes 1-5**

**Proportion of capital projects completed within expected cost and time parameters (Outcome 4)**

Using regular and robust reporting processes to monitor the on-budget and timely delivery of capital projects.

Reporting monthly on the progress towards on-budget delivery of capital construction programmes in terms of both small/medium size (block) projects (less than \$3.4M) and large projects (greater than \$3.4M). The target is 95% achievement.

**Outcome 4**

### Proportion of state highways in high-volume urban areas meeting level-of-service requirements for traffic flow (Outcomes 3-5)



The change in level-of-service standards to measure the proportion of the network in high-volume urban areas to meet acceptability, as a direct result of traffic management activity.

Maintaining the proportion of the high-volume urban network (approximately 9% of the total), which meets higher ranked level-of-service requirements for traffic flow, measured by using traffic count information based on travel time surveys. (higher proportion above level-of-service E or F)

\* see footnote

**Outcomes 3-5**

\* **footnote:** traffic flow levels of service – E average speed 50 – 75 km per hour, where operating conditions are unstable and difficult to predict. Overtaking is virtually impossible. Drivers will be delayed over 75% of the time.  
F – average speed <50 km per hour, heavily congested stop/start flow with traffic demand exceeding capacity.

### Proportion of network maintained to level-of-service for road condition (Outcomes 2,4,5)



Maintaining the integrity and safety of the national state highway network, to an acceptability level of >97%, by the end of the reporting period as a direct result of regular monitoring and quality control.

Maintaining the condition of the national state highway network to an acceptability level of >97% by the end of the reporting period, measured by regular SCRIM (Sideways force Coefficient Routine Investigation Machine) assessment of the network (to check skid resistance of the road surface).

**Outcomes 2,4,5**

### Property Portfolio Management (Outcome 4)



To ensure the efficiency of government operations by raising revenue from properties held awaiting construction.

The change in the trend of property revenues taken from the property portfolio awaiting construction. The target is to maintain the revenue stream.

**Outcome 4**

## OPERATING INTENTIONS

Development of New Zealand's state highway network is accelerating at a rate never seen before. Investment in state highways is set to rise very significantly over the next five years in particular, as a result of the Government's 2006 Budget announcements. This will increase the number of very large, complex and high value projects, which Transit will tackle. The higher level of activity will increase the challenge to deliver projects on time and ensure value for money. Delivering a multi-billion dollar programme of works will require careful planning and a commitment from all our industry partners and local government.

### INTEGRATED PLANNING

Transit's approach to planning seeks to integrate transport planning with wider planning for land use and economic growth. Land use and economic planning that is undertaken with the expectation that the transport system will automatically be able to support it, risks reliance on unaffordable solutions. Likewise, transport planning that does not adequately consider land use and growth plans will not meet future needs. A lack of planning in either area will produce unsustainable outcomes.

Transit's approach involves:

- integrating growth, development and land use planning with multi-modal transport planning
- smart management of state highways, and the road network overall, to ensure state highways and local roads function as complementary components of the transport system and both play their part in the road hierarchy
- recognising that all state highways do not perform the same functions, and that they should not all be subject to the same management regime
- considering all transport and funding options including developer contributions
- measures to manage travel demand both actively (eg. via tolling and road pricing) and passively (eg by applying urban design principles).

Road users, local communities and the national economy will benefit from this approach, more particularly in the medium-to long-term. The result will be economic development in a form that can be supported by affordable infrastructure, and a transport system that serves the needs of a changing society.

### MANAGING ENVIRONMENTAL IMPACTS

Transit is committed to reducing the negative impact on the environment of the construction, maintenance and operation of the state highway network, and to the enhancement of the environment. Under the LTMA, state highway proposals need to take into account the objectives of the NZTS as well as the National Energy Efficiency and Conservation Strategy and relevant regional land transport strategies. This is in addition to ongoing Resource Management Act requirements to avoid, remedy or mitigate environmental effects and LTMA requirements to demonstrate a sense of social and environmental responsibility.

Transit has developed an Environmental Plan and Policy, which addresses:

- how Transit operates its business in relation to environmental matters and how practices can be improved,
- the *impacts* of that business, ie the effects of state highways on public health, noise, surrounding land use, cultural and historic heritage, amenity for road users and neighbours, and ecological values. The risks and opportunities associated with each impact are taken into account, and
- the *actions* to be undertaken to manage these impacts, including any new or improved practices, policies and plans.

Transit has completed many of the key actions identified in its Environmental Plan and throughout 2006/07 will further develop and implement the Plan in two key ways:

1. Continuing to encourage and facilitate environmental responsibility in our suppliers through changing aspects of our contract processes and through staff and supplier training; and
2. Producing version two of Transit's Environmental Plan in 2006/07. While aspects of Transit's social responsibility will also be a focus in the next version, Transit will retain its commitment to environmental responsibility (addressing key issues such as noise, air and water quality, ecological values and resource efficiency).

Transit has developed a Waste and Energy Management Policy, which has both internal and external relevance, since most of what Transit aims to achieve must be done in partnership with its suppliers. The policy includes reducing the average amount of waste to landfills per staff member, and by educating staff to actively embrace the need to redirect more waste to be recycled. This conservation focus also includes energy reduction measures by each staff member.

Transit has a procedure to test and trial pavement materials where 'alternative' materials meet our performance criteria. Also some road construction aggregates that were formerly sent to the landfill are being considered for re-use in road building, thereby reducing the landfill costs and the energy waste in removing the material offsite.

**Key initiatives include:**

- Reviewing Transit's Noise Guidelines;
- Improving staff and supplier awareness about managing the air quality impacts of major transport projects, especially in Auckland;
- Applying Transit's urban design implementation principles and fulfilling Transit's commitments under the Urban Design Protocol;
- Developing policies on Transit's social impacts, including how we engage with local communities;
- Developing Transit's Environmental Management System;
- Prioritising improvements in noise, stormwater quality and visual quality on existing State Highways;
- Reviewing and updating specifications for constructing and maintaining water management devices;
- Developing Transit's Heritage Guidelines;
- Implementing Transit's Memoranda of Understanding with the Department of Conservation and the New Zealand Historic Places Trust; and
- Revising the Transit-Department of Conservation Roding Guidelines for National Parks.

## SAFETY

Safety on state highways is driven by our State Highway Safety Plan and the Government's "Road Safety to 2010" targets. It is one of the two top priorities, as rated by road users. Transit's ongoing strategy is to:

- remove "out of context" sections of state highway and provide a "no surprises" environment
- provide median barriers on high volume, 2-lane highways
- remove roadside hazards
- continue safety retrofitting on the most at-risk sections of the network
- safety audit the existing network and new projects
- collect and analyse crash data to prevent crash black spots developing, and
- provide a network of stock effluent disposal sites.

Transit's Strategic Plan seeks to accelerate our contribution to meeting "Safety 2010" targets. A wide range of projects contribute to improving safety, including safety retrofit measures which reduce the potential for crashes or reduce the consequences of vehicles leaving the road. Working with partners including NZ Police and Land Transport New Zealand is essential as Transit continues to implement speed zoning, and to pursue collaborative solutions under the umbrella of the National Road Safety Committee and its Working Group, focusing in particular on the worst performing sections of the state highway network.

### Key initiatives include:

- A large number of safety improvement activities (including safety retrofitting and stock effluent disposal facilities)
- Minor safety projects
- Improved levels of service for new and existing rest areas
- Profiled line marking and landscaping improvements that are safety related

## RELIEVING MODERATE TO SEVERE CONGESTION

Congestion is also one of the two top priorities, as rated by road users. It is consistently raised as a significant issue for larger centres in particular Auckland, Hamilton, Tauranga, Wellington and Christchurch during Transit's consultation on the State Highway Forecast. Transit seeks to prevent worsening congestion by

- collaborating with local authorities on land use development and growth strategies
- managing access to the state highway network
- promoting and contributing to integrated transport, including travel demand management and passenger transport, and
- improving the capacity of road networks.

### Key initiatives include:

- Auckland: Complete significant motorway capacity improvements including the Western Ring Route and central motorway improvements. Passenger transport is being promoted by construction of the northern busway and a number of bus priority lanes.
- Hamilton: Progressively improve the western corridor from north of Hamilton to Cobden Bridge over the Waikato River.
- Tauranga: Progressively improve the congested areas of the local strategic roading network.
- Wellington: Consultation has been recently completed on the western corridor to develop the most effective and affordable package.
- Christchurch: The emphasis is on protecting existing and possible new routes including the northern links, SH1 past the airport and the Southern Motorway, together with a package of demand management and other measures.

## TRAVEL DEMAND MANAGEMENT (TDM)

In addition to making improvements to the capacity of the state highway network, Transit seeks to prevent congestion getting worse, by collaborating with local authorities on land use development and growth strategies, and by managing access to the state highway network. In addition, Transit will contribute to TDM by:

- the application of Advanced Traveller Information Systems and Intelligent Transport Systems
- increasing the priority for public transport on state highways, and
- other forms of traffic management that enhance the effectiveness of state highway travel, eg ramp signalling.

### Key initiatives include:

- Ramp signalling on Auckland's Southern, Northwestern and Northern motorways which started with trials in 2005/06
- New demand management activities planned for Tauranga and Christchurch starting in 2006/07.

## TOLLING

The Land Transport Management Act enables Transit to toll certain new roads. Two projects are now planned as toll roads. The first is SH1 Northern Motorway Extension (ALPURT B2), north of Auckland. Transit is also promoting the Western Ring Route in Auckland as a tolled route. The Harbour Link project in Tauranga, which was developed jointly with Tauranga District Council, was planned as a toll road, but is now to be funded as a state highway. Transit, Land Transport New Zealand and the Ministry of Transport are concurrently developing a national toll management system.

### Key initiatives include:

- Continued construction of the SH1 Northern Motorway Extension (ALPURT B2) toll road
- Continued development of a national management system for toll processing.

## WALKING & CYCLING

*"Getting there – on foot, by cycle"* is the Government's strategy to advance walking and cycling. Many high-speed state highway corridors are unsuited to walking and cycling due to the safety issues that arise. Equally, there are also many improvement activities on other state highways that contribute to the local walking and cycling networks. Some are relatively low cost activities that remove significant "pinch points" on state highways. Walking and cycling activities are prioritised nationally, taking account of local priorities and of activities that are part of a local authority strategy, or that complete a cycling route. There are also some relatively high cost activities that are needed to complete integrated networks. We will discuss funding plans for these networks with Land Transport New Zealand and the relevant local authorities. As well as specific walking and cycling projects, many new projects on state highways have good walking and cycling facilities built in.

### Key initiatives include:

- Purpose-built facilities for walking and cycling are programmed in West Coast, Otago, Canterbury, Northland, Waikato, Nelson, Bay of Plenty and Hawke's Bay regions in 2006/07.

## MANAGING LARGE CAPITAL PROJECTS

State highway improvements (capital projects) account for approximately 60% of Transit's annual State Highway Programme. This is an area of unprecedented growth. In Auckland alone, our construction spend is growing, for example from approximately \$74 million in 2000, to a planned \$374 million in 2005/06. Once started, large projects need large commitments of future expenditure. Current trends are for an increasing number of large projects. The timing of combinations of large projects must be carefully managed to match funding streams.

### Key initiatives include:

- Completion of the Western Ring Route (SHs 16, 18, 20) in Auckland by 2015, which is Transit's top priority nationwide, subject to the support of tolling by Aucklanders.



## MAINTENANCE

Transit's approach is to maintain current levels of service applying least cost whole-of-life measures – recognising that the state highway network is a key transport asset that carries almost half New Zealand's road traffic and has a replacement value in accounting terms of approximately \$15 billion.

The projected maintenance allocation for 2006/07 makes provision for some improvements to levels of service, in addition to those described under safety and environmental management above.

### Key initiatives include:

- Accelerated implementation of Intelligent Transport Systems and Automated Traveller Information Systems
- Seal widening
- Seismic retrofitting of key bridges
- Winter maintenance strategy
- Tunnel upgrades.

## EVALUATIVE ACTIVITIES

Initiatives to test the operational efficiency and effectiveness of Transit's operations, with a particular focus on value for money, are recently underway at three levels:

- the Ministerial Advisory Group on Roothing Costs
- the EXG Expenditure Review into Value for Money in the land transport sector
- a "value for money" project within Transit, working with key partners to review project development and delivery, and Transit's supply chain.

Transit will review its tendering process, and contract letting procedures, to derive efficiencies, and to seek opportunities to add extra value to the overall contracting process.

## WORKING WITH OTHERS

The wide range of important relationships that are critical to Transit's success include:

- Local authorities all over New Zealand with whom we seek integrated solutions in both land development and transport through interactive planning processes.
- Our close relationship with Land Transport New Zealand recognising Transit's major impact on the National Land Transport Programme and the need for alignment in the way we assign priorities.
- Strategic alliances with local authorities that achieve economies of scale in managing our respective road networks.
- Our special relationship with, and impact on, the contracting industry due to the volume and size of state highway contracts and the consequent impact on the financial viability of the industry and local employment opportunities.
- Collaboration between transport sector agencies and the Ministry of Transport, including strategic planning across the transport sector as a whole.
- Specific assistance to Ministry of Transport to assist with development of policy options for the Government. These currently include work to address road pricing, developer levies, information sharing, transport emergency management, and heavy vehicle mass and dimensions.
- The Road Controlling Authorities Forum, which is a key forum for sharing knowledge and making joint progress on road-related issues across the country.
- Collaboration on improving road safety, notably with Ministry of Transport, NZ Police and Land Transport New Zealand including the activities of the National Road Safety Committee.



→ Connections with a number of international transport organisations (such as Austroads [Association of Australasian Roading authorities] and PIARC [Pavement International Association of Road Congresses]), which assist the development of our staff, bring worldwide knowledge into the New Zealand context, and showcase New Zealand achievements.

Transit is committed to ensuring that as far as possible, the needs and wishes of road users, communities and stakeholders will be incorporated into the planning, development and management of the state highway network.

Extensive consultation takes place under the Land Transport Management Act on Transit’s annual Draft 10-year State Highway Forecast – with Regional Land Transport Committees, local authorities, affected communities, industry groups and the general public. Providing access to information, receiving and hearing submissions, are key to ensuring we understand and respond to the views of road users and communities.

Transit’s projects (both in the planning and construction phases) and policies (such as State Highway Reviews and proposals for toll roads) are also the subject of extensive consultation.

Transit is committed to working with stakeholders and road users. It undertakes regular independent surveys to obtain feedback, which is incorporated into future planning.

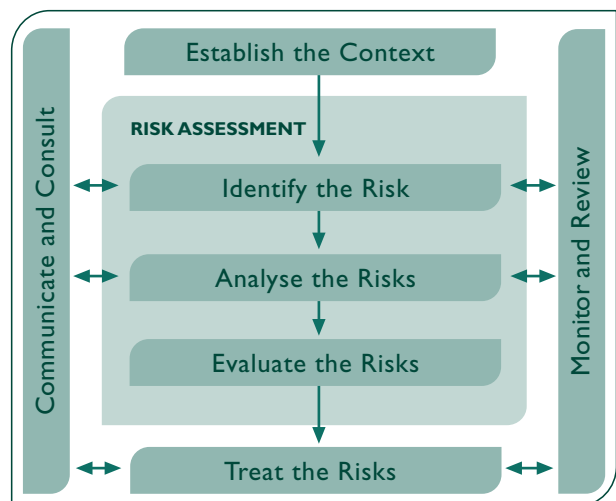
Transit also has Memoranda of Understanding (MoU) with a number of key stakeholders, to define and underpin the relationships. The quality of the MoU relationship, in stakeholders’ eyes, is independently surveyed at regular intervals.

Many of Transit’s MoU with stakeholders are with Iwi. Where there is no formal MoU in place, Transit’s generic MoU model guides interactions. Some Transit examples of fostering capacity include providing consultant resource to work with Maori, or working with Maori direct through consultancy contracts, to identify key issues and possible mitigation for Transit to consider. Transit will continue to explore new initiatives to assist Maori capacity and is developing a Stakeholder Relationship Management System to support its relationship with Maori.

Responsiveness – proactively engaging with communities, road users and partners – is a core value for Transit. We aim to respect others’ views and operate a “no surprises” environment throughout all our relationships.

## RISKS AND MITIGATION

Transit embraces the principles of risk management in all aspects of its business. More recently this includes the implementation of the “AS/NZS 4360:2004 Risk Management Standard”, the key elements of which are shown below.



The intent of the implementation is to enhance risk consciousness and in turn decision-making within and across Transit and its suppliers. This is achieved through the reinforcement of the right behaviours and the adoption at activity level of processes such as risk workshops, risk registers, treatment plans, and enhanced monitoring and communication systems. The overall aim is, through identifying and understanding threats and opportunities, to provide greater confidence that Transit will achieve its goals and objectives.

To date the emphasis has been on implementing the approach at a general management level and for capital project delivery.

Examples of current higher-level risks identified at a general management level (*and respective treatment plans*) are:

- Uncertainties during early project development not fully understood or misunderstood and translating into poor external perceptions of project delivery (*treatment – review of cost estimation procedures, introduction of peer reviews*)
- Funding projections exceeded, and resulting delays to plans due to the introduction of new and more stringent (eg environmental) regulations, standards and requirements (*treatment – appointment of senior environmental advisor, independent assessment of estimates, guidelines and training*)
- Delays in the development of projects due to differing views and positions amongst transport stakeholders and partners (*treatment – resolution with stakeholders, workshops, consultation*).

Risk management processes will be further built upon in 2006/7 including extension to further support network operations and transportation planning activities. Essential facilitation will be provided through the implementation of an “enterprise-wide” risk management and reporting tool.



## MANAGING ORGANISATIONAL HEALTH

In 2004, Transit completed a restructuring of the organisation to better deliver against its new strategic direction, developed in response to the Land Transport Management Act 2003 (LTMA). As a consequence, additional focus has been placed on recruiting people with transport planning and environmental planning skills, as well as core engineering skills. Greater interaction with business partners and stakeholders requires enhanced communications skills. The focus on environmental and social wellbeing, and greater interaction with stakeholders, means that Transit staff need to be capable of a holistic approach to developing long-term, multi-modal transport solutions.

While Transit still has a significant and growing need for the skills associated with its traditional activities, the broadening of Transit's functions under the LTMA has impacted on its capability requirements. Transit will continue to build its transport planning and environmental capability as it strengthens its internal specialist resource to enable it to give focus to key outcomes for the business.

Transit is committed to the continued professional development of its staff and supports them to attend relevant training to maintain and enhance their professional competency levels.

It undertakes annual staff surveys to gauge its own performance as an employer. Transit is a strong supporter of industry initiatives to attract more young people into the field and attract appropriately skilled engineers from overseas, to augment the skills available in New Zealand.

Transit has a core staff group at National Office and within its Regional Offices, which has a high level of industry knowledge and competency. The culture within Transit is one of teamwork and co-operation to get the job done. Staff retention rates are high, (turnover <12% per annum). Transit offers a supportive and friendly working environment where innovation is encouraged and recognised.

Transit remains aligned with the State Services Commission's "employer of choice" goal, and to being a good employer and maintaining an EEO programme. We plan to review our workforce profile, analyse our current situation, identify gaps and issues of concern, take action to address these issues, evaluate the effectiveness of these actions and plan future actions. Transit has an existing EEO plan, but it is due for revision, and this will be undertaken during the 2006/07 year.

## FINANCIAL AND NON-FINANCIAL MEASURES

Transit measures its performance via:

- organisational performance measures aimed to assess achievement against strategic outcomes and impacts (pages 12-18)
- forecast financial statements (pages 29-32)
- forecast service performance covering the activity classes through which Transit is funded (pages 33-41)
- achievements against Transit's land transport programme, which is contained in its 10-year State Highway Forecast
- progress against strategic objectives contained in Transit's Strategic Plan
- comparisons with other road controlling authorities, via Austroads' Performance Indicators.

Transit's 10-year State Highway Forecast and Strategic Plan can be found on its website: [www.transit.govt.nz](http://www.transit.govt.nz).  
Austroads performance indicators can be found at [www.austroads.govt.au](http://www.austroads.govt.au).

## CONSULTATION AND REPORTING TO THE MINISTER

Transit works closely with the Minister of Transport and Ministry of Transport to prepare its Statement of Intent and Output Agreement, guided by the Minister's annual Letter of Expectation, which is attached in Appendix 3.

Transit's Chairperson and Chief Executive meet regularly, normally monthly, with the Minister to discuss key issues.

Reporting arrangements are established in Transit's Output Agreement, and a formal report on progress is presented to the Minister at the end of each quarter. This report includes updates on capital projects and state highway maintenance, and updates the financial performance for the quarter. Weekly reports are also provided, focused on topical issues, with a view to ensuring a "no surprises" relationship.

## OTHER MATTERS

Other activities and reporting requirements specific to Transit are found in Schedule 5, Part 2 of the LTMA. Transit aims to cover these requirements in this Statement of Intent, its Output Agreement, and an Annual Report. The requirements include:

- Transit's best estimate of the various impacts the outputs described in the statement of objectives will have, and the consequences of those outputs, for an integrated, safe, responsive and sustainable State highway system (see "Organisational Performance Measures" and "Operating Intentions" in this document).
- any steps that Transit intends to take, having considered ways in which it might foster the development of Maori capacity to contribute to Transit's land development decision-making processes, over the period covered by the agreement (see "Working with Others" in this document).
- any requirement to review or revise its land transport programme and the basis on which that review or revision is to be carried out (no formal requirements currently impact beyond the regular State Highway Forecast reviews which are advised to Land Transport New Zealand as required).
- how Transit proposes to meet its obligations under section 77(2), specifically: operating the State highway system in a way that contributes to an integrated, safe, responsive and sustainable land transport system and exhibiting a sense of social and environmental responsibility (see "Operating Intentions" in this document and Transit's latest 10-year State Highway Forecast).

## FORECAST FINANCIAL STATEMENTS

The following projected financial statements are for the three years ended 30 June 2008 and comprise:

- Statement of financial performance
- Statement of financial position
- Statement of cash flow
- Statement of movements in equity

### TRANSIT NEW ZEALAND

#### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE (GST EXCLUSIVE)

	30-Jun-2006 Forecast (\$000)	30-Jun-2007 Target (\$000)	30-Jun-2008 Target (\$000)	30-Jun-2009 Target (\$000)
<b>REVENUE</b>				
Land Transport New Zealand	997,360	1,102,200	1,124,200	1,232,200
Overweight Permit Fees	240	200	200	200
Investment Interest	1,400	800	800	800
Rents & Leases From Property	15,000	15,000	16,000	14,000
Miscellaneous Receipts	100	100	100	100
Self Funding Units	400	400	400	400
<b>Total Revenue</b>	<b>1,014,500</b>	<b>1,118,700</b>	<b>1,141,700</b>	<b>1,247,700</b>
<b>EXPENDITURE</b>				
<b>OPERATING (Maintenance)</b>				
Pavement Maintenance	59,20	66,225	69,080	72,783
Bridge Maintenance	23,146	24,857	25,929	27,319
Corridor Maintenance	92,467	106,584	116,382	121,307
Emergency Work	28,316	33,314	22,898	22,934
Property Management	15,538	13,534	14,117	14,874
Feasibility Studies	6,195	13,534	13,530	13,552
Other Operating Expenditure	19,744	26,200	36,012	41,440
<b>Total Operating (Maintenance) Expenditure</b>	<b>244,606</b>	<b>284,246</b>	<b>297,948</b>	<b>314,207</b>
<b>OTHER</b>				
Depreciation on the State Highway Network	228,060	235,130	242,970	251,120
State Highway Asset Write Off	13,240	13,900	14,595	15,325
<b>Total Other Expenditure</b>	<b>241,300</b>	<b>249,030</b>	<b>257,565</b>	<b>266,445</b>
<b>TOTAL EXPENDITURE</b>	<b>485,906</b>	<b>533,276</b>	<b>555,513</b>	<b>580,652</b>
<b>SURPLUS AVAILABLE FOR STATE HIGHWAY IMPROVEMENTS</b>	<b>528,594</b>	<b>585,424</b>	<b>586,187</b>	<b>667,048</b>

**TRANSIT NEW ZEALAND**

**STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE (GST EXCLUSIVE)**

	30-Jun-2006 Forecast (\$000)	30-Jun-2007 Target (\$000)	30-Jun-2008 Target (\$000)	30-Jun-2009 Target (\$000)
<b>GENERAL FUNDS</b>	<b>13,259,092</b>	<b>13,844,517</b>	<b>14,430,703</b>	<b>15,097,750</b>
<b>ASSET REVALUATION RESERVE</b>	<b>2,192,778</b>	<b>2,192,778</b>	<b>2,192,778</b>	<b>2,192,778</b>
<b>TOTAL EQUITY</b>	<b>15,451,870</b>	<b>16,037,295</b>	<b>16,623,481</b>	<b>17,290,528</b>
<b>CURRENT ASSETS</b>				
Cash in Bank	1,500	1,500	1,500	1,500
Investments	18,500	18,500	18,500	18,500
Accounts Receivable	6,993	7,533	8,073	8,613
Receivable from Land Transport New Zealand	120,000	130,000	137,000	150,000
<b>TOTAL CURRENT ASSETS</b>	<b>146,993</b>	<b>157,533</b>	<b>165,073</b>	<b>178,613</b>
<b>LESS CURRENT LIABILITIES</b>				
Accounts Payable	139,957	149,526	156,297	169,067
Employee Entitlements	2,690	3,290	3,690	4,090
<b>TOTAL CURRENT LIABILITIES</b>	<b>142,647</b>	<b>152,816</b>	<b>159,987</b>	<b>173,157</b>
<b>NET CURRENT ASSETS</b>	<b>4,346</b>	<b>4,717</b>	<b>5,086</b>	<b>5,456</b>
<b>PLUS NON CURRENT ASSETS</b>				
Other Property, Plant and Equipment	5,546	5,986	6,426	6,866
State Highway Network	15,436,643	16,080,248	16,759,492	17,471,036
Bailey Bridging	5,335	5,225	5,115	5,005
<b>TOTAL NON CURRENT ASSETS</b>	<b>15,447,524</b>	<b>16,091,459</b>	<b>16,771,033</b>	<b>17,482,907</b>
<b>LESS NON CURRENT LIABILITIES</b>				
Borrowing	0	58,881	152,638	197,834
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>0</b>	<b>58,881</b>	<b>152,638</b>	<b>197,834</b>
<b>NET FUNDS EMPLOYED</b>	<b>15,451,870</b>	<b>16,037,295</b>	<b>16,623,481</b>	<b>17,290,528</b>

**TRANSIT NEW ZEALAND**

**STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE (GST EXCLUSIVE)**

	30-Jun-2006 Forecast (\$000)	30-Jun-2007 Target (\$000)	30-Jun-2008 Target (\$000)	30-Jun-2009 Target (\$000)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Cash was provided from:</b>				
Land Transport New Zealand	992,994	1,092,200	1,117,200	1,219,200
Overweight Permit Fees	240	200	200	200
Investment Interest	1,408	800	800	800
Property Rental	15,000	15,000	16,000	14,000
Other Receipts	500	500	500	500
Net GST Received/(Paid)	(540)	(540)	(540)	(540)
<b>Total</b>	<b>1,009,602</b>	<b>1,108,160</b>	<b>1,134,160</b>	<b>1,234,160</b>
<b>Cash was disbursed to:</b>				
Payments to Suppliers and Employees	248,049	298,177	291,804	305,558
<b>Total</b>	<b>248,049</b>	<b>298,177</b>	<b>291,804</b>	<b>305,558</b>
<b>Net Cash Flow from Operating Activities</b>	<b>761,553</b>	<b>809,983</b>	<b>842,356</b>	<b>928,602</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
<b>Cash was provided from:</b>				
Sale of Fixed Assets	50	100	100	100
Sale of State Highway Property	13,230	17,000	22,000	21,000
<b>Total</b>	<b>13,280</b>	<b>17,100</b>	<b>22,100</b>	<b>21,100</b>
<b>Cash was disbursed to:</b>				
Purchase of Fixed Assets	3,300	3,000	3,000	3,000
State Highway Capital Expenditure	762,151	881,083	948,456	980,702
<b>Total</b>	<b>765,451</b>	<b>884,083</b>	<b>951,456</b>	<b>983,702</b>
<b>Net Cash Flow from Investing Activities</b>	<b>(752,171)</b>	<b>(866,983)</b>	<b>(929,356)</b>	<b>(962,602)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
<b>Cash was provided from:</b>				
Borrowing	0	57,000	87,000	34,000
<b>Net Cash Flow from Investing Activities</b>	<b>0</b>	<b>57,000</b>	<b>87,000</b>	<b>34,000</b>
<b>Net Increase/(Decrease) in Cash</b>	<b>9,382</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Add Opening Cash Brought Forward</b>	<b>10,618</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>
<b>Ending Cash Carried Forward</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>
<b>Ending Cash Represented By:</b>				
Cash in Bank	1,500	1,500	1,500	1,500
Investments	18,500	18,500	18,500	18,500
	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>



**TRANSIT NEW ZEALAND**

**STATEMENT OF MOVEMENTS IN EQUITY FOR THE YEAR ENDED 30 JUNE (GST EXCLUSIVE)**

	<b>30-Jun-2006 Forecast (\$000)</b>	<b>30-Jun-2007 Target (\$000)</b>	<b>30-Jun-2008 Target (\$000)</b>	<b>30-Jun-2009 Target (\$000)</b>
<b>BALANCE AS AT 1 JULY</b>	<b>12,730,498</b>	<b>13,259,092</b>	<b>13,844,517</b>	<b>14,430,703</b>
Surplus Available for State Highway Improvements	528,594	585,424	586,187	667,048
<b>BALANCE AS AT 30 JUNE</b>	<b>13,259,092</b>	<b>13,844,517</b>	<b>14,430,703</b>	<b>15,097,750</b>

## FORECAST SERVICE PERFORMANCE

This statement of projected performance describes the activity classes Transit will supply, the objectives, performance measures and targets within those activity classes for 2006/07 and the following two financial years.

The four activity classes reported correspond to Land Transport New Zealand activity classes under which Transit is allocated funds for state highways:

1. State highway maintenance (“Maintenance of state highways”)
2. State highway replacement and improvement (“New and improved infrastructure for state highways”)
3. Passenger transport (“Passenger transport”)
4. Walking and cycling (“Transport demand management – walking and cycling facilities”)

This statement of projected performance is prepared in accordance with generally accepted accounting practice. Transit’s statement of accounting policies is in Appendix 4.

Table 1

SUMMARY OF COSTS OF ACTIVITY CLASSES<sup>1</sup> (\$M)

Activity Classes	2005/06 Actual	2006/07 Target	2007/08 Target	2008/09 Target
<b>Activity Class 1: State Highway Maintenance</b>				
Structural Maintenance	231.6	257.5	274.9	288.9
Corridor Maintenance	92.5	102.3	106.8	111.5
Preventive Maintenance	5.4	5.2	5.3	5.7
Property Management	15.5	13.5	13.9	14.8
Emergency Works <sup>2</sup>	28.4	22.9	22.9	22.9
<b>Subtotal</b>	<b>373.4</b>	<b>401.4</b>	<b>423.8</b>	<b>443.8</b>
<b>Activity Classes 2, 3 and 4: • State highway replacement and improvement • Passenger transport • Walking and cycling</b>				
Construction	501.4	584.7	687.8	694.9
Minor Safety Projects [MSP]	21.8	28.1	29.1	30.1
Property Purchase	67.8	85.3	99.8	99.8
Passenger Transport Road Infrastructures [PT]	61.6	72.4	24.3	49.0
Walking and Cycling Facilities	1.0	3.1	3.2	3.4
<b>Subtotal</b>	<b>653.6</b>	<b>773.6</b>	<b>844.2</b>	<b>877.2</b>
Total (GST exclusive)	1027.0	1175.0	1268.0	1321.0
Add GST	128.4	146.9	158.5	165.1
<b>Total cost of Activity Classes</b>	<b>1155.4</b>	<b>1321.9</b>	<b>1426.5</b>	<b>1486.1</b>

## Notes

- Professional Services have been allocated across Structural (72%) and Corridor Maintenance (28%). Transit's Administration costs have been allocated across all activity classes.
- This amount is held and managed by Land transport New Zealand. Where funding is required, it is released on a case-by-case basis.
- Shaded rows of 2006/07 and 2007/08 targets in Table 1 above include expenditure planned to be funded from borrowing. Transit is working with the Ministry of Transport, Treasury, New Zealand Debt Management Office and Land Transport New Zealand to raise debt in the 2006/07 financial year as part of the ALPURT B2 project.
- Figures include escalation (construction). (23%)

## ACTIVITY CLASS 1: State highway maintenance

### DESCRIPTION

Transit will provide the maintenance of the state highway assets under this activity class.

### OBJECTIVES

The objectives of Activity Class 1 are to:

- Minimise the sum of road agency and road user costs
- Contribute to reductions in the rate and severity of highway crashes
- Limit effects on the environment wherever reasonable and practicable
- Operate the state highway network to maximise its capacity and the reliability of travel times.

### OUTPUTS

The following outputs are produced by Activity Class 1:

- Structural Maintenance: all maintenance of carriageways and bridges/structures, and resurfacing of existing carriageways, including resealing and thin asphaltic concrete.
- Corridor Maintenance: traffic management; provision and maintenance of delineation assets; maintenance of traffic signals, street lighting, guardrails and other safety facilities; incidence response and vegetation, graffiti and litter removal.
- Preventive Maintenance: non-routine maintenance works to protect the serviceability of the road assets and to minimise the threat of road closures.
- Property Management: management and maintenance of Crown-owned property held by Transit for future projects.
- Emergency Works: unexpected work requiring the urgent reinstatement or provision of a safe trafficable highway.

Table 2

## ACTIVITY CLASS I: State highway maintenance – by output

Description	2005/06 Actual	2006/07 Target	2007/08 Target	2008/09 Target
<b>Structural Maintenance</b>				
• Cost (\$M)	236.0	257.5	274.9	288.9
• Length (km)	10,910	10,915	10,920	10,925
• Unit cost (\$/km)	21,632	23,591	25,174	26,444
<b>Corridor Maintenance</b>				
• Cost (\$M)	94.7	102.3	106.8	111.5
• Length (km)	10,910	10,915	10,920	10,925
• Unit cost (\$/km)	8,680	9,372	9,780	10,206
<b>Preventive Maintenance</b>				
• Cost (\$M)	3.7	5.2	5.3	5.7
<b>Property Management</b>				
• Cost (\$M)	15.6	14.1	13.9	14.8
• Asset value (\$M) <sup>1</sup>	710	750.2	797.5	704
<b>Emergency Works</b>				
• Cost (\$M)	18.8	22.9	22.9	22.9
<b>Activity Class I: Total Cost (\$M)</b>	<b>368.8</b>	<b>402.0</b>	<b>423.8</b>	<b>443.8</b>

## Notes

1. The value of the total portfolio, including properties that do not generate income.

The figures include professional services (split 28% corridor and 72% structural)

Note that the cost increase effects of 2005/06 are only now becoming clear, and it is unlikely that the future years costs predictions fully reflect these changes.

Table 3

**ACTIVITY CLASS 1: State highway maintenance  
PERFORMANCE MEASURES AND TARGETS**

<b>Description</b>	<b>2005/06 Target</b>	<b>2006/07 Target</b>	<b>2007/08 Target</b>	<b>2008/09 Target</b>
<b>Emergency Works</b>				
• Total unplanned lane km closures for periods greater than 12 hours for low density urban roads at peak times	No closures over 12 hours	No closures over 12 hours	No closures over 12 hours	No closures over 12 hours
• Total unplanned lane km closures for periods greater than 2 hours for high-density urban roads at peak times	No closures over 2 hours	No closures over 2 hours	No closures over 2 hours	No closures over 2 hours
(Peak times are 7.30-9.00am and from 4.30-6.00pm. Low density road = <10,000 vpd. High density road = >10,000 vpd.)				
Percentage of dollar variance against State Highway Maintenance Programme	95-105%	95-105%	95-105%	95-105%
<b>Comparison of Periodic Maintenance* Costs</b>				
• Percentage completion of National Roothing Programme by cost of activity class <sup>1</sup>	98.5%	98.5%	98.5%	98.5%
• Percentage achievement of National Land Transport Programme activity classes <sup>2</sup>	97.5-102.5%	97.5-102.5%	97.5-102.5%	97.5-102.5%
<b>Levels of Service</b>				
• Percentage of state highway network maintained to level of service for road condition, classified by:				
– Roughness				
• smoothness <sup>3</sup>	97%	97%	97%	97%
• smooth travel exposure <sup>4</sup>	97%	97%	97%	97%
– Rutting – less than 20mm ruts <sup>5</sup>	99%	99%	99%	99%
– Skid resistance – good skid exposure above threshold level <sup>6</sup>	98%	98%	98%	98%
– Texture – greater than 0.5mm <sup>7</sup>	98%	98%	98%	98%

\* Periodic Maintenance is defined as Area Wide Pavement Treatments, Maintenance Chip Seals and Thin Asphaltic Concrete resurfacing.

## Notes

1. Reflects the degree to which the actual costs of periodic road maintenance match the allocations in the National Land Transport Programme following Land Transport New Zealand's last programme review. Trends will be analysed on a three-year rolling average, which will provide a refined basis for projecting targets for future years.
2. Reflects the degree of actual delivery of periodic road maintenance project lengths against the planned periodic road maintenance project lengths in Transit's State Highway Programme. Targets are based on the Agreement between Land Transport New Zealand and Transit. Trends will be analysed on a three-year rolling average, which will provide a refined basis for projecting targets in the future.
3. Measures the proportion of the state highway network, which is classified as smooth. Smoothness targets vary by highway class. Targets over the forward years are based on the calculations using the latest roughness survey. Trends will be analysed on a three-year rolling average, which will provide a basis for projecting targets in the future.
4. Measures the proportion of travel on sections of the state highway network, which are classified as smooth. Smoothness targets vary by highway class. Targets over the forward years are based on the calculations using the latest roughness survey and traffic data. Trends will be analysed on a three-year rolling average, which will provide a basis for projecting targets in the future.
5. A depression in the wheel path of a lane is defined as a "rut". When the depression exceeds 20mm in depth, it can hold water and cause a vehicle to aquaplane. Trends will be analysed on a three-year rolling average, which will provide a basis for projecting targets in the future.
6. Good Skid Exposure reflects the volume of traffic exposed to highway lengths that are currently above the threshold value for providing good skid resistance road surfaces.
7. When bitumen rises to the top of chips, the pavement is defined as "flushed". Typically, this occurs when a chipseal has a texture depth less than 0.5mm Mean Profile Depth.

## ACTIVITY CLASSES 2, 3 and 4:

- State highway replacement and improvement
- Passenger transport
- Walking and cycling

### DESCRIPTION

Transit will provide replaced and improved state highway assets under this activity class.

#### *Objectives*

The objectives of Activity Classes 2, 3 and 4 are to:

- Respond to the demand for improved capacity of strategic roads
- Contribute to reductions in the rate and severity of highway crashes
- Minimise the sum of road user and road agency costs
- Limit effects on the environment wherever reasonable and practicable
- Limit disruption to traffic as far as practicable
- Recognise community aspirations through consultation
- Enhance walking and cycling opportunities.

### OUTPUTS

The following outputs are produced by Activity classes 2, 3 and 4:

- Construction: improvement of existing roads and bridges; and construction of new roads and bridges including seal extension.
- Minor Safety Projects: safety improvement projects with total cost of up to \$150,000 each and currently based on 8% of the Maintenance allocation.
- Property Purchase: purchase of land needed for replacement and improvement projects.
- Passenger transport improvement projects on state highways (North Shore Busway).
- Walking and cycling infrastructure projects and promotion of walking and cycling activities.



Table 4

ACTIVITY CLASSES 2, 3 and 4: State highway replacement and improvement; Passenger transport; Walking and cycling – by output

Description	2005/06 Actual	2006/07 Target	2007/08 Target	2008/09 Target
<b>Construction<sup>1</sup></b>				
• Cost (\$M)	501.4	584.7	687.8	694.9
<b>Minor Safety Projects</b>				
• Cost (\$M)	21.8	28.1	29.1	30.1
<b>Property Purchase<sup>1</sup></b>				
• Cost (\$M)	67.8	85.3	99.8	99.8
<b>Passenger Transport Roothing Infrastructures</b>				
• Cost (\$M)	61.6	72.4	24.3	49.0
<b>Walking and Cycling</b>				
• Cost (\$M)	1.0	3.1	3.2	3.4
<b>Activity Classes Groups 2, 3 and 4: Total Cost (\$M)</b>	<b>653.6</b>	<b>773.6</b>	<b>844.2</b>	<b>877.2</b>

## Notes

1. Construction and Property Purchase projections are based on Transit's 10 year State Highway Forecast, smoothed by taking account of factors affecting project development and including uncertainties associated with forecasting projects and available roading funds.
2. Shaded rows of 2006/07 and 2007/08 targets in Table 4 above include expenditure planned to be funded from borrowing. Transit is working with the Ministry of Transport, Treasury, New Zealand Debt Management Office and Land Transport New Zealand to raise debt in the 2006/07 financial year as part of the ALPURT B2 toll project.

Table 5

**ACTIVITY CLASSES 2, 3 and 4: State highway replacement and improvement; Passenger transport; Walking and cycling**  
**PERFORMANCE MEASURES AND TARGETS**

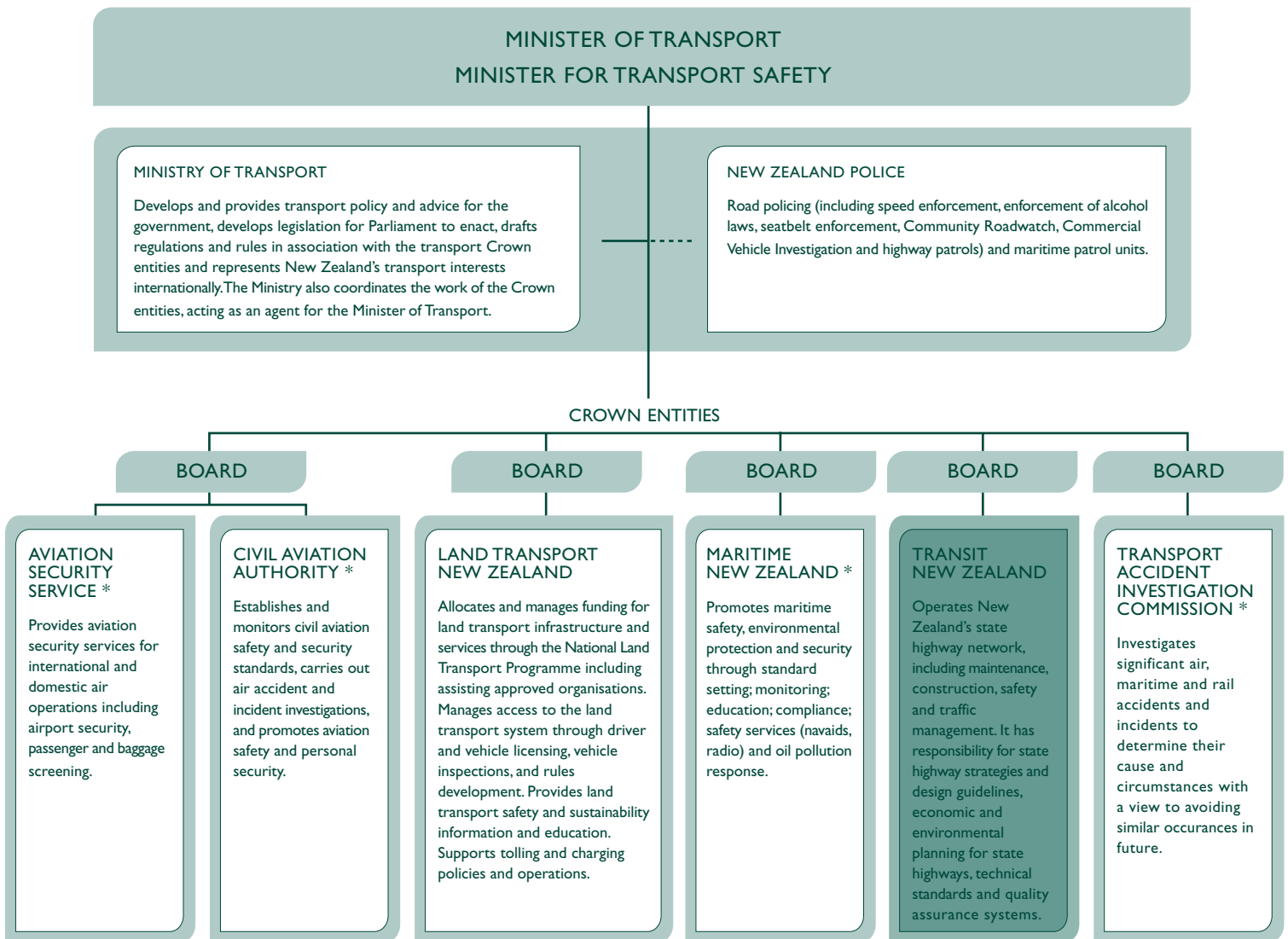
<b>Description</b>	<b>2005/06 Target</b>	<b>2006/07 Target</b>	<b>2007/08 Target</b>	<b>2008/09 Target</b>
<b>Capital Works Costs</b>				
• Percentage of dollar variance against State Highway Improvement Programme	95-105	95-105	95-105	95-105
• Percentage completion of National Land Transport Programme by fee costs of capital works <sup>1</sup>	≤103	≤103	≤103	≤103
• Percentage achievement of National Land Transport Programme by construction costs of capital works <sup>1</sup>	≤103	≤103	≤103	≤103
<b>Capital Works Achievements</b>				
• Number of Major Projects listed in the Output Agreement that are on time	All projects	All projects	All projects	All projects
• Percentage of capital projects completed within expected cost and time parameters	≤103	≤103	≥95	≥95
<b>Property</b>				
• Maximised returns on the value of Transit properties without compromising construction start dates	2.2%	2.1%	1.8%	1.7%

**Note**

1. Targets are consistent with the Agreement between Transit and Land Transport New Zealand. Trends will be analysed on a three-year rolling average, which will provide a refined basis for projecting targets for future years.

# APPENDICES

## APPENDIX I: The New Zealand Government Transport Sector



### THREE STATE-OWNED ENTERPRISES WITH TRANSPORT FUNCTIONS

- **Airways Corporation of New Zealand Limited** — Provides air traffic management services and provides the Ministry with Milford Sound/Piopiotaahi Aerodrome landing and take-off data.
- **Meteorological Service of New Zealand Limited\*** — Provides public weather forecasting services and provides meteorological information for international air navigation under contract to the CAA.
- **ONTRACK** — Manages Crown railway land and the national rail network. Legislation is currently before Parliament to transform ONTRACK into a Crown Entity, similar to Transit New Zealand.

### CROWN ESTABLISHED TRUST

**Road Safety Trust** — This Crown established trust provides funding for road safety projects and research with revenue received from the sale of personalised vehicle registration plates.

### LOCAL GOVERNMENT

The sector works closely with local government. Local authorities own, maintain and develop New Zealand's local road network and perform important regulatory transport functions. Regional councils (and unitary authorities) are required to develop regional land transport strategies that guide the transport decision making of local councils, and also fund public transport and Total Mobility schemes in conjunction with Land Transport New Zealand. In the Auckland region, the Auckland Regional Transport Authority carries out these functions. Some local authorities own seaports and airports, or share ownership with the Crown.

\* Denotes an agency the Minister for Transport Safety oversees

## APPENDIX 2: Key Deliverables Expected from the Initial 5-year Funding Package for State Highways (2006/07 to 2010/11)

(Note: Land Transport NZ will decide the precise funding allocations under the new funding package)

### LARGE STATE HIGHWAY IMPROVEMENTS BUILT AND OPENED – 2006/07 TO 2010/11

State Highway Corridor	Projects Built
SH1, Cape Reinga	SH1, Waitiki Land to Cape Reinga Stage 2 *
SH1, Awanui to Whangarei	SH1, Akerama Curves Realignment *
Auckland Northern Gateway	SH1, ALPURT B2
Auckland North Shore	SH1, Northern Busway SH1, Esmonde Rd Interchange SH1, Ramp Signalling SH1, Northcote to Sunnynook Auxiliary Lane
Auckland Central Improvements	SH1, Central Motorway Junction - Stage 2 SH16, Newton Rd to Western Springs Auxiliary Lane SH1, Auckland Harbour Bridge Moveable Lane Barrier SH1, Auckland Harbour Bridge Stormwater Upgrade SH1, Newmarket Viaduct to Greenlane Auxiliary Lane* SH16, Punganui Bridge Replacement *
Auckland Western Ring Route	SH20, Mt Roskill Extension SH20, Manukau Extension SH18, Greenhithe Deviation
Auckland North-western Motorway	SH16, Ramp Signalling
Auckland Southern Motorway	SH1, Waiouru Connection (Manukau City) SH1, Ramp Signalling
Waikato Maramarua Expressway	SH2, Mangatawhiri Deviation
Hamilton Western Corridor	SH1, Church to Avalon 4 Laning SH1, Avalon Drive Bypass
SH1, Hamilton to Taupo	SH1, East Taupo Arterial * SH1, Piarere-Oak Tree Bend Realignment
Tauranga Strategic Network	Tauranga Harbour Link Tauranga Travel Demand Management *
SH36, Tauranga to Rotorua	SH36, Pyes Pa Bypass
Hawke's Bay Expressway	SH50A, Meeanee Rd Interchange

LARGE STATE HIGHWAY IMPROVEMENTS BUILT AND OPENED – 2006/07 TO 2010/11  
(continued)

State Highway Corridor	Projects Built
SH1, Waiouru to Bulls	SH1, Hihitahi Bluffs Realignment
SH3 New Plymouth to Hawera	SH3, Bell Block Bypass
Wellington Western Corridor	SH1, Mackays Overbridge SH1, Centennial Highway Median Barrier
Wellington Hutt Corridor	SH2, Dowse to Petone
Wellington City	SH1, Wellington Inner City Bypass
SH2 Wairarapa	SH2, Waiohine Bridge
SH1 Picton to Kaikoura	SH1, Awatere Bridge
SH 60, Richmond to Motueka	SH60, Ruby Bay Bypass *
Christchurch City	Christchurch Travel Demand Management
SH1 Oamaru to Dunedin	SH1, Tumaï – Waikouaiti Realignment

\* Construction, subject to investigation and design being completed as planned

LARGE STATE HIGHWAY IMPROVEMENTS BUILT AND OPENED – 2006/07 TO 2010/11  
(Additional to August 2005 State Highway Forecast)

State Highway Corridor	Projects Built
SH1, Awanui to Whangarei	SH1, Bulls Gorge Realignment *
Auckland Southern Motorway	SH1, Papakura Interchange Upgrade Stage 1*
Hawke's Bay Expressway	SH50A, Hawke's Bay Expressway (Southern) *
SH2, South of Hastings	SH2, Waipukurau Overbridge Realignment *
SH6 West Coast (South Island)	SH6, Arahura Bridge Replacement *

\* Construction, subject to investigation and design being completed as planned

**LARGE STATE HIGHWAY IMPROVEMENTS WITH SUBSTANTIVE CONSTRUCTION STARTS  
– 2006/07 TO 2010/11 (1 years construction at least)**

<b>State Highway Corridor</b>	<b>Projects Started</b>
SH1, Whangarei	SH1, Kamo Bypass Stage II *
SH1, Whangarei to Auckland	SH1, Warkworth Improvements Stage I*
Auckland Western Ring Route	SH18, Hobsonville Deviation SH16, Brigham Creek Extension SH16, Te Atatu - Royal 6L * SH20, Waterview Connection * SH20, Manukau Harbour Crossing * SH18/20, Ramp Signalling*
Auckland Central Improvements	SH1, Vic Park Tunnel * SH1, Newmarket Viaduct * Advanced Traffic Management System (ATMS)
Waikato Expressway	SH1, Te Rapa Bypass * SH1, Rangiriri Bypass *
SH3 New Plymouth to Hawera	SH3, Rugby Road Underpass
SH1, Waiouru to Bulls	SH1, Ohingaiti-Makohine Realignment
SH2, Wairarapa / Hawke's Bay	SH2, Papatawa Realignment *
Wellington Western Corridor	SH1, Kapiti Western Link Rd Stage I *
SH3, New Plymouth to Hawera	SH 3, Normanby Overbridge Realignment
Christchurch Southern Links	SH1, Christchurch Southern Motorway Extension *
Christchurch Western Corridor	SH1, Memorial Ave to Yaldhurst 4L
Dunedin City	SH1, Caversham 4 Laning *
National	Toll Systems Project *

\* Construction started, subject to investigation and design being completed as planned

**LARGE STATE HIGHWAY IMPROVEMENTS WITH SUBSTANTIVE CONSTRUCTION STARTS  
– 2006/07 TO 2010/11 (Additional to August 2005 State Highway Forecast)**

<b>State Highway Corridor</b>	<b>Projects Started</b>
SH2, Napier to Gisborne	SH2, Matahorua Gorge Realignment *
Wellington Hutt Corridor	SH2/SH58 Grade Separation *

\* Construction started, subject to investigation and design being completed as planned

LARGE STATE HIGHWAY IMPROVEMENTS BEING PREPARED FOR A  
CONSTRUCTION START – 2006/07 TO 2010/11

State Highway Corridor	Projects Developed
Auckland Western Ring Route	SH16, Te Atatu Interchange Westbound off ramp SH16, Rosebank to Te Atatu 6L SH16, Waterview to Rosebank 8L
Waikato Expressway	SH1, Ngaruawahia Bypass SH1, Cambridge Bypass SH1, Longswamp to Rangiriri 4L SH1, Huntly Bypass
Waikato Maramarua Expressway	SH2, Maramarua Deviation
Coromandel Gateway	SH25, Kopu Bridge Replacement
Tauranga Strategic Network	SH2, Tauranga Eastern Motorway SH2, Tauranga Northern Arterial
Gisborne - Tolaga	SH35, Gisborne - Tolaga Seal Widening
SH2 Hawke's Bay	SH2, Takapau Plains Seal Widening
Wellington Western Corridor	SH1, Transmission Gully (investigation & preliminary design) Kapiti Western Link Road (Southern Section)
Wellington Rimutaka Hill	SH2, Rimutaka Corner Easing
Nelson - Marlborough	SH6, Whangamoia South Realignment
Christchurch Western Corridor	SH1, Sawyers Arms to Memorial Ave
Milford Sound Tourist Route	SH94, Homer East Portal Avalanche Shed

LARGE STATE HIGHWAY IMPROVEMENTS BEING PREPARED FOR A DESIGN START  
 – 2006/07 TO 2010/11

State Highway Corridor	Projects Investigated
SH12, Kaipara	SH12, Matakohe Realignment
SH1, Whangarei to Auckland	SH1, Schedewys Hill Deviation
SH1, Whangarei to Auckland	SH1, Brynderwyn Hill Realignment
Waikato Maramarua Expressway	SH2, Kopuku Realignment
Hamilton Southern Corridor	Hamilton Southern Links
SH2, North of Tauranga	SH2 Katikati Bypass SH2, Omokoroa Roundabout
Wellington Western Corridor	Kapiti Western Link Road Stage 2
Wellington Hutt Corridor	SH2, Melling Interchange
Wellington City	SH1, Basin Reserve Improvements
Tasman – West Coast	SH6, Hope Saddle Realignment
Christchurch Northern Links	Christchurch Northern Arterial (rural) QE2 4-Laning (Northern Arterial to Hills Rd) Western Belfast Bypass
Christchurch Western Corridor	SH1, Memorial Ave Intersection
West Coast	SH6, Gates of Haast
Dunedin Southern Corridor	SH1, East Taieri Bypass
Queenstown	SH6, Kawarau Falls Bridge



## APPENDIX 3: Minister of Transport's Letter of Expectations for 2006/07

30 May 2006

Sir Tipene O'Regan  
Acting Chair  
Transit NZ  
PO Box 5084  
WELLINGTON

Dear Sir Tipene

### **Transit New Zealand's Letter of Expectation: Planning for the 2006/07 Statement of Intent**

I am pleased to provide you with this letter, which sets out the contribution I expect from Transit New Zealand (Transit NZ) towards meeting the government's goal of achieving an affordable, integrated, safe, responsive and sustainable transport system. This letter complements other accountability documents, and should aid the development of Transit NZ's 2006/07 Statement of Intent (SOI). I would like to thank you for your letter of 30 March with comments on an earlier draft. I have considered those comments in finalising this letter.

### **Value for Money**

The Government has strongly signalled that *value for money* is a key objective for all public expenditure in the coming term. Public expenditure needs to be applied and managed in the most cost effective manner.

As you know, I am concerned about the recent cost escalation in roading projects. It is important we understand the drivers for these increases, and mitigate against them where practicable, to ensure that additional funding goes into new projects. I am pleased to see Transit NZ has initiated its own value for money exercise, and look forward to Transit NZ providing valuable input to the Advisory Group on Roothing Costs and the expenditure review of value for money in the land transport sector that is being led by the Ministry for the Cabinet Committee on Government Expenditure and Administration.

I wish to see key performance indicators in the SOI provide an indication of trends over time of expenditure to key output units and by outcome. These indicators should be outlined in your quarterly reports with significant financial variances and delays to be explained and mitigation factors included.

### **Protecting the State Highway Network**

Protecting the State Highway Network has historically not been well managed, and I am pleased Transit NZ is quite rightly seeing this as critical. However, protecting the network should be complemented by good relationships with Councils. I would appreciate Transit NZ concentrating efforts on maintaining that balance.

### **Toll Roads**

I am aware that Transit NZ is looking at the potential for several new State Highway construction projects to be built and operated as toll roads under the tolling provisions of the Land Transport Management Act 2003 (LTMA), that is, where there are existing non-tolled roads available. This is encouraging where, in line with those provisions, potential toll road revenue will enable the construction for projects to be brought forward and enable more projects to be undertaken than would be possible using the National Land Transport Fund alone.

I expect Transit NZ to fully assist the Ministry in its role as adviser to me on toll road proposals and road pricing policy, and in particular, for Transit NZ to advise me and the Ministry prior to any significant public announcements about new or existing tolling projects.

### **Developer Levies**

I would appreciate Transit NZ assisting the Ministry in its work to develop policy options that internalise any costs that developments impose on State Highways and passenger transport infrastructure and services. This includes sharing of all relevant information and data on the State Highway Network.

### **Integrated Transport Sector**

I acknowledge the contribution that Transit NZ has made to the Planning Task Force and the Board Reference Group. Further, at a day-to-day level, it is very helpful to me to know that information is being shared between Transit NZ and the Ministry. I have found the joint briefings on the draft State Highway Forecast most useful.

You will be aware of the *whole of government* strategy for *managing for outcomes*. I look forward to seeing a robust set of performance indicators linked to the directional statements and associated outcome indicators and expenditure in your SOI, which can be used to indicate trends over time and measure the cost and impact of the activities of Transit NZ on the NZTS. This will meet your obligations under section 141(1)(f) of the Crown Entities Act 2004. Progress towards your 2006/07 performance targets can be outlined in your quarterly reports.

In order that I can consider the Transport sector SOIs as an integrated set of documents, I would appreciate you forwarding to me your draft SOI by 17 May. This will also allow time to begin considering any areas requiring clarification before receiving your formal draft SOI on 31 May (as required by section 146 of the Crown Entities Act 2004), as the tight timeframe for feedback under the Act does not always allow for useful dialogue.

### **Next steps**

Attached is a schedule that provides an indication of the work which I would like Transit NZ to begin, or continue, working with the Ministry and other stakeholders on during the 2006/07 financial year.

Finally, I would appreciate you keeping me regularly and fully informed about significant issues. I look forward to continuing our regular meetings and to working with Transit NZ to ensure the State Highway Network contributes to the sustainability objectives of the national transport system.

Yours sincerely

Hon Annette King  
**Minister of Transport**

cc Mr Rick van Barneveld, Chief Executive Officer, Transit NZ

## **Schedule of Work Programmes 2006/07**

Transit NZ needs to continue, or begin, working with the Ministry and other transport stakeholders on the following projects and activities during the 2006/07 year:

### **Information**

1. Continue the positive engagement in the information sharing project and its outcomes.

### **Access and Mobility**

2. Ensure infrastructure supports successful implementation of the 'Getting There – by Foot, by Cycle' Strategy.
3. Continue Transit NZ's input into the Transport Emergency Management Co-ordination Cluster Group.
4. Work with Land Transport NZ, regional and local authorities, and the Ministry to ensure all parties are espousing the same urban transport message in their respective Urban Design Protocol action plans.
5. Work closely with the Ministry in its work to develop strategic Transport Demand Management (TDM) policy and assist in the identification of transport sector roles and responsibilities. In addition, it is important that Transit NZ works collaboratively with local and regional authorities where there are shared areas of interest, in order to ensure integrated TDM outcomes can be achieved.

### **Research**

6. Assist in the development and implementation of the sector research strategy.

### **Rules and Regulations**

7. Work with the Ministry and Land Transport NZ in any future development of policy related to heavy vehicle mass and dimensions, as determined by Cabinet.

### **Safety and Security**

8. Consider the outcomes outlined in the Government's Road Safety Strategy to 2010 when managing the network and preparing the State Highway Plan.
9. Support the work to identify the contribution of the National Land Transport Programme (NLTP) to improving the safety of the roads and to determine expectations regarding the required safety improvement of the New Zealand road network.

### **Environment**

10. Participate in the Ministry's investigation into a possible National Environmental Standard for land transport noise. Given Transit NZ's practical expertise around noise mitigation, you should be able to provide valuable input into this project to ensure workable solutions are progressed.
11. Continue the proactive approach Transit NZ is taking towards sustainability within its operations and your participation in the Government's Towards Sustainable Practice programme.

## **APPENDIX 4: Statement of Accounting Policies**

### **ACCOUNTING POLICIES**

The following accounting policies, which materially affect the measurement of financial performance and financial position, have been applied:

#### **REVENUE RECOGNITION**

Revenue from Land Transport New Zealand is equal to the total cost of services delivered in accordance with the approved National Roothing Programme less revenue from property rents and leases and investment interest.

Income from property rents and leases, investment interest and other sources are recognised when earned and are reported in the financial period to which they relate.

#### **ACCOUNTS RECEIVABLE**

Accounts Receivable are stated at their estimated realisable value after providing for doubtful and uncollectible debts.

#### **INVESTMENTS**

Investments are stated at the lower of cost and net realisable value.

#### **EMPLOYEE LEAVE ENTITLEMENTS**

Provision is made in respect of Transit New Zealand's liability for annual, long service and retirement leave. Entitlements that are expected to be settled within 1 year of reporting date are measured at nominal values on an actual entitlement basis at current salary levels.

Entitlements that are payable beyond 1 year, such as long service and retirement leave, have been calculated on an actuarial basis based on the present value of expected future entitlements.

#### **GOODS AND SERVICES TAX (GST)**

The Financial Statements are prepared on a GST exclusive basis, with the exception of Accounts Receivable and Accounts Payable, which are stated with GST included. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

#### **TAXATION**

Transit New Zealand is a Public Authority in terms of the Income Tax Act 1994 and consequently is exempt from income tax.

#### **OPERATING LEASES**

Operating Lease payments, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are charged as expenses in the periods in which they are incurred.

## PROPERTY, PLANT AND EQUIPMENT

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

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

Other property, plant and equipment are stated at cost.

The state highway valuation is performed by Opus International Consultants Limited. The State Highway regions are subject to a full revaluation on a cyclical basis so that each region is revalued at an interval not exceeding five years. Those regions that are not subject to full revaluation in a particular year are subject to a valuation update through the use of price indices.

The Bailey bridging valuation is performed by Opus International Consultants Limited.

The results of revaluing state highways and Bailey bridging are credited or debited to an Asset Revaluation Reserve for that class of asset. Where a revaluation results in a debit balance in the Asset Revaluation Reserve, the debit balance will be expensed in the Statement of Financial Performance.

To the extent that a revaluation gain reverses a loss previously charged to the Statement of Financial Performance, the gain is credited to the Statement of Financial Performance.

## DEPRECIATION

Depreciation is provided on a straight-line basis on all fixed assets, other than land, formation works, the sub-base component of pavement (base) and items under construction, at a rate, which will allocate the cost (or valuation) of the assets to their estimated residual value over their useful lives.

Land, formation and the sub-base component of pavement (base) have not been depreciated as it is considered that the service potential of these components does not reduce over time.

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

<b>Assets</b>	<b>Useful Life (Years)</b>	<b>Depreciation Rate (%)</b>
State Highways – pavement (base)	50	2
State Highways – pavement (surface)	9	11.1
State Highways – drainage	60	1.7
State Highways – traffic facilities	15	6.7
State Highways – bridges	90-100	1-1.1
State Highways – culverts & subways	50-75	1.3-2.0
State Highways – other structures	100	1
Bailey Bridging – panels	70	1.42
Bailey Bridging – transoms	103	0.57
Bailey Bridging – stringers	100	0.67
Bailey Bridging – chord reinforcing	69	1.45
Bailey Bridging – other miscellaneous	76	1
Buildings	50	2
Computer Equipment	3	33.3
Office Furniture	5	20
Office Equipment	4	25
Motor Vehicles	4	25
Technical Equipment	8	12.5
Plant	10	10

## FINANCIAL INSTRUMENTS

Transit New Zealand is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, debtors, creditors and investments. These financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

## INTEREST BEARING BORROWINGS

Transit New Zealand will be borrowing from the Crown for the construction of specific assets. As the borrowing is for specific assets the interest will be capitalised against the value of the asset rather than expensed.

Until revenue from the asset is sufficient to cover the repayment of the interest cost the interest cost will be added to the outstanding borrowing amount.

## COMMITMENTS

Future payments are disclosed as commitments at the point a contractual obligation arises, to the extent that they are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

## STATEMENT OF CASH FLOWS

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which Transit New Zealand invests as part of its day-to-day cash management.

Operating Activities include cash received from all income sources of the Crown Entity and records the cash payments made for the supply of goods and services.

Investing Activities are those activities relating to the acquisition and disposal of Non Current Assets.

Financing Activities comprise the change in Equity of Transit New Zealand.

## COST ALLOCATION

Transit New Zealand has derived the net cost of service for each significant activity using the cost allocation system outlined below:

### *Cost Allocation Policy*

Direct costs are those costs directly attributable to a significant activity.

Indirect costs are those costs, which cannot be identified in an economically feasible manner with a specific significant activity. Transit New Zealand has two types of indirect costs – Professional Services and Administration costs.

### *Cost Drivers for Allocation of Indirect Costs*

Professional Services which meet the criteria for this Land Transport New Zealand defined work category, are allocated on a pro-rata basis, to the work categories that comprise the funding groups: 72% to Structural Maintenance, and 28% to Corridor Maintenance. This is in accordance with the NLTP Agreement with Land Transport New Zealand.

For the Statement of Financial Performance, Administration costs are allocated across all operating outputs on a pro-rata basis and to Replacement and Improvement expenditure to the extent permitted by Financial Reporting Standard 3.

## CHANGES IN ACCOUNTING POLICIES

The economic life of State Highways – Pavement surface has been changed from 7 years to 9 years and the depreciation rate changed from 14.3% to 11.1%.

Transit New Zealand will, over the next four years borrow money for specific assets from the Crown.

All other policies have been applied on a basis consistent with previous years.

## APPENDIX 5: Glossary of Terms

Term	Definition	Example
<b>Sector Vision</b>	Desired future state: the aspiration of the sector.	By 2010, NZ will have an affordable, integrated, safe, responsive & sustainable transport system.
<b>Organisation Vision</b>	Desired future state: the aspiration of the organisation.	A transport system that builds a better New Zealand.
<b>Values</b>	The principles that guide the organisations actions.	Responsiveness – proactively engage with communities, road users and partners.
<b>Goal/Objective</b>	General statement of aim or purpose.	Assisting safety & personal security.
<b>Outcome</b>	A state or condition of society, the economy or the environment & includes a change in that state or condition.	Improved and more reliable access and mobility for people and freight.
<b>Intermediate Outcome/Impact</b>	Contribution made to an outcome by a specific set of actions, outputs or both undertaken by the organisation. The contributing outcomes that are most directly aligned to the provision of outputs.	Maintain the level of availability of lanes, through improved incident-response times.
<b>Capability/Inputs</b>	Resources, competencies and processes that an organisation needs to efficiently deliver the goods & services required to achieve the outcomes and objectives.	Technical expertise.
<b>Projects</b>	A group of tasks that are planned and executed in a certain sequence to create a unique product or service, within a defined time frame and budget.	The feasibility studies on the implementation of a tolling regime on a state highway.
<b>Activity</b>	A land transport output or capital project, or both.	SH 1 Inner City Bypass
<b>Activity Class</b>	A group of activities.	Maintenance of state highways.
<b>Alliancing</b>	This is a contracting option that brings together the project owner and service providers to work as a totally integrated team. Each party has collective responsibility for delivering the project and each shares in the risks and rewards.	Northern Gateway Alliance
<b>Austroads</b>	The Association of Australasian and New Zealand road transport and traffic authorities comprising a formally constituted consultative entity of which Transit is a full member.	Not applicable
<b>B/C</b>	Also referred to as the benefit to cost ratio, is essentially the number of dollars of public benefit gained per dollar of road authority expenditure, both capital and maintenance over a 25-year period.	Not applicable



## APPENDIX 5: Glossary of Terms (continued)

Term	Definition	Example
<b>GST</b>	Goods and Services Tax.	Not applicable
<b>LTMA</b>	Land Transport Management Act 2003.	Not applicable
<b>Lane Kilometre</b>	A measure of length along one lane of a road.	Not applicable
<b>Materiality</b>	Limits of materiality for each of the relevant measures are being determined in consultation with Audit New Zealand.	Not applicable
<b>NLTP</b>	For each year a National Land Transport Programme is approved by the Board of Land Transport New Zealand and produced in accordance with the Land Transport Management Act 2003.	Not applicable
<b>RMA</b>	Resource Management Act 1991.	Not applicable
<b>SOI</b>	Statement of Intent comprising the approved objectives and performance targets for that year against which Transit is evaluated.	Not applicable
<b>Triple Bottom Line (TBL) reporting</b>	Triple Bottom Line reporting involves reporting that gives consideration to economic outcomes, environmental quality and social equity.	Not applicable



## Transit New Zealand Directory

### National Office

Investment House, Level 9  
20 – 26 Ballance Street  
P O Box 5084, Wellington  
New Zealand.  
Telephone 04 499 6600  
Facsimile 04 496 6666

### Auckland Regional Office

Qantas House  
Level 13  
191 Queen Street  
P O Box 1459, Auckland.  
Telephone 09 368 2000  
Facsimile 09 368 2059

### Northland Office

CPO Building, Level 1  
Rathbone Street  
P O Box 1899, Whangarei.  
Telephone 09 430 4355  
Facsimile 09 459 6944

### Hamilton Regional Office

BNZ Building  
Level 4  
354 Victoria Street  
P O Box 973, Hamilton.  
Telephone 07 957 1610  
Facsimile 07 957 1437

### Tauranga Office

405 Cameron Road  
P O Box 430  
Tauranga.  
Telephone 07 927 6002  
Facsimile 07 578 2009

### Napier Regional Office

Napier Library Building  
22 Station Street  
P O Box 740  
Napier.  
Telephone 06 835 1750  
Facsimile 06 835 0283

### Wanganui Regional Office

Seddon House  
Park Place  
P O Box 345  
Wanganui.  
Telephone 06 345 4173  
Facsimile 06 345 7151

### Wellington Regional Office

Logical House, Level 8  
186 – 190 Willis Street  
P O Box 27 477, Wellington.  
Telephone 04 801 2580  
Facsimile 04 801 2599

### Marlborough Roads Office

The Forum, Level 1  
Unit 2.4, Market Street  
P O Box 1031, Blenheim.  
Telephone 03 577 1850  
Facsimile 03 577 5309  
0800 MARLRDS (0800 627 573)

### Christchurch Regional Office

Education House  
Level 7  
123 Victoria Street  
P O Box 1479, Christchurch.  
Telephone 03 366 4455  
Facsimile 03 365 6576

### Dunedin Regional Office

Skeggs House  
Level 2  
62 – 66 Tennyson Street  
P O Box 5241, Dunedin.  
Telephone 03 477 8527  
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