

# STATEMENT OF INTENT

2007/08 – 2009/10



# FOREWORD

## TRANSIT NEW ZEALAND STATEMENT OF INTENT

2007/08 – 2009/10

### Triple Bottom Line reporting



Environmental



Social

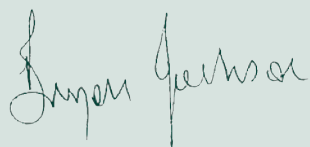


Economic

***This Statement of Intent has been prepared on the basis that Transit New Zealand is a going concern. On 25 May 2007, the Government announced changes in the Transport sector that will result in the merger of Transit New Zealand and Land Transport New Zealand.***

***At this time it is not known when the merger will be completed, or the full impacts, but it will be completed before 30 June 2010 (the period covered by this Statement of Intent). This Statement of Intent has been prepared for Transit New Zealand, as a stand-alone operation, and does not take into account the impact of the announcement made on 25 May 2007.***

***Signed on behalf of the Board of Transit New Zealand***



**Bryan Jackson (Acting Chairman)**



**James Hill (Board Member)**

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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 Land Transport Management Act 2003 (LTMA).

### 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 objectives of the New Zealand Transport Strategy (NZTS). Three major related sectoral initiatives, are being reviewed during 2007:

- 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.
- Implementing the NZTS.

### THE NEW ZEALAND TRANSPORT STRATEGY

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

- Sustainability
- Integration
- Safety and
- Responsiveness

The NZTS has five objectives, which section 12 of the LTMA requires Transit to take into account 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, including specific provisions in the LTMA and sections 6 and 8 of the Resource Management Act 1991 that 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 Transit's statutory objective; 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 (CEA)** — provides a consistent framework for the establishment, governance, and operation of Crown entities and clarifies accountability relationships between Crown entities, their Board members, their responsible Ministers, and the House of Representatives. The Act also provides for the responsible Minister to oversee and manage the Crown's interest in, and relationship with, Crown entities, including participating in the process of setting and monitoring each Crown entity's strategic direction, intended operations, and performance.

## FUNDING FRAMEWORK

In Budget 2006, the Government announced a five-year cost escalation guarantee for an agreed programme of State highway construction projects and a five-year revenue guarantee for the remainder of the National Land Transport Programme (NLTP). The key deliverables included in the State highway construction programme, including progress on nominated projects to the end of 2006/07 (the first year of the cost escalation guarantee) are attached in Appendix 2. This programme and the related guarantees give Transit confidence to maintain the momentum of an extensive construction programme.

Under the funding framework in the LTMA, Transit consults with the public on its draft annual land transport programme (LTP), which includes the relevant key deliverables from the State highway construction programme. The draft 2007/08 LTP sets out Transit's proposed operations for the coming year together with a ten-year financial forecast of anticipated revenue and expenditure on activities. Following that consultation, Transit's revised LTP is submitted to the Board of Land Transport NZ, which then decides (as part of the NLTP process) on the funding allocations for Transit's proposed operations. Other funding allocations through the NLTP process to local authorities are decided through a similar process. The NLTP contains a mix of committed and possible activities. Following the Board's decisions, the relevant funding allocations are reflected in Land Transport NZ's published NLTP and Transit's published LTP.

The payment of funding for state highway construction activities requires a further approval of Land Transport NZ. Therefore, during the year, there is a regular process of engagement between Transit and Land Transport NZ to seek these approvals.

Increasingly, funding for land transport initiatives from traditional sources such as petrol excise duty and Road User Charges are being supplemented by consideration of alternative sources such as borrowing supported by tolling, and local contributions. The Government may also make a direct contribution to Transit to ensure completion of a specific project (eg. the realignment of Buckle

Street in Wellington to enable the construction of a War Memorial Park in 2007/08).

Overall, Transit's ability to deliver depends on a range of factors, including:

- Further refinement of priorities after assessment of feedback from consultation.
- Changing scope of major state highway construction projects — Transit focuses first on cost-effective transport solutions that 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.
- Ability to manage cost escalation, particularly with respect to refining procurement activity (as compared to any changes in project scope).
- Funding allocations to state highways under the National Land Transport Programme (NLTP), made by Land Transport New Zealand's Board, 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 and alternative funding sources 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.
- Future Government decisions on the level of revenue streams into the National Land Transport Fund eg petrol excise, or regional fuel taxes.

# WHAT TRANSIT DOES

## ROLE AND FUNCTION

Transit is a Crown entity with responsibility to implement government policy with respect to the state highway system and for the integration of this system into the wider transport sector.

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

Transit also works with government and local authority partners to contribute positively to an expanding and vibrant economy.

## VISION AND VALUES

Transit's current 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 a state highway network measuring 10,895 kilometres
- State highways make up 12% by length of New Zealand's roads
- State highways account for nearly half of the 39 billion vehicle kilometres travelled each year
- 24 km of state highway within the Auckland region carry 22% of those vehicle kilometres travelled
- Motorways are 0.4% by length of NZ's roads and carry 10% of the traffic
- The replacement value of the state highway network in accounting terms is approximately \$18 billion



## SCOPE OF OPERATIONS



As manager of the state highway network, Transit:

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

Transit monitors these functions to ensure the desired results are being achieved.

Transit's annual LTP details the entity's activities for the coming year, in terms of state highway maintenance, replacement and improvement of state highways (including relevant key deliverables from the State highway construction programme), passenger transport infrastructure, and walking and cycling infrastructure projects.

To succeed in delivering on its LTP, 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 LTP is available on Transit's website: [www.transit.govt.nz](http://www.transit.govt.nz).

## ORGANISATION STRUCTURE

Transit is governed by a Board, appointed by the Minister of Transport with members:

- Bryan Jackson, deputy chairperson (Acting Chairperson from March 2007)
- James Hill
- Mike Williams
- Grahame Hall
- Ernesto Henriod
- Fran Wilde
- Garry Moore

This Board is relatively new with most members having been appointed since November 2006.

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 Division, and the Assurance and Compliance unit are smaller teams centred at National Office. Corporate Services Division provides support to the organisation as a whole, also from National Office in Wellington.

## CONSTRAINTS ON TRANSIT'S OPERATIONS

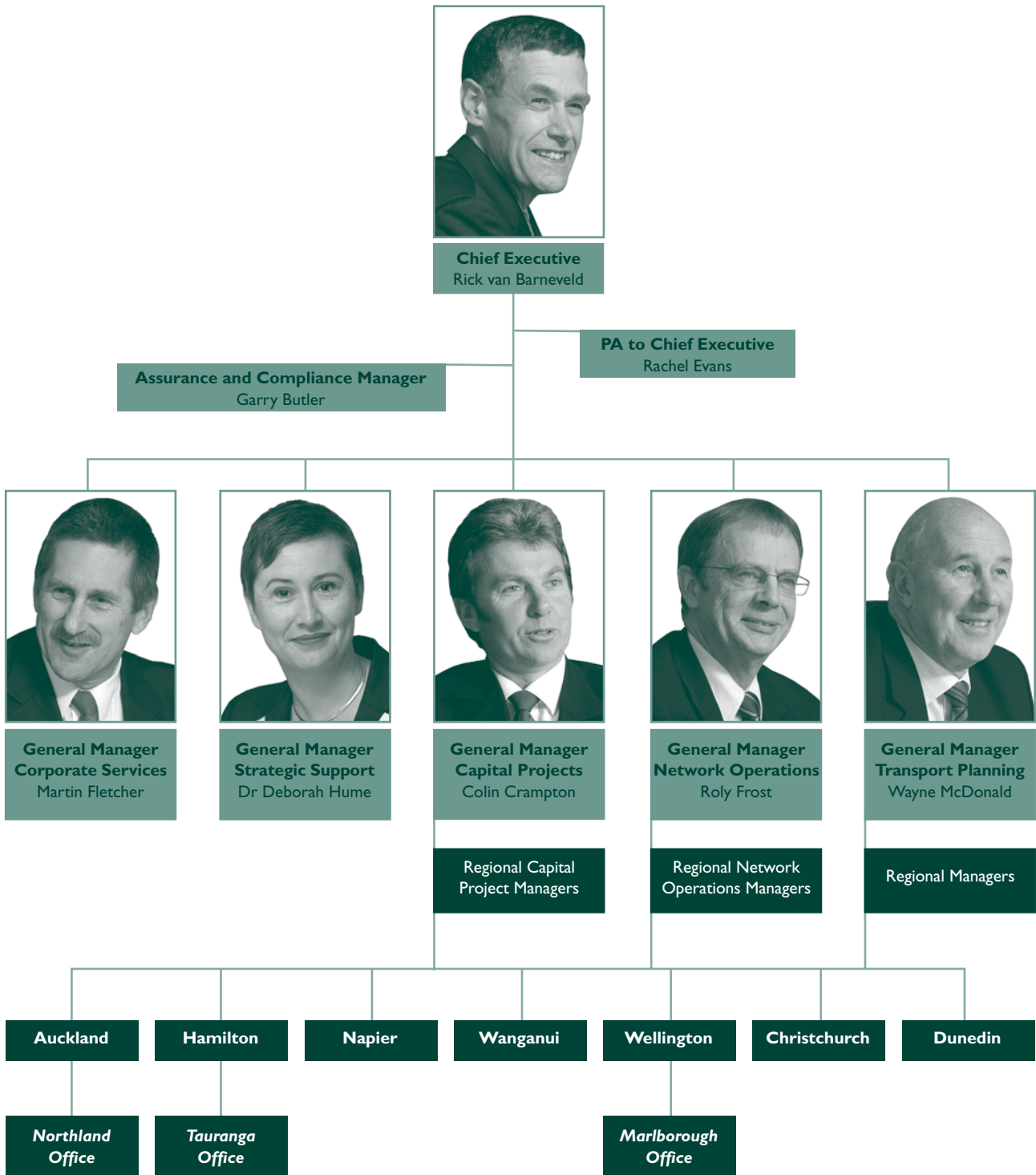
Transit's delivery of its annual LTP is dependent on the Board of Land Transport NZ's final allocations of funding under the National Land Transport Programme.

The agreed programme of state highway construction, with supporting guarantees, only applies to the first five years of its ten-year financial forecast.

Transit's maintenance programme, which covers about 40% of its total annual budget, is covered by the revenue guarantee, but not by the cost escalation guarantee.

Any borrowing proposed by Transit, to cover projected shortfalls in funding for major projects, must have the approval of the Minister of Finance.

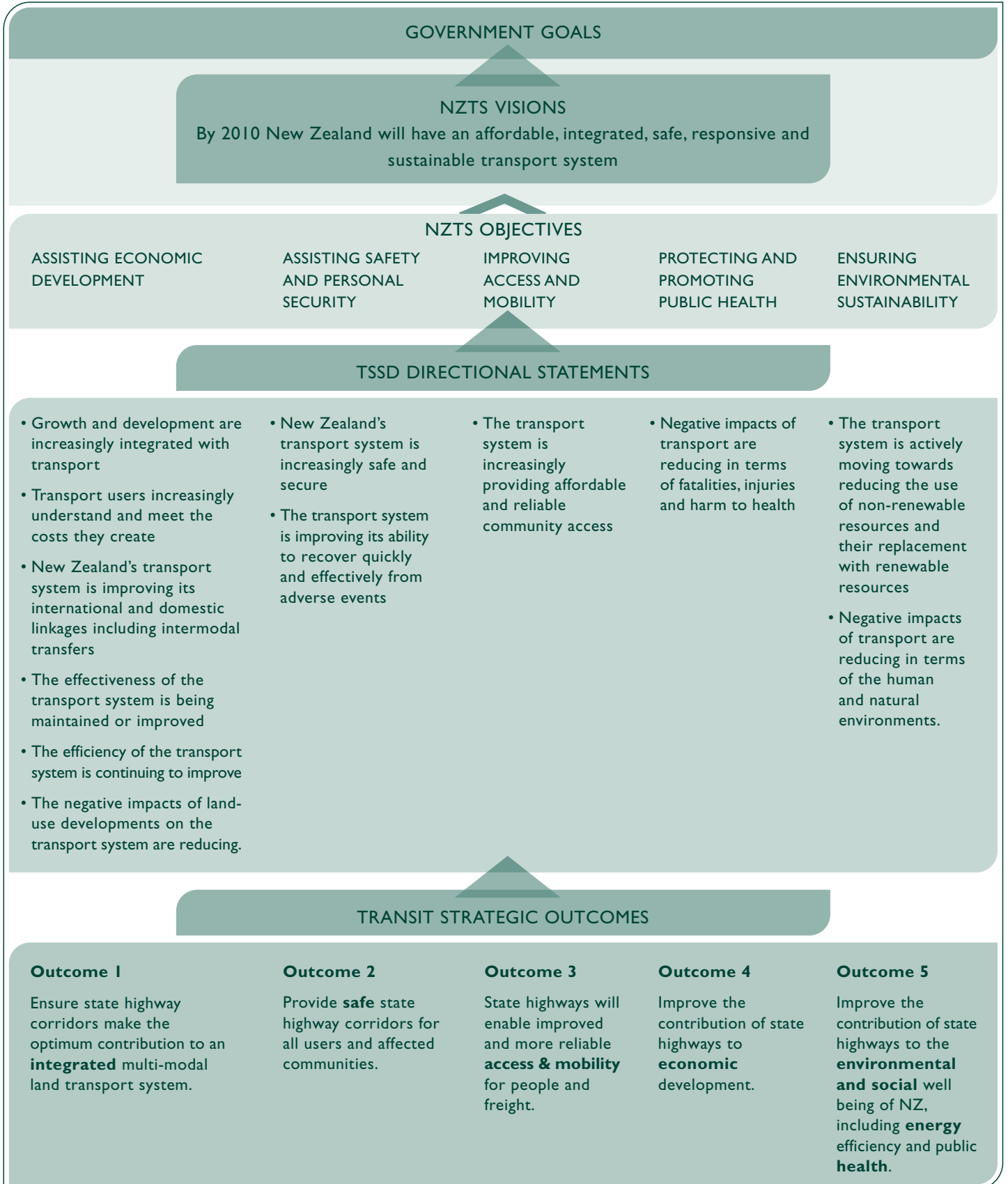
# TRANSIT NEW ZEALAND MANAGEMENT STRUCTURE



# 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).



## 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 has participated in the sector-wide "Monitoring and Indicators Framework" initiative which aims to develop a hierarchy of measurable indicators to assist in monitoring the sector's progress towards delivering on the New Zealand Transport Strategy. As performance indicators are developed under that project, Transit will continue to 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 and the sector as a whole. Not all of Transit's measures yet have performance targets. Some measures are holding a place until better

indicators of performance are developed and can be reported on. This is especially the case with environmental measures, in particular air quality and vehicle emissions. Improvements are sought at a rate that does not undermine the evaluation of performance trends. Transit is also working to develop organisational performance measures that more accurately reflect issues that Transit can directly influence, and for which it would be accountable.

Organisational performance measures aim to assess achievement against Transit's strategic outcomes and impacts. These are supplemented by performance measures in our Statement of Forecast Service Performance (see pages 39-47), that measure achievement under the activity classes through which Transit delivers its operations.

Transit's achievements against its organisational performance measures, along with achievements against the performance measures in its Statement of Forecast Service Performance, are audited each year by Audit NZ as part of preparing the Annual Report.

# 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

Engage opinion leaders & other stakeholders

Form a Board and mgmt. view

Develop positioning strategy

Create momentum

Market Transit successes

### Plan for the long term

Plan for macro integration

Plan corridors & consult on projects

Secure revenue & funding

Set LOS standards and specs

### Deliver

Manage contracts and suppliers

Build

Manage network demand

Maintain network

Identify improvements

Manage properties

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). Sustainability 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 Transit achieves transport improvements, we are substantially reducing adverse impacts through the way we work.

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

## ORGANISATIONAL PERFORMANCE MEASURES — OUTCOMES, IMPACTS AND OBJECTIVES

**Key:**  Environmental  Social  Economic

Transit’s measures are a mix of monitored trends, and measurable organisational activities.

### Impact

### Objective

#### 1. Stakeholder satisfaction with Transit’s responsiveness



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%. Measured by independent surveys.

**Outcomes 1-5**

#### 2. Alignment of state highway network plan



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 Land Transport Programme and regional land transport strategies, regional and local growth strategies, and long term council and community plans (by 2010)

**Outcome 1**

### 3. Fatal accidents on state highways



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. Transit to maintain its safety retrofit programme which includes passing lanes, median barriers, increased signage, speed zoning and road surface skid resistance monitoring.

**Outcome 2**

### 4. Healthy relationships with other agencies and Iwi



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 Iwi will be rated good or better by the end of 2007. Measured by independent annual survey.

**Outcomes 1-5**

### 5. Energy usage by, and non-recycled wastage from, Transit offices



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 2007/08, 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**

### 6. Sustainability: compliance with legal requirements and agreements



Compliance with local authority consent and designation conditions.

Compliance with resource consent and designation conditions. Measured by independent annual survey of Local Authorities. Compliance rating to be 100% with no material breaches resulting in prosecution.

**Outcome 5**

## 7. Value for Money in Project Procurement



A demonstrable and systematic approach to value management through innovation in Capital Projects aimed at securing maximum whole of life cost efficiencies and benefits on an on-going basis.

\* see footnote

Across Transit's Capital Project portfolio, the total reduction in resources consumed (planned or actual) through value management and opportunity realisation through innovation, while not diminishing project integrity through the delivery of the same level of project functionality as defined at the commencement of the state highway construction programme.

The objective is a **portfolio** saving of \$10M per annum.

**Outcome 4**

\* **footnote:** Value for Money is defined as " $VfM = \text{functional performance divided by resources consumed}$ ."

Functional performance includes benefit from economic, social and environmental (triple bottom line) sources, including all tangible benefits associated with BCR. It is difficult to determine, as it includes intangibles. Resources consumed, includes the costs incurred to deliver the functionality sought.

Transit views VfM at both a Portfolio and Whole of Life Project level.

## 8. Benefits forecast for large projects



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 2007/08 year, are expected to be approximately 15% social benefits (reduced social cost of crashes), 78% economic (reduced congestion and journey times) and 7% environmental (landscaping and storm-water control).

\* see footnote

**Outcomes 2-5**

\* **footnote:** The increase in forecast economic benefit is because a large number of projects are expected to be completed in Auckland and they have primarily economic benefits.

## 9. Proportion of projects that are on time



Developing the preferred options for future projects and obtaining all route protection, resource consents, property purchase consents and funding so that the design and construction of these projects can commence in accordance with the agreed programme.

The degree of variance of measured progress against planned progress for confirmation of (macro) scope on large projects, as specified in the list of projects confirmed in Budget 2006, and known as the SHF5 projects, monitored quarterly.

Target is >90 % of projects on programme.

**Outcome 4**



### 10. Compliance with legislation and external policy requirements



Ensuring full compliance with legislation, legislative instruments and external policy requirements (including notification of non-compliance from LTNZ and Audit NZ).

No material breaches of legislation, legislative instruments and external policy requirements during the reporting period, as demonstrated by comprehensive monitoring and reporting. The target is 100% compliance, with no material breaches resulting in prosecution.

**Outcomes 1-5**

### 11. Delivery of Transit's annual state highway maintenance programme



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

**Outcome 4**

### 12. Road user satisfaction with state highways



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 the previous survey, by the end of 2008/09, as measured in a new independent road user survey.

**Outcomes 1-5**

### 13. Congestion through travel time delays



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, comprehensive traffic management and generally managing the demand for travel. Measured by twice yearly travel time surveys in selected cities.

**Outcomes 3-5**

## Impact

## Objective

### 14. Unplanned lane closures



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**

### 15. Performance of customer information services against level-of-service requirements



Improve the 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**

### 16. Proportion of capital projects completed within expected cost and time parameters (Part A)



#### Timeliness

Achievement of the NLTS goals through the timely delivery of capital projects

Managing the deliverables with the five-year State Highway portfolio, so that the majority are delivered by the 2011 planning target. The target is 96% achievement.

**Outcome 4**

### 17. Proportion of capital projects completed within expected cost and time parameters (Part B)



#### Budget

Demonstrating efficient use of Government expenditure

Ensuring all deliverables are achieved at a cost equal to or less than the budget set for the five year State Highway portfolio. The target is a budget to cost ratio of = or < 1.0.

**Outcome 4**

### 18. Proportion of network maintained to level-of-service for road condition



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).

**Outcome 2, 4, 5**

# TREND MONITORING MEASURES

Impact	Objective
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## 19. Vehicle Emissions



Vehicle emissions impact on human and natural environment.

\* see footnote

Annual assessment of vehicle emissions from the state highway network gathered from selected sites using diffusion tubes to measure NO<sub>2</sub> as a surrogate measure. The objective is to monitor a decreasing trend in emissions of NO<sub>2</sub>

**Outcome 5**

\* **footnote:** Target to track improvements in local air quality over time in the vicinity of state highways as a result of improved vehicle performance, travel demand management and other policies promulgated by the Ministry of Transport, Ministry for the Environment and regional councils.

## 20. Property Portfolio Management



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. This is benchmarked against other agencies as a percentage return on the total property portfolio.

**Outcome 4**

## 21. Proportion of state highways in high-volume urban areas meeting level-of-service requirements for traffic flow



The change in level-of-service standards to measure the proportion of the network in high-volume urban areas to meet acceptability.

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

## 22. Making Sustainable Resource Efficiency an integral part of all state highway activities



The degree to which new projects use some cost-effective recycled materials in pavement.

To report annually the amount of recycled product used in new roading and/or reconstruction utilising cost-effective recycled pavement materials, including glass and aggregate. The trend is for increasing utilisation of recycled materials.

\* see footnote

**Outcome 5**

\* **footnote:** The Parliamentary Commissioner for the Environment has a sustainability definition, which Transit embraces, "Providing more, for less, for longer."

## 23. Noise levels



Vehicle noise from state highways affecting human health. The effects especially in urban areas with a speed environment greater than 70 km/h.

\* see footnote 1

Cumulative increase in vehicle- kilometres-travelled in sensitive receiving environments near state highways in urban and peri-urban areas treated with road surfaces that are more quiet than a grade 2 chip seal.

\* see footnote 2

**Outcome 5**

\* **footnote 1:** 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.

\* **footnote 2:** a grade 2 chip seal is defined as having average least dimension (ALD) of 9.5 – 12.0mm. The ideal in an urban environment would be grade 4 chip seal with ALD of 5.5 – 8.0mm (the smaller the chip dimension, the quieter the road surface).

## 24. Storm-water runoff in sensitive areas



Discharge of vehicle and pavement contaminants into surface and ground water.

Cumulative increase in vehicle-kilometres-travelled where highway runoff on new builds is treated by designed solutions, such as both natural and engineered water-filtering systems before being discharged into sensitive water bodies.

**Outcome 5**

## 25. Accident Blackspots



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**

## OPERATING INTENTIONS

Development of New Zealand's state highway network is accelerating at an unprecedented rate. Due to recent Government decisions, investment in state highway construction is set to rise very significantly over the next five years in particular. This will increase the number of very large, complex, and high value projects that Transit will deliver. The higher level of activity will increase the challenge to deliver these projects on time and to ensure value for money. Delivering a multi-billion dollar programme of work will require careful planning and a commitment from all our industry partners and local government.

In February 2007, the Minister of Transport announced a further 'Next Steps' review of the land transport sector, the results of which were reported on 30 April 2007. This review follows on from the recommendations made by the Ministerial Advisory Group on Roading Costs (MAG) and one of its outcomes was to "consider ways to enhance the responsiveness, performance, capability of, and value for money achieved, by the government land transport sector." The review examined the range of funding mechanisms for land transport currently in place and ways to better link demand and expenditure, all within the context of the NZTS and the new funding and planning regime introduced by the LTMA. The main outcome for Transit was the proposed merger with Land Transport New Zealand. Transit looks forward to working collaboratively with others in the sector to achieve a sustainable outcome for the future.

In 2007 Transit reviewed and updated the National State Highway Strategy (NSHS). The NSHS outlines Transit's plans to achieve its objectives of designing, building, operating and maintaining the state highway network and includes a 30-year vision for a system of categorisation to recognise the varied functions of different highways. The focus is not to adopt a 'one size fits all' approach, but to assess each state highway on the basis of function and use.

## INTEGRATED PLANNING

Transit's approach to planning seeks to integrate transport planning with wider planning for land use and economic growth to moderate demand for transport systems in the longer term. 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 system planning
- smart management of state highways, and influencing local authority management of local roads, to ensure these 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. This approach is reiterated in the re-launched National State Highway Strategy.
- considering all transport and funding options
- measures to manage travel demand (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. This commitment to environmental responsibility is reiterated in the updated National State Highway Strategy.

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 2007/08 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 contracting processes and through staff and supplier training; and

2. Producing version two of Transit's Environmental Plan in 2007. 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.

In some areas of New Zealand, there is a shortage of suitable, cost-effective, aggregate materials for road-building. This means that suitable materials will need to be sourced from outside the area and transported in. As a consequence the costs of providing these materials will increase in that location and the environmental impact of moving large quantities of aggregate will also increase. Transit is actively working to manage this issue.

### **Key environmental 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;
- Increasing awareness of the impact of climate change on the functioning of the state highway network and developing mitigation activities to make a positive contribution to the reduction of greenhouse gases;
- 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, storm-water 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.
- Working with industry partners to source cost-effective roading materials as close to major projects as possible, thereby limiting the negative environmental impacts of transporting large volumes of aggregate around the country.

## **SAFETY**

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

- remove "out of context" sections of state highway and provide a "no surprises" environment for motorists
- provide median barriers on high volume, two-lane highways, where appropriate
- 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 to prevent effluent spilling on to the highway from stock trucks and creating a slippery surface
- continue annual skid resistance monitoring of the total network.

Transit's Strategic Plan seeks to accelerate our contribution to meeting "Road Safety to 2010" targets. A wide range of projects contribute to improving safety, including safety retrofit measures that reduce the potential for crashes or reduce the consequences of vehicles leaving the road.

### **Key safety 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
- Road resurfacing activity to improve safety from improved tyre grip
- Rural realignment projects in the Waikato, including Maramarua Deviation.

## RELIEVING MODERATE TO SEVERE CONGESTION

Congestion is also one of the two top priorities, as rated by road users in Transit's Road User Surveys. 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 draft annual LTP.

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 the state highway network.

### **Congestion-relieving initiatives include:**

- Auckland: Complete significant motorway capacity improvements including the Western Ring Route (Hobsonville Deviation and Rosebank to Te Atatu 8 laning) and central motorway improvements. Auxiliary lanes are programmed for Northcote to Sunnynook and Newmarket Viaduct to Greenlane.
- Hamilton: Progressively improve the western corridor from north of Hamilton to Cobham Bridge over the Waikato River.
- Tauranga: Progressively improve the congested areas of the strategic roading network. Pyes Pa bypass is programmed for the 2007/08 year.
- Wellington: Following consultation on the western corridor to develop the most effective and affordable package, geo-technical testing is being undertaken prior to preliminary designs being developed for the Transmission Gully route to support a reliable estimate of its cost.
- 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 and reduce other adverse impacts of road transport through managing the demand for travel. Transit has developed the Travel Demand Management Policy and Guidelines which sets out our approach on:

- collaborating with local authorities on land use development and growth strategies,
- managing access to the state highway network,
- the application of Advanced Traveller Information Systems and Intelligent Transport Systems to enhance the effectiveness of state highway travel,
- increasing the priority for public transport on state highways,
- provision for walking and cycling, and
- other initiatives to influence and increase travel options eg. travel planning.

### **Travel Demand Management initiatives include:**

- Ramp signalling on Auckland's Southern, Northwestern and Northern motorways which started with signals on the Central Motorway Junction and various other locations.
- New travel demand management activities planned for Tauranga and Christchurch starting in 2007/08.
- Passenger transport is being promoted by construction of the northern busway and a number of bus priority lanes.
- Various walking and cycling initiatives as discussed later.



## ALTERNATIVE FUNDING, INCLUDING TOLLING

The Land Transport Management Act enables Transit to toll certain new roads. SH1 Northern Motorway Extension (ALPURT B2), north of Auckland is being constructed as a toll road. Transit will hold further opportunities for tolling of projects or corridors under active review. Transit, Land Transport New Zealand and the Ministry of Transport are concurrently developing a national toll management system.

### Alternative Funding, including Tolling, initiatives include:

- Continued construction of the SH1 Northern Motorway Extension (ALPURT B2) toll road;
- Continued development of a management system for toll processing;
- Continued consultation and collaboration with transport sector stakeholders, (especially the Ministry of Transport and Land Transport New Zealand) to explore alternative funding mechanisms including tolling and Public-Private Partnerships (PPPs).

## 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 cycling 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 Walking and Cycling initiatives include:

- Cycling and walking initiatives are considered in the design phase of state highway construction projects, where appropriate. This includes dedicated or purpose-built facilities and other opportunities to improve pedestrian and cyclist safety by designing facilities with urban design principles.

## 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 over \*\$322 million in 2007/08. Once started, large projects need large commitments of ongoing funding. 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 and availability of resources.

\* **footnote** – includes \$87M which is funded outside the NLTP.

### Key Capital Projects 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 funding allocations and future ten-year State Highway Forecast updates.
- Detailed assessment of the Transmission Gully route north of Wellington.

## 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 \$18 billion.

The projected maintenance allocation for 2007/08 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
- Median barrier construction
- Seismic retrofitting of key bridges
- Winter maintenance strategy
- Tunnel upgrades during regular maintenance
- Road resurfacing activity, including passing lanes, where programmed.

## EVALUATIVE ACTIVITIES

Initiatives to test the operational efficiency and effectiveness of Transit's operations, with a particular focus on value for money, were completed and released in early 2007:

- the Ministerial Advisory Group on Road Pricing Costs (MAG)
- 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.

In addition, the Government announced in early 2007 a 'Next Steps Review' to build on the recommendations made in the EXG and MAG Reports. Transit is committed to working collaboratively with other agencies in this review to ensure that the organisation continues to deliver value.

Transit will continue to 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 is provided to the Ministry of Transport to develop 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 the 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's 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 LTMA on Transit's annual draft LTP – with Regional Land Transport Committees, local authorities, affected communities, industry groups and the general public. Providing access to information, and receiving and hearing submissions, are key elements 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 subject to extensive consultation.

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

Transit also has Memoranda of Understanding (MoU) with a number of key stakeholders, to define and underpin the relationships. Stakeholders' views of the quality of these relationships are independently surveyed at regular intervals (at least biennially), and the results are included in the Annual Report.

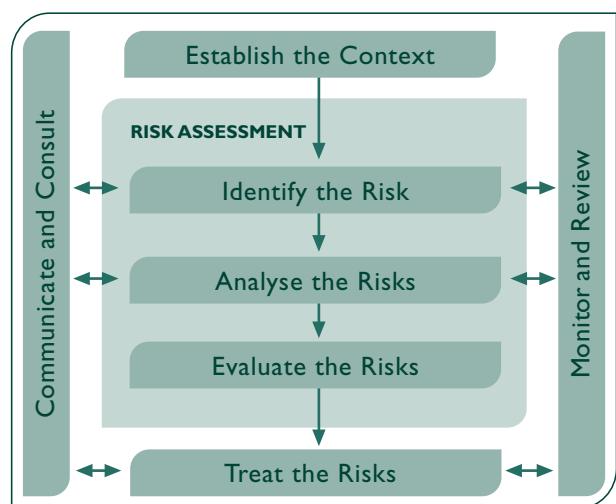
Many of Transit's MoU's are with iwi. Where there is no formal MoU in place, Transit's generic MoU model guides interactions. Some examples of fostering capacity include providing consultant resource to work with Maori, or working with Maori direct through consultancy contracts, to identify key issues and possible mitigation for Transit to consider. Transit will continue to explore new initiatives to assist Maori capacity and has developed and launched a Stakeholder Relationship Management System to support its relationship with Maori. The principles of this system have the

potential to be extended to wider stakeholder relationship management activities and this will be evaluated during 2007.

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 2007/08 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.

A new development in 2007 was the establishment of a Finance and Risk sub-committee of the Board. This group meets monthly, and provides a stronger focus on financial and risk management and strengthens the corporate governance function of the overall Board.

Transit is working with key partners to identify and enhance its Business Continuity Planning processes. Transit is very dependent on numerous suppliers and contractors around New Zealand, who are tasked with keeping the network operational during, and after times of crisis. These suppliers are mandated by Transit to meet and where possible exceed the changing needs and expectations of road users. Transit has participated in whole-of-Government disaster recovery exercises to fine-tune its own systems and response functions, and will continue to do so. Transit takes its responsibility to manage and maintain the state highway network very seriously, and will continue to work collaboratively with suppliers, contractors and stakeholders, to provide a transport system that is resilient, functional and safe.

## 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's staff needs 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 <13% per annum). Transit offers a supportive and friendly working environment where innovation is encouraged and recognised.

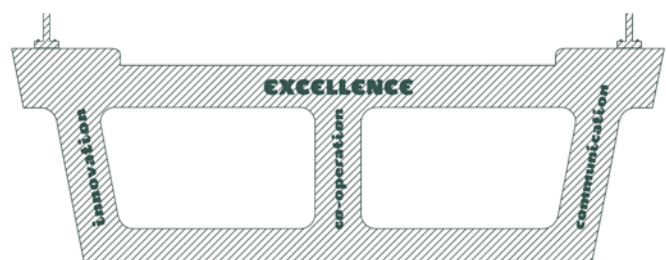
Transit remains aligned with the State Services Commission's "employer of choice" goal, and to being a good employer and maintaining an EEO programme. We are undertaking a review our workforce profile, analysing our current situation, identifying gaps and issues of concern, taking action to address these issues, evaluating the effectiveness of these actions and planning future

actions. Transit has an existing EEO plan, which is being reviewed and updated during 2007.

One of the development initiatives established by the incoming Transit Board in late 2006, was the establishment of a special Finance and Risk sub-committee to oversee external reporting, management and governance issues, and to maintain a stronger focus on accountability and performance. With the increasing focus on 'value for money' in the public sector, the establishment of the Finance and Risk sub-committee is an appropriate and logical response from Transit.

In 2006 Transit initiated a performance management process to develop core competencies to drive change within the organisation. The process identified a number of desirable work-related and personal attributes, which were consolidated down, after extensive internal debate, to three generic qualities. Those attributes are Innovation, Co-operation and Communication and the overarching result is Excellence. The acronym for the process is ICCE, where the three pillars of Innovation, Co-operation and Communication support the over-arching bridge of Excellence. **I+C+C= E**

These qualities are being developed at a high level for Transit, and cascaded down to staff in terms of their personal objective setting and individual performance monitoring and appraisal. This will be complemented during 2007 by development of a proposal for extending to all staff a refreshed approach to the annual 360 survey of working style, which has been applied to senior managers for a number of years.



**I + C + C = E**

**Innovation + Co-operation + Communication = Excellence**

## FINANCIAL AND NON-FINANCIAL MEASURES

Transit measures its performance via:

- trends and organisational performance measures aimed to assess achievement against strategic outcomes and impacts (pages 12-18)
- forecast financial statements (pages 29-33)
- forecast service performance covering the activity classes through which Transit is funded, including key deliverables from the state highway construction programme (pages 39-47)
- achievements against Transit's published LTP
- progress against strategic objectives contained in Transit's Strategic Plan
- comparisons with other road controlling authorities, via Austroads' Performance Indicators.

Transit's 2007/08 LTP 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 (milestones achieved) on capital projects (with particular attention to the key deliverables in the State highway construction programme) and state highway maintenance, and updates the financial performance for the quarter. The report also includes a statement on capability and culture, quality of stakeholder relationships and issues or risks.

## OTHER MATTERS

Other activities and reporting requirements specific to Transit are found in Part 2 of Schedule 5 to the LTMA. Transit aims to cover these requirements in this Statement of Intent, its Output Agreement, and the Annual Report. These 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 LTP reviews which are advised to Land Transport New Zealand as required).
- how Transit proposes to meet its obligations under section 77(2), specifically exhibiting a sense of social and environmental responsibility in meeting its statutory objective (see "Operating Intentions" in this document and Transit's latest LTP).

### **FORECAST FINANCIAL STATEMENTS**

***These financial statements have been prepared on the basis that Transit New Zealand is a going concern. On 25 May 2007, the Government announced changes in the Transport sector that will result in the merger of Transit New Zealand and Land Transport New Zealand.***

***At this time it is not known when the merger will be completed, or the full impacts, but it will be completed before 30 June 2010 (the period covered by these statements). These financial statements have been prepared for Transit New Zealand, as a stand-alone operation, and do not take into account the impact of the announcement made on 25 May 2007.***

## FORECAST FINANCIAL STATEMENTS

The following projected financial statements are for the three years ended 30 June 2010 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-2007 Forecast (\$000)	30-Jun-2008 Target (\$000)	30-Jun-2009 Target (\$000)	30-Jun-2010 Target (\$000)
<b>REVENUE</b>				
Land Transport New Zealand	1,171,800	1,163,900	1,260,100	1,165,500
Crown Revenue	0	8,000	0	0
Overweight Permit Fees	240	240	240	240
Investment Interest	2,400	2000	2000	2000
Rents & Leases From Property	16,000	18,000	17,000	16,500
Recoveries from Third Parties	0	17,500	17,500	17,500
Miscellaneous Receipts	100	100	100	100
Self Funding Units	400	400	400	400
<b>TOTAL REVENUE</b>	<b>1,190,940</b>	<b>1,210,140</b>	<b>1,297,340</b>	<b>1,202,240</b>
<b>EXPENDITURE</b>				
<b>OPERATING (Maintenance)</b>				
Pavement Maintenance	74,310	71,320	78,266	85,229
Bridge Maintenance	24,285	25,527	28,014	30,506
Corridor Maintenance	101,769	119,598	130,964	142,821
Emergency Work	40,625	33,283	35,399	37,579
Property Management	13,542	13,521	15,826	15,658
Feasibility Studies	16,050	13,521	13,535	12,526
Other Operating Expenditure	33,845	28,887	37,263	43,773
<b>Total Operating (Maintenance) Expenditure</b>	<b>304,426</b>	<b>305,656</b>	<b>339,267</b>	<b>368,092</b>
<b>OTHER</b>				
Depreciation on the State Highway Network	241,760	254,900	268,470	282,230
State Highway Asset Write Off	13,900	14,595	15,325	16,100
Amortisation on Intangible Assets	0	1,368	1,368	1,368
<b>Total Other Expenditure</b>	<b>255,660</b>	<b>270,863</b>	<b>285,163</b>	<b>299,698</b>
<b>TOTAL EXPENDITURE</b>	<b>560,086</b>	<b>576,519</b>	<b>624,430</b>	<b>667,790</b>
<b>SURPLUS AVAILABLE FOR STATE HIGHWAY IMPROVEMENTS</b>	<b>630,854</b>	<b>633,621</b>	<b>672,910</b>	<b>534,450</b>



**TRANSIT NEW ZEALAND**

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

	30-Jun-2007 Forecast (\$000)	30-Jun-2008 Target (\$000)	30-Jun-2009 Target (\$000)	30-Jun-2010 Target (\$000)
<b>GENERAL FUNDS</b>	<b>13,873,700</b>	<b>14,594,320</b>	<b>15,306,230</b>	<b>15,840,680</b>
<b>ASSET REVALUATION RESERVE</b>	<b>4,752,932</b>	<b>4,752,932</b>	<b>4,752,932</b>	<b>4,752,932</b>
<b>TOTAL EQUITY</b>	<b>18,626,632</b>	<b>19,347,252</b>	<b>20,059,162</b>	<b>20,593,612</b>
<b>CURRENT ASSETS</b>				
Cash in Bank	1,500	1,500	1,500	1,500
Investments	43,500	43,500	43,500	43,500
Accounts Receivable	16,500	17,040	17,580	18,120
Receivable from Land Transport New Zealand	130,000	140,000	150,000	150,000
<b>TOTAL CURRENT ASSETS</b>	<b>191,500</b>	<b>202,040</b>	<b>212,580</b>	<b>213,120</b>
<b>LESS CURRENT LIABILITIES</b>				
Accounts Payable	183,708	177,625	171,544	150,841
Employee Entitlements	3,290	3,690	4,090	4,490
<b>TOTAL CURRENT LIABILITIES</b>	<b>186,998</b>	<b>181,315</b>	<b>175,634</b>	<b>155,331</b>
<b>NET CURRENT ASSETS</b>	<b>4,502</b>	<b>20,725</b>	<b>36,946</b>	<b>57,789</b>
<b>PLUS NON CURRENT ASSETS</b>				
Other Property, Plant and Equipment	6,331	4,112	4,430	4,748
State Highway Network	18,610,073	19,313,822	20,008,860	20,666,438
Bailey Bridging	5,726	5,576	5,426	5,276
Intangible Assets	0	3,018	3,500	3,982
<b>TOTAL NON CURRENT ASSETS</b>	<b>18,622,130</b>	<b>19,326,528</b>	<b>20,014,216</b>	<b>20,680,444</b>
<b>LESS NON CURRENT LIABILITIES</b>				
Borrowing	0	0	0	144,620
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>144,620</b>
<b>NET FUNDS EMPLOYED</b>	<b>18,626,632</b>	<b>19,347,253</b>	<b>20,059,163</b>	<b>20,593,613</b>

**TRANSIT NEW ZEALAND**

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

	30-Jun-2007 Forecast (\$'000)	30-Jun-2008 Target (\$'000)	30-Jun-2009 Target (\$'000)	30-Jun-2010 Target (\$'000)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Cash was provided from:</b>				
Land Transport New Zealand	1,123,555	1,153,900	1,250,100	1,165,500
Crown Revenue	0	8,000	0	0
Overweight Permit Fees	240	240	240	240
Investment Interest	2,388	2,000	2,000	2,000
Property Rental	16,000	18,000	17,000	16,500
Recoveries from Third Parties	0	17,500	17,500	17,500
Other Receipts	500	500	500	500
Net GST Received/(Paid)	336	(540)	(540)	(540)
<b>Total</b>	<b>1,143,019</b>	<b>1,199,600</b>	<b>1,286,800</b>	<b>1,201,700</b>
<b>Cash was disbursed to:</b>				
Payments to Employees	29,200	32,550	34,150	36,050
Payments to Suppliers	260,548	272,685	304,700	330,630
<b>Total</b>	<b>289,748</b>	<b>305,235</b>	<b>338,850</b>	<b>366,680</b>
<b>Net Cash Flow from Operating Activities</b>	<b>853,271</b>	<b>894,365</b>	<b>947,950</b>	<b>835,020</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
<b>Cash was provided from:</b>				
Sale of Property, Plant and Equipment	50	50	50	50
Sale of State Highway Property	15,000	11,000	20,000	9,000
<b>Total</b>	<b>15,050</b>	<b>11,050</b>	<b>20,050</b>	<b>9,050</b>
<b>Cash was disbursed to:</b>				
Purchase of Property, Plant and Equipment	3,620	1,650	1,650	1,650
State Highway Capital Expenditure	913,599	980,915	1,003,500	980,570
Purchase of Intangible Assets	0	1,850	1,850	1,850
<b>Total</b>	<b>917,219</b>	<b>992,415</b>	<b>1,007,000</b>	<b>984,070</b>
<b>Net Cash Flow from Investing Activities</b>	<b>(902,169)</b>	<b>(981,365)</b>	<b>(986,950)</b>	<b>(975,020)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
<b>Cash was provided from:</b>				
Capital Injection	32,000	87,000	39,000	0
Borrowing	0	0	0	140,000
<b>Total</b>	<b>32,000</b>	<b>87,000</b>	<b>39,000</b>	<b>140,000</b>
<b>Net Cash Flow from Investing Activities</b>	<b>32,000</b>	<b>87,000</b>	<b>39,000</b>	<b>140,000</b>
<b>Net Increase/(Decrease) in Cash</b>	<b>(16,898)</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>
<b>Add Opening Cash Brought Forward</b>	<b>61,898</b>	<b>45,000</b>	<b>45,000</b>	<b>45,000</b>
<b>Ending Cash Carried Forward</b>	<b>45,000</b>	<b>45,000</b>	<b>45,000</b>	<b>45,000</b>
<b>Ending Cash Represented By:</b>				
Cash in Bank	1,500	1,500	1,500	1,500
Investments	43,500	43,500	43,500	43,500
	<b>45,000</b>	<b>45,000</b>	<b>45,000</b>	<b>45,000</b>

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

	<b>30-Jun-2007 Forecast (\$000)</b>	<b>30-Jun-2008 Target (\$000)</b>	<b>30-Jun-2009 Target (\$000)</b>	<b>30-Jun-2010 Target (\$000)</b>
<b>BALANCE AS AT 1 JULY</b>	<b>17,963,778</b>	<b>18,626,632</b>	<b>19,347,252</b>	<b>20,059,162</b>
Surplus Available for State Highway Improvements	630,854	633,621	672,910	534,450
Capital Injection	32,000	87,000	39,000	0
<b>BALANCE AS AT 30 JUNE</b>	<b>18,626,632</b>	<b>19,347,252</b>	<b>20,059,162</b>	<b>20,593,612</b>

## **TRANSIT NEW ZEALAND**

### **STATEMENT OF ACCOUNTING POLICIES**

#### **REPORTING ENTITY**

These are the Financial Statements of Transit New Zealand, a Crown Entity in terms of the Public Finance Act 1989.

These Financial Statements have been prepared in accordance with section 41 & 44 of the Public Finance Act 1989 and section 152 of the Crown Entities Act 2004.

Transit New Zealand is a Public Benefit Entity in terms of the International Financial Reporting Standards and as such has applied the appropriate clauses in those standards.

#### **STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with New Zealand generally accepted accounting practice. They comply with New Zealand equivalents to IFRS (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities. These are Transit New Zealand's first financial statements complying with NZ IFRS and NZ IFRS1 has been applied. Transit New Zealand has not applied any of the optional exemptions allowed under NZ IFRS 1 in transition to NZ IFRS.

#### **ACCOUNTING POLICIES**

The accounting policies set out below, have been applied consistently to all periods presented in these financial statements.

The measurement base applied is historical cost modified by the revaluation of the State Highway Network and Bailey Bridging Stock.

The accrual basis of accounting has been used unless otherwise stated. These financial statements are presented in New Zealand dollars rounded to the nearest thousand.

#### **JUDGEMENTS AND ESTIMATIONS**

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

#### **REVENUE RECOGNITION**

Revenue from Land Transport New Zealand is equal to the total State Highway Programme expenditure delivered in accordance with the approved National Roding Programme, less revenue from property rents and leases, property disposals and investment interest.

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

Investment interest income is accrued using the effective interest rate method. Investments are held until maturity.

## PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are initially recorded at cost. Where an asset is acquired for nil or nominal consideration, the asset will be recognised initially at fair value, where fair value can be reliably determined, with the fair value of the asset received, less costs incurred to acquire the asset, also recognised as revenue in the Statement of Financial Performance.

Revaluations are carried out for two classes of property, plant and equipment to reflect the service potential or economic benefit obtained through control of the asset. Revaluation is based on the fair value of the asset, with changes reported by class of asset.

### *State Highways*

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*

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*

Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The State Highway valuation is performed by Opus International Consultants Limited. The principal valuer is John Vessey, BE,(Civil), BA (Econs), Trans Cert (Econs), FIPENZ, CPEng, IntPE.

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 principal valuer is John Vessey, BE (Civil), BA (Econs), Trans Cert (Econs), FIPENZ, CPEng, IntPE.

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.

Realised gains and losses arising from disposal of property, plant and equipment are recognised in the Statement of Financial Performance in the period in which the transaction occurs.

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Statement of Financial performance, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease.

## 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:

Assets	Useful Life (Years)	Depreciation Rate (%)
State Highways – pavement (base)	50	2
State Highways – pavement (surface)	7	14.3
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	70 – 100	1 – 1.43
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

## INTANGIBLE ASSETS

Intangible assets are initially recorded at cost. The cost of an internally generated intangible asset represents expenditure incurred in the development phase of the asset only. The development phase occurs after the following can be demonstrated: technical feasibility; ability to complete the asset; intention and ability to sell or use; and development expenditure can be reliably measured. Expenditure incurred on research of an internally generated intangible asset is expensed when it is incurred. Where the research phase cannot be distinguished from the development phase, the expenditure is expensed when it is incurred.

Intangible assets with finite lives are subsequently recorded at cost less amortisation and impairment losses. Amortisation is charged to the Statement of Financial Performance on a straight-line basis over the useful life of the asset. Typically, the useful lives of these assets are as follows:

Class of Intangible asset	Useful Life (years)	Depreciation Rate (Percent)
Computer software	3	33.3

Realised gains and losses arising from disposal of intangible assets are recognised in the Statement of Financial Performance in the period in which the transaction occurs. Unrealised gains and losses arising from changes in the value of intangible assets are recognised as at balance date.

Intangible assets with finite lives are reviewed at least annually to determine if there is any indication of impairment. An intangible asset with an indefinite life is tested for impairment annually. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Statement of Financial Performance, unless the asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

## ACCOUNTS RECEIVABLE

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

## EMPLOYEE LEAVE ENTITLEMENTS

Employee entitlements to salaries and wages, annual leave, long service leave, retiring leave and other similar benefits are recognised in the Statement of Financial Performance when they accrue to employees.

Employee entitlements to be settled within 12 months are reported at the amount expected to be paid. The liability for long-term employee entitlements is reported at the present value of the estimated future cash outflows.

## 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 2004 and consequently is exempt from income tax.

## OPERATING LEASES

Operating Lease payments, where the lessor effectively retains substantially all the risks and rewards of ownership, are recognised in a systematic manner over the term of the lease. Lease incentives received are recognised evenly over the term of the lease as a reduction in rental expense.

## CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Liabilities and Contingent Assets are recorded in the Statement of Contingent Liabilities and Assets at the point at which the contingency is evident. Contingent Liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent Assets are disclosed if it is probable that the benefits will be realised.

## 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. All 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.

Cash and cash equivalents include cash on hand, cash in transit, bank accounts and deposits with a maturity of no more than three months from date of acquisition. Fair values of quoted investments are based on current bid prices.

## 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

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 expenditure for each significant activity using the cost allocation as 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

## RELATED PARTIES

Transit New Zealand and its key management personnel transact with Government Departments, Crown Agencies, State Owned Enterprises and Land Transport New Zealand. These transactions are conducted on a commercial arms length basis. Any transactions not conducted at arms length will be disclosed.

## CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies from those used in preparing the last audited financial statements as at 30 June 2006 but consideration was given to the requirements of the International Financial Reporting Standards.

## COMPARATIVES

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures are re-stated to ensure consistency with the current period unless it is impractical to do so.



## FORECAST SERVICE PERFORMANCE

This statement of projected performance describes the activity classes that Transit will deliver, the objectives, performance measures and targets within those activity classes for 2007/08 and the following two financial years.

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

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 precedes this section.

Table 1

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

Activity Classes	2006/07 Expected Outturn	2007/08 Target	2008/09 Target	2009/10 Target
<b>Activity Class 1: State highway maintenance &amp; operations (escalated)*</b>				
Road maintenance & operations <sup>2</sup>	223.3	235.6	256.0	275.1
Road renewals <sup>2</sup>	157.3	176.7	193.4	207.6
Preventive Maintenance	5.2	5.3	5.3	6.2
Property Management <sup>3</sup>				
Emergency Works <sup>4</sup>	40.6	33.7	35.6	37.4
<b>Subtotal</b>	<b>426.4</b>	<b>451.3</b>	<b>490.3</b>	<b>526.3</b>
<b>Activity Classes 2, 3 and 4: • State highway replacement and improvement • Passenger transport • Walking and cycling<sup>5</sup></b>				
Construction Debt Funding*	623.1	711.9	757.5	812.8
Minor Safety Projects [MSP]	28.9	31.3	32.4	33.7
Property Purchase	91.3	107.4	107.4	65.1
Passenger Transport Road Infrastructures [PT]	76.3	34.5	19.8	0.0
Walking and Cycling Facilities	1.1	3.4	3.4	3.4
<b>Subtotal<sup>4</sup></b>	<b>820.8</b>	<b>888.5</b>	<b>920.5</b>	<b>915.0</b>
Total (GST exclusive)	1247.2	1339.9	1410.8	1441.3
Add GST	155.9	167.49	176.35	180.16
<b>Total cost of Activity Classes</b>	<b>1403.1</b>	<b>1507.39</b>	<b>1587.15</b>	<b>1621.46</b>

## Notes

1. Transit's Administration costs have been allocated across all activity classes.
2. Revised work category from Land Transport New Zealand to better align with accounting conventions.
3. Property management is included in road maintenance and operations activity class.
4. This amount is held and managed by Land Transport New Zealand. Where funding is required, it is released on a case-by-case basis.
5. Improvement figures incorporate an escalation allowance of 3% per year. Cost escalation fluctuations different from the 3% per year, are planned to be covered by Land Transport NZ's purchasing power agreement with the government for 2006/07 to 2010/11.

Cost escalation rates applied are as supplied by Land Transport New Zealand: 7% (08/09), 6% (09/10), 3% (remainder)

- \* A capital injection will be made for ALPURT B2 for 07/08 and 08/09. Alternative funding for the remainder of the shortfall is currently being investigated.

## 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 included in Activity Class 1:

- Road Maintenance and Operations: all routine maintenance of the asset including the carriageway, bridges/structures, lighting, delineation, signs, safety furniture, vegetation control, traffic signals and graffiti and litter removal; management and operation of the asset including traffic management, incident response and winter maintenance response; and professional services for routine activities. It also includes management and maintenance of Crown-owned property held by Transit for future projects.
- Road renewals: resurfacing of existing carriageways including resealing and thin asphaltic concrete; pavement rehabilitation including associated improvements; component replacement for structures; renewals of assets including culverts, drainage, lighting and traffic signals; bulk replacement of delineations; seal widening; minor improvements; inclusive of professional services for each work category.
- Preventive Maintenance: non-routine maintenance works to protect the serviceability of the road assets and to minimise the threat and cost of road closures.
- 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	2006/07 Expected Outturn	2007/08 Target	2008/09 Target	2009/10 Target
<b>Road Maintenance &amp; Operations</b>				
• Cost (\$M)	223.3	235.6	256.0	275.1
• Length (km) <sup>1</sup>	10,894	10,900	10,910	10,915
• Unit cost (\$/km)	20,498	21,615	23,465	25,204
<b>Road Renewals</b>				
• Cost (\$M)	157.3	176.7	193.4	207.6
• Length (km)	10,894	10,900	10,910	10,915
• Unit cost (\$/km)	14,439	16,211	17,727	19,020
<b>Preventive Maintenance</b>				
• Cost (\$M)	5.2	5.3	5.3	6.2
<b>Property Management</b>				
• Asset value (\$M) <sup>2</sup>	900	980	1,000	1,100
<b>Emergency Works</b>				
• Cost (\$M)	40.6	33.7	35.6	37.4
<b>Activity Class I: Total Cost (\$M)</b>	<b>426.4</b>	<b>451.3</b>	<b>490.3</b>	<b>526.3</b>

## Notes

1. Based on best estimate in May 2007.
2. The value of the total portfolio, including properties that do not generate income. Asset value in 2007/2008 expected to increase due to purchase activity and increases in property values. It is further expected to increase in 2008/2009 and 2009/2010 but will start to decrease in 2010/2011 onwards as properties are released for construction works.

Table 3

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

Description	2006/07 Expected Outturn	2007/08 Target	2008/09 Target	2009/10 Target
<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%
<i>Periodic maintenance measure deleted due to changes in work category</i>	N/A	N/A	N/A	N/A
<b>Levels of Service</b>				
• Percentage of state highway network maintained to level of service for road condition, classified by:				
– Roughness				
• smoothness <sup>1</sup>	99%	97%	97%	97%
• smooth travel exposure <sup>2</sup>	97%	97%	97%	97%
– Rutting – less than 20mm ruts <sup>3</sup>	99.6%	99%	99%	99%
– Skid resistance – good skid exposure above threshold level <sup>4</sup>	98%	98%	98%	98%
– Texture – greater than 0.5mm <sup>5</sup>	99.5%	98%	98%	98%

## Notes

1. Measures the proportion of the state highway network that 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.
2. Measures the proportion of travel on sections of the state highway network that 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.
3. 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.
4. 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.
5. 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	2006/07 Forecast Outturn	2007/08 Target	2008/09 Target	2009/10 Target
<b>Construction<sup>3</sup></b>				
• Cost (\$M)	623.1	711.9	757.5	812.8
• Debt <sup>2</sup>				0.0
<b>Minor Safety Projects</b>				
• Cost (\$M)	28.9	31.3	32.4	33.7
<b>Property Purchase<sup>1</sup></b>				
• Cost (\$M)	91.3	107.4	107.4	65.1
<b>Passenger Transport Roding Infrastructures</b>				
• Cost (\$M)	76.3	34.5	19.8	0.0
<b>Walking and Cycling</b>				
• Cost (\$M)	1.1	3.4	3.4	3.4
<b>Activity Classes Groups 2, 3 and 4: Total Cost (\$M)</b>	<b>820.8</b>	<b>888.5</b>	<b>920.5</b>	<b>915.0</b>

## Notes

1. Construction and Property Purchase projections are based on Transit's Land Transport Programme (LTP), smoothed by taking account of factors affecting project development and including uncertainties associated with forecasting projects and available roading funds.
2. Includes Debt Funding for ALPURT B2
3. Construction spending across the four years has increased significantly compared with the previous SoI. This reflects previous communication in Transit's 10-Year State Highway Forecast or Land Transport Programme (LTP)



Table 5

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

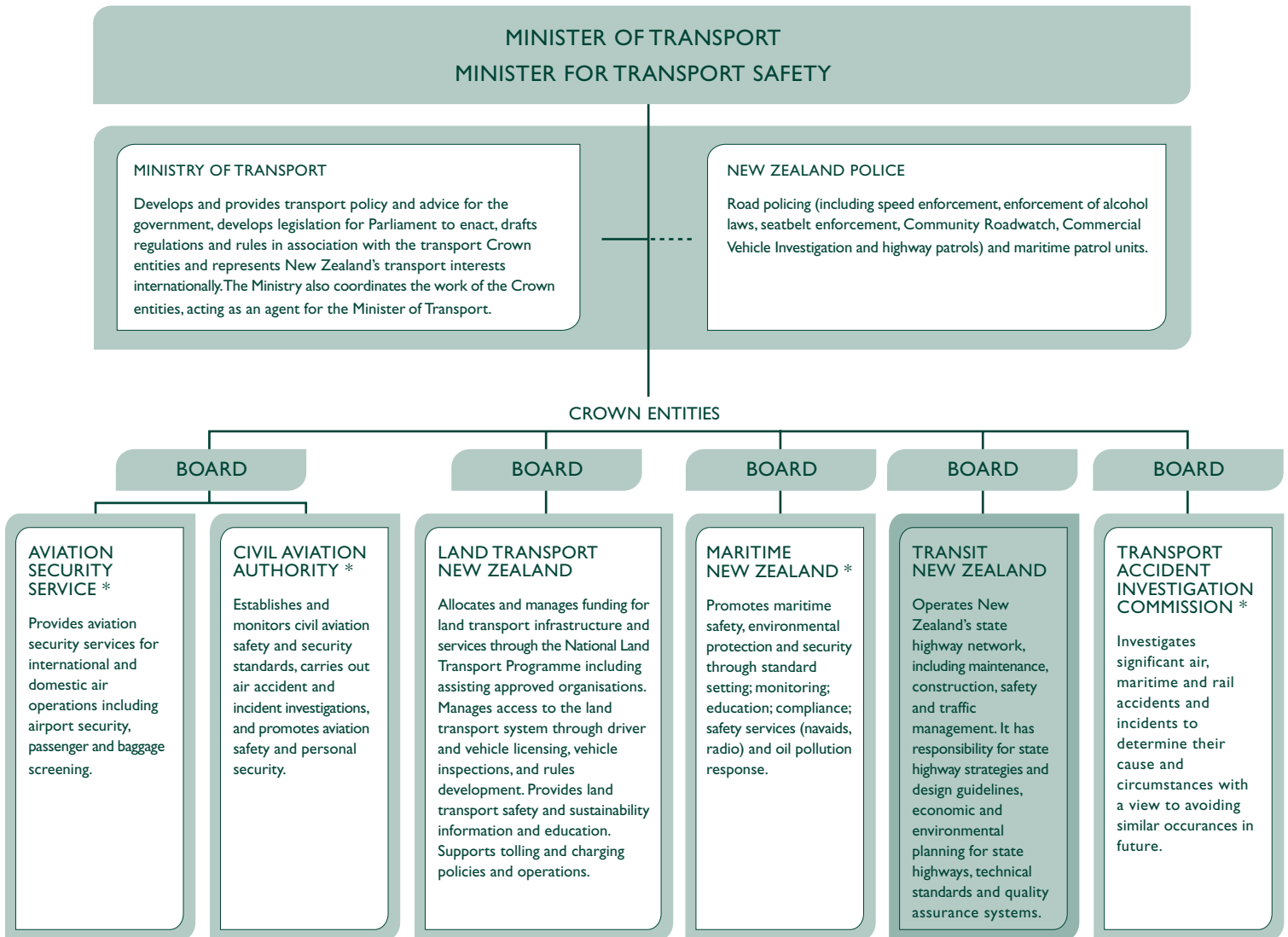
<b>Description</b>	<b>2006/07 Target</b>	<b>2007/08 Target</b>	<b>2008/09 Target</b>	<b>2009/10 Target</b>
<b>Capital Works Costs</b>				
• Percentage of dollar variance against State Highway Improvement Programme	95-105%	95-105%	95-105%	95-105%
• Percentage completion of National Land Transport Programme 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 Performance 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 <sup>2</sup>	1.3%	1.4%	1.6%	1.5%

**Notes**

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.  
Green shaded areas – SHF5 supercedes all these measures
2. Property Returns revised in light of significant rises in Property values

# 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

Progress Code: (Completed) (Underway)

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	(Underway)
Auckland North Shore	SH1, Northern Busway	(Underway)
	SH1, Esmonde Rd Interchange	(Underway)
	SH1, Ramp Signalling	(Underway)
	SH1, Northcote to Sunnynook Auxiliary Lane	
Auckland Central Improvements	SH1, Central Motorway Junction – Stage 2	(Underway)
	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	(Underway)
	SH20, Manukau Extension	(Underway)
	SH18, Greenhithe Deviation	(Underway)
Auckland North-western Motorway	SH16, Ramp Signalling	
Auckland Southern Motorway	SH1, Waiouru Connection (Manukau City)	
	SH1, Ramp Signalling	(Underway)
Waikato Maramarua Expressway	SH2, Mangatawhiri Deviation	(Underway)
Hamilton Western Corridor	SH1, Church to Avalon 4 Laning	
	SH1, Avalon Drive Bypass	(Underway)
SH1, Hamilton to Taupo	SH1, East Taupo Arterial *	
	SH1, Piarere-Oak Tree Bend Realignment	(deferred)
Tauranga Strategic Network	Tauranga Harbour Link	(Underway)
	Tauranga Travel Demand Management *	
SH36, Tauranga to Rotorua	SH36, Pyes Pa Bypass	
Hawke's Bay Expressway	SH50A, Meeanee Rd Interchange	(Underway)

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	(Completed)
SH3, New Plymouth to Hawera	SH3, Bell Block Bypass	(Underway)
Wellington Western Corridor	SH1, Mackays Overbridge	(Completed)
	SH1, Centennial Highway Median Barrier	(Underway)
Wellington Hutt Corridor	SH2, Dowse to Petone	(Underway)
Wellington City	SH1, Wellington Inner City Bypass	(Completed)
SH2, Wairarapa	SH2, Waiohine Bridge	(Completed)
SH1, Picton to Kaikoura	SH1, Awatere Bridge	(Underway)
SH 60, Richmond to Motueka	SH60, Ruby Bay Bypass *	
Christchurch City	Christchurch Travel Demand Management	
SH1, Oamaru to Dunedin	SH1, Tūmāi – Waikouaiti Realignment	(Underway)

\* 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, Hawkes 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)

State Highway Corridor	Projects Started
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 * (Underway)

\* 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)

State Highway Corridor	Projects Started
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) (Underway) Kapiti Western Link Road (Southern Section)
Wellington Rimutaka Hill	SH2, Rimutaka Corner Easing
Nelson - Marlborough	SH6, Whangamoa 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 2007/08

Bryan Jackson  
Acting Chair  
Transit New Zealand  
P O Box 5084  
WELLINGTON

Dear Bryan

### MINISTER'S EXPECTATIONS FOR 2007/08 – TRANSIT NEW ZEALAND

I am pleased to provide you with this letter that outlines my priorities and expectations for 2007/08 for Transit New Zealand (Transit). I expect this letter to be a key input into your strategic planning and the development of your Statement of Intent (SOI) for 2007-10<sup>1</sup>. This letter complements the letter of 17 December 2004 to all Crown entity boards setting out the Government's general expectations of them in working with Ministers and government.

#### Contribution to the Government's themes

On 6 March 2006, Cabinet agreed that the following themes constitute the government's priorities for the next decade:

- Economic transformation;
- Families, young and old; and
- National identity.

Economic transformation is the relevant theme for the transport sector. In addition, the Government has recently agreed to embed sustainable development into its themes, with an emphasis on environmental sustainability and climate change. Mitigating the impacts of the transport sector on the environment will play a key part in the government's sustainable development agenda.

Cabinet has also approved certain theme objectives, with the following being particularly relevant to the transport sector:

- **Increasing international connections of firms to overcome constraints of size and distance**, noting that secure supply chains and effective transport logistics are fundamental to our export competitiveness.
- **Create a world-class Auckland by leveraging off the Rugby World Cup 2011** to address inefficiencies and underinvestment in infrastructure to correct bottlenecks and failures, in particular in transport.
- **Improving the value derived from the sustainable use of management of natural resources** by moving to a low greenhouse gas emissions economy through improved energy efficiency and greater technology uptake and development, noting that there are opportunities to reduce emissions in a number of key sectors including transport.
- **Ensuring efficient use of existing transport infrastructure and high quality investment in transport**, noting that there is scope for more efficient use of existing and future infrastructure, particularly in Auckland, by ensuring high quality investment, use of traffic management and travel demand management techniques. We also need to provide a transport system that is resilient so that it can continue to provide for the movement of people and goods.

I expect you to take into account the economic transformation theme, environmental sustainability and the above theme objectives when developing your strategic and business planning. You should articulate clearly in your SOI how Transit intends to contribute to this theme and the theme objectives.

1. The Minister of Transport, as responsible Minister for Transit, has a role under section 27(1)(f) of the Crown Entities Act 2004 to participate in the process of setting and monitoring Transit's strategic direction and targets under Part 4 of that Act.



## **New Zealand Transport Strategy and transport sector priorities**

I also want you to articulate how you will continue to contribute to the New Zealand Transport Strategy (NZTS) and my priorities for the transport sector when developing your SOI. The government remains committed to the vision and objectives in the NZTS and the development of a cohesive long-term strategy for transport to take us beyond 2010 is a high priority for the sector. My expectation is that the long-term strategy will be based on the vision and objectives in the NZTS and will focus on how the sector will make the NZTS happen. I expect Transit to contribute to the development of this long-term strategy over the coming year. I see this strategy and related work as an opportunity to address the strategic issues you have raised around freight.

I set out my priorities for the transport sector in August 2006 at the breakfast meeting with transport sector Crown entity Chairs and Chief Executives. These priorities are:

1. Leadership
2. Certainty
3. Cost efficiency
4. Safety
5. Alternative funding options
6. Auckland
7. Environmental sustainability
8. Working together

Of particular relevance to Transit are cost efficiency and certainty. You are of course aware that value for money is a key focus for government, particularly in the land transport sector. To this end, I expect you to work with the Ministry of Transport (the Ministry) and Land Transport NZ on how you intend responding to the recommendations of a number of recent reviews, namely the:

- Ministerial Advisory Group on Rooding Costs;
- Transit's internal review of value for money; and
- EXG Review of Value for Money in the Land Transport Sector.

I note that the Planning and Funding Changes Project and the Next Steps Review are still underway and will write to you again once the recommendations of the relevant reports have been considered by the government.

I am aware that there are challenges for Transit in achieving value for money while also implementing the government's decisions around planning and funding certainty for the National Land Transport Programme and continuing to progress improved mitigation of adverse impacts. To this end, I expect you to be innovative and work with the Ministry, Treasury and Land Transport New Zealand (Land Transport NZ) to continue to understand the drivers of cost increases and to develop creative solutions to this challenge. The Update process that is about to start is an opportunity to gain agreement on some ways to manage these challenges. I welcome regular dialogue about these issues at our monthly meetings.

I also expect Transit to continue seeing improving Auckland as a key area of focus. Transport inefficiencies and underinvestment have been barriers to Auckland becoming a world class city. We are making considerable progress in addressing these long-standing issues, but there is still much to be done.

I understand that the Ministry is engaging with Transit and Land Transport NZ on your response to the government's work around climate change and broader environmental sustainability. I encourage this engagement as you will be aware that this is a key priority for the government.

The final key focus for Transit is alternative funding sources. The Ministry is working on regional petrol taxes and road pricing. I expect Transit to continue to be involved, as appropriate, in these projects. I also welcome tolling applications and public private partnership proposals. These are useful tools to drive value for money, when appropriately applied, and where the benefits outweigh the costs. We have recently discussed my views on the future direction of the Tolling Systems Project and I expect Transit to work with the Ministry and Land Transport NZ to ensure those views are reflected.

It is also my expectation that your Board will provide effective leadership of Transit so that it fully contributes to, and participates in, the implementation of agreed transport initiatives.

Working together is discussed later in this letter.

### **Strategic and business planning**

I found your identification of key strategic issues for our recent strategic discussion very useful.

The SOI is a strategic document, and I want to continue to engage with you on its development. I am particularly intent on ensuring that your strategic and business planning (including the SOI) reflect both the government's themes and theme objectives and my stated priorities for the Board. As the Minister responsible for the Crown's ownership interest in Transit, I am also interested in the SOI articulating how you intend managing Transit's organisational health and capability.

I would like to receive an informal draft of your SOI, including indicative financials, together with the supporting draft business plan, by mid-April 2007 to assist in our engagement. I expect you to follow the current guidance issued by the Treasury and the State Services Commission in preparing your SOI – that is, "Planning and Managing for Results" (September 2005) and "Preparing the Statement of Intent" (March 2007) – which can be found on [www.crownentities.ssc.govt.nz](http://www.crownentities.ssc.govt.nz).

In terms of business planning, I expect you to have started engaging with the Ministry in March 2007 on the goods and services to be purchased by the government for 2007/08 so those conversations, and the development of your draft business plan, can inform the preparation of your output agreement and SOI. I also expect these documents to reflect any agreed work programme priorities. The Ministry will lead the development of the output agreement and I would like to receive a jointly-developed draft by the end of April 2007 so we can finalise it before the start of the new financial year.

### **Development goals**

In developing your planning and SOI, I expect you to consider how Transit will assist in the achievement of the Development Goals for the State Sector. The following material will be of assistance, - [www.ssc.govt.nz/dev-goals-diagram](http://www.ssc.govt.nz/dev-goals-diagram).

### **Improvements to the SOI**

The SOI is a key relationship and accountability document and, as such, should be reviewed, refined, and strengthened over time. The "Preparing the Statement of Intent" guidance states:<sup>2</sup>

A Crown entity that takes performance seriously will be clear about the nature of the impacts, outcomes, and/or objectives over which it has the most direct influence, and will specify how it and others will be able to judge success within the chosen planning period.

It is not apparent to me that all of the transport sector Crown entities' current SOIs meet this basic test.

I have therefore asked the Ministry to work with one particular Crown entity during 2007/08 to critically review its SOI, in light of the existing guidelines and statutory requirements, and to develop a "best practice" model document that can then be used by other Crown entities.

2. Page 11 of *Preparing the Statement of Intent* (March 2006).

In the meantime, I would ask that you review your SOI to ensure that it meets three basic tests, which are:

1. The SOI covers appropriately all of the matters required under Part 4 of the Crown Entities Act 2004;
2. Performance measures are relevant, meaningful, and measurable; and
3. The section on managing your organisational health and capability is forward-looking and covers fully all significant operational risks, such as progress with Business Continuity Planning and resource issues.

### **Budgeting and performance**

As discussed earlier in this letter, the government has signalled strongly that value for money is a key objective for all public expenditure. Public expenditure needs to be applied in the most cost-effective manner. This applies equally to expenditure from revenue received from non-Crown sources. The government is also interested in ensuring value for money from capital expenditure. I would therefore like your SOI and/or output agreement to indicate clearly operating and capital expenditure (both for Transit itself and in relation to the State highway network) that is proposed for 2007/08 and the outyears and how this will be funded. I see this as particularly relevant for Transit given the high-priority programme of capital investment that is currently underway.

As a demonstration of your commitment to achieving value for money, I wish to see included in the SOI an indication of relevant trends over time that impact on the cost of delivering Transit's key outputs and outcomes.

As the Minister responsible for the ownership interest in Transit, I expect you to inform the Ministry of any ownership-related developments likely to lead to a proposed change to Transit's operating or capital budgets for 2007/08 or future years. Where a related change to either budget is desired, I expect you to engage with the Ministry before any related commitments are made or further funding is sought from Land Transport New Zealand. A supporting business case or briefing paper may be required to assist this engagement.

### **Relationship management**

I would appreciate you continuing to meet with me monthly. I find these meetings a valuable means of discussing key issues and signalling my expectations for the Board and Transit.

The Crown Entities Act 2004 has assisted greatly in clarifying the various Crown entity governance roles and I can assure you that I will be undertaking the "owner" representation role with appropriate diligence. I will therefore be looking to you to ensure that I, and my Ministry staff, receive sufficient, timely and relevant information to enable me to be satisfied that the ownership interest is being protected and enhanced. I ask you to continue to monitor the pressures on your organisation and brief me on any significant pressures that arise during the year.

I remind you of the expectation set out in the December 2004 letter that Ministers, Crown entities, and departments are expected to continue to work together to achieve results for all New Zealand and that approach should be manifested in your SOI.

I am working with the Ministry on a programme of six-monthly Chairs' fora. I see this as one way to improve working together across the sector, particularly through better alignment of expectations and information sharing about governance matters. I would appreciate you attending these fora. I am exploring whether there is scope for these fora to be part of the meetings of the Board Reference Group.

I have the following expectations of you regarding your interaction with the Ministry of Transport. I expect you to consult with the Ministry before providing me with advice and to adopt a 'no surprises' approach to working together. I am aware that ensuring a 'no surprises' approach can be challenging for Transit as a regionally devolved operationally-focused entity. The highly public nature of Transit's business means that I see this as a key focus for Transit over the coming year and I would welcome further engagement with you on this issue. I expect you to continue to contribute to the weekly 'No Surprises' report for me and also to the monthly "Significant Events" report prepared for the Prime Minister. I also expect you to continue to support sector projects like the Transport Sector Strategic Directions document and related projects.

For my part, I undertake to inform you of the occasions where I engage directly with Transit. I also commit to keeping you informed of any changes to government policy that have a material impact on you or Transit. To this end, I have agreed that the Ministry will consult with the Board when developing significant policy changes.

### **Reporting**

I would like you to continue your good practice in providing me with quarterly performance reports. I have asked the Ministry to continue working with you this year to consider any ways to improve the quality of your reporting. I also remind you that your 2006/07 Annual Report is the first time you will need to meet the new related requirements of Part 4 of the Crown Entities Act 2004. I understand that the Treasury and State Services Commission intend issuing related guidance in 2007 and expect you to follow such guidance.

### **Conclusion**

I certainly do not underestimate the challenges the Board, Transit, and all the rest of the transport sector face in the future. Transforming the economy is a huge task and creating a safe, sustainable, integrated and responsive transport system is fundamental to the equation. I look forward to working with the Board, Transit, and the rest of the sector over the coming year to move ahead on this.

Yours sincerely

Hon Annette King

**WELLINGTON**

## APPENDIX 4: 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 organisation's 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>Austrroads</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 4: 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
<b>LTP</b>	Transit's Land Transport Programme previously known as the State Highway Forecast.	Not applicable
<b>SHF5</b>	The term used to describe the five year programme of activity following Budget 2006 (State Highway Forecast 5)	Not applicable
<b>INZTS or iNZTS</b>	The process of implementing the requirements of the New Zealand Transport Strategy.	Not applicable



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