NZ Transport Agency annual report

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

AND THE

National Land Transport Fund annual report

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

for the year ended 30 June 2012

NZ TRANSPORT AGENCY
WAKA KOTAHI

New Zealand Government

OUR PURPOSE

CREATING TRANSPORT SOLUTIONS FOR A THRIVING NEW ZEALAND

NZTA **For the NZTA annual report go to page 1**

NLTF **For the NLTF annual report go to page 149**

NZ TRANSPORT AGENCY
WAKA KOTAHI

NZ Transport Agency (NZTA)
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NZ TRANSPORT AGENCY
ANNUAL REPORT

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

FOR THE YEAR ENDED
30 JUNE 2012

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SECTION A: 2011/12 AT A GLANCE

OUR STRATEGY

The NZTA contributes to government's overarching goal of growing the New Zealand economy to deliver greater prosperity, security and opportunities for all New Zealanders.

The government's long-term outcomes for the transport sector:

- An efficient transport system that supports the government's goal of high levels of economic productivity, provides strong international connections for freight, business and tourism, and meets international obligations.
- A sustainable funding basis for transport infrastructure investments and use.
- A high-quality transport system for Auckland, the nation's economic hub.
- An accessible and safe transport system that contributes positively to the nation's economic, social and environmental welfare.

NZTA 5

We work to help deliver the government's long-term outcomes and immediate priorities through our strategy – the NZTA 5.

1 WHY WE ARE HERE
1 PURPOSE

Creating transport solutions for a thriving New Zealand

We help New Zealand thrive when we contribute to achieving eight long-term impacts:

- Better use of existing transport capacity.
- More efficient freight supply chains.
- A resilient and secure transport network.
- Easing of severe urban congestion.
- More efficient vehicle fleets.
- Reduction in deaths and serious injuries from road crashes.
- More transport mode choices.
- Reduction in adverse environmental effects from land transport.

2 WHO WE SERVE
2 CUSTOMER GROUPS

1. Individuals

We help people make the best use of New Zealand's transport system – whether they are drivers, passengers, people getting their WoF, licence or registering their vehicle, or businesses that need permits or commercial operator licences.

2. New Zealand communities

We help plan cities that are easier to get around, we build new highways, we invest in roads, public transport, walking and cycling in regions and towns, and we make the roads safer. We do this by working with our stakeholders.

We want our customers and stakeholders to be satisfied that:

- we deliver services and solutions that are convenient, effective and efficient and that represent good value for money
- we help them make more efficient, effective and safe transport choices
- we listen to them and consider their views even when, in the end, we might not provide the answer or investment decision they had hoped for.

3 HOW WE WORK
3 BEHAVIOURS

To help build the effectiveness of our organisation, we have developed three behaviours:

1. Sign up – We commit to where we are going and we put our heart into what we do. We get engaged every day.

2. Team up – We enjoy the people we work with and appreciate their talents. We find solutions for our customers with joined up thinking.

3. Front up – We are courageous. We tackle the difficult issues. We know our value and bring it to our work with confidence and good judgement.

Our Organisational Development Strategy focuses on building a high-performing culture, by:

- developing our people, because what distinguishes a great organisation is the calibre of its people
- working with others really well, because we engage with a wide range of stakeholders and customers every day
- achieving together, because we need to offer customers and stakeholders an NZTA that is 'joined up'.

4 WHAT WE DO
4 FUNCTIONS

Our core business over the longer term is:

1. Providing access to and use of the land transport system

Shaping smart choices

We are helping shape the transport choices that people make by providing good information and encouraging them to travel safely and efficiently. We want to work cooperatively with other network operators to unlock the land transport system's contribution to a thriving New Zealand.

2. Planning the land transport networks

Integrating one network

We are integrating land use and transport planning so that there are many ways to get around our towns and cities seamlessly – walking, cycling, using public transport or motor vehicles. We also want to ensure New Zealand has a resilient transport infrastructure backbone.

3. Investing in land transport

Maximising return for New Zealand

We are making smart investments in the national, regional and local land transport system because we need to ensure every dollar we spend helps New Zealand thrive. Together with our partners we allocate funds to advance national and regional transport objectives.

4. Managing the state highway network

Delivering highway solutions for customers

We are ensuring that each state highway plays its part in the wider transport network and provides safe and reliable journeys. Over time we want to improve the experiences that people have on our highways, and recognise the different needs of freight, commuters, tourists, business and leisure travellers.

5 OUR IMMEDIATE FOCUS
5 STRATEGIC PRIORITIES

1. Planning for and delivering roads of national significance

Plan for and substantially deliver by 2020 seven new roads on some of the most important parts of the state highway network.

2. Improving the road safety system

Help deliver Safer Journeys by implementing a Safe System approach to reduce serious injuries and deaths on our roads.

3. Improving customer service and reduce compliance costs

Focus our efforts on providing high levels of customer service while being smart about reducing costs.

4. Improving the effectiveness of public transport

Lift the effectiveness of public transport services to better use existing transport capacity and ease congestion in our big cities.

5. Improving the efficiency of freight movements

Contribute to a significant improvement in safe and efficient access of freight to markets.

OUR OPERATING ENVIRONMENT IN 2011/12

1.7%

growth in economic activity boosted by high prices for soft commodities and more spending by households. (Based on latest available figures to March 2012.)

0.9%

growth in transport, postal and communication services. (Based on latest available figures to March 2012.)

8.0%

contraction in residential and non-residential building activity.

27,900

more people living in New Zealand for the year ended June 2012, but the rate of population growth slowed to 0.6%.

13.7%

of people living in New Zealand aged 65 or over as at June 2012.

15th

out of 125 countries for innovation. (International Business School, INSEAD and the World Intellectual Property Organisation.)

25th

out of 142 countries for global competitiveness. (World Economic Forum.)

50th

out of 132 countries for how its environmental matters have trended. (Yale Centre for Environmental Policy.)

1.0%

increase in heavy vehicle counts on the state highway network for the year ended June 2012 points to further improvements in the economy.

8.6%

reduction in the number of fatalities on New Zealand roads for the year ending 30 June 2012 reflects the continuance of a positive trend in road safety.

2.4%

increase in heavy and civil engineering prices reflects higher input costs as at June 2012, notably for skilled labour in anticipation of the Christchurch rebuild.

OUR ACTIVITIES

$868.5 million was invested in road user safety in 2011/12, covering policing, road safety promotion and specific benefits from road, public transport, cycling and walking, infrastructure improvements, maintenance and operations.

1,344 kilometres of state highway were renewed in order to maintain the safety and integrity of the state highway network. Renewal works are prioritised to address the differing needs of each state highway classification.

19,758 million vehicle kilometres were travelled (all vehicles) on the state highway network in 2011/12 – a 1% decrease from 2010/11. The economic environment, higher average energy prices and the impact of the Christchurch earthquakes were some of the contributors to a slight decline in travel by all vehicles.

1.995 million vehicle kilometres were travelled by heavy vehicles on the state highway network in 2011/12 – an increase of almost 3.0% from 2010/11. A relatively strong export performance in the early part of the year followed by small improvements in domestic demand towards the end of the year pushed travel by heavy vehicles higher.

The National Land Transport Fund invested $2,363 million (excluding expenditure on the NZ Police Road Policing Programme) in the year ended 30 June 2012.

147,811 road user charges licences were purchased online – an increase of 35.2% during the year ended 30 June 2012. It is anticipated that the volume of online transactions will continue to grow.

898,721 motor vehicle registration transactions were completed online – an increase of 31% during the year ended 30 June 2012. We expect that the volume of online transactions will continue to grow.

70 million public transport boardings in Auckland (bus, train and ferry) for the year ended March 2012. The NZTA provides up to 50% funding assistance for public transport trips and in the last year spent just over $231 million nationally with approximately the same amount coming from local government.

OUR FINANCES

WE HAVE ENDED THE FINANCIAL YEAR TO 30 JUNE 2012 WITH A NET SURPLUS OF $41.38 MILLION, COMPARED WITH A DEFICIT OF $34.69 MILLION IN THE PREVIOUS YEAR.

Further information and analysis of our results is provided under 'Highlights from our financial statements' on pages 95 to 97.

$2 BILLION TOTAL INCOME

Our total income was $76.7 million higher than in 2010/11. This was essentially due to the Crown's increased investment in the reinstatement of roads in Canterbury.

$1.95 BILLION TOTAL EXPENDITURE

Our total expenditure was at a similar level to 2010/11. Investment in local roads was lower than in 2010/11, but this was offset by higher spending on public transport and state highway maintenance (largely due to emergency works).

$26.50 BILLION TOTAL ASSETS

The total value of our assets is $744.9 million higher than in 2010/11 due to an increase in the valuation of the state highway network.

$1.09 BILLION CAPITAL EXPENDITURE

Our capital expenditure was $289.6 million lower than in 2010/11 in line with our state highways programme for 2011/12. The 2009-12 National Land Transport Programme (NLTP) is a three-year programme of work in which the early years workload was accelerated. To balance back to the target, the programme was reduced in the final year (2011/12).

OUR SUCCESSES

Many of the NZTA's staff, stakeholders and partners have received recognition for the work they have produced in the year to 30 June 2012. The following section showcases some of our successes.

LEGEND WINS INTERNATIONAL AND NATIONAL ADVERTISING AWARDS

The drink-driving campaign, *Legend*, which launched in October 2011, has had a phenomenal response not only with its intended target audience of young Māori males, but also with the New Zealand public as a whole.

A Safe System spreads the responsibility of sober driving beyond the drivers themselves. *Legend* asks people beyond the driver to take some responsibility for the drink-driving problem.

This year, *Legend* won a prestigious Yellow Pencil for Integrated and Earned Media at the international D&AD Awards – the only New Zealand advertisement to do so. The annual D&AD Awards, based in London, are international advertising awards that are recognised throughout the world.

They are recognised as a symbol of true creative achievement and year on year they showcase the very best international work and provide an unrivalled source of creative inspiration.

Legend was also recently chosen by New Zealand advertising industry members as TV commercial of the year in a survey by StopPress/ThinkTV. In a recent article StopPress said, 'This ad appears to have cemented a place in Kiwi advertising folklore and, as the video says, "the phenomenal fing" is the target audience is now going to parties and proudly spreading a government sponsored anti-drink-driving message.'

WELLINGTON TUNNELS ALLIANCE WINS A NEW ZEALAND SAFETY AWARD FOR THE INNOVATIVE TB7 PLATFORM

The alliance (made up of the NZTA, Leighton Contractors, SKM and AECOM) picked up the Kensington Swan Best Initiative to Address a Safety Hazard Award at this year's New Zealand Workplace Health and Safety Awards, announced on 30 May 2012.

The award is for Thunderbird 7 (TB7), the big red platform that has made a major contribution to keeping the team safe. With the Terrace Tunnel refurbishment taking place at night, nearly eight metres in the air and in an enclosed space, ensuring site safety and minimising hazards was vital.

The TB7 is a self-driving mobile work deck shaped to the ceiling's contours which could be elevated to varying working heights to provide a safe and productive work platform which also helped minimise manual handling risks. The platform was raised at the end of each shift to protect road users from any falling debris. Because TB7 stayed in the tunnel it also meant the team could work longer shifts before needing to pack away.

The innovative multi-purpose device is already attracting a lot of attention internationally.

SIX WINS FOR NGA NEWMARKET – THE NEWMARKET VIADUCT REPLACEMENT PROJECT TEAM

The NZTA's inaugural GEM Awards were presented in October 2011, to suppliers who 'Go the Extra Mile' to provide great customer service.

The NGA Newmarket Alliance was crowned Supreme GEM winner for their management of New Zealand's biggest motorway closure – Southbound Switch. They also won two category awards – Innovations in Customer Care and Providing Excellent Customer Care during an event. In his acknowledgement of NGA Newmarket's supreme award win, Geoff Dangerfield said the team's advance planning and outstanding communication with the public has set a new standard for the delivery of the NZTA's projects.

» geoff dangerfield presents the supreme gem award to mike booth (alliance project manager) and elizabeth collins, (communications and stakeholder manager) of nga newmarket

» the supreme gem award

» newmarket viaduct work in progress

« derrington construction award

February 2012 also brought the NGA Newmarket Alliance team a prestigious award from the Institute of Structural Engineers in the UK. They won the Derrington Construction Award for a paper on the unique deconstruction process of the Newmarket Viaduct, prepared by three of their engineers.

The NGA Newmarket Alliance also won a Public Relations Institute of New Zealand (PRINZ) Award in the Special Event/Project category for providing outstanding public relations during its southbound closure of SH1 over Newmarket in Auckland.

In February 2012, NGA Newmarket won the Quality of Product Award from Leighton Contractors. The award win in the categories of Permanent Design, Superstructure, and Deconstruction and Temporary Works recognises how teamwork, planning and engineering excellence have delivered outstanding quality of product outcomes as well as an iconic asset for the NZTA and New Zealand.

NZTA FATIGUE ADVERTISING WINS GOLD

One of the NZTA's advertising initiatives in the area of fatigue has won gold at the John Caples International Awards, presented in New York.

Tired drivers are a big contributor to deaths on our roads, but most people don't think they are at risk. Looking to encourage safe driving among New Zealanders, we created a campaign to get drivers' attention. The effort, which included print and billboards, showed people how fatigue can catch up with them.

Over one of New Zealand's busiest holiday weekends as people headed out on holiday, vehicles were photographed (with their permission) as they boarded the Interislander. While sailing, a team of people created flyers with a fatigue message and personalised the ads for each vehicle with the photo of the driver.

When the people returned to their cars to drive off the ferry, they found the ad with photos of themselves.

'This is the best execution I've seen for ages,' commented one Caples judge. 'Perfect use of the situation of drivers leaving their cars for a couple of hours.' The John Caples International Awards honour the best in direct and interactive marketing around the world, so this is really exciting for us.

THE TAURANGA HARBOUR LINK PROJECT TAKES OUT ENGINEERING EXCELLENCE SUPREME AWARD

The NZTA's Tauranga Harbour Link project was awarded the highest New Zealand engineering excellence honours taking out the Supreme Award at the New Zealand Engineering Excellence (NZEE) Awards this year.

The NZTA Tauranga Harbour Link project was selected from the winners of each of the other NZEE project and product awards. The award recognises the project as outstanding from the others in terms of its eminence and contribution to engineering in New Zealand.

Tauranga Harbour Link was recognised from 15 finalists in the projects and products awards beating out other great projects such as the Manukau Harbour Crossing and Te Rewa Rewa footbridge in New Plymouth.

The Tauranga Harbour Link project also received the NZEE's Transportation Infrastructure Award. The $130 million project was one of the largest transport projects ever constructed in New Zealand at the time and the largest for the Bay of Plenty before the construction of the NZTA's Tauranga Eastern Link which started construction late last year.

The Tauranga Harbour Link was acknowledged for helping to reshape an important transport corridor in Tauranga, and providing an overall effective transport and freight route to the Port of Tauranga.

The design and construct project was delivered by Fletcher Construction and URS New Zealand with the construction work monitored by the NZTA's consultant BECA.

The NZEE Supreme Award also recognises the technical engineering challenges that the project mitigated such as addressing soil conditions beneath the bridge's structure and for minimising the impact of the project on the environment and stakeholders.

The Tauranga Harbour Link project has also won other top awards including Roading New Zealand's Roading Excellence Award in 2010.

NZTA A FINALIST AT THE PLAIN ENGLISH AWARDS

The NZTA was a finalist in two categories at the Plain English Awards in November 2011.

This success recognises how the NZTA is continuing to improve customer service across the organisation.

The NZTA's booklet *Keeping moving: the positive guide for senior road users*, was a finalist in the Best Plain English Document – Public Sector category. The judges said, 'This entry was nothing like the way government agencies used to write — more like a helpful adviser talking to us than a bureaucrat listing the facts.'

Our Safe Teen Driver campaign was a finalist for Plain English Champion — Best Project. The judges said, 'This project was extremely well written and designed using plain English principles. It was clear that the writers kept the multiple readers in mind and used creative approaches to reach the varied audience.'

PUBLIC RELATIONS AWARD FOR THE VICTORIA PARK TUNNEL'S COMMUNICATION

At the time of its construction, the Victoria Park Tunnel project was the largest, fastest paced, most complex motorway upgrade ever in New Zealand. For 30 months it impacted day and night on the lives of the 5000 residents of St Marys and Freemans bays in central Auckland, some living within five metres of work. The work site was also the motorway used by 150,000 vehicles a day.

Using open, honest communication, the project got the community through chaos and disruption and exceeded expectations about how people's issues and concerns would be dealt with. It turned project cynics into champions, as evidenced by the 200+ unsolicited compliments we received.

Work by the project's Stakeholder Liaison and Communication team, including the NZTA's Helen Cook, won the Government/Quasi Government section of the Public Relations Institute of New Zealand's 2012 Annual Awards. The team was ably supported throughout the project by the NZTA's National Communications team, particularly Auckland-based media manager, Ewart Barnsley.

SOFTWARE DEVELOPED FOR AN NZ TRANSPORT AGENCY WAIKATO CONTRACT WINS INNOVATION AWARD

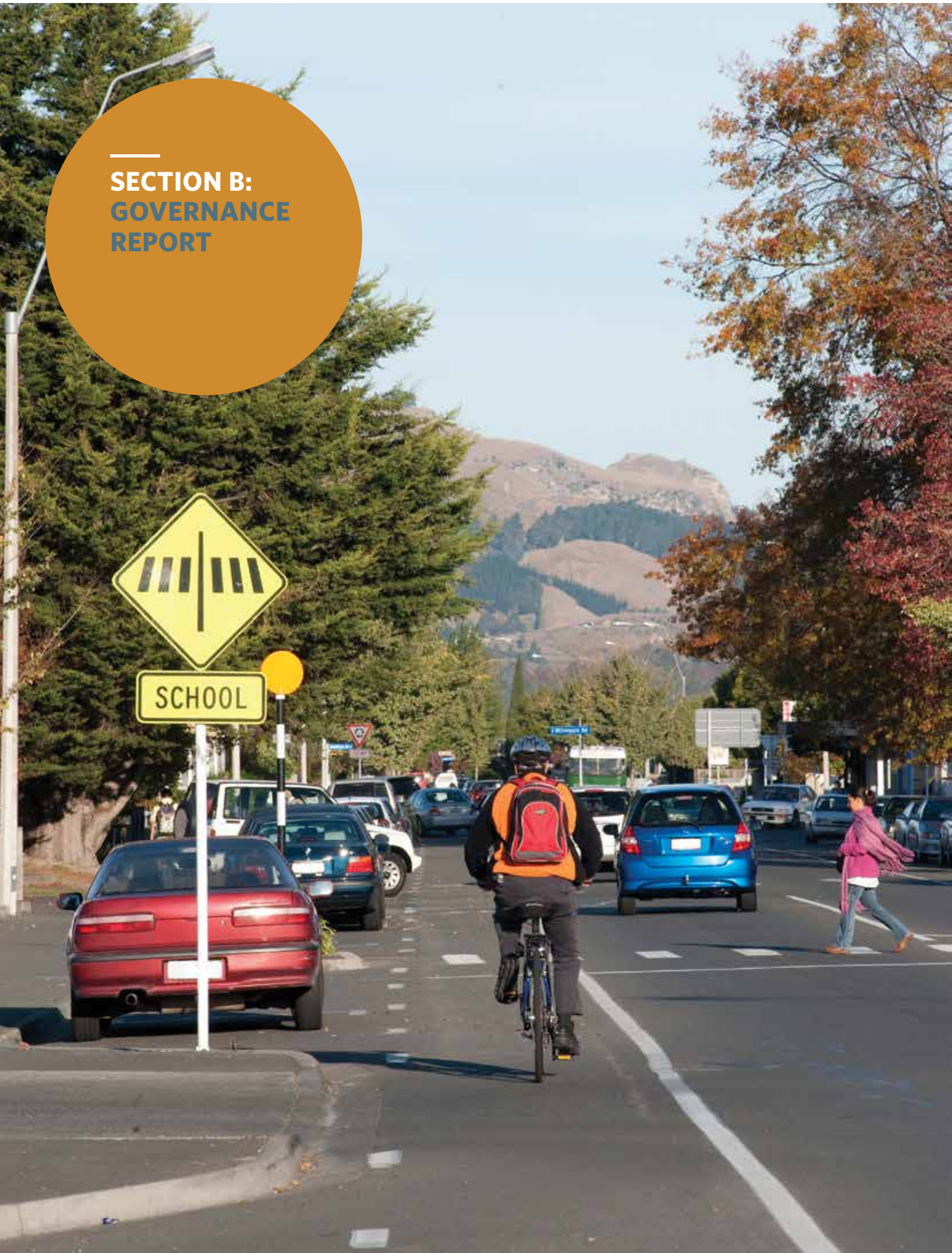
Well done to the Transfield team for winning the first Road Incident Management Steering Group Innovation Award. The award was set up to encourage the sharing of asset management data analysis innovations within the road maintenance industry.

The award recognised Transfield's T-SKAN software, which was developed to assist with visualisation and field data collection of multiple data sets.

T-SKAN takes large amounts of data (hundreds of thousands of lines) and creates a visual representation of what traditionally would have been analysed on multiple spreadsheets.

The software is unlike any in the industry and has received praise from all those who have seen it in action. The award was granted based on originality, the complexity of the problem and the significance of the outcome.

SECTION B: GOVERNANCE REPORT



REPORT
FROM THE CHAIR

INTRODUCTION

I am pleased to present the 2011/12 annual report for the NZ Transport Agency (NZTA). This report underscores another solid year of achievement against the milestones set out in the *Statement of intent*. The continued emphasis on activities that promote economic growth and productivity, improve road user safety and provide value for money has put the NZTA in a strong position to deliver on the government's priorities for the land transport system.

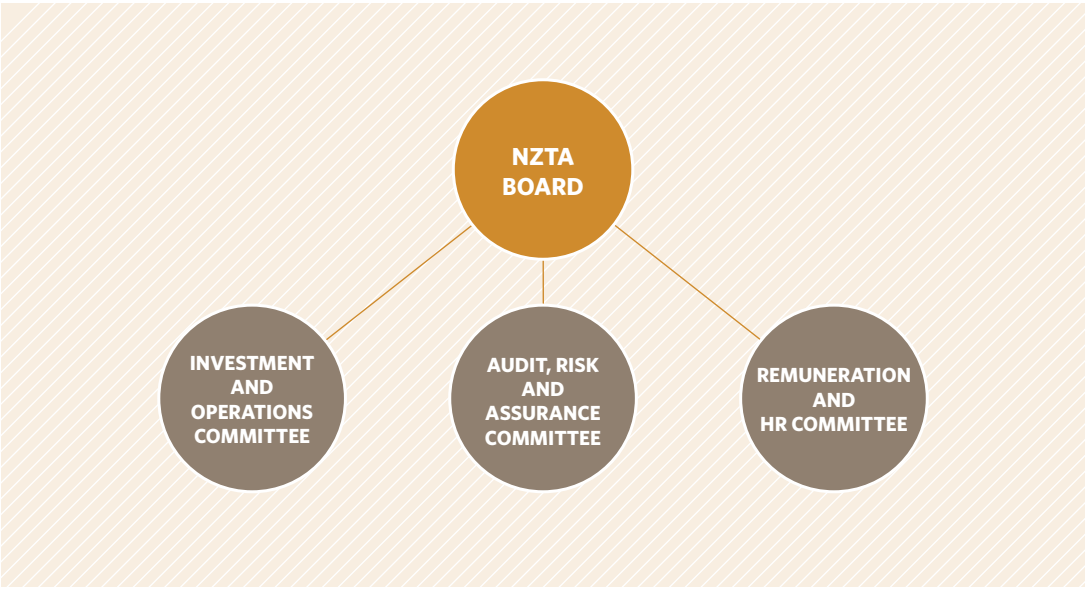
The achievements highlighted in this report reflect the NZTA's focus on planning and delivering a land transport network and services that provide transport users with positive travel experiences that are increasingly safer, and more efficient and reliable. They also reflect the NZTA's ongoing dedication to delivering customer-focused services and solutions that represent good value for money.

Our success reflects a team effort, and I want to acknowledge the efforts of the NZTA's staff and my colleagues on the Board in helping to create transport solutions for a thriving New Zealand. We have an ambitious work programme ahead of us and have the commitment and capability to deliver it.

Chris Moller
Chair
NZ Transport Agency

BOARD MEMBERSHIP AND COMPOSITION

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



BOARD FUNCTIONS

The Board performs six functions that direct the operations of the NZTA:

1. Influencing and contributing to the land transport sector.
2. Setting the direction of the NZTA.
3. Setting plans and targets for services and financial performance.
4. Reviewing the NZTA's performance against plans and targets.
5. Providing quality assurance of key operational policies, systems and processes.
6. Making significant planning, investment and funding decisions.

The planning, investment and funding decisions reserved for the Board are set out in its significance policy, and include:

- approving annual budgets
- making significant funding decisions and contract awards
- authorising changes to the organisational structure
- authorising significant changes to processes or procedures for the allocation of the National Land Transport Fund (NLTF)
- reviewing the performance and remuneration of the Chief Executive.

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

While the board committees have no delegated authority, they help the Board to:

- provide assurance that policies and controls are complied with
- monitor and advise on delegated investment, operational procedures and projects
- annually review the performance of the Chief Executive.

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

BOARD MEMBER REMUNERATION

The rates of remuneration for Board members are set by the Minister of Transport, in accordance with government rates for members' fees.

DISCLOSURE OF INTERESTS

Board members are required to complete a declaration of interests each year. The process is independently audited every year. An updated schedule of Board members' interests is tabled and reviewed at the opening of every Board meeting.

CODE OF CONDUCT

The Board formulated and adopted a code of conduct for its members in 2010. The code is based on best practice. It is informed by the State Services Commission's *Board appointment and induction guidelines*, and by the Office of the Auditor-General's *Managing conflicts of interest: Guidance for public entities* and *Guidance for members of local authorities about the law on conflicts of interest.*

BOARD ACTIVITY IN 2011/12

The Board held eight scheduled and two special meetings in 2011/12. The scheduled meetings were held in Wellington (5), Auckland (2) and Christchurch (1). At the meetings the Board considered a total of 110 separate items, as set out in the table below. The Board also held a strategy and governance workshop in February 2012 focused on confirming the high level direction for the 2012-15 *Statement of intent*, the 2012-15 National Land Transport Programme (NLTP) and the 2012-15 Road Policing Programme. Specific attention was applied to framing and exploring overarching investment decisions and seeking maximum value for money in the development of the 2012-15 National Land Transport Programme.

BOARD ACTIVITY IN 2011/12

BOARD FUNCTION	HIGHLIGHTS
Influencing and contributing to the land transport sector	Submissions on and input to the 2012/13 – 2021/22 Government Policy Statement, Auckland spatial plan, the role of active modal choice in the New Zealand transport system, transport regulatory reform, public transport operating model development, development and operation of toll roads in New Zealand and vehicle licensing reform.
Setting the direction of the NZTA	Key operational policy considered: state highway classification system, State Highway Network Strategy, Network Access and Use Strategy, Auckland state highway network development, the Upper North Island Freight Plan, road policing investment framework, and transport planning investment direction.
Setting plans and targets for services and financial performance	Key areas of focus: 2012–15 *Statement of intent* and annual budget (9 items), NLTF cash flow, road safety and freight action plans, 2012–15 Road Policing Programme, assessment of local government co-investment capability, confirmation of the 2012–15 National Land Transport Programme, the strategic direction for the state highway and access and use functions and the Investment and Revenue Strategy (IRS) including the approach to reviewing co-investment ratios for the 2015–18 National Land Transport Programme.
Reviewing the NZTA's performance against plans and targets	Areas of focus: Quarterly and annual progress reports, rolling progress reviews on each NZTA strategic priority action plan, monthly finance reports, Performance Improvement Framework action plan progress reports, road safety advertising external effectiveness evaluation, and the 2010/11 Better Administrative and Support Services (BASS) survey results.
Providing quality assurance of key operational policies, systems and processes	Assessments against best practice were conducted for these key delivery and corporate processes and systems: procurement, asset management, risk management, network incident management and safety management of the state highway network, recruitment, licensing, property management, relationship management, communication and engagement, Māori engagement, post-implementation reviews, employee engagement, and rail safety regulation and promotion.
Making significant planning, investment and funding decisions	Key items: Canterbury earthquake recovery, integrated ticketing, tolling operations, major funding decisions, major contract awards, driver licensing and vehicle registration modernisation business case, NZTA consultation procedures, funding assistance rate reviews, metro rail upgrades, state highway procurement strategy, Waitemata Harbour Crossing, and Auckland and Hamilton roads of national significance.
Other general governance matters	Monthly reports from the Chief Executive, reports from the board committees, regular general business and issues update reports.

INVESTMENT AND OPERATIONS BOARD COMMITTEE

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

The committee comprises four serving NZTA Board members and has the authority to seek independent advice to discharge its functions. The committee provides business stewardship and guidance for a range of matters including:

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

The committee met four times during 2011/12.

AUDIT, RISK AND ASSURANCE BOARD COMMITTEE

The Audit, Risk and Assurance Committee comprises up to three serving NZTA Board members. The committee is served by the Chief of Assurance and Risk and meetings are attended by the Chief Executive, Group Manager Organisational Support and Chief Financial Officer. The Ministry of Transport's Chief Executive was appointed by the Board as a committee member, with specific reference to monitoring responsibilities under section 101 of the Land Transport Management Act 2003.

The committee's responsibilities include:

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

The committee met five times during 2011/12. Meetings were timed to coincide with the quarterly governance reporting process.

REMUNERATION AND HUMAN RESOURCES BOARD COMMITTEE

The purpose of this committee is to provide strategic governance in conjunction with the Chief Executive over human resources capability, remuneration, employment relations and key human resources strategies. The committee also helps the Board fulfil its responsibilities relating to the remuneration of the Chief Executive and senior management.

In discharging its strategic governance responsibilities, the committee:

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

In discharging its responsibility for the Chief Executive's employment relationship and remuneration, the committee:

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

The committee met three times during 2011/12.

BOARD MEMBER PROFILES

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

Chris Moller
Chair (Wellington)

Chris is a non-executive director who chairs the Meridian Energy Ltd and New Zealand Cricket Inc boards. He is also a director of SKYCITY Entertainment Group Ltd, NZX Ltd, Westpac New Zealand Ltd, International Cricket Council and Rugby New Zealand 2011 Ltd. Chris is a trustee of the Victoria University Foundation and the Westpac Regional Stadium Trust. He was Chief Executive of the New Zealand Rugby Union, Deputy Chief Executive of Fonterra Co-operative Group Ltd, and a director of a range of joint venture and subsidiary organisations within the New Zealand dairy industry both domestically and internationally.

Patsy Reddy
Deputy Chair, Chair of the Remuneration and Human Resources Board Committee (Wellington)

Patsy is a non-executive director and a qualified lawyer. She is Chair of the New Zealand Film Commission, a director of Payments NZ Ltd and Active Equities Ltd. She is also a chief crown negotiator for Treaty of Waitangi Settlements in the Bay of Plenty. Her previous directorships include Telecom Corporation of NZ Ltd, SKYCITY Entertainment Group Ltd, New Zealand Post and Air New Zealand Ltd.

Gill Cox
(Christchurch) from 1 September 2011

Gill is a chartered accountant and business consultant. He chairs MainPower NZ Ltd, Transwaste Canterbury Ltd and the Advisory Body of Development West Coast. He currently serves on the boards of a number of large privately held companies in Canterbury involved in the manufacturing, warehousing and distribution, and fishing industries. Gill is a member of the CERA Community Forum in Christchurch and the executive of the Canterbury Business Leaders Group, and is a past President of the New Zealand Institute of Chartered Accountants.

Bryan Jackson
(Waikanae)

Bryan is a non-executive director. He is a former Chairman of Vehicle Testing New Zealand. He was Chair of Transit New Zealand prior to the formation of the NZTA, and was also a board member of KiwiRail. Bryan is a director of ING NZ Pty Ltd, IEF Ltd, Nees Hardware and Building Supplies Ltd and several other private companies.

Tony Lanigan
(Auckland)

Tony is a professional civil engineer (FIPENZ), project management consultant and former general manager of Fletcher Construction. Tony was Chancellor of Auckland University of Technology and a director of Infrastructure Auckland. He is currently Vice Chair of Habitat for Humanity in New Zealand and Chair of New Zealand Housing Foundation. He is a director of Watercare Services Limited.

Jerry Rickman
Chair of the Audit, Risk and Assurance Board Committee (Hamilton)

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

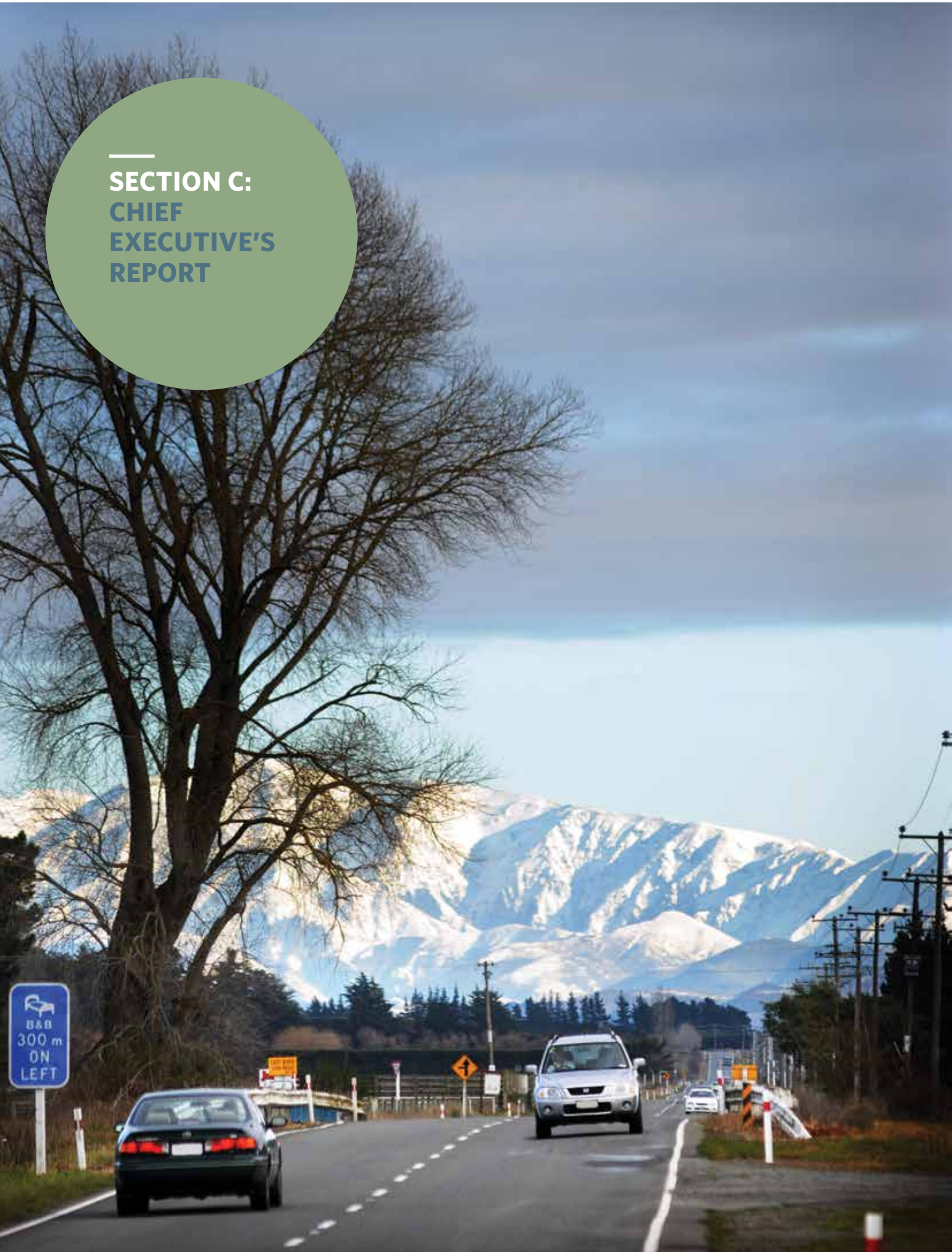
Alick Shaw
Chair of the Investment and Operations Board Committee (Wellington)

Alick works as an independent commissioner for hearings convened under the Resource Management Act 1991 and as a member of boards of Crown entities, council organisations, privately held companies and the cultural sector. He is a member of the New Zealand Parole Board and a former deputy mayor of Wellington city.

Adrienne Young-Cooper
(Auckland) from 1 August 2011

Adrienne is a businesswoman and professional director. She has a 30-year career in resource management and town planning specialising in spatial planning, metropolitan growth management including infrastructure planning and large projects. Adrienne was the Deputy Chair of Auckland Regional Transport Authority (replaced by Auckland Transport) and was a board member of Maritime New Zealand until 2011. Her experience and contribution in transport governance is extensive. She also is Deputy Chair of Auckland Waterfront Development Agency Limited (Waterfront Auckland) and Deputy Chair of Housing New Zealand Corporation.

SECTION C: CHIEF EXECUTIVE'S REPORT



REPORT FROM THE CHIEF EXECUTIVE

I don't tend to dwell on statistics, but certain numbers just jump off the page for me.

$868 million – that's what we invested in 2011/12 in activities that will deliver road user safety benefits. We're committed to improving road safety to address the rate of death and serious injury on New Zealand roads.

$12.28 billion – this represents what we expect to invest in land transport services and infrastructure over the 2012–15 period. This investment will deliver transport solutions that will help communities across New Zealand thrive.

898,721 – that's the number of motor vehicle registrations that were completed online in 2011/12. We're working hard to make it easier for customers to do business with us.

Behind these numbers, and what's at the heart of our business, are the individuals and communities who depend on a safe, reliable and efficient land transport system. That makes every New Zealander our customer. And we take that responsibility seriously.

Our work spans everything from helping a new driver complete their licence application to working with cities on how they plan and fund their transport needs. We build the roads that underpin New Zealand's economic growth and prosperity and we work hard to make our transport system as effective as possible.

Our work is certainly bearing fruit: the road toll has declined significantly in recent years; we've lifted freight productivity across the transport sector; we've made significant contributions to public transport; we've made strides in delivering the roads of national significance; and we continue to respond to customers' desire for reliable and efficient travel choices.

Looking ahead, the recently announced $12.28 billion 2012–15 National Land Transport Programme (NLTP) represents our planning and investment partnership with local authorities over the next three years. This NLTP investment will see us working closely with our partners to contribute to New Zealand's economic growth, provide customers with increasingly safer journeys, and deliver value for money in everything we do.

Our business is not without its challenges. Our investment activities are revenue-dependent. Our primary revenue sources are road user charges, fuel excise duty and motor vehicle registry fees. When revenue from those sources is less than what's forecast, it squeezes our ability to maintain our planned investment levels.

Having clearly defined priorities is critical to guiding how we respond to the inevitable challenges. These priorities also serve as our roadmap for how we will deliver transport solutions for a thriving New Zealand.

What follows is a quick rundown on our priorities and some of our achievements from the 2011/12 year.

$868
MILLION
ON ROAD SAFETY

$12.28
BILLION
ON LAND TRANSPORT SERVICES AND INFRASTRUCTURE

898,721
ONLINE MOTOR VEHICLE REGISTRATIONS

THE RECENTLY ANNOUNCED **$12.28 BILLION 2012–15 NLTP** REPRESENTS OUR PLANNING AND INVESTMENT PARTNERSHIP WITH LOCAL AUTHORITIES OVER THE NEXT THREE YEARS.

IMPROVING CUSTOMER SERVICE WHILE REDUCING COMPLIANCE COSTS

We want our customers to have positive experiences whenever they interact with us.

Great customer service means getting things right the first time, and it means making it easy for customers to access our services. We're working hard to embed a customer-focused culture, where customers are front-of-mind in every aspect of our business. We're definitely headed in the right direction.

Great customer service also means helping people make informed travel choices. One way we've done this is by teaming up with Auckland Transport in a Joint Traffic Operations Centre, which manages the entire greater Auckland transport network and provides a one-network approach to guiding people and goods efficiently throughout the region.

Still in the Auckland region, we've improved customer experiences and reduced both travel times and costs in the past year by completing major infrastructure projects such as the Victoria Park Tunnel, improving services on the Newmarket Viaduct and opening the Ellerslie train station.

We've also invested in real-time traffic information up and down the country to help commuters, freight operators and tourists alike make travel choices that reflect their needs.

Our online services, which are designed to make it easy to do business with us, are increasingly popular. In 2011/12, we met or exceeded our specific targets in the areas of licensing, registration and road user charges and we upgraded our online platform, which will allow more self-serve options in the future.

Looking ahead, we're teaming up with the Ministry of Transport to identify ways to deliver a simpler and more efficient vehicle licensing system, which covers vehicle registration, warrant of fitness, certificate of fitness and transport services licensing. Reforming the current system has the potential to save businesses and households both time and money, while taking advantage of technological developments that would make licensing easier and better value for money. But changes to the current system will only be made if such changes don't compromise vehicle safety.

EMBEDDING THE SAFE SYSTEM APPROACH

Vehicle safety is one aspect of our emphasis on creating a forgiving road system that is increasingly free of death and serious injury.

Together with our partners – the NZ Police, ACC, Ministry of Transport, local government and user groups – we are embedding the Safe System approach to road safety. A Safe System approach is about creating safer journeys for road users, whether it's maintaining the road network, encouraging safer vehicle choices, setting appropriate speed limits or targeting drink-drivers.

Improving the safety of all parts of the system – roads and roadsides, speeds, vehicles and road use – means that if one part fails, other elements will still go some way to protecting people if they're involved in a crash.

We played a direct role in a number of initiatives in 2011/12 that reinforce this Safe System approach:

- We implemented the government's legislated changes that raised the minimum driving age to 16 and introduced a zero alcohol limit for teenage drivers.
- We relaunched the RightCar website (rightcar.govt.nz), which provides a convenient one-stop shop for people shopping for a vehicle. The website contains data on safety, fuel economy and vehicle emissions to help customers make a safer, cleaner and more economical vehicle decision.
- We introduced a new restricted driver licence test to improve the safety of novice drivers. These drivers now face a longer and more challenging practical test, requiring a substantial amount of supervised practice to prepare for and pass the harder test. Research shows that young drivers who complete 120 hours of supervised practice on their learner licence have a sole-driving crash rate that is 40% lower than those drivers who only complete 50 hours of supervised practice.
- We implemented the government's changes to two give way rules to reduce intersection crashes and improve safety, especially for pedestrians and cyclists. Transition to these new rules has gone very smoothly, with no serious crashes attributed to the changes in the three months to June 2012.

In the 2012–15 period, approximately $2.8 billion will be invested through the NLTP in activities that will directly or indirectly improve road safety. Road safety promotion remains an important part of the total NLTP investment in safety. Our education and advertising campaigns will focus on high concern areas, such as alcohol and drugs, motorcycles, young drivers and speed.

IMPROVING FREIGHT MOVEMENT EFFICIENCY

Efficient freight movement is vital to New Zealand's economic growth and productivity. Movement of freight is not confined to a single means of transport, and that's why improving freight efficiency needs a whole-of-supply-chain perspective. Central and local government are the main providers of land transport infrastructure and services, but it is the private sector that owns and moves New Zealand's freight from our ports or point of production to the marketplace and customers.

To that end, we're taking a collaborative approach to better understand freight supply chains and how we can contribute to optimising each link to ensure the freight transport system is effective in reducing the cost of doing business in New Zealand.

This engagement includes freight producers, freight transport operators, other network providers such as KiwiRail, and providers of key infrastructure and services such as ports, airport companies and coastal shipping operators.

We have also continued to meet with key freight operators and decision-makers to ascertain what they see as the main problems and opportunities for improving freight efficiency in Auckland and the wider upper North Island.

These discussions have culminated in the first cut of an Upper North Island Freight Plan, with a set of clear actions to improve freight efficiency in this key freight corridor. This concept is being extended to the rest of the country.

Our investment in the roads of national significance will provide better freight transport connections, increased network capacity and enhanced safety. Those moving freight, together with other road users, will experience improved travel times, greater travel reliability, reduced fuel costs and a safer transport system.

We also continue to develop a connected national high productivity motor vehicle (HPMV) network, with priority given to state highways and local roads that carry high volumes of freight traffic and provide access to areas of significant and sustainable freight production, consumption and distribution. On these targeted routes, allowing HPMVs makes a lot of sense as it means fewer trucks on the road and greater economic efficiencies.

By the end of the 2012–15 NLTP period, we expect that 4500 kilometres of state highways and local roads will be available for full HPMV access.

BY THE END OF THE 2012-15 NLTP PERIOD, WE EXPECT

4500

KILOMETRES

OF STATE HIGHWAYS AND LOCAL ROADS WILL BE AVAILABLE FOR FULL HPMV ACCESS

DELIVERING THE ROADS OF NATIONAL SIGNIFICANCE

The seven roads of national significance programme represents one of New Zealand's biggest ever infrastructure investments and is a key part of the government's National Infrastructure Plan.

These routes will ease the most significant pressure points in the national network, reduce congestion in and around our five largest metropolitan areas, improve road safety and link our major sea and airports more effectively into the state highway network.

In early 2012 we completed the first of these projects – the Victoria Park Tunnel in Auckland, which opened ahead of schedule and on budget. We also made good progress on the other projects.

For example, construction of the Waterview tunnels on the Western Ring Route in Auckland is underway, and the first stage of the Christchurch Southern Motorway is on track for a 2013 completion. We are also well underway with the Tauranga Eastern Link and the Te Rapa section of the Waikato Expressway, and with consenting for the Transmission Gully leg of the Wellington Northern Corridor.

During the 2012–15 period, the NLTP will invest approximately $3 billion to progress the remaining six roads of national significance.

DURING THE 2012–15 PERIOD, **THE NLTP WILL INVEST APPROXIMATELY $3 BILLION** TO PROGRESS THE REMAINING SIX ROADS OF NATIONAL SIGNIFICANCE.

IMPROVING PUBLIC TRANSPORT EFFECTIVENESS

We continue to make strides to improve the effectiveness of public transport in our major centres. In Auckland and Wellington, we are increasing capacity, improving reliability, investing in integrated ticketing and providing customers with real-time journey information.

Our focus is on providing people with transport options that will make the whole transport network more effective. Giving people the option of public transport, or safe cycling and walking, in our main cities helps to reduce severe congestion, and frees up roads for the more efficient movement of people and freight.

Most of our attention during the past year has been on improving public transport services in our largest urban areas and providing more transport choices in cities and towns across New Zealand. With good results: in 2011/12 we saw substantial increases in public transport patronage in Auckland (8%), Bay of Plenty (16%), Hawke's Bay (23%) and Northland (7%), while a significant decline in Canterbury (40%) reflects the ongoing effects of the February 2011 earthquake.

We have also supported the work of Auckland Transport, Auckland Council and the Ministry of Transport on the purchase of new electric multiple train units for Auckland public transport and we have reached a funding arrangement with Auckland Transport that will see half the cost of the purchase of those train units met from the NLTF over the coming years.

Over the 2012–15 period, the NLTP will see investment of $1.74 billion in New Zealand's public transport system – a 21% increase from the previous three-year period.

New infrastructure will include train carriages and rail improvements in Auckland and Wellington. Improvements will also be achieved through integrated ticketing and real-time information systems.

OUR FOCUS

PROVIDING PEOPLE WITH TRANSPORT OPTIONS THAT MAKE THE WHOLE TRANSPORT NETWORK MORE EFFECTIVE.

REBUILDING CHRISTCHURCH AND GROWING CANTERBURY

We're playing a key role in growing Canterbury and supporting the recovery of Christchurch.

Over the last year, we have invested $87.8 million in emergency work projects (51.7 million from NLTF and 36.11 million from the Canterbury Earthquake Recovery Fund) to assist Christchurch City Council and the Waimakariri and Selwyn district councils with critical infrastructure repairs.

We have also formed an alliance with Christchurch City Council and the Canterbury Earthquake Recovery Authority to coordinate the repair and reconstruction of damaged roads and other infrastructure (storm, waste and drinking water) in the city. The alliance, Stronger Christchurch Infrastructure Rebuild Team (SCIRT), brings together public and private sector expertise and a joined-up approach to getting the job done.

With a long-term recovery strategy for the rebuild of greater Christchurch now in place, we are working with our partners in SCIRT and the Client Governance Group, which represents Christchurch City Council, the Canterbury Earthquake Recovery Authority and the NZTA as owners of damaged infrastructure, to develop a one-network approach to the region's transport system. This joined-up approach will ensure a strong relationship between the planning, delivery and monitoring of the rebuild and the available funding, with an emphasis on value for money in all rebuild activities. More broadly, it will also encourage better integration of land use and transport planning across the region, delivering benefits that will extend well beyond the rebuilding phase.

Our Christchurch roads of national significance projects remain a core component of our contribution to Canterbury's recovery. The initial stage of the Southern Motorway is on target for completion in 2013, and two sections of the Western Corridor are now under construction and planning is underway on the Northern Corridor.

Once completed, these projects will deliver 55 kilometres of new or greatly improved highway that will ease congestion, increase safety, reduce travel times and provide easier access to the city, Christchurch International Airport and the Port of Lyttelton.

In addition, over the next three years we will invest approximately $130 million to increase public transport patronage in the region. Not surprisingly, the level of public transport use dropped by 40% after the 2010/11 earthquakes.

$87.8

MILLION

INVESTED IN EMERGENCY WORK PROJECTS

55

KILOMETRES

NEW OR IMPROVED HIGHWAY ONCE COMPLETED

$130

MILLION

INVESTED IN PUBLIC TRANSPORT OVER THE NEXT THREE YEARS

DELIVERING VALUE FOR MONEY IN ALL THAT WE DO

This priority actually underpins everything we do – namely, making sure we get the most out of every dollar invested in New Zealand's transport system.

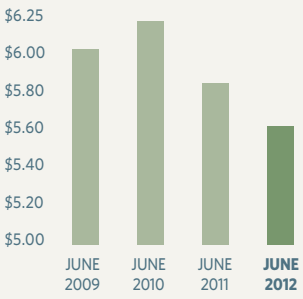
Our approach to maximising value for money combines three interrelated elements – effectiveness, efficiency and economy. These elements are reflected in the investment activities set out in the NLTP. They are also reflected in the whole-of-system approach that we take to ensure that transport investments provide the greatest economic and social returns at the local, regional and national level.

Over the long term, effective transport planning is the key to maximising value for money.

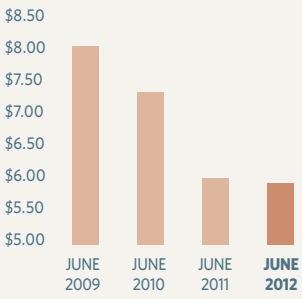
Integrating transport and land use planning with investment and working closely with key stakeholders early on in the process, will ultimately ensure better transport outcomes. To that end, we continue to work closely with local authorities to ensure that, together, we're making the most of the available land transport investments. We also continue to work with key industry stakeholders to identify opportunities for greater efficiencies in our state highway asset management and procurement activities.

In 2011/12, we achieved all of the value for money targets set for us by the government.

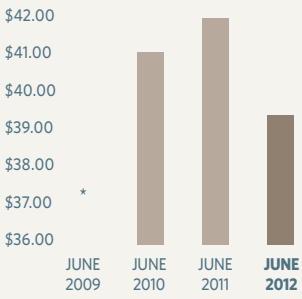
UNIT TRANSACTION COSTS – TRENDS



MOTOR VEHICLE REGISTER
NZ$ DOLLARS



ROAD USER CHARGES
NZ$ DOLLARS



DRIVER LICENSING
NZ$ DOLLARS
*figures not available

EFFECTIVENESS, EFFICIENCY AND ECONOMY. THESE ELEMENTS ARE REFLECTED IN THE INVESTMENT ACTIVITIES SET OUT IN THE NLTP.

GROWING AUCKLAND

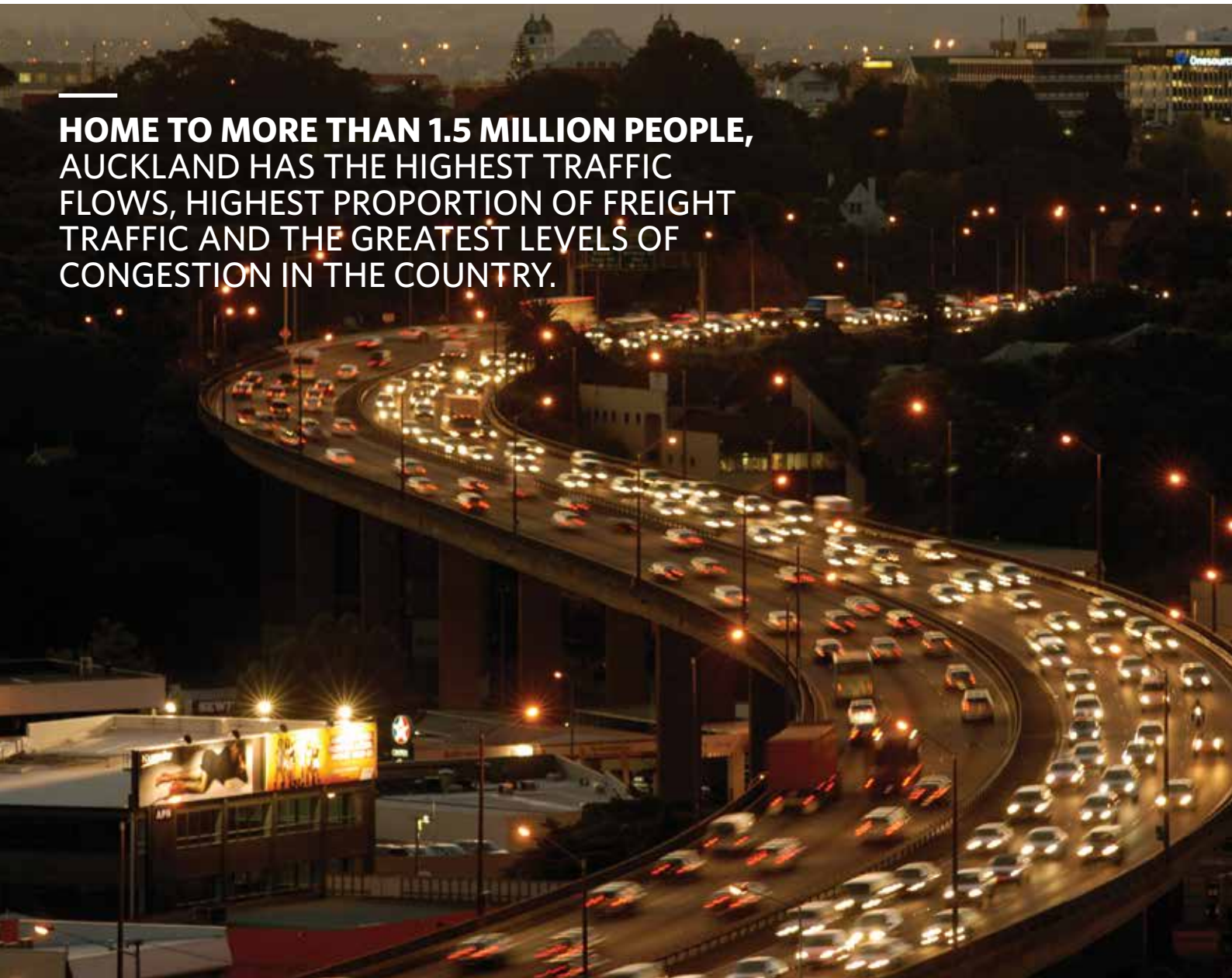
Auckland gets a lot of our attention, and rightly so. Home to more than 1.5 million people, Auckland has the highest traffic flows, highest proportion of freight traffic and greatest levels of congestion in the country – all of which have a significant effect on the efficiency of the transport network. It is also home to the country's largest air and sea ports.

For all of these reasons and more, we worked closely with Auckland Council on the first-ever Auckland Plan, which was launched in March 2012. The transport element of the Auckland Plan aims to improve the integration of the transport network using a single-system approach that encompasses public transport, roads, footpaths and cycleways.

It also includes a transformational shift to double the number of public transport trips from 70 million per year in 2012 to 140 million by 2022.

We also made significant progress during the past year on Auckland's state highway programme, including completion of the Victoria Park Tunnel project, completion of the Manukau Harbour Crossing and Hobsonville Motorway, and completion of the draft Auckland and Northland Regional Asset Management Plans.

In every instance, our collaboration with key partners is helping to ensure that we are spending money in the right place, at the right time and on the right projects.



A TEAM EFFORT

What we have achieved in the past year against all of our service delivery and financial performance targets truly reflects a team effort. And it's a big team – one that includes our many stakeholders in local, regional and central government, in industry as well as our suppliers and those groups with a vested interest in transport matters.

To ensure we make sound investment decisions and provide sound planning advice to decision makers, we engage with our stakeholders to establish a common purpose, set clear expectations and strengthen our understanding of their needs, interests and concerns.

In 2012 we conducted our first organisation-wide Stakeholder Perceptions Survey of key stakeholders from central and local government, suppliers, industry and interest groups. Results showed that we are doing well in developing and maintaining strong positive relationships with central government, industry and interest groups, but there is more work to be done to enhance relationships with our partners in local government.

Although most stakeholders were relatively satisfied with their current relationship with us, all stakeholder groups said they would prefer this relationship to be at the more engaged end of the partnering continuum. We will work harder on that over the coming year.

The other cornerstone of our team effort can be found in NZTA offices throughout the country. Our success starts with the 1350 people in those 16 offices.

It is a privilege to lead a team dedicated to their work and to achieving the best transport outcomes for all New Zealanders. In the third year of our Employee Engagement Programme, we have seen a further lift in the level of engagement across the NZTA. In terms of the NZTA being a great place to work, overall staff satisfaction has increased significantly during the past three years. More staff believe the jobs they do are important to our success, and they say the best things about working here are their colleagues and making a difference to New Zealand. I couldn't have said it better myself.

Geoff Dangerfield
Chief Executive

1350
PEOPLE
WORK AT THE NZTA IN

16
LOCATIONS
FROM WHANGAREI TO DUNEDIN

IT IS A PRIVILEGE TO LEAD **A TEAM DEDICATED TO THEIR WORK** AND TO ACHIEVING THE BEST TRANSPORT OUTCOMES FOR ALL NEW ZEALANDERS.

LEADERSHIP TEAM PROFILES

CHIEF EXECUTIVE

Geoff Dangerfield,
Chief Executive
BSc, MSc
(Resource Management)

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

SENIOR LEADERSHIP TEAM

Dave Brash,
Group Manager Planning & Investment
BSc (Hons) (Geography)

Dave joined the NZTA in December 2008 and was previously General Manager of the Emissions Trading Group with the Treasury. His role at the Treasury was a secondment from the Ministry for the Environment, where he was General Manager responsible for central government policy. Dave has more than 23 years experience working with central and local government agencies on complex policy reforms and managing change.

Jenny Chetwynd,
Regional Director Central
Bachelor of Regional Planning (BRP Hons), MBA

Jenny joined the NZTA in October 2008 and has 20 years experience in the infrastructure industry from both the public and private sector, with particular expertise in environmental planning and public engagement. Jenny was previously manager of Environmental Strategy for Transpower. She has also held roles at Porirua and Hutt City councils, the Ministry for the Environment and Boffa Miskell.

Colin Crampton,
Group Manager Highways & Network Operations
BE (Hons), Dip BA, FIPENZ

Colin has worked in the NZTA since its inception in 2008 and, prior to that, for Transit New Zealand. Colin has over 15 years of experience in the transport sector.

Allan Frost,
Group Manager Organisational Support
Chartered Accountant

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

Jim Harland,
Regional Director Southern
BA Dip TP, MTP (Hons), MNZPI, FNZIM

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

Liz Huckerby,
Group Manager People & Capability
BA Hons, Post Graduate Certificate in Education, Post Graduate Diploma in Personnel Management, Post Graduate Diploma in Human Resources, Masters in Business Studies

Liz joined the NZTA in October 2008. She has 15 years of experience in leading corporate service and people services in the private and public sector, in the UK, USA and New Zealand.

Celia Patrick
Group Manager Access & Use
Graduate Diploma in Business, MBA

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

Stephen Town,
Regional Director Auckland/Northland
MBA

Stephen joined the NZTA in October 2010 to support the newly established Auckland Council and Auckland Transport. Stephen was previously Chief Executive of Tauranga City Council for eight years and Chief Executive of Franklin District Council for four years. Before that he was in the education sector, having served four years as Chief Executive of the Wanganui Polytechnic before entering local government.

Harry Wilson,
Regional Director Waikato/Bay of Plenty

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

Ernst Zöllner,
Group Manager Strategy & Performance
Masters in City & Regional Planning, BCom (Hons) in Economics

Ernst has worked for 20 years in consulting, academia, and local and central government. Before joining the NZTA in October 2008, Ernst was the Director of Urban Development and Transport at Wellington City Council.

ORGANISATIONAL STRUCTURE

OUR GROUP STRUCTURE

The NZTA is built around three functional business groups and three support groups.

Business groups

- The Access & Use group (with approximately 500 staff) provides users with access to the transport system (such as driver licences and motor vehicle registration) and regulates transport operators.
- The Highways & Network Operations group (with approximately 300 staff) is responsible for moving people and freight around the state highway network, and for undertaking improvements to the state highway network to maintain the condition of the asset, improve travel time reliability and reduce the risk of deaths and serious injuries to motorists.
- The Planning & Investment group (with approximately 200 staff) develops regional and national partnerships that enable us to influence land use planning and optimise our investment in integrated transport solutions.

Corporate support groups

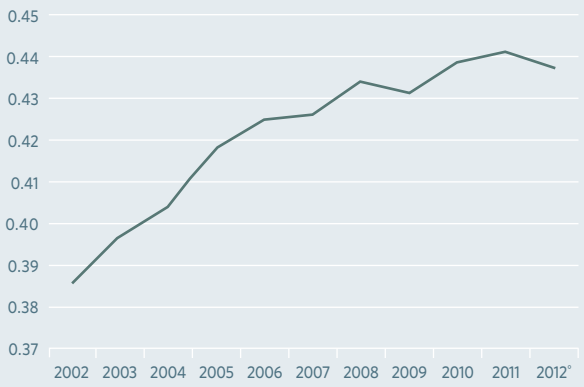
Approximately 350 staff make up the following corporate support groups:

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

SECTION D: PROGRESS ON THE STATEMENT OF STRATEGIC INTENT

PROGRESS ON LONG TERM SECTOR IMPACTS

We track our progress towards our long-term goals or impacts through the following key result indicators. The following graphs show how the transport system performed in these areas over the 2011/12 year.

NZTA'S DESIRED LONG-TERM IMPACT INDICATORS	DESIRED TREND	2011/12 RESULTS IN THE CONTEXT OF PREVIOUS RESULTS
Better use of existing transport capacity	**Increase**	Number of vehicle kilometres travelled° per network kilometre  °based on estimated vehicle kilometres travelled
More efficient freight supply chains	**Increase**	Average daily measured weight of freight vehicles (tonnes)° °the number of stations where weight of freight vehicles are measured increased in 2011

0.9%
decrease

in capacity utilisation reflects a 1.0% drop in vehicle kilometres travelled by all vehicles

5.4%
decrease

in average daily measure weight of freight vehicles reflects the difficult conditions faced by transport operators in the prevailing economic climate

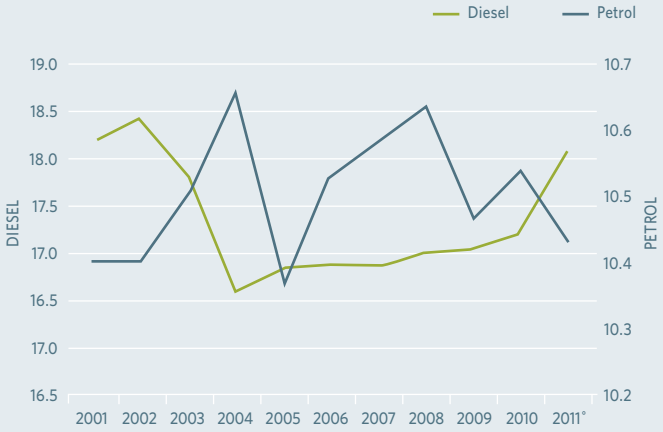
NZTA's desired long-term impact indicators	Desired trend	2011/12 results in the context of previous results
A resilient and secure network	**Decrease**	Number of resolved road closures with a duration of 12 hours or longer
Easing of severe congestion	**Decrease**	Number of seconds delay per kilometre during AM peak – Auckland
More efficient vehicle fleets	**Decrease**	Average diesel and petrol consumption (litres) per 100 vehicle kilometres travelled˚

17%
decrease

in the overall number of road closures relates to a reduction in planned events. The number of unplanned road closures reflects historic norms and is largely the result of inclement weather incidents (including a huge slip on the Manawatu Gorge)

8.4%
decrease

in congestion despite a 3.7% increase in travel demand can be attributed to the positive impact of newly completed works and investment in public transport services and infrastructure



˚2011 VKT by fuel type figures are provisional and subject to change

4.8%
increase

in diesel consumption per 100 vehicle kilometres travelled reflects a decline in vehicle kilometres travelled (VKT) by an increasingly larger number of diesel powered light passenger vehicles and a resulting shortening of average trip lengths

1%
decrease

in petrol consumption per 100 vehicle kilometres travelled reflects changes in transport user behaviour in response to a tightening of household finances

NZTA'S DESIRED LONG-TERM IMPACT INDICATORS	DESIRED TREND	2011/12 RESULTS IN THE CONTEXT OF PREVIOUS RESULTS
Reduction in deaths and serious injury	**Decrease**	Number of road deaths and serious injuries per million vehicle kilometres travelled~ °Death and serious injuries results as at 30 March 2012 and year end VKT estimate
More transport mode choices	**Increase**	% of survey respondents that consider public transport as a good option for taking all of their work or study trips in Auckland** °Provisional results from Auckland Regional Council Personal Transport Choices Survey

5.7%
decrease°

in road deaths and serious injuries reflects the impact of lower vehicle kilometres travelled and ongoing improvements of the safety system (focusing on speed, vehicles, transport users as well as roads and roadsides)

15.4%
decrease

in the percentage of respondents that consider public transport as a good option for all work and study trips in Auckland. Contributing factors include an increase in occasional public transport users and those not using public transport for work or study trips.

* based on calendar year end results

** based on Auckland Council's two-yearly Community Perceptions of Personal Transport Choices Survey

~ 15 of 78 local councils' vehicle kilometres travelled results were estimated based on historic data. This affects year-end results of the following local authorities: Hamilton City, Invercargill City, Hutt City, Tauranga City, Ashburton District, Mackenzie District, Marlborough District, Masterton District, Ruapehu District, Taupo District, Timaru District, Waikato District, Waipa District, Waitaki District and Whangarei District

PROGRESS ON OUR STRATEGIC DIRECTION

THE ROADS OF NATIONAL SIGNIFICANCE (RoNS) PROGRAMME IS RIGHT ON TARGET

Towards more efficient freight, greater network resilience and security, less congestion and safer roads

The RoNS programme has had an excellent year, with full achievement of all project milestones. The Victoria Park Tunnel opened ahead of schedule and on budget, construction of the Western Ring Route road tunnels has commenced and we are on schedule across all other RoNS.

LINK TO GOVERNMENT PRIORITIES FOR TRANSPORT
Investment in infrastructure

KEY RESULT INDICATOR	BASELINE 2009/10	2011/12
Percentage of RoNS activities that are delivered to agreed performance standards and timeframes	100%	**100%**

MILESTONES FOR 2011/12	OUR RESULTS	WHAT WE DID
Puhoi to Wellsford Complete scheme assessment report	**Achieved**	The scheme assessment report was completed and finalised. A planning alliance proposal for Puhoi to Warkworth is being negotiated with the proposed alliance partners and is expected to be finalised by September 2012.
Western Ring Route Complete tender process for SH20 tunnels Commence construction on the SH20 tunnels	**Achieved**	A supplier was awarded the SH20 tunnel contract and construction has commenced. The SH16 causeway competitive alliance procurement process is underway, and the trial embankment contractor has commenced the stone columns and mass soil mixing platform for the main trial embankment.
Victoria Park Tunnel Construction complete	**Completed**	The Victoria Park Tunnel was successfully completed and opened within budget and ahead of schedule.
Waikato Expressway Commence construction of Ngaruawahia section	**On schedule**	The construction of the Ngaruawahia and Te Rapa sections of the Waikato Expressway are on schedule. The Waikato Regional Council is progressing the resource consents applications for these sections.
Tauranga Eastern Link Construction continues	**On schedule**	Construction work continues steadily at a number of locations along the route and remains firmly on schedule. A number of successful media and family days have been held this year which have received very positive feedback.
Wellington Northern Corridor Commence national consenting process for MacKays to Peka Peka and Transmission Gully projects	**Achieved**	The consenting applications for both the Mackays to Peka Peka and Transmission Gully projects were lodged with the Environmental Protection Agency. Transmission Gully has been approved.

MILESTONES FOR 2011/12	OUR RESULTS	WHAT WE DID
Christchurch Motorways	**On schedule**	Christchurch Southern Motorway Stage 1 is progressing well and is on target for completion in 2013.
Construction of Southern Motorway Stage 1 continues		
Devise and implement the recovery plan		We continue to work proactively with our Urban Development Strategy partners to reach agreement on RoNS proposals and to agree what changes will be required to the development strategy as a consequence of loss of the CBD after the February 2011 earthquake.
Progress Christchurch Western Corridor		Construction work on the Western Corridor from Yaldhurst Road to Pyne Gould Stream is almost complete and Waterloo Road to Yaldhurst Road is progressing well. The Western Belfast Bypass is now in the detailed design phase.

ROAD TRANSPORT HAS BECOME SAFER, WITH MORE TO COME

Towards further reducing deaths and serious injuries from road crashes

The road safety priority work area had a very successful year with the achievement of lower road trauma for young people (its key result indicator) and full achievement of all the NZTA's key deliverable milestones against the Safer Journeys action plan.

LINK TO GOVERNMENT PRIORITIES FOR TRANSPORT
Road safety

KEY RESULT INDICATOR	BASELINE 2009/10	2011/12
Number of young drivers killed per 100,000 15–24 year olds (population)	8.9	**6.3**

KEY DELIVERABLES FOR 2011/12	OUR RESULTS	WHAT WE DID
Complete development of Safe System demonstration project	**Completed**	Stage one of the Maramarua demonstration project, an interim revision of the speed limit on this high-risk route is complete. Stage two, comprising investigation of Safe System infrastructure treatments, will commence in late 2012.
Commence safe speed awareness campaign	**Completed**	We launched an advertising campaign targeting everyday drivers and their passengers to tell the Safe System story about speed. It's a change in the road safety conversation that highlights our bodies' vulnerability to crash forces.
Driver Licensing Rule signed	**Completed**	The rule was signed in August 2011 making multiple changes to the driver licensing regime for both novice drivers and motorcyclists to help mitigate their lack of experience. For more information on the changes go to www.nzta.govt.nz/traffic/around-nz/road-user-rule.html
Introduced revised licence tests for novice drivers and motorcyclists	**Completed**	The new restricted driving licence test recognises that novice drivers are at highest risk of error, and is designed to encourage 120 hours of supervised practice. The test was launched on 27 February 2012, with motorcycling provisions due to come into force in October 2012.
High-risk intersection guide released	**Completed**	The draft *High-risk intersection guide* was released for consultation in March 2012 and describes and promotes Safe System intersection treatments. When applied the guide will improve the effectiveness of intersection safety investments.
Give Way Rule signed	**Completed**	The rule, designed to improve intersection safety, was signed on 29 August 2011, with implementation on 25 March 2012. The rule change has been extremely smooth with no serious crashes attributed to the changes to date. Public understanding of the rule changes is high at approximately 90%.
Revised road policing investment approach implemented through 2012–2015 Road Policing Programme	**Completed**	The NZTA worked closely with New Zealand Police to prepare the 2012–15 Road Policing Programme, in line with the increased road policing investment focus on value for money. The programme was adopted by the Minister of Transport in the first quarter of 2012/13.
Regional road safety advertising and education programmes reviewed	**Completed**	The National Advertising Review has been completed and learnings will be applied to regional programmes as applicable.

WE ARE IMPROVING CUSTOMER SERVICE AND WORKING TO REDUCE COMPLIANCE COSTS

Towards better public service and regulation

The customer service priority work area achieved its annual target for migration of customers to online channels, with an increase of 24.9% over the previous year, and progress continues with partners across both the investment and streamlining initiatives.

LINK TO GOVERNMENT PRIORITIES FOR TRANSPORT
Better regulation, better public services

KEY RESULT INDICATOR	BASELINE 2009/10	2011/12
% increase in number of transactions completed online	New	**24.9%**

KEY DELIVERABLES FOR 2011/12	OUR RESULTS	WHAT WE DID
Establish a customer service task force	**Completed**	A customer service task force has been established to ensure we are providing transport solutions in the most effective and efficient manner. This will be enabled by: › customer insight › a strong customer ethos and culture › customer centric solution design. A work programme has been developed to address these three drivers with clear milestones established for the coming year.
Negotiate with our investment partners unambiguous terms for the NZTA's investment	**Partially completed**	The NZTA's transition from being an allocator of funds to an investor in transport outcomes continues to progress with work underway to improve the quality of investment decisions in this round of the National Land Transport Programme. The new investment monitoring framework, based around delivering transport outcomes, will go live in July 2012. A successful pilot on post-implementation reviews has been run to ensure benefits from past investments are captured.
Auckland Transport and the NZTA's Highways and Network Operations group achieve advanced star status as part of streamlining	**Good progress, with some delay against programme**	We have continued to work collaboratively with Auckland Transport to progress a range of business improvement approaches. This includes introducing a staged process for the delegated funding authority for the NZTA to Auckland Transport for approved capital works of up to $5 million.

WE ARE WORKING TO IMPROVE THE EFFECTIVENESS OF PUBLIC TRANSPORT

Towards better use of existing transport capacity, congestion relief and more transport mode choice

The public transport priority work area did not achieve its cost effectiveness target for 2011/12, but three of our four key deliverables were successfully completed.

LINK TO GOVERNMENT PRIORITIES FOR TRANSPORT
Better regulation, better public services

KEY RESULT INDICATOR	BASELINE 2009/10	2011/12
Public transport boardings per dollar from the National Land Transport Fund that is invested in public transport services	0.67[2]	**0.59[3]**

KEY DELIVERABLES FOR 2011/12	OUR RESULTS	WHAT WE DID
Complete stage one implementation of a new public transport operating model to improve confidence in costs and the commerciality of operations	**Completed**	The public transport operating model (PTOM) was approved by Cabinet in October 2011. We have worked closely with the Ministry of Transport to provide input into the drafting of supporting legislation, and have now taken the lead on its implementation. The process of developing operational policy is underway and we are supporting regions to implement the new model, with significant support being provided to Auckland Transport following a full review of its public transport network.
Establish New Zealand Transport Ticketing Limited	**Completed**	New Zealand Transport Ticketing Limited (NZTTL) has been established as a wholly-owned Crown entity subsidiary of the NZTA. An interim board sub-committee has been established and a full board will be appointed at an appropriate point prior to the central system assets being transferred from Auckland Transport.
Establish national standard for automated fare collection systems	**Completed**	The national standard for automated fare collection systems has been established, providing economies of scale and interoperability by allowing reuse of parts of the national integrated ticketing system design. The first version has been ratified for use in Auckland. A second version will be developed for future use in other regions.
Develop a national public transport information initiative to meet priority information needs in the sector	**In progress, but some delay against programme**	The data definitions for public transport performance measurement have been clarified. A planned approach for working with regions to improve public transport data collection has been developed and will be implemented over the next year.

[2] Revised 2009/10 baseline from the NZTA's 2011-14 *Statement of intent*.

[3] For nine months ended March 2012.

FOUNDATIONS ARE BEING SET FOR FUTURE FREIGHT MOVEMENT EFFICIENCY GAINS

Towards more efficient freight supply chains, better use of existing transport capacity and further reductions in deaths and serious injuries from road crashes

Due to the low level of economic activity in several regions, the freight priority work area did not achieve its cost effectiveness target for 2011/12, but we successfully completed all four of our key deliverables.

LINK TO GOVERNMENT PRIORITIES FOR TRANSPORT
Better regulation, better public services

KEY RESULT INDICATOR	BASELINE 2009/10	2011/12
Average daily measured weight of freight vehicles (tonnes)	22.89	**21.7**

KEY DELIVERABLES FOR 2011/12	OUR RESULTS	WHAT WE DID
High productivity motor vehicles route investigation completed	**Completed**	National high productivity motor vehicle route capability investigations are complete. Maps have been released detailing the 2900 kilometres of approved high productivity routes now available on the state highway. Investment priorities have also been identified and publicly released as part of the preparation of regional land transport programmes. Ongoing bridge and route specific assessment is now an ongoing part of the NZTA's business.
Upper North Island Freight Plan completed	**Partially completed**	The first Upper North Island Freight Plan feedback summary was completed at the end of 2011. The plan itself is being developed through a collective partnership approach with 10 partner organisations including the seven Upper North Island Strategic Alliance councils, Auckland Transport, KiwiRail and the NZTA. This collective partnership, along with industry and ports in the upper North Island, is working together to look at ways of reducing the cost to do business in NZ through an upper North Island lens. A first draft will be completed by June 2013.
Network collaboration with KiwiRail progressed	**Completed**	The NZTA and KiwiRail have agreed to advance cooperation between our organisations on day-to-day matters as well as long-term strategic thinking and planning. This has become part of our ongoing business-as-usual operations.
New inter-island ferry terminal at Clifford Bay proposal progressed	**Completed**	The NZTA has provided substantial assistance to the Ministry of Transport in developing a detailed business case for the Clifford Bay inter-island ferry terminal concept. This has now been submitted to the Minister of Transport.

PROGRESS ON OUR OTHER KEY FOCUS AREAS

WE DELIVER VALUE FOR MONEY

We have achieved all our value for money targets for 2011/12, and successfully completed all of our key deliverables for 2011/12.

KEY DELIVERABLES FOR 2011-14	2011/12 RESULTS	WHAT WE DID
Improve our internal operational efficiency in order to reduce our operating costs, with a focus on reducing the cost of administration and support services and the cost of managing the funding allocation system	**Achieved**	Total administration and support costs as a percentage of organisational running costs have reduced in 2011/12. However, total administration and support costs have increased due to IT costs in relation to the Business Continuity Project (new platforms for the driver licence and motor vehicle registries) and road user charges legislative changes. The benefits of these costs will be realised in future years. Funding allocation costs reduced once again in 2011/12. Further reduction targets have been set for 2012/13.
Deliver more services online and reduce costs for customers	**Achieved**	The NZTA has exceeded all channel migration targets in 2011/12. For key results refer to the statement of service performance later in this report.
Invest in an efficient manner, and ensure value for money and a clear strategic fit for our outputs	**Achieved**	The Investment and Revenue Strategy has guided the development of the 2012-15 National Land Transport Programme to ensure NZTA investment decisions align with the strategic direction set out in our functional strategies, contributes to the realisation of our intended impacts and gives effect to the Government Policy Statement on Land Transport Funding.
Optimise past investments, by delivering efficiency gains in the delivery of the state highway renewals and maintenance programme	**Partially completed**	The Road Maintenance Taskforce released its interim report in April 2012 and has since held nine roadshows around the regions to engage with the sector. Feedback on the report was expected by the end of June. The Maintenance and Operations (M&O) Review team has engaged with regions to discuss future procurement options. The review team will be conducting a consultation process with NZTA staff and industry on the service delivery components of the project in the first quarter of the 2012/13 financial year. Key components include a new bespoke M&O contract, contract aggregation, and longer term collaborative contracts subject to performance.
Seek greater value in infrastructure project design and consulting processes	**Achieved**	The NZTA has adopted the findings of the Gateway review and endorsed the recommendations to put specific focus on project business case development to better progress projects to construction. This includes adapting our current processes to deploy learning from RoNS consenting to date, streamlining our consultation and consenting going forward, and reviewing our value gate and audit processes to reduce cost. We conducted a review of professional services that identified a number of initiatives aimed at improving how we engage our suppliers. The first initiative - the Independent Professional Service Provider - currently underway will provide engineering management input into the timing, scoping, evaluation and assessment of these services proposals. This initiative will also include the establishment of a professional services database for cost estimation and provide real time advice to our project managers on variations and other contractual issues.

KEY DELIVERABLES FOR 2011-14	2011/12 RESULTS	WHAT WE DID
Align, over time, the level of service offered on each part of the state highway network with its role and function	**Partially achieved**	The NZTA's State Highway Network Strategy includes a classification system that aligns the levels of service on each part of the state highway with its intended function and customer need. Provisional levels of service have been agreed by the NZTA Board. Engagement will be undertaken on the provisional levels of service in 2012/13 to inform further development prior to implementation through the 2015-18 State Highway Asset Management Plan.
More proactively manage future demand by supporting planning outcomes that integrate land use and transport considerations	**Completed, with ongoing programme**	We have had ongoing proactive engagement in key priority areas to better integrate land use and transport. This includes input into the Auckland Plan, a focus on the upper North Island area, planning for the national network and freight and supporting the Canterbury recovery planning work. A range of targeted solutions have been developed to improve how transport planning is undertaken to help manage future demand. This includes ensuring key issues and benefits are clearly identified early in the process and working to simplify the transport planning hierarchy and increase the focus on activity through promoting a regional network plan approach. We are also improving our evidence base to better manage expectations for investment from transport. We have continued to work with the government sector to increase cross agency alignment on outcomes and planning, including alignment on key legislation.
Increasingly encourage users to take responsibility for their own actions and the decisions they make about how they use the land transport networks	**Completed, with ongoing programme**	The NZTA's Network Access and Use Strategy focuses the organisation's access and use function on encouraging users to safely and efficiently use land transport networks. The strategy has been used to implement changes to the NZTA's work programme and is raising the level of active network management to shape network use through traffic operations centres.

WE ARE ACTIVELY HELPING TO REBUILD CHRISTCHURCH

Across all of our functions we are playing a strong and committed role in the rebuilding effort.

KEY DELIVERABLES FOR 2011-14	2011/12 RESULTS	WHAT WE DID
Complete the Southern Motorway RoNS project	**On schedule**	The Southern Motorway RoNS project remains on schedule for completion in 2013 (for more details refer to the RoNS priority update on page 37).
Continue to provide all our other services to underpin the region's full recovery	**Achieved**	We have continued to deliver our full range of services to the Canterbury region including helping prepare its full Regional Land Transport Programme for input into the 2012–15 National Land Transport Programme, and being actively engaged in developing strategic transport plans for Christchurch city and the greater Christchurch area.
Take part and fully support the various rebuilding planning processes	**NZTA is an active partner**	NZTA staff have been actively engaged in the majority of recovery groups with a land use or transport implication, and continues to be actively involved in urban growth planning through the Urban Development Strategy.
Invest in the rebuilding of the city - the full cost to the NZTA of repairing damage is in the range of $400-500 million over 5+ years	**Funding still to be finally resolved**	The costs of repairing local road damage are now estimated at $1 billion. The NLTF will meet the first $50 million of expenditure in any year, with the Crown financing expenditure above that level.
If requested, help procure network infrastructure	**NZTA is an active partner**	Procurement is mainly completed through an alliance contract to which the NZTA is a signatory and an active participant.

GROWING AUCKLAND IS KEY FOR US

We continue to play a strong and committed role in the ongoing development of Auckland. Due to the high level of rail investment we did not achieve our cost effectiveness target for public transport in Auckland during 2011/12.

<table>
<tr><th>KEY DELIVERABLES FOR 2011-14</th><th>OUR RESULTS</th><th>WHAT WE DID</th></tr>
<tr><td>Planning for and delivering the roads of national significance in the Auckland region</td><td>Achieved</td><td>We have delivered on all of the 2011/12 project milestones for the Auckland roads of national significance. For further details refer to the RoNS priority update on page 37.</td></tr>
<tr><td>Improving the effectiveness of public transport</td><td>Largely achieved</td><td>We have been working closely with Auckland Transport on public transport network and procurement enhancements throughout the year including:
› providing funding and procurement confidence for the signing of a contract to provide 57 three-car electric multiple units (EMUs) and a depot at Wiri
› developing a Regional Transport Plan with a farebox policy and target of 50% recovery
› optimising public transport services and infrastructure between Panmure and Botany
› developing a business case for new bus and ferry services in the public transport network plan.

Due to the high level of rail investment we did not achieve our cost effectiveness target for public transport in Auckland.
Public transport boardings per dollar invested in Auckland public transport services from the National Land Transport Fund.
(This measure is reported a quarter in arrears. 0.61 is the result for the first three quarters of 2011/12)

<table><tr><th>BASELINE 2009/10</th><th>2011/12</th></tr><tr><td>0.63</td><td>0.61</td></tr></table></td></tr>
<tr><td>Improving the efficiency of freight supply chains</td><td>Largely achieved</td><td>A national study of high productivity motor vehicle (HPMV) routes was completed that reduced the number of bridges requiring further analysis and/or strengthening. The upper North Island screening process was also completed, prompting some bridges to be opened up to HPMV traffic.
The Upper North Island Freight Plan has continued to progress well, with the summarised work programme being well received by the Freight Transport Operator's Forum. The freight plan is due to be released in August 2012.

We did not meet our cost effectiveness target for freight efficiency in Auckland.
Average daily measured weight of freight vehicles (tonnes)
(Results from weigh and motion station at Drury)

<table><tr><th>BASELINE 2009/10</th><th>2011/12</th></tr><tr><td>20.5</td><td>20.35</td></tr></table></td></tr>
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ORGANISATIONAL CAPABILITY AND HEALTH

WE ARE ACTIVELY GROWING OUR ORGANISATIONAL CAPABILITY

We have achieved all our organisational development targets for 2011/12 and business improvement initiatives have continued to grow our organisational capability and capacity.

KEY RESULT INDICATOR	DESIRED TREND/ TARGET 2011-14	2011/12
Stakeholder understanding of the role of the NZTA (Stakeholder Perception Survey)	Increase	**56%**
Level of staff engagement (Gallup Engagement Survey)	Increase	**3.82 (increased from 3.73 in 2011)**
Running cost of administrative and support functions as a percentage of total expenditure (BASS)	In the top NZ quartile	**In the top NZ quartile (BASS survey)**
Percentage of time core systems available	100%	**99.99%**

1. WE ARE DEVELOPING OUR PEOPLE

OUR OBJECTIVES	WHAT WE DID
Our leaders and managers are exceptional	We initiated the second year of our senior leadership development programme for our tier 3 and 4 managers. We introduced an emerging leaders programme for 35 of our most promising talent. This programme targets gen X and Y future leaders identified through our capability map. Both programmes are facilitated inhouse and sponsored by members of our senior leadership team and optimise the peer learning model. We introduced a leadership assessment tool for managers at tier 1, 2, and 3 to provide insight about personal effectiveness to focus their development. This also acts as an evaluation tool for our leadership framework as we can assess over time the change in leadership effectiveness. Our approach is to encourage a responsive, and adaptive leadership style which is client centred. We have completed a managers on boarding programme. Research shows that having a formal managers on boarding programme enables a new manager to adapt more quickly to the NZTA, enhances productivity and supports retention. This process is now part of our wider induction programme.

OUR OBJECTIVES	WHAT WE DID
We strive for performance excellence – proud of our culture of high performance	We have an active talent management process in place for our people and thought leaders. We have refreshed our performance management framework to enable a better line of sight for all our people so they can see how their work fits in and contributes to the delivery of our goals. The framework is designed to support ongoing engagement between managers and staff and ensures we equally value what we do and how we do it. This is important in developing the right behaviours and feedback culture at the NZTA. We have reviewed our recruitment practice and are ready to implement an e-recruitment tool in the first quarter of 2012/13. Use of e-recruitment will enable a better candidate experience, better efficiency for hiring managers and reporting on the effectiveness of our recruitment activities. We have supported a number of changes this year, in particular, to realign our Access and Use Group. All changes are undertaken in consultation with our staff, their representatives and unions, with the objective of delivering better services and recognising the impact of change on our people. We have made good progress against this objective.
Our people have the opportunity to grow and develop their careers – excelling in current roles and growing toward future roles	We have an active workforce plan for each part of our business which informs our people resourcing decisions. We have an active succession management process in place for our most critical roles and we have active development plans to support this, with our senior leadership team having oversight of this. We have made good progress against this objective.
The NZTA is a great place to work	We conducted a staff engagement survey using Gallup for our third year which shows a year on year improvement in the engagement of our people, that is 3.51 in 2012, 3.73 in 2011 and 3.82 in 2012. We have retained tertiary workplace safety management practices (WSMP) status as a result of the two-yearly ACC audit into our health and safety practice. Tertiary status affords the NZTA a 20% reduction in ACC levies paid and assurance that our health and safety systems meet best practice. We refreshed our health and wellness strategy and delivered a tailored programme in each region. Our average number of sick days in the last 12 months is 6.4 per person, which is less than our benchmark of 7.4 days per person which is the public sector average reported in SSC's Human Resources Capability Survey, 2011. We have made good progress against this objective.

2. WE ACHIEVE TOGETHER

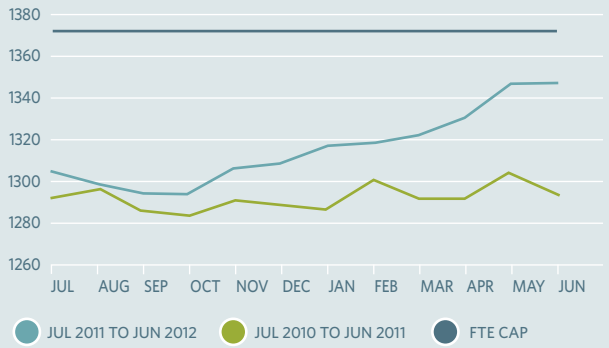
OUR OBJECTIVES	WHAT WE DID
Our actions are driven by strategy-led decision making that is future regarding and evidence based and delivers value for money – robust decision making will align our resources with our strategic intent	Our internal alignment activities are delivering simplified, more effective systems and processes to reduce costs. Improved property and procurement services are helping the NZTA achieve innovative cost savings and provide a consistent level of service experience to our customers. A refresh of our Organisation Development Strategy has been underway this year, focusing on ensuring the NZTA has the right capabilities, tools and systems to help position us to deliver on our priorities while building an organisation that is resilient and innovative and delivers value for money.
Our systems and processes are simple and effective for customers and staff – integrated systems and processes will help implement our strategic direction	Cash flow forecasting for the National Land Transport Fund and National Land Transport Programme and our monitoring processes are now well aligned internally. The successful integration of the state highway ledger was also achieved. These will help us better realise improved delivery of services to our key stakeholders and partners. We continue to work towards procedural improvement to reduce manual processing time, duplication and inefficiency, with particular gains made in legal services, procurement and automated invoice processing.

3. WE ARE WORKING WITH OTHERS

OUR OBJECTIVES	WHAT WE DID
We use a best practice approach to stakeholder engagement – they welcome and actively look for opportunities to collaborate with the NZTA	The first NZTA Stakeholder Perceptions Survey was carried out this year. Of the 804 invited stakeholders, 339 completed the survey – representing an overall response rate of 45%. Results showed that we are doing well in developing and maintaining strong relationships with central government, industry and lobby groups, but there is more work to be done to enhance our relationship with local government. Most stakeholder groups believed their relationship with the NZTA had stayed the same over the last 12 month period. With the exception of suppliers, 50% or more of all stakeholder groups stated that they are satisfied with their current relationship with the NZTA. Overall, stakeholders are looking to move their relationships with us beyond engaging on process to engaging on substantive issues.
We create and maintain relationships that foster high levels of trust, respect and confidence – our stakeholders and customers have confidence that we understand and consider their interests and values	We reviewed our stakeholder engagement portfolio to ensure it continues to support NZTA staff to create and maintain relationships of trust, respect and confidence. The priority stakeholder programme was also reviewed and relationship owners in the senior leadership team have been assigned to a number of newly identified 'priority stakeholders'. In 2012/13 objectives will be developed for each of the NZTA's priority stakeholder relationships to improve the effectiveness of our engagement with them. Work has also been carried out this year on moving relationships with Māori from a 'consultation model' to an 'engagement model'.
Our messages are clear and consistent for stakeholders and customers – we are seen as an integrated agency that is living our values	The positioning of the NZTA and organisational key messages played a key part in the development of our Communications Strategy. Key communications themes for the next 1-3 years have been identified based on gaps in confidence in the NZTA's key messages that were determined by stakeholder research. Communications work programmes have been completed for all but one business group until the end of the financial year, and has begun work on agreeing a more aligned approach for 2012/13 to provide a better cross-agency view.
Our communication with stakeholders and customers is planned, consistent and targeted – they understand our decisions	Despite high profile coverage of changes to the give way rules and restricted licence tests tailing off, we have maintained a high volume of news throughout 2011/12. The NZTA's share of positive or balanced news is around 90%, and over the year the proportion of singularly positive news more than doubled. Examples of recent positive coverage include the final clearance and re-opening of the Manawatu Gorge and the NZTA's contributions/improvements to road safety. Over 2011/12 we have significantly increased the visibility of our spokespeople, with over two-thirds of related news including a statement or response from the NZTA. Our National Communications Strategy has been developed this year and will be instrumental in ensuring well planned, consistent and targeted communications. This high level, principle-based strategy sets direction and approach for communications and stakeholder engagement activities across the agency.

KEY PEOPLE METRICS

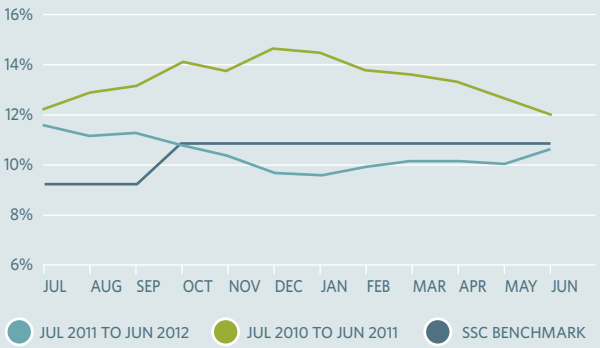
FULL-TIME EQUIVALENT (FTE) EMPLOYEES AGAINST ESTABLISHMENT



The NZTA's cap for full-time equivalent (FTE) staff is 1372 FTEs. There has been a small increase in the number of FTEs since October 2011. This trend differs from somewhat stable FTE numbers throughout the 2010/11 year.

Actual FTE at 30 June 2012 was 1347.6 (1293.8 at 30 June 2011).

ANNUAL TURNOVER



The NZTA's unplanned turnover has continued to decrease and is now 10.7% (down from 12.0% at June 2011).

AGE PROFILE

43.7 years

is the average age of NZTA staff at 30 June 2012. This is consistent with the public sector average.

GENDER PROFILE

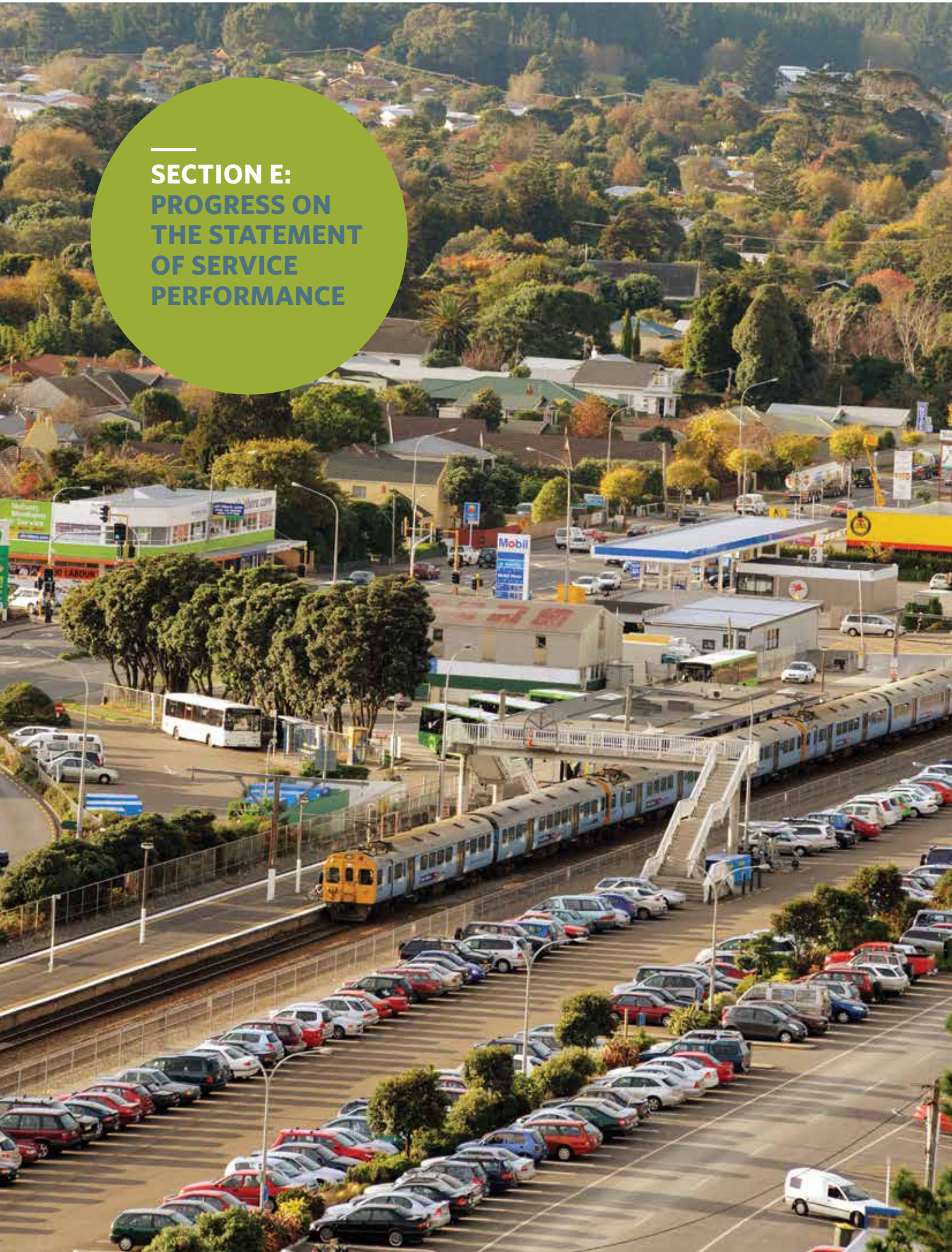
The NZTA has 50% female and 50% male staff ratio. This is consistent with the public sector average.

EQUAL EMPLOYMENT OPPORTUNITIES STATEMENT

The NZTA promotes equal employment opportunities (EEO) to ensure that its people capability practices are in line with its obligations as a 'good employer'.

OUR ACTIVITIES AGAINST THE SIX KEY ELEMENTS OF BEING A GOOD EMPLOYER ARE SUMMARISED BELOW.

Leadership, accountability and culture	› Leadership networking, through senior leader forums and cooperative learning groups. › Targeted leadership development programmes for experienced, new and future leaders. › Employee engagement programme.
Recruitment, induction and selection	› Robust recruitment and selection processes. › Profiles of staff from diverse backgrounds promoted on the NZTA website. › Accredited employer with the New Zealand Immigration Service. › Progression within the NZTA is based on merit rather than service, and is built around competencies and skills. › National induction to NZTA for all staff. › NZQA qualifications.
Employee development, promotion and exit	› Talent management and succession planning frameworks in place. › Development calendar offering a range of development programmes to all staff. › External mentoring programme for senior leaders. › Accredited IPENZ professional development partner and offer a comprehensive graduate development programme.
Flexibility and work design	› Organisation-wide flexible working programme; work is underway to encourage a culture that supports this.
Remuneration, recognition and conditions	› Recognition programme to recognise high performers. › Transparent, equitable and gender-neutral job evaluation and remuneration practices. › Annual review of remuneration against market rates.
Safe and healthy environment	› Employee code of conduct and relevant health and safety and harassment policies available at all times. › Strong focus on employee health, safety and wellbeing through provision of support services including: – employee assistance programme (EAP) for all staff – in the event of heightened stress additional services are provided through critical event debrief, onsite EAP presence, change process support and resilience training – ergonomic workstation assessments – health and safety induction for all staff and managers – healthy living encouraged and free flu vaccination and health check to all our people each year – active return to work programme. › Tertiary status in workplace safety management practices and annual self assessment audit.



SECTION E: PROGRESS ON THE STATEMENT OF SERVICE PERFORMANCE

STATEMENT OF RESPONSIBILITY

The Board is responsible for the preparation of the NZTA's financial statements and statement of service performance, and for the judgements made in them.

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

In the Board's opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the NZTA for the year ended 30 June 2012.

Signed on behalf of the Board:

Chris Moller
Chair
NZ Transport Agency
24 OCTOBER 2012

Jerry Rickman
Chair of Audit, Risk and
Assurance Board Committee
NZ Transport Agency
24 OCTOBER 2012

Countersigned by:

Geoff Dangerfield
Chief Executive Officer
NZ Transport Agency
24 OCTOBER 2012

Paul Helm
Chief Financial Officer
NZ Transport Agency
24 OCTOBER 2012

ACHIEVEMENT OF PERFORMANCE MEASURES

The statement of service performance on the following pages describes the services the NZTA delivered and invested in during 2011/12. This statement reports how we performed, and the revenue earned and expenses incurred for each output class, as compared with the forecast standards included in our *Statement of intent 2011–14.*

In total, the NZTA achieved 35 of 45 (78%) service delivery targets, while the NLTF achieved 15 of 22 (68%) investment forecast results. This reflects strong performance across the three core functions of planning and investing in land transport networks, managing the state highway network, and providing access to and use of the land transport system. The following table sets out our performance by output class on key performance targets for the year.

FUNDING SOURCE	OUTPUT CLASS	NZTA PERFORMANCE MEASURES ACHIEVED	NLTF PERFORMANCE
OUTPUT CLASSES THE NZTA DELIVERS			
Funded from fees, charges and Crown contracts	Regulatory implementation and enforcement	5 of 6	
	Licensing activities	5 of 5	
	Motor vehicle registry	5 of 6	
	Road user charges collection, investigation and enforcement	3 of 4	
	Refund of fuel excise duty	1 of 1	
Funded from the NLTF	Management of the funding allocation system	3 of 5	
	New and improved infrastructure for state highways and Crown contribution to accelerated state highways	1 of 2	
	Renewal of state highways	4 of 4	1 of 2
	Maintenance and operation of state highways	5 of 5	2 of 3
	Sector training and research	0 of 1	
OUTPUT CLASSES THE NZTA PARTLY DELIVERS ALONG WITH LOCAL AUTHORITIES			
Funded from the NLTF	Public transport infrastructure	0 of 1	
	Transport planning	0 of 1	
	Road user safety	2 of 3	
Funded from the Crown	Administration of the SuperGold cardholders scheme and enhanced public transport concessions for SuperGold cardholders	1 of 1	
OUTPUT CLASSES THE NZTA INVESTS IN, BUT DOES NOT DELIVER SERVICES FOR			
Funded from the NLTF	New and improved infrastructure for local roads		1 of 2
	Renewal of local roads		5 of 7
	Maintenance and operation of local roads		3 of 4
	Public transport services		3 of 3
	Walking and cycling		0 of 1
	Rail and coastal freight		

OUTPUT CLASS CASE STUDIES

1

ROADS OF NATIONAL SIGNIFICANCE – PROJECT COMPLETED AHEAD OF SCHEDULE

OUTPUT CLASS: New and improved infrastructure for state highways and Crown contribution to accelerated state highway construction

2

TUNNEL IMPROVEMENTS TO KEEP YOU SAFE

OUTPUT CLASS: New and improved infrastructure for state highways and Crown contribution to accelerated state highway construction

3

EASING CONGESTION AND GROWING AUCKLAND

OUTPUT CLASS: New and improved infrastructure for local roads

4

REBUILDING CHRISTCHURCH

OUTPUT CLASS: Multiple state highway and local road output classes

5

SMOOTH TRANSITION TO GIVE WAY CHANGES

OUTPUT CLASS: Regulatory implementation and enforcement and Road user safety

6

THE NZTA'S GHOST CHIPS CAPTURES AUDIENCE AND AWARDS

OUTPUT CLASS: Road user safety

1

CASE STUDY

ROADS OF NATIONAL SIGNIFICANCE PROJECT COMPLETED AHEAD OF SCHEDULE VICTORIA PARK TUNNEL

Auckland's $340 million Victoria Park Tunnel was officially opened on 29 October 2011, three months ahead of schedule.

The Victoria Park Tunnel is one of seven state highway projects identified by the government as a road of national significance and as essential to New Zealand's economic prosperity, and is the first of these projects to be completed.

The new tunnel has successfully removed the last major bottleneck on Auckland's central motorway network. It has involved the construction of a 450 metre cut-and-cover tunnel for three lanes of northbound traffic, reconfiguration of the Victoria Park flyover for four southbound lanes, and widening of the motorway through St Marys Bay by one more lane in each direction. The project has also left behind better local places and spaces as a result of urban design initiatives, and has protected and restored three important heritage structures – the Rob Roy Hotel, the Campbell Free Kindergarten and the Jacobs Ladder Staircase.

The Victoria Park Tunnel project increases the vehicle carrying capacity over the 2.2km of State Highway 1 between the Wellington Street Overbridge and the Auckland Harbour Bridge. This is one of the busiest sections of road in New Zealand for both personal and business trips.

Previous southbound capacity of the Victoria Park viaduct was 4250 vehicles per hour, but demand in the morning peak is much greater. The result was significant congestion, resulting in drivers sitting in stop-start traffic. This in turn resulted in frustration for drivers, costs to businesses whose goods and workers were delayed, increased air pollution from vehicles constantly accelerating and decelerating, and greater chances of nose-to-tail collisions. Since the north and southbound routes were fully opened on 26 March 2012, trip reliability throughout the day has increased, and time savings of 8 minutes southbound and 7 minutes northbound have been achieved.

FEATURES

The Victoria Park Tunnel project includes:

- a 450 metre cut-and-cover tunnel through Victoria Park to carry three lanes of northbound traffic
- refurbishment of the Victoria Park viaduct to provide four lanes for southbound traffic
- motorway widening to five lanes in each direction through St Marys Bay
- a citybound bus lane through St Marys Bay
- improved cycling and walking access from St Marys Bay to the central business district
- preservation of the historic Rob Roy Hotel in the new public square
- restoration of the historic Campbell Free Kindergarten in Victoria Park
- art incorporated on retaining walls and barriers, landscaping and planting
- noise walls adjacent to Freemans Bay and through St Marys Bay
- Victoria Park, including a new skatepark, reinstated on top of the tunnel.

THIS CASE STUDY RELATES TO THE OUTPUT CLASS NEW AND IMPROVED INFRASTRUCTURE FOR STATE HIGHWAYS GO TO PAGE 70 FOR MORE INFORMATION.

PROJECT OVERVIEW.

PREPARING THE ROB ROY HOTEL FOR ITS HISTORIC MOVE.

2

CASE STUDY

TUNNEL IMPROVEMENTS TO KEEP YOU SAFE
THE TERRACE TUNNEL UPGRADE

Opened in 1978, the Terrace Tunnel is a key part of Wellington's transport infrastructure, carrying more than 40,000 vehicles into and out of the city every day.

At 462 metres long, 12.3 metres wide and 7.9 metres high, the Terrace Tunnel is one of New Zealand's largest road tunnels. A $50 million upgrade, completed in March 2012, has created a tunnel that will serve Wellington for decades to come.

Much of the work has been focused on improving the tunnel to make it safer in an emergency, including installing new equipment that can suppress fires much more effectively, assist motorists to evacuate the tunnel and provide support to firefighters.

The 770 orange wall panels are one of the most obvious features of the upgraded tunnel. The panels are made of fire-resistant material that helps prevent the spread of fire and protect the tunnel services that lie behind them. Removing the ceiling has created a large space where smoke can collect, and the new fans can be individually controlled to blow smoke in the right direction. This is vital because smoke control is one of the most important factors in dealing with tunnel emergencies.

The lights, wiring and sprinkler systems have been completely replaced. The new lighting is far more sophisticated and flexible. The lights are controlled by sensors at each entrance and measure light levels as a driver would see them. This is a safety measure that helps match the tunnel light to outside conditions, so that drivers' eyes easily adjust without a moment of dazzle or blindness.

Part of the monitoring equipment includes 13 new cameras in and around the tunnel. They send live pictures directly to the NZTA's traffic operations centre, which keeps an eye on Wellington's state highways. Some are programmed to detect unusual activity, such as smoke or vehicles travelling erratically, and some can rotate and zoom so controllers can get a close look at any problems and direct emergency services straight to them.

About 30km of electrical and data cabling has been used to wire up the tunnel. While we can respond to emergencies anywhere within the tunnel, any fires are most likely to be contained in a small area, due to a car crash or car fire. So the tunnel is divided into 18 deluge zones, each of which can be individually controlled to ensure water is directed where it's needed.

THIS CASE STUDY RELATES TO THE OUTPUT CLASS
NEW AND IMPROVED INFRASTRUCTURE FOR STATE HIGHWAYS
GO TO PAGE 70 FOR MORE INFORMATION.

THE DELUGE SYSTEM – DESIGNED TO SUPPRESS A FIRE IN THE TUNNEL UNTIL THE FIRE SERVICE ARRIVES. WOULD DELIVER WELL OVER 3000 LITRES OF WATER A MINUTE IN THE EVENT OF A FIRE – THE EQUIVALENT OF 390mm PER HOUR.

THE 'THUNDERBIRD 7' – MUCH OF THE WORK ON THE TUNNEL TOOK PLACE AT NIGHT, AND THE THUNDERBIRD 7 PROVIDED A SAFE AND STABLE PLATFORM FOR WORKERS DURING THE DEMOLITION OF THE OLD CEILING. BECAUSE THE PLATFORM COULD REMAIN IN THE TUNNEL THROUGHOUT THE UPGRADE, LONGER SHIFTS COULD BE WORKED EACH NIGHT AND STILL HAVE THE TUNNEL READY TO OPEN EACH MORNING.

THE FANS – EIGHT NEW 90kw FANS, SIMILAR IN POWER TO A SMALL CAR, HAVE BEEN INSTALLED IN THE ROOF SPACE. ON A DAILY BASIS, THE FANS HELP MAINTAIN AIR QUALITY, AND IN THE EVENT OF A FIRE CAN BE USED TO CONTROL SMOKE BY BLOWING IT AWAY FROM THE SOURCE, ENABLING FIRE CREWS A BETTER VIEW OF THE FIRE, AND PROVIDING A CLEAR PATH FOR PEOPLE TO ESCAPE THE TUNNEL.

3

CASE STUDY

EASING CONGESTION AND GROWING AUCKLAND
THE AUCKLAND MANUKAU EASTERN TRANSPORT INITIATIVE

A major construction project to ease traffic congestion, provide much improved passenger transport links and contribute to economic growth and activity is underway in southeast Auckland.

The project is the number two transport priority in the Auckland Plan, Auckland Council's strategy to make Auckland the world's most liveable city.

AMETI – the Auckland Manukau Eastern Transport Initiative – is jointly funded by the NZTA and Auckland Council. It is one of Auckland's largest transport construction projects.

The $180 million Panmure phase one construction programme currently being undertaken is part of a 30-year, $1.5 billion project aimed at dealing with current traffic congestion, poor transport options and projected growth in a vital retail, commercial and residential area.

The area has some of the highest traffic flows, proportion of freight traffic and congestion levels in the country. The new road is expected to carry 20,000 vehicles a day and reduce the journey time between Mt Wellington and Glen Innes by up to 10 minutes in peak traffic.

The work currently being undertaken in Panmure (phase one) next to the train station and Ellerslie-Panmure Highway will involve up to 300 people at its peak, and 44,000m^3 of earthworks.

The project is due for completion in 2012 and features:

- a major upgrade of Panmure Station to create an interchange that allows easy transfers between trains, a future busway and local buses – this includes a new bridge next to Ellerslie-Panmure Highway for buses and busway stops
- a 1.5km new road linking Morrin Road to Mt Wellington Highway to cut up to 10 minutes off journeys between Glen Innes and Mt Wellington
- a 220m tunnel for the new road built next to the rail line at the station
- replacement of the existing Ellerslie-Panmure Highway bridge, making it higher and longer to allow for rail electrification, the new road and a possible future third rail line
- a new higher, longer Mountain Road bridge with wide footpaths and more space for cyclists
- improvements to Van Damm's Lagoon and its reserve area
- a wider, longer footbridge with ramps over the rail line between William Harvey Place and Ireland Road
- cycle lanes on Ellerslie-Panmure Highway (Mt Wellington Highway to Queens Road) and new AMETI road.

THIS CASE STUDY RELATES TO THE OUTPUT CLASS NEW AND IMPROVED INFRASTRUCTURE FOR LOCAL ROADS GO TO PAGE 79 FOR MORE INFORMATION.

PAKURANGA ROAD BUSWAY – PART OF THE PROPOSED BUSWAY FROM PANMURE TO PAKURANGA. BUS STOPS ARE AT INTERSECTIONS TO IMPROVE SAFETY FOR PEDESTRIANS.

AMETI CURRENTLY HAS TWO ACTIVE PHASES: PHASE ONE (IN GREEN ON THE MAP) – PANMURE STATION AREA AND THE NEW ROAD WHICH IS IN CONSTRUCTION UNTIL 2014, AND PHASE TWO (IN ORANGE ON THE MAP) – THE PANMURE TO PAKURANGA PHASE IS CURRENTLY IN DETAILED DESIGN AND WE ARE ENGAGING WITH THE COMMUNITY.

4

CASE STUDY

REBUILDING CHRISTCHURCH

Greater Christchurch has experienced ongoing aftershocks decreasing in magnitude and frequency since the February 2011 earthquake.

Emergency work management has been a key feature for the NZTA over the past year, with $87.2 million ($51.13 million from the NLTF and $36.11 million from the Canterbury Earthquake Recovery Fund) spent assisting Christchurch City Council, $430,000 to Waimakariri District Council and $140,000 to Selwyn District Council. The focus for the rebuild in Christchurch is on repairing underground services prior to roading reinstatement so that all infrastructure is repaired just once.

The NZTA has been working with Christchurch City Council and the Stronger Christchurch Infrastructure Recovery Team (SCIRT) to develop processes that will identify the correct technical solutions and ensure best value for money.

NZTA staff are working to manage and influence the recovery and development of Canterbury's transport networks via a number of recovery and urban development groups involving councils, the Canterbury Earthquake Recovery Authority (CERA) and Ngai Tahu.

We have been able to influence early thinking around earthquake recovery planning and continue to work on the land use and transport planning strategies that will take Christchurch beyond the rebuilding phase. A key role for us going forward will be to work through the strategy formation phases of recovery planning and provide advice on how best to align this with the NZTA's investment priorities.

Long-term urban planning for networks and land use development continue to run alongside earthquake recovery work. The Urban Development Strategy work programme is focused on developing the strategic direction to provide for re-housing and land use growth.

Our Christchurch RoNS projects are a core component of our contribution to Canterbury's recovery, and great progress is being made on these. Two sections of the Western Corridor are now under construction and stage 1 of the Southern Motorway is progressing well and on target for completion in 2013.

The NZTA is also actively involved in developing the Christchurch Transport Plan, the Regional Public Transport Plan and the Greater Christchurch Transport Statement. These documents will establish the future direction of investment in the Greater Christchurch area and increase consistency in the forward planning of the networks.

Business-as-usual activity is also important and considerable work has been undertaken with Christchurch City Council over its activities in the land transport programme. We have sought to apply innovation and flexibility to the Regional Land Transport Programme that will enable opportunities for investment in the recovery.

THIS CASE STUDY RELATES TO
MULTIPLE STATE HIGHWAY AND LOCAL ROAD OUTPUT CLASSES
GO TO PAGES 70, 71, 72, 79, 80, 82 FOR MORE INFORMATION.

LATERAL SPREADING FROM THE SEPTEMBER 2010 EARTHQUAKE – LOCKSLEY AVENUE, DALLINGTON, CHRISTCHURCH.

DAMAGE FROM THE FEBRUARY 2011 EARTHQUAKE – COLLAPSED CRIB WALL IN GALILEE LANE, SUMNER, CHRISTCHURCH.

DAMAGE FROM THE FEBRUARY 2011 EARTHQUAKE – ROTATED GABION BASKET RETAINING WALL, GLENSTRAE ROAD, REDCLIFFS, CHRISTCHURCH.

5

CASE STUDY

SMOOTH TRANSITION TO GIVE WAY CHANGES

On Sunday 25 March, two of our give way rules changed in order to make our roads safer.

The first change requires all traffic turning right to give way to a vehicle coming from the opposite direction and turning left. This applies at crossroads, T-intersections and driveways where both vehicles are facing each other with no signs or signals, or the same signs or signals. The second change occurs at uncontrolled T-intersections, where all traffic from a terminating road (bottom of the T) should now give way to all traffic on a continuing road (top of the T).

The NZTA was tasked with leading the implementation of the rule change. It was anticipated that changing the two give way rules would help reduce confusion on our roads by removing some of the demands the previous rules placed on drivers' decision-making at intersections, and could reduce relevant intersection crashes by 7%.

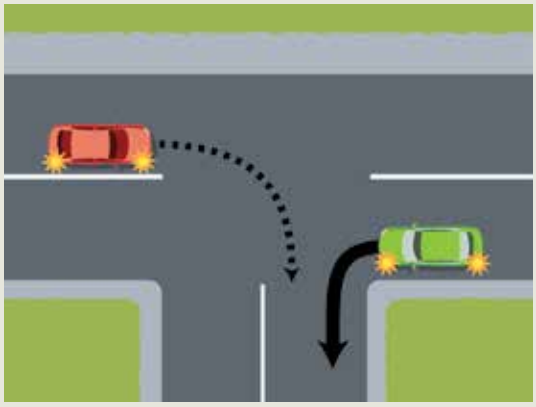
Accounts after the change indicate it went smoothly, with New Zealand Police reporting few problems. In a survey of road users post-March, approximately 90% of respondents were aware of the two new rules. Media coverage was mostly positive or balanced and praised good driver behaviour. Survey responses from key stakeholders were also mostly positive. Most respondents felt that the NZTA's coordination and partnership with their organisations had been successful.

A contributing factor to the smooth changeover was a focus on keeping the public information simple and timely, with national advertising running from 15 March to 1 April. The aim of the NZTA's public awareness campaign was to minimise confusion and maximise compliance. New Zealanders needed to understand the changes and where they could get more information.

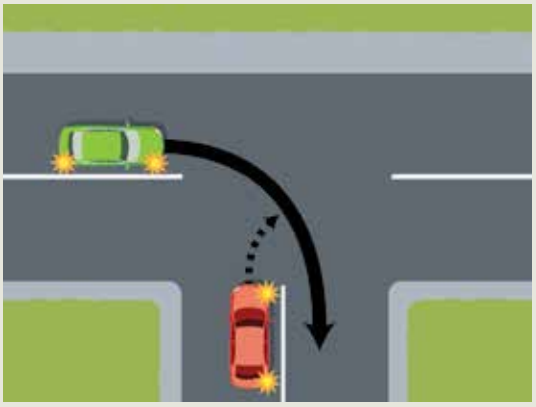
For that reason, the campaign simply focused on the date of change, what the two new rules were and where to get more information. Extensive advertising included two television ads (one for each rule change), and ads on high traffic websites, on the radio, in print and via a leaflet door drop to over 1.7 million homes. Television activity reached 89% of all people aged 15+, with this percentage of the population being exposed to the messages over 16 times each during the campaign period. The short and sharp campaign timing was based on learnings from a similar rule change in Victoria, Australia, and was chosen to ensure people did not start to use the new rules too early.

Finally, there was a huge sense of social responsibility shown by the public in general and from organisations with usually little interest in road safety, exemplified by social media accounts where people were quick to criticise factually incorrect posts. This meant that many people helped the NZTA deliver our key messages through their own channels and communities, and helped to make the changeover a success. Concerns the changes would result in confusion were largely unfounded, with everyone working together to make it a smooth transition.

THIS CASE STUDY RELATES TO TWO OUTPUT CLASSES
REGULATORY IMPLEMENTATION AND ENFORCEMENT *AND* ROAD USER SAFETY
GO TO PAGES 62 AND 77 FOR MORE INFORMATION.



RULE CHANGE 1



RULE CHANGE 2

6

CASE STUDY

THE NZTA'S GHOST CHIPS CAPTURES AUDIENCE AND AWARDS

By using humour, the NZTA's *Legend* television advertisement ('ghost chips') adopted a fresh approach to get the 'dangers of drink-driving' message across to at-risk young drivers. The 'viral' success of the ad surprised everyone. It gained national and international recognition, including the Yellow Pencil award at the International Advertising D&AD Awards for Integrated and Earned Media, and New Zealand's TVC of the Year award at StopPress/ThinkTV's Advertising Awards.

Drink-driving statistics for youth make sobering reading, with over 40% of all alcohol-related crashes involving drivers under the age of 24 years. In all crashes causing death or serious injury in 2008–10, 82% of the drinking drivers were male. One in five (19%) of the drinking drivers were aged 15–19, and another 24% were aged 20.

Research showed that these young men don't set out to drive drunk – they just don't plan ahead. They make mistakes. In addition, it's hard to tell a mate not to drive; no one wants to lose face, to be seen as the 'downer' of the party or to be accused of being 'soft'. The advertising needed to be as realistic as possible for these young men – we needed to sell a very serious message without being seen as too 'serious'. So the NZTA's *Legend* campaign relied on humour to break through this potential awkwardness, and in doing so gave these young men some verbal tools that they could use in the future, such as 'I've been internalising a really complicated situation in my head'.

The advertisement went viral on release and received 1.5 million YouTube hits in the first two weeks, making it the number one educational video of all time in New Zealand. 175 Facebook pages were spontaneously created – one with 70,000 likes. The key to this sort of unanticipated success has everything to do with the relevance of the ad to the target audience. Thorough preparation and testing played a big part in achieving this success. The ad continues to test well with the target audience.

THIS CASE STUDY RELATES TO THE OUTPUT CLASS
ROAD USER SAFETY
GO TO PAGE 77 FOR MORE INFORMATION.

LEGEND: ON 23 OCTOBER 2011, A NEW DRINK-DRIVING CAMPAIGN WAS LAUNCHED. YOUTH DRINK-DRIVING IS ONE OF THE LARGEST CAUSES OF DEATH AND INJURIES ON NEW ZEALAND ROADS. EACH YEAR, YOUNG DRIVERS CAUSE NEARLY HALF OF ALL ALCOHOL-RELATED ROAD CRASHES.

STATEMENT OF SERVICE PERFORMANCE

This statement of service performance sets out the outputs (goods and services) the NZTA is funded to provide and the standards to which we assess our service delivery performance. It is divided into three categories:

OUTPUT CLASSES THE NZTA DELIVERS

- Regulatory implementation and enforcement
- Licensing activities
- Motor vehicle registry
- Road user charges collection, investigation and enforcement
- Refund of fuel excise duty
- Management of the funding allocation system
- Sector training and research
- New and improved infrastructure for state highways *and* Crown contribution to accelerated state highway construction
- Renewal of state highways
- Maintenance and operation of state highways

OUTPUT CLASSES THE NZTA PARTLY DELIVERS ALONG WITH LOCAL AUTHORITIES

- Public transport infrastructure
- Transport planning
- Road user safety
- Administration of the SuperGold cardholders scheme *and* Enhanced public transport concessions for SuperGold cardholders

OUTPUT CLASSES THE NZTA INVESTS IN, BUT DOES NOT DELIVER SERVICES FOR

- New and improved infrastructure for local roads
- Renewal of local roads
- Maintenance and operation of local roads
- Public transport services
- Walking and cycling
- Rail and coastal freight

OUTPUT CLASSES THE NZTA DELIVERS

REGULATORY IMPLEMENTATION AND ENFORCEMENT

What does the NZTA do?

Under this output class, the NZTA:

- develops land transport rules (under contract to the Ministry of Transport)
- develops clear and well-understood standards for:
  - vehicle inspection and certification
  - transport service licensing operations
  - rail safety operations
  - vocational driver licensing
- monitors and audits compliance with regulatory standards/ requirements for vehicles, drivers, operators and transport system providers
- manages tolling revenue
- provides ministerial services.

How does this output contribute to desired transport impacts?

Regulatory implementation and enforcement directly contributes to a reduction in deaths and serious injuries from road crashes through regulation of drivers, vehicles and commercial operators. This output has a secondary contribution to more efficient vehicle fleets, a reduction in adverse environmental effects from land transport and more efficient freight supply chains.

For further details see appendix 1, page 88.

What were our key achievements?

The key achievements for regulatory implementation and enforcement were as follows:

- We implemented three land transport rules: the Road User Amendment Rule that changed two give way rules at intersections; the Driver Licensing Amendment Rule that made changes to improve the safety of young drivers, motorcyclists and moped riders, to improve the integrity of the driver licensing system and to make business processes more efficient; and the Omnibus Amendment Rule 2011 that made amendments to a series of rules to improve clarity[1],
- We completed a cross-agency development of the Land Transport Regulatory Review Programme that included the development of principles and guidelines to help develop better, less regulated and reformed annual vehicle licensing, WoF/CoF inspections, and transport services licensing regimes, with decisions expected in 2013.
- We introduced differential channel pricing for tolling with associated education to promote the use of online channels, which helped achieve a significant shift of casual customers to the cheaper online channel and was a major factor in online transactions exceeding the target by 12.7%.
- We made the first successful prosecution for recidivist non-payment of tolls. The introduction of prosecutions for recidivist non-payment of tolls should help reduce tolling non-compliance.

How do we assess our service delivery performance?

	ACTUAL 2011/12	TARGET 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
% of revenue compliance (tolling)	96.8%	>96%	+0.8%	96.7%
Value of bad debt written off (10)	$376,571	<$400,000	+$23,429	$416,000
Unit transaction cost (11)	$0.65	$0.65	-	$0.78
% of NZTA audit programme completed (12)	100%	100%	-	100%
% of activities that are delivered to agreed standards and timeframes (13)	86.5%	100%	-13.5%	100%
% of transactions completed online (14)	52.7%	>40%	+12.7%	34%

[1] The Driver Licensing 1999 (Rule 91001), External Projections 2001 (Rule 32008/1), Glazing, Windscreen Wipe and Wash, and Mirrors 1999 (Rule 32012/1), Operator Licensing, 2007 (Rule 81001), Road User 2004 (Rule 61001), Traffic Control Devices 2004 (Rule 54002), Vehicle Dimensions and Mass 2002 (Rule 41001), Vehicle Equipment 2004 (Rule 32017), Vehicle Lighting 2004 (Rule 32005), and the Work Time and Logbooks 2007 (Rule 62001)

How was the money spent?*

	ACTUAL 2011/12 $000	BUDGET 2011/12 $000	VARIANCE 2011/12 $000	ACTUAL 2010/11 $000
Income	33,546	29,418	4,128	32,231
Expenditure	33,861	31,443	(2,418)	32,019
Net surplus/(deficit)	(315)	(2,025)	1,710	212

How do we interpret our performance results?

NZTA service delivery

Regulatory implementation and enforcement achieved/exceeded 5 of 6 performance targets this year. Specifically,

- tolling revenue compliance exceeded the target partly due to successful use of incentives such as new and easier to use payment options and fee increases for late payment
- the value of tolling bad debt written off achieved the target, with fee increases for unpaid tolls and the introduction of prosecution of recidivist non-payers as likely contributing factors
- unit transaction cost for tolling met the target and was significantly lower than 2010/11 due to a shift to online channels and the introduction of increased administration fees
- internal operational assurance identified that some activities were not delivered to required standards because outdated and modified forms were being used. Changes have been implemented to ensure correct forms are used and all activities are delivered to standard
- online toll transactions exceeded the target by 12.7% driven by the introduction of administration fees to non-online channels, which has encouraged customers to use the cheaper online channel.

Financial results

The net deficit was $1.7m less than budgeted due to:

- higher revenue attributable to higher volumes of border inspections prior to the import rule change
- higher transaction volumes in vehicle licensing due to a trend towards shorter-duration vehicle licenses, likely in response to harder economic times.

Expenditure was $2.4m over budget due to higher volumes in most activities, and an unbudgeted $1.9m depreciation of the Operator Rating System.

SCOPE OF OUTPUT CLASS: Purchase of land transport regulatory implementation services and specialist land transport enforcement services.

For notes see appendix 2 on page 90.

* Full output class financials are set out in the appendix.

LICENSING ACTIVITIES

What does the NZTA do?

Under this output class, the NZTA:

- provides driver and transport operator (including rail operator) licensing and testing services
- maintains the driver licence register
- issues overdimension permits
- administers drug and alcohol assessments of drivers and operators (funded by the Ministry of Health)
- provides licensing information and advice.

The NZTA delivers these services funded from fees and charges, and the Crown, including Crown contracts for specific activities.

How does this output contribute to desired transport impacts?

Licensing activities contribute to more efficient freight supply chains and vehicle fleets. However, this output's most significant area of impact is reductions in deaths and serious injuries from road crashes, through the influence on drivers and driver behaviour.

For further details see appendix 1, page 88.

What were our key achievements?

The key achievements for licensing activities were as follows:

- We implemented a new graduated driver licensing test to improve the safety of young drivers.
- We transitioned the driver licence register to its new IT platform, which allows more online self-servicing options to be introduced to customers and reduces the cost of future changes to the register.
- We progressed a review of the transport service licensing regime jointly with the Ministry of Transport as part of the Vehicle and Operator Licensing Reform project. Reform decisions are due in 2013.

How do we assess our service delivery performance?

	ACTUAL 2011/12	TARGET 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
% of accuracy of registers (15)	96.3%	>93%	+3.3%	95.8%
Value of bad debt written off (16)	$11,000	$400,000	+$389,000	$0
Unit transaction costs	$39.39	<$42.45	+$3.06	$41.89
Number of products/services delivered to agreed standards and timeframes (17)	493,822	402,000–444,000	+49,822	413,340
% of transactions completed online (18)	12.2%	>12%	+0.2%	10.2%

How was the money spent?*

	ACTUAL 2011/12 $000	BUDGET 2011/12 $000	VARIANCE 2011/12 $000	ACTUAL 2010/11 $000
Income	47,242	41,575	5,667	47,231
Expenditure	45,570	45,475	(95)	49,794
Net surplus/(deficit)	1,672	(3,900)	5,572	(2,563)

How do we interpret our performance results?

NZTA service delivery

Licensing activities achieved/exceeded all of its service delivery performance targets this year. Highlights include:

- unit transaction costs were below target due to higher transaction volumes, channel shift towards online transactions, and a continued focus on cost reduction and process improvement
- the number of products/services delivered exceeded the target due to greater than expected numbers of young drivers applying for graduated driver licences before the August 2011 age change, an increase in drivers booking restricted tests before the test change in February 2012, and an increase in re-sits after the test changed and became more challenging
- the percentage of transactions completed online met the target due to improvements in the booking system that make it a more attractive option for customers.

Financial results

- A $3.9m deficit was budgeted; however we ended the year with a $1.7m surplus.
- Revenue was $5.7m higher than expected due to the higher driver licensing and testing volumes at the start of the financial year and a lower drop-off than expected from the driving age changes.

SCOPE OF OUTPUT CLASS: Purchase of land transport licensing services, including driver licensing.

For notes see appendix 2 on page 90.

* Full output class financials are set out in the appendix.

MOTOR VEHICLE REGISTRY

What does the NZTA do?

Under this output class, the NZTA:

- operates the motor vehicle register
- delivers motor vehicle registration and licensing services
- undertakes the collection and refund of registration and licensing revenue, which is paid to the National Land Transport Fund
- provides information and advice to the public.

How does this output contribute to desired transport impacts?

Motor vehicle registry services, by helping manage the motor vehicle fleet, contribute to the following impacts: reduction in deaths and serious injuries from road crashes, reduction in adverse environmental effects from land transport and more efficient vehicle fleets.

For further details see appendix 1, page 88.

What were our key achievements?

The key achievements for the motor vehicle registry were as follows:

- We transitioned the motor vehicle register to a modern IT platform to allow more online self-servicing options for customers, and reduce the cost of future changes to the register.
- Increased number of customers completing vehicle re-licensing online was achieved by promoting the online payment option in reminder letters and will be further supported by changes made to administration fees, including a reduction in the fee when re-licensing vehicles online (from $6.40 to $3.57) which will be implemented by 1 October 2012.
- We progressed a review of the annual vehicle licensing regime jointly with the Ministry of Transport as part of the Vehicle and Operator Licensing Reform project with reform decisions due by 2013.

How do we assess our service delivery performance?

	ACTUAL 2011/12	TARGET 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
% of accuracy of registers (19)	95.1%	>95%	+0.1	94.8%
% of revenue compliance	98.6%	98%	+0.6%	98.9%
Value of bad debt written off (20)	$4.1m	<$4m	-$0.1m	$4.4m
Unit transaction costs	$5.60	<$5.93	+$0.33	$5.85
Number of products/services delivered or processed	9.0m	8.0-8.8m	+0.2m	8.7m
% of transactions completed online (21)	16.4%	>15%	+1.4%	12.3%

How was the money spent?*

	ACTUAL 2011/12 $000	BUDGET 2011/12 $000	VARIANCE 2011/12 $000	ACTUAL 2010/11 $000
Income	53,616	53,476	140	54,951
Expenditure	56,926	54,381	(2,545)	53,797
Net surplus/(deficit)	(3,310)	(905)	(2,405)	1,154

How do we interpret our performance results?

NZTA service delivery

Motor vehicle registry achieved/exceeded 5 of 6 performance targets this year. Key highlights include:

- the reduction in unit cost for the motor vehicle register, reflecting operational efficiencies; this was particularly pleasing given the increase in shorter-duration vehicle licences (4% against budget). The majority of the efficiency was achieved by shifting customers to lower-cost online channels
- bad debt written-off was $4.1m against a target of $4m. The small variance is a minor setback against significant improvement in reducing bad debt over the last 3 years. This result is lower by 9% and 41% compared with 2010/11 and 2009/10 levels respectively.

Financial results

- The deficit was greater than expected due to $2.9m IT business continuity costs associated with re-platforming the motor vehicle register earlier than budgeted. When this item is excluded, the net deficit is $0.5m better than budgeted due to lower expenditure attributable to a gain in operational efficiency.

SCOPE OF OUTPUT CLASS: Registration and licensing of motor vehicles, the collection and refund of motor vehicle registration and licensing revenue, and the operation of the motor vehicle register.

For notes see appendix 2 on page 90.

* Full output class financials are set out in the appendix.

ROAD USER CHARGES COLLECTION, INVESTIGATION AND ENFORCEMENT

What does the NZTA do?

Under this output class, the NZTA:

- collects, through the provision of licences for diesel vehicles, and refunds road user charges (RUC), which is paid to the National Land Transport Fund
- investigates evasion of RUC and enforces payment
- provides information and advice to the public.

How does this output contribute to desired transport impacts?

Road user charges collection, investigation and enforcement, by helping manage the motor vehicle fleet, contributes to the following impacts: reduction in deaths and serious injuries from road crashes, reduction in adverse environmental effects from land transport and more efficient vehicle fleets.

For further details see appendix 1, page 88.

What were our key achievements?

The key achievements for road user charges collection, investigation and enforcement were as follows:

- We successfully implemented the outcomes of the Road User Act review. Changes to the Road User Act are the most significant reform of the RUC system since it was introduced in 1978.
- Administration fees for road user charges will be reduced in August 2012. The greatest savings to customers will be a reduction in the cost of online transactions from $8.50 to $4.17.

How do we assess our service delivery performance?

	ACTUAL 2011/12	TARGET 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
Value of bad debt written off (22)	$2.1m	<$1m	-$1.1m	$1.4m
Unit transaction costs	$5.80	<$6.81	+$1.01	$5.91
Number of products/services delivered or processed (23)	2.6m	2.4–2.7m	-	2.5m
% of transactions completed online (24)	43.9%	>28%	+15.9%	34.5%

How was the money spent?*

	ACTUAL 2011/12 $000	BUDGET 2011/12 $000	VARIANCE 2011/12 $000	ACTUAL 2010/11 $000
Income	16,485	17,855	(1,370)	17,349
Expenditure	16,897	18,829	1,932	14,887
Net surplus/(deficit)	(412)	(974)	562	2,462

How do we interpret our performance results?

NZTA service delivery

RUC collection, investigation and enforcement achieved/exceeded 3 of 4 performance targets this year. Specifically:

- Bad debt did not meet its target due to problems associated with transitioning to new debt collection companies[2], and an allocation of resources to bad debt applications that resulted in a higher-than-forecast bad debt write-off for 2011/12. The total appropriation for bad debts is $6m per year. However, this was raised to $7m in 2011/12 by the Ministry of Transport, in response to an increase in bad debt applications. The Ministry of Transport's raising of the appropriation indicates this target was set too low.
- Unit transaction costs were below the target maximum and the 2010/11 level. This positive trend is due to higher volumes, and channel shifts to online transactions.
- The number of products/services delivered or processed met its target as expected. This has been increasing by 6% per year since 2008/09, which can be attributed to a growing number of kilometres travelled and diesel vehicles on the road.
- Transactions completed online exceeded the target by 15.9%. This was attributed to customers preferring online channels as a convenient payment channel and the expansion of the scope of online transactions.

Financial results

- The Ministry of Transport and the NZTA agreed to pay the 2010/11 surplus back to the Ministry of Transport in 2011/12, rather than in the year it applied (because this output class is funded by appropriation, surpluses are normally paid back to the Ministry of Transport in the year made). Paying back this surplus and higher-than-expected RUC project costs, led to a small deficit being recorded this year.

SCOPE OF OUTPUT CLASS: Collection and refund of road user charges, and the investigation and enforcement of evasion of road user charges.

For notes see appendix 2 on page 90.

* Full output class financials are set out in the appendix.

[2] Debts outstanding at Baycorp at the time the debt collection contract changed in March 2011 were either on-referred to new contractors, or applied for bad debt write off in June 2011. After six months with the new collection agencies, and exhausting all avenues of collection, the debts were then applied for write off in the 2011/12 financial year.

REFUND OF FUEL EXCISE DUTY

What does the NZTA do?

Under this output class, the NZTA records, refunds and accounts for fuel excise duty refund applications.

How does this output contribute to desired transport impacts?

Refund of excise duty is an NZTA function performed on behalf of the Ministry of Transport as an adjunct to the collection of fuel excise duty, as provided for under the Land Transport Management Act 2003. This output makes no direct contribution to the NZTA's desired impacts.

What were our key achievements?

› The average time taken to refund fuel excise duty was significantly less than the target and 2010/11 levels.

How do we assess our service delivery performance?

	ACTUAL 2011/12	TARGET 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
Average number of days taken to deliver (25)	9.7	20	+10.3	13.8

How was the money spent?*

	ACTUAL 2011/12 $000	BUDGET 2011/12 $000	VARIANCE 2011/12 $000	ACTUAL 2010/11 $000
Income	441	429	12	431
Expenditure	501	429	(72)	496
Net surplus/(deficit)	(60)	0	(60)	(65)

How do we interpret our performance results?

NZTA service delivery

› Employing temporary staff enabled faster average processing of refunds and clearing of backlogs, resulting in greater responsiveness to customers.

Financial results

› The deficit was marginally higher than budgeted. Expenditure was higher than budget due to employing temporary staff to address expected temporary increases in volumes as outlined above.

SCOPE OF OUTPUT CLASS: Receipt and processing of applications for, and the refunding of, fuel excise duty.

For notes see appendix 2 on page 90.

* Full output class financials are set out in the appendix.

MANAGEMENT OF THE FUNDING ALLOCATION SYSTEM

What does the NZTA do?

This output class covers the NZTA's internal operating costs to:

- develop and manage the National Land Transport Programme
- develop NZTA planning and investing strategies and plans
- provide policy advice to government on policy framework
- monitor and audit the performance of organisations that receive funding from us
- provide investment policy advice on public transport services
- monitor and report on work undertaken in the national Road Policing Programme[3].

How does this output contribute to desired transport impacts?

Management of the funding allocation system contributes to seven of our eight desired impact areas (excluding more efficient vehicle fleets) through the management of the National Land Transport Fund investments. The NZTA seeks to invest in outputs that maximise the overall benefit for the New Zealand transport system.

For further details see appendix 1, page 88.

What were our key achievements?

The key achievements for the management of the funding allocation system (MOFAS) were as follows:

- We maximised benefit delivery of the 2009–2012 NLTP to transport users by using the borrowing facility to manage the cash flow.
- We developed the 2012–15 NLTP that shapes investment in the land transport system.
- We actively contributed to the Land Transport Management Act (LTMA) and Resource Management Act (RMA) reviews.
- We completed development of the State Highway Network Strategy and Network Access and Use Strategy.
- We worked with investment partners to influence the integration of land use and transport planning.
- We delivered audit and monitoring programmes to expectations.
- We completed quarterly monitoring and reporting on the delivery of the Road Policing Programme.

How do we assess our service delivery performance?

	ACTUAL 2011/12	TARGET 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
Total cost of managing the funding allocation system as a % of NLTP expenditure (26)	1.03%	<1%	-0.03%	<1%
% of audit programme completed (27)	100%	100%	-	-
% of activities that are delivered to agreed standards and timeframes (28)	81%	90%	-9%	-
% of NLTP expenditure claims and approved contract or payments paid by the due date (29)	100%	100%	-	-
Average number of days taken to deliver (30)	24	27	+3	-

How was the money spent?*

	ACTUAL 2011/12 $000	BUDGET 2011/12 $000	VARIANCE 2011/12 $000	ACTUAL 2010/11 $000
Income§	29,371	29,000	371	30,709
Expenditure	29,891	29,000	(891)	31,233
Net surplus/(deficit)	(520)	0	(520)	(524)

[3] For detailed information about the Road Policing Programme refer to page 181.

For notes see appendix 2 on page 90.

* Full output class financials are set out in the appendix.

§ Actual revenue is recognised by the NZTA before final expenditure is known and is therefore based on the latest forecast available at the time. This means that in particular instances a surplus or a deficit may appear in some of the output classes where none was budgeted. This was the case in 2011/12 due to a higher-than-usual degree of uncertainty around the level of the claims from approved organisations as 2011/12 was the last year of the first three-year NLTP and the possibility to carry-forward unclaimed amounts would be lost.

How do we interpret our performance results?

NZTA service delivery

MOFAS achieved 3 out of the 5 service delivery performance targets this year. Key variances against targets include the following:

› The cost of managing the funding allocation system was slightly more than the 1% target for 2011/12, following a planned reduction in funding and intensified activity in certain areas for new projects and priorities, in addition to planned and budgeted activities. This was further complicated by a moratorium placed on new works as a result of unexpected cash flow difficulties.

› Process improvements are being embedded, ensuring that effective information is captured and non-compliance issues are reduced, properly mitigated and managed. This is evidenced by the significant reduction in the average number of days to process and approve new activities in the National Land Transport Programme.

Financial results

MOFAS expenditure was $891,000 over budget due to:

› unrecoverable costs from the Rugby World Cup 2011 and additional priority projects such as the transport planning review and Road Maintenance Taskforce

› specialist consultancy support on the implementation of the Public Transport Operating Model and wider policy work on public transport effectiveness and support to the planning and investing outcomes model

› additional depreciation related to adjusting the life of the Transport Information Online asset in preparation for interfacing with the SAP Enable project

Offsetting the above over-spend, efficiency gains were achieved with a streamlined resource allocation on taxi enforcement activity.

SCOPE OF OUTPUT CLASS: Managing, monitoring and advising transport sector stakeholders on the allocation of National Land Transport Funds, as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003.

NEW AND IMPROVED INFRASTRUCTURE FOR STATE HIGHWAYS AND CROWN CONTRIBUTION TO ACCELERATED STATE HIGHWAY CONSTRUCTION

What does the NZTA do?

Under these output classes, the NZTA manages and invests in state highway network infrastructure to reduce the number and severity of crashes and improve travel time and reliability between destinations connected by the network. The NZTA does this in a socially and environmentally responsible way.

How does this output contribute to desired transport impacts?

Improvements to state highway infrastructure have an impact on the resilience and security of the whole road network, improved efficiency of freight supply chains and the easing of severe congestion. Improved road engineering is also a significant factor in reducing the risk of road crashes.

For further details see appendix 1, page 88.

What were our key achievements?

The key achievements for new and improved infrastructure for state highways and Crown contribution to accelerate state highway construction were as follows:

- We commenced the construction of the Waterview Connection, meeting targets for the first year, including the procurement of a tunnel boring machine.
- We actively progressed the RoNS programme, with notable achievements including the consenting of Transmission Gully in Wellington, and agreeing a preferred option for other RoNS in earlier stages of development.
- We maintained progress on large non-RoNS projects, including the replacement of Newmarket Viaduct and the commencement of the Atiamuri Bridge replacement.
- We completed 12 of 13 large projects to operational level, including the Victoria Park Tunnel, Hobsonville Deviation and Kopu Bridge Replacement, with another large project currently on hold due to the Christchurch earthquakes.
- We completed 25 of the 29 planned small projects, with the remainder well into construction and close to completion.

How do we assess our service delivery performance?

	ACTUAL 2011/12	TARGET 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
% of NZTA audit programme completed (33)	94%	100%	-6%	New measure
% of activities that are delivered to agreed standards and timeframes (34)	90%	>90%	-	New measure

How was the money spent?*

	ACTUAL 2011/12 $000	BUDGET 2011/12 $000	VARIANCE 2011/12 $000	ACTUAL 2010/11 $000
Income§	806,950	909,700	(102,750)	1,154,261
Expenditure	888,295	924,000	35,705	1,137,789
Net surplus/(deficit)	(81,345)	(14,300)	(67,045)	16,472

How do we interpret our performance results?

NZTA service delivery

New and improved infrastructure for state highways and Crown contribution to accelerated state highway construction achieved most of its performance targets.

- With revenue constraints, expenditure was kept to a minimum while managing to achieve the majority of planned construction completions, therefore releasing almost the full amount of planned benefits onto the network.
- This success was accomplished through investment in priority activities, with around 65% of investments focused on the development and delivery of the RoNS programme.

Financial result

- Expenditure on new and improved infrastructure of state highways was $35.7m under budget.
- Financial targets were adjusted during the year to manage cash-flow pressures across the NLTP. The actual out-turn aligns well with the revised agreed expenditure target.

SCOPE OF OUTPUT CLASS: Capital works for new infrastructure for state highways, as authorised by section 9 (3) and (4) of the Land Transport Management Act 2003.

Contributing towards the purchase of state highway improvements as outlined in the 2006/07 State Highway Forecast.

For notes see appendix 2 on page 90.

* Full output class financials are set out in the appendix.

§ Actual revenue is recognised by the Agency before final expenditure is known and is therefore based on the latest forecast available at the time. This means that in particular instances a surplus or a deficit may appear in some of the output classes where none was budgeted. This was the case in 2011/12 due to a higher than usual degree of uncertainty around the level of the claims from Approved Organisations as 2011/12 was the last year of the first 3 year NLTP and the possibility to carry-forward unclaimed amounts would be lost.

RENEWAL OF STATE HIGHWAYS

What does the NZTA do?

Under this output class, the NZTA manages and invests in renewal of existing state highway network infrastructure to maintain standards of skid resistance and rutting, and to intervene at the optimal time to reduce exposure to future maintenance costs arising from wear and tear on our roads.

How does this output contribute to desired transport impacts?

Renewal of state highway infrastructure helps ensure that the impacts that existing infrastructure has on the transport system are sustained. That infrastructure contributes to the resilience and security of the whole road network, the efficiency of freight supply chains, the easing of congestion and reduction in the risk of road crashes.

For further details see appendix 1, page 88.

What were our key achievements?

The key achievements for renewal of state highways were as follows:

- We completed 1344km of pavement renewals including chip sealing and pavement rehabilitation.
- We completed 147km of pavement rehabilitation renewal (a complete renewal of the full depth of the highway pavement).

This was achieved despite the programme being reduced to remain within the funding constraints and despite an increased unit rate to apply more sophisticated treatments, and an increasing proportion of the work on heavy traffic routes.

How do we assess our service delivery performance?

	ACTUAL 2011/12	TARGET 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
% of NZTA audit programme completed (35)	100%	100%	–	New measure
% of activities that are delivered to agreed standards and timeframes (36)	93%	>90%	+3%	New measure
Safe stopping: % of travel on network above skid threshold (37)	97.6%	98%	-0.4%	96.9%
Smooth ride: % of rutting >20mm over state highway network (38)	0.8%	<1%	+0.2%	<1%

How do we assess our investment performance?

	ACTUAL 2011/12	FORECAST	VARIANCE 2011/12	ACTUAL 2010/11
Cost of renewal of the network excluding emergency reinstatement (cents per vehicle kilometre travelled) (39)	0.99 c/vkt	0.95–1.05 c/vkt	–	0.97 c/vkt
Cost of renewals (excluding emergency reinstatement) per network lane km	$8,552	$8,330	-$222	$8,356

How was the money spent?*

	ACTUAL 2011/12 $000	BUDGET 2011/12 $000	VARIANCE 2011/12 $000	ACTUAL 2010/11 $000
Income§	199,731	205,000	(5,269)	205,112
Expenditure	199,731	205,000	5,269	205,112
Net surplus/(deficit)	0	0	0	0

How do we interpret our performance results?

NZTA service delivery and investment

Renewal of state highways achieved all performance targets for the year while working within the reduced funding constraints. This was achieved by:

- targeting high-priority deteriorating sections of the state highway, and particularly by prioritising high-quality surfaces and replacing road pavements that were in poor condition or misshapen
- focusing on targeted treatments for local conditions in order to deliver the most appropriate level of service for our customer, directed at our higher traffic volume highways.

Financial results

- Renewal of state highways ended the year on budget.

SCOPE OF OUTPUT CLASS: Renewal work on the state highway network, as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003.

For notes see appendix 2 on page 90.

* Full output class financials are set out in the appendix.

§ Actual revenue is recognised by the NZTA before final expenditure is known and is therefore based on the latest forecast available at the time. This means that in particular instances a surplus or a deficit may appear in some of the output classes where none was budgeted. This was the case in 2011/12 due to a higher-than-usual degree of uncertainty around the level of the claims from approved organisations as 2011/12 was the last year of the first three-year NLTP and the possibility to carry-forward unclaimed amounts would be lost.

MAINTENANCE AND OPERATION OF STATE HIGHWAYS

What does the NZTA do?

Under this output class the NZTA:

- maintains the road and the roadside to ensure it is in the safest possible condition for users
- maintains the state highway network to ensure it continues to provide a reliable journey
- operates the state highway network to ensure that customers are aware of conditions before they travel and that it is safe and reliable when they do travel.

How does this output contribute to desired transport impacts?

Maintenance of state highway infrastructure helps ensure that the impacts the established network has on the transport system are sustained. Sound management of maintenance activities and of the operation of the network have a broad impact on better use of transport capacity, ensuring network resilience and security, freight supply chain efficiency, and reducing urban congestion and the risk of road crashes.

For further details see appendix 1, page 88.

What were our key achievements?

The key achievements for maintenance and operation of state highways were as follows:

- We maintained a consistent and safe environment on the state highway network. The state highway network remained open and available throughout the year (99.6% availability). Where there were closures, alternative routes were generally available for travellers. The most high-profile closure was caused by the Manawatu Gorge slip, which contributed to the higher-than-anticipated expenditure on emergency reinstatement.
- Alongside Auckland Transport, we established joint management of traffic operations across Auckland to provide an increasingly seamless experience for customers across state highways and local roads. We are currently working toward establishing a similar operation in Christchurch to deal with the after-effects of the earthquakes.
- Together with the Auckland Motorway Alliance, we are in the fourth year of our 10-year maintenance contract, with overall savings of 19% of previous costs while continuing to achieve the required levels of service.

How do we assess our service delivery performance?

	ACTUAL 2011/12	TARGET 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
% of activities that are delivered to agreed standards and timeframes (41)	100%	100%	–	New measure
% of NZTA audit programme completed (40)	100%	100%	–	New measure
Safe stopping: % of network meeting surface texture standards (42)	99.7%	98%	+1.7%	99.7%
Smooth ride: % of travel on network classed as smooth (43)	99%	97%	+2%	99%
% of availability of state highway network (44)	99.6%	100%	-0.4	99.5%

How do we assess our investment performance?

	ACTUAL 2011/12	TARGET 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
Cost of emergency reinstatement	$65.3m	$37m	-$28.3m	$52.7m
Cost of maintaining and operating the network excluding emergency reinstatement (cents per vehicle kilometre travelled) (45)	1.38 c/vkt	1.25–1.45 c/vkt	–	1.25 c/vkt
Cost of maintaining and operating the network excluding emergency reinstatement ($ per lane km)	$11,949	$11,000–$12,000	–	$10,802

How was the money spent?*

	ACTUAL 2011/12 $000	BUDGET 2011/12 $000	VARIANCE 2011/12 $000	ACTUAL 2010/11 $000
Income§	365,325	315,964	49,361	329,572
Expenditure	345,844	315,865	(29,979)	329,001
Net surplus/(deficit)	19,481	99	19,382	571

How do we interpret our performance results?

NZTA service delivery and investment

Maintenance and operation of state highways achieved all of the service delivery performance targets. Notably:

- Road maintenance and active management of traffic flow incidents and events has ensured state highways were generally available for use by customers. For instance, access to alternative routes adjacent to the Manawatu Gorge was provided while 380,000m^2 of slip in the gorge was cleared.
- We replaced damaged bridges to restore the state highway between Palmerston North and Woodville.
- We actively met network condition targets.

Additionally, we achieved two of the three investment forecasts. The exception was the significant overspend on emergency reinstatement due to natural disasters and adverse weather events.

Financial results

- Maintenance and operation of state highway expenditure was $30m over budget as a result of the additional expenditure required on emergency reinstatement work.

SCOPE OF OUTPUT CLASS: Assisting the Canterbury region to implement a land transport package.

For notes see appendix 2 on page 90.

* Full output class financials are set out in the appendix.

§ Actual revenue is recognised by the NZTA before final expenditure is known and is therefore based on the latest forecast available at the time. This means that in particular instances a surplus or a deficit may appear in some of the output classes where none was budgeted. This was the case in 2011/12 due to a higher than usual degree of uncertainty around the level of the claims from approved organisations as 2011/12 was the last year of the first three-year NLTP and the possibility to carry-forward unclaimed amounts would be lost.

SECTOR TRAINING AND RESEARCH

What does the NZTA do?

Under this output class, the NZTA purchases research to improve knowledge and investment decisions made in the land transport system. The research programme informs NZTA policies and guidelines and is made available to transport stakeholders and the general public. Sector training addresses gaps in core transport capability training that cannot be addressed by other means.

How does this output contribute to desired transport impacts?

Sector training and research contributes to all eight desired areas of impact – it does so indirectly and enables better delivery of all other outputs. The NZTA seeks to manage this output to maximise the overall benefit derived from all other outputs.

For further details see appendix 1, page 88.

What were our key achievements?

The key achievements for sector training and research[4] were as follows:

- We published 44 NZTA research programme reports. A further 30 research programme projects were completed and the associated reports were being finalised for publication as at June 2012. In addition, 35 research programme projects were being actively managed, including 21 new contracts which were commissioned and procured during 2011/12.
- We commissioned research on issues relevant to the Road Maintenance Taskforce review.
- We approved 27 research programme topics for investment in the upcoming 2012/13 financial year.
- We published seven NZTA research newsletters to promote the increased number of research reports being published.
- We transitioned graduate engineering courses at the New Zealand Institute of Highway Technology, University of Auckland and University of Canterbury to a self-sustaining platform.
- We invested in the development of a Safe System Training Programme which will be delivered during the 2012/13 year.

How do we assess our service delivery performance?

	ACTUAL 2011/12	TARGET 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
% of activities that are delivered to agreed standards and timeframes (31)	97%	100%	-3%	100%

How was the money spent?*

	ACTUAL 2011/12 $000	BUDGET 2011/12 $000	VARIANCE 2011/12 $000	ACTUAL 2010/11 $000
Income	5,002	6,000	(998)	3,408
Expenditure	3,858	6,000	2,142	3,391
Net surplus/(deficit)	1,144	0	1,144	17

How do we interpret our performance results?

NZTA service delivery

Sector training and research achieved a high level of service delivery performance this year.

- Research activities were measured against three components, namely agreed cost, peer reviews completed and timeliness.
  - Cost and peer reviews achieved 100% and project timing achieved 83% resulting in a 94% rating for research programme activities.
  - 100% of training activities were delivered to contracted standards and timeframes.
- Overall, 97% of sector training and research activities were delivered to agreed standards and timeframes.
- This was a great outcome given the considerable research programme activity during the year, as summarised above.

Financial results

Expenditure on sector training and research ended the year $2.1m below budget for the following reasons:

- $1m is due to the requirement for a high degree of strategic fit, which resulted in a lower level of research proposals securing investment.
- A further $1m was credited to the programme at the end of the year due to a revision of the accounting treatment applied to research commitments.

SCOPE OF OUTPUT CLASS: Research and transport sector capability development, as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003.

[4] www.nzta.govt.nz/planning/programming/research.html

For notes see appendix 2 on page 90.

* Full output class financials are set out in the appendix.

OUTPUT CLASSES THE NZTA PARTLY DELIVERS ALONG WITH LOCAL AUTHORITIES

PUBLIC TRANSPORT INFRASTRUCTURE

What does the NZTA do?

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

How does this output contribute to desired transport impacts?

Public transport infrastructure has its greatest impact through facilitating more transport choices in urban areas. It enables better use of existing transport capacity and easing congestion, aids transport system resilience and security, and provides for one of the safest transport modes.

For further details see appendix 1, page 88.

What were our key achievements?

The key achievements for public transport infrastructure were as follows:

- We continued developing the Auckland Integrated Fares System (AIFS).
- We invested in upgrading rail stations in and around Auckland.
- We progressed further development of the Manukau Transport Interchange and city rail link.
- We implemented a real-time information system for the Wellington bus network.

How do we assess our service delivery performance?

	ACTUAL 2011/12	TARGET 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
% of activities that are delivered to agreed standards and timeframes (46)	92%	100%	-8%	100%

How was the money spent?*

	ACTUAL 2011/12 $000	BUDGET 2011/12 $000	VARIANCE 2011/12 $000	ACTUAL 2010/11 $000
Income	35,019	55,000	(19,981)	44,667
Expenditure	18,070	55,000	36,930	31,519
Net surplus/(deficit)	16,949	0	16,949	13,148

How do we interpret our performance results?

NZTA service delivery

Public transport infrastructure did not achieve the target to deliver the programme of work to agreed timeframes. This is partly due to slower-than-anticipated delivery of key large public infrastructure projects specifically in rail, and public transport technology-related projects such as the National Integrated Ticketing Programme.

Financial results

Public transport infrastructure expenditure ended the year $36.9m below budget due to:

- delays in the delivery of key large public infrastructure projects, specifically:
  - deferral in purchasing additional property for the underground bus exchange in Christchurch as a result of the earthquake
  - design complications in the Downtown and Hobsonville ferry wharf upgrade
  - incompatibility and development issues with the Manukau city rail link and real-time passenger information system with on-street bus facilities, which was offset by delivering the real-time system for Wellington buses (exchanged for 2012–13)
  - delay in final delivery of part of the AIFS project due to a compliance issue
- an underspend on the National Integrated Ticketing Programme resulting from:
  - lower consultant costs due to reduced certification activity as the development of AIFS is slower than originally planned
  - a lengthening to the timetable for development of the public transport data warehouse in order to ensure a more complete and robust solution
- a moratorium set on new project starts as a mechanism to manage cash-flow pressures.

SCOPE OF OUTPUT CLASS: Renewal and improvement of infrastructure to support public transport and non-commercial public transport services are authorised under section 9 (3) and (4) of the Land Transport Management Act 2003.

For notes see appendix 2 on page 90.

* Full output class financials are set out in the appendix.

TRANSPORT PLANNING

What does the NZTA do?

Under this output class the NZTA invests in and influences:

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

How does this output contribute to desired transport impacts?

Transport planning contributes to seven of our eight desired impact areas, excluding more efficient vehicle fleets, by providing greater certainty for regional land transport strategies and programmes, infrastructure development, and activity management and investment in New Zealand's transport system.

For further details see appendix 1, page 88.

What were our key achievements?

The key achievements for transport planning were as follows:

- Regional and unitary councils completed and consulted on 17 regional land transport programmes in preparation for the development of the 2012–15 National Land Transport Programme.
- We contributed to the development of the Auckland Plan.
- We contributed to and invested in Wellington planning and Christchurch recovery planning, and sub-regional transport plans for the Auckland Southern Initiative area, Central Auckland and Wellington's passenger transport spine. The value of collaborating with local government to optimise transport's contribution to enabling economic growth and safety is estimated at up to 10% of the improvements spend, ie up to $100 million per year.
- We contributed to and invested in regional council passenger transport planning, including bus route reviews of the three main centres – Auckland, Wellington and Christchurch.
- We were actively involved in the development of upper north island, central and south island freight plans to optimise the supply chain, and provide early investment signals for strategic freight routes, and
- We completed the National State Highway Activity Management Plan to optimise the maintenance and operation spend on the state highway network.

How do we assess our service delivery performance?

	ACTUAL 2011/12	TARGET 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
% of activities that are delivered to agreed standards and timeframes (47)	87%	90%	-3%	N/A

How was the money spent?*

	ACTUAL 2011/12 $000	BUDGET 2011/12 $000	VARIANCE 2011/12 $000	ACTUAL 2010/11 $000
Income§	25,088	26,000	(912)	23,259
Expenditure	22,614	26,000	3,386	23,195
Net surplus/(deficit)	2,474	0	2,474	64

How do we interpret our performance results?

NZTA service delivery

Transport planning was unable to fully achieve the service delivery performance target this year.

- The sequencing of the programme was changed to better integrate with key regional planning work including the Auckland Plan.
- These programme adjustments were made to deliver greater value through joined-up planning and to potentially deliver cost efficiencies.

In summary, transport planning has performed strongly, delivering a quality contribution and programme efficiencies to maximise our contribution to integrated network planning. The incomplete portion of the programme of work will be carried forward into the 2012/13 programme.

Financial results

Transport planning expenditure ended the year $3.4m below budget due to programme adjustments and consequent delays in delivering some activities.

SCOPE OF OUTPUT CLASS: Developing plans for improving the transport network and systems, as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003.

For notes see appendix 2 on page 90.

* Full output class financials are set out in the appendix.

§ Actual revenue is recognised by the NZTA before final expenditure is known and is therefore based on the latest forecast available at the time. This means that in particular instances a surplus or a deficit may appear in some of the output classes where none was budgeted. This was the case in 2011/12 due to a higher-than-usual degree of uncertainty around the level of the claims from approved organisations as 2011/12 was the last year of the first three-year NLTP and the possibility to carry-forward unclaimed amounts would be lost.

ROAD USER SAFETY

What does the NZTA do?

Under this output class, the NZTA manages and invests in activities that contribute to the safe, efficient and effective use of land transport networks and services, including road user advertising, education and information initiatives that contribute to the high and medium priority areas of the Safer Journeys strategy.

How does this output contribute to desired transport impacts?

Road user safety contributes to a reduction in deaths and serious injuries from road crashes, by influencing the behaviour of drivers and other road users.

For further details see appendix 1, page 88.

What were our key achievements?

The key achievements for road user safety were as follows:

- We launched the *Legend* ('ghost chips') advertising campaign in October 2011, which received national and international recognition, including:
  - the International Advertising D&AD Awards: Integrated and Earned Media – yellow pencil
  - New Zealand's StopPress/ThinkTV Advertising Awards – TVC of the Year.
- We placed the fatigue-related Sneak up advertisements on the Interislander and won gold at the CAPLES Direct Marketing New York Awards Show.
- We launched an intensive public information campaign in March to communicate the changes to the give way rules. The implementation of these changes was extremely successful and the campaign has been shortlisted as a finalist in the Public Sector Award at the TVNZ Marketing Awards which will be held in August 2012.

How do we assess our service delivery performance?

	ACTUAL 2011/12	TARGET 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
% of activities that are delivered to agreed standards and timeframes (48)	100%	>90%	+10%	N/A
% of unprompted recall of road safety TV advertising by target audience (49)	78%	70%[5]	+8%	73%
% of road safety target audience that rate advertising as relevant to them (50)	53%	≥60%	-7%	51%

How was the money spent?*

	ACTUAL 2011/12 $000	BUDGET 2011/12 $000	VARIANCE 2011/12 $000	ACTUAL 2010/11 $000
Income§	40,841	43,000	(2,159)	33,001
Expenditure	41,097	43,000	1,903	32,290
Net surplus/(deficit)	(256)	0	(256)	711

How do we interpret our performance results?

NZTA service delivery

Road user safety achieved or exceeded 2 of the 3 service delivery performance targets.

- The NZTA investment in local authorities continues to address local safety issues and increase alignment to the Safer Journeys priorities.
- Activities targeting alcohol and drugs, speed and young road users continue to track well, with minor setbacks on target audience perception on the relevance of driver education. To date, drug-driving is not perceived as relevant to a large part of our audience. Road user safety is actively working to improve on that, with drug-driving and young driver campaigns targeted to improve awareness rather than compel behavioural change.

Financial results

- Road user safety expenditure was $1.9m under budget, although investment expenditure was higher than the previous financial year with investment partners completing the final year of their three-year programmes. This is in line with expectations, and represents strong delivery against the approved allocations.

SCOPE OF OUTPUT CLASS: Managing, monitoring and advising transport sector stakeholders on the allocation of National Land Transport Funds, as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003.

[5] Low target due to Safer Journeys' focus on youth, which is more difficult to achieve unprompted recall.

For notes see appendix 2 on page 90.

* Full output class financials are set out in the appendix.

§ Actual revenue is recognised by the NZTA before final expenditure is known and is therefore based on the latest forecast available at the time. This means that in particular instances a surplus or a deficit may appear in some of the output classes where none was budgeted. This was the case in 2011/12 due to a higher-than-usual degree of uncertainty around the level of the claims from approved organisations as 2011/12 was the last year of the first three-year NLTP and the possibility to carry-forward unclaimed amounts would be lost.

ADMINISTRATION OF THE SUPERGOLD CARDHOLDERS SCHEME AND ENHANCED PUBLIC TRANSPORT CONCESSIONS FOR SUPERGOLD CARDHOLDERS

What does the NZTA do?

Under the first output class (administration of the SuperGold cardholders scheme), the NZTA and regional councils administer the SuperGold cardholders scheme. Under the second output class (enhanced public transport concessions for SuperGold cardholders) the NZTA provides funding to regional councils for the provision of enhanced public transport concessions for SuperGold cardholders.

Both outputs are funded as specific projects by the Crown. The NZTA manages the scheme on behalf of the Ministry of Transport. The local authorities participating in the scheme are mostly (but not all) regional councils. All are referred to here as 'regional councils'.

How does this output contribute to desired transport impacts?

The SuperGold cardholders concessionary fare scheme has its greatest impact on better use of existing transport facilities – public transport. A lesser impact will be felt through a reduction in the risk of road crashes, as public transport is safer than private vehicle use, and through more transport mode choice for the elderly.

For further details see appendix 1, page 88.

What were our key achievements?

The key achievements for administration of the SuperGold cardholders scheme and enhanced public transport concessions for SuperGold cardholders were as follows:

- 10.6 million SuperGold card trips were made during the year.
- We prepared guidance on which services continue to be eligible to receive SuperGold card payments while the government's moratorium on new services remains in place.

How do we assess our service delivery performance?

	ACTUAL 2011/12	TARGET 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
% of activities that are delivered to agreed standards and timeframes (32)	100%	100%	-	100%

How was the money spent?*

	ACTUAL 2011/12 $000	BUDGET 2011/12 $000	VARIANCE 2011/12 $000	ACTUAL 2010/11 $000
Income	21,385	23,000	(1,615)	20,870
Expenditure	21,385	23,000	1,615	20,871
Net surplus/(deficit)	0	0	0	(1)

How do we interpret our performance results?

NZTA service delivery

- Administration of the SuperGold cardholders scheme and enhanced public transport concessions for SuperGold cardholders delivered all its activities to agreed standards, processing claims within the agreed timeframe.

Financial results

Administration of the SuperGold cardholders scheme and enhanced public transport concessions for SuperGold cardholders expenditure was $1.6m below budget due to:

- changes to the reimbursement rate
- removal of the administration grant for approved organisations.

SCOPE OF OUTPUT CLASS: Managing, monitoring and advising transport sector stakeholders on the allocation of National Land Transport Funds, as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003.

For notes see appendix 2 on page 90.

* Full output class financials are set out in the appendix.

OUTPUT CLASSES THE NZTA INVESTS IN, BUT DOES NOT DELIVER SERVICES FOR

NEW AND IMPROVED INFRASTRUCTURE FOR LOCAL ROADS

What does the NZTA do?

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

How does this output contribute to desired transport impacts?

New and improved infrastructure for local roads helps increase the resilience and security of freight supply chains and ease severe congestion. Improved road engineering also significantly helps reduce the risk of road crashes.

For further details see appendix 1, page 88.

What were our key achievements?

The key achievements for new and improved infrastructure for local roads were continued investment in the following major projects:

- Lower Hatea Bridge in Whangarei
- New Lynn transport development in Auckland
- investigation and design of the AMETI transport improvement package in Mt Wellington
- Hamilton Eastern Ring Road.

How do we assess our service delivery performance?

	ACTUAL 2011/12	TARGET 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
See 'Management of the funding allocation system' (MOFAS) for service delivery measures.				

How do we assess our investment performance?

	ACTUAL 2011/12	TARGET 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
Length of road construction and new roads completed (lane km)	230	120–200	+30	165
Length of bridge replacements (lane metres)	400	Approx 1,200	-800	1,822

How was the money spent?*

	ACTUAL 2011/12 $000	BUDGET 2011/12 $000	VARIANCE 2011/12 $000	ACTUAL 2010/11 $000
Income§	137,000	165,000	(28,000)	163,142
Expenditure	110,132	165,000	54,868	163,142
Net surplus/(deficit)	26,868	0	26,868	0

How do we interpret our performance results?

NZTA investment

New and improved infrastructure for local roads exceeded 1 of the 2 investment performance forecasts:

- 230 lane kilometres of new roads were completed and/or improved against a forecast of 120–200 kilometres.
- However, length of bridge replacements was significantly less than 2010/11 due to the moratorium on new project approvals as a mechanism to manage the NLTF cash-flow position.

Financial results

Expenditure on new and improved infrastructure for local roads was $54.9m below budget due to the moratorium placed on new project approvals as one of the mechanisms used to manage the NLTF cash-flow position.

SCOPE OF OUTPUT CLASS: Management and delivery of improvement of local roads, as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003.

For notes see appendix 2 on page 90.

* Full output class financials are set out in the appendix.

§ Actual revenue is recognised by the NZTA before final expenditure is known and is therefore based on the latest forecast available at the time. This means that in particular instances a surplus or a deficit may appear in some of the output classes where none was budgeted. This was the case in 2011/12 due to a higher-than-usual degree of uncertainty around the level of the claims from approved organisations as 2011/12 was the last year of the first three-year NLTP and the possibility to carry-forward unclaimed amounts would be lost.

RENEWAL OF LOCAL ROADS

What does the NZTA do?

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

How does this output contribute to desired transport impacts?

Renewal of local road infrastructure helps ensure that the impacts the established local road network has on the transport system are sustained. These impacts include maintaining the resilience and security of the whole road network, the efficiency of freight supply chains, the easing of congestion and reducing the risk of road crashes.

For further details see appendix 1, page 88.

What were our key achievements?

The key achievement for the renewal of local roads was that network performance has remained stable. However, delivery of expected outputs through investment in renewals has slipped. The NLTP set investment and forecasted expenditure levels significantly higher than end-of-year outturn. This result, although not nationally consistent, is due to a number of councils either choosing to reduce investment in their roading network or choosing to move funds into reactive routine activities.

How do we assess our service delivery performance?

	ACTUAL 2011/12	TARGET 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
See 'Management of the funding allocation system' (MOFAS) for service delivery measures.				

How do we assess our investment performance?

	ACTUAL 2011/12	TARGET 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
% of sealed network resurfaced (based on road length in lane km)	6%	>6%	-	5.4%
% of network rehabilitated (based on road length in lane km)	0.7%	1–2%	-0.3%	0.6%
% of unsealed network metalled (based on road length in centreline km)	28.9%	20–35%	-	20%
Pavement integrity of the sealed network (steady trend) (51)	93.7	Maintain	-4	93.7
Surface condition of the sealed network (steady trend) (52)	97.9	Maintain	-	97.7
Cost of renewal of the network excluding emergency reinstatement (cents per vehicle kilometre travelled) (53)	0.87 c/vkt	0.94–0.99 c/vkt	+0.07 c/vkt	0.93 c/vkt
Cost of renewals (excluding emergency reinstatement) per network lane km (54)	$1,240	$1,200–$1,400	-	$1,319

How was the money spent?*

	ACTUAL 2011/12 $000	BUDGET 2011/12 $000	VARIANCE 2011/12 $000	ACTUAL 2010/11 $000
Income§	185,000	235,000	(50,000)	205,500
Expenditure	188,227	235,000	46,773	205,499
Net surplus/(deficit)	(3,227)	0	(3,227)	1

For notes see appendix 2 on page 90.

* Full output class financials are set out in the appendix.

§ Actual revenue is recognised by the NZTA before final expenditure is known and is therefore based on the latest forecast available at the time. This means that in particular instances a surplus or a deficit may appear in some of the output classes where none was budgeted. This was the case in 2011/12 due to a higher-than-usual degree of uncertainty around the level of the claims from approved organisations as 2011/12 was the last year of the first three-year NLTP and the possibility to carry-forward unclaimed amounts would be lost.

How do we interpret our performance results?

NZTA investment

Renewal of local roads has achieved 5 of the 7 investment performance forecasts for the year.

- Costs per measured network unit are lower than forecast. This has been consistent over a number of years and demonstrates that network managers are focused on achieving good value for money through targeted asset management interventions. This is evidence of a response to sector messages related to delivery of improved efficiencies through the maintenance spend.
- Pavement rehabilitation activity is significantly below forecast with only 11 councils completing close to or over 1% pavement renewal on their network. Nationally pavement integrity performance remains stable. With increasing heavy vehicle travel on significant portions of the roading network, close condition monitoring will be required and risks will need to be considered during asset management planning.

Financial results

Renewal of local roads expenditure is $46.8m under budget in delivering planned programmes of activities due to:

- Canterbury local authorities deferring planned expenditure in renewals to support funding of local share of emergency reinstatement activities
- the Northland, Otago/Southland and Waikato/BoP regions producing the most significant variations to programmed activities
- Auckland Transport agreeing to accept a lower funding assistance rate for its renewals programme due to the NLTF cash-flow position, thereby reducing the NZTA's investment by $38 million.

SCOPE OF OUTPUT CLASS: Management and delivery of improvement of local roads, as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003.

MAINTENANCE AND OPERATIONS OF LOCAL ROADS

What does the NZTA do?

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

How does this output contribute to desired transport impacts?

Maintenance of local road infrastructure helps ensure that the impacts the established networks have on the transport system are sustained. Sound management of maintenance activities and of the operation of the network have a broad impact including on better use of transport capacity, ensuring network resilience and security, freight supply chain efficiency, and reducing urban congestion and the risk of road crashes.

For further details see appendix 1, page 88.

What were our key achievements?

The key achievements for the maintenance and operation of local roads were as follows:

- We met the Canterbury earthquake response cost through a combined NLTF and Crown funding arrangement.
- We contributed to the reinstatement of the network in various regions following emergency events.
- We provided flexibility in the funding arrangements for councils to respond to changing demands.
- We maintained an appropriate level of service on the local roads network.

How do we assess our service delivery performance?

	ACTUAL 2011/12	TARGET 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
See 'Management of the funding allocation system' (MOFAS) for service delivery measures.				

How do we assess our investment performance?

	ACTUAL 2011/12	FORECAST 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
Smooth ride – % of travel on smooth roads	85.7%	>80%	+5.7%	87%
Cost of emergency reinstatement	$92m	$57m	$35m	$109m
Cost of maintaining and operating the network (excluding emergency reinstatement) per network lane km (55)	$1,320	$1,200–$1,350	–	$1,052
Cost of maintaining and operating the network excluding emergency reinstatement (cents per vehicle kilometre travelled) (56)	0.93 c/vkt	0.9–0.95 c/vkt	–	0.75 c/vkt

How was the money spent?*

	ACTUAL 2011/12 $000	BUDGET 2011/12 $000	VARIANCE 2011/12 $000	ACTUAL 2010/11 $000
Income§	275,000	277,000	(2,000)	274,768
Expenditure	292,639	277,000	(15,639)	304,182
Net surplus/(deficit)	(17,639)	0	(17,639)	(29,414)

For notes see appendix 2 on page 90.

* Full output class financials are set out in the appendix.

§ Actual revenue is recognised by the NZTA before final expenditure is known and is therefore based on the latest forecast available at the time. This means that in particular instances a surplus or a deficit may appear in some of the output classes where none was budgeted. This was the case in 2011/12 due to a higher-than-usual degree of uncertainty around the level of the claims from approved organisations as 2011/12 was the last year of the first three-year NLTP and the possibility to carry-forward unclaimed amounts would be lost.

How do we interpret our performance results?

NZTA investment

Maintenance and operation of local roads achieved 3 of the 4 investment performance targets this year. Notably:

- Network performance for smooth travel, though slightly lower by 1.3% compared to last year, is still 5.7% higher than target. This is, in part, an ongoing impact on ride quality in Christchurch city due to the earthquake damage.
- A significant increase in the cost of emergency reinstatement results from both our contribution to the response work in Canterbury and the significant number of storm events experienced during the year.
- The cost of maintaining the local roads per network lane km and per vehicle kilometres travelled is within the expected range but slightly higher than the previous year. This is influenced by many local authorities driving cost efficiencies through their programme management amidst increasing treatment costs.

Financial results

- Expenditure on maintenance and operation of local roads was $15.6m higher than anticipated. This was largely influenced by the increased need for emergency reinstatement funding in the Canterbury region, where we invested $51.7m from the NLTF to repair earthquake damage.

SCOPE OF OUTPUT CLASS: Management and delivery of improvement of local roads, as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003.

PUBLIC TRANSPORT SERVICES

What does the NZTA do?

Under this output class, the NZTA invests, in conjunction with approved organisations, in public road, rail and ferry (except for commercial services), and Total Mobility transport services.

How does this output contribute to desired transport impacts?

Public transport services have their greatest impact through offering more transport choices and easing congestion in urban areas. They allow for better use of existing transport capacity (especially when a bus replaces multiple single-occupant cars), aid transport system resilience and security, and offer one of the safest transport modes.

For further details see appendix 1, page 88.

What were our key achievements?

The key achievements for public transport services were as follows:

› We prioritised investment in public transport services and operations to networks where there will be the maximum investment return, and where public transport contributes to economic growth, particularly through the relief of severe congestion.

› We invested $231.3m across the country in public transport services and operations for 2011/12. 89% of this investment was in the major urban centres of Auckland, Wellington and Christchurch.

How do we assess our service delivery performance?

	ACTUAL 2011/12	TARGET 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
See 'Management of the funding allocation system' (MOFAS) for service delivery measures.				

How do we assess our investment performance?

	ACTUAL 2011/12	FORECAST 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
Number of passengers using urban public transport services (bus, train and ferry)	132.4m	125–135m	–	127.7m
% of users that rate public transport services as good or better	89.1	>75%	+14.1%	87.9%
Farebox recovery across networks				
Passenger	46.0%	40–50%	–	48.6%
Regional council	25.3%	25–30%	–	24.3%
NZTA	28.8%	25–30%	–	27.2%

How was the money spent?*

	ACTUAL 2011/12 $000	BUDGET 2011/12 $000	VARIANCE 2011/12 $000	ACTUAL 2010/11 $000
Income§	233,000	228,000	5,000	194,630
Expenditure	231,328	228,000	(3,328)	194,630
Net surplus/(deficit)	1,672	0	1,672	0

[6] The relative share paid by co-funding parties expressed as a % of total cost of service.

For notes see appendix 2 on page 90.

* Full output class financials are set out in the appendix.

° Not previously reported in the last annual report

§ Actual revenue is recognised by the NZTA before final expenditure is known and is therefore based on the latest forecast available at the time. This means that in particular instances a surplus or a deficit may appear in some of the output classes where none was budgeted. This was the case in 2011/12 due to a higher than usual degree of uncertainty around the level of the claims from approved organisations as 2011/12 was the last year of the first three-year NLTP and the possibility to carry-forward unclaimed amounts would be lost.

How do we interpret our performance results?

NZTA investment

Public transport services achieved/exceeded all its investment performance forecasts this year.

- Across the country, the number of passengers using urban public transport services, ie bus, train or ferry, increased by approximately 4.7m. Strong growth was recorded particularly in the Auckland (8%), Bay of Plenty (16%), Hawke's Bay (23%) and Northland (7%) regions, while a significant decline was experienced in Canterbury (14%) due to the ongoing effects of the February 2011 earthquake.
- National farebox recovery[6] was within the forecast range but down 2.6% compared to last year. A key driver for this decrease was the additional costs now being incurred in track access charges to KiwiRail.

Financial results

Public transport expenditure was $3.3m over budget as a result of:

- increased track access costs in Auckland and Wellington
- extra bus services introduced in Auckland and, to a lesser extent, smaller regions
- additional costs associated with the introduction and implementation of the Auckland Integrated Fares System (AIFS)
- one-off service-related costs associated with the Rugby World Cup (RWC).

SCOPE OF OUTPUT CLASS: Non-commercial public transport services as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003.

WALKING AND CYCLING

What does the NZTA do?

Under this output class, the NZTA invests in new and improved walking and cycling infrastructure for transport purposes and model community education and promotion activities. Walking and cycling facilities include: cycle paths, cycle lanes, new footpaths, facilities for crossing roads, shelters, and cycle parking facilities.

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

How does this output contribute to desired transport impacts?

Walking and cycling infrastructure has its main impact through facilitating more transport choices in urban environments where walking or cycling is offered to the community. Walking and cycling also helps reduce adverse environmental effects from land transport.

For further details see appendix 1, page 88.

What were our key achievements?

The key achievements for walking and cycling were as follows:

› We continued model community investment in Hastings and New Plymouth.

› We invested in the following projects:
- Rotorua CBD to Ngongotaha link
- Hutt City Eastern Bays shared path
- Auckland Dilworth footbridge replacement
- Otago SH88 walking and cycling extension.

How do we assess our service delivery performance?

	ACTUAL 2011/12	TARGET 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
See 'Management of the funding allocation system' (MOFAS) for service delivery measures.				

How do we assess our investment performance?

	ACTUAL 2011/12	FORECAST	VARIANCE 2011/12	ACTUAL 2010/11
Kilometres of new footpaths, cycle lanes and cycle paths	65.3	140–170	-74.7	135

How was the money spent?*

	ACTUAL 2011/12 $000	BUDGET 2011/12 $000	VARIANCE 2011/12 $000	ACTUAL 2010/11 $000
Income§	7,000	12,000	(5,000)	12,300
Expenditure	11,708	12,000	292	12,262
Net surplus/(deficit)	(4,708)	0	(4,708)	38

How do we interpret our performance results?

NZTA investment

Walking and cycling did not achieve the performance target this year as a result of the moratorium on new approvals contributing to a reduction in the length of new footpaths and cycle lanes developed and completed this year.

Financial results

› A late surge in local authority funding claims has ensured that the activity class has invested very close to the approved allocations.

› The income reflects third quarter expenditure forecasts, rather than approved funding. It is not reflective of over-expenditure within the activity class.

SCOPE OF OUTPUT CLASS: New and improved walking and cycling infrastructure for transport purposes, as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003.

For notes see appendix 2 on page 90.

* Full output class financials are set out in the appendix.

§ Actual revenue is recognised by the NZTA before final expenditure is known and is therefore based on the latest forecast available at the time. This means that in particular instances a surplus or a deficit may appear in some of the output classes where none was budgeted. This was the case in 2011/12 due to a higher than usual degree of uncertainty around the level of the claims from approved organisations as 2011/12 was the last year of the first three-year NLTP and the possibility to carry-forward unclaimed amounts would be lost.

RAIL AND COASTAL FREIGHT

What does the NZTA do?

Under this output class, the NZTA provides seed funding for the development of new or improved coastal shipping freight services and related infrastructure, and funds initiatives that encourage freight movement by rail and coastal shipping instead of by road.

The last of this funding was allocated in the 2009/10 financial year, and all funded projects were completed by the end of the 2011/12 financial year. As set out in the Government Policy Statement, no further funding will be appropriated to this output class.

How does this output contribute to desired transport impacts?

Rail and coastal freight contributes to the efficiency of freight supply chains and a reduction in the environmental effects of land transport. It does this by supporting rail and coastal shipping modes.

What were our key achievements?

› Rail and coastal freight output has been completed.

How do we assess our service delivery performance?

	ACTUAL 2011/12	TARGET 2011/12	VARIANCE 2011/12	ACTUAL 2010/11
See 'Management of the funding allocation system' (MOFAS) for service delivery measures.				

How was the money spent?*

	ACTUAL 2011/12 $000	BUDGET 2011/12 $000	VARIANCE 2011/12 $000	ACTUAL 2010/11 $000
Income	0	0	0	0
Expenditure	72	0	(72)	(121)
Net surplus/(deficit)	(72)	0	(72)	121

How do we interpret our performance results?

NZTA investment

Rail and costal freight payments over this financial year completed our commitments to this project.

The payments, based on the benefits to road users for the tonnage of log cartage transferred from road to rail, enabled the establishment of a rail siding for the ongoing commercial operation of this activity providing ongoing road user benefits.

Financial results

Rail and coastal freight performed as expected with the residual expenditure of the final approved activity taking place. There will be no further activity against this output class.

SCOPE OF OUTPUT CLASS: Activities that encourage the economical movement of freight by modes other than road, as authorised under section 9 (3) and (4) of the Land Transport Management Act 2003.

For notes see appendix 2 on page 90.

* Full output class financials are set out in the appendix.

APPENDIX 1: HOW OUR OUTPUTS CONTRIBUTE TO IMPACTS

The NZTA produced 20 outputs, each of which contributes to our desired long-term impacts in different ways. The following table sets out the contribution of our outputs to our desired long-term impacts.

OUTPUT CLASS	OUR DESIRED LONG TERM IMPACTS							
	Better use of existing transport capacity	More efficient freight supply chains	Resilient and secure transport network	Easing of severe urban congestion	More efficient vehicle fleets	Reductions in deaths and serious injuries from road crashes	More transport mode choices	Reduction in adverse environmental effects from road transport
Management of the funding allocation system	●	●	●	●		●	●	●
Transport planning	●	●	●	●		●	●	●
Sector research	●	●	●	●	●	●	●	●
Public transport**	●		●	●		●	●	●
Road safety					●	●		
Road Policing Programme*		●	●			●		
New and improved infrastructure for local roads*		●	●	●		●		
Renewal of local roads*	●	●	●	●				
Maintenance and operation of local roads*	●	●	●	●		●		●
Walking and cycling facilities*	●			●		●	●	●

OUTPUT CLASS	OUR DESIRED LONG TERM IMPACTS							
	Better use of existing transport capacity	More efficient freight supply chains	Resilient and secure transport network	Easing of severe urban congestion	More efficient vehicle fleets	Reductions in deaths and serious injuries from road crashes	More transport mode choices	Reduction in adverse environmental effects from road transport
Licensing and regulatory compliance		●			●	●		●
Road tolling	Revenue collection supports repayment of debt-funded infrastructure investment							
Motor vehicle registry						●	●	●
Road user charges collection, investigation and enforcement	Revenue collection for the NLTP supports NZTA investment in the land transport system							
Refund of fuel excise duty								
New infrastructure for state highways		●	●	●		●		
Renewal of state highways	●	●	●	●				
Maintenance and operation of state highways	●	●	●	●		●		●

* The NZTA does not deliver these goods or services directly. These output classes receive NLTP investment funds. Actual outputs are delivered by approved organisations. Measure of NZTA performance, in relation to investment output classes, can be found in the management of the funding allocation system.
** Includes administration of the SuperGold cardholders scheme and enhanced public transport concessions for SuperGold cardholders.

KEY	● Minor/secondary contribution	● Major/primary contribution	NB: Where there is no dot, there may still be a small contribution

APPENDIX 2: TECHNICAL NOTES TO NON-FINANCIAL MEASURES

PROGRESS ON LONG-TERM IMPACTS

1. The *number of vehicle kilometres travelled (VKT) per network kilometre (network length)* is used to reflect the use of existing transport capacity. It is based on the total number of VKT and network lane kilometres submitted by approved organisations (AOs), ie regional councils, territorial authorities or business units approved to carry out minor or ancillary works, in their annual returns to the NZTA. 15 of 78 local councils' VKT results were estimated based on historic data. This affects year-end results of the following local authorities: Hamilton City, Invercargill City, Hutt City, Tauranga City, Ashburton District, Mackenzie District, Marlborough District, Masterton District, Ruapehu District, Taupo District, Timaru District, Waikato District, Waipa District, Waitaki District, and Whangarei District. The 2010/11 results will be used as a proximate annual achievement for the year. As such, we suggest treating the year-end result with caution. This indicator is currently reported by financial year. Additionally, note that this approach is different from what was presented in the 2011–14 *Statement of intent*, which used an estimated VKT and length of the network rather than actual.
2. The *average daily measured weight of freight vehicles (in tonnes)* is used to reflect efficiency of road freight. It is based on the traffic freight and vehicle weights measured in Weigh-in-Motion (WiM) sites across the country. Since 2010, the number of WiM sites increased from 4 to 5 with the addition of Eskdale in Hawke's Bay. We continue to maintain WiM sites in Auckland (Drury), Waikato (Tokoroa), Bay of Plenty (Te Puke) and Canterbury (Waipara). This indicator is currently reported by financial year.
3. The *number of resolved road closures with a duration of 12 hours or longer* is used to reflect a resilient and secure network. It is based on the number of resolved road closures (planned or unplanned) recorded in the Traffic Road Event Information System (TREIS). TREIS contains information on a range of roading events such as planned roadworks, unplanned incidents, area warnings like flooding among others. This indicator is currently reported by financial year.
4. The *number of seconds delay per km during AM peak hours in Auckland* is used to reflect how well we are doing in easing severe congestion. It is based on the bi-annual Travel Time Survey results. This survey provides average travel speeds and congestion indicators for the NZTA. The survey covers a representative sample of the network covering key centres including Auckland, Christchurch, Hamilton, Tauranga and Wellington. For purposes of monitoring progress in easing severe congestion, Auckland was selected as the primary centre of significant congestion. This indicator is currently reported by financial year.
5. The *average diesel and petrol consumption (in litres) per 100 vehicle kilometres travelled* is used to reflect our progress on a more efficient vehicle fleet. It is based on the annual oil consumption data provided by the Ministry of Business Innovation and Employment and the New Zealand vehicle fleet by fuel type data provided by the Ministry of Transport. This indicator is currently reported by calendar year.
6. The *number of road deaths and serious injuries per million vehicle kilometres travelled* is used to monitor how well we are progressing in reducing the number of deaths and serious injuries. It is based on a quarterly report generated from the Crash Analysis System (CAS) and the combined annual vehicle kilometres travelled from local roads and state highways. This indicator is currently reported by financial year.
7. The *% of survey respondents that consider public transport as a good option for taking all of their work or study trips in Auckland* is used to monitor our progress in providing more transport mode choices. It is based on Auckland Council's 2-yearly Community Perceptions of Personal Transport Choices Survey.
8. The diversity of macro invertebrates, ie insects found in receiving environments (macro invertebrates community index), was previously considered as a measure to reflect our progress in reducing adverse environmental effects of transport. However, NZTA and NIWA research has found no conclusive evidence that transport affects water quality. As a result, this measure has been discontinued.

PROGRESS ON OUR STRATEGIC DIRECTION – BY PRIORITY

9. Public transport boardings per NLTF $ invested on public transport services help us to better understand our progress in improving the effectiveness of public transport. The current result is based on year to date public transport boardings. This measure was previously reported as cost per passenger boarding.

OUTPUT CLASSES THE NZTA DELIVERS

Regulatory implementation and enforcement

10. The *value of bad debt written off* is a measure of the value of unrecoverable bad debt resulting in write-offs. This includes aged debt exceeding 9 months, and Toll Payment Notices (TPN) that cannot be issued due to insufficient information and statutory declarations for stolen vehicles.
11. The *unit transaction cost* is a measure of direct unit cost of delivering a toll service. Cost excludes write-offs, bad debts and administration fees from toll payment notices.
12. The *% of NZTA audit programme completed* is a measure made up of two specific operational assurance activities covering vehicle certifying agents and transport service licence holders. Aggregation is based on the weighted average of the two.
13. The *% of activities that are delivered to agreed standards and timeframes* is a measure made up of three specific areas – official correspondence activities, transport rules development programme and audits of regulatory compliance and agent service delivery. Its objective is to measure whether activities completed in these areas are within set standards and timeframes. Aggregation is based on weighted volume of activity.
14. The *% of transactions completed online* is a measure of the proportion of casual trip toll payments and transactions completed using the internet to the total number of payments.

Licensing activities

15. The *% of accuracy of registers* is a measure of the accuracy of the driver licence register (DLR) focused on confirming driver licence details. It is based on monthly audit checks from a random sample of callers and agents' work. The measure reflects the average of these results.
16. The *value of driver licence bad debt* is a measure of the value of unrecoverable debt that gets written off. Write-offs include dishonoured cheques from driver licensing agents and the Driver Check system. The estimated actual and expected result in the 2011–14 *Statement of intent* was incorrect as it reflects a percentage instead of dollar terms. The corrected figure of less than $400,000 is now reflected in this annual report.
17. The *number of products and delivered or processed* is a measure which covers the number of new and renewed driver licences issued and drug and alcohol driver assessments. It excludes other driver licensing transactions such as issuance of driver and transport operator testing services, certification review, border inspection, and overdimension permits.
18. The *% of transactions completed online* is the proportion of practical test bookings completed through the NZTA website over the total number of test bookings completed. This excludes driving test bookings for licence classes 2 to 5.

Motor vehicle registry

19. The *% of accuracy of register* reflects the motor vehicle registry (MVR) data verification activities which focus on confirming vehicle attributes; vehicle ownership and address information. It combines the result of regular audit checks by regional staff, and unverified owner and address information returns.
20. The *value of bad debt* is the value of unrecoverable bad debt resulting in write-offs. Write-offs refer to uncollected continuous vehicle licensing. This includes transactions below the minimum referral threshold ($40), dishonoured cheque payments, trader and motochek dishonours and unpaid monthly invoices.
21. The *% of transactions completed online* is a measure that presents the proportion of motor vehicle registrations purchased online over the total number of motor vehicle registrations.

Road user charges (RUC) collection, investigation and enforcement

22. The *value of bad debt* is the value of unrecoverable bad debt resulting in write-offs. It includes dishonoured direct debits, and cheques, RUC investigations and unpaid gap payments.
23. The *number of products/services delivered or processed* includes light and heavy vehicle RUC licence purchases and off-road RUC rebate claims.
24. The *% of transactions completed online* is the proportion of RUC licences purchased online over the total number of RUC licences purchased. Online refers to transactions via Direct Connect, Transact, e-RUC and automatic tellers. The 2010/11 actual was retrospectively calculated to reflect the 2011/12 scope. Change in scope was done to include all electronic channels that provide greater ease and convenience to our customers in completing their RUC transactions.

Refund of fuel excise duty (FED)

25. *Average number of days taken to deliver* refers to how long it takes to process and approve FED refunds. Days to deliver refer to the number of working days between the date of application and the date of approval recorded in the FED database system.

Management of the funding allocation system

26. *The total cost of the management of the funding allocation system* refers to the NZTA service delivery cost less the cost of taxi enforcement activity and crash analysis system (CAS) business activities.
27. The *% of NZTA audit programme completed* measures the proportion of post-implementation reviews completed against planned. It is based on a sample of projects completed within the last two years of the review period to determine whether target outputs or outcomes are achieved.

28. The *% of activities that are delivered to agreed standards and timeframes* is an aggregate of two specific measures, namely, the % of investments that meet the NZTA's investment criteria benchmark level and the % of NZTA investment decisions which meet required process standards. It monitors the quality of investments and investment decisions against process standards. Aggregation of these specific measures is based on weighted volume of activity.
29. The *% of NLTP expenditure claims and approved contract or payments paid by the due date* measures the proportion of submitted claims processed and approved by the due date. The NZTA's service to regional councils is measured by its speed delivering the service.
30. The *average number of days taken to deliver* measures the average number of working days it takes, to process and approve funding of a new NLTP activity from date of receipt to date of approval recorded in the system (eg Transport Information Online).

Sector training and research

31. The *% of activities that are delivered to agreed standards and timeframes* is a measure that compares the percentage of research projects managed to time, cost and quality targets. It is a measure of the effectiveness of the NZTA as a project manager.

Administration of the SuperGold cardholders scheme

32. The *% of activities that are delivered to agreed standards and timeframes* is a measure of the average number of working days to process and administer SuperGold claims. The NZTA's service to regional authorities is measured by our speed in administering, processing and approving SuperGold claims. Claims are received, validated and paid electronically.

New and improved infrastructure for state highways

33. The *% of NZTA audit programme completed* incorporates three audit programme activities covering large, block and property acquisition programmes. It is a quality assurance measure that ensures programme risks are managed based on project phased completion. It is a measure of the effectiveness of the NZTA as a project manager. Aggregation is based on weighted programme expenditure. Within each programme, time, cost and quality are equally weighted.
34. The *% of activities that are delivered to agreed standards and timeframes* is a measure of the delivery of large, block and property acquisition programmes to time, cost and quality standards. It is a measure of the effectiveness of the NZTA as a project manager. Aggregation is based on weighted programme expenditure. Within each programme, time, cost and quality are equally weighted.

Renewals for state highways

35. The *% of NZTA audit programme completed* reflects the financial progress of the state highway renewals programme against the baseline.
36. The *% of activities that are delivered to agreed standards and timeframes* presents the completion of renewal activities and progress of the state highway pavement renewals programme against the baseline.
37. The *safe stopping: % of travel on network above skid threshold* measures progress towards meeting surface texture standards (to ensure safe stopping) as a percentage of vehicle kilometres travelled. Minimum acceptable levels of skid resistance are set in relation to the road environment. The annual programme of surface renewals is driven by the need to improve skid resistance and optimise the life of network assets.
38. The *smooth ride: % of rutting >20mm over state highway network* measures the proportion of rutting above the 20mm threshold over the length of the state highway network. Rutting on the road surface (long shallow channels generally found in wheelpaths) is one of the key indicators of the health of the underlying pavement and the need for pavement renewal. Ruts often also hold water and thus lower skid resistance.
39. The *cost of renewal of the network excluding emergency reinstatement (cents per vehicle kilometres travelled)* forecast for the year was set at 9.5–10.5c/km in the 2011–2014 *Statement of intent.* This was incorrectly reported and should be 0.95–1.05c/vkt. The corrected figure is reflected in this annual report.

Maintenance and operation of state highways

40. The *% of NZTA audit activities completed* reflects the proportion of physical works claims certified as complete. It is a measure of the effectiveness of the NZTA as a project manager.
41. The *% of activities that are delivered to agreed standards and timeframes* presents the physical achievement of maintenance activities and progress of the state highway maintenance programme against the baseline. It is a measure to keep track of the delivery of physical performance targets. It is a measure of the effectiveness of the NZTA as a project manager.
42. *Safe stopping: % of travel on network meeting surface texture standards* reflects the number of paths (left and right wheel) with readings within the 0.5mm standard expressed as a proportion of total mean profile depth readings. It is a measure of the effectiveness of the NZTA as a project manager.
43. *Smooth ride: % of travel on network classed as smooth* is the proportion of travel (proportion of vehicle kilometres travelled on the network surveyed) that occurs on pavements smoother than a nominated surface texture standard over the length of the network surveyed. It is a measure of the effectiveness of the NZTA as a project manager.
44. The NZTA maintains records of all unscheduled closures of a state highway network which have a significant impact on road users. It is expressed as the sum of road closure incidences (both urban and rural) addressed within standard timeframes (ie urban <2 hours; rural <12 hours) and protocol over the total number of road closure incidences.
45. The *cost of maintaining and operating the network excluding emergency reinstatement (cents per vehicle kilometres travelled)* forecast for the year was set at 12.5–14.5c/km in the 2011–14 *Statement of intent*. This was incorrectly reported and should be 1.25–1.45c/vkt. The corrected figure is reflected in this annual report.

OUTPUT CLASSES THE NZTA DELIVERS ALONG WITH LOCAL AUTHORITIES

Public transport infrastructure

46. The *% of activities that are delivered to agreed standards and timeframes* reflects the proportion of the National Integrated Ticketing Project activities achieved against milestones over the three-year NLTP.

Transport planning

47. The *% of activities that are delivered to agreed standards and timeframes* is a measure of how well we are delivering transport planning activities to cost standards. It includes all NZTA transport planning activities including Studies, Strategies and Models and Activity Management Planning activities. The NZTA works collaboratively with its local authority partners as they prepare strategies, plans and packages to help ensure that, when formally received, these are of high quality, meet the NZTA assessment criteria and are therefore suitable for endorsement by the NZTA.

Road user safety

48. The *% of activities that are delivered to agreed standards and timeframes* is a measure of timeliness and effectiveness in delivering road safety education, advertising and promotion.
49. The *% of unprompted recall of road safety TV advertising by target audience* is a measure based on a computer-aided telephone interviewing (CATI) design survey with quotas set for target audiences according to age, race, sex and residential region (prescribed numbers are set for each to ensure balance and fairness). This was set to understand whether a good representative sample of our target audience recalls road safety advertising. It is currently limited to advertising and television. The scope to include other communication media such as print, web (eg YouTube) and phone (eg Twitter) is currently being investigated to enhance sensitivity of the measure.
50. The *% of road safety target audience that are aware advertising is relevant to them* is a measure based on a continuous advertising and attitude telephone tracking monitor of relevant target audience according to age, race, sex and residential region. This was set to understand whether a good representative sample of our target audience is aware of road safety messages. It is currently limited to advertising and television. The scope to include other communication media such as print, web (eg YouTube) and phone (eg Twitter) is currently being investigated to enhance sensitivity of the measure.

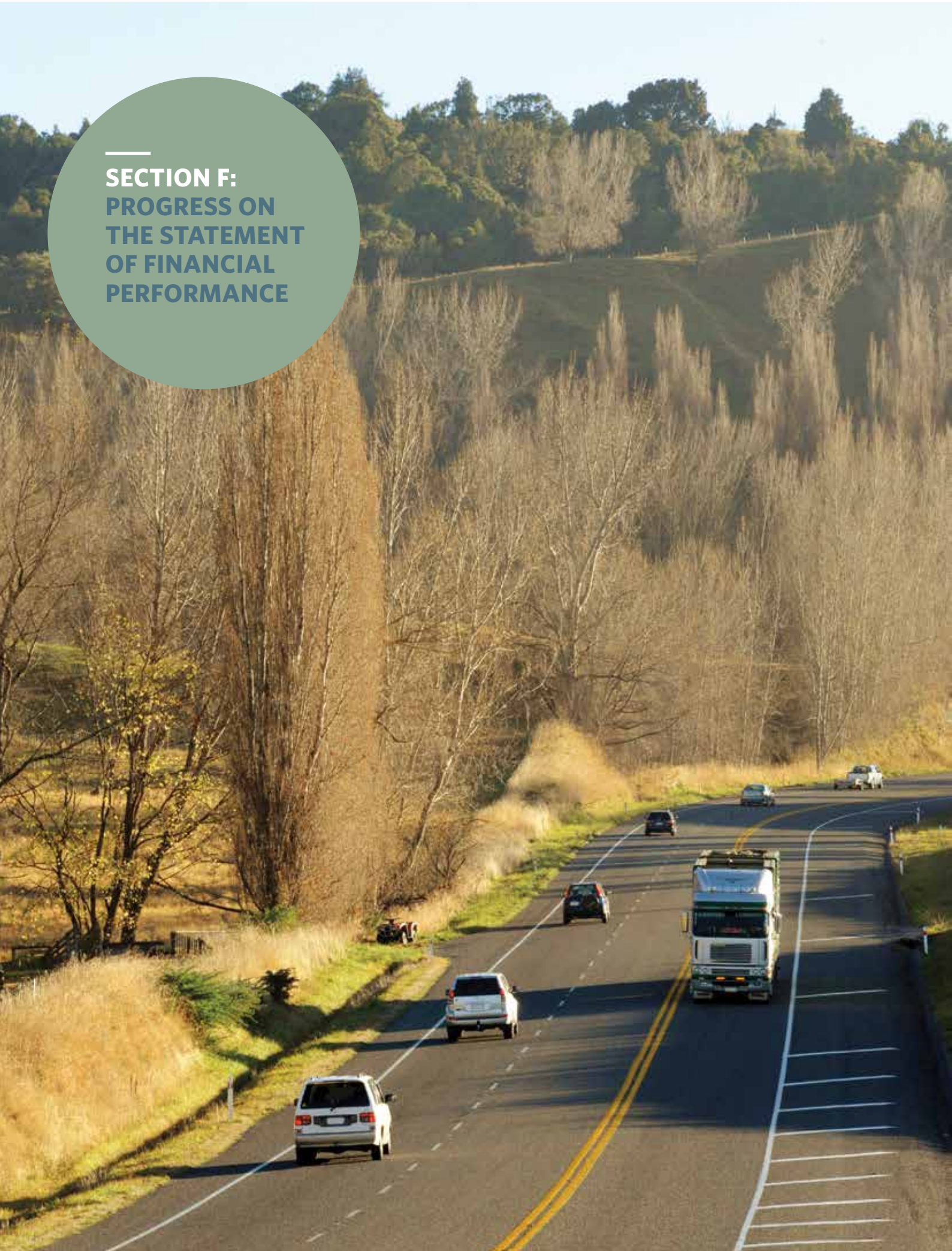
OUTPUT CLASSES THE NZTA INVESTS IN, BUT DOES NOT DELIVER SERVICES FOR

Renewal of local roads

51. The pavement integrity of the sealed network reflects the structural integrity of the network based on the rutting faults per unit length of the road. This was changed from simply reporting the proportion of rutting faults per unit length of the road.
52. The surface condition of the sealed network reflects the overall surface health of the network based on surface faults per unit length of the road. This was changed from simply reporting the proportion of surface faults per unit length of the network. Surface faults include visual inspection of cracking, ravelling, potholes, pothole patches and flushing across the network.
53. The *cost of renewal of the network excluding emergency reinstatement (cents per vehicle kilometres travelled)* is based on the NLTP cost of renewal of local roads expressed in cents per vehicle kilometres travelled. 15 of 78 local councils' vehicle kilometres travelled results were estimated based on historic data. This affects year-end results of the following local authorities: Hamilton City, Invercargill City, Hutt City, Tauranga City, Ashburton District, Mackenzie District, Marlborough District, Masterton District, Ruapehu District, Taupo District, Timaru District, Waikato District, Waipa District, Waitaki District and Whangarei District. Additionally, the forecast for the year set in the 2011–14 *Statement of intent* was 1.5c/vkt. This is incorrect due to a calculation error. The forecast 0.94–0.99c/vkt reflects the corrected range.
54. The *cost of renewal of the network excluding emergency reinstatement (cents per network lane km)* forecast for the year was at 1490c/vkt. This is incorrect due to a calculation error. The forecast 1200–1400 reflects the corrected range.

Maintenance and operation of local roads

55. The *cost of maintaining and operating the network (excluding emergency work) per network lane km* forecast for the year was set at $3,000–$3,500 in the 2011–14 *Statement of intent*. This is incorrect due to a calculation error. The forecast $1,200–$1,350 reflects the corrected range.
56. The *cost of maintaining and operating the network excluding emergency reinstatement (cents per vehicle kilometres travelled)* is based on the NLTP cost of maintaining and operating local roads expressed in cents per vehicle kilometres travelled. 15 of 78 local councils' vehicle kilometres travelled results were estimated based on historic data. This affects year-end results of the following local authorities: Hamilton City, Invercargill City, Hutt City, Tauranga City, Ashburton District, Mackenzie District, Marlborough District, Masterton District, Ruapehu District, Taupo District, Timaru District, Waikato District, Waipa District, Waitaki District and Whangarei District. Additionally, the forecast for the year was set at 21–27c/km in the 2011–14 *Statement of intent*. This is incorrect due to a calculation error. The forecast 0.90–0.95c/vkt reflects the corrected range.



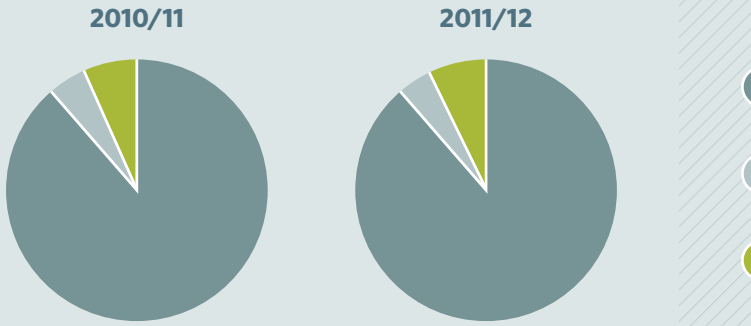
SECTION F: PROGRESS ON THE STATEMENT OF FINANCIAL PERFORMANCE

HIGHLIGHTS
FROM OUR FINANCIAL STATEMENTS

$2 billion TOTAL INCOME

The following charts show the various sources of our income. The largest contribution is from the National Land Transport Fund. We also receive revenue from the Crown to support our objectives and for specific projects such as the Canterbury rebuild and the SuperGold cardholders scheme. Third-party revenue comes mostly from our licensing activities, motor vehicle register and regulatory activities.

INCOME BY SOURCE

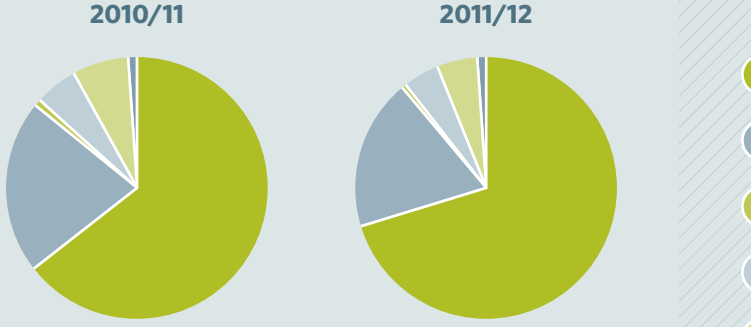


- NATIONAL LAND TRANSPORT FUND
  2010/11 **89.6%** 2011/12 **88.7%**
- THIRD PARTY FUNDING
  2010/11 **4.7%** 2011/12 **4.2%**
- CROWN
  2010/11 **5.7%** 2011/12 **7.1%**

$1.95 billion TOTAL EXPENDITURE

The following charts show the allocation of our expenditure by type. Our expenditure is guided by the priorities identified in our *Statement of intent*. The majority of our expenditure was directly related to maintaining and improving our land transport infrastructure. Depreciation and amortisation, reflecting the cost of asset ownership, contributed 22.1% of our annual expenditure.

EXPENSE BY TYPE



NZTA managed activities – includes the advertising, education and promotion programmes, vehicle impoundment, and sector training and research.

- INVESTMENT IN LAND TRANSPORT
  2010/11 **64.7%** 2011/12 **63.9%**
- DEPRECIATION AND AMORTISATION EXPENSE
  2010/11 **21.4%** 2011/12 **22.1%**
- OTHER
  2010/11 **0.7%** 2011/12 **0.5%**
- PERSONNEL COSTS
  2010/11 **5.2%** 2011/12 **5.4%**
- OPERATING EXPENSES
  2010/11 **7.0%** 2011/12 **6.9%**
- NZTA MANAGED ACTIVITIES
  2010/11 **1.0%** 2011/12 **1.2%**

$41.38 million NET SURPLUS

Our net surplus reflects the combined operations of the NZTA itself, our investment in land transport and specific projects completed on behalf of the Crown.

OPERATIONS		INVESTMENT IN LAND TRANSPORT		SPECIFIC PROJECTS FUNDED BY THE CROWN		TOTAL
Income $228.702m	+	Income $1,693.645m	+	Income $73.339m	=	Total income $1,995.687m
−		−		−		−
Expenditure $231.561m	+	Expenditure $1,658.048m	+	Expenditure $64.701m	=	Total expenditure $1,954.310m
=		=		=		=
Net surplus/(deficit) $(2.859)m	+	Net surplus/(deficit) $35.597m	+	Net surplus/(deficit) $8.638m	=	Total net surplus/(deficit) $41.376m

OPERATIONS

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

This deficit compares favourably to the budgeted deficit of $9.492 million due to:

- higher revenue than expected from the implementation of the license reinstatement fee (introduced in May 2011)
- higher revenue than expected in driver testing as the drop in numbers following the introduction of harder tests proved lower than anticipated
- a lower-cost solution being found for alcohol interlock devices in the road user safety programme.

INVESTMENT IN LAND TRANSPORT

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

This surplus when compared to the budgeted surplus of $1.787 million was the result of two key decisions made early in the year to manage cash flows:

- a moratorium on new approvals for improvement activities
- a financial assistance rate (FAR) variation arrangement with Auckland Transport.

SPECIFIC PROJECTS FUNDED BY THE CROWN

This includes the Canterbury transport project, regional development transport funding, and SuperGold card public transport concessions.

This surplus when compared to the budgeted surplus of $1.353 million was caused by the work on Canterbury roads reinstatement progressing at a slower pace than expected.

Supplementary information for each of these segments is provided on pages 129 to 136.

$26.02 billion NET ASSETS

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

	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
Total assets	26,501,719	28,222,458	25,756,805
Less total liabilities	480,575	619,735	491,314
NET ASSETS/EQUITY AT END OF YEAR	**26,021,144**	**27,602,723**	**25,265,492**

We continue to maintain a strong balance sheet, with $26.502 billion of assets and a very low level of liabilities.

The state highway network accounts for 98% of our overall asset base. The asset base increased in value in 2011/12 by $744.914 million. This is the net impact from investment of $1.087 billion, a revaluation gain of $140.671 million, depreciation of $423.474 million and disposals and write-offs of $87.045 million.

HOW WE HAVE INVESTED IN OUR ASSETS

We have spent $1.095 billion in our capital expenditure programme, which has been invested in the following:

	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
Investment in state highways	1,087,026	1,129,000	1,376,647
Investment in information technology	6,109	11,915	6,273
Investment in offices and equipment	1,718	2,650	3,068
TOTAL	**1,094,853**	**1,143,565**	**1,385,988**

Total capital expenditure was $48.712 million (4%) lower than budgeted as a result of a reallocation of funding towards maintenance work to repair damage caused to the network by weather-related events – including the Manawatu Gorge landslip.

Investment in other assets was lower than budgeted due to the timing of projects, with the balance to be carried forward into 2012/13.

$26.02 billion TOTAL EQUITY

Equity is represented by our net worth, which is the total value of our assets of $26.502 billion minus total liabilities of $480.575 million.

	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
Crown's investment in the NZTA	5,198	5,198	5,198
Retained funds for operations	47,858	51,823	66,739
Deficit accumulated from third party activities	(6,568)	(9,415)	(6,088)
Crown's investment in the state highway network	25,974,656	27,555,117	25,199,643
TOTAL EQUITY	**26,021,144**	**27,602,723**	**25,265,492**

Total equity is $1.582 billion lower than budgeted. This is mainly due to the state highway revaluation budget being impacted by $1.13 billion, which was a flow-on effect from the 2010/11 revaluation adjustment.

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME				
Revenue from the Crown	3	142,149	92,123	108,710
Revenue from the National Land Transport Fund	3	1,769,352	1,801,927	1,719,766
Revenue from third parties	4	84,185	81,594	90,474
Total income		1,995,686	1,975,644	1,918,950
EXPENDITURE				
Personnel costs	5	105,326	104,712	101,273
Operating expenses	6	158,214	157,349	155,524
Investment in land transport[a]		1,244,440	1,298,917	1,264,690
Interest on borrowing		5,326	3,600	98
Depreciation and amortisation expense	7	432,134	390,418	417,430
State highway asset write-off		8,870	27,000	14,627
Total expenditure		1,954,310	1,981,996	1,953,642
NET SURPLUS/(DEFICIT)		**41,376**	**(6,352)**	**(34,692)**
OTHER COMPREHENSIVE INCOME				
Gain/(loss) state highway network/bailey bridging revaluations		140,920	510,000	(642,063)
Total other comprehensive income		140,920	510,000	(642,063)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**182,296**	**503,648**	**(676,755)**

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

Explanations of major variances against budget are provided in note 34.

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	8	58,265	11,887	71,115
Debtor National Land Transport Fund and Crown	9	456,018	449,596	432,607
Debtors and other receivables	10	26,006	45,000	42,515
Property assets held for sale	11	57,772	0	0
Prepayments		2,256	820	462
Inventories		208	180	216
Total current assets		600,525	507,483	546,915
NON-CURRENT ASSETS				
Property, plant and equipment	12	18,518	20,742	19,536
State highway network	13	25,836,699	27,627,555	25,119,414
Bailey bridging	14	7,375	7,560	7,312
Intangible assets	15	37,747	28,976	34,793
Loans and advances	16	855	30,142	28,835
Total non-current assets		25,901,194	27,714,975	25,209,890
TOTAL ASSETS		**26,501,719**	**28,222,458**	**25,756,805**
LIABILITIES				
CURRENT LIABILITIES				
Creditors and other payables	17	330,450	354,780	362,033
Tolling funds held in trust		3,191	2,759	2,943
Employee entitlements	18	12,009	9,700	11,641
Borrowing	19	130,000	249,596	110,000
Total current liabilities		475,650	616,835	486,617
NON-CURRENT LIABILITIES				
Creditors and other payables	17	227	0	744
Employee entitlements	18	4,698	2,900	3,953
Total non-current liabilities		4,925	2,900	4,697
TOTAL LIABILITIES		**480,575**	**619,735**	**491,314**
NET ASSETS		**26,021,144**	**27,602,723**	**25,265,492**
EQUITY				
General funds		5,198	5,198	5,198
Retained funds	20	47,858	51,823	66,739
Memorandum account – third party fees and charges	21	(6,568)	(9,415)	(6,088)
State highway network[a]	22	25,974,656	27,555,117	25,199,643
TOTAL EQUITY		**26,021,144**	**27,602,723**	**25,265,492**

a. The state highway network includes the state highway investment (including bailey bridging) and revaluation reserves.
Explanations of major variances against budget are provided in note 34.

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
EQUITY – OPENING BALANCES				
General funds		5,198	5,198	5,198
Retained funds		66,739	52,294	65,168
Memorandum account – third party fees and charges		(6,088)	(3,447)	(2,647)
State highway network		25,199,643	26,341,257	24,887,386
Total equity – opening balance		25,265,492	26,395,302	24,955,105
CHANGES IN EQUITY				
Equity movements				
Retained funds		(634,093)	(703,860)	(954,320)
State highway network		634,093	703,860	954,320
		0	0	0
Comprehensive income				
Retained funds		41,856	(384)	(31,251)
Memorandum account – third party fees and charges		(480)	(5,968)	(3,441)
State highways network – gain/(loss) on revaluations		140,920	510,000	(642,063)
		182,296	503,648	(676,755)
Owner transactions				
Capital contribution – National Land Transport Programme		573,356	703,773	987,142
Total changes in equity		755,652	1,207,421	310,387
EQUITY – CLOSING BALANCE				
General funds		5,198	5,198	5,198
Retained funds		47,858	51,823	66,739
Memorandum account – third party fees and charges		(6,568)	(9,415)	(6,088)
State highway network		25,974,656	27,555,117	25,199,643
TOTAL EQUITY – CLOSING BALANCES		**26,021,144**	**27,602,723**	**25,265,492**

Explanations of major variances against budget are provided in note 34.

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Crown revenue		142,149	92,123	108,710
Receipts from National Land Transport Fund revenue		1,765,941	1,800,227	1,694,868
Receipts from third party revenue		100,451	81,221	100,281
Interest received		243	373	255
Payments to suppliers		(1,391,241)	(1,375,652)	(1,280,427)
Payments to employees		(104,213)	(104,712)	(98,958)
Payments for capital charge		0	0	(390)
Goods & services tax (net)		43,305	28,000	674
Net cash from operating activities	24	556,635	521,580	525,013
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts from sale of property, plant and equipment		3,453	0	1,371
Receipts from sale of intangible assets		0	0	51
Receipts from sale of state highway held properties		20,403	16,000	26,624
Payments to suppliers		(88,357)	(101,075)	(128,235)
Purchase of property, plant and equipment		(6,381)	(5,336)	(6,349)
Purchase of intangible assets		(7,587)	(8,288)	(17,962)
State highway network		(1,107,026)	(1,123,054)	(1,376,647)
Loan to local authority		27,980	0	(2,380)
Net cash from investing activities		(1,157,515)	(1,221,753)	(1,503,527)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contribution from the National Land Transport Fund	23	573,356	685,316	877,142
Borrowing		170,000	18,457	110,000
Repayment of borrowing		(150,000)	0	0
Interest paid on borrowing		(5,326)	(3,600)	(98)
Net cash from financing activities		588,030	700,173	987,044
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(12,850)	0	8,530
Cash and cash equivalents at the beginning of the year		71,115	11,887	62,585
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	**58,265**	**11,887**	**71,115**

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

Explanations of major variances against budget are provided in note 34.

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 NEW ZEALAND TRANSPORT TICKETING LIMITED

New Zealand Transport Ticketing Ltd has been established as a Crown Entity Subsidiary, under the governance of the NZTA, to execute the operational plan for supporting a national integrated transport ticketing system and managing information services generated from such a system.

New Zealand Transport Ticketing Ltd was incorporated on 14 November 2011.

The NZTA has not consolidated its wholly owned subsidiary, as New Zealand Transport Ticketing Ltd has not traded during the year and has no assets or liabilities as at 30 June 2012.

The NZTA is in the course of developing a New Zealand-wide public transport automated fare collection system.

2 STATEMENT OF ACCOUNTING POLICIES

Reporting entity

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

The NZTA's primary objective is to provide services to the New Zealand public, as opposed to making a financial return. Accordingly, the NZTA has designated itself a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements for the NZTA are for the year ended 30 June 2012, and were approved by the Board on 24 October 2012.

Basis of preparation

Statement of compliance

The financial statements of the NZTA have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP as appropriate for public benefit entities and they comply with NZ IFRS.

Measurement base

The financial statements have been prepared on a historical cost basis, except where modified by the revaluation of the state highway network and Bailey bridging stock. The measurement of financial assets and financial liabilities is at amortised cost.

Functional and presentation currency

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

Changes in accounting policies

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

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

- Amendments to NZ IAS 1 Presentation of Financial Statements – The amendments introduce a requirement to present, in either the statement of changes in equity or the notes, for each component of equity, an analysis of other comprehensive income by item. The NZTA has decided to present this analysis in note 22.
- FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments) – The purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The main effect of the amendments on the NZTA is that certain information about property valuations is no longer required to be disclosed.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

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

- NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the NZTA is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the NZTA expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, the NZTA is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standards Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope. The NZTA is still to assess the impact of the changes as they are only exposure drafts at this stage.

Significant accounting policies

REVENUE

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

Revenue from the Crown and the National Land Transport Fund

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

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

Interest

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

Rental income

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

BORROWING COSTS

The NZTA has elected to defer adoption of the revised NZ IAS 23 Borrowing Costs (Revised 2007) in accordance with the transitional provisions of NZ IAS 23 that are applicable to public benefit entities. Consequently, all borrowing costs are recognised as an expense in the financial year in which they are incurred.

FOREIGN CURRENCY TRANSACTIONS

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

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

CASH AND CASH EQUIVALENTS

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

DEBTORS AND OTHER RECEIVABLES

Short-term debtors and other receivables are recorded at their face value, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the NZTA will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the debt is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

INVENTORIES

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

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

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

PROPERTY ASSETS HELD FOR SALE

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

Additions

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

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

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at its fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in revaluation reserves in respect of those assets are transferred to general funds.

Subsequent costs

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

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

VALUATION OF STATE HIGHWAY NETWORK AND BAILEY BRIDGING

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

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.

A cyclical basis is used so that each region is revalued at an interval not exceeding 3.5 years. Those regions that are not subject to full revaluation in a particular year will be subject to a valuation update through the use of price indices.

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

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

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

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

Brownfield costs have been accounted for where they can be reliably measured.

DEPRECIATION

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

ASSETS	USEFUL LIFE (YEARS)	DEPRECIATION RATE (%)
State highways – pavement (base)	50	2.0
State highways – pavement (surface)	7	14.3
State highways – drainage	60	1.7

ASSETS	USEFUL LIFE (YEARS)	DEPRECIATION RATE (%)
State highways – traffic facilities	15	6.7
State highways – bridges	90–100	1.0–1.1
State highways – culverts & subways	50–75	1.3–2.0
State highways – other structures	100	1.0
Bailey bridging – panels	70	1.42
Bailey bridging – transoms	103	0.57
Bailey bridging – stringers	100	0.67
Bailey bridging – chord reinforcing	69	1.45
Bailey bridging – other miscellaneous	76	1.0
Motor vehicles	4	25.0
Computer equipment	3	33.3
Plant	5–10	10.0–20.0
Equipment	5–8	12.5–20.0
Furniture & fittings	5–10	10.0–20.0
Office equipment	4–5	20.0–25.0
Leasehold improvements	Life of lease	7.7–33.0

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

INTANGIBLE ASSETS

Software acquisition and development

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

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

Staff training costs are recognised as an expense when incurred.

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

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

Amortisation

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

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

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

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For re-valued assets, the impairment loss is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation reserve in equity for the class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a re-valued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a re-valued asset is credited to the other comprehensive income and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a re-valued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

FINANCIAL ASSETS

Financial assets are classified as loans and receivables.

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

Loan to local authority

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

CREDITORS AND OTHER PAYABLES

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

BORROWING

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

EMPLOYEE ENTITLEMENTS

Short-term employee entitlements

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

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

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

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

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

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

Presentation of employee entitlements

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

SUPERANNUATION SCHEMES

Defined contribution schemes

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

PROVISIONS

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

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

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

JOINTLY CONTROLLED OPERATIONS

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

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

EQUITY

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

- general funds
- retained funds
- memorandum account – third party fees and charges
- state highway investment and revaluation reserve.

State highway revaluation reserve

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

GOODS AND SERVICES TAX

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

INCOME TAX

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

BUDGET FIGURES

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

COST ALLOCATION

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

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

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

1. Corporate overheads – costs arising from the Board, Chief Executive, Group Managers (Organisational Support, People & Capability, Strategy & Performance) and business support units such as Finance, Human Resources, Information Technology, Legal, Audit and others. These costs are allocated to output classes then to business activities using full-time equivalents responsible for delivering the output and their corresponding salaries as the cost drivers.
2. Regional office costs – costs relating to operating and maintaining a regional office such as office rent and building management. These costs are allocated to output classes then to business activities using the number of full time equivalents in each region as the cost driver.
3. Operational cost centres' own shared costs – costs incurred directly on account of more than one business activity within that operational cost centre. These shared costs are assigned to business activities based on the proportion of the estimated time spent on the affected business activities.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

Retirement and long service leave
Note 18 provides an analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES
Management has exercised the following critical judgements in applying accounting policies:

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

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

Critical judgements relate to:

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

Brownfield construction costs are included in the valuation where they can be reliably measured. Brownfield construction costs include:

- temporary traffic management
- demolition and removal of displaced assets
- restoration of damaged/severed utility infrastructure
- re-establishment of the interface between the new and existing development (landscaping, footpaths, roads, fences, driveways etc)
- environment compliance
- work restrictions (noise, hours, limitations on available site area for contractors, storage/plant/offices, etc).

Further work is currently being carried out to determine a reliable measure of Brownfield costs not included in the state highway assets.

Leases classification
Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the NZTA.

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant, and equipment, whereas for an operating lease no such asset is recognised.

The NZTA has exercised its judgement on the appropriate classification of equipment leases, and has determined a number of lease arrangements are finance leases.

3 REVENUE FROM THE CROWN AND NATIONAL LAND TRANSPORT FUND

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

4 REVENUE FROM THIRD PARTIES

	Note	Actual 2011/12 $000	Actual 2010/11 $000
Border inspection fees		1,691	1,590
Certification review fees		7,674	7,521
Driver licensing fees		28,381	27,859
Driver testing fees		15,385	17,662
Overdimension and overweight permits		441	389
Rail licensing fees		656	1,093
Standards development fee and certification levies		5,971	5,814
Tolling fees and contributions		5,539	4,905
Transport licensing fees		8,319	7,461
Total fees and charges		74,057	74,294
Administration fee from Accident Compensation Corporation		5,300	13,498
Business units	a	1,166	1,095
Crash analysis system support		257	311
Personalised plates		584	0
Road Safety Trust administration		85	92
Interest income		243	255
Net gain on disposal of assets		723	59
KiwiSaver		970	818
Recovery of damages to state highway furniture		459	0
Miscellaneous revenue		341	52
TOTAL REVENUE FROM THIRD PARTIES		**84,185**	**90,474**

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

	Bailey bridging $000	CAPTIF $000	Training & education $000	Total $000
Revenue earned in 2011/12	74	521	571	1,166
Revenue earned in 2010/11	158	519	418	1,095

CAPTIF – Canterbury Accelerated Pavement Testing Indoor Facility

5 PERSONNEL COSTS

	Note	Actual 2011/12 $000	Actual 2010/11 $000
Salaries and wages	a	101,064	96,542
Defined contribution plan employer contributions		1,264	1,077
Other personnel costs		2,998	3,654
TOTAL PERSONNEL COSTS		**105,326**	**101,273**

a. An additional $11.535 million (2011: $11.563 million) was incurred for staff who are employed to manage state highway capital projects, which is more cost effective than employing contractors. These project management staff are charged directly to the projects and capitalised.

6 OPERATING EXPENSES

	Actual 2011/12 $000	Actual 2010/11 $000
Fees to principal auditors		
– audit fees for financial statement audit	320	320
Operating lease expense	9,437	9,406
Impairment of receivables	248	380
Commissions	45,378	46,535
Transaction costs	17,526	18,560
Professional services	20,564	21,580
Road user safety advertising	14,388	11,471
Publications and promotions	2,308	1,853
Information technology	30,145	25,062
Meetings and conferences	773	573
Staff travel	5,968	5,524
Phones	1,877	2,097
Office management	2,832	3,561
Building management	2,364	2,259
Fees for Board members	305	306
Courses, training & professional subscriptions	2,802	3,178
Other	272	85
Expenses relating to the merger	708	2,383
Capital charge	0	390
TOTAL OPERATING EXPENSES	**158,214**	**155,524**

7 DEPRECIATION AND AMORTISATION EXPENSE

	Actual 2011/12 $000	Actual 2010/11 $000
Depreciation (note 12)	4,013	4,431
Depreciation on state highway network (note 13)	423,474	407,521
Depreciation on bailey bridging (note 14)	186	179
Amortisation (note 15)	4,461	5,299
TOTAL DEPRECIATION AND AMORTISATION EXPENSE	**432,134**	**417,430**

8 CASH AND CASH EQUIVALENTS

	Actual 2011/12 $000	Actual 2010/11 $000
Cash at bank and on hand	53,481	67,218
Cash at bank and on hand (for Tolling Accounts)	4,784	3,897
TOTAL CASH AND CASH EQUIVALENTS	**58,265**	**71,115**

The carrying value of cash at bank approximates their fair value.

9 DEBTOR NATIONAL LAND TRANSPORT FUND AND CROWN

	Actual 2011/12 $000	Actual 2010/11 $000
Debtor National Land Transport Fund	407,453	386,225
Debtor Crown	48,565	46,382
TOTAL DEBTOR NATIONAL LAND TRANSPORT FUND AND CROWN	**456,018**	**432,607**

The Debtor National Land Transport Fund represents amounts owed by the National Land Transport Fund to the NZTA. This is for activities completed by the NZTA where the National Land Transport Fund is the source of the funding. The Debtor Crown represents amounts owed by the Crown to the NZTA. This is for activities completed by the NZTA where the Crown directly sources the funding.

10 DEBTORS AND OTHER RECEIVABLES

	Actual 2011/12 $000	Actual 2010/11 $000
Debtors and other receivables	28,355	48,183
Less: Provision for impairment	2,349	5,668
TOTAL DEBTORS AND OTHER RECEIVABLES	**26,006**	**42,515**

Fair value

The carrying value of receivables approximates their fair value.

Impairment

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

	Gross $000	2011/12 Impairment $000	Net $000	Gross $000	2010/11 Impairment $000	Net $000
Not past due date	20,727	0	20,727	39,181	0	39,181
Past due plus 1–30 days	1,824	0	1,824	717	0	717
Past due plus 31–60 days	359	0	359	221	0	221
Past due plus 61–90 days	2,462	0	2,462	1,096	0	1,096
Past due plus over 90 days	2,983	(2,349)	634	6,968	(5,668)	1,300
TOTAL	**28,355**	**(2,349)**	**26,006**	**48,183**	**(5,668)**	**42,515**

All receivables greater than 30 days in age are considered to be past due.

Impairment is determined by review of individual overdue debts.

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

	Actual 2011/12 $000	Actual 2010/11 $000
Balance at 1 July	5,668	4,921
Operating provisions made during the year	248	380
Additional provisions made during the year (NLTP)	654	367
Receivables written off during the year	(4,221)	0
BALANCE AT 30 JUNE	**2,349**	**5,668**

11 PROPERTY ASSETS HELD FOR SALE

The NZTA owns 238 surplus properties valued at $57.772 million which have been classified as held for sale. It is expected that these properties will be sold by 30 June 2013.

12 PROPERTY, PLANT AND EQUIPMENT

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

	Motor vehicles $000	Computer equipment $000	Furniture fittings $000	Leasehold improvements $000	Office, plant & equipment $000	Total $000
COST OR VALUATION						
Balance at 1 July 2010	444	8,474	4,001	12,445	1,475	26,839
Additions	0	1,223	751	583	26	2,583
Reclassification	(69)	(675)	63	17	181	(483)
Work in progress	0	0	0	2,896	0	2,896
Disposals	(153)	(1,102)	(55)	(3)	(58)	(1,371)
Balance at 30 June 2011	222	7,920	4,760	15,938	1,624	30,464
Balance at 1 July 2011	222	7,920	4,760	15,938	1,624	30,464
Additions	0	2,159	807	2,545	109	5,620
Reclassification	0	453	(36)	(56)	(363)	(2)
Work in progress	0	0	0	(2,308)	0	(2,308)
Disposals	(164)	(2,272)	(635)	(327)	(55)	(3,453)
Balance at 30 June 2012	58	8,260	4,896	15,792	1,315	30,321
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
Balance at 1 July 2010	278	3,683	1,031	1,472	840	7,304
Depreciation expense	63	2,026	590	1,194	558	4,431
Reclassification	(75)	24	84	287	(348)	(28)
Impairment losses	1	170	68	57	6	302
Elimination on disposal	(80)	(939)	(1)	(3)	(58)	(1,081)
Balance at 30 June 2011	187	4,964	1,772	3,007	998	10,928
Balance at 1 July 2011	187	4,964	1,772	3,007	998	10,928
Depreciation expense	22	1,801	594	1,310	286	4,013
Reclassification	0	296	23	(15)	(305)	(1)
Impairment losses	0	(129)	(62)	(57)	(6)	(254)
Elimination on disposal	(151)	(2,081)	(455)	(151)	(45)	(2,883)
Balance at 30 June 2012	58	4,851	1,872	4,094	928	11,803
CARRYING AMOUNTS						
At 30 June 2011	35	2,956	2,988	12,931	626	19,536
At 30 June 2012	0	3,409	3,024	11,698	387	18,518

13 STATE HIGHWAY NETWORK

Movements for the state highway network are as follows:

	Actual 2011/12 $000	Actual 2010/11 $000
COST OR VALUATION		
Balance at 1 July	25,119,414	24,833,709
Additions – capital expenditure	1,087,026	1,376,647
Revaluation gains/(losses)	140,671	(642,170)
Depreciation expense	(423,474)	(407,521)
Disposals	(20,403)	(26,624)
Asset write-off	(8,870)	(14,627)
Non-current assets held for sale	(57,772)	0
Tolling system assets	107	0
BALANCE AT 30 JUNE	**25,836,699**	**25,119,414**

The most recent valuation of the state highway network and Bailey bridging was performed by a registered independent valuer, J Vessey, BE (Civil), BA (Economics), FIPENZ (Civil), CPEng, of Opus International Consultants Ltd. The total fair value amounted to $25.837 billion (2011: $25.119 billion) and this valuation is effective as at 30 June 2012.

Depreciated replacement cost is used to value these assets and is calculated by deducting an allowance for accumulated depreciation from the replacement cost, using a number of significant assumptions. These significant assumptions include:

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

	Replacement cost $000	Accumulated depreciation $000	Valuation 2011/12 $000	Replacement cost $000	Accumulated depreciation $000	Valuation 2010/11 $000
State highway corridor land	7,393,681	0	7,393,681	7,412,815	0	7,412,815
Held properties	901,388	0	901,388	911,485	0	911,485
Formation	7,232,840	0	7,232,840	7,056,150	1,620	7,054,530
Pavement (other)	4,175,530	1,005,500	3,170,030	3,968,250	908,030	3,060,220
Pavement (surface)	1,171,180	575,020	596,160	1,151,370	544,730	606,640
Drainage	1,170,170	530,250	639,920	1,116,270	494,280	621,990
Traffic facilities	1,634,560	691,480	943,080	1,474,710	613,770	860,940
Bridges	6,105,680	2,605,820	3,499,860	5,986,570	2,451,296	3,535,274
Culverts & subways	470,620	191,480	279,140	493,070	190,190	302,880
Other structures	1,548,420	367,820	1,180,600	1,092,620	339,980	752,640
TOTAL	**31,804,069**	**5,967,370**	**25,836,699**	**30,663,310**	**5,543,896**	**25,119,414**

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

Work in progress

The total amount of the state highway network in the course of construction is $797.050 million (2011: $1.147 billion).

14 BAILEY BRIDGING

Movements for Bailey bridging are as follows:

	Actual 2011/12 $000	Actual 2010/11 $000
COST OR VALUATION		
Balance at 1 July	7,312	7,384
Revaluation gains/(losses)	249	107
Depreciation expense	(186)	(179)
BALANCE AT 30 JUNE	**7,375**	**7,312**

Note 13 has commentary on the valuation which is also relevant to Bailey bridging.

	Replacement cost $000	Accumulated depreciation $000	Valuation 2011/12 $000	Replacement cost $000	Accumulated depreciation $000	Valuation 2010/11 $000
Panels	5,363	3,236	2,127	5,455	3,319	2,136
Transoms	1,718	667	1,051	1,661	633	1,028
Stringers	1,952	872	1,080	1,888	828	1,060
Chord reinforcing	3,054	1,659	1,395	2,953	1,561	1,392
Other miscellaneous	3,573	1,851	1,722	3,454	1,758	1,696
TOTAL	**15,660**	**8,285**	**7,375**	**15,411**	**8,099**	**7,312**

15 INTANGIBLE ASSETS

Movements within acquired software assets are as follows:

	Actual 2011/12 $000	Actual 2010/11 $000
COST		
Balance at 1 July	54,304	36,393
Additions	11,758	4,255
Reclassification	2	0
Work in progress movements	(4,171)	13,707
Disposals	(1,448)	(51)
Balance at 30 June	60,445	54,304
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES		
Balance at 1 July	19,511	14,263
Amortisation expense	4,461	5,299
Disposals	(1,274)	(51)
Balance at 30 June	22,698	19,511
CARRYING AMOUNTS		
At 30 June 2011	34,793	22,130
At 30 June 2012	37,747	34,793

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

Work in progress

The total amount of intangible assets in the course of development is $20.198 million (2011: $24.369 million). This includes $17.418 million for a New Zealand-wide public transport automated fare collection system.

16 LOANS AND ADVANCES

Loan to local authority

On 31 August 2011, Auckland Council repaid the loan and interest of $28.340 million that funded the upgrade of Auckland's rail carriages.

Statutory advances

Under the Public Works Act 1981, the NZTA has provided statutory advances of $0.855 million (2011: $0.495 million).

17 CREDITORS AND OTHER PAYABLES

	Actual 2011/12 $000	Actual 2010/11 $000
CURRENT PORTION		
Creditors	307,846	292,099
Income in advance	3,148	2,308
Income in advance (for tolling)	2,110	1,692
Accrued expenses	17,228	64,696
Lease make-good provision	70	531
Onerous contracts	48	707
Total current portion	330,450	362,033
NON-CURRENT PORTION		
Onerous contracts	227	744
Total non-current portion	227	744
TOTAL CREDITORS AND OTHER PAYABLES	**330,677**	**362,777**

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

Lease make-good provision

In respect of a number of its leased premises, the NZTA is required at the expiry of the lease term to make good any damage caused to the premises and to remove any fixtures or fittings installed by the NZTA. In many cases, the NZTA has the option to renew these leases, which affects the timing of expected cash outflows to make-good the premises. Information about the NZTA's leasing arrangements is disclosed in note 25.

Onerous contracts provision

The NZTA has non-cancellable leases for office space that is no longer used by the NZTA due to restructuring.

A provision has been recognised for the future rental payments.

18 EMPLOYEE ENTITLEMENTS

	Actual 2011/12 $000	Actual 2010/11 $000
CURRENT PORTION		
Accrued salaries and wages	3,129	3,084
Annual leave	7,950	7,651
Sick leave	479	472
Long service leave	451	434
Total current portion	12,009	11,641
NON-CURRENT PORTION		
Retirement and long service leave	4,698	3,953
Total non-current portion	4,698	3,953
TOTAL EMPLOYEE ENTITLEMENTS	**16,707**	**15,594**

An actuarial valuation as at 30 June 2012 was performed by Eriksen & Associates Ltd. The valuer is J Eriksen, Fellow of the NZ Society of Actuaries.

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

The discount rate of 2.63% (2011: 2.84%) is based on New Zealand Government bond data as at 30 June 2012 and specified by the Treasury. The salary inflation factor has been determined after considering the expected rate of inflation, again specified by the Treasury, historical salary inflation patterns and after obtaining advice from an independent actuary.

If the discount rate were to increase by 1% from that used, with all other factors held constant, the carrying amount of the liability would be an estimated $235,000 lower.

If the salary inflation factor were to increase by 1% from that used, with all other factors held constant, the carrying amount of the liability would be an estimated $256,000 higher.

19 BORROWING

The Estimates of Appropriations includes a borrowing facility for short-term advances to the NZTA from the Crown, to manage variations between cash outlays from and flows of hypothecated revenue into the National Land Transport Fund. The maximum amount of such advances at any one time shall not exceed $250 million.

The NZTA has been advanced $130 million as at 30 June 2012 (2011: $110 million).

The fair value of the borrowing is $130.116 million (2011: $110.099 million), based on cash flows discounted using Treasury determined coupon rate of 3.25% (2011: 3.25%).

20 RETAINED FUNDS

	Note	Actual 2011/12 $000	Actual 2010/11 $000
RETAINED FUNDS – NZTA OPERATIONS			
Balance at 1 July		24,469	22,971
Surplus/(deficit) from Operations		(3,452)	1,498
Balance at 30 June		21,017	24,469
RETAINED FUNDS – NATIONAL LAND TRANSPORT PROGRAMME			
Balance at 1 July		0	14,181
Capital contribution from the National Land Transport Fund		573,356	987,142
Surplus/(deficit) from Operations		1,073	2,086
Surplus/(deficit) from Investment in land transport		35,597	(33,563)
Transfer to state highway investment	a	(634,093)	(954,320)
Funds provided to local authority		24,068	(15,526)
Balance at 30 June		0	0
RETAINED FUNDS – SPECIFIC PROJECTS FUNDED BY THE CROWN			
Balance at 1 July		784	2,056
Surplus/(deficit)		8,638	(1,272)
Balance at 30 June		9,422	784
NLTP FUNDS PROVIDED TO LOCAL AUTHORITY			
Balance at 1 July		41,486	25,960
Funds from the National Land Transport Programme		(24,068)	15,526
Balance at 30 June		17,418	41,486
TOTAL RETAINED FUNDS		**47,858**	**66,739**

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

	Actual 2011/12 $000	Actual 2010/11 $000
Capitalised expenditure	1,087,026	1,376,647
State highway depreciation and asset write-off	(432,530)	(422,327)
State highway disposals to the National Land Transport Programme	(20,403)	0
TRANSFER TO STATE HIGHWAY INVESTMENT	634,093	954,320

21 MEMORANDUM ACCOUNT – THIRD PARTY FEES AND CHARGES

	Actual 2011/12 $000	Actual 2010/11 $000
Balance at 1 July	(6,088)	(2,647)
Surplus/(deficit) from Operations	(480)	(3,441)
TOTAL MEMORANDUM ACCOUNT – THIRD PARTY FEES AND CHARGES	(6,568)	(6,088)

a. Below is a breakdown of the memorandum account by funding source.

	Actual 2011/12 $000	Actual 2010/11 $000
BORDER INSPECTIONS		
Revenue	1,691	1,590
Expenditure	1,233	1,382
Net surplus/(deficit)	458	208
Closing balance	736	278
CERTIFICATION REVIEWS		
Revenue	7,596	7,521
Expenditure	8,526	6,711
Net surplus/(deficit)	(930)	810
Closing balance	(1,925)	(995)
DRIVER LICENSING		
Revenue (including Crown driver test subsidy)	29,784	29,304
Expenditure	29,397	31,912
Net surplus/(deficit)	387	(2,608)
Closing balance	(2,221)	(2,608)
DRIVER TESTING		
Revenue	15,989	17,662
Expenditure	15,529	16,908
Net surplus/(deficit)	460	754
Closing balance	1,214	754
OVERDIMENSION AND OVERWEIGHT PERMITS		
Revenue	442	389
Expenditure	231	129
Net surplus/(deficit)	211	260
Closing balance	574	363
RAIL LICENSING		
Revenue	662	1,093
Expenditure	1,312	901
Net surplus/(deficit)	(650)	192
Closing balance	(2,439)	(1,789)
STANDARDS DEVELOPMENT AND CERTIFICATION		
Revenue	6,171	5,814
Expenditure	8,317	9,243
Net surplus/(deficit)	(2,146)	(3,429)
Closing balance	674	2,820

	Actual 2011/12 $000	Actual 2010/11 $000
TRANSPORT LICENSING		
Revenue	8,453	7,461
Expenditure	6,879	7,104
Net surplus/(deficit)	1,574	357
Closing balance	(3,208)	(4,782)
TOLLING		
Revenue	5,544	4,905
Expenditure	5,388	4,890
Net surplus/(deficit)	156	15
Closing balance	27	(129)
TOTAL MEMORANDUM ACCOUNT – THIRD PARTY FEES AND CHARGES	**(6,568)**	**(6,088)**

22 STATE HIGHWAY NETWORK

	Note	Actual 2011/12 $000	Actual 2010/11 $000
STATE HIGHWAY INVESTMENT			
Balance at 1 July		17,134,081	16,179,761
Transfer from the National Land Transport Programme	20	634,093	954,320
Balance at 30 June		17,768,174	17,134,081
STATE HIGHWAY REVALUATION RESERVE			
Balance at 1 July		8,065,562	8,707,625
Revaluation gains/(losses) – state highway network		140,671	(642,170)
Revaluation gains/(losses) – Bailey bridging		249	107
Balance at 30 June		8,206,482	8,065,562
TOTAL STATE HIGHWAY NETWORK		**25,974,656**	**25,199,643**

23 CAPITAL CONTRIBUTION – NATIONAL LAND TRANSPORT PROGRAMME

	Actual 2011/12 $000	Actual 2010/11 $000
Accelerated state highway construction	0	33,700
New and improved infrastructure for state highways	373,625	638,330
Renewal of state highways	199,731	205,112
TOTAL CAPITAL CONTRIBUTION – NATIONAL LAND TRANSPORT PROGRAMME	**573,356**	**877,142**

24 RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FROM OPERATING ACTIVITIES

	Actual 2011/12 $000	Actual 2010/11 $000
NET SURPLUS/(DEFICIT)	41,376	(34,692)
ADD/(LESS) NON-CASH ITEMS:		
Depreciation and amortisation expense	432,134	417,430
State highway asset write-off	8,870	14,627
Increase/(decrease) in employee entitlements	745	1,161
Total non-cash items	441,749	433,218
ADD/(LESS) ITEMS CLASSIFIED AS INVESTING OR FINANCIAL ACTIVITIES:		
Payments to suppliers	88,357	128,235
Borrowing	170,000	110,000
Repayment of borrowing	(150,000)	0
Interest on borrowing	5,326	98
Total items classified as investing or financing activities	113,683	238,333
ADD/(LESS) MOVEMENTS IN STATEMENT OF FINANCIAL POSITION ITEMS:		
(Increase)/decrease in debtor National Land Transport Fund	(23,411)	(134,898)
(Increase)/decrease in debtors and other receivables	16,509	10,062
(Increase)/decrease in prepayments and inventories	(1,786)	(78)
Increase/(decrease) in creditors and other payables	(32,100)	10,491
Increase/(decrease) in tolling funds held in trust for Ministry of Transport	248	1,423
Increase/(decrease) in employee entitlements	368	1,154
Net movements in working capital items	(40,172)	(111,846)
NET CASH FROM OPERATING ACTIVITIES	**556,636**	**525,013**

25 CAPITAL COMMITMENTS AND OPERATING LEASES

National Land Transport Programme funding commitments

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

	Actual 2011/12 $000	Actual 2010/11 $000
Not later than one year	1,175,795	2,697,395
Later than one year and not later than five years	1,683,963	2,071,429
Later than five years	132,171	373,800
TOTAL FUNDING COMMITMENTS	**2,991,929**	**5,142,624**

Capital commitments

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

	Actual 2011/12 $000	Actual 2010/11 $000
Not later than one year	745,587	888,064
Later than one year and not later than five years	1,703,923	1,956,537
Later than five years	150,244	0
TOTAL CAPITAL COMMITMENTS	**2,599,754**	**2,844,601**

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

Operating leases as lessee

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

	Actual 2011/12 $000	Actual 2010/11 $000
Not later than one year	19,818	24,506
Later than one year and not later than five years	60,099	71,255
Later than five years	37,798	46,226
TOTAL NON-CANCELLABLE OPERATING LEASES	**117,715**	**141,987**

26 CONTINGENCIES

Contingent liabilities

Contract and land settlements

There are claims of $10.9 million (2011: $15.4 million) relating to a range of roading and property contract disputes.

Contingent assets

The NZTA has contingent assets of $0.581 million (2011: nil) relating to claims for legal costs.

27 RELATED PARTY TRANSACTIONS

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

The NZTA is a wholly owned entity of the Crown.

Significant transactions with government-related entities

The NZTA has been provided with funding from the Crown and National Land Transport Fund of $1.912 billion (2011: $1.828 billion) for specific purposes as set out in its founding legislation and the scope of the relevant government appropriations. The Crown has also made available to the NZTA a borrowing facility of $250 million for short-term advances.

Collectively, but not individually, significant transactions with government-related entities

In conducting its activities, the NZTA is required to pay various taxes and levies (such as GST, fringe benefit tax (FBT), pay as you earn (PAYE) and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The NZTA is exempt from paying income tax.

The NZTA also purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2012 totalled $51.478 million (2011: $44.136 million). These government-related entities include New Zealand Post Ltd ($25.412 million), New Zealand Railways Corporation ($7.265 million) and Housing New Zealand Ltd ($6.021 million). These purchases also include the purchase of electricity from Genesis Energy and Meridian Energy, and air travel from Air New Zealand.

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

During the 2011/12 financial year Board members and staff of the NZTA were involved in minor transactions with the motor vehicle register and driver licence systems when re-registering their vehicle or driver licences.

Key management personnel – director transactions

The following material transactions were entered into during the year with entities the directors have a relationship with.
In the majority of the relationships the directors are in a governance role and in only a few is there a financial interest.
All transactions were at arm's length and under normal commercial terms.

Board member/entity	Relationship	Transaction[a]	Transaction value		Balance outstanding	
			2011/12 $000	2010/11 $000	2011/12 $000	2010/11 $000
CHRIS MOLLER						
Meridian Energy Ltd	Chair	Energy costs	377	176	38	0
Westpac NZ Ltd	Director	Income from interest received	2,190	0	0	0
		Fees for banking services	3,117	983	100	0
Opus International Consultants	Minor shareholding[b]	Income from staff training	64	57	1	3
		Fees for professional services	77,911	80,156	10,054	4,904
PATSY REDDY						
Fletcher Building Ltd	Minor shareholding via Trust[b]	Fees for state highway services	80,994	0	0	0
Opus International Consultants	Minor shareholding via Trust[b]	Income from staff training	64	57	1	3
		Fees for professional services	77,911	80,156	10,054	4,904
BRYAN JACKSON						
NZ Railways Corporation	Director[c]	Income from rail licensing fees	0	1,207	0	226
		Investment in land transport	0	1,764	0	325
Vehicle Testing Group	Chair[c]	Income from certification fees	255	229	0	21
		Agent commissions	5,591	5,360	440	436
TONY LANIGAN						
Watercare Services Ltd	Director	Income for services	55	15,887	54	1,638
		Fees for monitoring services	143	334	1	0
JERRY RICKMAN						
PricewaterhouseCoopers	Consultant/ Wife partner[d]	Fees for professional services	695	1,879	0	8
ALICK SHAW						
Azimuth Consulting Ltd	Associate	Fees for professional services	133	0	47	0
ADRIENNE YOUNG-COOPER						
Housing New Zealand Corporation	Deputy Chair	Property purchases	6,021	0	0	0
GILL COX						
Mainpower NZ Ltd	Chair	Fees for state highway services	74	0	6	0

a. Transactions are expenditure items unless stated as income.
b. Shareholdings are part of portfolios managed via third parties.
c. Bryan Jackson was Chair of the Vehicle Testing Group until December 2011, and a Director of the New Zealand Railways Corporation until April 2011.
d. Jerry Rickman was a consultant to, and his wife a partner in, PricewaterhouseCoopers until December 2011.

There are no close family members of key management personnel employed by the NZTA.

Key management personnel compensation

	Actual 2011/12 $000	Actual 2010/11 $000
Salaries and other short-term employee benefits	4,127	3,962
Post-employment benefits	0	0
Other long-term benefits	0	0
Termination benefits	57	23
TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION	**4,184**	**3,985**

Key management personnel includes all Board members, the Chief Executive and the 10 (2011: 10) members of the Senior Leadership Team.

Funds held in trust

The following funds are held in trust while awaiting roading work to be completed. When the requirements of the agreement with the depositor are met, the funds are paid over to the NZTA.

	Actual 2011/12 $000	Actual 2010/11 $000
Chapman Tripp	5,670	133
Public Trust	805	1,106
TOTAL FUNDS HELD IN TRUST	**6,475**	**1,239**

28 BOARD MEMBER REMUNERATION

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

		Actual 2011/12 $000	Actual 2010/11 $000
Chris Moller (Chair)		68	68
Patsy Reddy		42	25
Bryan Jackson		34	36
Tony Lanigan		34	28
Jerry Rickman		34	31
Alick Shaw		34	34
Adrienne Young-Cooper	Appointed August 2011	31	0
Gill Cox	Appointed September 2011	28	0
Garry Moore	Stepped down in June 2011	0	42
Christine Caughey	Stepped down in June 2011	0	34
Paul Fitzharris	Stepped down in July 2010	0	4
Grahame Hall	Stepped down in July 2010	0	4
TOTAL BOARD MEMBER REMUNERATION		305	306

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

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

No Board members received compensation or other benefits in relation to cessation (2011: nil).

29 EMPLOYEE REMUNERATION

Total remuneration paid or payable	No. of staff 2011/12	No. of staff 2010/11
100,000–109,999	69	59
110,000–119,999	55	57
120,000–129,999	40	32
130,000–139,999	33	25
140,000–149,999	21	18
150,000–159,999	15	14
160,000–169,999	14	17
170,000–179,999	8	9
180,000–189,999	6	7
190,000–199,999	6	3
200,000–209,999	7	4
210,000–219,999	3	2
220,000–229,999	1	3
230,000–239,999	2	0
240,000–249,999	1	2
250,000–259,999	1	2
260,000–269,999	3	2
280,000–289,999	0	1
300,000–309,999	1	2
310,000–319,999	1	1
320,000–329,999	1	1
330,000–339,999	1	0
340,000–349,999	1	1
360,000–369,999	1	0
370,000–379,999	0	1
380,000–389,999	1	0
390,000–399,999	1	0
580,000–589,999	0	*1
600,000–609,999	*1	0
TOTAL EMPLOYEES	**294**	**264**

* Chief Executive Officer

During the year ended 30 June 2012, 15 (2011: 28) employees received compensation and other benefits in relation to cessation totalling $0.787 million (2011: $1.235 million).

30 EVENTS AFTER THE BALANCE DATE

There were no significant events after the balance date.

31 FINANCIAL INSTRUMENT CATEGORIES

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

	Actual 2011/12 $000	Actual 2010/11 $000
LOANS AND RECEIVABLES		
Cash and cash equivalents	58,265	71,115
Crown receivable	456,018	432,607
Debtors and other receivables	26,006	42,515
Loans and advances	855	28,835
TOTAL LOANS AND RECEIVABLES	**541,144**	**575,072**
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Creditors and other payables (current and non-current)	330,677	362,777
Borrowing	130,000	110,000
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**460,677**	**472,777**

32 FINANCIAL INSTRUMENT RISKS

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

Market risk

Fair value interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The NZTA's exposure to fair value interest rate risk is limited to its bank deposits which are held at fixed rates of interest. The NZTA does not actively manage its exposure to fair value interest rate risk.

Cash flow interest rate risk

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

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

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The NZTA purchases goods and services overseas which require it to enter into transactions denominated in foreign currencies.

Credit risk

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

Due to the timing of its cash inflows and outflows, the NZTA invests surplus cash with registered banks.

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

In the normal course of business, the NZTA is exposed to credit risk from cash and term deposits with banks, debtors and other receivables, and derivative financial instrument assets. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

The NZTA limits the amount of credit exposure to any one financial institution for term deposits to no more than no more than $40 million. The NZTA invests funds only with registered banks that have a Standard and Poor's credit rating of at least A-1 for short term and for long term investments. The NZTA has experienced no defaults of interest or principal payments for term deposits.

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

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

	Actual 2011/12 $000	Actual 2010/11 $000
Cash and cash equivalents	58,265	71,115
National Land Transport Fund and Crown receivable	456,018	432,607
Debtors and other receivables	26,006	42,515
Loans and advances	855	28,835
TOTAL CREDIT RISK	541,144	**575,072**

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

	Actual 2011/12 $000	Actual 2010/11 $000
CASH AND CASH EQUIVALENTS		
AA	58,265	71,115
TOTAL CASH AND CASH EQUIVALENTS	**58,265**	**71,115**

Liquidity risk

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

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

Contractual maturity analysis of financial liabilities
The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

	2011/12			2010/11		
	Less than 6 months $000	6-12 months $000	Later than 1 year $000	Less than 6 months $000	6-12 months $000	Later than 1 year $000
Creditors and other payables	330,332	118	227	360,795	1,238	744
Borrowings	0	130,000	0	0	110,000	0

Contractual maturity analysis of financial assets
The table below analyses financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

	2011/12		2010/11	
	Less than 6 months $000	Later than 1 year $000	Less than 6 months $000	Later than 1 year $000
Cash and cash equivalents	58,265	0	71,115	0
National Land Transport Fund and Crown receivable	456,018	0	432,607	0
Debtors and other receivables	26,006	0	42,515	0
Loans and advances	0	855	0	28,835

Borrowing

The NZTA's borrowing facility from the Crown is the result of the acceleration of our investment in state highways, which is to cover seasonal variations in cash flows where state highway works progress ahead of funding available from the National Land Transport Fund. The NZTA is addressing this risk through prudent management of expenditure on state highways and cash flows from the National Land Transport Fund.

Sensitivity analysis

Interest rate risk

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

	2011/12 Effect on surplus or deficit		2010/09 Effect on surplus or deficit	
	+1% $000	-1% $000	+1% $000	-1% $000
Cash and cash equivalents	534	(534)	688	(688)
Loans and advances	0	0	375	(375)

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

	2011/12 Effect on surplus or deficit		2010/09 Effect on surplus or deficit	
	+0.5% $000	-0.5% $000	+0.5% $000	-0.5% $000
Borrowing	1,331	(1,331)	24	(24)

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

33 CAPITAL MANAGEMENT

The NZTA's capital is its equity, which comprises general funds, accumulated funds and revaluation reserves.

Equity is represented by net assets.

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

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

34 EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

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

Statement of comprehensive income

INCOME

Revenue from the Crown was higher than budgeted by $50 million due to the Crown investing an extra $45 million in the reinstatement of local roads in Canterbury.

Revenue from National Land Transport Fund was lower than budgeted by $32.6 million as a result of two key decisions made early in the year to manage the National Land Transport Fund: (a) a moratorium on new approvals for improvement activities and (b) a financial assistance rate (FAR) variation arrangement with Auckland Transport.

EXPENDITURE

Investment in land transport was lower than budgeted by $54.5 million. In addition to the decisions made to manage the National Land Transport Fund (see above), the Christchurch bus exchange project has been postponed, following the earthquakes, and has been included in the 2012–15 National Land Transport Programme.

Depreciation and amortisation expense, which predominately relates to state highways, was higher than budgeted by $41.7 million as the budget did not fully take into account the impact of proportionately higher spending on state highways in the earlier part of the 2009–12 National Land Transport Programme.

Statement of financial position

CURRENT ASSETS

Cash and cash equivalents were higher than budgeted by $46.378 million. The NZTA aims to manage cash as tightly as possible and set itself an ambitious goal for 2011/12.

Debtors and other receivables were lower than budgeted by $18.994 million. The budget was set at a consistent level to 2010/11 actuals, which included a number significant debtors that have now been settled, including 1 property debtor of $12 million.

Non-current assets held for sale the variance of $57.772 million is the result of a project carried out this year to identify properties that are surplus to requirements. This is an exercise that we now intend to carry out annually.

NON-CURRENT ASSETS

Property, plant and equipment was lower than budgeted by $2.224 million. The budget was set based on the expected 2011/12 capital programme. The most significant capital addition that is behind expectations is due to delays in leasehold improvements on the testing facility in Christchurch ($1.3 million).

State highway network was lower than budgeted by $1.791 billion. The 2011/12 budget was set prior to the finalisation of the 2010/11 state highway valuation, and was estimated using the draft 2010/11 state highway valuation as the opening balance as at 1 July 2011 with an annual increase consistent with previous years valuation increases. The 2010/11 state highway valuation was adjusted downwards by $1.4 billion for capital leakage and Brownfields costs to projects which has created the variance between budget and actual values for the state highway network asset.

Intangible assets were higher than budgeted by $8.771 million. The variance to budget was largely created by the late inclusion of the integrated ticketing asset in the 2010/11 financial statements. This asset ($13.1 million as at 30 June 2011) was incorporated into the 2010/11 financial statements after the finalisation of the 2011/12 budgets. This was partly offset by significant resource applied to operational programmes for road user charges and BCP (Business Continuity Plan), which have not, therefore, been available for capital projects.

Loans and advances was lower than budgeted by $29.287 million. The Auckland Council loan was repaid in full in August 2011 ($28.4 million), and when the budget was set this was not expected to be settled until the 2012/13 financial year.

LIABILITIES

Creditors and other payables were lower than budgeted by $24.330 million. The reduction in creditors reflects the reduction in National Land Transport Programme expenditure for the 2011/12 year compared to budget. Given the reduction in the National Land Transport Programme expenditure in 2011/12, a decrease in creditors of this magnitude is expected.

Employee entitlements were higher than budgeted by $2.309 million. The long service leave and sick leave entitlement both were re-estimated by the actuaries, resulting in a combined revaluation. The annual leave entitlement increased significantly in 2011/12 due to (1) a higher proportion of staff being entitled to 5 weeks leave, and (2) the impact of internal restructuring leading staff to take less leave than the usual pattern.

Borrowing was lower than budgeted by $119.596 million. Claims from approved organisations settled in July rather than June resulted in a better-than-expected debt position as at 30 June 2012.

SUPPLEMENTARY INFORMATION

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

In this section you will find the following:

› detailed performance by segment of the business
› National Land Transport Programme
› land transport management (road tolling scheme).

This information is consistent with, and should be read in conjunction with, the financial highlights on pages 95 to 97 and the audited financial statements on pages 98 to 101.

DETAILED PERFORMANCE BY SEGMENT OF THE BUSINESS

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

OPERATIONS	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
REVENUE FROM THE CROWN			
Regulatory implementation and enforcement	1,396	1,348	1,356
Licensing activities	2,475	2,475	2,250
Motor vehicle register	47,966	40,016	41,454
Road user charges collection, investigation and enforcement	16,485	17,855	17,349
Refund of fuel excise duty	441	429	431
Administration of the SuperGold cardholders scheme	46	95	35
	68,810	62,218	62,875
REVENUE FROM THE NATIONAL LAND TRANSPORT FUND			
Management of the funding allocation system	29,371	29,000	30,709
Transport planning	7,668	7,000	9,650
Sector training and research	5,000	6,000	3,400
Public transport infrastructure	2,551	4,000	2,841
Road user safety	20,390	22,400	17,393
Maintenance and operation of state highways	10,728	8,735	11,312
	75,707	77,135	75,305
REVENUE FROM THIRD PARTIES			
Regulatory implementation and enforcement	32,150	28,070	30,875
Licensing activities	44,767	39,100	44,981
Motor vehicle register	5,650	13,460	13,497
Sector training and research	2	0	8
New infrastructure for and renewal of state highways	450	0	18
Maintenance and operation of state highways	1,166	964	1,095
	84,185	81,594	90,474
TOTAL INCOME	228,702	220,947	228,654

	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
EXPENDITURE			
OPERATING ACTIVITIES			
Regulatory implementation and enforcement	33,861	31,443	32,019
Licensing activities	45,570	45,475	49,794
Motor vehicle register	56,926	54,381	53,797
Road user charges collection, investigation and enforcement	16,897	18,829	14,887
Refund of fuel excise duty	501	429	496
Administration of the SuperGold cardholders scheme	46	95	63
	153,802	150,652	151,056
OPERATING ACTIVITIES (NATIONAL LAND TRANSPORT PROGRAMME)			
Management of the funding allocation system	29,891	29,000	31,233
Transport planning	7,668	7,000	9,755
Sector training and research	3,858	6,000	3,391
Public transport infrastructure	2,551	4,000	2,599
Road user safety	20,390	22,400	15,763
New and improved infrastructure for state highways	29,770	31,165	26,435
Renewal of state highways	10,728	8,735	11,581
Maintenance and operation of state highways	10,728	8,735	10,496
	115,583	117,035	111,253
OPERATING ACTIVITIES (BUSINESS UNITS)			
Maintenance and operation of state highways	1,202	865	1,243
Expenses relating to the delivery of outputs	270,587	268,552	263,552
Expenses relating to the merger	1,471	1,787	2,975
Total expenditure	272,058	270,339	266,527
STATE HIGHWAY NETWORK			
Less capitalised expenditure	(40,497)	(39,900)	(38,016)
Total expenditure	231,561	230,439	228,511
NET SURPLUS/(DEFICIT)	**(2,859)**	**(9,492)**	**143**

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

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

Movement of operations net surplus/(deficit) to equity	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Retained funds – NZTA Operations	76,212	75,934	77,592
Retained funds – National Land Transport Programme	76,158	77,135	75,323
Memorandum account – Third party fees and charges	76,332	67,878	75,739
	228,702	220,947	228,654
EXPENDITURE			
Retained funds – NZTA Operations	79,664	79,458	76,094
Retained funds – National Land Transport Programme	75,085	77,135	73,237
Memorandum account – Third party fees and charges	76,812	73,846	79,180
	231,561	230,439	228,511
NET SURPLUS/(DEFICIT)			
Retained funds – NZTA Operations	(3,452)	(3,524)	1,498
Retained funds – National Land Transport Programme	1,073	0	2,086
Memorandum account – Third party fees and charges	(480)	(5,968)	(3,441)
NET SURPLUS/(DEFICIT)	**(2,859)**	**(9,492)**	**143**

INVESTMENT IN LAND TRANSPORT	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
REVENUE FROM THE NATIONAL LAND TRANSPORT FUND			
Transport planning	17,420	19,000	13,609
Public transport infrastructure	32,468	51,000	41,826
Public transport services	233,000	228,000	194,630
Road user safety	20,451	20,600	15,608
New and improved infrastructure for local roads	137,000	165,000	163,142
Renewal of local roads	185,000	235,000	205,500
Maintenance and operation of local roads	275,000	277,000	274,768
Walking and cycling facilities	7,000	12,000	12,300
New infrastructure for and renewal of state highways	432,875	410,927	405,913
Maintenance and operation of state highways	353,431	306,265	317,165
Total income	1,693,645	1,724,792	1,644,461

	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
EXPENDITURE			
INVESTMENT IN LAND TRANSPORT			
Transport planning	14,946	19,000	13,440
Public transport infrastructure	15,519	51,000	28,920
Public transport services	231,328	228,000	194,630
Road user safety	20,708	20,600	16,527
New and improved infrastructure for local roads	110,132	165,000	163,142
Renewal of local roads	188,227	235,000	205,499
Maintenance and operation of local roads	292,639	277,000	304,182
Walking and cycling facilities	11,708	12,000	12,262
Rail and coastal freight	72	0	(121)
Accelerated state highway construction	0	0	33,700
New and improved infrastructure for state highways	858,526	889,235	1,111,354
Renewal of state highways	189,003	196,265	193,531
Maintenance and operation of state highways	333,914	306,265	317,262
Interest on borrowing	5,326	3,600	0
	2,272,047	2,402,965	2,594,328
STATE HIGHWAY NETWORK			
State highway depreciation	423,660	382,140	407,700
State highway asset write-off	8,870	27,000	14,627
Less capitalised expenditure	(1,046,529)	(1,089,100)	(1,338,631)
	(613,999)	(679,960)	(916,304)
Total expenditure	1,658,048	1,723,005	1,678,024
NET SURPLUS/(DEFICIT)	**35,597**	**1,787**	**(33,563)**

SPECIFIC PROJECTS FUNDED BY THE CROWN			
	Actual 2011/12 $000	**Budget 2011/12 $000**	**Actual 2010/11 $000**
INCOME			
REVENUE FROM THE CROWN			
Reinstatement of local roads in Canterbury	45,000	0	0
Canterbury transport project	5,000	5,000	14,000
Regional development transport funding	2,000	2,000	11,000
Enhanced public transport concessions for SuperGold cardholders	21,339	22,905	20,735
Administration of the SuperGold cardholders scheme	0	0	100
Total income	73,339	29,905	45,835
EXPENDITURE			
Reinstatement of local roads in Canterbury	36,106	0	0
Canterbury transport project	5,000	5,000	14,000
Regional development transport funding	2,256	647	12,299
Enhanced public transport concessions for SuperGold cardholders	21,339	22,905	20,735
Administration of the SuperGold cardholders scheme	0	0	73
Total expenditure	64,701	28,552	47,107
NET SURPLUS/(DEFICIT)	**8,638**	**1,353**	**(1,272)**

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

NATIONAL LAND TRANSPORT PROGRAMME

The National Land Transport Programme outlines a three-year programme of funding for land transport infrastructure and services throughout the country. The NZTA develops the National Land Transport Programme based on the policy direction in the Land Transport Management Act 2003 and the Government Policy Statement on Land Transport Funding (and regional priorities).

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

NATIONAL LAND TRANSPORT PROGRAMME	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Capital contribution from National Land Transport Fund	573,356	703,773	987,142
Revenue from the National Land Transport Fund	1,744,477	1,779,000	1,697,853
Revenue from the National Land Transport Fund (rental and interest income)	24,875	22,927	21,913
Revenue from third parties	450	0	18
Total income for the National Land Transport Programme	2,343,158	2,505,700	2,706,926
EXPENDITURE			
New and improved infrastructure for state highways	888,295	1,036,200	1,171,489
Renewal of state highways	199,731	202,000	205,112
Maintenance and operation of state highways	344,642	300,000	327,758
New and improved infrastructure for local roads	110,132	136,000	163,142
Renewal of local roads	188,227	236,000	205,499
Maintenance and operation of local roads	292,639	251,000	304,182
Public transport services	231,328	220,000	194,630
Public transport infrastructure	18,070	57,000	31,519
Demand management and community programmes	41,097	38,000	32,290
Walking and cycling facilities	11,708	14,000	12,262
Sector training and research	3,858	6,000	3,391
Rail and sea freight	72	1,000	(121)
Transport planning	22,614	32,000	23,195
Management of the funding allocation system	29,891	32,400	31,233
Interest on borrowing	5,326	0	0
Total expenditure	2,387,629	2,561,600	2,705,581
CARRY OVER INTO NEXT YEAR	(44,471)	(55,900)	1,345
Revenue from state highway disposals	20,403	16,000	0
Loan to local authority	28,340	(1,700)	(2,380)
Public transport infrastructure – automated fare collection system	(4,272)	0	(13,146)
Opening balance	0	0	14,181
CLOSING BALANCE AT THE END OF THE YEAR	0	(41,600)	0

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

LAND TRANSPORT MANAGEMENT (ROAD TOLLING SCHEME)

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

The Northern Gateway Toll Road was officially opened on 24 January 2009, bringing about a safer and more reliable journey between Auckland and Northland. In the year to 30 June 2012, 5.2 million trips were made on the toll road. In addition to this, another 2.1 million trips have been made via the now less congested alternative free route, State Highway 17.

Toll tariffs

Toll tariffs were increased on 1 March 2012, which is the first increase in toll tariffs since the road opened.

The toll tariffs are now set at $2.20 for light vehicles (3.5 tonnes and under) and motorcycles, and $4.40 for heavy vehicles (over 3.5 tonnes). There is no cost for towing a trailer or caravan.

Toll revenue

The toll tariff consists of three parts: revenue, transaction charge and GST. Toll revenue is the portion of the tariff used to repay the debt, while the transaction charge element provides funding towards the operation costs (of running tolling). For a $2.20 toll this is $1.21 and $0.70 respectively. The remaining $0.29 is GST. Over $6.4 million of toll revenue has been paid to the Ministry of Transport for the period ended 30 June 2012, for debt repayment.

TRAFFIC VOLUMES FOR THE YEAR ENDED 30 JUNE 2012

Class of motor vehicle	Actual 2011/12 000	Budget 2011/12 000	Actual 2010/11 000
Light vehicle	4,773	4,824	4,693
Heavy vehicle	381	413	387
Exempt	19	21	19
Unidentifiable	11	21	24
Technical loss	14	11	5
TOTAL	**5,198**	**5,290**	**5,128**

TOLL REVENUE (PORTION DESIGNATED FOR REPAYMENT OF DEBT) FOR THE YEAR ENDED 30 JUNE 2012

	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
PAID TOLL			
Light vehicle	5,266	5,035	5,015
Heavy vehicle	1,105	1,152	1,091
Interest	43	39	45
TOTAL FUNDS AVAILABLE	6,414	6,226	6,151
OUTSTANDING DEBTOR BALANCE AS AT 30 JUNE 2012			
Unpaid toll revenue to be collected for the Ministry of Transport	142		178
Unpaid operating charge to be collected	79		94
Unpaid administration charges to be collected	329		163
GST to be collected	82		62
TOTAL OUTSTANDING DEBTOR BALANCE AS AT 30 JUNE 2012	**632**	**0**	**497**

USE OF TOLL ROAD AND ALTERNATIVE ROUTE(S) FOR THE YEAR ENDED 30 JUNE 2012

	Actual 2011/12 %	Budget 2011/12 %	Actual 2010/11 %
Northern Gateway Toll Road (State Highway 1)	71.4%	71.0%	71.4%
Free alternative route(s) (State Highways 16 or 17)	28.6%	29.0%	28.6%
TOTAL	**100.0%**	**100.0%**	**100.0%**

COMPLIANCE WITH TOLLING FOR THE YEAR ENDED 30 JUNE 2012	Volumes Actual 2011/12 000	Revenue Actual 2011/12 $000	Volumes Actual 2010/11 000	Revenue Actual 2010/11 $000
Total chargeable toll trips	5,154	11,423	5,080	10,934
Total administration charges	n/a	2,243	n/a	1,163
TOTAL TOLL REVENUE	**5,154**	**13,666**	**5,080**	**12,097**
Paid toll trips	4,981	11,051	4,880	10,519
Paid administration charges	n/a	1,681	n/a	861
PAID TOLL REVENUE	**4,981**	**12,732**	**4,880**	**11,380**
Unpaid toll trips	173	372	200	415
Unpaid administration charges	n/a	562	n/a	303
UNPAID TOLL REVENUE	**173**	**934**	**200**	**718**
Administration charge payment compliance	n/a	74.9%	n/a	74.0%
Toll payment compliance	96.6%	96.7%	96.1%	94.1%

Financial statements for tolling

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Toll fees	5,540	5,293	4,314
Additional funds received from the National Land Transport Programme	0	0	559
Total income	5,540	5,293	4,873
Expenditure	5,383	5,293	4,873
NET SURPLUS/(DEFICIT)	**157**	**0**	**0**

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
ASSETS			
Current assets	5,951	5,879	6,190
Non-current assets	3,298	3,299	3,920
TOTAL ASSETS	**9,249**	**9,178**	**10,110**
Liabilities	5,236	4,678	4,684
NET ASSETS/EQUITY	**4,013**	**4,500**	**5,426**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
Net cash from operating activities	7,123	4,969	6,665
Net cash from financing activities	(6,237)	(6,188)	(6,139)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	886	(1,219)	526
Cash and cash equivalents at the beginning of the year	3,898	3,897	3,372
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**4,784**	**2,678**	**3,898**

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

OUTPUT CLASS INCOME AND EXPENDITURE

Planning and investing in land transport networks

MANAGEMENT OF THE FUNDING ALLOCATION SYSTEM	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Revenue from the National Land Transport Fund (taxi enforcement)	1,408	2,084	2,085
Revenue from the National Land Transport Fund	27,963	26,916	28,624
Total income	29,371	29,000	30,709
EXPENDITURE			
NZ Transport Agency operating activities (taxi enforcement)	1,408	2,084	2,077
NZ Transport Agency operating activities	28,483	26,916	29,156
Total expenditure	29,891	29,000	31,233
NET SURPLUS/(DEFICIT)	**(520)**	**0**	**(524)**

TRANSPORT PLANNING	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Revenue from the National Land Transport Fund	25,088	26,000	23,259
Total income	25,088	26,000	23,259
EXPENDITURE			
NZ Transport Agency operating activities	7,668	7,000	9,755
Funding to approved organisations	14,946	19,000	13,440
Total expenditure	22,614	26,000	23,195
NET SURPLUS/(DEFICIT)	**2,474**	**0**	**64**

SECTOR TRAINING AND RESEARCH	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Revenue from the National Land Transport Fund	5,000	6,000	3,400
Revenue from third parties	2	0	8
Total income	5,002	6,000	3,408
EXPENDITURE			
NZ Transport Agency operating activities	3,858	6,000	3,391
Total expenditure	3,858	6,000	3,391
NET SURPLUS/(DEFICIT)	**1,144**	**0**	**17**

PUBLIC TRANSPORT INFRASTRUCTURE	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Revenue from the National Land Transport Fund	35,019	55,000	44,667
Total income	35,019	55,000	44,667
EXPENDITURE			
NZ Transport Agency operating activities	2,551	4,000	2,599
Funding to approved organisations	15,519	51,000	28,920
Total expenditure	18,070	55,000	31,519
NET SURPLUS/(DEFICIT)	**16,949**	**0**	**13,148**

A further $4.272 million has been invested in the public transport automated fare collection system asset. This capital expenditure is funded from this net surplus.

PUBLIC TRANSPORT SERVICES	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Revenue from the National Land Transport Fund	233,000	228,000	194,630
Total income	233,000	228,000	194,630
EXPENDITURE			
Funding to approved organisations	231,328	228,000	194,630
Total expenditure	231,328	228,000	194,630
NET SURPLUS/(DEFICIT)	**1,672**	**0**	**0**

ROAD USER SAFETY	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Revenue from the National Land Transport Fund	40,841	43,000	33,001
Total income	40,841	43,000	33,001
EXPENDITURE			
NZ Transport Agency operating activities (vehicle impoundment)	171	444	152
NZ Transport Agency operating activities	20,218	21,956	15,611
Funding to approved organisations	20,708	20,600	16,527
Total expenditure	41,097	43,000	32,290
NET SURPLUS/(DEFICIT)	**(256)**	**0**	**711**

NEW AND IMPROVED INFRASTRUCTURE FOR LOCAL ROADS	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Revenue from the National Land Transport Fund	137,000	165,000	163,142
Total income	137,000	165,000	163,142
EXPENDITURE			
Funding to approved organisations	110,132	165,000	163,142
Total expenditure	110,132	165,000	163,142
NET SURPLUS/(DEFICIT)	**26,868**	**0**	**0**

RENEWAL OF LOCAL ROADS	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Revenue from the National Land Transport Fund	185,000	235,000	205,500
Total income	185,000	235,000	205,500
EXPENDITURE			
Funding to approved organisations	188,227	235,000	205,499
Total expenditure	188,227	235,000	205,499
NET SURPLUS/(DEFICIT)	**(3,227)**	**0**	**1**

MAINTENANCE AND OPERATION OF LOCAL ROADS	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Revenue from the National Land Transport Fund	275,000	277,000	274,768
Total income	275,000	277,000	274,768
EXPENDITURE			
Funding to approved organisations	292,639	277,000	304,182
Total expenditure	292,639	277,000	304,182
NET SURPLUS/(DEFICIT)	**(17,639)**	**0**	**(29,414)**

WALKING AND CYCLING FACILITIES	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Revenue from the National Land Transport Fund	7,000	12,000	12,300
Total income	7,000	12,000	12,300
EXPENDITURE			
Funding to approved organisations	11,708	12,000	12,262
Total expenditure	11,708	12,000	12,262
NET SURPLUS/(DEFICIT)	**(4,708)**	**0**	**38**

RAIL AND COASTAL FREIGHT	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Revenue from the National Land Transport Fund	0	0	0
Total income	0	0	0
EXPENDITURE			
Funding to approved organisations	72	0	(121)
Total expenditure	72	0	(121)
NET SURPLUS/(DEFICIT)	**(72)**	**0**	**121**

Providing access to and use of the land transport system

REGULATORY IMPLEMENTATION AND ENFORCEMENT	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Revenue from the Crown	548	548	552
Revenue from the Crown (rules development)	848	800	804
Revenue from third parties (fees and charges)	30,120	27,333	29,312
Revenue from third parties (other)	2,030	737	1,563
Total income	33,546	29,418	32,231
EXPENDITURE			
Ministerial advice and official correspondence	701	878	713
Rules development	541	800	725
Fees and charges funded activities	32,302	29,401	30,191
Other	317	364	390
Total expenditure	33,861	31,443	32,019
NET SURPLUS/(DEFICIT)	**(315)**	**(2,025)**	**212**

LICENSING ACTIVITIES	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Revenue from the Crown (drug and alcohol assessments)	1,030	1,030	805
Revenue from the Crown (driver test subsidy)	1,445	1,445	1,445
Revenue from third parties	44,767	39,100	44,981
Total income	47,242	41,575	47,231
EXPENDITURE			
Drug and alcohol assessments	1,060	1,030	805
Fees and charges funded activities	44,510	44,445	48,989
Total expenditure	45,570	45,475	49,794
NET SURPLUS/(DEFICIT)	**1,672**	**(3,900)**	**(2,563)**

MOTOR VEHICLE REGISTRY	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Revenue from the Crown	47,966	40,016	41,454
Revenue from third parties	5,650	13,460	13,497
Total income	53,616	53,476	54,951
EXPENDITURE			
NZ Transport Agency operating activities	56,926	54,381	53,797
Total expenditure	56,926	54,381	53,797
NET SURPLUS/(DEFICIT)	**(3,310)**	**(905)**	**1,154**

ROAD USER CHARGES COLLECTION, IMPLEMENTATION AND ENFORCEMENT	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Revenue from the Crown	16,485	17,855	17,349
Total income	16,485	17,855	17,349
EXPENDITURE			
NZ Transport Agency operating activities	16,897	18,829	14,887
Total expenditure	16,897	18,829	14,887
NET SURPLUS/(DEFICIT)	**(412)**	**(974)**	**2,462**

REFUND OF FUEL EXCISE DUTY	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Revenue from the Crown	441	429	431
Total income	441	429	431
EXPENDITURE			
NZ Transport Agency operating activities	501	429	496
Total expenditure	501	429	496
NET SURPLUS/(DEFICIT)	**(60)**	**0**	**(65)**

Managing the state highway network

ACCELERATED STATE HIGHWAY CONSTRUCTION	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Capital contribution from the National Land Transport Fund	0	0	33,700
Total income	0	0	33,700
EXPENDITURE			
NZ Transport Agency investment in the state highway network	0	0	33,700
Total expenditure	0	0	33,700
NET SURPLUS/(DEFICIT)	0	0	0

NEW AND IMPROVED INFRASTRUCTURE FOR STATE HIGHWAYS	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Capital contribution from the National Land Transport Fund	373,625	498,773	748,330
Revenue from the National Land Transport Fund	24,875	22,927	21,913
Revenue from the National Land Transport Fund (renewals)	408,000	388,000	384,000
Revenue from third parties	450	0	18
Total income	806,950	909,700	1,154,261
EXPENDITURE			
NZ Transport Agency operating activities	29,770	31,165	26,435
NZ Transport Agency investment in the state highway network	858,526	892,835	1,111,354
Total expenditure	888,295	924,000	1,137,789
NET SURPLUS/(DEFICIT)	**(81,345)**	**(14,300)**	**16,472**

RENEWAL OF STATE HIGHWAYS	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Capital contribution from the National Land Transport Fund	199,731	205,000	205,112
Total income	199,731	205,000	205,112
EXPENDITURE			
NZ Transport Agency operating activities	10,728	8,735	11,581
NZ Transport Agency investment in the state highway network	189,003	196,265	193,531
Total expenditure	199,731	205,000	205,112
NET SURPLUS/(DEFICIT)	**0**	**0**	**0**

MAINTENANCE AND OPERATION OF STATE HIGHWAYS	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Revenue from the National Land Transport Fund	364,159	315,000	328,477
Revenue from third parties (business units)	1,166	964	1,095
Total income	365,325	315,964	329,572
EXPENDITURE			
NZ Transport Agency operating activities	10,728	8,735	10,496
NZ Transport Agency operating activities (business units)	1,202	865	1,243
NZ Transport Agency investment in the state highway network	333,914	306,265	317,262
Total expenditure	345,844	315,865	329,001
NET SURPLUS/(DEFICIT)	**19,481**	**99**	**571**

Specific projects funded by the Crown

REINSTATEMENT OF LOCAL ROADS IN CANTERBURY	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Revenue from the Crown	45,000	0	0
Total income	45,000	0	0
EXPENDITURE			
Funding to approved organisations	36,106	0	0
Total expenditure	36,106	0	0
NET SURPLUS/(DEFICIT)	**8,894**	**0**	**0**

CANTERBURY TRANSPORT PROJECT	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Revenue from the Crown	5,000	5,000	14,000
Total income	5,000	5,000	14,000
EXPENDITURE			
Funding to approved organisations	5,000	5,000	14,000
Total expenditure	5,000	5,000	14,000
NET SURPLUS/(DEFICIT)	**0**	**0**	**0**

REGIONAL DEVELOPMENT TRANSPORT FUNDING	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Revenue from the Crown	2,000	2,000	11,000
Total income	2,000	2,000	11,000
EXPENDITURE			
Funding to approved organisations	2,256	647	12,299
Total expenditure	2,256	647	12,299
NET SURPLUS/(DEFICIT)	**(256)**	**1,353**	**(1,299)**

ENHANCED PUBLIC TRANSPORT CONCESSIONS FOR SUPERGOLD CARDHOLDERS	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Revenue from the Crown	21,339	22,905	20,735
Total income	21,339	22,905	20,735
EXPENDITURE			
Funding to approved organisations	21,339	22,905	20,735
Total expenditure	21,339	22,905	20,735
NET SURPLUS/(DEFICIT)	**0**	**0**	**0**

ADMINISTRATION OF THE SUPERGOLD CARDHOLDERS SCHEME	Actual 2011/12 $000	Budget 2011/12 $000	Actual 2010/11 $000
INCOME			
Revenue from the Crown	46	95	135
Total income	46	95	135
EXPENDITURE			
NZ Transport Agency operating activities	46	95	63
Funding to approved organisations	0	0	73
Total expenditure	46	95	136
NET SURPLUS/(DEFICIT)	**0**	**0**	**(1)**

INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

TO THE READERS OF NEW ZEALAND TRANSPORT AGENCY'S FINANCIAL STATEMENTS AND NON-FINANCIAL PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2012

The Auditor-General is the auditor of New Zealand Transport Agency (the NZTA). The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and non-financial performance information of the NZTA on her behalf.

We have audited:

- the financial statements of the NZTA on pages 98 to 128, that comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the non financial performance information of the NZTA that comprises the statement of service performance on pages 61 to 93 and the report about impacts on pages 34 to 36.

OPINION

In our opinion:

- the financial statements of the NZTA on pages 98 to 128:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect the NZTA's:
    - financial position as at 30 June 2012; and
    - financial performance and cash flows for the year ended on that date.
- the non-financial performance information of the NZTA on pages 61 to 93 and 34 to 36:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the NZTA's service performance and outcomes for the year ended 30 June 2012, including for each class of outputs:
    - its service performance compared with forecasts in the statement of forecast service performance at the start of the financial year; and
    - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 24 October 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities, and we explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and non financial performance information are free from material misstatement.

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and non financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and non financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the NZTA's financial statements and non-financial performance information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the NZTA's internal control.

An audit also involves evaluating:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and non-financial performance information. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE BOARD

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

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the NZTA's financial position, financial performance and cash flows; and
- fairly reflect its service performance and outcomes.

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

The Board's responsibilities arise from the Crown Entities Act 2004 and Land Transport Management Act 2003.

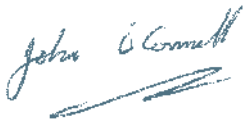
RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and non-financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001, the Crown Entities Act 2004 and section 11(3) of the Land Transport Management Act 2003.

INDEPENDENCE

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

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



John O'Connell
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS AND NON-FINANCIAL PERFORMANCE INFORMATION

This audit report relates to the financial statements and non-financial performance information of NZ Transport Agency for the year ended 30 June 2012 included on NZ Transport Agency's website. The NZ Transport Agency's Board is responsible for the maintenance and integrity of NZ Transport Agency's website. We have not been engaged to report on the integrity of NZ Transport Agency's website. We accept no responsibility for any changes that may have occurred to the financial statements and non-financial performance information since they were initially presented on the website.

The audit report refers only to the financial statements and non-financial performance information named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and non-financial performance information. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and non-financial performance information as well as the related audit report dated 24 October 2012 to confirm the information included in the audited financial statements and non-financial performance information presented on this website.

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

PUTTING THE SCRUTINY PRINCIPLE INTO PRACTICE

Report on the implementation of systems and procedures to give effect to the scrutiny principle for the period 1 July 2011 to 30 June 2012.

BACKGROUND

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

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

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

SYSTEMS AND PROCEDURES

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

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

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

IMPLEMENTATION

The NZTA has published its approach to giving effect to the scrutiny principle on its website page titled 'The scrutiny principle' (http://www.nzta.govt.nz/planning/what-funding/scrutiny-principle.html).

This page also lists the systems and procedures it has in place to apply the scrutiny principle and provides links to documentation – the procurement manuals and the Planning and Investment Knowledge Base where the systems and procedures are set out in detail. Monitoring of the webpage during 2012 indicates the page is accessed on average 15 times a month (2011: 18).

A further link on this page links to a webpage that lists all the funding decisions the NZTA has made since August 2008 (prescribed date in the legislation is 1 October 2008) http://www.nzta.govt.nz/planning/what-funding/board-decisions/index.html). The page is updated monthly once the previous month's decisions have been confirmed. Monitoring of the webpage during 2012 indicates the page is accessed on average 352 times a month (2011: 208).

The key system used by the NZTA was the web-based Transport Investment Online (TIO) system and is used to manage the National Land Transport Programme. It contains all the activities proposed for funding and sets out for all applicants, both approved organisations and the NZTA for its own activities, the information required for the assessment and evaluation of the activities for funding. The system also records the decisions made by the NZTA including any conditions applied to the funding. The system is transparent. Every approved organisation can see the details of their proposals, the NZTA's recommendations and decisions and those of any other approved organisation and the NZTA. This effectively provides assurance that the requirements placed on any one approved organisation can be compared against others.

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

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

INDEPENDENT REVIEW REPORT OF THE AUDITOR-GENERAL

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

TO THE READERS OF THE NEW ZEALAND TRANSPORT AGENCY'S REPORT ON THE IMPLEMENTATION OF SYSTEMS AND PROCEDURES TO GIVE EFFECT TO THE "SCRUTINY" PRINCIPLE

We have completed a review of the report by the New Zealand Transport Agency (NZTA) on the implementation of systems and procedures to give effect to the "scrutiny" principle, for the period 1 July 2011 to 30 June 2012.

The Auditor-General is the auditor of the NZTA. The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the review on her behalf.

CONCLUSION

- Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the report by the New Zealand Transport Agency on the implementation of systems and procedures to give effect to the "scrutiny" principle, on pages 147, for the period 1 July 2011 to 30 June 2012 is not fairly stated.
- Our review was completed on 24 October 2012, and is the date at which our conclusion is expressed.
- The basis of our review conclusion is explained below. In addition, we outline the responsibilities of the Board of the NZTA and the Auditor, and explain our independence.

BASIS OF CONCLUSION

We carried out our review in accordance with International Standard on Assurance Engagements (New Zealand) 3000: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information.*

Our review involved obtaining sufficient and appropriate evidence and explanations from Agency personnel to be able to conclude whether any matters have come to our attention to indicate that the information presented in the report has not been fairly stated.

Our review was limited primarily to enquiries of Agency personnel, and reading the report to assess whether the information therein was consistent with our understanding of the NZTA's systems and procedures, as obtained during our annual audit of the NZTA.

RESPONSIBILITIES OF THE BOARD OF THE NEW ZEALAND TRANSPORT AGENCY AND THE AUDITOR

The Board is responsible for preparing a report on the implementation of systems and procedures to give effect to the "scrutiny" principle, pursuant to section 96(2)(b) of the Land Transport Management Act 2003. The NZTA's report is required to be included in its annual report.

Section 96(3) of the Land Transport Management Act 2003 requires the Auditor-General to report on the NZTA's report on the implementation of the systems and procedures to give effect to the "scrutiny" principle.

INDEPENDENCE

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

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

John O'Connell
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

NATIONAL LAND TRANSPORT FUND
ANNUAL REPORT

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

FOR THE YEAR ENDED 30 JUNE 2012

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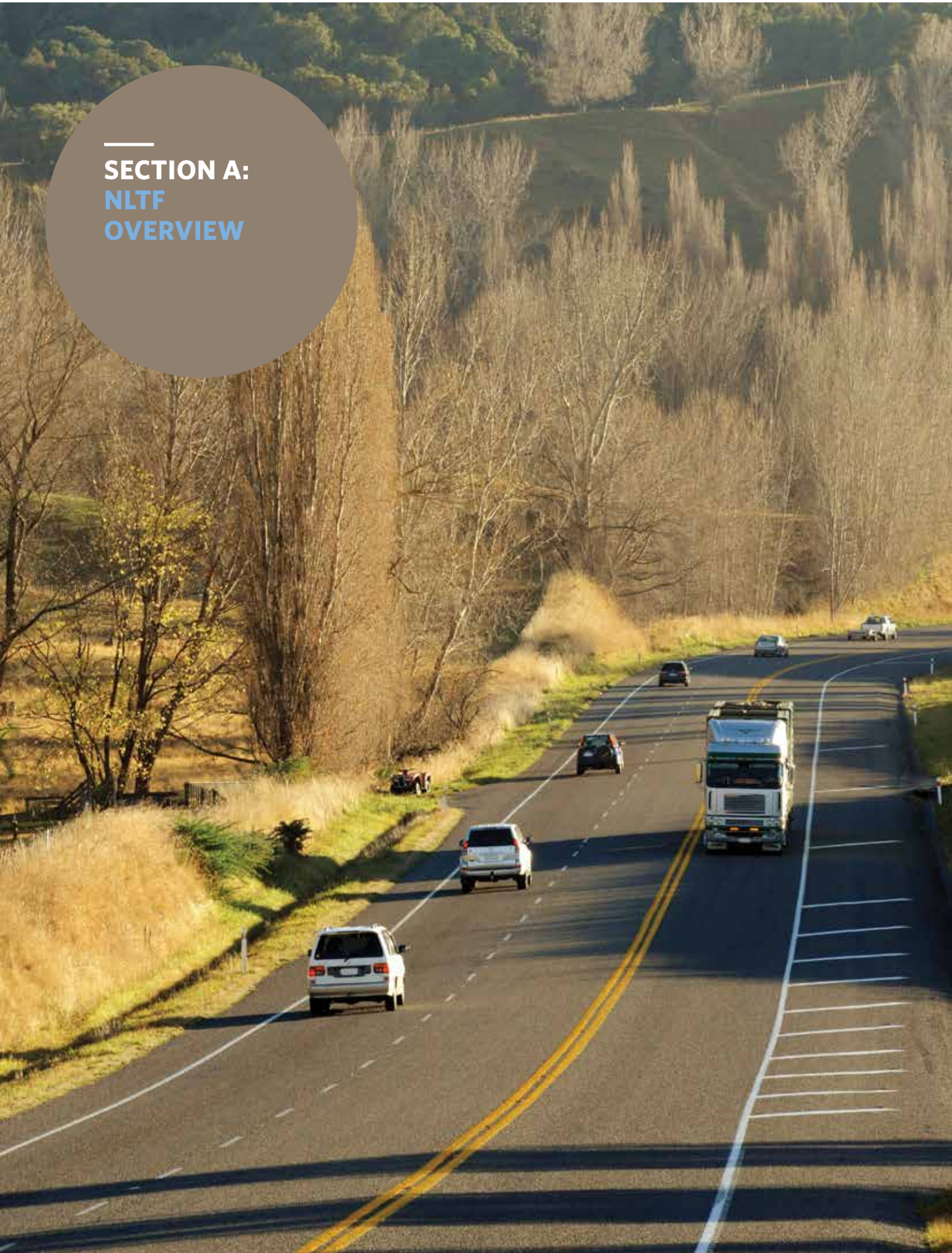


SECTION A: NLTF OVERVIEW

CHAIR'S REPORT

The 2011/12 annual report for the National Land Transport Fund (NLTF) provides information on how the NLTF has been invested by the NZ Transport Agency (NZTA) to create transport solutions for a thriving New Zealand.

The NLTF is the primary source of central government funding for the land transport system, and is used to fund land transport activities that reflect the goals set through the Government Policy Statement on Land Transport Funding.

This annual report demonstrates how investments of the NLTF continue to promote economic growth and productivity, improve road user safety, increase transport choices and provide New Zealanders with a resilient land transport system.

The board is confident that, through its administration of the NLTF, the NZTA is helping to achieve greater prosperity, wellbeing and safer journeys for all New Zealanders.

Chris Moller
Chair
NZ Transport Agency

CHIEF EXECUTIVE'S REPORT

The 2011/12 NLTF annual report provides information on how the fund has been invested over the three-year 2009–12 National Land Transport Programme (NLTP).

Throughout this three-year period, the NLTP has targeted investment in land transport where it has been most needed. These investments reflected a whole-of-life view to ensure that the best transport system is developed for the long-term benefit of New Zealanders.

This annual report highlights how NLTF investments over the past three years have delivered transport solutions for a thriving New Zealand.

To make the most of the available NLTF investments, the NZTA and local authorities have increasingly worked together on the transport system – to maintain and build improvements to local roads, state highways and public transport, and to operate them as one network.

The success of the NLTP reflects the joined-up thinking that comes from sitting down with key stakeholders to ensure that decisions about changes in land use and transport planning are integrated.

Geoff Dangerfield
Chief Executive

2009-12 NLTF INVESTMENT PERFORMANCE AT A GLANCE

49%
of our investment on new and improved state highway infrastructure since 2009 has focused on the development and delivery of the roads of national significance.

386m
passengers received funding through the NLTF for journeys on buses, trains and ferries.

280km
of new walking and cycling network was added.

872
lane kilometres of road reconstruction and new roads completed.

31
large and
116
small state highway projects have been completed.

$156m
was spent on emergency works to ensure the state highway network was open following adverse weather and seismic activity.

75.6%
is the average percentage of recall target audiences have for road safety advertising since 2010/11.

6.3%
of the local road network was resealed over the past three years at a cost of $227 million.

6.6m
alcohol breath tests undertaken by the NZ Police as part of the NLTF-funded Road Policing Programme.

75,132
crashes have been attended by the NZ Police as part of the NLTF-funded Road Policing Programme.

An average of
1%
of total NLTF expenditure was on managing the funding allocation system during the past three years.

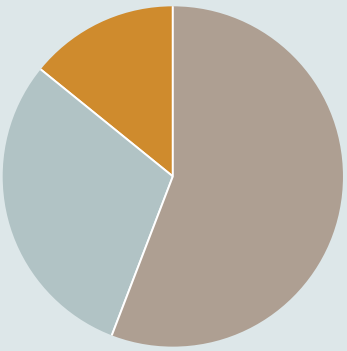
OVERVIEW OF THE LAND TRANSPORT INVESTMENT SYSTEM

INVESTMENT IN TRANSPORT

New Zealand's road users primarily fund the country's land transport system through fuel excise duty (petrol tax), charges on diesel and heavy vehicles (road user charges) and vehicle registration and licensing fees. These funds are paid into the NLTF to facilitate the government's investment in maintaining and improving land transport networks and services. However, there are many investors that contribute to providing and using the land transport system. These include local authorities that invest on behalf of communities. A significant number of firms and individuals also invest in transport infrastructure (eg subdivision roads) and associated infrastructure such as vehicle storage facilities. Other user-based costs include access charges, parking, taxi and public transport fares.

ESTIMATED PLANNED LAND TRANSPORT PUBLIC SECTOR INVESTMENT

2009/12



TOTAL NZ$ 13.6 billion

NATIONAL LAND TRANSPORT FUND
56%

LOCAL GOVERNMENT
30%

CROWN & OTHER
14%

Local government

- Includes both subsidised and unsubsidised estimates of expenditure
- Includes large downward revision in unsubsidised expenditure due to availability of new data and changes in estimation approach

Crown and other

- Includes Crown spending on rail, Ministry of Education investment on school buses and Ministry of Tourism expenditure on walking and cycling facilities

CHANGES IN THE ENVIRONMENT

The past three years have been defined by a global recession and a fragile, slow economic recovery adversely affected by an ongoing series of debt crises in some key European markets.

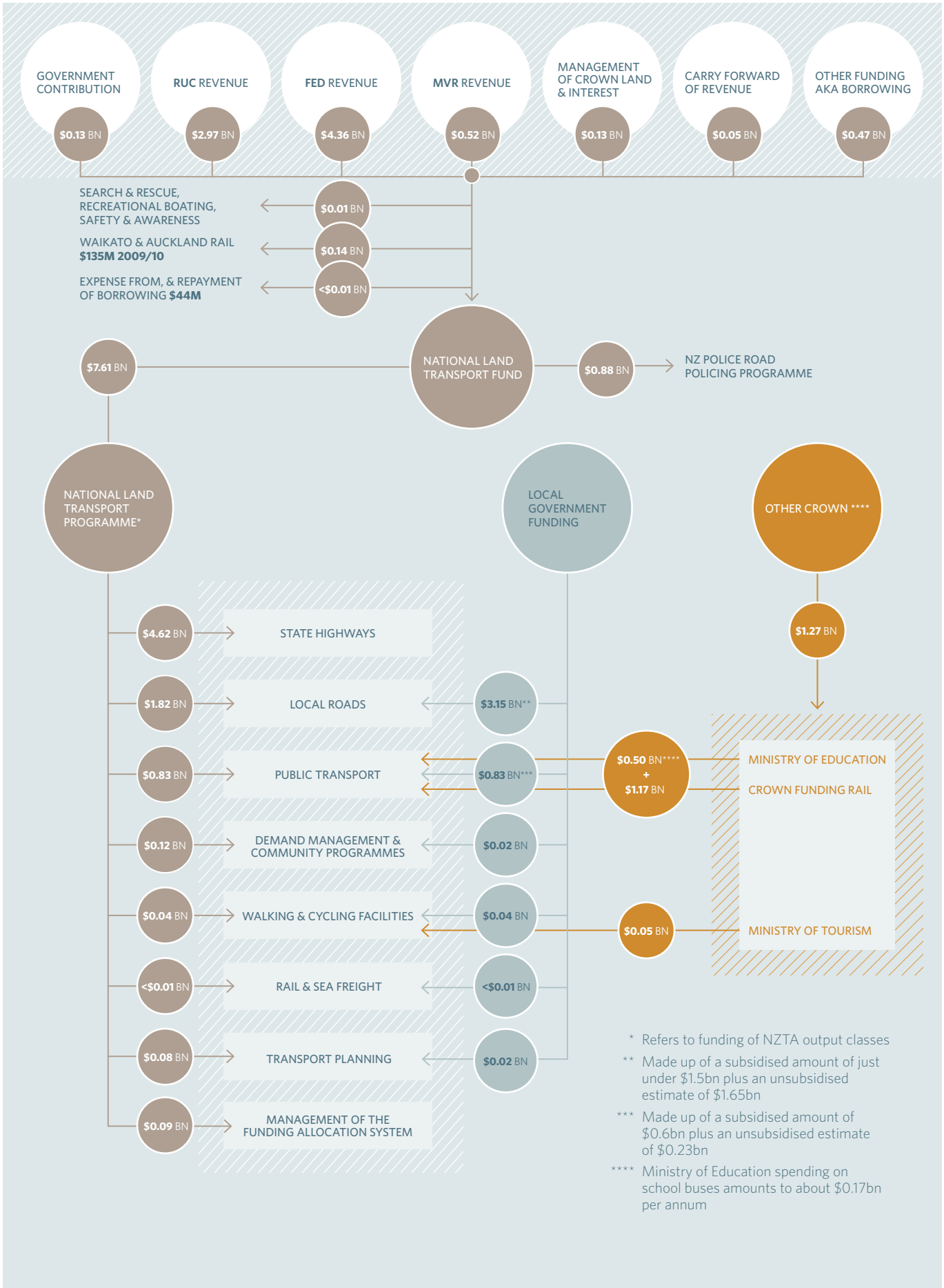
Despite having outperformed some of its peers, the New Zealand economy was not left unscathed. Faced with declining external demand and a lack of confidence at home (evidenced by reduced household spending), the economy shrank by 2.1% in 2009.

However, with the global economy showing signs of a recovery, the New Zealand economy started to pick up in the second half of 2010, before gathering pace in 2011. This was helped in no small part by a recovery in the agricultural sector, sharply higher soft commodity prices and the conclusion of a successful 2011 Rugby World Cup. While this recovery has continued into 2012, the drivers behind it have started to shift away from the external sector towards domestic demand. For the most part this reflects growing uncertainties about the economic impacts of the ongoing debt crisis in Europe and as well as a tightening of monetary policy in some key export markets. It also reflects an improvement in domestic conditions, buoyed by lower household debt, a continuation of an accommodative monetary policy (combined ongoing fiscal discipline) and positive signs of a recovery in the local housing market. The following dynamics have ultimately shaped revenues flowing into the NLTF.

- Increasing levels of freight activity – evidenced by an increase in kilometres travelled by heavy vehicles. This more than offset a drop in average measured weights, resulting in a 14.1% increase in net revenues generated from road user charges (RUC) for the three years ending 2011/12.
- Despite some changes in user behaviour associated with higher average fuel prices (16% higher than in the three-year period ending 2008/09), vehicle kilometres travelled rose by 2.3% over the three-year period ending 2011/12. This contributed to a 5.0% increase in net revenues from fuel excise duties (FED).
- Changes in purchasing behaviour resulted in a slight increase in revenues generated from motor vehicle registration (MVR) during the past three years. Net MVR revenue remains at about 6.5% of total revenue.

The revenues flowing into the NLTF are used by the NZTA to procure goods and services associated with the construction, maintenance and operation of transport infrastructure. Over the past three years, the cost of producing these goods and services has risen above the general rate of inflation, mainly because of higher, and in some cases more volatile, commodity prices and more recently, the expectation of increased work in Christchurch once the rebuild finally gets underway. The NZTA has yet to feel the effects of these higher prices largely due to the limited availability of work and strong competition when contracts are put out for tender.

FUNDING FOR 2009–12 NLTP



INVESTMENT STRATEGY

The NZTA Investment and Revenue Strategy provides us with the framework through which the NZTA gives effect to the Government Policy Statement on Land Transport Funding (GPS) as it invests the NLTF. The Investment and Revenue Strategy sets out the prioritisation framework that is used to develop and manage the NLTP.

The Investment and Revenue Strategy ensures that the NZTA invests in the right activities that have the greatest potential to support a thriving New Zealand. It enables us to be a smart investor in the following ways:

- The Investment and Revenue Strategy strategic fit test ensures we are delivering on the government's priorities (as per the GPS).
- The Investment and Revenue Strategy effectiveness test ensures that those activities are delivered in the way that has the greatest impact.
- The Investment and Revenue Strategy efficiency test ensures that those activities are delivered at the best possible whole-of-life cost.

We have updated our Investment and Revenue Strategy to align with the GPS 2012/13 to 2021/22. The strategy prioritises NLTP investment towards:

- the Safer Journeys road safety strategy (including the adoption of a Safe System approach) and reducing deaths and serious injuries
- relieving congestion in major urban areas and improving journey time reliability
- optimisation of the land transport network and services
- key tourism and freight routes, including those for high productivity motor vehicles
- transport planning, research and training investment that makes the greatest contribution to priorities in other activity classes and those above
- encouraging integrated planning approaches.

2009–12 NLTP SUMMARY

In the three years to 30 June 2012, actual expenditure in the 2009–12 NLTP was $7.75 billion (excluding road policing). When measured against the initially approved NLTP ($7.81 billion) the planned investment level was substantially achieved.

State highway network

Investment in the new and improved infrastructure for state highways output class amounted to $3.17 billion over the three years, which is $92 million more than programmed at the start of the NLTP. $0.9 billion was spent in 2011/12.

Significant progress occurred on the development and construction phases of the following:

- The Victoria Park Tunnel was completed and opened three months ahead of schedule.
- The Newmarket Viaduct project was substantially completed with the new viaduct opened to traffic.
- Construction work commenced on the Waterview section of the Auckland RoNS.
- The SH20 to SH1 Manukau extension was completed.
- The Kopu Bridge in Thames was completed and opened in December 2011.
- High productivity motor vehicle (HPMV) route between Auckland (end of Southern Motorway) to Port of Tauranga has been cleared for full use.
- Construction work continued on the Tauranga Eastern Link RoNS.
- Construction work continued on the Te Rapa section and commenced on the Ngaruawahia section of the Waikato Expressway.
- Wellington Northern Corridor including safety improvements and refurbishment of the Mount Victoria and Terrace tunnels.
- Ruby Bay Bypass in the Tasman area.
- Christchurch Motorways project.

In addition, another $544 million was invested in renewals, maintenance and operation of the state highway network during 2011/12 bringing the three-year investment up to $1,616 million.

This assisted in keeping the state highways available 99.6% of the time, and we were close to our pavement renewal target, achieving 1,344 kilometres.

In the three years to 30 June 2012 almost $157 million was spent on emergency works, with the rebuild of the state highways damaged in the Canterbury earthquakes costing $12.48 million and the clearance of the major slips in the Manawatu gorge costing $14.72 million.

Local roads

Over the three-year NLTP period, $821 million was invested in local roads maintenance and operations, $78 million more than programmed at the start of the NLTP. National Land Transport Fund investment in emergency reinstatement work following the Canterbury earthquakes totalled $104.43 million ($99.48 million in Christchurch city, $2.45 million in the Waimakariri district and $2.50 million in the Selwyn district). In addition $36.11 million was paid to Christchurch city in 2011/12 on behalf of the Crown (Canterbury Earthquake Recovery Fund).

During the 2011/12 year, close to $188 million was invested in local road renewals, bringing the three-year investment up to $598 million – $98 million below the published NLTP allocation. The underspend being caused through the flexible financial assistance rate agreed to with Auckland Transport as part of the measures to manage cash flow pressures, councils in Canterbury deferring works to support funding for emergency reinstatement work following the Canterbury earthquakes and other councils adjusting programmes to use the funds to address routine maintenance needs.

The major investment in local roads was the Hamilton Ring Road, including the four-laning of Wairere Drive; and commencement of construction work on the Panmure passenger transport interchange. This is a component of the Auckland Manukau Eastern Transport Initiative (AMETI) package and a key transport corridor in south-east Auckland (refer to the NZTA's 2012 annual report for more information on the AMETI project).

Public transport infrastructure

Investment in public transport infrastructure amounted to $168 million over the three years, which is $101 million less than programmed at the start of the NLTP. The main reasons for this underspend are deferral of the Christchurch bus exchange project, due to the earthquakes, and funding assistance rate adjustment arrangements for Auckland's electrification of the passenger rail services. Investment in public transport infrastructure projects was prioritised and targeted to activities and areas that maximised investment return, in particular Auckland and Wellington, where there is a need for greater focus on relieving severe congestion and encouraging economic growth.

Key investments in public transport infrastructure included:

- Auckland integrated fare system construction/ implementation
- Manukau Transport Interchange and city rail link
- real-time system extension (Auckland passenger rail)
- real-time system construction/implementation (Wellington bus network)
- Auckland rail station improvements
- Auckland ferry wharf refurbishment.

Public transport services

During 2011/12, NLTF investment of $231 million was made across all regional networks in public transport services and operations bringing the three-year spend to $613 million, $17 million less than the published NLTP allocation. Almost 90% of this investment was in Auckland, Wellington and Christchurch, where most of the services and related costs are targeted at relieving severe congestion in major urban areas. In 2011/12 almost $37 million more than the previous year was invested; much of this increase in expenditure is the result of additional investment in Auckland rail and also in growing public transport networks in and around the urban centres of Tauranga, New Plymouth and Napier.

During 2011/12 passenger boardings have increased from 128 million to 132.4 million across the country. The level of this increase was greatly affected by the Christchurch earthquakes, in particular, the earthquake on 22 February 2011. Since this date, patronage has gradually increased back to 79% of the level prior to that event from a low of 59%.

Road user safety

The NLTF invested $109.6 million in both local government and nationally delivered safety promotion activities – $10.4 million less than programmed at the start of the NLTP. The activity class review carried out in the first year resulted in a more focused investment programme on safety promotion. $20.4 million was invested in locally delivered programmes and $20.4 million in nationally delivered activities that increase the safe and efficient use of the land transport system. The greatest proportion of spend in 2011/12 continued to be focused on alcohol and drug impaired driving risks, followed by speed, cycling safety and school based activities.

Walking and cycling

The NLTF invested $11.7 million in stand-alone walking and cycling infrastructure in 2011/12, bringing the total three-year investment to $41.7 million. This investment is beginning to demonstrate the long-term benefits of providing an increase in walking and cycling numbers in the major urban centres and many regional towns, with cycling in the Auckland region alone increasing by 18% over the last five years.

The funding priorities during the three-year period included:

- reducing congestion in main urban areas
- increasing safety for cyclists and pedestrians.

The two model community programmes in Hastings and New Plymouth are working examples of these priorities.

NATIONAL LAND TRANSPORT PROGRAMME 2009–12

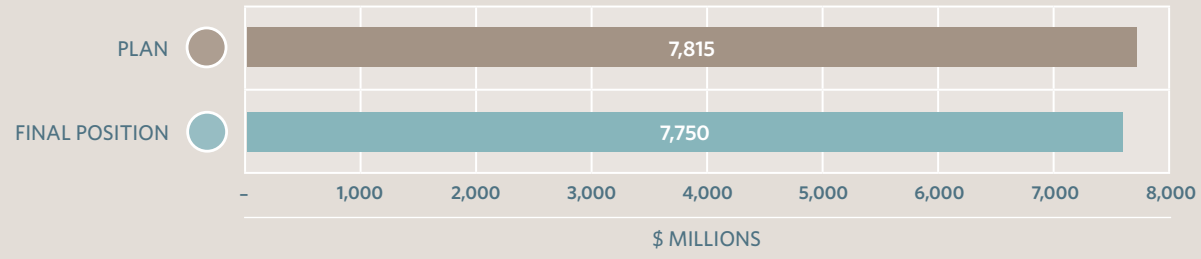
	PUBLISHED	PROGRAMMED SPEND 2009-2012			
	NLTP 2009-12 $000	Actual 2009/10 $000	Actual 2010/11 $000	Actual 2011/12 $000	Total 2009-12 $000
ALLOCATION OF FUNDS TO ACTIVITY CLASSES:					
New and improved infrastructure for state highways	3,074,700	1,101,787	1,171,489	893,621	3,166,897
Renewal of state highways	633,000	231,699	205,112	199,731	636,542
Maintenance and operation of state highways	897,000	306,574	327,758	344,642	978,974
New and improved infrastructure for local roads	480,000	165,167	163,142	110,132	438,441
Renewal of local roads	696,000	204,774	205,499	188,227	598,500
Maintenance and operation of local roads	743,000	224,332	304,182	292,639	821,153
Public transport services	630,000	187,306	194,630	231,328	613,264
Public transport infrastructure	269,000	126,752	47,045	(5,998)	167,799
Road user safety	120,000	36,260	32,290	41,097	109,647
Walking and cycling facilities	51,000	17,771	12,262	11,708	41,741
Sector training and research	18,000	5,371	3,391	3,858	12,620
Domestic sea freight development	1,000	1,013	0	0	1,013
Rail and sea freight	3,000	212	(121)	72	163
Transport planning	96,000	20,113	23,195	22,614	65,922
Management of the funding allocation system	103,200	35,706	31,233	29,891	96,830
TOTAL	**7,814,900**	**2,664,837**	**2,721,107**	**2,363,561**	**7,749,505**

To note:
New and improved infrastructure for state highways 2011/12 includes $5.326m interest on borrowing.

PUBLIC TRANSPORT INFRASTRUCTURE INCLUDES:				
Public transport infrastructure		100,792	31,519	18,070
Loan to local authority		25,960	2,380	(28,340)
Public transport infrastructure - Automated fare collection system		0	13,146	4,272
TOTAL		**126,752**	**47,045**	**(5,998)**

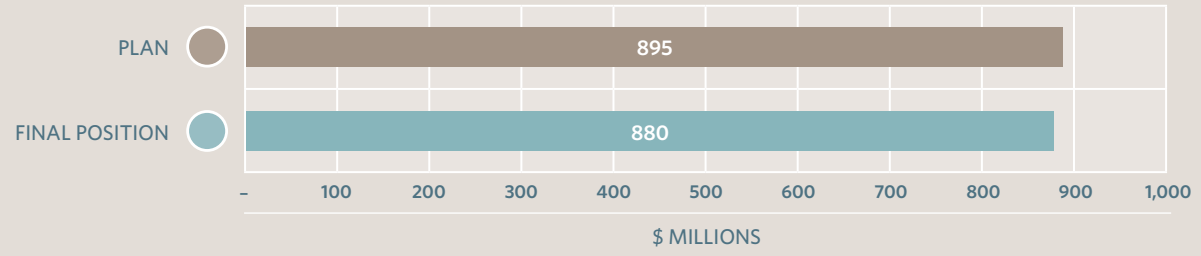
SIGNIFICANT ACTIVITY CLASS ACTUALS VERSUS BUDGET FOR THE 2009–12 NLTP AND ROAD POLICING PROGRAMME

OVERALL NLTP (EXCLUDING ROAD POLICING)



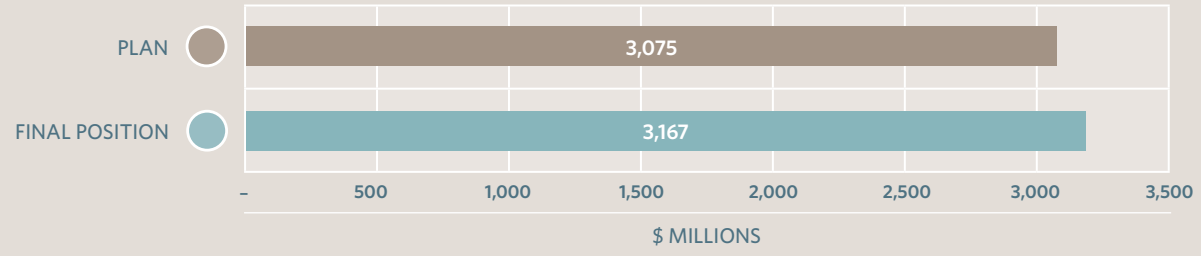
Overall, expenditure was very close to the NLTP plan (0.7% below).

ROAD POLICING PROGRAMME



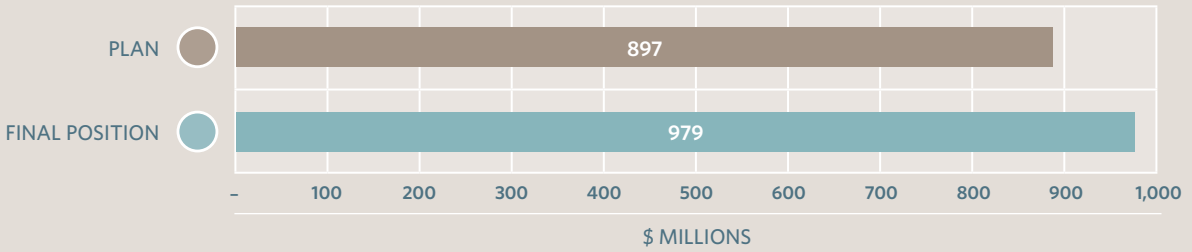
The Road Policing Programme was delivered at lower than expected cost as a result of NZ Police efficiencies. This resulted in a slight underspend against the GPS funding range.

STATE HIGHWAY NEW AND IMPROVED INFRASTRUCTURE



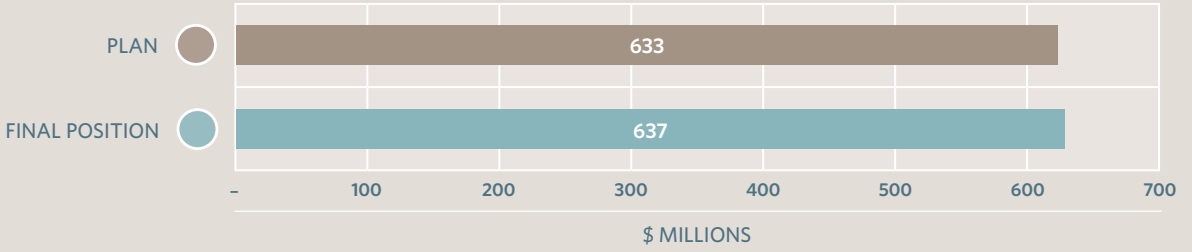
The expenditure on state highway improvements was around 3% ahead of the NLTP plan, the result of strong early performance in RoNS project delivery. Expenditure was pulled back in 2011/12 in response to lower than expected revenue.

STATE HIGHWAY MAINTENANCE AND OPERATIONS



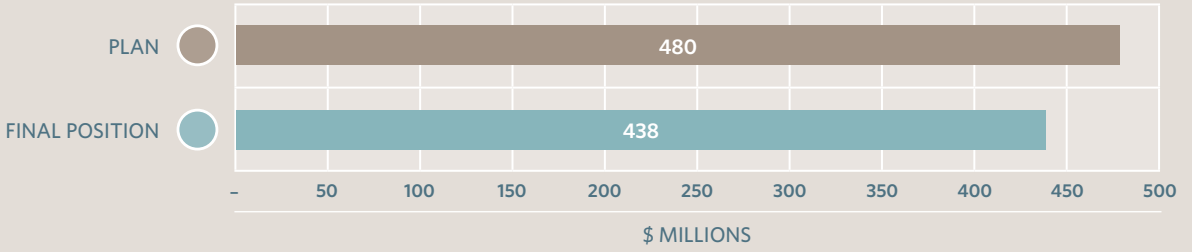
Expenditure for maintenance and operations was above the NLTP plan predominantly as a result of higher emergency works spend – due to weather and seismic events.

STATE HIGHWAY RENEWALS



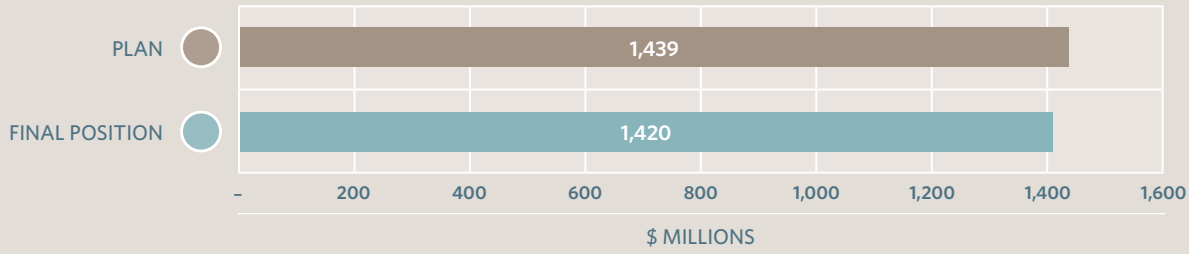
State highway renewals expenditure was very close to the NLTP budget, which represents a good result given the wet summer construction period in 2011/12 through much of the country.

LOCAL ROADS NEW AND IMPROVED INFRASTRUCTURE



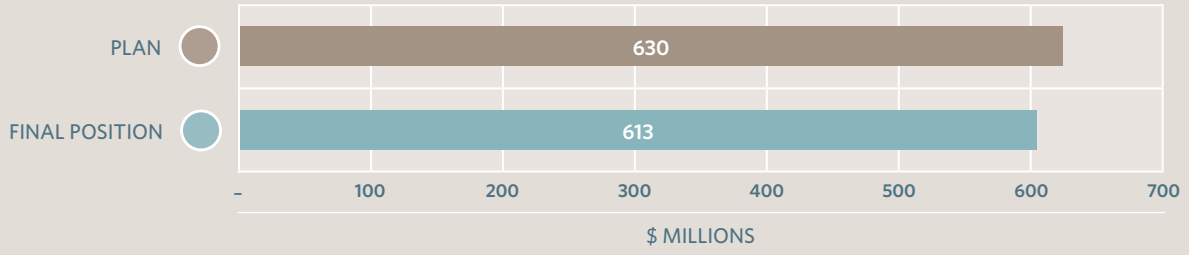
Local road improvements was around 9% below the NLTP plan and around $12 million below the lower limit of the GPS funding range. A key reason for this was the moratorium of new funding approvals due to the costs for Canterbury emergency renewal works.

LOCAL ROADS MAINTENANCE, OPERATIONS AND RENEWALS



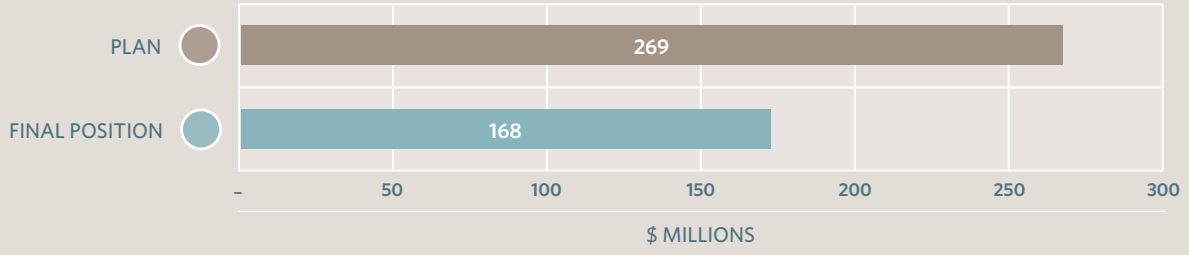
Local road maintenance, operations and renewals spend was about 1% below the NLTP total. The renewals spend was well below plan, due to a mix of funds transferred by local authorities from renewals to maintenance and operations, and some renewals programmes being delivered for lower than budgeted cost. The overall spend would have been lower but the renewals underspend was largely balanced out by the impact of the Canterbury earthquakes.

PUBLIC TRANSPORT SERVICES



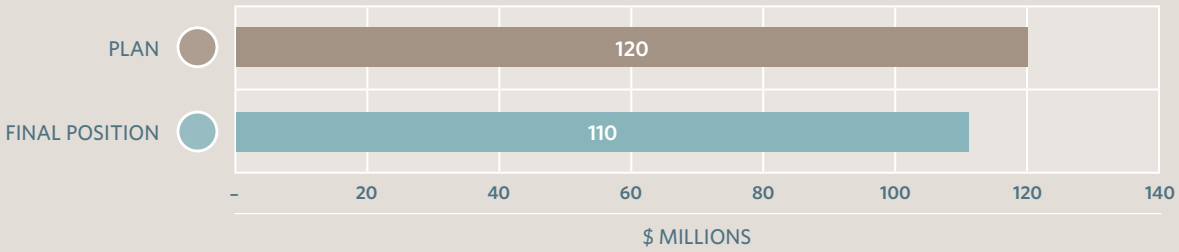
Expenditure on public transport services was about 3% lower than plan. In general, approved organisations delivered their planned services largely on or a little below budget.

PUBLIC TRANSPORT INFRASTRUCTURE



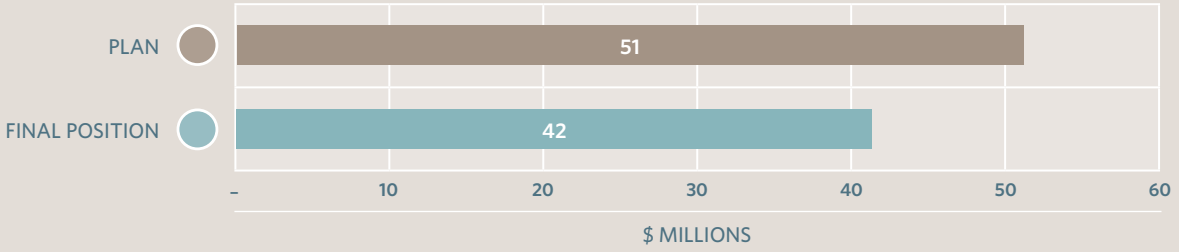
Public transport infrastructure was well below the NLTP plan, partly due to the unexpected early repayment of an NZTA loan to Auckland Regional Council to assist it to purchase rail rolling stock and also because the planned construction of the Christchurch Transport Interchange did not progress following the Canterbury earthquakes and aftershocks.

ROAD USER SAFETY



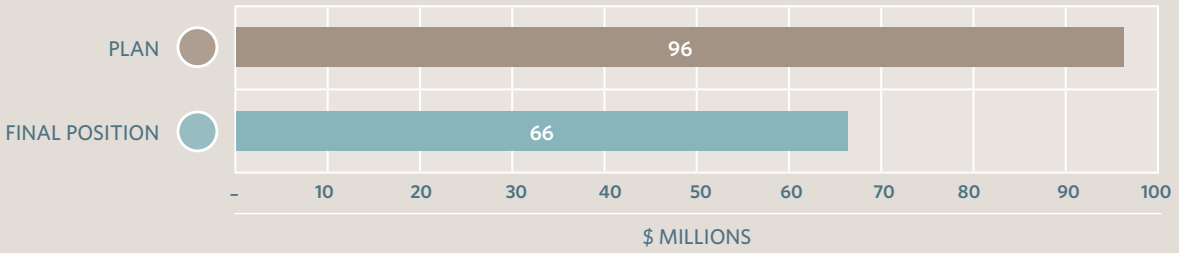
Road user safety expenditure was about 9% below plan largely as a result of an activity class review in 2009/10. This resulted in a lower level of approved funding in the remaining two years being targeted more specifically to outcomes, with a tighter focus on value for money.

WALKING AND CYCLING FACILITIES



Initial delivery of walking and cycling infrastructure against plan was below plan, predominantly due to the impact of the moratorium on new funding approvals in the latter part of NLTP delivery.

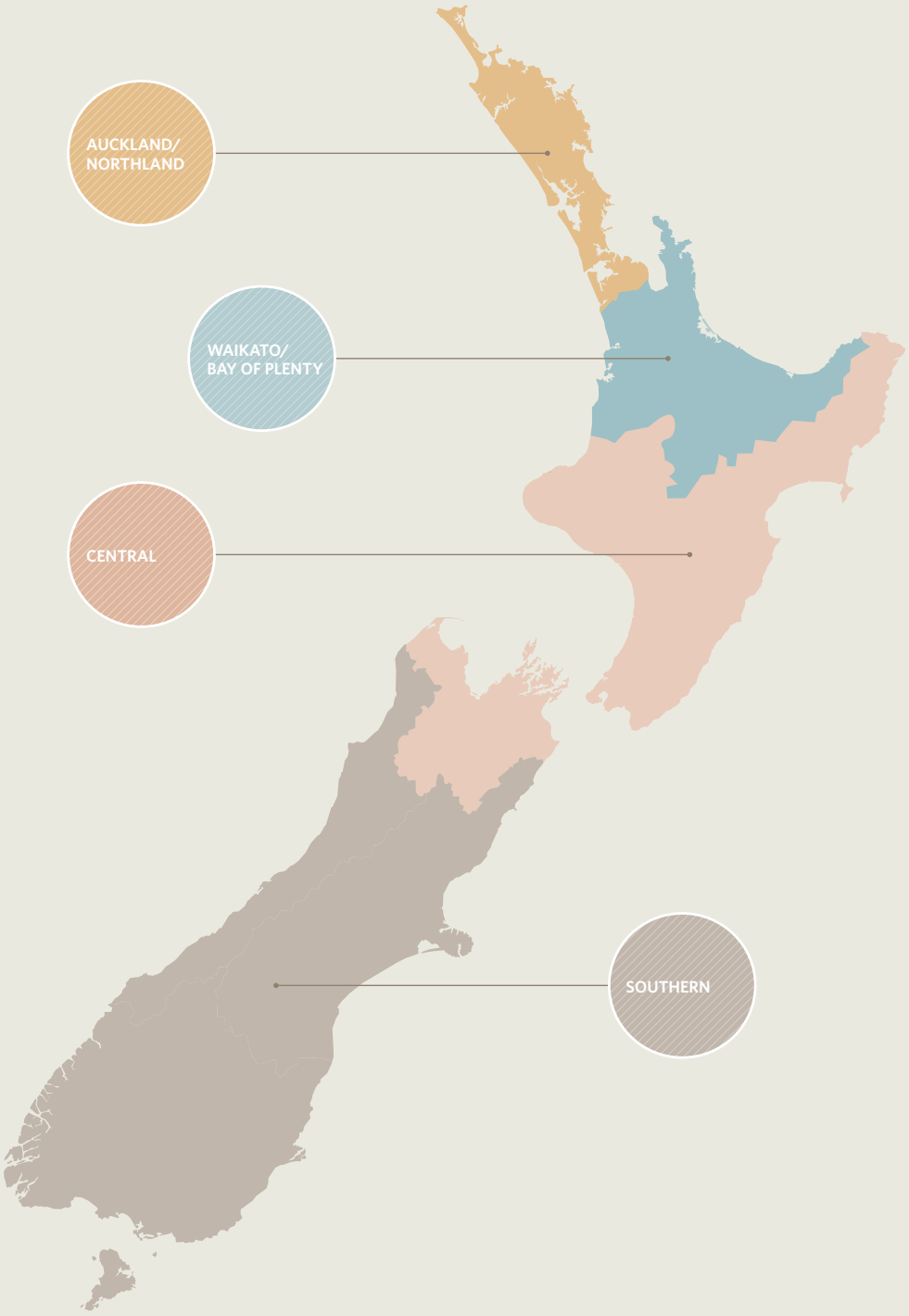
TRANSPORT PLANNING



A substantial review of the activity class resulted in lower expenditure against the NLTP plan as investment became more targeted to NZTA outcomes and more focused on value for money under the NZTA Investment and Revenue Strategy.

REGIONAL NLTF INVESTMENT HIGHLIGHTS

The fund, via the 2009–12 NLTP, has invested in a targeted manner across New Zealand. Significant regional investment highlights over the course of the three-year programme are detailed over the following pages.



AUCKLAND AND NORTHLAND REGION

The NZTA's Auckland/Northland region covers the top of the North Island – everything north of the Auckland Council's southern border.

NORTHLAND

Considerable progress has been made on a number of state highway and Whangarei District projects – many tracking to budget while being delivered on time or ahead of programme. A number of projects in Northland have been completed including Mountain Road passing lane and realignment, Bulls Gorge and Kamo Bypass stage 2.

INVESTMENT HIGHLIGHTS 2009–12

Just over 881,000 trips were taken by bus.

Projects completed:

- Sealing and widening of the final 19 kilometres of SH1 from Waitiki Landing to Cape Reinga.
- The Bulls Gorge project on SH10.
- Kamo Bypass stage 2 and Spedding Road Link projects.
- Porowini Avenue extension project.

Lower Hatea Bridge construction has commenced (Whangarei District).

Northland is one of the few regions to have been allocated community transport funds, which has enabled some seal extension works in areas of socioeconomic deprivation.

A funding arrangement for the Hokianga vehicular ferry service has concluded with the Far North District Council giving greater certainty around NLTF funding.

Work is progressing on several high productivity motor vehicle routes to assist economic performance of transport operations in the region.

AUCKLAND

The past three years have seen considerable investment in the region with just over $2.7 billion of approved expenditure (NLTF share). Great progress has been made on Auckland's roads of national significance and other large state highway projects, with many tracking to budget while being delivered on time or ahead of programme. Attention to multi-modal studies and investigations has resulted in a number of projects advancing on regional arterial corridors and roads.

Auckland Transport, in partnership with the new Auckland Council, has ensured the momentum of NLTP delivery was maintained while focusing on a one network approach.

INVESTMENT HIGHLIGHTS 2009–12

Approximately 153 million bus trips and 29 million train trips were made over the three-year NLTP period, with a further 15 million trips being made by ferry.

A total of $346 million (NLTF share) was invested in passenger transport services in the region.

Projects completed:

- New Lynn Transit Oriented Development was completed in 2011 providing a new transport interchange, improved network connections and upgraded walking and cycling facilities.
- A number of major state highway projects were completed including the SH1 to SH20 link, SH20 Manukau Harbour Crossing, SH18 Hobsonville Deviation and SH1 Victoria Park Tunnel which opened in March 2012 with significant additional capacity and eliminated the bottleneck at St Marys Bay.
- Manukau City rail link and the first stage of a new transport interchange has been constructed.

Construction of final stage improvements to the Tiverton Road/Wolverton Street route commenced. This will connect with already completed improvements at either end to provide an upgraded corridor from SH20 to New Lynn.

Construction of Panmure phase 1 of the Auckland Manukau Eastern Transport Initiative (AMETI) project commenced in November 2011. This is the first major stage within a much larger package of AMETI activities.

Construction of the fourth and final stage of the Glenfield Road corridor upgrade commenced in March 2012.

Design of the Whangaparaoa Road corridor upgrade (between Hibiscus Coast Highway and Red Beach Road) and investigation of multi-modal corridor improvements on Albany Highway and Dominion Road are underway.

Corridor management plans on major arterial roads are being developed for Broadway, East Coast Road, Great South Road, Hibiscus Coast Highway and Khyber Pass Road.

Other major state highway projects progressing well are Newmarket Viaduct, Waterview Connection and investigation of the Puhoi to Wellsford RoNS.

WAIKATO AND BAY OF PLENTY REGION

The Waikato/Bay of Plenty region reaches from the bottom of the Bombay Hills to the Desert Road summit, from just south of Mokau in the west, through the Waioeka Gorge near Opotiki, and midway along the Taupo-Napier Road.

WAIKATO

Significant progress has been made on the development of the Waikato region's number one priority transport project – the Waikato Expressway. Achievements are currently ahead of the programme with construction underway on the Te Rapa and Ngaruawahia sections, and completion of the Taupiri section. Consenting and detailed design work is being progressed on the remaining expressway sections.

A number of other roading improvement projects have commenced during the three-year NLTP period, including the Hamilton City Ring Road project and the SH1 Atiamuri Bridge, along with a number of minor improvement projects which are delivering both safety and efficiency benefits.

INVESTMENT HIGHLIGHTS 2009–12

The Waikato public transport programme continues to experience growth with 4.6 million trips recorded annually.

Procurement processes were reviewed with a focus on increasing the efficiency of various maintenance tasks.

Great progress has been made on the Waikato Expressway – in particular the completion of the Taupiri section, the near completion of the Te Rapa section and major earthworks being undertaken on the Ngaruawahia section.

Construction commenced on the replacement Atiamuri Bridge on SH1.

Construction of the Kopu Bridge in Thames was completed below budget and ahead of programme, opening in December 2011.

The $128 million East Taupo Arterial project was completed in October 2010.

The Waikato Regional Transport Model is operational and continues to be a critical tool for transport planning across the region.

BAY OF PLENTY

The opening of the Tauranga Harbour Link project in December 2009, and the commencement of construction of the Tauranga Eastern Link were two of the major projects for the region. Both of these projects will ultimately deliver freight efficiency gains and improved access to the Port of Tauranga.

The central area of the region has seen a number of projects being developed including construction of the SH5/Fairy Springs Road four-laning, and investigations into the Rotorua Eastern Arterial and the Victoria Street Arterial projects. Good progress is also being made on the construction of the Lake Road project, aimed at improving access from Fairy Springs Road to the Rotorua central business district.

In the Eastern Bay, key projects include the replacement of the Reids Canal Bridge (SH2) near Edgecumbe and the development of the Eastern Bay of Plenty route security and resilience study.

INVESTMENT HIGHLIGHTS 2009–12

Projects completed:

- The new Tauranga Harbour Link.
- Construction of the Pyes Pa Bypass (SH36).
- Upgrade of Fairy Springs Road (SH5), Rotorua.
- Upgrade of Welcome Bay Road in the Western Bay of Plenty.
- Reids Canal bridge replacement near Edgecumbe.

4.5 million trips were taken by bus during 2011/12.

Tauranga Eastern Link enabling works completed and construction well underway.

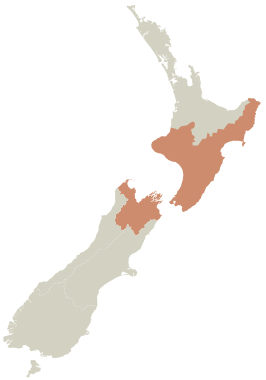
The high productivity motor vehicle route between Auckland (end of Southern Motorway) to the Port of Tauranga has been cleared for full high productivity usage.

Safety improvement works were implemented on SH29 (Kaimai Ranges).

Key transport planning undertaken includes the development of the Tauranga Eastern Link Network Plan, and progress towards the completion of the Tauranga Urban Network Study and the Rotorua Integrated Network strategies.

CENTRAL REGION

The Central region stretches up from the top of the South Island (Nelson, Tasman and Marlborough) to the southern and central North Island, reaching across Taranaki, Manawatu-Wanganui, Wellington, to the Hawke's Bay and Gisborne.



GISBORNE

Good progress has been made across the majority of projects in the Gisborne area. This includes 8.5 kilometres of seal widening on SH35 from Tolaga to Gisborne, together with project completion on the SH35 Busby Hill Realignment, SH2 Dymock Road Curve, replacement of the Kopuaroa No. 3 Bridge and curve improvements north of Makarika Road on SH35.

There has been a reduction in the number of fatal and serious crashes in the Gisborne region – down from 34 in 2007 to 26 in 2011.

INVESTMENT HIGHLIGHTS 2009–12

Approximately 367,360 trips were taken by bus.

SH35 Tolaga to Gisborne seal widening project.

HAWKE'S BAY

Good progress has been made across the majority of the regional programme. The Waipukurau Overbridge, Dillons Hill and Matahorua Gorge realignments and the SH50 Hawke's Bay Expressway Southern Extension have been completed, as have passing lanes at Te Mahanga North and SH2 south of SH50. The Mangakino Stream Bridge has been replaced and the Mohaka Bridge has had significant deck repairs and seismic retrofitting.

Hastings was selected as one of two communities for model community funding – reflecting the district's commitment to walking and cycling and its enthusiasm in implementing the proposal. In a very short timeframe and with strong commitment from Hastings District Council staff, good progress has been made on the implementation of both on-road and off-road cycle and walking pathways.

INVESTMENT HIGHLIGHTS 2009–12

Just over 1.7 million trips were taken by bus.

Matahorua Gorge was completed. This project will bring improvements in safety and journey time reliability, particularly for freight, on the SH2 route between Napier and Wairoa.

Construction has started on Flaxmere and Omahu arterials.

Havelock and Clive arterials are proceeding to design phase.

MANAWATU-WHANGANUI

Highlights from the region include completion of the SH1 Ohingaiti–Makohine Realignment, the SH1 Waiauti Bridge Realignment, and the Upokongaro Realignment projects.

Another highlight was the completion of the joint Manawatu Strategic Transportation Study, led by Horizons Regional Council with its study partners, Palmerston North City Council, Manawatu District Council and the NZTA. This represents a significant step forward in transportation planning in the area and will put transport development in the growth area around Palmerston North on a sound footing.

INVESTMENT HIGHLIGHTS 2009–12

Over 4.4 million trips were taken by bus.

Construction commenced on the SH2 Papatawa Realignment.

Continued improvement of the Parapara section of SH4.

SH2 Corby Road Realignment was completed.

SH1 Ohingaiti–Makohine Realignment project was completed.

TARANAKI

There have been a number of highlights for the Taranaki region including completion of the Bell Block Bypass, the Rugby Road Realignment on SH3, and the SH3 Muggeridge Road South Realignment.

New Plymouth was one of the communities chosen as a walking and cycling model community and has made good progress in delivering its programme.

INVESTMENT HIGHLIGHTS 2009–12

Over 1.4 million trips were taken by bus.

Four passing lanes in the region have been completed.

Completion of the Bell Block Bypass, the Rugby Road Realignment and the SH3 Muggeridge Road South Realignment.

Model communities projects are progressing well – the first phase of the project is close to completion.

CENTRAL REGION CONTINUED

WELLINGTON

A significant number of projects have been undertaken over the past three years. The Northern Corridor roads of national significance projects continue to be developed and are on track. The Terrace Tunnel and Mt Victoria Tunnel safety improvement projects have been completed.

Maintenance, operations and renewals budgets for local authorities were fully committed with the largest local roading project, Westchester to Glenside being funded and completed.

Good progress was made in establishing the Wellington City Golden Mile public transport corridor, with the completion of the Manners Mall link road and dedicated bus lanes. The Wellington Public Transport Spine Study commenced to determine the best long-term options for a high quality public transport network within the city.

INVESTMENT HIGHLIGHTS 2009–12

Approximately 18 million trips were taken by bus – 11.2 million trips by train and 160,000 trips by ferry.

Projects completed:

- Terrace and Mt Victoria Tunnels safety works.
- Muldoons Corner SH2 improvements completed on time and to budget.
- SH2 Moonshine Road–Silverstream safety improvements.
- Dowse to Petone Interchange on SH2.
- A $1.2 million Kapiti Road/Rimu Road intersection improvement project.

Significant investment was made in rail infrastructure.

A joint study was undertaken to investigate opportunities to enhance the efficiency of the Wellington public transport spine.

$3.5 million was co-invested with the Upper Hutt City Council to replace the Akatarawa bridges.

Substantial improvements to the rail network, including station and infrastructure upgrades, along with new Matangi train units.

NELSON

Nelson City Council has a well managed programme of activities in the NLTP with intense interest in the Nelson Arterial Traffic Study which was completed in 2011.

There has also been continued investment in state highway improvements, including completing the detailed design for the SH6 Teal Bridge replacement, the completion of investigation for SH6 Quarantine Road Intersection and completion of both investigation and design phases for Cable Bay Road.

Due to additional investment direct from the Council, bus patronage rose to 131,000 in the third year of the programme.

INVESTMENT HIGHLIGHTS 2009–12

An average of 51,000 trips were taken by bus over the first two years, rising to 131,000 in the third year.

Continued investment in state highway improvements, including advancing the detailed design for the Teal Bridge replacement and intersection improvements at Quarantine Road and Cable Bay Road.

SH6 Atawhai cycleway completed.

$1.5 million invested in emergency recovery of Cable Bay Road and other sites in Nelson city following flooding.

Completion of the Arterial Traffic Study to determine future investment options within Nelson city.

TASMAN

The main highlight for the 2009-12 period was the completion of the region's number one transport priority – the SH6 Ruby Bay Bypass – ahead of time and on budget. This is a major project for the region, improving connections between Nelson and Motueka/Tasman. The design of Doctors Creek Bridge is complete, as is the construction of Arnold Bridge widening on SH6. Substantial investment was made under emergency works to enable the reopening of Totaranui Road.

INVESTMENT HIGHLIGHTS 2009–12

$27.9 million Ruby Bay Bypass opened early and to budget.

Capacity upgrades to McGlashen Avenue/SH6 were completed.

Motueka Transport Study was completed.

$6.8 million was invested in emergency recovery including the reinstatement of Totaranui Road after flooding.

A cycle path connecting Nelson and Tasman cycling networks (the Richmond deviation) was completed, providing a critical link in the national cycle trail network.

MARLBOROUGH

There has been good progress across the majority of the NLTP programme in Marlborough. This includes construction of SH1 Lions Back Hill safety improvements, SH6 Sneiders Creek Realignment and SH62 Wratts to Spring Creek seal widening projects. Investigations have also commenced on SH6/Battys Road and Coleman's Road Intersection in Blenheim, with investigations completed on the SH1 PukaPuka Stream, SH6 Bell Road/St Leonards Road Intersection and Dazzle Corner realignments.

INVESTMENT HIGHLIGHTS 2009–12

More than 65,000 trips were taken by bus over the three year period.

Construction substantially completed for the Lions Back Hill safety improvement project on SH1.

Construction completed for the SH6 Sneiders Creek Realignment project.

Design funding approved and design completed for Dashwood Overbridge on SH1.

$1.8 million invested in emergency recovery following multiple flooding events.

SOUTHERN REGION

The Southern region is the largest of the NZTA's four regions, embracing all of the South Island except Nelson, Tasman and Marlborough.

CANTERBURY

The past three years have been challenging for the region with all sectors of the Canterbury economy facing significant challenges. There was some limited relief to the consultant and contracting sector through the advancement of approximately $3.2 million of smaller state highway projects commenced in 2009/10 that were completed in 2010/11.

The government announcement of the funding for the RoNS also enabled the advancement of the programme for delivery of several state highway projects earlier in the period.

Notwithstanding the economic and environmental challenges facing the region, good progress has been achieved across all transport programmes with $80 million invested as part of the reinstatement programme following the Canterbury earthquakes.

INVESTMENT HIGHLIGHTS 2009–12

Approximately 41 million bus trips and 308,000 ferry trips were taken over the last three-year period.

The first suite of bus passenger transport lanes in Christchurch on Papanui and Main North roads, Main South Road and Hills Road were completed.

Christchurch city completed cycleway projects in Stanmore Road and the rail corridor from Northcote Road to Tuckers Road. Construction has commenced on the Christchurch Southern Motorway.

Funding was approved for the first two stages of the Western Corridor upgrade with Waterloo to Yaldhurst being approved for construction and the completion of the Yaldhurst to Avonhead section. The construction of the Southern Motorway Stage 1 is now close to completion (estimated completion is February 2013). Detailed design has commenced for the Western Belfast Bypass.

NZTA has:

- completed the Winchester SH1 passing lanes
- signalised intersection upgrades at
  - SH75 and Dunbars Road in Halswell
  - the intersection of SH1 and SH8 at Washdyke
- widened two bridges on SH79 (Inmans and Elliots)
- continued ongoing seismic and safety retrofit programmes.

Selwyn District has substantially completed its Byron Street, Rolleston extension project.

Waimakariri District completed its five-year Tram Road upgrade project in this period.

Over $80 million financial assistance allocated for earthquake recovery works.

WEST COAST

Major highlights have included the completion of several projects to improve freight efficiency and network safety, and to enhance access to tourism related activities on the coast. The completion of the replacement Arahura road rail bridge, in conjunction with KiwiRail several months ahead of schedule, highlighted the ability of the community to work together to deliver a complex project for the benefit of road users and the community while protecting significant environmental and cultural values.

INVESTMENT HIGHLIGHTS 2009–12

Approximately 45,000 trips were taken as part of the total mobility programme.

Bridge replacements completed at Woolhouse Creek and Kokatahi (both SH6) and Goat Creek on SH73. 10 Mile Creek Bridge re-established.

Design funding awarded to Gates of Haast Bridge project.

Major realignment on SH7 McKendries corner (near Greymouth) and realignment at Kelly's Creek on SH73 completed.

Completion of the sealing of the Fox and Franz Josef Glacier access roads.

OTAGO

There has been significant activity in the Otago region during the three years of the NLTP. There have been two particularly high profile projects – the Dunedin City Council's SH88 realignment project that created a new road around the Forsyth Barr Stadium, and a start on the construction of SH1, Caversham Highway Improvements project.

The Caversham project has been a good example of the benefits of an early contractor involvement delivering the project on budget and in a timely way. Stage two is ready for commencement in the next NLTP period.

INVESTMENT HIGHLIGHTS 2009–12

Around 8 million trips per annum were taken by bus.

The Dunedin City Council's SH88 realignment project was completed providing a bypass to the new stadium and campus areas.

Construction of the first stage of the Caversham Highway Improvements project commenced in January 2011 and is soon to be completed. Design, land purchase and consenting is currently underway for the second stage – the Caversham Valley Safety Improvements. Regional funds are committed to both stages of this project.

A specimen design of the Kawarau Falls Bridge replacement is underway – this includes the consultation, land purchase and consenting processes to enable an expedient progression to construction when funding becomes available.

Construction of the next stage of the off-highway cycleway between Maia and St Leonards is about to be completed and investigation of the balance of the route through to Port Chalmers commenced.

Waihola passing lane, the Alexandra roundabout and Peninsula Road improvements were completed.

Safety retrofits and seismic retrofits were undertaken.

SOUTHERN REGION CONTINUED

SOUTHLAND

Some key projects were delivered in Southland including the completion of the Invercargill City Council's Tiwai Bridge refurbishment project. Environment Southland has completed their Integrated Transportation Strategy and completed its Regional Road Safety Strategy for Southland.

INVESTMENT HIGHLIGHTS 2009–12

Around 373,000 trips per annum were taken by bus.

Invercargill City Council's Tiwai Bridge refurbishment project was completed.

Investigation commenced on the NZTA's SH94 Homer Tunnel Safety Improvement project.

Dipton Curve and Gill Road realignments were completed.

Safety and seismic retrofits were completed.

SECTION B: STATEMENT OF SERVICE PERFORMANCE

STATEMENT OF RESPONSIBILITY

In terms of the Land Transport Management Act 2003, the Board of the NZ Transport Agency is responsible for the preparation of the National Land Transport Fund financial statements and statement of service performance, and for the judgements made in them.

The Board of the NZ Transport Agency has the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board's opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the National Land Transport Fund for the year ended 30 June 2012.

Signed on behalf of the Board:

Chris Moller
Chair
NZ Transport Agency
24 OCTOBER 2012

Jerry Rickman
Chair of Audit, Risk and Assurance Board Committee
NZ Transport Agency
24 OCTOBER 2012

Countersigned by:

Geoff Dangerfield
Chief Executive
NZ Transport Agency
24 OCTOBER 2012

Paul Helm
Chief Financial Officer
NZ Transport Agency
24 OCTOBER 2012

SUMMARY OF NLTF INVESTMENT PERFORMANCE

In 2011/12, 15 of our 22 investment performance targets (excluding the Road Policing Programme) were met. Several environmental factors have influenced these results including:

- unanticipated NLTF revenue shortfalls that resulted in a moratorium on new project approvals with implications for the NLTP delivery schedule
- rising input costs which pushed up road operation and maintenance costs and lowered output levels within a revenue constrained environment
- an increased number of significant national disasters which have driven up emergency re-instatement costs over and above that previously expected.

A full summary of the NZTA's performance measures can be found in the statement of service performance in the *NZTA annual report*.

KEY INVESTMENT HIGHLIGHTS FOR 2011/12

Management of funding allocation system

The total cost of managing the funding allocation system was marginally above the <1% of the total annual fund target (excluding Road Policing Programme). This marginal variance is primarily due to expenditure exceeding the budget and overall expenditure in the third year of the NLTP being reduced. This was due to increasing the budget in the first two years in response to the impact of the global economic crisis on the sector and the moratorium placed on new works as a result of unexpected cash flow difficulties.

State highway network

The state highway improvements area has performed well over the year. We have continued to manage our expenditure downwards as available revenue has decreased and the majority of planned construction completions were achieved. Despite the uncertainty around revenue this financial year, and the number of large scale projects currently active within the programme, the NZTA was still able to complete the year within 2.5% of its final financial target. We have continued to invest in our highest priority activities with around 65% of our investment this year focused on the development and delivery of the RoNS programmes.

Renewals for state highways achieved all performance targets for the year. Focus has been on more targeted treatments for local conditions in order to deliver the most appropriate level of service for our customer, directed at higher traffic volume highways.

All performance targets were met for maintenance and operation of the state highways. Road maintenance works and active management of traffic flow incidents and events has ensured that state highways were available for use 99.5% of the time. For instance, access to alternative routes adjacent to the Manawatu Gorge was provided while 380,000 square metres of slip in the gorge was cleared, and damaged bridges were replaced to restore the state highway between Palmerston North and Woodville.

Sector training and research

Overall, 97% of sector training and research activities were delivered to agreed standards and timeframes during the 2011/12 year. Research activities were measured against three components – agreed cost, peer reviews completed, and timeliness. Cost and peer reviews achieved 100%, and project timing achieved 83%, resulting in a 94% rating for research programme activities.

This, averaged with sector training's 100%, resulted in the overall mark of 97% for the delivery of sector training and research activities to agreed standards and timeframes. This was a remarkable outcome given the considerable research programme activity during the year which included publishing 44 new research reports, completing 30 research projects, commissioning and procuring 21 new contracts and actively managing 35 projects.

Transport planning

The timeliness target for transport planning was not met as the programme was slowed to enable better integration with key regional planning work including the Auckland Plan. Regional and unitary councils completed and consulted on 17 regional land transport programmes in preparation for the development of the 2012–15 NLTP. The NZTA contributed and invested in Wellington planning and Christchurch recovery planning and sub-regional transport plans for the Auckland southern initiative area, central Auckland and Wellington's passenger transport spine.

Road user safety

Road user safety achieved or exceeded two of its three performance targets despite difficulty in measuring the perception of the target audience. The Legend (ghost chips) advertisement has been recognised nationally and internationally, receiving multiple recognitions including a number of international and national awards. The intensive public information campaign in March to communicate the changes to the Give Way Rule was very successful and the campaign was shortlisted as a finalist in the Public Sector Award at the 2012 TVNZ Marketing Awards.

Public transport

Public transport services has achieved or exceeded all of its investment performance targets. Public transport infrastructure performance did not meet its timeliness target mainly due to slower than anticipated delivery of key large public infrastructure projects specifically in rail and public transport technology-related projects such as the National Integrated Ticketing Programme.

Local road networks

Nine out of 13 targets for new infrastructure, renewals, maintenance and operations were achieved. New and improved infrastructure for local roads achieved its performance targets by completing and improving 230 lane kilometres of new roads. Length of bridge replacement was less than the previous year due in part to the moratorium on new projects. Renewal of local roads has achieved four out of seven performance targets for the year. Overall, performance results show stable network outcomes and similar costs per measured network unit to the previous year.

Emergency works expenditure dominated the maintenance and operation of local roads for a second year in a row. The Canterbury earthquake response was larger than expected and combined with a small increase in routine maintenance activities, resulted in over-expenditure.

Walking and cycling

This activity class has been affected by the moratorium on new project approvals, which is reflected in the reduced length of new paths and lanes. 65.3 kilometres of new footpaths and cycle paths were completed during 2011/12 against a target of 140–170 kilometres.

ROAD POLICING PROGRAMME

Road Policing Programme

The Road Policing Programme is a special type of NLTF investment in the land transport system, delivered by the NZ Police and funded through Vote Police.

The NZTA prepares the Road Policing Programme with NZ Police and recommends it to the Minister of Transport for approval. The NZTA also monitors and reports on the delivery of the programme, as designated by the Secretary of Transport.

The Road Policing Programme contributes to a reduction in deaths and serious injuries from road crashes, by enforcing the law applying to road users. This output has a secondary contribution, through the protection of the roading asset (again by enforcing the law), to more efficient freight supply chains and the resilience and security of the transport network.

The key achievements for the Road Policing Programme were:

- Finalised and published the 2011/12 Road Policing Programme – which piloted the implementation of the new outcome investment approach for NLTF funded activities, as recommended by the Road Policing Class Activity Review.
- Developed the 2012–15 Road Policing Programme which took a step-change in improving alignment with the outcome investment approach and the Road Policing Activity Class Review.
- Developed and applied a new quarterly reporting framework for NZTA's quarterly reports to the Minister of Transport on NZ Police delivery of the 2011/12 Road Policing Programme. Building on this, the framework was further developed for application to quarterly reporting in 2012/13.

For full details of NZ Police activities, including the Road Policing Programme, see the 2011/12 NZ Police annual report.

PERFORMANCE MEASURES (reproduced from the NZ Police 2011/12 annual report)

Actual 2010/11	Performance measure	Actual 2011/12	Performance standard 2011/12
STRATEGIC ROAD POLICING			
2,241,952	Number of compulsory breath tests conducted *	Not available **	2,000,000
1,023,162	Number of mobile breath tests conducted *	Not available **	700,000
*	Number of breath alcohol tests conducted *	2,864,380 **	2,700,000
New measure for 2011/12	Percentage of roadside inspection reports for all heavy motor vehicles inspected that are entered into the NZTA Road Inspection database within 20 working days	96%	100%
100%	Percentage of all commercial vehicle combinations stopped by Commercial Vehicle Investigation Unit (CVIU) staff, and for which vehicle inspection reports are completed	94%	100%
COMMUNITY ENGAGEMENT ON ROAD SAFETY			
88%	Percentage of all schools contacted by police education officers and/or in receipt of school road safety education sessions	91%	100%
ROAD POLICING INCIDENT AND EMERGENCY MANAGEMENT			
78,608	Number of traffic incidents, blockages and breakdowns attended	77,462	80,000–90,000
New measure for 2011/12	Median response time to emergency traffic events in urban policing areas	8 minutes 36 seconds	8–9 minutes
New measure for 2011/12	Median response time to emergency traffic events in rural policing areas	10 minutes 54 seconds	12–14 minutes
Nil	Number of complaints upheld against the police relating to attendance at traffic emergencies and disasters	Nil	Fewer than 5
ROAD POLICING RESOLUTIONS			
New measure for 2011/12	Number of traffic cases prosecuted	69,797	Benchmark to be established in 2011/12
1	Number of complaints upheld relating to the execution of road policing court documents	Nil	Nil

Notes

* From this year, police will report a combined result for CBTs and MBTs, and will introduce a new measure based on information from sniffer units used by frontline police officers. The sniffer unit counts are electronically recorded when a breath test is conducted and test volumes are downloaded and reported to police every six months by the manufacturer of the units.

** Police currently report two different alcohol breath testing measures. This includes: (1) an overall total number of alcohol breath tests conducted on an annual basis (reported in the *NZ Police annual report*); (2) the number of compulsory breath tests and mobile breath tests undertaken each quarter (included in the *Road Policing Programme quarterly report*). This information is captured in different ways, and to different timeframes to meet wider organisational needs, meaning the two reported results are not comparable. Work is underway to simplify and align measurement of this result in the future.

HOW IS THE MONEY SPENT?

Road safety programme for the year ended 30 June 2012

2010/11 Actual $000		2011/12 Actual $000	2011/12 Budget $000
288,000	Total revenue	297,593	298,455
288,000	Total expenses	297,593	298,455
–	Net surplus (deficit)	–	–

The expenditure figures are based upon unaudited returns from the NZ Police. Any subsequent surplus has to be carried forward and applied to the next year.

HOW DO WE ASSESS OUR INVESTMENT PERFORMANCE? [1,2]	Actual 2011/12	Forecast	Variance 2011/12	Actual 2010/11
Number of disqualified, unlicensed, fleeing or racing drivers in fatal/serious crashes	226	Reducing trend	-9	235
Number of young drivers killed per 100,000 15–24 year olds	6.3	Reducing trend	-1.3	7.6
ACC entitlement claims on the motor vehicle account from motorcyclists	970	Reducing trend	-90.3	1,059
Fatalities or serious injuries in crashes with alcohol/drugs per 100,000 population	12.3	Reducing trend	-1.8	14.1
Percentage of vehicles exceeding 100km/h and 50km/h limits	31% > 100km/h 59% >50km/h	Reducing trend	+2% > 100km/h 1% >50km/h	29% > 100km/h 58% >50km/h
Percentage of vehicle occupant deaths where restraints have not been worn (three-year measure)	31%	Reducing trend	-4%	35%
Fatal/serious heavy vehicle crashes where driver is at fault, per 100 million heavy vehicle kilometres travelled	4.9	Reducing trend	-0.1	5.0
Percentage of new vehicles with five-star safety rating	66%	Increasing trend	+11%	55%
Number of 100,000 population of pedestrians/cyclists killed or seriously injured enough to be hospitalised for longer than one day	9.6	Reducing trend	-0.5	10.1
Fatalities and serious injuries in fatigue and/or distraction crashes per 100,000 population	13	Reducing trend	–	13
Number of road users aged 75 years and over killed in road crashes per 100,000	13	Reducing trend	+2	11

1 Two indicators published in the 2011–14 *Statement of intent* – fatal or serious injury crashes on high-risk KiwiRAP state highway routes, and % of fatal and serious injury crashes attended by NZ Police, will not be reported as the measure is reported once every three years.

2 12 months to March.

HOW DO WE INTERPRET THESE PERFORMANCE RESULTS?

NLTF investment

Road policing achieved eight of the 11 core desired outcome trends. Variance to the desired trends include:

- Fatalities and serious injuries in fatigue and/or distraction crashes per 100,000 population. There has been no change to this trend over the past year.
- The percentage of vehicles exceeding 100km/h and 50km/h limits increased by 2% and 1% respectively. While this is considered significant in safety terms, the NZTA, together with NZ Police, are working to reduce this by targeting investments in road policing safe speed campaigns. Additionally, with the second Safer Journeys Action Plan that identified safer speeds as one of its priority areas, a more focused and stronger delivery of safer speeds interventions is expected. The action plan is expected to be delivered early 2013.
- The number of road users aged 75 years and over killed in road crashes per 100,000 population increased slightly from 11 to 13. However, the longer term view indicates a reducing trend. The average annual rate within the current NLTP period (2009–2012) is 1.2% less than the average rate of the previous NLTP (2008–2009).

Overall, the Road Policing Programme continues to provide a positive return on NLTF investment.

OFFICIAL SCOPE: Enabling NZ Police to deliver the Road Policing Programme. The Minister of Transport invests in road policing to improve road safety outcomes.

SECTION C: STATEMENT OF FINANCIAL PERFORMANCE

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 20 JUNE 2012

	Note	Actual 2011/12 $m	Budget 2011/12 $m	Actual 2010/11 $m
INCOME INFLOWS[a]				
Land transport revenue	3	2,692	2,766	2,634
Government contribution to land transport revenue		1	0	44
Management of Crown land and interest		48	39	50
Total income flows		2,741	2,805	2,728
OUTFLOWS				
NZTA National Land Transport Programme		1,790	1,802	1,746
NZTA National Land Transport Programme – capital contribution	4	573	685	987
NZ Police		297	296	288
Search and rescue		6	6	6
Total outflows		2,666	2,789	3,027
NET SURPLUS/(DEFICIT)		**75**	**16**	**(299)**

a. This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003.
Explanations of major variances against budget are provided in note 17.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	Actual 2011/12 $m	Budget 2011/12 $m	Actual 2010/11 $m
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5	44	7	0
Debtors	6	191	165	186
Total assets		**235**	**172**	**186**
LIABILITIES				
CURRENT LIABILITIES				
Creditors and other payables	7	407	403	433
Total liabilities		**407**	**403**	**433**
NET ASSETS		**(172)**	**(231)**	**(247)**
General funds		(172)	(231)	(247)
GENERAL FUNDS CLOSING BALANCE[a]		**(172)**	**(231)**	**(247)**

a. This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003.
Explanations of major variances against budget are provided in note 17.

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN GENERAL FUNDS BALANCE
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Actual 2011/12 $m	Budget 2011/12 $m	Actual 2010/11 $m
GENERAL FUNDS OPENING BALANCE				
General funds		(247)	(247)	52
Total general funds opening balance		(247)	(247)	52
CHANGES IN GENERAL FUNDS BALANCE				
Net surplus/(deficit)		75	16	(299)
Total changes in general funds balance		75	16	(299)
GENERAL FUNDS CLOSING BALANCE				
General funds		(172)	(231)	(247)
TOTAL GENERAL FUNDS CLOSING BALANCE[a]		**(172)**	**(231)**	**(247)**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Actual 2011/12 $m	Budget 2011/12 $m	Actual 2010/11 $m
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from land transport revenue		2,736	2,826	2,754
Payments to suppliers		(2,692)	(2,819)	(2,777)
Net cash from operating activities	8	44	7	(23)
Net (decrease)/increase in amounts held by the Crown		44	7	(23)
Amounts held by the Crown at the beginning of the year		0	0	23
AMOUNTS HELD BY THE CROWN AT THE END OF THE YEAR[b]		**44**	**7**	**0**

a. This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003.

b. The National Land Transport Fund is a notional account only. There are no actual cash and cash equivalents as funds are held by the Crown. However, this statement has been provided to meet the requirements of section 11 of the Land Transport Management Act 2003.

Explanations of major variances against budget are provided in note 17.

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

Reporting entity

The Land Transport Management Act 2003 includes a requirement for the NZ Transport Agency to prepare at the end of the financial year an annual report on the National Land Transport Fund.

All revenue from fuel excise duty, road user charges, motor vehicle registration and licensing fees, revenues from Crown appropriations and management of Crown land, and interest are accounted for in the National Land Transport Fund. The National Land Transport Fund is used to manage:

- the funding of the NZ Police's Road Policing Programme
- the funding of the National Land Transport Programme for:
  - activities delivered by an approved organisation
  - state highway activities
  - research
  - other NZTA activities, such as transport planning.

The National Land Transport Fund cash funds are held as part of the total Crown funds. The Ministry of Transport is responsible for authorising any payments from the National Land Transport Fund and administration of appropriations.

The financial statements of the National Land Transport Fund are for the year ended 30 June 2012 and were approved by the Board on 24 October 2012.

Basis of preparation

Statement of compliance

The financial statements of the National Land Transport Fund have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP as appropriate for public benefit entities and they comply with New Zealand International Financial Reporting Standards (NZ IFRS).

Measurement base

The financial statements have been prepared on an historical cost basis.

Function and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest million dollars ($m). The functional currency of the National Land Transport Fund is New Zealand dollars (NZ$).

Changes in accounting policies

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

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

- Amendments to NZ IAS 1 Presentation of Financial Statements – The amendments introduce a requirement to present, either in the statement of changes in equity or the notes, for each component of equity, an analysis of other comprehensive income by item.
- FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments) – The purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments and interpretations issued but not yet effective that have not been early adopted and which are relevant to the National Land Transport Fund are:

- NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the National Land Transport Fund is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the National Land Transport Fund expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, the National Land Transport Fund is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Significant accounting policies

INCOME INFLOWS

Income comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the National Land Transport Fund's business. Revenue is shown net of goods and services tax (GST).

Income is recognised when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the National Land Transport Fund activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activity giving rise to the revenue have been resolved.

Interest

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

Assets

The National Land Transport Fund account being a notional account does not hold physical assets.

OUTFLOWS

The National Land Transport Fund accounts for the flow for funds to:

- the NZ Transport Agency – for the funding of the National Land Transport Programme.
- the New Zealand Police – who provide the Road Policing Programme

Under section 9(1) of the Land Transport Management Act 2003, the National Land Transport Fund funds search and rescue activities, and recreational boating safety and safety awareness.

The various activities are outlined in the statements of service performance.

FINANCIAL ASSETS

The National Land Transport Fund is a notional account with funds held as part of the total Crown funds.

CASH AND CASH EQUIVALENTS

The cash and cash equivalents of the National Land Transport Fund are held by the Crown.

EMPLOYEE ENTITLEMENTS

The National Land Transport Fund has no employees.

COMMITMENTS

The National Land Transport Fund is the major funder of the National Land Transport Programme. The commitments outlined in the notes reflect the funding commitments documented in the National Land Transport Programme 2010–13.

GOODS AND SERVICES TAX

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis.

Commitments and contingencies are disclosed exclusive of GST.

INCOME TAX

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

BUDGET FIGURES

The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the NZTA in preparing these financial statements.

2 STATEMENT OF INFLOWS, OUTFLOWS, AND CAPITAL EXPENDITURE FOR THE PREVIOUS TWO FINANCIAL YEARS

	Actual 2011/12 $m	Actual 2010/11 $m	Actual 2009/10 $m
INCOME INFLOWS			
Land transport revenue	2,692	2,634	2,510
Government contribution to land transport revenue	1	44	85
Management of Crown land and interest	48	50	37
Total income flows	2,741	2,728	2,632
OUTFLOWS			
NZTA National Land Transport Programme	1,790	1,746	1,815
NZTA National Land Transport Programme – Capital contribution	573	987	693
NZ Police	297	288	288
Search and rescue	6	6	0
Rail infrastructure	0	0	135
Other	0	0	1
Total outflows	2,666	3,027	2,932
NET SURPLUS/(DEFICIT)	**75**	**(299)**	**(300)**

This statement of inflows, outflows, and capital expenditure for the previous two financial years is provided under the requirements of the Land Transport Management Act 2003.

Separate disclosure of the Management of Crown land and interest is required under the Land Transport Management Act 2003.

3 LAND TRANSPORT REVENUE

	Actual 2011/12 $m	Actual 2010/11 $m
REVENUE		
Fuel excise duty	1,513	1,483
Road user charges	1,092	1,061
Motor vehicle registration fees	175	173
	2,780	2,717
LESS REFUNDS		
Fuel excise duty	35	36
Road user charges	46	45
Motor vehicle registration fees	0	1
	81	82
Less bad debt write-off	7	1
TOTAL LAND TRANSPORT REVENUE	**2,692**	**2,634**

4 NZTA NATIONAL LAND TRANSPORT PROGRAMME – CAPITAL CONTRIBUTION

	Actual 2011/12 $m	Actual 2010/11 $m
Accelerated state highway construction	0	34
New and improved infrastructure for state highways	573	953
TOTAL NZTA NLTP – CAPITAL CONTRIBUTION	**573**	**987**

5 CASH AND CASH EQUIVALENTS

The National Land Transport Fund is a notional account only. The cash and cash equivalents reported in these statements are held by the Crown in the consolidated fund.

6 DEBTORS

	Actual 2011/12 $m	Actual 2010/11 $m
Debtors – fuel excise duty	169	164
Debtors – motor vehicle register/road user charges	22	22
TOTAL DEBTORS	**191**	**186**

7 CREDITORS AND OTHER PAYABLES

	Actual 2011/12 $m	Actual 2010/11 $m
Crown	0	42
NZTA (to the National Land Transport Programme)	407	386
Accrued expenses	0	5
TOTAL CREDITORS AND OTHER PAYABLES	**407**	**433**

Creditors and other payables are non-interest bearing and are normally settled by the end of the month following date of supply. Therefore, the carrying value of creditors and other payables approximates their fair value.

8 RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FROM OPERATING ACTIVITIES

	Actual 2011/12 $m	Actual 2010/11 $m
NET SURPLUS/(DEFICIT) AFTER TAX	75	(299)
ADD/(LESS) MOVEMENTS IN WORKING CAPITAL ITEMS:		
(Increase)/decrease in debtors	(5)	26
Increase/(decrease) in creditors and other payables	(26)	250
Net movements in working capital items	(31)	276
NET CASH FROM OPERATING ACTIVITIES	**44**	**(23)**

9 CAPITAL COMMITMENTS AND OPERATING ROADING COMMITMENTS

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

	Actual 2011/12 $m	Actual 2010/11 $m
Not later than one year	1,478	3,000
Later than one year and not later than five years	2,895	3,283
Later than five years	1,352	1,572
TOTAL FUNDING COMMITMENTS	**5,725**	**7,855**

10 CONTINGENCIES

Contingent liabilities

The National Land Transport Fund has no contingent liabilities (2011: Nil).

Contingent assets

The National Land Transport Fund has no contingent assets (2011: Nil).

11 RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

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

The National Land Transport Fund is a wholly owned notional fund of the Crown.

Significant transactions with government-related entities

The National Land Transport Fund has been provided with funding of $2.741 billion (2011: $2.728 billion) for specific purposes as set out in its founding legislation and the scope of the relevant government appropriations.

Collectively, but not individually, significant transactions with government-related entities

The National Land Transport Fund purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2012 totalled $2.666 billion (2011: $3.028 billion). These purchases included the funding of the New Zealand Police's Road Policing Programme and the NZTA's National Land Transport Programme.

Key management personnel compensation

Under the definition of NZ IAS 24, the National Land Transport Fund has no key management personnel.

12 EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

13 FINANCIAL INSTRUMENT CATEGORIES

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

	Actual 2011/12 $m	Actual 2010/11 $m
LOANS AND RECEIVABLES		
Cash and cash equivalents	44	0
Debtors	191	186
TOTAL LOANS AND RECEIVABLES	**235**	**186**
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Creditors and other payables	407	433
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**407**	**433**

14 FINANCIAL INSTRUMENT RISKS

The National Land Transport Fund's activities do not expose it to any financial instrument risks, such as market risk, credit risk, or liquidity risk.

15 CAPITAL MANAGEMENT

The National Land Transport Fund's capital is its general funds. General funds are represented by net assets.

The National Land Transport Fund is subject to the financial management and accountability provisions of the Public Finance Act 1989, which imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

The NZTA manages the National Land Transport Fund general funds as a by-product of prudent management of revenues, expenses, liabilities and general financial dealings, to ensure the National Land Transport Fund effectively achieves the requirements set out in the Land Transport Management Act 2003.

16 COMMITMENTS TO REGIONS REPORTING

Disclosure of funding commitments to regions under the Land Transport Management Act 2003.

	Actual 2011/12 $m	Actual 2010/11 $m
Auckland land transport	65	35
Bay of Plenty	24	14
Waikato land transport	102	60
Wellington land transport	1	2
Wellington land transport (western corridor)	35	14
TOTAL	**227**	**125**

17 EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

Explanations for significant variations from the National Land Transport Fund's budgeted figures are as follows:

Statement of comprehensive income

INCOME INFLOWS

Land transport revenue was lower than budgeted by $74 million. This is the net result of fuel excise duty and road user charges revenue being below budget by $77 million and $8 million respectively. This is offset by motor vehicle registration revenue being $6 million above budget, and less debts being written off than budgeted.

Management of Crown land and interest was higher than budgeted by $9 million. Improved management of the property disposal programme has resulted in higher income from the sale of properties.

OUTFLOWS

The NZTA's National Land Transport Programme – Capital contribution was lower than budgeted by $112 million, but this is in line with the State Highways Programme for 2011/12.

STATEMENT OF SERVICE PERFORMANCE

FINANCIALS

OUTPUT CLASS FUNDING TO THE NZ TRANSPORT AGENCY	Actual 2011/12 $m	Budget 2011/12 $m	Actual 2010/11 $m
Management of the funding allocation system	28	29	31
Transport planning	24	26	23
Sector training and research	5	6	3
Public transport infrastructure	31	55	45
Public transport services	222	228	195
Road user safety	39	43	33
New and improved infrastructure for local roads	130	165	163
Renewal of local roads	174	235	206
Maintenance and operation of local roads	263	277	275
Walking and cycling facilities	6	12	12
Accelerated state highway construction	0	0	34
New and improved infrastructure for state highways	703	708	1,001
Renewal of state highways	390	388	384
Maintenance and operation of state highways	348	315	328
TOTAL OUTPUT CLASS FUNDING TO THE NZ TRANSPORT AGENCY	**2,363**	**2,487**	**2,733**

Public transport infrastructure – Actual is 43% below budget due to slower than planned progress on infrastructure projects in Auckland.

Local road new infrastructure, renewals and maintenance – Combined, actual is 16% below budget due to the impact of a moratorium on new approvals and a financial assistance rate variation arrangement with Auckland Transport.

Maintenance and operation of state highways – Actual is 10% higher than budgeted with emergency works on weather-related events and Christchurch earthquake accounting for the majority of the increased outflow.

INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

TO THE READERS OF NATIONAL LAND TRANSPORT FUND'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

The Auditor-General is the auditor of the National Land Transport Fund (the NLTF). The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and a statement of service performance of the NLTF on her behalf.

We have audited:

- the financial statements of the NLTF on pages 186 to 193, that comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in general funds balance and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the NLTF on pages 179 to 184 and 194.

OPINION

In our opinion:

- the financial statements of the NLTF on pages 186 to 193:
  - › comply with generally accepted accounting practice in New Zealand; and
  - › fairly reflect the NLTF's:
    - financial position as at 30 June 2012; and
    - financial performance and cash flows for the year ended on that date.
- the statement of service performance of the NLTF on pages 179 to 184 and 194:
  - › complies with generally accepted accounting practice in New Zealand; and
  - › fairly reflects, for each activity class, the NLTF's service performance achievements and expenses measured against the performance targets and budgets adopted for the year ended 30 June 2012.

Our audit was completed on 24 October 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities, and we explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the NLTF's financial statements and statement of service performance that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the NLTF's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the NLTF's financial position, financial performance and cash flows; and
- fairly reflect its service performance.

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

The Board's responsibilities arise from the Land Transport Management Act 2003.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and the statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 11(3) of the Land Transport Management Act 2003.

INDEPENDENCE

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

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

John O'Connell
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS AND NON-FINANCIAL PERFORMANCE INFORMATION

This audit report relates to the financial statements and non-financial performance information of the National Land Transport Fund for the year ended 30 June 2012 included on NZ Transport Agency's website. The NZ Transport Agency's Board is responsible for the maintenance and integrity of NZ Transport Agency's website. We have not been engaged to report on the integrity of NZ Transport Agency's website. We accept no responsibility for any changes that may have occurred to the financial statements and non-financial performance information since they were initially presented on the website.

The audit report refers only to the financial statements and non-financial performance information named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and non-financial performance information. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and non-financial performance information as well as the related audit report dated 24 October 2012 to confirm the information included in the audited financial statements and non-financial performance information presented on this website.

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

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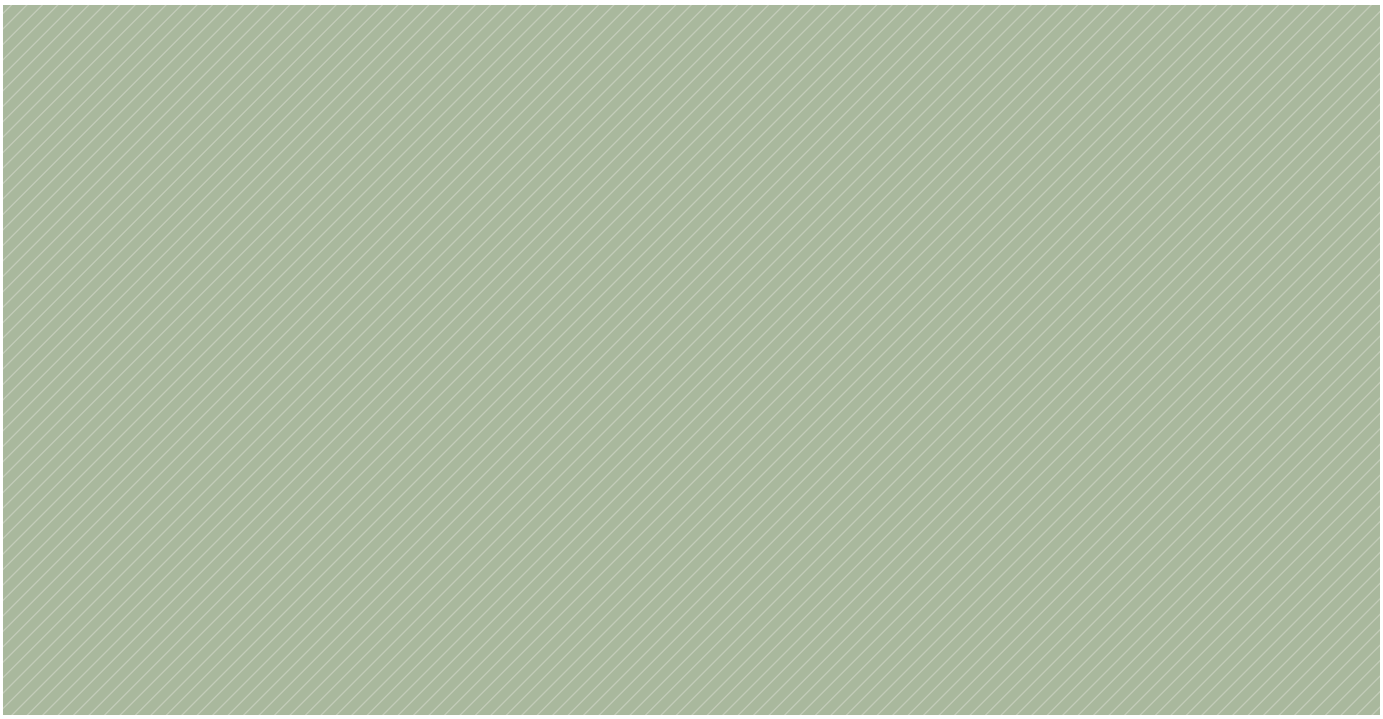

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