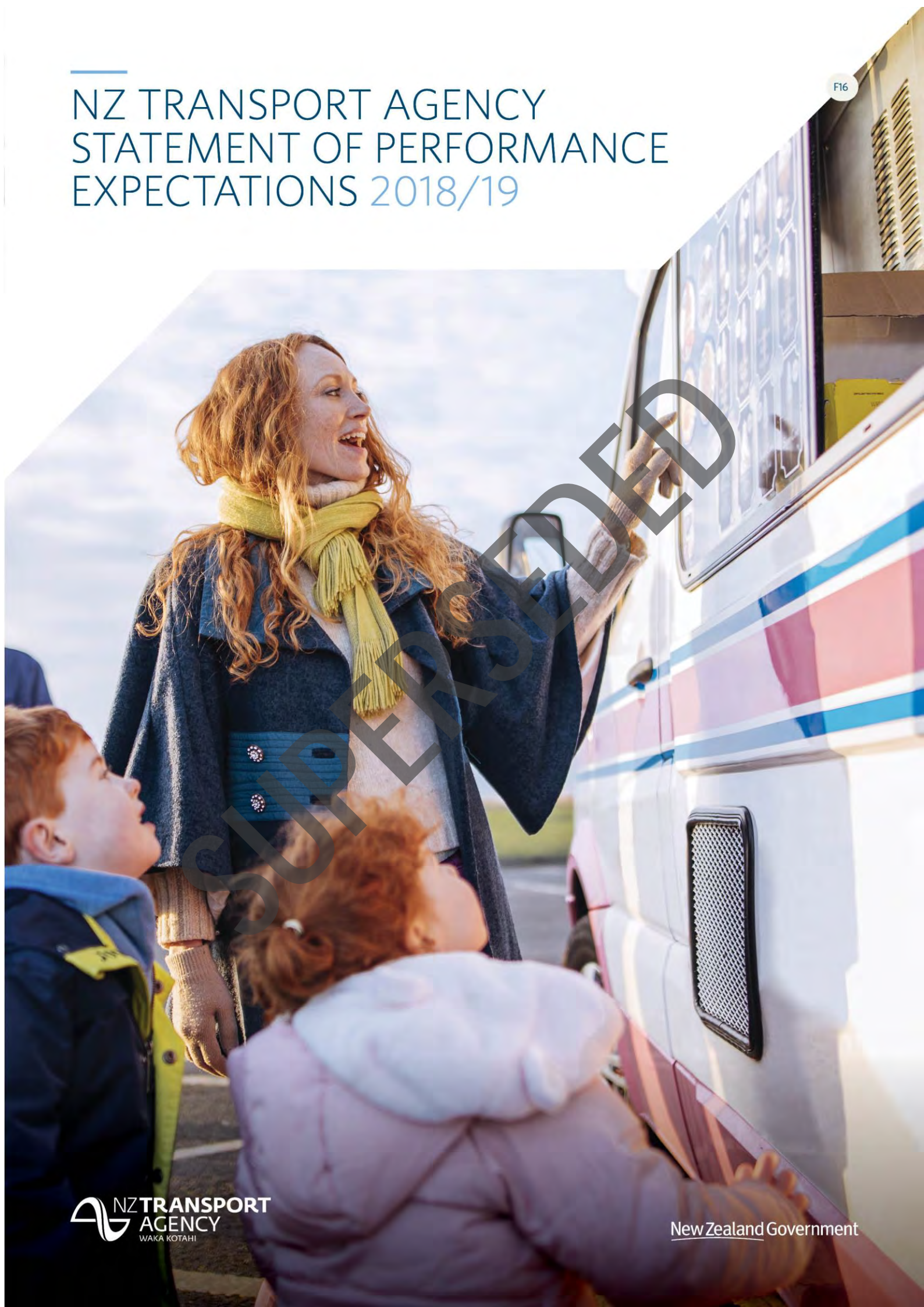


NZ TRANSPORT AGENCY STATEMENT OF PERFORMANCE EXPECTATIONS 2018/19



SUPERSEDED



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Introduction

This statement of performance expectations sets out how we will measure the financial and non-financial performance of the activities we deliver and invest in (output classes) over 2018/19. Our longer-term strategy and the outcomes we are working towards are described in our statement of intent for 2017–21.¹

The government is finalising its Government Policy Statement on land transport 2018/19–2027/28. The policy statement sets out the government’s priorities for land transport and the results it wishes to achieve through the allocation of the National Land Transport Fund over the next 10 years. The policy statement is the primary guide for the investment we make in the land transport system on behalf of the government (through the National Land Transport Programme). It sets out how funding is allocated to achieve the desired results across activities such as walking and cycling, road policing, state highways, local roads and public transport.

We are committed to meeting current and future challenges for New Zealand’s transport system, and we are working to align our strategy and performance frameworks with the policy statement as it develops.

We intend to amend this statement of performance expectations and our statement of intent once the policy statement is finalised and the NZ Transport Agency Board has adopted the 2018–21 National Land Transport Programme. Any amended documents will outline our response to the government’s new priorities for the land transport sector.



Michael Stiassny
Chair

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¹ Available from the Transport Agency website: www.nzta.govt.nz/soi

Statement of responsibility

The information in the NZ Transport Agency *Statement of performance expectations 2018/19* has been prepared in accordance with the Crown Entities Act 2004.

In signing this statement, we acknowledge our responsibility for the information in this statement of performance expectations and confirm the appropriateness of the assumptions underlying the prospective operations and financial statements of the NZ Transport Agency.

Signed on behalf of the board



Michael Stiasny
Chair
28 May 2018



Mark Darrow
Chair of the Audit, Risk and Assurance Board
Committee
28 May 2018

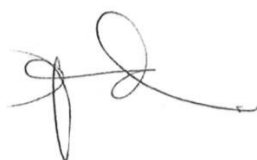
Countersigned by



Fergus Gammie
Chief Executive
28 May 2018



Howard Cattermole
General Manager, Investment and Finance
28 May 2018



Jenny Chetwynd
General Manager Strategy, Policy and Planning
28 May 2018

Our strategy

Our strategy, described fully in our *Statement of intent 2017-21*,² has three strategic responses that describe the direction we'll take to deliver value to New Zealand. Six focus areas describe what we will do in the medium term to make the changes in our strategic responses. Each focus area has a clear, measurable outcome for our customers and New Zealanders that drives everything we do.



² Available from the Transport Agency website: www.nzta.govt.nz/soi

Performance expectations

This section sets out how we will measure our performance for our output classes (the activities that we deliver and the activities we invest in through the National Land Transport Fund) and their projected income and expenditure.

The government is finalising its draft Government Policy Statement on land transport 2018/19–2027/28, the primary guide for the investment we make in the land transport system. Our performance expectations do not cover any new output classes that are included in the draft policy statement. Any new output classes will be included in our amended statement of performance expectations.

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LICENSING AND REGULATORY COMPLIANCE

How this output class contributes to our focus areas

Licensing and regulatory compliance primarily contributes to the Keep people safe focus area outcome of a land transport system increasingly free from harms. This contribution is achieved by reducing deaths and serious injuries through regulation of drivers, vehicles and commercial operators and the associated influence on drivers and driver behaviour. This output class also contributes to the Connect and develop regions focus area outcome of improved regional and interregional transport system service quality for people, freight and business through the support of freight supply chain and vehicle fleet efficiency.

What we do

Under this output class, the Transport Agency:

- 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 and requirements for vehicles, drivers, operators and transport systems providers
- provides ministerial services
- provides driver and transport operator (including rail operator) licensing and testing services
- maintains the driver licence register
- issues over-dimension permits
- administers drug and alcohol assessments of drivers and operators
- provides licensing information and advice.

Funding is from fees and charges and from the Crown, including from Crown contracts for specific activities.

How we will assess our performance*		
Measure	Estimated actual 2017/18	Target 2018/19
Unit transaction costs	\$10.08	≤ \$11
% of transactions completed online	47%	≥ 50%
% accuracy of registers	97%	≥ 93%
% of operational assurance activities completed	100%	100%
% of activities that are delivered to agreed standards and timeframes	95%	≥ 90%
Number of products or services delivered or processed†	6.2m	≥ 6.0m

* See page 62 for technical details.

† Target is demand driven, which can be variable, and is set as a minimum standard.

How much it will cost [‡]		
	Projected 2017/18 \$000	Projected 2018/19 \$000
Income	96,259	99,140
Expenditure	99,574	109,300
Net surplus (deficit)	(3,315)	(10,160)

‡ See pages 45–52 for full details on output class funding and expenditure.

SUPERSEDED

ROAD TOLLING

How this output class contributes to our focus areas

Road tolling contributes to the Connect and develop regions focus area outcome of improved regional and interregional transport system service quality for people, freight and business. The collection of fees from existing infrastructure allows for the investment in future infrastructure projects.

What we do

Under this output class, the Transport Agency:

- manages the tolling roadside and back office systems, customer interfaces and payment channels
- collects toll revenues and disbursements to the Crown
- provides information and advice to the public.

How we will assess our performance*		
Measure	Estimated actual 2017/18	Target 2018/19
Unit transaction costs	\$0.60	≤ \$0.75
% revenue compliance [†]	96%	≥ 96%
Number of products or services delivered or processed	15m	≥ 15m

* See page 62 for technical details.

† The 2018/19 target is adjusted from the 2017/18 target of ≥ 98% to reflect expected best-case performance based on revenue compliance trends since road tolling was established. The compliance trend is primarily due to the consistent proportion of casual users without findable contact addresses (for example, visiting drivers) and casual users not responding to debt collection activities.

How much it will cost [‡]		
	Projected 2017/18 \$000	Projected 2018/19 \$000
Income	14,577	15,497
Expenditure	14,799	15,022
Net surplus (deficit)	(222)	476

‡ See pages 45–52 for full details on output class funding and expenditure.

MOTOR VEHICLE REGISTRY

How it contributes to our focus areas

Motor vehicle registry services contribute to the Keep people safe focus area outcome of a land transport system increasingly free from harms. When a vehicle is first registered into the New Zealand fleet, vehicle safety and environmental standards have to be met before the vehicle can be licensed for access to the road network. This helps to reduce deaths and serious injuries from road crashes and reduces adverse environmental effects.

What we do

Under this output class, the Transport Agency:

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

How we will assess our performance*

Measure	Estimated actual 2017/18	Target 2018/19
Unit transaction costs	\$4.20	≤ \$6.00
% of transactions completed online	48%	≥ 45%
% accuracy of registers	98%	≥ 95%
% revenue compliance	98%	≥ 98%
Number of products or services delivered or processed†	10.5m	≥ 9.5m
% customer satisfaction	85%	85%

* See page 62 for technical details.

† Target is demand driven, which can be variable, and is set as a minimum standard.

How much it will cost‡

	Projected 2017/18 \$000	Projected 2018/19 \$000
Income	54,800	54,300
Expenditure	55,182	55,842
Net surplus (deficit)	(382)	(1,542)

‡ See pages 45–52 for full details on output class funding and expenditure.

ROAD USER CHARGES COLLECTION, INVESTIGATION AND ENFORCEMENT

How this output class contributes to our focus areas

Road user charges (RUC) collection, investigation and enforcement contribute to all focus area outcomes. The revenue from RUC is used for the National Land Transport Programme, so it supports all of the Transport Agency’s investment in the land transport system.

What we do

Under this output class, the Transport Agency:

- collects revenue for the National Land Transport Fund through the sale of RUC licences for vehicles subject to RUC and refunds RUC
- investigates evasion of RUC and enforces payment of RUC
- provides information and advice about RUC to the public.

How we will assess our performance*		
Measure	Estimated actual 2017/18	Target 2018/19
Unit transaction costs	\$3.40	≤ \$5.50
% of transactions completed online	66%	≥ 65%
Number of products or services delivered or processed†	3.7m	≥ 3m

* See page 62 for technical details.

† Target is demand driven, which can be variable, and is set as a minimum standard.

How much it will cost‡		
	Projected 2017/18 \$000	Projected 2018/19 \$000
Income	17,300	17,737
Expenditure	16,507	17,837
Net surplus (deficit)	793	(101)

‡ See pages 45–52 for full details on output class funding and expenditure.

REFUND OF FUEL EXCISE DUTY

How this output class contributes to our focus areas

Refund of excise duty is a Transport Agency function performed on behalf of the Ministry of Transport. It is an adjunct to the collection of fuel excise duty and is provided for under the Land Transport Management Act 2003. This output makes no direct contribution to a Transport Agency focus area.

What we do

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

How we will assess our performance*		
Measure	Estimated actual 2017/18	Target 2018/19
Average number of days to deliver	19 days	≤ 20 days
Number of products or services delivered or processed†	68,000	≥ 73,000

* See page 62 for technical details.

† This is a demand measure. The 2017/18 target was adjusted due to a 40% volume increase in 2016/17, which has not continued in 2017/18. The 2018/19 target has been readjusted to reflect actual expected demand.

How much it will cost‡		
	Projected 2017/18 \$000	Projected 2018/19 \$000
Income	938	914
Expenditure	2,805	3,240
Net surplus (deficit)	(1,867)	(2,326)

‡ See pages 45–52 for full details on output class funding and expenditure.

INVESTMENT MANAGEMENT

How this output class contributes to our focus areas

Investment management contributes to the Shape the land transport system outcome of transport sector decision-making, investment, regulatory and policy intervention based on a shared long-term view. This output class does this by providing greater certainty for regional land transport plans, infrastructure development and activity management, and investment in the New Zealand transport system. It also manages the National Land Transport Fund investments to maximise the overall benefit for New Zealand's transport system.

What we do

Under this output class, the Transport Agency invests in or influences (or both):

- the development and management of regional land transport plans
- the development and updating of transport models
- the preparation and improvement of land transport activity management plans, regional public transport plans, road safety action plans and procurement strategies
- the preparation of programme business cases for land transport investments of approved organisations or for the state highway network
- land transport research.

The Transport Agency contributes to operating costs to:

- develop and manage the National Land Transport Programme efficiently
- develop a shared view of planning and investing with its investment partners
- provide policy advice to the government on policy frameworks.

SUPERSEDED

How we will assess our performance*

Measure	Estimated actual 2017/18	Target 2018/19
Total cost of managing the funding allocation system as a % of the National Land Transport Programme expenditure	1%	≤ 1%
% of activities completed to agreed standards and timeframes (management of funding allocation system)	100%	100%
% of operational assurance activities completed	100%	100%
% of activities delivered to agreed standards and timeframes (transport planning)	>55% [†]	≥ 90%
% of activities delivered to agreed standards and timeframes (sector research)	≥90%	≥90%
Average number of days to deliver (approved organisations) [^]	≤20	≤20
% customer satisfaction (approved organisations and stakeholders) ⁺	Not available	New measure

* See page 62 for technical details.

† The 2017/18 estimate is based on data from the first two quarters and results were variable. The reporting methodology of this measure changed in 2017/18, and interventions are in place to improve performance.

^ The measure relates to the Transport Agency's response times to funding requests from approved organisations.

+ Reporting against this measure has been delayed while the Transport Agency's stakeholder engagement strategy is finalised.

How much it will cost‡

	Projected 2017/18 \$000	Projected 2018/19 \$000
Income	57,775	73,275
Expenditure	57,775	73,275
Net surplus (deficit)	0	0

‡ See pages 45–52 for full details on output class funding and expenditure.

PUBLIC TRANSPORT

How this output class contributes to our focus areas

Public transport primarily contributes to the Target rapid growth outcome of improved customer experience of urban travel in high-growth urban areas. This output class provides customers more ways to travel, easing urban congestion and making better use of existing transport system capacity.

Public transport also contributes to the Keep people safe outcome of a land transport system increasingly free from harms. This contribution occurs through the reduction in adverse environmental effects and reduction in deaths and serious injuries from road crashes.

These contributions are supported by the administration of the SuperGold cardholders' scheme and enhanced public transport concessions for SuperGold cardholders output classes.

What we do

Under this output class, the Transport Agency and approved organisations (in conjunction with third parties and operators, where appropriate) invest in bus, ferry and rail public transport services, technology, facilities and infrastructure to achieve increased patronage. This includes investment in subsidised door-to-door transport for people with mobility impairments.

How we will assess our performance

See investment management on pages 12-13

How we will assess investment performance*

Measure	Estimated actual 2017/18	Desired trend/target 2018/19
Number of passengers using urban public transport services (bus, train and ferry)	156m	≥ 156m
Fare revenue as a % of total expenditure	> 49%	≥ 48%
Costs per passenger kilometre by:†		Decreasing
Bus	\$0.169/km	≤ \$0.15/km
Train	\$0.163/km	≤ \$0.13/km
Ferry	\$0.057/km	≤ \$0.06/km
Costs per passenger kilometre where available by peak and off-peak <i>Note: Alternative measure used – change in productivity (cost per passenger boarding) by:‡</i>		Decreasing
Bus	\$1.25/km	Decreasing cost
Train	\$2.86/km	Decreasing cost
Ferry	\$0.76/km	Decreasing cost

* See page 62 for technical details.

† The cost represents only the contribution from the National Land Transport Fund.

How much it will cost‡

	Projected 2017/18 \$000	Projected 2018/19 \$000
Income	365,744	486,000
Expenditure	365,744	486,000
Net surplus (deficit)	0	0

‡ See pages 45–52 for full details on output class funding and expenditure.

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

How these output classes contribute to our focus areas

The SuperGold cardholders' concessionary fares scheme primarily contributes to the Target rapid growth outcome of improved customer experience of urban travel in high-growth urban areas. The scheme does this by providing more transport mode choices for older people and improving the utilisation of public transport capacity during off-peak hours.

What we do

Under the first output class (administration of the SuperGold cardholders' scheme), the Transport Agency and regional councils administer the SuperGold cardholders' scheme. Under the second output class (enhanced public transport concessions for SuperGold cardholders), the Transport Agency funds regional councils to provide enhanced public transport concessions for SuperGold cardholders.

Both classes are funded as specific projects by the Crown. The Transport Agency manages the SuperGold cardholders' scheme on behalf of the Ministry of Transport. The local authorities participating in the scheme are not all regional councils, but we refer to them all as 'regional councils' for simplicity.

How we will assess our performance*		
Measure	Estimated actual 2017/18	Target 2018/19
Average number of days to deliver†	17 days	Discontinued
% of 'on time' payment of Crown SuperGold allocation to approved organisations	New measure	100%
% of activities delivered to agreed standards and timeframes^	100%	Discontinued
Patronage (number of boardings using SuperGold concessions)	New measure	14 million

* See page 62 for technical details.

† The measure relates to the Transport Agency's response times to claims from approved organisations. It is discontinued in 2018/19 as funding for the SuperGold cardholders' scheme will be based on estimates of cardholders' use of off-peak transport, rather than claims on actual services provided.

^ This measure is discontinued in 2018/19 as it refers to administration of the claims process.

How much it will cost [‡]		
	Projected 2017/18 \$000	Projected 2018/19 \$000
Income	29,105	29,415
Expenditure	29,105	29,415
Net surplus (deficit)	0	0

[‡] See pages 45–52 for full details on output class funding and expenditure.

SUPERSEDED

WALKING AND CYCLING

How this output class contributes to our focus areas

Walking and cycling contributes primarily to the Target rapid growth outcome of improved customer experience of urban travel in high-growth urban areas. This output class does this by facilitating more transport choices in urban environments where the community is offered walking or cycling. This contribution supports better use of transport capacity and relieves congestion.

This output class contributes to the Keep people safe focus area outcome of a land transport system increasingly free from harms. This contribution occurs through the reduction of adverse environmental effects and the reduction of deaths and injuries from road crashes.

What we do

Under this output class, the Transport Agency invests in new and improved walking and cycling infrastructure for transport purposes as well as in community education and promotion activities. Walking and cycling facilities include cycle paths, cycle lanes, footpaths, facilities for crossing roads, shelters and bicycle-parking facilities.

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

How we will assess investment performance*		
Measure	Estimated 2017/18	Desired trend/target 2018/19
Network kilometres of cycle lanes	70–100km	Increasing
Increase in cycling count across Auckland, Wellington and Christchurch	Not available	Increasing

* See page 62 for technical details.

How much it will cost†		
	Projected 2017/18 \$000	Projected 2018/19 \$000
Income	91,137	112,500
Expenditure	91,137	112,500
Net surplus (deficit)	0	0

† See pages 45–52 for full details on output class funding and expenditure.

ROAD SAFETY PROMOTION

How this output class contributes to our focus areas

Road safety promotion contributes to the Keep people safe focus area outcome of a land transport system increasingly free from harms. This output class does this by influencing the behaviour of drivers and other road users to reduce deaths and serious injuries from road crashes.

What we do

Under this output class, the Transport Agency 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 we will assess our performance*		
Measure	Estimated actual 2017/18	Target 2018/19
% of activities delivered to agreed standards and timeframes	100%	100%
% of road safety advertising campaigns that meet or exceed their agreed success criteria	≥75%	≥75%

* See page 62 for technical details.

How much it will cost†		
	Projected 2017/18 \$000	Projected 2018/19 \$000
Income	39,122	52,342
Expenditure	38,324	49,989
Net surplus (deficit)	798	2,353

† See pages 45–52 for full details on output class funding and expenditure.

ROAD POLICING

How this output class contributes to our focus areas

Road policing primarily contributes to the Keep people safe focus area outcome of a land transport system increasingly free from harms. This output class does this through prevention, deterrence and enforcement of the laws that apply to road users to reduce deaths and serious injuries from road crashes.

This output class also contributes to the Connect and develop regions focus area outcome of improved regional and interregional transport system service quality for people, freight and business. This contribution occurs through the protection of the roading asset by enforcing the laws that apply to road users, which yields more efficient freight supply chains. It also occurs through timely and efficient attendance at crash scenes, which improves the efficiency and security of the transport network.

What we do

In consultation with NZ Police, Transport Agency prepares the programme of NZ Police activities to be funded through the National Land Transport Fund and recommends it to the Minister of Transport for approval. The Transport Agency also monitors and reports on delivery of the programme.

The programme is funded through Vote Police, but the investment source is the National Land Transport Fund.

A new programme, subject to ministerial approval, is being developed to align with the new Government Policy Statement on land transport 2018/19–2027/28. This programme will be included in the 2018–21 National Land Transport Programme and the expected performance of our investments in road policing will be included in our amended statement of performance expectations.

How we will assess our performance

See investment management on pages 12–13

LOCAL ROAD IMPROVEMENTS

How this output class contributes to our focus areas

Local road improvements contribute to the Connect and develop regions focus area outcome of improved regional and interregional transport system service quality for people, freight and business as well as to the Target rapid growth outcome of improved customer experience of urban travel in high-growth urban areas. This output class makes these contributions by improving the efficiency of freight supply chains, increasing the resilience and security of the local road network and easing severe congestion.

This output class also contributes to the Keep people safe focus area outcome of a land transport system increasingly free from harms by reducing deaths and serious injuries from road crashes.

What we do

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

How we will assess our performance	
See investment management on pages 12-13	

How we will assess investment performance		
Measure	Estimated 2017/18	Desired trend/target 2018/19
Travel times on key local roads serving major metropolitan areas:		Maintaining
Auckland	2.5 min/km	2.5
Wellington	2.3 min/km	2.3
Christchurch	1.9 min/km	1.9
Productivity of the local road network in major metropolitan areas	Not available	Increasing
% of approved organisations signed up to the 50MAX network	95%	≥ 95%

How much it will cost*		
	Projected 2017/18 \$000	Projected 2018/19 \$000
Income	164,000	180,000
Expenditure	164,000	180,000
Net surplus (deficit)	0	0

* See pages 45-52 for full details on output class funding and expenditure.

LOCAL ROAD MAINTENANCE

How this output class contributes to our focus areas

Local road maintenance contributes to the Connect and develop regions focus area outcome of improved regional and interregional transport system service quality for people, freight and business as well as to the Target rapid growth outcome of improved customer experience of urban travel in high-growth urban areas. This output class does this by ensuring the existing network can endure the impacts of use through the sound management of maintenance activities and of the operation of the network. Ensuring surface condition standards are maintained and managing traffic flow and incidences effectively have broad impacts, including better use of transport capacity, improved network resilience and security, freight supply chain efficiency, lower urban congestion and a reduced risk of road crashes.

What we do

Under this output class, the Transport Agency, in conjunction with approved organisations, invests in local road maintenance and operations, including the maintenance of pavements, structures, drains, and traffic services.

How we will assess investment performance		
Measure	Estimated 2017/18	Desired trend/target 2018/19
Pavement integrity of the sealed network	94	≥94
Surface condition of the sealed network	98	≥98
Smooth ride: % of travel on smooth roads	88%	≥86%
Change in local road maintenance cost per lane kilometre expenditure (in real terms) by road classification	\$3,119	≤\$3,000

How much it will cost*		
	Projected 2017/18 \$000	Projected 2018/19 \$000
Income	607,300	665,000
Expenditure	607,300	665,000
Net surplus (deficit)	0	0

* See pages 45–52 for full details on output class funding and expenditure.

REGIONAL IMPROVEMENTS

How this output class contributes to our focus areas

Regional improvements contribute to the Connect and develop regions focus area outcome of improved regional and interregional transport system service quality for people, freight and business. This output class does this by maintaining the resilience and security of the whole road network, ensuring efficient and reliable freight supply chains and easing the risk of road crashes.

What we do

Under this output class, the Transport Agency plans and invests in regionally important state highway and local road projects (outside the main metropolitan areas) that address regional safety, resilience or economic productivity through the movement of freight and tourists.

How we will assess our performance

See investment management on pages 12-13

How we will assess investment performance

Measure	Estimated 2017/18	Desired trend/target 2017/18
Kilometres of improved regional roading*	331km	Discontinued
Kilometres available to high productivity motor vehicles on key regional routes†	5,392km	Discontinued
% of activities delivered to agreed standards and timeframes	85%	≥90%

* This measure is discontinued in 2018/19 as it relates to a National Land Transport Programme activity that will be completed in 2017/18.

† This measure is discontinued in 2018/19 as it relates to a National Land Transport Programme activity that will be completed in 2017/18.

How much it will cost‡

	Projected 2017/18 \$000	Projected 2018/19 \$000
Income	143,893	145,000
Expenditure	143,893	145,000
Net surplus (deficit)	0	0

‡ See pages 45-52 for full details on output class funding and expenditure.

STATE HIGHWAY IMPROVEMENTS

How this output class contributes to our focus areas

State highway improvements contributes to the Connect and develop regions focus area outcome of improved regional and interregional transport system service quality for people, freight and business as well as to the Target rapid growth outcome of improved customer experience of urban travel in high-growth urban areas. It does this through capital investment in the state highway network, which contributes to more efficient freight supply chains, a resilient and secure transport system and less congestion in urban areas.

This output class also contributes to the Keep people safe focus area outcome of a land transport system increasingly free from harms by reducing deaths and serious injuries from road crashes.

What we do

Under this output class, the Transport Agency manages and invests in state highway network infrastructure to reduce the number and severity of crashes and improve the time and reliability of travel between destinations connected by the network. The Transport Agency does this in socially and environmentally responsible ways.

How we will assess our performance*

Measure	Estimated actual 2017/18	Target 2018/19
% of activities delivered to agreed standards and timeframes	>85%	≥ 90%

* See page 62 for technical details.

How we will assess investment performance

Measure	Estimated actual 2017/18	Desired trend/target 2018/19
Travel times on key state highways serving major metropolitan areas [†]		Maintaining
Auckland	1.1	1.1
Wellington	1.2	1.2
Christchurch	1.4	1.4
Productivity of the state highway network in major metropolitan areas (morning peak)		Maintaining
Auckland	59%	≥ 59%
Wellington	63%	≥ 63%
Christchurch	33%	≥33%
Change in the % of state highways available to high productivity motor vehicles	45%	≥45%

[†] Measures represent average travel time per kilometre travelled. For example, a change of 0.1 between years would represent an increase of six seconds per kilometre travelled.

How much it will cost [‡]		
	Projected 2017/18 \$000	Projected 2018/19 \$000
Income	1,306,945	1,431,849
Expenditure	1,306,945	1,431,849
Net surplus (deficit)	0	0

[‡] See pages 45–52 for full details on output class funding and expenditure. Note some non-cash capital and operating expenses are not included in the figures.

SUPERSEDED

STATE HIGHWAY MAINTENANCE

How this output class contributes to our focus areas

State highway maintenance contributes to the Connect and develop regions focus area outcome of improved regional and interregional transport system service quality for people, freight and business as well as to the Target rapid growth outcome of improved customer experience of urban travel in high-growth urban areas.

This output class contributes by maintaining the resilience and security of the state highway network, ensuring efficient and reliable freight supply chains, easing congestion and reducing the risk of road crashes. This is achieved by ensuring that the established state highway network asset condition is sustained by an ongoing capital investment programme.

What we do

Under this output class, the Transport Agency manages and invests in maintaining and operating state highway network infrastructure so it is in as safe a condition as possible and provides a reliable travel journey for customers. The infrastructure is maintained to meet skid resistance and rutting standards and to ensure interventions occur at the optimal time to reduce exposure to future maintenance costs arising from wear and tear on our roads.

How we will assess our performance*		
Measure	Estimated actual 2017/18	Target 2018/19
% of activities delivered to agreed standards and timeframes	≥ 90%	≥ 90%
Safe stopping: % of network meeting surface texture standards	≥ 99%	≥ 98%
Network resilience: % of rutting ≥ 20mm over state highway network	1%	3%
Safe stopping: % of network above skid threshold	≥ 98%	≥ 98%
Smooth ride: % of travel on network classed as smooth	≥ 99%	≥ 97%
Availability of state highway network: % of unplanned road closures resolved within 12 hours†	81%	≥ 90%
% customer satisfaction	> 54%	≥ 50%

* See page 62 for technical details.

† Performance against this measure is influenced by the frequency and severity of extreme weather events.

How we will assess investment performance

Measure	Estimated 2017/18	Desired trend/target 2018/19
Surface condition of the sealed network	Not available	New measure
Smooth ride: % of travel on smooth roads	99%	≥98%
Change in state highway maintenance cost per lane kilometre expenditure (in real terms) by road classification	< \$21,400	≤ \$21,400
Reinstatement of the South Island Transport Corridors – % of activities delivered to agreed standards and timeframes	New measure	90%

How much it will cost[‡]

	Projected 2017/18 \$000 [^]	Projected 2018/19 \$000
Income	1,123,875	887,000
Expenditure	1,123,875	887,000
Net surplus (deficit)	0	0

‡ See pages 45–52 for full details on output class funding and expenditure.

^ Higher expenditure in 2017/18 is due to spending following the Kaikōura earthquake to ensure a viable alternative route from Picton to Christchurch and enable the inland route (Route 70) to act as a state highway, as well as emergency works in response to tropical cyclones.

Prospective financial statements

This section provides prospective financial statements for the:

- NZ Transport Agency (page 29)
- National Land Transport Fund (page 53)

The government is finalising its draft Government Policy Statement on land transport 2018/19–2027/28. This policy statement is our primary guide for investing in the land transport system. Our financial forecasts do not reflect any new output classes that are included in the draft policy statement.

SUPERSEDED

NZ TRANSPORT AGENCY

Financial overview

These prospective financial statements have been prepared for the purpose of providing information on the Transport Agency's future financial performance and position and cash flows. They are based on certain assumptions as to future events that the Transport Agency reasonably expects to occur at the time this information was prepared. Actual results achieved for the forecast periods are likely to vary from the information presented, and variations may be material.

Budgeted funding of \$4.6 billion is available for 2018/19 for:

- **land transport** (\$4.2 billion), which includes our investment in the state highway network and funding we provide to approved organisations for the delivery of services
- **NZ Transport Agency activities** (\$327 million), which include activities for which the Transport Agency is accountable and delivers in-house or contracts out
- **NZ Transport Agency activities charged directly to the National Land Transport Programme** (\$83 million), which occurs when the Transport Agency delivers parts of the programme directly, such as state highway projects.

SUPERSEDED

Prospective financial statements

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDING 30 JUNE

	PROJECTED 2017/18 NOTE	PROJECTED 2018/19 \$000
REVENUE		
Funding from the Crown	171,881	102,691
Funding from the National Land Transport Fund	2,179,285	2,579,365
Other revenue	217,185	216,619
TOTAL REVENUE	2,568,351	2,898,675
EXPENDITURE		
Personnel costs	3 122,815	145,643
Operating expenses	3 155,415	152,956
Land transport funding	4 1,817,046	2,011,323
Depreciation and amortisation expense	3 403,015	413,015
Interest and finance costs	33,726	38,717
State highway asset write-off	10,000	10,000
Assets vested to local authorities	12,528	118,320
TOTAL EXPENDITURE	2,554,545	2,889,973
SURPLUS/(DEFICIT)	13,806	8,701
OTHER COMPREHENSIVE REVENUE AND EXPENSE		
Gain/(loss) state highway network revaluations	560,000	560,000
Net movement in cash flow hedges	(36,350)	5,689
TOTAL OTHER COMPREHENSIVE REVENUE AND EXPENSE	523,650	565,689
TOTAL COMPREHENSIVE REVENUE AND EXPENSE	537,456	574,390

**PROSPECTIVE STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE**

	NOTE	PROJECTED 2017/18 \$000	PROJECTED 2018/19 \$000
ASSETS			
Cash and cash equivalents		50,000	50,000
Debtor National Land Transport Fund		391,007	462,817
Debtor Crown		38,447	14,917
Receivables		89,470	83,100
Property assets held for sale		23,470	25,000
Other current assets		11,000	11,000
Total current assets		603,393	646,835
Debtor National Land Transport Fund		1,506,753	1,958,195
Property, plant and equipment	5	23,480	24,269
Intangible assets		39,701	45,897
State highway network		36,277,528	38,164,558
Public-private partnerships		923,523	1,388,514
Loans and advances		1,500	1,500
Total non-current assets		38,772,485	41,582,933
TOTAL ASSETS		39,375,878	42,229,768
LIABILITIES			
Payables		459,855	460,349
Employee entitlements		10,212	12,276
Borrowing		11,365	14,504
Total current liabilities		481,432	487,129
Employee entitlements		3,736	3,923
Borrowing		421,475	429,469
Public-private partnerships		923,523	1,388,514
Derivative financial liability		149,632	143,742
Total non-current liabilities		1,498,365	1,965,648
TOTAL LIABILITIES		1,979,797	2,452,776
NET ASSETS		37,396,081	39,776,991
EQUITY			
General funds		5,606	5,606
Retained funds		21,588	20,537
Memorandum account – other fees and charges	6	23,079	12,831
Equity derived from the state highway network		37,424,260	39,810,780
Cash flow hedge reserve		(78,452)	(72,763)
TOTAL EQUITY		37,396,081	39,776,991

**PROSPECTIVE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDING 30 JUNE**

	PROJECTED 2017/18 NOTE \$000	PROJECTED 2018/19 \$000
EQUITY - OPENING BALANCES		
General funds	5,606	5,606
Retained funds	17,029	21,588
Memorandum account - other fees and charges	25,833	23,079
Equity derived from the state highway network	34,925,852	37,424,260
Cash flow hedge reserve	(42,102)	(78,452)
TOTAL EQUITY - OPENING BALANCES	34,932,218	37,396,081
CHANGES IN EQUITY		
Retained funds	(1,938,408)	(1,826,520)
Equity derived from the state highway network	1,938,408	1,826,520
Equity movements	0	0
Retained funds	16,559	18,948
Memorandum account - other fees and charges	(2,754)	(10,248)
State highway network revaluations	560,000	560,000
Net movement in cash flow hedges	(36,350)	5,689
Total comprehensive revenue and expense	537,455	574,389
Crown	402,945	268,338
National Land Transport Programme	1,523,463	1,538,183
Capital funding (to retained funds)	1,926,408	1,806,521
TOTAL CHANGES IN EQUITY	2,463,863	2,380,910
EQUITY - CLOSING BALANCES		
General funds	5,606	5,606
Retained funds	21,588	20,537
Memorandum account - other fees and charges	23,079	12,831
Equity derived from the state highway network	37,424,260	39,810,780
Cash flow hedge reserve	(78,452)	(72,763)
TOTAL EQUITY - CLOSING BALANCES	37,396,081	39,776,991

**PROSPECTIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 30 JUNE**

	PROJECTED 2017/18 \$000	PROJECTED 2018/19 \$000
NET CASH FLOWS		
Receipts from the Crown	182,523	126,220
Receipts from the National Land Transport Fund	2,133,394	2,507,554
Receipts from other revenue	186,607	208,193
Payments to suppliers	(1,963,153)	(2,163,785)
Payments to employees	(123,158)	(143,392)
Goods and services tax (net)	791	0
From operating activities	417,004	534,790
Receipts from sale of state highway-held properties	51,000	25,000
Purchase of property, plant and equipment	(12,667)	(13,804)
Purchase of intangible assets	(7,632)	(6,196)
Investment in the state highway network	(1,937,179)	(1,881,880)
Loans and advances	74	0
From investing activities	(1,906,404)	(1,876,880)
Capital contribution from the Crown	403,601	268,338
Capital contribution from the National Land Transport Fund	981,803	1,053,806
Receipts from borrowing	113,820	49,401
Repayment of borrowing	(17,283)	(23,000)
Interest paid on borrowing	(7,983)	(6,455)
From financing activities	1,473,959	1,342,091
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(15,442)	0
Cash and cash equivalents at the beginning of the year	65,442	50,000
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	50,000	50,000

Notes to the prospective financial statements

1. Prospective financial statements and assumptions

Use of information in these prospective financial statements

These prospective financial statements were prepared in accordance with the Crown Entities Act 2004. They provide information about the Transport Agency's future operating intentions and financial position, against which it must report and be formally audited at the end of the financial year.

The information in these financial statements may not be appropriate for purposes other than those described.

The Transport Agency has complied with financial reporting standard PBE FRS 42 *Prospective Financial Statements* in the preparation of these prospective financial statements.

These prospective financial statements are based on significant financial assumptions about future events that the Transport Agency reasonably expects to occur at the time this information was prepared. Any changes to these assumptions during the year will not be reflected in these financial statements.

These prospective financial statements contain no actual operating results. Actual results achieved for the forecast periods are likely to vary from the information presented, and variations may be material.

Statement of significant underlying assumptions

The Transport Agency has made assumptions in preparing the prospective financial statements. The most significant of these are outlined below.

Category	Assumptions
Funding from the National Land Transport Fund	Funding from the National Land Transport Fund (NLTF) is based on the expenditure programme in the National Land Transport Programme (NLTP). The main assumption is that sufficient funding is available from the NLTF to meet the expenditure programme for the NLTP. Further assumptions on the funding from the NLTF are defined in the NLTF prospective financial statements.
Fees and charges	Forecast revenue (and associated costs) is driven by volume projections. The most significant assumptions are that vehicle volumes for road user charges continue to increase and the number of motor vehicle registrations decreases slightly as drivers extend the renewal of registration for an entire year.
Personnel costs	The personnel costs reflect increases for capacity and capability as well as an increase in resource levels to meet the requirements of the new Government Policy Statement on land transport and other Transport Agency needs. Remuneration increases are forecast to be in line with other sectors.
Expenditure - regulatory activities	The forecast cost for regulatory activities is driven mainly by volumes. The main assumption regarding volumes is the continued projected increase in road user charges. The average cost per transaction is assumed to remain constant for 2018/19.

Category	Assumptions
Expenditure - NLTP	The Transport Agency is developing the 2018–21 NLTP. The draft Government Policy Statement on land transport was released for public consultation on 3 April 2018. The draft policy statement has been taken into consideration when developing the NLTP and preparing the 2018/19 projected budget for NLTP expenditure. The NLTP will be further adjusted to fully align with the final policy statement.
Capital	<p>The Transport Agency is undertaking a programme of capital spending to improve and renew the state highway network. Projected costs and timing of expenditure are based on project plans and quotations current when these forecasts were prepared.</p> <p>Capital programmes that are accelerated and funded by loans and public-private partnerships are recognised as capital contributions as the projected expenditure are incurred.</p>
Asset revaluations	The state highway network is revalued annually using independent expert valuers. The valuation is sensitive to changes in the value of the land and the asset components of the state highway network.
Cash flow hedge reserve	Derivative financial instruments, designated as hedging instruments, are valued semi-annually. It is assumed that hedging relationships will be highly effective with changes in the instruments' fair value being recognised substantially in the cash flow hedge reserve.
Output class expenditure	Forecast expenditure by output class is based on the organisational structure and projected operating spend. Expenditure may be a reallocated between output classes once the Government Policy Statement on land transport and NLTP are finalised.
Kaikōura earthquake	The Kaikōura earthquake response includes the reinstatement of damaged roads and improvements. The forecast cost for clean-up, reinstating access to roads and minor repairs is treated as operating expenditure. Major repairs and improvements to the roads are treated as capital expenditure. Judgement has been applied when differentiating between operating and capital expenditure.
Opening equity	Estimated opening equity assumes a total comprehensive revenue and expense of \$537.5 million for 2017/18.

2. Statement of accounting policies

Reporting entity

The Transport Agency is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled and operates in New Zealand. The legislation governing the Transport Agency's operations includes the Crown Entities Act 2004 and the Land Transport Management Act 2003. The Transport Agency's ultimate parent is the New Zealand Crown.

The Transport Agency's primary objective is to provide services to the New Zealand public. Its purpose is to deliver effective, efficient, safe, responsible and resilient transport solutions that support a thriving New Zealand. The Transport Agency does not operate to make a financial return.

The Transport Agency is designated as a public benefit entity (PBE) for financial reporting purposes.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements of the Transport Agency have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Financial Reporting Act 2013. They comply with generally accepted accounting practice in New Zealand.

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars, and all values are rounded to the nearest thousand dollars (\$000) unless stated otherwise.

Standards issued and not yet effective

The Transport Agency has adopted all standards, amendments and interpretations to existing standards that have been published and are mandatory for its accounting periods beginning on 1 July 2018. There have been no material impacts as a result of these adoptions. The Transport Agency will early adopt PBE IFRS 9 *Financial Instruments* from 1 July 2018. The Transport Agency has not yet completed its assessment as to whether this standard will cause any material measurement, recognition or disclosure changes.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies that affect the forecast financial statements. A comprehensive list of policies is in the 2016/17 annual report of the NZ Transport Agency.

Revenue

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

Funding from the Crown and the National Land Transport Fund

The Transport Agency 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 Transport Agency meeting its objectives as specified in the statement of performance expectations 2018/19.

State highway network

Valuation

The state highway network is valued at optimised 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.

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

A revaluation surplus is recognised in other comprehensive revenue and expense and credited to the asset revaluation reserve in equity. The revaluation increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same class of assets previously recognised in surplus or deficit.

An allowance is made in the valuation for brownfield costs. Brownfield cost is a generic term for the additional cost of constructing in a location with an existing land use compared with the cost of constructing in a vacant greenfield site. A major component of brownfield costs are one-off costs necessary to make the land freely available to build a state highway; they are not part of the physical construction cost. Brownfield costs include capital works relating to relocation or refurbishment of assets owned by other parties, work to protect the privacy and environment of adjoining properties, and compensation to landowners. Other components of brownfield cost result from the increased constraints or requirements imposed when constructing in an already developed location such as increased traffic management and security, limitations on available contractor areas for storage, parking, buildings and general operations, noise and dust limitations, and restricted hours of work.

Additions and subsequent costs

The state highway network is recognised as an asset. 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 service potential will flow to the Transport Agency and the cost can be measured reliably. All repairs and maintenance are charged to the surplus or deficit during the financial period in which they are incurred.

Disposals

Gains and losses on disposals are determined as the difference between the net proceeds and the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When revalued assets are sold, the amounts included in the asset revaluation reserve in respect of those assets are transferred to equity.

Depreciation

Depreciation is provided for on a straight-line basis on all depreciable property, plant and equipment and state highway network assets at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

State highway network assets are depreciated based on the revalued carrying amount of the assets.

The estimated useful lives and associated depreciation rates of the major classes of assets are as shown in the table following.

Assets	Useful life (years)	Depreciation rate (%)
State highways – pavement (base)	50	2.0
State highways – pavement (surface)	9–14	7.1–11.1
State highways – drainage	60	1.7
State highways – traffic facilities	15	6.7
State highways – bridges	90–100	1.0–1.1
State highways – culverts and subways	50–75	1.3–2.0
State highways – other structures	100	1.0

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

The useful life of classes of asset is reviewed, and adjusted if applicable, at each balance date.

Impairment of state highway network assets, property, plant and equipment and intangible assets

Assets are considered cash-generating where their primary objective is to generate a commercial return. The Transport Agency does not hold any cash-generating assets.

Non-cash generating assets

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

State highway network assets, property, plant and equipment and intangible assets held at cost that have a finite useful life are reviewed for impairment when events or changes in circumstances indicate that there may be a reduction in the future service potential of the asset. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and its value in use.

Value in use is determined using an approach based on depreciated replacement costs, restoration costs or service units. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable service amount. An impairment loss is recognised in the surplus or deficit, except to the extent that it offsets an existing surplus on the same asset class recognised in the asset revaluation reserve.

Service concession arrangements

Public-private partnerships for the construction of state highways are treated as service concession arrangements and accounted for in accordance with PBE IPSAS 32 *Service Concession Arrangements: Grantor*.

During construction, the cumulative cost, including financing, is recognised as an asset. A matching liability is also established representing the Transport Agency's obligations under the arrangement should conditions exist such that the arrangement will not continue through to the service commencement date. Before the service commencement date, there are no scheduled payments under the arrangement.

On construction completion, the asset and liability will be re-measured to fair value.

On the service commencement date, the:

- Transport Agency pays the contractor a design and construction payment
- contractor pays the Transport Agency a rental prepayment.

In practice, these two payments are set off against each other and there are no cash flows.

When the public-private partnership assets become operational, the Transport Agency will pay the contractor a quarterly unitary payment subject to satisfactory performance against the agreed service levels.

The unitary payments are recognised as a reduction in the liability, a finance charge, and operating costs for the period.

This treatment is consistent with the Treasury's public private partnership accounting guidelines.

Once operational, the service concession assets are accounted for in accordance with the policies adopted by the Transport Agency in respect of the rest of the state highway assets.

Borrowing

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

Derivative financial instruments and hedging

The Transport Agency uses interest rate swaps to mitigate risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date at which a derivative contract is entered into and re-measured to fair value at each balance date.

The hedge relationship is designated as a cash flow hedge and hedge accounting is applied. The hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed regularly to determine that they have been highly effective throughout the financial reporting periods for which they were designated.

The effective portion of derivatives designated in cash flow hedges are recognised in other comprehensive revenue and expense. All other gains and losses are taken directly to surplus or deficit.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Derivative assets and liabilities are classified as non-current when the remaining maturity is more than 12 months or current when the remaining maturity is less than 12 months.

The fair values of interest rate swaps are valued based on cash flows discounted to present value using current market interest rates.

Jointly controlled operations

The Transport Agency has interests in jointly controlled operations, including the Auckland Motorway Alliance and Marlborough Roads. The Transport Agency recognises in its financial statements, the:

- assets that it controls and the liabilities that it incurs
- revenue and 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 as:

- general funds
- retained funds
- memorandum account – other fees and charges
- equity derived from the state highway network
- cash flow hedge reserve.

Critical accounting estimates and assumptions

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

State highway network useful lives and residual value

At each balance date, the useful lives and residual values of the state highway network assets are reviewed. Assessing the appropriateness of useful life and residual value estimates of state highway network requires factors to be considered such as the physical condition of the asset, expected period of use of the asset by the Transport Agency, and expected disposal proceeds from the future sale of the asset.

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

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

The Transport Agency made no significant changes to past assumptions concerning useful lives and residual values.

Critical judgements in applying accounting policies

Management exercised critical judgements in applying accounting policies for the state highway network assets when estimating:

- the replacement cost of existing assets – the Transport Agency incurs expenditure on maintaining state highways and state highway infrastructure improvements, and uses professional judgement and engineering assessments 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 on those assets.

Brownfield construction costs represent a significant proportion of the capitalised cost of the state highway. Brownfield costs are not recorded in the state highway asset management system, but are accounted for using the value derived from costs in the financial records.

3. NZ Transport Agency expenditure

The following table shows the Transport Agency's total expenditure.

NZ TRANSPORT AGENCY EXPENDITURE		
	PROJECTED 2017/18 \$000	PROJECTED 2018/19 \$000
Personnel costs	122,815	145,643
Operating expenses	155,415	152,956
Depreciation and amortisation expense	13,015	13,015
NZ Transport Agency operating activities expenditure	291,245	311,614
Transport Agency capitalised expenditure	14,283	15,986
NZ Transport Agency activities expenditure	305,528	327,600
Transport Agency expenditure allocated to National Land Transport Programme activities	25,477	41,972
Transport Agency expenditure directly to National Land Transport Programme activities	46,633	39,998
Total NZ Transport Agency expenditure	377,638	409,570

The increase in Transport Agency expenditure forecast above reflects capacity and capability increases primarily in the core technology area as well as an increase to meet the requirements of the new Government Policy Statement on land transport and other Transport Agency needs.

SUPERSEDED

4. Land transport funding

The Transport Agency develops the three-year National Land Transport Programme based on the policy direction in the Land Transport Management Act 2003, the Government Policy Statement on land transport and regional priorities. We have developed an interim one-year view, because the policy statement has not been finalised.

The table below shows the activity classes funded from the National Land Transport Programme and associated activities funded from the Crown. The investment in land transport is net of the expenditure on new and renewal of existing state highways, which are capitalised, and Transport Agency operating expenditure, which is separately shown in the statement of comprehensive revenue and expense.

The investment in local roads and public transport is the National Land Transport Programme contribution only and does not include the significant investment contribution from local authorities.

LAND TRANSPORT FUNDING		
	PROJECTED 2017/18 \$000	PROJECTED 2018/19 \$000
Investment management	57,000	72,500
Public transport	365,744	486,000
Walking and cycling	48,137	86,000
Road safety promotion	36,101	49,078
Local road improvements	164,000	180,000
Local roads maintenance	606,345	664,518
Regional improvements	131,893	95,000
State highway improvements	1,166,000	1,375,000
Auckland Transport Package	100,000	33,511
Public-private partnership	415,218	464,991
State highway maintenance	678,875	650,000
Interest and finance costs	33,726	38,717
Total National Land Transport Programme	3,803,039	4,195,315
SuperGold card administration and public transport concessions	29,010	29,320
Urban Cycleways Programme	43,000	26,500
Provincial Growth Fund	12,000	50,000
Accelerated Regional Roding Programme	40,945	23,338
Kaikōura earthquake response	445,000	237,000
Total activities funded on behalf of the Crown	569,955	366,158
Total expenditure	4,372,994	4,561,473
Less capital expenditure	(2,423,653)	(2,409,855)
Less other activities funded from the National Land Transport Programme	(98,569)	(101,579)
Less interest and finance costs	(33,726)	(38,717)
TOTAL LAND TRANSPORT FUNDING	1,817,046	2,011,323

This table does not include the new activity classes for 2018/19 proposed in the draft Government Policy Statement on land transport.

5. Managing our assets

Each year the Transport Agency prepares a capital programme so it has the infrastructure required to fulfil its functions. The capital programme projected budget for 2018/19, not including state highway network activities, is set out in the table below.

MANAGING OUR ASSETS		
	PROJECTED 2017/18	PROJECTED 2018/19
Computer hardware	4,263	4,200
Computer software	15,103	14,881
Furniture and fittings	357	352
Office, plant and equipment	576	568
TOTAL	20,299	20,000

The focus of the capital programme is on upgrading our technology and improving and reducing risks to our business-critical systems and applications. There is also an investment in the infrastructure for charging our electric vehicle fleet.

6. Memorandum accounts

Memorandum accounts are notional accounts that record the accumulated balance of surpluses and deficits incurred for third-party-funded outputs.

The table below shows the closing balances of the memorandum accounts grouped by funding activities.

MEMORANDUM ACCOUNTS		
	PROJECTED 2017/18	PROJECTED 2018/19
	\$000	\$000
Customer licensing activities*	4,731	(7,487)
Road user charges collections	4,294	3,616
Vehicle standards compliance activities**	14,053	16,701
TOTAL MEMORANDUM ACCOUNT-OTHER FEES AND CHARGES	23,079	12,831

* Includes three negative projected memorandum account balance as at 30 June 2019 (2018: one)

** Includes one negative projected memorandum account balance as at 30 June 2019 (2018: two)

All memorandum accounts are periodically reviewed to ensure balances trend towards zero over a reasonable period, taking into account forecast volumes, revenue and costs.

7. Appropriation estimates

Estimates of appropriations for the year ending 30 June 2019

This table below shows the funding the Transport Agency receives from the Crown as disclosed in the *Estimates of appropriations* and the funding movements.

ESTIMATES OF APPROPRIATIONS			
OUTPUT CLASS	APPROPRIATIONS	FUNDING	SPE
	2018/19	MOVEMENTS	2018/19
	\$000	\$000	\$000
Investment management	60,500	(500)	60,000
Public transport	405,823	80,177	486,000
Walking and cycling	42,000	19,000	61,000
Road safety promotion	38,500	6,078	44,578
Local road improvements	177,000	3,000	180,000
Local roads maintenance	610,800	54,200	665,000
Regional improvements	40,000	15,000	55,000
State highway improvements	523,870	12,391	536,261
State highway maintenance	463,307	15,074	478,381
National Land Transport Programme (PLA)	2,361,800	204,420	2,566,220
Investment management	6,500	6,000	12,500
Walking and cycling	25,000	0	25,000
Road safety promotion	1,500	3,000	4,500
Regional improvements	90,000	(50,000)	40,000
State highway improvements	986,307	(184,627)	801,680
State highway maintenance	168,693	(12,693)	156,000
Auckland Transport Package*	14,800	18,711	33,511
Public-private partnership**	0	464,991	464,991
National Land Transport Programme – new infrastructure for and renewal of state highways (PLA)	1,292,800	245,382	1,538,182
Licensing and regulatory compliance	3,098	903	4,001
Road user charges collection, investigation and enforcement	4,229	0	4,229
Refund of fuel excise duty	799	(115)	684
Investment management (crash analysis system)	775	0	775
SuperGold card administration and public transport concessions	29,415	0	29,415
Urban Cycleways Programme	0	26,500	26,500
Provincial Growth Fund	0	50,000	50,000
Accelerated Regional Roding Programme	35,063	(11,725)	23,338
Kaikōura earthquake response	0	237,000	237,000
Crown and loan funded	73,379	302,563	375,942
TOTAL	3,727,979	752,366	4,480,345

(PLA – Permanent legislative authority)

* Funded by Crown loans.

** Paid by the National Land Transport Fund in the next 1 year to 24 years.

This table does not include the new activity classes for 2018/19 proposed in the draft Government Policy Statement on land transport.

Output class funding and expenditure

LICENSING AND REGULATORY COMPLIANCE		
	PROJECTED 2017/18 \$000	PROJECTED 2018/19 \$000
OPERATING REVENUE AND EXPENSES		
Crown (driver licensing stop orders)	75	75
Crown (driver test subsidy)	1,445	1,445
Crown (drug and alcohol assessments)	1,030	1,030
Crown (ministerial advice and official correspondence)	548	548
Crown (rules development)	903	903
Fees and charges	92,258	95,139
Total operating revenue	96,259	99,140
Drug and alcohol assessments	1,406	1,062
Ministerial advice and official correspondence	836	2,724
Rules development	1,060	903
Fees and charges funded activities	96,272	104,611
Total operating expenses	99,574	109,300
SURPLUS/(DEFICIT)	(3,315)	(10,160)
ROAD TOLLING		
	PROJECTED 2017/18 \$000	PROJECTED 2018/19 \$000
OPERATING REVENUE AND EXPENSES		
Fees and charges	14,577	15,497
Total operating revenue	14,577	15,497
Transport Agency operating activities	14,799	15,022
Total operating expenses	14,799	15,022
SURPLUS	(222)	476
MOTOR VEHICLE REGISTRY		
	PROJECTED 2017/18 \$000	PROJECTED 2018/19 \$000
OPERATING REVENUE AND EXPENSES		
Fees and charges	54,800	54,300
Total operating revenue	54,800	54,300
Transport Agency operating activities	55,182	55,842
Total operating expenses	55,182	55,842
SURPLUS/(DEFICIT)	(382)	(1,542)

ROAD USER CHARGES COLLECTION, INVESTIGATION AND ENFORCEMENT

	PROJECTED 2017/18 \$000	PROJECTED 2018/19 \$000
OPERATING REVENUE AND EXPENSES		
National Land Transport Fund (investigation and enforcement)	3,779	3,779
National Land Transport Fund (refund)	450	450
Fees and charges	13,071	13,508
Total operating revenue	17,300	17,737
Investigation and enforcement	2,407	2,213
Refund	1,226	1,438
Collection	12,874	14,186
Total operating expenses	16,507	17,837
SURPLUS/(DEFICIT)	793	(101)

REFUND OF FUEL EXCISE DUTY

	PROJECTED 2017/18 \$000	PROJECTED 2018/19 \$000
OPERATING REVENUE AND EXPENSES		
National Land Transport Fund	708	684
Other	115	115
Total operating revenue	823	799
Transport Agency operating activities	2,690	3,125
Total operating expenses	2,690	3,125
SURPLUS	(1,867)	(2,326)

INVESTMENT MANAGEMENT

	PROJECTED 2017/18 \$000	PROJECTED 2018/19 \$000
OPERATING REVENUE AND EXPENSES		
Crown (crash analysis system)	775	775
National Land Transport Fund	52,900	60,000
Total operating revenue	53,675	60,775
Crash analysis system	775	775
Funding to approved organisations	4,700	11,739
Transport Agency operating activities	48,200	48,261
Total operating expenses	53,675	60,775
SURPLUS/(DEFICIT)	0	0
CAPITAL FUNDING AND EXPENDITURE		
National Land Transport Fund	4,100	12,500
Investment in the state highway network	4,100	12,500
NET CAPITAL MOVEMENT	0	0
TOTAL MOVEMENT	0	0

PUBLIC TRANSPORT		
	PROJECTED 2017/18 \$000	PROJECTED 2018/19 \$000
OPERATING REVENUE AND EXPENSES		
National Land Transport Fund	365,744	486,000
Total operating revenue	365,744	486,000
Funding to approved organisations	365,744	483,194
Transport Agency operating activities	0	2,806
Total operating expenses	365,744	486,000
SURPLUS	0	0

SUPERGOLD CARD ADMINISTRATION AND PUBLIC TRANSPORT CONCESSIONS		
	PROJECTED 2017/18 \$000	PROJECTED 2018/19 \$000
OPERATING REVENUE AND EXPENSES		
Crown	29,105	29,415
Total operating revenue	29,105	29,415
Funding to approved organisations	29,010	29,320
Transport Agency operating activities	95	95
Total operating expenses	29,105	29,415
SURPLUS	0	0

SUPERSEDED

WALKING AND CYCLING		
	PROJECTED 2017/18 \$000	PROJECTED 2018/19 \$000
OPERATING REVENUE AND EXPENSES		
Crown (Urban Cycleways Programme)	42,000	23,500
National Land Transport Fund	23,137	61,000
Total operating revenue	65,137	84,500
Funding to approved organisations (Urban Cycleways Programme)	42,000	23,500
Funding to approved organisations	23,137	61,000
Transport Agency operating activities	0	0
Total operating expenses	65,137	84,500
SURPLUS	0	0
CAPITAL FUNDING AND EXPENDITURE		
Crown (Urban Cycleways Programme)	1,000	3,000
National Land Transport Fund	25,000	25,000
Total capital funding	26,000	28,000
Investment in the state highway network (Urban Cycleways Programme)	1,000	3,000
Investment in the state highway network	25,000	25,000
Total capital expenditure	26,000	28,000
NET CAPITAL MOVEMENT	0	0
TOTAL MOVEMENT	0	0

ROAD SAFETY PROMOTION		
	PROJECTED 2017/18 \$000	PROJECTED 2018/19 \$000
OPERATING REVENUE AND EXPENSES		
National Land Transport Fund	34,601	44,578
Community Road Safety Programme	3,021	3,264
Total operating revenue	37,622	47,842
Community Road Safety Programme	2,223	911
Funding to approved organisations	8,656	15,230
Vehicle impoundment	204	204
Transport Agency operating activities	25,741	29,144
Total operating expenses	36,824	45,489
SURPLUS/(DEFICIT)	798	2,353
CAPITAL FUNDING AND EXPENDITURE		
National Land Transport Fund	1,500	4,500
Investment in the state highway network	1,500	4,500
NET CAPITAL MOVEMENT	0	0
TOTAL MOVEMENT	798	2,353

LOCAL ROAD IMPROVEMENTS		
	PROJECTED 2017/18 \$000	PROJECTED 2018/19 \$000
OPERATING REVENUE AND EXPENSES		
National Land Transport Fund	164,000	180,000
Total operating revenue	164,000	180,000
Funding to approved organisations	164,000	180,000
Total operating expenses	164,000	180,000
SURPLUS	0	0

LOCAL ROAD MAINTENANCE		
	PROJECTED 2017/18 \$000	PROJECTED 2018/19 \$000
OPERATING REVENUE AND EXPENSES		
National Land Transport Fund	592,300	642,000
Total operating revenue	592,300	642,000
Funding to approved organisations	591,345	641,518
Interest and finance costs	955	482
Total operating expenses	592,300	642,000
SURPLUS	0	0
BORROWING FUNDING AND REPAYMENT		
National Land Transport Fund	15,000	23,000
Repayment of borrowing (reinstatement of roads in Christchurch)	15,000	23,000
NET BORROWING	0	0
TOTAL MOVEMENT	0	0

REGIONAL IMPROVEMENTS		
	PROJECTED 2017/18 \$000	PROJECTED 2018/19 \$000
OPERATING REVENUE AND EXPENSES		
Crown (Provincial Growth Fund)	6,000	10,000
National Land Transport Fund	0	55,000
Total operating revenue	6,000	65,000
Funding to approved organisations (Provincial Growth Fund)	6,000	10,000
Funding to approved organisations	0	55,000
Total operating expenses	6,000	65,000
SURPLUS	0	0
CAPITAL FUNDING AND EXPENDITURE		
Crown (Provincial Growth Fund)	6,000	40,000
National Land Transport Fund	131,893	40,000
Total capital funding	137,893	80,000
Investment in the state highway network (Provincial Growth Fund)	6,000	40,000
Investment in the state highway network	131,893	40,000
Total capital expenditure	137,893	80,000
NET CAPITAL MOVEMENT	0	0
TOTAL MOVEMENT	0	0

SUPERSEDED

STATE HIGHWAY IMPROVEMENTS		
	PROJECTED 2017/18 \$000	PROJECTED 2018/19 \$000
OPERATING REVENUE AND EXPENSES		
National Land Transport Fund	409,380	536,261
National Land Transport Fund (tolling)	14,577	15,497
Developers contributions	18,000	20,000
Interest and finance income	21,343	14,796
Total operating revenue	463,300	586,555
Assets vested to local authorities	12,528	118,320
Depreciation and state highway write-offs	400,000	410,000
Interest and finance costs	32,772	38,235
Total operating expenses	445,300	566,555
SURPLUS	18,000	20,000
CAPITAL FUNDING AND EXPENDITURE		
Crown (Accelerated Regional Roding Programme)	40,945	23,338
National Land Transport Fund	684,472	801,680
National Land Transport Fund (Auckland Transport Package)	100,000	33,511
National Land Transport Fund (public-private partnerships)	415,218	464,991
National Land Transport Fund (state highway disposals)	51,000	25,000
Depreciation funding utilised for investment in the state highway network	400,000	410,000
Net non-cash funding for losses/income for investment in state highway network	12,528	118,320
Total capital funding	1,704,163	1,876,840
Accelerated Regional Roding Programme	40,945	23,338
Auckland Transport Package	100,000	33,511
Public-private partnerships	415,218	464,991
Investment in the state highway network	1,153,217	1,360,514
Transport Agency capitalised expenditure	12,783	14,486
Total capital expenditure	1,722,163	1,896,840
NET CAPITAL MOVEMENT	(18,000)	(20,000)
TOTAL MOVEMENT	0	0

STATE HIGHWAY MAINTENANCE		
	PROJECTED 2017/18 \$000	PROJECTED 2018/19 \$000
OPERATING REVENUE AND EXPENSES		
Crown (Kaikōura earthquake response)	90,000	35,000
National Land Transport Fund	502,131	478,381
National Land Transport Fund (rental and interest income)	15,464	15,619
Total operating revenue	607,595	529,000
Kaikōura earthquake response	90,000	35,000
Investment in the state highway network	492,454	465,822
Transport Agency operating activities	25,141	28,178
Total operating expenses	607,595	529,000
SURPLUS	0	0
CAPITAL FUNDING AND EXPENDITURE		
Crown (Kaikōura earthquake response)	355,000	202,000
National Land Transport Fund	161,280	156,000
Total capital funding	516,280	358,000
Kaikōura earthquake response	355,000	202,000
Investment in the state highway network	159,780	154,500
Transport Agency capitalised expenditure	1,500	1,500
Total capital expenditure	516,280	358,000
NET CAPITAL MOVEMENT	0	0
TOTAL MOVEMENT	0	0

SUPERSEDED

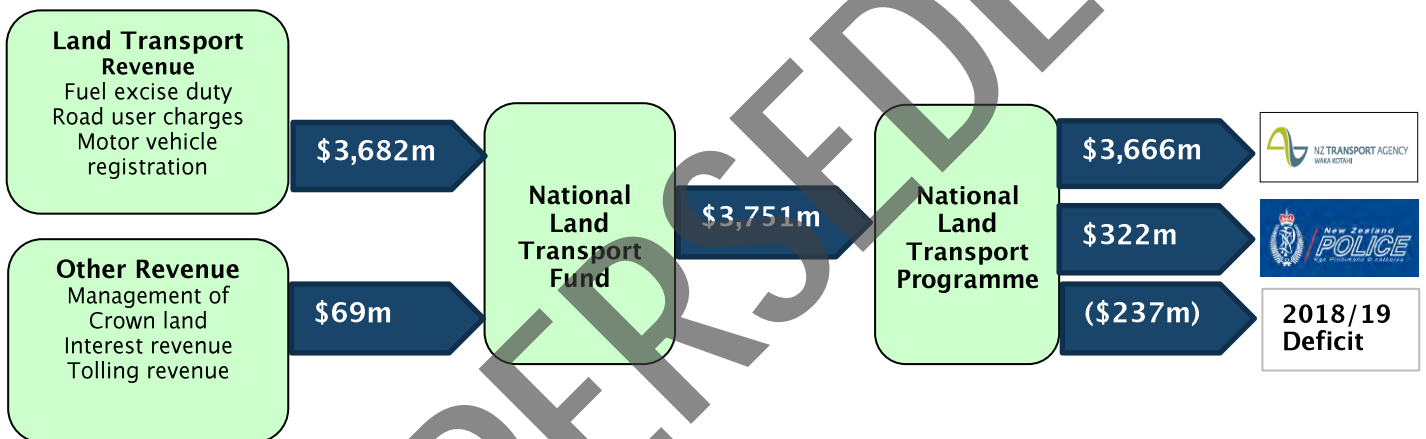
NATIONAL LAND TRANSPORT FUND

Financial overview

The National Land Transport Fund (NLTF) is a key tool to facilitate the government’s investment on behalf of transport users. All revenue from fuel excise duty, road user charges, and motor vehicle registration and licensing fees, revenues from Crown appropriations and management of Crown land, interest and tolling are accounted for in the NLTF as shown in the figure below).

The NLTF is used to manage the funding of the:

- programme of New Zealand Police road policing activities
- National Land Transport Programme for:
 - activities delivered by approved organisations
 - state highway activities
 - sector research
 - other Transport Agency activities, such as transport planning and management of the funding allocation system.



Prospective financial statements

NLTF PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDING 30 JUNE

	PROJECTED 2017/18 \$M	PROJECTED 2018/19 \$M
REVENUE INFLOWS*		
Land transport revenue	3,648	3,682
Management of Crown land	66	41
Tolling revenue	11	13
Interest revenue	13	15
TOTAL REVENUE INFLOWS	3,738	3,751
OUTFLOWS		
National Land Transport Programme	3,248	3,660
Road policing	322	322
Fuel excise duty and road user charges administration	5	5
Forecasting and strategy	1	1
TOTAL OUTFLOWS	3,576	3,988
SURPLUS/(DEFICIT) FROM CURRENT NLTF BALANCE	162	(237)
Fair value gain on long-term payables	20	25
National Land Transport Programme expenditure to be funded long term	(501)	(476)
Finance charges	(6)	(7)
Deficit to be funded from future NLTF revenue	(487)	(458)
SURPLUS/(DEFICIT)	(325)	(695)

* This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003.

NLTF PROSPECTIVE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	PROJECTED 2017/18 \$M	PROJECTED 2018/19 \$M
ASSETS		
Cash and cash equivalents	790	617
Receivables	256	257
TOTAL ASSETS	1,046	874
LIABILITIES		
Current – payables	392	463
Non-current – payables	1,507	1,958
TOTAL LIABILITIES	1,899	2,421
NET ASSETS	(853)	(1,547)
GENERAL FUNDS*	(853)	(1,548)

* This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003.

NLTF PROSPECTIVE STATEMENT OF CHANGES IN GENERAL FUNDS BALANCE FOR THE YEAR ENDING 30 JUNE

	PROJECTED 2017/18 \$M	PROJECTED 2018/19 \$M
GENERAL FUNDS OPENING BALANCE		
General funds – current	476	638
General funds – long term	(1,004)	(1,491)
TOTAL GENERAL FUNDS OPENING BALANCE	(528)	(853)
CHANGES IN GENERAL FUNDS BALANCE		
Surplus from current NLTF balance	162	(237)
Deficit to be funded from future NLTF revenue	(487)	(458)
TOTAL CHANGES IN GENERAL FUND BALANCE	(325)	(695)
GENERAL FUNDS CLOSING BALANCE		
General funds – current	638	401
General funds – long term	(1,491)	(1,949)
TOTAL GENERAL FUNDS CLOSING BALANCE*	(853)	(1,548)

* This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003.

**NLTF PROSPECTIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 30 JUNE**

	PROJECTED 2017/18 \$M	PROJECTED 2018/19 \$M
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from land transport revenue	3,714	3,749
Payments to suppliers	(3,499)	(3,923)
Net cash flows from operating activities	215	(174)
NET INCREASE/(DECREASE) IN AMOUNTS HELD BY THE CROWN	215	(174)
Amounts held by the Crown at the beginning of the year	575	790
AMOUNTS HELD BY THE CROWN AT THE END OF THE YEAR*	790	616

* 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. This statement is provided to meet requirements of section 11 of the Land Transport Management Act 2003.

SUPERSEDED

Notes to the prospective financial statements

Prospective financial statements and assumptions

Use of information contained in these prospective financial statements

These prospective financial statements were prepared in accordance with the Crown Entities Act 2004, for the purpose of providing information about the NLTF's future operating intentions and financial position, against which it must report and be formally audited at the end of the financial year.

The information in these financial statements may not be appropriate for purposes other than those described.

The Transport Agency has complied with financial reporting standard PBE FRS 42 *Prospective Financial Statements* in the preparation of these prospective financial statements.

These prospective financial statements are based on significant financial assumptions about future events that the Transport Agency reasonably expects to occur. Any changes to these assumptions during the year will not be reflected in these financial statements.

These prospective financial statements contain no actual operating results. Actual results achieved for the forecast periods are likely to vary from the information presented, and variations may be material.

Statement of significant underlying assumptions

The Transport Agency has made assumptions in preparing the prospective financial statements. The most significant of these are outlined below.

Category	Assumptions
Land transport revenue	The revenue forecast for the National Land Transport Fund includes estimates of fuel excise duty, road user charges and motor vehicle registration inflows into the fund. The forecasts for each are determined by the revenue forecasting model managed by the Ministry of Transport with input from the NZ Transport Agency, The Treasury and the New Zealand Customs Service. Forecasts are based on the historical trends and the economic outlook as presented by The Treasury, including economic growth, growth in vehicle kilometres travelled and current price assumptions.
Management of Crown land and interest	Forecast revenues are influenced by the management of rental properties and interest revenue on cash holdings. Assumptions are based on historical performance and trends.
National Land Transport Programme	The Transport Agency is developing the 2018–21 National Land Transport Programme (NLTP). The draft Government Policy Statement on land transport was released for public consultation on 3 April 2018. The draft policy statement has been taken into consideration when developing the NLTP and preparing the 2018/19 projected budget for NLTP expenditure. The NLTP will be further adjusted to fully align with the final policy statement.
Opening equity	Estimated opening equity assumes a deficit of \$325 million for 2017/18. This impacts on estimated amounts of cash on hand and net assets.

General funds

The NLTF has a negative general funds balance. The negative general funds balance arises because certain programmes have been accelerated and funding was sourced from the Crown and through public-private partnerships. The funding received has been recognised as long-term payables, which are due between 1 year and 26 years from balance date.

Although the NLTF has a negative general funds balance, it is a going concern because the:

- NLTF's liquidity is actively managed
- NLTF has forecast available cash balances of \$790 million as at 30 June 2018 and \$617 million as at 30 June 2019 to meet obligations as they fall due
- NLTF's main revenue source is land transport revenue, which is forecast to continue at a materially similar level for the foreseeable future, based on inputs sourced from other government departments.

The components of the general funds balance are shown below:

	Projected 2017/18 \$m	Projected 2018/19 \$m
General funds - current	638	401
General funds - long term	(1,491)	(1,949)
TOTAL GENERAL FUNDS BALANCE	(853)	(1,548)

Statement of accounting policies

Reporting entity

The Land Transport Management Act 2003 includes a requirement for the Transport Agency to prepare an annual report at the end of the financial year for the NLTF.

All revenue from fuel excise duty, road user charges, motor vehicle registration and licensing fees, revenues from Crown appropriations, management of Crown land, interest and tolling are accounted for in the NLTF. The NLTF is used to manage the funding of the:

- programme of New Zealand Police road policing activities
- National Land Transport Programme for:
 - activities delivered by approved organisations
 - state highway activities
 - sector research
 - other Transport Agency activities, such as transport planning and management of the funding allocation system

NLTF cash funds are held as part of the total Crown funds. The Ministry of Transport is responsible for authorising any payments from the NLTF and administration of appropriations.

The NLTF is a public benefit entity (PBE) for financial reporting purposes.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements of the NLTF have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Financial Reporting Act 2013, which includes the requirement to comply with generally accepted accounting practice in New Zealand.

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest million dollars (\$m) unless stated otherwise.

Summary of significant accounting policies

The following is a summary of the significant accounting policies that affect the forecast financial statements. A comprehensive list of policies is in the 2016/17 annual report of the NLTF.

Revenue inflows

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the NLTF's business.

Revenue is recognised when the amount can be reliably measured; that is, when it is probable that future economic benefits will flow to the entity.

Interest

Interest revenue is recognised in the net surplus or deficit using the effective interest method.

Outflows

The NLTF accounts for the flow of funds to the:

- Transport Agency for funding the National Land Transport Programme and administering fuel excise duty and road user charges
- New Zealand Police for providing the programme of road policing activities
- Ministry of Transport for forecasting and strategy development activities.

In accordance with section 9(1) of the Land Transport Management Act 2003, the NLTF also funds search and rescue activities and recreational boating safety and safety awareness.

The various activities are outlined in the statement of service performance.

Assets

The NLTF, being a notional account, does not hold any physical assets.

Liabilities

Current payables

Current payables are non-interest bearing and are normally settled by the end of the month following the date of supply. Therefore, carrying value approximates fair value.

Non-current payables

Non-current payables are a mixture of interest and non-interest-bearing advances that will be settled between 1 year and 26 years from balance date. Non-interest-bearing non-current payables are discounted to present value as at balance date.

Statement of service performance – financials

OUTPUT CLASS FUNDING		
	PROJECTED 2017/18 \$M	PROJECTED 2018/19 \$M
Investment management	58	73
Public transport	366	486
Walking and cycling	48	86
Road safety promotion	39	50
Local road improvements	164	180
Local road maintenance	607	665
Regional improvements	132	95
State highway improvements	1,156	1,375
State highway maintenance	679	650
TOTAL OUTPUT CLASS FUNDING TO THE TRANSPORT AGENCY – CURRENT	3,248	3,660
Road policing	322	322
TOTAL OUTPUT CLASS FUNDING	3,570	3,982
Auckland Transport Package	100	34
Public-private partnership	415	465
Reinstatement of earthquake damaged roads in Christchurch	(15)	(23)
Fair value changes in financial instruments charged to surplus or deficit	1	0
TOTAL OUTPUT CLASS FUNDING (INCLUDING LONG TERM)	4,072	4,458

This table does not include the new activity classes for 2018/19 proposed in the draft Government Policy Statement on land transport.

Technical notes

These notes provide the scope statements and explain the non-financial performance measures for our output classes.

Licensing and regulatory compliance

Scope

Purchase of land transport regulatory implementation services, specialist land transport enforcement services and licensing services, including driver licensing.

Purpose of Vote Transport appropriation limited to ministerial servicing by NZ Transport Agency.

Technical notes

Unit transaction cost measures the direct unit cost of delivering a driver licence or driver testing transaction or service as well as warrants of fitness and certificates of fitness.

The *% of transactions completed online* is the proportion of practical test bookings and rescheduled test bookings completed through the Transport Agency website divided by the total number of test bookings completed for motor vehicle and motorcycle licences.

The *% accuracy of registers* is a measure of the data input accuracy of the driver licence register based on monthly audit checks from a random sample of 100 callers and a selection of agents' work processed against what is written on the form and recorded in the driver licence register. The measure reflects the average of the audit results.

The *% of operational assurance activities completed* is an aggregate of three specific operational assurance activities (for example, audits) of driver testing agents, transport operators and certifying agents completed against planned. Aggregation is based on the weighted volume of activity in the given year.

The *% of activities that are delivered to agreed standards and timeframes* is an aggregate of six specific dimensions: four audit activities of driver testing agent officers and course providers, transport operators, certifying agents and regulatory compliance and agent service delivery (with targets of greater than 90%) and two completion rates against standard of official correspondence and transport rules development programmes (with targets of 100%). Aggregation to the overall result is based on the weighted volume of activity across the components in the given year.

The *number of products and services delivered or processed* includes warrants of fitness, certificates of fitness, new and renewed driver licences, issuing of driver and transport operator testing services, certification review, border inspection, over-dimension permits, and drug and alcohol assessments funded.

Road tolling

Scope

Collection of road tolling charges and enforcement activities to recover road tolling payment evasion.

Technical notes

Unit transaction cost is the direct unit cost of delivering a toll service. Cost excludes write offs, bad debts and administration fees from toll payment notices. Future target ranges have remained consistent despite the forecast increase in tolling volumes as there is ongoing system investment to manage the increased volume and complexity associated with the introduction of additional toll roads (Tauranga Eastern Link and Takitimu Drive).

Motor vehicle registry

Scope

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.

Technical notes

The *% of transactions completed online* is the proportion of annual motor vehicle licensing (including reversals), new registrations and register maintenance actions (including vehicle licensing exemptions, change of ownership (buyer), change of ownership (seller), change of name or address, registered person name and address) purchased over the internet, Direct Connect, and through an industry agent divided by the total number of motor vehicle registrations.

The *% accuracy of register* reflects the accuracy of the information entered into the motor vehicle registry. Data-verification activities are focused on confirming vehicle attributes (vehicle ownership and address information) in the motor vehicle registry. The measure combines the result of regular audit checks by regional staff, unverified owner and address information returns.

The *% customer satisfaction* reflects the proportion of motor vehicle register customers who consider the internet transaction they undertook was easy to complete. It is sourced from a feedback survey open to all users of the online transaction service. Responses are based on the following online transactions: vehicle licence renewal, bought or sold a vehicle, a registered person or stolen vehicle check, an exemption from vehicle licensing, applying for registered person name and address, and revoking access to personal details.

Road user charges collection, investigation and enforcement

Scope

Collection and refund of road user charges (RUC) and the investigation and enforcement of evasion of RUC.

Technical notes

The *% of transactions completed online* is the proportion of light and heavy vehicle RUC licences purchased online over the total number of RUC licences purchased. Online refers to transactions through Direct Connect, Transact, e-RUC and automatic tellers.

The *number of products or services delivered or processed* includes light and heavy vehicle RUC licence purchases and off-road RUC rebate claims. This is an aggregate figure showing a total of assessment, enforcement and refund activities.

Refund of fuel excise duty

Scope

Receipt and processing of applications for and the refunding of fuel excise duty.

Technical notes

Average number of days taken to deliver is determined by how long it takes, on average, to process and approve fuel excise duty refunds. Days to deliver refers to the number of working days between the date of application to the date of approval recorded in the fuel excise duty database system.

The *number of products or services delivered or processed* is the number of fuel excise duty refund applications processed or delivered for the reporting period. The volume of applications is based on the processing date.

Investment management

Scope

Managing, monitoring and advising transport sector stakeholders on the allocation of national land transport funds, developing plans for improving the transport network and systems, and developing transport sector capability and research, as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.

Technical notes

The *total cost of the management of the funding allocation system* is the Transport Agency service delivery cost for this output less the cost of crash analysis system business activity that is not part of the management funding allocation system.

The *% of activities that are delivered to agreed standards and timeframes* (investment management) is an aggregate of two measures to monitor the quality and efficiency of investment approval and decision activities. All components of the measure have targets of 100%. Aggregation to the overall result is based on weighted volume of activity across the components in the given year.

The *% of operational assurance activities completed* is an aggregate of two specific dimensions: audits and post-implementation review programmes. Operational assurance activities are assessed according to their effectiveness, benefit and cost appraisal and strategic fit (that is, high, medium or low). Aggregation is based on the weighted volume of activity in the given year.

The *% of activities that are delivered to agreed standards and timeframes* (transport planning) includes transport model development, activity management planning and programme business case development. These components are individually assessed against targets of greater than 90%. The result is derived by aggregating the three components. The Transport Agency works collaboratively with its local authority partners as they prepare transport models, programme business cases and activity management to help ensure that when they are formally received they are of high quality and meet the Transport Agency assessment criteria, so are suitable for support or endorsement by the Transport Agency. It provides an indication of how well the Transport Agency manages its transport planning activities to time and cost standards.

The *% of activities that are delivered to agreed standards and timeframes* (sector research) is a measure that compares planned time, cost and quality of research investment with actual performance. All aspects have targets of 100% and contribute equally to the overall result. It is a measure of the effectiveness of the Transport Agency as a programme manager.

The *average number of days taken to deliver* is determined by how long it takes, on average, to process and approve funding of a new National Land Transport Programme activity. Days to funding approval is defined as the number of working days between the date of receipt to the date the approval was recorded in the transport information online system.

The *% customer satisfaction* demonstrates the percentage of approved organisations' stakeholders (regional, local and unitary authorities, the Department of Conservation, Auckland Transport and the Waitangi National Trust) that were satisfied with the relationship between their organisation and the Transport Agency. This is measured through an independently conducted survey.

Public transport

Scope

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.

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

Technical notes

The *costs per passenger kilometre by bus, train and ferry* indicator, where available, reflects the changing costs of public transport provision (bus, train and ferry) by passenger use. This is an aspirational measure that leverages the introduction of integrated ticketing. Information is available for only Auckland, Wellington and Christchurch. The indicator's overall desired trend is for reduced costs per passenger kilometre across the public transport modes of bus, train and ferry. The figures represent the subsidised costs covered by the NLTF and do not include farebox revenue or local share. In addition, not all ferries are subsidised by the NLTF.

The *costs per passenger boarding by bus, train and ferry* indicator, where available, reflects the changing costs of public transport provision (bus, train and ferry) by passenger use. This is an aspirational measure that leverages the introduction of integrated ticketing. Information is available for only Auckland. The indicator's overall desired trend is for reduced costs per passenger boarding across the public transport modes of bus, train and ferry. The figures represent the subsidised costs covered by the NLTF and do not include farebox revenue or local share. In addition, not all ferries are subsidised by the NLTF.

Administration of SuperGold cardholders' scheme and Enhanced public transport concessions for SuperGold cardholders

Scope

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

Technical note

The *% of 'on time' payment of Crown SuperGold allocation to approved organisations* is a measure of the Transport Agency's timeliness for paying allocated SuperGold funds for the year to approved organisations. 'On time' means payments are made within the first quarter of the financial year.

Walking and cycling

Scope

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.

Technical note

The *increase in cycling count across Auckland, Wellington and Christchurch* reflects the number of people counted in 'cordon counts' each regional council holds annually.

Road safety promotion

Scope

Promote safe and economic use of land transport networks and services under section 9 of the Land Transport Management Act 2003.

Technical notes

The *% of activities that are delivered to agreed standards and timeframes* is a measure of the timeliness and effectiveness in delivering road safety education, advertising and promotion. Components of this measure look at the proportion of road safety education and advertising campaigns completed on time and the proportion of education and promotion programmes that meet forecast participation rates. All components have a 100% target and contribute equally to the overall result.

The *% of road safety advertising campaigns that meet or exceed their agreed success criteria* is a measure based on the success of road safety advertising campaigns. It is a composite measure reflecting the number and breadth of the advertising campaigns used, the varied media in which they are presented (including online), and the different aspects of the campaigns that are measured (including likeability, relevance, message takeout, likelihood to change attitude and prompted recall). These measures are collected from independently conducted surveys, media and website reporting.

Road policing

Scope

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

Local road improvements

Scope

Management and delivery of improvement of local roads as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.

Local road maintenance

Scope

Management and delivery of renewals to the existing local road infrastructure as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.

Regional improvements

Scope

Planning and investing in regionally important state highway and local road projects outside the main metropolitan areas.

State highway improvements

Scope

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

Technical notes

The *% of activities that are delivered to agreed standards and timeframes* compares time, cost and quality of large, block and property acquisition programmes (at the time construction commenced). It is a measure of the effectiveness of the Transport Agency as a project manager. Within each programme, time, cost and quality are equally weighted with targets of greater than 90%. Aggregation to the overall result is based on weighted programme expenditure across the components in the given year.

The *productivity of the state highway network in major metropolitan areas (morning peak)* measures lane capacity utilisation (network productivity) of the urban network. Productivity is measured in terms of the product of speed and flow compared with road lane optimal vehicle throughput. It demonstrates how effectively the current road network and operational management activities handle peak demand for vehicle movement. This indicator provides information to help deliver on our priority of making the most of urban network capacity. The higher the productivity percentage value, the more productive the road network is because both speed and flow are maintained near maximum values (that is, near free-flow speed and capacity respectively). The lower the productivity percentage value, the less productive the road network is because of low traffic flow or low speed or both. Low productivity may also occur when there is low demand, so may not be due to poor network performance. This indicator is a utilisation asset performance measure under the Cabinet Office Circular CO15(5).

State highway maintenance

Scope

Activities that manage, maintain and operate state highway infrastructure as authorised under section 9(3) and (4) of the Land Transport Management Act 2003.

Technical notes

The *% of activities that are delivered to agreed standards and timeframes* presents the physical achievement of maintenance and renewal activities (including progress of state highway pavement renewal programme) against baseline. This measure tracks the delivery of physical performance targets. The single component aspect of this measure examines the proportion of state highway maintenance and renewal work completed compared with the planned kilometres and budget.

Safe stopping: % of network meeting surface texture standards reflects efficiency in meeting surface texture standards (to ensure safe stopping) as per sector research. Maintenance of the state highway focuses on ensuring skid resistance (to ensure safe stopping). Minimum acceptable levels of skid resistance are set in relation to the road environment. The annual programme of reseals (surface renewals) is driven, in part, by the need to maintain network skid resistance.

Network resilience: % of rutting > 20mm over state highway network is the proportion of rutting (long shallow channels generally found in wheel paths) above the 20mm threshold over the length of the state highway network. Rutting in the road surface is one of the main indicators of the health of the underlying pavement and the need for pavement renewal. Ruts often also hold water, so lower skid resistance. This indicator is a condition asset performance measure under the Cabinet Office Circular CO15(5).

Safe stopping: % of travel on network above skid threshold reflects efficiency in meeting surface texture standards (to ensure safe stopping) as per sector research. Minimum acceptable levels of skid resistance are set in relation to the road environment. The annual programme of reseals (surface renewals) is driven, in part, by the need to improve skid resistance. This indicator is a functionality asset performance measure under the Cabinet Office Circular CO15(5).

Smooth ride: % of travel on network classed as smooth is the proportion of travel (proportion of vehicles kilometres travelled on the network surveyed) that occurs on pavements smoother than a nominated surface texture standard over the length of the network surveyed. This indicator is a functionality asset performance measure under the Cabinet Office Circular CO15(5).

The *% availability of state highway network* is the sum of all unscheduled road closure incidences (urban and rural) that have a significant impact on road users addressed within standard timeframes (that is, urban less than 2 hours and rural less than 12 hours) and protocol over the total number of road closure incidences. This indicator is a functionality asset performance measure under Cabinet Office Circular CO 15(5).

The *% customer satisfaction* reflects the proportion of the public satisfied with the availability of network information and the overall rating of the state highways in New Zealand. It is sourced from several customer surveys. These computer-aided telephone interviewing surveys have quotas for target audiences according to age, race, sex and residential region (with prescribed numbers set for each category to ensure balance and fairness).

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