
NATIONAL LAND TRANSPORT FUND ANNUAL REPORT

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

**FOR THE YEAR ENDED
30 JUNE 2012**



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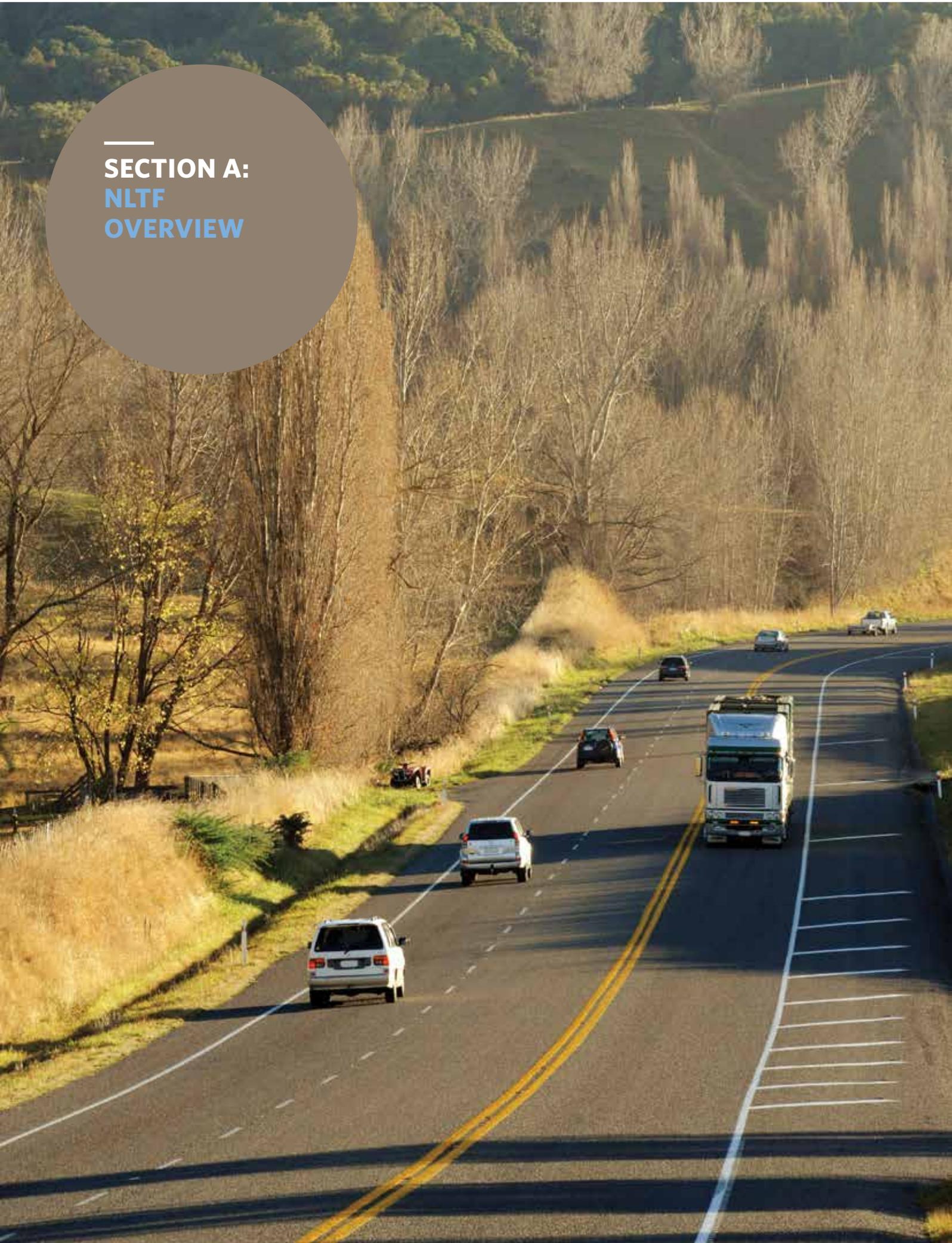
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**SECTION A:
NLTF
OVERVIEW**



CHAIR'S REPORT

The 2011/12 annual report for the National Land Transport Fund (NLTF) provides information on how the NLTF has been invested by the NZ Transport Agency (NZTA) to create transport solutions for a thriving New Zealand.

The NLTF is the primary source of central government funding for the land transport system, and is used to fund land transport activities that reflect the goals set through the Government Policy Statement on Land Transport Funding.

This annual report demonstrates how investments of the NLTF continue to promote economic growth and productivity, improve road user safety, increase transport choices and provide New Zealanders with a resilient land transport system.

The board is confident that, through its administration of the NLTF, the NZTA is helping to achieve greater prosperity, wellbeing and safer journeys for all New Zealanders.



Chris Moller

Chair
NZ Transport Agency

CHIEF EXECUTIVE'S REPORT

The 2011/12 NLTF annual report provides information on how the fund has been invested over the three-year 2009-12 National Land Transport Programme (NLTP).

Throughout this three-year period, the NLTP has targeted investment in land transport where it has been most needed. These investments reflected a whole-of-life view to ensure that the best transport system is developed for the long-term benefit of New Zealanders.

This annual report highlights how NLTF investments over the past three years have delivered transport solutions for a thriving New Zealand.

To make the most of the available NLTF investments, the NZTA and local authorities have increasingly worked together on the transport system – to maintain and build improvements to local roads, state highways and public transport, and to operate them as one network.

The success of the NLTP reflects the joined-up thinking that comes from sitting down with key stakeholders to ensure that decisions about changes in land use and transport planning are integrated.



Geoff Dangerfield

Chief Executive

2009-12 NLTF
INVESTMENT
PERFORMANCE
AT A GLANCE

49%

of our investment on new and improved state highway infrastructure since 2009 has focused on the development and delivery of the roads of national significance.

386m

passengers received funding through the NLTF for journeys on buses, trains and ferries.

280km

of new walking and cycling network was added.

872

lane kilometres of road reconstruction and new roads completed.

31
large and
116

small state highway projects have been completed.

\$156m

was spent on emergency works to ensure the state highway network was open following adverse weather and seismic activity.

75.6%

is the average percentage of recall target audiences have for road safety advertising since 2010/11.

6.3%

of the local road network was resealed over the past three years at a cost of \$227 million.

6.6m

alcohol breath tests undertaken by the NZ Police as part of the NLTF-funded Road Policing Programme.

75,132

crashes have been attended by the NZ Police as part of the NLTF-funded Road Policing Programme.

An average of
1%

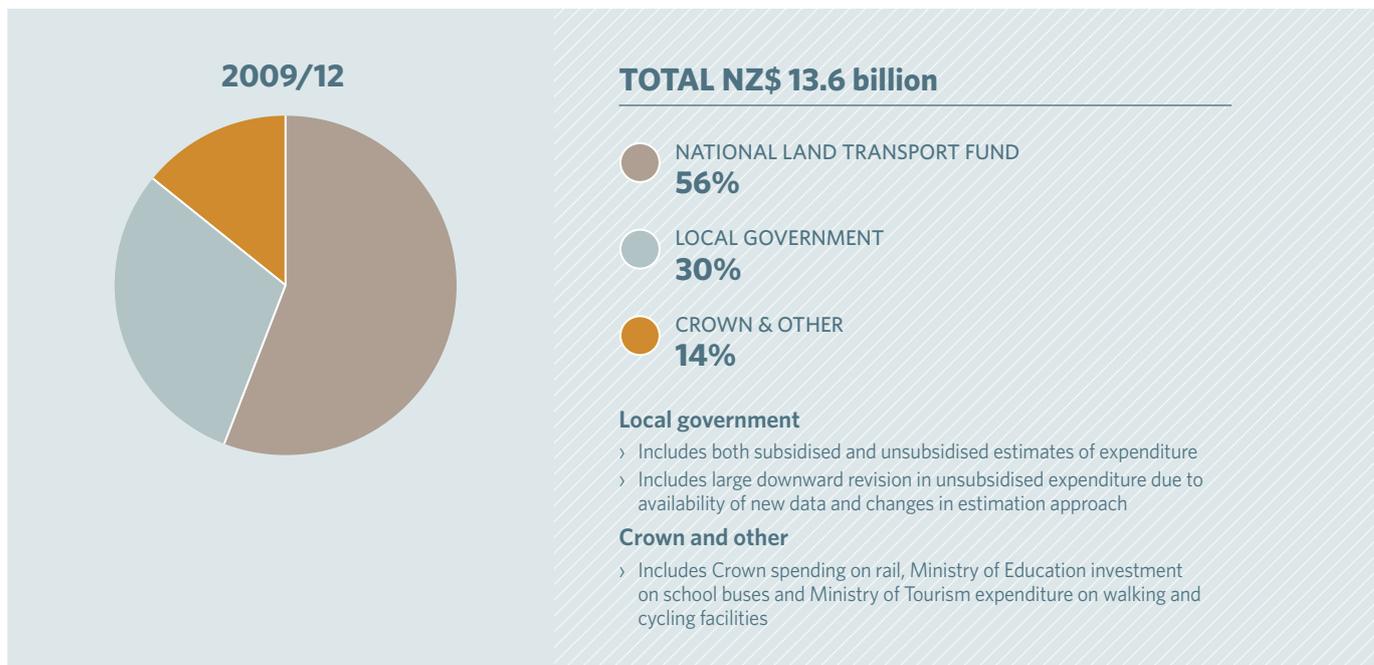
of total NLTF expenditure was on managing the funding allocation system during the past three years.

OVERVIEW OF THE LAND TRANSPORT INVESTMENT SYSTEM

INVESTMENT IN TRANSPORT

New Zealand's road users primarily fund the country's land transport system through fuel excise duty (petrol tax), charges on diesel and heavy vehicles (road user charges) and vehicle registration and licensing fees. These funds are paid into the NLTF to facilitate the government's investment in maintaining and improving land transport networks and services. However, there are many investors that contribute to providing and using the land transport system. These include local authorities that invest on behalf of communities. A significant number of firms and individuals also invest in transport infrastructure (eg subdivision roads) and associated infrastructure such as vehicle storage facilities. Other user-based costs include access charges, parking, taxi and public transport fares.

ESTIMATED PLANNED LAND TRANSPORT PUBLIC SECTOR INVESTMENT



CHANGES IN THE ENVIRONMENT

The past three years have been defined by a global recession and a fragile, slow economic recovery adversely affected by an ongoing series of debt crises in some key European markets.

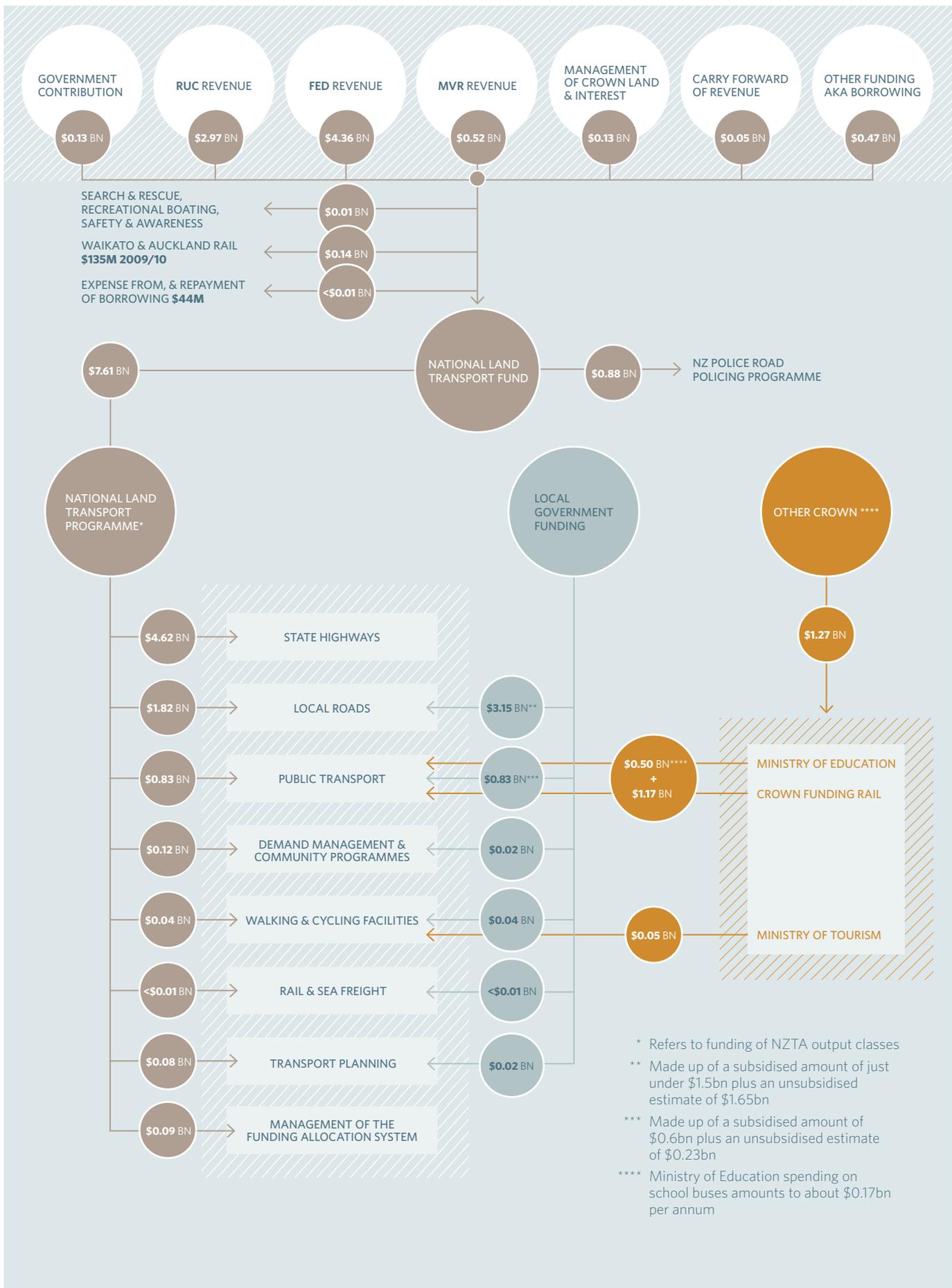
Despite having outperformed some of its peers, the New Zealand economy was not left unscathed. Faced with declining external demand and a lack of confidence at home (evidenced by reduced household spending), the economy shrank by 2.1% in 2009.

However, with the global economy showing signs of a recovery, the New Zealand economy started to pick up in the second half of 2010, before gathering pace in 2011. This was helped in no small part by a recovery in the agricultural sector, sharply higher soft commodity prices and the conclusion of a successful 2011 Rugby World Cup. While this recovery has continued into 2012, the drivers behind it have started to shift away from the external sector towards domestic demand. For the most part this reflects growing uncertainties about the economic impacts of the ongoing debt crisis in Europe and as well as a tightening of monetary policy in some key export markets. It also reflects an improvement in domestic conditions, buoyed by lower household debt, a continuation of an accommodative monetary policy (combined ongoing fiscal discipline) and positive signs of a recovery in the local housing market. The following dynamics have ultimately shaped revenues flowing into the NLTF.

- Increasing levels of freight activity – evidenced by an increase in kilometres travelled by heavy vehicles. This more than offset a drop in average measured weights, resulting in a 14.1% increase in net revenues generated from road user charges (RUC) for the three years ending 2011/12.
- Despite some changes in user behaviour associated with higher average fuel prices (16% higher than in the three-year period ending 2008/09), vehicle kilometres travelled rose by 2.3% over the three-year period ending 2011/12. This contributed to a 5.0% increase in net revenues from fuel excise duties (FED).
- Changes in purchasing behaviour resulted in a slight increase in revenues generated from motor vehicle registration (MVR) during the past three years. Net MVR revenue remains at about 6.5% of total revenue.

The revenues flowing into the NLTF are used by the NZTA to procure goods and services associated with the construction, maintenance and operation of transport infrastructure. Over the past three years, the cost of producing these goods and services has risen above the general rate of inflation, mainly because of higher, and in some cases more volatile, commodity prices and more recently, the expectation of increased work in Christchurch once the rebuild finally gets underway. The NZTA has yet to feel the effects of these higher prices largely due to the limited availability of work and strong competition when contracts are put out for tender.

FUNDING FOR 2009-12 NLTP



INVESTMENT STRATEGY

The NZTA Investment and Revenue Strategy provides us with the framework through which the NZTA gives effect to the Government Policy Statement on Land Transport Funding (GPS) as it invests the NLTF. The Investment and Revenue Strategy sets out the prioritisation framework that is used to develop and manage the NLTP.

The Investment and Revenue Strategy ensures that the NZTA invests in the right activities that have the greatest potential to support a thriving New Zealand. It enables us to be a smart investor in the following ways:

- The Investment and Revenue Strategy strategic fit test ensures we are delivering on the government's priorities (as per the GPS).
- The Investment and Revenue Strategy effectiveness test ensures that those activities are delivered in the way that has the greatest impact.
- The Investment and Revenue Strategy efficiency test ensures that those activities are delivered at the best possible whole-of-life cost.

We have updated our Investment and Revenue Strategy to align with the GPS 2012/13 to 2021/22. The strategy prioritises NLTP investment towards:

- the Safer Journeys road safety strategy (including the adoption of a Safe System approach) and reducing deaths and serious injuries
- relieving congestion in major urban areas and improving journey time reliability
- optimisation of the land transport network and services
- key tourism and freight routes, including those for high productivity motor vehicles
- transport planning, research and training investment that makes the greatest contribution to priorities in other activity classes and those above
- encouraging integrated planning approaches.

2009-12 NLTP SUMMARY

In the three years to 30 June 2012, actual expenditure in the 2009-12 NLTP was \$7.75 billion (excluding road policing). When measured against the initially approved NLTP (\$7.81 billion) the planned investment level was substantially achieved.

State highway network

Investment in the new and improved infrastructure for state highways output class amounted to \$3.17 billion over the three years, which is \$92 million more than programmed at the start of the NLTP. \$0.9 billion was spent in 2011/12.

Significant progress occurred on the development and construction phases of the following:

- The Victoria Park Tunnel was completed and opened three months ahead of schedule.
- The Newmarket Viaduct project was substantially completed with the new viaduct opened to traffic.
- Construction work commenced on the Waterview section of the Auckland RoNS.
- The SH20 to SH1 Manukau extension was completed.
- The Kopu Bridge in Thames was completed and opened in December 2011.
- High productivity motor vehicle (HPMV) route between Auckland (end of Southern Motorway) to Port of Tauranga has been cleared for full use.
- Construction work continued on the Tauranga Eastern Link RoNS.
- Construction work continued on the Te Rapa section and commenced on the Ngaruawahia section of the Waikato Expressway.
- Wellington Northern Corridor including safety improvements and refurbishment of the Mount Victoria and Terrace tunnels.
- Ruby Bay Bypass in the Tasman area.
- Christchurch Motorways project.

In addition, another \$544 million was invested in renewals, maintenance and operation of the state highway network during 2011/12 bringing the three-year investment up to \$1,616 million.

This assisted in keeping the state highways available 99.6% of the time, and we were close to our pavement renewal target, achieving 1,344 kilometres.

In the three years to 30 June 2012 almost \$157 million was spent on emergency works, with the rebuild of the state highways damaged in the Canterbury earthquakes costing \$12.48 million and the clearance of the major slips in the Manawatu gorge costing \$14.72 million.

Local roads

Over the three-year NLTP period, \$821 million was invested in local roads maintenance and operations, \$78 million more than programmed at the start of the NLTP. National Land Transport Fund investment in emergency reinstatement work following the Canterbury earthquakes totalled \$104.43 million (\$99.48 million in Christchurch city, \$2.45 million in the Waimakariri district and \$2.50 million in the Selwyn district). In addition \$36.11 million was paid to Christchurch city in 2011/12 on behalf of the Crown (Canterbury Earthquake Recovery Fund).

During the 2011/12 year, close to \$188 million was invested in local road renewals, bringing the three-year investment up to \$598 million – \$98 million below the published NLTP allocation. The underspend being caused through the flexible financial assistance rate agreed to with Auckland Transport as part of the measures to manage cash flow pressures, councils in Canterbury deferring works to support funding for emergency reinstatement work following the Canterbury earthquakes and other councils adjusting programmes to use the funds to address routine maintenance needs.

The major investment in local roads was the Hamilton Ring Road, including the four-laning of Wairere Drive; and commencement of construction work on the Panmure passenger transport interchange. This is a component of the Auckland Manukau Eastern Transport Initiative (AMETI) package and a key transport corridor in south-east Auckland (refer to the NZTA's 2012 annual report for more information on the AMETI project).

Public transport infrastructure

Investment in public transport infrastructure amounted to \$168 million over the three years, which is \$101 million less than programmed at the start of the NLTP. The main reasons for this underspend are deferral of the Christchurch bus exchange project, due to the earthquakes, and funding assistance rate adjustment arrangements for Auckland's electrification of the passenger rail services.

Investment in public transport infrastructure projects was prioritised and targeted to activities and areas that maximised investment return, in particular Auckland and Wellington, where there is a need for greater focus on relieving severe congestion and encouraging economic growth.

Key investments in public transport infrastructure included:

- Auckland integrated fare system construction/implementation
- Manukau Transport Interchange and city rail link
- real-time system extension (Auckland passenger rail)
- real-time system construction/implementation (Wellington bus network)
- Auckland rail station improvements
- Auckland ferry wharf refurbishment.

Public transport services

During 2011/12, NLTF investment of \$231 million was made across all regional networks in public transport services and operations bringing the three-year spend to \$613 million, \$17 million less than the published NLTP allocation. Almost 90% of this investment was in Auckland, Wellington and Christchurch, where most of the services and related costs are targeted at relieving severe congestion in major urban areas. In 2011/12 almost \$37 million more than the previous year was invested; much of this increase in expenditure is the result of additional investment in Auckland rail and also in growing public transport networks in and around the urban centres of Tauranga, New Plymouth and Napier.

During 2011/12 passenger boardings have increased from 128 million to 132.4 million across the country. The level of this increase was greatly affected by the Christchurch earthquakes, in particular, the earthquake on 22 February 2011. Since this date, patronage has gradually increased back to 79% of the level prior to that event from a low of 59%.

Road user safety

The NLTF invested \$109.6 million in both local government and nationally delivered safety promotion activities - \$10.4 million less than programmed at the start of the NLTP. The activity class review carried out in the first year resulted in a more focused investment programme on safety promotion. \$20.4 million was invested in locally delivered programmes and \$20.4 million in nationally delivered activities that increase the safe and efficient use of the land transport system. The greatest proportion of spend in 2011/12 continued to be focused on alcohol and drug impaired driving risks, followed by speed, cycling safety and school based activities.

Walking and cycling

The NLTF invested \$11.7 million in stand-alone walking and cycling infrastructure in 2011/12, bringing the total three-year investment to \$41.7 million. This investment is beginning to demonstrate the long-term benefits of providing an increase in walking and cycling numbers in the major urban centres and many regional towns, with cycling in the Auckland region alone increasing by 18% over the last five years.

The funding priorities during the three-year period included:

- reducing congestion in main urban areas
- increasing safety for cyclists and pedestrians.

The two model community programmes in Hastings and New Plymouth are working examples of these priorities.

NATIONAL LAND TRANSPORT PROGRAMME 2009-12

	PUBLISHED	PROGRAMMED SPEND 2009-2012			Total 2009-12 \$000
	NLTP 2009-12 \$000	Actual 2009/10 \$000	Actual 2010/11 \$000	Actual 2011/12 \$000	
ALLOCATION OF FUNDS TO ACTIVITY CLASSES:					
New and improved infrastructure for state highways	3,074,700	1,101,787	1,171,489	893,621	3,166,897
Renewal of state highways	633,000	231,699	205,112	199,731	636,542
Maintenance and operation of state highways	897,000	306,574	327,758	344,642	978,974
New and improved infrastructure for local roads	480,000	165,167	163,142	110,132	438,441
Renewal of local roads	696,000	204,774	205,499	188,227	598,500
Maintenance and operation of local roads	743,000	224,332	304,182	292,639	821,153
Public transport services	630,000	187,306	194,630	231,328	613,264
Public transport infrastructure	269,000	126,752	47,045	(5,998)	167,799
Road user safety	120,000	36,260	32,290	41,097	109,647
Walking and cycling facilities	51,000	17,771	12,262	11,708	41,741
Sector training and research	18,000	5,371	3,391	3,858	12,620
Domestic sea freight development	1,000	1,013	0	0	1,013
Rail and sea freight	3,000	212	(121)	72	163
Transport planning	96,000	20,113	23,195	22,614	65,922
Management of the funding allocation system	103,200	35,706	31,233	29,891	96,830
TOTAL	7,814,900	2,664,837	2,721,107	2,363,561	7,749,505

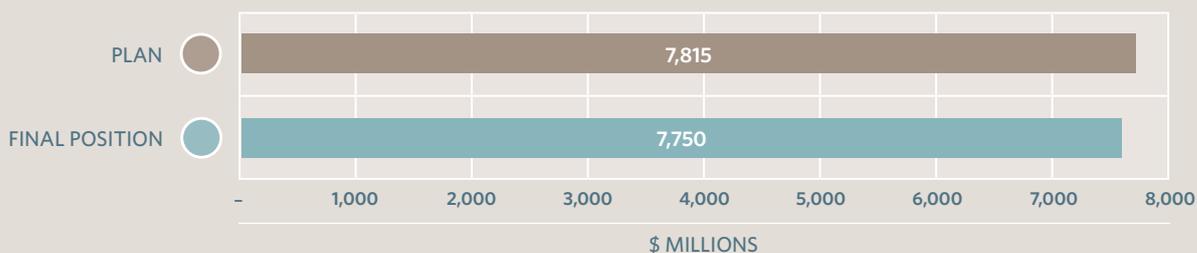
To note:

New and improved infrastructure for state highways 2011/12 includes \$5.326m interest on borrowing.

PUBLIC TRANSPORT INFRASTRUCTURE INCLUDES:				
Public transport infrastructure		100,792	31,519	18,070
Loan to local authority		25,960	2,380	(28,340)
Public transport infrastructure - Automated fare collection system		0	13,146	4,272
TOTAL		126,752	47,045	(5,998)

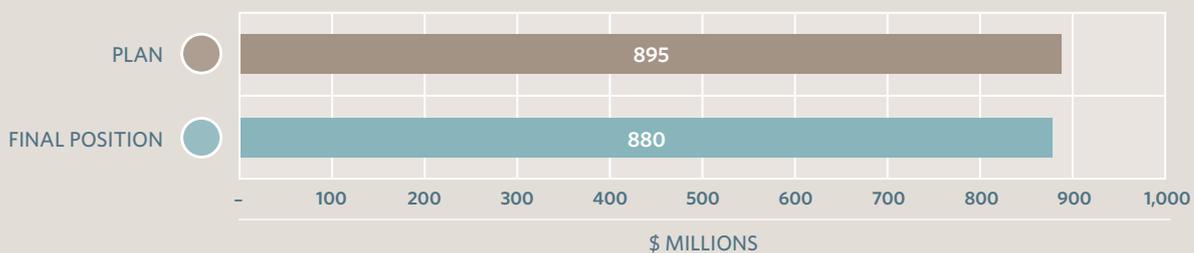
SIGNIFICANT ACTIVITY CLASS ACTUALS VERSUS BUDGET FOR THE 2009-12 NLTP AND ROAD POLICING PROGRAMME

OVERALL NLTP (EXCLUDING ROAD POLICING)



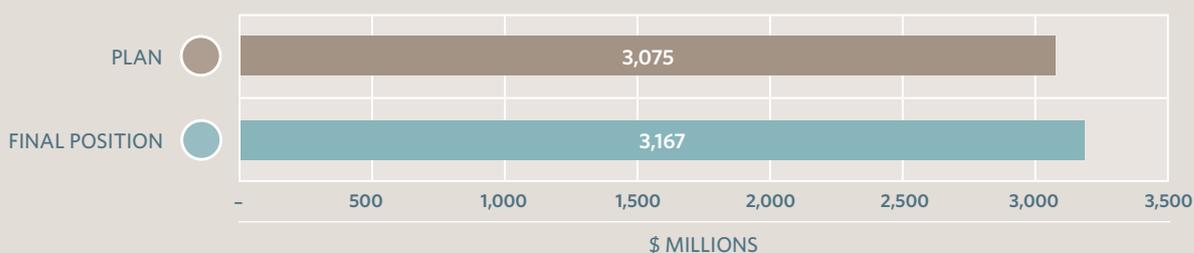
Overall, expenditure was very close to the NLTP plan (0.7% below).

ROAD POLICING PROGRAMME



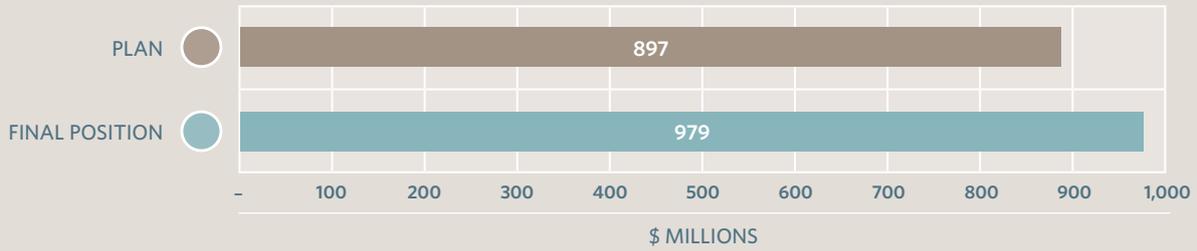
The Road Policing Programme was delivered at lower than expected cost as a result of NZ Police efficiencies. This resulted in a slight underspend against the GPS funding range.

STATE HIGHWAY NEW AND IMPROVED INFRASTRUCTURE



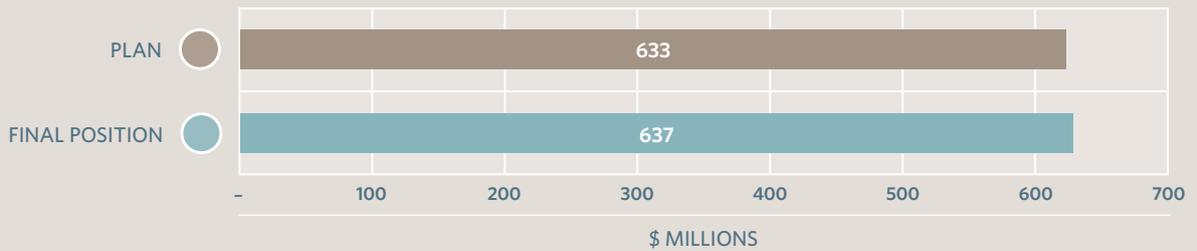
The expenditure on state highway improvements was around 3% ahead of the NLTP plan, the result of strong early performance in RoNS project delivery. Expenditure was pulled back in 2011/12 in response to lower than expected revenue.

STATE HIGHWAY MAINTENANCE AND OPERATIONS



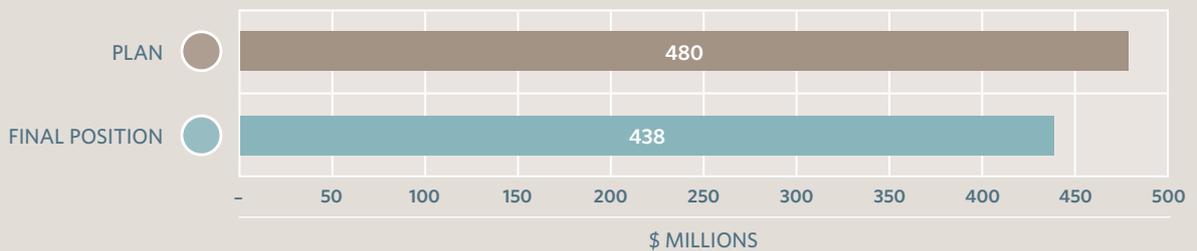
Expenditure for maintenance and operations was above the NLTP plan predominantly as a result of higher emergency works spend – due to weather and seismic events.

STATE HIGHWAY RENEWALS



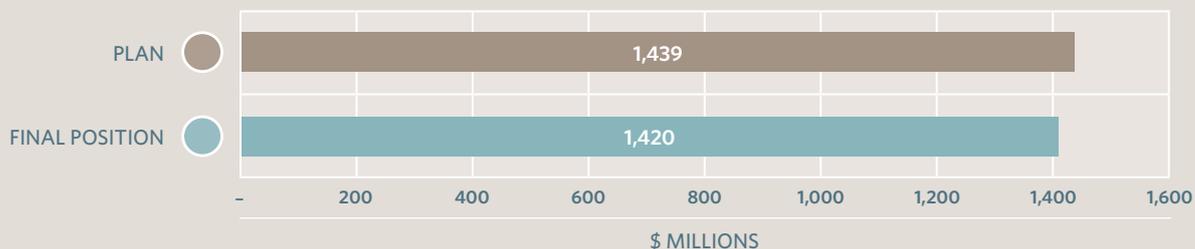
State highway renewals expenditure was very close to the NLTP budget, which represents a good result given the wet summer construction period in 2011/12 through much of the country.

LOCAL ROADS NEW AND IMPROVED INFRASTRUCTURE



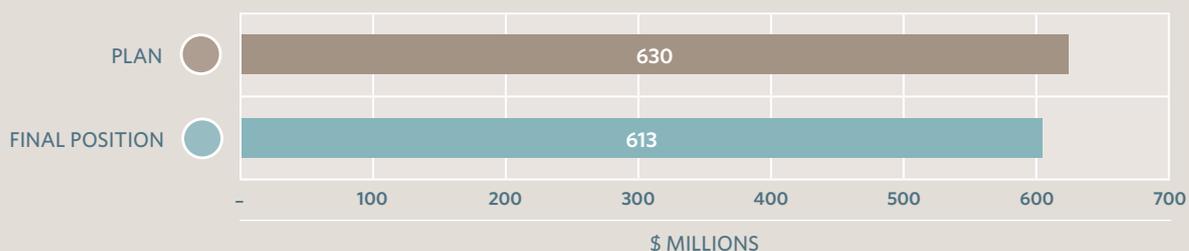
Local road improvements was around 9% below the NLTP plan and around \$12 million below the lower limit of the GPS funding range. A key reason for this was the moratorium of new funding approvals due to the costs for Canterbury emergency renewal works.

LOCAL ROADS MAINTENANCE, OPERATIONS AND RENEWALS



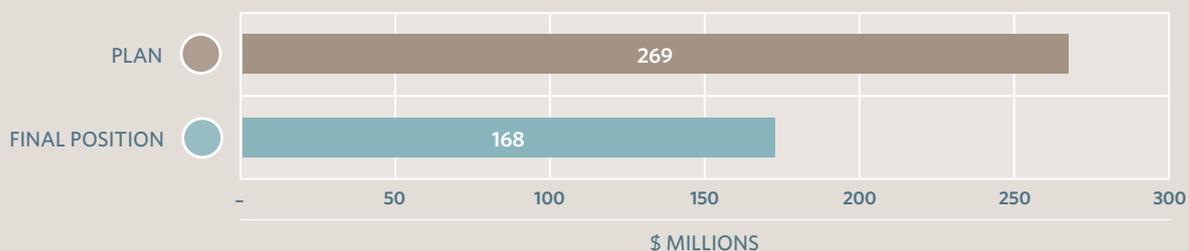
Local road maintenance, operations and renewals spend was about 1% below the NLTP total. The renewals spend was well below plan, due to a mix of funds transferred by local authorities from renewals to maintenance and operations, and some renewals programmes being delivered for lower than budgeted cost. The overall spend would have been lower but the renewals underspend was largely balanced out by the impact of the Canterbury earthquakes.

PUBLIC TRANSPORT SERVICES



Expenditure on public transport services was about 3% lower than plan. In general, approved organisations delivered their planned services largely on or a little below budget.

PUBLIC TRANSPORT INFRASTRUCTURE



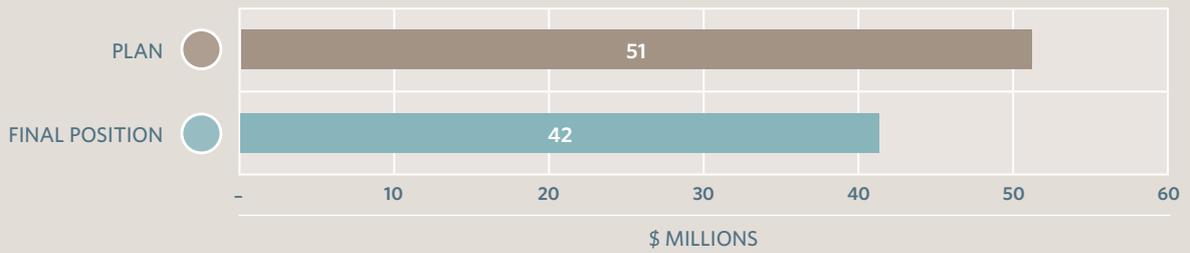
Public transport infrastructure was well below the NLTP plan, partly due to the unexpected early repayment of an NZTA loan to Auckland Regional Council to assist it to purchase rail rolling stock and also because the planned construction of the Christchurch Transport Interchange did not progress following the Canterbury earthquakes and aftershocks.

ROAD USER SAFETY



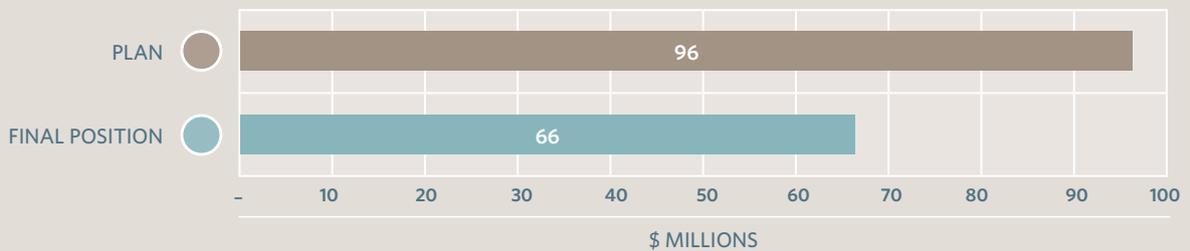
Road user safety expenditure was about 9% below plan largely as a result of an activity class review in 2009/10. This resulted in a lower level of approved funding in the remaining two years being targeted more specifically to outcomes, with a tighter focus on value for money.

WALKING AND CYCLING FACILITIES



Initial delivery of walking and cycling infrastructure against plan was below plan, predominantly due to the impact of the moratorium on new funding approvals in the latter part of NLTP delivery.

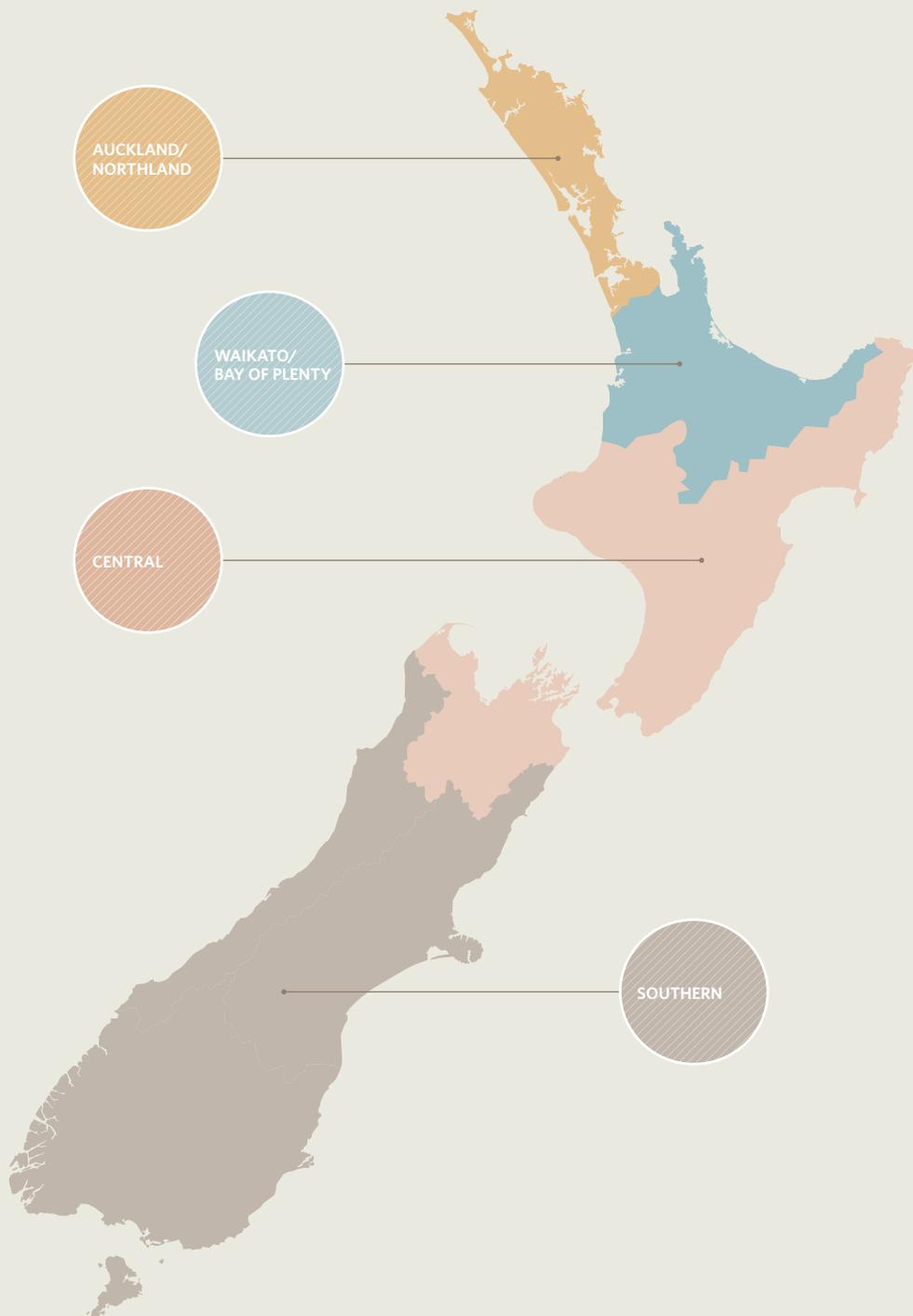
TRANSPORT PLANNING



A substantial review of the activity class resulted in lower expenditure against the NLTP plan as investment became more targeted to NZTA outcomes and more focused on value for money under the NZTA Investment and Revenue Strategy.

REGIONAL NLTF INVESTMENT HIGHLIGHTS

The fund, via the 2009-12 NLTP, has invested in a targeted manner across New Zealand. Significant regional investment highlights over the course of the three-year programme are detailed over the following pages.



AUCKLAND AND NORTHLAND REGION

The NZTA's Auckland/Northland region covers the top of the North Island - everything north of the Auckland Council's southern border.



NORTHLAND

Considerable progress has been made on a number of state highway and Whangarei District projects - many tracking to budget while being delivered on time or ahead of programme. A number of projects in Northland have been completed including Mountain Road passing lane and realignment, Bulls Gorge and Kamo Bypass stage 2.

INVESTMENT HIGHLIGHTS 2009-12

Just over 881,000 trips were taken by bus.

Projects completed:

- Sealing and widening of the final 19 kilometres of SH1 from Waitiki Landing to Cape Reinga.
- The Bulls Gorge project on SH10.
- Kamo Bypass stage 2 and Spedding Road Link projects.
- Porowini Avenue extension project.

Lower Hatea Bridge construction has commenced (Whangarei District).

Northland is one of the few regions to have been allocated community transport funds, which has enabled some seal extension works in areas of socioeconomic deprivation.

A funding arrangement for the Hokianga vehicular ferry service has concluded with the Far North District Council giving greater certainty around NLTF funding.

Work is progressing on several high productivity motor vehicle routes to assist economic performance of transport operations in the region.



AUCKLAND

The past three years have seen considerable investment in the region with just over \$2.7 billion of approved expenditure (NLTF share). Great progress has been made on Auckland's roads of national significance and other large state highway projects, with many tracking to budget while being delivered on time or ahead of programme. Attention to multi-modal studies and investigations has resulted in a number of projects advancing on regional arterial corridors and roads.

Auckland Transport, in partnership with the new Auckland Council, has ensured the momentum of NLTP delivery was maintained while focusing on a one network approach.

INVESTMENT HIGHLIGHTS 2009-12

Approximately 153 million bus trips and 29 million train trips were made over the three-year NLTP period, with a further 15 million trips being made by ferry.

A total of \$346 million (NLTF share) was invested in passenger transport services in the region.

Projects completed:

- New Lynn Transit Oriented Development was completed in 2011 providing a new transport interchange, improved network connections and upgraded walking and cycling facilities.
- A number of major state highway projects were completed including the SH1 to SH20 link, SH20 Manukau Harbour Crossing, SH18 Hobsonville Deviation and SH1 Victoria Park Tunnel which opened in March 2012 with significant additional capacity and eliminated the bottleneck at St Marys Bay.
- Manukau City rail link and the first stage of a new transport interchange has been constructed.

Construction of final stage improvements to the Tiverton Road/Wolverton Street route commenced. This will connect with already completed improvements at either end to provide an upgraded corridor from SH20 to New Lynn.

Construction of Panmure phase 1 of the Auckland Manukau Eastern Transport Initiative (AMETI) project commenced in November 2011. This is the first major stage within a much larger package of AMETI activities.

Construction of the fourth and final stage of the Glenfield Road corridor upgrade commenced in March 2012.

Design of the Whangaparaoa Road corridor upgrade (between Hibiscus Coast Highway and Red Beach Road) and investigation of multi-modal corridor improvements on Albany Highway and Dominion Road are underway.

Corridor management plans on major arterial roads are being developed for Broadway, East Coast Road, Great South Road, Hibiscus Coast Highway and Khyber Pass Road.

Other major state highway projects progressing well are Newmarket Viaduct, Waterview Connection and investigation of the Puhoi to Wellsford RoNS.

WAIKATO AND BAY OF PLENTY REGION

The Waikato/Bay of Plenty region reaches from the bottom of the Bombay Hills to the Desert Road summit, from just south of Mokau in the west, through the Waioeka Gorge near Opotiki, and midway along the Taupo-Napier Road.



WAIKATO

Significant progress has been made on the development of the Waikato region's number one priority transport project – the Waikato Expressway. Achievements are currently ahead of the programme with construction underway on the Te Rapa and Ngaruawahia sections, and completion of the Taupiri section. Consenting and detailed design work is being progressed on the remaining expressway sections.

A number of other roading improvement projects have commenced during the three-year NLTP period, including the Hamilton City Ring Road project and the SH1 Atiamuri Bridge, along with a number of minor improvement projects which are delivering both safety and efficiency benefits.

INVESTMENT HIGHLIGHTS 2009-12

The Waikato public transport programme continues to experience growth with 4.6 million trips recorded annually.

Procurement processes were reviewed with a focus on increasing the efficiency of various maintenance tasks.

Great progress has been made on the Waikato Expressway – in particular the completion of the Taupiri section, the near completion of the Te Rapa section and major earthworks being undertaken on the Ngaruawahia section.

Construction commenced on the replacement Atiamuri Bridge on SH1.

Construction of the Kopu Bridge in Thames was completed below budget and ahead of programme, opening in December 2011.

The \$128 million East Taupo Arterial project was completed in October 2010.

The Waikato Regional Transport Model is operational and continues to be a critical tool for transport planning across the region.



BAY OF PLENTY

The opening of the Tauranga Harbour Link project in December 2009, and the commencement of construction of the Tauranga Eastern Link were two of the major projects for the region. Both of these projects will ultimately deliver freight efficiency gains and improved access to the Port of Tauranga.

The central area of the region has seen a number of projects being developed including construction of the SH5/Fairy Springs Road four-laning, and investigations into the Rotorua Eastern Arterial and the Victoria Street Arterial projects. Good progress is also being made on the construction of the Lake Road project, aimed at improving access from Fairy Springs Road to the Rotorua central business district.

In the Eastern Bay, key projects include the replacement of the Reids Canal Bridge (SH2) near Edgecumbe and the development of the Eastern Bay of Plenty route security and resilience study.

INVESTMENT HIGHLIGHTS 2009-12

Projects completed:

- The new Tauranga Harbour Link.
- Construction of the Pyes Pa Bypass (SH36).
- Upgrade of Fairy Springs Road (SH5), Rotorua.
- Upgrade of Welcome Bay Road in the Western Bay of Plenty.
- Reids Canal bridge replacement near Edgecumbe.

4.5 million trips were taken by bus during 2011/12.

Tauranga Eastern Link enabling works completed and construction well underway.

The high productivity motor vehicle route between Auckland (end of Southern Motorway) to the Port of Tauranga has been cleared for full high productivity usage.

Safety improvement works were implemented on SH29 (Kaimai Ranges).

Key transport planning undertaken includes the development of the Tauranga Eastern Link Network Plan, and progress towards the completion of the Tauranga Urban Network Study and the Rotorua Integrated Network strategies.

CENTRAL REGION

The Central region stretches up from the top of the South Island (Nelson, Tasman and Marlborough) to the southern and central North Island, reaching across Taranaki, Manawatu-Wanganui, Wellington, to the Hawke's Bay and Gisborne.



GISBORNE

Good progress has been made across the majority of projects in the Gisborne area. This includes 8.5 kilometres of seal widening on SH35 from Tolaga to Gisborne, together with project completion on the SH35 Busby Hill Realignment, SH2 Dymock Road Curve, replacement of the Kopuaroa No. 3 Bridge and curve improvements north of Makarika Road on SH35.

There has been a reduction in the number of fatal and serious crashes in the Gisborne region – down from 34 in 2007 to 26 in 2011.

INVESTMENT HIGHLIGHTS 2009-12

Approximately 367,360 trips were taken by bus.

SH35 Tolaga to Gisborne seal widening project.

HAWKE'S BAY

Good progress has been made across the majority of the regional programme. The Waipukurau Overbridge, Dillons Hill and Matahorua Gorge realignments and the SH50 Hawke's Bay Expressway Southern Extension have been completed, as have passing lanes at Te Mahanga North and SH2 south of SH50. The Mangakino Stream Bridge has been replaced and the Mohaka Bridge has had significant deck repairs and seismic retrofitting.

Hastings was selected as one of two communities for model community funding – reflecting the district's commitment to walking and cycling and its enthusiasm in implementing the proposal. In a very short timeframe and with strong commitment from Hastings District Council staff, good progress has been made on the implementation of both on-road and off-road cycle and walking pathways.

INVESTMENT HIGHLIGHTS 2009-12

Just over 1.7 million trips were taken by bus.

Matahorua Gorge was completed. This project will bring improvements in safety and journey time reliability, particularly for freight, on the SH2 route between Napier and Wairoa.

Construction has started on Flaxmere and Omahu arterials.

Havelock and Clive arterials are proceeding to design phase.



MANAWATU-WHANGANUI

Highlights from the region include completion of the SH1 Ohingaiti-Makohine Realignment, the SH1 Waiauti Bridge Realignment, and the Upokongaro Realignment projects.

Another highlight was the completion of the joint Manawatu Strategic Transportation Study, led by Horizons Regional Council with its study partners, Palmerston North City Council, Manawatu District Council and the NZTA. This represents a significant step forward in transportation planning in the area and will put transport development in the growth area around Palmerston North on a sound footing.

INVESTMENT HIGHLIGHTS 2009-12

Over 4.4 million trips were taken by bus.

Construction commenced on the SH2 Papatawa Realignment.

Continued improvement of the Parapara section of SH4.

SH2 Corby Road Realignment was completed.

SH1 Ohingaiti-Makohine Realignment project was completed.



TARANAKI

There have been a number of highlights for the Taranaki region including completion of the Bell Block Bypass, the Rugby Road Realignment on SH3, and the SH3 Muggeridge Road South Realignment.

New Plymouth was one of the communities chosen as a walking and cycling model community and has made good progress in delivering its programme.

INVESTMENT HIGHLIGHTS 2009-12

Over 1.4 million trips were taken by bus.

Four passing lanes in the region have been completed.

Completion of the Bell Block Bypass, the Rugby Road Realignment and the SH3 Muggeridge Road South Realignment.

Model communities projects are progressing well - the first phase of the project is close to completion.

CENTRAL REGION CONTINUED



WELLINGTON

A significant number of projects have been undertaken over the past three years. The Northern Corridor roads of national significance projects continue to be developed and are on track. The Terrace Tunnel and Mt Victoria Tunnel safety improvement projects have been completed.

Maintenance, operations and renewals budgets for local authorities were fully committed with the largest local roading project, Westchester to Glenside being funded and completed.

Good progress was made in establishing the Wellington City Golden Mile public transport corridor, with the completion of the Manners Mall link road and dedicated bus lanes. The Wellington Public Transport Spine Study commenced to determine the best long-term options for a high quality public transport network within the city.

INVESTMENT HIGHLIGHTS 2009-12

Approximately 18 million trips were taken by bus - 11.2 million trips by train and 160,000 trips by ferry.

Projects completed:

- Terrace and Mt Victoria Tunnels safety works.
- Muldoons Corner SH2 improvements completed on time and to budget.
- SH2 Moonshine Road-Silverstream safety improvements.
- Dowse to Petone Interchange on SH2.
- A \$1.2 million Kapiti Road/Rimu Road intersection improvement project.

Significant investment was made in rail infrastructure.

A joint study was undertaken to investigate opportunities to enhance the efficiency of the Wellington public transport spine.

\$3.5 million was co-invested with the Upper Hutt City Council to replace the Akatarawa bridges.

Substantial improvements to the rail network, including station and infrastructure upgrades, along with new Matangi train units.

NELSON

Nelson City Council has a well managed programme of activities in the NLTP with intense interest in the Nelson Arterial Traffic Study which was completed in 2011.

There has also been continued investment in state highway improvements, including completing the detailed design for the SH6 Teal Bridge replacement, the completion of investigation for SH6 Quarantine Road Intersection and completion of both investigation and design phases for Cable Bay Road.

Due to additional investment direct from the Council, bus patronage rose to 131,000 in the third year of the programme.

INVESTMENT HIGHLIGHTS 2009-12

An average of 51,000 trips were taken by bus over the first two years, rising to 131,000 in the third year.

Continued investment in state highway improvements, including advancing the detailed design for the Teal Bridge replacement and intersection improvements at Quarantine Road and Cable Bay Road.

SH6 Atawhai cycleway completed.

\$1.5 million invested in emergency recovery of Cable Bay Road and other sites in Nelson city following flooding.

Completion of the Arterial Traffic Study to determine future investment options within Nelson city.



TASMAN

The main highlight for the 2009-12 period was the completion of the region's number one transport priority – the SH6 Ruby Bay Bypass – ahead of time and on budget. This is a major project for the region, improving connections between Nelson and Motueka/Tasman. The design of Doctors Creek Bridge is complete, as is the construction of Arnold Bridge widening on SH6. Substantial investment was made under emergency works to enable the reopening of Totaranui Road.

INVESTMENT HIGHLIGHTS 2009-12

\$27.9 million Ruby Bay Bypass opened early and to budget.

Capacity upgrades to McGlashen Avenue/SH6 were completed.

Motueka Transport Study was completed.

\$6.8 million was invested in emergency recovery including the reinstatement of Totaranui Road after flooding.

A cycle path connecting Nelson and Tasman cycling networks (the Richmond deviation) was completed, providing a critical link in the national cycle trail network.

MARLBOROUGH

There has been good progress across the majority of the NLTP programme in Marlborough. This includes construction of SH1 Lions Back Hill safety improvements, SH6 Sneiders Creek Realignment and SH62 Wratts to Spring Creek seal widening projects. Investigations have also commenced on SH6/Battys Road and Coleman's Road Intersection in Blenheim, with investigations completed on the SH1 PukaPuka Stream, SH6 Bell Road/St Leonards Road Intersection and Dazzle Corner realignments.

INVESTMENT HIGHLIGHTS 2009-12

More than 65,000 trips were taken by bus over the three year period.

Construction substantially completed for the Lions Back Hill safety improvement project on SH1.

Construction completed for the SH6 Sneiders Creek Realignment project.

Design funding approved and design completed for Dashwood Overbridge on SH1.

\$1.8 million invested in emergency recovery following multiple flooding events.

SOUTHERN REGION

The Southern region is the largest of the NZTA's four regions, embracing all of the South Island except Nelson, Tasman and Marlborough.



CANTERBURY

The past three years have been challenging for the region with all sectors of the Canterbury economy facing significant challenges. There was some limited relief to the consultant and contracting sector through the advancement of approximately \$3.2 million of smaller state highway projects commenced in 2009/10 that were completed in 2010/11.

The government announcement of the funding for the RoNS also enabled the advancement of the programme for delivery of several state highway projects earlier in the period.

Notwithstanding the economic and environmental challenges facing the region, good progress has been achieved across all transport programmes with \$80 million invested as part of the reinstatement programme following the Canterbury earthquakes.

INVESTMENT HIGHLIGHTS 2009-12

Approximately 41 million bus trips and 308,000 ferry trips were taken over the last three-year period.

The first suite of bus passenger transport lanes in Christchurch on Papanui and Main North roads, Main South Road and Hills Road were completed.

Christchurch city completed cycleway projects in Stanmore Road and the rail corridor from Northcote Road to Tuckers Road. Construction has commenced on the Christchurch Southern Motorway.

Funding was approved for the first two stages of the Western Corridor upgrade with Waterloo to Yaldhurst being approved for construction and the completion of the Yaldhurst to Avonhead section. The construction of the Southern Motorway Stage 1 is now close to completion (estimated completion is February 2013). Detailed design has commenced for the Western Belfast Bypass.

NZTA has:

- › completed the Winchester SH1 passing lanes
- › signalised intersection upgrades at
 - SH75 and Dunbars Road in Halswell
 - the intersection of SH1 and SH8 at Washdyke
- › widened two bridges on SH79 (Inmans and Elliots)
- › continued ongoing seismic and safety retrofit programmes.

Selwyn District has substantially completed its Byron Street, Rolleston extension project.

Waimakariri District completed its five-year Tram Road upgrade project in this period.

Over \$80 million financial assistance allocated for earthquake recovery works.



WEST COAST

Major highlights have included the completion of several projects to improve freight efficiency and network safety, and to enhance access to tourism related activities on the coast. The completion of the replacement Arahura road rail bridge, in conjunction with KiwiRail several months ahead of schedule, highlighted the ability of the community to work together to deliver a complex project for the benefit of road users and the community while protecting significant environmental and cultural values.

INVESTMENT HIGHLIGHTS 2009-12

Approximately 45,000 trips were taken as part of the total mobility programme.

Bridge replacements completed at Woolhouse Creek and Kokatahi (both SH6) and Goat Creek on SH73. 10 Mile Creek Bridge re-established.

Design funding awarded to Gates of Haast Bridge project.

Major realignment on SH7 McKendries corner (near Greymouth) and realignment at Kelly's Creek on SH73 completed.

Completion of the sealing of the Fox and Franz Josef Glacier access roads.

OTAGO

There has been significant activity in the Otago region during the three years of the NLTP. There have been two particularly high profile projects – the Dunedin City Council's SH88 realignment project that created a new road around the Forsyth Barr Stadium, and a start on the construction of SH1, Caversham Highway Improvements project.

The Caversham project has been a good example of the benefits of an early contractor involvement delivering the project on budget and in a timely way. Stage two is ready for commencement in the next NLTP period.

INVESTMENT HIGHLIGHTS 2009-12

Around 8 million trips per annum were taken by bus.

The Dunedin City Council's SH88 realignment project was completed providing a bypass to the new stadium and campus areas.

Construction of the first stage of the Caversham Highway Improvements project commenced in January 2011 and is soon to be completed. Design, land purchase and consenting is currently underway for the second stage – the Caversham Valley Safety Improvements. Regional funds are committed to both stages of this project.

A specimen design of the Kawarau Falls Bridge replacement is underway – this includes the consultation, land purchase and consenting processes to enable an expedient progression to construction when funding becomes available.

Construction of the next stage of the off-highway cycleway between Maia and St Leonards is about to be completed and investigation of the balance of the route through to Port Chalmers commenced.

Waiholo passing lane, the Alexandra roundabout and Peninsula Road improvements were completed.

Safety retrofits and seismic retrofits were undertaken.

SOUTHERN REGION CONTINUED



SOUTHLAND

Some key projects were delivered in Southland including the completion of the Invercargill City Council's Tiwai Bridge refurbishment project. Environment Southland has completed their Integrated Transportation Strategy and completed its Regional Road Safety Strategy for Southland.

INVESTMENT HIGHLIGHTS 2009-12

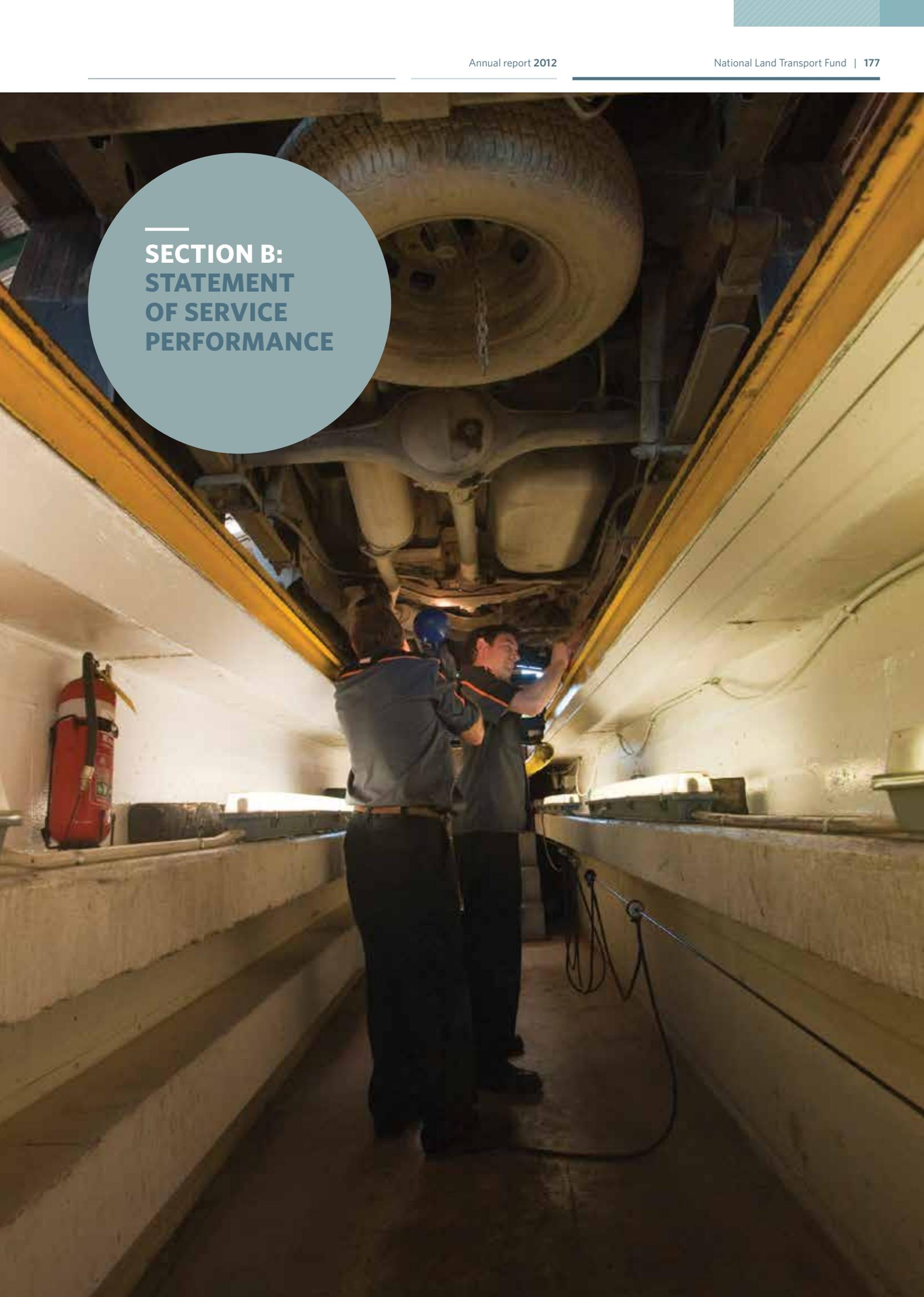
Around 373,000 trips per annum were taken by bus.

Invercargill City Council's Tiwai Bridge refurbishment project was completed.

Investigation commenced on the NZTA's SH94 Homer Tunnel Safety Improvement project.

Dipton Curve and Gill Road realignments were completed.

Safety and seismic retrofits were completed.



**SECTION B:
STATEMENT
OF SERVICE
PERFORMANCE**

STATEMENT OF RESPONSIBILITY

In terms of the Land Transport Management Act 2003, the Board of the NZ Transport Agency is responsible for the preparation of the National Land Transport Fund financial statements and statement of service performance, and for the judgements made in them.

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

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

Signed on behalf of the Board:



Chris Moller

Chair
NZ Transport Agency

24 OCTOBER 2012



Jerry Rickman

Chair of Audit, Risk and
Assurance Board Committee
NZ Transport Agency

24 OCTOBER 2012

Countersigned by:



Geoff Dangerfield

Chief Executive
NZ Transport Agency

24 OCTOBER 2012



Paul Helm

Chief Financial Officer
NZ Transport Agency

24 OCTOBER 2012

SUMMARY OF NLTF INVESTMENT PERFORMANCE

In 2011/12, 15 of our 22 investment performance targets (excluding the Road Policing Programme) were met. Several environmental factors have influenced these results including:

- › unanticipated NLTF revenue shortfalls that resulted in a moratorium on new project approvals with implications for the NLTP delivery schedule
- › rising input costs which pushed up road operation and maintenance costs and lowered output levels within a revenue constrained environment
- › an increased number of significant national disasters which have driven up emergency re-instatement costs over and above that previously expected.

A full summary of the NZTA's performance measures can be found in the statement of service performance in the *NZTA annual report*.

KEY INVESTMENT HIGHLIGHTS FOR 2011/12

Management of funding allocation system

The total cost of managing the funding allocation system was marginally above the <1% of the total annual fund target (excluding Road Policing Programme). This marginal variance is primarily due to expenditure exceeding the budget and overall expenditure in the third year of the NLTP being reduced. This was due to increasing the budget in the first two years in response to the impact of the global economic crisis on the sector and the moratorium placed on new works as a result of unexpected cash flow difficulties.

State highway network

The state highway improvements area has performed well over the year. We have continued to manage our expenditure downwards as available revenue has decreased and the majority of planned construction completions were achieved. Despite the uncertainty around revenue this financial year, and the number of large scale projects currently active within the programme, the NZTA was still able to complete the year within 2.5% of its final financial target. We have continued to invest in our highest priority activities with around 65% of our investment this year focused on the development and delivery of the RoNS programmes.

Renewals for state highways achieved all performance targets for the year. Focus has been on more targeted treatments for local conditions in order to deliver the most appropriate level of service for our customer, directed at higher traffic volume highways.

All performance targets were met for maintenance and operation of the state highways. Road maintenance works and active management of traffic flow incidents and events has ensured that state highways were available for use 99.5% of the time. For instance, access to alternative routes adjacent to the Manawatu Gorge was provided while 380,000 square metres of slip in the gorge was cleared, and damaged bridges were replaced to restore the state highway between Palmerston North and Woodville.

Sector training and research

Overall, 97% of sector training and research activities were delivered to agreed standards and timeframes during the 2011/12 year. Research activities were measured against three components – agreed cost, peer reviews completed, and timeliness. Cost and peer reviews achieved 100%, and project timing achieved 83%, resulting in a 94% rating for research programme activities.

This, averaged with sector training's 100%, resulted in the overall mark of 97% for the delivery of sector training and research activities to agreed standards and timeframes. This was a remarkable outcome given the considerable research programme activity during the year which included publishing 44 new research reports, completing 30 research projects, commissioning and procuring 21 new contracts and actively managing 35 projects.

Transport planning

The timeliness target for transport planning was not met as the programme was slowed to enable better integration with key regional planning work including the Auckland Plan. Regional and unitary councils completed and consulted on 17 regional land transport programmes in preparation for the development of the 2012-15 NLTP. The NZTA contributed and invested in Wellington planning and Christchurch recovery planning and sub-regional transport plans for the Auckland southern initiative area, central Auckland and Wellington's passenger transport spine.

Road user safety

Road user safety achieved or exceeded two of its three performance targets despite difficulty in measuring the perception of the target audience. The Legend (ghost chips) advertisement has been recognised nationally and internationally, receiving multiple recognitions including a number of international and national awards. The intensive public information campaign in March to communicate the changes to the Give Way Rule was very successful and the campaign was shortlisted as a finalist in the Public Sector Award at the 2012 TVNZ Marketing Awards.

Public transport

Public transport services has achieved or exceeded all of its investment performance targets. Public transport infrastructure performance did not meet its timeliness target mainly due to slower than anticipated delivery of key large public infrastructure projects specifically in rail and public transport technology-related projects such as the National Integrated Ticketing Programme.

Local road networks

Nine out of 13 targets for new infrastructure, renewals, maintenance and operations were achieved. New and improved infrastructure for local roads achieved its performance targets by completing and improving 230 lane kilometres of new roads. Length of bridge replacement was less than the previous year due in part to the moratorium on new projects. Renewal of local roads has achieved four out of seven performance targets for the year. Overall, performance results show stable network outcomes and similar costs per measured network unit to the previous year.

Emergency works expenditure dominated the maintenance and operation of local roads for a second year in a row. The Canterbury earthquake response was larger than expected and combined with a small increase in routine maintenance activities, resulted in over-expenditure.

Walking and cycling

This activity class has been affected by the moratorium on new project approvals, which is reflected in the reduced length of new paths and lanes. 65.3 kilometres of new footpaths and cycle paths were completed during 2011/12 against a target of 140-170 kilometres.

ROAD POLICING PROGRAMME

Road Policing Programme

The Road Policing Programme is a special type of NLTF investment in the land transport system, delivered by the NZ Police and funded through Vote Police.

The NZTA prepares the Road Policing Programme with NZ Police and recommends it to the Minister of Transport for approval. The NZTA also monitors and reports on the delivery of the programme, as designated by the Secretary of Transport.

The Road Policing Programme contributes to a reduction in deaths and serious injuries from road crashes, by enforcing the law applying to road users. This output has a secondary contribution, through the protection of the roading asset (again by enforcing the law), to more efficient freight supply chains and the resilience and security of the transport network.

The key achievements for the Road Policing Programme were:

- › Finalised and published the 2011/12 Road Policing Programme – which piloted the implementation of the new outcome investment approach for NLTF funded activities, as recommended by the Road Policing Class Activity Review.
- › Developed the 2012-15 Road Policing Programme which took a step-change in improving alignment with the outcome investment approach and the Road Policing Activity Class Review.
- › Developed and applied a new quarterly reporting framework for NZTA's quarterly reports to the Minister of Transport on NZ Police delivery of the 2011/12 Road Policing Programme. Building on this, the framework was further developed for application to quarterly reporting in 2012/13.

For full details of NZ Police activities, including the Road Policing Programme, see the 2011/12 NZ Police annual report.

PERFORMANCE MEASURES (reproduced from the NZ Police 2011/12 annual report)

Actual 2010/11	Performance measure	Actual 2011/12	Performance standard 2011/12
STRATEGIC ROAD POLICING			
2,241,952	Number of compulsory breath tests conducted *	Not available **	2,000,000
1,023,162	Number of mobile breath tests conducted *	Not available **	700,000
*	Number of breath alcohol tests conducted *	2,864,380 **	2,700,000
New measure for 2011/12	Percentage of roadside inspection reports for all heavy motor vehicles inspected that are entered into the NZTA Road Inspection database within 20 working days	96%	100%
100%	Percentage of all commercial vehicle combinations stopped by Commercial Vehicle Investigation Unit (CVIU) staff, and for which vehicle inspection reports are completed	94%	100%
COMMUNITY ENGAGEMENT ON ROAD SAFETY			
88%	Percentage of all schools contacted by police education officers and/or in receipt of school road safety education sessions	91%	100%
ROAD POLICING INCIDENT AND EMERGENCY MANAGEMENT			
78,608	Number of traffic incidents, blockages and breakdowns attended	77,462	80,000-90,000
New measure for 2011/12	Median response time to emergency traffic events in urban policing areas	8 minutes 36 seconds	8-9 minutes
New measure for 2011/12	Median response time to emergency traffic events in rural policing areas	10 minutes 54 seconds	12-14 minutes
Nil	Number of complaints upheld against the police relating to attendance at traffic emergencies and disasters	Nil	Fewer than 5
ROAD POLICING RESOLUTIONS			
New measure for 2011/12	Number of traffic cases prosecuted	69,797	Benchmark to be established in 2011/12
1	Number of complaints upheld relating to the execution of road policing court documents	Nil	Nil

Notes

* From this year, police will report a combined result for CBTs and MBTs, and will introduce a new measure based on information from sniffer units used by frontline police officers. The sniffer unit counts are electronically recorded when a breath test is conducted and test volumes are downloaded and reported to police every six months by the manufacturer of the units.

** Police currently report two different alcohol breath testing measures. This includes: (1) an overall total number of alcohol breath tests conducted on an annual basis (reported in the *NZ Police annual report*); (2) the number of compulsory breath tests and mobile breath tests undertaken each quarter (included in the *Road Policing Programme quarterly report*). This information is captured in different ways, and to different timeframes to meet wider organisational needs, meaning the two reported results are not comparable. Work is underway to simplify and align measurement of this result in the future.

HOW IS THE MONEY SPENT?

Road safety programme for the year ended 30 June 2012

2010/11 Actual \$000		2011/12 Actual \$000	2011/12 Budget \$000
288,000	Total revenue	297,593	298,455
288,000	Total expenses	297,593	298,455
-	Net surplus (deficit)	-	-

The expenditure figures are based upon unaudited returns from the NZ Police. Any subsequent surplus has to be carried forward and applied to the next year.

HOW DO WE ASSESS OUR INVESTMENT PERFORMANCE? ^{1,2}	Actual 2011/12	Forecast	Variance 2011/12	Actual 2010/11
Number of disqualified, unlicensed, fleeing or racing drivers in fatal/serious crashes	226	Reducing trend	-9	235
Number of young drivers killed per 100,000 15-24 year olds	6.3	Reducing trend	-1.3	7.6
ACC entitlement claims on the motor vehicle account from motorcyclists	970	Reducing trend	-90.3	1,059
Fatalities or serious injuries in crashes with alcohol/drugs per 100,000 population	12.3	Reducing trend	-1.8	14.1
Percentage of vehicles exceeding 100km/h and 50km/h limits	31% > 100km/h 59% >50km/h	Reducing trend	+2% > 100km/h 1% >50km/h	29% > 100km/h 58% >50km/h
Percentage of vehicle occupant deaths where restraints have not been worn (three-year measure)	31%	Reducing trend	-4%	35%
Fatal/serious heavy vehicle crashes where driver is at fault, per 100 million heavy vehicle kilometres travelled	4.9	Reducing trend	-0.1	5.0
Percentage of new vehicles with five-star safety rating	66%	Increasing trend	+11%	55%
Number of 100,000 population of pedestrians/cyclists killed or seriously injured enough to be hospitalised for longer than one day	9.6	Reducing trend	-0.5	10.1
Fatalities and serious injuries in fatigue and/or distraction crashes per 100,000 population	13	Reducing trend	-	13
Number of road users aged 75 years and over killed in road crashes per 100,000	13	Reducing trend	+2	11

1 Two indicators published in the 2011-14 *Statement of intent* – fatal or serious injury crashes on high-risk KiwiRAP state highway routes, and % of fatal and serious injury crashes attended by NZ Police, will not be reported as the measure is reported once every three years.

2 12 months to March.

HOW DO WE INTERPRET THESE PERFORMANCE RESULTS?

NLTF investment

Road policing achieved eight of the 11 core desired outcome trends. Variance to the desired trends include:

- › Fatalities and serious injuries in fatigue and/or distraction crashes per 100,000 population. There has been no change to this trend over the past year.
- › The percentage of vehicles exceeding 100km/h and 50km/h limits increased by 2% and 1% respectively. While this is considered significant in safety terms, the NZTA, together with NZ Police, are working to reduce this by targeting investments in road policing safe speed campaigns. Additionally, with the second Safer Journeys Action Plan that identified safer speeds as one of its priority areas, a more focused and stronger delivery of safer speeds interventions is expected. The action plan is expected to be delivered early 2013.

- › The number of road users aged 75 years and over killed in road crashes per 100,000 population increased slightly from 11 to 13. However, the longer term view indicates a reducing trend. The average annual rate within the current NLTP period (2009-2012) is 1.2% less than the average rate of the previous NLTP (2008-2009).

Overall, the Road Policing Programme continues to provide a positive return on NLTF investment.

OFFICIAL SCOPE: Enabling NZ Police to deliver the Road Policing Programme. The Minister of Transport invests in road policing to improve road safety outcomes.

**SECTION C:
STATEMENT
OF FINANCIAL
PERFORMANCE**



FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 20 JUNE 2012

	Note	Actual 2011/12 \$m	Budget 2011/12 \$m	Actual 2010/11 \$m
INCOME INFLOWS^a				
Land transport revenue	3	2,692	2,766	2,634
Government contribution to land transport revenue		1	0	44
Management of Crown land and interest		48	39	50
Total income flows		2,741	2,805	2,728
OUTFLOWS				
NZTA National Land Transport Programme		1,790	1,802	1,746
NZTA National Land Transport Programme - capital contribution	4	573	685	987
NZ Police		297	296	288
Search and rescue		6	6	6
Total outflows		2,666	2,789	3,027
NET SURPLUS/(DEFICIT)		75	16	(299)

a. This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003. Explanations of major variances against budget are provided in note 17.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	Actual 2011/12 \$m	Budget 2011/12 \$m	Actual 2010/11 \$m
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5	44	7	0
Debtors	6	191	165	186
Total assets		235	172	186
LIABILITIES				
CURRENT LIABILITIES				
Creditors and other payables	7	407	403	433
Total liabilities		407	403	433
NET ASSETS		(172)	(231)	(247)
General funds		(172)	(231)	(247)
GENERAL FUNDS CLOSING BALANCE^a		(172)	(231)	(247)

a. This heading has been used to be consistent with the terminology in the Land Transport Management Act 2003. Explanations of major variances against budget are provided in note 17.

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN GENERAL FUNDS BALANCE FOR THE YEAR ENDED 30 JUNE 2012

	Note	Actual 2011/12 \$m	Budget 2011/12 \$m	Actual 2010/11 \$m
GENERAL FUNDS OPENING BALANCE				
General funds		(247)	(247)	52
Total general funds opening balance		(247)	(247)	52
CHANGES IN GENERAL FUNDS BALANCE				
Net surplus/(deficit)		75	16	(299)
Total changes in general funds balance		75	16	(299)
GENERAL FUNDS CLOSING BALANCE				
General funds		(172)	(231)	(247)
TOTAL GENERAL FUNDS CLOSING BALANCE^a		(172)	(231)	(247)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Note	Actual 2011/12 \$m	Budget 2011/12 \$m	Actual 2010/11 \$m
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from land transport revenue		2,736	2,826	2,754
Payments to suppliers		(2,692)	(2,819)	(2,777)
Net cash from operating activities	8	44	7	(23)
Net (decrease)/increase in amounts held by the Crown		44	7	(23)
Amounts held by the Crown at the beginning of the year		0	0	23
AMOUNTS HELD BY THE CROWN AT THE END OF THE YEAR^b		44	7	0

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

b. The National Land Transport Fund is a notional account only. There are no actual cash and cash equivalents as funds are held by the Crown. However, this statement has been provided to meet the requirements of section 11 of the Land Transport Management Act 2003.

Explanations of major variances against budget are provided in note 17.

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

Reporting entity

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

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

- › the funding of the NZ Police's Road Policing Programme
- › the funding of the National Land Transport Programme for:
 - activities delivered by an approved organisation
 - state highway activities
 - research
 - other NZTA activities, such as transport planning.

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

The financial statements of the National Land Transport Fund are for the year ended 30 June 2012 and were approved by the Board on 24 October 2012.

Basis of preparation

Statement of compliance

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

These financial statements have been prepared in accordance with NZ GAAP as appropriate for public benefit entities and they comply with New Zealand International Financial Reporting Standards (NZ IFRS).

Measurement base

The financial statements have been prepared on an historical cost basis.

Function and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest million dollars (\$m). The functional currency of the National Land Transport Fund is New Zealand dollars (NZ\$).

Changes in accounting policies

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

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

- › Amendments to NZ IAS 1 Presentation of Financial Statements - The amendments introduce a requirement to present, either in the statement of changes in equity or the notes, for each component of equity, an analysis of other comprehensive income by item.
- › FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments) - The purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction.

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

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

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

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

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Significant accounting policies

INCOME INFLOWS

Income comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the National Land Transport Fund's business. Revenue is shown net of goods and services tax (GST).

Income is recognised when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the National Land Transport Fund activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activity giving rise to the revenue have been resolved.

Interest

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

Assets

The National Land Transport Fund account being a notional account does not hold physical assets.

OUTFLOWS

The National Land Transport Fund accounts for the flow for funds to:

- › the NZ Transport Agency - for the funding of the National Land Transport Programme.
- › the New Zealand Police - who provide the Road Policing Programme

Under section 9(1) of the Land Transport Management Act 2003, the National Land Transport Fund funds search and rescue activities, and recreational boating safety and safety awareness.

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

FINANCIAL ASSETS

The National Land Transport Fund is a notional account with funds held as part of the total Crown funds.

CASH AND CASH EQUIVALENTS

The cash and cash equivalents of the National Land Transport Fund are held by the Crown.

EMPLOYEE ENTITLEMENTS

The National Land Transport Fund has no employees.

COMMITMENTS

The National Land Transport Fund is the major funder of the National Land Transport Programme. The commitments outlined in the notes reflect the funding commitments documented in the National Land Transport Programme 2010-13.

GOODS AND SERVICES TAX

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis.

Commitments and contingencies are disclosed exclusive of GST.

INCOME TAX

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

BUDGET FIGURES

The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the NZTA in preparing these financial statements.

2 STATEMENT OF INFLOWS, OUTFLOWS, AND CAPITAL EXPENDITURE FOR THE PREVIOUS TWO FINANCIAL YEARS

	Actual 2011/12 \$m	Actual 2010/11 \$m	Actual 2009/10 \$m
INCOME INFLOWS			
Land transport revenue	2,692	2,634	2,510
Government contribution to land transport revenue	1	44	85
Management of Crown land and interest	48	50	37
Total income flows	2,741	2,728	2,632
OUTFLOWS			
NZTA National Land Transport Programme	1,790	1,746	1,815
NZTA National Land Transport Programme - Capital contribution	573	987	693
NZ Police	297	288	288
Search and rescue	6	6	0
Rail infrastructure	0	0	135
Other	0	0	1
Total outflows	2,666	3,027	2,932
NET SURPLUS/(DEFICIT)	75	(299)	(300)

This statement of inflows, outflows, and capital expenditure for the previous two financial years is provided under the requirements of the Land Transport Management Act 2003.

Separate disclosure of the Management of Crown land and interest is required under the Land Transport Management Act 2003.

3 LAND TRANSPORT REVENUE

	Actual 2011/12 \$m	Actual 2010/11 \$m
REVENUE		
Fuel excise duty	1,513	1,483
Road user charges	1,092	1,061
Motor vehicle registration fees	175	173
	2,780	2,717
LESS REFUNDS		
Fuel excise duty	35	36
Road user charges	46	45
Motor vehicle registration fees	0	1
	81	82
Less bad debt write-off	7	1
TOTAL LAND TRANSPORT REVENUE	2,692	2,634

4 NZTA NATIONAL LAND TRANSPORT PROGRAMME – CAPITAL CONTRIBUTION

	Actual 2011/12 \$m	Actual 2010/11 \$m
Accelerated state highway construction	0	34
New and improved infrastructure for state highways	573	953
TOTAL NZTA NLTP – CAPITAL CONTRIBUTION	573	987

5 CASH AND CASH EQUIVALENTS

The National Land Transport Fund is a notional account only. The cash and cash equivalents reported in these statements are held by the Crown in the consolidated fund.

6 DEBTORS

	Actual 2011/12 \$m	Actual 2010/11 \$m
Debtors – fuel excise duty	169	164
Debtors – motor vehicle register/road user charges	22	22
TOTAL DEBTORS	191	186

7 CREDITORS AND OTHER PAYABLES

	Actual 2011/12 \$m	Actual 2010/11 \$m
Crown	0	42
NZTA (to the National Land Transport Programme)	407	386
Accrued expenses	0	5
TOTAL CREDITORS AND OTHER PAYABLES	407	433

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

8 RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FROM OPERATING ACTIVITIES

	Actual 2011/12 \$m	Actual 2010/11 \$m
NET SURPLUS/(DEFICIT) AFTER TAX	75	(299)
ADD/(LESS) MOVEMENTS IN WORKING CAPITAL ITEMS:		
(Increase)/decrease in debtors	(5)	26
Increase/(decrease) in creditors and other payables	(26)	250
Net movements in working capital items	(31)	276
NET CASH FROM OPERATING ACTIVITIES	44	(23)

9 CAPITAL COMMITMENTS AND OPERATING ROADING COMMITMENTS

The future aggregate funding commitments for the National Land Transport Fund are as follows:

	Actual 2011/12 \$m	Actual 2010/11 \$m
Not later than one year	1,478	3,000
Later than one year and not later than five years	2,895	3,283
Later than five years	1,352	1,572
TOTAL FUNDING COMMITMENTS	5,725	7,855

10 CONTINGENCIES

Contingent liabilities

The National Land Transport Fund has no contingent liabilities (2011: Nil).

Contingent assets

The National Land Transport Fund has no contingent assets (2011: Nil).

11 RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

All related party transactions have been entered into on an arms-length basis.

The National Land Transport Fund is a wholly owned notional fund of the Crown.

Significant transactions with government-related entities

The National Land Transport Fund has been provided with funding of \$2.741 billion (2011: \$2.728 billion) for specific purposes as set out in its founding legislation and the scope of the relevant government appropriations.

Collectively, but not individually, significant transactions with government-related entities

The National Land Transport Fund purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2012 totalled \$2.666 billion (2011: \$3.028 billion). These purchases included the funding of the New Zealand Police's Road Policing Programme and the NZTA's National Land Transport Programme.

Key management personnel compensation

Under the definition of NZ IAS 24, the National Land Transport Fund has no key management personnel.

12 EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

13 FINANCIAL INSTRUMENT CATEGORIES

The carrying amounts of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

	Actual 2011/12 \$m	Actual 2010/11 \$m
LOANS AND RECEIVABLES		
Cash and cash equivalents	44	0
Debtors	191	186
TOTAL LOANS AND RECEIVABLES	235	186
FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
Creditors and other payables	407	433
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	407	433

14 FINANCIAL INSTRUMENT RISKS

The National Land Transport Fund's activities do not expose it to any financial instrument risks, such as market risk, credit risk, or liquidity risk.

15 CAPITAL MANAGEMENT

The National Land Transport Fund's capital is its general funds. General funds are represented by net assets.

The National Land Transport Fund is subject to the financial management and accountability provisions of the Public Finance Act 1989, which imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities and the use of derivatives.

The NZTA manages the National Land Transport Fund general funds as a by-product of prudent management of revenues, expenses, liabilities and general financial dealings, to ensure the National Land Transport Fund effectively achieves the requirements set out in the Land Transport Management Act 2003.

16 COMMITMENTS TO REGIONS REPORTING

Disclosure of funding commitments to regions under the Land Transport Management Act 2003.

	Actual 2011/12 \$m	Actual 2010/11 \$m
Auckland land transport	65	35
Bay of Plenty	24	14
Waikato land transport	102	60
Wellington land transport	1	2
Wellington land transport (western corridor)	35	14
TOTAL	227	125

17 EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

Explanations for significant variations from the National Land Transport Fund's budgeted figures are as follows:

Statement of comprehensive income

INCOME INFLOWS

Land transport revenue was lower than budgeted by \$74 million. This is the net result of fuel excise duty and road user charges revenue being below budget by \$77 million and \$8 million respectively. This is offset by motor vehicle registration revenue being \$6 million above budget, and less debts being written off than budgeted.

Management of Crown land and interest was higher than budgeted by \$9 million. Improved management of the property disposal programme has resulted in higher income from the sale of properties.

OUTFLOWS

The NZTA's National Land Transport Programme - Capital contribution was lower than budgeted by \$112 million, but this is in line with the State Highways Programme for 2011/12.

STATEMENT OF SERVICE PERFORMANCE

FINANCIALS

OUTPUT CLASS FUNDING TO THE NZ TRANSPORT AGENCY			
	Actual 2011/12 \$m	Budget 2011/12 \$m	Actual 2010/11 \$m
Management of the funding allocation system	28	29	31
Transport planning	24	26	23
Sector training and research	5	6	3
Public transport infrastructure	31	55	45
Public transport services	222	228	195
Road user safety	39	43	33
New and improved infrastructure for local roads	130	165	163
Renewal of local roads	174	235	206
Maintenance and operation of local roads	263	277	275
Walking and cycling facilities	6	12	12
Accelerated state highway construction	0	0	34
New and improved infrastructure for state highways	703	708	1,001
Renewal of state highways	390	388	384
Maintenance and operation of state highways	348	315	328
TOTAL OUTPUT CLASS FUNDING TO THE NZ TRANSPORT AGENCY	2,363	2,487	2,733

Public transport infrastructure - Actual is 43% below budget due to slower than planned progress on infrastructure projects in Auckland.

Local road new infrastructure, renewals and maintenance - Combined, actual is 16% below budget due to the impact of a moratorium on new approvals and a financial assistance rate variation arrangement with Auckland Transport.

Maintenance and operation of state highways - Actual is 10% higher than budgeted with emergency works on weather-related events and Christchurch earthquake accounting for the majority of the increased outflow.

INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

TO THE READERS OF NATIONAL LAND TRANSPORT FUND'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

The Auditor-General is the auditor of the National Land Transport Fund (the NLTF). The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and a statement of service performance of the NLTF on her behalf.

We have audited:

- the financial statements of the NLTF on pages 186 to 193, that comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in general funds balance and statement of cash flows for the year ended on that date and notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the NLTF on pages 179 to 184 and 194.

OPINION

In our opinion:

- the financial statements of the NLTF on pages 186 to 193:
 - › comply with generally accepted accounting practice in New Zealand; and
 - › fairly reflect the NLTF's:
 - financial position as at 30 June 2012; and
 - financial performance and cash flows for the year ended on that date.
- the statement of service performance of the NLTF on pages 179 to 184 and 194:
 - › complies with generally accepted accounting practice in New Zealand; and
 - › fairly reflects, for each activity class, the NLTF's service performance achievements and expenses measured against the performance targets and budgets adopted for the year ended 30 June 2012.

Our audit was completed on 24 October 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities, and we explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the NLTF's financial statements and statement of service performance that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the NLTF's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the NLTF's financial position, financial performance and cash flows; and
- fairly reflect its service performance.

The Board is also responsible for such internal control as is determined necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

The Board's responsibilities arise from the Land Transport Management Act 2003.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and the statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 11(3) of the Land Transport Management Act 2003.

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the NLTF.



John O'Connell

Audit New Zealand

On behalf of the Auditor-General

Wellington, New Zealand

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS AND NON-FINANCIAL PERFORMANCE INFORMATION

This audit report relates to the financial statements and non-financial performance information of the National Land Transport Fund for the year ended 30 June 2012 included on NZ Transport Agency's website. The NZ Transport Agency's Board is responsible for the maintenance and integrity of NZ Transport Agency's website. We have not been engaged to report on the integrity of NZ Transport Agency's website. We accept no responsibility for any changes that may have occurred to the financial statements and non-financial performance information since they were initially presented on the website.

The audit report refers only to the financial statements and non-financial performance information named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and non-financial performance information. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and non-financial performance information as well as the related audit report dated 24 October 2012 to confirm the information included in the audited financial statements and non-financial performance information presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.



If you have further queries, call our contact centre on 0800 699 000 or write to us:

NZ Transport Agency
Private Bag 6995
Wellington 6141.

This publication is also available on NZ Transport Agency's website at www.nzta.govt.nz

