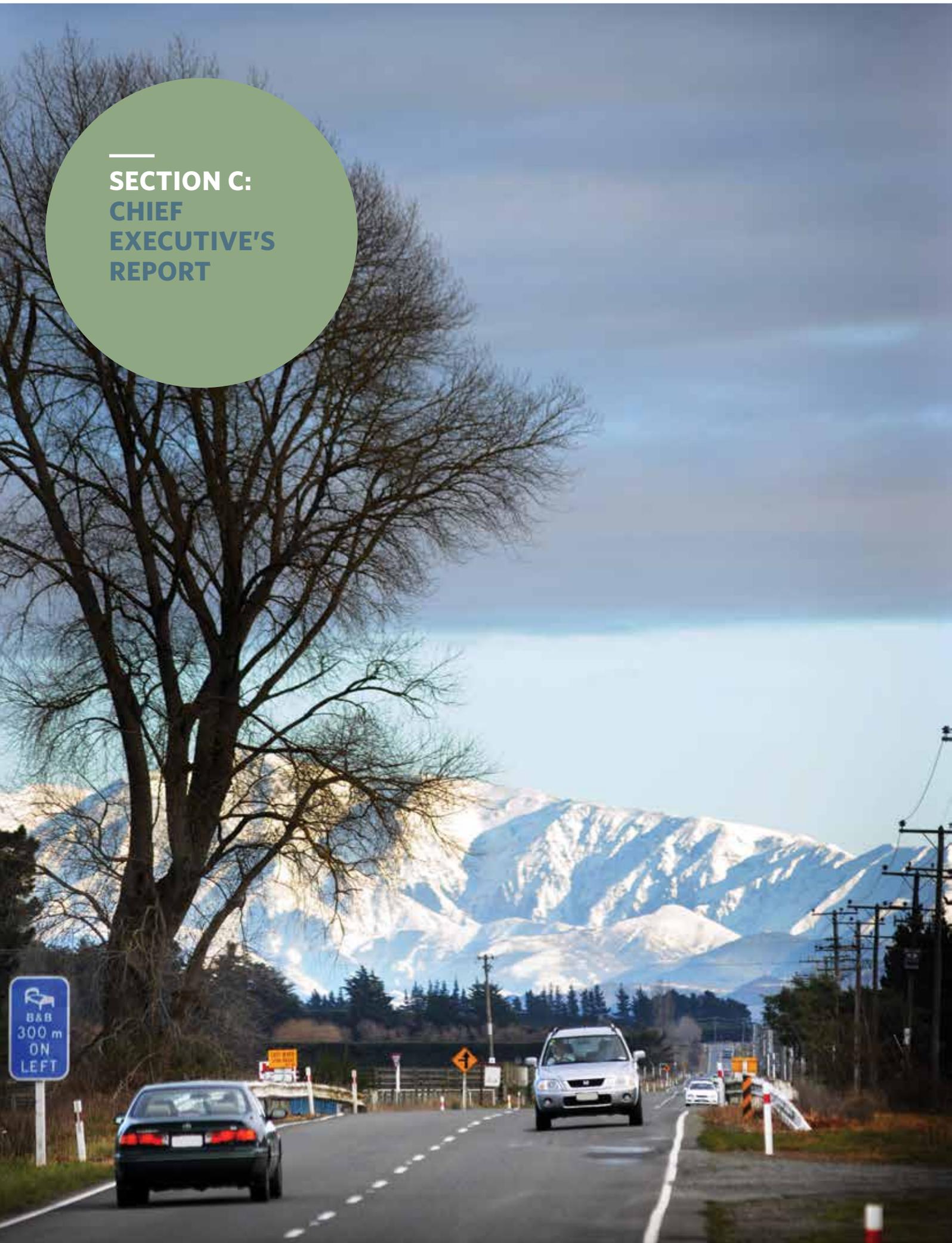




**SECTION C:
CHIEF
EXECUTIVE'S
REPORT**



REPORT FROM THE CHIEF EXECUTIVE

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

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

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

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

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

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

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

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

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

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

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

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

\$868

MILLION

ON ROAD SAFETY

\$12.28

BILLION

ON LAND TRANSPORT SERVICES
AND INFRASTRUCTURE

898,721

ONLINE MOTOR VEHICLE
REGISTRATIONS



IMPROVING CUSTOMER SERVICE WHILE REDUCING COMPLIANCE COSTS

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

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

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

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

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

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

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

EMBEDDING THE SAFE SYSTEM APPROACH

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

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

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

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

- We implemented the government's legislated changes that raised the minimum driving age to 16 and introduced a zero alcohol limit for teenage drivers.
- We relaunched the RightCar website (rightcar.govt.nz), which provides a convenient one-stop shop for people shopping for a vehicle. The website contains data on safety, fuel economy

and vehicle emissions to help customers make a safer, cleaner and more economical vehicle decision.

- We introduced a new restricted driver licence test to improve the safety of novice drivers. These drivers now face a longer and more challenging practical test, requiring a substantial amount of supervised practice to prepare for and pass the harder test. Research shows that young drivers who complete 120 hours of supervised practice on their learner licence have a sole-driving crash rate that is 40% lower than those drivers who only complete 50 hours of supervised practice.
- We implemented the government's changes to two give way rules to reduce intersection crashes and improve safety, especially for pedestrians and cyclists. Transition to these new rules has gone very smoothly, with no serious crashes attributed to the changes in the three months to June 2012.

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

IMPROVING FREIGHT MOVEMENT EFFICIENCY

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

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

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

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

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

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

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

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

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

4500

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



DELIVERING THE ROADS OF NATIONAL SIGNIFICANCE

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

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

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

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

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

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

IMPROVING PUBLIC TRANSPORT EFFECTIVENESS

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

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

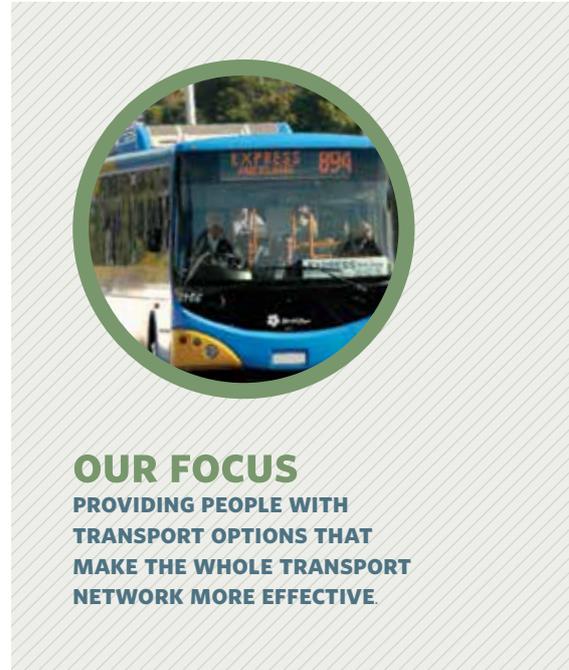
Most of our attention during the past year has been on improving public transport services in our largest urban areas and providing more transport choices in cities and towns across New Zealand. With good results: in 2011/12 we saw substantial increases in public transport patronage in Auckland (8%), Bay of Plenty (16%),

Hawke's Bay (23%) and Northland (7%), while a significant decline in Canterbury (40%) reflects the ongoing effects of the February 2011 earthquake.

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

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

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



OUR FOCUS

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

REBUILDING CHRISTCHURCH AND GROWING CANTERBURY

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

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

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

With a long-term recovery strategy for the rebuild of greater Christchurch now in place, we are working with our partners in SCIRT and the Client Governance Group, which represents Christchurch City Council, the Canterbury Earthquake Recovery Authority and the NZTA as owners of damaged infrastructure, to develop a one-network approach to the region's transport system. This joined-up approach will ensure a

strong relationship between the planning, delivery and monitoring of the rebuild and the available funding, with an emphasis on value for money in all rebuild activities. More broadly, it will also encourage better integration of land use and transport planning across the region, delivering benefits that will extend well beyond the rebuilding phase.

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

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

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

\$87.8

**MILLION
INVESTED IN EMERGENCY
WORK PROJECTS**

55

**KILOMETRES
NEW OR IMPROVED
HIGHWAY ONCE COMPLETED**

\$130

**MILLION
INVESTED IN PUBLIC
TRANSPORT OVER THE
NEXT THREE YEARS**

DELIVERING VALUE FOR MONEY IN ALL THAT WE DO

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

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

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

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

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

UNIT TRANSACTION COSTS - TRENDS



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

GROWING AUCKLAND

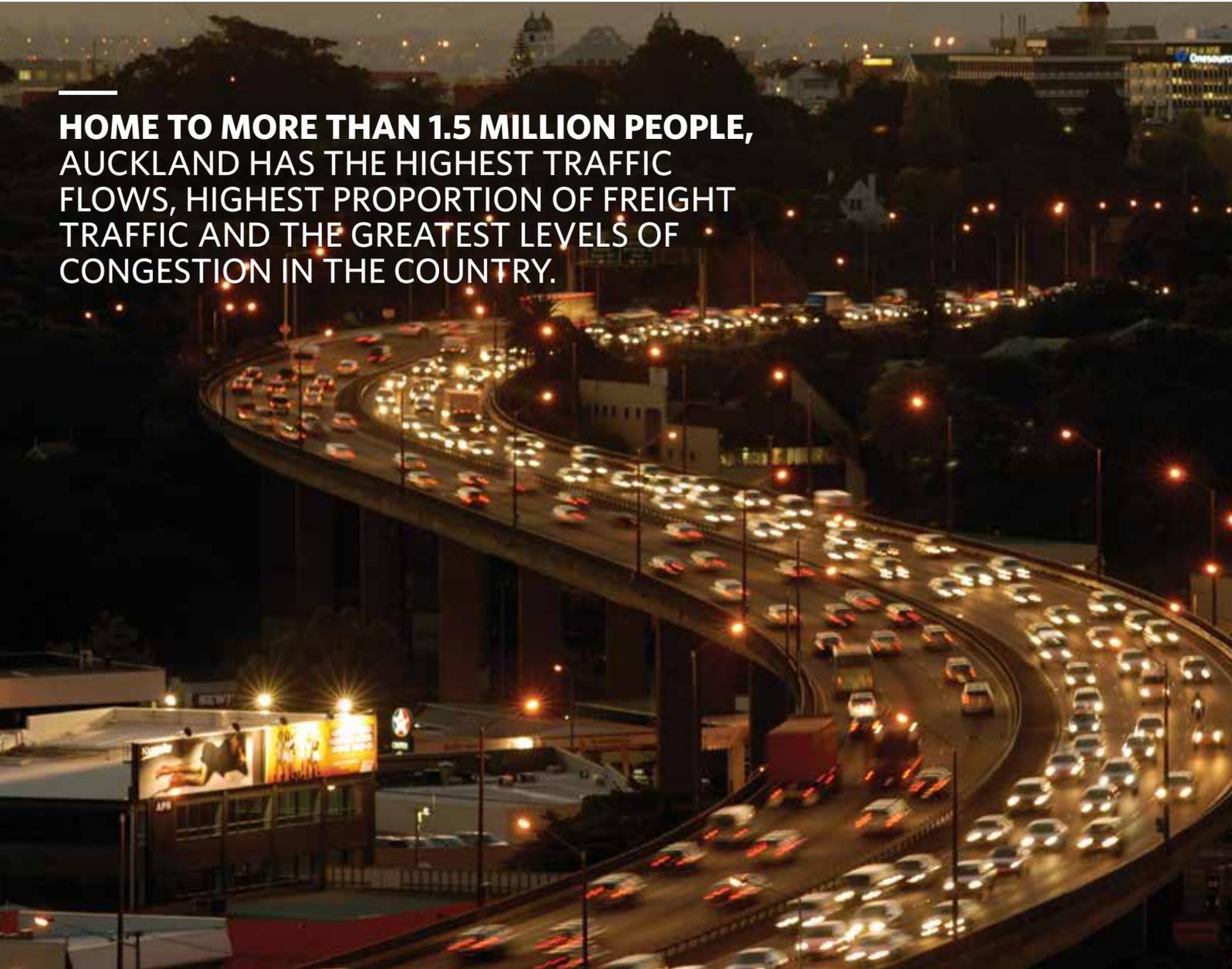
Auckland gets a lot of our attention, and rightly so. Home to more than 1.5 million people, Auckland has the highest traffic flows, highest proportion of freight traffic and greatest levels of congestion in the country - all of which have a significant effect on the efficiency of the transport network.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

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

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

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

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



HOME TO MORE THAN 1.5 MILLION PEOPLE, AUCKLAND HAS THE HIGHEST TRAFFIC FLOWS, HIGHEST PROPORTION OF FREIGHT TRAFFIC AND THE GREATEST LEVELS OF CONGESTION IN THE COUNTRY.

A TEAM EFFORT

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

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

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

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

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

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



Geoff Dangerfield
Chief Executive

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

1350
PEOPLE
WORK AT
THE NZTA IN

16
LOCATIONS
FROM WHANGAREI
TO DUNEDIN



LEADERSHIP TEAM PROFILES

CHIEF EXECUTIVE

Geoff Dangerfield, Chief Executive

BSc, MSc
(Resource Management)



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

SENIOR LEADERSHIP TEAM

Dave Brash, Group Manager Planning & Investment

BSc (Hons) (Geography)



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

Jenny Chetwynd, Regional Director Central

Bachelor of Regional
Planning (BRP Hons), MBA



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

Colin Crampton, Group Manager Highways & Network Operations

BE (Hons), Dip BA, FIPENZ



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

Allan Frost, Group Manager Organisational Support

Chartered Accountant



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

Jim Harland,
Regional Director
Southern

BA Dip TP, MTP (Hons),
MNZPI, FNZIM



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

Liz Huckerby,
Group Manager
People & Capability

BA Hons, Post Graduate
Certificate in Education,
Post Graduate Diploma
in Personnel Management,
Post Graduate Diploma
in Human Resources,
Masters in Business Studies



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

Celia Patrick
Group Manager
Access & Use

Graduate Diploma in
Business, MBA



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

Stephen Town,
Regional Director
Auckland/Northland

MBA



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

Harry Wilson,
Regional Director
Waikato/Bay of Plenty



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

Ernst Zöllner,
Group Manager Strategy
& Performance

Masters in City &
Regional Planning,
BCom (Hons) in Economics



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

ORGANISATIONAL STRUCTURE

OUR GROUP STRUCTURE

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

Business groups

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

Corporate support groups

Approximately 350 staff make up the following corporate support groups:

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