

SECTION C

STATEMENT OF PERFORMANCE



STATEMENT OF RESPONSIBILITY

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

The Board is responsible for any end-of-year performance information provided by the Transport Agency under section 19A of the Public Finance Act 1989.

The Board 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 performance fairly reflect the financial position and operations of the Transport Agency for the year ended 30 June 2017.

Signed on behalf of the Board:



CHRIS MOLLER

Chair
NZ Transport Agency
28 SEPTEMBER 2017



MARK DARROW

Chair of the Audit, Risk and
Assurance Board Committee
NZ Transport Agency
28 SEPTEMBER 2017

Countersigned by:



FERGUS GAMMIE

Chief Executive
NZ Transport Agency
28 SEPTEMBER 2017



HOWARD CATTERMOLE

General Manager
Investment and Finance
NZ Transport Agency
28 SEPTEMBER 2017



JENNY CHETWYND

General Manager
Strategy, Policy and Planning
NZ Transport Agency
28 SEPTEMBER 2017

OUTPUT CLASSES THAT SUPPORT OUR ONE NETWORK GOAL

INVESTMENT MANAGEMENT

Delivered by the Transport Agency and funded from the National Land Transport Fund and the Crown

HOW INVESTMENT MANAGEMENT CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,^o we invest in or influence:

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

We contribute to our operating costs to:

- develop and manage the National Land Transport Programme efficiently
- develop a shared view of planning and investing with our investment partners
- provide advice to the Government on policy frameworks
- encourage closer integration of stakeholders' land-use and transport planning
- monitor and audit land transport activities and the performance of organisations that we invest with
- provide investment and procurement advice on land transport activities, including public transport
- monitor and report on the national Road Policing Programme.

Investment management helps deliver on our long-term goal of integrating one network for customers by:

- providing greater certainty for regional land transport plans, infrastructure development and activity management, and investment in the New Zealand transport system
- managing the National Land Transport Fund investments to maximise the overall benefit for New Zealand's transport system.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements for investment management included:

- developing the first version of the Long-Term Strategic View of the land transport system, which identifies transport system pressure points, issues and opportunities based on existing Regional Land Transport Plans, the Auckland Transport Alignment Project and Regional Economic Development Plans, and aligns with the Ministry of Transport's Transport Outlook Current State
- working closely with the Ministry of Business, Innovation and Employment on the new Housing Infrastructure Fund, the first round of allocations for transport and water infrastructure and the Tourism Infrastructure Fund to ensure alignment with the National Land Transport Programme (NLTP)
- working with councils and other stakeholders on the transport deliverables of the Regional Economic Development Action Plans for Northland and for Bay of Plenty, as well as identifying the transport contributions for:
 - Regional Economic Development Action Plans in Gisborne, Hawke's Bay, Manawatū-Whanganui, Southland and West Coast
 - the refreshed Canterbury Regional Economic Development Strategy
 - the Auckland Transport Alignment Project
 - Auckland's Supporting Growth - Delivering Transport Networks programme (formerly known as the Transport for Future Urban Growth)
 - the Let's Get Wellington Moving project
 - the Queenstown-Wanaka transport study

^o Output class scope statements are in appendix 4, page 186.

- implementing the findings from the Investment Decision Making review, including:
 - revising the Investment Assessment Framework for the development of the 2018-21 National Land Transport Programme
 - refining the business case approach and developing training material
 - updating aspects of the economic evaluation process
 - preparing guidance materials to improve the clarity and transparency about our investment decision-making process
- simplifying and clarifying with our local government partners the processes to be followed for developing the 2018-21 National Land Transport Programme, including:
 - lifting thresholds for minor improvements (and reducing the number of transactions for our partners)
 - simplifying the business case approach and improving its alignment with the Treasury's Better Business Cases approach
 - creating incentives for local authorities to deliver on the work of the Road Efficiency Group
- investing in sector research, procuring and contracting 26 new research projects on wide-ranging topics, publishing 31 peer-reviewed and edited research reports on our website, providing free access to research findings and recommendations, and publishing four research newsletters promoting 20 research projects
- working with our partners on the Connecting Dunedin work programme to create an integrated approach to planning and delivering a transport system for Dunedin that creates better connections and provides more transport choices for people.
- delivering the Safer Journeys Signature Programme business case ahead of schedule and below cost.

HOW WE PERFORMED*

We met four of our seven performance targets for investment management.

	SERVICE DELIVERY†	ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
VALUE FOR MONEY	Total cost of managing the funding allocation system as a % of the NLTP expenditure ^{NOTE 1}	1.1%	1%	≤1%	-	●
	% of activities completed to agreed standards and timeframes (management of funding allocation system) ^{NOTE 2}	100%	100%	100%	-	●
	% of operational assurance activities completed ^{NOTE 3}	95%	93%	100%	7%	①
	Average number of days taken to deliver ^{NOTE 4}	11.3	11.4‡	20	8.6	●
SERVICE DELIVERY	% of activities that are delivered to agreed standards and timeframes (Transport planning) ^{NOTE 5}	75%	75%	≥90%	15%	②
	% of activities that are delivered to agreed standards and timeframes (Sector research) ^{NOTE 6}	100%	98%	≥90%	8%	●
CUSTOMER SATISFACTION	% customer satisfaction (approved organisations/stakeholders) ^{NOTE 7}	66%	Not available**	≥75%	-	-

* A Crown appropriation funds the management of the Crash Analysis System in this output class. For this appropriation, we monitor the average number of days taken to enter fatal crash reports (from date of receipt) into the system. For 2015/16, the average number of days was 6 against a budget standard of 20 days.

† For technical notes, see appendix 2 on page 181.

‡ We have changed the methodology we use to assess the average number of days taken to deliver. We have changed to the 2015/16 result to reflect our 2015/16 performance according to the new methodology to allow for a comparison to be made between the two years.

** A survey of stakeholders and approved organisations was not conducted this year. The Transport Agency changed its regional structure towards the end of the financial year and moved to a new organisational structure on 3 July 2017. The existing survey was based on the old structures, so the results would not have been pertinent or actionable.

- ① The target to complete 100 percent of the published 2016/17 investment assurance programme of audits and reviews was not met because resources were reprioritised to meet changing business needs. This resulted in two planned investment audits and one post-implementation review project being deferred until 2017/18.
- ② For all transport planning activities this year, 75 percent were delivered to agreed standards and timeframes. This missed target was primarily caused by the need to undertake additional investigative work to develop programme business cases for both state highway and local road projects.

WHAT IT COST

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	61,553	59,775	1,778	62,281
Expenditure	61,553	59,775	(1,778)	62,281
Net surplus/(deficit)	0	0	0	0

Investment management output class expenditure was \$1.8 million (3 percent) above budget. This was largely driven by the work to develop the nine state highway programme business cases. Sector research expenditure was also above budget as some of the underspend from 2015/16 was used in 2016/17.

OUTPUT CLASSES THAT SUPPORT OUR SMART CHOICES GOAL

LICENSING AND REGULATORY COMPLIANCE

Delivered by the Transport Agency and funded from fees and charges and the Crown

HOW LICENSING AND REGULATORY COMPLIANCE CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,^o we:

- monitor and audit compliance with regulatory standards and requirements by vehicles, drivers, operator and transport systems providers, and rail system participants
- provide ministerial services
- provide driver and transport operator (including rail operator) licensing and testing services
- maintain the driver licence register
- issue overdimension permits
- administer drug and alcohol assessments of drivers and operators (funded by the Ministry of Health)
- provide licensing information and advice to the public
- develop land transport rules (under contract to the Ministry of Transport)
- develop clear and well-understood standards for:
 - vehicle inspection and certification
 - transport service licensing operations
 - rail safety operations
 - vocational driver licensing.

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

Licensing and regulatory compliance primarily contributes to the long-term goal of shaping smart transport choices. This is achieved by reducing deaths and serious injuries through the regulation of drivers, vehicles and commercial operators and the associated influence on drivers and driver behaviour. A secondary contribution is also derived from regulatory activities through the support of efficiency of freight supply chains and vehicle fleet efficiency and by reducing adverse environmental effects.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements for licensing and regulatory compliance included:

- giving effect to the replacement Vehicle Dimensions and Mass Rule, which came into effect on 1 February 2017. The replacement rule increases freight productivity by enabling more freight to be transported on fewer trucks, while maintaining the safe and appropriate use of roads and bridges. The rule clarifies the application of the permit systems, making it easier for operators to understand and the Transport Agency to administer.
- working with the Ministry of Transport to review the small passenger services licensing regime. The objectives of the review were to maintain the safety of passengers and drivers, enable the industry to be responsive to customer needs, encourage competition and allow for the provision and use of new technology. Significant changes as a result of the review include the establishment of a single, regulated small passenger service category. The changes to the Land Transport Act 1998 and rules will take effect in 2017/18.
- reviewing, with the Ministry of Transport, aspects of the driver licensing system and the Driver Licensing Rule. The objectives of the review were to allow the licensing system to move to a digital environment, simplify or remove aspects of the licensing regime for heavy and special-type vehicle licences and improve oversight for providers of driving courses. The public will be consulted on potential changes to the Driver licensing Rule in 2017/18, with the changes likely to take effect later in 2017/18.
- strengthening the integrity of driver licensing processes and systems through a dedicated programme of actions. This work included an external review of the integrity of the end-to-end system and an extensive review of procedures and operations.

^o Output class scope statements are in appendix 4, page 186.

Our rail safety achievements include the following:

- significantly improving our working relationship with the Transport Accident Investigation Commission. The commission also reported its growing confidence in the changes made to the rail regulatory function during the past two years. We made a concerted effort during the past two years to resolve outstanding safety recommendations, completing actions to incorporate 14 recommendations (28 recommendations remain open).
- continuing to implement the critical risk programme, which was launched in May 2016, by focusing our regulatory efforts on the identified priorities and ensuring the sector does the same when managing safety. This year, we focused regulatory activities on the safety of track workers, tunnel operations and level crossings, produced and published the *Track worker safety guide*, undertook a survey of tunnel hazards across industry and drove improvements in KiwiRail's tunnel emergency response and observed a number of live exercises.
- defining and publishing our regulatory operating model, which we are in the early stages of socialising with rail participants. The model shapes our regulatory activities as a whole, guides our thinking and sets out our operating principles. The model also makes our approach clear to those we interact with, allowing us to be transparent and consistent in compliance and enforcement decisions.
- in-sourcing our core safety assessment monitoring. This was implemented along with a risk-based assessment framework that enables us to better differentiate between rail operators, making sure we effectively target our efforts to the most important issues.

HOW WE PERFORMED

We achieved five of our six performance targets for licensing and regulatory compliance.

SERVICE DELIVERY*		ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
VALUE FOR MONEY	Unit transaction costs ^{NOTE 8}	\$10.98	\$11.32	≤\$11	+\$0.32	1
	% of transactions completed online ^{NOTE 9}	38%	41%	≥30%	+11%	●
	% accuracy of the registers ^{NOTE 10}	93%	96%	≥93%	+3%	●
SERVICE DELIVERY	% of activities that are delivered to agreed standards and timeframes ^{NOTE 11 †}	92%	93%	≥90%	+3%	●
	% of operational assurance activities completed ^{NOTE 12}	100%	100%	100%	-	●
	Number of products/services delivered or processed ^{NOTE 13}	6.2m	6.3m	≥6.0m	+0.3m	●

* For technical notes, see appendix 2 on page 181.

† A Crown appropriation funds official correspondence in this output class. For this appropriation we monitor the percentage of requests that met agreed timeframes. The results in 2016/17: OIA requests 86%; Ministerial enquiries 83%; Parliamentary questions 96%. There was significant improvement in these results in the second half of the year.

- 1 The unit cost for core operations was commensurate with previous years. The \$0.32 variance was due to ongoing investment in the driver licensing business (eg Hyperion replacement and support costs for the Transport Agency Transformation and Driver Licensing Experience projects) and the \$1 million cost associated with the driver licensing system integrity review, including establishment of a new driver licensing overseas conversions processing team and increased driver licensing auditing.

WHAT IT COST

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	97,177	91,038	6,139	95,532
Expenditure	94,450	94,423	(27)	90,281
Net surplus/(deficit)	2,727	(3,385)	6,112	5,251

The Licensing and Regulatory Compliance output class recorded a net surplus of \$2.7 million at year end. Licensing and regulatory compliance income was \$6.1 million above budget. Of this, \$3.7 million was due to higher than expected transaction volumes for driver licensing and driver testing. In addition, higher than expected warrant of fitness certification reviews and transport licensing revenue was collected, contributing a further \$2.0 million.

Expenditure was \$0.03 million above budget. Lower than planned expenditure on systems was offset by higher transaction costs associated with higher volumes.

We started work on the driver licensing system in preparation of investment expected during the next two years to improve the integrity of the system and respond to possible changes to the Driver Licensing Rule.

ROAD TOLLING

Delivered by the Transport Agency and funded from fees and charges

HOW ROAD TOLLING CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,^o we:

- manage the tolling roadside and back office systems, customer interfaces and payment channels
- undertake the collection of toll revenues and disbursements to the Crown
- provide information and advice to the public.

Road tolling supports our long-term goal to shape smart transport choices. This is achieved by supporting the impacts provided from new infrastructure investment through the collection of fees for infrastructure investment repayments.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements for road tolling included:

- improving the customer experience by changing how we process payments and refunds to allow customers to refund a payment directly to their credit or debit card and to allow toll account holders to store multiple cards for future payments on their toll account
- delivering resource and cost savings, as well as improving the customer experience by automating the toll trip validation process to allow customers to make payments sooner.

HOW WE PERFORMED

We achieved two of our three performance targets for tolling.

	SERVICE DELIVERY*	ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
VALUE FOR MONEY	Unit transaction costs <small>NOTE 14</small>	\$0.61	\$0.60	≤\$0.75	-\$0.15	●
	% revenue compliance	97%	97%	≥98%	-1%	①
SERVICE DELIVERY	Number of products/services delivered or processed	12.8m	15m	≥10.5m	4.5m	●

* For technical notes, see appendix 2 on page 181.

The number of transactions increased by more than 2 million from 2015/16.

The positive impact of increased investment in the tolling system to transform the customer experience has been offset by higher transaction volumes. This has resulted in only a slight decrease in the unit transaction costs for this output area.

- ① Annual performance for tolling revenue compliance was one percentage point below the target of 98 percent. Tolling revenue compliance measures the percentage of all chargeable trips for the year that were paid for before 1 July 2017. Customers do not have to pay for their trips immediately, meaning a proportion of trips are paid for outside the reporting period.

^o Output class scope statements are in appendix 4 on page 186.

WHAT IT COST

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	14,036	11,664	2,372	11,785
Expenditure	13,091	11,938	(1,153)	10,798
Net surplus/(deficit)	945	(274)	1,219	987

The road tolling output class recorded a net surplus of \$0.945 million at year end.

Road tolling income was \$2.37 million above budget. This higher than budgeted income came from \$1.2 million that was the result of increased trip volumes and \$1.1 million from improved tolling notice recovery that resulted from process changes to make it easier for customers to pay.

Tolling expenditure was \$1.15 million above budget. Increased expenditure was due to higher transaction costs related to the higher than planned trip volumes and expenditure on the Payment Card Industry Data Security Standard programme. This programme will deliver improvements to both our business processes and customer experience. These improvements include the ability to refund customer payments directly to the credit or debit card the payment was made from and the ability for toll account holders to store multiple cards on their account to make future payments.

MOTOR VEHICLE REGISTRY

Delivered by the Transport Agency and funded from fees and charges

HOW MOTOR VEHICLE REGISTRY CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,^o we:

- operate the motor vehicle register
- deliver motor vehicle registration and licensing services
- undertake the collection and refund of registration and licensing revenue, which is paid to the National Land Transport Fund
- provide motor vehicle registration and licensing information and advice to the public.

Motor vehicle registry services contribute to the long-term goal of shaping smart transport choices. This is achieved by reducing deaths and serious injuries from road crashes and reducing adverse environmental effects through first registration of vehicles into the New Zealand fleet. At first registration, vehicle safety and environmental standards have to be met before a vehicle can be licensed for access to the road network.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements for motor vehicle registry included:

- improving the customer experience by increasing the proportion of online motor vehicle relicensing. For the year, 42 percent of licenses were purchased online, an increase of more than four percentage points compared with the same period last year. This year's increase in online relicensing is comparable to the growth rate of previous years. This result supports our commitments to Better Public Services Result 10 - New Zealanders can complete their transactions with government easily in a digital environment.
- reviewing access to the motor vehicle registry to ensure consistency continues to be applied across the terms and conditions for industry groups with similar business needs. This will allow us to obtain maximum value from our administrative data, while strengthening the process for managing this data.

^o Output class scope statements are in appendix 4 on page 186.

HOW WE PERFORMED

We achieved five of our six performance targets for the motor vehicle registry.

	SERVICE DELIVERY*	ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
VALUE FOR MONEY	Unit transaction costs	\$5.51	\$4.98	≤\$6.00	-\$1.02	●
	% of transactions completed online NOTE 15	38%	42%	≥40%	+2%	●
	% accuracy of the registers NOTE 16	96%	97%	≥95%	+2%	●
SERVICE DELIVERY	% of revenue compliance	99%	99%	≥98%	+1%	●
	Number of products/services delivered or processed	10.6m	11.6m	≥9.5m	+2.1m	●
CUSTOMER SATISFACTION	% customer satisfaction NOTE 17	82%	87% [†]	≥88%	-1%	①

* For technical notes, see appendix 2 on page 181.

† We changed the methodology we use to assess customer satisfaction. This financial year we used the result from an annual Research NZ customer effort survey for motor vehicle registry transactions. We have changed the 2015/16 result to reflect our performance in this survey in 2015/16 to allow for a comparison between the two years.

① The percentage of satisfied customers was 1 percentage point below our target for this year. This variance is not considered statistically significant because it is within the survey's +/- 6.2 percentage point margin of error.

WHAT IT COST

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	55,808	55,398	410	59,672
Expenditure	58,119	61,566	3,447	58,888
Net surplus/(deficit)	(2,311)	(6,168)	3,857	784

The motor vehicle registry output class recorded a deficit of \$2.31 million, which was significantly less than the forecast \$6.17 million deficit. This was primarily due to a reduction in expenditure caused by lower than expected transaction volumes, which were attributed to price changes for the Accident Compensation Corporation levy included in vehicle licensing fees.

ROAD USER CHARGES COLLECTION, INVESTIGATION AND ENFORCEMENT

Delivered by the Transport Agency and funded from the National Land Transport Fund, fees and charges, and the Crown

HOW ROAD USER CHARGES COLLECTION, INVESTIGATION AND ENFORCEMENT CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,^o we:

- collect, through the provision of licences for diesel vehicles, and refund road user charges (RUC), which are paid to the National Land Transport Fund
- investigate evasion of RUC and enforce payment
- provide information and advice to the public.

RUC collection, investigation and enforcement contribute to the long-term goal of shaping smart transport choices through revenue collection for the National Land Transport Programme and, therefore, support Transport Agency investment in the land transport system.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements for road user charges collection, investigation and enforcement included:

- improving choices for RUC customers with the approval of a third electronic services provider. The new provider intends to include services to light diesel vehicles, which will make it easier for more customers to do business with us. The positive impact of this improvement will become apparent during 2017/18.
- improving the integrity of the RUC system through a significant increase in the recovery of unpaid RUC. The recovery of unpaid RUC this year was more than \$3.4 million, up from \$0.58 million in 2015/16. We also improved the robustness to the auditing of off-road refund applications by beginning to operate an audit programme within the RUC Assessments team in March 2017. This resulted in more than \$0.12 million in declined refunds, increasing confidence in the amount of refunds being paid.

HOW WE PERFORMED

We achieved all three performance targets for road user charges.

	SERVICE DELIVERY*	ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
VALUE FOR MONEY	Unit transaction costs	\$4.46	\$4.05	≤\$5.50	-\$1.45	●
	% of transactions completed online <small>NOTE 18</small>	58%	63%	≥60%	+3%	●
SERVICE DELIVERY	Number of products/services delivered or processed <small>NOTE 19</small>	3.6m	3.9m	≥3m	+0.9m	●

* For technical notes, see appendix 2 on page 181.

Continued improvements to our digital channels meant 63 percent of RUC licence transactions were completed online in 2016/17, which is a 5 percentage point increase from 2015/16 (58 percent) and a 10 percentage point increase from 2014/15 (53 percent). There has been an ongoing increase in digital RUC transactions among both commercial and private customers, reducing compliance efforts for the Transport Agency and making the RUC system more cost effective.

RUC transaction volumes increased by 300,000 compared with 2015/16, due to a combination of increased RUC purchases and refunds for off-road users, contributing to lower unit transaction costs.

^o Output class scope statements are in appendix 4 on page 186.

WHAT IT COST

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	16,639	14,874	1,765	16,047
Expenditure	15,948	17,038	1,090	16,233
Net surplus/(deficit)	691	(2,164)	2,855	(186)

The road user charges output class recorded a net surplus of \$0.69 million at year end. This was more favourable than planned due to higher than anticipated income from RUC transaction fees (collected through third parties) revenue.

RUC income is sourced from three revenue streams: Collections income collected through RUC transaction fees, and two appropriations covering the costs of administering investigation and enforcement activity, and the costs of administering RUC refunds.

RUC collections income was \$1.8 million above budget this year and appropriations were as budgeted. Collections income was above expectation due to increased licensing activity.

Reprioritisation of RUC improvement programmes until 2017/18 meant that expenditure was \$1.1 million lower than planned during the year.

ROAD SAFETY PROMOTION

Delivered by the Transport Agency and local authorities and funded from the National Land Transport Fund

HOW ROAD SAFETY PROMOTION CONTRIBUTES TO OUR LONG-TERM GOALS

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

Road safety promotion's primary contribution to the long-term goals of shaping smart transport choices and maximising returns for New Zealand is through the reduction in deaths and serious injuries from road crashes by influencing the behaviour of drivers and other road users.

OUR MAJOR ACHIEVEMENTS THIS YEAR



Our major achievements for Road Safety Promotion included:

- winning the Best International Award (the Tim Broadbent Prize) in November 2016 at the Institute of Practitioners in Advertising (IPA) Awards in London for the Mistakes national speed advertising campaign. The campaign was designed to reframe the way people look at their speed behaviour when they are driving. Mistakes was the only finalist from New Zealand and competed against campaigns such as Cancer Research, Guinness, John Lewis and The Economist. The IPA Effectiveness Awards are widely considered to be the most rigorous effectiveness competition in the world, with entrants having to prove beyond reasonable doubt that their marketing communications campaign paid back.
- gaining recognition and awards for drive.govt.nz - a free website we developed with the Accident Compensation Corporation, which makes it easier and more fun for young people to learn to drive and learn the road rules. In October 2016, the site won two medals at the Designer's Institute of New Zealand's Best Design Awards - the annual showcase of excellence in graphic, spatial, product and interactive design. The site was awarded the silver medal for the interactive category and the bronze for the public good category.

^o Output class scope statements are in appendix 4 on page 186.

HOW WE PERFORMED

We achieved our two targets for road safety promotion.

	SERVICE DELIVERY*	ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
SERVICE DELIVERY	% of activities that are delivered to agreed standards and timeframes ^{NOTE 20}	100%	100%	100%	-	
	% of road safety advertising campaigns that meet or exceed their agreed success criteria ^{NOTE 21}	80%	83%	≥75%	8%	

* For technical notes, see appendix 2 on page 181.

WHAT IT COST

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	36,626	36,924	(298)	31,606
Expenditure	34,841	37,546	2,705	31,040
Net surplus/(deficit)	1,785	(622)	2,407	566

Expenditure on road safety promotion in 2016/17 was under budget by \$2.7 million. This underspend was caused predominantly by changes to the timing of production for new campaigns under the national advertising programme. Specifically, significant underspends were due to the following reasons:

- The Mistakes campaign continued to perform beyond expectations, delaying the need to produce a new safer speeds campaign for more than a year.
- The Local Legends national drink-driving advertising campaign also performed beyond expectations and consequently delayed the need to produce a new drink-driving campaign by a year.
- New research was started in the second half of this year to assess the direction for promoting cycling, which delayed the creation of any new productions in 2016/17. The research is still under way and will inform the direction for any new work in 2017/18.
- The development of support materials for the national drugs advertising campaign was delayed so further qualitative research could be undertaken. This research is in development.
- The work on the Visiting Drivers Project is continuing into 2017/18 and the allocated budget will be spent by the end of 2017/18.
- Most of the tactical budget was not required. A small portion of it is being used for the National Road Safety Partnership Programme, which continues into 2017/18.
- In the locally delivered programmes, there were small variances between budgeted and actual spend for a significant number of approved organisations. While none of these underspends was significant individually, together they contributed to about \$0.8 million of the underspend in this output class.

OUTPUT CLASSES THAT SUPPORT OUR HIGHWAY SOLUTIONS GOAL

STATE HIGHWAY IMPROVEMENTS

Delivered by the Transport Agency and funded from the National Land Transport Fund and the Crown

HOW STATE HIGHWAY IMPROVEMENTS CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,^o we manage and invest in state highway network infrastructure to reduce the number and severity of crashes and improve the time and reliability between destinations connected by the network. We do this in a socially and environmentally responsible way.

State highway improvements help deliver on our long-term goal of delivering highway solutions for customers by contributing to more efficient freight supply chains, a resilient and secure transport network, easing severe urban congestion, as well as helping to reduce deaths and serious injuries from road crashes. This is achieved through capital investment in the state highway network.

OUR MAJOR ACHIEVEMENTS THIS YEAR

The major achievements for state highways improvements included:

- delivering the state highway programme with most of key programmes running to plan
- progressing five of the six Roads of National Significance on or ahead of schedule. Key achievements included:
 - completing the Waterview Tunnel in time to have it opened to traffic on 2 July 2017
 - awarding the public-private partnership for the Pūhoi to Warkworth section of the Pūhoi to Wellsford Road of National Significance and starting construction
 - construction started on the final section (Longswamp) of the Waikato Expressway
 - completing the Mackays to Peka Peka section of the Wellington Corridor and starting construction on the Peka Peka to Ōtaki section
 - starting construction on the Northern Arterial and Southern Motorway Stage 2 sections of the Christchurch Motorway, and opening the Groynes to Sawyers Arms section to traffic.
- progressing three of the four Accelerated Auckland Transport Programme projects on or ahead of schedule
- progressing 11 of the 14 projects in the Accelerated Regional Transport Programme on or close to schedule, including the completion of the Normanby Overbridge project in Taranaki.

HOW WE PERFORMED

Service delivery

We did not achieve our target for state highway improvements.

SERVICE DELIVERY	ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
VALUE FOR MONEY % of activities that are delivered to agreed standards and timeframes	95%	85%	≥90%	-5%	1




- 1 The delivery of activities to agreed standards and timeframes was below target, primarily due to delays to the construction phase of some projects. Many of these projects were hampered by poor spring and summer weather conditions. This was particularly an issue for major earthworks throughout the country (eg the Hamilton section of the Waikato Expressway). There were also some delays to the start of new projects, mainly due to changes in procurement strategy and the need to re-evaluate investigative assessments. Progressing through the early phases (planning, designing and consenting) of projects continued to present challenges and remains an important focus.

^o Output class scope statements are in appendix 4 on page 186.

Some key milestones within the programme were not achieved. The Ōtaki to Levin section of the Wellington Northern Corridor Road of National Significance programme was not met due to the need to conduct more investigative work to incorporate recently revised growth forecasts for the area. Weather also affected several priority projects in the South Island, namely the Mingha Bluff to Rough Creek Realignment and the Memorial Avenue interchange portion of the Christchurch Motorways Road of National Significance programme, where construction will now be completed in 2017/18.

Investment


Two of our three investment measures match the desired trend.

	ACTUAL 2015/16 [†]	ACTUAL 2016/17	DESIRED TREND 2016/17	ASSESSMENT AGAINST DESIRED TREND		
SERVICE DELIVERY	Travel times on key state highways serving our major metropolitan areas (Auckland, Wellington and Christchurch)* (reported for a year until March) <small>NOTE 22</small>	Auckland: 1.1 min/km Wellington: 1.2 min/km Christchurch: 1.4 min/km	Auckland: 1.1 min/km Wellington: 1.2 min/km Christchurch: 1.4 min/km	Maintaining	Maintaining	
	Productivity of the state highway network in major metropolitan areas (Auckland, Wellington and Christchurch – AM peak) (reported for a year until March) <small>NOTE 23</small>	Auckland: 62% Wellington: 63% Christchurch: 35%	Auckland: 59% Wellington: 63% Christchurch: 33%	Maintaining	Decreasing	
	Proportion of state highways available to HPMVs	45%	49%	Increasing	Increasing	

* For technical notes, see appendix 2 on page 181.

[†] The figures for Wellington and Christchurch were incorrectly reported in the *NZ Transport Agency annual report 2015/16*. The correct figures are reported here.

[‡] The measure represents change in travel time per kilometre travelled. For example, a change of 0.1 between years would represent an increase of six seconds per kilometre travelled.

 The 3 percentage point decline in network productivity during the morning peak in Auckland reflects the combined impact of increased traffic volumes and significant roadworks on the network. The 2 percentage point decline in Christchurch was influenced by roadworks on the Northern Motorway, as well as roadworks on State Highway 1 as part of the Christchurch Southern Motorway project.

WHAT IT COST

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	1,465,576	1,550,213	(84,637)	1,528,691
Expenditure*	1,465,576	1,550,213	84,637	1,528,691
Net surplus/(deficit)	0	0	0	0

* Some non-cash capital and operating expenses presented in the financial statements are not included in the figures. They are expenditure for:

- public-private partnerships, including a cash flow hedge impact of \$173.6 million (2015/16: \$214.9 million)
- depreciation and state highway write offs of \$378.1 million (2015/16: \$420.2 million)
- assets vested to local authorities of \$18.4 million (2015/16: \$286.5 million)
- other interest, finance costs and other expenses of \$19.0 million (2015/16: \$31.7 million)

The 2015/16 figures are adjusted for comparability.

State highway output class expenditure was \$84.6 million (5.5 percent) below budget. This was the result of a combination of substantial savings at the tender box on a number of high-cost construction contracts and delays to projects. These project delays were predominantly caused by poor weather or changes during the planning, design and consenting phases that hampered progress.

STATE HIGHWAY MAINTENANCE

Delivered by the Transport Agency and funded from the National Land Transport Fund

HOW STATE HIGHWAY MAINTENANCE CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,^o we manage and invest in the maintenance and operation of the state highway network infrastructure to ensure it is in as safe a condition as possible and provides a reliable travel journey for customers. The infrastructure is maintained to meet skid resistance and rutting standards and to ensure interventions occur at the optimal time to reduce exposure to future maintenance costs arising from wear and tear on our roads.

State highway maintenance helps deliver on our long-term goal of delivering highway solutions for customers by helping to maintain the resilience and security of the whole road network, contributing to efficient and reliable freight supply chains, easing congestion and reducing the risk of road crashes. This is achieved by ensuring the condition of the established state highway network asset is sustained by an ongoing capital investment programme.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements for state highway operations and maintenance included the following:

- providing better travel experiences and improving the reliability of the transport network by working with our partners through the traffic operations centres in Auckland, Wellington and Christchurch to monitor traffic flows, manage incidents and provide real-time information about traffic and road conditions to our customers
- keeping the alternative route between Picton and Christchurch functional during the year and making good progress to restore the coastal route following the significant damage and disruption to the network caused by the Kaikōura earthquake
- taking steps to deliver more predictable journeys for urban customers by implementing systems in Auckland, Wellington and Christchurch to improve how road works are planned and coordinated to minimise disruptions for our customers
- taking steps to deliver more predictable journeys for urban customers by taking steps to improve incident responses by working collaboratively with the New Zealand Police and using data analysis to predict where response vehicles are likely to be needed
- implementing the final Network Outcomes Contract, giving us a consistent level of service and value for money framework across the country
- delivering 1,099 kilometres of pavement renewals, including chip seals, pavement rehabilitation and pavement strengthening work. This was achieved in line with our more rigorous approach to asset renewals, which was first adopted in the 2012-15 State Highway Activity Management Plan.

HOW WE PERFORMED

Service delivery

We achieved six of our seven targets for state highway maintenance.

SERVICE DELIVERY*	ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
% of activities that are delivered to agreed standards and timeframes ^{NOTE 24}	93%	97%	≥90%	7%	●
Safe stopping: % of network meeting surface standard texture standards ^{† NOTE 25}	99%	99%	≥98%	1%	●

VALUE FOR MONEY

^o Output class scope statements are in appendix 4 on page 186.

SERVICE DELIVERY*		ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
SERVICE DELIVERY	Network resilience: % of rutting >20mm over state highway network [†] NOTE 26	1%	1%	3%	2%	●
	Safe stopping: % of network above skid threshold [†] NOTE 27	98%	98%	≥98%	-	●
	Smooth ride: % of travel on network classed as smooth [†] NOTE 28	98%	99%	≥97%	2%	●
	Availability of state highway network: % of unplanned road closures resolved in 12 hours NOTE 29	87%	86%	≥90%	-4%	1
CUSTOMER SATISFACTION	% customer satisfaction NOTE 30	52%	54%	≥50%	4%	●

* For technical notes, see appendix 2 on page 181.

† The network condition statistics exclude State Highway 1 through Marlborough and North Canterbury, which is under repair following the Kaikōura earthquake.

- 1 We did not reach our target for availability of the state highway network due to the effect of major weather events (mainly in the central North Island and Southland), crashes (mainly on the urban network) and the impact of the Kaikōura earthquake. Of the 824 recorded unplanned closures, 86 percent were reopened within standard timeframes.

Investment

Two of our three investment measures match the desired trend.

INVESTMENT PERFORMANCE		ACTUAL 2015/16	ACTUAL 2016/17	DESIRED TREND 2016/17	ASSESSMENT AGAINST DESIRED TREND	
VALUE FOR MONEY	Surface condition of the sealed network	Not available	Not available*	Maintaining	-	-
SERVICE DELIVERY	Smooth ride: % of travel on smooth roads	98%	99%	Maintaining	Increasing	●
	State highway maintenance cost per lane kilometre expenditure by road classification	\$19,389	\$19,284 [†]	Maintaining (in real terms)	Declining	●

* A review of the surface condition rating methodology identified areas for improved validity. Under the current methodology the index rating remained at 98 percent. We are testing a replacement measure based on laser technologies and, if suitable, expect it to be in place in two years.

† This figure has been adjusted for inflation based on the network outcomes index.

WHAT IT COST

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	652,121	568,212	83,909	479,660
Expenditure	652,121	568,212	(83,909)	479,660
Net surplus/(deficit)	0	0	0	0

State highway maintenance output class expenditure was \$83.9 million (14.8 percent) above budget. This overspend was the result of \$93 million spent on the reinstatement of State Highway 1 through Marlborough and North Canterbury following the Kaikōura earthquake, which was Crown funded. Expenditure for the main programmes was within budget.

OUTPUT CLASSES THAT SUPPORT OUR MAXIMISE RETURNS GOAL

PUBLIC TRANSPORT

Invested in by the Transport Agency, delivered by local authorities and funded from the National Land Transport Fund

HOW PUBLIC TRANSPORT CONTRIBUTES TO OUR LONG-TERM GOALS

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

Rail infrastructure is generally excluded from this output class as the intention is to fund this outside the National Land Transport Fund.

The public transport output class primarily contributes to the long-term goal of maximising returns for New Zealand by providing more transport choices for customers, easing urban congestion and reducing adverse environmental effects. Public transport has secondary contributions to better use of existing transport system capacity, resilience and security. It can also contribute to reducing deaths and serious injuries from road crashes.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Together with our local government partners that provide public transport, key achievements this year included:

- supporting the establishment of the National Ticketing Programme and agreeing a road map for how we will collectively move to one or two ticketing solutions nationwide by 2026. In line with the road map:
 - interim ticketing solutions were procured for Greater Wellington bus services and a regional consortium of nine councils and implementation is under way. These interim solutions are being put in place while long-term solutions are secured.
 - a project to secure a long-term ticketing solution for Greater Wellington, Environment Canterbury and the regional consortium of nine councils was established.
- continuing to implement the Public Transport Operating Model (PTOM). In 2016/17:
 - Auckland Transport completed its tender for four bus service contracts in West Auckland. There was healthy competition as eight operators placed 55 bids, resulting in good prices. Auckland Transport also released its tenders for Central, North and East Auckland and started negotiations with incumbent operators for unit contracts allocated to incumbent operators who forfeited commercial registrations with the adoption of PTOM.
 - new PTOM bus contracts were initiated in South (October 2016) and West (June 2017) Auckland alongside the roll-out of new networks in those areas. A 7 percent increase in patronage (excluding transfers) was recorded in South Auckland, which outpaced overall growth in the city.
 - we endorsed the Greater Wellington Bus Procurement Strategy, which enabled Greater Wellington to go to market for nine bus unit contracts in August 2016. Competition for the nine units was robust, with nine tenderers submitting 86 bids, which resulted in good prices.
 - Waikato Regional Council held a tender for five bus units in the Waikato region that was well contested and resulted in good prices and higher quality services. Three contracts were initiated in April 2017, and all three units saw patronage growth in June 2017 compared with the same period in 2016: Huntly (North) increased 1.5 percent, Raglan (West) increased 8.5 percent, and Morrsville/Paeroa/Te Aroha (East) increased 6.7 percent.
 - Otago Regional Council completed the first directly negotiated PTOM contract in Dunedin and completed the tendering process for all bus services in Dunedin.
 - the patronage growth seen in South Auckland and Waikato is a positive indicator that improvements made by councils, including entering into new PTOM-style contracts, is contributing toward the Transport Agency's milestone to increase public transport boardings by 10 to 16 percent during the five years to 2019.

^o Output class scope statements are in appendix 4 on page 186.

- working closely with partners as they investigated how to improve delivery of public transport. This included working with:
 - Bay of Plenty Regional Council on the development of the Western Bay of Plenty Public Transport Blueprint Business Case
 - the Greater Christchurch Joint Public Transport Committee, which was established in mid-2016 to foster collaboration and leadership for the provision of public transport services and infrastructure in Greater Christchurch.
- investing in public transport infrastructure to support more efficient and attractive public transport networks. Significant infrastructure improvements that became operational in 2016/17 included the Ōtāhuhu Transport Interchange and Parnell Train Station in Auckland.
- approved funding for a new bus system for Queenstown following a joint review which was brought forward with strategic partners Otago Regional Council and Queenstown Lakes District Council. The new bus system will begin in 2017.

HOW WE PERFORMED

Two of the four investment measures match the desired trend.

	ACTUAL 2015/16	ACTUAL 2016/17	DESIRED TREND 2016/17	ASSESSMENT AGAINST DESIRED TREND		
SERVICE DELIVERY	INVESTMENT PERFORMANCE*					
	Number of passengers using urban public transport services (bus, train and ferry)	148m	153m	Increasing	Increasing	●
	Fare revenue as a % of direct operating expenditure – local and national ^{NOTE 31}	49.5% [†]	47.4%	Maintaining	Declining	①
VALUE FOR MONEY	Productivity (costs per passenger km) where available by bus, train and ferry ^{NOTE 32}	Bus: 0.15 \$/km	Bus: 0.169 \$/km	Increasing productivity [‡]	Decreasing productivity	②
		Train: 0.13 \$/km	Train: 0.163 \$/km			
		Ferry: 0.06 \$/km	Ferry: 0.057 \$/km			
	Productivity (costs per passenger boarding) ^{††} ^{NOTE 33}	Bus: \$1.15	Bus: \$1.25	Increasing productivity ^{‡‡}	Increasing productivity	●
		Train: \$3.11	Train: \$2.86			
		Ferry: \$0.81	Ferry: \$0.76			

* For technical notes, see appendix 2 on page 181.

† This was incorrectly reported as 48.4 percent in the *NZ Transport Agency annual report 2015/16*.

‡ An increase in productivity is considered to reduce cost per passenger kilometre.

†† This is an alternative measure. The information available from service providers and regional councils to report on the Government Policy Statement on Land Transport measure *Productivity (costs per passenger kilometre) where available by peak and off-peak* is not available in sufficient quality to enable accurate and reliable reporting. This measure was previously under review and no figure was reported for 2015/16.

‡‡ An increase in productivity is considered to reduce cost per passenger boarding.

The changes in performance for 2016/17 were largely driven by changes in Auckland, which accounted for almost all of the patronage growth in 2016/17. There was also a modest growth in Wellington. The growth in patronage in Auckland was driven by a variety of factors, such as the introduction by Auckland Transport of a simplified fare structure and the roll-out of new services, including additional services to deliver higher frequency.

- ① ② The decline in the fare revenue recovery rate to 47.4 percent and the decline in productivity were both almost entirely caused by increases to bus service costs. The introduction of the simplified fare structure in Auckland led to fare revenue growth being largely flat in 2016/17. When this was combined with the costs of procuring and implementing new PTOM contracts and rolling out new services for Auckland Transport's network, fare revenue recovery and productivity declined during the year. We expect all three metrics to return to the desired trend in 2017/18 as patronage continues to grow and the implementation of PTOM is completed.

WHAT IT COST

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	336,120	332,000	4,120	307,445
Expenditure	336,120	332,000	(4,120)	321,445
Net surplus/(deficit)	0	0	0	(14,000)

Expenditure across the public transport output class was \$4.12 million (1.2 percent) more than budget for the year. Of the total: 78 percent of the expenditure went to providing core services, operational amenities and total mobility; 8 percent was for committed rail rolling stock and depot repayments; the remaining 14 percent provided new services or infrastructure improvements.

Most of the expenditure (90 percent) was focused on our major urban centres (Auckland, Wellington and Christchurch), where funding was targeted toward congestion relief, travel-time savings and travel reliability for commuters.

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

Administered by the Transport Agency, delivered by local authorities and funded from the Crown

HOW SUPERGOLD CARD OUTPUTS CONTRIBUTE TO OUR LONG-TERM GOALS

Under the first output class,⁹ Administration of the SuperGold cardholder scheme, the Transport Agency and regional councils administer the SuperGold cardholder scheme. Under the second output class, Enhanced public transport concessions for SuperGold cardholders, the Transport Agency provides funding to regional councils for the provision of enhanced public transport concessions for SuperGold cardholders.

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

The SuperGold cardholder concessionary fares scheme contributes to the long-term goal of maximising returns for New Zealand by providing more transport mode choices for the elderly and improving the utilisation of public transport capacity during off-peak hours.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements in our work on the SuperGold cardholder scheme this year included:

- supporting 12.99 million SuperGold trips, an increase of 1 percent (97,000 trips) from 2015/16
- continuing to support and deliver on the Government's decision to move to a more sustainable funding methodology during 2017/18.

⁹ Output class scope statements are in appendix 4 on page 186.

HOW WE PERFORMED

We achieved our two targets for Administration of the SuperGold cardholders' scheme and Enhanced public transport concessions for SuperGold cardholders.

	ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
SERVICE DELIVERY*					
Average number of days taken to deliver (working days taken to process claims received from regional councils) <small>NOTE 33</small>	17	17	≤20	3	●
% of activities that are delivered to agreed standards and timeframes	100%	100%	100%	-	●

* For technical notes, see appendix 2 on page 181.

WHAT IT COST

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	26,481	28,224	(1,743)	28,559
Expenditure	26,481	28,224	1,743	28,559
Net surplus/(deficit)	0	0	0	0

Expenditure for the administration of the SuperGold cardholder's scheme and enhanced public transport concessions for SuperGold cardholders was \$1.74 million (6.2 percent) less than budget. This was the result of working in collaboration with regional councils to use a 'best-endeavours approach' to remain within a target allocation for SuperGold card concessions.

WALKING AND CYCLING

Invested in by the Transport Agency, delivered by local authorities and funded from the National Land Transport Fund and the Crown

HOW WALKING AND CYCLING CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,^o we invest in new and improved walking and cycling infrastructure for transport purposes and modal education and promotion activities. This includes the delivery of the 2015-18 Urban Cycleways Programme. Walking and cycling facilities include cycle paths, cycle lanes, new footpaths, facilities for crossing roads, shelters and bicycle parking facilities.

New walking and cycling facilities that are a component of a roading improvement project are funded as part of investments to improve roading networks rather than through the walking and cycling activity class. Walking and cycling infrastructure contributes to the long-term goal of maximising returns for New Zealand by facilitating more transport choices in urban environments where walking or cycling facilities are offered to the community. This contribution indirectly supports better use of transport capacity, reducing adverse environmental effects, congestion relief, and reductions in deaths and injuries from road crashes.

^o Output class scope statements are in appendix 4 on page 186.

OUR MAJOR ACHIEVEMENTS THIS YEAR

The year was a big year for the Urban Cycleways Programme, with seven projects reaching completion and nine projects moving into the construction phase. By June 2017, 67 percent of the 54 projects were either under construction or completed.

Our major achievements this year included:


- completing, in Auckland, stage 1 of the Eastern Connections to City Centre project (Glen Innes to Meadowbank cycleway), the Waitemata Safe Routes Greenways section of the Western Connections to City Centre package and the Quay St cycleway, which is a separated two-way cycleway that provides a key connection in the central business district.
- increasing the number of cycle trips in Auckland, as well as improving attitudes towards cycling. For example, bicycles now make up 9.4 percent of inbound morning peak traffic via Upper Queen Street, the number of inbound morning peak cycle trips across the city centre has increased by 46 percent since 2013, 39 percent of Aucklanders are positive about the state of cycling in Auckland (an increase from 22 percent in 2015) and 80 percent of Aucklanders agree that investing in cycling is important to give people more travel choices.
- completing the Papanui Parallel and Little River Link projects in Christchurch. These projects provided safer and separated cycleways for people to travel between Papanui and Addington to schools, to workplaces and into the central city. Construction also started on the Rapanui-Shagrock cycleway, which will provide a direct connection between Linwood and Ferrymead into the central city, and schools in the area.
- completing the Western Rail Trail in Hamilton and the Spring Creek and Taylor River paths in Blenheim. These off-road shared paths provide key connections to schools and the central business district in Hamilton and Blenheim.
- awarding the Dunedin one-way system separated cycle lane contract and starting construction of new cycle lanes. The separated cycle lane will improve cycle safety on the one-way system through the centre of Dunedin.

In addition to the Urban Cycleways Programme, cycling projects have been delivered as part of the wider State Highways programme. This includes a 16 kilometre shared cycleway and walkway along the Mackays to Peka Peka Expressway and the first section of the Waterview Shared Path in Auckland. Both of these shared pathways connect to numerous local roads and existing cycle tracks and walkways in the area, and provide safe and attractive routes for people cycling and walking.

To support our investment in this and the rest of the Urban Cycleways Programme, the Transport Agency has been providing co-investment funding for Bikes in Schools projects as part of a \$500,000 contract with the Bike On Trust, to benefit schools that are close to new or planned cycleway infrastructure. This funding has now been allocated to 39 schools, with more than 12,000 students throughout New Zealand gaining access to a bike track in their school where they can learn to ride.

HOW WE PERFORMED

One of our two investment measures matches the desired trend.

	ACTUAL 2015/16	ACTUAL 2016/17	DESIRED TREND 2016/17	ASSESSMENT AGAINST DESIRED TREND		
SERVICE DELIVERY	Network kilometres of cycle lanes	45.5km (including 20.9km Urban Cycleways Programme projects)	91.4km (including 63.6km Urban Cycleways Programme)	Increasing	Increasing	
	Percentage increase in cycling trip legs per person across Auckland, Wellington and Christchurch <small>NOTE 34</small>	Not available	Not available [†]	Increasing	-	-

* For technical notes, see appendix 2 on page 181.

† The measure capturing the percentage increase in cycling trip legs per person across Auckland, Wellington and Christchurch is sourced from the Household Travel Survey. Due to methodology changes, results from this survey will not be available until 2019. During 2015/16, cordon counts were undertaken to establish baseline trip information. Changes in cycling trip legs against this new baseline will be used to report on this performance measure from June 2017 until the results of the Household Travel Survey are available.

This year, 63.6 kilometres of new cycling infrastructure was delivered as part of the Urban Cycleways Programme. In 2017/18, the final year of the programme, the remainder of projects will move into construction and we expect to see the most kilometres of new cycling infrastructure delivered.

In addition to the Urban Cycleways Programme, another 27.8 kilometres of new cycling infrastructure was delivered this year.

While there is no formal measure for the percentage of cycling trips per person across Auckland, Wellington and Christchurch, the overall number of trips across the cycling networks in those cities increased an estimated 4 percent based on the central business district cordon counts. This increase was particularly due to strong growth in Christchurch, which saw a 20 percent increase.

There was a decrease of more than 15 percent in cycling counts across the Wellington City network. This could be an annual fluctuation as the cycling counts in Wellington have been increasing during the past decade, and this year's result is inconsistent with the long-term increasing trend.

In Auckland, the Quay St Cycleway had 100,000 trips measured in the first five months of opening, but these increases were not reflected in the overall network count. As more projects in the Urban Cycleways Programme are completed we expect the Auckland network counts to continue to increase.

It is also worth noting that outside these three cities, cycling counts increased from 2015/16 to 2016/17. For example, Upper Hutt saw an increase of 24 percent in peak morning trips across the city, and in Blenheim there was an increase of 32 percent.

WHAT IT COST*

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	66,808	87,230	(20,422)	50,948
Expenditure	65,907	87,230	21,323	52,889
Net surplus/(deficit)	901	0	901	(1,941)

* 2016/17 figures include \$24.35 million Crown funding and investment for the Urban Cycleways Programme.

The walking and cycling output class recorded a surplus of \$0.90 million this year and expenditure was \$21.3 million (24 percent) under budget. This was the result of several key projects not moving into the delivery phase this year. These projects were delayed for a variety of reasons, such as unexpected consenting requirements, the need to align with other projects, complications with business cases and obstacles to accessing land.

This year, the Minister of Transport approved changes to the Government Policy Statement on Land Transport 2015/16–2024/25 to increase the upper limit of the walking and cycling activity class three-year funding range (2015/16–2017/18) from \$103 million to \$167 million. This increase was made to address the high expenditure forecast caused by the Urban Cycleways Programme accelerating the delivery of walking and cycling projects.

LOCAL ROAD IMPROVEMENTS

Invested in by the Transport Agency, delivered by local authorities and funded from the National Land Transport Fund

HOW LOCAL ROAD IMPROVEMENTS CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,⁹ the Transport Agency invests, in conjunction with approved organisations, in local road improvements, including new roads, seal extensions, new traffic management facilities and replacement of bridges and other structures.

Local road improvements primarily contributes to the long-term goal of maximising returns for New Zealand by improving the efficiency of freight supply chains, increasing the resilience and security of the local road network, easing severe congestion, and consequently reducing deaths and serious injuries from road crashes.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Major local road improvements in Auckland (Auckland Transport) included:

- SMART (Rail to Airport) project – constructing a widened trench at the Kirkbride Road intersection to future-proof a future Rapid Transit Network option. This was a contribution to the Transport Agency-led State Highway 20A improvement project – \$20 million
- street-lighting Upgrade LED project – accelerating replacement of existing streetlights with energy efficient LED lights – \$14 million
- Te Atatu Road Corridor Improvements project - upgrading the corridor from State Highway 16 to Edmonton Road to address congestion by incorporating four lanes, a flush median, walking and cycling facilities, and intersection improvements – this year \$13 million
- double-decker network mitigation works – accommodating the additional height of double decker buses by clearing all obstacles from the proposed routes including shop front canopies or verandas, trees, power or phone lines, service poles, street signage and street furniture – \$8 million
- Albany Highway North Upgrade – widening 4 kilometres along Albany Highway between Schnapper Rock Road and SH17, providing for a transit lane that can be used only by vehicles carrying three or more people (T3 lanes), on and off-road cycle lanes and new wide footpaths – \$7 million.

⁹ Output class scope statements are in appendix 4 on page 186.

Major road improvements in other areas included:

- Queenstown-Lakes District Council's Eastern Access Road project – constructing a new road to provide for growth in the Frankton Flats area and to improve the tourist experience – this year \$6.8 million
- Hastings District Council's Whakatu Arterial Link project – improving access for freight and enhancing supply chain efficiency from the growing industrial area at Whakatu, while reducing deaths and serious injury crash risks – \$5.9 million
- Christchurch City Council's Northern Arterial Extension and Cranford Street Upgrade project – extending the Northern Arterial between QEII Drive and Cranford Street and widening a section of Cranford Street as part of the Christchurch Northern Corridor improvements – \$5.5 million
- Porirua City Council's PCC Link Roads project – constructing a local link road from the James Cook Interchange on Transmission Gully Expressway, which is currently under construction – this year \$2.5 million
- Whāngārei District Council's Mill Road/Nixon Street Upgrades – upgrading the key arterial intersections of Mill Road/Nixon Street and Nixon Street/Kensington Ave/Kamo Road – this year \$2.4 million.

HOW WE PERFORMED

Two of our three investment measures match the desired trend.

	ACTUAL 2015/16*	ACTUAL 2016/17	DESIRED TREND 2016/17	ASSESSMENT AGAINST DESIRED TREND		
SERVICE DELIVERY	Average travel times on key local roads serving our major metropolitan areas (7-9 AM peak) [†] (reported for a year until March)	Auckland: 2.5 min/km Wellington: 2.7 min/km Christchurch: 1.9 min/km	Auckland: 2.5 min/km Wellington: 2.3 min/km Christchurch: 1.8 min/km	Decreasing	Maintaining overall	●
	Productivity of the local road network in major metropolitan areas	Not available	Not available [‡]	Increasing	-	-
	% of approved organisations signed up to the 50MAX network ^{††}	87%	95%	Increasing	Increasing	●

* The figures for Wellington and Christchurch in 2015/16 were incorrectly reported. The correct figures are reported here.

† This measure represents the average travel time per kilometre travelled. For example a change of 0.1 between years would represent an increase of six seconds per kilometre travelled.

‡ The coverage of local roads in the productivity model is too small to provide a representative sample. This measure will be reported as additional local roads are added.

†† This is a proxy measure. It is not possible to report on the Government Policy Statement on Land Transport measure of % of local roads that are made available to high productivity motor vehicles as roads are made available on the basis of individual journey permits. The sign-up to 50MAX signals intent to make the network available to 50MAX complying vehicles as of right.

WHAT IT COST

	ACTUAL 2016/17 \$000	BUDGET 2016/17 \$000	VARIANCE 2016/17 \$000	ACTUAL 2015/16 \$000
Income	140,911	142,000	(1,089)	104,112
Expenditure	140,911	142,000	1,089	104,112
Net surplus/(deficit)	0	0	0	0

Local road improvements output class expenditure was \$1.1 million (less than 1 percent) under budget. However, this expenditure was approximately \$20 million below our expectations of the actual year-end amount. This was due in part to levels of service improvements on the Inland Kaikōura Road to respond to impacts of the Kaikōura earthquake not progressing as expected this year, with the focus instead on emergency works.

LOCAL ROAD MAINTENANCE

Invested in by the Transport Agency, delivered by local authorities and funded from the National Land Transport Fund and the Crown

HOW LOCAL ROAD MAINTENANCE CONTRIBUTES TO OUR LONG-TERM GOALS

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

Maintenance of local road infrastructure contributes to the long-term goal of maximising returns for New Zealand. It helps ensure the impacts the established networks has on the transport system are sustained. Sound management of maintenance activities and of the operation of the network has a broad impact, including better use of transport capacity, ensuring network resilience and security and freight supply chain efficiency as well as reducing urban congestion and the risk of road crashes by ensuring surface condition standards are maintained and traffic flow and incidents are effectively managed.

OUR MAJOR ACHIEVEMENTS THIS YEAR

This year, to respond to the impacts of the Kaikōura earthquake we effectively collaborated with road controlling authorities and KiwiRail to plan for and deliver the recovery response, including the maintenance of local roads in the affected area.

We also continued to collaborate with road controlling authorities on initiatives to improve maintenance management in the Bay of Plenty, Marlborough, Gisborne and Waikato. In addition, the alliance we formed with three Northland local authorities began to gain momentum in its role to plan and deliver roading activities in the region. The Buller, Grey and Westland District Councils are also collaborating to develop a combined Transport Activity Management Plan.

Through the Road Efficiency Group, the sector continued to implement the recommendations of the Road Maintenance Task Force (2012). We focused our efforts on reviewing maintenance investment criteria, systems, tools, online learning modules and guidance to embed the One Network Road Classification and the business case approach in the sector's planning and decision making. We consulted and held workshops with the sector on a second draft proposal.

The Road Efficiency Group work streams for 2016/17 continued to focus on supporting the sector to be ready to submit their maintenance programmes for the 2018–21 National Land Transport Programme. Pivotal Road Efficiency Group achievements to improve the efficiency of maintenance activities and create sector-wide consistency this year included:

- confirming the 27 One Network Road Classification customer outcome performance measures to be used for reporting purposes
- developing further the web-based performance monitoring and reporting tool to enable all road controlling authorities to report and compare their performance against the 27 One Network Road Classification performance measures,
- developing a standard report for each road controlling authority highlighting their performance against their peer group for an initial subset of the 27 measures
- completing a sector-wide (core) data quality project and publishing data quality reports for each road controlling authority
- developing and publishing the *Procurement Best Practice Guide* and Smart Buyer self-assessment tool
- delivering a series of four workshops through 10 regional support groups for road controlling authorities and publishing guides and case studies to support industry self-learning.

^o Output class scope statements are in appendix 4 on page 186.

HOW WE PERFORMED

Service delivery

The service delivery measure was met.

	SERVICE DELIVERY	ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
SERVICE DELIVERY	% of activities that are delivered to agreed standards and timeframes					
	<ul style="list-style-type: none"> Reinstatement of earthquake damaged local roads in Canterbury - Crown loan 	100%	100%	100%	-	

Investment

All four investment measures match the desired trend.

	INVESTMENT PERFORMANCE	ACTUAL 2015/16	ACTUAL 2016/17	DESIRED TREND 2016/17	ASSESSMENT AGAINST DESIRED TREND	RESULT
SERVICE DELIVERY	Pavement integrity of the sealed network (index)	94	94	Maintaining	Maintaining	
	Surface condition of the sealed network (index)	98	98	Maintaining	Maintaining	
	Smooth ride - % of travel on smooth roads	84%	88%	Maintaining	Increasing	
VALUE FOR MONEY	Local road maintenance cost per lane km by road classification*	\$2,919	\$2,910 [†]	Maintaining (in real terms)	Decreasing (in real terms)	

* It has not been possible to assess cost by road classification. The cost of maintenance is recorded through 23 work categories. While some of the work categories can readily be assigned to sections of road, many types of work do not readily link to road class. For example, costs such as lighting or measuring road roughness are managed at a network level. While there is a long-term intention to assess cost by road class, several changes to management processes and accounting systems are needed before the long-term intention can be met. We will continue reporting road maintenance costs on an aggregated kilometre cost basis until data becomes available on a functional classification basis. This is not expected to be available until after 2018 on a national basis.

† This figure covers maintenance, operations and renewals (excluding emergency works) by New Zealand total lane kilometres and has been adjusted for inflation based on the network outcomes index.

WHAT IT COST

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	VARIANCE 2015/16 \$000	ACTUAL 2014/15 \$000
Income	597,046	585,000	12,046	576,670
Expenditure	597,046	699,000*	101,954	576,670
Net surplus/(deficit)	0	(114,000)	114,000	0

* This includes the reinstatement of earthquake-damaged roads in Christchurch.

Expenditure for the local road maintenance output class was \$102 million (14.6 percent) below budget. The 2016/17 budget included the carryover from previous years of the Crown loan to fund the reinstatement of earthquake damaged roads in Christchurch. The reinstatement expenditure in Christchurch over and above the National Land Transport Fund total expenditure was \$2.3 million, well under the \$114 million carried forward to 2016/17. This reflects a smaller programme than initially estimated.

REGIONAL IMPROVEMENTS

Delivered by the Transport Agency and funded from the National Land Transport Fund

HOW REGIONAL IMPROVEMENTS CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,^o we plan and invest in regionally important state highway and local road projects outside the main metropolitan areas that address regional safety, resilience and/or economic productivity through the movement of freight and tourists.

Regional improvements help us deliver on our long-term goal of maximising returns for New Zealand through maintaining the resilience and security of the whole road network, efficient and reliable freight supply chains, as well as reducing the risk of road crashes.

OUR MAJOR ACHIEVEMENTS THIS YEAR


This was the second year of investment in the regional improvements output class. There was a significant increase in the delivery of state highway improvements designed to increase the safety, resilience and efficiency of the regional highway network.

Major achievements included:

- progressing construction of the new Taramakau Bridge on the West Coast
- upgrading the State Highway 2 Watchman Road intersection and Hawke's Bay Airport entrance on State Highway 2 in Napier to improve safety
- making progress to deliver the replacements for the Whirokino Trestle and Manawatū River Bridge on State Highway 1 in Manawatū
- progressing designs for a number of improvements to allow greater use of the state highway network by high productivity motor vehicles with a focus on routes to ports in Napier and Gisborne, improved access to the North Island's East Coast and increased access to state highways in Waikato
- implementing initiatives for the Safe System Signature Programme's Visiting Driver Project in Otago, Southland and West Coast
- constructing a roundabout at Spring Creek in Marlborough to increase the safety and efficiency of State Highway 1
- delivering the initial phases of safety upgrades to the Pokeno to Mangatarata section of State Highway 2 in Waikato.

HOW WE PERFORMED

Our one investment measures matches the desired trend.

	INVESTMENT PERFORMANCE	ACTUAL 2015/16	ACTUAL 2016/17	DESIRED TREND 2016/17	ASSESSMENT AGAINST DESIRED TREND
SERVICE DELIVERY	Kilometres of improved regional roading	Not applicable*	16	Increasing	- 

* No regional roading activities were completed in 2015/16, which was the first year of expenditure in this output class.

Many of the projects were still in the implementation phase in 2016/17, so are not complete. Therefore, they were not recorded in the total kilometres of road improvements delivered. With the completion of these projects, along with others expected to be implemented in 2017/18, we expect to see a considerable increase next year in the kilometres of improved regional roads delivered.

^o Output class scope statements are in appendix 4 on page 186.

WHAT IT COST

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	VARIANCE 2015/16 \$000	ACTUAL 2014/15 \$000
Income	68,517	98,000	(29,483)	13,121
Expenditure	68,517	98,000	29,483	13,121
Net surplus/(deficit)	0	0	0	0

The regional improvements output class expenditure was \$29.5 million (30 percent) below budget. While expenditure increased substantially from last year as delivery increased in the output class' second year, it was less than expected because of slow starts to construction on some major projects. The forecast for 2017/18 is for another substantial expenditure increase that would see expenditure during the three years of the 2015-18 National Land Transport Programme deliver within the funding range for the regional improvements output class.

REFUND OF FUEL EXCISE DUTY

Delivered by the Transport Agency and funded from the National Land Transport Fund

HOW REFUND OF FUEL EXCISE DUTY CONTRIBUTES TO OUR LONG-TERM GOALS

Under this output class,^o we record, refund and account for fuel excise duty refund applications.

Refund of excise duty is a Transport Agency function performed on behalf of the Ministry of Transport as an adjunct to the collection of fuel excise duty and as provided for under the Land Transport Management Act 2003. This output makes no major contribution to the Transport Agency's desired goals.

OUR MAJOR ACHIEVEMENTS THIS YEAR

Our major achievements this year included:

- refining our fuel excise duty processes during the fourth quarter to improve the average turnaround time from 8.2 days, to 7.9 days. Although this improvement is small, it has set a positive foundation for further gains during 2017/18.
- developing and implementing a stakeholder engagement plan to improve our working relationship with fuel excise duty agents. The plan includes one-on-one communications and monthly meetings with large agents. This ensures we have a clear understanding of the agents' perceptions of our performance, which we can use to improve our service delivery.

HOW WE PERFORMED

We achieved both targets for refund of fuel excise duty.

	SERVICE DELIVERY*	ACTUAL 2015/16	ACTUAL 2016/17	TARGET 2016/17	VARIANCE 2016/17	RESULT
VALUE FOR MONEY	Average number of days taken to deliver <small>NOTE 36</small>	8	8	10	2	
SERVICE DELIVERY	Number of products/services delivered or processed <small>NOTE 37</small>	77,767	71,668	≥70,000	1,668	

* For technical notes, see appendix 2 on page 181.

^o Output class scope statements are in appendix 4 on page 186.

WHAT IT COST

	ACTUAL 2015/16 \$000	BUDGET 2015/16 \$000	VARIANCE 2015/16 \$000	ACTUAL 2014/15 \$000
Income	1,161	918	243	659
Expenditure	1,161	918	(243)	659
Net surplus/(deficit)	0	0	0	0

Refund of excise duty output class expenditure was \$243,000 (26.5 percent) above budget. The increased expenditure was the result of hiring temporary staff to help address a backlog of queried claims and assist with the general processing of claims.