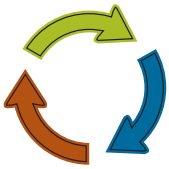
ANNUAL REPORT
2002/2003

TRANSIT NEW ZEALAND
ARARAU AOTEAROA



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ENVIRONMENTAL

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Transit New Zealand is the Crown agency responsible for planning, maintaining and building the nation's state highways.

ISSN – 1171 – 2678

Towards Sustainability

The state highway network contributes to the wider transport system and to the means of mobility that is essential to our daily lives and well-being. Transit recognises that maintaining and building state highways can give rise to major impacts on the landscape and communities. By beginning to apply the principles of sustainable transport in New Zealand, Transit aspires to help deliver through its highway network a transport system that meets the needs of the present generation without diminishing the prospects for future generations to do the same.

While sustaining economic and social activity, the use of the highway network also adds to environmental problems by generating toxic emissions to air and water, and the use of non-renewable fossil fuels. Improving the way we use our highways such as in our efforts to reduce congestion, provide for passenger transport, and cycling and walking will reduce those emissions.

These environmental responsibilities and the social responsibility of providing safer roads must be balanced with the limited financial resources we have to respond to these demands. We can take some encouragement from the lessening road toll that our focused response is effective.

We strive to make improvements to the transport system as envisioned in the Government's New Zealand Transport Strategy and in Transit's key goals to enhance economic, social and environmental well-being. To do this we need the support of stakeholders and also of suppliers and road users. We invite you to journey with us in achieving our goal of safer, better roads.

This report

In this, our second Triple Bottom Line report, we have highlighted some more of the steps we have taken on performance measures and the way we have maintained a creative dialogue with our stakeholders. The scope of the 2002/03 report encompasses the full impacts of Transit's activities in terms of its role to operate and develop the state highway network and the related expenditure, its offices and staff. It does not yet address the impacts of Transit's suppliers in terms of their operations under their contracts with us, nor of road users as they use the network and roads we manage.

Although this does not yet constitute a GRI report, a reference has been established to the principle of GRI reporting via the inclusion of a GRI Index. As usual, our report is subject to verification by Audit New Zealand.

Chairperson's Report

The 2002/03 year has been one of directional change. It has required us to absorb the implications of the *New Zealand Transport Strategy* and focus on the new era to be ushered in with the Land Transport Management Bill.

We are examining our policies and practices to ensure that they reflect the Government's new strategic direction for a multi-modal land transport system.

The next step along this path is the implementation of the requirements of the Land Transport Management Bill. We are watching its progress through the various parliamentary stages with interest. We have anticipated some of its provisions such as long-term financial planning, and new approaches to funding. To ensure rapid progress once the Bill is enacted, Transit has been investigating potential tolling projects and the systems and processes required to deliver on this new area of activity.

First 10-year plan

Transit this year produced its first 10-year state highway plan covering both large and smaller capital works as well as operation and maintenance. Decisions on projects were based on the Authority's new six-category priority system which gives a high priority to congestion relief, safety and the environment. Following release of the draft plan there was vigorous debate in many regions. Local advocates objected to the focus on relief of Auckland's congestion. Consultation led to a rethink and refocus by the Authority. Having regard to the submissions received, the Authority was able to accommodate many regional priorities through the reprogramming of some Auckland projects. The plan will be reviewed and updated each year, following consultation.

A changed policy framework

The changes in the policy framework within which we work have had an effect on the rollout of some planned projects. Six major projects with construction costs above $20 million each have been selected for review against the provisions of the *New Zealand Transport Strategy* and the Government's overall transport objectives. They are: the North Shore Busway and Esmonde Road Interchange upgrade, the Mt Roskill Extension of the Southwestern Motorway in Auckland, the Mangatawhiri Deviation in the Waikato, the Hewlett's Road Flyover in Tauranga and the Wellington Inner City Bypass. With these large projects it is very important that an assessment against government's transport objectives can be shown to be robust. Recommendations from the independent review team are expected by December 2003, so that if approved, these projects can start in the summer construction season.

Making progress in Auckland

After stalled efforts in the past I am delighted to report excellent progress during the year on Auckland projects, recognising the economic consequences of congestion in this key region. Highlights include the start of the bridge duplication over the Upper Harbour while funding has been approved for the Greenhithe Deviation. When completed this will enhance the route between North Shore and Waitakere cities. Parts of the $68 million Grafton Gully Project are already in use and the total project will be finished in December. Stage I of the complex Central Motorway Junction project began in September 2002 and is well underway with a contractor about to be confirmed for Stage 2. This work to enhance links between motorways is occurring on the busiest road in New Zealand. The Puhinui Interchange on SH20 and located on a main route to Auckland airport, is nearing completion. It marks the first step of eventually joining SH1 with SH20. Progress on the Harbour Bridge to City project has stalled following the community's call for further examination of a tunnel option.

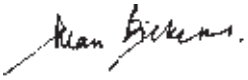
Progress across the network

The 2002/03 year has also brought improvements to other parts of the network. I was delighted to help officiate with the Minster of Transport, the Hon Paul Swain at the opening of the Hawke's Bay Expressway, following a long-standing undertaking given to that region. The first section of the Waikato Expressway between Rangiriri and south of Ohinewai was completed. Other highlights were the opening of the Wairoa Bridge near Brightwater in Nelson, the Weld Pass Overbridge in Marlborough and a major safety improvement at Hunterville South on SH1 between Silverhope and Rata. The greatly-enhanced SH6A gateway to Queenstown was opened.

Reviewing the network, looking ahead

The Authority completed the five-yearly review of the state highway network after consulting extensively with local authorities and communities, including directly affected iwi and hapu. Approximately 173 kilometres of new state highway were declared while 68 kilometres were revoked.

In the current climate of change I have been pleased with the progress made by Transit New Zealand over the past 12 months. I continue to be proud of the staff, ably led by chief executive Dr Robin Dunlop. I also thank my Authority colleagues for their work during the year. In particular I would like to record my appreciation of the significant contribution from John Shaw who completed his term. In his place we welcome John Wright.



Alan Bickers
Chairperson

Authority Profiles

The Transit New Zealand Authority guides the organisation's policy direction in the management of New Zealand's state highway network. The Authority, which fulfils the function of a commercial board, is appointed by government and meets monthly from February through December.

Dr Robin Dunlop
Chief Executive
Wellington

John Wright
Rangiora

Former Member of Parliament for the Alliance, of which he was a founding member, and its spokesperson on transport. Former leader of the Democratic Party and Parliamentary Under-Secretary to several ministers.

Sir Tipene O'Regan
Deputy Chairperson
Wellington

Formerly chairperson of Ngai Tahu Holdings Corporation, the Treaty of Waitangi Fisheries Commission and the Sealord Group Ltd. Currently chairperson of the Escorial Company Ltd, director of Whale Watch Kaikoura Ltd, Marine Stewardship Council (UK) and Stehr Group Holdings Ltd (Aust). Senior Research Fellow University of Canterbury.

Alan Bickers
Chairperson
Tauranga

Management consultant and company director and a member of the Authority since 1997. Formerly chief executive of Tauranga District Council and past president of the Institution of Professional Engineers NZ.

Dr Janice Wright
Wellington

Independent policy adviser and analyst. Doctorate in Public Policy (Harvard University). Deputy Chair of the Transfund New Zealand Board.

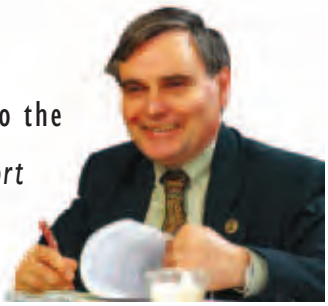
Mike Williams
Auckland

President of the New Zealand Labour Party. Company director, information technology analyst, and Director of the Institute of Geological and Nuclear Sciences Ltd.

David Stubbs
Whitianga

Formerly worked for the Auckland City Council, where he held positions as Director of Works and Director of Planning and Development Services. Chair of the Transfund New Zealand Board.

Chief Executive's Report



The 2002/03 year has been a challenging one as our staff have adjusted to the Government's new policy environment outlined in the *New Zealand Transport Strategy*, produced our first long-term state highway plan, and continued to ensure we meet the expectations of road users.

Open reporting

Transit prides itself on being an open organisation. We respond promptly and honestly to queries whether they come from the media, the road user or property owner. In this annual report we are advancing the triple-bottom line approach, begun last year, by publishing the results of the performance measures we set ourselves for this year. We have attempted to report honestly and impartially, and in cases where the measure has not presented as complete a picture as anticipated, we have noted its failings. Refinement of both the measures and how we report on them is an evolving process. We are proud to be amongst the first of the public sector organisations to report on social and environmental issues as well as economic ones. Our performance-measure reporting has been subject to audit by Audit New Zealand.

Change in approach

The publication of the final *New Zealand Transport Strategy* (NZTS) has led us to a stronger focus on a multi-modal approach. While Transit's statutory responsibilities limit it to the realm of state highways, we are able to work with and make provision for other transport modes within the state highway corridor. An example of such provision is the major North Shore Busway project, about to get underway.

A new performance measure this year illustrates the extent to which we are committed to providing for cyclists and pedestrians. The measure has a target of 100 percent for all projects at the design brief stage to consider the provision of walking and cycling features. Such features will also assist in meeting another of the NZTS principles of promoting and protecting public health.

Transit will also assist in meeting this goal if it can reduce congestion and thus reduce harmful emissions, particularly in Auckland. Transit has taken the lead in Auckland in developing an area-wide traffic control operation covering both state highways and local roads as an integrated unit, thereby developing the opportunity to maximise the capacity of the existing networks. By year's end, all agreements were in place and establishment of the unit to run the network was well advanced. The results will start to become evident in 2003/04. Such thinking on traffic management measures which also include extended camera coverage of heavily-used networks, the use of intelligent traffic management systems and enhanced information to road users, must be developed alongside or even instead of, new roading projects in some cases.

Other capacity-enhancing measures during the year have included a protocol on clearing crash sites more quickly on the network. The protocol was agreed with the Police, Fire Service and Ambulances services.

Progress in Auckland

In Auckland, traffic management cannot solve congestion and capacity issues. That is why Auckland has been such a focus for state highway project development during the year and why completing some of this city's long-standing incomplete highway routes is a focus of Transit's 10-year plan. It is a very real pleasure to record that excellent progress was made during 2002/03 especially on Grafton Gully and the extremely challenging Central Motorway junction. The latter presents such a challenge as this is the busiest stretch of road in the country. It was necessary to ensure the daily 200,000 vehicles continued to flow freely along the Southern Motorway while work progressed on the complex task of creating additional lanes now and planning for more in the future, while also providing better interconnection between motorways.

The Grafton Gully project, 70 percent complete by year-end, represents many facets of which Transit can be proud. Let under the 'alliancing' model with all parties working together, this project is an excellent example of what can be achieved with an innovative approach to contracting. The productive workforce, proud of its achievement, has not only delivered ahead of time and to a high quality but the project it is a good example of what can be achieved in community relationships and environmental enhancement. Other major developments in Auckland are noted elsewhere in this report.

Congestion measurement

New Zealand has not had a formal congestion measurement system. Using travel-time performance indicators based on Austroads methodology, Transit together with regional councils and specialist traffic and statistical consultants undertook such measures this year. This was applied in Auckland and Wellington cities on motorways and major state highways. The results show Auckland congestion to be at a comparable level to major Australian cities. This reflects the extended peak periods and relatively high volumes on Auckland roads. Wellington congestion is lower than in most Australian cities but appears as a short peak over the network with a number of pinch points. Further work is needed to refine the measures and more travel–time results to establish trends.

Maintaining the network

It is not always appreciated that almost half of our annual funding is spent on operations and maintenance. We strive for efficiency and in the face of annual traffic growth of 2.8 percent overall and over 5 percent for heavy vehicles, innovative solutions are a real challenge. Continuing the

trend in innovation in delivering quality network maintenance and operations, Transit was party during the year to the establishment of a performance specified 10-year maintenance contract in the Western Bay of Plenty district. Covering both state highways and local roads, this is the first partnership between a local authority and Transit, which is jointly run by the two organisations though a management board. In a further variation, the contract was won by a consultant, rather than a traditional contractor. A fifth 10-year performance specified maintenance contract for the North Auckland state highway network, was also let during the year.

Safety

While always a major concern of any road controlling authority, Transit is focussing in on safety. I have established an internal Safety Summit where our experienced safety engineers and safety advocates come together to discuss both long-term and "just do-it" safety initiatives. With the new project priority system devised by the Authority, safety has been accorded a high rating in decision-making on projects. A focus has begun on creating 'clear zones' along the sides of identified unsafe sections of highway. Trial lengths have been selected where trees and utility poles will be moved or protected, drop-offs will have guardrails or wire ropes installed, open drains piped or filled, particularly on corners, and guardrails installed on bridges. Such measures will assist in meeting the Government's 2010 Safety goals.

Towards sustainable transport

We have just finalised a Waste and Energy Management Policy. Under this policy, which will apply to all Transit activities and those working on Transit's behalf, we will aim to manage energy consumption and waste in a cost-effective and sustainable manner. Incentive and innovation schemes to reward waste and energy management initiatives are built into the policy.

One of the new measures reported on is the amount Transit spends each year on environmental aspects. Although a crude measure, and one we will refine, it does provide an indication of the importance Transit places on this aspect of highway development. The results from the first year are very encouraging. For the 2002/03 year 5.9 percent of capital project funding was spent on environmental measures such as noise-control, landscaping, run-off control, planting and cultural protection. In addition further funding is allocated through Transit's maintenance budget. Environment-protection measures are encouraged and rewarded through the maintenance contracting process.

A challenging year

The development of the first 10-year plan sharpened our view of which projects were likely to proceed in the next decade. Both the refocusing on the six-category priority system and the paramount importance of Auckland's roading needs, meant that a number of good, rural quality and efficiency projects had to join the funding queue. Although by year end not all the funds allocated to major projects had been spent the decision was taken to retain the funds for these projects for when they are free from their planning and legal encumbrances. The annual accounts report an underspend of $36 million from the original state highway plan but the latest New Zealand Land Transport Programme review shows an $18 million underspend against Transfund's funding allocations. This is a good result in a year of significant change.

Managing risk

As the recent large earthquake in Fiordland reminded us we are known as the 'shaky isles' for a good reason. Transit understands about managing such risk and identifying weaknesses in our road structures. With the passing of the Civil Defence and Emergency Act this year the Authority took the decision to start work now on retrofitting the most vulnerable bridges on the network identified from a recent study.

Listening to road users

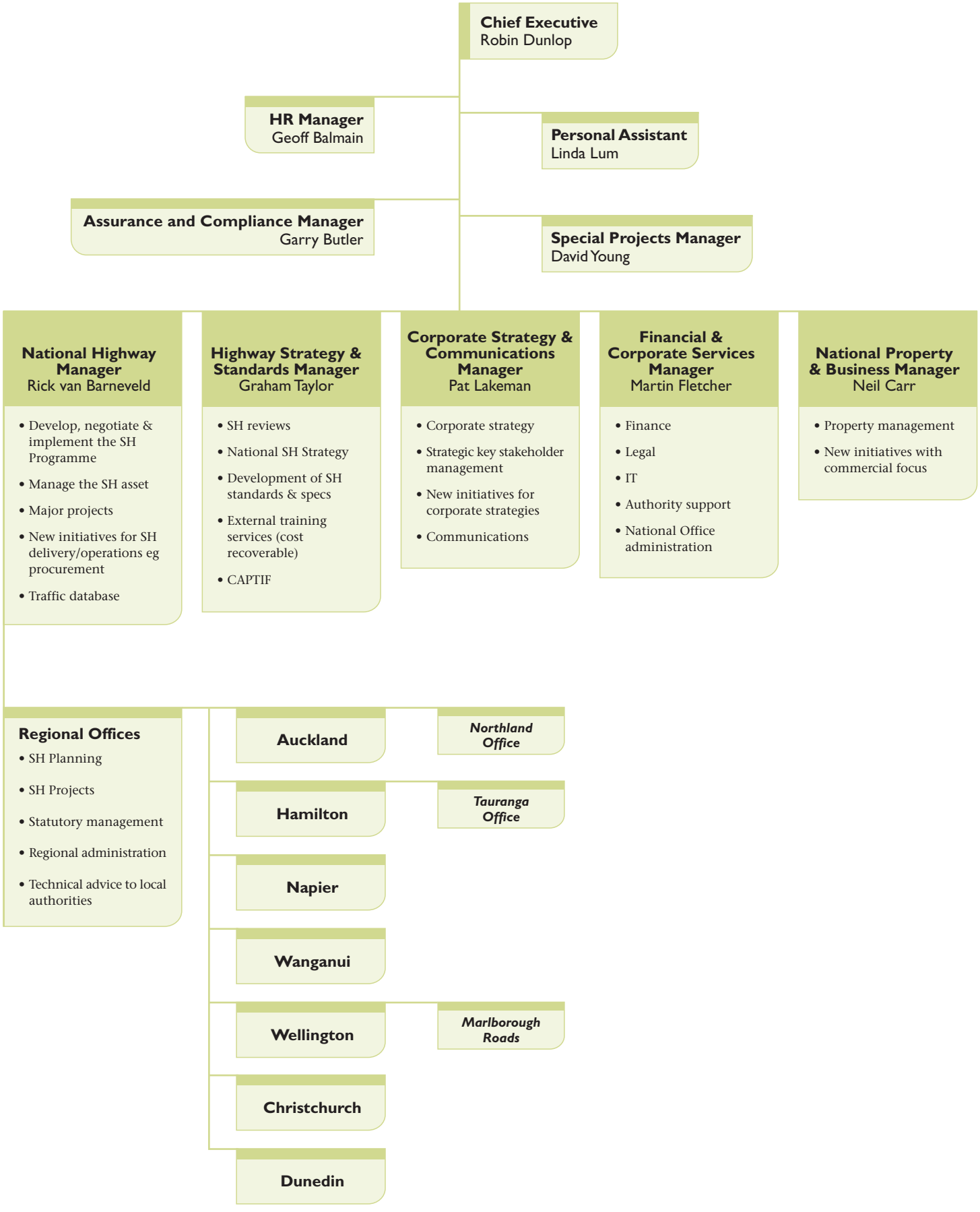
As part of its wider stakeholder research strategy, Transit carried out its biennial road user survey this year. The overall results were positive – in some cases very positive – and there were no real surprises. Safety and congestion were identified as the two clear priority areas for expenditure in the eyes of road users. While it is predictable that Transit's management of congestion and traffic flow is given a positive rating by only one-third of road users, it is of concern that 'safety design and features' was the second-lowest rated aspect. We undertake these surveys to better inform our decision-making and these findings back up our current focus on safety. This year's survey allows for subsequent analysis of detailed comments and this will provide additional information about road users' views and preferences on which we can take action.

A new strategy, a new Act

The staff and management of Transit began this year with a new transport strategy to guide us. We end it with the prospect of a new Act redefining our objectives and role. I am confident that with Transit's skilled staff and under the guidance of our Authority we will meet this challenge and indeed welcome it. We will learn and grow both as individuals and an organisation as we work towards the goal of a transport system that is integrated, safe, responsive and sustainable.

Robin Dunlop
Chief Executive

Transit New Zealand Structure · October 2003



Management Team

The Transit New Zealand corporate management group comprises senior managers responsible for ensuring the delivery of the Transit New Zealand Authority's directives. There are four regional managers in this group.

Martin Fletcher
Financial and Corporate Services Manager

Garry Butler
Assurance and Compliance Manager

Neil Carr
National Property and Business Manager

Wayne McDonald
Regional Manager, Auckland

Brian Hasell
Regional Manager, Wellington

Rick van Barneveld
National Highway Manager

Dr Robin Dunlop
Chief Executive

Robin Odams
Regional Manager, Christchurch

Pat Lakeman
Corporate Strategy and Communications Manager

Colin Knaggs
Regional Manager, Hamilton

Graham Taylor
Highway Strategy and Standards Manager

Wairoa Bridge 6

Minister of Transport Paul Swain was joined by pupils of Brightwater School in officially opening the $1.3 million Wairoa Bridge on SH6 between Hope and Richmond. The new duplicate bridge carries southbound motorists while the old bridge continues to carry those heading north. The project is important for the region, as it will significantly improve the safety and comfort of the 8,000 drivers that travel the road each day and is the main freight route to and from the Port of Nelson and airport. This highway is part of the Treasured Pathway, one of the main tourist routes in the South Island.

Gateway to Queenstown 6A

All travellers are enjoying the view and the improved safety of the $7.7 million project between Frankton and Queenstown. The project demonstrated successful co-operation by Transit with the Queenstown Lakes District Council, utility providers (to put cables underground), the tourist industry (to schedule the tourist buses) and the local community. Improvements included widening footpaths and building cycleways. Special attention was paid to design and having the improvements, such as the gabion walls, complement the environment.
Transit New Zealand Authority chairperson Alan Bickers, with Mayor of Queenstown Lakes District Clive Geddes and former Mayor Warren Cooper cut the ribbon at the official opening.

Safer subway for Hawera 3

The local community and Transit joined in celebrating the opening of the subway near Hawera. There had been a high accident rate at the subway and a problem with low clearance for trucks where the old road dipped under a railway line. The subway sees 400 milk-tanker trips a day as well as workers commuting to the nearby dairy factory. The road was made wider by installing a new span for the rail bridge, and the road itself was also dug out, lowering it by 3.5 metres on the south side to give extra clearance. The subway project cost $1.35 million.
Mayor of South Taranaki District Council, Mary Bourke and Transit chief executive Dr Robin Dunlop cut the ribbon for the new subway.

Sod turning at Kaitoke 2

At the end of last year the Minister of Transport Paul Swain helped turn the first sod to mark the start of construction on the SH2 Kaitoke to Te Marua Realignment. This part of the highway is a vital link between Wellington and Wairarapa, leading to the Rimutaka Hill Road. There has been a high crash rate on the highway where there is a 3.6 percent increase in traffic volumes each year. On the first part of the project about 500,000 cubic metres of soil are being moved to straighten the road and remove the dips and rises.

Hawke's Bay Expressway

The new Hawke's Bay Expressway provides a more efficient route to the Port of Napier removing a lot of heavy traffic from Napier's Marine Parade. The 5.2 kilometres of new road, including Tamatea Drive, cost $12.5 million. A key part of the project was the construction of a new bridge across the Ahuriri Estuary, a highly sensitive environment, and Transit worked with the Department of Conservation to minimise its impact. Transit worked closely with iwi. Transit entered into a Heads of Agreement with the Napier City Council to build the $950,000 realignment of Tamatea Drive next to the expressway, under one contract. *L to R: Russell Fairbrother, MP for Napier; Paul Swain, Minister of Transport; Alan Bickers, chair Transit Authority; Bevan Taylor, Ngati Kahungunu representative; Robin Dunlop, Transit chief executive.*

Milestone for Waikato Expressway

The completed Rangiriri to South of Ohinewai section is an important milestone in the completion of the Waikato Expressway. A feature of the project was the successful partnering process with the Waikato District Council, Environment Waikato, Waikato Tainui, the Ohinewai community, and Tranz Rail, as well as the engineer and the contractor. Some of the improvements such as reducing the undulations of the road are tailored for truck drivers. The $26 million contract was delivered ahead of time and on budget despite bad weather.

Protocol for faster incident clearing

Transit New Zealand, the New Zealand Police, the Fire Service of New Zealand and Ambulance New Zealand have agreed on a protocol for clearing crash sites on state highways more quickly. With increasing vehicle numbers on the highway network, clearing incidents more quickly is vital to reduce driver frustration, and to save costs, especially for drivers of commercial vehicles. The investigation of any incident will be as thorough as before, with the added focus of re-opening the highway as quickly as possible. Front *L to R: John Ayling Ambulance New Zealand, Robin Dunlop chief executive Transit, Rob Robinson commissioner, New Zealand Police. At Rear, L to R: Dave Bates Transit network operations manager, Superintendent Steve Fitzgerald, NZ Police. Mike Hall, national commander, New Zealand Fire Service, also a signatory, was not available.*

Heritage and highways get together

Transit New Zealand and the New Zealand Historic Places Trust have signed a Memorandum of Understanding (MOU) aimed at streamlining the way the two organisations work together. The MOU covers Transit's function in managing the state highway network and Historic Places' role in registering, managing and protecting historic places, archaeological sites, and waahi tapu areas. With the protocol in place the two organisations will work together to preserve and record valuable heritage.
Dr Bill Tramposch (left) of the New Zealand Historic Places Trust and Dr Robin Dunlop Transit chief executive.

Transit Today – a Profile

Transit manages the state highway network of 10,786 kilometres – 12 percent by length of New Zealand's roads but carrying 49 percent of the total 37 billion kilometres travelled each year. The value of the asset is $12.5 billion and involves Transit in expenditure of approximately $650 million per year of which more than 95 percent is outsourced via competitively bid contracts. Funding is allocated across planning, maintenance and operations, construction and traffic management.

Transit is a Crown entity established by statute with a board, the Transit New Zealand Authority, appointed by government. The Authority exercises its governance function primarily by providing direction through a framework of strategies and policies within which Transit's management operates.

Management is organised through a national office and seven regions plus additional offices, and Marlborough Roads, a partnership with the Marlborough District Council under which Transit manages the local roads together with the area's state highways.

Offices are in Northland, Auckland, Hamilton, Tauranga, Napier, Wanganui, Wellington, Blenheim, Christchurch and Dunedin. Transit directly employs 258 staff but the staff of its many contracted agents also contribute to our impacts.

Programme planning

Transit has a robust process for forecasting the level of expenditure for the maintenance and operation of the network. Programmes are built up from a zero base, and comprise contract commitments and levels of work required to deliver the agreed levels of service (see Performance Measures) together with the necessary periodic maintenance to ensure that the quality of the highway asset is maintained. This work programme is built up from on-site inspections, outputs from the various information systems and the collective intelligence of Transit's staff, consultants and contractors.

Similarly, the capital works programme is developed through an exhaustive process based on likely funding levels and identified priorities that reflect government policies. Regional and local councils are consulted on project priorities and alignment with regional land transport strategies. Transit is innovative in its procurement practices and has in place a range of contracts. They extend from the standard three-year network maintenance management contract for a section of highway, through hybrid contracts, to performance-specified 10-year contracts. There is also a range of capital projects from the traditional method of separate professional consultancy packages and a works contract, through design-construct and full-delivery to alternative financing and payment models.

Stakeholder engagement

Transit's external stakeholders include all road users - private car owners, commercial drivers and companies, cyclists, pedestrians - as our main customers, the Minister of Transport and Parliament as our owner, central government organisations in transport and other disciplines, iwi as the government's Treaty partner, local government (regional and territorial) as fellow road-controlling authorities and representatives of their communities, communities and the media and suppliers. A brief picture of communications with stakeholders is shown below.

Key Stakeholders

Stakeholder	Ongoing communication channels ↔	Feedback channels ←
The Minister	✓	✓
The Ministry of Transport	✓	✓
Members of Parliament	✓	✓
Road Users and Road User Groups	✓	✓
Iwi and Community Groups	✓	✓
Central Government Agencies	✓	✓
Local and Regional Authorities	✓	✓
Industry Groups and Organisations/Major Suppliers	✓	✓
Contractors and Consultants	✓	✓
Media	✓	✓
General Public	✓	✓
Staff (and the PSA)	✓	✓
International Roading Organisations	✓	✓

See page 60 for more detail on communication with stakeholders

Performance Indicators and Reporting

Triple bottom line (TBL) reporting, synonymous with sustainability reporting, encompasses the economic, environmental and social aspects of Transit's work. The principle of sustainability requires balancing the complex relationships between current economic, environmental and social needs in ways that do not compromise future needs.

In the *Transit New Zealand Annual Report 2001/02* the use of TBL was limited by the economic focus of the *Statement of Intent* that was being reported against. Transit did however, publish a full set of performance measures – many of them with a specific economic, environmental and social focus - and in this year's report we have attempted to report as fully as possible against them.

A primary goal of reporting this way is to contribute to ongoing stakeholder dialogue that in turn, influences the decisions and behaviour of Transit itself and its stakeholders. To this end, the approach has been to integrate rather than split the measures into the three separate 'categories' and report in a rolling narrative format. Adopting this broader view not only demonstrates how parallel functions enrich each other, it also better acknowledges the impact Transit business has on the daily lives of all New Zealanders.

The following section measures our performance against both core and additional economic, environmental and social measures. Core measures are those that are relevant to most reporting organisations. The additional measures provide information of interest to our key stakeholders or help illustrate 'best practice'. Some of these additional measures have been included because they are worthy of further testing and may even evolve into a future core measure.

In order to produce a balanced report Transit has adopted the recognised principles of triple bottom line reporting, namely, transparency, inclusiveness, completeness, accuracy, clarity, relevance, neutrality, timeliness and comparability, within a context of sustainability. Every attempt has been made to compile, analyse and present the data in a way that both internal and external assessors can attest to its reliability.

Over the page we have reported on our performance measures and identified the triple bottom line category into which they fit through the use of symbols. The symbols highlighted with each measure show the category fit. We have also followed this principle with the description of significant social and environmental achievements in the sidebars.

Environmental

Social

Economic

3 60 Cycling and walking

Transit has added a clip-on, cycle lane to the 300-metre-long Cobham Bridge on SH3 in Wanganui. Nine pre-fabricated steel spans were clipped onto the downstream side of the Cobham Bridge piers (pictured). The cycle lane links with 700 metres of associated pathways that will become part of the pathway network in Wanganui. The extra lanes are an effective way of improving safety for cyclists and pedestrians by separating them from the vehicle traffic on the bridge. The same clip-on, system was used on the Motueka Bridge on SH60 between Motueka and Riwaka which is being appreciated by local people, including school children, and tourists alike. Cycle safety in Nelson has improved with clear cycle lane road markings on several roads. All Transit projects take into account the need for cycling and walking for which additional funds have been allocated - $11.4 million over 10 years.

Cyclists on the Cobham Bridge cycleway, SH3, Wanganui.

Ensuring Environmental Sustainability

whakarite i te ukaukatanga o te taiao

"Enhanced mobility for people, goods and services within New Zealand and between New Zealand and overseas will be achieved through creative responses that meet people's needs with minimal adverse effects on the environment."

Objective. New Zealand Transport Strategy

Environment and Health

Dollars spent on environmental issues.

Measures to value the full range of Transit's impacts on the environment will take time to establish and report against. As an interim measure of the impact of Transit activity on natural systems, a measure of *Dollars spent on environmental issues* has been adopted. It is inadequate, not least in that it disregards environmental values incorporated in the design, which Transit is not able to calculate separately.

As part of all projects undertaken by Transit, the environmental and social effects of the work are evaluated, and appropriate mitigation measures instigated. On projects completed in 2002/03 some $4.5M was spent on these activities nationally, 5.9 percent of actual construction costs. Not included in this total is the cost within maintenance and operational activities associated with ensuring that they represent best practice environmentally and socially. An interesting example of this is the increasing need within congested urban networks to undertake work at night to maximise system availability during peak traffic flows. 'Silencer Shells' designed especially for the job are being used in central Auckland for night work. Acoustically-lined, they totally encase the work site and trap much of the noise.

Congestion through travel-time delays.

A large component of Transit's first 10-year state highway plan published in June 2003 is directed to the Government's priority of relieving congestion. As well as reducing social impacts and costs, congestion relief reduces emissions to air. Traffic management as well as new projects are part of the answer, though demand management, which is outside Transit's direct role, will also be essential.

Transit is tracking trends in congestion and the relieving effects of new roading and public transport projects. The third pilot travel-time survey was carried out with the Auckland Regional Council over five weekdays in April and May and travel times were measured on 267 kilometres of Auckland's state highways, motorways and major arterial routes. About 50 percent of vehicles on the monitored network travel on the Northern and Southern motorways, and there are no viable alternate routes. Congestion on these motorways can result in delays of two to four minutes per kilometre in the morning peak period, the worst time. Across the whole day, Auckland had a similar level of congestion to Adelaide and Brisbane. The travel-time survey measured the actual travel speed on several different routes and compared it to travel at the legal speed limit. The difference reflects the degree of congestion. Each route was travelled 15 times over the course of the survey. A travel-time survey was carried out also in Wellington, in association with the Wellington Regional Council. It showed that long lengths of road had moderate levels of congestion, particularly southbound into the city during the morning peak. There was also a number of heavily congested points in some inner city roads during peak periods, with delays of three to five minutes per kilometre.

The Ministry for the Environment is using these survey results to help develop environmental indicators.

2 Estuary protected and enhanced

A key part of the new $12.5 million Napier Airport section of the Hawke's Bay Expressway was the construction of a new bridge across the Ahuriri Estuary, a highly sensitive tidal eco system. Transit worked closely with the regional council and the Department of Conservation (DoC) on environmental protection measures for the area, where, prior to the 1931 Napier earthquake, the tidal estuary had been a river mouth. The protection measures included the use of silt-filter fences to optimise water cleanliness and the use of granular gravels to filter water. Feeding areas known as scrape lakes nurture wading birds such as herons and plovers. The bridge was built in discrete stages ensuring the estuary current was amenable to fish. Local iwi were closely involved in this project.

The bridge across the Ahuriri Estuary, finished in May 2003.

Walking and cycling features as well as passenger transport facilities are incorporated into roading projects where possible. This has the effect of relieving congestion and lessening negative impact on the environment.

The percentage of projects where design commenced in the current financial year that considered, as part of their design brief, the provision of walking and cycling features.

Development of highway improvement projects has always included consideration of cycle and pedestrian traffic, but standard design briefs did not specify the requirement. Although Transit was not funded for such features in general until this year, it did replace existing facilities when a highway was redeveloped, and included provision for walking and cycling where there was high demand or significant safety risk. A check of design projects commenced in 2002/03 has confirmed 100 percent compliance with this new measure.

Description	2000/01	2001/02	2002/03 Target	2002/03 Actual
	Percent			
Percent of projects with design starting in current year which considered walking and cycling features in their design brief	N/A	N/A	100	100

Description of significant social and environmental achievements.

Descriptions and photos of significant environmental and social achievements can be found in the sidebars of this Performance Indicators and Reporting section of the report.

Media coverage is often associated with the social and environmental impacts of what Transit does or does not do.

The proportion of the assessed media coverage that is positive.

An experienced journalist, independent of Transit, surveyed 12 percent of the year's media clippings. The definitions of positive, neutral and negative were those used by Transit in its weekly collation of clippings. On the basis of a random selection of media clippings and transcripts featuring or mentioning Transit during 2002/03, 18 percent of the articles were positive, 59 percent neutral, and 23 percent were negative.

Media interest is especially high on issues of road safety. Transit has encouraged radio stations to use road condition information available on the website and to promote safety messages when reporting adverse weather conditions.

1 Silverhope native forest

Major safety improvements led to a stand of native forest being preserved between Silverhope and Rata, south of Hunterville. The $7.6 million realignment included three new bridges, right-turning bays and five kilometres of passing lanes. The seven kilometres of new highway bypasses Silverhope Bush, now dedicated to recreational use. Transit worked with DoC and local landowners to fund replanting on the site of the old road through the forest.

Adrian Rurawhe (Ngati Apa) and Rangi Hawira (Ngati Hauiti) hongi after planting one of the white maire trees in the Silverhope forest, once divided by a highway.

Passing lanes

Five dedicated passing lane projects were completed on the state highway network at a cost of $4.9M with another five under construction. Passing lanes have also been incorporated into other projects. A further 14 passing lanes are at the investigation stage and another 21 are being designed.

Passing lane on SH3 Te Awamutu to Te Kuiti.

Assisting Safety and Personal Security

āwhina i te hauroa me te maru whaiaro

"will continue to work on improving safety outcomes across all modes. ...Safety and personal security concerns associated with transport will be addressed in order to improve quality of life and to promote modes such as walking, cycling and public transport."

Objective. New Zealand Transport Strategy

The social costs of road accidents.

Description	1997	1998	1999	2000	2001	2002
Number of fatal accidents on SH network	273	216	264	218	223	179
Assessed cost of accidents on SH network (in 2002/03 $) $M	881.8	697.7	852.7	704.1	720.3	578.1

Currently, the methodology for assessing road agency performance in reducing crash rates and the severity of the crashes is not well developed. In the interim, the number of fatal crashes on the network is reported, together with the assessed cost of these fatal crashes. (Land Transport Safety Authority data assesses each fatal crash as costing $3.23M.) In the future we would hope to cover all crashes (fatal, serious, minor and non-injury), as well as the effectiveness of Transit's 'Black Spot' and 'Grey Spot' monitoring programmes and crash-reduction studies, and the impact of the progressive clear zoning of the highway verges.

An important part of ensuring a safe state highway network is to determine optimal levels of service and standards and to monitor compliance.

Percentage of state highway complying with agreed levels of service and standards for road conditions and geometry (ie up to design standards).

This measure demonstrates Transit's commitment to delivering a network that meets the agreed levels of service and standards. The levels of service are confirmed by road user satisfaction surveys and the funding available from Transfund to achieve these levels. Again, the results below demonstrate a clear commitment to achieve, or better, the target. Further comment can be found in the Statement of Service Performance section of this report as can definitions (page 52) of smooth travel, smoothness etc.

Level of service and standard	Actual 2000/01	Actual 2001/02	Target 2002/03	Actual 2002/03
	Percent			
Percent of network classified as smooth	98	99	97	99
Percent of expectation of smooth travel	98	99	97	99
Percent of network <20mm ruts	99.9	99.9	99	99.8
Percent of network with good skid exposure above threshold level	N/A	99	98	99
Percent of network with texture greater than 0.5mm	99.3	99.5	98	99.6

Clearing the road after incidents of all kinds, including crashes has been a feature of co-operation between Transit and the New Zealand Police, the Fire Service of New Zealand and Ambulance New Zealand.

The percentage of emergencies on highways having single-lane access restored within 12 hours after the substantial end of the event.

The speed at which Transit re-opens highways after significant events (both crashes which block the highway and natural events) is critical for meeting road user expectations. The achievement in 2002/03 is the best that has been recorded for a number of years, and reflects an increased commitment to incident management, together with a reduced number of severe natural events.

Measure	Actual 2000/01	Actual 2001/02	Target 2002/03	Actual 2002/03
	Percent			
Single-lane access restored within 12 hours	77	94	95	98

Responsiveness

Stakeholder focus has been important for Transit since 1998 (see charts on pages 10, 60). Regular road user surveys are conducted and a new survey of other key stakeholders was also completed this year. These are in addition to many other forms of engagement and dialogue as set out below.

Road user satisfaction with the national state highway network.

Road user satisfaction rating for the quality of the relationship with Transit New Zealand.

Transit surveys road users nationally every two to three years and participates in the regular Austroads survey of road users comparing New Zealand and Australian states. Transit also conducts targeted occasional surveys on key groups such as truck drivers and Auckland motorway users.

Quarterly meetings are held at senior level with the New Zealand Automobile Association and Road Transport Forum. In Transit's 2003 survey of road users, 58 percent rated the state highway network a lot or a little better than two years ago while 13 percent rated it a little or a lot worse. The least positive rating highlighted two clear priorities for road users: improving safety (a top priority everywhere but Auckland) and reducing congestion (the number one priority for Auckland road users). Very positive ratings were given to road markings and signs on state highways, and the overall appearance of the road surrounds. Getting good information about road conditions and closures, and about new state highway projects, was rated important or very important by 70 percent of respondents. Transit is always striving to improve in this area. For overall satisfaction, 78 percent of respondents gave excellent/very good/good ratings.

6 Improving safety at Nevis Bluff

Delays to travellers were kept to a minimum as 2,400 cubic metres of unstable rock were removed from the Nevis Bluff on SH6, the tourist route through the Kawarau Gorge between Queenstown and Cromwell. The $1.3 million project involved a scaffold staircase being built from the top of the bluff face about 150 metres above the road to provide access to three large unstable rock features, each 30 metres high by 10 metres wide. The unstable rock was drilled and blasted progressively from the top down and 350 truckloads of rock removed. Road users, particularly tourism operators, were consulted and kept informed of road closures.

Before: the Nevis Bluff after a major slip in 2000.

After: scaffolding on the Nevis Bluff enabled work to be carried out to stabilise the rock face.

25 Transit works closely with Ngati Maru

An example of Transit working more closely with iwi is the long-term agreement reached with Ngati Maru in relation to the proposed new Kopu Bridge over the Waihou River on SH25. Transit and Ngati Maru signed a Memorandum of Agreement in November 2000, which has allowed appropriate works to be carried out, such as the drilling of a series of bore holes under the Waihou River to test soil-bearing capacities. The agreement also helped resolve tangata whenua issues by providing a mitigation plan relating to the effect the new bridge will have on the river and the ancestral land of Ngati Maru, Ngati Whanaunga and the other Marutuahu iwi. Subject to certain conditions, resource consents have now been granted, but the bridge's construction remains some time off due to funding constraints.

Iwi, and recognised social and environmental interest group satisfaction with the national state highway network.

Iwi and recognised social and environmental interest groups satisfaction rating for the quality of the relationship with Transit.

Representatives of iwi, and social and environmental groups were included in the Stakeholder Survey providing information on a range of performance parameters. Key performance measures include iwi and interest group satisfaction ratings for the state highway network (76 percent said adequate or better) and the quality of relationship with Transit (79 percent) – but the number of responses was low in relation to the total throughout New Zealand, so the 2002 results are not taken as representative of all iwi and recognised social and environmental groups. Further work is required to increase coverage of these groups.

Local and Regional Authority satisfaction with the national state highway network.

Local and Regional Authority satisfaction rating for the quality of the relationship with Transit.

Transit supports and helps co-ordinate the Road Controlling Authorities' Forum. This body includes all local authorities, the Department of Conservation and Transit and meets quarterly. Quarterly meetings are also held at chief executive level with Local Government New Zealand, and Transit consults closely with the Regional Land Transport Committees. Representatives of regional and territorial authorities at both elected and executive levels were included in the Stakeholder Survey. Key performance measures include their satisfaction ratings for the state highway network (77 percent adequate or better) and the quality of the relationship with Transit (87 percent adequate or better).

Responsiveness

Ratatanga

"The diverse needs of urban and rural communities need to be recognised. Those who use transport and those who are affected by it, will need to be encouraged to participate in transport policy development."

Principle. New Zealand Transport Strategy

Peer and industry perception of Transit's leadership in the New Zealand transport industry.

Transit's chief executive is a member of the Transport Chief Executives' Forum and the National Road Safety Committee. He meets monthly with the chief executives of Transfund New Zealand and the Land Transport Safety Authority, and weekly with the Secretary for Transport.

Chief-executive level meetings are also held quarterly with the New Zealand Contractors Federation and the Bitumen Contractors Association. Representatives of suppliers were included in the Stakeholder Survey. A total of 86 percent of respondents gave a rating of adequate or better against the performance parameters.

Transfund New Zealand's satisfaction with Transit performance.

A contract is agreed with Transfund each year for the state highway component of the National Land Transport Programme. A key performance measure is Transfund's satisfaction with Transit's performance. A satisfaction rating of adequate or better was given by 95 percent of Transfund respondents in the Stakeholder Survey.

Minister of Transport's satisfaction with Transit performance.

Transit makes a quarterly report to the Minister of Transport on progress with major projects and handling of major issues and policy developments. In addition Transit is guided by an Annual Performance Agreement, required by the Minister, which includes performance measures. This is administered by the Ministry of Transport. The Transit *Statement of Intent* and *Annual Report* are tabled by the minister in Parliament each year. The key focus is on performance in relation to the Performance Agreement and *Statement of Intent*. From regular reporting and monthly meetings between the minister and Transit's chief executive and chairperson, Transit believes the minister was satisfied with Transit's performance in the 2002/03 year.

2 Lake vistas restored

Transit worked in partnership with the Department of Conservation and the Hawke's Bay Regional Council to almost completely eradicate an infestation of Japanese honeysuckle, lonicera japonica and so restore the vistas of Lake Tutira from SH2 north of Napier. An introduced hedging plant, the honeysuckle can grow up to 15 metres annually, blanketing small trees and shrubs and harming indigenous species, ecosystems and biological diversity. In the first spray season 90 percent of the honeysuckle was killed off with minimal effect on native flora and water quality. Lake Tutira is one of the Hawke's Bay's biological diversity areas, as well as a popular camping site.

Safety

Haumaru

"…policy will need to ensure high standards of health, safety and personal security for all people, including users, workers, and operators… [along with a] need to ensure there is a robust health and safety framework, complemented by an emphasis on individual and business responsibility."

Principle. New Zealand Transport Strategy

Transit Staff

Staff satisfaction rating with Transit as an innovator and good employer.

Transit gauges its performance as a good employer through regular staff surveys. The surveys carried out in 1997, 2000 and 2001 form the foundation for the 2003 survey, conducted in April. This yielded a 72 percent response rate. Just over half the staff were satisfied or very satisfied that Transit responded to new ideas. A higher response is anticipated with the introduction of a Chief Executive's Innovation Award. A total of 81 percent of respondents were satisfied or very satisfied that Transit was a good employer. The highest levels of satisfaction were for staff accepting personal accountability for their work, treating each other with respect and courtesy, and satisfaction with Transit being a health and safety-aware organisation.

Across a range of goals and potential improvements, there were no significant negatives. The most important improvements wanted were better pay and "rewards in proportion to the excellence of performance". Improvement was also sought on internal communication and procedures and processes.

Management holds six-monthly meetings with Public Service Association delegates, who represent one-third of staff. An additional meeting focussing on health and safety improvements was also held during the year.

Staff satisfaction with Transit as a fiscally, socially and environmentally responsible organisation.

Staff expressed strong confidence in Transit being able to carry out its role. One in four staff rated the organisation as 'excellent' under Technically Expert and Financially Responsible values, with a further two out of four rating it as 'good' on these aspects. Detailed results are shown below.

Value	Adequate to Excellent	Good to Excellent
	Percent	
Financially responsible	92	76
Environmentally responsible	93	67
Socially responsible	91	63
Community minded	92	60

Saving energy

With lake levels dangerously low earlier this year, Transit, along with representatives from other road controlling authorities responded to a request from the Winter Power Task Force to implement energy–saving street light reduction measures, if required. As a result, an RCA working group prepared 'best practice' guidelines that could be implemented without unduly affecting road and community safety. Should the need have arisen, Transit had initiatives in place including reducing the overall power system voltage, advancing the bulk fitting of more energy-efficient equipment and lights and deferring new works with large power usage. Last year Transit spent $5.9 million on carriageway lighting - $3.6 million on usage and $2.3 million on maintenance.

Increased energy efficiencies without compromising safety

Transit is replacing old light fittings with new low-energy, high-pressure sodium lights including the total replacement of all the lights along the Wellington Motorway. At rural intersections further efficiencies have been made by the use of flag lighting which is responsive to natural light levels. Transit has also taken over managing all the lights along those state highways running through urban areas, bringing the total number of lights to over 36,000. Where necessary, poles are shifted from clear zone space and old poles replaced with frangible mountings.

Total dollar spend on achievement of Strategic Training Plan as a percentage of payroll.

As a professional organisation, Transit is committed to providing training opportunities for staff development. As well as the expected job/work-related training, Transit continues to support academic study for masters and MBA level qualifications where it is seen to benefit both the employee and Transit. Transit continues to spend between 2 percent to 3 percent of its total payroll on training. The actual percentages were 2.4 percent in 2002 and 2.7 percent in 2003.

After 31 December 2003, registered engineers will no longer be able to use the term "registered engineer" and all engineers wanting to continue to use a career-defined qualification must become Chartered Professional Engineers (CPEng). Transit is encouraging all its engineers to achieve this goal.

Achievement of the Strategic Training Plan measured through the implementation of individual employee-agreed training plans.

The following table shows the results achieved in relation to itemised measures within Transit's Strategic Training Plan.

Strategic Training Plan item	Measurement	Achievement
Performance appraisal	Meeting individual training plans	87 percent (range 75 percent – 100 percent)
Management training and development	2 senior managers to attend advanced management courses	100 percent
Technical training and development	Study leave to attend courses. Continuous development for professionals	CPEng support. Graduate recruitment and mentoring
Non-technical training and development	Courses and training attended to meet work demands	Internal customer service Groupwise courses
Cultural alignment	Formal Induction Quality Course Bicultural training	4 Induction Quality courses held 5 people attend Bicultural training

Transit encourages all staff to continue to develop their skills. Customised in-house courses such as Transit's Leadership Training programme is the preferred and cost-effective delivery method. Not all individual staff training plans were completed due to a combination of the unavailability of courses, timing and rescheduling. Positive feedback has been received about the bicultural courses, which are held on an 'as-required' basis.

74 Lyttelton Tunnel spill protection

Transit has installed an underground containment tank in the roundabout at the Lyttelton end of the tunnel so that any chemical spill in the tunnel is cleaned up before it discharges to the Lyttelton Harbour. Previously, such a spill would have entered the sumps and stormwater drains down the centre of the tunnel, and discharged into the Lyttelton township stormwater system and eventually into the harbour. Transit has also commissioned a separation facility so that only clean stormwater is discharged from any tunnel run-off.

Installing the containment tank for the tunnel run-off.

Protecting and Promoting Public Health

tiaki me te hāpi i te hauroa tūmatanui

"Transport will contribute to healthy communities and human interaction. Health outcomes will be improved through regulation, education, encouragement and investment."

Objective. New Zealand Transport Strategy

Making Progress in Auckland

Connecting the links to relieve traffic congestion in Auckland is a transport priority for Transit. Four major projects worth $300 million are already on the go in Auckland.

Grafton Gully

Work on the $68 million Grafton Gully Project will help improve the strategic link between Auckland's CBD, the port and SH1. Transit New Zealand and three organisations make up the Freeflow Alliance: Beca Carter Hollings & Ferner, Fletcher Construction and Higgins Contractors. Auckland Regional Council gave special permission for earthworks to continue through the winter, and work is ahead of time and under budget.

A 70-metre long, 1900-tonne new railway bridge was slowly moved sideways 15 metres into place during Anniversary Weekend, January 2003.

Massive pre-cast beams, 24-metres long and weighing 50 tonnes, were required to build the Wellesley Street Bridge.

Environment and the project

The Grafton Gully project managers received a Public Archaeology Award from the New Zealand Archaeological Association. A wide range of artefacts from the old Phoenix Foundry and Waiwai Bottlers are displayed at the Information Centre which this year attracted 1700 visitors. Professional, community and school groups have learned about the transportation and environmental aspects of the project, and school children have helped with the planting of the native species to be used in the landscaping. Transit worked with the Auckland City Council and local iwi on the urban design concept for the project. Aesthetic values have played an important part in this project. Concrete pillars are embossed and an Auckland artist will create several vertical sculptures.

Grafton Gully (continued)

Auckland's largest tank (right, under construction) will treat stormwater discharged to the Waitemata Harbour, removing up to 75 percent of sediment-bound contaminants and reducing the likelihood of large spills discharged from the stormwater system. The underground tank is 85 by 10 metres and 3.5 metres deep. In partnership with Auckland City Council work was integrated with the city's 2.3 metre stormwater pipeline, which can cope with a greater volume of stormwater, and so help prevent flooding problems in the Stanley Street area.

Puhinui interchange

A full, $14.5M full grade interchange replaces the old Puhinui roundabout, a first step to joining the Southwestern Motorway with the Southern Motorway. Some 40,000 vehicles a day travel through the existing roundabout, many en route to Auckland International Airport. With so many vehicles a day, the roundabout is prone to long queues and delays, resulting in congestion, and a significant number of nose-to-tail accidents.

Upper Harbour Bridge

Work has begun on the $29.6 million project to duplicate the Upper Harbour Bridge and widen the causeway on the Hobsonville side of the bridge. The 460m-long balanced cantilever bridge will have three lanes as well as a pedestrian path and cycleway. The project is an integral part of the Upper Harbour Motorway which will see the construction of a 15km, 4-lane motorway from the Northwestern Motorway to the Albany Highway. It will be a link in the Western Ring Route creating an alternate route through the Auckland isthmus from Manukau City to the Northern Motorway.

Improvements to Spaghetti Junction

In September 2002 the Minister of Transport Paul Swain and Auckland Mayor John Banks 'turned the first sod' to mark the start of construction on the first stage of the Central Motorway (Spaghetti) Junction project. The junction is the busiest section of road in New Zealand, with about 200,000 vehicles a day. The $32 million first stage is being undertaken by the Freeflow Alliance. The contract is for the section of the Southern Motorway between Gillies Ave and the Khyber Pass viaduct, and will add extra lanes to the Southern Motorway and work on the connections with SH16. The second stage contract is about to be let.

Housing and Property

Transit has significant social, environmental and economic responsibilities, being the landlord of a large number of properties held awaiting project development.

The percentage of properties in the tenantable portfolio that have been vacant for 6 months or more.

At 30 June 2003, 5 out of 1,145 tenantable properties (0.5 percent) in the portfolio had been vacant for six months or more. There was an overall total of 22 vacant properties (2.1 percent) in the tenantable portfolio.

Key factors that contributed to such a low vacancy rate are a buoyant property market across all sectors throughout the year especially for residential properties, a strong focus on maximising income and removal of a number of properties along SH18 Greenhithe and SH20 Mt Roskill in preparation for construction. Wherever possible, these properties were made available to Housing New Zealand for relocation to areas where it had a shortage of housing stock.

The percentage change in returns from state highway property rentals.

The rental yield is assessed on the basis of the 526 properties that generate 95 percent of the rental stream. This has been the methodology used since 1995.

Transit property portfolio summary	2001/2002	2002/2003	Percent change
Number of properties	2,935	3,152	+7.4
Total value of portfolio $M	$344	$445	+29.4
Total value of leasable portfolio $M	$280	$367	+31.1
Total value of unleasable portfolio $M	$64	$77	+20.3
Value of 95 percent category $M	$220	$257	+16.8
Value of 5 percent category $M	$60	$111	+85
Portfolio rental yield (95 percent category)	3.86%	2.22%	-24

Acquiring new properties accounts for $56M of the value increase with $40M of this in Auckland. The balance is a result of a rising property market.

A significant number of properties were vacated for construction during the year, thereby increasing both the 5 percent of total income category and unleasable portfolio numbers, resulting in a reduced income stream (in particular for the SH20 Mount Roskill and Grafton Gully projects in Auckland). This is likely to continue as the construction programme picks up over the next three to five years.

1 Helping preserve Wellington's heritage

Wellington's Inner City Bypass project was given the all clear on archaeological issues in an Environment Court ruling on 30 July 2003, but is subject to a further appeal to the High Court.

The proposed Inner City Bypass (estimated to cost $30 million as at 2002), is a one-way, two-lane road at ground level, with dedicated turning lanes and a 50km/h speed limit. It is aimed at providing a safer and more efficient route across Wellington including routes to the airport and hospital. Preserving 23 heritage buildings at a cost of about $3 million, is an important part of the project. Transit is working closely with Wellington City Council, urban designers and architectural conservators, and the NZ Historic Places Trust to record the archaeology of the area. The bypass is one of six projects for 2003/04 being reviewed against government's transport objectives.

Congestion on Vivian Street.

Rate of surplus property disposal from projects completed in the previous financial year.

This measure is designed to give some indication of the speed at which surplus property is identified on completed projects.

Projects	Target	Actual
Number of construction projects completed in 2001/02		158
Number where surplus property was considered (including projects with no land or no surplus)		158
Achievement	98 percent	100 percent

The outcome of 100 percent achievement is not particularly unusual since standing instructions for project management require the production of the final land plan (and hence identification of surplus property) as part of the project completion.

Change (due to investment, revocation or depreciation) in the dollar value of the state highway asset.

In economic terms, the impact of managing the state highway asset is very significant. With a replacement value of $12.5 billion, the network is one of New Zealand's largest infrastructure assets and supports economic development and personal mobility.

Total Asset Value	1999/00	2000/01	2001/02	2002/03
Depreciated Replacement Cost ($M)	10,560	11,056	11,946	12,556

20 Transit helps meet Northland housing need

Transit New Zealand has given a total of 40 houses to Housing New Zealand to help alleviate rural housing shortages in Northland. The houses were formerly state and privately owned situated along the route of the proposed SH20 Mt Roskill extension. The joint venture has had positive social and economic outcomes. Housing New Zealand managed the removals to fit in with Transit's pre-construction plans, and there were cost savings on demolition and tendering. Transit is responsible for a total of 134 properties along the proposed route including 46 properties that will remain tenanted. The five-kilometre, $139 million motorway extension will form part of Transit's proposed Western Ring Route to improve access between Auckland's southern and western suburbs, a strategic alternative to SH1. The design includes a cycleway and provision for the future introduction of public transport, both bus and rail.

Planning

In June of 2003 Transit released the *Transit New Zealand 10-year State Highway Plan*. It was the first time Transit has formally prepared such a plan and while its implementation will depend on future funding levels, Transit is confident that it represents a realistic and achievable goal for maintaining and improving New Zealand's state highways. It will be reviewed annually in consultation with Regional Land Transport Committees and other stakeholders to take account of changing priorities including any changes to the *New Zealand Transport Strategy* and any unforeseen delays in project development.

The percentage of the state highway network with a current state highway or corridor management plan.

Current state highway plans are those that have been reviewed or compiled within the last five years. The target of 85 percent is exceeded with 93 percent by length of the network having a current plan. Transit is now taking a more holistic view of the highway corridor, and the new format of plan is called a Corridor Management Plan. The first of these is being produced and tested in 2003/04, and it is likely this performance measure will need redefinition for 2003/04 to reflect this.

State highway network	Target	Actual
Percentage length of network with current state highway plan	85 percent	93 percent

Financial

Percentage forecast and actual annual dollar variance against State Highway Maintenance and Improvement Programme.

The outcome from the maintenance (manage, maintain and operate) programme was extremely satisfying given the unknown factors that existed at the start of the year, and the unplanned events that occurred during the year. Replacement and improvement expenditure did not meet expectation, primarily due to slower-than-expected progress on major projects and property purchase. There is further elaboration on this in the commentary on the Statement of Service Performance. The targets in the *2002/03 Statement of Intent* for both categories of expenditure were variously specified. The intent in future years is that the targets for both expenditures will be ± 2%.

Expenditure	02/03 Budget	Feb 03 Allocation	June 03 Allocation	Actual	Target Percent	Budget Percent	Feb 03 Percent	June 03 Percent
Maintenance Expenditure	303.2	303.1	303.8	303.1	98-102	99.9	100.0	99.8
Replacement and Improvement Expenditure	309.2	291.0	290.3	273.0	≤103	88.3	93.8	94.0

Archaeological risk model

Transit Christchurch, the New Zealand Historic Places Trust and iwi have developed an improved way of managing archaeological heritage in relation to capital projects and asset works in Canterbury and Westland. The new model entails identifying areas where there is a high likelihood of finding heritage sites as well as known sites along the state highway network. These zones are then matched to Transit activities and categorised to determine the appropriate levels of consultation and intervention. This system is supported by an agreed Accidental Discovery Protocol. The model is a national 'first' and will help Transit deliver environmental best practice and "triple bottom line" responsibilities.

Assisting Economic Development

āwhina ki te whakapakari i te pūtea

"… a coherent and efficient transport system that contributes to our quality of life and supports economic development goals, both nationally and within regions …[leading to] improved flows of people, goods and services within and between urban and rural areas…will ensure social, economic and environmental costs and benefits of transport are incorporated into transport decision-making."

Objective. New Zealand Transport Strategy

Percentage change in maintenance costs per 100,000 VKT

The introduction of this measure was intended to compare and normalise annual maintenance expenditure against the demand on the network, ie more traffic on the network could be expected to increase the amount of maintenance, management and operation expenditure.

The trend across the last seven years shows a quite consistent cyclical trend. Quite why this should be reflected at a national level is not yet well understood. However, the overall picture is that the measure appears quite static, at around $14-$15,000 per 100,000 vehicle/km travelled. This suggests that economies achieved by more innovative contracting and work methods, have been offset by increased levels of service demanded by road users and the community.

Maintenance Measures	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Expenditure ($M)[2]	197.5	219.0	215.8	248.4	242.9	247.6	273.5
Total VKT (100,000)	14,000	14,524	15,380	16,295	16,977	17,571	18,061
Expenditure/100,000 VKT	14,110	15,080	14,030	15,240	14,310	14,090	15,140
Percentage change $ per VKT	-	+7%	-7%	+8.5%	-6%	-1.5%	+7.5%

The variance between the funding allocation for state highways in the current year and the 10-year forecast for the asset management and capital forward works programmes.

This measure has proved difficult to both specify and quantity. The original intention was in two parts – to indicate whether there was a gap between available funding and identified need, and to measure the accuracy of funding forecasting. In the case of any funding gap, this was made difficult by the changes in project priorities introduced during the year (which affected cash flows and funding requirements) and the fact that the programme was essentially tailored to meet a set-funding ceiling.

It has also been difficult to measure the accuracy of forecasting because of the changes to priorities. More work is required to arrive at a transparent and meaningful measure. However, an example of how this might work is presented below. (For 2003/04 and subsequent years, the 10-Year plan will form the basis of comparison.)

Expenditure	Prediction 2000/01 SOI	Prediction 2001/02 SOI	Budget 2002/03	Actual 2002/03
	$(M)			
Maintenance Expenditure 2002/03	271.8	293.1	303.2	303.1
Replacement and Improvement 2002/03	332.0	376.0	309.2	273.0
TOTAL	603.8	669.1	612.4	576.1

1 10 12 14

Repairing slips in Northland

There has been significant success with a new method of repairing recurring slips on highways in Northland, the most geologically challenging region in the country. The method uses 'deep soil mixing technology' whereby slips are stabilised by forming cemented columns that penetrate the slip, effectively nailing the unstable upper slope to deeper, more stable soils. Stabilising columns are formed by a special machine, which breaks down the soil structure and injects a binder of either cement or lime. The mix is then compacted to form the cemented soil columns. Work has been carried out on 44 slips at a cost of $4.37M.

Slip repairs on SH1N North of Whangarei.

Capital projects

The percentage of capital projects delivered on time, within budget.

This measure considers only those projects that were scheduled for completion in 2002/03, and assesses Transit's performance in project management of these. While it is relatively easy to assess the number actually completed, which met the target of 95 percent, determining a meaningful description of "within budget" has proved less easy. Since the majority of projects fall within the block-funded category (projects costing less than $3M), the concept of portfolio funding seems appropriate. That is, the cost of completing the suite of projects is less than or equal to the expected cost. For 2002/03 the actual cost of completing the 95 percent of the target projects was 93 percent of the expected cost. It seems reasonable, therefore, to confirm that 95 percent of projects were delivered on time and within budget.

Construction Projects expected to be completed in 2002/03	Actual Construction Projects completed in 2002/03	Percent Achievement (Target 95 percent)	Expected Cost of Completing Actual No of Projects in 2002/03	Actual Cost of Completed Projects 2002/03	Percent Expenditure (Target 95 percent)
78	74	95%	$40.1M	$37.4	93%

Forecast annual dollar benefits from annual project programme.

This measure seeks to quantify the expected benefits (both community and agency) that will be realised over the next 25 years from the construction and property purchase expenditure in 2002/03. In particular, the tangible community benefits are reduced crash costs, journey times and vehicle operating costs. The methodology is to multiply the actual expenditure by the calculated benefit/cost (B/C) ratio of each project.

At a high level, the result of just under $1.1 billion return on expenditure of $251M indicates a very favourable overall B/C of 4.3 – the investment in construction returns more than $4 in benefits per $1 of expenditure. The result from the comparative forecast performance measure indicates that this outcome is real. However, it also indicates that even greater community gains are possible with a higher level of construction investment.

Description	2002/03
Construction and Property Expenditure	251.0
Forecast Benefits	$1,079.8
Forecast investment B/C	4.3

As this is the first year for reporting on this measure there are no comparative data. In subsequent years a series of data will be provided.

45 Preserving history versus safety

Work stopped on the re-alignment of a corner on SH45 in northern Taranaki when trenches from the old St Patrick's or Poutoko Redoubt were uncovered as contractors cut away the corner. The New Zealand Historic Places Trust authorised an archaeological assessment of the site but allowed Transit to continue the earthworks because the site was already greatly modified. The original redoubt - built in 1863 and the first to be constructed during the second Taranaki war - was flattened in the 1950s and 85 percent of the foundations remain below ground. Because it was occupied for only a short time, probably 15 months, archaeologists were able to date accurately the artefacts that were retrieved. Work has now been completed on re-aligning the corner where there had been a number of serious crashes.

Improving Access and Mobility

whakapai ake i te putanga me te oreoretanga

"Access and mobility for all New Zealanders will be enhanced through education, investment and infrastructure to improve local networks and communication and travel within and between regions... will promote optimal use of different modes of transport in different settings..."

Objective. New Zealand Transport Strategy

Actual project dollar benefits compared to the forecast benefits.

This measure provides a level of confidence in the estimation process used to forecast project dollar benefits and supports the validity of the previous measure – *forecast annual dollar benefits from the annual project programme*. It examines some completed projects to see how their actual benefits measure up against their forecast benefits. A sample of six projects was selected for a post-construction audit by an independent engineering consultant. These six had been subject to preliminary post-construction audits by Transfund. Projects suitable for analysis also needed to have been completed for at least five years to allow time for benefit or disbenefit data to accumulate.

The dollar-benefit results from the six projects show that half performed as expected, two had much higher benefits than forecast and one produced fewer benefits than forecast. The pre-construction benefit cost ratio, shown below, was that extant at the time of funding approval for the project.

As the majority of Transit's highway project work involves smaller projects, five of the six surveyed had construction costs around or below $1 million. The sixth at Manukau cost $10.5 million. The projects are spread throughout the country with two near Auckland, one at Pahiatua, another near Morrinsville, one in Nelson and one in Christchurch.

Project	Pre-construction Benefit Cost Ratio	Post-construction Benefit Cost Ratio	Comment
Russley Road/ Wairakei Road Roundabout SH1 Completed 1998	8.6 (1996)	17.9 (2003)	Actual crash rate lower than in initial forecast
Tahunanui Twin Roundabouts SH6 Completed 1993	9.9 (1992)	22.0 (2003)	Actual crash rate lower than in initial forecast
Warrens Bridge SH2 Completed 1993	5.1 (1991)	6.9 (2003)	Actual crash rate lower than in initial forecast
Waikaka Bridge Realignment SH27 Completed 1997	5.9 (1994)	0.8 (2003)	Actual crash rate higher than initial forecast, 1 fatal crash in 1998 affected BCR
Brynderwyn Summit Realignment, SH1 Completed 1992	6.5 (1993)	6.9 (2003)	Actual crash rate lower than in initial forecast
Manukau - Manurewa six-laning SH1N Completed 1999	5.3 (1995)	4.9 (2003)	Decrease in BCR due to increase in construction costs

Keeping roadworkers safe

Auckland police noticed positive changes in driver behaviour following a joint initiative between Transit and RoadSafe Auckland in their Slow Down at Roadworks campaign. Auckland is experiencing its most intensive period of motorway construction activity with $415M being spent on project upgrades to reduce travel-time delays (see pages 20 and 21).

Features of the safety campaign included billboards beside motorway on-ramps, the distribution of 30,000 brochures, and reminder messages on five different radio stations.

In the last five years, 48 crashes around work sites, involving 95 people, were reported in Auckland: five people were killed and seven seriously injured. More than half the accidents occurred at night, when most road works take place, and were due to drivers losing control of their vehicles because they ignored roadwork signs, particularly speed signs.

Superintendent Dick Trimble of NZ Police and Auckland regional manager Wayne McDonald with one of the safety billboards.

Dotterels move home

New nesting sites for four breeding pairs of the rare New Zealand Dotterel have been established alongside the Northern Motorway. Twenty truck-loads of shell (200 m3) from the Kaiawa quarry near the Firth of Thames, was stockpiled, then lifted into place on the City of Cork shell-bank ready for the dotterels. Two Eurocopter AS350 series Squirrel helicopters (pictured) worked outside low tide and peak traffic periods to make the 350 trips in one day. This project is part of the upgrade of the Esmonde Road Interchange for the North Shore Busway.

The number of projects where the benefits and/or costs have changed sufficiently from those forecast at the conclusion of the investigation and reporting phase to result in them being halted or delayed.

This additional measure is being tested to determine how effective Transit's processes and procedures are in predicting benefits and costs at the investigation stage of projects. The outcome for 2002/03 is that no non-block or block projects were halted or delayed as a result of over-estimation of benefits or anticipated costs in the design or construction phases. It should be noted, however, that a number of projects were stopped in the investigation phase as more was found out about them. A number of other projects had their programme extended or temporarily halted as a result of the consultation and re-prioritisation undertaken for Transit's 10-Year plan. There may be a need to review this measure where priority in the non-block projects is now dictated by a number of criteria other than benefit cost ratio alone.

Projects	Number
Non-block projects halted	0
Block projects halted	0

Katiki Beach planting success SH1

As part of the project to widen the Te Rapuka Bridge, Transit Dunedin worked on a beach management plan with the Department of Conservation, as well as with the Otago and Waitaki regional councils to protect the Katiki Beach area from any effects of the construction. Kaumatua from Moeraki Runanga, members of the Pikao Recovery Group, the Yellow Eyed Penguin Trust, the DoC Conservation Corps, the Dunedin Academy and enthusiastic local people, as well as Transit staff, helped plant Pingao plants grown from local cuttings and seeds. Monitoring will continue for five years.

Working on the Katiki Beach re-planting programme.

Compliance

Compliance with legislation, legislative instruments and external policy requirements.

Transfund New Zealand regularly audits Transit's compliance with Transfund manuals. No material non-compliances were found. Audit New Zealand audits Transit annually and found no material non-compliances during 2002/03.

However, a number of notices, orders, requests or advice are notified to Transit by relevant authorities/agencies in relation to compliance matters. Given the depth and extent of Transit's operation and infrastructure, a small number of non-compliances, while not condoned, are almost inevitable. Transit regards any non-compliance as serious and once detected, each is accorded immediate attention. In the reporting period the actions shown below have averted any prosecutions, fines or other penalties.

Relevant Legislation	Compliance Details	Required Action
Resource Management Act	1 instance of discharge by a Transit contractor of cementitous material to a stream during grouting of a culvert liner resulting in the death of some eels.	Preventative actions discussed and agreed with territorial authority and followed through with contractor.
Resource Management Act	1 breach of resource consent conditions with regards to drainage implementation.	Agreement reached with territorial authority for remedial work.
Bio-Security Act and/or local bylaws	15 notices/requests from territorial authorities concerning Transit sites (SH network and leased properties) where noxious plant/vegetation control was deemed inadequate.	Better noxious plant/vegetation control measures implemented or initiated.
Residential Tenanacies Act, Building Act, Fire Services Act	5 instances where Transit-leased properties were identified to be not compliant with fire safety requirements. A further 5 Transit-leased properties were found to be possibly non- compliant and were being further investigated.	Investigations and actions initiated or completed to ensure property compliance.
Building Act	4 instances where Transit-leased properties were identified as possibly not earthquake-sound.	Investigations initiated.
Building Act, Residential Tenancies Act, Pool Fencing Act, Hazardous Substances & New Organisms Act	10 instances where Transit-leased properties were identified to be otherwise non-compliant eg pool unfenced, fencing inadequate, potential ground contamination, PCB detected, unsuitable water supply, defective drain, and unsafe floor.	Investigations and actions initiated or completed to ensure property compliance.
GST Act	2 brief episodes at separate Transit offices where documented procedures related to GST invoices were not followed.	Internal systems reviewed and updated immediately. Adjustments effected. No loss to Transit or penalties.

1 State Highway Review

State Highway 1 will soon run from Cape Reinga to Bluff following the Transit New Zealand Authority's decision to declare as state highway the road leading to Cape Reinga. The decision was part of Transit New Zealand's 2002 State Highway Review, held every five years. A protocol was established with iwi for whom this northern-most length of road has spiritual and historical significance. The state highway network will grow by 105 kilometres as a result of the review, including approximately 173 kilometres of declaration of state highway status and 68 kilometres of revocation of state highway status. A total of 100 submissions suggesting 86 changes was received.

The road to Cape Reinga will soon be part of the state highway network.

Investment in the future

Dollars invested in research and development.

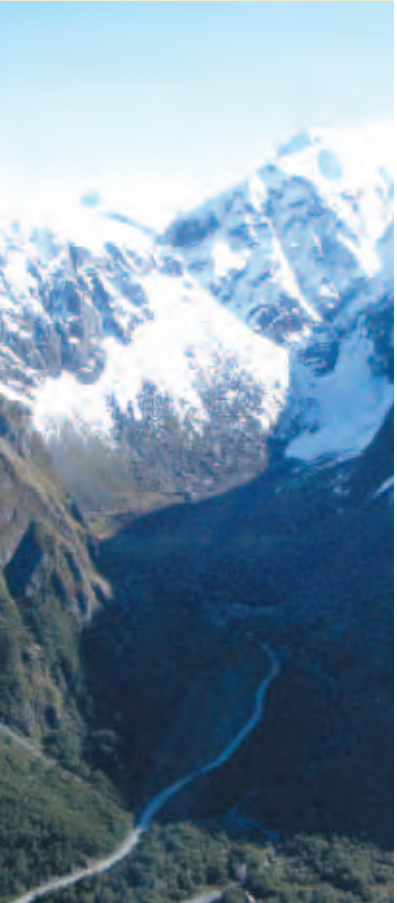
Transit's research facility is CAPTIF – Canterbury Accelerated Pavement Testing Facility, based in Christchurch. The only facility of its type in the southern hemisphere, it services both the Australasian and wider international markets. In the 2002/03 year its main contract was a New Zealand one with some funding from Australia. The total spent was $370,000 on researching the effects of heavy vehicles on thin-surfaced flexible pavements.Transit through its Highway Strategy and Standards division, spent a further $1,560,000 on research into a number of areas. These included: pavement life; water blasting guidelines; road marking applicators; safety initiatives; bridge specifications; landscaping guidelines; noise standards and community consultation.

In addition to the pure research and development undertaken at CAPTIF, Transit carries out operational research to investigate and implement new innovative solutions. Examples of this type of investigative research work include: truck ride improvements; new road surface trials; innovative road safety products; pavement deterioration monitoring at benchmark sites; road surface skid-resistance improvements and new location-referencing technologies. The results from this research are used to improve the overall efficiency and management of the road asset.

94 Safety on a remote highway

Transit has established a special observation post on Mt Crosscut overlooking the eastern portal of the Homer Tunnel to monitor and predict avalanches above SH94. The station gathers information about snow stability and how snow reacts when weather conditions change rapidly. There are 40 avalanche paths along 21 kilometres of the Milford Road. In addition to the solar-powered satellite phones at the tunnel's eastern portal, guidance lighting will be installed in the tunnel along with traffic lights for the summer season, both generator powered. Transit is also encouraging tourist bus drivers to adopt a code of practice to drive safely on the Milford Road. Information on the Milford Road is available on the Transit website.

East Homer Valley.



Statement of Financial Performance for the year ended 30 June 2003

Previous Year ($000)		Notes	Actual ($000)	Recast Budget ($000)
	REVENUE			
548,888	Transfund New Zealand		562,310	600,300
210	Overweight Permit Fees		206	200
815	Investment Interest		1,168	800
12,701	Rents & Leases From Property		12,636	11,300
144	Miscellaneous Receipts		137	200
476	Self Funding Units	1	253	300
563,234	**TOTAL REVENUE**		**576,710**	**613,100**
	EXPENDITURE			
	OPERATING (Maintenance)			
0	Pavement Maintenance		59,950	57,000
0	Bridge Maintenance		18,055	19,000
72,982	Corridor Maintenance		79,435	80,000
18,276	Emergency Work		15,332	17,800
8,232	Property Management		9,072	9,300
0	Feasibility Studies		14,588	14,000
0	Other Operating Expenditure		7,920	8,600
105,624	Structural Maintenance		0	0
68,932	Resurfacing		0	0
4,269	Preventive Maintenance		0	0
278,315	**Total Operating (Maintenance) Expenditure**		**204,352**	**205,700**
	OTHER			
0	Depreciation on the State Highway Network		198,880	209,000
0	State Highway Asset Write Off	5	7,860	0
0	**Total Other Expenditure**		**206,740**	**209,000**
	REPLACEMENT AND IMPROVEMENT			
8,760	Pavement Smoothing		0	0
9,824	Minor Safety Projects		0	0
181,433	Construction		0	0
80,943	Property Purchase		0	0
3,434	Passenger Transport Roading Infrastructures		0	0
284,394	**Total Replacement and Improvement**		**0**	**0**
562,709	**TOTAL EXPENDITURE**		**411,092**	**414,700**
525	**SURPLUS AVAILABLE FOR STATE HIGHWAY IMPROVEMENTS**		**165,618**	**198,400**

The accompanying accounting policies and notes form part of these financial statements.

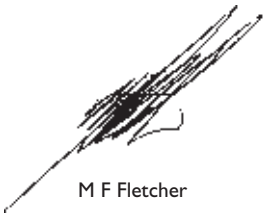
Statement of Movements in Equity as at 30 June 2003

Previous Year ($000)		Notes	Actual ($000)	Recast Budget ($000)
6,578	**BALANCE AS AT 1 JULY**		**7,103**	**7,103**
525	Surplus Available for State Highway Improvements		165,618	198,400
0	Increase in Asset Revaluation Reserve		462,226	0
525	**TOTAL RECOGNISED REVENUES AND EXPENSES FOR THE YEAR**		**627,844**	**198,400**
0	State Highway Network transferred from the Crown as at 1 July 2002		11,945,864	11,946,000
0	Proceeds from State Highway Property Disposal returned to the Crown		(17,518)	0
7,103	**BALANCE AS AT 30 JUNE**		**12,563,293**	**12,151,503**

The accompanying accounting policies and notes form part of these financial statements.

Statement of Financial Position as at 30 June 2003

Previous Year ($000)		Notes	Actual ($000)	Recast Budget ($000)
7,103	**GENERAL FUNDS**		**12,101,067**	**12,151,503**
0	**ASSET REVALUATION RESERVE**	**7**	**462,226**	**0**
7,103	**TOTAL EQUITY**		**12,563,293**	**12,151,503**
	CURRENT ASSETS			
1,732	Cash in Bank		(2,424)	1,000
30,000	Investments	8	38,900	15,000
5,361	Accounts Receivable	9	6,369	3,810
91,664	Receivable from Transfund New Zealand		58,217	90,000
128,757	**TOTAL CURRENT ASSETS**		**101,062**	**109,810**
	LESS CURRENT LIABILITIES			
123,744	Accounts Payable	10	95,375	105,137
1,507	Employee Entitlements	11	1,673	1,607
125,251	**TOTAL CURRENT LIABILITIES**		**97,048**	**106,744**
3,506	**NET CURRENT ASSETS**		**4,014**	**3,066**
	PLUS NON CURRENT ASSETS			
0	State Highway Network	12	12,555,593	12,143,700
4,188	Other Property, Plant and Equipment	13	4,223	5,366
4,188	**TOTAL NON CURRENT ASSETS**		**12,559,816**	**12,149,066**
	LESS NON CURRENT LIABILITIES			
591	Employee Entitlements	11	537	629
591	**TOTAL NON CURRENT LIABILITIES**		**537**	**629**
7,103	**NET FUNDS EMPLOYED**		**12,563,293**	**12,151,503**



M F Fletcher
FINANCE AND CORPORATE SERVICES MANAGER
21 October 2003

The accompanying accounting policies and notes form part of these financial statements.

Statement of Cash Flow for the year ended 30 June 2003

Previous Year ($000)		Notes	Actual ($000)	Recast Budget ($000)
	CASH FLOW FROM OPERATING ACTIVITIES			
	Cash was provided from:			
543,964	Transfund New Zealand		595,757	609,964
790	Investment Interest		1,194	822
12,790	Property Rental		12,689	11,300
830	Other Receipts		596	700
(498)	Net GST Received		(741)	(654)
557,876	**Total**		**609,495**	**622,132**
	Cash was disbursed to:			
545,352	Payments to Suppliers and Employees		212,124	227,912
545,352	**Total**		**212,124**	**227,912**
12,524	**Net Cash Flow from Operating Activities**	14	**397,371**	**394,220**
	CASH FLOW FROM INVESTING ACTIVITIES			
	Cash was provided from:			
121	Sale of Fixed Assets		54	100
	Cash was disbursed to:			
1,340	Purchase of Fixed Assets		2,389	3,352
0	State Highway Capital Expenditure		390,292	406,700
1,340	**Total**		**392,681**	**410,052**
(1,219)	**Net Cash Flow from Investing Activities**		**(392,627)**	**(409,952)**
11,305	**Net Increase/(Decrease) in Cash**		**4,744**	**(15,732)**
20,427	**Add Opening Cash Brought Forward**		**31,732**	**31,732**
31,732	**Ending Cash Carried Forward**		**36,476**	**16,000**
	Ending Cash Represented By:			
1,732	**Cash in Bank**		**(2,424)**	**1,000**
30,000	**Investments**		**38,900**	**15,000**
31,732			**36,476**	**16,000**

The accompanying accounting policies and notes form part of these financial statements.

Statement of Accounting Policies for the year ended 30 June 2003

Reporting Entity

These are the Financial Statements of Transit New Zealand, a Crown Entity in terms of the Public Finance Act 1989.

These Financial Statements have been prepared in accordance with section 41 of the Public Finance Act 1989.

Measurement System

These Financial Statements comply with generally accepted accounting practice. The measurement base applied is historical cost adjusted for the revaluation of the State Highway Network. The accrual basis of accounting has been used unless otherwise stated.

Accounting Policies

The following accounting policies which materially affect the measurement of financial performance and financial position have been applied:

Budget Figures

The budget figures shown in Note 6 (State Highway Programme Expenditure) to these Financial Statements are those included in the Statement of Intent, which was approved by the Authority at the beginning of the financial year. No account has been taken of changes to the level of funding approved by Transfund New Zealand during the financial year.

The budget figures shown in the Statement of Financial Performance are based on the figures included in the Statement of Intent but have been recast to comply with generally accepted accounting practice and are consistent with the accounting policies adopted by the Authority for the preparation of the financial statements.

Revenue Recognition

Revenue from Transfund New Zealand is equal to the total cost of services delivered in accordance with the approved National Roading Programme less revenue from property rents and leases and investment interest.

Income from property rents and leases, investment interest and other sources are recognised when earned and are reported in the financial period to which they relate.

Property, Plant and Equipment

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

Other property, plant and equipment are stated at cost.

The State Highway valuation is performed by Opus International Consultants Limited. The State Highway regions are subject to a full revaluation on a cyclical basis so that each region is revalued at an interval not exceeding five years. Those regions that are not subject to full revaluation in a particular year are subject to a valuation update through the use of price indices.

The results of revaluing State Highways are credited or debited to an Asset Revaluation Reserve for that class of asset. Where a revaluation results in a debit balance in the Asset Revaluation Reserve, the debit balance will be expensed in the Statement of Financial Performance.

To the extent that a revaluation gain reverses a loss previously charged to the Statement of Financial Peformance, the gain is credited to the Statement of Financial Performance.

Depreciation

Depreciation is provided on a straight line basis on all fixed assets, other than land, formation works, the sub-base component of pavement (base) and items under construction, at a rate which will write off the cost (or valuation) of the assets to their estimated residual value over their useful lives.

Land, formation and the sub-base component of pavement (base) have not been depreciated as it is considered that the service potential of these components does not reduce over time.

The useful lives and associated depreciation rates of major classes have been estimated as follows:

Assets	Useful Life (Years)	Depreciation Rate (Percent)
State Highways – pavement (base)	50	2
State Highways – pavement (surface)	7	14.3
State Highways – drainage	60	1.7
State Highways – traffic facilities	15	6.7
State Highways – bridges	90-100	1-1.1
State Highways – culverts & subways	50-75	1.3-2.0
State Highways – other structures	100	1
Buildings	50	2
Computer Equipment	3	33.3
Office Furniture	5	20
Office Equipment	4	25
Motor Vehicles	4	25
Technical Equipment	8	12.5
Plant	10	10

Accounts Receivable

Accounts Receivable are stated at their estimated realisable value after providing for doubtful and uncollectable debts.

Investments

Investments are stated at the lower of cost and net realisable value.

Employee Leave Entitlements

Provision is made in respect of Transit New Zealand's liability for annual, long service and retirement leave. Entitlements that are expected to be settled within 1 year of reporting date, are measured at nominal values on an actual entitlement basis at current salary levels.

Entitlements that are payable beyond 1 year, such as long service and retirement leave, have been calculated on an actuarial basis based on the present value of expected future entitlements.

Goods and Services Tax (GST)

The Financial Statements are prepared on a GST exclusive basis, with the exception of Accounts Receivable and Accounts Payable which are stated with GST included. Where GST is irrecoverable as an input tax, then it is recognised as part of the related asset or expense.

Taxation

Transit New Zealand is a Public Authority in terms of the Income Tax Act 1994 and consequently is exempt from income tax.

Operating Leases

Operating Lease payments, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are charged as expenses in the periods in which they are incurred.

Financial Instruments

Transit New Zealand is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, debtors, creditors and investments. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

Commitments

Future payments are disclosed as commitments at the point a contractual obligation arises, to the extent that they are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which Transit New Zealand invests as part of its day-today cash management.

Operating Activities include cash received from all income sources of the Crown Entity and records the cash payments made for the supply of goods and services.

Investing Activities are those activities relating to the acquisition and disposal of Non Current Assets.

Financing Activities comprise the change in Equity of Transit New Zealand.

Cost of Service Statements

The Statement of Objectives and Service Performance reports the net cost of services for the outputs of Transit New Zealand and are represented by the costs of providing the output less all the revenue that can be allocated to these activities.

Cost Allocation

Transit New Zealand has derived the net cost of service for each significant activity using the cost allocation system outlined below:

Cost Allocation Policy

Direct costs are those costs directly attributable to a significant activity.

Indirect costs are those costs, which cannot be identified in an economically feasible manner with a specific significant activity. Transit New Zealand has two types of indirect costs – Professional Services and Administration costs.

Cost Drivers for Allocation of Indirect Costs

Professional Services are allocated 72% to the work categories that comprise the funding groups, Structural Maintenance and Resurfacing, on a pro-rata basis and 28% to Corridor Maintenance. This is in accordance with the NRP Agreement with Transfund New Zealand.

For Note 6 (State Highway Programme Expenditure) to the Financial Statements, Administration costs are allocated across all outputs on a pro-rata basis.

For the Statement of Financial Performance, Administration costs are allocated across all operating outputs on a pro-rata basis and to Replacement and Improvement expenditure to the extent permitted by Financial Reporting Standard 3.

For the year ended 30 June 2003, Professional Services accounted for 12% of Transit New Zealand's total operating expenditure (2002: 7%).

For the year ended 30 June 2003, Administration costs accounted for 4.4% of Transit New Zealand's total operating expenditure (2002: 4.8%).

Changes in Accounting Policies

There have been no changes in accounting policies since the date of the last audited financial statements. All policies have been applied on a basis consistent with previous years.

	Actual ($000)	Previous Year ($000)
1. Self Funding Units		
Bailey Bridging:		
Revenue	317	331
Less Expenditure	142	180
Net Gain	175	151
CAPTIF:		
Revenue	376	346
Less Expenditure	369	256
Net Gain	7	90
Training and Education:		
Revenue	368	517
Less Expenditure	297	282
Net Gain	71	235
Total Self Funding Units	**253**	**476**
2. Total Operating (Maintenance) Expenditure		
Includes:		
Fees Paid to Financial Statement Auditors		
– financial audit	73	70
– other services	92	45
Authority Members Fees	123	119
Depreciation:		
– Buildings	2	2
– Computer Equipment	1,705	1,670
– Office Furniture	275	258
– Office Equipment	109	146
– Motor Vehicles	169	149
– Technical Equipment	86	122
– Plant	4	4
Total Depreciation for the year	2,350	2,351
(Gain)/Loss on Disposal of Fixed Assets	(50)	(78)
Write Off of Fixed Assets	0	284
Rental Expenses	1,282	1,177
Superannuation Payments	286	270
Bad Debts Written Off	46	28
Increase/(Decrease) in Provision for Doubtful Debts	232	89

Bad Debts Written Off totalled $97,393 (2002: $78,596). Of this amount $51,707 (2002: $50,955) had been previously provided for.

3. Employee Remuneration

During the year the number of employees or former employees who received remuneration and other benefits in their capacity as employees of Transit New Zealand, the value of which was or exceeded $100,000 per annum was as follows:

Remuneration Ranges	Number of Employees	Previous Year
$100,000 to $109,999	5	8
$110,000 to $119,999	6	3
$120,000 to $129,999	5	4
$130,000 to $139,999	2	1
$140,000 to $149,999	1	2
$150,000 to $159,999	1	1
$160,000 to $169,999	2	2
$170,000 to $179,999	2	0
$180,000 to $189,999	0	1
$190,000 to $199,999	1	0
$250,000 to $259,999	0	1
$270,000 to $279,999	1	0

The Chief Executive's remuneration and benefits is in the $270,000 to $279,999 band (2002: $250,000 to $259,999 band).

4. Authority Members' Fees	Actual ($000)	Previous Year ($000)
The following Authority members earned the following:		
Mr A Bickers (Chairperson)	34	34
Sir T O'Regan (Deputy Chairperson)	21	21
Mr D Stubbs	17	17
Mr M Williams	17	17
Dr J Wright	17	17
Mr J Shaw (resigned 31 October 2002)	7	13
Mr J Wright (appointed 1 December 2002)	10	0
Total Authority Members' Fees	**123**	**119**

Authority members remuneration through fees is all-inclusive and no consultancy or ex gratia payments or benefits have been provided to Authority members other than fees (2002: Nil).

There have been no severance payments to Authority members during the year (2002: Nil).

5. State Highway Asset Write Off

A write off of the State Highway asset is made where an existing asset is abandoned or destroyed in the general process of highway renewal. This means that where a reconstructed road deviates slightly in alignment from the existing road, such that some of the old formation, pavement ,drains or signs are no longer required, a write off is made.

6. State Highway Programme Expenditure	Actual ($000)	Budget ($000)	Previous Year ($000)
MAINTENANCE			
Structural Maintenance	119,771	113,700	105,624
Corridor Maintenance	79,435	79,900	72,982
Resurfacing	74,286	76,700	68,932
Emergency Work	15,332	17,800	18,276
Preventive Maintenance	5,215	5,800	4,269
Property Management	9,072	9,300	8,232
Total	**303,110**	**303,200**	**278,315**
REPLACEMENT AND IMPROVEMENT			
Pavement Smoothing	5,229	6,300	8,760
Minor Safety Projects	10,796	10,700	9,824
Construction	195,006	214,500	181,433
Property Purchase	57,937	73,500	80,943
Passenger Transport Roading Infrastructures	3,363	4,200	3,434
Walking and Cycling Facilities	672	0	0
Total	**273,003**	**309,200**	**284,394**
TOTAL STATE HIGHWAY PROGRAMME EXPENDITURE	**576,113**	**612,400**	**562,709**
Total Operating Expenditure	204,352	205,700	
State Highway Capital Expenditure	371,761	406,700	
TOTAL STATE HIGHWAY PROGRAMME EXPENDITURE	**576,113**	**612,400**	**0**

7. Asset Revaluation Reserve	Actual ($000)	Previous Year ($000)
Balance as at 1 July	0	0
Plus Increase in Asset Revaluation Reserve	462,226	0
Balance as at 30 June	462,226	0

8. Investments

Short-term deposits totalling $38.9M (2002: $30.0M) with a maturity date of 1 July 2003 ($18.9M) and 7 July 2003 ($20.0M) were invested at interest rates ranging from 5.25% to 5.30% (2002: 5.50% to 5.60%).

9. Accounts Receivable

Accounts Receivable comprise:

Sundry Receivables	4,622	4,225
Less Provision for Doubtful Debts	307	112
	4,315	4,113
Interest Accrued	11	36
Prepayments	101	11
GST Owed by the Inland Revenue Department	1,942	1,201
Total Accounts Receivable	**6,369**	**5,361**

10. Accounts Payable	Actual ($000)	Previous Year ($000)
Accounts Payable comprise:		
Contractors, Consultants and Others	89,258	94,653
Accrued Expenses	6,117	29,091
Total Accounts Payable	**95,375**	**123,744**

11. Employee Entitlements

Current Liabilities:		
Annual Leave	1,062	1,022
Long Service Leave	68	67
Retirement Leave	543	418
Total current portion	1,673	1,507
Non Current Liabilities:		
Long Service Leave	160	123
Retirement Leave	377	468
Total non current portion	537	591
Total Employee Entitlements	**2,210**	**2,098**

12. State Highway Network

	Actual			Previous Year*		
Description	**Depreciated Charge ($M)**	**Replacement Cost ($M)**	**Valuation ($M)**	**Depreciation Charge ($M)**	**Replacement Cost ($M)**	**Valuation ($M)**
Land	0	3,165	3,165	0	3,434	3,434
Formation	0	4,267	4,274	0	3,937	3,937
Pavement (Base)	29	2,605	1,855	41	2,311	1,605
Pavement (Surface)	101	768	357	97	677	303
Drainage	9	547	286	8	530	272
Traffic Facilities	18	281	134	14	256	131
Bridges	32	3,109	1,802	30	2,831	1,644
Culverts & Subways	4	253	152	3	233	132
Other Structures	7	629	531	7	574	488
TOTAL	**199**	**15,624**	**12,556**	**201**	**14,782**	**11,946**

* In the previous year the State Highway Network was reported in the Crown Financial Statements.

	Actual ($000)	Previous Year ($000)
Balance as at 1 July	0	0
Plus Transfer from Crown	11,945,864	0
Plus Capital Expenditure	371,761	0
Less Asset Write Off	(7,860)	0
Less Depreciation	(198,880)	0
Plus Increase in Asset Revaluation Reserve	462,226	0
Less Proceeds from State Highway Property Disposals	(17,518)	0
Balance as at 30 June	**12,555,593**	**0**

13. Other Property, Plant and Equipment

	Actual			Previous Year		
Assets	Historical Cost ($000)	Accumulated Depreciation ($000)	Net Book Value (NBV) ($000)	Historical Cost ($000)	Accumulated Depreciation ($000)	Net Book Value (NBV) ($000)
Buildings	88	16	72	88	14	74
Computer Equipment	10,309	7,840	2,469	9,048	6,506	2,542
Office Furniture	3,005	1,998	1,007	2,577	1,745	832
Office Equipment	1,244	1,008	236	1,116	910	206
Motor Vehicles	951	615	336	943	599	344
Technical Equipment	3,486	3,399	87	3,485	3,315	170
Plant	1,774	1,758	16	1,774	1,754	20
TOTAL	**20,857**	**16,634**	**4,223**	**19,031**	**14,843**	**4,188**

14. Reconciliation of Cash with Reported Operating Surplus/(Deficit)	Actual ($000)	Previous Year ($000)
Reported Operating Surplus	165,618	525
Add Non-Cash Items		
Depreciation	201,230	2,351
Write Off of Fixed Assets	0	284
Write Off of State Highway Asset	7,860	0
Increase (Decrease) in Non Current Employee Entitlements	(54)	480
	209,036	3,115
Add (Less) Movements in Working Capital Items		
Accounts Payable	(9,838)	13,008
Accounts Receivable	32,439	(4,336)
Employee Entitlements	166	290
	22,767	8,962
Less Items Classified as Investing Activities		
Net Gain on Sale of Fixed Assets	(50)	(78)
	(50)	(78)
Net Cash Flow from Operating Activities	**397,371**	**12,524**

15. Transactions with Related Parties

Transit New Zealand undertakes transactions with Government Departments, Crown Agencies, State Owned Enterprises and Transfund New Zealand. These transactions are carried out on a commercial arms length basis and it is considered that these do not fall within the intended scope of related party disclosures.

16. Financial Instruments

Transit New Zealand is party to financial instrument arrangements as part of its everyday operations. These financial instruments include Bank accounts, Accounts Receivable and Accounts Payable.

Currency Risk

Transit New Zealand has no currency risk as all financial instruments are in New Zealand dollars.

Interest Rate Risk

As Transit New Zealand has no borrowings and has adopted the policy of holding short term investments until maturity, the interest rate risk is minimal.

Credit Risk

In the normal course of its business, Transit New Zealand incurs credit risk from Receivables and Financial Institutions. There are no significant concentrations of credit risk. Receivables are unsecured, but subject to credit control.

Fair Values

The fair values of Transit New Zealand's Assets and Liabilities are considered to approximate their carrying value.

Statement of Resources as at 30 June 2003

The main assets relating to the Authority's activities are:

The State Highway Network

The Authority administers, maintains and constructs State Highways.

Currently, there are 10,786 kilometres (km) of State Highways (2002: 10,783 km). Of this length 5,889 km are in the North Island (2002: 5,884 km) and the remaining 4,897 km are in the South Island (2002: 4,899 km).

In addition, as a result of New Zealand's relatively hilly terrain, there are 3,943 bridges and large culverts (2002: 3,643) which represents a bridge every 2.7 km (2002: 3.0 km).

Statement of Commitments as at 30 June 2003

As a result of the 2003/2004 State Highway Programme's approval a high proportion of that Programme forms a definite commitment for the next year or further.

Commitments include for example:

- Capital Commitments which are construction contracts commenced but not completed in the period ending 30 June 2003. Some of these contracts are not due for completion until the 2003/2004 or later financial years;
- Operating Lease Commitments which are building lease agreements; and
- Other Operating Commitments which are agreements entered into prior to 30 June 2003, to undertake the maintenance requirements of the State Highway Network.

The value of Commitments are:

	Actual ($M)	Previous Year ($M)
Capital Commitments		
Not later than 1 year	155.11	103.35
Later than 1 year and less than 2 years	139.49	42.77
Later than 2 years and less than 5 years	103.60	18.19
Later than 5 years	0.00	0.00
	398.21	**164.31**
Operating Lease Commitments		
Not later than 1 year	1.19	0.95
Later than 1 year and less than 2 years	1.18	0.65
Later than 2 years and less than 5 years	2.72	1.57
Later than 5 years	0.40	0.15
	5.49	**3.31**
Other Operating Commitments		
Not later than 1 year	213.72	201.94
Later than 1 year and less than 2 years	152.51	113.90
Later than 2 years and less than 5 years	153.80	139.22
Later than 5 years	70.76	39.71
	590.80	494.76
Total Commitment	**994.49**	**662.37**

The increase in commitments from the previous year is due to:

- A greater number of construction contracts spanning several years; and
- Two new long term maintenance contracts entered into, totalling $90.89M.

The accompanying accounting policies and notes form part of these financial statements.

Statement of Contingencies as at 30 June 2003

Transit New Zealand and its predecessor, the former National Roads Board, received a number of claims for contract and land settlement disputes. While not accepting liability for any of the outstanding claims which are pending arbitration or legal action, it is estimated that a maximum of $20.8M (2002: $5.9M) may be payable should the claimants be successful.

Performance Bonds and Guarantees by Transit New Zealand in favour of third parties, totalled $1.25M at year end (2002: $1.15M).

Statement of Responsibility for the year ended 30 June 2003

The Authority and Management of Transit New Zealand acknowledges responsibility for the preparation of the Statements of Account and the judgements made therein.

In the opinion of the Authority and Management of Transit New Zealand:

- The Internal control procedures are considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the Statements of Account; and
- The Statements of Account have been prepared in accordance with generally accepted accounting practices and fairly reflect the financial position and operations of Transit New Zealand for the year ended 30 June 2003.

A N Bickers
Chairperson
21 October 2003

R J Dunlop
Chief Executive
21 October 2003

The accompanying accounting policies and notes form part of these financial statements.

State Highway Network

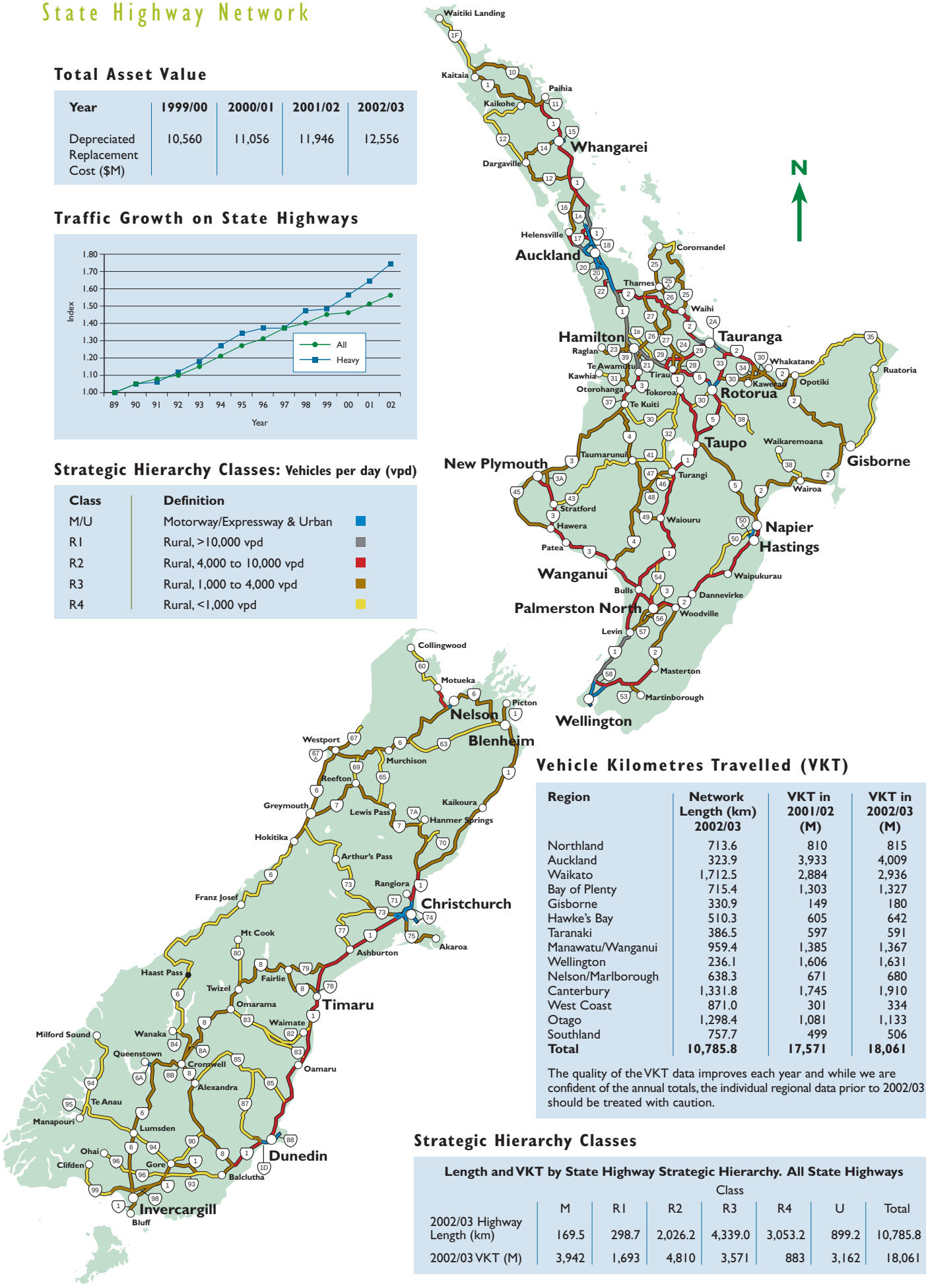
Total Asset Value

Year	1999/00	2000/01	2001/02	2002/03
Depreciated Replacement Cost ($M)	10,560	11,056	11,946	12,556

Traffic Growth on State Highways

Strategic Hierarchy Classes: Vehicles per day (vpd)

Class	Definition
M/U	Motorway/Expressway & Urban
R1	Rural, >10,000 vpd
R2	Rural, 4,000 to 10,000 vpd
R3	Rural, 1,000 to 4,000 vpd
R4	Rural, <1,000 vpd



Vehicle Kilometres Travelled (VKT)

Region	Network Length (km) 2002/03	VKT in 2001/02 (M)	VKT in 2002/03 (M)
Northland	713.6	810	815
Auckland	323.9	3,933	4,009
Waikato	1,712.5	2,884	2,936
Bay of Plenty	715.4	1,303	1,327
Gisborne	330.9	149	180
Hawke's Bay	510.3	605	642
Taranaki	386.5	597	591
Manawatu/Wanganui	959.4	1,385	1,367
Wellington	236.1	1,606	1,631
Nelson/Marlborough	638.3	671	680
Canterbury	1,331.8	1,745	1,910
West Coast	871.0	301	334
Otago	1,298.4	1,081	1,133
Southland	757.7	499	506
Total	**10,785.8**	**17,571**	**18,061**

The quality of the VKT data improves each year and while we are confident of the annual totals, the individual regional data prior to 2002/03 should be treated with caution.

Strategic Hierarchy Classes

Length and VKT by State Highway Strategic Hierarchy. All State Highways

	Class						
	M	R1	R2	R3	R4	U	Total
2002/03 Highway Length (km)	169.5	298.7	2,026.2	4,339.0	3,053.2	899.2	10,785.8
2002/03 VKT (M)	3,942	1,693	4,810	3,571	883	3,162	18,061

Transit New Zealand manages, maintains and operates 10,786 kilometres of state highways including 169 kilometres of motorway. This national strategic network makes up some 12 percent of New Zealand's total road length, but carries around 49 percent of the traffic. With a replacement value of approximately $12.5 billion, the network is one of New Zealand's largest infrastructure assets.

State highways provide for the sustainability and growth of commerce, tourism and recreation, and as such contribute significantly to the nation's social and economic well-being. Many primary industries, such as forestry and dairying, are particularly dependent on the network to secure rapid and reliable access to ports, railheads and airports.

The activities of Transit are financed 100 percent from the National Land Transport Fund through Transfund New Zealand. Funding comes from Road User Charges, some taxes built into the price of petrol, CNG and LPG, and vehicle registration and licensing fees. Transit's operation and maintenance of the network is funded from Transfund's output group 2 maintenance of State Highways and improvements from Transfunds output group 4, Improvement and Replacement of State Highways, and Output group 5 Passenger Transport. Transit's Statement of Projected Performance contained in the 2002/2003 *Statement of Intent* detailed Transit's targets and performance measures for each of these groups. Performance against target not reported below is reported earlier under Performance Indicators and Reporting.

Summary of Output Group Expenditure

Output Groups	2000/01 Actual $M	2001/02 Actual $M	2002/03 Target $M	2002/03 Actual $M
1 State Highway Maintenance	275.2	278.3	303.2	303.1
2 State Highway Replacement and Improvement (Capital Expenditure)	272.1	280.9	305.0	268.9
3 Passenger Transport	1.4	3.4	4.2	3.4
4 Regional Development				
5 Promotion of Walking and Cycling	N/A	N/A	N/A	0.7
Total (GST exclusive)	548.7	562.6	612.4	576.1
Total (GST inclusive)	**617.4**	**633.0**	**688.9**	**648.1**

Transit Comment

Output Group 1: State Highway Maintenance

New Zealand has been particularly fortunate in its history of roading that, very early on, it was recognised that regular and timely maintenance was essential for the protection and preservation of low-cost, lightweight road-pavement construction. This type of pavement was appropriate for a developing country with a small population but with an extensive road network, where the demand was for all-weather sealed surfaces. This philosophy is still current today, where, notwithstanding scrutiny of the level of expenditure from the Transit New Zealand Authority and Transfund New Zealand, maintenance and operating expenditure still has first call on available funding.

Transit has a robust process for forecasting the level of expenditure needed to undertake maintenance and operation of the network. Programmes are built up from a zero base, and comprise contract commitments and levels of work required to deliver the agreed levels of service (see Performance Measures) together with the necessary periodic maintenance (resurfacing and area-wide pavement treatments) to ensure that the quality of the highway asset is maintained. In addition, pavement-smoothing projects that meet economic justification criteria are seperately scheduled in Output Group 2. This annual work programme is built up from on-site inspections, outputs from the various information systems Road Assessment and Maintenance System (RAMM), Traffic Monitoring System (TMS), and the collective intelligence of Transit's staff, consultants and contractors. The indicated level of work is then verified against the outputs of the dTIMS pavement deterioration model to finalise the programme. Variations in the rate at which backlog work is tackled, or where changes to levels of service seem warranted, are considered by the Transit Authority before presenting the final draft programme to Transfund.

At $303.2M, the programme for 2002/03 was some 8 percent above the previous year. While modest increases were recorded in property maintenance (reflecting the increased land holdings for major projects in the 10-year plan) and preventive maintenance, the major increases related to structural maintenance ($8M), corridor maintenance ($7M) and resurfacing ($8M). Area-wide pavement treatments accounted for some $7M of the increase in structural maintenance, and being the most cost-effective way of restoring the pavement,

will result in reduced costs on those lengths in the future. The increase in costs of resurfacing results from the use of higher-cost asphaltic concrete, as discussed below, while the increase in corridor activity reflects increased effort in traffic management and incident response.

It is particularly satisfying to report that we have delivered this output to target, both in terms of expenditure and achievement of outputs. Expenditure was $100,000 (0.03percent) below the target, with an over-expenditure of $6.1M in structural maintenance being balanced by reductions in resurfacing costs and expenditure on emergency works. The reasons for the variation included a new maintenance contract being let during the year that significantly exceeded the estimate. However, this new contract led to a much enhanced, but more cost-effective programme of area-wide treatment being enacted in that region.

Achievement in resurfacing slightly exceeded the target, mainly due to refinements to the programme and the need to tackle a higher level of skid-resistance restoration than originally envisaged. The unit costs of the activity fell below the target, but were still above the unit rate in 2001/02. This was foreseen at the time the target was set and reflected the increased amount of asphaltic concrete resurfacing in the programme, a consequence of the desire to address noise issues in the urban areas and the effects of wear and tear from heavy vehicles in high-stress areas. These higher level-of-service treatments cost three to five times more than conventional chip seals.

Traffic growth continued on an upward trend for both all traffic (2.8 percent) and heavy vehicles (over 5 percent). While the total traffic growth continues to put pressure on the network capacity in urban areas, the consequences of the heavy vehicle growth will inevitably be increased levels of activity in structural pavement maintenance.

As noted last year, the increase in capacity of the network through new construction is far short of the increase in total traffic demand. In Auckland, where the problem is most manifest, Transit has taken the lead in developing an area-wide traffic control operation covering both state highways and local roads as an integrated unit, thereby maximising the capacity of the existing networks. By year's end, all agreements were in place and establishment of the unit to run the network was well advanced. A smaller-scale but similar concept has also been implemented in the greater Wellington area. The results will be evident in 2003/04. In conjunction with this particularly significant initiative, other capacity-enhancing projects have continued – faster clearing of incidents and crashes on the network, extended camera coverage of heavily-used networks, and the use of intelligent traffic management systems to enhance information to road users.

The overall condition of the network and trends are covered in detail in the Performance Measures section at the front of this report. Further details at a regional level and classes of highway are available on the Transit website (along with detailed traffic information for individual state highways).

Continuing the trend in innovation in delivering quality network maintenance and operations, Transit was party during the year to the establishment of a performance specified 10-year maintenance contract in the Western Bay of Plenty district which covered both state highways and local roads. This is the first partnership of this type, between a local authority and Transit, which is jointly run by the two organisations though a management board. In a further variation, the contract was won by a consultant, rather than a traditional contractor. A fifth, 10-year performance specified maintenance contract, this time for the North Auckland state highway network, was also let during the year.

Output Groups 2: State Highway Replacement and Improvement (Capital Expenditure) and
Output Group 3: Passenger Transport

The year was characterised by significant strategic consideration of large projects (those with a construction cost greater than $3 million). A strong signal from the Government that relief from severe congestion should be addressed urgently saw the Authority establish a priority list for projects, with the expectation that the available funding would be committed to them. Unfortunately, a number of these high-priority projects were then stalled by consent and legal issues, pushing out their planned timetables. It was not possible by that stage in the year to advance other lower-priority projects. The Authority was of the view that the funds declared surplus as the year progressed would be required for these same projects but at a later date. Thus the expenditure on large projects was significantly below the target.

Although the Authority carefully reviewed block-funded projects (those with a construction cost less than $3 million), and deferred some, expenditure on block projects of $38.7 approached the allocation of $40 million. Construction of a number of passing-lanes was accelerated during this period.

Concurrent with the review of the 2002/03 projects noted above, was one of most significant long-term planning exercises undertaken by Transit since its inception. This was the development of Transit New Zealand's 10-Year State Highway Plan, with a draft being published in December 2002, and the final version being released in June 2003. Subject to much public debate, the publication of and consultation on the draft plan highlighted the likely shortfall in funding over the next 10 years if all the large high-priority projects were to be delivered. The final plan developed after consultation struck a balance between reducing Auckland's congestion and ensuring that top-priority projects in other parts of the country were also delivered within a reasonable timeframe.

For a number of years, Transit has assessed the future development and management needs of the network from strategy plans for each highway link. There has been a growing realisation that these plans did not address some issues particularly well. Such issues include traffic and safety management and access protection to maximise the safety

and efficiency of the existing state highway network. To rectify this, the concept of corridor management plans was advanced significantly during the year, and several model plans are currently being finalised. In essence, while there is still the element of identifying future improvement opportunities, corridor management plans also look at how all facets of on-and-off highway activities along the route will be managed in the future. Where the need exists, specific Safety Management Plans and Access Management Structure Plans will be developed within the Corridor Management Plan.

In addition to the adoption during the year of a Passing Lane Plan for the network, there was also further implementation of the Stock Effluent Disposal Plan, with 1 new drop point being completed in Taranaki, and a further 11 sites under development in the South Island to join the 7 already completed. This initiative is a joint project with territorial local authorities, regional councils, the Road Transport Federation and Federated Farmers. It is part of a total package to dramatically cut the amount of effluent spilt on the highways and the amount of illegal dumping of effluent on roadsides. The plan for a similar network of stations in the North Island is nearing completion, and when all are in place, the scheme should deliver significant environmental and safety benefits.

Safety was a key feature of many of the block-funded projects completed during the year. A new initiative commenced in 2002/3 was the funding of two trial sites (in Northland and Wanganui) to develop the principles and methodology for making the roadside more forgiving when vehicles leave the road. Variously called safety retrofitting, clear zoning or hazard management, it is expected that the lessons learned from the trials will be progressively applied throughout the country in the next few years. Typical actions involve removal or protection of obstacles close to the traffic lanes, and constructing barriers adjacent to steep banks.

During 2002/2003, $273.0 million was invested in developing state highways. This is $36.2 million below the programme approved at the beginning of the year. The out-turn was significantly affected by underspending of construction by $19.5 million and property acquisition ($15.6 million). Overall, the expenditure in this output group represents 2 percent of the replacement value of the New Zealand roading asset value.

The property under-spend was largely due to the unwillingness of large institutional parties in Auckland to settle property acquisitions in the face of pending planning uncertainties. To avoid future property under-spends the Authority resolved to proceed with acquisition of property required for projects programmed within the next four years.

Project progress was again delayed by resource consent and land use consent processes and the increasingly complex consultation associated with major infrastructure projects. This was again the prime reason why only 88 percent of the project fees and 86 percent of the large project construction expenditure was achieved during the year. However, on the positive side, a number of significant projects were either well advanced or completed during the year. Predominant amongst these were (by region):

Auckland/Northland

Fees Projects

- Harbour Bridge to City Improvements/Central Motorway Junction Stage 2 (Investigations)
- Newmarket Viaduct Improvements (Design)
- North Shore Busway (Design)
- Esmonde Road Interchange (Design)
- Greenhithe Deviation (Design)
- Hobsonville Deviation (Design)
- Mt Roskill Motorway Extension (Design)
- Manukau Extension (Design)
- Avondale Motorway Extension (Investigation)

Construction Completed

- ATMS Stage 2 ($14M)
- Hukerenui South Realignment ($2.0M)

Construction Commenced and Underway

- Grafton Gully Stage 1 & 2 ($68M)
- Central Motorway Junction Stage 1 ($66M)
- Upper Harbour Bridge and Causeway ($37M)
- North Shore Busway/Esmonde Road Interchange ($127M)
- Puhinui Interchange ($14M)

Waikato/Bay of Plenty

Fees Project

- Tauranga Eastern Arterial (Investigations)
- Maunganui Road/Hewlitts Road flyover (Design)
- Mangatawhiri Deviation (Design)
- Ngaruawahia Bypass (Investigation)
- Avalon Bypass (Design)

Construction Completed

- Project PJK (Tauranga) ($91M)
- Waikato Expressway – Rangiriri to Ohinewai 4-Laning ($26M)
- Waikato Expressway – Mercer to Long Swamp 4-Laning ($25M)
- Mamaku Bluffs Realignment ($3.3M)

Construction Commenced

- Te Maunga – Maungatapu Median Barrier ($4M)

Hawke's Bay/Gisborne

Fees Projects

- Meeanee Road Intersection (Investigations)

Construction Completed

- Airport to Taradale Motorway ($12M)

Construction Commenced and Underway

- Kennedy Road Interchange ($3M)

Manawatu/Wanganui/Taranaki

Construction Completed

- Cobham Bridge Pedestrian Facilities ($1M)
- Pauri – Marangai Realignment ($2M)
- Hawera Subway ($1.4M)
- Okaki North Reconstruction ($2M)

Construction Commenced or Underway

- Hunterville South Realignment ($8M)

Wellington/Nelson/Marlborough

Fees Projects

- Dowse to Petone Interchange (Design)
- Inner City Bypass (Design)

Construction Completed

- Wairoa Bridge Improvements ($1.7M)
- Weld Pass Overbridge Safety Improvements ($1.9M)

Construction Commenced or Underway

- Plimmerton – Mana Improvements ($34M)
- Kaitoke – Te Marua Realignment ($14M)
- Lindale Interchange ($3.5M)

Canterbury/West Coast

Fees Projects

- Main North Road 4-Laning (Design)
- Southern Motorway Extension (Design)
- Russley/Johns Roads 4-Laning (Investigation)

Construction Completed

- Otira Underpass ($1.4M)

Otago/Southland

Construction Completed

- Queenstown – Frankton Improvements ($7M)
- Saddle Hill – Mosgiel 4-Laning ($2M)

Strategic Hierarchy Classes

State highways have been classified to ensure standards delivered are consistent with demand. The strategic hierarchy classes are:

M Motorway/Expressway,

R1 Rural State Highways – traffic volume over 10,000 vehicles per day (vpd),

R2 Rural State Highways – traffic volume 4,000 to 10,000 vpd,

R3 Rural State Highways – traffic volume 1,000 to 4,000 vpd, and

R4 Rural State Highways – traffic volume under 1,000 vpd.

U Urban State Highways. (see map page 45)

Achievements by strategic hierarchy classes against the road condition performance measures are reported.

Technical Terms

Technical terms are defined in the Glossary provided on page 58.

Standards and Criteria

Standards and criteria referred to in this document are as per Transit's *Standards and Guidelines Manual*.

Output Group 1: State Highway Maintenance

Description

Transit manages, operates and maintains the state highway network from this output group.

Objectives

The objectives of Output Group 1 are to:

- Preserve the state highway asset.
- Contribute to reductions in the rate and severity of highway crashes.
- Limit effects on the environment wherever reasonable and practicable.
- Limit traffic congestion as far as practicable through traffic management.
- Minimise road agency and road user costs.

Outputs

The following outputs are included in Output Group 1:

Structural Maintenance

All maintenance of carriageways, and bridges/structures.

Corridor Maintenance

Provision and maintenance of delineation assets; maintenance of traffic signals, street lighting, guardrails and other safety facilities; traffic management and incident response and vegetation, graffiti and litter removal.

Resurfacing

Resurfacing of existing carriageways, including resealing and thin asphaltic concrete.

Property Management

Management and maintenance of Crown-owned property held by Transit for future projects.

Preventive Maintenance

Non-routine maintenance works to protect the serviceability of the road assets and to minimise the threat and cost of road closures.

Emergency Works

Unplanned work requiring the urgent reinstatement or provision of a safe trafficable highway, usually as a result of a natural event.

Cost of Outputs

Output[1]	2000/01 Actual $M	2001/02 Actual $M	2002/03 Target $M	2002/03 Actual $M
Structural Maintenance	147.7	105.6	113.7	119.8
Corridor Maintenance	33.8	73.0	79.9	79.4
Resurfacing	61.3	68.9	76.7	74.3
Property Management	7.2	8.2	9.3	9.1
Emergency Works	20.5	18.3	17.8	15.3
Preventive Maintenance	4.7	4.3	5.8	5.2
TOTAL	**275.2**	**278.3**	**303.2**	**303.1**

Note:

[1] Project Control and Administration costs have been allocated across all outputs.

Maintenance Measures

Structural Maintenance

Description	Unit	2000/01 Actual	2001/02 Actual	2002/03 Target	2002/03 Actual
Cost	$M	147.7	105.6	113.7	119.8
Length[2]	km	10,774	10,783	10,783	10,786
Unit Cost	$/km	13,711	9,795	10,544	11,107

Corridor Maintenance

Description	Unit	2000/01 Actual	2001/02 Actual	2002/03 Target	2002/03 Actual
Cost	$M	33.8	73.0	79.9	79.4
Length[2]	km	10,774	10,783	10,783	10,786
Unit Cost	$/km	3,143	6,768	7,410	7,361

Resurfacing

Description	Unit	2000/01 Actual	2001/02 Actual	2002/03 Target	2002/03 Actual
Cost	$M	61.3	68.9	76.7	74.3
Length	km	1,275	1,298	1,270	1,328
Unit Cost	$/km	48,046	53,106	60,394	55,949

Property Management

Description	Unit	2000/01 Actual	2001/02 Actual	2002/03 Target	2002/03 Actual
Cost	$M	7.2	8.2	9.3	9.1
Asset Value	$M	334	341	340	445

Note:

[2] Length excludes motorway ramps.

Management Comment

Property Management expenditure variance is attributed to the timing of some programmed maintenance work, predominately in the Auckland region and deferring of some forestry harvesting activities on Crown-owned land held by Transit for future projects.

Property acquisitions and strong capital growth, particularly in Auckland, account for the increase in the asset value.

Comparison of Periodic Maintenance[3] Costs – Actual Versus Planned

Description	Unit	2000/01 Actual	2001/02 Actual	2002/03 Target	2002/03 Actual
Percentage completion of National Roading Programme by cost of output[4]	Percent	99.5	99.7	98.5-101.5	101.2

Comparison of Periodic Maintenance[3] Achievement – Actual Versus Planned

Description	Unit	2000/01 Actual	2001/02 Actual	2002/03 Target	2002/03 Actual
Percentage achievement of the Annual Plan output[4]	Percent	100.2	96.3	97.5-102.5	101.3

Smoothness[5], Smooth Travel Exposure[6], Rutting[7] and Flushing[8] and Good Skid Exposure

The outputs from the levels of service indicators are reported under the Triple Bottom Line Performance Measure earlier in the report. Further detailed breakdown of this data by highway classification and network management area is reported in Transit's *Pavement Condition Report 2003* accessed via the website.

Smooth Travel, Smooth Exposure, Rutting and Flushing data by state highway classification and network management areas can be accessed via the website www.transit.govt.nz

Notes:

[3] Periodic Maintenance is defined as Area Wide Pavement Treatment, Maintenance Chip Seals, and Thin Asphaltic Surfacing.

[4] This measure reflects the actual delivery as at 30 June against revised target lengths/values as at 28 February as per Transit/Transfund Performance Agreement.

[5] The smoothness of the highway network is determined by measurement of roughness, defined in terms of international roughness index values, with the percentage less than threshold values classified as 'smooth'. Smoothness targets vary by highway strategy hierarchy.

[6] Smooth Travel Exposure reports the percentage of traffic volumes exposed to roads with roughness less than the threshold levels established for national state highway strategy hierarchics.

[7] This measure reflects the proportion of the state highway network that is classified as having potentially hazardous ruts. A depression in the wheel path of a lane is defined as a 'rut'. When the depression exceeds 20 mm in depth, it can hold water and cause a vehicle to aquaplane (Before 2000/01 this measure was the percent exceeding 30 mm in depth).

[8] When bitumen rises to the top of chips it is defined as 'flushed'. When a highway becomes flushed it can become unsafe as oil, debris and water combine on the surface.

Output Group 2: State Highway Replacement and Improvement (Capital expenditure) and Output Group 3: Passenger Transport

Description

Transit will provide replaced and improved state highway assets under this Output Group.

Objectives

The objectives of Output Groups 2,3 are to:

- Respond to the demand for improved capacity of strategic roads.
- Contribute to reductions in the rate and severity of highway crashes.
- Minimise road user and road agency costs.
- Limit effects on the environment wherever reasonable and practicable.
- Limit disruption to traffic as far as practicable.
- Recognise community aspirations through consultation.

Outputs

The following outputs are included in Output Groups 2 and 3:

Pavement Smoothing (previously Rehabilitation)

Replacement of existing carriageway pavements where rehabilitation is required for the benefit of road users.

Minor Safety Projects

Safety improvement projects with total cost of up to $75,000 each and currently based on 4 percent of the maintenance allocation.

Construction

Improvement of existing roads and bridges; and construction of new roads and bridges including seal extension.

Property Purchase

Purchase of land needed for replacement and improvement projects.

Passenger Transport improvement projects on state highways (currently only the North Shore Busway in Auckland).

Cost of Outputs

Output[1]	2000/01 Actual $M	2001/02 Actual $M	2002/03 Target $M	2002/03 Actual $M
Construction	193.0	181.4	214.5	195.0
Pavement Smoothing	4.5	8.8	6.3	5.2
Minor Safety Projects	9.1	9.8	10.7	10.8
Property Purchase	65.6	80.9	73.5	58.0
Passenger Transport Roading Infrastructure	1.4	3.4	4.2	3.3
Walking & Cycling Facilities	N/A	N/A	N/A	0.7
TOTAL	**273.6**	**284.3**	**309.2**	**273.0**

Management Comment

The out-turn was attributable to difficulties with property acquisition settlements, projects unable to start due to appeals to the Environment Court or Court of Appeal, unusually wet weather conditions and extended stakeholder consultations.

Pavement Smoothing

Description	2000/01 Actual	2001/02 Actual	2002/03 Target	2002/03 Actual
Pavement Smoothing[9]				
• Cost ($M)	4.5	8.8	6.3	5.2
• Length (km)	37	48	25	23
• Unit cost ($/km)	121,621	184,100	252,000	226,086

Notes:

[9] Pavement Smoothing achievement is expected to remain constant with research indicating that roughness benefits are overstated. Truck Ride improvement projects are included, subject to projects meeting the current economic criteria.

Management Comment

A total of 23 kilometres of treatment was undertaken. This included 10 kilometres of conventional treatment and 12.8 kilometres of truck ride improvements. The mix was slightly biased towards the truck ride improvement compared to the target length, and hence the unit cost was affected by the generally lower costs of the truck-ride work. The small reduction in length achievement resulted from re-evaluation of costs on some projects as design progressed.

Achievement Against Performance Measures

State Highway Plans and Property Management

Description	2000/01 Actual	2001/02 Actual	2002/03 Target	2002/03 Actual
State Highway Plans				
• Percentage of state highway network with a current state highway plan	N/A	N/A	85	93
Property Vacancies				
• Percentage of tenantable properties vacant for 6 months or more	N/A	N/A	≤10	0.5
Property Disposal				
• Rate of surplus property disposal from projects completed in previous financial year	N/A	N/A	98	100

Management Comment

All the above three performance measures are new measures introduced in 2002/2003 and no historical data or trend is available.

Capital Works Costs

Fees Cost

Description	2000/01 Actual	2001/02 Actual	2002/03 Target	2002/03 Actual
Percentage completion of National Land Transport Programme by fee costs of capital works[10]	97.0	95.0	≤103	94.9
Percentage achievement of National Land Transport Programme by construction costs of capital works[10]	101.5	97.0	≤103	94.8

Note:

[10] Targets are consistent with the Agreement between Transfund and Transit. Trends will be analysed on a three-year rolling average, which will provide a refined basis for projecting targets for future years.

Management Comment

The result on both fees and construction is consistent with under-expenditure in construction.

Capital Works Achievements

Reported under Triple Bottom Line Performance Measures earlier in the report.

Output Group 4: Regional Development

Output Group 5: Promotion of Walking and Cycling

Description

These two activities are focussed on identifying projects that promote regional development and encourage walking and cycling activities.

Objectives

The objectives of Groups 4 and 5 are:

Regional Development

- Provide or improve access in such a way as to encourage direct additional investment in the region
- Significantly reduce travel costs for industry
- Mitigate adverse effects on safety, environment and amenity including conflicts with tourist traffic; and/or reduce travel costs.

Promotion of Walking and Cycling

- Development of walking and cycling strategies
- Walking and cycling infrastructure projects
- Promotion of walking and cycling activities.

Outputs

The criteria for defining the output from these output classes are still being developed. Transit has identified a number of potential projects for funding that meet the output descriptions. None is currently approved.

In addition we will be considering incorporation of walking and cycling improvement projects at the time of design of roading projects.

Promotion of Walking and Cycling

Although at the start of the year there was no budget in this output, as policies were developed in the course of the year $700,000 was spent on the promotion of walking and cycling. This is shown in the Cost of Outputs table for Group 2 on page 53.

Description	Unit	2000/01 Actual	2001/02 Actual	2002/03 Target	2002/03 Actual
Percentage of projects with design starting in current year which considered walking and cycling features in design brief	Percent	N/A	N/A	100	100

Rick van Barneveld
NATIONAL HIGHWAY MANAGER

Audit New Zealand

REPORT OF THE AUDITOR-GENERAL TO THE READERS OF THE FINANCIAL STATEMENTS OF TRANSIT NEW ZEALAND FOR THE YEAR ENDED 30 JUNE 2003

We have audited the financial statements on pages 11 to 19, pages 22 to 44 and pages 46 to 56. The financial statements provide information about the past financial and service performance of Transit New Zealand and its financial position as at 30 June 2003. This information is stated in accordance with the accounting policies set out on pages 35 to 37.

Responsibilities of the Authority

The Public Finance Act 1989 and the Transit New Zealand Act 1989 require the Authority to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that fairly reflect the financial position of Transit New Zealand as at 30 June 2003, the results of its operations and cash flows and service performance achievements for the year ended on that date.

Auditor's responsibilities

Section 15 of the Public Audit Act 2001 and section 43(1) of the Public Finance Act 1989 require the Auditor-General to audit the financial statements presented by the Authority. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed Stephen Lucy, of Audit New Zealand, to undertake the audit.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Authority in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Transit New Zealand's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have performed assurance assignments over tendering for Transit New Zealand. Other than these assignments, and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in Transit New Zealand.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of Transit New Zealand on pages 11 to 19, pages 22 to 44 and pages 46 to 56:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - Transit New Zealand's financial position as at 30 June 2003;
  - the results of its operations and cash flows for the year ended on that date; and
  - its service performance achievements in relation to the performance targets and other measures adopted for the year ended on that date.

Our audit was completed on 21 October 2003 and our unqualified opinion is expressed as at that date.

S B Lucy
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS

This audit report relates to the financial statements of Transit New Zealand for the year ended 30 June 2003 included on Transit New Zealand's website. The Authority is responsible for the maintenance and integrity of Transit New Zealand's website. We have not been engaged to report on the integrity of Transit New Zealand's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

We have not been engaged to report on any other electronic versions of Transit New Zealand's financial statements, and accept no responsibility for any changes that may have occurred to electronic versions of the financial statements published on other websites and/or published by other electronic means.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 21 October 2003 to confirm the information included in the audited financial statements presented on this website.

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

Glossary

Austroads

The Association of Australian and New Zealand Road Transport and Traffic Authorities comprising a formally constituted consultative entity of which Transit is a full member.

BCR

Also referred to as the 'benefit to cost ratio', is essentially the number of dollars of public benefit gained per dollar of roading authority expenditure, both capital and maintenance, over a 25-year period.

GST

Goods and Services Tax.

Lane Kilometre

A measure of length along one lane of a road.

Materiality

Limits of materiality for each of the relevant measures will be determined in consultation with Audit New Zealand.

NAASRA

Road roughness is measured by a system developed by the former National Association of Australian State Roading Authorities (NAASRA). Values are obtained by a special purpose vehicle travelling down both outside lanes the length of a road. The rougher the road, the higher the NAASRA counts per lane kilometre.

NLTP

For each year a National Land Transport Programme, as approved by the board of Transfund New Zealand, is produced in accordance with the Transit New Zealand Amendment Act, 1995.

Output

The goods and services produced by Transit as a Crown entity and as defined in the Public Finance Act 1989.

Output Class

A grouping of goods and services produced by Transit as defined in the Transit New Zealand Act 1989.

RAMM

Road Assessment Maintenance Management System.

SOI

The Statement of Intent, comprising the approved objectives and performance targets for that year against which Transit New Zealand is evaluated.

STE

Smooth Travel Exposure measures the percentage of vehicle kilometres travelled on highways smoother than the target roughness values.

Transfund

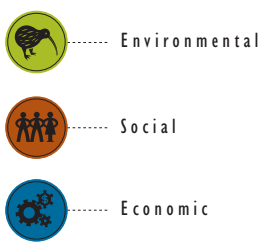
Transfund New Zealand.

Transit

Transit New Zealand, as established under the Transit New Zealand Act, 1989.

Triple bottom line (TBL) reporting

Triple bottom line reporting involves reporting that gives consideration to financial outcomes, environmental quality and social equity. These are shown in this report by the following symbols.



Global Reporting Initiative (GRI) Index

In reporting on its economic, environmental and social performance in this report, Transit has used the framework of the *2002 Sustainability Reporting Guidelines* as produced by the Global Reporting Initiative (GRI). The GRI is a joint initiative of CERES (Coalition for Environmentally Responsible Economies) and UNEP (United Nations Environmental Programme), and aims to develop a globally accepted reporting framework.

This GRI Content Index identifies the locations in this report of the various elements of the GRI framework, and the reasons for omissions where GRI core indicators are not reported on. The term N/A (not applicable) is used where Transit's status as a non-profit Crown entity makes a GRI core indicator inapplicable - eg "advertising".

Performance Indicator Category	Aspect	Comment
	Vision and Strategy	
	- Chairperson's report	page 2
	- Chief executive's report	pages 4, 5, 61
	Profile	
	- Organisational profile	page 10
	- Report scope	page 1
	- The year in review	pages 8-9, 20-21
	Governance Structures and Management Systems	
	- Governance and Structure	pages 3, 6
	- Stakeholder engagement	pages 10, 15-17
	- Overarching policies and management systems	pages 1, 6, 7, 10
Economic (Direct Economic Impacts)	- Customers	pages 26, 27
	- Suppliers	pages 46-56
	- Employees	pages 34, 39
	- Providers of capital	pages 31-34
	- Public sector	pages 31-34
Environmental (See pages 11-30)	- Materials	see comment this page
	- Energy	page 11
	- Water	page 11
	- Biodiversity	pages 12, 13, 17, 20, 28
	- Emissions, effluents, and waste	pages 12, 19, 21, 29
	- Suppliers	Page 29
	- Products and Services	Pages 12, 13, 17, 21, 28
	- Compliance	page 29
	- Overdue	page 12
Social (Labour Practices and Decent Work)	- Employment	pages 6, 10
	- Labour/management relations	pages 18, 19
	- Health and safety	pages 18, 19, 27, 29
	- Training and education	pages 18, 19
	- Diversity and opportunity	pages 3, 6, 7, 18, 19
(Human Rights)	- Strategy and management	pages 18, 19, see comment
	- Indigenous rights	pages 16, 24, 29
	- Freedom of Association	pages 18, 19
(Society)	- Community	pages 11-30
	- Political contributions	not applicable
	- Competition and pricing	see comment
(Product Responsibility)	- Customer health and safety	pages 5, 14, 15, 27, 30
	- Products and services	pages 15-18
	- Advertising	not applicable

We have not as yet collected information on the following GRI core indicators so cannot report on them this year:

Environmental – suppliers and transport costs.

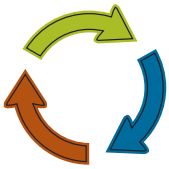
Social (Human Rights): Non-discrimination, disciplinary practices, security practices, core human rights and societal indicators.

Social aspects less relevant to Transit: child labour, forced and compulsory labour, and bribery and corruption. New Zealand ranks 2nd highest (equal with Sweden) as being a country with very low levels of perceived corruption (Corruption/Perceptions Index 2002).

Product Responsibility: respect for privacy.

Key Stakeholders

Stakeholder	Ongoing communication channels ←→	Feedback channels ←
The Minister of Transport	Transit chair and chief executive meet monthly with the Minister; quarterly reporting against Annual Performance Agreement; Statement of Intent. Close working relationships with the Minister's office, press and private secretaries.	Transit Authority
The Ministry of Transport	Close working relationships with the Ministry of Transport staff.	Stakeholder survey
Members of Parliament	Transit regional offices regular contact; info supplied on regional plans.	Requests for information
Road Users and Road User Groups	Media releases, newsletters national and regional. Quarterly meetings with NZAA and the Road Transport Forum	Road user surveys by Transit and Austroads Stakeholder survey
Iwi and Community Groups	Ongoing consultation; RMA consultation process; Memoranda of Understanding with iwi, Department of Conservation and NZ Historic Places Trust.	Scheduled meetings as per MoU Stakeholder survey
Central Government Agencies	Contract with Transfund; monthly Transfund/LTSA meetings. CE weekly meeting with the Secretary for Transport. Numerous working relationships with Transfund, LTSA, the Police and MoT.	Direct communication Stakeholder survey
Local Government and Regional Authorities	Regular regional office contact; RMA process; Road Controlling Authorities Forum; Regional Land Transport Committees	RCA Forum, Stakeholder survey
Industry Groups and Organisations/ Major Suppliers	Industry journals; quarterly meetings with NZ Contractors Federation and Bitumen Contractors Association.	Stakeholder survey Invites to Transit to address industry conferences/workshops, discuss industry performance
Contractors and Consultants	Daily contact at regions; monthly reporting; quarterly CE level meetings.	Monthly consultant regional manager visit, annual national team visit; consultant company questionnaires Stakeholder survey
Media	Proactive and reactive communications (media releases, responses to media queries).	Media survey
General Public	Community consultation; *InTransit* and regional newsletters, project newsletters, media releases, Transit website; on-site information centres.	0800 number emails via website
Staff (and the PSA)	CE *On the Go* newsletter; Strategic Training Plan, performance appraisals; bi-annual PSA meetings.	Staff appraisal feedback Staff survey
International Roading Organisations	Austroads membership; international best practice.	Overseas delegations



Mission

To be a world leader in roading solutions

ENVIRONMENTAL

SOCIAL

ECONOMIC

Strategic Goals

- Plan and develop an integrated, safe, responsive and sustainable highway system
- Maintain, operate and protect the state highway system
- Exercise social and environmental responsibility in all our activities
- Obtain funding which is adequate to ensure an affordable, integrated, safe, responsive and sustainable state highway system
- Lead the transport industry in terms of roading solutions and the skills of our people
- Interact and communicate effectively with road users, communities and their representatives
- Maintain good relationships and work effectively with stakeholders and related organisations.

Values

- Integrity
- Customer focus
- Excellence
- Innovation, and
- Stewardship.

Transit New Zealand has used environmentally friendly paper stocks in production of this Annual Report.

The cover of this document is printed on 'Sundance'. This paper is 50% recycled including 30% post consumer waste.

The remainder of the report has been printed on 'Media'. This paper stock uses 100% virgin fibre produced from managed forests. It has been awarded the Nordic Environmental Swan Label, and is produced by Stora Enso of Europe, the first company in the world to adopt EMAS* (Eco-Management and Audit Scheme) and one of the few coated paper producers in the world to be certified to that standard.

* *EMAS is a voluntary system based on European Union regulations and harmonised principles. The objective of EMAS is to ensure continuous improvements in environmental performance by getting companies and organisations to commit themselves to monitoring and improving their own environmental impact.*

Transit New Zealand Directory

National Office
Investment House
20 – 26 Ballance Street
P O Box 5084, Wellington
New Zealand.
Telephone 04 499 6600
Facsimile 04 496 6666

Auckland Regional Office
Qantas House
Level 13,
191 Queen Street
P O Box 1459, Auckland.
Telephone 09 368 2000
Facsimile 09 368 2059

Northland Office
CPO Building
Level 1, Rathbone Street
P O Box 1899, Whangarei.
Telephone 09 430 4355
Facsimile 09 459 6944

Hamilton Regional Office
BNZ Building
Level 4,
354 Victoria Street
P O Box 973, Hamilton.
Telephone 07 957 1610
Facsimile 07 957 1437

Tauranga Office
405 Cameron Road
P O Box 430,
Tauranga.
Telephone 07 578 2903
Facsimile 07 578 2909

Napier Regional Office
Napier Library Building
22 Station Street
P O Box 740
Napier.
Telephone 06 835 1750
Facsimile 06 835 0283

Wanganui Regional Office
Seddon House
Park Place
P O Box 345,
Wanganui.
Telephone 06 345 4173
Facsimile 06 345 7151

Wellington Regional Office
Logical House
Level 8, 186 – 190 Willis Street
P O Box 27 477, Wellington.
Telephone 04 801 2580
Facsimile 04 801 2599

Marlborough Roads Office
The Forum, Level 1
Unit 2.4, Market Street
P O Box 1031, Blenheim.
Telephone 03 577 1850
Facsimile 03 577 5309
0800 MARLRDS (0800 627 573)

Christchurch Regional Office
Education House
Level 7,
123 Victoria Street
P O Box 1479, Christchurch.
Telephone 03 366 4455
Facsimile 03 365 6576

Dunedin Regional Office
Skeggs House
Level 2,
62 – 66 Tennyson Street
P O Box 5241, Dunedin.
Telephone 03 477 8527
Facsimile 03 477 9237

www.transit.govt.nz