TRANSIT NEW ZEALAND ANNUAL REPORT 2005/2006

TRANSIT NEW ZEALAND
ARARAU AOTEAROA

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

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OUR VISION IS TO PROVIDE A TRANSPORT SYSTEM THAT BUILDS A BETTER NEW ZEALAND

TRANSIT'S VALUES

LEADERSHIP

Be a world leader in transport solutions

INTEGRITY

Be honest, show respect for others and courage in our actions

STEWARDSHIP

Be environmentally sensitive, socially responsible, and economically efficient

RESPONSIVENESS

Proactively engage with communities, road users and partners

EXCELLENCE

Do it right, at the right time – and do it with enthusiasm and pride

INNOVATION

Examine alternatives and challenge assumptions

CHAIRPERSON'S REPORT

David Stubbs
Transit Chairperson

A MORE CERTAIN FUTURE

Transit began the 2005-06 year ready to embark on the most challenging work programme in our history. The release of the 10-year State Highway Forecast 2005/06-2014/15 set an unprecedented level of activity, totalling more than $11 billion.

The welcome funding boost allowed us to accelerate key projects, including those comprising Auckland's Western Ring Route, a strategic alternative to SH1. The year saw good progress on the SH18 Greenhithe Deviation, and work begin on SH20's Mt Roskill and Manukau extension projects. Also in Auckland, the SH1 Northern Motorway Extension, the country's largest ever construction project, continues to push ahead, while the progressive opening of the Northern Busway on SH1 is already seeing increased uptake of bus commuting. In the Waikato, the $83 million SH1 Mercer to Longswamp expressway was completed. In Wellington, the weather-plagued SH2 Kaitoke to Te Marua Realignment opened and the congestion relieving Inner City Bypass on SH1 made pleasing progress.

Significantly, these projects all contribute to an integrated transport network. Truly integrated transport solutions require close cooperation with local authorities and we continue to build our working relationships as a priority for our business, especially in planning. For our part we undertake to support local aspirations where they promote integrated solutions and to address local planning issues in a timely manner. But it's a two way endeavour – we look to our planning partners to take account of state highway transport issues in their planning of land use and local networks.

The first half of the year saw us gain good ground on our works programme. However, in November 2005 we found ourselves caught between rising costs and reducing revenues. The prudent reaction was to apply the brakes. And this was the picture we had to reflect in our draft 2006/07-2015/16 State Highway Forecast, released for consultation in February 2006.

The Government responded to this difficult position with additional funding from the Crown account. Importantly, the funding package provided Transit, for the first time, with a high level of surety of funds for the next five years. In August 2006 this guarantee of funding was extended to six years. Now with such certainty, the sector – and the country – can have greater confidence in our plans for New Zealand's state highway infrastructure.

The additional funds have enabled us to largely restore our 2006 works programme to the activity levels forecast in 2005, and further accelerate a number of nationally and regionally important projects. However, our ability to sustain the significant cash flows of the sizeable projects ahead will require new sources of funding. For example, completion of the Western Ring Route by 2015 will depend on the support of Aucklanders for tolling the route. Tolling offers us a means of completing the route sooner and, at the same time reflecting the scarcity of road space at peak travel times.

Much of travel is a matter of choice: when we travel, how we travel and which way we choose to go. Introducing tolling to travellers' decision making gives us the ability to shape travel patterns and encourage the widest possible use of transport options. This ability is furthered by our increasing application of traffic management measures and ramp signalling, which we are now developing on Auckland's motorways.

This year the Government has gone as far as can be reasonably expected in reducing uncertainty around central funding. Delivering the multi-billion dollar programme is now the task in hand. Transit has invested considerably in ensuring it has the capability and resources in-house to respond to the increasing scale and complexity of projects. We have also worked closely with industry partners to ensure they too have the capacity to deliver.

Much hard work is ahead, not the least in ensuring Transit continues to drive value for money from the Government's investment. To that end Transit is working with local authorities to secure affordable consent conditions. We are also working with industry to keep costs as low as possible while still delivering on Land Transport Management Act (LTMA) objectives. My thanks to my Transit board colleagues for their commitment and efforts this year, and to Transit's management and staff. I look forward to their continued application of energy and drive into meeting the challenges of the approaching year.

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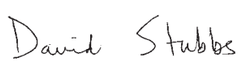


David Stubbs
CHAIRPERSON

BOARD PROFILES

The Transit New Zealand Board guides the organisation's policy direction in the management of Transit's state highway network. The Board is appointed by government and meets monthly from February through December.

David Stubbs

Chairperson – Tauranga

Professionally qualified land surveyer and civil engineer. Held positions of Director of Planning and Technical Services, Director of Works and Associate Town Clerk, with the Auckland City Council. Was Project Director for the design and construction of Auckland's Aotea Centre. Former chair of Transfund NZ and member of Land Transport New Zealand (Land Transport NZ) Board.

Sir Tipene O'Regan

Deputy Chairperson – Wellington

Formerly chairperson of Ngai Tahu Holdings Corporation, the Treaty of Waitangi Fisheries Commission, the Sealord Group Ltd and Board Trustee of the Marine Stewardship Council (UK). Currently, chairperson of Clifford Bay Marine Farms Ltd, Director of Whale Watch Kaikoura Ltd, Hanover Financial Services Ltd, Stehr Group Holdings Ltd (Aust), Clean Seas Tuna Ltd (Aust) and Assistant Vice Chancellor, University of Canterbury.

Mike Williams

Auckland

President of the NZ Labour Party. Information technology analyst. Director of the Institute of Geological and Nuclear Sciences Ltd, member of ARTA, Enterprise Waitakere, and NZ Railways Corporation and Genesis Energy Boards.

John Wright

Rangiora

Former Member of Parliament and Ministerial Under-Secretary. Good knowledge of public finance issues. Involved in motor trade for many years including heavy vehicle fleet management, with a strong interest in road safety. Business management and governance experience in a variety of business and not-for-profit organisations.

Dr Janice Wright

Wellington

Independent policy adviser and analyst. Doctorate in Public Policy (Harvard University). Chair of the Land Transport NZ Board and member of the Accident Compensation Corporation Board.

Gary McIver

Hastings

Currently works as a consultant and has an extensive background in commercial and general management, mainly in the motor industry.

CHIEF EXECUTIVE'S REPORT

Rick van Barneveld
Transit Chief Executive

DELIVERING MOBILITY

Budget 2006 brought welcome news for our sector, providing an extra $1.3 billion in funding over the next five years, along with guarantees against future revenue erosion. This funding allowed us to reinstate projects originally included in the 2005 works programme, that had been marked for deferral in our 2006 draft State Highway Forecast due to a looming shortfall in funds. A further $425 million contribution by the Government has meant we can accelerate improvements beyond August 2005 levels, with a focus on projects relieving congestion, improving travel on key inter-regional routes and reducing highway crashes.

The unparalleled level of investment reflects the importance of Transit's current build programme to this country's growth and development. Offering the only direct link to every part of the country, New Zealand's state highways are a nationally significant lifeblood for our economy. What they offer is mobility. And the heart of our business is delivering that mobility. That means keeping the state highways open and flowing freely.

The threats to uninterrupted mobility are many. Congestion is a daily issue in the country's largest cities. Crashes, and the emergency response to and clean up of incidents, can close roads for hours. Seismic activity is an ever-present risk. Annually, weather events wreak havoc. As can be seen in the feature on page 26, this last year presented us with numerous extreme weather-related challenges.

Some of these problems are simply inherent to our environment. Geologically, New Zealand is a young country. This is reflected in the unstable land on which we have to build many of our roads. Such land is vulnerable to slipping in continued heavy rainfall. Combined with characteristically narrow corridors the resulting disruption caused by slips can be considerable. But whether caused by a crash or floods, slips, snow or ice, when the road is closed Transit's priority is to restore access as soon as possible. Our aim – and that of road crews who toil in often demanding conditions – is to achieve some level of access within two hours on priority routes and within 12 hours on less travelled highways.

One of our operational strategies for significant routes is to ensure contingencies are in place, for example, having alternate routes. This isn't fail safe. During the 2006 winter all four north-to-south routes through the North Island were closed – three due to extreme snow conditions, one because of a crash. In such unusual circumstances, the only course of action left, while clearing the roads, is timely communication with road users about the road condition. This is an area in which advancing technology is lifting our ability to manage the network.

Video surveillance, combined with electronic variable message signs, is allowing us to rapidly respond to and manage incidents and congestion caused by travel peaks, particularly on Auckland's road network. Key to this function is providing travellers with the prompt information they need – via website, radio and the electronic signs – to make appropriate travel decisions. We are currently extending use of centrally managed variable message signs throughout the country, as a means of better informing motorists of highway access.

Ramp signalling is another technological advancement improving Aucklanders' access to the city's congested highways. Traffic signals at the top of motorway on-ramps regulate the rate at which vehicles merge at peak travel times. The result is more predictable and reliable journey times.

Technology is also playing a part in helping minimise the impacts of some weather events. We thermally map ice-prone highways to identify vulnerable stretches. Weather stations installed at these sites then allow us to monitor temperatures and respond with appropriate treatments for the conditions.

The state highway network will always be vulnerable to events that force their closure. But through our increasing use of improving technology we are ever better positioned to manage the network, keep road users informed and restore mobility. Remaining at the forefront of technologies and thinking is important for our business and during the year we have continued building our capability and resources. State highways play a vital role in New Zealand's present and future and all Transit's people are committed to keeping them open for business.

Rick van Barneveld
CHIEF EXECUTIVE

Offering the only direct link to every part of the country, New Zealand's state highways are a nationally significant lifeblood for our economy. What they offer is mobility.

TRANSIT NEW ZEALAND MANAGEMENT TEAM AND STRUCTURE – 30 June 2006

Rick van Barneveld
Chief Executive

Garry Butler
Assurance and Compliance Manager

Martin Fletcher
General Manager Corporate Services

Pat Lakeman
General Manager Strategic Support

Colin Crampton
General Manager Capital Projects

Regional Capital Project Managers

Roly Frost
General Manager Network Operations

Regional Network Operations Managers

Wayne McDonald
General Manager Transport Planning

Regional Managers

- Auckland
- Hamilton
- Napier
- Wanganui
- Wellington
- Christchurch
- Dunedin
- Northland Office
- Tauranga Office
- Marlborough Office

TRANSIT'S PEOPLE

Transit's international connections provide attractive opportunities to our people.

Today Transit's people represent a wide diversity of cultures. In part this is due to the need to extend recruitment internationally to fill the specific skill needs of our changing business. This year Transit again attended the New Zealand recruitment expo in London and Manchester. Twelve more specialists from the UK have now joined us, bringing valued skills, particularly in travel demand management and transportation planning.

Attracting new staff is one part of the human resources effort. Retaining our quality people is another. Our workforce remains stable with a 10.66 percent turnover rate for the 2005-06 year. The rate in 2004-05 was 11.65 percent. Mindful of the impacts of an ageing workforce, especially in terms of knowledge transfer, we have introduced policies to make a more flexible work environment for people approaching retirement.

Other work-life aspects came to the fore in this year's Collective Employment Agreement negotiations, which were successfully completed due to the good working relationship between Transit and the Public Service Association. Staff working under the agreement can now progress to an annual leave maximum of five weeks and claim a wellness allowance for agreed activities promoting their wellbeing. In addition, as a one-off, staff will have an extra two days of paid leave for Christmas 2006.

Transit's international connections provide attractive opportunities to our people. Three Transit staff will travel to world road body PIARC's 2007 congress in Paris after winning the Australasian round of the PIARC 2007 essay competition. Janice Wilson, James Kilbride and Marcus Lin submitted *Challenges to the Provision of Sustainable Road Infrastructure – a New Zealand Example*. The essay examines Transit's experience to explore the general challenges of implementing sustainable development principles in providing road infrastructure.

Providing training opportunities is another retention measure. Each year Transit invests around two percent of its salary allocation in training. This year 67 staff attended the ongoing Quality Introduction course, double the number in 2004-05. In our drive to build quality leadership 45 Transit people from across the business came together in a forum to define what leadership skills were and identify those that were important for Transit. Seven competencies were identified and then further distilled to four: Innovation + Communication + Co-operation = Excellence (ICCE). To be linked to the competency evaluation of Transit's newly revamped performance appraisal, ICCE competencies are being introduced to staff via workshops.

Training is especially important to graduates and we offer a strong mentoring and training programme. Around 10 percent of our staff are graduates – just over half are engineers, a little less than half are planners. As a means of securing quality candidates for the programme Transit offers scholarships to students in their last year of study. Two students received these scholarships in 2005-06.

TRANSIT'S STAKEHOLDERS

Surveys of road users, and people that do business with Transit, regularly gather feedback that helps us measure, report and improve our performance.

Transit maintains contact with a wide range of stakeholders, in many ways, as indicated opposite.

Surveys of road users, and people that do business with Transit, regularly gather feedback that helps us measure, report and improve our performance. Among the measures reported on in this report are satisfaction with:

- our responsiveness to external views, needs and contributions
- state highways, and their appearance in the landscape, and
- memoranda of understanding and protocols with stakeholders.

Key results of surveys are reported externally and full reports are made available on our website – **www.transit.govt.nz**. Road users continue to confirm that improving traffic flow/reducing congestion, and improving road safety, are their two top priorities. Performance measures focused on these areas (see pages 30-45) suggest that both are improving.

Consultation is another important way stakeholders gain information and provide input to what Transit does. This includes consultation carried out under the Resource Management Act, for example to develop and gain consents for state highway projects, and the Land Transport Management Act, such as to gain feedback on Transit's State Highway Forecast. This often involves open days, newsletters, information displays and forums as well as the more formal submission process.

In addition, many stakeholders receive our national *InTransit* newsletter, newsletters from regional offices, and on specific projects or issues. Media releases help keep the public informed via the media. We are increasingly using the Internet as an important information management tool to help people make enquiries and find out more.

Stakeholder	Communication & feedback channels
The Minister of Transport and Ministry of Transport	Close working relationships including regular reports, briefings and meetings with Transit's Chair and Chief Executive. Quarterly reporting against the annual Statement of Intent and Performance Agreement.
Road users, the public, iwi and community groups	0800 4 HIGHWAYS road condition and reporting service in Taranaki, Wanganui and South Island; AA/Transit Highway Information Line; consultation on projects and processes; website (**www.transit.govt.nz**); consultation on Forecast; Memoranda of Understanding with 21 iwi.
Local government	Close interaction on planning issues and projects at all levels, including Memoranda of Understanding. Support of RCA Forum's quarterly meetings.
Industry and road user groups, and suppliers – including contractors and consultants	Regular contact and attendance at industry forums, events and workshops. Memoranda of Understanding with the Association of Consulting Engineers (ACENZ), NZ Contractors Federation and Roading New Zealand.
Central government agencies	Close working relationships and regular meetings with key agencies, including Memoranda of Understanding with NZ Historic Places Trust and Department of Conservation.
Members of Parliament	Regular contact including briefings, Forecast consultation, project information and visits to project sites.
Media	Media releases, responses to media queries, stakeholder briefings, and annual survey.
Transit staff (and the PSA)	CE briefings and newsletter; performance appraisals and feedback; regular meetings with Public Service Association representatives; regular staff survey.
International roading or transport organisations	Membership in Austroads; contributions to PIARC (World Road Congress) and Road Engineering Association of Asia and Australasia; contact with International Road Federation and a range of overseas delegations.

YEAR IN REVIEW

Though not due for completion until early 2008, the $290 million **SH1 Northern Busway** project on Auckland's North Shore is already seeing commuters embracing bus travel. A record 54,109 passenger trips were logged on the Northern Express service between Albany and Britomart in August. The early success of the joint Transit and local authority project has sparked consideration of extending bus priority measures to Orewa to counter growing congestion along the Northern Motorway.

Outstanding performance in managing costs, risks and safety, and quality and legislative compliance are among the criteria for Transit's new in-house Best Project Award. Canterbury's Okiwi Bay safety improvement project received the inaugural small to medium project award for the safe and efficient completion of work in a challenging location. Wellington's **SH1 Inner City Bypass** received the inaugural best large project award for its excellence in environmental management, public education and handling of historic buildings.

The widening of the **SH1 Waianakarua Bridge** in North Otago won Transit a Merit Award in the New Zealand Historic Places Trust's David Cox Memorial Awards 2005. Constructed in the 1870s, the bridge is one of the oldest still in use on state highways. The widening project involved removing the old stone side walls before beginning the strengthening and widening work. Engineers then refitted the Oamaru stone blocks, restoring the bridge's original appearance.

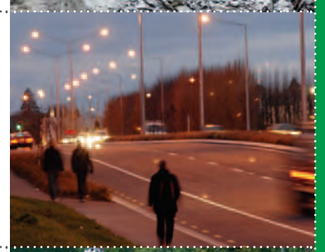
Road aggregate incorporating **recycled crushed glass** is building Transit's momentum towards environmentally sustainable roading. Following successful trials in the Nelson region, aggregate containing up to five percent recycled crushed glass is now allowed for in Transit specifications. Further trials are testing whether higher percentages are viable. While the cost of removing contaminants limits widespread application, the use of recycled glass in aggregate could help reduce the country's growing glass stockpiles.

Improvement of a notoriously winding section of SH1 between Taihape and Waiouru is three-quarters complete with the March 2006 opening of the Turangaare Bridge, the second of three bridges. The $18 million **SH1 Hihitahi Bluffs** realignment will bring the three-kilometre highway stretch up to the standard of adjoining sections on this high-use central North Island route.

A 700-metre **wire rope median barrier** divides a narrow coastal section of SH1 north of Wellington. The site was the first application worldwide of this type of barrier on such a winding two-lane, two-way road. Built to reduce head-on crashes, the barrier's installation won Transit the Road Engineering category of the Road Safety Innovation and Achievement Awards. Following the proven success of the barrier in the 700-metre stretch, it is now being extended another 2.8 kilometres.

To promote sustainable development, particularly in sensitive environments, Transit is requiring contractors on selected projects to report on the results of implementing sustainable practices. The Northern Gateway Alliance, the contracting team delivering the **SH1 Northern Motorway Extension (ALPURT B2) Project**, produced the first sustainability report in 2005. With project completion scheduled for mid-2009, the Alliance will produce an annual report detailing its economic, social and environmental performance.

In February, the Northern Gateway Alliance began work on the SH1 Northern Motorway Extension (ALPURT B2) Project's **Johnstone's Hill twin tunnels**. A major engineering feat, the tunnels' construction preserves a significant corridor of native broadleaf forest linking the east and west coasts, and enhances safety by reducing the gradient of the motorway. The particular construction sequence used by the Alliance has limited the size of the tunnel construction site, lessening the damage to the hill's native bush.



The opening of the **SH73 Styx Bridge four-laning** project between Belfast and Redwood in April 2006 is easing congestion for the 30,000-plus vehicles using this Canterbury highway daily. The $12.9 million upgrade constructed 1.4 kilometres of four-lane highway, a 210-metre bridge built alongside the original bridge and separate cycleway/walkways on both bridges. To reduce the noise and vibration experienced by neighbouring residents the new bridge's foundations were oscillated rather than driven into the ground.

In June 2006 Transit joined the partnership driving the **Greater Christchurch Urban Development Strategy Community Charter**. Drawing heavily on community feedback, the charter sets out principles and directions to guide the planning for long-term growth in greater Christchurch. Involvement as a partner provides Transit the opportunity to better assess the future transportation needs for Christchurch's residents, businesses and visitors. Charter partners include the Waimakariri and Selwyn District Councils, Christchurch City Council and Environment Canterbury.

TRANSIT TODAY

Transit manages a state highway network of 10,895 kilometres of major roads and motorways:

- 5,974 km in North Island
- 4,921 km in South Island.

On a depreciated replacement basis, the state highway network is worth almost $18 billion.

State highways make up 12 percent of New Zealand's roads by length but carry over half of the total 39 billion kilometres travelled each year.

At 172 kilometres, New Zealand's motorways make up 2 percent of the total network length. They carry 10 percent of New Zealand's traffic.

With a total of 3,983 bridges, the state highway network has on average a bridge every 2.7 kilometres of road.

As of the 2005-06 year, Transit invests over $1 billion annually in land transport.

During 2005-06 Transit invested $570 million in developing and improving state highways.

Everyday Transit spends over $1 million maintaining the state highway network.

State highways are resurfaced every 10 or 12 years. Transit re-builds a road every 30 to 40 years.

Ninety-five percent of Transit's expenditure on state highways is outsourced via competitively bid contracts.

Transit staff regularly contribute to World Bank seminars and conferences and those of other agencies such as the Transportation Research Board and the International Road Federation.

Senior Transit staff consult on road management in a range of locations including South Africa, Jordan, Bangladesh, Saudi Arabia, Colombia and Peru.

In 2005, for the third time Transit won the International Road Federation Global Road Achievement Award for Environmental Mitigation for the environmental initiatives on the SH1 Grafton Gully Project in Auckland.

The SH1 Northern Motorway Extension (ALPURT B2) Project was a joint winner of the Public Relations Institute of New Zealand's 'sustained public relations programme' award.

KEY GOAL 1

Ensure state highway corridors make the optimum contribution to an integrated multi-modal land transport system

As New Zealand grows, and as the demand for schools, homes and businesses also grows, so does the need for well-managed road networks as part of the developing infrastructure. Following the introduction of the Land Transport Management Act in 2003, greater attention has been paid to the relationship between land use and growth planning. If land development and its impacts are to be sustainable, the entities involved in planning land use and supporting transport infrastructure must take the longer-term view and a more integrated approach.

Transit has a role to play in balancing the need for sustainable growth, and ensuring that existing and planned infrastructure can support that growth. This is not an easy path to tread but it is the direction that Transit will continue to move in for the foreseeable future. Transit is supportive of growth, but not at the cost of compromising the functionality of the network, or failing to meet the needs of the increasing numbers of state highway users.

Transit is working to ensure that the full range of transport modes – including public transport, cycling and walking – is employed in future plans. Transit is also keen to see that designated land use is supported by a robust local road network. These networks provide convenient mobility within communities, and eliminate unnecessary short trips on state highways. The combination of sound local networks and appropriately used state highways helps to provide the optimum in travel options for all road users.

KEY GOAL 2

Provide safe state highway corridors for all users and affected communities

Transit is committed to enhancing the safety of the state highway network. This commitment is reflected in the total process of planning, building, operating and maintaining the network to provide a 'no surprises' environment for road users. Where existing highways cannot be easily changed, Transit focuses on improved signage, installation of barriers to separate traffic, and creates clear zones for errant vehicles by removing trees, poles and other hazards from high-risk sites.

The Network Safety Coordination campaign involving Transit, Land Transport NZ, Police, ACC, the relevant local authority Road Safety Coordinators, Fire Service, Road Transport Association, local iwi and other community groups was piloted in three areas during 2005, prior to a national roll out. This campaign involved an inter-agency approach to use enforcement and education measures, as well as engineering solutions, to reduce the road toll. This approach, known as the 3 'Es' in action (Engineering, Education, Enforcement), was intended to make a positive difference to the road toll on the worst sections of state highway.

The collaboration was intended to deliver a better result, especially using a variety of techniques. The programme uses a detailed analysis of the stretch of road rather than limiting study to the crash site. In the Waikato area, campaigns were conducted around the theme targeting Auckland drivers in the JAFA (Just Another Fatigue Accident) campaign, and the 'Lose Your Confidence, Save Your Life' campaign targeting south Waikato and Taupo.

The change in approach was intended to make a positive contribution to the overall road toll and to help the Government meet its 2010 national road safety target of no more than 300 deaths and no more than 4,500 hospitalisations by 2010.

Another initiative introduced by Transit, in addition to the 3 Es, is speed zoning, where selected sections of state highway are rezoned for a lower speed limit to ensure that speed limits are more appropriate to the road, the location and associated risks (such as proximity to schools). This should send the right message to road users that driving to changed conditions and being mindful of location-specific safety issues is an important aspect of using the state highway network. Speed zoning trials over short distances have been undertaken in locations such as the SH1 Caversham Bypass in Dunedin, SH2 Plummer's Point to Bethlehem in the Bay of Plenty, SH2 Karangahake Gorge in the Bay of Plenty and SH6 at Paroa School south of Greymouth.

KEY GOAL 3

State highways will enable improved and more reliable access and mobility for people and freight

New Zealand has one of the highest rates of vehicle ownership in the world. Transit has a responsibility to manage the state highway network to provide ongoing access for increasing numbers of vehicles and at the same time promote the full range of transport modes to protect the functionality of the network.

The SH1 Northern Busway project is a collaborative effort by Transit, the Auckland Regional Transport Authority, North Shore City and Auckland City to provide New Zealand's first-ever dedicated two-lane busway alongside the Northern Motorway. The first stations at Albany and Constellation Drive Park and Ride were opened in November 2005.

KEY GOAL 4

Improve the contribution of state highways to economic development

While the construction of new infrastructure to add to the state highway network is seen as one of the main contributions Transit makes to the economy, the fact remains that the management and operation of the overall network is a considerable undertaking. The network of 10,895 kilometres, with a nominal replacement value of almost $18 billion, provides the link between communities, ports and farms and is the means by which raw materials and finished products move around New Zealand. Maintaining this network and offering reliability and accessibility to state highway users is of paramount importance to Transit.

Managing the network to optimise mobility is dependent on a number of elements of Transit's business functioning seamlessly. These range from monitoring the condition of the network, to setting operating and maintenance priorities, to managing the increasing traffic volumes. Then there are the emergencies and unexpected, usually weather-related events, where slips, washouts and general damage need to be repaired in order to restore the functionality of state highways as quickly as possible.

Transit is concerned about balancing traffic growth with effective management of the network and to this end is progressively putting in place a range of management options to give better information to travellers and provide greater trip reliability. These measures include the Traffic Management Unit, a joint venture with Auckland territorial authorities, which centrally monitors traffic flow and incident response. There has been an expansion in the number of variable message signs to provide information for travellers and give advance warning of road hazards, and the 0800 service is offering advice to increasing numbers of callers regarding conditions on the state highway network.

Transit New Zealand continues to lead with environmentally sustainable initiatives.

KEY GOAL 5

Improve the contribution of state highways to the environmental and social wellbeing of New Zealand, including energy efficiency and public health

Transit remains committed to being socially and environmentally responsible and to improving the contribution of state highways to the environmental and social wellbeing of New Zealand.

The Environmental Plan released in 2004 outlined Transit's approach to managing a wide range of issues from noise levels, air and water quality, to aspects of culture and heritage. Transit has regularly gone beyond where it needs to go in order to comply with its own Environmental Plan. Examples of that approach include:

- Relocating 66 native lizards (geckos) from the path of the SH1 Northern Motorway Extension (ALPURT B2) to the Tawharanui Regional Park east of Warkworth. This exercise was the largest gecko recovery programme ever attempted in New Zealand and demonstrated Transit's willingness to protect wildlife threatened by road developments.
- Preserving the historical integrity of the 1874 Waianakarua bridge in North Otago on SH1 during bridge widening activities. The work was so well undertaken that Transit received a Merit Award from the New Zealand Historic Places Trust for preserving such a fine example of Victorian bridge building while ensuring that the bridge was capable of contributing to the needs of the current state highway network.
- The relocation and restoration of 18 heritage buildings on the path of the Wellington Inner City Bypass on SH1. An integral part of the development of this historic precinct was the involvement of a team of archaeologists from around the country to excavate and examine the buildings and sections in the affected area, all under the supervision of the NZ Historic Places Trust.

In 2005 Transit became one of the signatories to the New Zealand Urban Design Protocol, a Ministry for the Environment initiative that provides a catalyst for influencing the form and function of towns and cities. Transit has subsequently developed an implementation plan, which defines quality urban design and its implications for Transit, raises awareness of the value of quality urban design and uses best practice groups to develop design guides to achieve urban design principles. The approach takes into account economic, engineering, environmental and social requirements as part of supporting the broader concept of sustainable transportation.

Transit will continue to work closely with the Ministry for the Environment to implement an urban design programme of action for the land transport sector.

Transit continues to lead with environmentally sustainable initiatives in the elimination of waste through road building. Transit undertook a trial programme to amend its specifications for aggregates to allow recycled crushed glass to make up five percent of base aggregate used for road paving. While it is not an overnight solution, Transit's commitment to facilitating new and innovative methods for recycling is a positive step towards a future of environmentally sustainable roading in New Zealand.

KEEPING NEW ZEALAND OPEN FOR BUSINESS

Floods, storms, snow and ice. Each year presents Transit with nature's challenging consequences. 2005-06 more than proved the rule. The year saw state highway lanes closed on over 150 occasions due to weather-related factors. Providing access as quickly as possible is our prime aim when such events occur. It is the diligence of Transit staff, and especially our contractors, working in often treacherous conditions that ensures this country's highways remain open for business.

2005-06: A YEAR OF EXTREMES

May 2006: Rainfall 200% over normal levels in Northland, Auckland and Canterbury.

July 2006: Coldest on record since 1972.

July 2006: Rainfall of 200% over normal levels in Wairarapa, Wanganui and Hawke's Bay.

July 2006: The wettest experienced by the Wairarapa in 30 years.

"In nature, there are neither rewards nor punishments, there are consequences."

Robert Green Ingersoll
(statesman and
orator 1833-1899)

Slips

The $6.5 million mop up of a substantial landslip in Matata, Eastern Bay of Plenty, ran well into the 2005-06 year. Crews had a battle to clear the slip and debris flows to reopen SH2 within five days.

Though smaller, earlier slips on the Manawatu Gorge were cleared within a couple of days, rain in February 2004 saw a massive slip take out 70 metres of road. The extensive two-year $5 million repair and restoration work saw the road fully reopened in April 2006.

Heavy April rainfall saw 12,000 cubic metres of shale dumped on SH5 at Tarawera. Crews provided access within three hours. The ensuing $380,000 clean up includes the construction of a retaining wall to prevent a reoccurrence.

Thousands of cubic metres of debris blocked SH2 north of Te Karaka in June. Initial single-lane access was provided on this route between Gisborne and Tauranga at 10 minute intervals on the hour. A temporary metal detour route through a neighbouring paddock later improved access.

A landslip encroached a northbound lane of SH2 at Horokiwi, between Wellington and the Hutt Valley in July. Crews managed the capital's rush-hour traffic on this high-use route by using one of the southbound lanes for access during the three days it took to secure the site.

Crews were kept busy in July clearing around 140 storm-triggered slips on the Parapara section of SH4 in Wanganui. The slips affected some 60 kilometres of highway.

It took 10 solid hours of work to clear a major slip at Puti Bluffs near Kawhia, and smaller slips within a 1.5km stretch of SH31.

Crews worked to clear seven slips partially blocking SH35 between Te Araroa and Potaka in the East Coast in early August.

Snow

The heaviest snowfall since 1945 hit South Canterbury in June.

Deep snowdrifts closed SH79 from Geraldine to Fairlie. Single-lane access was achieved within a day but the sheer volume of snow meant providing two-lane access was a slow and difficult task.

The added challenge of a downed power line across the road further hampered efforts to reopen snow-laden SH8 between Fairlie with Twizel.

Two severe cold fronts produced road-closing snowfalls on SH1's Desert Road in June. Road crews worked not only to clear this vital route but additionally to keep the alternate routes – also under threat – open. Reopening SH1 in the aftermath of the first storm took 44 hours. In the second, which dumped two-metre high drifts, it took 56 hours.

Police and the local four-wheel drive club braved the conditions to rescue motorists trapped by snow on SH5 between Napier and Taupo in July. It took nearly two days for crews to reopen the highway.

Frost

The repair of significant damage to buildings, trees and critical infrastructure in South Canterbury suffered a set back from frost, which followed the June snowfall. Effects from the frost lingered for up to two months, with the final repair and restoration continuing well into 2006-07.

Floods

April storms in the Bay of Plenty flooded roads in Whangamata, Opoutere and the Karangahake Gorge between Waihi and Paeroa. River water submerged the SH2 Gorge road for seven hours. Crews diverted traffic to alternate routes until the water subsided and debris was speedily removed.

A flood of over two metres submerged SH56 at Opiki near Palmerston North in July. Crews diverted traffic to alternate routes until the flood waters receded.

The July storms resulted in the collapse of the Ngaturi Bridge over the Mangamahu River. Within a few days Transit began preparation for the installation of a Bailey Bridge.

REPORTING ON PERFORMANCE INDICATORS

Transit's performance measures provide the means through which we can track our progress in achieving our strategic goals. The measures help ensure our achievement of these goals are increasingly a part of our everyday operations.

The reporting in the following pages features a collection of measures that encompass triple bottom line reporting. For both internal and external reporting purposes we also employ other complementary performance measures. The measures included here reflect our progress in achieving economic, environmental and social objectives. This is synonymous with the principles of sustainability: striving for a balance of the complex relationships across current economic, environmental and social needs in a way that does not compromise future needs.

This reflects Transit's organisational evolution during the year in order to better reflect the vision and aims of the New Zealand Transport Strategy and the LTMA.

For Transit this means contributing to an integrated, safe, responsive and sustainable land transport system while exhibiting a sense of social and environmental responsibility. This includes:

- Avoiding, to the extent reasonable in the circumstances, adverse effects on the environment
- Taking into account the views of affected communities
- Giving early and full consideration to land transport options and alternatives in a manner that contributes to the above
- Providing early and full opportunities for specific persons and organisations to contribute to the development of our land transport programmes.

The following measures seek to capture these aims in a quantifiable form. In compiling them we have recognised the principles of triple bottom line reporting: transparency, inclusiveness, completeness, accuracy, clarity, relevance, neutrality, timeliness and comparability. We have made every attempt to compile, analyse and present the data in a way that both internal and external assessors can attest to its reliability.

A number of the measures have changed from last year's report. This reflects Transit's organisational evolution during the year in order to better reflect the vision and aims of the New Zealand Transport Strategy and the LTMA.

We have identified the triple bottom line category applying to each of the following performance measures using symbols:

ENVIRONMENTAL

SOCIAL

ECONOMIC

Strategic Direction

Measure	Result
Achievement of all SOI measures	As evidenced over the following pages, where assessment mechanisms of measures exist, Transit performed largely as expected. Comments included in the Statement of Service Performance on pages 74 to 89 provide more detailed explanation of areas of under and over achievements/performances during the year.

Key Goal 1-5

Measure	Result
The satisfaction with Transit's responsiveness to external views, needs and contributions from those with whom Transit consults	In Transit's Stakeholder Survey 2005, 70 percent of respondents across all stakeholder categories rated Transit as excellent, good or adequate on its 'responsiveness to external views, needs, and contributions'. Transit's target for this measure is >70%.

Key Goal 1-5

Transport Planning

Measure	Result
Degree of alignment between the state highway network plan and macro planning of land use, demand management, network and corridors	Transit ensures a high degree of integration of transport planning, land use planning, consideration of access arrangements and demand management through the development and implementation of the 10-Year State Highway Forecast. To further ensure the alignment and integration of these functions and achieve the objective of an effectively integrated and managed transport system, Transit is enhancing its transport planning capability, investigating and implementing measures to actively manage travel demand and strengthening its relationships with key stakeholders. Through consideration of, and coordination with, regional land transport strategies and long term council community plans, and public input through the consultation process, Transit aims for a sustainable land transport system that meets the objectives of the New Zealand Transport Strategy and the Land Transport Management Act ie, assisting economic development, assisting safety and personal security, improving access and mobility, protecting and promoting public health, and ensuring environmental sustainability, in preparation of Transit's State Highway Forecast. To achieve a sustainable land transport system, Transit takes into account land use and transport trends and behaviour. Regional and local growth strategies (or emerging views where strategies have not been written) together with planning documents, are critical to supporting regional land transport strategies. In addition to the major road projects, which have been provided for the 10-year forecast, significant attention is being given to improving the management of traffic on existing roads through the investigation and implementation of travel demand management strategies, access provisions and land use planning initiatives. This focus on traffic operations is considered essential to maximising the efficiency of the existing network and ensuring that alternative transport modes, including public passenger transport, can operate effectively.

Key Goal 1

Measure	Result
Number of fatal accidents on state highways	There were 164 fatal accidents on state highways in 2005/06. This is a decrease of 20 percent on the 206 fatal accidents in 2004/05 and a 30 percent decrease on 214 fatals in 2003/04. The Government's goal is to reduce the social cost of road death to $2.15 billion by the end of 2010. The average social cost of fatal accidents on all roads increased from $3.50 million (measured in 2005 prices) to $3.70 million (2006 prices*). On state highways, the social cost of fatal accidents in 2005/06 was $606.8 million compared to $721.0 million in 2004/05.

Source – The social cost of road crashes and injuries June 2006 update (Ministry of Transport).
The 2005/06 fatal crashes data is provisional and subject to change.

Key Goal 2

Number of Fatal Accidents by Transit Region

Year	2004/05	2005/06*	Total change	Percent change
Auckland	31	29	-2	-6
Hamilton	78	51	-27	-35
Napier	14	14	0	0
Wanganui	29	24	-5	-17
Wellington	19	16	-3	-16
Christchurch	26	17	-9	-35
Dunedin	9	13	4	44
TOTAL	**206**	**164**	**-42**	**-20**

* Data provisional and subject to change.

Measure	Result
Proportion of memoranda of understanding and protocols with other agencies that are healthy	Transit has 25 Memoranda of Understanding (MoU) with local authorities, utilities and other transport partners. In an independent survey of the key contacts for MoU partners, 18 of 23 respondents rated the relationship with Transit under MoU as good or better. In 2005 the comparable figure was 18 of 21. Transit also has 21 active MoU with 26 iwi. In a survey of the key contacts for iwi partners, 10 respondents rated the relationship with Transit under MoU as good or better. In 2005 the comparable figure was 8 ratings of good or better from 16 respondents. Transit's target for ratings of good or better from other agencies is >75%.

Key Goal 1-5

Measure	Result
Total amount of nitrogen dioxide (NO_2), particulate matter (PM_{10}), carbon monoxide (CO) attributed to vehicle emissions	Transit continues to actively engage with the Ministry of Transport, Ministry for the Environment, regional councils and others in order to investigate and develop approaches for reducing the impact on local air quality of emissions arising from vehicles using the state highway network. Transit is an active member of the National Air Quality Working Group that is co-ordinated by the Ministry for the Environment. During 2005/06 Transit supported a number of vehicle emission-related air quality management initiatives through Land Transport NZ and the Foundation for Research Science and Technology. Transit will be commissioning a national air quality monitoring network around the state highway network during the last quarter of 2006.

Key Goal 5

Measure	Result
Total amount of carbon dioxide (CO_2) attributed to vehicle emissions	Transit continues to actively engage with others in the wider transport sector, such as the Ministry of Transport, to develop effective approaches for reducing carbon dioxide emissions arising from vehicles using the state highway network. In particular Transit is currently investigating and implementing a variety of travel demand measures that aim to ensure the most efficient use of the network, improve travel choice and manage the network to reduce the rate of traffic growth. It is intended that the benefit of such measures will include a reduction in carbon dioxide emissions from vehicles using the state highway network.

Key Goal 5

Measure	Result
Energy usage by, and non-recycled wastage from, Transit offices	National monitoring of electricity use showed Transit's energy use per m^2 office space has increased by 5 percent in 2005/2006. Energy use per Full Time Equivalent employee has decreased by 5 percent compared to last year. During 2005/2006, Transit's office space increased by 6 percent, and the number of people working in Transit offices grew by 17 percent. Transit estimates it achieved savings of approximately 5 percent in electricity usage due to a staff awareness campaign and replacement of all computer monitors with energy-efficient models. Transit had hoped to meet a 5 percent reduction in energy use per m^2 office space as part of a long-term goal to achieve a 15 percent reduction in electricity usage in its offices over 5 years, using 2002/2003 rates of consumption as a baseline. Since 2002/2003, Transit's office space has increased 12 percent, and the number of people working in Transit offices has grown by 63 percent. Transit has put in place a range of cost-effective energy efficiency measures by modifying computer settings, lighting, water heating and air conditioning systems. There are now limited opportunities for Transit to achieve additional cost-effective energy savings and therefore Transit may not be able to meet its long-term target and may need to revise the target. However, the energy monitoring programme and staff awareness campaign will continue to promote energy-efficiency. Waste reduction: Data collected during annual office waste audits shows each Transit staff member disposes approximately 27.87kg of non-recycled waste to landfill per year. This is a reduction of 11 percent on the equivalent measure reported in 2004/2005.

Key Goal 5

Measure	Result
Proportion of urban state highways with a speed environment greater than 70 km/h in noise-sensitive areas where traffic noise is treated by designed solutions	Following on from the Auckland investigation carried out in 2004/05 (not repeated this year) the Canterbury/West Coast region was studied in 2005/06. Similar studies will be undertaken during 2006/07 in the Dunedin (Otago and Southland) and Hamilton (Waikato and Bay of Plenty) regions to further extend the national information. The outcome of these regional studies will be a stocktake of the current situation nationwide for this performance indicator. This will then allow for changes to be monitored. Taking into account the parameters established to allow an effective measurement of this performance indicator, the Canterbury/West Coast region shows only a small length (approximately 6km) of qualifying state highway that is currently not treated by design solutions under this performance measure. Extrapolation of the data gathered so far would suggest a proportion for the whole of New Zealand in the range 40-50 percent. This figure will be further refined as the study area is widened by including additional regions.

Key Goal 5

Measure	Result
Proportion of the network within sensitive receiving environments where stormwater run-off is treated by designed solutions	Following on from the Auckland investigation carried out in 2004/05 (not repeated this year) the Canterbury/West Coast region was studied in 2005/06. Similar studies will be undertaken during 2006/07 in the Dunedin (Otago and Southland) and Hamilton (Waikato and Bay of Plenty) regions to further extend the national information. The outcome of these regional studies will be a stocktake of the current situation nationwide for this performance indicator. This will then allow for changes to be monitored. Taking into account the parameters established to allow an effective measurement of this performance indicator, the Canterbury/West Coast region shows the Lyttleton Tunnel as the only qualifying length of state highway requiring treatment by design solutions for stormwater run off into sensitive receiving environments. This 1.95km length has been 'treated' by the construction of a spill containment facility to capture wash water used in the regular cleaning of the tunnel, stormwater and any spillage that occurs within the tunnel. Extrapolation of the data gathered so far would suggest a proportion for the whole of New Zealand in the range 20-30 percent. This figure will be further refined as the study area is widened by including additional regions.

Key Goal 5

Measure	Result
Road user and stakeholder satisfaction with the visual amenity of state highways	In Transit's State Highway User Survey 2006, 81% of respondents rated Transit's management of the overall appearance of state highways in the environment as excellent, very good or good. The previous Road User Survey was in 2003, when 85% of respondents gave a positive rating. Transit's target for road user satisfaction is >75%. In the stakeholder survey 2005, 73% of respondents rated Transit's consideration of the appearance of state highways in the landscape, in its decision-making, as 'about right'.

Key Goal 5

Measure	Result
Benefits forecast for large projects which are scheduled for completion in the current year	The following lists the large projects completed in 2005/06, their principal objective, their benefit/cost ratios (BCRs) and their described forecast benefits ($NPV over 25 years): **Project** / **Benefit** / **$M** Te Papa Curves – BCR 3.5 / Travel time saving / 4.7 Accident cost saving / 15.1 Vehicle operating cost saving / 1.9 Congestion saving / 0.8 Domain Road – BCR 2.5 / Travel time saving / 3.0 Accident cost saving / 8.0 Kaitoke/Oakleigh Safety Improvement – BCR 3.1 / Travel time saving / 2.0 Vehicle operating costs saving / 0.7 Accident cost saving / 3.1 Site specific discomfort / 4.2 Main Road North Stage 2 – BCR 4.6 / Travel time saving / 49.8 Vehicle operating costs saving / 1.0 Kaitoke to Te Marua – BCR 2.8 / Travel time saving / 9.1 Vehicle operating costs saving / 3.8 Accident cost saving / 17.5

Key Goal 2-5

Measure	Result
Actual project dollar benefits compared to forecast benefits	Seven projects were selected for independent post construction audit. Projects suitable for analysis had to have been completed for several years so costs and benefits could be reasonably identified. For this measure, achieved benefits and actual costs, and in turn, Benefit-Cost Ratio (BCR), were compared to those estimated at time of funding approval and investigation, respectively. In relation to the seven projects sampled: • Actual overall BCR was similar to, or exceeded prediction for four projects • Actual construction costs were comparable to, or less than the estimate for five projects • Crash benefits were delivered or exceeded for five projects • There was a shortfall in the delivery of projected crash benefits for two projects • Future benefit streams were overestimated to some extent for five projects due to actual traffic growth being less than that predicted. Considering the uncertainties that exist prior to more detailed design work the BCR estimated at funding approval versus earlier investigation correlated reasonably well (six out of seven projects).

Key Goal 4

Actual Project Benefits Compared to Forecast Benefits

Project	Estimated Benefit Cost Ratio at Investigation	Estimated Benefit Cost Ratio at Funding Approval	Estimated Post-Construction Benefit Cost Ratio (>70 % confidence)	Comment
Josephville Hill Realignment SH6 $2.3M, 2002	5.3	5.3	6.1	Similar construction cost Lower actual traffic growth Improved crash history Slight increase in BCR
McLeods Flat / Piano Hill SH1 $3.4M, 2002	10.0	5.4	6.1	Similar construction cost Higher actual traffic growth Close to predicted crash history Slight increase in BCR
Spooners Summit Realignment SH6 $6.1M, 2002	4.2	4.2	2.5	Increase in construction cost Lower actual traffic growth Improved crash history Reduction in BCR
Airport to Taradale Road SH2B $11.8M, 2003	3.1-3.9	3.1	1.0	Small increase in construction cost Higher actual traffic growth Reduction in crash benefits Significant reduction in BCR
Ashhurst Passing Lanes SH3 $1M, 2001	4.5	4.9	13.5	Lower construction cost Lower actual traffic growth Significantly improved crash history Significant increase in BCR
Pukerua Bay to Plimmerton SH1 $10.5M, 2002	5.7	4.5	5.3	Similar construction cost Lower actual traffic growth Improved crash history Slight increase in BCR
Ngauranga Gorge ATMS SH1 $4.8M, 2001	8.0	8.0	3.0	Similar construction cost Lower actual traffic growth Reduction in crash benefits Significant reduction in BCR

Measure	Result
Variance between actual large projects commenced in the reporting year versus what was planned in each of the two previous years	Of the fourteen projects planned in 2005/06, six were not started because Land Transport NZ announced a revenue reduction in November 2005 which caused several projects to be held back. Once the construction season had been lost it could not be recovered.

Key Goal 4

Operation of Network

Measure	Result
Proportion of projects listed in Transit's performance agreement that are on time	Of the 105 major projects listed in Transit's performance agreement, 61 projects (58 percent) were on time, or ahead at year-end. Delays to the other projects resulted from factors such as appeals to the Environment Court, extended stakeholder consultations and alignment issues, and delays in property acquisitions. Projects were also deferred due to the funding review of the NLTF, which heralded a mid-year revision of Transit's project priorities.

Key Goal 4

Projects That Are On Time

Projects listed in Transit's performance agreement in 2005/06 (Number)	Projects listed in Transit's performance agreement in 2005/06 that are on time (Number)	Proportion of projects listed in Transit's performance agreement in 2005/06 that are on time (Percent)
105	61	58

Measure	Result
Compliance with legislation, legislative instruments and external policy requirements	Land Transport NZ's audit activity in 2005/06 did not find any material non-compliance with Land Transport NZ's manuals by Transit. The broad extent of Transit's operations means a small number of incidences of non-compliance are inevitable. The following events were reported for the year. Each is regarded seriously and given immediate attention.

Key Goal 1-5

Compliance with legislation

Related Legislation	Compliance Details	Required Action
Resource Management Act	Breach of consent conditions involving stormwater	Contractor fined, ongoing monitoring, action cleared
	Interpretation of RMA s185. Court ruled against Transit regarding the required extent of a land purchase	Interpretation to be revisited
	Enforcement notice issued to consultant and contractor regarding inadequate stormwater pond provisions	Defects remedied and non-compliance cleared
Local Bylaws, Biosecurity Act	Notice regarding inadequate noxious plant control on state highway road reserve	Meeting held with council, management plan initiated and remedial action underway
Building Act	Two instances involving required repairs or strengthening to properties	Buildings either repaired, demolished or to be demolished
	Two instances involving building consents not obtained by tenants	Tenant requested to comply and/or awaiting clarification from consenting authorities

Measure	Result
Percentage forecast and actual annual dollar variance against state highway maintenance and improvement programme	While there was some movement in the original allocations for 2005/06, financial performance has been good despite extreme weather events. Overall, maintenance expenditure has been within target. State highway replacement and improvement expenditure was affected by funding announcements by Land Transport NZ. From December 2005, no further construction phases were approved in order for Transit to achieve its reduced allocations. Furthermore, with the high levels of expenditure being experienced in the large project portfolio over the last five months of the year, progress in the block programme (projects less than $3 million) was consciously slowed. The total value of the deferred construction phase was over $20 million. All of these phases have been re-programmed into the 2006-07 year. Passenger Infrastructure output was over spent by $24.2 million. Transit did not anticipate commencing actual construction at the beginning of the financial year. However, Transit gained approval to add the $90.0 million Stage 1C works by negotiation to the original tendered contract. The contract was awarded in September 2005. This enabled an earlier start to construction and hence higher expenditure. This expenditure level was required to ensure the completion of the multi modal transport project by December 2007.

Key Goal 4

Forecast and Actual State Highway Maintenance and Improvement

Expenditure	2005/06 Budget	2005/06 Target	2005/06 Actual	2005/06 Revised Feb	2005/06 Revised Jun
Maintenance					
$M	368.8		374.9	370.6	371.3
Percent	98.3	95-105		98.9	99.1
Replacement & Improvement					
$M	653.2		633.4	632.4	655.5
Percent	97.0	95-105		99.8	96.6

Measure	Result
Road user satisfaction with state highways	In Transit's State Highway User Survey 2006, 73% of respondents rated Transit's overall management of state highways as excellent, very good or good. Nearly 6 out of 10 rated state highways 'better' than 2 years ago. The previous Road User Survey was in 2003, when 78% of respondents gave a positive rating. Transit's target for road user satisfaction is >75%.

Key Goal 1-5

Measure	Result
Number of accident blackspots that are still in existence 12 months after identification	Transit is still refining this performance measure to provide a more meaningful assessment of how well Transit remedies blackspots. A blackspot is determined by the number of crashes over a five-year period. It takes at least three years after treatment to determine whether an area is no longer a blackspot. However, the table below summarises trends for the number of state highway sites with five or more fatal, serious or minor accidents over five years.

Key Goal 2

Number of sites on state highways with five or more fatal, serious or minor accidents

(based on: 250m radius open road, 30m radius urban roads over five years)

Transit Region	2004/05	2005/06*	Total Change	Percent change
Auckland	223	232	9	4
Hamilton	117	120	3	3
Napier	22	22	0	0
Wanganui	66	67	1	3
Wellington	81	83	2	2
Christchurch	50	52	2	4
Dunedin	81	84	3	4
TOTAL	**639**	**660**	**21**	**3**

* Data provisional and subject to change.

Measure	Result
Congestion through travel time delays	To monitor congestion Transit has undertaken travel time surveys in Auckland and Wellington for the past four years, and subsequently Tauranga and Christchurch. (See traffic flow levels of service on page 44.) Our previous approach of applying one generic standard across all cities in New Zealand is no longer suitable. We are currently developing specific and appropriate standards for each individual city. Assessments of national and international best practices are ongoing to ensure the standards we set account for the diversity of traffic conditions within each of our cities.

Key Goal 3-5

Measure	Result
Total unplanned lane closures for periods greater than 12 hours for low-density urban roads, or 2 hours for high-density urban roads, at peak times	In total, there were 158 unplanned lane closures, of which 136 (86 %) were opened (at least a single lane) within 12 hours. Of these, 70 occurred on high-density urban roads at peak times, of which 50 (72 %) were opened within two hours. The availability of lanes was influenced by the extreme weather events in both islands during the year. This year's results compare favourably to 2004/05, when there were 272 unplanned road closures and 81 percent were opened within 12 hours.

Key Goal 3-4

Measure	Result
Performance of 0800 service against level-of-service requirements	Overall, the number of calls has increased by 85 percent when compared to the previous year. A suite of key performance indicators has been established to provide the basis of assessment for this measure. Over 17,500 calls were made to the 0800 4 HIGHWAYS road information line. Eighty-five percent of calls were attributed to road users requesting information on the highway network. The live operator level-of-service requirement has been successfully met, although this is extremely difficult in situations where an unforeseen event results in a call spike. Transit has developed a new 0800 4 HIGHWAYS application that will be ready for deployment in the South Island in October 2006.

Key Goal 1-5

Summary of 0800 Performance Service Level for 2005/06

Year	Total call volume	Percent of calls abandoned (target < 5%)	Escalation of disputes (target < 2 months)	Average wait time in seconds (target < 20 sec)
2004/05	9,449	5.2	0	20
2005/06	17,500	3.2	1	12

Measure	Result
Proportion of capital projects completed within expected cost and time parameters	Overall 58 percent of capital projects met this measure. The target is 95 percent. Of the 105 projects planned for completion in 2005/06, Transit completed 61. Of the 105 projects, nine were within the large projects category of over $3.4M. Of these nine large projects completed in 2005/06, five were planned to be completed, three were completed earlier than programmed and one project finished later than programmed. There were several extra costs incurred on these nine large projects (average 7% over run) relating in general to scope changes and contractual claims. For the remaining 100 block projects planned, 52 (52%) were completed. This was predominantly due to the reduction in funding announced by Land Transport NZ mid financial year. Following this, no further construction phase projects were commenced. These phases have all been reprogrammed into the 2006-07 year, and several are currently underway. Notwithstanding the above, of the projects completed as planned, the delivery was under the forecast cost.

Key Goal 4

Capital Projects Completed, Forecast and Actual

Year	Forecast number projects to be completed	Actual number completed	Percent achievement	Forecast cost of completing actual projects	Actual cost of completed projects	Percent expenditure
2005/06	105	61	58	212.8M	224.5M	106

Measure	Result
Proportion of kilometres on high volume urban areas of the network meeting level-of-service requirements for traffic flow	Transit has carried out travel time surveys in Auckland and Wellington over the past four years. They have subsequently been carried out in Christchurch and Tauranga also. The project is designed to give a measure of congestion on motorways, and arterials and is used to calculate a travel time performance indicator (CGI). The congestion-monitoring measurement project monitors trends in travel time delays and congestion over time and trip reliability. This gives a measure of the degree to which a level of service for traffic flow is met in terms of travel time delays and trip reliability. The data from the travel time surveys will, with further analysis, allow an assessment of the degree to which levels of service are being met in terms of vehicle kms travelled. Auckland – AM peak delays of 43s/km, PM peak delays of 35s/km. Based on a comparison of actual average travel speeds and posted speeds it is suggested that the surveyed roads are at Level of Service (LOS) F. Wellington – AM peak delays of 26s/km, PM peak delays of 23s/km. Based on a comparison of actual average travel speeds and posted speeds it is suggested that the surveyed roads are at Level of Service (LOS) E. Christchurch – AM peak delays of 46s/km, PM peak delays of 44s/km. Based on a comparison of actual average travel speeds and posted speeds it is suggested that the surveyed roads are at Level of Service (LOS) F. Tauranga – AM peak delays of 22s/km, PM peak delays of 21s/km. Based on a comparison of actual average travel speeds and posted speeds it is suggested that the surveyed roads are at Level of Service (LOS) E.

Key Goal 3-5

Traffic Flow Levels of Service

Level of Service	Likely Average Speed of Traffic (km/h)	Characteristics of Traffic Flow
A	100	Users able to drive at their desired speed. Drivers delayed less than 30 percent of time by slow moving vehicles.
B	90	Users need to overtake to maintain their desired speed. Drivers may be delayed up to 45 percent of the time.
C	85	Traffic flow is stable but becoming susceptible to congestion due to turning traffic and slow moving vehicles. Drivers may be delayed up to 60 percent of the time.
D	80	Approaching unstable traffic flow. Turning vehicles and roadside distractions have major effect on the traffic stream. Drivers may be delayed up to 75 percent of the time.
E	50 to 75	Operating conditions are unstable and difficult to predict. Overtaking is virtually impossible. Drivers will be delayed over 75 percent of the time.
F	<50 and variable	Heavily congested stop/start flow with traffic demand exceeding capacity.

Measure	Result
Proportion of network maintained to level-of- service for road condition	Transit met or exceeded the levels of services for road condition. Further comment can be found in the Statement of Service Performance section of this report (page 74) as can definitions of level of service parameters such as smoothness, good skid exposure, etc.

Key Goal 2,4-5

Level of service and standard	Actual 2002/03	Actual 2003/04	Actual 2004/05	Target 2005/06	Actual 2005/06
Percentage of network classified as smooth	99	99	99	97	99
Percent of expectation of smooth travel	99	99	97	97	97
Percent of network with <20mm ruts	99.8	99.6	99.6	99	99.6
Percent of network with good skid exposure above threshold level	99	99	98	98	98
Percent of network with texture greater than 0.5mm	99.6	99.5	99.5	98	99.5

Measure	Result
Maximised returns on the value of Transit properties without compromising construction start dates	The return for 2005/06 on Transit's $818.8 million property portfolio was 1.9 percent*. This is down on the previous year's yield of 2.6 percent, despite a buoyant market with rising capital values. However, the reduction is in line with Transit's expectations as properties – mainly in Auckland and Wellington (where Transit's portfolio is weighted) – were vacated or demolished for new projects..

* The valuation for the property portfolio is completed by DTZ NZ Limited each year using a mix of special and indexed valuations. The yield is assessed based on the properties that generate 95 percent of the rental.

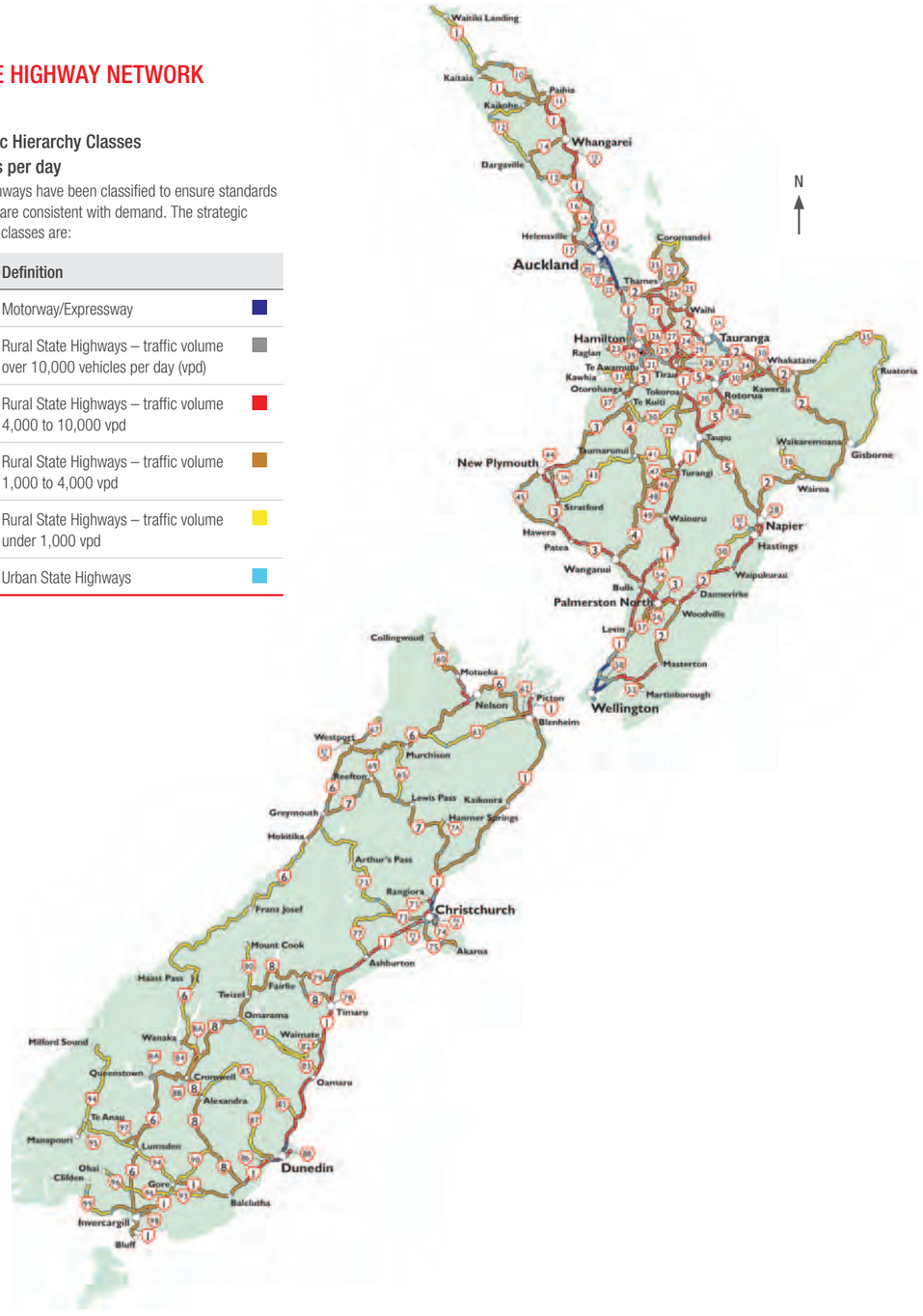
Key Goal 4

STATE HIGHWAY NETWORK

Strategic Hierarchy Classes
Vehicles per day

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

Class	Definition
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
R4	Rural State Highways – traffic volume under 1,000 vpd
U	Urban State Highways



Total Asset Value

Year	2002/03	2003/04	2004/05	2005/06
Depreciated Replacement Cost ($M)	12,556	13,081	14,909	17,948

Vehicle Kilometres Travelled (VKT)

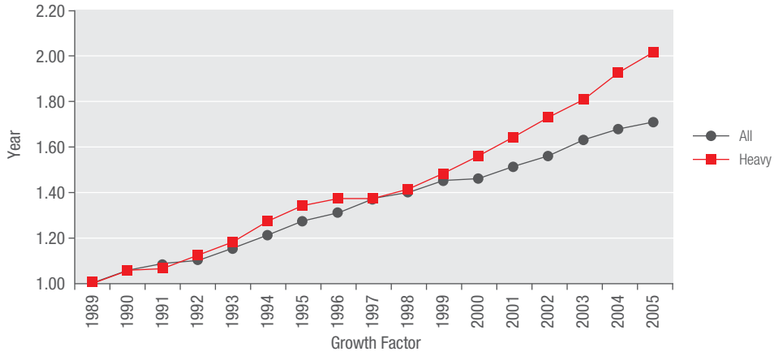
Region	Network Length (km) 2004/05	VKT in 2004/05 (M)	Network Length (km) 2005/06	VKT in 2005/06 (M)
Northland	750.0	895	750.1	925
Auckland	326.2	4,198	326.9	4,090
Waikato	1,728.8	3,141	1,728.8	3,161
Bay of Plenty	744.6	1,506	745.0	1,497
Gisborne	330.9	189	330.9	184
Hawke's Bay	505.7	663	505.7	670
Taranaki	391.3	636	391.3	643
Manawatu/Wanganui	959.1	1,382	959.1	1,427
Wellington	235.9	1,678	235.9	1,634
Nelson/Marlborough	644.8	745	644.7	770
Canterbury	1,327.4	2,116	1,326.6	2,155
West Coast	871.4	359	871.4	374
Otago	1,300.8	1,236	1,300.8	1,271
Southland	777.5	538	777.5	569
TOTAL	**10,894.4**	**19,282**	**10,894.7**	**19,372**

Network lengths for 2005/06 differ from the previous year mainly due to realignments and construction of new roads/infrastructure.

Length and Vehicle Kilometres Travelled (VKT) by State Highway Strategic Hierarchy – All State Highways

Class	M	R1	R2	R3	R4	U	Total
2005/06 Highway Length (km)	184.1	307.6	2,112.8	4,426.4	2,975.7	888.1	**10,894.7**
2005/06 VKT (M)	4,055	1,852	5,380	3,814	942	3,329	**19,372.0**

Traffic Growth Factors



A FINE BALANCE

Fifteen years ago, building a four-lane state highway meant two lanes of road one way, two the other, perhaps with a grass strip between. Today, building that highway involves much more, at a much higher level of investment.

The price realities of third millennium infrastructure

The SH20 Mt Roskill Extension: approximately $200 million. The Harbour Bridge to City project: $200 million-plus. The SH20 Waterview Connection: $800 million-plus. Third millennium road projects come with a hefty price tag. In part, this reflects that the remaining work needed to develop the network mainly comprises the large, more complex – and more costly – projects. Creating that complexity is a whole range of factors – traffic volumes, community expectations and market conditions.

The business of building roads is inherently risky. However, with sound disciplines in place, we are increasingly achieving the fine balance of the right land transport solutions at the appropriate value.

New roads now incorporate safety features – signs, speed limits, side and median barriers, and protection on areas with high run-off risk – that make them more forgiving should a crash occur.

In 2006, more of the state highway network is seeing upwards of 24,000 vehicles per day on a two-lane highway, where there is little forgiveness for driver error. New Zealanders are, rightly, uncomfortable with the risks. So, new roads now incorporate safety features – signs, speed limits, side and median barriers, and protection on areas with high run-off risk – that make them more forgiving should a crash occur. We are also progressively retrofitting these features to existing roads.

High traffic volume increases road surface wear and tear, increasing the maintenance bill for state highways. Modern road building materials such as structural asphalt pavements are helping to extend the maintenance lifecycle. But these materials require greater upfront investment.

Today, state highways have to be sensitive to the environment through which they pass. The Land Transport Management Act 2003 (LTMA) shifted Transit's perspective from providing safe and efficient highways, to contributing to an integrated, safe, responsive and sustainable land transport system. Our job moved on from just building roads. While some critics blame the LTMA and the Resource Management Act for rising complexity and costs, legislation governing infrastructure development has merely reflected the changing expectations of New Zealanders. The implication for us is that we have to reach for higher standards – in safety, urban design, landscaping and environmental management. This comes at a price.

An added cost-impacting factor for Transit's business is that we must outsource the building of state highways. The law of supply and demand therefore heavily influences our business. This is evident in the recent and very welcome increased Government investment in state highways. Volatile crude oil prices have impacted too – driving up the price of road building materials. And the local building boom has increased the demand for – and cost of – materials such as concrete and aggregate.

The pursuit of value

Facing escalating costs while managing New Zealand's biggest ever road building programme, Transit is very focused on securing genuine value for money from its investment.

This starts with taking the long-term view. Today we are building projects to last 50 to 100 years. That requires Transit and communities to have a shared view of the future. It requires us to work together to achieve it. Above all else, what features a project includes has the greatest impact on cost. Because, ultimately, funds are finite there has to be a trade-off between all possible desired features and a project's overall affordability.

Transit's scheme assessment process determines the right project for the task through a formula weighing the benefits and costs over the life of the project. The process includes an economic peer review and comparison with our organisational objectives to ensure projects are delivering on our mandate. For large projects we also engage an independent expert who reviews the scope of projects. Transit's senior management team – and for larger projects, the Board itself – then considers the project against original funding assumptions to ensure that scope and cost have not increased to the extent that the project is either unaffordable or of a lower priority for funding.

Right now we operate in a market where resources are short. To retain value for money in these conditions we have worked hard to make sure we are a 'client of choice'. We carefully programme our projects to gain the greatest possible competition between suppliers able to perform the task. To improve purchasing efficiencies further we use a suite of contract models for our different projects, focused on allocating risk to the parties best able to manage them.

Accurate cost estimates are critical to our management of project costs. In 2001 we initiated the Better Estimates Projects to upskill the industry to achieve greater estimation accuracy. We are currently working with the industry to further enhance risk estimation. Importantly, we are driving a shift from a blanket allowance for risk, to a considered assessment of – and allowance for – the likelihood of all possible risk events of a project occurring.

Gains today; gains tomorrow

The business of building roads is inherently risky. However, with sound disciplines in place, we are increasingly achieving the fine balance of the right land transport solutions at the appropriate value. Future gains are always possible and we continually review our business in light of new methodologies and technologies. With a $1 billion-plus per annum business, even small savings will go a long way in bringing forward more valuable safety, congestion relief and route improvement projects.

FINANCIAL STATEMENTS

The 2005/06 year marked the first time Transit has had the funds to invest more than $1.0 billion in the design, building, management and operation of New Zealand's state highway network. Across all its activities Transit is focused on ensuring this investment delivers value for money.

The board and management of Transit New Zealand are pleased to present the Statements of Account. The statements have been prepared using generally accepted accounting practices and fairly represent the financial position and operations of the organisation.

STATEMENT OF FINANCIAL PERFORMANCE for the year ended 30 June 2006

Previous Year ($000)		Notes	Actual ($000)	Budget ($000)
	REVENUE			
789,510	Land Transport New Zealand		977,680	1,006,700
260	Overweight Permit Fees		279	206
1,050	Investment Interest		1,902	800
14,173	Rents & Leases From Property		16,229	14,500
86,400	Net Gain/(Loss) of Declared & Revoked State Highways	1	0	0
43	Miscellaneous Receipts		18	100
533	Self Funding Units	2	301	400
891,969	**TOTAL REVENUE**		**996,409**	**1,022,706**
	EXPENDITURE			
	OPERATING			
61,626	Pavement Maintenance		63,487	60,733
20,099	Bridge Maintenance		22,970	23,701
93,392	Corridor Maintenance		94,285	95,282
36,506	Emergency Work		25,187	19,417
11,038	Property Management		15,321	16,077
9,126	Feasibility Studies		13,648	7,308
11,091	Other Operating Expenditure		15,299	26,615
242,878	**Total Operating Expenditure**	**3**	**250,197**	**249,133**
	OTHER			
224,748	Depreciation on the State Highway Network	15	252,240	230,100
12,610	State Highway Asset Write Off	4	13,624	0
237,358	**Total Other Expenditure**		**265,864**	**230,100**
480,236	**TOTAL EXPENDITURE**		**516,061**	**479,233**
411,733	**SURPLUS AVAILABLE FOR STATE HIGHWAY IMPROVEMENTS**		**480,348**	**543,473**

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

STATEMENT OF MOVEMENTS IN EQUITY as at 30 June 2006

Previous Year ($000)		Notes	Actual ($000)	Budget ($000)
13,094,737	**BALANCE AS AT 1 JULY**		**14,923,276**	**14,911,370**
411,733	Surplus Available for State Highway Improvements		480,348	543,473
1,416,806	Increase in Asset Revaluation Reserve	9	2,560,154	0
1,828,539	**TOTAL RECOGNISED REVENUES AND EXPENSES FOR THE YEAR**		**3,040,502**	**543,473**
14,923,276	**BALANCE AS AT 30 JUNE**		**17,963,778**	**15,454,843**

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

STATEMENT OF FINANCIAL POSITION as at 30 June 2006

Previous Year ($000)		Notes	Actual ($000)	Budget ($000)
12,730,498	**GENERAL FUNDS**		**13,210,846**	**13,262,065**
2,192,778	**ASSET REVALUATION RESERVE**	**9**	**4,752,932**	**2,192,778**
14,923,276	**TOTAL EQUITY**		**17,963,778**	**15,454,843**
	CURRENT ASSETS			
2,818	Cash in Bank		15,998	1,500
7,800	Investments	**10**	45,900	18,500
14,390	Accounts Receivable	**11**	21,863	8,420
115,634	Receivable from Land Transport New Zealand		81,755	120,000
140,642	**TOTAL CURRENT ASSETS**		**165,516**	**148,420**
	LESS CURRENT LIABILITIES			
134,012	Accounts Payable	**12**	158,438	143,899
1,762	Employee Entitlements	**13**	2,027	2,060
135,774	**TOTAL CURRENT LIABILITIES**		**160,465**	**145,959**
4,868	**NET CURRENT ASSETS**		**5,051**	**2,461**
	PLUS NON CURRENT ASSETS			
4,901	Other Property, Plant and Equipment	**14**	5,396	4,273
14,908,789	State Highway Network	**15**	17,948,131	15,443,663
5,445	Bailey Bridging	**16**	5,876	5,167
14,919,135	**TOTAL NON CURRENT ASSETS**		**17,959,403**	**15,453,103**
	LESS NON CURRENT LIABILITIES			
727	Employee Entitlements	**13**	676	721
727	**TOTAL NON CURRENT LIABILITIES**		**676**	**721**
14,923,276	**NET FUNDS EMPLOYED**		**17,963,778**	**15,454,843**

M F Fletcher
GENERAL MANAGER CORPORATE SERVICES
27 October 2006

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

STATEMENT OF CASH FLOW for the year ended 30 June 2006

Previous Year ($000)		Notes	Actual ($000)	Budget ($000)
	CASH FLOW FROM OPERATING ACTIVITIES			
	Cash was provided from:			
769,147	Land Transport New Zealand		1,011,559	1,006,700
1,025	Investment Interest		1,842	800
14,035	Property Rental		15,995	15,000
954	Other Receipts		728	706
1,724	Net GST Received/(Paid)		(4,283)	(800)
786,885	**Total**		**1,025,841**	**1,022,406**
	Cash was disbursed to:			
21,156	Payments to Employees		26,382	27,133
217,618	Payments to Suppliers		215,857	222,000
238,774	**Total**		**242,239**	**249,133**
548,111	**Net Cash Flow from Operating Activities**	**17**	**783,602**	**773,273**
	CASH FLOW FROM INVESTING ACTIVITIES			
	Cash was provided from:			
76	Sale of Fixed Assets		11	0
8,706	Sale of State Highway Property		12,423	15,000
8,782	**Total**		**12,434**	**15,000**
	Cash was disbursed to:			
3,189	Purchase of Fixed Assets		3,068	3,000
562,059	State Highway Capital Expenditure		741,688	775,891
565,248	**Total**		**744,756**	**778,891**
(556,466)	**Net Cash Flow from Investing Activities**		**(732,322)**	**(763,891)**
(8,355)	**Net Increase/(Decrease) in Cash**		**51,280**	**9,382**
18,973	**Add Opening Cash Brought Forward**		**10,618**	**10,618**
10,618	**Ending Cash Carried Forward**		**61,898**	**20,000**
	Ending Cash Represented By:			
2,818	**Cash in Bank**		**15,998**	**1,500**
7,800	**Investments**		**45,900**	**18,500**
10,618			**61,898**	**20,000**

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

STATEMENT OF ACCOUNTING POLICIES for the year ended 30 June 2006

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 sections 41 and 44 of the Public Finance Act 1989 and section 152 of the Crown Entities Act 2004.

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 and Bailey Bridging stock.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 7 (State Highway Programme Expenditure) to these Financial Statements are those included in the Statement of Intent, which was approved by the Board at the beginning of the financial year. No account has been taken of changes to the level of funding approved by Land Transport 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. They are consistent with the accounting policies adopted by the Board for the preparation of the financial statements.

Revenue Recognition

Revenue from Land Transport New Zealand is equal to the total State Highway Programme expenditure delivered in accordance with the approved National Roading Programme less revenue from property rents and leases, property disposals 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.

Bailey Bridging is valued at optimised depreciated replacement cost based on the optimum size of asset holding by the unit cost for each category of asset.

Other property, plant and equipment are stated at cost.

The State Highway valuation is performed by Opus International Consultants Limited. The principal valuer is John Vessey, BE (Civil), BA (Econs), Trans Cert (Econs), FIPENZ, CPEng, IntPE. 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 Bailey Bridging valuation is performed by Opus International Consultants Limited. The principal valuer is John Vessey, BE (Civil), BA (Econs), Trans Cert (Econs), FIPENZ, CPEng, IntPE.

The results of revaluing State Highways and Bailey Bridging 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 allocate 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 considerred 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
Bailey Bridging – panels	70	1.42
Bailey Bridging – transoms	103	0.57
Bailey Bridging – stringers	100	0.67
Bailey Bridging – chord reinforcing	69	1.45
Bailey Bridging – other miscellaneous	76	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 2004 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-to-day 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 expenditure 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 that 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 which meet the criteria for this Land Transport New Zealand defined work category, are allocated on a pro rata basis to the work categories that comprise the funding groups: 72% to Structural Maintenance and 28% to Corridor Maintenance.

For Note 7 (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 2006, Professional Services accounted for 5.1% of Transit New Zealand's total operating expenditure (2005: 5.7%).

For the year ended 30 June 2006, Fees & Services (including Professional Services) accounted for 11.8% of Transit New Zealand's total operating expenditure (2005: 12.8%).

For the year ended 30 June 2006, Administration costs accounted for 4.2% of Transit New Zealand's total operating expenditure (2005: 4.5%).

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

1. Net Gain/(Loss) of Declared and Revoked State Highways

Under section 60 of the Transit New Zealand Act 1989, the Board may declare any road to be a State Highway within the meaning and for the purpose of this Act and revoke any declaration in a like manner. The difference in valuation between newly declared and revoked State Highways is treated as a gain or loss, whichever is the result.

2. Self Funding Units

	Actual ($000)	Previous Year ($000)
Bailey Bridging:		
Revenue	428	687
Less Expenditure	293	317
Less Depreciation	130	118
Net Gain	**5**	**252**
CAPTIF(Canterbury Accelerated Pavement Testing Indoor Facility):		
Revenue	582	428
Less Expenditure	477	361
Less Depreciation:		
Computer Equipment	13	10
Office Furniture	1	2
Motor Vehicles	1	0
Technical Equipment	8	8
Net Gain	**82**	**47**
Training and Education:		
Revenue	476	579
Less Expenditure	258	343
Less Depreciation:		
Computer Equipment	2	1
Office Furniture	1	1
Office Equipment	1	0
Net Gain	**214**	**234**
Total Self Funding Units	**301**	**533**

3. Total Operating Expenditure

	Actual ($000)	Previous Year ($000)
Includes:		
Fees Paid to Financial Statement Auditors		
– Financial audit	99	95
– Other services	95	146
Board Members' Fees	177	164
* Depreciation:		
– Buildings	2	2
– Computer Equipment	1,751	1,593
– Office Furniture	402	320
– Office Equipment	149	160
– Motor Vehicles	228	175
– Technical Equipment	7	7
– Plant	4	4
Total Depreciation for the year on Property, Plant and Equipment	*2,543*	*2,261*
(Gain)/Loss on Disposal of Property, Plant and Equipment	(7)	(62)
Rental Expenses	2,564	2,117
Superannuation Payments	207	233
Bad Debts Written Off	28	20
Increase/(Decrease) in Provision for Doubtful Debts	93	10

Bad Debts Written Off totalled $155,391 (2005: $94,801). Of this amount $127,638 (2005: $74,942) had been previously provided for.

* Does not include depreciation for CAPTIF and Training and Education (Self Funding Units). Depreciation on the State Highway Network is included in Other Expenditure

4. 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.

5. 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	10	8
$110,000 to $119,999	4	2
$120,000 to $129,999	7	9
$130,000 to $139,999	4	5
$140,000 to $149,999	6	1
$150,000 to $159,999	1	2
$160,000 to $169,999	3	0
$170,000 to $179,999	1	2
$190,000 to $199,999	0	2
$200,000 to $209,999	2	1
$210,000 to $219,999	1	1
$220,000 to $229,999	2	0
$250,000 to $259,999	1	1
$290,000 to $299,999	1	0

The Chief Executive's remuneration and benefits is in the $290,000 to $299,999 band (2005: $250,000 to $259,999). He commenced in this position in June 2004.

6. Board Members' Fees

	Actual ($000)	Previous Year ($000)
The following Board members earned the following:		
Mr D Stubbs (Chairman)	42	43
Sir T O'Regan (Deputy Chairman)	35	29
Mr G McIver	25	23
Mr M Williams	25	23
Dr J Wright	25	23
Mr J Wright	25	23
Total Board Members' Fees	**177**	**164**

Board members' remuneration through fees is all-inclusive and no consultancy or ex gratia payments or benefits have been provided to Board members other than fees (2005: Nil).

There have been no severance payments to Board members during the year (2005: Nil).

7. State Highway Programme Expenditure*

	Actual ($000)	Budget ($000)	Previous Year ($000)
MAINTENANCE			
Structural Maintenance	234,903	236,000	221,161
Corridor Maintenance	94,286	94,700	93,289
Emergency Work	25,187	18,800	27,914
Preventive Maintenance	5,168	3,700	9,073
Property Management	15,321	15,600	11,037
Total	**374,865**	**368,800**	**362,474**
REPLACEMENT AND IMPROVEMENT			
Pavement Smoothing	929	0	3,768
Minor Safety Projects	22,226	26,100	26,067
Construction	484,265	501,900	340,206
Property Purchase	62,633	85,700	61,968
Passenger Transport Roading Infrastructures	62,601	38,400	13,889
Walking and Cycling Facilities	714	1,100	956
Total	**633,368**	**653,200**	**446,854**
TOTAL STATE HIGHWAY PROGRAMME EXPENDITURE	**1,008,233**	**1,022,000**	**809,328**
Total Operating Expenditure	250,197	249,133	242,878
State Highway Capital Expenditure (Note 15)	758,036	772,867	566,450
TOTAL STATE HIGHWAY PROGRAMME EXPENDITURE	**1,008,233**	**1,022,000**	**809,328**

* This expenditure is delivered in accordance with the approved National Roading Programme.

8. Significant Variances against Budget

Revenue:
Land Transport New Zealand (-$29.020M):
As the State Highway Programme expenditure was lower than budgeted, less funding was required.

Operating Expenditure:
Depreciation on the State Highway Network (+$22.140M):
This variance is due to the budget being underestimated.

Statement of Financial Position:
Investments (+$27.400M) and Receivable from Land Transport New Zealand (-$38.245M):
This is due to the earlier than expected drawing down of funding from Land Transport New Zealand.

State Highway Network (+$2,504.468M):
This is due to the increase in the Asset Revaluation Reserve not being budgeted for.

9. Asset Revaluation Reserve*

	Actual ($000)	Previous Year ($000)
Balance as at 1 July	2,192,778	775,972
State Highways	2,559,593	1,416,520
Bailey Bridging	561	286
Balance as at 30 June	4,752,932	2,192,778

* This is the result of increases in Replacement Cost for the land and other segments making up the State Highway Network.

10. Investments

Short-term deposits totalling $45.9M (2005: $7.8M) with a maturity date of 3 July 2006 ($10.9M) and 5 July 2006 ($35.0M) were invested at the interest rate of 7.25% and 7.29% (2005: 6.75%).

11. Accounts Receivable

	Actual ($000)	Previous Year ($000)
Accounts Receivable comprise:		
Sundry Receivables	15,140	10,962
Less Provision for Doubtful Debts	418	457
	14,722	**10,505**
Interest Accrued	88	28
Prepayments	217	1,304
GST Owed by the Inland Revenue Department	6,836	2,553
Total Accounts Receivable	**21,863**	**14,390**

12. Accounts Payable

	Actual ($000)	Previous Year ($000)
Accounts Payable comprise:		
Contractors, Consultants and Others	142,069	131,050
Accrued Expenses	16,369	2,962
Total Accounts Payable	**158,438**	**134,012**

13. Employee Entitlements

	Actual ($000)	Previous Year ($000)
Current Liabilities:		
Annual Leave	1,473	1,287
Long Service Leave	77	75
Retirement Leave	477	400
Total current portion	**2,027**	**1,762**
Non Current Liabilities:		
Long Service Leave	229	213
Retirement Leave	447	514
Total non current portion	**676**	**727**
Total Employee Entitlements	**2,703**	**2,489**

14. Other Property, Plant and Equipment

Assets	Actual			Previous Year		
	Historical Cost ($000)	Accumulated Depreciation ($000)	Net Book Value (NBV) ($000)	Historical Cost ($000)	Accumulated Depreciation ($000)	Net Book Value (NBV) ($000)
Buildings	88	21	67	88	20	68
Computer Equipment	13,250	10,189	3,061	11,452	8,422	3,030
Office Furniture	4,342	3,005	1,337	3,424	2,626	798
Office Equipment	1,770	1,410	360	1,627	1,286	341
Motor Vehicles	1,237	713	524	1,130	532	598
Technical Equipment	3,442	3,401	41	3,442	3,386	56
Plant	1,775	1,769	6	1,775	1,765	10
TOTAL	**25,904**	**20,508**	**5,396**	**22,938**	**18,037**	**4,901**

15. State Highway Network

Description	Actual			Previous Year		
	Depreciation Charge ($M)	Replacement Cost ($M)	Valuation ($M)	Depreciation Charge ($M)	Replacement Cost ($M)	Valuation ($M)
Land	0	5,207	5,207	0	4,487	4,487
Formation	0	5,218	5,218	0	4,561	4,561
Pavement (Base)	37	4,233	3,040	32	2,952	2,156
Pavement (Surface)	125	940	565	114	859	425
Drainage	11	631	351	10	638	357
Traffic Facilities	26	468	261	22	361	180
Bridges	39	4,136	2,352	35	3,396	1,956
Culverts & Subways	5	315	189	4	281	175
Other Structures	9	898	765	8	726	612
TOTAL	**252**	**22,046**	**17,948**	**225**	**18,261**	**14,909**

	Actual ($000)	Previous Year ($000)
Balance as at 1 July	14,908,789	13,081,372
Plus Capital Expenditure	758,036	566,450
Plus Net Gain/(Loss) of Declared and Revoked State Highways	0	86,400
Less Asset Write Off	(13,624)	(12,610)
Less Depreciation	(252,240)	(224,748)
Plus Increase in Asset Revaluation Reserve	2,559,593	1,416,520
Less Proceeds from State Highway Property Disposals	(12,423)	(4,595)
Balance as at 30 June	**17,948,131**	**14,908,789**

16. Bailey Bridging

Description	Actual			Previous		
	Depreciation Charge ($000)	Optimised Replacement Cost ($000)	Valuation ($000)	Depreciation Charge ($000)	Optimised Replacement Cost ($000)	Valuation ($000)
Panels	58	4,094	1,639	53	3,711	1,538
Transoms	7	1,228	847	6	1,113	774
Stringers	9	1,396	875	9	1,265	801
Chord Reinforcing	30	2,084	1,043	27	1,889	973
Other Miscellaneous	26	2,562	1,472	23	2,324	1,359
TOTAL	**130**	**11,364**	**5,876**	**118**	**10,302**	**5,445**

	Actual ($000)	Previous Year ($000)
Balance as at 1 July	5,445	5,277
Less Depreciation	(130)	(118)
Plus Increase in Asset Revaluation Reserve	561	286
Balance as at 30 June	**5,876**	**5,445**

17. Reconciliation of Cash with Reported Operating Surplus/(Deficit)

	Actual ($000)	Previous Year ($000)
Reported Operating Surplus	**480,348**	**411,733**
Add Non-Cash Items:		
Depreciation	254,939	227,149
Write Off of State Highway Asset	13,624	12,610
Net Gain of Declared and Revoked State Highways	0	(86,400)
Increase (Decrease) in Non Current Employee Entitlements	(51)	89
	268,512	**153,448**
Add (Less) Movements in Working Capital Items:		
Accounts Payable	8,078	6,574
Accounts Receivable	26,406	(23,501)
Employee Entitlements	265	(81)
	34,749	**(17,008)**
Less Items Classified as Investing Activities:		
Net Gain on Sale of Fixed Assets	(7)	(62)
	(7)	**(62)**
Net Cash Flow from Operating Activities	**783,602**	**548,111**

18. Transactions with Related Parties

Transit New Zealand undertakes transactions with Government Departments, Crown Agencies, State Owned Enterprises and Land Transport 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.

David Stubbs, the Chairperson of Transit New Zealand, was on the Board of Land Transport New Zealand until April 2006.

Transit New Zealand Board member, Dr J Wright, is the Chairperson of Land Transport New Zealand.

Two Transit New Zealand Board members are directors with organisations that Transit New Zealand undertakes transactions with. The amount paid to these organisations are:

	Actual ($000)	Previous Year ($000)
Sir T O'Regan (Deputy Chairman):		
The University of Canterbury	45	5
Mr M Williams:		
Genesis Energy Limited	885	979
New Zealand Railways Corporation	1,501	1,089
Auckland Regional Transport Authority	5	0

19. 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 is some concentration of credit risk with investments as Transit New Zealand only invests with Registered Banks. 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 2006

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

The State Highway Network

The Board administers, maintains and constructs State Highways.

These State Highways are approximately 12 percent of all New Zealand's roads, but account for over half of the 39 billion vehicle kilometres that are travelled each year.

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

STATEMENT OF COMMITMENTS as at 30 June 2006

As a result of the 2006/2007 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 2006. Some of these contracts are not due for completion until the 2006/2007 or later financial years;
- Operating Commitments, which are agreements entered into prior to 30 June 2006, to undertake the maintenance requirements of the State Highway Network; and
- Operating Lease Commitments, which are building lease agreements.

Capital and Operating Commitments have not had Administration costs or Professional Services allocated to them as per the accounting policies, as this is unable to be done on a project-by-project basis.

The value of Commitments are:

	Actual ($M)	Previous Year ($M)
Capital Commitments		
Not later than 1 year	371.06	316.39
Later than 1 year and less than 2 years	175.58	290.06
Later than 2 years and less than 5 years	167.28	214.51
Later than 5 years	0.00	0.00
	713.92	**820.96**
Operating Commitments		
Not later than 1 year	273.97	251.00
Later than 1 year and less than 2 years	182.86	163.02
Later than 2 years and less than 5 years	186.43	174.21
Later than 5 years	16.54	29.03
	659.79	**617.26**
Operating Lease Commitments		
Not later than 1 year	1.84	1.21
Later than 1 year and less than 2 years	1.58	0.97
Later than 2 years and less than 5 years	3.61	1.09
Later than 5 years	1.71	0.00
	8.74	**3.27**
Total Commitments	**1,382.46**	**1,441.49**

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

- a number of major construction projects (especially in Auckland) nearing completion; and
- a greater number of contracts for maintaining the State Highway Network, which span several years.

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

STATEMENT OF CONTINGENCIES as at 30 June 2006

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 $22.0M (2005: $20.6M) may be payable should the claimants be successful.

Performance Bonds and Guarantees by Transit New Zealand in favour of third parties, totalled $1.344M at year end (2005: $1.23M).

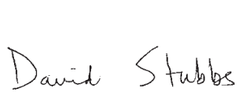
Transit New Zealand is pursuing recovery of approximately $380,000 relating to repairs of the Waitakaruru Canal Bridge. There are four parties involved but as liability has yet to be confirmed no debt has been raised.

STATEMENT OF RESPONSIBLITY for the year ended 30 June 2006

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

In the opinion of the Board 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 2006.



D Stubbs
CHAIRPERSON
27 October 2006

J H van Barneveld
CHIEF EXECUTIVE
27 October 2006

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

STATEMENT OF SERVICE PERFORMANCE

for the year ended 30 June 2006

State highways are a key component of the overall transport system in New Zealand. The safe and efficient operation of the state highway network is a key function for Transit and is an important factor in New Zealand's economy as many industries rely on it for secure, rapid and reliable access to ports, rail and airports. This national strategic network is vital to regional and national development and this major asset requires continuous investment.

The state highway network is an approximately $18 billion transport infrastructure asset that demands sophisticated and effective management. Transit has systems in place to do this, including national inventory databases (national traffic databases), long-term deterioration modelling tools, the annual condition data collection supported by advanced contract delivery methods and regular performance reporting.

Transit continued its focus on New Zealand Transport Strategy objectives of assisting economic development, assisting safety and personal security, improving access and mobility, protecting and promoting public health and ensuring environmental sustainability. In addition to maintaining the existing state highway network, it continued to have a greater focus on travel demand management, priority of public transport and better managing the existing network to keep traffic moving and minimising delays. It also continued work on initiatives such as:

- Future proofing all new and, where possible, existing state highway transport infrastructure to accommodate new technology including advanced traffic management systems
- Investigating the effects of environmental pollutants resulting from the operation of the state highway and what is a sustainable level
- Working with local authorities to ensure that capacity of the existing state highway network is not unduly reduced by adjacent development and that demand is managed sensibly
- Ensuring that safety on state highways is improved by carrying out activities such as rural realignments, and construction of median barriers
- Ensuring major improvements and other activities, where appropriate, are designed to cater for multiple modes of transport.

Demand for funding for land transport exceeds supply. Public expectations of transport infrastructure are high. Increasingly, funding for land transport initiatives from traditional sources such as petrol excise duty and road user charges are being supplemented by new sources such as borrowing supported by tolling, and local contributions. The National Land Transport Programme (NLTP) remains the main mechanism through which Transit receives the bulk of its funding from Land Transport NZ, with supplementary funding coming from cost sharing arrangements with developers and territorial authorities.

Land Transport NZ funds Transit's Operations and Asset Management from Output Group 2 (State Highway Maintenance) and Capital Expenditure from Output Groups 4, 5 and 6 (State Highway Replacement, Travel Demand Management and Passenger Transport).

Transit's other activities are funded under other output classes including Land Transport NZ's Group 7 (Regional Development), for those regions with acute transport needs, and Land Transport NZ's Output 8 (Walking and Cycling), for activities relating to the development of cycling and walking transport modes that compromise an integral part of road construction. Funding also encompasses Land Transport NZ's Output 9 (Research, Education and Training) for innovative research, which contributes to a more integrated, safe, responsive and sustainable land transport for New Zealand, as well as supporting a range of educational activities to address a skill shortage in the land transport sector. Funding for Land Transport NZ's Output 10 (Administration and Project Control) provides for costs of administration and project control activities relating to road network, regional land transport planning and Land Transport NZ's operating expenditure.

Land Transport NZ approves funding annually, prior to the financial year. Some activities are approved at this time while others are approved during the year. Consequently, the National Land Transport Programme is an ongoing programme through which activities are approved.

During 2005/06, Transit managed, maintained and operated 10,895 kilometres of state highways including 172 kilometres of motorways, 3,983 bridges and major culverts, and seven tunnels. On state highways, there is a bridge for every 2.7 kilometres of roads.

Transit, for the first time in its history, spent a billion dollars on its roading programme for the year. Its overall expenditure was $1,008.3 million, some $14.0 million below (1.37 percent) the target at the beginning of the year. This compares very favourably with the $1,007.0 million expected expenditure advised to Land Transport NZ earlier in 2006.

The under expenditure of $13.7 million was mainly in the Improvement and Replacement of state highways. The lack of full expenditure was influenced by funding decisions of Land Transport NZ. Faced with a potential national funding shortfall, from December 2005, no further new construction phases were approved. Further, with the high levels of progress and expenditure in the large project portfolio over the last five months of the year, progress in the block programme (projects less than $3 million) was consciously slowed. The total value of the deferred construction phase was over $20 million. All of these phases have been re-programmed into the 2006-07 year.

Transit 'fast-tracked,' and commenced construction on its multi-modal transport infrastructure project – the SH1 North Shore Busway. The output, Transport Infrastructure, was over-spent by $24.2 million. Transit had not anticipated commencing construction at the beginning of the financial year. However, Transit gained approval to add the $90.0 million Stage 1C works by negotiation to the original tendered contract. The contract was awarded in September 2005. This enabled an earlier start to construction and hence higher expenditure. This expenditure level was required to secure the completion of the multi-modal project by December 2007.

Summary of Output Group Expenditure[1]

Output Groups[2]	2003/04 Actual ($M)	2004/05 Actual ($M)	2005/06 Target ($M)	2005/06 Actual ($M)
1. State Highway Maintenance	327.4	362.5	368.8	374.9
2. State Highway Replacement and Improvement	355.7	432.0	613.7	570.1
3. Passenger Transport	3.1	13.9	38.4	62.6
4. Regional Development	0.2	0.0	0.0	0.0
5. Walking and Cycling	1.3	0.9	1.1	0.7
Total (GST exclusive)	**687.7**	**809.3**	**1,022.0**	**1,008.3**
Total (GST inclusive)	**773.7**	**910.5**	**1,149.8**	**1,134.3**

* Transit output class numbers differ from Land Transport NZ output groups.

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

[2] The featured output groups align with Land Transport NZ reporting requirements. This is a different reporting basis to the figures contained in the financial statements.

Output Group 1:
State Highway Maintenance and Operation

Description

Transit provides for the maintenance of the state highway network under this output group.

Objectives

The objectives of the Output Group 1 are to:

- Minimise the sum of road agency and road user costs.
- Contribute to reductions in the rate and severity of highway crashes.
- Limit effects on the environment wherever reasonable and practicable.
- Limit disruption to traffic as far as practicable.

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.
- 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: unexpected work requiring the urgent reinstatement or provision of a safe trafficable highway.

Comment

Everyday, Transit spends over $1 million maintaining the state highway network, the key element of New Zealand's transport system. State highways make up 12 percent of New Zealand roads and account for over half of the 39 billion vehicle kilometres travelled each year. Motorways are 0.4 percent by length of New Zealand roads and carry 10 percent of the traffic. A total of 24 kilometres of state highways within the Auckland region carry 22 percent of vehicle kilometres travelled on the total state highway network. These are some of Transit's ongoing challenges in maintaining and operating the network and how to better deliver on safety, environmental effects and management of traffic.

Processes are in place to manage traffic efficiently, provide consistent and reliable information for road users, undertake maintenance work on the highways in the safest and least disruptive way, monitor locations where crashes occur and, where appropriate, take corrective action. The state highway network extends to some 10,895 kilometres of road ranging from rural two-lane roads to urban eight-lane motorways.

The Land Transport Management Act 2003 signalled the need for travel demand management as an integral component of a sustainable approach to land transport. Transit endorses this principle and proposes to actively participate in investigation of opportunities for travel demand in the main cities of New Zealand. One of the priorities for the year was continuation of work to implement a travel demand strategy. Work continued to evaluate ways to reduce the negative impact of the car, using initiatives such as improving public transport and cycling facilities, increasing parking prices, and tolling roads. Transit looked at ways of making improvements to the state highway network in order to prevent congestion getting worse. It worked in collaboration with local authorities on land use development and growth strategies, and by managing access to the state highway network.

During the year, Transit continued to implement initiatives aimed at reducing fatalities on the network in line with 'Road Safety 2010' targets. A wide range of projects contributed to improving safety, including safety retrofitting measures, which reduce the potential for crashes or reduce the consequences of vehicles leaving the road. Working with partners including NZ Police and Land Transport NZ was essential as Transit continued to implement speed zoning, and to pursue collaborative solutions under the umbrella of the National Road Safety Committee and its Working Group, focusing in particular on the worst performing sections of the state highway network.

Expenditure on some improvements to levels of service accounted for projects associated with seal widening, seismic retrofitting of key bridges, winter maintenance strategy and tunnel upgrades. Transit maintained its programme of developing techniques to manage highways in winter and improve on predication of winter road conditions in order to improve emergency responses to snow and ice, and continuing to trial the use of the anti-icing agent calcium magnesium acetate (CMA). Transit continued with its programme of improvements to tunnels to more closely meet international standards.

The standards to which the network is operated, maintenance undertaken and the levels of service that are delivered, are the determinants of how well Transit has met its obligations. In the present climate of increasing costs, declining resources and skills levels, and increasing pressure on funding, Transit continued its plan of asset preservation and reliable operation of the network at an acceptable level.

In addition to preserving the highway network and undertaking maintenance and improvements to meet future levels of service, Transit during the year:

- Completed 1,185 kilometres of road resurfacing
- Installed 13.6 kilometres of median safety barriers and 21.9 kilometres of safety protection barriers nationwide
- Applied high skid resistant surfacing on approaches to high speed intersections
- Worked with local authorities to optimise traffic operations on both local arterial roads and state highways
- Improved coordination with New Zealand Police and emergency services in the management of incidents that affect the operations of the network
- Worked with Lifelines Transportation Groups and civil defence for emergency management to refine emergency management procedures and response plans
- Continued materials trials with a view to improving skid resistance and surfacing life
- Undertook a programme of minor safety improvements including drainage improvements, intersection upgrades, seal widening and guardrails, in addition to planned capital improvements to address safety issues on roads with a poor road safety record
- Worked on noise reduction activities for specific problem areas

- Improved the availability of road condition information at critical locations within the network
- Strengthened a number of bridges on the network to reduce their vulnerability in the event of a severe earthquake
- Worked with other government agencies, particularly with the Department of Conservation to ensure that maintenance work with New Zealand's national parks represent world's best practice
- Improved the level of service provided on subsidence sites by undertaking initiatives to improve the stability of sites more quickly and reliably so that pavement restoration can be achieved quickly. Transit also improved safety and put in place initiatives to prevent road blockages on state highways with high incidence of rock falls
- Opened 136 roads within 12 hours for low-density roads and two hours for high-density roads after unexpected road closures mainly due to extreme weather conditions resulting in flooding and land slips
- Over 17,500 calls were made to the 0800 4 HIGHWAYS road information line requesting road weather conditions.

At $374.9 million, the total spent on state highway maintenance was 3.4 percent above the previous year and some $6.1 million above the 2005/06 initial baselines forecast at the beginning of the year. All this resulted from a level of emergency work that exceeded the expectation at the start of the year. This is a satisfactory outcome given the inflationary pressures during the year, and reflected very careful programme and budget management in all regions. The final outturn was $4.67 million (2%) above the end-of-year forecast made in February.

Cost of Outputs

[1] Administration costs have been allocated across all outputs

[2] These figures include professional services (split 28% corridor & 72% structural)

Outputs[1]	2003/04 Actual ($M)	2004/05 Actual ($M)	2005/06 Target ($M)	2005/06 Actual ($M)
Structural Maintenance[2]	216.2	221.2	236.0	234.9
Corridor Maintenance[2]	85.3	93.3	94.7	94.3
Property Management	10.2	11.0	15.6	15.3
Emergency Works	26.5	27.9	18.8	25.2
Preventive Maintenance	5.4	9.1	3.7	5.2
Total	**343.6**	**362.5**	**368.8**	**374.9**

Structural Maintenance

Description	Unit	2003/04 Actual ($M)	2004/05 Actual ($M)	2005/06 Target ($M)	2005/06 Actual ($M)
Cost	$M	216.2	221.2	236.0	234.9
Length	Km	10,837	10,894	10,910	10,895
Unit Cost	$/km	19,950	20,305	21,631	21,560

Management Comment

Structural maintenance expenditure was within a 99.5 percent target range. The main contributor to the decreased expenditure was the deferment of area wide and chip seals programmes in regions due to unfavourable weather conditions and the need to tackle a lower level of skid resistance restoration than originally envisaged. The unit cost of the activity fell below the target, but was still above the unit rate in 2004-05. This was as a consequence of the need to address noise issues in urban areas and minimise the effects of wear and tear from heavy vehicles in high stress areas by using increased amounts of asphaltic concrete resurfacing.

Corridor Maintenance

Description	Unit	2003/04 Actual ($M)	2004/05 Actual ($M)	2005/06 Target ($M)	2005/06 Actual ($M)
Cost	$M	85.3	93.3	94.7	94.3
Length	Km	10,837	10,894	10,910	10,895
Unit Cost	$/km	7,871	8,564	8,680	8,655

Management Comment

Corridor maintenance expenditure was slightly lower than expected due to unsuitable weather conditions in the later part of the year. The unit cost was marginally lower than target, largely due to actual cost being slightly lower than target although the network length had not increased as predicted.

Property Management

Description	Unit	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual
Cost	$M	10.2	11.0	15.6	15.3
Asset Value	$M	545	637	625	819

Management Comment

The variance in expenditure is due to under expenditure on property disposal activities.

Emergency Works

Description	Unit	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual
Cost	$M	26.5	27.9	18.8	25.2

Management Comment

Emergency works increased dramatically during the year. This is due to a higher than usual number of weather-related emergency works, particularly at the end of the financial year, requiring additional resources to re-open the network or keep it open.

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

[2] This measure reflects the actual delivery as at 30 June against revised target expenditure as at 28 February as per Transit/Land Transport NZ Performance Agreement.

[3] This measure reflects the actual delivery as at 30 June against revised target lengths as at 28 February as per Transit/Land Transport NZ Performance Agreement.

[4] 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 the threshold values classified as 'smooth'. Smoothness targets vary by highway strategy hierarchy. 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 hierarchies.

[5] 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 lane is defined as a 'rut'. When the depression exceeds 20mm in depth, it can hold water and cause a vehicle to aquaplane. (Before 2000/01 this measure was the % exceeding 30mm in depth.)

[6] 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.

Preventive Maintenance

Description	Unit	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual
Cost	$M	5.4	9.1	3.7	5.2

Management Comment

As in past years, the increase in actual for the year resulted from the inclusion of several high cost one-off projects in the programme. The size of programme is governed by the need to mitigate risk and often varies as the result of severe weather such as experienced in 2005/2006.

Comparison of Forecast & Actual Dollar Expenditure

Description	Unit	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual
Variance in percentage terms between forecast and actual expenditure on state highway maintenance programme at February review	percent	95.9	99.6	95-10	98.9

Management Comment

This result is a reflection of the positive way in which the State Highway Programme Review Committee has worked over the year towards achieving a common objective. The Committee met once a month to oversee allocations and distributed funding according to the needs and requirements of the various Transit network management areas.

Periodic Maintenance[1] Achievement – Actual Versus Planned

Description	Unit	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual
Percentage completion of National Roading Programme by cost of output[2]	percent	95.9	101.4	98.5	99.1
Percentage completion of National Roading Programme activity class[3]	percent	95.9	95.9	97.5-102.5	99.3

Management Comment

Periodic maintenance cost of work planned as at the February review was $118.7 million and the actual cost of completed work was $117.6 million. The results were within one percent of budget.

Periodic maintenance work planned as at the February review was 1,365 kilometres and the completed work was 1,355 kilometres. The results were within one percent of budget.

Smooth Travel and Smooth Exposure[4], Rutting[5] & Flushing[6] and Good Skid Exposure

The outputs from the levels of service indicators are reported under the triple bottom line Performance Measure section earlier in the report. The notes left, explain the definitions. Further detailed breakdown of this data by highway classification and network management area is reported in Transit's Pavement Condition report 2006, accessed via the Transit website: **www.transit.govt.nz**

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

Description

Transit provides new and improved state highway assets under these output groups.

Objectives

The objectives of Output Groups 2 and 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 the sum of 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: 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 $150,000 each and currently based on 8 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 (Northern Busway).

Comment

The replacement and improvement of roads continues to play an important role in the development of an integrated network system. Improvements to the network and ongoing additions continued to be a major focus for Transit during 2005/06. New projects undertaken during the year have focused on:

- Reducing congestion and improving travel times
- Environmental mitigation measures
- Improving safety for all road users and communities
- Improving and increasing reliability of access for people and freight
- Enhancing road quality and efficiency.

High priority projects were identified and assessed during the year in accordance with Land Transport NZ's allocation process, as contributing to the objectives of the New Zealand Transport Strategy. This assessment included collecting and reviewing project information along with priority rankings from Regional Land Transport Committees and other submissions. The reductions in the funding announced by Land Transport NZ during the year prompted a review of these priorities, which led to the deferment

of a number of small, medium and large projects. The subsequent review of funding resulting in the May Budget announcement of the funding guarantee, enabled the project timetable to be reviewed and for project priorities to be re-established.

The focus continues to be on the major urban areas, with particular attention on extending and completing the network in Auckland, to relieve congestion, accommodate traffic growth and enhance the reliability of the network. One example of the Transit focus on multi-modal transport solutions is the progressive implementation of the Northern Busway project which has proven to be a successful addition to the expanding network in Auckland.

In line with the Government strategy on walking and cycling, Transit is now including consideration of these functions within the design of network projects. The number of dedicated walking and cycling facilities is expanding as a consequence. Extensive local safety initiatives, including additional passing lanes and other safety improvements, such as median barriers, were implemented along with the ongoing programme of developing stock effluent disposal facilities and stormwater mitigation works.

Achievement Against Management Performance Measures

Some of the projects that have commenced in 2005/06 include the:

- SH20-SH1 Manukau Extension
- SH1 Victoria Park Tunnel design
- SH1 Northcote to Sunnynook design
- SH20 Waterview Connection investigation
- ATMS Stage IV – investigation
- Tolls Systems Project – design
- SH50A Meeanee Road
- SH1 Centennial Highway Median Barrier – design
- SH2 Waiohine Bridge
- SH1 Awatere Bridge
- SH1 Tumai to Waikouaiti.

During 2005/06 a total of $570.1 million was invested in developing and improving state highways. This was $43.6 million below the original target for the year as the result of the change to priorities announced by Land Transport NZ, but $139.2 million over the actual for 2004/05.

The maintenance of the state highway network totalled $374.9 million, which was $6.1 million over the target for the year, and $11.8 million over the actual for 2004/05. Passenger transport showed the largest percentage increase, as the result of the favourable progress made on the Northern Busway project. The actual for 2005/06 was $62.6 million, against a target of $38.4 million, and $49 million more than the actual spend for 2004/05.

Even with the project deferrals and budget challenges during the year, Transit exceeded the $1 billion budget for the first time in its history. The total actual was $1,008.3 million, compared to $808.5 million for the 2004/05 year.

Pavement Smoothing

Description	Unit	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual
Cost	$M	5.2	3.8	1.0	0.9
Length	Km	23.0	17.8	6.7	6.7
Unit Cost	$/km	226,087	213,483	149,254	134,329

Management Comment

During the year, a total of 6.7 kilometres of pavement smoothing treatment was undertaken. This included 4.1 kilometres of conventional treatment and 2.6 kilometres of truck ride improvements. The achievement shows a positive return for every dollar spent and compares favourably to the previous years. It also reflects that less expenditure is being spent on pavement smoothing as a significant number of nominated projects fail to meet the economic criteria to justify work. The economic criteria affected a lot of low volume traffic roads but with rough surfaces.

Property Purchase

Description	Unit	2004/05 Target	2004/05 Actual	2005/06 Target	2005/06 Actual
Cost	$M	44.2	62.0	85.7	62.6

Management Comment

Outturn for property expenditure was below that forecast at the start of the year. There were two significant reasons for this:

(i) the revenue forecasts were adjusted downwards by Land Transport NZ in December 2005. Transit was asked to reduce its expenditure over the 2005/06 financial year, and this included property acquisition; and

(ii) our acquisition progress was less than expected, due to the more complex nature of some property acquisitions on our Auckland urban projects. In a number of cases, high value purchases were unable to be settled in the 2005/06 financial year.

Passenger Transport Roading Infrastructure

Description	Unit	2004/05 Target	2004/05 Actual	2005/06 Target	2005/06 Actual
Cost	$M	7.3	13.9	38.4	62.6

Management Comment

The SH1 Northern Busway project has progressed at a better-than-expected rate with expenditure exceeding initial allocation.

Capital Works Costs

Description	2004/05 Target ($M)	2004/05 Actual ($M)	2005/06 Target ($M)	2005/06 Actual ($M)
Percentage completion of National Land Transport Programme by fee cost of capital works *	≤103	100	≤103	102
Percentage completion of National Land Transport Programme by construction cost of capital works *	≤103	98.6	≤103	101

* Targets are consistent with the Agreement between Land Transport NZ 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

A good result was achieved for both fees and construction phases for the year.

Status of State Highway projects in Transit Regions

Auckland / Northland	
Construction completed	
George Bolt MB Safety Improvement ($1.5M)	
HBTC – Lane Light Trial Stage ($1.0M)	
Papakura Southbound Off-ramp Intersection Safety Improvement ($0.4M)	
Rosebank to Waterview Westbound Bus Priority Lane ($0.1M)	
Waterview – Rosebank Eastbound Bus Priority Lane ($0.3M)	
Windy Ridge Northbound Passing Lane Extension ($0.1M)	
Brook Rd (Site A) Passing Lane ($1.5M)	
Construction commenced and underway	
Greenlane East Interchange	
Queenstown Rd Roundabout	
Upper Harbour Bridge Structural Upgrade	
Manukau Extension	
Design and Investigation	
Springfield Rd to Oakley Service Station Safety Improvement	Investigation
Southern/Northern Motorway Lighting Safety Retrofit	Investigation
Stafford – Esmonde Bus Priority Lane	Investigation
Kaingaroa Safety Improvement	Design
Quay St – Ronayne Upgrade	Investigation
Northwestern Motorway Lighting Safety Retrofit	Investigation
Waitangi Bridge to Basil Orr Road Seal Widening	Investigation
Puketona SH11 Int. Improvement	Investigation
Millington Road to Kara Road Safety Improvement	Design
Don Buck Rd – Brigham Crk Rd Safety Improvement	Investigation
Old Railway Rd Eastbound Passing Lane	Investigation
Toovey Rd Southbound Passing Lane	Investigation
Waitaraire Southbound Passing Lane	Investigation
Waiomio Northbound Passing Lane	Design
Hoteo River Southbound Passing Lane	Investigation
Wesley College Northbound Passing Lane	Investigation
Woodhill Park Rd Northbound Passing Lane	Investigation
Callaghan Rd Southbound Passing Lane	Investigation
Callaghan Rd Northbound Passing Lane	Investigation
Victoria Park Tunnel	Design
Northcote to Sunnynook	Design
Toll Systems Project	Design
ATMS Stage IV	Investigation
Manukau Harbour Crossing	Investigation
Waterview Connection	Investigation

Waikato / Bay of Plenty
Construction completed
Otorohanga Southbound Extension Passing Lane ($0.2M)
Piopio South Southbound Passing Lane ($0.4M)
SWATT2010 Stage 1 Piarere to Tokoroa ($1.7M)
Te Kuiti Southbound Extension Passing Lane ($0.1M)
Waimiha Bridge Replacement ($0.6M)
Katikati to Bethlehem Safety Improvement ($0.6M)
Morton Road Passing Lane ($1.8M)
Showground Rd Intersection ($0.3M)
Domain Rd ($6.2M)
Hewletts Flyover ($27.8M)
Mercer to Long Swamp ($83.5M)
Tapapa Curves ($7.4M)
Construction commenced and underway
Gasline Curves Realignment
Heavens Double Passing Lanes
Karikari to Bethlehem Safety Improvement
Kinleith Northbound Passing Lane
Maramarua Expressway Safety Improvement
Matata Underpass Realignment
Morton Rd Passing Lane
Opotiki Stock Effluent Disposal Site
Te Maunga Junction
Tikitiki Rd North Realignment

Design and Investigation	
Waikato Road Information System	Investigation
Mangarewa Stream North Bridge Widening	Investigation
Waimata Realignment	Investigation
Awakino Tunnel Widening	Investigation
Kirikiri Strm Bridge Replacement	Investigation
Rangipo Northbound Passing Lane	Investigation
Hallets Bay Southbound Passing Lane	Investigation
Motuopa Northbound Passing Lane	Investigation
One Ton West Passing Lane	Design
Campbell Road Southbound Passing Lane extension	Design
Opotiki Stock Effluent Disposal Site	Design

Hawke's Bay / Gisborne	
Construction completed	
South of Maharakeke Bridge Passing Lane ($0.8M)	
South of Meeanee Rd Passing Lane ($0.08M)	
Construction commenced and underway	
South of Pukeora Rd Passing Lane	
Meeanee Rd	
Design and Investigation	
Tahaenui Bridge Replacement and Realignment	Investigation
Moturoa Curve Realignment	Investigation
Meeanee Awatoto Rd Intersection Improvements	Investigation
Dymock Road Curve	Investigation
Moturoa Curve Realignment	Design
South of Waikoau Rd Realignment	Investigation
Otane Intersection Curve Improvements	Design
Curve North of Kaiteratahi Hill	Investigation
Gisborne – Napier Passing Bays	Investigation
Panikau Hill Slow Vehicle Bay	Investigation
Bayview Stock Effluent Disposal Site	Design
College Rd to Silverstream	Investigation

Manawatu / Taranaki	
Construction completed	
Calico Line Northbound Passing Lane ($0.5M)	
Fagan Road Northbound Seal Widening ($0.2M)	
Himatangi South Passing Lane ($0.02M)	
Motuiti Road Northbound Passing Lane ($0.04M)	
Santoft Road Northbound Passing Lane ($0.5M)	
St Johns Hill Cycle/walk way ($0.1M)	
Tavistock Road Intersection ($0.3M)	
Construction commenced and underway	
Tennent-Old West Road Intersection	
Koputaroa Bridge widening	
Calico Southbound Passing Lane	
Design and Investigation	
Kapuni Bridge Improvements	Investigation
Waitotara North Curve Improvement	Investigation
Mangaorei Road Intersection	Design
Highway 56 Opiki T Junction	Investigation
Stewart Road Intersection and Seal Widening	Investigation
Vinegar Hill Passing Lane Extension	Investigation

Wellington / Nelson / Marlborough	
Construction completed	
Kent Ellice Intersection ($0.4M)	
Koromiko Southbound Passing Lane ($0.9M)	
Dashwood Northbound Passing Lane ($0.4M)	
Kaitoke to Te Marua ($18.8M)	
Plimmerton to Mana ($24.2M)	
Construction commenced and underway	
Centennial Highway Interim Improvements	
Waiohine Bridge	
Awatere Bridge	
Design and Investigation	
Research Orchard Corner Realign	Investigation
Carterton Roundabouts – Pembroke Street Intersection	Investigation
Carterton Roundabouts – Park Road / Belvedere Road	Investigation
Otaki Roundabout	Investigation
SH60 Flush Median	Design
Otaki to Waikanae Southbound Passing Lane	Investigation
Para Northbound Passing Lane	Design
Greytown to Featherston Southbound Passing Lane	Investigation
Featherston to Greytown Northbound Passing Lane	Investigation
Masterton to Carterton Southbound Passing Lane	Investigation
Carterton to Masterton Northbound Passing Lane	Investigation
Centennial Highway Median Barrier	Design

Canterbury / West Coast	
Construction completed	
Empire Road ($0.3M)	
Handyside to Waterfall Guardrail ($0.9M)	
Haypaddock Hill Corner ($1.1M)	
Hornby Mall Intersection & Environs SH1/73 ($2.8M)	
Kowai River No. 2 Bridge Widening ($1.3M)	
Lunns Road / Parkhouse Road Intersection ($0.3M)	
Okiwi Bay Safety Improvement ($0.5M)	
Opawa Road Upgrade ($0.3M)	
Rakaia Overbridge Guardrail Improvement ($0.1M)	
Safety Retrofit – Canterbury ($1.5M)	
Saltwater Creek Realignment ($1.3M)	
Seadown Southbound Passing Lanes ($1.1M)	
Springfield Effluent Disposal Facility ($0.1M)	
Tinwald Stock Truck Effluent Disposal ($0.1M)	
Waipapa Southbound Passing Lane ($0.1M)	
Littleman Straight South Curve ($0.8M)	
Main North Road Stage 2 ($12M)	
Construction commenced and underway	
Belfast Intersection Upgrade	
Clarence North Southbound Passing Lane	
Kaikoura Stock Effluent Facility	
Design and Investigation	
Marshland / QEII Intersection	Investigation
Yaldhurst Rd/Curletts Rd Intersection	Investigation
SH1/74 Belfast Intersection Upgrade	Design
Halswell JR/MSR Intersection Signals	Design
Pound Road Intersection	Design
Dunbars Road / SH75 Intersection	Investigation
Windwhistle Corner Realignment	Investigation
Rolleston Intersection Improvement	Design
SH1 & SH18 Intersection Improvement	Design
Hinds Passing Lane	Design
Pareora Stock Truck Effluent Disposal	Design

Otago / Southland	
Construction completed	
De Lacy St – Jessie St ($0.2M)	
Gold Mining Centre Vertical Realignment ($0.6M)	
Lake Rd Northbound Passing Lane ($0.5M)	
Mill House Southbound Passing Lane ($0.6M)	
Raes Junction Stock Effluent Disposal Site ($0.1M)	
Sharpes Bend Realignment ($0.6M)	
Waianakarua Nth Bridge Widening & Approach Realignment ($0.3M)	
Construction commenced and underway	
Gentle Annie West Realignment	
River Rd Realignment	
Tumai to Waikouaiti	
Design and Investigation	
Lookout Point Safety Improvement	Design
Jefferis Road Realignment	Investigation
One Way Pair Pedestrian Safety Improvement SH 1	Investigation
Mill Rd Intersection Improvement	Design
East Road Curve Realignment	Design
Moeraki Vertical Realignment SH1	Design
Pig Hunters Rd Safety Improvement SH 8	Design
Macraes Road Intersection Improvement SH85	Design
Morven Hills Bridge Improvement	Design

Output Group 4 and 5: Regional Development and Promotion of Walking and Cycling

Description

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

Objectives

The objectives are:

Group 4: 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.

Group 5: Promotion of Walking and Cycling

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

Outputs

Under Output 4, no allocation was made in 2005/06.

Under Output Group 5, Transit has both completed and is progressing a number of walking and cycling projects around the country, including footpaths, pedestrian underpasses or overpasses, cycleways (separate from the road) and cycle lanes. Many of the projects integrate with the walking and cycling networks, particularly in urban areas. The remainder have the objective of removing 'pinch points' for cyclists on rural state highways.

In addition, all Transit roading projects must now consider walking and cycling improvement at the time of design.

Cost of Outputs

Output	2004/05 Target ($M)	2004/05 Actual ($M)	2005/06 Target ($M)	2005/06 Actual ($M)
Walking and Cycling	1.0	0.9	1.1	0.7
Regional Development	0.3	0.0	0.0	0.0
Total	**1.3**	**0.9**	**1.1**	**0.7**

Promotion of Walking and Cycling

Description	Unit	2004/05 Target	2004/05 Actual	2005/06 Target	2005/06 Actual
Percentage of projects with design starting in current year which considered walking and cycling in design brief	percent	100	100	100	100

AUDIT REPORT

Audit Report to the readers of Transit New Zealand's Financial Statements for the year ended 30 June 2006

The Auditor-General is the auditor of Transit New Zealand. The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of Transit New Zealand, on his behalf, for the year ended 30 June 2006.

Unqualified opinion

In our opinion the financial statements of Transit New Zealand on pages 32 to 45 and 54 to 89:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - Transit New Zealand's financial position as at 30 June 2006;
  - the results of its operations and cash flows for the year ended on that date; and
  - its service performance achievements measured against the performance targets adopted for the year ended on that date.

The audit was completed on 27 October 2006, and is the date at which our opinion is expressed.

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

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

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

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board and the Auditor

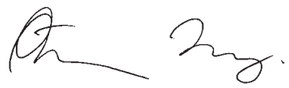
The Board is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of Transit New Zealand as at 30 June 2006. They must also fairly reflect the results of its operations and cash flows and service performance achievements for the year ended on that date. The Board's responsibilities arise from the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

Independence

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

We have performed assurance assignments over tendering for Transit New Zealand, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in Transit New Zealand.



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 2006 included on Transit New Zealand's web site. The Transit New Zealand Board is responsible for the maintenance and integrity of the Transit New Zealand's web site. We have not been engaged to report on the integrity of the Transit New Zealand's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

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 27 October 2006 to confirm the information included in the audited financial statements presented on this web site.

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

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* and the *Sector Supplement for Public Agencies Pilot Version 1.0* 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 indicator inapplicable – eg, advertising.

Performance Indicator Category	Aspect	Comment
	Vision and Strategy	
	– Chairperson's report	pages 4-5
	– Chief executive's report	pages 8-9
	Profile	
	– Organisational profile – report scope	pages 18-19
	– The year in review	pages 16-17
	Governance Structures and Management Systems	
	– Governance and structure	pages 6-7, 10-11
	– Stakeholder engagement	pages 14-15
	– Overarching policies and management systems	pages 6-7, 20-25
Economic (Direct Economic Impact)	– Customers	pages 23, 36, 41
	– Suppliers	pages 57, 74-89
	– Employees	pages 12-13
	– Providers of capital	pages 54-57
	– Public sector	pages 54-57
Environmental	– Materials	pages 16, 24-25
	– Energy	page 35
	– Water	page 36
	– Biodiversity	pages 17, 19, 24
	– Emissions, effluents and waste	page 35
	– Noise	page 36
	– Suppliers	pages 8, 26-29, 51
	– Products and services	pages 16-17, 24-25, 36
	– Compliance	pages 39-40
	– Overall	pages 16-17, 24-25
Social (Labour Practices and Decent Work)	– Employment	pages 12-13
	– Labour/management relations	pages 12-13
	– Health and safety	pages 21, 34, 41
	– Training and education	pages 12-13
	– Diversity and opportunity	pages 12-13, 22
(Human Rights)	– Strategy and management	page 2 (see comment)
	– Indigenous rights	pages 15, 34
	– Freedom of Association	N/A
(Society)	– Community	pages 22, 30-45
	– Political contributions	N/A
	– Competition and pricing	(see comment)
(Product Responsibility: respect for privacy)	– Customer health and safety	pages 21, 34, 41
	– Products and servicing	pages 30-45
	– Advertising	N/A

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.

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

The cover and pages are printed on 'Look!'. This stock is manufactured using Elemental Chlorine Free (ECF) pulp sourced from sustainable well managed forests. It is produced at Nordland Papier paper mill, Germany, which is ISO certified (14001 environmental management systems) and registered under the EU Eco-management and Audit Scheme EMAS.*

* 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.

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