



Ensuring our
transport system helps
New Zealand thrive

Annual Report 2014/15

Report of the Ministry of Transport for the year ended 30 June 2015
Presented to the House of Representatives pursuant to Section 44 (1)
of the Public Finance Act 1989.

OUR GREATEST IMAGINABLE CHALLENGE

CREATE THE ENVIRONMENT TO DOUBLE THE VALUE FROM TRANSPORT INITIATIVES

ASPIRATIONAL
INFLUENTIAL
CARING
COURAGEOUS
RIGOROUS
SAVVY
COLLABORATIVE



Contents

The Ministry of Transport's purpose	2	End of year performance information	77
An eye to the future	4	Output class: Policy advice and related outputs	
2014/15 in review	5	multi category appropriation	78
Advancing the long-term vision for the transport sector	6	Output: Policy Advice	79
Our contribution towards the Minister's priorities	7	Output: Ministerial servicing	91
Improving performance and leadership of the transport sector	15	Output: Governance and performance advice on Crown agencies	92
Ministry metrics and cost-effectiveness	20	Output class: Fuel excise duty refund administration	94
The Ministry's contribution to governmental outcomes for transport	24	Output class: Milford Sound/Piopiotahi Aerodrome operation and administration	95
Progress towards our long-term outcomes	26	Output class: Search and rescue activity coordination PLA	96
Statement of responsibility	31	Ministry of Transport – capital expenditure PLA	97
Financial performance	32	Non-departmental output expense: Policy advice and related outputs – civil aviation MCA	98
Notes to financial statements	36	Non-departmental output expense: Policy advice and related outputs – maritime MCA	100
Non-departmental schedules and statements	55	Independent Auditor's report	101
Notes to non-departmental schedules	58	Report in relation to selected Non-departmental appropriations for the year ended 30 June 2015	103
Appropriation statements	70	Search and rescue and recreational boating safety activities PLA	104
Trust money administered on behalf of the Crown	75	Weather forecasts and warnings	105
		Rail – Auckland metro rail electric multiple unit package	106
		Rail – Loan for Auckland metro rail electric multiple unit package	106
		Directory	107

The Ministry of Transport's purpose is to ensure our transport system helps New Zealand thrive

Transport is essential for the lives of every New Zealander – it allows us to access economic and social opportunities within New Zealand and to connect globally. We need an effective domestic transport system with strong links to the rest of the world.

New Zealand has a vibrant transport sector, which provides around five percent of New Zealand's employment and five percent of our gross domestic product. In total, Government has \$60 billion worth of transport assets, including 11,000 kilometres of State highways, 83,000 kilometres of local roads and over 4,000 kilometres of rail track. New Zealand has 14 exporting ports and five international airports.

The Government invests over \$3.4 billion in the transport network each year – around 1.3 percent of our GDP. This investment is made across a range of transport modes to enable business and individuals to maximise their economic and social wellbeing. To keep users of the transport system safe and to minimise harm to the environment, the Ministry administers 270 pieces of transport law.

The Ministry is uniquely placed to influence the future transport system. Our purpose is to ensure our transport system helps New Zealand thrive.

The Ministry is the Government's principal adviser on transport policy

The Ministry provides advice to Government on issues across the whole of the transport system, and the regulatory framework that supports it. We are focused on developing a transport system that maximises economic and social benefits for New Zealand and minimises harm. To do this, we must have a good base knowledge of the transport sector. We also need to understand the future drivers for transport and their implications for Government policy and investment decisions.

The vast majority of our work is providing advice to the Minister and Associate Minister of Transport. Our role is to:

- ▶ understand the transport environment and how all users, organisations and local authorities that participate in the transport system will respond to different settings

- ▶ lead thinking on strategy for the success of the overall system
- ▶ facilitate conversations across the transport sector to align activities to improve the performance of the transport system
- ▶ advise on the funding and governance of the transport Crown entities.

We undertake a number of other functions

In addition to our core policy and Crown entity oversight roles, the Ministry also has responsibility for other functions.

These include:

- ▶ administering transport legislation, rules and regulations
- ▶ representing New Zealand at international transport fora
- ▶ licensing all international airlines operating to and from New Zealand
- ▶ refunding fuel excise duty (contracted to the NZ Transport Agency)
- ▶ negotiating air service agreements
- ▶ operating the Milford Sound/Piopiotahi Aerodrome
- ▶ overseeing the Crown's interest in joint venture airports
- ▶ administering a contract with the Meteorological Service of New Zealand Limited to provide a public weather warning and forecast service.

We work with others to achieve outcomes for the transport sector

The Ministry has an important role in advising the Government. However, we are only one of five organisations that make up the Government transport sector, and one of many thousands that make up the whole transport sector.

As a policy agency, the Ministry is able to influence the policy and regulatory settings under which the transport system operates. But we need to work with other agencies, and for them to successfully undertake their own roles for our outcomes to be achieved.

Key management personnel as at 30 June 2015

Martin Matthews, Chief Executive and Secretary for Transport

Andrew Jackson, Deputy Chief Executive

Mike James, General Manager Road and Rail

Nick Brown, General Manager Aviation and Maritime

Gareth Chaplin, General Manager Sector Performance

Jo Harrison, General Manager Organisational Development.

THE NEW ZEALAND GOVERNMENT TRANSPORT SECTOR

MINISTER OF TRANSPORT AND ASSOCIATE MINISTER OF TRANSPORT

The Ministry of Transport provides impartial, expert advice to the Government to help it meet its objectives for transport. This includes advice on legislative, regulatory and policy settings, funding levels and priorities and Crown agency governance, performance and accountability. The Ministry also represents the Government's transport interests internationally.



CIVIL AVIATION AUTHORITY (INCLUDING THE AVIATION SECURITY SERVICE)

Civil Aviation Authority

Establishes and monitors civil aviation safety and security standards, carries out air accident and incident investigations, and promotes aviation safety and personal security.

Aviation Security Service

Provides aviation security services for international and domestic air operations, including airport security, passenger and baggage screening.

MARITIME NEW ZEALAND

Promotes commercial and recreational vessel safety, marine environment protection standards, and monitors port and ship security. Controls entry to the maritime system, through granting of maritime documents and inspection of ships, and advises on international conventions. Investigates maritime accidents and coordinates category II search and rescue. Provides oil spill preparedness and response, navigation aids and the distress and safety radio communications system.

NZ TRANSPORT AGENCY

Allocates funding for land transport infrastructure and services through the National Land Transport Programme. Manages access to the transport system through driver and vehicle licensing, vehicle inspections and rules development. Provides land transport safety and sustainability information and education. Manages the State highway network, including maintenance, improvements and operations activities.

TRANSPORT ACCIDENT INVESTIGATION COMMISSION

[Independent Crown agency] Investigates significant air, maritime and rail accidents and incidents, to determine their cause and circumstances, so that similar occurrences are avoided in future.

THREE STATE-OWNED ENTERPRISES WITH TRANSPORT FUNCTIONS

Airways Corporation of New Zealand Ltd

Provides air navigation and air traffic management services on a commercial basis. It is also responsible for air traffic services in 28.8 million square kilometres of international airspace managed by New Zealand.

Meteorological Service of New Zealand Limited [MetService]

Provides public weather forecasting services and provides meteorological information for international air navigation under contract to the Civil Aviation Authority.

KiwiRail Holdings Limited [trading as KiwiRail Group]. KiwiRail manages the rail and ferry businesses owned by the New Zealand Government.

LOCAL GOVERNMENT

Local authorities own, maintain and develop New Zealand's local road network and perform important regulatory transport functions. Local government funds land transport infrastructure and public transport services alongside central government, and is responsible for transport planning and land use planning. Some local authorities own seaports and airports, or share ownership with the Crown.

NEW ZEALAND POLICE

Provides road policing services including speed management, drink/drugged driving enforcement, seatbelt enforcement, a visible road safety presence and commercial vehicle investigation. Also provides maritime patrol units.

An eye to the future

By Martin Matthews

My grandmother was born in the North Canterbury village of Cust in 1894, at a time when horse and cart was the main form of transport. The first two cars appeared in New Zealand in 1898 and initially only wealthy people could afford them. I suspect my grandmother would have been a teenager before she first saw a car. How could she have known then that 30 years later, cars like my 1933 Austin [pictured], would be all over Christchurch?



When my Austin appeared, aviation was in its infancy. People in the 1930s would not have known that 30 years later, airplane travel would connect the world, let alone that people would be walking on the moon.

I tell these stories to illustrate how hard it is to imagine the future – we don't know what we don't know. However, when we look to the future on behalf of people in the past, we see how radically and quickly things change. The future is really only limited by our imagination. I believe the next big shift that technology will enable will be in transport. The next 30 years will bring changes we are only now starting to glimpse.

At present, we think of owning vehicles individually and turning up at bus stops and train stations to catch services that run to fixed destinations. But the future of travel is one much more tailored to individual needs. Just like with our mobile providers, we will be buying a service – autonomous cars or shared vehicles that pick us up and drop us where we want to go. Just like mobile providers, the choice will be around the type and level of service we select.

A number of companies have developed services enabled by smart technology that point the way to the power of ride sharing, while autonomous vehicles are clearly also on the horizon. The effect of all these developments will be to reduce the number of cars on the road. The International Transport Forum estimates a vehicle fleet just 30 percent of the size of our current one is sufficient to meet the current transport needs of mid sized European cities.

This, of course, has important implications for our thinking about infrastructure needs. The world of freight will alter substantially as well. New Zealand will still rely on exporting its goods by ship, but already we know much larger container ships operating from a limited number of ports will dominate the future. This development will have implications for our domestic supply chain. Already we can see heavy vehicle technology emerging that will drive massive fuel efficiency and productivity improvements. These improvements challenge us to think differently about how we might best use our existing corridors, such as the rail network, to shift freight to and from our ports, and around New Zealand.

In this future, the role of Government will alter substantially. At present, we have a system which manages access and use within the transport system. Regulation is designed to allow us to achieve our goals, but in doing so to maximise safety and minimise social and environmental harms.

However, in the future, the system will have 'complete' information and will effectively be able to self-regulate. Instead of being a regulator, the role of Government will focus on monitoring the performance and integrity of the service providers.

Although some of the futures I have raised may seem fantastical, I believe they will only be wrong in terms of how far the changes goes. In fact, the future may go far beyond what I have predicted. The challenge for the Ministry is to start a conversation across the wider transport sector, so the decisions we make today will be the ones that usher in the future.



Martin Matthews, Chief Executive

This year the Ministry has stepped up significantly to its role of leading the transport sector. The driving force has been our 2013 Performance Improvement Framework [PIF] review that asked us to bring to life our Greatest Imaginable Challenge, which is to create an environment to double the value from transport initiatives.

To achieve this, we have taken on the role of providing thought leadership about the transport sector. The Ministry has worked with transport sector colleagues, and far beyond, to develop a strategic understanding of the future of transport.

The role has taken us into a visionary space, where we look forward to New Zealand's future and imagine how the world will change across society, the economy and the environment. What will transport need to be doing in 10 or 30 years time to help keep New Zealand thriving?

How can today's decisions help unlock future possibilities and make sure we do not end up in 10 or 20 years time with obsolete investments?

Our strategic projects are leading the way in this future-focused work. We have thought deeply about topics such as how the transport system could or should evolve, and how transport should be funded in the future. We are researching how regulation should evolve to meet future challenges and considering radical possibilities for public transport over the next 25 years.

Lifting the transport sector's line of sight from immediate issues to future needs was also evident in our other policy work, including our work on leading the implementation of the Intelligent Transport Systems Technology Action Plan, the Government Policy Statement on land transport and air services negotiations. Other chosen projects such as the Future Freight Scenarios study help the freight sector plan for a future of increasingly large container ships.

We've also delivered an extensive programme of work, supporting the Minister to deliver on his priorities for transport. A strong focus of the Ministry over recent years has been to lift the quality of our advice and I am proud of what we have achieved in this regard. Each year we use the New Zealand Institute of Economic Research to independently assess and benchmark our work. For 2014/15 they gave our work an overall rating that places us in the top agencies they benchmark.

The Ministry's ambitious focus is possible because of the calibre and engagement of our people. We now have the highest employee engagement scores [Gallup] in the public sector. Our score of 4.24 means for every actively disengaged staff member, there are now 27 staff members who are engaged, up from a ratio of 12:1 last year. A better than world-class ratio! Our results demonstrate our initiatives, including a focus on celebrating success, structured professional development opportunities and lifting the quality of our work, have contributed to this engaged workforce.

Over the past years, we have worked to improve our operating model, shrinking the size of our organisation and budget in a constructive way. Rather than focusing on cost cutting, we have lifted our performance and aligned our purpose throughout the organisation, reducing costs along the way. At June 2015, we are 25 percent smaller than at June 2008, and have a 15 percent smaller operating budget taking into account inflation.

As a high performing organisation, the Ministry works to deliver a transport system that is resilient, effective, efficient, and safe and responsible. These values support the Minister's priorities for transport, which I have set out with our achievements, in the following pages.

Advancing the long-term vision for the transport sector

As the steward for the transport system, the Ministry has an important role to look ahead at the longer-term challenges for transport, and make sure the transport system develops in ways that support New Zealand to achieve its longer-term goals.

Our strategic policy projects help drive our approach to the future, and are designed to challenge the boundaries of current thinking, and promote deep and sustained thought, research and analysis about transport and its relationship with the economy, society and environment.

In November 2014, we released the findings of our first three strategy projects, [led by external Strategy Directors] which greatly improved our skills and understanding of the sector and its future needs. The projects were:

Transport and Economics – How New Zealand's economy will perform in the future, and what the implications are for transport

Future Demand – How our transport system could or should evolve to support mobility in the future

Future Funding – How we could or should fund our transport system in the future.

Understanding the trends, influences and changes in society that will impact on the New Zealand transport system is an important aspect of our strategic leadership. This ambitious programme of work was delivered in nine months and engaged our partners in the transport sector and other government agencies in workshops and advisory groups.

Key outcomes from the projects included models that will shape our thinking and analysis of future policy challenges, and detailed reports that are exploratory yet rigorous, challenging future assumptions and posing strategic questions. Some of our key findings include:

- ▶ Recognition that the investment decisions we make will shape patterns of demand and not just respond to predicted future demand. We should debate the sort of access we want and decide how to invest to support the future.
- ▶ While transport remains important, we need to look at access, not just mobility. The different ways we can improve access are with good transport systems, good spatial planning or improved digital access.
- ▶ We have a window to think carefully about the next generation of central government revenue tools, the needs of local government, and the role that pricing tools can play in delivering the transport outcomes New Zealand wants.

We released the projects' findings at forums in Auckland, Wellington and Christchurch, attended by CEOs and senior managers from across the broader transport sector, including many key stakeholders.

It is vitally important the Ministry continues to investigate questions raised by this work. We will work on other key strategic projects in 2015/16, such as Regulation 2025 and Public Transport 2045, that will similarly broaden our understanding and challenge our thinking about issues for the future.

Our contribution towards the Minister's priorities for transport

The Government's transport specific objectives include supporting economic growth and productivity, value for money, and safety and security. These objectives reflect the wider priorities that the Government has set out in the Business Growth Agenda and the Better Public Services programme.

The Business Growth Agenda includes a specific goal to raise exports from 30 to 40 percent of GDP by 2025. More generally, the Business Growth Agenda is about the Government's focus on economic growth as a key mechanism to create better opportunities for all New Zealanders. The transport system has an important supporting role in ensuring that the additional exports (and their associated input goods) are able to be moved efficiently and effectively around the country and internationally. The Government also has a focus on investing in modern infrastructure.

The Minister of Transport's overarching priorities for the transport portfolio are closely aligned to those of the Government. They include supporting economic growth and productivity, delivering greater value for money, and safety. To achieve these overarching priorities, the Minister has a focus on six specific areas:

- ▶ delivering the Government's transport commitments
- ▶ taking a multi-modal approach to deliver transport solutions
- ▶ Auckland
- ▶ technology and the environment
- ▶ supporting the export economy
- ▶ safety.

In addition to our work under each of these specific areas, the Ministry has a programme of regulatory reform that will provide benefits across a number of the Minister's key priorities, and deliver a system that is flexible and fit for purpose for 2015 and beyond:

- ▶ Regulation 2025 reform programme
- ▶ review of Civil Aviation Act 1990 and Airport Authorities Act 1966
- ▶ improving the driver licensing system
- ▶ improving regulatory planning and delivery.

The following sections provide the Ministry's contribution in support of these key areas and regulatory priorities.

Delivering the Government's transport commitments

The Government Policy Statement on land transport 2015/16 – 2024/25

The Government Policy Statement on land transport [the GPS] sets out the Government's investment strategy for the land transport system. \$10.5 billion of land transport funding is allocated over the first three years of the GPS and a total of \$38.7 billion over its full 10-year period [2015/16 – 2024/25]. The GPS sets out the Government's 10 year strategic and policy goals for land transport, as well as the funding direction needed to achieve them.

The Ministry developed and strengthened the framework in this GPS, leveraging from 2013 amendments to the Land Transport Management Act 2003. This has let us identify national land transport objectives, and present the expected results from land transport investment in a way that more clearly links with the resources allocated to achieve those objectives.

The GPS development also involved an extensive series of regional engagement sessions throughout New Zealand, involving representatives from local authorities, Local Government New Zealand and other key stakeholders. The GPS was released in December 2014 and has now been considered by local councils in the development of their regional transport plans, and by the New Zealand Transport Agency in the 2015-2018 National Land Transport Programme [NLTP], which came into force on 1 July 2015.

The GPS prioritises economic growth and productivity, road safety and value for money. It directs funding towards priority transport initiatives, particularly the continued delivery of the Roads of National Significance. Recognising the important role that local roads have in connecting communities, businesses and markets, the GPS continues investment in local roads and provides for important regional projects. The GPS also provides for continued growth in funding for public transport and active modes.

In 2015/16, the Ministry will implement a new GPS monitoring approach, based on the investment framework developed and presented in the GPS. This is expected to include monitoring of results from across the investment, including reported results from spending in activity classes, multi class reporting and Ministerial expectations.

Urban Cycleways Programme

When complete, urban cycleways investments will significantly enhance New Zealand's urban cycleways networks, making cycling to work, school or the shops a safer and more attractive transport choice for current and future cyclists.

In August 2014, the Government announced \$100 million in new funding over the next four years to accelerate cycleways in urban centres through an Urban Cycleways Programme.

In June 2015, the Minister announced the Government's \$100 million had helped to generate an overall investment of \$333 million to transform urban cycling infrastructure, with 54 projects to receive funding. The \$333 million is made up of the \$100 million of new funding, \$105 million from local government, and \$128 million from the NLTP.

To guide the investment of the Crown's funds, the Ministry developed an Investment Strategy and Terms of Reference for the Urban Cycleway Investment Panel. The Panel [chaired by the NZ Transport Agency] provided oversight and quality assurance to ensure the Programme optimised opportunities to invest in urban cycleways. The Panel also recommended to the Minister projects that would expand and improve the cycling network.

The Ministry's next focus will be monitoring the implementation of the Urban Cycleways Programme over 2015/16-2017/18.

Taking a multi-modal approach to deliver transport solutions

Keeping the SuperGold card sustainable

The SuperGold card transport concession scheme (the Scheme) assists over 650,000 eligible New Zealanders to remain mobile and in touch with their communities. However, the estimated annual costs for 2015/16 have risen to over \$28 million; due to an increase in SuperGold cardholders, the growing use of public transport and rising fares.

In 2013/14, the Government asked the Ministry to report on options for cost efficient and sustainable funding of the Scheme. The Ministry's review identified ways to ensure value for money, while retaining cardholders' entitlements to free off-peak public transport services.

The Ministry has advised regional councils, user groups, service providers, Auckland Transport and Local Government New Zealand about the changes to the scheme from 2016/17. The results of these discussions will feed into a Cabinet paper due in quarter one of 2015/16.

Auckland

Improving alignment on Auckland's transport strategy

During 2014/15, the Ministry provided Ministers with analysis on Auckland Council's preferred transport strategy. Auckland Council estimated it would need an additional \$300 million per annum to deliver the strategy, and indicated it would like the Government to provide it with new transport funding tools.

It was recognised that an agreed transport strategy that addressed both the Government's and Auckland Council's transport objectives, and set out a compelling case for additional transport investment, was a prerequisite for Government considering any additional funding or funding tools.

The Ministry is now working closely with Auckland Council, Auckland Transport and the NZ Transport Agency to develop advice on how Auckland's transport system could best develop over the next 30 years.

Auckland City Rail Link

The Government has committed to have its share of funding available for construction to start on the City Rail Link in 2020, and has indicated it will consider an earlier start date if Auckland's CBD employment and rail patronage meet specified growth thresholds.

During 2014/15, the Ministry closely monitored progress against these thresholds and provided the Minister with one six-monthly update.

The Ministry's February 2015 update advised the Minister that Auckland CBD employment was at just over 100,000 employees (compared to the threshold of over 122,000 employees) and rail patronage was at 12.5 million trips a year, (compared to the threshold of over 20 million trips a year, well before 2020).

Technology and the environment

Intelligent Transport Systems

Intelligent Transport Systems (ITS) offer major opportunities to improve the efficiency, effectiveness and safety of the transport system.

The Intelligent Transport Systems Technology Action Plan 2014–18 (the Action Plan) outlines the Government's strategic approach to ITS that will contribute to safer and more efficient transport for New Zealand. ITS apply information, data processing, communication and sensor technologies to vehicles, infrastructure and operating and management systems to benefit transport users.

The internationally recognised Action Plan has 42 actions and covers all modes of transport. The aim is to ensure we have the necessary building blocks, such as leadership, a supportive regulatory system, data, standards and accurate real-time positioning systems, to enable ITS to be implemented in New Zealand.

The Ministry is leading this work and has established an ITS leadership group of high profile Chief Executives from the public and private sector. The group's aim is to ensure that the benefits of transport technology are captured as early as practicable to help New Zealand thrive. The group's focus is on the potential for ITS to improve Auckland transport, particularly freight efficiency.

Other actions progressed include:

- ▶ the development of a framework for scanning transport legislation to identify unnecessary barriers to the testing and deployment of ITS in New Zealand
- ▶ a review of transport regulations in relation to driverless vehicles
- ▶ a trial of connected vehicle technology in heavy vehicles in Tauranga, to test a suite of technologies to measure freight movements in the Bay of Plenty
- ▶ research on driver distraction caused by in-car technologies
- ▶ a vehicle standards map which identifies technologies that have the potential to improve safety and efficiency
- ▶ mandating electronic stability control for light vehicles
- ▶ amending Civil Aviation Rules to manage the increasing use of unmanned aerial vehicles
- ▶ a cost benefit analysis, jointly commissioned with the Civil Aviation Authority and Land Information New Zealand, of a satellite-based augmentation system (SBAS) for aviation.

In 2015/16 we will continue our focus on the building blocks for ITS, begin an assessment of New Zealand's readiness for connected and automated vehicles and investigate opportunities for transport through new uses of data.

New Zealand's approach to unmanned aerial vehicle operations

The use of unmanned aerial vehicles (UAVs) in New Zealand is increasing significantly, as new uses are found for them in areas like photography, agriculture, surveying and search and rescue. However, the existing rules were designed for model aircraft and did not provide a suitable framework for activities relating to high performance UAVs.

The Ministry worked with the Civil Aviation Authority to develop a new policy approach, resulting in the amendment of the existing rule [applying to low-risk operations] and the development of a new rule for higher risk UAV operations. Industry was largely supportive of the new rules, which allow them to demonstrate to their clients that their operations have been endorsed by the safety regulator.

The Associate Minister signed the rules in April 2015. New Zealand is one of the first countries in the world to introduce rules for UAVs. New Zealand has adopted a unique risk-based approach, which puts the onus on the operator to demonstrate they are able to mitigate any risks to people and property. Unlike other countries, the rules do not differentiate between commercial and recreational activities. This means some low-risk

commercial operations can be conducted without the need to obtain approval from the Civil Aviation Authority.

The new rules, which came into effect on 1 August 2015, allow the New Zealand UAV industry to move forward and innovate within a robust safety framework.

Climate change work programme

In 2014/15, the Ministry refreshed its climate change work programme to support Government objectives.

The work programme's initial focus has been on analysis of the opportunities for electric vehicles to contribute to emissions reductions in the transport sector. In 2015/16, we will continue to consider a wider range of policy measures that could support emission reductions.

During 2014/15, Ministry officials supported the Ministry for the Environment to prepare advice to Government on New Zealand's post-2020 climate change target. Transport officials also attended several public consultation meetings on New Zealand's post-2020 climate change target.

The Ministry will continue to work with government agencies and wider transport stakeholders in the development of policy around transport emissions reduction.

Electric vehicles

The Ministry is providing advice to support increased uptake of electric vehicles, including advice on a range of measures around an electric vehicles policy package. This included looking at ways to ensure a cohesive network of electric vehicle charging infrastructure is developed, and addressing the lack of awareness and misconceptions about electric vehicles, and uncertainty about the total cost of ownership.

In June 2015, the Ministry supported the Minister to lead an electric vehicle roundtable meeting, attended by representatives of the new and used vehicles import industry and an electric vehicle industry organisation.

Supporting the export economy

Air services liberalisation

The Ministry leads the New Zealand teams negotiating the international air services agreements that increase New Zealand's connectivity with the rest of the world.

New Zealand's approach to air services liberalisation is set out in the International Air Transport Policy Statement, issued in August 2012.

In 2014/15, we successfully negotiated expanded agreements with key and growing markets. We agreed a doubling of capacity in New Zealand's air services arrangements with China from 21 services per week, for airlines from each country, to 42 services per week each.

This will allow for the next stage of growth in what is now New Zealand's second biggest market.

In November 2014, for the third time, the Ministry led a team to the International Air Services Negotiations conference. Taking advantage of the conference's unique opportunities, we negotiated new air services agreements with Bahrain, Colombia, Egypt, Greece, Oman, Serbia and the Seychelles. The agreements create the opportunity for market participants to provide benefits for New Zealanders wanting to travel to these countries and strengthen global links for travellers and businesses.

New Zealand now has more than 60 air services agreements or arrangements, including with all of our major trade and tourism partners.

During 2015/16, we will focus on putting in place arrangements to allow code-share services which connect to new services inaugurated by airlines, such as Air New Zealand's services to Houston and Buenos Aires.

Up to date freight forecasting

The Ministry commissioned the Future Freight Scenarios study to provide impartial information to help the freight sector plan more effectively for the increasing numbers of larger ships visiting New Zealand. It examined the possible impact of larger ships on the road, rail and coastal shipping networks, freight costs, and the New Zealand economy. Ten possible future scenarios were examined.

The study showed larger container ships visiting New Zealand create both opportunities and risks. Increasing numbers of larger ships coming to New Zealand are likely to reduce the cost of shipping freight internationally. However, these savings are likely to be outweighed by higher domestic transport costs, particularly for exporters and importers far away from the ports able to handle larger ships. The predicted costs highlight the importance of existing Government and private sector initiatives to lower domestic freight costs.

The Ministry released the study to key stakeholders and put it on its website in December 2014. We followed this with a wide range of sector engagements to promote discussion and raise awareness of the findings.

The study has contributed to public debate about how New Zealand should plan for larger ships.

Safety

Safer Speeds progressed

Speed is a major cause of crashes on New Zealand roads. The speed vehicles are travelling at when involved in a crash contributes to the crash's severity. The

Safer Journeys Action Plan 2013-15 has an action to develop and implement a national Speed Management Programme [Safer Speeds] with measures to address this area of concern.

In 2014/15, the Ministry, along with the NZ Transport Agency, focused on a number of key initiatives, including:

- ▶ Demerit points – speeding drivers currently receive both a fine and demerit points for offences detected by a police officer, but a fine only for offences detected by a speed camera. The Ministry investigated applying demerit points, as well as the fine, to both methods of detecting speeding offences
- ▶ Speed management guidelines – with the NZ Transport Agency, we were involved in developing speed management guidelines for Road Controlling Authorities and other system designers to manage speeds consistently and prioritised to risk. The Ministry produced a paper for the Associate Minister, proposing amending the Setting of Speed Limits Rule. The draft guidelines included enabling a 110 kilometre per hour speed limit on our best roads
- ▶ Speed enforcement thresholds – the Ministry investigated international best practice for speed enforcement thresholds, as part of its work for the National Road Safety Committee
- ▶ Changing the conversation on speed – the Ministry also contributed to the NZ Transport Agency's *Changing the conversation on speed* initiative. This long-term campaign aims to make people more conscious of road features and more accepting of speed management approaches, especially in high-risk areas.

Reducing the harm from alcohol

The Government's initiative to lower the alcohol limit for drivers 20 years and over came into effect on 1 December 2014, helping to make the roads safer for drivers, passengers and pedestrians. The Ministry led the policy work and consultation on this important initiative.

The Land Transport Amendment Bill 2013 lowered the adult breath alcohol limit from 400mcg of alcohol per litre of breath, to 250mcg. The blood alcohol limit reduced from 80mg of alcohol per 100ml of blood, to 50mg. For drivers under 20, the limit stayed at zero.

The Ministry will review the changes in three years time, when enough data is available for conclusive results. Initial information from the New Zealand Police showed that, for drink drive offences in the 400mcg+ bracket, there were 1,007 fewer offences nationally between 1 December 2014 (when the new law came into effect) and 31 March 2015, compared with the same period the previous year – a 17 percent reduction overall.

The national average breath-alcohol level for offences in the 400mcg+ bracket also fell since the new law was introduced – meaning fewer drivers are being detected over the limit, and those that are being detected, are less intoxicated. This is consistent with an ongoing trend, which has seen alcohol-related offences significantly decline over the last five years, from 34,457 offences recorded in 2009, to 20,961 offences in 2014.

Drink-driving sanctions reviewed

At the same time as lowering legal alcohol limits for adult drivers, the Government requested a review of sanctions for drink-driving. The Safer Journeys Action Plan 2013-15 also contains an action to promote the greater use of alcohol interlocks.

The Ministry is leading the review of drink-driving sanctions, alongside Justice sector agencies, the Ministry of Health and the NZ Transport Agency. The review's focus has included collecting data about drink-drive offences, and analysis of sentencing trends and issues, and a cost benefit analysis. This included examining the extent to which sanctions, particularly voluntary alcohol interlocks, are used.

In May 2015, the Ministry held a workshop with a wide range of stakeholders and individuals interested in the issue. This work supported the Ministry to report to the Associate Minister in July 2015.

Drug-driving enforcement reviewed

The Ministry is leading a review of drug-driving enforcement, alongside Justice sector agencies, the Ministry of Health and the NZ Transport Agency. The review stems from Government decisions in 2012 around drug-testing technologies and a Safer Journeys Action Plan action, to identify the opportunities to strengthen drug-driving enforcement, at reasonable cost.

The review has focused on collecting data from New Zealand and overseas to estimate the scale of New Zealand's drug-driving problem, analysis of the current situation and issues, and a cost benefit analysis. We have looked at international enforcement models (particularly Victoria's random drug screening), how viable the models would be in New Zealand, and whether technology is available to support the approach.

In May 2015, the Ministry held a workshop with a wide range of organisations and individual stakeholders to discuss issues and possible options around strengthening enforcement. This work supported the Ministry to report to the Associate Minister in July 2015.

Reducing risks from alcohol and drugs in aviation, maritime and rail

The Ministry prepared and released the Clear Heads discussion paper about reducing the risks of alcohol and drug impairment in the aviation, maritime and rail sectors.

The review responds to a call from the Transport Accident Investigation Commission (TAIC) for significant drug and alcohol regulation in its report on the Carterton hot air balloon crash, in which 11 people lost their lives. The TAIC recommendation covered both commercial and recreational activities.

In May 2015, the Ministry completed its public consultation and considered the submissions on the Clear Heads paper from the recreational boating, maritime, rail and aviation sectors and the public. We are now developing policy proposals for Government consideration later in 2015.

Improving safety for visiting drivers

As part of the Safer Journeys signature programme to improve the safety of visiting drivers to New Zealand, the Ministry worked closely with the NZ Transport Agency and others across the transport and tourism sectors on several key initiatives. The work focused particularly on the tourist regions of southern New Zealand.

The Ministry assisted the Transport and Industrial Relations Parliamentary Select Committee in its consideration of a petition, which proposed all overseas drivers should have to sit a driving test before they can drive in New Zealand. The Ministry provided advice on related issues. The Committee said it would monitor progress on a number of visiting driver initiatives.

With Statistics NZ, the Ministry led the work to link various data sets to improve the understanding of the causes of visiting driver crashes, and identify possible solutions. The project also updated the Ministry's crash fact sheet on overseas licence holders in crashes, and is developing risk profiles of visiting drivers.

As overseas tourist numbers increase, the Ministry will continue to work with Government and private sector groups to improve the safety of visiting drivers.

The Ministry's key regulatory priorities

Regulation 2025 reform programme

In its stewardship role in the transport sector, the Ministry works across the sector to consider whether the regulatory system is fit for purpose and what innovative opportunities exist for improving regulatory outcomes.

Transport also operates in a dynamic environment, with increasing constraints on Parliamentary time for making regulation, pressure to reduce regulatory costs and new technologies that change the regulatory environment.

To make sure New Zealand has a fit for purpose regulatory system for the future, which contributes to a thriving New Zealand economy, the Ministry initiated the strategic project Regulation 2025 to look at how transport should be regulated in 2025.

The Ministry identified these key issues to examine:

- ▶ how will the transport system change and what implications will that have on what we need to regulate?
- ▶ what new regulatory tools will be available to regulate transport?

The Ministry established an inter-agency steering group to manage the project. We held a series of one-on-one meetings with experts from New Zealand and overseas to test the scope of the investigations.

As a first stage, eight reports were commissioned to provide foundation knowledge for the work. These reports focus on questions about approaches to regulation, social marketing and new technology in regulation, the reasons for significant regulatory change and alternative models to pay for the costs of regulation.

The eight reports were delivered in September 2015. The papers will provide information to feed the development of a set of scenarios, which will explore the interdependencies between the regulatory system and transport outcomes.

Review of Civil Aviation Act 1990 and Airport Authorities Act 1966

The Ministry is reviewing these Acts to make sure they are fit for purpose, given the significant changes in the public sector and throughout the aviation environment during their life spans.

As part of the review, we tested a range of improvements to the Civil Aviation Act, to make sure its provisions are current and effective, promoting a responsive regulatory system to support a dynamic aviation sector.

The review found that several Airports Authorities Act provisions are redundant, outdated or ambiguous. The review tested amendments to these provisions, to make sure the Act remains effective for airports and their users. We sought and received submissions, and held regional engagement sessions on a range of civil aviation related safety, security and economic issues.

We are continuing to advise the Minister on a range of issues and proposed improvements, and will support the Minister to give effect to any legislative change.

Improving the driver licensing system

The Ministry, with the NZ Transport Agency, is leading the review of components of the driver licensing system. The review is focused on making sure the driver licensing regulations enable:

- ▶ an improved customer experience
- ▶ a reduced compliance burden
- ▶ improved compliance with driver licensing while maintaining or improving road safety.

A system, which is simpler and easier to use, should also increase people's willingness to comply with driver licensing requirements.

The Ministry and the NZ Transport Agency met with three reference groups of key stakeholders, who gave input into the review across general driver licensing, selected parts of overseas driver licensing and heavy vehicle licensing.

A public discussion document on driver licensing is planned for release in 2015/16 and we will then provide recommendations to the Government about reform proposals.

Small passenger services review

The Ministry commenced a review of the regulatory framework for small passenger services (including taxis and private hire car services) to ensure New Zealand's regulatory environment is both fit for purpose and flexible enough to accommodate new technologies.

The Ministry engaged with a range of interested parties (including operators, technology companies and user representative groups) to understand their views on the future of the industry and reform options. Ministerial decisions on the review are expected later in 2015.

Improving regulatory planning and delivery

A new Four Year Regulatory Plan brings together the Ministry's regulatory planning processes and supports its Four Year Plan. The purpose of the Ministry's regulatory planning is to establish the Ministry and transport Crown entity regulatory-reform priorities, to achieve the Government's transport sector goal. The Four Year Regulatory Plan has been published on the Ministry's website for stakeholders and industry groups to access and will be updated each year.

The Ministry's 2014/15 rules programme helped New Zealand meet key safety and health obligations under a number of international conventions. This ability to deliver on international obligations is important for New Zealand's relationships with countries which are our trading partners. Additionally, the Ministry's rules development programme and regulatory changes were estimated to have a net economic benefit of \$75 million per annum over the next 30 years.

Notable rules that were completed or reached major milestones in 2014/15 include:

- ▶ Aerodromes Certification and Operation Rule [Part 139], which will improve the safety of the New Zealand aviation system, by prescribing requirements for the certification, operation and safety audit of aerodromes
- ▶ the Safety Management Systems Rule, which will require aviation operators to take a risk-based approach to safety by having a safety management system (SMS) in place
- ▶ changes to a number of rules to enable Maritime NZ to inspect foreign ships against the current international safety standards and best practice in the International Convention for the Safety of Life of Sea, which New Zealand is obliged to implement
- ▶ preliminary work for rule changes to allow New Zealand to ratify the Maritime Labour Convention 2006 in 2015/16. The Convention sets internationally agreed minimum standards for the provision of health, safety and welfare of seafarers on board ships
- ▶ the Vehicle Dimensions and Mass Amendment 2014, which improved the regulatory system covering enforcement and penalties for high-productivity motor vehicles
- ▶ the Vehicle Dimensions and Mass Amendment 2015, to allow the operation of over-weight buses on specified urban routes. Introducing higher capacity vehicles is expected to create efficiencies and ease congestion.

The Ministry and transport Crown entity staff developed an online tool to help provide guidance with best practice rules development. The plan covers both primary legislation, regulations and rules. Transport rules are developed by the Ministry and transport Crown entities. On average there are 18 transport rules in various stages of development across the modes each year.

An ongoing training programme will ensure knowledge of best practice continues to be maintained.

Improving performance and leadership of the transport sector

To ensure that the Ministry can continue to deliver on the Minister's key priorities, the Ministry has a programme of work focussed on growing the capability and capacity of the sector. This includes lifting performance, enhancing collaboration, and long-term stewardship of the sector.

The Ministry's focus is on four key areas:

- ▶ improving transport agency performance
- ▶ improving Ministry performance
- ▶ working across the transport sector
- ▶ working internationally.

The Ministry's programme of work under each of these key areas is outlined below.

Improving transport agency performance

Strengthening our governance relationship

The Ministry continued to strengthen its relationships with the four transport Crown entities. Our governance work has ongoing core functions of:

- ▶ strategic engagement
- ▶ stewardship advice to guide key stakeholders decision-making
- ▶ evaluating of entity performance and capability
- ▶ identifying key risks and potential mitigations
- ▶ Board appointments.

Over 2014/15, in addition to the ongoing governance roles, the Ministry formalised and documented the Board appointment process, and undertook a successful appointment process review for the Transport Accident Investigation Commission.

Funding reviews across the transport sector

2014/15 was the first full year of the Ministry's consolidated Fees and Funding Review Programme — and it was a successful year.

The Ministry has identified all fees in the transport sector to develop a consolidated multi-year programme to ensure all fees are reviewed every three to five years.

Twelve reviews were completed during the year and a further six continuing into 2015/16. The two most significant reviews completed were:

- ▶ the MetService ongoing contract for services
- ▶ the funding of the Transport Accident and Investigation Commission.

These reviews resulted in clearer definitions of both roles and functions. The best practice review methodology in the Ministry's review framework established the business cases for successful requests for additional funding as part of Budget 2015.

Two significant reviews started, but not due to be completed until 2015/16 were:

- ▶ the first three yearly review of the Civil Aviation Authority regulatory function fees. The review has two consultation stages: with all stakeholders on the methodology behind the fees and then on the level of fees
- ▶ the scheduled Maritime New Zealand mid-point funding review.

Improving Ministry performance

By June 2015, the Ministry has transformed the way it worked and moved closer to achieving its Greatest Imaginable Challenge, thanks to an ambitious 2 Year Plan for change.

The Ministry's 2013 PIF review set the scene for how we needed to improve our performance. Our 2 Year Plan identified five key work streams for action – across strategic policy, sector leadership, lifting stakeholder and customer perceptions, and improving the quality and consistency of policy advice. These areas responded to issues raised in the PIF review.

As outlined earlier, the Ministry stepped up to the challenge of providing thought leadership for the wider transport sector. We appointed a set of expert Strategy Directors to lead strategic projects that emphasised sector leadership and future thinking. We delivered results and led national stakeholder discussions about the first three projects, around transport and economics, future demand and future funding. Work is underway on the next two big initiatives, Regulation 2025 and Public Transport 2045.

The Ministry's new calendar of stakeholder engagement, and best practice stakeholder engagement and communications toolkit, bore fruit in 2014/15. The 2014 PIF Follow-Up Review reflected "marked and widespread praise for improvements in the external engagement amongst stakeholders". The Trans-Tasman 2015 Government Department Review noted stakeholder engagement had been embraced at the Ministry, leading to a richer and deeper stream of policy advice and research.

We aimed to improve our 2013/14 score of 7.4 in the NZIER assessment on the quality of our policy advice and writing. To help achieve this, we put into place several initiatives including a programme of structured professional development to help us towards our internal target of an average score of 7.6 for our papers – papers that don't just do the job, but add extra value to make things easier for the Ministers. For 2014/15 we received a score of 7.6 from NZIER placing us in the top four agencies they assess.

Achieving true transformation was more than delivering a list of initiatives. To succeed, staff engagement was critical. We made a conscious and visible effort to celebrate success by acknowledging staff for high quality policy advice, celebrating achievements of the 2 Year Plan milestones and creating staff-driven awards to recognise outstanding achievements and qualities. Targeted professional development opportunities and a people plan that aimed to lift leadership, support workforce development and better manage staff performance were among other initiatives that made a difference about how staff felt about working for the Ministry.

These initiatives have paid off in remarkable results for a policy-based organisation in the public sector. The most recent annual Gallup employee engagement score showed higher staff engagement than ever. After 2 years of transformation, our score had risen to 4.24 in 2014/15 [mean score out of 5]. Staff turnover rates have dropped from 15 percent per annum two years ago, to 12 percent in 2014/15.

Many of the Ministry's 2 Year Plan deliverables have become business as usual – which is how it should be in an engaged and high performing Ministry.

Working across the transport sector

Collaboration and capability

The Ministry chairs the Transport Sector Leadership Group, which oversees delivery of the Government's priority of Better Public Services. We look for innovative ways to improve the efficiency and quality of the services we deliver, in support of the Government's wider Better Public Services objectives. In 2014/15, we embedded the benefits of working collaboratively across the information technology and Ministerial Services areas.

In the information technology area, a monthly forum of the Chief Information Officers across the transport sector shared IT strategies, partnership opportunities, investment insights, and experiences with vendors, allowing all transport sector agencies to learn from others' experiences.

The result has been an environment where agencies seek feedback and peer review before undertaking initiatives. This improves the likelihood of efficient, well planned IT developments and investigations into possible sharing opportunities.

With Ministerial Services, the ability of the transport agencies to use the Ministry's workflow system, while retaining their individual processes, has meant a more efficient system for producing high quality Ministerial replies to public enquiries.

During 2014/15, we also focused on developing a better understanding of the capability requirements of individual agencies around procurement practices. This coincided with the NZ Transport Agency's investigation into a Centre of Expertise for procurement. The agencies started to explore how this centre could provide or support the skills and training to improve procurement practices across the agencies.

In 2015/16, the leadership group will look for tangible benefits for agencies. Priority areas for investigation and action will be accommodation, procurement, and the finance and HR/payroll systems.

Transport Domain Plan

The Ministry, in conjunction with Statistics New Zealand, made substantial progress with developing the Transport Domain Plan. The Domain Plan will identify the actions that need to be taken now to make sure that information and statistics collected about the transport system are high quality and allow Government to make evidence based policy, strategy and decisions into the future.

Ultimately, the availability of better information will result in improved policy, strategy and decision-making and a more effective transport system.

In 2014/15, we developed a list of enduring questions, which are big picture strategic questions that the Government needs to answer to make evidence-based policy, strategy and decisions about transport into the future. The 45 questions across 12 topic areas were developed after intensive discussion with a wide range of stakeholders. The questions cover key areas across the transport sector such as the vehicle fleet, freight and people and society.

The questions allowed us to identify where gaps existed around the transport information essential for answering the questions. The gaps may exist because of factors such as a lack of data, poor quality data or compatibility issues. In 2015/16, we will make recommendations about how to address the gaps, which will be implemented by a cross-agency transport group.

We also completed a draft inventory of transport-related information across government departments and Crown entities. The Domain Plan and inventory will be published in November 2015.

Research strategy

In 2014/15, in conjunction with the NZ Transport Agency, the Ministry began development of a research strategy to help prioritise our time, effort and investment into research for the transport system.

The need for the strategy arose when we jointly identified there was an overall lack of coordination between interested entities in the area of transport sector research. Developing the strategy will involve engagement across the transport sector and related government agencies. When completed in 2015/16, the strategy will enhance collaboration and coordination of research across the sector and related agencies. It will also lead to a common methodology for prioritising research.

Alongside the strategy, we also established a series of knowledge hubs across different subject areas such as personal travel, aviation and forecasting. The hubs bring people from the transport sector, related agencies and academia together to share information. As a result, participants become more aware of the data and research available from a range of sources, and opportunities for collaboration are enhanced.

In November 2014, we ran a highly successful research conference. The inaugural half-day event brought together the transport sector and stakeholders to learn about the Ministry's research programme. Because of the positive feedback we received, the Ministry will run an expanded conference in November 2015. The next conference will be a full-day event and focus on work being done across the government transport sector.

Predicting transport demand

To enhance the Ministry's core role of advising the Government on transport policy and investment, we needed to improve our understanding of the key drivers on transport demand, their effect on the transport system and possible impacts on transport revenue.

In 2014/15, the Ministry set up the Transport Modelling Programme to achieve these aims, and to establish strong links and collaboration with other government agencies around transport demand and investment-related questions.

Using a partnership approach, we developed and published ten forecast models across air, road, freight

and revenue. Among the key findings for 2014/15 were strong growth in air passenger travel but a relatively weak growth in aircraft movement. The transport sector will use these forecasts to inform their long-term transport infrastructure planning and air travel-related revenue forecasting. The Aviation Security Service used the Ministry's air passenger forecasts when revising their revenue model.

The Ministry's revenue forecasts for the National Land Transport Fund (NLTF) are used by the Treasury for budgetary work and the NZ Transport Agency when developing the National Land Transport Programme. Our revised NLTF model provides accurate short-term forecasts. We also developed a structural model for road transport that allows us to change different variables [ie fuel price] to test and understand how such changes in the transport system could influence total revenue in the short and long term.

The models have greatly improved the Ministry's understanding of current and future transport demand and contributed to better transport infrastructure planning and revenue forecasting. To increase coverage of all transport modes, we plan to produce more transport modelling work in 2015/16 including the areas of public transport, road, air and optimising investment for the Government Policy Statement.

This work is critical for the Minister, as disruptive technologies are likely to have a significant impact on future demand for public transport.

Working internationally

In addition to having a strategic leadership role in New Zealand's transport sector, the Ministry works on the international stage.

Between May 2014 and May 2015, New Zealand enjoyed a very successful Presidency of the International Transport Forum. This Forum is part of the Organisation for Economic Co-operation and Development and is a strategic think tank for transport policy.

Our Presidency culminated at the Forum's Annual Summit in Leipzig, Germany in May. The theme of the 2015 Summit was Transport, Trade and Tourism. More than 1,000 participants attended from around 80 countries, among them Ministers and political decision-makers from the Forum's 54 member countries and many invited countries.

The Presidency provided us with an opportunity to raise New Zealand's profile on a global stage, and created opportunities to highlight examples of transport innovation in New Zealand.

It also allowed us to develop better links between New Zealand and our international counterparts, and to build strategic alliances to explore areas of common interest. We are currently in the process of exploring two follow-on research projects with the International Transport Forum and members of the Forum. This will enable us to bring international rigour to our work.

In August 2014, Nick Brown, General Manager Aviation and Maritime, became Lead Shepherd (Chair) of the Asia Pacific Economic Cooperation (APEC) Transportation Working Group. The two-year role gives the Ministry the opportunity to lead international discussion about transport and to contribute to New Zealand's foreign policy objectives.

This Working Group of 21 economies focuses on information sharing about best practice in transport, and building the capacity of the developing economies. New Zealand has contributed particularly around ease of travel, overall economic integration and the promotion of women in transportation. Intelligent Transport Systems (ITS) have been another focus for the Working Group. The May 2015 meeting provided an opportunity for Ministry representatives to exchange information and learn about ITS technology from other economies.

I am proud of what we have achieved over the past year and look forward to the next year, as we continue to investigate and influence the future of transport and deliver on immediate transport needs.



Martin Matthews

Chief Executive, Ministry of Transport



Ministry metrics and cost-effectiveness

Key people metrics and core capacity

Over the past five years, our percentage of policy staff has continued to rise, from 51 percent in 2010/11 to 63 percent in 2014/15. The Ministry is running its graduate recruitment round later than normal in 2015, which has temporarily reduced policy staff numbers. We expect to be back to previous policy staffing levels by October 2015. This continues to reflect the effort we are putting into increasing our policy capability, while doing more with the resources we have.

As at 30 June	2014/15	2013/14	2012/13	2011/12
Number of employees				
Policy development	89	102	91	89
Management	21	18	20	21
Administration	31	34	34	36
Total headcount	141	154	145	146
Turnover	12%	10%	15%	15%
Gender				
Women	48%	47%	49%	53%
Men	52%	53%	51%	47%
Ethnicity distribution				
NZ European	66%	66%	72%	73%
NZ Māori	7%	5%	5%	1%
Pacific peoples	1%	1%	1%	3%
Asian	10%	8%	8%	6%
Other European	6%	13%	7%	14%
Other ethnic groups	4%	3%	5%	3%
Undeclared	6%	4%	2%	0%
Sick leave taken – average days per employee	5	5	5	5
Age distribution [permanent staff]				
20 – 29	21%	22%	19%	23%
30 – 39	16%	17%	20%	22%
40 – 49	25%	28%	31%	27%
50 – 59	27%	23%	20%	16%
60+	11%	10%	10%	12%

Equal employment opportunities

The Ministry is committed to inclusive work practices and culture. As a member of the New Zealand public service, the Ministry bases appointments on merit, while recognising the employment aspirations of Māori, ethnic and minority groups, women, and people with disabilities.

Resource-effectiveness

For the Ministry, the question we must be able to answer is, 'Are we doing the best job that we can with the resources available to us?' To answer this question, the Ministry focuses on the management of:

- ▶ input
- ▶ quality
- ▶ work programme
- ▶ outcomes.

Input management

Staff time, along with their skills, experience and knowledge, is the Ministry's main resource. We need our staff to value their time and get the most from every hour. To support this approach, we apply project management disciplines to our policy projects. We establish project timeframes and identify milestones against which we can manage projects to ensure they do not consume more resource than is needed.

Quality management

We manage the quality of our work through our quality of policy advice standards. Each year, we have a sample of our policy advice papers independently audited by the New Zealand Institute of Economic Research (NZIER). This audit provides us with an independent view on the quality of our advice and areas we could focus on for improvement. It also enables us to see how the quality of our advice compares with other government agencies. We also carry out continuous self-assessment of our quality to further establish a culture of delivering excellent advice.

In addition to these audits, we assess the quality of our advice, using the following targets:

- ▶ 90 percent of regulatory impact statements are assessed as 'meets' or 'partially meets' the required standards
- ▶ 75 percent of policy advice briefings are accepted first time by the Minister.

Work programme management

Our annual output plan is a statement of the results the Minister wants from the Ministry. We manage the Ministry as a single resource to deliver on the whole output plan, and record the actual percentage delivered in our annual report.

Delivering on the individual projects in the output plan enables the Ministry to achieve its intended impacts, and through them, make our contribution to the intermediate and long-term outcomes. Our intervention logic sets out the links between our outputs, impacts, intermediate and long-term outcomes.

Outcomes management

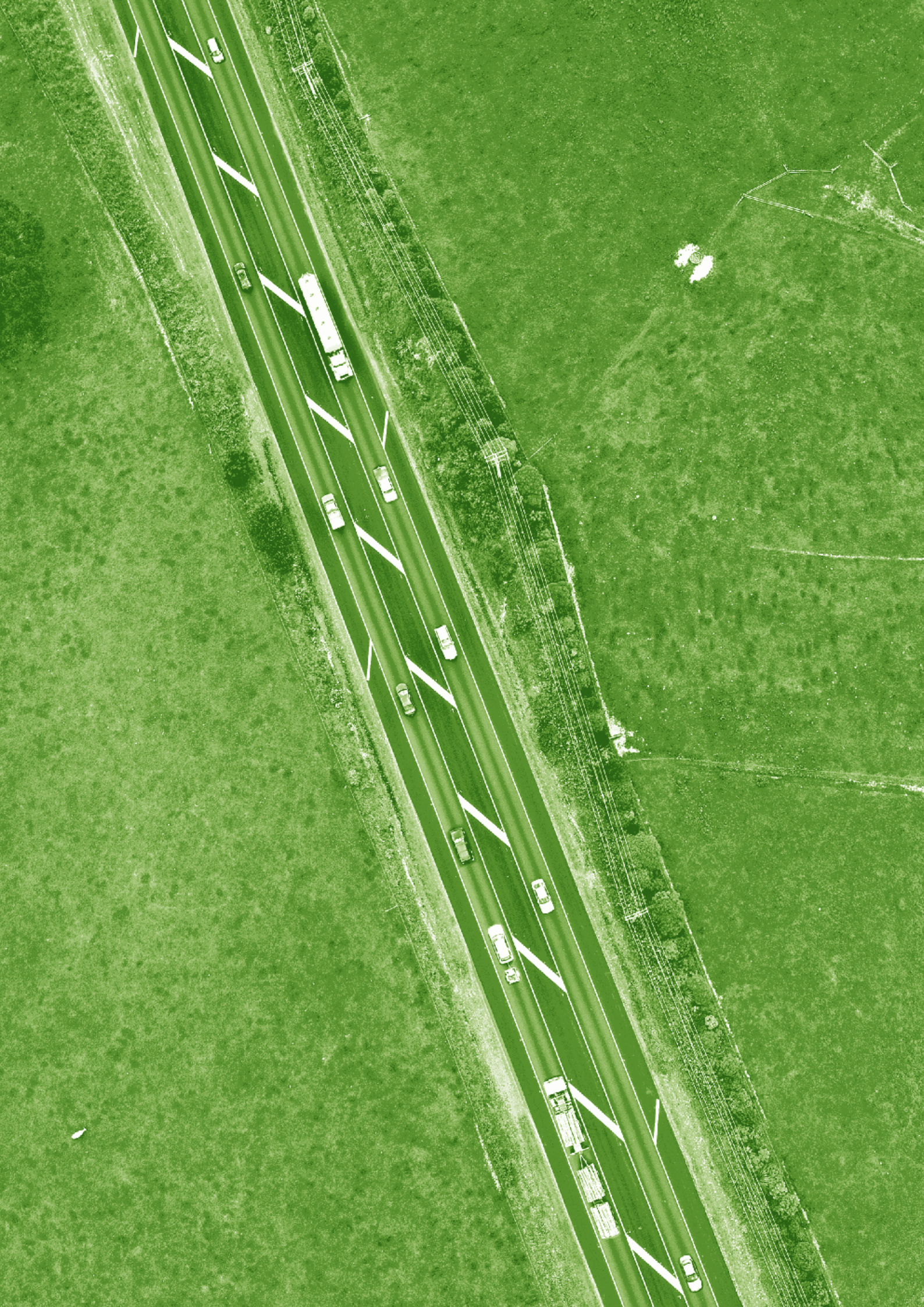
The Ministry monitors the progress that the whole of the transport sector is making towards the identified outcomes. While our impacts contribute to this, it is not always clear whether the Ministry's contribution can be singled out from other factors and, even if this analysis was possible, it is likely to be too costly to undertake. We use our outcome indicators to focus on the overall progress being made, and use a range of mechanisms to identify opportunities for us to make further contributions where needed.

Key Ministry performance management measures 2014/15

The key performance management measures the Ministry used for 2014/15 are set out in the table below, along with our 2013/14 performance against those measures, where available.

	2014/15 result	2013/14 result
Input management		
Percentage of policy project milestones delivered each quarter	81%	78%
Percentage of staff time allocated to the Minister's priority projects	37%	30%
Quality management		
90% of regulatory impact statements are assessed as 'meets' or 'partially meets' the required standards	100%	93%
75% of policy advice briefings are accepted first time by the Minister	93%	76%
Total cost of an hour of professional staff time devoted to policy advice and other policy unit outputs	\$178	\$175
New Zealand Institute of Economic Research's audit of policy advice papers assesses average score for papers as 7.5 or better	7.6	Mean score of 7.4
Outcomes management		
95% or more of output plan delivered as agreed with the Minister	88%	85%
95% or more of Ministry impacts achieved through delivering underpinning projects	100%	100%
Work programme management		
Results of transport sector progress on intermediate and long-term outcomes published at least annually	Published annually in the Ministry of Transport annual report. Refer to pages 26-29 and pages 75-84	Published annually in the Ministry of Transport annual report. Refer to pages 20-22 and pages 25-45
Ministry reviews outcome indicators that show less progress is being made and considers whether further Ministry action is needed	Achieved ¹	Achieved

¹ The Ministry monitors outcome indicators as the data is produced. Where necessary, changes in trends are escalated for review. This has not been required in 2014/15 or 2013/14.



The Ministry’s contribution to governmental outcomes for transport

Every Government has its own priorities. The Ministry’s outcome framework displays the overall desired outcomes for the New Zealand transport system and helps us to show the rationale for particular interventions that will contribute to achieving these outcomes.

Government transport agencies’ focus for transport

Our overall desired outcome for transport is to deliver a transport system that maximises economic and social benefits for New Zealand, and reduces harm.

Long-term outcomes for the transport system

The long-term outcomes describe the ‘future state’ of the transport system and provide focus for the Ministry and other transport agencies.

These long-term outcomes are expected to be achieved over the next 20 or more years, as a consequence of contributions made by the Ministry and a wide range of stakeholders and transport system users. We aim to measure the progress the transport system is making towards those outcomes annually, through a common set of performance measures shared between the transport agencies. [See pages 26 to 29 of this report].

Ministry intermediate outcomes²

Ministry intermediate outcomes also describe a ‘future state’ for the transport system and are important steps to achieving the long-term outcomes. These are closely aligned with the Minister’s priorities for transport.

The intermediate outcomes are expected to be achieved over approximately 10 years. While the progress the transport system is making towards the intermediate outcomes can be measured annually, the nature of the outcomes means that progress is best viewed over a longer time period.

Ministry impacts

Ministry impacts describe how the Ministry’s work will affect the transport system. These describe the intended results from the Ministry’s work. The Ministry can achieve its intended impacts through its own efforts and is not dependent on other organisations undertaking particular actions. However, other organisations may also undertake work that contributes to the impacts. The Ministry’s projects and activities are our specific ‘outputs’ that will deliver our impacts.

Projects, impacts and intermediate outcomes can all contribute to more than one item in their next higher level of the framework. However, for simplicity, we have shown the main relationships.

The outputs and associated intermediate outcomes and impacts are detailed in the ‘End-of-year performance information’ section of this report from page 77.

² The Ministry completed a review of its intermediate outcomes and impacts in 2014, and from 2015/16 onwards is working to a new set of four intermediate results which have been published in the Ministry’s 2015 Statement of Intent.

GOVERNMENT TRANSPORT
AGENCIES’ FOCUS

GOVERNMENT TRANSPORT
AGENCIES’ LONG-TERM
OUTCOMES FOR THE TRANSPORT
SYSTEM

MINISTRY
INTERMEDIATE
OUTCOMES

MINISTRY IMPACTS

MINISTRY OF TRANSPORT

MINISTRY'S STRATEGIC OUTCOMES FRAMEWORK

A transport system that maximises economic and social benefits for New Zealand and minimises harm

Resilient – meets future needs and endures shocks

Effective – moves people and freight where they need to go in a timely manner

Efficient – delivers the right infrastructure and services to the right level at the best cost

Safe and responsible – reduces the harms from transport

Improved preparedness

Open and efficient transport markets

Improved planning and investment in infrastructure and services

Better quality regulation

Improved government transport agencies' performance

Fewer transport incidents and other harms

Impact 9
Reduced disruptions to access to transport infrastructure and services

Impact 2
Reduced or removed barriers to entry to domestic or international markets

Impact 4
Central and local government have good frameworks for investment decision-making

Impact 1
A more efficient transport regulatory system that does not impose unnecessary costs on users

Impact 8
Ongoing assurance on the performance of government transport agencies

Impact 7
Ministry road safety initiatives support reduction in number of deaths and serious injuries

Impact 10
Reduced future risks for New Zealand from grounding of ships

Impact 3
Transport sector has increased information available to it

Impact 5
The Ministry provides good investment advice (in the national interest)

Impact 6
Enough money is raised efficiently and fairly to fund investment priorities

Progress towards our long-term outcomes

This section provides information on the transport sector's four long-term outcomes for transport, and the actions the Ministry has taken towards these outcomes in 2014/15.

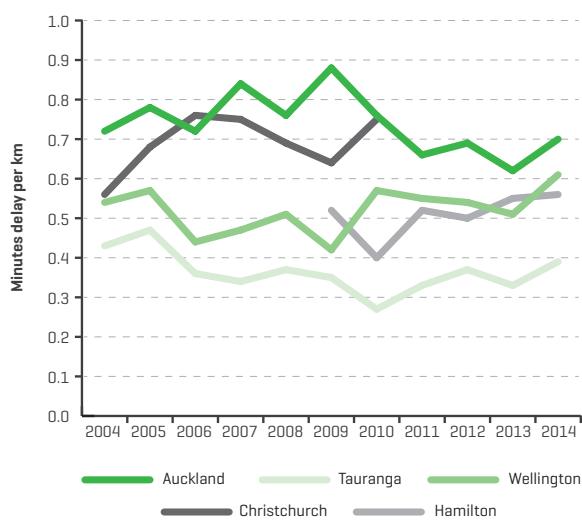
Long-term outcome: Effective – moves people and freight where they need to go in a timely manner

The core function of the transport system is to connect New Zealand, domestically and internationally. Transport links employees, employers, and businesses together and enables people to access services and make social connections. Transport is a critical part of the supply chain that delivers goods to domestic and international markets, and meets the travel needs of international tourists.

Headline indicator 1: Decreasing network congestion in the five largest metropolitan areas

Figure 1 shows a general decrease in network congestion across our main centres in recent years, with the exception of Hamilton, which had been increasing. However, all of the main centres showed an increase in 2014. Recent Christchurch data is not available.

Figure 1 – AM peak congestion – minutes delay per kilometre

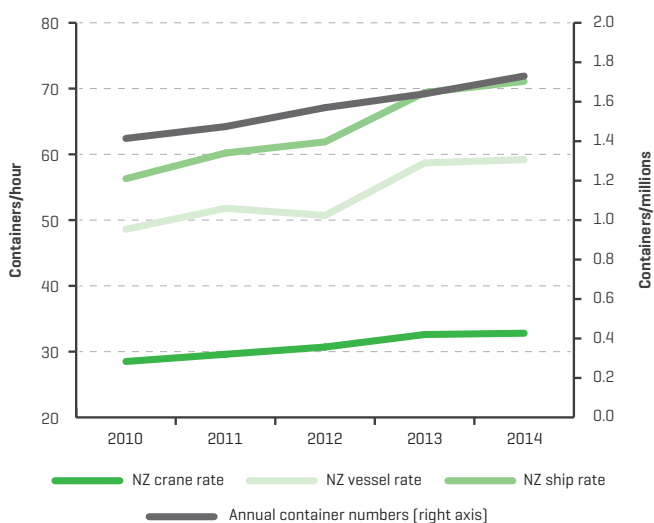


Source: Travel Time Surveys – BECA via NZ Transport Agency

Headline indicator 2: Increased freight movements

Figure 2 shows the continued improvement in the performance of our ports in handling freight movements. Our ports are loading and discharging more containers, more quickly.

Figure 2 – New Zealand trends in container handling per hour



Long-term outcome: Efficient – delivers the right infrastructure and services to the right level at the right cost

Better transport infrastructure and services can lower costs and increase accessibility for people and businesses, by expanding markets and improving access to suppliers. Good management of the transport regulatory settings supports the functioning of the transport system, ensuring the system delivers value for money, by providing the right level of infrastructure and services, while achieving the best cost.

Headline indicator 1: Growth in revenue [in real terms] remaining stable in relation to growth in traffic volume

Figures 3 and 4 show the real revenue levels from fuel excise duty and road user charges (RUC), compared to vehicle kilometres travelled. Current trends show revenue is rising against traffic volume for fuel excise duty and light RUC revenue. This is following a Government decision to allow increases of three cents per litre on 1 July 2013, 2014 and 2015 to fund construction of lead infrastructure. The Ministry is continuing to monitor revenue and traffic levels.

Revenue is adjusted using the construction price index. The graphs below show comparable spending power, not nominal revenue. VKT for light vehicles in 2014/15 is not currently available.

Figure 3 – Growth in revenue [in real terms] remaining stable in relation to growth in traffic volume

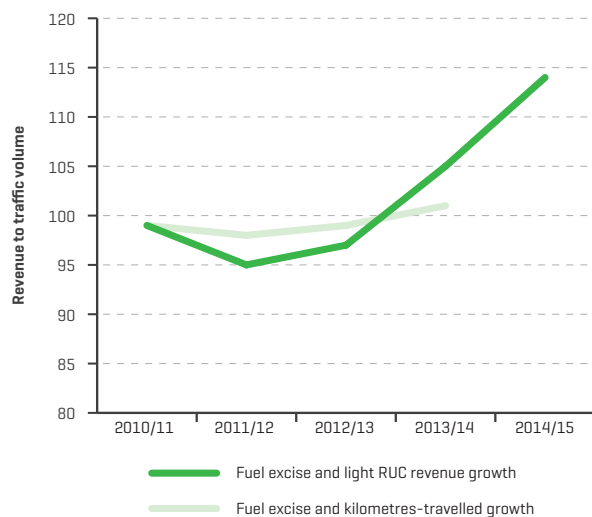
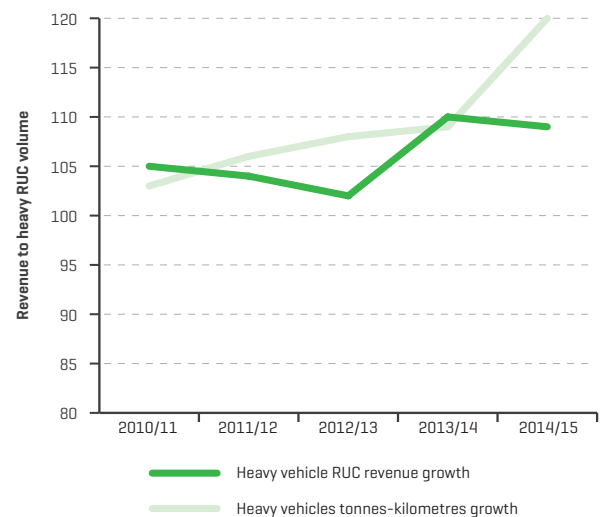


Figure 4 – Growth in heavy RUC revenue [2013/14 \$] relative to traffic growth



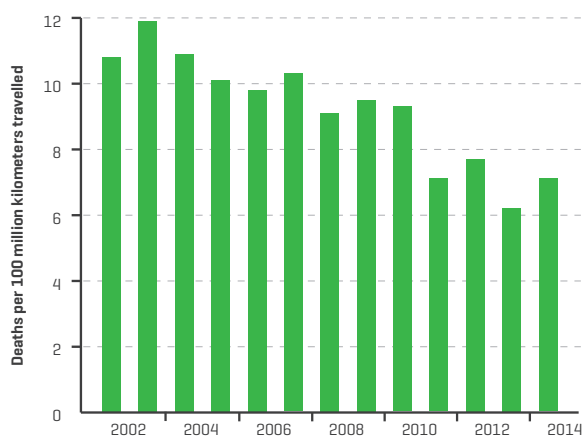
Long-term outcome: Safe and responsible – reduces the harms from transport

It is our aim to achieve a safe and responsible transport system. The operation of the transport system gives rise to social costs, including road crashes, greenhouse gas emissions, and other environmental and public health impacts. It is important to ensure that these issues are mitigated in cost-effective ways.

Headline indicator 1: Fewer road deaths

Figure 5 shows road deaths in New Zealand are still trending downwards. As we continue with our Safer Journeys work, we expect to see the number of deaths on our roads continue to decrease over time.

Figure 5 – Road deaths per 100 million vehicle kilometers travelled

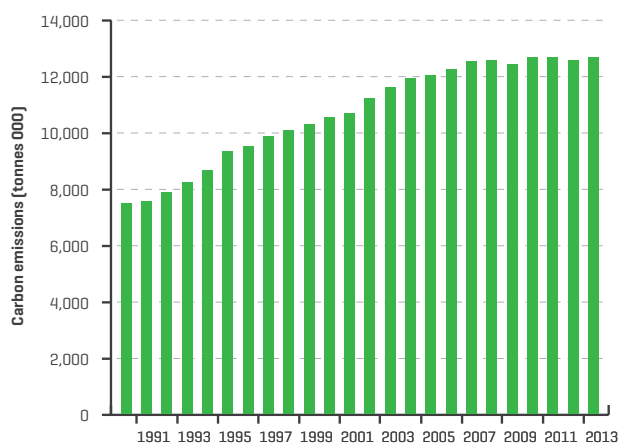


Source: Ministry of Transport

Headline indicator 2: Reducing levels of greenhouse gases emitted by the transport sector

Road transport accounts for 90 percent of New Zealand transport greenhouse gas emissions. Figure 6 shows that between 1990 and 2006, road transport carbon emissions increased by over 60 percent. Since 2006, the rate of increase has stabilised. Data for 2014 is not yet available. The Ministry will publish this information on its website when it is available in late 2015.

Figure 6 – Carbon emissions from road transport 1990-2013 (tonnes 000)



Source: Ministry of Business, Innovation & Employment (MBIE)

Long-term outcome: Resilient – meets future needs and endures shocks

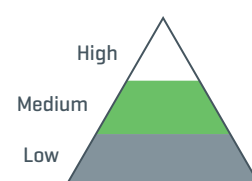
Investment in transport infrastructure is a long-term activity, and all new investment must not only address current needs, but also future needs. We must have confidence our transport system can be resilient to expected and unexpected dangers. The system must be flexible, quickly responding to new events for example, security requirements imposed on us, or shocks in the form of natural disasters.

The National Infrastructure Unit published its Infrastructure Evidence Base 2015 Refresh report for the transport sector³ in March 2015. The report included an assessment of the resilience of transport infrastructure. The assessment takes a national level perspective, and indicated key areas for future attention were strategic freight routes, national roads with no reasonable alternate routes, rail and ports.

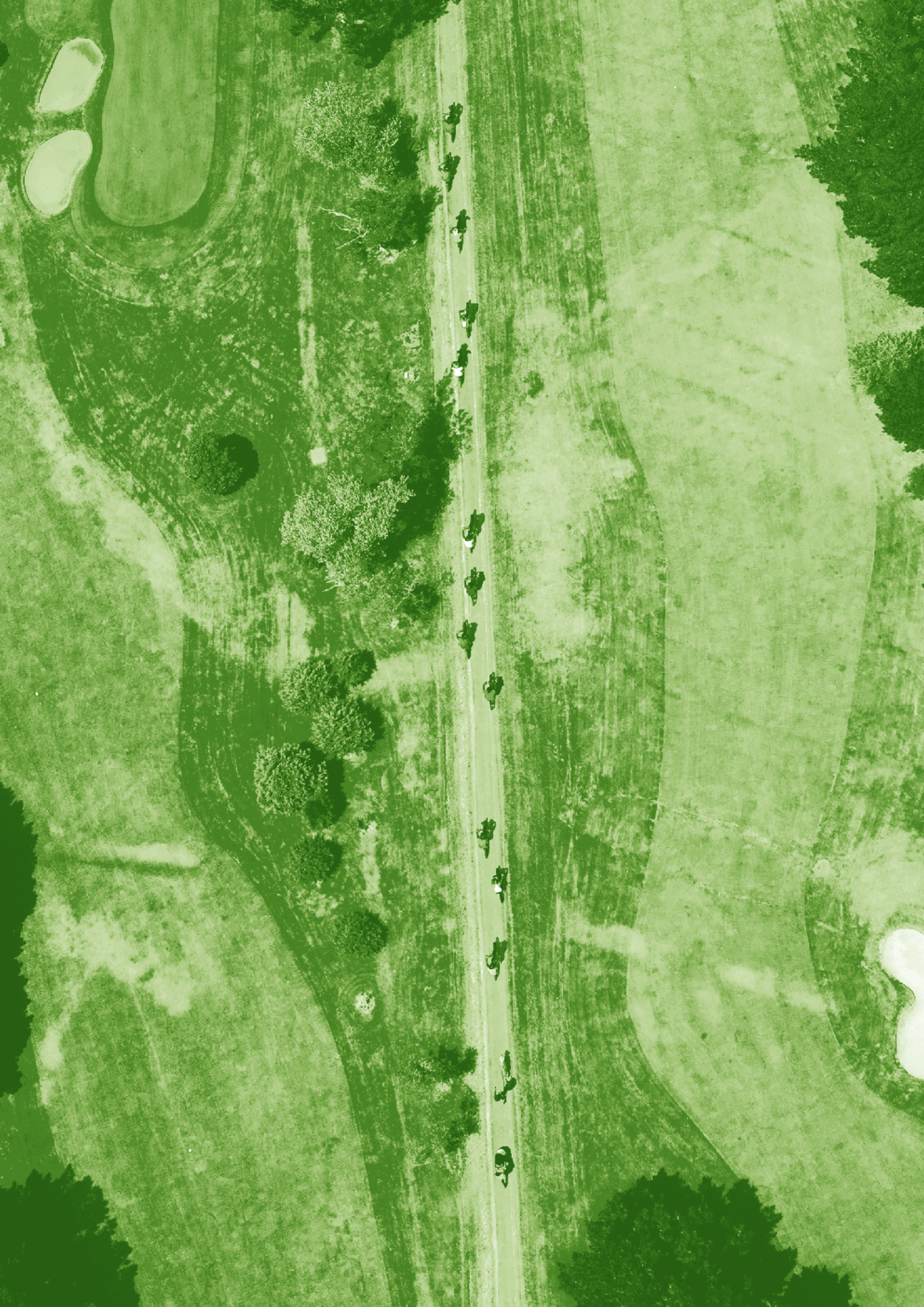
Figure 7: Transport infrastructure resilience assessment 2015

TRANSPORT	Resilience Expectations	Assessed Resilience	Desired Movement
Local Roads			
Suburban			–
Main arterial with alternate			–
Main arterial – no alternate			–
Strategic freight routes			▲
National Roads			
National with alternate			–
National – no alternate			▲
Road/Rail Link Span			
Cook Strait ferries & terminals			–
Rail			
Suburban (incl rolling stock)			▲
National (incl rolling stock)			▲
National Train Control Centre			▲
Ports			
Individual Ports			–
Ports with specialist facilities			▲
Ports Network			▲
Airports			
Regional airports			–
Airways NZ			–

Key: Levels of resilience



³ National Infrastructure Unit, 2015, <http://www.infrastructure.govt.nz/plan/evidencebase/2015-nip-evidence-transport.pdf>



Statement of responsibility

I am responsible, as Chief Executive of the Ministry of Transport (the Ministry) for:

- ▶ the preparation of the Ministry's financial statements, statements of expenses and capital expenditure, and the judgements made in them
- ▶ having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting
- ▶ ensuring end-of-year performance information on each appropriation administered by the Ministry is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this annual report
- ▶ the accuracy of any end-of-year performance information prepared by the Ministry, whether or not that information is included in this annual report.


In my opinion:

- ▶ the financial statements fairly reflect the financial position of the Ministry as at 30 June 2015 and its operations for the year ended on that date;
- ▶ the forecast financial statements fairly reflect the forecast financial position of the Ministry as at 30 June 2016 and its operations for the year ending on that date.



Martin Matthews

Chief Executive



Fiona Macmaster

Manager Finance

30 September 2015

Financial performance

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

for the year ended 30 June 2015

Actual 2013/14 \$000		Note	Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000	Unaudited forecast* 2015/16 \$000
	Revenue					
33,371	Revenue Crown	2	31,273	32,473	31,862	32,473
279	Other revenue	3	429	230	471	320
33,650	Total revenue		31,702	32,703	32,333	32,793
	Expenses					
16,447	Personnel expenses	4	16,464	17,720	17,020	17,320
12,929	Other operating expenses	5	10,793	10,759	11,107	11,176
3,427	Contractual payments to Crown entities	6	3,559	3,427	3,563	3,517
217	Capital charge	7	217	220	220	220
410	Depreciation – property, plant and equipment	10	519	368	368	351
216	Amortisation – intangible assets	11	74	209	55	209
4	Finance cost	14	56	-	-	-
33,650	Total expenses		31,682	32,703	32,333	32,793
-	Net surplus		20	-	-	-
-	Gain on revaluation of Milford aerodrome	10	102	-	102	-
-	Total comprehensive revenue and expense		122	-	102	-

Explanations of significant variances against budget are detailed in note 21.

STATEMENT OF MOVEMENTS IN EQUITY

for the year ended 30 June 2015

Actual 2013/14 \$000		Note	Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000	Unaudited forecast* 2015/16 \$000
2,708	Balance at 1 July		2,708	2,708	2,708	2,810
-	Total comprehensive revenue and expense		122	-	102	-
	Owner transactions					
-	Provision to repay surplus to Crown		[20]	-	-	-
2,708	Balance at 30 June	8	2,810	2,708	2,810	2,810

*The statement of accounting policies provides explanations of these forecast figures.

The notes form an integral part of, and should be read in conjunction with, the financial statements.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2015

Actual 2013/14 \$000		Note	Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000	Unaudited forecast* 2015/16 \$000
	Equity					
1,947	Taxpayers funds		1,947	1,947	1,947	1,947
761	Revaluation reserve – Aerodrome		863	761	863	863
2,708	Total equity	8	2,810	2,708	2,810	2,810
	Represented by:					
	Current assets					
3,365	Cash and cash equivalents	16	2,763	5,323	3,131	3,341
3,068	Debtors, prepayments and other receivables under exchange transactions	9	3,454	15	2,950	2,950
6,433	Total current assets		6,217	5,338	6,081	6,291
	Non-current assets					
2,171	Property, plant and equipment	10	1,836	1,937	2,005	1,794
117	Intangible assets	11	104	481	484	485
12	Work in progress	11	-	-	-	-
2,300	Total non-current assets		1,940	2,418	2,489	2,279
8,733	Total assets		8,157	7,756	8,570	8,570
	Current liabilities					
2,655	Creditors and other payables under exchange transactions	12	1,996	2,083	2,889	2,889
1,734	Employee entitlements	13	1,510	1,132	1,235	1,235
-	Provision to repay surplus		20	-	-	-
4,389	Total current liabilities		3,526	3,215	4,124	4,124
	Non-current liabilities					
948	Employee entitlements	13	1,077	1,149	948	948
688	Provision for lease make-good	14	744	684	688	688
1,636	Total non-current liabilities		1,821	1,833	1,636	1,636
6,025	Total liabilities		5,347	5,048	5,760	5,760
2,708	Net assets		2,810	2,708	2,810	2,810

*The statement of accounting policies provides explanations of these forecast figures.

The notes form an integral part of, and should be read in conjunction with, the financial statements.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2015

Actual 2013/14 \$000		Note	Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000	Unaudited forecast* 2015/16 \$000
	Cash flows from operating activities					
30,324	Crown revenue		30,931	32,538	31,980	32,473
-	Departments		68	-	64	-
90	Crown entities		125	-	171	90
200	Other revenue		211	230	236	230
[16,533]	Personnel costs		[16,553]	[17,720]	[17,020]	[17,320]
[12,148]	Operating expenses		[11,255]	[10,824]	[11,107]	[11,176]
[3,427]	Contractual payments to Crown entities		[3,559]	[3,427]	[3,563]	[3,517]
375	Net GST paid		[220]	-	[265]	-
[217]	Capital charge		[217]	[220]	[220]	[220]
[1,336]	Net cash flows from operating activities	15	[469]	577	276	560
	Cash flows from investing activities					
1	Disposal of property, plant and equipment		-	-	-	-
[114]	Purchase of property, plant and equipment		[84]	[140]	[100]	[140]
[66]	Purchase of intangible assets		[49]	[210]	[410]	[210]
[179]	Net cash flows from investing activities		[133]	[350]	[510]	[350]
	Cash flows from financing activities					
[320]	Repayment of surplus		-	-	-	-
[320]	Net cash flows from financing activities		-	-	-	-
[1,835]	Net increase/(decrease) in cash held		[602]	227	[234]	210
5,200	Cash at 1 July		3,365	5,096	3,365	3,131
3,365	Total cash at 30 June	16	2,763	5,323	3,131	3,341

*The statement of accounting policies provides explanations of these forecast figures.

The net GST paid component of operating activities reflects the net GST paid to and received from the Inland Revenue Department. This component is presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements.

The notes form an integral part of, and should be read in conjunction with, the financial statements.

STATEMENT OF COMMITMENTS

as at 30 June 2015

Non-cancellable operating lease commitments

The Ministry leases property in the normal course of business. This lease is for premises in Wellington, and has a non-cancellable leasing period up to 28 February 2018, with a three-year right of renewal. Rent was subject to review at 1 March 2015, and again at 1 March 2018 if the right of renewal is exercised. The 2015 rent review is not yet resolved.

Actual 2013/14 \$000		Actual 2014/15 \$000
	Non-cancellable operating lease commitments	
1,422	Not later than 1 year	1,417
3,794	Later than 1 year and not later than 5 years	2,364
-	Later than 5 years	-
5,216	Total non-cancellable operating lease commitments	3,781

There are no restrictions placed on the Ministry by its leasing arrangements. The amount disclosed is based on the current rental rates. Total operating lease cost is expensed on a straight-line basis over the life of the lease.

The reduction in commitments is because the accommodation lease is one year closer to expiry.

Capital commitments

The Ministry has no capital commitments as at 30 June 2015 [2013/14: \$nil].

STATEMENT OF CONTINGENT LIABILITIES AND CONTINGENT ASSETS

as at 30 June 2015

The Ministry has no quantifiable contingent liabilities, or contingent assets as at 30 June 2015 [2013/14: \$nil].

Notes to the financial statements

for the year ended 30 June 2015

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

Reporting entity

The Ministry of Transport is a government department, as defined by section 2 of the Public Finance Act 1989 (PFA) and is domiciled and operates in New Zealand. The relevant legislation governing the Ministry's operations includes the PFA. The Ministry's ultimate parent is the New Zealand Crown.

In addition, the Ministry has reported the Crown activities which it administers.

The primary objective of the Ministry is to provide policy services to the public, rather than making a financial return. The Ministry has designated itself a public benefit entity for financial reporting purposes.

The financial statements of the Ministry are for the year ended 30 June 2015. The financial statements were authorised for issue by the Chief Executive of the Ministry on 30 September 2015.

The information in these financial statements comprises the revenue, expenses, assets and liabilities associated with the Ministry operating its Wellington, Auckland and Christchurch offices and the Milford Sound/ Piopiotahi Aerodrome for the year.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements of the Ministry have been prepared in accordance with the requirements of the PFA, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP) and Treasury Instructions.

The financial statements have been prepared in accordance with Tier 1 PBE Accounting Standards (the Standards) and comply with these Standards.

These are the Ministry's first financial statements prepared in accordance with the Standards. The Ministry has not applied any of the transitional provisions available in any of the Standards. There are no adjustments to any of the financial statements as a result of the transition to the Standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars [\$000]. The functional currency of the Ministry is the New Zealand dollar.

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

In May 2013, the External Reporting Board issued a new suite of PBE Accounting Standards for application by public sector entities for reporting periods beginning on or after 1 July 2014. The Ministry has applied these Standards in preparing the 30 June 2015 financial statements.

In October 2014, the Standards were updated to incorporate requirements and guidance for the not for profit sector. These updated Standards apply to PBEs with reporting periods beginning on or after 1 April 2015. The Ministry will apply these updated standards in preparing its 30 June 2016 financial statements. The Ministry expects there will be minimal or no change in applying these updated Standards.

Changes in accounting policies

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

Summary of significant accounting policies

Revenue – Crown and other

The Ministry derives revenue from the provision of outputs to the Crown and for services to third parties. The revenue is deemed to be exchange revenue for the purposes of these financial statements. Such revenue is recognised when earned and is reported in the financial period to which it relates. Revenue is measured at the fair value of the consideration received or receivable.

Capital charge

The Ministry recognises the capital charge as an expense in the period to which it relates.

Foreign currency transactions

The Ministry does not enter into foreign exchange contracts.

It translates foreign currency transactions into New Zealand dollars, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the surplus or deficit.

Operating leases

An operating lease is where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item. Lease payments under an operating lease are recognised as an expense on a straight-line basis in the period in which they are incurred.

Financial instruments

The Ministry is party to financial instruments as part of its normal operations. These financial instruments include cash and bank balances, and accounts receivable and payable. Financial assets and financial liabilities are initially measured at fair value plus transaction costs, unless they are carried at fair value through profit or loss, in which case the transaction costs are recognised in the statement of comprehensive revenue and expense.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits on call with banks with original maturities of three months or less, and are measured at their face value. The Ministry is only permitted to expend its cash and cash equivalents within the scope and limits of its appropriations.

Debtors, prepayments and other receivables

Short-term debtors, prepayments and other receivables are recorded at their face value, less any provision for impairment.

The Ministry considers a receivable impaired when there is objective evidence the Ministry will not be able to collect the amount due according to the original terms.

The amount of the impairment is the difference between the asset's carrying amount and the present value of the amounts expected to be collected.

Property, plant and equipment

Property, plant and equipment consist of leasehold improvements, furniture and fittings, office equipment, and the Milford Sound/Piopiotahi Aerodrome.

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

Individual assets costing more than \$2,000 are capitalised. Assets of a lower cost are capitalised if they are part of a group, or if they are attractive, to improve the control over them.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Ministry and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at fair value, as at the date of acquisition.

Disposal

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When a re-valued asset is sold, the amount included in the revaluation reserve in respect of the asset is transferred to taxpayers' funds.

Revaluation

The Ministry does not revalue its assets, except for the Milford Sound/Piopiotahi Aerodrome, which is stated at optimised depreciated replacement cost as determined by an independent registered valuer. It is re-valued at least every five years. Additions between revaluations are recorded at cost.

The net revaluation result is credited or debited to other comprehensive revenue and expense and accumulated to an aerodrome asset revaluation reserve in equity. Where this would result in a debit balance in the aerodrome asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense, but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit, up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

The revaluation reserve will not be distributed without authorisation by the Crown.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable future economic benefits or service potential associated with the item will flow to the Ministry and the cost of the item can be measured reliably.

The Ministry recognises the costs of day-to-day servicing of property, plant and equipment in the surplus or deficit as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major asset classes have been estimated as follows:

Asset class	Useful life	Depreciation rate
Furniture and fittings	10 years	10% per annum
Leasehold improvements	12 years	8.3% per annum
Milford Sound/ Piopiotahi Aerodrome	3-100 years	1-33.3% per annum
Plant and equipment	2-10 years	10-50% per annum

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

Capital work in progress is not depreciated. The total cost of this work is transferred to the relevant asset category on the completion of the project and then depreciated.

The residual value and useful life of an asset is reviewed, and adjusted if appropriate, at each financial year end.

Intangible assets

Software acquisition and development

Individual assets costing more than \$2,000 are capitalised. Assets of a lower cost are capitalised if they are part of a group, or if they are attractive, to improve the control over them.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs directly associated with the development of software for internal use by the Ministry are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads. Costs associated with the development and maintenance of the Ministry's website are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs of upgrades or updates are only capitalised when they increase the useful life or value of the software. Staff training cost is recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of software have been estimated as follows:

Asset class	Useful life	Depreciation Rate
Software	3-5 years	20-33.3% per annum

Capital work in progress is not amortised. The total cost of this work is transferred to the relevant asset category on the completion of the project and then amortised.

Impairment of property, plant and equipment and intangible assets

All of these Ministry assets are classed as non-cash-generating for impairment testing.

The only Ministry asset that generates a commercial return is the Milford Sound/Piopiotahi Aerodrome. The aerodrome assets are periodically re-valued, which precludes them from being classed as cash-generating.

An intangible asset not yet available for use at the balance sheet date is tested annually for impairment.

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use.

Value in use is the depreciated replacement cost for an asset, where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The impairment loss is recognised in the surplus or deficit, as is the reversal of an impairment loss.

Creditors and other payables

Short-term creditors and other payables are recorded at their face value.

Employee entitlements

Employee entitlements include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, retirement and long service leave entitlements, and sick leave.

Presentation of employee entitlements

Employee entitlements expected to be settled within 12 months of the end of the period in which the employee renders the related service are classified as current liabilities. Employee entitlements expected to be settled beyond 12 months after the end of the reporting period in which the employee renders the related service, are classified as non-current liabilities.

Current liability for employee entitlements

These employee entitlements are measured at nominal values, based on accrued entitlements at current rates of pay.

The Ministry recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent the Ministry anticipates it will be used by staff to cover those future absences.

The Ministry recognises a liability and an expense for bonuses where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation.

Non-current employee entitlements

These employee benefits are calculated on an actuarial basis. The calculations of likely future entitlements are based on:

- ▶ years of service
- ▶ years to entitlement
- ▶ the likelihood that staff will reach the point of entitlement
- ▶ contractual entitlements information
- ▶ the present value of the estimated future cash flows

Expected future payments are discounted using market yields on Government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash outflows for entitlements. The inflation factor is based on the expected long-term increase in remuneration for employees. The discount rates used are detailed below and are provided by the Treasury.

	2014/15 %	2015/16 %	Outyears %
Discount rate	2.93	2.81	4.39
Salary inflation factor %	2.00	3.00	3.00

Defined contribution superannuation schemes

Obligations for employer contributions to the State Sector Retirement Savings Scheme, Kiwisaver and the Government Superannuation Fund are accounted for as defined contribution schemes, and are recognised as an expense in the surplus and deficit as incurred.

Equity

Equity is the Crown's investment in the Ministry, and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified as taxpayers funds and property revaluation reserves.

Property revaluation reserves

The reserve relates to the revaluation of Milford Sound/ Piopiotahi Aerodrome to fair value.

Provisions

The Ministry recognises a provision for future expenses of uncertain amount or timing when:

- ▶ there is a present obligation (either legal or constructive) as a result of a past event
- ▶ it is probable an outflow of future economic benefits will be required to settle the obligation and
- ▶ a reliable estimate can be made of the amount of the obligation

Provisions are not recognised for deficits from future operating activity.

Provisions are measured at the present value of the expenditure and are discounted using market yields on Government bonds at balance dates with terms to maturity that match as closely as possible the estimated timing of future cash outflows. The increase in the provision due to the passage of time is recognised as a interest expense and is included in finance costs.

Goods and services tax (GST)

All items in the financial statements, including appropriation statements, are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the Inland Revenue Department, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

The Ministry is a public authority and so is exempt from the payment of income tax. Accordingly, no charge for income tax has been provided.

Statement of cash flows

Cash means cash balances on hand and held in bank accounts.

Operating activities include cash received from all income sources of the Ministry and record 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 payment to the Crown of the operating surplus achieved by the Ministry and any capital withdrawals or investments by the Crown.

Commitments

Expenses yet to be incurred on non-cancellable contracts entered into on or before balance date are disclosed as commitments, to the extent there are equally unperformed obligations.

Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are disclosed at the point at which the contingency is evident.

Statement of cost accounting policies

The Ministry has determined the cost of outputs, using the cost allocation system outlined below.

Types of cost

Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be identified with a specific output in an economically feasible manner.

Method of assigning direct costs to outputs

Direct costs, such as consultants, are charged to outputs on the basis of the cost of the service provided.

Personnel costs are allocated to outputs, based on the time recording data from the Ministry's time recording system.

Method of assigning indirect costs to outputs

Indirect costs are allocated to outputs through a two-stage process. The costs are assigned to cost centres within the Ministry, and then the costs are allocated to outputs on the basis of the direct staff time attributable to the outputs of that cost centre.

Critical accounting estimates and assumptions

In preparing these financial statements, the Ministry has made estimates and assumptions about the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Retirement and long service leave

Note 13 provides an analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities.

Useful lives of property, plant and equipment and intangible assets

The Ministry determines the useful lives of assets based on its best assessment of the asset's use.

Critical judgements in applying the Ministry's accounting policies

Management has exercised the following critical judgements in applying the Ministry's accounting policies for the year ended 30 June 2015.

Operating lease

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Ministry. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the statement of financial position as property, plant and equipment. With an operating lease, no such asset is recognised.

The Ministry has exercised its judgement on the appropriate classification of its accommodation lease, and has determined it to be an operating lease.

Budget figures

The 2015 budget figures are for the year ended 30 June 2015 and were published in the 2013/14 annual report. They are consistent with the Ministry's best estimate financial forecast information submitted to the Treasury for the Budget Economic Forecast Update (BEFU) for the year ending 30 June 2015.

The 2016 forecast figures are for the year ending 30 June 2016, and are consistent with the best estimate financial forecast information submitted to the Treasury for the Budget Economic Forecast Update (BEFU) for the year ending 30 June 2016.

The forecast financial statements have been prepared, as required by the PFA, to communicate forecast financial information for accountability purposes.

The budget and forecast figures are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements.

The 30 June 2016 forecast figures have been prepared in accordance with PBE FRS 42 Prospective Financial Statements and comply with PBE FRS 42.

The forecast financial statements were approved for issue by the Chief Executive on 21 April 2015. The Chief Executive is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

While the Ministry regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2016 will not be published.

Significant assumptions used in preparing the forecast financials

The forecast figures contained in these financial statements reflect the Ministry's purpose and activities and are based on a number of assumptions on what may occur during 2015/16. The forecast figures have been compiled on the basis of existing government policies and Ministerial expectations at the time the Main Estimates were finalised.

The main assumptions, which were adopted as at 21 April 2015, were as follows:

- ▶ the Ministry's activities and output expectations will remain substantially the same as the previous year, focusing on the Government's priorities
- ▶ estimated year-end information for 2014/15 was used as the opening position for the 2015/16 forecasts.
- ▶ personnel costs were based on 151 full-time equivalent staff, which takes into account staff turnover
- ▶ operating costs were based on historical experience and other factors believed to be reasonable in the circumstances and are the Ministry's best estimate of future costs that will be incurred
- ▶ remuneration rates are based on current wages and salary costs, adjusted for anticipated remuneration changes

The actual financial results achieved for 30 June 2016 are likely to vary from the forecast information presented, and the variations may be material.

Since the approval of the forecasts, there has been no significant change or event that would have a material impact on the forecasts.

NOTE 2: REVENUE CROWN

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000	Unaudited forecast 2015/16 \$000
-	Policy advice and related outputs multi category appropriation	29,597	30,843	30,186	30,843
31,855	Policy advice and related outputs multi class output appropriation	-	-	-	-
1,087	Search and rescue activity co-ordination PLA	1,201	1,201	1,201	1,201
429	Fuel excise duty refund administration	475	429	475	429
33,371	Total revenue Crown	31,273	32,473	31,862	32,473

NOTE 3: OTHER REVENUE

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000	Unaudited forecast 2015/16 \$000
70	From Crown entities	192	-	235	90
209	Other recoveries	237	230	236	230
279	Total other revenue	429	230	471	320

NOTE 4: PERSONNEL EXPENSES

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000	Unaudited forecast 2015/16 \$000
15,635	Salary and wages	15,379	16,300	15,600	15,900
556	Employer contributions to defined contribution schemes	561	560	560	560
36	Annual leave	88	-	-	-
[37]	Long service leave	28	90	90	90
[96]	Retirement leave	164	90	90	90
[1]	Sick leave	[1]	-	-	-
354	Other personnel costs	245	680	680	680
16,447	Total personnel expenses	16,464	17,720	17,020	17,320

Employer contributions to defined contribution plans include contributions to State Sector Retirement Savings Scheme, KiwiSaver, and the Government Superannuation Fund.

NOTE 5: OTHER OPERATING EXPENSES

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000	Unaudited forecast 2015/16 \$000
6,783	Consultant, research and legal expenses	4,623	5,578	5,926	5,957
2,667	Other operating expenses	2,500	1,989	2,125	2,079
1,677	Information technology expenses	1,822	1,700	1,700	1,700
1,476	Operating lease payments	1,585	1,580	1,580	1,580
237	Advertising and publicity	180	200	200	200
78	Audit NZ – the financial statement audit	81	86	86	86
10	Audit NZ – for project assurance services	-	-	-	-
1	Loss on disposal of assets	2	-	-	-
12,929	Total other operating expenses	10,793	11,133	11,617	11,602

NOTE 6: CONTRACTUAL PAYMENTS TO CROWN ENTITIES

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000	Unaudited forecast 2015/16 \$000
	NZ Transport Agency:				
899	For rules programme activity	899	899	899	899
429	For fuel excise duty refund activity	561	429	565	519
1,200	Civil Aviation Authority: for rules programme activity	1,200	1,200	1,200	1,200
899	Maritime New Zealand: for rules programme activity	899	899	899	899
3,427	Total contractual payments to Crown entities	3,559	3,427	3,563	3,517

NOTE 7: CAPITAL CHARGE

The Ministry pays a capital charge to the Crown on its taxpayers funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2015 was 8 percent (2014: 8 percent).

NOTE 8: EQUITY

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000	Unaudited forecast 2015/16 \$000
	Taxpayers funds				
1,947	Balance at 1 July	1,947	1,947	1,947	1,947
-	Net surplus/(deficit)	20	-	-	-
-	Provision to repay surplus	[20]	-	-	-
1,947	Balance 30 June	1,947	1,947	1,947	1,947
	Aerodrome revaluation reserve				
761	Balance at 1 July	761	761	761	863
-	Revaluation	102	-	102	-
761	Balance at 30 June	863	761	863	863
2,708	Total equity	2,810	2,708	2,810	2,810

NOTE 9: DEBTORS, PREPAYMENTS AND OTHER RECEIVABLES UNDER EXCHANGE TRANSACTIONS

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000	Unaudited forecast 2015/16 \$000
3,047	Due from the Crown	3,406	-	2,929	2,929
21	Other receivables under exchange transactions	48	15	21	21
3,068	Total debtors, prepayments and other receivables under exchange transactions	3,454	15	2,950	2,950

The carrying value of debtors, prepayments and other receivables approximates their fair value. Other receivables greater than 30 days in age are considered to be past due. No debtor is past due (2013/14: \$ nil), and the Ministry has assessed that no provision for impairment is required (2013/14: \$ nil).

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements \$000	Plant and equipment \$000	Aerodrome \$000	Furniture and fittings \$000	Total \$000	Unaudited Main Estimates \$000	Unaudited Supplementary Estimates \$000
Cost or valuation							
Balance at 1 July 2013	2,170	1,263	1,345	842	5,620	5,621	5,621
Additions	-	111	-	3	114	100	114
Disposals	-	[66]	-	[12]	[78]	-	[79]
Balance at 30 June 2014	2,170	1,308	1,345	833	5,656	5,721	5,656
Balance at 1 July 2014	2,170	1,308	1,345	833	5,656	5,721	5,656
Additions	-	81	-	3	84	140	100
Revaluations	-	-	[35]	-	[35]	-	102
Disposals	-	[93]	-	-	[93]	-	-
Balance at 30 June 2015	2,170	1,296	1,310	836	5,612	5,861	5,858
Accumulated depreciation							
Balance at 1 July 2013	1,550	865	93	643	3,151	3,152	3,152
Depreciation	149	159	25	77	410	404	410
Disposals	-	[66]	-	[10]	[76]	-	[77]
Balance at 30 June 2014	1,699	958	118	710	3,485	3,556	3,485
Balance at 1 July 2014	1,699	958	118	710	3,485	3,556	3,485
Depreciation	268	155	26	70	519	368	368
Revaluations	-	-	[137]	-	[137]	-	-
Disposals	-	[91]	-	-	[91]	-	-
Balance at 30 June 2015	1,967	1,022	7	780	3,776	3,924	3,853
Carrying amounts							
At 1 July 2013	620	398	1,252	199	2,469	2,469	2,469
At 30 June and 1 July 2014	471	350	1,227	123	2,171	2,165	2,171
At 30 June 2015	203	274	1,303	56	1,836	1,937	2,005
Forecast at 30 June 2016 [unaudited]	211	285	1,284	14	1,794		

Milford Sound/Piopirotahi Aerodrome (the aerodrome) was valued at 31 March 2015 by an independent valuer, M Gordon [BE Hons, MBA, CPEng, MIPENZ], of AECOM [NZ] Limited. This valuation was done on the basis of the aerodrome's optimised depreciated replacement cost.

NOTE 11: INTANGIBLE ASSETS

	Purchased software \$000	Unaudited Main Estimates \$000	Unaudited Supplementary Estimates \$000
Cost			
Balance at 1 July 2013	1,650	1,696	1,695
Additions	99	410	66
Balance at 30 June 2014	1,749	2,106	1,761
Balance at 1 July 2014	1,749	2,106	1,761
Additions	61	210	410
Disposals	[146]	-	-
Balance at 30 June 2015	1,664	2,316	2,171
Accumulated amortisation			
Balance at 1 July 2013	1,416	1,417	1,416
Amortisation expense	216	209	216
Balance at 30 June 2014	1,632	1,626	1,632
Balance at 1 July 2014	1,632	1,626	1,632
Amortisation expense	74	209	55
Disposals	[146]	-	-
Balance at 30 June 2015	1,560	1,835	1,687
Carrying amounts			
At 1 July 2013	234	279	279
At 30 June and 1 July 2014	117	480	129
At 30 June 2015	104	481	484
Forecast at 30 June 2016 (unaudited)	485		

There are no restrictions over the title of the Ministry's intangible assets, nor are any intangible assets pledged as security for liabilities.

Work in progress

The total amount of software in the course of construction is nil. [2013/14: \$11,590].

NOTE 12: CREDITORS AND OTHER PAYABLES UNDER EXCHANGE TRANSACTIONS

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000	Unaudited forecast 2015/16 \$000
1,502	Accrued expenses	1,669	1,500	2,000	2,000
870	Trade creditors under exchange transactions	245	83	389	389
264	GST payable	61	-	-	-
19	Revenue received in advance	21	-	-	-
2,655	Total creditors and other payables under exchange transactions	1,996	1,583	2,389	2,389

Creditors and other payables are non-interest bearing and are normally settled on the 20th of the next month, therefore the carrying value of creditors and other payables approximates their fair value.

NOTE 13: EMPLOYEE ENTITLEMENTS

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000	Unaudited forecast 2015/16 \$000
	Current liabilities				
498	Accrued salary	124	500	500	500
952	Annual leave	1,040	915	1,018	1,018
104	Long service leave	95	100	100	100
149	Retirement leave	221	86	86	86
31	Sick leave	30	31	31	31
1,734	Total of current portion	1,510	1,632	1,735	1,735
	Non current liabilities				
126	Long service leave	163	150	150	150
822	Retirement leave	914	999	798	798
948	Total of non-current portion	1,077	1,149	948	948
2,682	Total provision for employee entitlements	2,587	2,781	2,683	2,683

Accrued salary arises from the fortnightly paydays which do not equate to the year end. Days owed at 30 June 2015: 9 [2013/14:8].

Annual leave reflects the entitlement yet to be taken by staff.

Long service and retirement leave obligations are determined on an actuarial basis using several assumptions. Two key assumptions used are the discount rate and the salary inflation factor. Any changes in this assumption will impact on the carrying amount of the liability. The discount rate and inflation factors used are detailed in the accounting policies.

If the discount rate were to differ by one percent from the Ministry's estimates, with all other factors held constant, the estimated carrying amount of the liability would be \$95,000 higher/ lower.

If the inflation factor were to differ by one percent from the Ministry's estimates, with all other factors held constant, the estimated carrying amount of the liability would be \$107,000 higher/ lower.

NOTE 14: PROVISION FOR LEASE MAKE-GOOD

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000	Unaudited forecast 2015/16 \$000
684	Balance at 1 July	688	684	688	688
4	Discount unwind [Finance cost]	56	-	-	-
688	Balance at 30 June	744	684	688	688

At the expiry of the lease term for its leased premises, the Ministry is required to make good any damage caused to the premises and to remove any fixtures or fittings installed by the Ministry. The Ministry may have the option to renew the lease, which impacts on the timing of any cash outflows.

The finance cost reflects the annual cost incurred in making this provision and is based on an actuarial determination.

NOTE 15: RECONCILIATION OF THE NET SURPLUS IN THE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE WITH NET CASH FLOWS FROM OPERATING ACTIVITIES IN THE STATEMENT OF CASH FLOWS

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000	Unaudited forecast 2015/16 \$000
-	Net surplus	20	-	-	-
	Add non-cash items				
410	Depreciation of property, plant and equipment	519	368	368	351
216	Amortisation of intangible assets	74	209	55	209
1	Loss on disposal of assets	2	-	-	-
627	Total of non-cash items	595	577	423	560
	Add/[deduct] movements in working capital items				
[2,940]	[Increase]/decrease in debtors and other receivables	[386]	-	118	-
952	Increase/[decrease] in payables and provisions	[603]	-	[265]	-
25	Increase/[decrease] in employee entitlements	[95]	-	-	-
[1,963]	Net movements in working capital items	[1,084]	-	[147]	-
[1,336]	Net cash flows from operating activities	[469]	577	276	560

NOTE 16: RECONCILIATION OF CASH AND CASH EQUIVALENTS IN THE STATEMENT OF FINANCIAL POSITION WITH TOTAL CASH AT 30 JUNE IN THE STATEMENT OF CASH FLOWS

Total cash at 30 June each year in the Statement of cash flows matches cash and cash equivalents in the Statement of financial position at 30 June each year.

NOTE 17: FINANCIAL INSTRUMENTS

The Ministry's activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk. The Ministry has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions speculative in nature to be entered into.

Credit risk

Credit risk is the risk a third party will default on its obligation to the Ministry, causing the Ministry to incur a loss. In the normal course of its business, credit risk arises from debtors, deposits with banks, and derivative financial instrument assets. The Ministry is only permitted to deposit funds with Westpac, a registered bank, and enter into foreign exchange forward contracts with the New Zealand Debt Management Office. These entities have high credit ratings. For its other financial instruments, the Ministry does not have significant concentrations of credit risk.

The Ministry's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, net debtors, and derivative financial instrument assets. There is no collateral held as security against these financial instruments, including those instruments overdue or impaired.

Liquidity risk

Liquidity risk is the risk the Ministry will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the Ministry closely monitors its forecast cash requirements with expected cash draw downs from the New Zealand Debt Management Office. The Ministry maintains a target level of available cash to meet liquidity requirements.

The table below analyses the Ministry's financial liabilities that will be settled, based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows, based on the liabilities in note 12.

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000	Unaudited forecast 2015/16 \$000
2,655	Less than 6 months [note 12]	1,996	1,583	2,389	2,389
-	Greater than 6 months	-	-	-	-

Market risk

Interest rate risk

Interest rate risk is the risk the fair value of a financial instrument will fluctuate, or the cash flows from a financial instrument will fluctuate, due to changes in market interest rates.

The Ministry has no exposure to interest rate risk because it has no interest-bearing financial instruments.

Currency risk

Currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Ministry has no exposure to currency risk because it does not enter into foreign exchange forward contracts.

NOTE 18: CATEGORIES OF FINANCIAL INSTRUMENTS

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

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000	Unaudited forecast 2015/16 \$000
	Loans and receivables				
3,365	Cash and cash equivalents	2,763	5,323	3,131	3,341
3,068	Debtors, prepayments and other receivables under exchange transactions [note 9]	3,454	15	2,950	2,950
	Financial liabilities measured at amortised cost				
2,655	Creditors and other payables under exchange transactions [note 12]	1,996	1,583	2,389	2,389

NOTE 19: RELATED PARTY INFORMATION

The Ministry is a wholly-owned entity of the Crown. The Ministry has been provided with funding from the Crown of \$31.2 million (2013/14: \$33.4 million), for specific purposes as set out in the scopes of the relevant Government appropriations.

Related party disclosures have not been made for transactions with related parties within a normal supplier or client/recipient relationship, on terms and condition no more or less favourable than those it is reasonable to expect the Ministry would have adopted, in dealing with the party at arm's length in the same circumstances. Further, transactions with other Government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions, when they are consistent with the normal operating arrangements between Government agencies and undertaken on the normal terms and conditions for such transactions.

Revenue was received from other entities controlled by the Crown as described in note 3. This was to reimburse the Ministry for costs.

The Ministry also purchases transport outputs from other transport entities controlled by the Crown. These transactions are detailed in note 6 of these financial statements.

Transactions with key management personnel

During 2014/15 and 2013/14, the Ministry did not enter into any transactions with key management personnel or their close families.

Key management personnel compensation

Actual 2013/14 \$000		Actual 2014/15 \$000
1,691	Salaries and other short-term employee benefits	1,730
82	Termination benefits	-
1,773	Total key management personnel compensation	1,730

At 30 June 2015, key management personnel includes the Chief Executive and the five members (2013/14: five members) of the senior management team. This is 6 FTE (2013/14: 6 FTE)

NOTE 20: CAPITAL MANAGEMENT

The Ministry's capital is its equity, which comprises tax-payers funds and the aerodrome revaluation reserve. Equity is represented by net assets.

The Ministry manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The Ministry's equity is largely managed as a by-product of managing income, expenses, assets, liabilities and compliance with the Government budget process and the Treasury instructions.

The objective of managing the Ministry's equity is to ensure the Ministry effectively achieves the goals and objectives for which it has been established, whilst remaining a going concern.

NOTE 21: MAJOR CHANGES TO THE DEPARTMENTAL OUTPUT BUDGETS

Changes were made to the Ministry's departmental output budgets for 2014/15 by way of the Supplementary Estimates. Explanations for the changes were outlined in the 2014/15 Supplementary Estimates [page 769 onwards]. The net changes appear in the following table.

	Unaudited Main Estimates \$000	Unaudited Supplementary Estimates \$000	Cumulative Vote \$000
Appropriations for departmental output expenses			
Policy advice and related outputs – multi category appropriation [MCA]	30,843	[506]	30,337
Fuel excise duty refund administration	429	136	565
Milford Sound/ Piopiotahi Aerodrome operation and administration	230	-	230
Search and rescue activity co-ordination PLA	1,201	-	1,201
Total departmental appropriations	32,703	[370]	32,333

The adjustments to the appropriations were:

- ▶ reprioritisation of \$0.58 million from the Policy advice and related outputs MCA – \$0.49 million to non-departmental Vote Transport appropriations and \$0.09 million to the Ministry of Social Development
- ▶ additional revenue of \$0.074 million in the Policy advice and related outputs MCA
- ▶ additional revenue of \$0.136 million for Fuel excise duty refund administration.

NOTE 22: EXPLANATION OF MAJOR VARIANCES BETWEEN ACTUAL AND BUDGET FIGURES

The significant variances between the actual results and the figures included in the Supplementary Estimates of Appropriations for the year ended 30 June 2015 are:

Statement of comprehensive revenue and expense

Revenue Crown

The actual revenue Crown figure was \$0.6 million below the Supplementary Estimates. This amount was not drawn because it was not required to fund expenditure.

Expenses

Personnel expenditure was \$0.6 million below the Supplementary Estimates, due to turnover and vacancies.

Statement of financial position

Assets

Cash and cash equivalents were \$0.4 million lower than the Supplementary Estimates due mainly to debtors being higher than anticipated.

Debtors, prepayments and other receivables

Debtors were \$0.5 million higher than Supplementary Estimates. Drawing of some Crown revenue was deferred because the Ministry has sufficient cash to meet its needs in the short term.

Intangible assets

Intangible assets were \$0.4 million lower than Supplementary Estimates. Forecast expenditure on the Ministry's Document Management System has not started yet.

NOTE 23: EXPLANATIONS OF MAJOR VARIANCES BETWEEN ACTUAL AND FORECAST 2015/16 FIGURES

The significant variances between the actual results and the forecast 2015/16 figures are:

Statement of comprehensive revenue and expense

Revenue Crown

Forecast 2015/16 Revenue Crown is \$1.2 million higher than 2014/15 actual. This is a combination of:

- ▶ reprioritisation of \$0.580 million to non-departmental appropriations in 2014/15
- ▶ \$0.6 million was not required to fund expenditure in 2014/15.

Expenses

Forecast 2015/16 personnel expenses are \$0.9 million higher than 2014/15 actual, due to a net of:

- ▶ some \$0.6 million not spent in 2014/15, due to turnover and vacancies
- ▶ approximately \$0.3 million for expected salary increases in 2015/16.

Statement of financial position

Assets

Forecast 2015/16 cash and cash equivalents is \$0.6 million higher than 2014/15 actual, mainly due to debtors being forecast to be lower in 2015/16.

Debtors, prepayments and other receivables

Forecast 2015/16 debtors, prepayments and other receivables is \$0.5 million lower than 2014/15 actual. Drawing of some 2014/15 Crown revenue was deferred because there was sufficient cash available to meet the Ministry's needs in the short term.

Intangible assets

Forecast 2015/16 intangible assets is \$0.4 million higher than 2014/15 actual. Forecast expenditure on the Ministry's Document Management System has not started yet.

Forecast 2015/16 figures are not subject to audit.

NOTE 24: EVENTS AFTER BALANCE SHEET DATE

No event has occurred since the end of the financial period [not otherwise dealt with in the financial statements] that has affected, or may significantly affect, the Ministry's operations or state of affairs for the year ended 30 June 2015.



Non-departmental schedules and statements

INTRODUCTION/OVERVIEW

The following non-departmental statements and schedules record the revenue and receipts, expenses, assets and liabilities that the Ministry manages on behalf of the Crown. The Ministry administered:

- ▶ \$1.427 billion of non-departmental revenue and receipts (2013/14: \$1.398 billion)
- ▶ \$3.269 billion of non-departmental expenses (2013/14: \$2.956 billion)
- ▶ \$0.097 billion of non-departmental assets (2013/14: \$0.108 billion)
- ▶ \$0.494 billion of non-departmental liabilities (2013/14: \$0.368 billion)

on behalf of the Crown for the year ended 30 June 2015.

Further details of the management of these Crown assets and liabilities are provided later in this report.

SCHEDULE OF NON-DEPARTMENTAL REVENUE AND RECEIPTS

for the year ended 30 June 2015

This schedule summarises non-departmental revenues and receipts the Ministry collects on behalf of the Crown.

Actual 2013/14 \$000		Note	Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
1,349,290	Indirect taxation	2	1,413,191	1,419,356	1,417,229
1,525	Other 'sovereign power' revenue	3	1,351	1,400	1,400
46,934	Other operational revenue	4	12,062	19,783	11,928
[93]	Share of net asset increase in joint venture airports	9	[30]	-	-
1,397,656	Total non-departmental revenue and receipts		1,426,574	1,440,539	1,430,557

SCHEDULE OF NON-DEPARTMENTAL EXPENSES

for the year ended 30 June 2015

This schedule summarises non-departmental expenses the Ministry administers on behalf of the Crown. Further details are provided in the appropriation statements.

Actual 2013/14 \$000		Note	Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
1,981,513	Non-departmental output classes	5	2,038,714	1,968,967	2,070,642
776,227	Purchase or development of capital assets	6	1,074,033	936,543	886,216
195,766	Other expenses to be incurred by the Crown	7	137,591	120,718	142,897
-	Non-departmental multi category		9,875	9,927	10,048
3,379	Bad debts expense		4,091	4,000	4,500
[1,044]	Movement in doubtful debts provision		5,137	-	-
2,955,841	Total non-departmental expenses		3,269,441	3,040,155	3,114,303

SCHEDULE OF NON-DEPARTMENTAL ASSETS

as at 30 June 2015

This schedule summarises the assets the Ministry administers on behalf of the Crown.

Actual 2013/14 \$000		Note	Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
	Current assets				
19,584	Cash and bank balances		5,345	20,000	20,000
64,153	Receivables and advances	8	66,442	51,155	64,153
	Non-current assets				
24,402	Investment in joint venture airports	9	24,756	25,929	25,836
108,139	Total non-departmental assets		96,543	97,084	109,989

In addition, the Ministry monitors a number of Crown entities. These are:

- ▶ Civil Aviation Authority [which includes the Aviation Security Service]
- ▶ Maritime New Zealand
- ▶ NZ Transport Agency
- ▶ Transport Accident Investigation Commission.

The investment in these entities is recorded within the Crown financial statements on a line-by-line basis. No disclosure is made in this schedule.

SCHEDULE OF NON-DEPARTMENTAL LIABILITIES

as at 30 June 2015

This schedule summarises the liabilities the Ministry administers on behalf of the Crown.

Actual 2013/14 \$000		Note	Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
	Current liabilities				
368,408	Payables	11	493,585	348,251	338,636
368,408	Total non-departmental liabilities		493,585	348,251	338,636

Payables are non-interest bearing and are normally settled on 30-day terms, therefore, carrying value of payables approximates their fair value.

The notes form an integral part of, and should be read in conjunction with, the financial statements.

STATEMENT OF NON-DEPARTMENTAL COMMITMENTS

as at 30 June 2015

This statement records those expenses to which the Crown is contractually committed and which will become liabilities, if and when the terms of the contracts are met.

Actual 2013/14 \$000		Actual 2014/15 \$000
	Operating commitments	
74,296	Other non-cancellable contracts for the supply of goods and services	90,147
74,296	Total operating commitments	90,147
	Term classification of commitments	
18,574	Not later than 1 year	21,212
18,574	More than 1 year but less than 2 years	21,917
37,148	Between 2 and 5 years	47,018
-	Greater than 5 years	-
74,296	Total operating commitments	90,147

STATEMENT OF NON-DEPARTMENTAL CONTINGENT LIABILITIES

as at 30 June 2015

This statement discloses situations which exist at 30 June 2015, the ultimate outcome of which is uncertain and will be confirmed only on the occurrence of one or more future events after the date of approval of the financial statements.

Actual 2013/14 \$000		Actual 2014/15 \$000
10,000	Transport Accident Investigation Commission emergency guarantee	10,000
10,000	Total contingent liabilities	10,000

The Minister of Finance has issued a \$10 million guarantee to the Transport Accident Investigation Commission, for use in the event of a major transport accident [air, rail or marine] where the Commission would have to hire specialist recovery equipment. This is expected to be a near permanent guarantee.

In addition to the contingent liability disclosed above, an indemnity has been provided by the Crown to the Meteorological Service of New Zealand for potential third party claims in excess of arranged public liability cover. The value of the liability will depend on the circumstances of the claim [unchanged since 21 August 2000]. This indemnity ceases from 1 July 2015.

Notes to non-departmental schedules

for the year ended 30 June 2015

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

Reporting entity

These non-departmental schedules and statements present financial information on public funds managed by the Ministry on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government for the year ended 30 June 2015. For a full understanding of the Crown's financial position, results of operations, and cash flows for the year, refer to the Financial Statements of the Government.

The Ministry's responsibility is to manage the revenue, expenditure, assets and liabilities on behalf of the Crown. The schedules in respect of the activities administered by the Ministry on behalf of the Crown comprise:

- ▶ collection of indirect tax revenues
- ▶ collection of other revenues
- ▶ payment of refunds on claims received
- ▶ joint venture airports

The schedules and statements have been prepared pursuant to section 35 of the Public Finance Act 1989.

Basis of preparation

The non-departmental statements and schedules have been prepared in accordance with the accounting policies of the Financial Statements of the Government, Treasury Instructions, and Treasury Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental statements and schedules are consistent with New Zealand generally accepted accounting practice (Tier 1 Public Sector Public Benefit Entity Accounting Standards) as appropriate for public benefit entities.

These non-departmental statements and schedules are the first prepared in accordance with the new PBE accounting standards. There are no material adjustments arising on transition to the new PBE accounting standards.

Significant accounting policies

Budget figures

The 2015 budget figures are for the year ending 30 June 2015, which are consistent with the best estimate financial information submitted to Treasury for the BEFU for the year ending 2014/15.

Revenue and receipts

Indirect taxation is deemed to be non-exchange revenue, for the purposes of these financial statements. All other revenue is deemed to be exchange. Revenues from road user charges, motor vehicle licensing fees and tolling revenue are recognised on an accrual basis. Revenues from infringement fees are recognised on a cash basis.

Debtors and other receivables

Receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence the Ministry will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into insolvency, bankruptcy, receivership, or liquidation, and default in payments, are considered indicators the receivable is impaired. For receivables not individually impaired, a collective assessment of impairment is also carried out. This considers past practice of collection history across the receivables portfolio. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the schedule of non-departmental expenses. When a debt is uncollectible, it is written off against the allowance account for debtors. Overdue receivables that are renegotiated are reclassified as current (that is, not past due).

Investments in joint venture airports

Investments represent the Crown's investment in joint venture airports. Investments in the joint venture airports are accounted using the equity method, consolidating the post acquisition net asset increase or decrease into these non-departmental schedules.

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Financial instruments

Crown Vote Transport is party to financial instruments as part of its normal operations. These financial instruments include cash and bank balances, accounts receivable and accounts payable. Revenue and expenses in relation to all financial instruments are recognised in the schedule of non-departmental revenue and receipts and the schedule of non-departmental expenses. All financial instruments are recognised in the schedule of non-departmental assets and the schedule of non-departmental liabilities.

Goods and services tax (GST)

All items in the financial statements, including appropriation statements, are stated exclusive of GST, except for receivables and payables, which are stated on a GST-inclusive basis. GST is returned on revenue received on behalf of the Crown, where applicable. However, an input tax deduction is not claimed on non-departmental expenses. Instead, the amount of GST applicable to non-departmental expense is recognised as a separate expense and eliminated against GST revenue on consolidation of the Financial Statements of the Government.

Commitments

Commitments are future expenses and liabilities to be incurred on contracts entered into at balance date. Information on non-cancellable capital and lease commitments are reported in the statement of commitments.

Contingent liabilities

Contingent liabilities are disclosed at the point at which the contingency is evident.

Changes in accounting policies

The accounting policies have been applied consistently to all years presented in these schedules and statements.

NOTE 2: INDIRECT TAXATION

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
1,204,502	Road user charges	1,282,969	1,267,674	1,265,144
187,112	Motor vehicle registration fees	180,974	195,394	198,621
1,391,614	Sub-total	1,463,943	1,463,068	1,463,765
[42,324]	Fuel excise duty refunds	[50,752]	[43,712]	[46,536]
1,349,290	Total indirect taxation	1,413,191	1,419,356	1,417,229

NOTE 3: OTHER 'SOVEREIGN POWER' REVENUE

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
1,525	Infringement fees – tolls and other	1,351	1,400	1,400
1,525	Total other 'sovereign power' revenue	1,351	1,400	1,400

NOTE 4: OTHER OPERATIONAL REVENUE

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
11,080	Road user charges administration fees	4,006	11,783	3,928
28,206	Other revenue	-	-	-
7,648	Tolling revenue [note 10]	8,056	8,000	8,000
46,934	Total other operational revenue	12,062	19,783	11,928

The decrease in other revenue is mainly due to the payment to the Crown of the settlement proceeds paid by the insurer of the MV Rena in 2013/14. This was a one-off payment that did not recur in 2014/15.

NOTE 5: NON-DEPARTMENTAL OUTPUT CLASSES

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
1,981,513	This expense item is equal to the appropriations for non-departmental output classes listed in the appropriation statements	2,038,714	1,968,967	2,070,642
1,981,513	Total non-departmental output classes	2,038,714	1,968,967	2,070,642

NOTE 6: PURCHASE OR DEVELOPMENT OF CAPITAL ASSETS

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
776,227	This expenditure is for the construction of, and improvement to the State highway network	1,074,033	936,543	886,216
776,227	Total purchase or development of capital assets	1,074,033	936,543	886,216

NOTE 7: OTHER EXPENSES TO BE INCURRED BY THE CROWN

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
-	Auckland rail development	10,878	-	10,878
53,100	Auckland rail development MYA	-	-	-
113,885	Auckland Transport package – fair value write-down of loan	-	-	-
569	Membership of international organisations	577	743	583
3,270	Rail – public policy projects	3,270	3,270	3,270
500	Rail – railway safety	500	500	500
23,905	SuperGold Card – public transport concessions for cardholders *	26,116	25,905	26,100
537	Tauranga maritime incident response	1,250	300	1,566
-	Rail – Auckland metro rail electric multiple unit package	90,000	90,000	90,000
-	Urban cycleways – local routes	5,000	-	10,000
195,766	Total other expenses to be incurred by the Crown	137,591	120,718	142,897

*Approval to spend more than the Supplementary Estimates amount was given by the Minister of Finance. The approval was given prior to the expenditure being incurred, under section 26B of the Public Finance Act 1989.

NOTE 8: RECEIVABLES AND ADVANCES

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
39,017	Motor vehicle registration fees	46,577	36,383	52,481
29,370	Road user charge revenue	29,276	12,687	9,201
1,882	Tolling revenue	1,960	1,985	1,923
471	Infringement revenue	471	100	548
118	Other	-	-	-
70,858	Sub-total	78,284	51,155	64,153
[6,705]	Provision for doubtful debts	[11,842]	-	-
64,153	Total receivables and advances	66,442	51,155	64,153

The carrying value of receivables and advances approximates their fair value. No debtor is past due, and the Ministry has assessed no provision for impairment is required at 30 June 2015 [30 June 2014: \$nil].

For motor vehicle fees and road user charge revenue, debts are assessed for impairment regularly and provision made for non-collectable debts as shown above.

The aging profile of receivables and advances is shown below. Comparative 2014 information is not available:

2014				2015		
Gross \$000	Impairment \$000	Net \$000		Gross \$000	Impairment \$000	Net \$000
			Not past due	64,194	[6,176]	58,018
			Past due 1-90 days	5,284	[1,057]	4,227
			Past due 91-180 days	3,366	[1,010]	2,356
			Past due 181-365 days	4,155	[2,493]	1,662
			Past due >365 days	1,285	[1,106]	179
70,858	[6,705]	64,153	Total	78,284	[11,842]	66,442

NOTE 9: INVESTMENT IN JOINT VENTURE AIRPORTS

Actual 2013/14 \$000		Actual 2014/15 \$000
11,910	New Plymouth	11,880
3,634	Taupo	3,736
5,027	Wanganui	5,087
854	Westport	800
519	Whakatane	795
2,458	Whangarei	2,458
24,402	Total investment in joint venture airports	24,756

The Crown has a 50 percent interest in each airport, with the other 50 percent held by the local council. The value of the investment at 30 June 2015 is based on the annual financial statements of each airport for the year ended 30 June 2014 [2013/14: 30 June 2013], plus capital contributions from the Crown during the year ended 30 June 2015.

The investment was reduced by \$30,000 for losses incurred by the airports during the year ended 30 June 2014 [2013/14: \$93,000 reduction] and increased for capital payments made during 2014/15 of \$384,000 [2013/14: \$116,000].

The net result is a \$354,000 increase in the Crown's equity position for 2014/15 [2013/14: \$23,000 increase].

NOTE 10: INVESTMENT IN THE NORTHERN GATEWAY TOLL ROAD

The Northern Gateway toll road project was completed with a contribution from the Crown of \$158 million. The Crown issued infrastructure bonds to fund the project and the bonds are shown within the financial statements of the Treasury. The toll revenue from the road is intended to cover the costs of the bonds. The charging of a toll began in February 2009 and the tolling revenue is recorded as other operational revenue in Vote Transport [note 4].

It was agreed a notional account would be kept of the 'cost' of the project, using an estimated interest rate charged on the \$158 million advanced. The interest charge is calculated daily, based on the outstanding balance of money advanced, plus interest, less tolling revenue received. The interest rate used is 6.45 percent – the average rate for the infrastructure bonds issued to fund the contribution, plus 15 basis points. The project was modelled using an estimated rate of 6.4 percent. The two tables below show the project since the start and then for the current year. Further information is available at www.tollroad.govt.nz.

Since the commencement of the project

Actual 2013/14 \$000		Actual 2014/15 \$000
158,000	Funding provided for construction	158,000
75,784	Interest charged since funding first drawn	88,799
[35,701]	Tolling revenue since February 2009	[43,757]
198,083	Balance at 30 June	203,042

Current year

Actual 2013/14 \$000		Actual 2014/15 \$000
193,078	Balance at 1 July	198,083
12,653	Interest charge for the year	13,015
[7,648]	Tolling revenue for the year	[8,056]
198,083	Balance at 30 June	203,042

NOTE 11: PAYABLES

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
329,662	National Land Transport Fund revenue payable to the New Zealand Transport Agency	453,282	300,000	300,000
16,334	GST payable	17,194	13,848	16,334
16,069	Motor vehicle registration third party collections	15,771	31,533	16,832
4,262	Output funding payable to the KiwiRail	4,219	1,638	4,262
1,971	Road user charges refunds	1,532	1,232	1,208
110	Output funding payable to Maritime New Zealand	987	-	-
-	Output funding payable to other parties	600	-	-
368,408	Total payables	493,585	348,251	338,636

Payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of payables approximates their fair value.

NOTE 12: FINANCIAL INSTRUMENTS

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

Actual 2013/14 \$000		Actual 2014/15 \$000
	Loans and receivables	
19,584	Cash and cash equivalents	5,345
64,153	Receivables and advances	66,442
83,737	Total loans and receivables	71,787
	Financial liabilities measured at amortised cost	
368,408	Payables	493,585

Credit risk

Credit risk is the risk a third party will default on its obligation, causing a loss to be incurred. Credit risk arises from debtors and deposits with banks.

Funds must be deposited with Westpac, a registered bank.

The maximum credit exposure for each class of financial instruments is represented by the total carrying amount of cash and cash equivalents and net debtors. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired. Other than Westpac Bank, there are no significant concentrations of credit risk.

NOTE 13: MAJOR BUDGET CHANGES

Changes were made to the non-departmental budgets in the 2014/15 Supplementary Estimates. Explanations for significant variances are provided below.

Revenue and receipts

	Unaudited Main Estimates \$000	Unaudited Supplementary Estimates \$000	Cumulative Vote \$000
Indirect taxation			
Motor vehicle registration	195,394	3,227	198,621
Road user charges	1,267,674	[2,530]	1,265,144
Fuel excise duty refunds	[43,712]	[2,824]	[46,536]
Total	1,419,356	[2,127]	1,417,229
Other operational revenue			
Road user charges administration fees	11,783	[7,855]	3,928
Tolling fees	8,000	-	8,000
Total	19,783	[7,855]	11,928

Tax revenue and related fees

The National Land Transport Fund Revenue Forecasting Group meets two or three times a year to reforecast the tax revenue expected for the National Land Transport Fund, based on the current economic forecasts. The changes reflect the result of this process.

Non-departmental expense and capital expenditure appropriations

	Unaudited Main Estimates \$000	Unaudited Supplementary Estimates \$000	Cumulative Vote \$000
Appropriations for non-departmental output expenses			
Accident or incident investigation and reporting	3,865	95	3,960
National Land Transport Program PLA	1,913,650	110,350	2,024,000
Policy advice and related outputs – maritime MCA	7,708	121	7,829
Road user charges collection	13,569	[8,849]	4,720
Search and rescue and recreational boating safety activities PLA	6,943	79	7,022
Non-departmental other expenses			
Auckland rail development	-	10,878	10,878
Bad debt provision – motor vehicle registration/ licenses and road user charges	4,000	500	4,500
Membership of international organisations	743	[160]	583
SuperGold Card – public transport concessions for cardholders	25,905	195	26,100
Tauranga maritime incident response	300	1,266	1,566
Urban cycleways – local routes	-	10,000	10,000
Capital expenditure			
Auckland Transport Package loan	55,000	[55,000]	-
Joint venture airports – Crown contribution MYA	500	934	1,434
Maritime New Zealand	5,900	880	6,780
Maritime New Zealand capital expenditure PLA	-	673	673
Maritime New Zealand – oil response	-	183	183
NLTF borrowing facility for short-term advances	750,000	[250,000]	500,000
Rail – KiwiRail equity injection	-	46,000	46,000
Rail – Wellington metro rail network upgrade	16,343	12,709	29,052
Regional state highways MYA	-	12,000	12,000
Roading – reinstatement of earthquake damaged roads in Christchurch – loan	100,000	[40,000]	60,000
National Land Transport Programme – new infrastructure for and renewal of State highways PLA	936,543	[50,327]	886,216

Explanations for the major changes were outlined in the 2014/15 Supplementary Estimates [pages 769 onwards]. They were:

Accident or incident investigation and reporting

This appropriation increased during the year by \$0.095 million, due to reprioritisation within Vote Transport.

National Land Transport Programme PLA, and

National Land Transport Programme – new infrastructure for and renewal of State highways PLA

The NZ Transport Agency is responsible for the National Land Transport Programme, which delivers the Government objectives laid out in the Government Policy Statement on land transport funding. Road tax revenue is allocated to the fund by legislation and is appropriated in these two appropriations – one operating and one capital.

There are three main reasons for the changes in these appropriations:

- ▶ Funding is transferred to the operating appropriation from the capital one to fund it for planned activity in a year
- ▶ Road tax revenue is forecast two to three times a year. The State highway capital appropriation is adjusted as required as revenue increases or decreases
- ▶ Unspent funding from previous years may be appropriated.

Any shortfall in funding to be covered by the loan facilities is reflected in the capital appropriation. This is for simplicity and is consistent with prior years.

The increase in the operating appropriation is a transfer from the capital appropriation to cover planned expenditure. The decrease in the capital appropriation of \$50.327 million is due to:

- ▶ \$85 million for surplus funds in the National Land Transport Fund at 1 July 2014 [increase]
- ▶ \$13.679 million from changes in the road tax revenue forecasts [decrease]
- ▶ \$110.350 million transferred to the operating appropriation as above [decrease]
- ▶ \$11.298 million [net] appropriated to other outputs that are funded from road tax revenue [decrease].

Policy advice and related outputs – maritime MCA

The appropriation was increased \$0.121 million. This increase was made up of:

- ▶ \$304,000 was an expense transfer from 2013/14 [increase]
- ▶ \$183,000 was transferred to the capital appropriation to fund planned activity [decrease].

Road user charges collection

The reduction of \$8.849 million is due to the appropriation being disestablished.

Search and rescue and recreational boating safety activities PLA

The appropriation increased \$79,000, due to the approval of additional funding to meet the operating costs of the new ground station to pick up search and rescue distress beacon signals.

Auckland rail development

The appropriation was established during the year to hold \$10.878 million of unspent funding from the expired multi-year appropriation for the same purpose.

Bad debt provision – Motor vehicle registration/ licences and Road user charges

The appropriation increased by \$500,000 because the NZ Transport Agency has reduced the threshold for 'auto' invoicing, which has meant more debt and more write-offs.

Membership of international organisations

The appropriation decreased by \$160,000 as unspent funding was returned to the Crown.

SuperGold Card – public transport concessions for cardholders

The appropriation increased by \$195,000 as funding was reprioritised from other appropriations in Vote Transport to cover forecast costs.

Tauranga maritime incident response

The appropriation increased by \$1.266 million as the net of

- ▶ an expense transfer of \$1.146 million from 2013/14 [increase]
- ▶ \$200,000 reprioritised from other appropriations in Vote Transport
- ▶ an expense transfer of \$200,000 to 2015/16 [decrease] to match planned expenditure
- ▶ \$120,000 funding transferred from the Ministry for the Environment [increase].

Urban cycleways – local routes

This appropriation was created during 2014/15 to fund expenses incurred on the investigation, design and construction of urban cycleways that will become the responsibility of local authorities.

Auckland Transport Package loan

This appropriation has been carried forward to 2015/16 to match expenditure.

Joint venture airports – Crown contribution MYA

This appropriation increased due to an expense transfer from 2013/14.

Maritime New Zealand

This appropriation was increased by \$880,000 due to an expense transfer from 2013/14.

Maritime New Zealand capital expenditure PLA

\$673,000 was appropriated to reimburse Maritime NZ for high search and rescue costs in 2013/14.

Maritime NZ – oil response

\$183,000 was appropriated to provide capital for oil pollution prevention and control.

NLTF borrowing facility for short-term advances

The appropriation was reduced by \$250,000 to reflect a more realistic level.

Rail – KiwiRail equity injection

This appropriation was established during 2014/15 to recognise increases in equity in KiwiRail Holdings Limited due to property transactions.

New Zealand Railways Corporation holds land and other property on behalf of the KiwiRail Group. If it sells this property, the sale proceeds must be paid to KiwiRail Holdings Limited and this generates an increase in equity of that state-owned enterprise. Increases in equity of State-owned enterprises require an appropriation.

Rail – Wellington metro rail network upgrade

The \$12.709 million increase is due to an expense transfer from 2013/14 and re-phasing of funding between years to match planned expenditure.

Regional State highways MYA

This appropriation was established during 2014/15 for the investigation, design and construction of regional State highways.

Roading – reinstatement of earthquake damaged roads in Christchurch – loan

The appropriation was reduced by \$40 million with an expense transfer to 2015/16 to match requirements.

NOTE 14: MAJOR BUDGET TO ACTUAL VARIANCES

The significant variances between actual results and the Supplementary Estimates forecasts were:

Schedule of non-departmental revenue and receipts

Total revenue and receipts were \$4 million lower than forecast, mainly in actual indirect taxation. These revenues are demand driven and so difficult to forecast.

Schedule of non-departmental expenses

Total expenses were \$155 million higher than forecast. The National Land Transport Fund earned more than forecast, which it was entitled to spend.

Schedule of non-departmental assets

Non-departmental assets were \$13.4 million lower than forecast. Cash and bank balances are lower than forecast by \$14.6 million. There are a number of factors causing this variance [for example revenue and receipts are lower than forecast].

Schedule of non-departmental liabilities

Payables were \$155 million higher than forecast. This is the additional amount payable to the National Land Transport Fund noted above under expenses.

Appropriation statements

The following statements report information about the expenses and capital expenditure incurred against each appropriation administered by the Ministry for the year ended 30 June 2015.

STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED AGAINST APPROPRIATIONS for the year ended 30 June 2015

Annual and permanent appropriations for Vote Transport

There were no re-measurements to any appropriations in 2014/15 or 2013/14.

Expenditure 2013/14 \$000	Appropriation title	Expenditure 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000	End-of-year performance information location*
	Departmental output expenses			
429	Fuel excise duty refund administration	561	565	1
273	Milford Sound/ Piopiotahi Aerodrome operation and administration	217	230	1
1,087	Search and rescue activity co-ordination PLA	1,201	1,201	1
31,861	Policy advice and related outputs multi class output appropriation	-	-	
33,650	Total departmental output expenses	1,979	1,996	
	Departmental capital expenditure			
180	Ministry of Transport — capital expenditure PLA	133	510	1
	Non-departmental output expenses			
3,865	Accident or incident investigation and reporting	3,960	3,960	2
3,350	Construction of passing opportunities on State highway 2 between Napier and Gisborne	500	500	3
775	Crash analysis	775	775	3
3,545	Licensing activities	2,758	2,758	3
145	Maritime port security	145	145	4
548	Ministerial servicing by the New Zealand Transport Agency	548	548	3
1,879,747	National Land Transport Programme PLA **	1,992,072	2,024,000	3
14,061	Road user charges collection	4,720	4,720	3
5,424	Road user charges investigation and enforcement	3,779	3,779	3
450	Road user charges refunds	450	450	3
3,316	Search and rescue activities	3,316	3,316	5
5,873	Search and rescue and recreational boating safety activities PLA	7,022	7,022	6
95	SuperGold card – administration of the public transport concessions scheme	95	95	3
20,017	Weather forecasts and warnings	18,574	18,574	6
2,219	Policy advice and related outputs – civil aviation MCOA	-	-	
7,283	Policy advice and related outputs – maritime MCOA	-	-	
30,800	Reinstatement of local roads in Canterbury	-	-	
1,981,513	Total non-departmental output expenses	2,038,714	2,070,642	

Expenditure 2013/14 \$000	Appropriation title	Expenditure 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000	End-of-year performance information location*
	Non-departmental other expenses			
-	Auckland rail development	10,878	10,878	7
3,379	Bad debt provision – motor vehicle registration/ licences and road user charges	4,091	4,500	8
569	Membership of international organisations	577	583	8
3,270	Rail – public policy projects	3,270	3,270	7
500	Rail – railway safety	500	500	7
23,905	SuperGold Card – public transport concessions for cardholders	26,116	26,100	3
537	Tauranga maritime incident response	1,250	1,566	5
-	Rail – Auckland metro rail electric multiple unit package	90,000	90,000	6
-	Urban cycleways – local routes	5,000	10,000	3
53,100	Auckland rail development MYA	-	-	
113,885	Auckland Transport Package – fair value write-down of loan	-	-	
199,145	Total non-departmental other expenses	141,682	147,397	
	Appropriations for capital contributions to other organisations			
-	Auckland Transport Package loan	-	-	
116	Joint venture airports – Crown contribution MYA	384	1,434	8
220	Maritime New Zealand	3,262	6,780	5
381	Maritime New Zealand capital expenditure PLA	673	673	5
100	Maritime New Zealand – incident response	183	183	5
60,000	NLTF borrowing facility for short-term advances	80,000	500,000	3
25,000	National War Memorial Park: Buckle Street undergrounding project	10,000	10,000	3
-	Rail – KiwiRail equity injection	13,734	46,000	7
93,800	Rail – KiwiRail Turnaround Plan funding	198,000	198,000	7
138,000	Rail – loan for Auckland metro rail electric multiple unit package	182,000	192,000	6
-	Rail – KiwiRail Holdings Limited loans	10,750	10,750	7
28,417	Rail – Wellington metro rail network upgrade	21,235	29,052	7
-	Regional State highways MYA	12,000	12,000	3
-	Roading – reinstatement of earthquake damaged roads in Christchurch – loan	12,000	60,000	3
-	Tauranga Eastern Link loan	107,000	107,000	3
25,000	KiwiRail equity injection	-	-	
371,034	Total appropriations for capital contributions to other organisations	651,221	1,173,872	
	Appropriations for purchase or development of capital assets for the Crown			
776,227	National Land Transport Programme – new infrastructure for and renewal of State highways PLA **	1,074,033	886,216	3
776,227	Total appropriations for purchase or development of capital assets for the Crown	1,074,033	886,216	

Expenditure 2013/14 \$000	Appropriation title	Expenditure 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000	End-of-year performance information location*
	Multi category appropriations (MCA)			
-	Policy advice and related outputs MCA <i>Departmental output expenses</i>	29,703	30,337	1
	Policy advice	25,952	26,937	
	Ministerial servicing	2,680	2,500	
	Governance and performance advice on Crown agencies	1,071	900	
-	Policy advice and related outputs – civil aviation MCA <i>Non-departmental output expenses</i>	2,219	2,219	1
	Policy advice – civil aviation			
	Ministerial servicing – civil aviation	663	663	
	Health and safety in employment activities – civil aviation	431	431	
	International relations and International Civil Aviation	440	440	
	Organisation obligations	685	685	
-	Policy advice and related outputs – maritime MCA <i>Non-departmental output expenses</i>	7,656	7,829	1
	Policy advice – maritime	3,478	3,478	
	Maritime incident response	1,146	1,319	
	Maritime safety and marine protection services	2,078	2,078	
	Health and safety in employment activities – maritime	954	954	
	Total multi category appropriations	39,578	40,385	

*The numbers in this column represent where the end-of-year performance information has been reported for each appropriation administered by the Ministry, as detailed below:

1. The Ministry's annual report
2. The Transport Accident Investigation Commission's annual report
3. The New Zealand Transport Agency's annual report
4. The Civil Aviation Authority's annual report
5. Maritime New Zealand's annual report
6. To be reported by the Minister of Transport in a report appended to this annual report.
7. KiwiRail's annual report
8. Not reported as an exemption exists under section 15D of the Public Finance Act 1989.

** These appropriations are permanent legislative authority appropriations (PLAs) that relate to the National Land Transport Fund (the NLTF). The total of these appropriations is limited by the revenue hypothecated to the NLTF and the appropriation sizes in the Estimates are indicative only.

DETAILS OF MULTI-YEAR APPROPRIATIONS

	Joint venture airports – Crown contribution \$000	Regional State highways \$000
Commences	1 July 2011	1 July 2014
Expires	30 June 2016	30 June 2017
Appropriation at 1 July 2014	2,101	97,000
Increase in funding	-	-
Total funding	2,101	97,000
Cumulative expenses to 1 July 2014	666	-
Current year expenses	384	12,000
Cumulative expenses to 30 June 2015	1,050	12,000
Balance of appropriation remaining at 30 June 2015	1,051	85,000

STATEMENT OF EXPENSES AND CAPITAL EXPENDITURE INCURRED WITHOUT, OR IN EXCESS OF, APPROPRIATION OR OTHER AUTHORITY

for the year ended 30 June 2015

Annual and permanent appropriations for Vote Transport

There were no re-measurements to any appropriations in 2014/15.

	Expenditure 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000	Unappropriated expenditure 2014/15 \$000
Non-departmental other expenses			
SuperGold Card – public transport concessions for cardholders	26,116	26,100	16
Appropriations for capital contributions to other organisations			
Rail – KiwiRail equity injection	1,535	-	1,535
Rail – KiwiRail Holdings Limited loans	10,750	-	10,750

Expenses and capital expenditure approved under section 26B of the Public Finance Act 1989

SuperGold Card – public transport concessions for cardholders

Demand has meant expenditure exceeded the funding available. This resulted in actual costs exceeding those appropriated by \$16,497. This unappropriated expenditure was approved in advance by the Minister of Finance under section 26B of the Public Finance Act 1989.

Expenses and capital expenditure incurred in excess of appropriation

Rail – KiwiRail equity injection

Seven parcels of property were sold for a total of \$1,535,146, which increased the equity of KiwiRail Holdings Ltd. An appropriation was required for this but none was in place. An appropriation was subsequently established so that further property sales were not unappropriated.

Expenses and capital expenditure incurred without appropriation or outside scope or period of appropriation

Rail – KiwiRail Holdings Limited Loans

A loan of \$10.75 million from the Crown to KiwiRail Holdings Limited fell due on 15 April 2015 and was rolled over, which required an appropriation. At the time of the transaction, an appropriation was in place, but the scope of the appropriation only permitted loans to the New Zealand Railways Corporation, and so the transaction was outside the scope. The scope has since been corrected.

Trust money administered on behalf of the Crown

SCHEDULE OF TRUST MONEY ADMINISTERED ON BEHALF OF THE CROWN

for the year ended 30 June 2015

MV Rena settlement trust

This Trust was established to hold settlement proceeds paid to the Crown by the insurer of the MV Rena. The settlement proceeds were fully distributed in the year ended 30 June 2014.

Schedule of trust money

The schedule shows the opening and closing balance of the trust, and movements during the year.

Under the Public Finance Act 1989, and by delegation from the Secretary to the Treasury, trust money can only be invested on deposit with New Zealand registered banks or in New Zealand government stock. Trust money is also managed so there is no significant concentration of credit risk. Interest rate risk is managed by investing across a wide range of maturity dates, but subject to liquidity requirements.

Actual 2013/14 \$000		Actual 2014/15 \$000
27,954	Balance at 1 July	-
-	Contributions	-
[28,206]	Distributions	-
252	Interest revenue	-
-	Balance at 30 June	-



End-of-year performance information

for the year ended 30 June 2015

In the year to 30 June 2014, the Ministry had four departmental appropriations

- ▶ Policy advice and related outputs multi class output expense
- ▶ Fuel excise duty refund administration departmental output expense
- ▶ Milford Sound/Piopirotahi Aerodrome operation and administration departmental output expense
- ▶ Search and rescue activity co-ordination PLA departmental output expense.

The Public Finance Act 1989 was amended in 2013. As a result, multi class output appropriations (MCOAs) no longer exist from 1 July 2014. Instead, a new multi category appropriation (MCA) is available. The Ministry chose to transition the MCOA to an MCA. The new MCA has three outputs. The MCOA in 2013/14 had four outputs, but one of these Clifford Bay ferry terminal – facilitation of procurement ceased during 2013/14.

The alternative to transitioning to an MCA was for each output within the MCOA to become a separate appropriation, which would have added administration costs and reduced the Ministry's flexibility.

Therefore the appropriations reported in this annual report are:

- ▶ Policy advice and related outputs multi category appropriation
- ▶ Fuel excise duty refund administration departmental output expense
- ▶ Milford Sound/Piopirotahi Aerodrome operation and administration departmental output expense
- ▶ Search and rescue activity co-ordination PLA departmental output expense

The three departmental output expenses are unchanged from 2013/14.

Each output class contains a breakdown of performance, including as relevant:

- ▶ financial performance
- ▶ performance against measures in the Estimates
- ▶ performance progression of Ministry intermediate outcomes that fall into this class
- ▶ related Ministry activities and projects, and the impacts to which they contribute.

Results for 2013/14 for outputs from the multi class output appropriation are used as comparatives in the tables below for the equivalent outputs in the multi category appropriation.

Output class: Policy advice and related outputs multi category appropriation

Three categories make up this output class in 2014/15. These are (by size):

- ▶ Policy advice
- ▶ Ministerial servicing
- ▶ Governance and performance advice on Crown agencies

The output Clifford Bay ferry terminal – facilitation of procurement which was disestablished from 30 June 2014 is included in the 2013/14 comparative figures.

The outputs are directed at the Government's long term outcome of an effective, efficient, safe, secure, accessible and resilient transport system that supports the growth of our economy, in order to deliver greater prosperity, security and opportunities for all New Zealanders.

Financial performance				
Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
31,855	Revenue Crown	29,597	30,843	30,186
72	Other revenue	106	-	151
31,927	Total revenue	29,703	30,843	30,337
31,861	Expenses	29,703	30,843	30,337
66	Net surplus	-	-	-

Expenditure and revenue have decreased since 2013/14 mainly because:

- ▶ \$0.7 million of revenue was carried forward to 2013/14 from 2012/13
- ▶ \$0.6 million was reprioritised to other outputs in Vote Transport during 2014/15
- ▶ \$0.6 million was unspent in 2014/15.

Output: Policy advice

This output class is for the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on Government policy matters relating to transport.

The performance measures and cost in this output have been further split by transport mode:

- ▶ multi-modal
- ▶ road
- ▶ maritime
- ▶ aviation
- ▶ rail

Financial performance				
Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
27,891	Revenue Crown	26,197	27,343	26,786
72	Other revenue	106	-	151
27,963	Total revenue	26,303	27,343	26,937
27,855	Expenses	25,952	27,343	26,937
108	Net surplus	351	-	-

Total expenditure on this output class was lower than forecast, due to lower staff costs as a result of turnover and some projects being delayed.

MULTI-MODAL

Financial performance				
Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
15,098	Cost This output is produced within the overall class appropriation (GST exclusive)	12,548	13,438	13,126

The cost of multi-modal activity has decreased significantly from 2013/14. This is due to a number of large projects being undertaken in 2013/14, such as the development of the next Government Policy Statement on Land Transport, the Freight Demand Study and the APEC conference.

Performance measures from the Information Supporting the Estimates			
Actual 2013/14	Performance measures	Actual 2014/15	Standards/ Targets 2014/15
New measure	Fewer deaths and serious injuries within the New Zealand transport system over the medium term	On track	On track
New measure	There is a reduction in the rate of growth of CO2 emissions from domestic transport per capita in the medium term	On track	On track
85%	Key initiatives contained in the annual work programme are completed or progressed as agreed, or as subsequently amended by the agreement between the Minister and the Chief Executive	88%	95%
100%	Percentage of policy advice papers that meet the Advice Quality Characteristics (refer conditions on use of Appropriation) ⁴	100%	100%
7.4	The average assessment of the quality of Ministry policy advice is within the range of 7.2-7.5 for papers assessed through an annual external review of policy advice by NZIER ⁵	Achieved [7.6]	Achieved
Achieved	The agreed rules programme, including variations, is delivered	Not Achieved ⁶	Achieved
New measure	The agreed Funding Review programme, including variations, is delivered	Achieved	Achieved
60%	Satisfaction of the Minister of Transport with the policy advice service, as per the satisfaction survey	60%	75%
\$175	The total cost per hour of producing outputs (excluding outsourced costs)	\$151	\$175
New measure	Delivery of Intelligent Transport Systems first year actions from the Action Plan by 30 June 2015	Achieved	Achieved

⁴ Refer to the Estimates documents for conditions on the use of Appropriation.

⁵ Note that the wording of this measure changed in the Supplementary Estimates

⁶ Of the 19 rules on the 2014/15 programme, twelve were completed. A number of the remaining rules from the 2014/15 programme are close to completion.

Performance progression of Ministry intermediate outcomes

Ministry outcome	Performance measures	Performance
Better quality regulation	Changes to transport regulatory environment are estimated to provide a net economic benefit to the economy	Regulatory changes commonly involve a mix of monetarised and non-monetarised costs and benefits. An assessment of 4 regulatory impact statements in 2014/15 identified monetarised benefits of \$75.33 million per annum for 30 years
	100 percent of transport regulatory impact statements are assessed as 'meets' or 'partially meets' quality criteria	2014/15: 100 percent. 3 met the quality criteria and 1 partially met 2013/14: 93 percent. 9 met the quality criteria, 4 partially met and 1 did not meet the quality criteria 2012/13: 100 percent. 10 met, 3 partially met 2011/12: 94 percent. 6 met, 11 partially met, 1 did not meet quality criteria 2010/11: 100 percent. 9 met, 1 partially met
	90 percent of the scheduled programme of periodic reviews of regulations and rules completed in scheduled review year	2014/15 – 100 percent 2013/14 – 90 percent 2012/13 – 100 percent
	Reduced average timeframe for rule development (from commencement of rule development process to rule coming into force)	Average age of rules projects: 2014/15 – 3.16 years 2013/14 – 3.3 years 2012/13 – 3.5 years 2011/12 – 4.9 years 2010/11 – 4.5 years
Open and efficient transport markets	Increased public transport passenger boardings	Public transport passenger boardings (millions): 2014/15 – Not yet available 2013/14 – 138 2012/13 – 133 2011/12 – 133 2010/11 – 128
	Decreased ratio of subsidy to public transport passenger boardings Includes SuperGold Card, central and local government public transport contribution dollars	Subsidy per passenger boarding (growth relative to 2007/08, based on 2007/08 = 100): 2014/15 – 115 2013/14 – 115 2012/13 – 115 2011/12 – 115 2010/11 – 104
Improved planning and investment in infrastructure and services	Quality of final advice to government on major investment projects is externally assessed by New Zealand Institute of Economic Research as being 8.0 out of 10 or better	2014/15: 7.7 out of 10 2013/14: 7.4 out of 10 (four papers assessed) 2012/13: 9 out of 10 (two papers assessed)
Improved preparedness	The Transport Response Team is ready to respond to all emergencies within one hour of being activated	There was no need to activate the Transport Response Team during the year
	Lessons learned from post-project evaluations of major planned and unplanned events are applied to systems or frameworks to mitigate impacts of future events	Lessons were captured from the Cricket World Cup and the FIFA under 20 Football World Cup events held between February and June 2015. Key lessons reinforced value in flexible risk and relationship management

Related Ministry projects or activities in 2014/15

Related Ministry impact	Ministry project or activity	Refer page
1. A more efficient transport regulatory system that does not impose unnecessary costs on users	Better Quality Regulation	13
2. Reduced or removed barriers to entry to domestic or international markets	Asia Pacific Economic Co-ordination Forum	18
	International Transport Forum	17
	International Air Services liberalisation	10
3. Transport sector has increased information available to it	Freight Information and forecasting	11
	Transport Domain Plan	16
4. Central and local government have good framework for investment decision making	Government Policy Statement on land transport 2015	8
5. Ministry provides good investment advice (in the national interest)	Auckland Transport Strategy	9
	Auckland City Rail Link	9
6. Enough money is raised efficiently and fairly to fund investment priorities	Future Funding	6
8. Ongoing assurance on the performance of government agencies	Funding Reviews across the transport sector	15
9. Reduced disruptions to access to transport infrastructure and services	Intelligent Transport Systems Technology Action Plan	9
	Climate change work programme	10

ROAD

Financial performance

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
6,167	Cost This output is produced within the overall class appropriation [GST exclusive]	7,678	6,656	8,036

The cost of road activity has increased from 2013/14, due to the mix of work the Ministry was undertaking.

Performance measures from the Information Supporting the Estimates

Actual 2013/14	Performance measures	Actual 2014/15	Standards/ Targets 2014/15
New measure	100% of the Ministry's deliverables for each of the five work streams specified in the 2013 to 2015 Safer Journeys Action Plan are implemented as agreed with the Minister ⁷	Achieved	Achieved
New measure	The Government Policy Statement on land transport 2015/16 to 2024/25 is in place by 30 June 2015	Achieved	Achieved
New measure	Transport network congestion in the five largest metropolitan areas will decrease over the medium term	On track	On track
Achieved	At least twice yearly revenue forecasting provided for use in Crown accounts and Budget forecasts	Achieved	Achieved

⁷ The Safer Journeys Action Plan aims to make long-term gains from the five key areas of Speed; Road Users; Roads and Roadsides; Vehicles and Advancing the Safe System approach (including the Safe System Signature Programme).

Key initiatives achieved this year include the lowering of the breath and blood alcohol limits for 20 year olds and over; the mandating of Electronic Stability Control for all new motor vehicles; the development of the national Speed Management Programme and the development and progress of four signature projects.

More information can be found at www.saferjourneys.govt.nz

Performance progression of Ministry intermediate outcomes

Ministry outcome	Performance measures	Performance					
Improved planning and investment in infrastructure and services	Decreased network congestion in the AM peak period in the five largest metropolitan areas	Congestion index (min delay/km), March surveys					
			2010	2011	2012	2013	2014
		Auckland	0.76	0.66	0.69	0.62	0.70
		Tauranga	0.27	0.33	0.37	0.33	0.39
		Wellington	0.57	0.55	0.54	0.51	0.61
	Hamilton	0.40	0.52	0.50	0.55	0.56	
	Note: Christchurch not included due to impact of the Canterbury earthquakes						
	Growth in revenue (in real terms) remains stable in relation to change in traffic volumes	Revenue growth relative to kilometres-travelled growth* in percentages					
			2010/11	2011/12	2012/13	2013/14	2014/15
		Fuel excise and light RUC growth	99	95	97	105	114
Fuel excise and kilometres travelled growth		99	98	99	101	Data not available	
Heavy vehicle RUC revenue growth		105	104	102	110	109	
Heavy vehicles tonnes – kilometres growth		103	106	108	109	120	
*2007/08 is base year, calculations adjusted to 2011/12 dollars and percentages rounded							
All questions or issues raised by a cross-agency forecasting group that reviews the results of the Ministry’s revenue forecasting model are resolved to the satisfaction of the group, prior to the next forecasting round	Achieved						
Fewer transport incidents and other harms	Reduced social cost resulting from transport-related deaths and injuries	Social cost of road crashes excluding non-injury crash costs (\$ billions) in June 2012 prices 2014 – Not yet available 2013 – 2.93 2012 – 3.19 2011 – 3.16 2010 – 3.70					

Ministry outcome	Performance measures	Performance																								
	Reduced number of road-related deaths	Road deaths 2014 – 295 2013 – 254 2012 – 308 2011 – 284 2010 – 375 2013 had the lowest toll in over 60 years. Changes are best viewed over a number of years to mitigate the impact of one-off influences																								
	Decreased amounts of carbon dioxide emitted from domestic transport per kilometre of road travel [2014 data not available]	Carbon dioxide (grams) emitted per kilometre of road travel 2013 – 314 2012 – 313 2010 – 312 2008 – 312 2006 – 305																								
	Reduced number of road-related deaths for target groups, where Ministry will initiate specific initiatives to reduce:	<table><tr><th></th><th>2010</th><th>2011</th><th>2012</th><th>2013</th><th>2014</th></tr><tr><td>Deaths in crashes involving young drivers</td><td>147</td><td>90</td><td>87</td><td>81</td><td>68</td></tr><tr><td>Deaths in crashes involving alcohol/drug-impaired drivers</td><td>144</td><td>87</td><td>103</td><td>77</td><td>70</td></tr><tr><td>Deaths in crashes involving high-risk drivers.</td><td>122</td><td>Data not available</td><td>Data not available</td><td>Data not available</td><td>Data not available</td></tr></table>		2010	2011	2012	2013	2014	Deaths in crashes involving young drivers	147	90	87	81	68	Deaths in crashes involving alcohol/drug-impaired drivers	144	87	103	77	70	Deaths in crashes involving high-risk drivers.	122	Data not available	Data not available	Data not available	Data not available
	2010	2011	2012	2013	2014																					
Deaths in crashes involving young drivers	147	90	87	81	68																					
Deaths in crashes involving alcohol/drug-impaired drivers	144	87	103	77	70																					
Deaths in crashes involving high-risk drivers.	122	Data not available	Data not available	Data not available	Data not available																					
	Reduced number of road-related serious injuries for target groups, where Ministry will initiate specific initiatives to reduce:	<table><tr><th></th><th>2010</th><th>2011</th><th>2012</th><th>2013</th><th>2014</th></tr><tr><td>Serious injuries in crashes involving young drivers</td><td>882</td><td>713</td><td>704</td><td>641</td><td>632</td></tr><tr><td>Serious injuries in crashes involving alcohol/drug-impaired drivers</td><td>557</td><td>471</td><td>468</td><td>450</td><td>422</td></tr><tr><td>Serious injuries in crashes involving high-risk drivers</td><td>491</td><td>Data not available</td><td>Data not available</td><td>Data not available</td><td>Data not available</td></tr></table>		2010	2011	2012	2013	2014	Serious injuries in crashes involving young drivers	882	713	704	641	632	Serious injuries in crashes involving alcohol/drug-impaired drivers	557	471	468	450	422	Serious injuries in crashes involving high-risk drivers	491	Data not available	Data not available	Data not available	Data not available
	2010	2011	2012	2013	2014																					
Serious injuries in crashes involving young drivers	882	713	704	641	632																					
Serious injuries in crashes involving alcohol/drug-impaired drivers	557	471	468	450	422																					
Serious injuries in crashes involving high-risk drivers	491	Data not available	Data not available	Data not available	Data not available																					

Related Ministry projects or activities in 2014/15

Related Ministry impact	Ministry project or activity	Refer page
1. A more efficient transport regulatory system that does not impose unnecessary costs	Land transport rules	14
	Driver licensing review	13
7. Ministry road safety initiatives support reduction in number of deaths and serious injuries	Safer Journeys: Safer Speeds	11
	Reducing the harm from alcohol	11
	Drink-driving sanctions	12
	Drug-driving enforcement	12
	Improving safety for visiting drivers	12
6. Enough money is raised efficiently and fairly to fund investment priorities	Future funding	6
5. The Ministry provides good investment advice [in the national interest]	SuperGold Card sustainability	9
	Urban cycling	8

AVIATION

Financial performance

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
3,820	Cost This output is produced within the overall class appropriation [GST exclusive]	3,362	4,142	3,361

Performance measures from the Information Supporting the Estimates

Actual 2013/14	Performance measures	Actual 2014/15	Standards/ Targets 2014/15
New measure	Final policy advice to Minister on reforms to the Civil Aviation Act [1990] and the Airport Authorities Act [1966] by 30 June 2015	Achieved 30 June 2015	Achieved

Performance progression of Ministry intermediate outcomes

Ministry outcome	Performance measures	Performance
Open and efficient transport markets	Increased number of international passenger movements to and from New Zealand	International passenger movements to and from New Zealand (millions): 2014 – 10.5 2013 – 10.0 2012 – 9.7 2011 – 9.6 2010 – 9.3
	Increased number of international flights that depart from New Zealand	International flights departing New Zealand: 2014 – 31,422 2013 – 30,706 2012 – 30,787 2011 – 31,434 2010 – 30,860
	International air services agreements provide for greater access to other countries and an increased number of services	New Zealand currently has air services agreements with more than 60 States or territories In 2014/15, we negotiated expanded air services arrangements with India and China. We agreed a doubling of capacity in New Zealand's air services arrangements with China from 21 services per week, for airlines from each country, to 42 services per week each. This will allow for the next stage of growth in what is now our second biggest market New air services agreements were negotiated with Bahrain, Colombia, Egypt, Greece, Oman, Serbia and Seychelles

Related Ministry projects or activities in 2014/15

Related Ministry impact	Ministry project or activity	Refer page
1. A more efficient transport regulatory system that does not impose unnecessary costs	Civil Aviation Act 1990 and Airport Authorities Act 1966 Review	13
	Civil Aviation Rules	14
2. Reduced or removed barriers to entry to domestic or international markets	International Air Services liberalisation	10

MARITIME

Financial performance

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
2,421	Cost This output is produced within the overall class appropriation [GST exclusive]	2,099	2,710	2,070

Performance progression of Ministry intermediate outcomes

Ministry outcome	Performance measures	Performance
Open and efficient transport markets	Increased range of freight information is captured within the Freight Information Gathering System	The Freight Information Gathering System currently captures containerised freight movements through sea ports. Freight movements not currently captured include non-containerised freight through sea ports, and road and rail movements that do not go through a sea port. Further information on the Freight Information Gathering System can be found on the Ministry's website
	Port productivity data for New Zealand's six largest ports is publicly available	The Ministry provides updated container handling statistics on its website each quarter These statistics include: <ul style="list-style-type: none"> ▶ Vessel rates [the number of containers moved on and off a container ship in an hour of labour] ▶ Crane rates [the number of containers a crane lifts on and off a container ship in an hour] ▶ Ship rates [the number of containers moved on and off a container ship]
Improved preparedness	Increase in a shipowner's liability for the cost of future grounding of ships	The Maritime Transport [Limitation of Liability for Maritime Claims] Order 2015, which came into effect on 8 June 2015, established new [higher] limits of liability than those specified in Schedules 8 and 9 of the Maritime Transport Act 1994

Related Ministry projects or activities in 2014/15

Related Ministry impact	Ministry project or activity	Refer page
1. A more efficient transport regulatory system that does not impose unnecessary costs	Maritime rules	14

RAIL

Financial performance				
Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
349	Cost This output is produced within the overall class appropriation (GST exclusive)	265	397	344

Performance progression of Ministry intermediate outcomes		
Ministry outcome	Performance measure	Performance
Improved planning and investment in infrastructure and services	Increased level of freight moved by KiwiRail	Freight moved by KiwiRail (tonne-kms in billions) 2013/14 – 4.5 2012/13 – 4.6 2011/12 – 4.6 2010/11 – 4.2 2009/10 – 3.9 2008/09 – 4.0

Output: Ministerial servicing

This output class is for services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities.

Financial performance				
Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
2,518	Revenue Crown	2,500	2,600	2,500
2,445	Expenses	2,680	2,600	2,500
73	Net [deficit]/surplus	[180]	-	-

Expenses for this output were higher than for 2013/14. This is mainly due to staff turnover resulting in reduced costs in 2013/14.

Performance measures from the Information Supporting the Estimates			
Actual 2013/14	Performance measures	Actual 2014/15	Standards/ Targets 2014/15
91%	Percentage of draft replies to ministerial correspondence completed within 10 working days	99%	80%
New measure	Turnaround time for draft Ministerials, from when they are received by the Ministry to when they are submitted to the Minister's office	99% within 10 working days	10 working days
New measure	Percentage of Official Information Act requests to the Ministry replied to within statutory timeframes	86%	100%
100%	Percentage of Ministerial servicing items that meet quality characteristics [refer conditions on use of Appropriation] ⁸	100%	90%

⁸ Refer to the Estimates documents for conditions on the use of Appropriation

Output: Governance and performance advice on Crown agencies

This output class is for monitoring of and advice on the governance, performance and capability of transport Crown agencies.

Financial performance				
Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
800	Revenue Crown	900	900	900
915	Expenses	1,071	900	900
[115]	Net surplus/ (deficit)	[171]	-	-

The cost of this output was higher than budgeted due to changes in staffing levels.

Performance measures from the Information Supporting the Estimates			
Actual 2013/14	Performance measures	Actual 2014/15	Standards/ Targets 2014/15
Achieved	Advice on transport Crown entity board appointments provided to agreed timeframes	Achieved	Achieved
Achieved	Twice yearly Ministry strategic discussions with each Crown entity Chair/ Board	Achieved	Achieved
New measure	The average assessment of the quality of Ministry policy advice is within the range of 7.2-7.5 for papers assessed through an annual external review of policy advice by NZIER ⁹	Achieved – 7.6	Achieved

⁹ Note that the wording of this measure changed in the Supplementary Estimates

Performance progression of Ministry intermediate outcomes

Ministry outcome	Performance measures	Performance
Improved government transport agencies performance	95 percent, or more, of the Government's and Statements of Intent performance expectations, are met	<p>Ministry of Transport – percentage of work programme completed</p> <p>2014/15 – 88 percent</p> <p>2013/14 – 85 percent</p> <p>2012/13 – 90 percent</p> <p>2011/12 – 90 percent</p> <p>2010/11 – 98 percent</p> <p>This information is not available for transport Crown entities until the publication of their annual reports</p>
	Increased ministerial satisfaction on the performance of the government transport agencies as a consequence of the timely, accurate, succinct nature of Ministry specialist governance and performance advice	<p>The Minister of Transport has indicated his overall satisfaction with Ministry policy advice is 60 percent</p> <p>We have not specifically asked Ministers for their satisfaction on the performance of transport agencies as a result of our advice</p>

Related Ministry projects or activities in 2014/15

Related Ministry Impact	Ministry project or activity	Refer page
8. Ongoing assurance on the performance of government transport agencies	Funding reviews across the transport sector	15

Output class: Fuel excise duty refund administration

Through this output class, the Secretary for Transport [Chief Executive] delegates to, and contracts with, the NZ Transport Agency to provide an administrative and accounting service for the refund of fuel excise duty [FED].

Financial performance				
Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
429	Revenue Crown	475	429	475
-	Other revenue	86	-	90
429	Total revenue	561	429	565
429	Expenses	561	429	565
-	Net surplus	-	-	-

Adjustments were made to this appropriation, as the NZ Transport Agency was concerned about additional costs due to an increased number of refund requests, and to reflect the costs of refunding ACC levies associated with fuel excise duty refunds.

Performance measures from the Information Supporting the Estimates			
Actual 2013/14	Performance measures	Actual 2014/15	Standards/ Targets 2014/15
13 days	Average number of days taken to audit, process and pay FED refunds	5.3 days	10 days

Output class: Milford Sound/ Piopiotahi Aerodrome operation and administration

This output class covers the operation of the Milford Sound/ Piopiotahi Aerodrome to provide a safe and efficient aerodrome operation.

Financial performance

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
207	Other revenue	237	230	230
273	Expenses	217	230	230
[66]	Net surplus/[deficit]	20	-	-

Expenses for this output were less than 2013/14. This is mainly due to a vegetation clearance exercise in 2013/14 that was not repeated in 2014/15.

Performance measures from the Information Supporting the Estimates

Actual 2013/14	Performance measures	Actual 2014/15	Standards/ Targets 2014/15
100%	The aerodrome operation will conform with appropriate Civil Aviation Authority safety requirements	100%	100%
\$273,000	Operating costs within third-party revenue	\$217,000	\$230,000

Output class: Search and rescue activity co-ordination PLA

In this output class, the Ministry houses the Secretariat function of the New Zealand Search and Rescue (NZSAR) Council which administers the search and rescue (SAR) sector in New Zealand (PLA – Permanent Legislative Authority).

Financial performance				
Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
1,087	Revenue Crown	1,201	1,201	1,201
1,087	Expenses	1,201	1,201	1,201
-	Net surplus/(deficit)	-	-	-

The programmed activities were delivered as budgeted.

Performance measures from the Information Supporting the Estimates			
Actual 2013/14	Performance measures	Actual 2014/15	Standards/ Targets 2014/15
New measure	Survey results show that the New Zealand Search and Rescue Council is at least 95 percent satisfied with the provision of effective support services and policy advice for the New Zealand search and rescue sector	Achieved 95%	Achieved
New measure	Survey results show that the New Zealand search and rescue sector is at least 95 percent satisfied with the delivery of effective leadership and strategic coordination	Not achieved – 93%	Achieved

The Secretariat provides the NZSAR Council with support services, policy advice and the implementation of agreed measures to give effective leadership and strategic co-ordination to the New Zealand search and rescue sector.

The Secretariat also implements the national SAR support programme. Approved and monitored by the NZSAR Council, the programme provides an array of high value activities in support of SAR organisations throughout New Zealand, which contribute directly towards NZSAR Council goals of: enhancing the effectiveness and efficiency of New Zealand's SAR sector; achieving a culture of 'one SAR Body'; promoting continuous improvement; maximising the potential of SAR people and supporting SAR preventative strategies.

Departmental capital appropriation: Ministry of Transport — capital expenditure PLA

Financial performance

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
180	Ministry of Transport – capital expenditure PLA departmental capital expenditure	133	350	510

Capital expenditure was less than budgeted, mainly due to delays in work on the Ministry's Document Management System.

Performance measures from the Information Supporting the Estimates

Actual 2013/14	Performance measures	Actual 2014/15	Standards/ Targets 2014/15
100%	Expenditure is in accordance with the Ministry's capital expenditure plan and asset management plan	100%	100%

Non-departmental output expense: Policy advice and related outputs – civil aviation MCA

The Public Finance Act 1989 was amended in 2013. As a result of the amendments, multi class output appropriations [MCOAs] no longer exist from 1 July 2014. Instead, a new multi category appropriation [MCA] is now available.

The Ministry chose to transition this MCOA to an MCA. The outputs in the MCA are the same as those under the MCOA. Values from 2013/14 for the MCOA have been included for comparison with 2014/15 values for the MCA.

Financial performance				
Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
-	Policy advice and related outputs – civil aviation MCA non-departmental output expenses	2,219	2,219	2,219
2,219	Policy advice and related outputs – civil aviation MCOA non-departmental output expenses	-	-	-

Performance measures from the Information Supporting the Estimates

Actual 2013/14	Performance measures	Actual 2014/15	Standards/ Targets 2014/15
	Measures for the appropriation		
New measure	The 2014/15 survey results indicate an improvement over the June 2011 survey results in relation to the perceptions and confidence of the travelling public and other stakeholders in the safety and security of air transport. The June 2011 results are: <ul style="list-style-type: none"> percentage of resident travellers that felt extremely or very safe and secure percentage of overseas travellers that felt extremely or very safe and secure percentage of 27 key stakeholders satisfied with the safety and security performance of the New Zealand civil aviation system 	75% 92% 40% ¹	Survey results reflect an improvement over 2011 72% 86% 44%
	Measures for the 'Health and safety in employment activities – civil aviation' category within the appropriation		
11 closed with 9 audits remaining open at 30 June	Number of health and safety in employment investigations, audits, and inspections	17 ²	35-55
96%	Percentage of health and safety in employment investigations, audits, and inspections that follow policy and procedural requirements	90% ³	100%
96%	Percentage of health and safety in employment investigation and audit reports issued within agreed timeframes	100%	100%
	Measures for the 'International relations and International Civil Aviation Organisation Obligations' category within the appropriation		
100%	Percentage of international engagement is undertaken that meets the objectives of the Civil Aviation Authority International Engagement Strategy	100%	95% of objectives met
New measure	International Civil Aviation Organization (ICAO) coordinated validation mission carried out as a result of a significant safety concern raised by ICAO	Nil	Nil
	Measures for the 'Ministerial servicing – civil aviation' category within the appropriation		
Survey unable to be conducted due to change of Minister	Reports, correspondence and Parliamentary Questions are acceptable to the Minister (as assessed by annual survey)	95% of papers acceptable	95% of papers acceptable
	Measures for the 'Policy advice – civil aviation' category within the appropriation		
100%	Percentage of policy papers meet the standards set out in the CAA policy development procedures as assessed by an annual independent audit	100% ⁴	95% meet standard

¹ The cause of the decrease against the 2011 results is being investigated. Initial results indicate the trebling of stakeholders surveyed [98 respondents in 2014 compared to 27 in 2011] may have contributed to the variation.

² Reprioritisation of resources to focus on two significant prosecutions has resulted in the number of investigations, audits and inspections to be less than the budgeted target for 2014/15.

³ Based on a sample of 3 out of seventeen surveillance 'health and safety' audits and investigations conducted in the year. This is in accordance with the performance measure procedure stated in the Civil Aviation Authority's statement of performance expectations.

⁴ The Regulatory Function worked on 13 policy projects in 2014/15. Of those 13, 3 were completed by 30 June 2015. These were: Remotely Piloted Aircrafts [large], State Safety Programme [medium], and Acceptance of overseas certificates [small]. Only the most substantial piece, Remotely Piloted Aircrafts was independently reviewed.

Non-departmental output expense: Policy advice and related outputs – maritime MCA

The Public Finance Act 1989 was amended in 2013. As a result of the amendments, multi class output appropriations [MCOAs] no longer exist from 1 July 2014. Instead, a new multi category appropriation [MCA] is now available.

The Ministry chose to transition this MCOA to an MCA. The outputs in the MCA are the same as those under the MCOA. Values from 2013/14 for the MCOA have been included for comparison with 2014/15 values for the MCA.

Financial performance				
Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
-	Policy advice and related outputs – maritime MCA non-departmental output expenses	7,656	7,708	7,829
7,283	Policy advice and related outputs – maritime MCOA non-departmental output expenses	-	-	-

Performance measures from the Information Supporting the Estimates			
Actual 2013/14	Performance measures	Actual 2014/15	Standards/ Targets 2014/15
	Measures for the 'Health and safety in employment activities – maritime' category within the appropriation		
100%	Prosecutions brought under the Health and Safety in Employment Act that are successful	100%	75%
	Measures for the 'Maritime incident response' category within the appropriation		
Development partially completed	Develop and maintain offshore oil spill response capability	Capability maintained	Capability maintained
Partially completed	Complete review of Maritime New Zealand non-oil capability	Completed [November 2014]	Completed
	Measures for the 'Maritime safety and marine protection services' category within the appropriation		
100%	Percentage of time lighthouses are available	99.8%	99.8%
100%	Percentage of time a 24-hour Distress and Safety Radio Service is provided	99.9%	100%
	Measures for the 'Policy advice – maritime' category within the appropriation		
100%	All written policy reports/advice to Ministers meet Maritime New Zealand's quality criteria [content, form and analysis]	100%	100%
100%	All written policy reports/advice to Ministers are completed by the due date	100%	100%

To the readers of the Ministry of Transport's annual report for the year ended 30 June 2015

The Auditor-General is the auditor of the Ministry of Transport [the Ministry]. The Auditor-General has appointed me, Kelly Rushton, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf of:

- ▶ the financial statements of the Ministry on pages 32 to 53, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2015, the statement of comprehensive revenue and expense, statement of movements in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- ▶ the performance information prepared by the Ministry for the year ended 30 June 2015 on pages 77 to 100;
- ▶ the statements of expenses and capital expenditure of the Ministry for the year ended 30 June 2015 on pages 70 to 74; and
- ▶ the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 55 to 69, and 75 that comprise:
 - the schedules of: assets; liabilities; commitments; contingent liabilities and assets; expenses; and revenue for the year ended 30 June 2015;
 - the schedule of trust monies for the year ended 30 June 2015; and
 - the notes to the schedules that include accounting policies and other explanatory information

Opinion

In our opinion:

- ▶ the financial statements of the Ministry:
 - ▶ present fairly, in all material respects:
 - its financial position as at 30 June 2015; and
 - its financial performance and cash flows for the year ended on that date;
 - ▶ comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with the applicable financial reporting framework.
- ▶ the performance information of the Ministry:
 - ▶ presents fairly, in all material respects, for the year ended 30 June 2015:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure;

- ▶ complies with generally accepted accounting practice in New Zealand.
- ▶ the statements of expenses and capital expenditure of the Ministry on pages 70 to 74 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- ▶ the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 55 to 69, and 75 present fairly, in all material respects, in accordance with the Treasury Instructions:
 - the assets; liabilities; commitments; contingent liabilities and assets; expenses; and revenue for the year ended 30 June 2015; and
 - the schedule of trust monies for the year ended 30 June 2015

Our audit was completed on 30 September 2015. This is the date at which our opinion is expressed.

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

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing [New Zealand]. Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the information we audited. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Ministry's preparation of the information we audited in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.

An audit also involves evaluating:

- ▶ the appropriateness of accounting policies used and whether they have been consistently applied;
- ▶ the reasonableness of the significant accounting estimates and judgements made by the Chief Executive;
- ▶ the appropriateness of the reported performance information within the Ministry's framework for reporting performance;
- ▶ the adequacy of the disclosures in the information we audited; and
- ▶ the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited. Also, we did not evaluate the security and controls over the electronic publication of the information we audited.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Chief Executive

The Chief Executive is responsible for preparing:

- ▶ financial statements that present fairly the Ministry's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- ▶ performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand.

- ▶ statements of expenses and capital expenditure of the Ministry, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.
- ▶ schedules of non-departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by the Ministry on behalf of the Crown.

The Chief Executive's responsibilities arise from the Public Finance Act 1989.

The Chief Executive is responsible for such internal control as is determined is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Chief Executive is also responsible for the publication of the annual report, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the information we are required to audit, and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

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



Kelly Rushton
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Report in relation to selected non-departmental appropriations

For the year ended 30 June 2015

Produced pursuant to Section 19B of the Public Finance Act 1989.

B.14 (TRANSPORT)

Foreword

The Minister of Transport is required under section 19B of the Public Finance Act 1989 to report against the following non-departmental appropriations in Vote Transport:

Non-departmental output expenses

- ▶ Search and rescue and recreational boating safety activities PLA
- ▶ Weather forecasts and warnings

Non-departmental other expenses

- ▶ Rail – Auckland metro rail electric multiple unit package

Non-departmental capital expenses

- ▶ Rail – Loan for Auckland metro rail electric multiple unit package

This report has been appended to the annual report of the Ministry of Transport for publication. It is not subject to audit.



Hon Simon Bridges

Minister of Transport

Search and rescue and recreational boating safety activities PLA

The New Zealand Search and Rescue Council seeks to continue to address the identified systemic risks within the New Zealand Search and Rescue system to reduce the number of preventable Search and Rescue -related fatalities in New Zealand.

The services provided by this funding include supporting the council, services and variable operating costs of key Search and Rescue – providing organisations to ensure their ongoing viability at acceptable performance levels.

Joint service level agreements for Search and Rescue services have been reached with Coastguard New Zealand, LandSAR New Zealand, Surf Life Saving New Zealand and Amateur Radio Emergency Communications.

Non-financial performance

Actual 2013/14	Performance measures	Actual 2014/15	Standards/ Target 2014/15
73%	People who recall boating safety television advertising (as gauged by survey)	61%	75%
	Develop and maintain Service Level Agreements with key providers in the Search and Rescue community. Key agreement measures are:		
100%	► Provision of expert services to the Coordination Authorities	100%	100%
100%	► Provision of Incident Management Team members to the Coordination Authorities on request	100%	100%
100%	► Participation in joint Search and Rescue exercises	100%	100%
100%	► Provision of Search and Rescue related information	100%	100%
100%	► National Search and Rescue training and education to improve interagency cooperation and understanding	100%	90%
100%	► Delivery of the national search and rescue support programme agreed by the NZ Search and Rescue Council with the providing bodies	100%	100%

Financial performance

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
5,873	Search and rescue and recreational boating safety activities PLA non-departmental output expenses	7,022	6,943	7,022

Weather forecasts and warnings

The Meteorological Service of New Zealand Limited [MetService] provides services for this output class under a contract with the Minister of Transport.

Services involve the production of severe weather warnings and a level of weather forecast services for land, coastal waters and oceanic areas for which New Zealand has international responsibility, and the provision of a weather observation network in and around New Zealand.

Non financial performance

Actual 2013/14	Performance measures	Actual 2014/15	Standards/ Targets 2014/15
As per contract, except delay in delivering Northland radar [commissioned in 2013/14]	Provision of agreed services	As per contract	As per contract
	Minimum percentage of forecasts of severe-weather events which successfully predicted the event [probability of detection]		90%
93%	▶ Heavy rain [one year mean]	94%	
92%	▶ Severe gales [two year mean]	100%	
100%	▶ Heavy snow [two year mean]	100%	
	Maximum percentage of forecasts of severe-weather events which are subsequently found to be false alarms [false alarm ratio]		25%
12%	▶ Heavy rain [one year mean]	13%	
14%	▶ Severe gales [two year mean]	12%	
0%	▶ Heavy snow [two year mean]	12%	

Financial performance

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
20,017	Weather forecasts and warnings non-departmental output expenses	18,574	18,574	18,574

A one year funding increase for 2013/14 was agreed as part of Budget 2013, pending a price and services review to determine an appropriate level of price and service. As a result of the review, funding was increased for 2015/16 and outyears as part of Budget 2015.

Rail – Auckland metro rail electric multiple unit package, and Rail – Loan for Auckland metro rail electric multiple unit package

In November 2009, the Crown agreed to provide funding to Auckland Council to purchase 57 electric trains and a maintenance depot in Auckland.

The package is a loan of \$500 million over 2011/12 to 2014/15 and a grant of \$90 million in 2014/15.

Non-financial performance

Actual 2013/14	Performance measures	Actual 2014/15	Standards/ Targets 2014/15
100%	All loan draw-downs and payments are made in accordance with the documentation and process outlined in the loan agreement between the Crown and Auckland Council	100%	100%

Financial performance

Actual 2013/14 \$000		Actual 2014/15 \$000	Unaudited Main Estimates 2014/15 \$000	Unaudited Supplementary Estimates 2014/15 \$000
138,000	Rail – Loan for Auckland metro rail electric multiple unit package non-departmental capital expenditure	182,000	192,000	192,000
-	Rail – Auckland metro rail electric multiple unit package non-departmental other expenses	90,000	90,000	90,000

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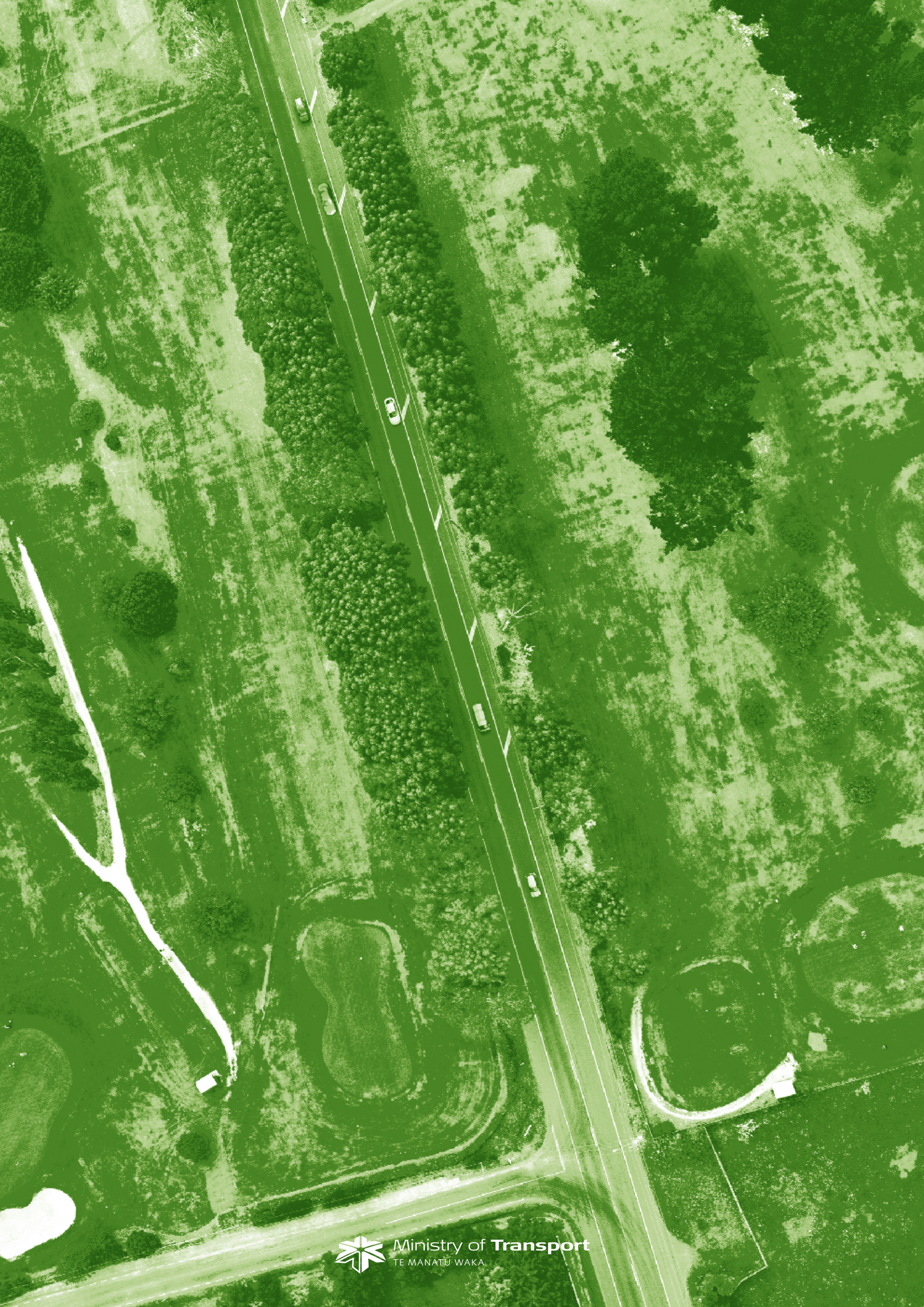
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Ministry of Transport
TE MANATU WAKA