



Ensuring our  
transport system helps  
New Zealand thrive

## **Annual Report** 2015/16

Report of the Ministry of Transport for the year ended 30 June 2016  
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



Ensuring our transport system helps New Zealand thrive

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ASPIRATIONAL  
INFLUENTIAL  
CARING  
COURAGEOUS  
RIGOROUS  
SAVVY  
COLLABORATIVE

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# 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 four and a half 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, 84,000 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 \$3.6 billion in the transport network each year – around 1.6 percent of New Zealand's 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 minimizes 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 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 2016

**Martin Matthews**, Chief Executive and Secretary for Transport.

Note – on 18 July 2016, Peter Mersi started as 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

**David Bowden**, Acting 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.





Peter Mersi, Chief Executive

One of the first things that struck me when I took up my position at the Ministry in July 2016 was how busy the work programme had been. The achievements in the past financial year were significant.

The work programme made a good contribution to the Ministry's support of Government's transport objectives: supporting economic growth and productivity, delivering value for money and improving road safety.

The Small Passenger Services Review responded to new business models, prompting updates of regulations to make sure they are fit for purpose and flexible enough to accommodate new technologies. The Review recognised that technologies such as smart phones and apps have changed the way the sector operates. Because of the Review, outdated rules will be removed and an environment created where operators including taxis, ridesharing services and others can innovate, while protecting driver and passenger safety.

Helping to ensure the right transport decisions are made in Auckland is one of the Ministry's major strategic commitments. Ensuring Auckland's transport system can provide for the major population and freight growth expected over the next 30 years is central to making sure the city remains a great place to live, work and do business. The Ministry plays a significant role in the Auckland Transport Alignment Project, which is creating agreement about a preferred approach for developing Auckland's transport system over the longer term.

The Ministry is also working with Auckland Council to bring forward a joint business plan and formalise Government's funding commitment for the Auckland City Rail Link from 2020. These types of projects are part of the role the Ministry plays in New Zealand's vital transport developments.

The Ministry supports Government's aim to encourage innovation and allow New Zealanders to enjoy the benefits of new technology as soon as possible. The Intelligent Transport Systems Technology Action Plan 2014–18 has notched up an impressive list of completed actions and information-sharing events. After the release of well-received Guidelines for Testing Autonomous Vehicles in New Zealand, the Ministry received a number of enquiries about testing.

In the future, we may see other smart technologies such as connected and autonomous vehicles on our roads. The Ministry will continue to provide leadership so that

New Zealand has the right building blocks in place to introduce new technology when it becomes available.

The Ministry is providing cross-agency leadership for a range of measures in the Government's ambitious Electric Vehicles Programme. The aim is to double the number of electric vehicles on New Zealand roads each year to reach 64,000 by 2021.

I'm excited by these forward-looking projects, and by the Ministry's strategic focus in the transport sector. This year we undertook projects focused on how regulation might need to evolve to meet future challenges, and the radical possibilities for public transport and mobility by 2045. These two projects are helping to stimulate discussion with a wide group of interested stakeholders about the future for transport.

To support this ambitious work programme, the Ministry needs to engage effectively with our stakeholders, have strategic policy capability and deliver high quality policy advice. This year the Ministry built on the success of its two-year transformational programme across these areas with initiatives such as the top ten priorities and key deliverables, announced on a quarterly basis.

To make sure we have the right people in our roles, the Ministry set out to deliver an ambitious recruitment programme to address a number of vacancies by the end of the calendar year. In a tight labour market, we are making good progress.

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## 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 2015/16, we worked on our second set of strategy projects, which aim to further improve our skills and understanding of the sector and its future needs. The projects are:

**Regulation 2025** – How should transport be regulated in 2025?

**Public Transport 2045** – looking thirty years ahead to discuss the long-term future for public transport in New Zealand

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

In 2015/16, we made significant progress on our two major strategic projects. The progress made is outlined below:

### Regulation 2025

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 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 should transport be regulated in 2025?

In 2015/16, the Ministry:

- ▶ produced and published six foundation research papers to provide a foundation of knowledge
- ▶ held a series of stakeholder workshops
- ▶ developed scenarios to help answer the questions – how would transport change over each mode – how would transport regulation change as a result?
- ▶ developed a series of findings, looking at aspects in common across the scenarios.

In 2016/17 the project will:

- ▶ develop the presentation story for the launch in August 2016
- ▶ engage in New Zealand and internationally to explore the implications of the work for New Zealand. This includes a joint International Transport Forum and Asia Pacific Economic Cooperation session and a workshop at the Intelligent Transport Systems World Congress in October 2016.

### Public Transport 2045

This strategy project is looking thirty years ahead to consider the long-term future for public transport in New Zealand. The PT2045 project aims to improve the sector's collective understanding of the possible future developments and implications for transport policy, regulation, planning and investment.

In 2015/16, PT2045 produced a series of foundation reports that examined different aspects and influencing factors related to the development of public transport. These papers were commissioned to stimulate thinking and debate in the early stages of the project. Two of these papers were published on the Ministry's website.

These papers provided a foundation for workshops, working sessions and interviews with stakeholders. This engagement allowed the PT2045 team to collect, develop and analyse data on the future of public transport. Data collected informed the development of four major scenarios to illustrate four unique possibilities for the future of public transport in New Zealand. The final report and completed scenarios will be launched in October 2016.

### Next steps

In 2016/17, we will start work on the next set of strategy projects. The next one to be started in September 2016 will look at the impact of virtual access on patterns of mobility and urban design.

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## 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. 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 has set seven specific areas of focus for work to support the Government's objectives:

- ▶ delivering the Government's transport commitments, such as the Roads of National Significance and Urban Cycleways programme
- ▶ taking a multi-modal approach to deliver transport solutions, changes to Vehicle Dimensions and Mass Rule

- ▶ Auckland initiatives such as the City Rail Link and the Auckland Transport Alignment Project
- ▶ transport for the regions, this includes the Accelerated Regional Rooding Programme
- ▶ transport and technology, encouraging the uptake of electric vehicles
- ▶ supporting the export economy, pursuing international air services agreements
- ▶ safety, the implementation of Safer Journeys Action Plan.

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 2016 and beyond:

- ▶ the Regulatory reform programme
- ▶ review of Civil Aviation Act 1990 and Airport Authorities Act 1966
- ▶ review of the Maritime Transport Act 1994
- ▶ 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.

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## Delivering on the Government's transport commitments

### Government Policy Statement on land transport

The Government Policy Statement on land transport (the GPS) sets out the Government's investment strategy for the land transport system. It includes the Government's 10 year strategic and policy goals for land transport, as well as the funding direction needed to achieve them. The current GPS came into effect on 1 July 2015. It allocates \$10.5 billion of land transport funding over the first three years and a total of \$38.7 billion over its full 10-year life (2015/16 – 2024/25).

The Ministry developed and strengthened the framework in the current GPS, leveraging from 2013 amendments to the Land Transport Management Act 2003. This 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.

Under the Land Transport Management Act 2003, the Crown's land transport investment strategy must be reviewed at least once every three financial years. The Ministry has commenced work to develop the next GPS and has established a monitoring framework to measure what is being delivered through the current GPS. During the next financial year, the Ministry will hold a series of regional engagement sessions throughout New Zealand with an intention to release a draft 2018 GPS for comment in mid 2016/17 and a final GPS in mid 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 680,000 eligible New Zealanders to remain mobile and in touch with their communities. A Review was conducted in 2014/15 to ensure ongoing sustainability of the Scheme. In June 2015, Cabinet took decisions on the long-term sustainability of the Scheme. Those decisions included bulk funding to regional councils and considering the funding alongside the implementation of the public transport operating model, mandatory use of smart cards where available, lifting of the moratorium on new services (including criteria to allow new services to join) and capping funding on the five exempt services operating under the scheme.

During 2016/17 we will continue discussions between the New Zealand Transport Agency (NZTA) and local government to manage the transition to the new funding model. The Ministry will also begin work with the NZTA and local government before the next review in 2018/19.

## Auckland

### Improving alignment on Auckland's transport strategy

The Ministry of Transport has been working closely with Auckland Council, Auckland Transport and the NZTA to develop advice on how Auckland's transport system could best develop over the next 30 years.

Over 2015/16, the Auckland Transport Alignment Project (ATAP) delivered two of the three key reports (the Foundation Report and the Interim Report) for the project. Through ATAP, the Ministry has engaged with the other agencies to develop an emerging strategic approach that finds that while ongoing investment in new road and public transport projects will clearly be needed, greater use of technology and in the longer term directly charging for road use will be required.

ATAP is on track to deliver its final report at the end of August 2016, and this will make recommendations on how to implement the preferred strategic approach, and on areas that require further work.

### Auckland City Rail Link

In December 2015, Cabinet authorised the Ministers of Finance and Transport to enter into negotiations with Auckland Council with a view to bringing forward the joint business plan and formalising the Government's commitment to provide funding for the City Rail Link (CRL). Once completed, the CRL will double the capacity of Auckland's rail network, provide two new stations to access the central city and reduce the travel times for commuters.

The CRL is, to date, the largest transport infrastructure project undertaken in New Zealand. The Ministry has had to expand its horizons, both in terms of expertise and professional networks, to identify and address the Crown's key risks. The Ministry is on track to provide recommendations in August 2016, to enable the Crown to provide greater funding certainty for the CRL.

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## Transport for the regions

### Transport and regional development

Major elements of the Ministry's work on land transport investment have been targeted at improving road safety, delivering the Roads of National Significance programme and tackling urban congestion, especially in Auckland.

Over 2015/16, the Ministry has accompanied this with a range of policy initiatives that aim to ensure attention is also given to regional transport interests.

The Ministry's major commitment has been in support of the Business Growth Agenda Regional Economic Development stream of work and the development of the related regional growth studies and action plans for Northland, Bay of Plenty, Gisborne-East Coast-Hawkes Bay, Manawatu-Wanganui, and the West Coast. This work has begun to:

- ▶ set out long-term estimates of how inter-regional corridors will need to evolve in response to changing freight and travel demand
- ▶ test how land transport investment frameworks can better recognise the value of, and accommodate investments to support, the tourist experience of travelling in New Zealand
- ▶ better reveal the nature and extent of the investment that already goes into the transport networks outside our metropolitan areas
- ▶ consider ways to recognise and respond to pressing transport issues that might get overlooked under a national focus on freight reliability and urban congestion.

The Ministry has ensured this work was closely coordinated with other projects. These include ATAP, development of GPS 2018, looking at urban development authorities and establishing the Housing Infrastructure Fund.

Other work with the NZTA:

- ▶ monitored demand for and uptake of the funding made available through the Regional Improvements activity class of the GPS 2015
- ▶ confirmed funding for the second tranche of projects under the Accelerated Regional Roads Programme [ARRP]
- ▶ identified which of the projects in the ARRP third tranche would progress to further investigation.

## Transport and technology

### Electric Vehicles

On 5 May 2016, the Government announced the Electric Vehicles Programme [the Programme].

The Programme was developed with the private sector and local government, and is a package of measures to encourage the uptake of electric vehicles in New Zealand. It includes a target to double the number of electric vehicles in New Zealand each year, to reach approximately 64,000 by 2021. The Ministry provided policy advice on the Programme to the Minister of Transport over 2015/16, culminating in two Cabinet papers, considered in March and April 2016.

The Ministry has responsibility for the coordination and delivery of the Programme. This includes convening an Electric Vehicles Leadership Group to provide ongoing leadership for the Programme, and implementing regulatory measures under the Programme, which are:

- ▶ extending the road user charges exemption on light electric vehicles until they make up two percent of the light vehicle fleet
- ▶ introducing a new road user charges exemption for heavy electric vehicles until they make up 2 percent of the heavy vehicle fleet
- ▶ enabling road controlling authorities to allow electric vehicles to access bus and high occupancy vehicle lanes.

The Ministry will continue to support other Government agencies, such as the NZTA, the Energy Efficiency and Conservation Authority, and the Ministry for Business, Innovation and Employment, in the roll out of measures under the Programme. These include the creation of a contestable fund of up to \$6 million per year to support innovation, supporting the development and roll-out of public charging infrastructure, and a joint public/private electric vehicle procurement initiative.

### 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 ITS Action Plan] outlines the Government's strategic approach to ITS that will contribute to a safer and more efficient transport system for New Zealand. ITS apply information, data processing, communication and sensor technologies to vehicles, infrastructure and operating and management systems to benefit transport users.

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The internationally recognised ITS 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.

In 2015/16, the Ministry, with support from a number of agencies progressed several pieces of work relating to the ITS Action Plan including:

- ▶ completing the development of a framework for scanning transport legislation to identify unnecessary barriers to the testing and deployment of ITS in New Zealand
- ▶ supporting the ITS Leadership Group
- ▶ a review of the vehicle standards map, which identifies technologies and standards that have the potential to improve vehicle safety and efficiency
- ▶ guidelines for testing autonomous vehicles in New Zealand to support promotion of New Zealand as a test bed for new technologies
- ▶ allocation of radio spectrum for connected vehicles
- ▶ collaboration with Australia on ITS standards and positioning systems needed for the deployment of ITS technologies
- ▶ the commissioning of research on the data needed for intelligent mobility and the benefits, utilisation, challenges and the role of government in collecting transport-related data.

In 2016/17 the Ministry will continue to progress the Action Plan programme of work and review and update the Action Plan to ensure that we are taking account of technology developments and focussing on the right areas.

### 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 2015/16, the Ministry negotiated eight new air services agreements, and amended three existing agreements. These agreements included countries from Europe, Asia and Africa. Airlines have taken advantage of rights available including starting new services from the Philippines, Malaysia and the United States.

In 2016/17, we will continue our focus on putting in place arrangements to allow code-share services which connect to new services to Houston and Buenos Aires in particular.

### Safety

#### Clear Heads

The Clear Heads review responds to a call from the Transport Accident Investigation Commission (TAIC) for significant drug and alcohol regulation after a number of incidents, including the Carterton hot air balloon crash, in which 11 people lost their lives. The TAIC recommendation covered both commercial and recreational activities. The review intends to create a safer maritime and aviation sector for all participants.

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. After public consultation, Cabinet agreed to a suite of changes which includes drug and alcohol management plans with mandatory random testing for commercial aviation and maritime operators. The Ministry is drafting changes to the Maritime Transport Act 1994 and the Civil Aviation Act 1990 to incorporate provisions in those bills.

#### Drink-driving

In 2013, the Government requested a review of the sanctions for drink-driving. The Safer Journeys Action Plan 2013-15 also contained an action to promote the greater use of alcohol interlocks.

The Ministry led the review of drink-driving sanctions, alongside Justice sector agencies, the Ministry of Health and the NZTA. The review's focus included collecting data about drink-drive offences, and an analysis of sentencing trends and issues. This included examining the extent to which sanctions, particularly the discretionary alcohol interlock sentence, are used.

In 2015/16, the Ministry provided advice on establishing a mandatory alcohol interlock regime. We also provided advice on an interlock subsidy scheme to support the alcohol interlock regime.

On 9 August 2016, the Government announced that it would put a mandatory interlock regime in place for serious and repeat drink-drive offenders. The Ministry is currently supporting the legislative process to implement the change. We are also working with other departments on the detail of the subsidy scheme.

#### Improving safety for drivers visiting New Zealand

As part of the Safer Journeys signature project to improve the safety of visiting drivers, the Ministry is working closely with the NZTA, New Zealand Police, Tourism New Zealand and others across the transport and tourism sectors, on several key initiatives. The work focuses particularly on the tourist regions of southern New Zealand. The project is significant for its extensive

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collaboration between government agencies and the tourism industry, which has enabled innovative ideas to be developed and implemented quickly.

The NZTA is project managing the work and with the Ministry and the industry partners has implemented a wide range of initiatives that reach people from the point at which they think about travelling to New Zealand right through to when they are on the road. We have worked collaboratively with the Chinese Embassy and welcomed their development of information for potential overseas Chinese drivers on our roads using Chinese social media sites.

The Ministry updated its annual crash fact sheet on overseas licence holders involved in crashes.

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

### **Safer Journeys**

Safer Journeys: New Zealand's Road Safety Strategy 2010-2020 takes a Safe System approach to road safety in New Zealand. The National Road Safety Committee oversees the implementation of the Strategy through Action Plans, which identify the areas with the most potential to reduce deaths and serious injuries on our roads.

The third and final Safer Journeys Action Plan 2016-2020, developed collaboratively by road safety partners across government, was released in May 2016. It recognises there is significant work already underway from the previous two Action Plans, but a number of areas remain which would benefit from renewed focus. In particular:

- ▶ enabling smart and safe choices on the road
- ▶ making motorcycling safer
- ▶ ensuring roads and roadsides support safer travel and
- ▶ encouraging safer vehicles.

The success of the Action Plan relies on road safety partners, industry, and the community working effectively together. Implementation of the Action Plan is under way, and it is expected in the long term that the actions will significantly reduce the number of people dying and suffering serious injuries on our roads.

### **Other Ministry key initiatives**

#### **Review of the Maritime Transport Act 1994**

The Ministry is in the process of amending the Maritime Transport Act 1994 [the Act]. This includes measures to give effect to international conventions that give us greater access to compensation and greater financial protection from maritime incidents. Other changes will improve flexibility of rule making and allows regional councils to keep the infringement fees from national maritime rules. Drafting instructions were completed and we are now progressing with the Bill and it should be introduced in Parliament in September 2016.

The Bill will include the changes to give effect to Cabinet's Clear Heads decisions for the maritime sector.

#### **Regulatory reform programme**

The Ministry has a stewardship obligation to ensure we have a regulatory system that is fit for purpose therefore, annually; we produce a regulatory reform programme.

The Regulatory reform programme is an annual process that includes an environmental scan and the development of a Four Year Regulatory Plan [the Plan]. Key components of the Plan are the rules development programme, legislative programme and approach to monitoring and evaluation.

In 2015/16, the Ministry had a workshop with the maritime industry group and approached local government transport managers to offer an online forum for regulatory proposals, produced the Plan and introduced a trial of contestable funding for rules development – designed to make best use of funds and increase transparency.

Regulatory changes commonly involve a mix of monetarised and non-monetarised costs and benefits. An assessment of 18 regulatory impact statements in 2015/16 identified monetarised benefits of \$61.02 million per annum on average for 20 years.

The Ministry will continue its stewardship responsibility with the development of the next Four Year Regulatory Plan. It will work with local government on the environmental scan and the Ministry of Justice to reduce the number of transport related offences that go through the courts.

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### **Review of the Civil Aviation Act 1990 and Airport Authorities Act 1966**

The Ministry has reviewed these Acts to make sure they are fit for purpose, given the significant changes in the aviation environment and the approach to regulation during their life spans.

In 2015/16, the Ministry finalised policy advice on all the issues identified in the Review. We provided final policy advice to the Minister of Transport on issues that require legislative change from a safety, security and economic perspective. A Cabinet paper has been prepared to obtain policy approvals for the relevant amendments to the Acts.

We expect to obtain Cabinet approval later in 2016. The Parliamentary Counsel Office will then draft a Civil Aviation Reform Bill. We expect the Bill to be introduced in 2016/17.

### **Small Passenger Services Review**

The Ministry began a review of the regulatory framework for small passenger services at the beginning of 2015, to ensure New Zealand's regulatory environment is both fit for purpose and flexible enough to accommodate new technologies.

Policy development on the review was undertaken throughout 2015/16. This included public consultation and writing a summary of submissions received, which informed the Government's April 2016 decisions on the review. The Ministry is currently working with the Parliamentary Counsel Office and the NZTA on drafting instructions. Decisions on the review will result in changes to the Land Transport Amendment Bill, various land transport rules, and regulations.

The rules are being developed in tandem with the Bill, which is expected to be enacted in early 2017.

### **Vehicle Dimensions & Mass Review**

The Ministry and the NZTA undertook a joint review of the Vehicle Dimensions and Mass Rule 2002 [the Rule]. The work aims to deliver productivity improvements, greater regulatory efficiency and reduced compliance costs without comprising the road transport system and road user safety outcomes.

In 2015/16, consultation was completed on the discussion document. This included regional workshops in Auckland, Tauranga, Wellington, Dunedin and Christchurch. Policy proposals on the content of the Rule were subsequently approved by Cabinet.

The Ministry released the draft of the Rule for consultation in July 2016. After consultation, a final version of the Rule will be prepared for the Associate Minister. It is expected that the Rule will be signed in late September 2016, coming into effect by the end of the year.

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## 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 building long-term stewardship of the sector.

### Strengthening our governance relationship

The Ministry continued to strengthen its relationships with the four transport Crown entities. The Minister has a statutory stewardship role, in which the Ministry supports him through a number of functions. 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.

In 2015/16, in addition to the ongoing governance role the Ministry facilitated the Board appointment process and regularly engaged with Crown entity Boards. These steps ensure that Board appointments are made effectively and efficiently.

### Funding Review Programme

2015/16 was the second full year of the Ministry's consolidated Fees and Funding Review Programme.

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. Fees and funding reviews ensure that there is appropriate cost recovery for government activities, so that services are delivered adequately and sustainably.

In 2015/16, four reviews were successfully completed:

- ▶ Aviation Security Service pricing review (international security levy)
- ▶ Maritime New Zealand (MNZ) midpoint funding review (funding for future incidents response capability)
- ▶ funding for fuel excise duty refund administration and
- ▶ interim funding for MNZ and the Civil Aviation Authority (CAA) for health and safety.

Significant progress has been made on the oil pollution levy review and the CAA triennial funding review. These reviews will be completed in 2016/17.

The Search and Rescue funding review has begun and is expected to be completed in 2016/17 along with the rail fees regulation review and the motor vehicle administration review.

### Improving Ministry performance

Following the success of its 2-year transformational programme that concluded in July 2015, the Ministry's focus for 2015/16 was to ensure its improved way of working was embedded into the organisation. To continue the momentum, three performance improvement goals were established to:

- ▶ further strengthen our strategic policy capability and performance
- ▶ deliver higher quality policy advice
- ▶ engage effectively with our key stakeholders.

To help deliver on these performance goals, the Ministry has continued to build a structured programme of stakeholder engagement, with the strategic policy programme offering valuable opportunities to look beyond the issues of the day and discuss longer-term transport objectives. The Ministry regards every staff member as responsible for working with other organisations, and we were pleased to see the Rules Reduction Taskforce's recommendation that all Government departments should look to implement a stakeholder engagement approach similar to ours.

To help prioritise its work and deliver higher quality policy advice, the Ministry developed a programme of top ten priorities and key deliverables for each quarter – a mix of Ministry-driven goals and Ministerial expectations. The top ten priorities have helped to drive accountability, ensuring we deliver high quality policy advice on time in the area of greatest priority.

In November 2015, it was confirmed the Ministry would be moving to 1 The Boulevard to co-locate with Statistics New Zealand from August 2016 as part of the Government's Wellington Accommodation Project Tranche 2 (WAP2). WAP2 works to enable the government to deliver better, more cost-effective workplaces.

We worked closely with Statistics New Zealand to leverage the opportunities offered by the new space to continue to transform the way that we work, with a focus on creating a mix of quiet, communal and collaborative spaces that staff can use. The Ministry completed the move to 1 The Boulevard in August 2016.

## Working across the transport sector

### Collaboration and capability

The Ministry chairs the Transport Sector Leadership Group made up of sector Chief Executives. The Group oversees delivery of the sector wide work on the Government's priority of Better Public Services, identifying and developing innovative ways for the sector to improve the efficiency and quality of services we deliver.

The Collaboration and Capability programme is one work stream of this. The Ministry took over leadership of this programme in 2015/16 for two years and established a programme management office to support the work.

The Chief Executives had identified areas of priority in 2015/16 – procurement, shared finance and/ or payroll systems and accommodation. Progress on these areas is as follows:

- ▶ Procurement – a procurement review identified significant potential savings that could be realised over a year.
- ▶ Finance and payroll systems – work including an independent review determined the status quo was appropriate for the next three to five years.
- ▶ Accommodation – work was overtaken by the Government's decision to relocate the Ministry's Wellington office.

A key focus for 2016/17 will be to realise the benefits identified in the procurement stream.

### Transport Domain Plan and Transport Research Strategy

The Ministry, in conjunction with Statistics New Zealand, developed the Transport Domain Plan [the Domain Plan] and the Transport Research Strategy [the Research Strategy]. The Domain Plan identifies 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. The need for the Research Strategy arose when we jointly identified there was an overall lack of co-ordination between interested entities in the area of transport sector research.

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

The Domain Plan and the Research Strategy were published in July 2016. The key elements of the documents included:

The Domain Plan

- ▶ identifying eleven topics of data, statistical and research interest

- ▶ establishing enduring questions that need to be answered in relation to each topic
- ▶ defining and framing the problems to be resolved in relation to each topic and enduring question
- ▶ identifying the responses and likely actions required.

The Research Strategy

- ▶ investing in the right research which includes the Triple-4 Framework for knowledge development and prioritisation
- ▶ facilitating collaboration
- ▶ ensuring visibility
- ▶ accessing and investing in the right capability.

The Domain Plan and Research Strategy are complementary documents. Together, they provide the strategic direction we need to fill key data, information and knowledge gaps.

## Working internationally

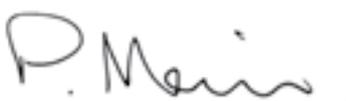
### Asia Pacific Economic Cooperation

In August 2014, Nick Brown, General Manager Aviation and Maritime, became the Lead Shepherd (Chair) of the 21 member Asia Pacific Economic Cooperation (APEC) Transportation Working Group. The role gives the Ministry the opportunity to lead international discussion about transport.

The Working Group focuses on information sharing, promoting best practice in transport, and building the capacity of the developing economy members. New Zealand has contributed particularly around ease of travel, overall economic integration, and the promotion of women in transportation.

APEC transport ministers met in October 2015 and provided direction to the Working Group for the next two years. This included a directive that the Working Group undertake an internal review of its structure to ensure it is fit for purpose for the next 25 years. Nick Brown, as Lead Shepherd, is heading the review which will report on its recommendations to Ministers when they meet in the second half of 2017.

*I thank Ministry staff for their commitment and hard work in delivering an ambitious programme of work in 2015/16. I look forward to next year, as we continue to help shape the future of transport in New Zealand.*



**Peter Mersi**

Chief Executive, Ministry of Transport



## Ministry metrics

### Key people metrics and core capacity

Over the past five years, our percentage of policy staff has risen, from 51 percent in 2010/11 to 59 percent in 2015/16. In 2016, the Ministry set out to deliver an ambitious recruitment strategy to address a number of vacancies by the end of the calendar year. The strategy included a recruitment process, and a new applicant tracking system to streamline the candidate screening and application process. 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	2015/16	2014/15	2013/14	2012/13
<b>Number of employees</b>				
Policy development	76	89	102	91
Management	21	21	18	20
Administration	30	31	34	34
<b>Total headcount</b>	<b>127</b>	<b>141</b>	<b>154</b>	<b>145</b>
<b>Turnover</b>	19%	12%	10%	15%
<b>Gender</b>				
Women	47%	48%	47%	49%
Men	53%	52%	53%	51%
<b>Ethnicity distribution</b>				
NZ European	70%	66%	66%	72%
NZ Māori	6%	7%	5%	5%
Pacific peoples	1%	1%	1%	1%
Asian	11%	10%	8%	8%
Other European	7%	6%	13%	7%
Other ethnic groups	4%	4%	3%	5%
Undeclared	1%	6%	4%	2%
<b>Sick leave taken – average days per employee</b>	4	5	5	5
<b>Age distribution (permanent staff)</b>				
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. This audit provides us with an independent view of 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 2015/16

The key performance management measures the Ministry used for 2015/16 are set out in the table below, along with our 2014/15 performance against those measures.

	2015/16 result	2014/15 result
<b>Input management</b>		
Percentage of policy project milestones delivered each quarter	85%	81%
Percentage of staff time allocated to the Minister's priority projects	55%	37%
<b>Quality management</b>		
90% of regulatory impact statements are assessed as 'meets' or 'partially meets' the required standards	94%	100%
75% of policy advice briefings are accepted first time by the Minister	98%	93%
Total cost of an hour of professional staff time devoted to policy advice and other policy unit outputs	\$196	\$178
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	7.41	7.6
<b>Outcomes management</b>		
95% or more of output plan delivered as agreed with the Minister	89%	88%
<b>Work programme management</b>		
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 22-25 and pages 74-82.	Published annually in the Ministry of Transport annual report. Refer to pages 26-29 and pages 75-84.
Ministry reviews outcome indicators that show less progress is being made and considers whether further Ministry action is needed	Achieved [see below]	Achieved

### Ministry reviews of outcome indicators

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 2015/16 or 2014/15.



# The Ministry's contribution to governmental outcomes for transport

## The Ministry's strategic outcomes framework

To manage the future pressures and issues confronting the transport sector, the Ministry and the transport Crown entities have a shared sector objective and four long-term outcomes. These have been incorporated into a strategic outcomes framework. The framework sets out the outcomes that we believe are most important to New Zealand's transport system. We aim to progress towards these long-term outcomes through effective delivery in our intermediate outcomes.

### Long-term outcomes for the transport sector

The long-term outcomes describe the desired 'future state' of the New Zealand transport system. These strongly align with the Government's objectives for the transport system and are expected to be achieved over the next 20 or more years.

#### **Effective — moves people and freight where they need to go in a timely manner**

The core function of our transport network is to connect New Zealand domestically and internationally. Transport links employees, employers and businesses together, and enables individuals to access services and make social connections. Transport also brings international tourists and is part of the supply chain that delivers goods to domestic and international markets.

#### **Efficient — delivers the right infrastructure and services to the right level at the best cost**

The benefits of transport investment include its contribution to the functioning of a successful, competitive economy and a connected society. However, as with all public spending, in transport there are inevitably trade-offs between costs and service quality.

#### **Resilient — meets future transport needs and endures shocks**

Transport infrastructure often has a life span of many decades, so investments we make today must accommodate future needs and uncertainties as well as current requirements.

Our transport network should deal well with shocks such as natural disasters, like earthquakes or extreme weather events, as well as dangers caused intentionally or unintentionally by people. It also needs to be adaptable to security requirements that may be imposed on us by other countries or international organisations.

#### **Safe and responsible — reduces the harms from transport**

Transport can have undesirable consequences, including road crashes, greenhouse gas emissions and other environmental impacts (including on the built environment), and public health impacts (such as air quality, noise and heart disease).

### Intermediate results and what we intend to achieve

The four long-term outcomes are supported by the Ministry's intermediate outcomes. These provide a focus for our actions to improve the transport system over the next 5 to 10 years.

The Ministry has four intermediate outcomes that it will strive for to both deliver on the Government's priorities and better position the transport system to meet New Zealand's longer term needs; and achieve our 'greatest imaginable challenge', which is to 'create the environment to double the value of transport initiatives'.

In confirming these new intermediate outcomes, the Ministry had regard to its role, a range of processes for scanning opportunities and challenges, and detailed analysis of a number of aspects of the system.

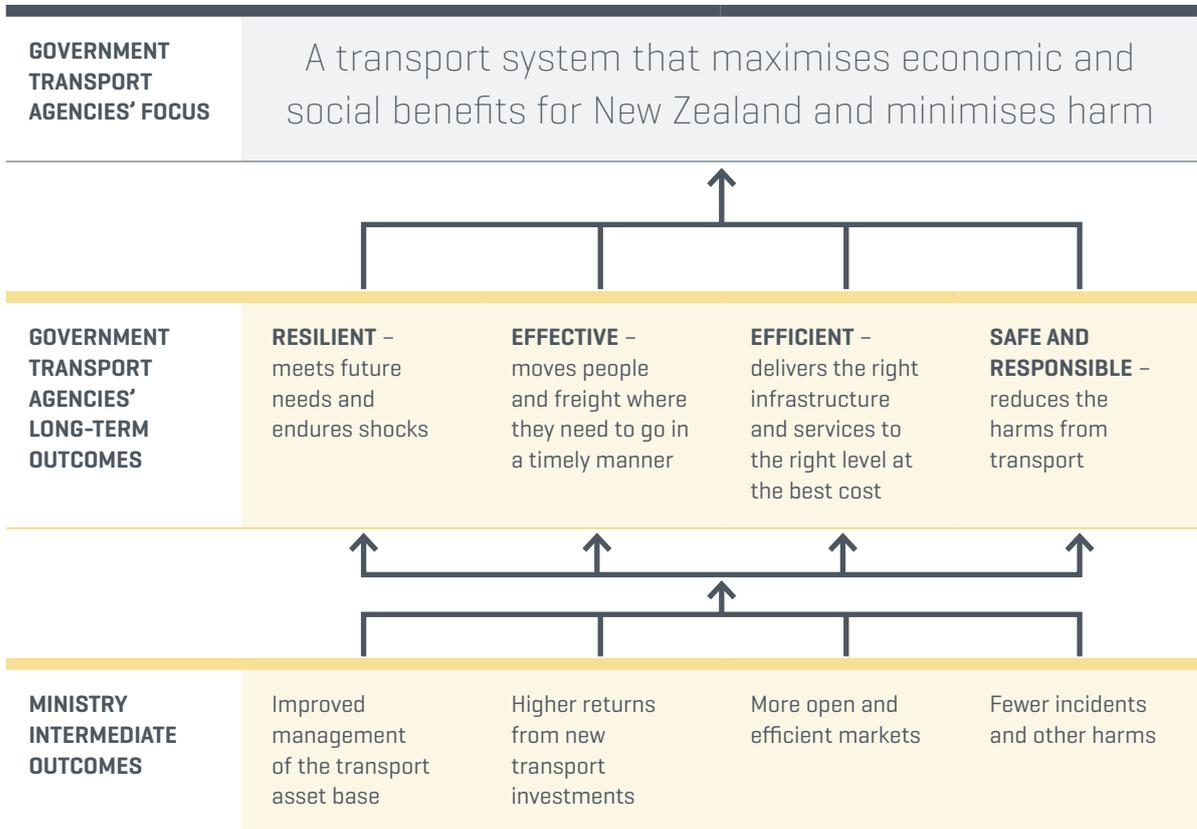
The four outcomes, are:

- ▶ improved management of the transport asset base
- ▶ higher returns from new transport investments
- ▶ more open and efficient markets
- ▶ fewer incidents and other harms.

The Ministry can adjust its level of focus on any aspect across the outcomes in response to changing Government priorities. We do this through the choices that we make on the work programmes that underpin the outcomes. We understand not everything can be a priority and that the Government, rightly, determines the Ministry's priorities. The balance within our work programmes reflects Government priorities, as agreed with the Minister of Transport.

The link between our work programmes and our outcomes is complex. In practice, many of our policy work programmes contribute to more than one intermediate result. For example, the implementation of the Intelligent Transport Systems Technology Action Plan is expected to lead to improved management of the transport asset base and, at the same time, contribute to fewer incidents and harms (through improved safety and reduced environmental harms from the transport system).

## STRATEGIC DIRECTION FOR THE TRANSPORT SECTOR



## 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 2015/16.

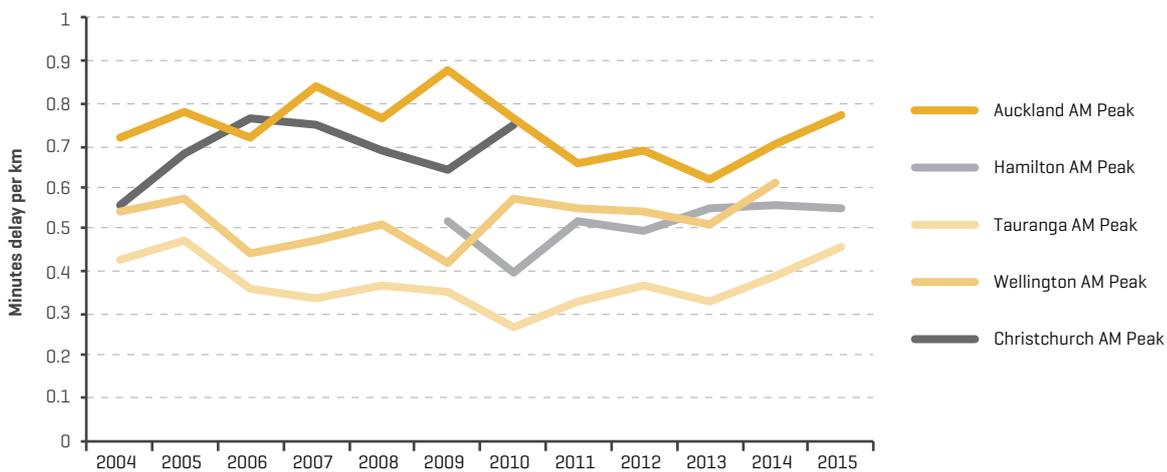
### Long-term outcome: Effective –moves people and freight where they need to go in a timely manner

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 general stability in levels of network congestion across our main centres since 2004. In 2015 all networks with the exception of Hamilton, showed a small increase in congestion levels. Recent Christchurch data is not available.

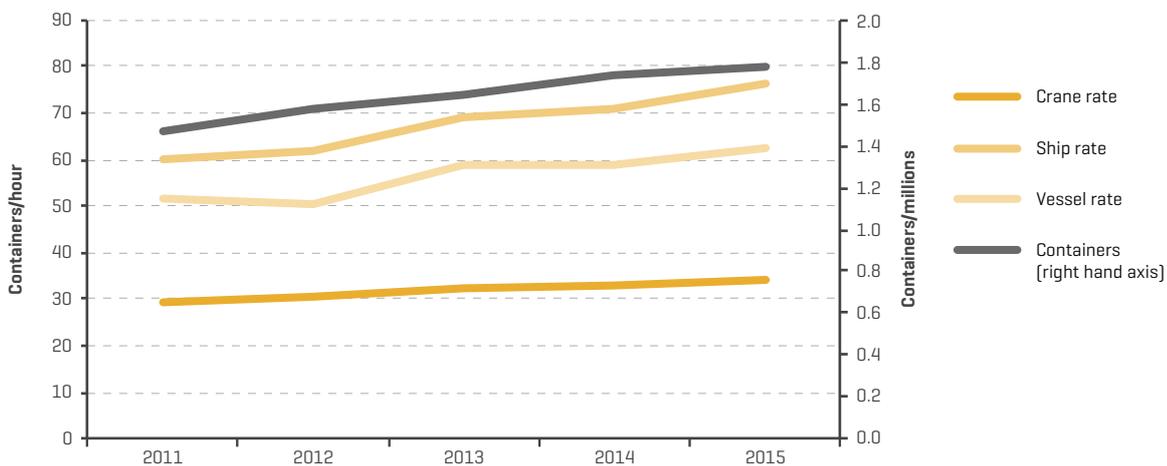
Figure 1 - AM peak congestion - minutes delay per kilometre



#### 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 has been adjusted using the construction price index. The graphs below show comparable spending power, not nominal revenue.

Figure 3 – Growth in revenue (in real terms) remaining stable in relation to growth in traffic growth [2015/16\$]

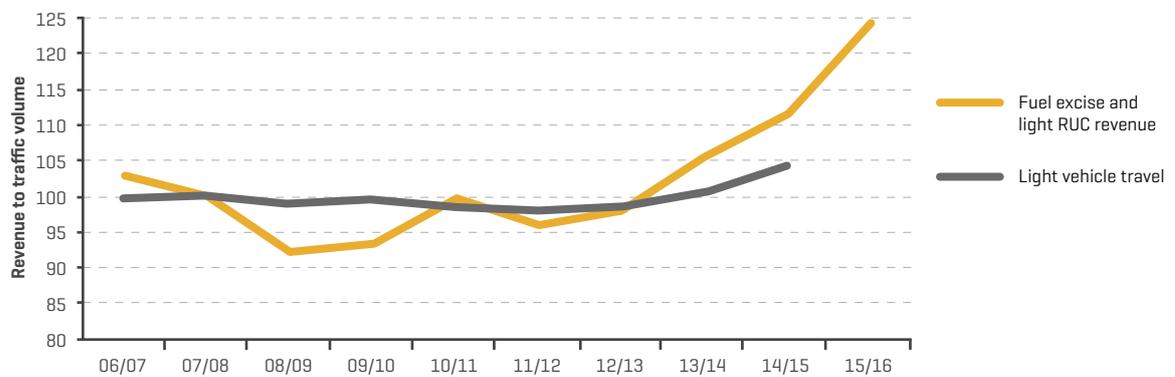
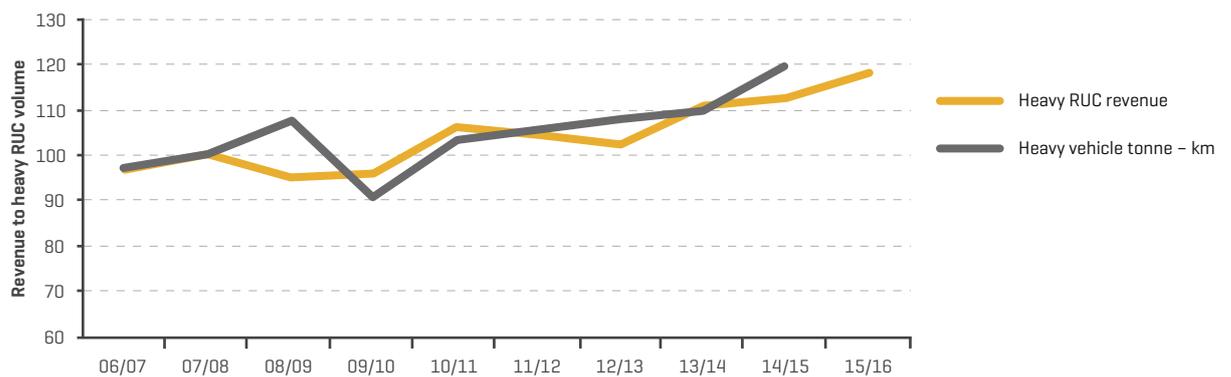


Figure 4 – Growth in heavy RUC revenue (2015/16\$) relative to traffic growth



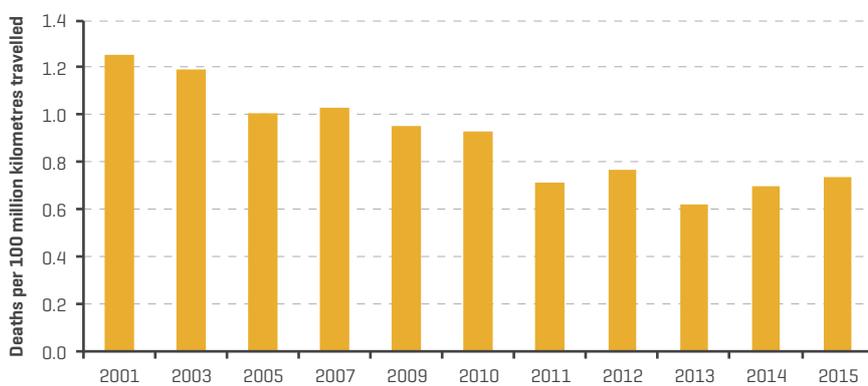
### Long-term outcome: Safe and responsible – reduces the harms from transport

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, since 2002, were trending downwards until recently. As we continue with our Safer Journeys, alcohol interlock and safer speeds work, we expect to see the number of deaths on our roads decrease over the long-term.

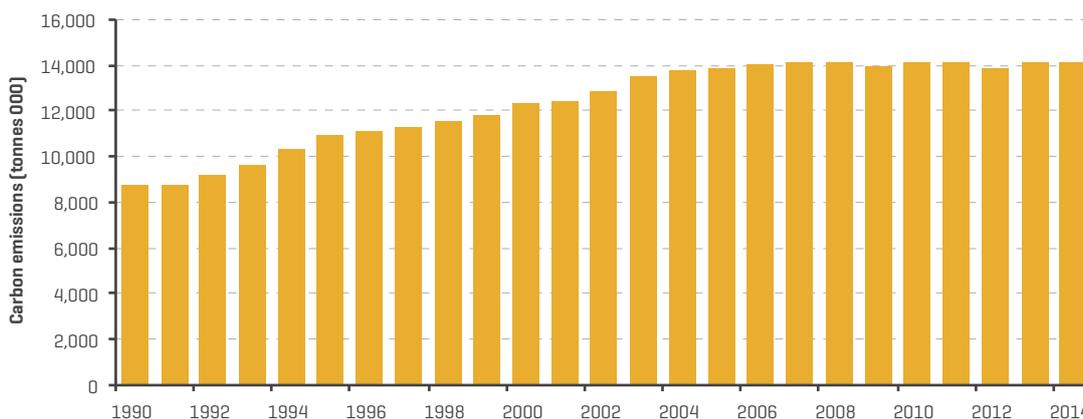
Figure 5 – Road deaths per 100 million vehicle kilometres travelled



#### 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 and emissions on a per capita basis have decreased. Data for 2015 is not yet available. The Ministry will publish this information on its website when it is available in late 2016.

Figure 6 – Carbon emissions from road transport 1990 -2013 [tonnes 000]



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

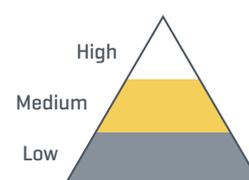
Investment in transport infrastructure is a long-term activity, and all new investment must not only address current needs, but also future needs. We must have confidence our transport system can be resilient to expected and unexpected dangers. The system must be flexible, quickly responding to new events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

To date, the Ministry has not had a long-term resilience measure. The new GPS 2015 Monitoring Report (prepared by the NZTA) will provide data on a range of indicators relating to the performance of the land transport system, including its resilience, and will enable the Ministry to establish a benchmark measure for the resilience of the roading network. More generally, the National Infrastructure Unit’s Evidence Base 2015 Refresh report for the transport sector 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
<b>Local Roads</b>			
Suburban	Low	Low	-
Main arterial with alternate	Medium	Medium	-
Main arterial – no alternate	Medium	Medium	-
Strategic freight routes	High	Medium	▲
<b>National Roads</b>			
National with alternate	Medium	Medium	-
National – no alternate	High	Medium	▲
<b>Road/Rail Link Span</b>			
Cook Strait ferries & terminals	Medium	Medium	-
<b>Rail</b>			
Suburban (incl rolling stock)	Medium	Low	▲
National (incl rolling stock)	High	Medium	▲
National Train Control Centre	High	Low	▲
<b>Ports</b>			
Individual Ports	Medium	Medium	-
Ports with specialist facilities	High	Medium	▲
Ports Network	High	Medium	▲
<b>Airports</b>			
Regional airports	Medium	Medium	-
Airways NZ	High	High	-

Key: Levels of resilience



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



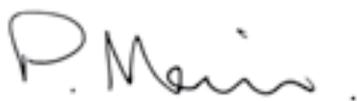
## Statement of responsibility

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 2016 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 2017 and its operations for the year ending on that date.



**Peter Mersi**

Chief Executive



**Fiona Macmaster**

Manager Finance

30 September 2016

# Financial performance

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

for the year ended 30 June 2016

Actual 2014/15 \$000		Note	Actual 2015/16 \$000	Unaudited Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000	Unaudited forecast* 2016/17 \$000
	<b>Revenue</b>					
31,273	Revenue Crown	2	32,223	32,473	32,808	32,765
429	Other revenue	3	660	320	662	345
<b>31,702</b>	<b>Total revenue</b>		<b>32,883</b>	<b>32,793</b>	<b>33,470</b>	<b>33,110</b>
	<b>Expenses</b>					
16,464	Personnel expenses	4	16,682	17,320	16,720	16,920
10,793	Other operating expenses	5	11,719	11,176	11,690	12,213
3,559	Contractual payments to Crown entities	6	3,658	3,517	3,658	3,916
217	Capital charge	7	225	220	220	220
519	Depreciation – property, plant and equipment	10	539	351	517	156
74	Amortisation – intangible assets	11	60	209	[85]	60
56	Finance cost	14	-	-	-	-
-	Release of provisions	15	[375]	-	375	-
<b>31,682</b>	<b>Total expenses</b>		<b>32,508</b>	<b>32,793</b>	<b>33,095</b>	<b>33,485</b>
<b>20</b>	<b>Net surplus</b>		<b>375</b>	<b>-</b>	<b>375</b>	<b>[375]</b>
	<b>Other comprehensive revenue and expenditure</b>					
102	Gain on revaluation	10	505	-	-	-
-	Loss on disposal	10	[505]	-	-	-
<b>122</b>	<b>Total comprehensive revenue and expense</b>		<b>375</b>	<b>-</b>	<b>375</b>	<b>[375]</b>

Explanations of significant variances against budget are detailed in note 22.

## STATEMENT OF MOVEMENTS IN EQUITY

for the year ended 30 June 2016

Actual 2014/15 \$000		Note	Actual 2015/16 \$000	Unaudited Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000	Unaudited forecast* 2016/17 \$000
<b>2,708</b>	<b>Balance at 1 July</b>		<b>2,810</b>	<b>2,810</b>	<b>2,810</b>	<b>3,185</b>
122	Total comprehensive income		375	-	375	[375]
-	Gain on revaluation		505	-	505	-
-	Loss on disposal		[505]	-	[505]	-
	<b>Owner transactions</b>					
[20]	Provision to repay surplus		-	-	-	-
<b>2,810</b>	<b>Balance at 30 June</b>	8	<b>3,185</b>	<b>2,810</b>	<b>3,185</b>	<b>2,810</b>

\*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 2016

Actual 2014/15 \$000		Note	Actual 2015/16 \$000	Unaudited Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000	Unaudited forecast* 2016/17 \$000
	<b>Equity</b>					
1,947	Taxpayers funds		2,322	1,947	2,322	1,947
863	Revaluation reserve – Aerodrome & land		863	863	863	863
<b>2,810</b>	<b>Total equity</b>	8	<b>3,185</b>	<b>2,810</b>	<b>3,185</b>	<b>2,810</b>
	Represented by:					
	<b>Current assets</b>					
2,763	Cash and cash equivalents	19	2,951	3,341	2,839	1,736
3,454	Debtors, prepayments and other receivables under exchange transactions	9	3,962	2,950	3,453	3,453
<b>6,217</b>	<b>Total current assets</b>		<b>6,913</b>	<b>6,291</b>	<b>6,292</b>	<b>5,189</b>
	<b>Non-current assets</b>					
1,836	Property, plant and equipment	10	1,427	1,794	1,879	1,883
104	Intangible assets	11	35	485	279	459
<b>1,940</b>	<b>Total non-current assets</b>		<b>1,462</b>	<b>2,279</b>	<b>2,158</b>	<b>2,342</b>
<b>8,157</b>	<b>Total assets</b>		<b>8,375</b>	<b>8,570</b>	<b>8,450</b>	<b>7,531</b>
	<b>Current liabilities</b>					
1,996	Creditors and other payables under exchange transactions	12	2,294	2,889	2,058	2,026
1,510	Employee entitlements	13	1,194	1,235	1,386	1,618
-	Provision for lease make-good	14	500	-	-	-
20	Provision to repay surplus		-	-	-	-
<b>3,526</b>	<b>Total current liabilities</b>		<b>3,988</b>	<b>4,124</b>	<b>3,444</b>	<b>3,644</b>
	<b>Non-current liabilities</b>					
1,077	Employee entitlements	13	1,202	948	1,077	1,077
744	Provision for lease make-good	14	-	688	744	-
<b>1,821</b>	<b>Total non-current liabilities</b>		<b>1,202</b>	<b>1,636</b>	<b>1,821</b>	<b>1,077</b>
<b>5,347</b>	<b>Total liabilities</b>		<b>5,190</b>	<b>5,760</b>	<b>5,265</b>	<b>4,721</b>
<b>2,810</b>	<b>Net assets</b>		<b>3,185</b>	<b>2,810</b>	<b>3,185</b>	<b>2,810</b>

\*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 2016

Actual 2014/15 \$000		Note	Actual 2015/16 \$000	Unaudited Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000	Unaudited forecast* 2016/17 \$000
	<b>Cash flows from operating activities</b>					
30,931	Crown revenue		31,749	32,473	32,809	32,765
68	Departments		8	-	8	-
125	Crown entities		339	90	115	115
211	Other revenue		260	230	539	230
[16,553]	Personnel costs		[16,875]	[17,320]	[16,720]	[16,920]
[11,255]	Operating expenses		[11,441]	[11,176]	[12,065]	[12,358]
[3,559]	Contractual payments to Crown entities		[3,658]	[3,517]	[3,658]	[3,916]
[220]	Net GST paid		189	-	[61]	-
[217]	Capital charge		[225]	[220]	[220]	[220]
<b>[469]</b>	<b>Net cash flows from operating activities</b>	16	<b>347</b>	<b>560</b>	<b>747</b>	<b>[304]</b>
	<b>Cash flows from investing activities</b>					
[84]	Purchase of property, plant and equipment		[130]	[140]	[560]	[660]
[49]	Purchase of intangible assets		[9]	[210]	[90]	[63]
<b>[133]</b>	<b>Net cash flows from investing activities</b>		<b>[139]</b>	<b>[350]</b>	<b>[650]</b>	<b>[723]</b>
	<b>Cash flows from financing activities</b>					
-	Repayment of surplus		[20]	-	[21]	-
-	<b>Net cash flows from financing activities</b>		<b>[20]</b>	<b>-</b>	<b>[21]</b>	<b>-</b>
<b>[602]</b>	<b>Net increase/(decrease) in cash held</b>		<b>188</b>	<b>210</b>	<b>76</b>	<b>[1,027]</b>
3,365	Cash at 1 July		2,763	3,131	2,763	2,763
<b>2,763</b>	<b>Total cash at 30 June</b>		<b>2,951</b>	<b>3,341</b>	<b>2,839</b>	<b>1,736</b>

\*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 2016

### Non-cancellable operating lease commitments

The Ministry leases property in the normal course of business.

The Ministry is to move from its 89 The Terrace, Wellington premises in August 2016 and so will surrender its existing lease. It is moving to premises that it will share with Statistics New Zealand.

Statistics New Zealand will be the lessee of the building and the Ministry will sign a co-location agreement with them. The full lease commitment is disclosed in the Statistics New Zealand financial statements, and so is not disclosed below.

Actual 2014/15 \$000		Actual 2015/16 \$000
	<b>Non-cancellable operating lease commitments</b>	
1,417	Not later than 1 year	381
2,364	Later than 1 year and not later than 5 years	-
-	Later than 5 years	-
<b>3,781</b>	<b>Total non-cancellable operating lease commitments</b>	<b>381</b>

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 decrease in commitments is because the Ministry is no longer reflecting a lease commitment due to its new accommodation arrangements disclosed above.

### Capital commitments

The Ministry has no capital commitments as at 30 June 2016 (2014/15: \$nil).

## STATEMENT OF CONTINGENT LIABILITIES AND CONTINGENT ASSETS

as at 30 June 2016

The Ministry has no quantifiable contingent liabilities, or contingent assets as at 30 June 2016 (2014/15: \$nil).

The Ministry is not recognising a contingent asset from the future recovery of funds subject to the possible fraud (note 26) as it is unable to assess the likelihood of any recovery at this time.

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

# Notes to the financial statements

for the year ended 30 June 2016

## 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 Government, 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 2016. The financial statements were authorised for issue by the Chief Executive of the Ministry on 30 September 2016.

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.

### 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.

### Comparative figures

Some figures from 2014/15 have been restated to provide a truer comparison with 2015/16.

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

There are no standards issued that are not yet effective.

### 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 comprehensive revenue and expense.

#### 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/Piopirotahi 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 comprehensive revenue and expense.

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 as below:

*Milford Sound/Piopirotahi 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.

*Kaikohe land:* the Ministry has held some land at Kaikohe at \$0 value. During 2015/16 it revalued the land based on market value prior to a transfer to Land Information New Zealand.

The net revaluation result is credited or debited to the statement of financial position and accumulated to an 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 comprehensive revenue and expense.

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 the authorisation of 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, other than land, at rates that will write off the cost [or valuation] of the assets to their estimated residual values over their useful lives.

The Ministry is relocating in August 2016. Most of its furniture and plant and equipment will not be suitable for the new property and so will be disposed of.

Replacement of IT equipment has been delayed as the Ministry proposes to move to laptops on relocation.

Most of these assets have already reached the end of their useful lives and so have no book value, but those that do, have had their useful life adjusted to August 2016.

The life of leasehold improvements has been to the end of the lease at 1 March 2018, but this date is now August 31 2016.

The useful lives and the usual depreciation rates of major asset classes have been estimated as follows:

Asset class	Useful life	Depreciation rate
Furniture and fittings	10 years or to August 2016	10% per annum or more
Leasehold improvements	To August 2016	9.65 % per annum
Milford Sound/ Piopiotahi Aerodrome	3-100 years	1-33.3% per annum
Plant and equipment	2-10 years or to August 2016	10-50% per annum

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 Ministry has no assets of this nature.

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 comprehensive revenue and expense.

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, including the Milford Sound/ Piopiotahi Aerodrome because its primary purpose is to provide a service rather than to generate a return.

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 provided by the Treasury.

#### *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 comprehensive revenue and expense 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 and Kaikohe land 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 an 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 2016.

#### *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 2016 budget figures are for the year ended 30 June 2016. 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 ended 30 June 2016 [the Main Estimates] and for BEFU for the year ended 30 June 2017 [the Supplementary Estimates].

The 2017 forecast figures are for the year ending 30 June 2017, and are consistent with the best estimate financial forecast information submitted to the Treasury for the Budget Economic Forecast Update for the year ending 30 June 2017. Some figures in the statements have been adjusted as they were not reasonable for the most up to date assumptions. None of these adjustment is material.

The Ministry prepared the 30 June 2017 forecast financial statements, as required by the PFA, to communicate forecast financial information for accountability purposes. It prepared the forecast figures in accordance with PBE FRS 42 Prospective Financial Statements and they comply with PBE FRS 42.

The forecast financial statements [excluding any adjustments] were approved for issue by the Chief Executive on 21 April 2016. The Chief Executive is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

The Ministry regularly updates its forecasts, but will not publish updated forecast financial statements for the year ending 30 June 2017.

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

## 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 2016/17. 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 2016, 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 2015/16 was used as the opening position for the 2016/17 forecasts.
- ▶ personnel costs were based on 155 full-time equivalent staff, with an allowance for 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 2017 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. However as noted, some immaterial adjustments have been made to them.

**NOTE 2: REVENUE CROWN**

Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000	Unaudited forecast 2016/17 \$000
29,597	Policy advice and related outputs multi category appropriation	30,477	30,843	31,062	30,761
1,201	Search and rescue activity co-ordination PLA	1,201	1,201	1,201	1,201
475	Fuel excise duty refund administration	545	429	545	803
<b>31,273</b>	<b>Total revenue Crown</b>	<b>32,223</b>	<b>32,473</b>	<b>32,808</b>	<b>32,765</b>

**NOTE 3: OTHER REVENUE**

Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited forecast 2016/17 \$000
192	Crown entities and other departments	368	115
237	Milford Aerodrome landing fees	270	230
-	Other recoveries	22	-
<b>429</b>	<b>Total other revenue</b>	<b>660</b>	<b>345</b>

**NOTE 4: PERSONNEL EXPENSES**

Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited forecast 2016/17 \$000
15,379	Salary and wages	16,023	15,500
561	Employer contributions to defined contribution schemes	571	560
88	Annual leave	[127]	20
28	Long service leave	[16]	50
164	Retirement leave	52	110
[1]	Sick leave	[14]	-
245	Other personnel costs	193	680
<b>16,464</b>	<b>Total personnel expenses</b>	<b>16,682</b>	<b>16,920</b>

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 2014/15 \$000		Actual 2015/16 \$000	Unaudited Forecast 2016/17 \$000
4,623	Consultant, research and legal expenses	5,605	7,139
2,500	Other operating expenses	2,351	1,690
1,822	Information technology expenses	1,980	1,600
1,585	Operating lease payments	1,553	1,435
180	Advertising and publicity	129	263
81	Audit NZ – the financial statement audit	83	86
2	Loss on disposal of assets	18	-
<b>10,793</b>	<b>Total other operating expenses</b>	<b>11,719</b>	<b>12,213</b>

During the year, software no longer used was written-off before the end of its useful life to generate the loss shown above.

#### NOTE 6: CONTRACTUAL PAYMENTS TO CROWN ENTITIES

Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited forecast 2016/17 \$000
	<b>NZ Transport Agency:</b>		
899	For rules programme activity	899	902
561	For fuel excise duty refund activity	660	918
1,200	<b>Civil Aviation Authority:</b> for rules programme activity	1,200	1,194
899	<b>Maritime New Zealand:</b> for rules programme activity	899	902
<b>3,559</b>	<b>Total contractual payments to Crown entities</b>	<b>3,658</b>	<b>3,916</b>

#### NOTE 7: CAPITAL CHARGE

The Ministry pays a capital charge to the Crown based on its taxpayers funds as at 30 June and 31 December each year for the previous 6 months. The capital charge rate for the year ended 30 June 2016 was 8 percent [2014/15: 8 percent].

## NOTE 8: EQUITY

Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited forecast 2016/17 \$000
	<b>Taxpayers funds</b>		
1,947	Balance at 1 July	1,947	2,322
20	Net surplus/(deficit)	375	[375]
[20]	Provision to repay surplus	-	-
<b>1,947</b>	<b>Balance 30 June</b>	<b>2,322</b>	<b>1,947</b>
	<b>Property revaluation reserve</b>		
761	Balance at 1 July	863	863
102	Revaluation	505	-
-	Loss on transfer of assets	[505]	-
<b>863</b>	<b>Balance at 30 June</b>	<b>863</b>	<b>863</b>
<b>2,810</b>	<b>Total equity</b>	<b>3,185</b>	<b>2,810</b>

For a number of years the Ministry has been responsible for a piece of land at Kaikohe. This was surplus to requirements and so was revalued prior to a transfer at the year end to Land Information NZ.

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

Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited forecast 2016/17 \$000
3,406	Due from the Crown	3,880	3,432
48	Other receivables	82	21
<b>3,454</b>	<b>Total debtors, prepayments and other receivables under exchange transactions</b>	<b>3,962</b>	<b>3,453</b>

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 (2014/15: \$nil), and the Ministry has assessed that no provision for impairment is required (2014/15: \$nil).

## NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements \$000	Plant and equipment \$000	Kaikohe land \$000	Milford Sound/ Piopiotahi Aerodrome \$000	Furniture and fittings \$000	Total \$000
<b>Cost or valuation</b>						
Balance at 1 July 2014	2,170	1,308	-	1,345	833	5,656
Additions	-	81	-	-	3	84
Revaluations	-	-	-	(35)	-	(35)
Disposals	-	(93)	-	-	-	(93)
<b>Balance at 30 June 2015</b>	<b>2,170</b>	<b>1,296</b>	<b>-</b>	<b>1,310</b>	<b>836</b>	<b>5,612</b>
Balance at 1 July 2015	2,170	1,296	-	1,310	836	5,612
Additions	-	23	-	107	-	130
Revaluations	-	-	505	-	-	505
Disposals	-	(49)	(505)	-	-	(554)
<b>Balance at 30 June 2016</b>	<b>2,170</b>	<b>1,270</b>	<b>-</b>	<b>1,417</b>	<b>836</b>	<b>5,693</b>
<b>Accumulated depreciation</b>						
Balance at 1 July 2014	1,699	958	-	118	710	3,485
Depreciation	268	155	-	26	70	519
Revaluations	-	-	-	(137)	-	(137)
Disposals	-	(91)	-	-	-	(91)
<b>Balance at 30 June 2015</b>	<b>1,967</b>	<b>1,022</b>	<b>-</b>	<b>7</b>	<b>780</b>	<b>3,776</b>
Balance at 1 July 2015	1,967	1,022	-	7	780	3,776
Depreciation	183	276	-	30	50	539
Disposals	-	(49)	-	-	-	(49)
<b>Balance at 30 June 2016</b>	<b>2,150</b>	<b>1,249</b>	<b>-</b>	<b>37</b>	<b>830</b>	<b>4,266</b>
Carrying amounts						
At 1 July 2014	471	350	-	1,227	123	2,171
At 30 June and 1 July 2015	203	274	-	1,303	56	1,836
<b>At 30 June 2016</b>	<b>20</b>	<b>21</b>	<b>-</b>	<b>1,380</b>	<b>6</b>	<b>1,427</b>
<b>Unaudited forecast at 30 June 2017</b>	<b>-</b>	<b>526</b>	<b>-</b>	<b>1,357</b>	<b>-</b>	<b>1,883</b>

Milford Sound/Piopiotahi 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.

For a number of years, the Ministry has been responsible for a piece of land at Kaikohe, that it has held at \$0 value. The land was surplus to requirements and so was revalued by Moir McBain Valuations at January 2016, prior to a transfer at 30 June 2016 to Land Information NZ.

## NOTE 11: INTANGIBLE ASSETS

The only intangible asset is purchased software.

Actual 2014/15 \$000		Actual 2015/16 \$000
	<b>Cost</b>	
1,749	Balance at 1 July	1,664
61	Additions	9
[146]	Disposals	[125]
<b>1,664</b>	<b>Balance at 30 June</b>	<b>1,548</b>
	<b>Accumulated amortisation</b>	
1,632	Balance at 1 July	1,560
74	Amortisation expense	60
[146]	Disposals	[107]
<b>1,560</b>	<b>Balance at 30 June</b>	<b>1,513</b>
	<b>Carrying amounts</b>	
117	At 1 July	104
<b>104</b>	<b>At 30 June</b>	<b>35</b>
<b>35</b>	<b>Unaudited forecast at 30 June 2017</b>	<b>459</b>

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. (2014/15: \$nil).

## NOTE 12: CREDITORS AND OTHER PAYABLES UNDER EXCHANGE TRANSACTIONS

Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited forecast 2016/17 \$000
1,669	Accrued expenses	1,791	1,781
245	Trade creditors under exchange transactions	253	245
61	GST payable	250	-
21	Revenue received in advance	-	-
<b>1,996</b>	<b>Total creditors and other payables under exchange transactions</b>	<b>2,294</b>	<b>2,026</b>

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 2014/15 \$000		Actual 2015/16 \$000	Unaudited forecast 2016/17 \$000
	<b>Current liabilities</b>		
124	Accrued salary	38	232
1,040	Annual leave	913	951
95	Long service leave	81	184
221	Retirement leave	146	221
30	Sick leave	16	30
<b>1,510</b>	<b>Total of current portion</b>	<b>1,194</b>	<b>1,618</b>
	<b>Non-current liabilities</b>		
163	Long service leave	161	163
914	Retirement leave	1,041	914
<b>1,077</b>	<b>Total of non-current portion</b>	<b>1,202</b>	<b>1,077</b>
<b>2,587</b>	<b>Total provision for employee entitlements</b>	<b>2,396</b>	<b>2,695</b>

Accrued salary arises through the paydate being based on fortnightly cycle, and that on 30 June 2016 there had been 1 working day from the last paydate of 29 June 2016 (2014/15: 9). 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 below.

	2015/16 %	2016/17 %	Outyears %
Discount rate	2.12	1.95	4.75
Salary inflation factor %	3.00	2.00	2.00

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 \$108,000 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 \$126,000 higher/ lower.

### NOTE 14: PROVISION FOR LEASE MAKE-GOOD

Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited forecast 2016/17 \$000
688	Balance at 1 July	744	-
-	Release of provision	(244)	-
56	Discount unwind (Finance cost)	-	-
<b>744</b>	<b>Balance at 30 June</b>	<b>500</b>	<b>-</b>
-	<b>Current liabilities</b>	<b>500</b>	<b>-</b>
<b>744</b>	<b>Non-current liabilities</b>	<b>-</b>	<b>-</b>

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

As the Ministry is relocating in August 2016, it employed Rawlinsons Ltd an independent valuer to assess the current value of the provision. Their valuation was \$500,000 and so the provision was reduced. Refer to note 15 for more detail.

The Ministry is to pass the provision to the Ministry of Social Development, which has taken over the premises.

#### NOTE 15: RELEASE OF PROVISIONS

The Ministry has approval from the Ministers of Transport and Finance to release \$375,000 in provisions accrued in prior years, to fund its relocation costs in 2016/17 from its existing baseline, rather than seeking additional funding from the Crown. This transaction generated a surplus in 2015/16, which has been retained by the Ministry. The released provisions comprised:

	Actual 2015/16 \$000	Unaudited forecast 2016/17 \$000
<b>Make good provision:</b> Release of make good provision as noted in note 14.	244	-
<b>Rent increase provision:</b> The Ministry had accrued \$71,000 at 30 June 2015 for a rent increase. The landlord did not seek an increase.	71	-
<b>Christchurch lease expenses:</b> The Ministry provided for various liabilities following the earthquake, but now believes that it can release the provision.	60	-
<b>Total</b>	<b>375</b>	<b>-</b>

#### NOTE 16: 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 2014/15 \$000		Actual 2015/16 \$000	Unaudited forecast 2016/17 \$000
20	Net surplus	375	(375)
	<b>Add non-cash items</b>		
519	Depreciation of property, plant and equipment	539	156
74	Amortisation of intangible assets	60	60
2	Loss on disposal of assets	18	-
<b>595</b>	<b>Total of non-cash items</b>	<b>617</b>	<b>216</b>
	<b>Add/(deduct) movements in working capital items</b>		
(386)	(Increase)/decrease in debtors and other receivables	(508)	(345)
(603)	Increase/(decrease) in payables and provisions	54	(32)
(95)	Increase/(decrease) in employee entitlements	(191)	232
<b>(1,084)</b>	<b>Net movements in working capital items</b>	<b>(645)</b>	<b>-</b>
<b>(469)</b>	<b>Net cash flows from operating activities</b>	<b>347</b>	<b>(304)</b>

#### NOTE 17: 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 18: 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 the Ministry to enter into any transactions that are speculative in nature.

### 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, the Ministry's credit risk arises from debtors and deposits with banks. The Ministry is only permitted to deposit funds with Westpac which has a high credit rating. The Ministry does not enter into foreign exchange forward contracts.

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 2014/15 \$000		Actual 2015/16 \$000	Unaudited forecast 2016/17 \$000
1,996	Less than 6 months [note 12]	2,294	2,058
-	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 19: 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 2014/15 \$000		Actual 2015/16 \$000	Unaudited forecast 2016/17 \$000
	<b>Loans and receivables</b>		
2,763	Cash and cash equivalents	2,951	1,736
3,454	Debtors, prepayments and other receivables under exchange transactions (note 9)	3,962	3,453
	<b>Financial liabilities measured at amortised cost</b>		
1,996	Creditors and other payables under exchange transactions (note 12)	2,294	2,026

## NOTE 20: RELATED PARTY INFORMATION

The Ministry has not made related party disclosures 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.

On the same basis, the Ministry has not disclosed as related transactions any transactions with other Government agencies, when the transactions are consistent with the normal operating arrangements between Government agencies and undertaken on normal terms and conditions ie at arms length. The Ministry received revenue from other entities controlled by the Crown to reimburse it for costs – see note 3, and purchased transport outputs from other transport entities controlled by the Crown – see note 6.

### Transactions with key management personnel

The Ministry did not enter into any transactions with key management personnel or their close families in 2015/16 or 2014/15.

### Key management personnel compensation

Actual 2014/15 \$000		Actual 2015/16 \$000
1,730	Salaries and other short-term employee benefits	1,795
-	Termination benefits	-
<b>1,730</b>	<b>Total key management personnel compensation</b>	<b>1,795</b>

At 30 June 2016, key management personnel includes the Chief Executive and the 5 members (2014/15: 5) of the senior management team. This is 6 FTE (2014/15: 6)

Ministers of the Crown are not included in key management personnel and so the compensation shown above excludes the remuneration and other benefits that the Minister and the Associate Minister of Transport receive. Their remuneration and other benefits are not received only for their roles as members of key management personnel of the Ministry. Their remuneration and other benefits are set by the Remuneration Authority under the Civil List Act 1979 and are paid under Permanent Legislative Authority, and not paid by the Ministry of Transport.

## NOTE 21: CAPITAL MANAGEMENT

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

The Ministry manages its revenues, expenses, assets, liabilities and general financial dealings prudently. Its 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 22: MAJOR CHANGES TO THE DEPARTMENTAL OUTPUT BUDGETS FOR 2015/16

Changes were made to the Ministry's departmental output budgets by way of the Supplementary Estimates for 2015/16. Explanations for the changes were outlined in that document [page 711 onwards] and the net changes are shown below.

	Unaudited Main Estimates \$000	Changes in Supplementary Estimates \$000	Cumulative Vote \$000
<b>Appropriations for departmental output expenses</b>			
Policy advice and related outputs MCA	30,843	482	31,325
Fuel excise duty refund administration	519	141	660
Milford Sound/ Piopiotahi Aerodrome operation and administration	230	54	284
Search and rescue activity coordination PLA	1,201	-	1,201
<b>Total departmental appropriations</b>	<b>32,793</b>	<b>677</b>	<b>33,470</b>

The adjustments to the appropriations were:

- ▶ additional revenue of \$0.482 million in the Policy advice and related outputs MCA, mainly from staff secondments
- ▶ additional revenue of \$0.141 million for Fuel excise duty refund administration as Ministers approved an increase in the appropriation
- ▶ additional revenue of \$0.054 million for Milford Sound Aerodrome operation and administration from landing fees

## NOTE 23: 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 2016 are:

### Statement of comprehensive revenue and expense

#### Revenue Crown

The actual revenue Crown figure was \$0.585 million below the Supplementary Estimates. This amount was not drawn down because the Ministry did not spend the full appropriation.

#### Expenses

Total expenditure was \$0.587 million below the Supplementary Estimates, because the Ministry did not spend the full appropriation.

### Statement of financial position

#### Assets

##### *Debtors, prepayments and other receivables*

Debtors were \$0.509 million higher than Supplementary Estimates. The Ministry did not draw down some of its Crown revenue because it has sufficient cash to meet its needs in the short term.

#### *Property, plant and equipment*

Property, plant and equipment were \$0.452 million lower than Supplementary Estimates because the Supplementary Estimates assumed that assets for the relocation would be purchased earlier and that more would be spent on the replacement Document Management System.

### **NOTE 24: EXPLANATIONS OF MAJOR VARIANCES BETWEEN ACTUAL 2015/16 AND FORECAST 2016/17 FIGURES**

The significant variances between the actual results and the forecast 2016/17 figures are as below. The forecast 2016/17 figures are not subject to audit.:

#### **Statement of comprehensive revenue and expense**

##### *Revenue Crown*

Forecast 2016/17 Revenue Crown is \$0.542 million higher than 2015/16 actual. This is mainly combination of:

- ▶ \$0.258 million increase to the Fuel excise duty refund administration revenue for 2016/17 as Ministers have approved an increase in the appropriation
- ▶ \$0.585 million was not required to fund expenditure in 2015/16. The 2016/17 forecast assumes full expenditure.

##### *Other revenue*

Forecast 2016/17 Other revenue is \$0.315 million lower than 2015/16 actual due to a forecast reduction in staff secondments and lower Milford aerodrome revenue.

##### *Expenses*

Forecast 2016/17 other operating expenses are \$0.639 million higher than 2015/16 actual, due to:

- ▶ \$0.375 million forecast for the move to the new office
- ▶ planning to spend the full budget

#### **Statement of financial position**

##### *Assets*

Forecast 2016/17 cash and cash equivalents is \$1.171 million lower than 2015/16 actual, mainly due to debtors being forecast to be higher in 2016/17.

##### *Debtors, prepayments and other receivables*

Forecast 2016/17 debtors, prepayments and other receivables is \$0.509 million lower than 2015/16 actual. Drawing of some 2015/16 Crown revenue was deferred because the Ministry had sufficient cash available to meet its needs in the short term.

##### *Property, plant and equipment*

Forecast 2016/17 property, plant and equipment is \$0.956 million higher than 2015/16 actuals due to the purchase of new equipment on the move to the new office.

##### *Intangible assets*

Forecast 2016/17 intangible assets is \$0.424 million higher than 2015/16 actual. Expenditure on the Ministry's Document Management System and Disaster Recovery System is forecast to start in 2016/17.

**NOTE 25: 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 2016.

**NOTE 26: POSSIBLE FRAUDULENT ACTIVITY**

The Ministry has uncovered potentially fraudulent activity by a staff member. The matter is now before the courts with the Serious Fraud Office laying three representative charges totalling \$726,000. The resolution of this is unknown at this date. The Ministry is taking expert advice on further action.



# 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:

- ▶ \$1.538 billion of non-departmental revenue and receipts (2014/15: \$1.427 billion)
- ▶ \$2.940 billion of non-departmental expenses (2014/15: \$3.269 billion)
- ▶ \$0.081 billion of non-departmental assets (2014/15: \$0.097 billion)
- ▶ \$0.392 billion of non-departmental liabilities (2014/15: \$0.494 billion)

on behalf of the Crown for the year ended 30 June 2016.

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 2016

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

Actual 2014/15 \$000		Note	Actual 2015/16 \$000	Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
1,413,191	Indirect taxation	2	1,536,566	1,494,567	1,498,602
1,351	Other 'sovereign power' revenue	3	985	1,300	1,300
12,062	Other operational revenue	4	9,621	8,200	8,760
[30]	Share of net asset increase/[decrease] in joint venture airports	9	[8,428]	-	-
<b>1,426,574</b>	<b>Total non-departmental revenue and receipts</b>		<b>1,538,744</b>	<b>1,504,067</b>	<b>1,508,662</b>

## SCHEDULE OF NON-DEPARTMENTAL EXPENSES

for the year ended 30 June 2016

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

Actual 2014/15 \$000		Note	Actual 2015/16 \$000	Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
2,038,714	Non-departmental output classes	5	2,027,873	2,051,581	2,090,510
1,074,033	Purchase or development of capital assets	6	857,295	1,008,270	902,842
137,591	Other expenses to be incurred by the Crown	7	40,071	52,842	43,988
9,875	Non-departmental multi category appropriations		10,542	9,462	10,542
4,091	Bad debts expense		4,868	4,000	5,000
5,137	Movement in doubtful debts provision		[555]	-	-
<b>3,269,441</b>	<b>Total non-departmental expenses</b>		<b>2,940,094</b>	<b>3,126,155</b>	<b>3,052,882</b>

## SCHEDULE OF NON-DEPARTMENTAL ASSETS

as at 30 June 2016

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

Actual 2014/15 \$000		Note	Actual 2015/16 \$000	Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
	<b>Current assets</b>				
5,345	Cash and bank balances		25,238	20,000	20,000
66,442	Receivables and advances	8	39,089	64,153	66,442
	<b>Non-current assets</b>				
24,756	Investment in joint venture airports	9	16,538	25,836	25,506
<b>96,543</b>	<b>Total non-departmental assets</b>		<b>80,865</b>	<b>109,989</b>	<b>111,948</b>

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 2016

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

Actual 2014/15 \$000		Note	Actual 2015/16 \$000	Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
	<b>Current liabilities</b>				
493,585	Payables	11	391,824	338,636	438,852
<b>493,585</b>	<b>Total non-departmental liabilities</b>		<b>391,824</b>	<b>338,636</b>	<b>438,852</b>

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 2016

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 2014/15 \$000		Actual 2015/16 \$000
	<b>Operating commitments</b>	
90,147	Other non-cancellable contracts for the supply of goods and services	92,700
<b>90,147</b>	<b>Total operating commitments</b>	<b>92,700</b>
	<b>Term classification of commitments</b>	
21,212	Not later than 1 year	21,917
21,917	More than 1 year but less than 2 years	23,253
47,018	Between 2 and 5 years	47,530
-	Greater than 5 years	-
<b>90,147</b>	<b>Total operating commitments</b>	<b>92,700</b>

## STATEMENT OF NON-DEPARTMENTAL CONTINGENT LIABILITIES

as at 30 June 2016

This statement discloses situations which exist at 30 June 2016, 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 2014/15 \$000		Actual 2015/16 \$000
10,000	Transport Accident Investigation Commission emergency guarantee	10,000
<b>10,000</b>	<b>Total contingent liabilities</b>	<b>10,000</b>

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, the Crown has provided an indemnity to the Meteorological Service of New Zealand for potential third party claims in excess of arranged public liability cover. The value of the liability depended on the circumstances of the claim (unchanged since 21 August 2000). This indemnity ceased from 1 July 2015 when a new contract was signed.

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

# Notes to non-departmental schedules

for the year ended 30 June 2016

## 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 2016. 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 2016 budget figures are for the year ended 30 June 2016, which are consistent with the best estimate financial information submitted to Treasury for the Budget Economic and Fiscal Update for the year ended 30 June 2016.

#### *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, and motor vehicle licensing fees are recognised on an accrual basis.

Revenues from tolling and 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.

New Plymouth airport is being considered for divestment and so has been valued by an independent valuer, on a commercial basis, consistent with fair market value standard.

#### *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 2014/15 \$000		Actual 2015/16 \$000	Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
1,282,969	Road user charges	1,381,114	1,338,835	1,344,587
180,974	Motor vehicle registration fees	214,128	200,337	207,427
<b>1,463,943</b>	<b>Sub-total</b>	<b>1,595,242</b>	<b>1,539,172</b>	<b>1,552,014</b>
[50,752]	Fuel excise duty refunds	[58,676]	[44,605]	[53,412]
<b>1,413,191</b>	<b>Total indirect taxation</b>	<b>1,536,566</b>	<b>1,494,567</b>	<b>1,498,602</b>

### NOTE 3: OTHER 'SOVEREIGN POWER' REVENUE

Actual 2014/15 \$000		Actual 2015/16 \$000	Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
1,351	Infringement fees – tolls and other	985	1,300	1,300
<b>1,351</b>	<b>Total other 'sovereign power' revenue</b>	<b>985</b>	<b>1,300</b>	<b>1,300</b>

### NOTE 4: OTHER OPERATIONAL REVENUE

Actual 2014/15 \$000		Actual 2015/16 \$000	Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
8,056	Tolling revenue [note 10]	9,108	8,200	8,200
4,006	Road user charges administration fees	313	-	360
-	Other revenue	200	-	200
<b>12,062</b>	<b>Total other operational revenue</b>	<b>9,621</b>	<b>8,200</b>	<b>8,760</b>

### NOTE 5: NON-DEPARTMENTAL OUTPUT CLASSES

Actual 2014/15 \$000		Actual 2015/16 \$000	Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
2,038,714	This expense item is equal to the appropriations for non-departmental output classes listed in the appropriation statements	2,027,873	2,051,581	2,090,510
<b>2,038,714</b>	<b>Total non-departmental output classes</b>	<b>2,027,873</b>	<b>2,051,581</b>	<b>2,090,510</b>

### NOTE 6: PURCHASE OR DEVELOPMENT OF CAPITAL ASSETS

Actual 2014/15 \$000		Actual 2015/16 \$000	Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
1,074,033	This expenditure is for the construction of, and improvement to the State highway network	857,295	1,008,270	902,842
<b>1,074,033</b>	<b>Total purchase or development of capital assets</b>	<b>857,295</b>	<b>1,008,270</b>	<b>902,842</b>

#### NOTE 7: OTHER EXPENSES TO BE INCURRED BY THE CROWN

Actual 2014/15 \$000		Actual 2015/16 \$000	Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
577	Membership of international organisations	650	743	653
3,270	Rail – public policy projects	3,270	3,270	3,270
500	Rail – railway safety	500	500	500
26,116	SuperGold Card – public transport concessions for cardholders	28,264	28,129	28,529
1,250	Tauranga maritime incident response	930	200	1,036
5,000	Urban cycleways – local routes	6,457	20,000	10,000
10,878	Auckland rail development	-	-	-
90,000	Rail – Auckland metro rail electric multiple unit package	-	-	-
<b>137,591</b>	<b>Total other expenses to be incurred by the Crown</b>	<b>40,071</b>	<b>52,842</b>	<b>43,988</b>

#### NOTE 8: RECEIVABLES

Actual 2014/15 \$000		Actual 2015/16 \$000	Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
	<b>Non-exchange revenue</b>			
46,577	Motor vehicle registration fees	28,944	48,995	54,810
29,276	Road user charge revenue	19,041	12,687	9,201
<b>75,853</b>	<b>Total non-exchange revenue receivables</b>	<b>47,985</b>	<b>61,682</b>	<b>64,011</b>
	<b>Exchange revenue</b>			
1,960	Tolling revenue	2,307	2,371	1,883
471	Infringement revenue	84	100	548
<b>2,431</b>	<b>Total exchange revenue receivables</b>	<b>2,391</b>	<b>2,471</b>	<b>2,431</b>
<b>78,284</b>	<b>Sub-total</b>	<b>50,376</b>	<b>64,153</b>	<b>66,442</b>
[11,842]	Provision for doubtful debts	[11,287]	-	-
<b>66,442</b>	<b>Total receivables</b>	<b>39,089</b>	<b>64,153</b>	<b>66,442</b>

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 carrying value of other receivables approximates their fair value. The Ministry has assessed no provision for impairment is required at 30 June 2016 [30 June 2015: \$nil] except as above.

The ageing profile of receivables is shown below.

2014/2015				2015/2016		
Gross \$000	Impairment \$000	Net \$000		Gross \$000	Impairment \$000	Net \$000
64,194	[6,176]	58,018	Not past due	37,078	[2,103]	34,975
5,284	[1,057]	4,227	Past due 1-90 days	4,759	[3,287]	1,472
3,366	[1,010]	2,356	Past due 91-180 days	2,839	[1,961]	878
4,155	[2,493]	1,662	Past due 181-365 days	3,341	[2,307]	1,034
1,285	[1,106]	179	Past due >365 days	2,359	[1,629]	730
<b>78,284</b>	<b>[11,842]</b>	<b>66,442</b>	<b>Total</b>	<b>50,376</b>	<b>[11,287]</b>	<b>39,089</b>

#### NOTE 9: INVESTMENT IN JOINT VENTURE AIRPORTS

Actual 2014/15 \$000		Actual 2015/16 \$000
11,880	New Plymouth	3,250
3,736	Taupo	3,664
5,087	Whanganui	5,087
800	Westport	727
795	Whakatane	941
2,458	Whangarei	2,869
<b>24,756</b>	<b>Total investment in joint venture airports</b>	<b>16,538</b>

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 2016 is based on the annual financial statements of each airport for the year ended 30 June 2015 (except for Whanganui and New Plymouth – see below), plus capital contributions from the Crown during the year ended 30 June 2016.

For Whanganui airport, the Ministry is using the accounts to 30 June 2014, because these are the most recent accounts available.

For New Plymouth airport, the Crown is currently discussing with New Plymouth District Council the possible divestment of the airport to it.

The change in investment value shown above reflects:

Actual 2014/15 \$000		Actual 2015/16 \$000
-	Change in valuation of New Plymouth airport	[8,630]
[30]	Gains/ (losses) generated by the other airports	202
<b>[30]</b>	<b>Share of net asset increase/ (decrease) in joint venture airports</b>	<b>[8,428]</b>
384	Capital payments made during the year	210
<b>354</b>	<b>Total change in investment value</b>	<b>[8,218]</b>

## NOTE 10: INVESTMENT IN THE NORTHERN GATEWAY TOLL ROAD

The Crown contributed \$158 million to the construction of the Northern Gateway toll road. It issued infrastructure bonds to fund this and the bonds are shown in the Treasury's financial statements. The toll revenue from the road is intended to cover the costs of the bonds. 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, with an estimated interest rate charged on the contribution. The interest charge is calculated daily, based on the outstanding balance, plus interest, less tolling revenue received. The interest rate used is 6.45 percent – the average rate on the bonds issued to fund the project, plus 15 basis points. The project was modelled using an estimated rate of 6.4 percent. Further information is available at [www.tollroad.govt.nz](http://www.tollroad.govt.nz).

### Since the commencement of the project

Actual 2014/15 \$000		Actual 2015/16 \$000
158,000	Funding provided for construction	158,000
88,799	Notional interest charged since funding first drawn	102,164
[43,757]	Tolling revenue since February 2009	[52,865]
<b>203,042</b>	<b>Balance at 30 June</b>	<b>207,299</b>

### Current year

Actual 2014/15 \$000		Actual 2015/16 \$000
198,083	Balance at 1 July	203,042
13,015	Notional interest charge for the year	13,365
[8,056]	Tolling revenue for the year	[9,108]
<b>203,042</b>	<b>Balance at 30 June</b>	<b>207,299</b>

## NOTE 11: PAYABLES

Actual 2014/15 \$000		Actual 2015/16 \$000	Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
453,282	National Land Transport Fund revenue payable to the New Zealand Transport Agency	356,297	300,000	400,000
17,194	GST payable	18,594	16,334	17,194
15,771	Motor vehicle registration third party collections	14,616	16,808	16,231
4,219	Output funding payable to KiwiRail	398	4,262	4,219
1,532	Road user charges refunds	1,300	1,232	1,208
987	Output funding payable to Maritime New Zealand	537	-	-
600	Output funding payable to other parties	82	-	-
<b>493,585</b>	<b>Total payables</b>	<b>391,824</b>	<b>338,636</b>	<b>438,852</b>

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 2014/15 \$000		Actual 2015/16 \$000
	<b>Loans and receivables</b>	
5,345	Cash and cash equivalents	25,238
66,442	Receivables and advances	39,089
<b>71,787</b>	<b>Total loans and receivables</b>	<b>64,327</b>
	<b>Financial liabilities measured at amortised cost</b>	
493,585	Payables	364,070

### 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, there are no significant concentrations of credit risk.

## NOTE 13: MAJOR BUDGET CHANGES

Changes were made to the non-departmental budgets in the 2015/16 Supplementary Estimates. Explanations for significant variances are provided below.

### Revenue and receipts

	Unaudited Main Estimates \$000	Unaudited Supplementary Estimates \$000	Cumulative Vote \$000
<b>Indirect taxation</b>			
Road user charges	1,338,835	5,752	1,344,587
Motor vehicle registration	200,337	7,090	207,427
Fuel excise duty refunds	[44,605]	[8,807]	[53,412]
<b>Total</b>	<b>1,494,567</b>	<b>4,035</b>	<b>1,498,602</b>

### Indirect taxation

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	Change in Supplementary Estimates \$000	Cumulative Vote \$000
<b>Appropriations for non-departmental output expenses</b>			
National Land Transport Programme PLA	2,006,000	38,200	2,044,200
Policy advice and related outputs – maritime MCA	7,243	612	7,855
Policy advice and related outputs – civil aviation MCA	2,219	468	2,687
Search and rescue and recreational boating safety activities PLA	7,478	529	8,007
SuperGold card – administration of the public transport concessions scheme	95	200	295
<b>Non-departmental other expenses</b>			
Bad debt provision – motor vehicle registration/ licenses and road user charges	4,000	1,000	5,000
Membership of international organisations	743	[90]	653
SuperGold Card – public transport concessions for cardholders	28,129	400	28,529
Tauranga maritime incident response	200	836	1,036
Urban cycleways – local routes	20,000	[10,000]	10,000
<b>Capital expenditure</b>			
Auckland Transport Package loan	145,000	4,000	149,000
Joint venture airports – Crown contribution MYA	-	750	750
Maritime New Zealand	3,100	3,518	6,618
National Land Transport Programme – new infrastructure for and renewal of State highways PLA	1,008,270	[105,428]	902,842
Rail – KiwiRail equity injection	29,000	[5,990]	23,010
Rail – Wellington metro rail network upgrade	12,023	4,490	16,513
Regional state highways MYA	74,000	[30,000]	44,000
Roading – reinstatement of earthquake damaged roads in Christchurch – loan	123,420	[66,000]	57,420
Urban cycleways – crown assets	15,000	[13,000]	2,000

Explanations for the major changes were outlined in the 2015/16 Supplementary Estimates (pages 711 onwards). They were:

#### *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. 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 the former 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 \$105.428 million is due to:

- ▶ \$93.401 million for the balance in the National Land Transport Fund at 1 July 2015 [decrease]
- ▶ \$46.351 million from changes in the road tax revenue forecasts [increase]
- ▶ \$38.2 million transferred to the operating appropriation as above [decrease]
- ▶ \$18.533 million transferred to the Road Policing Programme appropriation in Vote Police [decrease]
- ▶ \$1.645 million appropriated to other outputs within Vote Transport that are funded from road tax revenue [decrease].

#### *SuperGold card – administration of the public transport concessions scheme*

The appropriation increased by \$0.2 million due to increased administration costs.

#### *Search and rescue and recreational boating safety activities PLA*

The appropriation increased by \$0.529 million due to additional funding for changes to VHF radio and NowCasting services.

#### *Policy advice and related outputs – civil aviation MCA*

The appropriation increased by \$0.468 million due to additional funding to allow the Civil Aviation Authority to implement its increased responsibilities under the new Health and Safety at Work Act 2015.

#### *Policy advice and related outputs – maritime MCA*

The appropriation increased by \$0.612 million. This increase was made up of:

- ▶ \$0.512 million to allow Maritime New Zealand to implement its increased responsibilities under the new Health and Safety at Work Act 2015
- ▶ \$0.1 million was an expense transfer from 2014/15.

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

The appropriation increased by \$1 million because the NZ Transport Agency has reduced its debt collection threshold, which has resulted in more uncollectable debt.

#### *Membership of international organisations*

The appropriation decreased by \$0.09 million as unspent funding was returned to the Crown.

#### *SuperGold Card – public transport concessions for cardholders*

The appropriation increased by \$0.4 million to provide for the forecast increased cost of the scheme.

#### *Tauranga maritime incident response*

The appropriation increased by \$0.836 million due to:

- ▶ \$0.316 million was an expense transfer from 2014/15 [increase]
- ▶ \$0.4 million reprioritised from other appropriations in Vote Transport [increase]
- ▶ \$0.12 million transferred from other government departments [increase].

#### *Urban cycleways – local routes*

This appropriation was reduced by \$10 million due to:

- ▶ \$4.12 million was an expense transfer from 2014/15 [increase]
- ▶ \$12.57 million re-phased to 2016/17 [decrease]
- ▶ \$1.55 million transferred to the urban cycleways capital appropriation to fund planned activity [decrease]

#### *Auckland Transport Package loan*

This appropriation increased by \$4 million as a net result of re-phasing the loan profile over years.

#### *Joint venture airports – Crown contribution MYA*

This appropriation increased by \$0.750 million due to:

- ▶ \$1.05 million was an expense transfer from 2014/15 [increase]
- ▶ \$0.3 million transferred to other appropriations in Vote Transport.

#### *Maritime New Zealand*

This appropriation increased by \$3.518 million due to an expense transfer from 2014/15.

#### *Urban cycleways – crown assets*

This appropriation reduced by \$13 million due to:

- ▶ \$11.67 million transferred to the operational appropriation [decrease]
- ▶ \$1.33 million re-phased to 2016/17 [decrease]

#### *Rail – KiwiRail equity injection*

This appropriation reduced by \$5.990 million to meet forecast expenditure.

#### *Rail – Wellington metro rail network upgrade*

This appropriation increased by \$4.490 million due to:

- ▶ \$7.49 million was an expense transfer from 2014/15 [increase]
- ▶ \$3 million was re-phased to outyears to match planned expenditure.

#### *Regional State highways MYA*

This appropriation reduced by \$30 million due to a re-phasing of expenditure to match planned expenditure.

#### *Roading – reinstatement of earthquake damaged roads in Christchurch – loan*

This appropriation decreased by \$66 million due to:

- ▶ \$48 million was an expense transfer from 2014/15 [increase]
- ▶ \$114 million was re-phased to outyears to match planned loan draw downs [decrease].

#### **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 \$30 million lower than forecast, mainly in indirect taxation. These revenues are demand driven and so difficult to forecast.

##### **Schedule of non-departmental expenses**

Total expenses were \$113 million lower than forecast. The National Land Transport Fund spent less than forecast.

##### **Schedule of non-departmental assets**

Non-departmental assets were \$31 million lower than forecast. Receivables are lower than forecast by \$27 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 \$47 million lower than forecast. This relates to the National Land Transport Fund spending less than forecast as noted under expenses above.

## 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 2016.

### STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED AGAINST APPROPRIATIONS for the year ended 30 June 2016

#### Annual and permanent appropriations for Vote Transport

There were no re-measurements to any appropriations in 2015/16 or 2014/15.

Actual 2014/15 \$000	Appropriation title	Actual 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000	End-of-year performance information location*
	<b>Departmental output expenses</b>			
561	Fuel excise duty refund administration	660	660	1
217	Milford Sound/ Piopiotahi Aerodrome operation and administration	274	284	1
1,201	Search and rescue activity co-ordination PLA	1,201	1,201	1
<b>1,979</b>	<b>Total departmental output expenses</b>	<b>2,135</b>	<b>2,145</b>	
	<b>Departmental capital expenditure</b>			
133	Ministry of Transport – capital expenditure PLA	139	650	1
	<b>Non-departmental output expenses</b>			
3,960	Accident or incident investigation and reporting	5,233	5,233	2
775	Crash analysis	775	775	3
2,758	Licensing activities	2,519	2,550	3
145	Maritime port security	145	145	4
548	Ministerial servicing by the New Zealand Transport Agency	548	548	3
1,992,072	National Land Transport Programme PLA **	1,982,007	2,044,200	3
3,779	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
7,022	Search and rescue and recreational boating safety activities PLA	7,594	8,007	6
95	SuperGold card – administration of the public transport concessions scheme	295	295	3
18,574	Weather forecasts and warnings	21,212	21,212	6
500	Construction of passing opportunities on State Highway 2 between Napier and Gisborne	-	-	3
4,720	Road user charges collection	-	-	3
<b>2,038,714</b>	<b>Total non-departmental output expenses</b>	<b>2,027,873</b>	<b>2,090,510</b>	

Actual 2014/15 \$000	Appropriation title	Actual 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000	End-of-year performance information location*
	<b>Non-departmental other expenses</b>			
4,091	Bad debt provision – motor vehicle registration/ licences and road user charges	4,868	5,000	8
577	Membership of international organisations	650	653	8
3,270	Rail – public policy projects	3,270	3,270	7
500	Rail – railway safety	500	500	7
26,116	SuperGold Card – public transport concessions for cardholders	28,264	28,529	3
1,250	Tauranga maritime incident response	930	1,036	5
5,000	Urban cycleways – local routes	6,457	10,000	3
10,878	Auckland rail development	-	-	7
90,000	Rail – Auckland metro rail electric multiple unit package	-	-	6
<b>141,682</b>	<b>Total non-departmental other expenses</b>	<b>44,939</b>	<b>48,988</b>	
	<b>Appropriations for capital contributions to other organisations</b>			
-	Auckland Transport Package loan	122,000	149,000	3
384	Joint venture airports – Crown contribution MYA	210	750	8
3,262	Maritime New Zealand	4,753	6,618	5
80,000	NLTF borrowing facility for short-term advances	125,000	500,000	3
13,734	Rail – KiwiRail equity injection	18,108	23,010	7
198,000	Rail – KiwiRail Holdings Limited	209,800	209,800	7
21,235	Rail – Wellington metro rail network upgrade	12,768	16,513	7
12,000	Regional State highways MYA	31,310	44,000	3
12,000	Roading – reinstatement of earthquake damaged roads in Christchurch – loan	15,000	57,420	3
-	Urban cycleways – Crown assets	2,000	2,000	
673	Maritime New Zealand capital expenditure PLA	-	-	5
183	Maritime New Zealand – incident response	-	-	5
10,000	National War Memorial Park: Buckle Street undergrounding project	-	-	3
10,750	Rail – KiwiRail Holdings Limited loans	-	-	7
182,000	Rail – loan for Auckland metro rail electric multiple unit package	-	-	6
107,000	Tauranga Eastern Link loan	-	-	3
<b>651,221</b>	<b>Total appropriations for capital contributions to other organisations</b>	<b>540,949</b>	<b>1,009,111</b>	
	<b>Appropriations for purchase or development of capital assets for the Crown</b>			
1,074,033	National Land Transport Programme – new infrastructure for and renewal of State highways PLA **	857,295	902,842	3
<b>1,074,033</b>	<b>Total appropriations for purchase or development of capital assets for the Crown</b>	<b>857,295</b>	<b>902,842</b>	

Actual 2014/15 \$000	Appropriation title	Actual 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000	End-of-year performance information location*
	<b>Multi category appropriations (MCA)</b>			
29,703	Policy advice and related outputs MCA <i>Departmental output expenses</i>	30,374	31,325	1
25,952	Policy advice	26,412	27,525	
2,680	Ministerial servicing	2,830	2,700	
1,071	Governance and performance advice on Crown agencies	1,132	1,100	
2,219	Policy advice and related outputs – civil aviation MCA <i>Non-departmental output expenses</i>	2,687	2,687	1, 4
663	Policy advice – civil aviation	663	663	
431	Ministerial servicing – civil aviation	431	431	
440	Health and safety in employment activities – civil aviation	908	908	
685	International relations and International Civil Aviation Organisation obligations	685	685	
7,656	Policy advice and related outputs – maritime MCA <i>Non-departmental output expenses</i>	7,855	7,855	1, 5
3,478	Policy advice – maritime	3,478	3,478	
1,146	Maritime – incident response	833	833	
2,078	Maritime safety and marine protection services	2,078	2,078	
954	Health and safety in employment activities – maritime	1,466	1,466	
<b>39,578</b>	<b>Total multi category appropriations</b>	<b>40,916</b>	<b>41,867</b>	

\*The numbers in this column represent where the end-of-year performance information is 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 2015	2,101	97,000
Increase/ [decrease] in funding	(300)	-
<b>Total funding</b>	<b>1,801</b>	<b>97,000</b>
Cumulative expenses to 1 July 2015	1,050	12,000
Current year expenses	210	31,310
<b>Cumulative expenses to 30 June 2016</b>	<b>1,260</b>	<b>43,310</b>
<b>Balance of appropriation remaining at 30 June 2016</b>	<b>541</b>	<b>53,690</b>

The Ministry reprioritised \$300,000 from the Joint venture airport appropriation during the year to fund other priorities within the Vote. This appropriation expires on 30 June 2016 but a new appropriation for the same purpose has been established from 1 July 2016. The Ministry has permission to carry forward the balance of \$541,000 at 30 June 2016 to the new appropriation.



## End-of-year performance information

for the year ended 30 June 2016

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

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.

## Output class: Policy advice and related outputs multi category appropriation

The overarching purpose of this appropriation is to provide policy advice and other support to Ministers in discharging their policy decision-making and other portfolio responsibilities.

It is intended to achieve a transport system that maximises economic and social benefits for New Zealand, and minimises harm.

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 2014/15 \$000		Actual 2015/16 \$000	Unaudited Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
29,597	Revenue Crown	30,477	30,843	31,062
106	Other revenue	275	-	263
<b>29,703</b>	<b>Total revenue</b>	<b>30,752</b>	<b>30,843</b>	<b>31,325</b>
29,703	Expenses	30,374	30,843	31,325
-	<b>Net surplus</b>	<b>378</b>	-	-

The Ministry has spent \$1 million more on Policy advice than it did in 2014/15. The main reason for this is that the appropriation for Policy advice was almost \$1 million lower in 2014/15 due to a reprioritisation of \$600,000 to other Vote Transport outputs and lower revenue from third parties.

The Ministry spends what it requires to deliver the agreed programme and costs will vary from year to year as the programme changes. More detail is provided in the following pages.

Three categories make up this output class. These are [by size]:

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

Elements of the output class have spent more than was budgeted as is shown in the following pages. This is not an issue, as overall the expenditure on the output class was less than the appropriation, as shown in the table above.

## Output: Policy advice

This category 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.

It is intended to ensure that the government has policy advice available to it on how to maximise the transport sector economic and social benefits, and minimise harm; or for any other policy initiatives it seeks to pursue.

### Financial performance

Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
26,197	Revenue Crown	26,677	27,343	27,262
106	Other revenue	275	-	263
<b>26,303</b>	<b>Total revenue</b>	<b>26,952</b>	<b>27,343</b>	<b>27,525</b>
25,952	Expenses	26,412	27,343	27,525
<b>351</b>	<b>Net surplus</b>	<b>540</b>	<b>-</b>	<b>-</b>

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

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

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

More financial and non-financial performance detail is provided in the following pages.

## MULTI-MODAL

<b>Financial performance</b>				
Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
12,548	Cost This output is produced within the overall class appropriation (GST exclusive)	12,369	11,995	13,053

The cost of multi-modal activity is similar to that of 2014/15. The budget was amended during the year to reflect actual cost more closely.

<b>Performance measures from the Information Supporting the Estimates</b>			
Actual 2014/15	Performance measures	Actual 2015/16	Standards/ Targets 2015/16
88%	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	89%	95%
100%	Percentage of policy advice papers that meet the Advice Quality Characteristics (refer conditions on use of Appropriation)	100%	100%
Achieved [7.6]	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	Achieved 7.41	Achieved
Not achieved	The agreed rules programme, including variations, is delivered	Achieved [see below]	Achieved
Achieved	The agreed Funding Review programme, including variations, is delivered	Not Achieved	Achieved
60%	Satisfaction of the Minister of Transport with the policy advice service, as per the satisfaction survey	58% [see below]	75%
\$151	The total cost per hour of producing outputs (excluding outsourced costs)	\$155	\$175
On track	There is a reduction in the rate of growth of CO <sub>2</sub> emissions from domestic transport per capita in the medium term [see graph on page 24]	On track 6.3% decrease since 2006	On track
New measure	Ministry-led second year actions in the Intelligent Transport Systems Action Plan delivered	Achieved	Achieved
On track	Fewer deaths and serious injuries within the New Zealand transport system over the medium term	Not on track [see below]	On track

### **The agreed rules programme, including variations, is delivered**

8 out of 18 rules were signed and the remainder were moved to 2016/17. The rules programme is a two-year rolling programme, so it is not uncommon for rules to not be signed within the 2015/16.

### **Ministerial satisfaction survey**

In our Ministerial satisfaction survey, the Ministry asked the Minister 6 questions with a score out of 10. Our average score was 5.8 which has been translated to 58%

### Fewer deaths and serious injuries within the New Zealand transport system over the medium term

While the overall long-term trend has been positive, there has been a recent upswing in the number of fatalities on New Zealand roads. The Government is working to reduce the number of fatalities through a variety of measures. For example, the third and final Safer Journeys Action Plan was released, which introduces new measures to combat driver error, improve motorcycle safety, and reduce road fatalities. See graph on page 24.

Serious injuries data for the 2011 – 2015 years is shown in the table below:

	2011	2012	2013	2014	2015
Number of serious injuries	2,060	2,073	1,981	2,054	2,148

Police reported serious injuries from road crashes dropped from 2007 – 2013. However since 2013 the number of serious injuries has increased.

### Performance progression of Ministry intermediate results

#### Improved management of the transport asset base

The Ministry will know that it has been successful over the next two to four years if:

The application of ITS technology across the transport modes is delivering more efficient use of the existing transport infrastructure

- ▶ The Ministry continued to make progress on the ITS Action Plan which is focussed on ensuring that the necessary building blocks are in place to enable technologies, such as connected and automated vehicles, to be deployed on New Zealand’s road network. This included a scan of transport legislation for unnecessary barriers to the deployment of ITS technologies, working with stakeholders on positioning systems requirements and promoting New Zealand as a test bed for ITS technologies.

The Ministry understands the relative priority and timing for government investment options across all of the transport modes [regardless of funding sources] to maximise efficient network performance and meet future needs

- ▶ The Ministry’s work on the Auckland Transport Alignment Project and the Auckland City Rail Link has provided an opportunity to consider road and rail solutions alongside each other to assess how best to invest to achieve a preferred network outcome.
- ▶ The Ministry also conducted an investigation into the merits of managing heavy vehicle demand through variable charging, which has also revealed similar opportunities to better understand the relative merits of investing in different modes elsewhere in the country, albeit on a smaller scale.

The Ministry has enhanced its transport modelling capability and is providing more sophisticated advice on the impacts of different intervention options

- ▶ Performance: The Ministry has increased its capability in this by combining current expertise with new staff resource with specific transport/ economic modelling skills. We have also added to the capability base by working across the sector, for example we have recently seconded in a Regional Council staff member to work on a sector wide transport modelling initiative [Next Generation Transport Models] – which seeks to use data from the NZ Household Travel Survey to develop a common modelling framework for all New Zealand local authorities.
- ▶ The main focus of the modelling work done within the Ministry to date, has been the development of a suite of system level models for the NZ Transport Outlook (a set of written and online products which provide data, information and analysis of current and activity and use on the transport network along with forecasts associated with possible future activity and use). The majority of the system level modelling work has almost been completed, with the Transport Outlook due to be published in March 2017.

### Higher returns from new transport investments

<p>The Ministry will know that it has achieved its stated result if, by 2025, there is</p>	<p>Higher average returns from new transport investment decisions taken by Government transport agencies [including local government]</p> <ul style="list-style-type: none"> <li>▶ Performance: Data on this measure will not be available until October 2016 as part of the first GPS 2015 Monitoring Report from the NZTA. The Ministry will publish performance information on its website when this becomes available and include it in the Ministry's 2016/17 Annual Report.</li> </ul>
<p>The Ministry will know that it has been successful over the next two to four years if:</p>	<p>There is greater transparency and reporting on the trends in the level of benefit cost ratio being achieved from new government investments across the transport system</p> <ul style="list-style-type: none"> <li>▶ Performance: The Ministry has worked with the NZ Transport Agency to develop a new, annual GPS 2015 Monitoring Report. Data on this measure will not be available until October 2016 as part of the first GPS 2015 Monitoring Report from the NZTA. The Ministry will publish performance information on its website when this becomes available and include it in the Ministry's 2016/17 Annual Report.</li> </ul> <p>The Ministry has a deeper understanding of the potential for different modal investments to enhance the efficiency of the Auckland transport network</p> <ul style="list-style-type: none"> <li>▶ Performance: The Ministry's work with Auckland Council and a range of other agencies on the Auckland Transport Alignment Project in 2015/16 has had a strong focus on testing the potential for different combinations of modal investments to enhance the efficiency of the Auckland transport network over the 30-year horizon of this project.</li> </ul>

### More open and efficient transport markets

<p>The Ministry will know that it has been successful over the next two to four years if:</p>	<p>The Ministry has implemented a prioritised programme to remove regulation that unnecessarily imposes costs or acts as a barrier to market efficiency</p> <ul style="list-style-type: none"> <li>▶ Performance: The Ministry assessed the state of its regulatory frameworks through a March 2015 NZIER report 'Identifying Opportunities for Improving the Regulatory Environment'. The Ministry's 2015/16 legislative and rules programmes included a focus on reducing unnecessary costs and market barriers. Key initiatives in 2015/16 include the Driver Licensing Review, Vehicle Dimensions &amp; Mass Review, and the Small Passenger Services Review.</li> </ul> <p>The Ministry knows how the transport regulatory system should change in order to support new business models and a rapidly changing technology environment, and has commenced work programmes to give effect to that</p> <ul style="list-style-type: none"> <li>▶ Performance: The Ministry completed an assessment of its regulatory regimes to determine if they were fit for purpose. We are using that assessment to inform the development of our future work programmes [including our future Rules programme].</li> </ul> <p>The Ministry has implemented a prioritised programme to strengthen its understanding of the key factors that may be constraining productivity growth in transport sub sectors – focusing on construction and freight first</p> <ul style="list-style-type: none"> <li>▶ Performance: The Ministry undertook a study to investigate why productivity in the road freight sector was low. The objective of the study was to see if there are opportunities for the sector and government to improve performance. Overall, the freight system is efficient and productive, however, efficiency in Auckland is being compromised by congestion. The Ministry continues to look at ways to address this, including undertaking research on what technological solutions may assist.</li> </ul> <p>The Ministry understands how well the new Public Transport Operating Model [PTOM] has been implemented and whether any changes are required for its benefits to be fully realised</p> <ul style="list-style-type: none"> <li>▶ Performance: In late 2015, the Ministry reported to the Minister of Transport on stakeholder views on the PTOM implementation to date. The Ministry is to provide a final report back in September/October 2019 on the PTOM implementation and operation, and a competition assessment.</li> </ul>
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## Fewer incidents and other harms

<p>The Ministry will know that it has achieved its stated result if, by 2025, there is</p>	<p>The number of deaths and serious injuries across the transport system is reduced by 20 percent or more</p> <ul style="list-style-type: none"> <li>▶ Performance: Road deaths in New Zealand, since 2002, are still trending downwards. However, since 2013 there have been an increasing number of fatalities on our roads. As we continue with our Safer Journeys, alcohol interlock and safer speeds work we expect to see the number of deaths on our roads to decrease by 2025. [Refer to page 24].</li> </ul> <p>There is a continued reduction in the rate of growth of tonnes of carbon dioxide equivalent emitted emissions from domestic transport per capita over the medium term</p> <ul style="list-style-type: none"> <li>▶ Performance: Between 1990 and 2006, road transport carbon emissions increased by over 60 percent. Since 2006, the rate of increase has stabilised and emissions on a per capita basis have decreased. We believe that we are still on track to achieve the result over the long term. [Refer to the graph on page 24].</li> </ul>
<p>The Ministry will know that it has been successful over the next two to four years if:</p>	<p>The transport sector and public understand the changes that will be required within the transport system over the next 20 plus years for New Zealand to meet any new greenhouse gas emissions reduction target</p> <ul style="list-style-type: none"> <li>▶ Performance: The Ministry has initiated a project to better understand the choices New Zealand has to reduce transport emissions over the long term. The project will form the evidence base for our future policy advice to Ministers. It will also feed into cross-government work on a long-term plan of action to reduce emissions across the economy.</li> </ul> <p>Cost effective technologies that reduce harm in the transport system are increasingly being adopted/mandated</p> <ul style="list-style-type: none"> <li>▶ Performance: New technologies are being applied in the transport system. In 2015/16 the Ministry developed advice on the use of alcohol interlocks and the Government's decisions on alcohol interlocks will be implemented in 2016/17. The Ministry also supported the work of the NZ Transport Agency and Go Rentals as they implemented a trial of new in-vehicle technology to deliver safety messages to drivers.</li> </ul> <p>There is an appropriate regime in place to reduce the risks of alcohol and drug related impairment across transport's commercial and recreational sectors.</p> <ul style="list-style-type: none"> <li>▶ Performance: The Ministry is reducing the risks of alcohol and drug related impairment across the aviation and maritime sectors by introducing drug and alcohol management plans for commercial operators in these sectors. The drug and alcohol management plans will include mandatory random drug and alcohol testing. The changes will be introduced with the Maritime Transport Amendment Bill and the Civil Aviation Reform Bill.</li> </ul>

## Related Ministry projects or activities in 2015/16

Ministry project or activity	Refer page
Government Policy Statement on land transport	8
Keeping the SuperGold Card sustainable	8
Improving alignment on Auckland's transport strategy	8
Intelligent Transport Systems	9
Clear Heads	10
Regulatory Reform Programme	11
Funding Review Programme	13
Transport Domain Plan & Research Strategy	14

## ROAD

### Financial performance

Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
7,678	Cost This output is produced within the overall class appropriation (GST exclusive)	8,195	8,502	8,538

The cost of road activity has increased from 2014/15, due to the mix of work the Ministry undertook.

### Performance measures

Actual 2014/15	Performance measures	Actual 2015/16	Standards/ Targets 2015/16
Achieved	At least twice yearly revenue forecasting provided for use in Crown accounts and Budget forecasts	Achieved Two forecasts done	Achieved
New measure	2016 to 2020 Safer Journeys Action Plan developed by 31 December 2015	Not achieved [see below]	Achieved
On track	Transport network congestion in the five largest metropolitan areas will decrease over the medium term	Not on track [see below]	On track

#### 2016 to 2020 Safer Journeys Action Plan

The development of the next Safer Journeys Action Plan due in December 2015 [this was released in May 2016]. Reprioritisation of resources toward visiting drivers and other safety issues led to a delay in commencing work on the new plan. Consequently, the initial end date was not met.

#### Transport network congestion in the five largest metropolitan areas

The Government has invested to reduce congestion in the metropolitan centres. For example the ATAP, which is expected to improve network efficiency in Auckland. However, investments take a long time to show the benefit and the Ministry expects decreased levels of congestion over the long-term.

## Performance progression of Ministry intermediate results

### Improved management of the transport asset base

The Ministry will know that it has achieved its stated result if, by 2025, there is	<p>Reduced risk of disruption at the most critical points in the roading network and disruptions are being dealt with efficiently</p> <ul style="list-style-type: none"> <li>▶ Performance: Data on this measure will not be available until October 2016 as part of the first GPS 2015 Monitoring Report from the NZTA. The Ministry will publish performance information on its website when this becomes available and include it in the Ministry's 2016/17 Annual Report.</li> </ul>
	<p>Increased productivity where there are constraints on main routes within our major metropolitan areas</p> <ul style="list-style-type: none"> <li>▶ Performance: Data on this measure will not be available until October 2016 as part of the first GPS 2015 Monitoring Report from the NZTA. The Ministry will publish performance information on its website when this becomes available and include it in the Ministry's 2016/17 Annual Report.</li> </ul>
	<p>Increased freight vehicle productivity across the network</p> <ul style="list-style-type: none"> <li>▶ Performance: Data on this measure will not be available until October 2016 as part of the first GPS 2015 Monitoring Report from the NZTA. The Ministry will publish performance information on its website when this becomes available and include it in the Ministry's 2016/17 Annual Report.</li> </ul>
The Ministry will know that it has been successful over the next two to four years if:	<p>There is greater transparency for the implementation of GPS 2015 and its impact on the performance of the land transport asset base</p> <ul style="list-style-type: none"> <li>▶ Performance: The Ministry has worked with the NZ Transport Agency to develop a new, annual GPS 2015 Monitoring Report. The first GPS 2015 Monitoring Report should be available in October 2016.</li> </ul>
	<p>There is a clearer voice from road users on what they want to pay for and what they would accept as charges or a charging system, and additional demand management tools are being considered for the medium term</p> <ul style="list-style-type: none"> <li>▶ Performance: The Ministry commenced a survey of road users to understand their priorities and preferences with respect to safety, cost, travel time, reliability, environment and maintenance. These results will feed into the Ministry's analysis for GPS 2018.</li> </ul>

### Higher returns from new transport investments

The Ministry will know that it has been successful over the next two to four years if:	<p>GPS 2018 provides an enhanced investment strategy for the Government's investment in land transport</p> <ul style="list-style-type: none"> <li>▶ Performance: The development of GPS 2018 is underway, including consideration of how the investment strategy could be enhanced. This work is being informed by feedback from Regional Transport Committees and analysis of what the current GPS is delivering. Changes to the investment strategy will be signalled in late 2016 when we consult on a draft GPS.</li> </ul>
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### More open and efficient transport markets

The Ministry will know that it has achieved its stated result if, by 2025, there is	<p>A 10 percent increase in the productivity of businesses that provide transport services</p> <ul style="list-style-type: none"> <li>▶ Performance: Productivity across freight vehicles with 6 – 9 axel combinations increased by 3.2 percent in 2014/15 (2013/14 is the base year). Information for 2015/16 is not yet available.</li> </ul>
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## Fewer incidents and other harms

<p>The Ministry will know that it has been successful over the next two to four years if:</p>	<p>The safety of the roading system has increased through the implementation of the safe system approach – improved roads &amp; roadsides; the availability of safer vehicles; and a reduced number deaths and serious injury crashes from speed, and impaired drivers</p> <ul style="list-style-type: none"> <li>▶ Performance: The number of deaths per 100 million kms travelled decreased from 0.93 to 0.74 between 2010 and 2015. [Refer to the graph on page 24].</li> </ul> <p>Key Ministry actions to improve the safety of the roading system included:</p> <ul style="list-style-type: none"> <li>▶ finalising the third Safer Journeys Action Plan 2016 – 2020 [the Action Plan maintains the focus on the Safe System approach]</li> <li>▶ advising Government on the implementation of alcohol interlocks. Legislative change to implement the Government’s decisions are being advanced through the Land Transport Amendment Bill.</li> </ul> <p>The Ministry has a broader understanding of the transport and wider benefits that could arise through additional investment in the active modes.</p> <ul style="list-style-type: none"> <li>▶ Performance: We have developed this through information from the current investment in the Urban Cycleways Programme as it rolls out, and specific recent work on active modes. We are also involved in NZTA-led research on four areas identified in recommendations from the Cycling Safety Panel Report in 2014 [E-bikes, footpath sharing, 1.5 metre minimum overtaking gaps, give way rules].</li> </ul>
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## Related Ministry projects or activities in 2015/16

Ministry project or activity	Refer page
Transport and regional development	9
Electric vehicles	9
Drink driving	10
Improving safety for visiting drivers	10
Safer Journeys	11
Small passenger services review	12
Vehicle dimensions and mass review	12

## AVIATION

### Financial performance

Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
3,362	Cost This output is produced within the overall class appropriation (GST exclusive)	3,285	3,797	3,455

### Performance measures from the Information Supporting the Estimates

Actual 2014/15	Performance measures	Actual 2015/16	Standards/ Targets 2015/16
New measure	Final Cabinet Paper to Minister on reforms to the Civil Aviation Act [1990] and the Airport Authorities Act [1966] by 28 February 2016	Not achieved [see below]	Achieved

### Final Cabinet Paper to Minister on reforms to the Civil Aviation Act

The Ministry did not submit a Civil Aviation Act Cabinet paper to the Minister of Transport by 28 February 2016. This is as a result of policy decisions not being finalised. In part, this was due to the need for the Cabinet paper to accommodate revisions relating to Clear Heads, and the Domestic Aviation Security Review.

### Performance progression of Ministry intermediate results

#### Higher returns from new transport investments

The Ministry will know that it has been successful over the next two to four years if:	Regulatory changes to support implementation of the new National Airspace & Navigation Plan by the Civil Aviation Authority are bedded in and understood by the aviation sector <ul style="list-style-type: none"> <li>▶ Performance: The Ministry provided an update to Cabinet in August 2016 on the regulatory changes. The CAA has completed two rounds of targeted consultation with the sector to support the Ministry's development of policy for rules regarding navigation and surveillance. Draft rules will be published for comment by December 2016.</li> </ul>
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#### More open and efficient transport markets

The Ministry will know that it has achieved its stated result if, by 2025, there is	A 30% increase in the movement of people and freight by international inbound and outbound flights <ul style="list-style-type: none"> <li>▶ Performance: The number of international arrivals and departures has increased by nearly a quarter in the last 5 years. In 2015 there was an 8 percent increase, the biggest annual increase since 2004. In the year ended June 2016 the volume of freight increased 2 percent by weight and 14 percent by value. The trends for freight have been quite variable.</li> </ul>
The Ministry will know that it has been successful over the next two to four years if:	The Ministry has successfully concluded international air services agreements with countries that provide key market opportunities <ul style="list-style-type: none"> <li>▶ Performance: The Ministry negotiated eight new air services agreements, and amended three existing agreements. We negotiated new agreements that will assist with the objective of making New Zealand a hub between Asia and the Americas including within ASEAN [Laos] and Central America [Panama]. Agreements were put in place with countries providing code-share opportunities such as Portugal.</li> </ul>

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**Related Ministry projects or activities in 2015/16**

<b>Ministry project or activity</b>	<b>Refer page</b>
Air services liberalisation	<b>10</b>
Review of the Civil Aviation Act 1990 and Airport Authorities Act 1996	<b>12</b>
APEC	<b>14</b>

## MARITIME

### Financial performance

Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
2,099	Cost This output is produced within the overall class appropriation (GST exclusive)	2,074	2,652	1,964

The cost of this activity is similar to that of 2014/15. The budget was amended during the year to reflect actual cost more closely.

### Performance measures

Actual 2014/15	Performance measures	Actual 2015/16	Standards/ Targets 2015/16
Achieved	New Zealand trends in port productivity will increase over the medium term	On track to be achieved in the medium term	On track

### Related Ministry projects or activities in 2015/16

Ministry project or activity	Refer page
Review of the Maritime Transport Act 1994	11

## RAIL

### Financial performance

Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
265	Cost This output is produced within the overall class appropriation (GST exclusive)	489	397	515

The cost of this activity has increased due to the work on the Auckland City Rail Link.

### Performance progression of Ministry intermediate results

#### Higher returns from new transport investments

The Ministry will know that it has been successful over the next two to four years if:	<p>There are appropriate arrangements in place to support the government's investment in rail freight in the context of a multi-modal transport sector</p> <ul style="list-style-type: none"> <li>▶ Performance: Work began in 2015/16 on greater road-rail integration. This is providing decision makers with a greater understanding of an integrated approach to planning, where rail is able to complement, as well as compete with other modes.</li> </ul>
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### Related Ministry projects or activities in 2015/16

Ministry project or activity	Refer page
Auckland City Rail Link	8

## Output: Ministerial servicing

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

It is intended to achieve the effective delivery of support to executive government and parliamentary processes.

### Financial performance

Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
2,500	Revenue Crown	2,700	2,600	2,700
2,680	Expenses	2,830	2,600	2,700
<b>[180]</b>	<b>Net [deficit]</b>	<b>[130]</b>	-	-

Expenses for this output were higher than for 2014/15. Elements of this work are demand driven and cannot be rationed.

### Performance measures from the Information Supporting the Estimates

Actual 2014/15	Performance measures	Actual 2015/16	Standards/ Targets 2015/16
99%	Percentage of draft replies to ministerial correspondence completed within 10 working days	91%	80%
86%	Percentage of Official Information Act requests to the Ministry replied to within statutory timeframes	95%	100%
100%	Percentage of Ministerial Servicing items that meet quality characteristics [refer conditions on use of Appropriation]	100%	90%
99% within 11 working days	Turnaround time for draft Ministerials, from when they are received by the Ministry to when they are submitted to the Ministers office	96% within 10 working days	10 working days

## Output: Governance and performance advice on Crown agencies

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

It is intended to achieve high performing transport Crown agencies, the activities of which are transparent and well aligned to Government policy priorities:

### Financial performance

Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
900	Revenue Crown	1,100	900	1,100
1,071	Expenses	1,132	900	1,100
<b>(171)</b>	<b>Net [deficit]</b>	<b>[32]</b>	-	-

The cost of this activity is similar to that of 2014/15. The Ministry amended the budget during the year to reflect actual cost more closely. The deficit is not an issue as another output has a surplus exceeding the deficit.

### Performance measures from the Information Supporting the Estimates

Actual 2014/15	Performance measures	Actual 2015/16	Standards/ Targets 2015/16
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
Achieved 7.6	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	Achieved 7.41	Achieved

## 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].

The appropriation is intended to achieve accurate and timely refunds of fuel excise duty to eligible applicants.

### Financial performance

Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
475	Revenue Crown	545	429	545
86	Other revenue	115	90	115
<b>561</b>	<b>Total revenue</b>	<b>660</b>	<b>519</b>	<b>660</b>
561	Expenses	660	519	660
-	<b>Net surplus</b>	-	-	-

Adjustments were made to this appropriation, as additional Crown funding was approved to fund improvement projects and additional workload. The NZ Transport Agency received more third party revenue from the ACC for processing their portion of fuel excise duty refunds.

### Performance measures from the Information Supporting the Estimates

Actual 2014/15	Performance measures	Actual 2015/16	Standards/ Targets 2015/16
5.3 days	Average number of days taken to audit, process and pay FED refunds	8.2 days	10 days

In the 2014/15 Report, the average number of days taken to audit, process and pay FED refunds was reported as 5.3 days, as noted above.

However, the NZ Transport Agency has advised us that this figure was an error. The actual 2014/15 figure to audit, process and pay FED refunds was 7.3 days. Thus the change in processing time between years is actually 0.9 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.

It is intended to achieve the safe and efficient operation of the Milford Sound/ Piopiotahi aerodrome.

### Financial performance

Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
237	Other revenue	270	230	284
217	Expenses	274	230	284
<b>20</b>	<b>Net surplus/[deficit]</b>	<b>[4]</b>	-	-

Expenses for this output were higher than 2014/15. This is mainly due to a vegetation clearance exercise and unplanned additional maintenance.

Other revenue increased because the good summer weather led to a high number of landings at the aerodrome.

### Performance measures from the Information Supporting the Estimates

Actual 2014/15	Performance measures	Actual 2015/16	Standards/ Targets 2015/16
100%	The aerodrome operation will conform with appropriate Civil Aviation Authority safety requirements	100%	100%
New measure	Operating costs within third-party revenue	Not achieved, operating costs exceeded revenue by 2 percent. However, within appropriation.	Achieved

## Output class: Search and rescue activity coordination 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).

It is intended to achieve the delivery of effective, well coordinated Search and Rescue capability

### Financial performance

Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
1,201	Revenue Crown	1,201	1,201	1,201
1,201	Expenses	1,201	1,201	1,201
-	<b>Net surplus/(deficit)</b>	-	-	-

The programmed activities were delivered as budgeted.

### Performance measures from the Information Supporting the Estimates

Actual 2014/15	Performance measures	Actual 2015/16	Standards/ Targets 2015/16
Achieved 95%	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
Not achieved 93%	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	Achieved 95%	Achieved

The Secretariat provides the NZSAR Council with support services, policy advice and the implementation of agreed measures to give effective leadership and strategic coordination 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

This appropriation is limited to the purchase or development of assets by and for the use of the Ministry of Transport, as authorised by section 24(1) of the Public Finance Act 1989.

It is intended to achieve the renewal of assets in support of the delivery of the Ministry of Transport's services.

### Financial performance

Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
133	Ministry of Transport – capital expenditure PLA departmental capital expenditure	139	350	650

Capital expenditure was less than budgeted, because the Supplementary Estimates figures was incorrect, assuming that the Ministry would relocate in 2015/16 and incur capital expenditure. The Ministry also delayed work on its replacement Document Management System.

### Performance measures from the Information Supporting the Estimates

Actual 2014/15	Performance measures	Actual 2015/16	Standards/ Targets 2015/16
100%	Expenditure is in accordance with the Ministry's capital expenditure plan and asset management plan	Met	100%

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

The overarching purpose of this appropriation is to regulate civil aviation and enhance aviation safety in New Zealand.

It is intended to achieve a safe and secure airspace environment through the implementation and monitoring of rules and regulations and the management of risk for all aviation activities.

The Ministry reports this appropriation in its annual report because it is a multi category appropriation and as such, the Ministry is the administrator of the appropriation. All of the expenses are non-departmental.

### Financial performance

Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
2,219	Policy advice and related outputs – civil aviation MCA non-departmental output expenses	2,687	2,219	2,687

### Performance measures from the Information Supporting the Estimates

Actual 2014/15	Performance measures	Actual 2015/16	Standards/ Targets 2015/16
	<b>Measures for the appropriation</b>		
75%	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: ▶ percentage of resident travellers that felt extremely or very safe and secure	n/a Survey is conducted every two years.	No impact to the perception and confidence  72%
92%	▶ percentage of overseas travellers that felt extremely or very safe and secure		86%
40%	▶ percentage of 27 key stakeholders satisfied with the safety and security performance of the New Zealand civil aviation system		44%
	<b>Measures for the 'Health and safety in employment activities – civil aviation' category within the appropriation</b> <i>This category is intended to achieve compliance with the provisions of the Health and Safety at Work Act 2015 in the aviation sector, for those who work on board aircraft while the aircraft is operating.</i>		
17	Number of health and safety in employment investigations, audits, and inspections  <i>Performance was affected by the reprioritisation of resources to focus on the implementation of the Health and Safety at Work Act 2015 designation of the Civil Aviation Authority.</i>	25	35-55
90%	Percentage of health and safety in employment investigations, audits, and inspections that follow policy and procedural requirements	100% [see note below]	100%
100%	Percentage of health and safety in employment investigations and audit reports is sued within agreed timeframes	100% [see note below]	100%

Actual 2014/15	Performance measures	Actual 2015/16	Standards/ Targets 2015/16
	<b>Measures for the 'Health and safety in employment activities – civil aviation' category within the appropriation continued</b>		
New measure	Demonstration of continuous improvement of the regulatory function using the assessment of the Regulatory Operating Review (ROR) programme with a focus on strengths/weaknesses and opportunities for improvement <sup>1</sup> <i>This measure is based on a quarterly assessment of progress against the Regulatory Operating Review Policy. Reviews have resulted in improvements to the prioritisation of work and time taken to close out reports; application of procedures; investigation processes and the associated training of staff; records; and business systems. Further information can be found in the Annual Report of the Civil Aviation Authority 2015/16</i>	Met	Met
	<b>Measures for the 'International relations and International Civil Aviation Organisation Obligations' category within the appropriation</b> <i>This category is intended to achieve administration of New Zealand's international civil aviation obligations and interests within the delegations of the Minister of Transport.</i>		
100%	Percentage of international engagement is undertaken that meets the objectives of the Civil Aviation Authority International Engagement Strategy	95%	95%
Nil	International Civil Aviation Organization (ICAO) coordinated validation mission carried out as a result of a significant safety concern raised by ICAO	Nil	Nil
	<b>Measures for the 'Ministerial servicing – civil aviation' category within the appropriation</b> <i>This category is intended to achieve the effective delivery of support to executive government and parliamentary processes.</i>		
95% of papers acceptable	Reports, correspondence and Parliamentary Questions are acceptable to the Minister [as assessed by annual survey]	95% of papers acceptable	95% of papers acceptable
	<b>Measures for the 'Policy advice – civil aviation' category within the appropriation</b> <i>This category is intended to achieve a high level of safety and security standards within the New Zealand civil aviation system.</i>		
	Development of sound policy advice proactively identifies and addresses regulatory issues within the Civil Aviation system.		
100%	▶ Percentage of policy papers meet the standards set out in the CAA policy development procedures as assessed by an annual independent audit	100% 1 paper assessed – Emergency location of aircraft policy process	95%

These measures were met through the introduction of “Demonstration of continuous improvement of the regulatory function using the assessment of the Regulatory Operating Review (ROR) programme” review

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

The overarching purpose of this appropriation is to regulate and enhance safety in New Zealand’s maritime environment.

It is intended to achieve robust regulatory advice, risk-focused compliance practices and well-prepared marine pollution response capability.

The Ministry reports this appropriation in its annual report because it is a multi category appropriation and as such, the Ministry is the administrator of the appropriation. All of the expenses are non-departmental.

### Financial performance

Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
7,656	Policy advice and related outputs – maritime MCA non-departmental output expenses	7,855	7,243	7,855

**Performance measures from the Information Supporting the Estimates**

Actual 2014/15	Performance measures	Actual 2015/16	Standards/ Targets 2015/16
	Measures for the 'Health and safety in employment activities – maritime' category within the appropriation <i>This category is intended to achieve the provision of regulatory services that are established under Health and Safety in Employment Act as the responsibility of Maritime New Zealand.</i>		
75%	Prosecutions brought under the Health and Safety at Work Act and the Maritime Transport Act that are successful	87.5% [see below]	75%
	<b>Measures for the 'Maritime incident response' category within the appropriation</b> <i>This category is intended to achieve an increase in the efficiency and effectiveness of Maritime New Zealand's maritime incident response capability.</i>		
New measure	Develop and implement a maritime incident exercise based on a complex vessel scenario that tests the NZ maritime incident response readiness.	Plan signed off in April 2016 Exercise completed May 2016	Plan signed off by March 2016 Exercise completed May 2016
	<b>Measures for the 'Maritime safety and marine protection services' category within the appropriation</b> <i>This category is intended to achieve the provision of reliable maritime navigation aids.</i>		
99.8%	Percentage of time lighthouses are available	100%	99.8%
99.9%	Percentage of time a 24-hour Distress and Safety Radio Service is provided	99.8%	100%
	<b>Measures for the 'Policy advice – maritime' category within the appropriation</b> <i>This category is intended to achieve the development of fit for purpose policy in relation to maritime safety, security and environmental protection; and the provision of services to Ministers to enable them to discharge their portfolio accountabilities.</i>		
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%

**Prosecutions brought under the Health and Safety at Work Act and the Maritime Transport Act**

2014/15 – Maritime NZ's Annual Report for 2014/2015 reported performance of 100% of prosecutions brought under the Health and Safety in Employment and Maritime Transport Act (MTA) as successful [four out of four]. This figure has been changed to 75% to include a case that was mistakenly recorded as successful [three out of four successful].

2015/16 – Performance against this measure is based on the number of prosecutions that are concluded during the reporting period and where the prosecution action leads to the desired outcome [e.g. compliance, accountability].

Seven prosecutions were concluded: Six of these were successful. Five involved pleas of guilty and led to conviction. One case involved two defendants in which charges against one of the defendants were barred by other legislation. Subsequently resolution occurred with both defendants that is considered equivalent to what would have occurred in court. One case [considered unsuccessful] was withdrawn following an associated matter that resulted in a not guilty finding.

## To the readers of the Ministry of Transport's annual report for the year ended 30 June 2016

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 28 to 49, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2016, 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 2016 on pages 71 to 93;
- ▶ the statements of budgeted and actual expenses and capital expenditure incurred against appropriations of the Ministry for the year ended 30 June 2016 on pages 65 to 68; and
- ▶ the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 51 to 64 that comprise:
  - the schedules of assets, liabilities, commitments and contingent liabilities as at 30 June 2016;
  - the schedules of expenses and revenue and receipts for the year ended 30 June 2016; 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 2016; 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 Public Benefit Entity Reporting Standards.
- ▶ the performance information of the Ministry:
  - ▶ presents fairly, in all material respects, for the year ended 30 June 2016:
    - 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 budgeted and actual expenses and capital expenditure incurred against appropriations of the Ministry on pages 65 to 68 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 51 to 64 present fairly, in all material respects, in accordance with the Treasury Instructions:
  - the assets, liabilities, commitments and contingent liabilities as at 30 June 2016; and
  - the expenses and revenue for the year ended 30 June 2016.

Our audit was completed on 30 September 2016. 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.



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

# Report in relation to selected non-departmental appropriations

For the year ended 30 June 2016

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

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

A handwritten signature in black ink, appearing to read 'S. Bridges', written over a light grey background.

**Hon Simon Bridges**  
Minister of Transport

## Non-departmental output expense: Search and rescue and recreational boating safety activities PLA

This appropriation funds activities undertaken by several bodies. Funding provided to Maritime New Zealand is reported in its annual report, and so this report covers only the funding provided to other bodies, which is for search and rescue activities, as opposed to recreational boating safety.

The New Zealand Search and Rescue Council [the 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 Council has reached joint service level agreements for Search and Rescue services with Coastguard New Zealand, LandSAR New Zealand, Surf Life Saving New Zealand, the Mountain Safety Council and Amateur Radio Emergency Communications. This funding helps these organisations to ensure their ongoing viability at acceptable performance levels for search and rescue activity.

The funding provided to each body in 2015/16 is shown below.

<b>Annual funding under a Service Level Agreement</b>	<b>\$</b>
Coastguard New Zealand	1,874,000
LandSAR New Zealand	650,000
Surf Life Saving NZ	200,000
Mountain Safety Council NZ	105,000
Amateur Radio Emergency Communications	65,000
<b>Additional funding</b>	<b>2,894,000</b>
Coastguard New Zealand – see below	529,000
	<b>3,423,000</b>

### Non financial performance

Actual 2014/15	Assessment of Performance	2015/16 Actual	2015/16 Standard
100%	Delivery of the national search and rescue support programme agreed by the NZ Search and Rescue Council with the providing bodies	100%	100%
	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%
90%	▶ National Search and Rescue training and education to improve interagency cooperation and understanding	90%	90%
100%	▶ Delivery of the national search and rescue support programme agreed by the NZ SAR Council with the providing bodies	100%	100%

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**Financial performance**

Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
7,022	Search and rescue and recreational boating safety activities PLA non-departmental output expenses	7,594	7,478	8,007

Funding increased by \$529,000 during the year as Coastguard NZ received one off funding to make changes to its VHF radio and NowCasting transmission services. This funding was not fully drawn down in 2015/16 and permission has been sought to carry the unspent balance forward to 2016/17.

## Non-departmental output expense: 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 2014/15	Performance measures	Actual 2015/16	Standards/ Targets 2015/16
As per contract	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)		
94%	▶ Heavy rain (one year mean)	93%	>90%
100%	▶ Severe gales (two year mean)	94%	>85%
100%	▶ Heavy snow (two year mean)	100%	>85%
	Maximum percentage of forecasts of severe-weather events which are subsequently found to be false alarms (false alarm ratio)		
13%	▶ Heavy rain (one year mean)	19%	<25%
12%	▶ Severe gales (two year mean)	15%	<30%
12%	▶ Heavy snow (two year mean)	29%	<30%

### Financial performance

Actual 2014/15 \$000		Actual 2015/16 \$000	Unaudited Main Estimates 2015/16 \$000	Unaudited Supplementary Estimates 2015/16 \$000
18,574	Weather forecasts and warnings non-departmental output expenses	21,212	21,212	21,212

Funding was increased for 2015/16 and outyears as part of Budget 2015.

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**Peter Mersi** [from 18 July 2016]

Chief Executive

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