

ANNUAL REPORT 04/05



**LEADING TRANSPORT SOLUTIONS
FOR ALL NEW ZEALANDERS**

REPORT OF THE MINISTRY OF TRANSPORT
FOR THE YEAR ENDED 30 JUNE 2005

PRESENTED TO THE HOUSE OF REPRESENTATIVES
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I AM PLEASED TO PRESENT TO YOU THE REPORT OF THE MINISTRY OF TRANSPORT FOR THE YEAR ENDED
30 JUNE 2005. **ROBIN DUNLOP**, SECRETARY FOR TRANSPORT

R. J. Dunlop

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WORDS FROM THE SECRETARY

THE NEW ZEALAND TRANSPORT STRATEGY (NZTS) SET A NEW DIRECTION FOR TRANSPORT IN NEW ZEALAND WHEN IT WAS RELEASED IN DECEMBER 2002. WITH A NEW VISION AND OBJECTIVES FOR TRANSPORT, IT WAS TIMELY AND NECESSARY TO REVIEW THE GOVERNMENT TRANSPORT SECTOR, WHICH IS RESPONSIBLE FOR IMPLEMENTING THE NZTS. THE REVIEW INCLUDED CONSIDERING WHETHER THE SECTOR HAD THE RESOURCES AND MOST EFFECTIVE STRUCTURE TO IMPLEMENT THE NZTS, AND HOW TO ENHANCE THE SECTOR'S PERFORMANCE IN THE FUTURE.

The Transport Sector Review identified some key issues in the sector such as: insufficient leadership by the Ministry of Transport; less than ideal placement of some functions; lack of alignment with the NZTS and legislation changes required for the safety agencies; lack of collaboration within the sector; and poor policy development processes. In brief, the review made it clear that implementation of the NZTS would not occur without substantial changes to the way the sector operated.

A package of reform, comprising both structural change to the organisations within the sector and non-structural proposals, and addressing leadership and integration issues, was implemented. Key elements of the reform included:

- measures to connect the sector for collaborative action under the strategic leadership of the Secretary for Transport. This includes joint planning towards delivering the NZTS, sharing sector resources and exploring opportunities to build and enhance its capability, and coordinating policy development processes across the sector;
- amending legislation to allow the safety authorities to consider wider NZTS objectives, to enable transfer of policy functions to the Ministry; and
- creating a new Crown entity called Land Transport New Zealand to undertake the activities of Transfund New Zealand (Transfund NZ) and the Land Transport Safety Authority (LTSA), other than policy advice functions, which transferred to the Ministry. Transfund NZ and the LTSA were disestablished.

The proposed structural change has been put in place, with legislation change completed on time and the new entity, Land Transport New Zealand, established. The Maritime Safety Authority has been renamed Maritime New Zealand.

Considerable progress has been made on improving collaboration across the government transport sector including the preparation of the first ever strategic plan for the whole sector, the *Transport Sector Strategic Directions (TSSD)* document. The TSSD is a good example of how the restructured government transport sector is delivering on the NZTS. Significantly, and without exception, all the government transport sector agencies are embracing the new collaborative approach to planning and coordinating the implementation of the NZTS. This new approach also has provided the impetus to rethink and make changes to the content of our Annual Report.

Sections two and three of this Annual Report remain within the parameters prescribed for government sector reporting, measuring outcomes achieved against targets, and expenditure against appropriations set in the Ministry's Statement of Intent (1 July 2004 – 30 June 2005). The successful delivery of the NZTS requires more than just setting a target. Our structure, our people and our approach to delivering the NZTS are all critical to the success we achieve. This first section of the Annual Report describes the context in which we work by outlining:

- our purpose;
- our functions, roles and responsibilities and responsibilities of the other government transport sector organisations we work with;
- our organisation, our key staff and their areas of responsibility, and our vision and values; and
- our story – a series of stories about how the Ministry works to deliver NZTS objectives and strategic priorities.

Our story is a new inclusion in the Annual Report and tells the story behind the Ministry's work delivering the NZTS. While the topics are diverse, one theme common to all the stories is the leadership the Ministry provides when solving transport issues in the government transport sector.

The stories chosen illustrate the breadth of work undertaken by the Ministry. Profiled in these stories is work encompassing:

- research and information gathering (the *Surface Transport Costs and Charges Study*);
- strategy development (the *National Rail Strategy* and *Getting there – on foot, by cycle*);
- strategic planning (the *Transport Sector Strategic Directions* document);
- drafting legislation (the *Land Transport Amendment Act and Railways Network Bill*);
- developing national standards (the *National Environmental Standard for Noise*);
- negotiating agreements (the *Air Services Agreement with the United Kingdom* and *Aviation Passenger Clearance Services Agreement*); and
- working with transport sector organisations to resolve issues (Joint Officials Groups).

Importantly, these stories debunk the myth that policy ministries are caught up in researching and writing

about esoteric issues far removed from the everyday life of New Zealanders. Through leading the implementation of the NZTS, the work of the Ministry has real and lasting impacts on people throughout New Zealand. Whether it is by enabling Air New Zealand to provide more flights to London, or preventing anyone with a conviction for violent or sexual crimes from driving a taxi or bus, or finding ways to reduce noise on busy roads so people can enjoy a good night's sleep – these are just a few examples of how New Zealanders benefit from the work of the Ministry of Transport.



ROBIN DUNLOP, SECRETARY FOR TRANSPORT

"AN AFFORDABLE, INTEGRATED, SAFE, RESPONSIVE AND SUSTAINABLE TRANSPORT SYSTEM THAT WILL HELP NEW ZEALAND DEVELOP ECONOMICALLY AND SOCIALLY IN WAYS THAT PROTECT THE ENVIRONMENT."

A handwritten signature in blue ink, appearing to read 'R. Dunlop', written in a cursive style.

The Ministry's work, in partnership with the transport Crown entities, is delivering the NZTS vision for an affordable, integrated, safe, responsive and sustainable transport system that will help New Zealand develop economically and socially in ways that protect the environment.

While there is still some way to go to achieve the NZTS vision, we can feel justifiably proud of the progress being made on the journey.

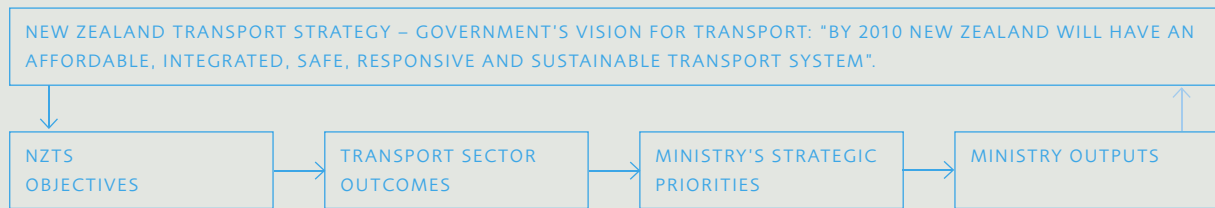
OUR PURPOSE

THE MINISTRY OF TRANSPORT IS THE GOVERNMENT'S PRINCIPAL TRANSPORT POLICY ADVISOR. THE MINISTRY LEADS AND DEVELOPS TRANSPORT POLICY WITHIN THE FRAMEWORK OF THE NEW ZEALAND TRANSPORT STRATEGY (NZTS).

The NZTS outlines government's vision for transport in New Zealand and describes how the transport system can respond to the social, economic and environmental needs of the nation. In taking a holistic view of the transport system, the NZTS recognises that while roads are likely to remain the main focus of government land transport expenditure, there is a need for a more balanced consideration of all transport options, including walking, cycling and public transport.

The NZTS guides decision-making on transport by central government agencies and provides a reference for local government, business and communities. The services or 'outputs' that are provided by the Ministry, such as policy advice or revenue management, must contribute to the achievement of the NZTS. The linkages and connections between the NZTS vision and the outputs produced by the Ministry are illustrated in the diagram below.

MINISTRY OUTCOMES FRAMEWORK



NEW ZEALAND TRANSPORT STRATEGY

Government's vision for transport:

By 2010 New Zealand will have an affordable, integrated, safe, responsive and sustainable transport system.

NZTS OBJECTIVES

- Assisting economic development
- Assisting safety and personal security
- Improved access and mobility
- Protecting and promoting public health
- Ensuring environmental sustainability.

TRANSPORT SECTOR OUTCOMES

- The transport system supports sustainable national and regional economic development
- The transport system is made safer and more secure
- The transport system is inclusive, accessible and affordable to all users
- The transport system contributes to positive health outcomes
- Transport uses land, energy and other resources effectively.



MINISTRY'S STRATEGIC PRIORITIES

- Improving the effectiveness of the land transport system
- Reducing transport-related deaths and injuries
- Enhancing aviation and maritime security
- Developing a framework for improving access and mobility
- Leading the development of integrated responses to minimise transport's impacts on public health and the environment
- Enhancing the effectiveness of international transport
- Improving the government transport sector's ability to deliver the NZTS.

MINISTRY OUTPUTS

- Policy advice
- Land transport management policy
- Contract management
 - Motor Vehicle Register and Revenue Management
 - Airport operation and administration
 - Transport Sector Review Implementation.



OUR FUNCTIONS

THE MINISTRY OF TRANSPORT DEVELOPS AND PROVIDES TRANSPORT POLICY AND ADVICE FOR THE GOVERNMENT BASED UPON THE NEED TO BE CONSISTENT WITH, AND FULFIL, THE VISION AND OBJECTIVES OF THE NEW ZEALAND TRANSPORT STRATEGY (NZTS).

The Ministry assists the Minister of Transport in the development and adoption of legislation by parliament, drafting regulations and rules in association with the transport Crown entities, and representing New Zealand's transport interests internationally. This includes the negotiation of air services agreements.

The Ministry has an important role coordinating the work of Crown entities in the transport sector, acting as an agent for the Minister of Transport. These Crown entities and their functions include:

- **AVIATION SECURITY SERVICE**
Provides airport security, passenger and baggage screening.
- **CIVIL AVIATION AUTHORITY**
Establishes and monitors civil aviation safety and security standards, carries out air accident and incident investigations, and promotes aviation safety.
- **LAND TRANSPORT NEW ZEALAND**
Allocates funding for the maintenance and development of state highways, local roads, passenger transport, traffic demand management, rail, regional development, and the promotion of walking and cycling. It promotes land transport safety and regulates commercial land transport operators.
- **MARITIME NEW ZEALAND**
Regulates the maritime industry, promotes safety, manages ship and port security, investigates accidents, provides navigational aids, undertakes marine pollution prevention and clean-up, and operates the New Zealand Rescue Coordination Centre, the coordinator of Class III search and rescue services throughout New Zealand and the South Pacific.
- **ROAD SAFETY TRUST**
Provides funding for road safety projects and research, from revenue received from the sale of personalised vehicle registration plates.
- **TRANSIT NEW ZEALAND**
Operates New Zealand's state highway network, including maintenance, construction, safety and traffic management. Transit NZ has responsibility for state highway strategies and design guidelines, economic and environmental planning for state highways, technical standards and quality assurance systems.

- **TRANSPORT ACCIDENT INVESTIGATION COMMISSION**

Investigates significant air, maritime and rail accidents and incidents to determine their cause and circumstances with a view to avoiding similar occurrences in the future.

The Ministry also works with three state-owned enterprises with transport functions:

- **AIRWAYS CORPORATION OF NEW ZEALAND LIMITED**
Provides air traffic management services, supplying the Ministry with Milford Sound/Piopiotahi Aerodrome landing and take-off data.
- **METEOROLOGICAL SERVICE OF NEW ZEALAND LIMITED**
Provides public weather forecasting services and supplies the Civil Aviation Authority with meteorological information for international air navigation.
- **ONTRACK**
Manages Crown railway land and the national rail network.

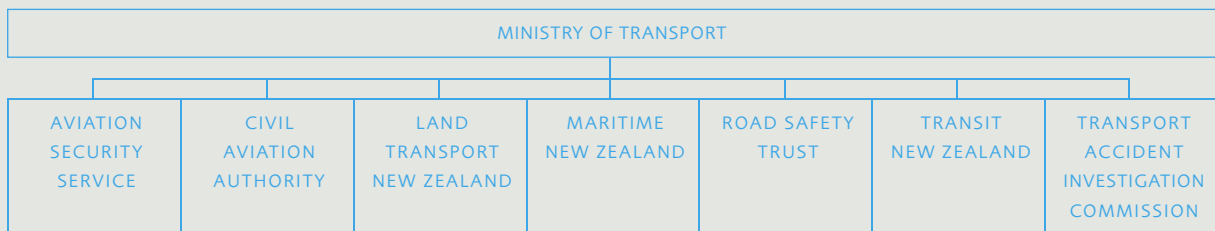
The Ministry provides comment to the Minister of Transport on the Crown transport entities' Statements of Intent and negotiates an annual performance agreement with each entity (except the Road Safety Trust, which operates under a trust deed). The Ministry monitors the entities' performance against these documents, and reports to the Minister. It also recommends appointments to the entities' governing bodies.

The Ministry coordinates the development of the annual New Zealand Road Safety programme (Safety Administration Programme), in consultation with communities, local authorities, Land Transport New Zealand, Transit New Zealand and the New Zealand Police.

While the Ministry is primarily a policy and monitoring agency, it does perform some operational functions, including:

- maintaining the Motor Vehicle Register;
- collecting motor vehicle registration and licensing fees, road user charges and fuel excise duty;
- licensing foreign international airlines flying to and from New Zealand;
- operating the Milford Sound/Piopiotahi Aerodrome;
- overseeing the Crown's interest in joint venture airports; and
- administering a contract with the Meteorological Service of New Zealand Ltd for the provision of public weather warnings and forecasts.

The Ministry also works closely with local government. Local authorities own, maintain and develop New Zealand's local road network and perform important regulatory transport functions. Regional councils (and unitary authorities) are required to develop regional land transport strategies that guide the transport decision-making of local councils, and also fund public transport and Total Mobility schemes in conjunction with Land Transport New Zealand. In the Auckland region, the Auckland Regional Transport Authority carries out these functions. Some local authorities own seaports and airports, or share ownership with the Crown.



OUR ORGANISATION

WHO WE ARE: THE STRUCTURE OF THE MINISTRY IS ORGANISED AROUND KEY OUTPUT AREAS ALIGNED WITH THE OBJECTIVES OF THE NZTS.

SECRETARY FOR TRANSPORT

1. Robin Dunlop

SUPPORTING OUTPUT AREAS

Deputy Secretary – Strategic Directions

2. Roger Toleman
 - Providing leadership
 - Developing directions
 - Setting priorities
 - Facilitating transport sector integration
 - Monitoring progress

Group Manager – Agency Relations

6. Caroline Taylor
 - Crown transport entity relationships
 - Monitoring Crown transport entity performance
 - Board appointments
 - Contract management
 - Regional offices



Deputy Secretary – Access and Services

3. John Bradbury
 - Transport services for people and business
 - Personal access and mobility
 - Walking and cycling
 - Travel demand management
 - International air services regulation

Group Manager – Finance and Support Services

4. Claire Johnstone
 - Support services
 - Vote: Transport financial management
 - Ministerial services

Group Manager – Environment

5. Jo Buckner
 - Climate change and sustainable energy
 - Vehicle technology and fuels
 - Air quality
 - Stormwater contamination
 - Noise
 - Pollution control

Group Manager – Infrastructure

7. Elizabeth Anderson
 - Revenue collection and management
 - Funding and planning of land transport
 - Airports, ports and rail governance and management arrangements

Group Manager – Safety and Security

8. Bruce Johnson
 - Modal safety policy
 - Security policy
 - Safety strategies funding
 - Transport rules
 - Search and rescue

Principal Legal Adviser

9. Hilary Talbot
 - Legal overview

Manager – Finance

10. David Pearson
 - Vote: Transport financial management
 - Internal audit
 - Financial management services

OUR VISION AND VALUES

THE MINISTRY IS GUIDED IN THE EXECUTION OF ITS ROLES AND RESPONSIBILITIES BY ITS VISION AND VALUES.

OUR VISION:

Leading transport solutions for New Zealand.

OUR VALUES:

Integrity:

Behaving fairly, professionally, consistently, and demonstrating confidence in one another

- We demonstrate best intentions
- We are honest
- We do what we say

Communication:

Listening, sharing, and informing

- We seek and share information
- We listen actively
- We communicate clearly and constructively

OUR VISION: LEADING TRANSPORT SOLUTIONS FOR NEW ZEALAND					
VALUES					
INTEGRITY	COMMUNICATION	PEOPLE MATTER	LEADERSHIP	POSITIVE RELATIONSHIPS	EFFECTIVE ACTION

People Matter:

Playing our part in creating a great workplace

- We support and develop our people
- We respect each other
- We support a work/life balance
- We recognise and celebrate positive contribution

Leadership:

Providing positive leadership

- We inspire and unite people
- We set clear standards and expectations
- We embrace responsibility and innovation

Positive Relationships:

Working constructively with others to produce leading transport solutions

- We seek and value the views of others
- We work together to create great solutions
- We respect each other's time

Effective Action:

Taking responsibility for our actions

- We plan and prioritise
- We deliver quality
- We learn from mistakes and successes

OUR STORY

THE FOLLOWING SERIES OF STORIES PROFILES HOW THE MINISTRY APPROACHES RESEARCH AND INFORMATION GATHERING, STRATEGIC PLANNING, POLICY DEVELOPMENT, DRAFTING LEGISLATION, AGREEMENT NEGOTIATION, STRATEGY PREPARATION, DEVELOPING NATIONAL STANDARDS, AND PROBLEM SOLVING ACROSS A BROAD CROSS-SECTION OF AREAS. WITH SOME OF THE STORIES, AN EXTERNAL ORGANISATION WAS ASKED TO COMMENT ON HOW THEY FOUND THE EXPERIENCE OF WORKING WITH THE MINISTRY.

HIGH-FLYING AGREEMENT BRINGS PEOPLE CLOSER

A landmark Air Services Agreement signed with the United Kingdom lifts restrictions on the number of flights Air New Zealand can make to Britain. The agreement is expected to be worth hundreds of millions of dollars per annum in revenue to Air New Zealand and the wider New Zealand economy, including the tourism industry.

Under the agreement, airlines from New Zealand and the United Kingdom are entitled to offer unlimited services between the two countries. Already, Air New Zealand is looking to acquire slots at Heathrow so that it can commence an additional daily service. This will provide benefits for passengers travelling in both directions, for Air New Zealand and for the New Zealand tourism industry.

The previous arrangements had restricted Air New Zealand to one flight per day into London, and also limited British carriers coming into New Zealand. Over 300,000 United Kingdom visitors came to New Zealand in the year ended March 2005 and they are estimated to have spent \$933 million in New Zealand, excluding the cost of their airfares. Around 90,000 New Zealand travellers had the United Kingdom as their main destination over the same period. Increasing the number of flights both ways will give a better range of options for travellers.

Air Services Agreements and associated Memoranda of Understanding are inter-governmental arrangements that set out the rights that airlines from each country have to operate services to the other country. Agreements have to be signed by government because countries have sovereignty over the airspace above them and control landing rights. It is therefore up to the government of each country to decide how airlines can access its airports.

Since 1995, New Zealand has been pursuing an open skies policy, to remove restrictions on the services that airlines may operate. The Ministry of Transport leads and plans the negotiations, develops the policy, advises the Minister of Transport, consults with stakeholders, such as the Ministry of Tourism and Air New Zealand, and prepares the agreement documents. The Ministry has negotiated around 20 open skies agreements with other countries, second in number only to the United States.

Air New Zealand has been operating daily flights to London since 1998. Over recent times there has been a shortage of seats available between New Zealand and the United Kingdom, constraining options for tourists and business people. Slots at Heathrow airport are very constrained. With the European Union seeking to negotiate a common aviation area with the United States of America, competition for slots at Heathrow could become even tougher. The need for a less restricted agreement with the United Kingdom became urgent.

The objective was to reach an agreement with the United Kingdom to secure at least a double daily service by Air New Zealand. While the Ministry of Transport led the process, the Ministry of Foreign Affairs and Trade (MFAT) assisted, particularly the New Zealand High Commission in London. Air New Zealand provided information and commercial advice to assist with negotiations.

The Ministry developed a logical and robust argument based on growth in passenger travel between the two countries and fairness (or the lack of it) for New Zealand airlines. New Zealand was willing to sign a groundbreaking Air Services Agreement with the United Kingdom, based upon the principles of free trade in air services.

Excellent relationships with the United Kingdom officials enabled the agreement to be negotiated in a spirit of friendship, patience and good faith. These relationships were particularly important because United Kingdom airlines had no immediate plans to fly to New Zealand and therefore had no interest in seeing the United Kingdom advancing these negotiations.

The negotiations were successful and a new Air Services Agreement was concluded providing for:

- unrestricted routes and frequency of flights, subject to conditions set out in a Memorandum of Understanding; and
- commercial and operational flexibility by enabling code-sharing, leasing and inter-modal transport.



OUR STORY #1:

HIGH-FLYING AGREEMENT BRINGS PEOPLE CLOSER

The agreement was achieved through the Ministry of Transport building strong relationships with United Kingdom officials over a period of years, and adopting an inclusive approach with MFAT throughout the process.

The result is world leading with the achievement of one of New Zealand's most open Air Services Agreements and the most liberal of its kind agreed by the United Kingdom.

WHAT AIR NEW ZEALAND HAS SAID ABOUT THIS AGREEMENT:

"THE NEW AIR SERVICES AGREEMENT IS, AS YOU KNOW, A VERY IMPORTANT PART OF OUR INTERNATIONAL DEVELOPMENT PLAN, AND ITS SUCCESSFUL CONCLUSION IS A TRIBUTE TO THE QUALITY OF ADVOCACY AND PERSISTENCE SHOWN BY YOU AND YOUR COLLEAGUES." JOHN PALMER, CHAIRMAN – AIR NEW ZEALAND

THINGS WORK BETTER WHEN YOU PLAN TOGETHER

Far-reaching changes in the way the transport sector sets its strategic direction will have significant repercussions on the way government ministries, departments and Crown entities conduct their strategic planning processes.

When government developed the *New Zealand Transport Strategy (NZTS)* in 2002 it became clear that delivering the strategy would require careful coordination across the transport sector and other government agencies. The Transport Sector Review was established to consider how the transport sector should be structured to deliver the NZTS.

Attention then focused on ways to deliver the NZTS.

In August 2004, the Planning Task Force (PTF) was set up to establish an agreed sector-wide alignment of strategic planning processes, and to implement the chosen system as a coordinated, collaborative activity involving all transport sector agencies.

The task force, consisting of senior staff from across the government transport sector, ONTRACK and representatives from regional local government, developed a framework for cooperation between organisations in the transport sector which has become a useful forum for developing current policy leadership, project management and prioritisation.

OUR STORY #2:

THINGS WORK BETTER WHEN YOU PLAN TOGETHER

The main recommendations of the review were to refocus the sector by consolidating transport policy functions to the Ministry of Transport and establishing Land Transport New Zealand to administer operational functions, and to create new ways of working together across the government transport sector.

Subsequently, the sector was restructured, with Transfund and the Land Transport Safety Authority being absorbed into Land Transport New Zealand and their policy functions transferred to the Ministry of Transport.

Today the sector comprises the Ministry of Transport, six Crown entities – the Civil Aviation Authority, Aviation Security Service, Land Transport New Zealand, Maritime New Zealand, Transport Accident Investigation Commission, Transit New Zealand – and the Road Safety Trust. The Ministry also works closely with ONTRACK, the Crown entity responsible for New Zealand's national rail network.

New ground is being broken with the creation of a sector-wide aligned strategic planning process that will be outlined in the *Transport Sector Strategic Directions (TSSD)* document.

This document will set the top-level priorities for the transport sector for three years starting in the July 2006 fiscal year. It will:

- evaluate progress to date and work still required to deliver the NZTS;
- clearly define strategic priorities for the sector and how they will be achieved;
- provide clear direction for Budget bids from the Ministry and Crown agencies;
- provide a framework for a simpler set of accountability documents (e.g. Statements of Intent); and
- enable other issues to be tackled collaboratively as they arise.

The TSSD document will outline a path to achieve the objectives of the NZTS and will be reviewed annually to measure progress.

Transport sector Crown agencies have a responsibility to deliver the objectives of the NZTS. A Transport Sector Board Reference Group (reference group) was also set up with a representative from each Crown entity board to provide strategic input into the strategic directions development process.

At the first meeting of the reference group in May 2005, the following draft sector-wide strategic priorities were agreed:

- a comprehensive approach to transport planning;
- transport demand management;
- an integrated safety policy;
- management of environmental impacts and public health;
- a New Zealand transport research strategy; and
- leadership.

Placing these priorities into a framework with clear linkages to the NZTS objectives will form the first draft of the strategic directions document. Draft implementation plans will be developed for each of the strategic priorities, before the draft strategic directions document is presented to the Minister before the end of the 2005/06 fiscal year.

The collaborative nature of the process, while initially slower than more traditional strategic planning approaches, has built stronger relationships between organisations within the government transport sector and has provided a growing appreciation and awareness of the roles and responsibilities, skills and strengths of each organisation.

When completed, the strategic directions document will represent a major change to the way a government sector sets its strategic direction and coordinates its activities. While it is too early to predict whether this sector-wide initiative will provide a model for other government sectors, the process is already yielding benefits for the government transport sector.

WHAT STAKEHOLDERS SAID ABOUT THE TSSD PROCESS: "THE SECTOR-WIDE APPROACH BEING TAKEN BY THE PTF IS ACHIEVING REAL VALUE AND IS ESSENTIAL TO ACHIEVING THE NZ TRANSPORT STRATEGY." PAT LAKEMAN, TRANSIT NEW ZEALAND



RAIL TRANSPORT GETS ON TRACK

Government's purchase of the national rail infrastructure in 2004 secured a vital part of New Zealand's transport infrastructure. Crown ownership ensures the rail system can be maintained and developed in accordance with government's vision for transport.

Prior to government's purchase of the rail network, a lack of investment had led to deteriorating infrastructure and growing concerns about the safety of the network.

The purchase of the rail infrastructure required the development of a rail strategy that set clear objectives and priorities for rail. The Ministry of Transport worked closely with the Minister of Transport to prepare the *National Rail Strategy*. Territorial authorities and other government agencies were consulted, and views received from the wider community.

The rail strategy, released in May 2005, articulates government's vision for rail, within the framework laid out in the *New Zealand Transport Strategy (NZTS)*.

OUR STORY #3:

RAIL TRANSPORT GETS ON TRACK



The rail strategy sets goals and priorities for the next ten years. Key components of the rail strategy include improving safety, upgrading the network, moving freight from road to rail where appropriate and increasing the use of rail for urban passenger transport, particularly in Auckland and Wellington.

The release of the rail strategy does not signal the end of the Ministry's work in rail. While the rail strategy describes government's expectations and sets the objectives, priorities and key initiatives, the Ministry is working to put the necessary infrastructure, funding and governance processes in place to enact government's vision for rail.

The *Railways Act 2005* recognises the change in the rail environment from one participant to the government as infrastructure owner and multiple operators. The Act sets the legal basis for an enhanced rail safety regime, providing clarity about the safety duties of all rail participants. With safety roles and responsibilities identified, the Ministry is now leading work to create a *Rail Safety Strategy*. Improving rail safety is a key objective, with targets to be set to reduce injury and fatalities across the network amongst rail workers, pedestrians and motorists.

Rail accidents fall evenly into three categories: level crossings, trespassers and route crime, and operational incidents. Addressing accidents in the first two of these categories involves the participation and commitment of other organisations, such as territorial authorities. The Ministry aims to develop a safety strategy with targets that will be realistic and affordable to implement.

The Ministry is also leading work on the *Rail Network Bill*. This Bill establishes ONTRACK (the trading name for the New Zealand Railways Corporation) as the government agency with responsibility for owning, managing and operating the national rail network (including tracks, tunnels and bridges, but not stations), signalling and train control, access to the network and charges, rail land, property and leases and an approved safety system. As well as setting out the purpose and objectives of ONTRACK, the *Rail Network Bill* will repeal existing legislation (the *New Zealand Railways Corporation Act 1981* and the *New Zealand Railways Corporation Restructuring Act 1990*).

The Bill will modernise the structure and policy for the rail transport environment, creating an infrastructure owner that provides a network for operators to purchase access to provide services.

Through collaborative relationships the Ministry is leading the development of rail legislation, policy and strategies to ensure government's vision for rail can be enacted consistently within the framework of the NZTS.

Once legislation for the operating structure and policy is in place, strategies can be implemented to deliver government's vision for improving rail safety, and improving options for freight and passenger movements to be made by rail, relieving road congestion. As implementation occurs, the rail network will truly become part of the affordable, integrated, safe, responsive and sustainable transport system envisioned in the NZTS.

WHAT ONTRACK HAS SAID ABOUT THE PROCESS

AND OUTCOME: "ONTRACK HAS WORKED COLLABORATIVELY WITH THE MINISTRY ON A WIDE RANGE OF ISSUES, INCLUDING DEVELOPING THE CASE MADE IN THE NATIONAL RAIL STRATEGY FOR INCREASING THE VOLUMES OF FREIGHT AND PASSENGERS CARRIED BY RAIL. THE PRODUCTIVE WORKING RELATIONSHIP HAS ESTABLISHED A SOUND PLATFORM FOR CLOSER TIES THAT WILL EXIST WHEN ONTRACK BECOMES A CROWN ENTITY UNDER THE RAIL NETWORK BILL." DAVID GEORGE, CHIEF EXECUTIVE – ONTRACK

FUNDING GOVERNMENT AGENCIES AT INTERNATIONAL AIRPORTS

In a nation renowned for imaginative problem solving, it comes as no surprise that the solution for funding the activities of government agencies at international airports is unique to New Zealand.

While the solution is a new approach, the issue is an old one. At each of New Zealand's international airports, MAF Biosecurity (MAF), the Aviation Security Service of the Civil Aviation Authority (Avsec) and the New Zealand Customs Service (Customs) all perform functions associated with inbound and outbound passengers. The issue has always been – "who should pay for these services?"

As a signatory to the Chicago Convention on International Civil Aviation, New Zealand is committed to introducing new security measures for passengers' hold-stow baggage by 1 January 2006. To comply with these security measures, the cost of Avsec activities at international airports will increase.

A joint working party was set up in 2003, consisting of government officials from the Ministry of Transport, Treasury, Ministry of Tourism, Department of Labour's Immigration Service, as well as MAF and Customs. Industry representatives were brought in for initial consultations in mid-2004. The key task for the working party was to devise an integrated funding regime to cover the activities of all government agencies in processing international passenger movements.

Late in 2004, the Ministry of Transport took the lead in developing the funding regime based upon the "primary beneficiary principle". In essence, this approach involves identifying who benefits most from the provision of a service and then charging that beneficiary for the service. By applying this principle, a simple cost-sharing formula was developed between government and industry.

Government agreed to pay for all Customs and MAF costs, on the basis that the primary beneficiary of their activities was the country as a whole. The aviation industry agreed to pay for all the aviation security costs, on the basis that the primary beneficiaries of these services were the airlines and passengers.

New Zealand's decision to fund on the basis of the primary beneficiary principle contrasts with other countries, where either governments or airlines fund the full cost of airport security, customs and biosecurity services.

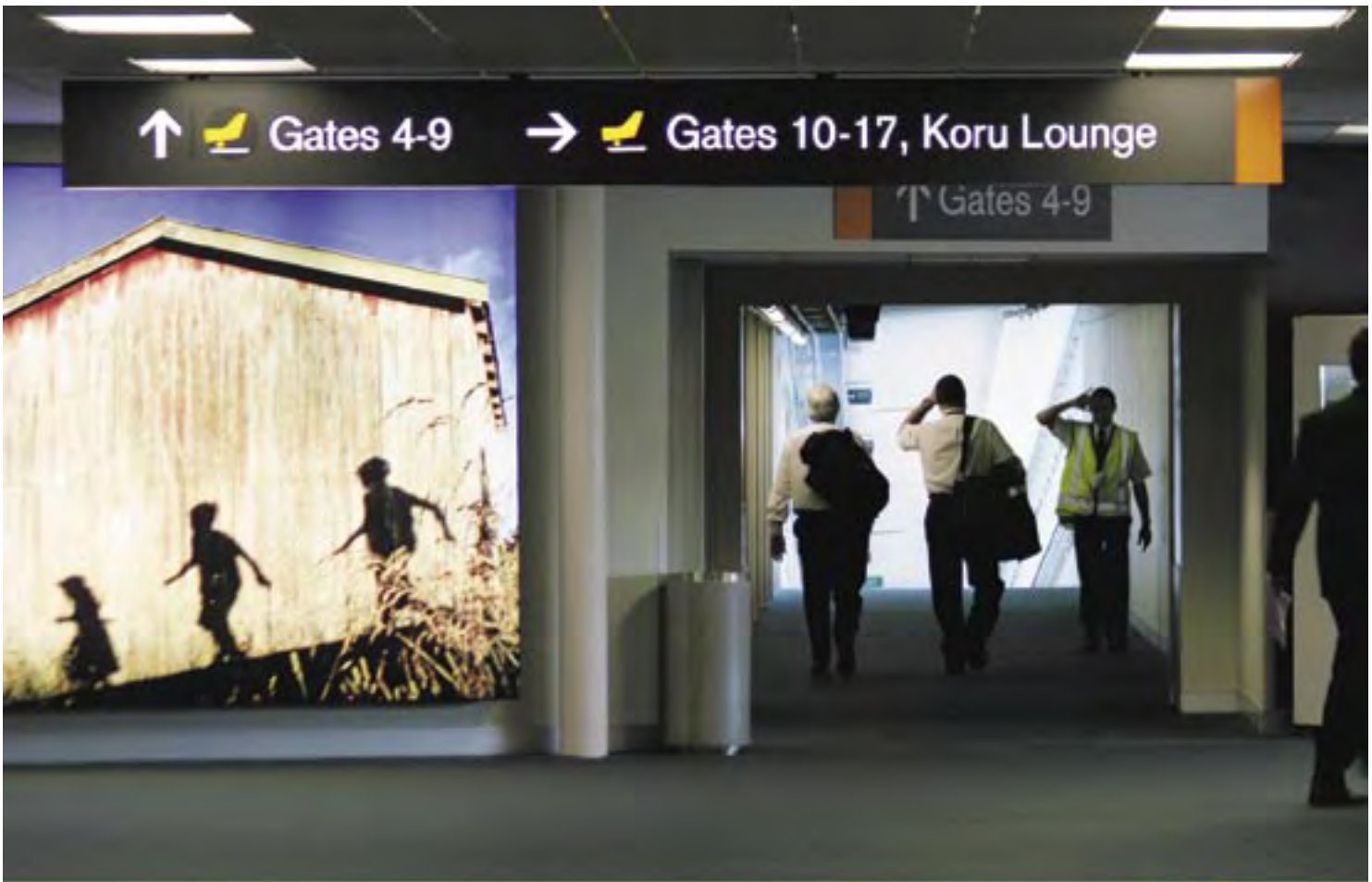
The benefits from this agreement are significant for the sector, industry and travellers. The wider community also can be confident that border functions are adequately funded to allow efficient movement of people and goods, and security measures are equal to those found internationally. This illustrates the Ministry's work towards creating a sustainable transport system, as outlined in the *New Zealand Transport Strategy*.

COME FLY WITH ME

New Zealand has seven international airports – Auckland, Wellington, Christchurch, Dunedin, Hamilton, Palmerston North and Queenstown.

Over the past 20 years the number of international visitors has grown from 533,000 per annum to over 2.4 million in the year to June 2005. Around 200,000 tonnes of international freight inbound and outbound, valued in excess of \$7.5 billion, passed through New Zealand's international airports.

Customs, MAF and security services need to be provided whenever international flights are scheduled to depart or arrive at any of these airports.



OUR STORY #4:

FUNDING GOVERNMENT AGENCIES AT INTERNATIONAL AIRPORTS

WHAT STAKEHOLDERS SAY ABOUT THE PROCESS

AND OUTCOME: "IN THE CONSIDERATION OF THE COMPLEX ISSUES ASSOCIATED WITH THE FUNDING OF PASSENGER CLEARANCE SERVICES, THE AIRLINE SECTOR APPRECIATED THE INVOLVEMENT OF MINISTRY PERSONNEL WHO UNDERSTAND THE INDUSTRY AND THE ISSUES UNDER CONSIDERATION AND WITH WHOM TRUST-BASED RELATIONSHIPS HAVE BEEN DEVELOPED."
STEWART MILNE, EXECUTIVE DIRECTOR – BOARD OF AIRLINE REPRESENTATIVES OF NEW ZEALAND

WALKING THE TALK – NO BACK-PEDALLING BY CYCLE OR ON FOOT

Walking and cycling are amongst the cheapest and most reliable forms of transport available in New Zealand.

Despite rapid growth in the number of people enjoying the health benefits of walking and cycling for recreation, fewer people are choosing these energy efficient, healthy means of transport to travel to their work or school, compared to people travelling by motor vehicles.

Nowhere is this more visible than among school children. Walking, which accounted for 36% of trips to school in 1989, had fallen to 26% by 1998.¹ The consequences of this change have contributed to increased congestion, increased pollution of air and water, and a marked decline in the nation's health, with overweight and obese children now a particular concern.

Children aren't the only ones suffering from the increased use of motor vehicles. A lack of physical activity is estimated to contribute to the deaths of 2,600 New Zealanders each year (9% of total annual deaths).² Even a small increase in physical activity, for example regularly walking to the local shops instead of driving, could prevent around 600 premature deaths each year. Not only does increased physical activity improve the quality and length of life, it also reduces the demands on health facilities and services.

By creating more walking and cycling friendly roads, streets and neighbourhoods, the whole community stands to benefit. Increasing levels of walking and cycling can lower the use of private vehicles in towns and cities thereby reducing traffic congestion and pollution, and creating safer, more attractive neighbourhood environments. Economic benefits may also result from increased foot traffic around local shops and increased cycle tourism.

The entire transport system will become more sustainable with increases in walking and cycling.

Government identified the importance of walking and cycling as part of New Zealand's overall transport mix, in the *New Zealand Transport Strategy (NZTS)*.

New Zealand's first national walking and cycling strategy, entitled *Getting there – on foot, by cycle*, released in February 2005, captures the issues facing walking and cycling and provides a comprehensive framework to address the factors that influence whether individuals choose to walk or cycle in their everyday lives. The walking and cycling strategy has three goals:

- community environments and transport systems that support walking and cycling;
- more people choosing to walk and cycle, more often; and
- improved safety for pedestrians and cyclists.

The Ministry of Transport led the process to develop the national walking and cycling strategy and began with a review of international strategies. Since central government agencies (such as Land Transport New Zealand, Transit New Zealand, New Zealand Police, Ministry of Health, Energy Efficiency and Conservation Authority), regional councils, local councils and schools all make decisions that impact upon walking and cycling environments, extensive stakeholder consultation was undertaken with these groups. Also consulted were: advocacy groups, such as the Cycle Advocates' Network and Living Streets Aotearoa; health sector organisations, health advocates and educators; and private companies and individuals.

While the Ministry led the development of the national strategy, and continues to lead its implementation, the success of the process has largely been due to the Ministry's approach to utilising and valuing the expertise of others. Stakeholders, having been involved throughout the development of the national strategy, are enthusiastically supporting the strategy and taking ownership for implementing it.

1. *Getting there – on foot, by cycle*, Appendix 1: Comparison of walking and cycling in New Zealand household travel, page 56
2. *Getting there – on foot, by cycle*, page 8



WHAT STAKEHOLDERS SAY ABOUT THE PROCESS: "'GETTING THERE' HAS GIVEN CYCLING GREATER CREDIBILITY AS A MEANS OF TRANSPORT, WHICH WILL HELP THE CYCLING ADVOCATES' NETWORK (CAN) WHEN WE'RE WORKING WITH AUTHORITIES AT A NATIONAL AND LOCAL LEVEL. WE APPRECIATE THE INCREASED LEVEL OF CONSULTATION THAT THE MINISTRY OF TRANSPORT IS DOING DURING THE DEVELOPMENT OF THE IMPLEMENTATION PLAN: THIS COOPERATION BETWEEN A WIDE RANGE OF ORGANISATIONS IS GOING TO BE VITAL FOR EFFECTIVE IMPLEMENTATION OF THE STRATEGY." ROBERT IBELL, CHAIRPERSON – CYCLING ADVOCATES' NETWORK OF NZ INC LIVING STREETS AOTEAROA

OUR STORY #5:

WALKING THE TALK – NO BACK-PEDALLING BY CYCLE OR ON FOOT



NO REST UNTIL HARMFUL ROAD AND RAIL NOISE IS REDUCED

Enjoying a good night's sleep may seem like a basic right, but for many New Zealanders living on or near roads or railways, a broken night's sleep is just one of the many consequences of the impact of land transport noise.

Lack of sleep can result in a range of negative social and economic consequences for individuals and the community. These include an inability to concentrate, with decreased productivity at work and in education, which in turn can impact upon lifelong career and earning opportunities. Lack of sleep may also contribute to stress, relationship and family problems.

Houses located on noisy roads or by railway lines may be harder to sell, and suffer from lower monetary values, in some instances reducing owners' equity and their ability to move to quieter locations.

The Ministry of Transport is investigating the development of a *National Environmental Standard for Land Transport Noise*, covering both road and rail. This strategic policy review is being jointly led by the Ministry of Transport and the Ministry for the Environment, and will involve representatives from Transit New Zealand, ONTRACK, Land Transport New Zealand, Ministry of Health and regional councils.

OUR STORY #6:

NO REST UNTIL HARMFUL ROAD AND RAIL NOISE IS REDUCED



There are several recognised factors that contribute to road noise – vehicles, road surface and construction, and driver behaviour. The proximity of sensitive land uses, such as residential housing, to existing roads and railways is a wider issue to be considered. While the review will consider all aspects of land transport noise, the perennial issue of 'street racers' and their modified vehicles won't directly be included. Increased powers have already been given to police to impound vehicles and fine drivers for breaches of road rules. Most people consider operating a car that creates high levels of noise socially unacceptable, and resources are being directed at communicating and enforcing this message.

A report evaluating the feasibility of introducing a *National Environmental Standard for Land Transport Noise* is due to be presented to Cabinet in March 2006. The desired outcome is to produce noise standards that are realistic, achievable and affordable. For example, while road noise reduction solutions might include re-surfacing roads, building sound barriers and changing speed limits, these and any other solutions have to be evaluated in terms of what is desirable, affordable and appropriate for communities and government.

This work programme may have significant benefits for individuals and communities, including a reduction in disturbed sleep and stress, while increasing productivity and improving property values. Ultimately, the introduction of noise standards should make these communities much nicer places to live.

WHY IS THE MINISTRY OF TRANSPORT LEADING THE DEVELOPMENT OF A NATIONAL ENVIRONMENTAL STANDARD FOR LAND TRANSPORT NOISE?

Developing a *National Environmental Standard for Land Transport Noise* requires a wide range of expertise. A joint project led by the Ministry of Transport and the Ministry for the Environment ensures both transport sector interests and overall environmental effects are addressed.

This review flowed out of the *Resource Management Act (RMA)* review. The government-wide review involved the Ministry and Transit NZ working collaboratively to represent the transport sector and transport Crown agencies, such as Land Transport New Zealand and ONTRACK.

The Ministry approached the review from the framework provided by the *New Zealand Transport Strategy (NZTS)*. The NZTS lays down guidelines for building an integrated transport network within the principles of sustainability and challenges the old way of thinking – that all development is good development. In its place, a triple bottom line approach is taken requiring evaluation of transport development against economic, social and environmental outcomes.

In light of the NZTS, the Ministry/Transit NZ team recognised the value in the RMA and, rather than being a barrier to developing key transport infrastructure, saw the RMA as a way to ensure community participation to produce outcomes that are collaborative, accountable and responsive.

PUTTING A PRICE ON ROAD AND RAIL

What's the cost of road transport to government and the community? How do the costs of road and rail really compare?

Until very recently it wasn't possible to accurately compare road and rail, let alone to really know the true cost of road and who was paying for it.

Now that has changed.

The release of the *Surface Transport Costs and Charges Study* provides much needed baseline data on the costs and charges associated with the road and rail networks.

The study, the first of its kind in New Zealand, is a world-leading approach to identifying road and rail transport costs. The aim of the study was to identify:

- the costs road and rail users are paying at present;
- the costs road and rail impose on society as a whole;
- who, other than users, pays for land transport; and
- what consequences there might be from these findings.

The ultimate goal of the study was to answer the questions: *what are the costs of land transport?* and *who is paying for them?*

OUR STORY #7:

PUTTING A PRICE ON ROAD AND RAIL



The answers are likely to renew debate about how New Zealand funds the road and rail networks. The study identified the total cost of the road system and its use to be \$34 billion per annum. Of that figure, around \$1 billion is attributed to congestion, with two-thirds of congestion costs being in Auckland. The contribution of road users to the cost for the road network varies dependent upon the size of vehicle and type of fuel used, because of the wear and tear inflicted upon the roads and pollution caused. Cars pay around 64% of their costs, while trucks pay 56%.

Significantly, when compared to rail and its level of cost recovery, the gap between road and rail becomes clear. The rail freight business recovers 82% of costs and long distance passenger services recover 96%. The study has identified the effect on the environment of road and rail air emissions, water and noise pollution as key areas where the costs are being met outside both systems – that is to say, others, mostly taxpayers and ratepayers, are paying for these costs. The difference is that whereas the cost of environmental impacts due to the road system is \$1.17 billion, the cost due to the rail system is \$11.3 million. While the study identifies the costs and levels of subsidisation, it does not make specific policy proposals for levels of taxes and charges. The purpose of the study was to identify the true costs of both road and rail systems to enable informed policy debate and development.

The Ministry of Transport led the study that involved officials from Treasury, the Ministry for the Environment and the Ministry of Economic Development. The study, peer reviewed in New Zealand and overseas, will be updated in a series of regular studies to monitor land transport costs and charges to ensure information is up-to-date and relevant for policy development. The second study is being planned for release in mid-2006.

PAYING FOR LOCAL LAND TRANSPORT – THE DIFFICULT DECISIONS THAT LIE AHEAD

The cost of building and maintaining local roads lies with territorial authorities. Roading revenue traditionally has been raised through council rates. As the population ages and property values rise, the number of ratepayers who are asset rich (owning properties with high values) yet income poor (relying on a government pension) is anticipated to increase.

Whether these ratepayers can and should pay for roading costs, irrespective of their use of roading infrastructure and any benefits they receive from the transport network, is a vexing question that will need to be debated by central and local government in consultation with communities. Using property value as the basis for apportioning road costs and collecting road revenue may not be a realistic, acceptable or even fair option in the future.

The Ministry's role in the debate over the cost of land transport and who pays for it is to provide an information framework to enable central and local government to engage in meaningful debate with their communities. The study provides the information framework, but does not make specific policy proposals or recommendations about taxes and charges. By regularly updating the information (a second version is due for release in mid-2006) decision makers in central and local government can develop policies that take into account true costs, benefits to users and consequences for the community. Knowing the real costs of land transport takes our community one step closer to achieving the affordable, integrated, safe, responsive and sustainable transport system envisaged in the *New Zealand Transport Strategy*.

REWRITING THE RULES FOR ROAD TRANSPORT

A safer land transport system is the aim of the *Transport Amendment Act 2005*. The Act includes measures such as banning people with convictions for murder, sexual and violent crimes from driving in a passenger service.

The community, who had become increasingly concerned about people with serious convictions being granted the right to carry passengers, has welcomed the Act.

The Ministry of Transport was extensively involved in the process of drafting the legislation. An inter-agency project team was set up in October 2003, to instruct on legislative drafting, resolve policy issues and provide advisory services. This team included representatives from the Police, Land Transport New Zealand and the Ministry. The Ministry managed the project and took responsibility for coordinating the project team's output, as well as managing the passage of the legislation to ensure milestones were met.

While all road users are affected by legislative changes, the Ministry consulted several non-governmental agencies on specific issues as the legislation went through its various stages. These included:

- The Road Transport Forum;
- The Automobile Association;
- The Bus and Coach Association;
- Clubs New Zealand;
- The New Zealand Taxi Federation;
- The New Zealand Tramways and Public Passenger Transport Union; and
- The National Distribution Union.

The Act successfully passed through Parliament on 15 June 2005 with support from all parties represented.

The Ministry's approach contributed to the smooth passage of the legislation. By forming relationships with stakeholders, through sharing information and discussing issues, some provisions in the legislation were made significantly more flexible and future-proofed. For example, the approach for dealing with low-powered vehicles emerged because the project team was willing to think laterally to find the best solution to allow greater use of transport alternatives to using cars.

The approach taken to drafting the legislation demonstrates how the Ministry of Transport develops transport solutions, delivers policy and provides advice to meet the requirements of government to fulfil its vision for transport as outlined in the *New Zealand Transport Strategy*.

WHAT'S IN THE LAND TRANSPORT AMENDMENT ACT?

The *Land Transport Amendment Act 2005* amended the law to implement a range of policy initiatives to improve land transport safety. The amendments relate to several areas, each with many specific measures. These are some of the areas, with illustrations of the more significant measures.

Improving the targeting of serious and repeat drink-driving offenders by:

- introducing a more effective regime for dealing with serious and repeat drink drivers and those who drive at excessive speed; and
- creating broader sentencing options for repeat drink drivers and repeat disqualified drivers to help them get off the 'treadmill'.

Improving commercial drivers' health and safety by:

- enabling the commercial driver industry to manage driver fatigue through a simplified regime and sensible hours of work; and
- introducing a new chain of responsibility that will apply to any person who requires, directs or allows a driver to breach work time and driving restrictions.

Improving passenger safety by:

- prohibiting or disqualifying a person from holding a 'P' (Passenger) endorsement if they are convicted of certain specified offences such as murder, sexual offences and serious violent offences.

Reducing barriers for people to use transport options other than cars by:

- amending the definition of 'motor vehicle' to exclude vehicles with very low-powered engines (for example, electric scooters and bicycles).



OUR STORY #8:

REWRITING THE RULES FOR ROAD TRANSPORT

WHAT STAKEHOLDERS SAY ABOUT THE PROCESS:

"WE EXPERIENCED A MOST POSITIVE AND CONSTRUCTIVE WORKING RELATIONSHIP WITH THE MINISTRY OF TRANSPORT THROUGHOUT THE DEVELOPMENT AND PASSING OF THE LAND TRANSPORT AMENDMENT LEGISLATION. WE DID NOT ALWAYS AGREE BUT THE MINISTRY GENUINELY LISTENED TO OUR POINTS OF VIEW AND, WHERE THEY COULD, MOVED TO ADDRESS THE PRACTICAL ISSUES WE RAISED." HON TONY FRIEDLANDER, CHIEF EXECUTIVE OFFICER – ROAD TRANSPORT FORUM NZ

WORKING IN PARTNERSHIP WITH LOCAL GOVERNMENT

In the past, regions developed their own land transport strategies and then approached central government for funding. The introduction of the *New Zealand Transport Strategy (NZTS)* signalled the end to that approach and set out a vision to create a truly integrated transport system.

To contribute towards realising government's vision for transport, the Ministry has developed more direct relationships with local authorities. In particular, the Ministry has a lead role in the Joint Officials' Group (JOG) processes. A JOG is a joint committee, of central and local government officials, that considers how local and regional transport outcomes might be improved in the wider context of the NZTS. This entails building positive working relationships based on a willingness to share information and understand others' needs and views.

By engaging directly with local government officials, central government officials gain a genuine understanding of regional transport issues and reach agreement with their local government counterparts on the transport priorities for the region. This process culminates in a joint report that is presented to local and central government politicians. The report provides a framework for politicians to consider key transport issues and how these can be resolved. Importantly, these reports provide an analytically rigorous basis for determining whether additional central and local government funding is required to improve transport outcomes in the region.

To date three JOGs have been completed with significant results for participating regions: agreements were reached for significant additional central and local government investment in Auckland, Wellington and the Bay of Plenty. A fourth JOG process is currently under way in Waikato.

These JOGs have provided direction on the scope and high-level priorities for additional investment rather than recommendations on specific projects, as this is the responsibility of local authorities, Transit New Zealand, and Land Transport New Zealand. While the process of translating transport planning into implementation requires long lead-in times, communities in Auckland, Wellington and the Bay of Plenty can look forward to congestion being alleviated and improved access and safety as a direct result of the JOG process.

The additional investment is likely to translate into a mixture of infrastructure improvements to the roading, passenger transport, and walking and cycling networks in these regions, as well as measures to encourage better use of current networks (e.g. travel planning and traffic management). Among other things, residents in Auckland and Wellington can expect to see significant improvements to rail services, and increased investment to advance completion of strategic links in Auckland's motorway network and local roads, and the Wellington western corridor. Bay of Plenty residents may, for example, see improved bus services, and safer and more efficient access on arterial routes such as State Highway 2.

WHAT STAKEHOLDERS SAY ABOUT THE PROCESS:

"I FOUND WORKING WITH STAFF FROM THE MINISTRY OF TRANSPORT ON THE WELLINGTON TRANSPORT PROJECT A REWARDING EXPERIENCE. THEY WERE ALL GOOD LISTENERS, MOTIVATED AND SUPPORTIVE OF AGREED TEAM OUTCOMES." DAVE WATSON – GREATER WELLINGTON REGIONAL COUNCIL

OUR STORY #9:

WORKING IN PARTNERSHIP WITH LOCAL GOVERNMENT

"THE SUCCESSFUL DELIVERY OF THE NZTS REQUIRES MORE THAN JUST SETTING A TARGET. OUR STRUCTURE, OUR PEOPLE AND OUR APPROACH TO DELIVERING THE NZTS ARE ALL CRITICAL TO THE SUCCESS WE ACHIEVE." ROBIN DUNLOP, SECRETARY FOR TRANSPORT

2



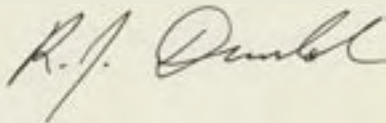
SECTION 2 – FINANCIAL PERFORMANCE	›
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PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005	

STATEMENT OF RESPONSIBILITY

In terms of sections 35 and 37 of the Public Finance Act 1989, I am responsible, as the Secretary for Transport, for the preparation of the Ministry's financial statements and the judgements made in the process of producing those statements.

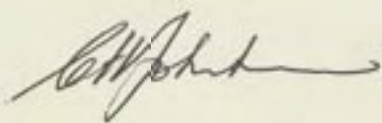
I have the responsibility for establishing and maintaining, and I have established and maintained, a system of internal control procedures that provide reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, these financial statements fairly reflect the financial position and operations of the Ministry for the year ended 30 June 2005.



Robin Dunlop
Secretary for Transport

Countersigned by:



Claire Johnstone
Group Manager – Finance and Support Services



David Pearson
Manager – Finance and Audit

31 August 2005

STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2005 – THE MINISTRY OF TRANSPORT HAD SIX OUTPUT CLASSES IN 2004/05. THE EXTENT TO WHICH THE MINISTRY HAS MET ITS OBJECTIVES FOR EACH OUTPUT CLASS, AS SET OUT IN OUR STATEMENT OF INTENT FOR THE YEAR ENDING 30 JUNE 2005 (PARLIAMENTARY PAPER F.5 SOI (04) PAGES 41-54), IS REPORTED BELOW. NOTE: COSTS LISTED IN STANDARDS AND TARGETS 2004/05 INCLUDE ADJUSTMENTS MADE IN THE SUPPLEMENTARY ESTIMATES.

OUTPUT CLASS: POLICY ADVICE

Under this output class the Minister of Transport purchased strategic, objective and evidence-based advice relating to all modes of transport to progress the achievement of NZTS objectives.

The key areas of policy worked on by the Ministry, and the NZTS objectives to which they contributed, are set out below:

Assisting economic development

1. Improving the effectiveness of the land transport system:
 - developing a national rail policy;
 - clustering monitoring and reviewing;
 - patronage funding review;
 - Road User Charge policy options;
 - researching the relationship between transport growth and economic growth;
 - logistics policy development; and
 - legislation:
 - *Maritime Transport Amendment Bill*
 - *Fuel Excise and Road User Charges Bill* and Regulations
 - *Rail Network Bill*.
2. Enhancing the effectiveness of international transport:
 - liberalisation of international air services agreements;
 - review of the shipping industry;
 - multilateral liberalisation of international transport arrangements; and
 - participation in ICAO, IMO, WTO, APEC, Pacific Islands Forum and Australian transport for a mutual recognition of standards.
3. Improving the government transport sector's ability to deliver the NZTS:
 - implementation of Transport Sector Review recommendations;
 - development of a transport sector information management strategy; and
 - legislation:
 - review recommendation
 - implementation bill.

Assisting safety and personal security

1. Reducing transport-related deaths and injuries:
 - working with others to develop safety targets across all modes;
 - implementing the *Road Safety to 2010* strategy;
 - developing safety target-setting policy;
 - developing rail safety targets; and
 - legislation:
 - *Railways Bill*
 - *Land Transport Amendment Bill*
 - Rules development.
2. Improving aviation and maritime security:
 - implementing International Maritime Organisation ship and port security measures;
 - reviewing aviation domestic security charges; and
 - implementing international aircraft hold baggage screening.
3. Improving the government sector's ability to deliver the NZTS:
 - review of Safety Administration Programme; and
 - negotiating rules contracts.

Improving access and mobility

1. Improving the effectiveness of the land transport system:
 - working with Transfund New Zealand on refining patronage funding policy;
 - working with Crown entities to develop initiatives that implement the New Zealand Disability Strategy; and
 - developing rail policy.
2. Developing a framework for improving access and mobility:
 - developing a walking and cycling strategy; and
 - working with Transfund New Zealand on developing a national total mobility policy.

Protecting and promoting public health

1. Leading the development of integrated responses to minimise the public health and environmental impacts of transport:
 - co-funding a cross-government 3-year research project to assess transport's effect on air quality;
 - investigating the establishment of a vehicle emissions screening evaluation programme;
 - developing a vehicle emissions public education campaign; and
 - developing policy options to manage noise generated by land transport, including the investigation of a *National Environmental Standard for Land Transport Noise* and a proposed objective noise test for vehicles.

Ensuring environmental sustainability

1. Leading the development of integrated responses to minimise the public health and environmental impacts of transport:
 - investigating options for reducing vehicle fuel consumption;
 - investigating options for reducing transport's contribution to greenhouse gas emissions;
 - developing policy options to manage road transport's effect on water ecosystems, including leading the investigation of *National Environmental Standards for Land Transport Noise and Stormwater Discharges*;
 - maintaining and making available environmental effects information;
 - promoting environmental capacity analysis processes for urban management; and
 - developing a discussion document on policy options for a sustainable cities development framework.

RESULTS SOUGHT

- The transport system supports national and regional economic development.
- The transport system is made safer and more secure.
- The transport system is inclusive, accessible and affordable to users.
- The transport system contributes to positive health outcomes.
- Transport uses land and other resources effectively.

The following measures will be used to demonstrate progress against the desired results.

- Improved levels of public transport and total mobility services' accessibility.
- An annual increase in route options and capacity entitlements secured in air service negotiations.
- An annual reduction in death and serious injury rates as measured across the road, rail, air and maritime transport modes.
- Improved air quality, shown in national and regional environmental indicators of transport effects.
- Minimised transport contributions to adverse environmental effects on water ecosystems and noise.

COMMENT

- Review conducted of the Total Mobility Scheme, including the release of a consultation document on possible improvements to the scheme.
- Released walking and cycling strategy, entitled *Getting there – on foot, by cycle*.
- Negotiated international air services agreement with the United Kingdom that provides almost unlimited access for Air New Zealand to the UK market.

FATALITY RATES:

MODE	2002/03	2003/04	2004/05
Road	417	447	452
Rail	22	16	15
Air	28	20	13
Maritime (Commercial)	40	7	8

- The Ministry for the Environment (MfE) has now set the *National Environmental Standard for Air Quality*. This is being monitored and reported at regional government level.
- The requirements and processes to collect and analyse data for vehicle emissions and fuel consumption are being put in place; the Ministry and MfE are progressing work on *National Environmental Standards for Land Transport Noise and Stormwater Discharges*.

POLICY OUTPUT:

TRANSPORT SAFETY AND SUSTAINABILITY

Description:

This policy advice output involved the development and implementation of policy in all transport modes in consultation with the transport agencies to meet the overall objective of a sustainable transport system.

ACTUAL 2003/04	PERFORMANCE MEASURES	STANDARDS /TARGETS 2004/05	ACTUAL 2004/05
	QUANTITY:		
Work programme substantially completed	Work detailed above for the output is completed as agreed, or as subsequently amended by agreement between the Minister and the Secretary, during the reporting period	100%	100%
	QUALITY:		
100%	All policy advice will conform to the quality characteristics set out in Treasury guidelines for purchasing policy advice	100%	100%
Achieved	Minister's satisfaction with the quality of advice	Very good	Good
82%	Percentage of Cabinet papers that meet Cabinet Office technical criteria	100%	87%
85%	Percentage of policy advice papers that meet Cabinet Office deadlines	95%	90%
100%	Percentage of policy advice papers that are subject to a formal quality control process involving senior Ministry management	100%	100%
	COST:		
\$6,526,000	The output is produced within appropriation (GST exclusive)	\$15,367,000	\$14,798,000

COMMENTARY ON PERFORMANCE

Assisting economic development

- Released the *National Rail Strategy to 2015* in May 2005; the Ministry is now leading development of the *Rail Network Bill* that establishes ONTRACK, the Crown entity to manage the rail infrastructure (see story in section 1, pages 14-15).
- Released the *Surface Transport Costs and Charges* study, setting out the framework for road and rail development (see story in Section 1, pages 22-23).
- Formed Joint Officials Groups (JOGs) to identify transport strategies and investment needs over the next ten years in Auckland, Wellington and the Bay of Plenty and report to government; a fourth JOG is now under way in Waikato (see story in section 1, pages 26-27).
- Oversaw implementation of Transport Sector Review recommendations including: creating a new Crown entity, Land Transport New Zealand, to undertake the activities of Transfund NZ and the Land Transport Safety Authority (LTSA), other than policy functions which transferred to the Ministry; Transfund NZ and LTSA disestablished; amending legislation to allow safety authorities to consider wider NZTS objectives and enable transfer of policy functions to the Ministry; initiated sector-wide strategic planning process to be outlined in *Transport Sector Strategic Directions* document (see story in section 1, pages 12-13).
- Provided advice to government on the future of the Whenuapai airbase, Joint Venture Airports and to the Auditor-General's enquiry into Paraparaumu airport.
- Made significant progress on investigating the feasibility of road charging options for Auckland.
- Implemented the government's decisions on petrol excise and road user charges.
- Advised on tolling applications resulting in toll roads being approved for Alpur B2, north of Auckland, and Tauranga's Harbour Link.
- Coordinated the government transport sector's strategic response to Auckland's Regional Policy Statement and Regional Land Transport Strategy.

Assisting safety and personal security

- Progressed policy work associated with the *Civil Aviation (Security) Bill*; Ministry set up an external Aviation Security Working Group with Civil Aviation Authority, Aviation Security Service and key stakeholders to discuss and evaluate policy proposals, and released a public consultation document on proposals.
- Negotiated Passenger Clearance Services agreement with aviation industry for funding of MAF, Customs and security services at international airports (see story in section 1, pages 16-17).
- Oversaw development of draft Civil Aviation Rule Part 108 (regarding the screening of hold-stowed baggage) currently being considered by the Regulations Review Committee.
- Conducted an independent review of government's *Road Safety to 2010* strategy, and an economic evaluation of the Safety Administration Programme.
- The *Railways Act* was passed in 2005 and sets the legal basis for an enhanced safety regime, providing clarity for all rail participants in the new operating environment (see story in section 1, pages 14-15).
- *Land Transport Amendment Act*, passed on 15 June 2005, includes provisions to improve safety and reduce barriers for transport options other than cars (see story in Section 1, pages 24-25).
- Reviewed the National Road Safety Committee, and brought in the Ministries of Health, Justice and Labour as associate members.
- Established the Transport Emergency Management Co-ordination Group (transport cluster).

Improving access and mobility

- Completed and launched a national walking and cycling strategy, entitled *Getting there – on foot, by cycle*, in February 2005 (see story in section 1, pages 18-19).
- Reviewed the Total Mobility Scheme, including release of a consultation document on possible improvements to the scheme.
- Participated in the development of legislation by other agencies including the *Walking Access Bill* and *Seabed and Foreshore Bill*.

Protecting and promoting public health

- Continued policy development to address the health effects of harmful vehicle emissions; released the *New Zealand Vehicle Emissions Screening Programme Discussion Document* in November 2004; developed measures to improve the emissions performance of the New Zealand vehicle fleet.
- Continued participation in the *Health Impact Emissions Study*, a 3-year research project co-funded with the Ministry for the Environment, Ministry of Health and the Health Research Council.
- Investigating the feasibility of *National Environmental Standards for Land Transport Noise* (see story in section 1, pages 20-21) and *Stormwater Discharges*.

Ensuring environmental sustainability

- Participated in the Climate Change Senior Officials Group; developing transport sector responses to decrease greenhouse gas emissions from transport; improved cross-government linkages through co-funding the joint Ministry/NZ Climate Change Office role.
- Contributed to a cross-government programme, led by the Ministry of Economic Development, to produce the document *Sustainable Energy: Creating a Sustainable Energy System* and ran associated workshops.
- Worked with Land Transport NZ to compile fuel consumption information for vehicles to support the development of a range of consumer information measures, including development of a consumer vehicle purchasing website.
- Assumed policy leadership in early 2005 of renewable transport fuels (biofuels); working closely with the Energy Efficiency and Conservation Authority (EECA) and the Ministry of Economic Development as part of a cross-agency Biofuels Officials Group to facilitate uptake of renewable transport fuels; release of an industry discussion document on possible mechanisms to encourage the uptake of biofuels in March 2005.
- Investigated opportunities to improve the uptake of latest technology, clean, efficient and safe vehicles.

- Released a CD-ROM, entitled *The Effects of Road Transport on Freshwater and Marine Ecosystems*, containing a series of environmental health research reports to a wide range of stakeholders in February 2005.
- Participated in the cross-government Sustainable Energy Steering Group (part of the Sustainable Development Programme of Action); included publication in October 2004 of the whole-of-government discussion document *Sustainable Energy: Creating a Sustainable Energy System*.
- The *Urban Design Protocol* was released in March 2005; the Ministry and Transfund NZ participated in the steering group led by the Ministry for the Environment and in the cross-government Sustainable Cities Senior Officials Group.
- The Ministry and Transit NZ participated in the whole-of-government legislative review of the *Resource Management Act* to ensure representation of transport sector interests across all transport options.
- Commenced work on developing and promoting a decision support tool, utilising vehicle fleet and environmental effects information for policy development and urban transport management.
- Undertook a scan of upcoming environmental issues across all transport options to facilitate work programme development.

POLICY OUTPUT:

INTERNATIONAL TRANSPORT MATTERS

Description:

This output involved enhancing New Zealand's interests through strengthening external linkages and promoting transport efficiency.

ACTUAL 2003/04	PERFORMANCE MEASURES	STANDARDS /TARGETS 2004/05	ACTUAL 2004/05
	QUANTITY:		
Work programme substantially completed	Work detailed above for the output is completed as agreed, or as subsequently amended by agreement between the Minister and the Secretary, during the reporting period	100%	See 'Commentary on performance' below
	QUANTITY/TIMELINESS:		
100%	All policy advice will conform to the quality characteristics set out in Treasury guidelines for purchasing policy advice	100%	100%
Achieved	Minister's satisfaction with the quality of advice	Very good	Good
82%	Percentage of Cabinet papers that meet Cabinet Office technical criteria	100%	87%
85%	Percentage of policy advice papers that meet Cabinet Office deadlines	100%	90%
100%	Percentage of policy advice papers that are subject to a formal quality control process involving senior Ministry management	100%	100%
	COST:		
\$975,000	The output is produced within appropriation (GST exclusive)	\$1,028,000	\$1,154,000

COMMENTARY ON PERFORMANCE

- United Kingdom: Completed negotiation of a very liberal Air Services Agreement with the United Kingdom providing almost unlimited access for Air New Zealand to the UK market (see section 1 story, pages 10-11).
- European Union: Negotiated an agreement with the European Commission amending all New Zealand's agreements with European Community states to bring them into compliance with European Union law relating, among other things, to nationality and designation of airlines.

- Australia: Established working relationship with the Land Transport Environment Committee to inform development of environmental policy, particularly in relation to air quality impacts of vehicle emissions and vehicle noise.
- Led a delegation to the International Civil Aviation Organisation (ICAO) triennial assembly in Montreal in 2004.

POLICY OUTPUT: MINISTERIAL SERVICES

Description:

The provision of advice to the Minister on issues arising across all modes of transport, draft responses to ministerial correspondence and parliamentary questions, speech drafts, development of legislation (Acts, Regulations and Rules) and other services.

ACTUAL 2003/04	PERFORMANCE MEASURES	STANDARDS /TARGETS 2004/05	ACTUAL 2004/05
	QUANTITY:		
100%	Legislation progressed as per the Parliamentary legislation programme	100%	75%
1,330	Ministerial responses	1500-2000	1339 drafts
601	Parliamentary questions	550-600	404 written
563	Reports to Minister	750-800	609
42	Speeches	50-60	46
	QUALITY:		
87.3%	Percentage of first drafts of ministerial correspondence accepted by the Minister	95%	92%
All provided to agreed deadline, not necessarily 7 working days	Working days for provision of draft speech notes	7 working days prior to the speaking date or as agreed	7 working days prior to the speaking date or as agreed
57%	Percentage of ministerial correspondence replied within:		
85%	– 20 working days	75%	62%
	– 30 working days	95%	91%
	COST:		
\$4,242,000	The output is produced within appropriation (GST exclusive)	\$4,838,000	\$4,700,000

POLICY OUTPUT: RULES MANAGEMENT

Description:

This output provided for management of the Rule and related regulation development process. It involved accepting the need for a Rule, engaging in the consultation process, drafting the rule and facilitating the signing of the Rule and any associated regulation into law.

ACTUAL 2003/04	PERFORMANCE MEASURES	STANDARDS /TARGETS 2004/05	ACTUAL 2004/05
	QUANTITY:		
Programme progressed	Rules and regulations in agreed annual work programme	100%	38%
	QUALITY:		
100%	Percentage of Rules and regulations that met the criteria for secondary legislation	100%	100%
100%	Absence of challenges on technical grounds by Regulations Review Committee	100%	100%
	COST:		
\$3,591,000	The output is produced within appropriation (GST exclusive)	\$4,200,000	\$4,198,000

COMMENTARY ON PERFORMANCE

The Ministry of Transport purchased policy, economic, legal, communications and publications services connected with the development of Rules from the safety Crown entities, or occasionally from other appropriate parties. Not all the transport sector Crown entities were able to complete Rules programmes as agreed. A total of twelve programmed Rules were completed during the year. A number of Rule projects from previous years, together with associated regulations, were also completed.

OUTPUT CLASS:
POLICY ADVICE – FINANCIAL PERFORMANCE

30/06/04 ACTUAL \$000		30/06/05 ACTUAL \$000	30/06/05 MAIN ESTIMATES \$000	30/06/05 SUPPLE- MENTARY ESTIMATES \$000
15,652	Revenue Crown	25,118	18,853	25,188
284	Other revenue	971	220	315
15,936	Total revenue	26,089	19,073	25,433
15,334	Total expenses	24,850	19,073	25,433
602	Net surplus	1,239	–	–

OUTPUT CLASS:
**MOTOR VEHICLE REGISTRY (MVR)
AND REVENUE MANAGEMENT (RM)**

This output class managed the MVR and RM business to maximise the collection of Crown revenue that is properly due and take a proactive approach to debt management, including the investigation of new technologies in the recording and collection of Crown revenue. The revenue collected funds transport infrastructure and activities that contribute to achieving NZTS objectives.

RESULTS SOUGHT

- The transport system supports national and regional economic development.
- The transport system is made safer and more secure.

The following measures will be used to demonstrate progress against the desired results:

- costs per transaction
- information user satisfaction
- LANDATA computer system availability

COMMENT

- Costs per transaction were \$6.26 compared to a target of \$6.49.
- Information user satisfaction surveys showed general satisfaction with motor vehicle and Road User Charge (RUC) licence services, though they also showed that data supplied by the MVR did not meet expectations.
- LANDATA computer system availability was well within target, with minimal unplanned outages.

**MVR & RM OUTPUT: COLLECTION AND REFUND
OF ROADING REVENUE**

Description:

This output involved the issuing of licences and collection of RUC and MVR fees, and Fuel Excise Duty (FED) through contracted agencies. This included the processing of RUC and FED refunds.

ACTUAL 2003/04	PERFORMANCE MEASURES	STANDARDS /TARGETS 2004/05	ACTUAL 2004/05
	QUANTITY:		
325,335	Motor vehicle new registrations	340,000	326,135
4,870,751	Motor vehicle licensing	5,100,000	5,047,782
959,781	Motor vehicle change of ownership	1,100,000	981,636
625,249	Other licensing	910,000	668,724
1,882,856	RUC licensing	1,940,000	1,984,263
286,000	RUC refunds	290,000	296,000
13,000	FED refunds	14,000	19,000
	QUALITY:		
89%	Percentage of MVR and RUC licence purchasers who rate the services provided as 'good' based upon an independent survey	90%	92%
100%	Percentage of vehicle licences that are issued immediately upon confirmation by the Land Transport Inspection System of a current safety inspection	100%	100%
\$6.42	RUC and MVR costs per transaction	\$6.49	\$6.26
Achieved	Maximum issue time for all valid FED refunds	7 days	7 days
Achieved	Maximum release time for all valid applications for certificates of registration	36 hours	Achieved

MVR & RM OUTPUT: MAINTENANCE AND SUPPLY OF MOTOR VEHICLE INFORMATION

Description:

This output involved the maintenance of the RUC and MVR information database and the provision of information for the collection of land transport revenue and to law enforcement agencies, industry groups and the public.

ACTUAL 2003/04	PERFORMANCE MEASURES	STANDARDS /TARGETS 2004/05	ACTUAL 2004/05
	QUANTITY:		
6,184,000	Number of information requests	6.0-6.4 million	8,493,000
	QUALITY:		
86%	Percentage of users who rank MVR supplied data as meeting expectations, based upon an independent survey	90%	83%
38 minutes of unplanned outages	Availability of LANDATA computer system	Fewer than 48 hours unplanned outage per annum	61 minutes of unplanned outages
97.8%	Accuracy of LANDATA records	95% by random sample	98.4%
Achieved	Entry of MVR transactions into database	Within 48 hours of receipt	Achieved
	COSTS FOR OUTPUTS COLLECTION AND REFUND OF ROADING REVENUE AND MAINTENANCE AND SUPPLY OF MOTOR VEHICLE INFORMATION:		
\$55,662,000	The outputs are produced within appropriation (GST exclusive)	\$58,751,000	\$56,430,000

MVR & RM OUTPUT: ROAD USER CHARGES EVASION DETECTION AND ENFORCEMENT

Description:

This output involved the provision of investigation and auditing services to identify instances of evasion and non-payment of charges for road use, including conducting inquiries under the *Road User Charges Act 1977*.

ACTUAL 2003/04	PERFORMANCE MEASURES	STANDARDS /TARGETS 2004/05	ACTUAL 2004/05
	QUANTITY:		
76	Number of RUC investigations	90-110	113
3,360	– audits and surveys	3,060-4,580	3,013
7,721	– light vehicle audits	4,000-5,000	14,779
N/A	Forecast amount of identified and proved RUC revenue evasion	\$5-6 million	\$11,958,250
	QUALITY:		
100%	Percentage of RUC investigations/audits and surveys that match the risk profile identified and prioritised	98%	100%
Achieved	Review profile of RUC offenders developed in conjunction with NZ Police	31 March 2005	Not achieved
\$4.19	Minimum rate of RUC identified for recovery for each dollar spent on RUC audits and investigations, based on total costs	\$2.25	\$5.12
Achieved	The Director Land Transport Safety will attest in writing that all audits fully comply with the relevant audit procedures	98%	Achieved
Achieved	Action plan timeframes met	98%	100%
N/A	Percentage of refund applications processed accurately and within specified timeframes	96%	100%
	COST:		
\$2,135,000	The outputs are produced within appropriation (GST exclusive)	\$2,437,000	\$2,362,000

OUTPUT CLASS:**MOTOR VEHICLE REGISTER AND REVENUE
MANAGEMENT – FINANCIAL PERFORMANCE**

30/06/04 ACTUAL \$000		30/06/05 ACTUAL \$000	30/06/05 MAIN ESTIMATES \$000	30/06/05 SUPPLE- MENTARY ESTIMATES \$000
49,305	Revenue Crown	49,565	51,565	49,565
10,746	Other revenue	11,327	11,623	11,623
60,051	Total revenue	60,892	63,188	61,188
57,797	Total expenses	58,792	63,188	61,188
2,254	Net surplus	2,100	-	-

(Amounts are GST exclusive)

**OUTPUT CLASS: AIRPORT OPERATION
AND ADMINISTRATION**

This output class covered the operation of Milford Sound/ Piopiotahi Aerodrome to provide a safe and efficient airport operation that contributes to the achievement of NZTS objectives.

RESULTS SOUGHT

- The transport system supports national and regional economic development.

The following measures will be used to demonstrate progress against the desired result.

- The number of safety-related incidents arising from the provision of on-ground facilities.
- The average charge per landing, relating to on-ground facilities.

COMMENT

- There were no aircraft incidents attributable to the operational area of the aerodrome. There were 14 incidents of observed trespass by persons taking 'short cuts' to the hotel and tourist facilities, ignoring security fences and warning signs, and the fence was deliberately damaged to assist unauthorised access. Measures to reduce or eliminate trespass, such as a security fence extension, are under consideration.

- The average landing charge was \$13.24 (GST exclusive).
- There is increasing concern about aircraft noise over the Conservation Estate. The Ministry has been involved in this issue at both a national and local level.

ACTUAL 2003/04	PERFORMANCE MEASURES	STANDARDS /TARGETS 2004/05	ACTUAL 2004/05
100%	QUALITY: Percentage conformance with Civil Aviation Authority Rules	100%	100%
\$99,000	COST: Operation within third party revenue (GST revenue)	\$120,000	\$80,000

COMMENTARY ON PERFORMANCE

The Ministry works closely with the Airways Corporation of New Zealand, the Civil Aviation Authority and the Aerodrome Users Group to ensure safe and efficient operations. The aerodrome is operated to Civil Aviation Authority certification standards even though certification is not required.

OUTPUT CLASS:**AIRPORT OPERATION AND ADMINISTRATION –
FINANCIAL PERFORMANCE**

30/06/04 ACTUAL \$000		30/06/05 ACTUAL \$000	30/06/05 MAIN ESTIMATES \$000	30/06/05 SUPPLE- MENTARY ESTIMATES \$000
-	Revenue Crown	-	-	-
109	Other revenue	109	135	120
109	Total revenue	109	135	120
99	Total expenses	80	135	120
10	Net surplus	29	0	0

(Amounts are GST exclusive)

OUTPUT CLASS: CONTRACT MANAGEMENT

Under this output the Minister of Transport purchased services from the Ministry of Transport involving the management on the Minister's behalf of contracts and agreements with transport sector Crown entities and other organisations that align their work programmes and activity to the achievement of the NZTS.

These are:

- annual Performance Agreements with the Civil Aviation Authority, Land Transport New Zealand*, Maritime New Zealand, Transfund New Zealand*, Transit New Zealand and Transport Accident Investigation Commission;
- a performance agreement with the New Zealand Police; and
- a contract with the Meteorological Service of New Zealand.

RESULTS SOUGHT

- The transport system supports national and regional economic development.
- The transport system is made safer and more secure.
- The transport system is inclusive, accessible and affordable to users.
- The transport system contributes to positive health outcomes.
- Transport uses land and other resources effectively.

The following measures will be used to demonstrate progress against the desired results.

- Improved accident rates per transport mode.
- Percentage of Crown entity outputs that are specified in terms of quantity, quality and cost.
- Crown entity financial performance indicators achieved.
- Crown entity capability and competency assessed by periodic independent review.

COMMENT

- All Crown entity outputs were specified in terms of quantity, quality and cost.

ACTUAL 2003/04	PERFORMANCE MEASURES	STANDARDS /TARGETS 2004/05	ACTUAL 2004/05
	QUANTITY:		
12	Number of completed agreements or contracts	10	10
36	Number of transport agency reports evaluated	36	36
	QUALITY:		
100%	Percentage of negotiated performance agreements that meet the quality characteristics defined in the Treasury Purchase Agreement Guidelines	100%	100%
Mainly achieved	Minister's satisfaction with the quality of contract management	A rating of good	A rating of good
100%	All agencies will report to the Minister on progress for each output compared with agreed performance measures and standards, including an explanation for any significant failures to reach the agreed performance together with proposed corrective actions	100%	100%
100%	Percentage of Crown-funded payments made at the agreed sum to the correct organisation	100%	100%
Achieved	All performance agreements for the next financial year will be in place by the agreed date	30 June 2005	90% achieved
	COST:		
\$243,000	The output is produced within appropriation (GST exclusive)	\$542,000	\$431,000

* Land Transport Safety Authority and Transfund New Zealand were restructured into Land Transport New Zealand during the 2004-05 financial year.

OUTPUT CLASS:

CONTRACT MANAGEMENT – FINANCIAL PERFORMANCE

30/06/04 ACTUAL \$000		30/06/05 ACTUAL \$000	30/06/05 MAIN ESTIMATES \$000	30/06/05 SUPPLE- MENTARY ESTIMATES \$000
439	Revenue Crown	542	424	542
–	Other revenue	24	–	–
439	Total revenue	566	424	542
243	Total expenses	431	424	542
196	Net surplus	135	–	–

(Amounts are GST exclusive)

OUTPUT CLASS:

LAND TRANSPORT MANAGEMENT POLICY

Under this output class the Minister of Transport purchased advice on the policy, legislation and implementation of changes to the management, regulation and funding of New Zealand's land transport system to provide an affordable, integrated, safe, responsive and sustainable land transport system that is crucial to the achievement of NZTS objectives.

Key areas of land transport management policy include:

ASSISTING ECONOMIC DEVELOPMENT

- Improving the effectiveness of the land transport system.
- Funding framework development.
- Land transport funding levels policy.
- Road pricing options and framework development.
- Tolling applications guidelines.
- Legislation:
 - *Land Transport Management Bill*
- Regional development funding.

RESULTS SOUGHT

- The transport system supports national and regional economic development.
- The transport system is made safer and more secure.
- The transport system is inclusive, accessible and affordable to users.
- The transport system contributes to positive health outcomes.
- Transport uses land and other resources effectively.

The following measures will be used to demonstrate progress against the desired results.

- Improved effectiveness of funding and charging mechanisms available for public transport and roads.
- Improved levels of public transport and total mobility accessibility.
- A decrease in the contribution of road factors in road crashes.

ACTUAL 2003/04	PERFORMANCE MEASURES	STANDARDS /TARGETS 2004/05	ACTUAL 2004/05
	QUANTITY:		
Work programme substantially completed	Completion of the agreed work programme	100%	100% (Completed)
	QUALITY/TIMELESS:		
100%	All policy advice will conform to the quality characteristics described in the Treasury best practice guidelines for purchasing policy advice	100%	100%
85%	Percentage of policy advice papers that meet Cabinet Office deadlines	100%	80%
	COST:		
\$251,000	The output is produced within appropriation (GST exclusive)	\$500,000	\$500,000

OUTPUT CLASS:

LAND TRANSPORT MANAGEMENT POLICY –
FINANCIAL PERFORMANCE

30/06/04 ACTUAL \$000		30/06/05 ACTUAL \$000	30/06/05 MAIN ESTIMATES \$000	30/06/05 SUPPLE- MENTARY ESTIMATES \$000
450	Revenue Crown	500	450	500
–	Other revenue	–	–	–
450	Total revenue	500	450	500
251	Total expenses	500	450	500
199	Net surplus	–	–	–

(Amounts are GST exclusive)

OUTPUT CLASS: TRANSPORT SECTOR
REVIEW IMPLEMENTATION

Under this output class the Minister of Transport purchased advice on the policy, legislation and implementation of changes to the management, regulation and funding of New Zealand's land transport system to provide an affordable, integrated, safe, responsive and sustainable land transport system that is crucial to the achievement of NZTS objectives.

Key areas of transport sector review implementation include:

RESULTS SOUGHT

- The transport system supports national and regional economic development.

The following measures will be used to demonstrate progress against the desired results.

- Connect the sector for collaborative action towards delivering the NZTS.
- Amend legislation to allow the safety authorities to consider wider NZTS objectives.
- Create a new Crown entity called Land Transport New Zealand to undertake the activities of Transfund New Zealand (Transfund NZ) and the Land Transport Safety Authority (LTSA), other than policy advice functions, to be transferred to the Ministry.
- Disestablish Transfund NZ and the LTSA.

COMMENT

Oversaw implementation of Transport Sector Review recommendations including:

- initiated sector-wide strategic planning process to be outlined in *Transport Sector Strategic Directions* document (see story in section 1, pages 12-13);
- amended legislation allowing safety authorities to consider wider NZTS objectives and transferred policy functions to the Ministry;
- created new Crown entity Land Transport New Zealand; and
- disestablished Transfund NZ and the LTSA.

ACTUAL 2003/04	PERFORMANCE MEASURES	STANDARDS /TARGETS 2004/05	ACTUAL 2004/05
	QUANTITY:		
N/A	Completion of the agreed work programme	100%	100%
	QUALITY/TIMELINESS:		
N/A	Agreed timetable for implementing structural change met	Achieved	Achieved
	Necessary legislative changes passed	Achieved	Achieved
	Changes to structure and functions of Crown entities executed without impacting upon entities' performance	Achieved	Achieved
	COST:		
N/A	The output is produced within appropriation (GST exclusive)	\$1,327,000	\$1,311,000

COMMENTARY ON PERFORMANCE

The structural change is in place, with legislation change completed on time and the new entity, Land Transport NZ, established. The Maritime Safety Authority has been renamed Maritime New Zealand.

OUTPUT CLASS: TRANSPORT SECTOR REVIEW
IMPLEMENTATION – FINANCIAL PERFORMANCE

30/06/04 ACTUAL \$000		30/06/05 ACTUAL \$000	30/06/05 MAIN ESTIMATES \$000	30/06/05 SUPPLE- MENTARY ESTIMATES \$000
N/A	Revenue Crown	1,327,000	-	1,327,000
N/A	Other revenue	-	-	-
N/A	Total revenue	1,327,000	-	1,327,000
N/A	Total expenses	1,311,000	-	1,327,000
N/A	Net surplus	16,000	-	-

(Amounts are GST exclusive)



"WHILE THERE IS STILL SOME WAY TO GO TO ACHIEVE THE NZTS VISION, WE CAN FEEL JUSTIFIABLY PROUD OF THE PROGRESS BEING MADE ON THE JOURNEY." ROBIN DUNLOP, SECRETARY FOR TRANSPORT



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FINANCIAL STATEMENTS: MINISTRY

STATEMENT OF OBJECTIVES – FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

This Statement details the actual performance of the Ministry of Transport against performance measures established in the Estimates of Expenditure approved by Parliament.

30/6/04 Actual		Unit	30/6/05 Actual	30/6/05 Main Estimates	30/6/05 Supplementary Estimates
\$000					
	OPERATING RESULTS				
11,139	Revenue other	\$000	12,431	11,978	12,058
73,724	Output expenses	\$000	85,964	83,270	89,110
3,920	Operating surplus before capital charge	\$000	4,140	621	606
3,261	Net surplus	\$000	3,519	–	–
	WORKING CAPITAL				
2,102	Net current assets	\$000	2,302	1,969	1,557
137	Current ratio	%	125	176	154
	RESOURCE UTILISATION				
5,924	Total physical assets at year end	\$000	7,590	6,088	8,113
67	Additions as a % of physical assets at year end	%	54	54	66
43	Physical assets as a % of total assets at year end	%	40	57	65
7,757	Taxpayers' funds at year end	\$000	9,360	7,757	9,144
	NET CASH FLOWS				
5,946	Surplus from Operating activities	\$000	9,885	3,566	5,881
(3,979)	Deficit from Investing activities	\$000	(3,772)	(3,297)	(5,089)
(4,133)	Deficit from Financing activities	\$000	(2,261)	–	(2,261)
(2,166)	Net increase/(decrease) in cash held	\$000	3,852	269	(1,469)

THE ACCOMPANYING ACCOUNTING POLICIES AND NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

EXPLANATIONS OF MAJOR VARIANCES FROM BUDGET APPEAR IN NOTE 19.

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2005

Reporting entity

The Ministry of Transport is a government department as defined by section 2 of the *Public Finance Act 1989*.

The information in these financial statements comprises the revenue, expenditure, assets and liabilities associated with operating:

- Wellington, Auckland and Christchurch offices for the full year
- Milford Sound/Piopitahi Aerodrome for the full year.

In addition, the Ministry was responsible for the Motor Vehicle Registry and Revenue Management business and the Economic Compliance Unit, both of which were contracted out to Land Transport New Zealand for the full year.

These financial statements have been prepared pursuant to section 35 of the *Public Finance Act 1989* (as if that section had not been amended by the *Public Finance Amendment Act 2004* (PFAA)), in accordance with section 33 of the PFAA.

In addition, the Ministry has reported on the Crown activities which it administered throughout 2004/05.

Measurement system

The financial statements have been prepared on an historical cost basis modified by the revaluation of certain fixed assets.

Accounting policies

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

BUDGET FIGURES

The Budget figures are those presented in the Budget Night Estimates (Main Estimates) and those amended by the 2004/05 Supplementary Estimates.

REVENUE

The Ministry derives revenue through the provision of outputs to the Crown and for services to third parties. Such revenue is recognised when earned and is reported in the financial period to which it relates.

COST ALLOCATION

The Ministry has determined the costs of outputs using a cost allocation system which is outlined below:

- **Cost allocation policy**

Direct costs are charged directly to outputs from the source document, plus costs which are assigned to outputs on the basis of a causal link, i.e. they can be traced directly to outputs delivered.

Indirect costs are all other costs. Indirect costs are allocated to outputs on an appropriate basis, i.e. they cannot be traced directly to outputs, hence the need to use an allocation base.

- **Method of assigning direct costs to outputs**

Direct charging of costs to outputs includes personnel costs, which are charged by recording time spent on each output, and operating costs, such as consultants, which are charged to outputs on the basis of the cost of the service provided.

For the year ended 30 June 2005, direct costs accounted for 67% of the Ministry's costs (2004: 74%).

- **Method of assigning indirect costs to outputs**

Indirect costs are support servicing costs including accommodation, depreciation and capital charges. Indirect costs are allocated to outputs through a two-stage process: the costs are assigned to cost centres within the Ministry, then the costs are allocated to outputs on the basis of direct staff costs attributable to outputs.

For the year ended 30 June 2005, indirect costs accounted for 33% of the Ministry's costs (2004: 26%).

OPERATING LEASES

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

RECEIVABLES AND ADVANCES

Receivables are recorded at estimated realisable value, after providing for doubtful and uncollectable debts.

PHYSICAL ASSETS

Milford Sound/Piopitahi Aerodrome is stated at optimised depreciated replacement cost as determined by an independent registered valuer. Milford Sound/Piopitahi Aerodrome is revalued at least every five years. Additions between revaluations are recorded at cost.

The results of revaluing Milford Sound/Piopitahi Aerodrome are credited or debited to an asset revaluation reserve for that class of asset. Where a revaluation results in a debit balance in the revaluation reserve, the debit balance will be expensed in the Statement of Financial Performance.

All other fixed assets costing more than \$2,000 are capitalised. They are valued at historical cost or estimated recoverable amount, less accumulated depreciation. Any write-down of an item to its recoverable amount is recognised in the Statement of Financial Performance

DEPRECIATION OF PHYSICAL ASSETS

Depreciation is provided on a straight-line basis on all physical assets at rates which will write off the cost of assets to their estimated residual value over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Crash Analysis System	2 years	50% per annum
Furniture and fittings	10 years	10% per annum
LANDATA assets	3 years	33.3% per annum
Leasehold improvements	2-10 years	10-50% per annum
Milford Sound/Piopitahi Aerodrome	6-100 years	1-17% per annum
Plant and equipment	3-10 years	10-33.3% per annum

The cost of leasehold improvements is capitalised and depreciated over the estimated useful lives of the improvements.

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

PAYABLES

Payments due to suppliers for goods and services received at balance date but not paid for are included in the financial statements. They are recorded at the estimated obligation to pay.

PROVISION FOR EMPLOYEE ENTITLEMENTS

Provision is made in respect of the Ministry's liability for annual leave, long service leave and retirement leave. Annual leave has been calculated on an actual entitlement basis at current rates of pay, while the other provisions have been calculated on an actuarial basis on the present value of expected future entitlements.

TAXPAYERS' FUNDS

This is the Crown's net investment in the Ministry.

FINANCIAL INSTRUMENTS

The Ministry of Transport is party to financial instruments as part of its normal operations. These financial instruments include cash and bank balances, and accounts receivable and payable. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

All financial instruments are shown at their estimated fair value.

GOODS AND SERVICES TAX (GST)

The Statement of Financial Position is exclusive of GST except for receivables and advances and payables, which are GST inclusive. The Statement of Departmental Expenditure and Appropriations is GST inclusive. All other statements are GST exclusive.

The amount of GST owing to the Inland Revenue Department at balance date, being the difference between Output GST and Input GST, is included in receivables or payables (as appropriate).

TAXATION

Government departments are exempt from the payment of income tax in terms of the Income Tax Act 1994. Accordingly, no charge for income tax has been provided for.

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.

COMMITMENTS

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

CONTINGENT LIABILITIES

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

Changes in accounting policies

The Ministry has changed its accounting policy for the valuation of Milford Sound/Piopitahi Aerodrome to revalue the class of assets using the optimised depreciated replacement cost valuation basis. The previous policy had been to value those assets using the historical cost basis.

The effect of this change has been to increase the value of Milford Sound/Piopitahi Aerodrome by \$603,000. The financial effect of this change in accounting policy has been recognised in the Statement of Movements in Taxpayers' Funds.

There have been no other changes in accounting policy since the date of the last audited financial statements.

All policies, other than those noted above, have been applied on a basis consistent with the previous year.

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

The Statement of Financial Performance details the revenue and expenses relating to all outputs (goods and services) produced by the Ministry of Transport. The supporting statements showing the revenue and expenditure of each output class provide further detail as to the revenues and expenses of each output class.

30/6/04 Actual		Notes	30/6/05 Actual	30/6/05 Main Estimates	30/6/05 Supplementary Estimates
\$000			\$000	\$000	\$000
	REVENUE				
16,541	Crown	1	27,487	21,727	27,487
49,305	Revenue from the National Land Transport Fund	2	49,565	49,565	49,565
11,139	Other	3	12,431	11,978	12,058
76,985	Total operating revenue		89,483	83,270	89,110
	EXPENSES				
6,484	Personnel	4	9,547	7,767	10,760
64,235	Operating	5	72,748	71,367	74,222
2,346	Depreciation	6	3,048	3,515	3,522
659	Capital charge	7	621	621	606
73,724	Total expenses		85,964	83,270	89,110
3,261	Net surplus		3,519	-	-

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

The Statement of Financial Position reports the total assets and liabilities of the Ministry of Transport. The difference between assets and liabilities is called taxpayers' funds.

30/6/04 Actual \$000	Notes	30/6/05 Actual \$000	30/6/05 Main Estimates \$000	30/6/05 Supplementary Estimates \$000
7,757	Taxpayers' funds	9,360	7,757	9,144
	<i>Represented by:</i>			
	CURRENT ASSETS			
5,797	Cash and bank balances	9,649	4,522	4,328
58	Prepayments	296	30	53
1,873	Receivables and advances	1,560	23	50
7,728	Total current assets	11,505	4,575	4,431
	NON-CURRENT ASSETS			
5,924	Physical assets	7,590	6,088	8,113
13,652	Total assets	19,095	10,663	12,544
	CURRENT LIABILITIES			
1,994	Payables	4,696	2,036	2,013
65	Creditor for physical assets	404	300	300
3,261	Provision for payment of surplus to the Crown	3,519	–	–
306	Provision for employee entitlements	584	270	561
5,626	Total current liabilities	9,203	2,606	2,874
	NON-CURRENT LIABILITIES			
269	Provision for employee entitlements	532	300	526
5,895	Total liabilities	9,735	2,906	3,400
7,757	Net assets	9,360	7,757	9,144

STATEMENT OF MOVEMENTS IN TAXPAYERS' FUNDS FOR THE YEAR ENDED 30 JUNE 2005

The Statement of Movements in Taxpayers' Funds combines information about the net surplus with other aspects of the financial performance of the Ministry of Transport, to give a measure of comprehensive income. This statement, together with the Statement of Financial Position, provides information for assessing the return on investment in the Ministry of Transport.

30/6/04 Actual \$000		30/6/05 Actual \$000	30/6/05 Main Estimates \$000	30/6/05 Supplementary Estimates \$000
7,757	Taxpayers' funds at the start of the year	7,757	7,757	7,757
	MOVEMENTS DURING THE YEAR (OTHER THAN FLOWS TO AND FROM THE CROWN)			
–	Revaluation of Milford Sound/Piopitahi Aerodrome	603	–	387
3,261	Net surplus	3,519	–	–
3,261	Total recognised revenues and expenses for the year	4,122	–	387
	ADJUSTMENT FOR FLOWS TO AND FROM THE CROWN			
–	Capital Contribution	1,000	–	1,000
(3,261)	Net surplus to be paid to the Crown	(3,519)	–	–
(3,261)	Total adjustments for flows to and from the Crown	(2,519)	–	1,000
7,757	Taxpayers' funds at the end of the year	9,360	7,757	9,144

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005

The Statement of Cash Flows summarises the cash movements in and out of the Ministry of Transport during the year. It takes no account of money owed to the Ministry or owing by the Ministry, and therefore differs from the Statement of Financial Performance.

30/6/04 Actual \$000	Notes	30/6/05 Actual \$000	30/6/05 Main Estimates \$000	30/6/05 Supplementary Estimates \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from supply of outputs to:				
16,541	Crown	27,487	21,727	27,487
224	Departments	126	140	159
11,939	Crown entities	12,561	11,623	11,779
49,305	National Land Transport Fund	49,565	49,565	49,565
85	Other	58	215	1,944
Cash was disbursed to cost of producing outputs:				
(6,317)	Personnel	(9,013)	(7,279)	(10,273)
(64,214)	Operating expenses	(68,884)	(71,107)	(72,751)
(958)	Net GST paid	(1,394)	(697)	(1,423)
(659)	Capital charge	(621)	(621)	(606)
5,946	Net cash flows from operating activities	9,885	3,566	5,881
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was disbursed to:				
(3,979)	Purchase of physical assets	(3,772)	(3,297)	(5,089)
(3,979)	Net cash flows from investing activities	(3,772)	(3,297)	(5,089)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was provided from:				
–	Capital Contributions	1,000	–	1,000
Cash was disbursed to:				
(4,133)	Payment of surplus to the Crown	(3,261)	–	(3,261)
(4,133)	Net cash flows from financing activities	(2,261)	–	(2,261)
(2,166)	Net increase/(decrease) in cash held	3,852	269	(1,469)
7,963	Total cash balances at start of year	5,797	4,253	5,797
5,797	Total cash balances at end of year	9,649	4,522	4,328

THE ACCOMPANYING ACCOUNTING POLICIES AND NOTES FORM PART OF THESE FINANCIAL STATEMENTS.

EXPLANATIONS OF MAJOR VARIANCES FROM BUDGET APPEAR IN NOTE 19.

STATEMENT OF COMMITMENTS AS AT 30 JUNE 2005

The Statement of Commitments records those expenditures to which the Ministry of Transport is contractually committed, and which will become liabilities if and when the terms of the contract are met.

30/6/04 Actual \$000		30/6/05 Actual \$000
	OPERATING COMMITMENTS	
1,095	Non-cancellable accommodation leases*	19,011
51,217	Other non-cancellable contracts for the supply of goods and services **	49,148
52,312	Total Operating commitments	68,159
	CAPITAL COMMITMENTS	
34	Plant and equipment	–
34	Total Capital commitments	–
52,346	Total commitments	68,159
	TERM CLASSIFICATION OF COMMITMENTS	
51,779	Less than one year	50,932
473	More than one year but less than two years	1,398
94	More than two years	15,829
52,346	Total commitments	68,159

* Several accommodation leases are cancellable, subject to a penalty. The amount disclosed is based on current rental rates.

** Includes commitments to State-Owned Enterprises and Crown entities for the supply of outputs.

STATEMENT OF CONTINGENT LIABILITIES AS AT 30 JUNE 2005

The Statement of Contingent Liabilities discloses situations which exist at 30 June 2005, the ultimate outcome of which are uncertain and will be confirmed only on the occurrence of one or more future events after the date of approval of the financial statements.

30/6/04 Actual \$000		30/6/05 Actual \$000
167	Legal proceedings	179
–	Personal grievances	33
167	Total contingent liabilities	212

STATEMENT OF UNAPPROPRIATED EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2005

The Ministry of Transport did not incur any unappropriated expenditure or expenses in relation to the activities of, or appropriations administered by, the Ministry during 2004/05 (2003/04: \$nil).

STATEMENT OF DEPARTMENTAL EXPENDITURE AND APPROPRIATIONS FOR THE YEAR ENDED 30 JUNE 2005

Amounts are GST inclusive where applicable

	30/6/05 Actual Expenditure \$000	30/6/05* Voted Appropriation \$000
VOTE: TRANSPORT		
APPROPRIATIONS FOR CLASSES OF OUTPUTS		
Transport Sector Review Implementation	1,478	1,493
Policy advice	28,113	28,612
Motor Vehicle Registry and Revenue Management	66,404	68,836
Airport operation and administration	94	134
Contract management	499	609
Land transport management policy	562	562
Total departmental expenditure and appropriations	97,150	100,246

* These appropriations include adjustments made in the 2004/05 Supplementary Estimates. Note 18 contains a summary of those changes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Note 1: Revenue Crown

This is revenue earned for the supply of outputs to the Crown.

Note 2: Revenue from the National Land Transport Fund

The Ministry received funding from the National Land Transport Fund to cover the net operating costs of the Motor Vehicle Registry and Revenue Management output class.

Note 3: Other revenue

30/6/04 Actual \$000		30/6/05 Actual \$000	30/6/05 Main Estimates \$000	30/6/05 Supplementary Estimates \$000
155	Departmental	185	140	159
10,875	Crown entities	12,136	11,623	11,779
109	Other expense recoveries and refunds	110	215	120
11,139	Total other revenue	12,431	11,978	12,058

Note 4: Personnel expenses

30/6/04 Actual \$000		30/6/05 Actual \$000	30/6/05 Main Estimates \$000	30/6/05 Supplementary Estimates \$000
6,401	Salary and wages	9,386	7,217	10,210
47	Annual leave	51	240	240
–	Long service leave	29	40	40
36	Retirement leave	81	270	270
6,484	Total personnel expenses	9,547	7,767	10,760

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5: Operating expenses

30/6/04 Actual \$000		30/6/05 Actual \$000	30/6/05 Main Estimates \$000	30/6/05 Supplementary Estimates \$000
219	Advertising and publicity	580	718	718
–	Asset write-off: leasehold improvements	(1)	–	–
39	Audit fees – Audit of financial statements	38	34	38
–	Audit fees – Other audit work performed	4	–	4
48	Books and periodicals	57	64	64
351	Operating lease rentals	840	675	675
146	Computer bureau and software hire	1,223	486	486
58,796	Contract payments	58,786	61,535	59,535
154	Courses, conferences and training	322	427	427
20	Maintenance of assets	6	17	118
129	Office stationery	291	145	145
202	Phones, faxes, couriers, postage	278	367	367
3,257	Professional and special services	8,522	5,018	9,145
(1)	Provision for doubtful debts	1	(1)	(1)
1	Scholarships	2	15	15
461	Sundry	1,046	1,042	1,661
413	Travel	753	825	825
64,235	Total operating expenses	72,748	71,367	74,222

Note 6: Depreciation expenses

30/6/04 Actual \$000		30/6/05 Actual \$000	30/6/05 Main Estimates \$000	30/6/05 Supplementary Estimates \$000
25	Furniture and fittings	41	25	40
2,141	LANDATA assets	2,509	3,160	2,998
13	Leasehold improvements*	184	38	38
154	Plant and equipment	204	292	292
–	Crash Analysis System	102	–	85
13	Milford Sound/Piopitahi Aerodrome**	8	–	69
2,346	Total depreciation expenses	3,048	3,515	3,522

* The useful life of leasehold improvements has been reassessed to recognise the Wellington office move scheduled for March 2006.

** The depreciable amount and useful lives of Milford Sound/Piopitahi Aerodrome assets have been reassessed to reflect the revaluation of assets by an independent registered valuer (refer note 9).

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7: Capital charge

30/6/04 Actual \$000		30/6/05 Actual \$000	30/6/05 Main Estimates \$000	30/6/05 Supplementary Estimates \$000
	The Ministry pays a capital charge to the Crown on its taxpayers' funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2005 was 8% (2004: 8.5%).			
659		621	621	606

Note 8: Receivables and advances

30/6/04 Actual \$000		30/6/05 Actual \$000	30/6/05 Main Estimates \$000	30/6/05 Supplementary Estimates \$000
1	Departmental receivables and advances	60	1	1
2	Crown entity receivables	2	–	2
48	Trade receivables and advances	100	23	48
(1)	Less: Provision for doubtful debts	(1)	(1)	(1)
50		161	23	50
1,823	Receivable from Land Transport NZ*	1,399	–	–
1,873	Total receivables and advances	1,560	23	50

* Land Transport New Zealand's Transport Registry Centre and Economic Compliance Unit recorded operating surpluses for the year ended 30 June 2005 of \$1,324,000 and \$75,000 respectively (2004: \$1,741,000 and \$82,000 respectively). These surpluses are required to be paid by those units to the Ministry as they form part of the Ministry's net surplus which is payable to the Crown in 2005/06.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9: Physical assets

30/6/04 Actual \$000		30/6/05 Actual \$000
	FURNITURE AND FITTINGS	
335	At cost	623
(238)	Accumulated depreciation	(280)
97	Furniture and fittings – net book value	343
	LANDATA ASSETS	
25,475	At cost	28,166
(20,597)	Accumulated depreciation	(23,105)
4,878	LANDATA assets – net book value	5,061
	LEASEHOLD IMPROVEMENTS	
24	At cost	257
99	At valuation – 30 June 2003	99
(20)	Accumulated depreciation	(204)
103	Leasehold improvements – net book value	152
	PLANT AND EQUIPMENT	
1,297	At cost	1,813
(1,091)	Accumulated depreciation	(1,241)
206	Plant and equipment – net book value	572
	MILFORD SOUND/PIOPITAHİ AERODROME	
304	At cost	57
–	At valuation – 30 June 2004*	703
(147)	Accumulated depreciation	(8)
157	Milford Sound/Piopitahi Aerodrome – net book value	752
	CRASH ANALYSIS SYSTEM	
–	At cost	408
–	Accumulated depreciation	(102)
–	Crash Analysis System – net book value	306
	CAPITAL WORK IN PROGRESS	
483	LANDATA assets	404
483	Capital work in progress – net book value	404
	TOTAL PHYSICAL ASSETS	
28,017	At cost and valuation	32,746
(22,093)	Accumulated depreciation	(25,156)
5,924	Total carrying amount of physical assets	7,590

* Milford Sound/Piopitahi Aerodrome has been valued at optimised depreciated replacement cost as at 30 June 2004 by an independent registered valuer, G Hughson (BE, MIPENZ),

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 10: Payables

30/6/04 Actual \$000		30/6/05 Actual \$000	30/6/05 Main Estimates \$000	30/6/05 Supplementary Estimates \$000
575	Trade creditors	1,722	85	139
1,135	Accrued expenses	2,846	1,716	1,590
284	GST payable	128	235	284
1,994	Total payables	4,696	2,036	2,013

Note 11: Creditor for physical assets

Land Transport NZ has been contracted to develop the LANDATA assets for the Ministry. The Ministry reimburses Land Transport NZ for the development costs during the month after liability has been incurred.

Note 12: Provision for employee entitlements

30/6/04 Actual \$000		30/6/05 Actual \$000	30/6/05 Main Estimates \$000	30/6/05 Supplementary Estimates \$000
	CURRENT LIABILITIES			
266	Annual leave	488	240	511
40	Long service leave	96	30	50
306	Total of current portion	584	270	561
	NON-CURRENT LIABILITIES			
269	Retirement leave	532	300	526
269	Total of non-current portion	532	300	526
575	Total provision for employee entitlements	1,116	570	1,087

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 13: Purchase of physical assets

30/6/04 Actual		30/6/05 Actual	30/6/05 Main Estimates	30/6/05 Supplementary Estimates
\$000		\$000	\$000	\$000
3,434	Development of the LANDATA assets	2,612	2,500	3,350
96	Plant and equipment	569	481	1,231
31	Furniture and fittings	288	31	242
23	Leasehold improvements	234	285	93
–	Crash Analysis System	408	–	408
3,584	Total for purchases of physical assets	4,111	3,297	5,324

Note 14: Reconciliation of the net surplus in the Statement of Financial Performance with net cash flows from operating activities in the Statement of Cash Flows for the year ended 30 June 2005

This reconciliation discloses the adjustments applied to the net surplus from the Statement of Financial Performance to arrive at the net cash flows from operating activities disclosed in the Statement of Cash Flows.

30/6/04 Actual		30/6/05 Actual	30/6/05 Main Estimates	30/6/05 Supplementary Estimates
\$000		\$000	\$000	\$000
3,261	Net surplus from the Statement of Financial Performance	3,519	–	–
	Add/(deduct) non-cash items from the Statement of Financial Performance			
2,346	Depreciation	3,048	3,515	3,522
2,346	Total of non-cash items	3,048	3,515	3,522
	Add/(deduct) movements in working capital items			
(26)	(Increase)/decrease in prepayments	(238)	5	5
1,110	(Increase)/decrease in receivables and advances	313	–	1,823
(830)	Increase/(decrease) in payables and provisions	2,702	56	281
83	Increase/(decrease) in employee entitlements	541	(10)	250
337	Net movements in working capital items	3,318	51	2,359
	(Add)/deduct items classified as investing activities			
2	Write-down in the value of physical assets	–	–	–
2	Total of investing activities	–	–	–
5,946	Net cash flows from operating activities	9,885	3,566	5,881

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 15: Financial instruments

The Ministry is party to financial instrument arrangements as part of its everyday operations. These include instruments such as cash and bank balances, accounts receivable and accounts payable.

CREDIT RISK

Credit risk is the risk that a third party will default on its obligations to the Ministry, causing the Ministry to incur a loss. In the normal course of its business, the Ministry incurs credit risk from trade debtors, and transactions with financial institutions and the New Zealand Debt Management Office (NZDMO).

The Ministry does not require any collateral or security to support financial instruments with financial institutions that the Ministry deals with, or with the NZDMO, as these entities have high credit ratings. For its other financial instruments, the Ministry does not have significant concentrations of credit risk.

FAIR VALUE

The fair value of financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

INTEREST RATE RISK

The Ministry has no significant exposure to interest rate risk on its financial instruments.

Note 16: Contingencies

The Ministry does not have any contingent assets as at 30 June 2005 (30 June 2004: \$nil).

Contingent liabilities are separately disclosed in the Statement of Contingent Liabilities.

Note 17: Related party information

The Ministry is a wholly owned entity of the Crown. The Government significantly influences the role of the Ministry as well as being its major source of revenue. The Ministry enters into numerous transactions with other government departments, Crown agencies and State-Owned Enterprises on an arm's length basis. Where those parties are acting in the course of their normal dealings with the Ministry, related party disclosures have not been made for transactions of this nature. Apart from those transactions described above, the Ministry has not entered into any related party transactions.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 18: Major budget changes

Changes were made to the Ministry's departmental appropriations in the 2004/05 Supplementary Estimates. The net changes appear in the following table.

	Initial Budget Night Estimates \$000	Supplementary Estimates \$000	Cumulative Vote \$000
STATEMENT OF FINANCIAL PERFORMANCE			
<i>Amounts are GST inclusive</i>			
Appropriations for Departmental output classes			
Policy advice	21,456	7,156	28,612
Motor Vehicle Registry and Revenue Management (MVR & RM)	71,086	(2,250)	68,836
Airport operation and administration	151	(17)	134
Contract management	476	133	609
Transport Sector Review Implementation	–	1,493	1,493
Land transport management policy	506	56	562

Explanations for the major changes were outlined in the 2004/05 Supplementary Estimates (pages 502 and 503). They were:

- **Output class – Policy advice**

Purchase of strategic, objective and evidence-based policy advice relating to all modes of transport to progress the achievement of *New Zealand Transport Strategy (NZTS)* objectives. The increase in this appropriation is the result of: an expense transfer of \$568,000 from 2003/04, \$6,476,000 from the transfer of functions from the Land Transport Safety Authority (LTSA) and Transfund to the Ministry, \$61,000 from the Growth and Innovation Fund (GIF) travel pool, \$18,000 for the Total Mobility Review, \$34,000 for Whenuapai airport and \$55,000 for ONTRACK Implementation. These increases were partly offset by a transfer of \$56,000 to the Contract management output class.

- **Output class – Motor Vehicle Registry and Revenue Management**

Management of the Motor Vehicle Registry and Revenue Management business to maximise the collection of Crown revenue that is properly due and take a proactive approach to debt management. The decrease in this appropriation reflects the lower-than-budgeted costs of collecting Crown revenue during 2004/05.

- **Output class – Airport operation and administration**

Operation of Milford Sound/Piopiotahi Aerodrome. The decrease in this appropriation is due to the delay in the construction of a helipad.

- **Output class – Contract management**

Management on the Minister's behalf of contracts and agreements with transport sector Crown entities that guide their work programmes and activity to the achievement of the NZTS objectives. The increase in this appropriation is due to: a \$77,000 expense transfer from 2003/04 and a \$56,000 transfer from the Policy advice output class.

- **Output class – Transport Sector Review Implementation**

Implementation of the recommendations of the Government Transport Sector Review that will contribute to the achievement of the NZTS objectives. A new Crown entity, Land Transport New Zealand, was created and some of the policy functions were transferred from the LTSA and Transfund New Zealand to the Ministry.

- **Output class – Land transport management policy**

Purchase of advice on the policy, legislation and implementation of changes to the management, regulation and funding of New Zealand's land transport that will contribute to the achievement of the NZTS objectives. The increase in this appropriation is due to an expense transfer from 2003/04.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 19: Major budget variations

The significant variances between the actual results and the initial Budget Night forecasts were:

STATEMENT OF FINANCIAL PERFORMANCE

- Revenue Crown was \$5,760,000 higher than budget. The main factors contributing to this increase at a baseline level were the transfer of functions from the LTSA and Transfund to the Ministry of Transport (\$5,756,000), Transport Sector Review Implementation (TSRI) funding (\$1,327,000), expense transfers from 2003/04 (\$623,000) and offset by a \$2,000,000 reduction in funding to the Motor Vehicle Registry Centre to reflect the lower-than-budgeted costs of collecting Crown revenue.
- Other revenue was \$453,000 higher than the original budget. At a baseline level revenue was increased by funding for Whenuapai Airport (\$30,000), the Trackco implementation (\$50,000), the transfer of functions from the LTSA and Transfund to the Ministry of Transport (\$60,000), funding for the Total Mobility Review, (\$16,000), and offset by a reduction in funding for the Road Safety Trust (\$60,000) and the Milford Sound/Piopitahi Aerodrome (\$15,000). The \$373,000 difference between actual results and the final Supplementary Estimates value was mainly due to Crown entity revenue exceeding budget by \$469,000 mitigated by lower than expected ACC collection revenue (\$296,000).
- Personnel expenses were \$1,780,000 higher than the Budget Night forecast. The original forecast of \$7,767,000 was increased to \$10,760,000 due to capability funding, LTSA staff transferring to the Ministry and the expectation of large increases in staff numbers. Actual personnel costs were \$1,213,000 less than the Supplementary Estimates value due to the difficulty filling staff vacancies.
- Operating expenses were \$1,381,000 higher than the Budget Night forecast. During the year \$2,855,000 was added to the baseline to cover transfer of functions from the LTSA and Transfund and to provide funding for the TSRI. The actual operating expenses were \$1,474,000 lower than the Supplementary Estimates value largely due to Motor Vehicle Registry and Revenue Management expenses being lower than expected.
- Depreciation expenses were \$467,000 lower than budget mainly due to lower LANDATA capital works in 2004/05.

STATEMENT OF FINANCIAL POSITION (AND CASH FLOWS)

- Prepayments were higher than anticipated due to a rental prepayment for the Ministry's new offices.
- The variance in receivables and advances is outlined in note 8.
- Physical assets were \$523,000 lower than Supplementary Estimates budget due to less-than-expected development in LANDATA assets.
- The variance in payables is outlined in note 10, and is mostly due to the year end position being under estimated.
- The creditor for physical assets was higher than budgeted due to the LANDATA enhancements invoice for June 2005 being higher than expected.
- The provision for payment of surplus to the Crown is higher than budget primarily due to total expenses being below budget.

Note 20: Post balance date events

No significant events which may impact on the actual results have occurred between year end and the signing of these financial statements.

SCHEDULES AND STATEMENTS: CROWN

INTRODUCTION/OVERVIEW

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

The Ministry administered:

- \$0.906 billion of non-departmental revenue and receipts
- \$1.562 billion of non-departmental payments
- \$0.119 billion of non-departmental assets
- \$0.124 billion of non-departmental liabilities

on behalf of the Crown for the year ended 30 June 2005.

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

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2005

Measurement and recognition rules applied in the preparation of these non-departmental financial statements and schedules are consistent with generally accepted accounting practice and Crown accounting policies.

Reporting entity

The financial information for Crown Vote: Transport has been prepared by the Ministry of Transport and represents the public funds managed by the Ministry but correctly excluded from the Ministry's financial statements.

The Ministry's responsibility is to manage the revenue, expenditure, assets and liabilities on behalf of the Crown. The non-departmental balances are consolidated into the Crown Financial Statements. For a full understanding of the Crown's financial position and the results of its operations for the period, reference should be made to the consolidated audited Crown Financial Statements for the year ended 30 June 2005.

The financial statements in respect of the activities administered by the Ministry of Transport on behalf of the Crown comprise:

- collection of indirect tax revenues;
- payment of refunds on claims received; and
- joint venture airports.

The financial statements have been prepared pursuant to section 35 of the *Public Finance Act 1989* (as if that section had not been amended by the *Public Finance Amendment Act 2004 (PFAA)*), in accordance with section 33 of the PFAA.

Measurement system

The general accounting systems recognised as appropriate for the measurement and reporting of results and financial position on an historical cost basis have been followed.

Accounting policies

The following particular accounting policies which materially affect the measurement of financial results and financial position have been applied.

BUDGET FIGURES

The Budget figures are those amended by the 2004/05 Supplementary Estimates.

REVENUE

Revenue from Road User Charges and Motor Vehicle Licensing Fees is recognised when payment for the charge or fee is made.

RECEIVABLES AND ADVANCES

Receivables and advances are recorded at estimated realisable value, after providing for doubtful and uncollectable debts.

INVESTMENTS

Investments represent the Crown's investment in joint venture airports. Investments in the joint venture airports are valued at the lower of the original cost of the investment to the Crown and the Crown's proportion of its holding of taxpayers' funds for each entity.

PAYABLES

Payables are recorded at the estimated obligation to pay.

FINANCIAL INSTRUMENTS

Crown Vote: Transport is party to financial instruments as part of its normal operations. These financial instruments include cash and bank balances, and accounts receivable and payable. Revenue and expenses in relation to all financial instruments are recognised in the Schedule of Revenue and Receipts and Schedule of Expenses. All financial instruments are recognised in the Schedule of Assets and Schedule of Liabilities.

GOODS AND SERVICES TAX (GST)

The Schedule of Revenue is GST exclusive. The Schedule of Expenses, Schedule of Assets and Schedule of Liabilities are GST inclusive. The amount of GST owing to the Inland Revenue Department at balance date, being Output GST on Crown revenues only, is included in payables. The Statement of Non-Departmental Expenditure and Appropriations is inclusive of GST.

COMMITMENTS

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that they are equally unperformed obligations.

CONTINGENT LIABILITIES

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

Changes in accounting policies

There have been no changes in accounting policy since the date of the last audited financial statements.

SCHEDULE OF NON-DEPARTMENTAL REVENUE AND RECEIPTS FOR THE YEAR ENDED 30 JUNE 2005

The Schedule of Revenue and Receipts summarises non-departmental revenues and receipts that the Ministry collects on behalf of the Crown.

30/6/04 Actual \$000	Notes	30/6/05 Actual \$000	30/6/05 Main Estimates \$000	30/6/05 Supplementary Estimates \$000
849,766	Indirect taxation 1	893,062	867,199	909,622
12	Other 'Sovereign Power' revenue 2	26	10	10
11,382	Other operational revenue 3	12,802	10,500	10,500
861,160	Total non-departmental revenue and receipts	905,890	877,709	920,132

SCHEDULE OF NON-DEPARTMENTAL EXPENSES FOR THE YEAR ENDED 30 JUNE 2005

The Schedule of Expenses summarises non-departmental expenses that the Ministry administers on behalf of the Crown. Further details are provided in the Statement of Non-Departmental Expenditure and Appropriations.

30/6/04 Actual \$000	Notes	30/6/05 Actual \$000	30/6/05 Main Estimates \$000	30/6/05 Supplementary Estimates \$000
945,910	Non-departmental output classes 4	1,079,092	1,080,678	1,078,815
503,532	Purchase or development of capital assets 5	469,783	429,169	469,783
1,948	Other expenses to be incurred by the Crown 6	5,568	2,743	5,743
(44,000)	Land transport expenditure*	2,000	–	–
717	Bad debts expense	95	5,000	5,000
(3,518)	Movement in doubtful debts provision	5,248	–	–
1,404,589	Total non-departmental expenses	1,561,786	1,517,590	1,559,341

* This is the change in the balance of the National Land Transport Fund payable to Land Transport New Zealand between 30 June 2004 and 30 June 2005.

SCHEDULE OF NON-DEPARTMENTAL ASSETS FOR THE YEAR ENDED 30 JUNE 2005

The Schedule of Assets summarises the assets that the Ministry administers on behalf of the Crown.

30/6/04 Actual	Notes	30/6/05 Actual	30/6/05 Main Estimates Voted	30/6/05 Supplementary Estimates Voted
\$000		\$000	\$000	\$000
	CURRENT ASSETS			
56,746	Cash and bank balances	51,607	28,056	35,434
48,712	Receivables and advances	63,234	32,506	43,712
	NON-CURRENT ASSETS			
4,219	Investments in joint venture airports	4,219	4,219	4,219
109,677	Total non-departmental assets	119,060	64,781	83,365

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

- Aviation Security Service;
- Civil Aviation Authority;
- Land Transport New Zealand;
- Maritime New Zealand;
- Transit New Zealand; and
- 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 FOR THE YEAR ENDED 30 JUNE 2005

The Schedule of Liabilities summarises the liabilities that the Ministry administers on behalf of the Crown.

30/6/04 Actual \$000	Notes	30/6/05 Actual \$000	30/6/05 Main Estimates \$000	30/6/05 Supplementary Estimates \$000
	CURRENT LIABILITIES			
376,875	Payables 9	124,042	373,750	369,375
376,875	Total non-departmental liabilities	124,042	373,750	369,375

STATEMENT OF NON-DEPARTMENTAL COMMITMENTS AS AT 30 JUNE 2005

The Statement of Commitments records those expenditures to which the Crown is contractually committed and which will become liabilities if and when the terms of the contracts are met.

30/6/04 Actual \$000		30/6/05 Actual \$000
	OPERATING COMMITMENTS	
1,325,921	Other non-cancellable contracts for the supply of goods and services*	1,247,776
1,325,921	Total operating commitments	1,247,776
	CAPITAL COMMITMENTS	
25,000	Other capital commitments	379,957
25,000	Total capital commitments	379,957
1,350,921	Total commitments	1,627,733
	TERM CLASSIFICATION OF COMMITMENTS	
1,324,865	Less than one year	1,614,705
13,028	More than one year but less than two years	13,028
13,028	More than two years	-
1,350,921	Total commitments	1,627,733

* This item is for commitments to State-Owned Enterprises and Crown entities for the supply of outputs.

STATEMENT OF NON-DEPARTMENTAL CONTINGENT LIABILITIES AS AT 30 JUNE 2005

The Statement of Non-Departmental Contingent Liabilities discloses situations which exist at 30 June 2005, the ultimate outcome of which are uncertain and will be confirmed only on the occurrence of one or more future events after the date of approval of the financial statements.

30/6/04		30/6/05
Actual		Actual
\$000		\$000
10,000	Transport Accident Investigation Commission emergency guarantee	10,000
1,173	Accumulated losses in joint venture airports	2,066
11,173		12,066

SCHEDULE OF UNAPPROPRIATED EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2005

Unappropriated expenditure of \$281,000 was incurred against non-departmental output class, Reporting on accident or incident investigations. Cabinet approved an increase in funding for the Transport Accident Investigation Commission on 22 June 2005 to cover a forecast deficit of \$281,000 for 2004/05 (EDC MIN (05) 16/8 refers).

No other unappropriated expenditure was incurred (2003/04: \$nil).

STATEMENT OF NON-DEPARTMENTAL EXPENDITURE AND APPROPRIATIONS FOR THE YEAR ENDED 30 JUNE 2005

The Statement of Expenditure and Appropriations details expenditure and capital payments incurred against appropriations. The Ministry administers these appropriations on behalf of the Crown.

Amounts are GST inclusive where applicable

30/6/04 Actual \$000		30/6/05 Actual \$000	30/6/05 Main Estimates \$000	30/6/05 Supplementary Estimates \$000
	APPROPRIATIONS FOR NON-DEPARTMENTAL OUTPUT CLASSES			
2,500	Auckland Land Transport	53,000	47,500	53,000
190	Aviation Security	–	–	–
–	Maritime Security	163	–	163
4,168	Maritime safety regulation and monitoring	4,714	4,714	4,714
1,934	Policy advice – Civil Aviation	1,981	1,981	1,981
3,026	Search and Rescue Class III – Civil Aviation	2,705	2,705	2,705
464	Driver Testing – Land Transport	464	464	464
236	Drug and alcohol assessments – Land Transport	236	236	236
9,985	Grants management – Land Transport	8,781	8,781	8,781
2,448	Licensing – Land Transport	1,421	1,421	1,421
4,242	Policy advice – Land Transport	1,422	3,837	1,422
3,036	Safety audit – Land Transport	1,598	1,883	1,598
29,065	Safety information and promotion – Land Transport	20,024	25,994	20,024
500	Vehicle impoundment – Land Transport	500	500	500
2,444	Reporting on accident or incident investigations	2,725	2,444	2,444
14,657	Weather forecasts and warnings	16,641	14,657	16,645
2,813	Advisory services – Transfund	2,813	2,813	2,813
10,575	Contract management – Transfund	10,744	11,588	10,744
31,500	Efficient alternatives to roading – Transfund	31,500	31,500	31,500
338,377	Maintenance and expensed road construction (local roads) – Transfund	351,000	351,000	351,000
387,900	Maintenance and expensed road construction (State highways) – Transfund	391,500	391,500	391,500
83,869	Passenger transport community services – Transfund	105,750	105,750	105,750
11,981	Passenger transport social services – Transfund	13,160	13,160	13,160
–	Regional Land Transport – Transfund	56,250	56,250	56,250
945,910	Subtotal	1,079,092	1,080,678	1,078,815

STATEMENT OF NON-DEPARTMENTAL EXPENDITURE AND APPROPRIATIONS (continued)

30/6/04 Actual		30/6/05 Actual	30/6/05 Main Estimates	30/6/05 Supplementary Estimates
\$000		\$000	\$000	\$000
	APPROPRIATIONS FOR OTHER EXPENSES TO BE INCURRED BY THE CROWN			
	Contribution to local share of restoration			
1,420	following February 2004 event	2,000	2,000	2,000
528	International memberships	568	743	743
–	New Zealand Railways Corporation	3,000	–	3,000
1,948	Subtotal	5,568	2,743	5,743
	APPROPRIATIONS FOR CAPITAL CONTRIBUTIONS TO OTHER ORGANISATIONS			
94	Transport Accident Investigation Commission	–	–	–
–	Land Transport New Zealand	252,658	–	321,058
–	Aviation Security Services	15,252	25,000	15,252
94	Subtotal	267,910	25,000	336,310
	APPROPRIATIONS FOR PURCHASE OR DEVELOPMENT OF CAPITAL ASSETS FROM THE CROWN			
497,907	Roading capital improvements	464,158	423,544	464,158
5,625	Roading replacement	5,625	5,625	5,625
503,532	Subtotal	469,783	429,169	469,783
1,451,484	Total non-departmental expenditure and appropriations	1,822,353	1,537,590	1,890,651

Explanations of significant variances between actual results and the Supplementary Estimates forecasts are contained in the notes to these schedules.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Note 1: Indirect taxation

30/6/04 Actual \$000		30/6/05 Actual \$000	30/6/05 Main Estimates \$000	30/6/05 Supplementary Estimates \$000
210,817	Motor Vehicle Registration fees	217,216	211,350	216,422
667,524	Road User Charges	712,915	686,337	726,978
878,341	Subtotal	930,131	897,687	943,400
(28,575)	Less: Fuel Excise Duty refunds	(37,069)	(30,488)	(33,778)
849,766	Total indirect taxation	893,062	867,199	909,622

Note 2: Other 'Sovereign Power' revenue

30/6/04 Actual \$000		30/6/05 Actual \$000	30/6/05 Main Estimates \$000	30/6/05 Supplementary Estimates \$000
12	Infringement fees	26	10	10
12	Total other 'Sovereign Power' revenue	26	10	10

Note 3: Other operational revenue

30/6/04 Actual \$000		30/6/05 Actual \$000	30/6/05 Main Estimates \$000	30/6/05 Supplementary Estimates \$000
11,382	Motor Vehicle Registration recoveries	12,802	10,500	10,500
11,382	Total other operational revenue	12,802	10,500	10,500

Note 4: Non-departmental output classes

30/6/04 Actual \$000		30/6/05 Actual \$000	30/6/05 Main Estimates \$000	30/6/05 Supplementary Estimates \$000
945,910	This expense item is equal to the appropriations for non-departmental output classes listed in the Statement of Non-Departmental Expenditure and Appropriations.	1,079,092	1,080,678	1,078,815
945,910	Total non-departmental output classes	1,079,092	1,080,678	1,078,815

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5: Purchase or development of capital assets

30/6/04 Actual		30/6/05 Actual	30/6/05 Main Estimates	30/6/05 Supplementary Estimates
\$000		\$000	\$000	\$000
503,532	This expenditure is for the construction and improvement of the state highway network; and pavement rehabilitation (restoration of pavement strength) of the state highway network, including seal widening.	469,783	429,169	469,783
503,532	Total purchase or development of capital assets	469,783	429,169	469,783

Note 6: Other expenses to be incurred by the Crown

30/6/04 Actual		30/6/05 Actual	30/6/05 Main Estimates	30/6/05 Supplementary Estimates
\$000		\$000	\$000	\$000
1,420	Contribution to local share of restoration following February 2004 event	2,000	2,000	2,000
528	International memberships	568	743	743
–	New Zealand Railways Corporation	3,000	–	3,000
1,948	Total other expenses to be incurred by the Crown	5,568	2,743	5,743

Note 7: Receivables and advances

30/6/04 Actual		30/6/05 Actual	30/6/05 Main Estimates	30/6/05 Supplementary Estimates
\$000		\$000	\$000	\$000
–	Sundry Debtors	11	–	–
57,458	Motor Vehicle Registration Fees	76,279	42,767	52,458
244	Prepayments	252	285	244
8,094	Road User Charges	9,024	8,306	8,094
65,796		85,566	51,358	60,796
(17,084)	Less: Provision for doubtful debts	(22,332)	(18,852)	(17,084)
48,712	Total receivables and advances	63,234	32,506	43,712

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 8: Investments in joint venture airports

30/6/04 Actual		30/6/05 Actual	Latest Valuation	Date of Latest Valuation
\$000		\$000	\$000	
1,104	Hawke's Bay	1,104	5,867	30/06/04
1,082	New Plymouth	1,082	8,824	30/06/04
426	Taupo	426	1,461	30/06/04
186	Wanganui	186	1,002	30/06/04
135	Westport	135	(61)	30/06/04
216	Whakatane	216	370	30/06/04
1,070	Whangarei	1,070	1,424	30/06/04
4,219	Total for joint venture airports	4,219	18,887	

Note 9: Payables

30/6/04 Actual		30/6/05 Actual	30/6/05 Main Estimates	30/6/05 Supplementary Estimates
\$000		\$000	\$000	\$000
291,469	National Land Transport Fund revenue payable to Land Transport New Zealand	32,459	318,470	291,469
1,221	Output funding payable to Meteorological Service	1,387	1,221	1,221
169	Fuel Excise Duty refunds	169	240	169
9,677	GST payable	9,753	8,562	9,677
69,808	Motor Vehicle Registration third party collections	78,192	43,304	64,808
2,031	Road User Charge refunds	2,082	1,953	2,031
2,500	Establishment of Auckland Regional Transport Authority and Auckland Regional Holdings	–	–	–
376,875	Total payables	124,042	373,750	369,375

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 10: Major budget variations

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

SCHEDULE OF NON-DEPARTMENTAL EXPENSES

- Non-departmental output classes were \$277,000 higher than forecast largely due to Cabinet's approval of an increase in funding for the Transport Accident Investigation Commission on 22 June 2005 to cover a forecast deficit of \$281,000 for 2004/05.
- Bad debts expense was \$4,905,000 lower than forecast due to fewer-than-expected applications for write-off being processed during the year.
- Movement in doubtful debts provision was \$5,248,000 higher than forecast as a consequence of fewer-than-expected applications for write-off being processed during the year.

SCHEDULE OF NON-DEPARTMENTAL ASSETS

- Cash and bank balances were \$16,173,000 higher than forecast. The main contributor to this variance was \$336,656,000 less than expected disbursed to the NZDMO for receipts paid to the Crown, mitigated by the disbursement of \$256,050,000 more than expected to output and operating expenses, the receipt of \$47,000,000 less than expected from the NZDMO and indirect taxation providing \$20,000,000 less than expected.
- Receivables and advances were \$19,522,000 higher than forecast due to revenue collected by front counter agents and unpaid to the Transport Registry Centre at month end being higher than forecast.

SCHEDULE OF NON-DEPARTMENTAL LIABILITIES

- Payables were \$245,333,000 lower than forecast. The decrease was mainly due to National Land Transport Fund revenue payable to Land Transport New Zealand being \$259,000,000 less than anticipated. A payment for \$195,543,000, due on the 1st of July, was sent to Land Transport NZ on the 30th of June, decreasing the liability substantially. The decrease in payables was mitigated by revenue collected by front counter agents and unpaid to the Transport Registry Centre at month end being \$13,384,000 higher than forecast.

Statement of Non-Departmental Expenditure and Appropriations

- International subscriptions were \$175,000 below forecast due to the strength of the New Zealand dollar against foreign currencies when the 2005 calendar year membership was paid in January 2005
- The appropriation for capital contribution to Land Transport New Zealand was \$68,400,000 below budget due to the lower-than-forecast value of Transfund.

NATIONAL LAND TRANSPORT FUND STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

The National Land Transport Fund pays for maintenance and construction of the roading network, and pays a contribution to public transport, traffic enforcement, and road safety and education.

30/6/04 Actual \$million		30/6/05 Actual \$million
51	Opening balance	7
	REVENUE	
697	Road User Charges	744
594	Fuel Excise Duty	647
211	Motor Vehicle Registration fees	218
11	Motor Vehicle: other	13
5	Disposal of roading property	–
11	Other revenue	11
(1)	Bad debt write-off	–
1,528	Total revenue	1,633
	PLUS GOVERNMENT CONTRIBUTION	
197	GST compensation	204
197	Total Government contribution	204
	LESS REFUNDS	
28	Road User Charge refunds	32
29	Fuel Excise Duty refunds	37
1	Motor Vehicle Registration refunds	–
58	Total refunds	69
	LESS DISTRIBUTIONS	
1,371	Land Transport New Zealand for National Land Transport Programme	1,433
47	Land Transport New Zealand for Safety Administration Programme	32
228	New Zealand Police	235
65	Ministry of Transport	66
1,711	Total distributions	1,766
7	Closing balance	9

The Ministry of Transport administers this Fund on behalf of the Crown.

All road user charges and fees paid by motorists under the *Transport Act 1986* are paid into the National Land Transport Fund. The total excise duty for CNG and LPG is also paid into the Fund. Petrol excise was paid into the Fund at the rate of 17.725 cents per litre to 30 September 2004, from 1 October 2004 to 31 March 2005 at the rate of 17.492 cents per litre, and from 1 April 2005 at the rate of 22.492 cents per litre.

AUDIT REPORT

TO THE READERS OF THE MINISTRY OF TRANSPORT'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

The Auditor-General is the auditor of the Ministry of Transport (the Ministry). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Ministry, on his behalf, for the year ended 30 June 2005.

UNQUALIFIED OPINION

In our opinion the financial statements of the Ministry on pages 46 to 79:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - the Ministry's financial position as at 30 June 2005;
 - the results of its operations and cash flows for the year ended on that date;
 - its service performance achievements measured against the performance targets adopted for the year ended on that date; and
 - the assets, liabilities, revenues, expenses, contingencies and commitments managed by the Ministry on behalf of the Crown for the year ended 30 June 2005.

The audit was completed on 30 September 2005 and is the date at which our opinion is expressed.

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

BASIS OF OPINION

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

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

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

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

Audit procedures generally include:

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

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

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

RESPONSIBILITIES OF THE SECRETARY FOR TRANSPORT AND THE AUDITOR

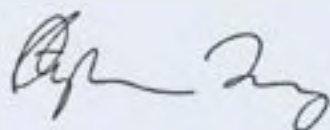
The Secretary for Transport is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Ministry as at 30 June 2005. They must also fairly reflect the results of its operations and cash flows and service performance achievements for the year ended on that date. In addition, they must fairly reflect the assets, liabilities, revenues, expenses, contingencies and commitments managed by the Ministry on behalf of the Crown for the year ended 30 June 2005. The Secretary for Transport's responsibilities arise from the Public Finance Act 1989.

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

INDEPENDENCE

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

In addition to the audit we have carried out a review, of the Ministry's expense transfers from 2003/04 to 2004/05, which was compatible with those independence requirements. Other than the audit and the review, we have no relationship with or interests in the Ministry.



S B Lucy

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

"CONSIDERABLE PROGRESS HAS BEEN MADE ON IMPROVING COLLABORATION ACROSS THE GOVERNMENT TRANSPORT SECTOR INCLUDING THE PREPARATION OF THE FIRST EVER STRATEGIC PLAN FOR THE WHOLE SECTOR..." ROBIN DUNLOP, SECRETARY FOR TRANSPORT



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LEGAL RESPONSIBILITIES

THE MINISTRY OF TRANSPORT IS CHARGED WITH ADMINISTERING THE ACTS AND REGULATIONS LISTED BELOW.

LEGISLATION

- Air Facilitation Act 1993
- Air Facilitation (Domestic Passengers and Cargo) Act 1994
- Airport Authorities Act 1966
- Auckland Airport Act 1987
- Auckland Harbour Bridge Authority Dissolution Act 1983
- Boilers, Lifts, and Cranes Act 1950
- Christchurch-Lyttelton Road Tunnel Authority Dissolution Act 1978
- Civil Aviation Act 1990
- Customs Law Act 1908
- Land Transport Act 1998
- Land Transport Management Act 2003
- Maritime Security Act 2004
- Maritime Transport Act 1994
- Meteorological Services Act 1990
- Ministry of Transport Act Repeal Act 1990
- New Zealand National Airways Corporation Dissolution Act 1978
- Port Companies Act 1998
- Railways Act 2005
- Road User Charges Act 1977
- Ship Registration Act 1992
- Shipping Act 1987
- Shipping Corporation of New Zealand Act Repeal Act 1988
- Submarine Cables and Pipelines Protection Act 1996
- Taranaki Harbours Act 1965
- Transit New Zealand Act 1989
- Transport Accident Investigation Commission Act 1990
- Transport Act 1962
- Transport Services Licensing Act 1989
- Transport (Vehicle and Driver Registration and Licensing) Act 1986
- Waterfront Industry Restructuring Act 1989
- Wellington Airport Act 1990

MAJOR STATUTORY REGULATIONS

- Airport Authorities (Airport Companies Information Disclosure) Regulations 1999
- Civil Aviation (Aeronautical Information Service) Levies Order 2001
- Civil Aviation Charges Regulations (No. 2) 1991
- Civil Aviation (Offences) Regulations 1997
- Civil Aviation (Safety) Levies Order 2002
- Heavy Vehicle Regulations 1974
- Land Transport (Infringement and Reminder Notices) Regulations 1998
- Land Transport (Certification and Other Fees) Regulations 1999
- Land Transport (Driver Licensing and Driver Testing Fees) Regulations 1999
- Land Transport (Driver Licensing) Rule 1999
- Land Transport (Offences and Penalties) Regulations 1999
- Land Transport (Ordering a Vehicle off the Road) Notice 1999
- Land Transport (Requirements for Storage and Towing of Impounded Vehicles) Regulations 1999
- Land Transport (Road User) Rule 2004
- Land Transport (Storage and Towing Fees for Impounded Vehicles) Regulations 1999
- Land Transport Management (Apportionment and Refund of Excise Duty and Excise-Equivalent Duty) Regulations 2004
- Land Transport Management (Road Tolling Scheme for ALPURT B2) Order 2005
- Marine Protection (Offences) Regulations 1998
- Marine Safety Charges Regulations 2000
- Maritime (Offences) Regulations 1998
- Maritime Security Regulations 2004
- Maritime Security (Designated Authority) Order 2004
- Maritime Security (Maritime Security Organisations) Order 2004
- Maritime Transport Act (Conventions) Order 1994
- Maritime Transport (Certificates of Insurance) Regulations 2005
- Maritime Transport (Fund Convention) Levies Order 1996
- Maritime Transport (Infringement Fees for Offences Relating to Major Maritime Events) Regulations 1999
- Maritime Transport (Marine Protection Conventions) Order 1999
- Maritime Transport (Maximum Amounts of Liability for Pollution Damage) Order 2003
- Oil Pollution Levies Order 1998
- Passenger Service Vehicle Construction Regulations 1978
- Road User Charges (Rates) Order 2005
- Road User Charges Regulations 1992
- Ship Registration (Fees) Regulations 1992
- Shipping (Charges) Regulations 2000
- Submarine Cables and Pipelines Protection Order 1992
- Traffic Regulations 1976
- Transport Services Licensing Regulations 1989
- Transport (Breath Tests) Notice 1989 (No. 2)
- Transport (Change of Ownership) Regulations 1995
- Transport (Towing Fees) Notice 2004
- Transport (Vehicle Registration and Licensing) Regulations 1994

LEGISLATION CHANGES

The following Acts were made during the 2004/05 year:

- Land Transport Amendment Act 2005
- Railways Act 2005
- Transport Legislation Bill (Civil Aviation Amendment Act (No. 2) 2004, Land Transport Amendment Act 2004, Land Transport Management Amendment Act 2004, Maritime Transport Amendment Act 2004)
- Maritime Transport Amendment Act 2005

The following Regulations were passed during the 2004/05 year:

- Civil Aviation Charges Amendment Regulations 2005
- Civil Aviation (Safety) Levies Amendment Order 2005
- Far North Holdings Limited Bylaws Approval Order 2005
- Goods Service Vehicle (Constructional) Amendment Regulations 2004
- Heavy Motor Vehicle Amendment Regulations (No. 3) 2004
- Land Transport Management Act Commencement Order 2004
- Land Transport Management (Apportionment and Refund of Excise Duty and Excise-Equivalent Duty) Regulations 2004
- Land Transport Management (Road Tolling Scheme for ALPURT B2) Order 2005
- Land Transport (Commencement of Repeals) Order 2004
- Land Transport (Offences and Penalties) Amendment Regulations 2004
- Land Transport (Offences and Penalties) Amendment Regulations 2005
- Land Transport (Offences and Penalties) Amendment Regulations (No. 2) 2005
- Maritime Transport (Certificates of Insurance) Regulations 2005
- Revocation of Transport (Vehicle Standards) Regulations 1990
- Revocation of Transport (Child Restraints and Seat Belts Approval) Notice 1984
- Road User Charges (Rates) Order 2005
- Traffic Amendment Regulations (No. 3) 2004
- Transport (Amendments to Schedules of the Transport Act 1962) Order 2004
- Transport (Offences) Order 2004

RULES

The Minister makes ordinary transport Rules. Land Transport New Zealand, Maritime New Zealand and the Civil Aviation Authority administer these Rules.

The following Rules were made during the 2004/05 year:

- Civil Aviation Rules Designation of Airspace project:
 - Part 1, Amendment 26 – Definitions and Abbreviations
 - Part 19, Amendment 7 – Transition Rules
 - Part 71, Re-issue – Designation and Classification of Airspace
 - Part 73, Revocation – Special Use Airspace
 - Part 77, Amendment 1 – Objects and Activities Affecting Navigable Airspace
 - Part 91, Amendment 11 – General Operating and Flight Rules
 - Part 91, Amendment 12 – General Operating and Flight Rules
 - Part 101, Amendment 1 – Gyrogliders and Parasails; and Unmanned Balloons, Kites, Rockets, and Model Aircraft – Operating Rules
 - Part 105, Amendment 2 – Parachuting-Operating Rules
 - Part 172, Amendment 4 – Air Traffic Service Organisations-Certification
- Civil Aviation Rules Passenger, Crew and Baggage Weight project:
 - Part 1, Amendment 27 – Definitions and Abbreviations
 - Part 121, Amendment 11 – Air Operations – Large Aeroplanes
 - Part 125, Amendment 6 – Air Operations – Medium Aeroplanes
 - Part 135, Amendment 11 – Air Operations – Helicopters and Small Aeroplanes
- Land Transport (Road User) Rule 2004
- Land Transport Rule: Dangerous Goods 2005
- Land Transport Rule: Heavy Vehicles 2004
- Land Transport Rule: Traffic Control Devices 2004
- Land Transport Rule: Vehicle Equipment 2004
- Land Transport Rule: Vehicle Lighting 2004
- Marine Protection Rule 102: Certificates of Insurance – Amendment 2004
- Marine Protection Rule 190: Mandatory Ships Routeing
- Maritime Rule: Part 24B – carriage of cargoes – stowage and securing.
- Maritime Rule: Part 24D – carriage of cargoes – convention containers.
- Maritime Rule: Part 24E – carriage of cargoes – offshore containers.

GLOSSARY

TRANSPORT AND OTHER ORGANISATIONS*

AIR NEW ZEALAND

New Zealand's national airline, majority owned by the New Zealand government.

AIRWAYS CORPORATION OF NEW ZEALAND LTD

Provides air traffic management services, supplying the Ministry with Milford Sound/Piopiotahi Aerodrome landing and take-off data.

AVIATION SECURITY SERVICE (AVSEC)

Provides airport security, passenger and baggage screening.

CIVIL AVIATION AUTHORITY (CAA)

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

CROWN TRANSPORT SECTOR

Comprises the Crown entities that provide services for transport: Aviation Security Service, Civil Aviation Authority, Land Transport New Zealand, Maritime New Zealand, Road Safety Trust, Transit New Zealand and Transport Accident Investigation Commission, as well as ONTRACK (a State-Owned Enterprise).

JOINT OFFICIALS' GROUP (JOG)

A JOG is a joint committee, of central and local government officials, that considers how local and regional transport issues can be resolved and funded. Three JOGs have been completed in Auckland, Wellington and the Bay of Plenty. A fourth JOG process is currently under way in Waikato.

LAND TRANSPORT NEW ZEALAND

Allocates funding for the maintenance and development of state highways, local roads, passenger transport, traffic demand management, rail, regional development, and the promotion of walking and cycling. It promotes land transport safety and regulates commercial land transport operators.

MARITIME NEW ZEALAND

Regulates the maritime industry, promotes safety, manages ship and port security, investigates accidents, provides navigational aids, undertakes marine pollution prevention and clean-up, and operates the New Zealand Rescue Coordination Centre, the coordinator of Class 111 search and rescue services throughout New Zealand and the South Pacific.

METEOROLOGICAL SERVICE OF NEW ZEALAND LTD

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

ONTRACK

Manages Crown railway land and the national rail network.

ROAD SAFETY TRUST

Provides funding for road safety projects and research, from revenue of personalised vehicle registration plate sales.

TRANSIT NEW ZEALAND (TRANSIT NZ)

Operates New Zealand's state highway network, including maintenance, construction, safety and traffic management. Transit NZ has responsibility for state highway strategies and design guidelines, economic and environmental planning for state highways, technical standards and quality assurance systems.

TRANSPORT ACCIDENT INVESTIGATION COMMISSION (TAIC)

Investigates significant air, maritime and rail accidents and incidents to determine their cause and circumstances with a view to avoiding similar occurrences in future.

TRANSPORT SECTOR BOARD REFERENCE GROUP (BRG)

Consists of a representative from each Crown entity board to provide strategic input into the TSSD development process and to enable communication between the boards.

TRANSPORT SECTOR PLANNING TASK FORCE (PTF)

Consisting of senior staff from the government transport sector, ONTRACK and representatives from regional local government, the task force was set up to establish a sector-wide alignment of strategic planning processes and implement the chosen system as a coordinated, collaborative activity involving all transport sector agencies.

*RELEVANT TO SECTIONS 1 AND 2 OF THIS ANNUAL REPORT.

TRANSPORT ACTS, BILLS, DOCUMENTS, REGULATIONS, RULES, STRATEGIES AND PLANS*

ACTS OF PARLIAMENT

The New Zealand Parliament creates Acts by passing legislation. Proposed legislation enters parliament as a Bill. (See Bills before parliament.)

AIR SERVICES AGREEMENT

Agreements, negotiated by the Ministry of Transport, between New Zealand and other nations regarding access for national airlines to land and take off at each other's airports.

BILLS BEFORE PARLIAMENT

The New Zealand Parliament receives proposed legislation in the form of a Bill. The Bill will be read in Parliament and if accepted, be referred to a select committee for consideration. The select committee may consider submissions on the Bill and make amendments. The Bill in its amended form will be referred back to Parliament for two further readings. On the third and final reading, if supported by a majority of parliamentarians, the Bill will be passed into law and become an Act of Parliament. (See Acts of parliament.)

GETTING THERE – ON FOOT, BY CYCLE

New Zealand's first national walking and cycling strategy, released in February 2005, provides a comprehensive framework to address the factors that influence whether individuals choose to walk or cycle in their everyday lives.

LAND TRANSPORT AMENDMENT ACT (LTAA) 2005

The Act, passed in June 2005, includes various measures relating to land transport. It updates the licensing regime for commercial drivers, including working hours and logbooks; targets serious and repeat drink-driving offenders; and updates and clarifies other provisions including driver licensing, small motorised vehicles, and offences committed off-road.

NATIONAL ENVIRONMENTAL STANDARD FOR LAND TRANSPORT NOISE

National standard that sets limits of noise levels produced by land transport, to protect public health and improve the quality of life in communities around major roads and railways.

NATIONAL RAIL STRATEGY (NRS)

The government's rail strategy sets goals and priorities for the next ten years, including improving safety, upgrading the network, moving freight from road to rail where appropriate and increasing the use of rail for urban passenger transport, particularly in Auckland and Wellington.

NEW ZEALAND TRANSPORT STRATEGY (NZTS)

Released in December 2002, the NZTS outlines government's vision for transport in New Zealand "By 2010 New Zealand will have an affordable, integrated, safe, responsive and sustainable transport system" and describes how the transport system can respond to the social, economic and environmental needs of the nation.

RAIL NETWORK BILL

This Bill aims to establish ONTRACK (the trading name for the New Zealand Railways Corporation) as the government agency with responsibility for owning, managing and operating the national rail network (including tracks, tunnels and bridges, but not stations), signalling and train control, access to the network and charges, rail land, property and leases and an approved safety system.

RAIL SAFETY STRATEGY

Improving rail safety is a key objective, with targets to be set to reduce injury and fatalities across the network amongst rail workers, pedestrians and motorists (in preparation).

RAILWAYS ACT 2005

This Act sets the legal basis for an enhanced rail safety regime, providing clarity about the safety duties of all rail participants.

REGULATIONS

The Governor-General makes regulations, under the authority of Acts of Parliament. Regulations create offences, specify penalties, and prescribe fees and charges for transport. (See Rules.)

RESOURCE MANAGEMENT ACT (RMA) REVIEW

Government-wide review involved the Ministry and Transit NZ working together to represent the transport sector and transport Crown agencies.

RULES

The Minister of Transport or Minister for Transport Safety makes transport rules. Rules are delegated legislation – laws that are not contained in an Act of Parliament, but made under the authority of the transport Acts (*Civil Aviation Act 1990*, *Maritime Transport Act 1994* and *Land Transport Act 1998*). Ordinary transport Rules govern the construction and maintenance of vessels, vehicles and aircraft, their operation and the licensing of those who operate them. (See Regulations.)

SURFACE TRANSPORT COSTS AND CHARGES STUDY (STCC)

The study provides baseline data on the costs and charges associated with the road and rail networks. It identifies the cost road and rail users are paying at present, the costs road and rail impose on society as a whole and who, other than users, pays for land transport.

TRANSPORT SECTOR REVIEW

Review resulted in changes to the structure and operation of the Crown transport sector, moving policy functions to the Ministry of Transport from Transfund NZ and the LTSA, whose operational functions moved to new entity Land Transport New Zealand.

TRANSPORT SECTOR STRATEGIC DIRECTIONS (TSSD)

Document that sets out a sector-wide aligned strategic planning process for the Crown transport sector, and a strategic plan for three years (in preparation). The TSSD evaluates progress on the delivery of the NZTS, and sets priorities for the sector and how they will be achieved.

*RELEVANT TO SECTIONS 1 AND 2 OF THIS ANNUAL REPORT.

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