28 February 2019

Dear [Redacted],

I refer to your request transferred to the Ministry of Transport (the Ministry) on 5 February 2019, pursuant to the Official Information Act 1982 (the OIA), seeking “a copy of the 2017 Ministry of Transport Crown Entity Assessment of the NZ Transport Agency and ideally also the draft or completed 2018 (performance) assessment.”

Please find attached the 2017 Ministry of Transport Crown Entity Assessment Framework (CEAF) of the NZ Transport Agency you have requested. The 2017 CEAF was the final assessment prior to adopting a new monitoring approach across all transport Crown entities. The new approach uses targeted analyses of identified focus areas that are discussed in advance with the relevant Crown entity. Rather than relying on an annual, overarching assessment such as the CEAF, the new monitoring approach provides a rolling coverage of targeted areas across the agency. This new approach reached the implementation stage towards the end of 2018. As such, there is no CEAF for 2018 with which to provide you.

Yours sincerely,

Ngaire Best
Manager, Governance and Commercial

www.transport.govt.nz
New Zealand Transport Agency Crown Entity Assessment 2017

Agency purpose and function

The New Zealand Transport Agency’s (NZTA’s) purpose is to contribute to an effective, efficient and safe land transport system in the public interest. The NZTA is a large agency operating in the land transport sector undertaking the delivery of a diverse range of outputs.

- Planning the land transport system including developing a National Land Transport Programme
- Delivering system platforms
  - planning, building and maintaining the State highway network
  - supporting local road investment and maintenance
  - investing in regional roads
  - investing in public transport technology, facilities and infrastructure
  - investing in new and improved walking and cycling infrastructure
  - investing in the motor vehicle and driver licensing registers
- Operating system services (regulatory services function, and operating the State highway network function)
  - operating the State highway network
  - administering the SuperGold cardholder scheme
  - licensing and regulatory compliance including driver licensing
  - operating the motor vehicle registry
  - managing road tolling
  - collecting, investigating and enforcing road user charges
  - managing refunds of fuel excise duty
  - promoting of road safety
  - detailing road policing services (approved by the Minister) to be provided by the New Zealand Police.
Key findings from the 2017 assessment

- There was good alignment of the NZTA’s strategy and actions to the previous Government and Minister’s expectations, showing that the NZTA is responsive to government policy. This responsiveness positions the NZTA well to implement the new policy priorities of the current Government.
- The Board has a good range of skills and is able to perform.
- The Board will need to continue to ensure that the National Land Transport Programme will make the contribution sought by Ministers.
- The entity has undergone significant organisational and associated systems changes. It is too early to see the impact. We expect to see an improvement in organisational systems over time resulting from the changes.
- We have heard that some stakeholders are not sure whom to contact in the NZTA about particular issues. We expect this to be a short-term impact, which will diminish as vacancies are filled and the organisational changes are embedded.
- As outlined last year, we understand that a number of critical systems and processes are either mature, or close to the end of their working lives. This will need to be progressively addressed by the NZTA to ensure on-going service delivery.
- The Board will need to ensure that it holds management to account for delivering fee reviews in a timely way to avoid growing surpluses and deficits in the regulatory service delivery memorandum accounts.

This assessment is reached after considering NZTA’s past and present performance across the following four performance dimensions:

Alignment (to legislation and government priorities) – Doing the right thing

Overall, the NZTA is meeting its statutory objectives while giving effect to the previous Government’s and Minister’s priorities. The NZTA has shown that it is responsive to the direction of Government and the previous Minister’s expectations.

The NZTA has moved to a new approach of embedding the legislative objectives into its strategy with efficiency, effectiveness and safety coming through strongly in its focus areas. There is good high-level alignment of the NZTA’s Statement of Intent 2017-21 with the Government Policy Statement on land transport 2015/16-2024/25 (GPS 2015) and the earlier consultation draft of the Government Policy Statement on land transport 2018/19-2027/28 (GPS 2018).

The NZTA has taken the opportunity in developing a new Statement of Intent to embed technology into its strategy. This shows how the NZTA has responded to the previous Minister’s technology expectations, in earlier Letters of Expectations, around the application and use of new technology in the delivery of services.

The NZTA will need to use its strength in being responsive to align the NZTA to the current Government’s priorities.

Leadership – (The Board) Being accountable and demonstrating leadership

Overall, we consider that the Board has the capability and skills to remain high performing in its leadership role.
The new Board members appointed in 2017 have undergone tailored induction processes so that they are well placed to perform. As a whole, the Board members are competent with a good range of skills to be able to perform their governance role.

The Board undertakes regular self-assessment and puts in place steps to improve performance.

The Board has changed the key performance indicators it uses to assess the NZTA’s progress in meeting its legislative objectives. Most of the new measures have baselines, and the NZTA is working to expand the coverage of a number of the new measures.

The NZTA Chief Executive verbally briefs the Minister on risks and issues as they arise so that there are no surprises for the Minister. This is followed by discussions at regular Ministerial meetings.

In the next year, the NZTA will need to complete the work on its new indicators so the Board is able to assess the impact that the NZTA’s activities are having on the key outcomes sought.

**Organisation – (The entity having the) Right capability and capacity**

Overall, the NZTA is poised to improve its organisational performance in the future. It has taken a number of steps in 2016/17 that will support future delivery and performance.

The NZTA has undergone significant organisational change and is filling vacancies in its new structure. As the vacancies are filled, the NZTA will be able to make the most of the accompanying structural and system changes. As with any restructuring of this nature, it will take some time before the benefits of the organisational change are evident.

**Operational excellence**

There are a number of variances in the financial statements greater than ten percent (revenue from other activities, interest and finance costs, depreciation and amortisation expenses, public private partnership assets and borrowing). These are explained, by the NZTA, as resulting from: information not being available at the time of the forecasts, items not budgeted for, volume changes, and slower progress with delivery. As expected, the main costs not budgeted for related to the response to the November 2016 earthquakes.

While the regulatory aspects of the NZTA’s business are not financially significant to the organisation they still require good management. The NZTA was due to undertake a rail licensing funding review in 2015/16. This is now expected to be completed in 2017/18. In 2017, the NZTA Board addressed the accumulated deficit of $4.931 million in the rail licensing memorandum account. In 2016/17, the NZTA outlined that it was undertaking an additional two fee reviews which were not completed. It is important that planned fee reviews are completed to ensure all the individual memorandum account balances return to a zero over time and that the Minister can be assured that the public are paying close to the average cost.

The NZTA also highlights that there are risks around the cost and timing of Transmission Gully and local government focusing on other non-transport priorities.
Performance reporting has moved to annual milestones while the NZTA develops and implements decision-making systems to support its new organisational structure and way of operating. We look forward to seeing the results of the new planning systems being implemented.

**Systems**

The NZTA has a number of critical systems and processes that are either mature or close to the end of their working lives. Given the expectations for increasing digital provision of its services, this is going to be challenging in the next few years. The NZTA is developing a strategy for addressing its mature systems.

There has been an increase in staff turnover from 11 percent in 2015/16 to 15.3 percent in 2016/17. This is higher than the State Services Commission benchmark of 11.1 percent, however, with organisational change, this is not unexpected.

After a good outcome in staff health and safety in 2015/16, there were two fatalities in 2016/17 where contractors were undertaking maintenance activities. The NZTA is focusing its audit and inspection processes on where the critical health and safety risks are to support its work on policies, procedures and information.

There is some evidence to suggest that the NZTA’s internal systems, while normally being responsive, are not always able to provide timely information in response to specific requests from the Minister’s office or the Ministry. It has also not always been clear when information requested is able to be provided. This may be compounded by process issues which have required information to be provided to the Minister’s office via the Ministry, rather than direct. These processes are currently being reviewed. In addition, accompanying the NZTA’s organisational changes are a number of system and cultural changes, which create the opportunity for improvements in the future.

**Engagement**

The NZTA works closely with a number of stakeholders including local and regional authorities in the delivery of its outputs and services.

The NZTA has not undertaken a stakeholder survey in 2016/17. The survey undertaken in 2015/16 showed an improvement in NZTA’s stakeholder engagement over the previous year. The NZTA did not undertake a stakeholder survey in 2016/17 as the NZTA is implementing organisational change. However, some informal feedback received direct from stakeholders suggests a mix of views about the NZTA’s engagement with regional and local government. The NZTA is generally considered to do a good job with its engagement with local government, but the NZTA restructuring is causing some confusion with regional government contacts. This is expected to be temporary as the new organisational structure is embedded and vacancies filled.

As part of the Investor Confidence Rating mid-term review it was found that, the NZTA is contributing well to the wider system in the information and communications technology and procurement areas. However, as noted in the recent review there is room for improvement in ensuring that the NZTA works cooperatively with the other transport sector organisations to provide the best possible advice to Ministers.
The NZTA is a very public facing organisation with an extensive media and communications function. We have not undertaken a comprehensive assessment of media and communications performance, but note that the NZTA is undertaking a review of this area. We look forward to receiving the outcome of the review.

Results – (The entity) Performing to expectations

Overall, the NZTA has achieved substantial delivery in 2016/17 through its activities and that of its partners. The majority of the NZTA’s 2016/17 annual milestones were achieved (74 percent) or substantially achieved (18 percent). For the goal and priority success indicators, the NZTA reported that seven out of 15 indicators (those it can report on) are moving in the desired direction.

There is a mismatch between the delivery of services and the achievement of results in some areas. In particular, the NZTA has a target of reducing deaths and serious injuries. The NZTA is reporting that its drink driving and mistakes campaigns performed beyond expectations in 2016/17 and that two post-implementation studies undertaken on past roading improvements are showing good results for reducing accidents. Despite this, death and serious injuries have increased by more than the percentage increase in vehicle kilometres travelled. This is a system issue involving a range of agencies, including the Ministry, the Police and local government. The NZTA will need to ensure that it works closely with these agencies to understand the causes of the current trend, and develop the most cost effective activities and measures, to support its target of reducing deaths and serious injuries in the future.

In terms of the key programmes of interest to the previous Government:

- Two out of the six Roads of National Significance milestones were achieved and an additional two were substantially achieved. The remaining two were not achieved but some progress was made.
- Two out of the three NZTA-led project milestones for the Accelerated Auckland Transport Programme were achieved and the remaining one is substantially achieved.
- Eleven out of the 14 milestones for the Accelerated Regional Transport Programme were achieved. The remaining milestones were not achieved but some progress was made.
- Seven out of the eleven urban cycleway milestones were achieved and a further two were substantially achieved. The remaining two milestones were not achieved but some progress was made.

The NZTA has recently provided the first 2017/18 quarterly report which indicates that the majority of the significant capital projects are expected to completed on time and on budget.

The NZTA has taken steps to address the issues of fraud (driver licensing and mobility support) identified in 2016. This is expected to lead to an improvement in the effectiveness of the delivery of the NZTA’s regulatory activities over time.
The NZTA worked to bring down the processing time for passenger endorsements and has made significant progress in this area so that this is now five working days (or fewer) on average.

Update on key findings from the 2016 assessment

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<th>Challenge/Oppportunity</th>
<th>Comment</th>
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<td>1. Meeting the challenge of moving to a truly technologically embedded transport system.</td>
<td>This remains a challenge for the NZTA. The Statement of Intent 2017-21 has a greater emphasis on embedding technology into transport solutions. It will take time before we see the results from the use of existing technology.</td>
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<td>2. Building a consistent framework for performance data to support the 'one transport agency' model and improve information accessibility.</td>
<td>The NZTA has a new set of performance indicators to measure progress implementing its strategy. The framework for the new indicators is focused, balanced, and appropriate. However, some of the indicators are still underdevelopment and this development work needs to be completed.</td>
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<td>3. Maintain core regulator and operational delivery during the next period, as the expectations of Ministers and stakeholders continue to increase.</td>
<td>The NZTA has significantly improved its performance in processing of passenger endorsements to meet Ministerial expectations. As outlined last year, the systems underlying core regulator and operational delivery need to be progressively updated.</td>
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All of these remain live issues for the NZTA to address.

Work the NZTA already has underway that will assist in improving the NZTA’s performance

- Continuing development of the new outcome indicators to expand the scope of their coverage as set out in the NZTA’s Statement of Intent 2017-21.
- Improving collaboration with central agencies and the Ministry to ensure high-quality timely advice to the Minister of Transport.

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