

Ministry of **Transport**
TE MANATŪ WAKA

ANNUAL REPORT

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The Ministry's Purpose

HE WHAKAMANA I A
AOTEAROA KIA MOMOHO

ENABLING
NEW ZEALANDERS
TO FLOURISH

Contents

Chief Executive's Introduction	3
Our Context – The New Zealand Government Transport Sector	5
Our Strategic Framework	7
Our Vision – A Transport System that Improves Wellbeing and Liveability	9
Overview of Ministry's response to COVID-19	10
Work carried out in 2019/20 against Transport Outcomes	11
 Inclusive Access	
 Economic Prosperity	
 Resilience and Security	
 Environmental Sustainability	
 Healthy and Safe People	
Our Strategic Focus Areas	24
 Being the System Steward	
 Shaping the Future	
 Building our Capability (including organisational impacts of COVID-19)	
Statement of Responsibility	38
Financial Overview	39
Financial Performance	41
End-of-year Performance Information	76
Independent Auditor's Report	93
Report in Relation to Additional Non-departmental Appropriations	97
Directory	106

CHIEF EXECUTIVE'S INTRODUCTION



Tēnā koutou katoa

A safe and well functioning transport system is a key enabler for New Zealand's social and economic wellbeing. As stewards of this system, the Ministry of Transport responded quickly to the events that challenged our society and economy in 2019/20.

The COVID-19 pandemic presents the nation with an unprecedented variety of risks and issues, many of which involve the movement of people and goods. Working in close partnership with government agencies, the private sector and community organisations, the Ministry moved quickly to control people movements at the border, and to implement the alert level system to limit the spread of the virus, and save lives.

As the virus spread around the world, air travel was virtually shut down. This island nation relies on exports for economic prosperity and imports for vital supplies, so viable air and sea connectivity is critical. In March, a \$600 million aviation support package was launched as part of the Government's COVID-19 response. The package provided immediate support to maintain lifeline connectivity for remote regions and provide essential air freight capacity to global markets. Direct support for the transport sector has since extended to land and maritime transport operators, with the launch of the Essential Transport Connectivity Scheme.

COVID-19 has cast a long shadow over many aspects of our lives, and has impacted the Ministry's work programme. While some work streams were delayed, our mandate to deliver on the Government's transport priorities continued. Work on the Government Policy Statement on land transport 2021, which sets out how funding is allocated between activities such as road safety policing, investment in state highways, local roads and public transport, was completed and released by the Minister in September 2020. The Ministry also delivered the draft New Zealand Rail Plan, which outlines the Government's long-term vision and priorities for the national rail network.

As part of multi-agency collaborations over the past year, the Ministry provided advice for the proposed Auckland Light Rail project and the Upper North Island Supply Chain Strategy. We also played a key role in transport infrastructure announcements from the Provincial Growth Fund, NZ Upgrade Programme and Let's Get Wellington Moving. Teams from the Ministry also continue to work on delivering the ground breaking Auckland Transport Alignment Project and City Rail Link.

The fundamental purpose of our transport system is to enable New Zealanders to flourish, by improving people's wellbeing, the liveability of places, and enabling social and economic growth. The outcomes framework, which was launched in 2018, continues to guide policy development and assessment within the Ministry and across Crown transport agencies. This framework identifies the five key outcomes that transport contributes to, namely; inclusive access, healthy and safe people, economic prosperity, environmental sustainability, and resilience and security.

A good example is the new Road to Zero road safety strategy launched in December 2019. Keeping safety as a strategic priority reflects the Government's commitment to see a significant reduction of deaths and serious injuries on our roads and underscores a key priority of the outcomes framework, namely healthy and safe people.

During lockdown, we all saw how travel habits changed across the country. Some were temporary, while others will be long-lasting. For many, this highlighted how working from home and greater use of walking, cycling and public transport can improve our environment and help combat climate change. Data and insights collected during this period will help inform transport planning and policy development in the years to come.

Almost all that the Ministry has achieved over the past year has been done with the support of our partners in the public and private sector, and local community groups. In particular, I would like to thank the ports, airports, airlines, shipping companies, freight forwarders and numerous other entities who came together to facilitate a successful nationwide response to the pandemic. None of the gains made by the nation in the fight against COVID-19 would have been possible without their collaboration and support.

I am proud the collective values of everyone at the Ministry shone brightly during the response to the virus, namely to be bold, invested and collaborative. In the recovery from COVID-19 we know that our work is vital to the safety and prosperity of everyone in New Zealand and we are committed to providing the Government with the highest level of advice to support the recovery effort.



Peter Mersi
Chief Executive, Ministry of Transport

THE MINISTRY OF TRANSPORT



Our Context – The New Zealand Government Transport Sector

THE NEW ZEALAND GOVERNMENT TRANSPORT SECTOR

Minister of Transport and Associate Ministers of Transport



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



(including the Aviation Security Service)



(independent Crown entity)



Civil Aviation Authority

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

Aviation Security Service

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

Maritime New Zealand

Promotes commercial and recreational vessel safety, marine environment protection standards, and monitors port and ship security.

Controls entry to the maritime system, through granting of maritime documents and inspection of ships, and advises on international conventions.

Investigates maritime accidents and coordinates category II search and rescue.

Provides oil spill preparedness and response, navigation aids and the distress and safety radio communications system.

Waka Kotahi

Allocates funding for land transport infrastructure and services through the National Land Transport Programme.

Manages access to the transport system through driver and vehicle licensing, vehicle inspections and rules development.

Provides land transport safety and sustainability information and education.

Manages the state highway network, including maintenance, improvements and operations activities.

Transport Accident Investigation Commission

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

City Rail Link Limited

Full governance, operational and financial responsibility for the Auckland City Rail Link, with clear delivery targets and performance expectations.

Established on 1 July 2018 as a Schedule 4A company under the Public Finance Act. It is jointly owned by the Crown and the Auckland Council.

Three State-owned enterprises with transport functions



Airways Corporation of New Zealand Limited

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



Meteorological Service of New Zealand Limited [MetService]

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



KiwiRail Holdings Limited [trading as KiwiRail Group]

Manages the rail and ferry businesses owned by the New Zealand Government.

Local government

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



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

Our Strategic Framework

OUR PURPOSE

He whakamana i a Aotearoa kia momoho
Enabling New Zealanders to flourish

OUR VISION



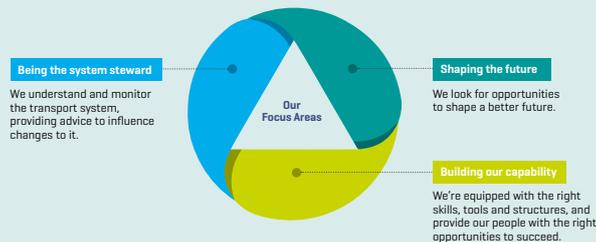
OUR ROLE

We are the Government's system lead on transport

OUR FUNCTIONS

- ▶ Leading system direction and strategy
- ▶ Shaping regulatory stewardship mechanisms
- ▶ Monitoring and evaluating system and government agency performance
- ▶ Influencing to achieve broader government outcomes
- ▶ Driving revenue raising and investment choices
- ▶ Influencing development of international standards

OUR STRATEGIC FOCUS AREAS



OUR WORK

- ▶ Government work programme
- ▶ Focus-area-specific deliverables
- ▶ Organisational foundations

OUR VALUES

- ▶ He Māia
- ▶ Kei Roto Mātau
- ▶ He Mahi Ngātahi
- ▶ Bold
- ▶ Invested
- ▶ Collaborative

Our Strategic Framework

Our Strategic Framework helps explain how we deliver on our ultimate purpose – He whakamana i a Aotearoa kia momoho – Enabling New Zealanders to flourish. It helps us to see where we are heading and how we will get there.

At the heart of our purpose is people. Transport touches people's lives in many ways and directly affects our wellbeing. It provides people with access to social and economic opportunities, and plays a critical role in supporting the productivity of our economy.

THE TRANSPORT OUTCOMES FRAMEWORK

Our Vision is a transport system that improves wellbeing and liveability. This is the central aim of the outcomes framework.

We must develop and maintain strong partnerships, and work collaboratively with others to be successful. To do this, we need a consistent approach to the way we think about the impact of the decisions we take. By having a shared vision, and looking at the impact of transport decisions, whether positive or negative, we can see how the system as a whole is contributing to achieving that vision.

The five transport outcomes that support our vision are: resilience and security, economic prosperity, inclusive access, healthy and safe people and environmental sustainability.

The outcomes framework is enduring and directly links to the broader living standards framework developed by The Treasury.

OUR ROLE

The Ministry's role is to be "The Government's System Lead on Transport".

OUR FUNCTIONS

In order to achieve our long-term outcomes and the Government's priorities, we rely on influencing decisions through our functions of:

- ▶ **Leading system direction and strategy** – we assess transport trends in New Zealand and overseas, we model key outcomes, we research and evaluate, and we work to understand new transport technologies and their place within society, the economy and the environment.
- ▶ **Shaping regulatory stewardship mechanisms** – the Ministry has a responsibility under the Public Sector Act to provide long-term stewardship of the transport system. To do this, we work closely with transport Crown entities on a regulatory stewardship work programme, aimed at ensuring the transport regulatory system is fit for purpose and forward leaning.

- ▶ **Monitoring and evaluating system and government agency performance** – as part of our stewardship responsibilities we monitor transport Crown entities and other government owned transport assets, including the Joint Venture Airports, to ensure they are meeting system objectives. We also advise the Minister on appointments to the Crown entity boards, setting and clarifying expectations for each entity, and reviewing the performance of the boards.
- ▶ **Influencing to achieve broader government outcomes** – we provide leadership across the transport system and in the wider government sector, making connections and influencing across the network of transport users, providers and regulators. We assist government to set and explain the strategic direction for the transport system and its inter-relationship with other systems.
- ▶ **Driving revenue raising and investment choices** – we advise government on the appropriate mechanisms for raising revenue for the transport system, and how that revenue should be spent to maximise value from investments in the transport system.
- ▶ **Influencing development of international standards** – we engage with our international counterparts, and international regulatory bodies, to ensure that New Zealanders and their export goods can travel freely, and we can influence the development of key international standards that impact on New Zealand's transport system.

GOVERNMENT'S WORK PROGRAMME

While the outcomes framework captures the impact transport has over time, governments can choose to emphasise particular outcomes over others. The Government's work programme provides a focus for the Ministry.

OUR STRATEGIC FOCUS AREAS

In addition to the Government's work programme, we also have our own Ministry-driven focus areas. We use these as a lens to inform how we carry out the Government's work programme, and to guide our longer-term work as we look to fulfil our system leadership role.

Our focus areas for the next five years are:

- ▶ **Being the system steward** – using our unique overview perspective to understand the transport system, monitor and guide it.
- ▶ **Shaping the future** – in everything we do, we look for opportunities to shape the future with an eye on sustainability and optimising the outcomes for all New Zealanders over time.
- ▶ **Building our capability** – ensuring we are equipped with the right skills, tools and structures, and provide our people with the opportunities to succeed.

VALUES

Our values represent what the Ministry of Transport stands for, they capture the behaviours and characteristics we value, and expect everyone in the Ministry to model on a day-to-day basis.

- ▶ **He Māia. Bold** – We step up to challenge difficult issues, provide free and frank advice, and have the flexibility to change our approach or position if needed. We understand that sometimes our decisions won't be popular but we clearly articulate our rationale and adapt our delivery to give our advice the best chance of success.
- ▶ **Kei Roto Mātau. Invested** – We know our purpose and strive to make a difference, take pride in our work and hold ourselves accountable for delivering high quality outputs. We ensure our work is robust and thoughtful through the questions we ask and the people we involve.
- ▶ **He Mahi Ngātahi. Collaborative** – To make the biggest difference we maintain and grow strong relationships. We show we respect others, are open for business and connected to those around us. We invest energy to ensure we involve the right groups and actively seek opportunities to share our thinking.

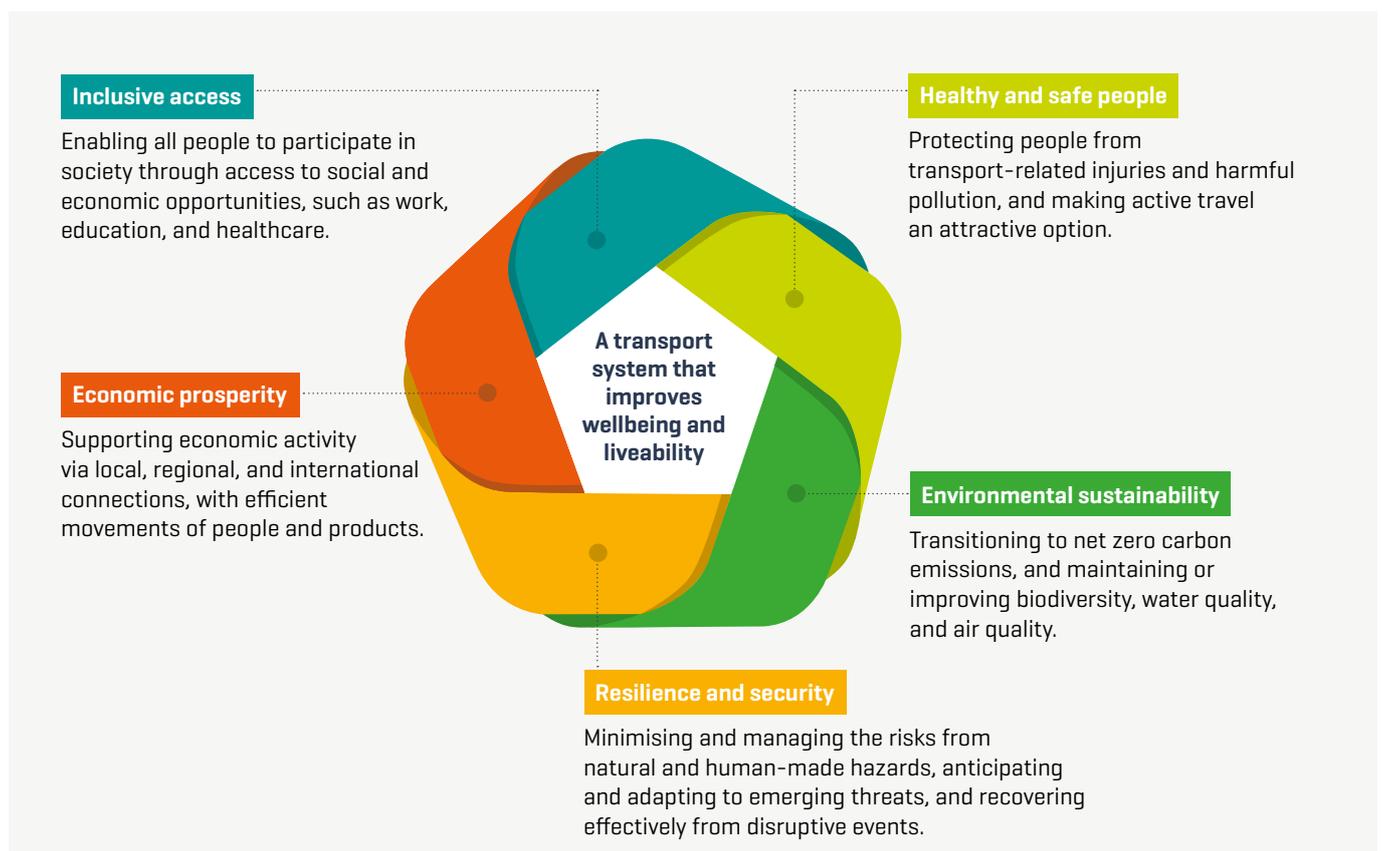
Our Vision – A Transport System that Improves Wellbeing and Liveability

TRANSPORT OUTCOMES FRAMEWORK

The purpose of the transport system is to improve wellbeing and liveability for all New Zealanders. The transport system can do this through achieving five inter-connected outcomes: inclusive access, healthy and safe people, economic prosperity, environmental sustainability and resilience and security.

To help us quantify and measure our progress towards improving wellbeing and liveability for all New Zealanders, we consulted with an extensive range of stakeholders to develop a set of indicators for each outcome.

In April 2020, the 37 indicators were published on our website. As well as publishing headline data, we published a data sheet to enable interested parties to undertake their own analysis, and form their own views about how the transport system is performing. The indicators will continue to be developed over time as new datasets become available, and we find new ways to use them to improve system-wide decision making.



Overview of Ministry's response to COVID-19

The Ministry started monitoring COVID-19 in late December 2019 and in January 2020 began planning to manage the likely impact on the transport system.

Our role is enabling the transport system to maintain domestic and international connections, and facilitate trade.

Our planning activity escalated as needs and issues became apparent and we had completed preparatory work before the announcement of the alert levels and subsequent implementation of alert level 4. By early March, we had fully activated the Transport Response Team (TRT), working from a coordination centre in Wellington. The TRT took a lead in:

- ▶ working with industry and agencies to support smooth changes between alert levels, developing and distributing guidance and FAQs
- ▶ monitoring and managing systemic issues across the transport network
- ▶ coordinating response activities across the transport network
- ▶ informing the public about transport issues that affected them, such as vehicle and driver licensing changes, advice to ministers and all-of-Government response teams
- ▶ readiness to respond to concurrent events.

Throughout all COVID-19 alert levels, the Ministry has worked with other agencies across government to protect New Zealand's aviation and maritime borders against COVID-19.

We remain ready for a resurgence of COVID-19 and will continue to enable the transport system to operate effectively through changes to alert levels while helping to drive economic and system recovery.

We have considered the impacts of COVID-19 and do not believe any material accounting issues have arisen due to this.

The Ministry has had to reprioritise resources as a result of COVID-19 and the effects are explained in Notes 18 and 19 of the departmental financial statements.

RECOVERY

The Ministry is heavily involved in maintaining transport linkages in local and international markets in order to support economic recovery. Key issues include recovery of the aviation system, the public transport sector, and returning the freight sector to a sustainable state.

The Ministry is working across government and with the aviation sector on a work programme to support border and global market re-entry as safely and as quickly as possible while recognising that international travel poses a high risk. We remain closely involved in international developments, including through the International Air Transport Association, the International Civil Aviation Organization and other states on a bilateral and multilateral basis to facilitate international passenger services and air freight.

Some project work, already funded by Vote Transport, was halted during COVID-19 alert level 4. In some instances, the loss of four and a half weeks of construction time affected project timelines. The Ministry and transport agencies have worked together to determine work priorities that reflect changes to transport patterns and the impact of COVID-19 on agency revenue.

The Ministry is providing advice across the transport agencies, on short-term to medium-term investment priorities, and on how substantial COVID-19 related revenue and financing pressures could be managed. This advice has its foundations in a set of transport system-wide scenarios and models that the Ministry developed, connected into analysis across all sectors by other policy agencies and central government agencies.

MINISTRY OF TRANSPORT PRIORITIES

Work Carried out in 2019/20 Against Transport Outcomes

Work streams in the Ministry's 2018 - 2022 Statement of Intent were described under Government priorities. In this Annual Report we have reported our work under the transport outcomes framework. A table showing how the intentions in the Statement of Intent relate to the reports in this document is included on page 36.

The five outcomes are closely linked, and in many cases, work streams contribute to more than one transport outcome. For clarity, work streams are reported against their primary allocations.





Inclusive Access



Enables all people to participate in society, through access to social and economic opportunities such as work, education and healthcare.

The Inclusive Access outcome guides many parts of the Ministry's work programme. Over the past year we worked to increase the availability of viable transport options for all, improve transport affordability, remove barriers to access, and improve the perception of public transport, walking and cycling.

Core to our work has been building a better understanding of the transport needs of different communities. The partnerships formed with regional and local government through the Urban Growth Agenda, our stakeholder engagement to develop the Government Policy Statement on land transport (GPS) 2021, and our work with road users in developing the Accessible Streets and Innovating Streets frameworks, have all supported the Inclusive Access outcome. Our work on the Green Transport Card and the review of the public transport operating model have also helped make public transport more affordable and improved how public transport is regulated.

Collectively, this work has helped improve travel choice. Building on this, the GPS 2021 now prioritises better travel options, reflecting our understanding of the diverse needs of New Zealanders and the role of transport in enabling inclusive environments.

The Ministry's involvement in the COVID-19 response also illustrates how inclusive access is promoted and safeguarded during periods where travel is restricted. For example, the Ministry worked on social distancing guidance for public transport operators, and clarifying the powers available to road controlling authorities to make temporary changes to road layouts to allow more space for pedestrians and cyclists. This helped ensure safe and inclusive access to a range of transport modes during different COVID-19 alert levels.



COVID-19: Public transport

Restrictions in place as part of the Government's response to COVID-19 impacted public transport service provision and usage. The Ministry's immediate focus was on ensuring public transport could continue to operate as an essential service under all alert levels.

Distancing requirements at alert level 2 and above meant reduced capacity on public transport services (operating at 30-40% normal capacity). The Ministry worked with Waka Kotahi and councils to mitigate the network impacts of this reduced capacity through public messaging and proactive management of key terminals and interchanges.

The Innovative Streets for People pilot programme was introduced to make it faster and easier to transition our streets to safer and more liveable spaces. Under this initiative, councils could apply to Waka Kotahi to cover 90 percent of the cost of rolling out temporary street changes. These changes could include creating temporary cycle lanes and extending footpaths to help people maintain physical distancing and protect the increased number of people walking and cycling.

The Ministry will continue to monitor the sector to respond to alert level changes.

In the longer term, the Ministry is considering how our public transport work programme and policy priorities need to change in response to COVID-19 to ensure we are responsive to the challenges and opportunities for the sector.



Government Policy Statement on land transport

The GPS sets out the Government's priorities for expenditure from the National Land Transport Fund (NLTF) over the next 10 years. It sets out how funding is allocated between activities such as road safety policing, state highways, local roads and public transport. GPS 2018 took effect in July 2018.

As required under the Land Transport Management Act 2003, the GPS is reviewed every three years. GPS 2021 will update the strategic direction to reflect the Government's current priorities and investment levels from the NLTF between the years 2021/22 and 2030/31.

The four strategic priorities in the GPS 2021 are safety, improving freight connections, climate change, and better travel options. Other priorities of GPS 2018 have been maintained with some changes to reflect relevant strategies released since 2018, and the current needs of the system.

The Ministry facilitated eight weeks of public engagement on the draft GPS 2021 between 19 March and 11 May 2020. We are working with Waka Kotahi and the Treasury to advise the Minister on the short to medium term impact of COVID-19 on the NLTF.

The final version was released in September 2020.



Enhancing transport accessibility

Accessibility to transport supports social cohesion, mobility and wellbeing. There is a broad programme of work to enhance accessibility, particularly for the transport disadvantaged. We:

- ▶ Investigated the development of a Green Transport Card scheme to make public transport more affordable for low-income households
- ▶ contributed to the United Nations' review of New Zealand's implementation of the Convention of the Rights of Persons with Disabilities
- ▶ developed the Accessible Streets package for consultation. This is a set of proposed changes to transport rules that is intended make our streets and paths more accessible and safe.



Public transport

The Ministry commenced a review of the Public Transport Operating Model (PTOM). As a first stage we commissioned an impact evaluation. This evaluation was put on hold in early 2020 to allow key sector stakeholders to focus on responding to COVID-19. We commissioned an interim report based on the data collection and stakeholder engagement that was possible pre-COVID-19. We will use this report to determine next steps for the project. The scope and timing of the second stage policy and legislative review is being reconsidered in light of the impact of COVID-19 on the sector and our work programme.

The new rest and meal break provisions in the Employment Relations Act 2000 (ERA) became applicable to bus drivers on 6 May 2020. The Ministry continued to engage with the public transport bus sector to support implementation of these provisions. In early 2020, responsibility for convening the Rest and Meal Breaks Steering Group was transitioned to Waka Kotahi. COVID-19 impacted the ability of some operators to achieve full compliance with the ERA and sector engagement is ongoing to ensure the benefits to drivers of new rest breaks are fully realised.



Urban Growth Agenda

The Ministry is contributing to the Urban Growth Agenda cross-agency programme, led by the Ministry of Housing and Urban Development and the Ministry for the Environment.

We provided advice on a number of work streams, particularly the Hamilton to Auckland connection, the Queenstown spatial plan, the development of the National Policy Statement on Urban Development, and infrastructure funding and financing. We led on the Transport Pricing Pillar.



Let's Get Wellington Moving

Let's Get Wellington Moving (LGWM) is a joint initiative between local government and Waka Kotahi to deliver a programme for Wellington's transport network. The programme aligns with the transport outcomes framework and represents a collaborative, long-term approach to transport investment and planning.

The LGWM project team has been progressing the detailed investigation and development stages of the programme and engaging the public on the early delivery of the city streets package.

Since the Government announced the LGWM indicative package, we have stayed updated on its progress through good relationships with participants. We continue to meet regularly and encourage effective reporting to the Minister of Transport.





Economic Prosperity



Supports economic activity via local, regional and international connections, with efficient movements of people and products.

We worked to support our economic prosperity transport outcome in four key ways:



1. Focusing on the health of all transport modes, particularly aviation, that were affected by COVID-19. Investment was provided to ensure essential transport connectivity.
2. Support for mode choice, which assists business efficiency and resilience. The aviation relief package, Future of Rail investment programme and our coastal shipping research recognise that aviation, rail and coastal, as well as road transport, provide the choice and resilience needed for efficient New Zealand importers and exporters. The New Zealand Upgrade infrastructure investment programme provides significant and balanced investment across all transport modes.
3. Support for Auckland and the Upper North Island as a major driver of New Zealand's prosperity. The Auckland Transport Alignment Project, Auckland Rapid Transit and road pricing work recognise that free-flowing transport in Auckland is important for all of New Zealand's prosperity. The Upper North Island Supply Chain Strategy and focusing on future port arrangements considered this question, particularly from a freight perspective.
4. Support for regions. The Tuawhenua Provincial Growth Fund recognises that connectivity to and between regions with a range of quality transport modes enables economic prosperity



COVID-19: Support for aviation and essential transport connectivity

COVID-19 saw a large reduction in activity across the aviation sector, resulting in significant pressures for commercial aviation businesses.

The Government has put in place a \$600 million Aviation Relief Package. This package is focused on supporting the provision of essential aviation services, international air freight and maintaining regional and international connectivity throughout the response and to support future economic recovery.

The key components of the Aviation Relief Package are:

- Deferral of all planned reviews and increases of Government charges for 12 months that would impact the aviation sector.
- Six months' financial support to airlines to pay passenger-based government charges and Airways charges to assist in maintaining services that provide vital international connections to New Zealand.
- \$320 million towards the International Freight Capacity Scheme which is enabling the movement of critical goods like COVID-19 related supplies, medicines, and important machinery parts into New Zealand, as well as helping exporters get key high value exports to international markets. The scheme has led to over 70 cargo services being offered a week.
- \$10 million towards an Immediate Freight Capacity Scheme. The Secretary for Transport approved ten short-term funding agreements for a variety of air freight services, including a number of small regional carriers providing essential freight and life-line services to remote communities.
- \$30 million towards the Essential Transport Connectivity Scheme for aviation. This scheme provides temporary, short-term support for Transport operators to maintain essential transport connectivity throughout New Zealand. It provides financial support for airports, airlines and aviation support entities.
- \$20.3 million was also provided in the 2020 Budget for the Essential Transport Connectivity Scheme to maintain connectivity in the land and marine transport sector.



Rail

The Future of Rail Programme is led by the Ministry of Transport with support from the Treasury, Waka Kotahi and KiwiRail. A joint working group was established to deliver advice to ministers.

The Future of Rail review assessed the role of rail in New Zealand and how the rail network can help drive sustainable and inclusive growth. Following the review, the Government released the draft Rail Plan. The plan outlines the Government’s vision and priorities for rail and is the first part of enabling a new long-term planning and funding system for rail.

The Land Transport (Rail) Legislation Bill implements a new planning and funding framework for the heavy rail network owned by KiwiRail.

Our work under Budgets 2019 and 2020 helped to secure significant funding installments to deliver a reliable and resilient heavy rail network through rehabilitating KiwiRail’s network of freight and ferry assets. This means investing in track, bridges, tunnels, signals, and control systems around the country to make train services more reliable and resilient. Investment has also been made to help replace the Interislander ferries and associated portside infrastructure.



Coastal shipping

The Ministry of Transport is seeking to better understand the challenges, barriers and opportunities facing New Zealand’s coastal shipping sector. To ensure that we gather a wide range of perspectives and ideas we engaged with a range of coastal shipping stakeholders including freight and logistics companies, coastal shipping operators, port operators and shipping agents. We commissioned economic modelling for coastal shipping to build a strong evidence base and consider specific levers and investment opportunities. The economic modelling has now been completed, and the Value of Coastal Shipping report was released on 8 August 2020 and is available on the Ministry website.



Auckland Transport Alignment Project

To ensure the Government’s transport priorities in Auckland are implemented in a timely manner the Ministry has worked collaboratively with the Auckland Council, Waka Kotahi, Auckland Transport, KiwiRail and the Treasury, on the Auckland Transport Alignment Project (ATAP).

A focus of the programme is encouraging more public transport, walking and cycling relative to private vehicle travel [modeshift] in Auckland as well as providing the best transport options to support growth in the region. The ATAP Governance Group has ensured good progress with the transport programme for Auckland, with reporting on outcomes provided to the Auckland public for the first time. Work is underway to refine the ATAP 2018-2028 programme to ensure investment supports the New Zealand Upgrade Programme (NZUP) investment in key transport projects in Auckland, places a strong focus on the role of transport in climate change and delivers the best modeshift options. The first phase of this work is expected to be completed by November 2020.

City Rail Link (CRL) development opportunities

To ensure the \$4.4 billion investment in the CRL is maximised, a programme of above ground development opportunities has been identified. The Ministry has progressed work with City Rail Link Limited (CRL) to identify a number of options for development at the Mt Eden and Karangahape Station surrounds and precincts. Intensification in and around the stations is incentivised by the investment in the CRL and the new rail link allows for one of the largest transit oriented development projects in New Zealand. Work continues on development phases and partnership opportunities to deliver agreed precinct outcomes.

Drury Accelerated Transport Programme

The Ministry has been co-leading, with Auckland Council, the development of an accelerated transport programme to meet the needs of Drury, a growth area on the edge of Auckland, supported by major investment in rapid transit through the New Zealand Upgrade Programme. Drury will be home to 60,000 residents by 2048, so it is vital to ensure public transport is well networked in the area along with active modes. This programme is providing options to the Minister and Mayor of Auckland for investment to support growth, working alongside Waka Kotahi, Auckland Transport and KiwiRail. Future investment will ensure residents can access jobs and services efficiently, encouraging a move away from private vehicle use.



Economic Prosperity



Rapid Transit Network

Accelerating the development of Auckland's rapid transit system is a priority for the Government. It is about improving access to employment and education, unlocking housing and urban development opportunities as well as encouraging people to shift to public transport.

The ATAP identified the City Centre to Māngere corridor as the priority for delivery. It will improve access to economic, educational and social opportunities by connecting communities along the route and two of Auckland's biggest employment hubs – the City Centre and Auckland Airport. The corridor is approximately 25 kilometres in length.

In 2018, an unsolicited proposal to build and operate light rail was received from NZ Infra, a joint venture of the NZ Super Fund and CDPQ (Caisse de Depot et Placement du Quebec), while Waka Kotahi was developing a business case and undertaking early market engagement.

Cabinet considered how to proceed with the two options and took decisions in May 2019, directing the Ministry of Transport to lead a structured process to determine the preferred delivery partner. This structured process led to two proposals, that were evaluated by a team of experts drawn from across central and local government as well as specialist private sector expertise.

In June 2020 the Government ended the process to appoint a preferred delivery partner as Cabinet was unable to reach agreement.

Cabinet has tasked the Ministry of Transport and the Treasury with providing advice on public service delivery of the project. They will report back to the new Government after the general election in October 2020.

The Ministry of Transport's forward work programme on light rail is also considering how to ensure that there are fit for purpose policy and legislative settings for other rapid transit initiatives to take place in the future.



The Congestion Question Project

Growing congestion in Auckland is increasing travel times and unreliability, and affecting people's ability to access work, education, social and recreational opportunities. The Ministry is leading a cross-agency project with Auckland Council, Auckland Transport, Waka Kotahi and the Treasury to investigate whether or not to introduce congestion pricing in Auckland. The investigation includes assessing all aspects of how congestion pricing could be applied in Auckland.

We have made substantive progress in assessing the potential of congestion pricing schemes for Auckland. The work has considered how a range of options could be configured, how effective these options would be, and their wider impacts. The focus has been on technical work, and has included modelling the potential reduction in congestion, assessing the social impacts and how to mitigate these, and technical considerations, like what systems would be required to support congestion pricing. We will be reporting to the Minister of Transport and the Mayor of Auckland on this work.



Tuawhenua Provincial Growth Fund

The Provincial Growth Fund (PGF) aims to lift productivity potential in the provinces. Its priorities are to enhance economic development opportunities, create sustainable jobs, enable Māori to reach their full potential, boost social inclusion and participation, build resilient communities, and help meet New Zealand's climate change targets.

The PGF is an additional funding source for transport projects. It boosts funding available for regional projects, including those that do not meet the investment priorities for the National Land Transport Fund, or the draft New Zealand Rail Plan, but are important to a region's productivity potential.

As at 30 June 2020, \$633.43 million PGF funding was approved to Vote Transport projects. \$194.43 million and \$439.00 million were allocated to road and rail projects respectively.

The Ministry of Transport administers a Memorandum of Understanding that sets out which of its partner agencies deliver each project. The Ministry administers projects by entering into funding agreements with Waka Kotahi and KiwiRail to deliver the projects. The Ministry provides regular reports on projects to the Provincial Development Unit (PDU) within MBIE and the Associate Minister of Transport.



NZ Upgrade Programme

The New Zealand Upgrade Programme (NZUP) was announced in January 2020 as a \$12 billion Crown investment of capital to future proof and grow our economy. The Programme reflects the Government's balanced transport policy with \$6.8 billion being invested in rail, roads, public transport and walking and cycling infrastructure across New Zealand.

The projects are targeted at New Zealand's main growth areas – Auckland, Waikato, Bay of Plenty, Wellington, Canterbury and Queenstown. This funding is additional to investment in the transport system through the NLTF.

Since the programme was announced, COVID-19 has had an unexpected and significant impact on the economy, and will continue to do so for the near future. As the NZUP was initially designed as a fiscal stimulus package, the NZUP will now play an important part in New Zealand's economic recovery from COVID-19.

The programme is the single largest transport investment directly funded by the Crown. To ensure appropriate governance arrangements, the Ministry is establishing the NZUP Oversight Group as a key mechanism to oversee the delivery of the Programme and manage programme risk.



Upper North Island Supply Chain Study

The Upper North Island Supply Chain Strategy Working Group was asked by Cabinet to undertake a comprehensive review of New Zealand's freight and logistics sector for the Upper North Island, including ports. In December 2019, Cabinet considered the Working Group's final report. Cabinet noted that the Port of Auckland was not viable as the Upper North Island's key import port over the long term and tasked officials with undertaking further work on the issue.

Officials from the Ministry of Transport, the Treasury and the PDU looked at five options for relocating the Port of Auckland:

- ▶ Northport (as recommended by the Working Group)
- ▶ Port of Tauranga
- ▶ a shared increase in capacity at both Northport and Port of Tauranga
- ▶ a new port in the Firth of Thames
- ▶ a new port in the Manukau Harbour.

An independent consultant, Sapere, was commissioned to develop a report to inform this work. The Sapere report and associated working papers was released by the Government in early July 2020 (available on the Ministry of Transport website).

Because the three Agencies have been focused on COVID-19 response and recovery work they were not able to provide policy advice on Sapere's assessment of the benefits, costs, risks and uncertainties associated with the options. As a result further policy analysis will be needed in 2021.





Resilience and Security



A resilient and secure transport system minimises and manages the risks from natural and human-made hazards, anticipates and adapts to emerging threats, and recovers from disruptive events.

Over the past year, the Ministry has developed a new framework and work programme to improve the resilience and security of New Zealand's transport system. This covers all transport modes: air, land and sea.



The Ministry leads policy and strategy relating to the reduction, readiness, response and recovery of the transport system to emergencies and events. We do this by leading operation of the Transport Response Team and as the lead agency for transport in the emergency management system.



While our work addresses response and recovery following major incidents, we also work proactively to reduce the impact of future events on the transport network. This requires close collaboration with industry stakeholders, other government agencies and international partners.



The key pillars of our work in 2019/20 included:



- ▶ amending legislation [such as the Maritime Transport Amendment Bill and the Civil Aviation Bill],
- ▶ engaging in industry dialogue via sector forums and policy workshops to support strategic preparedness,
- ▶ developing a cross-modal transport security work programme, and contributing to the Government's counter terrorism and violent extremism programme of work, and
- ▶ developing working partnerships with government agencies and other stakeholders so that we are instantly ready to lead the transport sector whenever a response is needed.



During a response, we act as the transport system steward to coordinate a transport response to nationally significant events. Some acute events, such as the Whakaari/White Island eruption or major flooding events, can be responded to with a surge of activity in a relatively short timeframe. However, much of our work takes a long-term view. The current COVID-19 response is an example of this, and in 2019/20 we also continued to support work to reinstate the South Island Transport Corridors after the 2016 Kaikōura earthquake.



Strategic resilience and security

Setting the strategic direction for a resilient and secure transport system

The Ministry led the development of the Transport Resilience and Security Strategic Framework. This sets a clear vision and objectives for a resilient and secure transport system.

This framework sets the strategic direction for our resilience and security work programme, guided by the 4R framework: reduction, readiness, response and recovery.

Transport resilience and security, and the national security system (NSS)

Over the last 12 months, we have supported the NSS to respond to significant New Zealand resilience and security issues requiring transport sector involvement, including:

- ▶ Christchurch terrorist attack
- ▶ Whakaari/White Island eruption
- ▶ extreme weather events and road closures
- ▶ COVID-19.

Maritime

To strengthen the offshore oil and gas financial assurance regime we undertook analysis and industry engagement to develop new policy proposals culminating in the introduction and passing of the Maritime Transport Amendment Bill. We also undertook formal consultation on two Marine Protection Rule amendments and industry guidance. The new regime is now in force.



Aviation

We have actively supported and developed a more future-focused and enduring aviation system security programme of work. We have brought key stakeholders from the aviation sector and government together to better understand and address issues affecting aviation security. This involved domestic and international engagement.

The Ministry undertook analysis and industry engagement on security provisions for the Civil Aviation Bill, culminating in the release of an exposure draft of the Bill last year. This included new policy proposals for the interception of drones, protecting Aviation Security Officers and explosive detection dogs from assault and the incorporation of national security provisions.

Surface transport resilience

The Ministry and transport agencies have brought together a cross-modal transport security working group that will design and deliver a security work programme to prevent and prepare for events that could disrupt New Zealand's transport system.

This work also supports the NSS in achieving its counter-terrorism and violent extremism objectives. The transport sector is also benefitting from the working group's programme through the identification of synergies in threat and risk profiles, and learning how interventions for one mode can be adapted for others.





Environmental Sustainability



Transitions to net zero carbon emissions, and maintains or improves biodiversity, water quality, and air quality.

Reducing carbon dioxide (CO₂) emissions to net-zero globally is the highest priority in the fight against climate change, because unlike other gases, CO₂ stays in the atmosphere for hundreds of years¹. Greenhouse gas emissions from transport are nearly all CO₂, and transport is responsible for 44 percent of total domestic CO₂ emissions². Transport is also New Zealand's fastest growing source of greenhouse gas emissions.



The Climate Change Response (Zero Carbon) Amendment Act 2019 requires CO₂ emissions and other greenhouse gases³ to reach net zero by 2050. This legislated target, coupled with the scale of emissions from transport, make climate change mitigation a critical part of the Ministry's policy role. Mitigating the negative impact of transport on our air, water and biodiversity is also part of our environmental work programme.



In 2019/20 we focused our policy effort on road transport, which is the largest source of domestic greenhouse gas emissions. We progressed the Clean Car reforms to transition the light vehicle fleet towards low emissions and advanced our Green Freight strategic working paper that considers how emissions from road freight may best be reduced.



Alongside our work to reduce domestic transport emissions, we joined with the International Civil Aviation Organization and the International Maritime Organization to progress initiatives to address emissions from international aviation and shipping.



Moving to a low-emissions vehicle fleet

The Ministry facilitated the development of a cross-government low-emissions vehicle work programme, which has the goal that 95 percent of the vehicle fleet will be zero carbon emissions by 2050.

The proposed Clean Car policies are focused on reducing emissions in the light vehicle fleet by increasing the supply and demand for low emission vehicles, including electric vehicles, in New Zealand.

The Clean Car Standard is a CO₂ standard (also known as a vehicle fuel efficiency standard). It would require vehicle importers to progressively lower the CO₂ emissions of the vehicles they are bringing in. This would increase the supply of low emission vehicles, including electric vehicles.

The Clean Car Discount (also known as a feebate scheme) would make low emission vehicles, including electric vehicles, more affordable to buy, potentially by a discount of up to \$8000 for new vehicles and \$2,600 for used vehicles.

The policies would only apply to light vehicles entering the New Zealand fleet for the first time. They would not apply to vehicles that have already been sold in New Zealand.

Cabinet papers have been prepared for both policies ready for Government consideration.

For the heavy vehicle sector, we are progressing a Green Freight Strategy. In June 2020 the Ministry released its Green Freight strategic working paper. The working paper provides a comprehensive analysis of the challenges and opportunities associated with reducing emissions from the road freight sector. It looks at the role that new technologies (biofuels, electric batteries and hydrogen) could play, and the high-level policy options that governments could consider.



Electric vehicles

The Electric Vehicles Programme aims to increase the uptake of electric vehicles in New Zealand. The programme also aims to develop the electric vehicle market in New Zealand, and the supporting infrastructure for that market. High renewable energy levels mean that the emission reduction benefits of electric vehicles in New Zealand are greater than in most other countries, producing 80 percent fewer greenhouse gas emissions.

The Ministry is leading work on the enhancement of an Electric Vehicles programme, including e-bike initiatives.

¹ In comparison methane has a potent heating effect but is, on average, in the atmosphere for less than 10 years.

² For all greenhouse gases transport accounts for 21% of total domestic emissions. The other major emitting sectors are agriculture (47.8%), energy (19.6%), industrial processes (6.5%) and waste (5.1%).

³ In 2018 gross greenhouse gas emissions were made up of 44.5% carbon dioxide, 43.5% methane 9.6% nitrous oxide, and 2.4% fluorinated gases.



Marine Pollution (MARPOL Annex VI)

MARPOL Annex VI addresses two main issues with respect to shipping emissions:

- human health and local environments (including limits of sulphur oxide and nitrogen oxide emissions)
- greenhouse gas emissions (primarily carbon dioxide)

Annex VI will serve as the platform for an International Maritime Organization (IMO) greenhouse gas strategy, which will frame international shipping's climate change response for the foreseeable future.

The Government agreed to the planned accession to the IMO convention MARPOL Regulations for the Prevention of Air Pollution from Ships by late 2021.

Obligations under MARPOL Annex VI apply to all ships visiting New Zealand that are 'flagged' to states party to Annex VI. New Zealand flagged ships travelling to states party to Annex VI also have to comply with obligations under MARPOL Annex VI.

On the basis of New Zealand acceding to Annex VI by late 2021, ships operating only in domestic waters will have until early 2022 to comply, as Annex VI would come into force for New Zealand three months after accession. This gives shipping and fishing industries sufficient time to prepare for the new regulations.

Select Committee treaty examination of MARPOL Annex VI was completed in June 2020. Legislation is due for introduction early 2021, to be in force early 2022.



International Maritime Organization Intersessional meeting on greenhouse gases and Maritime Environment Protection

The International Maritime Organization (IMO) is the global standard-setting authority for the safety, security and environmental performance of international shipping.

The Ministry is responsible for coordinating New Zealand's position on the IMO Emissions Strategy for reducing greenhouse gas emissions from ships.

The meeting of the IMO Marine Environment Protection Committee in March was cancelled due to COVID-19. However, we attended virtual informal discussions and continued to engage with like-minded countries to ensure that the Organization has a work programme in place that will enable international maritime transport to reduce greenhouse gas emissions at a rate consistent with the Paris Agreement.



Carbon offsetting and reduction scheme

As part of the Civil Aviation Bill we are introducing a global market-based measure, the Carbon Offsetting Reduction Scheme for International Aviation (CORSIA). This measure has been agreed by the International Civil Aviation Organization (ICAO) which has a global aspirational goal to achieve carbon neutral growth in the international aviation sector from 2020.

Under CORSIA, aircraft operators will be required to purchase offsets, or "emission units", for the growth in CO₂ emissions covered by the scheme. CORSIA aims to address any annual increase in total CO₂ emissions from international civil aviation above 2020 levels.

New Zealand agreed to participate in CORSIA from 2021.

COVID-19 has significantly reduced global aviation traffic. The current CORSIA requirements called for 2019 and 2020 emissions to be used in determining the baseline emissions level. The reduction in aviation traffic means that the 2020 emissions are now likely to be significantly lower than what was originally projected. Subsequently, the ICAO Council has considered Covid-19 impacts on the rolling out of this measure, and determined that the 2019 emissions will be used in place of 2020 emissions to avoid inappropriate economic burden on the sector for the pilot phase from 2021 to 2023.

Air New Zealand is the only New Zealand international operator impacted by the CORSIA. It has been fully engaged in discussions on it and agrees with its introduction.





Healthy and Safe People



Protects people from transport-related injuries and harmful pollution, and makes physically active travel an attractive option.

The Ministry has a leadership role in improving the safety of the transport system, thereby reducing the social and economic costs of crashes and safety-related incidents while also contributing to other transport outcomes.



Many New Zealanders are reluctant to travel by foot, bike, or micro-mobility options due to a lack of safe infrastructure. Safer roads, footpaths, cycleways, and safe public transport services give people a wider range of transport options. Well-designed and safe transport networks also support productive economic activity by avoiding costly crashes, and by enabling more reliable travel times due to fewer disruptions from crashes.



Deaths and serious injuries occur far more frequently on our roads than in our rail, maritime and aviation sectors, so road safety is a focus for the Ministry. With the previous Safer Journeys strategy nearing its end we took the opportunity to develop a new road safety strategy that reflects what has and has not worked over the last decade, lessons from countries that have achieved greater road safety success, and to adopt innovative approaches appropriate to the New Zealand context.



In 2019/20, we progressed key actions under the Road to Zero action plan for 2020-2022, including actions on speed management, drug driving, and increasing the accessibility of streets and footpaths under the Accessible Streets programme.



Road Safety Strategy

The Government is continuing to take action on road safety, as committed to under *Road to Zero* – New Zealand’s new 10-year road safety strategy for 2020-2030 and accompanying initial three-year action plan.

Road to Zero is based on an ambitious ‘Vision Zero’ approach. Vision Zero builds upon the safe system approach to road safety, which seeks to understand how we can improve the safety of the road transport system as a whole rather than solely blaming individual users for making mistakes.

Road to Zero’s vision is a New Zealand where no one is killed or seriously injured in road crashes. It sets an interim target for reducing annual deaths and serious injuries on our roads by 40 percent by 2030. It is built on seven principles and has five focus areas: Infrastructure improvements and speed management, vehicle safety, work-related road safety, road user choices, system management. It also includes a robust outcomes framework for monitoring progress.

Road to Zero is accompanied by a three-year initial action plan. Progress on the 15 actions set out in the action plan is ongoing, and some key achievements over the past year include:

- Cabinet decisions on the proposed drug driving testing regime and the establishment of the Independent Expert Panel on Drug Driving
- public consultation on the Accessible Streets package of rule changes designed to increase the accessibility of streets and footpaths for all road users
- Cabinet agreement to the Tackling Unsafe Speeds package, and the passing of the Land Transport (NZTA) Legislation Amendment Bill. This Bill contains enabling provisions for Rule changes to bring the new speed management framework into effect.

However, the response to COVID-19 has impacted policy and legal drafting resources available to progress some actions in accordance with the published timeframes.

The response to COVID-19 has also had an impact on road safety. In the first six months of 2020, there were 145 fatalities on our roads [48 fewer fatalities than the same period last year].



Enhanced drug driver testing (drug driving)

In December 2019, the Government announced its proposal to introduce a new compulsory random roadside oral fluid testing scheme. This decision followed a public consultation period in May and June 2019, during which 88 submissions were received from a variety of submitters.

Key aspects of the proposed regime are:

- ▶ a compulsory random oral fluid testing regime, under which two failed oral fluid tests showing the presence of drugs leads to an infringement offence (with an option to elect an evidential blood test)
- ▶ retention of the current compulsory impairment test
- ▶ limits for the presence of drugs in blood to be prescribed in legislation, based on advice from the Independent Expert Panel on Drug Driving
- ▶ graduated sanctions, including infringement and criminal penalties for drug driving offences, based on exceeding the limits prescribed in legislation
- ▶ a medical defence for drivers who have consumed drugs in accordance with a prescription
- ▶ a harm minimisation approach to drug driving, providing both 'opt-in' and compulsory health referrals
- ▶ higher penalties for drivers that consume drugs with alcohol, or more than one drug.

A bill will be introduced in Parliament in 2020/21 to give effect to the proposed regime.

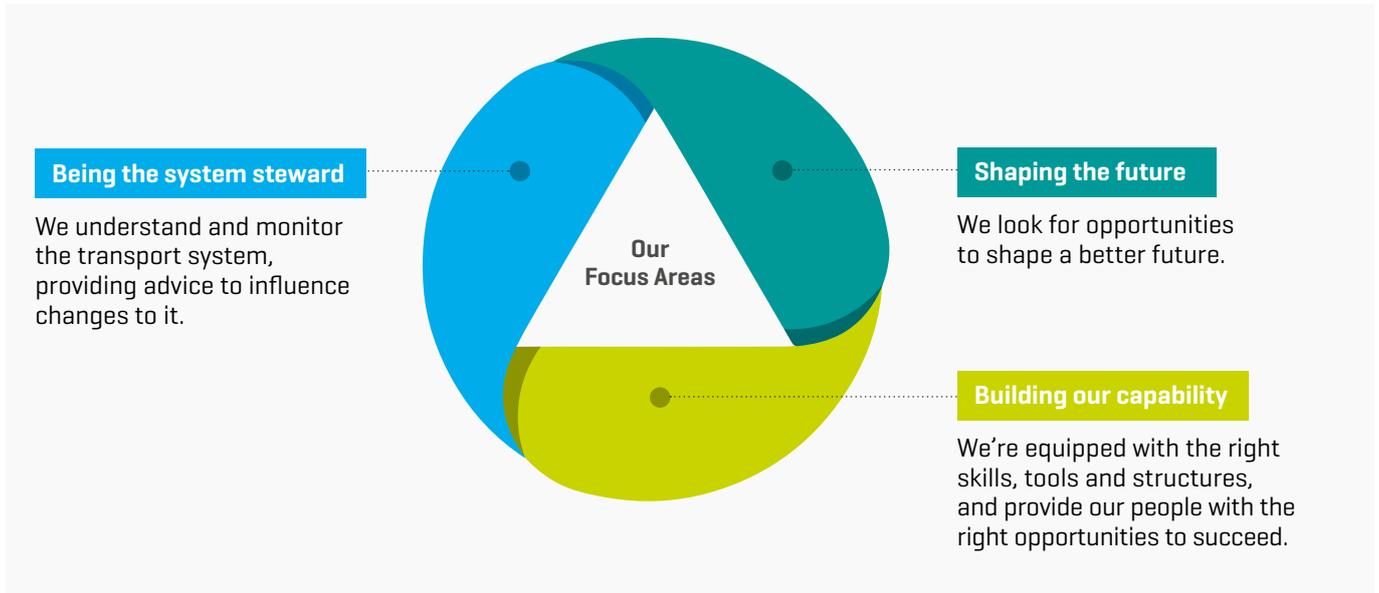


MINISTRY OF TRANSPORT PRIORITIES

Our Strategic Focus Areas



The Ministry Strategy



▶ BEING THE SYSTEM STEWARD

This means that we understand how the transport system works. We monitor how it is going and we work together with others to review what has been done. We provide analysis and advice so that we can continue to adjust and influence change in the system to ensure it delivers the best possible outcomes for New Zealanders.

🌱 SHAPING THE FUTURE

We anticipate emerging opportunities and risks. Through monitoring, modelling, research, and intelligence we look for opportunities to shape a better future, and collaborate to realise opportunities and mitigate risks. The advice we provide today helps inform decisions which have positive long-term outcomes for all New Zealanders.

🏢 BUILDING OUR CAPABILITY

We have the right skills, knowledge, experience and culture to deliver our work. Our people are given the opportunity to develop and excel. We have the structures, governance, disciplines, systems and tools we need to support our organisation to deliver its work in an open and transparent way. We are an excellent place to work and grow.

Being the System Steward



We understand and monitor the transport system, providing advice to influence changes to it.

The Ministry has a key leadership role in the stewardship of the transport regulatory system, in close conjunction with the transport agencies. We take a whole of system view, a proactive, collaborative approach to monitoring, reviewing and maintaining the system, and treat our regulatory system as an asset that requires long-term investment. This includes a rolling programme of reviews and changes to transport laws, regulations, and rules.

The Ministry reviews the levies, fees and charges that Waka Kotahi, Maritime NZ and the Civil Aviation Authority [CAA] use for their regulatory functions. Revenue streams for these agencies were impacted by COVID-19, and funding reviews across border and aviation agencies were suspended for 12 months. Liquidity facilities were established so the agencies could continue to operate.

The Ministry completed reviews into regulatory performance issues at Waka Kotahi and received a report on an associated review of its monitoring of Waka Kotahi. The Ministry also reviewed the CAA's organisational culture, after allegations of bullying and sexual harassment.



Performance of transport entities

The Ministry of Transport is responsible for overseeing the performance of and managing the Crown's interest in Waka Kotahi, the Civil Aviation Authority [the CAA], Maritime New Zealand [MNZ] and the Transport Accident Investigation Commission [TAIC].

We also lead the overall monitoring programme for the City Rail Link project [the Minister of Transport and Minister of Finance are shareholding ministers for the Crown's joint ownership of City Rail Link Limited [CRL] with Auckland Council], and are responsible for monitoring and administering the Government's contract with the Meteorological Service of New Zealand [MetService] and the Joint Venture Airports appropriation.

The actions we take across these roles are critical to ensuring the Minister has confidence that each agency is delivering its core capabilities for New Zealanders.

The Ministry's ongoing monitoring programme

Over the year, the Ministry also undertook a range of monitoring activities across the transport agencies, which included:

- advising the Minister of Transport on the delivery and performance of the transport Crown entities
- supporting the delivery of the transport sector fee and funding review programme
- supporting the Minister of Transport in making appointments to the Waka Kotahi, MNZ, CAA and CRL Boards
- completing strategic monitoring assessments to assess the capability and performance of the transport Crown entities
- beginning the development of a monitoring assessment programme that assesses Crown entity regulatory performance
- supporting the transport Crown entities as they respond to COVID-19. This included establishing liquidity facilities for the CAA, MNZ and Waka Kotahi to ensure core services could be maintained despite decreases in operational revenue.
- administering the contract update for MetService
- working with other monitoring agencies and the State Services Commission to support the development and sharing of monitoring best practice.

Key reports released during 2019/20:

- The independent review by MartinJenkins into the regulatory failure of Waka Kotahi and the Ministry's monitoring of Waka Kotahi,
- The review into the organisational culture of the CAA [including the Aviation Security Service].

The reviews were undertaken at the direction of the Minister of Transport.



Performance of transport entities

Review into regulatory performance issues at Waka Kotahi and the Ministry's monitoring of Waka Kotahi: This review took place between November 2018 and October 2019, and was commissioned after the Waka Kotahi board announced concerns about how Waka Kotahi was discharging its regulatory functions.

The review identified no single cause for the regulatory failure at Waka Kotahi, but rather a number of underlying factors. These included: weak regulatory leadership and expertise, a lack of a clear regulatory strategy and approach, regulatory capability and resourcing challenges, the absence of a strong regulatory culture, structural constraints, lack of accountability, and inadequate audit and risk management.

Good progress has been made by Waka Kotahi in the period since the review was commissioned. More funding has been provided to Waka Kotahi's regulatory function to support an increase in frontline staff within the agency's regulatory function and more governance oversight. There is still a significant amount of work ahead to build Waka Kotahi's regulatory capability and performance, and the Ministry will continue to monitor progress.

Concurrent with the review into Waka Kotahi, a review was carried out by MartinJenkins into the Ministry's monitoring of Waka Kotahi. This review found that significant improvements had been made to the Ministry's monitoring of Waka Kotahi since 2017, with the monitoring approach now more fit-for-purpose. More details on the MartinJenkins review into the Ministry's monitoring performance are available in the 'Building our Capability' section.

CAA Organisational Culture Review: In September 2019, the Minister of Transport asked the Ministry to review the CAA's organisational culture following bullying and sexual harassment allegations in the Authority.

The CAA review took place between September 2019 and May 2020 and focused on three areas: reviewing reports of bullying and harassment to understand how they were addressed, conducting a workplace culture assessment, and ensuring the appropriate policies, procedures and prevention controls are in place for managing bullying and harassment. The review included over 120 confidential interviews with past and present staff members, managers, board members and stakeholders.

The CAA Review did not find that there was a deliberate and tolerated culture of bullying and harassment, including sexual harassment within the CAA. However, it did find a culture in which these behaviours were able to occur due to the inability of leadership to understand how to build an appropriate culture, including an inability to adequately identify and address issues such as bullying and sexual harassment. Work is now underway within CAA to address the recommendations of the Review.

Establishment of the New Zealand Upgrade Programme (NZUP) Oversight Group

In January 2020, the Government announced a \$6.8 billion programme of investment in road and rail infrastructure. The Ministry, working with Treasury and the Infrastructure Commission, supported the establishment of the NZUP Oversight Group to provide oversight and assurance over the delivery of additional Crown investment in new transport infrastructure. The Oversight Group includes representation from the Ministry, the Treasury and the Infrastructure Commission, along with independent members who bring deep sector and technical expertise. The Oversight Group will continue to play an important assurance role, working closely with Waka Kotahi and KiwiRail, to ensure the effective delivery of the programme.



Being the System Steward



Regulatory stewardship

One way the Ministry meets its stewardship role is by managing the transport regulatory programme. This is a rolling programme of Act, Regulation, and Rule changes to ensure an effective transport regulatory system.

In 2019/20 we:

- ▶ Continued to implement the Transport System Regulatory Stewardship Plan 2019/22. This sets out how the Ministry and the other transport sector agencies will work together to ensure the development of robust regulation, review and assess the health of regulatory frameworks, and ensure the transport regulatory system remains up-to-date and fit for purpose.
- ▶ Strengthened a programme of regulatory stewardship within and across the Ministry and the transport agencies. This has included cross-agency structures for governance, identification of regulatory stewardship issues, resource allocation, policy work, and embedding an ongoing programme of Rule, Regulation and Act changes.
- ▶ Developed and supported the passage of the Land Transport (NZTA) Legislation Amendment Bill through to Royal Assent. The NZTA Bill creates the new role of the Director of Land Transport, and also establishes the Register of Land Transport Records to support speed management.
- ▶ Developed and supported a package of cross-modal regulatory stewardship improvements that have progressed through the Regulatory Systems (Transport) Amendment Bill, which is awaiting its second reading.
- ▶ Collected and analysed [ongoing] a second package of cross-modal regulatory stewardship improvements, as part of our ongoing regulatory programme. This package of changes is intended for consultation and a bill will be introduced to parliament in the next financial year.
- ▶ Continued work on a Civil Aviation Bill to repeal and replace New Zealand's two main pieces of primary aviation legislation – the Civil Aviation Act 1990 and the Airport Authorities Act 1966. During the year we consulted on an exposure draft of the Bill. It is expected that the Bill will be introduced in late 2020 or early 2021.
- ▶ Progressed drafting and initial testing of the Effective Financial Penalties Policy Framework and associated Financial Penalties Categorisation Tool, which provides a framework to support the setting and review of consistent and effective financial penalties across the 6000 plus offences in the transport offence framework.
- ▶ With Maritime New Zealand, identified and assessed a range of issues with the maritime offences framework, and progressed through initial steps to address these issues.
- ▶ Undertook an assessment of whether and how the Health and Safety at Work Act 2015 responsibility for land transport should be delegated to Waka Kotahi as the land transport regulator.
- ▶ Undertook design and preparation of a regulatory systems assessment for small aircraft and helicopters.
- ▶ Considered and provided advice on a range of issues about the regulation of towage and storage by the New Zealand Police and councils, and worked with Waka Kotahi to implement an initial operational solution.
- ▶ Reviewed and produced advice on the regulatory system for the transport of dangerous goods, including design and publication of the Dangerous Goods Systems Map.
- ▶ Prepared the Land Transport (Drug Driving) Amendment Bill for introduction to Parliament, which proposes a new random roadside oral fluid testing regime.
- ▶ Developed and undertook public consultation on the Accessible Streets package of rule changes, designed to increase the accessibility of streets and footpaths for all road users.
- ▶ Continued work on the Setting of Speed Limits Rule, which proposes a new regulatory framework for speed management and new requirements for safer speed limits outside schools, for public consultation in late 2021.
- ▶ Progressed a range of Transport Rules projects including:
 - A package of Rule amendments and consequential amendments to Regulations for the Land Transport Regulatory Stewardship (Omnibus) Amendment 2019.
 - A Rule change providing an automatic two-year extension for drivers holding a current five-year learner or restricted car or motorbike licence which expires in the period from 1 December 2019 to 1 December 2021.
 - The Civil Aviation Rules to update aircraft maintenance engineer's licence requirements to reflect new technology and best practice were signed.
 - The Civil Aviation Omnibus Rule amendments were progressed and are due for signing shortly.
 - The Maritime and Marine Protection Omnibus Rule Amendments were signed.
 - Work on the Maritime Rule Part 81 (Commercial Rafting Operations) was completed.



Transport sector funding review programme

The Ministry is responsible for the delivery of the transport sector funding review programme. This programme supports the ongoing review of the levies, fees and charges recovered from the transport sector to fund the delivery of the transport Crown entities' regulatory functions.

Across all transport modes [land, rail, maritime and aviation], transport agencies are able to set levies, fees and charges to recover the cost of their regulatory functions. The fees for Crown entities [Waka Kotahi, CAA and MNZ] are set at a rate determined by Cabinet.

Agencies undergo funding reviews periodically, with mid-point reviews for the CAA and MNZ being carried out every three years, and comprehensive reviews being carried out every six years. Following the MartinJenkins review of Waka Kotahi's regulatory performance, the Ministry is also working to support a funding review of its land transport regulatory function. This is the first time that Waka Kotahi has commenced a comprehensive review. This review will consider the full funding requirements for Waka Kotahi to become an effective, risk-based regulator of the land transport system.

In 2019/20, the Ministry undertook the following actions in respect of fee and funding reviews:

- new regulations relating to fees and changes for Waka Kotahi's rail safety regulatory functions
- progression of a comprehensive review of Waka Kotahi's regulatory funding; and
- progression of the mid-point pricing review for the CAA.

COVID-19 presented a challenge in progressing the transport sector funding review programme. During this time, all funding reviews across the border and aviation agencies were suspended for a 12 month period through to March 2021.

Liquidity facilities were established until June 2021 for the CAA and MNZ to respond to the significant decreases in operational revenue as a result of the COVID-19 outbreak. Waka Kotahi also has a liquidity facility established for the same period to cover revenue losses as a result of COVID-19 within its regulatory function and the National Land Transport Fund.



Regional fuel tax

We completed a review of regional fuel tax rebate [and fuel excise duty refund] entitlements. This work was commissioned following the 10 cent per litre regional fuel tax coming into effect in Auckland on 1 July 2018. As well as reporting back to the Minister of Transport this year, we published a report for stakeholders on our website setting out the findings of the review of rebate and refund entitlements.



International engagement strategy

New Zealand's transport regulatory systems take into account international obligations, standards and recommended practices. New Zealand benefits strongly from international transport regulatory frameworks, which underpin our international connectivity and facilitate our trade in goods and services.

International engagement is one of the Ministry's key levers to deliver transport system outcomes and play a system leadership role. The Ministry is developing an international engagement strategy to guide its work, including looking at where, when and how to engage to deliver the best results for New Zealand.

This work was delayed in 2019/20 because of other priorities. The impact of the COVID-19 pandemic on international transport networks means this work will be given increased priority over 2020/21.





Shaping the Future

We look for opportunities to shape a better future.

Decisions made today can have a lasting impact on future generations, so the Ministry must have a good grasp of trends that will influence the future transport system, and ensure that we have the data, evidence and insights we need to make robust recommendations and decisions.

The Ministry has been building a generational investment approach, which provides a framework to extend our investment planning horizon to 30 or 50 years. We have also continued to advance our thinking about where future revenue for the transport system might come from. While the current Fuel Excise Duty and Road User Charges system works for now, our transport system is evolving in ways that mean paying for future transport investment will be increasingly challenging. Thinking early about this issue is important to ensure that opportunities are not lost.

The Ministry also continues to focus on understanding the potential benefits and risks associated with new technologies across the transport system. A notable highlight was the Green Freight strategic working paper that we published in June 2020, reported above under the Environmental Sustainability Outcome.



Evaluation Strategy

In December 2019, the Ministry released the Transport Evidence Base Strategy (TEBS). This creates an environment to ensure the transport sector has the right data, information, research and evaluation to deliver an evidence-based transport system that improves wellbeing and liveability. Development of the strategy was led by the Ministry and is the collaborative effort of the government transport agencies, local government and the wider transport sector.

TEBS ensures the transport sector has a:

- shared understanding of the big picture questions for transport (the 'enduring questions') and future challenges facing the sector from economic, social, cultural and environmental changes and our ability to respond to these
- understanding of the associated data and research gaps and an agreed framework for prioritising and investing in the evidence-generating initiatives
- framework for the recognition of Māori values in the collection, management and use of evidence relating to Māori
- common framework to evaluate transport policies, regulations, interventions and processes
- set of actions required to support generation and use of the transport evidence base for decision making.

TEBS is aligned with updated Government transport priorities and outcomes. It updates two strategies published in 2016, the Transport Domain Plan and Transport Research Strategy, and merges these with the new Evaluation Strategy. The new Evaluation Strategy provides a framework for evaluating transport system performance, regulation, policy and investment. It explains the role of evaluation and establishes a common evaluation approach.



Technology and innovation work programme

The Ministry has developed a work programme to understand the role that future technologies could play in our transport system, and what may be required from a policy and regulatory perspective to enable technologies that make a positive contribution towards the outcomes that Government is seeking to achieve.

Projects include:

- our work on autonomous vehicles, to improve our understanding of how autonomous vehicles will fit into the future transport system, and what we need to do to prepare for them and ensure that they are delivering positive outcomes
- a greater focus on innovation across the system. This includes strengthening the expectations about innovation through the GPS, and scoping foundational research to better understand how our policy settings in relation to data could better support innovation
- working with the Ministry of Business, Innovation and Employment to facilitate the safe testing, development and market validation of advanced unmanned aircraft, and accelerate their integration into the transport system
- publishing the 'Green Freight' strategic working paper.



Building our Capability

We are equipped with the right skills, tools and structures, and provide our people with the right opportunities to succeed.

We've lifted our capability over the last twelve months. Our strategic framework sets clear goals, the portfolio investment approach enables better policy choices to be made, and our new monitoring approach provides better oversight of delivery agencies.

As the Government's system lead on transport, the COVID-19 response gave the Ministry opportunities to apply collaborative skills and build resilience. Throughout the year the Ministry invested in tools that will lift our skills over the years ahead. Implementation of Hei Arataki, our Māori Strategy, has started and we have also supported a wide range of diversity and inclusion activities. We have also taken steps to embed our reputation strategy. All of these tools will improve the Ministry's ability to engage with stakeholders, lifting the quality of the resulting policy advice.



Organisational impacts and responses to COVID-19

The Ministry was well set up to work remotely during the lockdown period of COVID-19 and diverted resources to the response effort quickly. A small number of staff were deemed essential services and remained in the building to work on a cross-government response to COVID-19.

Staff wellbeing was a priority for the Ministry and online material and sessions were provided for all staff, and managers were supported and equipped to manage and lead their staff during this period.



Achieving clarity of purpose

We developed the core elements of our strategic framework. We will continue to reinforce the strategic framework with staff and stakeholders, so they better understand who we are and what we are striving to achieve.

We stepped up our leadership role in the transport sector through a range of initiatives including the Generational Investment Approach [a system-wide, portfolio approach to lead transport investment choices over the next 30 years]. Alongside that, we implemented a new monitoring approach for the transport Crown entities, including the development of new agency specific plans.



Growing our capability for collaboration

Our goal is to build on and move beyond consultation to a truly collaborative approach.

We have built the 'collaborative approach' into our policy development processes and demonstrated how we turn that into action through key initiatives such as the Generational Investment Approach, the Road Safety Strategy and the Government Policy Statement 2021. Our Regulatory Policy team has also strengthened our ongoing engagement and collaboration with the transport regulatory agencies



Review of the Ministry's role as monitor of Waka Kotahi

As mentioned in the preceding section of this Annual Report, in November 2018, the Minister of Transport asked the Ministry to undertake a review of Waka Kotahi's regulatory functions. The reviewer, Martin Jenkins, was asked at the same time to undertake an assessment of the Ministry's role in monitoring Waka Kotahi's regulatory performance.

The review found that the Ministry had made good progress over the last few years to strengthen its monitoring and oversight capability. The Ministry's enhanced monitoring approach has adopted a strengthened methodology for how we assess the governance and performance of the transport Crown entities. Combined with these enhancements, the Ministry is also drawing on expertise, within and outside of the public sector, to support our monitoring activities.

While we are on a strong trajectory, we recognise the need to make ongoing improvements to embed monitoring best practice, working closely with the boards of the transport Crown entities. The Ministry will also continue to work with the Public Services Commission and other monitoring departments to support the development and dissemination of monitoring best practice.





Building our Capability



 <p>Hei Arataki – Ministry of Transport Māori Strategy</p>	<p>The Ministry began implementation of Hei Arataki – Māori Strategy in September 2019. Hei Arataki will build capability to deliver improved transport outcomes for Māori. Hei Arataki is a principle-based strategy underpinned by Te Tiriti o Waitangi and informed by a kaupapa Māori approach.</p> <p>During the year progress focused on developing a competency framework, undertaking a capability review, developing a research and data work programme, and developing both a Māori engagement framework and te reo Māori policy. Partner agency networks form a key part of the Ministry’s engagement approach.</p>
 <p>The Ministry’s reputation strategy</p>	<p>The Ministry works in partnership with a broad range of stakeholders to fulfil its role as the Government’s lead adviser on the transport system. We want to be known as an agenda-setting, high performing, open and listening agency, and our reputation strategy presents a clear road-map to achieve this goal. We have worked on clear and simple descriptions of our work, a structured approach to engaging with stakeholders, upskilling on development and delivery of policy advice, and started a project to redevelop our website.</p>
 <p>Organisational systems and processes</p>	<p>We progressed the implementation of our new risk management framework across the Ministry. We are strengthening our corporate business systems, with our new Finance and Contract Management system that went live on 1 July 2020.</p> <p>We also worked closely with the Department of Prime Minister and Cabinet to implement the new policy quality framework.</p> <p>We continued to refresh our organisational policies and ensure that they are fit-for-purpose.</p>
 <p>Diversity and inclusion</p>	<p>The Ministry is committed to inclusive work practices and culture. As part of the New Zealand public service, the Ministry bases appointments on merit, while recognising the employment aspirations of Māori, ethnic and minority groups, women, and people with disabilities.</p> <p>Throughout 2019/20, we continued to support and implement a range of diversity and inclusion activities.</p> <p>The Ministry laid the groundwork to implement flexible and part-time working arrangements for employees. This included the development of policies, ready to consult and implement in 2020/21.</p> <p>Further training for staff continued over 2019/20 to build and raise awareness of unconscious bias.</p>
 <p>Gender Pay Action Plan</p>	<p>In line with the Government’s expectations we have created the Ministry’s Gender Pay Analysis and Action Plan 2020/21, now available on our website.</p> <p>Over the past 3 years we have focused on significantly reducing the gender pay gap through training in unconscious bias, and salary and policy reviews. The gap reduced from 12 percent in 2016, to 4.8 in January 2019 [compared to the public sector average figure of 12.2 percent].</p>



Health, safety and wellbeing

The Ministry recognises that wellbeing is good for work and good work is good for wellbeing. We continue to strengthen our culture to maintain a healthy work place and promote wellbeing, through activities and offerings such as the promotion of wellbeing events and training, annual health checks, eye tests, wellness days, an Employee Assistance Programme, and access to discounted health insurance.

Flu vaccine vouchers were made available to employees mid-April 2020. We offered these vouchers to all employees instead of hosting onsite vaccine times due to COVID-19 related delays to when we could host them.

The Ministry has developed a health, safety and wellbeing plan and is implementing this currently through its Health, Safety and Wellbeing committee, Human Resources and management teams.

Key Health and Safety Measures

Type	2019 / 20
Incidents	8
No Injury / Near Miss	5
Discomfort	1
Work Related ACC Claims	0
Incidents requiring notification to WorkSafe	0
Other	0



KEY PEOPLE METRICS AND CORE CAPACITY

As at 30 June	2019/20	2018/19	2017/18	2016/17	2015/16
Number of employees					
Policy development	106	91	78	82	76
Management	28	25	24	19	21
Administration	41	50	53	22	30
Total headcount	175	166	155	123	127
Turnover	26%	22%	29%	23%	19%
Gender					
Women	51%	51%	53%	42%	47%
Men	49%	49%	47%	58%	53%
Ethnicity distribution					
NZ European	66%	66%	76%	68%	70%
NZ Māori	3%	4%	2%	6%	6%
Pacific peoples	1%	1%	0%	1%	1%
Asian	8%	11%	5%	11%	11%
Other European	16%	13%	8%	12%	7%
Other ethnic groups	6%	5%	9%	2%	4%
Undeclared	0%	0%	0%	0%	1%
Age distribution (permanent staff)					
20 – 29	21%	23%	23%	21%	23%
30 – 39	31%	26%	23%	19%	14%
40 – 49	19%	19%	24%	23%	25%
50 – 59	23%	25%	23%	27%	29%
60+	6%	7%	7%	10%	8%

MINISTRY PERFORMANCE MANAGEMENT

The Ministry is committed to increasing its overall effectiveness and ensuring that we are doing the best job we can with the resources available to us. To assess if we are achieving this, the Ministry focuses on the management of:

- inputs
- quality
- outcomes
- work programme.

Input management

The Ministry measures achievement against our business plan milestones to monitor progress and resource use.

Quality management

Each year, the Ministry has a sample of our policy advice papers externally audited. This audit provides us with an independent view on the quality of our advice and areas we could focus on for improvement. It also enables us to see how the quality of our advice compares with other government agencies.

In addition to these audits, we operate an internal panel to assess the quality of our advice, review how our regulatory impact statements meet the required standards, and monitor how our advice is accepted by the Minister.

Outcomes management

The Ministry monitors the progress that the whole transport sector is making, and monitors outcome indicators as the data is produced. Where necessary, changes in trends are escalated for review.

Work programme management

The output plan is a statement of the outcomes the Minister wants from the Ministry. We aim to achieve 95 percent or more of the milestones recorded in the output plan.

KEY MINISTRY PERFORMANCE MANAGEMENT MEASURES 2019/20

	2019/20	2018/19
Input management		
To have 75 percent of policy project (business plan) milestones delivered each quarter	68%	72%
Quality management		
At least 90 percent of regulatory impact statements are assessed as 'meets' or 'partially meets' the required standards	100%	100%
An external audit of policy advice papers assesses that our papers meet the quality criteria sufficiently	Achieved NZIER score of 3.8*	Achieved NZIER score of 7.2
Outcomes management		
Ministry reviews outcome indicators that show less progress is being made and considers whether further Ministry action is needed	Achieved	Achieved
Work programme management		
95 percent or more of output plan delivered as agreed with the Minister	61%**	76%

* Scoring system changed to a public sector five point scale. Ministry target is between 3 and 4.

** Output plan deliverables were missed due to redeployment of resources to other priority areas. 58% of the missed deliverables were due to COVID-19.

OUR WORK STREAMS, AS THEY RELATE TO GOVERNMENT PRIORITIES AND THE TRANSPORT OUTCOMES FRAMEWORK

Intentions in the Statement of Intent under Government Priorities	Work streams	Reported against the Transport Outcomes framework and Strategic Focus Areas
Delivering a mode neutral transport system to provide a more sustainable New Zealand	<p>Government Policy Statement on land transport</p> <p>Coastal Shipping</p> <p>Rail</p> <p>Public Transport Operating Model</p>	<p>Inclusive access</p> <p>Economic prosperity</p> <p>Economic prosperity</p> <p>Inclusive access</p>
Delivering liveable cities	<p>Auckland Transport Alignment Project</p> <p>Rapid Transit Network</p> <p>The Congestion Question Project</p> <p>Regional Fuel Tax</p>	<p>Economic prosperity</p> <p>Economic prosperity</p> <p>Economic prosperity</p> <p>Being the system steward</p>
Ensuring that transport supports regional development outcomes	<p>Tuawhenua Provincial Growth Fund</p> <p>Upper North Island Supply Chain Study</p> <p>International Engagement Strategy</p>	<p>Economic prosperity</p> <p>Economic prosperity</p> <p>Being the system steward</p>
Transitioning New Zealand to a low carbon future	<p>Moving to a low emissions vehicle fleet</p> <p>Electric vehicles</p> <p>Marine Pollution [MARPOL Annex VI]</p> <p>International Maritime Organization Intersessional meeting on greenhouse gases and Maritime Environment Protection</p> <p>Carbon offsetting and reduction scheme</p>	<p>Environmental sustainability</p> <p>Environmental sustainability</p> <p>Environmental sustainability</p> <p>Environmental sustainability</p> <p>Environmental sustainability</p>
Enabling affordable and easy access to allow all New Zealanders to make the most of opportunities	<p>Urban Growth Agenda – Transport Infrastructure Funding & Financing</p> <p>Enhancing transport accessibility</p>	<p>Inclusive access</p> <p>Inclusive access</p>
Delivering a transport system which is resilient, safe to use and manages and promotes health and other social benefits	<p>Road Safety Strategy – medium-long-term</p> <p>Short-medium term actions</p> <p>Strategic resilience and security</p>	<p>Healthy and safe people</p> <p>Healthy and safe people</p> <p>Resilience and security</p>
Ensuring investment and regulatory settings further government priorities	<p>Performance of transport entities</p> <p>Evaluation Strategy</p> <p>Regulatory stewardship</p> <p>Technology and innovation work programme</p> <p>Transport Sector Funding Review Programme</p>	<p>Being the system steward</p> <p>Shaping the future</p> <p>Being the system steward</p> <p>Shaping the future</p> <p>Being the system steward</p>

FINANCIAL PERFORMANCE





Statement of Responsibility

I am responsible, as Chief Executive of the Ministry of Transport [the Ministry], for:

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

In my opinion:

- ▶ the financial statements fairly reflect the financial position of the Ministry as at 30 June 2020 and its operations for the year ended on that date
- ▶ the forecast financial statements fairly reflect the forecast financial position of the Ministry as at 30 June 2021 and its operations for the year ended on that date.



Peter Mersi
Chief Executive, Ministry of Transport
2 October 2020

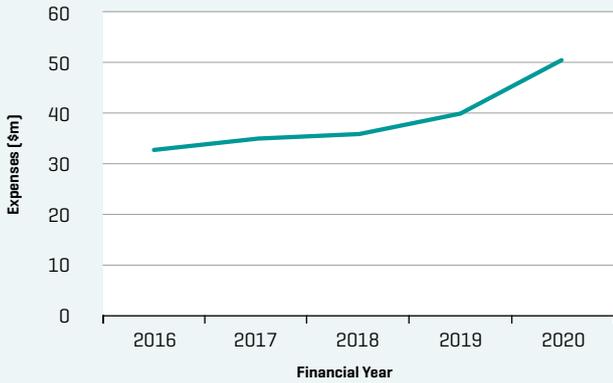
Financial Overview

2019/20 Departmental expenses [\$51.053m]

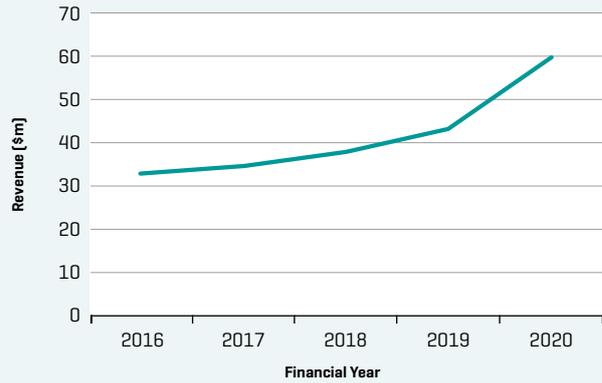
2019/20 Departmental revenue [\$59.580m]

DEPARTMENTAL TRENDS

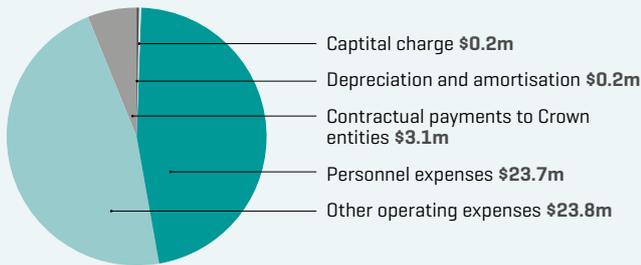
Departmental expenses



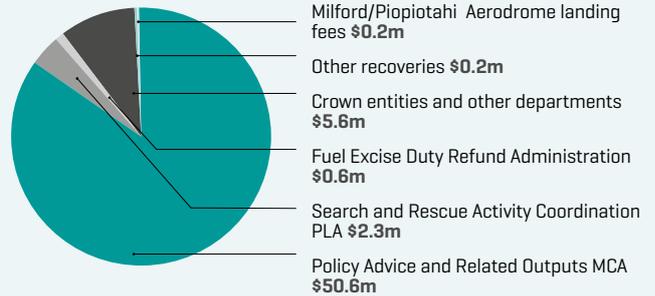
Departmental revenue



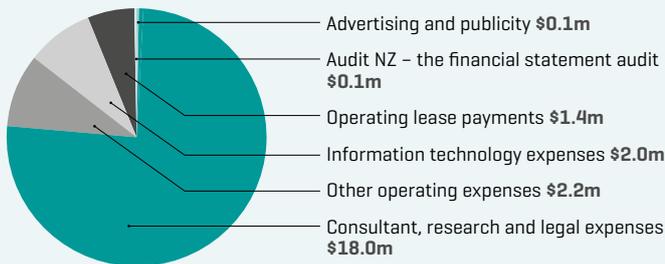
Full Year 2019/20 expenses [\$m]



Full Year 2019/20 revenue [\$m]



Other operating expenses [\$m]



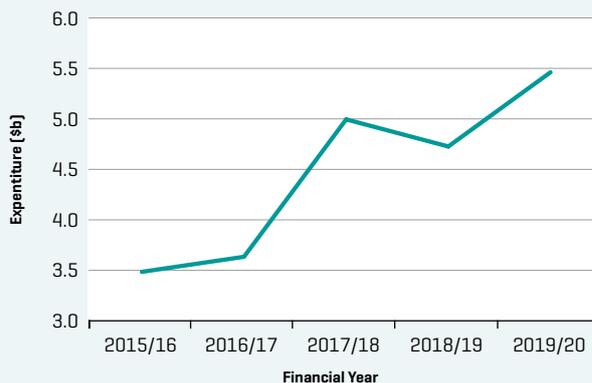
2019/20 Land Transport revenue [\$3.824b]
 2019/20 Vote Transport expenditure [\$5.472b]

NON-DEPARTMENTAL TRENDS

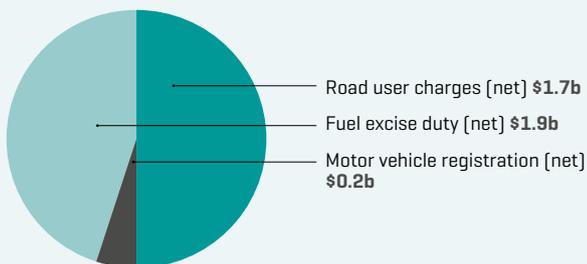
Land Transport revenue



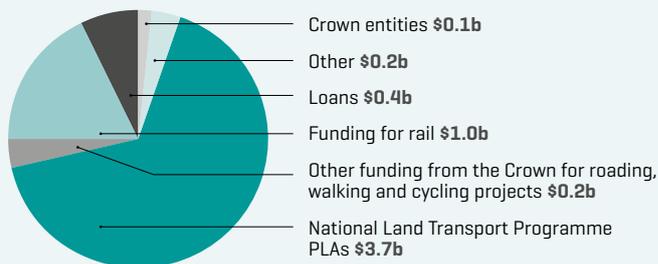
Vote Transport expenditure



2019/20 Land Transport revenue [\$b]

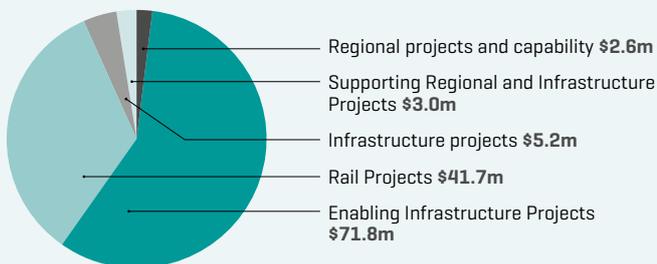


2019/20 Vote Transport expenditure [\$b]

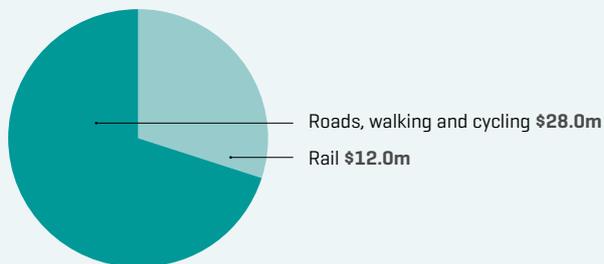


Key work programmes in 2019/20

Tuawhenua Provincial Growth Fund [\$m]



NZ Upgrade Programme [\$m]



COVID-19 Response [\$m]



Financial Performance

COLUMN DEFINITIONS

The source of the financial information contained in each column of the tables that follow is:

- ▶ 2019 Actual – as published in the Ministry’s Annual Report for the year ended 30 June 2019.
- ▶ 2020 Actual – the audited actual figures for the current financial year.
- ▶ 2020 Budget – as published in the Ministry’s Budget Estimates Fiscal Update (BEFU) for the 2020 year and the Annual Report for the year ended 30 June 2019. This information is unaudited.
- ▶ 2020 Forecast – as published in the Ministry’s Addition to Supplementary Estimates for the 2020 year. This information is unaudited.
- ▶ 2021 Forecast – as published in the Ministry’s BEFU for the 2020 year. This information is unaudited. Refer to Note 1 for more information on 2021 Forecast figures.

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2020

The Statement of Comprehensive Revenue and Expense details the revenue and expenses relating to all outputs produced by the Ministry during the financial year.

2019 Actual \$000		Note	2020 Actual \$000	2020 Budget \$000	2020 Forecast \$000	2021 Forecast \$000
Revenue						
41,319	Revenue Crown	2	53,489	46,996	53,489	47,471
1,835	Other revenue	3	6,091	1,745	7,844	1,545
43,154	Total revenue		59,580	48,741	61,333	49,016
Expenses						
21,423	Personnel expenses	4	23,706	23,429	24,244	22,507
14,826	Other operating expenses	5	23,848	21,202	33,552	22,805
3,390	Contractual payments to Crown entities	6	3,125	3,736	3,138	3,138
169	Capital charge	7	169	169	170	169
108	Depreciation – property, plant and equipment	10	199	178	222	172
7	Amortisation – intangible assets	10	6	27	7	225
39,923	Total expenses		51,053	48,741	61,333	49,016
3,231	Net surplus	14	8,527	-	-	-
Other comprehensive revenue and expense						
-	Gain on revaluation		14	-	-	-
3,231	Total comprehensive revenue and expense		8,541	-	-	-

Explanations of major variances against the 2020 budget are provided in Note 18.

The accompanying notes form part of these financial statements.

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

2019 Actual \$000		Note	2020 Actual \$000	2020 Budget \$000	2020 Forecast \$000	2021 Forecast \$000
2,810	Balance at 1 July		2,810	2,810	2,810	5,890
3,231	Net surplus		8,527	-	-	-
-	Gain on revaluation		14	-	-	-
	Owner transactions					
-	Capital contribution		-	-	3,080	-
(3,231)	Provision to repay surplus		(8,527)	-	-	-
2,810	Balance at 30 June	8	2,824	2,810	5,890	5,890

Explanations of major variances against the 2020 budget are provided in Note 18.

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

The Statement of Financial Position reports the total assets and liabilities of the Ministry as at 30 June 2020. Equity is represented by the difference between the assets and liabilities.

2019 Actual \$000		Note	2020 Actual \$000	2020 Budget \$000	2020 Forecast \$000	2021 Forecast \$000
Equity						
1,947	Taxpayers' funds		1,947	1,947	5,027	5,027
863	Revaluation reserve – aerodrome		877	863	863	863
2,810	Total equity	8	2,824	2,810	5,890	5,890
Represented by:						
Current assets						
7,594	Cash and cash equivalents		9,134	1,839	4,743	4,757
2,470	Debtors, prepayments and other receivables	9	7,682	3,992	5,128	2,048
10,064	Total current assets		16,816	5,831	9,871	6,805
Non-current assets						
2,184	Property, plant and equipment	10	1,999	1,982	1,967	4,880
11	Intangible assets	10	5	253	269	289
2,195	Total non-current assets		2,004	2,235	2,236	5,169
12,259	Total assets		18,820	8,066	12,107	11,974
Current liabilities						
3,450	Creditors and other payables	11	3,914	3,046	3,658	3,658
1,454	Employee entitlements	12	2,168	1,186	1,244	1,244
133	Provisions	13	35	-	133	-
3,231	Provision to repay surplus		8,527	-	-	-
8,268	Total current liabilities		14,644	4,232	5,035	4,902
Non-current liabilities						
1,181	Employee entitlements	12	1,352	1,024	1,182	1,182
1,181	Total non-current liabilities		1,352	1,024	1,182	1,182
9,449	Total liabilities		15,996	5,256	6,217	6,084
2,810	Net assets		2,824	2,810	5,890	5,890

Explanations of major variances against the 2020 budget are provided in Note 18.

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

The Statement of Cash Flows summarises the cash movements in and out of the Ministry during the financial year.

2019 Actual \$000		Note	2020 Actual \$000	2020 Budget \$000	2020 Forecast \$000	2021 Forecast \$000
Cash flows from operating activities						
43,163	Crown revenue		49,021	46,996	53,489	50,551
808	Departments/Crown entities		5,245	1,420	2,020	1,220
1,277	Other revenue		275	325	6,247	325
[21,147]	Personnel costs		[23,126]	[23,429]	[24,244]	[22,507]
[14,931]	Operating expenses		[23,597]	[21,202]	[33,552]	[22,938]
[3,390]	Contractual payments to Crown entities		[3,125]	[3,736]	[3,138]	[3,138]
869	Net GST received		247	-	-	-
[169]	Capital charge		[169]	[169]	[170]	[169]
6,480	Net cash flows from operating activities	14	4,771	205	652	3,344
Cash flows from investing activities						
[931]	Purchase of property, plant and equipment		-	[5]	[5]	[3,085]
[8]	Purchase of intangible assets		-	[265]	[265]	[245]
[939]	Net cash flows from investing activities		-	[270]	[270]	[3,330]
Cash flows from financing activities						
[2,258]	Repayment of surplus		[3,231]	-	[3,233]	-
[2,258]	Net cash flows from financing activities		[3,231]	-	[3,233]	-
3,283	Net increase/(decrease) in cash held		1,540	[65]	[2,851]	14
4,311	Cash at 1 July		7,594	1,904	7,594	4,743
7,594	Total cash at 30 June		9,134	1,839	4,743	4,757

Explanations of major variances against the 2020 budget are provided in Note 18.

The accompanying notes form part of these financial statements.

STATEMENT OF COMMITMENTS

AS AT 30 JUNE 2020

Non-cancellable operating lease commitments

The Ministry leases property in the normal course of business.

In Wellington, the Ministry rents space at 3 Queens Wharf. The Ministry has a three year right of renewal at 1 September 2021. This commitment is disclosed below.

2019 Actual \$000		2020 Actual \$000
	Non-cancellable operating lease commitments	
1,307	Not later than 1 year	1,239
4,500	Later than 1 year and not later than 5 years	3,927
191	Later than 5 years	-
5,998	Total non-cancellable operating lease commitments	5,166

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

Capital commitments

The Ministry has no capital commitments as at 30 June 2020 (2019: nil).

STATEMENT OF CONTINGENT ASSETS AND LIABILITIES

AS AT 30 JUNE 2020

The Ministry had a contingent asset relating to earthquake-related response and recovery costs incurred by the Ministry as at 30 June 2019. The Ministry has received confirmation from the insurers in relation to the remaining amount outstanding. \$209,322 was recognised as revenue for the year, and there is no longer a contingent asset remaining.

2019 Actual \$000		2020 Actual \$000
328	Earthquake related response and recovery costs	-

The Ministry has no contingent liabilities as at 30 June 2020 (2019: nil).

The accompanying notes form part of these financial statements.

Notes to the Departmental Financial Statements and Non-departmental Schedules

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

Reporting entity

The Ministry of Transport [the Ministry] is a government department as defined by section 2 of the Public Finance Act 1989 and is domiciled and operates in New Zealand. The Ministry's ultimate parent is the New Zealand Crown.

The Ministry reports on the departmental financial statements and separately on the non-departmental schedules, which present financial information on public funds managed by the Ministry on behalf of the Crown.

The primary objective of the Ministry is to provide policy services to the Government rather than making a financial return. Accordingly, the Ministry has designated itself as a public benefit entity for the purposes of complying with generally accepted accounting practices.

The departmental financial statements and the financial information reported in the non-departmental schedules are consolidated into the Financial Statements of the Government and therefore readers of these schedules should also refer to the Financial Statements of the Government for the year ended 30 June 2020.

The financial statements of the Ministry are for the year ended 30 June 2020. These financial statements were authorised for issue by the Chief Executive on 2 October 2020.

Basis of preparation

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

Statement of compliance

The financial statements and unaudited forecast financial statements of the Ministry have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practices [NZ GAAP], Treasury Instructions and Treasury Circulars. Measurement and recognition rules applied in the preparation of the non-departmental schedules are consistent with NZ GAAP and Crown accounting policies and are detailed in the Financial Statements of the Government. These Financial Statements have been prepared in accordance with Tier 1 NZ PBE accounting standards.

Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of specified assets.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars [\$000].

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

Standards and amendments, issued but not yet effective, that have not been early adopted, and which are relevant to the Ministry are:

Amendment to PBE IPSAS 2 Statement of Cash Flows

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021, with early adoption permitted. The Ministry does not intend to early adopt the amendment.

PBE IPSAS 41 Financial Instruments

The XRB issued PBE IPSAS 41 Financial Instruments in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although the Ministry has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to PBE IFRS 9.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. The Ministry has not yet determined how application of PBE FRS 48 will affect its statement of performance.

Changes in accounting policies

PBE IPSAS 34-38 replaced the existing standards for interest in other entities [PBE IPSAS 6-8]. The Ministry has applied the new standards in preparing the 30 June 2020 financial statements. The current accounting treatment of the Ministry's investments in joint venture airports and City Rail Link Limited are in line with the new standards.

There have been no changes in accounting policies this financial year.

Significant accounting policies

Revenue Crown – Non-exchange

Revenue from the Crown is measured based on the Ministry's funding entitlement for the reporting period. The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation [Supplementary Estimates] Act for the year and certain other unconditional funding adjustments formally approved prior to balance date.

There are no conditions attached to the funding from the Crown. However, the Ministry can incur expenses only within the scope and limits of its appropriations.

The fair value of Revenue Crown has been determined to be equivalent to the funding entitlement.

Revenue Other – Exchange

Other revenue is recognised when earned and is reported in the financial period to which it relates. Revenue is measured at the fair value of the consideration received or receivable.

Equity

Equity is the Crown's investment in the Ministry and is measured as the difference between total assets and total liabilities.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits on call with banks.

Income tax

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

Goods and Services Tax (GST)

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

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the Statement of Financial Position.

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

Commitments and contingencies are disclosed exclusive of GST.

Statement of cost allocation policies

The Ministry has determined the cost of outputs using the following cost allocation system:

Direct costs are expenses incurred from activities specifically attributable to producing an output. These costs are charged directly to the relevant output classes.

Indirect costs are those costs that cannot be identified with a specific output. Indirect costs are allocated to each output through a two-stage process. The costs are assigned to cost centres within the Ministry, and then the costs are allocated to outputs based on a proportion of staff time attributable to the outputs of that cost centre.

There have been no changes in general cost allocation policies since the date of the last audited financial statements.

Forecast figures

Basis of preparation

The forecast figures, representing the Forecast Financial Statements, are those published in the BEFU for the year ended 30 June 2021, and are prepared in accordance with PBE FRS 42.

Through PREFU, the Ministry requested an in-principle expense transfer of \$8.527 million from 2019/20 to 2020/21 and decided not to go ahead with the proposed work to reseal the Milford Aerodrome runway, apron and taxiway. These changes are not reflected in our Forecast 2021 figures.

The figures have been prepared in accordance with:

- ▶ the accounting policies expected to be used in the future for reporting historical general purpose financial statements
- ▶ NZ PBE IPSAS
- ▶ the BEFU for the year ended 30 June 2020, incorporating assumptions as to future events that the Ministry reasonably expects to occur, and associated with the actions it reasonably expects to take
- ▶ existing government policies and ministerial expectations at the date that the information was prepared.

The main assumptions were as follows:

- ▶ The Ministry's activities and output expectations will remain substantially the same as the previous year focusing on government priorities.
- ▶ There were a number instances of significant one-off funding in 2019/20.
- ▶ The Ministry has received additional funding in 2020/21 for search and rescue activity coordination, governance and monitoring of the NZ Upgrade Programme, and for the administration of the COVID-19 transport connectivity response. The Ministry also received third party funding from Waka Kotahi in 2019/20 for work on the Auckland light rail.
- ▶ Personnel costs were based on fully budgeted established positions including a 2% increase based on current salary for those eligible for an increase. We have applied the pay restraint guidance from the Public Service Commission.
- ▶ Operating costs were based on historical experience and other factors that are believed to be reasonable in the circumstances and are the Ministry's best estimate of future costs that will be incurred.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual financial results achieved for the period covered are likely to vary from the information presented, and the variations may be material.

Authorisation statement

The Forecast Financial Statements were authorised for issue by the Chief Executive of the Ministry on 18 April 2020. The Chief Executive is responsible for the Forecast Financial Statements presented, including the appropriateness of the underlying assumptions and all other required disclosures.

Critical accounting estimates and assumptions

There are no critical accounting estimates and assumptions made in preparing these Financial Statements.

We have considered the impacts of COVID-19 and do not believe any material accounting issues have arisen due to this.

We have performed a sensitivity analysis of increases in expected credit losses relating to motor vehicle registration fees and road user charge revenue in Note 7 of the non-departmental financial statements.

NOTE 2: REVENUE CROWN

2019 Actual \$000		2020 Actual \$000	2020 Forecast \$000	2021 Forecast \$000
37,934	Policy Advice and Related Outputs MCA	50,570	50,570	42,548
2,706	Search and Rescue Activity Coordination PLA	2,301	2,301	4,185
679	Fuel Excise Duty Refund Administration	618	618	738
41,319	Total revenue Crown	53,489	53,489	47,471

NOTE 3: OTHER REVENUE

2019 Actual \$000		2020 Actual \$000	2020 Forecast \$000	2021 Forecast \$000
808	Crown entities and other departments	5,642	7,020	1,220
325	Milford Aerodrome landing fees	248	388	325
702	Other recoveries	201	436	-
1,835	Total other revenue	6,091	7,844	1,545

NOTE 4: PERSONNEL EXPENSES

2019 Actual \$000		2020 Actual \$000	2020 Forecast \$000	2021 Forecast \$000
20,289	Salary and wages	21,854	22,831	21,017
637	Employer contributions to defined contribution schemes	670	694	530
224	Other personnel costs	352	529	780
	Changes to provisions			
68	Annual leave	668	66	56
21	Long service leave	17	21	21
181	Retirement leave	145	100	100
3	Sick leave	-	3	3
21,423	Total personnel expenses	23,706	24,244	22,507

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

NOTE 5: OTHER OPERATING EXPENSES

2019 Actual \$000		2020 Actual \$000	2020 Forecast \$000	2021 Forecast \$000
8,231	Consultant, research and legal expenses	18,012	26,201	16,853
2,945	Other operating expenses	2,159	3,441	1,824
1,983	Information technology expenses	1,998	2,186	2,664
1,396	Operating lease payments	1,431	1,423	1,180
155	Advertising and publicity	148	199	198
98	Audit NZ – the financial statement audit	100	102	86
18	Loss on disposal of assets	-	-	-
14,826	Total other operating expenses	23,848	33,552	22,805

NOTE 6: CONTRACTUAL PAYMENTS TO CROWN ENTITIES

2019 Actual \$000		2020 Actual \$000	2020 Forecast \$000	2021 Forecast \$000
	NZ Transport Agency:			
800	For rules programme activity	800	800	800
790	For fuel excise duty refund activity	725	738	738
800	Civil Aviation Authority: for rules programme activity	800	800	800
1,000	Maritime New Zealand: for rules programme activity	800	800	800
3,390	Total contractual payments to Crown entities	3,125	3,138	3,138

NOTE 7: CAPITAL CHARGE

The Ministry pays a capital charge to the Crown based on its taxpayers' funds as at 30 June and 31 December each year for the previous 6 months. The capital charge rate for the year ended 30 June 2020 was 6 percent for both payments (2019: 6 percent for both payments).

NOTE 8: EQUITY

2019 Actual \$000		2020 Actual \$000	2020 Forecast \$000	2021 Forecast \$000
	Taxpayers' funds			
1,947	Balance at 1 July	1,947	1,947	5,027
3,231	Net surplus/(deficit)	8,527	-	-
-	Capital contribution	-	3,080	-
[3,231]	Provision to repay surplus	[8,527]	-	-
1,947	Balance at 30 June	1,947	5,027	5,027
	Property revaluation reserve			
863	Balance at 1 July	863	863	863
-	Revaluation	14	-	-
863	Balance at 30 June	877	863	863
2,810	Total equity	2,824	5,890	5,890

NOTE 9: DEBTORS, PREPAYMENTS AND OTHER RECEIVABLES

2019 Actual \$000		2020 Actual \$000	2020 Forecast \$000	2021 Forecast \$000
	Non-exchange			
1,927	Due from the Crown	6,396	5,007	1,927
	Exchange			
543	Other receivables	1,156	48	48
-	Prepayments	130	73	73
2,470	Total debtors, prepayments and other receivables	7,682	5,128	2,048

The carrying value of debtors, prepayments and other receivables approximates their fair value. Other receivables greater than 30 days in age are considered to be past due. Receivables of \$171,863 were past due at 30 June 2020 [2019: \$196,221].

Short-term receivables are recorded at the amount due, less an allowance for credit losses. The Ministry applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables.

In measuring expected credit losses, short-term receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due. We have excluded receivables from government departments and Crown entities as there has been no indication that these receivables will not be collected.

A doubtful debt is created when there is no reasonable expectation of recovery for specific debts. The Ministry has assessed that a provision for doubtful debt is required in 2019/20 of \$2,144 [2019: \$2,144]. This is included in the other receivables amount shown above.

NOTE 10: PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Leasehold improvements \$000	Plant and equipment \$000	Milford Sound/ Piopiotahi Aerodrome \$000	Intangible assets \$000	Total \$000
Cost or valuation					
Balance at 1 July 2018	-	313	1,421	1,186	2,920
Additions	931	-	-	8	939
Disposals	-	(213)	-	(761)	(974)
Balance at 30 June 2019	931	100	1,421	433	2,885
Balance at 1 July 2019	931	100	1,421	433	2,885
Additions	-	-	-	-	-
Revaluations	-	-	(135)	-	(135)
Disposals	-	-	-	-	-
Balance at 30 June 2020	931	100	1,286	433	2,750
Accumulated depreciation					
Balance at 1 July 2018	-	254	100	1,176	1,530
Depreciation/Amortisation	43	36	29	7	115
Revaluations	-	-	-	-	-
Disposals	-	(194)	-	(761)	(955)
Balance at 30 June 2019	43	96	129	422	690
Balance at 1 July 2019	43	96	129	422	690
Depreciation/Amortisation	162	4	33	6	205
Revaluations	-	-	(149)	-	(149)
Disposals	-	-	-	-	-
Balance at 30 June 2020	205	100	13	428	746
Carrying amounts					
At 1 July 2018	-	59	1,321	10	1,390
At 30 June and 1 July 2019	888	4	1,292	11	2,195
At 30 June 2020	726	-	1,273	5	2,004
Unaudited forecast at 30 June 2021	615	-	1077	25	1,717

Additions

The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Ministry and the cost of the item can be measured reliably. Work in progress is recognised at cost less impairment and is not depreciated. In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Disposals

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

Depreciation/Amortisation

Depreciation/Amortisation is provided on a straight-line basis on all property, plant, equipment and intangible assets.

Asset class	Useful life	Depreciation rate
Leasehold improvements	To lease expiry date	18.18% per annum
Milford Sound/Piopiotaahi Aerodrome	3-100 years	1-33.3% per annum
Plant and equipment	2-10 years or to lease expiry date	10-50% per annum
Software	3-5 years	20-33.3% per annum

The Ministry threshold for fixed asset recognition is \$5,000 per item in line with Treasury guidance.

Milford Sound/Piopiotaahi Aerodrome (the aerodrome) is revalued on a five yearly cycle. The aerodrome was valued at 31 March 2020 by an independent valuer, M Wyatt (Principal Engineer – Strategic Asset Management) of AECOM NZ Limited. The valuation was based on the aerodrome's optimised depreciated replacement cost. Impairment of the valuation is reassessed annually. The effects of COVID-19 have not materially affected the valuation.

The only intangible asset is purchased software. There are no restrictions over the title of the Ministry's intangible assets, nor are any intangible assets pledged as security for liabilities.

There was no work in progress asset as at 30 June 2020 (2019: \$nil).

NOTE 11: CREDITORS AND OTHER PAYABLES

2019 Actual \$000		2020 Actual \$000	2020 Forecast \$000	2021 Forecast \$000
	Exchange			
2,453	Accrued expenses	2,775	2,965	2,965
302	Revenue received in advance	197	-	-
	Non-exchange			
695	GST payable	942	693	693
3,450	Total creditors and other payables	3,914	3,658	3,658

NOTE 12: EMPLOYEE ENTITLEMENTS

2019 Actual \$000		2020 Actual \$000	2020 Forecast \$000	2021 Forecast \$000
	Current liabilities			
210	Accrued salary	317	210	210
959	Annual leave	1,575	724	724
101	Long service leave	81	126	126
159	Retirement leave	170	159	159
25	Sick leave	25	25	25
1,454	Total of current portion	2,168	1,244	1,244
	Non-current liabilities			
159	Long service leave	195	159	159
1,022	Retirement leave	1,157	1,023	1,023
1,181	Total of non-current portion	1,352	1,182	1,182
2,635	Total employee entitlements	3,520	2,426	2,426

The present value of the retirement and long service leave obligations depends on a number of factors. Two key factors are the discount rate and the salary-inflation factor. These are detailed below. Any changes in these assumptions will change the carrying amount of the liability.

	Discount rate		Salary Inflation		
	2020	2019		2020	2019
Year 1	0.22%	1.26%	Year 0	0.00%	0.00%
Year 2	0.25%	1.03%	Year 1	1.00%	2.00%
Year 3+	1.63%	2.23%	Year 2+	2.72%	2.92%

NOTE 13: PROVISIONS

	Onerous lease \$000	Holidays Act compliance \$000	Total \$000
Balance at 1 July 2019	18	115	133
New provision	-	35	35
Release of provision	[18]	[115]	[133]
Balance at 30 June 2020	-	35	35
Current liabilities	-	35	35
Non-current liabilities	-	-	-

The Ministry's payroll system was non-compliant with the Holidays Act 2003. The Ministry has been working with an external consultant to find a solution to ensure compliance with the Act. A provision has been created based on the current estimate of the Ministry's liability to remediate any payroll underpayments due to the non-compliance with the Act. A number of payments have been made to both previous and current employees. An additional provision was created to reflect the updated estimate of payments yet to be made.

The Ministry moved to 3 Queens Wharf on 1 April 2019. The Ministry's lease agreement at Westpac House expired on 1 December 2019. A new tenant subleased the space from the landlord effective 26 August 2019. The onerous lease provision in prior year reflects the Ministry's lease liability between 1 July 2019 and 26 August 2019.

NOTE 14: RECONCILIATION OF THE NET SURPLUS IN THE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE WITH NET CASH FLOWS FROM OPERATING ACTIVITIES IN THE STATEMENT OF CASH FLOWS

2019 Actual \$000		2020 Actual \$000	2020 Forecast \$000	2021 Forecast \$000
3,231	Net surplus	8,527	-	-
	Add non-cash items			
108	Depreciation of property, plant and equipment	199	222	172
7	Amortisation of intangible assets	6	7	225
18	Loss on disposal of assets	-	-	-
133	Total of non-cash items	205	229	397
	Add/(deduct) movements in working capital items			
2,268	[(Increase)/decrease in debtors and other receivables	(5,212)]	423	3,080
563	Increase/(decrease) in payables and provisions	366	-	(133)
285	Increase/(decrease) in employee entitlements	885	-	-
3,116	Net movements in working capital items	(3,961)	423	2,947
6,480	Net cash flows from operating activities	4,771	652	3,344

NOTE 15: CATEGORIES OF FINANCIAL INSTRUMENTS

2019 Actual \$000		2020 Actual \$000	2020 Forecast \$000	2021 Forecast \$000
	Financial assets measured at amortised cost			
7,594	Cash and cash equivalents	9,134	4,743	4,757
2,397	Debtors and other receivables	7,551	5,055	1,975
	Financial liabilities measured at amortised cost			
3,450	Creditors and other payables	3,717	3,658	3,658

NOTE 16: RELATED PARTY INFORMATION

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

The Ministry received revenue from other entities controlled by the Crown to reimburse it for costs – detailed in note 3.

The Ministry also purchased transport outputs from other transport entities controlled by the Crown – detailed in note 6.

Transactions with key management personnel

The Ministry did not enter into any transactions with key management personnel or their close families in 2019/20 (2019: nil).

Key management personnel compensation

2019 Actual \$000		2020 Actual \$000
2,056	Salaries and other short-term employee benefits	2,098
2,056	Total key management personnel compensation	2,098

For the year ending 30 June 2020, key management personnel comprised of 7 FTE (2019: 7 FTE), including the Chief Executive and the members of the senior leadership team.

In 2019/20, no termination benefits were paid to key management personnel (2019: no termination benefits were paid to key management personnel).

NOTE 17: MAJOR CHANGES TO THE DEPARTMENTAL OUTPUT BUDGETS FOR 2019/20

Changes were made to the Ministry's departmental output budgets by way of the Supplementary Estimates and Addition to the Supplementary Estimates for 2019/20. Explanations for the changes were outlined in that document and the net changes are shown below.

	2020 Budget \$000	2020 Adjustments \$000	Cumulative Vote \$000
Appropriations for departmental output expenses			
Policy Advice and Related Outputs MCA	44,138	11,768	55,906
Fuel Excise Duty Refund Administration	738	-	738
Milford Sound/Piopirotahi Aerodrome Operation and Administration	325	163	488
Search and Rescue Activity Coordination PLA	2,240	61	2,301
Search and Rescue Training and Training Coordination	1,300	-	1,300
Total departmental appropriations	48,741	11,992	60,733

The difference between the Cumulative Vote of \$60.733 million above and the 2020 Forecast of \$61.333 million per the Statement of Comprehensive Revenue and Expense is the \$0.600 million funding received from the Ministry of Business, Innovation and Employment through an administration and use arrangement for the Provincial Growth Fund.

The adjustments to the appropriations were:

Policy Advice and Related Outputs MCA

- ▶ \$5.436 million additional revenue from third parties in 2019/20, a large portion of which is a result of a memorandum of understanding entered into with Waka Kotahi for the evaluation and delivery of advice in relation to light rail in Auckland [increase],
- ▶ \$2.802 million carried forward from 2018/19 to 2019/20 due to delays in a number of major projects such as the Road Safety Strategy, Hamilton to Auckland Rail Link and the Upper North Island Supply Chain Strategy [increase],
- ▶ \$2.000 million for the Upper North Island Supply Chain Strategy work programme [increase],
- ▶ \$1.000 million to administer the Maintaining Airfreight Capacity scheme [increase],
- ▶ \$0.620 million for the governance and monitoring of the New Zealand Upgrade Programme [increase],
- ▶ \$0.590 million carried forward from 2019/20 to 2020/21 due to delays in significant projects [decrease]
- ▶ \$0.300 million for capability to support the drone integration work programme [increase],
- ▶ \$0.100 million transferred to the Milford Sound/Piopirotahi Aerodrome Operation and Administration appropriation [decrease], and
- ▶ \$0.300 million for the Ministry to contract external commercial expertise to support the assessment of requests and engagement on commercial issues in relation to the COVID-19 response and recovery [increase].

Milford Sound/Piopirotahi Aerodrome Operation and Administration

- ▶ \$0.100 million transferred from the Policy Advice appropriation for accelerated depreciation of the runway, apron and taxiway [increase], and
- ▶ \$0.063 million for the higher revenue from increased volume of landings and associated costs [increase].

Search and Rescue Activity Coordination PLA

- ▶ \$0.061 million was carried forward from 2018/19 to 2019/20 in relation to delays in implementing a new IT system, and postponement of some search and rescue exercises [increase].

NOTE 18: EXPLANATION OF MAJOR VARIANCES BETWEEN ACTUAL AND FORECAST 2020 FIGURES

The Ministry has had to reprioritise resources as a result of COVID-19 and the effects are explained in detail below.

The significant variances between the actual results and the figures included in the Addition to the Supplementary Estimates of Appropriations for the year ended 30 June 2020 are:

Statement of Comprehensive Revenue and Expense

Revenue

Other revenue

Other revenue was \$1.753 million below forecast. This was mainly due to Provincial Growth Fund resourcing, Search and Rescue Training and third party revenue from Waka Kotahi not being fully recovered due to less activity than originally forecast. The memorandum of understanding for the Search and Rescue Training continues in to 2020/21 and the activity planned in 2019/20 is expected to be delivered in 2020/21 instead. Milford landings revenue was also less than forecasted due to the impacts of COVID-19 on air travel in the last quarter of the financial year.

Expenses

Total expenditure was \$10.280 million below forecast. The main variances are in personnel expenses [\$0.490 million below forecast] due to a higher level of vacancies than forecast, and in external expert advice [\$8.187 million below forecast].

The underspend in external expert advice is largely due to delays in projects as a direct result of COVID-19. The impact includes the reprioritisation of key resources to the COVID-19 response which meant a number of projects were delayed, face-to-face engagements and forums not able to be carried out, travel restrictions and availability of international contractors.

The following projects have been largely affected and delayed due to COVID-19: Upper North Island Supply Chain Strategy work programme, Future of Rail, Evaluation Programme and the Domestic Transport Cost and Charges Study.

The \$4.640 million funding for the Green Transport Card programme was also unspent in 2019/20 as no policy decisions have yet been made.

The majority of external expert advice underspend will be carried forward to 2020/21.

Overseas travel and training expenses are also below forecast as a result of the COVID-19 travel restrictions.

Statement of Financial Position

Assets

Cash

Actual cash balance is \$4.391 million more than forecast due to the underspends discussed above. Due to the effects of COVID-19, a number of projects were delayed resulting in lower than forecasted cash outflow.

Debtors, prepayments and other receivables

The actual debtor balance was \$2.554 million more than the forecast. This is largely due to the higher than forecast Crown debtor balance. Due to the surplus, this balance has not been drawn down as cash in 2019/20 as it was not required. The Ministry also received higher third party revenue compared to prior years resulting in a higher receivable balance at year end.

Liabilities

Employee entitlements

Employee entitlements was \$1.095 million above forecast largely due to a decrease in discount rates used for the calculation of retirement leave and long service leave calculations, and an increase in length of service for a number of employees. There has also been an increase in the annual leave liability and time off in lieu balance as a result of the COVID-19 lockdown.

Provision to repay surplus

Due to the large underspend in 2019/20, the Ministry has recognised a large surplus of \$8.527 million which will be repaid to the Crown.

Equity

Capital contribution

Capital contribution is \$3.080 million less than forecasted as the proposed work to reseal the Milford Aerodrome runway, apron and taxiway did not progress in 2019/20. Due to COVID-19, the level of traffic at the aerodrome has decreased significantly and the proposed work has been deferred.

NOTE 19: EXPLANATIONS OF MAJOR VARIANCES BETWEEN ACTUAL 2020 AND FORECAST 2021 FIGURES

The significant variances between the actual results and the forecast 2020/21 figures are as below.

Statement of Comprehensive Revenue and Expense

Revenue

The 2020/21 forecast is \$10.564 million less than the 2019/20 actuals. This is largely due to the one-year funding for Establishing a Green Transport Card to Make Public Transport More Affordable for Low-Income Households [\$4.640 million] in 2019/20 and the one-off funding received from Waka Kotahi under the memorandum of understanding entered into for the year. The decrease is offset by additional funding for a number of initiatives such as the search and rescue activity coordination, governance and monitoring of the NZ Upgrade Programme, and for the administration of the COVID-19 transport connectivity response.

Expenses

The 2020/21 forecast is \$2.037 million less than the 2019/20 actuals due to the one-off funding received in 2019/20 as discussed above.

Statement of Financial Position

Assets

Cash

Actual cash balance is \$4.377 million more than the 2020/21 forecast due to the underspends discussed above. Due to the effects of COVID-19, a number of projects were delayed resulting in lower than forecasted cash outflow.

Debtors, prepayments and other receivables

The actual debtor balance is \$5.634 million more than the 2020/21 forecast. Due to the surplus, the Crown debtor balance has not been drawn down as cash in 2019/20 as it was not required. The Ministry also received higher third party revenue compared to prior years resulting in a higher receivable balance at year end.

Property, plant and equipment

The 2020/21 forecast for property, plant and equipment is \$2.881 million higher than actuals due to the planned reseal of the Milford Aerodrome runway, apron and taxiway. Due to COVID-19, the level of traffic at the aerodrome has decreased significantly and the proposed work has been deferred.

Liabilities

Employee entitlements

Employee entitlements is \$1.095 million more than the 2020/21 forecast largely because the COVID-19 response resulted in a number of Ministry staff incurring additional leave balances during the year.

Provision to repay surplus

Due to the large underspend in 2019/20, the Ministry has recognised a large surplus of \$8.527 million which will be repaid to the Crown in 2020/21.

Equity

Taxpayers' funds

Taxpayers' funds is \$3.080 million less than the 2020/21 forecast as there was proposed work to reseal the Milford Aerodrome runway, apron and taxiway in 2019/20. Note that due to COVID-19, the level of traffic at the aerodrome has decreased significantly and the proposed work has been deferred.

NOTE 20: EVENTS AFTER BALANCE SHEET DATE

A review of the Corporate Services group was announced on 7 July 2020, with the final decision regarding the restructure announced on 28 July 2020 (2019: nil).

Non-departmental Schedules and Statements

SCHEDULE OF NON-DEPARTMENTAL REVENUE AND RECEIPTS

FOR THE YEAR ENDED 30 JUNE 2020

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

2019 Actual \$000		Note	2020 Actual \$000	2020 Budget \$000	2020 Forecast \$000
1,833,275	Indirect taxation	2	1,873,805	1,964,026	1,790,520
303	Other 'sovereign power' revenue	3	192	1,300	1,300
11,326	Other operational revenue	4	10,811	8,760	8,760
[25,187]	Share of net asset increase/(decrease) in joint ventures		[57,468]	-	-
1,819,717	Total non-departmental revenue and receipts		1,827,340	1,974,086	1,800,580

SCHEDULE OF NON-DEPARTMENTAL EXPENSES

FOR THE YEAR ENDED 30 JUNE 2020

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

2019 Actual \$000		Note	2020 Actual \$000	2020 Budget \$000	2020 Forecast \$000
2,661,956	Non-departmental output classes	5	2,809,657	2,855,775	2,877,491
46,482	Other expenses to be incurred by the Crown	6	119,785	35,875	331,033
67,009	Non-departmental multi-category appropriation expenses		93,214	26,630	180,170
7,095	Bad debts expense		7,357	4,000	7,620
6,879	Movement in doubtful debts provision		8,793	-	-
421,641	GST expenses		452,825	438,231	509,318
3,211,062	Total non-departmental expenses		3,491,632	3,360,511	3,905,632

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2020.

The accompanying notes form part of these financial statements.

SCHEDULE OF NON-DEPARTMENTAL ASSETS

AS AT 30 JUNE 2020

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

2019 Actual \$000		Note	2020 Actual \$000	2020 Budget \$000	2020 Forecast \$000
Current assets					
23,554	Cash and cash equivalents		25,100	20,001	20,000
53,855	Receivables and advances	7	80,167	46,998	53,856
Non-current assets					
360,846	Investment in joint ventures	8	562,537	870,422	638,081
438,255	Total non-departmental assets		667,804	937,421	711,937

In addition, the Ministry monitors four Crown entities:

- Civil Aviation Authority (which includes the Aviation Security Service)
- Maritime New Zealand
- Waka Kotahi
- Transport Accident Investigation Commission.

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

SCHEDULE OF NON-DEPARTMENTAL LIABILITIES

AS AT 30 JUNE 2020

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

2019 Actual \$000		Note	2020 Actual \$000	2020 Budget \$000	2020 Forecast \$000
Current liabilities					
576,644	Payables	10	465,133	438,711	442,970
576,644	Total non-departmental liabilities		465,133	438,711	442,970

The accompanying notes form part of these financial statements.

STATEMENT OF NON-DEPARTMENTAL COMMITMENTS

AS AT 30 JUNE 2020

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

2019 Actual \$000		2020 Actual \$000
	Operating commitments	
47,898	Other non-cancellable contracts for the supply of goods and services	76,055
47,898	Total operating commitments	76,055
	Term classification of commitments	
23,949	Not later than 1 year	24,708
23,949	Later than 1 year and not later than 5 years	51,347
-	Later than 5 years	-
47,898	Total operating commitments	76,055

STATEMENT OF NON-DEPARTMENTAL CONTINGENT LIABILITIES

AS AT 30 JUNE 2020

This statement discloses situations which exist at 30 June 2020, the ultimate outcome of which is uncertain and will be confirmed only on the occurrence of one or more future events after the date of approval of the financial statements.

2019 Actual \$000		2020 Actual \$000
10,000	Transport Accident Investigation Commission emergency guarantee	10,000
10,000	Total contingent liabilities	10,000

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

The accompanying notes form part of these financial statements.

Notes to Non-departmental Schedules and Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: INDIRECT TAXATION

Indirect taxation is deemed to be non-exchange revenue, for the purposes of these financial statements. All other revenue is deemed to be exchange.

Revenues from road user charges and motor vehicle licensing fees are recognised on an accrual basis. Revenues from tolling and infringement fees are recognised on a cash basis.

2019 Actual \$000		2020 Actual \$000	2020 Budget \$000	2020 Forecast \$000
1,672,594	Road user charges	1,716,051	1,798,660	1,623,745
226,768	Motor vehicle registration fees	225,634	228,315	234,767
1,899,362	Sub-total	1,941,685	2,026,975	1,858,512
(66,087)	Fuel excise duty refunds	(67,880)	(62,949)	(67,992)
1,833,275	Total indirect taxation	1,873,805	1,964,026	1,790,520

NOTE 3: OTHER 'SOVEREIGN POWER' REVENUE

2019 Actual \$000		2020 Actual \$000	2020 Budget \$000	2020 Forecast \$000
303	Infringement fees – tolls and other	192	1,300	1,300
303	Total other 'sovereign power' revenue	192	1,300	1,300

NOTE 4: OTHER OPERATIONAL REVENUE

2019 Actual \$000		2020 Actual \$000	2020 Budget \$000	2020 Forecast \$000
10,914	Tolling revenue (note 9)	10,225	8,400	8,400
412	Road user charges administration fees	428	360	360
-	Other revenue	159	-	-
11,326	Total other operational revenue	10,811	8,760	8,760

NOTE 5: NON-DEPARTMENTAL OUTPUT CLASSES

2019 Actual \$000		2020 Actual \$000	2020 Budget \$000	2020 Forecast \$000
2,661,956	This expense item is equal to the appropriations for non-departmental output classes listed in the appropriation statements	2,809,657	2,855,775	2,877,491
2,661,956	Total non-departmental output classes	2,809,657	2,855,775	2,877,491

NOTE 6: OTHER EXPENSES TO BE INCURRED BY THE CROWN

2019 Actual \$000		2020 Actual \$000	2020 Budget \$000	2020 Forecast \$000
-	Auckland City Rail Link – Operating	-	-	150
-	Automatic Dependent Surveillance-Broadcast Transponders Rebate Scheme MYA	541	-	3,900
-	Maintaining Airfreight Capacity MYA	38,831	-	198,500
-	Maintaining Essential Transport Connectivity MYA	233	-	33,700
-	Meeting fees, charges and levies on behalf of airlines MYA	38,547	-	52,000
726	Membership of International Organisations	827	743	863
3,270	Rail – Public Policy Projects	3,270	3,270	3,270
500	Rail – Railway Safety	500	500	500
29,303	SuperGold Card – public transport concessions for cardholders	30,572	29,579	30,572
12,683	Urban Cycleways – Local Routes	4,963	1,783	6,078
-	Waka Kotahi NZ Transport Agency Palmerston North Premises	1,500	-	1,500
46,482	Total other expenses to be incurred by the Crown	119,785	35,875	331,033

NOTE 7: RECEIVABLES

2019 Actual \$000		2020 Actual \$000	2020 Budget \$000	2020 Forecast \$000
	Non-exchange revenue			
41,167	Motor vehicle registration fees	66,370	26,442	33,162
30,696	Road user charge revenue	41,499	18,000	18,000
71,863	Total non-exchange revenue receivables	107,869	44,442	51,162
	Exchange revenue			
2,694	Tolling revenue	1,720	2,556	2,694
-	Miscellaneous revenue	74	-	-
2,694	Total exchange revenue receivables	1,794	2,556	2,694
74,557	Sub-total	109,663	46,998	53,856
[20,702]	Provision for doubtful debts	[29,496]	-	-
53,855	Total receivables	80,167	46,998	53,856

For motor vehicle registration fees and road user charge revenue, debts are assessed for impairment regularly and provision made for non-collectable debts using the simplified expected credit loss model of recognising lifetime expected credit losses for receivables, as shown above.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation, or all reasonable efforts to contact the customer being exhausted.

We have reviewed the miscellaneous revenue receivable balance [\$74k] and deem the full balance as recoverable. This has been excluded from the analysis below.

The ageing profile of receivables is shown below.

2018/2019				2019/2020		
Gross \$000	Impairment \$000	Net \$000		Gross \$000	Impairment \$000	Net \$000
50,448	(3,054)	47,394	Not past due	74,550	(2,480)	72,069
6,034	(4,019)	2,015	Past due 1-30 days	5,363	(3,139)	2,225
3,899	(2,872)	1,027	Past due 31-60 days	2,466	(1,761)	705
7,653	(5,467)	2,186	Past due 61-90 days	9,147	(7,332)	1,815
6,523	(5,290)	1,233	Past due > 90 days	18,068	(14,784)	3,284
74,557	(20,702)	53,855	Total	109,594	(29,496)	80,098

The expected credit loss rates for receivables at 30 June 2020 are based on the payment profile of revenue on credit over the prior one year at the measurement date. The corresponding historical credit losses experienced for that period are adjusted for current and forward-looking macroeconomic conditions in place at balance date. Receivables have been assessed on a collective basis as they possess shared credit risk characteristics, except for the significant debtors (with a customer total debt owing of over \$10k) whose recovery rate has been assessed individually. The receivables have been grouped on the days past due.

The allowance for credit losses at 30 June 2020 was determined as follows:

30 June 2020	Receivable days past due					
	Current	More than 30 days	More than 60 days	More than 90 days	More than 180 days	Total
Expected credit loss rate	3.33%	58.52%	71.40%	80.16%	81.82%	-
Gross carrying amount (\$000)	74,550	5,363	2,466	9,147	18,068	109,594
Lifetime expected credit loss (\$000)	2,480	3,139	1,761	7,332	14,784	29,496

A sensitivity analysis of increases in expected credit losses due to economic impact of COVID-19 is presented below. The scenarios are based on various percentages of potential increase in the outstanding road user charges debt assessments which will result in a proportional increase in the respective expected credit loss over the lifetime of debt. The resulting increases in the impairment of receivables as at 30 June 2020, as a direct result of the impact of COVID-19 on the expected credit losses, is not considered to have a material impact on the balance sheet.

	Actual increase in loss (\$000)	10% increase in loss (\$000)	15% increase in loss (\$000)	20% increase in loss (\$000)	30% increase in loss (\$000)
Not past due	2,480	2,726	2,849	2,972	3,218
Past due 1-30 days	3,139	3,452	3,609	3,766	4,081
Past due 31-60 days	1,761	1,937	2,025	2,113	2,289
Past due 61-90 days	7,332	8,325	8,666	8,712	8,870
Past due over 90 days	14,784	16,021	16,368	17,108	17,113
Total	29,496	32,462	33,517	34,671	35,572
Movement		2,966	4,021	5,175	6,075
Percentage of movement		10%	14%	18%	21%

NOTE 8: INVESTMENT IN JOINT VENTURES

2019 Actual \$000		2020 Actual \$000
13,995	Joint venture airports	14,159
346,851	City Rail Link Limited	548,378
360,846	Total investment in joint ventures	562,537

Joint Venture Airports

2019 Actual \$000		2020 Actual \$000
123	Gains/(losses) generated by joint ventures	(995)
123	Share of net asset increase/(decrease) in joint ventures	(995)
1,019	Capital payments made during the year	1,159
1,142	Total change in investment value	164

Joint Venture Airports

Investments in joint venture airports are accounted for using the equity method, represented by the increase or decrease in post-acquisition net assets.

The Crown has a 50 percent interest in each airport [Taupō, Whanganui, Westport, Whakatāne, Whangārei], with the other 50 percent held by the local council. The Crown has a commitment to 50 percent of operating losses and 50 percent of capital expenses once jointly approved. The value of the investment at 30 June 2020 is based on the annual financial statements of each airport for the year ended 30 June 2019, plus capital contributions from the Crown during the year ended 30 June 2020.

City Rail Link Limited

2019 Actual \$000		2020 Actual \$000
(25,311)	Gains/(losses) generated by joint ventures	(56,474)
(25,311)	Share of net asset increase/(decrease) in joint ventures	(56,474)
65,000	Capital payments made during the year	258,000
39,689	Total change in investment value	201,527

City Rail Link Limited

City Rail Link Limited (CRL) is a jointly controlled Crown entity company, co-funded by the Crown and Auckland Council, for the purpose of designing and constructing the Auckland City Rail Link (an underground rail line between the city centre and the existing western line).

For the year ended 30 June 2020, CRL recognised revenue of \$2 million (2019: \$4 million), a deficit of \$113 million (2019: \$25 million), assets of \$1,158 million (2019: \$721 million), liabilities of \$61 million (2019: \$27 million) and equity of \$1,097 million (2019: \$694 million).

The Crown also recognises a 50% share of capital commitments held by CRL of \$1,598 million (2019: \$152 million).

NOTE 9: INVESTMENT IN THE NORTHERN GATEWAY TOLL ROAD

The Crown contributed \$158 million to the construction of the Northern Gateway toll road. It issued infrastructure bonds to fund this. The toll revenue from the road is intended to cover the costs of the bonds. Tolling began in February 2009 and this revenue is recorded as other operational revenue in Vote Transport (note 4).

It was agreed a notional account would be kept of the 'cost' of the project, with an estimated interest rate charged on the contribution. The interest charge is calculated daily, based on the outstanding balance, plus interest, less tolling revenue received. The interest rate used is 2.85 percent – the weighted average cost of the Treasury's nominal bonds outstanding as at 30 June 2020. This rate will be reviewed annually.

The project was modelled using an estimated rate of 6.4 percent. Further information is available at www.tollroad.govt.nz.

Since the commencement of the project

2019 Actual \$000		2020 Actual \$000
158,000	Funding provided for construction	158,000
143,562	Notional interest charged since funding first drawn	149,651
[84,350]	Tolling revenue since February 2009	[94,575]
217,212	Balance at 30 June	213,076

Current year

2019 Actual \$000		2020 Actual \$000
214,115	Balance at 1 July	217,212
14,011	Notional interest charge for the year	6,089
[10,914]	Tolling revenue for the year	[10,225]
217,212	Balance at 30 June	213,076

NOTE 10: PAYABLES

2019 Actual \$000		2020 Actual \$000	2020 Budget \$000	2020 Forecast \$000
413,613	National Land Transport Fund revenue and output funding payable to Waka Kotahi	361,339	400,000	400,000
21,629	GST payable	29,088	19,551	21,629
13,274	Motor vehicle registration third party collections	12,148	13,671	13,848
4,693	Output funding payable to KiwiRail	21,379	2,789	4,693
120,000	Equity injection payable to KiwiRail	-	-	-
2,635	Road user charges refunds	2,854	2,700	2,800
120	Output funding payable to Maritime New Zealand	416	-	-
-	Output funding payable to Civil Aviation Authority	273	-	-
680	Output funding payable to other parties	37,637	-	-
576,644	Total payables	465,133	438,711	442,970

NOTE 11: FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and financial liabilities in each of the PBE IPSAS 29 categories are as follows:

2019 Actual \$000		2020 Actual \$000
	Financial assets at amortised cost	
23,554	Cash and cash equivalents	25,100
53,855	Receivables and advances	80,167
77,409	Total loans and receivables	105,267
	Financial liabilities measured at amortised cost	
576,644	Payables	465,133
576,644	Total financial liabilities measured at amortised cost	465,133

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

Funds must be deposited with Westpac, a registered bank.

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

NOTE 12: MAJOR BUDGET CHANGES

Changes were made to the non-departmental budgets in the 2019/20 Supplementary Estimates and the 2019/20 Addition to Supplementary Estimates. Explanations for significant variances are provided below.

Revenue and receipts

	Budget 2020 \$000	Changes in forecast 2020 \$000	Cumulative vote 2020 \$000
Indirect taxation			
Road user charges	1,798,660	[174,915]	1,623,745
Motor vehicle registration	228,315	6,452	234,767
Fuel excise duty refunds	[62,949]	[5,043]	[67,992]
Total	1,964,026	[173,506]	1,790,520

Tax revenue and related fees

The National Land Transport Fund Revenue Forecasting Group meets two or three times a year to reforecast the tax revenue expected for the National Land Transport Fund, based on the current economic forecasts. The changes reflect the result of this process and the forecast impact of the COVID-19 lockdown during 2019/20.

Non-departmental expenses and capital expenditure appropriations

	Budget 2020 \$000	Changes in forecast 2020 \$000	Cumulative vote 2020 \$000
Appropriations for non-departmental output expenses			
Administration of the Automatic Dependent Surveillance-Broadcast Transponders Rebate Scheme	–	350	350
Enhanced Road Maintenance – State Highways	–	1,500	1,500
Health and Safety at Work Activities – Maritime	6,191	47	6,238
National Land Transport Programme PLA	2,782,120	(26,601)	2,755,519
Protection of Waka Kotahi NZ Transport Agency's Core Regulatory Functions MYA	–	15,000	15,000
Protection of Transport Sector Agency Core Functions MYA	–	35,200	35,200
Rail – Maintaining an Electric Locomotive Fleet	13,000	(4,600)	8,400
Reinstatement of the South Island Transport Corridors MCA	8,790	5,610	14,400
Search and Rescue and Recreational Boating Safety Activities PLA	11,632	820	12,452
Tuwhenua Provincial Growth Fund – Transport Projects MCA	–	3,995	3,995
Non-departmental other expenses			
Auckland City Rail Link – Operating	–	150	150
Automatic Dependent Surveillance-Broadcast Transponders Rebate Scheme MYA	–	3,900	3,900
Bad Debt Provision – Motor Vehicle Registration/Licences and Road User Charges	4,000	3,620	7,620
Improving Safety in the Aviation Sector	770	700	1,470
Maintaining Airfreight Capacity MYA	–	198,500	198,500
Maintaining Essential Transport Connectivity MYA	–	33,700	33,700
Meeting fees, charges and levies on behalf of airlines MYA	–	52,000	52,000
Membership of International Organisations	743	120	863
SuperGold Card – public transport concessions for cardholders	29,579	993	30,572
Tuwhenua Provincial Growth Fund – Transport Projects MCA	9,100	143,235	152,335
Urban Cycleways – Local Routes	1,783	4,295	6,078
Waka Kotahi NZ Transport Agency Palmerston North Premises	–	1,500	1,500
Non-departmental capital expenditure			
Auckland City Rail Link	468,407	(193,306)	275,101
Aviation Security Service Loans	41,000	(18,000)	23,000
Capital Investment Package – Roads, Walking and Cycling	–	34,460	34,460
COVID-19 – NLTF Borrowing Facility MYA	–	425,000	425,000
Housing Infrastructure Fund Loans MYA	41,536	(11,536)	30,000
Joint Venture Airports – Crown Contribution MYA	500	1,633	2,133
Loans to Essential Transport Operators MYA	–	12,000	12,000
Maritime New Zealand Capital Expenditure PLA	450	316	766
National Land Transport Programme Capital PLA	960,480	(14,147)	946,333
Rail – KiwiRail Equity Injection	15,000	(2,000)	13,000
Rail – KiwiRail Holdings Limited	473,000	8,040	481,040
Rail – New Zealand Railways Corporation Equity Injection MYA	–	30,000	30,000
Rail – Wellington Metro Rail Network Upgrade	44,056	(595)	43,461
Regional State Highways	46,256	(3,066)	43,190
Reinstatement of the South Island Transport Corridors MCA	20,510	13,090	33,600
Tuwhenua Provincial Growth Fund – Transport Projects MCA	33,818	41,480	75,298
Urban Cycleways – Crown Assets	1,334	2,828	4,162
Waka Kotahi NZ Transport Agency Capital Contribution for Palmerston North Premises	–	4,800	4,800
Waka Kotahi NZ Transport Agency Regulatory Loans – MYA	–	25,390	25,390
Total	5,014,055	830,421	5,844,476

Explanations for the major changes were outlined in the 2019/20 Supplementary Estimates and 2019/20 Addition to the Supplementary Estimates. They were:

Administration of the Automatic Dependent Surveillance-Broadcast Transponders Rebate Scheme

This is a new appropriation of \$350,000 to provide for the Civil Aviation Authority to administer the Automatic Dependent Surveillance-Broadcast Transponders Rebate Scheme.

Enhanced Road Maintenance – State Highways

This is a new appropriation of \$1.500 million to redeploy workers affected by the economic impacts of COVID-19.

National Land Transport Programme PLA, and National Land Transport Programme Capital PLA

Waka Kotahi is responsible for the National Land Transport Programme, which delivers the Government objectives laid out in the Government Policy Statement on land transport. Land transport revenue is allocated to the National Land Transport Fund by legislation and is appropriated in these two appropriations – one operating and one capital.

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

- ▶ Funding is transferred between the operating appropriation and the capital one, to match funding for the former to planned activity in a year. Funding is also transferred between years over the five year forecast period to match planned expenditure.
- ▶ Land transport revenue is reforecast two to three times a year. The capital appropriation is adjusted as required as revenue increases or decreases.
- ▶ Allocations to other appropriations within Vote Transport that are funded from land transport revenue.
- ▶ Unspent funding from previous years may be appropriated.

Protection of Waka Kotahi NZ Transport Agency's Core Regulatory Functions MYA

This is a new appropriation of \$60 million to manage the cost pressures generated by the response to COVID-19 on Waka Kotahi's regulatory memorandum accounts and enable the agency to deliver its core regulatory functions across the land transport system. \$15.000 million was the forecasted spend in 2019/20.

Protection of Transport Sector Agency Core Functions MYA

This is a new multi-year appropriation of \$236.600 million to provide protection of core services for transport border agencies [Maritime New Zealand, Civil Aviation Authority, and Aviation Security Service] whose third-party revenue has been impacted by COVID-19. \$35.200 million was the forecasted spend in 2019/20.

Rail – Maintaining an Electric Locomotive Fleet

This appropriation decreased by \$4.600 million due to an expense transfer to 2020/21 and outyears to align with KiwiRail's forecast expenditure for this initiative.

Reinstatement of the South Island Transport Corridors MCA

This appropriation increased by \$18.700 million due to the net of:

- ▶ \$46.602 million carried forward from 2018/19 (increase), and
- ▶ \$27.902 million transferred to 2020/21 to align with forecast expenditure (decrease)

Search and Rescue and Recreational Boating Safety Activities PLA

This appropriation increased by \$820,000 due to additional anticipated search and rescue costs.

Auckland City Rail Link – Operating

This is a new appropriation of \$150,000 to fund KiwiRail's operational readiness costs for the Auckland City Rail Link project. This is funded from within the Crown funding previously approved for the Auckland City Rail Link project.

Automatic Dependent Surveillance-Broadcast Transponders Rebate Scheme MYA

This is a new multi-year appropriation of \$11.750 million to provide for an Automatic Dependent Surveillance Broadcast Transponders Rebate Scheme. \$3.900 million was the forecasted spend in 2019/20.

Bad Debt Provision – Motor Vehicle Registration/Licences and Road User Charges

This appropriation increased by \$3.620 million due to Waka Kotahi processing higher value bad debt write-offs due to higher motor vehicle registration and road user charges revenue.

Improving Safety in the Aviation Sector

This appropriation increased by \$700,000 due to a fiscally neutral adjustment from Vote Business, Science and Innovation for capability to support the drone integration work programme.

Maintaining Airfreight Capacity MYA

This is a new multi-year appropriation of \$328.500 million to maintain airfreight capacity which has been impacted by COVID-19. \$198.500 million was the forecasted spend in 2019/20.

Maintaining Essential Transport Connectivity MYA

This is a new multi-year appropriation of \$35.300 million to provide sector-specific support to maintain essential transport connectivity as part of the COVID-19 response and recovery. \$33.700 million was the forecasted spend in 2019/20.

Meeting fees, charges and levies on behalf of airlines MYA

This is a new multi-year appropriation of \$74 million to provide financial support to airlines to pay passenger-based government charges as part of the COVID-19 response. \$52.000 million was the forecasted spend in 2019/20.

Membership of International Organisations

This appropriation increased by \$120,000 due to increased membership charges and unfavourable exchange rate movements.

SuperGold Card – public transport concessions for cardholders

This appropriation increased by \$993,000 due to the annual CPI increase to the appropriation.

Urban Cycleways – Local Routes

This appropriation increased by \$4.295 million due to the net of:

- ▶ \$6.407 million carried forward from 2018/19 (increase), and
- ▶ \$2.112 million transferred to the Urban Cycleways – Crown Assets appropriation in 2019/20 (decrease)

Waka Kotahi NZ Transport Agency Palmerston North Premises

This is a new appropriation of \$1.500 million for 2019/20 to meet the operational costs of new Palmerston North premises for Waka Kotahi.

Auckland City Rail Link

This appropriation decreased by \$193.306 million due to the net of:

- ▶ \$209.156 million transferred to 2020/21 and 2021/22 to align with forecast expenditure by City Rail Link Limited (decrease)
- ▶ \$16 million carried forward from 2018/19 (increase), and
- ▶ \$150,000 transferred to the Auckland City Rail Link – Operating appropriation in 2019/20 (decrease)

Aviation Security Service Loans

\$18 million was carried forward to outyears to align with Civil Aviation Authority's forecasted expenditure.

Capital Investment Package – Roads, Walking and Cycling

This is a new appropriation of \$34.460 million for funding provided for the New Zealand Upgrade Programme. This appropriation is intended to achieve the delivery of a package of roads and walking and cycling infrastructure across New Zealand to help future proof the economy, get cities moving and make roads safer.

COVID-19 – NLTF Borrowing Facility MYA

This is a new multi-year appropriation of \$425 million to enable Waka Kotahi to manage the revenue impacts on the National Land Transport Fund arising from COVID-19. \$425.000 million was the forecasted spend in 2019/20.

Housing Infrastructure Fund Loans MYA

The decrease in this appropriation is to align with Waka Kotahi's forecasted drawdown on the loan facility.

Joint Venture Airports – Crown Contribution MYA

The appropriation increased by \$7.420 million due to:

- ▶ \$6.550 million for the Crown's share of capital works costs and operating losses as specified under the joint venture airports deeds, and
- ▶ \$870,000 for Regional Investment Opportunities at Taupō Airport.

Loans to Essential Transport Operators MYA

This is a new multi-year appropriation of \$15 million to provide sector-specific support through loans to maintain essential transport connectivity for the COVID-19 response and recovery. \$12.000 million was the forecasted spend in 2019/20.

Maritime New Zealand Capital Expenditure PLA

This appropriation increased by \$316,000 for 2019/20 to reimburse Maritime New Zealand for higher variable search and rescue costs incurred in 2018/19.

Rail – KiwiRail Equity Injection

\$2 million was carried forward to 2020/21 to align with forecast property sales. This appropriation is not cash from the Crown but reflects an increase in KiwiRail equity due to the proceeds of property sales.

Rail – KiwiRail Holdings Limited

This appropriation increased by \$8.040 million due to the net of:

- ▶ an additional \$30.540 million granted for rail as part of the New Zealand Upgrade Programme (increase), and
- ▶ \$22.500 million transferred to 2020/21 to align expenditure with KiwiRail's forecasts for its rolling stock and interisland ferries work programmes (decrease).

Rail – New Zealand Railways Corporation Equity Injection MYA

This is a new appropriation of \$45 million provided for equity injections to New Zealand Railways Corporation relating to property transactions funded by KiwiRail Holdings Limited. This appropriation is not cash from the Crown but reflects an increase in New Zealand Railways Corporation equity due to property purchases funded by KiwiRail Holdings Limited. \$30.000 million was the forecasted spend in 2019/20.

Rail – Wellington Metro Rail Network Upgrade

This appropriation decreased by \$595,000 due to the net of:

- ▶ \$6.680 million carried forward from 2018/19 (increase), and
- ▶ \$7.275 million transferred to 2020/21 to align with KiwiRail's forecast expenditure (decrease)

Regional State Highways

This appropriation decreased by \$3.066 million due to the net of:

- ▶ \$35.887 million carried forward to 2020/21 (decrease)
- ▶ \$18.190 million for roading projects funded from the Regional Investment Opportunities fund (increase), and
- ▶ \$14.631 million carried forward from 2018/19 (increase)

Tuawhenua Provincial Growth Fund – Transport Projects

The increase in this appropriation of \$188.710 is due to the net of:

- ▶ \$94.800 million for essential rail repairs on the North Auckland Line [increase]
- ▶ \$78.721 million for a number of projects including local road projects in Tairāwhiti, further work within the North Auckland Line, Tairāwhiti Roothing, Kaipara and Hawke’s Bay packages, Route 52 improvements, the sealing of Tangarakau Gorge on State Highway 43 and funding for Waka Kotahi to support implementation and administration of the various projects [increase].
- ▶ \$56.000 million brought forward to 2019/20 from outyears for the Provincial Rail Growth Project [increase]
- ▶ \$41.137 million carried forward from 2018/19 [increase]
- ▶ \$26.000 million additional funding to fund rail projects to support worker redeployment in light of COVID-19. These projects include \$13 million for deferred maintenance in regional New Zealand and \$13 million for drainage improvements in regions [increase],
- ▶ \$44.000 million transferred to Vote Business, Science and Innovation for the reprioritisation of the funding for Tourism Rail projects and the Dannevirke Rail Hub project [decrease],
- ▶ \$63.797 million carried forward to 2020/21 largely for the North Auckland Line and the Palmerston North Regional Economic Growth Hub [decrease], and
- ▶ \$151,000 returned to the Provincial Growth Fund for unspent administration funding from 2018/19 [decrease].

Urban Cycleways – Crown Assets

This appropriation increased by \$2.828 million due to:

- ▶ \$2.112 million transferred from the Urban Cycleways – Local Routes appropriation for 2019/20
- ▶ \$500,000 brought forward from 2020/21 to 2019/20 to align with forecast expenditure, and
- ▶ \$216,000 carried forward from 2018/19

Waka Kotahi NZ Transport Agency Capital Contribution for Palmerston North Premises

This is a new appropriation of \$4.800 million for the capital expenditure associated with the relocation of the Waka Kotahi premises in Palmerston North.

Waka Kotahi NZ Transport Agency Regulatory Loans MYA

There is a new appropriation of \$35.500 million to provide a loan to Waka Kotahi NZ Transport Agency for regulatory and rectification costs. \$25.390 million was the forecasted spend in 2019/20.

NOTE 13: MAJOR BUDGET TO ACTUAL VARIANCES

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

Schedule of non-departmental revenue and receipts

Total revenue and receipts were \$26.765 million higher than forecast. The Ministry performed a revenue reforecast to take into account the effects of COVID-19, however, revenues from road user charges have recovered faster than expected.

Schedule of non-departmental expenses

Total expenses were \$414.00 million less than forecast. This is largely due to underspends in the appropriations established as part of the COVID-19 response, such as the funding for maintaining airfreight capacity [\$159.669 million underspent] and funding for maintaining transport connectivity [\$33.467 million underspent]. Agreements under the international airfreight capacity scheme began in late April with a gradual ramp up of airfreight services over May. The scheme is now well established. The underspend in 2019/20 is due to the unknown timing of funding requests at the time the multi-year appropriation was established. The transport connectivity scheme was established in the last quarter of the financial year and applications for support from transport operators are being assessed.

Provincial Growth Fund expenditure was \$106.317 million less than forecasted due to project delays as a result of the COVID-19 lockdown.

Schedule of non-departmental assets

Non-departmental assets were \$44.127 million less than forecast. This is mostly due to less investment in joint ventures than expected, in particular, City Rail Link Limited. The higher than forecast operating loss of City Rail Link Limited impacted on the Crown’s total investment.

Schedule of non-departmental liabilities

Non-departmental liabilities were \$22.163 million more than forecast largely due to COVID-19 funding costs incurred but not paid out at year end. Due to the nature of the funding, requests are received from airlines with short notice.

Appropriation Statements

The following statements report information about the expenses and capital expenditure incurred against each appropriation, or other authority administered by the Ministry for the year ended 30 June 2020.

STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED AGAINST APPROPRIATIONS

FOR THE YEAR ENDED 30 JUNE 2020

Annual and permanent appropriations for Vote Transport

2019 Actual \$000	Appropriation title	2020 Actual \$000	2020 Forecast \$000	End-of-year performance information location*
Departmental output expenses				
790	Fuel Excise Duty Refund Administration	725	738	1
349	Milford Sound/Piopiotahi Aerodrome Operation and Administration	408	488	1
2,645	Search and Rescue Activity Coordination PLA	2,111	2,301	1
348	Search and Rescue Training and Training Coordination	953	1,300	1
4,132	Total departmental output expenses	4,197	4,827	
Departmental capital expenditure				
939	Ministry of Transport – Capital Expenditure PLA	-	270	1
Non-departmental output expenses				
5,520	Accident or Incident Investigation and Reporting	5,520	5,520	2
	Administration of the Automatic Dependent Surveillance-Broadcast Transponders Rebate Scheme	215	350	4
775	Crash Analysis	775	775	3
-	Enhanced Road Maintenance – State Highways	-	1,500	3
776	Health and Safety at Work Activities – Civil Aviation	1,174	1,174	4
6,299	Health and Safety at Work Activities – Maritime	6,192	6,238	5
4,831	Licensing Activities	1,993	2,550	3
145	Maritime Port Security	145	145	4
548	Ministerial Servicing by the New Zealand Transport Agency	548	548	3
2,601,257	National Land Transport Programme PLA**	2,719,404	2,755,519	3
	Protection of Waka Kotahi NZ Transport Agency's Core Regulatory Functions MYA	8,229	15,000	3
	Protection of Transport Sector Agency Core Functions MYA	13,000	35,200	4, 5, 11
-	Rail – Maintaining an Electric Locomotive Fleet	8,400	8,400	7
-	Regional Fuel Tax administration	-	-	3
3,779	Road User Charges Investigation and Enforcement	3,779	3,779	3
450	Road User Charges Refunds	450	450	3
3,231	Search and Rescue Activities	3,231	3,231	5
10,301	Search and Rescue and Recreational Boating Safety Activities PLA	11,942	12,452	6
95	SuperGold card – Administration of the Public Transport Concessions Scheme	95	95	3
23,949	Weather Forecasts and Warnings	24,565	24,565	6
2,661,956	Total non-departmental output expenses	2,809,657	2,877,491	

2019 Actual \$000	Appropriation title	2020 Actual \$000	2020 Forecast \$000	End-of-year performance information location*
	Non-departmental other expenses			
	- Auckland City Rail Link – Operating	-	150	7
	- Automatic Dependent Surveillance-Broadcast Transponders Rebate Scheme MYA	541	3,900	4
7,095	Bad Debt Provision – Motor Vehicle Registration/Licences and Road User Charges	7,357	7,620	8
99,811	Housing Infrastructure Fund – Fair Value Write Down MYA	-	-	6
	- Maintaining Airfreight Capacity MYA	38,831	198,500	6
	- Maintaining Essential Transport Connectivity MYA	233	33,700	6
	- Meeting fees, charges and levies on behalf of airlines MYA	38,547	52,000	6
726	Membership of International Organisations	827	863	8
3,270	Rail – Public Policy Projects	3,270	3,270	7
500	Rail – Railway Safety	500	500	7
29,303	SuperGold Card – public transport concessions for cardholders	30,572	30,572	3
12,683	Urban Cycleways – Local Routes	4,963	6,078	3
	- Waka Kotahi NZ Transport Agency Palmerston North Premises	1,500	1,500	3
153,388	Total non-departmental other expenses	127,143	338,653	
	Non-departmental capital expenditure			
65,000	Auckland City Rail Link	258,000	275,101	9
31,800	Auckland Transport Package loan	-	-	3
	- Aviation Security Service Loans	-	23,000	4
	- Capital Investment Package – Roads, Walking and Cycling	28,023	34,460	3
	- COVID-19 – NLTF Borrowing Facility MYA	125,000	425,000	3
3,000	Housing Infrastructure Fund Loans MYA	9,000	30,000	3
1,019	Joint Venture Airports – Crown Contribution MYA	1,159	2,133	6
	- Loans to Essential Transport Operators MYA	-	12,000	6
	- Maritime New Zealand Capital Expenditure PLA	370	766	5
1,014,451	National Land Transport Programme Capital PLA**	942,959	946,333	3
	- NLTF Borrowing Facility for Short-Term Advances	250,000	500,000	3
3,839	Rail – KiwiRail Equity Injection	9,217	13,000	7
230,000	Rail – KiwiRail Holdings Limited	462,500	481,040	7
163,500	Rail – KiwiRail Holdings Limited Loans	174,250	174,250	7
	- Rail – New Zealand Railways Corporation Equity Injection	11,064	30,000	10
36,216	Rail – Wellington Metro Rail Network Upgrade	37,184	43,461	7
18,769	Regional State Highways	27,685	43,190	3
205,000	Reinstatement of South Island Main North Line	-	-	7
314	Urban Cycleways – Crown Assets	4,162	4,162	3
	- Waka Kotahi NZ Transport Agency Capital Contribution for Palmerston North Premises	4,333	4,800	3
	- Waka Kotahi NZ Transport Agency Regulatory Loans – MYA	19,500	25,390	3
1,772,908	Total non-departmental capital expenditure	2,364,407	3,068,086	

2019 Actual \$000	Appropriation title	2020 Actual \$000	2020 Forecast \$000	End-of-year performance information location*
	Multi category appropriations [MCA]			
35,539	Policy Advice and Related Outputs MCA	46,323	55,906	1
	Departmental output expenses			
30,190	Policy Advice	41,288	50,807	
2,440	Ministerial Servicing	1,962	2,000	
2,909	Governance and Performance Advice on Crown Agencies	3,073	3,099	
2,579	Policy Advice and Related Outputs – Civil Aviation MCA	2,549	3,249	1, 4
	Non-departmental output expenses			
663	Policy Advice – Civil Aviation	663	663	
431	Ministerial Servicing – Civil Aviation	431	431	
685	International Relations and International Civil Aviation Organization Obligations	685	685	
	Non-departmental other expenses			
800	Improving Safety in the Aviation Sector	770	1,470	
6,228	Policy Advice and Related Outputs – Maritime MCA	5,919	6,191	1, 5
	Non-departmental output expenses			
3,349	Policy Advice – Maritime	3,349	3,349	
801	Maritime Incident Response	492	764	
2,078	Maritime Safety and Marine Protection Services	2,078	2,078	
113,111	Reinstatement of the South Island Transport Corridors MCA	38,143	48,000	1, 3
	Non-departmental output expenses			
41,912	Restoration of State Highway 1 between Picton and Christchurch	7,310	14,400	
	Non-departmental capital expenditure			
71,199	Rebuild of State Highway 1 between Picton and Christchurch	30,834	33,600	
17,050	Tuawhenua Provincial Growth Fund – Transport Projects MCA	124,328	231,628	1, 3, 7
	Non-departmental output expenses			
1,937	Supporting Regional and Infrastructure Projects	3,013	3,995	
	Non-departmental other expenses			
10,919	Enabling Infrastructure Projects	71,816	121,470	
3,435	Regional projects and capability	2,607	30,865	
	Non-departmental capital expenditure			
759	Infrastructure projects	5,192	19,298	
-	Rail Projects	41,700	56,000	
174,506	Total multi category appropriations	217,263	344,974	

\$85 million in equity recognised in 2018/19 against the Reinstatement of South Island Main North Line appropriation was no longer required for this purpose and instead paid to KiwiRail in 2019/20 for the purpose of Rail- KiwiRail Holdings Limited appropriation. The \$462.5 million presented above includes this \$85 million.

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

1. The Ministry's annual report
2. The Transport Accident Investigation Commission's annual report
3. The Waka Kotahi New Zealand Transport Agency's annual report
4. The Civil Aviation Authority's annual report
5. Maritime New Zealand's annual report
6. To be reported by the Minister of Transport in a report appended to this annual report.
7. KiwiRail's annual report
8. Not reported, as an exemption exists under section 15D of the Public Finance Act 1989.
9. City Rail Link Limited's annual report
10. New Zealand Railways Corporation's annual report
11. Aviation Security Service's annual report

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

Details of Multi-year appropriations

	Commences	Expires	Appropriation at 1 July 2019 \$000	Increase/(decrease) in funding in \$000	Total funding \$000	Cumulative expenses to 1 July 2019 \$000	Current year expenses \$000	Cumulative expenses to 30 June 2020 \$000	Balance of appropriation remaining at 30 June 2020 \$000
Housing Infrastructure Fund – Fair Value Write Down	1 July 2018	30 June 2021	122,230	-	122,230	99,811	-	99,811	22,419
Housing Infrastructure Fund Loans	1 July 2018	30 June 2023	357,000	-	357,000	3,000	9,000	12,000	345,000
Joint Venture Airports – Crown Contribution	1 July 2018	30 June 2023	2,500	7,420	9,920	1,019	1,159	2,178	7,742
Protection of Transport Sector Agency Core Functions	1 April 2020	30 June 2022	-	236,600	236,600	-	13,000	13,000	223,600
Maintaining Airfreight Capacity	24 March 2020	30 June 2021	-	328,500	328,500	-	38,831	38,831	289,669
Maintaining Essential Transport Connectivity	11 May 2020	30 June 2022	-	35,300	35,300	-	233	233	35,067
Automatic Dependent Surveillance-Broadcast Transponders Rebate Scheme	1 August 2019	30 June 2022	-	11,750	11,750	-	541	541	11,209
Rail – New Zealand Railways Corporation Equity Injection	1 April 2020	30 June 2024	-	45,000	45,000	-	11,064	11,064	33,936
Loans to Essential Transport Operators	11 May 2020	30 June 2022	-	15,000	15,000	-	-	-	15,000
COVID-19 – NLTF Borrowing Facility	11 May 2020	30 June 2022	-	425,000	425,000	-	125,000	125,000	300,000
Waka Kotahi NZ Transport Agency Regulatory Loans	1 March 2020	30 June 2024	-	35,500	35,500	-	19,500	19,500	16,000
Meeting fees, charges and levies on behalf of airlines	24 April 2020	30 June 2021	-	74,000	74,000	-	38,547	38,547	35,453
Protection of Waka Kotahi NZ Transport Agency's Core Regulatory Functions	11 May 2020	30 June 2022	-	60,000	60,000	-	8,229	8,229	51,771

END-OF-YEAR PERFORMANCE



End-of-year Performance Information

FOR THE YEAR ENDED 30 JUNE 2020

The appropriations reported in this annual report are:

Multi-category Expenses and Capital Expenditure:

- ▶ Policy Advice and Related Outputs [Departmental output expenses]
 - Policy Advice
 - Ministerial Servicing
 - Governance and Performance Advice on Crown Agencies.
- ▶ Policy Advice and Related Outputs – Civil Aviation [Non-departmental output expenses and non-departmental other expense]
 - International Relations and International Civil Aviation Organization Obligations
 - Ministerial Servicing – Civil Aviation
 - Policy Advice – Civil Aviation.
 - Improving Safety in the Aviation Sector
- ▶ Policy Advice and Related Outputs – Maritime [Non-departmental output expenses]
 - Maritime Incident Response
 - Maritime Safety and Marine Protection Services
 - Policy Advice – Maritime.
- ▶ Reinstatement of the South Island Transport Corridors [Non-departmental output expense and non-departmental capital expenditure]
 - Restoration of State Highway 1 between Picton and Christchurch
 - Rebuild of State Highway 1 between Picton and Christchurch.
- ▶ Tuawhenua Provincial Growth Fund – Transport Projects [Non-departmental output expense, non-departmental other expenses, non-departmental capital expenses]
 - Supporting Regional and Infrastructure Projects
 - Enabling Infrastructure Projects
 - Regional projects and capability
 - Infrastructure projects
 - Rail Projects

Departmental Output Expenses:

- ▶ Fuel Excise Duty Refund Administration
- ▶ Milford Sound/Piopiotahi Aerodrome Operation and Administration
- ▶ Search and Rescue Activity Coordination Permanent Legislative Authority [PLA]
- ▶ Search and Rescue Training and Training Coordination

Departmental Capital Expenditure:

- ▶ Ministry of Transport – Capital Expenditure PLA

Multi-category Expenses and Capital Expenditure

POLICY ADVICE AND RELATED OUTPUTS

Financial performance

Actual 2019 \$000		Actual 2020 \$000	Budget 2020 \$000	Forecast 2020 \$000
37,934	Revenue Crown	50,470	44,138	50,470
1,050	Other revenue	4,784	-	5,436
38,984	Total revenue	55,254	44,138	55,906
35,539	Total expenses	46,857	44,138	55,906
3,445	Net surplus/(deficit)	8,397	-	-

POLICY ADVICE

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

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

Financial performance

Actual 2019 \$000		Actual 2020 \$000	Budget 2020 \$000	Forecast 2020 \$000
32,503	Revenue Crown	45,371	39,138	45,371
1,050	Other revenue	4,784	-	5,436
33,553	Total revenue	50,155	39,138	50,807
30,190	Total expenses	41,822	39,138	50,807
3,363	Net surplus/(deficit)	8,333	-	-

Assessment of performance against medium-term measures for this output class

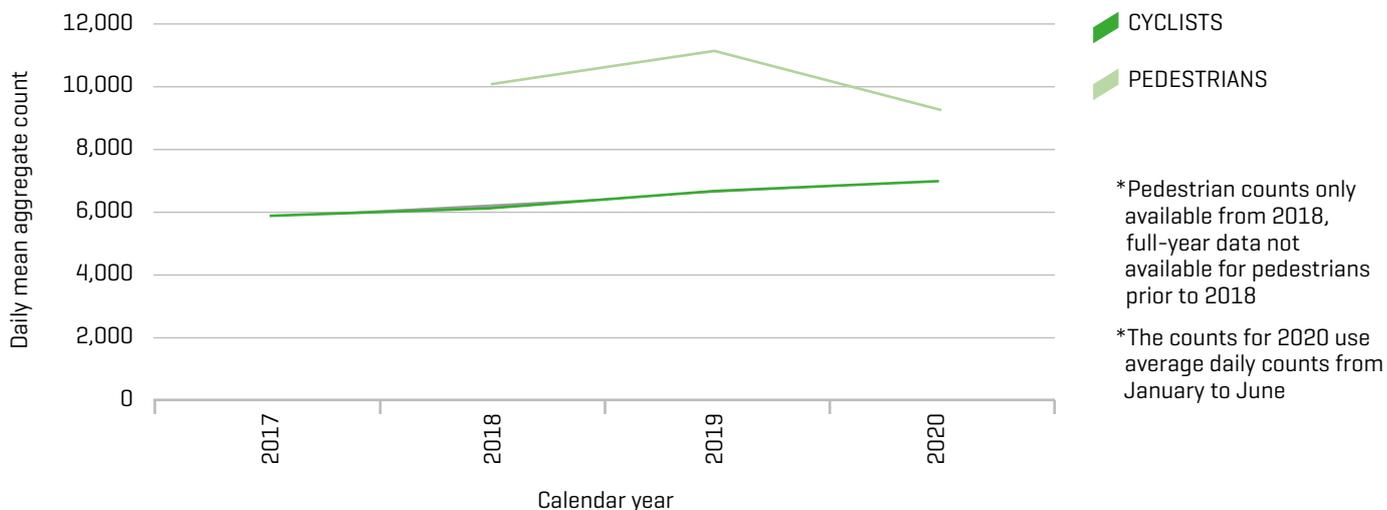
2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
New measure	Increase in the use of active modes and public transport in the major urban areas over the medium term	Achieved for cycling and public transport use. Not achieved for walking	Achieved
New measure	Increase the amount of export and import freight moved by the transport system over the medium term	Achieved	Achieved
New measure	Key risks to the resilience and security of the transport system are identified and system mitigations to address these are being implemented and managed appropriately	Achieved*	Achieved
New measure	Reduction in the number of deaths and serious injuries in the transport system over the medium term	Not achieved**	Achieved
New measure	Reduction in the level of greenhouse gases emitted from domestic transport (carbon dioxide equivalence emissions/kt of CO ₂ -e) economy over the medium term	Not achieved***	Achieved

*This is a rolling performance measure, taking into account ongoing emergency events and risk management.

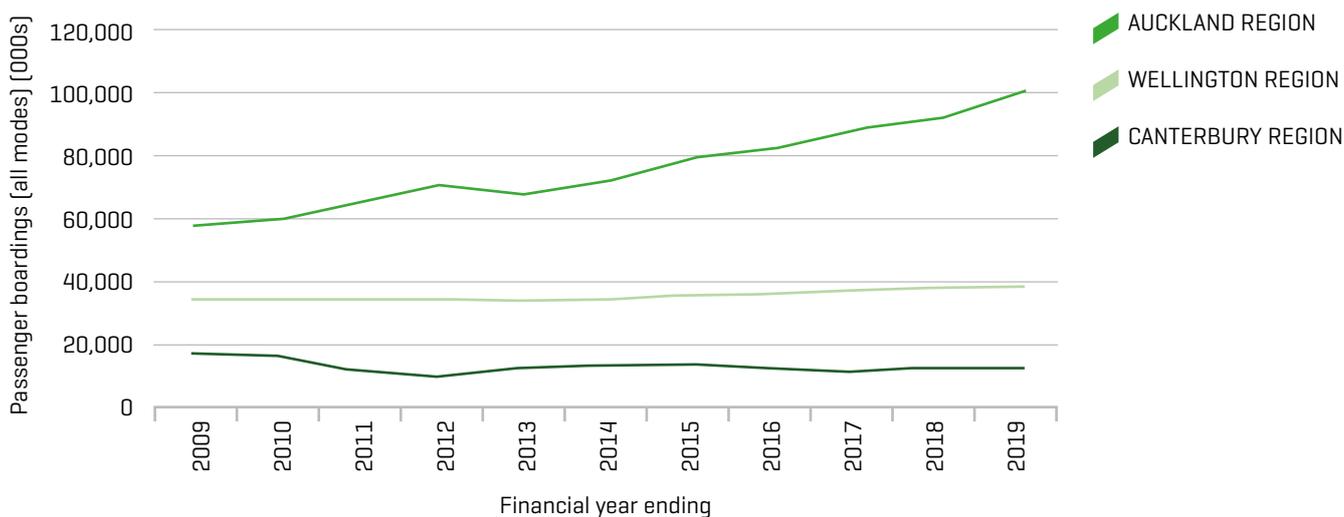
**The Government is taking action on road safety, as committed to under *Road to Zero* – New Zealand’s new 10-year road safety strategy for 2020-2030 and accompanying initial three-year action plan. For more information see the report under the Healthy and Safe People outcome elsewhere in this report.

***The latest greenhouse gas emission data was for 2017. The number of vehicles and their travel on New Zealand roads have grown strongly since 2013. The growth has over-offset the improvement in vehicles’ fuel efficiency and population growth, resulting in a higher growth rate in emissions per capita. The Government has proposed Clean Car Standard and Clean Car Discount policies to reduce emissions from the light vehicle fleet.

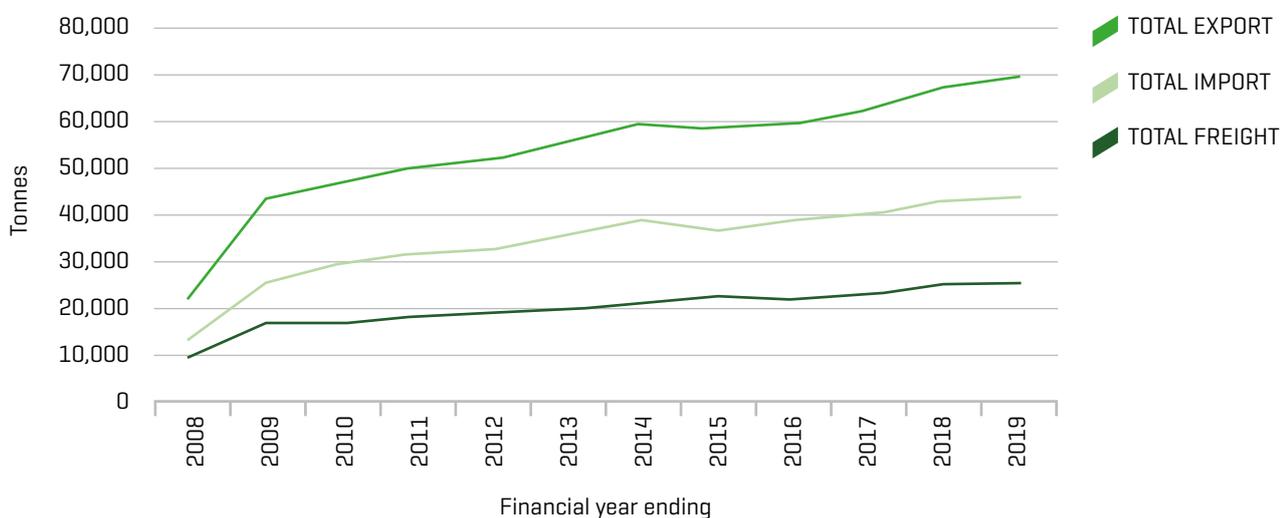
Average daily active mode users (selected counters in AKL, WGTN, CHCH)



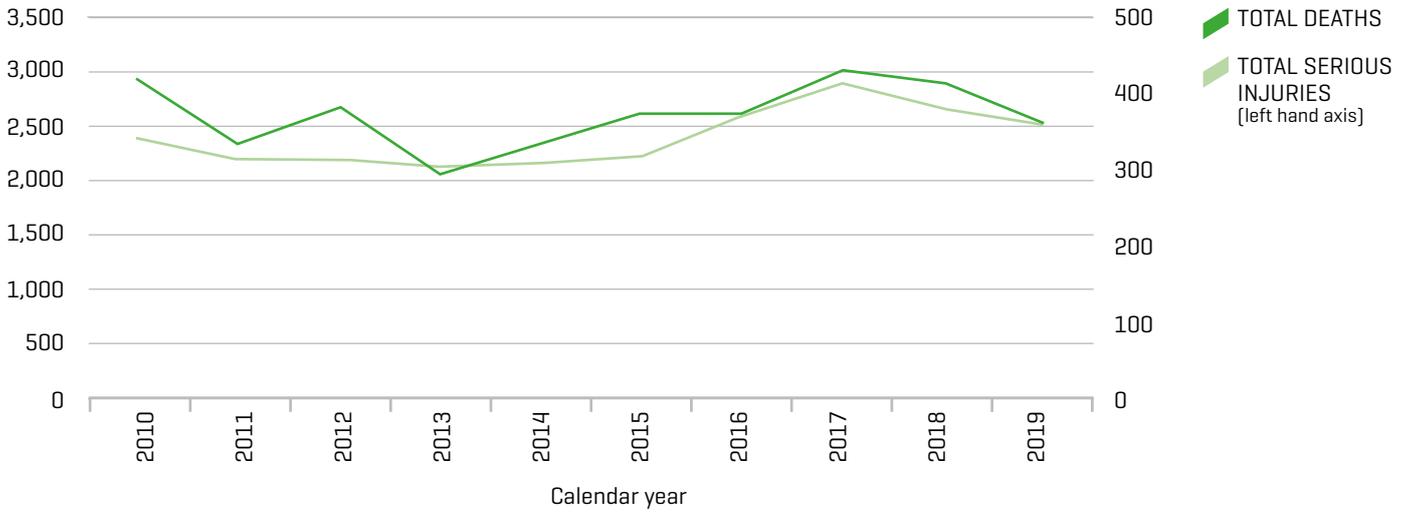
Public Transport Boardings



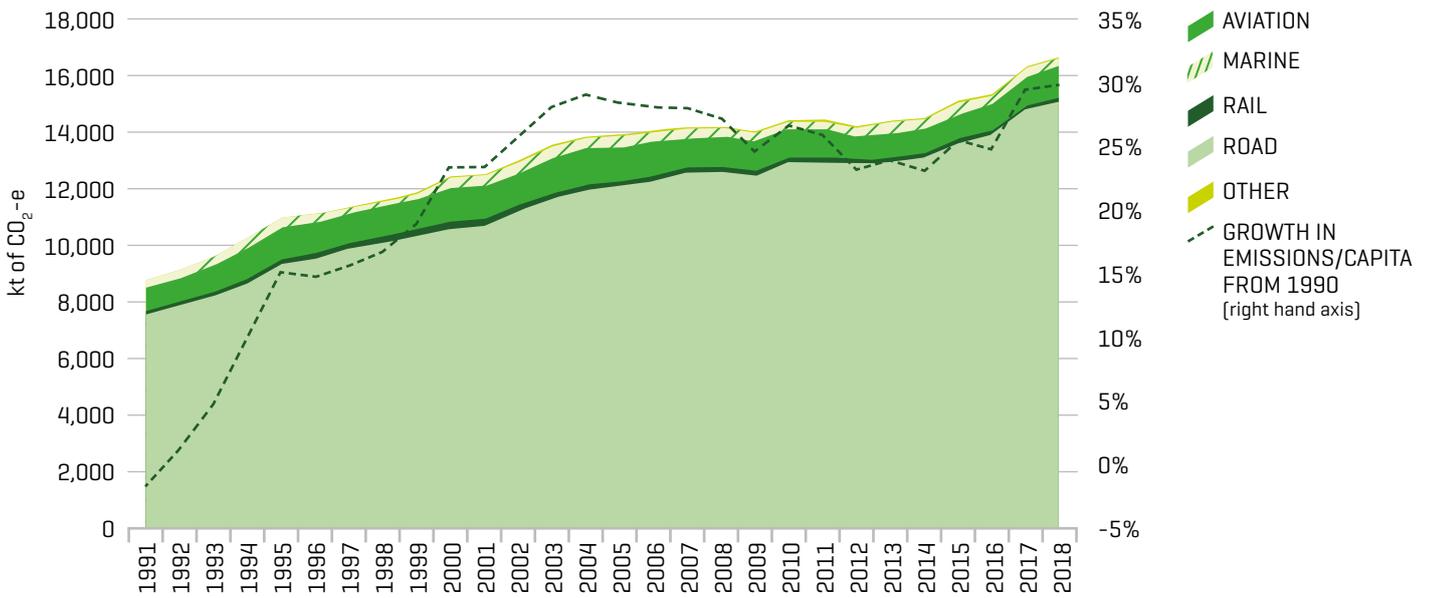
Import/Export movements by financial year



Deaths and serious injuries across all transport modes



Carbon dioxide equivalent emissions (kt of CO₂-e) from domestic transport (road, rail, maritime, aviation)



Assessment of performance against other measures for this output class

2019 Actual	Performance measures	2020 Actual	2020 Standards/Targets
76%*	Milestones contained in the output plan are completed as agreed, or as subsequently amended by the agreement between the Minister and the Chief Executive	61%*	95%
New measure	Assessment of the quality of a sample of Ministry policy advice papers	Achieved 3.8	Achieved
Achieved	At least twice yearly revenue forecasting provided for use in Crown accounts and Budget forecasts	Achieved	Achieved
Not achieved	The agreed rules programme, including variations, is delivered	Not achieved**	Achieved
New measure	Satisfaction of the portfolio Minister with the policy advice service	Achieved 3.7	Achieved
Achieved	The agreed Funding Review programme, including variations, is delivered	Achieved***	Achieved

*Output plan deliverables were missed due to redeployment of resources to other priority areas. 58% of the missed deliverables were due to COVID-19, the other 42% was due to changes in prioritisation of policy work.

**Additional high priority work, including the response to COVID-19, has impacted on the delivery of the rules programme since the original Output Plan was agreed.

***The funding review programme was varied due to the impact of COVID-19, with the agreement of the Minister.

MINISTERIAL SERVICING

This output class is intended to achieve the effective delivery of support to executive government and parliamentary processes.

Financial performance

Actual 2019 \$000		Actual 2020 \$000	Budget 2020 \$000	Forecast 2020 \$000
2,000	Revenue Crown	2,000	2,000	2,000
2,440	Total expenses	1,962	2,000	2,000
(440)	Net surplus/(deficit)	38	-	-

Assessment of performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/Targets
65%	Percentage of draft replies to Ministerial correspondence completed within 10 working days	76%	80%
91%	Percentage of Official Information Act requests to the Ministry replied to within statutory timeframes	95%	100%

GOVERNANCE AND PERFORMANCE ADVICE ON CROWN AGENCIES

This output class is intended to achieve high performing transport Crown agencies, the activities of which are transparent and well aligned to Government policy priorities.

Financial performance

Actual 2019 \$000		Actual 2020 \$000	Budget 2020 \$000	Forecast 2020 \$000
3,431	Revenue Crown	3,099	3,000	3,099
2,909	Total expenses	3,073	3,000	3,099
522	Net surplus	26	-	-

Assessment of performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
Achieved	Advice on transport Crown entity board appointments provided to agreed timeframes	Achieved	Achieved
Achieved	Twice yearly Ministry strategic discussions with each Crown entity Chair/Board	Achieved	Achieved
New measure	Assessment of the quality of a sample of Ministry governance advice papers	Achieved 3.4	Achieved

POLICY ADVICE AND RELATED OUTPUTS – CIVIL AVIATION MCA

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

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

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

Financial performance

Actual 2019 \$000		Actual 2020 \$000	Budget 2020 \$000	Forecast 2020 \$000
663	Non-departmental output expense: Policy Advice	663	663	663
431	Non-departmental output expense: Ministerial Servicing	431	431	431
685	Non-departmental output expense: International Relations and International Civil Aviation Organization Obligations	685	685	685
800	Non-departmental other expense: Improving Safety in the Aviation Sector	770	770	1,470

Assessment of performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
Maintained	People have confidence in the safety and security of air transport in New Zealand airspace as shown by improvements demonstrated in a confidence survey (survey conducted biennially)	Not applicable*	Maintained
77%	Percentage of resident travellers that felt extremely or very safe and secure (2019 result – 77%)	Not applicable*	75% or greater
89%	Percentage of overseas travellers that felt extremely or very safe and secure (2019 result – 89%)	Not applicable*	92% or greater

*Survey conducted every two years. Last survey conducted 2019. Due to be conducted again in 2021.

INTERNATIONAL RELATIONS AND INTERNATIONAL CIVIL AVIATION ORGANIZATION OBLIGATIONS

This output class is intended to achieve administration of New Zealand's international civil aviation obligations and interests within the delegations of the Minister of Transport.

Assessment of performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
	We will ensure New Zealand's obligations as a signatory State to the Chicago Convention are met. (The Convention on International Civil Aviation, also known as the Chicago Convention, established the International Civil Aviation Organization, a specialized agency of the UN charged with coordinating and regulating international air travel.) By:		
New measure	Maintained alignment with existing Standards and Recommended Practices (SARPs) where appropriate	Maintained	Maintained
New measure	Alignment with new Standards and Recommended Practices (SARPs) where appropriate for New Zealand	Achieved	Achieved
New measure	Filing of Differences within required timeframes	100%	100%

MINISTERIAL SERVICING – CIVIL AVIATION

This output class is intended to achieve the effective delivery of support to executive government and parliamentary processes.

Assessment of performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
Met expectations	Reports, correspondence and Parliamentary questions acceptable to the Minister [assessed by biannual survey] based on a scale of “exceeded expectations”, “met expectations” or “requires improvement”	Met expectations [half yearly result]*	Met expectations
100%	Percentage of reports and responses that are delivered in accordance with prescribed standards and timeframes established by the Ministry of Transport in their correspondence tracking system	100%	100%

*Minister has not provided a response to the annual survey. The result included here is for the six monthly assessment provided.

POLICY ADVICE – CIVIL AVIATION

This output class is intended to achieve a high level of safety and security standards within the New Zealand civil aviation system.

Assessment of performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
100%	Policy advice provided to ministers, other government departments and agencies meets Treasury and DPMC guidelines (as per section 3.2 of “Reorganisation of Appropriations for Policy Advice – Guide for Departments [Treasury 2011] and DPMC policy guidance”)	Achieved	Achieved
100%	All policy advice provided to other government departments and agencies is delivered within the timeframes requested by those departments and agencies	Achieved	Achieved

IMPROVING SAFETY IN THE AVIATION SECTOR

This category is intended to achieve a high level of safety and security standards within the New Zealand civil aviation system.

Assessment of performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
New measure	Percentage of HSNO [Hazardous Substances and New Organisms Amendment Act 2015] work types completed within 180 days	68%	60%
63%	Percentage of all HSNO work types completed within 12 months	100%	100%

POLICY ADVICE AND RELATED OUTPUTS – MARITIME MCA

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

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

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

Financial performance

Actual 2019 \$000		Actual 2020 \$000	Budget 2020 \$000	Forecast 2020 \$000
3,349	Non-departmental output expense: Policy Advice	3,349	3,349	3,349
801	Non-departmental output expense: Incident Response	492	764	764
2,078	Non-departmental output expense: Maritime Safety and Marine Protection Services	2,078	2,078	2,078
6,196	Total	6,228	6,191	6,265

MARITIME INCIDENT RESPONSE

This category is intended to achieve an increase in the efficiency and effectiveness of Maritime New Zealand’s maritime incident response capability.

Assessment of performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
Achieved	An annual readiness and response training plan is developed and all planned training completed	Not achieved*	Achieved

*The annual readiness training and response plan was developed but due to COVID-19, planned training was not completed

MARITIME SAFETY AND MARINE PROTECTION SERVICES

This category is intended to achieve the provision of reliable maritime navigation aids.

Assessment of performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
Achieved 99.99%	The percentage of time lighthouses are operational [per IALA category 1]	99.98%	99.8% or greater
New measure	The percentage of time the Maritime Operations Centre is operational	99.99%	99.8% or greater

POLICY ADVICE – MARITIME

This category is intended to achieve the development of fit for purpose policy in relation to maritime safety, security and environmental protection; and the provision of services to Ministers to enable them to discharge their portfolio accountabilities.

Assessment of overall performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
100%	The percentage of written advice to the Minister of Transport and the Ministry of Transport that meets Maritime New Zealand's quality criteria	100%	100%

REINSTATEMENT OF THE SOUTH ISLAND TRANSPORT CORRIDORS MCA

The overarching purpose of this appropriation is to deliver reinstated transport corridors between Picton and Christchurch following the 2016 earthquakes.

The non-departmental output expenses are limited to restoration of State Highway 1 between Picton and Christchurch.

The non-departmental capital expenditure is limited to the rebuild and improvement of State Highway 1 between Picton and Christchurch.

Financial performance

Actual 2019 \$000		Actual 2020 \$000	Budget 2020 \$000	Forecast 2020 \$000
41,912	Non-departmental output expense: Restoration of State Highway 1 between Picton and Christchurch	7,310	8,790	14,400
71,199	Non-departmental capital expenditure: Rebuild of State Highway 1 between Picton and Christchurch	30,834	20,510	33,600

Assessment of overall performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
99%	Restoration of State Highway 1 between Picton and Christchurch – Percentage of activities that are delivered to agreed standards and timeframes*	97%	90%
29%	Rebuild of State Highway 1 between Picton and Christchurch – Percentage of activities that are delivered to agreed standards and timeframes*	100%	90%

*The methodology of this measure was changed this year to address audit recommendations. Activities delivered are now based on number of projects completed.

TUAWHENUA PROVINCIAL GROWTH FUND – TRANSPORT PROJECTS MCA

Financial performance

		2020 Actual \$000	2020 Budget \$000	2020 Forecast \$000
1,937	Non-departmental output expenses: Supporting Regional and Infrastructure Projects	3,013	-	3,995
10,919	Non-departmental other expenses: Enabling Infrastructure Projects	71,816	8,100	121,470
3,435	Non-departmental other expenses: Regional projects and capability	2,607	1,000	30,865
759	Non-departmental capital expenditure: Infrastructure projects	5,192	218	19,298
-	Non-departmental capital expenditure: Rail Projects	41,700	33,600	56,000

This appropriation is intended to achieve a lift in productivity potential in the regions through transport related projects that enable regions to be well connected from an economic and social perspective.

TUAWHENUA PROVINCIAL GROWTH FUND – TRANSPORT PROJECTS

This appropriation is intended to achieve a lift in the productivity potential in the regions through transport-related projects and studies that enable regions to be well connected from an economic and social perspective.

Assessment of performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
Achieved	Provincial Growth Fund funding is distributed by the Ministry in accordance with the terms and conditions of its memorandum of understanding	Not achieved*	Achieved

*Funding was distributed in accordance with the terms and conditions of the memorandum of understanding (MoU) for 22 out of 23 projects. One project did not comply because the funding was administered by the Ministry instead of the Treasury as was required by the MoU. The change in administrative arrangements was agreed between the Secretaries of Transport and the Treasury. The MoU will be amended in 2020/21 to align with the change in administration.

SUPPORTING REGIONAL AND INFRASTRUCTURE PROJECTS

This category is limited to supporting transport-related regional economic development initiatives.

Assessment of performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
20 working days	Average number of days to provide feedback on Provincial Growth Fund funding applications	9 working days	20 working days or less

ENABLING INFRASTRUCTURE PROJECTS

This category is limited to expenses incurred on local transport-related infrastructure projects that contribute to the outcome of a lift in the productivity potential in the regions.

Assessment of performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
13 working days	Average number of days to release Provincial Growth Fund infrastructure funding once approved	10 working days	20 working days or less
New measure	Work is carried out as per the agreed programme	93%*	100%

*13 out of 14 projects.

REGIONAL PROJECTS AND CAPABILITY

This category is limited to supporting regional development through transport-related projects, capability building, and feasibility studies for potential transport-related projects.

Assessment of performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
100%	Percentage of regional project business cases completed to standard [Approved Organisations and Transport Agency]	100%	90% or greater
100%	Percentage of regional project business cases completed to timelines [Approved Organisations and Transport Agency]	100%	90% or greater

INFRASTRUCTURE PROJECTS

This category is limited to capital expenditure for transport-related infrastructure projects that contribute to the outcome of a lift in the productivity potential in the regions.

Assessment of performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
Not applicable	Proportion of Transport Agency projects funded by the Provincial Growth Fund delivered to standards and timeframes	Not applicable*	90% or greater

*No PGF-funded physical works projects were due to be completed during 2019/20.

RAIL PROJECTS

This category is limited to a capital injection to KiwiRail Holdings Limited to finance approved rail-related projects that contribute to the outcome of a lift in the productivity potential in the regions.

Assessment of performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
Not applicable	Work is carried out as per the agreed programme	80%*	100%

*8 out of 10 projects.

Departmental Output Expense

FUEL EXCISE DUTY REFUND ADMINISTRATION

Through this appropriation, the Secretary for Transport (Chief Executive) delegates to, and contracts with, the NZ Transport Agency to provide an administrative and accounting service for the refund of fuel excise duty (FED). The appropriation is intended to achieve accurate and timely refunds of fuel excise duty to eligible applicants.

Financial performance

Actual 2019 \$000		Actual 2020 \$000	Budget 2020 \$000	Forecast 2020 \$000
679	Revenue Crown	618	618	618
111	Other revenue	107	120	120
790	Total revenue	725	738	738
790	Total expenses	725	738	738
-	Net surplus	-	-	-

Assessment of performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
16.1 days	Average number of days taken to process refunds of fuel excise duty	17.2 days	20 working days or less

MILFORD SOUND/PIOPIOTAHU AERODROME OPERATION AND ADMINISTRATION

This appropriation covers the operation of the Milford Sound/Piopiotaahi Aerodrome.

It is intended to achieve the safe and efficient operation of the Milford Sound/Piopiotaahi Aerodrome.

Financial performance

Actual 2019 \$000		Actual 2020 \$000	Budget 2020 \$000	Forecast 2020 \$000
-	Revenue Crown	100	-	100
325	Other revenue	248	325	388
349	Total expenses	408	325	488
[24]	Net surplus/(deficit)	[60]	-	-

Assessment of performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
100%	The aerodrome operation will conform with appropriate Civil Aviation Authority safety requirements	100%	100%
Achieved	Operating costs within third-party revenue	Not achieved*	Achieved

*Third party revenue was reduced because of a reduced number of flights at the aerodrome due to COVID-19.

SEARCH AND RESCUE ACTIVITY COORDINATION PLA

In this appropriation, the Ministry houses the Secretariat function of the New Zealand Search and Rescue (NZSAR) Council which administers the search and rescue (SAR) sector in New Zealand.

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

Financial performance

Actual 2019 \$000		Actual 2020 \$000	Budget 2020 \$000	Forecast 2020 \$000
2,706	Revenue Crown	2,301	2,240	2,301
2,645	Total expenses	2,111	2,240	2,301
61	Net surplus	190	-	-

Assessment of performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
93%	Survey results show that the New Zealand Search and Rescue Council is satisfied with the provision of effective support services and policy advice for the New Zealand search and rescue sector	86%	95% or higher

SEARCH AND RESCUE TRAINING AND TRAINING COORDINATION

This appropriation is intended to achieve effective management and purchase of the delivery of search and rescue skill acquisition training for people operating in the search and rescue sector.

Financial performance

Actual 2019 \$000		Actual 2020 \$000	Budget 2020 \$000	Forecast 2020 \$000
348	Other revenue	953	1,300	1,300
348	Total expenses	953	1,300	1,300
-	Net surplus	-	-	-

Assessment of performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
80%	Percentage of planned search and rescue training courses that are delivered	71%	80%

Departmental Capital Appropriation

MINISTRY OF TRANSPORT – CAPITAL EXPENDITURE PLA

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

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

Financial performance

Actual 2019 \$000		Actual 2020 \$000	Budget 2020 \$000	Forecast 2020 \$000
Ministry of Transport – Capital Expenditure PLA				
939	Departmental capital expenditure	-	270	270

Assessment of performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
100%	Expenditure is in accordance with the Ministry's capital expenditure plan and asset management plan	Not applicable*	100%

*There was no capital expenditure in 2019/20.

INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

TO THE READERS OF THE MINISTRY OF TRANSPORT'S ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

The Auditor-General is the auditor of the Ministry of Transport (the Ministry). The Auditor-General has appointed me, Clint Ramoo, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of:

- ▶ the financial statements of the Ministry on pages 41 to 58, that comprise the statement of financial position, statement of commitments, and statement of contingent assets and liabilities as at 30 June 2020 and the statement of comprehensive revenue and expense, statement of movements in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- ▶ the performance information prepared by the Ministry for the year ended 30 June 2020 on pages 77 to 92;
- ▶ the statement of budgeted and actual expenses and capital expenditure incurred against appropriations of the Ministry for the year ended 30 June 2020 on pages 72 to 75; and
- ▶ the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 59 to 71 that comprise:
 - the schedules of assets; liabilities; commitments; and contingent liabilities as at 30 June 2020;
 - the schedules of expenses; and revenue and receipts for the year ended 30 June 2020; and
 - the notes to the schedules that include other explanatory information.

Opinion

In our opinion:

- ▶ the financial statements of the Ministry on pages 41 to 58:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2020; and
 - its financial performance and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Reporting Standards.
- ▶ the performance information of the Ministry on pages 77 to 92:
 - presents fairly, in all material respects, for the year ended 30 June 2020:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
 - complies with generally accepted accounting practice in New Zealand.
- ▶ the statement of budgeted and actual expenses and capital expenditure incurred against appropriations of the Ministry on pages 72 to 75 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- ▶ the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 59 to 71 present fairly, in all material respects, in accordance with the Treasury Instructions:
 - the assets; liabilities; commitments; and contingent liabilities as at 30 June 2020; and
 - expenses; and revenue and receipts for the year ended 30 June 2020.

Our audit was completed on 2 October 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the Ministry and the activities it manages on behalf of the Crown. In addition, we outline the responsibilities of the Secretary for Transport and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

Emphasis of matter – Impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Ministry as set out on page 10 in the overview of the Ministry's response to Covid-19, notes 17 to 19 of the financial statements of the Ministry, notes 12 and 13 of the non-departmental schedules and statements and on page 82 of the performance information.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing [New Zealand] issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Secretary for Transport for the information to be audited

The Secretary for Transport is responsible on behalf of the Ministry for preparing:

- financial statements that present fairly the Ministry's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand.
- statements of expenses and capital expenditure of the Ministry, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.
- schedules of non-departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by the Ministry on behalf of the Crown.

The Secretary for Transport is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Secretary for Transport is responsible on behalf of the Ministry for assessing the Ministry's ability to continue as a going concern. The Secretary for Transport is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Ministry, or there is no realistic alternative but to do so.

The Secretary for Transport's responsibilities arise from the Public Finance Act 1989.

Responsibilities of the auditor for the information to be audited

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Ministry's 2018-2022 statement of intent, the relevant Estimates and Supplementary Estimates of Appropriations 2019/20, and the forecast financial figures in the Ministry's 2018/19 Annual Report.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary for Transport.
- We evaluate the appropriateness of the reported performance information within the Ministry's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Secretary for Transport and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ministry's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Ministry to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Secretary for Transport regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Secretary for Transport is responsible for the other information. The other information comprises the information included on pages 1 to 96 but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Minister of Transport's report in relation to additional non-departmental appropriations that is appended to the Ministry's annual report is not part of the Ministry's annual report. The Public Finance Act 1989 does not require the information in the Minister's report to be audited and we have performed no procedures over the information in the Minister's report.

Independence

We are independent of the Ministry in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we were engaged to provide independent assurance over the process to seek and evaluate proposals for the delivery of light rail in Auckland, the International Air Freight Capacity support for airlines and the Essential Transport Connectivity programme. Other than in our capacity as auditor, we have no relationship with, or interests, in the Ministry.



Clint Ramoo
Audit New Zealand

On behalf of the Auditor-General
Wellington, New Zealand

REPORT IN RELATION TO ADDITIONAL NON-DEPARTMENTAL APPROPRIATIONS





Report in Relation to Additional Non-departmental Appropriations

FOR THE YEAR ENDED 30 JUNE 2020

Produced pursuant to Section 19B of the Public Finance Act 1989. B.14 (TRANSPORT)

Foreword

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

Non-departmental output expenses:

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

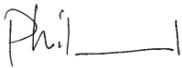
Non-departmental other expenses:

- Housing Infrastructure Fund – fair value write down MYA

Non-departmental capital expenditure

- Joint venture airports – Crown contribution MYA

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



Hon Phil Twyford
Minister of Transport

Non-departmental Output Expense

SEARCH AND RESCUE AND RECREATIONAL BOATING SAFETY ACTIVITIES PLA

This appropriation funds activities undertaken by several bodies.

Maritime New Zealand

Funding provided to Maritime New Zealand is reported in its annual report. For completeness, it is also included in this report.

Maritime New Zealand uses this funding to promote awareness of recreational boating safety and to maintain capability for the Rescue Coordination Centre. These activities have the aim of reducing the number of preventable search and rescue related fatalities in New Zealand.

Other bodies

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

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

	\$000
Crown entities	
Maritime New Zealand	2,560
Annual funding under a service-level agreement	
Coastguard New Zealand	2,440
LandSAR New Zealand	1,075
Surf Life Saving NZ	200
Mountain Safety Council NZ	150
Amateur Radio Emergency Communications	65
Rescue Coordination Centre NZ	5,452
Total	11,942

Financial performance

Actual 2019 \$000	Actual 2020 \$000	Budget 2020 \$000	Forecast 2020 \$000
- Non-departmental output expenses: Search and Rescue and Recreational Boating Safety Activities PLA	11,942	11,632	12,452

Assessment of performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
100%	Delivery of the national search and rescue support programme agreed by the New Zealand Search and Rescue Council with the providing bodies	80%	100%
54%	The percentage of New Zealanders who practice safer recreational boating behaviours [as gauged by survey]	76%	60% or greater
	Develop and maintain Service Level Agreements with key providers in the Search and Rescue community. Key agreement measures are:		
100%	Provision of expert services to the Coordination Authorities	95%	100%
100%	Provision of Incident Management Team members to the Coordination Authorities on request	95%	100%
95%	Participation in joint Search and Rescue exercises	100%	100%
100%	Provision of Search and Rescue related information	100%	100%
95%	Coordinate National Search and Rescue training and education to improve interagency cooperation and understanding	100%	90%

WEATHER FORECASTS AND WARNINGS

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

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

This appropriation is intended to achieve the procurement of weather services to minimise risk to life and property through public weather forecasts and emergency support.

Financial performance

Actual 2019 \$000		Actual 2020 \$000	Budget 2020 \$000	Forecast 2020 \$000
-	Non-departmental output expenses: Weather Forecasts and Warnings	24,565	24,565	24,565

Assessment of performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
Achieved	Provision of agreed services	Achieved	As per contract
93%	Minimum percentage of forecasts of severe-weather events which successfully predicted the event [probability of detection]	97%	Greater than 90%
8%	Maximum percentage of forecasts of severe-weather events which are subsequently found to be false alarms [false alarm ratio]	15%	Less than 25%
No new services	Provision of new services	No new services	As agreed between MetService and the Ministry

Non-departmental Other Expenses

HOUSING INFRASTRUCTURE FUND – FAIR VALUE WRITE DOWN MYA

This appropriation is intended to achieve the recognition of the expense incurred in the fair-value write down of interest free loans from the Housing Infrastructure Fund to the New Zealand Transport Agency.

Financial performance

Actual 2019 \$000	Actual 2020 \$000	Budget 2020 \$000	Forecast 2020 \$000
99,811	-	-	-

Assessment of overall performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
Achieved	Fair-value write down of interest-free loans is recognised in accordance with accounting standards for every interest free loan from the Housing Infrastructure Fund to the New Zealand Transport Agency	Not applicable*	Achieved

*There were no interest-free loans in 2019/20

MAINTAINING AIRFREIGHT CAPACITY

This appropriation is intended to achieve maintenance of airfreight capacity which has been impacted by COVID-19.

Financial performance

Actual 2019 \$000	Actual 2020 \$000	Budget 2020 \$000	Forecast 2020 \$000
-	Non-departmental other expenses: Maintaining Airfreight Capacity MYA	38,831	198,500

Assessment of overall performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
New measure	Increase, post the introduction of the International Air Freight Capacity scheme in April 2020, in the average rate (\$) for international freight movement across key routes serviced by the airlines participating	180%	200% or lower

MAINTAINING ESSENTIAL TRANSPORT CONNECTIVITY

This appropriation is intended to provide sector-specific support to maintain essential transport connectivity for the COVID-19 response and recovery. It will enable the government to respond quickly, on a case-by-case basis, where failure of a transport service would have significant negative social and economic outcomes.

Financial performance

Actual 2019 \$000		Actual 2020 \$000	Budget 2020 \$000	Forecast 2020 \$000
-	Non-departmental other expenses: Maintaining Essential Transport Connectivity MYA	233	-	33,700

Assessment of overall performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
New measure	Percentage of funds contracted by the end of the year	5.09%*	20% or more

*This appropriation was approved 11 May 2020 and is contracted on a case by case basis as applications are received. Several aviation operators who have subsequently applied for this scheme were previously contracted under the Urgent Air Freight Scheme which ran to 25 June 2020.

MEETING FEES, CHARGES AND LEVIES ON BEHALF OF AIRLINES

This appropriation is intended to provide financial support to airlines to pay passenger-based government charges as part of the COVID-19 Aviation Relief Package.

Financial performance

Actual 2019 \$000		Actual 2020 \$000	Budget 2020 \$000	Forecast 2020 \$000
-	Non-departmental other expenses: Meeting fees, charges and levies on behalf of airlines	38,547	-	52,000

Assessment of overall performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
New measure	Qualifying payments are paid out within 15 days of receipt of a valid claim or request for payment under the terms and conditions of the aviation relief package.	96%	90%

Non-departmental Capital Expenditure

JOINT VENTURE AIRPORTS – CROWN CONTRIBUTION MYA

This appropriation is intended to achieve maintenance of the Crown’s interest in joint venture airports, making air travel available in centres that would otherwise not have airports.

The Crown has a 50 percent stake in the following five airports, with the other 50 percent held by the local councils:

- Taupō
- Westport
- Whakatāne
- Whanganui
- Whangārei.

Financial performance

Actual 2019 \$000	Actual 2020 \$000	Budget 2020 \$000	Forecast 2020 \$000
- Non-departmental capital expenditure: Joint Venture Airports – Crown Contribution MYA	1,159	500	2,133

Assessment of overall performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
100%	Percentage of compliance with the joint venture agreements with the airports	100%	100%

LOANS TO ESSENTIAL TRANSPORT OPERATORS

This appropriation is intended to provide sector-specific support to maintain essential transport connectivity for the COVID-19 response and recovery. It will enable the government to respond quickly, on a case-by-case basis, where failure of a transport service would have significant negative social and economic outcomes.

Financial performance

Actual 2019 \$000		Actual 2020 \$000	Budget 2020 \$000	Forecast 2020 \$000
-	Non-departmental capital expenditure: Loans to Essential Transport Operators MYA	-	-	12,000

Assessment of overall performance

2019 Actual	Performance measures	2020 Actual	2020 Standards/ Targets
New measure	Percentage of funds contracted by the end of the year	0%*	20% or more

*This appropriation was approved 11 May 2020 and is contracted on a case by case basis as applications are received.

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