Ministry of Transport
TE MANATŪ WAKA

Annual Report 2010/11

Report of the Ministry of Transport
for the year ended 30 June 2011

Presented to the House of Representatives
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Contents

Long-term outcome B — a sustainable funding basis for transport infrastructure investments and use

Efficient funding is vital to the effectiveness of New Zealand's transport system, and needs to align with the realities of how people travel and how goods are transported.

- **Headline indicator 1:** Growth in revenue (in real terms) remaining stable in relation to growth in traffic volume.

  Figures 3 and 4 below show the revenue levels from fuel excise duty, light RUC and heavy RUC (charge rate adjusted), compared to vehicle kilometres travelled. The growth in the level of light-vehicle revenue was broadly in line with the growth in light-vehicle travel. In comparison, once the effect of increases in heavy-vehicle RUC rates are accounted for, the level of heavy-vehicle RUC revenue is declining, despite a fairly steady trend in heavy vehicle tonne-km.

Figure 3 — Growth in fuel excise duty and light RUC revenue (charge rate adjusted) relative to growth in traffic volume

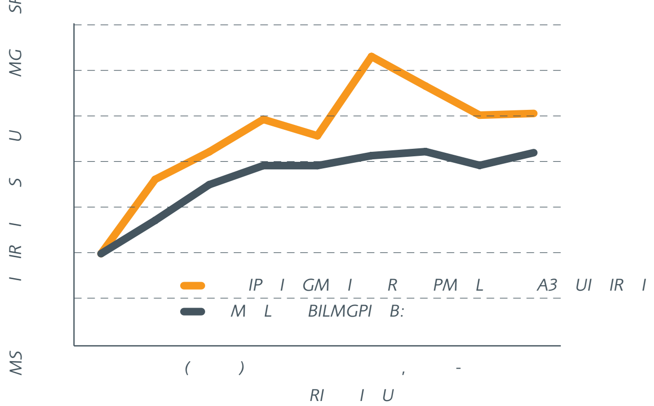
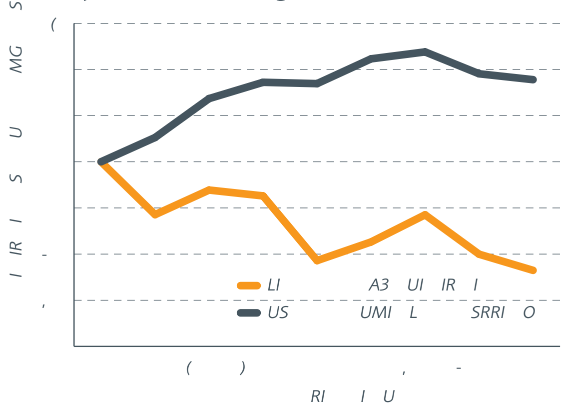


Figure 4 — Growth in heavy RUC revenue (charge rate adjusted) relative to growth in traffic volume



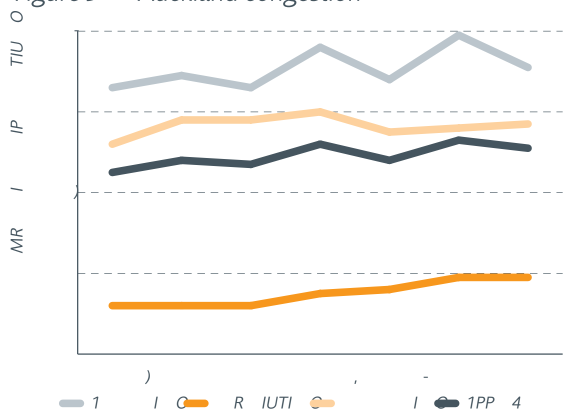
Long-term outcome C — a high-quality transport system for Auckland, the nation's largest economic hub

Auckland is the 'gateway' to New Zealand for most visitors and for a significant proportion of international freight. It is vital for New Zealand's economic growth potential that Auckland's road congestion is managed effectively, and wise decisions are made about transport infrastructure and services.

- **Headline indicator 1:** Stable or decreasing congestion in Auckland, measured by delay in minutes per kilometre travelled.

  Congestion in Auckland has fluctuated over the last 7 years. The AM peak has generally increased, as has the interpeak. It is expected that the completion of key roading projects over the next few years will have a noticeable impact on congestion.

Figure 5 — Auckland congestion



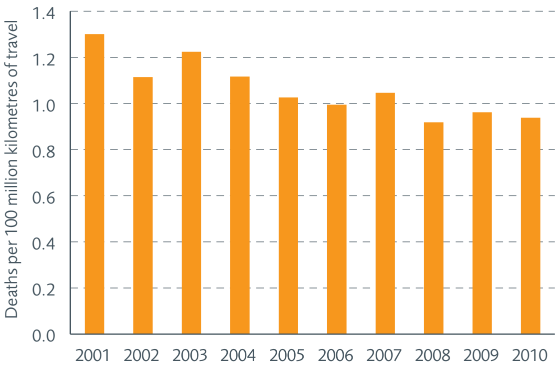
Long-term outcome D — an accessible and safe transport system that contributes positively to the nation's economic, social and environmental welfare

Accessible and safe transport systems are fundamental to improving the quality of life for New Zealanders. People have greater mobility than in the past, are travelling further on New Zealand's roads, using public transport in higher volumes (a 30 percent increase during the last decade), and travelling by air more.

- **Headline indicator 1:** Reducing the number of deaths on roads per 100 million vehicle kilometres travelled.

  Figure 6 shows a reduction in road deaths over the last 10 years. None of the previous major drops in the road toll were sustained. The drop in the road toll over the first half of 2011 resulted in a record 12 month road toll to 30 June 2011 (315 deaths compared to 372 the previous year). It is likely that economic factors, fuel prices, legislation, safety improvements and road policing have all been influences on the toll. There have also been less 3-day holiday weekends this year, as Waitangi Day fell on a Sunday and Anzac Day fell on Easter Monday. Road safety has also had a high profile in recent times. Public debate around various road safety initiatives has resulted in heightened media interest, and the potential of increased public awareness of road safety.

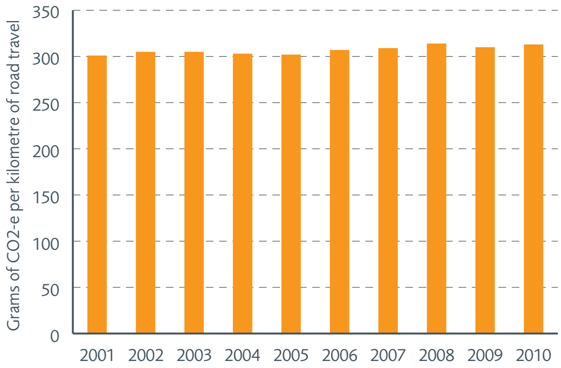
  Figure 6 — Deaths per 100 million kilometres of travel



- **Headline indicator 2:** Decreasing amounts of carbon dioxide emitted from domestic transport per kilometre travelled.

  Figure 7 shows that the level of carbon dioxide emitted from domestic transport per kilometre travelled has increased slightly from 300 to 313 grams over the last 10 years.

  Figure 7 — Grams of carbon dioxide emissions per kilometre of road travel



Performance highlights 2010/11

During the year, the Ministry delivered over 98 percent of its Output Plan as agreed with the Minister of Transport (the Minister). On top of this programme of work, the Ministry also undertook a number of new initiatives that emerged throughout the year, such as the Air New Zealand–Virgin Blue Alliance and the Auckland CBD Rail Tunnel Review.

The Ministry has also contributed to whole-of-government work programmes over the year. Some of which had significant implications for transport, particularly the National Infrastructure Plan.

The key achievements for the 2010/11 year are set out below under the government's four immediate priorities for transport:

INVESTMENT IN INFRASTRUCTURE

Air New Zealand–Virgin Blue Alliance

Air New Zealand and Virgin Blue applied for authorisation for a trans-Tasman Alliance[3]. This was a major project for the Ministry that required complex statutory and wider public interest analyses of the application, including taking into account the views expressed by third parties and the applicants.

The Ministry's analysis established that authorisation would be consistent with the legislation, could bring benefits to consumers, would bring about cost savings and would allow Air New Zealand and Virgin Blue to compete more effectively with Qantas.

Clifford Bay ferry terminal

The Ministry worked closely with the Treasury and the NZTA on an initial analysis of the national economic costs, benefits and financial viability of the proposed Clifford Bay ferry terminal. The work on Clifford Bay is continuing in 2011/12.

Freight Information Gathering System (FIGS)

The aim of the FIGS is to collect multi-modal freight information based on the flow of cargo through ports. Further work to develop the FIGS was undertaken. This will enable better informed policy development regarding freight issues. Five container ports are providing data to the FIGS and it is expected that all container ports will be participating by the end of 2011.

Auckland transport

The Ministry progressed work on developing a high-quality transport system for Auckland, the nation's largest economic hub, in the following areas:

- providing advice on the establishment of Auckland Transport
- working with stakeholders to develop the metro rail funding and ownership framework, particularly for the new electric rolling stock
- leading the review of the CBD Rail Link Business Case, providing advice to Ministers and guidance on next steps
- contributing and providing advice on the development of the Auckland spatial plan
- working with Auckland Transport and other stakeholders on the development of a new public transport operating model

Government Policy Statement on Land Transport Funding 2012/13–2021/22 (GPS 2012)

The government will invest more than $36 billion in the land transport system over the next 10 or so years. The Ministry led the development of the GPS 2012, which sets the outcomes and priorities from the investment of the National Land Transport Fund commencing 1 July 2012. The government released the GPS 2012[4] in July 2011. The GPS 2012 will influence the transport decisions taken by a range of agencies (including the NZTA and local authorities) and better align those decisions with the government's outcomes and priorities.

3 http://www.transport.govt.nz/ourwork/air/airnz-virginbluealliance application/

4 http://www.transport.govt.nz/ourwork/KeyStrategiesandPlans/GPSonLandTransportFunding/

Rail

The Ministry advanced the implementation of the government's new metro rail operating model. Significant progress was made on future arrangements for Auckland, and a final agreement for an asset transfer agreement between the Greater Wellington Regional Council and KiwiRail was reached. Greater Wellington Regional Council is now the owner of much of the region's above-track rail infrastructure, including the rolling stock and most of the stations. This agreement was part of a broader funding and ownership package to complete the rebuild of Wellington commuter rail services.

An objective for KiwiRail is that it becomes a commercially viable freight business over the next 10 years. The new metro rail operating model contributes to this by enabling KiwiRail to focus on its freight operations.

Canterbury earthquakes

The Canterbury earthquakes required an immediate response from government agencies. The Ministry's Transport Response Team was activated within 15 minutes of the Christchurch earthquake on 22 February. The Ministry coordinated transport-related information from all transport agencies during the emergency period. We also provided advice on transport issues, including road funding, the process to rebuild infrastructure, Orders in Council and the development of the Christchurch Earthquake Recovery Authority.

BETTER REGULATION

Regulatory reform programme

The Ministry established a new regulatory reform programme. This is a cross-modal response to the government's goals for better and less regulation, and is made up of projects and activities concerned with potential short to long-term issues with the regulatory framework for transport.

The key purpose of the regulatory reform programme is to improve the way the transport sector performs its regulatory function. Transport regulation has a large impact on the economy and society. Poor regulation could place an unnecessary burden on businesses and therefore hinder the government achieving its priorities around both its economic objectives and its ambitions for improvements in the quality of regulation.

The programme has three main elements.

- Identifying any opportunities for reform that deliver substantial improvements to the transport regulatory system.
- Business improvement initiatives, such as the Transport Rules Re-design Project.
- Regulatory business as usual, such as ongoing regulatory programming and delivery and regulatory scanning.

Transport rules re-design

To address concerns over the delays in the delivery of the transport rules programme, the Ministry led the development of changes to the current transport rules development process. This was implemented on 1 July 2011 to make rule-making more efficient by:

- increasing the speed of the process, while ensuring quality of rule design
- allowing closer alignment of new rules with government and regulatory reform priorities
- being more responsive to the needs of the transport sector

The suite of rules proposed for 2011/12 is significantly smaller, and more achievable, than it was last year (a 37 percent reduction in the number of rules).

BETTER PUBLIC SERVICES

Maritime New Zealand Review

The Ministry and Maritime New Zealand worked on a joint project (the Maritime New Zealand Review) to conduct a value-for-money and funding review, which included a full review of the industry levy: the Marine Safety Charge. Any changes to funding arrangements are expected to be implemented in 2012.

Civil Aviation Authority funding review

The Ministry worked with the Civil Aviation Authority on its funding and value-for-money reviews. These reviews identified the need for clearer long-term thinking on the shape of the Civil Aviation Authority and key decisions to be taken to enhance its capability to deliver its longer-term vision. The reviews also provided the Ministry with the opportunity to assess the efficiency and effectiveness of the Civil Aviation Authority and we have followed up with the Civil Aviation Authority Board to ensure it remains focused on the government's strategic priorities.

Transport Crown agency board appointments

The Ministry advised the government on the appointment of a number of chairs/deputy chairs and board members for the transport Crown agencies. As part of this, the Ministry engaged with the Crown Ownership Monitoring Unit to utilise their database for the board appointments. This enabled the Ministry to lift the calibre of candidates considered for board appointments and led to a more efficient board appointment process.

ROAD SAFETY

Safer Journeys action plan

The Ministry coordinated the development of the Safer Journeys action plan[5] across a number of agencies to implement the government's Safer Journeys road safety strategy. The action plan was launched in May 2011 and assigns responsibility for more than 100 actions to a number of government agencies. Implementation of the actions will assist in reducing the number of deaths and serious injuries on our roads and improve overall road safety.

Land Transport (Road Safety and Other Matters) Amendment Act 2011

The Ministry concluded a significant piece of policy work on a number of Safer Journeys initiatives when the Land Transport (Road Safety and Other Matters) Act[6] was passed by Parliament in May 2011. The Act represents the most significant road safety package since 1998. Changes include:

- raising the minimum driving age to 16
- introducing a zero blood alcohol concentration (BAC) for drivers aged under 20 years
- allowing Courts the option to require repeat or serious drink-drive offenders to use alcohol interlocks, after a mandated 3 month disqualification
- imposing a 3-year zero BAC licence for repeat drink-drive offenders following a period of disqualification, or following completion of an alcohol interlock penalty
- increasing the maximum penalty from 5 years imprisonment to 10 years for the following driving offences causing death:
    - drunk or drugged driving
    - unauthorised street racing
    - dangerous driving
    - reckless driving

FURTHER INFORMATION ON THE MINISTRY'S WORK IN 2010/11

This is but a sample of the wide and varied work of the Ministry in 2010/11. Further information on the work done is reflected in the section of the report on our non-financial performance.

5 http://www.transport.govt.nz/saferjourneys/Pages/default.aspx

6 http://www.transport.govt.nz/legislation/acts/LandTransportAmendmentAct2011/

Organisational health and capability

OPERATING AS A PROFESSIONAL SERVICES MINISTRY

During the 2010/11 year we made good progress in reshaping the Ministry as a professional services organisation. This is about building a more business-like culture, and working more flexibly — a matrix structure where people often work in more than one team to ensure we can deliver on the various and often challenging demands on our organisation.

We are now in a position where we are being more responsive and better aligning our work with the government's priorities and the Minister's work programme. Our flexible culture means that we can effectively respond to changing priorities, and staff have a stronger emphasis on putting their hands up to get jobs done, rather than drawing rigid lines around responsibilities.

The Shaping our Future programme is advancing the Ministry's professional services mode of operation through six development goals which are championed by members of the Ministry Leadership Team. The development goals also map completely to the Review of Expenditure on Policy Advice Committee's recommendations for agencies to improve their policy capability and cost effectiveness.

Development goal 1	We are clear about our position
Development goal 2	We are flexible at managing ourselves to focus on what matters most
Development goal 3	We have working partnerships with our stakeholders
Development goal 4	We develop and challenge our people
Development goal 5	Have business systems that support us
Development goal 6	Lift our leadership and managerial performance

The Ministry has made a lot of good progress during the year towards achieving our goals, and this is evidenced by the great work that we have done. All of our goals are important, however, as a policy ministry, staff capability is critical to our performance. The Ministry is committed to both improving quality of work, the capability of its staff, and lifting leadership skills. Development goals 4 and 6 are particularly critical to our success. In 2010/11 we saw a number of advances in relation to our people, and their performance and development.

Professional Development Programme (PDP)

The PDP was launched in August 2010 for both the Ministry's policy and business services areas, and is aligned with the capability requirements of the Ministry operating as a professional services organisation. The intention is to retain engaged staff and encourage continuous improvement and high performance.

We have developed and challenged people by establishing deliberate professional development practices, encouraging staff to seek and take up new opportunities and use coaching and mentoring to support staff to fulfil their potential.

The '70/20/10 approach' is used where:

- 70 percent of a person's development is gained on the job
- 20 percent is through coaching and mentoring
- 10 percent by attending training courses

Crucial to this approach is a group of managers whose role it is to allocate team members to participate in challenging projects and activities, and by coaching their teams. Staff are encouraged to improve skills by learning from colleagues and on the job experience. Also by supported, increased and improved performance coaching and leadership from managers, and mentoring by others.

The PDP considers roles, responsibilities and accountabilities and sets a clear framework for progression through incorporating Lominger competencies and position accountabilities for each role/level. The three main priorities of the PDP are:

- quality of policy advice
- project skills
- coaching and mentoring

Assessment for potential senior advisers

In response to the need for more senior advisers to enable the Ministry to continue to deliver the highest quality policy advice, a pilot programme — Accelerated Senior Adviser Programme (ASAP) — to fast track advisers to senior adviser roles within 6– 12 months was introduced in December 2010.

The pilot identified potential candidates. An assessment profile for the senior adviser role was developed, and a comprehensive development programme created for each successful candidate. This programme is the first step of our future capability development strategy. Two of the seven people on the programme have been promoted to Senior Adviser positions. A review of the programme content, feedback from the participants and the results was undertaken in August 2011.

Performance management

The Ministry uses Sonar6 as its key performance and talent management tool. The system was introduced at the Ministry in 2006 and has been regularly updated to reflect organisational changes since then, with the most recent update being implemented in September 2010.

The system captures an individual's performance which can be tracked year on year. This provides Ministry-wide analysis of performance and competency levels. This enables rising talent, capability gaps or any performance issues to be identified.

Sonar6 links to Shaping our Future development goal 5: Have business systems that support us.

Gallup Q12 engagement survey

The Ministry participates in the annual Gallup survey to measure staff engagement at work. The goal of the survey is to create a stronger workplace. The Gallup Q12 theory has been incorporated into the way managers are expected to manage their team members, and results have been used as indicators of success for the Shaping our Future development goals.

The survey measures staff engagement at work. Levels of engagement are measured and benchmarked against previous results and other organisations, both nationally and internationally, based on the premise that fully engaged staff perform at a higher level than non-engaged staff. The Ministry has completed three surveys in the past 3 years.

Following the March 2010 results, the Ministry decided to focus its action planning specifically on the first three Gallup Q12 questions:

Q1: I know what is expected of me at work

Q2: I have the materials and equipment I need to do my work right

Q3: At work, I have the opportunity to do what I do best every day

Assistance has been provided to managers to plan actions to address these questions. While the Gallup engagement survey results are improving, we are striving to do much better.

The Ministry's Gallup results 2009–2011

Year of survey	2011	2010	2009
Grand mean score	3.83	3.76	3.74
Satisfaction score	3.33	3.50	3.66
% level of engagement	33%	27%	23%

Key people metrics

As at 30 June	2010/11	2009/10	2008/09
Number of employees			
Policy development	82	90	89
Management	22	24	30
Administration	56	59	60
Total headcount	**160**	**173**	**179**
Turnover	**18%**	**14%**	**16%**
Gender			
Women	58%	53%	50%
Men	42%	47%	50%
Ethnicity Distribution			
NZ European	67%	69%	69%
NZ Māori	2%	2%	2%
Pacific Islander	3%	3%	2%
Asian	7%	5%	7%
Other European	18%	18%	19%
Other ethnic groups	3%	3%	1%
Undeclared	0%	0%	0%
Sick leave taken — average days for each employee	**7**	**6**	**7**
Age distribution (permanent staff)			
20 – 29	19%	19%	23%
30 – 39	21%	20%	23%
40 – 49	33%	31%	27%
50 – 59	15%	18%	16%
60+	12%	12%	11%

EQUAL EMPLOYMENT OPPORTUNITIES

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

COST-EFFECTIVENESS

Cost-effectiveness is a measure of how well an organisation uses its inputs to achieve its desired outcomes. As noted earlier in this report, it is difficult for a policy ministry to establish a causal relationship between its outputs and the achievement of outcomes. This is because outcomes are frequently impacted by the actions of numerous organisations and individuals. Notwithstanding that, the Ministry is committed to increasing its overall effectiveness.

The government undertook a Review of Expenditure on Policy Advice in 2010. The review provided, at a high level, a view on the Ministry's capability and cost-effectiveness. The Ministry had good management information data and was able to provide the review committee with reliable data on the Ministry's policy expenditure.

The Ministry monitors its policy quality through its engagement of the New Zealand Institute of Economic Research (NZIER) to undertake policy quality review and benchmarking assessments. The Review of Expenditure on Policy Advice Committee also found that the cost-effectiveness of the Ministry's policy advice could be enhanced, and that its costs were higher than some other organisations. The Ministry is participating in a Treasury led benchmarking pilot that will provide the Ministry with additional information on how it can improve the cost-effectiveness of its advice.

The Ministry utilises its entire staff as a single resource to be applied as needed to its work programme initiatives, and has refined its staff allocation processes to make this less time-consuming and more efficient. Where the Ministry does not have the capacity or capability to undertake a component of a particular initiative, it contracts for the required services. The Ministry applies standard public service procurement policies. Potential contracts with a value of $100,000 or more (excluding GST) are included on the Government Electronic Tender Service and are competitively tendered. Contracts with a value between $50,000 and $99,999 require at least three written quotations. The Ministry also uses 'preferred supplier contracts' to maximise the value for money that it receives from its commercial procurements.

We also voluntarily participated in the government's Better Administrative and Support Services Programme. This provided the Ministry with benchmark data for comparative organisations. The results of that work helped to inform the Ministry on whether it needed to make any adjustments in its human resources, finance, and corporate and executive services.

During 2010/11 the Ministry established six headline indicators for the government's long-term outcomes for transport and is looking to develop a further two headline indicators. The Ministry's contribution to those long-term outcomes is set out in the annual Statement of Intent. The Ministry reviews its key priorities on a quarterly basis to ensure that Ministry resources are focused on the highest priority initiatives for the government.

The Ministry's policy advice to government evaluates the cost and impacts of policy options on the government's objectives. The Ministry is committed to enhancing the quality of its policy advice. During the year we established a regulatory impact statement peer review panel to assess the quality of the regulatory impact statement, independent of those working on the particular policy.

Post-project reviews are also important, and enable the Ministry to capture learnings from individual projects and apply those to future work. The Ministry has placed a greater emphasis on these reviews by establishing mechanisms to share learnings across the Ministry to avoid 're-inventing the wheel'.

In the 2011/12 Annual Report, the Ministry will commence reporting on the results of its post-project reviews for its most substantial projects. The Ministry is also placing a greater focus on the achievement of longer-term outcomes and evaluating the effectiveness of longer-term initiatives. The implementation of the Safer Journeys Road Safety Strategy and its associated action plan over the coming years will provide the Ministry with the opportunity to undertake a longer-term evaluation of the effectiveness of the overall Safer Journeys programme.

Non-financial performance

STATEMENT OF RESPONSIBILITY

In terms of the Public Finance Act 1989, I am responsible, as Chief Executive of the Ministry of Transport, for the preparation of the Ministry of Transport's financial statements and statement of service performance, and the judgements made in them.

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

In my opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the Ministry for the year ended 30 June 2011.

Martin Matthews
Chief Executive

Fiona Macmaster
Manager Finance

30 September 2011

Statement of objectives and service performance

for the year ended 30 June 2011

OUTPUT CLASS: POLICY ADVICE

Through this output class, the Ministry provides policy advice on the transport modes and other ministerial support services. This output class is supported by five outputs: road, rail, aviation, maritime and multi-modal.

Actual 2009/10	Performance measures	Actual 2010/11	Standards/ Targets 2010/11
Partially achieved 90%	Key initiatives contained in the annual work programme are completed or progressed as agreed, or as subsequently amended by the agreement between the Minister and the Chief Executive.	98%	Achieved, as per the annual work programme
Partially achieved 48%	Rules and regulations are developed as specified in the agreed annual rules programme.	Achieved in accordance with re-negotiated time frames	Priority work as detailed in the work programme
Achieved	Legislation development and issuing of drafting instructions as agreed with the Minister(s) for the relevant calendar year.	Achieved	Achieved
Not measured	Policy advice will be delivered in accordance with the Policy Advice Quality Characteristics (refer conditions on use of appropriation) as determined through delivery recorded against the project plan.	100%	100%
Not measured	Percentage of policy papers submitted to the annual survey of quality by NZIER that receive a score of 6.5 out of 10 or more.	70%	100%

While all of the Ministry's policy advice papers are subject to peer review and assessment against quality characteristics, the Ministry considers that this only provides part of the picture of the quality of the Ministry's policy advice. The Ministry utilises the NZIER to provide an external assessment and benchmark for the quality of our policy advice. The Ministry's NZIER median score in 2011 was 7.0, up from 6.5 in 2008.

The Ministry's annual work programme with the Minister is a 'living' document that is subject to change throughout the year in discussion with the Minister. Quarterly reports to the Minister identify new, deferred and cancelled projects. In addition, changes to milestones and time frames are agreed with the Minister through briefings and discussions on individual initiatives.

OPERATING INTENTIONS

The Ministry's 2010–2013 Statement of Intent outlined its programme of planned actions for the period covered by this Annual Report.

These planned actions were separated by mode and a desired impact was provided. It is acknowledged that some of those impacts are long term in their nature, and the Ministry expects to be demonstrating their success by 2013 as indicated in the 2010-2013 Statement of Intent. This Annual Report has, where possible, recorded the deliverables against each of the planned actions. A progress update has been provided for initiatives that span more than the single reporting year that this report covers.

Output: Road

Actual 2009/10	Performance measures	Actual 2010/11	Standards/ Targets 2010/11
New	2012–2015 Government Policy Statement on Land Transport Funding (GPS 2012) published by 30 June 2011.	Not achieved	Achieved
New	First legislative programme for the Safer Journeys Strategy completed by 30 June 2011.	Achieved	Achieved
New	**Cost** This output is produced within appropriation (GST exclusive)	$7,367,354	$9,725,000

The *Government Policy Statement on Land Transport Funding 2012/13–2021/22* was published in July 2011 and is for the period 2012-2015 (GPS 2012). The amended time frame was as agreed with the Minister. The GPS 2012 was largely completed by 30 June 2011; with policy development, initial Cabinet agreement on stakeholder engagement, and stakeholder engagement having been completed, and the final Cabinet paper having been prepared.

2010/11 Planned actions	Deliverables
Align policy on investment, planning and management of roads with the government's desired outcomes.	**Deliverables** Publication of the 2012–2015 Government Policy Statement on Land Transport Funding (GPS 2012) in mid-2011. Contribution to the development of State highway classifications. **Impact sought** Increased efficiency of national and urban networks to enhance economic activity, meet affordability needs of communities and use funds more efficiently. **Initiative** **2012–2015 Government Policy Statement on Land Transport Funding:** The Ministry led the development of the GPS 2012, which sets the outcomes and priorities for the investment of the National Land Transport Fund from 1 July 2012. The government released the GPS 2012[7] in July 2011. The GPS 2012 will influence the transport decisions taken by a range of agencies (including the NZTA and local authorities) and better align those decisions with the government's outcomes and priorities. The government is investing $36 billion through the National Land Transport Fund over the next 10 years, with a focus on projects supporting economic growth, value for money and road safety. **State Highway Classification System:** The Ministry supported the NZTA with the development of a new State highway classification system to guide the long-term strategic direction of New Zealand's State highway network. The system categorises roads according to their function and sets a consistent and predictable level of service for each category. This can help drivers understand what to expect and how to behave on different categories of road. The NZTA adopted the classification system in June 2011.
Develop and implement land transport safety and security initiatives.	**Deliverable** Development and implementation of action plans that deliver on Safer Journeys. **Impact sought** Reduced number of deaths and serious injuries as a result of road crashes. **Initiatives** **Safer Journeys action plan:** The Ministry coordinated the development of the Safer Journeys action plan[8] across a number of agencies. The action plan was launched in May 2011 and assigns responsibility for more than 100 actions to a number of government agencies. Implementation of the actions will assist in reducing the number of deaths and serious injuries on our roads and improve overall road safety. **Land Transport (Road Safety and Other Matters) Amendment Act 2011:** The Ministry concluded a significant piece of policy work on a number of Safer Journeys initiatives when the Land Transport (Road Safety and Other Matters) Act[9] was passed by Parliament in May 2011. The Act represented the most significant road safety package since 1998. Changes included raising the minimum driving age to 16 and introducing a zero blood alcohol concentration for drivers aged under 20 years.

7 http://www.transport.govt.nz/ourwork/KeyStrategiesandPlans/GPSonLandTransportFunding/

8 http://www.transport.govt.nz/saferjourneys/Pages/default.aspx

9 http://www.transport.govt.nz/legislation/acts/LandTransportAmendmentAct2011/

<table>
<tr><th>2010/11 Planned actions</th><th>Deliverables</th></tr>
<tr><td>Review regulation and legislation to improve transport outcomes while streamlining and simplifying processes and reducing compliance costs for transport users.</td><td>Deliverables
An amendment to the Land Transport Management Act to be passed by the end of 2011.
Identification of further options to simplify and streamline transport rules and legislation.
Impact sought
Simplified and streamlined planning and decision-making processes, along with reduced compliance costs.
Initiatives
Land Transport Management Act: The Ministry led the development of the government's proposed changes to this Act. The changes are expected to reduce regulation and compliance costs and make the transport planning process simpler, more streamlined and less prescriptive. The changes will promote a better alignment between central and local government roles in the transport sector, and local government will have more flexibility around its transport planning and fewer processes and procedures to manage. The Ministry now expects the amendment to the Act to be introduced within the next year.
Land transport rules: The following land transport rules were completed during the year:
Operator Licensing Amendment (No 2) 2010
Traffic Control Devices Amendment Rule
Vehicle Lighting Amendment Rule
Omnibus Amendment Rule (2010)</td></tr>
<tr><td>Identify options to make the land transport revenue framework more sustainable.</td><td>Deliverable
Identification of further options to improve the sustainability of the land transport revenue framework.
Impact sought
Funding basis for transport infrastructure investments and use is more sustainable.
Initiative
National Land Transport Fund revenue forecasting model: A review of the National Land Transport Fund revenue forecasting model was completed with the outcome of a new, more robust model, which has been externally peer reviewed. This allows the government to more effectively plan levels of expenditure over the forecast period. The Ministry provided advice to the government on deferring a previous decision to increase fuel excise duty and RUC rates on 1 July 2011.</td></tr>
<tr><td>Working closely with the NZTA and regional councils to identify and deliver options to improve value for money in public transport, walking and cycling funding and investment.</td><td>Deliverable
An amendment of the Public Transport Management Act to be passed in 2010/11.
Impact sought
Increased value for money in the procurement of public transport infrastructure and services, and walking and cycling infrastructure.
Initiative
Public Transport Management Act: The Ministry led the further development of the public transport operating model with the bus and ferry industry, regional councils and the NZTA, to improve value for money in the public transport sector. A core working group involving all of these parties reached agreement on aspects of the model. Decisions on the public transport operating model are expected to be made later this year, including decisions on any amendments to the Public Transport Management Act.</td></tr>
</table>

2010/11 Planned actions	Deliverables
Implement the agreed standards and identify further policy options to reduce harmful emissions from road vehicles. Identify options to increase the safety and efficiency of the vehicle fleet.	**Deliverables** Implementation of improved standards and identification of further options to improve transport-related air quality. Identification of options to increase the safety of the vehicle fleet in line with Safer Journeys, New Zealand's road safety strategy 2010–2020. Identification of options to increase the efficiency of the vehicle fleet in line with the New Zealand Energy Strategy. **Impacts sought** Reduced levels of harmful emissions from road vehicles. Safer vehicles that contribute to a safe transport system. More efficient vehicles that reduce energy consumption and increase transport affordability. **Initiatives** **Vehicle exhaust emissions:** The Ministry developed a new approach to road transport emission estimates for the New Zealand greenhouse gas inventory. This provided a more accurate assessment of New Zealand's greenhouse gas emissions for reporting under the Kyoto Protocol. The Ministry also engaged with stakeholders on the 2007 Vehicle Exhaust Emissions Rule, which seeks to phase out vehicles that are old and cause high emissions. The Ministry continued to provide input into the Health and Air Pollution in New Zealand research programme which is examining the impact air pollution has on people's lives and health. **Fuel efficiency of the vehicle fleet:** The Safe and Fuel Efficient Driving New Zealand (SAFED NZ)[10] scheme, developed by the Ministry and the NZTA, was announced in July 2010. It is a driver development course for truck, bus and coach drivers and helps organisations reduce fuel and maintenance costs, reduce carbon dioxide emissions and improve safety. Over 260 drivers and driver instructors have been trained as the SAFED scheme has been implemented. **Vehicle fleet model/statistics:** The vehicle fleet emissions model was developed to explore what will happen to the fleet age and size when many of the used imports in the light fleet that were manufactured in the mid 1990s are likely to be scrapped. This model is now being used to predict future road transport energy demand and support future policy proposals. **New Zealand Energy Strategy, and New Zealand Energy Efficiency and Conservation Strategy:** The Ministry provided input into the transport sections for these two new strategies, which will articulate the government's current approach to energy and energy efficiency across all sectors, including transport. A transport target in the New Zealand Energy Efficiency and Conservation Strategy is that by 2016, the efficiency of light vehicles entering the fleet will have further improved from 2010 levels.

In addition to the above deliverables that were outlined in the Ministry's 2010–2013 Statement of Intent, the following initiatives arose or were undertaken during the year.

Canterbury earthquakes

The Ministry's Transport Response Team (TRT) was activated within 15 minutes of the Christchurch earthquake on 22 February, and a considerable number of staff contributed to the response effort. Transport agency support was ongoing throughout the TRT activation, and agencies also provided staff both for the TRT and on-call.

The Ministry established a new Earthquake Recovery Programme soon after the February earthquake to coordinate transport-related information from all transport agencies, and provided advice on transport issues, including road funding, the process to rebuild infrastructure, Orders in Council and the development of the Christchurch Earthquake Recovery Authority.

10 http://www.transport.govt.nz/ourwork/climatechange/safednz/

Output: Rail

Actual 2009/10	Performance measures	Actual 2010/11	Standards/ Targets 2010/11
New	The operating model for metro rail is confirmed with the government by 30 June 2011.	Achieved for Wellington Auckland to be finalised in September 2011	Achieved
New	**Cost** This output is produced within appropriation (GST exclusive)	$2,583,764	$3,120,000

2010/11 Planned Actions	Deliverables
Advise the government on the long-term role of rail in New Zealand's transport system.	**Deliverable** Advice to the Minister on the long-term role of rail in New Zealand's transport system. **Impact sought** Clarity amongst all relevant stakeholders on the government's long-term vision for rail in New Zealand. **Initiative** **Advice on implementation of the KiwiRail Turnaround Plan:** KiwiRail's 3-year capital investment business case was considered and finalised in support of the Turnaround Plan. The decision to lengthen the Aratere ferry, preliminary consideration of Clifford Bay as a new South Island freight and passenger terminal, and the appropriation of the second tranche of $250 million for the Turnaround Plan continued to shape rail's role in the New Zealand economy.
Develop and implement an operational model for the commercial success of KiwiRail freight operations, working closely with KiwiRail and Treasury.	**Deliverable** Operational model and capital funding package to be agreed on by the government. **Impacts sought** Increased commercial sustainability of KiwiRail. Improved services for freight customers. **Initiative** **Review of KiwiRail's financial structure and balance sheet:** The review of options for the KiwiRail financial structure and balance sheet is continuing. The Wellington metro package[11] was delivered and the Auckland metro package well advanced.

11 http://www.transport.govt.nz/ourwork/rail/wellingtonmetrorail/

2010/11 Planned Actions	Deliverables
Implement operating models for metro rail services in Auckland and Wellington and monitor rail infrastructure upgrades in Auckland and Wellington.	**Deliverables** The agreed operating model for metro rail is in place. Contribution of upgrades within agreed project budget and timelines. Establishment of a funding framework for metro rail activities. **Impacts sought** Streamlined ownership and operating arrangements will improve efficiency and risk management of the significant public investment in urban passenger rail services. Improved services for communities. **Initiative** **Metro rail operating policy:** The Auckland and Wellington metro rail infrastructure upgrades progressed well. The new Wellington Matangi electric multiple units are now coming into service. It is now expected that a contract for the supply of the Auckland metro rolling stock should be negotiated by 30 September 2011. An asset transfer agreement was executed by the Greater Wellington Regional Council and KiwiRail on 5 July 2011, under which KiwiRail transferred the Ganz Mavag trains, stations and the electric multiple unit depot to the Greater Wellington Regional Council. This will allow KiwiRail to increase its focus on the freight business, while continuing to provide network services in Wellington. The Crown will continue to own and control the Wellington metro rail network infrastructure (for example, tracks, signals, power supply). Discussions with Auckland Council and Auckland Transport on future ownership arrangements were significantly advanced. The changes above represent a major step in the government giving effect to its metropolitan rail operating model.
Establish and maintain appropriate governance, institutional, legislative, monitoring and evaluation frameworks for KiwiRail.	**Deliverables** Amendment of institutional arrangements in place during 2011. Establishment of a Crown Ownership Monitoring Unit (COMU) regime to monitor and evaluate the government's investment in rail. **Impacts sought** Increased efficiency and improved commercial performance of the rail network. Improved performance from the government's investment in rail. **Initiatives** **Institutional arrangements:** New rail institutional arrangements were delivered through the Wellington metro rail package, with similar arrangements being negotiated with Auckland. Proposed changes to the New Zealand Railways Corporation legislation have been deferred, pending future decisions on the KiwiRail balance sheet. **Crown Ownership Monitoring Unit:** The Crown Ownership Monitoring Unit (within the Treasury) has lead responsibility for monitoring the implementation of the KiwiRail Turnaround Plan. The Ministry supported the Crown Ownership Monitoring Unit in this.

2010/11 Planned Actions	Deliverables
Develop rail safety initiatives to improve the safety of the rail system.	**Deliverable** Development and implementation of rail safety action plan. **Impact sought** Reduced number of deaths and serious injuries as a result of rail accidents. **Initiative** **Rail safety action plan:** The Ministry reviewed the need for a rail safety action plan in light of the consolidated government ownership of the rail system and low number of rail events each year, and concluded that a rail safety action plan was not required at this time.

In addition to the above deliverables that were outlined in the Ministry's 2010–2013 Statement of Intent, the following initiatives arose or were undertaken during the year.

Auckland CBD rail tunnel business case assessment

The Ministry led a multi-agency review (including the Treasury, the NZTA, Auckland Council and Auckland Transport) of the business case for the Auckland CBD Rail Link[12]. The review considered the strategic case, benefits, costs and alternatives of the project, drawing as much as possible on the NZTA project evaluation methodology and the Treasury's Better Business Case Guidelines.

The review concluded that the case for investigating funding and procurement for the project had not been made, and that the wider mix of options for meeting transport access into the CBD had not been sufficiently explored. However, the review also concluded that there is a strategic case for protecting the route for the future. Guidance was also provided on a range of actions that Auckland Council and Auckland Transport could undertake or facilitate to improve confidence in a future case for an Auckland CBD Rail Link.

Output: Aviation

Actual 2009/10	Performance measures	Actual 2010/11	Standards/ Targets 2010/11
New	International air transport policies reviewed to identify economic implications, and recommendations on amendments made to the government by 30 June 2011.	Not achieved	Achieved
New	Civil Aviation Amendment Bill passed by 30 December 2010.	Achieved	Achieved
New	**Cost** This output is produced within appropriation (GST exclusive).	$3,480,464	$3,928,000

During 2010/11 an amended time frame of December 2012 was agreed by the Minister for the International Air Transport Policy Review.

12 http://www.transport.govt.nz/ourwork/rail/aucklandcbdraillink/

2010/11 Planned actions	Deliverables
Maintain and improve international air traffic rights.	**Deliverable** Review of international air transport policies to identify economic implications and opportunities. **Impact sought** Increased number of air traffic rights available to New Zealand to support international passengers and freight links. **Initiatives** **International air transport policy review:** The timing of the review was extended and it is now scheduled to be completed by December 2012. The review is examining the benefits and risks to New Zealand from differing liberalisation options, including whether, and how, particular regard should be had for the interests of New Zealand airlines. **International air services:** The government agreed to the commencement of air services negotiations with a number of Asian and South American countries. The Ministry commenced preliminary work to advance these on a bi-lateral or, where possible, multi-lateral basis. The Ministry reached an understanding with the Netherlands to amend arrangements with respect to code sharing. Preparations also commenced for air services negotiations with Brazil and China. Four new airlines (Air Asia X, China Southern Airlines, Jetstar Asia and China Airlines) were licensed to operate to New Zealand. Between them, these airlines are already offering 4,280 seats a week into New Zealand (plus additional freight capacity) with the ability, and in the case of China Southern the announced intention, to increase this.
Improve the economic efficiency of international air services linkages and air line operators.	**Deliverable** Civil Aviation (Cape Town Convention and other matters) Amendment Bill to be passed during 2010. **Impact sought** Increased competitiveness of international airline operators. **Initiative** **Civil Aviation (Cape Town Convention and Other Matters) Amendment Bill:** In July 2010, New Zealand acceded to the Convention on International Interests in Mobile Equipment (the Cape Town Convention) and the Protocol to the Convention on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment (Aircraft Protocol). New Zealand's accession to the Cape Town Convention and Aircraft Protocol supports an international system to protect commercial security interests in mobile aircraft equipment. From November 2010, this has provided the opportunity for New Zealand aircraft operators to secure commercial advantages from savings in funding and transaction costs in future aircraft acquisitions.
Manage and monitor the Crown funding and interests in charging and capital expenditure initiatives at joint venture airports.	**Deliverable** Maintenance of effective management and monitoring mechanisms. **Impact sought** Increased value for money from Crown funding and capital expenditure for joint venture airports. **Initiative** **Funding arrangements:** The Ministry prepared a Budget bid for joint venture airports that will allow the Crown to continue to meet its legal obligations in respect of capital development and, if required, operating losses at joint venture airports. Funding was also approved from the existing appropriation for capital development at Taupo, Wanganui and Whakatane Airports and operating losses at Wanganui Airport.

2010/11 Planned actions	Deliverables
Implement measures to comply with international aviation safety, security and environmental standards.	**Deliverables** Improvement of legislative and regulatory framework to enhance the safety and security of New Zealand's aviation system and comply with international standards. Satisfactory results from International Civil Aviation Organization (ICAO) audits. **Impacts sought** Increased safety and security and decreased environmental impacts in the aviation sector. Sustained access and ability to participate in the international aviation system. **Initiative** The Ministry led New Zealand's participation in the 37th Triennial Assembly of the ICAO in Montreal, and participated in an ICAO Aviation Security Asia-Pacific Directors-General of Civil Aviation Forum in Fiji. The ICAO conducted a Universal Security Audit of New Zealand in May 2011, auditing compliance with ICAO Annex 17 (Security) and the security aspects of ICAO Annex 9 (Facilitation). The overall New Zealand results were very good. The Ministry convened the 61st National Air Facilitation conference in Queenstown in November 2010. During the year, the principal facilitation activity continued to be participation in the Border Sector Governance Group at chief executive and senior official level, particularly in relation to the group's work on streamlining trans-Tasman air travel processes.
Ensure aviation policy and regulatory frameworks are flexible and responsive to change.	**Deliverable** Reviews of specific aviation rules and regulations according to agreed programme. **Impact sought** Responsive and flexible policy and regulatory frameworks are effectively maintained. **Initiative** **Civil Aviation Rules:** The Aviation Rule Part 121 — Extended Diversion Time Operations was completed during the year. Progress was made on the following proposed rules (which now form the 2011/12 rules programme): • Part 61 (Stage 2) — Pilot Licences and Ratings • Part 115 — Adventure Tourism Aviation • Part 121/125 — Training Requirements • Part 139 — Review • ICAO Safety Management • Part 137 — Agricultural Aircraft Operations • ICAO Equipment Compliance • Part 125 — Rule Update

In addition to the above deliverables that were outlined in the Ministry's 2010–2013 Statement of Intent, the following initiatives arose or were undertaken during the year.

Air New Zealand–Virgin Blue Alliance

Air New Zealand and Virgin Blue applied for authorisation for a trans-Tasman alliance[13]. This was a major project for the Ministry that required complex statutory and wider public interest analysis of the application, including taking into account the views expressed by third parties and the applicants.

13 http://www.transport.govt.nz/ourwork/air/airnz-virginbluealliancedapplication/

At the same time, the Australian Competition and Consumer Commission undertook a similar analysis to determine the benefits of the alliance from an Australian perspective. The Ministry's analysis established that authorisation would be consistent with the legislation, could bring benefits to consumers, would bring about cost savings and would allow Air New Zealand and Virgin Blue to compete more effectively with Qantas. The Minister authorised the trans-Tasman alliance on 21 December 2010 for a period of 3 years.

Civil Aviation Authority funding review

The Ministry worked with the Civil Aviation Authority on its funding and value-for-money reviews. These reviews identified the need for clearer long-term thinking on the shape of the organisation, and key decisions to enhance its capability to deliver its longer-term vision. The reviews also provided the Ministry with the opportunity to assess the efficiency and effectiveness of the Civil Aviation Authority and we have followed up with the Board to ensure they remain focused on the government's strategic priorities.

We also advised the government on the appointment of a new Chair for the Civil Aviation Authority, and the funding required to lead the organisational changes identified in the value-for-money review.

Passenger security charges

The Ministry supported a review of the Aviation Security Service's passenger security charges and provided advice to the government on changes to the charges. In May 2011, the government agreed that the passenger security charges be reduced for 2 years from $10.22 to $8.00 per departing international passenger, and from $4.45 to $3.70 per departing domestic passenger. The changes were effective from July 2011.

National Airspace Policy — National Airspace and Air Navigation Plan

During the fourth quarter, the Ministry and the Civil Aviation Authority initiated a project to work with the Airways Corporation and other stakeholders to develop a National Airspace Policy. This will guide the future design and designation of airspace regarding aviation and non-aviation impacts. This will lead to the development of a National Airspace and Air Navigation Plan. This Plan will incorporate Performance-based Navigation Systems (PBN) to improve the safety and efficiency of air navigation.

Output: Maritime

Actual 2009/10	Performance measures	Actual 2010/11	Standards/ Targets 2010/11
New	Marine Safety Charge (Cruise Vessels) reviewed, and amended if necessary, by 31 October 2010.	Achieved	Achieved
New	Drafting instructions on the Maritime Transport Amendment Bill issued to the Parliamentary Counsel Office by 30 December 2010.	Achieved	Achieved
New	**Cost** This output is produced within appropriation (GST exclusive).	$2,103,367	$2,302,000

2010/11 Planned actions	Deliverables
Implement measures to comply with international maritime safety, security and environmental standards.	**Deliverable** Amendment to Maritime Transport Act and other regulations in line with international requirements. **Impacts sought** Increased safety and security and decreased environmental impacts in the maritime sector. Sustained ability to participate in the international maritime system. **Initiative** **Maritime Transport Amendment Bill:** The Ministry advised the government on the policy issues for the Bill which will implement marine environment protection and liability conventions, and improve port and harbour safety control. Drafting instructions were issued to the Parliamentary Counsel Office and the Bill is now expected to be introduced to Parliament in the first half of 2012.
Ensure maritime policy and regulatory frameworks are flexible and responsive to change.	**Deliverable** Reviews of specific maritime rules and regulations according to agreed programme. **Impact sought** Responsive and flexible policy and regulatory frameworks are effectively maintained. **Initiative** **Maritime and Marine Protection Rules:** All maritime rules in the 2010/11 rules programme were completed on time. The Ministry engaged with Maritime New Zealand to improve the process for rules development and to set the rules programme for the 2011/12 year. The following rules were completed during the year: • Part 91 — Navigation Safety Rules • Part 90 — Pilotage • Part 81 — Rafting • Marine Protection (Various Amendments) Rule • Part 34 — Medical Standards • Part 21 — Safe Ship Management Fast Track Amendment • Maritime omnibus amendment rules

In addition to the above deliverables that were outlined in the Ministry's 2010–2013 Statement of Intent, the following initiatives arose or were undertaken during the year.

Maritime New Zealand review

The Ministry and Maritime New Zealand worked on a joint project (the Maritime New Zealand Review) with the purpose of conducting a value-for-money review and a funding review, which included a full review of the industry levy: the Marine Safety Charge.

The Ministry, Maritime New Zealand and the Treasury sought to ensure that the value-for-money review undertaken by Ernst & Young adequately informed the subsequent funding review. The review has identified the need for clearer long-term thinking on the shape of Maritime New Zealand, and key decisions to enhance its capability. Any changes to funding arrangements are expected to be implemented by June 2012.

Clifford Bay ferry terminal

The Ministry worked closely with the Treasury and the NZTA on an initial analysis of the national economic costs, benefits and financial viability of the proposed Clifford Bay ferry terminal. The work on Clifford Bay is continuing in 2011/12.

Oil pollution levy

The Ministry worked with Maritime New Zealand to develop a discussion document for consultation on the Oil Pollution Levy. This document proposed a change to the formula for collecting the Oil Pollution Levy from a gross-tonnage-of-the-vessel basis to a threat-based formula. The ministerial-appointed Oil Pollution Advisory Committee agreed to the new threat-based formula.

The Ministry also participated in a capability review for the Marine Pollution Response Service. This resulted in confirming the expenditure required by the Oil Pollution Fund to meet its oil pollution prevention strategy and international obligations. A new capital expenditure programme for the Oil Pollution Fund was proposed and agreed and incorporated into the Oil Pollution Fund's 3-year revenue and expenditure budget.

Prosecutions

The Ministry continued to bring successful prosecutions for offending in the cable protection area. These prosecutions provide a deterrent against vessels illegally fishing or anchoring near cables and pipelines. The Ministry brought four prosecutions for breaches of the cable protection areas, all of which were successful.

Output: Multi-modal

Actual 2009/10	Performance measures	Actual 2010/11	Standards/ Targets 2010/11
New	Scenarios developed and a paper on the transport task 2030 presented to the Minister by 30 November 2010.	Not achieved	Achieved
New	**Cost** This output is produced within appropriation (GST exclusive).	$14,549,041	$11,009,000

The scenarios project was not completed as the Ministry reviewed the project during the year and determined that a revised approach would be more appropriate. Work will be undertaken in 2011/12 to improve the Ministry's understanding of the key strategic issues for the transport sector and how governments can respond to these over time.

2010/11 Planned actions	Deliverables
Identify options to enhance the contribution of the freight sector to economic growth and productivity.	**Deliverable** Development of a coordinated Ministry programme on freight, and recommendations to improve freight efficiency and effectiveness. **Impact sought** Increased efficiency of the supply chain that contributes positively to economic growth and productivity in New Zealand. **Initiatives** **Freight work programme:** Further work to develop the Freight Information Gathering System (FIGS) was undertaken. The aim of the FIGS is to collect multi-modal freight information based on the flow of cargo through ports. This will enable better informed policy development regarding freight issues. Five container ports are providing data to the FIGS and it is expected that all container ports will be participating by the end of 2011. **NZIER report on sea freight:** The Ministry commissioned the NZIER to report on long term sea freight scenarios[14]. The report looked at three main issues being debated in the sector: hubbing New Zealand's international container trade through Australia; the creation of two main container ports in New Zealand capable of taking larger ships; and fewer international shipping lines calling in New Zealand. The report found that all of these scenarios are marginally less beneficial compared with the natural market led evolution of the ports sector. The report provides a broad-based economic analysis of the issues and served to inform the ongoing discussion in the freight sector regarding shipping services and ports.

14 http://www.transport.govt.nz/about/publications/Documents/Freight-futures-NZIER-report-Sept10.pdf

2010/11 Planned actions	Deliverables
Improve the Ministry's understanding of the nature and scale of developments in transport supply and demand in the future, and identify opportunities to improve productivity, efficiency and performance.	**Deliverable** Development of scenarios on the transport task 2030 and identification of options for policy development. **Impact sought** Increased transport productivity and enhanced contribution to economic growth and social wellbeing. **Initiatives** **Better understanding the links between transport and the economy:** This project was completed in July 2010. The project enhanced the Ministry's understanding of wider economic benefits and their relevance to the appraisal of transport projects. This knowledge is important as the appraisal of wider economic benefits is becoming more common in New Zealand. The Ministry utilised its knowledge in the Auckland City Centre Rail Link Rail Tunnel Review. **Strategic issues and scenarios:** This initiative was not completed as the Ministry reviewed the proposed project during the year and determined that it was a lower priority than other initiatives and that a revised approach would be more appropriate. Work will be undertaken in 2011/12 to improve the Ministry's understanding of the key strategic issues for the transport sector and how governments can respond to these over time.
Provide strategic guidance to transport agencies, local government and the wider transport sector.	**Deliverable** Provision of strategic guidance provided to the transport sector by mid-2011. **Impact sought** Long-term progress towards all four government outcomes. **Initiatives** **Connecting New Zealand:** The Ministry prepared *Connecting New Zealand*[15] which the government released in August 2011. *Connecting New Zealand* provides stakeholders with a summary of the government's policy direction for transport over the next decade. It sets out the government's long-term outcomes for transport and will assist stakeholders to better understand how the government wants the transport system to develop, and enable stakeholders to consider this when they make their own transport decisions. **Headline performance indicators for government's four long-term outcomes for transport:** The Ministry developed six headline indicators for the government's four long-term outcomes and will develop a further two headline indicators in 2011/12.

15 http://www.transport.govt.nz/ourwork/KeyStrategiesandPlans/Pages/ConnectingNewZealand.aspx

2010/11 Planned actions	Deliverables
Implement policies and investigate options to increase transport energy efficiency and manage greenhouse gas emissions of all modes.	**Deliverable** Implementation of policies and identification of options to improve energy efficiency in line with the New Zealand Energy Strategy, reduce emissions and increase the affordability of transport. **Impact sought** Increased energy efficiency and reduced greenhouse gas emissions in all transport modes. **Initiatives** The Ministry has progressed a number of initiatives that contribute to this programme. These include: • developing a new approach to road transport emission estimates for the New Zealand greenhouse gas inventory, as well as engaging with stakeholders on the 2007 Vehicle Exhaust Emissions Rule (which seeks to phase out vehicles that are old and cause high emissions) • implementation of the Safe and Fuel Efficient Driving New Zealand (SAFED NZ) scheme • development of the vehicle fleet emissions model to explore what will happen to the fleet age and size when many of the used imports in the light fleet that were manufactured in the mid 1990s are likely to be scrapped. This model is now being used to predict future road transport energy demand and support future policy proposals
Implement transport-related changes from reviewed governance legislation for Auckland.	**Deliverable** Implementation of transport-related changes from reviewed governance legislation for Auckland. **Impact sought** Increased focus and continuity in decision making to deliver a transport network that supports Auckland's growth and economic success. **Initiative** **Auckland governance:** Legislation implementing Auckland's new governance arrangements, including the establishment of Auckland Transport as a statutory council-controlled organisation (CCO), was enacted at the end of the 2009/10 financial year. In 2010/11, the Ministry provided advice on regulations allocating assets between Auckland Council and Auckland Transport, and establishing other CCOs, including Auckland Council Investments Limited and the Waterfront Development Agency. Auckland Council and Auckland Transport commenced operation on 1 November 2010. No significant issues have been identified as a consequence of the implementation of the enabling legislation. The Ministry monitored the effectiveness of the new governance arrangements in Auckland over the balance of the year.
Contribute to work streams that aim to improve the interaction between urban planning and infrastructure decision making.	**Deliverable** Provision of input and support to the Ministry for the Environment-led review of the Resource Management Act. **Impact sought** Increased integration of transport, land use and other infrastructure planning to contribute to the success of our cities. **Initiative** **Resource Management Act II urban planning and related reforms:** The Ministry provided transport policy advice on cross-government work to reform the Resource Management Act. This included advice on spatial planning and infrastructure. The Ministry also advised on the proposed Auckland spatial plan and encouraged the development of robust and achievable urban development targets in the spatial plan.

2010/11 Planned actions	Deliverables
Implement policies and identify options to ensure that transport meets society's wider needs.	**Deliverable** Implementation of policies and identification of options to ensure that transport meets society's wider needs. **Impact sought** An accessible, efficient and safe transport system that contributes positively to the nation's economic, social and environmental wellbeing. **Initiatives** **SuperGold card passenger transport concessions:** To ensure the financial viability of the SuperGold card scheme, the Ministry advised on changes including: • reducing reimbursement rates from 75 to 65 percent for the remainder of financial years 2010/11 and 2011/12 • removing the ability of councils to claim administration costs • reducing the NZTA's administration budget • introducing a moratorium on major new services entering the scheme for 2010/11 and 2011/12 The Ministry worked to implement the changes and facilitated the process for regional councils and operators to amend their respective contracts. The changes to the scheme reduced its overall cost so that it can be contained within the budget of $45 million for the 2010/11 and 2011/12 years, and therefore meet its objective of enhancing accessibility for older New Zealanders. **Disability action plan — Ministerial Disability Committee:** The Ministry provided advice to the Ministerial Committee on Disability Issues on transport related activities, including contributing to implementing the United Nations Convention on the Rights of Persons with Disabilities to which New Zealand is a signatory. The Ministerial Committee has been focused on developing a Disability Action Plan to improve the lives of disabled people. Following the Canterbury earthquakes, the focus has shifted to the re-building of Christchurch, and achieving better accessibility for disabled people.

In addition to the above deliverables that were outlined in the Ministry's 2010–2013 Statement of Intent, the following initiatives arose or were undertaken during the year.

Regulatory reform programme

The Ministry's regulatory reform programme, initiated in late 2010, is cross-modal, responds to the government's goals for better and less regulation, and is made up of initiatives concerned with potential short to long-term issues with the regulatory framework for transport.

The key purpose of the regulatory reform programme is to improve the way the transport sector performs its regulatory function. Transport regulation has a large impact on the economy and society. Poor regulation could place an unnecessary burden on businesses and therefore hinder the government achieving its priorities around both its economic priorities and its ambitions for improvements in the quality of regulation.

In addition, the Ministry and transport agencies have a duty to consider whether the regulatory system is fit for purpose and if not, what further opportunities might exist for improving regulatory outcomes. This involves thinking more broadly about what constitutes regulation and what outcomes the government and sector want from the regulatory system. The regulatory reform programme has three main elements.

- Identifying any opportunities for reform that deliver substantial improvements to the transport regulatory system.
- Business improvement initiatives, such as the transport rules re-design project.
- Regulatory business as usual, such as the ongoing regulatory programming and delivery, and regulatory scanning.

Transport rules re-design

To address concerns over the delays in the delivery of the transport rules programme, the Ministry led the development of changes to the current transport rules development process that could be implemented by 1 July 2011 to make rule-making more efficient by:

- increasing the speed of the process, while ensuring the quality of rule design
- allowing closer alignment of new rules with government and regulatory reform priorities
- being more responsive to the needs of the transport sector

The suite of rules proposed for 2011/12 is significantly smaller, and more achievable, than it was in 2010/11 (a 37 percent reduction in the number of rules).

Rugby World Cup 2011

The Ministry worked with the Ministry of Economic Development and the transport agencies to address key transport capacity and reliability risks identified for the Rugby World Cup 2011.

Ministerial servicing

Throughout the year the Ministry addressed 1,368 ministerials for draft reply and 1,659 for direct action, responded to 77 Official Information Act requests to the Minister, and prepared 57 papers for consideration by Cabinet on a range of transport policy issues.

Output Class: Policy advice — financial performance

Actual 2009/10		Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
27,199	Revenue Crown	29,425	29,432	29,432
-	Revenue from fees	-	-	-
726	Other revenue	659	350	652
27,925	Total revenue	30,084	29,782	30,084
27,769	Total expenses	30,084	29,782	30,084
156	Net surplus	-	-	-

Commentary on performance

This output class was delivered on budget, with four of the five component outputs below budget, and one (multi-modal) being 31 percent over budget. The Ministry believes that these variances are in part due to the change to new outputs and that performance will be closer to budget in 2011/12.

OUTPUT CLASS: GOVERNANCE AND PERFORMANCE ADVICE AND SUPPORT

This output involves assessing and advising on the transport Crown entities' ongoing capability and performance in contributing to the government's objectives, relevant government policy and each Crown entity's statutory mandate. It includes providing advice to transport Ministers and Crown entities on where improvements can be made. This output also supports the Minister in the selection, appointment and development of Crown entity and other transport agency boards.

Actual 2009/10	Performance measures	Actual 2010/11	Standards/ Targets 2010/11
New	Date by which advice on Crown entity strategic issues and expectations is provided to the Minister.	Delivered on 4 February 2011	30 November 2010
New	Regularity of Ministry strategic discussions with each Crown entity Chair/Board.	Achieved	Twice yearly
New	**Cost** This output is produced within appropriation (GST exclusive)	$1,741,914	$1,750,000

Operating Intentions

Facilitate effective governance, performance and capability of transport Crown agencies.	**Deliverables** Provision of clear expectations to, and regular engagement with, boards and Crown agencies. Provision of timely and robust advice to the Minister on governance, performance and capability issues and options for improvement. **Impact sought** Increased value for money delivered by transport Crown agencies. **Initiative** **Facilitate improved governance, accountability and performance in transport Crown agencies:** The Ministry restructured its Governance and Accountability team in December 2010 to enable it to provide an enhanced level of advice to transport Crown entities and the government. The Ministry advised the government on the appointment of a number of chairs/deputy chairs and board members of the transport Crown agencies. The Ministry worked with the Crown Ownership Monitoring Unit to utilise their database for our board appointments. This enabled the Ministry to lift the calibre of candidates considered for board appointments and led to a more efficient board appointment process. A reappointment of the Aviation Medical Convener was also made. The Ministry facilitated early strategic discussions between ministers and agency boards. At the same time, the Ministry moved to engage at a more strategic level with agency chief executives and boards, which led to better information flows and to agencies having a better understanding of the government's priorities. This, coupled with work reviewing value for money and business models for service delivery and funding reviews, has enhanced the Ministry's understanding of the strategic direction and challenges for the agencies. In turn, this has informed our governance and accountability advice to ministers. The Ministry prepared Ministerial letters of expectations for the boards and advised on agencies' final draft Statements of Intent, which led to improvements from the previous year's Statements of Intent. The Ministry also advised on the Civil Aviation Authority's organisational change proposal and the funding needed to support that initiative. The Ministry continued to work with the Civil Aviation Authority and the Office of the Auditor-General on a work programme to address the latter's report on the Civil Aviation Authority's progress with improving certification and surveillance.

Output Class: Governance and performance advice and support — financial performance

Actual 2009/10 $000		Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
-	Revenue Crown	1,742	2,000	1,750
-	Revenue from fees	-	-	-
-	Other revenue	-	-	-
-	Total revenue	1,742	2,000	1,750
-	Total expenses	1,742	2,000	1,750
-	Net surplus	-	-	-

This output class was new in 2010/11 and so no financial comparative figures are provided.

OUTPUT CLASS: LAND TRANSPORT REVENUE FORECASTING AND STRATEGY

Through this output class, the Ministry provides land transport revenue forecasting and strategy advice.

Actual 2009/10	Performance measures	Actual 2010/11	Standards/ Targets 2010/11
100%	Revenue forecasts are completed as required.	Achieved	100%
100%	Revenue system improvements developed and implemented as agreed, in accordance with agreed time frames.	Achieved	100%
100%	Fuel excise duty and road user charges levels adjusted as required, in accordance with agreed time frames.	Achieved	100%
$1,615,218	**Cost** This output is produced within appropriation (GST exclusive)	$1,488,241	$1,950,000

Operating Intentions

Review regulation and legislation to improve transport outcomes while streamlining and simplifying processes and reducing compliance costs for transport users.	**Deliverable** An amended Road User Charges Act to be passed before June 2011. **Impact sought** Simplified and streamlined planning and decision-making processes, along with reduced compliance costs. **Initiative** **Road user charges:** In July 2010, the government agreed to a number of changes to the road user charges system, and to the replacement of the Road User Charges Act and associated regulations. The Ministry prepared the Road User Charges Bill and this was reported back to the House of Representatives by the Select Committee in May 2011. The Bill is now expected to be passed in 2011/12.

In addition to the above deliverables that were outlined in the Ministry's 2010–2013 Statement of Intent, the following initiatives arose or were undertaken during the year.

Cost allocation model (CAM)

The Ministry reviewed the CAM and implemented changes to improve its robustness and to better align it with the Ministry's forecasting model. This is to ensure consistency in the advice we provide. The changes also future-proof the CAM from upcoming changes in the RUC system. The changes also simplify the presentation of the CAM to stakeholders and should enhance their understanding of the model.

Fuel excise duty

The Ministry advised the government on the deferral of a planned increase in fuel excise duty and RUC scheduled for 1 July 2011.

Revenue forecasting

The Ministry also ran two forecasts with the latest economic and revenue collection data to meet the Treasury's requirements for the Crown financial statements.

Output Class: Land transport revenue forecasting and strategy — financial performance

Actual 2009/10 $000		Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
615	Revenue Crown	565	-	950
1,000	Revenue from fees	1,000	1,000	1,000
-	Other revenue	-	-	-
1,615	Total revenue	1,565	1,000	1,950
1,615	Total expenses	1,488	1,000	1,950
-	Net surplus	**77**	-	-

Commentary on performance

This output class is funded from the administration fees paid on road tax revenue. Due to work on the RUC review, the Ministry has incurred costs higher than the $1 million appropriation from fees but has met the increase by reprioritising its other activities.

Expenditure is below the appropriation due to delays in work on the Road User Charges Bill as noted above. Permission to carry forward up to $350,000 of revenue to 2011/12 has been received.

OUTPUT CLASS: ROAD USER CHARGES COLLECTION, INVESTIGATION AND ENFORCEMENT

Through this output class, the Secretary for Transport (Chief Executive) delegates to, and contracts with, the NZTA to provide an administrative and accounting service for the collection and refund of RUC, and the investigation and enforcement of RUC evasion.

Actual 2009/10	Performance measures	Actual 2010/11	Standards/ Targets 2010/11
40%	Identified evasion revenue recovered	64.4%	≥30%
17,344,000	**Cost** This output is produced within appropriation (GST exclusive)	$17,344,000	$18,318,000

Commentary on performance

The NZTA identified $11.8 million of evaded RUC during the year. $7.6 million was recovered during the year (although this does not all relate to the $11.8 million, due to the time it takes to recover the debt).

Output Class: Road user charges collection, investigation and enforcement — financial performance

Actual 2009/10 $000		Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
-	Revenue Crown	-	-	-
17,344	Revenue from fees	17,344	17,344	18,318
-	Other revenue	-	-	-
17,344	**Total revenue**	17,344	17,344	18,318
17,344	Total expenses	17,344	17,344	18,318
-	**Net surplus**	-	-	-

An additional $974,000 of funding was approved by Cabinet during the year to cover the costs of the implementation of the RUC review by the NZTA. Due to delays to the legislation, this funding was not spent in 2010/11 but permission has been received to carry it forward to 2011/12.

OUTPUT CLASS: REFUND OF FUEL EXCISE DUTY

Through this output class, the Secretary for Transport (Chief Executive) delegates to, and contracts with, the NZTA to provide an administrative and accounting service for the refund of fuel excise duty.

Actual 2009/10	Performance measures	Actual 2010/11	Standards/ Targets 2010/11
New	Percentage of refund applications that are audited, processed and paid within 20 working days	92.1%	85%
$429,000	**Cost** This output is produced within appropriation (GST exclusive)	$429,000	$429,000

Commentary on performance

This measure has been revised from the previous year to provide a more accurate reflection of the operational nature of processing fuel excise duty refunds. Performance during the year exceeded the performance measure.

Output Class: Refund of fuel excise duty — financial performance

Actual 2009/10 $000		Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
-	Revenue Crown	-	-	-
429	Revenue from fees	429	429	429
-	Other revenue	-	-	-
429	Total revenue	429	429	429
429	Total expenses	429	429	429
-	Net surplus	-	-	-

OUTPUT CLASS: AIRPORT OPERATION AND ADMINISTRATION

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

Actual 2009/10	Performance measures	Actual 2010/11	Standards/ Targets 2010/11
100%	The aerodrome operation will conform with appropriate Civil Aviation Authority safety requirements.	Achieved	100%
$240,120	Operating costs within third-party revenue (GST exclusive).	$251,000	$200,000

Commentary on performance

During the 2010/11 year, the Milford Sound/Piopiotahi Aerodrome complied with the Civil Aviation Authority's physical standards. Remedial resealing of the apron was completed at the contractor's expense with a 12-month maintenance and defect period to apply. There were no reported aircraft incidents attributable to the physical condition of the aerodrome during the year.

The aerodrome Health and Safety Policy and Manual was finalised following consultation with aerodrome stakeholders. While principally a matter for Ministry employees (although aerodrome visits are rare) the documents recognise that we have responsibilities under the Health and Safety in Employment Act and that the Airways Corporation, Milford Helicopters, and the other aircraft operators using the aerodrome also have employer responsibilities. The Health and Safety Policy sets out the aerodrome relationships and responsibilities of each employer.

Output Class: Airport operation and administration — financial performance

Actual 2009/10 $000		Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
-	Revenue Crown	-	-	-
-	Revenue from fees	-	-	-
84	Other revenue	174	200	270
84	Total revenue	174	200	270
240	Total expenses	251	200	270
(156)	Net deficit	(77)	-	-

A review of the landing fees at the aerodrome was completed to take effect from 1 July 2010 with the intent that fee revenue would cover costs and improve the net result from that of 2009/10. However higher costs were incurred than expected during the year due to issues relating to the runway resealing that had been undertaken in 2009/10.

The appropriation was increased during the year to allow for the additional expenditure. The Ministry will meet the deficit from other surplus.

OUTPUT CLASS: SEARCH AND RESCUE ACTIVITY COORDINATION PLA

Through this output class, the Ministry houses the Secretariat function of the New Zealand Search and Rescue Council which administers the search and rescue sector in New Zealand.

Actual 2009/10	Performance measures	Actual 2010/11	Standards/ Targets 2010/11
New	Provision of: • effective leadership and strategic coordination to the New Zealand search and rescue sector • effective support services and policy advice to the satisfaction of the New Zealand Search and Rescue (NZSAR) Council.	100%	100%
New	Develop and monitor Service Level Agreements with key providers in the SAR Community.	100%	100%
New	Maintain a comprehensive understanding of the location, scope, cost and effect of SAR activity within the New Zealand Search and Rescue Region and the size, nature and capabilities of the NZSAR sector.	100%	100%
New	Deliver the national SAR support programme including: • air observer training • SAR forums to enhance cooperation • support of significant SAREXs • coordinate joint SAR training	100%	100%
New	Monitor, analyse and report on sector funding.	100%	100%
New	Inform and support SAR preventative strategies, campaigns and actions.	100%	100%
New	**Cost** This output is produced within appropriation (GST exclusive)	$1,133,544	$1,136,000

The New Zealand Search and Rescue (NZSAR) Secretariat provides the NZSAR Council with support services, policy advice and the implementation of agreed measures in order to give effective leadership and strategic coordination to the New Zealand search and rescue sector. The Secretariat also implements the national Search and Rescue (SAR) support programme.

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

Output Class: Search and Rescue Activity Coordination PLA — financial performance

Actual 2009/10 $000		Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
-	Revenue Crown	1,134	-	1,136
-	Revenue from fees	-	-	-
-	Other revenue	-	-	-
-	Total revenue	1,134	-	1,136
-	Total expenses	1,134	-	1,136
-	Net surplus	-	-	-

Commentary on performance

During the year, the Ministers of Transport and Finance jointly approved, under section 9(1) of the Land Transport Management Act, new funding for search and rescue and recreational boating activities. Part of the funding was allocated to a departmental output class as the Ministry houses the Secretariat of the NZSAR Council. The funding represents the costs of the staff and the Secretariat functions as well as $511,000 for training which is managed by the Secretariat.

Financial performance

Statement of objectives — financial performance

for the year ended 30 June 2011

Actual 2009/10		Unit/%	Actual 2010/11	Main Estimates 2010/11	Supplementary Estimates 2010/11
	Operating results				
810	Other revenue	$000	834	550	922
49,712	Output expenses	$000	52,472	50,755	53,937
223	Operating surplus before capital charge	$000	234	223	234
-	Net surplus	-	-	-	
	Working capital				
111	Net current assets	$000	541	182	239
102	Current ratio	%	111	106	106
	Resource utilisation				
4,015	Property plant and equipment and intangibles at year end	$000	3,853	3,798	3,886
13	Additions as a percentage of property, plant and equipment and intangible assets at year end	%	17	20	19
42	Property, plant and equipment and intangibles as a percentage of total assets at year end	%	42	53	48
3,116	Taxpayers' funds at year end	$000	3,116	2,958	3,116
	Net cash flows				
2,441	Surplus from operating activities	$000	1,636	880	854
(605)	Surplus/(deficit) from investing activities	$000	(674)	(750)	(725)
(26)	(Deficit) from financing activities	$000	-	-	-
1,810	Net increase in cash held	$000	962	130	129

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

Statement of comprehensive income

for the year ended 30 June 2011

Actual 2009/10 $000		Notes	Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
	Income				
30,129	Revenue Crown	2	32,865	31,432	33,268
18,773	Revenue from fees	3	18,773	18,773	19,747
810	Other revenue	4	834	550	922
49,712	**Total operating income**		**52,472**	**50,755**	**53,937**
	Expenditure				
20,837	Contractual payments to Crown entities	5	21,168	20,864	21,838
17,408	Personnel expenses	6	18,211	17,520	17,580
10,422	Other operating expenses	7	12,002	11,268	13,431
223	Capital charge	8	234	223	234
505	Depreciation of property, plant and equipment	11	504	592	513
297	Amortisation of intangible assets	12	332	288	341
20	Finance cost	13	21	-	-
49,712	**Total expenditure**		**52,472**	**50,755**	**53,937**
-	**Net surplus/(deficit)**		**-**	**-**	**-**
158	Gain on revaluation of Milford aerodrome	11	-	-	-
158	**Total comprehensive income**		**-**	**-**	**-**

Explanations of significant variances against budget are detailed in note 23.

Statement of movements in taxpayers' funds

for the year ended 30 June 2011

Actual 2009/10 $000		Notes	Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
2,984	**Balance at 1 July**		**3,116**	**2,958**	**3,116**
158	Total comprehensive income		-	-	-
(26)	Capital withdrawal	9	-	-	-
3,116	**Balance at 30 June**	9	**3,116**	**2,958**	**3,116**

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

Statement of financial position

as at 30 June 2011

Actual 2009/10 $000		Notes	Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
	Taxpayers' funds				
2,355	General funds		2,355	2,355	2,355
761	Revaluation reserve – aerodrome		761	603	761
3,116	Total taxpayers' funds	9	**3,116**	**2,958**	**3,116**
	Represented by:				
	Current assets				
2,155	Cash and cash equivalents		3,117	3,141	2,284
3,454	Debtors, prepayments and other receivables	10	2,289	263	1,953
5,609	**Total current assets**		**5,406**	**3,404**	**4,237**
	Non-current assets				
3,387	Property, plant and equipment	11	3,236	3,276	3,203
540	Intangible assets	12	555	522	683
88	Work in progress		62	-	-
4,015	**Total non-current assets**		**3,853**	**3,798**	**3,886**
9,624	**Total assets**		**9,259**	**7,202**	**8,123**
	Current liabilities				
4,342	Creditors and other payables	14	3,684	2,269	2,842
1,156	Employee entitlements	15	1,181	953	1,156
5,498	**Total current liabilities**		**4,865**	**3,222**	**3,998**
	Non-current liabilities				
438	Employee entitlements	15	685	470	437
572	Provision for lease make-good	16	593	552	572
1,010	**Total non-current liabilities**		**1,278**	**1,022**	**1,009**
6,508	**Total liabilities**		**6,143**	**4,244**	**5,007**
3,116	**Net assets**		**3,116**	**2,958**	**3,116**

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

Statement of cash flows

for the year ended 30 June 2011

Actual 2009/10 $000		Notes	Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
	Cash flows from operating activities				
30,969	Crown		33,133	31,861	36,171
17,294	Fees		19,610	18,344	18,344
575	Departments		392	350	400
88	Crown entities		194	-	192
146	Other		338	200	330
(17,390)	Personnel costs		(17,986)	(17,412)	(17,522)
(8,331)	Operating expenses		(12,995)	(11,268)	(14,931)
(21,159)	Contractual payments to Crown entities		(20,740)	(20,972)	(21,896)
472	Net GST paid		(76)	-	-
(223)	Capital charge		(234)	(223)	(234)
2,441	**Net cash flows from operating activities**	17	**1,636**	**880**	**854**
	Cash flows from investing activities				
(384)	Purchase of property, plant and equipment		(353)	(600)	(329)
(221)	Purchase of intangible assets		(321)	(150)	(396)
(605)	**Net cash flows from investing activities**		**(674)**	**(750)**	**(725)**
	Cash flows from financing activities				
(26)	Capital withdrawal by the Crown	9	-	-	-
(26)	**Net cash flows from financing activities**		**-**	**-**	**-**
1,810	**Net increase in cash held**		**962**	**130**	**129**
345	Cash at 1 July 2010		2,155	3,011	2,155
2,155	**Total cash at 30 June 2011**		**3,117**	**3,141**	**2,284**

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

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

Statement of commitments

as at 30 June 2011

Non-cancellable operating lease commitments

The Ministry leases property in the normal course of business. The majority of these leases are for premises, which have non-cancellable leasing periods ranging from 1 to 6 years. The Ministry also outsources its IT support on a 3 year contract.

Actual 2009/10 $000		Actual 2010/11 $000
	Non-cancellable operating lease commitments	
1,299	Not later than 1 year	2,124
4,837	Later than 1 year and not later than 5 years	6,308
3,056	Later than 5 years	2,384
9,192	**Total non-cancellable lease commitments**	**10,816**

The Ministry's non-cancellable operating leases have varying terms, escalation clauses and renewal rights. There are no restrictions placed on the Ministry by any of its leasing arrangements. Some accommodation leases are cancellable, subject to penalty. The amount disclosed is based on the current rental rates. Total operating lease cost is expensed on straight-line basis over the life of the lease.

The increase in the commitment is due to increases in rent for Wellington and Auckland following rent reviews, and a decrease in Christchurch due to a change in premises after the earthquakes, as well as the inclusion for the first time of the IT commitment. This contract expires in 2011/12.

Capital commitments

There were no capital commitments as at 30 June 2011 (2010: $nil).

Statement of contingent liabilities and contingent assets

as at 30 June 2011

Quantifiable contingent liabilities

Actual 2009/10 $000		Actual 2010/11 $000
-	Contractual dispute and related claim	161
8	Personal grievance	-
8		**161**

Contractual dispute and related claim

The Ministry is involved in a dispute regarding performance of a contract. There is also a claim for damages from an affected third party.

Personal grievance

A former staff member took a grievance claim in 2009/10. This was settled in favour of the Ministry during 2010/11.

Contingent assets

The Ministry has no contingent assets (2010: $nil).

Statement of departmental expense and capital expenditure against appropriations

for the year ended 30 June 2011

Actual Expenditure 2009/10 $000		Actual Expenditure 2010/11 $000	Voted Appropriation 2010/11 $000
	Vote Transport		
	Appropriations for classes of outputs		
27,769	Policy advice	30,084	30,084
17,344	Road user charges collection, investigation and enforcement	17,344	18,318
1,615	Land transport revenue forecasting and strategy	1,488	1,950
-	Governance and performance advice and support	1,742	1,750
-	Search and rescue activity coordination PLA	1,134	1,136
429	Refund of fuel excise duty	429	429
240	Airport operation and administration	251	270
2,315	Sector leadership and support	-	-
49,712	**Total appropriation for output expenses**	**52,472**	**53,937**
	Appropriation for capital expenditure		
605	Ministry of Transport — Capital expenditure PLA	**674**	**725**

The Voted Appropriation column includes all adjustments made in the 2010/11 Supplementary Estimates.

Statement of departmental unappropriated expenditure against appropriations

for the year ended 30 June 2011

Unappropriated Expenditure 2009/10 $000		Actual Expenditure 2010/11 $000	Voted Appropriation 2010/11 $000	Unappropriated Expenditure 2010/11 $000
	Vote Transport			
	Appropriations for classes of outputs			
-	Policy advice	30,084	30,084	-
-	Road user charges collection, investigation and enforcement	17,344	18,318	-
-	Land transport revenue forecasting and strategy	1,488	1,950	-
-	Governance and performance advice and support	1,742	1,750	-
-	Search and rescue activity coordination PLA	1,134	1,136	-
-	Refund of fuel excise duty	429	429	-
-	Airport operation and administration	251	270	-
-		**52,472**	**53,937**	**-**

The Ministry did not incur any unappropriated expenditure during the year. Overall, expenditure remained within the total budget.

The Ministry did not incur any capital expenditure in excess of appropriation, nor breach its departmental net asset schedule during the year.

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

Notes to financial statements

for the year ended 30 June 2011

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

Reporting entity

The Ministry is a government department as defined by section 2 of the Public Finance Act 1989 and is domiciled in New Zealand.

The primary objective of the Ministry is to provide services to the public rather than making a financial return. Accordingly, the Ministry has designated itself as a public benefit entity for the purpose of the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the Ministry are for the year ended 30 June 2011. The financial statements were authorised for issue by the Chief Executive of the Ministry on 30 September 2011.

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

These financial statements have been prepared pursuant to section 35 of the Public Finance Act 1989.

In addition, the Ministry has reported the Crown activities which it administered throughout 2010/2011.

Basis of preparation

Statement of compliance

The 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 practice (NZ GAAP) and Treasury instructions.

These financial statements have been prepared in accordance with, and comply with, NZ IFRS and other applicable financial reporting standards as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain fixed 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). The functional currency of the Ministry is the New Zealand dollar.

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

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

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended 30 June 2014. The Ministry has not yet assessed the effect of the new standard and expects it will not be early adopted.
- FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments). These were issued in May 2011 with the purpose of harmonising Australia and New Zealand's accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The amendments must first be adopted for the year ended 30 June 2012. The Ministry has not yet assessed the effects of FRS-44 and the Harmonisation Amendments.

As the External Reporting Board is to decide on a new accounting standards framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS with a mandatory effective date for annual reporting periods commencing on or after 1 January 2012 will not be applicable to public benefit entities. This means that the financial reporting requirements for public benefit entities are expected to be effectively frozen in the short term. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Capital charge

The capital charge is recognised as an expense in the period to which it relates.

Budget figures

The budget figures are those included in the Information Supporting the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2011, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the Supplementary Estimates. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

Revenue

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

Leases

Operating leases

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

Financial instruments

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand and funds on deposit with banks and are measured at their face value.

Debtors, prepayments and other receivables

Debtors, prepayments and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate, less impairment changes.

Impairment of a receivable is established when there is objective evidence that the Ministry will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. Overdue receivables that are renegotiated are reclassified as current (not past due).

Property, plant and equipment

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

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

All fixed assets costing more than $2,000 are capitalised. Assets of a lower cost are capitalised if they are attractive, to improve the control over them, for example, personal computers. Assets are valued at historical cost or estimated recoverable amount, less accumulated depreciation. Any write-down of an item to its recoverable amount is recognised in the statement of comprehensive income.

Additions

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

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposal

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of comprehensive income. When revalued assets are sold, the amounts included in the property, plant and equipment revaluation reserves in respect of those assets are transferred to general funds.

Revaluation

The Ministry does not revalue its assets, except for the Milford Sound/Piopiotahi Aerodrome (the aerodrome). The aerodrome is stated at optimised depreciated replacement cost as determined by an independent registered valuer. It is revalued at least every 5 years. Additions between revaluations are recorded at cost.

The result of revaluing the aerodrome is credited or debited to an asset revaluation reserve for that class of asset. Where a revaluation results in a debit balance in the revaluation reserve, the debit balance will be expensed in the statement of comprehensive income.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised 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.

Depreciation

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

Furniture and fittings	10 years	10% per annum
Leasehold improvements	10 years	10% per annum
Milford Sound/ Piopiotahi Aerodrome	3-100 years	1-33.3% per annum
Plant and equipment	3-10 years	10-33.3% per annum

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

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

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

Intangible assets

Software acquisition and development

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

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

Staff training cost is recognised as an expense when incurred.

Amortisation

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

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Other software	3-5 years	20-33.3% per annum
Crash analysis system	2 years	50% per annum

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

Impairment of non-financial assets

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

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

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

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of comprehensive income.

For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of comprehensive income.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the statement of comprehensive income, a reversal of the impairment loss is also recognised in that statement.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the statement of comprehensive income.

Creditors and other payables

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

Employee entitlements

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

Current liability for employee entitlements

Employee entitlements that the Ministry expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

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

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

Long-term employee entitlements

Entitlements that are payable beyond 12 months, such as long service leave and retirement leave, have been calculated on an actuarial basis, using a model for use by government entities that was developed by the Treasury during 2008/09 in consultation with a firm of actuaries.

The calculations are based on:

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

The discount rates used are detailed below and are in line with Treasury guidance.

	2011/12	2012/13	Outyears
Discount rate %	2.84	3.81	6.00
Salary inflation factor %	1.50	3.50	3.50

Defined contribution superannuation schemes

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

Taxpayers' funds

Taxpayers' funds are the Crown's investment in the Ministry and are measured as the difference between total assets and total liabilities. Taxpayers' funds are disaggregated and classified as general funds and asset revaluation reserves.

The Revaluation reserve - aerodrome relates to the revaluation of the aerodrome to fair value.

Provisions

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

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

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

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, then it is recognised as part of the related asset or expense.

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

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

Commitments and contingencies are disclosed exclusive of GST.

Income tax

Government departments are exempt from income tax as public authorities. Accordingly, no charge for income tax has been provided.

Statement of cash flows

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

Operating activities include cash received from all income sources of the Ministry and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the payment to the Crown of the operating surplus achieved by the Ministry and any capital withdrawals or investments by the Crown.

Commitments

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

Contingent liabilities and contingent assets

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

Statement of cost accounting policies

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

Types of Cost

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

Method of assigning direct costs to outputs

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

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

Method of assigning indirect costs to outputs

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

Critical accounting estimates and assumptions

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

Retirement and long service leave

Note 15 provides an analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities.

Useful lives of property, plant and equipment and intangible assets

Useful lives of assets are determined by the Ministry based on its best assessment of the asset's use.

Critical judgements in applying the Ministry's accounting policies

Management has exercised the following critical judgements in applying the Ministry's accounting policies for the year ended 30 June 2011.

Operating lease

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

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

Changes in accounting policies

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

The Ministry has early adopted NZ IAS 24 Related Party Disclosures (Revised 2009). The effect of early adopting the revised NZ IAS 24 is:

- more information is required to be disclosed about transactions between the Ministry and entities controlled, jointly controlled, or significantly influenced by the Crown
- commitments with related parties require disclosure
- information is required to be disclosed about any related party transactions with Ministers of the Crown with portfolio responsibility for the Ministry. An exemption is provided from reporting transactions with other Ministers of the Crown

NOTE 2: REVENUE CROWN

Actual 2009/10 $000		Actual 2010/11 $000
27,199	Policy advice	29,424
2,315	Sector leadership and support	-
615	Land transport revenue forecasting and strategy	565
-	Governance and performance advice and support	1,742
-	Search and rescue activity coordination PLA	1,134
30,129	**Total revenue Crown**	**32,865**

NOTE 3: REVENUE FROM FEES

Actual 2009/10 $000		Actual 2010/11 $000
17,344	Road user charges collection, investigation and enforcement	17,344
1,000	Land transport revenue forecasting and strategy	1,000
429	Refund of fuel excise duty	429
18,773	**Total revenue from fees**	**18,773**

NOTE 4: OTHER REVENUE

Actual 2009/10 $000		Actual 2010/11 $000
625	From other departments	392
89	From Crown entities	194
96	Other recoveries	248
810	**Total other revenue**	**834**

NOTE 5: CONTRACTUAL PAYMENTS TO CROWN ENTITIES

Actual 2009/10 $000		Actual 2010/11 $000
	NZ Transport Agency:	
17,344	For road user charges collection, investigation and enforcement activity	17,344
813	For rules programme activity	800
429	For refund of fuel excise duty activity	429
1,541	Civil Aviation Authority for rules programme activity and other costs	1,665
710	Maritime New Zealand for rules programme activity and other costs	930
20,837	**Total contractual payments to Crown entities**	**21,168**

NOTE 6: PERSONNEL EXPENSES

Actual 2009/10 $000		Actual 2010/11 $000
16,423	Salary and wages	16,956
489	Employer contributions to defined contribution schemes	596
207	Annual leave	37
11	Long service leave	17
(12)	Retirement leave	219
31	Sick leave	-
259	Other personnel costs	386
17,408	**Total personnel expenses**	**18,211**

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

NOTE 7: OTHER OPERATING EXPENSES

Actual 2009/10 $000		Actual 2010/11 $000
4,947	Professional and specialist services	6,791
2,014	Other operating expenses	1,953
1,565	Operating lease payments	1,544
1,581	Computer bureau and software licence fees	1,548
244	Advertising and publicity	92
71	Audit fees for the financial statement audit	74
10,422	**Total other operating expenses**	**12,002**

NOTE 8: CAPITAL CHARGE

The Ministry pays a capital charge to the Crown on its taxpayers' funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2011 was 7.5 percent (2010: 7.5 percent).

NOTE 9: TAXPAYERS' FUNDS

Actual 2009/10 $000		Actual 2010/11 $000
	General funds	
2,381	Balance at 1 July	2,355
-	Net surplus/(deficit)	-
(26)	Capital withdrawal	-
2,355	Balance at 30 June	2,355
	Revaluation reserve-aerodrome	
603	Balance at 1 July	761
158	Revaluation gains	-
761	Balance at 30 June	761
3,116	**Total taxpayers' funds**	**3,116**

An amount of $26,000 was repaid to the Crown in 2009/10 as the Ministry's contribution towards the funding of the Identity Verification Services.

NOTE 10: DEBTORS, PREPAYMENTS AND OTHER RECEIVABLES

Actual 2009/10 $000		Actual 2010/11 $000
3,206	Due from the Crown	2,103
-	Prepayments	29
248	Other receivables	157
3,454	**Total debtors, prepayments and other receivables**	**2,289**

The Ministry is owed money by the Crown, as Crown revenue is only drawn down as required.

The carrying value of debtors, prepayments and other receivables approximates their fair value. No debtor is past due, and the Ministry has assessed that no provision for impairment is required.

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements $000	Plant and equipment $000	Milford Sound/ Piopiotahi Aerodrome $000	Furniture and fittings $000	Total $000
Cost or valuation					
Balance at 1 July 2009	2,170	1,670	1,032	839	5,711
Additions	-	191	190	4	385
Net increase in revaluation	-	-	123	-	123
Disposals	-	(317)	-	-	(317)
Balance at 30 June 2010	**2,170**	**1,544**	**1,345**	**843**	**5,902**
Balance at 1 July 2010	2,170	1,544	1,345	843	5,902
Additions	-	353	-	-	353
Balance at 30 June 2011	**2,170**	**1,897**	**1,345**	**843**	**6,255**
Accumulated depreciation					
Balance at 1 July 2009	682	1,324	29	327	2,362
Depreciation expense	217	193	13	82	505
Reverse accumulated depreciation on revaluation	-	-	(35)	-	(35)
Disposals	-	(317)	-	-	(317)
Balance at 30 June 2010	**899**	**1,200**	**7**	**409**	**2,515**
Balance at 1 July 2010	899	1,200	7	409	2,515
Depreciation expense	217	177	29	81	504
Balance at 30 June 2011	**1,116**	**1,377**	**36**	**490**	**3,019**
Carrying amounts					
At 1 July 2009	1,488	346	1,003	512	3,349
At 30 June and 1 July 2010	1,271	344	1,338	434	3,387
At 30 June 2011	**1,054**	**520**	**1,309**	**353**	**3,236**

Milford Sound/Piopiotahi Aerodrome was valued at 31 March 2010 by an independent valuer, G.Hughson (BE,MIPENZ), of Maunsell Ltd.

The total fair value of the aerodrome at that date was $1.3 million resulting in a gain on revaluation of $0.158 million. The net increase in revaluation was $0.123 million after setting off the reversal of accumulated depreciation on the date of valuation of $0.035 million.

NOTE 12: INTANGIBLE ASSETS

	Crash analysis system $000	Other software $000	Total $000
Cost			
Balance at 1 July 2009	408	1,132	1,540
Additions	-	133	133
Balance at 30 June 2010	**408**	**1,265**	**1,673**
Balance at 1 July 2010	408	1,265	1,673
Additions	-	347	347
Disposals	-	(136)	(136)
Balance at 30 June 2011	**408**	**1,476**	**1,884**
Accumulated depreciation			
Balance at 1 July 2009	408	428	836
Amortisation expense	-	297	297
Balance at 30 June 2010	**408**	**725**	**1,133**
Balance at 1 July 2010	408	725	1,133
Amortisation expense	-	332	332
Disposals	-	(136)	(136)
Balance at 30 June 2011	**408**	**921**	**1,329**
Carrying amounts			
At 1 July 2009	-	704	704
At 30 June and 1 July 2010	-	540	540
At 30 June 2011	**-**	**555**	**555**

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

NOTE 13: FINANCE COST

Actual 2009/10 $000		Actual 2010/11 $000
20	Discount unwind on provisions (note 16)	21
20	**Total finance cost**	**21**

NOTE 14: CREDITORS AND OTHER PAYABLES

Actual 2009/10 $000		Actual 2010/11 $000
3,230	Accrued expenses	2,036
741	Trade creditors	1,352
371	GST payable	296
4,342	**Total creditors and other payables**	**3,684**

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

NOTE 15: EMPLOYEE ENTITLEMENTS

Actual 2009/10 $000		Actual 2010/11 $000
	Current liabilities	
987	Annual leave	1,024
112	Long service leave	115
26	Retirement leave	11
31	Sick leave	31
1,156	**Total of current portion**	**1,181**
	Non-current liabilities	
134	Long service leave	148
304	Retirement leave	537
438	**Total of non-current portion**	**685**
1,594	**Total provision for employee entitlements**	**1,866**

The present values of the long service and retirement leave obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability are the discount rate and the salary inflation factor. Any changes in this assumption will impact on the carrying amount of the liability. The discount rate and inflation factors used are detailed in the accounting policies.

If the discount rate were to differ by one percent from the Ministry's estimates, with all other factors held constant, the estimated carrying amount of the liability would be $57,000 higher/lower.

If the inflation factor were to differ by one percent from the Ministry's estimates, with all other factors held constant, the estimated carrying amount of the liability would be $71,000 higher/lower.

NOTE 16: PROVISION FOR LEASE MAKE-GOOD

Actual 2009/10 $000		Actual 2010/11 $000
552	Balance at 1 July	572
20	Discount unwind (note 13)	21
572	**Balance at 30 June**	**593**

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

NOTE 17: RECONCILIATION OF THE NET SURPLUS IN THE STATEMENT OF COMPREHENSIVE INCOME WITH NET CASH FLOWS FROM OPERATING ACTIVITIES IN THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

Actual 2009/10 $000		Actual 2010/11 $000
-	Net surplus	-
	Add non-cash items	
505	Depreciation of property, plant and equipment	504
297	Amortisation of intangible assets	332
802	**Total of non-cash items**	**836**
	Add/(deduct) movements in working capital items	
-	(Increase)/decrease in prepayments	(29)
(625)	(Increase)/decrease in debtors and other receivables	1,194
2,093	Increase/(decrease) in payables and provisions	(637)
171	Increase/(decrease) in employee entitlements	272
1,639	**Net movements in working capital items**	**800**
2,441	**Net cash flows from operating activities**	**1,636**

NOTE 18: FINANCIAL INSTRUMENTS

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

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Ministry, causing the Ministry to incur a loss.

In the normal course of its business, credit risk arises from debtors, deposits with banks, and derivative financial instrument assets.

The Ministry is only permitted to deposit funds with Westpac, a registered bank, and enter into foreign exchange forward contracts with the New Zealand Debt Management Office. These entities have high credit ratings. For its other financial instruments, the Ministry does not have significant concentrations of credit risk.

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

Liquidity risk

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

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

The table below analyses the Ministry's financial liabilities that will be settled based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows, based on the liabilities in note 14.

Actual 2009/10 $000		Actual 2010/11 $000
4,342	Less than 6 months	3,684
-	Greater than 6 months	-

Market risk

Interest rate risk

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

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

Currency risk

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

NOTE 19: CATEGORIES OF FINANCIAL INSTRUMENTS

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

Actual 2009/10 $000		Actual 2010/11 $000
	Loans and receivables	
2,155	Cash and cash equivalents	3,117
3,454	Debtors, prepayments and other receivables (note 10)	2,289
	Financial liabilities measured at amortised cost	
4,342	Creditors and other payables (note 14)	3,684

NOTE 20: RELATED PARTY INFORMATION

All related party transactions have been entered into on an arms-length basis. The Ministry is a wholly-owned entity of the Crown.

Significant transactions with government-related entities

The Ministry has been provided with funding from the Crown of $32.9 million (2010: $30.1 million) and from fees of $18.8 million (2010: $18.8 million) for specific purposes as set out in the scopes of the relevant government appropriations.

Revenue was also received from other entities controlled by the Crown as described in note 4. This was to reimburse the Ministry for costs.

In conducting its activities, the Ministry is required to pay various taxes and levies (such as GST, PAYE, and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The Ministry is exempt from paying income tax.

The Ministry also purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2011 totalled $0.5 million (2010: $0.3 million). These purchases included the purchase of electricity from Genesis Energy $0.05 million (2010: $0.04 million), air travel from Air New Zealand $0.4 million (2010: $0.3 million) and postal services from New Zealand Post $0.01 million (2010: $ nil).

The Ministry also purchases transport outputs from other transport entities controlled by the Crown. These transactions are detailed in note 5 of these financial statements.

Transactions with key management personnel

During 2010/11, the Ministry did not enter into any transactions with key management personnel or their close families.

During early 2009/10, the Ministry did employ a close family member of a key management member. The terms and conditions of those arrangements were no more favourable than the Ministry would have adopted if there were no relationship to key management personnel. The key management member concerned left the Ministry during 2009/10.

Key management personnel compensation

Actual 2009/10 $000		Actual 2010/11 $000
1,420	Salaries and other short-term employee benefits	1,474
-	Other long-long term benefits	-
-	Termination benefits	-
1,420	**Total key management personnel compensation**	**1,474**

At 30 June 2011, key management personnel include the Chief Executive and the five members (2010: five members) of the senior management team

Key management personnel compensation excludes the remuneration and other benefits the Minister and the Associate Minister of Transport receive. The Minister and Associate's remuneration and other benefits are not received only for their roles as members of key management personnel of the Ministry. Their remuneration and other benefits are set by the Remuneration Authority under the Civil List Act 1979 and are paid under Permanent Legislative Authority, and not paid by the Ministry of Transport.

The increase in the cost is mainly due to staff movements during the year.

NOTE 21: CAPITAL MANAGEMENT

The Ministry's capital is its equity (or taxpayers' funds), which comprise general funds and revaluation reserves. Equity is represented by net assets.

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

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

NOTE 22: MAJOR CHANGES TO THE DEPARTMENTAL OUTPUT BUDGETS

Changes were made to the Ministry's departmental output budgets for the year 2010/11 by way of the Supplementary Estimates. The net changes appear in the following table.

	Main Estimates $000	Supplementary Estimates $000	Cumulative Vote $000
Appropriations for departmental output expenses			
Policy advice	29,782	302	30,084
Road user charges collection, investigation and enforcement	17,344	974	18,318
Governance and performance advice and support	2,000	(250)	1,750
Land transport revenue forecasting and strategy	1,000	950	1,950
Refund of fuel excise duty	429	-	429
Airport operation and administration	200	70	270
Search and rescue activity coordination PLA	-	1,136	1,136
Total departmental appropriations	**50,755**	**3,182**	**53,937**

Explanations for the major changes were outlined in the 2010/11 Supplementary Estimates (page 870 onwards).

The total departmental appropriations increased for a number of reasons, the most significant being:

- a carry forward of $0.88 million from 2009/10 — revenue Crown
- funding of $0.97 million for system improvements to the road user charges system — revenue from fees
- funding of $0.88 million for search and rescue activities — revenue from fees
- other revenue of $0.37 million from cost recoveries — other revenue

The Search and Rescue appropriation was established during the year to fund the activities of the Search and Rescue Secretariat which is housed within the Ministry. This activity was previously part of Policy advice but a new appropriation was created due to a new funding regime and some additional funding was allocated to the department to reflect where work was being managed.

The increase to road user charges collection, investigation and enforcement reflects the second bullet noted above.

The other changes mainly reflect adjustments to reflect the costs of work being done.

NOTE 23: EXPLANATION OF MAJOR VARIANCES BETWEEN ACTUAL AND BUDGET FIGURES

The significant variances between the actual results and the figures included in the Supplementary Estimates of Appropriations for the year ended 30 June 2011 are:

Statement of comprehensive income

The actual revenue Crown figure was $0.4 million below the Supplementary Estimates figure, because the amount was not required to fund expenditure.

The actual revenue from fees was $0.97 million below the Supplementary Estimates because the system development work, that was the reason for the increase in funding, was postponed to 2011/12.

The actual other revenue figure was $0.08 million below the Supplementary Estimates due to lower airport revenue. The drop in airport revenue is mainly due to the effects of the recession, a fall in tourists visiting the South Island after the earthquake, and the weather conditions.

Other operating expenses increased to reflect the additional revenue available. Actual expenditure was less than this, as some projects were delayed. Requests to carry forward $1.3 million to 2011/12 have been made.

Statement of financial position (and cash flows)

The actual cash and cash equivalents balance was $0.83 million more than the Supplementary Estimates mainly due to the movement in current assets and current liabilities.

The actual debtors, prepayments and other receivables balance was $0.33 million over the Supplementary Estimates mainly because the balance due from the Crown exceeded budget.

NOTE 24: EVENTS AFTER BALANCE SHEET DATE

No event has occurred since the end of the financial period (not otherwise dealt with in the financial statements) that has affected, or may significantly affect, the Ministry's operations or state of affairs for the year ended 30 June 2011.

Non-departmental schedules and statements

INTRODUCTION/OVERVIEW

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

The Ministry administered:

- $1.229 billion of non-departmental revenue and receipts
- $2.977 billion of non-departmental expenditure
- $0.110 billion of non-departmental assets
- $0.278 billion of non-departmental liabilities

on behalf of the Crown for the year ended 30 June 2011.

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

Schedule of non-departmental revenue and receipts

for the year ended 30 June 2011

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

Actual 2009/10 $000		Notes	Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
1,048,680	Indirect taxation	2	1,151,672	1,091,638	1,129,683
88	Other 'sovereign power' revenue	3	1,340	100	100
75,827	Other operational revenue	4	76,074	75,066	76,767
542	Share of net asset increase in joint venture airports	10	278	-	-
1,125,137	**Total non-departmental revenue and receipts**		**1,229,364**	**1,166,804**	**1,206,550**

Schedule of non-departmental expenses

for the year ended 30 June 2011

This schedule summarises non-departmental expenses that the Ministry administers on behalf of the Crown. Further details are provided in the Statement of Non-departmental Expenditure and Capital Expenditure Appropriations.

Actual 2009/10 $000		Notes	Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
1,972,573	Non-departmental output classes	5	1,803,962	1,820,384	1,813,186
693,200	Purchase or development of capital assets	6	760,659	719,181	760,659
348,591	Other expenses to be incurred by the Crown	7	408,078	515,085	458,227
(55,800)	Write back of National Land Transport Fund balance	8	-	-	-
7,666	Bad debts expense		5,858	6,000	6,000
(4,141)	Movement in doubtful debts provision		(1,236)	-	-
2,962,089	**Total non-departmental expenses**		**2,977,321**	**3,060,650**	**3,038,072**

Explanations of significant variances against budget are detailed in note 14.

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

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 2011.

Schedule of non-departmental assets

as at 30 June 2011

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

Actual 2009/10 $000		Notes	Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
	Current assets				
23,853	Cash and bank balances		22,395	8,608	29,854
45,345	Receivables and advances	9	63,316	47,163	37,895
	Non-current assets				
24,450	Investment in joint venture airports	10	24,728	26,295	25,402
93,648	**Total non-departmental assets**		**110,439**	**82,066**	**93,151**

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

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

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

Schedule of non-departmental liabilities

as at 30 June 2010

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

Actual 2009/10 $000		Notes	Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
	Current liabilities				
362,742	Payables	12	277,872	518,150	262,743
362,742	Total non-departmental liabilities		**277,872**	**518,150**	**262,743**

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

Explanations of significant variances against budget are detailed in note 14.

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

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 2011.

Statement of non-departmental expenditure and capital expenditure against appropriations

for the year ended 30 June 2011

This statement details expenditure and capital payments incurred against appropriations. The Ministry administers these appropriations on behalf of the Crown.

Actual 2009/10 $000		Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
	Appropriations for non-departmental output classes			
624	Administration of the public transport concessions for SuperGold cardholders scheme	135	700	135
14,500	Canterbury transport project	14,000	14,000	14,000
2,261	Civil aviation policy advice	2,261	2,261	2,261
2,245	Licensing activities	2,250	2,475	2,475
5,689	Maritime safety regulation and monitoring	5,689	5,689	5,689
145	Maritime security	145	145	145
39,536	Motor vehicle registry	41,406	35,991	42,311
40,683	National Land Transport Programme - demand management and community programmes PLA **	33,001	40,444	41,444
215,000	National Land Transport Programme - maintenance and operation of local roads PLA **	274,768	235,000	235,000
320,894	National Land Transport Programme - maintenance and operation of State highways PLA **	328,380	308,000	310,000
35,740	National Land Transport Programme - management of the funding allocation system PLA **	30,709	34,136	30,759
175,000	National Land Transport Programme - new and improved infrastructure for local roads PLA **	163,142	154,000	154,000
135,000	National Land Transport Programme - public transport infrastructure PLA **	43,130	57,000	41,000
200,000	National Land Transport Programme - public transport services PLA **	194,630	210,000	217,600
2,000	National Land Transport Programme - rail and coastal freight PLA **	-	1,000	500
218,000	National Land Transport Programme - renewal of local roads PLA **	205,500	237,000	237,000
6,000	National Land Transport Programme - sector training and research PLA **	3,400	6,000	6,000
380,000	National Land Transport Programme - State highway renewals PLA **	384,000	384,000	384,000
30,000	National Land Transport Programme - transport planning PLA **	23,250	33,000	34,000
20,000	National Land Transport Programme - walking and cycling facilities PLA **	12,300	15,000	13,000
9,000	Regional development transport funding	11,000	10,000	11,000
548	Regulatory implementation and enforcement	548	548	548
3,938	Reporting on accident or incident investigations	3,938	3,938	3,938
-	Search and rescue and recreational boating safety activities PLA	4,533	5,409	4,533
7,197	Search and rescue activities	3,274	3,274	3,274
-	Waikato rail funding	-	2,800	-
18,573	Weather forecasts and warnings	18,573	18,574	18,574
90,000	New Zealand Railways Corporation operating support	-	-	-
1,972,573	**Sub-total**	**1,803,962**	**1,820,384**	**1,813,186**

Explanations of significant variances against budget are detailed in note 14.

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

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 2011.

Actual 2009/10 $000		Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
	Appropriations for other expenses to be incurred by the Crown			
178,580	Auckland rail development MYA	171,578	217,758	183,155
19,627	Enhanced public transport concessions for SuperGold cardholders	20,735	17,300	21,865
743	International memberships	743	743	743
-	Metro rail network costs	21,139	7,046	21,139
38,376	Metro rail rolling stock and infrastructure (Wellington)	102,182	177,000	139,624
7,666	Motor vehicle registration/licences and road user charges bad debt provision	5,858	6,000	6,000
3,270	New Zealand Railways Corporation - public policy projects	3,270	3,270	3,270
30,923	Rail network and rolling stock upgrade MYA	70,761	65,726	70,761
500	Railway safety	500	500	500
76,572	Wellington rail development MYA	17,170	25,742	17,170
356,257	**Sub-total**	**413,936**	**521,085**	**464,227**
	Appropriations for capital contributions to other organisations			
2,981	Aviation Security Service	2,410	283	4,356
-	Civil Aviation Authority loan	4,340	-	4,340
422	Joint venture airports - Crown contribution MYA	430	50	531
-	KiwiRail Turnaround Plan funding	250,000	230,000	250,000
750	Maritime New Zealand capital expenditure PLA	167	-	167
380,000	New Zealand Railways Corporation loans	55,000	67,000	68,231
-	NLTF Borrowing facility for short-term advances	110,000	-	250,000
635	Transport Accident Investigation Commission	-	-	-
384,788	**Sub-total**	**422,347**	**297,333**	**577,625**
	Appropriations for purchase or development of capital assets from the Crown			
78,700	Accelerated State highway construction	33,700	33,700	33,700
1,302	New and improved infrastructure for State highways - Crown contribution	9,861	5,065	9,861
613,198	New infrastructure for and renewal of State highways PLA **	717,098	680,416	717,098
693,200	**Sub-total**	**760,659**	**719,181**	**760,659**
3,406,818	**Total non-departmental expenditure and appropriations**	**3,400,904**	**3,357,983**	**3,615,697**

** 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 that is hypothecated to the NLTF and the appropriation sizes in the Estimates are indicative only. Individual appropriations may draw down more revenue than appropriated as long as the total drawn by all of these PLAs is within the revenue available.

Explanations of significant variances against budget are detailed in note 14.

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

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 2011.

Details of multi-year appropriations

	Auckland Rail Development $000	Joint Venture Airports - Crown Contribution $000	Rail Network and Rolling Stock Upgrade $000	Wellington Rail Development $000
Commences	1 July 2009	1 July 2008	1 July 2009	1 July 2009
Expires	30 June 2013	30 June 2011	30 June 2012	30 June 2011
Appropriation	683,597	1,773	111,831	93,742
Expenditure in prior years	178,580	1,242	30,923	76,572
Expenditure in current year	171,578	430	70,761	17,170
Total expenditure to 30 June 2011	**350,158**	**1,672**	**101,684**	**93,742**
Balance of appropriation remaining at 30 June 2011	**333,439**	**101**	**10,147**	-

The joint venture airport appropriation above expires on 30 June 2011. The government has agreed to a replacement appropriation from 1 July 2011 and the balance of the appropriation at 30 June 2011 of $101,000 is to be transferred to the new appropriation.

Statement of non-departmental commitments

as at 30 June 2011

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

Actual 2009/10 $000		Actual 2010/11 $000
	Operating commitments	
74,296	Other non-cancellable contracts for the supply of goods and services	74,296
74,296	**Total operating commitments**	**74,296**
	Term classification of commitments	
18,574	Not later than 1 year	18,574
18,574	More than 1 year but less than 2 years	18,574
37,148	Between 2 and 5 years	37,148
74,296	**Total operating commitments**	**74,296**

The liability is a contract with a State-owned enterprise for the supply of outputs. The contract is for indefinite term and can be terminated by mutual agreement between the parties. The fee is renegotiable every 3 years. The commitment is disclosed based on the term of 4 years currently within the approved Estimates of Appropriation.

Explanations of significant variances against budget are detailed in note 14.

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

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 2011.

Statement of non-departmental contingent liabilities

as at 30 June 2011

This statement discloses situations which exist at 30 June 2011, the ultimate outcome of which is uncertain and will be confirmed only on the occurrence of one or more future events after the date of approval of the financial statements.

Actual 2009/10 $000		Actual 2010/11 $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. The guarantee is to be used in the event of a major transport accident (air or rail) where the Commission would have to hire specialist recovery equipment. This is expected to be a near permanent guarantee.

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

Statement of non-departmental unappropriated expenditure

for the year ended 30 June 2011

There was no unappropriated expenditure noted during 2010/11.

One instance of unappropriated expenditure was reported in 2009/10 relating to the appropriation Enhanced public transport concessions for SuperGold cardholders, where the growing demand for concessions meant that expenditure exceeded the funding by $0.327 million. Officials are currently reviewing the scheme and exploring options for the scheme's sustainability going forward.

Explanations of significant variances against budget are detailed in note 14.

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

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 2011.

Notes to non-departmental schedules

for the year ended 30 June 2011

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

Reporting entity

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

The Ministry's responsibility is to manage the revenue, expenditure, assets and liabilities on behalf of the Crown. The non-departmental balances are consolidated into the Crown financial statements. For a full understanding of the Crown's financial position and the results of its operations and cash flows for the year, reference should be made to the consolidated audited Crown financial statements for the year ended 30 June 2011.

The schedules in respect of the activities administered by the Ministry on behalf of the Crown comprise:

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

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

Basis of preparation

The non-departmental schedules and statements have been prepared in accordance with the government's accounting policies as set out in the Financial Statements of the Government, and in accordance with the relevant Treasury instructions and Treasury circulars.

Measurement and recognition rules applied in the preparation of these non-departmental schedules and statements are consistent with New Zealand generally accepted accounting practice as appropriate for a public benefit entity.

The accounting policies set out below have been applied consistently to all years presented in these schedules and statements. The following particular accounting policies have been applied:

Significant accounting policies

Budget figures

The budget figures are consistent with the financial information in the Main Estimates. In addition, these schedules and statements also present the updated budget information from the Supplementary Estimates.

Revenue

Revenues from road user charges, motor vehicle licensing fees and tolling revenue are recognised when payment for the charge or fee is made.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate, less impairment changes.

Impairment of a receivable is established when there is objective evidence that the Crown will not be able to collect amounts due according to the original terms of the receivable. Indicators that the debtor is impaired include the significant financial difficulties of the debtor, the probability that the debtor will enter into bankruptcy, and any default in payments. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the schedule of non-departmental expenses. When a debtor is not collectible, it is written off against the allowance account for debtors. Overdue receivables that are renegotiated are reclassified as current (not past due).

Investments in joint venture airports

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

Creditors and other payables

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

Financial instruments

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

Goods and services tax (GST)

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

Commitments

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

Contingent liabilities

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

Changes in accounting policies

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

NOTE 2: INDIRECT TAXATION

Actual 2009/10 $000		Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
171,295	Motor vehicle registration fees	171,529	174,548	168,987
909,900	Road user charges	1,015,779	955,402	995,446
1,081,195	**Sub-total**	**1,187,308**	**1,129,950**	**1,164,433**
(32,515)	Fuel excise duty refunds	(35,636)	(38,312)	(34,750)
1,048,680	**Total indirect taxation**	**1,151,672**	**1,091,638**	**1,129,683**

NOTE 3: OTHER 'SOVEREIGN POWER' REVENUE

Actual 2009/10 $000		Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
88	Infringement fees	1,340	100	100
88	**Total other 'sovereign power' revenue**	**1,340**	**100**	**100**

During 2010/11, the Crown began to receive revenue from infringement penalties ($1.2 million) from the Northern Gateway toll road. This revenue was not budgeted due to the uncertainty about its level.

NOTE 4: OTHER OPERATIONAL REVENUE

Actual 2009/10 $000		Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
6,057	Tolling fees from the Northern Gateway toll road (note 11)	6,150	4,000	5,803
44,734	Motor vehicle registration administration fees	46,751	45,838	45,327
13,772	Road user charges administration fees	14,176	14,728	15,137
11,264	Motor vehicle registration recoveries	8,997	10,500	10,500
75,827	**Total other operational revenue**	**76,074**	**75,066**	**76,767**

NOTE 5: NON-DEPARTMENTAL OUTPUT CLASSES

Actual 2009/10 $000		Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
1,972,573	This expense item is equal to the appropriations for non-departmental output classes listed in the statement of non-departmental expenditure and appropriations	1,803,962	1,820,384	1,813,186
1,972,573	**Total non-departmental output classes**	**1,803,962**	**1,820,384**	**1,813,186**

NOTE 6: PURCHASE OR DEVELOPMENT OF CAPITAL ASSETS

Actual 2009/10 $000		Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
693,200	This expenditure is for the construction of, and improvement to the State highway network including pavement rehabilitation and seal widening	760,659	719,181	760,659
693,200	**Total purchase or development of capital assets**	**760,659**	**719,181**	**760,659**

NOTE 7: OTHER EXPENSES TO BE INCURRED BY THE CROWN

Actual 2009/10 $000		Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
178,580	Auckland rail development MYA	171,578	217,758	183,155
19,627	Enhanced public transport concessions for SuperGold cardholders	20,735	17,300	21,865
743	International memberships	743	743	743
-	Metro rail networks costs	21,139	7,046	21,139
38,376	Metro rail rolling stock and infrastructure (Wellington)	102,182	177,000	139,624
3,270	New Zealand Railways Corporation public policy projects	3,270	3,270	3,270
30,923	Rail network and rolling stock upgrade MYA	70,761	65,726	70,761
500	Railway safety	500	500	500
76,572	Wellington rail development MYA	17,170	25,742	17,170
348,591	**Total other expenses to be incurred by the Crown**	**408,078**	**515,085**	**458,227**

NOTE 8: WRITE BACK OF NATIONAL LAND TRANSPORT FUND BALANCE

At the end of each year, the Crown usually holds a balance due to the National Land Transport Fund (the NLTF). In the years to 30 June 2008, the balance was reflected in the Crown financial statements as owed to the NLTF and the movement in the balance was reflected in the schedule of non-departmental expenses. This was a requirement of the previous Land Transport Management Act. This Act was amended from 1 August 2008 and the balance was no longer required to be reflected. In the year to 30 June 2009, the Vote Transport Crown financial statements did not update the balance for the movement in the NLTF and so the balance has remained at $55.8 million as at 30 June 2008. A corresponding debtor is held in the books of the NZTA which administers the NLTF. At 30 June 2010, it was agreed that both sides should remove the balance from their books as it is no longer required. Thus the adjustment is fiscally neutral to the Crown once the Crown consolidation has taken place.

NOTE 9: RECEIVABLES AND ADVANCES

Actual 2009/10 $000		Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
40 074	Motor vehicle registration fees	43,685	65,054	40,074
221	Prepayments	12,106	292	221
12,006	Road user charge revenue	12,687	10,364	12,006
1,450	Tolling revenue	1,461	-	-
-	Infringement revenue	548	-	-
53,751	**Sub-total**	**70,487**	**75,710**	**52,301**
(8,406)	Provision for doubtful debts	(7,171)	(28,547)	(14,406)
45,345	**Total receivables and advances**	**63,316**	**47,163**	**37,895**

Except for motor vehicle fees and road user charges the carrying value of receivables and advances approximates their fair value. No debtor is past due, and the Ministry has assessed that no provision for impairment is required at 30 June 2011 (30 June 2010: $nil).

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

NOTE 10: INVESTMENT IN JOINT VENTURE AIRPORTS

Actual 2009/10 $000		Actual 2010/11 $000
12,875	New Plymouth	12,838
3,303	Taupo	3,368
4,964	Wanganui	4,845
427	Westport	770
357	Whakatane	435
2,524	Whangarei	2,472
24,450	**Total investment in joint venture airports**	**24,728**

The value of the investments in the airports is based on the annual financial statements of each airport for the year ending 30 June 2010 (2010: 30 June 2009). The Crown has a 50 percent interest in each airport.

NOTE 11: INVESTMENT IN THE NORTHERN GATEWAY TOLL ROAD

The Alpurt B2 roading project was completed during 2008/09 with a contribution from the Crown of $158 million. The road is now known as the Northern Gateway toll road. The charging of a toll for using the road began in February 2009. The Crown issued infrastructure bonds to fund the project and the toll revenue is intended to cover the costs of the bonds. The bonds are shown within the financial statements of the Treasury and the tolling revenue is recorded as other operational revenue (note 4).

It was agreed that a notional account would be kept of the 'cost' of the project using an estimated interest rate charged on the balance advanced. The interest charge is calculated daily, based on the outstanding balance of money advanced, plus interest, less tolling revenue received. The interest rate used is the average infrastructure bond rate, plus 15 basis points. This is 6.45 percent and this will not change in the future as all of the bonds have been issued. The project was modelled using an estimated rate of 6.4 percent. The two tables below show the project since the start and then for the current year. Further information is available at www.tollroad.govt.nz.

Since Commencement of Project

Actual 2009/10 $000		Actual 2010/11 $000
158,000	Funding provided for construction	158,000
27,089	Interest charged since funding first drawn	38,720
(8,372)	Tolling revenue since February 2009	(14,522)
176,717	**Balance at the year end**	**182,198**

Current Year

Actual 2009/10 $000		Actual 2010/11 $000
171,487	Balance brought forward	176,717
11,287	Interest cost for the year	11,631
(6,057)	Tolling revenue for the year	(6,150)
176,717	**Balance at the year end**	**182,198**

NOTE 12: PAYABLES

Actual 2009/10 $000		Actual 2010/11 $000	Main Estimates 2010/11 $000	Supplementary Estimates 2010/11 $000
296,001	National Land Transport Fund revenue payable to the New Zealand Transport Agency	204,369	478,472	196,001
50	Output funding payable to Maritime New Zealand	-	-	50
20,335	Output funding payable to New Zealand Railways Corporation	27,322	-	20,335
1,741	Output funding payable to Meteorological Service	1,741	1,645	1,741
11,284	GST payable	14,353	10,341	11,285
25,187	Motor vehicle registration third party collections	28,291	26,831	25,187
-	Capital funding payable to Aviation Security Service	410	-	-
7,137	Output funding payable to Greater Wellington Regional Council	-	-	7,137
-	Wanganui Airport	154	-	-
1,007	Road user charges refunds	1,232	861	1,007
362,742	**Total payables**	**277,872**	**518,150**	**262,743**

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

NOTE 13: FINANCIAL INSTRUMENTS

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

Actual 2009/10 $000		Actual 2010/11 $000
	Loans and receivables	
23,853	Cash and cash equivalents	22,395
45,345	Receivables and advances	63,316
69,198	Total loans and receivables	85,711
	Financial liabilities measured at amortised cost	
362,742	Payables	**277,872**

Credit risk

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

Funds must be deposited with Westpac, a registered bank

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

NOTE 14: MAJOR BUDGET CHANGES

Changes were made to the non-departmental budgets in the 2010/11 Supplementary Estimates. Explanations for significant variances only are provided below.

Revenue and receipts

	Main Estimates $000	Supplementary Estimates $000	Cumulative Vote $000
Tax revenue			
Motor vehicle registration	174,548	(5,561)	168,987
Road user charges	955,402	40,044	995,446
Fuel excise duty refunds	(38,312)	3,562	(34,750)
	1,091,638	**38,045**	**1,129,683**
Other operational revenue			
Motor vehicle registration administration fees	45,838	(511)	45,327
Road user charges administration fees	14,728	409	15,137
Tolling fees	4,000	1,803	5,803
	64,566	**1,701**	**66,267**

The National Land Transport Fund Revenue Forecasting Group meets on a 6-monthly basis to reforecast the tax revenue that is expected for the NLTF based on the current economic forecasts. The changes reflect the result of this process. The administration revenue is also forecast as part of this.

Non-departmental expenditure and capital appropriations

	Budget Estimates $000	Supplementary Estimates $000	Cumulative Vote $000
Appropriations for non-departmental output expenses			
Administration of the public transport concessions for SuperGold cardholders scheme	700	(565)	135
Motor vehicle registry	35,991	6,320	42,311
National Land Transport Programme:			
Demand management and community programmes PLA	40,444	1,000	41,444
Maintenance and operation of State highways PLA	308,000	2,000	310,000
Management of the funding allocation system PLA	34,136	(3,377)	30,759
Public transport infrastructure PLA	57,000	(16,000)	41,000
Public transport services PLA	210,000	7,600	217,600
Rail and coastal freight PLA	1,000	(500)	500
Transport planning PLA	33,000	1,000	34,000
Walking and cycling facilities PLA	15,000	(2,000)	13,000
Regional development transport funding	10,000	1,000	11,000
Search and rescue and recreational boating safety activities PLA	5,409	(876)	4,533
Waikato rail funding	2,800	(2,800)	-

	Budget Estimates $000	Supplementary Estimates $000	Cumulative Vote $000
Non-departmental other expenses			
Auckland rail development MYA	217,758	(34,603)	183,155
Enhanced public transport concessions for SuperGold cardholders	17,300	4,565	21,865
Metro rail network costs	7,046	14,093	21,139
Metro rail rolling stock and infrastructure (Wellington)	177,000	(37,376)	139,624
Rail network and rolling stock upgrade MYA	65,726	5,035	70,761
Wellington rail development MYA	25,742	(8,572)	17,170
Capital expenditure			
Aviation Security Service	283	4,073	4,356
Civil Aviation Authority loan	-	4,340	4,340
KiwiRail Turnaround Plan funding	230,000	20,000	250,000
Maritime New Zealand capital expenditure PLA	-	167	167
NLTF Borrowing facility for short-term advances	-	250,000	250,000
New infrastructure for and renewal of State highways PLA	680,416	36,682	717,098
New and improved infrastructure for State highways - Crown contribution	5,065	4,796	9,861
New Zealand Railways Corporation loans	67,000	1,231	68,231
Joint venture airports - Crown contribution MYA	50	481	531

Explanations for the major changes were outlined in the 2010/11 Supplementary Estimates (pages 870 onwards). They were:

Administration of the public transport concessions for SuperGold cardholders scheme and Enhanced public transport concessions for SuperGold cardholders

The decrease in the SuperGold card administration appropriation reflects the decision by Cabinet to reduce this element of the funding and reallocate $0.5 million to the concession appropriation. Cabinet also agreed to provide additional funding of $4 million for the concessions.

Motor vehicle registry

The increase reflects the funding of $2.1 million carried forward from 2009/10 and additional funding of $4.2 million approved during the year to cover ongoing costs.

Auckland rail development MYA, Aviation security service, Joint venture airports – Crown contribution MYA, KiwiRail turnaround plan funding, Metro rail rolling stock and infrastructure (Wellington), New Zealand Railways Corporation loans, Rail network and rolling stock upgrade MYA, Regional development transport funding, Waikato rail funding, Wellington rail development MYA

The increase/decrease reflects the net of funding carried forward from 2009/10 and any funding transferred to 2011/12 so that the funding matches the expenditure profile.

Search and rescue and recreational boating safety activities PLA

The decrease reflects a transfer to the departmental appropriation Search and rescue activity coordination PLA to fund activities managed by the department.

Civil Aviation Authority loan

The increase reflects the decision by Cabinet to approve a loan of $4.3 million.

NLTF borrowing facility for short-term advances

The increase reflects the decision to allow the NZTA to obtain short-term advances to allow it to manage variations between revenue inflows into the NLTF and cash outlays.

New and improved infrastructure for State highways – Crown contribution

The motor vehicle registry and the road user charges systems are funded by administration fees. Once the year is complete, any excess fees are calculated and appropriated to the NLTF using the Crown contribution appropriation. During 2010/11, the surplus fees from 2009/10 were calculated at $9.9 million, which was added to the Crown contribution appropriation. Subsequently $0.9 million was transferred to a departmental appropriation to fund improvements to the road user charges system and $4.2 million was transferred to Non-departmental output class Motor vehicle registry to cover ongoing costs.

National Land Transport Programme output expense PLA appropriations, New infrastructure for and renewal of State highways PLA, Maritime New Zealand capital expenditure PLA

There are five reasons for the changes in these appropriations which relate to how this funding is managed.

- Road tax revenue is forecast every 6 months. The State highway capital appropriation is adjusted as required as revenue increases or decreases.
- The NZTA manages the delivery of the National Land Transport Programme. Changes were made to the related appropriations to match the planned programme of expenditure for the year. Additional funding is sourced from the capital State highway appropriation as required.
- Some expenditure was transferred to 2010/11 to reflect updated expenditure profiles.
- The Maritime New Zealand capital expenditure PLA was created in 2009/10 under section 9(1) of the Land Transport Management Act 2003. Funding was provided by a fiscally neutral transfer from capital appropriation: New infrastructure for and renewal of State highways PLA.

NOTE 15: MAJOR BUDGET TO ACTUAL VARIANCES

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

Schedule of non-departmental revenue and receipts

Actual indirect taxation was $22 million higher than forecast. This is mainly due to greater revenue from road user charges ($20 million) and motor vehicle registration fees ($2 million), as shown in note 2. These revenues are forecast on a 6-monthly basis.

Actual other 'sovereign power' revenue was $1 million higher due to $1 million from tolling infringement fees. This is the first year that this revenue was received, so no budget had been provided due to the uncertainty.

Schedule of non-departmental expenses

Expenditure on non-departmental output classes was $10 million below the Supplementary Estimates. The significant underspends were:

- National Land Transport Programme – public transport services PLA ($23 million)
- National Land Transport Programme – demand management and community programme PLA ($8 million)
- National Land Transport Programme – renewal of local roads PLA ($32 million)
- National Land Transport Programme – sector training and research PLA ($2.6 million)
- National Land Transport Programme – transport planning PLA ($11 million)

netted off by some significant overspends:

- National Land Transport Programme – maintenance and operation of local roads PLA ($39 million)
- National Land Transport Programme – maintenance and operation of State highways PLA ($18 million)
- National Land Transport Programme – new and improved infrastructure for local roads PLA ($9 million)
- National Land Transport Programme – public transport infrastructure PLA ($2 million)

The above variances are due to the NZTA managing the different activities within the National Land Transport Programme and responding to demand and timing differences.

Other expenses were $50 million lower than the Supplementary Estimates. This is the net result of under expenditure on the following appropriations:

- Metro rail rolling stock and infrastructure ($37 million)
- Auckland rail development ($12 million)
- enhanced public transport concessions for SuperGold cardholders ($1 million)

The rail variances relate to the timing of contracts and payments.

Schedule of non-departmental assets

Non-departmental assets were higher than forecast by $17 million. There were a number of reasons for this, but the most significant was the $26 million increase in receivables and advances due to:

- a prepayment to a third party of $12 million that was not forecast
- a lower provision for doubtful debts by $7 million
- the motor vehicle registration fee receivable being $3 million greater than forecast

Schedule of non-departmental liabilities

Payables were $15 million above forecast due to the two major creditors being higher than forecast due to the timing of payment:

- the NZTA by $8 million
- New Zealand Railways Corporation by $7 million

Audit Report

To the readers of the Ministry of Transport's financial statements, statement of service performance and schedules of non-departmental activities for the year ended 30 June 2011

The Auditor-General is the auditor of the Ministry of Transport (the Ministry). The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements, statement of service performance and the schedules of non-departmental activities of the Ministry on her behalf.

We have audited:

- the financial statements of the Ministry on pages 38 to 57, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2011, the statement of comprehensive income, statement of movement in taxpayers' funds, statement of departmental expenses and capital expenditure against appropriations, statement of departmental unappropriated expenditure and capital expenditure 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 statement of service performance of the Ministry on pages 15 to 36; and
- the schedules of non-departmental activities of the Ministry on pages 58 to 73 that comprise the schedule of assets, schedule of liabilities, schedule of commitments and schedule of contingent liabilities and contingent assets as at 30 June 2011, the schedule of expenses, schedule of expenditure and capital expenditure against appropriations, schedule of unappropriated expenditure, schedule of revenue and receipts, for the year ended on that date and the notes to the schedules that include accounting policies and other explanatory information.

OPINION

In our opinion:

- the financial statements of the Ministry on pages 38 to 57:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect the Ministry's:
    - financial position as at 30 June 2011; and
    - financial performance and cash flows for the year ended on that date;
    - expenses and capital expenditure incurred against each appropriation administered by the Ministry and each class of outputs included in each output expense appropriation for the year ended 30 June 2011; and
    - unappropriated expenses and capital expenditure for the year ended 30 June 2011
- the statement of service performance of the Ministry on pages 15 to 36:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects for each class of outputs for the year ended 30 June 2011 the Ministry's:
    - service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and
    - actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year
- the schedules of non-departmental activities of the Ministry on pages 58 to 73, fairly reflect:
  - the assets, liabilities, contingencies, commitments and trust monies as at 30 June 2011 managed by the Ministry on behalf of the Crown; and
  - the revenues, expenses, expenditure and capital expenditure against appropriations and unappropriated expenditure and capital expenditure for the year ended on that date managed by the Ministry on behalf of the Crown.

Our audit was completed on 30 September 2011. This is the date at which our opinion is expressed.

The basis of our opinion is explained on page 75. In addition, we outline the responsibilities of the Chief Executive and our responsibilities, and we explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements, the statement of service performance and the schedules of non-departmental activities are free from material misstatement.

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements, the statement of service performance and the schedules of non-departmental activities. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, the statement of service performance and the schedules of non-departmental activities, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Ministry's preparation of the financial statements, the statement of service performance and the schedules of non-departmental activities that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Chief Executive;
- the adequacy of all disclosures in the financial statements, the statement of service performance and the schedules of non-departmental activities; and
- the overall presentation of the financial statements, the statement of service performance and the schedules of non-departmental activities.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, the statement of service performance and the schedules of nondepartmental activities. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE CHIEF EXECUTIVE

The Chief Executive is responsible for preparing:

- financial statements and a statement of service performance that:
    - comply with generally accepted accounting practice in New Zealand;
    - fairly reflect the Ministry's financial position, financial performance, cash flows, expenses and capital expenditure incurred against each appropriation and its unappropriated expenses and capital expenditure; and
    - fairly reflects its service performance; and
- schedules of non-departmental activities, in accordance with the Treasury Instructions 2010 that fairly reflect those activities managed by the Ministry on behalf of the Crown.

The Chief Executive is also responsible for such internal control as is determined is necessary to enable the preparation of financial statements, a statement of service performance and schedules of non-departmental activities that are free from material misstatement, whether due to fraud or error.

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

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements, the statement of service performance and the schedules of non-departmental activities and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

INDEPENDENCE

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

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

John O'Connell

John O'Connell

Audit New Zealand
On behalf of the AuditorGeneral
Wellington, New Zealand

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