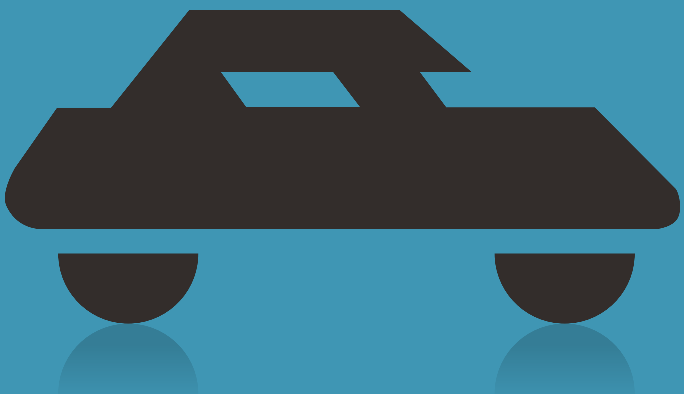
Ministry of Transport
TE MANATŪ WAKA

Annual Report 2012/13

Report of the Ministry of Transport for the year ended 30 June 2013

Presented to the House of Representatives pursuant to Section 44 (1) of the Public Finance Act 1989. ISSN 1177-1550



GOVERNMENT INVESTMENT IN TRANSPORT IS DELIVERING RESULTS

30% increase in volume of export freight moved since 2007/08

18% reduction in A.M. peak congestion time in Auckland since 2007

30% increase in public transport boardings in Auckland region since 2007/08

$1.2 BILLION reduction in annual social cost of crashes since 2007

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We are rigorous
We are savvy
Ensuring quality, innovation & value
We see possibilities; we make things happen
We are courageous
Shaping transport for the long term
We are collaborative
We are aspirational
Working with others to deliver results
We are influential
MoT

Message from the Chief Executive

MINISTRY OF TRANSPORT'S PURPOSE:

Ensuring our transport system helps New Zealand thrive.

This has been an interesting and productive year for the Ministry. We have defined our purpose more clearly and worked hard to translate this not only into immediate actions but also into a new focus on the future. Our greatest imaginable challenge is to create the environment to double the value from transport initiatives, and we are now concentrating our energies on ensuring that our work will make a difference to the whole transport system.

This challenge reflects the high level of aspiration we have set ourselves as a Ministry which, notwithstanding the good work we already do, will drive us to further lift our performance and capability over the next two years. A review of the Ministry using the Performance Improvement Framework (PIF Review) confirmed this aspiration and the importance for us to focus on further lifting our performance and capability if we are to fulfill our purpose.

The focus we now have on the whole system is reflected in some of the new work that we have started this year. We have worked to establish a better picture of how freight moves around New Zealand. We have started to develop a strategy for improving New Zealand's vehicle fleet, and we commenced a project to 'map' the entire transport system.

The Ministry plays a critical role in the transport system, and the transport system is vital to New Zealand's success, economically and socially. Transport is inextricably linked to the government's priority for economic growth and productivity, and its Business Growth Agenda. We have continued to deliver the Minister of Transport's priorities by focusing on:

- investment in infrastructure
- better quality regulation
- a safe and responsible transport system
- opening markets
- improving the performance of transport sector agencies.

In the last year, we have delivered regulatory reform that progresses the government's policy of better regulation. For example, Cabinet approved our recommendations to introduce changes to the warrant of fitness, certificate of fitness, annual vehicle licensing and transport services licensing systems that will save New Zealanders $1.8 billion over the next 30 years. Our Agricultural Vehicle Reforms will benefit the agriculture sector by creating a two-tier approach to warrants of fitness, and simplifying the rules around the use of agricultural vehicles. These reforms save the sector $51 million over the next 25 years and promote a safe, commonsense approach to regulation for the agriculture sector.

We have also been working to deliver safer journeys for New Zealanders. Our first Safer Journeys Action Plan was successfully completed, and the Ministry has led initiatives with other government agencies to affect better outcomes on our roads. Too many people are still dying or being injured on our roads. However, the road toll has decreased from 384 road deaths in 2009, to 308 in 2012. To continue this downward trend, a new Safer Journeys Action Plan has been developed for 2013-15 and this focuses on safer roads, safer speeds, safer vehicles and safer road use.

This year has seen our most active round of air negotiations ever. New or amended open skies agreements have been agreed with Paraguay, Uruguay, Kuwait, Iceland, Brazil, United Arab Emirates, Indonesia, Papua New Guinea and French Polynesia. Opening aviation markets is critical for tourism and trade links, and these new agreements support our goal to help New Zealand thrive.

The year ahead will be challenging as we stretch ourselves towards our greatest imaginable challenge. We are engaging in many policy projects that will lead towards better infrastructure development and higher quality regulation. We will continue to undertake this work with the flexible, capable approach that we have adopted over the past few years.

Martin Matthews

Martin Matthews
Chief Executive

Performance highlights 2012/13

During the year, the Ministry delivered over 95% of its Output Plan as agreed with the Minister of Transport (the Minister). In addition to work agreed at the beginning of the year, the Ministry responded to events as they arose (for example, the National War Memorial Park) and took on a range of assignments not originally programmed.

This section sets out our key achievements for 2012/13, under the Minister's priorities for transport:

- investment in infrastructure
- better quality regulation
- safer transport system
- opening markets
- improved transport agency performance.

INVESTMENT IN INFRASTRUCTURE

Clifford Bay Ferry Terminal

The Ministry started work on assessing the commercial viability of this project. If built, the improved connection between the North and South Islands would reduce journey times from Wellington to Christchurch by 80 minutes by car, or 110 minutes by rail. This reduced journey time would increase the efficiency of our national transport network and therefore enhance economic growth.

The Minister will be provided with a report on the viability of this project in late 2013.

Auckland

The Ministry led and coordinated feedback with the Treasury and the NZ Transport Agency on Auckland Transport's City Centre Future Access Study and led analysis and advice to Ministers on the outcomes of the study. The Ministry also provided supporting analysis and advice for the government's Auckland transport package. This package sets out the government's decisions on next steps for major transport projects, including plans to bring forward construction start dates for key State highway projects.

National War Memorial Park

The government's key project to acknowledge the Centenary of the First World War is a National War Memorial Park on Buckle Street in Wellington. The Ministry worked closely with the Ministry for Culture and Heritage and the NZ Transport Agency to draft legislation and ensure that the required underpass and park will be completed in time to be the centrepiece of Anzac Day commemorations in 2015.

Freight Information Gathering System (FIGS)

The Ministry has worked with key stakeholders to develop FIGS, a system that gives insight into the logistics chain and how it is evolving. Information produced through this system includes proportions of international freight and port container handling.

The container-handling statistics have shown us that New Zealand ports are more productive than Australian ports in handling containers. In some quarters, New Zealand's statistics exceeded Australia's across all three measures of productivity collected by both countries.

BETTER QUALITY REGULATION

Regulatory Reform

The Ministry continues to progress a programme for regulatory reform across three key areas:

- opportunities for reform in the transport sector
- improving the way we carry out our regulatory business as usual
- developing our regulatory capability.

This programme of reform aims to ensure that New Zealanders benefit from a cost-effective, sensible and straightforward regulatory framework.

Vehicle Licensing Reform

The Vehicle Licensing Reform project identified opportunities to reduce the regulatory burden and compliance costs of four vehicle licensing systems, while ensuring ongoing safety. The joint Ministry and NZ Transport Agency project team recommended changes to the warrant of fitness, certificate of fitness, annual vehicle licensing and transport services licensing systems. Changes to the warrant of fitness system are estimated to result in net benefits to motorists and businesses of $1.8 billion over 30 years.

Following Cabinet's agreement in January 2013 to reform the warrant of fitness and certificate of fitness systems, the Ministry and the NZ Transport Agency started work on the implementation needed to realise these benefits.

Agricultural Vehicle Reform

The Ministry led the development, consultation and completion of rule changes simplifying the on-road operation of agricultural vehicles. The majority of the changes took effect from 1 June 2013.

The Amendment Rules maintain road safety while reducing compliance costs for the agricultural sector in the key areas of work-time compliance, warrant of fitness testing and miscellaneous costs, and driver licensing costs. It is estimated that these changes will result in a net benefit to the sector of $51 million over 25 years.

Public Transport Reform

A new Public Transport Operating Model has been developed that will fundamentally shift how planning and delivery of public transport occurs.

Under the new model, regional councils define whole 'routes' for public transport services, and offer these by tender to commercial operators. This allows operators to compete to deliver the best service and, over time, is likely to deliver a more efficient and cost-effective public transport system.

The legislative changes needed to implement this new model were made in 2013 (through amendments to the Land Transport Management Act). The legislation came into force in June 2013.

Road User Charges (RUC)

The amendments made to the Road User Charges Act 2012 are the most significant change to the road user charges system since it was introduced more than three decades ago. The new system should encourage operators to make efficient choices in terms of the vehicles they purchase and the way they use them, reducing harm and environmental risk. The new system will also reduce opportunities for evasion, ensuring that operators are not able to gain an unfair advantage over competitors by paying less RUC than they should. It will also enable simpler administration, reducing transactional and compliance costs for users and the government.

The changes to the Act came into effect on 1 August 2012.

SAFER TRANSPORT SYSTEM

Safer Journeys Action Plans

Safer Journeys is the government's road safety strategy 2010 to 2020. The first Safer Journeys Action Plan underpinned much of our road safety work in the last year. New initiatives under this plan included the introduction of an alcohol interlock programme and a zero alcohol rate for high-risk drivers. Advice was provided to government on time limits on learner and restricted licences, and red light cameras. New rules were signed into law that extend the maximum age for mandated use of approved child restraints.

The Ministry led the development and delivery of a further Safer Journeys Action Plan. The plan is now in its implementation phase and it focuses on safer roads, safer speeds, safer vehicles and safer road use.

Canterbury earthquakes and the *MV Rena* grounding

Findings from the Canterbury earthquakes and the *MV Rena* grounding have influenced the Ministry's emergency response arrangements and contributed toward the development of a work programme on *resilience* – now one of the transport sector's four long-term desired outcomes for the transport system.

The Transport National Emergency Response Plan has been revised for improved communications, flexibility and agility, practising and preparedness. The revised plan adopts more flexible response arrangements to account more for unplanned risks. The Ministry developed and ran a desktop exercise for interagency responses to major transport accidents in November 2012, and conducted two practice set-ups of our Emergency Operations Centre.

OPENING MARKETS

New/expanded air services arrangements

In 2012/13 the Ministry successfully negotiated a record number of new or amended air services agreements. These arrangements enhance New Zealand's ability to access markets around the world.

Entirely new open skies agreements have been established with Qatar, Kuwait, Paraguay, Uruguay and Iceland. We have replaced previous non-open skies agreements with new open-skies agreements for Brazil and Chinese Taipei; and we've amended existing agreements with the United Arab Emirates, Papua New Guinea, Indonesia and French Polynesia.

IMPROVED TRANSPORT AGENCY PERFORMANCE

The Ministry has reviewed its approach to governance for the transport Crown entities.

Funding reviews have been carried out for Maritime NZ, the Civil Aviation Authority and the Aviation Security Service.

In order to further improve our efficiency and effectiveness, the Ministry is also working with other transport agencies to develop shared services, where appropriate, across the transport sector.

FURTHER INFORMATION ON THE MINISTRY'S WORK IN 2012/13

Further information on the work completed is reflected in the section of the report on our non-financial performance (from page 19).

About the Ministry

The Ministry is the government's principal adviser on transport policy.

As a trading nation, New Zealand relies on transport infrastructure and services to get goods to international markets, to move goods around the country and it is also an important enabler of social connectivity within communities. In addition, the transport sector is an important part of the New Zealand economy in its own right. For example, the transport, postal and warehousing industry employs more than 85,000 people, and this industry accounts for 5.2% of New Zealand's GDP.

Transport is different from many other sectors of the economy in that the government directly invests more than $3 billion in it each year. This is primarily in the land transport system.

The Ministry of Transport has a broad responsibility to provide advice across the whole of the transport system and the regulatory framework that supports it. The Ministry is focused on developing a transport system that maximises the economic and social benefits to New Zealand and minimises the harm that arises from the system. To do that, the Ministry needs a good base knowledge of the transport sector. It also needs to understand the future drivers for transport and their implications for government policy and investment decisions.

The transport Crown entities have regulatory and service delivery roles to meet their statutory responsibilities and the government's objectives for transport. The Ministry has a role in ensuring that activities are aligned across the transport sector.

The Ministry's role is to advise on policy…

The Ministry is the government's principal adviser on transport policy. The vast majority of its work is providing advice to the Minister and Associate Minister of Transport. Our role is to:

- understand the transport environment and how firms and local authorities will respond to different settings
- lead thinking on strategy for the success of the overall system
- facilitate conversations with the transport sector to join up their activities to improve the performance of the transport system
- advise on the structure of the transport Crown entities and their capabilities (including funding and governance).

And we undertake a number of other functions…

In addition to our core policy and Crown entity oversight roles, the Ministry also has responsibility for other functions. These include:

- administering transport legislation, rules and regulations
- refunding fuel excise duty (contracted to the NZ Transport Agency)
- representing New Zealand at international fora
- licensing all international airlines operating to and from New Zealand
- operating the Milford Sound/Piopiotahi Aerodrome
- overseeing the Crown's interest in joint venture airports
- administering a contract with the Meteorological Service of New Zealand Limited to provide a public weather warning and forecast service.

But we need to work with others to achieve our outcomes…

The Ministry has an important role in advising the government. However, we are only one of five organisations that make up the government transport sector, and one of many hundreds that make up the whole transport sector.

As a policy agency, the Ministry is able to influence the policy and regulatory settings under which the transport system operates. But we need to work with other agencies, and need them to successfully undertake their own roles, for our outcomes to be achieved.

Ministry Leadership Team as at 30 June 2013

Chief Executive:

Martin Matthews

Leadership Team:

Andrew Jackson

Mike James

Bruce Johnson

Gareth Chaplin

Pam Madgwick

Jacinda Funnell

WHAT WE ARE PART OF

The New Zealand government transport sector includes the Minister and Associate Minister of Transport, the Ministry of Transport, four Crown entities and three State-owned enterprises. In addition, local government and the New Zealand Police play significant roles in the transport system. These entities and their functions are explained below.

THE NEW ZEALAND GOVERNMENT TRANSPORT SECTOR

MINISTER OF TRANSPORT AND ASSOCIATE MINISTER OF TRANSPORT

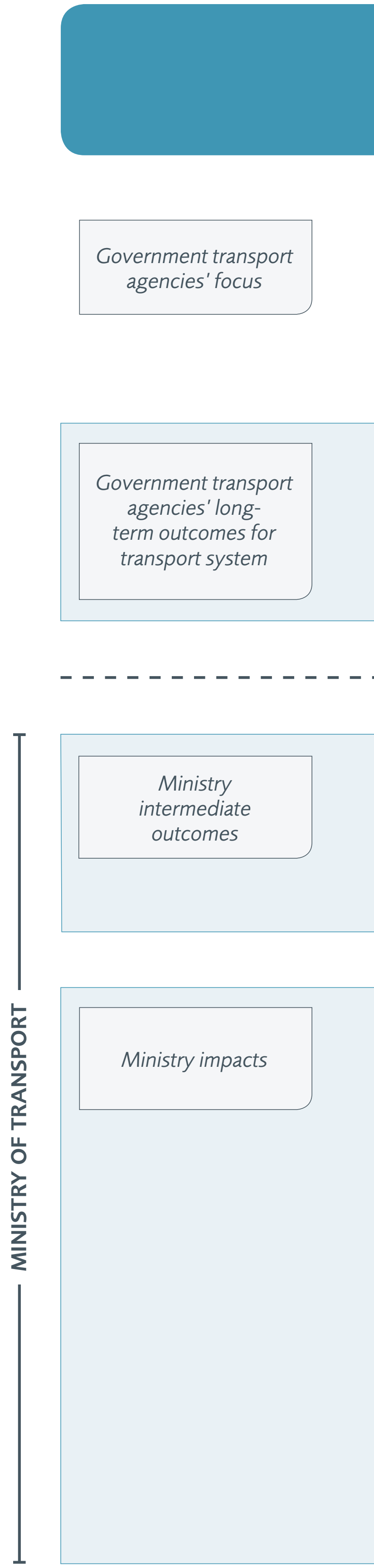
The Ministry of Transport provides impartial, expert advice to the government to help it meet its objectives for transport.
This includes advice on legislative, regulatory and policy settings; funding levels and priorities; and Crown agency governance, performance and accountability. The Ministry also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

CIVIL AVIATION AUTHORITY (INCLUDING THE AVIATION SECURITY SERVICE)	MARITIME NEW ZEALAND	NZ TRANSPORT AGENCY	TRANSPORT ACCIDENT INVESTIGATION COMMISSION
Civil Aviation Authority Establishes and monitors civil aviation safety and security standards, carries out air accident and incident investigations, and promotes aviation safety and personal security. Aviation Security Service Provides aviation security services for international and domestic air operations, including airport security, passenger and baggage screening.	Promotes commercial and recreational vessel safety, marine environment protection standards, and monitors port and ship security. Controls entry to the maritime system through granting of maritime documents and inspection of ships, and advises on international conventions. Investigates maritime accidents and coordinates category II search and rescue. Provides oil spill preparedness and response, navigation aids and the distress and safety radio communications system.	Allocates funding for land transport infrastructure and services through the National Land Transport Programme. Manages access to the transport system through driver and vehicle licensing, vehicle inspections and rules development. Provides land transport safety and sustainability information and education. Manages the State highway network, including maintenance, improvements and operations activities.	(Independent Crown agency) Investigates significant air, maritime and rail accidents and incidents to determine their cause and circumstances so that similar occurrences are avoided in future.

THREE STATE-OWNED ENTERPRISES WITH TRANSPORT FUNCTIONS	LOCAL GOVERNMENT	NEW ZEALAND POLICE
Airways Corporation of New Zealand Ltd Provides air navigation and air traffic management services on a commercial basis. It is also responsible for air traffic services in 28.8 million square kilometres of international airspace managed by New Zealand. **Meteorological Service of New Zealand Limited (MetService)** Provides public weather forecasting services and provides meteorological information for international air navigation under contract to the Civil Aviation Authority. **New Zealand Railways Corporation** Trading as KiwiRail Group. KiwiRail manages the rail and ferry businesses owned by the New Zealand government.	Local authorities own, maintain and develop New Zealand's local road network and perform important regulatory transport functions. Local government funds land transport infrastructure and public transport services alongside central government, and is responsible for transport planning and land use planning. Some local authorities own seaports and airports, or share ownership with the Crown.	Provides road policing services including speed management, drink/drugged driving enforcement, seatbelt enforcement, a visible road safety presence, and commercial vehicle investigation. Also provides maritime patrol units.

THE MINISTRY'S CONTRIBUTIONS TO GOVERNMENTAL OUTCOMES FOR TRANSPORT

The Ministry's outcome framework explains what governments are seeking to achieve, over time, through their interventions in transport. It also enables us to demonstrate the rationale for particular interventions. Every government will have particular priorities that may focus on some or all of the outcomes and impacts.



Government transport agencies' focus for transport

The government transport agencies' overall outcome for transport is to deliver a transport system that maximises economic and social benefits for New Zealand, and reduces harm.

Long-term outcomes for the transport system

The long-term outcomes describe the 'future state' of the transport system, and provide focus for the Ministry and other transport agencies. The long-term outcomes are expected to be achieved over the next 20 or more years, as a consequence of the contributions made by the Ministry and a wide range of other stakeholders and transport system users. We can measure the progress the transport system is making towards those outcomes annually through long-term indicators. (See pages 10 to 12 of this report).

Ministry intermediate outcomes

Intermediate outcomes also describe a 'future state' for the transport system and are important steps to achieving the long-term outcomes. These are closely aligned with the Minister's priorities for transport.

The intermediate outcomes are expected to be achieved over the next 10 or so years. While the progress that the transport system is making towards the intermediate outcomes can be measured annually, the nature of the outcomes means that progress is best viewed over a longer time period.

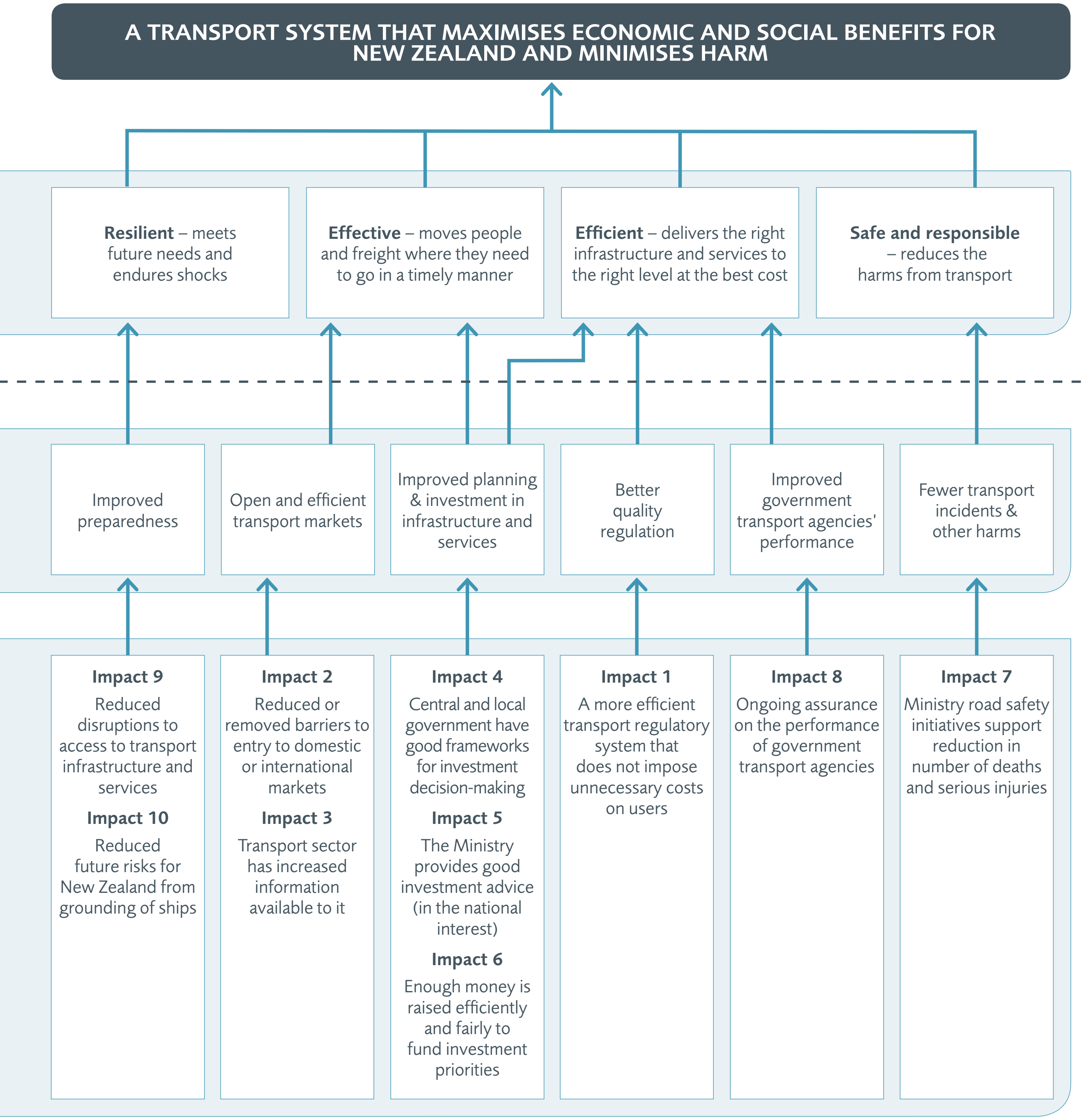
Ministry impacts

Ministry impacts describe how the Ministry's work will affect the transport system. They describe the intended results from the Ministry's work. The Ministry can achieve its intended impacts through its own efforts and is not dependent on other organisations undertaking particular actions. However, other organisations may also undertake work that contributes to the impacts. The Ministry's projects and activities are our specific 'outputs' (work programmes) that will deliver our impacts.

Projects, impacts and intermediate outcomes can all contribute to more than one item in their next higher level of the framework. However, for simplicity, we have shown the main relationships.

The outputs and associated intermediate outcomes and impacts are detailed in the 'Statement of objectives and service performance' section of this report (pages 19 to 36).

MINISTRY'S OUTCOME FRAMEWORK



Measuring progress against government's long-term outcomes

This section provides information on the transport sector's progress against the four long-term outcomes for transport, using a series of headline indicators to demonstrate the progress that is occurring. It also includes the actions the Ministry took towards these outcomes.

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

This outcome captures the core function of the transport system which connects New Zealand, domestically and internationally. It links employees, employers, and businesses together, and enables people to access services and make social connections. Transport is a critical part of the supply chain that delivers goods to domestic and international markets, and meets the travel needs of international tourists.

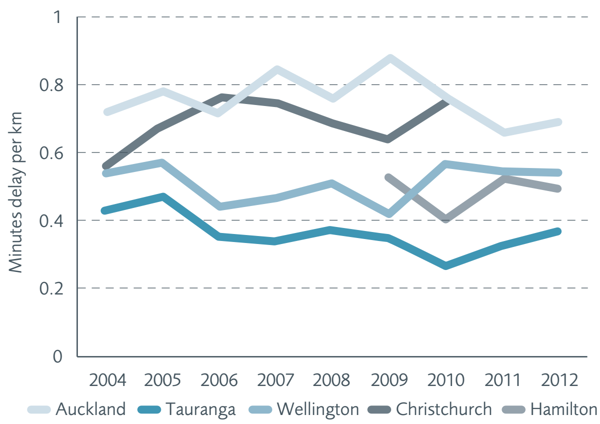
Ministry actions over 2012/13 that contributed to this outcome included:

- providing advice on Auckland's transport needs
- continuing to develop the Freight Information Gathering System
- providing advice on the proposed Clifford Bay ferry terminal
- beginning the development of freight scenarios and updating the National Freight Demands Study.

Headline indicator 1: Decreasing network congestion in the five largest metropolitan areas

Figure 1 shows minor increases and decreases in network congestion across our five main centres. We expect that recently completed, and further planned, roading projects will play a significant role in managing congestion through to 2021.

Figure 1 – A.M. peak congestion – minutes delay per kilometre

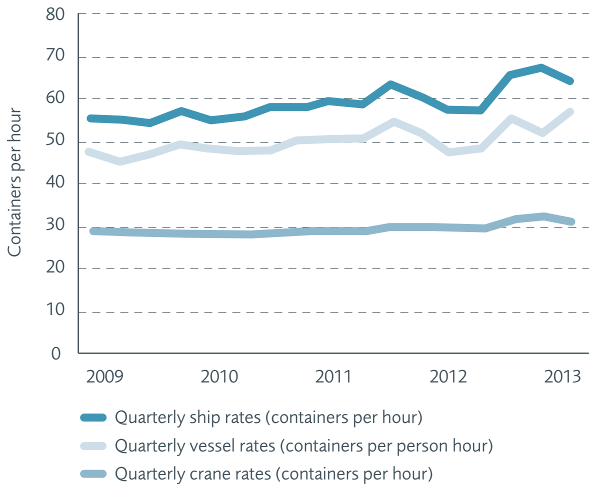


Data from March surveys. Data on page 38 is from November surveys.

Headline indicator 2: Increased freight movements

Figure 2 show the improvements in effectiveness and efficiency of freight handling at our ports. Our ports are loading and discharging more containers, more quickly.

Figure 2 – New Zealand trends in container handling



Data supplied by individual ports

Long-term outcome: **Efficient** – delivers the right infrastructure and services to the right level at the best cost

Better transport infrastructure and services can lower costs and increase accessibility for people and businesses by expanding markets and improving access to suppliers. Good management of the transport regulatory settings supports the functioning of the transport system, ensuring that the system delivers value for money by providing the right level of infrastructure and services, while achieving the best cost.

Ministry actions over 2012/13 that contributed to this outcome included:

- completion of amendments to the road user charges (RUC) system
- funding reviews of the Civil Aviation Authority and Maritime NZ
- reviewing the development programmes for rules and regulations
- reviewing and amending Vehicle Licensing Regulations.

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

Figures 3 and 4 show the real revenue levels from fuel excise duty and RUC, compared to vehicle kilometres travelled. Light/medium vehicle revenue is decreasing against the traffic growth. The growth in the level of heavy vehicle revenue is broadly in line with the growth in heavy vehicle travel. The Ministry is closely watching these changes, in order to see if they are an anomaly or a long-term trend.

Revenue is adjusted using the construction price index. The graphs below show comparable spending power, not nominal revenue.

Figure 3 – Growth in real fuel excise and light/medium RUC revenue relative to traffic growth

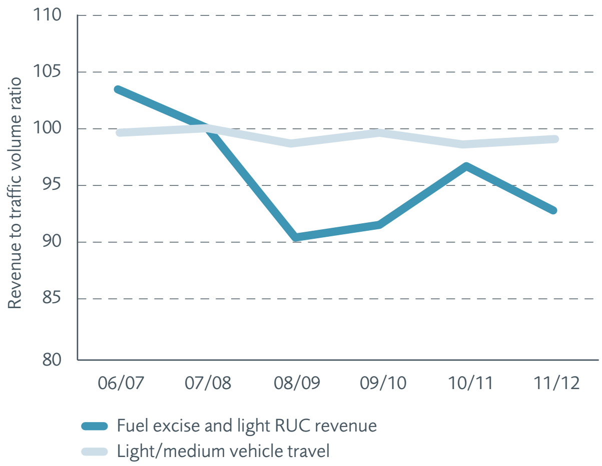
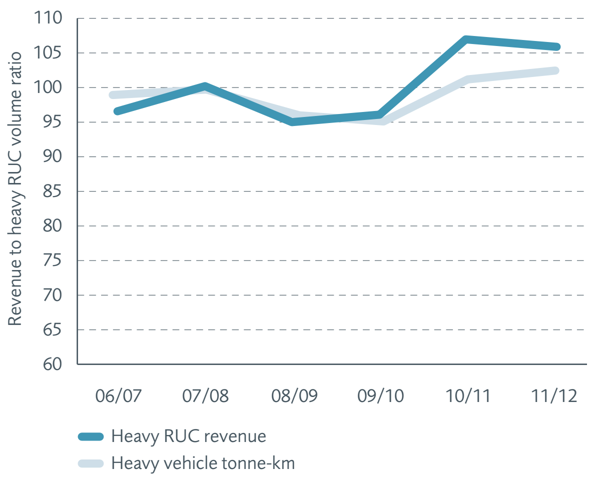


Figure 4 – Growth in real heavy RUC revenue relative to freight growth



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

It is our aim to achieve a safe and responsible transport system. The operation of the transport system gives rise to social costs, including road crashes, greenhouse gas emissions, and other environmental and public health impacts. It is important to ensure that these issues are mitigated in cost-effective ways.

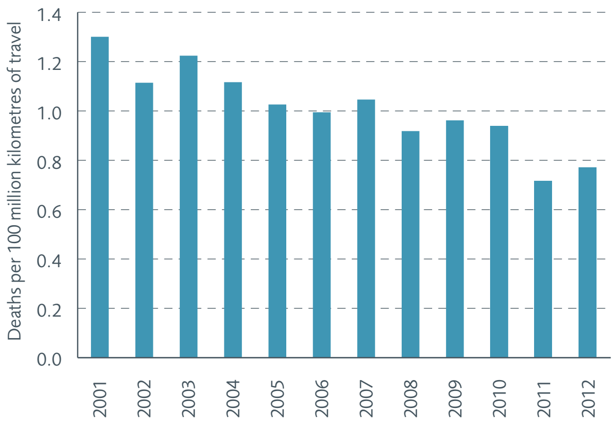
Ministry actions over 2012/13 that contributed to this outcome included:

- continuing the implementation of the Safer Journeys Action Plan 2011-12, including:
  - introduction of the alcohol interlocks programme
  - zero alcohol for high-risk drivers
  - driver licensing changes
  - red light camera policy
- developing and releasing a new Safer Journeys Action Plan 2013-15.

Headline indicator 1: Fewer road deaths

Figure 5 shows that road deaths in New Zealand are still trending downwards, despite a slight rise from our record year in 2011/12. As we continue with our Safer Journeys work, we expect to see the number of deaths on our roads continue to decrease.

Figure 5 – Road deaths per 100 million vehicle kilometres travelled

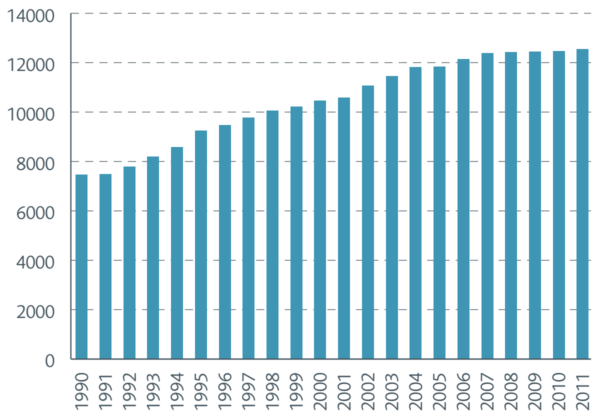


Headline indicator 2: Reducing levels of greenhouse gases emitted by the transport sector

Road transport accounts for 90% of New Zealand transport greenhouse gas emissions. Figure 6 shows that between 1990 and 2006, road transport carbon emissions increased by over 60%. Since 2006, the rate of increase has stabilised.

Data for 2012 is not yet available. The Ministry will publish this information on its website when it is available in late 2013.

Figure 6 – Carbon emissions from road transport 1990-2011 (tonnes 000)



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

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

The Ministry is working with the transport sector to develop an understanding of what resilience means for transport, and to enable this understanding to be used by the transport sector.

Ministry actions over 2012/13 that contribute to this outcome included:

- 'lessons learned' reporting on the *MV Rena* grounding and the Canterbury earthquakes
- the review of the Aviation Security Service
- commencing the development of resilience work
- emergency response exercises.

Organisational health and capability

OUR PURPOSE AND GREATEST IMAGINABLE CHALLENGE

Our purpose is to ensure our transport system helps New Zealand thrive. In pursuit of fulfilling this purpose, the Ministry's greatest imaginable challenge is to 'create the environment to double the value from transport initiatives'. This means leading sector-thinking and identifying the big issues and actions that will result in significant progress for New Zealand's transport system.

PERFORMANCE IMPROVEMENT FRAMEWORK (PIF) REVIEW

The Ministry went through a PIF review in early 2013. The review measured the Ministry's performance against the aspirations reflected in our purpose and chiefly the greatest imaginable challenge.

Report outcomes

The PIF reviewers noted that the Ministry has made significant progress in the past few years, but still has some distance to go in order to meet our challenge to 'create the environment to double the value from transport initiatives'. The PIF review outcomes below are measured against this aspiration.

Delivery of government priorities	
Better quality regulation	Well placed
Opening markets	Well placed
Investment in infrastructure	Needing development
Safer transport system	Strong
Delivery of core business	
Better quality regulation (effectiveness)	Needing development
Better quality regulation (efficiency)	Needing development
Open and efficient transport markets (effectiveness)	Weak
Open and efficient transport markets (efficiency)	Needing development
Improved planning and investment in infrastructure and services (effectiveness)	Needing development
Improved planning and investment in infrastructure and services (efficiency)	Needing development
Fewer transport incidents and other harms (effectiveness)	Well placed
Fewer transport incidents and other harms (efficiency)	Needing development
Improved government transport agencies' performance (effectiveness)	Needing development
Improved government transport agencies' performance (efficiency)	Needing development
Improved preparedness (effectiveness)	Well placed
Improved preparedness (efficiency)	Well placed
Regulatory impact (effectiveness)	Needing development
Organisational development	
Purpose, vision and strategy	Needing development
Leadership and governance	Needing development
Values, behaviour and culture	Well placed
Structure, roles and responsibilities	Well placed
Review	Weak
Organisational management	
Engagement with the Minister(s)	Well placed
Sector contribution	Needing development
Collaboration and partnerships with stakeholders	Needing development
Experiences of the public	Well placed
People development	
Leadership and workforce development	Needing development
Management of people performance	Well placed
Engagement with staff	Well placed
Financial and resource management	
Asset management	Well placed
Information management	Needing development
Improving efficiency and effectiveness	Well placed
Financial management	Needing development
Risk management	Needing development

Shaping our future

In response to the PIF review, the Ministry identified the following three challenges:

- lifting our strategic focus
- improving the quality and consistency of our policy advice
- engaging more effectively with stakeholders.

These challenges are consistent with the three organisational priorities the Ministry had already set itself in early 2013 as part of the Shaping our Future organisational capability programme. The PIF recommendations have been incorporated into this programme, and the Ministry has developed a two-year plan which sets out the actions we will take to address the challenges set by the review. The key elements of this plan are outlined below.

ORGANISATIONAL CAPABILITY

The Ministry adopted a matrix management model and began operating as a professional services ministry in 2009. We are now able to respond to the demands of changing priorities by operating far more flexibly.

In order to respond to the challenges identified in the PIF review, we must continue to build capability at all levels of the organisation: governance, strategic policy, policy advice and the development of staff throughout the Ministry.

Leading Together

In 2012 we delivered a Lifting our Leadership programme for managers at the Ministry. This work will continue in 2013/14. Improving leadership skills at the Ministry contributes to the call for stronger leadership across the public sector, as highlighted in the Better Public Services Report.

Embedding our purpose and philosophy

Throughout 2012/13, the Ministry placed a strong focus on ensuring staff continued to demonstrate and strengthen the behaviours that were developed as part of the Ministry's purpose and philosophy in early 2012. The Ministry's policy focus is shifting to ensure our programmes of work are geared towards achieving our greatest imaginable challenge.

Improving the quality of our advice

The Ministry has continued to improve the quality of its advice by building on and sharing its knowledge base. We are promoting increased use of business and analytical tools and frameworks to assist in developing rigorous and timely advice. This has been reflected in the improved scores from the NZ Institute of Economic Research (NZIER). NZIER carries out an annual review of the quality of policy advice. The Ministry has improved from a score of 6.5 (out of 10) in 2008, to 7.3 in 2013, which shows it is tracking in the right direction. Ten percent of our papers scored a 9 in 2013, which is an exceptionally good result.

Other ways the Ministry has improved the quality of its policy advice include:

- ensuring consistent and targeted development for policy advisers through the Applied Policy Adviser Development programme. This is a recognised qualification developed by the Ministry in partnership with the Victoria University School of Government
- establishing a different approach to recruiting high calibre staff. This has involved extensive testing to establish a candidate's suitability for the Ministry.

STAFF ENGAGEMENT

Staff engagement is a good indicator of the health of an organisation. The Ministry takes part in the annual Gallup engagement survey to measure levels of engagement in order to create a stronger workplace. The Ministry's engagement levels are significantly improving, with the 2013 results showing engaged employees now outnumber actively disengaged employees by 5:1. Our overall engagement score has improved from 3.86 last year to 3.98 this year.

SHARED SERVICES ACROSS THE TRANSPORT SECTOR

The Ministry has continued to lead the development of shared services across the transport sector, in order to deliver cost savings in the delivery of common functions, and to increase the effectiveness of the sector working together. Work is being carried out collaboratively and incrementally, addressing opportunities as they arise. Shared opportunities that we are working on range from small areas, such as payroll services, to significant activities, for example, joining our Information and Communications Technology services together.

The Ministry is primarily working with the NZ Transport Agency, Maritime NZ and Civil Aviation Authority on shared services. Auckland Transport and MetService are also working with us on some functions. We expect that other transport sector State-owned enterprises will join workstreams as appropriate.

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.

KEY PEOPLE METRICS

Over the past four years the percentage of policy staff has risen from 52% in 2009/10 to 63% in 2012/13, while our overall headcount has decreased from 173 employees in 2009/10 to 145 employees in 2012/13. This shows that although the Ministry has fewer staff, we are able to do more policy work with the staff we have.

As at 30 June	2012/13	2011/12	2010/11	2009/10
Number of employees				
Policy development	91	89	82	90
Management	20	21	22	24
Administration	34	36	56	59
Total headcount	145	146	160	173
Turnover	15%	15%	18%	14%
Gender				
Women	49%	53%	58%	53%
Men	51%	47%	42%	47%
Ethnicity Distribution				
NZ European	72%	73%	67%	69%
NZ Māori	5%	1%	2%	2%
Pacific peoples	1%	3%	3%	3%
Asian	8%	6%	7%	5%
Other European	7%	14%	18%	18%
Other ethnic groups	5%	3%	3%	3%
Undeclared	2%	0%	0%	0%
Sick leave taken – average days for each employee	5	5	7	6
Age distribution (permanent staff)				
20 – 29	19%	23%	19%	19%
30 – 39	20%	22%	21%	20%
40 – 49	31%	27%	33%	31%
50 – 59	20%	16%	15%	18%
60+	10%	12%	12%	12%

COST-EFFECTIVENESS

Cost-effectiveness is a measure of how well an organisation uses its inputs to achieve its desired outcomes. For policy agencies, such as the Ministry, demonstrating cost-effectiveness remains a challenge as it is difficult to establish the causal relationship between our outputs and progress towards our outcomes. Outcomes in the transport sector are frequently impacted by the actions of numerous organisations and individuals.

The Ministry is constrained in its ability to affect transport outcomes in a number of ways. First, the Ministry is only one player in a very large transport system. The Ministry is responsible for approximately $30 million of transport expenditure a year, out of total government transport expenditure of approximately $3 billion a year. Secondly, while the Ministry has an important policy advice role, it does not have service delivery levers with which it can influence transport outcomes. Finally, the Ministry does not have complete control over the work it undertakes. The choices of the government of the day rightly have a significant influence on our annual work programme.

For the Ministry, the question that we must be able to answer is, 'Are we doing the best job that we can with the resources available to us?' To answer this question, the Ministry focuses on:

- input management
- quality management
- work programme management
- outcomes management.

Input management

Staff time, along with their skills, experience and knowledge, is the Ministry's main resource. We need our staff to value their time and get the most from every hour. To support this approach, we apply project management disciplines to our policy projects. We establish project timeframes and identify milestones that we can manage projects against to ensure projects do not consume more resource than is needed.

Quality management

We manage the quality of our work through our quality of policy advice standards. Each year we have a sample of our policy advice papers independently audited by the NZIER. This audit not only provides us with an independent view on the quality of our advice and areas that we could focus on for improvement, it also enables us to see how the quality of our advice compares with other government agencies. We also carry out an annual self assessment of our quality to further establish a culture of delivering excellent advice.

In addition to these audits, we assess the quality of our advice using the following measures:

- 100% of regulatory impact statements are assessed as 'meets' or 'partially meets' the required standards
- 75% of policy advice briefings are accepted first time by the Minister (a new measure for 2012/13).

Work programme management

Our annual output plan is a statement of the results that the Minister wants from the Ministry. We manage the Ministry as a single resource to deliver on the whole output plan programme, and we record the actual percentage delivered in our annual reports.

Delivering on the individual projects in the output plan enables the Ministry to achieve its intended impacts and, through them, make our contribution to the intermediate and long-term outcomes. Our intervention logic sets out the links between our outputs, impacts, intermediate and long-term outcomes.

Outcomes management

The Ministry monitors the progress that the whole of the transport sector is making towards the identified outcomes. While our impacts contribute to this, it is not always clear whether the Ministry's contribution can be singled out from other factors and, even if it could, it is likely to be too costly to undertake. So we use our outcome indicators to focus on the overall progress being made, and use a range of mechanisms to identify opportunities for us to make further contributions where needed.

KEY MINISTRY PERFORMANCE MANAGEMENT MEASURES

The key performance management measures that the Ministry established for 2012/13 are set out in the table below, along with our 2011/12 performance against those measures, where available.

Key Ministry performance management measures 2012/13		
Input management	**2012/13 result**	**2011/12 result**
75% of policy projects managed within timeframes and allocated resources	75%	Data not available for 2011/12
75% of policy project milestones delivered each quarter	63%	Data not available for 2011/12
30% of staff time allocated to the Minister's priority projects	27%	24%
Quality management		
New Zealand Institute of Economic Research's audit of policy advice papers assesses average score for papers as 7.5 or better	Mean score of 7.3	Mean score of 7.3 (up from 6.9 in 2011)
100% of regulatory impact statements are assessed as 'meets' or 'partially meets' the required standards	100%	100% (three met, three partially met)
75% of policy advice briefings are accepted first time by the Minister (a new measure for 2012/13)	85%	Data not available for 2011/12
Work programme management		
95% or more of output plan delivered as agreed with the Minister	96%	90% of output plan delivered as agreed with Minister
95% or more of Ministry impacts achieved through delivering underpinning projects	100%	Data not available for 2011/12
Outcomes management		
Results of transport sector progress on intermediate and long-term outcomes published at least annually	Published annually in the Ministry of Transport annual report	Published annually in the Ministry of Transport annual report
Ministry reviews outcome indicators that show less progress is being made and considers whether further Ministry action is needed	Not achieved	Scheduled for review in December 2012

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 of the Ministry as at 30 June 2013 and its operations for the year ended on that date.

Martin Matthews

Martin Matthews
Chief Executive

Fiona E. Macmaster.

Fiona Macmaster
Manager Finance

27 September 2013

Statement of objectives and service performance

for the year ended 30 June 2013

CHANGES TO OUTPUT CLASS STRUCTURE

In the year to 30 June 2012, the Ministry's output classes were:

- Policy advice
- Governance and performance advice for Crown agencies
- Land transport revenue forecasting and strategy
- Road user charges collection, investigation and enforcement
- Fuel excise duty refund administration
- Milford Sound/ Piopiotahi Aerodrome operation and administration
- Search and rescue activity coordination PLA.

Changes have been agreed to in the Ministry's output classes for 2012/13. These are explained below.

Review of government expenditure on policy advice

Treasury undertook a review of policy advice expenditure across all government agencies to ensure that the definition of policy advice was consistent. The Ministry followed the recommendations of the review and restructured its output classes. From 1 July 2012, a multi class output appropriation (MCOA) was established entitled 'Policy advice and related outputs' – the component outputs were: Policy advice, Governance and performance advice for Crown agencies, and Ministerial servicing.

The 'Governance and performance advice for Crown agencies' output is practically the same as the previous output class of this name. Ministerial servicing was previously part of the Policy advice output class. The output class 'Land transport revenue forecasting and strategy' is now part of the Policy advice output. There was no change in the available funding as a result of this restructure.

Clifford Bay ferry terminal proposal

The Ministry is testing the commercial viability of this proposal. During 2012/13, Cabinet agreed that the project could proceed to its next stage. As this work is significant and different to most of the Ministry's work, a new output entitled 'Clifford Bay ferry terminal – facilitation of procurement' was created from 1 December 2012 under the MCOA Policy advice and related outputs. There was no change in the available funding as a result of this. Work on this project prior to 1 December 2012 is included in the Policy advice output.

Road user charges collection, investigation and enforcement output class

Following the review of the road user charges regime, these activities became the responsibility of the NZ Transport Agency from 1 July 2012 and are no longer an output class of the Ministry. The Ministry's funding declined by the amount of this output class.

Output classes in place during 2012/13

Thus the output classes being reported in this annual report are:

- Policy advice and related outputs MCOA
- Fuel excise duty refund administration
- Milford Sound/Piopiotahi Aerodrome operation and administration
- Search and rescue activity coordination PLA[1].

The outputs for Fuel excise duty refund administration, Milford Sound/Piopiotahi Aerodrome operation and administration, and Search and rescue activity coordination PLA are unchanged from 2011/12. Some financial and non-financial performance measures for 2011/12 are shown as comparatives in the tables below but this is not always possible due to the changes to the output classes.

Where possible and relevant, related projects and activities are shown below each output, categorised by the Ministry's intermediate outcomes and impacts.

[1] permanent legislative authority

OUTPUT CLASS: POLICY ADVICE AND RELATED OUTPUTS MULTI CLASS OUTPUT APPROPRIATION

Four outputs make up this output class. These are (listed by size):

- Policy advice
- Ministerial servicing
- Clifford Bay ferry terminal - facilitation of procurement
- Governance and performance advice for Crown agencies.

The outputs are directed at the government's long-term outcome of an effective, efficient, safe, secure, accessible and resilient transport system that supports the growth of our economy, in order to deliver greater prosperity, security and opportunities for all New Zealanders.

Output: Policy advice

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

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

- Road
- Rail
- Maritime
- Aviation
- Multimodal.

Policy advice – financial performance

Actual 2011/12 $000		Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
N/A	Revenue Crown	24,431	26,606	25,736
N/A	Other revenue	51	-	53
N/A	Total revenue	24,482	26,606	25,789
N/A	Total expenses	24,151	26,606	25,789
N/A	**Net surplus**	**331**	**-**	**-**

Total expenditure on this output class was lower than forecast due to lower staff costs as a result of turnover and some projects being delayed. The underspend was spread across all of the modes. The Ministry has approval in principle to carry up to $1.32 million forward to 2013/14 to complete the work.

Road

Road – performance measures

Actual 2011/12	Performance measures	Actual 2012/13	Standards/ Targets 2012/13
N/A	Revenue forecasting provided for use in Crown accounts and Budget forecasts	Twice yearly	Twice yearly
N/A	Ministry actions from 2011/12 Safer Journeys Action Plan are implemented according to agreed timeframes	92%	100%
New	2013-15 Safer Journeys Action Plan developed by 30 December 2012	Not achieved. Developed by March 2013	Achieved
New	Trials of 'incentives approach' to road safety completed, as agreed by the National Road Safety Council, by 30 June 2013	Achieved	Achieved
New	Advice provided to government on options to address land transport funding pressures as a consequence of the Canterbury earthquakes by 31 October 2012	Achieved	Achieved
New	Drafting instructions for Land Transport Amendment Bill (amending agricultural vehicle licensing requirements as agreed by government) issued by 30 December 2012	Government decided that this was no longer required	Achieved
New	Drafting instructions for changes to the vehicle and operator registration and licensing provisions of the Land Transport Act issued, subject to government decisions, by November 2012	Government decided that this was no longer required	Achieved
New	Road user charges regulations promulgated and successfully implemented by 1 August 2012	Achieved[1]	Achieved
New	First cycle of evaluation and monitoring of new road user charges system (including a survey of users) completed by 30 June 2013	Achieved	Achieved
New	Amendments to transport rule for agricultural vehicle licensing requirements completed by 30 December 2012	Not achieved. Completed by June 2013	Achieved
New	Land Transport Management Act amendments supported through Select Committee processes, in accordance with Select Committee requirements	Achieved	Achieved
New	Fuel excise duty and road user charges levels adjusted as required, in accordance with agreed timeframes	100%	100%
$8,873,496	**Cost** This output is produced within the overall class appropriation (GST exclusive)	$8,691,005	$10,250,000

[1] The Road User Charges (Transitional Matters) Regulations 2012 were subsequently disallowed, and further work was required.

Road – Ministry outcomes and impacts

Ministry Intermediate Outcome:	Better quality regulation
Impact 1: A more efficient transport regulatory system that does not impose unnecessary costs on users	**Vehicle Licensing Reform** The Vehicle Licensing Reform project began in March 2012. This project identified potentially considerable compliance cost savings for New Zealanders. The Ministry and NZ Transport Agency jointly made recommendations to the government in December 2012 on changes to the warrant of fitness, certificate of fitness, annual vehicle licensing and transport services licensing systems. The recommendations were developed after extensive analysis, stakeholder engagement and public consultation. Changes to the warrant of fitness system are estimated to result in net benefits of $1.8 billion over 30 years. Following Cabinet's decisions in January 2013, the Ministry has been supporting the NZ Transport Agency to implement the warrant of fitness and certificate of fitness changes to come into force by 1 July 2014, and to develop specific proposals for improving annual vehicle licensing and transport services licensing for Cabinet consideration in late 2013.
	Road user charges (RUC) The Road User Charges Act 2012 came into effect on 1 August 2012, along with various new and/or transitional regulations. These amendments are the most significant change to the RUC system since it was introduced more than three decades ago. The new system is expected to encourage operators to make efficient choices in terms of the vehicles they purchase and the way they use them, increasing network efficiency. It will also reduce the opportunities for evasion and will enable simpler administration, reducing transactional and compliance costs for users and the government, and ensure sufficient revenue is raised efficiently. The Cost Allocation Model has been redesigned, in time to inform 2013 RUC rates changes, and in June 2013 the first of three annual evaluations of the implementation and operation of the RUC reforms was completed. In June 2013 an MOU was also signed with the NZ Transport Agency on funding arrangements for the development of guidelines for RUC systems.
	Agricultural Vehicles Legislation The Ministry oversaw the development, consultation and completion of rule changes simplifying the on-road operation of agricultural vehicles. The amendment rules took effect from 1 June 2013 (except for warrant of fitness changes which take effect from 11 November 2013). The amendment rules maintain road safety while reducing compliance costs for the agricultural sector in the key areas of work time compliance, warrant of fitness testing and miscellaneous costs, and driver licensing costs. It is estimated that these amendment rules will result in a net benefit to the sector of $51 million over 25 years.

Ministry intermediate outcome:	Improved planning and investment in infrastructure and services
Impact 4: Central and local government have good frameworks for investment decision making	**Development of advice to address the pressures on the transport funding system** An ongoing, core function of the Ministry is to provide advice to Cabinet on revenue and funding pressures on the transport system. In the past year, the Ministry has provided advice on revenue pressures facing the NZ Transport Agency and options to mitigate these. The Ministry has also provided advice on future land transport funding pressures, the adequacy of current funding and revenue tools and options. This work helped provide the NZ Transport Agency with certainty on the management of pressures from lower than expected revenues and uncertainty around future costs arising from the reinstatement of Christchurch roads following the earthquake, enabling the National Land Transport Plan 2012-2015 to be finalised. The work also put the upcoming Auckland-related cost pressures into a long-term context, and reaffirmed the suitability of the 'pay-as-you-go' approach to funding land transport infrastructure.
	Infrastructure Work Programme The Ministry is developing an overarching framework for transport infrastructure. This links with the government's National Infrastructure Plan and the Business Growth agenda with key projects led by the Ministry and other agencies, for example the NZ Transport Agency.
	Land Transport Management Amendment Act 2013 During 2012/13, the Land Transport Management Amendment Act 2013 was introduced and enacted. This Act simplifies the regulatory environment for land transport planning, and for tolling, procurement and borrowing. These changes will promote greater administrative efficiency without undermining quality assurance checks and balances. The Act also helps implement the Public Transport Operating Model, which is intended to support greater collaboration between regional councils and public transport operators, encourage passenger growth, increase competition in the provision of public transport services and reduce reliance on public subsidies.
Impact 6: Enough money is raised efficiently and fairly to fund investment priorities	**Development of the next Government Policy Statement (GPS) on Land Transport Funding** The GPS sets out what the government wants to achieve for land transport, providing direction for planning and investment in the land transport sector. The GPS has a key role in ensuring the long-term effectiveness of the network through optimal investment, providing certainty to transport planners and funders, and ensuring that funds are allocated effectively. A new GPS is required to come into effect on 1 July 2015, and will be released in July 2014 to guide the development of the next cycle of local government long-term plans and the National Land Transport Programme 2015-18. Planning for the new GPS is underway. Key development phases will include analysis of how investment in the transport system contributes to the objectives for land transport, and engaging with key stakeholders including Local Government NZ and the NZ Transport Agency.
	Fuel excise duty (FED) and road user charges (RUC) revenue meet land transport funding requirements In December 2012 Cabinet agreed to increases of 3 cents per litre to FED, and equivalent increases to RUC on each of 1 July 2013, 1 July 2014, and 1 July 2015. The FED increases and the 2013 RUC increase were signed into law in May 2013. These changes will contribute to ensuring enough revenue is raised efficiently and fairly to fund land transport investment priorities.
	National Land Transport Fund – revenue forecasting The Ministry has continued to monitor revenue forecasts for the National Land Transport Fund. This includes alerting the Minister when revenues fluctuate, and providing advice on possible interventions.

Ministry intermediate outcome:	Fewer transport incidents and other harms
Impact 7: Ministry road safety initiatives support reductions in number of deaths and serious injuries	**Safer Journeys Action Plan 2011-12** Safer Journeys Action Plans give effect to Safer Journeys, the government's Road Safety Strategy 2010 to 2020. The first action plan underpinned much of our road safety work in the last year. New initiatives included the introduction of an alcohol interlock programme and zero alcohol rate for high-risk drivers. Advice was provided to government on time limits on learner and restricted licences, and red light cameras. New rules were signed into law that extend the maximum age for mandated use of approved child restraints. **Safer Journeys Action Plan 2013-15** The Ministry led the development and delivery of a further Safer Journeys Action Plan 2013-15. This is now in its implementation phase and it sets long-term aims that will: • promote the safe system approach • address speed management • reduce impaired driver crashes • improve the safety of the New Zealand vehicle fleet.
	Intelligent Transport Systems Cooperative intelligent transport system technology enables us to better understand and therefore manage freight movements and the corresponding infrastructure. In 2013 the Ministry commissioned a trial of this technology on State Highway 2, and other regional highways in the Bay of Plenty and Waikato regions.

Rail

Rail – performance measures

Actual 2011/12	Performance measures	Actual 2012/13	Standards/ Targets 2012/13
$417,741	**Cost** This output is produced within the overall class appropriation (GST exclusive)	$349,573	$425,000

Rail – Ministry outcomes and impacts

Ministry intermediate outcome:	Improved planning and investment in infrastructure and services
Impact 5: The Ministry provides good investment advice (in the national interest)	**KiwiRail Turnaround Plan** In 2010 the Ministry provided a briefing for Ministers, setting out the public policy reasons for investing in rail. This document was refreshed for Budget 2013. It sets out the benefits that rail provides for the economy, including freight volume growth, 25% growth in core freight revenues over two years, and enabling a stronger, more resilient and efficient transport system. In the three years to 30 June 2013, $750 million has been appropriated for the Turnaround Plan over the last 3 years, with $94 million appropriated to 2013/14.
	Auckland City Rail Link The Ministry worked with the Treasury, in consultation with the NZ Transport Agency, to provide advice to the Ministers of Transport and Finance on the City Rail Link.
	Napier-Gisborne Rail Link The Ministry reviewed assessments made by KiwiRail and the NZ Transport Agency on the impact of mothballing the Napier to Gisborne railway line, and provided advice to the Minister.
	Capital Connection The Ministry provided advice to the Minister on the future of the Capital Connection rail service, following work done by Greater Wellington and Horizons Regional Councils, by KiwiRail and by the NZ Transport Agency.

Maritime

Maritime – performance measures

Actual 2011/12	Performance measures	Actual 2012/13	Standards/ Targets 2012/13
New	Maritime Transport Act amendments supported through select committee processes, in accordance with select committee requirements.	Achieved	Achieved
New	New Order-in-Council establishing level of Oil Pollution Levy comes into force by December 2012.	Not achieved. In force from 1 July 2013	Achieved
New	Port productivity data published quarterly.	100%	100%
New	Maritime NZ funding review, including new regulations, completed by 30 June 2013 (subject to government decisions on the review).	Achieved	Achieved
$4,412,258	**Cost** This output is produced within the overall class appropriation (GST exclusive).	$3,251,564	$3,540,000

Maritime – Ministry outcomes and impacts

Ministry intermediate outcome:	Better quality regulation
Impact 1: A more efficient transport regulatory system that does not impose unnecessary costs on users	**Marine Legislation Bill** The Marine Legislation Bill was introduced during 2012/13 and is currently awaiting consideration by the Committee of the Whole House. It will promote maritime safety and marine environment protection through amendments to the Maritime Transport Act 1994 and the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012, that will: • enable New Zealand to accede to three international maritime conventions. In particular, amendments that give effect to the 1996 Protocol to amend the International Convention on Limitation of Liability for Maritime Claims 1976 will substantially increase the amount of compensation payable for incidents like the *MV Rena* grounding • transfer the local regulation of navigation safety from the Local Government Act 1974 to the Maritime Transport Act 1994 and specify port operators' responsibilities in relation to maritime safety • improve the clarity, completeness, effectiveness or enforceability of certain provisions in the Act.
	Maritime Funding Review The Maritime Funding Review was completed in 2012/13. The review has resulted in an enduring funding framework being put in place to enable Maritime NZ to deliver its regulatory functions. The changes became effective on 1 July 2013. They will be phased in over six years and will attribute costs across the maritime sector and Crown agencies more appropriately.
Ministry intermediate outcome:	**Improved preparedness**
Impact 10: Reduced future risk for New Zealand from grounding of ships	**Oil Pollution Levy** In the past year the Ministry has completed a review of the Oil Pollution Levy. This levy is collected from the commercial shipping sector and paid into the New Zealand Oil Pollution Fund which is used to ensure that New Zealand meets domestic and international requirements for preparedness and response to marine oil spills. The new levies came into force on 1 July 2013 and will ensure that the Fund is put on a sustainable financial footing so that revenue can cover anticipated future expenditure.

Aviation

Aviation – performance measures

Actual 2011/12	Performance measures	Actual 2012/13	Standards/ Targets 2012/13
New	International air services negotiations completed in accordance with annual schedule.	94%	75%
New	Advice provided on quality of Civil Aviation Authority's funding review.	Not achieved[1]	Within 30 working days of completion of review
$3,258,914	**Cost** This output is produced within the overall class appropriation (GST exclusive).	$3,368,541	$3,465,000

[1] This advice will now be provided as part of the longer term programme for fees, charges and levies reviews.

Aviation – Ministry outcomes and impacts

Ministry intermediate outcome:	Better quality regulation
Impact 1: A more efficient transport regulatory system that does not impose unnecessary costs on users	**Civil Aviation Act 1990** The Ministry is leading a review of this Act, which governs the civil aviation system in New Zealand. While the Act is fundamentally sound, it is over 20 years old and during this time there have been a number of changes in the aviation industry. Aviation is a dynamic industry, and it continues to change rapidly due to increased demand for services, improved technology, the increasing cost of jet fuel and environmental concerns. The Act must achieve a flexible, responsive regulatory system to support changes in the sector where possible. We will also improve the Act's usability and ensure the Act continues to achieve its purpose to promote civil aviation safety and security. The review will also reconsider the relationship between the Civil Aviation Act and the Airport Authorities Act 1966. The Ministry is aiming to complete a suite of recommendations by early 2014.
	Civil Aviation Authority Funding Review The Ministry advised the Minister of Transport on the Civil Aviation Authority's proposals for a new funding framework and increased civil aviation fees, charges and levies. The government supported the Minister's proposals, which came into effect on 1 November 2012. The new arrangements aim to recover costs from those who benefit and will provide additional funding for the Civil Aviation Authority to implement a range of performance improvements over the 2012-15 period. These improvements are intended to further enhance the entity's capability and services and to create both a durable and effective regulator and organisation. The Civil Aviation Authority's Annual Report should provide comment on the related realisation of benefits expected from the new arrangements and the earlier organisational change programme.
	Passenger Security Charges Review In May 2011, the government agreed to reduce passenger security charges for two years to eliminate a projected accumulated surplus of $27 million by June 2013. In 2012/13 the Ministry advised on a further review by the Civil Aviation Authority Board to reset these charges to ensure sufficient funding to meet the Aviation Security Service's normal operating costs and partly replenish reserves after an unexpected operating shortfall. The government agreed to increase the international passenger security charge from $8.00 to $11.98 (GST inclusive) and the domestic passenger security charge from $3.70 to $4.60 (GST inclusive). These new charges took effect from 1 June 2013.

Ministry intermediate outcome:	Open and efficient transport markets
Impact 2: Reduced or removed barriers to entry to domestic or international transport markets	**Negotiations for new/expanded air services arrangements** In 2012/13 the Ministry successfully negotiated a record number of new or amended air services arrangements. We aimed to initiate, advance or finalise amended or new agreements with 17 countries, and we have successfully initiated, advanced or finalised agreements with 20 countries (it was planned to finalise five agreements in 2012/13: this was exceeded and 11 agreements were finalised). Entirely new open skies agreements have been established with Qatar, Kuwait, Paraguay, Uruguay and Iceland. The Ministry has replaced existing agreements with new open-skies agreements for Brazil and Chinese Taipei; and has amended existing agreements with the United Arab Emirates, Papua New Guinea, Indonesia and French Polynesia.
	Oversight and coordination of the Ministry's aviation interests at international transport forums In March 2013 the Ministry played an active role in the 6th World-wide Air Transport Conference hosted by the International Civil Aviation Organisation. The conclusions of the conference will assist us in encouraging bilateral air services partners to remove barriers. In the past year, the Ministry has also represented New Zealand at two APEC Transportation Working Group meetings held in Vietnam and Indonesia. Important goals for the working group are to develop systems that ensure safe, secure, and efficient movement of people and goods throughout the region; and to assist with capacity building in developing economies to contribute to efficient, safe, secure and sustainable transport in the APEC region. In June 2013, the Ministry participated in an APEC workshop on Global Supply Chain Resilience. This focused on ways to enhance supply chains, particularly in the event of a large-scale disaster, to support both public and private sectors in finding, developing and using the most efficient supply chains to ensure the safe and secure transportation of goods and services.

Ministry intermediate outcome:	Improved preparedness
Impact 9: Reduced disruptions to access to transport infrastructure and services	**Aviation security preparedness** The Ministry has progressed policy work to investigate the impact of new liquids, aerosols and gels technologies in the New Zealand aviation environment. We have also worked with the Civil Aviation Authority and Air New Zealand to ensure New Zealand meets the United States requirement to screen 100% of all air cargo transiting New Zealand to the United States. The Ministry has continued to build our relationship with the Australian Office of Transport Security to ensure greater continuity and collaboration on security issues.

Multi-modal

Multi-modal – performance measures

Actual 2011/12	Performance measures	Actual 2012/13	Standards/ Targets 2012/13
New	Lessons learned from review of Canterbury earthquakes response and *MV Rena* grounding investigation recommendations applied to transport emergency management systems by 30 December 2012.	Partially achieved[1]	100%
New	Freight Information Gathering System data published quarterly.	75%[2]	100%
Not achieved. 90% completed as agreed[3]	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[4].	96%	95%
Not achieved 83%[3]	Percentage of policy papers submitted to the annual survey of quality by NZIER that receive a score of 7.5 out of 10 or more (6.5 for 2011/12).	51%	80%
71%	Rules and regulations are developed as specified in the agreed annual rules programme.	77%[5]	90%
New	Programme to periodically review transport legislation and subordinate regulation established by 30 August 2012.	Achieved	Achieved
New	Annual programme of periodic reviews of legislation and regulation completed by 30 June each year.	100%	100%
100%	Advice Quality Characteristics (refer to Conditions on use of Appropriation) as determined through delivery recorded against the project plan.	Not reported against[6]	100%
$11,578,154	**Cost** This output is produced within the overall class appropriation (GST exclusive).	$8,489,012	$8,109,000

[1] Transport national emergency response plan updated in June 2013 with testing carried out in July 2013.

[2] Four FIGs reports have been released in 2012/13; one report every quarter, however one of these was delayed due to a data feed issue.

[3] This performance measure was part of the output class Policy advice in 2011/12.

[4] 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.

[5] 26 rules were due to progress or be completed in 2012/13. 20 rules were actually progressed or completed, following appropriate consultation.

[6] The Ministry completes covering pages to evidence these characteristics have been met, however, these pages are not retained and therefore this measure cannot be reported against.

Multi-modal – Ministry outcomes and impacts

Ministry intermediate outcome:	Better quality regulation
Impact 1: A more efficient transport regulatory system that does not impose unnecessary costs on users	**Regulatory Reform** The Ministry continues to progress a programme for regulatory reform across three key areas: *Opportunities for reform in the transport sector:* A number of projects have been progressed that will result in significant savings and other benefits for New Zealand, including the Agricultural Vehicles Review, Vehicle Licensing Reform, the multi-modal 'Management of Drugs and Alcohol in Adventure Tourism', and the Vehicle Exhaust Emissions amendments. A new project has also been initiated that will examine the regulatory efficiency of the transport regulatory framework and may identify further opportunities for reform. *Improving the way we carry out our regulatory business as usual:* Greater active management of the annual rules programme with our transport agency partners has resulted in considerable progress to ensure a clear policy rationale and focus for every rule on the programme and a significant decrease in the size of the rules programme overall. *Developing our regulatory capability:* for the first time the government transport sector has developed guidance material designed to improve the quality of our regulatory stock. Designed by the Ministry, in collaboration with our transport agency partners, *the Transport Regulatory Policy Statement* provides expectations for best practice regulatory development and implementation, and *the Regulatory Development and Rule Production Handbook* complements it by assisting the Ministry and transport agencies to develop regulatory interventions by standardising a process that is used across the sector. *Development of a longer term programme for fees, charges and levies reviews:* A key lesson from the above reviews was the need to improve the management and implementation of the third-party funding (fees, levies and charges) regime that the Ministry and the transport sector Crown agencies (NZ Transport Authority, Maritime NZ and the Civil Aviation Authority) currently administer. There are over 75 different fees, levies and charges for users of transport-related services that generate over $200 million per annum. A draft framework has been developed with the intention of ensuring that reviews of third-party funding are coordinated, comprehensive, consistent and supported by a rigorous process. The focus in 2013/14 will include developing a schedule of when reviews should be carried out. This aims to address priorities within the sector and to ensure sufficient resource is allocated to enable reviews to be carried out to a high standard.

Ministry intermediate outcome:	Open and efficient transport markets
Impact 3: Transport sector has increased information available to it	**Freight Information Gathering System (FIGS)** FIGS gives an insight into the logistics chain and how it is evolving. It assists the industry to consider the drivers of those changes. New information that was included for the first time during 2012/13 showed the proportions of trade, by both volume and value, shipped in containers and in bulk. During the year, the Ministry moved from producing quarterly reports to producing rolling annual reports. Two reports were released for the periods 1 January 2012 – 31 December 2012 and 1 April 2012 – 31 March 2013.

	Freight Studies The National Freight Demands Study is the pivotal source of information on New Zealand's freight task. The current study reflects the sector as it was in 2006/07. During 2012/13 the Ministry commenced a project to update the study. The Ministry is also undertaking a Future Freight Scenario Study, which will improve the Ministry's understanding of the strategic choices New Zealand has, and the impacts these choices could have on the wider freight system and the international competitiveness of New Zealand's firms. The study will help facilitate and inform discussions with exporters and infrastructure and freight service providers. Knowledge of the likely bottlenecks, costs and benefits can inform the strategic choices they make. Both the National Freight Demands Study and the Future Freight Scenario Study are expected to be completed early in 2014.
	Auckland The Ministry led and coordinated feedback with the Treasury and the NZ Transport Agency on Auckland Transport's *City Centre Future Access Study* and led analysis and advice to Ministers on the outcomes of the study. This study was commissioned by Auckland Transport after the previous Minister of Transport wrote to the Mayor of Auckland requesting a thorough analysis of options for meeting the forecast growth in demand for access into the city centre. The Ministry provided supporting analysis and advice for the government's Auckland transport package. This package included decisions on the next generation of major transport infrastructure projects for the city and bringing forward construction start dates for key State highway projects.

Ministry intermediate outcome:	Improved planning and investment in infrastructure and services
Impact 4: Central and local government have good frameworks for investment decision making	**Exploration of alternative funding approaches, including non-pricing approaches** This is ongoing work as a core function of the Ministry. An example is the advice provided to Cabinet on the use of a Public Private Partnership (PPP) for the procurement of the Transmission Gully section of the Wellington Northern Corridor Road of National Significance. Cabinet's agreement to use a PPP for Transmission Gully will provide an opportunity to seek greater innovation and potential downstream cost savings to the national programme of roading construction, maintenance and/or renewal, by bringing in private sector capital and incentivising greater innovation in the design, construction and operation of roads. Network optimisation remains a topic of interest, and some low level research has been undertaken in the area. This work will gain prominence over 2013/14 through the development of the next Government Policy Statement on Land Transport Funding 2015.

Ministry intermediate outcome:	Improved preparedness
Impact 9: Reduced disruptions to transport infrastructure and services	**Review findings and implement changes to transport response as an outcome of the Canterbury earthquakes and the *MV Rena* grounding** Findings from the Canterbury earthquakes and the *MV Rena* grounding have influenced the Ministry's emergency response arrangements and contributed toward the development of a work programme on 'resilience' — now one of the Ministry's four long-term desired outcomes for transport. The work programme will look at developing a government sector-wide understanding of resilience and, following this, how to develop a testing and assessment framework for resilience. The Ministry has worked with the Treasury to further develop resilience as a principle within the National Infrastructure Plan, and worked closely with other departments and agencies to assess transport within the National Security System. Operationally, themes were incorporated into a revised Transport National Emergency Response Plan that account for improved communications, flexibility and agility, practising and preparedness.

OUTPUT: MINISTERIAL SERVICING

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

Ministerial servicing – financial performance

Actual 2011/12 $000		Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
N/A	Revenue Crown	2,600	3,300	2,800
N/A	Total expenses	2,600	3,300	2,800
N/A	**Net surplus**	-	-	-

The initial cost of this output of $3.3 million was an estimate based on the Ministry's previous activities under this heading. The review of policy advice revised the definition of Ministerial servicing as well and so the initial estimate was too high for the revised activities. The budget was adjusted during the year to be closer to the estimated actual cost.

Ministerial servicing – performance measures

Actual 2011/12	Performance measures	Actual 2012/13	Standards/ Targets 2012/13
New	Number of items of ministerial correspondence addressed by the Ministry.	608 for direct action, 1,149 for direct action including draft reply	1,400 for direct action, 1,700 for direct action including draft reply
New	Percentage of draft replies to ministerial correspondence completed within 10 working days.	76%	80%
New	Number of Official Information Act requests addressed by the Ministry.	80 requests to the Minister; 85 to the Ministry	80 requests to the Minister; 100 requests to the Ministry
New	Percentage of Official Information Act requests replied to within statutory timeframes.	81%	100%
New	Characteristics (refer to Conditions on use of Appropriation) as determined through delivery recorded against the ministerial servicing item.	Not reported against[1]	100%

[1] The Ministry completes covering pages to evidence these characteristics have been met, however, these pages are not retained and therefore this measure cannot be reported against.

OUTPUT: CLIFFORD BAY FERRY TERMINAL – FACILITATION OF PROCUREMENT

Clifford Bay ferry terminal – facilitation of procurement – financial performance

Actual 2011/12 $000		Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
-	Revenue Crown	1,157	-	1,300
-	Total expenses	1,157	-	1,300
-	**Net surplus**	**-**	**-**	**-**

The costs above are those for seven months, as the output was created from 1 December 2012, following the Cabinet decision to request further work on the proposal.

Clifford Bay ferry terminal facilitation of procurement – performance measures

Actual 2011/12	Performance measures	Actual 2012/13	Standards/ Targets 2012/13
New	Report on an agreed basis to the responsible Minister and Cabinet on the Clifford Bay detailed project assessment.	100%	100%

Clifford Bay ferry terminal – Ministry outcomes and impacts

Ministry intermediate outcome:	Improved planning and investment in infrastructure and services
Impact 5: The Ministry provides good investment advice (in the national interest)	In the first quarter of 2012/13, the Ministry of Transport provided to the Minister of Transport the preliminary business case for developing a ferry terminal at Clifford Bay. The conclusions of this work were found to be strong enough to justify further testing of the commercial viability of the project. The Ministry will provide the Minister with a report on the commercial viability of the project in late 2013.

OUTPUT: GOVERNANCE AND PERFORMANCE ADVICE ON CROWN AGENCIES

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

Governance and performance advice on Crown agencies – financial performance

Actual 2011/12 $000		Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
N/A	Revenue Crown	563	900	600
N/A	Total expenses	563	900	600
N/A	**Net surplus**	-	-	-

The cost of this output was lower than initially forecast due to staff vacancies.

Governance and performance advice on Crown agencies – performance measures

Actual 2011/12	Performance measures	Actual 2012/13	Standards/ Targets 2012/13
New	Advice on transport Crown entity board appointments provided to agreed timeframes.	Achieved	Achieved
Twice yearly[1]	Regularity of Ministry strategic discussions with each Crown entity Chair / Board.	Twice yearly	Twice yearly
New	Percentage of Crown entity performance-related papers submitted to the annual survey of quality by NZIER that receive a score of 7.5 out of 10 or more.	One paper was reviewed. It was scored 7.0	90%
New	Date to complete review of the Ministry's approach to assessing and assuring performance of transport Crown entities	31 December 2012	31 December 2012

[1] This performance measure was part of the output class Governance and Performance Advice for Crown Agencies in 2011/12.

Governance and performance advice on Crown agencies – Ministry outcomes and impacts

Ministry intermediate outcome:	Improved government transport agencies' performance
Impact 8: Ongoing assurance on the performance of government transport agencies	**Facilitate improved governance, accountability and performance in transport Crown agencies** During 2012/13, the Ministry reviewed and tested the operating model for its governance function to determine what excellence looks like. The Ministry is currently considering options to improve related performance, engagement and delivery. We advised the government on the appointment of several board members for the transport Crown agencies, including the reappointment of a number of chairs and deputy chairs. The Ministry engaged with transport Crown agencies on how they contribute to a common transport sector outcomes framework. A high level description of these contributions and the framework are reflected in these agencies' statements of intent for 2013-16. The Ministry continued to develop its work on reviewing agency value for money and business models. The Ministry has initiated a project, to be completed in 2013/14, to improve the scheduling and quality of funding reviews. The Ministry is also participating in a fundamental review of the business and funding models for the Aviation Security Service, which is part of the Civil Aviation Authority. The Ministry prepared ministerial letters of expectations for the boards and advised on Crown agencies' final draft statements of intent, which led to further improvements from previous years.

OUTPUT CLASS: FUEL EXCISE DUTY REFUND ADMINISTRATION

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

Fuel excise duty refund administration – financial performance

Actual 2011/12 $000		Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
-	Revenue Crown	429	429	429
429	Revenue from fees	-	-	-
429	Total revenue	429	429	429
429	Total expenses	429	429	429
-	**Net surplus**	-	-	-

This activity has previously been funded from fee income from other activities. No fee is actually charged on FED refunds. As part of the review of the RUC regime, Cabinet agreed that these costs were to be met in future from the National Land Transport Fund, but in the interim the Crown would meet the cost. Thus the revenue for this output class has been re-categorised as Revenue Crown for 2012/13.

Fuel excise duty refund administration – performance measures

Actual 2011/12	Performance measures	Actual 2012/13	Standards/ Targets 2012/13
New	Average number of days taken to audit, process and pay FED refunds	11 days	10 days

OUTPUT CLASS: MILFORD SOUND/PIOPIOTAHI AERODROME OPERATION AND ADMINISTRATION

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

Milford Sound/Piopiotahi Aerodrome operation and administration – financial performance

Actual 2011/12 $000		Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
216	Other revenue	240	223	255
254	Total expenses	251	223	255
(38)	**Net deficit**	(11)	-	-

This result is an improvement from recent years following an increase in landing fees during 2011/12.

Milford Sound/Piopiotahi Aerodrome operation and administration – performance measures

Actual 2011/12	Performance measures	Actual 2012/13	Standards/ Targets 2012/13
100%	The aerodrome operation will conform with appropriate Civil Aviation Authority safety requirements	100%	100%
$253,661	Operating costs within third-party revenue	$251,491	$223,000

To inform future decisions about the aerodrome, the Ministry engaged a contractor to conduct an Aeronautical Study of the Milford Aerodrome. The study considered the aerodrome's hazards, risks and mitigations to those risks.

The Ministry completed and distributed for consultation with stakeholders, the Specification and Method of Works Plan to accompany a request for tenders for the clearance of the vegetation at the aerodrome.

In June 2013, the Ministry reached an agreement with a contractor on a long-standing dispute over rectification work required after the reseal of the aerodrome runway in 2009/10.

OUTPUT CLASS: SEARCH AND RESCUE ACTIVITY COORDINATION PLA[1]

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.

Search and rescue activity coordination PLA – financial performance

Actual 2011/12 $000		Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
1,113	Revenue Crown	1,135	1,136	1,136
1,113	Total expenses	1,135	1,136	1,136
-	**Net surplus**	-	-	-

[1] PLA – Permanent Legislative Authority

Search and rescue activity coordination PLA – performance measures

Actual 2011/12	Performance measures	Actual 2012/13	Standards/ Targets 2012/13
100%	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%	90%
New	Provision of support services and policy advice to the NZ Search and Rescue Council, and effective leadership and strategic coordination to the wider New Zealand search and rescue sector.	100%	95%

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 that 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.

Ministry performance measures

as set out in Appendix B, Statement of Intent 2012/13

Better quality regulation

Outcome measures

Changes to the transport regulatory environment are estimated to provide a net economic benefit to the economy.	Regulatory changes commonly involve a mix of monetarised and non-monetarised costs and benefits. An assessment of 16 regulatory impact assessments in 2012 identified monetarised benefits of $19.65 million per annum for 10 years.
100 percent of transport regulatory impact statements are assessed as 'meets' or 'partially meets' quality criteria.	See table below

	2009/10	2010/11	2011/12	2012/13
Meets	15	9	6	10
Partially meets	8	1	11	3
Did not meet			1	
Percentage meets or partially meets	100%	100%	94%	100%

Impact measures – A more efficient transport regulatory system that does not impose unnecessary costs on users

90 percent of a scheduled programme of periodic reviews of regulations and rules completed in scheduled review year.	100% of the 2012/13 programme of periodic reviews was completed during the year.
Reduced average timeframe for rule development (from commencement of rule development process to rule coming into force).	Average age of rules projects

2008/09	2009/10	2010/11	2011/12	2012/13
3.3 years	3.9 years	4.5 years	4.9 years	3.5 years

Open and efficient transport markets

Outcome measures

		2008	2009	2010	2011	2012
Increased number of international passenger movements to and from New Zealand.	International passenger movements to and from New Zealand (millions)	9.0	8.9	9.3	9.6	9.7
		2008	2009	2010	2011	2012
Increased number of international flights that depart from New Zealand.	International flights departing New Zealand	30,379	30,322	30,860	31,434	30,787
		2008/09	2009/10	2010/11	2011/12	2012/13
Increased public transport passenger boardings.	Increased public transport passenger boardings (millions)	123	126	128	133	133

Impact measures – Reduced or removed barriers to entry to domestic and international transport markets

International air services agreements provide for greater access to other countries, and for an increased number of services.

New Zealand currently has air services agreements with 50 countries.

In 2012/13, New Zealand negotiated new or enhanced air services arrangements with 10 countries: China, Indonesia, Chinese Taipei, Brazil, Paraguay, Uruguay, Iceland, Kuwait, the United Arab Emirates and the United Kingdom.

Negotiations with French Polynesia have been substantially completed, and negotiations with Qatar are scheduled for 2013. Cabinet mandates have been obtained for negotiations with six further countries (the Philippines, Thailand, Vietnam, Colombia, Peru, and Argentina) and further negotiations will be pursued where opportunities arise.

		2008/09	2009/10	2010/11	2011/12	2012/13
Decreased ratio of subsidy to public transport passenger boardings[1].	Subsidy per passenger boarding (change relative to 07/08)	107	106	104	115	115

[1] Includes SuperGold Card, central and local government public transport contribution dollars. 2007/08 is base year.

Impact measures – Transport sector has increased information available to it

Increased range of freight information is captured within the Freight Information Gathering System.	The Freight Information Gathering System currently captures containerised freight movements through sea ports. Freight movements not currently captured include non-containerised freight through sea ports, and road and rail movements that do not go through a sea port. Further information on the Freight Information Gathering System can be found on the Ministry's website.
Port productivity data for New Zealand's six largest ports is publicly available.	The Ministry provides updated container handling statistics on its website, each quarter. These statistics include: • annual vessel rates (the number of containers moved on and off a container ship in an hour of labour) • annual crane rates (the number of containers a crane lifts on and off a container ship in an hour) • annual ship rates (the number of containers moved on and off a container ship in an hour).

Improved planning and investment in infrastructure and services

Outcome measure

Decreased network congestion in the A.M. peak period in the five largest metropolitan areas.

Congestion index (min delay/km), November surveys

	2008	2009	2010	2011	2012
Auckland A.M. peak	0.60	0.70	0.65	0.51	0.40
Tauranga A.M. peak	0.35	0.36	0.27	0.35	0.34
Wellington A.M. peak	0.40	0.46	0.43	0.44	0.46
Christchurch A.M. peak	0.57	0.59	0.66	[1]	[1]
Hamilton A.M. peak		0.37	0.38	0.49	0.52

1 Comparable data not available due to impact of Canterbury earthquakes.

Increased level of freight moved by KiwiRail.

	2007/08	2008/09	2009/10	2010/11	2011/12
Freight moved by KiwiRail (tonne-kms in billions)	4.6	4.0	3.9	4.2	4.6

Impact measures – Ministry provides good investment advice (in the national interest)

Quality of final advice to government on major investment projects is externally assessed by New Zealand Institute of Economic Research as being 8.0 out of 10 or better.	The New Zealand Institute of Economic Research assessed two significant papers that related to major investment projects (relating to Clifford Bay ferry proposal and KiwiRail) in 2012/13 and assessed both papers as 9 out of 10.

Impact measures – Enough money is raised efficiently and fairly to fund investment priorities

Growth in revenue (in real terms) remains stable in relation to growth in traffic volumes.

Revenue growth relative to kilometres travelled growth[2]

	2007/08	2008/09	2009/10	2010/11	2011/12
Fuel excise and light RUC revenue growth	100	93	101	101	98
Fuel excise and light RUC vehicles kilometres travelled growth	100	99	100	99	100
Heavy vehicle RUC revenue growth	100	95	99	108	106
Heavy vehicles kilometres travelled growth	100	96	95	101	102

2 2007/08 is base year, calculations adjusted to 2011/12 dollars and percentages rounded.

All questions or issues raised by the cross-agency forecasting group, that reviews the results of the Ministry's revenue forecasting model, are resolved to the satisfaction of the group prior to the next forecasting round.	All of the questions or issues raised by the cross-agency forecasting group in 2012/13 were resolved prior to the next forecasting round.

Fewer transport incidents and other harms

Outcome measure

Reduced social cost resulting from transport-related deaths and serious injuries.

Social cost of road crashes excluding non-injury crash costs ($ billions) in June 2012 prices

2008	2009	2010	2011	2012
4.04	3.75	3.70	3.16	3.19

Reduced number of road-related deaths.

Road deaths

2008	2009	2010	2011	2012
366	385	375	284	308

There were 308 road deaths in 2012, the second lowest toll in 60 years. Changes are best viewed over a number of years to mitigate the impact on one-off influences.

Decreased amounts of carbon dioxide emitted from domestic transport per kilometre travelled.

Carbon dioxide (grams) emitted per kilometre of road travel

2002	2004	2006	2008	2010
305	303	307	314	313

Impact measures – Ministry road safety initiatives support reduction in number of deaths and serious injuries

Reduced number of road-related deaths for target groups, where Ministry will initiate specific initiatives to reduce:

	2009	2010	2011	2012
• deaths in crashes involving young drivers	135	147	90	87
• deaths in crashes involving alcohol/drug impaired drivers	142	144	87	103
• deaths in crashes involving high-risk drivers.	129	122	Data not available	Data not available

Reduced number of road-related serious injuries for target groups where Ministry will initiate specific initiatives to reduce:

	2009	2010	2011	2012
• serious injuries in crashes involving young drivers	979	885	713	704
• serious injuries in crashes involving alcohol/drug impaired drivers	585	557	470	468
• serious injuries in crashes involving high-risk drivers.	520	491	Data not available	Data not available

Improved government transport agencies' performance	
Outcome measure	
95 percent, or more, of government's and statements of intent's performance expectations, are met.	For the Ministry of Transport, 90 percent of its work programme was completed in 2012/13, 90 percent of its work programme was completed in 2011/12 and 98 percent was completed in 2010/11. Data for preceding years has not been gathered in this manner across the transport Crown entities and is not yet available for 2012/13.
Impact measures - Ongoing assurance on the performance of government transport agencies	
Increased ministerial satisfaction on the performance of government transport agencies as a consequence of the timely, accurate, succinct nature of Ministry specialist governance and performance advice.	One ministerial satisfaction survey was completed in 2013. The Ministry was assessed as 6 out of 10.

Improved preparedness for, and management of, shocks and major events	
Outcome measure	
Transport Response Team is ready to respond to all emergencies within one hour of being activated.	No Transport Response Team activations were required in 2012/13.
Impact measures – Reduced disruptions to access to transport infrastructure and services	
Increased percentage of lessons learned from post-project evaluations of major planned and unplanned events are applied to systems or frameworks to mitigate impacts of future events.	Six key lessons were identified from the Christchurch earthquakes and *MV Rena* grounding. 100% of these lessons have been applied (including a revision of the Transport National Emergency Response Plan) to mitigate impacts of future events.
Impact measures – Reduced future risks for New Zealand from grounding of ships	
Increase in a shipowner's liability for the cost of future grounding of ships.	New Zealand's level of exposure is the costs that exceed the shipowner's liability. A shipowner's liability for maritime claims in New Zealand is, for visiting cargo ships in the typical size range, in the range of NZ$11 million to $15 million (actual amount determined under a formula specified by the Convention on Liability for Maritime Claims 1976). This level of shipowner's liability has remained unchanged for more than a decade. Legislation is in the House to increase the limit to between $39 million and $56 million by 2015.

Financial performance

Statement of comprehensive income

for the year ended 30 June 2013

Actual 2011/12 $000		Notes	Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
	Income				
30,371	Revenue Crown	2	30,315	32,371	32,001
17,758	Revenue from fees	3	-	-	-
750	Other revenue	4	291	223	308
48,879	**Total operating income**		**30,606**	**32,594**	**32,309**
	Expenditure				
19,849	Contractual payments to Crown entities	5	3,427	3,520	3,427
17,465	Personnel expenses	6	15,504	18,074	17,374
10,447	Other operating expenses	8	10,385	10,019	10,487
249	Capital charge	7	233	250	250
500	Depreciation of property, plant and equipment	11	466	505	478
302	Amortisation of intangible assets	12	247	226	293
67	Finance cost	15	24	-	-
48,879	**Total expenditure**		**30,286**	**32,594**	**32,309**
-	**Net surplus/(deficit)**		**320**	**-**	**-**
-	**Total comprehensive income**		**320**	**-**	**-**

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

Statement of movements in equity

for the year ended 30 June 2013

Actual 2011/12 $000		Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
3,116	**Balance at 1 July**	**3,116**	**3,116**	**3,116**
-	Total comprehensive income	320	-	-
-	Provision to repay surplus to Crown	(320)	-	-
-	Capital withdrawal	(408)	(408)	(408)
3,116	**Balance at 30 June**	**2,708**	**2,708**	**2,708**

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 2013

Actual 2011/12 $000		Notes	Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
	Equity				
2,355	Taxpayers funds		1,947	1,947	1,947
761	Revaluation reserve – Milford Aerodrome		761	761	761
3,116	**Total equity**	9	**2,708**	**2,708**	**2,708**
	Represented by:				
	Current assets				
4,227	Cash and cash equivalents		5,200	3,504	4,499
2,710	Debtors, prepayments and other receivables	10	128	788	56
6,937	**Total current assets**		**5,328**	**4,292**	**4,555**
	Non-current assets				
2,872	Property, plant and equipment	11	2,469	2,420	2,521
382	Intangible assets	12	234	747	463
-	Work in progress		45	-	-
3,254	**Total non-current assets**		**2,748**	**3,167**	**2,984**
10,191	**Total assets**		**8,076**	**7,459**	**7,539**
	Current liabilities				
3,967	Creditors and other payables	13	1,707	2,183	1,706
1,498	Employee entitlements	14	1,508	1,211	1,467
-	Provision to repay surplus		320	-	-
5,465	**Total current liabilities**		**3,535**	**3,394**	**3,173**
	Non-current liabilities				
950	Employee entitlements	14	1,149	724	978
660	Provision for lease make-good	15	684	633	680
1,610	**Total non-current liabilities**		**1,833**	**1,357**	**1,658**
7,075	**Total liabilities**		**5,368**	**4,751**	**4,831**
3,116	**Net assets**		**2,708**	**2,708**	**2,708**

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 2013

Actual 2011/12 $000		Notes	Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
	Cash flows from operating activities				
30,371	Crown		32,975	32,371	34,629
309	Other		314	223	325
103	Crown entities		45	-	45
17,201	Fees		-	-	-
413	Departments		-	-	-
(17,238)	Personnel costs		(15,463)	(17,960)	(16,897)
(9,478)	Operating expenses		(12,481)	(9,999)	(13,132)
(19,849)	Contractual payments to Crown entities		(3,427)	(3,634)	(3,541)
(264)	Net GST paid		(143)	-	-
(249)	Capital charge		(233)	(250)	(250)
1,319	**Net cash flows from operating activities**	16	**1,587**	**751**	**1,179**
	Cash flows from investing activities				
-	Disposal of property, plant and equipment		83	-	-
(142)	Purchase of property, plant and equipment		(145)	(50)	(126)
(67)	Purchase of intangible assets		(144)	(450)	(374)
(209)	**Net cash flows from investing activities**		**(206)**	**(500)**	**(500)**
	Cash flows from financing activities				
-	Capital withdrawal by the Crown	9	(408)	(408)	(408)
-	**Net cash flows from financing activities**		**(408)**	**(408)**	**(408)**
1,110	**Net increase in cash held**		**973**	**(157)**	**271**
3,117	Cash at 1 July		4,227	3,661	4,228
4,227	**Total cash at 30 June**		**5,200**	**3,504**	**4,499**

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.

Statement of commitments

as at 30 June 2013

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 5 years. The Ministry also outsources its IT support.

Actual 2011/12 $000		Actual 2012/13 $000
	Non-cancellable operating lease commitments	
2,366	Not later than 1 year	1,496
6,608	Later than 1 year and not later than 5 years	5,216
954	Later than 5 years	-
9,928	**Total non-cancellable lease commitments**	**6,712**

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 a straight-line basis over the life of the lease.

The reduced commitments overall is mainly due to three reasons: the accommodation leases are a year closer to expiry, the Ministry's IT services contract is now excluded from commitments due to a change in contract terms and the annual rental on our Auckland office has reduced.

Capital commitments

There were no capital commitments as at 30 June 2013 (2012: $nil).

Statement of contingent liabilities and contingent assets

as at 30 June 2013

There were no quantifiable contingent liabilities as at 30 June 2013 (2012: $nil).

Contingent assets

The Ministry has no contingent assets (2012: $nil).

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

Statement of departmental expenses and capital expenditure against appropriations

for the year ended 30 June 2013

Actual Expenditure 2011/12 $000		Actual Expenditure 2012/13 $000	Supplementary Estimates 2012/13 $000	Voted Appropriation 2012/13 $000
	Vote Transport			
	Appropriations for output expenses			
-	Policy advice and related outputs multi class output appropriation	28,471	30,489	30,489
1,113	Search and rescue activity coordination PLA	1,135	1,136	1,136
429	Fuel excise duty refund administration	429	429	429
254	Milford Sound/Piopiotahi Aerodrome operation and administration	251	255	255
28,542	Policy advice	-	-	-
16,329	Road user charges collection, investigation and enforcement	-	-	-
1,593	Land transport revenue forecasting and strategy	-	-	-
619	Governance and performance advice for Crown agencies	-	-	-
48,879	**Total appropriation for output expenses**	**30,286**	**32,309**	**32,309**
	Appropriation for capital expenditure			
209	Ministry of Transport — capital expenditure PLA	289	500	500

The Voted Appropriation column includes all adjustments made in the 2012/13 Supplementary Estimates.

Statement of departmental unappropriated expenditure against appropriations

for the year ended 30 June 2013

Unappropriated Expenditure 2011/12 $000		Actual Expenditure 2012/13 $000	Voted Appropriation 2012/13 $000	Unappropriated Expenditure 2012/13 $000
	Vote Transport			
	Appropriations for output expenses			
-	Policy advice and related outputs multi class output appropriation	28,471	30,489	-
-	Search and rescue activity coordination PLA	1,135	1,136	-
-	Fuel excise duty refund administration	429	429	-
31	Milford Sound/Piopiotahi Aerodrome operation and administration	251	255	-
31		**30,286**	**32,309**	-

Expenses and capital expenditure incurred in excess of appropriation

There were no breaches of projected expenses and capital expenditure (2012: $31,000).

Expenses and capital expenditure incurred without appropriation or other authority, or outside scope of appropriation

There were no expenses or capital expenditure incurred without appropriation, other authority or outside scope (2012:$nil).

Breaches of projected departmental net asset schedules

There were no breaches of projected departmental net asset schedules (2012:$nil).

Notes to financial statements

for year ended 30 June 2013

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

Reporting entity

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

In addition, the Ministry has reported the Crown activities which it administers.

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 2013. The financial statements were authorised for issue by the Chief Executive of the Ministry on 27 September 2013.

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

Basis of preparation

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 the Treasury Instructions.

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

Measurement base

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

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

There were no revisions to accounting standards relevant to the Ministry during the financial year.

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:

- New Accounting Standards Framework. The Minister of Commerce has approved this new Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Framework, the Ministry is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards.
- The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the Ministry expects to transition to the new standards when it prepares its 30 June 2015 financial statements. As the PAS are still under development, the Ministry is unable to assess the implications of the new Framework at this time.
- Accounting Standards Framework for public benefit entities. Due to the change in this framework, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.
- NZ IFRS 7 Financial Instruments: Disclosures and NZ IFRS 9 Financial Instruments - these standards were amended to change the effective date of earlier amendments from 1 January 2013 to 1 January 2015. The Ministry has chosen not to early adopt the changes because the Crown is not early adopting.

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 2013, 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.

Capital charge

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

Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. The Ministry does not enter into foreign exchange contracts. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

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

Short-term debtors, prepayments and other receivables are recorded at their face value, less any provision for impairment.

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. Indicators that the debtor is impaired include significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and 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 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.

Individual assets costing more than $2,000 are capitalised. Assets of a lower cost are capitalised if they are part of a group, or if they are attractive, to improve the control over them.

Additions

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

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired 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 taxpayers' funds.

Revaluation

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

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

The net revaluation result is credited or debited to other comprehensive income and accumulated to an asset revaluation reserve in equity for the aerodrome. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive 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:

Asset class	Useful Life	Depreciation Rate
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	2-10 years	10-50% 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 appropriate, 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:

Asset class	Useful Life	Depreciation Rate
Software	3-5 years	20-33.3% 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

Short-term creditors and other payables are recorded at their face value.

Employee entitlements

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

Presentation of employee entitlements

Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as current liabilities. All other employee entitlements are classified as non-current liabilities.

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

Employee benefits that are due to be settled beyond 12 months after the end of the reporting period in which the employee renders the related service, such as long service leave and retiring leave, are calculated on an actuarial basis. The calculations of likely future entitlements are based on:

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

Expected future payments are discounted using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash outflows for entitlements. The inflation factor is based on the expected long-term increase in remuneration for employees. The discount rates used are detailed in the next column and are provided by the Treasury.

	2013/14	2014/15	Out years
Discount rate %	2.71	3.14	5.50
Salary inflation factor %	2.00	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.

Equity

Equity is the Crown's investment in the Ministry and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified as taxpayers funds, memorandum accounts and property revaluation reserves.

Memorandum accounts

The Ministry does not operate any memorandum accounts.

Property revaluation reserves

These reserves relate to the revaluation of land and buildings to fair value. The reserve relates to the revaluation of Milford Sound/Piopiotahi 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 for.

Statement of cash flows

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

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

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

Financing activities comprise the payment to the Crown of the operating surplus achieved by the Ministry 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 14 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 2013.

Operating leases

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.

NOTE 2: REVENUE CROWN

Actual 2011/12 $000		Actual 2012/13 $000
-	Policy advice and related outputs multi class output appropriation	28,751
1,113	Search and rescue activity coordination PLA	1,135
-	Fuel excise duty refund administration	429
593	Land transport revenue forecasting and strategy	-
619	Governance and performance advice for Crown agencies	-
28,046	Policy advice	-
30,371	**Total revenue Crown**	**30,315**

NOTE 3: REVENUE FROM FEES

Actual 2011/12 $000		Actual 2012/13 $000
16,329	Road user charges collection, investigation and enforcement	-
1,000	Land transport revenue forecasting and strategy	-
429	Fuel excise duty refund administration	-
17,758	**Total revenue from fees**	**-**

Road user charges (RUC) collection, investigation and enforcement activity is now the responsibility of the NZ Transport Agency and so is no longer a departmental output expense.

The other two output classes had been funded from fee income from other activities. As part of the review of the RUC regime, Cabinet agreed that the costs of these were to be met in future from the National Land Transport Fund but in the interim the Crown would meet the cost. Thus the revenue for these has been re-categorised as Revenue Crown for 2012/13.

NOTE 4: OTHER REVENUE

Actual 2011/12 $000		Actual 2012/13 $000
234	Other recoveries	246
103	From Crown entities	45
413	From other departments	-
750	**Total other revenue**	**291**

NOTE 5: CONTRACTUAL PAYMENTS TO CROWN ENTITIES

Actual 2011/12 $000		Actual 2012/13 $000
	NZ Transport Agency:	
848	For rules programme activity	899
429	For fuel excise duty refund administration activity	429
16,329	For road user charges collection, investigation and enforcement activity	-
1,493	**Civil Aviation Authority:** for rules programme activity and other costs	1,200
750	**Maritime NZ:** for rules programme activity and other costs	899
19,849	**Total contractual payments to Crown entities**	**3,427**

NOTE 6: PERSONNEL EXPENSES

Actual 2011/12 $000		Actual 2012/13 $000
16,431	Salary and wages	14,348
569	Employer contributions to defined contribution schemes	512
(108)	Annual leave	1
(8)	Long service leave	11
334	Retirement leave	185
-	Sick leave	1
247	Other personnel costs	446
17,465	**Total personnel expenses**	**15,504**

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

NOTE 7: 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 2013 was 8% (2012: 8%).

NOTE 8: OTHER OPERATING EXPENSES

Actual 2011/12 $000		Actual 2012/13 $000
5,279	Professional and specialist services	5,847
1,857	Other operating expenses	2,037
1,533	Operating lease payments	1,440
1,559	Computer bureau and software licence fees	802
137	Advertising and publicity	174
76	Fee to Audit NZ for the financial statement audit	76
-	Fee to Audit NZ for project assurance services	9
6	Net loss on property, plant and equipment	-
10,447	**Total other operating expenses**	**10,385**

NOTE 9: EQUITY

Actual 2011/12 $000		Actual 2012/13 $000
	Taxpayers funds	
2,355	Balance at 1 July	2,355
-	Capital withdrawal	(408)
2,355	Balance at 30 June	1,947
	Property revaluation reserves	
761	Balance at 1 July and 30 June	761
3,116	**Total equity**	**2,708**

The capital withdrawal represents the value of the Crash Analysis System's hardware and software assets. These assets were transferred to New Zealand Transport Agency on 1 July 2012 (notes 11 and 12).

The Ministry has no memorandum accounts in respect of operational services provided to third parties.

NOTE 10: DEBTORS, PREPAYMENTS AND OTHER RECEIVABLES

Actual 2011/12 $000		Actual 2012/13 $000
2,660	Due from the Crown	-
(32)	GST refund / (payable)	113
82	Other receivables	15
2,710	**Total debtors, prepayments and other receivables**	**128**

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 2011	2,170	1,897	1,345	843	6,255
Additions	-	129	-	13	142
Disposals	-	(544)	-	(14)	(558)
Balance at 30 June 2012	**2,170**	**1,482**	**1,345**	**842**	**5,839**
Balance at 1 July 2012	2,170	1,482	1,345	842	5,839
Additions	-	145	-	-	145
Disposals	-	(364)	-	-	(364)
Balance at 30 June 2013	**2,170**	**1,263**	**1,345**	**842**	**5,620**
Accumulated depreciation					
Balance at 1 July 2011	1,116	1,377	36	490	3,019
Depreciation expense	217	172	29	82	500
Disposals	-	(543)	-	(9)	(552)
Balance at 30 June 2012	**1,333**	**1,006**	**65**	**563**	**2,967**
Balance at 1 July 2012	1,333	1,006	65	563	2,967
Depreciation expense	217	141	28	80	466
Disposals	-	(282)	-	-	(282)
Balance at 30 June 2013	**1,550**	**865**	**93**	**643**	**3,151**
Carrying amounts					
At 1 July 2011	1,054	520	1,309	353	3,236
At 30 June and 1 July 2012	837	476	1,280	279	2,872
At 30 June 2013	**620**	**398**	**1,252**	**199**	**2,469**

Milford Sound/Piopiotahi Aerodrome was valued at 31 March 2010 by an independent valuer, G Hughson (BE,MIPENZ), of Maunsell Limited. This valuation was done on the basis of the aerodrome's optimised depreciated replacement cost.

NOTE 12: INTANGIBLE ASSETS

	Crash analysis system $000	Other software $000	Total $000
Cost			
Balance at 1 July 2011	408	1,476	1,884
Additions	-	129	129
Balance at 30 June 2012	**408**	**1,605**	**2,013**
Balance at 1 July 2012	408	1,605	2,013
Additions	-	99	99
Disposals	(408)	(54)	(462)
Balance at 30 June 2013	**-**	**1,650**	**1,650**
Accumulated depreciation			
Balance at 1 July 2011	408	921	1,329
Amortisation expense	-	302	302
Balance at 30 June 2012	**408**	**1,223**	**1,631**
Balance at 1 July 2012	408	1,223	1,631
Amortisation expense	-	247	247
Disposals	(408)	(54)	(462)
Balance at 30 June 2013	**-**	**1,416**	**1,416**
Carrying amounts			
At 1 July 2011	-	555	555
At 30 June and 1 July 2012	-	382	382
At 30 June 2013	**-**	**234**	**234**

The Crash Analysis system assets were transferred to the NZ Transport Agency on 1 July 2012.

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: CREDITORS AND OTHER PAYABLES

Actual 2011/12 $000		Actual 2012/13 $000
3,428	Accrued expenses	783
539	Trade creditors	924
3,967	**Total creditors and other payables**	**1,707**

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

NOTE 14: EMPLOYEE ENTITLEMENTS

Actual 2011/12 $000		Actual 2012/13 $000
	Current liabilities	
364	Accrued salary	375
917	Annual leave	916
117	Long service leave	106
69	Retirement leave	79
31	Sick leave	32
1,498	**Total of current portion**	**1,508**
	Non-current liabilities	
138	Long service leave	161
812	Retirement leave	988
950	**Total of non-current portion**	**1,149**
2,448	**Total provision for employee entitlements**	**2,657**

Accrued salary arises from the fortnightly paydays not equating to the year end. Days owed at 30 June 2013:7 (2012:7).

Annual leave reflects the entitlement to annual leave yet to be taken by staff.

Long service and retirement leave obligations are determined on an actuarial basis using a number of assumptions. Two of the key assumptions are the discount rate and the salary inflation factor. Any changes in these assumptions 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 1% from the Ministry's estimates, with all other factors held constant, the estimated carrying amount of the liability would be $96,000 higher/lower.

If the inflation factor were to differ by 1% from the Ministry's estimates, with all other factors held constant, the estimated carrying amount of the liability would be $116,000 higher/lower.

NOTE 15: PROVISION FOR LEASE MAKE-GOOD

Actual 2011/12 $000		Actual 2012/13 $000
593	Balance at 1 July	660
67	Discount unwind (Finance cost)	24
660	**Balance at 30 June**	**684**

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

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

NOTE 16: 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 2013

Actual 2011/12 $000		Actual 2012/13 $000
-	**Net surplus**	**320**
	Add non-cash items	
500	Depreciation of property, plant and equipment	466
302	Amortisation of intangible assets	247
6	Loss on disposal of assets	-
808	**Total of non-cash items**	**713**
	Add/(deduct) movements in working capital items	
29	(Increase)/decrease in prepayments	-
(482)	(Increase)/decrease in debtors and other receivables	2,581
719	Increase/(decrease) in payables and provisions	(2,236)
245	Increase/(decrease) in employee entitlements	209
511	**Net movements in working capital items**	**554**
1,319	**Net cash flows from operating activities**	**1,587**

NOTE 17: 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 draw-downs from the New Zealand Debt Management Office. The Ministry maintains a target level of available cash to meet liquidity requirements.

The table below analyses the Ministry's financial liabilities that will be settled, based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows, based on the liabilities in note 13.

Actual 2011/12 $000		Actual 2012/13 $000
3,967	Less than 6 months (note 13)	1,707
-	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 interest-bearing financial instruments and so has no exposure to interest rate risk.

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 does not enter into foreign exchange forward contracts and so has no exposure to this risk.

NOTE 18: 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 2011/12 $000		Actual 2012/13 $000
	Loans and receivables	
4,227	Cash and cash equivalents	5,200
2,710	Debtors, prepayments and other receivables (note 10)	128
	Financial liabilities measured at amortised cost	
3,967	Creditors and other payables (note 13)	1,707

NOTE 19: 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 $30.3 million (2012: $30.4 million) and $nil from fees (2012: $17.8 million), for specific purposes as set out in the scopes of the relevant government appropriations.

Revenue was received from other entities controlled by the Crown as described in note 4, 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 2013 totalled $0.5 million (2012: $0.4 million) - electricity from Genesis Energy $0.04 million (2012: $0.05 million), air travel from Air New Zealand $0.4 million (2012: $0.3 million) and postal services from New Zealand Post $0.01 million (2012: $0.01 million).

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 2012/13 and 2011/12, the Ministry did not enter into any transactions with key management personnel or their close families.

Key management personnel compensation

Actual 2011/12 $000		Actual 2012/13 $000
1,576	Salaries and other short-term employee benefits	1,659
100	Termination benefits	-
1,676	**Total key management personnel compensation**	**1,659**

At 30 June 2013, key management personnel includes the Chief Executive and the five members (2012: five members) of the senior management team who report directly to him, as well as the Minister and Associate Minister of Transport.

Key management personnel compensation excludes the remuneration and other benefits that the Minister and the Associate Minister of Transport receive. The Minister's 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.

NOTE 20: CAPITAL MANAGEMENT

The Ministry's capital is its equity which comprises taxpayers funds and property 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 21: MAJOR CHANGES TO THE DEPARTMENTAL OUTPUT BUDGETS

Changes were made to the Ministry's output class structure in 2012/13 as referred to in the Statement of objectives and service performance section. A multi class output appropriation entitled Policy advice and related outputs was established which has four output components namely, Policy advice, Governance and performance advice for Crown agencies, Ministerial servicing and Clifford Bay ferry terminal - facilitation of procurement.

Minor changes were made to the Ministry's departmental output budgets for the year 2012/13 by way of the Supplementary Estimates. Explanations for the changes were outlined in the 2012/13 Supplementary Estimates (page 738 onwards). The net changes appear in the following table:

Appropriations for departmental output expenses	Main Estimates $000	Supplementary Estimates $000	Cumulative Vote $000
Policy advice and related outputs – multi class output appropriation	30,806	(317)	30,489
Fuel excise duty refund administration	429	-	429
Milford Sound/ Piopiotahi Aerodrome operation and administration	223	32	255
Search and rescue activity coordination PLA	1,136	-	1,136
Total departmental appropriations	**32,594**	**(285)**	**32,309**

The total departmental output expenses were reduced during the year. The Ministry also made fiscally neutral adjustments between outputs to reflect the costs of work being done. The overall reduction was minimal and explained below:

- an increase of $105,000 – funding was increased to reflect additional third party revenue earned
- a reduction of $390,000 – funding was reprioritised to non-departmental outputs that needed additional funding.

NOTE 22: 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 2013 are:

Statement of comprehensive income

Revenue Crown

The actual revenue Crown figure was $1.7 million below the Supplementary Estimates. This amount was not drawn because it was not required to fund expenditure.

Expenditure

Personnel expenditure was $1.9 million below the Supplementary Estimates due to high turnover and vacancies.

Statement of financial position

Current Assets

Cash and cash equivalents was $0.7 million higher than the Supplementary Estimates due to liabilities being higher than anticipated.

Current Liabilities

Current liabilities are $0.3 million higher than the Supplementary Estimates because the provision to repay surplus was not anticipated.

NOTE 23: 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 2013.

Non-departmental schedules and statements

INTRODUCTION

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:

- $1.225 billion of non-departmental revenue and receipts
- $2.698 billion of non-departmental expenditure
- $0.105 billion of non-departmental assets
- $0.399 billion of non-departmental liabilities

on behalf of the Crown for the year ended 30 June 2013.

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 2013

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

Actual 2011/12 $000		Notes	Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
1,184,162	Indirect taxation	2	1,203,785	1,284,114	1,202,162
2,182	Other 'sovereign power' revenue	3	1,626	1,100	1,800
74,285	Other operational revenue	4	20,191	25,228	19,010
(1,374)	Share of net asset increase in joint venture airports	9	(376)	-	-
1,259,255	**Total non-departmental revenue and receipts**		**1,225,226**	**1,310,442**	**1,222,972**

Schedule of non-departmental expenses

for the year ended 30 June 2013

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 2011/12 $000		Notes	Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
1,889,348	Non-departmental output classes	5	1,907,641	1,830,174	1,938,893
625,661	Purchase or development of capital assets	6	607,265	804,529	607,265
356,099	Other expenses to be incurred by the Crown	7	177,832	178,224	195,152
6,161	Bad debts expense		3,013	6,000	7,000
768	Movement in doubtful debts provision		2,112	-	-
2,878,037	**Total non-departmental expenses**		**2,697,863**	**2,818,927**	**2,748,310**

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

Schedule of non-departmental assets

as at 30 June 2013

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

Actual 2011/12 $000		Notes	Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
	Current assets				
20,119	Cash and bank balances		31,400	3,706	-
57,172	Receivables and advances	8	48,853	63,317	57,171
	Non-current assets				
24,358	Investment in joint venture airports	9	24,379	26,680	25,305
101,649	**Total non-departmental assets**		**104,632**	**93,703**	**82,476**

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

- Civil Aviation Authority (which includes the Aviation Security Service)
- Maritime NZ
- 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 2013

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

Actual 2011/12 $000		Notes	Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
	Current liabilities				
348,583	Payables	11	398,642	259,184	309,847
348,583	**Total non-departmental liabilities**		**398,642**	**259,184**	**309,847**

Payables are non-interest bearing and are normally settled within 14 days, therefore the carrying value of payables approximates their fair value.

Statement of non-departmental expenditure and capital expenditure against appropriations

for the year ended 30 June 2013

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

Actual 2011/12 $000		Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
	Appropriations for non-departmental output classes			
3,865	Accident or incident investigation and reporting	3,865	3,865	3,865
-	Construction of passing opportunities on State Highway 2 between Napier and Gisborne	150	-	500
-	Crash analysis	775	775	775
2,475	Licensing activities	3,145	3,561	3,245
145	Maritime port security	145	145	145
548	Ministerial servicing by the NZ Transport Agency	548	548	548
1,742,800	National Land Transport Programme PLA**	1,818,900	1,767,000	1,818,900
-	Policy advice and related outputs – civil aviation MCOA	2,219	2,219	2,219
-	Policy advice and related outputs – maritime MCOA	6,645	6,510	6,645
3,824	Rail – Waikato network funding	1,590	1,591	1,591
45,000	Reinstatement of local roads in Canterbury	26,200	-	57,000
-	Road user charges collection	12,773	13,273	12,773
-	Road user charges investigation and enforcement	3,779	3,779	3,779
-	Road user charges refunds	450	450	450
3,316	Search and rescue activities	3,316	3,316	3,316
4,473	Search and rescue and recreational boating safety activities PLA	4,473	4,473	4,473
47	SuperGold card – administration of the public transport concessions scheme	95	95	95
18,573	Weather forecasts and warnings	18,573	18,574	18,574
5,000	Canterbury transport project	-	-	-
2,219	Civil aviation policy advice	-	-	-
7,097	Maritime safety regulation and monitoring	-	-	-
47,966	Motor vehicle registry	-	-	-
2,000	Regional development transport funding	-	-	-
1,889,348	**Sub-total**	**1,907,641**	**1,830,174**	**1,938,893**

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

Actual 2011/12 $000		Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
	Appropriations for other expenses to be incurred by the Crown			
132,498	Auckland rail development	142,963	152,106	159,108
6,161	Bad debt provision – motor vehicle registration/licences and road user charges	3,013	6,000	7,000
685	Membership of international organisations	611	743	743
112,027	Rail – metro rail rolling stock and infrastructure (Wellington)	5,415	-	5,415
3,270	Rail – public policy projects	3,270	3,270	3,270
500	Rail – railway safety	500	500	500
21,339	SuperGold Card – public transport concessions for cardholders	22,755	21,605	22,755
32,179	Tauranga maritime incident response	2,318	-	3,361
43,454	Loan for Auckland metro rail electric multiple unit package fair value write-down	-	-	-
10,147	Rail – network and rolling stock upgrade	-	-	-
362,260	**Sub-total**	**180,845**	**184,224**	**202,152**
	Appropriations for capital contributions to other organisations			
103	Aviation Security Service	-	-	200
154	Joint venture airports – Crown contribution	397	500	947
-	Maritime NZ capital expenditure PLA	745	-	745
170,000	NLTF borrowing facility for short-term advances	120,000	750,000	750,000
-	National War Memorial Park: Buckle Street undergrounding project	15,000	-	15,000
-	KiwiRail equity injection	322,500	-	322,500
250,000	Rail – KiwiRail Turnaround Plan funding	250,000	250,000	250,000
60,000	Rail – loan for Auckland metro rail electric multiple unit package	110,000	100,000	118,000
250,000	Rail – New Zealand Railways Corporation loans	107,500	-	107,500
11,713	Rail – Wellington metro rail network upgrade	10,870	13,897	10,870
-	Tauranga Eastern Link loan	-	20,000	-
741,970	**Sub-total**	**937,012**	**1,134,397**	**1,575,762**
	Appropriations for purchase or development of capital assets from the Crown			
625,661	National Land Transport Programme – new infrastructure for and renewal of State highways PLA	607,265	804,529	607,265
625,661	**Sub-total**	**607,265**	**804,529**	**607,265**
3,619,239	**Total non-departmental expenditure and appropriations**	**3,632,763**	**3,953,324**	**4,324,072**

** 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.

Details of multi-year appropriations

	Auckland Rail Development $000	Joint Venture Airports – Crown Contribution $000
Commences	1 July 2009	1 July 2011
Expires	30 June 2014	30 June 2015
Appropriation at 1 July 2012	**663,597**	**2,101**
Expenditure in prior years	482,656	153
Expenditure in current year	142,963	397
Total expenditure to 30 June 2013	**625,619**	**550**
Balance of appropriation remaining at 30 June 2013	**37,978**	**1,551**

Statement on non-departmental commitments

as at 30 June 2013

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 2011/12 $000		Actual 2012/13 $000
	Operating commitments	
74,296	Other non-cancellable contracts for the supply of goods and services	75,739
74,296	**Total operating commitments**	**75,739**
	Term classification of commitments	
18,574	Not later than 1 year	20,017
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**	**75,739**

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

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

Statement of non-departmental contingent liabilities

as at 30 June 2013

This statement discloses situations which exist at 30 June 2013, 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 2011/12 $000		Actual 2012/13 $000
10,000	Transport Accident Investigation Commission emergency guarantee	10,000
10,000	**Total contingent liabilities**	**10,000**

The Minister of Finance has issued a $10 million guarantee to the Transport Accident Investigation Commission, for use in the event of a major transport accident (air 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 2013

There was no unappropriated expenditure noted during 2012/13 (2012: $Nil).

Notes to non-departmental schedules

for the year ended 30 June 2013

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

Reporting entity

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

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 2013.

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, infringement fees and tolling revenue are recognised on an accrual basis.

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 the 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 2011/12 $000		Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
1,044,600	Road user charges	1,066,192	1,152,255	1,061,963
174,655	Motor vehicle registration fees	173,844	170,485	177,744
1,219,255	**Sub-total**	**1,240,036**	**1,322,740**	**1,239,707**
(35,093)	Fuel excise duty refunds	(36,251)	(38,626)	(37,545)
1,184,162	**Total indirect taxation**	**1,203,785**	**1,284,114**	**1,202,162**

NOTE 3: OTHER 'SOVEREIGN POWER' REVENUE

Actual 2011/12 $000		Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
2,182	Infringement fees – tolls and other	1,626	1,100	1,800
2,182	**Total other 'sovereign power' revenue**	**1,626**	**1,100**	**1,800**

NOTE 4: OTHER OPERATIONAL REVENUE

Actual 2011/12 $000		Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
14,401	Road user charges administration fees	11,009	14,825	11,510
6,415	Toll revenue – Northern Gateway toll road (note 10)	7,116	6,800	7,500
-	Other revenue	2,066	-	-
6,467	Motor vehicle registration recoveries	-	3,603	-
47,002	Motor vehicle registration administration fees	-	-	-
74,285	**Total other operational revenue**	**20,191**	**25,228**	**19,010**

Motor vehicle registration recoveries and administration fees are third party revenue of the NZ Transport Agency from 2012/13, rather than revenues of the Crown and so are not reported above. This change resulted from a review of the motor vehicle registry system, and is offset by the disestablishment of the corresponding non-departmental output expense appropriation: Motor vehicle registry.

NOTE 5: NON-DEPARTMENTAL OUTPUT CLASSES

Actual 2011/12 $000		Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
1,889,348	This expense item is equal to the appropriations for non-departmental output classes listed in the statement of non-departmental expenditure and appropriations.	1,907,641	1,830,174	1,938,893
1,889,348	**Total non-departmental output classes**	**1,907,641**	**1,830,174**	**1,938,893**

NOTE 6: PURCHASE OR DEVELOPMENT OF CAPITAL ASSETS

Actual 2011/12 $000		Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
625,661	This expenditure is for the construction of, and improvement to, the State highway network including pavement rehabilitation and seal widening.	607,265	804,529	607,265
625,661	**Total purchase or development of capital assets**	**607,265**	**804,529**	**607,265**

NOTE 7: OTHER EXPENSES TO BE INCURRED BY THE CROWN

Actual 2011/12 $000		Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
132,498	Auckland rail development	142,963	152,106	159,108
685	Membership of international organisations	611	743	743
112,027	Rail – metro rail rolling stock and infrastructure (Wellington)	5,415	-	5,415
3,270	Rail – public policy projects	3,270	3,270	3,270
500	Rail – railway safety	500	500	500
21,339	SuperGold card – public transport concessions for cardholders	22,755	21,605	22,755
32,179	Tauranga maritime incident response	2,318	-	3,361
43,454	Loan for Auckland metro rail electric multiple unit package fair value write-down	-	-	-
10,147	Rail network and rolling stock upgrade MYA	-	-	-
356,099	**Total other expenses to be incurred by the Crown**	**177,832**	**178,224**	**195,152**

NOTE 8: RECEIVABLES AND ADVANCES

Actual 2011/12 $000		Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
53,597	Motor vehicle registration fees	46,609	43,685	45,657
-	Prepayments	-	12,106	-
9,201	Road user charge revenue	10,210	12,687	9,201
1,639	Toll revenue	1,691	1,910	1,765
674	Infringement fee revenue	394	100	548
65,111	**Sub-total**	**58,904**	**70,488**	**57,171**
(7,939)	Provision for doubtful debts	(10,051)	(7,171)	-
57,172	**Total receivables and advances**	**48,853**	**63,317**	**57,171**

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 2013 (2012: $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 9: INVESTMENT IN JOINT VENTURE AIRPORTS

Actual 2011/12 $000		Actual 2012/13 $000
11,726	New Plymouth	11,676
3,726	Taupō	3,681
5,135	Wanganui	5,086
716	Westport	922
584	Whakatane	538
2,471	Whangarei	2,476
24,358	**Total investment in joint venture airports**	**24,379**

The Crown has a 50% interest in each airport. The value of the investment at 30 June 2013 is based on the annual financial statements of each airport for the year ended 30 June 2012 (2012: 30 June 2011), plus capital contributions from the Crown during the year ended 30 June 2013.

The investment was reduced by $376,000 for losses incurred by the airports during the year ended 30 June 2012 (2012: $500,000 reduction) and increased for capital payments made during 2012/13 of $397,000 (2012: $130,000).

The net result is a $21,000 increase in the Crown's equity position for the year ended 2013 (2012: $370,000 reduction).

NOTE 10: INVESTMENT IN THE NORTHERN GATEWAY TOLL ROAD

The Northern Gateway toll road project was completed during 2008/09 with a contribution from the Crown of $158 million. 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).

A notional account is 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 6.45% which is the average rate for the infrastructure bonds issued to fund the contribution, plus 15 basis points. The project was modelled using an estimated rate of 6.4 %. 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 2011/12 $000		Actual 2012/13 $000
158,000	Funding provided for construction	158,000
50,750	Interest charged since funding first drawn	63,131
(20,937)	Tolling revenue since February 2009	(28,053)
187,813	**Balance at the year end**	**193,078**

Current year

Actual 2011/12 $000		Actual 2012/13 $000
182,198	Balance brought forward	187,813
12,030	Interest cost for the year	12,381
(6,415)	Tolling revenue for the year	(7,116)
187,813	**Balance at the year end**	**193,078**

NOTE 11: PAYABLES

Actual 2011/12 $000		Actual 2012/13 $000	Main Estimates 2012/13 $000	Supplementary Estimates 2012/13 $000
279,514	National Land Transport Fund revenue payable to the NZ Transport Agency	352,223	200,000	250,000
753	Output funding payable to Maritime NZ	470	-	-
18,727	Output funding payable to New Zealand Railways Corporation	1,638	13,414	12,000
1,741	Output funding payable to Meteorological Service	-	1,741	-
14,585	GST payable	13,848	14,352	14,585
32,055	Motor vehicle registration third party collections	30,443	28,445	32,054
1,208	Road user charges refunds	20	1,232	1,208
348,583	**Total payables**	**398,642**	**259,184**	**309,847**

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

NOTE 12: FINANCIAL INSTRUMENTS

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

Actual 2011/12 $000		Actual 2012/13 $000
	Loans and receivables	
20,119	Cash and cash equivalents	31,400
57,172	Receivables and advances	48,853
77,291	**Total loans and receivables**	**80,253**
	Financial liabilities measured at amortised cost	
348,583	Payables	398,642

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 13: MAJOR BUDGET CHANGES

Changes were made to the non-departmental budgets in the 2012/13 Supplementary Estimates. Explanations for significant variances only are provided below.

Revenue and receipts

	Main Estimates $000	Supplementary Estimates $000	Cumulative Vote $000
Indirect taxation			
Motor vehicle registration	170,485	7,259	177,744
Road user charges	1,152,255	(90,292)	1,061,963
Fuel excise duty refunds	(38,626)	1,081	(37,545)
	1,284,114	**(81,952)**	**1,202,162**
Other 'sovereign power' revenue			
Infringement fees – tolls and other	1,100	700	1,800
Other operational revenue			
Road user charges administration fees	14,825	(3,315)	11,510
Motor vehicle registration recoveries	3,603	(3,603)	-
Toll revenue	6,800	700	7,500
	25,228	**(6,218)**	**19,010**

Tax revenue and related fees

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

Infringement fees – tolls and other

The level of toll infringements is uncertain at this time as enforcement activity has only been undertaken for a short time.

Non-departmental expenditure and capital appropriations

	Main Estimates $000	Supplementary Estimates $000	Cumulative Vote $000
Appropriations for non-departmental output expenses			
Construction of passing opportunities on State Highway 2 between Napier and Gisborne	-	500	500
Licensing activities	3,561	(316)	3,245
National Land Transport Programme PLA	1,767,000	51,900	1,818,900
Policy advice and related outputs – Maritime MCOA	6,510	135	6,645
Reinstatement of local roads in Canterbury	-	57,000	57,000
Road user charges collection	13,273	(500)	12,773
Non-departmental other expenses			
Auckland rail development MYA	152,106	7,002	159,108
Bad debt provision – motor vehicle registration/licences and road user charges	6,000	1,000	7,000
Rail – metro rail rolling stock and infrastructure (Wellington)	-	5,415	5,415
SuperGold card – public transport concessions for cardholders	21,605	1,150	22,755
Tauranga maritime incident response	-	3,361	3,361
Capital expenditure			
Aviation Security Service	-	200	200
Joint venture airports – Crown contribution	500	447	947
KiwiRail equity injection	-	322,500	322,500
Maritime NZ capital expenditure PLA	-	745	745
National Land Transport Programme – new infrastructure for and renewal of State highways PLA	804,529	(197,264)	607,265
National War Memorial Park: Buckle Street undergrounding project	-	15,000	15,000
Rail – loan for Auckland metro rail electric multiple unit package	100,000	18,000	118,000
Rail – New Zealand Railways Corporation loans	-	107,500	107,500
Tauranga Eastern Link loan	20,000	(20,000)	-
Wellington metro rail network upgrade	13,897	(3,027)	10,870

Explanations for the major changes were outlined in the 2012/13 Supplementary Estimates (pages 738 onwards). They were:

Construction of passing opportunities on State Highway 2 between Napier and Gisborne

The appropriation was created during 2012/13 with funding of $500,000 for the year.

Licensing activities

Two elements of this appropriation were adjusted.

- driver licence stop orders – a net decrease of $486,000 from moving funding between years
- drug and alcohol assessments – $170,000 was reprioritised to here from elsewhere in Vote Transport to fund an increase in the forecast number of assessments.

National Land Transport Programme PLA, and
National Land Transport Programme – new infrastructure for and renewal of State highways PLA

The NZ Transport Agency is responsible for the National Land Transport Programme which delivers the government objectives laid out in the Government Policy Statement on Land Transport Funding. Road tax revenue is allocated to the fund by legislation and is appropriated in these two appropriations.

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

- road tax revenue is forecast every six months. The State highway capital appropriation is adjusted as required as revenue increases or decreases
- funding is moved between the two appropriations to reflect the planned levels of operating and capital expenditure for the year.

Policy advice and related outputs – maritime MCOA
Reinstatement of local roads in Canterbury
Rail – metro rail rolling stock and infrastructure (Wellington)
Aviation Security Service
Joint venture airports – Crown contribution

These appropriations increased due to transfers of unspent funding from 2011/12.

Road user charges collection

This appropriation reduced due to an expense transfer to 2013/14.

Auckland rail development
Wellington metro rail network upgrade

These appropriations were adjusted to match the timing of planned expenditure over their lives.

Bad debt provision – motor vehicle registration/licences and road user charges

This appropriation was increased to reflect the estimated forecast expense in the year.

SuperGold Card – public transport concessions for cardholders

The appropriation increased due to an expense transfer from 2011/12 and a reprioritisation of funding from within Vote Transport to match the appropriation to the forecast expense.

Tauranga maritime incident response

This appropriation increased due to an expense transfer from 2011/12 and a successful funding request to carry on the incident response.

KiwiRail equity injection

This appropriation was created to convert existing loans from the Crown into equity.

Maritime NZ capital expenditure PLA

The funding was appropriated to reimburse Maritime NZ for high search and rescue costs in 2010/11 and 2011/12.

National War Memorial Park: Buckle Street undergrounding project

The appropriation was created during 2012/13 with funding of $15 million for the year.

Rail – Loan for Auckland metro rail electric multiple unit package

There was a net increase to 2012/13 from moving funding between years.

Rail – NZ Railways Corporation loans

The appropriation reflects the decision by Cabinet to roll over existing loans to KiwiRail.

Tauranga Eastern Link loan

The appropriation reduced to nil in 2012/13 due to an expense transfer to 2013/14.

NOTE 14: MAJOR BUDGET TO ACTUAL VARIANCES

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

Schedule of non-departmental revenue and receipts

Total revenue and receipts were $2.2 million higher than forecast due to the following:

- actual indirect taxation was $1.6 million higher than forecast. These revenues are forecast on a six-monthly basis
- other operational revenue was $1.2 million higher than forecast. This revenue covers toll revenue and administration fees paid with motor vehicle registration charges and road user charges
- other 'sovereign power' revenue was $0.2 million lower, largely relating to tolling infringement fees
- the Crown's share of joint venture airports losses was $0.4 million, nothing was forecast.

Schedule of non-departmental expenses

Total expenses were $50 million less than appropriated in Supplementary Estimates. The significant variances relate to the following appropriations:

Reinstatement of local roads in Canterbury: costs were incurred more slowly than expected and unspent funds will be carried forward to 2013/14 – an underspend of $30.8 million.

Auckland rail development: work that was expected to be completed this year will now occur in 2013/14 which is expected to be the last year of the appropriation – an underspend of $16.1 million.

Bad debt provision – motor vehicle registration/licences and road user charges: the NZ Transport Agency changed the application of its revenue policy so that revenue that is unlikely to be collected is not recognised, which means less revenue is written off as bad debts. This generated a lower expense by $4.0 million.

Schedule of non-departmental assets

Non-departmental assets were $22.2 million higher than forecast due to the following:

- cash and bank balances are higher than forecast by $31.4 million, as the NZ Transport Agency accrued more expenditure than anticipated (less was paid in cash)
- the provision for doubtful debt was $10.1 million, nothing was forecast.

Schedule of non-departmental liabilities

Payables were $89 million higher than forecast. These non-departmental payables relate to timing of payments to Crown agencies under Vote Transport. The agencies generally request sufficient cash to cover their expenditure for the month and this can vary and so is difficult to forecast accurately.

Trust money administered on behalf of the Crown

Schedule of trust money administered on behalf of the Crown for the year ended 30 June 2013

Description of trust

MV Rena settlement trust

This trust was established to hold settlement proceeds paid to the Crown by the owner of the *MV Rena*.

Schedule of trust money

The schedule shows the opening and closing balance of the trust, and movements during the year.

Under the Public Finance Act 1989, and by delegation from the Secretary to the Treasury, trust money can only be invested on deposit with New Zealand registered banks or in New Zealand government stock. Trust money is also managed so that there is no significant concentration of credit risk. Interest rate risk is managed by investing across a wide range of maturity dates, but subject to liquidity requirements.

Actual 2011/12 $000		Actual 2012/13 $000
-	Balance at 1 July	-
-	Contribution	27,600
-	Distribution	(197)
-	Interest revenue	551
-	Expenses	-
-	**Balance at 30 June**	**27,954**

Contributions to the trust are the settlement proceeds from the owner of the *MV Rena*.

The distribution from the trust is the payment to an agency to reimburse it for grounding-related costs incurred.

The funds are in an interest bearing account with Westpac. Due to the expected short term nature of the trust, the funds have not been put into a term deposit.

Independent Auditor's report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of the Ministry of Transport's financial statements, non-financial performance information and schedules of non-departmental activities for the year ended 30 June 2013.

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

We have audited:

- the financial statements of the Ministry on pages 41 to 61, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2013, the statement of comprehensive income, statement of changes in equity, statement of departmental expenses and capital expenditure against appropriations, statement of 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; and
- the non-financial performance information of the Ministry that comprises the statement of service performance and the report about outcomes on pages 19 to 40; and
- the schedules of non-departmental activities of the Ministry on pages 62 to 77 that comprise the schedule of assets, schedule of liabilities and revaluation reserves, schedule of commitments and schedule of contingent liabilities and contingent assets as at 30 June 2013, the schedule of expenses, schedule of expenditure and capital expenditure against appropriations, schedule of unappropriated expenditure and capital expenditure, schedule of income and statement of trust monies, 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 41 to 61:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect the Ministry's:
    - financial position as at 30 June 2013;
    - 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 2013; and
    - unappropriated expenses and capital expenditure for the year ended 30 June 2013, and
- the non-financial performance information of the Ministry on pages 19 to 40:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the Ministry's service performance and outcomes for the year ended 30 June 2013, including for each class of outputs:
    - its service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and
    - its 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 62 to 77 fairly reflect, in accordance with the Treasury Instructions:
    - the assets, liabilities, contingencies, commitments and trust monies as at 30 June 2013 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 27 September 2013. This is the date at which our opinion is expressed.

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

BASIS OF OPINION

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

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements, the non-financial performance information 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 non-financial performance information 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 non-financial performance information 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 non-financial performance information 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 appropriateness of the reported non-financial performance information within the Ministry's framework for reporting performance;
- the adequacy of all disclosures in the financial statement, the non-financial performance information and the schedules of non-departmental activities; and
- the overall presentation of the financial statements, the non-financial performance information and the schedules of non-departmental activities.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, the non-financial performance information and the schedules of non-departmental activities. Also we did not evaluate the security and controls over the electronic publication of the financial statements, the non-financial performance information and the schedules of non-departmental 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 non-financial performance information 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 reflect its service performance and outcomes; and
- schedules of non-departmental activities, in accordance with the Treasury Instructions, 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, and non-financial performance information and schedules of non-departmental activities that are free from material misstatement, whether due to fraud or error. The Chief Executive is also responsible for the publication of the financial statements, and non-financial performance information and schedules of non-departmental activities, whether in printed or electronic form.

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 non-financial performance information 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 External Reporting Board.

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

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

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Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of the Ministry of Transport for the year ended 30 June 2013 included on the Ministry of Transport's web site. The Ministry of Transport is responsible for the maintenance and integrity of the Ministry of Transport's web site. We have not been engaged to report on the integrity of the Ministry of Transport's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 27 September 2013 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.