Ministry of Transport
TE MANATŪ WAKA

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Annual Report
2013/14

Report of the Ministry of Transport for the year ended 30 June 2014

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

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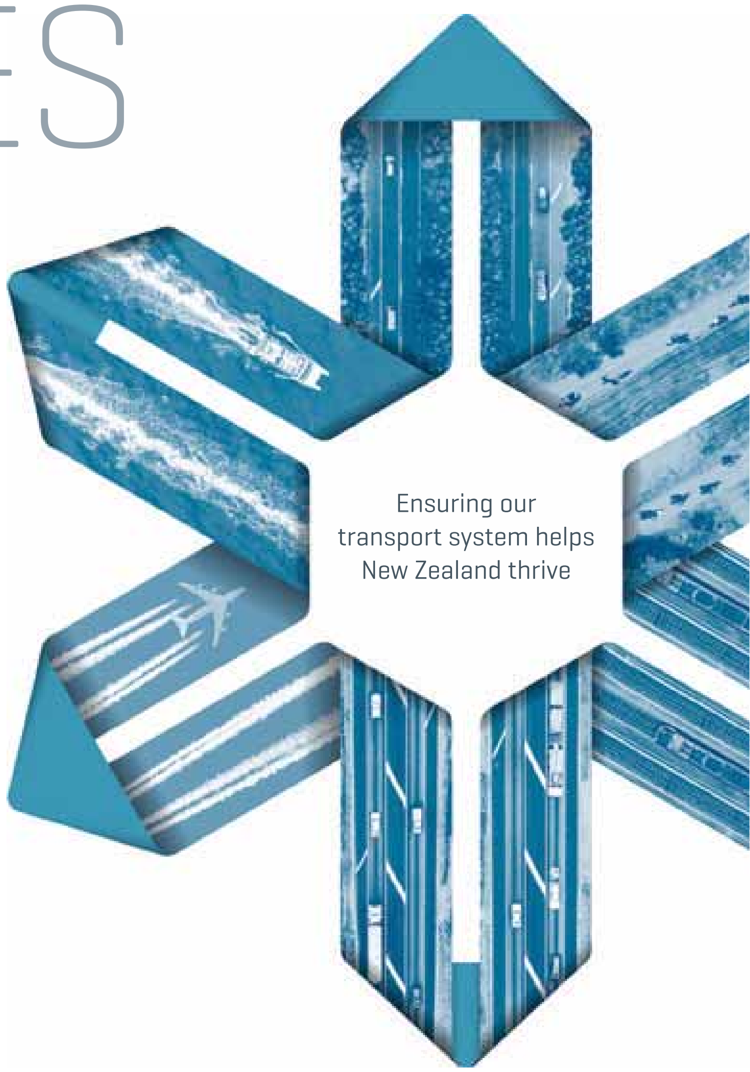
OUR GREATEST IMAGINABLE CHALLENGE

CREATE THE ENVIRONMENT TO DOUBLE THE VALUE FROM TRANSPORT INITIATIVES



ASPIRATIONAL
INFLUENTIAL
CARING
COURAGEOUS
RIGOROUS
SAVVY
COLLABORATIVE

Ministry of **Transport**
TE MANATŪ WAKA

Contents

The Ministry of Transport's purpose is to ensure that our transport system helps New Zealand to thrive

The New Zealand transport system connects us to each other. It links our homes, our families, our workplaces and our social lives. Transport helps us get to where we need to be, and enables us to get what we need to carry out our daily life.

Our transport system also has a crucial role to play in supporting the prosperity of New Zealand. Trade is reliant on efficient and reliable freight movements within New Zealand, and to and from our ports. Our tourism sector is dependent on an effective and safe transport system, connecting our country to the rest of the world.

While there are many players in the transport sector, unlike many parts of the economy the government has a direct role as owner of much of the transport system. This is comprised of $60 billion in roading assets and more than $1 billion of rail assets.

Central and local government invest more than $4 billion a year to maintain and develop this asset base, and to provide services that use these assets.

To keep users of the transport system safe and to minimise harm to the environment, the Ministry administers 270 pieces of transport law.

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

The Ministry has broad responsibility to provide advice to government on issues across the whole of the transport system, and the regulatory framework that supports it. We are focused on developing a transport system that maximises the economic and social benefits to New Zealand and minimises harm. To do this we must have a good base knowledge of the transport sector, and we need to understand the future drivers for transport and their implications for government policy and investment decisions.

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

- understand the transport environment and how organisations and local authorities will respond to different settings
- lead thinking on strategy for the success of the overall system
- facilitate conversations across the transport sector to align activities that will improve the performance of the transport system
- advise on the funding and governance of the transport Crown entities.

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
- representing New Zealand at international transport fora
- licensing all international airlines operating to and from New Zealand
- refunding fuel excise duty (contracted to the NZ Transport Agency)
- negotiating air service agreements
- 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.

We work with others to achieve outcomes for the transport sector

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 thousands 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.

Key management personnel as at 30 June 2014

Martin Matthews, Chief Executive
Andrew Jackson, Deputy Chief Executive
Mike James, General Manager Road and Rail
Nick Brown, General Manager Aviation and Maritime
Gareth Chaplin, General Manager Sector Performance
Jo Harrison, General Manager Organisational Development.

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)

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.

MARITIME NEW ZEALAND

Promotes commercial and recreational vessel safety, marine environment protection standards, and monitors port and ship security. Controls entry to the maritime system through granting of maritime documents and inspection of ships, and advises on international conventions. Investigates maritime accidents and coordinates category II search and rescue. Provides oil spill preparedness and response, navigation aids and the distress and safety radio communications system.

NZ TRANSPORT AGENCY

Allocates funding for land transport infrastructure and services through the National Land Transport Programme. Manages access to the transport system through driver and vehicle licensing, vehicle inspections and rules development. Provides land transport safety and sustainability information and education. Manages the State highway network, including maintenance, improvements and operations activities.

TRANSPORT ACCIDENT INVESTIGATION COMMISSION

(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

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 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.

NEW ZEALAND POLICE

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.

2013/14 in review

Martin Matthews, Chief Executive

This has been a good year for the Ministry. We have stretched ourselves and grown as a result. We have great staff engagement, we are significantly deepening our strategic focus, we are producing excellent results for our stakeholders and we are more productive; producing more with less resource. This review sets out what the Ministry has achieved over the past year, including:

- Our contribution towards the Minister's priorities for transport
- Improving our performance
- Working across the transport sector
- Working internationally
- Setting a long-term vision for the transport sector

I am personally delighted with the Ministry's response to the hard challenges that we set ourselves a few years ago. Our Performance Improvement Framework (PIF) review also challenged us to sharpen up if we were to meet our Greatest Imaginable Challenge, which is to create the environment to double the value from transport initiatives. We were challenged by the reviewers to improve our strategic understanding of the transport sector. We have appointed four world class Strategy Directors to lead projects to improve our skills and understanding of the transport sector and its future needs.

Investing in the strategic needs of the sector has also paid dividends as we seek to unify the government transport sector. We have worked hard to strengthen ties with our stakeholders, the key players in the transport sector.

Our people have responded to the challenge to stretch our goals and lift our vision. As a result, we have achieved a world-class engagement score in our latest Gallup staff engagement survey. For every twelve highly engaged staff members, we have only one disengaged. This shows me that we have a team of people who come to work because they have strong confidence in the Ministry and know that what they do makes a positive difference for New Zealand. Our overall engagement score was 4.08, the second highest in the state sector.

We have worked hard to improve the quality of our work. Our primary output is high quality, timely advice to the Minister. The New Zealand Institute of Economic Research independently assesses this advice, and this year they have given us an average score of 7.4. This falls short of our aspirational target to achieve a score of 7.5, but is a good improvement on our 2013 score, and places us third in the state sector (against 2013 scores). This assures me that we are delivering a great standard of work.

We are delivering strategic depth, high engagement with stakeholders and staff, and high quality advice, with less resource. Over the past six years we have worked to improve our operating model to give better value for the taxpayer. As at June 2014, we are 25 percent smaller than in June 2008, and have a 15 percent smaller operating budget taking into account inflation. But we have lifted our performance in response to this, whilst going through a lot of change. I am proud of what the Ministry has achieved.

While we have done well over the past year, we still have a long road ahead of us to reach our Greatest Imaginable Challenge. There are aspects of our performance that we need to build up and improve on — these are identified in this report.

We want to have a strong, healthy organisation because the job we have to do is so important. It is vital for the future of New Zealand that we have a transport system that maximises economic and social benefits, and minimises harm. We are working to ensure that we have a system that is resilient, effective, efficient, safe and responsible. This matches the Minister's priorities for transport:

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

Over the next few pages I will set out what the Ministry has achieved against the Minister's priorities over the past year.

Our contribution towards the Minister's priorities for transport

Investment in infrastructure

Intelligent Transport Systems - an Action Plan for 2014 -18

In June 2014, the Ministry published the government's Intelligent Transport Systems Technology Action Plan 2014-18. This followed extensive consultation with the sector. Intelligent transport system technologies exploit advances in information processing and communications, and have the potential to greatly improve the effectiveness, efficiency and safety of transport systems. The plan commits to 42 actions involving several government agencies, including attention to regulation, geospatial mapping, and data security and privacy. The Ministry is leading this work and will convene a sector leadership forum to bring together key public and private sector players.

We are also delighted to have been elected to the Intelligent Transport Systems World Congress Hall of Fame as the Asia-Pacific winner of the 'Local Government Award' for our work on promoting intelligent transport systems.

Working to deliver an accelerated Auckland transport package

The Ministry has provided the government with advice and support for the delivery of an accelerated package of transport projects for Auckland. During 2013/14 we worked with the Treasury, and the NZ Transport Agency to provide advice to the Ministers of Transport and Finance on a proposed programme to deliver the package including funding options. As part of Budget 2014, the government provided a $375 million interest free loan to the NZ Transport Agency to enable:

- acceleration of $800 million worth of motorway projects within the Northern Corridor (State Highways 1 and 18), Southern Corridor (State Highway 1) and State Highway 20A by 2019/20
- the continuation of investigations into the East-West Link and the Auckland Manukau Eastern Transport Initiative during 2014/15.

Auckland City Rail Link

After considering advice from the Ministry, the Treasury, and the NZ Transport Agency, in June 2013 the government committed to:

- a joint business case with Auckland Council for the City Rail Link in 2017
- have its share of funding available for a construction start in 2020.

The government also stated it would consider an earlier start date if it becomes clear that Auckland's central business district employment and rail patronage growth will hit thresholds faster than current growth rates suggest.

We are closely monitoring this project and current growth rates, and provide regular updates and advice to the Minister.

Up to date freight information and forecasting

The Ministry released an updated National Freight Demand Study in March 2014. This study is the pivotal source of information on the New Zealand freight task. It provides an up-to-date picture of freight movements and a long-term view for New Zealand freight, which is projected to grow by 58 percent over the next 30 years.

Complementary to this, we are also developing a Future Freight Scenario Study. This builds on the National Freight Demand Study to explore strategic challenges that face New Zealand in the trend towards larger container ships. When completed, this study will improve our understanding of the possible impact of larger ships on the efficiency of domestic and international supply chains, the international competitiveness of New Zealand's firms and the implications for land transport investments.

Determining the need for a ferry terminal at Clifford Bay

The Clifford Bay ferry terminal project set out to determine the commercial viability of establishing a ferry terminal at Clifford Bay. The Ministry, in collaboration with a number of experts and stakeholders, carried out comprehensive analysis between 2012 and 2013. The analysis estimated that the cost of developing this ferry terminal would be $525 million, and that this would not be commercially viable. We recommended against proceeding with development of Clifford Bay citing the cost to government, remaining risks of the project, and the lack of a compelling constraint at Picton.

Following completion of the report, the government released a decision in November 2013 that they would not proceed with a ferry terminal at Clifford Bay and that Picton should remain as the southern terminal for the inter-island ferries.

Developing the Government Policy Statement on Land Transport 2015/16-2024/25

Over $3 billion is allocated through the National Land Transport Fund each year. This investment is accompanied by a further $1 billion of local government investment. The Government Policy Statement on Land Transport sets out the strategy for this investment and the results the government wants to achieve from it over the next 10 years.

The Minister of Transport recently released the draft Government Policy Statement on Land Transport 2015/16-2024/25 for formal engagement. We have undertaken a series of regional engagement sessions throughout New Zealand and met with representatives from local authorities, Local Government New Zealand and other key stakeholders.

Final decisions on this document will be made following the 2014 general election.

Better quality regulation

Review of Civil Aviation Act 1990 and Airport Authorities Act 1966

The Ministry has reviewed the Civil Aviation Act 1990 and the Airport Authorities Act 1966 to ensure they are fit for purpose, given the significant changes that have taken place within the public sector and throughout the aviation environment during the lifespan of both Acts.

We have concluded that there are no fundamental flaws with either of these acts that need an immediate fix. However, the review has identified a large number of issues that it would be beneficial to address with legislative change. We will carry out public consultation on these issues and prepare recommendations for discussion by Cabinet in 2015.

Improving the transport regulatory framework

During 2013/14 the Ministry jointly developed eight rules with the transport agencies that have been signed by the Minister of Transport or Associate Minister of Transport. Notable rules that have been completed or reached major milestones in 2013/14 include:

- the Light-vehicle Brakes Amendment Rule which, from July 2015, will phase in mandatory electronic stability control for all new and used light passenger and goods vehicles entering the New Zealand fleet
- the Vehicle Standards Compliance Amendment Rule which reduces the frequency of warrant of fitness inspections and provides the ability to vary the frequency for certificate of fitness inspections
- an aviation rule [Part 125] that introduces training requirements for medium sized aircraft. In addition, Cabinet approved development of aviation rules relating to the introduction of Safety Management Systems, legal provision for remotely piloted aircraft and a rule to support maintenance training organisations to attract more overseas business
- the introduction of a new Maritime Operator Safety System, which replaces the previous Safe Ship Management system. This system establishes a safety framework that will be easily understood by vessel operators, and places a clear emphasis on operator responsibility
- the introduction of the Seafarer Certification and Operating Limits framework, which changes personnel certification and requirements for seafarer qualifications. It also updates vessel operating limits.

In addition to core regulatory business the Ministry has an ongoing regulatory reform programme. This is a joint programme with the transport agencies. The current programme includes a review of regulatory design for the land, maritime and aviation regulatory frameworks to ensure they are fit for purpose and to improve their flexibility and responsiveness. The programme also includes improving the quality and timeliness of rules development in terms of process, resource and capability.

Regulatory reporting, management of the 2014/15 rules programme and implementation of agreed changes resulting from the Productivity Commission's Regulatory Institutions and Practices report will be a core business focus for the Ministry in 2014/15.

Fit for purpose vehicle licensing

The Ministry has worked closely with the NZ Transport Agency to identify opportunities to reduce the regulatory burden and compliance costs of four vehicle licensing systems, while ensuring ongoing safety. Changes to the warrant of fitness system, which came into full force on 1 July 2014, are estimated to result in net benefits to motorists and businesses of $1.8 billion over 30 years.

Changes to the certificate of fitness operating model will be implemented during 2014/15. The changes will reduce the time commercial vehicles are off the road, and the estimated net benefits are up to $460 million over 30 years.

The Ministry also supported the NZ Transport Agency to develop and assess options for improving the annual vehicle licensing and transport services licensing systems.

Fit for purpose driver licensing

The Ministry has commenced a targeted review to identify parts of the driver licensing system where regulatory efficiency can be enhanced, or the compliance burden on system users reduced, while maintaining road safety. We will present the full analysis of issues raised and advice on any changes to the system to the government in 2015.

Reducing the risks and impacts of maritime oil pollution

During 2013/14 we worked on a number of projects to reduce the risks and impacts of oil spills in the offshore environment.

Rena review

The independent review of the response to the Rena incident identified opportunities for organisational and technical improvements in Maritime New Zealand's capability. The Ministry secured funding of $2 million for Maritime New Zealand to develop a strategy and formal capability to enable it to respond to future serious or complex maritime pollution incidents.

Offshore Oil Exercise

The Ministry secured funding of $400,000 for Maritime New Zealand to undertake an offshore oil exercise to test the capability of a whole-of-government National Emergency Management response to an offshore oil incident. The exercise was carried out in May 2014 and was co-ordinated by Maritime New Zealand in co-operation with the Department of the Prime Minister and Cabinet.

Review of financial assurance requirements for offshore oil installations

We continued to work on increasing the financial assurance requirements for offshore installations to meet the costs of oil spills. The Ministry publicly consulted on increasing the level of assurance held by offshore operators from NZ$26 million to NZ$300 million. In 2014/15, we will amend the maritime rule having taken into consideration the outcome of this consultation.

We also commenced a review, in conjunction with the Ministry of Business, Innovation and Employment, of the wider financial security regime for offshore oil installations. The project will assess whether financial assurance requirements should be scaled based on the specific characteristics of each installation. It will also consider where in the consenting process an assessment of risks and costs should take place, if scaled requirements are introduced. We will present our recommended options for improving the financial security regime to Ministers in 2014/15.

A safer transport system

Safer speeds on our roads

As part of our Safer Journeys 2013-15 Action Plan, we are, together with the NZ Transport Agency, NZ Police and ACC, developing a National Speed Management Programme. This provides an appropriate speeds framework for road types based on function, use, and safety levels.

Reducing the risk of alcohol and drugs

We have worked with the NZ Police to propose legislative amendments to the Land Transport Act 1998. These proposed amendments were to lower the legal alcohol limits for adult drivers from 80 to 50 milligrams of alcohol per 100 millilitres of blood (and an equivalent reduction in the breath alcohol limit). This Bill has now been passed.

We are leading work on two major inter-agency reviews relating to alcohol and drug impaired driving. The first is a review of the drug driving enforcement regime and related issues.

The second is a comprehensive review of court-based penalties for alcohol related driving offences that apply to serious and/or repeat drink drive offenders.

Finally, we have also started a review of drug and alcohol management in the aviation, maritime and rail sectors. This was in part a response to a call from the Transport Accident Investigation Commission (TAIC) for significant drug and alcohol regulation in its report on the Carterton hot air balloon crash. The TAIC recommendation covered both commercial and recreational activities, and included random testing. The Ministry prepared advice for the Minister of Transport on improving drug and alcohol management in these sectors, including any need for legislative or regulatory change. We expect to consult on this issue later in 2014.

Improving the vehicle fleet

In 2014 we have established a programme to co-ordinate work related to improving the safety, emissions and efficiency of the New Zealand vehicle fleet. The aim is to provide a mechanism to identify gaps, synergies and priorities in the Ministry's work programme and ensure an overall focus on the improvement of the vehicle fleet. This will contribute towards the reduction of costs to society of road crashes, vehicle-related respiratory problems and climate change, and reduce the costs of travel for vehicle owners, operators and users.

Improving the driver awareness of international visitors to New Zealand

As part of the Safer Journeys Signature Programme, we are working to improve visiting drivers' awareness of New Zealand driving conditions. Over the next year the Ministry will be reviewing the policy around our international obligations and the law around provisions on unsafe driving.

Opening markets

Air services liberalisation

The international regulatory environment requires that an air services agreement is in place between New Zealand and each other country involved before international air services may be operated. The Ministry leads the New Zealand teams negotiating these agreements.

In 2013/14, we once again successfully negotiated a record number of new or amended air services agreements in accordance with the International Air Transport Policy. These agreements provide opportunities for airlines to offer additional services, increasing New Zealand's connectivity with the rest of the world.

We have put in place entirely new open skies agreements with eight countries, and enhanced existing agreements with a number of key or emerging economies including Hong Kong, the Philippines and Viet Nam. New agreements have allowed code-share services from airlines in markets as diverse as Finland and Ethiopia.

Over 2014/15 we will continue to enter into negotiations to put in place or liberalise bilateral air services agreements. The focus will continue to be on new and emerging markets as well as enhancing existing agreements which are not fully open skies, particularly where these present a potential barrier to airlines looking to inaugurate or expand services.

Construction industry study

In 2013 we commissioned a study to improve our understanding of cost pressures in road construction, maintenance, and operations, and to recommend ways in which such cost pressures could be better managed or mitigated. This research was carried out by the NZ Institute of Economic Research (NZIER).

The report was completed in November 2013 and found that in per kilometre terms, the costs of road construction, maintenance and operations had increased by 58 percent in the 10 years to 2012, compared with a 28 percent increase in consumer prices.

The study identified nine key factors contributing to cost pressures and made six main recommendations. The NZ Transport Agency reviewed the report's recommendations. They agreed in most part and could demonstrate good progress towards improving aspects of their procurement approach in line with the recommendations.

Improving transport agency performance

Strengthening our governance relationship

We have moved to strengthen our relationships with the transport sector Crown agencies. In January 2014 the Ministry formed a new team to provide advice on the governance, performance and accountability of the four transport Crown entities. This team has four core functions: strategic engagement, trusted ownership adviser, performance monitoring and Board appointments.

Funding Reviews across the transport sector

In late 2013 the Ministry, in conjunction with the transport sector agencies, developed a framework for the successful co-ordination and delivery of the regular reviews of third party fees, charges and levies which take place across the sector. The development of the framework took in considerations of value for money, quality and completeness.

Some 20 funding reviews are typically underway at any one time, with a total of 75 reviews carried out on a 3 yearly cycle. The new shared tools are designed to help spread best practice and give smaller agencies the benefit of larger agencies' experience and skills. The result will be consistent, better quality information that will reduce the time and resources required for the Minister to make decisions.

Improving our performance

As noted earlier, the Ministry underwent a Performance Improvement Framework (PIF) Review in 2013. This found many areas where we are doing well, and identified challenges in five areas of strategic focus.

The Ministry requested a follow-up PIF review to measure the degree to which it was acting upon the recommendations of the previous review and the pace at which it was progressing in the five focus areas. This review was conducted in June 2014.

The 2014 follow-up PIF report emphasised that we have made a number of substantial advances in the 12 months to date including improved stakeholder relationships, further embedding of the Ministry's Purpose and Philosophy, engagement of staff, improvements to the operating model and increased consistency in the quality of the Ministry's policy advice.

The Ministry's purpose and philosophy is embedded in our culture and in the minds of staff. The 2014 follow-up PIF report notes that staff know what the Ministry wants to achieve and ownership of the goals is more noticeable. Staff are increasingly more engaged with the big picture outcomes of the Ministry.

A renewed focus has been put on professional development for staff at all levels. A refreshed programme of structured development shows the journey for a graduate adviser through to principal adviser. This programme allows the Ministry to 'grow its own', and the wider public sector will also benefit through natural turnover of high quality staff.

Other areas where the Ministry could do better are identified in this report, including continued improvement in project management, to ensure that we manage our resources and time more effectively. In 2013/14 we reviewed our project management methodology and carried out training with all policy staff. We expect that this will lead to better planning and a gain in the efficient use of resources.

Working across the transport sector

Stakeholder engagement

During 2013/14, the Ministry invested time and resource in developing stakeholder relationships to ensure our work is more visible.

We have developed a fresh approach to stakeholder engagement over the last 12 months which involves a programme of structured engagement with key stakeholders led and delivered by the Ministry Leadership Team.

Early in 2014 the Chief Executive and Ministry Leadership Team held breakfast workshops in Auckland, Wellington and Christchurch to outline priorities for the year ahead, and policy teams have undertaken targeted engagement events.

We held a series of workshops around New Zealand to talk to stakeholders about the development of the Government Policy Statement on Land Transport and the National Freight Demand Study. The end result is that local government has been more involved, were able to make more informed submissions during formal engagement, and are more supportive of the policy development process undertaken. This is a good example of how we have turned stakeholder views around by 180 degrees from some quite sharp criticism.

The transport sector collaborates on a number of initiatives and the Ministry continues to work with Maritime New Zealand, the Civil Aviation Authority and the NZ Transport Agency where applicable in sharing capability and expertise across corporate services.

Shared services

In line with the government's priority to deliver Better Public Services, we have been looking at innovative ways to improve the services we deliver to New Zealanders. This includes sharing business functions where it is practical to do so, including Communications, Human Resources, Risk Assurance, and Ministerial Services. As the programme has progressed new initiatives have been included such as Information and Communication Technology, Information Management, Finance and Procurement.

Greater collaboration brings us increased opportunities for learning and development and access to wider pools of knowledge and expertise. For agencies, this means undertaking initiatives that otherwise may be uneconomic to do in isolation. For stakeholders, this will translate to one experience with the transport sector, regardless of which agency they interact with.

The initial phase of the programme has resulted in a number of small scale successes. Infrastructure collaborations, expertise and resource sharing, and greater informal networks have been established across the agencies. A strong culture of collaboration is emerging. Encouraging a sector rather than agency perspective also provides the framework for future collaborative initiatives to take place.

Transport Domain Plan

The Domain Plan is a cross-agency project, co-led by the Ministry and Statistics New Zealand. The Domain Plan project aims to develop a shared understanding of the strengths, gaps, overlaps and deficiencies of transport information and statistics throughout the sector. We will then develop a plan to ensure that these knowledge needs are met. Partners in this project include:

- Civil Aviation Authority
- NZ Transport Agency
- Maritime New Zealand
- Transport Accident Investigation Commission
- KiwiRail
- Treasury
- Local Government New Zealand
- NZ Automobile Association.

Creating a research hub

We have worked with the NZ Transport Agency to review our transport research, and concluded that there was an overall lack of co-ordination between interested entities across the sphere of transport sector research.

The Ministry and the NZ Transport Agency are now establishing a Transport Sector Research Hub.
The hub will:

- improve communication, co-ordination and collaboration in transport sector research where interests align
- shape, inform and direct a national transport research conversation linked to whole of government priorities
- improve access to New Zealand transport research being undertaken, and to international centres of transport research
- drive and demonstrate value for money from the collective transport research spend.

The hub will be multi-modal and multi-disciplinary with the capability to accommodate satellite hubs for particular niche areas of research.

Developing a passenger demand model

We have established a work programme to improve our understanding of the demand for transport and increase our capability in modelling and forecasting transport demand. The work programme involves close partnerships with other government agencies; developing and testing models and establishing interagency transport modelling groups.

The programme consists of five work-streams: Aviation, Maritime, Land–Road, Land-Rail, and Land-Active Modes.

The Ministry has developed two national forecasting models for aviation. One model projects domestic air travel and the other projects short-term international departures by New Zealand residents. We have also commissioned demand forecasting modelling for input into the Government Policy Statement on Land Transport, which included projections for passenger demand by private vehicles, public transport, and active modes.

This work closely links to our Future Demand scenario planning work, and will quantify the scenarios that are developed.

Working internationally

In addition to having a strategic leadership role in New Zealand's transport sector, the Ministry works on an international stage. In May 2014, New Zealand assumed the Presidency of the International Transport Forum. This Forum is part of the Organisation for Economic Co-operation and Development and is a strategic think tank for transport policy.

We are working with a range of other countries to lift the value of the Forum. The focus has been on increasing opportunities to share insights from experience, and research and expertise between countries.

After assuming the Presidency, we began planning for the Forum's Annual Summit which will be held in Leipzig, Germany, in May 2015. The Presidency has provided us with the opportunity to shape the theme of this Summit to one of greatest value to New Zealand. The theme will be 'International Transport, Trade and Tourism'.

New Zealand's meaningful participation in the Asia Pacific Economic Co-ordination (APEC) forum is an ongoing foreign policy imperative. The Ministry hosted a successful 39th APEC Transportation Working Meeting in Christchurch from 31 March - 4 April 2014. Around 220 delegates and speakers attended this meeting. The main theme was transport resilience, and delegates had the opportunity to learn how local aviation, maritime and land infrastructure coped in the aftermath of the Canterbury earthquakes.

The Ministry attended the 38th Transportation Working Meeting in July 2013, and will attend the 40th meeting in August 2014.

Setting a long-term vision for the transport sector

The Ministry works across the transport system, with responsibility to ensure all modes — land, sea, air and rail — continue to meet New Zealand's needs.

The Ministry has appointed four Strategy Directors to lead work developing our vision for the transport sector. The Strategy Directors are focusing on the following work programmes:

Economic development and transport

This project aims to improve our understanding of what different futures for the New Zealand economy may look like over the coming decades, and explores the relationship between transport and economics. The project team is working with the Ministry of Business, Innovation and Employment, the Treasury and the NZ Transport Agency to consider the impact these different potential economic futures could have on our transport investment and infrastructure.

Future demand

This project looks at possibilities for future travel demand in New Zealand. The Future demand project is exploring factors causing change in travel demand, to better understand the uncertainties that lie ahead. Better understanding will inform the ongoing development of New Zealand's transport systems, and allow the Ministry to provide robust advice on investment decisions for transport infrastructure.

The project is engaging a wide cross-section of stakeholders in a scenario planning exercise to consider plausible alternatives for the future of society and mobility in New Zealand.

Future funding

This project is leading work designed to promote informed and critical thinking about future land transport funding and revenue gathering.

We are looking at three critical questions:

- what frameworks should New Zealand use to decide the quantum of the annual investment in the land transport system
- what are the pros and cons of the different tools used to collect revenue
- what risks are there to the hypothecation system and how should we respond to those risks?

Analytical framework

This paper will present a framework for the Ministry of Transport's analytical work, reflecting its openness to markets, approach to planning and investment, intervention logic, and the communication of these messages. The framework will link the Ministry's high-level objective to its more detailed work, and will guide Ministry staff in thinking about and analysing the transport sector, helping us to determine which more detailed areas to focus on and inform stakeholders how the Ministry approaches its analytical work.

I am proud of what we have achieved over the past year and look forward to the next year as we continue to stretch ourselves towards our Greatest Imaginable Challenge and to positively influence the future of the transport sector.

Martin Matthews
Chief Executive, Ministry of Transport

Ministry metrics and cost-effectiveness

Key people metrics and core capacity

Over the past four years our percentage of policy staff has continued to rise, from 51 percent in 2010/11 to 66 percent in 2013/14. This reflects the effort we are putting into increasing our policy capability, while doing more with the resources we have.

As at 30 June	2013/14	2012/13	2011/12	2010/11
Number of employees				
Policy development	102	91	89	82
Management	18	20	21	22
Administration	34	34	36	56
Total headcount	**154**	**145**	**146**	**160**
Turnover	10%	15%	15%	18%
Gender				
Women	47%	49%	53%	58%
Men	53%	51%	47%	42%
Ethnicity distribution				
NZ European	66%	72%	73%	67%
NZ Māori	5%	5%	1%	2%
Pacific peoples	1%	1%	3%	3%
Asian	8%	8%	6%	7%
Other European	13%	7%	14%	18%
Other ethnic groups	3%	5%	3%	3%
Undeclared	4%	2%	0%	0%
Sick leave taken – average days for each employee	5	5	5	7
Age distribution (permanent staff)				
20 – 29	22%	19%	23%	19%
30 – 39	17%	20%	22%	21%
40 – 49	28%	31%	27%	33%
50 – 59	23%	20%	16%	15%
60+	10%	10%	12%	12%

Equal employment opportunities

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

Cost-effectiveness

Cost-effectiveness is a measure of how well an organisation uses its inputs to achieve its desired outcomes. 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. Firstly, 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 around $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 against which we can manage projects to ensure they 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 continuous 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:

- 90 percent of regulatory impact statements are assessed as 'meets' or 'partially meets' the required standards
- 75 percent of policy advice briefings are accepted first time by the Minister.

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, and 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 this analysis was possible, it is likely to be too costly to undertake. 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 2013/14

The key performance management measures that the Ministry established for 2013/14 are set out in the table below, along with our 2012/13 performance against those measures, where available.

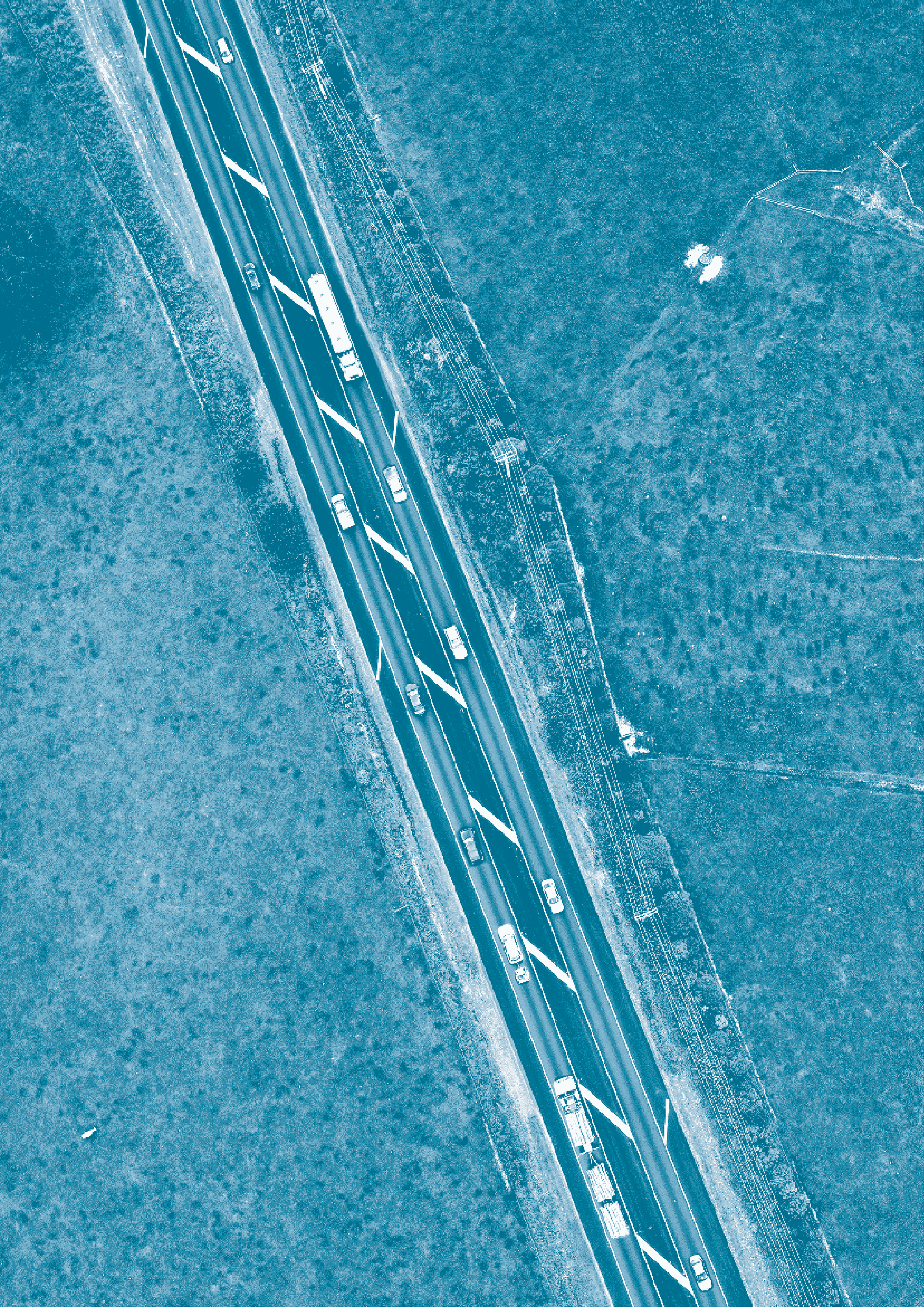
Input management	2013/14 result	2012/13 result
Percentage of policy projects managed within timeframes and allocated resources	50%[1]	75%
Percentage of policy project milestones delivered each quarter	78%	63%
Percentage of staff time allocated to the Minister's priority projects	30%	27%
Quality management		
90% of regulatory impact statements are assessed as 'meets' or 'partially meets' the required standards	93%	100%
75% of policy advice briefings are accepted first time by the Minister	76%	85%
Total cost of an hour of professional staff time devoted to policy advice and other policy unit outputs	$157	New measure
Total cost of an hour of professional staff time devoted to policy advice and other policy unit outputs (updated)[2]	$175	New measure
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 7.4	Mean score of 7.3
Work programme management		
95% or more of output plan delivered as agreed with the Minister	85%[3]	96%
95% or more of Ministry impacts achieved through delivering underpinning projects	100%	100%
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. Refer to pages 20-22 and pages 25-45	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	Achieved[4]	Not achieved

[1] Policy work is fluid and difficult to accurately forecast. This figure shows that 50 percent of our projects were delivered within our 25 percent tolerance for resource use and timeframes. New project management tools and training, delivered towards the end of 2013/14, should ensure that our performance improves during 2014/15.

[2] The total cost per output hour formula has recently been updated by Treasury to better align it with their amended definition of policy advice costs. Performance measures calculated using both the original and updated formulae have been provided to help readers understand how this change has affected the assessment of performance.

[3] Output plan milestones are often subject to external influences that delay their delivery. The Ministry needs to ensure that in future milestones are expressed as matters within our control. New project management tools and training, delivered towards the end of 2013/14, should ensure we better express milestones and therefore improve performance during 2014/15.

[4] The Ministry monitors outcome indicators as the data is produced. Where necessary, changes in trends are escalated for review. This has not been required in 2013/14.



The Ministry's contribution to governmental outcomes for transport

Every government has its own priorities. The Ministry's outcome framework displays the overall desired outcomes for the New Zealand transport system and helps us to show the rationale for particular interventions that will contribute to achieving these outcomes.

Government transport agencies' focus for transport

Our overall desired 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.

These 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 aim to measure the progress the transport system is making towards those outcomes annually through a common set of performance measures that is shared between the transport agencies. (See pages 20 to 22 of this report).

Ministry intermediate outcomes

Ministry 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 approximately 10 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. These 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' 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 25 to 45).

GOVERNMENT TRANSPORT AGENCIES' FOCUS

GOVERNMENT TRANSPORT AGENCIES' LONG-TERM OUTCOMES FOR THE TRANSPORT SYSTEM

MINISTRY OF TRANSPORT

MINISTRY INTERMEDIATE OUTCOMES

MINISTRY IMPACTS

MINISTRY'S STRATEGIC OUTCOMES FRAMEWORK

A transport system that maximises economic and social benefits for New Zealand and minimises harm

Resilient – meets future needs and endures shocks

Effective – moves people and freight where they need to go in a timely manner

Efficient – delivers the right infrastructure and services to the right level at the best cost

Safe and responsible – reduces the harms from transport

Improved preparedness

Open and efficient transport markets

Improved planning and investment in infrastructure and services

Better quality regulation

Improved government transport agencies' performance

Fewer transport incidents and other harms

Impact 9

Reduced disruptions to access to transport infrastructure and services

Impact 10

Reduced future risks for New Zealand from grounding of ships

Impact 2

Reduced or removed barriers to entry to domestic or international markets

Impact 3

Transport sector has increased information available to it

Impact 4

Central and local government have good frameworks for investment decision-making

Impact 5

The Ministry provides good investment advice (in the national interest)

Impact 6

Enough money is raised efficiently and fairly to fund investment priorities

Impact 1

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

Impact 8

Ongoing assurance on the performance of government transport agencies

Impact 7

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

Progress towards our long-term outcomes

This section provides information on the transport sector's four long-term outcomes for transport, and the actions the Ministry has taken towards these outcomes in 2013/14.

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

The core function of the transport system is to connect New Zealand, domestically and internationally. Transport 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.

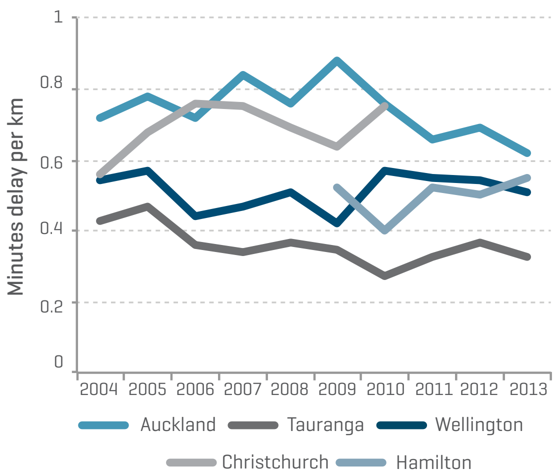
Ministry actions over 2013/14 that contributed to this outcome included:

- providing advice on Auckland's transport needs
- continuing to develop the Freight Information Gathering System, freight scenarios and updating the National Freight Demand Study.
- providing advice on the proposed Clifford Bay ferry terminal
- removing barriers to entry to international markets through air services liberalisation.

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

Figure 1 shows a general decrease in network congestion across our main centres, with the exception of a small increase in Hamilton. We expect that recently completed and further planned roading projects will continue the overall trend towards decreased congestion.

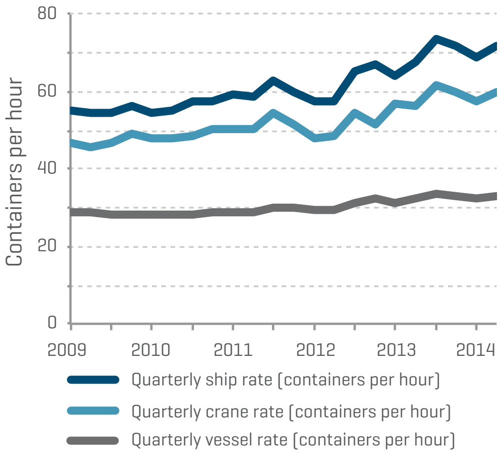
Figure 1 - A.M. peak congestion – minutes delay per kilometre



Headline indicator 2: Increased freight movements

Figure 2 shows the continued improvement in the performance of our ports in handling freight movements. Our ports are loading and discharging more containers, more quickly.

Figure 2 - New Zealand trends in container handling



Long-term outcome: Efficient – delivers the right infrastructure and services to the right level at the right 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 2013/14 that contributed to this outcome included:

- reviewing driver licensing and vehicle licensing to reduce the cost to users while ensuring overall safety
- developing an Intelligent Transport Systems action plan to ensure we are prepared for, and take advantage of, new technologies available
- co-ordinating an ongoing review of the transport regulatory system
- carrying out a review of the transport sector funding programme

- developing the draft Government Policy Statement on Land Transport for 2015/16-2024/25
- developing a strategic view of the future needs of the transport sector through the future demand project
- commissioning a review on the road construction industry to better understand cost pressures
- developing a hub for research in the transport sector
- co-leading the development of a Domain Plan for the transport sector.

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 road user charges (RUC), compared to vehicle kilometres travelled. Current trends show that revenue is rising against traffic volume. This is following a government decision to allow increases of three cents per litre on 1 July 2013, 2014 and 2015 to fund construction of lead infrastructure. The Ministry is continuing to monitor revenue and traffic levels.

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

Figure 3 - Growth in fuel excise and light/medium RUC revenue (2013/14 $) relative to traffic growth

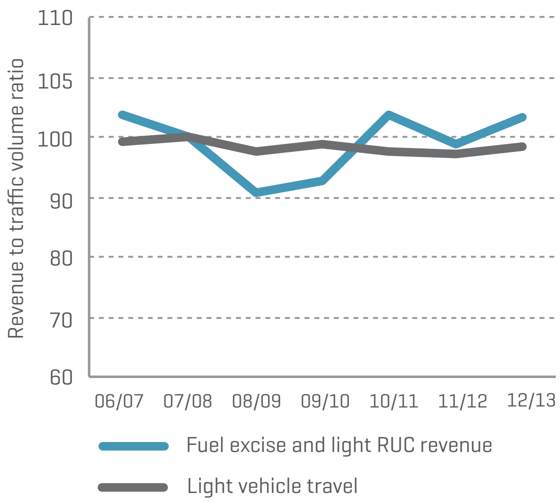
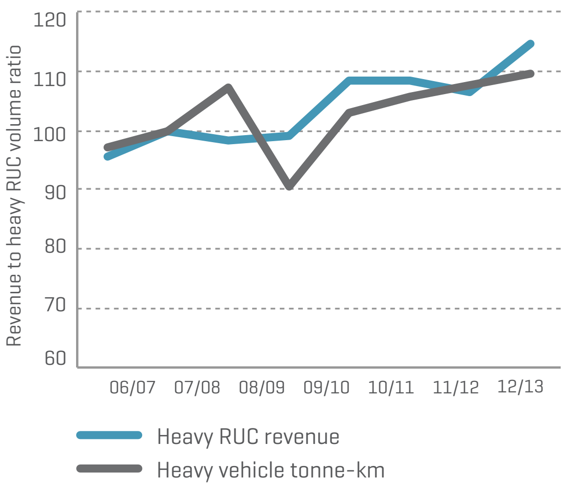


Figure 4 - Growth in heavy RUC revenue (2013/14 $) relative to traffic growth



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.

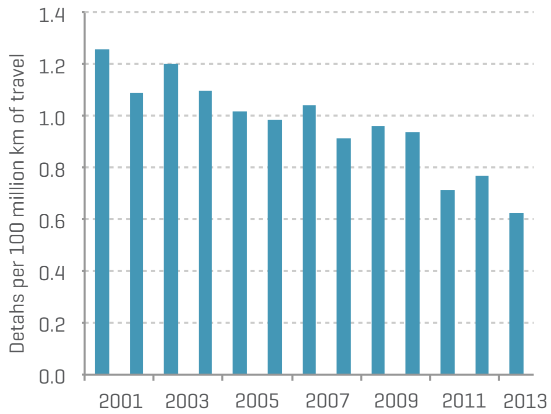
Ministry actions over 2013/14 that contributed to this outcome included:

- working to deliver the Safer Journeys action plan with the NZ Transport Agency, NZ Police and other partners. This includes projects on speed management, improving the vehicle fleet, reducing the risk of overseas drivers on New Zealand roads, ensuring that blood alcohol limits reflect risk, and promoting the safe system approach
- developing options for reducing the risk of drug and alcohol impairment in the aviation, maritime and rail sectors.

Headline indicator 1: Fewer road deaths

Figure 5 shows that road deaths in New Zealand are still trending downwards. 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

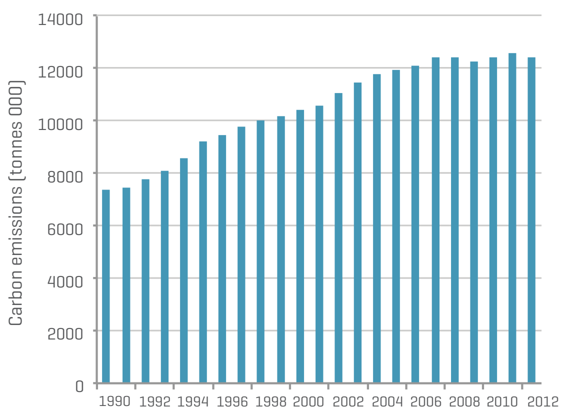


Headline indicator 2: Reducing levels of greenhouse gases emitted by the transport sector

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

Data for 2013 is not yet available. The Ministry will publish this information on its website when it is available in late 2014.

Figure 6 – Carbon emissions from road transport 1990 – 2012 (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.

Ministry actions over 2013/14 that contributed to this outcome included:

- 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
- resilience is now proposed as a national land transport objective in the draft Government Policy Statement on Land Transport 2015/16-2024/25
- developing management plans to reduce the risk of oil pollution in New Zealand waters
- working with partners to ensure that the transport system is prepared for emergencies and disruption is minimised.

Development of performance measures for long-term outcomes

The Ministry is working with the transport Crown entities to develop a set of performance measures that effectively display the performance of the New Zealand transport system against these long-term outcomes.

This links closely with the Transport Domain Plan, a project that is jointly led by the Ministry and Statistics New Zealand. We are working closely with our Crown entity partners, as well as a range of other departments to identify the actions that need to be taken now to ensure that information and statistics collected about the transport system are high quality and allow government to make evidence based policy, strategy and decisions into the future.

We will do this by taking a holistic, multi-modal view of the transport system in New Zealand, understanding the 'big picture' policy and strategy questions that will be asked of the transport system into the future, and by assessing what information will be required to answer those questions. We will then consider what improvements are needed to ensure that transport-related information is relevant, high quality and accessible.

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 2014 and its operations for the year ended on that date.

In my opinion, the forecast financial statements fairly reflect the forecast financial position and operations of the Ministry for the year to 30 June 2015.

Martin Matthews
Chief Executive

Fiona Macmaster
Manager Finance
30 September 2014

The output classes being reported in this annual report are:

- Policy advice and related outputs multi class output appropriation
- Fuel excise duty refund administration
- Milford Sound/Piopiotahi Aerodrome operation and administration
- Search and rescue activity co-ordination PLA.

Each output class contains a breakdown of performance, including as relevant:

- financial performance
- performance against Information Supporting the Estimates measures
- performance progression of Ministry intermediate outcomes that fall into this class
- related Ministry activities and projects, and the impacts to which they contribute.

Output class: Policy advice and related outputs multi class output appropriation

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

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

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.

Financial performance

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
28,751	Revenue Crown	31,855	31,143	31,858
51	Other revenue	72	-	83
28,802	**Total revenue**	**31,927**	**31,143**	**31,941**
28,471	Expenses	31,861	31,143	31,941
331	**Net surplus**	**66**	**-**	**-**

The increase in revenue from 2012/13 is due to an underspend of $2 million last year, while this year the appropriation was almost fully spent.

Output: Policy advice

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

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

- multi-modal
- road
- maritime
- aviation
- rail

Financial performance

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
24,431	Revenue Crown	27,891	26,543	27,808
51	Other revenue	72	-	83
24,482	**Total revenue**	**27,963**	**26,543**	**27,891**
24,151	Expenses	27,855	26,543	27,891
331	**Net surplus**	**108**	**-**	**-**

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 is shown more clearly in the separate cost by mode tables below. This output accounted for $1.7 million of the 2012/13 underspend.

MULTI-MODAL

Financial performance

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
8,489	**Cost** This output is produced within the overall class appropriation (GST exclusive)	15,098	13,302	15,522

The cost of multi-modal activity has increased significantly from 2012/13. This is due to a number of large projects being undertaken, such as the development of the next Government Policy Statement on Land Transport, the Freight Demand Study and the APEC conference.

Performance measures from the Information Supporting the Estimates

Actual 2012/13	Performance measures	Actual 2013/14	Standards/ Targets 2013/14
96%	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	85%[5]	95%
Not reported against	Percentage of policy advice papers that meet the Advice Quality characteristics (refer conditions on use of Appropriation[6])	100%[7]	100%
51%[8]	Assessment of technical quality of Ministry advice is an average score of 7.5, or more, of all papers assessed through an annual external review of advice by NZIER	Not achieved – the average score was 7.4	Achieved
Not reported against	Percentage of policy advice papers that meet quality characteristics (as set out in the Appropriation)	100%[9]	100%
77%[10]	The agreed rules programme, including variations, is delivered	Achieved[11]	Achieved
New measure	Intelligent Transport System Action Plan developed by 30 June 2014	Achieved	Achieved
New measure	Satisfaction of the Minister of Transport with the policy advice service, as per the satisfaction survey	60%	80%
New measure	The total cost per hour of producing outputs	$157	$160
New measure	The total cost per hour of producing outputs (updated)[12]	$175	N/A

5 Output plan milestones are often subject to external influences that delay their delivery. The Ministry needs to ensure that in future milestones are expressed as matters within our control. New project management tools and training, delivered towards the end of 2013/14, should ensure we better express milestones and therefore improve performance during 2014/15.

6 Refer to the Estimates documents for conditions on the use of Appropriation.

7 Measurement occurred between March and June 2014.

8 This figure was the 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. The measure has now been amended.

9 Measurement occurred between March and June 2014.

10 26 rules were due to progress or be completed in 2012/13. 20 rules were actually progressed or completed, following appropriate consultation.

11 20 rules were due to progress or be completed in 2013/14. These were all progressed or completed, following appropriate consultation.

12 The total cost per output hour formula has recently been updated by Treasury to better align it with their amended definition of policy advice costs. Performance measures calculated using both the original and updated formulae have been provided to help readers understand how this change has affected the assessment of performance.

Performance progression of Ministry intermediate outcomes

Ministry outcome	Performance measure	Performance
Better quality regulation	Changes to 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 14 regulatory impact statements in 2013/14 identified monetarised benefits of $30.36 million per annum for 20 years.[13]
	100 percent of transport regulatory impact statements are assessed as 'meets' or 'partially meets' quality criteria.	2013/14: 93 percent. 9 met the quality criteria, 4 partially met and 1 did not meet the quality criteria 2012/13: 100 percent. 10 met, 3 partially met 2011/12: 94 percent. 6 met, 11 partially met, 1 did not meet quality criteria 2010/11: 100 percent. 9 met, 1 partially met 2009/10: 100 percent. 15 met, 8 partially met
	90 percent of the scheduled programme of periodic reviews of regulations and rules completed in scheduled review year.	2013/14 – 90 percent 2012/13 – 100 percent This was a new measure in 2012/13.
	Reduced average timeframe for rule development (from commencement of rule development process to rule coming into force).	Average age of rules projects: 2013/14 – 3.3 years 2012/13 – 3.5 years 2011/12 – 4.9 years 2010/11 – 4.5 years 2009/10 – 3.9 years
Open and efficient transport markets	Increased public transport passenger boardings.	Public transport passenger boardings (millions): 2013/14 – 138 2012/13 – 133 2011/12 – 133 2010/11 – 128 2009/10 – 126
	Decreased ratio of subsidy to public transport passenger boardings.[14]	Subsidy per passenger boarding (growth relative to 2007/08, based on 2007/08 = 100): 2013/14 – 115 2012/13 – 115 2011/12 – 115 2010/11 – 104 2009/10 – 106

[13] This calculation excludes the estimated net policy benefit (20 years net present value) of $54 million identified in the "Mandated Electronic Stability Control for Light Vehicles" regulatory impact statement prepared by the Ministry in February 2014, as this calculation is based on a 2015 implementation date for all new light vehicles, and 2020 for all used light vehicles

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

Ministry outcome	Performance measure	Performance
Improved planning and investment in infrastructure and services	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.	2013/14: 7.4 out of 10 (four papers assessed)[15] 2012/13: 9 out of 10 (two papers assessed)
Improved preparedness	The Transport Response Team is ready to respond to all emergencies within one hour of being activated.	The Transport Response Team was partially activated on 16 August 2013 when an earthquake occurred at Lake Grassmere. The team was ready immediately and a situation report was sent to the lead response agency after 1.5 hours.
	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.	The Ministry is supporting Maritime NZ with improvements to its maritime incident response capability, and on ways to ascertain the effectiveness of these improvements. The Rena grounding underscored the threat to maritime navigation and commerce from floating cargo and debris released in a maritime pollution event. The government has appropriated funding for Maritime NZ to better track such objects, to mitigate their impact on shipping. The Ministry is supporting Maritime NZ to ensure this strengthened capability is effectively implemented. The Ministry is also addressing the Transport Accident Investigation Commission's findings into the cause of the Rena grounding, and ways these recommendations can inform overall maritime incident response planning.

[15] The Ministry is introducing new procedures to ensure that our final investment advice on major projects is subject to an additional layer of critique to lift overall quality prior to submission to government.

Related Ministry projects or activities in 2013/14

Related Ministry Impact	Ministry project or activity	Refer page
1. A more efficient transport regulatory system that does not impose unnecessary costs on users	Better Quality Regulation	7
2. Reduced or removed barriers to entry to domestic or international markets	Asia Pacific Economic Co-ordination Forum and International Transport Forum work	11
	International Air Services liberalisation	9
3. Transport sector has increased information available to it	Developing a Passenger Demand Model	11
	Freight Information and forecasting	6
	Transport Domain Plan	10
4. Central and local government have good framework for investment decision making	Development of the next Government Policy Statement on Land Transport	7
5. The Ministry provides good investment advice (in the national interest)	The Auckland Transport Package	6
	National Freight Demand Study and the Future Freight Scenario Study	6
6. Enough money is raised efficiently and fairly to fund investment priorities	Exploration of alternative funding approaches	12
8. Ongoing assurance on the performance of government agencies	Transport Sector Funding Review Programme	9
9. Reduced disruptions to access to transport infrastructure and services	Intelligent Transport Systems Technology Action Plan	6
	Emergency preparedness	29

ROAD

Financial performance

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
8,691	**Cost** This output is produced within the overall class appropriation (GST exclusive)	6,167	8,069	5,870

The cost of road activity has decreased from 2012/13. This is partially due to lower activity on the Vehicle Licensing Reform project in 2013/14 and the increased activity on multi-modal work.

Performance measures from the Information Supporting the Estimates

Actual 2012/13	Performance measures	Actual 2013/14	Standards/ Targets 2013/14
92%	Ministry actions from 2011/12 Safer Journeys Action Plan are implemented according to agreed timeframes	97%	100%
New measure	The Ministry's initial deliverables for each of the five work streams specified in the Safer Journeys Action Plan 2013-15 are implemented according to agreed timetables	Not achieved[16]	Achieved
New measure	Implement reforms of warrant of fitness and certificate of fitness systems in accordance with Cabinet decisions	Achieved	Achieved
New measure	Advice provided on options to improve the quality of the vehicle fleet by 30 June 2014	Achieved	Achieved
Achieved	At least twice yearly revenue forecasting provided for use in Crown accounts and Budget forecasts	Achieved	Achieved

[16] Two of the five deliverables were not achieved within published timetables.

Performance progression of Ministry intermediate outcomes

<table>
<tr><th>Ministry outcome</th><th>Performance measure</th><th>Performance</th></tr>
<tr><td rowspan="3">Improved planning and investment in infrastructure and services</td><td>Decreased network congestion in the A.M. peak period in the five largest metropolitan areas.</td><td>Congestion index (min delay/km), March surveys
<table>
<tr><th></th><th>2009</th><th>2010</th><th>2011</th><th>2012</th><th>2013</th></tr>
<tr><td>Auckland A.M. peak</td><td>0.88</td><td>0.76</td><td>0.66</td><td>0.69</td><td>0.62</td></tr>
<tr><td>Tauranga A.M. peak</td><td>0.35</td><td>0.27</td><td>0.33</td><td>0.37</td><td>0.33</td></tr>
<tr><td>Wellington A.M. peak</td><td>0.42</td><td>0.57</td><td>0.55</td><td>0.54</td><td>0.51</td></tr>
<tr><td>Christchurch A.M. peak</td><td>0.64</td><td>0.75</td><td>*</td><td>*</td><td>*</td></tr>
<tr><td>Hamilton A.M. peak</td><td>0.52</td><td>0.40</td><td>0.52</td><td>0.50</td><td>0.55</td></tr>
</table>
*Comparable data not available due to impact of Canterbury earthquakes</td></tr>
<tr><td>Growth in revenue (in real terms) remains stable in relation to change in traffic volumes.</td><td>Revenue growth relative to kilometres-travelled growth* in percentages.
<table>
<tr><th></th><th>2009/ 10</th><th>2010/ 11</th><th>2011/ 12</th><th>2012/ 13</th><th>2013/ 14</th></tr>
<tr><td>Fuel excise and light RUC revenue growth</td><td>96</td><td>102</td><td>100</td><td>102</td><td>109</td></tr>
<tr><td>Fuel excise and light RUC vehicles kilometres-travelled growth</td><td>100</td><td>99</td><td>99</td><td>100</td><td>Not yet available</td></tr>
<tr><td>Heavy vehicle RUC revenue growth</td><td>99</td><td>108</td><td>108</td><td>106</td><td>115</td></tr>
<tr><td>Heavy vehicles tonnes-kilometres growth</td><td>90</td><td>103</td><td>106</td><td>108</td><td>109</td></tr>
</table>
* 2007/08 is base year, calculations adjusted to 2011/12 dollars and percentages rounded.</td></tr>
<tr><td>All questions or issues raised by a 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.</td><td>Achieved</td></tr>
<tr><td>Fewer transport incidents and other harms</td><td>Reduced social cost resulting from transport-related deaths and injuries</td><td>Social cost of road crashes excluding non-injury crash costs ($ billions) in June 2012 prices
2013 – 2.93
2012 – 3.19
2011 – 3.16
2010 – 3.70
2009 – 3.75</td></tr>
</table>

<table>
<tr><th>Ministry outcome</th><th>Performance measure</th><th>Performance</th></tr>
<tr><td rowspan="4">Fewer transport incidents and other harms</td><td>Reduced number of road-related deaths</td><td>Road deaths
2013 – 254
2012 – 308
2011 – 284
2010 – 375
2009 – 385
2013 had the lowest toll in over 60 years. Changes are best viewed over a number of years to mitigate the impact of one-off influences.</td></tr>
<tr><td>Decreased amounts of carbon dioxide emitted from domestic transport per kilometre travelled.</td><td>Carbon dioxide (grams) emitted per kilometre of road travel
2012 – 313
2010 – 312
2008 – 312
2006 – 305
2004 – 300
2002 – 299</td></tr>
<tr><td>Reduced number of road-related deaths for target groups, where Ministry will initiate specific initiatives to reduce:</td><td><table>
<tr><th></th><th>2009</th><th>2010</th><th>2011</th><th>2012</th><th>2013</th></tr>
<tr><td>Deaths in crashes involving young drivers</td><td>135</td><td>147</td><td>90</td><td>87</td><td>81</td></tr>
<tr><td>Deaths in crashes involving alcohol/drug-impaired drivers</td><td>142</td><td>144</td><td>87</td><td>103</td><td>77</td></tr>
<tr><td>Deaths in crashes involving high-risk drivers.</td><td>129</td><td>122</td><td>Data not available</td><td>Data not available</td><td>Data not available</td></tr>
</table></td></tr>
<tr><td>Reduced number of road-related serious injuries for target groups, where Ministry will initiate specific initiatives to reduce:</td><td><table>
<tr><th></th><th>2009</th><th>2010</th><th>2011</th><th>2012</th><th>2013</th></tr>
<tr><td>Serious injuries in crashes involving young drivers</td><td>979</td><td>885</td><td>713</td><td>704</td><td>637</td></tr>
<tr><td>Serious injuries in crashes involving alcohol/drug-impaired drivers</td><td>585</td><td>557</td><td>470</td><td>468</td><td>448</td></tr>
<tr><td>Serious injuries in crashes involving high-risk drivers</td><td>520</td><td>491</td><td>Data not available</td><td>Data not available</td><td>Data not available</td></tr>
</table></td></tr>
</table>

Related Ministry projects or activities in 2013/14

Related Ministry Impact	Ministry project or activity	Refer page
1. A more efficient transport regulatory system that does not impose unnecessary costs	Driver Licensing Review	8
	Vehicle Licensing Reform	7
7. Ministry road safety initiatives support reduction in number of deaths and serious injuries	Safer Journeys Action Plan 2013-15: Speed Management	8
	Safer Journeys Action Plan 2013-15: Signature projects	9
	Safer Journeys Action Plan 2013-15: The alcohol/drug related impairment project	8
	Improving the Vehicle Fleet	8
6. Enough money is raised efficiently and fairly to fund investment priorities	Future funding	12

AVIATION

Financial performance

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
3,369	Cost This output is produced within the overall class appropriation (GST exclusive)	3,820	2,920	3,852

Performance progression of Ministry intermediate outcomes

Ministry outcome	Performance measure	Performance
Open and efficient transport markets	Increased number of international passenger movements to and from New Zealand.	International passenger movements to and from New Zealand (millions): 2013 – 10.0 2012 – 9.7 2011 – 9.6 2010 – 9.3 2009 – 8.9
	Increased number of international flights that depart from New Zealand.	International flights departing New Zealand: 2013 – 32,332 2012 – 30,787 2011 – 31,434 2010 – 30,860 2009 – 30,322
	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 64 States or territories. In 2013/14, New Zealand negotiated new or enhanced air services arrangements with 17 countries: Ethiopia, Finland, Hong Kong, Jamaica, Luxembourg, Mongolia, Norway, the Philippines, Saudi Arabia, South Africa, Sri Lanka, Sweden, Switzerland, Cambodia, Togo, Viet Nam, Zambia. Preliminary negotiations were also held with India with a view to holding further talks in 2014/15. Cabinet mandates have been obtained for further negotiations with Thailand, Colombia, Peru, Panama, Mexico, South Korea, and Argentina. Further negotiations will be pursued as opportunities arise.

Related Ministry projects or activities in 2013/14

Related Ministry Impact	Ministry project or activity	Refer page
1. A more efficient transport regulatory system that does not impose unnecessary costs on users	Civil Aviation Act 1990 and Airport Authorities Act 1966 Review	7
	Civil Aviation Rules	7
2. Reduced or removed barriers to entry to domestic or international markets	International Air Services liberalisation	9

MARITIME

Financial performance

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
3,252	Cost This output is produced within the overall class appropriation (GST exclusive)	2,421	1,890	2,285

Costs are lower this year because 2012/13 activity included Clifford Bay costs until it became a separate output class from 1 December 2012.

Performance progression of Ministry intermediate outcomes

Ministry outcome	Performance measure	Performance
Open and efficient transport markets	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.
	Container handling statistics 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: ▸ Vessel rates (the number of containers moved on and off a container ship in an hour of labour) ▸ Crane rates (the number of containers a crane lifts on and off a container ship in an hour) ▸ Ship rates (the number of containers moved on and off a container ship).
Improved preparedness	Increase in a shipowner's liability for the cost of future grounding of ships.	During 2013/14, the Marine Legislation Bill was enacted and amended the Maritime Transport Act. The Maritime Transport Amendment Act 1994 implements legislation which enables New Zealand to accede to three international maritime conventions. In particular, two of the conventions have substantially increased the amount of compensation payable for incidents like the Rena grounding, through amendments that give effect to the 1996 Protocol to amend the International Convention on Limitation of Liability for Maritime Claims 1976 and the International Convention on Civil Liability for Bunker Oil Pollution 2001.

Related Ministry projects or activities in 2013/14

Related Ministry Impact	Ministry project or activity	Refer page
1. A more efficient transport regulatory system that does not impose unnecessary costs on users	Offshore Oil Risk Management	8

RAIL

Financial performance

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
350	Cost This output is produced within the overall class appropriation (GST exclusive)	349	362	362

Performance progression of Ministry intermediate outcomes

Ministry outcome	Performance measure	Performance
Improved planning and investment in infrastructure and services	Increased level of freight moved by KiwiRail.	Freight moved by KiwiRail (tonne-kms in billions) 2012/13 – 4.6 2011/12 – 4.6 2010/11 – 4.2 2009/10 – 3.9 2008/09 - 4.0

Related Ministry projects or activities in 2013/14

Related Ministry Impact	Ministry project or activity	Refer page
5. The Ministry provides good investment advice (in the national interest)	Auckland City Rail Link Metro Rail Activity work	6

Output: Ministerial servicing

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

Financial performance

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
2,600	Revenue Crown	2,518	2,800	2,600
2,600	Expenses	2,445	2,800	2,600
-	**Net surplus**	**73**	-	-

The budgeted cost was adjusted during the year to be closer to the estimated actual cost.

Performance measures from the Information Supporting the Estimates

Actual 2012/13	Performance measures	Actual 2013/14	Standards/ Targets 2013/14
608 for direct action, 1,149 for direct action including draft reply	Number of items of ministerial correspondence addressed by the Ministry	519 for direct action, 524 for direct action including draft reply	1,400 for direct action, 1,700 for direct action including draft reply
76%	Percentage of draft replies to ministerial correspondence completed within 10 working days	91%	80%
80 requests to the Minister; 85 requests to the Ministry	Number of Official Information Act requests addressed by the Ministry	29 requests to Ministers; 63 requests to the Ministry	100-300
81%	Percentage of Official Information Act requests replied to within statutory timeframes	72%	100%
Not reported against	Percentage of Ministerial servicing items that meet quality characteristics (refer conditions on use of Appropriation)[17]	100%	90%

[17] Refer to the Estimates documents for conditions on the use of Appropriation

Output: Governance and performance advice on Crown agencies

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

Financial performance

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
563	Revenue Crown	800	800	800
563	Expenses	915	800	800
-	**Net surplus/ (deficit)**	(115)	-	-

The cost of this output was higher than budgeted due to a change in staffing that affected some of the costing assumptions.

Performance measures from the Information Supporting the Estimates

Actual 2012/13	Performance measures	Actual 2013/14	Standards/ Targets 2013/14
Achieved	Advice on transport Crown entity board appointments provided to agreed timeframes	Achieved	Achieved
Achieved	Twice yearly Ministry strategic discussions with each Crown entity Chair / Board	Achieved	Achieved
One paper was reviewed. It was scored 7.0	Assessment of technical quality of Ministry advice is an average score of 7.5, or more, of all papers assessed through an annual external review of advice by NZIER	Not achieved The average score was 7.2	Achieved
New measure	Transport Crown entity performance plan developed by 31 December 2013	Not achieved[18]	Achieved

[18] Instead, the Ministry delivered a report on the Establishment of an Excellant Governance Function in the Ministry of Transport, in June 2013. The Ministry subsequently redeveloped its Governance and Accountability function.

Performance progression of Ministry intermediate outcomes

Ministry outcome	Performance measure	Performance
Improved government transport agencies performance	95 percent, or more, of the government's and Statements of Intent performance expectations, are met.	Ministry of Transport – percentage of work programme completed 2013/14 - 85 percent 2012/13 – 90 percent 2011/12 – 90 percent 2010/11 – 98 percent 2009/10 – 90 percent This information is not available for transport Crown entities until the publication of their annual reports.
	Increased ministerial satisfaction on the performance of the government transport agencies as a consequence of the timely, accurate, succinct nature of Ministry specialist governance and performance advice.	The Minister of Transport has indicated that his overall satisfaction with Ministry policy advice is 70 percent. This is an increase from our 2012/13 result of 60 percent. We have not specifically asked Ministers for their satisfaction on the performance of transport agencies as a result of our advice.

Related Ministry projects or activities in 2013/14

Related Ministry Impact	Ministry project or activity	Refer page
8. Ongoing assurance on the performance of government transport agencies	Review of Governance function New Governance and Accountability team established	 9

Output: Clifford Bay ferry terminal – facilitation of procurement

This output class is for the facilitation of the procurement of a ferry terminal at Clifford Bay.

Financial performance

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
1,157	Revenue Crown	646	1,000	650
1,157	Expenses	646	1,000	650
-	**Net surplus**	-	-	-

The costs above are not for the full year as Cabinet announced in November 2013 it would not proceed with the project and so work ceased. The initial budget was always an estimate as the exact scope of the work was dependent on Cabinet decisions. The costs for 2012/13 were for the seven months to 30 June 2013.

Performance measures from the Information Supporting the Estimates

Actual 2012/13	Performance measures	Actual 2013/14	Standards/ Targets 2013/14
100%	Report on an agreed basis to the responsible Minister and Cabinet on the Clifford Bay detailed project assessment	100%	100%

Related Ministry projects or activities in 2013/14

Related Ministry Impact	Ministry project or activity	Refer page
5. The Ministry provides good investment advice (in the national interest)	Clifford Bay ferry terminal – investigation of procurement	6

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).

Financial performance

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
429	Revenue Crown	429	429	700
429	Expenses	429	429	700
-	**Net surplus**	-	-	-

Adjustments were made to this appropriation as the NZ Transport Agency was concerned about additional costs due to an increased number of refund requests – see below. The increased demand did not eventuate as much as thought, and the NZ Transport Agency only requested $429,000.

Performance measures from the Information Supporting the Estimates

Actual 2012/13	Performance measures	Actual 2013/14	Standards/ Targets 2013/14
11 days	Average number of days taken to audit, process and pay FED refunds	13 days	10 days

In relation to the performance measure, the number of agents and associated third party claims continues to increase beyond expectations. Slow agent responses to application queries have also adversely affected the ability to meet the standard. Resources have been increased and technical issues have been resolved in the online application system currently under development.

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.

Financial performance

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
240	Other revenue	207	230	278
251	Expenses	273	230	278
(11)	**Net deficit**	**(66)**	**-**	**-**

A review of prices had found that no increase in landing charges was necessary for 2013/14. However there were fewer landings than forecast, which resulted in less revenue than budgeted.

Clearance of vegetation was done during the year. This resulted in higher expenses than budgeted, but was unavoidable as the work was required to keep the aerodrome safe to use.

An agreement was reached with Airways for the continuation of the Flight Information Service until 2016.

Performance measures from the Information Supporting the Estimates

Actual 2012/13	Performance measures	Actual 2013/14	Standards/ Targets 2013/14
100%	The aerodrome operation will conform with appropriate Civil Aviation Authority safety requirements	100%	100%
$251,491	Operating costs within third-party revenue	$273,000	$230,000

Output class: Search and rescue activity co-ordination PLA[19]

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

Financial performance

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
1,135	Revenue Crown	1,087	1,136	1,136
1,135	Expenses	1,087	1,136	1,136
-	**Net surplus**	-	-	-

The programmed activities were delivered as budgeted but costs are below budget as the overhead cost charged by the Ministry was lower than budgeted.

Performance measures from the Information Supporting the Estimates

Actual 2012/13	Performance measures	Actual 2013/14	Standards/ Targets 2013/14
100%	Provision of: ▸ Effective leadership and strategic co-ordination 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	95%	90%
100%	Provision of support services and policy advice to the NZ Search and Rescue Council and effective leadership and strategic co-ordination to the wider New Zealand search and rescue sector	95%	95%

The Secretariat provides the NZSAR Council with support services, policy advice and the implementation of agreed measures to give effective leadership and strategic co-ordination to the New Zealand search and rescue sector.

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

[19] PLA - Permanent Legislative Authority

Financial performance

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2014

Actual 2012/13 $000		Note	Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000	Forecast* 2014/15 $000
	Income					
30,315	Revenue Crown	2	33,371	32,708	33,694	32,473
291	Other revenue	3	279	230	361	230
30,606	**Total operating income**		**33,650**	**32,938**	**34,055**	**32,703**
	Expenditure					
15,504	Personnel expenses	4	16,447	17,589	17,800	17,720
10,385	Other operating expenses	5	12,929	10,940	11,724	10,759
3,427	Contractual payments to Crown entities	6	3,427	3,427	3,698	3,427
233	Capital charge	7	217	250	220	220
466	Depreciation - property, plant and equipment	10	410	507	404	368
247	Amortisation - intangible assets	11	216	225	209	209
24	Finance cost	14	4	-	-	-
30,286	**Total expenditure**		**33,650**	**32,938**	**34,055**	**32,703**
320	**Net surplus**		**-**	**-**	**-**	**-**
320	**Total comprehensive income**		**-**	**-**	**-**	**-**

Explanations of significant variances against budget are detailed in note 21.

STATEMENT OF MOVEMENTS IN EQUITY

for the year ended 30 June 2014

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000	Forecast* 2014/15 $000
3,116	**Balance at 1 July**	**2,708**	**2,708**	**2,708**	**2,708**
320	Total comprehensive income	-	-	-	-
(320)	Provision to repay surplus to Crown	-	-	-	-
(408)	Capital withdrawal	-	-	-	-
2,708	**Balance at 30 June**	**2,708**	**2,708**	**2,708**	**2,708**

*The statement of accounting policies provides explanations of these forecast figures which are not subject to audit.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

Actual 2012/13 $000		Note	Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000	Forecast* 2014/15 $000
	Equity					
1,947	Taxpayers funds		1,947	1,947	1,947	1,947
761	Revaluation reserve – Aerodrome		761	761	761	761
2,708	**Total equity**	**8**	**2,708**	**2,708**	**2,708**	**2,708**
	Represented by:					
	Current assets					
5,200	Cash and cash equivalents		3,365	4,721	5,096	5,323
128	Debtors, prepayments and other receivables	9	3,068	56	15	15
5,328	**Total current assets**		**6,433**	**4,777**	**5,111**	**5,338**
	Non-current assets					
2,469	Property, plant and equipment	10	2,171	2,114	2,165	1,937
234	Intangible assets	11	117	648	480	481
45	Work in progress	11	12	-	-	-
2,748	**Total non-current assets**		**2,300**	**2,762**	**2,645**	**2,418**
8,076	**Total assets**		**8,733**	**7,539**	**7,756**	**7,756**
	Current liabilities					
1,707	Creditors and other payables	12	2,655	1,186	1,583	1,528
1,508	Employee entitlements	13	1,734	1,967	1,632	1,687
320	Provision to repay surplus		-	-	-	-
3,535	**Total current liabilities**		**4,389**	**3,153**	**3,215**	**3,215**
	Non-current liabilities					
1,149	Employee entitlements	13	948	978	1,149	1,149
684	Provision for lease make-good	14	688	700	684	684
1,833	**Total non-current liabilities**		**1,636**	**1,678**	**1,833**	**1,833**
5,368	**Total liabilities**		**6,025**	**4,831**	**5,048**	**5,048**
2,708	**Net assets**		**2,708**	**2,708**	**2,708**	**2,708**

*The statement of accounting policies provides explanations of these forecast figures which are not subject to audit.

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

STATEMENT OF CASH FLOWS

for the year ended 30 June 2014

Actual 2012/13 $000		Note	Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000	Forecast* 2014/15 $000
	Cash flows from operating activities					
32,975	Crown revenue		30,324	32,708	33,694	32,473
45	Crown entities		90	-	77	-
314	Other revenue		200	230	284	230
(15,463)	Personnel costs		(16,533)	(17,475)	(17,800)	(17,720)
(12,481)	Operating expenses		(12,148)	(10,940)	(11,724)	(10,759)
(3,427)	Contractual payments to Crown entities		(3,427)	(3,541)	(3,698)	(3,427)
(143)	Net GST paid		375	-	113	-
(233)	Capital charge		(217)	(250)	(220)	(220)
1,587	**Net cash flows from operating activities**	**15**	**(1,336)**	**732**	**726**	**577**
	Cash flows from investing activities					
83	Disposal of property, plant and equipment		1	-	-	-
(145)	Purchase of property, plant and equipment		(114)	(100)	(100)	(140)
(144)	Purchase of intangible assets		(66)	(410)	(410)	(210)
(206)	**Net cash flows from investing activities**		**(179)**	**(510)**	**(510)**	**(350)**
	Cash flows from financing activities					
-	Repayment of surplus		(320)	-	(320)	-
(408)	Capital withdrawal by the Crown	8	-	-	-	-
(408)	**Net cash flows from financing activities**		**(320)**	**-**	**(320)**	**-**
973	**Net increase in cash held**		**(1,835)**	**222**	**(104)**	**227**
4,227	Cash at 1 July		5,200	4,499	5,200	5,096
5,200	**Total cash at 30 June**		**3,365**	**4,721**	**5,096**	**5,323**

*The statement of accounting policies provides explanations of these forecast figures which are not subject to audit.

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 2014

Non-cancellable operating lease commitments

The Ministry leases property in the normal course of business. This lease is for premises in Wellington, which has a non-cancellable leasing period up to 28 February 2018, with a three year right of renewal. Rent is subject to review at 1 March 2015, and at 1 March 2018 if the right of renewal is exercised.

Actual 2012/13 $000		Actual 2013/14 $000
	Non-cancellable operating lease commitments	
1,496	Not later than 1 year	1,422
5,216	Later than 1 year and not later than 5 years	3,794
-	Later than 5 years	-
6,712	**Total non-cancellable lease commitments**	**5,216**

There are no restrictions placed on the Ministry by its leasing arrangements. 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 reduction in commitments is because the accommodation lease is one year closer to expiry.

Capital commitments

The Ministry has no capital commitments as at 30 June 2014 (2012/13: $nil).

STATEMENT OF CONTINGENT LIABILITIES AND CONTINGENT ASSETS

as at 30 June 2014

The Ministry has no quantifiable contingent liabilities or contingent assets as at 30 June 2014 (2012/13: $nil).

STATEMENT OF DEPARTMENTAL EXPENSES AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

for the year ended 30 June 2014

Actual Expenditure 2012/13 $000		Actual Expenditure 2013/14 $000	Supplementary Estimates 2013/14 $000	Voted Appropriation 2013/14 $000	Forecast* 2014/15 $000
	Vote Transport				
	Appropriations for output expenses				
28,471	Policy advice and related outputs multi class output appropriation	31,861	31,941	31,941	-
-	Policy advice and related outputs multi category appropriation	-	-	-	30,843
1,135	Search and rescue activity co-ordination PLA	1,087	1,136	1,136	1,201
429	Fuel excise duty refund administration	429	700	700	429
251	Milford Sound/Piopiotahi Aerodrome operation and administration	273	278	278	230
30,286	**Total appropriation for output expenses**	**33,650**	**34,055**	**34,055**	**32,703**
	Appropriation for capital expenditure				
289	Ministry of Transport — capital expenditure PLA	180	510	510	350

*The statement of accounting policies provides explanations of these forecast figures which are not subject to audit.

The Voted Appropriation column includes all adjustments made in the 2013/14 Supplementary Estimates.

STATEMENT OF DEPARTMENTAL UNAPPROPRIATED EXPENDITURE AGAINST APPROPRIATIONS

for the year ended 30 June 2014

The Ministry has no expenditure to report in any of the following categories (2012/13: $nil):

- expenses and capital expenditure incurred in excess of appropriation
- expenses and capital expenditure incurred without appropriation or other authority, or outside scope of appropriation
- breaches of projected departmental net asset schedules.

Notes to financial statements

for the year ended 30 June 2014

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 2014. The financial statements were authorised for issue by the Chief Executive of the Ministry on 30 September 2014.

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 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 were developed by the XRB based on current International Public Sector Accounting Standards.
- The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. The Ministry will transition to the new standards when it prepares its 30 June 2015 financial statements. The transition to the new Accounting Standards Framework is not expected to materially impact financial reporting for the Ministry.
- Accounting Standards Framework for public benefit entities. Due to the change in this framework, all new NZ IFRS and amendments to existing NZ IFRS were not applicable to public benefit entities. Therefore, the XRB effectively froze 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. The transition is not expected to materially impact financial reporting for the Ministry.

Budget figures

The budget figures are those used in the preparation of the Information Supporting the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2014, 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.

Forecast figures

Significant assumptions

These financial forecasts are based on Budget Economic Forecast Update (BEFU) and have been prepared on the basis of assumptions as to future events that the department reasonably expects to occur, associated with the actions it reasonably expects to take. They have been compiled on the basis of existing government policies and Ministerial expectations at the date that the information was prepared.

The main assumptions are that the operations of the Ministry will continue as in 2013/14.

Estimated year end information for 2013/14 is used as the opening position for the 2014/15 forecasts.

There are no significant events or changes that would have a material impact on the BEFU forecast.

Factors that could lead to material differences between the forecast financial statements and the 2014/15 actual financial statements include changes to the baseline budget through new initiatives, or technical adjustments.

Basis of preparation

These forecast financial statements have been prepared in accordance with New Zealand Public Benefit Entity (NZ PBE) International Public Sector Accounting Standards (IPSAS). While a detailed impact assessment has yet to be completed, no significant impact is expected on transition from NZ IFRS to IPSAS.

These are the first set of prospective financial statements presented by the department under NZ PBE IPSAS. They are compliant with PBE FRS-42 Prospective Financial Statements and are consistent with GAAP. The purpose of the forecast financial statements is to facilitate Parliament's consideration of the appropriations for, and planned performance of the department. Use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the forecast information presented and that the variations may be material.

Authorisation Statement

The forecast figures reported are those for the year ending 30 June 2015 included in BEFU 2014. These were authorised for issue on 15 April 2014 by the Chief Executive who is responsible for the forecast financial statements as presented. The preparation of these financial statements requires judgements, estimations, and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual financial results achieved for the period covered are likely to vary from the information presented, and the variations may be material.

It is not intended that the prospective financial statements will be updated subsequent to presentation.

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 5 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 asset classes have been estimated as follows:

Asset class	Useful Life	Depreciation Rate
Furniture and fittings	10 years	10% per annum
Leasehold improvements	12 years	8.3% 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

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.

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 amortised. The total cost of this work is transferred to the relevant asset category on the completion of the project and then amortised.

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 retirement 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 below and are provided by the Treasury.

	2014/15	2015/16	Outyears
Discount rate %	3.70	4.04	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

Memorandum accounts reflect the cumulative surplus/(deficit) on those departmental services provided that are intended to be fully cost recovered from third parties through fees, levies, or charges. The Ministry does not provide such services and so does not maintain memorandum accounts.

Property revaluation reserves

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 13 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 2014.

Operating lease

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

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

NOTE 2: REVENUE CROWN

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000	Unaudited Forecast 2014/15 $000
28,751	Policy advice and related outputs multi class output appropriation	31,855	31,143	31,858	-
-	Policy advice and related outputs multi category appropriation	-	-	-	30,843
1,135	Search and rescue activity co-ordination PLA	1,087	1,136	1,136	1,201
429	Fuel excise duty refund administration	429	429	700	429
30,315	**Total revenue Crown**	**33,371**	**32,708**	**33,694**	**32,473**

NOTE 3: OTHER REVENUE

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000	Unaudited Forecast 2014/15 $000
45	From Crown entities	70	-	83	-
246	Other recoveries	209	230	278	230
291	**Total other revenue**	**279**	**230**	**361**	**230**

NOTE 4: PERSONNEL EXPENSES

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000	Unaudited Forecast 2014/15 $000
14,348	Salary and wages	15,635	16,100	16,100	16,300
512	Employer contributions to defined contribution schemes	556	635	560	560
1	Annual leave	36	-	-	-
11	Long service leave	(37)	120	90	90
185	Retirement leave	(96)	125	90	90
1	Sick leave	(1)	-	-	-
446	Other personnel costs	354	609	960	680
15,504	**Total personnel expenses**	**16,447**	**17,589**	**17,800**	**17,720**

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

NOTE 5: OTHER OPERATING EXPENSES

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000	Unaudited Forecast 2014/15 $000
4,594	Consultant, research and legal expenses	6,783	5,650	6,509	5,578
2,161	Other operating expenses	2,667	1,727	1,652	1,615
1,440	Operating lease payments	1,476	1,580	1,580	1,580
1,931	Information technology expenses	1,677	1,700	1,700	1,700
174	Advertising and publicity	237	200	200	200
76	Fee to Audit NZ for the financial statement audit	78	83	83	86
9	Fee to Audit NZ for project assurance services	10	-	-	-
-	Loss on disposal of assets	1	-	-	-
10,385	**Total other operating expenses**	**12,929**	**10,940**	**11,724**	**10,759**

NOTE 6: CONTRACTUAL PAYMENTS TO CROWN ENTITIES

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000	Unaudited Forecast 2014/15 $000
	NZ Transport Agency:				
899	For rules programme activity	899	899	899	899
429	For fuel excise duty refund activity	429	429	700	429
1,200	**Civil Aviation Authority:** for rules programme activity	1,200	1,200	1,200	1,200
899	**Maritime New Zealand:** for rules programme activity	899	899	899	899
3,427	**Total contractual payments to Crown entities**	**3,427**	**3,427**	**3,698**	**3,427**

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 2014 was 8 percent (2013: 8 percent).

NOTE 8: EQUITY

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000	Unaudited Forecast 2014/15 $000
	Taxpayers funds				
2,355	Balance at 1 July	1,947	1,947	1,947	1,947
(408)	Capital withdrawal	-	-	-	-
1,947	Balance 30 June	1,947	1,947	1,947	1,947
	Property revaluation reserves				
761	Balance at 1 July and 30 June	761	761	761	761
2,708	**Total equity**	**2,708**	**2,708**	**2,708**	**2,708**

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

NOTE 9: DEBTORS, PREPAYMENTS AND OTHER RECEIVABLES

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000	Unaudited Forecast 2014/15 $000
-	Due from the Crown	3,047	36	-	-
113	GST refund	-	-	-	-
15	Other receivables	21	20	15	15
128	**Total debtors, prepayments and other receivables**	**3,068**	**56**	**15**	**15**

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 10: PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements $000	Plant and equipment $000	Milford Sound/ Piopiotahi Aerodrome $000	Furniture and fittings $000	Total $000	Main Estimates $000	Supplementary Estimates $000
Cost or valuation							
Balance at 1 July 2012	2,170	1,482	1,345	842	5,839	5,833	5,833
Additions	-	145	-	-	145	126	144
Disposals	-	(364)	-	-	(364)	(494)	(356)
Balance at 30 June 2013	**2,170**	**1,263**	**1,345**	**842**	**5,620**	**5,465**	**5,621**
Balance at 1 July 2013	2,170	1,263	1,345	842	5,620	5,465	5,621
Additions	-	111	-	3	114	100	100
Disposals	-	(66)	-	(12)	(78)	-	-
Balance at 30 June 2014	**2,170**	**1,308**	**1,345**	**833**	**5,656**	**5,565**	**5,721**
Accumulated depreciation							
Balance at 1 July 2012	1,333	1,006	65	563	2,967	2,960	2,960
Depreciation expense	217	141	28	80	466	478	466
Disposals	-	(282)	-	-	(282)	(494)	(274)
Balance at 30 June 2013	**1,550**	**865**	**93**	**643**	**3,151**	**2,944**	**3,152**
Balance at 1 July 2013	1,550	865	93	643	3,151	2,944	3,152
Depreciation expense	149	159	25	77	410	507	404
Disposals	-	(66)	-	(10)	(76)	-	-
Balance at 30 June 2014	**1,699**	**958**	**118**	**710**	**3,485**	**3,451**	**3,556**
Carrying amounts							
At 1 July 2012	837	476	1,280	279	2,872	2,873	2,873
At 30 June and 1 July 2013	620	398	1,252	199	2,469	2,521	2,469
At 30 June 2014	**471**	**350**	**1,227**	**123**	**2,171**	**2,114**	**2,165**
Forecast at 30 June 2015 (unaudited)	**341**	**334**	**1,207**	**55**	**1,937**		

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 11: INTANGIBLE ASSETS

	Crash analysis system $000	Other software $000	Total $000	Main Estimates $000	Supplementary Estimates $000
Cost					
Balance at 1 July 2012	408	1,605	2,013	2,421	1,959
Additions	-	99	99	374	145
Disposals	(408)	(54)	(462)	(408)	(408)
Balance at 30 June 2013	**-**	**1,650**	**1,650**	**2,387**	**1,696**
Balance at 1 July 2013	-	1,650	1,650	2,387	1,696
Additions	-	99	99	410	410
Balance at 30 June 2014	**-**	**1,749**	**1,749**	**2,797**	**2,106**
Accumulated depreciation					
Balance at 1 July 2012	408	1,223	1,631	2,039	1,578
Amortisation expense	-	247	247	293	247
Disposals	(408)	(54)	(462)	(408)	(408)
Balance at 30 June 2013	**-**	**1,416**	**1,416**	**1,924**	**1,417**
Balance at 1 July 2013	-	1,416	1,416	1,924	1,417
Amortisation expense	-	216	216	225	209
Balance at 30 June 2014	**-**	**1,632**	**1,632**	**2,149**	**1,626**
Carrying amounts					
At 1 July 2012	-	382	382	382	381
At 30 June and 1 July 2013	-	234	234	463	279
At 30 June 2014	**-**	**117**	**117**	**648**	**480**
Forecast at 30 June 2015 (unaudited)	**-**	**481**	**481**		

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

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

Work in progress

The total amount of software in the course of construction is $11,590 (2012/13: $45,542).

NOTE 12: CREDITORS AND OTHER PAYABLES

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates $000	Supplementary Estimates 2013/14 $000	Unaudited Forecast 2014/15 $000
783	Accrued expenses	1,502	1,000	1,000	1,000
924	Trade creditors	870	154	583	528
-	GST payable	264	32	-	-
-	Revenue received in advance	19	-	-	-
1,707	**Total creditors and other payables**	**2,655**	**1,186**	**1,583**	**1,528**

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

NOTE 13: EMPLOYEE ENTITLEMENTS

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000	Unaudited Forecast 2014/15 $000
	Current liabilities				
375	Accrued salary	498	500	500	555
916	Annual leave	952	1,278	915	915
106	Long service leave	104	100	100	100
79	Retirement leave	149	58	86	86
32	Sick leave	31	31	31	31
1,508	**Total of current portion**	**1,734**	**1,967**	**1,632**	**1,687**
	Non-current liabilities				
161	Long service leave	126	130	150	150
988	Retirement leave	822	848	999	999
1,149	**Total of non-current portion**	**948**	978	1,149	1,149
2,657	**Total provision for employee entitlements**	**2,682**	**2,945**	**2,781**	**2,836**

Accrued salary arises from the fortnightly paydays which do not equate to the year end. Days owed at 30 June 2014: 8 (2012/13:7).

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

Long service and retirement leave obligations are determined on an actuarial basis using several assumptions. Two key assumptions used are the discount rate and the salary inflation factor. Any changes in this assumption will impact on the carrying amount of the liability. The discount rate and inflation factors used are detailed in the accounting policies.

If the discount rate were to differ by 1% from the Ministry's estimates, with all other factors held constant, the estimated carrying amount of the liability would be $80,000 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 $98,000 higher/ lower.

NOTE 14: PROVISION FOR LEASE MAKE-GOOD

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000	Unaudited Forecast 2014/15 $000
660	Balance at 1 July	684	700	684	684
24	Discount unwind (Finance cost)	4	-	-	-
684	**Balance at 30 June**	**688**	**700**	**684**	**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 the lease, which impacts on the timing of any cash outflows.

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

NOTE 15: 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 2014

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000	Unaudited Forecast 2014/15 $000
320	**Net surplus**	**-**	-	-	-
	Add non-cash items				
466	Depreciation of property, plant and equipment	410	507	404	368
247	Amortisation of intangible assets	216	225	209	209
-	Loss on disposal of assets	1	-	-	-
713	**Total of non-cash items**	**627**	**732**	**613**	**577**
	Add/(deduct) movements in working capital items				
2,581	(Increase)/decrease in debtors and other receivables	(2,940)	-	-	-
(2,236)	Increase/(decrease) in payables and provisions	952	-	-	-
209	Increase/(decrease) in employee entitlements	25	-	-	-
554	**Net movements in working capital items**	**(1,963)**	-	-	-
1,587	**Net cash flows from operating activities**	**(1,336)**	**732**	**613**	**577**

NOTE 16: 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 12.

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000	Unaudited Forecast 2014/15 $000
1,707	Less than 6 months (note 12)	2,655	1,186	1,583	1,528
-	Greater than 6 months	-	-	-	-

Market risk

Interest rate risk

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

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

Currency risk

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

NOTE 17: 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 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000	Unaudited Forecast 2014/15 $000
	Loans and receivables				
5,200	Cash and cash equivalents	3,365	4,721	5,096	5,323
128	Debtors, prepayments and other receivables (note 9)	3,068	20	15	15
	Financial liabilities measured at amortised cost				
1,707	Creditors and other payables (note 12)	2,655	1,186	1,583	1,528

NOTE 18: 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 $33.4 million (2013: $30.3 million), for specific purposes as set out in the scopes of the relevant government appropriations.

Revenue was also received from other entities controlled by the Crown as described in note 3. This was to reimburse the Ministry for costs.

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

The Ministry also purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2014 totalled $0.46 million (2013: $0.45 million) - electricity from Genesis Energy $0.05 million (2013: $0.04 million), air travel from Air New Zealand $0.40 million (2013: $0.40 million) and postal services from New Zealand Post $0.01 million (2013: $0.01 million).

The Ministry also purchases transport outputs from other transport entities controlled by the Crown. These transactions are detailed in note 6 of these financial statements.

Transactions with key management personnel

During 2013/14 and 2012/13, the Ministry did not enter into any transactions with key management personnel or their close families.

Key management personnel compensation

Actual 2012/13 $000		Actual 2013/14 $000
1,659	Salaries and other short-term employee benefits	1,691
-	Termination benefits	82
1,659	**Total key management personnel compensation**	**1,773**

At 30 June 2014, key management personnel includes the Chief Executive and the five members (2013: five members) of the senior management team.

NOTE 19: 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 20: MAJOR CHANGES TO THE DEPARTMENTAL OUTPUT BUDGETS

Minor changes were made to the Ministry's departmental output budgets for the year 2013/14 by way of the Supplementary Estimates. Explanations for the changes were outlined in the 2013/14 Supplementary Estimates (page 757 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 (MCOA)	31,143	798	31,941
Fuel excise duty refund administration	429	271	700
Milford Sound/ Piopiotahi Aerodrome operation and administration	230	48	278
Search and rescue activity co-ordination PLA	1,136	-	1,136
Total departmental appropriations	**32,938**	**1,117**	**34,055**

The adjustments to the appropriations were:

- $0.715 million carried forward from 2012/13 for policy advice projects – the largest being the Clifford Bay ferry terminal output within Policy advice;
- additional funding of $0.131 reflecting revenue earned from non-Crown parties; and
- reprioritisation of $0.271 million from a non-departmental output to the refund administration output class.

NOTE 21: 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 2014 are:

Statement of comprehensive income

Revenue Crown

The actual revenue Crown figure was $0.3 million below the Supplementary Estimates. This amount was not drawn because it was not required to fund expenditure.

Expenditure

Personnel expenditure was $1.3 million below the Supplementary Estimates due to turnover and vacancies.

Other operating expenses were $1.2 million over the Supplementary Estimates due to additional legal costs for the Waitangi Tribunal hearing in relation to the Rena grounding.

Statement of financial position

Assets

Cash and cash equivalents were $1.7 million lower than the Supplementary Estimates due mainly to debtors being higher than anticipated.

Debtors, prepayments and other receivables

Debtors were $3.0 million higher than the Supplementary Estimates. Drawing of some Crown revenue was deferred because there was sufficient cash available to meet the Ministry's needs in the short term.

NOTE 22: 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 2014.

Non-departmental schedules and statements

INTRODUCTION/OVERVIEW

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

The Ministry administered:

- $1.398 billion of non-departmental revenue and receipts (2012/13: $1.225 billion)
- $2.956 billion of non-departmental expenditure (2012/13: $2.698 billion)
- $0.108 billion of non-departmental assets (2012/13: $0.105 billion)
- $0.368 billion of non-departmental liabilities (2012/13: $0.399 billion)

on behalf of the Crown for the year ended 30 June 2014.

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 2014

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

Actual 2012/13 $000		Notes	Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
1,203,785	Indirect taxation	2	1,349,290	1,312,992	1,309,630
1,626	Other 'sovereign power' revenue	3	1,525	1,400	1,400
20,191	Other operational revenue	4	46,934	20,404	46,771
(376)	Share of net asset increase in joint venture airports	9	(93)	-	-
1,225,226	**Total non-departmental revenue and receipts**		**1,397,656**	**1,334,796**	**1,357,801**

SCHEDULE OF NON-DEPARTMENTAL EXPENSES

for the year ended 30 June 2014

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 2012/13 $000		Notes	Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
1,907,641	Non-departmental output classes	5	1,981,513	1,937,948	1,981,817
607,265	Purchase or development of capital assets	6	776,227	761,010	776,227
177,832	Other expenses to be incurred by the Crown	7	195,766	51,191	215,909
3,013	Bad debts expense		3,379	6,000	4,000
2,112	Movement in doubtful debts provision		(1,044)	-	-
2,697,863	**Total non-departmental expenses**		**2,955,841**	**2,756,149**	**2,977,953**

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

SCHEDULE OF NON-DEPARTMENTAL ASSETS

as at 30 June 2014

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

Actual 2012/13 $000		Notes	Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
	Current assets				
31,400	Cash and bank balances		19,584	-	20,000
48,853	Receivables and advances	8	64,153	57,171	51,155
	Non-current assets				
24,379	Investment in joint venture airports	9	24,402	25,805	25,429
104,632	**Total non-departmental assets**		**108,139**	**82,976**	**96,584**

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

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

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

SCHEDULE OF NON-DEPARTMENTAL LIABILITIES

as at 30 June 2014

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

Actual 2012/13 $000		Notes	Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
	Current liabilities				
398,642	Payables	11	368,408	309,847	348,251
398,642	**Total non-departmental liabilities**		**368,408**	**309,847**	**348,251**

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

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

STATEMENT OF NON-DEPARTMENTAL EXPENDITURE AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

for the year ended 30 June 2014

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

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
	Appropriations for non-departmental output classes			
3,865	Accident or incident investigation and reporting	3,865	3,865	3,865
150	Construction of passing opportunities on State highway 2 between Napier and Gisborne	3,350	3,000	3,350
775	Crash analysis	775	775	775
3,145	Licensing activities	3,545	3,483	3,545
145	Maritime port security	145	145	145
548	Ministerial servicing by the New Zealand Transport Agency	548	548	548
1,818,900	National Land Transport Programme PLA *	1,879,747	1,867,600	1,879,747
2,219	Policy advice and related outputs - civil aviation MCOA	2,219	2,219	2,219
6,645	Policy advice and related outputs - maritime MCOA	7,283	6,510	7,587
26,200	Reinstatement of local roads in Canterbury	30,800	-	30,800
12,773	Road user charges collection	14,061	13,773	14,061
3,779	Road user charges investigation and enforcement	5,424	6,279	5,424
450	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	5,873	5,873	5,873
95	SuperGold card – administration of the public transport concessions scheme	95	95	95
18,573	Weather forecasts and warnings	20,017	20,017	20,017
1,590	Rail – Waikato network funding	-	-	-
1,907,641	**Sub-total**	**1,981,513**	**1,937,948**	**1,981,817**
	Appropriations for other expenses to be incurred by the Crown			
142,963	Auckland rail development MYA	53,100	21,833	63,978
-	Auckland Transport Package - fair value write-down of loan	113,885	-	122,000
3,013	Bad debt provision – motor vehicle registration/ licences and road user charges	3,379	6,000	4,000
611	Membership of international organisations	569	743	573
3,270	Rail – public policy projects	3,270	3,270	3,270
500	Rail – railway safety	500	500	500
22,755	SuperGold Card – public transport concessions for cardholders	23,905	23,905	23,905
2,318	Tauranga maritime incident response	537	940	1,683
5,415	Rail – metro rail rolling stock and infrastructure [Wellington]	-	-	-
180,845	**Sub-total**	**199,145**	**57,191**	**219,909**

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

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
	Appropriations for capital contributions to other organisations			
-	Aviation Security Service	-	-	200
397	Joint venture airports – Crown contribution MYA	116	500	1,050
-	Maritime New Zealand	220	1,100	1,100
745	Maritime New Zealand capital expenditure PLA	381	-	381
-	Maritime New Zealand - oil response	100	-	100
120,000	NLTF borrowing facility for short-term advances	60,000	750,000	750,000
-	NLTF borrowing facility for a short-term advance in 2012/13	-	100,000	100,000
15,000	National War Memorial Park: Buckle Street undergrounding project	25,000	25,000	25,000
322,500	KiwiRail equity injection	25,000	-	25,000
250,000	Rail – KiwiRail Turnaround Plan funding	93,800	93,849	93,849
110,000	Rail – loan for Auckland metro rail electric multiple unit package	138,000	130,000	138,000
10,870	Rail – Wellington metro rail network upgrade	28,417	36,146	36,146
-	Roading - reinstatement of earthquake damaged roads in Christchurch - loan	-	-	20,000
-	Tauranga Eastern Link loan	-	120,000	-
107,500	Rail – New Zealand Railways Corporation loans	-	-	-
937,012	**Sub-total**	**371,034**	**1,256,595**	**1,190,826**
	Appropriations for purchase or development of capital assets for the Crown			
607,265	National Land Transport Programme – new infrastructure for and renewal of State highways PLA*	776,227	761,010	776,227
607,265	**Sub-total**	**776,227**	**761,010**	**776,227**
3,632,763	**Total non-departmental expenditure and appropriations**	**3,327,919**	**4,012,744**	**4,168,779**

* 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.

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

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 2013	663,597	2,101
Increase in funding	26,000	-
Total funding	**689,597**	**2,101**
Expenditure in prior years	625,619	550
Expenditure in current year	53,100	116
Total expenditure to 30 June 2014	**678,719**	**666**
Balance of appropriation remaining at 30 June 2014	**10,878**	**1,435**

STATEMENT OF NON-DEPARTMENTAL COMMITMENTS

as at 30 June 2014

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 2012/13 $000		Actual 2013/14 $000
	Operating commitments	
75,739	Other non-cancellable contracts for the supply of goods and services	74,296
75,739	**Total operating commitments**	**74,296**
	Term classification of commitments	
20,017	Not later than 1 year	18,574
18,574	More than 1 year but less than 2 years	18,574
37,148	Between 2 and 5 years	37,148
-	Greater than 5 years	-
75,739	**Total operating commitments**	**74,296**

STATEMENT OF NON-DEPARTMENTAL CONTINGENT LIABILITIES

as at 30 June 2014

This statement discloses situations which exist at 30 June 2014, 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 2012/13 $000		Actual 2013/14 $000
10,000	Transport Accident Investigation Commission emergency guarantee	10,000
10,000	**Total contingent liabilities**	**10,000**

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

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 2014

There was no unappropriated expenditure noted during 2013/14 (2012/13: $nil).

Notes to non-departmental schedules

for the year ended 30 June 2014

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 2014.

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

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

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

Basis of preparation

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

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

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

Significant accounting policies

Budget figures

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

Revenue

Revenues from road user charges, motor vehicle licensing fees and tolling revenue are recognised on an accrual basis. Revenues from infringement fees are recognised on a cash 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 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 there are equally unperformed obligations.

Contingent liabilities

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

Changes in accounting policies

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

NOTE 2: INDIRECT TAXATION

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
173,844	Motor vehicle registration fees	187,112	186,707	185,665
1,066,192	Road user charges	1,204,502	1,163,642	1,162,446
1,240,036	**Sub-total**	**1,391,614**	**1,350,349**	**1,348,111**
(36,251)	Fuel excise duty refunds	(42,324)	(37,357)	(38,481)
1,203,785	**Total indirect taxation**	**1,349,290**	**1,312,992**	**1,309,630**

NOTE 3: OTHER 'SOVEREIGN POWER' REVENUE

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
1,626	Infringement fees – tolls and other	1,525	1,400	1,400
1,626	**Total other 'sovereign power' revenue**	**1,525**	**1,400**	**1,400**

NOTE 4: OTHER OPERATIONAL REVENUE

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
11,009	Road user charges administration fees	11,080	13,204	11,401
2,066	Other revenue	28,206	–	28,170
7,116	Tolling revenue (note 10)	7,648	7,200	7,200
20,191	**Total other operational revenue**	**46,934**	**20,404**	**46,771**

The increase in other revenue is due to the payment to the Crown of the settlement proceeds paid by the insurer of the MV Rena.

NOTE 5: NON-DEPARTMENTAL OUTPUT CLASSES

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
1,907,641	This expense item is equal to the appropriations for non-departmental output classes listed in the statement of non-departmental expenditure and appropriations	1,981,513	1,937,948	1,981,817
1,907,641	**Total non-departmental output classes**	**1,981,513**	**1,937,948**	**1,981,817**

NOTE 6: PURCHASE OR DEVELOPMENT OF CAPITAL ASSETS

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
607,265	This expenditure is for the construction of, and improvement to the State highway network including pavement rehabilitation and seal widening	776,227	761,010	776,227
607,265	**Total purchase or development of capital assets**	**776,227**	**761,010**	**776,227**

NOTE 7: OTHER EXPENSES TO BE INCURRED BY THE CROWN

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
142,963	Auckland rail development MYA	53,100	21,833	63,978
-	Auckland Transport package – fair value write-down of loan	113,885	-	122,000
611	Membership of international organisations	569	743	573
3,270	Rail – public policy projects	3,270	3,270	3,270
500	Rail – railway safety	500	500	500
22,755	SuperGold Card – public transport concessions for cardholders	23,905	23,905	23,905
2,318	Tauranga maritime incident response	537	940	1,683
5,415	Rail – metro rail rolling stock and infrastructure (Wellington)	-	-	-
177,832	**Total other expenses to be incurred by the Crown**	**195,766**	**51,191**	**215,909**

NOTE 8: RECEIVABLES AND ADVANCES

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
46,609	Motor vehicle registration fees	39,017	42,171	39,869
10,210	Road user charge revenue	29,370	12,687	9,201
1,691	Tolling revenue	1,882	2,213	1,537
394	Infringement revenue	471	100	548
-	Ministry of Transport	118	-	-
58,904	**Sub-total**	**70,858**	**57,171**	**51,155**
(10,051)	Provision for doubtful debts	(6,705)	-	-
48,853	**Total receivables and advances**	**64,153**	**57,171**	**51,155**

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 2014 (30 June 2013: $nil).

For motor vehicle fees and road user charge revenue, debts are assessed for impairment regularly and provision made for non-collectable debts as shown above. The NZ Transport Agency which collects this revenue has amended the application of its revenue recognition policy and only fees that are likely to be collected are recognised as revenue. This has reduced the provision for doubtful debt.

NOTE 9: INVESTMENT IN JOINT VENTURE AIRPORTS

Actual 2012/13 $000		Actual 2013/14 $000
11,676	New Plymouth	11,910
3,681	Taupo	3,634
5,086	Wanganui	5,027
922	Westport	854
538	Whakatane	519
2,476	Whangarei	2,458
24,379	**Total investment in joint venture airports**	**24,402**

The Crown has a 50 percent interest in each airport, with the other 50 percent held by the local council. The value of the investment at 30 June 2014 is based on the annual financial statements of each airport for the year ended 30 June 2013 (2013: 30 June 2012), plus capital contributions from the Crown during the year ended 30 June 2014.

The investment was reduced by $93,000 for losses incurred by the airports during the year ended 30 June 2013 (2012: $376,000 reduction) and increased for capital payments made during 2013/14 of $116,000 (2012: $397,000).

The net result is a $23,000 increase in the Crown's equity position for the year ended 2014 (2013: $21,000 increase).

NOTE 10: INVESTMENT IN THE NORTHERN GATEWAY TOLL ROAD

The Northern Gateway toll road project was completed with a contribution from the Crown of $158 million. The Crown issued infrastructure bonds to fund the project and the bonds are shown within the financial statements of the Treasury. The toll revenue from the road is intended to cover the costs of the bonds. The charging of a toll began in February 2009 and the tolling revenue is recorded as other operational revenue in Vote Transport (note 4).

It was agreed that a notional account would be kept of the 'cost' of the project using an estimated interest rate charged on the $158 million 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 percent 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 percent. The two tables below show the project since the start and then for the current year. Further information is available at www.tollroad.govt.nz.

Since the commencement of the project

Actual 2012/13 $000		Actual 2013/14 $000
158,000	Funding provided for construction	158,000
63,131	Interest charged since funding first drawn	75,784
(28,053)	Tolling revenue since February 2009	(35,701)
193,078	**Balance at 30 June**	**198,083**

Current year

Actual 2012/13 $000		Actual 2013/14 $000
187,813	Balance at 1 July	193,078
12,381	Interest charge for the year	12,653
(7,116)	Tolling revenue for the year	(7,648)
193,078	**Balance at 30 June**	**198,083**

NOTE 11: PAYABLES

Actual 2012/13 $000		Actual 2013/14 $000	Main Estimates 2013/14 $000	Supplementary Estimates 2013/14 $000
352,223	National Land Transport Fund revenue payable to the New Zealand Transport Agency	329,662	250,000	300,000
13,848	GST payable	16,334	14,585	13,848
30,443	Motor vehicle registration third party collections	16,069	32,030	31,557
1,638	Output funding payable to the New Zealand Railways Corporation	4,262	10,259	1,638
20	Road user charges refunds	1,971	1,232	1,208
470	Output funding payable to Maritime New Zealand	110	-	-
-	Output funding payable to Meteorological Service	-	1,741	-
398,642	**Total payables**	**368,408**	**309,847**	**348,251**

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 2012/13 $000		Actual 2013/14 $000
	Loans and receivables	
31,400	Cash and cash equivalents	19,584
48,853	Receivables and advances	64,153
80,253	**Total loans and receivables**	**83,737**
	Financial liabilities measured at amortised cost	
398,642	Payables	368,408

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 2013/14 Supplementary Estimates. Explanations for significant variances only are provided below.

Revenue and receipts

	Main Estimates $000	Supplementary Estimates $000	Cumulative Vote $000
Tax revenue			
Motor vehicle registration	186,707	(1,042)	185,665
Road user charges	1,163,642	(1,196)	1,162,446
Fuel excise duty refunds	(37,357)	(1,124)	(38,481)
	1,312,992	**(3,362)**	**1,309,630**
Other operational revenue			
Road user charges administration fees	13,204	(1,803)	11,401
Recovery relating to the Rena	-	28,170	28,170
Tolling fees	7,200	-	7,200
	20,404	**26,367**	**46,771**

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.

Recovery relating to the Rena

This amount was not included in the Estimates as it was not certain. It was recognised once the position became clear.

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	3,000	350	3,350
Licensing activities	3,483	62	3,545
National Land Transport Programme PLA	1,867,600	12,147	1,879,747
Policy advice and related outputs – maritime MCOA	6,510	1,077	7,587
Reinstatement of local roads in Canterbury	–	30,800	30,800
Road user charges collection	13,773	288	14,061
Road user charges investigation and enforcement	6,279	(855)	5,424
Non-departmental other expenses			
Auckland rail development MYA	21,833	42,145	63,978
Auckland Transport Package - fair value write-down of loan	-	122,000	122,000
Bad debt provision – motor vehicle registration/ licenses and road user charges	6,000	(2,000)	4,000
Membership of international organisations	743	(170)	573
Tauranga maritime incident response	940	743	1,683
Capital expenditure			
Aviation Security Service	–	200	200
Joint venture airports - Crown contribution MYA	500	550	1,050
KiwiRail equity injection	-	25,000	25,000
Maritime NZ capital expenditure PLA	–	381	381
Maritime NZ – oil response	–	100	100
National Land Transport Programme – new infrastructure for and renewal of State highways PLA	761,010	15,217	776,227
Rail – Loan for Auckland metro rail electric multiple unit package	130,000	8,000	138,000
Roading - reinstatement of earthquake damaged roads in Christchurch - Loan	-	20,000	20,000
Tauranga Eastern Link loan	120,000	(120,000)	-

Explanations for the major changes were outlined in the 2013/14 Supplementary Estimates (pages 757 onwards). They were:

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

This appropriation was increased due to an expense transfer from 2012/13.

Licensing activities

Two elements of this appropriation were adjusted.

Driver licence stop order implementation was completed during 2013/14 below expected cost, and the balance of $108,000 was reprioritised to drug and alcohol assessments to cover the expected costs.

Drug and alcohol assessments are a demand driven activity and the cost has been increasing in recent years due to new legislation. To cover these costs in 2013/14 and 2014/15:

- $108,000 was reprioritised from within the appropriation as noted above (increase),
- $100,000 was an expense transfer from 2012/13 (increase),
- $170,000 was reprioritised to here from elsewhere in Vote Transport (increase), and then
- $208,000 was an expense transfer to 2014/15 (decrease).

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 – one operating and one capital.

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

- Funding is transferred to the operating appropriation from the capital one to fund it for planned activity in a year.
- Road tax revenue is forecast every six months. The State highway capital appropriation is adjusted as required as revenue increases or decreases.
- Unspent funding from the previous year may be appropriated.

Any shortfall in funding that will be covered by the loan facilities is reflected in the capital appropriation. This is for simplicity and is consistent with prior years.

The increase in the operating appropriation is a transfer from the capital appropriation to cover planned expenditure.

The increase in the capital appropriation of $15.217 million is due to:

- $30 million for surplus funds in the National Land Transport Fund from previous years (increase)
- $1.403 million from changes in the road tax revenue forecasts (increase)
- $12.147 million transferred to the operating appropriation as above (decrease)
- $4.039 million (net) appropriated to other outputs that are funded from road tax revenue (decrease).

Policy advice and related outputs - maritime MCOA

The Maritime Incident Response output class was created during 2013/14 with funding of $1.077 million for 2013/14. This is to fund the building of capability to deal with maritime incidents involving oil and other pollutants, in conjunction with the new Maritime NZ - oil response capital appropriation.

Maritime NZ – oil response

$100,000 was appropriated to provide capital for oil pollution prevention and control, in conjunction with the new Maritime Incident Response output class above.

Reinstatement of local roads in Canterbury

The appropriation increased due to an expense transfer from 2012/13.

Road user charges collection

The appropriation increased during the year by $288,000. The increase is the net of:

- $584,000 was reprioritised from elsewhere in Vote Transport for agreed costs (increase)
- $296,000 was an expense transfer to 2014/15 (decrease).

Road User Charges investigation and enforcement

The appropriation decreased during the year by $855,000 because of reprioritisation to related appropriations within Vote Transport to meet forecast costs.

Auckland rail development MYA

The appropriation increased during the year by $42.145 million. This is the total of:

- $26 million new funding to meet increased costs for the Auckland Rail Electrification Project
- $16.145 million unspent funding transferred from 2012/13.

Auckland Transport Package - fair value write-down of loan

This appropriation was created during 2013/14 to reflect the interest free loan to the NZ Transport Agency for the delivery of the Auckland Transport Package. The write-down is a book entry in accordance with generally accepted accounting practice, and the expense was recognised once the loan paperwork was finalised. No cash will be paid.

Bad debt provision – Motor vehicle registration/ licences and Road user charges

The appropriation decreased by $2 million because the NZ Transport Agency has changed the application of its revenue recognition policy. Revenue unlikely to be received will not be recognised, which will result in a reduction in the bad debt write-off.

Membership of international organisations

The appropriation decreased by $170,000 as funding was reprioritised to other appropriations in Vote Transport.

Tauranga maritime incident response

The appropriation increased by $743,000 as the net of an expense transfer of $1.043 million from 2012/13 to 2013/14 (increase), and an expense transfer of $300,000 from 2013/14 to 2014/15 (decrease) to match planned expenditure.

Aviation Security Service

This appropriation increased due to an expense transfer from 2012/13.

Joint venture airports - Crown contribution MYA

This appropriation increased due to an expense transfer from 2012/13.

KiwiRail equity injection

$25 million was appropriated as an equity injection to meet cash flow requirements.

Maritime New Zealand capital expenditure PLA

$381,000 was appropriated to reimburse Maritime NZ for high search and rescue costs in 2012/13.

Rail – loan for Auckland metro rail electrical multiple unit package

The appropriation increased due to an expense transfer from 2012/13.

Roading - reinstatement of earthquake damaged roads in Christchurch - Loan

$183.42 million was appropriated over 2013/14 to 2015/16 to fund this work by way of a loan.

Tauranga Eastern Link loan

The appropriation was reduced to zero in 2013/14 by:

- an expense transfer of $90 million to 2014/15; and
- a reduction of $30 million, as the NZ Transport Agency does not require the full loan.

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 $39.9 million higher than forecast with the main variance in actual indirect taxation – $39.7 million higher than forecast. These revenues are demand driven and so difficult to forecast.

Schedule of non-departmental expenses

Total expenses were $22 million less than appropriated in the Supplementary Estimates. The significant variances relate to following appropriations:

Auckland rail development MYA: work that was expected to be completed this year will now occur in 2014/15.

Auckland Transport Package – fair value write down: the budget was based on assumptions about when loan amounts would be drawn and repaid, and those assumptions changed – an underspend of $8.1 million.

Schedule of non-departmental assets

Non-departmental assets were $11.6 million higher than forecast. Receivables and advances are higher then forecast by $13 million. These vary depending on demand and are difficult to forecast.

Schedule of non-departmental liabilities

Payables were $20.1 million higher than forecast. 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.

Trust money administered on behalf of the Crown

Schedule of trust money administered on behalf of the Crown for the year ended 30 June 2014

Description of trust

MV Rena settlement trust

This Trust was established to hold settlement proceeds paid to the Crown by the insurer of the MV Rena. The settlement proceeds were fully distributed in the year ended 30 June 2014.

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 2012/13 $000		Actual 2013/14 $000
-	Balance at 1 July	27,954
27,600	Contributions	-
(197)	Distributions	(28,206)
551	Interest revenue	252
27,954	**Balance at 30 June**	**-**

Independent Auditor's report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of the Ministry of Transport's financial statements, the non-financial performance information and schedules of non-departmental activities for the year ended 30 June 2014.

The Auditor-General is the auditor of 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 47 to 69, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2014, the statement of comprehensive income, statement of movements 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 on pages 25 to 45 and the report about outcomes on pages 20 to 22; and
- the schedules of non-departmental activities of the Ministry on pages 71 to 89 that comprise the schedule of assets, schedule of liabilities, schedule of commitments and schedule of contingent liabilities and contingent assets as at 30 June 2014, the schedule of expenses, schedule of expenditure and capital expenditure against appropriations, schedule of unappropriated expenditure and capital expenditure, schedule of revenue and receipts and schedule 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 47 to 69:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect the Ministry's:
    - financial position as at 30 June 2014;
    - 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 2014; and
    - unappropriated expenses and capital expenditure for the year ended 30 June 2014.
- the non-financial performance information of the Ministry on pages 25 to 45 and 20 to 22:
  - 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 2014, 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 71 to 89 fairly reflect, in accordance with the Treasury Instructions:
    - the assets, liabilities, contingencies, commitments and trust monies as at 30 June 2014 managed by the Ministry on behalf of the Crown; and
    - the revenues, expenses, expenditure and capital expenditure against appropriations and unappropriated expenditure and capital expenditure for the year ended on that date managed by the Ministry on behalf of the Crown.

Our audit was completed on 30 September 2014. 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 statements, 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.

In addition to the audit we have carried out an assignment in the areas of probity assurance, which are compatible with those independence requirements. Other than the audit and these assignments, 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 2014 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 30 September 2014 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.