



Enabling
New Zealanders
to flourish

Annual Report
2016/17

INVESTED BOLD COLLABORATIVE

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The Ministry of Transport's purpose is enabling New Zealanders to flourish

Transport is essential for the lives of every New Zealander – it allows us to access economic and social opportunities within New Zealand and to connect globally. For New Zealanders to flourish we need an effective, healthy and safe domestic transport system with strong links to the rest of the world.

New Zealand has a vibrant transport sector, which provides around four and a half percent of New Zealand's employment and five percent of our gross domestic product. In total, the Government has \$60 billion worth of transport assets, including 11,000 kilometres of State highways, 84,000 kilometres of local roads and over 4,000 kilometres of rail track. New Zealand has 14 exporting ports and five international airports.

The Government invests over \$4 billion in the transport network each year – around 1.5 percent of New Zealand's GDP.

This investment is made across a range of transport modes to enable business and individuals to maximise their economic and social well-being. 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 uniquely placed to influence the future transport system. Our purpose is enabling New Zealanders to flourish.

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

The Ministry provides 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 economic and social benefits for New Zealand and minimises harm. To do this, we must have a good base knowledge of the transport sector. We also need to understand the future drivers for transport and their implications for Government policy and investment decisions.

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 all users, organisations and local authorities that participate in the transport system 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 to 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/Piopiotaahi Aerodrome
- ▶ overseeing the Crown's interest in joint venture airports
- ▶ administering a contract with the Meteorological Service of New Zealand Limited to provide public weather warning and forecast services.

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 for them to successfully undertake their own roles for our outcomes to be achieved.

Key management personnel as at 30 June 2017

Peter Mersi, Chief Executive and Secretary for Transport.

Lisa Barrett, Acting General Manager Organisational Development

Nick Brown, General Manager Aviation and Maritime

Gareth Chaplin, General Manager Sector Performance

Andrew Jackson, Deputy Chief Executive

Mike James, General Manager Road and Rail.

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 Limited

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

Meteorological Service of New Zealand Limited (MetService)

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

KiwiRail Holdings Limited (trading as KiwiRail Group).

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

LOCAL GOVERNMENT

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

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.





Peter Mersi, Chief Executive

Message from the Chief Executive

It is an exciting time to be part of the Ministry of Transport, as the transport sector is on the cusp of extraordinary changes. While new technology may create major shifts in when, where or how people and goods travel, the fundamental role of transport will not change any time soon.

Transport is a great social and economic enabler – and the Government will continue to need a high-performing Ministry, capable of guiding and coordinating the wider transport sector. That is why the Ministry values bold and collaborative leadership, where staff and stakeholders are invested in our work, and the Ministry as a whole enables New Zealanders to flourish.

Our contribution towards the Minister's priorities for transport

Supporting regional development and urban growth

Transport plays a strong role in encouraging regional development, and the Ministry continues to oversee a sizable Crown investment in strengthening regional transport connections. Our work in negotiating international air service agreements and managing joint venture regional airports also helps to expand the range of opportunities that are available for tourist operators and exporters.

Meanwhile, infrastructure in high-growth urban areas – particularly Auckland – is under increasing pressure. In addition to working on the next Government Policy Statement, which will guide transport funding for the decade to 2028, we were a key partner in the Auckland Transport Alignment Project, which saw central and local government agree an approach to tackle Auckland's transport challenges.

Resilience

The 2016/17 year has also seen substantial damage to transport networks caused by the Kaikoura earthquakes, and it will take some time for this infrastructure to be fully reinstated.

The Ministry helped deliver urgent legislation that allowed a quick start to recovery work around Kaikoura, and is examining how New Zealand might best prepare for – and respond to – future natural disasters.

Technology

New technologies are transforming how people and products travel. In the years ahead, electric vehicles will become more common, while transport systems as a whole will become smarter, safer, and increasingly autonomous.

Businesses continue to develop new models for ride-sharing and vehicle-sharing, and everything is becoming capable of connecting digitally and sharing data – however New Zealand's transport future will largely depend on our regulatory and funding decisions. The Ministry has continued to focus on delivering the Intelligent Transport Systems Technology Action Plan, which sets out how Government can best encourage the uptake of beneficial new technologies.

Improving performance and leadership of the transport sector


As the lead agency for transport policy, regulation and investment, this past year has also seen significant internal change, as we examined our systems and processes, and considered what will be required of us in the years ahead.

The Ministry has been implementing recommendations made in a number of reviews, commissioned after the discovery of fraud by a former senior manager. During 2016/17, the Serious Fraud Office has successfully prosecuted this case.

In August 2016 the Ministry moved to share Wellington accommodation with Statistics NZ, at 1 The Boulevard. This building was significantly damaged in the November 2016 earthquakes and it is not known when, or if, staff will be able to return. For the six weeks following the earthquake, Ministry staff were accommodated across Wellington by the NZ Transport Agency, Civil Aviation Authority, Maritime NZ, Datacom, the Automobile Association, Ministry of Business, Innovation and Employment and Airways. We are grateful for their hospitality. The Ministry is now located in medium-term accommodation while decisions are made on the long-term future of 1 The Boulevard.

I aim to ensure we continue delivering the quality of policy advice that Ministers demand and the public expects. I am also highly interested in the way the Ministry works with our counterparts across government – including the transport Crown entities – as well as our engagement with non-Government organisations and private sector stakeholders. This will help us take a systemic approach, in line with our responsibility for overseeing the whole transport network.

2016/17 has seen the Ministry manage some unique challenges, and I am confident we are emerging as a stronger organisation, looking to apply best practice, and determined to continue leading the transport sector through the years ahead.



Peter Mersi

Chief Executive and Secretary for Transport

Our contribution towards the Minister's priorities for transport

The Government's transport specific objectives include supporting economic growth and productivity, value for money, and safety and security. These objectives reflect the wider priorities that the Government has set out in the Business Growth Agenda and the Better Public Services programme.

The Business Growth Agenda includes a specific goal to raise exports from 30 to 40 percent of GDP by 2025. The transport system has an important supporting role in ensuring that the additional exports (and their associated input goods) are able to be moved efficiently and effectively around the country and internationally. The Government also has a focus on investing in modern infrastructure.

The Minister of Transport has set seven specific areas of focus for work to support the Government's objectives:

- ▶ delivering the Government's transport commitments
- ▶ taking a multi-modal approach to deliver transport solutions
- ▶ Auckland initiatives
- ▶ transport for the regions
- ▶ transport and technology
- ▶ supporting the export economy
- ▶ safety.

The following sections provide a summary of our key projects to support these priorities.

Government Policy Statement on land transport

The Government Policy Statement on land transport (the GPS) sets out the Government's investment strategy for the land transport system. It includes the Government's 10-year strategic direction for land transport, as well as the funding needed to achieve it. The current GPS came into effect on 1 July 2015. It allocates \$10.5 billion of land transport funding over the first three years and a total of \$38.7 billion over its full 10-year life (2015/16 – 2024/25).

Under the Land Transport Management Act 2003, the Crown's land transport investment strategy must be reviewed at least once every three financial years. In 2016/17, the Ministry developed a draft of the next GPS (GPS 2018). GPS 2018 included further enhancements to the structure to provide clearer investment signals

linked to the results intended to be achieved through GPS investment. The draft GPS 2018 also strengthened the reporting requirements.

We carried out extensive, in-depth consultation with stakeholders as part of developing GPS 2018, including two rounds of engagement with local authorities, a user preference survey and an online forum for selected non-government stakeholders. A draft GPS 2018 was made publicly available for comment in February/March 2017.

The draft GPS 2018 is being revised following stakeholder feedback with a final GPS 2018 expected to be released in mid to late 2017/18.

Auckland Smarter Transport Pricing Project

The Auckland Transport Alignment Project (ATAP), a joint Government and Auckland Council initiative, concluded that to achieve a step-change in the performance of Auckland's transport system, we need a fundamental shift to influencing travel demand through smarter transport pricing.

In June 2017, the Minister of Transport, Minister of Finance and Mayor of Auckland publicly announced the Auckland Smarter Transport Pricing Project, a multi-agency project involving the Ministry, Auckland Council, Treasury, the NZ Transport Agency, Auckland Transport and State Services Commission.

The purpose of the project is to undertake a thorough investigation sufficient to support a decision on whether or not to proceed with introducing pricing for demand management purposes in Auckland.

We have made good progress on Phase I of the project, including a review of road pricing initiatives, the project's communications strategy and evaluation approach for assessing pricing options. The work completed so far provides a strong foundation for the project.

This is new ground for New Zealand. The review of road pricing initiatives highlights the challenges associated with Auckland's geography and urban form and notes that no other city like Auckland, with dispersed trip patterns and relatively low density of housing, has yet introduced congestion pricing or gone beyond studies considering it.

In 2017/18, we will complete a Phase I report and begin Phase II by developing and evaluating pricing options as well as ongoing stakeholder and public engagement. The project is intended to run until early to mid 2019.

Establishing Auckland City Rail Link Limited

In December 2015, Cabinet authorised the Ministers of Finance and Transport to enter into negotiations with Auckland Council with a view to bringing forward the joint business plan and formalising the Government's commitment to provide funding for the City Rail Link [CRL]. Once completed, the CRL will double the capacity of Auckland's rail network, provide two new stations to access the central city and reduce the travel times for commuters.

The CRL is, to date, the largest transport infrastructure project undertaken in New Zealand. The Ministry worked closely with Treasury to develop the governance and funding arrangements. We have had to expand our horizons, both in terms of expertise and commercial disciplines, to identify and address the Crown's key risks.

On 30 June 2017, the Ministers of Finance and Transport signed contractual agreements with Auckland Council that formalised joint governance and funding for CRL. The project is now being delivered by City Rail Link Limited.

As one of the first 50:50 projects between central and local government, the funding and governance arrangements established for CRL could provide a blueprint for future collaboration.

In 2017/18, the Ministry will continue to work closely with Treasury and Auckland Council to monitor the ongoing progress of CRL.

November 2016 earthquake recovery

The November 2016 earthquakes struck near Kaikoura just after midnight on 14 November 2016 causing widespread damage. State Highway 1 and the Main North rail line suffered extensive damage, cutting off access to thousands of people in the Kaikoura area, and severing a vital freight corridor. The earthquakes also caused significant damage to a number of buildings in Wellington, including the Ministry's offices at 1 The Boulevard, which continues to be inaccessible.

Immediately following the earthquake, the Ministry coordinated the transport response team, to provide advice to the National Crisis Management Centre alongside the other emergency lifeline services. The Ministry acted swiftly to prepare special legislation to allow the NZ Transport Agency and KiwiRail to start work to restore these vital links as quickly as possible.

Since then, the Ministry has played a coordination role and hosts the independently chaired Oversight Group that monitors progress on the reinstatement project. A key focus is ensuring the project is delivered in line with Cabinet's intentions.

Land Transport Amendment Bill

The purpose of the Land Transport Amendment Bill is to improve safety, efficiency and regulation in the land transport sector.

The Bill proposes reform in five areas, most significantly in small passenger vehicle services and in mandating alcohol interlocks. The small passenger services policy opens up the possibility for New Zealanders to access different forms of transport. The Bill also develops a consistent approach to the use of alcohol interlocks for drivers convicted of drink-driving, mandating it for all recidivist or serious first time offenders.

In 2016/17, Cabinet agreed to the proposed Bill. It proceeded through its first and second readings, and is expected to receive its Royal Assent in August 2017. Once passed, we will support the implementation of the Act.

Providing an information base: the New Zealand Transport Outlook

In June 2017, the Associate Minister of Transport released the *New Zealand Transport Outlook: Current State* report – this is the first time the Ministry has published a comprehensive set of information on the state of the transport system across all modes. Information included in the report ranges from public transport patronage, freight volumes through ports, passenger numbers through airports, transport deaths and injuries, composition of the vehicle fleet, and the use of different travel modes for work, education, and personal business. The Ministry intends to update this report annually.

The Transport Outlook project aims to provide an information base for the public, businesses, transport planners, investors, and policy-makers on the current and future state of the transport system. The above report is the first product from this project.

The next publication, the *New Zealand Transport Outlook: Future State* report is now being finalised and is scheduled for release in November 2017. This report projects transport demand over the next 25 years and will be supported by an online data and indicator set and detailed modelling results.

Electric vehicles

In 2016/17 New Zealand made great steps forward in progressing electric vehicle uptake. The Ministry supported this progress in a number of ways.

We worked very closely with the Ministry of Business, Innovation and Employment (MBIE) to support the Energy Innovation (Electric Vehicles and Other Matters) Bill through the House, specifically leading work relating to transport legislation to implement the electric vehicles in special lanes policy and the road user charges (RUC) exemption for heavy electric vehicles.

The Ministry is the chair of, and provides secretariat support to, the Electric Vehicles Programme Leadership Group, and has worked closely with stakeholders to promote electric vehicle uptake.

The Ministry has an oversight role of the work being carried out by various Government agencies, and leads engagement and reporting to the Minister of Transport on the Electric Vehicles Programme and electric vehicle uptake generally. We have supported other agencies in their Electric Vehicle Programme initiatives, including:

- ▶ the Energy Efficiency and Conservation Authority (EECA) contestable fund and information campaign
- ▶ MBIE Procurement – pilot tranche to aggregate public/private sector demand for electric vehicles
- ▶ WorkSafe – ensuring that electric vehicle charging infrastructure is safe
- ▶ the NZ Transport Agency – supporting its work on public charging infrastructure, changes to the Motor Vehicle Register to better record electric vehicles, and its work on allowing electric vehicles into special vehicle lanes.

The Ministry will continue to support the target of approximately 64,000 electric vehicles on New Zealand roads by the end of 2021 by continuing the work described above, monitoring the market to identify potential requirement for new policy interventions, and promoting market growth for electric vehicles.

Intelligent Transport Systems

During 2016/17, the Ministry supported the development of New Zealand's agreement with Australia to undertake a two-year world-leading trial of current and next-generation satellite-based augmentation systems.

We have focused on increasing our collaboration across the sector, including:

- ▶ establishing the first transport cross-Government Working Group for technology testing
- ▶ partnering with Business New Zealand to explore economic opportunities from technology development for New Zealand

- ▶ liaising with and supporting the sector across a multi-modal programme of technology trials, including the testing of the first fully autonomous vehicle in Christchurch, an award-winning trial of Bluetooth safety messaging for rental car drivers, and the deployment of world-leading commercial delivery trials using unmanned aerial vehicles.

In 2016/17 we also supported New Zealand's mission to the 2016 ITS World Congress in Melbourne, which included the largest ever New Zealand delegation from the private and public sector (over 120 attendees) and the first New Zealand Inc stand in the Congress Exhibition Hall.

Improving safety on our roads

The Ministry worked to implement the Safer Journeys Action Plan 2016-2020 that was released in June 2016. Over the past year, we have been working with our road safety partners to ensure focused and collaborative work across the sector on this Action Plan.

The Ministry has particularly been looking into the value of mandating vehicle technologies, and taking a keen interest in the development of new technologies that provide information to drivers so they can make smart and safe choices.

In 2017/18, we will also be investigating the motorcycle licensing system – carrying out a review and making sure it is fit for purpose.

Heavy vehicle differential pricing

The Ministry worked to develop advice on heavy vehicle differential pricing, including working towards live trials of variable road user charges to influence driver behaviour, and investigating the financial, legislative and institutional arrangements required to replace Fuel Excise Duty (FED) and Road User Charges (RUC) with electronic road user charging.

This project was initiated in 2016/17 to look at reducing congestion from heavy vehicles. We have reported to the Government on the feasibility of a range of specific trials, including pricing heavy vehicles for their contribution towards congestion. We completed this trial and found there were not any practical outcomes.

We have now expanded the terms of reference of the project and are looking to run further trials in 2017/18.

Air services liberalisation

The Ministry leads the New Zealand teams negotiating the international air services agreements that increase New Zealand's connectivity with the rest of the world.

New Zealand's approach to air services liberalisation is set out in the International Air Transport Policy Statement, issued in August 2012.

In 2016/17, the Ministry negotiated seven new air services arrangements, and amended two existing arrangements. A particular focus was expanding New Zealand's connectivity with the Americas. Provisions were also made to enable airlines to better serve the important China market.

SuperGold card

The SuperGold Card free off-peak public transport scheme enables SuperGold cardholders to travel for free on scheduled urban public transport between 9 am and 3 pm and after 6.30 pm Monday to Friday, and all day on Saturday and Sunday.

A moratorium on the number of services participating in the SuperGold Card scheme was lifted in 2015. Since then, ten more services have joined the scheme, providing card holders with greater opportunities to use public transport, particularly in rural areas.

Review of passenger rail

In 2016/17, the Ministry began to look at the funding and operating models for passenger rail in Auckland and Wellington. We are working with Auckland Council, Auckland Transport, Greater Wellington Regional Council, the NZ Transport Agency, Treasury, and KiwiRail.

The review has four workstreams:

- ▶ regional councils and funding – responsibilities
- ▶ the City Rail Link – future responsibility and ownership
- ▶ options for procurement of metropolitan rail services, including the merits and drawbacks of greater/vertical integration.
- ▶ policy boundaries and definitions for what should be charged on a cost recovery basis, and what remains commercial.

Maritime Transport Amendment Bill

In 2016/17, the Ministry worked on the Bill to amend the Maritime Transport Act 1994. This has now been considered by Select Committee and is currently awaiting its second reading. A key feature of the Bill is the introduction of measures to manage risks associated with drug and alcohol use in the maritime sector. These include requirements for commercial maritime operators to develop Drug and Alcohol Management Plans and implement random drug and alcohol testing for staff in safety sensitive roles. Similar measures are proposed in the Civil Aviation Reform Bill.

The Bill also contains provisions that will implement an international convention that significantly increases the amount of compensation available for oil pollution damage in the event of a major oil spill from a tanker. In addition, the Bill proposes easing the restriction on the use of foreign-registered vessels to carry freight between the Chatham Islands and other offshore islands and includes a range of minor, technical amendments.

Civil Aviation Reform Bill

In the past few years, the Ministry has reviewed the Civil Aviation Act 1990 and the Airport Authority Act 1966.

In 2016/17, the Ministry provided advice to Cabinet for relevant amendments to the Acts; these have now been approved. The Parliamentary Counsel Office is now drafting the Civil Aviation Reform Bill.

The Bill will be ready for introduction into the House in 2017/18.

Financial assurance for offshore installations

Operators of offshore oil and gas installations are liable for oil spill response and clean-up costs and pollution damage incurred by third parties. Operators must hold financial assurance to ensure they are able to meet such costs.

The Ministry publicly consulted on options for increasing the level of assurance that offshore operators are required to maintain. Following Cabinet consideration of the options in July 2017, public consultation will be undertaken on a draft marine protection rule to increase the level of assurance.

Alternative funding project

Mainstream funding assumes that transport projects provide benefits back to users – however transport projects often also provide benefits to others.

This project asks if we can identify and attribute benefits to other parties, and if so, to determine if it is possible to elicit contributions from them towards the project, in recognition of the benefits they receive or the cost they create.

This piece of work aims to provide advice to Ministers by the end of 2017.

In 2016/17, we looked at the range of alternative funding options and narrowed our focus to value capture mechanisms. In 2017/18 we will, in conjunction with the NZ Transport Agency and Treasury, complete a number of case studies to help us understand how the tools can be applied in the New Zealand context.

Regulatory reform programme

The Ministry has a stewardship obligation to ensure we have a regulatory system that is fit for purpose, therefore we annually produce a regulatory reform programme. This programme includes an environmental scan and the development of a Four Year Regulatory Plan [the Plan]. Key components of the Plan are the rules development programme, legislative programme and approach to monitoring and evaluation.

In 2016/17, the Ministry updated the regulatory strategy. We worked with transport agencies to form an opinion on the status of the sectors, assessing if their regulations are fit for purpose. We have concluded that this is largely the case.

The Ministry has brought increased rigour into the rules process to ensure only matters that genuinely require a rule change are included in its rules programme. The rules programme is a rolling two year programme and in each financial year there will be new rules undergoing initial development, as well as other rules progressing through public consultation and completion. A number of projects in the 2016/17 programme have been delivered, or are in the final stages of being delivered, including two notable examples – the Small Passenger Services review and the Vehicle Dimensions and Mass review.

Improving performance and leadership of the transport sector

To ensure that the Ministry can continue to deliver on the Minister's key priorities, the Ministry has a programme of work focussed on growing the capability and capacity of the sector. This includes lifting performance, enhancing collaboration, and long-term stewardship of the sector.

Strengthening our governance relationship

The Ministry continued to strengthen its relationships with the four transport Crown entities. The Minister has a statutory stewardship role, and the Ministry supports this. Our governance work has ongoing core functions of:

- ▶ strategic engagement
- ▶ stewardship advice to guide key stakeholders decision-making
- ▶ evaluating entity performance and capability
- ▶ identifying key risks and potential mitigations
- ▶ Board appointments.

In 2016/17, in addition to the ongoing governance role, the Ministry has established a Crown Entity Assessment Framework to provide a clear-sighted view of Crown entity performance. We published *The Guidance Initiative* in December 2016. This document outlines the key aspects of the Ministry of Transport's monitoring role, the monitoring cycle and the performance assessment framework for the transport sector.

Crown Entity Board Forums

The annual transport Board Forum provides Crown Entity Board members an opportunity to network, discuss issues of interest, and meet and hear from influential speakers, the Minister and/or Associate Minister of Transport, as well as from Ministry senior management. Board members and Chief Executives from the four transport Crown entities and from the transport sector State Owned Enterprises are invited.

We held two Board Forums in 2016/17. The theme in 2017 was 'Creating value from disruptive technology', and in 2016 was 'Tools for governance'.

Funding reviews

The Ministry has a consolidated multi-year programme to ensure all funding and fees are reviewed every three to five years. These reviews ensure that there is appropriate cost recovery for government activities, so that services are delivered adequately and sustainably.

In 2016/17, three reviews were completed, these were on:

- ▶ the Oil Pollution Levy
- ▶ Civil Aviation Authority
- ▶ search and rescue activities for recreational boaters paid from fuel excise duty.

In 2017/18, we will continue to work on reviews of rail fees regulation and motor vehicle administration.

Working across the transport sector

Transport Sector Leaders and the Collaboration & Capability Programme

The Ministry chairs the Transport Sector Leaders group made up of sector Chief Executives. The group oversees delivery of the sector wide work on the Government's priority of Better Public Services, identifying and developing innovative ways for the sector to improve the efficiency and quality of services we deliver.

The Collaboration and Capability Programme is one work stream of this. The Ministry took over leadership of this programme in 2015/16 for two years. Work in the past year has focused on improving procurement practices.

In 2016/17, the Transport Sector Leaders have reviewed and refreshed their programme and have adopted a collaborative leadership approach to the transport sector outcomes. They have identified three key priorities for the future:

- ▶ investment and funding
- ▶ strategic resilience
- ▶ digital and infrastructure.

The Transport Domain Plan and Research Strategy

The Transport Domain Plan [the Domain Plan] and the Transport Research Strategy [the Research Strategy] were published in July 2016. The Domain Plan and the Research Strategy are complementary documents that provide the strategic direction the sector requires to fill key data, information and knowledge gaps to inform decision-making. The Domain Plan ensures that the sector has the right data and information while the Research Strategy creates an environment that ensures investment in the right research. These two documents draw on the same analytical frameworks and stakeholder engagement process, to ensure the sector can identify and fill key data, information and research gaps in a consistent manner over time.

A number of activities have been undertaken to implement the Domain Plan and the Research Strategy since the release of the two documents:

- ▶ The Ministry has led the development of the Transport Knowledge Hub as a channel to facilitate collaboration of data and research efforts. Membership of the Hub has grown and we now have 8 topic hubs and over 420 members across the private and public sectors. The Hub runs a range of seminars and other discussion forums [such as the annual Transport Knowledge Conference] that aim to advance the sector's knowledge in a range of transport topics.
- ▶ The Ministry has completed a number of publications to make data, information and research programme more visible. These include the Transport Domain Plan Stocktake report, Transport Outlook, Transport Research Register and Transport Intelligent Digest. These publications are updated periodically to ensure the sector has the latest information to inform data and research programming decisions.
- ▶ Through the Transport Knowledge Hub, the Ministry has developed and released the first set of the Transport Sector Strategic Challenges to help the sector understand what is important and what might be impeding us from having a transport system that maximises social and economic impacts and minimises harm.

Part of the next step to implement the two documents is to develop initiatives to ensure the sector develops its skills and capability effectively and efficiently, and sustains the effort over time.

Working internationally

Asia Pacific Economic Cooperation

In August 2014, Nick Brown, General Manager Aviation and Maritime, became the Lead Shepherd [Chair] of the 21 member Asia Pacific Economic Cooperation [APEC] Transportation Working Group. The role gives the Ministry the opportunity to lead international discussion about transport.

The Working Group focuses on information sharing, promoting best practice in transport, and building the capacity of the developing economy members.

Nick Brown, as Lead Shepherd, led an internal review of the Working Group's structure and processes with a view to improving its efficiency. The review's recommendations will be presented to APEC transport Ministers when they meet in October 2017. Nick Brown's term as Lead Shepherd will end on 31 December 2017, and the role will pass to Korea.

Advancing the long-term vision for the transport sector

As a steward for the transport system, the Ministry has an important role to look ahead at the potential long-term impacts of current trends, emerging changes, and possible disruptions. We look for challenges and opportunities for the transport system to develop in ways that contribute to New Zealand's long-term prosperity and well-being.

Our strategic policy projects help to drive our approach to the future. They are designed to challenge the boundaries of current thinking, and to promote deep and sustained thought, research, and analysis about transport and its relationship with the economy, society, and environment.

This work programme involves substantial engagement with other stakeholders in the transport sector, via research, workshops, and advisory groups.

In 2016/17, we continued work on our second set of strategy projects, and began two new projects. These projects are outlined below:

Regulation 2025 – How should transport be regulated in 2025?

Public Transport 2045 – Looking thirty years ahead to discuss the long-term future for public transport in New Zealand.

Access – What are the critical issues for providing access, where access can be achieved by physical mobility, digital connectivity and spatial proximity? [new project]

Strategic resilience – How do we deliver an adaptive integrated transport system that is resilient for the future? [new project]

Regulation 2025

In its stewardship role in the transport sector, the Ministry works across the sector to consider whether the regulatory system is fit-for-purpose and what opportunities exist for improving regulatory outcomes.

Transport also operates in a dynamic environment, with increasing constraints on parliamentary time for making regulation, pressure to reduce regulatory costs and new technologies that change the regulatory environment.

To make sure New Zealand has a fit-for-purpose regulatory system for the future, which contributes to a thriving New Zealand economy, the Ministry initiated the strategic project – Regulation 2025 – to look at how transport could be regulated in 2025.

In 2016/17, the Ministry:

- ▶ published and launched the major insights from the project
- ▶ delivered a joint International Transport Forum and Asia Pacific Economic Cooperation session and a workshop at the Intelligent Transport Systems World Congress in October 2016
- ▶ designed and led a workshop to explore the implications of the project with transport stakeholders in December 2016
- ▶ led a workshop on the future of regulation at the International Transport Forum Summit in Leipzig, Germany in June 2017, with an accompanying survey of Summit attendees.

Public Transport 2045 (PT2045)

This strategy project looks thirty years ahead to consider the long-term future for public transport in New Zealand. The PT2045 project aims to improve the sector's collective understanding of the possible future developments and implications for transport policy, regulation, planning, and investment.

In 2016/17, we developed four scenarios for the future of public transport in New Zealand's cities and wrote a final report. The completion of this report was put on hold due to delays caused by the November 2016 earthquakes. The final report is expected to be released later this year.

We also used insights from this project to engage with stakeholders, generating further discussion and debate on the future of public transport and shared mobility.

Access (new project)

Transport is just one part of the access system. People travel because they want or need to access opportunities, but there are other options for how people choose to access things. Access can be achieved by physical mobility, digital connectivity and spatial proximity. The basis for the project was to explore relationships between transport, ICT and land use planning, to identify the critical issues for providing access in the future. We spoke to a range of stakeholders, and consequently commissioned a set of foundation papers.

Strategic resilience [new project]

The project investigates how to strengthen the strategic resilience of the New Zealand transport sector's operations and infrastructure for the future, in order to maintain the economic and social benefits enabled by the New Zealand transport system. Our work will focus on exploring the concept of strategic resilience and developing an action plan underpinned by the overarching theme – "how do we deliver an adaptive integrated transport system that is resilient for the future?"

Scoping took place in the second half of 2016/17.

Next steps

In 2017/18, we will publish the PT2045 report and continue engaging with stakeholders on the future of public transport.

We will also continue work on:

- ▶ the Access project: pulling together the foundation research and discussing the emerging findings with stakeholders to identify opportunities to improve policy making in the future. We plan to publish a final report by the end of 2017.
- ▶ the Strategic Resilience project: in conjunction with other transport sector agencies we will carry out a literature review, define key terms and propose delivery options of initiatives that would increase/improve resilience related to:
 - ▶ institutional forms, including governance
 - ▶ investment and funding
 - ▶ asset management and asset sharing.



The Ministry's contribution to governmental outcomes for transport

The Ministry's strategic outcomes framework

To manage the future pressures and issues confronting the transport sector, the Ministry and the transport Crown entities have a shared sector objective and four long-term outcomes. These have been incorporated into a strategic outcomes framework. The framework sets out the outcomes that we believe are most important to New Zealand's transport system. We aim to progress towards these long-term outcomes through effective delivery in our intermediate result areas.

Long-term outcomes for the transport sector

The long-term outcomes describe the desired 'future state' of the New Zealand transport system. These strongly align with the Government's objectives for the transport system and are expected to be achieved over the next 20 or more years.

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

The core function of our transport network is to connect New Zealand domestically and internationally. Transport links employees, employers and businesses, and enables individuals to access services and make social connections. Transport also brings international tourists and is part of the supply chain that delivers goods to domestic and international markets.

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

The benefits of transport investment include its contribution to the functioning of a successful, competitive economy and a connected society. However, as with all public spending, in transport there are inevitably trade-offs between costs and service quality.

Resilient — meets future transport needs and endures shocks

Transport infrastructure often has a life span of many decades, so investments we make today must accommodate future needs and uncertainties as well as current requirements.

Our transport network should deal well with shocks such as natural disasters, like earthquakes or extreme weather events, as well as dangers caused intentionally or unintentionally by people. It also needs to be adaptable to security requirements that may be imposed on us by other countries or international organisations.

Safe and responsible — reduces the harms from transport

Transport can have undesirable consequences, including road crashes, greenhouse gas emissions and other environmental impacts (including on the built environment), and public health impacts (such as air quality, noise and heart disease).

Intermediate results and what we intend to achieve

The four long-term outcomes are supported by the Ministry's intermediate outcomes. These provide a focus for our actions to improve the transport system over the next 5 to 10 years.

The Ministry has four intermediate outcomes that it will strive for, to both deliver on the Government's priorities and better position the transport system to meet New Zealand's longer term needs.

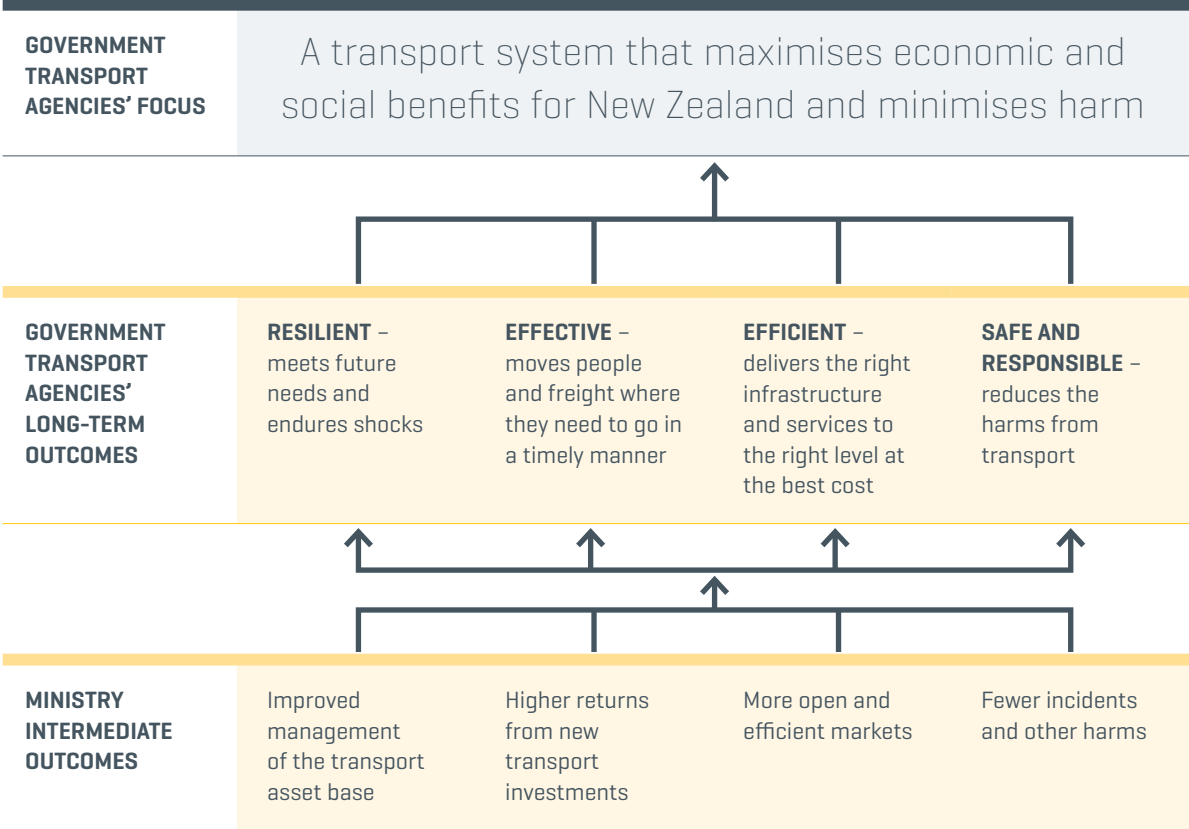
The four outcomes, are:

- ▶ improved management of the transport asset base
- ▶ higher returns from new transport investments
- ▶ more open and efficient markets
- ▶ fewer incidents and other harms.

The Ministry can adjust its level of focus on any aspect across the outcomes in response to changing Government priorities. We do this through the choices that we make on the work programmes that underpin the outcomes. We understand not everything can be a priority and that the Government, rightly, determines the Ministry's priorities. The balance within our work programmes reflects Government priorities, as agreed with the Minister of Transport.

The link between our work programmes and our outcomes is complex. In practice, many of our policy work programmes contribute to more than one intermediate result. For example, the implementation of the Intelligent Transport Systems Technology Action Plan is expected to lead to improved management of the transport asset base and, at the same time, contribute to fewer incidents and harms (through improved safety and reduced environmental harms from the transport system).

STRATEGIC DIRECTION FOR THE TRANSPORT SECTOR



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 2016/17.

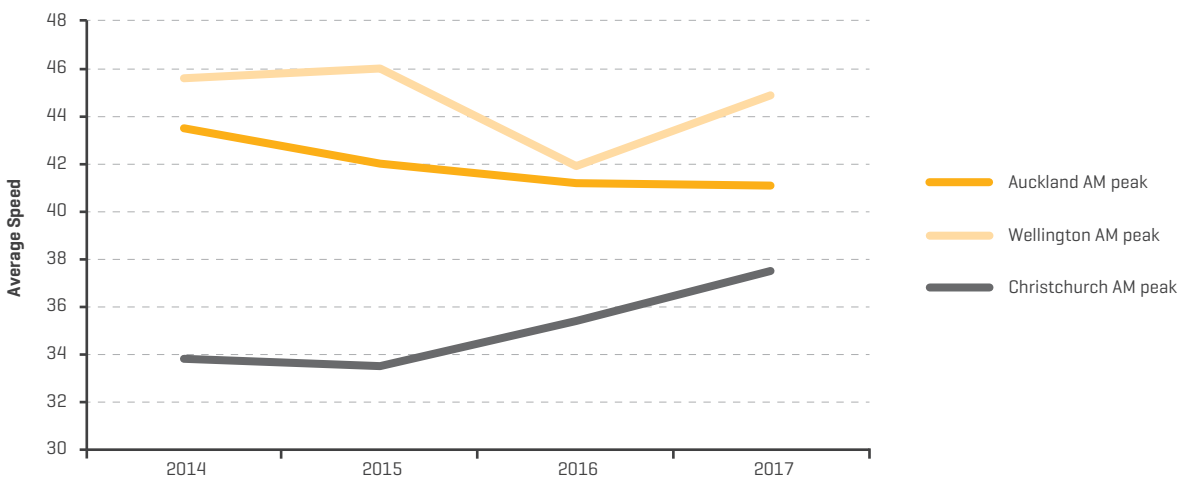
Long-term outcome: Effective – moves people and freight where they need to go in a timely manner

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.

Headline indicator 1: Decreasing network congestion

Congestion is tending to improve across our main centres. Our measure has changed this year, as the previous data set is no longer being collected. Information is now collected across the three major metropolitan areas – Auckland, Wellington and Christchurch, using a different methodology. Figure 1 shows the new measure – this reports average travel speed at the morning peak.

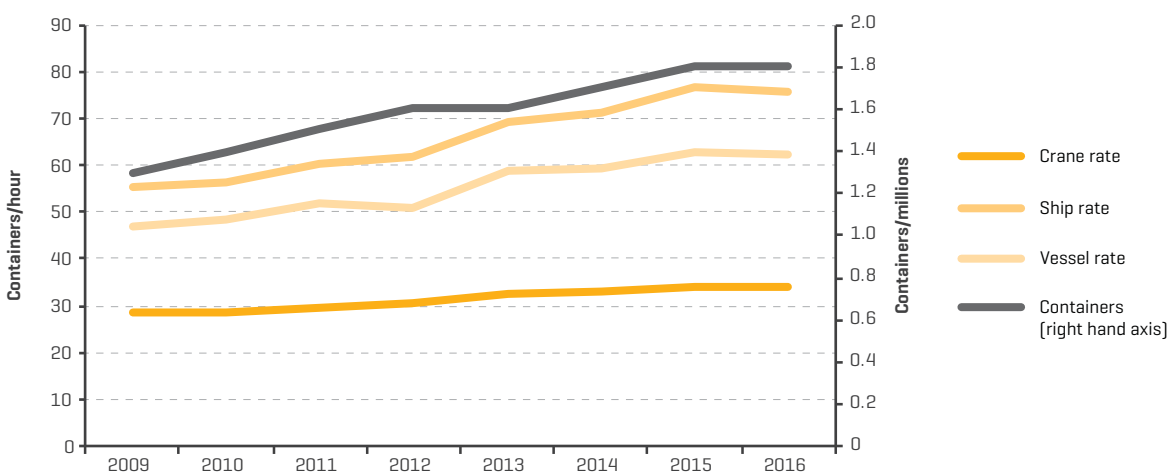
Figure 1 – AM peak average travel speed – kilometres per hour



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 per hour



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 the system delivers value for money, by providing the right level of infrastructure and services, while achieving the best cost.

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 revenue is rising against traffic volume for fuel excise duty and light RUC revenue. 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 has been adjusted using the construction price index. The graphs below show comparable spending power, not nominal revenue.

Figure 3 – Growth in revenue (in real terms) remaining stable in relation to growth in traffic growth

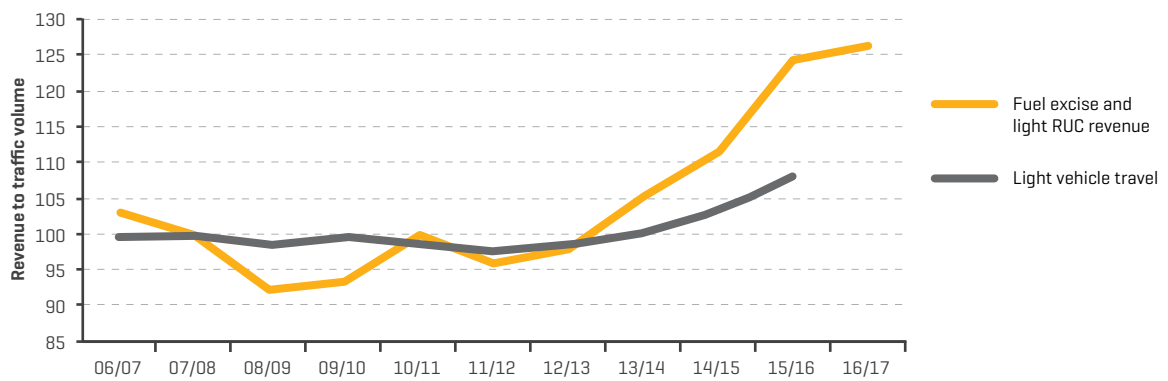
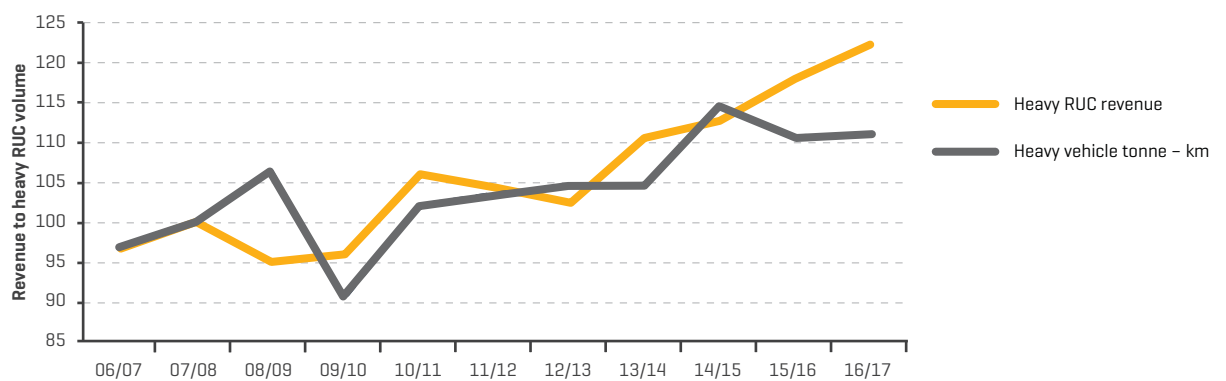


Figure 4 – Growth in heavy RUC revenue relative to traffic growth



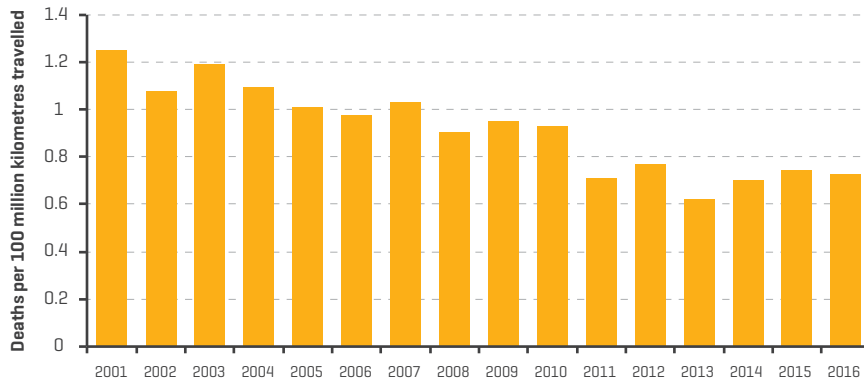
Long-term outcome: Safe and responsible – reduces the harms from transport

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.

Headline indicator 1: Fewer road deaths

Figure 5 shows that while the long-term road toll is trending down, there has been an increase in the number of road deaths in recent years. Trends in road fatalities globally (including Australia) are similar to those observed here. The Ministry has an ongoing focus on improving road safety in New Zealand through our work with road safety partners on Safer Journeys, alcohol interlocks and safer speeds.

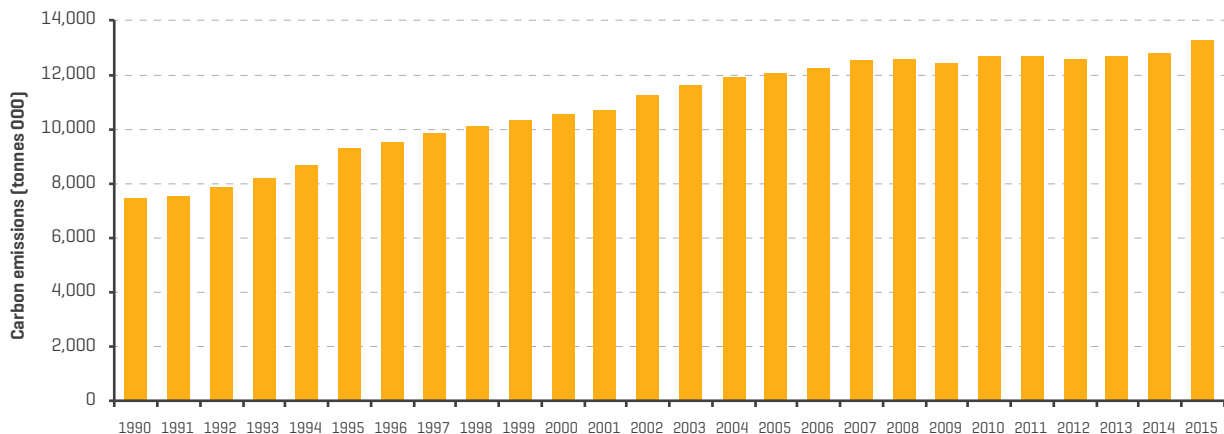
Figure 5 – Road deaths per 100 million kilometres travelled



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 transport greenhouse gas emissions have been stable for seven years, however they increased in 2015. Data for 2016 is not yet available. The Ministry will publish this information on its website when it is available.

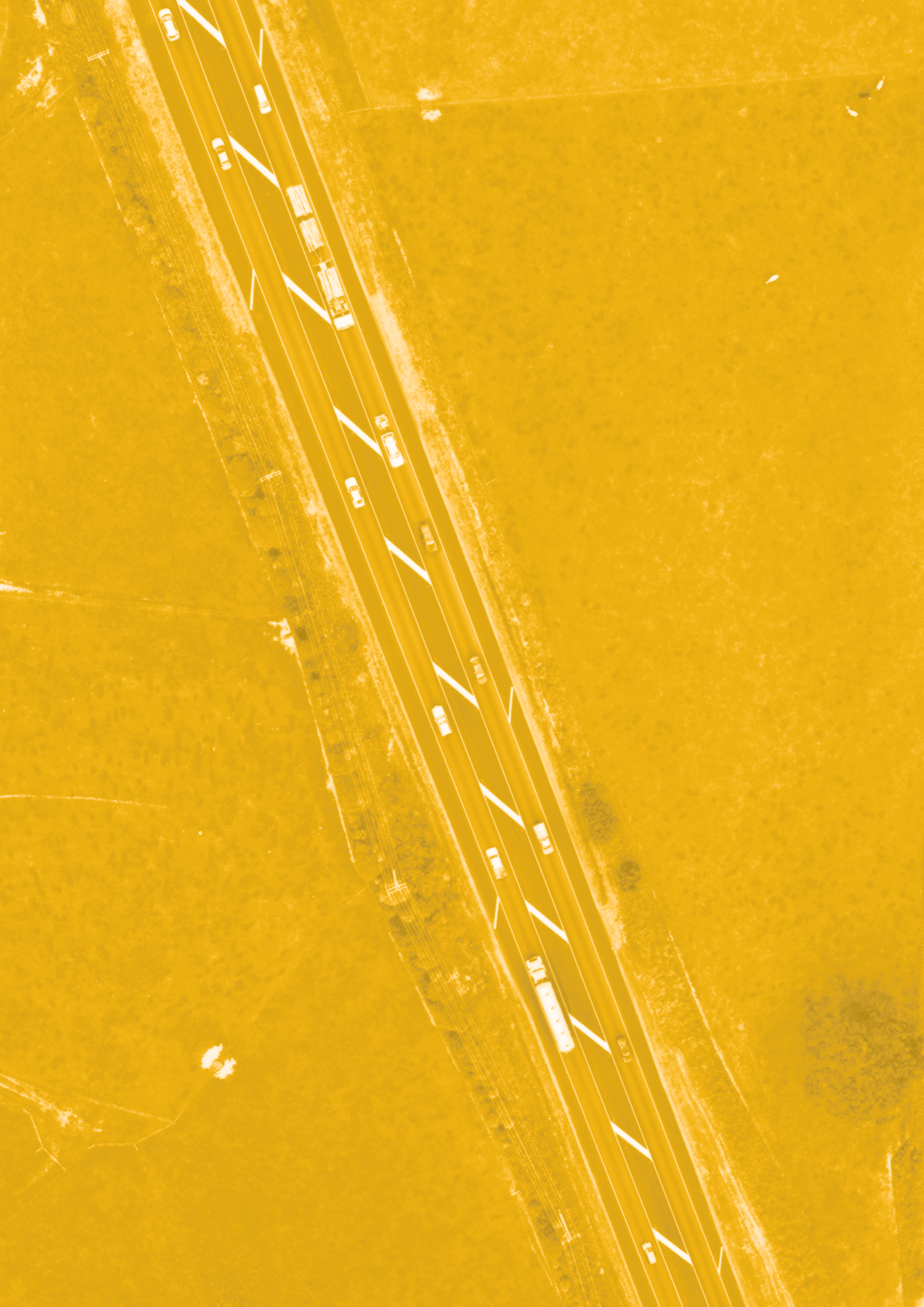
Figure 6 – Carbon emissions from road transport 1990-2015 (tonnes 000)



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 our transport system can be resilient to expected and unexpected dangers. The system must be flexible, quickly responding to new events for example, security requirements imposed on us, or shocks in the form of natural disasters.

There is no system-wide measure or set of indicators to demonstrate the resilience of the transport sector. The National Infrastructure Unit at the Treasury most recently published information on the resilience of the transport sector in 2015. We are working with the sector on a range of resilience projects, including, as referenced on page 13, a Strategic Resilience project. The intent of this work is to answer the question “how do we deliver an adaptive integrated transport system that is resilient for the future?” We anticipate that this work will contribute to the development of delivery options towards the long-term outcome of a resilient transport system.



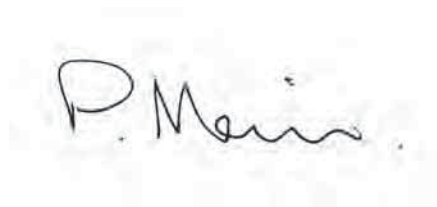
Statement of Responsibility

I am responsible, as Chief Executive of the Ministry of Transport (the Ministry), for:

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

In my opinion:

- ▶ the financial statements fairly reflect the financial position of the Ministry as at 30 June 2017 and its operations for the year ended on that date;
- ▶ the forecast financial statements fairly reflect the forecast financial position of the Ministry as at 30 June 2018 and its operations for the year ended on that date.

A handwritten signature in black ink, appearing to read 'P. Mersi', is centered on the page. The signature is written in a cursive style with a large initial 'P'.

Peter Mersi
Chief Executive

29 September 2017

Financial Performance

Column definitions

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

- ▶ 2016 Actual – as published in the Ministry’s Annual Report for the year ended 30 June 2016.
- ▶ 2017 Actual – the audited actual figures for the current fiscal year
- ▶ 2017 Budget – as published in the Ministry’s Budget Estimates Fiscal Update (BEFU) for the 2017 year and the Annual Report for the year ended 30 June 2016. This information is unaudited.
- ▶ 2017 Forecast – as published in the Ministry’s Supplementary Estimates for the 2017 year. This information is unaudited.
- ▶ 2018 Forecast – as published in the Ministry’s BEFU for the 2017 year. This information is unaudited.

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES

FOR THE YEAR ENDED 30 JUNE 2017

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

2016 Actual \$000		Note	2017 Actual \$000	2017 Budget \$000	2017 Forecast \$000	2018 Forecast \$000
	Revenue					
32,223	Revenue Crown	2	34,174	32,765	34,174	36,511
660	Other revenue	3	459	345	410	350
32,883	Total Revenue		34,633	33,110	34,584	36,861
	Expenses					
16,682	Personnel expenses	4	18,294	16,920	17,530	18,715
11,719	Other operating expenses	5	11,739	12,358	12,793	13,920
3,658	Contractual payments to Crown entities	6	4,145	3,916	4,223	3,821
225	Capital charge	7	207	220	183	169
539	Depreciation – property, plant and equipment	10	170	156	206	214
60	Amortisation – intangible assets	10	26	[85]	24	22
[375]	Release of provisions	14	[45]	-	-	-
32,508	Total expenses		34,536	33,485	34,959	36,861
375	Net surplus (deficit)	15	97	[375]	[375]	-
	Other comprehensive revenue and expense					
505	Gain on revaluation		-	-	-	-
[505]	Loss on disposal		-	-	-	-
375	Total comprehensive revenue and expense		97	[375]	[375]	-

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

2016 Actual \$000		Note	2017 Actual \$000	2017 Budget \$000	2017 Forecast \$000	2018 Forecast \$000
2,810	Balance at 1 July		3,185	3,185	3,185	2,810
375	Total comprehensive revenue and expense		97	[375]	[375]	-
-	Release of retained surplus		[375]			
505	Gain on revaluation		-	-	-	-
[505]	Loss on disposal		-	-	-	-
	Owner transactions					
-	Provision to repay surplus		[97]	-	-	-
3,185	Balance at 30 June	8	2,810	2,810	2,810	2,810

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

The Statement of Financial Position reports the total assets and liabilities of the Ministry as at 30 June 2017.

Taxpayers' funds are represented by the difference between the assets and liabilities.

2016 Actual \$000		Note	2017 Actual \$000	2017 Budget \$000	2017 Forecast \$000	2018 Forecast \$000
	Equity					
2,322	Taxpayers' funds		1,947	1,442	1,947	1,947
863	Revaluation reserve – aerodrome		863	1,368	863	863
3,185	Total equity	8	2,810	2,810	2,810	2,810
	Represented by:					
	Current assets					
2,951	Cash and cash equivalents		3,866	1,780	1,833	1,614
3,962	Debtors, prepayments and other receivables under exchange transactions	9	3,998	3,453	3,928	3,928
6,913	Total current assets		7,864	5,233	5,761	5,542
	Non-current assets					
1,427	Property, plant and equipment	10	1,432	2,383	1,879	2,025
35	Intangible assets	10	26	459	106	179
1,462	Total non-current assets		1,458	2,842	1,985	2,204
8,375	Total assets		9,322	8,075	7,746	7,746
	Current liabilities					
2,294	Creditors and other payables under exchange transactions	11	2,672	2,058	2,578	2,578
1,194	Employee entitlements	12	1,252	1,386	1,304	1,304
500	Provisions	13	1,500	744	-	-
-	Provision to repay surplus		-	-	-	-
3,988	Total current liabilities		5,424	4,188	3,882	3,882
	Non-current liabilities					
1,202	Employee entitlements	12	1,088	1,077	1,054	1,054
-	Provisions		-	-	-	-
1,202	Total non-current liabilities		1,088	1,077	1,054	1,054
5,190	Total liabilities		6,512	5,265	4,936	4,936
3,185	Net assets		2,810	2,810	2,810	2,810

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

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

2016 Actual \$000		Note	2017 Actual \$000	2017 Budget \$000	2017 Forecast \$000	2018 Forecast \$000
	Cash flows from operating activities					
31,749	Crown revenue		33,671	32,765	34,174	36,511
8	Departments		-	-	-	-
339	Crown entities		111	115	120	120
260	Other revenue		348	230	323	230
[16,875]	Personnel costs		[16,668]	[16,920]	[17,530]	[18,715]
[11,441]	Operating expenses		[11,927]	[12,358]	[12,793]	[13,920]
[3,658]	Contractual payments to Crown entities		[4,145]	[3,916]	[4,223]	[3,821]
189	Net GST paid		174	-	[251]	-
[225]	Capital charge		[207]	[220]	[183]	[169]
346	Net cash flows from operating activities	15	1,357	[304]	[363]	236
	Cash flows from investing activities					
[130]	Purchase of property, plant and equipment		[425]	[660]	[660]	[360]
[9]	Purchase of intangible assets		[17]	[95]	[95]	[95]
[139]	Net cash flows from investing activities		[442]	[755]	[755]	[455]
	Cash flows from financing activities					
[20]	Repayment of surplus		-	-	-	-
[20]	Net cash flows from financing activities		-	-	-	-
188	Net increase/(decrease) in cash held		915	[1,059]	[1,118]	[219]
2,763	Cash at 1 July		2,951	2,839	2,951	1,833
2,951	Total cash at 30 June		3,866	1,780	1,833	1,614

The accompanying notes form part of these financial statements.

STATEMENT OF COMMITMENTS

AS AT 30 JUNE 2017

Non-cancellable operating lease commitments

The Ministry leases property in the normal course of business.

In Wellington, the Ministry rents space from Statistics NZ in Westpac House. There is no formal agreement and Statistics NZ is the lessee therefore the Ministry has no legal commitment.

In Auckland, the Ministry participates in a shared office arrangement with other government departments. The Ministry of Business, Innovation and Employment is the lessee. The lease expires on 30 April 2021. The commitment is disclosed below.

2016 Actual \$000		2017 Actual \$000
	Non-cancellable operating lease commitments	
381	Not later than 1 year	95
-	Later than 1 year and not later than 5 years	-
-	Later than 5 years	-
381	Total non-cancellable operating lease commitments	95

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

The decrease in commitments is because the Ministry is no longer reflecting a lease commitment in Wellington.

Capital commitments

The Ministry has no capital commitments as at 30 June 2017 (2016: nil).

STATEMENT OF CONTINGENT LIABILITIES AND CONTINGENT ASSETS

AS AT 30 JUNE 2017

The Ministry has a contingent asset relating to earthquake-related response and recovery costs incurred by the Ministry as at 30 June 2017. The Ministry is yet to discuss the costs with insurers therefore the amount that may be recovered is not known.

2016 Actual \$000		2017 Actual \$000
-	Earthquake related response and recovery costs	350

The accompanying notes form part of these financial statements.

Notes to the departmental financial statements and non-departmental schedules

for the year ended 30 June 2017

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

Reporting entity

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

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

The primary objective of the Ministry is to provide policy services to the Government rather than making a financial return. Accordingly, the Ministry has designated itself as a public benefit entity for the purposes of New Zealand Public Benefit Entity International Public Sector Accounting Standards [NZ PBE IPSAS].

The departmental financial statements and the financial information reported in the non-departmental schedules are consolidated into the financial statements of the Government and therefore readers of these schedules should also refer to the Financial Statements of the Government for the year ended 30 June 2017.

The financial statements of the Ministry are for the year ended 30 June 2017. These financial statements were authorised for issue by the Chief Executive on 29 September 2017.

Basis of preparation

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

Statement of compliance

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

Measurement base

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

Functional and Presentation currency

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

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

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

Financial instruments

In January 2017, the External Reporting Board issued PBE IFRS 9 Financial Instruments. This replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with earlier application permitted. The main changes under the standard are:

- ▶ New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- ▶ A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.

The Crown and the Ministry will adopt PBE IFRS 9 in 2018/19. The Ministry has not yet assessed the effects of the new standard.

Impairment of Revalued Assets

In April 2017, the External Reporting Board issued PBE IPSAS 17 Impairment of Revalued Assets, which now clearly scopes revalued property, plant, and equipment into the impairment accounting standards. Previously, only property, plant, and equipment measured at cost were scoped into the impairment accounting standards.

Under the amendment, a revalued asset can be impaired without having to revalue the entire class of asset to which the asset belongs. The timing of the Ministry adopting this amendment will be guided by the Treasury's decision on when the Financial Statements of Government will adopt the amendment.

Changes in accounting policies

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

Significant accounting policies

Revenue – Crown non-exchange

The Ministry's funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. Revenue from the Crown is classified as non-exchange revenue and has been recognised to the level reported in the Supplementary Estimates. There are no conditions attached to the funding from the Crown beyond the requirement that the Ministry may only incur expenses within the scope and limits of its appropriations. Other revenue is recognised when earned and is reported in the financial period to which it relates. Revenue is measured at the fair value of the consideration received or receivable.

Revenue other – exchange

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

Equity

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

Cash and cash equivalents

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

Income tax

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

Goods and Services Tax (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Statement of cost allocation policies

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

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

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

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

Forecast figures

Basis of preparation

The forecast figures, representing the Forecast Financial Statements, are those published in the BEFU for the year ended 30 June 2018, and are prepared in accordance with PBE FRS 42.

The figures have been prepared in accordance with:

- ▶ the accounting policies expected to be used in the future for reporting historical general purpose financial statements
- ▶ NZ PBE IPSAS,
- ▶ the BEFU for the year ended 30 June 2017, incorporating assumptions as to future events that the Ministry reasonably expects to occur, and associated with the actions it reasonably expects to take.
- ▶ existing government policies and ministerial expectations at the date that the information was prepared.

The main assumptions were as follows:

- ▶ The Ministry's activities and output expectations will remain substantially the same as the previous year focusing on government priorities.
- ▶ Personnel costs were based on current remuneration costs, adjusted for a planned increase in the establishment of 12 full-time equivalent employees and other anticipated remuneration changes.
- ▶ Operating costs were based on historical experience and other factors that are believed to be reasonable in the circumstances and are the Ministry's best estimate of future costs that will be incurred.

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

Authorisation statement

The Forecast Financial Statements were authorised for issue by the Chief Executive of the Ministry on 24 April 2017. The Chief Executive is responsible for the Forecast Financial Statements presented, including the appropriateness of the underlying assumptions and all other required disclosure.

Critical accounting estimates and assumptions

There are no critical accounting estimates and assumptions made in preparing these financial statements.

NOTE 2: REVENUE CROWN

2016 Actual \$000		2017 Actual \$000	2017 Budget \$000	2017 Forecast \$000	2018 Forecast \$000
30,477	Policy advice and related outputs MCA	31,870	30,761	31,870	33,233
1,201	Search and rescue activity co-ordination PLA	1,201	1,201	1,201	2,575
545	Fuel excise duty refund administration	1,103	803	1,103	703
32,223	Total revenue Crown	34,174	32,765	34,174	36,511

NOTE 3: OTHER REVENUE

2016 Actual \$000		2017 Actual \$000	2018 Forecast \$000
368	Crown entities and other departments	111	120
270	Milford Aerodrome landing fees	329	230
22	Other recoveries	19	-
660	Total other revenue	459	350

NOTE 4: PERSONNEL EXPENSES

2016 Actual \$000		2017 Actual \$000	2018 Forecast \$000
16,023	Salary and wages	17,469	17,225
571	Employer contributions to defined contribution schemes	535	530
193	Other personnel costs	256	780
	Changes to provisions		
[127]	Annual leave	168	115
[16]	Long service leave	[9]	10
52	Retirement leave	[122]	55
[14]	Sick leave	[3]	-
16,682	Total personnel expenses	18,294	18,715

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

2016 Actual \$000		2017 Actual \$000	2018 Forecast \$000
5,605	Consultant, research and legal expenses	5,861	8,936
2,351	Other operating expenses	2,620	1,568
1,980	Information technology expenses	1,864	2,000
1,553	Operating lease payments	781	1,180
129	Advertising and publicity	278	150
83	Audit NZ – the financial statement audit	85	86
-	Impairment of assets	250	-
18	Loss on disposal of assets	-	-
11,719	Total other operating expenses	11,739	13,920

Since the November 2016 earthquake, a number of Ministry assets have been trapped at 1 The Boulevard. These assets have been impaired in 2016/17 as it appears they may not be recovered.

During 2015/16, software no longer used was written off before the end of its useful life, resulting in the loss shown above.

NOTE 6: CONTRACTUAL PAYMENTS TO CROWN ENTITIES

2016 Actual \$000		2017 Actual \$000	2018 Forecast \$000
	NZ Transport Agency:		
899	For rules programme activity	903	823
660	For fuel excise duty refund activity	1,145	823
1,200	Civil Aviation Authority: for rules programme activity	1,194	1,448
899	Maritime New Zealand: for rules programme activity	903	727
3,658	Total contractual payments to Crown entities	4,145	3,821

NOTE 7: CAPITAL CHARGE

The Ministry pays a capital charge to the Crown based on its taxpayers' funds as at 30 June and 31 December each year for the previous 6 months. The capital charge rate for the year ended 30 June 2017 was 7 percent for the 31 December payment and 6 percent for the 30 June payment [2015/16: 8 percent for both payments].

NOTE 8: EQUITY

2016 Actual \$000		2017 Actual \$000	2018 Forecast \$000
	Taxpayers' funds		
1,947	Balance at 1 July	2,322	1,947
375	Net surplus	97	-
-	Provision to repay surplus	[97]	-
-	Release of retained surplus	[375]	-
2,322	Balance at 30 June	1,947	1,947
	Property revaluation reserve		
863	Balance at 1 July	863	863
505	Revaluation	-	-
[505]	Loss on transfer of assets	-	-
863	Balance at 30 June	863	863
3,185	Total equity	2,810	2,810

NOTE 9: DEBTORS, PREPAYMENTS AND OTHER RECEIVABLES

2016 Actual \$000		2017 Actual \$000	2018 Forecast \$000
	Non-exchange		
3,880	Due from the Crown	3,912	3,880
	Exchange		
82	Other receivables	86	48
3,962	Total debtors, prepayments and other receivables	3,998	3,928

The carrying value of debtors, prepayments and other receivables approximates their fair value. Other receivables greater than 30 days in age are considered to be past due. Receivables of \$2,695 were past due at 30 June 2017 (2015/16: \$nil). The Ministry has assessed that no provision for impairment is required (2015/16: \$nil).

NOTE 10: PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES

	Leasehold improvements \$000	Plant and equipment \$000	Kaikohe land \$000	Milford Sound/ Piopiotahi Aerodrome \$000	Furniture and fittings \$000	Intangible assets \$000	Total \$000
Cost or valuation							
Balance at 1 July 2015	2,170	1,296	-	1,310	836	1,664	7,276
Additions	-	23	-	107	-	9	139
Revaluations	-	-	505	-	-	-	505
Disposals	-	(49)	(505)	-	-	(125)	(679)
Balance at 30 June 2016	2,170	1,270	-	1,417	836	1,548	7,241
Balance at 1 July 2016	2,170	1,270	-	1,417	836	1,548	7,241
Additions	-	421	-	4	-	17	442
Disposals	(2,170)	(979)	-	-	(836)	(37)	(4,022)
Balance at 30 June 2017	-	712	-	1,421	-	1,528	3,661
Accumulated depreciation							
Balance at 1 July 2015	1,967	1,022	-	7	780	1,560	5,336
Depreciation	183	276	-	30	50	60	599
Disposals	-	(49)	-	-	-	(107)	(156)
Balance at 30 June 2016	2,150	1,249	-	37	830	1,513	5,779
Balance at 1 July 2016	2,150	1,249	-	37	830	1,513	5,779
Depreciation	20	112	-	32	6	26	196
Impairment	-	250	-	-	-	-	250
Disposals	(2,170)	(979)	-	-	(836)	(37)	(4,022)
Balance at 30 June 2017	-	632	-	69	-	1,502	2,203
Carrying amounts							
At 1 July 2015	203	274	-	1,303	56	104	1,940
At 30 June and 1 July 2016	20	21	-	1,380	6	35	1,462
At 30 June 2017	-	80	-	1,352	-	26	1,458
Unaudited forecast at 30 June 2018	-	700	-	1,325	-	179	2,204

Additions

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

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Disposals

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

Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment, other than land.

Asset class	Useful life	Depreciation rate
Furniture and fittings	10 years or to August 2016	10% per annum
Leasehold improvements	To August 2016	9.65 % per annum
Milford Sound/ Piopiotahi Aerodrome	3-100 years	1-33.3% per annum
Plant and equipment	2-10 years or to August 2016	10-50% per annum
Software	3-5 years	20-33.3% per annum

The Ministry relocated in August 2016. At that time, many of its assets were not suitable for the new property and therefore were disposed of.

Milford Sound / Piopiotahi Aerodrome [the aerodrome] is revalued on a five yearly cycle. The aerodrome was valued at 31 March 2015 by an independent valuer, M Gordon [BE Hons, MBA, CPEng, MIPENZ] of AECOM [NZ] Limited. The valuation was based on the aerodrome's optimised depreciated replacement cost. Impairment of the valuation is reassessed annually.

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

There was no work in progress asset at 30 June 2017 [30 June 2016: \$nil].

NOTE 11: CREDITORS AND OTHER PAYABLES

2016 Actual \$000		2017 Actual \$000	2018 Forecast \$000
	Exchange		
1,791	Accrued expenses	1,739	1,800
253	Trade creditors	503	778
	Non-exchange		
250	GST payable	430	-
2,294	Total creditors and other payables	2,672	2,578

NOTE 12: EMPLOYEE ENTITLEMENTS

2016 Actual \$000		2017 Actual \$000	2018 Forecast \$000
	Current liabilities		
38	Accrued salary	74	40
913	Annual leave	955	895
81	Long service leave	88	80
146	Retirement leave	122	273
16	Sick leave	13	16
1,194	Total of current portion	1,252	1,304
	Non-current liabilities		
161	Long service leave	145	150
1,041	Retirement leave	943	904
1,202	Total of non-current portion	1,088	1,054
2,396	Total employee entitlements	2,340	2,358

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

NOTE 13: PROVISIONS

	Lease make-good \$000	Restructure \$000	Total \$000
Balance at 1 July 2016	500	-	500
Transfer to the Ministry of Social Development	[455]	-	[455]
New provision	-	1,500	1,500
Release of provision	[45]	-	[45]
Balance at 30 June 2017	-	1,500	1,500
Current liabilities	-	1,500	1,500
Non-current liabilities	-	-	-

At the expiry of the lease term for its leased premises, the Ministry was required to make good any damage caused to the premises and to remove any fixtures or fittings installed by the Ministry.

The results of an organisational review were announced in June 2017. As a result, a restructuring provision for additional personnel costs has been included in the year's results.

NOTE 14: RELEASE OF PROVISIONS

2016 Actual \$000		2017 Actual \$000	2018 Forecast \$000
244	Release of make-good provision – see note 13	45	-
71	The Ministry accrued for a rent increase at 30 June 2015 that did not eventuate	-	-
60	The Ministry provided for earthquake costs at 30 June 2015 that did not eventuate	-	-
375	Total	45	-

NOTE 15: RECONCILIATION OF THE NET SURPLUS IN THE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE WITH NET CASH FLOWS FROM OPERATING ACTIVITIES IN THE STATEMENT OF CASH FLOWS

2016 Actual \$000		2017 Actual \$000	2018 Forecast \$000
375	Net surplus	97	-
	Add non-cash items		
539	Depreciation of property, plant and equipment	170	214
60	Amortisation of intangible assets	26	22
-	Impairment of assets	250	-
18	Loss on disposal of assets	-	-
617	Total of non-cash items	446	236
	Add/(deduct) movements in working capital items		
(508)	(Increase)/decrease in debtors and other receivables	(507)	-
54	Increase/(decrease) in payables and provisions	1,377	-
(191)	Increase/(decrease) in employee entitlements	(56)	-
(645)	Net movements in working capital items	814	-
347	Net cash flows from operating activities	1,357	236

NOTE 16: CATEGORIES OF FINANCIAL INSTRUMENTS

2016 Actual \$000		2017 Actual \$000	2018 Forecast \$000
	Loans and receivables		
2,951	Cash and cash equivalents	3,866	1,614
3,962	Debtors, prepayments and other receivables (note 9)	3,998	3,928
	Financial liabilities measured at amortised cost		
2,294	Creditors and other payables (note 11)	2,672	2,578

NOTE 17: RELATED PARTY INFORMATION

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

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

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

Transactions with key management personnel

The Ministry did not enter into any transactions with key management personnel or their close families in 2016/17 or 2015/16.

Key management personnel compensation

2016 Actual \$000		2017 Actual \$000
1,795	Salaries and other short-term employee benefits	1,656
-	Termination benefits	-
1,795	Total key management personnel compensation	1,656

At 30 June 2017, key management personnel comprise 6 FTE (2015/16: 6), including the Chief Executive and the members of the senior management team.

NOTE 18: MAJOR CHANGES TO THE DEPARTMENTAL OUTPUT BUDGETS FOR 2016/17

Changes were made to the Ministry's departmental output budgets by way of the Supplementary Estimates for 2016/17. Explanations for the changes were outlined in that document (page 689 onwards) and the net changes are shown below.

	2017 Budget \$000	2017 Forecast \$000	Cumulative Vote \$000
Appropriations for departmental output expenses			
Policy advice and related outputs MCA	31,136	1,129	32,265
Fuel excise duty refund administration	918	305	1,223
Milford Sound / Piopiotahi Aerodrome operation and administration	230	40	270
Search and rescue activity coordination PLA	1,201	-	1,201
Total departmental appropriations	33,485	1,474	34,959

The adjustments to the appropriations were:

- ▶ Net re-prioritisation of \$0.646 million to the Policy advice and related outputs MCA, \$0.696 million from non-departmental Vote Transport appropriations and \$0.050 million to Vote Internal Affairs
- ▶ a carry forward of \$0.500 million unspent appropriation from 2015/16 in the Policy advice and related outputs MCA
- ▶ other changes – a reduction of \$0.017 million
- ▶ additional revenue of \$0.305 million for Fuel excise duty refund administration as Ministers approved an increase in the appropriation
- ▶ additional revenue of \$0.040 million for Milford Sound / Piopiotahi Aerodrome operation and administration from landing fees.

NOTE 19: EXPLANATION OF MAJOR VARIANCES BETWEEN ACTUAL AND FORECAST 2017 FIGURES

The significant variances between the actual results and the figures included in the Supplementary Estimates of Appropriations for the year ended 30 June 2017 are:

Statement of comprehensive revenue and expense

Expenses

Total expenditure was \$0.423 million below the Supplementary Estimates, because the Ministry did not spend the full appropriation.

Statement of financial position

Assets

Cash and cash equivalents

The actual was \$2.033 million more than the Supplementary Estimates. This was mainly because less was spent on property, plant and equipment and Intangible assets than forecast, and because some expenditure was raised as a provision, not spent as cash [as forecast].

Property, plant and equipment and Intangible assets

The actual was \$0.527 million less than the Supplementary Estimates, because projects were delayed as a result of disruption caused by the November 2016 earthquake.

Liabilities

Provisions

The actual was \$1.500 million more than the Supplementary Estimates, because a provision was raised that was not forecast.

NOTE 20: EXPLANATIONS OF MAJOR VARIANCES BETWEEN ACTUAL 2016/17 AND FORECAST 2017/18 FIGURES

The significant variances between the actual results and the forecast 2017/18 figures are as below.

Statement of comprehensive revenue and expense

Revenue Crown

The 2017/18 forecast is \$2.337 million more than the 2016/17 actual. This is mainly a combination of:

- ▶ \$2.500 million increase to the Policy advice and related outputs MCA as Cabinet have approved an increase in the appropriation.
- ▶ \$1.374 million increase to the Search and rescue activity coordination PLA as Ministers have approved an increase in the appropriation.
- ▶ \$0.696 million reduction, which was an increase to the Policy advice and related outputs MCA for 2016/17 only.

Expenses

The 2017/18 forecast is \$2.325 million more than the 2016/17 actual. This is additional appropriation that the Ministry will spend.

Statement of financial position

Assets

Cash and cash equivalents

The actual was \$2.252 million more than the 2017/18 forecast. This was mainly because less was spent on property, plant and equipment and Intangible assets than forecast, and because a provision was raised that was not forecast [see following explanations].

Property, plant and equipment and Intangible assets

The actual was \$0.746 million less than the 2017/18 forecast, because 2016/17 projects were delayed as a result of disruption caused by the November 2016 earthquake.

Liabilities

Provisions

The actual was \$1.500 million more than the Supplementary Estimates, because a provision was raised that was not forecast.

NOTE 21: 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 2017.



Non-departmental Schedules and Statements

SCHEDULE OF NON-DEPARTMENTAL REVENUE AND RECEIPTS

for the year ended 30 June 2017

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

2016 Actual \$000		Note	2017 Actual \$000	2017 Budget \$000	2017 Forecast \$000
1,536,566	Indirect taxation	2	1,636,154	1,537,780	1,615,006
985	Other 'sovereign power' revenue	3	189	1,300	1,300
9,621	Other operational revenue	4	10,362	8,760	8,760
[8,428]	Share of net asset increase/[decrease] in joint venture airports		[1,605]	-	-
1,538,744	Total non-departmental revenue and receipts		1,645,100	1,547,840	1,625,066

SCHEDULE OF NON-DEPARTMENTAL EXPENSES

for the year ended 30 June 2017

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

2016 Actual \$000		Note	2017 Actual \$000	2017 Budget \$000	2017 Forecast \$000
2,027,873	Non-departmental output classes	5	2,008,097	2,183,281	2,115,784
857,295	Purchase or development of capital assets	6	1,113,776	943,316	1,336,628
40,071	Other expenses to be incurred by the Crown	7	52,819	76,272	59,939
10,542	Non-departmental multi category appropriations		12,533	12,684	12,612
4,868	Bad debts expense		6,013	4,000	8,000
[555]	Movement in doubtful debts provision		590	-	-
2,940,094	Total non-departmental expenses		3,193,827	3,219,553	3,532,963

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2017.

The accompanying notes form part of these financial statements.

SCHEDULE OF NON-DEPARTMENTAL ASSETS

as at 30 June 2017

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

2016 Actual \$000		Note	2017 Actual \$000	2017 Budget \$000	2017 Forecast \$000
	Current assets				
25,238	Cash and bank balances		77,937	20,000	20,000
39,089	Receivables and advances	8	46,341	66,442	39,090
	Non-current assets				
16,538	Investment in joint venture airports	9	15,020	26,006	17,579
80,865	Total non-departmental assets		139,298	112,448	76,669

In addition, the Ministry monitors four Crown entities:

- ▶ 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

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

2016 Actual \$000		Note	2017 Actual \$000	2017 Budget \$000	2017 Forecast \$000
	Current liabilities				
391,824	Payables	11	472,534	438,852	434,979
391,824	Total non-departmental liabilities		472,534	438,852	434,979

The accompanying notes form part of these financial statements.

STATEMENT OF NON-DEPARTMENTAL COMMITMENTS

as at 30 June 2017

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

2016 Actual \$000		2017 Actual \$000
	Operating commitments	
92,700	Other non-cancellable contracts for the supply of goods and services	95,284
92,700	Total operating commitments	95,284
	Term classification of commitments	
21,917	Not later than 1 year	23,437
23,253	More than 1 year but less than 2 years	23,949
47,530	Between 2 and 5 years	47,898
-	Greater than 5 years	-
92,700	Total operating commitments	95,284

STATEMENT OF NON-DEPARTMENTAL CONTINGENT LIABILITIES

as at 30 June 2017

This statement discloses situations which exist at 30 June 2017, 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.

2016 Actual \$000		2017 Actual \$000
10,000	Transport Accident Investigation Commission emergency guarantee	10,000
10,000	Total contingent liabilities	10,000

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

The accompanying notes form part of these financial statements.

Notes to Non-departmental Schedules and Statements

for the year ended 30 June 2017

NOTE 2: INDIRECT TAXATION

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

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

2016 Actual \$000		2017 Actual \$000	2017 Budget \$000	2017 Forecast \$000
1,381,114	Road user charges	1,469,470	1,361,435	1,430,768
214,128	Motor vehicle registration fees	222,927	225,301	237,157
1,595,242	Sub-total	1,692,397	1,586,736	1,667,925
[58,676]	Fuel excise duty refunds	[56,243]	[48,956]	[52,919]
1,536,566	Total indirect taxation	1,636,154	1,537,780	1,615,006

NOTE 3: OTHER 'SOVEREIGN POWER' REVENUE

2016 Actual \$000		2017 Actual \$000	2017 Budget \$000	2017 Forecast \$000
985	Infringement fees – tolls and other	189	1,300	1,300
985	Total other 'sovereign power' revenue	189	1,300	1,300

NOTE 4: OTHER OPERATIONAL REVENUE

2016 Actual \$000		2017 Actual \$000	2017 Budget \$000	2017 Forecast \$000
9,108	Tolling revenue	10,030	8,400	8,400
313	Road user charges administration fees	332	360	360
200	Other revenue	-	-	-
9,621	Total other operational revenue	10,362	8,760	8,760

NOTE 5: NON-DEPARTMENTAL OUTPUT CLASSES

2016 Actual \$000		2017 Actual \$000	2017 Budget \$000	2017 Forecast \$000
2,027,873	This expense item is equal to the appropriations for non-departmental output classes listed in the appropriation statements	2,008,097	2,183,281	2,115,784
2,027,873	Total non-departmental output classes	2,008,097	2,183,281	2,115,784

NOTE 6: PURCHASE OR DEVELOPMENT OF CAPITAL ASSETS

2016 Actual \$000		2017 Actual \$000	2017 Budget \$000	2017 Forecast \$000
857,295	This expenditure is for the construction of, and improvement to, the state highway network	1,113,776	943,316	1,336,628
857,295	Total purchase or development of capital assets	1,113,776	943,316	1,336,628

NOTE 7: OTHER EXPENSES TO BE INCURRED BY THE CROWN

2016 Actual \$000		2017 Actual \$000	2017 Budget \$000	2017 Forecast \$000
650	Membership of international organisations	650	743	743
3,270	Rail – public policy projects	3,270	3,270	3,270
500	Rail – railway safety	500	500	500
28,264	SuperGold Card – public transport concessions for cardholders	26,386	28,129	28,320
930	Tauranga maritime incident response	13	-	106
6,457	Urban cycleways – local routes	22,000	43,630	27,000
40,071	Total other expenses to be incurred by the Crown	52,819	76,272	59,939

NOTE 8: RECEIVABLES

2016 Actual \$000		2017 Actual \$000	2017 Budget \$000	2017 Forecast \$000
	Non-exchange revenue			
28,944	Motor vehicle registration fees	35,398	54,810	21,698
19,041	Road user charge revenue	20,339	9,201	15,000
47,985	Total non-exchange revenue receivables	55,737	64,011	36,698
	Exchange revenue			
2,307	Tolling revenue	2,481	2,331	2,292
84	Infringement revenue	-	100	100
2,391	Total exchange revenue receivables	2,481	2,431	2,392
50,376	Sub-total	58,218	66,442	39,090
[11,287]	Provision for doubtful debts	[11,877]	-	-
39,089	Total receivables	46,341	66,442	39,090

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 ageing profile of receivables is shown below.

2015/2016				2016/2017		
Gross \$000	Impairment \$000	Net \$000		Gross \$000	Impairment \$000	Net \$000
37,078	[2,103]	34,975	Not past due	42,370	[1,200]	41,170
4,759	[3,287]	1,472	Past due 1-90 days	3,390	[1,657]	1,733
2,839	[1,961]	878	Past due 91-180 days	2,473	[1,414]	1,059
3,341	[2,307]	1,034	Past due 181-365 days	3,266	[1,986]	1,280
2,359	[1,629]	730	Past due > 365 days	6,719	[5,620]	1,099
50,376	[11,287]	39,089	Total	58,218	[11,877]	46,341

NOTE 9: INVESTMENT IN JOINT VENTURE AIRPORTS

2016 Actual \$000		2017 Actual \$000
3,250	New Plymouth	3,250
3,664	Taupo	3,892
5,087	Whanganui	3,788
727	Westport	726
941	Whakatane	498
2,869	Whangarei	2,866
16,538	Total investment in joint venture airports	15,020

2016 Actual \$000		2017 Actual \$000
[8,630]	Change in valuation of New Plymouth airport	-
202	Gains/ [losses] generated by the other airports	[1,518]
[8,428]	Share of net asset increase/[decrease] in joint venture airports	[1,518]
210	Capital payments made during the year	-
[8,218]	Total change in investment value	[1,518]

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

The Crown has a 50 percent interest in each airport, with the other 50 percent held by the local council. The value of the investment at 30 June 2017 is based on the annual financial statements of each airport for the year ended 30 June 2016, plus capital contributions from the Crown during the year ended 30 June 2017.

New Plymouth airport was sold on 1 July 2017. This will be reflected in the Ministry's 2017/18 annual report.

Whanganui airport was revalued at 30 June 2014. This change has now been reflected in the Ministry's accounts based on the unaudited financial statements for the airport as at 30 June 2016.

NOTE 10: INVESTMENT IN THE NORTHERN GATEWAY TOLL ROAD

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

It was agreed a notional account would be kept of the 'cost' of the project, with an estimated interest rate charged on the contribution. The interest charge is calculated daily, based on the outstanding balance, plus interest, less tolling revenue received. The interest rate used is 6.45 percent – the average rate on the bonds issued to fund the project, plus 15 basis points. The project was modelled using an estimated rate of 6.4 percent. Further information is available at www.tollroad.govt.nz.

Since the commencement of the project

2016 Actual \$000		2017 Actual \$000
158,000	Funding provided for construction	158,000
102,164	Notional interest charged since funding first drawn	115,747
[52,865]	Tolling revenue since February 2009	[62,895]
207,299	Balance at 30 June	210,852

Current year

2016 Actual \$000		2017 Actual \$000
203,042	Balance at 1 July	207,299
13,365	Notional interest charge for the year	13,583
[9,108]	Tolling revenue for the year	[10,030]
207,299	Balance at 30 June	210,852

NOTE 11: PAYABLES

2016 Actual \$000		2017 Actual \$000	2017 Budget \$000	2017 Forecast \$000
356,297	National Land Transport Fund revenue and output funding payable to the New Zealand Transport Agency	404,639	400,000	400,000
18,594	GST payable	20,566	17,194	18,593
14,616	Motor vehicle registration third party collections	14,764	16,139	14,688
398	Output funding payable to KiwiRail	30,619	4,219	398
1,300	Road user charges refunds	1,896	1,300	1,300
537	Output funding payable to Maritime New Zealand	50	-	-
82	Output funding payable to other parties	-	-	-
391,824	Total payables	472,534	438,852	434,979

NOTE 12: FINANCIAL INSTRUMENTS

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

2016 Actual \$000		Actual 2015/16 \$000
	Loans and receivables	
25,238	Cash and cash equivalents	77,937
39,089	Receivables and advances	46,341
64,327	Total loans and receivables	124,278
	Financial liabilities measured at amortised cost	
391,824	Payables	472,534

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

Funds must be deposited with Westpac, a registered bank.

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

NOTE 13: MAJOR BUDGET CHANGES

Changes were made to the non-departmental budgets in the 2016/17 Supplementary Estimates. Explanations for significant variances are provided below.

Revenue and receipts

	Budget 2017 \$000	Changes in forecast 2017 \$000	Cumulative vote 2017 \$000
Indirect taxation			
Road user charges	1,361,435	69,333	1,430,768
Motor vehicle registration	225,301	11,856	237,157
Fuel excise duty refunds	[48,956]	[3,963]	[52,919]
Total	1,537,780	77,226	1,615,006

Tax revenue and related fees

The National Land Transport Fund Revenue Forecasting Group meets two or three times a year to reforecast the tax revenue expected for the National Land Transport Fund, based on the current economic forecasts. The changes reflect the result of this process.

Non-departmental expense and capital expenditure appropriations

	Budget 2017 \$000	Changes in forecast 2017 \$000	Cumulative vote 2017 \$000
Appropriations for non-departmental output expenses			
Search and rescue activities	3,316	[72]	3,244
Licensing activities	2,550	391	2,941
National Land Transport Programme PLA	2,135,900	[68,174]	2,067,726
Policy advice and related outputs – maritime MCA	9,295	[72]	9,223
Search and rescue and recreational boating safety activities PLA	8,167	358	8,525
Non-departmental other expenses			
Bad debt provision – motor vehicle registration/ licenses and road user charges	4,000	4,000	8,000
SuperGold Card – public transport concessions for cardholders	28,129	191	28,320
Tauranga maritime incident response	-	106	106
Urban cycleways – local routes	43,630	[16,630]	27,000
Capital expenditure			
Auckland Transport Package loan	110,000	12,200	122,200
Aviation Security Service	4,500	[1,800]	2,700
Joint venture airports – Crown contribution	500	541	1,041
Maritime New Zealand	-	1,600	1,600
National Land Transport Programme – new infrastructure for and renewal of State highways PLA	943,316	393,312	1,336,628
Rail – KiwiRail equity injection	23,600	19,000	42,600
Rail – Wellington metro rail network upgrade	5,825	2,445	8,270
Regional state highways	14,000	36,427	50,427
Regional state highways MYA	41,000	[41,000]	-
Reinstatement of South Island State Highway 1	-	69,000	69,000
Roading – reinstatement of earthquake damaged roads in Christchurch – loan	114,000	[39,000]	75,000
Urban cycleways – crown assets	7,600	[3,600]	4,000

Explanations for the major changes were outlined in the 2016/17 Supplementary Estimates [page 689 onwards]. They were:

Search and rescue activities

The appropriation decreased by \$0.072 million due to the decrease in the capital charge rate.

Licensing activities

This appropriation increased by \$391,000 to \$2.941 million due to a carry forward from 2015/16.

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. Road tax revenue is allocated to the NLTF 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 between the operating appropriation and the capital one, to match funding for the former to planned activity in a year.
- ▶ Road tax revenue is forecast two to three times a year. The State highway capital appropriation is adjusted as required as revenue increases or decreases.
- ▶ Unspent funding from previous years may be appropriated.

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

The decrease in the operating appropriation is to align it with planned expenditure. The decrease is matched by an increase to the capital appropriation to cover planned expenditure.

The increase in the capital appropriation of \$393.312 million is due to:

- ▶ \$210.424 million for the balance in the National Land Transport Fund at 1 July 2016 [increase]
- ▶ \$129.014 million from changes in the road tax revenue forecasts [increase]
- ▶ \$68.174 million transferred from the operating appropriation as above [increase]
- ▶ \$14.300 million appropriated to other outputs within Vote Transport that are funded from road tax revenue [decrease].

Policy advice and related outputs – maritime MCA

The appropriation decreased by \$0.072 million due to the decrease in the capital charge rate.

Search and rescue and recreational boating safety activities PLA

This appropriation increased by \$0.358 million due to:

- ▶ \$0.429 million was an expense transfer from 2015/16 [increase]
- ▶ \$0.071 million due to a reduction in the capital charge rate [decrease].

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

The appropriation increased by \$4 million due to NZ Transport Agency processing higher than usual write-offs.

SuperGold Card – public transport concessions for cardholders

This appropriation increased by \$0.191 million due to Cabinet agreement following an increase in the Consumer Price Index.

Tauranga maritime incident response

The appropriation increased by \$0.106 million due to an expense transfer from 2015/16.

Urban cycleways – local routes

This appropriation decreased by \$16.630 million due to:

- ▶ \$3.543 million was an expense transfer from 2015/16 [increase]
- ▶ \$20.173 million was re-phased to outyears to match planned expenditure.

Auckland Transport Package loan

This appropriation increased by \$12.200 million as a net result of re-phasing the loan profile over years.

Aviation Security Service

This appropriation decreased by \$1.800 million due to funds not required being reprioritised elsewhere within the Vote to meet forecast costs.

Joint venture airports – Crown contribution

This appropriation increased by \$0.541 million due to a transfer of funds from the Joint venture multi-year appropriation, which expired in 2015/16.

Maritime New Zealand

This appropriation increased by \$1.600 million due to an expense transfer from 2015/16.

Rail – KiwiRail equity injection

This appropriation increased by \$19.000 million to meet forecast expenditure.

Rail – Wellington metro rail network upgrade

This appropriation increased by \$2.445 million due to:

- ▶ \$3.745 million was an expense transfer from 2015/16 [increase]
- ▶ \$1.300 million was re-phased to outyears to match planned expenditure.

Regional state highways and regional state highways MYA

The balance of the MYA was transferred into the other appropriation, as the MYA expired at 30 June 2017. The combined change for the two appropriations was a decrease of \$4.573 million, due to:

- ▶ \$12.690 million was an expense transfer from 2015/16 [increase]
- ▶ \$17.263 million was re-phased to outyears to match planned expenditure [decrease].

Reinstatement of South Island State Highway 1

This appropriation was established during the year for the reinstatement of State Highway 1 between Picton and Christchurch following the November 2016 earthquake.

Roading – reinstatement of earthquake damaged roads in Christchurch – loan

This appropriation decreased by \$39.000 million due to:

- ▶ \$42.420 million was an expense transfer from 2015/16 [increase]
- ▶ \$81.420 million was a reduction to the appropriation because that portion of the loan facility was not needed [decrease].

Urban cycleways – crown assets

This appropriation reduced by \$3.600 million due to due to a carry forward to 2017/18 to align with forecast expenditure.

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 \$20 million higher than forecast, mainly in indirect taxation. These revenues are demand driven and so difficult to forecast.

Schedule of non-departmental expenses

Total expenses were \$339 million lower than forecast. The National Land Transport Fund spent less than forecast.

Schedule of non-departmental assets

Non-departmental assets were \$62 million higher than forecast. This is mainly because payables were higher than forecast [see liabilities explanation following], which meant there was more cash in the bank than forecast.

Schedule of non-departmental liabilities

Payables were \$38 million higher than forecast. Some payments were made later than forecast, resulting in a higher payables amount and also a higher bank balance [see assets explanation above].

NOTE 15: CITY RAIL LINK

On 30 June 2017, the Government signed a Sponsors Agreement with the Auckland Council to equally co-fund the development of the Auckland City Rail Link [an underground rail line between the city centre and the existing western line]. A new company [City Rail Link Limited] has been set up to deliver the project which is estimated to cost \$3.6 billion. As joint sponsor, the Government has committed up to \$1.7 billion [net of revenue from property sales] future funding for the project.

City Rail Link Limited [CRL], a jointly controlled Crown entity, has been incorporated and will assume the responsibility for the design and construction of the CRL from 1 July 2017 pursuant to the Project Delivery Agreement.

Subsequent to balance date CRL obtained the necessary authority to assume responsibility and the Crown's contractual commitments came into effect.

Appropriation statements

The following statements report information about the expenses and capital expenditure incurred against each appropriation, or other authority administered by the Ministry for the year ended 30 June 2017.

STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED AGAINST APPROPRIATIONS for the year ended 30 June 2017

Annual and permanent appropriations for Vote Transport

2016 Actual \$000	Appropriation title	2017 Actual \$000	2017 Forecast \$000	End-of-year performance information location*
	Departmental output expenses			
660	Fuel excise duty refund administration	1,145	1,223	1
274	Milford Sound / Piopiotahi Aerodrome operation and administration	267	270	1
1,201	Search and rescue activity co-ordination PLA	1,196	1,201	1
2,135	Total departmental output expenses	2,608	2,694	
	Departmental capital expenditure			
139	Ministry of Transport — capital expenditure PLA	442	755	1
	Non-departmental output expenses			
5,233	Accident or incident investigation and reporting	5,639	5,639	2
775	Crash analysis	775	775	3
2,519	Licensing activities	2,337	2,941	3
145	Maritime port security	145	145	4
548	Ministerial servicing by the New Zealand Transport Agency	548	548	3
1,982,007	National Land Transport Programme PLA**	1,888,232	2,067,726	3
3,779	Road user charges investigation and enforcement	3,779	3,779	3
450	Road user charges refunds	450	450	3
3,316	Search and rescue activities	3,244	3,244	5
7,594	Search and rescue and recreational boating safety activities PLA	8,285	8,525	6
295	SuperGold card – administration of the public transport concessions scheme	95	95	3
21,212	Weather forecasts and warnings	21,917	21,917	6
-	Reinstatement of South Island State Highway 1	72,651	-	3
2,027,873	Total non-departmental output expenses	2,008,097	2,115,784	

The accompanying notes form part of these financial statements.

2016 Actual \$000	Appropriation title	2017 Actual \$000	2017 Forecast \$000	End-of-year performance information location*
	Non-departmental other expenses			
4,868	Bad debt provision – motor vehicle registration/ licences and road user charges	6,013	8,000	8
650	Membership of international organisations	650	743	8
3,270	Rail – public policy projects	3,270	3,270	7
500	Rail – railway safety	500	500	7
28,264	SuperGold Card – public transport concessions for cardholders	26,386	28,320	3
930	Tauranga maritime incident response	13	106	6
6,457	Urban cycleways – local routes	22,000	27,000	3
44,939	Total non-departmental other expenses	58,832	67,939	
	Appropriations for capital contributions to other organisations			
122,000	Auckland Transport Package loan	116,200	122,200	3
-	Aviation Security Service	2,700	2,700	4
-	Joint venture airports	86	1,041	1
210	Joint venture airports – Crown contribution MYA	-	-	8
4,753	Maritime New Zealand	835	1,600	5
125,000	NLTF borrowing facility for short-term advances	-	500,000	3
18,108	Rail – KiwiRail equity injection	14,959	42,600	7
209,800	Rail – KiwiRail Holdings Limited	190,200	190,200	7
12,768	Rail – Wellington metro rail network upgrade	4,553	8,270	7
-	Regional State highways	45,409	50,427	3
31,310	Regional State highways MYA	-	-	3
-	Reinstatement of South Island State Highway 1	20,486	69,000	3
-	Reinstatement of Main North Line	30,000	-	7
15,000	Roading – reinstatement of earthquake damaged roads in Christchurch – loan	11,000	75,000	3
2,000	Urban cycleways – Crown assets	3,247	4,000	3
540,949	Total appropriations for capital contributions to other organisations	439,675	1,067,038	
	Appropriations for purchase or development of capital assets for the Crown			
857,295	National Land Transport Programme – new infrastructure for and renewal of State highways PLA**	1,113,776	1,336,628	3
857,295	Total appropriations for purchase or development of capital assets for the Crown	1,113,776	1,336,628	

The accompanying notes form part of these financial statements.

2016 Actual \$000	Appropriation title	2017 Actual \$000	2017 Forecast \$000	End-of-year performance information location*
	Multi category appropriations (MCA)			
30,374	Policy advice and related outputs MCA <i>Departmental output expenses</i>	31,928	32,265	1
26,412	Policy advice	28,543	28,765	
2,830	Ministerial servicing	2,594	2,600	
1,132	Governance and performance advice on Crown agencies	791	900	
2,687	Policy advice and related outputs – civil aviation MCA <i>Non-departmental output expenses</i>	3,389	3,389	1,4
663	Policy advice – civil aviation	663	663	
431	Ministerial servicing – civil aviation	431	431	
908	Health and safety in employment activities – civil aviation	1,610	1,610	
685	International relations and International Civil Aviation Organisation obligations	685	685	
7,855	Policy advice and related outputs – maritime MCA <i>Non-departmental output expenses</i>	9,144	9,223	1,5
3,478	Policy advice – maritime	3,406	3,406	
833	Maritime – incident response	685	764	
2,078	Maritime safety and marine protection services	2,078	2,078	
1,466	Health and safety in employment activities – maritime	2,975	2,975	
40,916	Total multi category appropriations	44,211	44,877	

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

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

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

The accompanying notes form part of these financial statements.

Details of Multi-year appropriation

Regional State Highways	\$000
Commences	1 July 2014
Expires	30 June 2017
Appropriation at 1 July 2016	97,000
Increase/ [decrease] in funding	[53,690]
Total funding	43,310
Cumulative expenses to 1 July 2016	43,310
Current year expenses	-
Cumulative expenses to 30 June 2017	43,310
Balance of appropriation remaining at 30 June 2017	-

This appropriation expired on 30 June 2017. A new appropriation for the same purpose was established from 1 July 2016. The unspent balance of this appropriation was transferred to the new appropriation in 2016/17.

STATEMENT OF EXPENSES AND CAPITAL EXPENDITURE INCURRED WITHOUT, OR IN EXCESS OF, APPROPRIATION OR OTHER AUTHORITY

for the year ended 30 June 2017

	Expenditure 2016/17 \$000	Unaudited Supplementary Estimates 2016/17 \$000	Unappropriated Expenditure 2016/17 \$000
Non-departmental output expenses			
Reinstatement of South Island State Highway 1	72,651	-	72,651
Appropriations for capital contributions to other organisations			
Main North Line reinstatement	30,000	-	30,000

Expenses and capital expenditure incurred without appropriation or outside scope or period

Reinstatement of South Island State Highway 1

Funding for the rebuild of State Highway 1 following the November 2016 earthquake was appropriated as capital expenditure of \$69 million. On closer examination and after consultation with NZ Transport Agency and the Treasury, some of the 2016/17 costs were determined to be operating expenses. The actual 2016/17 operating costs were \$73 million, and capital costs were \$20 million, which in total was higher than originally forecast. Appropriations for future years have been re-examined and split between operating and capital on the correct basis.

Main North Line reinstatement

The rebuild of the Main North Line following the November 2016 earthquake was expected to be largely funded by KiwiRail's insurers. Cabinet had provided a tagged capital contingency to fund expenditure not covered by insurance but the request by KiwiRail for funding in 2016/17 was received too late for inclusion in the Supplementary Estimates for 2016/17, and so must be declared as unappropriated.



End-of-year performance information

for the year ended 30 June 2017

The appropriations reported in this annual report are:

- ▶ Policy advice and related outputs MCA
- ▶ Fuel excise duty refund administration departmental output expense
- ▶ Milford Sound/Piopiotaahi Aerodrome operation and administration departmental output expense
- ▶ Search and rescue activity co-ordination PLA departmental output expense
- ▶ Ministry of Transport – capital expenditure PLA
- ▶ Policy advice and related outputs – civil aviation MCA
- ▶ Policy advice and related outputs – maritime MCA

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

- ▶ financial performance
- ▶ performance against measures in the Estimates
- ▶ 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 category appropriation

The overarching purpose of this appropriation is to provide policy advice and other support to Ministers in discharging their policy decision-making and other portfolio responsibilities.

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

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 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000	Forecast 2016/17 \$000
30,477	Revenue Crown	31,870	30,761	31,870
275	Other revenue	19	-	20
30,752	Total revenue	31,889	30,761	31,890
30,374	Expenses	31,928	31,136	32,265
378	Net surplus / [deficit]	[39]	[375]	[375]

Output: Policy advice

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

It is intended to ensure that the government has policy advice available to it on how to maximise the transport sector economic and social benefits, and minimise harm; or for any other policy initiatives it seeks to pursue.

Financial performance				
Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000	Forecast 2016/17 \$000
26,677	Revenue Crown	28,370	27,261	28,370
275	Other revenue	19	-	20
26,952	Total revenue	28,389	27,261	28,390
26,412	Expenses	28,543	27,636	28,765
540	Net surplus / (deficit)	[154]	[375]	[375]

MULTI-MODAL

Financial performance

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000	Forecast 2016/17 \$000
12,369	Cost This output is produced within the overall class appropriation [GST exclusive]	12,617	11,966	11,706

Performance measures from the Information Supporting the Estimates

Actual 2015/16	Performance measures	Actual 2016/17	Standards / Targets 2016/17
89%	Milestones contained in the output plan are completed as agreed, or subsequently amended by the agreement between the Minister and the Chief Executive*	83%	86%**
100%	Percentage of policy advice papers that meet the Advice Quality Characteristics (refer conditions on use of Appropriation)	100%	100%
Achieved (7.41)	The average assessment of the quality of Ministry policy advice is within the range of 7.2-7.5 for papers assessed through an annual external review of policy advice by NZIER	Achieved (7.21)	Achieved
Achieved	The agreed rules programme, including variations, is delivered	Achieved	Achieved
58%	Satisfaction of the Minister of Transport with the policy advice service, as per the satisfaction survey	55%	58%**
\$155	The total cost per hour of producing outputs (excluding outsourced costs)	\$158	\$175
On track 6.3% decrease since 2006	There is a reduction in the rate of growth of carbon dioxide emissions from domestic transport per capita in the medium term	Not on track	On track
Not on track	Fewer deaths and serious injuries within the New Zealand transport system over the medium term	Not on track	On track

* Note that the wording of this measure has been clarified, however the measurement is unchanged. Previously it was: 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.

** The estimated actual performance for 2016/17 for these measures were inadvertently entered as revised Budget standards in the Supplementary Estimates for 2016/17. We have therefore included these in this report as the Standards/ Targets for 2016/17.

The original targets were:

Milestones contained in the output plan completed as agreed – 95%

Satisfaction of the Minister of Transport with the policy advice service – 75%

The Estimates for 2017/18 record the original Budget standard levels from 2016/17.

The agreed rules programme, including variations, is delivered

6 out of 18 rules were signed and the remainder were moved to 2017/18. The rules programme is a two-year rolling programme, so it is not uncommon for rules not to be signed within a single financial year.

Ministerial Satisfaction Survey

In our Ministerial Satisfaction Survey, the Ministry asks the Minister 6 questions with a score out of 10. Our average score over the two surveys carried out in 2016/17 was 5.5, which has been translated to 55%.

Reduction in the rate of growth of carbon dioxide emissions from domestic transport per capita in the medium term

Reduction in the rate of growth of carbon dioxide emissions from domestic transport per capita in the medium term has been relatively stable over the past 10 years. Emissions per capita increased in 2015, following a steady decline from 2006. The Ministry’s current projections are for increasing levels of emissions in out years; we are seeing increasing population, an increasing vehicle fleet, and people are travelling more [increase in vehicle kilometres travelled].

Fewer deaths and serious injuries within the New Zealand transport system over the medium term

There has been a recent increase in the number of fatalities on New Zealand roads. The Government is working to improve the safety of the roading system through a variety of measures. For example, the third and final Safer Journeys Action Plan was released, which introduces new measures to combat driver error, improve motorcycle safety, and reduce road fatalities. See graph on page 20.

Serious injuries have also increased. Serious injuries data for the 2012 – 2016 years is shown in the table below:

	2012	2013	2014	2015	2016
Number of serious injuries	2103	2022	2075	2164	2500

In 2016, we commissioned independent research to help provide a better understanding of the factors that have influenced the road toll. We and our road safety partners have a wider research programme underway attempting to dive deeper into understanding these factors.

Performance progression of Ministry intermediate results

Improved management of the transport asset base

<p>The Ministry will know that it has been successful over the next two to four years if:</p>	<p>The Ministry understands the relative priority and timing for government investment options across all of the transport modes [regardless of funding sources] to maximise efficient network performance and meet future needs</p> <ul style="list-style-type: none"> ▶ Performance: the Ministry created a GPS Optimisation Tool to improve information/advice about transport investment choices. It allows the Ministry to better understand the potential trade-offs between different objectives and funding levels and other policy settings. The Ministry also has investigated the 30-year transport infrastructure pipeline to create a comprehensive picture of expected land transport revenue and expenditure over the next 30 years. It allows the Ministry to identify pressures on the land transport funding system and provide potential policy options to address these pressures to the Government. <hr/> <p>The Ministry has enhanced its transport modelling capability and is providing more sophisticated advice on the impacts of different intervention options</p> <ul style="list-style-type: none"> ▶ Performance: the Ministry continues to increase its capability in this area with additional recruitment to enhance transport and economic modelling skills. Work has continued across the sector. Within New Zealand we have been working with the NZ Transport Agency and the Regional Councils to work on a sector wide transport modelling initiative [Next Generation Transport Models] – which seeks to use data from the NZ Household Travel Survey to develop a common modelling framework for all New Zealand local authorities. Internationally we have been working with the International Transport Forum (ITF) to develop a simulation model that allows us to examine the impact of shared use vehicles [shared use taxis and taxi buses] in Auckland. We have recently formed a research partnership with the ITF, which will focus on three key research areas including the social impacts of time and space based road pricing, alternate methods to value travel time and a framework to evaluate and monitor the social and economic benefits of transport investment. The main focus of the modelling work done within the Ministry continues to be the development of the system level models for the NZ Transport Outlook, as noted on page 8.
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Higher returns from new transport investments

<p>The Ministry will know that it has achieved its stated result if, by 2025, there is</p>	<p>Higher average returns from new transport investment decisions taken by Government transport agencies (including local government)</p> <ul style="list-style-type: none"> ▶ the Ministry and the NZ Transport Agency developed an approach to reporting on GPS 2015. The NZ Transport Agency included reporting on aspects of GPS 2015 in its annual report by output class and further information by activity class in the National Land Transport Fund Annual Report. The material reported on GPS 2015 will be expanded further in the NZ Transport Agency's annual report to be released in October 2017.
<p>The Ministry will know that it has been successful over the next two to four years if:</p>	<p>There is greater transparency and reporting on the trends in the level of benefit cost ratio being achieved from new government investments across the transport system</p> <ul style="list-style-type: none"> ▶ Performance: the NZ Transport Agency publishes the BCR of individual projects when agreed. In addition, the NZ Transport Agency will be including trend information on BCRs for GPS 2015 improvement activity classes in its annual report released in October 2017. <p>The Ministry has a deeper understanding of the potential for different modal investments to enhance the efficiency of the Auckland transport network</p> <ul style="list-style-type: none"> ▶ Performance: the Auckland Transport Alignment Project, led by the Government and Auckland Council, set out a long term strategic approach for the development of Auckland's transport system. This included recommendations on how and where to most effectively target investment in the city's strategic road and public transport networks. The approach is now being used to guide the development of 2018-21 statutory planning and funding documents. <p>The application of ITS technology across the transport modes is delivering more efficient use of the existing transport infrastructure</p> <ul style="list-style-type: none"> ▶ Performance: the Ministry commenced its review of the ITS Action Plan, which continues to focus on ensuring that the necessary building blocks are in place to enable technologies, such as connected and automated vehicles, to be deployed on New Zealand's road network. Work we have progressed under the current programme of work includes: completion of a scan of transport legislation for unnecessary barriers to the deployment of ITS technologies; undertaking, with Australia, a world-leading two-year trial programme of current and next-generation satellite-based augmentation systems; liaising with and supporting the sector across a multi-modal programme of technology trials; and supporting the Minister of Transport's mission to the 2016 ITS World Congress in Melbourne, which included the largest ever New Zealand delegation from the private and public sector to a World Congress and the first New Zealand Inc stand in the Congress Exhibition Hall.

More open and efficient transport markets

<p>The Ministry will know that it has been successful over the next two to four years if:</p>	<p>The Ministry has implemented a prioritised programme to remove regulation that unnecessarily imposes costs or acts as a barrier to market efficiency</p> <ul style="list-style-type: none"> ▶ Performance: the Ministry's 2016/17 legislative and rules programmes included a focus on removing unnecessary costs, reducing market barriers and future proofing regulation to respond to fast changing technology. Examples in 2016/17 include the Small Passenger Services Review and the Transport Technology Legislation Scan. <p>The Ministry knows how the transport regulatory system should change in order to support new business models and a rapidly changing technology environment, and has commenced work programmes to give effect to that</p> <ul style="list-style-type: none"> ▶ Performance: the Ministry completed an assessment of its regulatory systems to determine if they were fit for purpose. We are using that assessment to inform the development of our future work programmes (including our future Rules programme). <p>The Ministry has implemented a prioritised programme to strengthen its understanding of the key factors that may be constraining productivity growth in transport sub sectors – focusing on construction and freight first</p> <ul style="list-style-type: none"> ▶ Performance: the Ministry and the NZ Transport Agency completed reform of the Vehicle Dimensions and Mass Rule, removing constraints on the uptake of modern vehicles and technologies, and creating greater opportunities for productivity gains. <p>The Ministry understands how well the new Public Transport Operating Model (PTOM) has been implemented and whether any changes are required for its benefits to be fully realised</p> <ul style="list-style-type: none"> ▶ Performance: in late 2016, the Ministry provided the Minister with an update on the implementation of the Public Transport Operating Model. The Ministry is to provide a final report on the implementation of PTOM, how it is operating and a competition assessment in late 2019.
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Fewer incidents and other harms	
The Ministry will know that it has achieved its stated result if, by 2025, there is	<p>The number of deaths and serious injuries across the transport system is reduced by 20 percent or more</p> <ul style="list-style-type: none"> ▶ Performance: since 2013 there have been an increasing number of fatalities and serious injuries on our roads. We are continuing to work with the NZ Police, the NZ Transport Agency, the Accident Compensation Corporation and other partners to bring this down. This includes work on Safer Journeys, alcohol interlocks and safer speeds.
	<p>There is a continued reduction in the rate of growth of tonnes of carbon dioxide equivalent emitted emissions from domestic transport per capita over the medium term</p> <ul style="list-style-type: none"> ▶ Performance: emissions per capita increased in 2015, following a steady decline from 2006. In 2016/17 the Ministry worked on a project to better understand the choices New Zealand has to reduce transport emissions over the long-term. This project will form the evidence base for our future policy advice to Ministers. It will also feed into the cross-government work that the Ministry for the Environment is leading on a long-term plan of action to reduce emissions across the economy.
The Ministry will know that it has been successful over the next two to four years if:	<p>The transport sector and public understand the changes that will be required within the transport system over the next 20 plus years for New Zealand to meet any new greenhouse gas emissions reduction target</p> <ul style="list-style-type: none"> ▶ Performance: in 2016/17 the Ministry worked on a project to better understand the choices New Zealand has to reduce transport emissions over the long-term. This project will form the evidence base for our future policy advice to Ministers. It will also feed into the cross-government work that the Ministry for the Environment is leading on a long-term plan of action to reduce emissions across the economy. <p>Cost effective technologies that reduce harm in the transport system are increasingly being adopted/ mandated</p> <ul style="list-style-type: none"> ▶ Performance: new technologies are continually being applied in the transport system. In 2016/17 the Government progressed the Land Transport Amendment Bill, which mandates the fitting of alcohol interlocks for recidivist drivers. In 2016 we also completed a further review of the Vehicle Standards Map and Inventory – these documents are designed to identify which vehicles technologies and standards should be investigated for mandating or incentivising. Mandatory Electronic Stability Control for vehicles in New Zealand was introduced in 2014 and we can report that an increasing number of vehicles entering New Zealand have been fitted with this technology. <p>There is an appropriate regime in place to reduce the risks of alcohol and drug related impairment across transport’s commercial and recreational sectors.</p> <ul style="list-style-type: none"> ▶ Performance: in 2016/17, the Government agreed to amend the Maritime Transport Act and the Civil Aviation Act to require commercial maritime and aviation operators to put in place drug and alcohol management plans. The maritime proposals are being advanced through the Maritime Transport Amendment Bill, currently before the House. The civil aviation proposals are being developed through the Civil Aviation Reform Bill, which is yet to be introduced. <p>The Land Transport Amendment Bill provides for alcohol interlocks for drivers convicted of drink-driving, mandating it for all recidivist or serious first time offenders.</p>

Related Ministry projects or activities in 2016/17	
Ministry project or activity	Refer page
Auckland Smarter Transport Pricing	7
Government Policy Statement on land transport 2018	7
Land Transport Amendment Bill	8
NZ Transport Outlook	8
Intelligent Transport Systems	9
Regulatory reform programme	11
Funding review programme	12
Transport Domain Plan and Research Strategy	12

ROAD

Financial performance

Actual 2015/16 \$000		Actual 2016/17 \$000	Unaudited Main Estimates 2016/17 \$000	Unaudited Supplementary Estimates 2016/17 \$000
8,195	Cost This output is produced within the overall class appropriation (GST exclusive)	8,588	8,847	9,498

Performance measures from the Information Supporting the Estimates

Actual 2015/16	Performance measures	Actual 2016/17	Standards/ Targets 2016/17
Achieved	At least twice yearly revenue forecasting provided for use in Crown accounts and Budget forecasts	Achieved	Achieved
Not on track	Transport network congestion in the five largest metropolitan areas will decrease over the medium term	On track for three areas	Not on track*

* The estimated actual performance for 2016/17 for this measure was inadvertently entered as the revised Budget standard in the Supplementary Estimates for 2016/17. We have therefore included this in this report as the Standard/Target for 2016/17.

The original target was:

Transport network congestion in the five largest metropolitan areas will decrease over the medium term – on track

The Estimates for 2017/18 record the original Budget standard levels from 2016/17.

Transport network congestion in the five largest metropolitan areas will decrease over the medium term

As noted on page 18, data is no longer collected for two of the areas. In future we will report on the three largest metropolitan areas.

Performance progression of Ministry intermediate results

Improved management of the transport asset base

<p>The Ministry will know that it has achieved its stated result if, by 2025, there is</p>	<p>Journey times are more predictable in the major metropolitan areas. Measured through percentage of journeys that are predictable [change in travel times on key State highways serving the major metropolitan areas of Auckland, Wellington and Christchurch]</p> <ul style="list-style-type: none"> ▶ Performance: Figure 1 on page 18 shows the AM average travel speed for Auckland, Wellington and Christchurch. This is a new measure that has replaced the previous measure of AM peak congestion - minutes delay per kilometre. It is not yet possible to define a trend based on this information. <p>Increased productivity where there are constraints on main routes within our major metropolitan areas</p> <ul style="list-style-type: none"> ▶ Performance: the NZ Transport Agency's 2015/16 annual report shows an improving trend for productivity of the State Highway network in major metropolitan areas [page 68]. Information on the productivity of the local road network in major metropolitan areas was not available for the report [page 77]. <p>Increased freight vehicle productivity across the network</p> <ul style="list-style-type: none"> ▶ Performance: the NZ Transport Agency's 2015/16 annual report [page 68] shows an increasing trend for the proportion of State Highways available to High Productivity Motor Vehicles (HPMVs). For local roads, the report provides a proxy measure of 'percentage of approved organisations signed up to the 50MAX network'. This trend is reported as increasing [page 77].
<p>The Ministry will know that it has been successful over the next two to four years if:</p>	<p>There is greater transparency for the implementation of GPS 2015 and its impact on the performance of the land transport asset base</p> <ul style="list-style-type: none"> ▶ Performance: the Ministry and the NZ Transport Agency developed an approach to reporting on GPS 2015. The NZ Transport Agency included reporting on aspects of GPS 2015 in its annual report by output class and on further information by activity class in the National Land Transport Fund Annual Report [see the above three measures as examples]. The material reported on GPS 2015 will be expanded further in the NZ Transport Agency's annual report to be released in October 2017. <p>There is a clearer voice from road users on what they want to pay for and what they would accept as charges or a charging system, and additional demand management tools are being considered for the medium term</p> <ul style="list-style-type: none"> ▶ Performance: the Ministry surveyed road users to understand their priorities and preferences with respect to safety, cost, travel time, reliability, environment and maintenance. These results fed into the Ministry's analysis for GPS 2018. A summary of the survey findings is available in the GPS 2018 Summary of Analysis paper on the Ministry's website.

Higher returns from new transport investments

<p>The Ministry will know that it has been successful over the next two to four years if:</p>	<p>GPS 2018 provides an enhanced investment strategy for the Government's investment in land transport</p> <ul style="list-style-type: none"> ▶ Performance: the Ministry surveyed road users to understand their priorities and preferences with respect to safety, cost, travel time, reliability, environment and maintenance. These results fed into the Ministry's analysis for GPS 2018. A summary of the survey findings are available in the GPS 2018 Summary of Analysis paper on the Ministry's website.
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More open and efficient transport markets

<p>The Ministry will know that it has achieved its stated result if, by 2025, there is:</p>	<p>A 10 percent increase in the productivity of businesses that provide transport services</p> <ul style="list-style-type: none"> ▶ Performance: productivity across freight vehicles with 6 - 9 axle combinations increased by 4.5 percent between 2013/14 [the base year] and 2015/16. Information for 2016/17 is not yet available.
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Fewer incidents and other harms

<p>The Ministry will know that it has been successful over the next two to four years if:</p>	<p>The safety of the roading system has increased through the implementation of the safe system approach – improved roads and roadsides; the availability of safer vehicles; and a reduced number deaths and serious injury crashes from speed, and impaired drivers</p> <ul style="list-style-type: none"> ▶ Performance: the number of deaths per 100 million kms travelled decreased from 0.93 to 0.72 between 2010 and 2016, however the total number of deaths and serious injuries rose in 2016. Key Ministry actions to improve the safety of the roading system included: <ul style="list-style-type: none"> ▶ actioning the third Safer Journeys Action Plan 2016-2020 [the Action Plan maintains the focus on the Safe System approach] ▶ advising Government on mandating the fitting of alcohol interlocks for serious offences and developing legislative change to implement the Government’s decisions through the Land Transport Amendment Bill. <p>The Ministry has a broader understanding of the transport and wider benefits that could arise through additional investment in the active modes</p> <ul style="list-style-type: none"> ▶ Performance: we have developed this thorough information from the current investment in the Urban Cycleways Programme as it rolls out, and specific recent work on active modes. We are involved in NZ Transport Agency-led research, developing an options paper on cycling rules changes, and have been involved in the Government response to a petition to allow children to cycle on the footpath.
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Related Ministry projects or activities in 2016/17

Ministry project or activity	Refer page
Government Policy Statement on land transport 2018	7
Land Transport Amendment Bill	8
Electric vehicles	9
Safer Journeys Action Plan 2016-2020	9

AVIATION

Financial performance

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000	Forecast 2016/17 \$000
3,285	Cost This output is produced within the overall class appropriation (GST exclusive)	3,091	3,737	3,420

Performance progression of Ministry intermediate results

Higher returns from new transport investments

The Ministry will know that it has been successful over the next two to four years if:	Regulatory changes to support implementation of the new National Airspace and Navigation Plan by the Civil Aviation Authority are bedded in and understood by the aviation sector <ul style="list-style-type: none"> ▶ Performance: the Civil Aviation Authority continues to work on rules regarding navigation and surveillance. Draft rules will be published for comment by December 2017.
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More open and efficient transport markets

The Ministry will know that it has achieved its stated result if, by 2025, there is	A 30% increase in the movement of people and freight by international inbound and outbound flights <ul style="list-style-type: none"> ▶ Performance: The number of international arrivals and departures has increased by nearly a quarter in the last 5 years. In 2016 there was a 9 percent increase. In the year ended June 2017 the volume of freight imported and exported by air increased 1 percent by weight. The trends for freight have been quite variable.
The Ministry will know that it has been successful over the next two to four years if:	The Ministry has successfully concluded international air services agreements with countries that provide key market opportunities <ul style="list-style-type: none"> ▶ Performance: the Ministry negotiated 9 new or amended air services arrangements. We negotiated increased capacity under our arrangements in China and provided opportunities for services to the Americas consistent with our goals.

Related Ministry projects or activities in 2016/17

Ministry project or activity	Refer page
Air services liberalisation	10
Civil Aviation Reform Bill	10

MARITIME

Financial performance

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000	Forecast 2016/17 \$000
2,074	Cost This output is produced within the overall class appropriation [GST exclusive]	1,923	2,475	1,838

Performance measures

Actual 2015/16	Performance measures	Actual 2016/17	Standards/ Targets 2016/17
On track to be achieved in the medium term	New Zealand trends in port productivity will increase over the medium term	On track to be achieved in the medium term	On track

Related Ministry projects or activities in 2016/17

Ministry project or activity	Refer page
November 2016 earthquake recovery	8
Financial assurance for offshore installations	10
Maritime Transport Amendment Bill	10

RAIL

Financial performance

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000	Forecast 2016/17 \$000
489	Cost This output is produced within the overall class appropriation (GST exclusive)	2,324	611	2,303

Performance progression of Ministry intermediate results

Higher returns from new transport investments

The Ministry will know that it has been successful over the next two to four years if:	There are appropriate arrangements in place to support the government's investment in rail freight in the context of a multi-modal transport sector ▶ Performance: work on greater road-rail integration will provide decision makers with a greater understanding of an integrated approach to planning, where rail is able to complement, as well as compete with other modes. The ongoing investment will enable improved infrastructure and rail reliability, resulting in increased competitiveness between road and rail modes.
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Related Ministry projects or activities in 2016/17

Ministry project or activity	Refer page
Auckland City Rail Link	8
Review of passenger rail	10

Output: Ministerial servicing

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

It is intended to achieve the effective delivery of support to executive government and parliamentary processes.

Financial performance

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000	Forecast 2016/17 \$000
2,700	Revenue Crown	2,600	2,600	2,600
2,830	Expenses	2,594	2,600	2,600
[130]	Net (deficit)	6	-	-

Performance measures from the Information Supporting the Estimates

Actual 2015/16	Performance measures	Actual 2016/17	Standards / Targets 2016/17
91%	Percentage of draft replies to ministerial correspondence completed within 10 working days	78%	82%*
95%	Percentage of Official Information Act requests to the Ministry replied to within statutory timeframes	87%	82%*
100%	Percentage of Ministerial Servicing items that meet quality characteristics [refer conditions on use of Appropriation]	100%	100%*

* The estimated actual performance for 2016/17 for these measures were inadvertently entered as revised Budget standards in the Supplementary Estimates for 2016/17. We have therefore included these in this report as the Standards/ Targets for 2016/17.

The original targets were:

Percentage of draft replies to ministerial correspondence completed within 10 working days – 80%

Percentage of Official Information Act requests to the Ministry replied to within statutory timeframes – 100%

Percentage of Ministerial Servicing items that meet quality characteristics – 90%

The Estimates for 2017/18 record the original Budget standard levels from 2016/17.

Output: Governance and performance advice on Crown agencies

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

It is intended to achieve high performing transport Crown agencies, the activities of which are transparent and well aligned to Government policy priorities:

Financial performance				
Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000	Forecast 2016/17 \$000
1,100	Revenue Crown	900	900	900
1,132	Expenses	791	900	900
[32]	Net (deficit)	109	-	-

Performance measures from the Information Supporting the Estimates			
Actual 2015/16	Performance measures	Actual 2016/17	Standards / Targets 2016/17
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
Achieved 7.41	The average assessment of the quality of Ministry policy advice is within the range of 7.2-7.5 for papers assessed through an annual external review of policy advice by NZIER	Achieved 7.7	Achieved

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). The appropriation is intended to achieve accurate and timely refunds of fuel excise duty to eligible applicants.

Financial performance

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000	Forecast 2016/17 \$000
545	Revenue Crown	1,103	803	1,103
115	Other revenue	111	115	120
660	Total revenue	1,214	918	1,223
660	Expenses	1,145	918	1,223
-	Net surplus	69	-	-

Performance measures from the Information Supporting the Estimates

Actual 2015/16	Performance measures	Actual 2016/17	Standards / Targets 2016/17
New measure	Average number of days taken to receive all FED claims, audit, process and pay FED refunds	Data not available*	Within 20 working days

*The original performance measure for 2016/17 was the time taken to audit, process and pay FED refunds. In 2016/17 this was 8.5 days.

Output class: Milford Sound/Piopirotahi Aerodrome operation and administration

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

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

Financial performance

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000	Forecast 2016/17 \$000
270	Other revenue	329	230	270
274	Expenses	267	230	270
(4)	Net surplus/[deficit]	62	-	-

Performance measures from the Information Supporting the Estimates

Actual 2015/16	Performance measures	Actual 2016/17	Standards / Targets 2016/17
100%	The aerodrome operation will conform with appropriate Civil Aviation Authority safety requirements	100%	100%
Not achieved, operating costs exceeded revenue by 2 percent. However, this was within appropriation	Operating costs within third-party revenue	Achieved	Achieved

Output class: Search and rescue activity coordination PLA

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 (PLA – Permanent Legislative Authority).

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

Financial performance

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000	Forecast 2016/17 \$000
1,201	Revenue Crown	1,201	1,201	1,201
1,201	Expenses	1,196	1,201	1,201
-	Net surplus/(deficit)	5	-	-

Performance measures from the Information Supporting the Estimates

Actual 2015/16	Performance measures	Actual 2016/17	Standards / Targets 2016/17
Achieved 95%	Survey results show that the New Zealand Search and Rescue Council is satisfied with the provision of effective support services and policy advice for the New Zealand search and rescue sector	100%	95% or higher
Achieved 95%	Survey results show that the New Zealand search and rescue sector is at least 95 percent satisfied with the delivery of effective leadership and strategic coordination	100%	95% or higher

Departmental capital appropriation: Ministry of Transport – capital expenditure PLA

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

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

Financial performance

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000	Forecast 2016/17 \$000
139	Ministry of Transport – capital expenditure PLA departmental capital expenditure	442	755	755

Performance measures from the Information Supporting the Estimates

Actual 2015/16	Performance measures	Actual 2016/17	Standards / Targets 2016/17
100%	Expenditure is in accordance with the Ministry's capital expenditure plan and asset management plan	100%	100%

Non-departmental output expense: Policy advice and related outputs – civil aviation MCA

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

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

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

Financial performance

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000	Forecast 2016/17 \$000
2,687	Policy advice and related outputs – civil aviation MCA non-departmental output expenses	3,389	3,389	3,389

Performance measures from the Information Supporting the Estimates

Actual 2015/16	Performance measures	Actual 2016/17	Standards / Targets 2016/17
	Overall		
N/a – survey is conducted every two years.	The 2016/17 survey results indicate an improvement over the 2014 survey results in relation to the perceptions and confidence of the travelling public and other stakeholders in the safety and security of air transport. The June 2014 results are:	No impact to the perception and confidence.	No impact to the perception and confidence.
	▶ percentage of resident travellers that felt extremely or very safe and secure (2014 result – 75%)	76%	75% or greater
	▶ percentage of overseas travellers that felt extremely or very safe and secure (2014 result – 92%)	90%	92% or greater
	▶ percentage of key stakeholders satisfied with the safety and security performance of the New Zealand civil aviation system (2014 result 40%)	Not available	40% or greater
	Health and safety at Work Activities – Civil Aviation <i>This category is intended to achieve compliance with the provisions of the Health and Safety at Work Act 2015 in the aviation sector, for those who work on board aircraft while the aircraft is operating</i>		
25	Number of health and safety in employment investigations, audits, and inspections	9	16
100%	Percentage of Health and Safety at Work follow up actions to be completed within 10 weeks of the exit meeting date.	100%	100%
100%	Percentage of audit and inspection reports completed and dispatched within 30 days of the exit meeting date.	100%	100%
New measure	Percentage of occurrence investigated or reviewed where:		
	▶ notifiable injury or illness is as per section 23 of the Health and Safety at Work Act 2015	100%	100%
	▶ notifiable incident is as per section 24 of the Health and Safety at Work Act 2015	100%	75%
	▶ minor equals an isolated occurrence or deficiency not indicative of a significant system problem, including minor Hazardous substances and New Organisms incidents	100%	30%

Actual 2015/16	Performance measures continued	Actual 2016/17	Standards / Targets 2016/17
	International relations and International Civil Aviation Organisation Obligations <i>This category is intended to achieve administration of New Zealand's international civil aviation obligations and interests within the delegations of the Minister of Transport</i> The Civil Aviation Authority administers New Zealand's international civil aviation obligations and interests as delegated by the Minister		
100%	International engagement is undertaken that meets the objectives of the Civil Aviation Authority	100%	
Nil	International Civil Aviation Organization (ICAO) coordinated validation mission carried out as a result of a significant safety concern	Nil	
	Ministerial servicing – civil aviation <i>This category is intended to achieve the effective delivery of support to executive government and parliamentary processes</i>		
New measure	Reports, correspondence and Parliamentary questions acceptable to the Minister (as assessed by biannual survey) based on a scale of "exceeded expectations", "met expectations" or "requires improvement".	Met expectations	Met expectations
New measure	Percentage of reports and responses that are delivered in accordance with prescribed standards and timeframes established by the Ministry of Transport in their correspondence tracking system.	95%	100%*
	Policy advice – civil aviation <i>This category is intended to achieve a high level of safety and security standards within the New Zealand civil aviation system</i>		
100%	Percentage of policy papers that meet the standards set out in the CAA policy development procedures, i.e. quality and timeliness of deliverables [assessed by annual independent audit].	100%	95%

* The estimated actual performance for 2016/17 for these measures were inadvertently entered as revised Budget standards in the Supplementary Estimates for 2016/17. We have therefore included these in this report as the Standards/ Targets for 2016/17.

The original targets were:

Number of health and safety in employment investigations, audits, and inspections – 20-35

Percentage of reports and responses that are delivered in accordance with prescribed standards and timeframes established by the Ministry of Transport in their correspondence tracking system – 95%

The Estimates for 2017/18 record the original Budget standard levels from 2016/17.

Non-departmental output expense: Policy advice and related outputs – maritime MCA

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

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

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

Financial performance

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000	Forecast 2016/17 \$000
7,855	Policy advice and related outputs – maritime MCA non- departmental output expenses	9,144	9,295	9,223

Performance measures from the Information Supporting the Estimates

Actual 2015/16	Performance measures	Actual 2016/17	Standards / Targets 2016/17
	Health and Safety at Work Activities <i>This category is intended to achieve the provision of regulatory services that are established under Health and Safety in Employment Act as the responsibility of Maritime New Zealand</i>		
87.5%	Prosecutions brought under the Health and Safety at Work Act and the Maritime Transport Act that are successful	100%	100%*
New measure	Delivery of a proactive targeted inspection campaign	Achieved	Achieved
New measure	All the HSW assessments that are required are conducted	100%	100%
	Maritime Incident Response <i>This category is intended to achieve an increase in the efficiency and effectiveness of Maritime New Zealand's maritime incident response capability</i>		
New measure	Continuing implementation, and integrated strategy and plans are reviewed and updated as required	Achieved	Achieved
	Maritime Safety and Marine Protection Services <i>This category is intended to achieve the provision of reliable maritime navigation aids</i>		
100%	Percentage of time lighthouses are available	99.97%	99.92%*
99.8%	Percentage of time a 24-hour Distress and Safety Radio Service is provided	99.98%	100%
	Policy Advice – Maritime <i>This category is intended to achieve the development of fit for purpose policy in relation to maritime safety, security and environmental protection; and the provision of services to Ministers to enable them to discharge their portfolio accountabilities</i>		
100%	All written policy reports/advice to Ministers meet Maritime New Zealand's quality criteria [content, form and analysis]	100%	100%
100%	All written policy reports/advice to Ministers are completed by the due date	100%	100%

* The estimated actual performance for 2016/17 for these measures were inadvertently entered as revised Budget standards in the Supplementary Estimates for 2016/17. We have therefore included these in this report as the Standards/Targets for 2016/17.

The original targets were:

Prosecutions brought under the Health and Safety at Work Act and the Maritime Transport Act that are successful – 100%

Percentage of time lighthouses are available – 99.8%

The Estimates for 2017/18 record the original Budget standard levels from 2016/17.

To the readers of the Ministry of Transport's annual report for the year ended 30 June 2017

The AuditorGeneral is the auditor of the Ministry of Transport [the Ministry]. The AuditorGeneral has appointed me, Kelly Rushton, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of:

- ▶ the financial statements of the Ministry on pages 23 to 37, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2017, the statement of comprehensive revenue and expense, statement of movements in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- ▶ the performance information prepared by the Ministry for the year ended 30 June 2017 on pages 18 to 20 and 55 to 77; and
- ▶ the statements of expenses and capital expenditure of the Ministry for the year ended 30 June 2017 on pages 50 to 53 ; and
- ▶ the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 39 to 49 that comprise:
 - ▶ the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2017;
 - ▶ the schedules of revenue and receipts, and expenses for the year ended 30 June 2017;
 - ▶ the statement of trust monies for the year ended 30 June 2017; 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 23 to 37:
 - ▶ present fairly, in all material respects:
 - its financial position as at 30 June 2017; and
 - its financial performance and cash flows for the year ended on that date; and
 - ▶ comply with generally accepted accounting practice in New Zealand in accordance with Public Sector Benefit Reporting Standards.
- ▶ the performance information of the Ministry on pages 18 to 20 and 55 to 77:
 - ▶ presents fairly, in all material respects, for the year ended 30 June 2017:
 - what has been achieved with the appropriation; and

- the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
- ▶ complies with generally accepted accounting practice in New Zealand.
- ▶ the statements of expenses and capital expenditure of the Ministry on pages 50 to 53 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- ▶ the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 39 to 49 present fairly, in all material respects, in accordance with the Treasury Instructions:
 - ▶ the assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2017;
 - ▶ expenses; and revenue for the year ended 30 June 2017; and
 - ▶ the statement of trust monies for the year ended 30 June 2017.

Our audit was completed on 29 September 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

Basis for our opinion

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

We have fulfilled our responsibilities in accordance with the AuditorGeneral's Auditing Standards.

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

Responsibilities of the Chief Executive for the information to be audited

The Chief Executive is responsible on behalf of the Ministry for preparing:

- ▶ Financial statements that present fairly the Ministry's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.

- ▶ Performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand.
- ▶ Statements of expenses and capital expenditure of the Ministry, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.
- ▶ Schedules of non-departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by the Ministry on behalf of the Crown.

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

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

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

Responsibilities of the auditor for the information to be audited

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

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

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the information in the 2015-2019 statement of intent and relevant Estimates and Supplementary Estimates of Appropriations 2016/17, and the 2016/17 forecast financial figures included in the Ministry's 2015/16 Annual Report.

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

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

- ▶ We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- ▶ We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive.
- ▶ We evaluate the appropriateness of the reported performance information within the Ministry's framework for reporting its performance.
- ▶ We conclude on the appropriateness of the use of the going concern basis of accounting by the Chief Executive and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ministry's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Ministry to cease to continue as a going concern.

- ▶ We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Chief Executive is responsible for the other information. The other information comprises the information included on pages 2 to 17, but does not include the information we audited, and our auditor's report thereon.

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

Our responsibility is to read the other information. In doing so, we consider whether the other information is

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

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

Independence

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

Other than in our capacity as auditor, we have no relationship with, or interests, in the Ministry.



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

Report in relation to selected non-departmental appropriations

For the year ended 30 June 2017

Produced pursuant to Section 19B of the Public Finance Act 1989.

B.14 [TRANSPORT]

Foreword

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

Non-departmental output expenses:

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

Non-departmental other expenses:

- ▶ Tauranga maritime incident response

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

A handwritten signature in black ink, appearing to read 'S. Bridges', with a long horizontal flourish extending to the right.

Hon Simon Bridges

Minister of Transport

Non-departmental output expense: Search and rescue and recreational boating safety activities PLA

This appropriation funds activities undertaken by several bodies.

Maritime New Zealand

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

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

Other bodies

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

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

The funding paid to each body in 2016/17 is shown below.

	\$000
Crown Entities	
Maritime New Zealand	5,202
Sub-total	5,202
Annual funding under a service-level agreement	
Coastguard New Zealand	1,874
LandSAR New Zealand	650
Surf Life Saving NZ	200
Mountain Safety Council NZ	105
Amateur Radio Emergency Communications	65
Additional funding	
Coastguard New Zealand	189
Sub-total	3,083
Total	8,285

Non-financial performance

Actual 2016	Assessment of Performance	Actual 2017	Standards / Targets 2017
-	People who recall boating safety messaging (as gauged by survey)	58%	75%
100%	Delivery of the national search and rescue support programme agreed by the NZ Search and Rescue Council with the providing bodies	90%	100%
100%	Develop and maintain Service Level Agreements with key providers in the Search and Rescue community. Key agreement measures are:		
	▶ Provision of expert services to the Coordination Authorities	100%	100%
100%	▶ Provision of Incident Management Team members to the Coordination Authorities on request	100%	100%
100%	▶ Participation in joint Search and Rescue exercises	100%	100%
100%	▶ Provision of Search and Rescue related information	100%	100%
90%	National Search and Rescue training and education to improve interagency cooperation and understanding	90%	90%

Financial performance

Actual 2016 \$000		Actual 2017 \$000	Budget 2017 \$000	Forecast 2017 \$000
7,594	Non-departmental output expenses: Search and rescue and recreational boating safety activities PLA	8,285	8,167	8,525

Funding increased by \$358,000 during the year. This was the net of:

- ▶ \$429,000 increase as Coastguard NZ received one off funding to make changes to its VHF radio and NowCasting transmission services. This funding was not fully drawn down in 2015/16 and the unspent balance carried forward to 2016/17. Only \$189,000 of this funding was paid, and the balance is not required.
- ▶ \$71,000 decrease as the rate of capital charge reduced, which meant Maritime New Zealand required less funding.

Non-departmental output expense: Weather forecasts and warnings

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

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

Non-financial performance

Actual 2016	Assessment of Performance	Actual 2017	Standards / Targets 2017
As per contract	Provision of agreed services	Achieved	As per contract
-	Provision of new services	Achieved	As agreed between MetService and the Ministry
	Minimum percentage of forecasts of severe-weather events which successfully predicted the event [probability of detection]	94%	94%
93%	▶ Heavy rain [one year mean]		
94%	▶ Severe gales [two year mean]		
100%	▶ Heavy snow [two year mean]		
	Maximum percentage of forecasts of severe-weather events which are subsequently found to be false alarms [false alarm ratio]	9%	13%
13%	▶ Heavy rain [one year mean]		
12%	▶ Severe gales [two year mean]		
12%	▶ Heavy snow [two year mean]		

Financial performance

Actual 2016 \$000		Actual 2017 \$000	Budget 2017 \$000	Forecast 2017 \$000
21,212	Non-departmental output expenses: Weather forecasts and warnings	21,917	21,917	21,917

Funding for 2016/17 was \$705,000 more than 2015/16. Budget 2015 provided progressive increases for 2015/16 and outyears to meet forecast costs of the services provided.

Non-departmental other expense: Tauranga maritime incident response

This appropriation was established to provide funding to respond to the grounding of the MV Rena on 11 October 2011.

The only expenditure against the appropriation in 2016/17 is a payment to Crown Law Office. This relates to the Crown's participation in a hearing of the Environment Court under the Resource Management Act 1991. No further expenditure is anticipated.

Non financial performance

Actual 2016	Assessment of Performance	Actual 2017	Standards/ Targets 2017
New measure	Crown Law advice meets the needs of the Attorney-General, including those relating to an Ombudsman's inquiry	100%	100%

Financial performance

Actual 2016 \$000		Actual 2017 \$000	Budget 2017 \$000	Forecast 2017 \$000
930	Non-departmental other expenses: Tauranga maritime incident response	13	-	106

Funding increase by \$106,000 during the year due to the carry forward of unspent 2015/16 funding.

Organisation capability and health

In 2017, the Ministry undertook an organisation review, looking at our operating model and assessing our capability to meet the ambitions we have for the transport sector. We have reassessed our vision, values and purpose and, in light of these, developed a new structure and operating model to enable us to achieve our goals. Budget 2017 has also allocated the Ministry with further resource to meet the challenges that lie ahead. The new organisation structure will take effect on 2 October 2017, and we are working to recruit additional staff to grow our capability and meet the goals we have set.

Key people metrics and core capacity

As at 30 June	2016/17	2015/16	2014/15	2013/14
Number of employees				
Policy development	82	76	89	102
Management	19	21	21	18
Administration	22	30	31	34
Total headcount	123	127	141	154
Turnover	23%	19%	12%	10%
Gender				
Women	42%	47%	48%	47%
Men	58%	53%	52%	53%
Ethnicity distribution				
NZ European	68%	70%	66%	66%
NZ Māori	6%	6%	7%	5%
Pacific peoples	1%	1%	1%	1%
Asian	11%	11%	10%	8%
Other European	12%	7%	6%	13%
Other ethnic groups	2%	4%	4%	3%
Undeclared	0%	1%	6%	4%
Sick leave taken – average days per employee	5	4	5	5
Age distribution (permanent staff)				
20 – 29	21%	23%	21%	22%
30 – 39	19%	14%	16%	17%
40 – 49	23%	25%	25%	28%
50 – 59	27%	29%	27%	23%
60+	10%	8%	11%	10%

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.

Resource-effectiveness

To assess whether we are doing the best we can with the resources available to us, the Ministry focuses on the management of:

- ▶ inputs
- ▶ quality
- ▶ work programme
- ▶ outcomes.

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.

In 2016/17 the Ministry applied the following numbers of person-years to our three broad activity areas. This includes permanent and contract staff:

- ▶ policy advice – 96
- ▶ specialist support – 18
- ▶ business support – 22.

The Ministry did not carry out any staff engagement surveys in 2016/17.

During 2016/17, a number of external reviews were undertaken on the quality or efficiency of the Ministry core operating and information systems. These are set out below. Results of these reviews have been published on the Ministry website.

- ▶ Review of employment screening practices by Ernst & Young
- ▶ Contracting and payment controls review by Deloitte.

A review of the Finance Function by Probity Consulting was commenced in 2016/17, and the outcomes have been embodied in the organisation review work and a piece of work on updating our technology and systems that will be progressed in 2017/18.

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 New Zealand Institute of Economic Research. This audit provides us with an independent view on the quality of our advice and areas we could focus on for improvement. It also enables us to see how the quality of our advice compares with other government agencies. 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 targets:

- ▶ 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 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 report.

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 2016/17

The key performance management measures the Ministry used for 2016/17 are set out in the table overleaf, along with 2015/16 performance against those measures.

	2016/17 result	2015/16 result
Input management		
Percentage of policy project milestones delivered each quarter	78%	85%
Total cost of an hour of professional staff time devoted to policy advice and other policy unit outputs at or below \$154 [not including outsourced costs]	\$200	\$196
Quality management		
90% of regulatory impact statements are assessed as 'meets' or 'partially meets' the required standards	71%	94%
75% of policy advice briefings are accepted first time by the Minister	99.8%	98%
The average assessment of the quality of Ministry policy advice is within the range of 7.2-7.5 for papers assessed through an annual external review of policy advice by NZIER	7.21	7.41
Outcomes management		
95% or more of output plan delivered as agreed with the Minister	83%	89%
Work programme management		
Results of transport sector progress on intermediate and long-term outcomes published at least annually	Refer to pages 18-21 and pages 55-72	Refer to pages 22-25 and pages 75-83
Ministry reviews outcome indicators that show less progress is being made and considers whether further Ministry action is needed [see below]	Achieved	Achieved

Ministry reviews of outcome indicators

The Ministry monitors outcome indicators as the data is produced. Where necessary, changes in trends are escalated for review. In 2016/17 we have noted the changes in trend for road deaths and serious injuries and we are investigating this, along with our partners on land transport safety. We have also noted a potential change in trend for carbon emissions from road transport. This is being investigated further.

Diversity and inclusion

The Ministry recognises that a diverse workforce will help us respond effectively to the significant policy challenges we face. By drawing on a wide range of perspectives we can develop innovative approaches to complex problems, and better understand the increasingly diverse public our transport system needs to serve.

We are committed to ensuring that:

- ▶ our recruitment processes give us access to a wide pool of suitable candidates and objectively identifies the best person for each role
- ▶ our talent management practices treat everyone fairly
- ▶ our organisation culture is inclusive and encourages our people to share and value different views.

Our Four-Year Plan for 2017 sets out the following areas for the Ministry to focus on. These will be reported on in future annual reports.

- ▶ assessing how we collect demographic information about staff and job applicants
- ▶ exploring how we can use this data to identify trends and any unexpected patterns in recruitment, promotion, pay, engagement and turnover
- ▶ initially focusing on our recruitment processes, by ensuring our advertising attracts a wide range of candidates, communicating an expectation that our recruitment partners will present diverse, suitably qualified candidates
- ▶ focusing on our talent management practices and ensuring the inclusion of diversity in this framework
- ▶ promoting transparency in internal processes that affect staff
- ▶ providing managers and staff with access to resources to increase cultural competence and their knowledge and confidence about working with people with disabilities
- ▶ ensuring that our Crown entity board appointment processes are consistent with diversity

- ▶ continuing to support staff involvement with the Committee for Public Sector Women, and with the APEC Women in Transportation work, which focuses on identifying barriers and best practices to including women in the transportation workforce, as well as strategies for enhanced opportunities in four key areas of the career continuum: education; access to jobs; retention; and leadership development.

New Zealand Business Number (NZBN) Implementation

The Ministry is a policy agency that does not have significant engagement with businesses. It is a Tier 2 agency for NZBN. It has assessed that NZBN will not have a significant impact on its systems and processes.

It currently collects a supplier's NZBN whenever a new contact for service is signed.

It does not store significant data on third parties except in its finance system and it will use this system to record the NZBN of its suppliers. As it is currently seeking to replace its finance system, it is proposing to input the NZBN data into the new system as part of implementation.

It proposes to use the MBIE data matching service to source NZBN for existing suppliers.

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