



 Ministry of Transport  
TE MANATŪ WAKA

# ANNUAL REPORT

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The Ministry's Purpose

HE WHAKAMANA I A  
AOTEAROA KIA MOMOHO

ENABLING  
NEW ZEALANDERS  
TO FLOURISH

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# CHIEF EXECUTIVE'S INTRODUCTION



# Tēnā koutou katoa

The fundamental purpose of our transport system is to improve people's wellbeing and the liveability of places. As stewards of the nation's transport system, the Ministry of Transport is committed to providing a transport network that enables New Zealanders to flourish.

The Ministry of Transport has been working with agencies and stakeholders over the past 12 months to implement an outcomes framework for the transport system. This framework identifies the five key outcomes that transport contributes to, namely; inclusive access, healthy and safe people, economic prosperity, environmental sustainability, and resilience and security.

The framework provides a way to assess how policies and programmes will impact on these outcomes in the context of the Government's priorities. It forms an important part of the Ministry's strategy and is increasingly being supported by strategic plans and initiatives that help shape the direction of change in the transport system. For example, the Future of Rail policy, the Clean Car Standard and the Road to Zero strategy.

And the Outcomes Framework isn't just for us – it's for the whole transport sector.

The New Zealand Transport Agency (NZTA) is in the process of integrating the framework into its business case approach, requiring all future investment cases to demonstrate alignment to the five key outcomes. The application of the outcomes framework is also being integrated within other Crown transport agencies and is an important tool to guide our regulating and monitoring performance across the transport network.

The quality of the transport system is critical to our everyday lives. It connects us with our families, our homes with our workplaces, and New Zealand with global markets. While the transport system shapes our towns and cities, and how safely we move around, it is people and their wellbeing who are at the heart of what we do.

A mode-neutral, integrated approach to our transport system supports liveable cities, and delivers a range of positive socioeconomic outcomes. This approach supports economic prosperity, by encouraging high value use of urban space, while making neighbourhoods more attractive for local business. The City Rail Link in Auckland is a great example of this principle in action.

Over the next 18 months we will continue to progress wellbeing and liveability as guiding principles, and we know that our work is critical to the daily lives of people in New Zealand and to the success of New Zealand businesses. And we are committed to provide the Government the highest level of advice and support.



**Peter Mersi**  
Chief Executive, Ministry of Transport

# THE MINISTRY OF TRANSPORT



# Our Context – The New Zealand Government Transport Sector

## THE NEW ZEALAND GOVERNMENT TRANSPORT SECTOR

### Minister of Transport and Associate Ministers of Transport



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



(including the Aviation Security Service)



(independent Crown entity)



#### Civil Aviation Authority

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

#### Aviation Security Service

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

#### Maritime New Zealand

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

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

Investigates maritime accidents and coordinates category II search and rescue.

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

#### 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

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

#### City Rail Link Limited

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

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

### Three State-owned enterprises with transport functions



#### Airways Corporation of New Zealand Limited

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



#### Meteorological Service of New Zealand Limited [MetService]

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



#### KiwiRail Holdings Limited [trading as KiwiRail Group]

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

### Local government

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



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

# Our Strategic Framework

## OUR PURPOSE

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

## OUR VISION



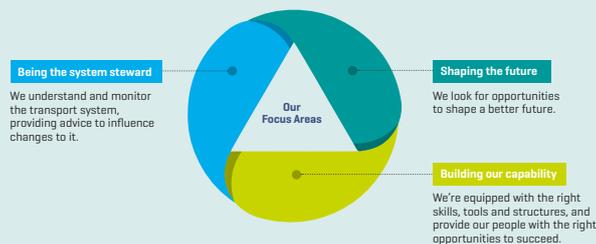
## OUR ROLE

We are the Government's system lead on transport

## OUR FUNCTIONS

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

## OUR STRATEGIC FOCUS AREAS



## OUR WORK

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

## OUR VALUES

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

# Our Strategic Framework

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

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

## THE TRANSPORT OUTCOMES FRAMEWORK

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

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

The five inter-related parts of the Outcomes Framework that support our vision are: Resilience and Security, Economic Prosperity, Inclusive Access, Healthy and Safe people and Environmental sustainability.

We must develop and maintain strong partnerships and work collaboratively with others to be successful. The Outcomes Framework is enduring and directly links to the broader Living Standards Framework developed by The Treasury.

## OUR ROLE

The Ministry’s role is to be “The Government’s System Lead on Transport”.

## OUR FUNCTIONS

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

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

- ▶ **Monitoring and evaluating system and government agency performance** – as part of our stewardship responsibilities we monitor transport Crown entities and other government owned transport assets, including the Joint Venture Airports, to ensure they are meeting system objectives.

We also advise the Minister on appointments to the Crown entity boards, setting and clarifying expectations for each entity, and reviewing the performance of the boards.

- ▶ **Influencing to achieve broader government outcomes** – we provide leadership across the transport system and in the wider government sector, making connections and influencing across the network of transport users, providers and regulators. We assist government to set and explain the strategic direction for the transport system and its inter-relationship with other systems.
- ▶ **Driving revenue raising and investment choices** – we advise government on the appropriate mechanisms for raising revenue for the transport system, and how that revenue should be spent to maximise value from investments in the transport system.
- ▶ **Influencing development of international standards** – we engage with our international counterparts, and international regulatory bodies, to ensure that New Zealanders and their export goods can travel freely, and we can influence the development of key international standards that impact on New Zealand’s transport system.

## GOVERNMENT’S WORK PROGRAMME

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

## OUR STRATEGIC FOCUS AREAS

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

Our focus areas for the next five years are:

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

## VALUES

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

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

# Our Vision – A Transport System that Improves Wellbeing and Liveability

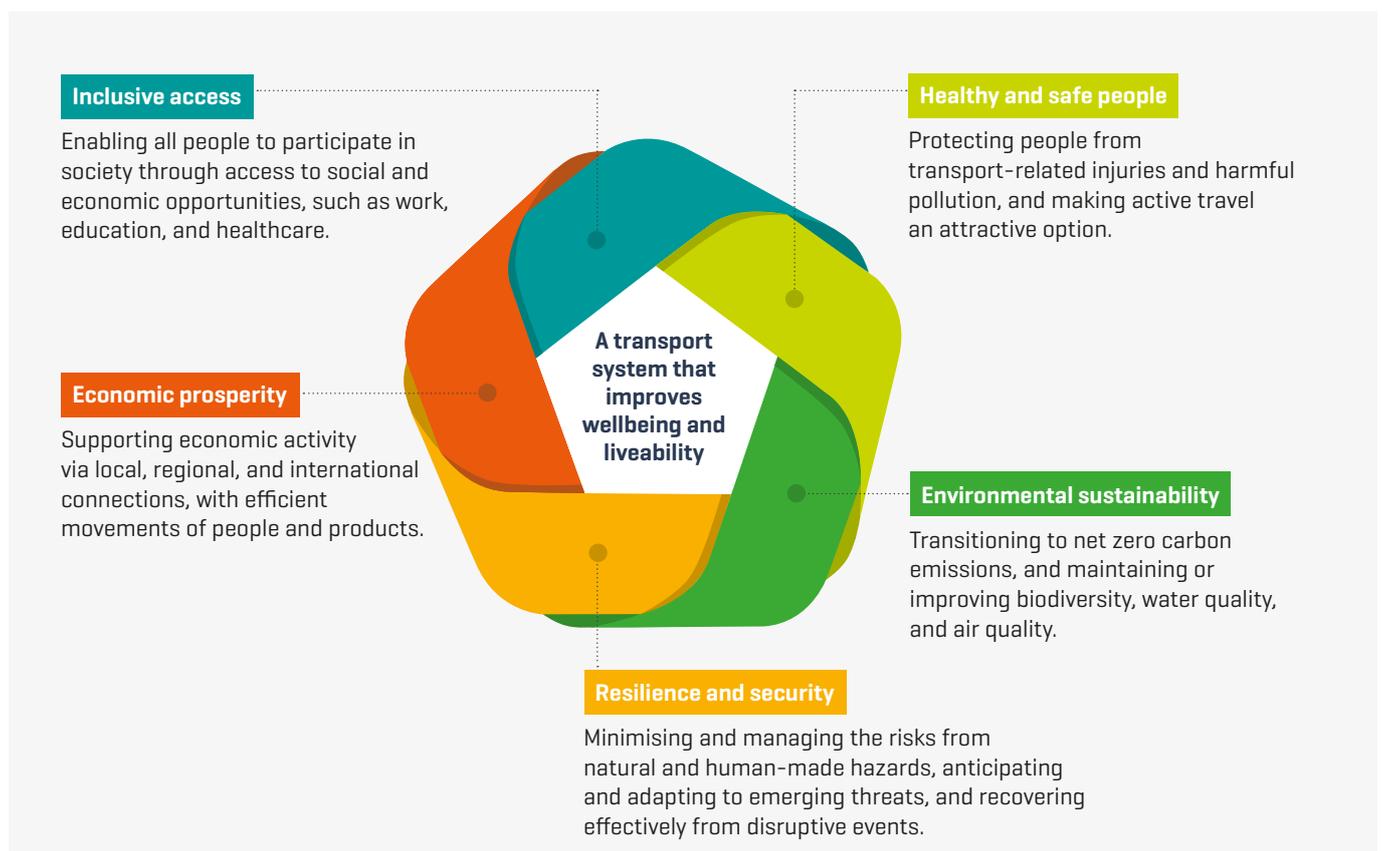
## TRANSPORT OUTCOMES FRAMEWORK

We have worked with stakeholders from across the transport sector to develop an outcomes framework for the New Zealand transport system. The Transport Outcomes Framework aims to make it clear what New Zealand wants to achieve from the transport system.

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

To help us quantify and measure our progress towards improving wellbeing and liveability for all New Zealanders, we consulted with an extensive range of stakeholders to refine a set of indicators for each outcome. These proposed outcomes have now been finalised, and we will be implementing a reporting system shortly.

The first set of reporting on the outcomes is expected to be released in early 2020. The reporting will be matched by an increasing focus on using these outcomes in the Ministry's ongoing work and decision making.



# MINISTRY OF TRANSPORT PRIORITIES

## Work Carried out in 2018/19 Against Transport Outcomes

The intentions for our workstreams were organised in the Ministry's 2018/19 Statement of Intent under Government priorities. In this Annual Report we have chosen to report the work we have done to support the Government's priorities using the structure set out in the new Transport Outcomes Framework. A table showing how the intentions in the Statement of Intent relate to the reports in this document is included on page 26.

The five outcomes are closely linked, so in most cases, workstreams contribute to more than one Transport Outcome. For clarity, workstreams are reported against their primary allocations.





## Inclusive Access

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



### Enhancing transport accessibility

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

- ▶ investigated the development of a green transport card scheme to make public transport more affordable for low-income households
- ▶ contributed to the United Nation’s review of New Zealand’s implementation of the Convention of the Rights of Persons with Disabilities
- ▶ developed the Accessible Streets package, which is a set of proposed changes to transport rules that will make our streets and paths more accessible and safe



### Public Transport

The Ministry completed research looking at the effects of the public transport operating model (PTOM) on the wages and conditions of public transport bus drivers to inform advice on options for establishing the living wage for public transport bus drivers. We initiated a second stage of research seeking to understand, at a more granular level, the exact impacts on wages and conditions of drivers who changed role following public transport tendering processes. This work will now be advanced as part of an evaluation and review of PTOM, scheduled for completion by the end of 2020.

The Ministry also developed a transport rule to mitigate the impact of new rest and meal break entitlements on public transport bus services. The Land Transport Rule: Work Time in Large Passenger Service Vehicles 2019 clarified that bus operators could schedule rest breaks to avoid potentially large scale disruption to bus services.



### Urban Growth Agenda

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

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



### Let’s Get Wellington Moving

Let’s Get Wellington Moving is an integrated, long-term transport plan that aims to future-proof the city’s transport network to get ahead of growing demand. It is a city partnership model that reflects the requirement for an innovative mix of central government funding, local government funding and longer-term financing options. The Ministry supported Ministerial consideration of the Let’s Get Wellington Moving package by working closely with the NZTA, Wellington City Council, Greater Wellington Regional Council and the Treasury to provide advice, with a particular focus on the funding and financing options and implications.





## Economic Prosperity



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



#### Rail

The Future of Rail Programme is being led by the Ministry of Transport with support from the Treasury, the New Zealand Transport Agency (NZTA) and KiwiRail. A joint working group was established to deliver advice to Ministers.

We led a fundamental review of planning and funding of rail in New Zealand. The recommended new framework will enable long-term planning and funding of rail, and improve mode-neutral decision making with rail being partially integrated into the Land Transport Management Act (LTMA).

Our work under Budget 2019 also helped to secure the first significant installment of funding that will deliver a reliable and resilient heavy rail network through rehabilitating KiwiRail's network of freight and ferry assets.



#### Coastal Shipping

The Ministry of Transport is seeking to better understand the challenges, barriers and opportunities facing New Zealand's coastal shipping sector. To ensure that we gather a wide range of perspectives and ideas we are engaging with a range of coastal shipping stakeholders including freight and logistics companies, coastal shipping operators, port operators and shipping agents. We have commissioned economic modelling for coastal shipping to build a strong evidence base and consider specific levers and investment opportunities.



#### Auckland Transport Alignment Project

To ensure the Government's transport priorities in Auckland are implemented in a timely manner the Ministry has worked collaboratively with the Auckland Council and other key partners on the Auckland Transport Alignment Project (ATAP).

Over the past year the Ministry has set up an ATAP programme structure and re-established the Governance Group. We have contributed to a number of significant pieces of work including the Auckland ModeShift Plan, the Auckland Freight Plan and the Congestion Question Project.

The Congestion Question project has completed significant technical work including a social impact assessment, and recommendations are expected by end of 2019.

Development of a public-facing 'report card' is underway to provide transparency to the public of Auckland on progress against programme outcomes.



#### Rapid Transit Network

Accelerating the development of Auckland's rapid transport system is a priority for the government. It is about unlocking housing and urban development opportunities as well as encouraging people to shift to public transport.

The Auckland Light Rail project will significantly enhance the city's transport options, and the Ministry is playing a key role in the advancement of this initiative.

The Ministry has provided financial and management advice and we will continue to provide support and analysis to enable the Government to make a decision on its preferred delivery partner in February 2020.



#### The Congestion Question Project

The impact of the growing congestion in Auckland is increasing travel times and unreliability, which affect people's ability to access work, education, social and recreational opportunities. The Ministry is leading a cross-agency project with Auckland Council to investigate whether to introduce congestion pricing in Auckland, and if so, what it should look like.

We have made substantive progress in assessing potential congestion pricing schemes for Auckland: modelling the likely network impacts, analysing potential social impacts, and investigating the practical requirements.

This analysis will form part of the Congestion Question Phase 2 report in the second half of 2019 to support decision making.



### Tuawhenua Provincial Growth Fund

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

We developed three roading packages with the NZTA and Provincial Development Unit (PDU):

- ▶ The \$151.70 million Tairāwhiti package which seeks to improve linkages between the region's major transport hubs and markets, generating ongoing and locally focused employment opportunities through a five-year pipeline of work.
- ▶ The \$27.26 million Kaipara Kick-start Package aimed at building a resilient, reliable transport network as a precursor to achieving growth in the region.
- ▶ The \$43.05 million Hawke's Bay Transport Package of investment into roads and a rail hub in or near the Central Hawke's Bay.

To support good governance for the transport projects under the PGF, we have agreed an interagency memorandum of understanding with the PDU, NZTA, and KiwiRail that formalises responsibilities and processes of each agency for funding, contracting and oversight of transport projects.



### Upper North Island Supply Chain Study

The Upper North Island Supply Chain Strategy Working Group was asked by Cabinet to undertake a comprehensive review of New Zealand's freight and logistics sector for the Upper North Island, including ports. This review will guide the development and delivery of a strategy for the Upper North Island to ensure the supply chain is fit for purpose in the long term.

The Ministry of Transport provided the secretariat to the Working Group and supported the members in understanding, analyzing and developing a future strategy for the Upper North Island Supply Chain. The Working Group are working towards delivery of their final report, including findings and recommendations which will outline their vision of the future supply chain, ports and supporting infrastructure in the Upper North Island.





## Resilience and Security

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



### Strategic resilience and security

#### Setting the strategic direction for a resilient and secure transport system

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

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

#### Transport resilience and security and the national security system

Whenever the National Security System [the NSS] is activated, the Ministry is responsible for leading and coordinating the transport sector's response. Over the last 12 months, we have supported the NSS to respond to significant New Zealand resilience and security issues requiring transport sector involvement, including:

- Extreme weather events and road closures
- The Christchurch terrorist attacks.

#### Maritime

To strengthen the offshore oil and gas financial assurance regime we undertook analysis and industry engagement to develop new policy proposals culminating in the introduction of the Maritime Transport Amendment Bill. We will undertake formal consultation on two Marine Protection Rule amendments and industry guidance in the next financial year [2019/20] and are aiming to have the new regime in force in 2019/20.

The Ministry worked with Maritime New Zealand on the mid-point review of the Oil Pollution Levy to implement new levy rates designed to deliver the majority of the marine oil spill capability plan over a six year period. This will ensure that New Zealand has an effective and ready capability to manage the likely consequences of marine oil spills.

#### Aviation

We have worked to actively support and develop a more future-focused and enduring aviation system security programme of work. This has involved engaging key stakeholders from the aviation sector and government to work together to better understand and address issues affecting aviation security now, and in the longer-term. We engage on a variety of domestic and international levels.

The Ministry undertook significant analysis and industry engagement on security provisions for the Civil Aviation Bill, culminating in the release of an exposure draft of the Bill in May 2019. This included developing new policy proposals for the interception of drones, protecting Aviation Security Officers and explosive detection dogs from assault and the incorporation of national security provisions.

The Ministry worked with the Aviation Security Service [Avsec] on its triennial aviation security charges review to ensure new rates were in place by 1 July. This ensured Avsec is adequately funded to meet the challenges of a dynamic aviation security environment, including an evolving threat context, changing international standards, and increasing passenger numbers, which require significant and diverse investment in people and capabilities.

#### Surface transport resilience

The Ministry supported the ongoing recovery work programme for State Highway 1 and the Main North Line [following the Kaikōura Earthquake] by managing the cross-agency Oversight Group on behalf of Joint Ministers.



# Environmental Sustainability

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



### Moving to a low-emissions vehicle fleet

We facilitated the development of a cross government low-emissions vehicle work programme, which has the goal that 95 percent of the vehicle fleet will be zero carbon emissions by 2050. The work programme has 14 initiatives that are being progressed across seven agencies.

We completed cost benefit analyses for five initiatives in the package – feebates scheme, a vehicle fuel efficiency standard, legislating the end-date of 2035 to the import of fossil fuel vehicles, a vehicle scrappage scheme and air pollutant emissions testing as part of warrant of fitness/certification of fitness (WOF/COF) tests.

We completed the ‘Moving the light vehicle fleet to low-emissions: discussion paper on a Clean Car Standard and Clean Car Discount’, released by the Government in early July 2019.

We also contributed to the Ministry for the Environment’s work on the Zero Carbon Bill (ZCB), with particular emphasis on the adaptation aspects, the Climate Change Commission and targets.



### Electric vehicles

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

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



### Marine Pollution [MARPOL Annex VI]

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

1. human health and local environments (including limits of sulphur oxide and nitrogen oxide emissions); and
2. greenhouse gas emissions (primarily carbon dioxide [CO<sub>2</sub>])

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

We are analysing the submissions received following the closure of consultation on whether or not New Zealand should accede to MARPOL Annex VI, which looks at air pollution from ships. We expect to provide advice in August including a National Interest Analysis.



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

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

The Ministry is responsible for coordinating New Zealand’s position on the IMO Emissions Strategy.

We worked with like-minded countries at meetings of the Marine Environment Protection Committee of the IMO in October to ensure that the Organization has a work programme in place that will enable international maritime transport to reduce greenhouse gas emissions at a rate consistent with the Paris Agreement.



### Carbon offsetting and reduction scheme

Under the Carbon Offsetting Reduction Scheme for International Aviation (CORSIA), aircraft operators will be required to purchase offsets, or “emission units”, for the growth in CO<sub>2</sub> emissions covered by the scheme. CORSIA aims to address any annual increase in total CO<sub>2</sub> emissions from international civil aviation above 2020 levels.

New Zealand agreed to participate in CORSIA from 2021.

In December we signed off with Air New Zealand on the company’s emissions monitoring plan for the CORSIA. This plan sets out the reporting requirements for Air New Zealand’s international flights. This is the first step in meeting the obligations to reduce international aviation emissions, as agreed with the International Civil Aviation Organization.

We continued to develop progress draft legislation for CORSIA.





## Healthy and Safe People



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



#### Road Safety Strategy – medium-long-term

The Ministry led the development of the new strategy and action plan. This was informed by a new Intervention Logic Model. The model contributed to advice to Ministers on the level of ambition and investment for potential interim targets for the strategy.

Engagement with key stakeholders was ongoing across year. Strategy-focused workshops at transport regional roadshows provided opportunities to update regional stakeholders on the process and direction, and to hear regional perspectives on the proposed framework.

We delivered the strategy and action plan against a streamlined timeframe, with public consultation beginning in July 2019.



#### Short-medium term actions

We took immediate actions to improve road safety outcomes in the short-medium term. These include:

##### **Government Policy Statement on land transport to have a stronger focus on safety for all road users**

The new Government Policy Statement on land transport [GPS2018] signals a step change in the Government's expectations around investment in safety, in order to create a land transport system free of death and serious injury.

##### **Strengthening drug-driving testing**

We investigated options for additional drug driving detection and enforcement measures for New Zealand. We developed a discussion document for consultation on the associated issues and consulted the public in May and June 2019. Formal options will be presented to the Government for its consideration before the end of 2019.

##### **NZ Road Safety Partnership**

The Ministry provided advice regarding the development of the new 2019-21 Road Safety Partnership Programme culminating in agreement to a three month Road Safety Partnership Programme before the end of June 2019. Advice on the full 2019-21 Road Safety Partnership Programme will be provided in the second half of 2019.

##### **Accessible Streets**

The Ministry developed a regulatory package to enhance the safety of vulnerable road users and improve the accessibility of pathways. Consultation on the package is expected to be completed by early 2020, with any agreed Rule changes made by mid-2020.

##### **Tackling Unsafe Speeds**

The Ministry developed the Tackling Unsafe Speeds regulatory package, which aims to establish a more streamlined and coordinated process for speed management, move towards a more transparent and effective approach to automated speed enforcement, and introduce safer speeds around schools.

Cabinet agreement to the programme will be sought in later 2019.

##### **Undertaking a comprehensive evaluation of the graduated driver licensing system**

The Ministry proposed changes to the driver licensing system to streamline heavy vehicle licensing processes and to enable online licence renewals. Public consultation was completed earlier this year, and we anticipate providing final advice before the end of 2019.

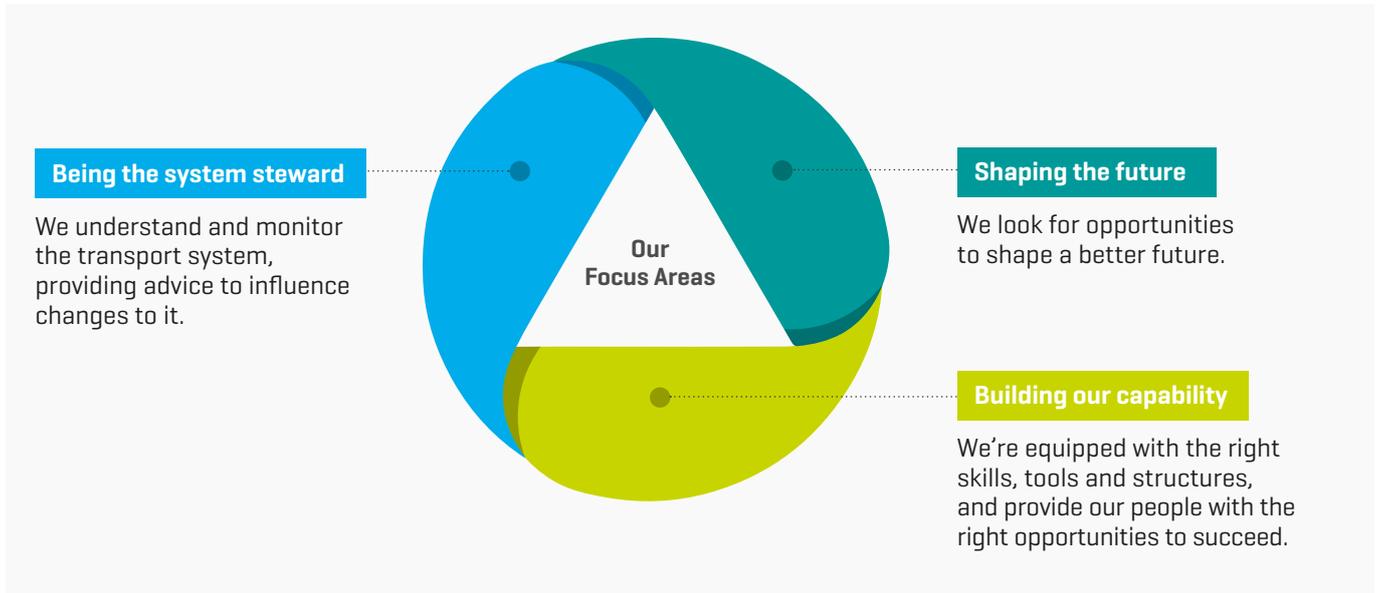


# MINISTRY OF TRANSPORT PRIORITIES

Our Strategic Focus Areas



# The Ministry Strategy



In 2018/19, we developed a Ministry Strategy that we will use to drive the Ministry's development over the coming years. We will focus on:

## ▶ BEING THE SYSTEM STEWARD

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

## 🌱 SHAPING THE FUTURE

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

## 🏢 BUILDING OUR CAPABILITY

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



# Being the System Steward



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



### Performance of transport entities

The Ministry seeks to engage with Crown entities as a 'critical friend' [at times acting as an adviser or sector leader] but at the same time it must not undermine the boards' direct line of accountability to the Minister, and must not prejudice its primary role as agent and trusted adviser to the Minister.

To improve the governance and performance of transport Crown entities, a new monitoring approach is being implemented through the new Crown Entity Assessment Framework. We finalised monitoring plans for the New Zealand Transport Agency [NZTA], Maritime New Zealand [MNZ] and the Civil Aviation Authority [CAA]. We completed the first area of focus on 'Risk and Assurance' for NZTA, MNZ and CAA.

In May, the draft Transport Accident Investigation Commission [TAIC] monitoring plan was presented to their commissioners for feedback prior to finalisation. The first area of focus for TAIC will also be on 'Risk and Assurance', and this work is scheduled to start in early 2019/20.

Letters of expectations for TAIC, MNZ, CAA, NZTA and City Rail Link Limited were prepared and signed.

The Ministry commenced a review to look at how the NZTA is delivering governance, leadership and capability, and education, engagement and enforcement across its regulatory role. It is looking at the overall operation and performance of the NZTA's regulatory function. The review specifically focuses on whether the NZTA is performing as an effective, risk based regulator. The review was ongoing at the time of writing this report. The review report will be published once it is issued.



### Regulatory stewardship

One of the Ministry's key leadership roles is to take responsibility for the stewardship of the transport regulatory system, in close conjunction with the transport agencies. To deliver on regulatory stewardship we take a whole of system view, a proactive, collaborative approach to monitoring, reviewing and maintaining the system, and treat our regulatory system as an asset that requires long term investment.

One way the Ministry meets its stewardship role is by managing the transport rules programme. The transport rules programme is a rolling programme of new principal rules, revocations and amendments that is managed by the Ministry.

In 2018/19 we:

- ▶ developed and published the Transport System Regulatory Stewardship Plan 2019/22. This sets out how the Ministry and the other transport sector agencies will work together to ensure the development of robust regulation, review and assess the health of regulatory frameworks, and ensure the transport regulatory system remains up-to-date and fit for purpose.
- ▶ established and strengthened a programme of regulatory stewardship within and across the Ministry and the transport agencies. This has included cross-agency structures for governance, identification of regulatory stewardship issues, resource allocation, policy work, and embedding an ongoing programme of Rule, Regulation and Act changes.
- ▶ developed and published the Transport Regulatory System Funding Principles, to guide funding reviews and advice on the appropriate funding sources for regulatory activities carried out within the transport system.
- ▶ submitted a package of Rule amendments and consequential amendments to Regulations for the Land Transport Regulatory Stewardship [Omnibus] Amendment 2018.
- ▶ designed and completed the new Land Transport Rule: Work Time in Large Passenger Service Vehicles 2016.





### Transport Sector Funding Review Programme

The Ministry is responsible for completing fees and funding reviews across the transport sector, including for:

- The NZ Transport Agency Rail Safety Regulator
- Aviation Security Service (Avsec)
- Maritime New Zealand
- The NZ Transport Agency Motor Vehicle Licensing

A funding review only will be completed for the Transport Accident Investigation Commission.

To ensure Transport Crown entities are appropriately funded, we supported:

- Maritime New Zealand in their fee and funding review
- Maritime NZ on the mid-point review of the Oil Pollution Levy
- NZTA on their Rail Safety Regulator review
- The NZTA funding review. Cabinet will be asked to approve the release of a consultation document in October 2019.
- CAA on their Avsec funding review, including Crown loan agreements. We worked to bring new rates in by 1 July, ensuring Avsec is adequately funded to meet the challenges of a dynamic aviation security environment, including changing international standards, and increasing passenger numbers.
- The CAA triannual funding review. We have commenced work to support the CAA on a routine review of pricing levels of CAA fees, charges and levies, including the establishment of a funding stream to support the replacement of their regulatory platform.



### Regional Fuel Tax

We led improvements to the system for regional fuel tax rebate entitlements for the regional fuel tax in Auckland. We provided final advice on potential entitlements for fuel excise duty refunds and regional fuel tax rebates, including consideration of fuel used in aviation, recreational boats, and for personal use such as in lawn mowers.

Separately, work is underway reviewing the funding provided to activities that benefit recreational boaties (namely, the level of funding provided to the search and rescue, and recreational boating activities under section 9[1] of the Land Transport Management Act).



### International Engagement Strategy

• The aviation and maritime sectors are heavily regulated by international bodies such as the International Civil Aviation Organization and the International Maritime Organization. It is important that the Ministry and transport agencies engage strategically with these organisations to advance New Zealand's key interests and ensure that New Zealand is not disadvantaged by regulations agreed to by these organisations.

• To address this, the Ministry is developing an International Engagement Strategy in conjunction with the Civil Aviation Authority and Maritime New Zealand, and in consultation with the Ministry of Foreign Affairs and Trade. This Strategy will look at, among other things, where to engage, when to engage and how to engage.

• This work was not progressed due to other immediate priorities in 2018/19.



# Shaping the Future

## We look for opportunities to shape a better future



### Government Policy Statement on land transport

- ▶ The Government Policy Statement on land transport (GPS) sets out the government’s priorities for expenditure from the National Land Transport Fund over the next 10 years. It sets out how funding is allocated between activities such as road safety policing, State highways, local roads and public transport.
- ▶ GPS 2018 took effect in July 2018. The Ministry supported the new GPS implementation through work with NZTA to review the investment decision making framework that gives effect to the GPS, and closer monitoring of implementation issues. We engaged extensively with stakeholders to finalise GPS 2018 reporting measures, which will provide, for the first time, GPS specific reporting.
- ▶ Foundational work for the next GPS cycle, GPS 2021, has commenced with sector engagement through the Transport Special Interest Group and regional roadshows with local government providing feedback on what worked in GPS 2018 and what could be improved. This formed the basis for initial advice on the strategic direction of GPS 2021.



### Evaluation Strategy

The Ministry’s Evaluation Strategy coordinates with other related planning documents, to ensure it is well equipped to prioritise its resource for key projects and support those with robust and appropriate evaluation. The ultimate aim is to provide best quality advice on the effectiveness of interventions to decision makers.

Guidance was provided through knowledge hubs and engagement with the transport sector, and structures are in place to help shape the nature and forms of evaluation.



### Technology and innovation work programme

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

Key projects under this work programme include contributing to the development of a business case for a Satellite-Based Augmentation System, and developing roadmaps to identify what may be required to prepare New Zealand for driverless vehicles and unmanned and autonomous aircraft.

The Ministry is leading regulatory and other work to address current and emerging safety and security issues from drones entering the aviation system, whilst enabling innovation and development. We have completed our drone vision, ‘Taking Flight – an Aviation System for the Automated Age’. We, along with the Ministry of Business, Innovation and Employment, commissioned the Drone Benefit Study, which estimated the possible commercial benefit to New Zealand from drones over the next 25 years could be between \$4.6 and \$7.9 billion.



### Developing a medium-term strategy underpinned by strong analytics

To further strengthen the new Transport Outcomes Framework, the Ministry worked collaboratively with wider transport sector agencies to develop indicators that will allow us to understand the progress that is being made against each of the five outcomes. We progressed our work on the Future of Rail and the Auckland Transport Alignment Project, and undertook much of the policy development work needed for the new Road Safety Strategy

We have also strengthened our focus on the resilience of the transport sector through strengthening its ability to respond to transport related hazard events, and developing a longer-term resilience programme focused on:

- ▶ Building capability and capacity across all the ‘4Rs’ (Reduction – Resilience – Response – Recovery), and
- ▶ Improving resilience across the transport system, as opposed to a mode-specific approach.





## Building our Capability

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



### Achieving clarity of purpose

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

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



### Growing our capability for collaboration

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

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



### Review of the Ministry's role as monitor of New Zealand Transport Agency (NZTA)

Associated with the review of the NZTA's regulatory performance, reported above in the Regulatory Stewardship section, the Ministry asked the independent reviewer to undertake an assessment of the Ministry's monitoring of NZTA's performance of its regulatory function. The review was ongoing at the time of writing this report. The review report will be published once it is issued.



### Māori strategy

The Ministry commenced initial work on developing a Māori strategy in January 2019, in order to build capacity to deliver improved transport outcomes for Māori. A working group was established to consider a Ministry-wide approach to working with and for Māori in a way that is underpinned by the principles of Te Tiriti o Waitangi and informed by a kaupapa Māori approach.

Early on in the strategy's development, the working group recognised the limited capacity of the Ministry to form a broad range of direct enduring partnerships with Māori. Partner agency networks will form a key part of the strategy design, as will a focus on developing staff capability to inform policy advice and design that responds to and supports the unique needs and aspirations of Māori as tangata whenua.



### Organisational systems and processes

We developed a new risk management framework that we are implementing across the Ministry. We are strengthening our corporate business systems, with our new Finance and Contract Management system due to go live in late 2019.

We also worked closely with the Department of Prime Minister and Cabinet to implement the new policy quality framework.

We continued our work to refresh our organisational policies and ensure that they are fit-for-purpose.

We established new manager and principal adviser expectations that set the bar for performance expectations and are implementing these through our performance management system.



### Diversity and inclusion

Throughout 2018/19, the Ministry has supported a wide range of diversity and inclusion activities which have been well received by staff. Recent activity includes the establishment of a Diversity and Inclusion committee, development and introduction of a Diversity and Inclusion strategy, continuation of an eight week beginners' Te Reo Māori programme and introduction of an advanced beginners' course. We have also facilitated unconscious bias training for Managers and Leaders in the organisation and have training modules that all staff can utilise to build and raise awareness in this space.

The Ministry has developed and implemented procedures on workplace bullying, harassment and discrimination prevention, in consultation with all staff and the Public Service Association. As part of the Ministry's stand against bullying, 'Pink Shirt Day' has been celebrated and promoted throughout the Ministry. The aim is to continue to create an environment where people feel safe, valued and respected.

The Ministry has sought to implement flexible and part-time working arrangements for employees and is developing a policy to formally support this.

The Ministry is incorporating equal employment opportunity actions into the diversity and inclusion framework and action plan.

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



### Gender Pay Action plan

In line with the Government's expectations we have created a Gender Pay Action plan for the Ministry.

Over the past 3 years we have focused on significantly reducing the gender pay gap through training in unconscious bias, and salary and policy reviews. The gap has been reduced from 12 percent in 2016, to 4.6 percent in August 2018, to 4.8 in January 2019 [compared to the public sector average figure of 12.2 percent].



### Wellbeing

The Ministry recognises that wellbeing is good for work and good work is good for wellbeing. It continues to strengthen its culture that maintains healthy work and promotes wellbeing enhancing behaviours, through activities and offerings such as the promotion of wellbeing events, annual health checks, eye tests, wellness days, Employee Assistance Programme, and access to discounted health insurance.

The Ministry has developed a health, safety and wellbeing plan and is implementing this currently.



## KEY PEOPLE METRICS AND CORE CAPACITY

As at 30 June	2018/19	2017/18	2016/17	2015/16	2014/15
<b>Number of employees</b>					
Policy development	91	78	82	76	89
Management	25	24	19	21	21
Administration	50	53	22	30	31
<b>Total headcount</b>	<b>166</b>	<b>155</b>	<b>123</b>	<b>127</b>	<b>141</b>
<b>Turnover</b>	<b>22%</b>	<b>29%</b>	<b>23%</b>	<b>19%</b>	<b>12%</b>
<b>Gender</b>					
Women	51%	53%	42%	47%	48%
Men	49%	47%	58%	53%	52%
<b>Ethnicity distribution</b>					
NZ European	66%	76%	68%	70%	66%
NZ Māori	4%	2%	6%	6%	7%
Pacific peoples	1%	0%	1%	1%	1%
Asian	11%	5%	11%	11%	10%
Other European	13%	8%	12%	7%	6%
Other ethnic groups	5%	9%	2%	4%	4%
Undeclared	0%	0%	0%	1%	6%
<b>Age distribution (permanent staff)</b>					
20 – 29	23%	23%	21%	23%	21%
30 – 39	26%	23%	19%	14%	16%
40 – 49	19%	24%	23%	25%	25%
50 – 59	25%	23%	27%	29%	27%
60+	7%	7%	10%	8%	11%

## MINISTRY PERFORMANCE MANAGEMENT

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

- inputs
- quality
- outcomes
- work programme.

### Input management

The Ministry measures the quality and subsequent cost per hour to produce our policy advice. We also measure achievement against our business plan milestones to monitor progress and resource use.

### Quality management

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

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

### Outcomes management

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

The Ministry has progressed work started in 2017/18 across the sector, along with our partners on land transport safety, on an over-arching road safety programme, and work to measure and act on carbon emissions from road transport

### Work programme management

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

## KEY MINISTRY PERFORMANCE MANAGEMENT MEASURES 2018/19

	2018/19	2017/18
<b>Input management</b>		
To have 75 percent of policy project (business plan) milestones delivered each quarter	72%	72%
Total cost of an hour of professional staff time devoted to policy advice and other policy unit outputs (including outsourced costs)	\$212	\$192
<b>Quality management</b>		
At least 90 percent of regulatory impact statements are assessed as 'meets' or 'partially meets' the required standards	100%	100%
At least 75 percent of policy advice briefings are accepted first time by the Minister*	Unavailable	Unavailable
An external audit of policy advice papers assesses that our papers meet the quality criteria sufficiently	Achieved NZIER score of 7.2	Achieved NZIER score of 7.2
<b>Outcomes management</b>		
Ministry reviews outcome indicators that show less progress is being made and considers whether further Ministry action is needed	Achieved	Achieved
<b>Work programme management</b>		
95 percent or more of output plan delivered as agreed with the Minister	76%	85%

\*The Ministry did not report on this measure in 2017/18 as data was unavailable due to changes in the document management system. The Ministry has not been using this measure as one of its key performance management measures in 2018/19.

## OUR WORKSTREAMS, AS THEY RELATE TO GOVERNMENT PRIORITIES AND TRANSPORT OUTCOMES FRAMEWORK

Intentions in the Statement of Intent under Government Priorities	Workstreams	Reported against the Transport Outcomes Framework and Strategic Focus Areas
Delivering a mode neutral transport system to provide a more sustainable New Zealand	Government Policy Statement on land transport Coastal Shipping Rail Public Transport Operating Model	Shaping the future Economic prosperity Economic prosperity Inclusive access
Delivering liveable cities	Auckland Transport Alignment Project Rapid Transit Network The Congestion Question Project Regional Fuel Tax	Economic prosperity Economic prosperity Economic prosperity Being the system steward
Ensuring that transport supports regional development outcomes	Tuawhenua Provincial Growth Fund Upper North Island Supply Chain Study International Engagement Strategy	Economic prosperity Economic prosperity Being the system steward
Transitioning New Zealand to a low carbon future	Moving to a low emissions vehicle fleet Electric vehicles Marine Pollution [MARPOL Annex VI] International Maritime Organization Intersessional meeting on greenhouse gases and Maritime Environment Protection Carbon offsetting and reduction scheme	Environmental sustainability Environmental sustainability Environmental sustainability Environmental sustainability Environmental sustainability
Enabling affordable and easy access to allow all New Zealanders to make the most of opportunities	Urban Growth Agenda – Transport Infrastructure Funding & Financing Enhancing transport accessibility	Inclusive access Inclusive access
Delivering a transport system which is resilient, safe to use and manages and promotes health and other social benefits	Road Safety Strategy – medium-long-term Short-medium term actions Strategic resilience and security	Healthy and safe people Healthy and safe people Resilience and security
Ensuring investment and regulatory settings further government priorities	Performance of transport entities Evaluation Strategy Regulatory stewardship Technology and innovation work programme Transport Sector Funding Review Programme	Being the system steward Shaping the future Being the system steward Shaping the future Being the system steward
Intentions not included in Statement of Intent	Let's Get Wellington Moving	Inclusive access

# FINANCIAL PERFORMANCE





# Statement of Responsibility

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

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

In my opinion:

- ▶ the financial statements fairly reflect the financial position of the Ministry as at 30 June 2019 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 2020 and its operations for the year ended on that date.



**Peter Mersi**  
Chief Executive, Ministry of Transport  
30 September 2019

# Financial Performance

## COLUMN DEFINITIONS

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

- 2018 Actual – as published in the Ministry’s Annual Report for the year ended 30 June 2018.
- 2019 Actual – the audited actual figures for the current financial year.
- 2019 Budget – as published in the Ministry’s Budget Estimates Fiscal Update (BEFU) for the 2019 year and the Annual Report for the year ended 30 June 2018. This information is unaudited.
- 2019 Forecast – as published in the Ministry’s Supplementary Estimates for the 2019 year. This information is unaudited.
- 2020 Forecast – as published in the Ministry’s BEFU for the 2019 year. This information is unaudited.

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2019

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

			2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000	2020 Forecast \$000
		Note				
	<b>Revenue</b>					
37,348	Revenue Crown	2	41,319	38,477	41,319	46,996
531	Other revenue	3	1,835	445	2,855	1,745
<b>37,879</b>	<b>Total revenue</b>		<b>43,154</b>	<b>38,922</b>	<b>44,174</b>	<b>48,741</b>
	<b>Expenses</b>					
18,792	Personnel expenses	4	21,423	20,653	22,627	23,429
12,773	Other operating expenses	5	14,826	13,592	17,839	21,202
3,819	Contractual payments to Crown entities	6	3,390	3,797	3,399	3,736
169	Capital charge	7	169	169	169	169
52	Depreciation – property, plant and equipment	10	108	196	130	178
16	Amortisation – intangible assets	10	7	515	10	27
<b>35,621</b>	<b>Total expenses</b>		<b>39,923</b>	<b>38,922</b>	<b>44,174</b>	<b>48,741</b>
<b>2,258</b>	<b>Net surplus</b>	<b>14</b>	<b>3,231</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Other comprehensive revenue and expenditure</b>					
-	Gain on revaluation		-	-	-	-
-	Loss on disposal		-	-	-	-
<b>2,258</b>	<b>Total comprehensive revenue and expense</b>		<b>3,231</b>	<b>-</b>	<b>-</b>	<b>-</b>

Explanations of major variances against the 2019 budget are provided in Note 18. The accompanying notes form part of these financial statements.

## STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

2018 Actual \$000		Note	2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000	2020 Forecast \$000
2,810	Balance at 1 July		2,810	2,810	2,810	2,810
2,258	Total comprehensive revenue and expense		3,231	-	-	-
-	- Release of retained surplus		-	-	-	-
-	- Gain on revaluation		-	-	-	-
-	- Loss on disposal		-	-	-	-
	<b>Owner transactions</b>					
(2,258)	Provision to repay surplus		(3,231)	-	-	-
<b>2,810</b>	<b>Balance at 30 June</b>	<b>8</b>	<b>2,810</b>	<b>2,810</b>	<b>2,810</b>	<b>2,810</b>

Explanations of major variances against the 2019 budget are provided in Note 18. The accompanying notes form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

The Statement of Financial Position reports the total assets and liabilities of the Ministry as at 30 June 2019. Equity is represented by the difference between the assets and liabilities.

2018 Actual \$000		Note	2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000	2020 Forecast \$000
	<b>Equity</b>					
1,947	Taxpayers' funds		1,947	1,947	1,947	1,947
863	Revaluation reserve – aerodrome		863	863	863	863
<b>2,810</b>	<b>Total equity</b>	<b>8</b>	<b>2,810</b>	<b>2,810</b>	<b>2,810</b>	<b>2,810</b>
	Represented by:					
	<b>Current assets</b>					
4,311	Cash and cash equivalents		7,594	102	1,904	1,839
4,737	Debtors, prepayments and other receivables	9	2,470	4,056	3,992	3,992
<b>9,048</b>	<b>Total current assets</b>		<b>10,064</b>	<b>4,158</b>	<b>5,896</b>	<b>5,831</b>
	<b>Non-current assets</b>					
1,380	Property, plant and equipment	10	2,184	1,418	2,155	1,982
10	Intangible assets	10	11	2,587	15	253
<b>1,390</b>	<b>Total non-current assets</b>		<b>2,195</b>	<b>4,005</b>	<b>2,170</b>	<b>2,235</b>
<b>10,438</b>	<b>Total assets</b>		<b>12,259</b>	<b>8,163</b>	<b>8,066</b>	<b>8,066</b>
	<b>Current liabilities</b>					
2,904	Creditors and other payables	11	3,450	3,085	3,046	3,046
1,328	Employee entitlements	12	1,454	1,178	1,186	1,186
115	Provisions	13	133	-	-	-
2,258	Provision to repay surplus		3,231	-	-	-
<b>6,605</b>	<b>Total current liabilities</b>		<b>8,268</b>	<b>4,263</b>	<b>4,232</b>	<b>4,232</b>
	<b>Non-current liabilities</b>					
1,023	Employee entitlements	12	1,181	1,090	1,024	1,024
<b>1,023</b>	<b>Total non-current liabilities</b>		<b>1,181</b>	<b>1,090</b>	<b>1,024</b>	<b>1,024</b>
<b>7,628</b>	<b>Total liabilities</b>		<b>9,449</b>	<b>5,353</b>	<b>5,256</b>	<b>5,256</b>
<b>2,810</b>	<b>Net assets</b>		<b>2,810</b>	<b>2,810</b>	<b>2,810</b>	<b>2,810</b>

Explanations of major variances against the 2019 budget are provided in Note 18. The accompanying notes form part of these financial statements.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

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

2018 Actual \$000		Note	2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000	2020 Forecast \$000
	<b>Cash flows from operating activities</b>					
37,585	Crown revenue		43,163	38,477	41,319	46,996
180	Departments/Crown entities		808	120	1,520	1,420
308	Other revenue		1,277	325	2,079	325
(20,150)	Personnel costs		(21,147)	(20,653)	(22,627)	(23,429)
(12,790)	Operating expenses		(14,931)	(13,592)	(17,954)	(21,202)
(3,819)	Contractual payments to Crown entities		(3,390)	(3,797)	(3,399)	(3,736)
(603)	Net GST paid		869	-	-	-
(169)	Capital charge		(169)	(169)	(169)	(169)
<b>542</b>	<b>Net cash flows from operating activities</b>	<b>14</b>	<b>6,480</b>	<b>711</b>	<b>769</b>	<b>205</b>
	<b>Cash flows from investing activities</b>					
-	Purchase of property, plant and equipment		(931)	(305)	(905)	(5)
-	Purchase of intangible assets		(8)	(1,800)	(15)	(265)
<b>-</b>	<b>Net cash flows from investing activities</b>		<b>(939)</b>	<b>(2,105)</b>	<b>(920)</b>	<b>(270)</b>
	<b>Cash flows from financing activities</b>					
(97)	Repayment of surplus		(2,258)	-	(2,257)	-
<b>(97)</b>	<b>Net cash flows from financing activities</b>		<b>(2,258)</b>	<b>-</b>	<b>(2,257)</b>	<b>-</b>
<b>445</b>	<b>Net increase/(decrease) in cash held</b>		<b>3,283</b>	<b>(1,394)</b>	<b>(2,408)</b>	<b>(65)</b>
3,866	Cash at 1 July		4,311	1,496	4,312	1,904
<b>4,311</b>	<b>Total cash at 30 June</b>		<b>7,594</b>	<b>102</b>	<b>1,904</b>	<b>1,839</b>

Explanations of major variances against the 2019 budget are provided in Note 18.  
The accompanying notes form part of these financial statements.

## STATEMENT OF COMMITMENTS

AS AT 30 JUNE 2019

### Non-cancellable operating lease commitments

The Ministry leases property in the normal course of business.

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

In Auckland, the Ministry has purchased membership in the Auckland Policy Office. A Memorandum of Understanding for this arrangement with the State Services Commission has been signed for the period 1 July 2019 to 30 June 2020. This commitment is disclosed below.

<b>2018</b> <b>Actual</b> <b>\$000</b>		<b>2019</b> <b>Actual</b> <b>\$000</b>
<b>Non-cancellable operating lease commitments</b>		
38	Not later than 1 year	1,307
-	Later than 1 year and not later than 5 years	4,500
-	Later than 5 years	191
<b>38</b>	<b>Total non-cancellable operating lease commitments</b>	<b>5,998</b>

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

### Capital commitments

The Ministry has no capital commitments as at 30 June 2019 (2018: nil).

## STATEMENT OF CONTINGENT ASSETS

AS AT 30 JUNE 2019

The Ministry has a contingent asset relating to earthquake-related response and recovery costs incurred by the Ministry as at 30 June 2019. The Ministry has recovered a portion of these costs in 2018/19. The remaining portion of the claim is yet to be confirmed by the insurers and therefore the amount that may be recovered is not known.

<b>2018</b> <b>Actual</b> <b>\$000</b>		<b>2019</b> <b>Actual</b> <b>\$000</b>
847	Earthquake related response and recovery costs	328

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 2019

## NOTE 1: STATEMENT OF ACCOUNTING POLICIES

### Reporting entity

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

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

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

The departmental financial statements and the financial information reported in the non-departmental schedules are consolidated into the Financial Statements of the Government and therefore readers of these schedules should also refer to the Financial Statements of the Government for the year ended 30 June 2019.

The financial statements of the Ministry are for the year ended 30 June 2019. These financial statements were authorised for issue by the Chief Executive on 30 September 2019.

### Basis of preparation

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

### Statement of compliance

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

### Measurement base

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

### Functional and presentation currency

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

### Standards early adopted

In line with the Financial Statements of the Government, the Ministry has elected to early adopt PBE IFRS 9 Financial Instruments.

PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. Information about the adoption of PBE IFRS 9 is provided in Note 15.

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

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

#### Amendment to PBE IPSAS 2 Statement of Cash Flows

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

#### PBE IPSAS 34-38

PBE IPSAS 34-38 replace the existing standards for interest in other entities (PBE IPSAS 6-8). These new standards are effective for annual periods beginning on or after 1 January 2019. The Ministry will apply these new standards in preparing the 30 June 2020 financial statements. The Ministry has not yet determined how application of these new standards will affect its financial statements.

#### PBE IPSAS 41 Financial Instruments

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

#### PBE FRS 48 Service Performance Reporting

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

### Changes in accounting policies

As a result of adopting PBE IFRS 9, there is a new impairment model for financial assets based on expected losses.

## Significant accounting policies

### Revenue Crown – Non-exchange

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

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

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

### Revenue Other – Exchange

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

### Equity

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

### Cash and cash equivalents

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

### Income tax

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

### Goods and Services Tax (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

### Statement of cost allocation policies

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

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

Indirect costs are those costs that cannot be identified with a specific output. Indirect costs are allocated to each output through a two-stage process. The costs are assigned to cost centres within the Ministry, and then the costs are allocated to

outputs based on a proportion of staff time attributable to the outputs of that cost centre.

There have been no changes in general cost 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 2020, 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 2019, incorporating assumptions as to future events that the Ministry reasonably expects to occur, and associated with the actions it reasonably expects to take
- ▶ existing government policies and ministerial expectations at the date that the information was prepared.

The main assumptions were as follows:

- ▶ The Ministry's activities and output expectations will remain substantially the same as the previous year focusing on government priorities.
- ▶ There are a number of new government funded initiatives in 2019/20 such as the Green Transport Card Establishment. The Ministry is also forecast to receive additional funding for the development and maintenance of a comprehensive system approach to revenue policy.
- ▶ Personnel costs were based on fully budgeted established positions including a 2% increase based on current salary.
- ▶ Operating costs were based on historical experience and other factors that are believed to be reasonable in the circumstances and are the Ministry's best estimate of future costs that will be incurred.

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

### Authorisation statement

The Forecast Financial Statements were authorised for issue by the Chief Executive of the Ministry on 18 April 2019. 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

2018 Actual \$000		2019 Actual \$000	2019 Forecast \$000	2020 Forecast \$000
34,220	Policy advice and related outputs MCA	37,934	37,934	44,138
2,425	Search and rescue activity co-ordination PLA	2,706	2,706	2,240
703	Fuel excise duty refund administration	679	679	618
<b>37,348</b>	<b>Total revenue Crown</b>	<b>41,319</b>	<b>41,319</b>	<b>46,996</b>

## NOTE 3: OTHER REVENUE

2018 Actual \$000		2019 Actual \$000	2019 Forecast \$000	2020 Forecast \$000
180	Crown entities and other departments	808	1,520	1,420
351	Milford Aerodrome landing fees	325	388	325
-	Other recoveries	702	947	-
<b>531</b>	<b>Total other revenue</b>	<b>1,835</b>	<b>2,855</b>	<b>1,745</b>

## NOTE 4: PERSONNEL EXPENSES

2018 Actual \$000		2019 Actual \$000	2019 Forecast \$000	2020 Forecast \$000
17,587	Salary and wages	20,289	21,017	21,902
575	Employer contributions to defined contribution schemes	637	884	797
442	Other personnel costs	224	648	660
	<b>Changes to provisions</b>			
237	Annual leave	68	54	70
5	Long service leave	21	-	-
[64]	Retirement leave	181	24	-
10	Sick leave	3	-	-
<b>18,792</b>	<b>Total personnel expenses</b>	<b>21,423</b>	<b>22,627</b>	<b>23,429</b>

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

2018 Actual \$000		2019 Actual \$000	2019 Forecast \$000	2020 Forecast \$000
5,007	Consultant, research and legal expenses	8,231	10,788	15,024
3,238	Other operating expenses	2,945	2,806	2,378
3,302	Information technology expenses	1,983	2,576	2,184
916	Operating lease payments	1,396	1,262	1,262
222	Advertising and publicity	155	316	268
88	Audit NZ – the financial statement audit	98	91	86
-	Loss on disposal of assets	18	-	-
<b>12,773</b>	<b>Total other operating expenses</b>	<b>14,826</b>	<b>17,839</b>	<b>21,202</b>

## NOTE 6: CONTRACTUAL PAYMENTS TO CROWN ENTITIES

2018 Actual \$000		2019 Actual \$000	2019 Forecast \$000	2020 Forecast \$000
	<b>NZ Transport Agency:</b>			
865	For rules programme activity	800	800	1,198
819	For fuel excise duty refund activity	790	799	738
1,096	<b>Civil Aviation Authority:</b> for rules programme activity	800	800	800
1,039	<b>Maritime New Zealand:</b> for rules programme activity	1,000	1,000	1,000
<b>3,819</b>	<b>Total contractual payments to Crown entities</b>	<b>3,390</b>	<b>3,399</b>	<b>3,736</b>

## 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 2019 was 6 percent for both payments (2018: 6 percent for both payments).

## NOTE 8: EQUITY

2018 Actual \$000		2019 Actual \$000	2019 Forecast \$000	2020 Forecast \$000
	<b>Taxpayers' funds</b>			
1,947	Balance at 1 July	1,947	1,947	1,947
2258	Net surplus/(deficit)	3,231	-	-
[2,258]	Provision to repay surplus	[3,231]	-	-
<b>1,947</b>	<b>Balance 30 June</b>	<b>1,947</b>	<b>1,947</b>	<b>1,947</b>
	<b>Property revaluation reserve</b>			
863	Balance at 1 July	863	863	863
-	Revaluation	-	-	-
-	Loss on transfer of assets	-	-	-
<b>863</b>	<b>Balance at 30 June</b>	<b>863</b>	<b>863</b>	<b>863</b>
<b>2,810</b>	<b>Total equity</b>	<b>2,810</b>	<b>2,810</b>	<b>2,810</b>

## NOTE 9: DEBTORS, PREPAYMENTS AND OTHER RECEIVABLES

2018 Actual \$000		2019 Actual \$000	2019 Forecast \$000	2020 Forecast \$000
	<b>Non-exchange</b>			
3,770	Due from the Crown	1,927	3,770	3,770
174	GST receivable	-	174	174
	<b>Exchange</b>			
793	Other receivables	543	48	48
<b>4,737</b>	<b>Total debtors, prepayments and other receivables</b>	<b>2,470</b>	<b>3,992</b>	<b>3,992</b>

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 \$196,221 were past due at 30 June 2019 [2018: \$3,520].

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

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

A doubtful debt is created when there is no reasonable expectation of recovery for specific debts. The Ministry has assessed that a provision for doubtful debt is required in 2018/19 of \$2,144 [2018: \$652]. This is included in the other receivables amount shown above.

## NOTE 10: PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Leasehold improvements \$000	Plant and equipment \$000	Milford Sound/ Piopiotahi Aerodrome \$000	Intangible assets \$000	Total \$000
<b>Cost or valuation</b>					
Balance at 1 July 2017	-	712	1,421	1,528	3,661
Additions	-	-	-	-	-
Disposals	-	(399)	-	(342)	(741)
<b>Balance at 30 June 2018</b>	<b>-</b>	<b>313</b>	<b>1,421</b>	<b>1,186</b>	<b>2,920</b>
Balance at 1 July 2018	-	313	1,421	1,186	2,920
Additions	931	-	-	8	939
Disposals	-	(213)	-	(761)	(974)
<b>Balance at 30 June 2019</b>	<b>931</b>	<b>100</b>	<b>1,421</b>	<b>433</b>	<b>2,885</b>
<b>Accumulated depreciation</b>					
Balance at 1 July 2017	-	632	69	1,502	2,203
Depreciation/Amortisation	-	21	31	16	68
Impairment	-	-	-	-	-
Disposals	-	(399)	-	(342)	(741)
<b>Balance at 30 June 2018</b>	<b>-</b>	<b>254</b>	<b>100</b>	<b>1,176</b>	<b>1,530</b>
Balance at 1 July 2018	-	254	100	1,176	1,530
Depreciation/Amortisation	43	36	29	7	115
Impairment	-	-	-	-	-
Disposals	-	(194)	-	(761)	(955)
<b>Balance at 30 June 2019</b>	<b>43</b>	<b>96</b>	<b>129</b>	<b>422</b>	<b>690</b>
<b>Carrying amounts</b>					
At 1 July 2017	-	80	1,352	26	1,458
At 30 June and 1 July 2018	-	59	1,321	10	1,390
<b>At 30 June 2019</b>	<b>888</b>	<b>4</b>	<b>1,292</b>	<b>11</b>	<b>2,195</b>
<b>Unaudited forecast at 30 June 2020</b>	<b>696</b>	<b>23</b>	<b>1,263</b>	<b>253</b>	<b>2,235</b>

### Additions

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

### Disposals

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

### Depreciation/Amortisation

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

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

The Ministry relocated to 3 Queens Wharf on 1 April 2019. A number of leasehold improvements were completed on site.

The Ministry updated its threshold for fixed asset recognition to \$5,000 per item in line with Treasury guidance. This threshold applied from 1 July 2017. In June 2019, the Ministry performed a review of its assets and disposed of all assets with an original cost below the \$5,000 threshold. All assets no longer in use were also disposed.

Milford Sound/Piopirotahi 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 as at 30 June 2019 [2018: \$nil].

## NOTE 11: CREDITORS AND OTHER PAYABLES

2018 Actual \$000		2019 Actual \$000	2019 Forecast \$000	2020 Forecast \$000
	<b>Exchange</b>			
1,580	Accrued expenses	2,453	3,046	3,046
1,324	Trade creditors	-	-	-
-	Revenue received in advance	302	-	-
	<b>Non-exchange</b>			
-	GST payable	695	-	-
<b>2,904</b>	<b>Total creditors and other payables</b>	<b>3,450</b>	<b>3,046</b>	<b>3,046</b>

## NOTE 12: EMPLOYEE ENTITLEMENTS

2018 Actual \$000		2019 Actual \$000	2019 Forecast \$000	2020 Forecast \$000
	<b>Current liabilities</b>			
142	Accrued salary	210	142	142
948	Annual leave	959	783	783
104	Long service leave	101	104	104
111	Retirement leave	159	134	134
23	Sick leave	25	23	23
<b>1,328</b>	<b>Total of current portion</b>	<b>1,454</b>	<b>1,186</b>	<b>1,186</b>
	<b>Non-current liabilities</b>			
134	Long service leave	159	134	134
889	Retirement leave	1,022	890	890
<b>1,023</b>	<b>Total of non-current portion</b>	<b>1,181</b>	<b>1,024</b>	<b>1,024</b>
<b>2,351</b>	<b>Total employee entitlements</b>	<b>2,635</b>	<b>2,210</b>	<b>2,210</b>

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

	Discount rate		Salary Inflation	
	2019	2018	2019	2018
Year 1	1.26%	1.78%	Year 0	0.00%
Year 2	1.03%	1.90%	Year 1	2.00%
Year 3+	2.23%	3.55%	Year 2+	3.10%

## NOTE 13: PROVISIONS

	Onerous lease \$000	Holidays Act compliance \$000	Total \$000
Balance at 1 July 2018	-	115	115
New provision	18	-	18
Release of provision	-	-	-
Balance at 30 June 2019	18	115	133
<b>Current liabilities</b>	<b>18</b>	<b>115</b>	<b>133</b>
<b>Non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Ministry's current payroll system is non-compliant with the Holidays Act 2003. The Ministry has been working with an external consultant to find a solution to ensure compliance with the Act. A provision has been created based on the current estimate of the Ministry's liability to remediate any payroll underpayments due to the non-compliance with the Act.

The Ministry moved to 3 Queens Wharf on 1 April 2019. The Ministry's lease agreement at Westpac House was due to expire on 1 December 2019. A new tenant will be subleasing the space from the landlord effective 26 August 2019. The onerous lease provision reflects the Ministry's lease liability between 1 July 2019 and 26 August 2019.

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

<b>2018 Actual \$000</b>		<b>2019 Actual \$000</b>	<b>2019 Forecast \$000</b>	<b>2020 Forecast \$000</b>
2,258	Net surplus	3,231	-	-
	<b>Add non-cash items</b>			
52	Depreciation of property, plant and equipment	108	130	178
16	Amortisation of intangible assets	7	10	27
-	Loss on disposal of assets	18	-	-
<b>68</b>	<b>Total of non-cash items</b>	<b>133</b>	<b>140</b>	<b>205</b>
	<b>Add/(deduct) movements in working capital items</b>			
[642]	[(Increase)/decrease in debtors and other receivables	2,268	744	-
[1,153]	Increase/(decrease) in payables and provisions	563	[115]	-
11	Increase/(decrease) in employee entitlements	285	-	-
<b>[1,784]</b>	<b>Net movements in working capital items</b>	<b>3,116</b>	<b>629</b>	<b>-</b>
<b>542</b>	<b>Net cash flows from operating activities</b>	<b>6,480</b>	<b>769</b>	<b>205</b>

**NOTE 15: CATEGORIES OF FINANCIAL INSTRUMENTS**

<b>2018 Actual \$000</b>		<b>2019 Actual \$000</b>	<b>2019 Forecast \$000</b>	<b>2020 Forecast \$000</b>
	<b>Financial assets at amortised cost</b>			
4,311	Cash and cash equivalents	7,594	1,904	1,839
4,737	Debtors and other receivables	2,397	3,818	3,818
	<b>Financial liabilities measured at amortised cost</b>			
2,904	Creditors and other payables	3,450	2,872	2,872

**Adoption of PBE IFRS 9 Financial Instruments**

In accordance with the transitional provisions of PBE IFRS 9, the Ministry has elected not to restate the information for previous years to comply with the standard.

Accounting policies have been updated to comply with PBE IFRS 9. The main update that is relevant to the Ministry's financial statements is detailed in Note 9 – Debtors, prepayments and other receivables. This policy has been updated to reflect that the impairment of short-term receivables is now determined by applying an expected credit loss model. There has also been a change in classification of financial instruments, but it has had no impact on the measurement and recognition of the financial assets.

## NOTE 16: RELATED PARTY INFORMATION

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

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

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

### Transactions with key management personnel

The Ministry did not enter into any transactions with key management personnel or their close families in 2018/19 [2018: nil].

### Key management personnel compensation

2018 Actual \$000		2019 Actual \$000
2,107	Salaries and other short-term employee benefits	2,056
522	Termination benefits	-
<b>2,629</b>	<b>Total key management personnel compensation</b>	<b>2,056</b>

For the year ending 30 June 2019, key management personnel comprised of 7 FTE [2018: 7 FTE], including the Chief Executive and the members of the senior leadership team.

In 2018/19, no termination benefits were paid to key management personnel [2018: 3 key management personnel received termination benefits as a result of the organisational review announced in June 2017].

## NOTE 17: MAJOR CHANGES TO THE DEPARTMENTAL OUTPUT BUDGETS FOR 2018/19

Changes were made to the Ministry's departmental output budgets by way of the Supplementary Estimates for 2018/19. Explanations for the changes were outlined in that document and the net changes are shown below.

<b>Appropriations for departmental output expenses</b>	<b>2019 Budget \$000</b>	<b>2019 Forecast \$000</b>	<b>Cumulative Vote \$000</b>
Policy advice and related outputs MCA	35,448	3,433	38,881
Fuel excise duty refund administration	799	-	799
Milford Sound/Piopirotahi Aerodrome operation and administration	325	63	388
Search and rescue activity coordination PLA	2,350	356	2,706
Search and rescue training and training coordination	-	800	800
<b>Total departmental appropriations</b>	<b>38,922</b>	<b>4,652</b>	<b>43,574</b>

The adjustments to the appropriations were:

- ▶ \$1.686 million carried forward from 2017/18 in the Policy advice and related outputs MCA due to delays in significant projects
- ▶ \$0.947 million increase in revenue and associated costs in the Policy advice and related outputs MCA relating to the November 2016 Kaikōura earthquake insurance claim and other revenue from third parties
- ▶ \$0.500 million additional funding in Policy advice and related outputs MCA from the Provincial Growth Fund for a Northland rail business case
- ▶ \$0.300 million additional funding in the Policy advice and related outputs MCA for an indicative business case for transformational rapid rail
- ▶ \$0.063 million additional revenue and associated costs for Milford Sound/Piopirotahi Aerodrome operation and administration from landing fees
- ▶ \$0.356 million carried forward from 2017/18 in Search and rescue activity coordination PLA relating to delays in implementing new search and rescue related technology, and prevention activities
- ▶ a new appropriation of \$0.800 million to allow the Ministry of Transport to provide search and rescue training. This output is funded by revenue from the Tertiary Education Commission.

## NOTE 18: EXPLANATION OF MAJOR VARIANCES BETWEEN ACTUAL AND FORECAST 2019 FIGURES

The significant variances between the actual results and the figures included in the Supplementary Estimates of Appropriations for the year ended 30 June 2019 are:

### Statement of comprehensive revenue and expense

#### Revenue

##### Other revenue

Other revenue was \$1.020 million below forecast. This was mainly due to Provincial Growth Fund resourcing and Search and Rescue Training not being fully recovered due to less activity than originally forecast. The memorandum of understanding for the Search and Rescue Training continues in to 2019/20 and the activity planned in 2018/19 is expected to be delivered in 2019/20 instead.

#### Expenses

Total expenditure was \$4.250 million below forecast. The main variances are in personnel expenses [\$1.204 million below forecast] due to a higher level of vacancies than forecast, and in external expert advice [\$2.556 million below forecast] due to delays in projects caused by external factors explained below.

The majority of external expert advice underspend will be carried forward to 2019/20.

A number of major projects such as the Road Safety Strategy, Hamilton to Auckland Rail Link and the Upper North Island Supply Chain Strategy needed additional time to perform detailed planning, and revision of some of the project strategies resulted in more expenditure expected to fall in 2019/20 than previously envisaged. The Finance and Business Review project was also delayed due to the additional time required to finalise the contract and systems design with key suppliers, and resources not being available from key suppliers when planned.

### Statement of financial position

#### Assets

##### Cash and cash equivalents

The actual cash balance was \$5.690 million more than the forecast. This was mainly a result of the underspend in personnel expenses and external expert costs. The Crown debtor balance was also significantly lower than forecast as all Crown revenue for 2018/19 was realised as cash resulting in a higher cash balance than forecast.

##### Debtors, prepayments and other receivables

The actual debtor balance was \$1.348 million less than the forecast. There was a large Crown revenue receivable balance last year which was the basis of the forecast. This receivable was significantly lower at year end as all Crown revenue for 2018/19 was realised as cash.

#### Liabilities

##### Creditors and other payables

Creditors and other payables was \$0.404 million more than forecast largely due to the underspend in 2018/19. Furthermore, \$0.302 million of revenue in advance relating to Search and Rescue Training was not included in the forecast.

##### Employee entitlements

Employee entitlements was \$0.735 million above forecast largely due to a decrease in discount rates used for the calculation of retirement leave and long service leave calculations, and an increase in length of service for a number of employees. There has also been an increase in the annual leave liability.

##### Provisions

The balance of \$0.133 million relates to an onerous lease provision and a provision for rectifying compliance with the Holidays Act which have not been reflected in the forecast.

## NOTE 19: EXPLANATIONS OF MAJOR VARIANCES BETWEEN ACTUAL 2019 AND FORECAST 2020 FIGURES

The significant variances between the actual results and the forecast 2019/20 figures are as below.

### Statement of comprehensive revenue and expense

#### Revenue

##### Revenue Crown

The 2019/20 forecast is \$5.677 million more than the 2018/19 actual due to new initiatives added through the Budget process:

- ▶ Establishing a Green Transport Card to Make Public Transport More Affordable for Low-Income Households [\$4.640 million]; and
- ▶ Future of Rail – Implement the Future of Rail Review Recommendations [\$0.500 million].

There was also an increase in the Policy advice and related outputs MCA for 2019/20 relating to developing and maintaining a comprehensive system approach to revenue policy.

#### Expenses

The 2019/20 forecast is \$8.817 million more than the 2018/19 actual. \$2.006 million relates to personnel expenses as the 2019/20 budget is based on a fully staffed establishment with wage inflation. The large underspend in external expert advice in 2018/19 and a number of new initiatives for 2019/20 (as above) make up a large portion of the remaining variance.

## Statement of financial position

### Assets

#### Cash and cash equivalents

Actual cash balance as at 30 June 2019 is \$5.755 million more than the 2019/20 forecast. This is mainly a result of the underspend in personnel expenses and external expert costs in 2018/19. The 2019/20 budget is based on a fully staffed establishment with wage inflation and a number of new initiatives. The Crown debtor balance was also significantly lower than forecast as all Crown revenue for 2018/19 was realised as cash resulting in a higher cash balance than forecast.

#### Debtors, prepayments and other receivables

The actual debtor balance is \$1.348 million more than the 2019/20 forecast. There was a large Crown revenue accrual balance last year which was the basis of the forecast. As no Crown revenue accruals were recorded this year, actuals are lower than forecast.

### Liabilities

#### Creditors and other payables

Creditors and other payables was \$0.404 million more than the 2019/20 forecast largely due to the underspend in 2018/19. Furthermore, \$0.302 million of revenue in advance relating to Search and Rescue Training was not included in the forecast.

#### Employee entitlements

Employee entitlements is \$0.735 million more than the 2019/20 forecast largely due to a decrease in discount rates and an increase in length of service for a number of employees.

#### Provisions

The balance of \$0.133 million relates to an onerous lease provision and a provision for rectifying compliance with the Holidays Act which have not been reflected in the 2019/20 forecast.

## NOTE 20: 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 2019.

# Non-departmental Schedules and Statements

## SCHEDULE OF NON-DEPARTMENTAL REVENUE AND RECEIPTS

FOR THE YEAR ENDED 30 JUNE 2019

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

2018 Actual \$000		Note	2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
1,713,382	Indirect taxation	2	1,833,275	1,664,913	1,835,732
208	Other 'sovereign power' revenue	3	303	1,300	1,300
10,895	Other operational revenue	4	11,326	8,760	8,760
[3,992]	Share of net asset increase/(decrease) in joint ventures		[25,187]	-	-
<b>1,720,493</b>	<b>Total non-departmental revenue and receipts</b>		<b>1,819,717</b>	<b>1,674,973</b>	<b>1,845,792</b>

## SCHEDULE OF NON-DEPARTMENTAL EXPENSES

FOR THE YEAR ENDED 30 JUNE 2019

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

2018 Actual \$000		Note	2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
2,339,472	Non-departmental output classes	5	2,661,956	2,389,953	2,909,931
80,327	Other expenses to be incurred by the Crown	6	46,482	48,583	53,182
90,990	Non-departmental multi-category appropriation expenses		67,009	43,770	82,091
4,965	Bad debts expense		7,095	4,000	7,500
1,948	Movement in doubtful debts provision		6,879	-	-
376,098	GST expenses		421,641	372,836	476,131
<b>2,893,800</b>	<b>Total non-departmental expenses</b>		<b>3,211,062</b>	<b>2,859,142</b>	<b>3,528,835</b>

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 2019. The accompanying notes form part of these financial statements.

## SCHEDULE OF NON-DEPARTMENTAL ASSETS

AS AT 30 JUNE 2019

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

2018 Actual \$000		Note	2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
<b>Current assets</b>					
18,363	Cash and cash equivalents		23,554	19,999	20,000
46,999	Receivables and advances	7	53,855	46,340	46,998
<b>Non-current assets</b>					
320,015	Investment in joint ventures	8	360,846	686,020	385,515
<b>385,377</b>	<b>Total non-departmental assets</b>		<b>438,255</b>	<b>752,359</b>	<b>452,513</b>

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

AS AT 30 JUNE 2019

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

2018 Actual \$000		Note	2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
<b>Current liabilities</b>					
499,668	Payables	10	576,644	437,838	438,711
<b>499,668</b>	<b>Total non-departmental liabilities</b>		<b>576,644</b>	<b>437,838</b>	<b>438,711</b>

The accompanying notes form part of these financial statements.

## STATEMENT OF NON-DEPARTMENTAL COMMITMENTS

AS AT 30 JUNE 2019

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.

<b>2018 Actual \$000</b>		<b>2019 Actual \$000</b>
	<b>Operating commitments</b>	
71,847	Other non-cancellable contracts for the supply of goods and services	47,898
<b>71,847</b>	<b>Total operating commitments</b>	<b>47,898</b>
	<b>Term classification of commitments</b>	
23,949	Not later than 1 year	23,949
47,898	Later than 1 year and not later than 5 years	23,949
	Later than 5 years	
<b>71,847</b>	<b>Total operating commitments</b>	<b>47,898</b>

## STATEMENT OF NON-DEPARTMENTAL CONTINGENT LIABILITIES

AS AT 30 JUNE 2019

This statement discloses situations which exist at 30 June 2019, 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.

<b>2018 Actual \$000</b>		<b>2019 Actual \$000</b>
10,000	Transport Accident Investigation Commission emergency guarantee	10,000
<b>10,000</b>	<b>Total contingent liabilities</b>	<b>10,000</b>

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 2019

## 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.

2018 Actual \$000		2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
1,551,106	Road user charges	1,672,594	1,499,867	1,655,357
227,446	Motor vehicle registration fees	226,768	225,124	236,002
<b>1,778,552</b>	<b>Sub-total</b>	<b>1,899,362</b>	<b>1,724,991</b>	<b>1,891,359</b>
[65,170]	Fuel excise duty refunds	[66,087]	[60,078]	[55,627]
<b>1,713,382</b>	<b>Total indirect taxation</b>	<b>1,833,275</b>	<b>1,664,913</b>	<b>1,835,732</b>

## NOTE 3: OTHER 'SOVEREIGN POWER' REVENUE

2018 Actual \$000		2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
208	Infringement fees – tolls and other	303	1,300	1,300
<b>208</b>	<b>Total other 'sovereign power' revenue</b>	<b>303</b>	<b>1,300</b>	<b>1,300</b>

## NOTE 4: OTHER OPERATIONAL REVENUE

2018 Actual \$000		2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
10,541	Tolling revenue (note 9)	10,914	8,400	8,400
354	Road user charges administration fees	412	360	360
<b>10,895</b>	<b>Total other operational revenue</b>	<b>11,326</b>	<b>8,760</b>	<b>8,760</b>

## NOTE 5: NON-DEPARTMENTAL OUTPUT CLASSES

2018 Actual \$000		2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
2,339,472	This expense item is equal to the appropriations for non-departmental output classes listed in the appropriation statements	2,661,956	2,389,953	2,909,931
<b>2,339,472</b>	<b>Total non-departmental output classes</b>	<b>2,661,956</b>	<b>2,389,953</b>	<b>2,909,931</b>

## NOTE 6: OTHER EXPENSES TO BE INCURRED BY THE CROWN

2018 Actual \$000		2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
14,453	Auckland City Rail Link finance costs	-	-	-
680	Membership of international organisations	726	743	743
3,270	Rail – public policy projects	3,270	3,270	3,270
500	Rail – railway safety	500	500	500
28,171	SuperGold Card – public transport concessions for cardholders	29,303	29,320	29,579
33,253	Urban cycleways – local routes	12,683	14,750	19,090
<b>80,327</b>	<b>Total other expenses to be incurred by the Crown</b>	<b>46,482</b>	<b>48,583</b>	<b>53,182</b>

## NOTE 7: RECEIVABLES

2018 Actual \$000		2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
	<b>Non-exchange revenue</b>			
34,587	Motor vehicle registration fees	41,167	25,859	26,442
23,680	Road user charge revenue	30,696	18,000	18,000
<b>58,267</b>	<b>Total non-exchange revenue receivables</b>	<b>71,863</b>	<b>43,859</b>	<b>44,442</b>
	<b>Exchange revenue</b>			
2,556	Tolling revenue	2,694	2,481	2,556
<b>2,556</b>	<b>Total exchange revenue receivables</b>	<b>2,694</b>	<b>2,481</b>	<b>2,556</b>
<b>60,823</b>	<b>Sub-total</b>	<b>74,557</b>	<b>46,340</b>	<b>46,998</b>
[13,824]	Provision for doubtful debts	[20,702]	-	-
<b>46,999</b>	<b>Total receivables</b>	<b>53,855</b>	<b>46,340</b>	<b>46,998</b>

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

In measuring expected credit losses, receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped on the days past due.

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

### Previous accounting policy for impairment of receivables

In the previous year, the allowance for credit losses was based on the incurred credit loss model. An allowance for credit losses was recognised only when there was objective evidence that the amount due would not be fully collected.

The ageing profile of receivables is shown below.

2017/2018				2018/2019		
Gross \$000	Impairment \$000	Net \$000		Gross \$000	Impairment \$000	Net \$000
42,993	[554]	42,439	Not past due	50,448	[3,054]	47,394
4,231	[2,380]	1,851	Past due 1-30 days	6,034	[4,019]	2,015
2,447	[1,809]	638	Past due 31-60 days	3,899	[2,872]	1,027
4,077	[3,252]	825	Past due 61-90 days	7,653	[5,467]	2,186
7,075	[5,829]	1,246	Past due > 90 days	6,523	[5,290]	1,233
<b>60,823</b>	<b>[13,824]</b>	<b>46,999</b>	<b>Total</b>	<b>74,557</b>	<b>[20,702]</b>	<b>53,855</b>

The expected credit loss rates for receivables at 30 June 2019 are based on the payment profile of revenue on credit over the prior one year at the measurement date and the corresponding historical credit losses experienced for that period. The historical loss rates are adjusted for current and forward-looking macroeconomic factors that might affect the recoverability of receivables. Given the short period of credit risk exposure, the impact of macroeconomic factors is not considered significant.

The allowance for credit losses at 30 June 2019 was determined as follows:

30 June 2019	Receivable days past due					
	Current	More than 30 days	More than 60 days	More than 90 days	More than 180 days	Total
Expected credit loss rate	6.05%	66.61%	73.66%	71.44%	81.10%	-
Gross carrying amount [\$000]	50,448	6,034	3,899	7,653	6,523	74,557
Lifetime expected credit loss [\$000]	3,054	4,019	2,872	5,467	5,290	20,702

## NOTE 8: INVESTMENT IN JOINT VENTURES

2018 Actual \$000		2019 Actual \$000
12,853	Joint venture airports	13,995
307,162	City Rail Link Limited	346,851
<b>320,015</b>	<b>Total investment in joint ventures</b>	<b>360,846</b>

### Joint Venture Airports

2018 Actual \$000		2019 Actual \$000
[14]	Gains/[losses] generated by joint ventures	123
[14]	Share of net asset increase/[decrease] in joint ventures	123
1,097	Capital payments made during the year	1,019
[3,250]	Disposal of New Plymouth airport	-
<b>[2,167]</b>	<b>Total change in investment value</b>	<b>1,142</b>

### Joint Venture Airports

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

The Crown has a 50 percent interest in each airport [Taupō, Whanganui, Westport, Whakatāne, Whangarei], with the other 50 percent held by the local council. The Crown has a commitment to 50 percent of operating losses and 50 percent of capital expenses once jointly approved. The value of the investment at 30 June 2019 is based on the annual financial statements of each airport for the year ended 30 June 2018, plus capital contributions from the Crown during the year ended 30 June 2019.

New Plymouth airport was sold on 1 July 2017.

## City Rail Link Limited

2018 Actual \$000		2019 Actual \$000
(3,978)	Gains/(losses) generated by joint ventures	(25,311)
(3,978)	Share of net asset increase/(decrease) in joint ventures	(25,311)
311,140	Capital payments made during the year	65,000
<b>307,162</b>	<b>Total change in investment value</b>	<b>39,689</b>

## City Rail Link Limited

City Rail Link Limited (CRL) is a jointly controlled Crown entity company, co-funded by the Crown and Auckland Council, for the purpose of designing and constructing the Auckland City Rail Link (an underground rail line between the city centre and the existing western line). Following a cost reforecast, and a scope change to futureproof for forecast patronage growth, the expected costs of the project are \$4.4 billion which will be confirmed once all contracts are finalised. The Government's share of costs is \$2.2 billion.

For the year ended 30 June 2019, CRL recognised revenue of \$4 million (2018: \$4 million), a deficit of \$25 million (2018: \$8 million), assets of \$721 million (2018: \$625 million), liabilities of \$27 million (2018: \$11 million) and equity of \$694 million (2018: \$614 million).

The Crown also recognises a 50% share of capital commitments held by CRL of \$152 million (2018: \$128 million).

## NOTE 9: INVESTMENT IN THE NORTHERN GATEWAY TOLL ROAD

The Crown contributed \$158 million to the construction of the Northern Gateway toll road. It issued infrastructure bonds to fund this 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](http://www.tollroad.govt.nz).

### Since the commencement of the project

2018 Actual \$000		2019 Actual \$000
158,000	Funding provided for construction	158,000
129,551	Notional interest charged since funding first drawn	143,562
(73,436)	Tolling revenue since February 2009	(84,350)
<b>214,115</b>	<b>Balance at 30 June</b>	<b>217,212</b>

### Current year

2018 Actual \$000		2019 Actual \$000
210,852	Balance at 1 July	214,115
13,804	Notional interest charge for the year	14,011
(10,541)	Tolling revenue for the year	(10,914)
<b>214,115</b>	<b>Balance at 30 June</b>	<b>217,212</b>

## NOTE 10: PAYABLES

		2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
460,381	National Land Transport Fund revenue and output funding payable to the New Zealand Transport Agency	413,613	400,000	400,000
-	Equity injection payable to KiwiRail	120,000	-	-
19,550	GST payable	21,629	20,566	19,551
13,113	Motor vehicle registration third party collections	13,274	13,354	13,071
2,789	Output funding payable to KiwiRail	4,693	618	2,789
3,270	Road user charges refunds	2,635	3,300	3,300
300	Output funding payable to Maritime New Zealand	120	-	-
265	Output funding payable to other parties	680	-	-
<b>499,668</b>	<b>Total payables</b>	<b>576,644</b>	<b>437,838</b>	<b>438,711</b>

## NOTE 11: FINANCIAL INSTRUMENTS

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

	2018 Actual \$000	2019 Actual \$000
<b>Financial assets at amortised cost</b>		
18,363	Cash and cash equivalents	23,554
46,999	Receivables and advances	53,855
<b>65,362</b>	<b>Total loans and receivables</b>	<b>77,409</b>
<b>Financial liabilities measured at amortised cost</b>		
499,668	Payables	576,644
<b>499,668</b>	<b>Total financial liabilities measured at amortised cost</b>	<b>576,644</b>

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

Funds must be deposited with Westpac, a registered bank.

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

## NOTE 12: MAJOR BUDGET CHANGES

Changes were made to the non-departmental budgets in the 2018/19 Supplementary Estimates. Explanations for significant variances are provided below.

### Revenue and receipts

	Budget 2019 \$000	Changes in forecast 2019 \$000	Cumulative vote 2019 \$000
<b>Indirect taxation</b>			
Road user charges	1,499,867	155,490	1,655,357
Motor vehicle registration	225,124	10,878	236,002
Fuel excise duty refunds	[60,078]	4,451	[55,627]
<b>Total</b>	<b>1,664,913</b>	<b>170,819</b>	<b>1,835,732</b>

## 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 expenses and capital expenditure appropriations

	Budget 2019 \$000	Changes in forecast 2019 \$000	Cumulative vote 2019 \$000
<b>Appropriations for non-departmental output expenses</b>			
Health and safety at work activities – Maritime	6,191	155	6,346
Licensing activities	2,550	2,686	5,236
National Land Transport Programme PLA	2,332,000	507,900	2,839,900
Rail – maintaining an electric locomotive fleet	–	8,500	8,500
Policy advice and related outputs – Maritime MCA	6,191	74	6,265
Reinstatement of the South Island transport corridors MCA	35,000	[1,540]	33,460
Search and rescue and recreational boating safety activities PLA	9,564	737	10,301
Tuawhenua Provincial Growth Fund – transport projects MCA	–	4,357	4,357
<b>Non-departmental other expenses</b>			
Bad debt provision – motor vehicle registration/licences and road user charges	4,000	3,500	7,500
Housing Infrastructure Fund – fair value write down MYA	–	122,230	122,230
SuperGold Card – public transport concessions for cardholders	29,320	259	29,579
Tuawhenua Provincial Growth Fund – transport projects MCA	–	35,430	35,430
Urban cycleways – local routes	14,750	4,340	19,090
<b>Non-departmental capital expenditure</b>			
Auckland City Rail Link	234,000	[153,000]	81,000
Auckland transport package loan	14,800	22,000	36,800
Housing Infrastructure Fund loans MYA	–	19,686	19,686
Joint venture airports	500	[500]	–
Joint venture airports – Crown contribution MYA	–	500	500
National Land Transport Programme Capital PLA	1,253,000	[183,000]	1,070,000
Rail – KiwiRail equity injection	18,200	10,000	28,200
Rail – Wellington metro rail network upgrade	50,000	[7,104]	42,896
Regional state highways	35,063	[1,663]	33,400
Reinstatement of South Island Main North Line	145,000	60,000	205,000
Reinstatement of the South Island transport corridors MCA	201,863	[75,611]	126,252
Tuawhenua Provincial Growth Fund – transport projects MCA	–	18,400	18,400
Urban cycleways – Crown assets	250	280	530

Explanations for the major changes were outlined in the 2018/19 Supplementary Estimates. They were:

### **Health and safety at work activities – Maritime**

This appropriation increased by \$0.155 million due to a carry forward from 2017/18 to fund outstanding legal issues in relation to Maritime New Zealand's regulatory obligations under the Health and Safety at Work Act.

### **Licensing activities**

This appropriation increased by \$2.686 million due to a carry forward from 2017/18 in relation to funding from the Better Public Services seed fund. This funding was for the development of app based learning tools to support progression through the licensing system and the development of safe driving skills. Delays in procurement impacted the starting of this initiative in 2017/18.

### **National Land Transport Programme PLA, and National Land Transport Programme Capital 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. Land transport revenue is allocated to the National Land Transport Fund by legislation and is appropriated in these two appropriations – one operating and one capital.

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

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

A new Government Policy Statement and subsequent National Land Transport Programme 2018 – 2021 was adopted on 1 September 2018 and is effective for the years 2018/19 to 2020/21. This has impacted on the amounts, timing, and types of activities the National Land Transport funding is spent on.

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.

### **Rail – maintaining an electric locomotive fleet**

This appropriation increased by \$8.500 million to maintain the operation of the existing electric locomotive fleet.

### **Policy advice and related outputs – Maritime MCA**

This appropriation increased by \$0.074 million due to a carry forward from 2017/18 as a contingency to allow Maritime New Zealand to participate in a significant international maritime incident response or other unanticipated MIRC activity.

### **Reinstatement of the South Island transport corridors MCA**

This appropriation decreased by \$77.151 million due to the net of:

- ▶ \$60.000 million transferred to the Reinstatement of South Island Main North Line appropriation for the reinstatement of the rail corridor following the November 2016 Kaikōura earthquake [decrease]
- ▶ \$29.420 million transferred to outyears (2019/20 and 2020/21) for remaining work which can't be completed until the road is fully reinstated, such as landscaping and roadside ancillary work [decrease], and
- ▶ \$12.269 million carried forward from 2017/18 [increase].

### **Search and rescue and recreational boating safety activities PLA**

This appropriation increased by \$0.737 million due to:

- ▶ \$0.554 million additional anticipated search and rescue costs, and
- ▶ \$0.183 million carried forward from 2017/18 for the development and production of new recreational boating campaign materials launched for the 2018/19 summer recreational boating season.

### **Tuawhenua Provincial Growth Fund – transport projects MCA**

This appropriation increased by \$58.187 million for approved Provincial Growth Fund transport projects. These projects are as follows:

- ▶ Provincial Rail Growth Project
- ▶ Palmerston North Regional Economic Growth Hub
- ▶ Tairāwhiti Roading Package
- ▶ Waipapa Intersection Improvements
- ▶ Twin Coast Discovery Route Business Case
- ▶ Kaipara Roading Package
- ▶ Croesus Road
- ▶ Gisborne Inner Harbour Project
- ▶ New Zealand Transport Agency Resourcing
- ▶ State Highway 43 Business Case

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

This appropriation increased by \$3.500 million due to the NZ Transport Agency processing higher value bad debt write-offs due to higher motor vehicle registration and road user charges revenue. The higher revenue is partly due to road user charges rate increases from 1 October 2018.

### **Housing Infrastructure Fund – fair value write down MYA**

This appropriation increased by \$122.230 million as this is a new appropriation to recognise the fair value write down of the interest concession on the Housing Infrastructure Fund interest free loans.

### **SuperGold Card – public transport concessions for cardholders**

This appropriation increased by \$0.259 million due to the annual CPI increase to the appropriation.

### Urban cycleways – local routes

This appropriation increased by \$4.340 million due to the net of:

- ▶ \$6.540 million carried forward from 2017/18 (increase), and
- ▶ \$2.200 million transferred to outyears (2019/20 and 2020/21) as a result of the urban cycleways programme extension (decrease).

### Auckland city rail link

This appropriation decreased by \$153.000 million due to the net of:

- ▶ \$110.407 million carried forward from 2017/18 (increase), and
- ▶ \$263.407 million transferred to outyears (2019/20 and 2020/21) to align with forecast expenditure by City Rail Link Limited (decrease). Delays in expenditure are due to changes in the procurement strategy (C7 Alliance) and delays in the C3 procurement process.

### Auckland transport package loan

This appropriation increased by \$22.000 million due to a carry forward from 2017/18 to align with forecast draw downs on the loan facility by the NZ Transport Agency.

### Housing Infrastructure Fund loans MYA

This appropriation increased by \$357.000 million as this is a new appropriation for loans for transport infrastructure from the Housing Infrastructure Fund.

### Joint venture airports

This appropriation decreased by \$0.500 million as this funding was transferred to the Joint Venture Airports – Crown Contribution multi-year appropriation.

### Joint venture airports – Crown contribution MYA

This appropriation increased by \$2.500 million as funding was transferred from the Joint Venture Airports annual appropriation.

### Rail – KiwiRail equity injection

This appropriation increased by \$10.000 million due to the net of:

- ▶ \$28.000 million carried forward from 2017/18 in relation to potential land sales (increase), and
- ▶ \$18.000 million reduction in 2018/19 in relation to land sales no longer proceeding (decrease).

### Rail – Wellington metro rail network upgrade

This appropriation decreased by \$7.104 million due to the net of:

- ▶ \$3.896 million carried forward from 2017/18 (increase), and
- ▶ \$11.000 million transferred to 2019/20 to align with KiwiRail's forecast expenditure (decrease).

### Regional state highways

This appropriation decreased by \$1.663 million due to the net of:

- ▶ \$6.375 million carried forward from 2017/18 (increase), and
- ▶ \$8.038 million transferred to 2019/20 to align with the NZ Transport Agency's forecast expenditure (decrease).

### Reinstatement of South Island Main North Line

This appropriation increased by \$60.000 million due to funding being provided from the Reinstatement of the South Island Transport Corridors contingency for additional works at Tunnel 21 and Half Moon Bay on the rail corridor.

### Urban cycleways – Crown assets

This appropriation increased by \$0.280 million due to the net of:

- ▶ \$2.114 million carried forward from 2017/18 (increase), and
- ▶ \$1.834 million transferred to outyears (2019/20 and 2020/21) as a result of the urban cycleways programme extension (decrease).

## NOTE 13: MAJOR BUDGET TO ACTUAL VARIANCES

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

### Schedule of non-departmental revenue and receipts

Total revenue and receipts were \$26.075 million less than forecast, mainly due to the net asset decrease in joint ventures. The Crown recognised a \$25.311 million decrease in net assets in City Rail Link Limited. This is due to the operating loss of City Rail Link Limited in 2018/19, for which the Crown recognises 50% of as a Joint Venture partner.

### Schedule of non-departmental expenses

Total expenses were \$317.773 million less than forecast. This is mostly due to a \$238.643 million underspend in the National Land Transport Programme PLA. The main underspends were in the following activity classes; state highway improvements (\$142 million), public transport (\$46 million), and local road maintenance (\$45 million). The main reason for state highway improvement underspend is due to the transfer of state highways to local authorities as local roads not proceeding as forecast, and therefore the expense associated with the transfers not occurring. In particular, this was for roads affected by the Mackays to Peka Peka project. Underspends in public transport is primarily due to delays in delivery of infrastructure projects such as the Auckland Eastern Transport Initiative busway, and Auckland Downtown Ferry Terminal Redevelopment. The underspend in the local road maintenance activity class is mainly due to lower emergency work claims.

There was also no expenditure on maintaining the electric locomotive fleet while the contract for these services with KiwiRail was finalised.

Provincial Growth Fund expenditure was less than forecast as detailed project planning following approval of projects has provided additional information regarding the appropriate phasing of projects. Finalising funding agreements for individual projects has also delayed project start dates.

### Schedule of non-departmental assets

Non-departmental assets were \$14.258 million less than forecast. This is mostly due to less investment in joint ventures than expected, in particular, City Rail Link Limited. As above, the higher than forecast operating loss of City Rail Link Limited impacted on the Crown's total investment.

### Schedule of non-departmental liabilities

Non-departmental liabilities were \$137.933 more than forecast. This is mostly due to a \$120.000 million equity injection payable to KiwiRail. Shares were issued to Shareholdings Ministers in 2018/19 for which cash had not yet been paid to KiwiRail as at 30 June 2019. This was not included in the forecast.

# 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 2019.

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

FOR THE YEAR ENDED 30 JUNE 2019

### Annual and permanent appropriations for Vote Transport

2018 Actual \$000	Appropriation title	2019 Actual \$000	2019 Forecast \$000	End-of-year performance information location*
	<b>Departmental output expenses</b>			
819	Fuel excise duty refund administration	790	799	1
335	Milford Sound/ Piopiotahi Aerodrome operation and administration	349	388	1
2,069	Search and rescue activity co-ordination PLA	2,645	2,706	1
-	Search and rescue training and training coordination	348	800	1
<b>3,223</b>	<b>Total departmental output expenses</b>	<b>4,132</b>	<b>4,693</b>	
	<b>Departmental capital expenditure</b>			
-	Ministry of Transport – capital expenditure PLA	939	920	1
	<b>Non-departmental output expenses</b>			
5,740	Accident or incident investigation and reporting	5,520	5,520	2
775	Crash analysis	775	775	3
1,275	Health and Safety at work activities – Civil Aviation	776	1,156	4
6,160	Health and Safety at work activities – Maritime	6,299	6,346	5
2,954	Licensing activities	4,831	5,236	3
145	Maritime port security	145	145	4
548	Ministerial servicing by the New Zealand Transport Agency	548	548	3
2,280,190	National Land Transport Programme PLA **	2,601,257	2,839,900	3
-	Rail – maintaining an electric locomotive fleet	-	8,500	7
979	Regional Fuel Tax administration	-	-	-
3,779	Road user charges investigation and enforcement	3,779	3,779	3
450	Road user charges refunds	450	450	3
3,231	Search and rescue activities	3,231	3,231	5
9,714	Search and rescue and recreational boating safety activities PLA	10,301	10,301	6
95	SuperGold card – administration of the public transport concessions scheme	95	95	3
23,437	Weather forecasts and warnings	23,949	23,949	6
<b>2,339,472</b>	<b>Total non-departmental output expenses</b>	<b>2,661,956</b>	<b>2,909,931</b>	

2018 Actual \$000	Appropriation title	2019 Actual \$000	2019 Forecast \$000	End-of-year performance information location*
<b>Non-departmental other expenses</b>				
4,965	Bad debt provision – motor vehicle registration/ licences and road user charges	7,095	7,500	8
14,453	Auckland City Rail Link finance costs	-	-	-
-	Housing Infrastructure Fund – fair value write down MYA	99,811	122,230	1
680	Membership of international organisations	726	743	8
3,270	Rail – public policy projects	3,270	3,270	7
500	Rail – railway safety	500	500	7
28,171	SuperGold Card – public transport concessions for cardholders	29,303	29,579	3
33,253	Urban cycleways – local routes	12,683	19,090	3
<b>85,292</b>	<b>Total non-departmental other expenses</b>	<b>153,388</b>	<b>182,912</b>	
<b>Non-departmental capital expenditure</b>				
311,140	Auckland City Rail Link	65,000	81,000	9
100,000	Auckland Transport Package loan	31,800	36,800	3
-	Housing Infrastructure Fund loans MYA	3,000	19,686	3
1,097	Joint venture airports	-	-	-
-	Joint venture airports – Crown contribution MYA	1,019	500	1
344	Maritime New Zealand capital expenditure PLA	-	-	5
-	NLTF borrowing facility for short-term advances	-	500,000	3
3,026	Rail – KiwiRail equity injection	3,839	28,200	7
260,000	Rail – KiwiRail Holdings Limited	230,000	230,000	7
163,500	Rail – KiwiRail Holdings Limited Loans	163,500	163,500	7
11,665	Rail – Wellington metro rail network upgrade	36,216	42,896	7
43,625	Regional state highways	18,769	33,400	3
140,000	Reinstatement of South Island Main North Line	205,000	205,000	7
4,389	Urban cycleways – Crown assets	314	530	3
1,091,246	National Land Transport Programme Capital PLA**	1,014,451	1,070,000	3
<b>2,130,032</b>	<b>Total non-departmental capital expenditure</b>	<b>1,772,908</b>	<b>2,411,512</b>	

2018 Actual \$000	Appropriation title	2019 Actual \$000	2019 Forecast \$000	End-of-year performance information location*
	<b>Multi category appropriations (MCA)</b>			
32,398	<b>Policy advice and related outputs MCA</b>	35,539	38,881	1
	<b>Departmental output expenses</b>			
27,717	Policy advice	30,190	33,450	
2,568	Ministerial servicing	2,440	2,000	
2,113	Governance and performance advice on Crown agencies	2,909	3,431	
2,079	<b>Policy advice and related outputs – Civil Aviation MCA</b>	2,579	2,579	1, 4
	<b>Non-departmental output expenses</b>			
963	Policy advice – Civil Aviation	663	663	
431	Ministerial servicing – Civil Aviation	431	431	
685	International relations and International Civil Aviation Organization obligations	685	685	
	<b>Non-departmental other expenses</b>			
-	Improving Safety in the Aviation Sector	800	800	
6,196	<b>Policy advice and related outputs – Maritime MCA</b>	6,228	6,265	1, 5
	<b>Non-departmental output expenses</b>			
3,349	Policy advice – Maritime	3,349	3,349	
769	Maritime – incident response	801	838	
2,078	Maritime safety and marine protection services	2,078	2,078	
432,731	<b>Reinstatement of the South Island transport corridors MCA</b>	113,111	159,712	1, 3
	<b>Non-departmental output expenses</b>			
82,714	Restoration of State Highway 1 between Picton and Christchurch	41,912	33,460	
	<b>Non-departmental capital expenditure</b>			
350,017	Rebuild of State Highway 1 between Picton and Christchurch	71,199	126,252	
-	<b>Tuawhenua Provincial Growth Fund – transport projects MCA</b>	17,050	58,187	1, 3, 7
	<b>Non-departmental output expenses</b>			
-	Supporting regional and infrastructure projects	1,937	4,357	
	<b>Non-departmental other expenses</b>			
-	Enabling infrastructure projects	10,919	25,880	
-	Regional projects and capability	3,435	9,550	
	<b>Non-departmental capital expenditure</b>			
-	Infrastructure projects	759	11,000	
-	Rail projects	-	7,400	
<b>473,405</b>	<b>Total multi category appropriations</b>	<b>174,506</b>	<b>265,624</b>	

\*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.
9. City Rail Link Limited's annual report

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

## Details of Multi-year appropriations

	Housing Infrastructure Fund – Fair Value Write Down \$000	Housing Infrastructure Fund Loans \$000	Joint Venture Airports – Crown Contribution \$000
Commences	1 July 2018	1 July 2018	1 July 2018
Expires	30 June 2020	30 June 2023	30 June 2023
Appropriation at 1 July 2018	122,230	357,000	2,500
Increase/[decrease] in funding	-	-	-
<b>Total funding</b>	<b>122,230</b>	<b>357,000</b>	<b>2,500</b>
Cumulative expenses to 1 July 2018	-	-	-
Current year expenses	99,811	3,000	1,019
Cumulative expenses to 30 June 2019	99,811	3,000	1,019
<b>Balance of appropriation remaining at 30 June 2019</b>	<b>22,419</b>	<b>354,000</b>	<b>1,481</b>

# END-OF-YEAR PERFORMANCE





# End-of-year Performance Information

FOR THE YEAR ENDED 30 JUNE 2019

The appropriations reported in this annual report are:

## Multi-category Expenses and Capital Expenditure:

- ▶ Policy advice and related outputs [Departmental output expenses]
  - Policy advice
  - Ministerial servicing
  - Governance and performance advice on crown agencies.
- ▶ Policy advice and related outputs – Civil Aviation [Non-departmental output expenses and non-departmental other expense]
  - International relations and International Civil Aviation Organization obligations
  - Ministerial servicing – Civil Aviation
  - Policy advice – Civil Aviation.
  - Improving safety in the Aviation Sector
- ▶ Policy advice and related outputs – Maritime [Non-departmental output expenses]
  - Maritime incident response
  - Maritime safety and marine protection services
  - Policy advice – Maritime.
- ▶ Reinstatement of South Island transport corridor [Non-departmental output expense and non-departmental capital expenditure]
  - Restoration of SH1 between Picton and Christchurch
  - Rebuild of SH1 between Picton and Christchurch.
- ▶ Tuawhenua Provincial Growth Fund – Transport Projects [Non-departmental output expense, non-departmental other expenses, non-departmental capital expenses]
  - Supporting regional and infrastructure projects
  - Enabling infrastructure projects
  - Regional projects and capability
  - Infrastructure projects
  - Rail projects

## Departmental Output Expenses:

- ▶ Fuel excise duty refund administration
- ▶ Milford Sound/Piopiotaahi Aerodrome operation and administration
- ▶ Search and Rescue activity coordination Permanent Legislative Authority [PLA]
- ▶ Search and Rescue training and training coordination

## Departmental Capital Expenditure:

- ▶ Ministry of Transport capital expenditure PLA

# Multi-category Expenses and Capital Expenditure

## POLICY ADVICE AND RELATED OUTPUTS

### Financial performance

2018 Actual \$000		2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
35,282	Revenue Crown	37,934	35,448	37,934
64	Other revenue	1,050	-	947
<b>35,346</b>	<b>Total revenue</b>	<b>38,984</b>	<b>35,448</b>	<b>38,881</b>
32,398	Expenses	35,539	35,448	38,881
<b>2,948</b>	<b>Net surplus/(deficit)</b>	<b>3,445</b>	<b>-</b>	<b>-</b>

## POLICY ADVICE

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

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

### Financial performance

2018 Actual \$000		2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
30,282	Revenue Crown	32,503	30,448	32,503
64	Other revenue	1,050	-	947
<b>30,346</b>	<b>Total revenue</b>	<b>33,553</b>	<b>30,448</b>	<b>33,450</b>
27,717	Total expenses	30,190	30,448	33,450
<b>2,629</b>	<b>Net surplus/(deficit)</b>	<b>3,363</b>	<b>-</b>	<b>-</b>

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

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
On track for 2 out of 3 centres	Transport network congestion in the three largest metropolitan areas will decrease over the medium term	On track for 2 out of 3 centres*	On track
On track	New Zealand trends in port productivity will increase over the medium term	Not on track, efficiency has largely plateaued**	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
Not on track	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

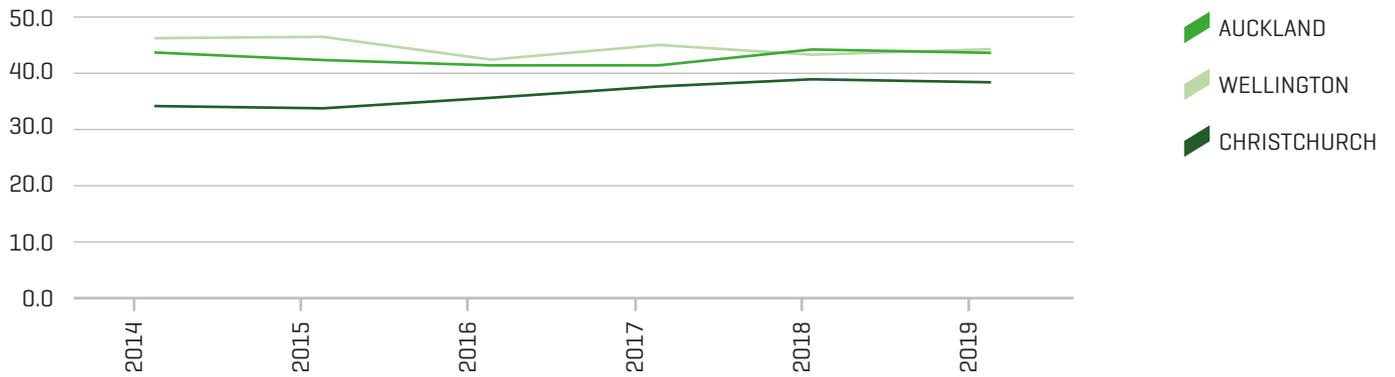
\*Transport network congestion in the three largest metropolitan areas will decrease over the medium term

\*\*New Zealand trends in port productivity will increase over the medium term

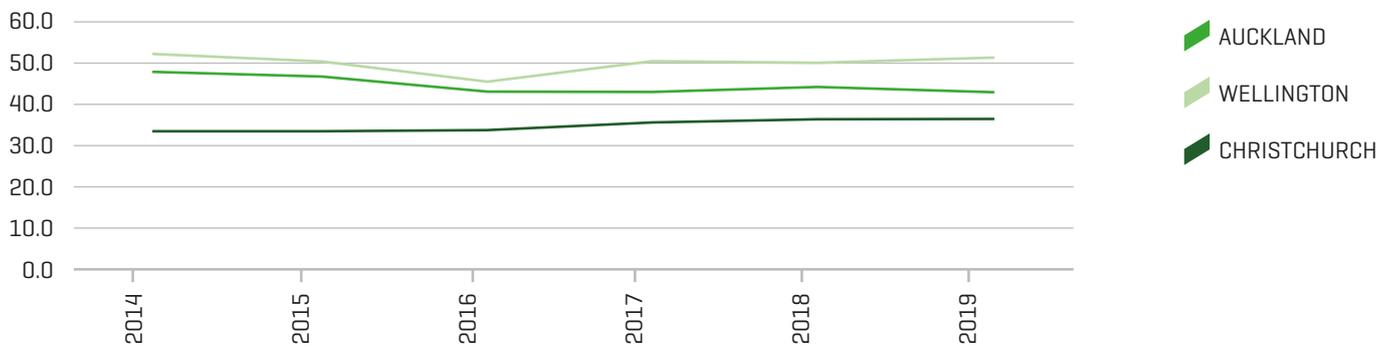
\*\*\*Fewer deaths and serious injuries within the New Zealand transport system over the medium term

\*\*\*\*There is a reduction in the rate of growth of carbon dioxide emissions from domestic transport per capita in the medium term

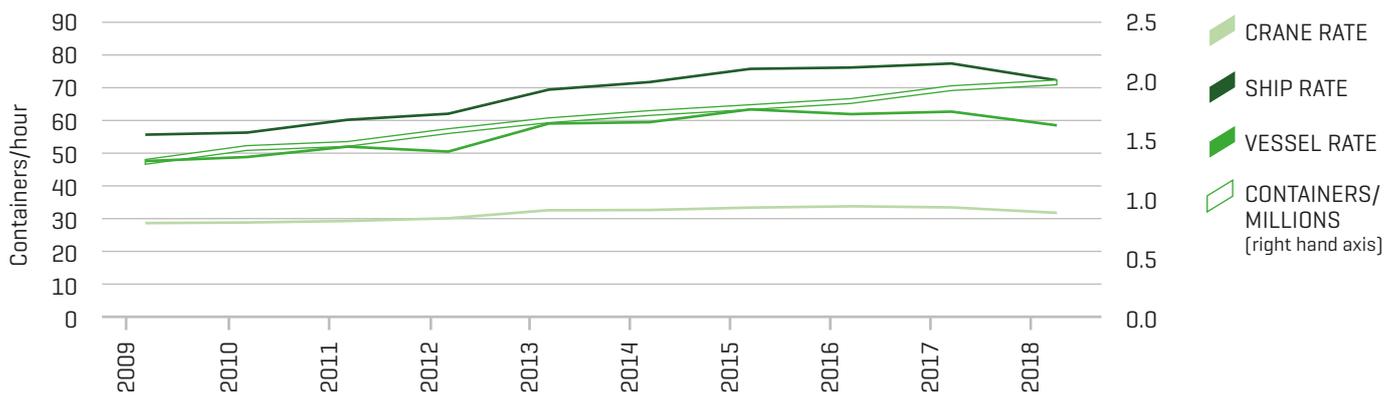
### AM peak average travel speed



### PM peak average travel speed



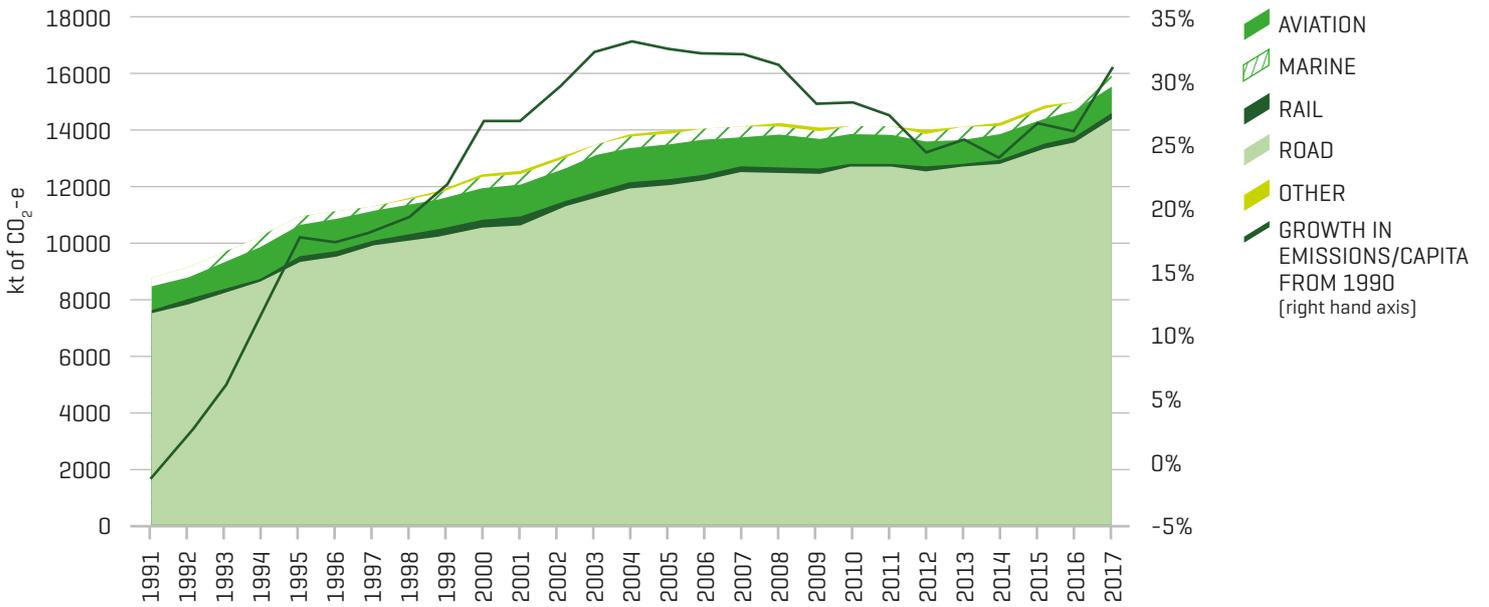
### New Zealand trends in container handling



### Deaths and serious injuries across all transport modes



### Carbon dioxide equivalent emissions ]kt of CO<sub>2</sub>-e] from domestic transport (road, rail, maritime, aviation)



## Assessment of performance against other measures for this class

2018 Actual	Performance measures	2019 Actual	2019 Standards/Targets
85%	Milestones contained in the output plan are completed as agreed, or as subsequently amended by the agreement between the Minister and the Chief Executive	76%*	95%
100%	Percentage of policy advice papers that meet the Advice Quality Characteristics [refer conditions on use of Appropriation]	100%	100%
Achieved NZIER rating of 7.2	The average assessment of the quality of Ministry policy advice is that it meets the quality criteria sufficiently for papers assessed through an annual external review of policy advice	Achieved NZIER rating of 7.2*	Achieved
Achieved	At least twice yearly revenue forecasting provided for use in Crown accounts and Budget forecasts	Achieved	Achieved
Achieved	The agreed rules programme, including variations, is delivered	Not achieved**	Achieved
71%	Satisfaction of the Minister of Transport with the policy advice service, as per the satisfaction survey	54%	75%
\$173	The total cost per hour of producing outputs [excluding outsourced costs]	\$161	\$175
Achieved	The agreed Funding Review programme, including variations, is delivered	Achieved	Achieved

\*The Ministry has taken on a number of additional, significant and high priority pieces of work since the Output Plan was agreed. We have absorbed this additional work where possible, but there has inevitably been slippage in some of the milestones and deliverables that formed part of the original Output Plan.

\*\*84% achieved in 2018/19 as part of a two-year rolling programme. The remaining 16% was deferred and resource re-assigned to complete other regulatory work that came in part way through the year, including a new land transport rule relating to rest and meal breaks.

## MINISTERIAL SERVICING

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

### Financial performance

2018 Actual		2019 Actual	2019 Budget	2019 Forecast
\$000		\$000	\$000	\$000
2,300	Revenue Crown	2,000	2,000	2,000
2,568	Total expenses	2,440	2,000	2,000
<b>(268)</b>	<b>Net surplus/(deficit)</b>	<b>(440)</b>	-	-

### Assessment of performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/Targets
38%	Percentage of draft replies to Ministerial correspondence completed within 10 working days	65%	80%
93%	Percentage of Official Information Act requests to the Ministry replied to within statutory timeframes	91%	100%
100%	Percentage of Ministerial servicing items that meet quality characteristics [refer conditions on use of Appropriation]	100%	100%

## GOVERNANCE AND PERFORMANCE ADVICE ON CROWN AGENCIES

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

### Financial performance

2018 Actual \$000		2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
2,700	Revenue Crown	3,431	3,000	3,431
2,113	Total expenses	2,909	3,000	3,431
<b>587</b>	<b>Net surplus</b>	<b>522</b>	-	-

### Assessment of performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
Achieved	Advice on transport Crown entity board appointments provided to agreed timeframes	Achieved	Achieved
Achieved	Twice yearly Ministry strategic discussions with each Crown entity Chair/Board	Achieved	Achieved
Achieved NZIER rating of 7.4	The average assessment of the quality of Ministry policy advice is that it meets the quality criteria sufficiently for papers assessed through an annual external review of policy advice	Achieved NZIER rating of 7.3	Achieved

## POLICY ADVICE AND RELATED OUTPUTS – CIVIL AVIATION MCA

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

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

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

### Financial performance

2018 Actual \$000		2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
963	Non-departmental output expenses: Policy advice	663	663	663
431	Non-departmental output expenses: Ministerial servicing	431	431	431
685	Non-departmental output expenses: International relations and International Civil Aviation Organization obligations	685	685	685
-	Non-departmental other expenses: Improving safety in Aviation sector	800	800	800
<b>2,079</b>	<b>Total</b>	<b>2,579</b>	<b>2,579</b>	<b>2,579</b>

### Assessment of performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
N/A – survey is carried out every two years	People have confidence in the safety and security of air transport in New Zealand airspace as shown by improvements demonstrated in a confidence survey (survey conducted biennially)	Maintained	Maintained
N/A – survey is carried out every two years	Percentage of resident travellers that felt extremely or very safe and secure [2017 result – 76%]	77%	75% or greater
N/A – survey is carried out every two years	Percentage of overseas travellers that felt extremely or very safe and secure [2017 result – 90%]	89%	92% or greater

## INTERNATIONAL RELATIONS AND INTERNATIONAL CIVIL AVIATION ORGANIZATION OBLIGATIONS

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

### Assessment of performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
New measure	International engagement is undertaken to contribute to the achievement of the Authority's statutory functions and objectives, and to fulfilling New Zealand's responsibilities as a member state of the International Civil Aviation Organization	Achieved	Achieved
100%	Respond to incoming ICAO State letters by due date as set by ICAO	100%	100%
New measure	Maintain alignment with existing Standards and Recommended Practices (SARPs) and consider alignment of new SARPs (to determine whether to adopt by New Zealand	Achieved	Achieved
New measure	ICAO's continuous monitoring of New Zealand maintains or improves New Zealand's effective implementation (EI) score	Achieved*	EI score the same or better than previous

\*The Authority maintained its EI score in 2018/19. While there was no on-site audit activity in 2018/19, the Authority continued to respond to a series of ICAO protocol questions

## MINISTERIAL SERVICING – CIVIL AVIATION

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

### Assessment of performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
Met expectations	Reports, correspondence and Parliamentary questions acceptable to the Minister (assessed by biannual survey) based on a scale of "exceeded expectations", "met expectations" or "requires improvement"	Met expectations	Met or exceeded expectations
100%	Percentage of reports and responses that are delivered in accordance with prescribed standards and timeframes established by the Ministry of Transport in their correspondence tracking system	100%	100%

## POLICY ADVICE – CIVIL AVIATION

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

### Assessment of performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
New measure	100% of policy advice provided to Ministers, other government departments and agencies meets Treasury and DPMC guidelines (as per section 3.2 of "Reorganisation of Appropriations for Policy Advice – Guide for Departments [Treasury 2011]" and DPMC policy guidance)	100%	100%
100%	All policy advice provided to other government departments and agencies is delivered within the timeframes requested by those departments and agencies	100%	100%

## IMPROVING SAFETY IN THE AVIATION SECTOR

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

### Assessment of performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
New measure	Percentage of HSNO (Hazardous Substances and New Organisms Amendment Act 2015) work types completed within 6 months	32%*	60%
New measure	Percentage of all HSNO work types completed within 12 months	63%	100%

\*These measures are determined from the number of work requests closed within stated periods of time since being raised. The lower than intended figure reflects the difficulty the Authority has had in recruiting HSNO inspectors.

## 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

2018 Actual \$000		2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
3,349	Non-departmental output expense: Policy advice	3,349	3,349	3,349
769	Non-departmental output expense: Incident response	801	764	838
2,078	Non-departmental output expense: Maritime safety and marine protection services	2,078	2,078	2,078
<b>6,196</b>	<b>Total</b>	<b>6,228</b>	<b>6,191</b>	<b>6,265</b>

## MARITIME INCIDENT RESPONSE

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

### Assessment of performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
Achieved 4	The number of Maritime Incident Response Team (MIRT) exercises completed	Achieved 4	4
Achieved	An annual readiness and response training plan is developed and all planned training completed	Achieved	Achieved

## MARITIME SAFETY AND MARINE PROTECTION SERVICES

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

### Assessment of performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
Achieved 99.99%	The percentage of time lighthouses are operational	Achieved 99.99%	99.8% or greater
Achieved 99.99%	The percentage of time a 24-hour Distress and Safety Radio Service is provided	Achieved 99.99%	99.8% or greater

## POLICY ADVICE – MARITIME

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

### Assessment of overall performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
Achieved	All written advice to the Minister of Transport and the Ministry of Transport meets Maritime New Zealand's quality criteria [content, form, analysis and completion by the due date]	Achieved	Achieved

## REINSTATEMENT OF THE SOUTH ISLAND TRANSPORT CORRIDORS MCA

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

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

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

### Financial performance

2018 Actual \$000		2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
82,714	Non-departmental output expenses: Restoration of State Highway 1 between Picton and Christchurch	41,912	35,000	33,460
350,017	Non-departmental capital expenditure: Rebuild of State Highway 1 between Picton and Christchurch	71,199	201,863	126,252
<b>432,731</b>	<b>Total</b>	<b>113,111</b>	<b>236,863</b>	<b>159,712</b>

### Assessment of overall performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
New measure	Percentage of activities that are delivered to agreed standards and timeframes	90%	90%
New measure	Percentage of activities that are delivered to agreed standards and timeframes	23%*	90%

\*Improvements and resilience programme behind baseline programme as a result of reprogramming to maximise efficient delivery and coordination with target outturn cost 2 variation.

## TUAWHENUA PROVINCIAL GROWTH FUND – TRANSPORT PROJECTS MCA

### Financial performance

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

2018 Actual \$000		2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
-	Non-departmental output expenses: Supporting regional and infrastructure projects	1,937	-	4,357
-	Non-departmental other expenses: Enabling infrastructure projects	10,919	-	25,880
-	Non-departmental other expenses: Regional projects and capability	3,435	-	9,550
-	Non-departmental capital expenditure: Infrastructure projects	759	-	11,000
-	Non-departmental capital expenditure: Rail projects	-	-	7,400
-	<b>Total</b>	<b>17,050</b>	<b>-</b>	<b>58,187</b>

## TUAWHENUA PROVINCIAL GROWTH FUND – TRANSPORT PROJECTS

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

### Assessment of performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
New measure	Provincial Growth Fund funding is distributed by the Ministry in accordance with the terms and conditions of its memorandum of understanding	Achieved	Achieved

## SUPPORTING REGIONAL AND INFRASTRUCTURE PROJECTS

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

### Assessment of performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
New measure	Average number of days to provide feedback on Provincial Growth Fund funding applications	20 working days*	20 working days

\*This covers the period January to June 2019 as data was not collected prior to this

## ENABLING INFRASTRUCTURE PROJECTS

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

### Assessment of performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
New measure	Average number of days to release Provincial Growth Fund infrastructure funding once approved	13 working days	20 working days

## REGIONAL PROJECTS AND CAPABILITY

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

### Assessment of performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
New measure	Percentage of regional project business cases completed to standard (Approved Organisations and Transport Agency)	100%*	90%

\*This is an interim result as final costs will not be available until September

## INFRASTRUCTURE PROJECTS

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

### Assessment of performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
New measure	Percentage of Transport Agency projects funded by the Provincial Growth Fund delivered to standards and timeframes	Not applicable*	90%

\*No PGF-funded Transport Agency projects were due for completion during the 2018/19 year

## RAIL PROJECTS

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

### Assessment of performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
New measure	Work is carried out as per the agreed programme	Not applicable*	100%

\*There were no equity drawdowns from the PGF in 2018/19 for rail-related projects due to delays in finalising the funding agreement

# Departmental Output Expense

## FUEL EXCISE DUTY REFUND ADMINISTRATION

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

### Financial performance

2018 Actual \$000		2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
703	Revenue Crown	679	679	679
116	Other revenue	111	120	120
<b>819</b>	<b>Total revenue</b>	<b>790</b>	<b>799</b>	<b>799</b>
819	Total expenses	790	799	799
-	<b>Net surplus</b>	-	-	-

### Assessment of performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
New measure	Average number of days to deliver	Achieved 16.1 days	Within 20 working days

## MILFORD SOUND/PIOPIOTAHU AERODROME OPERATION AND ADMINISTRATION

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

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

### Financial performance

2018 Actual \$000		2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
351	Other revenue	325	325	388
335	Total expenses	349	325	388
<b>16</b>	<b>Net surplus/(deficit)</b>	<b>[24]</b>	<b>-</b>	<b>-</b>

### Assessment of performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
100%	The aerodrome operation will conform with appropriate Civil Aviation Authority safety requirements	100%	100%
Achieved	Operating costs within third-party revenue	Achieved	Achieved

## SEARCH AND RESCUE ACTIVITY COORDINATION PLA

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

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

### Financial performance

2018 Actual \$000		2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
2,425	Revenue Crown	2,706	2,350	2,706
2,069	Total expenses	2,645	2,350	2,706
<b>356</b>	<b>Net surplus</b>	<b>61</b>	<b>-</b>	<b>-</b>

### Assessment of performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
100%	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	93%	95% or higher
100%	Survey results show that the New Zealand search and rescue sector is satisfied with the delivery of effective leadership and strategic coordination	90%	95% or higher

## SEARCH AND RESCUE TRAINING AND TRAINING COORDINATION

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

### Financial performance

2018 Actual \$000		2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
-	Other revenue	348	-	800
-	Total expenses	348	-	800
-	<b>Net surplus</b>	-	-	-

### Assessment of performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
New measure	Percentage of planned search and rescue training courses that are delivered	80%	80%

# Departmental Capital Appropriation

## MINISTRY OF TRANSPORT – CAPITAL EXPENDITURE PLA

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

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

### Financial performance

2018 Actual \$000		2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
-	Ministry of Transport – capital expenditure PLA	939	2,105	920

### Assessment of performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
100%	Expenditure is in accordance with the Ministry's capital expenditure plan and asset management plan	100%	100%

# INDEPENDENT AUDITOR'S REPORT



# Independent Auditor's Report

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

FOR THE YEAR ENDED 30 JUNE 2019

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

- ▶ the financial statements of the Ministry on pages 29 to 45, that comprise the statement of financial position, statement of commitments, and statement of contingent assets as at 30 June 2019, 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 2019 on pages 62 to 78;
- ▶ the statement of budgeted and actual expenses and capital expenditure incurred against appropriations of the Ministry for the year ended 30 June 2019 on pages 57 to 60; and
- ▶ the schedules of non departmental activities which are managed by the Ministry on behalf of the Crown on pages 46 to 56 that comprise:
  - the schedules of assets; liabilities; commitments; and contingent liabilities as at 30 June 2019;
  - the schedules of expenses; and revenue and receipts for the year ended 30 June 2019; 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 29 to 45:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2019; 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 Benefit Entity Reporting Standards.
- ▶ the performance information of the Ministry on pages 62 to 78:
  - presents fairly, in all material respects, for the year ended 30 June 2019:
    - what has been achieved with the appropriation; and
    - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
  - complies with generally accepted accounting practice in New Zealand.
- ▶ the statement of budgeted and actual expenses and capital expenditure incurred against appropriations of the Ministry on pages 57 to 60 is 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 46 to 56 present fairly, in all material respects, in accordance with the Treasury Instructions:
  - the assets; liabilities; commitments; and contingent liabilities as at 30 June 2019; and
  - expenses; and revenue and receipts for the year ended 30 June 2019.

Our audit was completed on 30 September 2019. 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 Secretary for Transport 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 Auditor General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing [New Zealand] issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

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

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

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

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

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

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

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

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

### Responsibilities of the auditor for the information to be audited

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

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

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Ministry's 2018-2022 statement of intent, the relevant Estimates and Supplementary Estimates of Appropriations 2018/19, and the forecast financial figures in the Ministry's 2017/18 Annual Report.

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

### **Other information**

The Secretary for Transport is responsible for the other information. The other information comprises the information included on pages 3 to 82, 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.

In addition to the audit, we have been engaged to provide independent assurance over the process to seek and evaluate two proposals for the delivery of light rail in Auckland. Other than in our capacity as auditor, we have no relationship with, or interests, in the Ministry.



### **Clint Ramoo**

Audit New Zealand

On behalf of the Auditor General  
Wellington, New Zealand

# REPORT IN RELATION TO ADDITIONAL NON-DEPARTMENTAL APPROPRIATIONS





# Report in Relation to Additional Non-departmental Appropriations

FOR THE YEAR ENDED 30 JUNE 2019

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

## **Foreword**

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

### **Non-departmental output expenses:**

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

### **Non-departmental other expenses:**

- Housing Infrastructure Fund – fair value write down MYA

### **Non-departmental capital expenditure**

- Joint venture airports – Crown contribution MYA

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



**Hon Phil Twyford**  
Minister of Transport

# Non-departmental Output Expense

## SEARCH AND RESCUE AND RECREATIONAL BOATING SAFETY ACTIVITIES PLA

This appropriation funds activities undertaken by several bodies.

### Maritime New Zealand

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

Maritime New Zealand uses this funding to promote awareness of recreational boating safety and to maintain capability for the Rescue 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 organisations to ensure their ongoing viability at acceptable performance levels for search and rescue activity.

The funding paid to each body in 2018/19 is shown below.

	\$000
<b>Crown entities</b>	
Maritime New Zealand	6,361
<b>Sub-total</b>	<b>6,361</b>
<b>Annual funding under a service-level agreement</b>	
Coastguard New Zealand	2,440
LandSAR New Zealand	1,085
Surf Life Saving NZ	200
Mountain Safety Council NZ	150
Amateur Radio Emergency Communications	65
<b>Sub-total</b>	<b>3,940</b>
<b>Total</b>	<b>10,301</b>

### Financial performance

2018 Actual \$000		2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
9,714	Non-departmental output expenses: Search and rescue and recreational boating safety activities PLA	10,301	9,564	10,301

Funding increased by \$0.737 million due to \$0.554 million anticipated additional search and rescue costs and \$0.183 million carried forward from 2017/18 for the development and production of new recreational boating campaign materials launched for the 2018/19 summer recreational boating season.

## Assessment of performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/Targets
100%	Delivery of the national search and rescue support programme agreed by the New Zealand Search and Rescue Council with the providing bodies	100%	100%
55.01%	The percentage of New Zealanders who recall boating safety messaging [as gauged by survey]	54%	60% or greater
	<b>Develop and maintain Service Level Agreements with key providers in the Search and Rescue community. Key agreement measures are:</b>		
100%	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%
95%	Participation in joint Search and Rescue exercises	100%	100%
100%	Provision of Search and Rescue related information	100%	100%
90%	Coordinate National Search and Rescue training and education to improve interagency cooperation and understanding	95%	90%

## WEATHER FORECASTS AND WARNINGS

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

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

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

## Financial performance

2018 Actual \$000		2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
23,437	Non-departmental output expenses: Weather forecasts and warnings	23,949	23,949	23,949

No changes were made to the weather forecasts and warnings budget through the 2018/19 Supplementary Estimates.

## Assessment of performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/Targets
Achieved	Provision of agreed services	Achieved	As per contract
Achieved 93%	Minimum percentage of forecasts of severe-weather events which successfully predicted the event [probability of detection]	93%	Greater than 93%
Achieved 12%	Maximum percentage of forecasts of severe-weather events which are subsequently found to be false alarms [false alarm ratio]	8%	Less than 25%
Achieved	Provision of new services	No new services	As agreed between MetService and the Ministry

# Non-departmental Other Expenses

## HOUSING INFRASTRUCTURE FUND – FAIR VALUE WRITE DOWN MYA

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

### Financial performance

2018 Actual \$000	2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
- Non-departmental other expenses: Housing Infrastructure Fund – fair value write down MYA	99,811	-	122,230

### Assessment of overall performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
New measure	Fair-value write down of interest-free loans is recognised in accordance with accounting standards for every interest free loan from the Housing Infrastructure Fund to the New Zealand Transport Agency	Achieved	Achieved

# Non-departmental Capital Expenditure

## JOINT VENTURE AIRPORTS – CROWN CONTRIBUTION MYA

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

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

- Taupō
- Westport
- Whakatāne
- Whanganui
- Whangarei.

New Plymouth airport was sold on 1 July 2017.

2018 Actual \$000		2019 Actual \$000	2019 Budget \$000	2019 Forecast \$000
-	Non-departmental capital expenditure: Joint venture airports – Crown contribution MYA	1,019	-	500

### Assessment of overall performance

2018 Actual	Performance measures	2019 Actual	2019 Standards/ Targets
100%	Percentage of compliance with the joint venture agreements with the airports	100%	100%

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Ministry of Transport  
TE MANATŪ WAKA