

ANNUAL REPORT








2017 – 2018



The Ministry's
purpose is to enable
New Zealanders
to Flourish



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CHIEF EXECUTIVE'S INTRODUCTION



We know that our
work is critical to the
daily lives of people

Tēnā koutou katoa,

The Ministry of Transport has experienced an exciting 12 months. Our organisational change took place in October 2017, and this has positioned us well to lift our sights to the big priorities for the transport sector.

Our overall purpose is to have a transport system that enables New Zealanders to flourish. To do this, we need to look at all modes of transport as part of a whole system that connects New Zealanders, and contributes to wellbeing and liveability – this is why we have restructured the Ministry so that teams are no longer mode-based but can operate across all parts of the system.

Our mode-neutral focus is reflected in our new outcomes framework for the transport sector (see page 9). The Ministry has worked with stakeholders across New Zealand to develop five connected outcomes that collectively will deliver on New Zealanders' aspirations. These outcomes are: inclusive access, economic prosperity, healthy and safe people, environmental sustainability, and resilience and security.

These outcomes form the core of what the Ministry does. We are working closely with our Crown Entity partners to develop strategic work programmes that will guide the sector to achieve these outcomes.

The Government Policy Statement on land transport 2018 (GPS 2018) also reflects this shift towards a system-wide approach through four clear priorities: a safer transport network free of death and injury, accessible and affordable transport, reduced emissions, and value for money.

This new approach requires a shift in transport investment. GPS 2018 includes increases to most activity classes, with specific focus on regional roading improvements, state highway maintenance and public transport, along with new investment in rapid transit and rail.

The revitalisation of the rail network is also being made possible by options for funding from the Provincial Growth Fund. We are working closely with KiwiRail to enable this.

I am excited by the work we are doing to support the growth and development of Auckland, improving the city's liveability through a range of programmes, including the Auckland Transport Alignment Project (ATAP), development work on light rail, the introduction of the regional fuel tax for Auckland, and collaborating with local and central government on urban development.

The next 18 months will be challenging as we continue to progress wellbeing and liveability for all New Zealanders. We know that our work is critical to the daily lives of people in New Zealand and to the success of New Zealand businesses. We are committed to making these connections, fulfilling our role, and providing the advice the Government needs.

Peter Mersi

Chief Executive, Ministry of Transport

THE MINISTRY OF TRANSPORT



The Ministry provides
leadership and
stewardship of the
transport system



What the Ministry of Transport does

In 2017, the Ministry identified a new purpose – ‘enabling New Zealanders to flourish’. A flourishing New Zealand requires a transport system that provides for healthy and safe people, resilience and security, inclusive access, economic prosperity and environmental sustainability.

The Ministry sets the long-term strategies to enable this to happen. We assess the trends occurring within New Zealand and overseas, we model key outcomes, we research and evaluate, and we work to understand the use of new technologies for transport. We work closely with a range of agencies across Government where we have common outcomes – for example, work on economic development, and climate change.

Informed by this, we advise ministers and develop policies to advance the broad set of outcomes that transport can shape and influence.

To achieve our purpose, the Ministry works in three ways:

Providing clear leadership and influence

The Ministry provides 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 the Government to set and explain the strategic direction for the transport system and its inter-relationship with other systems. We also engage with our international counterparts, and with 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.

Signalling investment and revenue priorities

The Ministry advises the 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. We do this through the investment signals set out in the Government Policy Statement on land transport, through providing advice on appropriate funding mechanisms to deliver outcomes, and through providing advice on funding across all transport sectors, including maritime, aviation, rail, and search and rescue.

Undertaking our stewardship responsibilities

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 the transport Crown entities on a regulatory stewardship work programme, which is aimed at ensuring the transport regulatory system is fit for purpose and forward leaning.

As part of our stewardship responsibilities we also monitor the transport Crown entities [see next page] and a variety of other Government owned transport assets including the Joint Venture Airports to ensure they are meeting system objectives. The role is set out in section 27A of the Crown Entities Act. In its monitoring role, the Ministry aims to support the entities to improve performance while not prejudicing its primary role as agent and trusted adviser to the Minister.

In addition to performance monitoring, the Ministry provides advice and assists the Minister with appointments to the Crown entity boards, setting and clarifying expectations for each entity, and reviewing the performance of the boards overall.

The New Zealand Government Transport Sector

Minister of Transport and Associate Ministers of Transport



Ministry of Transport
TE MANATŪ WAKA

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)

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.



(independent Crown entity)

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 2017 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.

The Ministry of Transport's strategic intentions

During 2017/18, the Ministry developed a new transport Outcomes Framework, which was incorporated in draft form in the Ministry's 2018–2022 Statement of Intent (SOI), published in May. This Annual Report presents our performance in the context of this SOI.

Transport Outcomes Framework

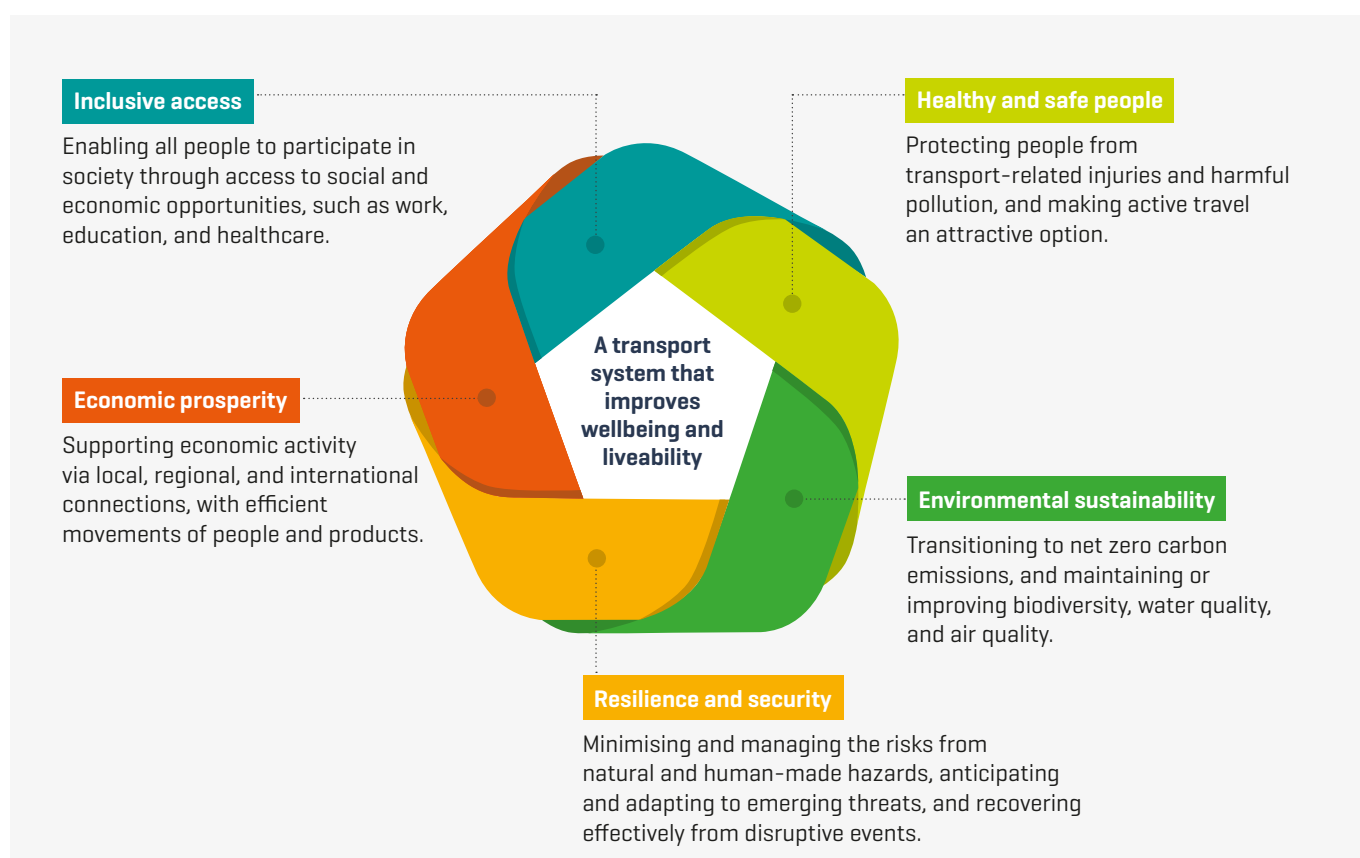
The way that government designs, develops, and manages the transport system has major impacts—not just on how people and products travel, but on many other outcomes. For example, transport affects our health, social development, economic prosperity, global connectivity, the liveability of our towns and cities, and the quality of our environment. Government therefore needs to take a strategic and integrated approach to transport.

In early 2018 the Ministry led the development of an outcomes framework. This gives direction to the transport system, with a high level purpose of improving wellbeing and liveability. It sets out five connected outcomes to collectively deliver on New Zealanders' aspirations. These outcomes are: inclusive access, economic prosperity, healthy and safe people, environmental sustainability, and resilience and security.

The framework also identifies a guiding principle of mode neutrality. All transport modes should be considered when planning, regulating, and funding transport, and decisions should be based on the merits of modes for delivering positive outcomes.

We recognise that we will sometimes need to make trade offs between different outcomes. However, at all times we should seek to optimise the benefits across all outcomes.

Many stakeholders in the transport sector and across government were involved in developing the framework. It has strong support among transport agencies. The emphasis on improving wellbeing is also consistent with the new Living Standards Framework that Treasury is developing.



In 2018/19 the Ministry is developing a set of indicators to measure and track progress in each outcome area.

MINISTRY OF TRANSPORT PRIORITIES



The Minister of Transport
has seven priorities for
the transport sector







Work carried out in 2017/18 against priorities

1. Delivering a mode neutral transport system to provide a more sustainable New Zealand

We will work to ensure that decisions made for the transport system, particularly for freight, consider the potential contribution of all modes. We will promote a sustainable transport system across all modes. The Government Policy Statement on land transport (GPS) will be a key lever to set the frame for investment and funding decisions to be mode neutral.

Mode neutrality means considering all transport modes when planning and investing, and basing decisions on the merits of each mode to deliver positive social, economic and environmental outcomes.



Government Policy Statement on land transport 	<p>The Government Policy Statement on land transport (GPS) 2018 was released on 28 June 2018. The GPS sets out the Government's priorities for expenditure from the National Land Transport Fund over the next 10 years. GPS 2018 represents a change in direction. Developed across November 2017 – June 2018, GPS 2018 reflects the Government's focus on developing a modern, safe, efficient, clean, and resilient transport system that supports liveable cities and businesses, with transport choice.</p> <p>There was considerable public involvement in the development of GPS 2018, with 924 submissions received following the release of the draft GPS and a public engagement process (including a national Transport Summit, regional forums and meetings with key stakeholders). GPS 2018 referenced a possible second stage to GPS 2018. A decision will be taken in early 2019 as to whether this is required. The next in-cycle GPS, GPS 2021, is at the early stages of development.</p>
Freight (including rail and coastal shipping) 	<p>In taking forward the Government's ambitions for freight transport and mode neutrality, the Ministry has been engaging with the freight industry over the past 6 months. The aim of this was to understand the factors that influence the transport choices of consumers, producers and carriers of domestic freight. Alongside the Ministry's wider work, the outputs of this engagement will help inform the Government's approach to transport strategy and policy to increase the role of rail and coastal shipping in the freight task.</p>
Rail 	<p>The Future of Rail Programme is being led by the Ministry, with support from the Treasury, the NZ Transport Agency and KiwiRail. A working group has been established to deliver advice to Ministers in September with a concluding report expected by the end of the year. We prepared advice to the Minister of Transport on the role and value of rail in a multi-modal transport system, including the key issues and opportunities for rail.</p>
Public Transport Operating Model 	<p>The Public Transport Operating Model (PTOM) is being implemented through a combination of operational and legislative changes. The legislative components of the model were established in the Land Transport Management Amendment Act 2013 which came into force on 13 June 2013.</p> <p>The Ministry provided advice at the end of 2017 on the initial effects of the public transport operating model on wage rates and driver conditions. Early indications showed that there had been some improvements in the quality of public transport services without significant cost increases. We then commissioned research by Allen & Clarke in May 2018 to explore PTOM's effects on driver wages and conditions in more detail. This report is due towards the end of 2018.</p>
Household Travel Survey 	<p>Initial results for 2015-2017 for the New Zealand Household Travel Survey (HTS) have been released, providing a valuable evidence base about how, when, where and why people in New Zealand travel. The contract has been rolled over for an additional year (2018/19).</p> <p>A NZ Transport Agency research project has investigated the suitability of using HTS data to update regional and local transport models, and from this work, several organisations have started proceedings to use the Household Travel Survey contract, which enables regional councils to engage and purchase expanded sample households under the same umbrella contract in their local areas in 2018/19.</p> <p>After lessons learned over the previous 3 years, the survey will switch from a 7 day travel diary to a 2 day travel diary, with the option of GPS based memory jogger for 2018/19 onwards.</p>
Outcomes Framework 	<p>A key achievement for 2017/18 was the development of a transport outcomes framework. This is a critical step towards our goal of improving our system leadership role, and taking a more strategic approach to transport in New Zealand. The outcomes framework recognises that transport is about more than simply moving people and goods. Transport exists to make our lives better.</p> <p>The outcomes framework is designed to capture this idea in a way that can give direction to the transport system on how it can contribute to broader social and economic outcomes. The framework establishes a high level purpose of improving wellbeing and liveability. It sets out five connected outcomes which need to be met as a whole – inclusive access, economic prosperity, healthy and safe people, environmental sustainability, and resilience and security.</p>

2. Delivering liveable cities



We will work across government to ensure transport supports the broader housing and urban development agenda. This includes ensuring that revenue, planning and investment settings in transport are aligned with other agendas and contribute to broader Government priorities.

We will work with our urban centres to ensure transport is an enabler of good urban design and allows for greater, mode neutral, integrated and connected transport choices. We will support the movement of more people to public transport (including rail), walking and cycling, and integrate with urban planning to shape highly liveable cities.

Although the examples below relate mainly to Auckland, we are working to develop good policy across all of our major urban areas.

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. Light rail proposals form part of Auckland's strategic public transport network (bus, rail and light rail) agreed through the Auckland Transport Alignment Project (ATAP).

The Ministry has led development of advice on how to accelerate delivery of light rail transit. In addition to advice on a new Rapid Transit Activity Class in the Government Policy Statement on land transport 2018, the Ministry has prepared a Cabinet paper that secured Cabinet agreement to Auckland's Rapid Transit Network Programme, including acceleration of the City Centre to Airport line.

The Congestion Question Project



We progressed the cross-agency Congestion Question Project that is investigating whether to introduce congestion pricing in Auckland, and if so what it should look like. The Phase 1 report was delivered in November 2017 setting out baseline data, an assessment of successful and unsuccessful international congestion pricing initiatives, and an evaluation framework.

Cabinet and Auckland Council agreed to progress to the next phase of the project looking at potential options for congestion pricing and narrowing these down for more in-depth analysis. Phase 2 includes considering the social and equity impacts of pricing and how these could be mitigated. The Ministry is playing a key role in this work leading the governance and steering groups and overseeing the project management.

Regional Fuel Tax



The Ministry delivered on a key government priority – having a regional fuel tax in Auckland in place on 1 July 2018. The purpose of a regional fuel tax is to raise revenue for transport projects that would otherwise be delayed or not funded. As this is a new transport funding tool, the work required amending the Land Transport Management Act 2003, putting in place regulations to assist the NZ Transport Agency to carry out new operational functions and, through Order in Council, specifying the transport projects in Auckland that would be funded with the revenue.

The policy and legislative work was delivered on an accelerated schedule and subject to tight timeframes. Despite this, there was significant public involvement, for example the Finance and Expenditure Select Committee received 520 submissions on the proposed changes to the legislation. The project, led by the Ministry, required close collaboration with a number of agencies, in particular the NZ Transport Agency and Auckland Council, but also engagement with a wide range of stakeholders including fuel distributors, who are liable to pay the tax, and the major fuel user groups.

2. Delivering liveable cities, continued

Auckland Transport Alignment Project



The Ministry led the cross-agency work on ATAP to develop a \$28 billion package of transport investments for Auckland for 2018-2028. As part of this we supported the Mayor of Auckland and the Minister of Transport to achieve agreement across Government and Auckland Council with the ATAP package being formally endorsed by both in May 2018. We produced a public-facing report and engaged with a broad range of Auckland stakeholders, supporting the Minister to host a successful event.

The package was well-received and has translated into the Auckland Regional Land Transport Plan and guided the projects to be funded from the Regional Fuel Tax. ATAP accelerates the delivery of Auckland's rapid transit network, with the aim of unlocking urban development opportunities. It encourages walking and cycling, invests in public transport, commuter and freight rail, and funds road improvements. It is a transformative plan for Auckland's transport system. See a snapshot of this package below.

Committed projects

- ▶ City Rail Link
- ▶ Puhoi-Warkworth motorway
- ▶ Additional electric trains
- ▶ Manukau-Papakura motorway widening
- ▶ Northern corridor improvements and Northern busway extension to Albany.

New projects

- ▶ Light rail [City-Airport and Northwest corridor], initial investment to leverage further funding
- ▶ Eastern busway [Panmure-Botany]
- ▶ Airport-Puhinui state highway upgrade, bus/rail interchange and bus priority improvements [part of the broader Airport-Botany rapid transit corridor]
- ▶ Lower cost East West Link
- ▶ Pukekohe electrification, third main Westfield-Wiri and further new electric trains
- ▶ Papakura-Drury motorway widening
- ▶ Mill Road [first phase]
- ▶ Penlink toll road and Albany-Silverdale bus improvements
- ▶ Significant safety programme
- ▶ Enhanced walking and cycling, bus priority and network optimisation programmes
- ▶ New infrastructure to enable greenfield growth.



3. Ensuring that transport supports regional development outcomes

We will work to ensure that people living in the regions get access to real economic opportunities, enabled by appropriate investment in transport. Sometimes these investments may be to create the conditions for the private sector to justify their own investment in a region. The intention is to see beneficial, cost-efficient and sustainable investments to achieve our priority outcomes.

The transport system enables all regions to take advantage of their unique strengths, by connecting people and businesses with domestic and international markets.

Tuawhenua Provincial Growth Fund



The Tuawhenua Provincial Growth Fund (PGF) was launched in February 2018. The Ministry is continuing to provide advice to the Provincial Development Unit and relevant PGF decision makers on transport projects that are submitted for PGF funding. The Ministry is also leading the North Auckland Line (NAL) business case, a key project being funded under the PGF. We have developed the principles and expectations for transport related projects that should be funded out of the PGF.

A number of transport projects have been announced to be funded through the PGF; in addition to the NAL business case they include:

- Waipapa Intersection Improvement
- Gisborne Inner Harbour Project
- SH43 Business Case Development (Single Stage)
- Wairoa to Napier Railway
- Rail Freight Opportunities - Whanganui Rail Upgrade
- Rail Freight Opportunities - Kawerau/Murupara
- Rail Freight Opportunities - New Plymouth Eastgate
- Rail Freight Opportunities - South Port.

Upper North Island Supply Chain Study



An independent working group has been established, supported by the Ministry of Transport, to review New Zealand's freight and logistics sector for the Upper North Island, including ports, and to develop an understanding of the Upper North Island supply chain.

The work was publicly announced in February 2018, and the Cabinet paper and Terms of Reference were released. An internal project manager was engaged, as well as a group of internal staff to support the independent working group. An external contractor was also brought on board to assist with stakeholder engagement and the development establishment and management of the work programme.

A shortlist of preferred candidates for the independent working group was established and the appointment process was undertaken.

Analytics and modelling



The Ministry has established a team dedicated to analytics and modelling, underpinning the Ministry's policy development and enhancement of the evidence base, which is a direct response to the Performance Improvement Framework (PIF) review, carried out by the State Services Commission in 2017. The Analytics and Modelling team is developing and improving our available evidence base, encouraging policy teams to both link to sector agencies and utilise existing models, ensuring not to duplicate efforts in the analytics across the transport sector.

The team's main effort is in support of policy teams within the Ministry, but it has also developed information available to all New Zealanders. Work undertaken in 2017/18 has included publishing analytics and information across the transport sector, producing a Transport Outlook: Future State looking out 25 years, a transport dashboard, and responding to PIF recommendations relating to the strengthening of the transport sector's analytical capability.

Regional airport ownership work



The Ministry has started work to evaluate the role of regional airports and air services in the transport system. This work will result in the development of a framework to measure the economic contribution of airports. This framework will allow any central government investment to be strategically targeted to the areas and types of investment that will generate maximum benefit.

4. Transitioning New Zealand to a low carbon future

We will work to reduce carbon emissions from transport by substantially increasing the use of lower emissions modes, such as walking and cycling, frequent and affordable public transport, rail and sea freight. We will also encourage uptake of low emissions options, like electric vehicles and bio-fuels, and participate in international negotiations to reduce the impact of international air and maritime emissions. The transport system is positioned to meet the target for New Zealand to be carbon neutral by 2050, through ongoing reductions in greenhouse gases.

Moving to a low emissions vehicle fleet



The Government has progressively introduced measures to reduce the health and environmental impacts of vehicle emissions in New Zealand. The Ministry engaged with Ministers on pathways to lower emissions, leading to approval to proceed with a package of measures to transition to a low emissions vehicle fleet. We also provided input into zero-carbon legislation that establishes an independent climate change commission.

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 developing a low emissions vehicle programme [see above], which will encourage the uptake of electric vehicles. Registered electric vehicles have reached over 9,000, surpassing the target of 8,000 for 2018. We organised and chaired the Electric Vehicles Programme Leadership Group meeting in July.

Carbon Offsetting and Reduction Scheme for International Aviation



Under the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), aircraft operators will be required to purchase offsets, or "emission units", for the growth in CO₂ emissions covered by the scheme. CORSIA aims to address any annual increase in total CO₂ emissions from international civil aviation above 2020 levels. New Zealand agreed to participate in CORSIA from 2021.

The Ministry has been preparing ahead of the monitoring, reporting and verification stage of CORSIA, which will commence from 1 January 2019. This work has included:

- ▶ Reviewing and providing comments on behalf of New Zealand on the draft Standards and Recommended Practices.
- ▶ Developing a Memorandum of Understanding with Air New Zealand to establish a data collection process for the start of 2019.
- ▶ Participating in an International Civil Aviation Organisation regional seminar on CORSIA to identify the required actions needed to successfully implement the emissions reductions scheme.
- ▶ Committing to a capacity building and outreach plan to assist Pacific Island states in implementing CORSIA.

Marine Pollution (MARPOL Annex VI)



The Ministry has been working on MARPOL Annex VI and will shortly be consulting with the public to determine whether or not New Zealand should accede to this Annex. MARPOL Annex VI addresses two main issues with respect to shipping emissions:

- ▶ human health and local environments (including limits of sulphur oxide and nitrogen oxide emissions); and
- ▶ greenhouse gas emissions (primarily carbon dioxide [CO₂])

International Maritime Organization intersessional meeting on greenhouse gases and Maritime Environment Protection

The Ministry participated in the International Maritime Organization meetings that resulted in the development of a strategy for shipping emissions. The strategy presents a clear and unambiguous signal for the shipping industry to phase out greenhouse gas emissions altogether.

The strategy also keeps open the possibility of further increasing the level of ambition to bring emission reductions into line with the Paris Agreement's temperature goals, i.e. to stay well under 2°C below pre-industrial levels and pursue efforts to stay below 1.5°C.



5. Enabling affordable and easy access to allow all New Zealanders to make the most of opportunities

We will work to ensure that our transport system provides all New Zealanders with affordable and easy access to economic and social opportunities, and integrate with other priorities including urban planning and cleaner modes of transport, to create healthier, safer and more equitable living choices.

Urban Growth Agenda - Transport Infrastructure Funding & Financing



The purpose of the Urban Growth Agenda is to achieve competitive urban land markets, where supply meets demand and prices cover the cost of growth. The Ministry is providing advice on the Urban Growth Agenda, including transport and infrastructure funding and financing, as part of cross-agency work, with the Ministry for the Environment and the Ministry of Business, Innovation and Employment.

We have ensured that transport is incorporated in the advice provided under the Funding and Financing Pillar led by Treasury and the Pro-growth Planning Pillar led by the Ministry for the Environment. We have also participated in Spatial Planning Pillar work on the Auckland Plan and the Hamilton – Auckland corridor planning, led by the Ministry of Business, Innovation and Employment.

The Transport Pricing Pillar, which has been developed collaboratively with Auckland partners, has reported on international and local pricing lessons, identified criteria for assessing options, and developed a 'long-list' of pricing options. Work is progressing on a short-list of options, which includes commissioning research on the social and distributional impacts of pricing.

Enhancing transport accessibility



The Ministry has outlined 'inclusive access' in its outcomes framework, which articulates that we are seeking to enable all people to participate in society through access to social and economic opportunities, such as work, education, and healthcare.

The Ministry has contributed to the 2014–2018 Disability Action Plan June 2018 Progress Report, which outlines that the Ministry is investigating what data is already available on an ongoing basis, regarding the trips made on public transport by those with a disability, and looks at how we can use this more effectively to measure people's accessibility. The Ministry has also been involved in developing a new Disability Action Plan and associated Disability Strategy. In addition to this, we have contributed to a report on New Zealand's compliance with the United Nations Convention on the Rights of Persons with Disabilities, and have attended the Chief Executives' Group on Disability Issues.

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. The Ministry and transport agencies are developing an International Engagement Strategy, which will enable them to engage strategically to advance New Zealand's key interests and ensure that New Zealand is not disadvantaged by regulations agreed to by these organisations.

The Ministry negotiated new air services agreements with Kiribati, Jordan, Morocco, and Slovenia. These agreements enable better access to markets and travel for New Zealanders.

6. Delivering a transport system which is resilient, safe to use and manages and promotes health and other social benefits

We will focus on delivering a transport system that is resilient, secure, safe to use, and promotes health and other social benefits.

The transport system is designed to manage the risks of natural and human-made disruptive events, to cope with shocks and stresses, and to swiftly recover from disruption. It encourages physically active travel and protects people from transport-related injuries, harmful pollution and deaths.

<p>Road Safety Strategy</p> 	<p>The Ministry is working across the sector to lead the development of a new road safety strategy. This addresses a commitment to putting safety at the heart of all decision-making in transport so that our city streets, rural roads and state highways are more forgiving. In 2017/18, the Ministry:</p> <ul style="list-style-type: none"> ▶ Established the programme and defined the overall approach and plan for the development of the strategy and action plan. ▶ Established governance arrangements for the programme and held initial governance meetings with the National Road Safety Committee and the Road Safety Ministerial Advisory Group, who endorsed the approach and plan. ▶ Undertook preparation for the next phase of the programme, setting up a number of reference groups to investigate current road safety issues and identify appropriate approaches to reducing these. This work will involve stakeholder groups as well as local and central government agencies.
<p>Strategic resilience and security</p> 	<p>The Ministry is continuing to work across the sector on a transport resilience strategic framework. The work covers all transport modes, and is designed to provide a high-level framework setting out clear objectives, key focus areas and actions that the Ministry and transport agencies will focus on to improve the resilience of the transport system.</p>
<p>Kaikoura earthquake recovery</p> 	<p>The Ministry facilitated regular oversight group meetings, and agreed to the continuation of this oversight group. This provides ongoing support for the recovery work.</p>



7. Ensuring investment and regulatory settings further government priorities

The Ministry will ensure that investment, regulatory and international settings further the Government's transport and wider priorities. The regulatory environment will be sufficiently flexible to quickly respond to emerging business models.

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. In its monitoring role, the Ministry advises and assists the Minister with appointments to each board, helping to set and clarify expectations for each entity, and reviewing the performance of the board and the Crown entity overall.

MetService

We commenced a review of our contract with MetService, and commissioned a report on the economic value provided by this contract. [The contract is for MetService to provide weather warnings and forecasts for New Zealand that enables us to meet our international obligations.]

Transport Sector Funding Review Programme



The Ministry has a role in ensuring transport agencies have the necessary resources to perform the role the system expects of them. We have supported the NZ Transport Agency Rail Safety Regulator, the Aviation Security Service and Maritime New Zealand as they have progressed funding reviews throughout 2017/18 and provided advice to Ministers on these reviews. We have provided guidance to the Transport Accident Investigation Commission.

In 2017/18 we have also been working with the NZ Transport Agency to plan their future schedule of funding reviews and will be developing these into the Transport Sector Funding Review Programme in 2018/19.

Evaluation Strategy and Programme



The Ministry is building its internal capability for evaluation, including developing an Evaluation Strategy and an associated Evaluation Programme. These documents coordinate with other related planning documents to prioritise resource for key projects, and support these with robust and appropriate evaluation. The ultimate aim is to provide best quality advice to decision makers on the effectiveness of interventions.

As the necessary evaluation capability develops and matures, the Ministry will seek to more widely engage across the sector, to more fully embed monitoring and evaluation as a fundamental part of the transport evidence base.

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, and 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.

Work completed in 2017/18 included:

- Achievement of the 2017/18 Rules Programme in line with expectations.
- Establishment of a Regulatory Policy team.
- Initiation of a collaborative regulatory design model across the transport system.
- Development of funding principles to underpin transport's regulatory system.
- Collaborative agreement on a work programme for key transport projects for 2018/19.
- Embedding our regulatory stewardship view into the Ministry's approach to projects, including the Road Safety Strategy and the Civil Aviation Bill.

Technology and innovation work programme



The Ministry has continued to advance its understanding of the role that future technologies will play in the transport system. A focus for 2017/18 has been developing a high level vision for integrating unmanned aircraft into our aviation system. This will continue to be progressed throughout 2018/19. We have also worked with Land Information New Zealand to progress the development of a business case for a Satellite-Based Augmentation System.

The Ministry has also scoped two new projects that will be progressed in 2018/19, which are aimed at repositioning our technology and innovation work programme to place a greater emphasis on understanding how new transport technologies could impact future regulatory and investment decisions. This includes a project to understand how new technologies could help to reduce emissions in the freight sector, and a policy and regulatory roadmap for connected and autonomous vehicles.

Transport Outlook



In November 2017, the Ministry released the Transport Outlook: Future State, which provides 25-year projections of transport demand, greenhouse gas emissions, and health impacts by all modes for five different scenarios. The projections are based on a set of models, which are available for downloading on the Ministry's website. The projections and the models are designed to provide a consistent and continually improved information resource for anyone who participates in the transport policy and planning process.

ORGANISATION CAPABILITY AND HEALTH

A photograph of an older man and woman embracing. The man has a grey beard and is wearing a red and blue plaid shirt. The woman has short grey hair and is wearing a blue denim shirt. They are both smiling and looking at each other. The background is white, and there are yellow geometric shapes in the corners.

The Ministry has gone through great change in 2017/18 and has emerged stronger and more focused

Organisation capability and health

A new organisation

The Ministry underwent significant change in 2017/18, following the implementation of the organisational review in October 2017. The Ministry has been re-oriented towards our goal of becoming a high performing organisation that supports New Zealanders to flourish. Key structural changes include the formation of a new Senior Leadership Team, realignment of our policy teams, a new model for working in Auckland, and the introduction of a new team providing expertise in business integrity, continuity, risk management and performance.

We are embedding our new culture through the introduction of our new values [Invested, Bold, Collaborative], through a new delegations and governance framework which empowers our managers, and through a greater focus on collective leadership. We have made progress strengthening our corporate systems to improve planning, financial management, people management and administration.

“How are we travelling?”

The Ministry carried out a survey titled *How are we travelling?* in December 2017. The survey measured various organisation success factors such as leadership, culture, performance development, strategy, technology, operational processes and stakeholder relationships.

The How are we travelling? engagement survey results indicate that our people are happy with our progress. We have an ambitious organisational development work programme ahead, focusing next year on developing and refreshing policies and procedures, collective bargaining, capability building and talent management.

As a result of the survey, the Ministry has five main areas to focus on:

1. Strengthen collaboration. This focuses on collaboration rather than co-operation, bringing together newer and longer-serving staff to improve innovation.
2. Project processes and review. This focuses on consistent ‘best practice’ project management processes across the Ministry and for the Ministry to improve project measurement and review.
3. Performance development. This focuses on reviewing and improving performance management processes, training and induction.
4. Senior Leadership Team visibility. This focuses on increasing the visibility of the Senior Leadership Team, and in particular the Deputy Chief Executives with their Groups.
5. Workplace wellbeing. This focuses on improving the communication of policies and their practice and promoting a zero tolerance for workplace bullying and intimidating behavior.

These focus areas are embedded in our business improvement programme.

Building our capability – our response to the 2017 PIF review

The Ministry underwent a Performance Improvement Framework (PIF) review in mid-2017, issued in January 2018. The review set out four performance challenges for the Ministry over the next four years. These are:

1. Achieving clarity of purpose
2. Developing a medium-term strategy underpinned by strong analytics
3. Growing our capability for collaboration
4. Rebooting the organisation.

Achieving clarity of purpose

The organisational review refreshed the Ministry’s purpose, vision and values. Since the release of the review, the Ministry has focused on embedding its unique leadership role in the sector.

The Ministry is developing a system-wide focus and a strategic, long-term view. It is leading the collaborative development of policy on both investment and regulatory settings, including working across the State sector where transport has shared outcomes with other agencies.

We have moved from a structure that looked at transport modes in isolation, to one that looks at leadership of the New Zealand transport system as a whole.

In the latter part of 2017/18 the Ministry also initiated work on a new strategy for the organisation. This will be completed in 2018/19.

Developing a medium-term strategy underpinned by strong analytics

The Ministry is working collaboratively alongside our stakeholders to identify the challenges that lie ahead for the transport system and the medium-term choices for the Government. This work will provide a clearer understanding of emerging transport needs and opportunities, and the contribution each mode can make.

During 2017/18 the Ministry developed a range of strategic documents for the sector, including a new strategic outcomes framework, a new Government Policy Statement on land transport, and advice on mode neutrality. The Ministry also commenced work on a new Safety Strategy. Our focus on Auckland has been strengthened through embedding team members based in Auckland into teams throughout the Ministry. This ensures that Auckland transport issues are supported across all parts of the organisation.

The Ministry has strengthened its modelling, economics, evaluation and analytical capability by creating new teams specifically focused on these areas [the Domain Strategy, Economics and Evaluation team, and the Analytics and Modelling team]. These teams are a resource for all aspects of Ministry policy advice and strategic planning. The Ministry established a role for a Chief Science Adviser; this is filled by Professor Simon Kingham, of the University of Canterbury.

Growing our capability for collaboration

The Ministry is working to transform its engagement with stakeholders, so it is moving from consulting on particular policies to having a more collaborative culture, working in partnership with key stakeholders on some of our critical issues.

In 2017/18 the Ministry has increased the focus it is placing on stakeholder engagement, including the creation of a specific Governance and Engagement group within the Ministry, and the development of a comprehensive stakeholder engagement strategy. The Ministry will continue its efforts to engage and collaborate within the Public Service, with the transport Crown entities and with transport system stakeholders.

Collaboration is a core value for the Ministry, and it is now reflected in the performance expectations for staff.

Rebooting the organisation

As noted above, the Ministry has made good progress down the path of organisational transformation following the organisation review. Now it is embedding these changes; ensuring corporate systems support a high performing Ministry, continuing to focus on improving the quality of advice, and strengthening the capability of its staff.

Good governance is critical to good performance, and we have established a new structure of governance for the Ministry, with sub-committees providing advice to the Senior Leadership Team. The Ministry has re-established an external Risk and Assurance committee that provides advice and insight to the Senior Leadership Team.

To further develop our leadership, and support our new Senior Leadership Team, the Ministry has implemented a leadership development programme for all managers, along with targeted coaching and training. This will support managers to deliver against their new accountabilities and our new ways of working.

A suite of new organisation policies and procedures has been established, along with a new delegations framework. These are supported by a new Business Integrity and Performance team, a strengthened Engagement and Communications team, and new Committees for Security, and Health, Safety and Wellbeing.

The Ministry has redeveloped many of its core systems, we have a new document management system and improved business continuity planning that allows greater remote working capability and cloud-based storage.

The Ministry has established a new performance and development framework that provides greater structure and guidance for managers, links individual performance and development with organisational plans and targets both outputs and behaviours. Performance expectations are based on our development needs and strongly tied to our core values.

Diversity and inclusion

Throughout 2017/18, the Ministry has supported a wide range of diversity and inclusion activities which have been well received by staff. Recent activity includes the launch of an eight week beginners Te Reo Māori programme during April 2018 which was implemented to build on our diversity and cultural awareness.

The How are we travelling? staff survey identified a lack of understanding of bullying and intimidating behaviour at the Ministry. The Ministry has carried out further analysis of this issue, through a 'deep dive' survey and staff focus group. The Ministry is now developing procedures on workplace bullying, harassment and discrimination prevention, in consultation with the Public Service Association. This will be finalised in 2018/19. As part of the Ministry's stand against bullying, 'Pink Shirt Day' was encouraged and promoted throughout the Ministry. The aim is 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.

We have also recognised that whilst these initiatives have made a contribution, they have been focused on addressing key tactical priorities. The Ministry is now developing a coordinated and sustainable strategic framework for diversity and inclusion to optimise the effectiveness of our efforts and ensure that we are a diversity-welcoming and inclusive workplace.

Equal employment opportunities

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.

Over the past 2 years we have focused on significantly reducing the gender pay gap through training in unconscious bias, salary and policy reviews. The gap has been reduced from 12 percent in 2016, to 4.6 percent in August 2018 [compared to the public sector average figure of 12.2 percent].

Health, safety & wellbeing

The Ministry has launched a new Health, Safety and Wellbeing strategy and system to support our commitment to creating a healthy and safe workplace where people thrive, including the zero tolerance for workplace bullying, harassment and discrimination policy mentioned above.

We are developing new processes and plans to improve the way we identify and manage risk, engage with our workers, lead and govern, and promote wellbeing. Our newly formed Health, Safety and Wellbeing committee will play a key role in the continuous improvement of our system and the promotion of a health, safety and wellbeing culture.

Key people metrics and core capacity

As at 30 June	2017/18	2016/17	2015/16	2014/15	2013/14
Number of employees					
Policy development	78	82	76	89	102
Management	24	19	21	21	18
Administration	53	22	30	31	34
Total headcount	155*	123	127	141	154
Turnover	29%	23%	19%	12%	10%
Gender					
Women	53%	42%	47%	48%	47%
Men	47%	58%	53%	52%	53%
Ethnicity distribution					
NZ European	76%	68%	70%	66%	66%
NZ Māori	2%	6%	6%	7%	5%
Pacific peoples	0%	1%	1%	1%	1%
Asian	5%	11%	11%	10%	8%
Other European	8%	12%	7%	6%	13%
Other ethnic groups	9%	2%	4%	4%	3%
Undeclared	0%	0%	1%	6%	4%
Age distribution (permanent staff)					
20 – 29	23%	21%	23%	21%	22%
30 – 39	23%	19%	14%	16%	17%
40 – 49	24%	23%	25%	25%	28%
50 – 59	23%	27%	29%	27%	23%
60+	7%	10%	8%	11%	10%

* As an outcome of the organisational review, the Ministry has recruited a number of new policy staff, and some staff roles have been reclassified from 'policy' to 'specialist' staff. To maintain consistency with previous years, these are included in the 'administration' category.

Assessing organisational health and capability

Core capability

Staff time, along with their skills, experience and knowledge, is the Ministry's main resource. In 2017/18 the Ministry applied the following numbers of person-years to our three broad activity areas. This includes permanent and contract staff:

- policy advice – 90
- specialist support – 26
- business support – 21.

External reviews

In addition to the organisational review, and the Performance Improvement Framework Review carried out in 2017 [see page 20], during 2017/18 a number of external reviews were undertaken on the quality or efficiency of the Ministry core operating and information systems. The recommendations from these reviews have been incorporated into the Ministry's business improvement programme.

- Payroll processes – KPMG
- IT Security – Aura
- Official Information Act processes – the Office of the Ombudsman.

Other measures of health

The Ministry monitors, on a monthly basis, annual leave balances, sick leave and vacancies.

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 information 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 of our advice using policy cost benchmarks set by the Treasury. 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 assess the quality of our advice, looking at how our regulatory impact statements meet the required standards, and 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.

In 2017/18 we have investigated the trend in road deaths, along with our partners on land transport safety. We have also noted a change in trend for carbon emissions from road transport. This is being investigated further.

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 2017/18

	2017/18	2016/17
Input management		
To have 75 percent of policy project (business plan) milestones delivered each quarter	72%	78%
Total cost of an hour of professional staff time devoted to policy advice and other policy unit outputs (including outsourced costs)	\$192*	\$200
Quality management		
At least 90 percent of regulatory impact statements are assessed as 'meets' or 'partially meets' the required standards	100%	71%
At least 75 percent of policy advice briefings are accepted first time by the Minister	Unavailable**	99.8%
An external audit of policy advice papers assesses that our papers meet the quality criteria sufficiently	Achieved NZIER score of 7.21	Achieved NZIER score of 7.21
Outcomes management		
Ministry reviews outcome indicators that show less progress is being made and considers whether further Ministry action is needed	Achieved	Achieved
Work programme management		
95 percent or more of output plan delivered as agreed with the Minister	85%	83%

*For 2017/18, the Ministry has had to estimate the cost per hour for policy advice and other policy unit outputs. Following the November 2016 earthquake the Ministry had a number of system changes and we no longer have access to the same information that we used to calculate the cost per hour in previous years. For 2017/18, the policy costs are the costs as reported in this annual report. The Ministry's data shows that it employed policy staff for a similar number of hours in 2016/17 and 2017/18. We have therefore applied the total staff policy hours for 2016/17 and the 2016/17 policy staff utilisation rate for policy advice and other policy unit outputs to estimate the 2017/18 cost per hour.

**The Ministry changed its document management system in 2017/18. This data is not currently available.



Statement of Responsibility

I am the 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 2018 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 2019 and its operations for the year ended on that date.

Peter Mersi

Chief Executive, Ministry of Transport

28 September 2018

FINANCIAL PERFORMANCE



The Ministry manages
and accounts for the funds
used by the Government
for transport





Financial Performance

Column definitions

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

2017 Actual as published in the Ministry's Annual Report for the year ended 30 June 2017.

2018 Actual the audited actual figures for the current financial year.

2018 Budget as published in the Ministry's Budget Estimates Fiscal Update (BEFU) for the 2018 year and the Annual Report for the year ended 30 June 2017. This information is unaudited.

2018 Forecast as published in the Ministry's Supplementary Estimates for the 2018 year. This information is unaudited.

2019 Forecast as published in the Ministry's BEFU for the 2018 year. This information is unaudited.

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2018

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

2017 Actual \$000		Note	2018 Actual \$000	2018 Budget \$000	2018 Forecast \$000	2019 Forecast \$000
Revenue						
34,174	Revenue Crown	2	37,348	36,511	37,348	38,477
459	Other revenue	3	531	350	1,567	445
34,633	Total revenue		37,879	36,861	38,915	38,922
Expenses						
18,294	Personnel expenses	4	18,792	18,715	19,781	20,653
11,694	Other operating expenses	5	12,773	13,920	14,756	13,592
4,145	Contractual payments to Crown entities	6	3,819	3,821	3,821	3,797
207	Capital charge	7	169	169	189	169
170	Depreciation – property, plant and equipment	10	52	214	198	196
26	Amortisation – intangible assets	10	16	22	170	515
34,536	Total expenses		35,621	36,861	38,915	38,922
97	Net surplus	14	2,258	-	-	-
Other comprehensive revenue and expenditure						
-	Gain on revaluation		-	-	-	-
-	Loss on disposal		-	-	-	-
97	Total comprehensive revenue and expense		2,258	-	-	-

Explanations of major variances against the 2018 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 2018

2017 Actual \$000		Note	2018 Actual \$000	2018 Budget \$000	2018 Forecast \$000	2019 Forecast \$000
3,185	Balance at 1 July		2,810	2,810	2,810	2,810
97	Total comprehensive revenue and expense		2,258	-	-	-
(375)	Release of retained surplus		-	-	-	-
-	Gain on revaluation		-	-	-	-
-	Loss on disposal		-	-	-	-
	Owner transactions					
(97)	Provision to repay surplus		(2,258)	-	-	-
2,810	Balance at 30 June	8	2,810	2,810	2,810	2,810

Explanations of major variances against the 2018 budget are provided in Note 18.
The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

The Statement of Financial Position reports the total assets and liabilities of the Ministry as at 30 June 2018. Equity is represented by the difference between the assets and liabilities.

2017 Actual \$000		Note	2018 Actual \$000	2018 Budget \$000	2018 Forecast \$000	2019 Forecast \$000
Equity						
1,947	Taxpayers' funds		1,947	1,947	1,947	1,947
863	Revaluation reserve – aerodrome		863	863	863	863
2,810	Total equity	8	2,810	2,810	2,810	2,810
Represented by:						
Current assets						
3,866	Cash and cash equivalents		4,311	1,614	1,496	102
3,998	Debtors, prepayments and other receivables	9	4,737	3,928	4,056	4,056
7,864	Total current assets		9,048	5,542	5,552	4,158
Non-current assets						
1,432	Property, plant and equipment	10	1,380	2,025	1,309	1,418
26	Intangible assets	10	10	179	1,302	2,587
1,458	Total non-current assets		1,390	2,204	2,611	4,005
9,322	Total assets		10,438	7,746	8,163	8,163
Current liabilities						
2,672	Creditors and other payables	11	2,904	2,578	3,085	3,085
1,252	Employee entitlements	12	1,328	1,304	1,178	1,178
1,500	Provisions	13	115	-	-	-
-	Provision to repay surplus		2,258	-	-	-
5,424	Total current liabilities		6,605	3,882	4,263	4,263
Non-current liabilities						
1,088	Employee entitlements	12	1,023	1,054	1,090	1,090
1,088	Total non-current liabilities		1,023	1,054	1,090	1,090
6,512	Total liabilities		7,628	4,936	5,353	5,353
2,810	Net assets		2,810	2,810	2,810	2,810

Explanations of major variances against the 2018 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 2018

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

2017 Actual \$000	Note	2018 Actual \$000	2018 Budget \$000	2018 Forecast \$000	2019 Forecast \$000
Cash flows from operating activities					
33,671	Crown revenue	37,585	36,511	37,348	38,477
-	Departments	-	-	16	-
111	Crown entities	180	120	120	120
348	Other revenue	308	230	1,469	325
[16,668]	Personnel costs	[20,150]	[18,715]	[19,781]	[20,653]
[11,927]	Operating expenses	[12,790]	[13,920]	[15,315]	[13,592]
[4,145]	Contractual payments to Crown entities	[3,819]	[3,821]	[3,821]	[3,797]
174	Net GST paid	[603]	-	[599]	-
[207]	Capital charge	[169]	[169]	[189]	[169]
1,357	Net cash flows from operating activities	542	236	[752]	711
Cash flows from investing activities					
[425]	Purchase of property, plant and equipment	-	[360]	[76]	[305]
[17]	Purchase of intangible assets	-	[95]	[1,446]	[1,800]
[442]	Net cash flows from investing activities	-	[455]	[1,522]	[2,105]
Cash flows from financing activities					
-	Repayment of surplus	[97]	-	[97]	-
-	Net cash flows from financing activities	[97]	-	[97]	-
915	Net increase/[decrease] in cash held	445	[219]	[2,371]	[1,394]
2,951	Cash at 1 July	3,866	1,833	3,867	1,496
3,866	Total cash at 30 June	4,311	1,614	1,496	102

Explanations of major variances against the 2018 budget are provided in Note 18.
The accompanying notes form part of these financial statements.

STATEMENT OF COMMITMENTS

AS AT 30 JUNE 2018

Non-cancellable operating lease commitments

The Ministry leases property in the normal course of business.

In Wellington, the Ministry rents space from Statistics NZ in Westpac House. There is no formal agreement and Statistics NZ is the lessee. Therefore, the Ministry has no legal commitment. The Ministry also rents an additional floor in Westpac House with a lease until 30 November 2018. This commitment is disclosed below.

In Auckland, the Ministry has purchased membership in the Auckland Policy Office. There was a Memorandum of Understanding for this arrangement with the State Services Commission which expired on 30 June 2018. Therefore, the Ministry has no current commitment.

2017 Actual \$000	2018 Actual \$000
Non-cancellable operating lease commitments	
95 Not later than 1 year	38
- Later than 1 year and not later than 5 years	-
- Later than 5 years	-
95 Total non-cancellable operating lease commitments	38

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 2018 [2017: nil].

STATEMENT OF CONTINGENT ASSETS

AS AT 30 JUNE 2018

The Ministry has a contingent asset relating to earthquake-related response and recovery costs incurred by the Ministry as at 30 June 2018. The Ministry is yet to receive confirmation from its insurers on its claim for these costs and therefore the amount that may be recovered is not known.

2017 Actual \$000	2018 Actual \$000
350 Earthquake-related response and recovery costs	847

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 2018

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 2018.

The financial statements of the Ministry are for the year ended 30 June 2018. These financial statements were authorised for issue by the Chief Executive on 28 September 2018.

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

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

Financial instruments

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

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

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

Changes in accounting policies

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

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 2019, 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 2018, incorporating assumptions as to future events that the Ministry reasonably expects to occur, and associated with the actions it reasonably expects to take
- ▶ existing government policies and ministerial expectations at the date that the information was prepared.

The main assumptions were as follows:

- ▶ The Ministry's activities and output expectations will remain substantially the same as the previous year focusing on government priorities.
- ▶ Personnel costs were based on fully budgeted established positions including a 2% increase based on current salary, as well as an adjustment for a planned increase in the establishment of 12 full-time equivalent employees, and an increase for graduate progression.
- ▶ 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 17 April 2018. 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

2017 Actual \$000		2018 Actual \$000	2019 Forecast \$000
31,870	Policy advice and related outputs MCA	34,220	35,448
1,201	Search and rescue activity coordination PLA	2,425	2,350
1,103	Fuel excise duty refund administration	703	679
34,174	Total revenue Crown	37,348	38,477

Note 3: Other revenue

2017 Actual \$000		2018 Actual \$000	2019 Forecast \$000
111	Crown entities and other departments	180	120
329	Milford Aerodrome landing fees	351	325
19	Other recoveries	-	-
459	Total other revenue	531	445

Note 4: Personnel expenses

2017 Actual \$000		2018 Actual \$000	2019 Forecast \$000
17,469	Salary and wages	17,587	19,163
535	Employer contributions to defined contribution schemes	575	530
256	Other personnel costs	442	780
	Changes to provisions		
168	Annual leave	237	41
[9]	Long service leave	5	20
[122]	Retirement leave	[64]	119
[3]	Sick leave	10	-
18,294	Total personnel expenses	18,792	20,653

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

2017 Actual \$000		2018 Actual \$000	2019 Forecast \$000
5,861	Consultant, research and legal expenses	5,007	8,271
2,620	Other operating expenses	3,238	1,279
1,864	Information technology expenses	3,302	2,508
781	Operating lease payments	916	1,180
278	Advertising and publicity	222	268
85	Audit NZ – the financial statement audit	88	86
250	Impairment of assets	-	-
-	Loss on disposal of assets	-	-
11,739	Total other operating expenses	12,773	13,592

Since the November 2016 Kaikōura earthquake a number of Ministry assets were trapped at 1 The Boulevard. These assets were impaired in 2016/17 as it appeared they may not be recovered. In 2017/18 these assets were subsequently written off.

Note 6: Contractual payments to Crown entities

2017 Actual \$000		2018 Actual \$000	2019 Forecast \$000
	NZ Transport Agency:		
903	For rules programme activity	865	899
1,145	For fuel excise duty refund activity	819	799
	Civil Aviation Authority:		
1,194	For rules programme activity	1,096	1,200
	Maritime New Zealand:		
906	For rules programme activity	1,039	899
4,145	Total contractual payments to Crown entities	3,819	3,797

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 2018 was 6 percent for both payments [2016/17: 7 percent for 31 December payment and 6 percent for 30 June payment].

Note 8: Equity

2017 Actual \$000		2018 Actual \$000	2019 Forecast \$000
Taxpayers' funds			
2,322	Balance at 1 July	1,947	1,947
97	Net surplus/(deficit)	2,258	-
[375]	Release of retained surplus	-	-
[97]	Provision to repay surplus	[2,258]	-
1,947	Balance 30 June	1,947	1,947
Property revaluation reserve			
863	Balance at 1 July	863	863
-	Revaluation	-	-
-	Loss on transfer of assets	-	-
863	Balance at 30 June	863	863
2,810	Total equity	2,810	2,810

Note 9: Debtors, prepayments and other receivables

2017 Actual \$000		2018 Actual \$000	2019 Forecast \$000
Non-exchange			
3,912	Due from the Crown	3,770	4,008
-	GST receivable	174	-
Exchange			
86	Other receivables	793	48
3,998	Total debtors, prepayments and other receivables	4,737	4,056

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 \$3,520 were past due at 30 June 2018 (2016/17: \$2,695). The Ministry has assessed that a provision for doubtful debt is required in 2017/18 of \$652 (2016/17: \$nil). This is included in the other receivables amount shown above.

Note 10: Property, plant and equipment and intangibles

	Leasehold improvements \$000	Plant and equipment \$000	Milford Sound/ Piopiotahi Aerodrome \$000	Furniture and fittings \$000	Intangible assets \$000	Total \$000
Cost or valuation						
Balance at 1 July 2016	2,170	1,270	1,417	836	1,548	7,241
Additions	-	421	4	-	17	442
Disposals	[2,170]	[979]	-	[836]	[37]	[4,022]
Balance at 30 June 2017	-	712	1,421	-	1,528	3,661
Balance at 1 July 2017	-	712	1,421	-	1,528	3,661
Additions	-	-	-	-	-	-
Disposals	-	[399]	-	-	[342]	[741]
Balance at 30 June 2018	-	313	1,421	-	1,186	2,920
Accumulated depreciation						
Balance at 1 July 2016	2,150	1,249	37	830	1,513	5,779
Depreciation/amortisation	20	112	32	6	26	196
Impairment	-	250	-	-	-	250
Disposals	[2,170]	[979]	-	[836]	[37]	[4,022]
Balance at 30 June 2017	-	632	69	-	1,502	2,203
Balance at 1 July 2017	-	632	69	-	1,502	2,203
Depreciation/amortisation	-	21	31	-	16	68
Impairment	-	-	-	-	-	-
Disposals	-	[399]	-	-	[342]	[741]
Balance at 30 June 2018	-	254	100	-	1,176	1,530
Carrying amounts						
At 1 July 2016	20	21	1,380	6	35	1,462
At 30 June and 1 July 2017	-	80	1,352	-	26	1,458
At 30 June 2018	-	59	1,321	-	10	1,390
Unaudited forecast at 30 June 2019	-	127	1,291	-	2,587	4,005

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, and 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	9.65 % per annum
Milford Sound/Piopiotahi 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 in August 2016. At that time, many of its assets in three classes were not suitable for the new property and therefore were disposed of.

The Ministry has updated its threshold for fixed asset recognition to \$5,000 per item in line with Treasury guidance. This threshold applied from 1 July 2017.

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

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

There was no work in progress asset at 30 June 2018 [30 June 2017: \$nil].

Note 11: Creditors and other payables

2017 Actual \$000		2018 Actual \$000	2019 Forecast \$000
	Exchange		
1,739	Accrued expenses	1,580	1,800
503	Trade creditors	1,324	1,285
	Non-exchange		
430	GST payable	-	-
2,672	Total creditors and other payables	2,904	3,085

Note 12: Employee entitlements

2017 Actual \$000		2018 Actual \$000	2019 Forecast \$000
Current liabilities			
74	Accrued salary	142	210
955	Annual leave	948	718
88	Long service leave	104	92
122	Retirement leave	111	135
13	Sick leave	23	23
1,252	Total of current portion	1,328	1,178
Non-current liabilities			
145	Long service leave	134	166
943	Retirement leave	889	924
1,088	Total of non-current portion	1,023	1,090
2,340	Total employee entitlements	2,351	2,268

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

Note 13: Provisions

	Lease make-good \$000	Holidays Act compliance \$000	Restructure \$000	Total \$000
Balance at 1 July 2016	500	-	-	500
Transfer to the Ministry of Social Development	[455]	-	-	[455]
New provision	-	-	1,500	1,500
Release of unused provision	[45]	-	-	[45]
Balance at 30 June 2017	-	-	1,500	1,500
Balance at 1 July 2017	-	-	1,500	1,500
New provision	-	115	-	115
Provision used	-	-	[1,500]	[1,500]
Balance at 30 June 2018	-	115	-	115
Current liabilities	-	115	-	115
Non-current liabilities	-	-	-	-

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

The results of an organisational review were announced in June 2017. As a result, a restructuring provision for additional personnel costs was included in 2016/17. All costs relating to this organisational review have been incurred in 2017/18 and the full provision consumed.

The Ministry's current payroll system is non-compliant with the Holidays Act 2003. The Ministry was working with an external consultant at 30 June 2018 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 non-compliance with the Act.

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

2017 Actual \$000		2018 Actual \$000	2019 Forecast \$000
97	Net surplus	2,258	-
	Add non-cash items		
170	Depreciation of property, plant and equipment	52	196
26	Amortisation of intangible assets	16	515
250	Impairment of assets	-	-
446	Total of non-cash items	68	711
	Add/(deduct) movements in working capital items		
(507)	(Increase)/decrease in debtors and other receivables	(642)	-
1,377	Increase/(decrease) in payables and provisions	(1,153)	-
(56)	Increase/(decrease) in employee entitlements	11	-
814	Net movements in working capital items	(1,784)	-
1,357	Net cash flows from operating activities	542	711

Note 15: Categories of financial instruments

2017 Actual \$000		2018 Actual \$000	2019 Forecast \$000
	Loans and receivables		
3,866	Cash and cash equivalents	4,311	102
3,998	Debtors, prepayments and other receivables (note 9)	4,737	4,056
	Financial liabilities measured at amortised cost		
2,672	Creditors and other payables (note 11)	2,904	3,085

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

Transactions with key management personnel

The Ministry did not enter into any transactions with key management personnel or their close families in 2017/18 [2016/17: nil].

Key management personnel compensation

2017 Actual \$000		2018 Actual \$000
1,656	Salaries and other short-term employee benefits	2,107
-	Termination benefits	522
1,656	Total key management personnel compensation	2,629

At 30 June 2018, key management personnel comprise 7 FTE [2016/17: 6], including the Chief Executive and the members of the senior leadership team.

In 2017/18, termination benefits were paid to 3 key management personnel [2016/17: 0] as a result of the organisational review announced in June 2017.

Note 17: Major changes to the departmental output budgets for 2017/18

Changes were made to the Ministry's departmental output budgets by way of the Supplementary Estimates for 2017/18. Explanations for the changes were outlined in that document and the net changes are shown below.

	2018 Budget \$000	2018 Forecast \$000	Cumulative Vote \$000
Appropriations for departmental output expenses			
Policy advice and related outputs MCA	33,233	2,049	35,282
Fuel excise duty refund administration	823	-	823
Milford Sound/Piopirotahi Aerodrome operation and administration	230	155	385
Search and rescue activity coordination PLA	2,575	[150]	2,425
Total departmental appropriations	36,861	2,054	38,915

The adjustments to the appropriations were:

- \$1.062 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
- \$0.850 million transfer from the Ministry of Business, Innovation and Employment to the Policy advice and related outputs MCA for an Upper North Island Supply Chain Strategy working group
- \$0.337 million carry forward from 2016/17 in the Policy advice and related outputs MCA due to operating costs relating to the replacement of a document management system being deferred due to the November 2016 Kaikōura earthquake
- \$0.150 million decrease in the Policy advice and related outputs MCA due to a reprioritisation within Vote Transport
- \$0.050 million transfer to the Department of Internal Affairs from the Policy advice and related outputs MCA for cross-agency funding of a Service Innovation Work Programme
- an expense transfer of \$0.150 million within the Search and rescue activity coordination PLA to 2018/19 to align with forecast expenditure on a new IT system for a multi-agency data store
- additional revenue and associated costs of \$0.155 million for Milford Sound/Piopirotahi Aerodrome operation and administration from landing fees.

Note 18: Explanation of major variances between actual and forecast 2018 figures

The significant variances between the actual results and the figures included in the Supplementary Estimates of Appropriations for the year ended 30 June 2018 are:

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

Revenue

Other revenue

Other revenue was \$1.036 million below forecast. This was mainly due to expected insurance proceeds relating to the November 2016 Kaikōura earthquake not yet being received. This is expected to be resolved in 2018/19.

Expenses

Total expenditure was \$3.294 million below Supplementary Estimates. The main variances are in personnel expenses due to a higher level of vacancies than forecast, and in external expert advice due to delays in projects caused by external factors. Depreciation and amortisation are below forecast due to a change in accounting treatment of assets during the year and also a change in expected accounting treatment of a software project.

STATEMENT OF FINANCIAL POSITION

Assets

Cash and cash equivalents

The actual was \$2.815 million more than the Supplementary Estimates. This was mainly because less was spent on property, plant and equipment and intangible assets than forecast. The Ministry also drew down on its Crown debtor account, which was not included in the forecast.

Debtors, prepayments and other receivables under exchange transactions

The actual was \$0.681 million more than the Supplementary Estimates. This is mainly due to higher than expected Crown revenue accrual at year end.

Intangible assets

The actual was \$1.292 million less than the Supplementary Estimates as a change of the expected accounting treatment for a software project was made after the Supplementary Estimates were confirmed.

Liabilities

Provisions

The actual of \$0.115 million relates to a provision for compliance with the Holidays Act which had not been reflected in the forecast.

Note 19: Explanations of major variances between actual 2018 and forecast 2019 figures

The significant variances between the actual results and the forecast 2018/19 figures are as below.

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

Revenue

Revenue Crown

The 2018/19 forecast is \$1.129 million more than the 2017/18 actual. This is due to an increase in the Policy advice and related outputs MCA for 2018/19 relating to funding for additional capability, approved by Cabinet in Budget 2017.

Other revenue

The 2018/19 forecast is \$0.085 million less than the 2017/18 actual. This reduction is mainly in relation to Milford Sound Aerodrome revenue from landing fees. Actual revenue in 2018/19 is however now expected to be similar to 2017/18, and will be increased at the next forecast opportunity.

Expenses

The 2018/19 forecast is \$3.301 million more than the 2017/18 actual. \$1.861 million relates to personnel expenses as the 2018/19 budget is based on a fully staffed establishment. The increase in depreciation and amortisation is higher than the 2017/18 actual expense as the forecast has not yet been amended to reflect the change in accounting treatment of assets.

STATEMENT OF FINANCIAL POSITION

Assets

Cash and cash equivalents

The actual was \$4.209 million more than the 2018/19 forecast. This was mainly because less was spent on property, plant and equipment and intangible assets than forecast. The Ministry also drew down on its Crown debtor account, which was not included in the forecast.

Debtors, prepayments and other receivables under exchange transactions

The actual was \$0.681 million more than the 2018/19 forecast. This is mainly due to higher than expected Crown revenue accrual at year end.

Intangible assets

The actual was \$2.577 million less than the 2018/19 forecast as a change in the expected accounting treatment for a software project was made after the forecast was confirmed.

Liabilities

Provisions

The actual was \$0.115 million more than the 2018/19 forecast as this relates to a provision for compliance with the Holidays Act. This provision is expected to be fully consumed in 2018/19.

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 2018.

Non-departmental schedules and statements

SCHEDULE OF NON-DEPARTMENTAL REVENUE AND RECEIPTS

FOR THE YEAR ENDED 30 JUNE 2018

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

2017 Actual \$000		Note	2018 Actual \$000	2018 Budget \$000	2018 Forecast \$000
1,636,154	Indirect taxation	2	1,713,382	1,614,793	1,682,545
189	Other 'sovereign power' revenue	3	208	1,300	1,300
10,362	Other operational revenue	4	10,895	8,760	8,760
[1,605]	Share of net asset increase/(decrease) in joint ventures		[3,992]	-	-
1,645,100	Total non-departmental revenue and receipts		1,720,493	1,624,853	1,692,605

SCHEDULE OF NON-DEPARTMENTAL EXPENSES

FOR THE YEAR ENDED 30 JUNE 2018

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

2017 Actual \$000		Note	2018 Actual \$000	2018 Budget \$000	2018 Forecast \$000
2,008,097	Non-departmental output classes	5	2,339,472	2,124,559	2,220,567
52,819	Other expenses to be incurred by the Crown	6	80,327	83,376	73,316
12,533	Non-departmental multi-category appropriation expenses		90,990	7,970	98,349
6,013	Bad debts expense		4,965	4,000	6,000
590	Movement in doubtful debts provision		1,948	-	-
2,080,052	Total non-departmental expenses		2,517,702	2,219,905	2,398,232

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 2018. The accompanying notes form part of these statements.

SCHEDULE OF NON-DEPARTMENTAL ASSETS

AS AT 30 JUNE 2018

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

2017 Actual \$000		Note	2018 Actual \$000	2018 Budget \$000	2018 Forecast \$000
Current assets					
77,937	Cash and cash equivalents		18,363	20,000	20,000
46,341	Receivables and advances	7	46,999	39,090	46,340
Non-current assets					
15,020	Investment in joint ventures	8	320,015	18,079	341,520
139,298	Total non-departmental assets		385,377	77,169	407,860

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 2018

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

2017 Actual \$000		Note	2018 Actual \$000	2018 Budget \$000	2018 Forecast \$000
Current liabilities					
472,534	Payables	10	499,668	434,979	437,838
472,534	Total non-departmental liabilities		499,668	434,979	437,838

The accompanying notes form part of these statements.

STATEMENT OF NON-DEPARTMENTAL COMMITMENTS

AS AT 30 JUNE 2018

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.

2017 Actual \$000		2018 Actual \$000
	Operating commitments	
95,284	Other non-cancellable contracts for the supply of goods and services	71,847
95,284	Total operating commitments	71,847
	Term classification of commitments	
23,437	Not later than 1 year	23,949
23,949	More than 1 year but less than 2 years	23,949
47,898	Between 2 and 5 years	23,949
-	Greater than 5 years	-
95,284	Total operating commitments	71,847

STATEMENT OF NON-DEPARTMENTAL CONTINGENT LIABILITIES

AS AT 30 JUNE 2018

This statement discloses situations which exist at 30 June 2018, 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.

2017 Actual \$000		2018 Actual \$000
10,000	Transport Accident Investigation Commission emergency guarantee	10,000
10,000	Total contingent liabilities	10,000

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

Notes to non-departmental schedules and statements

FOR THE YEAR ENDED 30 JUNE 2018

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 registration fees are recognised on an accrual basis. Revenues from tolling and infringement fees are recognised on a cash basis.

2017 Actual \$000		2018 Actual \$000	2018 Budget \$000	2018 Forecast \$000
1,469,470	Road user charges	1,551,106	1,436,813	1,505,358
222,927	Motor vehicle registration fees	227,446	235,207	237,168
1,692,397	Sub-total	1,778,552	1,672,020	1,742,526
[56,243]	Fuel excise duty refunds	[65,170]	[57,227]	[59,981]
1,636,154	Total indirect taxation	1,713,382	1,614,793	1,682,545

Note 3: Other 'Sovereign Power' Revenue

2017 Actual \$000		2018 Actual \$000	2018 Budget \$000	2018 Forecast \$000
189	Infringement fees – tolls and other	208	1,300	1,300
189	Total other 'sovereign power' revenue	208	1,300	1,300

Note 4: Other Operational Revenue

2017 Actual \$000		2018 Actual \$000	2018 Budget \$000	2018 Forecast \$000
10,030	Tolling revenue	10,541	8,400	8,400
332	Road user charges administration fees	354	360	360
10,362	Total other operational revenue	10,895	8,760	8,760

Note 5: Non-departmental Output Classes

2017 Actual \$000		2018 Actual \$000	2018 Budget \$000	2018 Forecast \$000
2,008,097	This expense item is equal to the appropriations for non-departmental output classes listed in the appropriation statements	2,339,472	2,124,559	2,220,567
2,008,097	Total non-departmental output classes	2,339,472	2,124,559	2,220,567

Note 6: Other Expenses to be Incurred by the Crown

	2017 Actual \$000	2018 Actual \$000	2018 Budget \$000	2018 Forecast \$000
- Auckland City Rail Link finance costs		14,453	-	-
650 Membership of international organisations		680	743	743
3,270 Rail – public policy projects		3,270	3,270	3,270
500 Rail – railway safety		500	500	500
26,386 SuperGold Card – public transport concessions for cardholders		28,171	29,320	29,010
13 Tauranga maritime incident response		-	-	-
22,000 Urban cycleways – local routes		33,253	49,543	39,793
52,819 Total other expenses to be incurred by the Crown		80,327	83,376	73,316

Note 7: Receivables

	2017 Actual \$000	2018 Actual \$000	2018 Budget \$000	2018 Forecast \$000
Non-exchange revenue				
35,398 Motor vehicle registration fees		34,587	21,698	27,859
20,339 Road user charge revenue		23,680	15,000	16,000
55,737 Total non-exchange revenue receivables		58,267	36,698	43,859
Exchange revenue				
2,481 Tolling revenue		2,556	2,392	2,481
2,481 Total exchange revenue receivables		2,556	2,392	2,481
58,218 Sub-total		60,823	39,090	46,340
[11,877] Provision for doubtful debts		[13,824]	-	-
46,341 Total receivables		46,999	39,090	46,340

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

The ageing profile of receivables is shown below.

2016/2017				2017/2018		
Gross	Impairment	Net		Gross	Impairment	Net
42,370	[1,200]	41,170	Not past due	42,993	[554]	42,439
3,390	[1,657]	1,733	Past due 1-30 days	4,231	[2,380]	1,851
2,473	[1,414]	1,059	Past due 31-60 days	2,447	[1,809]	638
3,266	[1,986]	1,280	Past due 61-90 days	4,077	[3,252]	825
6,719	[5,620]	1,099	Past due > 90 days	7,075	[5,829]	1,246
58,218	[11,877]	46,341	Total	60,823	[13,824]	46,999

Note 8: Investment in Joint Ventures

2017 Actual \$000		2018 Actual \$000
15,020	Joint venture airports	12,853
-	- City Rail Link Limited	307,162
15,020	Total investment in joint ventures	320,015

Joint Venture Airports

2017 Actual \$000		2018 Actual \$000
[1,518]	Gains/(losses) generated by joint ventures	[14]
[1,518]	Share of net asset increase/(decrease) in joint ventures	[14]
-	- Capital payments made during the year	1,097
-	- Disposal of New Plymouth airport	[3,250]
[1,518]	Total change in investment value	[2,167]

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, Whakātane, 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 2018 is based on the annual financial statements of each airport for the year ended 30 June 2017, plus capital contributions from the Crown during the year ended 30 June 2018.

New Plymouth airport was sold on 1 July 2017.

City Rail Link Limited

2017 Actual \$000		2018 Actual \$000
-	Gains/(losses) generated by joint ventures	[3,978]
-	Share of net asset increase/(decrease) in joint ventures	[3,978]
-	Capital payments made during the year	311,140
-	Total change in investment value	307,162

City Rail Link Limited

City Rail Link Limited [CRLL] is a jointly controlled Crown entity, 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]. The expected costs of the project are \$3.4 billion which will be confirmed once all the contracts are finalised. The maximum funding limits for the project agreed by the Sponsors totals \$3.6 billion. Therefore, the Government's maximum share of costs is \$1.8 billion.

For the year ended 30 June 2018, CRLL recognised revenue of \$4 million [2017: \$nil], a deficit of \$8 million [2017: \$nil], assets of \$625 million [2017: \$nil], liabilities of \$11 million [2017: \$nil] and equity of \$614 million [2017: \$nil].

The Crown also recognises a 50% share of capital commitments held by CRLL of \$128m.

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.

Since the commencement of the project

2017 Actual \$000		2018 Actual \$000
158,000	Funding provided for construction	158,000
115,747	Notional interest charged since funding first drawn	129,551
[62,895]	Tolling revenue since February 2009	[73,436]
210,852	Balance at 30 June	214,115

Current year

2017 Actual \$000		2018 Actual \$000
207,299	Balance at 1 July	210,852
13,583	Notional interest charge for the year	13,804
[10,030]	Tolling revenue for the year	[10,541]
210,852	Balance at 30 June	214,115

Note 10: Payables

2017 Actual \$000		2018 Actual \$000	2018 Budget \$000	2018 Forecast \$000
404,639	National Land Transport Fund revenue and output funding payable to the NZ Transport Agency	460,381	400,000	400,000
20,566	GST payable	19,550	18,593	20,566
14,764	Motor vehicle registration third party collections	13,113	14,188	14,754
30,619	Output funding payable to KiwiRail	2,789	398	618
1,896	Road user charges refunds	3,270	1,800	1,900
50	Output funding payable to Maritime New Zealand	300	-	-
-	Output funding payable to other parties	265	-	-
472,534	Total payables	499,668	434,979	437,838

Note 11: Financial Instruments

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

2017 Actual \$000		2018 Actual \$000
	Loans and receivables	
77,937	Cash and cash equivalents	18,363
46,341	Receivables and advances	46,999
124,278	Total loans and receivables	65,362
	Financial liabilities measured at amortised cost	
472,534	Payables	499,668
472,534	Total financial liabilities measured at amortised cost	499,668

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 2017/18 Supplementary Estimates. Explanations for significant variances are provided below.

Revenue and receipts

	Budget 2018 \$000	Changes in forecast 2018 \$000	Cumulative vote 2018 \$000
Indirect taxation			
Road user charges	1,436,813	68,545	1,505,358
Motor vehicle registration	235,207	1,961	237,168
Fuel excise duty refunds	[57,227]	[2,754]	[59,981]
Total	1,614,793	67,752	1,682,545

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 2018 \$000	Changes in forecast 2018 \$000	Cumulative vote 2018 \$000
Appropriations for non-departmental output expenses			
Accident or incident investigation and reporting	5,530	310	5,840
Licensing activities	2,550	3,550	6,100
National Land Transport Programme PLA	2,066,767	90,898	2,157,665
Policy advice and related outputs – Civil Aviation MCA	1,779	300	2,079
Policy advice and related outputs – Maritime MCA	6,191	79	6,270
Regional Fuel Tax administration	-	1,000	1,000
Reinstatement of the South Island transport corridors MCA	-	90,000	90,000
Search and rescue and recreational boating safety activities PLA	9,662	250	9,912
Non-departmental other expenses			
Bad debt provision – motor vehicle registration/licences and road user charges	4,000	2,000	6,000
SuperGold Card – public transport concessions for cardholders	29,320	[310]	29,010
Urban cycleways – local routes	49,543	[9,750]	39,793
Capital expenditure			
Auckland Transport Package loan	116,000	6,000	122,000
Maritime New Zealand capital expenditure PLA	-	344	344
National Land Transport Programme – new infrastructure for and renewal of State highways PLA	1,159,550	41,685	1,201,235
Rail – KiwiRail equity injection	12,100	27,641	39,741
Rail – KiwiRail Holdings Limited	220,000	40,000	260,000
Rail – Wellington metro rail network upgrade	25,900	[10,339]	15,561
Regional state highways	35,700	14,300	50,000
Reinstatement of South Island Main North Line	-	140,000	140,000
Reinstatement of South Island State Highway 1	325,000	[325,000]	-
Reinstatement of the South Island transport corridors MCA	-	355,000	355,000
Urban cycleways – Crown assets	6,000	503	6,503

Explanations for the major changes were outlined in the 2017/18 Supplementary Estimates. They were:

Accident or incident investigation and reporting

The appropriation increased by \$0.310 million due to a reprioritisation within Vote Transport to meet costs from the November 2016 Kaikōura earthquake.

Licensing activities

This appropriation increased by \$3.550 million due to an allocation from the Better Public Services seed fund for the NZ Transport Agency to develop app based learning tools to support progression through the licensing system and the development of safe driving skills.

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

The NZ Transport Agency is responsible for the National Land Transport Programme, which delivers the Government objectives laid out in the Government Policy Statement on land transport. Road tax revenue is allocated to the 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.
- ▶ Road tax revenue is forecast two to three times a year. The State highway capital appropriation is adjusted as required as revenue increases or decreases.
- ▶ Allocations to other appropriations within Vote Transport that are funded from road tax revenue.
- ▶ Unspent funding from previous years may be appropriated.

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

Policy advice and related outputs – Civil Aviation MCA

The appropriation increased by \$0.300 million due to funding reprioritised from Vote Transport and Vote Business, Science and Innovation for unmanned aircraft certification activity.

Policy advice and related outputs – Maritime MCA

The appropriation increased by \$0.079 million due to a carry forward from 2016/17 to enable Maritime New Zealand to participate in an international emergency training event.

Regional Fuel Tax administration

This appropriation increased by \$1.000 million to provide the NZ Transport Agency funding to establish systems for the collection and distribution of Regional Fuel Tax.

Reinstatement of South Island Transport Corridors MCA

This appropriation increased by \$445.000 million due to:

- ▶ \$325.000 million transferred from the capital expenditure appropriation previously established for this purpose, and
- ▶ \$120.000 million allocated out of the contingency fund for this project, to meet forecast expenditure.

Search and rescue and recreational boating safety activities PLA

This appropriation increased by \$0.250 million due to anticipated additional search and rescue costs.

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

The appropriation increased by \$2.000 million due to NZ Transport Agency processing higher value bad debt write offs due to newer vehicles warrant of fitness now being three yearly.

SuperGold Card – public transport concessions for cardholders

This appropriation decreased by \$0.310 million due to a reprioritisation of funds to elsewhere in Vote Transport to meet forecast costs.

Urban cycleways – local routes

This appropriation decreased by \$9.750 million due to:

- ▶ \$5.000 million carried forward from 2016/17 (increase), and
- ▶ \$14.750 million carried forward to 2018/19 (decrease) to align with forecast expenditure.

Auckland Transport Package loan

This appropriation increased by \$6.000 million due to a carry forward from 2016/17 due to slower than anticipated expenditure as resources were reprioritised to respond to the November 2016 Kaikōura earthquake.

Maritime New Zealand capital expenditure PLA

This appropriation increased by \$0.344 million to reimburse Maritime New Zealand for higher variable search and rescue costs incurred in 2016/17.

Rail – KiwiRail equity injection

This appropriation increased by \$27.641 million due to a carry forward from 2016/17 relating to delays in the sale of property.

Rail – KiwiRail Holdings Limited

This appropriation increased by \$40.000 million for uninsured costs of repairing the Main North Line following the November 2016 Kaikōura earthquake.

Rail – Wellington metro rail network upgrade

This appropriation increased by \$10.339 million due to:

- \$3.717 million carried forward from 2016/17 [increase], and
- \$14.056 million carried forward to 2018/19 and 2019/20 [decrease] to align with forecast expenditure.

Regional state highways

The appropriation increased by \$14.300 million due to:

- \$5.018 million carried forward from 2016/17 [increase], and
- \$9.282 million transferred from 2020/21 [increase] to align with the NZ Transport Agency's forecast expenditure.

Reinstatement of South Island Main North Line

This appropriation increased by \$140.000 million to help KiwiRail meet the costs of reinstating the Main North Line following the November 2016 Kaikōura earthquake while they await the outcome of their insurance claim.

Reinstatement of South Island State Highway 1

This appropriation reduced by \$325.000 million to nil as it was disestablished and replaced with a Multi-Category Appropriation.

Urban cycleways – Crown assets

This appropriation increased by \$0.503 million due to:

- \$0.753 million carried forward from 2016/17 [increase], and
- \$0.250 million carried forward to 2018/19 [decrease] to align with forecast expenditure.

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 \$25 million higher than forecast, mainly in indirect taxation. These revenues are demand driven and therefore difficult to forecast.

Schedule of non-departmental expenses

Total expenses were \$119 million higher than forecast. The National Land Transport Programme expenditure was more than forecast.

Schedule of non-departmental assets

Non-departmental assets were \$22 million lower than forecast. This is mainly because a finance charge relating to Auckland City Rail Link is operating in nature rather than an investment in a joint venture as originally forecast [see note 8 for explanation].

Schedule of non-departmental liabilities

Payables were \$62 million higher than forecast. This is mainly in relation to additional expenditure on the National Land Transport Programme.

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 2018.

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

FOR THE YEAR ENDED 30 JUNE 2018

Annual and permanent appropriations for Vote Transport

2017 Actual \$000	Appropriation title	2018 Actual \$000	2018 Forecast \$000	End-of-year performance information location*
Departmental output expenses				
1,145	Fuel excise duty refund administration	819	823	1
267	Milford Sound/Piopiotaahi Aerodrome operation and administration	335	385	1
1,196	Search and rescue activity coordination PLA	2,069	2,425	1
2,608	Total departmental output expenses	3,223	3,633	
Departmental capital expenditure				
442	Ministry of Transport — capital expenditure PLA	-	1,522	1
Non-departmental output expenses				
5,639	Accident or incident investigation and reporting	5,740	5,840	2
775	Crash analysis	775	775	3
-	Health and Safety at work activities - Civil Aviation	1,275	1,275	4
-	Health and Safety at work activities - Maritime	6,160	6,315	5
2,337	Licensing activities	2,954	6,100	3
145	Maritime port security	145	145	4
548	Ministerial servicing by the NZ Transport Agency	548	548	3
1,888,232	National Land Transport Programme PLA	2,280,190	2,157,665	3
-	Regional Fuel Tax administration	979	1,000	3
3,779	Road user charges investigation and enforcement	3,779	3,779	3
450	Road user charges refunds	450	450	3
3,244	Search and rescue activities	3,231	3,231	5
8,285	Search and rescue and recreational boating safety activities PLA	9,714	9,912	6
95	SuperGold card - administration of the public transport concessions scheme	95	95	3
21,917	Weather forecasts and warnings	23,437	23,437	6
72,651	Reinstatement of South Island State Highway 1	-	-	3
2,008,097	Total non-departmental output expenses	2,339,472	2,220,567	

2017 Actual \$000	Appropriation title	2018 Actual \$000	2018 Forecast \$000	End-of-year performance information location*
Non-departmental other expenses				
6,013	Bad debt provision – motor vehicle registration/licences and road user charges	4,965	6,000	8
-	Auckland City Rail Link finance costs	14,453	-	-
650	Membership of international organisations	680	743	8
3,270	Rail – public policy projects	3,270	3,270	7
500	Rail – railway safety	500	500	7
26,386	SuperGold Card – public transport concessions for cardholders	28,171	29,010	3
13	Tauranga maritime incident response	-	-	5
22,000	Urban cycleways – local routes	33,253	39,793	3
58,832	Total non-departmental other expenses	85,292	79,316	
Non-departmental capital expenditure				
-	Auckland City Rail Link	311,140	436,000	9
116,200	Auckland Transport Package loan	100,000	122,000	3
2,700	Aviation Security Service	-	-	4
86	Joint venture airports	1,097	500	1
-	Joint venture airports – Crown contribution MYA	-	-	8
835	Maritime New Zealand	-	-	5
-	Maritime New Zealand capital expenditure PLA	344	344	5
-	NLTF borrowing facility for short-term advances	-	500,000	3
14,959	Rail – KiwiRail equity injection	3,026	39,741	7
190,200	Rail – KiwiRail Holdings Limited	260,000	260,000	7
-	Rail – KiwiRail Holdings Limited Loans	163,500	163,500	7
4,553	Rail – Wellington metro rail network upgrade	11,665	15,561	7
45,409	Regional State highways	43,625	50,000	3
20,486	Reinstatement of South Island State Highway 1	-	-	3
30,000	Reinstatement of Main North Line	-	-	7
-	Reinstatement of South Island Main North Line	140,000	140,000	7
11,000	Roading – reinstatement of earthquake damaged roads in Christchurch – loan	-	-	3
3,247	Urban cycleways – Crown assets	4,389	6,503	3
1,113,776	National Land Transport Programme – new infrastructure for and renewal of State highways PLA **	1,091,246	1,201,235	3
1,553,451	Total non-departmental capital expenditure	2,130,032	2,935,384	

2017 Actual \$000	Appropriation title	2018 Actual \$000	2018 Forecast \$000	End-of-year performance information location*
Multi-category appropriations (MCA)				
31,928	Policy advice and related outputs MCA	32,398	35,282	1
Departmental output expenses				
28,543	Policy advice	27,717	30,282	
2,594	Ministerial servicing	2,568	2,300	
791	Governance and performance advice on Crown agencies	2,113	2,700	
3,389	Policy advice and related outputs – Civil Aviation MCA	2,079	2,079	1, 4
Non-departmental output expenses				
663	Policy advice – Civil Aviation	963	963	
431	Ministerial servicing – Civil Aviation	431	431	
1,610	Health and safety in employment activities – Civil Aviation	-	-	
685	International relations and International Civil Aviation Organization obligations	685	685	
9,144	Policy advice and related outputs – Maritime MCA	6,196	6,270	1, 5
Non-departmental output expenses				
3,406	Policy advice – Maritime	3,349	3,349	
685	Maritime – incident response	769	843	
2,078	Maritime safety and marine protection services	2,078	2,078	
2,975	Health and safety in employment activities – Maritime	-	-	
-	Reinstatement of the South Island transport corridors MCA	432,731	445,000	1, 3
Non-departmental output expenses				
-	Restoration of State Highway 1 between Picton and Christchurch	82,714	90,000	
Non-departmental capital expenditure				
-	Rebuild of State Highway 1 between Picton and Christchurch	350,017	355,000	
44,461	Total multi-category appropriations	473,404	488,631	

*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 NZ 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.

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

FOR THE YEAR ENDED 30 JUNE 2018

	Expenditure 2017/18 \$000	Unaudited Supplementary Estimates 2017/18 \$000	Unappropriated Expenditure 2017/18 \$000
Non-departmental other expenses			
Auckland City Rail Link finance costs	14,453	-	14,453
Appropriations for capital contributions to other organisations			
Joint venture airports	1,097	500	597

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

Auckland City Rail Link finance costs

A finance charge of \$14.453 million was paid to Auckland Council in December 2017 for costs relating to stage 1 enabling works and interim funding for the Auckland City Rail Link, to which the Crown and Auckland Council are joint sponsors. This expenditure was initially treated as capital expenditure and is within the funding limits approved by Cabinet for the Crown's share of the Auckland City Rail Link. The Ministry and the Treasury have subsequently agreed that the finance costs do not meet the Crown's capitalisation policy and are operating in nature. There is no operating appropriation for the Crown's commitment to the Auckland City Rail Link and therefore this expenditure was unappropriated. This breach is due to the classification of expenditure only and no further funding is required to cover the expenditure, it will be included in the total funding already committed by the Crown.

Joint venture airports

The Ministry of Transport administers the appropriation Joint Venture Airports and is responsible for the Crown's share of costs incurred by joint venture airports. A number of claims for costs dating back over a number of years have been made to the Ministry of Transport in the 2017/18 year. Cabinet has given approval for costs of up to \$0.700 million to be met from Imprest Supply. The amount of these claims has resulted in the appropriation exceeding the authority published in the Supplementary Estimates by \$0.597 million.

END-OF-YEAR PERFORMANCE



The Ministry measures
the performance of the
transport sector through
a range of indicators





End-of-year performance information

FOR THE YEAR ENDED 30 JUNE 2018

The appropriations reported in this section 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]
 - International Relations and international Civil Aviation Organisation obligations
 - Ministerial Servicing – Civil Aviation
 - Policy advice – Civil Aviation.
- ▶ 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 capital expenditure]
 - Restoration of SH1 between Picton and Christchurch
 - Rebuild of SH1 between Picton and Christchurch.

Departmental Output Expenses:

- ▶ Fuel excise duty refund administration
- ▶ Milford Sound/Piopirotahi Aerodrome operation and administration
- ▶ Search and Rescue activity coordination Permanent Legislative Authority (PLA)

Departmental Capital Expenditure:

- ▶ Ministry of Transport capital expenditure PLA

Non-departmental Capital Expenditure:

- ▶ Joint venture airports

Multi-category Expenses and Capital Expenditure

POLICY ADVICE AND RELATED OUTPUTS

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

There are three output classes in this appropriation:

- Policy advice
- Ministerial servicing
- Governance and performance advice on Crown agencies

Financial performance

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000	Forecast 2017/18 \$000
31,870	Revenue Crown	35,282	33,233	34,220
19	Other revenue	64	-	1,062
31,889	Total revenue	35,346	33,233	35,282
31,928	Expenses	32,398	33,233	35,282
[39]	Net surplus/(deficit)	2,948	-	-

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

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000	Forecast 2017/18 \$000
28,370	Revenue Crown	30,282	29,733	29,220
19	Other revenue	64	-	1,062
28,389	Total revenue	30,346	29,733	30,282
28,543	Total expenses	27,717	29,733	30,282
[154]	Net surplus/(deficit)	2,629	-	-

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

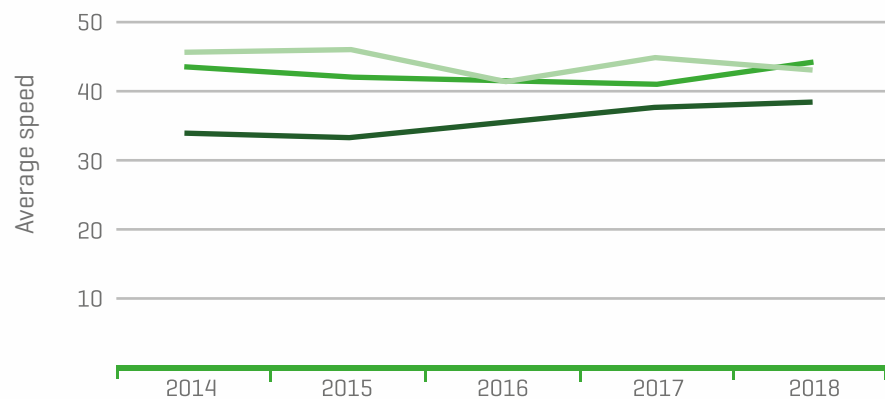
Actual 2016/17	Performance measures	Actual 2017/18	Standards/ Targets 2017/18
New measure	Transport network congestion in the three largest metropolitan areas will decrease over the medium term	On track for 2 out of 3 centres*	On track
On track	New Zealand trends in port productivity will increase over the medium term	On track**	On track
Not on track	Fewer deaths and serious injuries within the New Zealand transport system over the medium term	Not on track***	On track
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

AM Peak average travel speed

Kilometres per hour

- AUCKLAND
- WELLINGTON
- CHRISTCHURCH

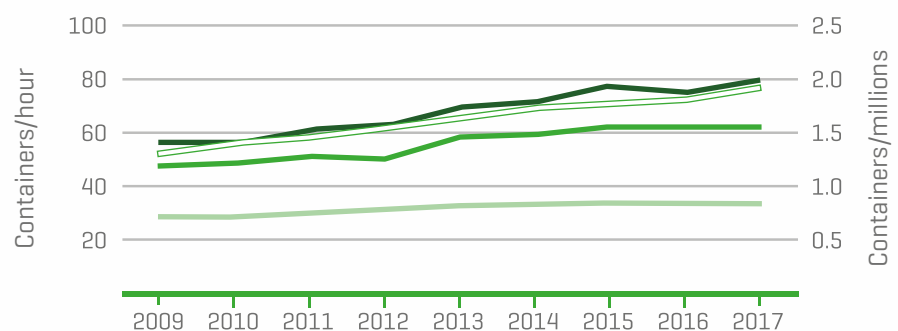


**New Zealand trends in port productivity will increase over the medium term

New Zealand trends in container handling

Per hour

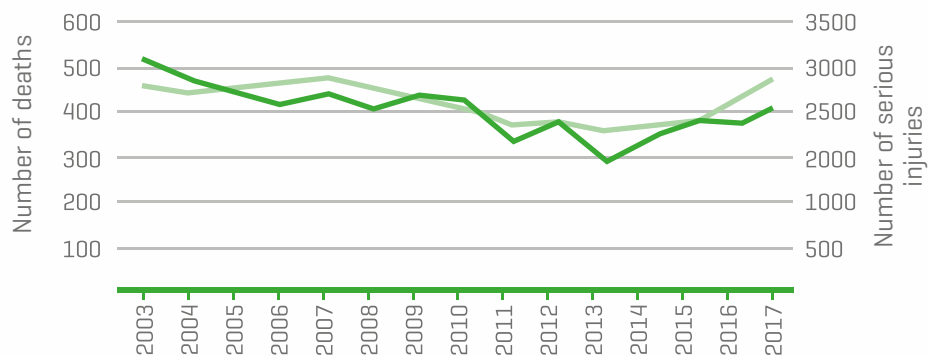
- CRANE RATE
- VESSEL RATE
- SHIP RATE
- CONTAINERS/ MILLIONS [right hand axis]



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

Deaths and serious injuries across all transport modes

DEATHS
SERIOUS INJURIES
[right hand axis]



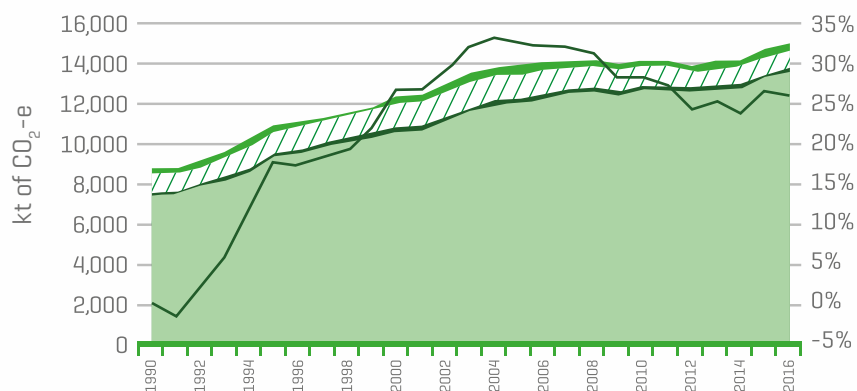
**** There is a reduction in the rate of growth of carbon dioxide emissions from domestic transport per capita in the medium term

Note that there has not been significant change in the rate of growth [either up or down] over the last five years. Growth spiked in 2004 and began to decline. However since 2010, growth has fluctuated between 28 percent and 24 percent.

Carbon dioxide equivalent emissions (kt of CO₂-e) from domestic transport, and rate of growth of emissions

Per capita

MARINE
AVIATION
RAIL
ROAD
GROWTH IN EMISSIONS/
CAPITA FROM 1990



Assessment of performance against other measures for this output class

Actual 2016/17	Performance measures	Actual 2017/18	Standards/ Targets 2017/18
83%	Milestones contained in the output plan are completed as agreed, or as subsequently amended by the agreement between the Minister and the Chief Executive	85%*	95%
100%	Percentage of policy advice papers that meet the Advice Quality Characteristics [refer conditions on use of Appropriation]	100%	100%
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	Achieved	Achieved
55%	Satisfaction of the Minister of Transport with the policy advice service, as per the satisfaction survey	71%***	75%
\$158	The total cost per hour of producing outputs [excluding outsourced costs]	\$173****	\$175
Achieved	The agreed Funding Review programme, including variations, is delivered	Achieved	Achieved

* 2017/18 was a busy year for the Ministry; we received many new requests for advice, along with an increase in other information requests. This figure reflects the pressure of delivering multiple streams of information.

** This measure was previously “the average assessment of the quality of Ministry policy advice is within the range of 7.2–7.5 for papers assessed through an annual external review of policy advice by NZIER”. The measure was changed so that the Ministry is not limited in its selection of an appropriate external party to perform the review.

*** The Ministry is continuously seeking to improve the quality of our advice and its timeliness to the Minister.

**** For 2017/18 the Ministry has had to estimate the cost per hour for policy advice. Following the November 2016 Kaikōura earthquake the Ministry had a number of system changes and we no longer have access to the same information that we used to calculate the cost per hour in previous years. For 2017/18, the policy costs are the costs as reported in this Annual Report, adjusted to remove outsourced costs. The Ministry’s data shows that it employed policy staff for a similar number of hours in 2016/17 and 2017/18. We have therefore applied the total staff policy hours for 2016/17 and the 2016/17 policy staff utilisation rate to estimate the 2017/18 cost of policy advice per hour.

Ministerial servicing

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

Financial performance

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000	Forecast 2017/18 \$000
2,600	Revenue Crown	2,300	2,600	2,300
2,594	Total expenses	2,568	2,600	2,300
6	Net surplus/(deficit)	[268]	-	-

Assessment of performance

Actual 2016/17	Performance measures	Actual 2017/18	Standards/ Targets 2017/18
78%	Percentage of draft replies to Ministerial correspondence completed within 10 working days	38% *	80%
87%	Percentage of Official Information Act requests to the Ministry replied to within statutory timeframes	93% **	100%
100%	Percentage of Ministerial servicing items that meet quality characteristics (refer conditions on use of Appropriation)	100%	100%

* In 2017/18 the Ministry drafted 847 responses to Ministerial correspondence, in contrast to 2016/17 where we drafted 759 responses. The increase in the quantity of Ministerial correspondence does not fully explain the difficulty in delivering these responses on time. To address these delays the Ministry has allocated more resource into Ministers' offices, and is also working on systems improvements.

** Although the Ministry's timeliness in responding to Official Information Act requests has improved since the previous year, we are still not delivering to our standard of 100 percent. As part of our work on systems improvements, we are looking to address our timeliness in responding to Official Information Act requests.

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

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000	Forecast 2017/18 \$000
900	Revenue Crown	2,700	900	2,700
791	Total expenses	2,113	900	2,700
109	Net surplus	587	-	-

Assessment of performance

Actual 2016/17	Performance measures	Actual 2017/18	Standards/ Targets 2017/18
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
7.7	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 7.4*	Achieved

* This measure was previously "the average assessment of the quality of Ministry policy advice is within the range of 7.2 – 7.5 for papers assessed through an annual external review of policy advice by NZIER". The measure was changed so that the Ministry is not limited in its selection of an appropriate external party to perform the review.

POLICY ADVICE AND RELATED OUTPUTS – CIVIL AVIATION

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.

This appropriation includes:

- International Relations and International Civil Aviation Organization Obligations.
- Ministerial Servicing
- Policy Advice

Financial performance

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000	Forecast 2017/18 \$000
3,389	Policy advice and related outputs – Civil Aviation MCA non-departmental output expenses	2,079	1,779	2,079

Assessment of performance

Actual 2016/17	Performance measures	Actual 2017/18	Standards/ Targets 2017/18
No impact to the perception or confidence	The 2016/17 survey results indicate an improvement over the 2014 survey results in relation to the perceptions and confidence of the travelling public and other stakeholders in the safety and security of air transport.	N/A – survey is carried out every two years.	No impact to the perception or confidence
76%	Percentage of resident travellers that felt extremely or very safe and secure [2014 result – 75%]	N/A – survey is carried out every two years.	75% or greater
90%	Percentage of overseas travellers that felt extremely or very safe and secure [2014 result – 92%]	N/A – survey is carried out every two years.	92% or greater
Not available	Percentage of key stakeholders satisfied with the safety and security performance of the New Zealand civil aviation system [2014 result – 40%]	N/A – survey is carried out every two years.	40% 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

Actual 2016/17	Performance measures	Actual 2017/18	Standards/ Targets 2017/18
New measure	International engagement is undertaken that meets New Zealand's role and obligations as a member state of the International Civil Aviation Organization (ICAO) by participation on ICAO regional and global fora and initiatives with demonstrated contribution to outcomes of those fora	Achieved	Achieved

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

Actual 2016/17	Performance measures	Actual 2017/18	Standards/ Targets 2017/18
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
95%	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

Actual 2016/17	Performance measures	Actual 2017/18	Standards/ Targets 2017/18
New measure	Percentage of policy advice provided to other government departments and agencies that is consistent with the scope guidance set out in section 3.2 of "Reorganisation of Appropriations for Policy Advice - Guide for Department [Treasury 2011]"	100%	100%
New measure	All policy advice provided to other government departments and agencies is delivered within the timeframes requested by those departments and agencies	100%	100%

POLICY ADVICE AND RELATED OUTPUTS – MARITIME

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.

This appropriation includes:

- Maritime incident response
- Maritime safety and marine protection services
- Policy advice – maritime

Financial performance

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000	Forecast 2017/18 \$000
9,144	Policy advice and related outputs – Maritime MCA non-departmental output expenses	6,196	6,191	6,270

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

Actual 2016/17	Performance measures	Actual 2017/18	Standards/ Targets 2017/18
New measure	The number of Maritime Incident Response Team (MIRT) exercises completed	Achieved 4	4
New measure	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

Actual 2016/17	Performance measures	Actual 2017/18	Standards/ Targets 2017/18
New measure	The percentage of time lighthouses are operational	Achieved 99.99%	99.8% or greater
New measure	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

Actual 2016/17	Performance measures	Actual 2017/18	Standards/ Targets 2017/18
New measure	All written advice to the Minister of Transport and the Ministry of Transport meet Maritime New Zealand's quality criteria [content, form, analysis and completion by the due date]	100%	Achieved

REINSTATEMENT OF THE SOUTH ISLAND TRANSPORT CORRIDOR [M72]

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.

This appropriation is new in 2017/18.

Financial performance

Actual 2016/17		Actual 2017/18 \$000	Budget 2017/18 \$000	Forecast 2017/18 \$000
-	Non-departmental output expense: Restoration of State Highway 1 between Picton and Christchurch	82,714	-	90,000
-	Non-departmental capital expenditure: Rebuild of State Highway 1 between Picton and Christchurch	350,017	-	355,000

Assessment of overall performance

Actual 2016/17	Performance measures	Actual 2017/18	Standards/ Targets 2017/18
New measure	State Highway 1 between Picton and Christchurch open with restrictions by 31 December 2017	Achieved	Achieved
New measure	State Highway 1 between Picton and Christchurch reopened and fully functional with no traffic management by 30 June 2018.	Not achieved *	Achieved

*In progress to be fully achieved by 30 June 2019.

Departmental Output Expenses

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

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000	Forecast 2017/18 \$000
1,103	Revenue Crown	703	703	703
111	Other revenue	116	120	120
1,214	Total revenue	819	823	823
1,145	Total expenses	819	823	823
69	Net surplus	-	-	-

Assessment of performance

Actual 2016/17	Performance measures	Actual 2017/18	Standards/ Targets 2017/18
Data was unavailable	Average number of days taken to receive all FED claims, audit, process and pay FED refunds	Not achieved 23.4 days	Within 20 working days

MILFORD SOUND/PIOPIOTAHU AERODROME OPERATION AND ADMINISTRATION

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

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

Financial performance

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000	Forecast 2017/18 \$000
329	Other revenue	351	230	385
267	Expenses	335	230	385
62	Net surplus/(deficit)	16	-	-

Assessment of performance

Actual 2016/17	Performance measures	Actual 2017/18	Standards/ Targets 2017/18
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

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000	Forecast 2017/18 \$000
1,201	Revenue Crown	2,425	2,575	2,425
1,196	Expenses	2,069	2,575	2,425
5	Net surplus	356	-	-

Assessment of performance

Actual 2016/17	Performance measures	Actual 2017/18	Standards/ Targets 2017/18
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	100%	95% or higher
100%	Survey results show that the New Zealand search and rescue sector is at least 95 percent satisfied with the delivery of effective leadership and strategic coordination	100%	95% or higher

Departmental Capital Expenditure

MINISTRY OF TRANSPORT – CAPITAL EXPENDITURE PLA

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

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

Financial performance

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000	Forecast 2017/18 \$000
442	Ministry of Transport – capital expenditure PLA	-	455	1,522

Assessment of performance

Actual 2016/17	Performance measures	Actual 2017/18	Standards/ Targets 2017/18
100%	Expenditure is in accordance with the Ministry's capital expenditure plan and asset management plan	100%*	100%

*See note 18 (page 42). Expected accounting treatment of intangible assets changed after the Supplementary Estimates were confirmed.

Non-departmental Capital Expenditure

JOINT VENTURE AIRPORTS

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.

Financial performance

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000	Forecast 2017/18 \$000
-	Disposal of New Plymouth airport	(3,250)	-	-
(1,518)	Gains/(losses) generated by the other airports	(14)	-	-
(1,518)	Share of net asset increase/(decrease) in joint venture airports	(3,264)	-	-
-	Capital payments made during the year	1,097	500	500
(1,518)	Total change in investment value	(2,167)	500	500

Assessment of overall performance

Actual 2016/17	Performance measures	Actual 2017/18	Standards/ Targets 2017/18
100%	Percentage of compliance with the joint venture agreements with the airports	100%	100%

The page features abstract geometric design elements. In the top right corner, there is a small, light gray 3D rectangular prism. The bottom half of the page is dominated by large, overlapping triangular shapes in various shades of gray, creating a modern, architectural feel.

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 2018

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 27 to 43, that comprise the statement of financial position, statement of commitments, and statement of contingent liabilities and contingent assets as at 30 June 2018, 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 2018 on pages 11 to 18 and 61 to 74;
- ▶ the statement of budgeted and actual expenses and capital expenditure incurred against appropriations and the statement of expenses and capital expenditure incurred without, or in excess of, appropriation or other authority of the Ministry for the year ended 30 June 2018 on pages 55 to 58; and
- ▶ the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 44 to 54 that comprise:
 - the schedules of assets; liabilities; commitments; and contingent liabilities as at 30 June 2018;
 - the schedules of expenses; and revenue and receipts for the year ended 30 June 2018; and
 - the notes to the schedules that include other explanatory information.

Opinion

In our opinion:

- ▶ the financial statements of the Ministry on pages 27 to 43:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; 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 11 to 18 and 61 to 74:
 - presents fairly, in all material respects, for the year ended 30 June 2018:
 - 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 and the statement of expenses and capital expenditure incurred without, or in excess of, appropriation or other authority of the Ministry on pages 55 to 58 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- ▶ the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 44 to 54 present fairly, in all material respects, in accordance with the Treasury Instructions:
 - the assets; liabilities; commitments; and contingent liabilities as at 30 June 2018; and
 - expenses; and revenue and receipts for the year ended 30 June 2018.

Our audit was completed on 28 September 2018. 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 of 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 of Transport for the information to be audited

The Secretary of 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 of 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 of Transport is responsible on behalf of the Ministry for assessing the Ministry's ability to continue as a going concern. The Secretary of 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 of 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 and relevant Estimates and Supplementary Estimates of Appropriations 2017/18, and the forecast financial figures included in the Ministry's 2016/17 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 of 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 of 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 of 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 of Transport is responsible for the other information. The other information comprises the information included on pages 5 to 84, 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.

Independence

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

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

Clint Ramoo


Audit New Zealand

On behalf of the Auditor-General
Wellington, New Zealand

REPORT IN RELATION TO ADDITIONAL NON- DEPARTMENTAL APPROPRIATIONS



This appendix provides
performance information
on boating safety and
weather forecasts



Report in relation to additional Non-departmental Appropriations

FOR THE YEAR ENDED 30 JUNE 2018

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

Foreword

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

Non-departmental output expenses:

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

Non-departmental other expenses:

- Tauranga maritime incident response

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

Hon Phil Twyford

Minister of Transport

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.

Funding paid to each body in 2017/18

	\$000
Crown entities	
Maritime New Zealand	5,724
Sub-total	5,724
Annual funding under a service-level agreement	
Coastguard New Zealand	2,440
LandSAR New Zealand	1,135
Surf Life Saving NZ	200
Mountain Safety Council NZ	150
Amateur Radio Emergency Communications	65
Sub-total	3,990
Total	9,714

Financial performance

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000	Forecast 2017/18 \$000
8,285	Non-departmental output expenses: Search and rescue and recreational boating safety activities PLA	9,714	9,662	9,912

Funding increased by \$0.250 million due to anticipated additional Search and Rescue costs.

Assessment of performance

Actual 2016/17	Performance measures	Actual 2017/18	Standards/ Targets 2017/18
90%	Delivery of the national search and rescue support programme agreed by the New Zealand Search and Rescue Council with the providing bodies	100%	100%
58%	The percentage of New Zealanders who recall boating safety messaging [as gauged by survey]	55.01%	60% or greater
	Develop and maintain Service Level Agreements with key providers in the Search and Rescue community. Key agreement measures are:		
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%
100%	▸ Participation in joint Search and Rescue exercises	95%	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	90%	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

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000	Forecast 2017/18 \$000
21,917	Non-departmental output expenses: Weather forecasts and warnings	23,437	23,437	23,437

Assessment of performance

Actual 2016/17	Performance measures	Actual 2017/18	Standards/ Targets 2017/18
Achieved	Provision of agreed services	Achieved	As per contract
94%	Minimum percentage of forecasts of severe-weather events which successfully predicted the event [probability of detection]	Achieved 93%	90%
9%	Maximum percentage of forecasts of severe-weather events which are subsequently found to be false alarms [false alarm ratio]	Achieved 12%	25%
Achieved	Provision of new services	Achieved	As agreed between MetService and the Ministry

NON-DEPARTMENTAL OTHER EXPENSE: TAURANGA MARITIME INCIDENT RESPONSE

This appropriation was established to provide funding to respond to the grounding of the MV Rena on 11 October 2011. The only expenditure against the appropriation in 2016/17 was a payment to Crown Law Office. This related to the Crown's participation in a hearing of the Environment Court under the Resource Management Act 1991. No further expenditure was incurred in 2017/18

Financial performance

2016/17 Actual \$000	Actual 2017/18 \$000	Budget 2017/18 \$000	Forecast 2017/18 \$000
13 Non-departmental output expense: Tauranga maritime incident response	-	-	-

Assessment of performance

Actual 2016/17	Performance measures	Actual 2017/18	Standards/ Targets 2017/18
100%	Crown Law advice meets the needs of the Attorney-General, including those relating to an Ombudsman's inquiry	Not applicable	Not applicable

Directory

WELLINGTON

Head Office

Ministry of Transport
Level 2
Westpac House
318 Lambton Quay
Wellington 6011
PO Box 3175
Wellington 6140

Telephone: +64 4 499 9000
Email: info@transport.govt.nz

Peter Mersi

Chief Executive and Secretary for Transport

Brigid Wills

Executive Assistant to the Chief Executive

Telephone: +64 4 439 9363
Email: b.wills@transport.govt.nz

AUCKLAND

Auckland Policy Office

Level 6, Tower Centre
45 Queen Street
Auckland 1010
PO Box 106 238
Auckland 1143

Telephone: +64 9 985 4827

WWW.TRANSPORT.GOVT.NZ



Ministry of Transport
TE MANATŪ WAKA