



Ministry of **Transport**
TE MANATŪ WAKA

F.5

Annual Report 2008/09

REPORT OF THE
MINISTRY OF TRANSPORT
FOR THE YEAR ENDED
30 JUNE 2009

Contents

Message from our Chief Executive	1
About the Ministry	2
Our Vision	2
Nature and Scope of Functions	2
Key Personnel	2
What we are part of	3
The Ministry's outcomes	4
Report of the Audit Committee	5
Year in Review and Performance Highlights	6
Non-Financial Performance	13
Statement of Responsibility	13
Maintaining and Developing Capability	14
Statement of Objectives and Service Performance	15
Financial Performance	35
Financial Statements: Ministry	35
Schedules and Statements: Crown	55
Audit Report	68
Legal Responsibilities	70
Glossary	72
Directory	73

Message from our Chief Executive – Martin Matthews



As Chief Executive of the Ministry of Transport, I am delighted to present a review of the Ministry's activities over what has been a challenging and busy year.

The Ministry's role is to be the government's policy adviser on transport matters. We aim to provide expert and impartial advice to the government to help it ensure that the transport system supports our needs and aspirations as a nation.

Responding to the new government's transport priorities has been a key focus for us; ensuring that transport plays its role in supporting the government's priority of improving economic growth and productivity effectively.

The release of the amended Government Policy Statement on Land Transport Funding (GPS) was a major project this year. Investment in transport infrastructure has been identified by the government as crucial to achieving economic growth, so funding has been reprioritised to ensure this goal can be met.

Progress made in other areas by the Ministry over the past year included carrying out a comprehensive review of the road user charges system, identifying the initial list of Roads of National Significance, developing a Bill to tackle illegal street racing and reviewing domestic aviation security.

The repeal of regional fuel tax and taking over policy responsibility for rail were part of a raft of other decisions taken by the government to redirect its policy and funding. These matters have kept the Ministry extremely busy during the second half of the financial year.

Our strong focus on, and commitment to, addressing road safety continued to be a priority for the Ministry. In 2008 we experienced the lowest road toll in 50 years with 365 deaths. While this was an improvement, we must continue to work on reducing fatal and injury crashes. The development of Safer Journeys, a discussion document leading to a road safety strategy to take New Zealand through to 2020, will help to address this issue. The final strategy will be launched in December 2009.

Since joining the Ministry in September 2008, I have spent considerable time listening to our transport sector colleagues and to Ministry staff so that I could develop a clear view of the issues facing transport in New Zealand. In the last year we

have also been strongly reminded of how global circumstances affecting New Zealand can change. I have been encouraging the Ministry to develop a view of the critical issues that are likely to impact on transport in New Zealand in the foreseeable future. This is an important sector leadership function of the Ministry.

The change of government in November 2008 brought with it a different view of the priorities for the transport sector, and the Ministry has worked hard to review programmes and policy to support these priorities.

These changes have reinforced for me how important it is for the Ministry to operate in a manner which is flexible and responsive to government. Further, that our ability to serve the government effectively is heavily dependent on our maintaining expert knowledge and sound relationships throughout the transport sector, and the rest of government. These considerations, together with the need to operate with fiscal constraint for the foreseeable future, are the basis for changes I am leading in the way we operate – to ensure that we are more effective and efficient, and deliver value for money.

In April 2009, I began the process of reorganising the Ministry. Our new structure was in place by 1 September 2009. It provides the platform for the Ministry to improve how it goes about its business of being the government's trusted, impartial and expert adviser on transport related matters.

I am proud of the work achieved by the Ministry over the past year, and I look forward to working with Ministry staff to provide the best possible advice we can to support the government in delivering its transport programme to New Zealand.



Martin Matthews
Chief Executive

About the Ministry

Our vision	2	What we are part of	3
Nature and scope of functions	2	The Ministry's outcomes	4
Key personnel as at 30 June 2009	2	Report of the Audit Committee	5

Our vision is: "Leading transport solutions for New Zealand"

The role of the Ministry of Transport is to be the trusted, impartial and expert transport adviser to the government. We are committed to providing the best possible advice to support the government in growing the New Zealand economy so that we can all enjoy greater prosperity, security and opportunity.

Nature and scope of functions

The Ministry is the government's principal transport adviser. We work with the Minister of Transport to help the government meet its objectives for transport. We assist in supporting the development of legislation, regulations and rules, and represent New Zealand's transport interests internationally. We also manage and are accountable for funds invested in transport.

The Ministry has an important role of coordinating the work of Crown entities in the transport sector to ensure that they align with the government's priorities and performance expectations. We act as an agent for the Minister, which includes recommending appointments to the governing bodies of the entities, commenting on their Statements of Intent and negotiating annual performance agreements (except the Road Safety Trust which operates under a trust deed). The Ministry monitors the performance of the Crown entities against these documents, and reports to the Minister.

While the Ministry is primarily a transport policy agency, it is responsible for some operational functions, including:

- contracting the NZ Transport Agency to collect licensing fees, road user charges and fuel excise duty
- licensing all international airlines operating to and from New Zealand
- managing the Milford Sound/Piopiotahi Aerodrome
- overseeing the Crown's interest in joint venture airports which are operated by local authorities in partnership with the government
- administering a contract with the Meteorological Service of New Zealand Limited (MetService) for the provision of a public weather warning and forecast service.

The Ministry also works with the New Zealand Police and local government.

Key personnel as at 30 June 2009

- Martin Matthews, Chief Executive
- John Bradbury, Deputy Chief Executive
- Claire Johnstone, General Manager – Corporate
- David Crawford, General Manager – Land Transport Environment and Safety
- Elizabeth Anderson, General Manager – Land Transport Investment and Development
- Bruce Johnson, General Manager – Aviation, Maritime and Security
- Wayne Donnelly, General Manager – Road and Rail

What we are part of

The New Zealand government transport sector includes the Minister of Transport, the Ministry of Transport, five Crown agencies, three state-owned enterprises and one Crown-established trust. These agencies and their functions are explained below.

THE NEW ZEALAND GOVERNMENT TRANSPORT SECTOR

MINISTER OF TRANSPORT

MINISTRY OF TRANSPORT

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

BOARD

BOARD

BOARD

BOARD

AVIATION SECURITY SERVICE

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

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.

MARITIME NEW ZEALAND

Promotes maritime safety, environmental protection and security through standard-setting, monitoring, education, compliance, safety services and oil pollution response.

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, improvement and operations activities.

TRANSPORT ACCIDENT INVESTIGATION COMMISSION

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

THREE STATE-OWNED ENTERPRISES WITH TRANSPORT FUNCTIONS

Airways Corporation of New Zealand Limited –

Provides air traffic management services and provides the Ministry with Milford Sound/Piopiota Aerodrome landing and take-off data.

Meteorological Service of New Zealand Limited (MetService) –

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

New Zealand Railways Corporation –

Incorporates ONTRACK (rail track infrastructure) and KiwiRail (rail operators).

CROWN ESTABLISHED TRUST

Road Safety Trust – Provides funding for road safety projects and research with revenue received from the sale of personalised vehicle registration plates.

LOCAL GOVERNMENT

Local authorities own, maintain and develop New Zealand's local road network and perform important regulatory transport functions. Regional councils (and unitary authorities) are required to develop regional land transport strategies that guide the transport decision-making of local councils, and also fund public transport and 'total mobility' schemes, in conjunction with the NZ Transport Agency. In the Auckland region, the Auckland Regional Transport Authority (ARTA) carries out these functions. Some local authorities own seaports and airports, or share ownership with the Crown.

NEW ZEALAND POLICE

Provides road policing (including speed enforcement, enforcement of alcohol laws, seatbelt enforcement, community roadwatch, commercial vehicle investigation and highway patrols) and maritime patrol units.

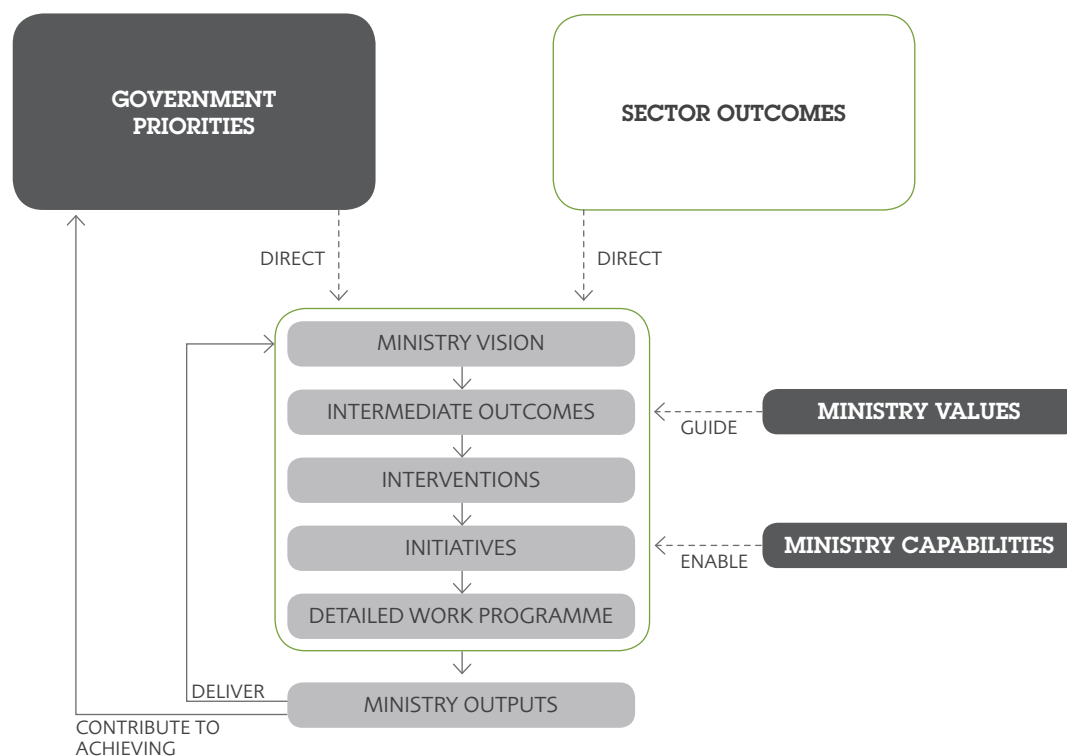
* Land Transport New Zealand and Transit New Zealand merged to become the NZ Transport Agency on 1 August 2008.

The Ministry's outcomes

The Ministry is focused on three outcomes that support the government's goals for economic growth and productivity:

- improved performance of the transport system
- improved performance of transport sector agencies
- enhanced value from government investment in transport infrastructure.

MINISTRY OUTCOMES FRAMEWORK



Progress against the outcomes will primarily be evaluated by using the Transport Monitoring Indicator Framework (TMIF). This provides a national and, where possible, regional framework for the monitoring and evaluation of the New Zealand transport system. The TMIF contains a large set of transport sector-related headlines that monitor all aspects of transport including the economy, safety, the environment, health and access and mobility.

Report of the Audit Committee

for the year ended 30 June 2009

Members:

Professor David Macdonald, QSO

Mel Smith, CNZM

Bruce Johnson, General Manager – Aviation, Maritime and Security, Ministry of Transport

Bill Ogier, Manager – Agency Monitoring and Governance, Ministry of Transport

David Bowden, Legal Manager – Ministry of Transport (from 26 August 2008)

The Audit Committee is an independent committee established by, and reporting directly to, the Chief Executive of the Ministry of Transport.

The objectives of the Committee are to oversee:

- risk management and internal control
- audit functions (internal and external) for the Ministry
- financial and other external reporting
- the governance framework and processes
- compliance with legislation, policies and procedures.

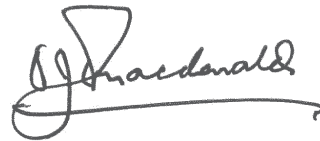
The Committee has no management functions.

Report of the Audit Committee

During the past year, the Committee met on three occasions to fulfil its duties and responsibilities. At these meetings, it:

- discussed with the external auditors their audit plan for the year and the findings from their audit work
- discussed with the internal auditors their audit plan for the year and the findings from their audit work
- reviewed the Ministry's progress on introducing a software package to manage legislative compliance
- oversaw the Ministry's development of its risk management framework and considered the concepts underpinning the framework
- reviewed the activities of the Ministry's internal Risk Management Committee
- discussed any other matters that management brought to its attention.

The Committee has reported to the Chief Executive on the above matters. There are no outstanding or unresolved concerns.

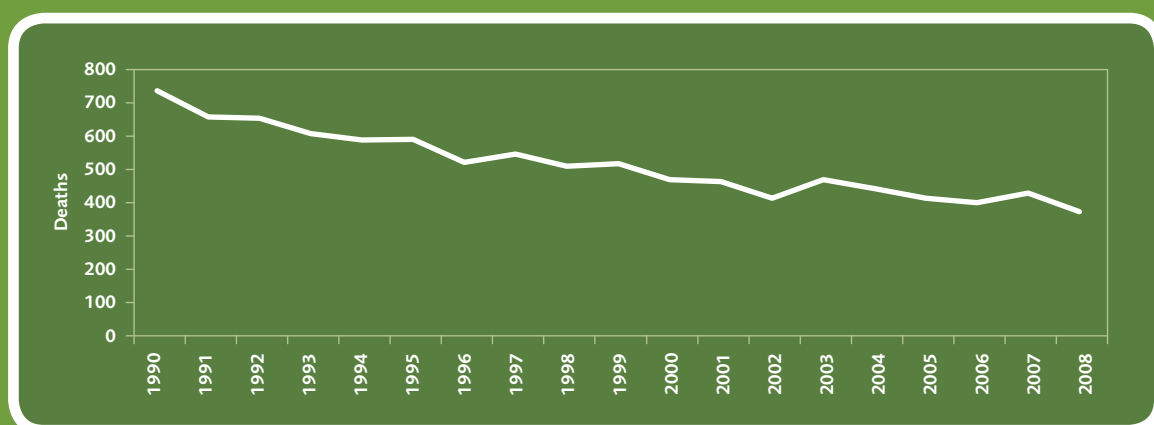


David Macdonald
Chairman
for the Audit Committee

Year in review: Key transport statistics 2008-09

The effects of the global recession presented particular challenges for the transport sector over the last 12 months. Higher petrol prices in 2008 seem to have had a positive impact on the overall road toll, as fewer kilometres were driven in cars. As a result there was an increase in the use of public transport. There was also a noticeable downturn in international air passenger arrivals.

Road deaths



The total social cost of road crashes in 2008 was

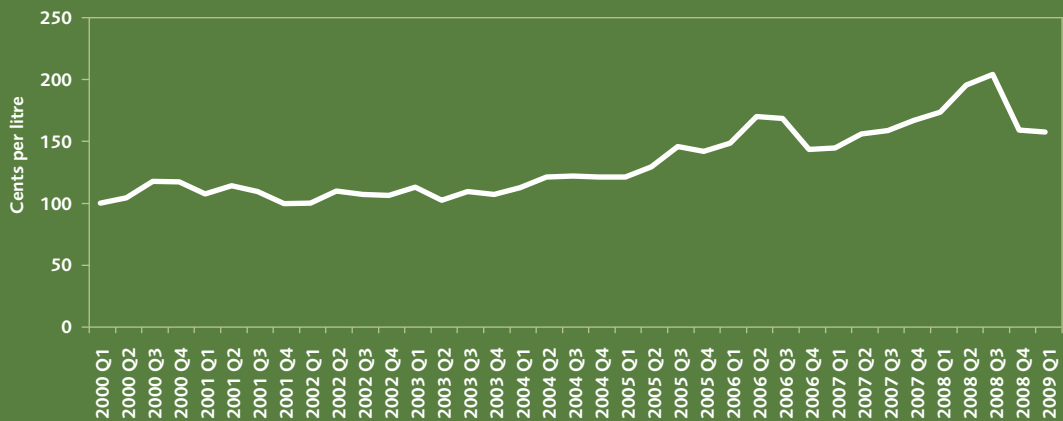
\$3.64 billion

Speed contributed to

34%

of New Zealand's fatal crashes in 2008

Regular petrol pump prices: 2000-2009



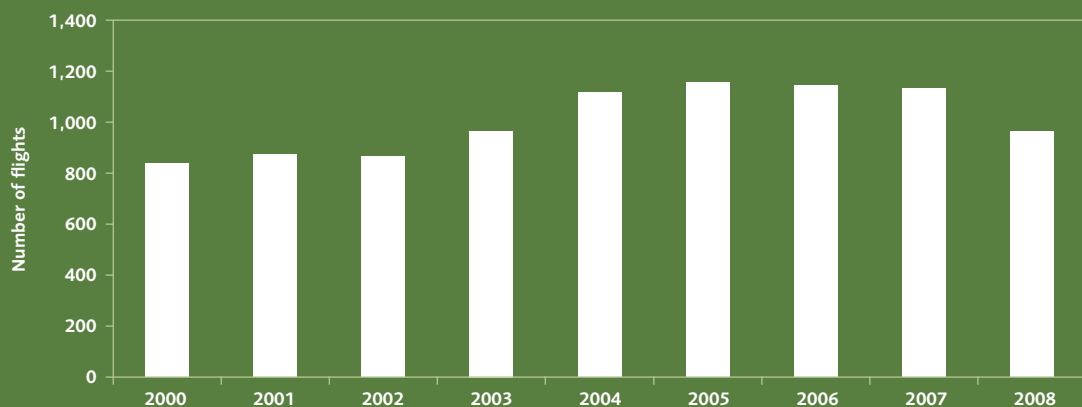
Data source: Ministry of Economic Development

Total public transport boardings: 2000-2008



Data source: NZ Transport Agency

Number of international flights per week



Data source: Statistics New Zealand

Performance highlights

1 July 2008 – 30 June 2009

REDUCING OUR ROAD TOLL

In 2008, New Zealand had its lowest road toll in 50 years. The 2008 toll of 365 compares to 421 road deaths in 2007, and is the lowest annual total since 1959.

While the road toll has been trending down for the last 30 years, improving road safety remains a top priority for the Ministry.

"We lost 365 lives on our roads last year, which is still far too many," said David Eyre, Manager – Safety Management. "Ensuring that we continue to see fewer deaths and injuries on New Zealand roads must be a collaborative effort between the government and the public."

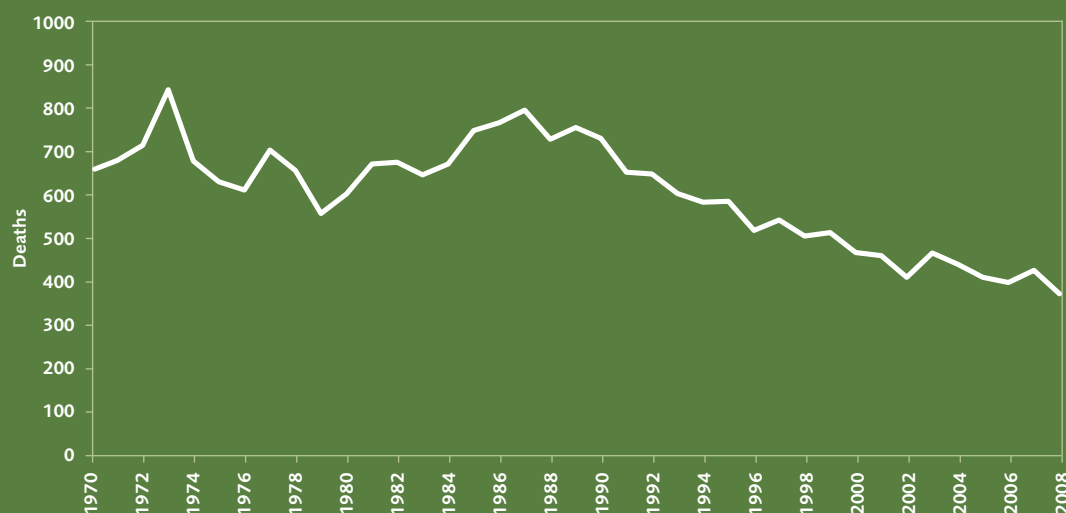
A combination of education, enforcement and engineering measures resulted in the lower 2008 road toll, but other factors, such as higher fuel prices and the economic downturn, are likely to have had an impact on the toll. International evidence shows that economic activity can have an effect on the road toll, with a correlation between the number of journeys and the number of crashes.

To help address road safety issues, the Ministry has spent much of 2008/09 developing a road safety discussion document called Safer Journeys, which will provide the basis for a new ten-year road safety strategy. The Ministry recognises that the strategy will need to address the problematic issues around speed, alcohol, roads and roadsides, motorcycling and young drivers. The final strategy will be released in December 2009 after consultation in August/September 2009.

"The specific goals and initiatives of Safer Journeys will be developed following consultation with the public. The strategy will be a guiding document for road safety, and will try to identify the best mix of actions for improving New Zealand's road safety through to 2020," said David.

Safer Journeys is led by the Ministry in collaboration with our government road safety partners including the NZ Transport Agency, Police, Accident Compensation Corporation and Local Government New Zealand.

Number of road deaths 1970-2008



AMENDING THE GOVERNMENT POLICY STATEMENT ON LAND TRANSPORT FUNDING

The new Government Policy Statement will push more funding into State highway development over the next three years.

In May 2009, Transport Minister Steven Joyce released the revised Government Policy Statement (GPS) on Land Transport Funding. This replaces the GPS released in 2008.

The GPS is the government's guiding transport funding document, and gives the Minister the power to allocate New Zealand's transport budget into 'transport activity classes', including walking and cycling, and State highways. The NZ Transport Agency is charged with distributing the money among the country's thousands of transport projects.

The revised GPS has increased the amount available to spend on State highways by more than \$1 billion over the next three years. This change reflects the government's key priority of ensuring economic growth and productivity.

This increased level of investment has been made possible by reallocating funding from other transport activity classes, providing additional Crown funding for investment in Wellington rail infrastructure, and making small increases in fuel excise duty and road user charges.

Wayne Donnelly, General Manager – Road and Rail, said the revised GPS gives the transport sector a strong indication of the government's priorities.

"The spending in most activity classes has been increased compared to previous years. The allocation for new and improved State highways reflects the government's objectives of economic growth and productivity."

INDICATIVE THREE YEAR ACTIVITY CLASS FUNDING ALLOCATIONS 2009/10 – 2011/12

ACTIVITY CLASS	INDICATIVE THREE YEAR ALLOCATIONS (\$ MILLIONS)
New and improved infrastructure for State highways	3,055
Renewal of State highways	645
Maintenance and operation of State highways	885
New and improved infrastructure for local roads	550
Renewal of local roads	685
Maintenance and operation of local roads	755
Road policing	900
Public transport services	635
Public transport infrastructure	135
Demand management and community programmes	145
Walking and cycling facilities	50
Sector training and research	18
Domestic sea freight development	3
Rail and sea freight	2
Transport planning	105
Management of the funding allocation system	100

DEVELOPING AN EFFECTIVE RAIL SYSTEM

In 2009 the Ministry became the lead government policy and funding agency for New Zealand's rail system.

Since the government took full ownership and control of New Zealand's rail system, with the purchase of the Toll New Zealand rail assets in 2008, the Ministry has taken over primary responsibility for providing all rail policy advice to the government. This advice was previously provided by The Treasury.

"Taking on responsibility for rail funding and developing the appropriate policies that go hand in hand has, and will continue to be, an exciting challenge for the Ministry," said Mike Curran, Manager – Road, Rail and Logistics.

"We need to ensure our investment in rail works hard, and that our rail policies contribute to getting the country back on a growth curve."

In 2008 rail carried 15 percent of freight tonne/kilometres moved in New Zealand, as well as carrying over 18 million urban commuters in Auckland and Wellington. Freight is forecast to grow by 75 percent over the next 15 years and significant increases in passenger numbers are predicted. To help meet these increases it is important that the rail system operates as efficiently as possible, while competing on a commercial basis with other freight and passenger transport modes.

Part of the Ministry's role is to review what investment is required to ensure the ongoing viability of rail in the future. In the 2009 Budget, \$770 million for rail was transferred to Vote: Transport. The Ministry is responsible for establishing appropriate governance, institutional, funding and legislative frameworks that will position rail to contribute positively to the transport system in the future.

RAIL INFRASTRUCTURE FUNDING IS NOW UNDER THE FOLLOWING APPROPRIATIONS IN VOTE TRANSPORT:

New Zealand Railways Corporation loans – new locomotives and working capital
Auckland rail development – track electrification and DART
Rail network and rolling stock upgrade – national network
Wellington rail development – track and tunnels
Metro Rail Wellington stock and infrastructure – new trains and stations

ROADS OF NATIONAL SIGNIFICANCE

Earlier this year, the government announced the first seven Roads of National Significance, which have been identified as essential routes that require priority treatment.

Wayne Donnelly, General Manager – Road and Rail, said the list represents priorities for the State highway system.

"The roads are amongst the country's most urgent priorities within or close to our five largest population centres. All support large traffic volumes, and all need work to reduce congestion, improve safety and support economic growth.

The seven roads identified were:

- Puhoi to Wellsford – SH1
- Completion of the Auckland Western Ring Route – SH20/16/18
- Auckland Victoria Park bottleneck – SH1
- Waikato Expressway – SH1
- Tauranga Eastern Corridor – SH2
- Wellington Northern Corridor (Levin to Wellington) – SH1
- Christchurch motorway projects

The roads are listed in the Government Policy Statement on Land Transport Funding to ensure that they are taken into account when the NZ Transport Agency develops the National Land Transport Programme.

Further Roads of National Significance may be added in the future, and the Ministry is already investigating possible criteria for future roads.

The following page shows a series of maps highlighting the Roads of National Significance.

AUCKLAND



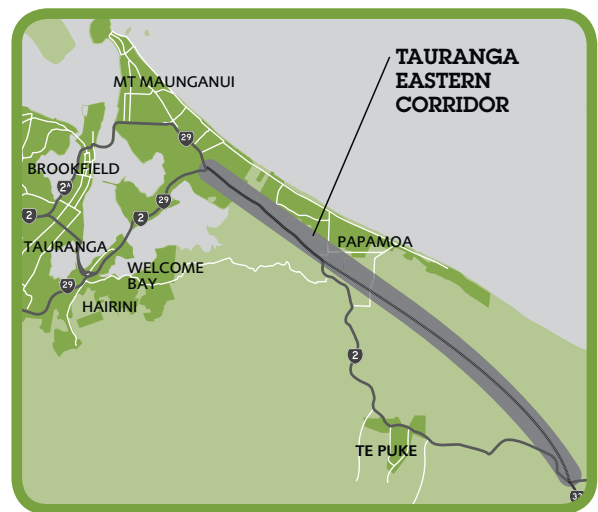
The Auckland region has two corridors – the Western Wing Route and State Highway 1 through Auckland city, north to Wellsford and south to the Waikato.

WAIKATO

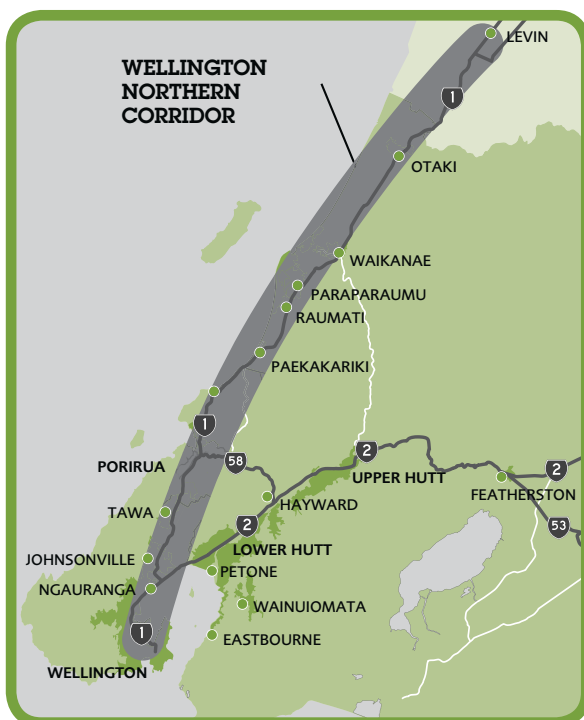


The Waikato Expressway links Auckland to the Waikato and further south, while the Tauranga Eastern Corridor will support growth in the Bay of Plenty.

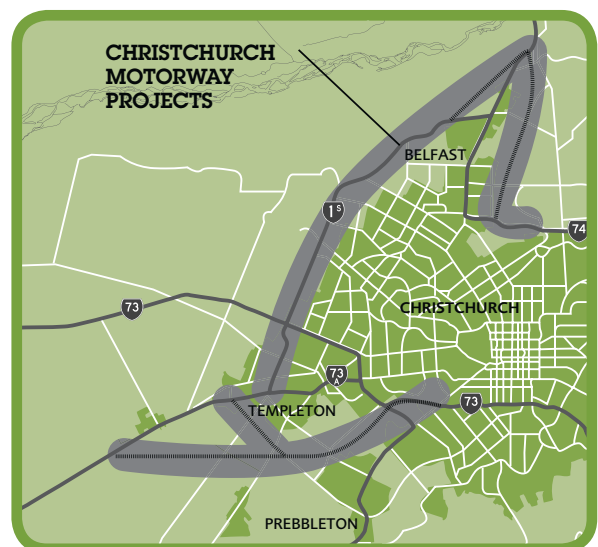
BAY OF PLENTY



WELLINGTON



CANTERBURY



State Highway 1 between Wellington and Levin is the major route in and out of the capital. Work on Christchurch motorway projects will improve access to the city and provide a western bypass.

ILLEGAL STREET RACING

Tackling the problem of illegal street racing became a major government priority in February 2009 after a lone Police officer was attacked by 300 illegal street racers and their supporters in Christchurch.

The Ministry, in conjunction with Police, the Ministry of Justice and the NZ Transport Agency, was asked to lead work on a Bill aimed at tackling illegal street racing and the anti-social use of vehicles.

Given the issue's high profile, the Ministry needed to work closely and efficiently with other government agencies involved. The Bill was developed in a matter of weeks.

"These anti-social activities are not just a transport problem, which is why a cross-agency approach was needed," said Leo Mortimer, Manager – Safety Legislation.

Measures proposed in the Bill included empowering local authorities to make bylaws that prevent vehicles from 'cruising' city streets, allowing compulsory impoundment for vehicles involved in illegal street racing as well as tightening up on noise offences, licence breaches and registration plate offences.

"We sought to identify ways that Police and local authorities could be given the support they needed to address this problem. Our strong contacts with other agencies meant that not only could we do this well, we could also do it within an urgent time frame."

The Bill, named the Land Transport (Enforcement Powers) Amendment Bill was introduced to Parliament in May 2009. It complements the Vehicle Confiscation and Seizure Bill, also introduced in May.

DOMESTIC AVIATION SECURITY

In February 2008, an attempted hijacking of a small passenger plane took place on an Air New Zealand domestic flight from Blenheim to Christchurch. As a result, the Ministry was assigned the task of leading a review of domestic aviation security.

Working closely with the Civil Aviation Authority, Aviation Security Service, Police, Treasury, Department of the Prime Minister and Cabinet and the aviation industry, the Ministry assessed the risks in New Zealand's domestic aviation environment to see if current levels of security were adequate.

The review identified areas of high risk associated with unscreened passengers and carry-on baggage on flights of less than 90 passenger seats, and looked at security options to manage this risk.

The Ministry consulted extensively with airports, airlines and industry sector groups. In May 2009, Transport Minister Steven Joyce announced that the government would not extend security screening for domestic flights because of the

high cost involved. Instead, a range of alternative security measures to enhance security awareness and restrict access to the cockpit will be implemented.

Jacinda Harrison, Manager – Transport Security, said the review was a good example of leadership and consultation.

"Many of our industry stakeholders felt concerned about the potential outcomes of this review. We were also reliant on them to provide information to assist with the government's decision-making. Our aim was to be upfront about why we were doing the review and what we hoped to achieve by it. We developed very good working relationships with industry, which led to the best advice possible being provided to the government."

The Ministry, the Civil Aviation Authority and the Aviation Security Service are now implementing the new security measures, and will continue to work with stakeholders.

ALTERNATIVE SECURITY MEASURES TO BE IMPLEMENTED:

MEASURE	IMPLEMENTATION
Strengthening cockpit doors	On aircraft with more than 30 seats
Investigating the feasibility of installing cockpit doors	On 19-seat aircraft
Establishing security committees	At regional airports, consisting of airline and airport staff, local police and other key stakeholders
Training and education	For airline and airport staff to increase security awareness

Non-Financial Performance

Statement of Responsibility 13

Maintaining and developing capability 14

Statement of Objectives and Service Performance for the year ended 30 June 2009 15

Statement of Responsibility

In terms of the Public Finance Act 1989, I am responsible, as Chief Executive of the Ministry of Transport, for the preparation of the Ministry of Transport's financial statements and statement of service performance, and for the judgements made in them.

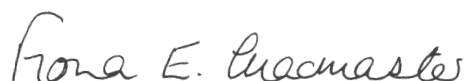
I have the responsibility for establishing and maintaining, and I have established and maintained, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

In my opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the Ministry of Transport for the year ended 30 June 2009.



Martin Matthews
Chief Executive

Countersigned by:



Fiona Macmaster
Acting Chief Financial Officer

30 September 2009

Maintaining and Developing Capability

A new approach to working

The Ministry of Transport, as the government's principal transport policy adviser, must provide excellent policy advice, direction and information.

During the 2008/09 year, the Ministry reviewed its structure and capability to ensure that it provides the best possible service and advice to its Ministers and other stakeholders. We also developed a set of goals for how we wanted the Ministry to develop over the next two years.

As a result, on 1 September 2009, the Ministry will implement a new structure and approach to working that is modelled on professional services firms. This will allow our workforce to be more flexible and more able to meet the demands of this very busy portfolio.

Under the new approach, each policy staff member will be part of a sector team where our transport knowledge and expertise will be developed, but staff will also regularly work on assignments in project teams that reflect the mix of work and priorities sought from us each year.

Stakeholder engagement

In November 2008, the Ministry undertook the UMR biennial survey of stakeholders and found that our relationships with stakeholders were generally more positive than they were in 2006. By and large, stakeholders are reasonably happy with their relationship with the Ministry and enjoy working with Ministry staff. We remain committed to ensuring this engagement is effective because understanding stakeholder interests is key to our being effective in our role.

Staff development

To ensure that we continue to develop staff and organisational performance, the Ministry has reviewed its training for policy advisers and developed a career pathways model. This will help advisers to identify core training programmes to assist them to develop as policy analysts. In 2007/8, we also instituted an annual independent review of our policy advice. This was done by the New Zealand Institute of Economic Research and the aim is to identify ways in which we can improve the policy advice we provide to Ministers. The 2008/09 review has shown an improvement in the quality of work produced, with the median being 7.0 out of 10, whereas the previous year's result was 6.5. While this is pleasing, we acknowledge that there is still work to be done.

Other developments

The Ministry has reviewed all of its finance, information technology, security and human resource policies to ensure that they meet best practice and audit requirements.

We have continued to improve our information technology infrastructure. Our intranet has been redeveloped to incorporate booking for online training, our website has been rebuilt and the Electronic Document Management System is now ready for roll out across the Ministry. This system will ensure that we meet Public Records Act standards by 2010.

At the end of the financial year there were 174.25 full-time equivalent staff members, and the turnover settled to 18.07 percent which was down from 22.73 percent in the previous year.

Managing our budget

The government is experiencing a difficult fiscal environment. We are committed to doing our very best to ensure the Ministry delivers value-for-money, and does not make demands for additional funds during this difficult period.

Over the next three years, the Ministry's departmental funding will decrease by nearly \$4 million with the cessation of some medium term project funding. In addition, the Ministry has unavoidable cost increases arising from existing commitments in relation to staff costs (salaries), building and other expenses. Essentially, we have to cut about 12 percent from the operational budget.

We have cut costs by reducing expenditure on travel, communications, international conferences and entertainment, freezing recruitment to reduce staff numbers and making all contract and consultant funding internally contestable. We are confident the Ministry can manage within existing resources and our new way of working will ensure we deliver value-for-money.

Statement of Objectives and Service Performance

for the year ended 30 June 2009

The Ministry of Transport had nine output classes in 2008/09.

- Policy Advice
 - Transport Sustainability
 - Ministerial Services
 - Rules Management.
- Sector Leadership and Support
 - Transport Leadership and Direction Setting
 - Ownership and Purchase Monitoring.
- Airport Operation and Administration.
- Distress Radio Beacons National Education Campaign.
- Next Steps Review Implementation.
- Motor Vehicle Register and Revenue Management.
- Land Transport Revenue Forecasting and Strategy.
- Road User Charges Collection, Investigation and Enforcement.
- Refund of Fuel Excise Duty.

These output classes contribute to the modal outcomes.

- Road – a road transport system that moves people and freight more efficiently, safely and cost effectively.
- Rail – a rail system that moves people and freight more efficiently, safely and cost effectively.
- Aviation – an aviation system that is safe, secure and compliant with international requirements.
- Maritime – a maritime system that is safe, secure and compliant with international requirements.

These output classes also contribute to the Ministry's outcomes.

- Improved performance of the transport system.
- Improved performance of transport sector agencies.
- Enhanced value from government investment in transport infrastructure.

Output Class: Policy Advice

Through this output class, the Ministry provides transport sector policy advice and Ministerial services. This output class is supported by three outputs: Transport Sustainability, Ministerial Services and Rules Management.

Output: Transport Sustainability

This policy output involves the development and implementation of policy for all transport modes in consultation with the transport Crown entities to meet the overall objective of achieving a sustainable transport system.

ACTUAL 2007/08	PERFORMANCE MEASURES	ACTUAL 2008/09	BUDGET STANDARDS
92%	Key initiatives contained in the annual work programme are completed or progressed as agreed, or as subsequently amended by agreement between the Minister and the Chief Executive.	Achieved, as per the annual work programme, with some work deferred or re-prioritised, as agreed.	Achieved, as per the annual work programme.
100%	Policy advice will be delivered in accordance with the Policy Advice Quality Characteristics (see overleaf) as determined through delivery recorded against the project plan.	100%	100%
\$19,970,603	Cost The output is produced within appropriation (GST exclusive)	\$18,248,838	\$22,122,000

Commentary on Performance

The lower than forecast cost of this output reflects the Ministry's work to control costs following the economic downturn and government directives. Some work was also delayed as a result of the time required to confirm priorities with the incoming government.

POLICY ADVICE QUALITY CHARACTERISTICS

Purpose: the aim of the papers will be clearly stated and will answer the question set.

Logic: the assumptions behind the advice will be explicit and the argument will be logical and supported by the facts.

Accuracy: the facts in the papers will be accurate and all material facts included.

Options: an adequate range of options will be presented and each assessed for benefits, costs and consequences to the government and community.

Consultation: there will be consultation with principal parties and this will be stated along with any objections to the proposal.

Practicality: problems of implementation, technical feasibility, timing and consistency with other policies will be identified.

Presentation: the format will meet requirements specified by the Cabinet Office and the Minister; material will be concise and effectively summarised; correct grammar and spelling will be used; and readability will be ensured by the use of short sentences in plain English.

Highlights for the Ministry include:

Land Transport Funding

- Secured funding to accelerate selected State highway projects and boost road maintenance and renewal work to provide economic stimulus.
- Gained Cabinet approval to invest an additional \$1 billion over three years in State highway construction through the reallocation of funding from non-State highway activity classes, the 'freeing up' of money by funding some rail capital from a Crown appropriation rather than through the National Land Transport Fund, and the in principle agreement to increase fuel taxes from 1 October 2009 and again in October 2010.
- Released the first Government Policy Statement on Land Transport Funding 2009/10 – 2018/19 in August 2008.
- Developed and released an amended GPS on Land Transport Funding 2009/10 – 2018/19 (GPS) in May 2009 to reflect the priorities of the new government.
- Established funding and evaluation procedures to provide additional funding assistance for activities that address un-met transport needs in areas with high levels of socioeconomic deprivation (Targeted Community Funding).

Rail Policy and Funding

- Gained Cabinet agreement that the Ministry of Transport should be the lead agency for rail policy advice. It also agreed that public funding for rail would in future be appropriated in Vote Transport, and that existing rail-related appropriations in Vote Finance would be transferred to Vote Transport with effect from 1 July 2009.
- Increased our policy role since the date of that decision. The Ministry is leading a number of studies into rail policy. These include working with the KiwiRail Group and other officials on the future structure and financing of rail in New Zealand, reviewing the governance structure and related legislation for rail and developing operating and financing models for Metro Rail.
- The public funding and payments for the national rail network are now managed by the Ministry of Transport. The NZ Transport Agency continues to be responsible for operational payments for Metro Rail.

Joint Venture Airports

- In 2008/09 we completed most of the funding at five joint venture airports that began with the Budget 2006 multi-year appropriation of \$3,598,000. This increased in 2007 to \$4,448,000.
- The appropriation, over three years, has funded half the cost of four runway reseals, one runway extension, a new terminal, an extensive terminal refurbishment and runway lights. The funding has ensured safe and appropriate airport infrastructure for small regional communities, allowing them rapid access to the three major metropolitan airports and beyond to international destinations.
- The Ministry also concluded negotiations with Napier City and Hastings District Councils to corporatise the joint venture airport at Hawke's Bay, with effect from 1 July 2009.

Maritime

- The Ministry continued its programme of work to improve the utilisation of domestic sea freight, particularly by addressing barriers to recruitment and training of the required workforce, and piloting possible approaches to improved data collection.

Stakeholder Engagement

- The Stakeholder Engagement team has actively worked in the regions, and prepared briefings for Ministerial and Chief Executive visits. The Chief Executive has met with all key stakeholders on a regular basis and has chaired the Transport Sector Chief Executives Forum.

For further detail on policy work undertaken by the Ministry throughout the year, please see the following tables (pages 17-25).

Operating Intentions

Some actions completed by the Ministry during 2008/09 were not set out in the Statement of Intent 2008-2011, but arose during the year as a result of the change in government and new priorities. These are identified as 'New' in the central column below.

OBJECTIVE 1: ASSISTING ECONOMIC DEVELOPMENT*

INTERVENTION	ACTIONS AS SET OUT IN THE STATEMENT OF INTENT 2008-2011	PERFORMANCE COMMENTS 2008/09
Implement Sea Change – the domestic sea freight strategy	<p>Standards/targets 2008/09:</p> <ul style="list-style-type: none"> • Work with industry and government stakeholders toward achieving major growth in domestic sea freight by 2040, by: <ul style="list-style-type: none"> – gathering and disseminating information through the Maritime Liaison Unit to assist the government's policy making and industry business decisions – improving industry access to government's sea freight developmental funding – assisting the industry to ensure that workforce needs for recruitment, training and retention of staff are met – gathering base-line data on national freight movement and associated costs and charges – addressing required policy issues, particularly matters related to ports and supply chain issues and trade issues. 	<p>Actions achieved 2008/09:</p> <ul style="list-style-type: none"> – The Sea Freight Development Unit (formerly the Maritime Liaison Unit) has been undertaking this role since its establishment in March 2008. – First round of domestic sea freight development funding applications was processed by NZ Transport Agency and decisions announced December 2008. Future rounds were cancelled, following revisions to the GPS. – An industry workforce group has developed an action plan which is now in progress. A study of future workforce requirements was completed in April 2009. – Feasibility work on data gathering has been carried out with ports, Customs, MAF and other government departments. – The initial scoping of related policy issues is still in progress. <p>With the revision of the GPS and the announcement to discontinue the domestic sea freight development fund, the focus was shifted away from funding assistance, to concentrating on efficiency and removal of barriers and hurdles to assist coastal shipping without the need for subsidies.</p> <p>To better understand this, a programme of stakeholder visits is currently being undertaken to New Zealand's largest exporters and importers. The consultation is nearing completion and a final report is expected in September 2009.</p>
Heavy Vehicle Productivity	<p>Standards/targets 2008/09:</p> <ul style="list-style-type: none"> • Undertake consultation and case studies/trials. • Design framework for trials of heavier or longer vehicles on selected routes. • Develop a discussion document and undertake consultation. • Design and implement an agreed system. 	<p>Actions achieved 2008/09:</p> <ul style="list-style-type: none"> • Consultation undertaken with key transport stakeholders, road controlling authorities and interested parties. • Trials of vehicles operating outside the current mass and dimension limits carried out. • Amendment to the Land Transport Rule – Vehicle Dimensions and Mass drafted and sent out for consultation. • Work on the project is ongoing and is currently ahead of schedule. <p>Progress to date has exceeded our intentions and expectations.</p>

* Objective from the NZTS – refer to the Ministry of Transport Statement of Intent 2008-11.

INTERVENTION	ACTIONS AS SET OUT IN THE STATEMENT OF INTENT 2008-2011	PERFORMANCE COMMENTS 2008/09
Future Revenue Charging	<p>Standards/targets 2008/09:</p> <ul style="list-style-type: none"> Explore a range of future charging systems that would provide for the effective collection of land transport revenue and, where possible, further social, economic and environmental objectives. This work includes: <ul style="list-style-type: none"> assessing the feasibility and desirability of road pricing with a focus on Auckland assessing the feasibility of introducing the electronic collection of road user charges Regional Fuel Tax (as outlined below) 	<p>Actions achieved 2008/09:</p> <ul style="list-style-type: none"> Work on road pricing has not been undertaken as it does not fit with the new government's policy priorities. The Road User Charges (RUC) Review reported on 31 March 2009 and set out recommendations for revenue system improvements, including the potential for electronic systems and trialling of electronic charging. The Ministry is now developing further advice on the possible implementation of these recommendations. The Auckland Regional Fuel Tax (RFT) Scheme was revoked on 11 May 2009, as the new government decided to replace RFT with increases to national fuel excise and RUC rates.
Regional Fuel Tax Implementation	<p>Standards/targets 2008/09:</p> <ul style="list-style-type: none"> Implement the regional fuel tax provisions of the Land Transport Management Amendment Act (LTMA) 2008, if passed. Undertake assessment of regional fuel tax schemes submitted under the LTMA. 	<p>Actions achieved 2008/09:</p> <ul style="list-style-type: none"> The repeal of the regional fuel tax provisions of the LTMA is planned for 2010. The Auckland Regional Fuel Tax Scheme was revoked on 11 May 2009 (as above).
Private Public Partnerships (PPPs)	<p>Standards/targets 2008/09:</p> <ul style="list-style-type: none"> Advise on the feasibility and viability of a PPP for the Auckland Waterview State Highway Connection. Apply the findings of the above work to assess the appropriateness of the PPP model for future projects. 	<p>Actions achieved 2008/09:</p> <ul style="list-style-type: none"> The Waterview Connection Procurement Steering Group reported to government on its findings regarding a possible PPP for the Waterview Connection Project in June 2008. The Ministry and the Treasury then provided a joint business case to the Ministers of Transport and Finance for completing the Waterview Connection. The business case was released on 30 January 2009. It included advice about the possibility of using a PPP to undertake the project. The findings of the above work have been used as a basis for considering potential PPP projects. <p>Global financial conditions have led to investors being reluctant to finance projects where there is demand and revenue risk, and so PPPs are not currently a viable option.</p> <p>The planned actions provided a good basis for future policy advice. Consideration of PPPs will be ongoing.</p>

INTERVENTION	ACTIONS AS SET OUT IN THE STATEMENT OF INTENT 2008-2011	PERFORMANCE COMMENTS 2008/09
Auckland Governance	<p>NEW</p> <ul style="list-style-type: none"> Analyse the transport proposals in the report of the Royal Commission on Auckland Governance. Provide the government with advice on how to respond to any transport aspects of the report of the Royal Commission on Auckland Governance. Provide input to other department's policy advice on Auckland Governance. 	<p>Actions achieved 2008/09:</p> <ul style="list-style-type: none"> Provided advice, from a transport perspective, on the Report of the Royal Commission on Auckland Governance. Provided advice on the preferred transport governance framework. Provided transport input to Auckland Governance work by other departments.
Public Transport Productivity	<p>NEW</p> <ul style="list-style-type: none"> Determine barriers to improving efficiency and productivity in the provision of public transport. Address high priority barriers through short-term interventions. 	<p>Actions achieved 2008/09:</p> <ul style="list-style-type: none"> Feedback sought from the main public transport stakeholders (providers, funders and planners) in March and April 2009. Advice provided to the Minister in June 2009 on potential short-term interventions to address high priority barriers. <p>Good progress has been made on this intervention. This work will continue during 2009/10.</p>

OBJECTIVE 2: IMPROVING ACCESS AND MOBILITY*

INTERVENTION	ACTIONS AS SET OUT IN THE STATEMENT OF INTENT 2008-2011	PERFORMANCE COMMENTS 2008/09
<i>Getting there – on foot, by cycle Strategic Implementation Plan 2006-2009</i>	<p>Standards/targets 2008/09:</p> <ul style="list-style-type: none"> Oversee the delivery of the <i>Getting there – on foot, by cycle Strategic Implementation Plan 2006-2009</i> initiatives to contribute to the uptake of fundamentally sustainable modes of transport. Development of Monitoring and Evaluation Action Plan. Undertake Transport Sector Alignment Review. 	<p>Actions achieved 2008/09:</p> <ul style="list-style-type: none"> The Ministry provided input into the seven NZ Transport Agency initiatives. This included comment during scoping and development, and monitoring progress. A monitoring framework has been developed and communicated with stakeholders. Implementation is currently being considered. After discussions with Police and the NZ Transport Agency it was decided by the Ministry in February 2009 that the changes resulting from the Next Steps review had superseded this initiative. <p>Good progress has been made in light of higher priorities for the Ministry and the NZ Transport Agency.</p>
Getting there – on foot, by cycle (2009-2012)	<p>Standards/targets 2008/09:</p> <ul style="list-style-type: none"> Ensure the development and implementation of the next three-year plan for Getting there – on foot, by cycle (2009-2012) 	<p>Actions achieved 2008/09:</p> <ul style="list-style-type: none"> The Minister was advised in June 2009 that a brief operational action plan, rather than a second implementation, will be developed. <p>The Ministry and the NZ Transport Agency will discuss the approach and content of the action plan in early 2009/10.</p>

* Objective from the NZTS – refer to the Ministry of Transport Statement of Intent 2008-11.

INTERVENTION	ACTIONS AS SET OUT IN THE STATEMENT OF INTENT 2008-2011	PERFORMANCE COMMENTS 2008/09
Improved public transport and walking and cycling infrastructure funded by RFT (enabled by the Land Transport Management Amendment Bill)	<p>Standards/targets 2008/09:</p> <ul style="list-style-type: none"> Oversee implementation of RFT provisions in the Land Transport Management Amendment Bill (LTMA), if passed. Assess proposed RFT schemes, including those designed to enable funding of regional priorities for public transport and walking and cycling infrastructure development. 	<p>Actions achieved 2008/09:</p> <ul style="list-style-type: none"> The repeal of the RFT provisions of the LTMA is planned for 2010. The Auckland RFT Scheme was revoked on 11 May 2009 as the new government decided to replace RFT with increases to national fuel excise and RUC.
Improved public transport services (enabled by Public Transport Management Bill)	<p>Standards/targets 2008/09:</p> <ul style="list-style-type: none"> Oversee implementation of the Public Transport Management Act (if passed) including the development of guidelines by NZ Transport Agency. 	<p>Actions achieved 2008/09:</p> <ul style="list-style-type: none"> The Public Transport Management Act came into force on 1 Jan 2009. The Ministry published fact sheets on the Ministry of Transport website. The NZ Transport Agency published guidelines for regional councils. <p>Further implementation is on hold, in light of the Minister's decision to review the Act.</p>
Accessible public transport information	<p>Actions undertaken 2009</p> <ul style="list-style-type: none"> Ensure the development and implementation of national guidelines for accessible public transport information. 	<p>Actions achieved 2008/09:</p> <ul style="list-style-type: none"> The Ministry commissioned research into the current level of accessibility of public transport information. However, further work did not progress in 2008/09 because of higher work priorities for the Ministry. This will be considered in the context of the Progress Plan developed by the Ministerial Disability Committee. The Progress Plan is scheduled to be published in December 2009.
Review of Public Transport Management Act	<p>NEW</p> <ul style="list-style-type: none"> Provide advice to the Minister on options to change the Public Transport Management Act. 	<p>Actions achieved 2008/09:</p> <ul style="list-style-type: none"> Briefings have been provided to the Minister. The Ministry has held formal meetings with key stakeholders and sought comment on an options paper. <p>Good progress has been made. This work will continue during 2009/10, and depending on size of change, 2010/11.</p>
SuperGold card – free off peak public transport	<p>NEW</p> <ul style="list-style-type: none"> Work with the Ministry of Social Development to provide advice on transport aspects of the SuperGold card. 	<p>Action 2008-2009</p> <ul style="list-style-type: none"> Free off peak scheme introduced in October 2008. The NZ Transport Agency is currently scoping the terms of reference for the review of the scheme that is scheduled to start in August 2009. <p>Good progress has been made on this (particularly by the NZ Transport Agency), considering that it had a very short lead-in period.</p>

OBJECTIVE 3: ASSISTING SAFETY AND PERSONAL SECURITY*

INTERVENTION	ACTIONS AS SET OUT IN THE STATEMENT OF INTENT 2008-2011	PERFORMANCE COMMENTS 2008/09
Rail Safety Strategy	Standards/targets 2008/09: <ul style="list-style-type: none"> Finalise the New Zealand Rail Safety Strategy, which will identify initiatives to improve safety on New Zealand's railways. Identify and implement rail safety improvements. 	Actions achieved 2008/09: <ul style="list-style-type: none"> An early draft of this Strategy has been circulated to interested parties and some submissions have been received. Now that the new operational structure of the main rail network operator is in place, work will progress towards finalising the Strategy. Liaison with ONTRACK and the NZ Transport Agency on funding allocation, which includes upgrades to railway level crossings.
Commuter rail security	Standards/targets 2008/09: <ul style="list-style-type: none"> Develop standards and guidelines to improve commuter rail security in Auckland and Wellington. 	Actions achieved 2008/09: <ul style="list-style-type: none"> Standards were developed and are awaiting adoption by industry.
Road Safety to 2010 Strategy	Standards/targets 2008/09: <ul style="list-style-type: none"> Complete implementation of the Road Safety to 2020 discussion document, Safer Journeys. 	Actions achieved 2008/09: <ul style="list-style-type: none"> Some actions implemented as part of the Road User Rule. Others moved to be part of the <i>Road Safety to 2020 Strategy</i>.
Road Safety to 2020 Strategy	Standards/targets 2008/09: <ul style="list-style-type: none"> Develop a new Strategy to replace the existing <i>Road Safety to 2010 Strategy</i>, setting out the government's vision and long-term policy direction for road safety for the period 2010-2020. 	Actions achieved 2008/09: <ul style="list-style-type: none"> Stakeholder engagement before the discussion document has been completed. The discussion document was released on 18 August 2009. The Strategy is to be released in December 2009.
International cargo security requirements	Standards/targets 2008/09: <ul style="list-style-type: none"> Ensure that New Zealand is able to meet new United States air cargo security requirements that come into effect in 2011. 	Actions achieved 2008/09: <ul style="list-style-type: none"> The Ministry has maintained a watching brief on this issue. No action has been required.
Border Governance	Standards/targets 2008/09: <ul style="list-style-type: none"> Improve passage of people and freight across our borders, while ensuring an adequate level of protection – delivered through the Border Sector Governance Group (BSGG). Participate in the BSGG. 	Actions achieved 2008/09: <ul style="list-style-type: none"> Contributed to advice delivered to the government through the BSGG on streamlined Trans-Tasman air facilitation. Participated in eight BSGG meetings at Chief Executive level, nine at senior officials level. Chaired seven meetings of the BSGG Steering Committee on Passenger Facilitation and Risk Management at Airports.
Domestic Aviation Security Review	NEW <ul style="list-style-type: none"> Undertake a review of domestic aviation security and provide recommendations to government. 	Actions achieved 2008/09: <ul style="list-style-type: none"> A review was undertaken and options to address identified security risks were developed. The government made decisions in May 2009 on which options it wished to pursue.

* Objective from the NZTS – refer to the Ministry of Transport Statement of Intent 2008-11.

OBJECTIVE 4: PROTECTING AND PROMOTING PUBLIC HEALTH*

INTERVENTION	ACTIONS AS SET OUT IN THE STATEMENT OF INTENT 2008-2011	PERFORMANCE COMMENTS 2008/09
Improve transport sustainability	Standards/targets 2008/09: <ul style="list-style-type: none"> Develop further policy to reduce noise levels from modified vehicle exhaust systems. Investigate options for testing in-service emissions, particularly for diesel vehicles. 	Actions achieved 2008/09: <ul style="list-style-type: none"> A further amendment to the Vehicle Equipment Rule is being drafted that will tighten the noise limits for vehicles entering the fleet. Project scoping documents have been produced for this work. The government's priorities have changed and this project is on hold.
Protecting and promoting public health	Standards/targets 2008/09: <ul style="list-style-type: none"> Evaluate, and, where possible, quantify the benefits of increasing walking and cycling activity using a health impact assessment methodology. Benefits to be assessed include health, social, safety, economic and environmental impacts. 	Actions achieved 2008/09: <ul style="list-style-type: none"> The NZ Transport Agency produced an updated assessment of walking and cycling benefits. These were incorporated into the project evaluation manual in January 2009. Work has been delivered by the NZ Transport Agency, and the Ministry will maintain an overview of the project evaluation manual.
Getting there – on foot, by cycle (2009-2012)	Standards/targets 2008/09: <ul style="list-style-type: none"> Ensure the development and implementation of the next three-year plan for Getting there – on foot, by cycle (2009-2012). 	Actions achieved 2008/09: <ul style="list-style-type: none"> The Minister was advised in June 2009 that a brief operational action plan, rather than a second implementation, will be developed. The Ministry and the NZ Transport Agency will shortly discuss the approach and content of the action plan.

OBJECTIVE 5: ENSURING ENVIRONMENTAL SUSTAINABILITY*

INTERVENTION	ACTIONS AS SET OUT IN THE STATEMENT OF INTENT 2008-2011	PERFORMANCE COMMENTS 2008/09
Cross-government climate change policy development	Standards/targets 2008/09: <ul style="list-style-type: none"> Contribute to the development of national policy on climate change and international negotiating positions. 	Actions achieved 2008/09: <ul style="list-style-type: none"> Contributions were made to policy development on a domestic emissions reduction target for 2020, a departmental report for the Emissions Trading Scheme Review Select Committee and regulations for liquid fossil fuels and unique emission factors. Throughout the year meetings were coordinated by the Transport Fuels Technical Advisory Group on the emissions trading scheme. Position papers were developed on international transport fuels for negotiators attending a series of United Nations Framework Convention on Climate Change meetings. Position and review of papers were prepared for attendance at the International Maritime Organisation's Environment Protection Committee in London in July 2009. Research on fuel efficiency of commercial vehicle fleets was concluded and finalised. Reports were published in June 2009. Implementation of recommendations is underway.

* Objective from the NZTS – refer to the Ministry of Transport Statement of Intent 2008-11.

INTERVENTION	ACTIONS AS SET OUT IN THE STATEMENT OF INTENT 2008-2011	PERFORMANCE COMMENTS 2008/09
Improve transport sustainability	Standards/targets 2008/09: <ul style="list-style-type: none"> • Develop further policy to reduce noise levels from modified vehicle exhaust systems. • Investigate options for testing in-service emissions, particularly for diesel vehicles. 	Actions achieved 2008/09: <ul style="list-style-type: none"> • A further amendment to the Vehicle Equipment Rule is being drafted that will tighten the noise limits for vehicles entering the fleet. • Project scoping documents have been produced for this work. The government's priorities have changed and this project is on hold.
Electric Vehicle Strategy	Standards/targets 2008/09: <ul style="list-style-type: none"> • Position New Zealand to be one of the first countries in the world to widely deploy electric vehicles and support the newly established Vehicle, Energy and Renewable Group (VERG). 	Actions achieved 2008/09: <ul style="list-style-type: none"> • The VERG served its initial purpose of bringing government, industry and academics together to discuss initial options for introducing electric vehicles into New Zealand. The group has now been disestablished. • The government decided that New Zealand would be a fast follower of electric vehicle technologies. To encourage interest in electric vehicles, light electric vehicles have recently been given an exemption from RUC until 2013.
Vehicle Fuel Economy Standard	Standards/targets 2008/09: <ul style="list-style-type: none"> • Develop a standard or average fuel economy, based on grams of CO₂/km, for new and used light vehicles entering the New Zealand fleet out to 2015. 	Actions achieved 2008/09: <ul style="list-style-type: none"> • The government decided that no further work be carried out on developing a Vehicle Fuel Economy Standard at present.
Corporate sustainability	Standards/targets 2008/09: <ul style="list-style-type: none"> • Provision of transport methodologies, such as travel plans to support other agencies. • Ensure that the Ministry meets its requirement under the Carbon Neutral Public Service programme. • Monitor and minimise the impact of the operations of the Ministry and its staff on the environment. 	Actions achieved 2008/09: <ul style="list-style-type: none"> • The Ministry has developed a Travel Plan. • The Carbon Neutral Public Service programme is no longer an active programme. • The Ministry continued to ensure that staff are conscious of good environmental practice but monitoring was reduced following the new government's change in approach.

Output: Ministerial Services

This output involves the provision of advice to the Minister(s) on issues arising across all modes of transport, draft responses to Ministerial correspondence and Parliamentary questions, speech drafts, development of legislation (Acts and regulations) and other services.

ACTUAL 2007/08	PERFORMANCE MEASURES	ACTUAL 2008/09	STANDARDS/TARGETS 2008/09
Achieved	Legislation development and issuing of drafting instructions as agreed with the Minister(s) for the relevant calendar year.	Achieved	Achieved
2,245	Quantity Number of draft Ministerial letters.	3,481	1,300 – 1,600
78.8%	Timeliness Percentage of draft Ministerials completed within 20 working days of receipt by the Ministry, unless specified as urgent.	75%	≥95%
\$6,564,993	Cost The output is produced within appropriation (GST exclusive)	\$5,770,486	\$5,048,000

Commentary on Performance

Ministerials have been centralised into the Official Correspondence Unit, which has increased the efficiency of Ministerial replies. In the next financial year, we will be moving to a new correspondence tracking system, which will provide more detailed information.

Output: Rules Management

This output provides for management of the transport rules and related regulations development process. It involves accepting the need for a rule, supporting the Minister in getting rules approved by Cabinet and facilitating signing of the rule, and any associated regulation, into law. It also includes negotiating and managing the annual programme and agreements for rules development services by the transport Crown entities.

ACTUAL 2007/08	PERFORMANCE MEASURES	ACTUAL 2008/09	STANDARDS/TARGETS 2008/09
51%	Rules and regulations are developed as specified in the agreed annual Rules Programme.	Partially Achieved	Priority work as detailed in the work programme
\$3,938,010	Cost The output is produced within appropriation (GST exclusive)	\$4,058,725	\$3,910,000

Commentary on Performance

The increased cost above the standard reflects an extra \$0.22 million paid to the Crown entities for additional work, offset by the Ministry's efforts to contain costs in the current economic climate.

The General Election in late 2008 interrupted progress on several rules, which affected the ability of the Ministry and the transport Crown entities to meet the expected delivery of some final rules. This had been anticipated, and the expected dates for final rules were indicative only.

A number of rules approved for the 2008/09 programme will be carried over to the 2009/10 programme, including rules that have timelines extending beyond a single year, and there were several rules that were delayed by the election.

The following rules were completed:

Aviation Rules

Part 95 – Instrument Flight Procedures – Registration
Part 173 – Instrument Flight Procedure Service Organisation – Certification and Operation
Part 109 – Regulated Air Cargo Agent – Certification

Maritime Rules

Maritime Rules Omnibus 2008, Part 132 (dispersant use in marine oil spills)
Maritime Rules Omnibus 2008, Part 130C (regional oil spill contingency plans)

Marine Protection Rules

Omnibus marine protection amendment rules – MARPOL Annex 1
Omnibus marine protection amendment rules – MARPOL Annex V

Land Transport Rules

Land Transport Omnibus Amendment Rule 2008
Land Transport Fuel Consumption Rule 2008
Land Transport Vehicle Emissions Amendment Rule 2008
Land Transport Operator Licensing Amendment Rule 2009

OUTPUT CLASS: POLICY ADVICE – FINANCIAL PERFORMANCE (AMOUNTS ARE GST EXCLUSIVE)

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
31,151	Revenue Crown	27,817	31,017	30,590
602	Other revenue	540	270	490
31,753	Total revenue	28,357	31,287	31,080
30,473	Total expenses	28,078	31,287	31,080
1,280	Net surplus	279	–	–

Output Class: Sector Leadership and Support

Through this output class, the Ministry provides strategic leadership across the government transport sector. This enables transport Crown entities and other relevant agencies to align their strategic direction so that they may better contribute to the objectives of the transport government.

It also includes monitoring of, and advice to the Minister on, management of the Crown's ownership and/or purchase interest in the transport sector Crown entities and other organisations.

The services provided will contribute to all the other sector outcomes and towards ensuring that the government transport sector is efficient and effective.

This output class is supported by two outputs: transport leadership and direction setting, and ownership and purchase monitoring.

Output: Transport Leadership and Direction Setting

This output focuses on the Ministry's role of providing strategic transport leadership and overall direction.

ACTUAL 2007/08	PERFORMANCE MEASURES	ACTUAL 2008/09	STANDARDS/TARGETS 2008/09
New	Programme to support implementation of the updated New Zealand Transport Strategy is developed and implemented following the release of the Strategy, in accordance with agreed timeframes*.	Partially Achieved	Achieved
\$694,044	Cost The output is produced within appropriation (GST exclusive)	\$2,168,695	\$2,498,287

*The new government required a programme to develop and implement its priorities for transport, and this has become the focus of the Ministry since the general election in 2008.

Commentary on Performance

The New Zealand Transport Strategy 2008 (NZTS) was published in August 2008, and provided a clear statement of the previous government's direction for transport over a 30 year period to 2040. It was relatively well-received by the sector. The first Government Policy Statement on Land Transport Funding (GPS) was published at the same time. This gave effect to the NZTS in the area of land transport funding over the short to medium term. There was an extensive communication process to ensure the two documents were well understood by the sector.

The new government elected in November 2008 supports the overall intent of the NZTS but decided that the GPS should be amended to better reflect its priorities over the short to medium term ie economic growth and productivity. The Minister of Transport instructed the Ministry of Transport to develop a revised GPS. This was delivered in May 2009.

In summary, performance in this output class has focused on responding to the new government's priorities and developing the relevant leadership documents, rather than specifically delivering the tasks anticipated at the start of the year.

The objectives of the NZTS are as follows.

Objective 1: Assisting economic development

Objective 2: Improving access and mobility

Objective 3: Assisting safety and personal security

Objective 4: Protecting and promoting public health

Objective 5: Ensuring environmental sustainability

ALL OBJECTIVES

INTERVENTION	ACTIONS AS SET OUT IN THE STATEMENT OF INTENT 2008-2011	ACTUAL PERFORMANCE COMMENTS 2008/09
Implement the updated <i>New Zealand Transport Strategy</i> (NZTS)	Standards/targets 2008/09: <ul style="list-style-type: none"> Support and monitor progress of the implementation of the updated NZTS. Ensure that the direction of the updated NZTS is known and understood by key stakeholders. Undertake Ministry specific actions from the strategy. 	Actions achieved 2008/09: <ul style="list-style-type: none"> Partial achievement. Since November 2008, the Ministry has focused on implementing the new government's priorities for transport by way of the GPS, where these have differed from those in the NZTS.

OBJECTIVE 1: ASSISTING ECONOMIC DEVELOPMENT

INTERVENTION	ACTIONS AS SET OUT IN THE STATEMENT OF INTENT 2008-2011	PERFORMANCE COMMENTS 2008/09
Land Transport <i>Government Policy Statement</i> development	Standards/targets 2008/09: <ul style="list-style-type: none"> Support and monitor the implementation of the first GPS. Ensure that the direction of the GPS is known, understood and actioned. Begin preparation for the second GPS. 	Actions achieved 2008/09: <ul style="list-style-type: none"> The new government required an amended GPS to better align with its priorities for land transport funding. The Ministry spent a significant part of the year in developing a new GPS (published in May 2009) and then communicating this to the transport sector. There was a particular focus on discussion with the NZ Transport Agency to ensure the 2009-2012 National Land Transport Programme (published in August 2009) gives effect to the new GPS.

Output: Ownership and Purchase Monitoring

This output involves monitoring transport Crown entities' ongoing capability and performance in contributing to the objectives of the NZTS, relevant government policy and each Crown entity's statutory mandate. It also involves providing advice to the Minister and Crown entities on where improvements can be made. In addition, it supports the Minister in the selection, appointment, education and performance review of Crown entity boards.

The Ministry is developing a Monitoring Plan to assist and improve the description and delivery of this output. This Monitoring Plan is intended to clarify the various monitoring responsibilities within the Ministry. It will also establish the Ministry's monitoring priorities for each of the transport sector Crown entities, and identify the related capability development needed within both the Ministry and the Crown entities.

ACTUAL 2007/08	PERFORMANCE MEASURES	ACTUAL 2008/09	STANDARDS/ TARGETS 2008/09
Not applicable	Ownership and purchase monitoring activities undertaken and completed as specified in the Ministry's Monitoring Plan.	Achieved	100%
\$1,348,845	Cost The output is produced within appropriation (GST exclusive)	\$1,347,966	\$1,601,713

Commentary on Performance

The Ministry developed draft monitoring plans for each Crown agency and other key areas of work, rather than an overall Monitoring Plan (eg information technology projects). These plans identified key issues and were used to inform engagement with Crown entities. The Ministry is now working to develop them into plans of action.

The Ministry of Transport's Responsibilities under Section 101

Section 101 of the Land Transport Management Act 2003 introduced a new responsibility for the Secretary of Transport to 'monitor and review specified activities and procedures...for the purpose of evaluating the performance of the land transport funding and planning system.'

The new funding and planning system came into force in 2008/09. Given this, and the fact that the NZ Transport Agency also only came into existence from 1 August 2008, specific reviews would have been premature. The focus was therefore on determining the way in which the Ministry will discharge this responsibility. The Ministry has carefully considered the approach to ensure that effort is not duplicated, and that the monitoring and review process is cost effective. The Ministry and the NZ Transport Agency have agreed that the Secretary will sit on the Agency's Audit Committee, have input into their programme, and will utilise the results of the Agency's internal auditors to fulfil this role. Audit New Zealand will provide assurance that this work is performed independently and can be relied upon. The Secretary may undertake additional work if necessary to fulfil the section 101 requirements.

OBJECTIVE 1: ASSISTING ECONOMIC DEVELOPMENT

INTERVENTION	ACTIONS	PERFORMANCE COMMENTS 2008/09
Implement section 101 Land Transport Management Act 2003 – Secretary for Transport monitors and reviews specified activities and procedures	NEW <ul style="list-style-type: none">Undertake monitoring and review of specified activities and procedures in accordance with section 101 of the LTMA.	Actions achieved 2008/09: <ul style="list-style-type: none">Developed a monitoring and review process in conjunction with the NZ Transport Agency as described below.

The Ministry's other key achievements during the period include:

- developing new ministerial Letters of Expectations, with a focus on performance frameworks and value for money
- facilitating improved transparency and performance information in the entities' Statements of Intent for 2009-12
- liaising closely with the NZ Transport Agency as it produced Statements of Intent for 2008-11 and 2009-12. This included considerable joint effort to improve the transparency of the entity's financial information
- continuing implementation, with the NZ Transport Agency, of accountability elements of the Land Transport Management Amendment Act 2008, including the first annual report on the NLTF under section 11 of the Act
- advising the Minister and Crown entities on revenue and expenditure pressures in light of the economic downturn.

OUTPUT CLASS: SECTOR LEADERSHIP AND SUPPORT – FINANCIAL PERFORMANCE (AMOUNTS ARE GST EXCLUSIVE)

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
1,785	Revenue Crown	3,517	2,100	4,100
–	Other revenue	–	–	–
1,785	Total revenue	3,517	2,100	4,100
2,043	Total expenses	3,517	2,100	4,100
(258)	Net surplus / (deficit)	–	–	–

Output Class: Airport Operation and Administration

This output class covers the operation of Milford Sound/Piopiotahi Aerodrome to provide a safe and efficient airport operation that contributes to the achievement of NZTS objectives. The output class contributes to the sector outcome of 'growth and development are increasingly integrated with transport'.

ACTUAL 2007/08	PERFORMANCE MEASURES	ACTUAL 2008/09	STANDARDS/TARGETS 2008/09
100%	The airport will conform with Civil Aviation Authority safety requirements	100%	100%
\$121,000	Cost Operation within third party revenue (GST exclusive)	\$157,000	\$160,000

OUTPUT CLASS: AIRPORT OPERATION AND ADMINISTRATION – FINANCIAL PERFORMANCE (AMOUNTS ARE GST EXCLUSIVE)

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
–	Revenue Crown	–	–	–
101	Other revenue	73	200	160
101	Total revenue	73	200	160
121	Total expenses	157	200	160
(20)	Net surplus/(deficit)	(84)	–	–

Commentary on Performance

The Ministry works closely with the Airways Corporation, the Civil Aviation Authority (CAA) and the Queenstown-Milford User Group to ensure safe operations. The aerodrome complies with CAA physical standards, even though certification is not required. There were no reported aircraft incidents attributable to the physical condition of the aerodrome during the year.

The Ministry commenced a planned reseal of the aerodrome movement areas and helipad improvements in February 2009. However, the early onset of colder temperatures, after the parking apron and taxiway were completed, forced the postponement of runway resealing until next spring. A review of landing fees is also planned for 2009/10 to address the recovery of costs.

Output Class: Distress Radio Beacons National Education Campaign

This output class provides for the development and implementation of a four-year national education campaign to inform owners and users of 121.5 MHz frequency distress beacons that they became redundant when changes to the global satellite receiving system came into effect on 1 February 2009. Users will have to upgrade to a beacon transmitting on the 406MHz frequency.

The campaign also promotes the ownership and appropriate use of distress radio beacons in the areas covered by New Zealand search and rescue services. This output class contributes to the sector outcome of 'increasing the safety and security of New Zealand's transport system'.

ACTUAL 2007/08	PERFORMANCE MEASURES	ACTUAL 2008/09	STANDARDS/TARGETS 2008/09
Not applicable. Survey to be undertaken in 2009	Quality Percentage of 121.5 MHz distress beacon owners who are made aware that, in 2009, monitoring will cease and an upgrade to 406 MHz will be required (as determined by independent survey)	94%	≥ 75 %
\$192,000	Cost The output is produced within appropriation (GST exclusive)	\$238,000	\$243,000

Commentary on Performance

The distress radio beacons national education campaign is now complete. In the last year of this four year campaign, new material was developed and significant advertising placements made during spring and summer in the lead up to the 1 February 2009 change.

OUTPUT CLASS: DISTRESS RADIO BEACONS NATIONAL EDUCATION CAMPAIGN – FINANCIAL PERFORMANCE
(AMOUNTS ARE GST EXCLUSIVE)

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
192	Revenue Crown	238	243	243
–	Other revenue	–	–	–
192	Total revenue	238	243	243
192	Total expenses	238	243	243
–	Net surplus	–	–	–

Output Class: Next Steps Review Implementation

This output class provides for the implementation of the Next Steps in the Transport Sector Review (Next Steps).

The Next Steps Review as set out by the State Services Commission in April 2007 was completed by March 2009.

ACTUAL 2007/08	PERFORMANCE MEASURES	ACTUAL 2008/09	STANDARDS/TARGETS 2008/09
Not applicable*	Accountability framework is in place within the agreed timeframe, after the legislation is in place.	Partially achieved – see comment under output Ownership and Purchase Monitoring (page 27)	Achieved
Not applicable*	Monitoring and review processes are in place within the agreed timeframe, after the legislation is in place.	Partially achieved – see comment on section 101 LTMA (page 27)	Achieved
Not applicable*	Expenditure management processes are in place within the agreed timeframe, after the legislation is in place	Partially achieved	Achieved
Not applicable*	Support provided to the NZ Transport Agency and local authorities to implement Next Steps in accordance with the monitoring framework to be developed by 31 July 2008.	Achieved	Achieved
\$2,743,089	Cost The output is produced within appropriation (GST exclusive)	\$401,264	\$440,000

* The legislation did not take effect until 1 August 2008

Commentary on Performance

Support was provided to the NZ Transport Agency and local authorities to implement Next Steps by providing assistance to Regional Transport Committees and NZ Transport Agency general managers, as well as producing a 'KnowHow' publication.

The Ministry led a major exercise in effective implementation of the Land Transport Management Amendment Act 2008, with key transport stakeholders responsible for transport planning and programming under this legislation.

As the implementation progressed, the activities undertaken under this output class were deemed business as usual, and will not be reported as a separate output class in 2009/10. This began to happen during 2008/09, as is demonstrated by the fall in cost between 2007/08 and 2008/09.

OBJECTIVE 1: ASSISTING ECONOMIC DEVELOPMENT

INTERVENTION	ACTIONS AS SET OUT IN THE STATEMENT OF INTENT 2008-2011	PERFORMANCE COMMENTS 2008/09
Implement the Next Steps Review	<p>Standards/targets 2008/09:</p> <ul style="list-style-type: none"> Ensure a smooth transition to the NZ Transport Agency and to the new funding and planning system. Establish and implement monitoring and review processes, as set out in the legislation for the National Land Transport Programme (NLTP) and its expenditure. Implement the accountability regime for the NZ Transport Agency. 	<p>Actions achieved 2008/09:</p> <ul style="list-style-type: none"> After the Land Transport Management Amendment Act 2008 was passed, the Ministry worked closely with the NZ Transport Agency for the first six months on several information sessions, training workshops and providing advice to Regional Partnership Managers on the legislation, and the new funding and planning system. See comments on output Ownership and Purchase Monitoring (page 27), and section 101 (page 27). See comments on output Ownership and Purchase Monitoring (page 27).

OUTPUT CLASS: NEXT STEPS REVIEW IMPLEMENTATION FINANCIAL PERFORMANCE (AMOUNTS ARE GST EXCLUSIVE)

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
2,100	Revenue Crown	365	400	404
300	Other revenue	36	–	36
2,400	Total revenue	401	400	440
2,743	Total expenses	401	400	440
(343)	Net surplus / (deficit)	–	–	–

Output Classes related to the Motor Vehicle Register and its Related Activities

From 1 August 2008, the ownership of the Motor Vehicle Register and the legislative responsibility for the Registrar of Motor Vehicles functions transferred from the Ministry of Transport to the new Crown entity, the NZ Transport Agency.

This necessitated a change in the Ministry's output classes from 1 August 2008. The Motor Vehicle Register and Revenue Management output class was disestablished and three new departmental output classes and one non-departmental output class were established. The changes were not reflected in the Main Estimates as they had not been finalised at that time.

- **New departmental output classes**
 - land transport revenue forecasting and strategy
 - road user charges collection investigation and enforcement
 - refund of fuel excise duty
- **New non-departmental output class**
 - motor vehicle registry

The four departmental output classes are reported on the following pages, and the non-departmental one in the Crown section of this annual report.

Output Class: Motor Vehicle Register and Revenue Management

Through this output class, the Ministry contracted with the NZ Transport Agency's predecessor agency, Land Transport New Zealand, to provide an administrative and accounting service for the collection and refund of motor vehicle registration and licensing (MVR) fees; road user charges (RUC) for distance, weight and time licences; and fuel excise duty (FED). Most of this revenue is then paid into the National Land Transport Fund (NLTF).

Other services provided include investigation and auditing activities to identify instances of RUC evasion and the maintenance of an information database (the Motor Vehicle Register) for use by law enforcement agencies, industry groups, and the public.

As noted above, this output class existed only for the first month of 2008/09.

This output class contributes to the transport sector outcome of improving sector effectiveness and efficiency, and it involved the collection of Crown revenues of around \$2.4 billion per annum.

ACTUAL 2007/08	PERFORMANCE MEASURES	ACTUAL 2008/09	STANDARDS/TARGETS 2008/09
8.17 million	Motor vehicle register (MVR) transactions.	0.649 million	8,264 million
88.2%	MVR licensing compliance (proportion of licensed vehicles in the MVR)	86.5%	≥88%
98.4%	MVR revenue compliance (proportion of vehicles re-licensed within 12 months of license expiry).	98.6%	≥98%
\$66,966,216	Cost The output is produced within appropriation (GST exclusive)	\$5,197,000	\$5,197,000

OUTPUT CLASS: MOTOR VEHICLE REGISTER AND REVENUE MANAGEMENT – FINANCIAL PERFORMANCE (AMOUNTS ARE GST EXCLUSIVE)

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
56,176	Revenue Crown	4,181	54,764	4,181
13,790	Other revenue	1,016	12,296	1,016
69,966	Total revenue	5,197	67,060	5,197
66,967	Total expenses	5,197	67,060	5,197
2,999	Net surplus	–	–	–

Output Class: Land Transport Revenue Forecasting and Strategy

Through this output class, the Ministry provides land transport revenue forecasting and strategy advice.

ACTUAL 2007/08	PERFORMANCE MEASURES	ACTUAL 2008/09	STANDARDS/TARGETS 2008/09
Not applicable	Revenue forecasts are completed as required.	100%	100%
Not applicable	Revenue system improvements developed and implemented as agreed, in accordance with agreed timeframes.	100%	100%
Not applicable	Cost The output is produced within appropriation (GST exclusive)	\$1,910,686	\$1,716,000

Commentary on Performance

In July 2008, the government commissioned an independent Road User Charges Review Group. Under this output class, the Ministry provided significant support to the work of this group over the course of 2008/09. The Review Group reported to the Minister of Transport on 31 March 2009 setting out 33 recommendations relating to the transport revenue system. Following the completion of the Review Group report, the Ministry has provided further advice to the Minister about the recommendations.

The Ministry has incurred unappropriated expenditure in this output class due to the work required for the Review Group that could not be deferred. The NZ Transport Agency contributed \$0.8 million to the costs of the review.

OUTPUT CLASS: LAND TRANSPORT REVENUE FORECASTING AND STRATEGY FINANCIAL PERFORMANCE (AMOUNTS ARE GST EXCLUSIVE)

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
–	Revenue Crown	916	–	916
–	Other revenue	800	–	800
–	Total revenue	1,716	–	1,716
–	Total expenses	1,911	–	1,716
–	Net surplus / (deficit)	(195)	–	–

Output Class: Road User Charges Collection, Investigation and Enforcement

Through this output class, the Chief Executive delegates to, and contracts with, the NZ Transport Agency to provide an administrative and accounting service for the collection and refund of RUC, and the investigation and enforcement of RUC evasion.

ACTUAL 2007/08	PERFORMANCE MEASURES	ACTUAL 2008/09	STANDARDS/TARGETS 2008/09
Not applicable	Identified evasion revenue recovered.	65%	≥30%
Not applicable	Cost The output is produced within appropriation (GST exclusive)	\$17,688,000	\$17,688,000

Commentary on Performance

In the year to 30 June 2009, 7,692 audits were carried out. This compares to 5,599 audits conducted in the previous year – an increase of 37.4 percent.

OUTPUT CLASS: ROAD USER CHARGES COLLECTION, INVESTIGATION AND ENFORCEMENT FINANCIAL PERFORMANCE
(AMOUNTS ARE GST EXCLUSIVE)

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
–	Revenue Crown	17,688	–	17,688
–	Other revenue	–	–	–
–	Total revenue	17,688	–	17,688
–	Total expenses	17,688	–	17,688
–	Net surplus	–	–	–

Output Class: Refund of Fuel Excise Duty

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

ACTUAL 2007/08	PERFORMANCE MEASURES	ACTUAL 2008/09	STANDARDS/TARGETS 2008/09
Not applicable	Proportion of revenue which is refunded.	2.4%	≤3%
Not applicable	COST The output is produced within appropriation (GST exclusive)	392,000	392,000

Commentary on Performance

Refund application volumes are 12 percent (1,698) below forecast for the year, however compared to actuals from the previous year, there was a 16 percent (3,585) increase in volumes.

OUTPUT CLASS: REFUND OF FUEL EXCISE DUTY FINANCIAL PERFORMANCE (AMOUNTS ARE GST EXCLUSIVE)

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
–	Revenue Crown	392	–	392
–	Other revenue	–	–	–
–	Total revenue	392	–	392
–	Total expenses	392	–	392
–	Net surplus / (deficit)	–	–	–

Financial Performance

Financial Statements: **35**
Ministry

Audit Report **68**

Schedules and Statements: **55**
Crown

Statement of Objectives – Financial Performance

for the year ended 30 June 2009

ACTUAL 2007/08		UNIT/%	ACTUAL 2008/09	MAIN ESTIMATES 2008/09	SUPP. ESTIMATES 2008/09
	OPERATING RESULTS				
14,794	Other revenue	\$000	2,465	12,766	2,502
102,539	Output expenses	\$000	57,579	101,290	61,016
4,425	Operating surplus before capital charge	\$000	486	780	513
3,659	Net surplus	\$000	–	–	–
	WORKING CAPITAL				
3,748	Net current assets	\$000	(47)	2,420	(994)
147	Current ratio	%	99	162	78
	RESOURCE UTILISATION				
7,337	Property plant and equipment & intangibles at year end	\$000	4,053	9,683	5,074
31	Additions as a % of property, plant and equipment and intangible assets at year end	%	30	31	32
38	Property, plant and equipment and intangibles as a % of total assets at year end	%	56	60	59
9,974	Taxpayers' funds at year end	\$000	2,984	11,513	2,984
	NET CASH FLOWS				
6,126	Surplus/(deficit) from operating activities	\$000	(508)	2,860	3,076
(2,246)	Surplus/(deficit) from investing activities	\$000	2,354	(3,000)	1,370
(3,791)	(Deficit) from financing activities	\$000	(10,649)	–	(10,402)
89	Net increase/(decrease) in cash held	\$000	(8,803)	(140)	(5,956)

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

Statement of Financial Performance

for the year ended 30 June 2009

ACTUAL 2007/08 \$000		NOTES	ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
	INCOME				
35,228	Revenue Crown	2	31,937	33,760	35,337
	Revenue from the National Land				
56,176	Transport Fund	3	4,181	54,764	4,181
–	Revenue from fees	4	18,996	–	18,996
14,794	Other revenue	5	2,465	12,766	2,502
106,198	Total operating income		57,579	101,290	61,016
	EXPENDITURE				
16,787	Personnel expenses	6	18,409	17,450	18,165
766	Capital charge	7	486	780	513
15,609	Other operating expenses	8	11,736	13,359	15,579
66,624	Contractual payments to Crown entities	9	26,058	66,841	25,848
522	Depreciation of property, plant and equipment	14	543	560	525
2,231	Amortisation of intangible assets	15	347	2,300	386
102,539	Total expenditure		57,579	101,290	61,016
3,659	Net surplus		–	–	–

Explanation of significant variances against budget are detailed in Note 26.

Statement of Movements

in Taxpayers' Funds

for the year ended 30 June 2009

ACTUAL 2007/08 \$000		NOTES	ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
9,974	Balance at 1 July		9,974	11,513	9,974
3,659	Surplus for the year		–	–	–
3,659	Total recognised income and expenses		–	–	–
(3,659)	Repayment of surplus to the Crown	10	–	–	–
–	Capital withdrawal	11	(6,990)	–	(6,990)
(3,659)	Total adjustments for flows to and from the Crown		(6,990)	–	(6,990)
9,974	Balance at 30 June		2,984	11,513	2,984

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

Statement of Financial Position

as at 30 June 2009

ACTUAL 2007/08 \$000		NOTES	ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
	TAXPAYERS' FUNDS				
9,371	General funds		2,381	10,910	2,381
603	Revaluation reserve - aerodrome		603	603	603
9,974	Total taxpayers' funds		2,984	11,513	2,984
	<i>Represented by:</i>				
	CURRENT ASSETS				
9,148	Cash and cash equivalents		345	4,988	3,192
6	Prepayments		–	–	6
2,614	Debtors and other receivables	12	2,830	1,323	374
18	Non-current asset held for sale	13	–	–	–
11,786	Total current assets		3,175	6,311	3,572
	NON-CURRENT ASSETS				
3,431	Property, plant and equipment	14	3,349	4,135	4,006
3,347	Intangible assets	15	704	5,548	1,068
559	Work in progress		–	–	–
7,337	Total non-current assets		4,053	9,683	5,074
19,123	Total assets		7,228	15,994	8,646
	CURRENT LIABILITIES				
3,366	Creditors and other payables	16	2,269	3,178	3,702
154	Creditor for capital expenditure	17	–	–	–
3,659	Repayment of surplus to the Crown	10	–	–	–
859	Employee entitlements	18	953	713	864
8,038	Total current liabilities		3,222	3,891	4,566
	NON-CURRENT LIABILITIES				
559	Employee entitlements	18	470	590	544
552	Provision for lease make-good	19	552	–	552
1,111	Total non-current liabilities		1,022	590	1,096
9,149	Total liabilities		4,244	4,481	5,662
9,974	Net assets		2,984	11,513	2,984

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

Statement of Cash Flows

for the year ended 30 June 2009

ACTUAL 2007/08 \$000		NOTES	ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
	CASH FLOWS FROM OPERATING ACTIVITIES				
35,228	Crown		48,366	33,760	54,333
505	Departments		477	270	465
12,899	Crown entities		4,062	12,296	4,042
56,176	National Land Transport Fund		4,181	54,764	4,181
93	Other		167	200	160
(16,592)	Personnel costs		(18,410)	(17,395)	(18,092)
(14,186)	Operating expenses		(12,672)	(13,414)	(15,579)
(66,624)	Contractual payments to Crown entities		(26,058)	(66,841)	(25,921)
(607)	Net GST paid		(135)	–	–
(766)	Capital charge		(486)	(780)	(513)
6,126	Net cash flows from operating activities	20	(508)	2,860	3,076
	CASH FLOWS FROM INVESTING ACTIVITIES				
1	Receipts from the sale of property, plant and equipment		17	–	18
–	Receipts from the sale of intangible assets		3,019	–	3,019
(517)	Purchase of property, plant and equipment		(480)	(500)	(1,100)
(1,730)	Purchase of intangible assets		(202)	(2,500)	(567)
(2,246)	Net cash flows from investing activities		2,354	(3,000)	1,370
	CASH FLOWS FROM FINANCING ACTIVITIES				
–	Capital withdrawal by the Crown		(6,990)	–	(6,990)
(3,791)	Repayment of surplus to the Crown		(3,659)	–	(3,412)
(3,791)	Net cash flows from financing activities		(10,649)	–	(10,402)
89	Net increase/(decrease) in cash held		(8,803)	(140)	(5,956)
9,059	Cash at beginning of year		9,148	5,128	9,148
9,148	Total cash at end of year		345	4,988	3,192

The net GST paid component of operating activities reflects the net GST paid and received from the Inland Revenue Department. This component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

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

Statement of Commitments

as at 30 June 2009

Non-cancellable operating lease commitments

The Ministry leases property in the normal course of business. The majority of these leases are for premises which have non-cancellable leasing periods ranging from one to six years.

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000
	NON-CANCELLABLE OPERATING LEASE COMMITMENTS	
1,309	Not later than one year	1,309
5,047	Later than one year and not later than five years	4,992
5,418	Later than five years	4,200
11,774	Total non cancellable lease commitments	10,501

The Ministry's non-cancellable operating leases have varying terms, escalation clauses and renewal rights. There are no restrictions placed on the Ministry by any of its leasing arrangements. Some accommodation leases are cancellable, subject to penalty. The amount disclosed is based on the current rental rates. The total operating lease cost is expensed on a straight line basis over the life of the lease.

Statement of Contingent Liabilities and Contingent Assets

as at 30 June 2009

The Ministry has a claim for a personnel-related matter that has an estimated maximum liability of \$30,000. The Ministry does not expect to settle for this amount (2007/08: \$nil).

Statement of Departmental Expenditure against Appropriations

for the year ended 30 June 2009

ACTUAL EXPENDITURE 2007/08 \$000		ACTUAL EXPENDITURE 2008/09 \$000	VOTED APPROPRIATION 2008/09 \$000
	VOTE: TRANSPORT		
	Appropriations for classes of outputs		
30,473	Policy advice	28,078	31,080
66,967	Motor vehicle registry and revenue management	5,197	5,197
121	Airport operation and administration	157	160
2,043	Sector leadership and support	3,517	4,100
192	Distress radio beacons national education campaign	238	243
2,743	Next steps review implementation	401	440
–	Land transport revenue forecasting and strategy	1,911	1,716
–	Refund of fuel excise duty	392	392
–	Road user charge collection, investment and enforcement	17,688	17,688
102,539	Total departmental expenditure and appropriations	57,579	61,016

The Vote Transport Appropriations include adjustments made in the 2008/09 Supplementary Estimates.

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

The distress radio beacon appropriation listed on the previous page is a multi-year appropriation. It commenced on 1 July 2005 and has a four year life to 30 June 2009. The total funding over the life of the appropriation is \$888,000 and expenditure since 1 July 2005 has been \$883,000. This campaign came to an end with old beacon system ceasing operations from 1 February 2009. As the appropriation ceased at 30 June 2009, this output class will not exist next year.

Statement of Departmental Unappropriated Expenditure against Appropriations

for the year ended 30 June 2009

UNAPPROPRIATED EXPENDITURE 2007/08 \$000		ACTUAL EXPENDITURE 2008/09 \$000	VOTED APPROPRIATION 2008/09 \$000	UNAPPROPRIATED EXPENDITURE 2008/09 \$000
	VOTE: TRANSPORT			
	Appropriations for classes of outputs			
–	Policy advice	28,078	31,080	–
–	Motor vehicle registry and revenue management	5,197	5,197	–
–	Airport operation and administration	157	160	–
258	Sector leadership and support	3,517	4,100	–
–	Distress radio beacons national education campaign	238	243	–
343	Next steps review implementation	401	440	–
–	Land transport revenue forecasting and strategy	1,911	1,716	195
–	Refund of fuel excise duty	392	392	–
–	Road user charge collection, investment and enforcement	17,688	17,688	–
601		57,579	61,016	195

The Ministry incurred unappropriated expenditure in one output class during the year. Overall, expenditure remained within the total budget.

The Ministry did not incur any capital expenditure in excess of appropriation, nor breach its departmental net asset schedule during the year.

Land transport revenue forecasting and strategy

This output class contains the costs of the Road User Charges review. More time was required from Ministry staff than was budgeted for, and consequently the appropriation was exceeded. This could not be avoided or delayed until 2009/10 as the results of the review were subject to public scrutiny and had to be followed up. The expenditure was not outside the scope of the appropriation.

The Ministry has applied to the Minister of Finance for section 26c approval for the unappropriated expenditure.

2007/08 unappropriated expenditure

Two output classes exceeded appropriation in 2007/08. Sector leadership and support due to an error in the coding of a piece of work, and Next steps review implementation due to the volume of work required to prepare for the establishment of the NZ Transport Agency in early 2008/09.

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

Notes to Financial Statements

for the year ended 30 June 2009

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 in New Zealand.

The primary objective of the Ministry is to provide services to the public rather than to make a financial return. Accordingly, the Ministry has designated itself as a public benefit entity for the purpose of the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the Ministry are for the year ended 30 June 2009. The financial statements were authorised for issue by the Chief Executive of the Ministry on 30 September 2009.

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

In previous years, the Ministry was responsible for the Motor Vehicle Registry and Revenue Management business and the Economic Compliance Unit, both of which were contracted out to Land Transport New Zealand for the full year. The Land Transport Management Act 2003 came into force on 1 August 2008. At that date, Land Transport New Zealand merged with Transit New Zealand to form the NZ Transport Agency and the ownership of the Motor Vehicle Register and the responsibilities of the Registrar function were transferred to the new entity. The Chief Executive of the Ministry remains responsible for the collection, investigation and enforcement of road user charges and fuel excise duty refunds.

These financial statements have been prepared pursuant to section 35 of the Public Finance Act 1989.

In addition, the Ministry has reported the Crown activities which it administered throughout 2008/2009.

BASIS OF PREPARATION

The financial statements of the Ministry have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The financial statements have been prepared

on an historical cost basis, modified by the revaluation of certain fixed assets.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Ministry is the New Zealand dollar.

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

NZ IAS 1 Presentation of Financial Statements (revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and a statement of comprehensive income to be introduced. This will enable readers to analyse changes in equity resulting from transactions with the Crown in its capacity as 'owner' separately from 'non-owner' changes. The revised standard gives the Ministry the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Ministry expects it will apply the revised standard for the first time for the year ended 30 June 2010, and has yet to decide whether it will prepare a single statement of comprehensive income or a separate income statement followed by a statement of comprehensive income.

CAPITAL CHARGE

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

BUDGET FIGURES

The budget figures are those included in the Estimates 2008. In addition, the financial statements also present the updated budget information from the Supplementary Estimates.

REVENUE

The Ministry derives revenue from the provision of outputs to the Crown and from services to third parties. Such revenue is recognised when earned and is reported in the financial period to which it relates. Revenue is measured at the fair value of the consideration received or receivable.

LEASES

Operating leases

An operating lease is where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item. Lease payments under an operating lease are charged as expenses in the period in which they are incurred.

FINANCIAL INSTRUMENTS

The Ministry is party to financial instruments as part of its normal operations. These financial instruments include cash and bank balances, and accounts receivable and payable. Financial assets and financial liabilities are initially measured at fair value plus transaction costs, unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the statement of financial performance.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and funds on deposit with banks.

DEBTORS AND OTHER RECEIVABLES

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate, less impairment changes.

Impairment of a receivable is established when there is objective evidence that the Ministry will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of financial performance. Overdue receivables that are renegotiated are reclassified as current (ie not past due).

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of leasehold improvements, furniture and fittings, office equipment, and Milford Sound/Piopiotaahi Aerodrome. The Ministry's only motor vehicle was classed as a non-current asset held for sale in 2007/08 and sold in 2008/09.

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

All fixed assets costing more than \$2,000 are capitalised. They are valued at historical cost or estimated recoverable amount, less accumulated depreciation. Any write-down of an item to its recoverable amount is recognised in the statement of financial performance.

Additions

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

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposal

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of financial performance. When revalued assets are sold, the amounts included in the property, plant and equipment revaluation reserves in respect of those assets are transferred to general funds.

Revaluation

The Ministry does not revalue its assets, except for Milford Sound/Piopiotaahi Aerodrome.

Milford Sound/Piopiotaahi Aerodrome is stated at optimised depreciated replacement cost as determined by an independent registered valuer. Milford Sound/Piopiotaahi Aerodrome is revalued at least every five years. Additions between revaluations are recorded at cost.

The result of revaluing Milford Sound/Piopiotaahi Aerodrome is credited or debited to an asset revaluation reserve for that class of asset. Where a revaluation results in a debit balance in the revaluation reserve, the debit balance will be expensed in the statement of financial performance.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Ministry and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Furniture and fittings	10 years	10% per annum
Leasehold improvements	2-10 years	10-50% per annum
Milford Sound/Piopiotaahi Aerodrome	6-100 years	1-17% per annum
Plant and equipment	3-10 years	10-33.3% per annum

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, which ever is the shorter.

Capital work in progress is not depreciated. The total cost of this work is transferred to the relevant asset category on the completion of the project and then depreciated.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

INTANGIBLE ASSETS

Software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by the Ministry, are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in statement of financial performance.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Crash analysis system	2 years	50% per annum
Motor vehicle register	3 years	33.3% per annum
Other software	3-4 years	25-33.3% per annum

Staff training cost is recognised as an expense when incurred.

IMPAIRMENT OF NON-FINANCIAL ASSETS

An intangible asset that is not yet available for use at the balance sheet date is tested annually for impairment.

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of financial performance.

For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of financial performance.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent

that an impairment loss for that class of asset was previously recognised in the statement of financial performance, a reversal of the impairment loss is also recognised in that statement.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the statement of financial performance.

CREDITORS AND OTHER PAYABLES

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

EMPLOYEE ENTITLEMENTS

Current liability for employee entitlements

Employee entitlements that the Ministry expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, retirement and long service leave entitlements expected to be settled within 12 months, and sick leave.

The Ministry recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Ministry anticipates it will be used by staff to cover those future absences.

The Ministry recognises a liability and an expense for bonuses where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation.

Long-term liability for employee entitlements

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis, using a model for use by government entities that was developed by the Treasury during 2008/09 in consultation with a firm of actuaries.

The calculations are based on:

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

The discount rates used are detailed below and are in line with the Treasury guidance.

	YEAR TO 30 JUNE 2010	YEAR TO 30 JUNE 2011	OUTYEARS
Discount rate %	3.01	3.82	5.96
Salary inflation factor %	3.00	3.50	3.50

Superannuation schemes

Defined contribution schemes

Obligations for contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund are accounted for as defined contribution schemes and are recognised as an expense in the statement of financial performance as incurred.

TAXPAYERS' FUNDS

Taxpayers' funds are the Crown's investment in the Ministry and are measured as the difference between total assets and total liabilities. Taxpayers' funds are disaggregated and classified as general funds and asset revaluation reserves.

PROVISIONS

The Ministry recognises a provision for future expenditure of uncertain amount or timing when:

- there is a present obligation (either legal or constructive) as a result of a past event
- it is probable that an outflow of future economic benefits will be required to settle the obligation
- a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

GOODS AND SERVICES TAX (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

INCOME TAX

Government departments are exempt from income tax as public authorities. Accordingly, no charge for income tax has been provided.

STATEMENT OF CASH FLOWS

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

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

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

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

COMMITMENTS

Expenses yet to be incurred on non-cancellable contracts that have been entered into on or before balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

STATEMENT OF COST ACCOUNTING POLICIES

The Ministry has determined the cost of outputs using the cost allocation system outlined below.

Types of Cost

Direct costs are those directly attributed to an output. Indirect costs are those that cannot be identified with a specific output in an economically feasible manner.

Method of assigning direct costs to outputs

Direct costs, such as consultants, are charged to outputs on the basis of the cost of the service provided.

Personnel costs are allocated to outputs based on the time recording data from the Ministry's time recording system.

Method of assigning indirect costs to outputs

Indirect costs are allocated to outputs through a two-stage process. The costs are assigned to cost centres within the Ministry, and then the costs are allocated to outputs on the basis of the direct staff costs attributable to the outputs of that cost centre.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, the Ministry has made estimates and assumptions about the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Retirement and long service leave

Note 18 provides an analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities.

Useful lives of property, plant and equipment in intangible assets

Useful lives of assets are determined by the Ministry based on their best assessment of the asset's use.

CRITICAL JUDGEMENTS IN APPLYING THE MINISTRY'S ACCOUNTING POLICIES

Management has exercised the following critical judgements in applying the Ministry's accounting policies for the year ended 30 June 2009.

Operating lease

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

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

CHANGES IN ACCOUNTING POLICIES

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

Certain items have been re-classified to conform to the current year's presentation of the Ministry's financial statements. These reclassifications do not have a material impact on the substance of the information presented.

Note 2: Revenue Crown

This is revenue earned for the supply of outputs to the Crown.

Note 3: Revenue from the National Land Transport Fund

In previous years, the Ministry received funding from the National Land Transport Fund (the Fund) to cover the cost of the Motor Vehicle Registry and Revenue Management output class. On 1 August 2008, the funding regime changed with the transfer of the Motor Vehicle Register to the NZ Transport Agency and the cessation of this output class from 31 July 2008. Thus the revenue shown for 2008/09 is for July 2008 only.

Note 4: Revenue from fees

This new revenue stream is related to the previous note, Revenue from the National Land Transport Fund.

To replace the Motor Vehicle Registry and Revenue Management output class, the Crown created three new departmental appropriations to be funded from fees collected from motor vehicle registration and road user charges. This funding is utilised to meet the cost of administering the departmental activities:

- road user charges collection, investigation and enforcement
- land transport revenue forecasting and strategy
- refund of fuel excise duty.

The revenue shown for 2008/09 is for the eleven months to 30 June 2009.

Note 5: Other revenue

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000
513	Departmental	495
14,178	Crown entities	1,897
103	Other recoveries	73
14,794	Total other revenue	2,465

The decrease in revenue from Crown entities is due to the change in output classes described in Notes 3 and 4. Previously, third party revenue was paid to the Ministry by the NZ Transport Agency. Now it is accounted for by the NZ Transport Agency itself.

Note 6: Personnel expenses

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000
15,309	Salary and wages	17,257
433	Employer contributions to defined contribution schemes	502
268	Annual leave	253
21	Long service leave	21
6	Retirement leave	6
750	Other personnel costs	370
16,787	Total personnel expenses	18,409

Note 7: Capital charge

The Ministry pays a capital charge to the Crown on its taxpayers' funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2009 was 7.5% (2008: 7.5%).

Note 8: Other operating expenses

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000
	Auditors remuneration:	
72	Audit fees for the financial statement audit	65
15	Audit fees for NZ IFRS transition	–
7	Other services	–
1,289	Operating lease payments	1,407
437	Advertising and publicity	306
8,631	Professional and special services	5,624
1,672	Computer bureau and software hire	1,787
3,486	Other operating expenses	2,547
15,609	Total other operating expenses	11,736

Note 9 : Contractual payments to Crown entities

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000
	NZ Transport Agency:	
63,531	For motor vehicle register and revenue management activities	4,670
1,013	For rules programme activity	1,013
–	For refund of fuel excise duty activities	392
–	For road user charges collection, investment and enforcement activities	17,688
660	Maritime New Zealand for rules programme activity	857
1,420	Civil Aviation Authority for rules programme activity	1,438
66,624		26,058

Note 10: Repayment of surplus to the Crown

The repayment of any surplus is required to be paid by 31 October of each year. The Ministry has no surplus to repay for 2008/09 as it reduced its draw down of funding to reflect its level of activity. At 30 June 2009, the Ministry was owed money by the Crown, as Crown revenue drawn down was lower than expenditure.

Note 11: Capital withdrawal

As noted above, the Motor Vehicle Register was transferred to the NZ Transport Agency on 1 August 2008. The Register was transferred at its book value of \$3.019 million.

\$6.99 million was repaid to the Crown in relation to the transaction, being the proceeds of sale of \$3.019 million plus unspent depreciation on the Register of \$3.971 million.

Note 12: Debtors and other receivables

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000
2,165	NZ Transport Agency	–
–	Crown	2,567
449	Other	263
2,614	Total debtors and other receivables	2,830

The carrying value of debtors and other receivables approximates their fair value. No debtor is past due, and the Ministry has assessed that no provision for impairment is required.

Note 13: Non-current asset held for sale

In 2007/08, the Ministry owned one motor vehicle. This was sold in 2008/09.

Note 14: Property, plant and equipment

	LEASEHOLD IMPROVEMENTS \$000	PLANT AND EQUIPMENT \$000	MILFORD SOUND/ PIOPIOTAHU AERODROME \$000	FURNITURE AND FITTINGS \$000	MOTOR VEHICLE \$000	TOTAL \$000
COST OR VALUATION						
Balance at 1 July 2007	2,054	1,422	702	912	32	5,122
Additions	116	300	–	32	–	448
Non-current asset held for sale	–	–	–	–	(32)	(32)
Balance at 30 June 2008	2,170	1,722	702	944	–	5,538
Balance at 1 July 2008	2,170	1,722	702	944	–	5,538
Additions	–	143	330	7	–	480
Disposals	–	(195)	–	(112)	–	(307)
Balance at 30 June 2009	2,170	1,670	1,032	839	–	5,711
ACCUMULATED DEPRECIATION						
Balance at 1 July 2007	256	1,065	17	253	5	1,596
Depreciation expense	208	220	5	83	6	522
Non-current asset held for sale	–	–	–	–	(11)	(11)
Balance at 30 June 2008	464	1,285	22	336	–	2,107
Balance at 1 July 2008	464	1,285	22	336	–	2,107
Depreciation expense	218	234	7	84	–	543
Disposals	–	(195)	–	(93)	–	(288)
Balance at 30 June 2009	682	1,324	29	327	–	2,362
CARRYING AMOUNTS						
At 1 July 2007	1,798	357	685	659	27	3,526
At 30 June and 1 July 2008	1,706	437	680	608	–	3,431
At 30 June 2009	1,488	346	1,003	512	–	3,349

Milford Sound/Piopiotaui Aerodrome was valued at optimised depreciated replacement cost as at 30 June 2004 by an independent valuer, G.Hughson (BE,MIPENZ), of Maunsell Ltd. An updated revaluation was due on 30 June 2009 or earlier. A revaluation is currently underway but cannot be completed until runway resurfacing is finished. This was delayed by cold weather.

Note 15: Intangible assets

	MOTOR VEHICLE REGISTER \$000	CRASH ANALYSIS SYSTEM \$000	OTHER SOFTWARE \$000	TOTAL \$000
COST				
Balance at 1 July 2007	32,083	408	364	32,855
Additions	1,303	–	427	1,730
Balance at 30 June 2008	33,386	408	791	34,585
Balance at 1 July 2008	33,386	408	791	34,585
Additions	267	–	456	723
Disposals	(33,653)	–	(115)	(33,768)
Balance at 30 June 2009	–	408	1,132	1,540
ACCUMULATED DEPRECIATION				
Balance at 1 July 2007	28,318	408	281	29,007
Amortisation expense	2,141	–	90	2,231
Balance at 30 June 2008	30,459	408	371	31,238
Balance at 1 July 2008	30,459	408	371	31,238
Amortisation expense	175	–	172	347
Disposals	(30,634)	–	(115)	(30,749)
Balance at 30 June 2009	–	408	428	836
CARRYING AMOUNTS				
At 1 July 2007	3,765	–	83	3,848
At 30 June and 1 July 2008	2,927	–	420	3,347
At 30 June 2009	–	–	704	704

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

The Motor Vehicle Register was transferred to the NZ Transport Agency on 1 August 2008 at its book value.

Note 16: Creditors and other payables

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000
729	Trade creditors	395
2,604	Accrued expenses	1,976
33	GST payable	(102)
3,366	Total creditors and other payables	2,269

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

Note 17: Creditor for capital expenditure

The NZ Transport Agency (formerly Land Transport New Zealand) was contracted to develop the Motor Vehicle Register asset for the Ministry. As noted above, this asset was transferred to the NZ Transport Agency on 1 August 2008 and so this contract is no longer in force.

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000
154	NZ Transport Agency	–
154	Total creditor for capital expenditure	–

Note 18: Employee entitlements

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000
	CURRENT LIABILITIES	
795	Annual leave	847
64	Long service leave	95
–	Retirement leave	11
859	Total of current portion	953
	NON-CURRENT LIABILITIES	
–	Long service leave	140
559	Retirement leave	330
559	Total of non-current portion	470
1,418	Total provision for employee entitlements	1,423

The present value of the long service and retirement leave obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in this assumption will impact on the carrying amount of the liability.

The discount rate and inflation factors used are detailed in the accounting policies.

If the discount rate were to differ by 1 percent from the Ministry's estimates, with all other factors held constant, the estimated carrying amount of the liability would be \$6,000 higher or lower.

If the inflation factor were to differ by 1 percent from the Ministry's estimates, with all other factors held constant, the estimated carrying amount of the liability would be \$7,000 higher or lower.

Note 19: Provision for lease make-good

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000
–	Opening balance 1 July	552
552	Additional provisions made	–
552	Balance at 30 June	552

In respect of a number of its leased premises, the Ministry is required at the expiry of the lease term to make good any damage caused to the premises and to remove any fixtures or fittings installed by the Ministry. In many cases, the Ministry has the option to renew these leases, which impacts on the timing of expected cash outflows.

Note 20: Reconciliation of the net surplus in the Statement of Financial Performance with net cash flows from operating activities in the Statement of Cash Flows for the year ended 30 June 2009

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000
3,659	Net surplus	–
	ADD NON-CASH ITEMS:	
522	Depreciation of property, plant and equipment	543
2,231	Amortisation of intangible assets	347
2,753	Total of non-cash items	890
	ADD/(DEDUCT) MOVEMENTS IN WORKING CAPITAL ITEMS	
(5)	(Increase)/decrease in prepayments	6
(1,290)	(Increase)/decrease in debtors and other receivables	(216)
812	Increase/(decrease) in payables and provisions	(1,251)
195	Increase/(decrease) in employee entitlements	5
(288)	Net movements in working capital items	(1,456)
	ADD/(DEDUCT) ITEMS CLASSIFIED AS INVESTING ACTIVITIES	
3	Loss on non-current assets held for sale	1
–	Work in progress expensed	38
(1)	(Profit)/loss on disposal of property, plant and equipment	19
2	Total of investing activities	58
6,126	Net cash flows from operating activities	(508)

Note 21: Financial instruments

The Ministry is party to financial instrument arrangements as part of its everyday operations. These include instruments such as cash and bank balances, accounts receivable and accounts payable.

Credit risk

Credit risk is the risk that a third party will default on its obligations to the Ministry, causing the Ministry to incur a loss. In the normal course of its business, the Ministry incurs credit risk from trade debtors, and from transactions with financial institutions and the New Zealand Debt Management Office (NZDMO).

The Ministry does not require any collateral or security to support financial instruments with the financial institutions that the Ministry deals with, or with the NZDMO, as these entities have high credit ratings. For its other financial instruments, the Ministry does not have significant concentrations of credit risk.

The fair value of financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

Liquidity risk

Liquidity risk is the risk that the Ministry will encounter difficulty in raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the Ministry closely monitors its forecast cash requirements with expected cash drawdowns from the New Zealand Debt Management office. The Ministry maintains a target level of available cash to meet liquidity requirements.

The table below analyses the Ministry's financial liabilities that will be settled based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows, based on the liabilities in notes 16 and 17.

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000
3,520	Less than 6 months	2,269
–	Greater than 6 months	–

Interest Rate Risk

The Ministry has no significant exposure to interest risk on its financial instruments.

Note 22: Categories of financial instruments

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

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000
	LOANS AND RECEIVABLES	
9,148	Cash and cash equivalents	345
2,614	Debtors and other receivables (note 12)	2,830
	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	
3,520	Creditors and other payables (notes 16 & 17)	2,269

Note 23: Related party information

The Ministry is a wholly owned entity of the Crown. The government significantly influences the role of the Ministry as well as being its major source of revenue.

The Ministry enters into transactions with other government departments, Crown entities and State Owned Enterprises on an 'arm's length' basis. Those transactions that occur within a normal supplier and client relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the Ministry would have adopted if dealings with that entity at arm's length in the same circumstances are not disclosed.

Key management personnel compensation

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000
1,879	Salaries and other short-term employee benefits	1,922
17	Post employment benefits	7
–	Termination benefits	340
1,896	Total key management personnel compensation	2,269

Key management personnel includes the Chief Executive and the six members (2007:8 members) of the senior management team.

Note 24: Capital management

The Ministry's capital is its equity (or taxpayers funds), which comprise general funds and revaluation reserves. Equity is represented by net assets.

The Ministry manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The Ministry's equity is largely managed as a by-product of managing income, expenses, assets, liabilities and compliance with the Government Budget process and the Treasury instructions.

The objective of managing the Ministry's equity is to ensure that the Ministry effectively achieves its goals and objectives for which it was established, while remaining a going concern.

Note 25: Major changes to the departmental output budgets

Changes were made to the Ministry's departmental appropriations for the year 2008/09 by way of the Supplementary Estimates. The net changes appear in the following table.

	BUDGET ESTIMATES \$000	SUPPLEMENTARY ESTIMATES \$000	CUMULATIVE VOTE \$000
APPROPRIATIONS FOR DEPARTMENTAL OUTPUT EXPENSES			
Policy advice	31,287	(207)	31,080
Motor vehicle registry and revenue management	67,060	(61,863)	5,197
Road user charges collection, investigation and enforcement.	–	17,688	17,688
Refund of fuel excise duty	–	392	392
Land transport revenue forecasting and strategy	–	1,716	1,716
Airport operation and administration	200	(40)	160
Sector leadership and support	2,100	2,000	4,100
Distress radio beacons national education campaign	243	–	243
Next steps review implementation	400	40	440
Total departmental appropriations	101,290	(40,274)	61,016

Explanations for the major changes were outlined in the 2008/09 Supplementary Estimates (page 263). They were:

Policy advice

The decrease in this appropriation is mainly due to the transfer of funding to the Sector Leadership output class, offset by an in-principle transfer of \$1.415 million from 2007/08, and funding of \$0.1 million from the New Zealand Energy Strategy contingency fund.

Motor vehicle registry and revenue management

This appropriation was disestablished following the transfer of the Motor Vehicle Register from the Ministry to the NZ Transport Agency on 1 August 2008.

Road user charges collection, investigation and enforcement

Land transport revenue forecasting and strategy

Refund of fuel excise duty

These three appropriations were created from 1 August 2008 to fund the activities that are still the responsibility of the Ministry following the transfer of the Motor Vehicle Register as noted above. They total less than the disestablished appropriation because the bulk of the activity has been transferred to the NZ Transport Agency as a non-departmental output.

Airport operation and administration

The decrease is due to reduced third party revenue received from Milford aerodrome operations.

Sector leadership and support

The increase in appropriation is a reflection of the actual activity expected in this output class and a transfer of funds from policy advice.

Next Steps review implementation

The increase is due to additional third party revenue.

Note 26: Explanation of major variances between actual and budget figures

The significant variances between the actual results and the figures included in the Estimates of Appropriations for the year ended 30 June 2009 are:

Statement of financial performance

Revenue Crown increased by \$1.6 million between the Main Estimates and the Supplementaries. The main reasons for this are a carry forward of \$1.4 million from 2007/08 relating to Policy Advice and some additional funding obtained during the year. The actual figure is \$3.4 million below the Supplementaries figure because that amount was not drawn down as it was not required.

Revenue from the National Land Transport Fund decreased by \$50.6 million between the Main Estimates and the Supplementaries. This reflected the cessation of this funding stream for Motor Vehicle Register and related activities, as well as the transfer of some activities to the NZ Transport Agency.

Revenue from fees increased by \$18.9 million with the remaining Motor Vehicle Register related activities of the Ministry now being funded from this revenue stream (see Note 25) not the National Land Transport Fund.

Other revenue decreased by \$10.3 million between the Main Estimates and the Supplementaries. With the change in funding and responsibility for the Motor Vehicle Register related activities, ACC revenue previously paid to the Ministry is now collected by the NZ Transport Agency.

Contractual payments to Crown entities were \$40.9 million lower in the Supplementary Estimates than in the Budget. This is due to the transfer of Motor Vehicle registry related activity to the NZ Transport Agency and is balanced by the lower revenue described above.

Other operating expenses increased between the Estimates and the Supplementaries to reflect the funds carried forward from 2007/08, and some additional funding. Actual expenditure was less than this as the Ministry acted to control its expenditure in the current economic climate.

Statement of financial position (and cash flows)

Cash and bank balances were \$4.6 million lower than budget and \$2.8 million lower than the Supplementary Estimates, due to the Ministry repaying to the Crown the retained accumulated depreciation on the Motor Vehicle Register, and not drawing down its full entitlement of Crown revenue.

Debtors and other receivables were \$1.5 million below Budget and \$2.4 million below the Supplementary Estimates, due mainly to the balance owed from the Crown for Crown revenue of \$2.6 million (budget \$nil).

Note 27: 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 2009.

Schedules and Statements: Crown

Introduction/overview

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

The Ministry administered:

- \$1.081 billion of non-departmental revenue and receipts
- \$2.660 billion of non-departmental payments

- \$0.107 billion of non-departmental assets
- \$0.518 billion of non-departmental liabilities

on behalf of the Crown for the year ended 30 June 2009.

Further details of the management of these Crown assets and liabilities are provided later in this report.

Schedule of Non-departmental Revenue and Receipts for the year ended 30 June 2009

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

ACTUAL 2007/08 \$000		NOTES	ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
1,042,450	Indirect taxation	2	1,003,574	1,093,672	985,686
150	Other 'sovereign power' revenue	3	124	10	10
12,908	Other operational revenue	4	70,615	10,500	65,386
4,302	Proceeds from sale of land	5	–	–	–
1,295	Share of net asset increase in joint venture airports	10	7,114	–	–
1,061,105	Total non-departmental revenue and receipts		1,081,427	1,104,182	1,051,082

Schedule of Non-departmental Expenses for the year ended 30 June 2009

This schedule summarises non-departmental expenses that the Ministry administers on behalf of the Crown. Further details are provided in the Statement of Non-Departmental Expenditure and Capital Expenditure Appropriations.

ACTUAL 2007/08 \$000		NOTES	ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
1,359,416	Non-departmental output classes	6	1,727,599	1,404,527	1,787,599
582,232	Purchase or development of capital assets	7	905,390	1,120,758	910,390
4,444	Other expenses to be incurred by the Crown	8	17,813	22,513	21,413
(7,800)	Land transport expenditure/(revenue)		–	–	–
6,156	Bad debts expense		2,398	–	5,000
(2,380)	Movement in doubtful debts provision		7,125	–	–
1,942,068	Total non-departmental expenses		2,660,325	2,547,798	2,724,402

Schedule of Non-departmental Assets

as at 30 June 2009

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

ACTUAL 2007/08 \$000	NOTES	ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
	CURRENT ASSETS			
11,920	Cash and bank balances	5,642	17,431	17,720
52,093	Receivables and advances 9	70,129	46,757	45,970
	NON-CURRENT ASSETS			
24,194	Investment in joint venture airports 10	31,308	24,797	26,092
88,207	Total non-departmental assets	107,079	88,985	89,782

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

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

The investment in these entities is recorded within the Crown financial statements. No disclosure is made in this schedule.

Schedule of Non-departmental Liabilities

as at 30 June 2009

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

ACTUAL 2007/08 \$000	NOTES	ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
	CURRENT LIABILITIES			
453,365	Payables 12	518,154	118,225	453,365
453,365	Total non-departmental liabilities	518,154	118,225	453,365

Statement of Non-departmental Expenditure and Capital Expenditure Appropriations

for the year ended 30 June 2009

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

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
	APPROPRIATIONS FOR NON-DEPARTMENTAL OUTPUT CLASSES			
–	Administration of the public transport concessions for SuperGold cardholders scheme	700	–	1,100
1,000	Bay of Plenty transport	–	–	–
–	Canterbury transport project	–	4,500	4,500
1,761	Civil aviation policy advice	2,261	2,261	2,261
–	Implementation of regional fuel tax	–	–	300
2,255	Licensing activities	2,095	2,475	3,275
182,226	Maintenance of local roads	240,622	193,159	240,622
209,406	Maintenance of state highways	298,524	221,971	298,524
76,063	Management of funding allocation system	74,156	73,633	74,156
5,189	Maritime safety regulation and monitoring	5,689	5,689	5,689
145	Maritime security	145	145	145
–	Motor vehicle registry	31,678	–	37,078
323,596	New and improved infrastructure for local roads	313,064	339,432	353,064
241,689	Passenger transport services	313,800	224,785	313,800
31,492	Promotion, information and education	30,545	34,948	30,545
2,000	Rail and sea freight	2,500	2,000	8,000
–	Regional development transport funding	8,000	10,000	10,000
210,000	Regional land transport	319,120	214,500	319,120
2,653	Regulatory enforcement	5,821	2,704	5,821
548	Regulatory implementation and enforcement	548	548	548
2,723	Reporting on accident or incident investigations	3,938	3,938	3,938
7,775	Research and performance monitoring	11,776	4,502	11,776
3,274	Search and rescue activities	6,772	7,078	7,078
27,524	Transport demand management, and walking and cycling	33,748	33,748	33,748
4,000	Waikato land transport	–	–	–
3,000	Waikato rail funding	4,586	5,000	5,000
17,097	Weather forecasts and warnings	17,511	17,511	17,511
4,000	Wellington land transport (Western corridor)	–	–	–
1,359,416	Sub-total	1,727,599	1,404,527	1,787,599

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
	APPROPRIATIONS FOR OTHER EXPENSES TO BE INCURRED BY THE CROWN			
–	Enhanced public transport concessions for SuperGold cardholders	13,300	18,000	16,900
674	International memberships	743	743	743
3,776	Motor vehicle registration/licences and road user charge bad debt provision	2,398	–	5,000
3,270	New Zealand Railways Corporation – public policy projects	3,270	3,270	3,270
500	Railway safety	500	500	500
8,220	Sub-total	20,211	22,513	26,413
	APPROPRIATIONS FOR CAPITAL CONTRIBUTIONS TO OTHER ORGANISATIONS			
95,300	ALPURT B2	24,948	–	24,948
–	Aviation Security Service	7,348	7,348	7,348
614	Crown contribution to joint venture airports	–	35	–
–	Joint venture airports - Crown contribution	820	–	1,284
2,000	Maritime New Zealand	1,000	1,000	1,000
1,236	Maritime NZ	259	259	259
–	NZ Transport Agency*	20,345,525	20,540,280	20,547,270
2,667	Realignment of Buckle Street	–	5,333	–
100	Transport Accident Investigation Commission	250	250	250
101,917	Sub-total	20,380,150	20,554,505	20,582,359
	APPROPRIATIONS FOR PURCHASE OR DEVELOPMENT OF CAPITAL ASSETS FROM THE CROWN			
–	Accelerated State highway construction	30,000	–	35,000
–	New and improved infrastructure for State highways – Crown contribution	727,065	347,000	727,065
234,760	New and improved infrastructure for State highways – multi year	–	–	–
256,872	New and improved State highways infrastructure PLA	70,425	710,758	70,425
50,600	State highway construction programme guarantee	77,900	63,000	77,900
40,000	Tauranga Harbour Link project	–	–	–
582,232	Sub-total	905,390	1,120,758	910,390
2,051,785	Total non-departmental expenditure and appropriations	23,033,350	23,102,303	23,306,761

* Two existing Crown entities Land Transport New Zealand and Transit New Zealand were merged into one new entity, the NZ Transport Agency on 1 August 2008. The net assets of the two agencies at that date which totalled \$20,338,535,000 (budget \$20,540,280,000 and Supplementary \$20,540,280,000) were repaid to the Crown and then reinvested in the NZ Transport Agency.

Details of Multi-Year Appropriations

	CROWN CONTRIBUTION TO JOINT VENTURE AIRPORTS \$000	JOINT VENTURE AIRPORTS – CROWN CONTRIBUTION \$000
Commences	1 July 2005	1 July 2008
Expires	1 July 2008	30 June 2011
Appropriation at 1 July 2008	4,448	–
Adjustments for 2008/09	(4,448)	1,773
Total funding	–	1,773
Expenditure in prior years	2,675	–
Expenditure in current year	–	820
Actual expenditure to 30 June 2009	2,675	820
Appropriation remaining	–	953

In late 2007/08, it was noted that the scope of the existing Joint Venture Airport appropriation did not reflect the intentions of the Crown. Therefore, during 2008/09 the existing appropriation was disestablished and the balance of its funding transferred to a new appropriation with the correct scope.

Statement of Non-departmental Commitments

as at 30 June 2009

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

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000
	OPERATING COMMITMENTS	
91,806	Other non-cancellable contracts for the supply of goods and services	74,295
91,806	Total operating commitments	74,295
	TERM CLASSIFICATION OF COMMITMENTS	
17,511	Not later than one year	18,573
18,573	More than one year but less than two years	18,574
55,722	Between two and five years	37,148
91,806	Total operating commitments	74,295

The liability is a commitment to a State Owned Enterprise for the supply of outputs.

Statement of Non-departmental Contingent Liabilities

as at 30 June 2009

This statement discloses situations which exist at 30 June 2009, the ultimate outcome of which is uncertain and will be confirmed only on the occurrence of one or more future events after the date of approval of the financial statements.

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$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. The guarantee is to be used in the event of a major transport accident (air or rail) where the Commission would have to hire specialist recovery equipment. This is expected to be a near permanent guarantee.

Further to the contingent liability disclosed above, an indemnity has been provided by the Crown to the Meteorological Service of New Zealand for potential third party claims in excess of arranged public liability cover. The value of the liability will depend on the circumstances of the claim. (Unchanged since 30 June 2008).

Statement of Non-departmental Unappropriated Expenditure

for the year ended 30 June 2009

Unappropriated expenditure was reported in three appropriations during 2008/09 (2007/08: \$nil).

Motor vehicle registration/licences and road user charge bad debt provision

Unappropriated expenditure of \$257,000 was incurred in this appropriation during 2008/09.

The appropriation was established in 2007/08 but, in error, was created only for that year when it should have been established for outyears as well. Bad debts of \$257,000 were recognised in the first quarter before the error was corrected and the appropriation re-established.

International memberships

The scope of this appropriation allows for payments to the International Civil Aviation Organisation, the International Maritime Organisation and the World Meteorological Organisation. Since 2005, the Ministry has been paying an annual subscription to the Pacific Aviation Safety Office (PASO) as well. This expenditure is unappropriated because it is outside scope. PASO was not paid from the appropriation in 2008/09 as the issue had been identified and so the unappropriated expenditure related to prior years is shown below.

	2004/05 \$000	2005/06 \$000	2006/07 \$000	2007/08 \$000
Unappropriated expenditure	7	14	14	14

NZ Transport Agency

Unappropriated expenditure of \$6.99 million was incurred in this appropriation during 2008/09.

The scope of this appropriation allowed for the transfer of the net assets of Land Transport New Zealand and Transit New Zealand to the new Crown entity, the NZ Transport Agency.

A related matter was the transfer of the Motor Vehicle Register from the Ministry of Transport to the new entity at a cost of \$6.99 million. Instead of creating a new appropriation for this transfer, officials received permission to include it in this existing appropriation. The payment was out of scope and so unappropriated expenditure was incurred.

Notes to Schedules

for the year ended 30 June 2009

Note 1: Statement of accounting policies

REPORTING ENTITY

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

The Ministry's responsibility is to manage the revenue, expenditure, assets and liabilities on behalf of the Crown. The non-departmental balances are consolidated into the Crown Financial Statements. For a full understanding of the Crown's financial position and the results of its operations for the year, reference should be made to the consolidated audited Crown Financial Statements for the year ended 30 June 2009.

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

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

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

ACCOUNTING POLICIES

The non-department schedules and statements have been prepared in accordance with the government's accounting policies as set out in the financial statements of the government, and in accordance with the relevant Treasury instructions and Treasury Circulars.

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

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

BUDGET FIGURES

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

REVENUE

Revenue from road user charges and motor vehicle licensing fees is recognised when payment for the charge or fee is made.

DEBTORS AND OTHER RECEIVABLES

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate, less impairment changes.

Impairment of a receivable is established when there is objective evidence that the Crown will not be able to collect amounts due according to the original terms of the receivable.

Indicators that the debtor is impaired include the significant financial difficulties of the debtor, the probability that the debtor will enter into bankruptcy, and any default in payments. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced by the use of an allowance account, and the amount of the loss is recognised in the schedule of non-departmental expenses. When a debtor is not collectible, it is written off against the allowance account for debtors. Overdue receivables that are renegotiated are reclassified as current (ie not past due).

INVESTMENTS

Joint Venture Airports

Investments represent the Crown's investment in joint venture airports. Investments in the joint venture airports are accounted using the equity method, consolidating the post acquisition net asset increase or decrease into these non-departmental financial statements.

CREDITORS AND OTHER PAYABLES

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

FINANCIAL INSTRUMENTS

Crown: Vote Transport is party to financial instruments as part of its normal operations. These financial instruments include cash and bank balances, accounts receivable and accounts payable. Revenue and expenses in relation to all financial instruments are recognised in the Schedule of Non-departmental Revenue and Receipts and the Schedule of Non-departmental Expenses. All financial instruments are recognised in the Schedule of Non-departmental Assets and the Schedule of Non-departmental Liabilities.

GOODS AND SERVICES TAX (GST)

All items in the schedules including appropriation statements are exclusive of GST.

The amount of GST owing to Inland Revenue Department at balance date, being net GST on motor vehicle registration activities, is included in payables.

COMMITMENTS

Future expenses and liabilities to be incurred on non-cancellable contracts that have been entered into at balance date are disclosed as commitments to the extent that they are equally unperformed obligations.

CONTINGENT LIABILITIES

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

CHANGES IN ACCOUNTING POLICIES

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

Note 2: Indirect taxation

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000	ESTIMATES 2008/09 \$000	ESTIMATES 2008/09 \$000
226,026	Motor vehicle registration fees	170,606	228,519	171,481
850,949	Road user charges	867,649	939,601	882,608
1,076,975	Sub-total	1,038,255	1,168,120	1,054,089
(34,525)	Fuel excise duty refunds	(34,681)	(74,448)	(68,403)
1,042,450	Total indirect taxation	1,003,574	1,093,672	985,686

Note 3: Other 'sovereign power' revenue

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
150	Infringement fees	124	10	10
150	Total other 'sovereign power' revenue	124	10	10

Note 4: Other operational revenue

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
–	Tolling revenue from ALPURT B2 (Note 11)	2,315	–	–
–	Motor vehicle registration administration revenue	43,725	–	41,746
–	Road user charges administration revenue	13,030	–	13,140
12,908	Motor vehicle registration recoveries	11,545	10,500	10,500
12,908	Total other operational revenue	70,615	10,500	65,386

A component of the motor vehicle registration fee and the road user charge is to cover the costs of administration. In previous years, the administration fee was included as part of the Indirect Taxation revenue (note 2 above) that was credited to the National Land Transport Fund. With the creation of the NZ Transport Agency on 1 August 2008 and the transfer of the Motor Vehicle Register and registry functions to the Agency on that day, the treatment of the administration component changed. It is no longer credited to the National Land Transport Fund but is used to pay for the appropriations relating to the Motor Vehicle Register, road user charge collection, investigation and enforcement, fuel excise duty refunds and land transport revenue forecasting and strategy work.

Note 5: Proceeds from sale of land

During 2007/08, the Ministry received \$4.3 million, being the Crown's share of sale proceeds from land at New Plymouth airport.

Note 6: Non-departmental output classes

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
1,359,416	This expense item is equal to the appropriations for non-departmental output classes listed in the Statement of Non-Departmental Expenditure and Appropriations.	1,727,599	1,404,527	1,787,599
1,359,416	Total non-departmental output classes	1,727,599	1,404,527	1,787,599

Note 7: Purchase or development of capital assets

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
582,232	This expenditure is for the construction of, and improvement to the state highway network including pavement rehabilitation and seal widening.	905,390	1,120,758	910,390
582,232	Total purchase or development of capital assets	905,390	1,120,758	910,390

Note 8: Other expenses to be incurred by the Crown

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
500	Railway Safety	500	500	500
674	International memberships	743	743	743
3,270	New Zealand Railways Corporation	3,270	3,270	3,270
–	Enhanced public transport concessions for SuperGold cardholders	13,300	18,000	16,900
4,444	Total other expenses to be incurred by the Crown	17,813	22,513	21,413

Note 9: Receivables and advances

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
50,135	Motor vehicle registration fees	65,054	45,974	49,810
322	Prepayments	292	262	324
800	Receivable from the NZ Transport Agency	6,946	–	–
6,259	Road user charges	10,364	5,944	6,259
–	Other	20	–	–
57,516	Sub-total	82,676	52,180	56,393
(5,423)	Provision for doubtful debts	(12,547)	(5,423)	(10,423)
52,093	Total receivables and advances	70,129	46,757	45,970

The carrying value of receivables and advances approximates their fair value. No debtor is past due, and the Ministry has assessed that no provision for impairment is required at 30 June 2009 (30 June 2008: \$nil).

Note 10: Investment in joint venture airports

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000
8,446	Hawke's Bay	7,400
7,515	New Plymouth	12,752
1,887	Taupo	3,393
3,648	Wanganui	5,114
493	Westport	493
371	Whakatane	313
1,834	Whangarei	1,843
24,194	Total investment in joint venture airports	31,308

The Hawke's Bay airport was corporatised on 1 July 2009 and the assets transferred to a new company. The Crown has a 50 percent shareholding in the new company. PriceWaterhouseCoopers were retained by the joint venture partners to value the airport for the purposes of corporatisation. The valuation of \$7.4 million shown is 50 percent of the final valuation as at 30 June 2009.

The value of the investments in the other airports is based on the annual financial statements of each airport for the year ending 30 June 2008 (2008: 30 June 2007). The Crown has an interest of 50 percent in each airport.

The increase in the valuation of the New Plymouth airport is due to the revaluation of assets during 2007/08. The revaluation adjustment for that year amounted to \$10.3 million (2007: \$nil).

Note 11: Investment in ALPURT B2

The ALPURT B2 project was completed during the year with a total contribution from the Crown of \$158 million. The charging of a toll for using the road began in February 2009. The Crown has issued infrastructure bonds to fund the project and the toll revenue is intended to cover the costs of the bonds. The bonds are shown within the financial statements of the Treasury and tolling revenue is recorded by the Ministry of Transport.

It was agreed that a notional account would be kept of the 'cost' of the project using an estimated interest rate charged on the balance advanced. The interest charge is calculated daily based on the outstanding balance of money advanced plus interest less tolling revenue received. The interest rate used is the average infrastructure bond rate plus 15 basis points. At 30 June 2009: 6.45 percent (30 June 2008: 6.51 percent). The balance is represented in the table below.

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000
133,052	Expenditure over the life of the project	158,000
5,449	Interest over the life of the project	15,802
–	Tolling revenue	(2,315)
138,501	Balance at the year end	171,487

Note 12: Payables

ACTUAL 2007/08 \$000		ACTUAL 2008/09 \$000	MAIN ESTIMATES 2008/09 \$000	SUPPLEMENTARY ESTIMATES 2008/09 \$000
409,064	National Land Transport Fund revenue payable to the NZ Transport Agency	478,415	89,155	423,463
14,337	Transit New Zealand	–	–	–
1,607	Output funding payable to Meteorological Service	1,645	1,387	1,642
97	International subscriptions	–	–	–
10,352	GST payable	10,345	9,573	10,352
17,257	Motor vehicle registration third party collections	26,832	17,333	17,257
–	Other creditors	56	–	–
651	Road user charge refunds	861	777	651
453,365	Total payables	518,154	118,225	453,365

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

Note 13: Major Budget changes

Changes were made to the non-departmental budgets in the 2008/09 Supplementary Estimates. Explanations for significant variances are provided below.

Revenue and receipts

	MAIN ESTIMATES \$000	SUPPLEMENTARY ESTIMATES \$000	CUMULATIVE VOTE \$000
TAX REVENUE			
Motor vehicle registration	228,519	(57,038)	171,481
Road user charges	939,601	(56,993)	882,608
Fuel excise duty refunds	(74,448)	6,045	(68,403)
	1,093,672	(107,986)	985,686
OTHER OPERATIONAL REVENUE			
Motor vehicle registration administration revenue	–	41,746	41,746
Road user charges administration revenue	–	13,140	13,140
	–	54,886	54,886

There are two major reasons for the above adjustments: the change in treatment of the administration fee and the reforecasting of road tax revenue.

Change in treatment of the administration revenue

As explained in Note 4, the component of the motor vehicle registration fee and the road use charge that is to cover the costs of administration has been treated differently from 1 August 2008. In previous years, it was included as part of the Indirect Taxation revenue but from 1 August 2008, it is shown separately as Operational Revenue. In the main Estimates, this change was not reflected and so the budget was zero. The fee was subsequently split out and the tax revenue dropped correspondingly.

Reforecasting of road tax revenue

The National Land Transport Fund Revenue Forecasting Group meets on a six-monthly basis to reforecast the revenue that is expected for the Fund, based on the current economic forecasts. The changes reflect the result of this process, as well as the change in treatment of the administration component explained in the previous paragraph.

Non-departmental expenditure and capital appropriations

	BUDGET ESTIMATES \$000	SUPPLEMENTARY ESTIMATES \$000	CUMULATIVE VOTE \$000
APPROPRIATIONS FOR NON-DEPARTMENTAL OUTPUT EXPENSES			
Administration of the public transport concessions for SuperGold card holders scheme	–	1,100	1,100
Implementation of regional fuel tax	–	300	300
Licensing activities	2,475	800	3,275
Maintenance of local roads PLA	193,159	47,463	240,622
Maintenance of state highways PLA	–	76,553	76,553
Management of funding allocation system PLA	73,633	523	74,156
Motor vehicle registry	–	37,078	37,078
New and improved infrastructure for local roads PLA	339,432	13,632	353,064
Passenger transport services PLA	224,785	89,015	313,800
Promotion, information and education PLA	34,948	(4,403)	30,545
Rail and sea freight PLA	2,000	6,000	8,000
Regional land transport PLA	214,500	104,620	319,120
Regulatory enforcement PLA	2,704	3,117	5,821
Research and performance monitoring PLA	4,502	7,274	11,776
NON DEPARTMENT OTHER EXPENSES			
Enhanced public transport concessions for SuperGold cardholders	18,000	(1,100)	16,900
Motor vehicle registration/licences and road user charges bad debt provision	–	5,000	5,000

	BUDGET ESTIMATES \$000	SUPPLEMENTARY ESTIMATES \$000	CUMULATIVE VOTE \$000
CAPITAL EXPENDITURE			
Accelerated State highway construction	–	35,000	35,000
ALPURT B2	–	24,948	24,948
New and improved infrastructure for State highways – Crown contribution	347,000	380,065	727,065
New and improved State highway infrastructure PLA	710,758	(640,333)	70,425
NZ Transport Agency	20,540,280	6,990	20,547,270
Realignment of Buckle Street	5,333	(5,333)	–
State highway construction programme guarantee	63,000	14,900	77,900

Explanations for the major changes were outlined in the 2008/09 Supplementary Estimates (pages 263 to 270). They were:

Administration of the public transport concessions for Supergold cardholders scheme

Enhanced public transport concessions for Supergold cardholders

The enhanced public transport concessions appropriation of \$18 million was established as part of Budget 2008. It was subsequently realised that the scope of this appropriation did not allow for the payment of administration costs.

Therefore, the Administration appropriation was established and \$1.1 million was transferred from the enhanced public transport concession appropriation to fund administration.

ALPURT B2

This project was expected to be completed in 2007/08 and so there was no provision in the Estimates 2008 for it. Funding unspent in 2007/08 was transferred to 2008/09 to allow the project to be completed.

Maintenance of local roads PLA, maintenance of State highways PLA, new and improved infrastructure for local roads PLA, passenger transport services PLA, regional land transport PLA, new and improved State highway infrastructure PLA

The 2009 National Land Transport Programme was completed after the publication of the Estimates 2008. As part of the Baseline Update process, the appropriations above were rebalanced to be in line with the Programme. The last appropriation in the list was reduced by transfers to the other appropriations.

The results of the six monthly road tax revenue forecasting process are adjusted through the New and Improved State Highway Infrastructure appropriation. \$242 million of this appropriation was also transferred to 2009/10 as the funding was not required in 2008/09.

Motor Vehicle Registry

This appropriation was created from 1 August 2008 after the transfer of Motor Vehicle Register from the Ministry to the NZ Transport Agency. It and three new departmental appropriations replaced one existing departmental appropriation – Motor Vehicle Register and Revenue Management.

Rail and sea freight

Additional funding of \$6 million was approved as part of Budget 2008 but not reflected in the Budget figures, in error.

Motor vehicle registration/licences and road user charges bad debt provision

This appropriation was created in 2007/08 to reflect the nature of the expenses being incurred. In error at that time, funding was not allocated to outyears. This was corrected during 2008/09.

Realignment of Buckle Street

This appropriation was reduced to zero as part of Budget 2009. The project will proceed with alternative funding.

State highway construction programme guarantee

The increase reflects funding carried forward from 2007/08.

Accelerated State highway construction

This appropriation was created during 2008/09 to fund the government plan to bring forward the timing of some key projects.

New and improved infrastructure for State highways – Crown contribution

The increase reflects funding carried forward from 2007/08 from disestablished appropriations.

NZ Transport Agency

The adjustment to the appropriation is to reflect the funding of the transfer of the Motor Vehicle Register to the NZ Transport Agency.

Note 14: Major Budget to Actual Variances

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

Schedule of non-departmental revenue and receipts

Indirect taxation was \$18 million more than forecast. This is mainly due to lower fuel excise duty refunds (\$34 million), offset by lower revenue from Road User Charges (\$15 million).

Other revenue was \$13 million higher than forecast mainly due to an unbudgeted receipt of \$2.3 million from ALPURT B2 tolling revenue and a \$7.1 million increase in the valuation of the joint venture airports (revaluations are not budgeted by the Crown).

Schedule of non-departmental expenses

Expenditure on non-departmental output classes was \$60 million lower than forecast mainly due to variances on the following appropriations:

- new and improved infrastructure for local roads (\$40 million)
- rail and sea freight (\$5.5 million)
- Canterbury transport project (\$4.5 million)
- Motor Vehicle Register (\$5.4 million)
- regional development transport fund (\$2 million)

Expenditure on purchase or development of capital assets was \$5 million lower than forecast due to lower expenditure on the Accelerated State highway construction appropriation.

Schedule of non-departmental assets

Non-departmental assets were higher than forecast due to a combination of cash and bank being \$12.7 million lower than forecast, due to a combination of other account movements; and receivables and advances being \$24.2 million higher than forecast due to higher motor vehicle registrations and road user charges.

Schedule of non-departmental liabilities

Payables were \$64.8 million higher than forecast. This was mainly due to the balance owed to the NZ Transport Agency. Cash had been withheld from them at the year end as they did not require it and the forecast used in the Supplementary Estimates was too low as figures were still being worked through.

Audit Report

To the readers of the Ministry of Transport's financial statements and Statement of Service Performance for the year ended 30 June 2009

The Auditor General is the auditor of the Ministry of Transport (the Ministry). The Auditor General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit. The audit covers the financial statements and statement of service performance included in the annual report of the Ministry for the year ended 30 June 2009.

Unqualified Opinion

In our opinion:

- The financial statements of the Ministry on pages 35 to 54:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Ministry's financial position as at 30 June 2009;
 - the results of its operations and cash flows for the year ended on that date;
 - its expenses and capital expenditure incurred against each appropriation administered by the Ministry and each class of outputs included in each output expense appropriation for the year ended 30 June 2009; and
 - its unappropriated expenses and capital expenditure for the year ended 30 June 2009.
- The schedules of non-departmental activities on pages 55 to 67 fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies managed by the Ministry on behalf of the Crown for the year ended 30 June 2009.
- The statement of service performance of the Ministry on pages 15 to 34:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects for each class of outputs:
 - its standards of delivery performance achieved, as compared with the forecast standards included in the statement of forecast service performance adopted at the start of the financial year; and
 - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses included in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 30 September 2009, and is the date at which our opinion is expressed.

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

Basis of Opinion

We carried out the audit in accordance with the Auditor General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Chief Executive;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Chief Executive and the Auditor

The Chief Executive is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Ministry as at 30 June 2009 and the results of its operations and cash flows for the year ended on that date.

The financial statements must also fairly reflect the expenses and capital expenditure incurred against each appropriation administered by the Ministry and each class of outputs included in each output expense appropriation for the year ended 30 June 2009. The financial statements must also fairly reflect the Ministry's unappropriated expenses and capital expenditure for the year ended on that date.

In addition, the Chief Executive is responsible for preparing schedules of non-departmental activities, in accordance with the Treasury Instructions 2008 that must fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies managed by the Ministry on behalf of the Crown for the year ended 30 June 2009.

The statement of service performance must fairly reflect, for each class of outputs, the Ministry's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year.


The Chief Executive's responsibilities arise from sections 45A and 45B of the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 45D(2) of the Public Finance Act 1989.

Independence

When carrying out the audit we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

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



John O'Connell
Audit New Zealand
On behalf of the Auditor General
Wellington, New Zealand

Matters Relating to the Electronic Presentation of the Audited Financial Statements and Statement of Service Performance

This audit report relates to the financial statements and statement of service performance of the Ministry of Transport for the year ended 30 June 2009 included on the Ministry of Transport's website. The Ministry of Transport's Chief Executive is responsible for the maintenance and integrity of the Ministry of Transport's website. We have not been engaged to report on the integrity of the Ministry of Transport's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance and related audit report dated 30 September 2009 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

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

Legal Responsibilities – Annual Report 2008/09

The Ministry of Transport is charged with administering the Acts and Regulations listed below.

Legislation

Air Facilitation Act 1993 (provisions now deemed part of the Immigration Act 1987 administered by the Department of Labour)

Air Facilitation (Domestic Passengers and Cargo) Act 1994

Airport Authorities Act 1966

Auckland Airport Act 1987

Civil Aviation Act 1990

Customs Law Act 1908

Government Roadway Powers Act 1989 (called Transit New Zealand Act until 1 August 2008)

Land Transport Act 1998

Land Transport Management Act 2003

Maritime Security Act 2004

Maritime Transport Act 1994

Meteorological Services Act 1990

Port Companies Act 1998

Public Transport Management Act 2008

Railways Act 2005

Road User Charges Act 1977

Ship Registration Act 1992

Shipping Act 1987

Submarine Cables and Pipelines Protection Act 1996

Taranaki Harbours Act 1965

Transport Accident Investigation Commission Act 1990

Transport Act 1962

Transport (Vehicle and Driver Registration and Licensing) Act 1986

Waterfront Industry Restructuring Act 1989

Wellington Airport Act 1990

Major Statutory Regulations

Airport Authorities (Airport Companies Information Disclosure) Regulations 1999

Carriage by Air (New Zealand Currency Equivalents) Notice (No 2) 1998

Civil Aviation (Aeronautical Information Service) Levies Order 2001

Civil Aviation Charges Regulations (No 2) 1991

Civil Aviation (ANZA Mutual Recognition Agreement) Order 2007

Civil Aviation (Offences) Regulations 1997

Civil Aviation (Safety) Levies Order 2002

Engine Drivers' Examination Regulations 1952

Foreshore Licence Regulations 1960

Heavy Vehicle Regulations 1974

Land Transport (Approved Laboratory and Analyst in Charge) Notice 2000

Land Transport (Assessment Centre and Accident Report Fees) Regulations 1998

Land Transport (Certification and Other Fees) Regulations 1999

Land Transport (Driver Licensing and Driver Testing Fees) Regulations 1999

Land Transport (Driver Licensing) Rule 1999

Land Transport (Infringement and Reminder Notices) Regulations 1998

Land Transport (Offences and Penalties) Regulations 1999

Land Transport (Ordering a Vehicle off the Road) Notice 1999

Land Transport (Requirements for Storage and Towage of Impounded Vehicles) Regulations 1999

Land Transport (Road User) Rule 2004

Land Transport (Storage and Towage Fees for Impounded Vehicles) Regulations 1999

Land Transport (Traction Engine Safety) Regulations 2006

Land Transport Management (Apportionment and Refund of Excise Duty and Excise-Equivalent Duty) Regulations 2004

Land Transport Management (Road Tolling Scheme for ALPURT B2) Order 2005

Major Statutory Regulations (cont.)

Marine Protection (Offences) Regulations 1998

Marine Safety Charges Regulations 2000

Maritime (Offences) Regulations 1998

Maritime Security Regulations 2004

Maritime Security (Designated Authority) Order 2004

Maritime Security (Maritime Security Organisations) Order 2004

Maritime Transport Act (Conventions) Order 1994

Maritime Transport (Certificates of Insurance) Regulations 2005

Maritime Transport (Fund Convention) Levies Order 1996

Maritime Transport (Infringement Fees for Offences Relating to Major Maritime Events) Regulations 1999

Maritime Transport (Marine Protection Conventions) Order 1999

Maritime Transport (Maximum Amounts of Liability for Pollution Damage) Order 2003

Notice of Direction to Require Screening 2002

Oil Pollution Levies Order 1998

Railways Regulations 2008

Road User Charges (Rates) Order 2008

Road User Charges Regulations 1978

Ship Registration (Fees) Regulations 1992

Shipping (Charges) Regulations 2000

Submarine Cables and Pipelines Protection Order 2006
 Submarine Cables and Pipelines Protection (Tui Area Development) Order 2007
 Submarine Cables and Pipelines Protection (Kupe Gas Project) Order 2008
 Submarine Cables and Pipelines Protection (Maari Development) Order 2008
 Submarine Cables and Pipelines Protection Order 2009
 Traffic Regulations 1976
 Transport (Breath Tests) Notice 1989 (No. 2)
 Transport (Change of Ownership) Regulations 1995
 Transport (Towage Fees) Notice 2004
 Transport (Vehicle Registration and Licensing) Regulations 1994
 Transport Services Licensing Regulations 1989

Legislation Changes

The following Acts were made during the 2008/09 year:

2008-47 Land Transport Management Amendment Act 2008
 2008-87 Public Transport Management Act 2008
 2009-17 Land Transport Amendment Act 2009

The following Regulations were made during the 2008/09 year:

2008/281 Airport Authorities (Hokitika Airport Limited) Order 2008
 2008/346 Airport Authorities (Eastland Infrastructure Limited) Order 2008
 2008/453 Land Transport (Administrative Fees for Recovery of Unpaid Tolls) Regulations 2008
 2008/447 Land Transport (Approved Vehicle Surveillance Equipment) Notice (No 2) 2008
 2009/1 Land Transport (Driver Licensing) Amendment Rule (No 2) 2008
 2009/41 Submarine Cables and Pipelines Protection Order 2009
 2009/125 Land Transport Management (Regional Fuel Tax Scheme – Auckland Region) Order Revocation Order 2009
 2009/132 Civil Aviation Charges Amendment Regulations 2009
 2009/146 Excise and Excise-equivalent Duties (Alcoholic Beverages Indexation) Amendment Order
 2009/164 Airport Authorities (Hawke's Bay Airport Limited) Order 2009

Rules

The Minister makes ordinary transport rules. The NZ Transport Agency (formerly as Land Transport New Zealand), Maritime New Zealand and the Civil Aviation Authority administer these rules.

The following rules were made during the 2008/2009 year:

Civil Aviation Rules

Part 1, Definitions and Abbreviations, Amendment 39
 Part 12, Accidents, Incidents and Statistics, Amendment 3

Part 19, Transition Rules, Amendment 13
 Part 108, Air Operator Security Programme, Amendment 8
 Part 109, Regulated Air Cargo Agent – Certification
 Part 1, Definitions and Abbreviations, Amendment 40
 Part 12, Accidents, Incidents and Statistics, Amendment 4
 Part 19, Transition Rules, Amendment 14
 Part 71, Designation and Classification of Airspace, Amendment 4
 Part 91, General Operating and Flight Rules, Amendment 19
 Part 93, Special Aerodrome Traffic Rules and Noise Abatement Procedures, Amendment 4
 Part 95, Instrument Flight Procedures – Registration
 Part 121, Air Operations – Large Aeroplanes, Amendment 19
 Part 125, Air Operations – Medium Aeroplanes, Amendment 14
 Part 135, Air Operations – Helicopters and Small Aeroplanes, Amendment 18
 Part 172, Air Traffic Service Organisations – Certification, Amendment 6
 Part 173, Instrument Flight Procedure Service Organisation – Certification and Operation

Land Transport Rules

Rule 33020: Fuel Consumption Information 2008
 Rule 81001/1: Operator Licensing Amendment 2008
 Rule 31001/4: Passenger Service Vehicles Amendment 2009
 Rule 32011/2: Seatbelts and Seatbelt Anchorages Amendment 2009
 Rule 32013/4: Tyres and Wheels Amendment 2009
 Rule 32015/2: Heavy-vehicle Brakes Amendment 2009
 Rule 33001/3: Vehicle Exhaust Emissions Amendment 2009
 Rule 41001/4: Vehicle Dimensions and Mass Amendment 2009
 Rule 81002/1: Operator Safety Rating Amendment 2009
 Rule 81001/2: Operator Licensing Amendment 2009
 Rule 32005/4: Vehicle Lighting Amendment 2009
 Rule 35001/5: Vehicle Standards Compliance (Whole of Vehicle Marking) Amendment 2009
 Rule 35001/6: Vehicle Standards Compliance Amendment (No 2) 2009
 Rule 62001/1: Work Time and Logbooks Amendment 2009

Maritime and Marine Protection Rules

Maritime (Various Amendments) Rules 2008 (Parts 20 – 91)
 Maritime (Portable Fire Extinguisher) Amendment Rules 2008 (Parts 40C and 42B)
 Marine Protection Amendment Rules 2009: Prevention of Pollution by Oil and Prevention of Pollution by Garbage (Parts 120, 121A, 121B, 123A, 170 and 200)
 Marine Protection Rules Part 130C: Regional Marine Oil Spill Contingency Plans 2009
 Marine Protection Rule Part 132: Dispersants and Demulsifiers Amendment Rules 2009
 Maritime (Various Amendments) Rules 2009 (Parts 21 – 80)

Glossary

TRANSPORT ACTS, BILLS, DOCUMENTS, REGULATIONS, RULES, STRATEGIES AND PLANS

Acts of Parliament

The New Zealand Parliament creates Acts by passing legislation. Proposed legislation enters Parliament as a Bill. (See Bills before Parliament also.)

Air Services Agreement

Agreements, negotiated by the Ministry of Transport, between New Zealand and other nations regarding access for national airlines to land and take-off at each other's airports.

Bills before Parliament

The New Zealand Parliament receives proposed legislation in the form of a Bill. The Bill will be read in Parliament and if accepted, be referred to a select committee for consideration. The select committee may consider submissions on the Bill and make amendments. The Bill in its amended form will be referred back to Parliament for two further readings. On the third and final reading, if supported by a majority of parliamentarians the Bill will be passed into law and become an Act of Parliament. (See Acts of Parliament also.)

Government Policy Statement on Land Transport Funding (GPS)

The GPS sets out shorter-term transport targets and focuses on providing direction for allocating land transport funding over the next ten years. The GPS ensures funding and planning for land transport contributes to the strategic objectives set out in the New Zealand Transport Strategy 2008 (NZTS). An amended version was released in May 2009.

New Zealand Transport Strategy 2008 (NZTS)

Released in August 2008, the NZTS builds on the *New Zealand Transport Strategy 2002*. It describes how the transport system can respond to the social, economic and environmental needs of the nation.

Next Steps in the Land Transport Sector Review

The Next Steps in the Land Transport Sector Review (Next Steps), conducted by the State Services Commission, recommended changes to the planning and funding of land transport and the creation of a new entity to replace Land Transport New Zealand and Transit New Zealand.

Regulations

The Governor-General makes regulations, under the authority of Acts of Parliament. Regulations create offences, specify penalties, and prescribe fees and charges for transport. (See Rules also.)

Rules

The Minister of Transport makes transport rules. Rules are delegated legislation – laws that are not contained in an Act of Parliament, but made under the authority of the transport Acts (Civil Aviation Act 1990, Maritime Transport Act 1994 and Land Transport Act 1998). Ordinary transport rules govern the construction and maintenance of vessels, vehicles and aircraft, their operation and the licensing of those who operate them. (See Regulations also.)

Sea Change

Sea Change is a domestic sea freight strategy that sets out proposed actions to help industry and government transform the domestic sea freight sector so that it can play its part in the overall transportation system.

TRANSPORT AND OTHER ORGANISATIONS

AIRWAYS CORPORATION OF NEW ZEALAND LTD

Provides air traffic management services, providing the Ministry with Milford Sound/Piopiotahi Aerodrome landing and take-off data.

AVIATION SECURITY SERVICE (AVSEC)

Provides airport security, passenger and baggage screening.

CIVIL AVIATION AUTHORITY (CAA)

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

MARITIME NEW ZEALAND

Regulates the maritime industry, promotes safety, manages ship and port security, investigates accidents, provides navigational aids, undertakes marine pollution prevention and cleanup, and operates the New Zealand Rescue Coordination Centre, the coordinator of Category 2 search and rescue services throughout New Zealand and the South Pacific.

METEOROLOGICAL SERVICE OF NEW ZEALAND LTD

Provides public weather forecasting services and provides the Civil Aviation Authority with meteorological information for international air navigation.

NEW ZEALAND RAILWAYS CORPORATION

Incorporates ONTRACK (rail track infrastructure) and KiwiRail (rail operators).

NEW ZEALAND TRANSPORT AGENCY (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, improvement and operations activities.

ROAD SAFETY TRUST

Provides funding for road safety projects and research, from revenue of personalised vehicle registration plates sales.

TRANSPORT ACCIDENT INVESTIGATION COMMISSION (TAIC)

Investigates significant air, maritime and rail accidents and incidents to determine their cause and circumstances with a view to avoiding similar occurrences in future.

Directory

WELLINGTON (head office)

Level 6
89 The Terrace
PO Box 3175
Wellington 6140
Telephone: 04 439 9000
Fax: 04 439 9001
Email: info@transport.govt.nz
Website: www.transport.govt.nz

MARTIN MATTHEWS

Chief Executive

BRIGID WILLS

Personal Assistant to the Chief Executive
Telephone: 04 439 9363
Fax: 04 439 9006
Email: b.wills@transport.govt.nz

CHRISTCHURCH

Level 5
96 Hereford Street
Christchurch 8011
PO Box 3014
Christchurch Mail Centre
Christchurch 8140
Telephone: 03 366 9304
Fax: 03 366 9317

DAVID CORLETT

Manager – Stakeholder Engagement
Christchurch
Telephone: 03 366 9307
Email: d.corlett@transport.govt.nz

AUCKLAND

Level 6 Tower Centre
45 Queen Street
Auckland 1010
PO Box 106 238
Auckland City
Auckland 1143
Telephone: 09 985 4827
Fax: 09 985 4849

MARTIN GLYNN

Director – Auckland
Telephone: 09 985 4829
Email: m.glynn@transport.govt.nz

This document is printed on New Silk Matt which is an environmentally responsible paper manufactured under the environmental management system ISO 14001 using Elemental Chlorine Free (ECF) FSC Certified Mixed Source Pulp sourced from FSC Well Managed Forests. Forest certification ensures that wood used in paper production originates from sustainable and legally harvested forests. Oji Paper, the manufacturer of New Silk, is a member of the World Business Council for Sustainable Development.

The ink used in this report is 100 percent vegetable based, mineral oil free and based on 100 percent renewable resources.

