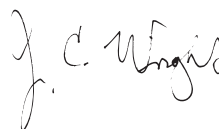


2003/2004

ANNUAL REPORT

Annual Report of **TRANSFUND NEW ZEALAND**
for the year ended 30 June 2004

THE MINISTER OF TRANSPORT, Hon P Hodgson
In accordance with section 44A of the Public Finance Act 1989, I present, on behalf of the Transfund New Zealand Board, the annual report on the operation of Transfund New Zealand for the year ended 30 June 2004.



Jan Wright
Chair



CONTENTS

Chair's report	02
Chief executive's report	04
Transfund's Board	06
The year in review by group	08
Our people - profiled	14
Our people - human resource information	17
Transfund's allocation process	18
Towards integrated, safe, responsive & sustainable transport for New Zealand	19
Researching elasticities of travel demand & other transport issues	20
Non-financial performance measures	21
Māori capacity to contribute to Transfund's land transport decision-making processes	22
Statement of financial responsibility	22
FINANCIALS	23
Statement of responsibility	24
Report of the Auditor-General	25
Statement of accounting policies	26
Statement of financial performance	28
Statement of movements in public equity	29
Statement of financial position	29
Statement of cash flows	30
Statement of commitments	30
Statement of contingencies	31
Notes to the financial statements	31
Supplementary information	35
STATEMENT OF SERVICE PERFORMANCE	37
Introduction	38
Notes to the Statement of Service Performance	40
Output class 1	41
Output class 2	43
Output class 3	44
Output class 4	47
Output class 5	47
Output class 6	48
Output class 7	49
Output class 8	50
Output class 9	52
GLOSSARY OF TERMS	54
REGIONAL MANAGERS	56

"Transport solutions that improve economic performance, care for the environment & enhance the way we live."

TRANSFUND'S VISION



National Land Transport Programme

- Allocated \$1.19 billion to transport activities throughout New Zealand - an increase of \$90 million from the previous year.
- Spent \$1.23 billion on transport activities throughout the year.
- Almost doubled allocations to passenger transport in Auckland, with other regions such as Northland, Waikato, Bay of Plenty and Southland receiving significant increases in allocations to passenger transport funding.
- Approved key infrastructure projects such as Auckland's North Shore busway and the Mt Roskill and Manukau extensions of State Highway 20 to progress the western ring road; Wellington's inner city bypass; Bay of Plenty's Hewletts Road flyover and the four-laning of Main North Road in Christchurch.
- Updated, produced and released the 10-year financial forecast using Transfund's allocation process as a guide to prioritise transport activities.
- Increased emergency works funding to respond to damage caused by the February floods in the North Island.

Transfund's allocation process

Developed and released a new allocation process for prioritising and programming transport funding. This ensures Transfund meets its objectives under the Land Transport Management Act 2003 (the Act), including exhibiting a sense of social and environmental responsibility.

Our partners

- Worked with approved organisations, including territorial local authorities, regional councils and Transit New Zealand, to develop transport activities in a way which reflects the objectives of the Act, and to encourage conscious change in the way in which these organisations consider projects and how they can be improved to meet the objectives of the Act.
- Assisted approved organisations to develop road and rail activities, including Auckland and Wellington's passenger rail, contributed to development work for Auckland's eastern transport corridor and assisted with other major transport projects.

Revised patronage funding scheme

Confirmed the patronage funding scheme for passenger transport, putting patronage funding on to a long-term sustainable basis, and developed an implementation plan spanning three financial years.

Advice on legislation

Acted as an advisor to the Transport and Industrial Relations Select Committee in its consideration of submissions on the Land Transport Management Bill and the Local Government (Auckland) Amendment Bill.

Safety

- Revised Transfund's policy for safety audit procedures. These revised procedures apply to all new works from 1 July 2004.
- Increased the financial assistance rate for minor safety works and doubled the funding provided for these types of activities.

I am pleased to present the annual report for the 2003/04 year. This has been another year of great change and opportunity for Transfund, and another big change is pending. As a result of the government's review of the transport sector, we anticipate Transfund will amalgamate with the Land Transport Safety Authority (LTSA) on 1 December 2004 to form a new Crown entity, Land Transport New Zealand. Thus, this is Transfund's last annual report for a full financial year.

Strategic vision for land transport

The government has set a broad strategic vision for transport in New Zealand in the New Zealand Transport Strategy. That vision of an "affordable, integrated, safe, responsive, and sustainable land transport system" is now embedded in the Land Transport Management Act (the Act), passed in November 2003. It is a very significant change from the "safe and effective roading system" of the past.

Under the Act, it is the job of Transfund and the land transport sector in general to contribute to an integrated, safe, responsive and sustainable land transport system. What do these four characteristics mean in practice?

'Safe' is not new but, of course, tremendously important. 'Responsive' is not new either, although under the new Act, explicit consideration must be given to the views of affected communities.

'Integrated' and 'sustainable' are new concepts in transport legislation. To a large extent these two words are inextricably linked. We need better integration between state highways and local roads, between transport modes, between transport systems and land use. We need a system that is sustainable.

This will mean managing demand through travel demand measures and traffic management. It will mean using existing transport systems more efficiently. At some point, it is likely to involve users directly paying for the actual use of roads - road pricing in its various guises.

A transport system will not be sustainable if the functions of its components are not protected. For example, the function of a bypass is to move vehicles efficiently past a built-up area. Bypasses of towns and cities are sought all over New Zealand but too often development alongside bypasses has been allowed to undermine their function. At least one town wants a bypass of a bypass. Transfund appreciates Transit New Zealand's new initiatives designed to control development in the vicinity of state highways.

During this past year, Transfund made the decision to fund the controversial inner city bypass in Wellington. In making its decision, the Board noted the joint commitment of the relevant authorities - Transit, Greater Wellington Regional Council and Wellington City Council - to "an integrated set of actions aimed at sustaining the improved level of transport performance in the inner city". This decision was about more than a road - it was also about changes such as improving the efficiency of bus services and providing an east-west cycleway.





A time of change

From 1989 to 1991, I was a member of the original Transit Authority. During this time there were three persistent messages from local government: there is not enough money, a more strategic approach is needed, and the benefit-cost ratio (BCR) is too restrictive. All this has changed in the last three years and particularly rapidly in the last 12 months.

The government is putting more money into transport than ever before. Funding will increase again next year, with the introduction of extra fuel excise to be distributed on a regional basis.

The high-level strategic vision has been outlined above, and the move away from the BCR as almost the sole decision criterion has enabled a more strategic planning approach to be developed.

The introduction of benefit-cost analysis to the transport sector was radical and beneficial. But over time, the dominance of the BCR led to a mindset that was short term and low level. Over-reliance on the BCR along with a lack of long-term financial planning made it very difficult to take bold significant steps in transport.

Prioritising activities

While the readiness for implementation remains as a prerequisite for funding, and the BCR is still important, Transfund now prioritises activities for funding using four commonsense criteria. When developing the 2004/05 NLTP, we asked four questions in relation to the objectives expressed in the new Act:

- How serious is the problem? How urgent is it?
- Will the activity be effective in alleviating the problem?
- Will the activity be economically efficient?
- How confident are we about all of the above?

In practice, we are finding for standard projects, eg, safety engineering projects and passing lanes, not much has changed. These projects continue to be ranked by the BCR.

But we are now freed up to recognise the strategic importance of some projects, including new activities such as demand management, and to ensure we do not lose sight of the big picture.

Over the past months, Transfund has begun to take on a leadership role, with early involvement in the development of activities to help get them in a state that makes them suitable for funding under the new Act.

Record expenditure levels

In the year to June 2004, Transfund allocated and spent nearly \$1.2 billion (excluding GST).

This has been a year in which some very significant transport activities - significant both in cost and implications for New Zealand's land transport system - have been funded.

For the first time, Transfund approved funding for two state highway projects with a strong passenger transport focus. Auckland's Esmonde Road interchange and the North Shore busway are integral components of providing better passenger transport services for those living north of the harbour bridge.

A number of major state highway projects have been approved for funding. These included two of the three major projects which make up Auckland's western ring road - the Mt Roskill and Manukau extensions to State Highway 20. Hewletts Road flyover in Tauranga, the four-laning of Main North Road in Christchurch, and the Normanby realignment just south of Timaru were also approved during the year. As at 30 June 2004, Transfund has approved funding of \$1.1 billion for specific land transport activities in 2004/05 and beyond.

During the year Transfund and Auckland Regional Council reached an agreement enabling funding for the refurbishment of passenger rail rolling stock for Auckland.

In December 2003, the Board agreed to a financial assistance increase for minor safety projects and doubled the funding to be allocated to these types of projects, providing a significant cash injection for road controlling authorities in their ongoing work to improve road safety. The Board also increased financial assistance for road construction projects.

The Board approved two trial projects in June 2004 promoting travel behaviour change in Auckland and Christchurch. The results of these projects will be used to inform the development of process and procedures for funding travel behaviour change activities.

Other funding has seen a variety of exciting enhancements to bus services in Christchurch. These include security cameras in buses and significant improvements to real-time passenger information made possible by installing GPS systems on buses. Passengers can now use their mobile phones to find out when buses will arrive at any one of the 550 bus stops throughout Christchurch.

Challenges for the future

Transfund will continue to support the move away from the 'predict and provide' model and to encourage full consideration of other policy and strategic options. Our land transport system must now contribute to environmental, public health and access goals, as well as to the goals of safety and economic development.

Transfund will be supporting road controlling authorities in developing robust data to underpin transport planning functions. Currently, we have a concern about the quality of the asset management data being collected and used for decision-making.

In the near future, there will be a great deal of change with the establishment of the new Crown entity on 1 December 2004. The 2004/05 NLTP will be released on 30 June 2005 by Land Transport New Zealand and may contain, for the first time, the Safety Administration Programme (formerly administered by the LTSA).

Acknowledgements

I wish to thank the Transfund Board - deputy chair John Anderson, David Stubbs (my predecessor in this role and current chair of Transit), Jan West, Colin Knox and Bryan Jackson - for the considerable effort and time put into guiding Transfund over the last year.

On behalf of the Board, I express our appreciation to chief executive Wayne Donnelly and the staff of Transfund who have continued to respond positively to the many challenges placed in front of them.

Our mission statement begins "We work with our partners...". Our principal funding partners are New Zealand's territorial local authorities and regional councils, and we realise that without their efforts we would achieve little.

I also wish to thank our fellow Crown entities - Transit New Zealand and the LTSA - and the Ministry of Transport, as we look forward to a closer relationship in the sector.

Dr Jan Wright

Chair

The fundamental truth of Transfund's role is that Transfund succeeds when its land transport sector partners succeed in contributing to the purpose of the Land Transport Management Act (the Act) and the objectives of the New Zealand Transport Strategy (NZTS).

Transfund's mission describes what Transfund is here to do and how it will do it:

"We work with our partners to achieve the greatest possible progress towards New Zealand's transport goals by:

- focussing on outcomes
- promoting effective solutions
- providing sound advice
- ensuring value for money
- enhancing sector performance".

This mission statement has enabled Transfund to remain focussed and perform well during 2003/04, which was a year of considerable change for the transport sector – particularly for Transfund and the organisations it funds.

At the beginning of this financial year we knew of the NZTS, released in December 2002, with its objectives of assisting economic development, assisting safety and personal security, improving access and mobility, protecting and promoting public health and ensuring environmental sustainability. We also knew the Land Transport Management Bill was likely to be enacted sometime during the year.

The NZTS objectives were brought sharply into focus when, on 30 June 2003, the Minister of Transport announced all projects over \$20 million were to be reviewed for their contribution to these objectives before they could be considered for funding in the 2003/04 year. This process put considerable pressure on Transfund and Transit New Zealand to come to terms with the NZTS.

Using the Land Transport Management Bill as a basis, Transfund developed a new funding allocation process with a view to being able to inform its partners of the new requirements as soon as the Act became law, which happened in November 2003.



The new process was not formally advised to partners until December 2003 - a few months later than normal in the bid process for the National Land Transport Programme. Prior to this Transfund held workshops in November 2003 to familiarise its partners with a draft new approach. Transfund is indebted to its partners for the positive response.

The first practical application of the new allocation process was during December, when Transfund carried out the review of the projects over \$20 million.

The immediate impact of the new allocation process was a new focus on coordinating ongoing management of different networks and modes, and on sustaining the benefits of the new investment in the long term. Transfund has been greatly assisted by Transit, which is taking a leadership role in bringing together authorities to ensure ongoing integrated management for sustainability.

Also in December, the government announced the "Investing for Growth" programme which included provision for additional funding to be distributed by region on a population basis. This money would be over and above the allocations made by Transfund on a national priority basis.

At the same time, very significant changes to the governance and structure of land transport delivery in the Auckland region were announced. Auckland represents over a third of Transfund's funding activity in dollar terms.

Considerable effort has gone into how the allocation process should be revised to accommodate this regionally distributed funding. It is inevitable the process will be more complex, regions will have greater involvement and there will be a need for more definition around proposals for funding to better inform these decision-making processes.

There were other areas of important and demanding activity during the year such as the further implementation of the patronage funding procedure for passenger transport and the assistance to commuter rail in Wellington and Auckland. Our programme of audits and other assistance to the sector were completed as usual.

In December 2003 the Ministers of Transport and State Services announced the review of the government transport sector. This culminated in a government decision in June 2004 that Transfund would be disestablished and its functions transferred to a new Crown entity.

It has therefore been a year of extraordinary change. Transfund has performed well throughout the year, due mainly to its mission's focus on partners and the performance of the sector. This, in turn, has been reinforced by a system of internal team-based values which have ensured cohesion and forward progress in challenging and difficult times. Transfund is indebted for the support and the cooperation of its partners throughout the year.

Together a strong forward momentum has been created and New Zealanders will soon see the benefits of the extra funding being put into maintaining, managing and developing the New Zealand transport system.

In conclusion, I wish to acknowledge and sincerely thank the Board for their direction, energy and patience and the staff of Transfund for their unselfish and dedicated attention to the tasks at hand.

Wayne Donnelly

Chief Executive

Transfund is governed by a Board whose members are appointed by the Minister of Transport. The Board comprises up to eight members and operates much like a company board. It directs Transfund's strategy, determines overall funding allocations and ensures its activities comply with legislation. The Board meets once a month, generally in the national office.



Dr Jan Wright – chair

Based in Wellington, Jan is an independent policy and economic consultant, working primarily on health, environmental and social policy for various government agencies. She has a doctorate in public policy from Harvard University. She was a member of the inaugural Transit New Zealand Authority from 1989 to 1991 and is a past member of the Energy Efficiency and Conservation Authority. She is currently a member of the boards of Transit New Zealand and Accident Compensation Corporation.



John Anderson – deputy chair

Based in Wellington, John is the managing director of LG Anderson Ltd, a privately owned transport company. He is a former chairman of the New Zealand Road Transport Association. John is a director and owner of other transport and distribution companies and has extensive knowledge and experience in the transport industry. He has experience as a company director and in local government with Hutt City Council.



David Stubbs

Based in Whitianga, David is a registered civil engineer, now retired, who spent much of his career with Auckland City Council. He was Director of Works, Technical Services and Planning & Development Services at various stages during this time. His responsibilities included roading and traffic engineering. David was also responsible for the design and construction of the Aotea Centre. He is the chair of the Transit New Zealand Board and a board member of the Kauri 2000 Trust.



Jan West

Based in Stewart Island, Jan has a background in corporate management, specialising in personal and organisational development. She is a former Board member and chief executive of Ngai Tahu Group Management. Jan has extensive experience in negotiating and advocacy work and is a Kelloggs NZ Leadership Scholar.



Colin Knox

Based in Auckland, Colin is of Ngati Raukawa descent. He is a director of several private companies and for the Centre for Excellence in Governance of Te Wanganga o Raukawa. Colin is a former chief executive of Auckland Regional Council, former secretary of the New Zealand Dairy Board and former trustee and chairman of the Poutama Trust, a fund set up by government to invest in new Māori commercial ventures.



Bryan Jackson

Based in Waikanae, Bryan has a number of directorships in the motor trade, education and transport industries. He has extensive experience in the transport and motor industry. Bryan is the chair and managing director of Auto Point Group. He has a wide range of community interests and is a Justice of the Peace.



POLICY & STRATEGY GROUP

"Good operational policy is about finding effective ways of turning government policy into operational reality. To do this, we work with the transport industry and our funding partners to ensure Transfund's methodologies and procedures are robust and well thought through." Simon Whiteley

Rigorous analysis of operational policy options, taking into account the views of all Transfund stakeholders, is the Policy and Strategy Group's responsibility.

Highlights for 2003/04

- Reviewed Transfund's process for the allocation of funds to ensure Transfund meets its requirements under the Act, including exhibiting a sense of social and environmental responsibility.
- Developed a process for the allocation of extra transport funding, which will be distributed to each region on a population basis from next year.
- Carried out an interim review of financial assistance rates and, as a result, increased financial assistance for minor safety projects and local road improvements.
- Supported the rollout of the revised patronage funding scheme in its first transitional year.
- Assisted implementation of the Māori consultation framework, developed to provide opportunities to include Māori in decision-making.
- Initiated development of initiatives around travel demand management, with work beginning on travel behaviour change methodologies and procedures, and several travel behaviour change activities being approved as pilot projects.
- Developed new software in support of and to simplify the Project Evaluation Manual - the industry's standard for the economic evaluation of transport activities used by approved organisations in the preparation of funding applications to Transfund.
- Supported the chief executive in drafting the 2004/2007 Statement of Intent to encompass the Act.

- Played an active role in the work done by central and local government on developing the Auckland transport package, in particular in the road pricing workstream.
- Provided advice on the development of the Land Transport Management Bill and the Local Government (Auckland) Amendment Bill.
- Provided ongoing support for the Ministry of Transport and other transport agencies and groups, including membership on the national road safety working group.

Objectives for 2004/05

- Assist the transport sector review implementation team to define the roles of strategic and operational policy, ensuring effective connections between the two.
- Further refine Transfund's allocation process to incorporate regionally distributed funds and supplementary funding, such as tolling, for issue in September 2004.
- Finalise a new manual of evaluation procedures and guidelines for the funding of travel behaviour change activities.

- Revise the Project Evaluation Manual and Alternatives to Rooding Manual.
- Complete the methodology for reviewing parameters of the patronage funding scheme to ensure the scheme is successfully implemented in its first full year of 2006/07.
- Continue to provide agency input to the Ministry of Transport in relation to transport legislation, the Auckland road pricing study, the road safety strategy, the walking and cycling strategy and the reviews of funding policy and the total mobility scheme.
- Review passenger transport procurement procedures to bring them into line with the Act.

Simon Whiteley

Policy and Strategy Manager

PLANNING & EVALUATION GROUP

The Planning and Evaluation Group's key responsibility is the preparation and management of the National Land Transport Programme (NLTP). This involves developing a land transport programme and evaluating projects based on Transfund's allocation processes.

This year the group has focussed on the application of the Act. We have concentrated on ensuring projects coming forward for funding meet the requirements of the Act by requiring ongoing management of the asset to sustain the benefits over the long term.

Highlights for 2003/04

- Produced and released the 2004/05 NLTP using Transfund's allocation process, ensuring a land transport programme that contributes to the objectives of the Act.
- Updated, produced and released the 10-year financial forecast using Transfund's allocation process.
- Approved funding for key infrastructure projects such as Auckland's North Shore busway and the Mt Roskill and Manukau extensions, Wellington's inner city bypass and Bay of Plenty's Hewletts Road flyover.
- Worked with approved organisations to:
 - develop transport activities in a way which reflects the objectives of the Act
 - encourage conscious change in the way approved organisations consider projects and how they can be improved to meet the objectives of the Act.



"It has been encouraging to see how approved organisations have embraced the concepts embodied in the Land Transport Management Act. Many have responded positively and are adjusting their future activities to reflect the legislation." Richard Braae

- Liaised with regional councils to enhance the provision of passenger rail in Auckland and Wellington, including ongoing funding for the refurbishment of rolling stock for Auckland's passenger rail system.
- Collaborated with other central and local government agencies on development of the Auckland transport package.

Objectives for 2004/05

- Maintain momentum in developing the NLTP to further reflect the objectives of the Act.
- Refine and review Transfund's processes to better align with existing timelines and workflows such as those already in place in approved organisations.
- Co-ordinate NLTP processes with those of the Safety Administration Programme, currently administered by the LTSA.
- Further develop allocation processes for NLTP funding and the allocation of the extra funds to be distributed on a regional population basis.
- Develop mechanisms for funding freight projects, ensuring alignment with the Ministry of Transport's strategies for rail.
- Further develop a maintenance evaluation framework promoting sound asset management practices and appropriate levels of service outcomes.
- Continue research into sealed and unsealed pavement deterioration to refine intervention levels and calibration of predictive modelling.
- Further progress with provision of Auckland and Wellington passenger rail and assist with the bedding down of the revised patronage funding scheme.
- Provide effective support to the Ministry of Transport, Treasury and Greater Wellington Regional Council to help progress the Wellington transport project.

Richard Braae

Planning and Evaluation Manager

PERFORMANCE MONITORING GROUP

“The Performance Monitoring Group’s focus for the year has been on providing the sector with useful information, feedback and advice. It’s all about sharing information, both sector-wide and on an individual basis.” Peter Wright



Adding value to sector performance, through information monitoring and interpretation of the results, is the responsibility of the Performance Monitoring Group. The group audits Transfund’s annual expenditure through approved organisations, including the quality and cost effectiveness of funding outcomes and compliance with policies. It maintains databases to monitor expenditure trends, road condition and the state of competition for physical works. It is also responsible for internal audits and manages Transfund’s risk management and legislative compliance programme. The group has valued the contribution of long-serving member Len Johnson, who retired during the year.

Highlights for 2003/04

- Achieved the 2003/04 audit programme as set out in Transfund’s 2003/2006 Statement of Intent.
- Continued to assist approved organisations to develop road and rail projects including Auckland and Wellington passenger rail, contributed to development work on the Eastern Transport Corridor and assisted with reviews of other major roading projects.
- Completed a programme of audits of the performance of Transit and other road controlling authorities on various aspects of their functions, including the effectiveness of spending on regional development, minor safety works and strategy studies.
- Developed outcome measures for pavement performance to complement other measures set up to demonstrate the efficiency and effectiveness of structural road maintenance.

- Identified opportunities to improve pavement management databases and the implications for road maintenance through a sample audit.
- Continued development of post-construction auditing and other outcome-based performance measures to assess the contribution made by NLTP spending to achieving the objectives of the Act.
- Revised the focus of Transfund’s annual stakeholder survey to better use the information for organisational development.
- Completed an audit of Transfund’s information systems security and a review of Transfund’s Allocation and Programming System, known as TAPS.
- Contributed to the joint officials group on the Auckland transport package, in particular the identification of potential buildability constraints within the limits of industry capacity.

Objectives for 2004/05

- Complete the annual audit plan.
- Work with road controlling authorities to enhance the quality of their pavement management databases.
- Review procurement procedures for physical works, professional services and passenger transport.
- Develop procurement procedures to encourage innovation and further collaboration between approved organisations and suppliers.
- Further assist a successful outcome for the provision of a passenger rail system for Wellington.
- Further develop outcome-based performance indicators and monitoring systems to support Transfund’s allocation process and sector performance.

Peter Wright

Performance Monitoring Manager

OPERATIONS GROUP

Working alongside approved organisations to achieve a safe, sustainable, integrated and responsive land transport system is the responsibility of the Operations Group. It provides assistance and advice on policies and procedures, negotiates and monitors annual land transport programmes and case-manages key projects. It is also responsible for safety enhancement, Transfund's industry training, education and research programmes and provision of internal project support.

Highlights for 2003/04

- Appointed two principal planning advisors to assist planning processes in regions related to transport to take into account the principles and objectives of the NZTS.
- Successfully developed implementation plan for the revised patronage funding scheme.
- Supported progress in the development of Transfund's allocation process, developed to ensure Transfund and other organisations contribute to an integrated, safe, responsive and sustainable approach to transport in New Zealand.
- Provided assistance to approved organisations in developing and submitting land transport programmes to Transfund for inclusion in the NLTP.
- Completed negotiations on maintenance and capital expenditure in support of the NLTP.
- Continued research on aspects of pavement deterioration to improve efficiency of spending on maintenance.
- Continued work with road controlling authorities and the forestry sector to prioritise and implement work programmes under the regional development activity class.
- Refined the research strategy to better reflect the Act, and approved 21 new research projects in a research programme totalling \$3 million for 2004/05.
- Revised the safety audit procedure policy that applies to all new work from 1 July 2004.
- Continued the work of the road infrastructure safety assessment group.
- Provided ongoing support for the Masters of Transportation programmes at Auckland and Canterbury universities' schools of engineering, and encouraged engineering as a career through support of a travelling road show to secondary schools.
- Provided a series of workshops throughout New Zealand on traffic signals audits.

Objectives for 2004/05

- Continue the rollout of initiatives developed under the revised patronage funding scheme, supporting further refinement of the policy as implementation progresses.
- Provide a series of training programmes throughout New Zealand on the NLTP framework for 2005/06 and to familiarise approved organisations with the Land Transport Programme Online system. This system will be designed to enable organisations to submit and track the progress of their land transport programmes online via the internet.
- Develop guidelines for road safety provisions in district plans.

Bob Alkema

Operations Manager

"Provision of robust assistance and advice to approved organisations to enhance sector performance is what Operations Group is all about – it's about being responsive, proactive, pragmatic and outcome-focussed."

Bob Alkema



FINANCE & INFORMATION SYSTEMS GROUP

"Information systems are becoming more sophisticated. The transport sector consistently strives to ensure its capability in this area is the best it can be, utilising the latest systems but at the same time making them easily accessible." William Gorrie



Ensuring Transfund's finance, accounting and information technology capabilities are robust and promote Transfund's optimum performance is the responsibility of the Finance and Information Systems Group.

Highlights for 2003/04

- Provided robust and reliable financial information enabling Transfund to optimise effective land transport spending of National Land Transport Account cashflows.
- Identified opportunities for integrated information management within Transfund and the wider transport sector, thus improving Transfund performance. This led to the development of Land Transport Programmes Online - an on-line system which will give approved organisations the ability to electronically submit land transport programmes for evaluation and approval via the internet.
- Continued to ensure Transfund's systems support the requirements of the Act, the NZTS and Transfund's allocation process.
- Assisted with the implementation of the stakeholder contact management database.
- Improved access to information for decision-making through implementation of a "executive dashboard" for budget control.
- Collaborated with the Ministry of Transport and other transport agencies on the development of a toll environment for New Zealand.
- Collaborate with transport agencies over a revision of Transfund's activity classes to better reflect the Act and the NZTS.
- Support the organisation in its work with regions in the development of viable land transport funding plans.
- Develop systems to manage distribution of extra funding to regions on a population basis as a result of increased fuel excise.
- Monitor and analyse the fiscal impacts of additional revenue from a growing economy and significant increases in expenditure from the approval of land transport activities on transport funding.

William Gorrie

Finance and Information
Systems Manager

Objectives for 2004/05

- Improve integrated information management for the transport sector, through implementation of Land Transport Programmes Online.
- Work as a partner in defining information and finance systems required by the new Crown entity.



CORPORATE SERVICES GROUP

“Given the small size and strategic focus of Transfund, it is essential to make the best use of the skills existing staff have and to direct resources into optimising their capabilities, while enabling staff to grow and develop. Implicit in this is the use of best practice through contemporary human resource practices and systems.” Lynne Heasman

During 2003/04, Corporate Services Group has focussed on developing and maintaining internal capability - people, expertise and systems, relationship building and supporting Transfund through business services. These areas have assisted in delivering Transfund's statutory obligations set down by the Act.

Highlights for 2003/04

- Developed and implemented Transfund's communications strategy, including:
 - management of the launch of Transfund's NLTP and production of associated communications material
 - co-ordination, production and publication of the annual report
 - development of an online strategy for the organisation
 - completion of an internal communications audit
 - provision of communications support for the organisation, including project-specific communications, publication of a monthly newsletter and oversight of a quarterly publication supporting Transfund's research programme
 - development of a programme of sponsorship in support of events for the land transport industry
 - completion of a survey of stakeholders to identify current expectations with regard to Transfund's reputation, service qualities and partner relationships
 - provision of timely and useful information to the media about Transfund activities and land transport issues.
- Implemented the Transfund human resources strategy, including:
 - implementation of Transfund's annual training and development plan in line with Transfund's strategic direction
 - introduction of a Māori protocols training plan
 - completion of a review of the remuneration policy
 - renegotiation of the collective employment agreement with the Public Service Association
 - completion of further work on dealing with stress in the workplace
 - incorporation of new competencies into the performance appraisal system
 - analyse and action on changed employment legislation
 - enhancement of the Human Resources Information System
 - delivery of performance appraisal training tailored for staff and managers
 - investigation of a succession planning model
 - introduction of an online payroll kiosk for staff.
- Implemented the business services plan including:
 - introduction and implementation of a contact management database to improve internal tracking of Transfund's contacts with stakeholders



- securing additional accommodation to improve work environments
- revision and implementation of an induction package to improve assimilation of new staff into the organisation
- implementation of internal controls for payroll and financial systems in line with audit requirements
- completion of an audit of civil defence provisions
- completion of a review of off-site archived documents to reduce unnecessary storage.
- and Transfund into the new Crown entity
- completion of an audit of personnel records to ensure robust, relevant data
- continuation with staff training in waiata and Māori protocols.
- Develop and implement Transfund's business services plan including:
 - assistance with the development of various information systems projects relating to the establishment of the new Crown entity

Objectives for 2004/05

- Continue to develop and implement Transfund's communications strategy including:
 - management of the launch of Transfund's NLTP and product on of associated communications material
 - co-ordination, production and publication of the annual report
 - providing communications support for the organisation, including project-specific communications, publication of a monthly newsletter and oversight of a quarterly publication supporting Transfund's research programme
 - development of a programme of sponsorship in support of events for the land transport industry
 - assistance to the establishment board to integrate communications and support sector change, liaising with the LTSA to assist effective transition to the new Crown entity.
- Develop and implement Transfund's human resources strategy, including:
 - assistance to the establishment board to integrate human resources and continue good employer practices during the merger of LTSA
- maintainance of Transfund's primary status with the Accident Compensation Corporation
- distribution of general circulars and manual updates to the transport sector
- preparation of a business continuity plan including staff participation and training.

Lynne Heasman

Corporate Services Manager

CHRISTINE HENDRA



Database management - fundamental to relationship building

Transfund's office co-ordinator Christine Hendra has made her mark on the organisation in the last 12 months by leading the development and implementation of a new contact management database system.

The system works through Microsoft Outlook and is accessible to everyone in Transfund so no one person or group is responsible for keeping the information updated.

This project has been crucial to Transfund because the basis of any relationship management tool is a robust database containing good quality information - a challenging task for any organisation.

Christine says the project was a personal challenge as there were technical information systems aspects to it that she'd never had to deal with before. She also had to lead a team of people with completely different personalities, which provided another set of challenges.

"It's been a high-profile project with a strong marketing aspect to it. A database is only as good as the information in it so it won't work for an organisation unless everyone takes responsibility for keeping it updated.

"While we had some hard work to do to get everyone familiar with how the system works, I believe most people are now confident with using it and accept the importance of their role in updating corporate contacts themselves," she says.

"... I believe most people are now confident with using it and accept the importance of their role in updating corporate contacts themselves."

"Real people, real issues, practical problems, pragmatic solutions."

Real people, real issues, practical problems, pragmatic solutions

"Real people, real issues, practical problems, pragmatic solutions" is how senior policy analyst Dave Cope describes his job.

While at Transfund, Dave has grappled with issues such as financial assistance rates, total mobility and funding allocation policy - Transfund's core policy underpinning all its funding decisions.

He says the most interesting policy work is when he has direct contact with users - those who are actually using infrastructure and services Transfund funds. ...roads, bus and commuter rail services, walkways and cycle paths, and total mobility services provided by taxi companies.

He finds that policy work within Transfund is more inclusive than has found previously experienced in other organisations as people work together across the organisation to find solutions.

"Transfund is one of those rare places where people don't work in silos. We have extensive skills and expertise across the whole organisation, and we all work together to find the most effective answer to the policy problem," he says.

One issue which required the best of Transfund's skills and experience was the issue of financial assistance. The issue was a complex one, he says, because it required detailed analysis of a large amount of information relevant to financial assistance policy for approved organisations and their ability to pay.

"It was seeking a balance of contributions between government, ratepayer and users - one which is not easy to determine.

"In fact, the issue is hugely complex and the impacts on ratepayers are now a focus for central government policy development," he says.

His initial work in this area led to the Transfund Board deciding there was a need to provide increased financial assistance for capital works such as road construction and minor safety works. The financial assistance rate for each of these work categories was subsequently raised.

Dave believes the biggest challenge for the near future is to strengthen policy relationships between the Ministry of Transport and Land Transport New Zealand - in whatever shape or form these organisations may take.

DAVE COPE



What's happening? Ask a PA

Bernice McLaughlin has spent the past three and half years at Transfund as the personal assistant to the Finance and Information Systems Group and the Policy and Strategy Group.

As their PA, Bernice has seen quite a few changes to the organisation, not least that she is now working with almost a completely new group of policy people from when she started.

"I like working with different people so I find change quite interesting - particularly in this situation because the whole dynamic of the group changes.

"Each of my two managers has a very different working style and this has probably been my biggest challenge. How do I use this knowledge most effectively to make each group work more effectively?"

She says that PAs are usually the first to know when change is affecting an organisation, as they work most closely with managers and they notice when behaviours change.

She enjoys working for Transfund as she has had the opportunity to make a contribution to various projects over the time she has been here, playing a key role in development of the organisation's style guide and as a member of the quality and health and safety teams.

"If you want to grow yourself, you have to get involved in the organisation," she says.

BERNICE McLAUGHLIN



"If you want to grow yourself, you have to get involved in the organisation."

MURRAY RILEY



"There are different pressures from different parties within the transport sector and everyone wants what they consider their fair share of transport funding. You have to accept that you can't please everybody all of the time."

Ensuring accountability and value for money

Ensuring accountability and value for money are the two fundamental principles that National Land Transport Programme manager Murray Riley bases his job on.

As the NLTP manager, he makes recommendations to the Transfund Board about what transport activities should be funded, assists and monitors planning and evaluation staff in their evaluation of activities and ensures all evaluations are carried out in accordance with the Project Evaluation Manual, the Programme and Funding Manual and other relevant Transfund manuals - all with the one goal of ensuring projects are sound and value for money.

Murray has been described as the "rock on which a lot of the NLTP processes are built", and has over 30 years experience in the roading and transportation sector. He is familiar with roading conditions in most parts of New Zealand.

He says one of the main things he looks for is that the benefits of the proposed solution are consistent with the identified problem.

"As the government funder of land transport for New Zealand, we are accountable for all expenditure. The assumptions underlying the activities being funded must be reasonable and the policies and processes Transfund adheres to should not be comprised.

"There are different pressures from different parties within the transport sector and everyone wants what they consider their fair share of transport funding. You have to accept that you can't please everybody all of the time."

The main challenge for Murray over the last year or two has been keeping up with the rate of change within the transport sector while, at the same time, carrying on with business as usual ensuring transport activities continue to be funded.

He says that while the Act has brought its challenges, it also brings benefits - with one of the main ones being that authorities are now encouraged to consider integration with other transport modes.



CAMBELL SNOOK

The face of Transfund in the regions

On the road meeting people, providing solutions to challenging problems and assisting people to understand Transfund's policies and processes are what regional liaison engineer Cambell Snook enjoys about his job.

Cambell is the local representative for Waikato and Bay of Plenty and, while he works from home in Hamilton, he's part of the Northern Regional Office team.

He has been with Transfund since its inception in 1996 and, prior to the establishment of Transfund, worked for Transit New Zealand and the National Roads Board.

As regional liaison engineer, Cambell's role is to assist, advise and review funding applications from approved organisations, negotiate with them on their maintenance applications, and ensure prospective transport activities comply with Transfund's policies and processes. He is also Transfund's representative at local transport forums.

"To be successful in the job, it's important to have a good relationship with all those with an interest in transport in Waikato and Bay of Plenty. Trust and goodwill are particularly essential when you are negotiating and providing advice.

"I enjoying meeting people and, in my job as regional liaison engineer, I have the benefits of this. I also enjoy travelling around the back-country to those areas not visited by many people. I work from home but, at the same time, am part of the team."

Challenges over the years have been establishing his position with road controlling authorities at the time that Transfund was set up, getting agreement on issues from all parties and explaining Transfund's sometimes complex policy/funding formulae.

A particular challenge over the last 12 months has been assisting and encouraging those Bay of Plenty local authorities hit hard by earthquakes and bad weather. Some of these authorities required support for major emergency road repairs.

"Overall, I'm here to provide the best advice and assistance I can to road controlling authorities and others in the transport sector. I'm the face of Transfund in my regions," he says.

"Overall, I'm here to provide the best advice and assistance I can to road controlling authorities and others in the transport sector. I'm the face of Transfund in my regions."

Improving Transfund through sector feedback

Senior auditor Marianne McMillan has an important role to play in improving Transfund as an organisation – she is the facilitator of Transfund's annual stakeholder survey.

In developing the survey in conjunction with an external supplier, the challenge for Marianne has been to ask the right questions so the feedback provides useful information for Transfund to improve its service.

This challenge was compounded during this year when the external supplier contract was retendered and the implementation of the contact management database (as described previously) occurred at the same time as the survey had to be conducted.

"The hardest thing was to try and please everyone in Transfund – everyone has to be satisfied with the questions prior to going out to stakeholders. That took quite some time in itself.

"We also had to reassure ourselves that the answers would provide us with the most useful data to inform Transfund of how it can improve," she says.

While managing this process, Marianne also conducts audits of approved organisations, and internal audits of Transfund itself, to ensure compliance with Transfund's policies and processes, and monitors and maintains Performance Monitoring Group's quality systems.

This is all squeezed into the four days a week she works since taking parental leave early last year.

"We also had to reassure ourselves that the answers would provide us with the most useful data to inform Transfund of how it can improve."



MARIANNE McMILLAN

Our aim is to make Transfund an 'employer of choice' within the transport sector.

Our staff is a highly specialised and expert group of people who are vital to the effective implementation of the Act, the NLTP and to good relations with our funding partners and other stakeholders. Given the relatively small size and strategic focus of our organisation, we strive to support and develop the skills of existing staff and direct resources into optimising their capabilities. Implicit in this is the use of best practice, contemporary human resource practices and systems. Our human resources strategy has the following key imperatives:

- adoption of robust recruitment practices to recruit the right number of people with the appropriate skills and experience to achieve our business objectives
- ensuring our staff continue to develop their skills and optimise their performance through regular feedback on performance and analysis of training and development needs
- ensuring staff with key skills and experience in the transport sector are encouraged to stay with Transfund and remain motivated to jointly achieve our organisation's objectives and their own career goals
- ensuring future capability is planned for and managed through appropriate risk management and succession planning systems and processes
- enabling delegation of decision making to the lowest practical level within the organisation.

Transfund vision and mission

Following the introduction of the Land Transport Management Act 2003, the staff and Board collaborated to develop a new mission statement and vision for Transfund.

Our new vision is designed to motivate Transfund and our sector partners to develop better transport for New Zealand. The vision is:

"Transport solutions that improve economic performance, care for the environment and enhance the way we live."

Our new mission statement is designed to describe our business and how we, as an organisation, work with our sector partners. This incorporates Transfund's five performance drivers. The mission statement is:

"We work with our partners to make the greatest possible progress towards New Zealand's transport goals by:

- focussing on outcomes
- promoting effective solutions
- providing sound advice
- ensuring value for money
- enhancing sector performance."

Transfund values

Transfund staff and the Board developed a values-based framework to support the development of highly productive working relationships with our transport partners. Our values statement is:

"At Transfund, we always:

- are open and honest
- respect each other's views
- support each other
- contribute our best
- celebrate our successes."

Training and development

Transfund's investment in staff training and development was about three percent of the salary budget.

Our people have been involved in a variety of developmental activities including seminars, training courses, tertiary study, industry conferences and networking events.

This year a number of work groups within Transfund engaged in experiential team building activities, and many staff participated in monthly waiata practice sessions. We have also held in-house training in a personal efficiency programme, hosted seminars to help interested staff plan for their retirement and provided opportunities for staff to participate in media, presentation skills and performance appraisal training.

Leadership development

The management group has been involved in leadership development by working off-site on several occasions during this year. They have used this time to consider Transfund's development in its rapidly changing strategic context and also to work on their skills as leaders.

Health and safety

Transfund continues to demonstrate its commitment to health and safety in the workplace through participation in the Accident Compensation Corporation's workplace safety management programme for the third consecutive year. Transfund's health and safety representative and the Public Service Association's representative on Transfund's health and safety committee attended a comprehensive training programme.

The topics for this year's programme of regular health and safety briefings have included preventing and managing stress and fatigue, and emergency procedures during natural disasters.

ALLOCATING FUNDING UNDER THE LAND TRANSPORT MANAGEMENT ACT

The Land Transport Management Act (the Act) set a challenging new framework for land transport in New Zealand.



Under the Act, Transfund's objective is to allocate resources in a way which creates an integrated, safe, responsive and sustainable land transport system. It must also ensure its funding decisions contribute to the government's wider economic, social and environmental objectives.

Over the past year, much time and effort has gone into developing a new allocation process. Transfund needed a process which ensured a stronger focus on working proactively with the land transport sector and enabled multi-modal funding. It needed to be long term, while retaining efficiency in the allocation of resources as part of the decision-making process.

Transfund was also looking to produce an allocation process which took a more strategic approach, enabling a move away from the 'predict and provide' model of the past to place more emphasis on the integration of all modes of transport and managing the transport system in a way which will meet the needs of future generations, as well as current needs.

The end result is Transfund's allocation process – the core policy document outlining the way in which the organisation prioritises and programmes its funding for land transport activities. It has an immediate effect on what transport activities get funded throughout New Zealand.

The new process ensures proposals are assessed against multiple criteria, comprehensively covering all economic, social and environmental impacts of transport activities, with each criterion contributing to one of four assessments factors - seriousness and urgency,

effectiveness, economic efficiency and confidence. Ratings based on these assessment factors are then used to determine the proposal's priority ranking.

Development of this process was informed by international best practice. Similar work by PIARC (the World Roading Association) was researched and a Transfund staff member was seconded to Norway to gather information. TRL, a United Kingdom-based organisation providing research, advice and testing for all aspects of transport, was contracted to assist and peer review the process.

A draft version of the allocation process was released for development of the 2004/05 NLTP, just prior to workshops held by Transfund throughout New Zealand. A formal consultation process was later carried out to produce a revised version of the allocation process for development of the 2005/06 NLTP. The revised process will take into account:

- the government decision (announced in December 2003) to regionally distribute an increase in land transport funds based on population
- the powers in the Act to fund road schemes through tolling, borrowing and private sector concession agreements
- a review of the experience gained through using the first version of the allocation process.

The first of these, the need to regionally distribute the extra fuel excise available for spending on land transport activities from April 2005 (what Transfund terms 'R' funding), has provided a particular challenge. Work will continue on refining this policy during the coming year.

TOWARDS INTEGRATED, SAFE, RESPONSIVE & SUSTAINABLE TRANSPORT IN NEW ZEALAND

The government's vision for transport in New Zealand is an affordable, integrated, safe, responsive and sustainable land transport system.

Over the past 18 months, Transfund's challenge has been how to put this vision into action.

For Transfund, this meant the 'predict and provide' model previously used for land transport was no longer viable long term. Instead, efforts have been put into long-term land transport planning with greater emphasis on managing travel demand.

Transfund recognises the planning carried out by approved organisations and regional land transport committees offers the greatest potential to ensure sustainable transport development (particularly through the consideration of transport options) and integration of transport and land use.

Transfund viewed its participation in and guidance of these planning processes as key to meeting its statutory objective. In early 2004, Transfund appointed two principal planning advisors to assist the transport-related planning processes of regions, cities and districts. This emphasis on planning has been reflected in the Transfund Board's decision to put more money into transport studies.

In approving transport activities, Transfund has concentrated on ensuring the activities meet the requirements of the Act by requiring plans for the ongoing management of the asset to sustain the benefits over the long term. It has also ensured each project is linked with other transport activities where appropriate. All activities must be properly integrated with other transport modes.

Transfund is also encouraging approved organisations to develop packages of inter-related and complementary activities, where appropriate. These packages will be clearly related to specific transport issues and be optimised to make the best use of resources.

Examples may include packages designed to ensure an integrated multi-modal approach to developing new infrastructure, or to reduce the need to build new infrastructure by developing complementary network supply and demand management initiatives.

To facilitate sustainable development of land transport over the long term, Transfund continues to fund passenger transport to increase patronage and, over the past 12 months, has focussed on developing new procedures for funding travel demand management. Several travel behaviour change activities were funded as pilot projects to assist with developing the procedures for funding travel behaviour change activities.

These changes don't mean no new infrastructure will be built. Additional infrastructure is necessary, particularly where there are gaps or major deficiencies in a transport network which cannot be addressed through better management of the way existing infrastructure is used. However, new infrastructure needs to be managed correctly, ensuring the benefits of the project are sustained over the long term, minimising as far as possible future growth in demand.

Over the past 12 months, Transfund has funded a variety of activities which it believes make good progress towards the vision of the NZTS.

Substantial money has gone into safety. The rate of Transfund financial assistance has increased for minor safety projects and construction projects. Transfund has also doubled the amount of funding allocated for minor safety projects.

Recent years have seen a marked increase in the number of people using public transport – particularly in New Zealand's larger urban areas. Transfund has contributed to this through providing ongoing support to regional councils in their work to increase public transport usage. Overall Transfund has spent \$84.9 million during 2003/04 on providing and improving commuter rail and bus services throughout New Zealand.

In Auckland, the North Shore busway, a strategically significant project for the Auckland region representing a major step in public transport projects for New Zealand, was funded, as were two of the three projects required to complete the western ring road.

In Wellington, the inner city bypass was approved for funding, recognising its linkages with other projects such as associated street-scape improvements, improved pedestrian connections, improved environmental enhancements, the priority of passenger transport through the central business district (CBD), corridor improvements from the CBD to the hospital and airport, coupon parking and park and ride initiatives. Also in Wellington, Mackays Crossing overbridge approved for funding. It will enable separation of traffic on the state highway from the main trunk railway, making both networks safer and more efficient.

In Waikato, a wire rope barrier for State Highway 1 from Longswamp to Rangiriri was funded to significantly improve safety in Waikato.

Bay of Plenty's Hewletts Road flyover was funded to relieve existing and anticipated congestion and, by the separation of road and rail traffic, it will contribute to improve safety and, in Christchurch, the Main North Road four-laning will reduce congestion in the city.



RESEARCHING ELASTICITIES OF TRAVEL DEMAND AND OTHER TRANSPORT ISSUES

Each year, Transfund puts a significant amount of funding into innovative research.

For 2003/04, \$2.5 million was put into the research programme. This was used to fund 21 new research projects and enable 19 projects to continue from previous years. During the year, 13 research reports were published.

For 2003/04, the programme comprised six key topic areas:

- asset management – improving land transport asset performance through application of better materials and practice
- environmental effects – mitigating the adverse impacts of land transport
- natural hazard risk management – reducing the impacts of natural hazards
- safety – improving public safety through improvements to the land transport environment/architecture
- traffic management – more efficiently and safely managing the movement of vehicles
- travel behaviour – providing a better understanding of travel behaviour and user preferences.

The Transfund Board, following recommendations by a research strategy group, selects the projects funded through this programme. Transfund's research strategy, being revised during 2004/05, guides the process.

Sustainable land transport introduced

During this year, a new research topic, sustainable land transport, was introduced for the future. Sustainability is a key concept in the New Zealand Transport Strategy but, until this year, had not been explicitly mentioned as a research topic.

Research under this new category will help to improve sustainability of the land transport industry by improving the interaction between land use and transport, investigating fuel efficiency options for New Zealand's vehicle fleet, ensuring integrated development processes and improving network optimisation.

The first projects to be funded under this topic will be during 2004/05.

Predicting travel demand

One of this year's most popular published research reports investigates the drivers for change in predicting travel demand (Transfund Research Report 248).

By Booz Allen Hamilton, the report considered travel demand forecasting, or predicting responses of travel demand to changes in one or more factors which affect demand. 'Demand drivers' may include costs, levels of service, travel times, personal comfort and other variables.

While not precise measures, this report identified a set of travel demand elasticities which provide a relatively simple way of predicting travel demand responses. It included an analysis of findings under public transport variables

(such as fares, service levels, in-vehicle time, reliability and generalised costs) and under private transport variables (such as fuel prices, vehicle operating costs, toll charges, parking charges, in-vehicle time and generalised costs).

Effects of trenching on roads

Another popular research report examines the effect of trench patches and service covers on pavement management (Research Report 249).

Conducted by HTC Infrastructure Management Specialists, this report describes the results of an investigation which quantified the effects of trenching operations on pavement structure and performance, and identified remedial measures for adoption.

It also determined the difference in the cost of maintaining the road network, and the change in maintenance regime and pavement lives due to the presence of trenches and covers.

Loss of resistance due to frost and ice

The effect of frost and ice on the skid resistance of a range of road surfaces was examined by Opus Central Laboratories in Research Report 244.

Road surface types examined include dense and open-graded asphalts and fine and coarse-textured chipseal. Fine textured road surfaces were found to be the most vulnerable to loss of skid resistance in frost and ice conditions.

Full list of research reports

For a full list of all research reports see the published research reports section on:

www.transfund.govt.nz/report.html

A full inventory of all published research reports is available from Transfund's southern regional office:

ph 03 341 6012 or research@transfund.govt.nz.

Transfund is working toward making all research reports available for download on the web. This work will continue in 2004/05.



Stakeholder survey

The Statement of Service Performance (SSP) accompanying this annual report gives details of the financial and non-financial performance measures which Transfund must meet.

Transfund is also required by its Performance Agreement with the Minister of Transport to report on certain aspects of quality and service as assessed by an independent survey of Transfund stakeholders. OPRA Consulting Group carried out the survey for 2003/04.

This year's survey was significantly different from previous years. It was designed to identify strengths, areas for development and opportunities for change, with the results being particularly informative for Transfund. Specific areas of interest included competence in fostering relationships, policy development, communication, enhancing sector performance, the National Land Transport Programme, specific initiatives and audit activity.

The survey was split into four stakeholder groups: road controlling authorities, regional councils, Transit New Zealand, and other stakeholders (comprising consultants, contractors, government departments and transport interest groups).

"Delivers robust assistance and advice to enhance sector performance, without overlooking practical reality."

– stakeholder survey comment.

"An employer of staff who is increasingly seen to be more approachable, pragmatic and appreciative of the speed that stakeholders require information."

– stakeholder survey comment.

"Demonstrates a commitment to consulting widely across the sector, resulting in more connected policy development."

– stakeholder survey comment.

The survey also identified some areas potentially holding Transfund back including factors such as a perceived disconnection between national and regional offices, delivery of generic workshops which do not address the specific priorities and interests of stakeholder groups and the absence of feedback loops to support the consultation process. An action plan is being developed to address these issues.

Stakeholder survey results

Overall satisfaction with Transfund's service

79%

comprising:

- Level of service received from Transfund 84%
- Skill and capability level of Transfund staff 85%
- Timeliness of dealing with requests for information 83%
- Satisfaction with costs of compliance with Transfund activities 62%
- Quality of assistance and advice received by Transfund 85%
- Value of Transfund's industry training 78%

Overall satisfaction with Transfund's policy development

77%

comprising:

- Transfund's processes for developing policy 75%
- Encouragement of my organisation's involvement in developing policy 76%
- Transfund's policies and procedures support government objectives and priorities 80%

Other ratings

Transfund keeps my organisation informed of changes relevant to land transport funding

83%

Transfund's industry training adds value to the land transport sector

78%

The executive summary of the survey is available on www.transfund.govt.nz



MĀORI CAPACITY TO CONTRIBUTE TO TRANSFUND'S LAND TRANSPORT DECISION-MAKING PROCESSES

Transfund continued to develop a strategy to foster the development of Māori capacity to contribute to the land transport decision-making processes as required under Schedule 5 Section 13 of the Land Transport Management Act (the Act).

Earlier in the year Transfund established a database of Māori organisations with the assistance of Te Puni Kōkiri. These groups receive copies of all Transfund newsletters which carry up to date information on the activities of Transfund.

Transfund has carried out a regular programme of practising waiata so all staff are familiar with, and can participate in, this as required.

Transfund staff will attend one and a half days on a marae for familiarisation with Māori protocol and Māori point of view in late October 2004.

After the passing of the Act in November 2003 and the government "Investing for Growth" announcement in December 2003, which included regionally distributed funding, Transfund reviewed its approach to fostering Māori participation.

Regional councils, when developing regional land transport strategies, and local authorities, when developing long term council community plans and land transport plans, have to take into account the same factors and contribute to the same objectives as Transfund. All these processes are required to engage with Māori in the region.

Further, Transfund recognised participation in regional planning processes presented the best opportunities to achieve the broad outcomes of the Act. This has been further reinforced by the new requirement to allocate funds to regions - preferably with the cooperation and assistance of the regions.

Transfund therefore decided to approach the fostering of Māori participation and capacity by region with the assistance of regional councils.

This approach was piloted in Wellington in May 2004 with the assistance of Greater Wellington Regional Council and the Ara Tahi Committee. The approach appeared to have merit. Planned similar approaches in Northland, Waikato and Canterbury were put on hold pending the establishment of the new Crown entity.

STATEMENT OF FINANCIAL RESPONSIBILITY

Schedule 4 clause 7 (2) of the Land Transport Management Act 2003 requires Transfund to include in its annual report a statement on the means by which it is acting in a financially responsible manner. Transfund's 10-year financial forecast and annual NLTP process provide a means for Transfund to maintain its long-term financial viability along with the prudent management of its assets and liabilities.

At 30 June 2004 Transfund has a retained surplus of \$223 million. Transfund's 10-year forecast is programming \$500 million expenditure greater than revenues. In practice, the internal systems and controls would manage the revenue and expenditure to ensure that Transfund was not operating in deficit.

With the pending disestablishment on 1 December 2004, Transfund will not continue as a going concern. However, Transfund continues to operate in a manner consistent with being a responsible going concern.



2003/2004

FINANCIALS

CONTENTS

Statement of responsibility	24
Report of the Auditor-General	25
Statement of accounting policies	26
Statement of financial performance	28
Statement of movements in public equity	29
Statement of financial position	29
Statement of cash flows	30
Statement of commitments	30
Statement of contingencies	31
Notes to the financial statements	31
Supplementary Information	35

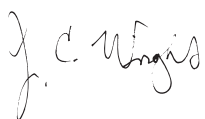
STATEMENT OF RESPONSIBILITY

Statement of responsibility as at 21 October 2004

Transfund New Zealand will cease to exist as a separate Crown entity on 1 December 2004. These financial statements are prepared on the basis that Transfund New Zealand is not a going concern. The activities of Transfund New Zealand will continue under a new Crown entity, Land Transport New Zealand, which will be established on 1 December 2004.

The chair, chief executive, Board and management of Transfund New Zealand acknowledge responsibility for the preparation of the financial statements and the judgements used therein, and for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the chair, chief executive, Board and management of Transfund New Zealand, the financial statements for the financial year reflect fairly the financial position and operations of Transfund New Zealand.



Jan Wright

Chair



Wayne Donnelly

Chief Executive





REPORT OF THE AUDITOR-GENERAL

AUDIT REPORT TO THE READERS OF TRANSFUND NEW ZEALAND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

The Auditor-General is the auditor of Transfund New Zealand. The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand to carry out the audit of the financial statements of Transfund New Zealand on his behalf, for the year ended 30 June 2004.

Unqualified opinion

In our opinion the financial statements of Transfund New Zealand on pages 26-34 to 38-53 that are prepared on a disestablishment basis:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - Transfund New Zealand's financial position as at 30 June 2004; and
 - the results of its operations and cash flows for the year ended on that date; and
 - its service performance achievements measured against the performance targets adopted for the year ended on that date.

The audit was completed on 21 October 2004, and is the date at which our opinion is expressed.

The basis of the opinion, which refers to the financial statements being appropriately prepared on a disestablishment basis, is explained below. In addition, we outline the responsibilities of the Board 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 our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements 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. If we had found material misstatements that were not corrected, we would have referred to them in the opinion.

Our audit involved performing procedures to test the information presented in the financial statements.

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 Board;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

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

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

The financial statements are appropriately prepared on a disestablishment basis

In forming our opinion, we considered the accounting policy on page 26, about the financial statements being prepared on a disestablishment basis. We consider the disestablishment basis to be appropriate as Transfund New Zealand will be disestablished on 30 November 2004.

Responsibilities of the Board and the Auditor

The Board is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of Transfund New Zealand as at 30 June 2004. They must also fairly reflect the results of its operations, cash flows and service performance achievements for the year ended on that date. The Board's responsibilities arise from Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 43(1) 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 Transfund New Zealand.

Stephen Lucy

Audit New Zealand

*On behalf of the Auditor-General
Wellington, New Zealand*

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements information of Transfund New Zealand for the year ended 30 June 2004 included on Transfund New Zealand's website. The Board is responsible for the maintenance and integrity of Transfund New Zealand's website. We have not been engaged to report on the integrity of Transfund New Zealand's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

We have not been engaged to report on any other electronic versions of the Transfund New Zealand's financial statements, and accept no responsibility for any changes that may have occurred to electronic versions of the financial statements published on other websites and/or published by other electronic means.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 21 October 2004 to confirm the information included in the audited financial statements presented on this website.

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

STATEMENT OF ACCOUNTING POLICIES

for the year ended 30 June 2004

Reporting entity

These are the financial statements of Transfund New Zealand, a Crown entity in terms of the Public Finance Act 1989.

These financial statements have been prepared in accordance with section 41 of the Public Finance Act 1989.

Going concern

The planned outcome of the government transport sector review is that Transfund New Zealand will cease to exist as a separate Crown entity on 1 December 2004. Accordingly these financial statements have been prepared on the basis that Transfund New Zealand is not a going concern. The activities, functions, assets and liabilities of Transfund New Zealand will transfer to a new Crown entity, Land Transport New Zealand, which will be established on 1 December 2004.

Measurement system

The financial statements have been prepared on a disestablishment basis rather than a historical cost basis. The impact is minimal. The main change is that assets and liabilities classified as 'non-current' have been classified as 'current'.

Accounting policies

The following specific accounting policies, which materially affect the measurement of financial performance and financial position, have been applied:

Budget figures

The budget figures are those approved by the Board at the beginning of the financial year and published in Transfund New Zealand's 2003/2006 Statement of Intent.

The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Board for the preparation of the financial statements.

Comparative figures

To be consistent with the 2004 actual results the 2003 results have been restated to report Transit third party revenue of \$13.8 million as a reduction to property management expenditure. This is in accordance with section 10 (6) of the Land Transport Management Act 2003.

Revenue recognition

Transfund New Zealand derives revenue from:

- the National Land Transport Fund established under sections 8 to 11 of the Land Transport Management Act 2003
- income from investments.

Revenue from the National Land Transport Fund is equal to the roading revenue collected less any liabilities incurred in relation to the collection of that revenue and the Safety (Administration) Programme, per section 9 (4) of the Land Transport Management Act 2003. The National Land Transport Fund Statement on page 35 lists the revenue flows into the fund and the distributions from the fund.

Expenditure recognition

Road controlling authorities and regional council claims are recognised as expenditure in the period when the activity has been performed and up to the amount approved by the board for that activity. Revenue received by Transit, as per section 10 (6) of the Land Transport Management Act 2003, is treated as a reduction to expenditure, not revenue as has been the case in previous years.

Fixed assets

Fixed assets are recorded at historical cost and are depreciated on a straight-line basis over their estimated lives. Assets have not been written down to report a disestablishment/fair value, as Transfund has determined that the assets' net book value is consistent with the assets' current fair value.

Depreciation

Fixed assets are depreciated at rates that will write off the cost of the assets over their useful life. The following useful life and depreciation rates are used.

Asset Category	Useful Life	Depreciation Rate (Straight Line)
Leasehold improvements	8 years	12.5%
Office equipment	4 years	25.0%
Furniture and fittings	5 years	20.0%
Computer equipment	3 years	33.3%



Accounts receivable

Accounts receivable are stated at their estimated realisable value after providing for doubtful and uncollectable debts.

Investments

Investments are stated at the lower of cost or net realisable value.

Employee entitlements

Provision is made in respect of Transfund New Zealand's liability for annual leave, long service leave and retirement leave. Annual leave and other entitlements expected to settle within 12 months of reporting date are measured at nominal values on an actual entitlement basis at current rates of pay.

Entitlements that are payable beyond 12 months such as long service leave and retirement leave, have been calculated on an actuarial basis based on the present value of expected future entitlements.

Goods and Services Tax (GST)

The financial statements are prepared on a GST exclusive basis, with the exception of accounts receivable and accounts payable, which are stated with GST included. Where GST is irrecoverable as an input tax, it is recognised as part of the related asset or expense.

Taxation

Transfund New Zealand is a public authority in terms of the Income Tax Act 1994 and consequently is exempt from income tax.

Operating leases

Operating lease payments, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are charged as expenses in the periods in which they are incurred.

Statement of cash flows

Cash means cash balances on hand held in bank accounts, demand deposits and other highly liquid investments in which Transfund New Zealand invests as part of its day-to-day cash management.

Operating activities include cash received from all Transfund New Zealand income sources and records 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 change in equity and debt capital structure of Transfund New Zealand.

Financial instruments

Transfund New Zealand is party to financial instrument arrangements as part of its everyday operations. These financial instruments include bank accounts, investments, accounts payable and accounts receivable. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance.

Commitments

Future payments are disclosed as commitments at the point a contractual obligation arises, to the extent that these are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

Cost of service statements

The Statement of Service Performance reports the net cost of services for the outputs of Transfund New Zealand and is represented by the costs of providing each output less all the revenue that can be allocated to these activities.

Cost allocation

Transfund New Zealand has derived the net cost of service for each significant activity using the cost allocation system outlined below.

Cost allocation policy

Direct costs are charged directly to significant activities. Indirect costs, being the administrative and project support costs of roading controlling authorities and regional councils for land transport outputs, are charged to significant activities based on cost drivers. Transfund New Zealand's operating expenditure is disclosed as 'contract management' expenditure in the Statement of Financial Performance.

Criteria for direct and indirect costs

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs which cannot be identified in an economically feasible manner with a specific significant activity.

Cost drivers for allocation of indirect costs

Indirect costs are allocated to outputs using appropriate cost drivers such as estimated resource use and the percentage of direct costs incurred. For the year ended 30 June 2004, indirect costs accounted for four percent of Transfund New Zealand's total costs (2003 - 4%).

Changes in accounting policies

There have been two changes in accounting policy since the date of the last audited financial statements.

Firstly, with Transfund ceasing to exist as a separate Crown entity on 1 December 2004, the financial statements have been prepared on a disestablished basis. The only change in the financial statement is that 'non current' assets and liabilities have been disclosed as 'current' in the Statement of Financial Position.

Secondly, pursuant to section 10 (6) of the Land Transport Management Act 2003, the 2003/04 actual results and comparative results for 2002/03 have accounted for Transit revenues as a reduction to Transit expenditure. In previous years Transit revenue was reported as revenue in Transfund's Statement of Financial Performance.

The effect of this disclosure change is that Transit expenditure has been reduced by \$33.1 million for 2003/04.

The restatement of the 2002/03 comparative results has the effect of reducing Transfund's revenue by \$13.8 million with a corresponding reduction to Transit expenditure.

All other policies have been applied on a basis consistent with the previous year.

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2004

The Statement of Financial Performance details the revenue and expenses relating to all outputs funded by Transfund New Zealand.

Actual 2003 (\$000)	Notes	Actual 2004 (\$000)	% of total	Budget 2004 (\$000)	% of total
1,153,288	Revenue	1,190,195		1,118,000	
	COST OF SERVICES				
	Maintenance of local roads				
184,648	Structural maintenance	191,374	16	192,688	16
45,919	Corridor maintenance	49,565	4	48,375	4
25,528	Professional services	27,349	2	25,777	2
4,529	Preventive maintenance	3,201	-	4,536	-
14,102	Emergency works	45,477	4	13,105	1
274,726	Total maintenance of local roads	316,966	26	284,481	23
	Replacement and improvement of local roads				
10,673	Pavement rehabilitation	15,243	1	14,869	1
9,145	Minor safety projects	16,391	1	10,633	1
40,947	Construction & property	41,194	4	38,846	3
1,283	Passenger transport infrastructure	158	-	-	-
19,150	Regional development	28,304	2	23,347	2
1,344	Promotion of walking & cycling	2,186	-	2,913	-
82,542	Total replacement and improvement of local roads	103,476	8	90,608	7
	Maintenance of state highways				
162,355	Structural maintenance	170,014	14	174,841	15
66,966	Corridor maintenance	73,151	6	71,092	6
43,851	Professional services	43,357	4	42,004	4
(4,732)	Property management	(4,696)	-	9,346	1
5,215	Preventive maintenance	6,730	1	5,776	1
15,332	Emergency works	26,514	2	17,852	2
288,987	Total maintenance of state highways	315,070	27	320,911	29
	Replacement and improvement of state highways				
5,548	Pavement rehabilitation	4,588	1	5,000	-
10,806	Minor safety projects	26,488	2	11,601	1
194,953	Construction	258,528	22	259,214	22
57,937	Property purchases	45,265	4	68,749	6
3,363	Passenger transport infrastructure	3,100	-	5,344	-
47	Regional development	173	-	-	-
668	Promotion of walking & cycling	1,326	-	962	-
273,322	Total replacement & improvement for state highways	339,468	29	350,870	29
15,292	Efficient alternatives to roading	11,415	1	28,000	2
79,223	Passenger transport	94,655	8	103,180	9
8,562	Contract management	8,875	1	9,200	1
2,096	Advisory services	2,458	-	2,750	-
1,024,750	Total cost of services	1,192,383	100	1,190,000	100
128,538	Net surplus/(deficit) for the period	-2,188		-72,000	

The accompanying accounting policies and notes form part of these financial statements.

a - Transit third party revenue of \$14.316 million has been offset against Transit property management in accordance with section 10(6) of the Land Transport Management Act 2003.

b - Transit property sales revenue of \$18.784 million has been offset against Transit property purchases in accordance with section 10(6) of the Land Transport Management Act 2003.

STATEMENT OF MOVEMENTS IN PUBLIC EQUITY

for the year ended 30 June 2004

The Statement of Movements in Public Equity combines information about the surplus/(deficit) with other aspects of the financial performance to give a measure of comprehensive income.

Actual 2003 (\$000)		Actual 2004 (\$000)	Budget 2004 (\$000)
96,424	Public Equity as at 1 July 2003	224,962	185,424
128,538	Plus surplus/(deficit) from operations	-2,188	-72,000
128,538	Total recognised revenues and expenses for the period	-2,188	-72,000
224,962	Public Equity as at 30 June 2004	222,774	113,424

The accompanying accounting policies and notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2004

The Statement of Financial Position reports the total assets and liabilities of Transfund New Zealand. The residual interest in the assets after deducting all the liabilities is the Public Equity.

Actual 2003 (\$000)	Notes	Actual 2004 \$000	Budget 2004 (\$000)
224,962	Public Equity	222,774	113,424
Represented by:			
ASSETS			
Current assets			
77	Cash and bank	84	700
112,500	Investments	140,000	125,000
273,209	Receivable from National Land Transport Fund	291,570	190,000
747	Accounts receivable and prepayments	13,200	800
	Fixed Assets	439	800
386,533	Total current assets	445,293	317,300
Non-current assets			
593	Fixed assets		
593	Total non-current assets	-	-
387,126	Total assets	445,293	317,300
LIABILITIES			
Current liabilities			
202	Employee entitlements	530	400
161,666	Accounts payable	221,989	203,476
161,868	Total current liabilities	222,519	203,876
Non-current liabilities			
296	Employee entitlements		
296	Total non-current liabilities	-	-
162,164	Total liabilities	222,519	203,876
224,962	Net assets	222,774	113,424

The accompanying accounting policies and notes form part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2004

The Statement of Cash Flows summarises the cash movements in and out of Transfund New Zealand during the year.

Actual 2003 (\$000)	Notes	Actual 2004 (\$000)	Budget 2004 (\$000)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash was provided from:			
1,070,872	National Land Transport Fund	1,162,921	1,183,360
-	Other Crown funding	1,262	-
8,075	Investment interest	7,959	6,000
1,565	Miscellaneous income	1,419	12,000
-3,661	Net Goods and Services Tax	-10,101	9,000
1,076,851	Total	1,163,460	1,210,360
Cash was disbursed to:			
-1,043,409	Payments to suppliers	-1,131,073	-1,195,549
-4,054	Payments to employees	-4,728	-4,451
-1,047,463	Total	-1,135,801	-1,200,000
29,388	Net Cash Flow from Operating Activities	27,659	10,360
CASH FLOW FROM INVESTING ACTIVITIES			
Cash was disbursed to:			
-145	Purchase of fixed assets	-152	-360
-145	Net Cash Flow from Investing Activities	-152	-360
29,243	Net increase/(decrease) in cash	27,507	10,000
83,334	Add opening cash brought forward	112,577	115,700
112,577	Closing Cash Balance	140,084	125,700
Closing Cash represented by:			
77	Current account	84	700
112,500	Investments	140,000	125,000
112,577	Closing Cash Balance	140,084	125,700

The accompanying accounting policies and notes form part of these financial statements.

STATEMENT OF COMMITMENTS

as at 30 June 2004

This Statement records those expenditures to which Transfund New Zealand is contractually committed and which will become liabilities if and when the contractual terms are met.

Non-cancellable commitments: National Land Transport Programme	2004 (\$000)	2003 (\$000)
Not later than one year	1,419,692	1,190,000
Later than one year and not later than two years	291,652	142,540
Later than two years and not later than five years	443,422	103,600
Total	2,154,766	1,436,140

Non-cancellable operating lease commitments	2004 (\$000)	2003 (\$000)
Not later than one year	308	272
Later than one year and not later than two years	222	140
Later than two years and not later than five years	98	188
Total	628	600

STATEMENT OF CONTINGENCIES

as at 30 June 2004

This Statement discloses situations which existed as at 30 June 2004, the outcome of which is uncertain and will be confirmed only on the occurrence of one or more future events after the date of the financial statements.

Contingent Liabilities	2004 (\$000)	2003 (\$000)
National Land Transport Programme – patronage funding scheme. This scheme was disestablished on the 30 June 2004. The contingent liability for 2003 represented a patronage funding credit that regional councils could utilise if their passenger transport spending in any one year exceeded that year's funding baseline.	-	17,957
Total	-	17,957

The accompanying accounting policies and notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

NOTE 1: Revenue

	2004 (\$000)	2003 (\$000)
National Land Transport Fund revenue	1,218,264	1,128,848
Movement in the National Land Transport Fund balance	-39,022	15,200
Total National Land Transport Fund revenue	1,179,242	1,144,048
Other Crown funding	1,262	-
Investment interest	8,059	8,285
Miscellaneous revenue	1,632	955
Total	1,190,195	1,153,288

National Land Transport Fund revenue

Total revenue from the National Land Transport Fund for the year ended 30 June 2004 was \$1,179 million (2003 - \$1,144 million).

Included in this revenue is the movement in the balance of the National Land Transport Fund.

The closing balance (GST exclusive) of the National Land Transport Fund as at 30 June 2004 was \$6.3 million (2003 - \$45.3 million).

The movement between the two years is incorporated in the Transfund New Zealand Statement of Financial Performance in accordance with section 9 (6) of the Land Transport Management Act 2003. The National Land Transport Fund Statement is shown as supplementary information to these financial statements on page 35.

Portion of National Land Transport Programme (NLTP) funded by Transit New Zealand's third party revenue and property sales

Rental, interest, and property sales income earned by Transit New Zealand is treated as a reduction to Transit expenditure in the National Land Transport Account pursuant to section 10 (6) of the Land Transport Management Act 2003. Transit revenues represent reductions in outflows for Transfund New Zealand, as payments to Transit New Zealand in relation to the NLTP are made net of this income.

The Statement of Financial Performance discloses Transit property sales revenue as a reduction to Transit property purchases, and Transit third party revenue as a reduction to Transit property management.

This is a change from previous years where Transit revenues were reported as revenue. Actual figures for 2003 have been adjusted to reflect this change.

NOTE 2: Disclosure of expenditure items

The surplus for the period is after charging for:	2004 (\$000)	2003 (\$000)
Fees paid to auditors for external audit	54	42
Fees paid to auditors for other services	-	-
Board member fees	114	109
<i>Depreciation:</i>		
- Leasehold improvements	42	41
- Office furniture	11	32
- Office equipment	10	10
- Computer software	107	102
- Computer hardware	136	145
<i>Total depreciation for the year</i>	<i>306</i>	<i>330</i>
Rental expense on operating leases	457	395

NOTE 3: Board member fees

No severance payments have been made to Board members. Remuneration through fees is all-inclusive and no consultancy or ex gratia payments or benefits have been provided to Board members other than fees. Board members earned the following fees during the year:

Board Member	2004 (\$000)	2003 (\$000)
Mr David Stubbs	27	33
Dr Janice Wright	27	19
Mr Michael Gross	-	14
Mr John Anderson	19	17
Mr Colin Knox	17	9
Ms Janice West	17	17
Mr Bryan Jackson	7	-
Total	114	109

NOTE 4: Number of Transfund employees who received total remuneration packages in excess of \$100,000

The term 'total remuneration package' (TRP) includes the following elements: salary, cash allowances, bonuses and incentive payments, non-monetary benefits, and fringe benefit tax paid on any element of the remuneration package.

Transfund's chief executive's (appointed March 2003) annual remuneration is in the \$240,000 to \$249,999 band. In the 2002/03 year the previous chief executive received less than \$100,000 during the year. The current chief executive, appointed March 2003, also received less than \$100,000 in the period to 30 June 2003.

Value of TRP:	Number of employees within range (2004)	Number of employees within range (2003)
\$100,000 - \$109,999	2	4
\$110,000 - \$119,999	4	2
\$120,000 - \$129,999	-	2
\$130,000 - \$139,999	2	1
\$140,000 - \$149,999	2	1
\$150,000 - \$159,999	1	-
\$160,000 - \$169,999	1	1
\$170,000 - \$179,999	-	-
\$180,000 - \$189,999	-	-
\$190,000 - \$199,999	-	-
\$200,000 - \$209,999	-	-
\$210,000 - \$219,999	-	-
\$220,000 - \$229,999	-	-
\$230,000 - \$239,000	-	-
\$240,000 - \$249,000	1(CE)	-
Total number of employees	13	11

NOTE 5: Investments

Institution	Investments 2004 (\$000)	Interest rate %	Maturity date	Investments 2003 (\$000)
ANZ Banking Group Ltd	50,000	5.99	28-Jul-04	22,100
ASB Bank Ltd	26,450	5.56 to 5.99	21 July 2004 to 23 September 2004	20,000
Citibank	-	-	-	50,000
Bank of New Zealand	28,150	5.77 to 5.98	7 July 2004 to 23 September 2004	20,400
Westpac	35,400	5.93	23-Aug-04	-
Total	140,000			112,500

NOTE 6: Investments

	2004 (\$000)	2003 (\$000)
Sundry receivable	552	312
Prepayments	24	9
Interest accrued	526	426
GST receivable	12,098	-
Total	13,200	747

NOTE 7: Fixed assets

	Depreciation rate straight line %	Cost (\$000)	Accumulated depreciation (\$000)	Net book value (\$000)
2004 asset category				
Leasehold improvements	12.50%	334	254	80
Office equipment	25.00%	64	52	12
Furniture and fittings	20.00%	251	224	27
Computer equipment	33.30%	1,428	1,108	320
Total		2,077	1,638	439
2003 asset category				
Leasehold improvements	12.50%	329	212	117
Office equipment	25.00%	101	80	21
Furniture and fittings	20.00%	241	216	25
Computer equipment	33.30%	1,477	1,047	430
Total		2,148	1,555	593

With the pending disestablishment of Transfund on 1 December 2004, fixed assets have been classified as current assets rather than non current assets due to the financial statements being prepared on a disestablishment basis.

NOTE 8: Employee entitlements

	2004 (\$000)	2003 (\$000)
Annual Leave	200	178
Long service leave	51	45
Retirement leave	279	275
Total	530	498
Current	530	202
Non-current	-	296
Total	530	498

With the pending disestablishment of Transfund on 1 December 2004, non current employee entitlements of \$316,000 have been classified as current due to the financial statements being prepared on a disestablishment basis.

NOTE 9 : Accounts payable

	2004 (\$000)	2003 (\$000)
Local authorities, regional councils, Transit New Zealand and others	221,255	157,907
Accrued expenses	734	632
GST payable	-	3,127
Total	221,989	161,666

NOTE 10: Reconciliation of net surplus/(deficit) with net cash flow from operating activities

	2004 (\$000)	2003 (\$000)
Net surplus/(deficit)	-2,188	128,538
<i>Add non-cash items:</i>		
Depreciation	306	330
Add/(less) movements in Working Capital items	-	-
Increase/(decrease) in accounts payable	60,323	-22,913
Increase/(decrease) in employee entitlements	32	44
(Increase)/decrease in accounts receivable	-12,453	5,712
(Increase)/decrease in receivable from National Land Transport Fund	-18,361	-82,323
Net Cash Flow from operating activities	27,659	29,388

NOTE 11: Financial instruments

Transfund New Zealand is party to financial instrument arrangements as part of its everyday operations. These financial instruments include bank accounts, investments, accounts receivable and accounts payable. Transfund New Zealand is not involved in any off balance sheet transactions.

Currency risk

Transfund New Zealand has no exposure to currency risk, as all financial instruments are in New Zealand dollars.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

As Transfund New Zealand has no borrowings and has adopted the policy of holding short-term investments until maturity, the interest rate risk is considered to be minimal.

Credit risk

Credit risk is the risk that a third party will default on its obligation to Transfund New Zealand, causing Transfund New Zealand to incur a loss. Financial instruments that potentially subject Transfund New Zealand to risk consist principally of cash, short-term investments and receivables. There are no significant concentrations of credit risk. Investments are spread over a consortium of bankers in accordance with Transfund New Zealand's investment policy. Transfund's investment strategy is reviewed on a monthly basis. No collateral or security to support financial instruments is required due to the quality of the financial institutions dealt with. Receivables are unsecured but are subject to credit control.

Fair values

The fair values of Transfund New Zealand's assets and liabilities are considered to be equivalent to the amount disclosed in the Statement of Financial Position.

NOTE 12: Transactions with related parties

Transfund New Zealand is a wholly owned entity of the Crown. The government provides the main source of Transfund's revenue.

Transfund New Zealand undertakes transactions with government departments, Crown agencies (including Transit New Zealand) and

state owned enterprises. These transactions are carried out on an arms length basis and are transacted in the course of their normal dealings with Transfund New Zealand. Related party disclosures have not been made for transactions of this nature.

There were no other related party transactions.

NOTE 13: Major budget variations

The budget in the Statement of Financial Performance is as presented in the 2003/2006 Statement of Intent. The Statement of Intent was prepared prior to the Land Transport Management Act 2003 coming into effect in November 2003.

The actual results have been presented pursuant to section 10 (6) of the Land Transport Management Act 2003 whereby Transit revenues have been treated as a reduction to Transit expenditure.

The Statement of Financial Performance includes Transit property sales revenue of \$18.8 million as a reduction to Transit property purchases (ie. on a net basis). This explains a significant portion of the \$23.5 million variance under budget (the budget was prepared on a gross basis).

Transit property management expenditure is reported as negative \$4.7 million. This is due to Transit receiving third party revenue of \$14.3 million, higher than Transit's property management expenditure of \$9.6 million.

Other significant variances compared to the budget in the Statement of Financial Performance are explained in the Statement of Service Performance on pages 38 to 53.

The significant variances compared to budget in the Statement of Financial Position are:

- Investments and
- Receivable from National Land Transport Fund.

Both investments and the National Land Transport Fund receivable were higher than budgeted due to additional National Land Transport Fund revenue (primarily increased road user charges and motor vehicle fees).

These factors contributed to a significantly higher than forecast retained funding surplus of \$223 million.

SUPPLEMENTARY INFORMATION

National Land Transport Fund Statement for the year ended 30 June 2004

	2004 (\$M)	2003 (\$M)
Opening balance	51	34
Revenue		
Road user charges	698	650
Excise duty	593	601
Motor vehicle registration fee	211	198
Motor vehicle: other	11	10
Disposal of roading property	5	17
ACC fee collection	11	10
Bad debt write off	-1	-5
Total revenue	1,528	1,481
Plus government contribution		
GST compensation	196	183
Contribution in lieu of interest	-	-
Total government contribution	196	183
Less refunds		
Road user charges refunds	29	29
Fuel tax refunds	29	28
Motor vehicle registration refunds	1	1
Total refunds	59	58
Less distributions		
Transfund New Zealand	1,370	1,270
Land Transport Safety Authority	47	45
Ministry of Transport	64	61
New Zealand Police	228	213
Total distributions	1,709	1,589
Closing balance	7	51

The Ministry of Transport administers the Fund on behalf of the Crown. All figures are GST inclusive and have been prepared on an accrual basis. The National Land Transport Fund pays for the Transfund outputs detailed in the financial statements and Statement of Service Performance, traffic enforcement and road safety education.

This statement is provided as supplementary information to the financial statements of Transfund New Zealand because the National Land Transport Fund is the major source of Transfund New Zealand's revenue. In accordance with section 9 (6) of the Land Transport Management Act 2003, the balance of all revenues into the National Land Transport Fund less distributions to the Land Transport Safety Authority, Ministry of Transport and New Zealand Police are payable to Transfund New Zealand.

The financial statements of Transfund New Zealand recognise the distributions to Transfund New Zealand and the closing balance of the National Land Transport Fund.

This supplementary information does not form part of Transfund New Zealand's financial statements.



SUPPLEMENTARY INFORMATION

National Land Transport Programme Statement for the year ended 30 June 2004

The National Land Transport Programme Statement is provided as supplementary information to enable comparison with Transfund New Zealand's 2003/04 National Land Transport Programme as published in June 2003. The difference between this Statement and the Statement of Financial Performance, as detailed on page 28, is that outputs in the Statement of Financial Performance are aligned to Transfund New Zealand's 2003/2006 Statement of Intent and the administration costs of road controlling authorities and regional councils have been allocated against their respective outputs. Transit revenues in this Statement have not been offset against Transit expenditure as the NLTP and SOI were prepared on a gross funding basis.

Actual 2003 (\$'000)	Notes	Actual 2004 (\$'000)	Budget 2004 (\$'000)
NATIONAL LAND TRANSPORT PROGRAMME			
Maintenance of local roads			
180,585	Structural maintenance	187,163	191,142
44,909	Corridor maintenance	48,474	47,987
24,966	Professional services	26,747	25,570
4,429	Preventive maintenance	3,131	4,500
13,792	Emergency works	44,476	13,000
268,681	Total maintenance of local roads	309,991	282,199
Replacement and improvement of local roads			
10,438	Pavement rehabilitation	14,907	14,750
8,944	Minor safety projects	16,030	10,548
40,046	Construction & property	40,288	38,534
59,428	Total replacement and improvement of local roads	71,225	63,832
Maintenance of state highways			
154,290	Structural maintenance	162,138	166,500
63,639	Corridor maintenance	69,762	67,700
41,673	Professional services	41,348	40,000
8,621	Property management	9,838	8,900
4,956	Preventive maintenance	6,418	5,500
14,570	Emergency work	25,286	17,000
287,749	Total maintenance of state highways	314,790	305,600
Replacement and improvement of state highways			
5,272	Pavement rehabilitation	4,375	4,000
10,269	Minor safety projects	25,261	10,968
185,268	Construction	246,550	245,080
55,059	Property purchase	61,953	65,000
255,868	Total replacement & improvement for state highways	338,139	325,048
14,159	Efficient alternatives to roading	10,678	28,000
77,832	Passenger transport	91,651	101,079
18,774	Regional development	27,846	23,160
1,949	Promotion of walking & cycling	3,403	3,800
Administration and project control			
28,620	Transit New Zealand	30,323	30,400
7,003	Regional Councils	6,855	7,146
7,833	Territorial Authorities	9,249	7,786
43,456	Total Administration and project control	46,427	45,332
8,562	Transfund New Zealand operating expenditure	8,875	9,200
2,096	Supporting industry development	2,458	2,750
1,038,554	Total cost of National Land Transport Programme	1,225,483	1,190,000

This supplementary information does not form part of Transfund New Zealand's financial statements.

a - Transit third party revenue of \$14.316 million has not been offset against Transit property management as presented in the Statement of Financial Performance. This is to be consistent with the basis on which the SOI and NLTP were prepared.

b - Transit property sales revenue of \$18.784 million has not been offset against Transit property purchases as presented in the Statement of Financial Performance. This is to be consistent with the basis on which the SOI and NLTP were prepared.

2003/2004

STATEMENT OF SERVICE PERFORMANCE

CONTENTS

Statement of Service Performance (SSP)	38
Notes to the SSP	40
Output class 1	41
Output class 2	43
Output class 3	44
Output class 4	47
Output class 5	47
Output class 6	48
Output class 7	49
Output class 8	50
Output class 9	52
Glossary of terms	54
Regional managers	56

STATEMENT OF SERVICE PERFORMANCE

for the year ended 30 June 2004

Introduction

Transfund's activities are identified under a number of specific output classes. The Statement of Projected Performance (SOPP) contained in the 2003/2006 Statement of Intent (SOI) detailed Transfund's targets and performance measures against each of these classes.

The services provided within all output classes were delivered in accordance with Transfund's Performance Agreement with the Minister of Transport.

This report details achievements against the SOPP targets and performance measures within each of the output classes.

While in the past Transfund has reported on targets established at the beginning of the year, or the approved initial NLTP, the 2003/2006 SOI makes reference to performance measures with targets from the February review of the National Land Transport Programme (NLTP). The table below contains initial SOI and February review targets for comparison with the previous year's achievements.

Unless otherwise stated all expenditure in this document is GST exclusive. Transit New Zealand expenditure in this document does not offset third party revenue (\$14.3 million) or property sales revenue (\$18.8 million).

Summary of output class expenditure

Actual 2002/03 (\$000)	Output class	Actual 2003/04 (\$000)	SOI		February review	
			Target 2003/04 (\$000)	% Actual against target	Target 2003/04 (\$000)	% Actual against target
\$357,268	1 Maintenance & expensed construction (local roads)	\$420,442	\$375,089	112	\$412,144	102
\$335,491	Maintenance and expensed road construction (local roads)	\$389,794	\$348,829	112	\$379,384	103
\$1,283	Passenger transport infrastructure (local roads)	\$158	\$0	-	\$157	101
\$1,344	Walking and cycling (local roads)	\$2,186	\$2,913	75	\$3,172	69
\$19,150	Regional development (local roads)	\$28,304	\$23,347	121	\$29,431	96
\$302,791	2 Maintenance & expensed construction (state highways)	\$329,310	\$320,910	103	\$324,674	101
\$267,774	3 Roothing capital improvements (state highways)	\$353,750	\$345,920	102	\$348,381	102
\$263,696	Roothing capital improvements	\$349,161	\$339,564	103	\$344,365	101
\$3,363	Passenger transport infrastructure (state highways)	\$3,092	\$5,394	57	\$2,738	113
\$668	Walking and cycling (state highways)	\$1,324	\$962	138	\$953	139
\$47	Regional development (state highways)	\$173	\$0	-	\$325	53
\$5,548	4 Roothing replacement (state highways)	\$4,577	\$5,000	92	\$4,188	109
\$15,292	5 Efficient alternatives to roading	\$11,415	\$28,000	41	\$29,645	39
\$69,748	6 Passenger transport community services	\$84,888	\$93,094	91	\$89,303	95
\$9,475	7 Passenger transport social services	\$9,768	\$10,036	97	\$10,263	95
\$8,562	8 Contract management	\$8,875	\$9,200	96	\$9,200	96
\$2,096	9 Advisory services	\$2,458	\$2,750	89	\$2,750	89
\$1,038,554	Total (GST exclusive)	\$1,225,483	\$1,190,000	103	\$1,230,548	100
\$129,819	Add GST	\$153,185	\$148,750	-	\$153,819	-
\$1,168,373	Total cost of outputs (GST inclusive)	\$1,378,669	\$1,338,750	103	\$1,384,367	100

TRANSFUND COMMENT

The overall expenditure for all output classes for the year under review was \$1,225.5 million compared to the February NLTP review target of \$1,230.5 million, \$5.1 million (0.4%) under expenditure. Of the nine output classes, four (local road maintenance and construction, maintenance state highways, state highway capital improvements, and roading replacement state highways) were above target expenditure. The output classes with significant under expenditure were the efficient alternatives to roading out-put class at \$18.2 million (61%) below target, and passenger transport community services at \$4.4 million (5%) below target.

When compared to the SOI target, overall expenditure was \$35.5 million (3%) over target.

Commentary on individual output class achievement follows.



Output class 1

Maintenance and expensed road construction (local roads) was \$10.4 million (3%) above the February review target and \$41.0 million (12%) above the SOI target. The overall result reflects a large increase in emergency work resulting from major storm events during November 2003 and February 2004 in the lower North Island.

Passenger transport infrastructure (local roads) met the February target but was above the SOI target due to the carry over of two kick-start projects from 2002/03 in Auckland and Hutt cities.

Walking and cycling (local roads) was \$0.99 million (31%) below the February target and \$0.7 million (25%) below the SOI target. Spending increased significantly compared to the previous year but being a relatively new activity some approved organisations are taking longer than anticipated to progress projects.

Regional development (local roads) achievement was \$1.1 million (4%) under the February target and \$5.0 million (21%) above the SOI target as approved construction projects were delayed due to an unseasonably wet summer.

Output class 2

Maintenance and expensed road construction (state highways) was \$4.6 million (1%) above the February target and \$8.4 million (3%) above the SOI target. This result was due to the large increase in emergency work resulting from major storm events during November 2003 and February 2004 in the lower North Island.

Output class 3

Roading capital improvements (state highways) was \$4.8 million (1%) above the February review target and \$9.6 million (3%) above the SOI target as progress on construction works was better than expected.

Passenger transport infrastructure (state highways) was \$0.4 million (13%) above the February review target and \$2.3 million (43%) below the SOI target due to delays in approval for the North Shore busway construction phase.

Walking and cycling (state highways) was \$0.4 million (39%) above the February review target and \$0.4 million (38%) above the SOI target as progress on projects was better than anticipated.

Regional development (state highways) expenditure of \$173,000 was achieved against no set SOI target, but a late carry-over allocation of \$325,000 from 2002/03. Achievement against the February target was \$152,000 (47%) below target as planned projects in the Gisborne region did not proceed due to pressure on contracting resources and protracted negotiations with other parties.

Output class 4

State highway roading replacement was \$0.4 million (9%) above the February review target, but \$0.4 million (8%) below the SOI target. This achievement above the February target was due to better than expected recovery against the original programme when projects were delayed by the storm events during February 2004 in the lower North Island.

Output class 5

Efficient alternatives to roading was \$18.2 million (61%) below the February review target and \$16.6 million (59%) below the SOI target due to the lack of qualifying funding applications received. Transfund has consequently been reviewing its funding policy for this output class.

Output class 6

Passenger transport community services including patronage funding was \$4.4 million (5%) below the February review target and \$8.2 million (9%) below the SOI target. This was mainly due to unspent patronage growth credits and the transfer of allocation for Auckland Regional Council rail rolling stock refurbishment to the efficient alternatives to roading output class.

Output class 7

Passenger transport social services was \$0.5 million (5%) below the February review target and \$0.3 million (3%) below the SOI target as expenditure on concessionary fares were less than expected.

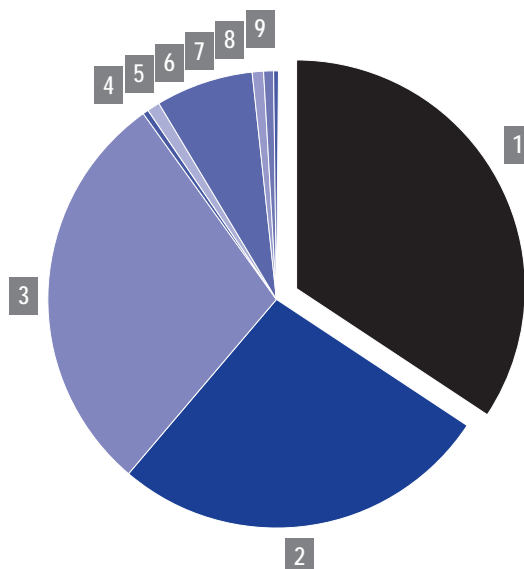
Output class 8 & 9

Contract management was \$0.3 million (4%) below target. Administrative spending was marginally below budget reflecting the deferral of some spending pending outcome of the review of the transport sector.

Advisory services was \$0.3 million (11%) below target due to the failure of some industry researchers to complete their research projects within agreed timeframes.

The pie chart below illustrates actual expenditure for each output class as a percentage of total NLTP expenditure.

1	Maintenance & expensed road construction (local roads)	34.3%
2	Maintenance & expensed road construction (state highways)	26.9%
3	Roading capital improvements (state highways)	28.9%
4	Roading replacement (state highways)	0.4%
5	Efficient alternatives to roading	0.9%
6	Passenger transport community services	6.9%
7	Passenger transport social services	0.8%
8	Contract management	0.7%
9	Advisory services	0.2%



NOTES TO THE STATEMENT OF SERVICE PERFORMANCE

Management of the NLTP

Transfund manages the NLTP by formally reviewing NLTP allocations and priorities on a monthly basis. These reviews provide flexibility to adapt to changing circumstances throughout the year as a result of changes in revenue projections, variations in project costs, project delays and approval of Category 2 projects (projects awaiting resource consents, property purchase or confirmation of benefit cost ratio (BCR)).

Programme control and monitoring

The key tool for prioritising the allocation of funds for outputs and projects included in the NLTP for 2003/04 was Transfund's funding allocation framework.

The key features of the framework were:

- BCRs (or Efficiency Ratios (ERs)) were used to arrive at an initial prioritisation of projects within each output
- Qualitative assessments of the degree to which projects contributed to the government's funding priorities, and the priority attached to projects by approved organisations (road controlling authorities (RCAs), regional councils (RCs), regional land transport committees and Transit New Zealand), were also taken into account when prioritising projects within output groups.

The funding allocation framework was used to prepare the 2003/04 NLTP as a balanced allocation across government priorities. Funds were allocated to output classes: road maintenance, road construction, passenger transport, alternatives to roading, regional development and the promotion of walking and cycling. The programme provided for projects that addressed relief from severe urban congestion, road safety improvements and improved regional transport networks.

Independent reviews of all projects over \$1 million, as well as reviews of a sample of other projects, were completed prior to projects being approved in the NLTP. These reviews ensured an appropriate quality of project is maintained.

The effectiveness of expenditure and delivery of the approved district, regional and state highway programmes are assessed through Transfund's audits from a technical, safety and financial perspective. Post-construction audits are also performed to compare actual benefits against the predicted benefits on which the project was approved. Approved organisations are also increasingly adopting safety audits to ensure projects are built safely.

The Land Transport Management Act came into force in November 2003. Consequently, in keeping with the transitional provisions of the Act, Transfund began to replace the funding allocation framework with Transfund's allocation process. Transfund also reviewed six Transit New Zealand projects over \$20 million to confirm they contributed to the new strategic objectives of the New Zealand Transport Strategy which was given effect to by the Land Transport Management Act: assisting economic development, assisting safety and security, assisting access and mobility, protecting and promoting public health and ensuring environmental sustainability. The six projects remained in the NLTP but various conditions were signalled before funding could be approved.



Standards and guidelines

Transfund's *Standards and Guidelines Manual* contains a list of all those documents that cover Transfund's policies and procedures. Standards included in this manual are mandatory for all approved organisations receiving funds from Transfund.

Annual comparisons

In the financial tables that follow, 2002/03 actual, 2003/04 target and actual expenditures are provided together with the percentage achieved against target. For non-financial data, comparisons are provided against the previous year and the SOI targets. The performance measures report on the quality, quantity, cost and timeliness of outputs contained in the SOI. For the 2003/2006 SOI, new measures were introduced that refer to targets established at the February review of the NLTP. In previous SSPs, the target referred to those initially published in the NLTP and the SOI. To provide historical continuity, initial NLTP or SOI targets are included along with the February NLTP review targets as specified by some performance measures.

Expenditure figures

Expenditure figures are prepared in accordance with the Statement of Accounting Policies. The "actual" figures reported throughout the Statement of Service Performance (SSP) show accrued Transfund expenditure on all approved work carried out.

In the tables, local roads expenditure represents the financial assistance provided by Transfund to territorial local authorities. The rate of assistance varies between authorities from 43 percent to 84 percent, with the average level being approximately 50 percent.

Maintenance expenditure for state highways and local authority special purpose roads is normally funded at 100 percent.

Construction expenditure for local authorities is funded at 5 percent above the financial assistance rate for each individual council. Construction of special purpose roads is generally funded at 75 percent and for state highways at 100 percent. All expenditure details provided in this report represent Transfund's expenditure, not the total expenditure.

Technical terms

Technical terms are defined in the glossary.

Transfund's performance

For each of the output classes the table included under the heading "Achievement of Performance Measures" demonstrates the extent to which the performance measures of each output class have been met. Unless stated otherwise, the performance measures and targets listed in the tables are those contained in the 2003/06 SOI.

OUTPUT CLASS 1

Maintenance and expensed road construction (local roads)

Description

Under this output class Transfund will purchase maintenance, expensed construction and rehabilitation of local roads, as specified in the NLTP. This includes projects that promote or facilitate walking and cycling, and investment in land transport infrastructure that directly contributes to improving regional development.

Output objectives

- maintain cost effectively the existing road and passenger transport infrastructure
- promote walking and cycling
- enhance regional development
- manage negative environmental impacts
- enhance the economic life of the road and passenger transport infrastructure
- maintain or improve road safety
- maintain or reduce vehicle operating costs

1 (a) Maintenance of local roads

Achievement –Transfund expenditure by output

Outputs	2002/03 Actual \$000	2003/04 Actual \$000	2003/04 SOI Target \$000	2003/04 SOI % Achieved	2003/04 February Target \$000	2003/04 February % Achieved
Structural maintenance	184,648	191,374	192,688	99	196,845	97
Corridor maintenance	45,919	49,565	48,375	103	49,199	101
Professional services	25,528	27,349	25,777	106	26,481	103
Preventive maintenance	4,529	3,201	4,536	71	4,593	70
Emergency work	14,102	45,477	13,105	347	14,800	307
Total	274,726	316,966	284,481	111	291,918	109

TRANSFUND COMMENT

Local roads maintenance expenditure was \$25.0 million (9%) above the February allocation. Emergency work was the main contributor to the over expenditure. Additional emergency works assistance of \$2.2 million was made post-February review from a government grant from outside the National Land Transport Account to local authorities in the lower North Island that experienced more than \$1.5 million in road damage as a result of February's floods. The grant was used to relieve 50% of the local share required for emergency works.

Expenditure on emergency work was \$30.7 million (207%) above February's allocation as a result of storm events in February in the lower North Island. Significant damage was inflicted on roads managed by authorities in the lower North Island. This amount of emergency work is the highest amount in dollars (\$45.5 million) and percentage (14% of local road maintenance or 4% of total expenditure) of any previous NLTP.

Achievement of performance measures

Note	Key measures	2002/03 Actual	2003/04 Actual	2003/04 Target
Quantity				
1	Variation in % terms between forecast and actual dollar expenditure on local road maintenance and improvement programme	2% + \$4.2 million	9% + \$25.0 million	+0/-2% from the February review of NLTP
2	Benefits predicted in RC and RCAs construction funding requests are realised and at a predicted cost	New measure 2003/04	Nil and 100%	85% of reports demonstrate cost benefit ratios within 10% of that predicted and 100% of Transfund audit sampling confirm the report's claims
3	Percentage and kilometre variation between planned and actual maintenance programme (reseals, area wide pavement smoothing)	-9.5% - 414.2 km	-12% -556 km	+/-2.5% +/-120km

Transfund expenditure on structural maintenance	
ACTUAL	191.4 million
TARGET	192.7 million

Transfund expenditure on corridor maintenance	
ACTUAL	49.6 million
TARGET	48.4 million

Note 1

The maintenance allocation was increased after the February review for emergency work resulting from the February 2004 storm events in the lower North Island.

Note 2

Three local road post-construction audits were completed. Reduced costs of construction meant the BCRs on two of the three projects were significantly above the pre-construction estimate. None of the three were within the +/- 10 percent target.

Note 3

The total length was below the target range, as the programme for many authorities was disrupted by the diversion of resources to emergency works, while expenditure was just under budget due to higher reveals costs.

	Transfund expenditure on construction (including pavement smoothing)	
ACTUAL		56.4 million
TARGET		53.7 million

1 (b) Improvement and replacement of local roads

Achievement - Transfund expenditure by output

Outputs	2002/03 Actual \$000	2003/04 Actual \$000	2003/04 SOI Target \$000	2003/04 SOI % Achieved	2003/04 February Target \$000	2003/04 February % Achieved
Minor safety projects	9,145	16,391	10,633	154	20,982	78
Construction (including pavement smoothing)	51,620	56,437	53,715	105	66,483	85
Passenger transport infrastructure	1,283	158	-	-	157	101
Walking & cycling	1,344	2,186	2,913	75	3,172	69
Regional development	19,150	28,304	23,347	121	29,431	96
Total	82,542	103,476	90,608	114	120,225	86

TRANSFUND COMMENT

The total expenditure for the improvement and replacement of local roads was \$16.7 million (14%) below the February target and \$12.9 million (14%) above the SOI target. Within this, only a small allocation for passenger transport infrastructure exceeded the February target. Allocations in this output class grew by 33 percent from the publication of the NLTP in June 2003 to the February 2004 review, due mainly to increased construction allocations and changed policy with respect to minor safety projects (from 4 percent of total maintenance to 8 percent). However, local road construction activity was severely disrupted by unfavourable weather conditions and in particular the February 2004 storm events in the lower North Island.

Transfund's NLTP funding enabled the successful completion and opening of several significant projects on local roads. These included:

- upgrading forestry roads under the regional development output for the Far North District West Coast Road and the Whangarei District, Otaika Valley and Mangakahia roads
- extending the north-western cycleway to city in Auckland City

- improvements to Kawakawa Orere Road in Manukau City to ease the alignment for heavy vehicles
- intersection improvements at Redoubt Road/ Hollyford Drive/ Everglade Drive in Manukau City.
- Seal extension of West Coast Road in Rodney District
- cycleway construction along the length of Marine Parade in Napier City
- reconstruction of Cardrona Valley Road bridges from single to two lanes in Queenstown-Lakes District.

Significant projects approved to start during 2003/04 were:

- Munroe Road bridge in Waitakere City
- Advance land purchase for the Harbour Link in Tauranga City
- Airstrip Road in the Gisborne District
- Prebensen Drive in Napier City
- Okahukuru Saddle seal extension in the Ruapehu District
- High Street intersections in Hutt City
- Nelson City cycleways
- Clandeboye southern access route in Timaru
- Chaslands Highway seal extension in the Catlins, Clutha District Council.

Note 4

The target number and budgets for project delivery were established at the February NLTP review. The primary cause of underachievement compared to budget was cost increases.

Note 5

This measure differs from previous years when the target was defined as the percentage of network length below a specified level of roughness. For 2003/04 the agreed maintenance programmes with authorities define the level of service in terms of pavement roughness, surface condition and integrity.

Note 6

Auditing found one materially significant instance of non-compliance in one approved organisation.

Note 7

This measure differs from previous years when the target was compliance with CPP requirements only.

Note 8

Most local road design is undertaken as an unassisted activity and Transfund cannot determine in which year design has begun. The 2003/04 actual has taken the percentage of new construction approvals with approved organisations that have acknowledged consideration of walking and cycling features in their design processes.

Note 9

No audits were undertaken on local roads walking and cycling projects.

Note 10

Expenditure on regional development programmes was below target, as some planned works did not proceed.

Achievement of performance measures

Note	Key measures	2002/03 Actual	2003/04 Actual	2003/04 Target
Quantity				
4	Percentage of construction projects delivered on time and within budget	New measure 2003/04	87%	≥95%
Quality				
5	Percentage of local roads complying with agreed levels of service and standards for road condition	91%	98%	95%
6	Compliance with legislative instruments and Transfund policy requirements	New measure 2003/04	96%	100%
Passenger transport infrastructure				
Quantity				
	Percentage variation between planned and actual year's expenditure on capital	28%	1%	+/- 5%
Quality				
7	Compliance with legislative instruments and Transfund policy requirements	New measure 2003/04	100%	100%
Walking and cycling				
Quality				
8	% of roading construction projects, where design commenced in the current financial year, that considered as part of their design brief the provision of walking and cycling features	New measure 2003/04	88%	100%
Quality				
	% of construction projects funded that are consistent with the relevant regional cycling strategy and the New Zealand Transport Strategy	New measure 2003/04	100%	100%
9	Compliance with legislative instruments and Transfund policy requirements	New measure 2003/04	N/A	100%
Regional development				
Quality				
10	Variance in % terms between forecast dollars approved and actual dollars spent on regional development programmes	-2%	-4%	0/-2%
Quality				
	Percentage of roads approved in the regional development programme complying with design statement	New measure 2003/04	100%	>95%

OUTPUT CLASS 2

Maintenance and expensed road construction (state highways)

Description

Under this output class Transfund will purchase the maintenance of state highways as specified in the NLTP. It includes the expensed rehabilitation and construction of state highways within local authority boundaries.

Output objectives

- maintain cost effectively the existing road and passenger transport infrastructure
- manage negative environmental impacts
- enhance the economic life of the road and passenger transport infrastructure
- maintain road safety
- maintain vehicle operating costs

Achievement of performance measures

Outputs	2002/03 Actual \$000	2003/04 Actual \$000	2003/04 SOI Target \$000	2003/04 SOI % Achieved	2003/04 February Target \$000	2003/04 February % Achieved
Structural maintenance	162,355	169,617	174,841	97	172,231	98
Corridor maintenance	66,966	72,980	71,092	103	70,882	103
Professional services	43,851	43,255	42,004	103	43,974	98
Preventive maintenance	5,215	6,714	5,776	116	5,758	117
Property management	9,072	10,292	9,346	110	9,318	110
Emergency work	15,332	26,452	17,851	148	22,510	118
Total	302,791	329,310	320,910	103	324,674	101

	Transfund expenditure on state highway structural maintenance	
ACTUAL		169.6 million
TARGET		174.8 million

	Transfund expenditure on state highway corridor maintenance	
ACTUAL		73.0 million
TARGET		71.1 million

TRANSFUND COMMENT

Actual expenditure for this output class was above the February target by \$4.6 million (1%) and the SOI target by \$8.4 million (3%).

Corridor maintenance was above target. Additional spending met increased demands for traffic and incident management on highways in Auckland and Waikato to minimise delays from incidents and gain maximum efficiency from these roading networks. Generally poor weather outside the main storm events also contributed in increased clean-up costs across the network.

Preventative maintenance was above target, as raising the Tangiwai bridge to minimise damage from an expected Mount Ruapehu lahar was added to the programme as a new work (\$1.0 million) after the February NLTP.

Emergency works was above target due to the additional work required to re-open and repair the North Island state highway network as a result of the February 2004 storms. The worst affected districts were those in Manawatu and Wanganui.

Achievement of performance measures

Note	Key measures	2002/03 Actual	2003/04 Actual	2003/04 Target
Quantity				
1	Variance in % terms between forecast and actual dollar expenditure on state highway maintenance programme	0%	+1%	+0/-2% from the February review of NLTP
	Percentage and kilometre variation between planned and actual state highway maintenance programme (reseals, area wide pavement, thin asphaltic surfacing)	1.3% +18.6km	1.5% +37.3km	+/-2.5% +/-40km
Quality				
	% of state highway network complying with agreed levels of service and standards for road condition	New measure 2003/04	99%	>95%
	Compliance with legislative instruments and Transfund policy requirements	New measure 2003/04	100%	100%

Note 1

Overall, expenditure on maintenance slightly exceeded the target range, primarily because of emergency works resulting from the lower North Island storm event.

OUTPUT CLASS 3

Roading capital improvements (state highways)

Description

Under this capital appropriation Transfund will purchase state highway roading capital improvements as specified in the NLTP. This includes investment in land transport infrastructure that directly contributes to improving regional development.

Output objectives

- improve the effectiveness and reliability of road and passenger transport services
- enhance the capacity and reliability of road and passenger transport infrastructure
- promote regional development
- improve road safety
- reduce congestion
- reduce crashes and the road toll
- provide improved user services, including rest areas and signage
- reduce negative environmental effects, including as noise, air emissions from vehicles and road run-off



Achievement - Transfund expenditure by output

Outputs	2002/03 Actual \$000	2003/04 Actual \$000	2003/04 SOI Target \$000	2003/04 SOI % Achieved	2003/04 February Target \$000	2003/04 February % Achieved
Minor safety projects	10,806	26,425	11,601	228	17,732	149
Construction	194,953	257,926	259,214	100	253,344	102
Property purchase	57,937	64,810	68,749	94	73,290	88
Passenger transport infrastructure	3,363	3,092	5,394	57	2,738	113
Walking & cycling	668	1,324	962	138	953	139
Regional development	47	173	-	-	324	53
Total	267,774	353,750	345,920	102	348,381	102

Transfund expenditure on construction		
ACTUAL		257.9 million
TARGET		259.2 million

TRANSFUND COMMENT

Expenditure on state highway capital improvements was \$5.4 million (2%) above the February target and \$7.8 million (2%) above the SOI target. This was mainly due to over-expenditure in minor safety projects. During the NLTP year, the Transfund Board approved increased spending for minor safety projects, increasing the allocation from 4 percent to 8 percent of the total state highway total maintenance allocation.

Projects completed during the year include:

- Tauroa Stream and Flyger Road passing lanes on State Highway 1, Northland
- Grafton Gully upgrade of State Highway 16, Auckland
- Puhinui Interchange on State Highway 20, Auckland
- Shell Gully bridge earthquake strengthening on State Highway 1, Wellington
- Wairoa bridge duplication on State Highway 6, Tasman

Significant projects approved to start during 2003/04 include:

- Katetoke-Oakleigh safety improvements on State Highway 1, Northland
- North Shore busway on State Highway 1, Auckland
- Esmonde Road interchange on State Highway 1, Auckland
- Mount Roskill extension on State Highway 20, Auckland
- Tapapa Curves realignment on State Highway 5, Waikato
- Long Swamp to North of Rangiriri on State Highway 1, Waikato
- Domain Road intersection on State Highway 2, Bay of Plenty
- Hewletts Road flyover on State Highway 29, Bay of Plenty
- Hihitahi Bluffs realignment on State Highway 1, Manawatu/Wanganui
- Mackays Crossing overbridge on State Highway 1, Wellington
- Inner city bypass on State Highway 1, Wellington
- Main North Road four-laning on State Highway 74, Canterbury
- Normanby realignment on State Highway 1, Canterbury.



Achievement of performance measures

Note	Key measures	2002/03 Actual	2003/04 Actual	2003/04 Target
Roading capital improvements				
Quantity				
1	Percentage of construction projects delivered on time and within budget	New measure 2003/04	93%	≥95%
2	Variance in % terms between forecast and actual dollar expenditure on state highway improvement programme	-13%	+2%	0/-2% from February review of NLTP
Passenger transport infrastructure				
Quantity				
	Percentage variation between planned and actual expenditure on: consulting fees (investigation and design)	-12%	+1%	0/-2% from February review of NLTP
3	Physical construction	-14%	NA	+/-3% from February review of NLTP
Quality				
	Compliance with legislative instruments and Transfund policy requirements	New measure 2003/04	100%	100%
Regional development capital				
Quantity				
4	Variance in % terms between forecast dollars approved and actual dollars spent on regional development programmes	New measure 2003/04	-47%	0/-2% from February review of NLTP
Quality				
5	Percentage of roads approved in the regional development programme complying with design statement	New measure 2003/04	NA	≥95%
6	Compliance with legislative instruments and Transfund policy requirements	New measure 2003/04	N/A	100%
Walking and cycling				
Quality				
	% of roading construction projects, where design commenced in the current financial year, that considered as part of their design brief the provision of walking and cycling features	New measure 2003/04	100%	100%
Quality				
	% of construction projects funded that are consistent with the relevant regional cycling strategy and the New Zealand Transport Strategy	New measure 2003/04	100%	100%
7	Compliance with legislative instruments and Transfund policy requirements	New measure 2003/04	N/A	100%

Note 1

A number of projects were advanced from 2004/05 and beyond into 2003/04 to take advantage of available funding and resources, but were not sufficient to offset a number of block funded projects that stalled. In total, completed projects came in under the expected cost.

Note 2

Programme over expenditure was primarily due to a large increase in expenditure on minor safety projects. Transit New Zealand accelerated expenditure on minor safety projects within their construction programme to enable early achievement of additional safety benefits.

Note 3

There is no achievement as no construction projects were approved at the time of the February review. When compared to the SOI, achievement is below target as the initial expectation was that the North Shore busway would have been approved early in the NLTP. This project was included in the review of six major projects during the transition to the objectives of the Land Transport Management Act and was approved at

the May NLTP Review. Total achievement for passenger transport infrastructure (consulting fees and physical construction) was 43 percent below the SOI target or 113 percent above the February target because of the later construction approval of the busway.

Note 4

Underachieved as carry-over projects in the Gisborne region did not proceed due to pressure on contracting resources and protracted negotiations with other parties

Note 5

No state highway regional development capital projects were approved to start in 2003/04. Expenditure was for carry-over projects from 2002/03.

Note 6

No audits were undertaken on state highway regional development capital projects.

Note 7

No audits were undertaken on state highway walking and cycling capital projects.

OUTPUT CLASS 4

Roading replacement (state highways)

Description

Under this capital appropriation, Transfund allocates funds for the reinstatement of state highways to their original standards.

Output objectives

- reduce negative environmental effects, including noise, air emissions from vehicles and road run-off.

Achievement - Transfund expenditure by output

Outputs	2002/03 Actual \$000	2003/04 Actual \$000	2003/04 SOI Target \$000	2003/04 SOI % Achieved	2003/04 February Target \$000	2003/04 February % Achieved
Pavement smoothing	5,548	4,577	5000	92	4,188	109



Achievement of performance measures

Note	Key measures	2002/03 Actual	2003/04 Actual	2003/04 Target
Quantity				
1	Variance in % terms between forecast and actual dollar expenditure on state highway roading programme	-45%	+9%	0/-2% from February review of NLTP
	Compliance with legislative instruments and Transfund policy requirements	New measure 2003/04	100%	100%

Note 1

State highway roading replacement was \$0.4 million (9%) above the February target and \$0.4 million (8%) below the SOI target. Transfund initially allocated \$5 million to pavement smoothing. During the February review Transit New Zealand reviewed its requirement's revising downwards due to the storm events in the lower North Island. Subsequently, good recovery against the initial programme was made resulting in over-achievement with respect to the February target but within initial spending expectations.

OUTPUT CLASS 5

Efficient alternatives to roading

Description

Under this output class Transfund will purchase services from regional councils that provide efficient alternatives to roading and purchase capital projects with alternatives to roading features. Alternative services include bus, rail and ferry services for both freight and passenger transport.

Output objectives

- support for transport that provides an effective alternative to roads

Achievement - Transfund expenditure by output

Outputs	2002/03 Actual \$000	2003/04 Actual \$000	2003/04 SOI Target \$000	2003/04 SOI % Achieved	2003/04 February Target \$000	2003/04 February % Achieved
Total Cost	15,292	11,415	28,000	41	29,645	39



TRANSFUND COMMENT

Though there were several indicative bids submitted when the 2003/04 NLTP was compiled, relatively few applications emerged during the year. Actual expenditure was under the SOI target by \$16.6 million (59%) and \$18.2 million (61%) below the February review target. This was due to the lack of funding applications received from approved organisations. Transfund worked with Auckland and Wellington regional councils on rail proposals, with the expectation of receiving fully developed funding applications for the 2004/05 NLTP.

Achievement of performance measures

Note	Key measures	2002/03 Actual	2003/04 Actual	2003/04 Target
Quantity				
1	Percentage of projects that meet Transfund evaluation criteria that are funded	100%	100%	100%
	Percentage of project applications where the land transport benefits are greater than Transfund's contribution to the provision of alternatives to roading services. Grouped by rail and maritime freight	New measure 2003/04	100% rail NA maritime freight	100%

Note 1

In total, eight alternatives to roading projects were approved during 2003/04. Only two were capital projects - Auckland Regional Council rolling stock refurbishment and the Napier to Gisborne rail link. Three travel behaviour change evaluations and three freight barging evaluations were also funded. These projects are not reflected in this measure as evaluation projects do not have quantifiable benefits.

OUTPUT CLASS 6

Passenger transport community services

Description

Under this output class, Transfund allocates funds to subsidise the cost of passenger trips on public transport services. This does not include efficient alternatives to roading or services funded under the passenger transport social services output class.

Output objectives

- enhance the mobility of people who are dependent on public transport
- enhance the transport options available to those people in urban areas experiencing congestion
- increase the reliability of the transport network
- enhance the capacity of passenger transport infrastructure
- reduce congestion
- provide improved user services for the public
- reduce negative environmental effects, such as atmospheric emissions from vehicles and run-off from roads

Achievement - Transfund expenditure by output

Outputs	2002/03 Actual \$000	2003/04 Actual \$000	SOI 2003/04 Target \$000	% Achieved against target
General community services	1,046	1,192	1,614	74
Baseline funding	39,699	39,816	41,883	95
Patronage growth funding	19,726	39,295	42,897	92
Kick start funding (new services)	4,083	3,150	3,581	88
Rail refurbishment	3,057	244	1,340	18
Commercial trials	2,137	1,191	1,779	67
Total	69,748	84,888	93,094	91



TRANSFUND COMMENT

General community services encompass bus shelters, facility infrastructure and funding of general services for regions that are not part of the patronage funding scheme.

The total expenditure for the passenger transport community services output class was \$8.2 million (9%) below the SOI target. This was primarily due to lower than anticipated growth in patronage and, as a result, lower than anticipated expenditure by regional councils.

Allocation for kick-start funding was to support existing initiatives in place. The under-spend relates to less subsidy than anticipated being required to maintain those initiatives.

The allocation of \$1.3 million set aside for refurbishment of rail rolling stock was underspent by 82% due to transferring Auckland Regional Council's rolling refurbishment work to the efficient alternatives to roading output.

Achievement of performance measures

Note	Key measures	2002/03 Actual	2003/04 Actual	2003/04 Target
1	Transfund subsidy per passenger kilometre travelled on contracted services	\$0.08	\$0.13	\$0.08
2	The number of passenger boardings on contracted services	65.4 million	70.2 million	68 million
	The number of kilometres that passengers travel (purchased passenger kilometres) on contracted services	606 million	671 million	680 million
3	Percentage and dollar levels of total costs (fares plus RC and Transfund costs) recovered by fares on contracted services	50% \$99.8 million	46% \$110.8 million	49% \$95.0 million
4	The percentage and dollar variation between planned and actual year's expenditure on contracted services	-5.9% - \$4.0 million	-5.7% -\$5.0 million	+/-5% +/- \$3.0 million
	User satisfaction, as measured by the percentage of users who rate contracted services as good or better by an annual independent survey	66%	76%	75%
Output: Patronage funding				
5	Growth in numbers of boardings compared to previous year's boardings (contracted and non-contracted)	12%	1%	4%

Note 1

The higher subsidy per passenger kilometre is primarily due to the use of the patronage funding credits in 2003/04.

Note 2

The increase in patronage on contracted services (7%) is a result of some registered commercial services in both Auckland and Wellington being withdrawn and converted to contracted services, thereby increasing patronage on contracted services.

Note 3

The higher fare recovery in dollar terms reflects growth in contracted patronage. The percentage of fares to total costs has

fallen due to Transfund paying out patronage credits for growth that occurred in previous years.

Note 4

Actual expenditure was lower than targeted, primarily as a result of a lower level of patronage growth than expected for in Auckland.

Note 5

Overall patronage increased only marginally, primarily as a result of a reduction in overseas students attending English language schools and capacity constraints on some services in Auckland and the other main centres.

OUTPUT CLASS 7

Passenger transport social services

Description

Under this output class, Transfund allocates funds to passenger transport social services for the public transport dependent. Services include total mobility services, concessionary fare schemes that operate reduced fare scheme for targeted groups of people, and urban school transport services.

Output objectives

- enhance the mobility of people who lack access to private transport and are otherwise transport disadvantaged

Achievement - Transfund expenditure by output

Outputs	2002/03 Actual \$000	2003/04 Actual \$000	SOI 2003/04 Target \$000	% Achieved against target
Total Cost	9,475	9,768	10,036	97

TRANSFUND COMMENT

Social services expenditure was slightly under target but increased since last year, as a result of the lower growth in concessionary patronage than anticipated. Total mobility expenditure was on target.

Achievement of performance measures

Note	Key measures	2002/03 Actual	2003/04 Actual	2003/04 Target
	Transfund subsidy per concessionary fare passenger boarding on contracted services	\$0.33	\$0.33	\$0.31
1	The number of concessionary fare passenger boardings on contracted services	9.4 million	8.4 million	12.0 million
2	The number of subsidised total mobility boardings provided	1.7 million	1.7 million	2.0 million
3	Transfund subsidy per total mobility boarding	\$1.78	\$1.92	\$0.90
	Percentage and dollar level of total costs (fares plus RC and Transfund costs) recovered through fares on school services	39%	39%	40%
		\$4.5million	\$4.5million	\$4.5million
	The percentage and dollar variation between planned and actual year's expenditure on school services	-0.3%	-4.1%	+/-5%
		-\$0.03 million	-\$0.30 million	+/-0.35 million
4	User satisfaction, as measured by the percentage of concessionary fare passengers who rate contracted services as good or better, by an annual independent survey	61%	76%	75%

Note 1

Concessionary boardings on contracted services is one million lower than last year due to two regions' services now being reported as fully commercial (Manawatu-Wanganui and Hawke's Bay). Concessionary boardings on both contracted and commercial services for 2003/04 were over 10 million. The target for 2003/04 was set at a level considerably above the achievement for 2002/03 and will need to be reviewed for future returns.

Note 2

The number of subsidised total mobility boardings for 2003/04, while below target, was the same as 2002/03 at 1.7 million boardings, reflecting the careful management of these schemes by regional councils.

Note 3

Transfund's subsidy per total mobility boarding has increased in 2003/04 primarily due to funding of replacement wheelchairhoists

at 60 percent, which was brought in part way through the year. Prior to 2003/04 they were funded at 40 percent. The target has been set at an unrealistically low level and does not reflect the performance over past years. The target has been increased to \$1.80 for 2004/05.

Note 4

Overall, 76 percent of the respondents surveyed rated passenger transport social services as either good or excellent. Unfortunately due to an inadequate sample size in Wellington this information was not gathered for this region. Only Auckland and Canterbury provided returns for 2003/04. The smaller regions do not report on this measure.



OUTPUT CLASS 8

Contract management

Description

Under this output class Transfund will develop and manage the National Land Transport Account. This includes the development and administration of:

- the National Land Transport Programme (NLTP)
- Transfund's allocation process including project evaluation criteria
- pricing procedures
- policy standards and guidelines
- agreements with road controlling authorities (RCAs) and regional councils (RCs), as service providers, to record the arrangements between the parties for the implementation of the NLTP.

Transfund will audit RCAs and RCs under this output class.

Output objectives

- the provision of clear communication mechanisms
- the provision of information to assist decision-making and assess performance
- the determination of appropriate cost, quantity, quality and timeliness measures
- ensure that RCAs and RCs are meeting their contractual obligations
- improve the performance of RCAs and RCs and increase value for money

Achievement - Transfund expenditure by output

Outputs	2002/03 Actual \$000	2003/04 Actual \$000	SOI 2003/04 Target \$000	% Achieved against target
Total Cost	8,562	8,875	9,200	96

TRANSFUND COMMENT

This output class covers services provided by Transfund. Actual expenditure was \$0.3 million (4%) under budget. Administrative expenditure was marginally below budget reflecting the deferral of some spending pending outcome of the review of the transport sector.

STAKEHOLDER SURVEY

OPRA Consulting Group monitored Transfund's performance through a stakeholder survey. Overall satisfaction with performance remains high.

The survey was fully revised for 2003/04 to enable Transfund to focus on key operational and strategic aspects. This full revision resulted in only a few aspects where direct comparison could be made to the previous year.

Transfund received useful feedback and will be working on initiatives to address areas where improvement opportunities were identified.



Achievement of performance measures

Note	Key measures	2002/03 Actual	2003/04 Actual	2003/04 Target
Quantity	Audit RCAs based on risk profile	32	26	25
	Number of projects subject to post-construction audits	10	9	9
	Audit at least one quarter of all RCs	4	4	4
Quality				
1	Satisfaction to RC and RCAs of doing business with Transfund, including compliance costs	New measure 2003/04	79%	>75% of respondents to annual satisfaction survey give a rating of satisfactory or higher
Timeliness				
2	Audit issues followed up with and resolved by the organisation that has been audited within agreed timeframes	New measure 2003/04	74%	100%
3	Percentage of agreements for the following financial year that are in place with all RCAs and RCs by 30 June 2004	92%	75%	100%
	Publication of NLTP for the following financial year will be on time - no later than 30 June 2004	30 June 2003	30 June 2004	30 June 2004



Note 1

The questions included in this year's stakeholder questionnaire differed significantly to those asked in 2002/03 meaning direct comparisons could not be made. In 2002/03, 91 percent of stakeholders rated Transfund's performance as good or very good.

Note 2

Since 30 June 2004 a further 19 percent of issues have been resolved. Actions are underway for the resolution of the remaining seven outstanding issues.

Note 3

NLTP agreements are in place for all approved organisations. The measure reflects the signing and return of variations to those agreements. The outstanding 25 percent of variations to NLTP agreements have been signed by approved organisations since 30 June 2004.

OUTPUT CLASS 9

Advisory services

Description

Under this output class Transfund will provide advice on key issues relating to the funding of the National Land Transport Programme (NLTP), transportation issues, legislative requirements and the requirements attached to receipt of funding from the National Land Transport Account. This includes:

- advice to the Minister on key issues relating to funding the NLTP
- advice to approved organisations on relevant legislation and the requirements of the NLTP
- advice to the transport industry on transportation issues
- research and development
- education and training.

Output objectives

All advice provided to the Minister, approved organisations and the transport industry on transport issues will:

- have regard to the objectives of the New Zealand Transport Strategy
- have regard to the government's transport policy
- be accurate, timely, transparent and effective.

All parties with a substantial interest are:

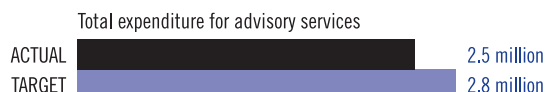
- kept informed of Transfund's policies and decision-making processes
- kept informed on a timely basis of any key issues which affect them
- given the opportunity to be involved in decision-making processes on key issues
- advised of the results of Transfund's research.

To ensure the efficient and effective development and implementation of government policies, Transfund will:

- keep the Minister fully informed of the funding requirements of the NLTP, any substantive issues relating to the NLTP, and possible future developments and their impacts
- work with the Ministry and other relevant government agencies to develop and enhance government policies
- ensure the processes governing its expenditure on research and development, education and training are rigorous and transparent.

Achievement - Transfund expenditure by output

Outputs	2002/03 Actual \$000	2003/04 Actual \$000	SOI 2003/04 Target \$000	% Achieved against target
Total Cost	2,096	2,458	2,750	89



TRANSFUND COMMENT

The expenditure in this output class was below target by \$0.3 million (11%). This was due to some researchers not completing their projects. Initiatives, such as the use of sector steering groups and more emphasis on management of deliverables and milestones, have been implemented to improve future performance by researchers.

Key initiatives funded under this output class include Transfund's research and development programme and advice to the roading industry and public sector.

RESEARCH

Transfund approved funding for 21 new projects and 12 ongoing projects totalling nearly \$2.5 million in the 2003/04 research programme. Project allocations across key topic areas were asset management (9), natural hazard risk management (3), safety (7), six in environmental effects, travel behaviour (6) and traffic management (2).

EDUCATION AND TRAINING

Transfund continued to support industry development through degree programmes from the universities of Auckland and Canterbury, plus the soon-to-commence degree from the New Zealand Institute of Highway Technology. Workshops on the fundamentals of planning and design for cycling were held throughout the country during September and October 2003. Consultation on Transfund's allocation process and the impact of regionally allocated funds were held during November 2003 and June 2004 in the main centres.

Achievement of performance measures

Note	Key measures	2002/03 Actual	2003/04 Actual	2003/04 Target
Quantity				
	Publication of research findings in Transearch	4 publications	3 publications	2 publications
Quality				
	RCs, RCAs and industry groups satisfaction with quality of advice given by Transfund	72%	83%	75%
1	RCs, RCAs and industry groups agreement that Transfund's industry training programme adds value to the land transport industry	New measure 2003/04	78%	80%
Timeliness				
2	Percentage of final research projects completed on time	53%	64%	75%
	Percentage of reports and answers to parliamentary questions provided within the deadlines set by the Minister's office or the Secretary for Transport	100%	100%	100%

Note 1

Stakeholders requested that Transfund carry out more training related to sector issues, rather than concentrating on compliance with procedures.

Note 2

Fifteen of the 42 research projects were delayed. Of those delayed, several of the reports are currently with peer reviewers.





Approved organisation

Defined in section 5 of the Land Transport Management Act 2003 as Transit New Zealand, regional councils, territorial authorities and other approved public organisations.

Block allocation

An allocation of a 'block' of funds to cover a number of low risk projects.

BCR (B/C)

Also referred to as the benefit-cost ratio. The BCR represents the number of dollars of public benefit gained per dollar of roading authority expenditure (capital and maintenance) over a 25 year period.

Category 2 projects

Projects that are yet to meet funding criteria, usually because they are awaiting approval of resource consents, property purchases, completion of design work or evaluation of their BCR.

Corridor maintenance

Maintenance work, other than that which prolongs the life of the road pavement to maintain safety and aesthetic standards, eg, pavement marking, traffic signs, marker posts, vegetation control.

GST

Goods and services tax.

Kick start funding

Up-front funding, available over a three year period until end June 2003, to implement new services, capital projects under \$400,000 and other initiatives aimed at growing passenger transport patronage. This three year period was extended into 2003/04 due to carry-over of allocations from 2002/03.

Km

Kilometre – a measure of distance (= 1000 metres).

Land transport

Transport on land (or water) by any means and the infrastructure facilitating such transport, including all forms of road and rail transport. The definition also includes surface effect vehicles, eg, hovercraft, and harbour ferries.

Lane kilometre

A measure of length - one lane kilometre = one kilometre along a single lane of a road.

Local authority

Any regional council or territorial authority as in section 5(1) of the Local Government Act 2002.

LTMA

The Land Transport Management Act 2003 (often referred to as 'the Act' in this annual report).

Minister

The Minister of Transport.

MOT

Ministry of Transport.

NLTA

National Land Transport Account – the account(s) established by Transfund in accordance with section 10 of the Land Transport Management Act 2003.

NLTP

The annual National Land Transport Programme is produced in accordance with section 19 of the Land Transport Management Act 2003. The NLTP covers Transfund's distribution of funds for the national land transport needs for each year, as approved by the Transfund Board.

NLTP agreements

Relationship and accountability agreements established between Transfund and approved organisations, covering the rights and responsibilities of the parties under the NLTP.

Output class

A grouping of goods and services as defined in the Public Finance Act 1989. Within the context of Transfund's expenditure it refers to the categories of funding provided under the NLTP.

Passenger kilometres

A unit of measurement of passenger transport - one passenger kilometre equals one kilometre travelled by one passenger.

Patronage funding scheme

A scheme for funding passenger transport services, designed to increase patronage through new services that will benefit commuters and ease traffic congestion at the times and

places of greatest need. Under patronage funding the more passengers carried in a region, the greater the funding from Transfund.

Pavement

All the material between the road surface and the underlying foundation, which provides a smooth surface for vehicles and spreads vehicle loads.

Procurement procedures

Procurement procedures, as specified in section 25 of the Land Transport Management Act 2003, are to ensure competition for the supply of goods and services purchased by approved organisations. Approved procurement procedures include those contained in Transfund's competitive pricing procedures manual.

RC

Regional council - as in section 5(1) of the Local Government Act 2002.

RCA

Road controlling authority – an authority responsible for providing roading outputs. RCAs include Transit New Zealand, local authorities, the Department of Conservation and the Waitangi Trust.

RLTC

Regional Land Transport Committee – a committee established under section 178 of the Land Transport Act 1998.

Road

As defined in section 2(1) of the Transit New Zealand Act 1989. Roading has a corresponding meaning.

SOI

The Statement of Intent, as approved by the Minister of Transport and produced in accordance with the Public Finance Act 1989 comprises the objectives and performance targets for the stated year, against which Transfund is evaluated.

SOPP

Statement of Projected Performance contained in Transfund's Statement of Intent.

SSP

Statement of Service Performance, which reports Transfund's performance against the SOPP contained in the Statement of Intent.

State highway

A state highway is a roadway declared as such under as in section 2(1) of the Transit New Zealand Act 1989.

Structural maintenance

Maintenance work carried out on the pavement to maintain its structural integrity and serviceability.

Transit New Zealand

As discussed under sections 75-83 of the Land Transport Management Act 2003, responsible for the operation of the State highway system in a way that contributes to an integrated, safe, responsive, and sustainable land transport system.

FROM TOP:

Northern regional manager: Dave Macdonald

Central regional manager: Ian Hunter

Southern regional manager: Neil Bennett



NATIONAL OFFICE

Level 3, BP House
 20 Customhouse Quay
 PO Box 2331,
 Wellington, New Zealand
 Telephone: 64-4-916 4220
 Facsimile: 64-4-916 0028
 reception@transfund.govt.nz

NORTHERN REGION

AUCKLAND Office
 Level 1, 25 Great South Road, Newmarket
 PO Box 74172, Market Road
 Auckland, New Zealand
 Telephone: 64-9-529 9936
 Facsimile: 64-9-529 9948

CENTRAL REGION

WELLINGTON Office
 Level 3, BP House
 20 Customhouse Quay
 PO Box 3228
 Wellington, New Zealand
 Telephone: 64-4-916 5600
 Facsimile: 64-4-916 5609

SOUTHERN REGION

CHRISTCHURCH Office
 Level 1, 85 Riccarton Road, Riccarton
 PO Box 8498
 Christchurch, New Zealand
 Telephone: 64-3-341 6012
 Facsimile: 64-3-341 6014

AUDITOR

Audit New Zealand, Wellington
 On behalf of the Controller and Auditor-General

BANKERS

Bank of New Zealand

SOLICITORS

Principal Advisors - Chapman Tripp Sheffield Young
 Others - Buddle Findlay, Kensington Swan, Bell Gully

INSURER

Aon Risk Services



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