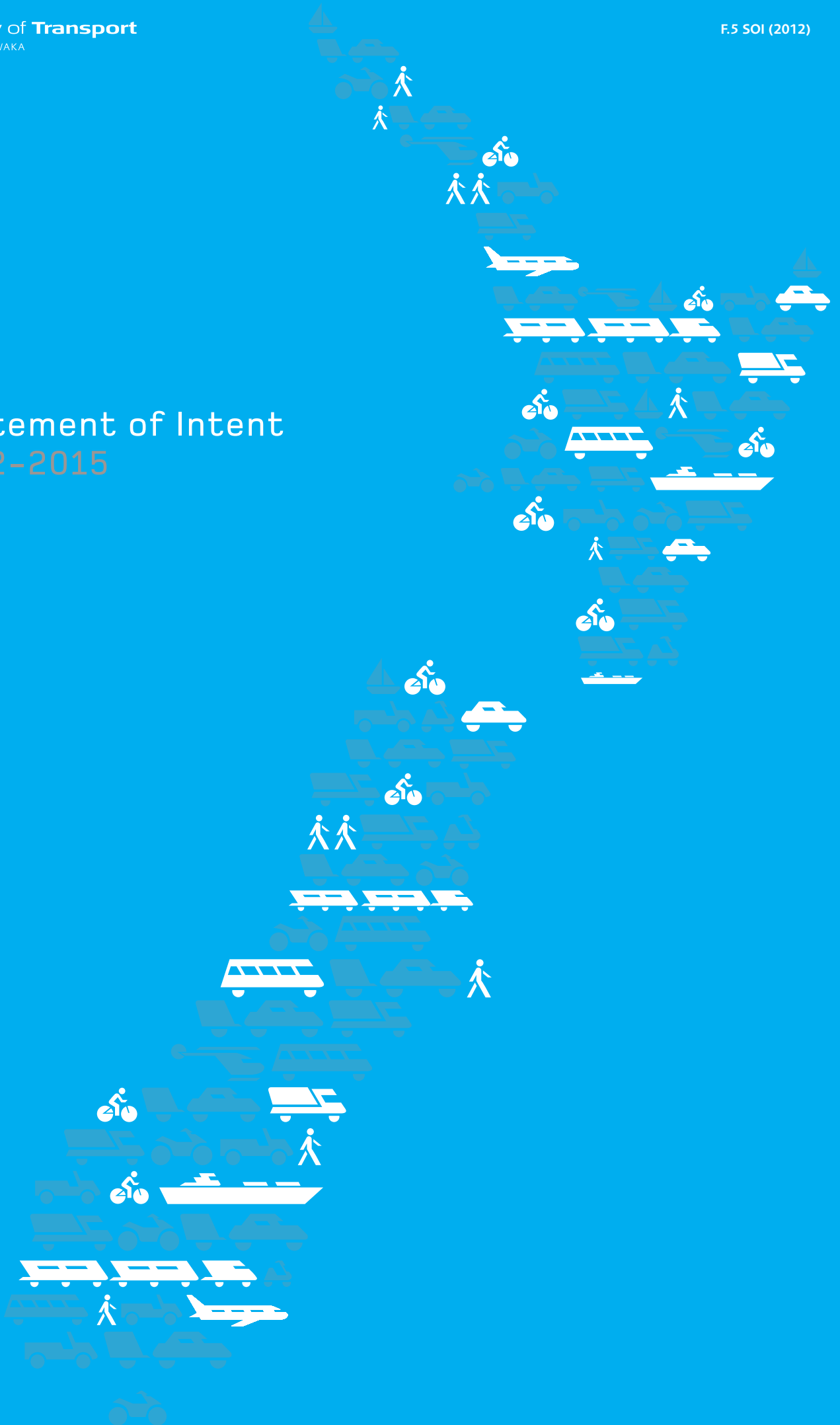


Statement of Intent 2012-2015



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Foreword from the Minister of Transport

A well-performing transport system is central to our daily lives. We all use the transport system – to get us to work, to meet with family and friends, to move our goods to markets or to connect us with the international community. I have four important priorities for the transport system:

- investment in infrastructure
- better quality regulation
- a safer transport system
- opening markets.

Alongside those priorities, the transport system also needs to be able to respond to other issues, including the government's drive for better public services, and unforeseen circumstances, such as the Canterbury earthquakes or the Rena grounding.

INVESTMENT IN INFRASTRUCTURE

The government is making significant investments in the Roads of National Significance and KiwiRail Turnaround Plan to lift the performance of the transport system. But there are other major issues that the government needs to address. The rebuild of Christchurch's transport infrastructure and the government's response to the new Auckland Plan, in particular, raise significant funding challenges. This means that we will need to be clear on our funding priorities, the timing of our investments, and the revenue and other funding options that are available. This includes attracting private sector investment.

BETTER QUALITY REGULATION

Regulation has been used widely to govern how we all use the transport system and it remains important to the transport system operating safely and efficiently. However, such regulation can impose significant costs on businesses and citizens. We need to be confident such costs are minimised and justified.

Major initiatives, such as vehicle licensing reform, offer opportunities to make significant reductions in transport costs for all New Zealanders over the coming years. Implementing other initiatives over the coming months, such as changes to the road user charges system, will also bring reduced compliance costs.

A SAFER TRANSPORT SYSTEM

As a country we have made great progress in reducing the number of deaths that occur on our roads in recent years, and we need to continue to do so. The \$3.5 billion annual social cost of road crashes is too high. Implementing the *Safer Journeys* action plan is a high priority. Another is developing the next action plan with a focus on young drivers, alcohol, improving the roads and reducing speed-related crashes.

OPENING MARKETS

There are opportunities to create improved access to international and domestic markets. Negotiating new or amended air services agreements with emerging markets will enable New Zealand firms to take advantage of new and growing markets for business and tourism. Implementing the new public transport operating model will encourage patronage growth, maximise competition on routes and result in less reliance on government subsidies.

RESPONDING TO OTHER ISSUES

Achieving all that the transport system can offer, economically and socially, will require the transport sector to work together and lift its performance.

This Statement of Intent sets out what the Ministry of Transport will do to support the government and lift the performance of the transport system. I am satisfied the Statement of Intent reflects my expectations of the Ministry.

MINISTERIAL STATEMENT OF RESPONSIBILITY

I am satisfied that the information on future operating intentions provided by my department in this Statement of Intent and the Information Supporting the Estimates is in accordance with sections 38, 40 and 41 of the Public Finance Act 1989 and is consistent with the policies and performance expectations of the government.



Hon Gerry Brownlee
Minister of Transport

Introduction from the Chief Executive

Over the last three years, the Ministry has been proactive in its efforts to lift its performance and manage its costs. We have made good progress in becoming more flexible and productive. We will maintain our focus on this and our drive to be more proactive, responsive and innovative to deliver on the government's priority for better public services.

The Ministry's Regulatory Reform Programme is a good example of our responsiveness and innovation. We will continue to embed these approaches within the Ministry.

The Ministry is the adviser to government on transport policy and investment matters. We are required to undertake complex policy development, involving financial, economic and statistical analysis. One area of advice relates to transport infrastructure. We provide this in the knowledge that transport infrastructure can have a life span of many decades or longer. Deciding when and how much to invest in transport infrastructure and services are major decisions for New Zealand.

We have had some great examples of robust policy work over the last year. This includes new metro rail arrangements, a new public transport operating model and advice on major investment proposals for Clifford Bay and the Auckland City Rail Link. However, we are striving to continue to develop our capability to deliver consistently high quality work.

We have also been actively managing our costs and cost structure. We have reduced the size of the Ministry over the last two years by managed attrition and some restructuring. We have also, voluntarily, participated in government benchmarking exercises. This has helped us better understand our cost structures and identify areas where we may be able to achieve further efficiencies.

The Ministry is stepping up to its leadership role within the government transport sector. As part of that we are working with our sector partners to look at the potential for shared services. We are also strengthening the way we lead the National Road Safety Committee, and the Search and Rescue Council.

The next three years will be challenging for the Ministry as we address key transport issues. These include:

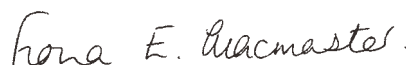
- determining whether the government should own or invest in particular infrastructure proposals, including Clifford Bay and the Auckland City Rail Link
- deciding on what changes to the current transport revenue-raising system will be needed to meet future funding requirements
- continuing to reduce the regulatory burden from the transport system while maintaining safety and security
- continuing the momentum generated to reduce the social cost of road crashes and the number of deaths and serious injuries on our roads.

CHIEF EXECUTIVE STATEMENT OF RESPONSIBILITY

In signing this statement, I acknowledge that I am responsible for the information contained in the Statement of Intent for the Ministry of Transport. This information has been prepared in accordance with the Public Finance Act 1989. It is also consistent with the proposed appropriations set out in the Appropriation (2012/13 Estimates) Bill, as presented to the House of Representatives in accordance with section 13 of the Public Finance Act 1989, and with existing appropriations and financial authorities.



Martin Matthews
Chief Executive, Ministry of Transport



Fiona Macmaster
Manager Finance, Ministry of Transport

Nature and scope of functions

As a trading nation we rely on transport infrastructure and services to get our goods to our international markets, and to move goods around the country. The transport system is also an important enabler of economic growth and social connectivity within communities.

However, the transport sector is an important part of the New Zealand economy in its own right. The sector employs more than 83,000 people, and the transport and storage industry accounts for 5.2 percent of New Zealand's GDP.

Transport is different from many other sectors of the economy in that the government directly invests approximately \$3 billion in it each year. This is primarily in the land transport system.

The Ministry of Transport has a broad responsibility across the whole of the transport system and the regulatory framework that supports it. The Ministry is focused on developing a transport system that maximises the economic and social benefits to New Zealand and minimises harm. To do that the Ministry needs a good base knowledge of the transport sector. It also needs to understand the future drivers for transport and their implications for government policy and investment decisions. The transport Crown entities have regulatory and service delivery roles to meet their statutory responsibilities and the government's objectives for transport.

THE MINISTRY'S ROLE IS TO ADVISE ON POLICY...

The Ministry is the government's principal adviser on transport policy. The vast majority of its work is providing policy advice to the Minister and Associate Minister of Transport to shape transport policy for New Zealand. Our role is not dissimilar to that of a coach of a sporting team, sitting in the coach's box in the grandstand and being able to see the whole game being played in front of us. This allows us to influence the result of the game by:

- understanding the competitive environment in which transport takes place and how firms and local authorities will respond to different settings
- leading thinking on strategy for the success of the overall system
- facilitating conversations with all the players in transport on how we can join up their activities to improve the performance of the transport system
- advising on the choice of players in the transport sector – the structure of the transport Crown entities and the appointment of their board members.

AND WE UNDERTAKE A NUMBER OF OTHER FUNCTIONS...

In addition to our core policy and Crown entity oversight roles, the Ministry also has responsibility for other functions.

These include:

- administering transport legislation, rules and regulations
- collecting vehicle licensing fees, road user charges and fuel excise duty (contracted to the New Zealand Transport Agency)
- representing New Zealand at international fora
- licensing all international airlines operating to and from New Zealand
- operating the Milford Sound/Piopiotaahi Aerodrome
- overseeing the Crown's interest in joint venture airports
- administering a contract with the Meteorological Service of New Zealand Limited (MetService) to provide a public weather warning and forecast service.

BUT WE NEED TO WORK WITH OTHERS TO ACHIEVE OUR OUTCOMES...

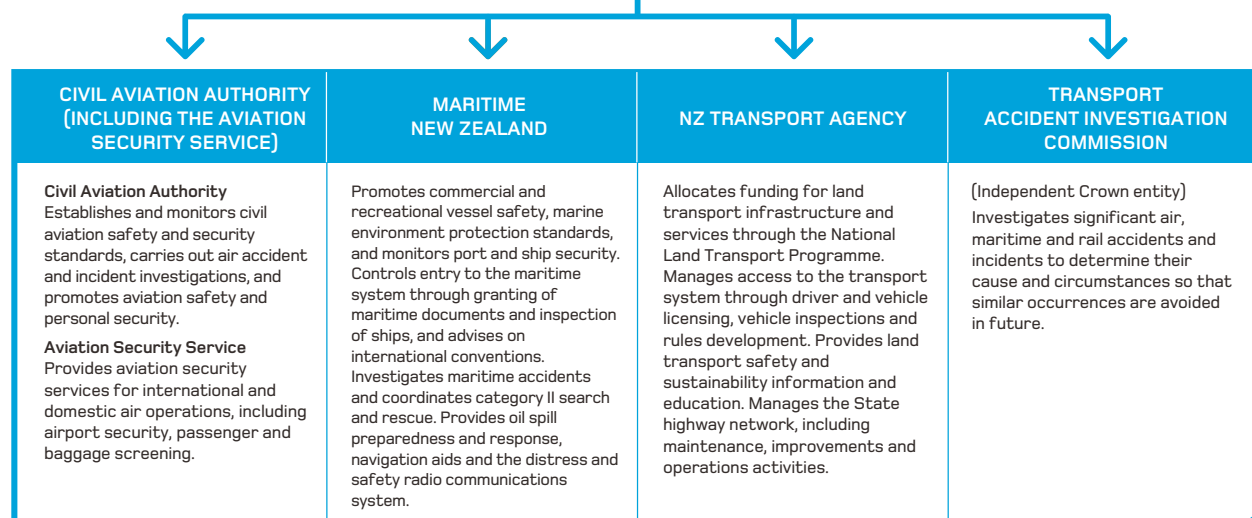
The Ministry has an important role in advising the government. However, we are only one of five organisations that make up the government transport sector, and one of many hundreds that make up the whole transport sector. As a policy agency, the Ministry is able to influence the policy and regulatory settings under which the transport system operates. But we need to work with other agencies, and need them to successfully undertake their own roles, for our outcomes to be achieved.

What we are part of

THE NEW ZEALAND GOVERNMENT TRANSPORT SECTOR

MINISTER OF TRANSPORT AND ASSOCIATE MINISTER OF TRANSPORT

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



| THREE STATE-OWNED ENTERPRISES WITH TRANSPORT FUNCTIONS | LOCAL GOVERNMENT | NEW ZEALAND POLICE |
|--|--|--|
| <p>Airways Corporation of New Zealand Ltd Provides air navigation and air traffic management services on a commercial basis. It is also responsible for air traffic services in 28.8 million square kilometres of international airspace managed by New Zealand.</p> <p>Meteorological Service of New Zealand Limited (MetService) Provides public weather forecasting services and provides meteorological information for international air navigation under contract to the Civil Aviation Authority.</p> <p>New Zealand Railways Corporation Trading as KiwiRail Group. KiwiRail manages the rail and ferry businesses owned by the New Zealand government.</p> | <p>Local authorities own, maintain and develop New Zealand's local road network and perform important regulatory transport functions. Local government funds land transport infrastructure and public transport services alongside central government, and is responsible for transport planning and land use planning. Some local authorities own seaports and airports, or share ownership with the Crown.</p> | <p>Provides road policing services including speed management, drink/drugged driving enforcement, seatbelt enforcement, a visible road safety presence, and commercial vehicle investigation. Also provides maritime patrol units.</p> |

Strategic context

THE GOVERNMENT'S OBJECTIVE FOR TRANSPORT...

The government's objective for transport is for an effective, efficient, safe, secure, accessible and resilient transport system that supports the growth of our economy, in order to deliver greater prosperity, security and opportunities for all New Zealanders.

IS CENTRAL TO THE SUCCESS OF OUR ECONOMY AND SOCIETY...

As a trading nation, New Zealand is further from the economic centres of the world than any other country. A consequence of this is that transport is a significant cost for our exporters, so we need to ensure the transport system operates as efficiently as possible. The decisions we take on investment and regulatory settings are central to this.

A flexible and resilient transport system that offers greater accessibility, responds to changing patterns in demand and provides improved journey times and reliability is a necessary condition for economic and social development. An effective transport system supports economic growth by:

- providing access to new and developing markets
- lowering delivery costs
- providing reliable delivery times essential for perishable and other higher-value goods, and allowing firms to operate without excess inventories
- increasing access to skilled labour, and attracting and retaining skilled people in production centres
- attracting investment as profitable business opportunities expand
- reducing the incidence of accidents, deaths and serious injuries.

Transport is also critical to social connectivity – it allows people to participate in society, and access social networks, education, training, and health services. Improving such access also lifts skill levels. At the same time, the transport sector has important impacts on the way our urban areas are developed, and on the environment through greenhouse gas emissions, air quality and noise.

WHILE THE GOVERNMENT'S PRIORITIES FOR THE NEXT THREE YEARS...

The government's priorities are to responsibly manage the government's finances, build a more competitive and productive economy, deliver better public services and rebuild Christchurch.

ARE SUPPORTED BY THE WORK OF THE MINISTRY...

The Ministry's work contributes to all of these priorities. The Ministry oversees approximately \$3 billion of government investment in transport infrastructure and services each year through Vote Transport.

The Ministry provides advice to the government on the opportunities for the transport system to increase its contribution to a more competitive and productive economy. It also supports improved performance across the government transport agencies.

In addition, the Ministry is engaged in funding requirements for rebuilding Christchurch's transport infrastructure.

AND OUR FOCUS ON OUTCOMES...

Over the next three years, the Ministry will focus on the following six intermediate outcomes:

- better quality transport regulation and frameworks
- more open and efficient transport markets
- improved planning and investment in infrastructure and services
- fewer transport incidents and other harms
- improved government transport agencies' performance
- improved preparedness for, and management of, shocks and major events.

WE NEED TO MEET OUR OBJECTIVES AT A TIME WHEN NEW ZEALAND AND THE TRANSPORT SYSTEM FACE A NUMBER OF KEY CHALLENGES ...

The choices we make over the coming years, as we improve the transport system, will need to occur against the backdrop of:

- ongoing financial constraint (as a result of the global financial crisis, and New Zealand's high debt levels)
- New Zealand's distance from its major export and tourism partners, and its limited influence on the international maritime and air transport sectors
- uncertain trading conditions for our exporters in overseas markets
- a significant projected growth in the level of freight movements (it had previously been predicted that New Zealand's freight movements would almost double in 20 years)
- major demographic changes including:
 - an ageing population
 - population growth to five million by the mid-2020s
 - growth in Auckland's population to almost two million by 2031
 - a smaller workforce
- volatility in fuel prices
- changes in demand for public transport services
- improved efficiency of transport vehicles and alternative transport fuels which are expected to impact on revenue levels in the future.

The Ministry's strategic framework

The Ministry's strategic framework (see the diagram below) sets out what the Ministry is seeking to achieve for the transport system – our outcomes – and what we will do to contribute to those outcomes: our impacts and the projects and activities that underpin them.

Ministry focus – the Ministry focuses on developing a transport system that maximises the economic and social benefits for New Zealand and minimises harm.

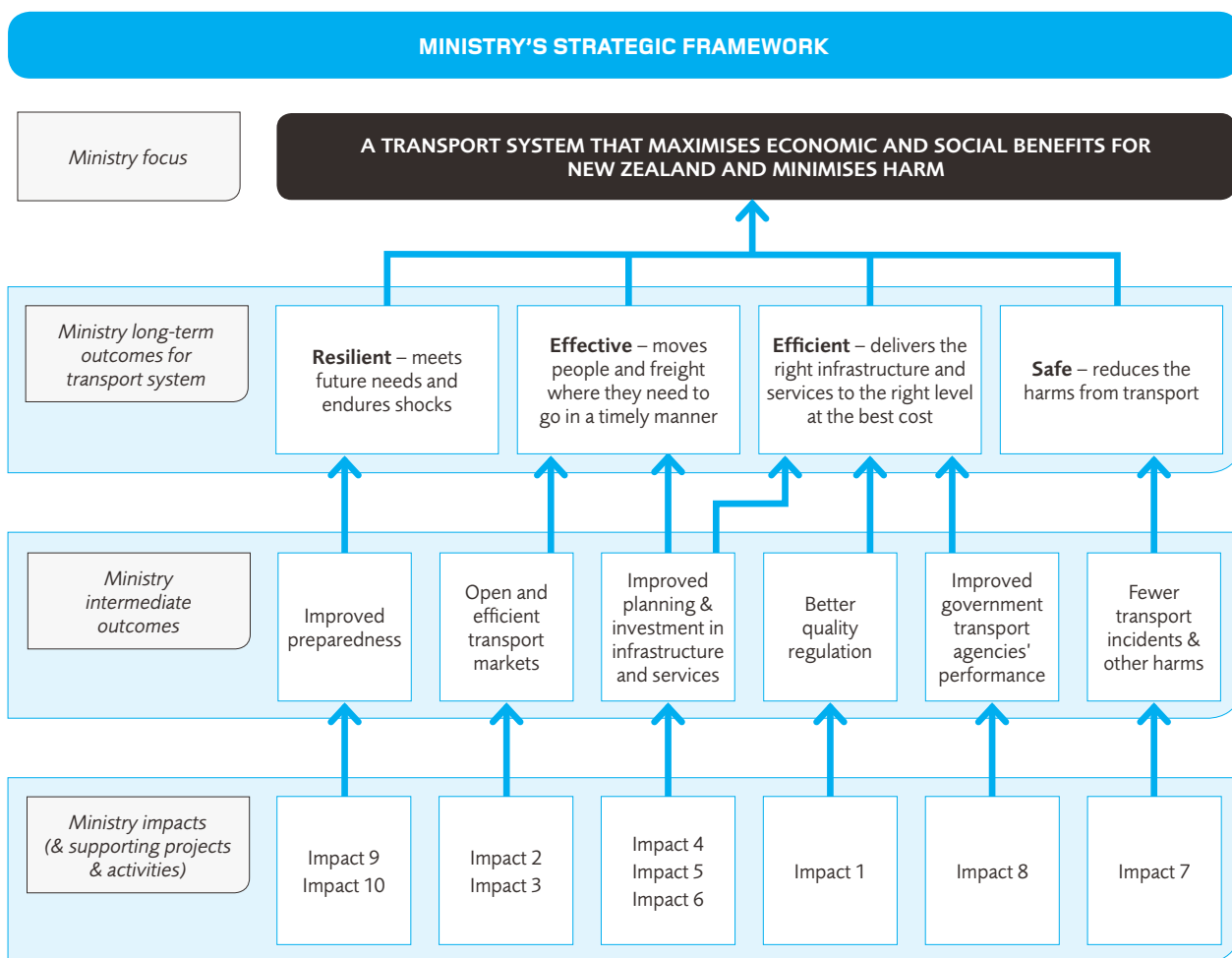
Ministry long-term outcomes – the long-term outcomes describe the 'future state' on which the Ministry focuses and strongly align with the government's objectives for the transport system. The long-term outcomes are expected to be achieved over the next 20 or more years, as a consequence of the contributions made by the Ministry and a wide range of other stakeholders and transport system users. We can measure the progress the transport system is making towards those outcomes annually through our long-term indicators.

Ministry intermediate outcomes – intermediate outcomes also describe a 'future state' for the transport system and are important steps to achieving the long-term outcomes. The intermediate outcomes are expected to be achieved

over the next 10 or so years, with contributions made by a wide range of participants in the transport system. While the progress that the transport system is making towards the intermediate outcomes can be measured annually, the nature of the outcomes means that progress is best viewed over a longer time period, for example to avoid misinterpretation of results due to one-off impacts.

Ministry impacts – Ministry impacts describe how the Ministry's work will affect the transport system. They describe the intended results from the Ministry's work. The Ministry can achieve its intended impacts through its own efforts and is not dependent on other organisations undertaking particular actions. However, other organisations may also undertake work that contributes to the impacts. The Ministry's projects and activities are our specific 'outputs' (work programmes) that will deliver our impacts.

Projects, impacts and intermediate outcomes can all contribute to more than one item in their next higher level of the framework. However, for simplicity, we have shown the main relationships.



The Ministry's long-term outcomes

WE HAVE FOUR LONG-TERM OUTCOMES...

The Ministry has developed a strategic framework that supports the government's direction for transport and is flexible to respond to changes in priorities over time. The Ministry's focus is on a transport system that maximises economic and social benefits for New Zealand, and minimises harm. It is for the government of the day to determine the balance and priorities between these dimensions.

To support its overall focus, the Ministry has four long-term outcomes for the transport system that we will pursue over the next 20-plus years:

- effective
- efficient
- resilient
- safe.

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

This outcome captures the core function of the transport system which connects New Zealand – domestically and internationally. It links employees, employers and businesses together, and enables individuals to access services and make social connections. Transport is a critical part of the supply chain that delivers goods to domestic and international markets, and meets the travel needs of our international tourists.

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

Better transport infrastructure and services can lower costs and increase accessibility for businesses by expanding markets and improving access to suppliers. The quality of infrastructure, and how comprehensive the transport network is, has a significant influence on the role transport plays and its contribution to the functioning of a successful, competitive economy.

Similarly, the quality of transport regulatory settings is also important to a well-functioning system. Funding for transport is, like funding for other areas of government expenditure, a scarce resource. We need to ensure the transport system delivers value for money by providing the right level of infrastructure and services, while achieving the best cost.

Resilient – meets future transport needs and endures shocks

Transport infrastructure often has a life span of many decades or longer. With the investments we make today having such long-term impacts, it is important that the transport system is developed with an eye not only on current needs, but also on future needs. Decisions on government investment and regulatory settings need to be cognisant of the effect they will have on private investments that also have long life spans.

We need to have confidence that the transport system can resist and be resilient to intentional and unintentional dangers. The system needs to be flexible enough to quickly respond to security requirements that may be imposed on us by other countries or international organisations. It also needs to be resilient to deal with shocks, such as major earthquakes or extreme weather events.

Resilience will enable the transport system to continue to meet its economic and social functions into the future.

Safe – Reduces the harms from transport

The operation of the transport system also gives rise to a number of undesirable consequences. These include the social cost of road crashes, greenhouse gas emissions and other environmental impacts, and public health impacts (such as air quality, and noise). It is important, therefore, that these types of issues are mitigated in cost-effective ways. Achieving a safer transport system will also have positive economic benefits as it can, for example, improve travel reliability for business.

... AND WILL REPORT PROGRESS AGAINST THE LONG-TERM OUTCOMES ANNUALLY.

The Ministry will report progress against the long-term outcomes through its Annual Report. The Ministry's Transport Monitoring Indicator Framework is available on the Ministry's website (www.transport.govt.nz). It provides detailed data on the performance of the transport system across most of the outcome areas. The Ministry also works across the transport Crown entities to monitor and report on progress against outcomes. We are working with the New Zealand Transport Agency and the National Infrastructure Unit to establish relevant infrastructure indicators for the transport sector. We will use these new indicators in our future reporting.

Setting our priorities 2012 – 2015

The Ministry's long-term outcomes are supported by six intermediate outcomes that provide a focus for improvement in the transport system over the next 10 years or so. Stability in the choice of our intermediate outcomes enables us to monitor the progress the transport system is making over time.

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

The link between our work programmes and our impacts and outcomes is complex, however. In practice, many of our policy initiatives contribute to more than one impact or intermediate

outcome. For example, our work to implement the new public transport operating model is expected to lead to increased levels of public transport use. This will improve the operation of our transport markets and, at the same time, contribute to decreased environmental harms from the transport system.

The key elements of the Ministry's three-year work programme...

The next section of the Statement of Intent sets out the key elements of the Ministry's three-year work programme under each of our six intermediate outcomes. It includes the intended impacts from our work and the main projects.

Appendix A shows how our appropriations support our impacts and intermediate outcomes. Appendix B sets out the performance measures that we will use to report progress on the intermediate outcomes and Ministry impacts in our annual reports.

BETTER QUALITY REGULATION

Leading the development of better quality transport regulation and frameworks

BETTER QUALITY REGULATION IS IMPORTANT TO THE GOVERNMENT

Well-functioning markets need both good regulation and good regulators. This section addresses the issue of 'good regulation', while 'good regulators' is addressed under the intermediate outcome 'Improved government transport agencies' performance'.

Improving the quality of regulation and removing any unnecessary regulation is an important part of the government's economic programme. It will enhance New Zealand's productivity growth and international competitiveness.

Regulation directly affects how markets, and firms in those markets, operate and allocate resources. Regulation can support markets operating effectively and reduce anti-competitive practices. Poor quality regulation can constrain growth by creating incentives for socially and economically unproductive activities and increasing the costs of doing business.

Across the world, governments are revisiting their approaches to regulation. As a sector, transport can make changes to create new and innovative ways of tackling policy problems.

Lifting the quality of transport regulation will help markets to function well by ensuring:

- regulatory costs and changes are minimised, so businesses and others are not burdened by unnecessary compliance costs or outdated regulation
- transport regulation is well understood and compliance is maximised.

THE MINISTRY'S ROLE IN 'BETTER QUALITY REGULATION'

The Ministry's role is to promote transport regulation and frameworks that represent good practice. It supports the government to achieve its policy objectives, recognising that sometimes transport Crown entities exercise statutorily independent roles and powers.

The Ministry contracts with the Civil Aviation Authority, Maritime New Zealand and the New Zealand Transport Agency each year for their annual rules development programmes. The Ministry needs to effectively manage the annual regulatory programme with the transport Crown entities. It also needs to ensure regulatory proposals represent the best solution, do not impose unnecessary costs on users and are prepared efficiently and on time.

To deliver better quality regulation and frameworks the Ministry will:

- **increase the efficiency of the transport regulatory system so it does not impose unnecessary costs on users.**

BETTER QUALITY REGULATION – MINISTRY IMPACTS AND ACTIONS

The Ministry's intended impacts in this area over the next three years, and the projects and activities that will deliver them, include the following:

Impact 1: A more efficient transport regulatory system that does not impose unnecessary costs on users

The Ministry will take a leadership role and work across the transport sector to consider whether the regulatory system is 'fit-for-purpose' and, if not, what further opportunities might exist for improving regulatory outcomes. This will involve thinking more broadly about what constitutes regulation and what outcomes the government and sector want from the regulatory system.

The Ministry's Regulatory Reform Programme has:

- identified several key areas for reform
- streamlined the regulatory design process so it is more efficient and timely
- brought increased rigour into the rules process so only matters that genuinely require a rule are included in the programme.

The Ministry will establish a programme to periodically review transport legislation and subordinate regulation to ensure that it remains fit-for-purpose. This programme will include an initial assessment of whether particular aspects of the regulatory framework impose unnecessary cost on users.

The Ministry will more actively manage the annual rules programme with the Civil Aviation Authority, Maritime New Zealand and the New Zealand Transport Agency to improve safety and environmental outcomes.

Funding arrangements to Crown entities for the development of transport rules will be reviewed to better align funding with government rule-making priorities. This review will support the Ministry's Regulatory Reform Programme by ensuring resources are allocated to the highest priority rules work.

The Ministry of Transport and the New Zealand Transport Agency are reviewing the annual vehicle registration and licensing, transport service licensing, and warrant of fitness and certificate of fitness regimes. This is part of a package of regulatory reform work. The current arrangements have been in place for 20 years and place significant administrative and compliance burdens on households and businesses.

The rationale for some of the systems is not always clear, may no longer exist, or may no longer be justified. It is likely that there are more efficient and simpler ways to administer these regimes, while ensuring the ongoing robustness and safety of the transport system.

The new Road User Charges Act, which comes into force on 1 August 2012, is the first major change to a 30-year-old system. The reforms simplify and modernise the system, remove opportunities for evasion and reduce compliance costs for users of the system. We will support and monitor the implementation of the new system. This includes policy support for New Zealand Transport Agency's initiatives to modernise the system and further reduce compliance costs for users.

The Ministry will complete a review of the licensing requirements for agricultural vehicles and implement the changes agreed by government. Currently these vehicles have to meet many of the normal regulatory requirements of on-road use, for example hours of use, and this can make operating these vehicles efficiently more difficult. The review will identify opportunities to remove unnecessary regulatory requirements on agricultural vehicles.

We will review a number of economic, safety and security issues relating to the Civil Aviation Act to ensure it is fit-for-purpose.

We will also review and propose amendments to the Maritime Transport Act to:

- implement marine environment protection and liability conventions
- improve port and harbour safety control
- resolve technical matters affecting the operation of the legislation.

OPEN AND EFFICIENT TRANSPORT MARKETS

More open and efficient transport markets

MORE OPEN AND EFFICIENT TRANSPORT MARKETS ARE IMPORTANT

Efficient and well-functioning markets produce significant benefits for society. Well-functioning markets allocate resources to their most valued use and in doing so facilitate competition. They promote the best use of scarce resources such as land, labour and capital in a manner that maximises output and the welfare of citizens.

Key components of well-functioning markets include:¹

- *ease of market entry and exit* – free entry and exit enables markets to function efficiently, while barriers to entry reduce competition and efficiency
- *absence of significant monopoly power* – the presence of a significant monopoly power in a market reduces competition and pressure for efficiency and innovation, resulting in reduced levels of choice and price protection
- *price signals* – timely and accurate price information enables appropriate supply responses from businesses and demands responses from purchasers, leading to better-quality products and services at the lowest possible prices
- *absence of externalities* – all of the costs and benefits of goods or services provided are fully captured within the market
- *widespread availability of information* – all parties in the market (businesses and consumers) need to be well informed if they are to make the most effective decisions.

THE MINISTRY'S ROLE IN CREATING 'MORE OPEN AND EFFICIENT TRANSPORT MARKETS'

For the Ministry, this intermediate outcome primarily relates to its work in the areas of aviation, maritime and public transport. Much of the Ministry's other land transport work falls under the 'Improved planning and investment in infrastructure and services' intermediate outcome.

The Ministry has an important role in advising government on opportunities to improve the efficiency and competitiveness of our domestic and international transport markets. To do that, we need a strong understanding of how different transport markets work and how firms operate within them. This is particularly important in instances where a firm may have a near monopoly on providing transport infrastructure or services for an area.

The Ministry improves access to international markets through the international air services agreements it negotiates on behalf of the government. These agreements enhance New Zealand's attractiveness as a tourist destination and provide new capacity for time-sensitive freight exports.

Information is an important component of open and efficient markets. The information the Ministry can provide to transport operators and users can help them make more informed transport decisions. The Ministry has access to a range of information across the transport portfolio. It is bringing together the information in new ways and making it available to transport operators and the public to enable better decision-making.

To improve the openness and efficiency of transport markets the Ministry will:

- **reduce or remove barriers to entry to domestic or international markets**
- **provide the transport sector with access to more informed transport information.**

¹ Melody, William H., *Liberalising Telecommunication Markets: A Framework for Assessment*.

OPEN AND EFFICIENT TRANSPORT MARKETS – MINISTRY IMPACTS AND ACTIONS

The Ministry's intended impacts in this area over the next three years, and the projects and activities that will deliver them, include the following:

Impact 2: Reduced or removed barriers to entry to domestic or international transport markets

The Ministry will develop a programme to engage more closely with non-government stakeholders in the transport system to strengthen its understanding of how transport markets operate 'on the ground' and identify opportunities to further enhance the efficiency of those markets.

The Ministry will advance negotiations, including negotiations with 10 South American and Asian states, for new or amended air services agreements. The expected result of these negotiations will be increased numbers of international flights to New Zealand. This will lift tourist numbers and provide additional export capacity in departing aircraft for time-sensitive exports.

Domestically, the government agreed in late 2011 to implement a new public transport operating model to encourage patronage growth and less reliance on public subsidies. The Ministry will prepare the necessary legislation to repeal the Public Transport Management Act and give effect to the new operating model in the Land Transport Management Act.

To maximise our effectiveness at international transport forums, we will develop a New Zealand strategy for transport engagement with the:

- International Transport Forum
- International Civil Aviation Organization (ICAO)
- International Maritime Organization
- Asia Pacific Economic Cooperation (APEC) Transport Working Group.

This will provide a strong voice for New Zealand's preferred positions and minimise any negative impacts from the decisions taken by these institutions.

The Ministry considers the world has opportunities to achieve a better and more efficient air transport system. It is important that New Zealand participates in the collective discussions, which are beginning to emerge globally, that are focusing on modernising the current system of air services agreements.

The Ministry will actively participate in the international fora where these discussions are occurring including ICAO, APEC and the ICAO 5th Worldwide Air Transport Conference in 2013.

New Zealand will host the APEC Transport Working Group meeting in March 2014. This will focus on trade liberalisation and facilitation in the transport sector, economic and technical assistance, and capacity building. Important goals for the Working Group are to develop systems that ensure safe, secure and efficient movement of people and goods throughout the Asia-Pacific region.

Impact 3: Transport sector has increased information available to it

Through our Freight Information Gathering System, the Ministry will provide quarterly information on freight container movements through New Zealand's ports. We will also continue to monitor the container productivity of New Zealand ports and publish quarterly information on it.

Building on recently established Ministry information on port productivity and freight movements, we will facilitate discussions with major industry players to establish a shared view of future freight services. This will help the New Zealand Transport Agency, ports and industry to have clear information on transport demand, performance and development intentions on which to base their investment decisions. We will respond to the Productivity Commission's Freight Study, and test current settings to develop a better understanding of the likely shape of future domestic and international transport demand.

The first National Freight Demands Study was undertaken in 2008. Given the changes that have occurred in the international economy since then, we will update the data underpinning the freight projections to provide a more accurate assessment of future demand, and opportunities for substituting freight modes. Alongside this, we will review the resilience, environmental impact and efficiency of international shipping services to New Zealand.

IMPROVED PLANNING AND INVESTMENT IN INFRASTRUCTURE AND SERVICES

Creating a system that improves planning and investment in infrastructure and services

IMPROVED PLANNING AND INVESTMENT IN INFRASTRUCTURE AND SERVICES IS ESSENTIAL

The Ministry has a large programme of land transport work that falls under this intermediate outcome. However, we also provide advice on aviation, maritime and rail modes that improve planning and investment in their infrastructure and services.

With the government investing approximately \$3 billion annually in land transport, and local government committing approximately \$1.2 billion annually, it is essential that the transport sector continues to lift the quality of transport planning and investment decisions. This includes the Ministry, transport Crown entities, local authorities and private sector participants in the transport sector.

As part of that, we need to ensure the transport system provides essential road and rail routes that connect well to our sea and air ports, and support New Zealand's exporters. We need roading networks that meet the needs of local communities and public transport that provides efficient and effective choice of modes in our metropolitan centres.

Some government transport infrastructure lasts for decades or longer, and it influences business investment and local urban development patterns. This means our decision-making needs to consider these factors, and current and likely future demands, alongside our capacity to fund our transport priorities. Existing revenue sources for transport are coming under pressure for a number of reasons. We need to consider how we can best meet the cost of the transport system in the medium term.

It is critical that we continue to improve our planning and investment in transport infrastructure and services to get the best possible results for all New Zealanders.

THE MINISTRY'S ROLE IN 'IMPROVED PLANNING AND INVESTMENT IN INFRASTRUCTURE AND SERVICES'

The Ministry's role is to analyse the transport system across all its transport modes to identify opportunities to enhance where, how and when investments should be made, particularly by the government. It also provides information to enable other participants in the transport system to make their own best transport choices.

The government land transport sector largely operates on revenue generated from taxation and local authority rates. This contrasts with the aviation, maritime and rail sectors that largely operate in competitive markets.

The Ministry needs to understand the drivers of transport demand in each sector, and how these change over time and impact on the infrastructure and services we need in the future. We also need to be well connected to industry and remove unnecessary blockages in our transport supply chains.

Land transport sector

The Ministry has a direct role in the land transport system with government investment of approximately \$3 billion a year.

The Ministry has to form a view on both what the right level of investment is in the land transport system, and when that investment should be made. However, we know that the investment equation is dynamic. It changes as the demand for and supply of transport adjusts over time, and in response to the country's fiscal constraints.

The Ministry advises government on a range of planning and investment issues including:

- the design and operation of the planning and funding system as set out in the Land Transport Management Act
- the Government Policy Statement on Land Transport Funding, which sets out the government's priorities for expenditure from the National Land Transport Fund
- specific advice on large transport investment decisions outside the National Land Transport Programme
- how revenue for the land transport system can be raised efficiently and fairly to fund investment priorities.

Aviation sector

The aviation sector includes domestic and international aviation services and supporting infrastructure.

The air traffic system is operated commercially by the Airways Corporation. Airport infrastructure has a mixture of providers including local authorities, shared government-local authority entities and private entities. The government has up to 50 percent shareholdings in Christchurch International Airport Ltd, Dunedin Airport Ltd, Hawke's Bay Airport Ltd and Invercargill Airport Ltd. These are all managed by The Treasury. The Ministry administers the government's partnership interest in six regional airports and operates the Milford Sound/Piopiotaahi Aerodrome in the Fiordland National Park.

Each year around 2.5 million visitors arrive in New Zealand, contributing nearly \$9 billion to the New Zealand economy. The vast majority of those passengers arrive by air. Aviation is also essential to the export of time-sensitive goods, which include fresh horticulture and seafood products. Effective air services allow firms to shorten delivery times, minimise inventory costs and limit interruptions to production.

International aviation is governed by the Convention on International Civil Aviation. As a party to the Convention, New Zealand has very clear obligations including having a comprehensive safety and security regime based on the standards and recommended practices prescribed by the International Civil Aviation Organization.

Maritime sector

The maritime sector operates in a competitive market, although most of New Zealand's major sea ports have a majority or significant shareholding that is held by local authorities.

International shipping carries the vast majority of New Zealand's import and export goods and the cruise industry plays an increasing role in our tourism market. With sea freight accounting for 99.5 percent of our exports and 99.4 percent of imports by volume, New Zealand is economically dependent on high-quality, timely, safe and cost-effective international shipping services.

These services in turn rely on efficient and competitive sea ports as the critical nodes that represent the land-sea interface, or gateways, for our exports and imports. Our port sector needs to be able to anticipate and respond to changing shipping patterns, vessel capacity, advances in freight handling technology and predicted future freight demands.

Rail sector

The government owns KiwiRail. KiwiRail has responsibility for the rail track network and moves approximately 15 percent of New Zealand's freight, largely high volume and heavy freight. The metro rail network also carries large numbers of urban commuters in Auckland and Wellington. Auckland Transport and the Greater Wellington Regional Council own the rolling stock that provides urban passenger services.

The rail system reduces the pressure on New Zealand's roads and can provide safety, health and environmental benefits.

The government wants KiwiRail to compete on a commercial basis with other freight transport modes, with services funded from customer revenue. To assist KiwiRail achieve that, the government supported the KiwiRail Turnaround Plan and, through it, has already committed \$750 million in KiwiRail.

To deliver improved planning and investment in infrastructure and services, the Ministry will:

- **ensure central and local government have good frameworks for investment decision-making**
- **provide good investment advice that is in the national interest**
- **ensure enough money is raised efficiently and fairly to fund investment priorities.**

IMPROVED PLANNING AND INVESTMENT IN INFRASTRUCTURE AND SERVICES – MINISTRY IMPACTS AND ACTIONS

The Ministry's intended impacts in this area over the next three years, and the projects and activities that will deliver them, include the following:

Impact 4: Central and local government have good frameworks for investment decision-making

The Ministry will develop advice to address the pressures on the transport funding system. This is a consequence of significant issues including the rebuild of Christchurch transport infrastructure and Auckland's decisions on its future transport priorities as set out in the new Auckland Plan. In developing our advice, we will need to address a range of options, including reviewing priorities, timing of investments, setting revenue levels and the use of other funding mechanisms.

We will continue our work to understand, at a more detailed level, the relationship between good land transport planning and management, and economic development and productivity. We will also undertake further work to enhance our understanding of the drivers of future demand for transport across a range of areas. This includes future freight growth, demographic changes nationally and within our communities, and changes in urban form and population density. As part of this, we will develop a 'forward look' to help the transport sector better plan their investments in the transport system.

New Zealand does not have an integrated network planning approach to the transport system and we will examine whether this gives rise to any inefficiencies in our transport system. We will also engage with business and the transport sector to better understand how they operate, and identify any blockages in our transport supply chains and remove these where they are unnecessary.

Following a recent review of the Land Transport Management Act, we will continue to progress legislation to implement a range of government policy decisions to reform the land transport planning and funding system, tolling and public-private partnership arrangements.

The Ministry will continue its work to better understand a range of alternative funding approaches including the potential benefits of increasing transport taxes or delaying major transport projects.

We will also explore how non-pricing approaches, such as network optimisation, can be used. Network optimisation provides an opportunity to improve the capacity and safety of the existing transport network using traffic engineering and other improvements. We will work with other stakeholders to identify network optimisation opportunities and reduce immediate demands for additional transport capacity on the network.

The Ministry will work with the Ministry for the Environment to provide transport policy input to the reform of the Resource Management Act. We will also work with the Department of Internal Affairs on amendments to the Local Government Act.

The Ministry will also continue to work closely with the Auckland Council on how the Council implements the new Auckland Plan.

Impact 5: Ministry provides good investment advice (in the national interest)

We have been working with the Auckland Council and other stakeholders on a study of central city access to address the matters identified in the government's 2011 review of the City Centre Rail Link Business Case. Completing this work will enable the government to reconsider the merits of the project and make any decisions on next steps.

We will also advise the government on progress in implementing the KiwiRail Turnaround Plan and its funding requirements. The Ministry has also been analysing the potential national economic benefits that a ferry terminal at Clifford Bay might bring. Depending on the outcome of that analysis, the Ministry may be required to undertake further work in this area.

Impact 6: Enough money is raised efficiently and fairly to fund investment priorities

The next Government Policy Statement on Land Transport Funding needs to be prepared for 2015. This will provide certainty for the land transport sector for the subsequent 10 years by setting out the government's priorities for expenditure from the National Land Transport Fund. It will also determine how funding is allocated between activities such as road policing, road safety promotion, state highways, local roads and public transport.

As part of our work on the next Government Policy Statement, we will review the role of land transport in supporting social cohesion and public health benefits, and assess whether any further guidance on these issues is required. We will also provide further guidance on the policy rationale for the activity class funding within the Government Policy Statement.

The Ministry undertakes the analysis necessary each year to advise the government on options to alter the level of fuel excise duty and road user charges to meet land transport funding requirements.

We also prepare regular forecasts of revenue for the National Land Transport Fund over a 10-year period for use in Crown accounts, Budget forecasts and forward planning by the New Zealand Transport Agency.

We will continue our work on the adequacy of the current funding system to meet requirements and how alternative revenue approaches could be used in the future.

FEWER TRANSPORT INCIDENTS AND OTHER HARMS

Decreasing the rates of transport-related death and injury, and other harms

THE GOVERNMENT WANTS A SAFE TRANSPORT SYSTEM

The government has a strong commitment to delivering a safer transport system. Road safety is an important part of this because of the social cost of transport deaths and injuries, and the human cost that results from the number of deaths and injuries we suffer each year on our roads.

The government released the *Safer Journeys* road safety strategy in March 2010 and its associated action plan in May 2011.

These documents set out the government's vision for 'a safe road system that is increasingly free of serious injury and death'. They include the new comprehensive Safe System approach to improving safety on our roads over the next decade.

The government also recognises that, through its investment and other decisions, it can help to decrease the level of other harms from the transport system.

THE MINISTRY'S ROLE IN 'DECREASING THE RATES OF TRANSPORT-RELATED DEATH AND INJURY'

The Ministry seeks to reduce the rates of transport-related deaths and injuries through its policy advice to government across the transport modes. The Ministry's road safety policy advice covers the four dimensions of the Safe System:

- safe roads and roadsides
- safe speeds
- safe vehicles
- safe road use.

The Safe System approach differs from traditional approaches to road safety. Rather than always blaming the road user for causing a crash, it recognises that even responsible people sometimes make mistakes in their road use. Given that mistakes are inevitable, we need safe roads and safe vehicles to protect people from death or serious injury.

The Ministry led the development of the *Safer Journeys* road safety strategy, and coordinated the development of the action plan across a number of agencies for the National Road Safety Committee. The Ministry also leads implementation of the overall programme, as well as having direct responsibility for 34 of the action plan's 106 actions. The Ministry has made good progress in implementing these and will continue its focus on this area.

The Ministry also continues to build its data resource on road safety issues to enable increasingly evidence-based advice to be provided to the government.

The Ministry provides policy advice on various issues that helps to reduce other non-safety harms from the transport system.

To reduce the harms from the transport system, the Ministry will:

- **implement its *Safer Journeys*' actions.**

FEWER TRANSPORT INCIDENTS AND OTHER HARMS – MINISTRY IMPACTS AND ACTIONS

The Ministry's intended impacts in this area over the next three years, and the projects and activities that will deliver them, include the following:

Impact 7: Ministry road safety initiatives support a reduction in the number of deaths and serious injuries

The Ministry will implement its actions under the *Safer Journeys Action Plan 2011/12*. The Ministry's actions cover the areas of high concern – speed, roads and roadsides, young drivers and alcohol/drugs – and consider new approaches, such as incentives. For speed, this includes considering lowering fines and raising demerits points, and the use of demerit points on speed cameras. For young drivers, we are

considering introducing R plates and time-restricted licences to encourage drivers to move through the graduated driver licence system. We will also review the effectiveness of the current drug impairment test and advise on what else we can do to reduce drug-impaired driving.

We will also look at how we can use incentives as a new approach to help us to reduce deaths and serious injuries. This work will examine using financial and non-financial levers to encourage better driver behaviour. Traditionally we have sought to change behaviour using enforcement, education and road engineering. These methods have made significant gains but new approaches and mechanisms, such as incentives, are needed to move towards a safe system.

We will look at how technology can be better used to improve the efficiency of road safety interventions. This will include reviewing our policies on speed and our approach to speed management, for example, use of intelligent speed assistance and greater use of automated speed enforcement.

The Ministry will also coordinate the development of the *2013–15 Safer Journeys Action Plan* for the National Road Safety Committee. This will establish the next set of actions across a number of agencies to improve road safety and maintain the momentum developed in this area over recent years.

Other Ministry work that helps reduce non-safety harms from transport

The Ministry will contribute to the whole-of-government climate change response, including advising government on the form and level of its post-Durban programme and binding commitment from 2020 and, more specifically, on the implications for the transport sector.

The Ministry is advising government on amendments to the 2007 Land Transport Rule: Vehicle Emissions. The Rule sets emissions standards for harmful exhaust emissions for all vehicles entering the fleet. The planned changes will ensure that there will continue to be minimum standards in place for used vehicles after the end of 2012.

IMPROVED GOVERNMENT TRANSPORT AGENCIES' PERFORMANCE

Enabling continuous improvement in the performance of transport agencies

THE GOVERNMENT WANTS BETTER PUBLIC SERVICES

Delivering better public services is one of the government's four key priorities for the next three years. This means that government agencies need to focus on improved performance, with services delivered in innovative and more effective ways, within the tight fiscal constraints that the government has to operate in over the coming years.

THIS INCLUDES IMPROVED PERFORMANCE FROM GOVERNMENT TRANSPORT AGENCIES

Regardless of how transport agencies are funded, or how well they may be performing, there is an ongoing need to improve value for money and the quality of the services they provide.

The Ministry of Transport and the five transport agencies are responsible for approximately \$3 billion of transport expenditure annually. The government needs to be assured all those agencies are performing well and delivering value for money.

A number of the transport Crown entities also engage with citizens and businesses as regulators. These interactions need to be well managed with a strong customer focus.

THE MINISTRY'S ROLE IN IMPROVING THE PERFORMANCE OF GOVERNMENT TRANSPORT AGENCIES

The Ministry advises on the most appropriate transport Crown entity arrangements to meet the government's objectives for transport. This includes establishing the role and regulatory powers of the entities, and their funding arrangements. The Ministry needs to have a clear understanding of the strategic direction of the entities as they evolve over time, and lead the transport sector when collective action is required.

An important role for the Ministry is to be able to monitor the performance of the transport agencies (as regulators and service providers) and support the Minister to hold these agencies accountable for their performance and delivery of the government's economic, safety, and security outcomes. To do this, the Ministry needs to understand the environment in which the agencies operate and have frameworks in place to be able to assess their performance.

To deliver improved performance by government transport agencies the Ministry will:

- provide ongoing assurance on the performance of government transport agencies.

IMPROVED GOVERNMENT TRANSPORT AGENCIES' PERFORMANCE – MINISTRY IMPACTS AND ACTIONS

The Ministry's intended impacts in this area over the next three years, and the projects and activities that will deliver them, include the following:

Impact 8: Ongoing assurance on the performance of government transport agencies

The Ministry will continue to review how it can improve its approach to understanding and providing assurance on government transport agency performance. This will include considering how best to address the Better Public Services Advisory Group Report, articulating better the Ministry's approach, and engaging with entity stakeholders to better understand their views on agency performance and how this can be improved.

The Ministry has an ongoing role in supporting the governance relationship between the Minister/Associate Minister of Transport and the government transport agencies. The Ministry advises the Minister on board appointments for all the transport Crown entities. The Ministry will also advise on the government's expectations of each entity, and provide specialist advice to the Minister on how the entities are meeting these expectations, including performance, capability and strategic direction. The Ministry will provide advice on entities' regular performance reports, draft statements of intent, and annual reports.

The Ministry will lead the transport Crown entities to explore opportunities for shared business services, and agree and implement them. The focus of this work will be on business functions that will benefit from a transport sector perspective.

We will continue to work with the Civil Aviation Authority and Maritime New Zealand to:

- establish, in consultation with their industry stakeholders, a sustainable basis for services and funding for these entities going forward
- ensure they have the capability and regulatory settings necessary to be effective, well-performing entities.

The Ministry will establish a longer term programme for fees, charges and levies reviews. This will not only schedule when reviews should be undertaken, but help us identify possible synergies that emerge from the scheduled reviews. It will also help us to better understand related service and financial performance.

IMPROVED PREPAREDNESS

Improving preparedness for, and management of, shocks and major events

THE TRANSPORT SYSTEM NEEDS TO BE RESILIENT

The ability to proactively plan for future needs and emergencies, and respond quickly to failures that disrupt or damage infrastructure, is a critical component of the success of the system. Much of the work the Ministry undertakes through the intermediate outcome 'Improved planning and investment in infrastructure and services' also contributes to improving the resilience of the transport system.

The transport system needs to be resilient to respond to unintentional and intentional damage. Over the last year or so, the transport system has had to respond to a number of unplanned incidents including the Canterbury earthquakes and the Rena grounding. While we hope that we do not see repeats of these incidents over the next few years, we know that there will be unforeseen incidents that the transport system will have to respond to. The types of unintentional disruption or damage the transport system needs to be able to overcome include:

- floods, land slips and earthquakes
- major transport accidents
- failure in transport infrastructure.

A resilient transport system also needs to be well placed to respond to intentional damage through the actions of individuals that threaten the security of a transport service. The system also needs to be well placed to respond to new demands from other countries or international organisations. These demands often impose constraints or costs on operating our transport system and, through that, impact on the competitiveness of our exporters and our attractiveness as a tourism destination.

We also need the transport system to be responsive to the one-off demands placed on it by major events, such as the Rugby World Cup.

THE MINISTRY'S ROLE IN IMPROVING THE TRANSPORT SYSTEM'S PREPAREDNESS FOR, AND MANAGEMENT OF, SHOCKS AND MAJOR EVENTS

The Ministry improves the transport system's preparedness for, and management of, shocks and major events through its policy advice to government and its work across the government transport sector.

In its policy advice role the Ministry supports the government's response to one-off incidents such as the Rena grounding or the Canterbury earthquakes.

The Ministry also leads the development of the transport emergency response plan and is the lead agency for the transport cluster that responds to national emergencies and planning exercises.

To improve preparedness, the Ministry will:

- reduce disruptions and loss of access to transport infrastructure and services
- reduce future risks for New Zealand from the grounding of ships.

IMPROVED PREPAREDNESS – MINISTRY IMPACTS AND ACTIONS

The Ministry's intended impacts in this area over the next three years, and the projects and activities that will deliver them, include the following:

Impact 9: Reduced disruptions to access to transport infrastructure and services

We will review the findings from the recent Canterbury earthquakes and Rena grounding, including any recommendations from the Maritime New Zealand and Transport Accident Investigation Commission investigations. We will implement changes as appropriate to improve continuity of service and safety.

To improve our aviation security preparedness, we will advise government on technology issues, including screening technologies, body scanners and future arrangements for liquids, aerosols and gels. Advances in technology in the future may enable scanners to determine the contents of liquid, aerosol or gel containers, reducing the burden of current security arrangements on travellers.

Impact 10: Reduced future risks for New Zealand from grounding of ships

The Ministry will advise the government on options to put the Oil Pollution Levy on a sustainable funding basis and minimise future risk to New Zealand from maritime incidents. This will include considering the potential benefits of changing the way the levy is calculated from gross tonnage to a threat-based methodology.

The Ministry will implement legislative changes to increase the ship owners' liability for oil spills and other damage caused by shipping accidents. The Ministry will also consider other measures to manage the risks and liabilities associated with international shipping.

We will schedule a review for 2015 of the Oil Pollution Levy to ensure it is maintained at the appropriate level in the future.

How our output classes contribute to our impacts and intermediate outcomes

Most of the work set out earlier in this Statement of Intent is either policy advice, governance and performance advice, or ministerial servicing work undertaken under our Multi-class Output Appropriation: Policy Advice and Related Activities. The Ministry has three other output classes that contribute to its intermediate outcomes. The Information Supporting the Estimates 2012/13 provides additional information on all the Ministry's output classes and their performance measures.

MILFORD SOUND / PIOPIOTAHU AERODROME OPERATION AND ADMINISTRATION

One of the Ministry's operational functions is to own and operate the Milford Sound aerodrome. The Aerodrome is a very small facility that aircraft operators use. The Ministry's role is to provide for the safe and efficient operation of the aerodrome. The Ministry does this by ensuring runway and other maintenance is undertaken through contracts we have with service providers. This output class contributes to the 'Improved planning and investment in infrastructure and services' intermediate outcome.

REFUND OF FUEL EXCISE DUTY

This output class meets the costs associated with providing an administrative and accounting service for refunding fuel excise duty. The Ministry contracts the New Zealand Transport Agency to undertake these functions on its behalf. This output class contributes to the 'Improved planning and investment in infrastructure and services' intermediate outcome, as it is part of the revenue collection system.

SEARCH AND RESCUE ACTIVITY COORDINATION PLA¹

The Ministry houses the secretariat function of the New Zealand Search and Rescue Council, which administers the search and rescue sector in New Zealand. The Secretariat reports to the New Zealand Search and Rescue Council, which is not part of the Ministry. This output class contributes to the 'Reduced transport incidents' intermediate outcome.

¹ Permanent Legislative Authority

Ministry health and capability

BUILDING A FIRST-CLASS MINISTRY

SHAPING OUR FUTURE

Over the last three years, the Ministry has laid the foundations for building a first-class policy ministry, based on a professional services firm model.

This means we work in a flexible matrix structure, using our knowledge and expertise to deliver high-quality advice, while continuing to invest in our specialist knowledge and expertise. We are able to adapt quickly to meet the demands of the day and manage our available people and time to work collaboratively to meet a demanding work programme.

Our aim is to build on this foundation and seize hold of our full potential to become a first-class policy ministry, which consistently delivers work of the highest standard. Our Shaping Our Future programme provides the framework for achieving this. Each year, we refresh the programme priorities and in 2012 we have four flagship projects.

1. *Creating a shared understanding of the Ministry's role*

A shared understanding of our role as a ministry and what it means to be a first-class policy ministry will underpin a strong organisational culture and give a strongly shared direction to people in the organisation. This will enable us to provide clear messages to stakeholders on our objectives.

We will also undertake a targeted programme that includes input from key stakeholders, to ensure we develop a clear and succinct expression of our role.

2. *Developing leadership capability*

High-quality leadership is a key to success. The Ministry's leadership capability programme will provide all managers with a thorough grounding, common practice and shared language of the approach that we take to management and leadership in the Ministry. It will enable managers to fulfil their core management responsibilities, consistent with working in a professional services organisation. It will provide an opportunity to deepen both support networks and our approach to collaborative work and positive engagement within the Ministry. It builds on the 'Lifting our Leadership' work developed in 2011.

3. *Improving policy capability*

People and knowledge are the cornerstones of our ability to be a first-class policy ministry.

As we bring new graduates into our adviser cohort, a new, structured policy adviser development programme will enable them to build the skills they need to deliver high-quality policy advice at pace. This programme will be important to the Ministry's ability to attract high-quality staff at entry level. It will build the Ministry's reputation as a good place to work, and as a contributor to public sector policy advice capability.

This programme will complement the ongoing 'Striving for Excellence' initiative which was developed in 2011. 'Striving for Excellence' sets out our professional development approach for all our staff.

4. *Managing our reputation*

The Ministry's reputation will be built on doing our core business really well, having a shared understanding of our role and in engaging successfully with our stakeholders. We will proactively pursue opportunities for engagement and leadership arising from our sector policy work, and will build trust and confidence through critical thinking and reasoned analysis.

MANAGING OUR COSTS

The Ministry has implemented a number of strategies to ensure we are able to manage within our appropriations from Parliament. We have adopted a flexible matrix operating model that enables us to focus our resources on the highest priority issues for the government.

We have managed down our staffing numbers, largely through attrition. We have also addressed our cost structure through a process that refined our staffing structure. This reduced the number of manager and principal adviser positions within the Ministry and created a more appropriate organisational structure.

We have also, voluntarily, participated in government benchmarking exercises to help us better understand our cost structures and identify areas where we may be able to achieve efficiencies over the next two years.

ASSESSING ORGANISATIONAL CAPABILITY AND HEALTH

The Ministry uses a range of internal measures to assess its capability and health and to measure progress towards its goals.

The headline measures on which we provide year-by-year comparative data and information in our annual reports are as follows:

Core capacity

- the total number of person-years applied, including permanent and contract staff, in our three broad activity areas of policy advice, specialist support and business support
- a comparison of our actual profile with a desired profile of staff experience and attributes for the changing role of the Ministry
- the results of any external reviews conducted on the quality or efficiency of our core operating and information systems

Equal employment opportunities

- the Ministry is committed to inclusive work practices and culture. As a member of the New Zealand public service, the Ministry bases appointments on merit, while recognising the employment aspirations of Maori, ethnic and minority groups, women and people with disabilities

Organisational health

- trends in Gallup staff engagement survey results
- other measures of health, such as turnover, will be reported if trends demand it

Progress towards our Shaping Our Future programme goals

- there is an improving trend in New Zealand Institute for Economic Research audits of the quality of our policy papers
- a baseline is set, and there is an improving trend in feedback from the Minister, central agencies and key Crown entities on the quality of our policy advice, the clarity of roles of each player and our contribution to Crown entity performance
- a project prioritisation and resource allocation system which meets our needs is in place and operating effectively
- a greater proportion of our effort is going into higher priority work
- everyone in the Ministry has a professional development plan in place
- there is improvement in answers to Gallup staff engagement survey questions about the individual goals of Shaping our Future.

MANAGING IN A CHANGING OPERATING ENVIRONMENT

The Ministry manages a broad range of risks that can affect our business, including organisational risks arising from our strategic direction and our operating environment. The Ministry's risk approach is implemented through business processes such as strategy and priority setting, policy advice, operational planning, monitoring and reporting, and project management.

Regular reviews of the Ministry's risk management framework ensure risks are continually identified and managed. Organisational risks identified through this process are incorporated into the Ministry's development goals under the Shaping Our Future programme.

Overseeing risks is the responsibility of the Ministry Leadership Team, which receives monthly reports on any work programme risks. Progress on the work programme is regularly reviewed through the weekly meetings of the Ministry Leadership Team and the Transport Managers' Group, and the Minister of Transport. Advice on risk management is also provided by the Ministry's Performance and Risk Advisory Group.

Our major risk is associated with a failure to deliver on our core role and to not be responsive to changing demands and the constrained fiscal environment. The previous section describing Shaping Our Future is our primary mitigation strategy – to build a flexible, high-performing organisation.

The Ministry has in place emergency management plans and a business continuity plan which can be activated if there is a building, local, regional or national emergency. In the event of a national emergency, we play a coordination role

with transport agencies, providing strategic leadership to the sector to ensure it can respond quickly and effectively in an emergency. The Ministry manages this risk by maintaining the Transport National Emergency Response Plan which governs the work of the Transport Response Team.

The Transport Response Team managed by the Ministry ensures the Ministry and transport agencies provide coordinated advice in a whole-of-government response to a national emergency. This plan continues to develop, incorporating lessons learned from emergency exercises and events.

Departmental capital and asset management intentions

Each year the Ministry prepares a capital programme to ensure the Ministry has the infrastructure required to fulfil its functions. The draft programme is subject to approval by management. The assets of the Ministry and the capital programme are detailed briefly below.

Property, plant and equipment

The Ministry of Transport operates from two offices, with the main site, and the majority of the staff, located in Wellington. All of its premises are leased, so the majority of the assets are leasehold improvements, computer equipment, fixtures and fittings.

Leasehold improvements

The Ministry has no plans to incur significant leasehold improvement expenditure in the next four years. The Ministry moved into its Wellington office in April 2006 and into its Auckland office in July 2005.

Computer equipment

The Ministry has a three-to-five-year rolling replacement programme for computer equipment.

Milford Sound/Piopiotaahi Aerodrome

The Ministry owns the operational infrastructure at Milford Sound/Piopiotaahi Aerodrome.

Fixtures and fittings

All of the Ministry's offices are fully equipped, but we need to make small ongoing purchases of replacement or additional equipment.

Intangible assets

The Ministry has an investment in its own operational systems. A programme is in place to ensure systems continue to be fit-for-purpose.

PROPOSED CAPITAL PROGRAMME

| | 2010/11 \$000 | 2011/12 \$000 | 2012/13 \$000 | 2013/14 \$000 | 2014/15 \$000 |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|
| Property, plant and equipment | 500 | 144 | 50 | 100 | 140 |
| Intangible assets - software | 300 | 159 | 450 | 410 | 210 |
| Total | 800 | 303 | 500 | 510 | 350 |

Cost-effectiveness

COST-EFFECTIVENESS IS DIFFICULT TO ESTABLISH FOR A POLICY MINISTRY

Cost-effectiveness is a measure of how well an organisation uses its inputs to achieve its desired outcomes. For policy agencies, such as the Ministry, demonstrating cost-effectiveness remains a challenge as it is difficult to establish the causal relationship between our outputs and progress towards our outcomes; outcomes are frequently impacted by the actions of numerous organisations and individuals. For example, the Ministry has led legislative changes to increase the driving age from 15 to 16. But actual reductions in the road toll will arise through a number of actions by other parties, including education and enforcement of the new driving age.

There are several constraints on the Ministry's ability to affect transport outcomes. First, the Ministry is only one player in a very large transport system. The Ministry is responsible for \$30 million of transport expenditure a year, out of total government transport expenditure of approximately \$3 billion a year. Secondly, while the Ministry has an important policy advice role, it does not have service delivery levers with which it can influence transport outcomes. Finally, the Ministry does not have complete control over the work it undertakes. The choices of the government of the day rightly have a significant influence on our annual work programme.

Notwithstanding the above, the Ministry is committed to increasing its overall effectiveness. The question that we need to be able to answer is 'are we doing the best job that we can with the resources available to us?' The Ministry addresses this question through its:

- input management
- quality management
- work programme management
- outcomes management.

INPUT MANAGEMENT

Staff time, along with their skills, experience and knowledge, is the Ministry's main resource. We need our staff to value their time and get the most from every hour. To support this approach, we apply project management disciplines to our policy projects. We establish project timeframes and identify milestones that we can manage projects against to ensure projects do not consume more resource than is needed. We are looking to develop new performance management measures for different aspects of our work to enable us to benchmark our performance and then lift our productivity. In the meantime, we can measure how well we deliver our projects on time and to budget.

QUALITY MANAGEMENT

We manage the quality of our work through our quality of policy advice standards. Each year we have a sample of our policy advice papers independently audited by the New Zealand Institute for Economic Research. This audit not only provides us with an independent view on the quality of our advice and areas that we could focus on for improvement, but it also enables us to see how the quality of our advice compares with other government agencies'. In addition to the independent audit, we assess the quality of our advice using the following measures:

- 100 percent of regulatory impact statements are assessed as 'meets' or 'partially meets' the required standards
- 75 percent of policy advice briefings are accepted first time by the Minister (a new measure for 2012/13).

WORK PROGRAMME MANAGEMENT

Our annual output plan is a statement of the results that the Minister wants from the Ministry. We manage the Ministry as a single resource to deliver on the whole output plan programme, and we record the actual percentage delivered in our annual reports. Last year we delivered 98 percent of the agreed output plan.

Delivering on the individual projects in the output plan enables the Ministry to achieve its intended impacts and, through them, make our contribution to the intermediate and long-term outcomes. Our intervention logic sets out the links between our outputs, impacts, intermediate and long-term outcomes.

OUTCOMES MANAGEMENT

The Ministry monitors the progress that the whole of the transport sector is making towards the identified outcomes. While our impacts contribute to this, it is not always clear whether the Ministry's contribution can be singled out from other factors and, even if it could, it is likely to be too costly to undertake. So we use our outcome indicators to focus on the overall progress being made, and use a range of mechanisms to identify opportunities for us to make further contributions where needed.

KEY MINISTRY PERFORMANCE MANAGEMENT MEASURES

The key performance management measures that the Ministry will use in 2012/13 are as follows:

Input management

- percentage of policy projects managed within timeframes and allocated resources
- percentage of policy project milestones delivered each quarter
- percentage of staff time allocated to the Minister's priority projects

Quality management

- New Zealand Institute of Economic Research's audit of policy advice papers assesses average score for papers as 7.5 or better
- 100 percent of regulatory impact statements are assessed as 'meets' or 'partially meets' the required standards
- 75 percent of policy advice briefings are accepted first time by the Minister (a new measure for 2012/13)

Work programme management

- 95 percent or more of output plan delivered as agreed with the Minister
- 95 percent or more of Ministry impacts achieved through delivering underpinning projects

Outcomes management

- results of transport sector progress on intermediate and long-term outcomes published at least annually
- Ministry reviews outcome indicators that show less progress is being made and considers whether further Ministry action is needed.

WE WILL REPORT ON THESE MEASURES ANNUALLY

The Ministry will bring the results of these measures together in its annual report each year to provide an integrated assessment of its cost-effectiveness and identify areas for improvement in future years.

Appendix A: Links between government drivers, Ministry outcomes, Ministry impacts and Ministry appropriations

| Government drivers | Ministry intermediate outcomes | Ministry impacts | Vote Transport Appropriation – output class |
|------------------------------|--|--|--|
| Better quality regulation | Better quality regulation | 1 A more efficient transport regulatory system that does not impose unnecessary costs on users | Policy advice Ministerial servicing |
| Opening markets | Open and efficient transport markets | 2 Reduced or removed barriers to entry to domestic or international markets | Policy advice Ministerial servicing Milford Sound /Piopiotahi Aerodrome operation and administration |
| | | 3 Transport sector has increased information available to it | Policy advice Ministerial servicing |
| Investment in infrastructure | Improved planning and investment in infrastructure and services | 4 Central and local government have good frameworks for investment decision-making | Policy advice Ministerial servicing |
| | | 5 The Ministry provides good investment advice (in the national interest) | Policy advice Ministerial servicing |
| | | 6 Enough money is raised efficiently and fairly to fund investment priorities | Policy advice Ministerial servicing Fuel excise duty refund administration |
| Safer transport system | Fewer transport incidents and other harms | 7 Ministry road safety initiatives support reduction in number of deaths and serious injuries | Policy advice Ministerial servicing |
| Investment in infrastructure | Improved government transport agencies' performance | 8 Ongoing assurance on the performance of government transport agencies | Policy advice Ministerial servicing Governance and performance advice on Crown agencies |
| Responding to other issues | Improved preparedness | 9 Reduced disruptions to access to transport infrastructure and services | Policy advice Ministerial servicing |
| | | 10 Reduced future risks for New Zealand from grounding of ships | Policy advice Ministerial servicing |

Appendix B: Ministry performance measures

| Measure | Status and trends |
|---|--|
| BETTER QUALITY REGULATION | |
| Outcome measures | |
| Changes to transport regulatory environment are estimated to provide a net economic benefit to the economy. | This is a new measure and historical data is not available. Data will be drawn from Ministry regulatory impact statements to identify the aggregate benefits and costs of changes to the transport regulatory system. |
| 100 percent of transport regulatory impact statements are assessed as 'meets' or 'partially meets' quality criteria. | 100 percent of the Ministry's regulatory impact statements have 'met' or 'partially met' the quality criteria since 2009/10. In 2011/12 (to March 2012) three of the Ministry's regulatory impact statements met the quality criteria and three partially met the quality criteria; 2010/11 - six met, one partially met; 2009/10 - 15 met, eight partially met. |
| Impact measures – A more efficient transport regulatory system that does not impose unnecessary costs on users | |
| 90 percent of scheduled programme of periodic reviews of regulations and rules completed in scheduled review year. | The programme of periodic reviews is a new initiative. Data for previous years is not available. |
| Reduced average timeframe for rule development (from commencement of rule development process to rule coming into force). | This is a new measure. The average age of rules projects in 2011/12 (to March 2012) was 4.9 years. The average age in preceding years was 2007/08 – 2.9 years; 2008/09 – 3.3 years, 2009/10 – 3.9 years and 2010/11 – 4.5 years. |

| OPEN AND EFFICIENT TRANSPORT MARKETS | | | | | | | | | | | | | |
|---|---|---------|---------|---------|---------|---------|---------|--------------------------------|-----|-----|-----|-----|-----|
| Outcome measures | | | | | | | | | | | | | |
| Increased number of international passenger movements to and from New Zealand. | In 2011 there were 9.5 million international passenger movements to and from New Zealand. In preceding years, the movements totalled: 2007 – 9.0 million, 2008 – 9.0 million, 2009 – 8.9 million, 2010 – 9.2 million. | | | | | | | | | | | | |
| Increased number of international flights that depart from New Zealand. | In 2011 there were 30,700 international flights departed New Zealand. In preceding years, the departures totalled: 2007 – 28,160; 2008 – 29,116; 2009 – 29,394; 2010 – 30,061. | | | | | | | | | | | | |
| Increased public transport passenger boardings. | In 2010/11 there were 128 million passenger boardings. In preceding years, passenger boardings totalled: 2006/07 – 111 million; 2007/08 – 116 million; 2008/09 – 123 million; 2009/10 – 126 million. | | | | | | | | | | | | |
| Impact measures – Reduced or removed barriers to entry to domestic and international transport markets | | | | | | | | | | | | | |
| International air services agreements provide for greater access to other countries, and for an increased number of services. | New Zealand currently has air services agreements with 49 countries. New Zealand agreed to expanded air services agreements with two countries (The Netherlands and Niue) in 2010/11 and one country (Japan) in 2011/12. | | | | | | | | | | | | |
| Ratio of subsidy to public transport passenger boardings ¹ . | <table border="1"> <thead> <tr> <th></th> <th>2006/07</th> <th>2007/08</th> <th>2008/09</th> <th>2009/10</th> <th>2010/11</th> </tr> </thead> <tbody> <tr> <td>Subsidy per passenger boarding</td> <td>100</td> <td>106</td> <td>114</td> <td>114</td> <td>113</td> </tr> </tbody> </table> | | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | Subsidy per passenger boarding | 100 | 106 | 114 | 114 | 113 |
| | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | | | | | | | | |
| Subsidy per passenger boarding | 100 | 106 | 114 | 114 | 113 | | | | | | | | |

¹ Includes central and local government passenger transport contributions, adjusted to 2010/11 dollars, 2006/07 is base year

| Impact measures – Ministry provides good investment advice (in the national interest) | | | | | | |
|--|---|---------|---------|---------|---------|---------|
| Quality of final advice to government on major investment projects is externally assessed by New Zealand Institute of Economic Research as being 8.0 out of 10 or better. | This is a new measure. Not all of the Ministry's final advice papers on major investment projects were automatically assessed in previous years. The Ministry's average assessment by the New Zealand Institute of Economic Research was 7.0 in 2011 and 6.5 in 2008. | | | | | |
| Impact measures – Enough money is raised efficiently and fairly to fund investment priorities | | | | | | |
| Growth in revenue (in real terms) remains stable in relation to growth in traffic volumes. | Revenue growth relative to kilometres travelled growth ² | | | | | |
| | | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 |
| | Fuel excise and light RUC revenue growth. | 100 | 94 | 89 | 96 | 95 |
| | Fuel excise and light RUC vehicles kilometres travelled growth. | 100 | 94 | 90 | 96 | 95 |
| | Heavy vehicle RUC revenue growth. | 100 | 103 | 100 | 103 | 111 |
| Heavy vehicles kilometres travelled growth. | 100 | 101 | 106 | 103 | 108 | |
| All questions or issues raised by the cross-agency forecasting group, that reviews the results of the Ministry's revenue forecasting model, are resolved to the satisfaction of the group prior to the next forecasting round. | This is a new measure. Data for previous years was not gathered. | | | | | |

FEWER TRANSPORT INCIDENTS AND OTHER HARMS

| Outcome measure | |
|--|--|
| Reduced social cost resulting from transport-related deaths and serious injuries. | The social cost of road crashes (excluding non-injury crash costs) in 2011 prices was estimated to be \$3.5 billion in 2010. The estimated social cost of road crashes in preceding years was: 2007 – \$4.1 billion; 2008 – \$3.9 billion; 2009 – 3.7 billion. |
| Reduced number of road-related deaths. | There were 284 road deaths in 2011. In the preceding years, road deaths totalled: 2006 – 393; 2007 – 421; 2008 – 366; 2009 – 385; 2010 – 375. Changes are best viewed over a number of years to mitigate the impact on one-off influences. |
| Decreased amounts of carbon dioxide emitted from domestic transport per kilometre travelled. | 313 grams of carbon dioxide were emitted per kilometre of road travel in 2010. The level of emissions in preceding years was: 2002 – 305, 2004 – 303, 2006 – 307, 2008 – 314. |

| Impact measures – Ministry road safety initiatives support reduction in number of deaths and serious injuries | | | | | |
|--|-------|-------|-------|------|------|
| Reduced number of road-related deaths for target groups, where Ministry will initiate specific initiatives to reduce: | 2006 | 2007 | 2008 | 2009 | 2010 |
| • deaths in crashes involving young drivers | 138 | 152 | 143 | 135 | 147 |
| • deaths in crashes involving alcohol/drug impaired drivers | 110 | 130 | 121 | 140 | 144 |
| • deaths in crashes involving high-risk drivers. | 116 | 130 | 123 | 129 | 122 |
| Reduced number of road-related serious injuries for target groups where Ministry will initiate specific initiatives to reduce: | 2006 | 2007 | 2008 | 2009 | 2010 |
| • serious injuries in crashes involving young drivers | 1,071 | 1,092 | 1,026 | 978 | 882 |
| • serious injuries in crashes involving alcohol/drug impaired drivers | 587 | 582 | 613 | 584 | 554 |
| • serious injuries in crashes involving high-risk drivers. | 553 | 580 | 566 | 520 | 491 |

IMPROVED GOVERNMENT TRANSPORT AGENCIES' PERFORMANCE

Outcome measure

95 percent, or more, of government's and statements of intent's performance expectations, are met.

This is a new measure. For the Ministry of Transport, 98 percent of its work programme was completed in 2010/11 and 90 percent was completed in 2009/10. Data for preceding years has not been gathered in this manner across the transport Crown entities.

Impact measures - Ongoing assurance on the performance of government transport agencies

Increased ministerial satisfaction on the performance of government transport agencies as a consequence of the timely, accurate, succinct nature of the Ministry specialist governance and performance advice.

This is a new measure. We will base our assessment of progress against this measure on six-monthly assessments with the Minister and Associate Minister of Transport.

IMPROVED PREPAREDNESS FOR, AND MANAGEMENT OF, SHOCKS AND MAJOR EVENTS

Outcome measure

Transport Response Team is ready to respond to all emergencies within one hour of being activated.

In 2010/11 there were eight emergency events. The Ministry was ready to respond to the two events that required transport participation within one hour of notification.

Impact measures – Reduced disruptions to access to transport infrastructure and services

Increased percentage of lessons learned from post-project evaluations of major planned and unplanned events are applied to systems or frameworks to mitigate impacts of future events.

This is a new measure. Data for preceding years is not available.

Impact measures – Reduced future risks for New Zealand from grounding of ships

Increase in a shipowner's liability for the cost of future grounding of ships.

New Zealand's level of exposure is the costs that exceed the shipowner's liability. A shipowner's liability for maritime claims in New Zealand is, for visiting cargo ships in the typical size range, in the range of NZ\$11 million to \$15 million (actual amount determined under a formula specified by the Convention on Liability for Maritime Claims 1976). This level of shipowner's liability has remained unchanged for more than a decade. This measure is new and policy work is ongoing.

2 2006/07 is base year, calculations adjusted to 2010/11 dollars and percentages rounded

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