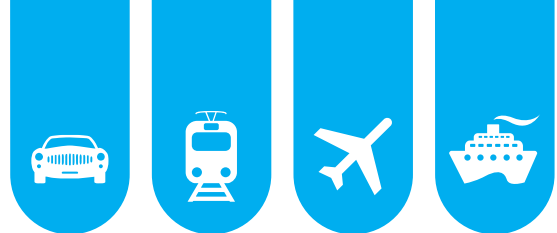




Statement of Intent 2009-2012





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Foreword: Minister of Transport

The government has an overall goal to grow the New Zealand economy so that we can all enjoy greater prosperity, security and opportunity. Developing New Zealand's infrastructure is essential to getting us through the current downturn and on a path to stronger economic growth.

Our transport system plays a central role in the performance of our economy. The efficient movement of people and freight – domestically and internationally – is essential if we are to prosper as a nation. The government plays a major role in achieving this, as a regulator, funder and owner of key transport infrastructure.

Since taking office the new government has announced a number of changes, including:

- bringing forward roading projects and boosting funding for road maintenance and renewal work
- increased funding for new State highway construction by almost \$1 billion over the next three years
- identifying the first Roads of National Significance in recognition of their importance in achieving the government's transport goals.

The second Government Policy Statement on Land Transport Funding has been developed. It provides a clear direction on funding priorities for the land transport sector and will support new jobs, increased growth and, over time, an improved State highway network.

The Ministry of Transport will continue its strenuous efforts to improve the safety and security of our transport system. This work includes making our roads safer through advances in road engineering, ongoing education of drivers and diligent enforcement of current laws. Safety across other transport modes is also very important.

The Ministry of Transport, as my principal adviser on transport matters, plays a critical role in helping the government formulate and implement its transport policy. This Statement of Intent sets out what the Ministry will be doing to support the government, and how it plans to go about it. I am satisfied the Statement of Intent reflects my expectations of the Ministry.

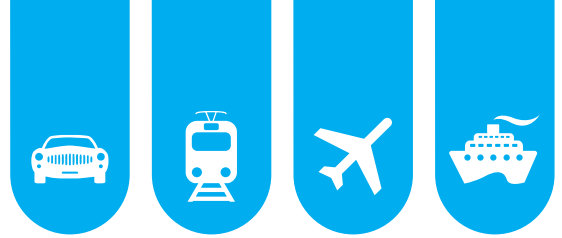
MINISTERIAL STATEMENT OF RESPONSIBILITY

I am satisfied that the information on future operating intentions provided by my department in this Statement of Intent 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 Steven Joyce

Responsible Minister for Ministry of Transport



Introduction from the Chief Executive

The Ministry of Transport's role is to be the trusted, impartial and expert transport adviser to the government. Given the essential role the transport system plays in our nation – the performance of our economy, the operation of our communities and our way of life – the role of helping to shape government policy is something we take very seriously. To do our job effectively we must be experts on transport matters. We must offer free and frank advice with an understanding of its context and implications. We must have an informed view on the critical transport issues for our nation.

To be effective in our job we cannot work in isolation. Everything we do in transport is ultimately in pursuit of other outcomes for our country – economic, environmental, social and cultural (our way of life). We must therefore work

effectively across central and local government. We are, of course, only one member of the government transport team. We have a special role in helping to ensure that team works cohesively and effectively. Finally, there are many other 'players' in the transport system whose interests we must understand if we are to do our job effectively.

Our operating intentions reflect the priorities of the government and, in particular, the Minister of Transport. We are committed to providing the best possible advice we can to support the government in delivering its programme to the nation. The Ministry will continue to work towards its vision of leading transport solutions for New Zealand.

We look forward to the challenge.

CHIEF EXECUTIVE STATEMENT OF RESPONSIBILITY

In signing this statement, I acknowledge that I am responsible for the information contained in this 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 Appropriations (2009/10 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
Director of Finance, Ministry of Transport

The transport system in New Zealand

The Ministry is one of a number of central and local government and private sector organisations that come together to fund and provide the services that underpin the transport system. The transport system is ultimately for the movement of people and freight around the country and off-shore. Thinking about transport as a system and how it integrates with the supply chain for businesses, accessibility for people, and urban design and planning for communities is critical.

While transport is often viewed as individual transport modes (road, rail, maritime and aviation), in order to achieve an effective system in the most efficient way we often need the individual modes to work together and provide integrated services. This is particularly important for many of our freight movements, for example where ports need to connect well with rail and road modes, and also for commuters who need bus services to connect well with rail services. Integrated ticketing represents another opportunity to improve service delivery across transport modes.

People in New Zealand rely heavily on their cars to carry out their lives. The vehicles they select, how they use them and when they use them has an impact on the environmental, safety and efficiency outcomes of the transport system.

It is the way in which we are able to integrate transport services across the modes, together with other business or government systems, that will provide choice for New Zealanders. It will also provide opportunities for productivity gains within the transport sector and the economy.

The Ministry's focus is on improving the overall performance of the transport system, improving the performance of government transport agencies and enhancing the value for money that the government receives from its investment in the transport system.

Nature and scope of functions

OUR VISION IS:

'Leading transport solutions for New Zealand'.

The Ministry of Transport is the government's principal transport adviser. We assist the Minister to shape government policy that will achieve the desired outcomes for our nation. We help the government give effect to its policy through supporting the development of legislation, regulations and rules, and the management and accountability for funds invested in transport. We also represent our interests internationally, particularly in aviation and maritime.

The Ministry assists the Minister of Transport in the government's relationship with the transport Crown entities. The Ministry is also responsible for some operational functions including:

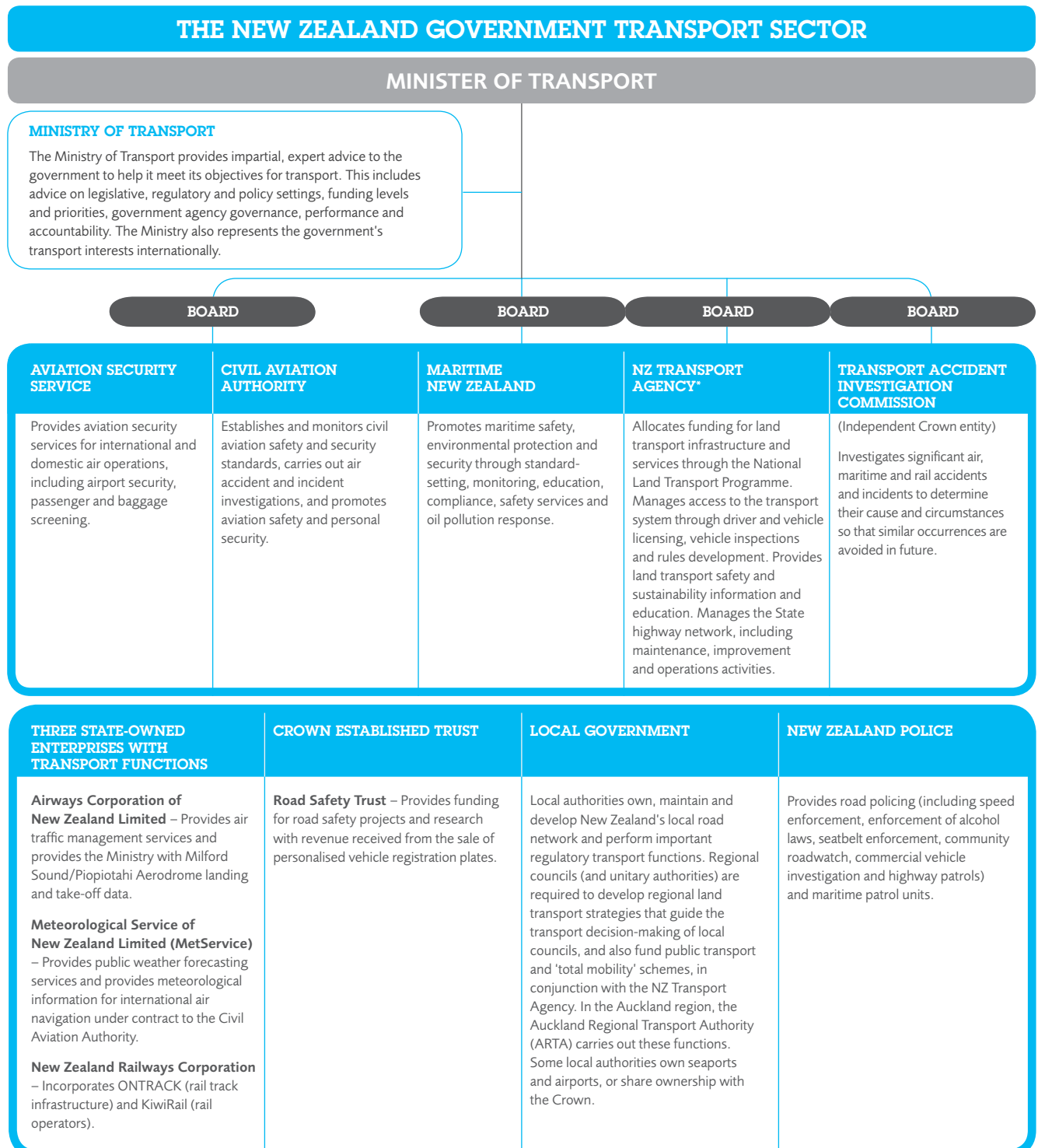
- contracting the New Zealand Transport Agency (NZ Transport Agency) to collect licensing fees, road user charges and fuel excise duty
- licensing all international airlines operating to and from New Zealand
- managing the Milford Sound/Piopiotahi Aerodrome
- overseeing the Crown's interest in joint venture airports¹
- administering a contract with the Meteorological Service of New Zealand Limited (MetService) for the provision of a public weather warning and forecast service.

1. Joint venture airports (JVAs) are airports operated by local authorities in partnership with the government.



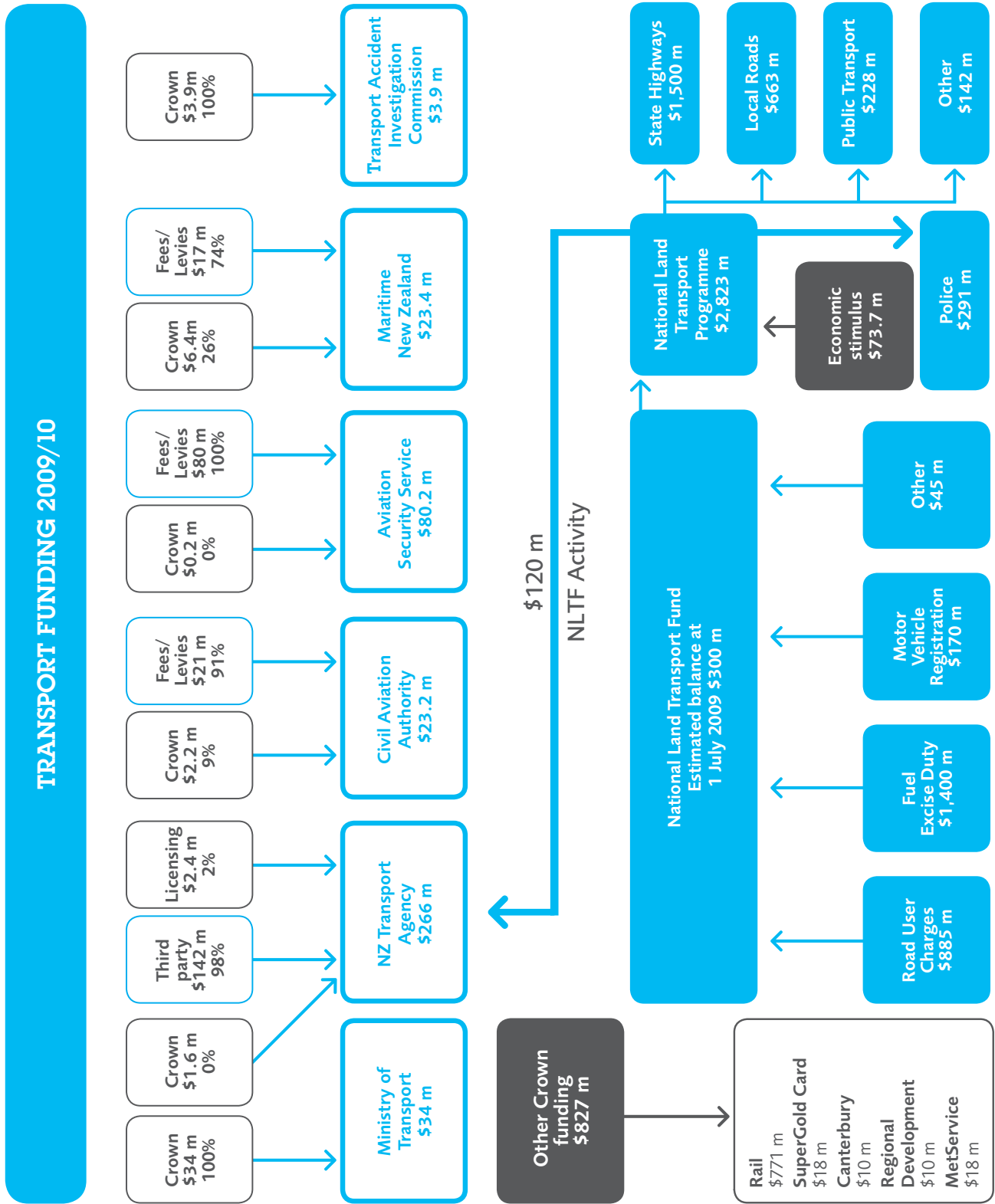
What we are part of

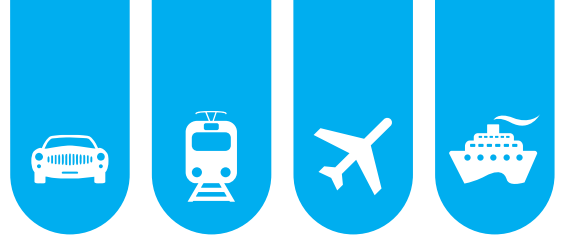
The New Zealand government transport sector includes the Minister of Transport, the Ministry of Transport, five Crown agencies, three state-owned enterprises and one Crown established trust. These agencies and their functions are explained in the table below.



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

In 2009/10 approximately \$2.7 billion of funding is projected to be administered by the government transport sector. The following table provides a summary of the revenue inflows by source and expenditure outflows for each entity.





Strategic direction

STRATEGIC ENVIRONMENT

THE GLOBAL ECONOMY HAS SLOWED SIGNIFICANTLY ...

The environment in which the Ministry now operates is significantly different than that which existed only 12 months ago. The world economy has changed rapidly with the full impacts of the financial market upheaval of 2007/2008 still to be worked through. Most developed economies entered into recession during the last year and the global economic slowdown shows little sign of abating. Around the world stock markets have fallen, large financial institutions have collapsed or been bought out, and governments in even the wealthiest nations have had to come up with rescue packages to bail out their financial systems. The financial shock has affected the expectations of businesses, households and governments worldwide. This has led to huge instability in markets including foreign exchange markets.

Demand for international travel is consequently decreasing² as disposable incomes reduce worldwide, and freight movements are reducing as international trade shrinks. Domestic transport and supply chain operators are finding it increasingly difficult to fund new technologies and initiatives, while the international decline in commodity prices is placing pressure on them to reduce transport and storage costs. World income per capita is projected to decline in 2009³.

THIS HAS IMPACTED ACROSS THE NEW ZEALAND ECONOMY ...

The impacts of the global economic turmoil are being felt throughout New Zealand. Unemployment is forecast to rise to 7.1 percent in 2011⁴. The government has a forecast deficit of \$7.1 billion for 2008/09 increasing to \$13.6 billion in 2012/13⁵.

IT HAS PRESENTED PARTICULAR CHALLENGES FOR THE TRANSPORT SECTOR ...

The economic downturn and other issues are also bringing particular pressures on the transport sector. The downturn in passenger arrivals (both air and maritime) impacts on the funding of some of the government transport agencies. The New Zealand dollar has fallen 28 percent⁶ and, while this assists our exporters, it makes the cost of transport more expensive for families and firms as imports of oil and motor vehicles become more expensive. The increases in the price of oil that were experienced through much of 2008 appeared to have had a positive impact on the road toll (a forty-nine year low of 366 deaths) as fewer kilometres were driven in cars. In addition, there was a noticeable increase in the use of public transport (it rose by eight percent in Auckland). However, that increase has come at a time when the total funding for transport is under pressure due to projected falling levels of revenue growth as a consequence of lower revenue growth from petrol excise and road user charges. There is a direct link between broader economic conditions and the level of revenue collected as economic growth drives the level of transport activity which is taxed through excise and road user charges.

AND FOR THE MINISTRY ...

These factors have come together to create a completely new operating environment for the Ministry and the government. Many of the challenges that we faced prior to the financial crisis still remain, including Auckland's transport issues, lowering the road toll, climate change, transport funding and minimising aviation security risks. The Ministry has also taken over primary responsibility for the provision of policy advice to the government on rail issues. This follows the purchase of the rail assets of Toll Holdings in 2008, and the government's goal for rail to compete on a commercial and transparent basis with other freight and passenger transport modes.

Finally, the Ministry has responded to the government's call for savings and restraint from the public sector and has committed to manage within its 2009/10 baseline funding level through to 2011/12. This will require the Ministry to absorb the cost of any increases in salary or other costs over the next three years, and to carefully examine how we can more efficiently provide our service to the government.

2. IATA Financial Forecast December 2008

3. UN World Economic Situation and Prospects 2009

4. Economic and Fiscal Forecasts December 2008

5. Core Crown residual cash deficit

6. Reserve Bank of New Zealand Trade Weighted Index – February 2008 to February 2009

THE GOVERNMENT'S STRATEGIC DIRECTION

THE GOVERNMENT'S OVERALL GOAL IS TO GROW THE NEW ZEALAND ECONOMY ...

The New Zealand economy needs to grow in order to deliver greater prosperity, security and opportunities for all New Zealanders⁷. The government is also committed to reducing greenhouse gas emissions and confronting global climate change and will honour its Kyoto Protocol obligations. It will pursue a balance between environmental responsibilities and economic opportunities.

The government's response to the challenges it faces is clear – it wants to prioritise economic growth and lift productivity growth.

THE MINISTRY SUPPORTS THAT THROUGH ITS THREE OUTCOMES ...

The government recognises the potential for investment in transport infrastructure to support its goals for economic growth and productivity, and has brought forward investment in transport through its February 2009 Stimulus Package. The Ministry is focused on three outcomes that support the government's goals for economic growth and productivity:

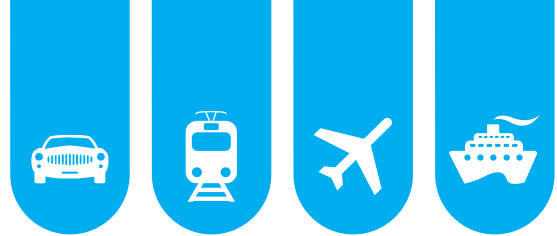
- improved performance of the transport system
- improved performance of transport sector agencies
- enhanced value from government investment in transport infrastructure.

ITS FOCUS IS ON THE GOVERNMENT'S IMMEDIATE PRIORITIES ...

These outcomes also support the government's immediate priorities for transport which are infrastructure/roads and road safety. The government is seeking to advance transport infrastructure projects and is developing a National Infrastructure Plan that will fast track some transport infrastructure. This investment in infrastructure is expected to create short-term economic stimulus through more jobs, while in the medium-term it will improve economic productivity. The 20-year infrastructure plan will set a clear direction for vital national infrastructure investment including the first seven Roads of National Significance that were announced in March 2009. Through the update of the Road Safety 2010 Strategy, the government will review road safety interventions and assess their ongoing effectiveness and value for money. The government will also canvass possible new interventions and make decisions on the preferred interventions for implementation.

The Ministry is committed to delivering value for money throughout the transport system. It will be focused on ensuring its advice and services, and those provided by the transport agencies, deliver future savings without compromising on high quality services.

7. Prime Minister's Speech from the Throne December 2008



GOVERNMENT'S OVERALL GOAL:

To grow the New Zealand economy to deliver greater prosperity, security and opportunities for all New Zealanders







GOVERNMENT'S PRIORITIES FOR TRANSPORT: Infrastructure/Roads and Road Safety



THE MINISTRY'S VISION: Leading Transport Solutions for New Zealand



MODAL OUTCOMES

| | |
|---|--|
| ROAD  | A road transport system that moves people and freight more efficiently, safely and cost effectively. |
| RAIL  | A rail system that moves people and freight more efficiently, safely and cost effectively. |
| AVIATION  | New Zealand has an aviation system that is safe, secure and compliant with international requirements. |
| MARITIME  | New Zealand has a maritime system that is safe, secure and compliant with international requirements. |



THE MINISTRY'S OUTCOMES

| | | |
|--|---|---|
| Improved performance of the transport system | Improved performance of transport sector agencies | Enhanced value from government investments in transport infrastructure |
| <ul style="list-style-type: none"> The Ministry plays a critical role in improving the efficiency of our transport system through removing unnecessary barriers, and representing key opportunities to enhance NZ's productivity. | <ul style="list-style-type: none"> Improving the efficiency and effectiveness of government transport sector agencies is important to the government's goal of achieving value for money from the public sector. | <ul style="list-style-type: none"> Maximising transport's contribution to economic growth and productivity is fundamental to the government's transport infrastructure investment decisions. |



THE MINISTRY'S OUTPUTS*

| | | |
|--|--|---|
| To improve performance across the road, rail, maritime and aviation modes we will provide policy advice and analysis on: | To improve performance across the transport sector Crown agencies we will facilitate sound advice and analysis on: | To promote enhanced value from government investments in transport infrastructure we will provide policy advice and analysis on: |
| <ul style="list-style-type: none"> the operation of the National Land Transport Fund regulatory frameworks safety public transport freight and logistics security environmental issues international obligations Auckland transport issues. | <ul style="list-style-type: none"> governance performance capability accountability. | <ul style="list-style-type: none"> funding specific transport infrastructure projects Milford Sound/Piopirotahi Aerodrome joint venture airports. |

* Refer to the Operating Intentions for the key contributions the Ministry will make over the next two – three years on pages 10 to 13.

Progress against the outcomes 'Improved performance of the transport system' and 'Enhanced value from government investments in transport infrastructure' will be evaluated primarily by using the *Transport Monitoring Indicator Framework* (TMIF)⁸. The TMIF contains a large set of transport sector-related high-level headline indicators that provide both quantitative and qualitative information about all aspects of transport including the economy, safety, environment, health and access and mobility. Collectively, the high-level headline indicators allow for the monitoring of the performance of the entire transport system. The economic indicators, including information on infrastructure and services expenditure, will be used to evaluate transport's contribution to economic growth and productivity.

8. The TMIF provides a national and, where possible, regional framework for the monitoring and evaluation of the New Zealand transport system.

Operating intentions

Road

WHAT ARE WE SEEKING TO ACHIEVE?

Overall outcome*:

A road transport system that moves people and freight more efficiently, safely and cost effectively.

The roading network is central to the function of New Zealand – our economy, communities and our way of life. It carries 70 percent of New Zealand's freight movements, while 84 percent of journeys to work are by car, truck, van or motorcycle. Almost half of all kilometres driven each year by New Zealanders are on the State highway network, although it makes up only 11.6 percent of the total road network.

Investment in roading, particularly in and around major cities and on State highways, is an immediate priority to support the government's economic growth and productivity goals. There are also significant safety benefits from infrastructure improvements. Rebalancing of the approach to planning and investment, improvements to the road user charges system (RUC), and better value for money in public transport are required. Longer term, there is also a need to develop and support effective alternatives to private car travel,

especially in our major centres, including making better use of existing infrastructure.

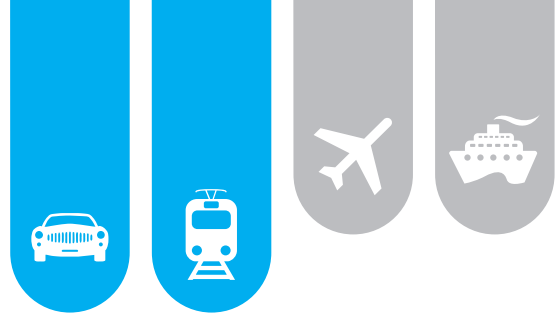
Significant reductions in the number of fatalities on our roads have been made in recent years, but more needs to be done. While the number of fatalities has reduced, the number of serious injuries has not. The cost to society of these fatalities and serious injuries is still too high. Young and novice drivers are over-represented in fatal and serious injury crashes. Each year the social cost of crashes involving young and novice drivers is \$1.1 billion. The annual social cost of crashes involving speed, alcohol and drugs is \$1.73 billion. Continued investment in road safety to improve productivity and reduce costs to society is a priority.

Improving the fuel efficiency of vehicles over time will provide productivity gains while also leading to reductions in the overall level of greenhouse gas emissions. Diversity of energy sources will help to build resilience in the transport sector to potential future oil supply constraints and also contribute to lowering greenhouse gas emissions from the transport sector.

** The Ministry's outcomes contribute to each mode's overall outcome. Refer to the table on page 9.*

WHAT WILL WE DO TO ACHIEVE THIS AND HOW WILL WE DEMONSTRATE SUCCESS IN ACHIEVING THIS?

| PLANNED ACTIONS | CONTRIBUTION TO OUTCOMES | LIKELY INDICATORS OF SUCCESS |
|---|---|--|
| Examine ways to improve the operation of the National Land Transport Fund (NLTF) through simplification, efficiency improvements and other changes that will deliver value for money. | Changes to the land transport funding and planning system and road user charging system enable a more rational, economical and efficient gathering and allocation of funds. | Target: Increased value for money from the NLTF. |
| Investigate barriers to improve performance in public transport, including the degree of regulation required to improve competition and achieve better value for money. | The public transport system achieves optimal productivity and value for money, and there is healthy and fair competition for contracted public transport services. | Target: Increased competition for contracted public transport services. |
| Review road safety initiatives and agree the key areas of focus to improve road safety over the next decade. | Key road safety priorities will improve the safety of the roading network and reduce the costs to the economy and society. | Target: Reduced number of crashes and fatalities in the roading network by 2012. |
| Investigate options for reducing harmful exhaust and greenhouse gas emissions. | The efficient use of existing technologies and identification of technological advances will help improve the performance and impact of the transport system. | Target: Ensure New Zealand's international obligations are met as far as is practicable by 2012. |
| Facilitate effective governance, performance and capability of the NZ Transport Agency. | Effective governance and performance of the NZ Transport Agency is critical to the operation of the land transport system as it manages \$2.7 billion of public investment. | Target: Achievement of key performance targets of the NZ Transport Agency by end of 2012. |



Rail

WHAT ARE WE SEEKING TO ACHIEVE?

Overall outcome*:

A rail system that moves people and freight more efficiently, safely and cost effectively.

Rail is an effective mode of transport for high volume and heavy freight and carries approximately 15 percent of freight moved in New Zealand⁹. It carries large numbers of urban commuters in Auckland and Wellington with more than 18 million boardings in 2008. The rail system also reduces the pressure on New Zealand's roads and can provide safety, health and environmental benefits.

For these reasons it is important that the rail system operates as efficiently as possible. The government, through KiwiRail, now owns and controls not only the rail tracks and associated infrastructure, but also the majority of the rolling stock. The government wants rail to compete on a commercial basis with other freight and passenger transport modes, with services funded from customer revenue as far as possible and rail

investments providing a rate of return. There may be some circumstances where the benefits to road users or society in general may justify public funding. Where this occurs it is important that both the level of subsidy and services being bought are transparent.

It is proposed that the ownership of Metro Rail Auckland and Metro Rail Wellington will be placed with KiwiRail. This will achieve further integration in the operation of the rail service and should improve efficiency.

The Ministry's focus over the short to medium term is to work to establish the appropriate governance, institutional, funding and legislative frameworks that will position rail to contribute positively to the transport system in the future.

The Ministry aims to make the New Zealand rail industry progressively safer and reduce the distress and trauma arising from death and injury in the rail sector.

** The Ministry's outcomes contribute to each mode's overall outcome. Refer to the table on page 9.*

WHAT WILL WE DO TO ACHIEVE THIS AND HOW WILL WE DEMONSTRATE SUCCESS IN ACHIEVING THIS?

| PLANNED ACTIONS | CONTRIBUTION TO OUTCOMES | LIKELY INDICATORS OF SUCCESS |
|---|--|--|
| Establish a transparent funding framework for commercial and subsidised rail activities. | Transparency in funding for rail supports the efficiency of the transport system as a whole and provides value for money from government investment in rail. | Target: Increased transparency of level of government subsidy and services that subsidies are applied to by end of 2011. |
| Establish appropriate governance, institutional and legislative frameworks for rail. | The establishment of a modernised long-term structure and governance regime for KiwiRail will help create a more efficient rail network and transport system. | Target: Amended institutional arrangements are in place by 2011. |
| Implement new arrangements for metro rail services in Auckland and Wellington, and complete rail infrastructure upgrades. | Streamlined ownership and operating arrangements will improve efficiency and risk management for the significant public investment in urban passenger rail services. | Target: The new arrangements are in place and upgrades completed by deadlines set. |
| Develop rail safety initiatives to improve the safety of those who operate on or near the rail system. | Improved rail safety will enable the rail system to operate more efficiently. | Target: Reduced number of accidents and fatalities in the rail network by 2012. |

9. National Freight Demands Study 2008

Aviation

WHAT ARE WE SEEKING TO ACHIEVE?

Overall outcome*:

New Zealand has an aviation system that is safe, secure and compliant with international requirements.

Aviation is an innovative industry that contributes heavily to economic and social progress. It connects New Zealand and New Zealanders to the world, provides access to global markets, and generates trade and tourism.

Each year around 2.5 million visitors arrive in New Zealand, contributing nearly nine billion dollars 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 in Annexes to the Convention.

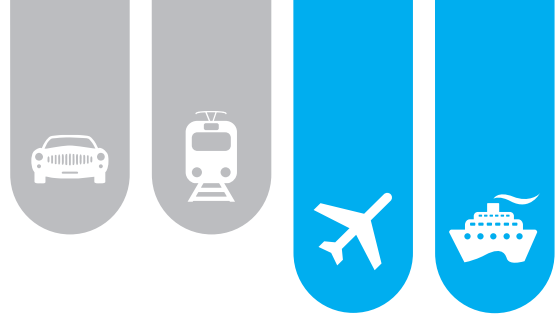
Non-compliance with these obligations risks exclusion or restriction on operating in the international aviation system and the consequential economic impact on trade, travel and tourism.

Inadequate safety regulation risks inconsistent standards and consequential damage to the reputation of the industry, tourism and the country itself. Equally, operators need to have a level of assurance that the reputation and viability of their businesses are not going to be adversely affected by the actions of operators that do not establish and maintain accepted levels of safety.

** The Ministry's outcomes contribute to each mode's overall outcome. Refer to the table on page 9.*

WHAT WILL WE DO TO ACHIEVE THIS AND HOW WILL WE DEMONSTRATE SUCCESS IN ACHIEVING THIS?

| PLANNED ACTIONS | CONTRIBUTION TO OUTCOMES | LIKELY INDICATORS OF SUCCESS |
|--|---|--|
| Maintain and enhance international air traffic rights to support passenger travel and freight movement. | Necessary air rights are available to New Zealand to support international passenger and freight links. | Target: International air traffic rights are enhanced to support passenger travel and freight movements. |
| Manage the Crown's interests in charging and capital expenditure initiatives at joint venture airports. | Increasing effectiveness in the management of the Crown interest in aviation infrastructure. | Target: Crown obligations are met. |
| Ensure levels of aviation safety and security support national and international air travel, freight movement and general aviation activity. | A safe, secure aviation industry is critical to our international reputation as a tourism destination and to the efficient operation of many aspects of our domestic economy. | Target: Compliance with international standards and treaties is maintained. Target: Reduced number of accidents and fatalities in aviation by 2012. |
| Facilitate effective governance, performance and capability of the Civil Aviation Authority and the Aviation Security Service. | Effective governance of the Civil Aviation Authority and Aviation Security Service is critical as they are responsible for the provision of aviation safety and security services that enable New Zealand to comply with many international requirements. | Target: Key performance targets of the Civil Aviation Authority and the Aviation Security Service are met. |



Maritime

WHAT ARE WE SEEKING TO ACHIEVE?

Overall outcome*:

New Zealand has a maritime system that is safe, secure and compliant with international requirements.

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, New Zealand is economically dependent on 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 both 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.

Domestically, shipping is also a part of our transport system for bulk commodities and inter-island ferry services and could potentially play a much bigger role.

An effective and productive coastal shipping sector relies on a sufficiently skilled and experienced workforce. Globally these skills and experience are in short supply. New Zealand must ensure that it has the best regulatory framework possible to support the sector to attract, train and qualify the necessary personnel for shipping and freight related occupations.

International shipping is governed by the International Convention for the Safety of Life at Sea (SOLAS). As a signatory to the Convention, New Zealand has a very clear set of obligations including being bound to have a comprehensive set of safety and security regulations based on the standards prescribed by the International Maritime Organization (IMO).

Non-compliance with these obligations risks exclusion or restriction on operating in the international maritime system and the consequential economic impact on trade, travel and tourism.

Inadequate safety regulation risks inconsistent standards and consequential damage to the reputation of the industry, tourism and the country itself. Equally, operators need to have a level of assurance that the reputation and viability of their businesses are not going to be adversely affected by the actions of operators that do not establish and maintain accepted levels of safety.

* The Ministry's outcomes contribute to each mode's overall outcome. Refer to the table on page 9.

WHAT WILL WE DO TO ACHIEVE THIS AND HOW WILL WE DEMONSTRATE SUCCESS IN ACHIEVING THIS?

| PLANNED ACTIONS | CONTRIBUTION TO OUTCOMES | LIKELY INDICATORS OF SUCCESS |
|---|--|--|
| Address workforce shortages in shipping and related industries. | Workforce shortages are resolved, creating a more efficient maritime sector. | Target: Increased number of appropriately qualified New Zealanders employed in shipping and freight-related occupations. |
| Facilitate improved port and harbour navigational safety. | A safer maritime system. | Target: Reduced number of maritime accidents and fatalities. |
| Review transport policy priorities to enable investment in port facilities and shipping services. | More effective investment in maritime infrastructure. | Target: Increased level of investment in maritime infrastructure. |
| Examine barriers to competition, market entry and performance of shipping. | The efficiency of the maritime sector is improved. | Target: Barriers to competition, market entry and performance of shipping are identified and, where possible, reduced. |
| Facilitate effective governance, performance and capability of Maritime New Zealand. | Effective governance and performance of Maritime New Zealand is critical to the operation of a safe maritime system. | Target: Key performance targets of Maritime New Zealand are met. |

Cost effectiveness

The Ministry of Transport is very focused on achieving cost effectiveness, both within the Ministry and across the transport portfolio. While cost effectiveness analysis is challenging, in relation to policy advice, the Ministry is making increasing use of project planning methodologies to maximise the use of staff time and resources. In 2009 we will be re-organising the structure of the Ministry and its work practices to enable a more flexible approach to managing our work priorities. This will enable great cost effectiveness.

The cost effectiveness of the transport portfolio is reflected in the objectives and outcomes in each modal statement in respect of the NZ Transport Agency, Civil Aviation Authority, Maritime New Zealand and for the Transport Accident Investigation Commission. In addition, policy development and review processes are signalled, for example reviews of the Land Transport Management Act and the Public Transport Management Act.

Building a strong, capable Ministry

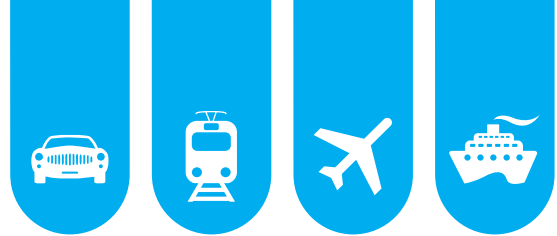
This section sets out how we ensure we will have good internal capability to help us deliver on the government's priorities.

WHAT WE WISH TO ACHIEVE

Our most important resources are our people and their time. For our organisation to be successful, we need to create an environment that enables people to use their talents in the most effective way possible.

Our aim is to:

- make the most of our people and their time by improving how we prioritise and using our resources in a more flexible way
- create an environment where people are challenged and encouraged to take on new opportunities, enabling them to develop their skills to their full potential
- become more flexible, allowing staff time and skills to be applied to priority areas for the Ministry as a whole
- support staff in reaching their potential through a clear and deliberate professional development system strengthened by coaching and mentoring
- build a better understanding of, and relationship with, other government departments, transport agencies and the wider transport sector
- develop a better understanding by stakeholders of our role and how that relates to others
- ensure our processes support us in making the most of our people and their time.



WHAT WE WILL DO TO ENSURE THIS

Realign the organisation ...

To align with the governments priorities we will ensure that Ministry resources are flexible enough to marshal our expertise to address the priorities of the day and the strategies that will shape the sector in the future. From an internal and structural perspective, we will realign our Ministry so we can create an organisation that is:

- agile and flexible in terms of work and staffing
- accessible, responsive and externally stakeholder relationship driven
- collaborative, solution-savvy and proficient at deal-making
- able to provide specialist, high-impact services through initiative, leadership, advice and support.

Specifically there will be far more emphasis on land transport and transport safety as priorities and resources will be internally aligned to enable these priorities to be met.

Give great advice ...

The Ministry is clear that its role is to be the trusted and informed adviser for the government. If we are to deliver on this role, we need to develop a clearer understanding of what we should be doing to lead the sector, what processes we must put in place to drive this role, and what skills and resources are critical to do our business.

The Ministry's advice will be characterised by its impartiality and robustness. We will be respected because of the way we work in partnership with the transport sector – and in particular with the Crown entities, New Zealand Police, local government and our peers in government.

Our focus will be on providing direction and encouraging innovation and performance from our partners. We aspire to create an organisation where each staff member has the knowledge, skills and confidence to fulfil their role and represent the Ministry to stakeholders.

Focus on staff development and commitment ...

Our people are our most precious resource. The Ministry's success depends on good people doing great work. How we recruit, retain and develop our people is critical to our success. In 2007 we introduced an online performance management tool which matches the key competencies that we believe our staff need in order to deliver quality policy advice. This tool allows us to identify talent as well as poor performance across the Ministry. This tool has been refined to reflect the emphasis on building relationships, coaching and developing staff, and providing well-informed advice.

A stair-cased professional development programme has been put in place for policy advisers. This shows a clear pathway for development from adviser through to principal adviser.

The culture of an organisation sets the tone for how people will respond to change. In the 2009/10 year we will receive the results of the Ministry's Gallup Q12 Engagement Survey. The survey is a tool used worldwide which measures staff engagement and productivity. The results of the survey will provide information to management about areas where improvements need to be made. In particular we want to know if people find working for the Ministry to be a rewarding and positive experience. Some of the information we gain from this survey will be incorporated into our performance management system. We also monitor the employment experience through exit interviews. Recruitment is tightly managed with the Ministry moving to more direct recruitment and online advertising as opposed to using recruitment agencies and traditional newspaper advertising. This has improved the standard of applicants for positions. Reflecting improved practice is the reduced turnover figure which now sits at about 16 percent – nearly half of what it was a year ago.

The culture of this organisation will be one of "can do". We will actively encourage a solution-orientated culture by valuing innovation, new ideas, commitment and quality.

Value for money ...

The Ministry of Transport has made a commitment to our Minister to live within our core operating budget over the next three years.

We have forecast unavoidable cost increases arising from existing commitments in relation to staff salaries, building and other expenses that are expected to add \$3.377 million by 2011/2012, or 12 percent of the baseline funding. We will need to absorb these costs through operating more efficiently and cutting costs where we can. We are confident that these decisions will not impact on our ability to deliver, as we will put in place a new operating structure and a comprehensive training programme which will strengthen our ability to provide a high quality, effective policy service.

We build good working relationships with Crown agencies and the wider transport sector ...

The challenge for how the Ministry works, what it is like to work for and to engage with, comes from three basic factors. The first is that transport itself is strongly influenced by economic, social, technological and environmental developments and in turn is highly influential on how communities and businesses advance.

The second is that the delivery chain for desirable outcomes (collective or private) is a long and tenuous one involving government, authorities, operators, manufacturers, network providers, supply chain managers, individual businesses and individuals.

The third is to have a much closer relationship with our partners (NZ Transport Agency, Civil Aviation Authority, Maritime New Zealand, Transport Accident Investigation Commission, New Zealand Police) and the transport sector generally. We do not have a monopoly on knowledge – we need to work with and learn from others to develop the best ideas and solutions for transport in the New Zealand economy. This applies equally to internal as well as external stakeholders.

So not only must the Ministry be far sighted and expert in its know-how, it must have strong relationships and management expertise as it goes about its business of providing leadership to the transport sector and being the government's trusted principal adviser on transport-related matters.

In 2008 we undertook our second external stakeholder survey. This told us there were still concerns.

Stakeholders in both the qualitative and quantitative research generally viewed the Ministry of Transport as an organisation that had improved in recent years, but one that still had a reasonable way to go. The most important area for improvement was strategic leadership.

Respondents were looking for the Ministry to articulate and coordinate a clear vision for the future of the transport sector, and felt that it had failed to do so in recent years.

We are in the process of developing a clear strategic approach as to how we enhance our effectiveness as an organisation. We will need to shift our operating practice to become more flexible and responsive to changing priorities and interests. We need to become more effective at how we manage key relationships with government and the sector.

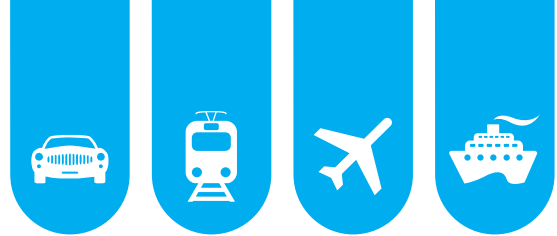
There will be an increased emphasis on how we engage in leadership, partnership and encouragement of the wider transport sector.

Our management systems and technology are fit for purpose ...

A specific internal priority will be ensuring we have the people, business processes and systems that support flexible ways of working while ensuring quality and ongoing development of knowledge and skills.

Having the right systems and tools to do your work is a priority for any effective organisation. The Ministry has replaced a number of its operating systems over the past three years. However the largest project to be implemented will occur this year with the roll out of the electronic document and records management system which will comply with the new Public Record Standards. We will also upgrade our correspondence tracking system, document management system and complete the rebuild of our website.

The website will go some way to meeting government web standards. Included in the site will be the *Transport Monitoring Indicator Framework* statistics and the Road Safety 2020 links. Over the next three years we intend to implement upgrades to technology and systems and enhancements to major applications. We will also be testing our Disaster Recovery preparedness.



Performance measures and targets related to these initiatives include:

- Following analysis of the Gallup Q12 staff culture survey undertaken in March 2009, appropriate actions to improve levels of staff engagement will be developed and incorporated into the Ministry's strategic planning, structural reorganisation and team plans.
- Training Pathways programme will provide structured career development and succession planning processes for all adviser posts for implementation during 2009.
- Staff retention programme to seek to contain staff turnover at the current target level of 20 percent.
- Undertake a stakeholder survey in 2010, 2012 and 2014.

EQUAL EMPLOYMENT OPPORTUNITIES

The Ministry is an equal opportunities employer. In 2007, in partnership with the Public Service Association, we conducted a gender-based pay and employment equity review (PEER). While there were no significant discrepancies in terms of gender we developed a response plan which included 12 responses:

- 1) Review, revise and communicate the recruitment process to staff and systematically record and monitor recruitment data to allow the origin of any gender difference to be identified readily over time.
- 2) Review, revise and communicate the promotion process and systematically record and monitor promotion data to allow the origin of any gender differences to be identified readily over time.
- 3) Review professional development for advisers through to managers.
- 4) Review career development and progression for executive and administrative support.
- 5) Demonstrate respectful treatment of executive and administrative support staff as respected and valued members of their business group.
- 6) Use a gender neutral job evaluation system to conduct a pay investigation for executive and administrative support staff to assess the value of the work being performed.

- 7) Provide a clear explanation regarding the Ministry-subsidised superannuation options available to Ministry staff.
- 8) Continue to conduct exit interviews but conduct anonymous on-line exit surveys to assess and monitor trends in turnover.
- 9) Review how human resource information can be improved through the use of a centralised Human Resource Information System (HRIS).
- 10) Review and clearly communicate the process for reporting harassment, discrimination and bullying.
- 11) When scoping the PEER programme of work, review the Ministry's human resource team, management team and wider Ministry in terms of their capacity to implement the recommendations.
- 12) Conduct a follow up Pay and Employment Equity Survey in three years.

Each of these action points is being progressively addressed.

Managing in a changeable operating environment

As we seek to build a strong, capable organisation, there are risks we must manage.

THE SPECIFIC RISKS FACED BY THE MINISTRY

The two biggest risks for the Ministry in the current environment are that we are unable to respond to the government's priorities – especially the increased emphasis on land transport – and that we fail to recognise, understand and respond as needed to the challenging global economic situation.

The main risks that arise from these in our operating environment are:

- lack of capability to respond to changing priorities and significant work programmes
- insufficient resources and expertise
- failure to anticipate a changing economic environment which could affect funding
- ineffective relationship management
- loss of confidence in the Ministry.

We have also identified some ongoing operating risks:

- inappropriate policy advice that results in a major policy failure
- financial modelling inaccuracies
- failure to prepare for natural disasters
- ineffective facilitation of sound governance, performance and accountability of Crown agencies
- national emergency affecting the transport sector
- security breach.

HOW WE WILL MANAGE THESE RISKS

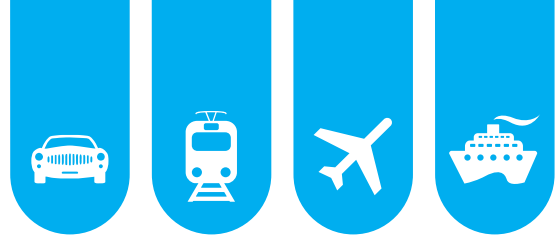
We mitigate the risks in our operating environment through an annual programme to address risk and performance issues, six-monthly risk workshops and regular scanning of the external operating environment eg oil prices, revenue collection and economic indicators.

We regularly review our progress on the work programme through the weekly meeting of the Ministry Leadership Team and weekly meetings with the Minister of Transport. To meet the priorities of the new government we are re-organising the way we work to allow for a more flexible workforce. This will mean we can shift resources to the areas of priority relatively easily.

We have built solid relationships with the Crown entities, with particular emphasis on our biggest Crown entity, the NZ Transport Agency. Through regular meetings to facilitate effective governance and accountability we are able to ensure they too are focused on the government's priorities.

The Ministry has in place emergency management plans and a business continuity plan in the event of a building, local, regional or national emergency. We take part yearly in emergency exercises as part of our coordination role of providing strategic advice to the sector during an emergency.

The Ministry plays a lead role in the maintenance of the Transport National Emergency Response Plan. This plan provides a framework for transport agencies to participate in a whole of government response to an emergency.



RISK MANAGEMENT FRAMEWORK

The Ministry's risk management arrangement allows us to identify and manage risks on an ongoing basis. The oversight of risks sits with the Risk Management Committee, however the Ministry Leadership Team reports monthly on any work programme risks. These reports are tabled at the Ministry Leadership Team meetings.

We have also put in place *Complywith* which ensures the Ministry is meeting all its legal obligations. The system requires the responsible staff member to confirm that we do comply with all legislative responsibilities.

DEPARTMENTAL CAPITAL INTENTIONS

Each year the Ministry prepares a capital programme to ensure it 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 three offices, with the main site, and the majority of 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, its Auckland office in July 2005 and its Christchurch office in May 2008.

Computer equipment

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

Milford Sound/Piopiotahi Aerodrome

The Ministry also owns the infrastructure at Milford Sound/Piopiotahi Aerodrome.

Fixtures and fittings

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

Intangible assets

The Ministry has an investment in its own operational systems. In the last three years the Ministry has implemented a relationship management system and has prepared to roll out an electronic document and records management system. There will be further system implementations in the future but none have been confirmed at this time.

PROPOSED CAPITAL PROGRAMME

| | 2009/10 \$000 | 2010/11 \$000 | 2011/12 \$000 | 2012/13 \$000 |
|-------------------------------|------------------|------------------|------------------|------------------|
| Property, plant and equipment | 500 | 500 | 500 | 500 |
| Intangible assets – software | 300 | 300 | 300 | 300 |
| Total | 800 | 800 | 800 | 800 |

Glossary of terms

Activities

Individual tasks usually with a short time frame.

Capability

Resources, competencies and processes that an organisation needs to efficiently deliver the goods and services required to achieve the results sought.

Indicator

A measure that is used to track changes in the outcome.

Intervention

Interventions include legislation, policies, transfers, programmes and service delivery arrangements.

Objective

Statement of aim or purpose.

Outcome

A state or condition of society, the economy or the environment and includes a change in that state or condition.

Outputs

Goods or services that are (or are to be) supplied by a department, Crown entity, Office of Parliament, or other person or body.

Risk management

The culture, processes and structures that are directed towards the continuous management of both opportunities and adverse effects impacting on our business.

Strategy

Long-term direction and scope of the organisation. A high level statement expressing in broad terms the direction the organisation should be taking in order to achieve the results sought.

National Land Transport Programme (NLTP)

The mechanism through which the NZ Transport Agency allocates funds to approved organisations for land transport infrastructure and services.

National Land Transport Fund (NLTF)

The primary source of funding for State highway improvement and management projects, allocated by the NZ Transport Agency through the National Land Transport Programme (NLTP).

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