

Performance Improvement Framework

STATE SERVICES COMMISSION
Te Komihana O Ngā Tari Kāwanatanga



Review for the Ministry of Transport Te Manatū Waka

January 2018



New Zealand Government

 Ministry of Transport
TE MANATŪ WAKA

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Introducing the Ministry of Transport's Lead Reviewers



Dr Paul Reynolds

Dr Reynolds currently serves as Deputy Chair of Landcare Research Ltd, director of AgResearch Ltd, Chair of the Sir Peter Blake Trust, a trustee of the Eastland Community Trust and Chair of the Our Land and Water National Science Challenge.

He was Chief Executive at the Ministry for the Environment (MfE) from 2008 to 2015, when he also led the Natural Resources Sector Group of Chief Executives and served as chair of the Leadership Development Centre and the Advisory Board to the Victoria University of Wellington School of Government. Previous senior public service roles were at the Ministry of Research, Science and Technology and the Ministry of Agriculture and Forestry. Dr Reynolds began his career as a research scientist at the University of Missouri, then at the Department of Scientific and Industrial Research and HortResearch. He holds a PhD in Biochemistry from the University of Otago.

He has been a Lead Reviewer for the PIF Reviews of Ministry for Pacific Peoples and Crown Law Office and for the PIF Follow-up Review of the Ministry of Culture and Heritage.



Dr Keith Turner

Dr Turner is a professional director and is currently Chair of Fisher and Paykel Appliances Ltd and Chair of specialist engineering consultancy Damwatch. He has several Australian directorships - South Australia Power Networks, NSW TransGrid and Victoria Power Networks Pty Limited. He has recently completed his term as a director of Chorus Limited and has previously served on the Board of Spark Infrastructure, an Australian listed company, as Chair of Emirates Team New Zealand and Deputy Chair of Auckland International Airport Limited.

Dr Turner has 40 years' executive experience in the New Zealand power industry, including as CEO of Meridian Energy, from its establishment in 1999 to 2008. He holds a PhD in electrical engineering and is a Distinguished Fellow of the Institute of Professional Engineers of New Zealand.



The Performance Improvement Framework (PIF) enables State Service leaders to identify opportunities for improvement, building positive outcomes for New Zealand.

PIF is designed for agencies in the New Zealand State sector.

The PIF Review is a valuable tool that helps leaders drive organisational change. Change that will improve future agency performance, resulting in better outcomes for New Zealand.

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The review is a future-focused exercise. The reviewers consider the questions: "What is the contribution New Zealand needs from this agency? What is the performance challenge to make that contribution over the next four years?" Taking a four-year horizon encourages medium-term strategic thinking and helps leaders and agency staff to understand what success would look like. Then, considering current capability to meet future challenges, the reviewers evaluate the agency's preparedness for the future and describe its performance improvement priorities.

Each PIF Review delivers a published report, ensuring transparency and supporting accountability to New Zealanders.



Peter Hughes
State Services Commissioner

The PIF Review is a valuable tool that helps leaders drive organisational change.

Performance Improvement Framework

Four-year Excellence Horizon

What is the agency's performance improvement challenge?

Delivering Government Priorities

How well is the agency responding to government priorities?

Delivering Core Business

In each core business area, how well does the agency deliver value to its customers and New Zealanders?

In each core business area, how well does the agency demonstrate increased value over time?

How well does the agency exercise its stewardship role over regulation?

Organisational Management

How well is the agency positioned to deliver now and in the future?

 Leadership and Direction	 Delivery for Customers and New Zealanders	 Relationships	 People Development	 Financial and Resource Management
Purpose, Vision and Strategy Leadership and Governance Values, Behaviour and Culture Review	Customers Operating Model Collaboration and Partnerships Experiences of the public	Engagement with Ministers Sector Contribution	Leadership and Workforce Development Management of People Performance Engagement with Staff	Asset Management Information Management Financial Management Risk Management

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Accepting the Challenge

In this section:

The Ministry of Transport's commitment
Central Agency support

The Ministry of Transport's commitment



Introduction

We welcome this review, which is particularly timely for the Ministry. We want to thank the reviewers for the insights that they have provided, and also thank our stakeholders who have supported the review process and provided their own views on the type of Ministry that is needed for the future.

The reviewers largely undertook their work in an iterative process alongside the Ministry's own organisational review process. The Ministry took decisions on its organisational review in June, and marked the beginning of wider change when the new Ministry structure came into effect in October 2017. So while the findings from this PIF Review largely reflect the position prior to the start of our organisational changes, we are pleased to see that they are well aligned with our own thinking on how the Ministry needs to change and lift its performance over the next three to four years.

This review sets a bold challenge. As a Ministry, we are up for that challenge. We are already underway through our major organisational change programme that started in October. Our new structure embeds our commitment to build capability and capacity in the major areas identified by the reviewers. We are only three months into our organisational transformation and we know where we need to focus our efforts to make the most important gains. The reviewers' insights have strengthened this focus, and our new organisational action plan will drive the transformation of our operating model over the next few years.

Our Performance Challenge

The reviewers recognised that the transport system faces complex policy and regulatory demands that need to be addressed. These include the disruption that is on the horizon from technology, the wider policy context across government (including Auckland, climate change, regional development and housing, and the impact of transport on equitable access to health, social services and work) and more transport specific issues such as modal neutrality and the need to focus on the development of an integrated transport system.

The reviewers articulated what New Zealand needs from the Ministry – leadership in delivering an effective, efficient transport system that meets economic, social, cultural and environmental needs now and adapts to meet changing needs and aspirations. This means enabling an integrated transport system that supports New Zealanders to gain equitable access to goods, employment and services; is cognisant of the potential of all modes; is resilient and safe to use; minimises the impact on health outcomes and the environment; and is well-positioned to take advantage of continuous evolution in transport and associated technologies.

The reviewers noted the need for the Ministry to be articulating credible scenarios for the future; providing advice to the Government that brings a more cohesive and strategic transport perspective to a range of economic and social issues; and developing policy approaches that are supported by strong data and analytics and informed by the needs of customers and transport suppliers.

The Ministry also needs to be adaptive and enabling of change, and lead a collaborative group of government transport sector agencies.

This review sets a bold challenge. As a Ministry, we are up for that challenge.

Responding to our performance challenge

We welcome the reviewers' recognition of the need for the Ministry, as leader within the transport system, to be collaborative and systems-focused – seeking to orchestrate the transport system to achieve optimum performance.

The Ministry's performance challenge, given its stewardship and leadership roles for the transport system, sits in four key areas:

- achieving clarity of purpose
- developing a medium-term strategy underpinned by strong analytics
- growing our capability for collaboration
- re-booting the organisation.

This is a bold challenge, but one that we readily accept. We recognise that achieving it will require significant and sustained effort by the Ministry over the next four years and beyond. It will also require the Ministry to develop new and innovative ways of delivering on our core responsibilities, and require us to bring new perspectives as we work alongside our key stakeholders in the future.

We are up for the challenge, but we are not starting from scratch. The reviewers recognised that some of our work provides examples of the way that we want to operate in the future – we need to further develop these approaches and embed them as part of our day-to-day operating model.

For example, we have worked closely with agencies such as Auckland Council, Auckland Transport, the New Zealand Transport Agency (NZTA), the State Services Commission (SSC) and the Treasury on the Auckland Transport Alignment Project (ATAP), and with a wide range of government and non-government agencies on the development of the Intelligent Transport Systems Action Plan. Both are examples of future-focused, system-wide, strategic policy development, co-created with a range of other agencies. We are committed to applying this approach more widely to our work in the future.

Achieving clarity of purpose

We have already made some progress clarifying our purpose, vision and values through our organisational review to support the Ministry's leadership role. Over the next 12 to 18 months, we will embed these as a core foundation for the Ministry's culture, in our business planning, and in the way we work. For example, we have started to recruit and assess staff performance based on the ability to understand and contribute to the purpose and vision, and to exhibit the Ministry's values in the way we work.

A key focus over the next 6 months will be for the Ministry to embed its unique leadership role in the sector. This will involve us taking a system-wide focus and a strategic, long-term view, which only we are in a position to do. We will lead the collaborative development of policy on both investment and regulatory settings.

We will use our unique position to reach across the State sector and work on shared outcomes where transport has a role to play. By June 2018, we will be 'around the table' for all key cross-government policy initiatives that have a transport component.

We will not be able to do this alone. We will need the support of other government departments and transport Crown entities to allow us to fulfil our unique role in the system.

Developing a medium-term strategy

The reviewers recognised the excellent work that the Ministry has done on the longer-term issues and outcomes for the transport system. We understand that the challenge is now for us to better connect that longer-term view to the more immediate transport policy and operational decisions that need to be made.

To make that connection, by the end of 2018, we will have worked collaboratively alongside our stakeholders to identify the challenges that lie ahead for the transport system and the medium-term choices for the Government. This work will take a mode-neutral approach. It will provide a clearer understanding of emerging transport needs and opportunities, and the contribution each mode can make. It will provide a framework for us to know whether we are on track towards our longer-term goals.

This will allow us to take corrective actions where and when necessary, particularly in relation to investment settings and regulatory design.

One of the critical strategic levers the Government has for shaping the transport system over the medium-term is the Government Policy Statement on Land Transport (GPS), which defines how the National Land Transport Fund will be invested. We will partner with the Treasury, NZTA, KiwiRail and others to develop advice to the Minister of Transport on the GPS, so that it fulfils its potential in addressing the outcomes that we seek for the transport system. We expect a new GPS to be published in 2018.

In addition, we are developing governance arrangements and a work programme to meet our regulatory stewardship challenge by June 2018. The aim of this work is, in partnership with the transport regulators, to deliver a transport regulatory system that enables innovation, while supporting an effective, safe, and secure transport system that meets New Zealand's needs. It will include:

- looking at the regulatory settings for transport, to ensure that the type of regulation used is appropriate to the circumstances
- ensuring that regulators have the right tools, resources and capability to carry out their roles effectively
- creating feedback loops in the system and responding to emerging issues in a timely manner so that the suite of transport regulation remains fit for purpose and does not have unintended consequences, and
- looking at how our legislation should evolve over time to support emerging technology.

Strengthening our analytical capability is critical to developing better foresight and policy. As part of the organisational review, we have created a range of new teams focused on improving our analytical and modelling capabilities. This includes a new Regulatory and Data Group and, within that Group, a team specifically focusing on Analytics and Modelling. We will also develop a new analytical framework that should help improve our ability to draw value from data and develop evidence-based policy. We look to Central Agencies and other government departments to support this effort by sharing knowledge, expertise and examples of analytical tools and frameworks used elsewhere in the State sector.

Growing our capability for collaboration

To give effect to the Ministry's system leadership role we need to move from consulting on particular policies to having a more collaborative culture, where we work more in partnership with stakeholders on critical issues. We will need to develop a sophisticated approach to this as we have numerous public and private sector stakeholders and a wide range of complex policy issues that we need to advance.

As noted above, we already have some good examples of collaborative work that have delivered positive results. We will build off the strong foundations that these initiatives have provided.

The Ministry has increased the energy and focus we are placing on stakeholder engagement. We have created a specific Governance and Engagement Group within the Ministry, and will develop a comprehensive stakeholder engagement strategy by June 2018. We will continue to step up our efforts to engage and collaborate within the Public Service, with the transport Crown entities, and with transport system stakeholders.

We are already deepening our engagement with stakeholders, and moving where appropriate to a co-creation model. For example, we have created a leadership forum for Transport Sector Leaders, comprising the Chief Executives of all the transport Crown entities and State Owned Enterprises. We intend to step up the role of this Group in the future to take a more central role in shaping the strategic policy agenda.

We will benefit from Central Agencies' support and knowledge of new approaches and techniques for this type of open and participative approach. Central Agencies have, by the very nature of their roles within the State sector, developed a lot of custom and practice in facilitating knowledge-sharing and coordinating effort across a range of stakeholders. The Ministry will benefit from drawing on their collective experiences.

We also need Central Agencies to work closely with us in some policy projects. For example, the Treasury and SSC have been partners in the ATAP process, and major projects such as the GPS will benefit from similar levels of Central Agency involvement.

Re-booting the Ministry

We agree with the reviewers that we need to reinvigorate the Ministry in order to drive it forward to become the high performing organisation that we want it to be and that New Zealand needs it to be. This means re-orienting the Ministry so we can give full effect to our stewardship role, and provide future-focused, integrated and system-wide advice to Government and deliver increased value over time.

We have made good progress down this path of organisational transformation. Areas that we will address over the next four years include:

- embedding the Ministry's new culture
- ensuring our corporate systems support a high performing Ministry
- providing high quality advice that is free, frank and fearless
- developing a much more collaborative working style
- strengthening the capability of our staff.

Through our recent transformation, the Ministry has already started to look at its capacity and align its capabilities with its new way of working.

We are developing our managers and staff. We want to draw on the broader skills and experiences in the State sector and across the transport system by utilising secondments and talent exchange arrangements, and we look to Central Agencies to support and facilitate this process.

We have also created a new dedicated team within the Ministry to focus on business integrity, continuity, risk management and performance. We want to draw upon the expertise and knowledge of Central Agencies in developing high-performing organisations. For example, we have already commenced working with the Department of the Prime Minister and Cabinet and the New Zealand Intelligence Community on improving our protective security practices. We also want to draw on the SSC's workforce development work and Central Agencies' experience around four-year planning.

In 2019, we will evaluate how far we have progressed down the path of our transformation and to ensure we are still on-track.

...re-orienting the Ministry so we can give full effect to our stewardship role, and provide future-focused, integrated and system-wide advice to Government and deliver increased value over time.



From left to right: Bryn Gandy, Paul Laplanche, Kirstie Hewlett, Robyn Smith, Karen Lyons, Nick Brown and Peter Mersi (Chief Executive and Secretary for Transport)

The way forward

As we said at the beginning of this response, we welcome this thoughtful and insightful PIF Review.

The PIF Review has helped the Ministry to clarify its performance expectations and provides a foundation for us to develop our new organisational strategy. The Ministry's vision is well aligned with our performance challenge (being a great collaborator, solving problems and interpreting trends, enabling new technologies, and taking a whole-of-system approach).

While we are at base camp now, we can see our destination and preferred route to get there. With the support of our stakeholders we are ready to take the next step.

By March 2018, we will have developed a plan of action that maps out all of the work we will need to commence or carry on in order to address the issues raised by the PIF reviewers and identified through our own organisational transformation process.

Peter Mersi, Bryn Gandy, Karen Lyons, Kirstie Hewlett, Nick Brown, Paul Laplanche and Robyn Smith
Chief Executive and Senior Leadership Team

Central Agency support

An effective transport system contributes to an economy, environment and society that works for New Zealanders, now and in the future.

The Ministry of Transport (the Ministry) is the Government's principal transport adviser, leading advice to the Government about long-term priorities and challenges in the transport system, medium term direction, and day-to-day policy decisions. It assists the Government give shape and effect to its transport policy for New Zealand across all modes and regions, in collaboration with other transport sector agencies and stakeholders. It has a central role in improving the overall performance of the transport system, and ensuring better value from transport system investments.

This PIF Review report outlines the key challenges and opportunities for the Ministry leadership in a context of emerging technologies and evolving customer preferences and behaviours. This context is challenging and complex in a country with distinct needs and opportunities on a region-by-region and city-by-city basis.

We concur with the Lead Reviewers' observations that the Ministry's future success will emerge from: policy advice for the transport sector that is integrated with wider government policy; industry-alignment on the major areas of focus; and a Government Policy Statement

on Transport that has evolved into a continuously researched multi-modal instrument driving system impacts.

We agree that the Ministry, in responding to the challenges and opportunities the Lead Reviewers have identified, should focus on: achieving clarity of purpose; developing a medium-term strategy underpinned by strong analytics; growing its capability for collaboration and re-booting the organisation. The Ministry's recent organisational review and changes it has made over the last six months have begun to address some of these challenges. In implementing its Commitment the Ministry needs to ensure that the transport sector agencies are joined-up and work collaboratively. This will require the Ministry to demonstrate a combination of long-term vision, medium-term strategy setting and oversight and partnership in delivering for improved outcomes.

The Ministry has asked for our assistance and support to:

- lead the collaborative development of policy on transport system investment and regulatory settings across government and to work on shared outcomes where transport has a role to play - to do this they may need our support to be at the right tables

- strengthen its analytical capability to develop better foresight and policy. Improving analytical and modelling capabilities will be a significant element of this along with an analytical framework that supports the Ministry to develop evidence-based policy
- move to a more collaborative culture, where it works in partnership with stakeholders on critical issues. This will require a more sophisticated approach.

We have committed to providing that support and assistance where we are able. The Central Agencies will be involved, at a fit-for-purpose level, in supporting policy co-creation. Central agency support for major projects will continue to be available to the Ministry in helping them to deliver on their outcomes. We will contribute our analytical expertise where we can make a difference, and will share our experience of facilitating knowledge sharing and coordinating efforts across a range of stakeholders. When a significant shift is required to traditional ways of working, it is important that central government agencies line up to deliver the shift.

We are confident in the Ministry's future and its ability to deliver to its excellence horizon.

Peter Hughes
State Services Commissioner

Gabriel Makhlof
Secretary to the Treasury

Andrew Kibblewhite
Department of the Prime Minister and Cabinet

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The Challenge

In this section:

Four -year Excellence Horizon
Performance challenge
What will success look like?

Four-year Excellence Horizon

In undertaking this review the Lead Reviewers considered: “What is the contribution that New Zealand needs from the Ministry of Transport and, therefore, what is the performance challenge? If the Ministry meets the performance challenge, what would success look like in four years?”

Context

Transport systems are entering a time of disruptive change driven by, amongst other things, the rapid emergence of new technologies and increasing global demands for decarbonisation. Industry is engaging actively with new technologies that allow improved and/or innovative service delivery and cost reduction. Some consumers are early adopters; others will follow as new technologies deliver better travel experiences, greater access and efficiency, improved safety and cost savings.

Depending on how it is delivered, transport can be an enabler for, or impede, economic growth and social participation and cohesion. There are particular transport infrastructure challenges in New Zealand due to the country’s geography, small population for its land mass, as well as the concentration of around 30% of the population in Auckland and the balance widely dispersed throughout the rest of the country. Due to geography and history, there is a high usage of private road transport compared to public transport by New Zealanders. New technologies may assist in addressing the geographic challenges and have the potential to reduce or, perversely, to reinforce New Zealanders’ attachment to private transport options.

Technological developments provide new options to address the challenges of funding and pricing to build the infrastructure needed and ensure equitable access within and across generations.

There are increasing pressures on the country’s existing transport infrastructure arising from population, tourism and economic growth with consequential increases in freight. Recent major earthquakes and weather events have highlighted weaknesses in the resilience of that infrastructure.

Safety has been an important driver for the regulatory model for all forms of transport in New Zealand, but too strong a focus on risk minimisation may block opportunities for innovation. There are also challenges in providing a national regulatory model that is flexible enough to allow for the differing needs of our biggest urban centre and the many smaller regional centres that rely on a network of rural roads to support their communities and ‘tourist highways’ to NZ’s great outdoors.

This means that models and approaches to transport policy, the underpinning regulatory model and the performance of the different agencies that comprise the government transport sector are all under pressure to change.

Depending on how it is delivered, transport can be an enabler for, or impede, economic growth and social participation and cohesion.

...within this context

The Ministry of Transport (the Ministry) faces a multitude of issues at this time (from severely stressed modes to rapidly changing technology), without strategy-led, clear, well-stated and -communicated conceptual frameworks to:

- support the role it needs to play for New Zealand
- guide consistency in its thinking
- enable it to assert the leadership that the whole system and sector needs and is expecting of the Ministry.

It is struggling to meet immediate demands, while developing and executing on near-term strategy and developing the very long-term view. Consequently, the Ministry is:

- finding it difficult to effectively integrate the multitude of perspectives that exist across government
- struggling to decide which tables it should be at
- not well-positioned to exercise strong policy leadership as integrated, multi-modal¹ system-wide analysis is not yet developed.

The newly appointed Secretary for Transport and Chief Executive is alive to the challenges and the need for change. This is on the back of a hugely demanding year with significant fall-out from a fraud perpetrated in the organisation as well as the consequences of the Kaikōura earthquake. The earthquake placed new, urgent demands on the work programme of the Ministry and had a dramatic physical impact as well. The building the Ministry was in could not be re-entered and the organisation currently finds itself without much of its day-to-day support infrastructure.

This PIF Review comes at a time when the agency is undertaking a comprehensive and far-reaching transformation in its operating model without having completely defined its conceptual frameworks or achieving clarity on its objective. The review therefore offers an opportunity to provide independent input to the Secretary for Transport's strategic repositioning of the Ministry.

The performance challenge and success scenario outlined below are provided in this context.

The newly appointed Secretary for Transport and Chief Executive is alive to the challenges and the need for change.

1 Transport in New Zealand is provided through several different modes, including land-based (road and rail), by air and on water. Many transport modes rely on interconnections between these modes to enable people and goods and services to complete the required journey. International conventions generally govern the individual modes and this is reflected in the regulatory approach to and focus on the different transport modes in New Zealand.

Performance challenge

Performance challenge - outcomes

New Zealanders want an effective, efficient transport system that meets their economic, social-cultural and environmental needs now and adapts to meet changing needs and aspirations; that demands a step-change. It means an integrated transport system that:

- provides the platforms and processes enabling New Zealanders to gain equitable access to goods, employment and services
- optimises the potential of all modes and increases utilisation of the transport system
- is resilient
- is safe for customers² to use, delivering them seamless journeys
- takes advantage of technology as it becomes available
- anticipates disruptive change and makes the most of it.

Performance challenge – agency

The Ministry has a vital role to deliver the transport system that New Zealand needs by:

- articulating credible scenarios for the future that enable others to develop their understanding and engage in the discussion about transport challenges, options and choices for New Zealand, then synthesising policy and guidance from those discussions
- providing advice to the Government that brings a more cohesive and strategic transport perspective to a range of economic and social issues, such as urban development and regional development, social cohesion and access to public services, tourism, and the environmental objectives for New Zealand
- developing policy approaches, supported by strong data and analytics and informed by the needs of customers and transport suppliers, that enable trade-offs between modes to be identified, with the positive and negative consequences clearly articulated
- supporting a regulatory framework that anticipates future needs, is adaptive and enabling of change, can be used, where appropriate, as a lever to drive incentives and is efficient and effective recognising the capabilities of the different government entities operating in the sector

- leading a collaborative group of government transport sector agencies, each fulfilling its own role and supporting the responsibilities and roles of others.

The Ministry's leadership needs to be facilitative and integrative – seeking to orchestrate the transport system to achieve optimum performance. It is about synthesis, strategy and policy settings, not 'control'. The transport system is characterised by a very large number of players, with a variety of ownership structures and decision rights. Many parts of the system operate in a commercial construct and some decision rights rest with another layer of elected government.

The Ministry's performance challenge in terms of its transport system stewardship and leadership roles sits in four key areas:

- achieving clarity of purpose
- developing a medium-term strategy underpinned by strong analytics
- embracing the ethos of, and the growing the capability for, collaboration
- re-booting the organisation

2 Customers of the transport system include, as appropriate, passengers, drivers, cyclists, motorcyclists, pedestrians, mariners and pilots, as well as individuals and firms who wish to send goods to another location.

Achieving clarity of purpose

The transport system, across the board, is seeking clarity of purpose from the Ministry. It wishes to see this expressed in its performance, in the actions the Ministry is taking and in the behaviours it is exhibiting. These should all reflect an organisation that is leading the system, not acting as a player in it that leads from time to time when pushed to do so.

The Ministry has undertaken some work as part of the recent Organisational Review to re-state its purpose and now needs to involve and engage key partners and stakeholders in the transport system and across government to complete this process. The needs and aspirations of end customers of the transport system must be central to this work.

In this way understanding and support will develop amongst the key actors of their respective roles, responsibilities and accountabilities and the behaviours that are associated with them.

Importantly, in establishing its purpose, the Ministry needs to be able to articulate the impacts and outcomes it is seeking to achieve.

Developing a medium-term strategy underpinned by strong analytics

The Ministry is widely recognised for forward thinking in the 40-year horizon and now needs to mature an integrated medium-term (five-year) strategy, from which actionable objectives can be determined and against which it can be held accountable. This demands a much stronger assessment of transport as a system, incorporating modal interaction, modal transfers and modal performance with a much more balanced emphasis on rail, sea, air and road. This implies a deep understanding of the users and the actual and potential usages of transport and of what may unlock economic and social value.

Without being prescriptive, we are of the view that this means working towards the creation of a system-wide simulation model, or group of models, to drive analysis on, for example:

- resilience
- pricing options
- revenue forecasting
- policy choices for new technologies
- national value maximisation
- access policy and trade-offs
- potential value capture
- the needs of the customers who use the transport system.

This sort of multi-modal simulation approach will allow the Ministry to produce compelling and authoritative options analysis and provide policy choices that are quantified and relevant to the total transport system.

This would provide a sound foundation for the leadership role it has to play across the transport system. It is hard to imagine that leadership being established without such analysis.

The Ministry is not starting from scratch. It needs to evolve and integrate existing models and work, together with its partners, to aggregate and assimilate the wide range of data that it currently collects or has access to. In this way the system moves to a situation in which data is warehoused and, as far as possible, there is open access to it.

Embracing collaboration

The Ministry will not be able to deliver on its purpose or a medium-term strategy without taking a collaborative approach to its work. Purpose needs to be embraced system-wide. The real success of a medium-term strategy comes from its being embraced by others. It is not possible to imagine a comprehensive analytical platform without others in the sector being engaged in that work, especially the regulating agencies.

The Ministry will need to build enduring relationships with its partners and stakeholders, maturing its consultation model to enable two-way flows of engagement, debate and sector participation. It must bring the needs of end users into that engagement model.

True collaboration is relationship-driven and requires the participants to variously give up elements of control or decision rights in order to achieve buy-in and results. The sort of leadership we are suggesting the Ministry embraces – a facilitative, orchestrating style – cannot be achieved without genuine collaboration.

The complex nature of the issues confronting the sector cannot be solved by one part alone. It demands genuine co-production approaches with data, capability, and capacity drawn from the whole as well as a willingness to explore and synthesise differing views, knowledge and experience.

The Ministry is not beginning from a standing start if it embraces this performance challenge. There are very well-regarded examples of collaboration and co-production in the present environment. The best of these is the way in which the Ministry, when asked, stepped up and led jointly, with Auckland Council, the Auckland Transport Alignment Project (ATAP)³. It has an industry-respected model from which to mature this approach, develop it into a standardised methodology and apply it in the other areas of its business.

Re-booting the Ministry

Any organisation is an amalgam of the circumstances and demands that have driven it both in the past and are influencing it in the present. This is no different for the Ministry. The organisation's professional services matrix approach over recent years has driven a responsiveness and project focus that is the envy of many. But, this has required compromise in other aspects of the Ministry's business. It has led to:

- breadth rather than depth and sector specialisation in its skill base
- a focus on specific projects and government priorities
- less emphasis on the Ministry's stewardship responsibilities to provide medium-term strategy and policy advice.

There are complex policy and regulatory demands, which the Ministry must address:

- significant disruption on the horizon, especially in technology
- a wider policy context across government, including climate change, regional development and equitable access to work and social services
- system drivers that are not just limited to the efficiency of individual modes but includes system efficiency
- Auckland
- population growth.

These, together with other drivers, are conspiring to require a change in the way the Ministry does business.

To step up to the new demands, the Ministry has to lift the fitness-for-purpose of many of its internal corporate processes. It cannot and will not perform adequately under the current corporate systems and processes. It must also drive a significant culture change towards a more purpose-driven, collaborative, influential, public service style.

In driving this shift, the Ministry must be cognisant of its role across the sector. It will need to bring partners and stakeholders along with it, not only seeking their input but communicating and testing ideas with them throughout the policy development process. This will require a shift in approach to sector governance driven much more by sector impact and the needs of end users, than simple compliance.

Achieving all of this will require a transition plan that is owned and driven by the Secretary for Transport to ensure that the performance expectations are demonstrated to all.

3 The Auckland Transport Alignment Project (ATAP) set out an agreed strategic approach for the development of Auckland's transport system over the next 30 years, as well as an indicative package that illustrates the type and quantum of investment likely to be required to deliver this strategic approach. The indicative package included all operational and capital expenditure by NZTA, Auckland Transport, and KiwiRail in Auckland over the next 10 years and is intended to guide the development of statutory transport planning and funding documents.

Implementation

The prescription for the four-year excellence horizon outlined above is a demanding one, for which we make no apologies, as we have high ambition for the Ministry of Transport. It is important, at this juncture, to record that the Secretary for Transport and many in the Ministry are very aware of the challenge they face, with strong, well-considered, deliberate change already underway.

The Ministry is in the middle of a significant reorganisation and re-orientation, seeking to move away from the professional services model of recent times and to enable and support it leadership for the transport system. It is considering its future role, the capabilities it needs to keep and those it needs to grow. As noted above, as part of this reorganisation the Ministry's staff has worked together to articulate a vision, an aspirational purpose and three values to drive the organisation forward. This thinking and discussion will serve them well for a broader discussion with sector partners.

The Secretary for Transport is leading the change and is working effectively with staff to bring it about. He is making difficult leadership calls and thinking strategically about the support systems and processes that need to be put in place to enable the organisation.

We have talked much about the Ministry as an 'orchestrator' of the system when we describe its leadership opportunity. An effective system orchestrator:

- is proactive, as a consequence of thinking in the longer term
- understands the levers it has to pull as well as those that are pulled by others
- navigates multiple authorising environments - operating by influence, not by edict
- has the trust and respect of all players
- co-produces with system players rather than consulting after the event
- effectively prioritises and is focused on results
- holds itself and the system to account.

How then does the Ministry become this orchestrator and implement the four-year excellence horizon prescription outlined above? We think the way to achieve this is to focus on three key actions. These are:

- activating medium-term thinking and connecting it to outcomes
- leading collaborative approaches to strategy and policy development
- using analytics as a tool for orchestration.

...activating medium-term thinking and connecting it to outcomes

The Ministry has, in the Government Policy Statement on Land Transport⁴, a tool that it can use to connect its medium-term thinking, as this is progressed, to outcomes. Through the current reorganisation the Ministry is putting more resource into this area and seeing it as an ongoing programme of work, rather than a project to be delivered once every three years.

This is an important step, but we think that there is more to do. The opportunity is to imagine a future in which there is a statement of priorities across the whole transport system (as the Government Policy Statement on Land Transport currently sets out funding priorities largely for road safety policing, State highways, local roads and public transport) and to start thinking and working in that way. In the short-term this could yield more insightful policy advice in the road transport mode. In the longer term, as technological innovation and disruption continues apace, it could enable the Ministry to provide informed proactive advice across all modes.

⁴ The Government Policy Statement on Land Transport sets out the Government's priorities for expenditure from the National Land Transport Fund over the next 10 years. It is updated every three years.

...leading collaborative approaches to strategy and policy development

Throughout this report we make much of the need for collaboration and we think that the best way forward is for the Ministry to start practising it in what it does. If someone is hatching an idea on their own, the question to put to staff is: “Why are you doing that alone?”. The culture of the organisation needs to shift to be one in which collaboration is the norm.

The Ministry has made a good start in this area with its involvement in ATAP. This marked a shift in approach, with the Ministry asked to lead, with Auckland Council, a process involving Auckland Transport, the New Zealand Transport Agency (NZTA), State Services Commission (SSC) and the Treasury to agree principles to guide transport investment in Auckland and to develop a programme of work. Those involved saw this as a good, robust and constructive process.

If the Ministry brings this collaborative ethos to its total policy work programme the quality of its work will continue to rise, there will be increased alignment across the system over time, the operational capacity of the Ministry will increase and skillsets resident in individual agencies will be leveraged across the whole system. An obvious next place for this approach to be used is in medium-term strategy development for the whole transport system.

...using analytics as a tool for orchestration

To lead the transport system as an orchestrator requires an organisation to develop a whole range of soft skills. These soft skills need to be underpinned by good data, robust analytics and clarity of synthesis. In the prescription, we make much of the need for an integrated, multi-modal modelling system. To get started on this journey, analytics has to be the first cab off the rank.

The Ministry has access to rich data sets, as do other agencies in the system. Much could be done to improve access and management. These improvements can come from continuing to grow and upskill the analytical capacity of an already numerate Ministry as well as from modernising the data management systems and moving much more to an approach of open access (when this is appropriate).

Alongside this work with existing data sets, the Ministry must start to define the future data needs of the sector. This will come in part from consideration of the significance for transport policy of ongoing innovation and disruption. It will also require a broader analysis of transport as a system, where the system as a whole is an enabler in economic, environmental and social policy contexts.

What will success look like?

Here we outline some of the shifts that will be visible both within the Ministry and across the sector it leads, as it meets the performance challenge. This is not a 'list' of things that must be done rather it is a picture describing the attributes of success that will be apparent to all.

There will be a single unifying 'statement of purpose' driving the Ministry and the sector to medium-term outcomes. The Ministry and its sector agencies will be very clear about, and deliver on, their collective and individual responsibilities and roles and agreed impacts and objectives.

A clearly established approach through 'data – analytics – insights – system models – policy – action' will characterise the work of the Ministry and its collaborations.

The Ministry's 5-year strategy, and the resulting policy advice for the transport system, will be more broadly integrated with wider government policy, for example, with climate change policy and land use policy.

The Ministry will have achieved industry alignment on the major areas of focus for the next five-year period and the Government Policy Statement on Land Transport will have evolved into a continuously researched multi-modal system instrument driving impact.

The Ministry will be the thought leader on the broad front of technology affecting the transport system with this thinking, oriented towards 'opportunity' and linked to consideration of the policy challenges created.

The Ministry will be boldly leading challenging policy discussions, for example on full network pricing in a post-excise tax world with universal transport system access charging.

Strong leadership results in a Ministry culture that is *Invested, Bold and Collaborative* and delivers on the Ministry's purpose. It will have wide networks of excellence, including partnerships with universities both at home and abroad. These will drive well-defined future-thinking projects delivered together with stakeholders, targeted at system performance and technology innovation.

The staff of the Ministry will each have 'line of sight' to the purpose and key impacts that the Ministry is seeking in its work. They will be well supported by the organisation's systems and approaches to staff accountability and staff development that make doing their job closer to 'frictionless'.

There will be widespread interchange of and collaboration between, staff across the system (including the private sector), leveraging its total thinking capacity with operational knowledge. This will have built the Ministry's credibility as the sector leader.

The Ministry will have a reputation for free, frank and fearless advice in the face of strong, robust (and larger) agencies and industry players. Its systems, processes and approach to managing risk will be the exemplar for a small Public Service agency.

End users will experience a transport system that delivers connected journeys that serves their needs.

There will be a single unifying 'statement of purpose' driving the Ministry and the sector to medium-term outcomes.

End users will experience a transport system that delivers connected journeys that serve their needs.

Dr Paul Reynolds
Lead Reviewer

Dr Keith Turner
Lead Reviewer

3

Strengths and Opportunities

This PIF Review was undertaken in July 2017. The ratings and commentary in the following sections reflect the Lead Reviewers' findings at that time.

In this section:

Overview

Strengths and opportunities in detail

Overview

Delivering Government Priorities

Rating

Auckland	
Transport for the regions	
Transport and technology	
Supporting the export economy	
Multi-modal transport	
Safety	

Delivering Core Business

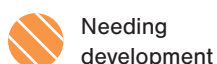
	Rating (Value to customers & New Zealanders)	Rating (Increased value over time)
Stewardship of the transport system		
Investment		
Research and statistics		
Improving Crown entity performance		
Regulatory stewardship		



Strong



Well-placed



Needing
development



Weak



Not able
to rate

The ratings descriptions can be found in the appendices.

Organisational Management

Leadership and Direction

Rating

Purpose, Vision and Strategy



Leadership and Governance



Values, Behaviour and Culture



Review



Delivery for Customers and New Zealanders

Customers



Operating Model



Collaboration and Partnership



Experiences of the Public



Relationships

Engagement with Ministers



Sector Contribution



People Development

Leadership and Workforce Development



Management of People Performance



Engagement with Staff



Financial and Resource Management

Asset Management



Information Management



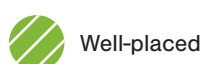
Financial Management



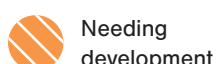
Risk Management



Strong



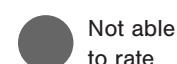
Well-placed



Needing development



Weak



Not able to rate

The ratings descriptions can be found in the appendices.

Strengths and opportunities in detail

The performance story so far

The Ministry commissioned a PIF Review in mid-2013 and in 2014 requested a PIF Follow-up Review (Follow-up Review).

The PIF Review 2013 identified that the Ministry was for the most part responding well to government priorities but needed to improve its performance in most core business areas. Its delivery was seen to be stronger in “focused policy programmes for which it had relatively high control”. Weaker delivery was identified in “topics that spread across the transport sector for which the Ministry had influence rather than control”⁵.

The PIF Review 2013 noted that the Ministry had invested in organisational development over a number of years and improvements were acknowledged. The Lead Reviewers confirmed that the Ministry needed to continue this organisational development while also improving its strategic focus, leadership and influence across the transport sector. This required the Ministry to continue to lift its policy capabilities, strategic and long-term policy thinking and investing in stakeholder relationships. The PIF Review 2013 suggested the Ministry needed to go harder and faster to meet its goals.

The Follow-up Review was scheduled just under a year after the full review. The Lead Reviewer noted the Ministry’s progress on key areas identified in its agency response from 2013 and reiterated the message that the changes underway would take years to fully complete and would need steady and persistent attention.

In July 2016, Peter Mersi was appointed Secretary for Transport and Chief Executive of the Ministry. He commissioned this PIF Review for mid-2017 alongside the organisational change he is leading, to assist in confirming the right areas of focus to give effect to that change.

5 Quotes in this paragraph are from PIF Follow-up Review 2014, Introduction, p4

Delivering Government Priorities

This section focuses on the Ministry's response to, and delivery on, the Government's priorities for the Ministry. While the Lead Reviewers consider retrospective and current performance, their findings and ratings take into account the scope and scale of the challenge to deliver on the Government's priorities over the next four years.

Government Priority 1: Auckland

Rating



The Government's priorities for transport for Auckland have been to agree with Auckland Council a clear direction for the development of Auckland's transport system over the next 30 years and to make progress on The Government's priorities for transport for Auckland have been to agree with Auckland Council a clear direction for the development of Auckland's transport system over the next 30 years and to make progress on implementing agreed priority projects. The Ministry has responded to these priorities by:

- leading jointly with Auckland Council a successful collaborative effort - ATAP - involving Auckland Transport, the Treasury, NZTA and SSC. ATAP published its Recommended Strategic Approach to the development of Auckland's transport system in September 2016; this was supplemented by an update this year. The Ministry credits the concentrated efforts of its Auckland-based staff in making this progress.
- progressing the City Rail Link. A Heads of Agreement between the Government and Auckland Council was published in September 2016. This sets out in-principle commitments by the two parties and contains broad funding, governance and risk management arrangements.

The ATAP work was a long time coming but, as is covered in the Four-year Excellence Horizon, it is a good case study of how the Ministry can work effectively with stakeholders on difficult policy issues. It should replicate this approach with stakeholders in Auckland and elsewhere.

The challenge for the Ministry with ATAP is to take it to the point where it yields actual results. Whilst the principles are now agreed and a programme of work defined, the phasing of the programme is not yet settled.

There is a sense amongst key Auckland stakeholders that the Ministry has insufficient operational understanding and needs to draw on the operational experience of others to enhance its advice on difficult transport policy issues.

Future focus for: Auckland

Collaboration with others to create better transport outcomes in Auckland will continue to be the Ministry's greatest challenge in the years ahead. To deliver on this priority at the next level will require resource prioritisation as well as multi-modal policy analysis that meets Auckland's future needs. This will enable the Ministry to provide proactive and relevant advice. Establishing a multi-modal policy and analytical framework, well-supported by data, forms a core part of the four-year performance challenge for the Ministry.

The Ministry as a whole will need to continue to devote resource to increasing its knowledge of Auckland transport issues and develop the capability and capacity to contribute effectively at the level and pace compelled by the city's growth. It does not have an option to take its own time or it will quickly lose relevance.

Government Priority 2: Transport for the regions

Rating



The Ministry has been engaging with other agencies to contribute to the Government's regional economic development objectives. Whilst it has made some progress on regional transport issues, particularly through the Government Policy Statement on Land Transport, it has yet to reach a clear position on how transport policy could be used to support regional economic development.

There are mixed views within the Ministry about what it can contribute, and what role, if any, transport policy has to play in supporting regional development. As a result the Ministry has adapted a passive 'hands-off' approach to the issue and is not really doing anything.

Future focus for: Transport for the regions

To be in a position to provide clear policy advice on regional transport issues and options, the Ministry needs to establish a total system focus and a medium-term strategic direction for transport policy. This will require fundamental shifts in the policy development approach.

Government Priority 3: Transport and technology

Rating



In 2012, the Ministry showed excellent and highly regarded leadership in developing policy advice on the Government's essential role in the adoption of new transport technology. This work produced an Intelligent Transport Systems Action Plan 2014-2018, which received international recognition. Since then the Ministry and other agencies have completed a number of actions and made some progress in preparing the sector for the technological revolution that will affect transport systems globally in the coming decades. This long-term thinking, though, is not coherently connected to nearer term strategy and the ongoing policy work of the Ministry, so its benefits are, as yet, largely uncaptured. This lack of coherence means there is no defined pathway to the 40-year horizon created by the Ministry's future-thinking discussion.

Future focus for: Transport and technology

The challenge is to ensure that momentum is maintained, with the Ministry - having clearly identified its role - working in collaboration with others to deliver results. As technological advances create more and more options for, and challenges to, transport systems and regulation, the Ministry will need to ensure that it has the capability and capacity to anticipate and deal with emergent policy issues. It must convert its forward visioning into meaningful discussion on policy options with local authorities, operators and technology innovators that relates to the here and now of their world.

Government Priority 4: Supporting the export economy

Rating



Transport is an enabler for the export economy through the provision of domestic and international connections. The Ministry's role for this Government Priority is to ensure that transport policy settings achieve the desired outcomes in the most efficient manner for the export economy.

The export economy is currently performing well (particularly the tourism sector) and New Zealand's international aviation and shipping links are stronger than ever, but the policy settings require constant review and evaluation. The Ministry has made considerable improvement to these settings for some modes. Examples include a significant expansion in air services agreements as well as increases in road transport efficiency implemented through the Vehicles Dimension and Mass project. There remains a long-standing industry debate about the multiplicity and efficiency of New Zealand's port connections for sea freight.

The Ministry also contributes to this Government Priority through the data and information it collates and publishes, for example, through the Freight Information Gathering System and its Future Freight Scenarios. This data is a powerful tool for encouraging fact-based public discourse on transport policy. The question is whether it is being used effectively to drive these conversations.

Whilst the Ministry can point to a number of successful initiatives in the export area, these improvements have been ad hoc, rather than the result of a deliberate strategy to reduce costs or improve the efficiency of New Zealand's access to export markets. The Ministry's most obvious contribution to this objective is through liberalising air services agreements, but there are likely to be opportunities to make a far greater and more meaningful contribution especially system-wide, using the powerful dataset it collates.

Future focus for: Supporting the export economy

Many initiatives undertaken by the Ministry are considered from the perspective of the efficiency of the transport industry, rather than the value to the export economy. While work may contribute to the export economy, it is not formally viewed with this lens. There is an opportunity for the Ministry to be more explicit about how its work programme contributes to the Government's priorities for growing the economy.

Government Priority 5: Multi-modal transport

Rating



'Multi-modal transport' has been a Government Priority since early 2016, but the Ministry is yet to develop an understanding of what this means in practice. While the Ministry has contributed advice on specific modal issues, such as through the urban cycleways package, this has happened in an ad hoc manner and is not system-based. We talk further about multi-modal transport in the Four-year Excellence Horizon and in Core Business 1: *Stewardship of the transport system* and in the section *Delivery for Customers and New Zealanders*.

Future focus for: Multi-modal transport

A lift in this area of the Ministry's work forms a key part of the performance challenge identified for the Ministry in the Four-year Excellence Horizon. A significant lift in this area should be achievable once it has multi-modal simulation tools capable of using the powerful datasets it collects and analysing multi-modal optimisation.

Government Priority 6: Safety

Rating



Until 2015, strong progress was made in improving road safety, driving a downward trend in the road death toll and reducing road deaths. This was due in part to the Safer Journeys Strategy 2010 – 2020 and successful initiatives implemented as a result of the first two Safer Journeys Action Plans. The Ministry works with NZTA, ACC, NZ Police and local government to implement and monitor progress on these action plans.

Since 2015, there has been a reversal in the road toll trend. Despite continued progress with regulatory initiatives, this upward trend persists. The increasing road toll is a trend that is occurring in many developed countries. Further work is required to understand the underlying causes and potential initiatives to address this trend. This is likely to require a re-evaluation of the approach to road safety.

The third Safer Journeys Action Plan was seen by many as a missed opportunity, although there is growing confidence that the next Road Safety Strategy will provide impetus for a different approach.

Future focus for: Safety

The Ministry needs to be *Bold, Invested* and show leadership in road safety by exposing to public debate the wide social impacts and trade-offs that new technologies offer in this space. This could be akin to the leadership asserted by the Ministry in the 1980's when the introduction of seat belts halved the road death toll.

A new approach will require improved and meaningful engagement and partnership amongst relevant agencies, including those listed above as well as the Transport Accident Investigation Commission and the Health and Social sector agencies.

The Ministry needs to be Bold, Invested and show leadership in road safety by exposing to public debate the wide social impacts and trade-offs that new technologies offer in this space.

Delivering Core Business

This section focuses on how well the Ministry delivers value to customers and New Zealanders and how well the Ministry has positioned its services to deliver increased value over time. While the Lead Reviewers consider retrospective and current performance, their findings and ratings take into account the scope and scale of the challenge to improve the value delivered over the next four years.

Core Business 1: Stewardship of the transport system

Rating (Value to Customers and New Zealanders)



Rating (Increased Value Over Time)



This core business area relates to the strategic aspects of the Ministry's work that allow it to provide advice to successive governments in a manner that upholds the long-term interests of the public.

The 2013 PIF Review highlighted that the Ministry was not concentrating enough effort in the strategic thinking and long-term policy space. The Ministry responded to this by instituting a long-term strategy programme. There has been some excellent work on, for example, funding, uncertainty and economic development and transport. But the work is disconnected from the more immediate policy and advice function. This is largely because the strategies focus on a 40-year horizon. The Ministry has identified that it needs 'mezzanine-level' strategy, which we suggest should focus on a 5-year horizon. In this way, a number of the Ministry's existing conceptual frameworks will be better grounded and more coherent.

The scope of the 'mezzanine-level' strategy will also be important. The Ministry has traditionally had a strong focus on the economic analysis of transport, focused largely in the silos of the different transport modes, with social, environmental and cultural aspects less well-understood.

The Organisational Review and strategic re-orientation now being implemented by the Secretary for Transport will position the Ministry to give full effect to its stewardship role, enabling future-focused, integrated and system-wide advice to Government and delivering increased value over time.

Future focus for: Stewardship of the transport system

To develop effective stewardship of the transport system, the Ministry:

- needs to develop 'mezzanine-level' strategy, informed by technological change and futures thinking, that is then reflected in the policy work programme. This 'mezzanine-level' strategy should be developed through engaging with the transport sector agencies and other stakeholders and needs to be informed by the experiences and views of customers, including those customers who are not well-served by the current transport system
- needs to shift to system multi-modal thinking where the intersections between modes are as important as the modes themselves

- in its strategic and policy thinking, must be cognisant of the social, environmental and cultural aspects of the transport system
- sees transportation and transport infrastructure much more as a 'means to an end' rather than an end in itself. Transport policy and investment needs to be informed by wider policy impacts such as: land use; climate change; access; technology; regional needs and development drivers
- needs to develop strong, collaborative relationships across the transport sector and more broadly across the public sector, including local government.

The effectiveness of the Ministry's stewardship and its ability to influence will be measured by the strength of its collaboration and co-production ethos brought to its strategic policy work and advice to the Government, rather than by the number of groups on which it serves. This will require a shift from the largely transactional relationship management approach that the Ministry currently has, to one that is more strategically driven.

Core Business 2: Investment

Rating (Value to Customers and New Zealanders)



Rating (Increased Value Over Time)



This core area of the Ministry's business focuses largely on the Government Policy Statement on Land Transport, but also includes work on other one-off investments such as the City Rail Link.

There is evidence that work on the Government Policy Statement on Land Transport is an example of 'continuous improvement' in the Ministry. The document sets out the Government's priorities for land transport and guides the allocation over a 10-year period of over \$3 billion each year from the National Land Transport Fund. It is updated every three years. In recent updates, the Ministry has moved it along the path from simply being a financial instrument to becoming a policy instrument.

Progress has been limited by the lack of a medium-term transport system strategy developed with stakeholders and by the fact that there has been no team stewarding work on the policy statement over time. This has resulted in the triennial reviews being conducted in a rush over a period of 12 months.

The Ministry intends to change its approach to the triennial reviews, conducting them over the three-year repeat period. This will allow more thorough policy development with strong industry and community input to underpin future Government Policy Statements. The current reorganisation of the Ministry will support this change by providing more on-going resource into the area.

Future focus for: Investment

To create increased value over time as medium-term strategy is developed, the opportunity exists (subject to government support for legislative change) for the Government Policy Statement to become a critical implementation instrument supporting Ministers to make strategic decisions about priorities for multi-year investments across the whole transport system.

Core Business 3: Research and statistics

Rating (Value to Customers and New Zealanders)



Rating (Increased Value Over Time)



The Ministry produces or compiles a significant amount of data. Some, such as the New Zealand Household Travel Survey, is made publically available. Driven by the long-term strategic thinking that has occurred in the Ministry there is a capable and internationally linked research function.

External stakeholders have remarked that the Ministry is more numerate than most, with some good embedded qualitative and quantitative economics skill and some strong data collection systems. However, external stakeholders are not sure if the Ministry is making the most of the power of data it collects to inform its advice and engagement with others on developing policy options and advice to the Government. The Ministry needs to step up to meet the big data - open data - data mining (for insight) challenges, working with partners across the public and private sectors and across jurisdictions.

This is not just about the mechanics of handling and storing the data itself. It is about making use of data from an increasingly data rich world to draw insight and inform policy from an unassailable fact base. It is also about data interactions with other government agencies and appropriate and utilised links to academe.

Future focus for: Research and statistics

Much of the challenge and opportunity in this area is rehearsed in the Four-year Excellence Horizon section of this report.

Much of the data available is not mandated. This is a challenge that the Ministry needs to address, working with different system actors directly to get access to the best data.

It has the opportunity to add further value by making more of the sector data publically accessible (with appropriate protections).

The Ministry needs to step up to meet the big data - open data - data mining (for insight) challenges, working with partners across the public and private sectors and across jurisdictions.

Core Business 4: Improving Crown entity performance

Rating (Value to Customers and New Zealanders)



Rating (Increased Value Over Time)



The Ministry oversees four Crown entities: the New Zealand Transport Agency; Maritime New Zealand; the Civil Aviation Authority and the Transport Accident Investigation Commission. The Ministry is the monitoring agency for these four entities and the primary advisor to the Government on appointments to their boards.

The Ministry's processes supporting board appointments for its Crown entities appear to benchmark well with the wider public sector. A competency framework has been developed to support the process. Board Chairs are actively engaged to ensure both skill needs and compatibility are considered. The smaller agencies, in particular, appreciate the Ministry's support to find Board members with the requisite specialist skills.

In its monitoring role the Ministry (as is the case with all monitoring agencies in the public sector) has less than perfect knowledge of the entities that it oversees. The Ministry has developed a manual to support its monitoring activity, which it published in 2016. To some extent, this is designed to combat staff turnover in this function as well as ensure consistency of approach.

The Ministry needs to add value through its monitoring processes directly to the Crown entities and to Ministers. There is some distance to travel for this function to be in a position to add increasing value over time. There is always going to be a tension present as the Ministry undertakes its monitoring role, particularly to the extent that it involves direct interaction between the Ministry and the board of an entity. The Crown entities consider much of the monitoring is low level, with a compliance rather than a strategic approach, and at first glance seems to be asking for information already in other board accountability documents or is over preoccupied with detail.

Generally, the Crown entities are looking for the Ministry to step up to its leadership role in the sector. They see it as being on something of a learning curve, and as being more reactive than proactive. The Secretary for Transport intends to move the engagement across the Government's transport sector agencies from operational to strategic and this should also be reflected in how the Ministry undertakes its monitoring role.

The transport agencies are looking for:

- a clear vision for the future
- an understanding of the Ministry's role and how it fits in versus each Board's role
- clarity around government and private sector roles
- an ability to turn policy into changes in the overall regulatory system.

Future focus for: Improving Crown entity performance

The Ministry has the opportunity through its reorganisation to connect the transport sector agencies together in a system, providing thought leadership and clarity about respective roles and driving performance strategically.

Core Business 5: Regulatory stewardship

Rating (Value to Customers and New Zealanders)



Rating (Increased Value Over Time)



The Government has set expectations for good regulatory stewardship with the Ministry recognised as one of seven agencies with major regulatory responsibilities.

The Ministry is facing rapid change in the transport system as technological disruption gathers momentum. Traditional models of regulation are unlikely to be able to keep pace with the speed of change. This will demand much of the Ministry with the need for a more strategic approach, anticipating areas in need of change rather than reacting on an ad hoc basis. In the past, the Ministry has been seen as too passive and too reactive. The transport sector is highly regulated and the Ministry is aware that the sector has a number of outdated and prescriptive legislative instruments creating inefficiencies.

Transport regulation will need to develop a more adaptive approach. The Ministry has completed some longer-term thinking in this area with the publication of Regulation 2025 in August 2016.

The sector is concerned at the degree of staff turnover in this area of the Ministry's work, leading to a loss of institutional knowledge. Organisational changes instigated by the Secretary for Transport to reshape the Ministry to fulfil its broader stewardship role will go some way to address resourcing concerns in the regulatory area.

Future focus for: Regulatory stewardship

The Ministry needs to own the regulatory framework and anticipate the framework's future needs, ensuring the framework is adaptive and enabling of change, and can be used, where appropriate, as a lever to drive incentives. For example, it could lead the work on network pricing for the whole system in the next decade, not just a study but also driving implementation of the change.






In doing this, it must work interactively and collaboratively with the regulating entities, and support Ministers to deliver an efficient and effective regulatory system that recognises the capability and comparative advantage of the different entities in the system in relation to strategic, operational and technical policy.

In this time of technological disruption, the transport regulatory system needs a leading agency to ensure transport regulation enables innovation while supporting an effective, safe transport system that meets New Zealand's needs. The Ministry has the potential to lead thinking, be brave and develop a point of view, with strong reasoning and analytics that support that view.

The Ministry needs to own the regulatory framework and anticipate the framework's future needs, ensuring the framework is adaptive and enabling of change, and can be used, where appropriate, as a lever to drive incentives.

Organisational Management

This section focuses on how well the Ministry is positioned to deliver now and in the future. The Lead Reviewers look at current organisational capability and performance. They consider how the Ministry ensures it is fit for purpose and fit for the future. Their findings and ratings take into account the scope and scale of the performance improvement challenge over the next four years.

 Leadership and Direction	Rating
Purpose, Vision and Strategy <ul style="list-style-type: none">• How well do the staff and stakeholders understand the agency's purpose, vision and strategy?• How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?	
Leadership and Governance <ul style="list-style-type: none">• How well does the senior team provide collective leadership and direction to the agency and how well does it implement change?• How effectively does the board lead the Crown entity? (For Crown entities only)	
Values, Behaviour and Culture <ul style="list-style-type: none">• How well does the agency develop and promote the organisational values, behaviours and culture it needs to support its strategic direction and ensure customer value?	
Review <ul style="list-style-type: none">• How well does the agency encourage and use evaluative activity?	

Purpose, vision and strategy

The Ministry has an array of strategic statements. These are in the Statement of Intent 2015-2019⁶, the Four-year Plan, strategic themes developed to support work for the briefing to incoming Ministers, a review of 'strategic focus areas' and some good work done across the Ministry on vision values and purpose supporting the recent Organisational Review.

Excellent work has been done in the 40-year horizon, but there is no intermediate 5-year strategy to guide the work on more immediate priorities and development of the Ministry's leadership in the transport system.

The Ministry has developed these strategic statements largely internally and has not engaged the wider transport system. This means that partners and stakeholders do not understand the Ministry's rationale. They do not see a compelling proposition from the Ministry that they can link to and that would drive a better understanding of the total system.

Some of the disconnections across the system have been reinforced by a largely siloed, modal approach to transport policy within the Ministry as well as the legislated focus of the individual transport sector agencies. Organisational changes, underway at the Ministry at the time of this review, will change this structure and way of working. This is necessary, but is not the solution on its own.

Future focus for: Purpose, vision and strategy

The Ministry's performance in this area needs to be rated 'Strong'. It must develop a purpose and strategy that is understood and owned, not just by the staff of the Ministry but by the whole of the transport sector agencies and the transport industry. This demands a shift in approach. The Ministry must work much more collaboratively with its key partners and stakeholders, co-producing a medium-term strategy with them that is clear about the impacts and outcomes sought. In order to be truly effective this strategy cannot just be internalised to transport alone, but must be cognisant of the wider social, environmental, cultural and economic concerns across government.

A strong strategy function will require support from data and analytical systems that allow stress testing of the transport system as a whole, for example, testing for technological disruption and climate change.

Lifting the game in this area of the organisation's leadership forms a key part of the performance challenge outlined in the Four-year Excellence Horizon.

6 The Ministry's Statement of Intent will be updated in 2017.

Leadership and governance

The Ministry has operated a professional services matrix model to deliver its work programme over the last five years or so and the Ministry has a number of capable and experienced leaders across all management tiers.

The Ministry's leadership team has focused on delivering results in its various (modal) areas of responsibility. At times teams have been in competition with each other for resource. Collective responsibility for the Ministry's strategy, organisational settings, development and overall impacts has been relatively weak.

Further to this, there is evidence that many decisions, which could be made at lower levels of the organisation under a proper delegations framework, are being handed off up the chain. This has concentrated decision-making, even for quite routine issues, at the top of the organisation. The consequence is that many people within the Ministry are not held accountable for their work.

Staff value the leadership provided by the new Chief Executive through a challenging year. He has also secured additional Vote to increase the capacity and capability of the organisation. He has made the call to instigate an Organisational Review leading to decisions now being implemented (going live on 2 October 2017).

The Organisational Review project took four months. It was an inclusive process, with clear communication and opportunities for all staff and some key external stakeholders to contribute to the review. The focus was on what would be needed for the Ministry to become a more proactive, influential, high-performing leader in the transport system, more actively contributing to what really matters to New Zealand and providing more cohesive and strategic advice from a transport perspective on broader public policy issues.

The new operating model significantly shifts incentives on the Senior Leadership Team to take collective governance and leadership responsibility for the strategy, work, relationships and development of the organisation. Third Tier managers will also be expected to model personal and collective leadership.

The re-orientation of almost all Tier 2 and Tier 3 roles and consequent changes for many staff, including role scope, delegations and accountabilities will take some time to bed in and, initially, will cause confusion for internal and external stakeholders. The challenge of driving this change and its consequences through the organisation cannot be underestimated and will largely fall on the Senior Leadership Team. It is pleasing to see that the Ministry has secured some external resource to manage the change implementation and it will be important that a capable change team and the Senior Leadership Team fully support the implementation.

As already covered in the Core Business section *Improving Crown entity performance*, the Ministry also has responsibilities in its board appointment and performance monitoring roles for the four transport sector Crown entities. In discharging these governance responsibilities, it must drive a system context, seeking to optimise the performance of the agencies within the system.

Future focus for: Leadership and governance

The Senior Leadership Team will need to ensure that:

- in their decision-making they model the personal and collective leadership and values that are outlined in the Organisational Review and make the hard calls where necessary
- they continue to engage internally and externally with staff and stakeholders as the changes are implemented and to clarify what leadership of the transport system will look like
- there are measurable objectives for the organisation over the next year reflecting the new operating model in action, objectives that feed into impacts/outcomes with which staff and stakeholders can identify
- they hold themselves to account collectively for delivery.

Values, behaviour and culture

The Ministry has a strong ‘family’ culture that at a personal level is collegial, supportive and fun. Against this, the organisation is ‘soft’ at holding people to account. Some of the organisational consequences of this culture play out in other aspects of organisational management, for example, in: review; leadership and workforce development; management of people performance and risk management.

Such cultures build up and place huge reliance on trust. When that trust is broken the impacts on an organisation are profound. The Ministry is seeing this now, as it works through the impacts of the recently perpetrated fraud.

Shifting the culture to one that is more solidly based on strong public service values and on accountabilities and expectations that cascade down through the organisation, whilst retaining its core collegial, supportive family-based strengths, is central to the organisational change underway at the time of this review.

As part of the Organisational Review some recent work has been done on a values set for the organisation: *Invested, Bold, Collaborative*. Staff appreciated the inclusive process to develop these values and this was an excellent messaging of a change in approach. The values appear to be gaining traction internally; they will be a critical tool in driving change.

Future focus for: Values, behaviour and culture

It will be as important for these values to be reflected outside the Ministry to key partners and stakeholders as it is for them to be owned inside. Whilst some interviewees were concerned that nothing had been done to implement the values, during the review the Chief Executive indicated this was deliberate given the stage the reorganisation was at. He is confident there will be ample opportunity for leaders and staff to model these values as the organisational changes are put in place.

Review

The Ministry has identified that it does not have a strong ‘culture of learning’, despite in the past having worked to improve the quality of its briefings and policy advice.

The Ministry cannot afford to waste time or resources in its efforts to lift and shift its own performance and that of the transport system. Starting from the Senior Leadership Team and going all the way through the organisation, it needs to know where things are on track to achieve objectives, what is and is not working and where calls need to be made to change direction, close down projects or share, improve and adapt successful approaches.

The Ministry needs to change its approach, where evaluation occurs, to be more goal-oriented.

For example, there is an established procedure for measuring the quality of its policy advice, but this focuses rather more on the quality of the writing of an individual paper. A focus on the strategic value of the work is not present; nor does there seem to be a focus on the fitness for purpose of the advice from a ministerial point of view. This is evidenced by the divergent scores for the NZIER and ministerial ratings of the Ministry’s papers at the time of the review.

Future focus for: Review

The Ministry needs to establish a learning culture built on robust practice of regular evaluation and review of what is driving performance and where to focus to improve that performance. This applies as much to its organisational development as to its own and sector work programmes.



Delivery for Customers and New Zealanders

Rating

Customers

- How well does the agency understand who its customers are and their short and longer term needs and impact?
- How clear is the agency's value proposition (the 'what')?



Operating Model

- How well does the agency's operating model (the 'how') support delivery of government priorities and core business?
- How well does the agency evaluate service delivery options?



Collaboration and Partnerships

- How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with partners and providers?
- How well do the agency and its strategic partners integrate services to deliver value to customers?



Experiences of the Public

- How well does the agency employ service design, continuous improvement and innovation to ensure outstanding customer experiences?
- How well does the agency continuously seek to understand customers' and New Zealanders' satisfaction and take action accordingly?



Customers

The Ministry does not have comprehensive connections with its customers, or a strong understanding of their needs (and competing needs) and impacts. This was reflected in its own PIF Self-review, which did not traverse the 'Customers' dimension at all. It has not articulated who its customers are and struggles to walk in the shoes of others. In this regard, it is no different to many other policy agencies in the Public Service.

The Ministry works in a well-defined and understood sector of government transport agencies so some increased focus on the sector's needs and identification of the value that it could bring to these customers would do much to improve its performance. Many of the sector operating organisations would welcome and willingly contribute to stronger engagement with the Ministry. In addition, these agencies have many interactions with end customers of the transport system and may be able to assist the Ministry in better understanding the needs of those customers.

There have been useful specific examples that show that the Ministry's attention to customer needs is beginning:

- The way in which the Ministry jointly led the ATAP is an example of some emergent customer focus and understanding. While the Ministry stepped up to lead this initiative with Auckland Council, it was not of itself the identifier of the need for ATAP. More strategic involvement with local government customers will enable it to take more initiatives in its own right, cementing in its leadership role across the industry.
- Customer focus was also evident in the Ministry's approach to developing the latest Government Policy Statement on Land Transport where its efforts to run a more inclusive process, drawing in a range of customers' views, was acknowledged and respected by them.
- In its work in road safety, the Ministry's 'safe drivers' work, which was implemented by NZTA, shows understanding of the place and role of customers of the transport system.

Operating model

The Ministry is shifting its internal architecture and way of working from a professional services model, with a strong project orientation, to an arrangement more accommodating of a strategy-led system-wide approach to transport policy. This signals a shift away from organising policy teams based on individual transport modes to one based on commonality of functions and competencies. It is likely to provide better support for government priorities and core business, once bedded in, as it reflects the changing nature of the transport system, where the lines between modes are increasingly blurred. This change will help drive the Ministry's influence across the transport system, but it is not the complete solution.

The current orientation has a strong internal focus. Stakeholders are 'consulted' in an approach more akin to speed dating than to operating in collaboration. By this we mean that engagements are transactional, the processes of consultation are uni-directional (i.e. the Ministry solicits information) and there is little evidence of strategic clarity.

Stakeholders hear from the Ministry when it wants something and, even when this happens, there is often no feedback from the Ministry. Stakeholders are left somewhat frustrated, unsure as to whether or not they have been heard or whether their views have been taken seriously.

External communications from the Ministry are not driven proactively and are seen to be largely focused on the needs of the Minister or driven by the needs of individual policy projects. The current organisational changes will see more resource allocated to this area and development of a more strategic communications focus. This will be a big change for the Ministry.

Collaboration and partnerships

Aspects of the Ministry's approach to collaboration are rehearsed in the preceding paragraphs. Put simply, the Ministry does not operate a collaborative model in the way it works. It does not have a partnership orientation, but rather consults episodically as the Minister or the work programme demands.

The Ministry serves, both as leader and as participant, on a wide range of cross-agency working groups. It is easy to mistake this activity as evidence of collaboration or of a partnership approach.

Genuine collaborations are evidenced by occasions when individual decision rights are given up in order to progress a wider strategic agenda and by ongoing relationships that are worked on continuously, not just embraced in the teeth of an emergency or for a specific policy project.

Developing this area of its operation is a key component of the performance challenge for the Ministry described in the Four-year Excellence Horizon.

Experiences of the public

The Ministry is a policy agency. This means that its direct interactions with the New Zealand public are limited and impacts are often indirect and difficult to measure. Examples of projects that have delivered positive outcomes for New Zealanders include:

- reform of the Vehicle Licensing System (which reduced compliance costs for vehicle inspections)
- liberalisation of air services agreements (which has enabled a significant increase in international air capacity to New Zealand)
- the Small Passenger Services review, which will lower compliance costs and level the playing field between taxis and private hire operators.

The Ministry does gather data about the experience of the public through its Household Travel Survey, which in various forms has been in existence for 25 years. This looks at actual travel undertaken by individual citizens over a designated period.

The Ministry has recently trialled new approaches to consultation. For example, as part of its stakeholder engagement for the draft Government Policy Statement on Land Transport 2018/19 - 2027/28, Loomio, a collaborative online forum, was used to invite stakeholders to share their views on the draft document.

Future focus for: Delivery for Customers and New Zealanders

To deliver on its potential and to be rated 'Strong' on all dimensions of delivery for customers and New Zealanders, the opportunities for the Ministry to improve its performance include:

- exploring the customer dimension in its policy analysis, which currently has a strong economics bias and is not sufficiently cognisant of social and environmental concerns
- embracing its role as the central orchestrator of the transport sector and system. This leadership is being asked for by a wide range of transport stakeholders and the Ministry's operating model is changing to reflect this. This will require embedding the organisational change and driving a shift to a strategy-led external focus and partnerships, encompassing the particular needs of customers of the transport system as well as the Government's wider policy agenda, where transport is a key enabler
- learning how to lead through genuine collaborations and partnerships
- improving its understanding of customer experience to inform policy development, including through customer insights generated from the ample data and information collected by the other transport sector agencies and other partners such as regional government.



Relationships

Rating

Engagement with Ministers

- How well does the agency provide advice and services to Ministers?



Sector Contribution

- How effectively does the agency contribute to improvements in public sector performance?



Engagement with Ministers

In its day-to-day work with its Minister, the Ministry is hugely reliant on the performance of key individuals. This puts an added emphasis on the Ministry's quality assurance processes, where there is room to improve the relevance, robustness and timeliness of advice supplied to the Minister. Quality lapses can undermine confidence in the advice proffered.

The regular strategy discussions were highly valued by the previous Minister, although the linkage of the topics discussed at these engagements to the ongoing work of the Ministry is not as clear or planned as it should be.

Sector contribution

In its PIF Self-review the Ministry focused on its contribution to the broader development of a strong public sector workforce through the Applied Policy Advisor Development course.

This is a post-graduate certificate in public policy, developed by the Ministry and run through Victoria University of Wellington. It also noted its reputation as a proving ground for young policy analysts, as junior staff often have opportunities that they may not get at larger agencies.

The biggest opportunity for the Ministry, though, is in stepping up to the system leadership opportunity that awaits it in the transport sector and providing necessary links to social, economic and natural resources sectors. Many of the things that it needs to do to seize this opportunity have been described already and form a significant part of the Four-year Excellence Horizon.

Future focus for: Relationships

To lift its performance, the Ministry needs to deliver consistent, timely, high-quality advice to its Minister. It needs to be more proactive and plan its engagement with the Minister on strategic topics, in order to create alignments at the Minister's level on system issues and the Government's priorities.

In its sector relationships the Ministry must:

- be outward facing
- be proactive in its relationship management and build partnerships
- operate strategically in the fora in which it participates
- deliver on its commitments
- have a clearly articulated purpose that is understood and embraced by its partners and stakeholders.

Leadership and Workforce Development

- How well does the agency develop its workforce (including its leadership)?
- How well does the agency anticipate and respond to future capacity and capability requirements?



Management of People Performance

- How well does the agency encourage high performance and continuous improvement amongst its workforce?
- How well does the agency deal with poor or inadequate performance?



Engagement with Staff

- How well does the agency manage its employee relations?
- How well does the agency develop and maintain a diverse, highly committed and engaged workforce?



Leadership and workforce development

The Ministry has some workforce planning in place in the form of its Four-year Plan. As the organisation transitions to one that is strategy-led, with a clearly articulated purpose, this plan will need to be revised as the skill requirements of the Ministry evolve.

The Ministry has a structured development programme that includes a range of suggested external courses from graduate up to manager level in the areas of policy, finance, leadership, stakeholder engagement and IT skills. However, relatively little emphasis is placed on ensuring staff have appropriate development opportunities, especially if they have not come in to the Ministry through the graduate programme. As a result, access to these opportunities is ad hoc and dependent on the specific manager. Staff often need to seek out their own development opportunities; while this system rewards initiative, it also means that some staff can feel left behind.

The Organisational Development group has commenced work on initiatives to provide more consistent development opportunities to staff.

The plan is to implement these initiatives within the next 6 to 12 months.

Prior to the current organisational change, the Ministry’s professional services operating model exposed staff to a range of policy issues and created agility to respond to emerging issues. However, this has meant that the Ministry has developed policy generalists at the expense of staff with deep subject matter knowledge.

The increasing involvement of the Ministry in large infrastructure projects, particularly in Auckland, has highlighted a need to strengthen operational and commercial capability of staff. The Ministry has also recognised the increasing importance of technology in the transport system and the key issue of accessing, managing and using data. It needs to be sure that it is recruiting for and developing data management and insight skills, including the capability to purchase such staff when needed.

The Ministry should think about the skill requirements of the whole government transport sector in the policy and regulatory areas and take a much more networked view of available capability and capacity and development opportunities.

Although a small Ministry, it has a very large sector from which to obtain and leverage expertise through its collaborative operating model.

While it is capable of delivering high-quality work, the Ministry needs to demonstrate greater depth of knowledge in its policy advice across a broad range of increasingly complex issues. This is a key issue for the Ministry that will require ongoing attention as well as a shift in focus to identifying collaborative and partnership opportunities.

Management of people performance

The organisational performance management function is not currently meeting best practice.

The effectiveness of staff performance management and development is overly dependent on individual manager competence.

Changes that are currently being implemented within the Ministry will do much to redress this situation, through a significant recalibration of the performance management system, increased resourcing and training and support for people managers especially through the change process over the next six months.

Delegations frameworks will need to change significantly to support the organisational changes, away from a dependency culture with everything pushed to the top to one with accountabilities cascaded down to the appropriate levels in the organisation.

Over the longer term, lifting people performance will need greater attention. A significant culture shift will be needed to get courageous performance conversations happening. There will need to be a fine balance between retaining deep subject matter expertise along with industry breadth and driving the culture change sought by the Ministry. This is part of the culture challenge covered earlier in the *Values, Behaviour and Culture* section of this report.

Getting clarity on purpose and a 5-year strategic direction in place will be essential to give staff line of sight from their individual accountabilities, responsibilities and objectives to the impacts the Ministry seeks to achieve.

Engagement with staff

Staff we interviewed were passionate about their work and enjoyed the supportive culture. The PIF Self-review identified, however, that staff do not necessarily see the connections between what they do and the current stated outcomes set by the Ministry.

The recent Organisational Review, with staff on the review team, engaged widely across the organisation in developing its recommendations.

The last engagement survey in the Ministry was in 2015 before the double insults of the Kaikōura earthquake and the fraud issue becoming public.

The Ministry's current accommodation arrangements are far from satisfactory. It will be some time before this issue can be resolved, which will impact on engagement.

To be engaged, staff need to see how they fit into the bigger picture, see the benefit of the work they are doing and be acknowledged for it by the sector. The work that has started on purpose and values will be very helpful in this regard as will leveraging the Ministry's positive culture. This will be tempered by the shift towards embedding better accountabilities and performance management in the operating model of the organisation.

It will be valuable for the Ministry to measure staff engagement as soon as reasonably practicable to create the imperative for ongoing attention to modelling behaviours of all leadership.

Future focus for: People Development

To fulfil its leadership role, the Ministry will need to attract, develop and retain a bold, invested and collaborative workforce that thrives on engaging with others to lead the development of fact-based strategy and policy for the transport system. It needs to:

- re-invigorate its leadership and development programme with clear strategies to lift individual and team skills
- hold people leaders at all levels to account for proactive performance management that helps individuals to understand the value they can contribute, grow their skills and deliver their best work
- ensure the impacts and outcomes that it is striving to achieve are well-understood and supported by staff and they can see how their work contributes to the Ministry's success
- continue the good work begun on the Organisational Review to grow engagement across the Ministry to address the challenges facing the Ministry and the transport sector agencies.

Financial and Resource Management

Rating

Asset Management

- How well does the agency manage agency and Crown assets, and the agency's balance sheet, to support service delivery and drive performance improvement?



Information Management

- How well does the agency manage and use information as a strategic asset?



Financial Management

- How well does the agency plan, direct and control financial resources to drive efficient and effective output delivery?



Risk Management

- How well does the agency identify and manage agency and Crown risk?



Asset management

Asset management is not a substantive part of the Ministry's business (other than for information/knowledge management – see below). Its asset base is small, primarily consisting of hardware and software, and minor furniture and fittings. New assets are identified through strategic and business planning processes, for example, in the Information Systems Strategic Plan.

Capital plans are developed, approved and revised regularly as part of the budget planning process. Plans are monitored through quarterly reporting to the Ministry's leadership team and the treatment of capital is outlined in the annual report. Audit New Zealand's programme includes auditing the Ministry's systems and processes, including ICT asset management, on an annual basis.

Lifecycle management of computer assets is tracked via spreadsheets. Mobile equipment is formally maintained annually and staff are expected to bring their mobile equipment in for security updates as these are rolled out.

Overall the approach to asset management is quite adequate for an agency of its size.

Information management

Data, information and knowledge are strategic assets for the Ministry and critical to its role as an expert advisor to Ministers. Effective data and information management will contribute to greater effectiveness and efficiency of the Ministry's core business functions, in particular, as noted in the *Research and Statistics* section to support strategic policy advice.

As part of the organisational change, the Ministry is recruiting a new manager for its digital and knowledge function signalling a lift in attention to this key support area in a policy agency that intends to be increasingly data-driven.

There is considerable scope to improve the Ministry's culture and practice of information management, including lifting consistency and quality of document filing. Currently, information is not managed well.

This has been attributed to two main causes:

- poor usability of the 'Athena' document management system
- a generally poor culture of consistent information management practices.

The Athena document management system is not user-friendly. The Ministry intends to replace Athena with a more appropriate document management system as part of implementing the organisational change programme.

Much of the knowledge management or filing task falls to a single individual in the Knowledge and Systems team. There needs to be a shift to accountability resting with each staff member, driven by strong guidelines and principles for knowledge management.

Sensitive information is generally handled well in the Ministry. The Knowledge and Systems team manages the handling of most sensitive material and provides support and guidance for staff.

Financial management

The finance system is old and no longer fit for purpose. It is spreadsheet-based, 20 to 30 years out of date and could be replaced cost-effectively by any number of contemporary systems. This area is being reviewed with a recognition that considerable catch-up is required.

The issue for the Ministry is that whilst its departmental budget is relatively small (\$33million) this is dwarfed by the total size of Vote Transport, which is about \$4billion. There are complexities in the administration of this money, for example, all KiwiRail land transfers and trading pass through the Vote.

The Vote also includes the National Land Transport Fund with the requirement for the Road User Charge and Petroleum Excise Tax to be set at the correct levels to balance the fund.

Financial policies are sound; the issue for the Ministry has been the way in which these were applied. There is regular review of processes. For example, KPMG is undertaking a payroll review.

This function needs a modern applications platform and the current organisational reforms will enable this.

Risk management

The Ministry has had a Performance and Risk Advisory Group to provide the Secretary for Transport and leadership team with high-level advice on risks, organisational development and organisational performance. The group met quarterly, but functioned as an advisory group rather than a traditional external audit and risk committee.

As part of the organisational changes currently underway, and as a priority, the Secretary for Transport is seeking to establish a formal external audit and risk committee, which will place greater attention on risk management, internal control systems and external accountability.

The Ministry's new structure also establishes a business integrity and performance team for which risk management will be a priority. As there is no robust internal risk system mapped through the management layers of the organisation, the task of establishing an effective risk management function in the Ministry is not just a matter of structure and resource, but is a culture issue as well.

For the Secretary for Transport to be advised appropriately on both external and internal risks to the Ministry's business and reputation, we feel it is essential that he have an internal audit function reporting independently, directly to him. Given the size of the Ministry, this is not a full-time function and could be sourced from a third party (government or private sector).

Future focus for: Financial and Resource Management

There is room for the Ministry to lift its Financial and Resource Management, mostly through:

- modernising its systems to take advantage of new technologies. This will enable efficiencies not just in the provision of corporate services but also in how all staff more readily access, share, understand and use the Ministry's financial and critical non-financial data and information
- reforming its approach to risk management at a strategic and operational level, commensurate to the nature of its business and responsibilities, to proactively support the Ministry's leadership.

4

Appendices

In this section:

Lead Reviewers' Acknowledgement
About the Ministry of Transport
Framework Questions
Ratings Scale
Stakeholders Interviewed

Lead Reviewers' Acknowledgement

The Secretary for Transport commissioned this PIF Review at a time of significant organisational change. We commend him for making that call.

We appreciated the willingness of staff, transport sector agency colleagues, other officials and private sector stakeholders and representatives of end users to engage in discussions about the critical issues facing the Ministry. They provided valuable insights about the challenges the Ministry, the transport sector and users face and the role that the Ministry needs to play. We found there is a real appetite and support, internally and externally, for the Ministry to step up its leadership of the transport system.

We also thank officials from the central agencies who supported this review and will support the Ministry on its own performance improvement journey.

About the Ministry of Transport

The Ministry of Transport is the Government's principal transport advisor. It is responsible for administration for a range of legislation and regulations covering air, rail, road and sea transport as well as transport safety. The Ministry monitors the performance of four crown entities that deliver a range of transport services and regulatory functions: Civil Aviation Authority of New Zealand; Maritime New Zealand; New Zealand Transport Agency and Transport Accident Investigation Commission. In addition, the Ministry administers a government contract with MetService for public weather forecasting services.

The appropriation for Vote Transport is \$5 billion for 2017/2018. Budget 2018 added a new departmental appropriation of \$13.2 million over four years for capacity and capability building at the Ministry of Transport.

As at 30 June 2017 the Ministry had 127 staff; most are located in Wellington with a small team in Auckland.

Within the public sector, the Ministry has key relationships with two State Owned Enterprises, which form part of the transport system but are not directly monitored by the Ministry: KiwiRail and Airways Corporation. It also works on transport and safety policy with New Zealand Police, local government, Accident Compensation Corporation, Ministry of Business, Innovation and Employment, Ministry for the Environment, Ministry of Health, Ministry of Justice and Department of Internal Affairs.

Framework Questions

Four-year Excellence Horizon

What is the agency's performance improvement challenge?

Results

Government Priorities	1. How well is the agency responding to Government Priorities?
Core Business	2. In each Core Business area, how well does the agency deliver value to its customers and New Zealanders?
	3. In each Core Business area, how well does the agency demonstrate increased value over time?
	4. How well does the agency exercise its stewardship role over regulation?

Organisational Management

Leadership and Direction	Purpose, Vision and Strategy	5. How well do the staff and stakeholders understand the agency's purpose, vision and strategy? 6. How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?
	Leadership and Governance	7. How well does the senior team provide collective leadership and direction to the agency and how well does it implement change? 8. How effectively does the Board lead the Crown entity? (For Crown entities only)
	Values, Behaviour and Culture	9. How well does the agency develop and promote the organisational values, behaviours and culture it needs to support its strategic direction and ensure customer value?
	Review	10. How well does the agency encourage and use evaluative activity?






Delivery for Customers and New Zealanders	Customers	11. How well does the agency understand who its customers are and their short- and longer-term needs and impact? 12. How clear is the agency's value proposition (the 'what')?
	Operating Model	13. How well does the agency's operating model (the 'how') support delivery of Government Priorities and Core Business? 14. How well does the agency evaluate service delivery options?
	Collaboration and Partnerships	15. How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with partners and providers? 16. How well do the agency and its strategic partners integrate services to deliver value to customers?
	Experiences of the Public	17. How well does the agency employ service design, continuous improvement and innovation to ensure outstanding customer experiences? 18. How well does the agency continuously seek to understand customers' and New Zealanders' satisfaction and take action accordingly?

Relationships	Engagement with Ministers	19. How well does the agency provide advice and services to Ministers?
	Sector Contribution	20. How effectively does the agency contribute to improvements in public sector performance?

People Development	Leadership and Workforce Development	21. How well does the agency develop its workforce (including its leadership)? 22. How well does the agency anticipate and respond to future capacity and capability requirements?
	Management of People Performance	23. How well does the agency encourage high performance and continuous improvement amongst its workforce? 24. How well does the agency deal with poor or inadequate performance?
	Engagement with Staff	25. How well does the agency manage its employee relations? 26. How well does the agency develop and maintain a diverse, highly committed and engaged workforce?

Financial and Resource Management	Asset Management	27. How well does the agency manage agency and Crown assets, and the agency's balance sheet, to support service delivery and drive performance improvement?
	Information Management	28. How well does the agency manage and use information as a strategic asset?
	Financial Management	29. How well does the agency plan, direct and control financial resources to drive efficient and effective output delivery?
	Risk Management	30. How well does the agency identify and manage agency and Crown risk?

Ratings Scale

Rating	What it means
	<p>Strong</p> <p>High level of capability and sustained and consistently high levels of performance Systems in place to monitor and build capability to meet future demands Organisational learning and external benchmarking used to continuously evaluate and improve performance.</p>
	<p>Well-placed</p> <p>Delivering to expectations with examples of high levels of performance Evidence of attention given to assessing future demands and capability needs Comprehensive and consistently good organisational practices and systems in place to support effective management.</p>
	<p>Needing development</p> <p>Adequate current performance – concerns about future performance Beginning to focus on processes, repeatability, evaluation and improvement and management beyond and across units Areas of underperformance or lack of capability are recognised by the agency Strategies or action plans to lift performance or capability, or remedy deficiencies are in place and being implemented.</p>
	<p>Weak</p> <p>Significant area(s) of critical weakness or concern in terms of delivery and/or capability Management focuses on tasks and actions rather than results and impacts Agency has limited or no awareness of critical weaknesses or concerns Strategies or plans to respond to areas of weakness are either not in place or not likely to have sufficient impact.</p>
	<p>Not able to rate</p> <p>No evidence upon which a judgement can be made; or The evidence available does not allow a credible judgement to be made.</p>

Note: There have been four significant upgrades to the PIF Agency Model since it was implemented in 2009. The first was the inclusion of the Four-year Excellence Horizon in October 2011. The second was the Strategic Financial Management upgrade in December 2012. The third was the Better Public Services upgrade in January 2014. The most recent is the Customer refresh. These upgrades affect comparability with previous PIF reports.

Interviewees

The Lead Reviewers and the Ministry of Transport are grateful to representatives from the following organisations for making time to be interviewed for this review:

- Air New Zealand
- Auckland Council
- Auckland Transport
- Audit New Zealand
- Automobile Association
- Bus and Coach Association
- Business New Zealand
- Christchurch Airport
- Civil Aviation Authority
- Freightways
- Infrastructure New Zealand
- International Transport Forum
- KiwiRail
- Local Government New Zealand
- Maritime New Zealand
- Ministry of Business, Innovation and Employment
- Motor Industry Association
- National Infrastructure Board
- New Zealand Airports
- New Zealand Police
- New Zealand Transport Agency
- Office of the Auditor-General
- Ports of Auckland Limited
- Port of Tauranga Limited
- Road Transport Forum
- Transport Accident Investigation Commission
- University of the West of England
- Victoria University of Wellington

This PIF Review was informed by input provided by Ministers at the time of the review and officials from the Ministry of Transport, State Services Commission, The Treasury, the Department of the Prime Minister and Cabinet and Department of Internal Affairs.