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Financial Results for the Two Months Ended 31 August 2015

This report summarises the Auckland Transport draft financial results for the two months ended 31 August 2015.

Recommendation

That the Board:

- i. Receives the report.

Overview

Expenditure for the first two months is within 0.5% of budget. There will be a mid-year reforecast prior to Christmas. This is expected to confirm the organisations ability to absorb some additional cost since budgets were set.

Parking and AT Metro revenue is above budget. This is due to high levels of parking occupancy coupled with price increases and continued strong patronage growth on public transport. Revenue from these two sources is \$2 million ahead of the same time last year.

YTD favourable other revenue of \$1.5 million includes \$0.8 million of Harbour Master mooring fees received in August but budgeted for in September, and favourable rental income of \$0.4 million.

Capital spending is beginning to catch-up in August after a slow start last month. This is particularly true for road renewal (e.g. pavement resurfacing and rehabilitation) where it is running ahead of the scheduled programme. The last three electric trains arrived in August and are expected to be provisionally accepted in September.

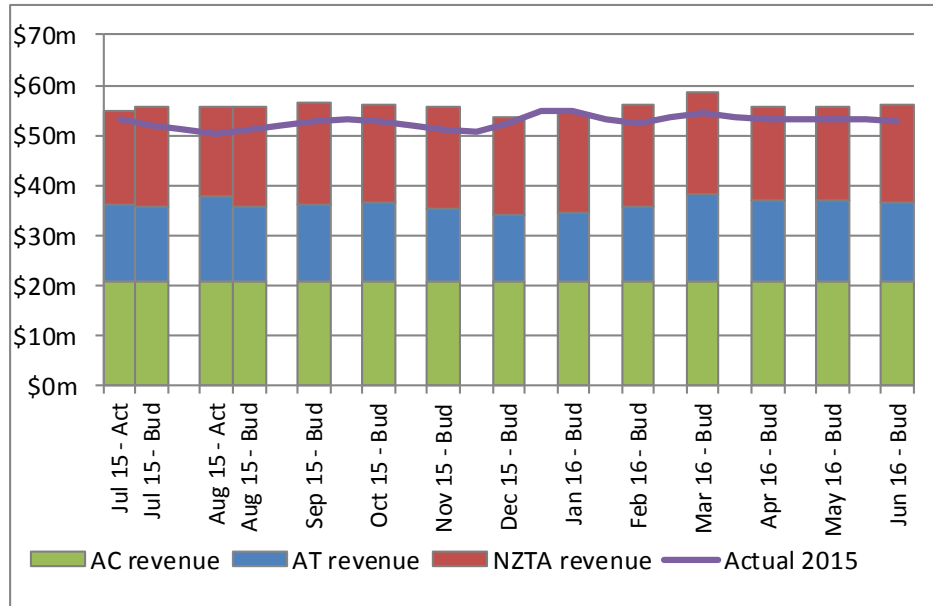
AC has approved a budget increase of \$29.2 million to fund carry forwards from last year. This is less than the \$48 million of actual level of carry forwards. While it is not unusual to have projects carried forward, this will be harder to accommodate than usual in a reduced overall budget. Items carried forward include EMU procurement (\$9.6m), Otahuhu bus interchange (5.9m), Parnell Station (\$3.6m), Local Board projects (\$15.9m), Wynyard Quarter roads (\$2.2m) and various BT projects including parking and integrated fares.

At this stage it is not intended to defer items from the existing annual programme. It is likely that natural delays will result in some slippage into 2016/17 without the need for intervention. Unfunded carry forwards are around 3% of the overall programme.

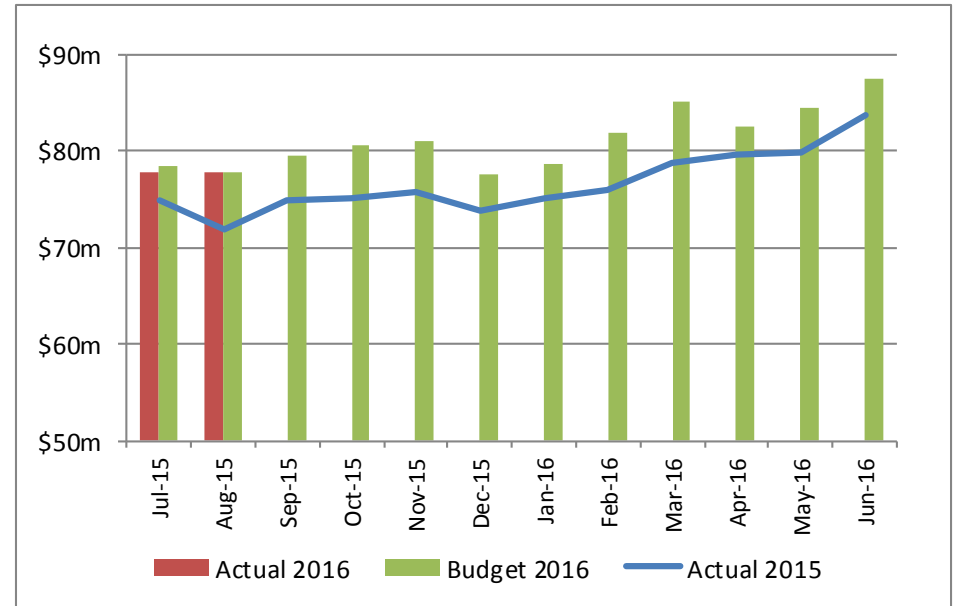
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Summary of Financial Results

Operating revenue



Operating expenditure (excl. disposals and derivatives)

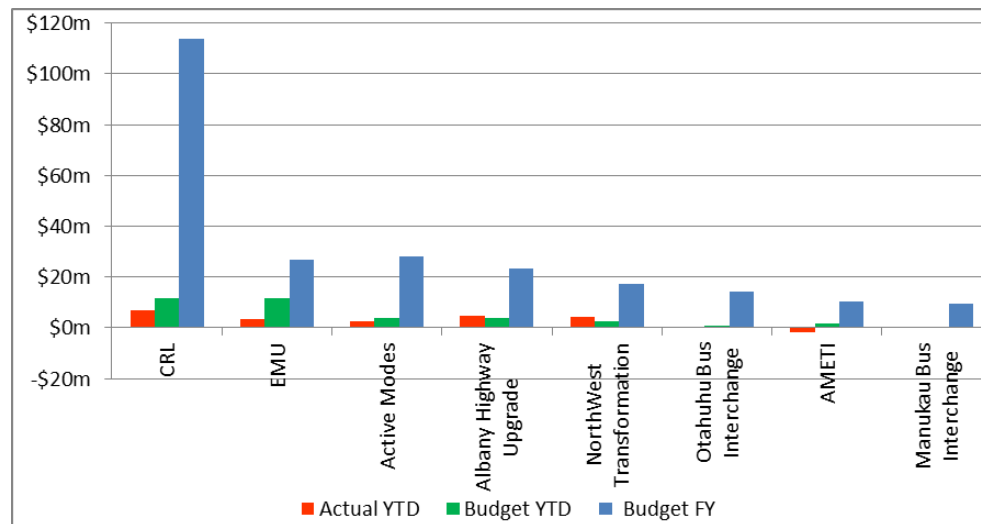


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Capital Expenditure

Major new capital (58% of total NEW capital budget)

	Current month			Year to date			Full year
	Actual \$000	Budget \$000	Variance \$000	Actual \$000	Budget \$000	Variance \$000	Budget \$000
CRL	3,854	6,471	2,617	6,928	11,765	4,837	113,808
EMU	2,070	5,317	3,247	3,222	11,589	8,367	26,798
Active Modes	1,310	1,722	412	2,537	3,694	1,157	28,215
Albany Highway Upgrade	2,458	1,958	(500)	4,720	3,915	(805)	23,495
NorthWest Transformation	3,226	1,419	(1,807)	4,173	2,491	(1,682)	17,146
Otahuhu Bus Interchange	35	377	342	586	672	86	14,353
AMETI	843	855	12	(1,972)	1,710	3,682	10,260
Manukau Bus Interchange	227	117	(110)	325	243	(82)	9,542
	14,023	18,236	4,213	20,519	36,079	15,560	243,617



- **CRL** overall is underspent by \$4.8 million year to date. Investigation was below plan due to optimistic forecasting from major suppliers. Property acquisition was considerably below plan due to some difficult negotiations on remaining full title acquisitions. Full year spend is now projected to be \$104.5 million, \$9.3 million lower compared to the original budget mainly due to reduced property acquisition. Project total outturn cost projection is still \$2.327 billion (uninflated).
- **EMU** is behind budget by \$8.4 million year to date. The last three electric trains were received later than previously expected. Overall the project is nearing completion since it is now fully operational.
- **ACTIVE MODES** is behind budget by \$1.2 million mainly due to :
 - Nelson Street Downtown Cycleway (\$0.5 million underspend): Contract awarded four weeks later than initially forecasted and final prelim design has been delayed.
 - New Lynn to Waterview (\$0.3 million underspend): More complex testing required to agree the variation to enable the consultant to commence the detailed design.
- **NorthWest Transformation** is above budget by \$1.7 million year to date due to land acquisition and Fred Taylor Drive road widening being ahead of plan. No changes to expected full year spend.

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Special Topic: PCI DSS

Summary

This report provides an update on the project that AT has undertaken to become PCI DSS compliant by 30 September 2015.

AT has an obligation to be Payment Card Industry Data Security Standards (PCI DSS) compliant. Failure to achieve compliance could lead to financial penalties and potentially loss of the right to transact credit card transactions electronically.

AT submitted a remediation plan with its quarterly return in September 2014, and advised BNZ and card scheme operators of its intention to be fully compliant by 30 September 2015.

Background

PCI DSS is an international standard that all organisations, including online retailers, must follow when storing, processing or transmitting customer credit card data. The size of the organisation determines the specific security requirements that must be met. The enforcement of merchant compliance is managed by the individual card schemes making up the PCI SSC (Visa, MasterCard, American Express, Discover and JCB). AT is defined by BNZ as a level two merchant, transacting between one and six million card payments annually (3.5 million transactions in the past 12 months).

Actions to date

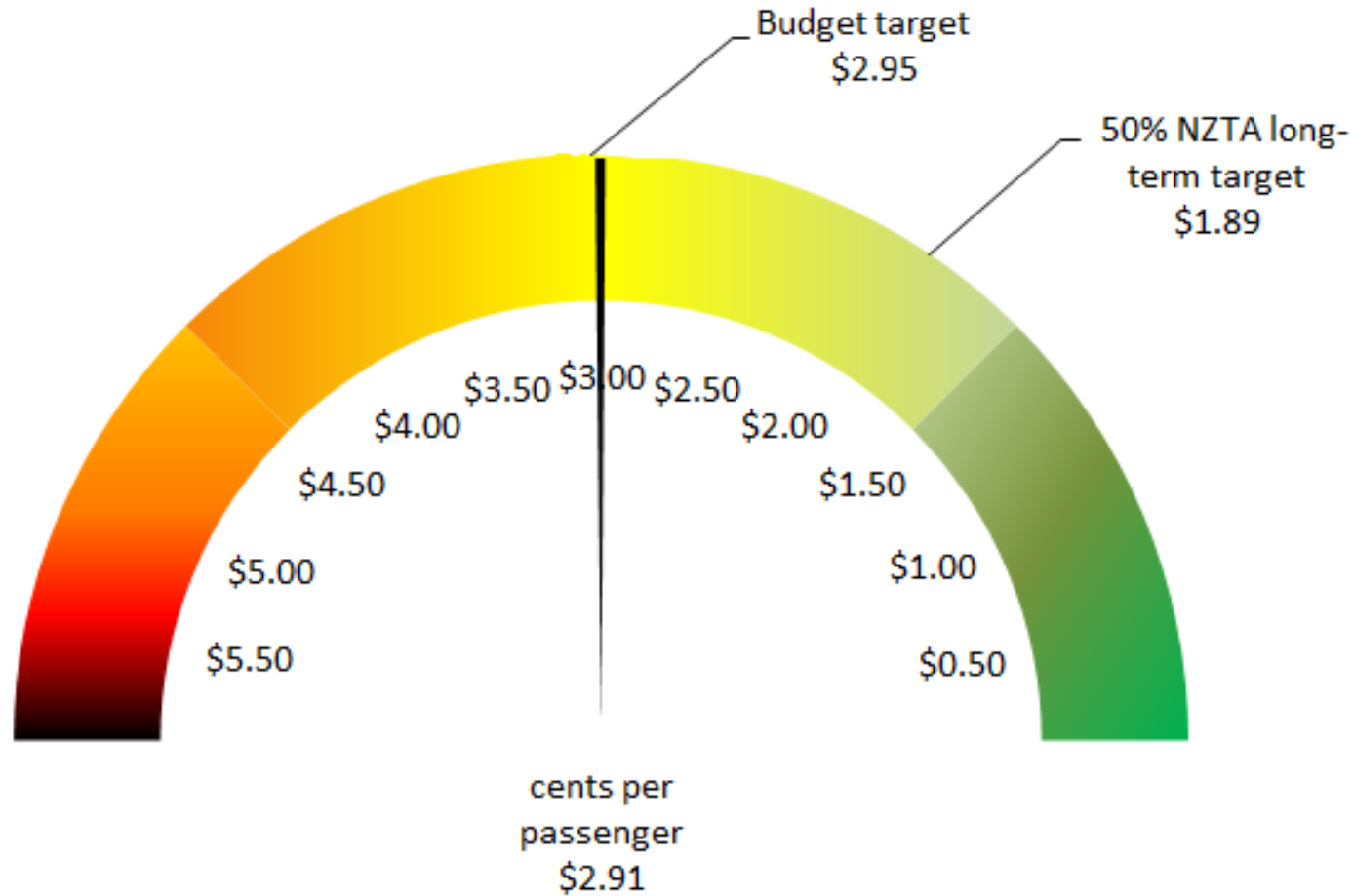
AT submitted a quarterly return at 98.7% in June 2014. In an effort to ensure compliance, AT engaged the services of an external QSA (Qualified Security Assessor) Confide Ltd to perform a review of operations and undertake external vulnerability scans across the AT network. A small number of issues have been identified and work is currently underway to clear these. Confide are confident that AT will be in a position to submit a 100% compliant return at the end of September. Final staff awareness training is about to commence.

Next steps

The obligation for PCI DSS compliance is ongoing, and the requirements change as the industry identifies new threats. Once compliance has been reached, AT will need to ensure that its systems and networks are maintained within the PCI DSS standards.

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Operational funding requirement per passenger for the month of August 2015



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NZ Transport Agency

	Year to date		
	Actual \$000	Budget \$000	Variance \$000
New capital	6,953	7,844	(891)
Renewal capital	7,714	7,096	618
Total NZ Transport Agency capital co-investment	14,667	14,940	(273)
Operating funding	36,923	40,380	(3,457)


- **New capital variance** mainly relates to underspending against plan, partly due to:
 - Delays with walking and cycling programme design and tender awards (AMETI Panmure Roundabout investigation - \$499,000 and Don Buck Cycleway - \$116,000).
 - Bus infrastructure minor improvement projects funded last year, continuing into the current year, are yet to be claimed (\$201,000).
- **Renewal variance** resulted from a strong start to delivery for the year.
- **Operating funding** variance is due to:
 - AT requested a reallocation of funding from NZ Transport Agency to enable us to fully claim planned subsidy on Road Maintenance activities. Pre Seal Repairs, although bulk funded, are provided under Road Maintenance rather than Road Renewals. The variance to date on this is \$1,224,000.
 - A shortfall of \$678,000 relates to less than planned costs for Road Safety (\$307,000), Road Maintenance (\$237,000) and Streetlight routine maintenance (\$134,000). This will be caught up prior to Christmas.
 - A further \$423,000 relates to a delay in claiming for administrative and overhead costs. NZ Transport Agency have changed the basis for how these are funded and there is a delay in funding while details of the new claim process are agreed. The changed process has since been agreed and will be caught up during September.
 - Total Mobility reimbursements FAR rate assumptions were corrected, resulting in a reduction in anticipated subsidy of \$1,985,000 for the year (\$362,000 YTD). This was an error on our part in setting budgets. This is partly offset by a recent announcement that

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Ministry of Transport are expecting to fund just over \$15 million for Supergold concessions, increasing our current funding assumptions by \$1,085,000 for the year.

- An amended process has been put in place to improve forecasting of NZTA subsidy.

Document ownership

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