

Draft Statement of Intent 2012–2015

Glossary

Auckland Council	(AC)
Auckland Transport	(AT)
Integrated Transport Plan	(ITP)
Joint Traffic Operations Centre	(JTOC)
New Zealand Transport Agency	(NZTA)
Council-controlled Organisation	(CCO)
Programme of Action	(POA)
Statement of Intent	(SOI)

Executive Summary

The draft SOI was provided to AC in March. The draft SOI was considered by AC's CCO Strategy Review Sub-committee on 26 April in order to provide shareholder comments which were forwarded to AT on 30 April.

AC has recommended a number of amendments to the SOI in the light of the shareholder comments and following feedback from public hearings on the draft Regional Land Transport Programme and the process to finalise the Auckland Plan. The majority of proposed amendments would require additions to the text of the SOI and are easily accommodated. Some of the proposed amendments are in response to the finalisation of the Auckland Plan and submissions on the draft Regional Land Transport Programme; others are more governance focused.

Under section 96 of the Local Government (Auckland Council) Act 2009, AT must hold a meeting in public for the purpose of considering comments from AC on AT's draft SOI.

Recommendations

It is recommended that the Board:

- i). Receive the report; and
- ii). Delegate to the Chair and Chief Executive sign-off of the final SOI for submission to Auckland Council following incorporation of any comments by the Board.

Strategic Context

The draft SOI is based on three primary sources:

- 1) AT's legislative purpose;
- 2) The vision, outcomes, strategic directions and priorities set out in AC's Auckland Plan; and
- 3) The Mayor's Letter of Expectation received on 22 December 2011.

Background

The shareholder comments have been included in text boxes in blue font within the body of the attached draft SOI. The proposed response of AT to each of those comments is provided in red font.

Next Steps

The next steps for the 2012-2015 SOI process are:

- In response to feedback from the Board and public comments received, AT will revise the SOI as appropriate and obtain final Board Chair and Chief Executive approval.
- AT will deliver the final SOI to AC no later than 30 June 2012.

Attachments

Attachment 1 Draft 2012-2015 Statement of Intent (including shareholder comments and proposed response)

Attachment 2 Revised Statement of Intent outcomes framework

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RECOMMENDED by	Peter Clark Corporate Manager, Strategy & Planning	
APPROVED FOR SUBMISSION by	David Warburton Chief Executive	

AUCKLAND TRANSPORT

STATEMENT OF INTENT 1 July 2012 – 30 June 2015

This version includes shareholder comment approved by the CCO Strategy Review Subcommittee at its 26 April meeting (in blue font) and proposed responses as drafted by AT staff (in red font)

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1. INTRODUCTION

This Statement of Intent (SOI) sets out Auckland Transport's strategic approach and priorities for the next three-years and how they contribute to the longer-term outcomes Auckland Council seeks to achieve.

The outcomes framework which forms the foundation of this SOI is based on three primary sources:

1. Auckland Transport's legislative purpose¹;
2. The vision, outcomes, strategic directions and priorities set out in Auckland Council's Draft Auckland Plan; and
3. The Mayor's Letter of Expectation.

Auckland Transport's functions and obligations

Auckland Transport is a council-controlled organisation (CCO) of Auckland Council. It was established on 1 November 2010 under section 38 of the Local Government (Auckland Council) Act 2009.

Auckland Transport has a number of statutory obligations set out over a variety of different statutes. Auckland Transport is responsible for all of the region's transport services (excluding state highways) – from roads and footpaths, to cycling, parking and public transport.

In addition, Auckland Transport is responsible for preparing the Regional Land Transport Programme for Auckland in accordance with the Land Transport Management Act 2003.

Auckland Transport's partnership with Auckland Council

This SOI recognises the important partnership between Auckland Transport and Auckland Council in the delivery of shared outcomes, and that the success of each organisation is dependent on the actions of the other partner. This includes:

- A commitment to collaboration;
- A commitment to openness and transparency;
- Adhering to a "no surprises" policy; and
- Engaging with other CCOs to ensure a coordinated approach.

Shareholder comment

Add new heading and following text

"Relationship with Local Boards

While AT is accountable to the Governing Body as shareholder, it also has relationships with Local Boards who share the decision-making responsibilities of the Auckland Council with the Governing Body. AT will:

- Prepare a Local Board Engagement Plan in accordance with the requirements of the SEG.
- Report to Local Boards as specified in its Local Board Engagement Plan.
- Adequately resource liaison with and reporting to Local Boards.
- Keep informed of local board priorities and objectives in Local Board plans and ensure that these are considered when:
 - (i) preparing budgets; and
 - (ii) when undertaking activities in Local Board areas.
- Ensure that business cases seeking Auckland Council funding, take into account Local Board priorities and objectives.
- Provide a works programme to local boards in advance of work occurring in local places so that they can be informed when constituents make enquiries.
- Recognise that in conjunction with Council, local boards have a 'place-shaping role and that AT will work with local boards where appropriate to achieve this, for example the creation of streetscapes which mirror local identity and history."

Propose including additional text, but better placed in the "Approach to Governance" section.

¹ Under section 39 of the Local Government (Auckland Council) Act 2009, the purpose of Auckland Transport is "to contribute to an effective and efficient land transport system to support Auckland's social, economic, environmental, and cultural well-being".

Shareholder comment (contd)

Add the following text:

“AT will foster a corporate culture that provides an excellent interface and strong relationships with the communities of Auckland and with Auckland Council.”

Propose including additional text, but would be better placed in “Organisational Health and Capability” section.

In particular, Auckland Transport’s ability to successfully deliver on the Programme of Action (as outlined in section 3) and performance targets set out in this SOI relies on the Council providing a supportive policy and regulatory environment, and making sufficient funds available to enable the necessary transport investments and services to be implemented in a timely manner.

Auckland’s “One Transport System”

The “one system” approach is of particular importance to Auckland Transport’s operations. The one system approach will improve the connectivity and integration of the transport system by ensuring that:

- the networks of the different transport modes are connected and integrated to function as a single system i.e. the State Highway and regional arterial road networks are integrated to function as one system; and
- modal services are integrated to provide a seamless transport experience.

The “one system” for Auckland will be clearly outlined in Auckland Transport’s Integrated Transport Plan (ITP). The ITP will:

- give effect to the strategic transport objectives and outcomes set out in the Auckland Plan;
- be consistent with the Government Policy Statement on Land Transport Funding; and
- provide the long term implementation strategy for developing the Regional Land Transport Programme (RLTP) every 3 years.

Auckland Transport’s Statements of Intent will be consistent with the ITP.

Shareholder comment

- Delete the statement “Auckland Transport’s Statement of Intent will be consistent with the ITP”. Since the ITP is set by the board of AT, the SOI must remain unfettered in its ability to articulate Council’s high level outcomes and directives. Council anticipates that AT will develop an ITP collaboratively with AC and NZTA. **Propose deleting particular text**
- Change the statement “be consistent with the Government Policy Statement on Land Transport Funding”. As agreed at the ITP Steering Group meeting on 9 March 2012, the ITP is only required to “take into account the Government Policy Statement on land transport funding (2012)”. This is to ensure that its primary purpose is to give effect to the Auckland Plan. **Propose amending text**
- Recognising that ATs strategic and funding environment is complex - it would be very useful to include a diagram similar to that from the RLTP shown as Appendix B in this document. Further text which describes the funding status of all of those elements and links in the Programme of Action should also be considered to give the reader a clear sense of what is being delivered. **Propose including an appropriate diagram**

Auckland Transport’s partnership with NZTA

To achieve the one system, Auckland Transport is working in partnership with the New Zealand Transport Agency (NZTA). A successful one system will enable transport projects critical to Auckland’s transport needs to be identified, planned, funded and implemented in a coordinated and strategic manner. Effective coordination with NZTA will, therefore, help maximise the return on transport investment for Auckland.

NZTA is one of Auckland Transport's two funding partners (the other being Auckland Council). Around 50% of the funds upon which Auckland Transport is reliant to deliver its various projects and activities comes from NZTA (capex and opex). It is, therefore, important that this, and subsequent, SOIs are in line with the requirements of both funding partners.

2. STRATEGIC DIRECTION

Auckland Transport's strategic environment

As New Zealand's largest urban centre, Auckland is vital to national prosperity and economic growth.

A high-quality transport system is essential to the performance of Auckland's economy and Aucklanders' way of life.

Auckland is anticipated to grow by around 1 million people by 2050 - this is 75% of New Zealand's estimated population growth. Auckland Transport must ensure that the transport system remains efficient and facilitates that growth in an affordable way.

Vision for Auckland

The Mayor's vision for Auckland, as expressed in the Auckland Plan (the Plan), is for Auckland to become "the world's most liveable city by 2040", which will mean that by 2040 Auckland will be:

- A fair, safe and healthy Auckland;
- A green Auckland;
- An Auckland of prosperity and opportunity;
- A well connected and accessible Auckland;
- A beautiful Auckland that is loved by its people; and
- A culturally rich and creative Auckland.

In addition, the Plan includes five "transformational shifts", the key transport-related shift is: *Move to outstanding public transport within one network*. The Plan also sets out a number of strategic directions. The strategic direction of primary relevance to Auckland's transport system is to *create better connections and accessibility within Auckland, across New Zealand and to the world*.

Shareholder comment

The term "accessibility" should be defined with recognition of the needs of the disabled community specifically in the SOI giving clarity to the concept of 'universal access' as outlined in the Auckland Plan transport chapter.

Propose including additional text

Because of the important role that the activities of Auckland Transport play in community participation, the SOI should make a clear commitment to people with disabilities, and continue to work with the AT Transport Access Advisory Group and Council's Disability Strategic Advisory Group to improve accessibility. Council supports the work being done in this regard to date. **Noted**

Amend reference to five transformational shifts – there are now six. **Propose amending text**

However, the Plan also includes a number of other strategic directions, priorities and principles which are of relevance to Auckland Transport's activities and which Auckland Transport will have regard to:

- Building resilience to natural hazards;
- Auckland Plan urban design principles; and
- Realising a quality compact city.

Shareholder comment

The Letter of Expectation, and the draft SOI, were based on the draft Auckland Plan. The final Auckland Plan that was adopted by the Governing Body differs from the draft plan. AT should ensure that the SOI is consistent with the final Auckland Plan, and in particular the targets contained in the monitoring framework, and the actions and process audit outlined in the Implementation Addendum, should be included in the final SOI where relevant. AT should also act consistently with the Land-use and Transport principles, Environmental principles, Good Design principles, and Environmental Principles contained in the Auckland Plan. These are attached as Appendix A.

However, the Plan also includes a number of other strategic directions, priorities and principles which are of relevance to Auckland Transport's activities and which should be added to the SOI to reflect the outcomes in the Plan and which Auckland Transport will act consistently with:

(additions underlined, deletions struck through)

- Building resilience to natural hazards;
- Auckland Plan urban design principles; ~~and~~
- Realising a quality compact city;
- Improving air quality
- Reducing fossil fuel consumption, improve energy efficiency and dependence on imported fuels; and
- Supporting environmental and health objectives through walking and cycling.

AT will specifically have regard to the key outcomes referenced in the Transport chapter of the Auckland Plan include:

- Supporting Auckland's vision and future growth and development
- Efficiency, while respecting the need for 'place-making'
- Integrated transport system
- Integrated land use and transport links
- Improve productivity and competitiveness
- Resilient transport network and resilient transport system
- Support environmental and health objectives
- Reduce fossil fuel consumption
- Improve energy efficiency
- Decrease dependence on imported fuels
- Reduce carbon emissions
- Contribute to mitigate the effect of transport on climate change
- Safety and person security
- Enhance the quality and character of Auckland
- Help build healthy communities."

Proposed response is to not include for the following reasons:

1. The "outcomes" listed above are not actually outcomes as detailed in the Auckland Plan. They are simply paraphrases of text taken from various parts of the Auckland Plan.
2. Repetition: Many of them cover very similar ground (e.g. *reduce fossil fuel consumption and contribute to mitigate the effect of transport on climate change*).
3. They are also all covered off by the revised outcomes framework (attached). There appears to be no value added to the SOI by simply including a lengthy list of text from the Auckland Plan.

Propose strengthening the message in the Introduction and section 2 that the primary objective is to give effect to the Auckland Plan (within available funding).

Further, Auckland Transport is expected to enable Maori aspirations and wellbeing by giving effect to Auckland Council's Maori Engagement Policy, strategic directions and outcomes in its plans.

Finally, Auckland Transport will assist Council to achieve the target of reducing greenhouse gas emissions by 40 per cent by 2031 (based on 1990 levels).²

Shareholder comment –

AT should note that the greenhouse gas emissions target in the adopted Auckland Plan differs from the draft Auckland Plan. The SOI should be amended to reflect the short term target of a 10-20% reduction in greenhouse gas emissions by 2020 based on 1990, whilst acknowledging the long term target of a 50% reduction by 2050.

Propose amending text

Auckland Transport’s outcomes’ framework

To align with to the strategic direction in the Draft Auckland Plan, Auckland Transport has identified the following overarching outcome: *Auckland’s transport system is effective and efficient, and provides for the region’s social, economic, environmental and cultural wellbeing.*³

A transport system that supports Auckland’s social, economic, environmental and cultural well-being will contribute significantly to Auckland’s “liveability”. Such a transport system will enable Aucklanders to travel to work efficiently, engage in recreation and leisure activities, socialise with friends and family, and undertake business activities in a cost-effective way, thereby enhancing Aucklanders’ quality of life.

Auckland Transport’s impacts

To deliver such a transport system, Auckland Transport has identified the following impacts that it aims to achieve over the coming three-year period:

- Better use of transport resources to maximise return on existing assets;
- Increased customer satisfaction with transport infrastructure and services;
- Auckland’s transport network moves people and goods efficiently;
- Increased access to a wider range of transport choices;
- Improved safety of Auckland’s transport system; and
- Reduced adverse environmental effects from Auckland’s transport system

² The last year for which a full inventory of greenhouse gas emissions in Auckland was prepared was 2009. The Draft Auckland Plan target represents a 49% reduction from 2009 levels by 2031 (in gross terms, excluding forestry).

³ This outcome statement is also aligned with AT’s legislative purpose: *to contribute to an effective and efficient land transport system to support Auckland’s social, economic, environmental, and cultural well-being* (section 39 Local Government (Auckland Council) Act 2009).

Shareholder comment –

Overall, the SOI should be a statement which first and foremost aligns the Auckland Plan. There are some inconsistencies in language which are important. An example of the differences is that the reference to “reducing environmental effects” is inconsistent with the outcome sought in the Auckland Plan to “Support environmental and health objectives”.

Proposed response is to not include for the following reasons:

- 1. As clearly outlined in section 2, this SOI aligned with the Auckland Plan.**
- 2. Supporting environmental and health objectives is referred to in the Auckland Plan in reference to walking and cycling as part of managing transport as a single transport system, which is covered in the Introduction, outcomes framework (section 2), and the Programme of Action this SOI.**
- 3. As part of an outcome framework the statement “Support environmental and health objectives” is not in line with best practice, which requires:**
 - An outcome statement should refer to the state or condition of society, the community, economy or environment. It should also include a statement about the desired change in that state or condition; and**
 - each outcome statement should be simple and refer to only one outcome.**

Better use of transport resources to maximise return on existing assets

Maximising the return on existing assets delivers significant benefits and achieves value for money, ensuring that the rate-payer’s dollar goes further whilst not compromising quality. Better use of resources will also contribute to reducing adverse impacts of the transport system on the environment and help contribute towards the Draft Auckland Plan’s target of reducing greenhouse gas emissions by 40 per cent by 2031 (based on 1990 levels).

Increased customer satisfaction with transport infrastructure and services

Transport is not an end in itself. People and businesses rely on the transport system to access economic, social, educational, medical, social and cultural opportunities. It is essential that customers are satisfied with the transport system they rely on for their quality of life.

Auckland’s transport network moves people and goods efficiently

Congestion on the road network impedes business activity; therefore, the efficient movement of people and goods on Auckland’s road network is critical to the region’s economic prosperity. Moreover, the more efficiently people and goods can be moved, the less time they are travelling in vehicles releasing pollutants; thereby reducing the adverse environmental impacts of the transport system and helping achieve Council’s 2031 greenhouse gas emissions target.

Increased access to a wider range of transport choices

Accessibility directly affects the region’s social, economic, environmental and cultural wellbeing. Providing access to a wide range of transport options enables people to travel to work, engage in recreation and leisure activities, socialise with friends and family, and undertake business activities.

Accessibility to a wider range of transport choices is also key to reducing reliance on private vehicle use. However, it is essential that those transport choices are also reliable and safe. Commuters need to regard public transport, walking and cycling as viable alternatives to using private vehicles. Increased patronage of public transport and active modes will, in turn, free up the road network for commercial trips, and provide the region with health and environmental benefits.

Improved safety of Auckland's transport system

Fatal and serious road crashes carry significant and tragic social costs. In addition, such road crashes lead to serious disruption on the region's road network, which in turn carries economic impacts. Improving the safety of the transport system will, therefore, help to provide for the region's social and economic wellbeing.

Reduced adverse environmental effects from Auckland's transport system

Auckland's transport system is a large source of adverse environmental effects. Motor vehicles in particular, are a major contributor to greenhouse gas emissions. Providing residents with viable transport options (such as public transport, walking and cycling) will help reduce motor vehicle reliance in Auckland, thereby providing health and environmental benefits for the region. Moreover, this will assist Auckland Council to achieve the Auckland Plan target of reducing greenhouse gas emissions by 40 per cent by 2031 (based on 1990 levels).

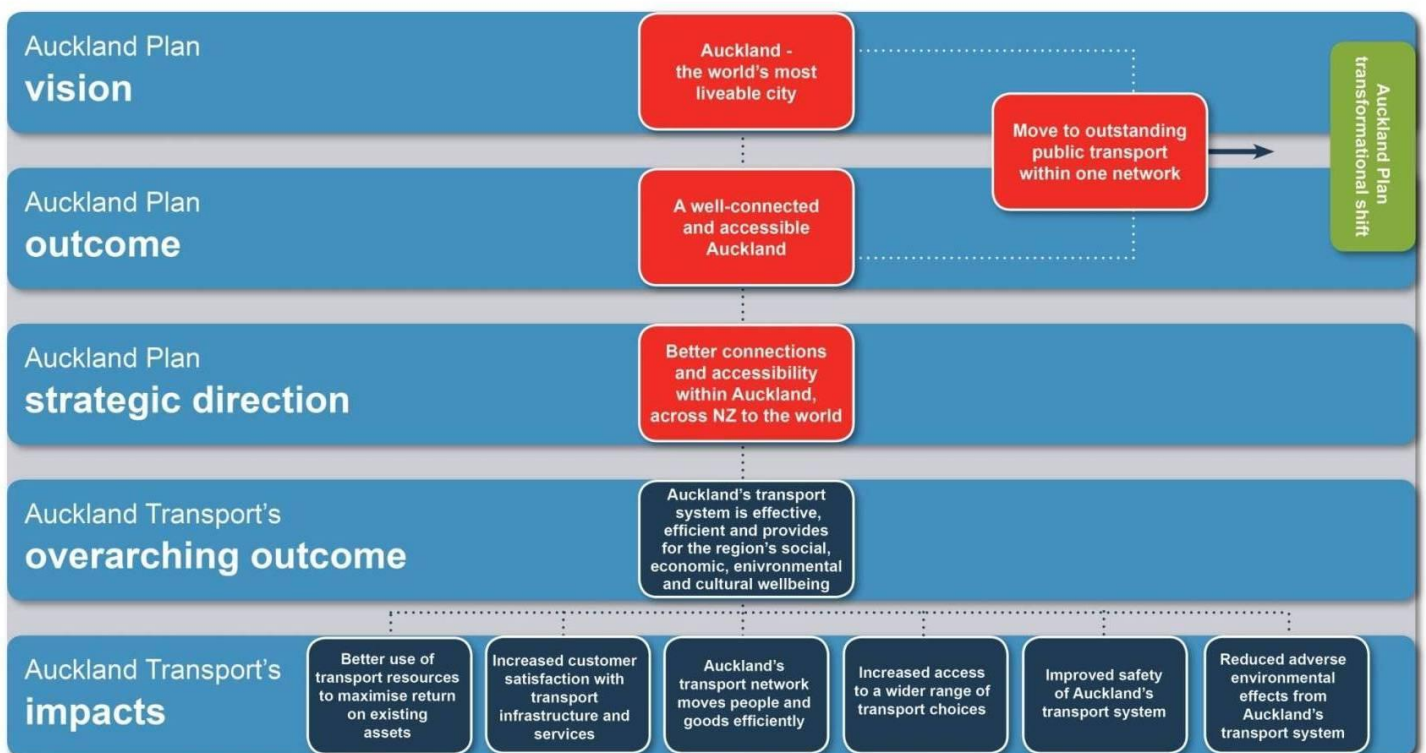
Shareholder comment

Impact should be worded in such a way to more closely align with box 7.1 Environmental Principles in the Auckland Plan. These are included as Shareholder comments Appendix A.

Please see comments above

The diagram below sets out Auckland Transport's outcomes framework which forms the basis of Auckland Transport's strategic direction over the next three-years. It illustrates the linkages between the vision and the strategic direction in the Draft Auckland Plan (shown in red), and Auckland Transport's own overarching outcome and impacts (shown in blue).

Statement of Intent 2012 to 2015 Outcomes framework



Shareholder comment

This diagram should be amended to include additional final Auckland Plan outcomes to which AT contribute such as

- A fair, safe and healthy Auckland
- A green Auckland
- An Auckland of prosperity and opportunity
- A beautiful Auckland that is loved by its people.

Additional strategic directions should also be added. If it is not practical to include all this into one diagram, it should at least be acknowledged in supporting text.

Propose amending framework. Please see attached proposed revised outcomes framework (Attachment 2).

Maori Relations Framework

Auckland Transport acknowledges its responsibilities to enable Maori aspirations and wellbeing by giving effect to council's Maori engagement policy, strategic directions and outcomes in its plans.

Auckland Transport will take into account Te Tiriti o Waitangi/Treaty of Waitangi (Treaty

principles) for engagement with Maori. That includes both ManaWhenua (indigenous population made up of the iwi of Tamaki Makaurau) and Mataawaka (wider Maori population, residents and ratepayers).

Auckland Transport will prepare a Maori Engagement Framework, which will be aligned with the frameworks prepared by both Auckland Council and NZTA. Auckland Transport's framework will outline the protocols for consultation and engagement at a strategy and project level, leading towards the closer partnership envisaged by Auckland Council.

Protocols for engagement with Maori will be captured in Auckland Transport's project management practices, including:

- Relationship with the Independent Maori Statutory Board similar to that with the Local Boards;
- Direct relationships with the 22 iwi authorities with Mana Whenua status across the Auckland region;
- Approach engagement with Maori as a partnership, with an emphasis on building relationships beyond a specific project or programme; and
- Contribution towards Maori-focussed outcomes will be expressed in a Maori Impact Statement in the Long-term Plan.

Shareholder comment

- This section would be more effective under section on "approach to governance" – **Propose moving text**
- Council supports the proactive approach that AT has taken to the development of a Maori Engagement Framework. **Noted**
- The first bullet point is unclear – as Local Boards are elected members of Auckland Council, the relationship with Local boards is different than that with IMSB. **Noted. Propose deleting the words "similar to that with the Local Boards"**.
- Section A and section C of the Auckland Plan effectively outline Council's position on it's obligations under the Treaty of Waitangi and outlines the Maori Responsiveness Framework. Council expects Auckland Transport to act consistently with the Auckland Plan and therefore with these stated positions. In particular, Council expects AT to consider
 - Effective communication and engagement with Maori
 - Contribution to Maori Wellbeing
 - Contribution to effective Maori Capacity

Additionally therefore, Council expects AT to determine high level objectives with a view to developing measure/s for monitoring how they would contribute to the 3 drivers above. **Noted**

3. NATURE AND SCOPE OF ACTIVITIES

Programme of Action

Auckland Transport has developed a "Programme of Action" (POA) aimed at achieving the impacts and outcomes stated in the preceding section. The POA comprises a package of activities and initiatives to be undertaken over the three-year term of this SOI.

The POA has been grouped into five categories; the first four are the four priorities contained in the transport chapter of the draft Auckland Plan, the fifth has been identified by Auckland Transport.

The projects that sit within each of the five categories have been sourced from the key strategic projects outlined in the Draft Auckland Plan, Auckland Council's Annual Plan 2011/2012 and the strategic priorities identified in the Letter of Expectation to Auckland Transport.

It should be noted that the POA lists the major projects and priorities AT will be undertaking over

the three-year period covered by this SOI. AT will be carrying out other complimentary projects and initiatives during that timeframe.

1. Manage Auckland's transport as a single system:

- a) working with the New Zealand Transport Agency to develop and manage the State highways and regional arterial road system as one network through mechanisms such as the JTOC
- b) School, Tertiary, Area, and Workplace Travel Plans
- c) extending signal optimisation on arterial road network
- d) extending the real time public information system

2. Integrate transport planning and investment with land development:

- a) completing investigations to determine the long-term Rapid Transit Network, including:
 - i. City Rail Link
 - ii. South Western Airport Multi-Modal Corridor Project / rail to the airport
 - iii. Whangaparaoa Road.
- b) progressing the Northern Strategic Growth Area
- c) working with NZTA and Auckland Council on land use planning and transportation issues in order to inform route protection processes for the additional Waitemata Harbour Crossing.

Shareholder comment

Whangaparaoa Road is not part of the long term Rapid Transit Network. This should be a separate point covering that particular project. **Noted. Correction to be made.**

AT should consider the merits of protecting the route of the rail component of the additional Waitemata Harbour Crossing (acknowledging that NZTA is primarily focused on protecting the route for the road element. **Noted. Protection of rail and road elements has already been included in the Notice of Requirement process, which NZTA is leading.**

Add a statement in line with Auckland Plan

“d) Reviewing public transport services in the Southern Initiative area and complete a new bus services between Onehunga and the Airport, and a public marketing campaign about transport services of the area in 2012/2013.” **Propose adding “Reviewing public transport services in the Southern Initiative area and carry out a customer survey and educational campaign about transport services of the area in 2012/2013”. It is recommended that singling out one particular bus service is not appropriate for inclusion in an SOI.**

There are many other joint planning and investment projects and it may not be possible to list them all, however, there should be a general statement about this. – **Proposed response is not to include statement as that point is already clearly covered by the last paragraph on the preceding page.**

3. Prioritise and optimise investment across transport modes:

- a) integrated transport ticketing and fares
- b) local road improvements associated with SH20 Waterview and SH16 upgrades:
 - i. Tiverton Road to Wolverton Street improvements
 - ii. Te Atatu Road
 - iii. Lincoln Road
- c) East/West Connection (linking SH1 to SH20 around Neilson Street)
- d) rail station upgrades on the electrified network, including the new Parnell station
- e) implementation of the Regional Land Transport Programme 2012 – 2022

- f) progress on the Panmure package of the Auckland-Manukau Eastern Transport Initiative (AMETI) – a major, multi-year project to develop integrated multimodal infrastructure between Glen Innes and the Manukau city centre
- g) ferry network extension to Hobsonville and Beach Haven
- h) ferry terminal upgrades, including:
 - i. Half Moon Bay
 - ii. Bayswater
 - iii. Downtown
 - iv. Devonport
- i) progress on the Dominion Road upgrade project, which will improve bus speeds and reliability on this key link in the Quality Transit Network
- j) further implementation of the New Lynn Transport Oriented Development, including transport centre and interchange
- k) procurement of new performance based bus and ferry service contracts under a new Public Transport Operating Model legislative framework
- l) review of public transport network structure to offer a logical, intuitive and integrated public transport network, and implement revised bus services across the region to establish the core and supporting services of the revised network structure
- m) implementation into service of new electric train fleet and transition of diesel fleet

4. Implement new transport funding mechanisms:

- a) contribute to Auckland Council's investigations into new funding mechanisms required to help finance the approximate \$10-15 billion total funding shortfall for transport infrastructure projects (such as the City Rail Link and additional Waitemata Harbour Crossing)

5. Transport safety initiatives:

- a) implementing Crash Reduction Programme
- b) reducing identified black spots

Shareholder comment

Council supports the inclusion of safety as an impact and the associated performance measures. **Noted**

Acknowledgement of pedestrian safety should be included. **Propose adding in acknowledgment of pedestrian safety in the discussion of impact statement "Improved safety of the transport system" on page 9.**

Pedestrian safety forms a key part of School, Tertiary, Area, and Workplace Travel Plans, which are included under the Programme of Action heading "Manage Auckland's transport as a single system" on the preceding page.

Two tables are included at Attachment A: Table A details how the four wellbeings contained in Auckland Transport's legislative purpose are achieved by Auckland Transport's impacts; and Table B depicts how Auckland Transport's impacts are achieved by the Programme of Action.

Local Board Plans

Auckland Transport has assessed the transport-related priority projects/initiatives tabulated in each of the Local Board Plans and will be reporting the status of these projects/initiatives via the quarterly report provided to each local board.

4. PERFORMANCE MEASUREMENT

I. Non-financial Performance

The following table outlines the performance measurement framework adopted by Auckland Transport for the three-year period covered by this SOI. The performance measures included in the framework will enable Auckland Transport to demonstrate how it is achieving the impacts sought and outline the levels of service it intends to provide.

IMPACT	PERFORMANCE MEASURE	RECENT PERFORMANCE	TARGET
Better use of transport resources to maximise return on existing assets	Public transport subsidy per passenger kilometre	<p>\$0.29 (for year to 31 Dec 2011)</p> <p>Target for 2011/2012 was \$0.24c</p> <p>Revised baseline: \$0.27c (for year to 30 June 2012)</p> <p>Actual subs/paxkm with CPI removed is forecast to be 24.28c at 30/6/2012 with indexation, additional RWC (not budgeted) and additional Track Access Charges (not budgeted) result is an outturn forecast of \$0.27c which is the starting baseline for 2012/13 year</p>	<p>\$0.28c (2012/13)</p> <p>\$0.275c (2013/14)</p> <p>\$0.265c (2014/15)</p> <p>Target heading in correct direction but has started with a higher base than current SOI.</p> <p>Revised targets:</p> <p>\$0.27c (2012/13)</p> <p>\$0.27c (2013/14)</p> <p>\$0.26c (2014/15)</p> <p>The target while static in year 1 & 2 is improving in real terms due to effect of inflation</p>
Increased customer satisfaction with transport infrastructure and services	Percentage of public transport passengers satisfied with their public transport service	86% (year to 31 Dec 2011)	87% (2012/13, 2013/14 and 2014/15)
	Percentage of residents satisfied with the quality of roads in the Auckland region	79%	No less than 75% (2012/13, 2013/14 and 2014/15)
	Percentage of residents satisfied with the quality of footpaths in: <ol style="list-style-type: none"> 1. the Auckland region 2. their local area 	<ol style="list-style-type: none"> 1. 76% 2. 76% 	No less than 75% (2012/13, 2013/14 and 2014/15)
Auckland's transport network moves people and goods efficiently	<p>Arterial road network productivity: % of road corridor productivity maintained or improving on key arterial routes</p> <ul style="list-style-type: none"> • Airport to CBD via Manukau Rd; • St Lukes to St Johns via St Lukes; 	<p>Road Corridor Productivity is measured by: # of vehicles X their average speed X average vehicle occupancy by lane</p> <p>Based on considerable research, Austroads* has issued recommendations for</p>	<p>50% of the corridor productivity ideal (19,000 person km/hour/lane) to be achieved on nominated key arterial routes (2012/13)</p> <p>51% of the ideal</p>

	<p>Rd/Greenlane/Remuera Rd;</p> <ul style="list-style-type: none"> Albany to Birkenhead via Glenfield Rd; and Henderson to CBD via Gt North Rd 	<p>measuring this, based on ideal arterial road conditions.</p> <p>Taking these recommendations into account, an AT corridor productivity ideal has been set at: 38,000 person km, per hour, per lane (900 vehicles travelling at an average speed of 35kph in one lane, with an average of 1.2 occupants)</p>	<p>achieved (2013/14)</p> <p>52% of the ideal achieved (2014/15)</p>																
	<p>Travel times along strategic freight routes during the inter-peak (9am-4pm)</p>	<p>85% of trips are travelled within these travel times (in minutes)</p> <table border="1" data-bbox="791 719 1139 1279"> <tr> <td>from SH 20 to SH 1 via Nielson St</td> <td>16</td> </tr> <tr> <td>from SH 1 to SH 20 via Nielson St</td> <td>13</td> </tr> <tr> <td>from Sylvia Park to East Tamaki via South-eastern arterial</td> <td>11</td> </tr> <tr> <td>from East Tamaki to Sylvia Park via South-eastern arterial</td> <td>12</td> </tr> <tr> <td>from SH1 to SH18 via Wairau Rd</td> <td>8</td> </tr> <tr> <td>from SH18 to SH1 via Wairau Rd</td> <td>8</td> </tr> <tr> <td>from East Tamaki to SH1 Highbrook interchange via Harris Rd</td> <td>10</td> </tr> <tr> <td>from SH1 Highbrook interchange to East Tamaki via Harris Rd</td> <td>11</td> </tr> </table>	from SH 20 to SH 1 via Nielson St	16	from SH 1 to SH 20 via Nielson St	13	from Sylvia Park to East Tamaki via South-eastern arterial	11	from East Tamaki to Sylvia Park via South-eastern arterial	12	from SH1 to SH18 via Wairau Rd	8	from SH18 to SH1 via Wairau Rd	8	from East Tamaki to SH1 Highbrook interchange via Harris Rd	10	from SH1 Highbrook interchange to East Tamaki via Harris Rd	11	<p>Maintain travel times for 85th percentile (2012/13)</p> <p>Maintain travel times for 85th percentile for all routes except from SH1 to SH20 via Nielson St, which is to reduce by 1 minute - from 13 minutes to 12 minutes (2013/14)</p> <p>Maintain travel times for 85th percentile (2014/15)</p>
from SH 20 to SH 1 via Nielson St	16																		
from SH 1 to SH 20 via Nielson St	13																		
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from SH18 to SH1 via Wairau Rd	8																		
from East Tamaki to SH1 Highbrook interchange via Harris Rd	10																		
from SH1 Highbrook interchange to East Tamaki via Harris Rd	11																		
	<p>Total public transport patronage</p>	<p>69,401,126 (year to 31 Dec 2011)</p> <p><u>72,104,700 (projection to 30 June 2012)</u></p> <p>This baseline for the calendar year is not an accurate base for the financial year to end June 2012. Suggest a more accurate baseline projection for the financial year will be 72,104,737.</p> <p>Revised AT baseline: 70,970,360</p> <p>Agree baseline was not accurate for year-end projection; however, AC suggested projection is too</p>	<p>71,572,000 (2012/13)</p> <p><u>74,651,000</u></p> <p>Revised AT target: 74,580,000</p> <p>76,212,000 (2013/14)</p> <p><u>79,831,000</u></p> <p>Revised AT target: 79,090,000</p> <p>80,245,000 (2014/15)</p> <p><u>84,792,500</u></p> <p>Revised AT target: 83,041,000</p> <p>Proposed new targets reflect changes to baseline and progress towards the Auckland Plan target of 140 million by</p>																

		<p>high (poorer March results and fares increase elasticity of 29 April) means a revised outturn of 70.97m</p>	<p>2022 (midpoint between proposed SOI target and an annual increase towards target achievement within specified timeframe). Using the midpoint for next 3 years recognises that planned initiatives to improve patronage (EMUs, AIFS and review of the bus network) will not be fully implemented until 2016.</p>
Rapid Transit Network rail boardings	<p>10,837,637 (year to 31 Dec 2011)</p> <p>The 2014/15 target is too low because that is the year that the EMUs will be deployed in significant numbers and the review of the bus network is likely to turn many routes into rail feeder services; thereby boosting rail patronage. Although it is acknowledged that there will be some disruption while this process occurs, overall it should be a year when the attractiveness of the rail network increases dramatically.</p> <p>Revised AT baseline: 11,200,000 (year to 30 June 2012)</p> <p>Propose retaining original rail patronage target as there is no planned increase in services, only capacity and rolling stock type which is already accounted for in the predicted totals</p>	<p>12,376,000 (2012/13)</p> <p>14,423,000 (2013/14)</p> <p>16,128,000 (2014/15) 16,586,450 (2014/15) Target should remain: 16,128,000</p>	
Rapid Transit Network busway boardings	<p>2,233,943 (year to 31 Dec 2011)</p> <p>The percentage increase for these targets is too low, as improvements will be made to the service such as car park extensions, the introduction of services to</p>	<p>2,288,000 (2012/13) 2,457,300 (2012/13)</p> <p>2,421,000 (2013/14) 2,703,000 (2013/14) Revised AT target: 2,618,000</p> <p>2,499,000 (2014/15)</p>	

		<p>Silverdale and the introduction of additional capacity through double decker buses (media report)</p> <p>Revised AT baseline: 2,320,000 (year to 30 June 2012)</p> <p>Agreed that stretch targets can be set; however, revised targets inserted based on investment and other planned improvements</p>	<p>2,973,300 (2014/15) Revised AT target: 2,756,800</p>
	Quality Transit Network and Local Connector Network bus boardings (including contracted school buses)	<p>51,196,688 (year to 31 Dec 2011)</p> <p>Amend the targets for this performance measure to reflect the total PT patronage goals as well as the comprehensive review of the bus network that is to occur in the next three years.</p> <p>Revised AT baseline: 52,182,360 (year to 30 June 2012)</p> <p>Agreed but with revised figures in red based on investment timing</p>	<p>51,898,000 (2012/13) 54,808,600 (2012/13) Revised AT target: 54,243,600</p> <p>54,121,000 (2013/14) 57,458,900 (2013/14) Revised AT target: 56,305,450</p> <p>56,182,000 (2014/15) 59,798,600 (2014/15) Revised AT target: 58,227,900</p>
	Ferry boardings	<p>5,132,858 (year to 31 Dec 2011)</p> <p>Amend the targets for this performance measure to reflect the total PT patronage goals especially the 2012/13 year as it is lower than recent performance Agreed</p> <p>Revised AT baseline: 5,268,000 (year to 30 June 2012)</p>	<p>5,009,000 (2012/13) Revised AT target: 5,503,100</p> <p>5,246,000 (2013/14) Revised AT target: 5,743,550</p> <p>5,434,000 (2014/15) Revised AT target: 5,928,300</p>
Increased access to a wider range of transport choices	Walking trips into the CBD during the morning peak	5,297	2% increase each year (2012/13, 2013/14 and 2014/15)
	Cycling trips throughout the region during the morning peak	6,457	3% increase each year (2012/13, 2013/14 and 2014/15)

	Number of morning peak (7-9am) car trips avoided through travel planning initiatives	8,417 (2010/11)	8,800 (2011/12) 9,200 (2012/13) 9,600 (2013/14)
Improved safety of Auckland's transport system	Total fatal and serious injuries on local road network.	410 (year to 31 Dec 2010 ^{**})	2% reduction each year from the December 2012 figures (years to 31 Dec 2012, 2013 and 2014) Additional text is not required
	Public and customer safety and security incidents across public transport network	0.115 incidents per 100,000 passenger boardings (year to 31 Dec 2011)	0.095 (to 31 Dec 2012) 0.0925 (to 31 Dec 2013) 0.090 (to 31 Dec 2014)
Reduced adverse environmental effects from Auckland's transport system	Total CO2 vehicle (petrol and diesel powered) emissions	3,790 kilotons (year to 30 June 2011) ^{***}	Reduce baseline ^{****}
	CO2 emissions from rail network	24.1 kilotons (year to 30 June 2011) ^{***}	Reduce baseline ^{****}

* AUSTRROADS (Association of Australian and New Zealand Road Transport and traffic Authorities)

** The figures for fatal and serious injuries on the local road network for each year are reported on a calendar year basis. The figures for the year to 31 December 2011 will be available in approximately June 2012 so will not be available before this SOI is finalised.

*** Includes 10% nominal additional delivery emissions to account for additional fuel emissions from fuel supply delivery.

**** Specific targets for CO2 reduction are currently being developed in conjunction with Auckland Council.

Shareholder comment - Performance Measures

Add the following text

"In the 2012-2013 year, Auckland Transport will work with Auckland Council to establish a mutually acceptable performance framework that provides information on both the performance of Auckland Transport and the effectiveness of Council investment. This work will include the development of methodologies and baselines for new Auckland Plan targets. Reports of progress on the framework and targets will be provided quarterly."

Proposed response is not to include suggested text but include the following statement: "Auckland Transport is currently developing a performance measurement framework for the Integrated Transport Plan (ITP) in conjunction with Auckland Council and NZTA. The purpose of the ITP is to give effect to the Auckland Plan. The performance measurement framework included in future Auckland Transport SOIs will be aligned with that of the ITP."

In general Council considers that the performance measurement framework does not adequately cover the breadth of objectives and levels of public investment in the transport networks of Auckland. In addition, the Auckland Plan has set some new performance measures which must become part of the performance measurement framework. Council acknowledges that new measures take time to develop and collect baseline and target data for.

The current SOI performance measures fulfil a dual role, which is that they monitor ATs performance but in addition they provide valuable information on the effectiveness of Council's investment directions and strategic priorities. In this way some measures could be considered to be "performance" measures and others to be "investment information" measures. It is also recognised that AT is not in control of all the factors that influence the achievement of targets.

Council proposes that a new performance framework in line with the final Auckland Plan and Local Board comments should commence in preparation for next year's SOI. This work should include the determination of a consistent framework and the development of new baselines, methodologies and annual targets to meet the following Auckland Plan targets and outcomes. Progress on this work should be reported regularly in the coming year. **Please refer above comment**

The following measures from the current (2011-2014) SOI have been omitted from the current draft (2012-2015). Council proposes that these measures to be added back in for this financial year and until the performance measurement framework has been reviewed.

1. Proportion of the arterial road network for which real time travel or congestion information is available – (the current SOI anticipated an 8% target to be met by June 2012 and that a target for 2012/13 and 2013/14 were yet to be determined. – an additional target for 2014/15 should now be added).
2. Proportion of the arterial road network with signal optimisation in place - note that the current SOI anticipated a target of 10% to be met by June 2012 and that a target for 2012/13 and 2013/14 were yet to be determined. – an additional target for 2014/15 should now be added).
3. Percentage of public transport passengers with access to real time service information (65% in year to June 2011- 89% for each year of the SOI period– an additional target for 2014/15 should now be added). (This real time information should meet the needs of disabled passengers and include bus stops, ferry terminals, rail stations).
4. Increase in number of travel plans (302 travel plans by June 2012 – 2013/14 and 2014/15 targets were yet to be determined – an additional target for 2014/15 should now be added)
5. Percentage of telephone calls to MAXX call centre answered within 20 seconds. (Existing targets for 2012/13 and 2013/14 stand. An additional target for 2014/15 should now be added).
6. Percentage of drivers complying with parking restrictions. (Existing targets for 2012/13 and 2013/14 stand. An additional target for 2014/15 should now be added).

Proposed response is to not include these measures for the following reasons:

- a) **The measures above were removed because to including them is not in line with best practice. They cover discrete and often not major parts of AT's business and do not assist in telling AT's performance story in relation to how well it is achieving the desired outcomes.**
- b) **The effects of the outputs referred to in the measures were more appropriately covered by other measures:**
 1. **Proportion of arterial road network for which real time travel or congestion information is available: the impact that that output has is in making the network more efficient – which is covered by the network productivity and travel times for strategic freight routes measures.**
 2. **Proportion of arterial road network with signal optimisation in place: also covered by network productivity and travel time measures.**
 3. **Percentage of PT passengers with access to real time service information: the impact of that output is increasing patronage numbers and customer satisfaction with PT services, which are both included in the performance measurement framework.**
 4. **Increase in number of travel plans: this output measure does not add to the strategic performance story in the SOI. The key reason for delivering travel plans is to reduce congestion during the morning peak by reducing the number of people travelling in private cars at that time. Therefore, the more appropriate measure (which is included in the SOI) is *the number of morning peak car trips avoided through travel planning initiatives.***
 5. **Percentage of telephone calls to MAXX call centre answered within 20 seconds: is inappropriate to include because it does not provide details about the quality of the response customers receive. In theory, 100% of calls could be answered within 20 seconds, thereby demonstrating success for the measure, but the majority of those calls could have been handled unsatisfactorily. Customer satisfaction, on the other hand, provides important information about how well AT is delivering its interventions.**
 6. **Percentage of drivers complying with parking restrictions: does not demonstrate how AT is achieving the outcomes sought or providing value for money. Including the two parking measures below is appropriate as they demonstrate how AT is increasing access to a range of transport options.**

The following measures are in the draft LTP and should be included in the SOI.

7. Parking – off street occupancy rates
8. Parking – on street occupancy rates

Propose adding additional parking measures

Include a measure around:

9. Perceptions of safety for each of male and female public transport users.

As data for this performance measure is not currently collected, it will need to be considered for AT's 2013-2016 SOI

The following performance measures should be advanced and will be considered along with existing measures in light of this proposition.

1. Universal access - Development of baseline measure for 2012-2013 of the percentage of bus stops, railway stations and ferry terminals that are fully accessible to people with disabilities and once the baseline has been measured, develop targets to increase the proportion of bus stops railway stations and ferry terminals that are fully accessible to people with disabilities.
2. Contribution to air quality and GHG reduction: Development of baseline measure for improving emissions from the bus fleet and once the baseline has been measured; develop targets to increase the proportion of buses that are compliant with emissions standards.
3. Increase proportion of trips made by PT into city centre during the morning peak, from 47% of all vehicular trips in 2011 to 70% by 2040.
4. Reduce congestion levels from vehicles on the Strategic Freight network to at or below the average of 2006-2009 levels (Average daily speed of 45 KPH and average delay of 32 seconds per kilometre) by 2021. This measure would potentially replace the existing measure for the strategic freight network in the following SOI.
5. Increase the proportion of people living within walking distance of frequent PT stops from 14% (2011) to 32% by 2040.
6. Response to critical network incidents such as traffic light outages.
7. Percentage of residents satisfied with the quality of cycle paths in Auckland and/or kilometers of regional cycle network complete as a proportion of the total planned network and/or cycle counts at defined locations across the region in morning peak in the Regional Cycle Count (in line with the investment in the SOI period).
8. Percentage of customer complaints resolved within 10 working days.
9. The development of a customer satisfaction survey for disabled Aucklanders
10. The proportion of PT vehicles with low floors and wheelchair provision.
11. Council also proposes that AT sets target for the total volume of footpaths (renewals and additional) that will be delivered from that sub-activity funding for the SOI period and report on these quarterly.

Noted. Please see above comments in relation to work currently being undertaken on the Integrated Transport Plan with Council and NZTA.

Shareholder comment (contd)

- AT should include a performance measure relating to the “percentage of CCO monitoring and accountability requirements delivered. The target for this performance measure is 100%. This target should be included in this SOI. **Propose not including suggested performance measure as it is unclear what exactly “CCO monitoring and accountability requirements” covers. Upon Council and AT agreeing exactly what that term covers, and how success in meeting the requirements would be determined, such a performance measure could be considered for inclusion in the 2013-2018 SOI.**
- Suggested text:

“Any funding that is included in the final LTP as a result of an investment proposal that is put forward by AT should have a demonstrable impact on an existing performance measure, or a new performance target will be considered for inclusion in the SOI and LTP. Any new performance target should be based on the benefits set out in the relevant investment proposal.” **Propose not including suggested text. AT has sought funding through the investment proposal process for the LTP for a range of activities/projects. Activities such as securing appropriate accommodation will not necessarily be able to be shown to have a “demonstrable impact on an existing performance measure”.**

II. Financial Performance

Ratio of consolidated shareholder funds to total assets

The ratio of consolidated shareholder funds to total assets is 100% for Auckland Transport.

Shareholder comment

The ratio should be described thus:

Shareholder funds:	\$
Total assets	\$
Ratio of shareholder funds to total Assets	%

Propose including description as above

Note:

- Consolidated Shareholder Funds are defined as Issued and Paid Up Capital, Revaluation Reserve and Retained Earnings.
- Total Assets are defined as Net Book Value of Current Assets, Investments and Fixed Assets as disclosed in the Company's Statement of Financial Position.
- The ratio of Consolidated Shareholder Funds excluding the revaluation reserve to Total Assets less the revaluation reserve is referred to as the historic cost basis.

Accumulated profit and capital reserve distributions to Auckland Council

Auckland Transport does not anticipate making a distribution to Auckland Council as Auckland Transport is funded at a level to undertake the operating and capital programmes agreed with the Council.

Shareholder comment

AT distribution policy should not be inconsistent with Auckland Councils funding principles. How surpluses, including from commercial activities, are utilised is a decision for the Governing Body. AT should not retain surpluses or unused operating grants/capex funding for its own purposes, unless previously agreed. These should be referred to council for allocation or re-allocation. **Noted**

Commercial value of Auckland Council's investment

While Auckland Transport's assets are valued every three years, Auckland Transport does not have a commercial value per se. The value associated with the operation of Auckland Transport is in the delivery of public goods and benefits to the Auckland community.

Shareholder comment

AT should consider using the net assets figure from AT audited annual report as an estimate of the commercial value of the shareholders investment in AT. **AT considered using the net assets figure from AT audited annual report as an estimate of the commercial value of the shareholder's investment in AT, but considered it was not a proxy for commercial value.**

Prospective summary income statement

for three years ended 30 June 2015

\$000	Budget 2011/2012	Budget 2012/2013	Budget 2013/2014	Budget 2014/2015
Operating Income				
Opex funding from Auckland Council	222,574	225,507	238,121	251,559
Revenue from services provided to Parent and CCOs				
Revenue from services	347,243	358,921	382,219	384,963
Finance income				
Dividend Income				
Other gains/(losses)				
Total operating income	569,817	584,428	620,340	636,522
Operating Expenditure				
Expenses paid to Parent and CCOs	792,779	822,980	876,424	911,350
Total operating expenditure	792,779	822,980	876,424	911,350
Operating surplus/(deficit) before tax	(222,962)	(238,552)	(256,084)	(274,828)
Taxation				
Operating surplus/(deficit) after tax	(222,962)	(238,552)	(256,084)	(274,828)
Non-operating Income				
Capex funding from Auckland Council	54,641	131,750	143,660	156,388
Other revenue to fund capital expenditure	151,185	142,695	139,698	232,394
Crown funding for CRL project				239,994
Revenue from vested assets				
Total non-operating income	205,826	274,445	283,358	628,776
Total surplus/(deficit)	(17,736)	35,893	27,274	353,948

Shareholder commentThe financial information in the final SOI must be the same as the information contained in the final LTP. **Noted**

**Prospective summary statement of
financial position**

\$000	Budget 2011/2012	Budget 2012/2013	Budget 2013/2014	Budget 2014/2015
Assets				
Current assets				
Current account - Parent				
Debtors and other receivables	285,553	220,000	220,000	220,000
Cash and cash equivalent	2,285	5,000	5,000	5,000
Other current assets	19,629	15,000	15,000	15,000
Total current assets	307,467	240,000	240,000	240,000
Property plant and equipment	13,248,225	14,274,812	15,465,158	16,469,727
Investment property	25,344	25,000	25,000	25,000
Other non-current assets				
Total non- current assets	13,273,569	14,299,812	15,490,158	16,494,727
Total assets	13,581,036	14,539,812	15,730,158	16,734,727
Liabilities				
Current liabilities				
Current account - Parent				
Creditors and other payables	252,310	210,140	216,814	185,264
Borrowings				
Other current liabilities	8,000			
Derivative financial instruments	2,561			
Total current liabilities	262,871	210,140	216,814	185,264
Non-current liabilities				
Borrowing from parent		231,000	383,000	436,000
Other borrowing				
Other non-current liabilities	14,775	18,000	18,000	18,000
Total non-current liabilities	14,775	249,000	401,000	454,000
Total liabilities	277,646	459,140	617,814	639,264
Net assets	13,303,390	14,080,672	15,112,344	16,095,463
Equity				
Contributed equity	12,409,356	12,634,064	13,153,119	13,349,266
Reserves	950,633	1,467,314	1,952,657	2,385,682
Retained earnings	(56,599)	(20,706)	6,568	360,515
Total equity	13,303,390	14,080,672	15,112,344	16,095,463

Shareholder comment

The financial information in the final SOI must be the same as the information contained in the final LTP. **Please see above comment**

Summary of capital expenditure

Key capital projects over \$2 million or of public/political interest (both renewal and new projects)

Capital Project Name	Budget
\$000	Yr 2013-2015
Northern Busway Extension - Stations	2,866
NSCC Busway - Westlake Station Land	7,267
Otahuhu Bus Interchange	2,041
PT Bus Stop Construction and Improvement	7,079
Hibiscus Coast Busway Station	2,078
Shoal Bay Wharf Development (Tryphena)	3,152
Bayswater Ferry Terminal	10,646
Devonport Ferry Terminal	6,626
Downtown Ferry Terminal Queens Wharf Extension	8,245
Half Moon Bay Ferry Terminal & Vehicular Ferries	10,765
IT My street	2,200
IT Other (New programmes after 2012)	2,746
PT Real Time Passenger Information System (RTPIS)	8,318
PT Customer Info - Minor Infrastructure	2,413
Manukau City Centre Car park #2 - Hayman Park	21,044
On Street PnD Machines Upgrade	6,330
WCC Glen Eden Park n Ride	2,078
Mt Albert Station (SUP)	4,727
Papakura Station (SUP)	6,805
Parnell Station (SUP)	7,273
Pukekohe Station (SUP)	11,055
Drury Station (SUP)	6,626
Newmarket Station	4,086
Station Amenity Improvements	4,357

Westfield Loop Infrastructure Track	7,799
CRL Construction	236,133
CRL Land	241,992
EMU Depot Capex	70,794
Manukau City Rail Link	9,200
SWAMMCP Detailed design	12,608
PT EMU Capex - Rolling Stock Purchase	323,307
Brigham Creek Road Corridor Improvements	6,856
Corridor and intersection improvements	6,501
Flat Bush Main Street Collector Link (Stream to Stancombe Rd)	3,736
HPMV routes	5,816
Long Bay East Coast Road Intersection	5,773
MCC Chapel Rd Realignment & New Bridge	10,401
MCC Flat Bush School Rd- Stage 4 Murphys	4,696
Network Performance	9,653
Dominion Road Corridor Upgrade	34,257
AMETI Land	82,889
AMETI - Panmure Corridor Package 1	119,242
Linwood Road Route Improvements (Franklin)	2,161
Ormiston/Preston/East Tamaki Rd Intersection Upgrade	8,530
Smales/Allens/Harish/Springs Rd widening and intersection Upgrade	2,762
Murphys Rd Bridge Improvements (Manukau)	7,034
Taharoto Rd / Wairau Rd Upgrade (Shakespeare to Boulevard)	6,938
Glenfield Rd Upgrade Stage 4 (James to Sunset)	14,749
Albany McClymonts Rd Upgrade (Don McKinnon to Medallion)	3,763
Glenfield Target Rd Upgrade (Wairau to Sunset)	3,828
Great North Road Corridor Improvements	2,269
Plan Change 15 Area - Massey North and Westgate	47,105
Plan Change 14 Area - Hobsonville Town Centre and Industrial Precinct	34,981
Albany Highway North Upgrade (Schnapper Rock to SH17)	29,416

Mill Road Corridor Upgrade	23,825
Whangaparaoa Rd Upgrade (Hibiscus Coast to Red Beach)	13,408
Tiverton-Wolverton Corridor Upgrade	35,115
Warkworth SH1 / McKinney / Hill / Hudson Intersections	5,137
Te Atatu Road Corridor Improvements	15,742
Lincoln Road Corridor Improvements	10,329
Crown Lynn Regeneration (New Public Roads)	8,007
AMETI - Sylvia Park Bus Lanes Package 2	7,390
New Lynn TOD Stage 5 Great North Road	4,755
Cycleway development and construction	18,850
Regional Road Reconstruction	43,575
Safety around schools (investment proposal)	4,340
Regional safety programme	5,350
Safety and minor improvement	43,374
Safety around schools	26,141
Tamaki Drive Broadwalk between Kelly Tarltons and Millinium Bridge	6,034
Total project > \$2m or of high interest	1,777,387
Total other project < \$2m	69,233
Total capital expenditure	1,846,620

Shareholder comment

- The financial information in the final SOI must be the same as the information contained in the final LTP. **Please see above comment.**
- Add text about the nature of the capex programme being 'overprogrammed'. **Over-programming is not applicable to the three-year programme as over-programming only occurs in an individual year in order to achieve the full programme.**

5. APPROACH TO GOVERNANCE

All decisions relating to the operation of Auckland Transport will be made by, or under the authority of, the Board of Auckland Transport in accordance with its SOI, rules and relevant legislation.

The Board of Auckland Transport is committed to the highest standards of governance and business behaviour. The Board will continue to monitor developments in corporate and public sector governance to ensure Auckland Transport implements the highest standards of governance at all times.

In undertaking its activities, the Board will ensure:

- Sound business practice in its commercial undertakings;
- Sustainable business practice;
- Act in accordance with the principles of the Treaty of Waitangi;
- Ethical and good behaviour in dealing with all parties;
- It acts as a good employer, and exhibits a sense of social and environmental responsibility;
- An open and transparent approach to decision-making, while respecting the need for commercially sensitive information to be protected; and
- An active partnership approach with Auckland Council and key Auckland Council Group stakeholders.

The Board will:

- Obtain full and timely information necessary to discharge its obligations fully and effectively;
- Actively review and direct the overall strategy of Auckland Transport;
- Actively review its policies and Delegations;
- Negotiate SOIs with Auckland Council;
- Monitor the external and internal environment and identify, evaluate and mitigate controllable risk factors;
- Establish Auckland Transport as an effective, focused organisation with core competencies and appropriate systems necessary to carry out its functions;
- Manage and monitor the performance of the Chief Executive;
- Establish remuneration policies and practices, and set and review remuneration for the Chief Executive, and other senior executives; and
- Provide leadership in relationships with key stakeholders.

Shareholder comment

- Add "AT will use its best endeavours to act consistently with shareholder expectations as reflected in the Auckland Council's Shareholder's Expectation Guide (SEG)". **Propose adding text**
- Add a new heading "Information to be provided to shareholders" and the following text

"AT will report quarterly to the Governing Body of the Auckland Council and will provide the information specified in the template provided by the CCO Governance and Monitoring Unit of Council". **Propose adding text**

Meetings of the Board of Auckland Transport will be consistent with the guidelines provided in the Shareholder Expectation Guide for Council Controlled Organisations.

Pursuant to section 96 of the Local Government (Auckland Council) Act 2009, the Board will ensure that it holds two specific meetings during each financial year that are open to members of the public:

- One meeting will be held before 30 June each year for the purpose of considering comments from shareholders on the organisation's draft statement of intent for the following financial year; and
- The other meeting will be held after 1 July each year for the purpose of considering the organisation's performance under its statement of intent in the previous financial year.

In the year to 30 June 2012, Auckland Transport board meetings will be held to satisfy those statutory requirements in:

- June 2012; and
- August 2012.

The specific times and locations of these meetings will be publicly notified in newspapers with a circulation across Auckland, and on the Auckland Transport website.

I. Procedures for purchasing shares in other companies

The Board of Auckland Transport will consider any share investment proposals. Any decision to invest in or divest shares in another company or to enter into a joint venture relationship or participation arrangement through equity agreements will be made by the Board in consultation with Auckland Council.

Where the Special Consultative Procedure needs to be followed, Auckland Transport will work with Auckland Council prior to undertaking that process to ensure the Council is fully aware of the process being followed. Consultation with the shareholder will address the nature of any significant increase in risk exposure or the potential to raise public interest.

II. Management of strategic assets

The Board will comply with Auckland Council's Accountability Policy and seek the Council's prior approval for all major transactions relating to Auckland Transport's strategic assets.

Shareholder comment

- Add back in the current (2011/2014) SOI section on the protection of Heritage assets as follows
"Heritage Assets
 Wherever possible, Auckland Transport will protect heritage assets for which it is responsible in areas under the control of Auckland Council in transport corridors." **Propose adding text**
- Council requests that as required by the draft Accountability policy, Auckland Transport provides a list of assets that it considers are the "elements of the roading and public transport networks that are integral to the functioning of the whole". The assets that are listed will form part of the SOI and will be those that will require shareholder approval with respect to major transactions. **Propose including following list of strategic assets:**
 - **Britomart Transport Centre**
 - **Rapid Transit Network**
 - **Regional arterial road network**
 - **Rail stations**
 - **Busway stations**
 - **Quality Transit Network ferry terminals**

AT should also provide a list of Scheduled heritage buildings or structures. **Propose including list**

6. ORGANISATIONAL HEALTH AND CAPABILITY

The Board of Auckland Transport is committed to building and maintaining an enduring and resilient organisation.

Auckland Transport will adhere to clause 36 of Schedule 7 of the Local Government Act 2002, which provides that a local authority must operate a personnel policy that complies with the principle of being a good employer.

Shareholder comment

Suggested text:

“The SOI should include the following statement: AT will participate in the annual Auckland Council staff engagement survey.”

Proposed response is not to include this statement as the organisational systems engaged by both organisations differ and include mechanisms such as training, leadership, messaging and organisational structures. Applying a measurement framework that is generic will not provide a sound basis for direct comparisons. Auckland Transport will engage its own process and will share high-end results.

7. ACCOUNTING POLICIES

Auckland Transport will comply with the accounting and disclosure practices set out in all the relevant Financial Reporting Standards issued by the New Zealand Institute of Chartered Accountants as periodically updated and as required by the Financial Reporting Act 1993.

A statement of Auckland Transport’s accounting policies is provided in Attachment B.

Shareholder comment

AT must include a statement confirming that its accounting policies are consistent with those of Auckland Council group policies (as disclosed in the 2011 Annual Report), unless agreed otherwise. If it has been agreed that the CCOs accounting policies differ from the Auckland Council group, the SOI must contain a statement of how the policies differ.

Propose including following statement: Auckland Transport’s accounting policies are consistent with Auckland Council’s accounting policies. If any difference in accounting policies occurs, Auckland Transport will ensure that further information is provided to ensure Auckland council can complete consolidated financial reporting consistent with GAAP.

ATTACHMENT A – Auckland Transport Impacts

Table A.1 below details how the four wellbeings contained in Auckland Transport’s legislative purpose are achieved by Auckland Transport’s impacts.

Table A.1: Achievement of the Four Wellbeings by Auckland Transport’s Impacts

		WELLBEINGS			
		Social Wellbeing	Economic Wellbeing	Environmental Wellbeing	Cultural Wellbeing
IMPACTS	Better use of transport resources to maximise return on existing transport assets		✓		
	Increased customer satisfaction with transport infrastructure and services	✓	✓		
	Auckland’s transport network moves people and goods efficiently		✓	✓	
	Increased access to a wider range of transport choices	✓	✓	✓	✓
	Improved safety of Auckland’s transport system	✓	✓		
	Reduced adverse environmental effects from Auckland’s transport system			✓	

Table A.2 depicts how Auckland Transport's impacts are achieved by the Programme of Action categories of activity.

Table A.2: Achievement of Auckland Transport's Impacts by the Programme of Action

		IMPACTS					
		Better use of transport resources to maximise return on existing assets	Increased customer satisfaction with transport infrastructure and services	Auckland's transport network moves people and goods efficiently	Increased access to a wider range of transport choices	Improved safety of Auckland's transport system	Reduced adverse environmental effects from Auckland's transport system
PROGRAMME OF ACTION – CATEGORIES	Manage Auckland's transport as a single system	✓	✓	✓	✓		✓
	Integrate transport planning and investment with land development		✓	✓	✓		
	Prioritise and optimise investment across transport modes	✓	✓	✓	✓		✓
	Implement new transport funding mechanisms			✓			
	Transport safety initiatives					✓	

ATTACHMENT B—Statement of accounting policies

Shareholder comment

This section must state that Auckland Transport's accounting policies are consistent with Auckland Council's group accounting policies. **Please see preceding comment.**

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of preparation

Statement of compliance

The financial statements of Auckland Transport have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice ("NZ GAAP").

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZIFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Measurement base

The financial statements are prepared based on historical cost modified by the revaluation of the following:

- financial assets and liabilities at fair value
- derivative financial instruments at fair value
- certain classes of property, plant and equipment at methods appropriate to the class of asset

The methods used to measure fair value are discussed in the specific accounting policies.

Functional and presentation currency

The financial statements are presented in New Zealand dollars (\$), which is Auckland Transport's functional currency, and have been rounded to the nearest thousand unless otherwise stated.

Costs allocation

Cost of service for each activity was allocated as follows:

- Direct costs are charged directly to activities. Indirect costs are charged to activities using appropriate cost drivers such as actual usage, staff numbers and floor area.
- Direct costs are those costs directly attributable to an activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific activity.

Standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and which are relevant to Auckland Transport are:

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge

Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through surplus or deficit. The new standard is required to be adopted for the year ended 30 June 2014. Auckland Transport has not yet assessed the effect of the new standard and expects it will not be early adopted.

- NZ IAS 24 Related Party Disclosures (Revised 2009) replaces NZ IAS 24 Related Party Disclosures (Issued 2004). The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. This will be applied for the first time in AT's 30 June 2012 financial statements.

(a) Foreign currency translation

Auckland Transport translates its foreign currency transactions into New Zealand dollars using the exchange rates at the dates of the transactions. It records foreign exchange gains and losses from the settlement of transactions, and from translation at year-end exchange rates, in the statement of comprehensive income.

(b) Property, plant and equipment

Property, plant and equipment consists of:

- (i) Operational assets
These include land, buildings, rolling stock, locomotive improvements, wharves, furniture and fittings, computer hardware, motor vehicles and plant and equipment.
- (ii) Infrastructure assets
These include the land-infrastructure and roading infrastructures.

Land (operational)

Land (operational) includes land held for roading purposes and land under off-street carparks.

Building

Building includes residential buildings held for roading services, car park buildings and wharf buildings.

Rolling stock

Rolling stock includes carriages and locomotives.

Land infrastructure

Land infrastructure includes restricted land, land under roads and land underfields.

Roading infrastructure

Roading infrastructure includes public transport (e.g. bus shelters, bus stations, train stations, wharf structures, etc.), roading (e.g. footpath, streetlights, traffic control, pavements, etc.) and carparking (e.g. off-street carparks).

Plant and equipment

Plant and equipment includes parking equipment (e.g. barrier arms, handheld parking infringement machines, etc.) and public transport equipment (e.g. public transport information, signal pre-emption, CCTV camera, etc.).

Initial recognition

Property, plant and equipment at the time of transition

Property, plant and equipment transferred at the time of transition are initially shown at their previous carrying values (net book value) in the financial statements of the predecessor Councils, ARTA and ARTNL. These property, plant and equipment are depreciated over their remaining estimated useful life.

Property, plant and equipment acquired after transition

Property, plant and equipment acquired after transition are initially shown at cost or at fair value in the case where an asset is acquired at no cost, or for a nominal cost. Cost includes any costs that are directly attributable to the acquisition of the items.

Subsequent costs

Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, when it is likely future economic benefits associated with the item will flow to Auckland Transport, and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income for the financial period they relate to.

Valuation of assets

Auckland Transport accounts for revaluations on a class of assets basis.

The revaluation for roading infrastructure and rolling stock was completed last financial year. The roading infrastructure revaluation was done internally with the support of specialist expertise while the revaluation for rolling stock was completed by an independent expert. Both revaluations have used the depreciated replacement cost method, to ensure that their carrying amount does not differ materially from fair value. Roothing infrastructure is revalued at least once every three years.

The revaluation for operational land and buildings for the current year will be completed by an independent expert.

Any accumulated depreciation at the date of revaluation is transferred to the gross carrying amount of the asset, and the asset cost is restated to the revalued amount.

Increases in asset carrying amounts due to revaluation increase revaluation reserves in equity. Decreases in asset carrying amounts decrease revaluation reserves in equity only to the extent that the class of assets has sufficient revaluation reserves to absorb the reduction. All other decreases are charged to the statement of comprehensive income.

If a revaluation increase reverses a decrease previously recognised in the statement of comprehensive income, the increase is recognised first in the statement of comprehensive income to reverse previous decreases. Any residual increase is applied to revaluation reserves in equity.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to Auckland Transport and the cost of the item can be measured reliably. In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition.

Disposals

Gains and losses on the sale or disposal of assets are determined by comparing the proceeds of sale with the asset's carrying amount. Gains and losses are included in the statement of comprehensive income. When a revalued asset is sold or disposed of, any amount in the revaluation reserves in equity relating to that asset is transferred to general equity.

Depreciation

Land (operational) and land-infrastructure are not depreciated. Assets are depreciated on a straight-line basis. Depreciation writes off the cost of the assets to residual value over their useful lives.

<u>Class of asset depreciated</u>	<u>Estimated useful life (years)</u>
Operational assets	
• Buildings	10-100
• Rolling stock	2-9
• Locomotive improvements	2-9
• Wharves	50-100
• Furniture and fittings	5-15
• Computer hardware	3-8
• Plant and equipment	10-25
• Motor vehicles	5
Infrastructure assets	
• Public transport	10-80
• Roothing	10-120
• Carparking	10-50

Auckland Transport reviews and, if necessary, adjusts the assets' residual values and useful lives at each year-end.

Capital works in progress

Capital works in progress are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated.

(c) Intangible assets

Intangible assets are initially recorded at cost. The cost of an internally generated intangible asset represents expenditure incurred in the development phase only.

Subsequent to initial recognition, intangible assets with finite useful lives are recorded at cost, less any amortisation and impairment losses, and are reviewed annually for impairment losses. Assets with indefinite useful lives are not amortised but are tested, at least annually, for impairment, and are carried at cost, less accumulated impairment losses.

Realised gains and losses arising from the disposal of intangible assets are recognised in the statement of comprehensive income in the period in which the disposal occurs.

Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the statement of comprehensive income.

Operating leases – land

The operating leases on land are long term land leases on which stations have been built. They are recognised in the accounts at fair value and amortised over the life of the underlying asset.

Computer software

Computer software licences are capitalised based on the costs incurred to acquire and bring to use the software. These costs are amortised using the straight-line method over their estimated useful lives (three to eight years).

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

Costs directly associated with the development of identifiable and unique software products controlled by Auckland Transport, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets (e.g. software development employee costs). Computer software development costs recognised as assets are amortised using the straight-line method over their estimated useful lives (not exceeding eight years).

Staff training costs are recognised as an expense when incurred.

(d) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised if the estimated recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset, where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows, and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential. The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the debit balance is recognised in the statement of comprehensive

income. For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of comprehensive income.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the statement of comprehensive income, a reversal of the impairment loss is also recognised in the statement of comprehensive income. For assets not carried at a revalued amount (other than goodwill), the reversal of an impairment loss is recognised in the statement of comprehensive income.

(e) Financial assets

Auckland Transport classifies its financial assets in the following categories:

- financial assets at fair value through surplus or deficit
- available-for-sale financial assets
- loans and receivables
- held-to-maturity investments

The classification depends on the reason behind acquiring the investment. Auckland Transport decides how to classify its investments when they are acquired.

Purchases and sales of investments are recorded on the value date at fair value plus transaction costs, unless they are carried at fair value through surplus or deficit, in which case the transaction costs are recognised in the statement of comprehensive income. Financial assets are no longer recognised when the right to receive cash flows from the financial assets has expired or has been transferred.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), Auckland Transport establishes fair value through valuation techniques.

At each year-end, Auckland Transport assesses whether there is evidence that a financial asset or group of financial assets is impaired. Any impairment loss is recognised in the statement of comprehensive income.

Financial assets at fair value through surplus or deficit

This category has two subcategories: financial assets held for trading and those designated at fair value through surplus or deficit on initial recognition. A financial asset is classified in this category if acquired principally to sell in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. They are classified as current assets if they are held for trading and expected to be realised within 12 months of the period end date.

After initial recognition financial assets at fair value through surplus or deficit continue to be measured at fair value. Realised and unrealised gains and losses arising from the changes in the fair value of the financial assets at fair value through surplus or deficit category are included in the statement of comprehensive income in the period in which they arise.

Available-for-sale financial assets

Financial assets at fair value through other comprehensive income are non-derivative financial assets designated in this category or not classified in the other categories. After initial recognition, they are measured at fair value. They are included in non-current assets, unless Auckland Transport intends to

dispose of the asset within 12 months of year-end. Auckland Transport does not have any financial assets under this category.

After initial recognition they are measured at fair value, with gains and losses recognised directly in other comprehensive income except for impairment losses, which are recognised in the statement of comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments not quoted in an active market. They arise when Auckland Transport provides money, goods or services directly to a debtor with no intention of selling the receivable asset.

After initial recognition, they are measured at amortised cost using the effective interest method less impairment. Gains and losses are recognised in the statement of comprehensive income. Loans and receivables are included in current assets, except for those with maturities greater than 12 months after the year-end date, which are classified as non-current assets.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments, and fixed maturities that Auckland Transport management has the intention and ability to hold to maturity.

After initial recognition, they are measured at amortised cost using the effective interest method less impairment.

Auckland Transport does not currently have any financial assets under this category.

(f) Derivative financial instruments

Auckland Transport uses derivative financial instruments to hedge exposure to foreign exchange. In accordance with its treasury policy, Auckland Transport does not hold or issue derivative financial instruments for trading purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the year-end date. The quoted market price used for financial assets held by Auckland Transport is the current bid price. The quoted market price for financial liabilities is the current ask price.

The fair values of forward foreign exchange contracts are determined using a discounted cash flows valuation technique based on quoted market prices. The inputs into the valuation model are from independently sourced market parameters such as currency rates.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The resulting gain or loss is recognised immediately in surplus/(deficit) within 'other gains(losses) unless the derivative instrument has been designated as a hedging instrument and qualifies for hedge accounting, in which case, the method of recognising the resulting gain or loss is discussed below.

Derivatives that qualify for hedge accounting

When a derivative is designated as a hedging instrument, Auckland Transport documents a hedge relationship as either a cash flow hedge (hedge of a forecast transaction) or a fair value hedge (hedge of the fair value of a recognised asset or liability). Also documented are the nature of the risk being hedged, its risk-management objective, strategy for hedge transactions, identification of the hedging instrument and hedged item, and how the hedging instrument's effectiveness is to be assessed.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recorded in the statement of comprehensive income.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets accounting criteria, any cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction is recorded in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity transfers to the statement of comprehensive income.

Fair value hedge

Auckland Transport only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of the interest rate swaps that hedge fixed-rate borrowings is recognised in the statement of comprehensive income within "finance costs". The gain or loss relating to the ineffective portion is recognised in the statement of comprehensive income within "other gains/ (losses)". Changes in the fair value of the hedged fixed-rate borrowings attributable to interest rate risk are recognised in the statement of comprehensive income within "finance costs".

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is recorded in the statement of comprehensive income.

(g) Inventories

Inventories such as spare parts, stores and finished goods are stated at lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average cost.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion (if applicable) and the estimated costs necessary to make the sale.

Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

The amount of any write-down in the value of inventories is recognised in the statement of comprehensive income.

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value, and subsequently measured at amortised cost less any provision for impairment. They are due for settlement no more than 30 days from the date of recognition.

Auckland Transport reviews the collection of trade receivables on an on-going basis and writes off debts known to be uncollectable. A provision is made for doubtful receivables when there is objective evidence that Auckland Transport will not be able to collect all amounts due according to the original terms of the receivables. The amount provided is the difference between the receivable's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. This amount provided is recorded in the statement of comprehensive income.

The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in the statement of comprehensive income. When a receivable is uncollectable, it is written off against the provision account.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions. They also include other short-term, highly liquid investments (with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value) and bank overdrafts.

(j) Equity

Equity is the shareholder's interest in the organisation and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into contributed equity from shareholder, accumulated funds, and revaluation reserves.

(k) Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and amortised cost is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless Auckland Transport has an unconditional right to defer settlement of the liability for at least 12 months after the year-end date.

(l) Borrowing costs

Auckland Transport has elected to defer the adoption of NZ IAS 23 Borrowing Costs (Revised 2007) in accordance with its transitional provisions that are applicable to public benefit entities.

Consequently, all borrowing costs are recognised as an expense in the period in which they are incurred.

(m) Current and deferred income tax

The income tax expense is the tax payable on the current period's taxable income, based on the New Zealand tax rate, and adjusted for changes in deferred tax assets and liabilities, and adjustments to income tax payable in respect of prior years.

Deferred tax assets and liabilities account for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities settled. This is based on those tax rates set by the government. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

An exception is made for certain temporary differences from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they came from a transaction, other than a business combination, that at the time of the transaction did not affect accounting profit or taxable profit and loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent it is likely that future taxable amounts will be available for Auckland Transport.

Current and deferred tax balances attributable to amounts recognised directly in equity, such as asset revaluations, are also recognised directly in equity.

(n) Provisions

Provisions are recognised when:

- Auckland Transport has a present legal or constructive obligation due to past events

- it is more likely than not that an outflow of resources will be required to settle the obligation
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to settle the obligation, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Organisational

An organisational provision is recognised where there is a legal or constructive obligation to meet redundancy expenses. The amount recorded in the financial statements is the estimated cost of this expense.

Contractual

A contractual provision is recognised when legal claims have been issued against Auckland Transport for past transactions and it is probable that Auckland Transport will be liable for these claims. The amount recorded in the financial statements is the estimated cost of these claims.

(o) Creditors and other payables

These amounts represent unpaid liabilities for goods and services provided to Auckland Transport before the end of the financial year. The amounts are unsecured and usually paid within 30 days of recognition. Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

(p) Goods and services tax (GST)

Items in the financial statements are exclusive of GST, with the exception of receivables and payables. The net amount of GST receivable from, or payable to the Inland Revenue Department is included as part of receivables or payables in the statement of financial position. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

(q) Employee benefit liabilities

Short-term employee benefit liabilities

These include wages and salaries, annual leave and sick leave. These liabilities are expected to be settled within 12 months of the reporting date. They include employees' services up to the year-end date and are measured at the amounts Auckland Transport expects to pay when the liabilities are settled. A liability is recognised for bonuses where they are contractually obliged or where there is a past practice that has created a constructive obligation. Auckland Transport recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that Auckland Transport anticipates it will be used by staff to cover those future absences.

Long-term employee entitlements

Entitlements that are payable beyond 12 months such as long-service leave have been actuarially measured as the present value of expected future payments for services provided by employees up to the year-end date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

(r) Revenue

Auckland Transport measures revenue at the fair value of the amounts received or receivable, net of discounts, duties and taxes paid.

Auckland Transport receives revenue from the following main sources:

Auckland Council grants

Auckland Transport is funded by its parent the Auckland Council in order to deliver the agreed annual operational and capital programmes. This funding is recognised when the expenditure is incurred i.e. on an accrual basis.

New Zealand Transport Agency (NZTA) grants

Auckland Transport receives government grants from NZTA, which funds operational and capital expenditure. Grants distribution from NZTA are recognised as income when the expenditure they cover is incurred i.e. on an accrual basis.

Traffic and parking infringement income

Income and receivables are recognised when an infringement notice is issued based on the estimated recoverable amount. Infringement amounts not recovered after 60 days are lodged with the courts for collection. Subsequent collections from the courts which differ to estimated recoverable amounts are recognised in income as received. The estimated amount expected to be received is reviewed at least annually.

Any predecessor Council traffic and parking infringement income recognition policy not in line with Auckland Transport's policy were adjusted in the current period.

Fare revenue

Auckland Transport receives fare box revenue from certain bus and ferry and all rail services. This revenue is recognised when the ticket is purchased.

Vested assets

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as income. Assets vested to Auckland Transport are recognised when control over the asset is obtained.

Vested assets arise when property developers undertake development which requires them to build roads and footpaths. When the development is complete those assets vest in the network provider. As Auckland Transport controls roads and footpaths and accounts for the asset value the income from vesting comes to Auckland Transport.

Auckland Transport accounts for revenue for the following activities:

- Licenses and permits revenue – on application
- Rental revenue – for the period it relates to
- interest income – on a time proportion basis using the effective interest method
- other grants and subsidies- when received
- contra transactions – are measured at the fair value of the asset received or the fair value of the goods given up.

(s) Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where Auckland Transport has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of Auckland Transport decision.

(t) Leases**Operating leases**

With operating leases, the lessor retains the risks and benefits of ownership. Lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the period of the lease.

Finance leases

Finance leases effectively transfer to the lessee the risks and benefits incidental to ownership. These are capitalised at the lesser of the fair value of the asset or the present value of the minimum lease payments. The leased assets and corresponding liabilities are recognised in the statement of financial position. Interest on finance leases is charged to the statement of comprehensive income over the lease period.

Leased assets are depreciated over the period Auckland Transport is expected to benefit from their use

Shareholder comment – Agree with proposed additional text from Auckland Plan.

Appendix A – Auckland Plan Principles

BOX 13.1 PRINCIPLES – LAND-USE AND TRANSPORT

1. Use a single-system approach in the planning, design, management and development of our transport system (motorways, state highways, arterial and local roads, freight, rail, bus and ferry services, walking and cycling, ports and airports).
2. Use travel demand management techniques, such as travel plans for schools and businesses, to manage the growth in demand for private vehicle travel and improve the way existing infrastructure networks operate, before providing additional capacity to the transport system.
3. Achieve the appropriate balance between movement and place, considering capacity (incorporating the safe movement of people and goods) and character (recognising the role of road/street in the urban setting and types of buildings/landscape present or planned - see paragraph 677 and the design principles in Chapter 10: Urban Auckland), acknowledging the role of transport to assist in place-shaping.
4. Ensure that long-term land-use and activities drive long-term transport functionality, taking into account the existing and proposed transport network, and that transport investment aligns with growth as envisaged in this Plan.
5. Optimise existing and proposed transport investment.
6. Establish corridor management plans that account for 'place shaping'.
7. Recognise existing community investment and the need to enable connectivity between and within communities.
8. Align community expectations in urban areas with urban levels of service, particularly with realistic expectations around levels of congestion.
9. Align community expectations in rural areas with rural levels of service, particularly acknowledging limited opportunities for alternatives to motor vehicle travel.
10. Ensure that transport is sustainable in the long-term, minimises negative impacts on people's health and the built and natural environment, and reduces our dependence on fossil fuels (see Priority 2 Chapter 7: Auckland's Environment)
11. Improve the capability of the transport system to withstand adverse events.(See Priority 4 Chapter 7: Auckland's Environment regarding natural hazards and Priority 1 and 2 Chapter 8: Auckland's Response to Climate Change regarding building resilience to climate change).

Box 7.1 Environmental Principles (also see Box 10.2)

Auckland's environment must be healthy and resilient in order to support life and lifestyles. To ensure this we must recognise that:

1. **The environment supports us** - we recognise the natural resources provided by our environment have limits and must be protected and restored to ensure our future well-being
2. **We need to consider environmental values in all that we do** – the interaction between the environment and people is understood and considered in our everyday behaviour and choices
3. **Everything is connected** – human activities affect the air, sea, land and freshwater systems. Understanding the connections between environments in the way we manage them is critical.
4. **Biodiversity is everywhere** – our flora and fauna, and their habitats, occur on both public and private spaces, and in urban, rural, freshwater and coastal areas. To maintain biodiversity values we must all work together.
5. **Natural hazards can affect our well-being** – we need to ensure that Auckland and its people are resilient to the effects of natural hazards.
6. **We are environmental stewards** – future generations will depend on how well we manage the natural environment

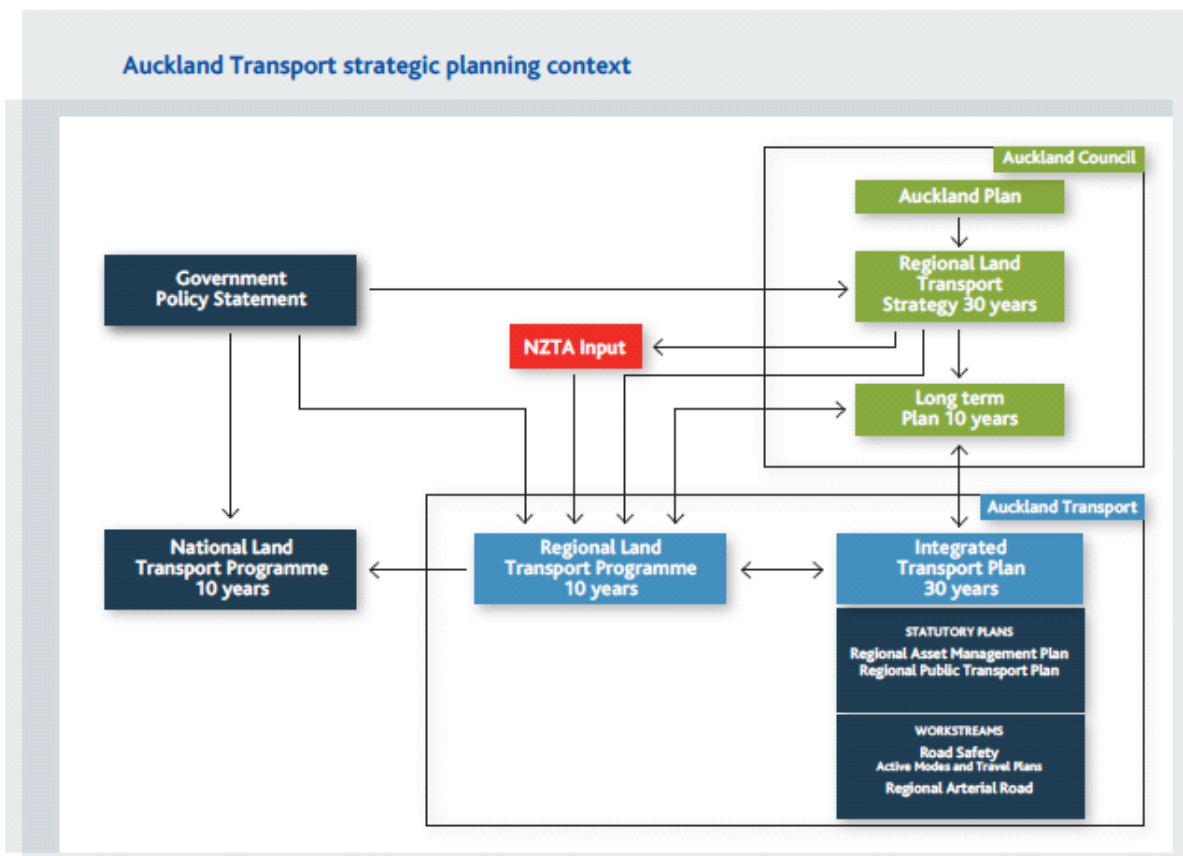
Box 10.1 – Good Design Principles	
<p>The following good design principles sit across the Auckland Plan, the Unitary Plan, Infrastructure Plans and the Auckland Design Manual.</p> <p>These principles must be read as a complete set, which collectively directs a common understanding of what attributes are required of a place to make it successful. They are also applicable to a range of city and urban scales as illustrated in Figure 10.2.</p>	
1.	Identity:
<p>Landscape and ecology, heritage, built form, people and communities together establish the context for Auckland's unique sense of place.</p> <p>Good design must recognise and respond to this context, with development enriching character, quality and legibility and thereby a sense of place.</p>	
2.	Adaptability:
<p>Auckland should accommodate a rich mix of uses, activities, urban form and architecture, which supports variety, vibrancy, chance exchange, safety and choice.</p> <p>Good design must encourage and embed flexibility and adaptability to ensure continued support for our changing communities, cultures, built form and environments.</p>	
3.	Integration:
<p>Development in Auckland should support uses, activity centres, energy systems and movement networks which are well-connected, and provide convenient and universal access to a range of services and amenities. The cumulative picture of a street, a block, a neighbourhood and the city - not just buildings, roads or open spaces as individual elements - must be recognised and responded to.</p> <p>Good design must ensure that development supports existing and/or creates integrated urban form (including streets and spaces) to facilitate well-being, movement and access.</p>	
4.	Efficiency:
<p>The unique benefits and efficiencies of urban systems need to be maximised, delivering quality places where transactions and exchange are encouraged and resources are optimised.</p> <p>Good design must ensure that development focuses on benefits and positive effects, and optimises the full potential of a site's intrinsic qualities. This includes site shape, relationship to the street, landform, outlook and proximity to services, amenities and infrastructure.</p>	

Box 10.2 – Environmental Design Principles
A. TRANSPORT
<ol style="list-style-type: none"> 1. Areas which are close to existing, well-provided passenger transport routes should be prioritised for redevelopment to reduce future infrastructure costs; 2. Public and private sectors should prioritise the development of safe and attractive cycle and walking infrastructure, as well as end-user facilities such as onsite visitor cycle parking, showers and lockers, all in convenient locations.
B. ENERGY
<ol style="list-style-type: none"> 3. Solar orientation of new buildings and developments should be considered during site selection, and at the beginning of the design process, to optimise solar gain (for passive heating) and solar shading. 4. Energy and water efficiency measures should be incorporated in all development, to reduce energy and water demand. 5. Building location and design should optimise natural ventilation in order to reduce the need for mechanical ventilation systems. 6. The opportunity for both neighbourhood or community-scale and on-site renewable energy generation should be optimised and incorporated into building designs from the outset.
C. WATER
<ol style="list-style-type: none"> 7. Rainwater harvesting should be integrated into the design of new development: shared rainwater harvesting infrastructure should be prioritised. 8. Natural stormwater management systems should be integrated into new development e.g. swales. Permeable surfaces should be incorporated into the design of new development.
D. WASTE AND POLLUTION
<ol style="list-style-type: none"> 9. Construction materials should have a low environmental impact - recycled, reused and recyclable materials should be considered.
E. BIODIVERSITY
<ol style="list-style-type: none"> 10. Habitat and biodiversity protection and enhancement should occur across all new development. 11. New development should be designed to reduce the urban heat island effect.

Appendix B – Auckland Transport’s strategic planning context

Shareholder comment

A diagram like this would be helpful to explain the linkages outlined between the Integrated Transport Plan, the Regional Land Transport Programme, the Statement of Intent Programme of Action, and the plans of central government. – **Propose including such a diagram. However, the diagram proposed by Council below includes the RLTS which no longer forms part of Auckland Transport’s strategic planning context (the ITP and RLTP are the overarching strategic plans that do). The diagram also does not include the SOI itself. Propose including a simpler diagram that does not refer to the RLTS, and includes the SOI.**



Statement of Intent 2012 to 2015 Outcomes framework

