Auckland Transport

Draft Statement of Intent

1 November 2010
to 30 June 2011

Adopted by Auckland Transport on [date]

Contents

1. INTRODUCTION

This Statement of Intent (SOI) is presented by Auckland Transport in accordance with the requirements of Section 64(1) of the Local Government Act 2002. The SOI forms the basis for the accountability of the directors of Auckland Transport to Auckland Council, and sets out the objectives, nature and scope of activities undertaken, and performance targets by which Auckland Transport will be measured.

This SOI covers the period from 1 November 2010 to 30 June 2011, recognising the establishment of Auckland Transport part way through the 2010/11 year, pursuant to the Local Government (Auckland Council) Act 2009. In accordance with the requirements of the Local Government Act 2002, a new draft SOI in relation to the 2011/12 year will be prepared and delivered to the Auckland Council not later than 1 March 2011.

This first SOI recognises that during its first 8 months of operation, Auckland Transport's activities will be heavily influenced by the contents of the Planning Document prepared by the Auckland Transition Agency (ATA), to enable the Auckland Council and its council controlled organisations to continue to deliver the programmes and services outlined in the Long Term Council Community Plans (LTCCPs) of the former local authority organisations in Auckland. As such, the activities in this initial SOI are relatively fixed, but the next SOI will provide some scope for change to align Auckland Transport's actions to the requirements of the new Auckland Council.

2. WHO WE ARE AND WHAT WE DO

Auckland Transport was established by statute as a Council Controlled Organisation wholly owned by Auckland Council. Auckland Transport is responsible for all local authority transport delivery functions in Auckland, including local roads and public transport infrastructure and services.

The purpose of Auckland Transport is defined in the Local Government (Auckland Council) Amendment Act 2010 as:

> "To contribute to an effective and efficient land transport system to support Auckland's social, economic, environmental, and cultural well-being."

Auckland Council was established from 1 November 2010. Auckland Council has yet to formally articulate a vision for Auckland, but its establishment is based on the Mayor's stated objective of making Auckland the world's most liveable city, that:

- has first class infrastructure and lifestyle
- attracts people and investment
- encourages our children and grandchildren to build their futures in New Zealand

Auckland Transport's mission is to ensure that all its activities contribute to the Auckland Council's vision for Auckland.

3. OUR GUIDING RESPONSIBILITIES

Auckland Transport is a council-controlled organisation (CCO) and is subject to the provisions of Part 5 of the Local Government Act 2002. Accordingly, Auckland Transport's principle objective is to provide an optimised transport network for Aucklanders that enables the strategic vision of the Auckland Council to be achieved.

In addition to this objective, the Act requires Auckland Transport to be a good employer, and to exhibit a sense of social and environmental responsibility, by considering the interests of the Auckland people in all of its decision-making.

In meeting its principle objective, Auckland Transport's legal responsibilities and functions include:

- Preparing the Regional Land Transport Programme (RLTP)
- Managing and controlling the Auckland transport system by performing a range of statutory functions and exercising powers as a road controlling authority, a requiring authority, and other statutory functions related to the Auckland transport system
- Undertaking any other transport functions that the Auckland Council directs it to perform or delegates to it; and any functions or powers in relation to State Highways that may be delegated to it by the New Zealand Transport Agency
- Carrying out research and providing education and training in relation to land transport in Auckland

Auckland Transport is also legally required to:

- Establish and maintain processes for Maori to contribute to its decision-making processes
- Operate in a financially responsible manner
- Use its revenue efficiently and effectively
- Act transparently in its accounting and decision-making processes

In order to carry out its legal responsibilities and achieve its intended purpose and objectives, Auckland Transport is fully empowered to act on behalf of Auckland Council in all activities that are assigned to it.

Auckland Transport is also committed to ensuring open and direct lines of communication with the Auckland Council governing body and local boards; and to ensure that it responds to customer needs in an effective and efficient manner.

4. OUR KEY GOALS

The Regional Land Transport Strategy (RLTS) sets out a 30 year vision and plan for the Auckland land transport system. Responsibility for implementing the RLTS will be shared between Auckland Council and Auckland Transport. In the period covered by this Statement of Intent, Auckland Transport considers that it can best contribute to the objectives of the Regional Land Transport Strategy by focusing on five key goals:

4.1 Deliver a properly connected arterial road and state highway network that moves people and goods efficiently and safely

4.2 Deliver a step change improvement in public transport [1]

4.3 Reduce car dependency and improve community health by encouraging walking, cycling and ride sharing and investing in local improvements

4.4 Deliver an effective and efficient transport system that enables Aucklanders to make smarter transport choices

4.5 Ensure Auckland Transport is customer focused, and delivers value for money

5. PROGRAMME OF ACTION

[1] As set out in the Regional Public Transport Plan

The Auckland Transport Board will place emphasis on quickly establishing and consolidating a competent and capable organisation that is able to deliver on its strategic objectives, and to make a significant contribution to the transport components of the Auckland Council, and the Mayoral programmes of action.. In the short term, the organisation will focus on the following activities:

- Delivering projects identified and prioritised in current LTCCPs
- Contributing to the development and implementation of the Auckland Plan from a "transport as an enabler" perspective
- Reviewing and prioritising transport projects against Regional Land Transport Strategy, Government Policy Statement and Auckland Plan objectives
- Preparing a new Regional Land Transport Programme covering 2012/13 to 2014/15 in detail, and the following seven years in overview
- Working with NZTA and KiwiRail to ensure an integrated approach across major projects and network planning
- Developing robust relationships with Local Boards, keeping them informed with respect to regional transport matters, contributing to the development of Local Board Plans, and consulting with them on local transport matters of significance
- Ensuring that Auckland's transport system contributes to a successful Rugby World Cup 2011 event in Auckland.

Auckland Transport has identified a Programme of Action which sets out specific transport initiatives planned for the next three years, as outlined below.

Major *local roading* projects which are scheduled to be *constructed* in the 2009/10-2011/12 programme are

- New roading connections and improvements associated with the New Lynn rail trenching and transport interchange.
- Roading projects in new development areas, especially Flat Bush, East Tamaki, and Pukekohe.
- Bus priority programmes.
- Major pavement reconstruction.

Major schemes proposed for *study, investigation and design stage* include:

- Crash reduction studies in Auckland City, Waitakere and Franklin.
- Investigation and route protection for the CBD rail tunnel
- Investigation and route protection for a rail Rapid Transit link to the Airport
- Designation of Constellation to Albany busway extension.
- Bayswater ferry terminal
- Albany Highway Corridor upgrade.
- CBD Waterfront access.

Whilst *Travel Demand Measures and cycling and walking* projects tend not to be 'big ticket' activities, cumulatively these activities are effective in achieving important transport outcomes such as reducing congestion. Auckland Transport will continue to support schools and workplaces to develop and implement Travel Plans, and to progress the construction of the Regional Cycle Network.

In addition there will be significant developments in the following *public transport* areas in the three-year time period of the RLTP:

- Integrated fares and ticketing and the extension of the real time public information system.

- Completion of the Manukau rail station and bus interchange
- Improvements to frequency and reliability of trains on the core urban network
- Bus service improvements on the Isthmus, Waitakere, North West Rodney, Manukau and Papakura including better connections to rail stations.
- Hobsonville ferry terminal in conjunction with new housing development.
- Birkenhead ferry terminal – installation of hydraulic ramp.

Auckland Transport will also contribute to significant projects led by other agencies, including:

- Electrification of the urban rail network and the purchase of electric trains
- The Waterview Connection
- The Victoria Park Tunnel
- SH 1 Newmarket Viaduct.
- SH 18 Hobsonville Deviation.

A major focus for Auckland Transport over the next year will be working to ensure that the Auckland transport system is prepared for the demands that will be placed on it by the *Rugby World Cup 2011*. This includes the completion of specific infrastructure projects that will support the event, the provision of event-based public transport services and ticketing, and traffic management and parking management activities that ensure the safe and efficient movement of people associated with the event.

Improving *safety* for all users of the transport system is inherently part of these projects and projects will only proceed if they contribute to the enhancement of safety on the network.

In delivering the Programme of Action, Auckland Transport will ensure that existing transport assets and transport services are well maintained, and responsive to user demands. We will continue to provide an overall level of service no less than that delivered by its predecessor organisations, and seek opportunities for continuous improvement in service levels and efficiency. We will also strive to deliver a transport system that provides value for money, and make the best use of public funds.

6. CONTRIBUTION TO AUCKLAND COUNCIL OBJECTIVES

For the period covered by this Statement of Intent, Auckland Transport will deliver the transport activities and programmes identified in the Programme of Action and the Long Term Council Community Plans prepared by the local authorities in the Auckland region prior to 1 November 2010, as amended from time to time by Auckland Council.

During the period covered by this Statement of Intent, Auckland Transport will commence the preparation of a Regional Land Transport Programme covering the three years 2012/13 to 2014/15 in detail and the seven subsequent years in outline. The Regional Land Transport Programme will contain within it a long term framework setting out how Auckland Transport will contribute to the objectives and priorities of the Regional Land Transport Strategy 2010, the Auckland Plan and to the Government's priorities for Auckland as set out in the Government Policy Statement on Land Transport Funding.

7. GUARDIANSHIP OF ASSETS

Auckland Transport operates and maintains transport assets some of which it owns and some of which are owned by Auckland Council. Decisions made by Auckland Transport in regard to these assets will be consistent with legislation and with the Regional Land Transport Strategy and this Statement of Intent.

The Crown and the NZ Transport Agency (NZTA) also own significant transport assets in Auckland. The interests of local councils at the interfaces of the State Highway and Local

Road networks, as documented in Maintenance Boundary Agreements, have transferred to Auckland Transport, including responsibilities to operate and maintain some transport assets owned by the Crown and NZTA. Auckland Transport will fulfil its obligations to maintain and operate these assets.

Auckland Transport is also responsible for managing the Auckland Integrated Fare System (AIFS) project, and for transferring the ownership of the AIFS Central Clearinghouse to NZTA at the appropriate point in the project.

Auckland Transport is responsible for implementing the Asset Management Plans prepared by local councils and ARTA prior to 1 November 2010. In the period covered by this Statement of Intent, Auckland Transport will determine its approach to the review of existing Asset Management Plans, covering all significant assets. As part of this process, Auckland Transport will determine the extent to which the Plans will reflect a move to regionally consistent service levels. In future years, Auckland Transport will continuously improve these plans as independently assessed by the NZ Transport Agency.

8. STRATEGIC ASSETS

Auckland Transport does not consider that the transport assets which it owns should be classified as Strategic Assets under Section 5 of the Local Government Act 2002.

9. PROGRESS, PERFORMANCE AND FINANCIAL MATTERS

9.1 How we will measure our progress and performance

The following table sets out Auckland Transport's Key Performance Indicators, with targets for the 2010/11 and 2011/12 financial years. In some cases, new measures of performance will need to be developed to enable effective monitoring of progress towards our key goals. The table identifies where new baseline measures will be developed during the period covered by this SOI.

As well as reporting on Key Performance Indicators, Auckland Transport will report on compliance with governance and accountability requirements, and on progress against its Programme of Action (Section 6 of this SOI).

What we do	How we will measure success	Indicator of recent performance	Target 01/11/10 to 30/06/11	Target 01/07/11 to 30/06/12
Deliver a properly connected arterial road and state highway network that moves people and goods efficiently and safely	People flows, inbound in morning peak (7-9am), across Harbour Bridge	**Car** **PT** **Total** 16,440 7,900 24,340	**Car** **PT** **Total** 16,440 8,300 24,740	Targets to be reviewed once the organisation is established
	People flows on other key routes	new measure	Identify key routes and develop measure by 30/06/11	Targets to be reviewed once the organisation is established
	For arterials with a general vehicle emphasis: Travel times (minutes) along strategically important vehicle routes during the morning peak: • Airport to CBD via Manukau Rd • St Lukes to St Johns via St Lukes Rd/Greenlane/Remuera Rd • Albany to Birkenhead via Glenfield Rd • Henderson to CBD via Gt North Rd	new measure	Establish baseline measure by 30/06/11	Targets to be reviewed once the organisation is established
	Traffic signal coordination on key arterial routes	new measure: key routes for optimisation to be advised	Establish baseline measure by 30/06/11	Targets to be reviewed once the organisation is established
	For arterials with a freight emphasis: Travel times (minutes) along strategically important freight routes during the interpeak (9am-4pm): • Nielsen St (from SH 20 to SH 1) • SEART (fromSylvia Park to East Tamaki) • Wairau Rd (from SH1 to SH18 ; (only SH1 to Glenfied available for 2010) • Harris Rd from East Tamaki to SH1 Highbrook interchange	new measure	Establish baseline measure by 30/06/11	Targets to be reviewed once the organisation is established
	For all local roads Fatal and serious injury vehicle crashes Crash reductions associated with completed transport projects	401 (Jan-Dec 2009) new measure	389 Establish baseline measure by 30/06/11	Targets to be reviewed once the organisation is established
Deliver a step change improvement in public transport	Total public transport patronage (annual boardings for bus, rail and ferry)	60,618,000	62,808,000	Targets to be reviewed once the organisation is

What we do	How we will measure success	Indicator of recent performance	Target 01/11/10 to 30/06/11	Target 01/07/11 to 30/06/12
	• Rapid Transit - Busway • Rapid Transit - Rail • Quality Transit and Local Connector buses • Ferries	1,792,000 8,479,000 45,819,000 4,528,000	1,882,000 9,164,000 47,143,000 4,619,000	established
	Percentage of public transport passengers satisfied with their public transport service	87%	87%	
Reduce car dependency and improve community health by encouraging walking, cycling and ride sharing and investing in local improvements	Morning peak (7-9am) car trips avoided through TravelWise initiatives	9,619	10,000	Targets to be reviewed once the organisation is established
	Walking trips into the CBD (inbound pedestrian counts) in morning peak (7-9am)	4,476	4,490	
	Cycle trips into the CBD (inbound cycle counts) in morning peak	836	890	
Deliver an effective and efficient transport system that enables Aucklanders to make smarter transport choices	Percentage of public transport passengers with access to real time service information	% of residents/PT passengers 65%	improve coverage	Targets to be reviewed once the organisation is established
	Percentage of arterial road network for which real time travel or congestion information is publicly available	0%	>0	
Ensure Auckland Transport is customer focused, and delivers value for money	Percentage of residents satisfied with the quality of roads Road maintenance standards (ride quality) as measured by smooth travel exposure for all sealed roads Percentage of residents satisfied with the quality of footpaths Customer service enquiries resolved within standard timeframes	% 77-90% 79-95% 35-76% 85%	Establish baseline across the region by 30/06/11	Targets to be reviewed once the organisation is established
	Percentage of drivers complying with parking restrictions	80.5%	81%	
	Public transport (PT) subsidy per passenger kilometre	$0.27	$0.33	

9.2 Financial performance

The financial information is based on the information prepared for transition. The actual results may vary from the plan if Auckland Council determines that the priorities for spending should change.

Our budgeted financial targets for the period covered by this SOI and the following two years are set out in the following tables.

Key Financial Information

	Council	NZTA	User Fees	Other	
8 Months ending 30 June 2011					
Operating Spending ($,000)	140,498	123,609	69,500	13,951	347,558
Operating Spending (%)	40%	36%	20%	4%	
Year ending 30 June 2012					
Operating Spending ($,000)	225,065	195,290	116,492	25,537	562,384
Operating Spending (%)	40%	35%	21%	5%	
Year ending 30 June 2012					
Operating Spending ($,000)	227,346	209,338	130,843	31,369	598,896
Operating Spending (%)	38%	35%	22%	5%	
8 Months ending 30 June 2011					
Capital Spending ($,000)	305,294	133,017			438,311
Capital Spending (%)	70%	30%			
Year ending 30 June 2012					
Capital Spending ($,000)	356,836	264,417			621,253
Capital Spending (%)	57%	43%			
Year ending 30 June 2012					
Capital Spending ($,000)	343,456	198,691			542,147
Capital Spending (%)	63%	37%			

NB: This excludes depreciation

Auckland Council is responsible for the following Assets:

Asset	(,000,000)
Roads	10300
Wharves	200
Public transport assets	500
Land and Buildings	360
Other Assets	95

NB: The assets detail breakdown is being worked on by staff and the actual numbers will be tabled at the meeting

Auckland Transport will have an Equity to Total Assets ratio of between 98-100%

Auckland Transport will not distribute any Profits to the Auckland Council as Auckland Transport is funded at a level to undertake the operating and Capital programmes agreed with Council.

Note:

(a) Budgeted financial targets are as published in the Auckland Council Planning Document and reflect the assumptions and definitions used in that document.

9.3 Other Financial matters

The Board of Auckland Transport considers that Auckland Council's investment in Auckland Transport has a commercial value equal to the asset valuation in the audited Balance Sheet of Auckland Transport.

10. APPROACH TO GOVERNANCE

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 Auckland Transport will exhibit and ensure:

- Sound business practice in its commercial undertakings;
- Sustainable business practice;
- Ethical and good behaviour in dealing with all parties;
- An open and transparent approach to decision-making, while respecting the need for commercially sensitive information to be protected
- An active partnership approach with Auckland Council and key Auckland Council Group stakeholders.

The Board is accountable to Auckland Council to ensure that Auckland Transport:

- Performs its functions;
- Acts in accordance with relevant legislation and the Auckland Transport Rules; and
- Achieves the objectives, performance targets and other measures set out in this SOI.

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 the SOI with the 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 Officer;
- Establish remuneration policies and practices, and set and review remuneration for the Chief Executive Officer, and other senior executives; and
- Provide leadership in relationships with key stakeholders.

Pursuant to section 96 of the Local Government (Auckland Council) Act 2009, Auckland Transport will ensure that it holds meetings that are open to members of the public on at least the following occasions each year:

- before 30 June each year for the purpose of considering comments from the Auckland Council on the draft statement of intent for the following financial year;
- after 1 July each year for the purpose of considering the organisation's performance under its statement of intent in the previous financial year.

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

11. RELATIONSHIP WITH AUCKLAND COUNCIL

Auckland Transport is a statutory entity, being a council controlled organisation accountable to Auckland Council. It was established to assist Auckland Council to fulfil its responsibilities and must act in the long-term interests of Auckland. Auckland Transport, the Auckland Council governing body and local boards have a three-way relationship, which is integral to the achievement of the goals and objectives of all three parties.

11.1 Relationship with the Governing Body

(a) No Surprises Approach

Auckland Transport and Auckland Council will adopt a 'no surprises' approach in their dealings with each other. Each party to this SOI will ensure that the other party is informed well in advance of anything considered potentially contentious in the public arena, whether the issue is inside or outside issues outlined in the SOI, Auckland Transport Rules and the relevant legislation.

The Auckland Transport Board will keep in mind that Auckland Council has interests wider than those of ordinary shareholders in private companies, and will be sensitive to the demand for accountability placed on Auckland Council from citizens, ratepayers, and other bodies who hold Auckland Council directly accountable for Auckland Transport's actions.

(b) Role of the Board

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.

(c) Events Requiring the Approval of Auckland Council

The Directors will ensure that Auckland Transport complies with its Rules and secures the approval of Auckland Council for all decisions and transactions, for which Auckland Council approval is required under the Rules of Auckland Transport.

The approval of Auckland Council under the provisions relating to restricted transactions is not required for any transaction or other matter authorised in the Funding Agreement in relation to the current financial year of Auckland Transport.

(d) Distributions to Auckland Council

Auckland Transport does not anticipate making a distribution to Auckland Council, as Auckland Transport is reimbursed for net transport expenditure from Auckland Council.

(e) Disputes Procedure

If Auckland Transport or Auckland Council identifies any matters of disagreement both parties will endeavour to discuss and consult on these matters at the earliest opportunity, and seek resolution between them.

11.2 Relationships with Local Boards

Auckland Transport recognises the role of local boards as representatives of the local community and as advocates on local issues, and undertakes to proactively engage with local boards on local transport matters.

(a) Local Board Relationship Plan

Auckland Transport will develop a Local Boards Relationship Plan by March 2011, setting out how Auckland Transport proposes to:

(i) Support each Local Board to effectively represent the interests of local communities in local transport issues
(ii) Ensure that Auckland Transport is responsive on local issues
(iii) Contribute to the development of Local Board Plans
(iv) Give effect to any Local Board agreement with the Auckland Council to the extent the agreement requires actions by Auckland Transport

(b) Other Local Board matters

(i) Auckland Transport will provide Local Boards with copies of reports submitted to the Auckland Council under Section 16 below.
(ii) Auckland Transport will provide Local Boards with access to information in accordance with our obligations under the Local Government and Official Meetings Act 1987 (LGOIMA).

11.3 Relationships with other Auckland Council CCOs

(a) Waterfront Development

(i) Auckland Transport recognises that roads and public transport infrastructure controlled by Auckland Transport are key elements within the Area of Ownership and Area of Interest of the Waterfront Development CCO, and undertakes to work with the Waterfront Development CCO to achieve quality outcomes.
(ii) Auckland Transport undertakes to involve the Waterfront Development CCO in future planning for transport infrastructure within its Area of Interest, including but not limited to the CBD Rail Link, Additional Harbour Crossing and upgrades to Quay St and Fanshawe St.

(b) Tourism, Events and Economic Development

(i) Auckland Transport will work with the Tourism, Events and Economic Development CCO to provide for road closures, transport services and transport planning as appropriate for significant events.
(ii) In particular, Auckland Transport will lead the transport planning for a successful Rugby World Cup 2011.

(c) Watercare Services

(i) Auckland Transport will work with Watercare Services to manage the maintenance and upgrading of Watercare assets within designated road reserves, recognising that both organisations are accountable, through Auckland Council, to the residents and ratepayers of Auckland.

More broadly, Auckland Transport undertakes to work collaboratively with other CCOs on issues of mutual interest.

12. RELATIONSHIPS WITH OTHER KEY STAKEHOLDERS

12.1 Relationship Plans

(a) Auckland Transport will develop a Relationship Plan with the NZ Transport Agency, setting out how Auckland Transport proposes to:
  (i) Secure the support of NZTA for its ongoing programme and project plans;
  (ii) Operate effective funding processes;
  (iii) Co-operate on regulatory issues and on other matters in which both agencies have responsibilities including the State Highway/Local Road interface.
  (iv) Communicate on a “no surprises” basis and maintain mutually supportive public profiles;
  (v) Maintain a productive three-way relationship across NZTA, Auckland Council and Auckland Transport and arrive at integrated solutions which build on the expertise and perspectives of all three organisations

(b) Auckland Transport will develop a Relationship Plan with the NZ Police, setting out how Auckland Transport proposes to:
  (i) Work with the Police to deliver the priorities of the NZ Safer Journeys strategy and the Regional Road Safety Plan;
  (ii) Integrate engineering, education, emergency services and enforcement initiatives at regional and local levels;
  (iii) Co-operate on regulatory issues and on other matters in which both agencies have responsibilities including the development and delivery of Road Safety Action Plans;
  (iv) Communicate on a “no surprises” basis and maintain mutually supportive public profiles.
  (v) Maintain a productive relationship across NZTA, NZ Police, Auckland Council and Auckland Transport and arrive at integrated solutions which build on the expertise and perspectives of all four organisations.

(c) Auckland Transport will develop a Relationship Plan with Iwi and Maori groups, setting out how Auckland Transport will work with Maori(including but not limited to the Auckland Council Maori Statutory Board), and how the statutory requirement for Auckland Transport to establish and maintain processes for Maori to contribute to its decision-making processes will be met.

(d) Auckland Transport will develop a Relationship Plan with KiwiRail.

Auckland Transport undertakes to be proactive, responsive and transparent in its relationship with all stakeholders, and to take into account the interests of Auckland Council, as well as of Auckland Transport, in its dealings with external parties.

13. ACCOUNTABILITY AND REPORTING TO AUCKLAND COUNCIL

13.1 Three-yearly Regional Land Transport Programme

Auckland Transport will prepare a Regional Land Transport Programme every three years in accordance with the Land Transport Management Act, with the first Regional Land Transport Programme being prepared in a timely manner to assist in the preparation of the Long Term Council Community Plan 2012/13 – 2021/22.

The Regional Land Transport Programme will set out, in detail for three years, and in outline for the following seven years, how Auckland Transport plans to:

- manage, maintain, and invest in transport assets;
- maintain or improve service levels;
- respond to population growth and other changing environmental factors;
- give effect to the Regional Land Transport Strategy and to other relevant Council strategies, plans, and priorities.

13.2 Annual Statement of Intent

Auckland Transport will provide Auckland Council with a draft and final SOI for each financial year in accordance with Schedule 8 of the Local Government Act 2002, including:

- Delivering a draft Statement of Intent to Auckland Council not later than 1 March each year
- Considering any comments made by the Council within 2 months of 1 March each year
- Delivering the completed Statement of Intent no later than 30 June each year

13.3 Annual Report

Within three months from the end of June each year, Auckland Transport will provide to Auckland Council an Annual Report which will comply with Section 68 of the Local Government Act and include the following:

- Directors Report;
- Statement of Financial Performance;
- Statement of Financial Position;
- Statement of Cash Flows;
- Statements of Movements in Equity;
- Notes to the Financial Statements;
- Auditors Report in terms of section 69 of the Act on:
- The above Financial Statements and Statement of Service Performance; and
- The performance targets and other measures by which Auckland Transport was judged in relation to its objectives as per the SOI.

13.4 Half Year Report

Within eight weeks from the end of December each year, Auckland Transport will provide to Auckland Council an unaudited Half Year Report which will include:

- Statement of Financial Performance;
- Statement of Financial Position;

- Statement of Cash Flows; and
- Report on performance against the Programme of Action and Performance Targets set in the Statement of Intent

13.5 Quarterly Report

Within eight weeks from the end of the September and March quarters of each financial year, Auckland Transport will provide to Auckland Council an unaudited Quarterly Report which will include:

- Statement of Financial Performance;
- Statement of Financial Position;
- Statement of Cash Flows; and
- Report on performance against the Programme of Action and Performance Targets set in the Statement of Intent

13.6 Meetings with Auckland Council

Auckland Transport will meet with the Auckland Council governing body or relevant Council Committee to formally present its Annual, Half Yearly and Quarterly Reports.

13.7 Transport Outcome Monitoring

Auckland Transport will provide Auckland Council with information on transport system performance, and on the contribution of transport projects to long term outcomes, in a timely manner to assist Auckland Council in developing and monitoring the Regional Land Transport Strategy and the Spatial Plan.

13.8 Additional Information

Auckland Transport will provide additional information to Auckland Council as required to ensure that Auckland Council is informed in a timely manner of significant events which relate to Auckland Transport and which may affect Auckland Council.

13.9 Confidentiality

Relevant information which is confidential under the terms of the Local Government Official Information and Meetings Act will be shared with Auckland Council as permitted by other agreements. When sharing such information, Auckland Transport will clearly state the nature of the information and the reason for confidentiality.

14. ACCOUNTING POLICIES

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

A summary of Auckland Council's accounting policies is set out in Attachment 2.

Attachment 1

Directory

Address:	Auckland Transport Private Bag 92250 Auckland 1142
Shareholder:	Auckland Council (100%)
Place of business:	Auckland Transport Head Office 6 Henderson Valley Road Henderson Auckland 0612
Chairperson:	Mark Ford
Board:	Philippa Dunphy (Deputy Chair) Rabin Rabindran Dr Ian Parton Paul Lockey
Chief Executive:	David Warburton

Attachment 2

Summary of Significant Accounting Policies for the period ended 30 June 2011

1. General information

Auckland Transport is a Council Controlled Organisation of the Auckland Council ("the Council") and is domiciled in New Zealand.

Auckland Transport (AT), together with the Auckland Council Group ("the Group") were formed as a result of the Local Government (Tamaki Makaurau Reorganisation) Act 2009 that was enacted 23 May 2009. The legislation provided for the dissolution of local authorities in the Auckland Region on 31 October 2010 (i.e. the Auckland City Council, Manukau City Council, Papakura District Council, Franklin District Council, North Shore City Council, Rodney District Council, Waitakere City Council and Auckland Regional Council) as well as the Auckland Regional Transport Authority. The assets and liabilities of these entities were transferred to the new governing structures established from 1 November 2010. The new Auckland Transport organisation combines the transport expertise and functions of eight former local and regional councils and the Auckland Regional Transport Authority (ARTA).

AT is a public-benefit entity as defined under New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS"). The AT's primary objective is to provide services and facilities for the community as a social benefit rather than to make a financial return.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

Statement of compliance

The financial statements of AT 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 NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets, investment property and financial instruments (including derivative instruments).

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000). The functional currency of AT is New Zealand dollars.

2.2 Changes in accounting policy and disclosures

AT commenced operations on 1 November 2010 and this is the first reporting period. Accordingly there are no comparative figures and no accounting policy changes.

On creation of AT, as at 1 November 2010, the assets and the liabilities of the dissolved above named Councils were transferred to AT. On the date of transfer, these assets and liabilities were recorded at their previous carrying values in the financial statements of the predecessor Councils with adjustments made where necessary to ensure that the assets and liabilities were recorded using consistent accounting policies adopted by the Group.

a.) New and amended standards adopted by AT

(to be set out at the time)

b.) Standards and interpretation issued and not yet adopted

(to be set out at the time)

2.3 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities are recognised in the statement of comprehensive income.

2.4 Property, plant and equipment

Property, plant and equipment consists of:

Operational assets -These include land, buildings, plant and equipment, office & computer equipment, furniture & fittings, leased assets, rolling stock, railway stations, wharves and motor vehicles.

Infrastructure assets - Infrastructure assets are the fixed utility systems owned by AT. Each asset class includes all items that are required for the network to function, for example, roading includes the carriageway, streetlights, traffic signals etc.

Initial recognition

Property, plant and equipment 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 measurement

The classes of assets below are subsequently measured at fair value. The methods used to determine fair value are also disclosed below. All other classes of assets are measured at historical cost less accumulated depreciation and accumulated impairment.

Land, buildings (operational and restricted), library books, and infrastructural assets (except land under roads which are held at cost) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. AT account for revaluations of property, plant and equipment on a class of asset basis.

Class of asset measured at fair value	*Method applied to determine fair value*
Land and buildings (operational)	▪ Market-based evidence/income
▪ Infrastructural assets	▪ Depreciated replacement cost approach.

Assumptions used when applying the methods above will be referred to in notes .

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 AT and the cost of the item can be measured reliably.

In most instances, an additional 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 as at the date of acquisition

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the statement of comprehensive income. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Depreciation

Land is not depreciated. Depreciation on assets measured at historical cost is provided on a straight-line basis at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives of major classes of assets have been estimated as follows:

Class of asset depreciated	Estimated useful life
Buildings	▪ 10 – 100
▪ Plant and equipment	▪ 5 – 50
▪ Motor vehicles (& machinery)	▪ 5 – 10
▪ Roading network	▪ 6 – 120
▪ Infrastructural Buildings	▪ 40-100
▪ Wharves, piers and associated assets	▪ 2 - 100
▪ Rolling Stock	▪ 2-15
▪ Railway stations and associated assets	▪ 2 - 50

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial 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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.6 Investment property

Investment properties are properties held for long-term rental yields and are not occupied by AT. Properties leased to third parties are not classified as investment properties if lessees are using the properties for service delivery objectives integral to the operation of AT's business or primarily using AT's services, for example properties held for strategic purposes and properties held to provide a social service, including those which generate cash inflows where the rental revenue is incidental to the purpose of holding the properties.

Investment property is measured initially at cost, including directly attributed expenditure. After initial recognition, AT measures all investment properties (including work in progress) at fair value by an independent valuer at each balance date. Where the property’s fair value cannot be reliably measured, AT will measure the property at cost until its fair value can reliably be measured.

There is no depreciation on investment property. Gains or losses arising from a change in the fair value are recognised in the statement of comprehensive income.

2.7 Intangible assets

Intangible assets are initially recorded at cost. Where acquired in a business combination, the cost is their fair value at the date of acquisition. 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. Impairment losses resulting from impairment are reported in the statement of comprehensive income.

Computer software

Computer software licences are capitalised based on the costs incurred to acquire and bring to use software. Costs are amortised using the straight-line method over their estimated useful lives (three to five 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 are recognised when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Computer software development costs recognised as assets are amortised using the straight-line method over their estimated useful lives (not exceeding three years).

Staff training costs are recognised as an expense when incurred.

Resource Consents

Costs incurred in obtaining resource consents are capitalised and classified as intangible assets to the extent it is probable such costs are expected to be recoverable. Costs are amortised on a straight line basis over the term granted by the resource consent which ranges from five to 30 years and are stated at cost less accumulated amortisation and impairment losses.

2.5 Impairment of non-financial assets

Intangible assets that have an indefinite useful life, or not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment the asset's recoverable amount is estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable 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 and cash generating units 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 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 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 the reversal of an impairment loss is recognised in the statement of comprehensive income.

2.6 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Non-current assets (or disposal groups) held for sales are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale

2.7 Financial assets

AT classifies its financial assets in the following categories:

a) financial assets at fair value through profit and loss
b) loans and receivables
c) held-to-maturity investments
d) available-for-sale financial assets

The classification depends on the nature and purpose for which the financial assets were acquired. The AT determines the classification of its financial assets at initial recognition.

Financial assets are initially measured at fair value plus transaction costs unless they are carried at fair value through profit and loss in which case the transaction costs are recognised in the statement of comprehensive income.

Purchases and sales of financial assets are recognised at trade-date, the date on which AT commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and AT has transferred substantially all the risks and rewards of ownership.

a) Financial assets at fair value through profit and loss

This category has two subcategories: financial assets held for trading, and those designated at fair value through profit and loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling 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 or expected to be realised within 12 months of the year-end date.

After initial recognition financial assets at fair value through profit and loss 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 profit and loss category are included in the statement of comprehensive income in the period in which they arise.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They 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.

After initial recognition loans and receivables are carried at amortised cost using the effective interest rate method.

Community loans

Loans to community organisations made at nil, or below-market interest rates are initially recognised at their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. The difference between the face value and present value of expected future cash flows of the loan is recognised in the income statement as a grant. Community loans are subsequently measured at amortised cost using the effective interest method.

c) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that AT has the positive intention and ability to hold to maturity. They 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.

After initial recognition they are carried at amortised cost using the effective interest rate method.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or AT intends to dispose of it within 12 months of the end of the reporting period.

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

2.8 Impairment of financial assets

a.) Assets carried at amortised cost

AT reviews at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that AT uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- AT, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
    - i.) Adverse changes in the payment status of borrowers in the portfolio; and
    - ii.) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted using the financial asset's original effective interest method. The asset's carrying amount is reduced and the loss is recognised in the statement of comprehensive income in "other expenses". If a loan or a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, AT may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

b.) Assets classified as available for sale

AT assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, AT uses the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as difference between acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the separate statement of comprehensive income.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.10 Inventories

Inventories held for distribution

Inventories held for distribution are measured at cost, adjusted where applicable, for any loss of service potential. The cost is current replacement cost at the date of acquisition. Inventories held for distribution are assets:

- held for distribution at no or nominal consideration in the ordinary course of operations;

- in the process of production for distribution at no or nominal consideration in the ordinary course of operations; or
- in the form of material or supplies to be consumed in the production process or in the rendering of services at no or nominal consideration.

Inventories held for use in the production of goods and services

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of the purchased inventory is determined using the weighted average method. It comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

The amount of any write-down for the loss of service potential or from the cost to net realisable value is recognised in the statement of comprehensive income in the period of write-down.

2.11 Trade and other receivables

Trade receivables are amounts due from ratepayers. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

For information on impairment of trade and other receivables refer to notes. Furthermore, when a trade receivable for which the provision for impairment has been recognised becomes uncollectible in a subsequent period, it is written off against the provision for impairment of receivables. Subsequent recoveries of amounts previously written off are credited against “other expenses” in the statement of comprehensive income.

2.12 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, 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.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2.13 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method.

2.14 Borrowings

Borrowings are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount 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 AT has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

2.15 Borrowing costs

All borrowing costs are recognised as an expense in the period in which they are incurred.

Facility fees

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.16 Current and deferred income tax

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have been enacted or substantively enacted by balance date. Income tax expense is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where AT can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

2.17 Good and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for debtors and other receivables and creditors and other payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

2.18 Employee benefits

Short-term employee entitlements

Employee benefits that AT expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retirement gratuities and long service entitlements expected to be settled within 12 months, and sick leave.

AT 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 AT anticipates it will be used by staff to cover those future absences.

AT recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Entitlements that are payable beyond 12 months, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlement information; and
- The present value of the estimated future cash flows.

The discount rate is based on the weighted average of interest rates for government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the statement of comprehensive income as incurred.

Defined benefit schemes

AT belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

2.19 Provisions

AT recognises a provision for future expenditure of uncertain amount or timing when: AT has a present obligation (legal or constructive) as a result of a past events; it is probable that expenditures will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required 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. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

2.20 Revenue recognition

Revenue is measured at the fair value of consideration received.

- Traffic and parking infringements are recognised when issued.
- Revenue derived from licences and permits is recognised on application.

- AT receives grants from New Zealand Transport Agency, which subsidises part of AT's costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.
- Revenue from rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.
- Sales of goods are recognised when a product is sold to the customer. Sales are usually in cash or by credit card. The recorded revenue is the gross amount of the sale, including credit card fees payable for the transaction. Such fees are included in other expenses.
- Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as other revenue. Assets vested in AT are recognised as revenue when control over the asset is obtained.
- Where revenue is derived by acting as an agent for another party, the revenue that is recognised is the commission or fee on the transaction.
- Interest income is recognised using the effective interest method.
- Dividends are recognised when the right to receive payment has been established.
- Vested assets and charitable assets – when received.

2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charge to the statement of comprehensive income on a straight-line basis over the period of the lease.

AT leases certain property, plant and equipment. Leases of property, plant and equipment, where AT has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant period rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.