

Auckland Transport

An Auckland Council Organisation

ANNUAL REPORT 2011





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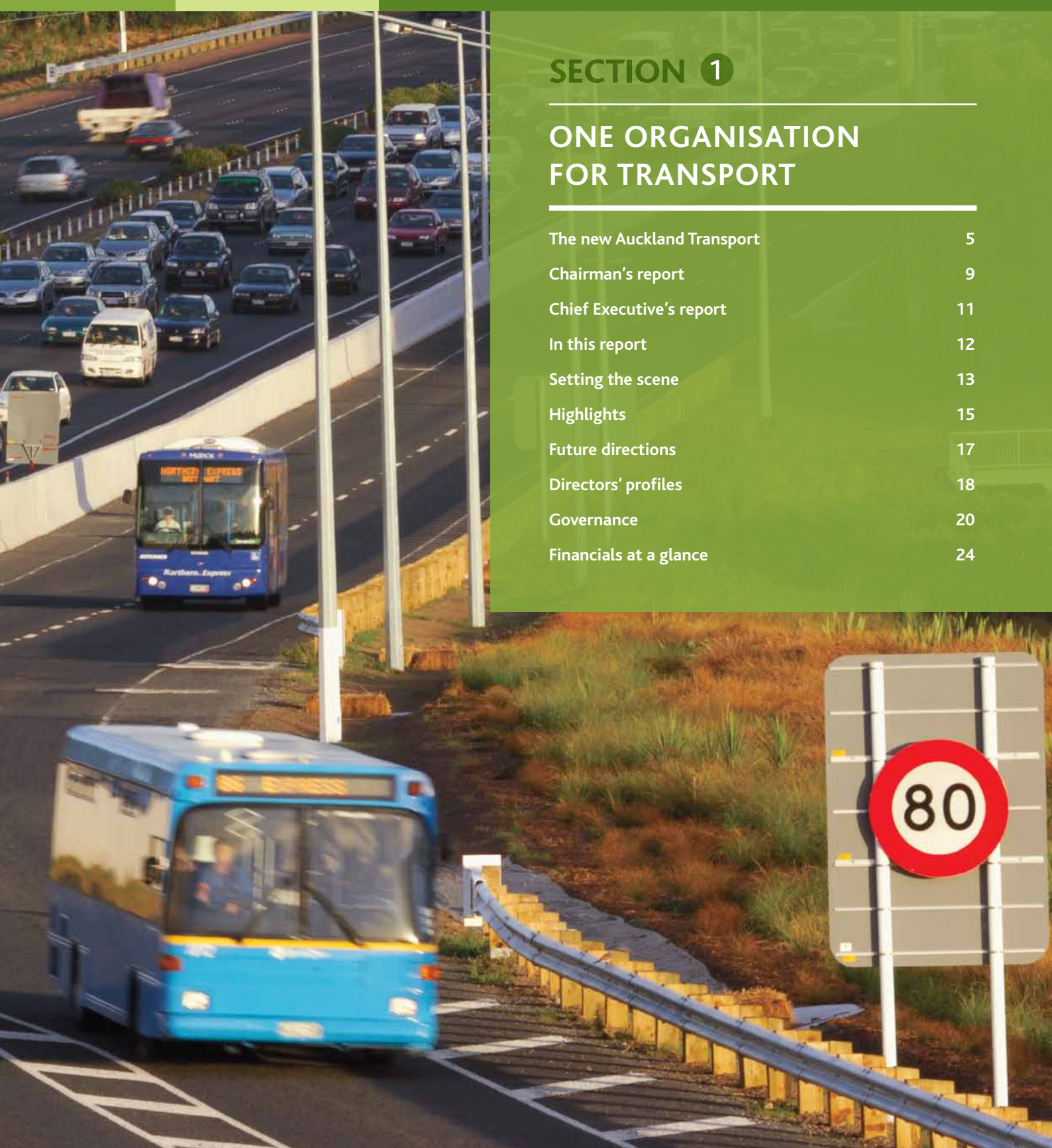


Over three quarters of trips taken across the Harbour Bridge are still by car but the Northern Busway is a driver of record growth in public transport patronage

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Aligning our work with that of other utilities and partners is reducing disruption and getting projects completed ahead of schedule

THE NEW AUCKLAND TRANSPORT

KEEPING AUCKLAND MOVING

Vision

For Auckland to benefit from, and be recognised for, the efficient and timely movement of people and goods through the use of appropriate transport modes.

Mission

To deliver effective and innovative transport solutions to our customers.

Strategy

To connect the region's people and places by helping to provide easy and affordable access to a range of safe and sustainable transport options.

Five key goals

- Deliver a properly connected arterial road network that is integrated with the state highway network and moves people and goods
- Deliver an integrated and connected public transport network of rapid, quality and local connector services that is attractive to customers
- Reduce car dependency and improve community health by providing infrastructure and services for walking, cycling and ride sharing
- Deliver an effective and efficient transport system that enables Aucklanders to make smarter transport choices
- Ensure Auckland Transport is customer focused, and delivers value for money.

Auckland Transport will achieve this by:

- Developing a culture that inspires, improves and empowers our people
- Delivering effective and innovative transport solutions to our customers
- Demonstrating a cooperative and collaborative work programme with our stakeholders
- Operating within agreed financial targets.

A one-network, one-customer approach

Who is Auckland Transport

Auckland Transport came into being on 1 November 2010. For the first time in Auckland's history, all of the city's transport functions and operations are now managed by one organisation.

Auckland Transport combines the transport expertise and functions of eight local and regional councils and the Auckland Regional Transport Authority (ARTA). Our headquarters are in Henderson, with hub offices in the Central City, Takapuna and Manukau.

What Auckland Transport does

Auckland Transport is responsible for all of the region's transport planning and services (excluding state highways) – from public transport and parking to roads, footpaths and cycling.

Its main tasks are:

- Design, build and maintain Auckland's local and arterial roads, ferry wharves, cycleways and walkways
- Plan, fund and coordinate bus, train and ferry services across Auckland
- Upgrade public transport infrastructure such as rail stations and bus shelters
- Coordinate road safety and community transport initiatives such as school travel plans.



*Over 65.7m
trips were taken
on public
transport in
2010/11*

MAXX Ambassadors provide a critical face to face customer service

FAST FACTS

**One of six
council-controlled
organisations (CCOs)
of Auckland Council**

**Governed by
a Board of
Directors**

**940 full-time
equivalent staff**

**Locations:
Henderson (head office),
Takapuna, Manukau
and the CBD**

Auckland Transport manages:

- 7,322km of road
- 1,094 bridges and culverts
- 6,722km of footpaths
- 92,293 street lights
- 134,000 road signs
- 1,585 bus shelters
- 5,477 car parks in 8 multi-storey car parking buildings
- 5,000 on-street pay-and-display spaces in the CBD
- 19 public transport wharves
- 42 rail stations on four lines
- Contracts with 13 public transport operators.

In 2010/11, over 65.7 million journeys were made on public transport – an annual increase of 8.5 per cent.



A key future focus is on developing a Long Term Plan and Regional Land Transport Programme

Moving freight faster is a key goal for Auckland Transport

CHAIRMAN'S REPORT

I am pleased to present the first annual report for Auckland Transport.

Last year's local government amalgamation was the largest ever organisational restructure in this country. Through that process the creation of a single transport agency for Auckland became possible and this annual report details progress made during the organisation's first eight months.

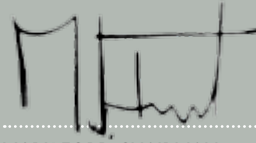
With an annual budget of more than \$1 billion, Auckland Transport is a significant player in the region's economy and in the community. The investment it makes in maintenance and capital projects represents a major boost to the country in a time of economic restraint.

The Statement of Intent agreed with the Auckland Council forms the basis for the work programme the organisation is charged with delivering. But of equal importance are the shared objectives being developed across all levels of both organisations. These are critical to the successful delivery of the commitments that are made.

Besides the Auckland Council, the other significant source of funding for Auckland Transport is the New Zealand Transport Agency (NZTA). A Memorandum of Understanding signed with the NZTA this year heralds an era of closer cooperation. One excellent example of this is the establishment of a Joint Transport Operations Centre providing real-time information, accident response and co-ordinated traffic signalling across the entire network. The end result is faster and more reliable travel for Auckland road users.

Auckland's commuters can also look forward to 2013, when 57 three-car electric trains will transform Auckland's ageing rail fleet and offer further practical alternatives to private car travel. Following an agreement between the Government and Auckland Council, ownership and management of this \$550m investment is being passed to Auckland Transport.

Demand for public transport services in Auckland this year was the highest it has been for over half a century. The 8.5 per cent increase is in line with long-term projected growth and is a response to the significant investments made in the region's infrastructure and to the launch of HOP integrated ticketing. It is heartening to see that over 75,000 HOP cards were issued by the end of June following its launch in May. The Northern Busway is another stand-out success and a model for future development in other parts of the region.



MARK FORD CHAIRMAN



Auckland is projected to accommodate almost an additional one million people by 2050 – around 75 per cent of all growth in New Zealand. Meeting the challenges of such rapid growth requires sustained investment. A particularly pleasing aspect of this year's capital works programme has been a focus on Auckland's fastest-growing suburbs in the east. Delivery of the Panmure stages of the Auckland to Manukau Eastern Transport Initiative (AMETI), which has been in the planning stages for many years, is imminent.

A key future focus is on developing a Long Term Plan and Regional Land Transport Programme. Major aspects of the programme are the City Rail Link, improving access to the ports and airport, and working with the NZTA on motorway linkages and an additional harbour crossing. These initiatives will help deliver the highway infrastructure crucial to efficient freight movement and to connecting Auckland with the rest of New Zealand.

This work must then be aligned with the Auckland Plan and other Auckland Council core strategies if we are, collectively, to continue to deliver on the promise of the 2010 local government reorganisation. It will, in turn, provide the basis for ongoing funding commitments from central and local government.

I would like to acknowledge the stewardship of my fellow directors. While this Board is new, it provides a solid core of experience in regional transport issues and many key relationships. As much as possible, within commercial sensitivities, Board meetings are held in public. A focus for the Board this year has been ensuring robust risk management practices are put in place across the new organisation. Finally I would like to thank the chief executive, David Warburton, and his team for their continued efforts during the year.



The profit result from normal operations is \$3.32m compared to a budget profit of \$3.15m

The JTOC (Joint Traffic Operations Centre) manages traffic movement across the region in partnership with the NZTA



DAVID WARBURTON CHIEF EXECUTIVE

The development of effective transport solutions for New Zealand's largest city is a critical priority for managing an increasing population coupled with a requirement to grow both Auckland's and New Zealand's GDP.

The first eight months of operation for Auckland Transport have ended with a number of significant projects delivered and others well underway.

Staff have been dedicated in their work and have ensured a fully functioning and effective organisation in such a short time period. Every member of the team has stepped up to the mark and I extend my thanks and appreciation to all.

My appreciation also goes to the Chairman, Mark Ford and the Directors of the Auckland Transport Board for their governance during the establishment of the organisation.

Auckland Transport is the largest transport organisation in New Zealand with 1020 FTEs budgeted. The scale and work of the organisation on a daily basis is significant with 1,100 suppliers, 138 IT servers, \$750m in property assets and a \$1 billion annual spend.

The profit result from normal operations is \$3.32m compared to a budget profit of \$3.15m. The financial statements contain two items that are not part of the normal operation of the business. Those two items are the revaluation of assets. The major revaluation was for the infrastructure assets which were valued so that all infrastructure assets, which transitioned to Auckland Transport at 1 November 2010, had the same valuation date and basis. This resulted in an increase in value of \$954m, which has been included in the Statement of Comprehensive Income. The other item is due to the revaluation of the rail rolling stock. This was valued at 31 October 2010 and transferred into Auckland Transport; the basis of that valuation anticipated 38 Electric Multiple Units (EMUs) being acquired. The Board has now taken over the procurement of the EMUs and 57 three-car EMUs will be purchased. The increased number has an impact on the

CHIEF EXECUTIVE'S REPORT

requirements of the existing fleet and so a write-down in value has been taken to the Statement of Comprehensive Income of \$42.8m.

Further information is covered in the financial section of the report.

'Business as usual' capital work includes infrastructural development; road corridor improvements; investigation, design and asset management.

The operations area manages on and off-street parking, enforcement; road corridor operations, public transport and community transport.

The road corridor operations activity encompasses traffic operations; traffic systems and road safety.

In the road corridor maintenance area we manage 7,322 kilometres of road and 1,094 bridges and large culverts.

In the public transport sector Auckland Transport manages the operation contracts for trains, buses and ferries and their associated facilities which include bus shelters, ferry wharves, terminals and 42 train stations.

The community transport area managed walking and cycling initiatives, workplace travel plans and Auckland's famous walking school buses.

The eight months Auckland Transport has been in operation have been busy – establishing new operating systems and processes alongside delivering many major projects to a high standard. The benefits of having one organisation managing the region's transport needs are already apparent, with projects being completed ahead of schedule and on budget. Efficiencies of scale, better alignment with utilities' works programmes and a focus on our partner relationships are key to this achievement. A number of these successful projects are highlighted in this Annual Report.

The project delivery record is testament to the professionalism and commitment of the staff, contractors and many other partners who are dedicated to delivering on the Mayor's vision of making Auckland the World's Most Liveable City.

The combined team has provided a strong platform for Auckland Transport's future and anticipate further progress in providing improved transport solutions in 2011/2012.

IN THIS REPORT

This is Auckland Transport's first Annual Report. It details the services and facilities we provided while protecting the future of our city through sustainable practices.

Under the Local Government Act 2002, Auckland Transport, as a Council-Controlled Organisation, is required to produce an Annual Report, and to have financial and performance information audited. The Annual Report 2011 covers the eight-month period from the creation of Auckland Transport on 1 November 2010 to 30 June 2011.

AUCKLAND TRANSPORT'S AUDIENCE

The Annual Report is produced for our stakeholders who include:

- Auckland Council and the associated entities in the group
- Residents and ratepayers
- Iwi
- Community and stakeholder groups
- Central government.

INSIDE

SECTION 1 One organisation for transport

This section provides an overview of the new organisation and highlights of performance delivery during the year.

SECTION 2 Delivering Auckland an effective transport system

This section details and explains Auckland Transport's three main areas of activity: roads, public transport and parking. It reports on what was achieved during the period, and includes part of our audited non-financial performance information.

SECTION 3 People and partners

This section explains how the organisation is run and introduces the executive leadership team. It details key partner relationships, and covers three general objectives for all CCOs: to be a good employer, to exhibit a sense of social, cultural and environmental responsibility and to achieve the objectives of our shareholders. This section includes part of our audited non-financial performance information.

SECTION 4 Financial performance

This section explains the funding Auckland Transport receives and how it is spent on service delivery and infrastructure development. It includes the audited financial information that is required to be prepared by legislation and covers the fourth CCO objective: to conduct our affairs in accordance with sound business practice.



SETTING THE SCENE

CONTEXT

The creation of Auckland Transport

Auckland Transport, together with the Auckland Council group, was formed as a result of the Local Government (Tamaki Makaurau Reorganisation) Act 2009. The legislation provided for the dissolution of the eight local authorities in the Auckland region as well as the Auckland Regional Transport Authority (ARTA) and Auckland Regional Transport Network Limited (ARTNL) on 31 October 2010. The assets and liabilities of these entities were transferred to the new governing structures established from 1 November 2010. Auckland Transport is a Council-Controlled Organisation (CCO) that combines the transport expertise and functions of the former local and regional councils with ARTA and ARTNL.

The Auckland Council Long Term Plan

The Auckland Transition Agency (ATA) was a government-appointed body which planned and managed the Auckland governance changes. The ATA was required by legislation to prepare the Auckland Council's first planning document, which was called the Long Term Plan (LTP). This was approved by the ATA on the 29 October 2010. Volume 4 of the LTP contains information about the newly created CCOs, including Auckland Transport. The LTP details our objectives and activities, key projects and financial information.

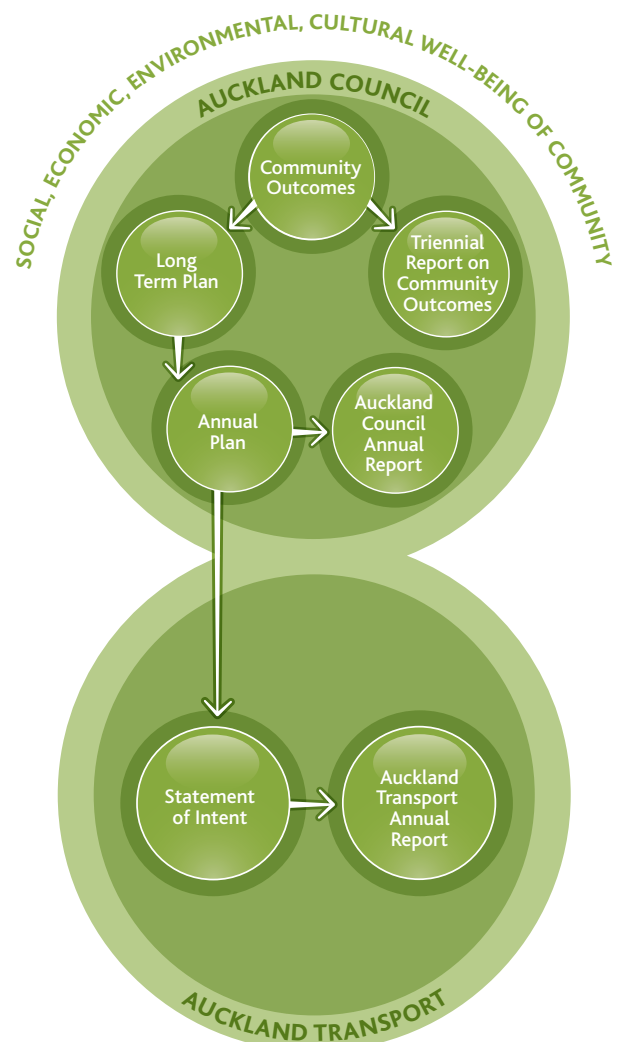
The Auckland Transport Statement of Intent

Following the adoption of the LTP, discussion on the content of the Statement of Intent (SOI) was progressed between the newly appointed Board of Directors of Auckland Transport and the governing body of Auckland Council. The SOI was finalised and agreed in February 2011. The SOI sets out the basis of accountability of the Directors of Auckland Transport to Auckland Council. It includes the objectives, nature and scope of activities undertaken, and the performance targets by which Auckland Transport will be measured. The key goals for the organisation are articulated as well as a comprehensive Programme of Action.

Reporting performance

This Annual Report records performance against this Statement of Intent as required by the Local Government Act (2002). For completeness it also reports on additional aspects which were included in the LTP but not incorporated into the SOI.

How the annual report fits into the reporting framework





Auckland Mayor Len Brown celebrates the milestone of 10 million train passengers in one year

HIGHLIGHTS

Auckland Transport has been a major part of one of the largest reorganisations ever in Australasia. In the first eight months of operation it's delivered a number of significant projects to a high standard in a relatively brief time.

They include:

AUCKLANDERS HOP TO AN INTEGRATED TICKET

Public transport customers on NZ Bus services have embraced the new HOP smartcards, with 75,000 being issued by June 2011. HOP/Snapper cards replaced Go Rider from 8 May, with services such as North Star, Go West, Waka Pacific, Metro and LINK all accepting the region's first integrated ticket. The value-storing swipecard improves boarding times and makes travel cheaper and easier. HOP will be trialled on trains and some ferry services from late 2011 through to early 2012, with plans for other Auckland buses and ferries to become part of the scheme later next year. An integrated smartcard day-pass for the Rugby World Cup is being launched in September. See page 49.

RECORD NUMBERS GET ON BOARD

Auckland Transport aimed to increase overall public transport patronage by 3.6 per cent this year. But annual patronage to June 2011 grew by 8.5 per cent, with more than 65.7 million journeys taken. The delivery of quality facilities and more reliable services, rising petrol costs and the success of the Northern Busway and b.line services are all continuing to push patronage growth to record levels.

Some individual routes had patronage gains of 20 per cent alone during March 2011. While rail services were increased by 25 per cent in late 2010 and more services were added on some bus routes from January to March, a further suite of changes had to be quickly implemented in April and May to cope with this extra demand. See page 46.

NEW LYNN GETS A MAKE-OVER

Last year saw the opening of a new rail station and bus interchange in New Lynn. This year, the wider New Lynn area has been redeveloped as a vibrant regional town centre with major road work completed five months ahead of schedule. The new look is more pedestrian friendly, with Totara Avenue West the focal point for the town centre while an extension to Clark Street provides a bypass for heavy vehicles from SH20. See page 33.



New Lynn artist's impression

PANMURE KICKS OFF INVESTMENT IN THE EAST

A new transport interchange for Panmure, similar in scale to New Lynn and Manukau, is under way. Final plans were presented to the community in April and May this year and initial work to raise rail overbridges is due to begin before Christmas. The interchange is the first stage of a series of long-term transport projects for the eastern suburbs (called AMETI). Work on concepts for the busway from Panmure to Pakuranga is also gathering pace. See page 32.

HIGHLIGHTS OF THE YEAR contd

JOINT TRANSPORT OPERATIONS CENTRE CREATES EFFICIENCIES

As part of our commitment to a one network approach, Auckland Transport and NZ Transport Agency have developed a partnering agreement to jointly operate the Transport Operations Centre at Smales Farm in Takapuna. Bringing traffic operations staff together in a single location enables Auckland Transport to deliver a consistent approach to traffic management for all motorways and arterial roads across Auckland. Joint management of traffic flows will deliver more reliable travel times, provide better information for road users (including real-time congestion information) and enhanced incident response capability, especially on the arterial network. See page 37.

CENTRAL FLAGSHIP PROJECT STREAMLINES BUS SERVICES

Over 30 per cent of bus users come into the CBD every day during university semesters. Public consultation on the redesign closed in April with overwhelming support for the changes, which included the launch in August of new City LINK and Outer LINK services plus new services for Western Bays customers. See page 47.

SOLUTIONS TO AUCKLAND AIRPORT TRANSPORT

The first phase of a joint study into transport projects needed during the next 30 years to support Auckland Airport and the surrounding area has been completed. The study has a strong focus on land use and has identified the preferred routes and projects for rapid transit, state highways and local transport improvements. The process of protecting routes will be next. See page 53.

GREEN LIGHT FOR PARKING INITIATIVES

New automatic payment systems and cheaper evening and weekend rates for Auckland Transport's car parks are getting the green light from customers. Green/red light sensors that show what spaces are available are also finding favour by making the parking process faster and simpler. Customer-friendly reminder notices for registration and WOF expiry are also being issued.

The guidelines for monitoring bus and high-occupancy lanes were also reviewed this year to make them fairer, easier to understand and more consistent across the region. See page 65.

ROAD SAFETY CAMPAIGNS COVER THE COMMUNITY

A range of road safety campaigns rolled out contributing towards a record low level of fatal and serious crashes across Auckland in 2010. The Check Before You Step pedestrian safety campaign made a positive impact on pedestrian attitudes in town centres, and ongoing safe cycling campaigns ran throughout summer and winter. The Make It A Good One, Make It Home campaign targeted young drink/drivers, while the Slow Down Around Schools campaign built on the success of school travel plans in reducing pedestrian injuries around schools. See page 30.



Deputy Mayor Penny Hulse and Community Transport Manager Matthew Rednall launching the Check Before You Step campaign

FUTURE DIRECTIONS

LOOKING AHEAD: AUCKLAND TRANSPORT'S STRATEGIC DIRECTION

As New Zealand's largest urban centre, Auckland is vital to national prosperity and economic growth. A high-quality transport system that offers realistic options and demonstrates value for money is essential to the performance of Auckland's economy and Aucklanders' way of life. With the region's population projected to increase to around 2.2 million people by 2051, Auckland Transport must ensure that the transport system is able to accommodate that growth in an affordable way.

As a delivery-focused organisation, a key priority for Auckland Transport over the next year and beyond will be the timely completion of the many significant projects that are highlighted in this report. Auckland Transport is also looking to the region's longer term transport needs, and how best to provide for them. We are:

- Working closely with the Auckland Council on the first Auckland Plan, which will include a long-term vision for how the transport network needs to be developed to serve the needs of a growing Auckland
- Continuing to take a lead role in planning and route protection for the key transport connections which the

Mayor has identified as critical to Auckland's future development, including the City Rail Link and rapid transit links to Auckland Airport

- Working with the NZ Transport Agency to advance the planning and route protection for an additional Waitemata Harbour crossing, with provision for all modes of transport.

Having inherited transport assets and management systems from seven road-controlling authorities, an important focus for Auckland Transport in the next year will be to continue working towards a single network approach for planning and developing Auckland's transport system. This will involve implementing more consistent levels of service across the region and more closely integrated management across transport modes. For example, our approach to parking management will be more closely aligned to decisions on the future development of public transport and roading networks.

A structured system for prioritising the 2011/2012 capital programme has already been established and funding continues to be an important challenge that Auckland Transport will need to address. A key project for 2012 is to complete the Regional Land Transport Programme, which will set out the funding required to maintain and develop the transport system over the next decade.



Model of the entry to an underground rail station at Albert Street, proposed as part of the City Rail Link

DIRECTORS' PROFILES



Mark Ford CNZ

CHAIRMAN

Mark Ford is Chief Executive of Watercare Services Ltd. His previous roles include Executive Chair of the Auckland Transition Agency, Chair of the Auckland Regional Transport Authority, Chief Executive of Auckland Regional Services Trust, Chair of the Energy Efficiency and Conservation Authority, Chief Executive of New Zealand Forestry Corporation and member of the Board of Ports of Auckland Ltd.

General disclosure of interests: Chief Executive, Watercare Services; Member, Better Public Services Advisory Group.



Philippa Dunphy

DEPUTY CHAIR

Philippa Dunphy is Chair of New Zealand Clearing and Depository Corporation Limited and Mint Asset Management, a Director of New Zealand Post and Crown Health Financing and a member of the Code Committee. Her previous roles include Executive Director, Investment Banking and Head of Debt Capital Markets for Goldman Sachs JB Were, and Head of Capital and Risk Management, Wholesale Financial Services at the Bank of New Zealand.

General disclosure of interests: Chair, Mint Asset Management; Chair, NZ Clearing & Depository Corporation; Trustee, MOTU; Board member, Crown Health Financing Agency; Board member, NZ Post; Trustee, NZ Post Superfund; Member, Code Committee.



Geoff Dangerfield

Geoff Dangerfield is the Chief Executive of the New Zealand Transport Agency (NZTA) and is a non-voting Board member appointed by NZTA. Previous roles include Chief Executive at the Ministry of Economic Development, Deputy Secretary to the Treasury in charge of Asset and Liability Management Branch, advisor on economic and fiscal strategy and Treaty settlements in the Department of the Prime Minister and Cabinet and assessing public sector resource investment and regional infrastructure projects at the Ministry of Works and Development.

He holds an MSc in resource management from the University of Canterbury.

General disclosure of interests: Chief Executive, NZ Transport Agency.



Christine Fletcher QSO

Hon. Christine Fletcher is an Auckland Councillor, Auckland Council.

Prior to entering politics she worked in South Auckland in materials, handling, manufacturing and exporting company Lees Industries.

Mrs Fletcher is a former Member of Parliament and Mayor of Auckland City. One of many projects achieved under her leadership was the Britomart Transport Centre. She is heavily involved in community projects including being founder, trustee and Chair of the Motutapu Restoration Trust, which is New Zealand's largest and most ambitious ecological restoration project.

General disclosure of interests: Ward Councillor, Auckland Council.

DIRECTORS' PROFILES



Michael Lee

A Councillor representing the Waitemata and Gulf ward, Michael (Mike) Lee is also Chair of the Transport Committee at Auckland Council. Previously he completed two terms as the Chair of Auckland Regional Council. A former ship's officer, he holds an MSc in biological sciences and is a passionate conservationist.

General disclosure of interests: Ward Councillor, Auckland Council.



Paul Lockey

Paul Lockey is a Director with significant corporate strategy and finance experience gained over 25 years, first as a consultant at McKinsey & Company, then as the CFO of Lion Nathan Ltd and most recently as Managing Director of CSL Traffic Ltd. He divides his professional time between company and not for profit directorships and managing private investments. Mr Lockey has a BCom from University of Auckland and an MBA (Hons) from Harvard Business School.

General disclosure of interests: Director, Lingerie Brands Limited.



Dr Ian Parton

Dr Parton is a professional company Director. He followed a career in consulting engineering including 15 years as Managing Director of Worley Group Ltd. (now AECOM Ltd). He is currently Chairman of Babcock Fitzroy Ltd., a Director of Skellerup Holdings and Construction Techniques Ltd., and a Councillor and Pro-Chancellor of the University of Auckland. He was Transition Chief Executive of Watercare Services leading the integration of the Auckland water industry during local government amalgamation in 2010.

General Disclosure of Interest: Chair, Babcock Fitzroy Ltd; Director, Skellerup Holdings and Construction Techniques; Councillor, University of Auckland.



Rabin Rabindran

Rabin Rabindran is a barrister and international legal consultant. His previous roles include Chair of the Auckland Regional Transport Authority, Chair of the Rugby World Cup Transport Forum, Director of Manukau Water Ltd, Tomorrow's Manukau Properties Ltd and TMPL (Flat Bush) Ltd.

General disclosure of interests: Director, New Zealand Liaoning International Investment & Development Company Limited; Chair, Singapore Chapter and member of Executive Committee, ASEAN New Zealand Combined Business Council; Trustee, Chinese Language Foundation; Director, RSR Legal Consultants Limited; Director, RSR Projects International Limited; Peer Reviewer, Ultrafast Broadband.



Mike Williams

Mike Williams is CEO of the New Zealand Howard League for Penal Reform.

He has a long history of involvement with national transport agencies including directorships of the former Auckland Regional Transport Authority (ARTA), Transit NZ and the Land Transport Agency. He also served as a Director on the NZ Railways Corporation (Ontrack).

Other directorships have included GNS Science, Genesis Energy (Deputy Chair) and he has been a trustee of the regional economic development agency Enterprise Waitakere.

He is also a former president of the New Zealand Labour Party.

General disclosure of interests: Chief Executive, Howard League for Penal Reform.

GOVERNANCE

BACKGROUND

Auckland Transport is one of six key Council-Controlled Organisations (CCO) of Auckland Council, formed as a result of the Local Government (Tamaki Makaurau Reorganisation) Act 2009. CCOs are companies or organisations in which Auckland Council controls 50 per cent or more of the votes or the right to appoint 50 per cent or more of the Directors or Trustees.

Auckland Transport's purpose is set down in the Local Government (Tamaki Makaurau Reorganisation) Act 2009, along with its statutory functions. Auckland Transport is fully empowered to act on behalf of Auckland Council in all activities assigned to it.

BOARD OF DIRECTORS

The Auckland Transport Board was established with nine members including one non-voting member appointed by NZTA. Five Directors were appointed by central government and will serve a term of one to three years with none serving longer than three years. A further three Directors are appointed by the Auckland Council to serve on the Board during their council term. For profiles of individual Directors see pages 18 and 19.

RELATIONSHIP WITH AUCKLAND COUNCIL

As a CCO, Auckland Transport is accountable to the governing body – the mayor and 20 elected councillors – which sets its objectives and monitors its performance. Auckland Transport, the governing body and local boards have a three-way relationship, which is integral to achieving the goals and objectives of all three parties. The governing body is also assisted by the CCO governance and monitoring department.

Auckland Transport's Board is accountable to Auckland Council to ensure that the organisation acts in accordance with the relevant legislation and rules, achieves performance targets and measures set out in an annually agreed Statement of Intent (SOI) and gives effect to the council's policies and plans.

Auckland Transport provides accountability and reporting through:

- The three-yearly Regional Land Transport Programme
- Annual Statement of Intent
- Annual Report
- Half-year and quarterly reports
- Formal meetings with the governing body to present the above reports
- Additional meetings and reports as requested or required.

Auckland Transport has an agreed 'no surprises' approach in its dealings with Auckland Council, keeping each other well informed at all times. The Board keeps in mind that Auckland Council has interests wider than those of ordinary shareholders in private companies, and is sensitive to the demand for accountability placed on Auckland Council from citizens, ratepayers and other bodies.

GUIDING RESPONSIBILITIES

The Board's responsibilities are to:

- Agree an annual Statement of Intent (SOI) with Auckland Council
- Actively review and direct the overall strategy of Auckland Transport
- Actively review its policies and delegations
- Obtain full and timely information
- Identify, evaluate and mitigate risks
- Establish Auckland Transport as a focused organisation with core competencies
- Manage the CEO's performance
- Establish remuneration policies and practices
- Provide leadership in relationships with key stakeholders.

APPROACH TO GOVERNANCE

The Board of Directors is committed to the highest standards of governance and business behaviour, and continues to monitor developments in both the corporate and public sector governance arena.

GOVERNANCE contd

Auckland Transport exhibits and ensures:

- 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 its key stakeholders.

BOARD MEETINGS

In general, eleven Board meetings will be held each year. Prior to its formal establishment on 1 November 2010, the board met once to ensure the transition would be as seamless as possible. The Board held its inaugural meeting in November 2010, at which an eight-month budget was presented along with the Financial Delegations Authority, which sets out policies and levels of authorities for capital and operational spending and other general matters. The SOI was agreed in February 2011.

Auckland Transport's Board is required under legislation to hold two public meetings a year before 30 June:

- When considering its draft Statement of Intent
- After 1 July each year when considering performance against its SOI.

At the inaugural meeting, Directors decided unanimously to go beyond these requirements and open all Board meetings to the public. Confidential matters, such as those with commercial sensitivities, are discussed by the Board in closed sessions.

Agendas, minutes, meeting dates and reports submitted are all available on Auckland Transport's website at aucklandtransport.govt.nz/about-us/board-members/Board-Meetings-Minutes

ATTENDANCE AT BOARD MEETINGS BY DIRECTORS

Director	No. meetings attended	Comment
Mark Ford	7	
Philippa Dunphy	6	Absent Dec 2010
Geoff Dangerfield	6	Absent Dec 2010. Had alternate attend
Christine Fletcher	7	
Michael Lee	7	
Paul Lockey	6	Absent May 2011
Ian Parton	7	
Rabin Rabindran	5	Absent Nov and Dec 2010
Mike Williams	6	Not appointed when Nov meeting took place



The nine-member Board of Directors meets monthly

GOVERNANCE contd

BOARD MEMBER REMUNERATION

	Actual 8 months to 30 June 2011 \$
The total value of remuneration paid or payable to each Board member during the period was:	
Mark Ford (Chair)	17,500
Philippa Dunphy (Deputy Chair)	44,417
Geoff Dangerfield	-
Christine Fletcher	35,000
Michael Lee	35,000
Paul Lockey	35,000
Dr Ian Parton	13,125
Rabin Rabindran	35,000
Mike Williams	30,625
Total Board member remuneration	245,667

From 1 January Mark Ford did not accept Director fees as Chair of Auckland Transport when he became Chief Executive of Watercare Services Limited.

Dr Ian Parton did not accept Director fees while he was also employed by Watercare.

Geoff Dangerfield is an NZTA appointee on the Board of Auckland Transport. Under the terms of establishment legislation he does not receive any remuneration.

Auckland Transport has provided a deed of indemnity to Directors for certain activities undertaken in the performance of Auckland Transport's functions.

Auckland Transport has effected Directors' and Officers' Liability and Professional Indemnity insurance cover during the financial year.

No Board members received compensation or other benefits in relation to cessation of their duties.

FINANCE AND RISK COMMITTEE

The committee's role is to assist the Board to fulfil its responsibilities in the areas of financial reporting and risk management and to provide assurance regarding compliance with internal controls, policies and procedures.

The committee's responsibilities are established and formalised in its Terms of Reference, which require certain skills and knowledge within the group. These include accounting or financial management expertise, governance, audit, risk management and other complementary skills such as legal expertise.

In carrying out its duties, the committee meets regularly with external and internal auditors and management.

Members of the Finance and Risk Committee, appointed by the board, are: Paul Lockey (Chairman), Mark Ford, Philippa Dunphy and Rabin Rabindran.

The Finance and Risk committee has met three times since 1 November (December 2010, January and May 2011).

ATTENDANCE AT FINANCE AND RISK COMMITTEE MEETINGS:

Director	No. meetings attended	Comment
Mark Ford	3	Present for all meetings
Philippa Dunphy	3	Present for all meetings
Paul Lockey	3	Present for all meetings
Rabin Rabindran	0	Not appointed for the December meeting, absent from the January and May meetings

GOVERNANCE contd

RISK MANAGEMENT

Auckland Transport's framework for risk identification, measurement and reporting of risks has been developed in line with the new ISO 31000 Standard, Risk Management Principles and Guidelines. The Risk and Audit function leads the development and enhancement of the framework and supports the organisation in its implementation. As a new organisation, Auckland Transport is working towards attaining a culture of understanding and managing risks.

The Risk Management Framework will undergo an external review to ensure the organisation meets good practice measures in risk management.

The Key Corporate Risks are reviewed by the committee and in turn directly monitored by the Board.

KEY RESULTS

- Established Auckland Transport's Risk Management Framework
- Completed risk assessment for the organisation as a whole (corporate risks) and individual business unit risks
- Management and committee risk reporting.

OUTLOOK

- External review of the Risk Management Framework
- Enhancement and maintenance of risk assessments and reporting
- Ongoing support to the organisation.

INTERNAL AUDIT

The Risk and Audit group within Auckland Transport provides independent and objective assurance to the Chief Executive and the Board that financial and operational controls (designed to manage risks and achieve Auckland Transport's objectives) are efficient, effective and ethical.

Risk and Audit also assists management in improving Auckland Transport's control environment. A risk-based approach is taken to designing our internal audit programme. Reviews are carried out on key internal controls and areas of high risk.

The Finance and Risk committee approved the Internal Audit Charter at its first meeting in December 2010. The charter provides the framework for conducting audits/reviews, which emphasise key values such as independence and objectivity.

The committee approves the risk and audit work programme and results of audits/reviews completed are reported to the committee. The risk and audit reports are focused on continuous improvements in internal controls.

KEY RESULTS

- Completed the quarterly work programmes approved by the committee, which include key revenue and expenditure systems and areas of probity
- Quarterly reporting to management and the committee on the status of the Internal Control Environment.

OUTLOOK

- Work programme that reflects the changing nature of risks to the organisation
- Enhancement and maintenance of key internal controls.

EXTERNAL AUDITORS

The Auditor-General is the auditor of Auckland Transport's financial statements. The Auditor-General has appointed David Walker from Audit New Zealand to undertake the external audit on behalf of her office, in accordance with the Auditor-General's Audit Standards, which incorporate New Zealand Auditing Standards.

Audit New Zealand has no relationship with Auckland Transport outside of the audit and related assurance activities it undertakes under its mandate from the Auditor-General. This satisfies the independence requirements of the Auditor-General and the Institute of Chartered Accountants of New Zealand.

The results of the audits/reviews by Audit New Zealand are reported to the Finance and Risk committee.

INSURANCE AND INDEMNITY

Auckland Transport's insurance and indemnity package has been inherited from the Auckland Council group. This package will be reviewed after April 2012, when all transition issues have been finalised.

FINANCIALS AT A GLANCE

This overview provides a brief commentary on Auckland Transport's financial performance for the eight months ended 30 June, 2011.

The decision to amalgamate all transport functions from local authority entities into Auckland Transport from 1 November 2010 has created opportunities for significant improvements in efficiency.

Auckland Transport invested \$338m against a budget of \$438m in the city's infrastructure. While this figure is under budget, it represents delivery of a wide range of projects alongside stepping through the challenges of bringing together one organisation for transport in Auckland.

FINANCIAL PERFORMANCE SUMMARY

Income and Expenditure Summary

ALL IN \$000'S	Actual 8 months to 30 June 2011	Plan 8 months to 30 June 2011
WHAT WAS RECEIVED? WHAT WAS SPENT?		
Income for capital projects	134,129	143,864
Operational funding	254,455	268,246
Other income	88,996	79,312
Total income	477,580	491,422
Expenditure on activities	517,517	488,272
(Deficit)/surplus before tax	(39,937)	3,150
New capital expenditure	171,133	308,178
Renewal capital expenditure	128,878	130,134
Vested assets	37,600	–
Total capital expenditure	337,611	438,312

FINANCIALS AT A GLANCE contd

Summary Statement of Financial Position

ALL IN \$000'S	Actual 30 June 2011	Plan 30 June 2011
WHAT DOES AUCKLAND TRANSPORT OWN AND WHAT DOES IT OWE?		
Current assets	235,457	82,392
Property, plant and equipment	12,923,619	11,995,392
Intangibles	26,712	21,542
Total assets	13,185,788	12,099,326
Current liabilities	191,732	109,379
Non-current liabilities	13,904	4,966
Total liabilities	205,636	114,345
Total equity	12,980,152	11,984,981

FINANCIALS AT A GLANCE contd

INCOME AND EXPENSES

Operating Income

Auckland Transport's actual income for the eight months was \$478m, against a planned income of \$491m. Auckland Council and the New Zealand Transport Agency are the primary sources of funding, however 27 per cent of income was received from various other sources including user charges and fees, other subsidies and interest.

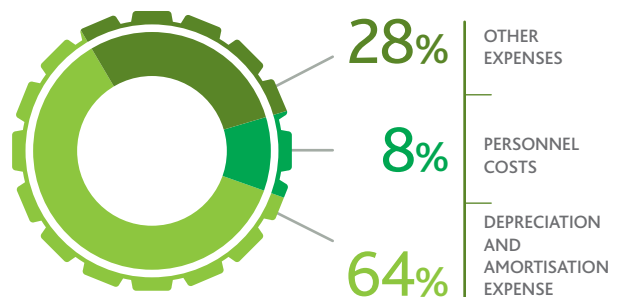
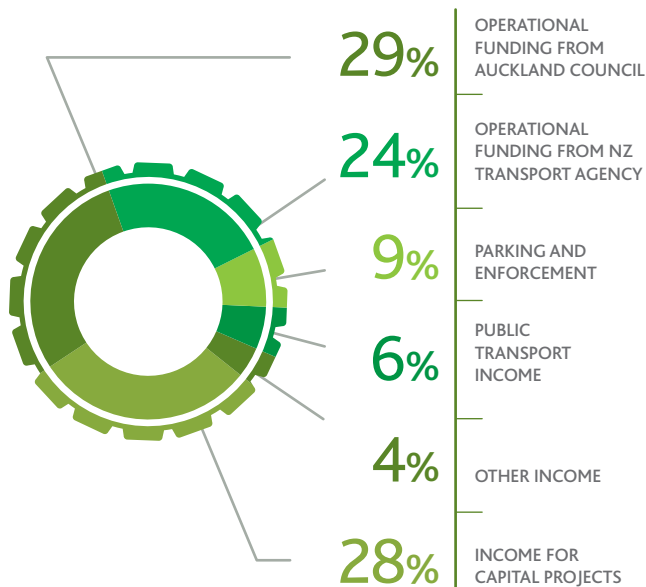
Total income was \$13.8m below plan due to reduced capital funding from NZTA of \$49.1m and reduced operational funding from NZTA of \$13.8m. This is partly offset by \$37.6m of unplanned vested asset income and additional income from public transport patronage and rental income.

New Zealand Transport Agency capital and operational funding is reduced to match Auckland Transport's reduced capital and operational spending.

Operating Expenses

Auckland Transport spent \$518m over the eight months in delivering services across the city. Personnel costs and depreciation account for 36 per cent of the total spend. Other costs totalling 64 per cent include service delivery contracts, repairs and maintenance expenses, utilities and occupancy costs and professional service fees.

Expenses were higher than the planned \$488m due to the revaluation decrement for rolling stock of \$42.8m, partly offset by planned revenue initiatives, with related costs, that did not proceed and savings on operating expenditure relating to deferred capital projects.



FINANCIALS AT A GLANCE contd

CAPITAL SPENDING

In the eight months ended 30 June 2011, Auckland Transport's investment in the city's infrastructure was \$338m – 77 per cent of budget. Some of the main capital projects include the New Lynn town centre project, Auckland

Integrated Fares System (AIFS) project, Auckland Manukau Eastern Transport Initiative (AMETI) and Lake Road project (Esmonde to Jutland roads).

Around \$65m worth of projects budgeted in 2010/11 have been carried forward to 2011/12.

Capital spending type

There are three types of capital expenditure:

New capital spending is to support the growing city and provide the infrastructure required for an increasing population. These projects accounted for 51 per cent of capital expenditure for the year.

Renewals are the replacement programme for existing assets, which made up 38 per cent of capital spending for the eight months.

Vested assets are received by Auckland Transport from developers and make up 11 per cent of capital expenditure.

Capital spending on activities

By far the largest activity for capital expenditure was roads totalling \$277m, followed by public transport at \$40m and parking operations with \$4m spent.

