

MINUTES OF THE NZ TRANSPORT AGENCY BOARD MEETING

HELD ON FRIDAY 5 AUGUST 2011 AT 9.30AM

NZTA Board Room, Level 11, HSBC House, 1 Queen Street, Auckland

Approved by the Chair	_____
Date	___/___/___

PRESENT: Chris Moller *Chair*
Patsy Reddy *Deputy Chair*
Bryan Jackson
Jerry Rickman
Alick Shaw
Tony Lanigan
Adrienne Young-Cooper

APOLOGIES: None

IN ATTENDANCE: Geoff Dangerfield *Chief Executive*
Lisa Rossiter *Acting Board Secretary & GM Strategy & Performance*
Allan Frost (Items 2,3,4,5) *GM Organisational Support*
Tommy Parker (Items 10, 15,16) *For GM Highways & Network Operations*
Dave Brash *GM Planning & Investment*
Liz Huckerby (Item 2) *GM People & Capability*
Stephen Town *Regional Director, Auckland & Northland*
Paul Helm (Items 2,3,4, 5) *Chief Financial Officer*
David Darwin (Item 10) *National State Highway Asset Manager*

INVITEES: None

The formal meeting commenced at 9.30am

1 Chairman's introduction

a. Apologies

There were no apologies.

It was noted that Colin Crampton, GM Highways and Network Operations was representing the NZTA at the funeral of Fulton Hogan Chief Executive Bill Perry in Christchurch. The Board requested that their condolences be sent to the Fulton Hogan Executive and Mr Perry's family.

b. Agenda

Chris Moller provided an overview of the meeting agenda and timetable, noting that former Board member Christine Caughey would be formally thanked for her contribution and farewelled when she joined the Board for lunch.

c. Board membership and roles

The Chairman welcomed Adrienne Young-Cooper to the Board and thanked Patsy Reddy for accepting the position of Deputy Chairman.

d. Board Committee membership

The Chairman noted the desire to update the Board Committee membership and to transition chairmanship where appropriate. The following positions were agreed to and will take effect from 1 September 2011:

Investment and Operations Committee

Alick Shaw to Chair this committee; Bryan Jackson and Tony Lanigan to remain on the committee and Adrienne Young-Cooper to join the committee.

Audit, Risk and Assurance Committee

Jerry Rickman to Chair this committee, Chris Moller to remain on the committee, and Martin Matthews (Secretary for Transport) to become a full member of the committee, subject to his acceptance of such an appointment.

Remuneration and HR Committee

Patsy Reddy to Chair this committee, and Chris Moller and Alick Shaw to remain members of the committee.

e. **Declarations of interest**

The updated Schedule of Board Member Interests was tabled and amendments from Adrienne Young-Cooper, Patsy Reddy, Bryan Jackson and Alick Shaw were noted.

In particular:

- In relation to Items 2 (part) and 16 (part), Chris Moller reminded the meeting of his governance roles with NZ Cricket Inc., the Wellington Regional Stadium Trust and the Rugby NZ 2011 Ltd.
- Adrienne Young-Cooper's Directorships of Westhaven Marina Limited and Waterfront Auckland Development Agency Limited were noted.

f. **Confirmation of the 30 June 2011 Board meeting minutes**

There were no questions or issues raised regarding the minutes. Three corrections to the minutes were agreed:

- i) Chris Moller noted that his declaration of interest in respect of Item 2 related to Wellington Inner City RoNS matters only.
- ii) Typographical errors in paras 8 and 10 were corrected.

Resolved:

That the NZ Transport Agency Board confirms the minutes of its 30 June 2011 meeting.

g. **Progress on matters arising from previous meetings**

The progress on all requested actions was noted.

h. **Report from the 30 June 2011 Investment and Operations Board Committee**

The report was noted.

i. **Report from the 6 July 2011 meeting of the NZTTL Establishment Sub-committee**

The Report was noted.

2-3 Chief Executive reports

Board papers 11/08/0544 and 11/08/0542

Key topics raised by Board members for discussion on the **Chief Executive's report** for July included Wellington Inner City RoNS, Road Safety Trust changes, the Clifford Bay proposal, establishment of the Road Maintenance Taskforce, High Productivity Motor Vehicle implementation, readiness for the Rugby World Cup and changes taking place within the Access and Use business group. The Board noted the considerable achievements the NZTA has made since its inception three years ago and congratulated management. The Board raised no additional matters with the Chief Executive.

[Patsy Reddy chaired the discussion on Wellington Inner City RoNS and Rugby World Cup readiness and Chris Moller took no part in the discussion given his roles at NZ Cricket Inc, the Wellington Regional Stadium Trust and Rugby NZ 2011 Ltd].

Allan Frost and Paul Helm presented the interim **year-end finance report**, noting the draft status of the report. The Audit, Risk and Assurance Committee will be presented with the final, audited 12 month Finance Report at its 1 September meeting.

Resolved:

Resolved:

That the NZ Transport Agency Board receives

- a. The Chief Executive's Report for July 2011; and*
- b. The draft and unaudited financial result for the 12 months to 30 June 2011*

Requested Action:

1. *That a schedule of NZTA achievements during the past three years be prepared and tabled at the next Board meeting.*

4 National Land Transport Fund cash flow and programme management

Board paper 11/08/0554

Geoff Dangerfield set the scene by explaining the current NLTP cash flow issues and the contributing factors. He then outlined the package being developed with the Ministry of Transport and the Treasury to address the issues. Confirmation was provided to the Board that current issues relate to cash flow only and do not reflect programme management issues.

Resolved:

That the NZ Transport Agency Board:

- a. *agrees with the initiatives to maintain the immediate term NLTP cash flows within the short term debt facility limit, being to:*
 - i *maintain the moratorium on new funding approvals for improvements;*
 - ii *reduce state highway expenditure; and*
 - iii *review the terms of trade for payments;*
- b. *agrees with the actions proposed to respond to short term NLTP cash flows, being to:*
 - i *explore opportunities to cover the extra costs of the Canterbury earthquakes; and*
 - ii *develop options with approved organisations to adjust their cash flow requirements.*

5 Quarterly report on borrowing

Board paper 11/08/0553

Geoff Dangerfield provided an overview of the paper, noting that quarterly reporting will be usual practice from now on and that Attachment Two requires updating to reflect recent cash flow developments.

Resolved:

That the NZ Transport Agency Board agrees:

- a. *that the conditions of the borrowing facility have been complied with for the quarter ended 30 June 2011; and*
- b. *agrees that the Chair of the Board signs the letter to the Minister.*

Setting Organisational Direction

6 Refreshing the Investment and Revenue Strategy

Board paper 11/08/0555

Lisa Rossiter (Acting GM Strategy and Performance) outlined the purpose of the Investment and Revenue Strategy and confirmed the need to update it following release of the new Government Policy Statement on Land Transport Funding.

Board members raised matters relating to better recognising the contribution public transport makes to economic growth and productivity and clarifying the detailed implications of the proposed changes to the prioritisation framework (section 4 of the strategy).

The Board was supportive of the investment signals contained within the refreshed Investment and Revenue Strategy. The key issue for the Board was the communication of those signals to stakeholders. In particular, it is essential that the context of and reasons for the investment signals are communicated very well to our partners.

Resolved:

That the NZ Transport Agency Board:

- a. adopts the following changes to refresh the NZTA Investment and Revenue Strategy to align it with the Government Policy Statement on Land Transport Funding 2012/13 - 2021/22:*
 - a.1 refine the 'strategic fit' criteria for transport activities to further prioritise investment that promotes economic growth and productivity improvement;*
 - a.2 assign higher priority to improvement projects with significant national impacts;*
 - a.3 raise the priority for road safety 'strategic fit' criteria across all activity classes;*
 - a.4 Further focus public transport, walking and cycling assessment criteria towards economic growth and productivity by improving access to employment or economic activities;*
 - a.5 amend 'effectiveness' criteria to explicitly assess the importance of national strategies, programmes and plans;*
 - a.6 introduce cost-effectiveness benchmarking for maintenance, operations and services in the economic efficiency assessment criteria; and*
 - a.7 change the prioritisation process to place greater emphasis on the effectiveness criteria in the overall assessment of proposals;*
- b. agrees to delegate to the Chief Executive finalising the Investment and Revenue Strategy; and*

- c. agrees to use the refreshed Investment and Revenue Strategy to inform approved organisations of NZTA's intended investment directions, beginning in August 2011.*

7 2012 National Land Transport Programme: initial activity class allocations

Board paper 11/08/0548

Dave Brash (GM Planning and Investment) led the discussion and explained the process and rationale for proposing activity class allocations to inform NLTP development. The Chairman sought assurance that the numbers had been stress-tested and emphasised the importance of managing stakeholder expectations, especially in relation to revenue and the potential impacts of declining revenue. Board members also asked questions about where the greatest changes were and discussion on road maintenance, public transport and local infrastructure ensued.

The Board supported the approach outlined in the paper and emphasised the importance of ensuring the NZTA undertakes excellent stakeholder communication on this issue (and associated issues concerning investment direction).

Resolved:

The NZ Transport Agency Board notes the proposed activity class allocations for the 2012 National Land Transport Programme.

8 Proposed changes to Funding Assistance Rates for the 2012 National Land Transport Programme

Board paper 11/08/0556

Lisa Rossiter (Acting GM Strategy and Performance) explained the background to the current FAR review, the process followed to date and provided an overview of submissions received on the proposed Funding Assistance Rate (FAR) changes. Each proposed change was considered in depth by the Board, with discussion covering the reasons for the proposed changes, options to transition the changes, the likely impacts on affected parties and the views of affected parties, the rationale for focusing on selected FARs in Phase One, consistency with the new Government Policy Statement, linkages with the Investment and Revenue Strategy and proposed NLTP activity class allocations.

The Board deferred a decision on the administration grant (W/C 001: regional land transport planning management) to allow more time to discuss implications with affected parties and develop alternative approaches.

The importance of ensuring that the Board's continued focus on improving value for money in fiscally restrained times was clear in stakeholder communications was emphasised, as was NZTA's role in implementing the direction and priorities set out in the Government Policy Statement.

Resolved:

That the NZ Transport Agency Board agrees to make the following changes to funding assistance rates for the 2012-15 National Land Transport Programme:

- a. Reduce the funding assistance rate for the 'passenger transport facilities and operations maintenance work category' (W/C 514) from 60% to 50% (to be gradually phased in over a 10 year period beginning with 59% from 1 July 2012);*
- b. Reduce the funding assistance rate for the 'public transport infrastructure work category' (W/C 531) from 60% to 50% (beginning on 1 July 2012 for all new proposals);*
- c. Adjust the funding assistance rate for 'transport planning and studies work category' (W/C 002) from 75% to the construction funding assistance rate (for territorial local authorities) and the weighted average construction funding assistance rate (for regional councils); and*
- d. Adjust the funding assistance rate for 'road safety community programmes work category' (W/C 432) from 75% to the construction funding assistance rate (for territorial local authorities) and the weighted average construction funding assistance rate (for regional councils).*

Requested Action:

2. *That the resolution of proposed changes to the administration grant be presented as a recommendation to the Board.*

9 **Auckland Funding Assistance Rate (FAR) variation**

Board paper 11/08/0551

Stephen Town (Regional Director, Auckland and Northland) explained the package that has been developed by NZTA and Auckland Transport, and emphasised the mutual benefits of the package. Those benefits include programme certainty for Auckland Transport and continued progress on major highway projects in the region.

Board members commended the Regional Director and his team for this initiative, noting the relationships Stephen has developed with Auckland Transport and Auckland Council and that it bodes well for the future.

Continuing the theme of the importance of good communication, the Board sought confirmation that careful consideration was being placed on how this variation would be communicated from all agencies (NZTA, Auckland Transport and Auckland Council).

Resolved:

That the NZ Transport Agency Board agrees in principle to a Funding Assistance Rate variation for Auckland Transport from 2011/12 to 2014/15 subject to final approval of both the agreement and detailed cash flow by the Chief Executive.

10 **Draft State Highway Asset Management Plan**

Board paper 11/08/0547

Bryan Jackson (Chair, Investment and Operations Committee) outlined the Committee discussion in June on the Draft State Highway Asset Management Plan and confirmed the paper was consistent with that discussion.

The Board emphasised the importance of good communication on the plan to ensure the rationale for the approach is communicated clearly and stakeholder expectations are managed well.

Resolved:

That the NZ Transport Agency Board:

- a. endorses the State Highway Asset Management Plan's direction to propose a programme with a 'balanced to good safety' focus for investment, into the discretionary elements of the State Highway improvement programme;*
- b. agrees to submit a State highway programme with the endorsed direction to Regional Transport Committees, noting that each Regional Transport Committee and the NZTA, may amend that programme when adopting its Regional Land Transport Programmes and the 2012/15 National Land Transport Programme respectively; and*
- c. delegates the composition of the final details of the programme to be submitted to each Regional Transport Committee to the Chief Executive.*

Other decision items

11 Operating and pricing principles for National Integrated Ticketing

Board paper 11/08/0549

Dave Brash (GM Planning and Investment) provided an overview of the paper. Board members sought assurance that NZTA would invest in integrated ticketing systems only at the appropriate Funding Assistance Rate.

Resolved:

That the NZ Transport Agency Board:

- a. *agrees to endorse the operating principles, summarised as follows, to guide NZTA's approach to the National Integrated Ticketing Programme (NITP);*
 - i. *Customers will have integrated ticketing options that are accepted on all regional modes of public transport;*
 - ii. *NZTA will lead the NITP to drive improved public transport effectiveness and maximise value for money by: developing and maintaining the National Integrated Ticketing Interoperability Standards (NITIS), certifying ticketing equipment against the NITIS, providing stewardship of public transport data and establishing New Zealand Transport Ticketing Limited (NZTTL);*
 - iii. *NZTTL will own and maintain the ticketing Central System to provide processing and management of public transport information;*
 - iv. *NZTA will only fund new or significantly upgraded integrated ticketing systems at the appropriate Funding Assistance Rate that comply with the NITIS. Public transport operators' fare collection equipment will be connected to a central processing system operated by a neutral party (not a transport operator); and*
 - v. *Regional Councils will maintain control of key elements such as fare structures, float and topology data. Where they procure ticketing equipment this will be done through open competitive procurement procedures and will use the national Central System for data processing (unless an alternate central system is justified with a business case).*
- b. *agrees to endorse a marginal costing approach to capital cost recovery and pricing for the services provided by the NZTA subsidiary NZTTL; and*
- c. *agrees that NZTTL will further develop in its business plan a marginal costing approach to capital cost recovery in pricing its services reflecting the different services and levels of service that regional ticketing systems will require.*

12 Establishment of NZ Transport Ticketing Ltd

Board paper 11/08/0550

Dave Brash (GM Planning and Investment) introduced the paper and advised that a legal review subsequent to the Board papers being distributed had identified minor necessary changes to the Constitution. The Board agreed that these changes be made.

The Chairman noted the importance of the Board considering a draft business plan for NZTTL, and Dave agreed to provide this in early 2012.

Resolved:

That the NZ Transport Agency Board:

- a. agrees to create New Zealand Transport Ticketing Limited, as a subsidiary company of the New Zealand Transport Agency, subject to written notice to Responsible Ministers under the Crown Entities Act 2004 sec 96 (b);*
- b. agrees to appoint the NZTA Chief Executive as the initial director of New Zealand Transport Ticketing Limited; and*
- c. agrees to approve the attached draft constitution for New Zealand Transport Ticketing Limited (incorporating necessary minor amendments identified by NZTA legal review).*

Requested Action:

3. *That the draft Business Plan for NZTTL to be tabled be presented to the Board as soon as possible.*

Reviewing performance against plans and targets

13 Road safety advertising: external effectiveness evaluation

Board paper 11/08/0545

Lisa Rossiter (Acting GM Strategy and Performance) provided an overview of the paper and noted that the econometric review and value for money assessment of the NZTA's National Road Safety Advertising programme were now complete.

The Board was pleased with the review undertaken by Professor Max Cameron from Monash University and Charles Sullivan from MartinJenkins Ltd, and noted that the calculation of a marginal benefit cost ratio of four was a good step forward.

The Board discussed the importance of alignment of regional road safety advertising and community road safety activities with national programmes to deliver improved value for money. It was agreed this is an area requiring focus in 2011/12.

Resolved:

The NZ Transport Agency Board receives the findings of the full review of the National Road Safety Advertising Programme undertaken by independent experts, and in particular the calculation of a marginal benefit cost ratio of four for the overall programme.

14 Post Implementation and lessons learnt reviews

Board paper 11/08/0557

The paper was taken as read. Dave Brash (GM Planning and Investment) answered Board member questions, noting that the outcomes from lessons learnt reviews would be integrated into Quarterly Reporting from now on.

The Chairman emphasised how important such reviews were to improving value for money and confirmed his expectation that a representative sample are reported to the Board regularly. Bryan Jackson requested that the refurbishment of the Auckland Harbour Bridge be added to the review schedule. Adrienne Young-Cooper asked whether the NZTA review process complies with the Treasury guidelines for State Owned Enterprises. While noting the guidelines are not directly applicable to NZTA, it was agreed they would be taken into account as appropriate.

Requested Actions:

4. *That the Auckland Harbour Bridge Strengthening/Refurbishment project be included in forward schedule of post implementation / lessons learnt reviews.*
5. *That NZ Treasury guidelines for such reviews be applied as applicable.*

Other items

15 Auckland Western Ring Route: Waterview Connection pre-award review

Board paper 11/08/0546

Tommy Parker (State Highways Manager, Auckland and Northland) updated the Board in preparation for the Special Board Meeting on 17 August.

16 General business for July 2011

Board paper 11/08/0543

Board members discussed the following items in the general business report: Lyttleton Tunnel Control Building, Christchurch RoNS (Western Corridor Project), and the State highway property portfolio. The Board expressed a desire to see more proactive management of the NZTA property portfolio and discussed whether an independent review would be beneficial. The Chief Executive agreed to relook at the previous comprehensive review undertaken and consider options.

Requested Actions:

6. *That the Chief Executive assesses the benefits of commissioning a third party review of the property portfolio, taking into account the earlier review.*

17 Board General Business

Verbal discussion

The Board discussed committee membership and the forward meeting arrangements. The revised Committee membership is set out in Item 1(d) above.

The formal meeting concluded at 2.10pm and was followed by the Remuneration and HR Board Committee meeting.