

MINUTES OF THE NZ TRANSPORT AGENCY BOARD MEETING

HELD ON THURSDAY 5 MAY 2011 AT 8.30AM

NZTA National Office Board Room, Level 2, Chews Lane Building 50 Victoria Street, Wellington

Approved by the Chair	_____
Date	___/___/___

- PRESENT:**
- | | |
|-------------------|---|
| Chris Moller | <i>Chair</i> |
| Garry Moore | <i>Chair (Item 2 – Wellington RoNS)</i> |
| Alick Shaw | |
| Bryan Jackson | |
| Christine Caughey | |
| Jerry Rickman | |
| Patsy Reddy | |
| Tony Lanigan | |
- APOLOGY:** None
- IN ATTENDANCE:**
- | | |
|--------------------------------|---|
| Geoff Dangerfield | <i>Chief Executive</i> |
| Ernst Zöllner | <i>Board Secretary & GM Strategy & Performance</i> |
| Allan Frost (Items 1-11, 16) | <i>GM Organisational Support</i> |
| Anne Marie Taggart (6-9) | <i>National Manager, Customer & Stakeholder Information</i> |
| Bob Alkema (3) | <i>National Manager, Investment</i> |
| Brandon Mainwaring (6-9) | <i>Chief Advisor, Trends & Performance</i> |
| Bryan Patchett (6-9) | <i>Chief Advisor, Organisational Direction</i> |
| Colin Crampton (1-11) | <i>GM Highways & Network Operations</i> |
| David Silvester (1-11, 13, 19) | <i>National Manager, Planning</i> |
| Ian Gordon (1-11, 18) | <i>GM Access & Use</i> |
| Kaye Clarke (15) | <i>State Highway Manager, Hamilton</i> |
| Kim Burton-Wood (10) | <i>National Manager, P&I Business Improvement</i> |
| Liz Huckerby (1-11, 17) | <i>GM People & Capability</i> |
| Paul Helm (3, 4, 10, 11) | <i>Chief Financial Officer</i> |
| Philip Berry (3, 4, 10, 11) | <i>Manager, Financial Reporting</i> |
| Mark Yaxley | <i>Regional Manager, P&I Christchurch</i> |
- INVITEES:** None

The formal meeting commenced at 8.45am.

1 Chairman's introduction

a. Apologies

All Board members were present for the meeting, and Jerry Rickman made his apologies for having to leave the meeting early at 2pm.

b. Agenda

Chris Moller provided an overview of the meeting agenda and timetable. It was agreed to consider Items 6-9 (Statement of Intent) as a whole, and to spend at least an hour on the budget review presentations (Item 10).

c. Declarations of interest

The updated Schedule of Board Member Interests was tabled and noted.

- In relation to Item 2, Chris Moller reminded the meeting of his governance roles with NZ Cricket Inc. and the Wellington Regional Stadium Trust.
- Bryan Jackson informed the meeting that he is no longer a Board member of Kiwi Rail Holdings Ltd.
- As a general comment, Christine Caughey reminded the meeting that she was an Auckland City Councillor between 2004-2007.

d. Confirmation of the 31 March 2011 Board meeting minutes

There were no questions or issues raised regarding the minutes.

Resolved:

*That the NZ Transport Agency Board **confirms** the minutes from its 31 March 2011 meeting.*

e. Confirmation of the 21 April Board resolution to delegate MVR functions and powers to staff

There were no questions or issues raised regarding the minutes.

Resolved:

*That the NZ Transport Agency Board **confirms** the minutes from its 21 April 2011 decision via email in accordance with Clause 14 of the Crown Entities Act 2004.*

f. Progress on matters arising from previous meetings

The good progress on all requested actions was noted.

g. **Report from the 4 May 2011 Investment & Operations Board Committee meeting**

Bryan Jackson tabled a report from the meeting and explained the background to the Committee’s recommendations.

Resolved:

That the NZ Transport Agency Board:

- a. **receives** the Summary of Submissions from the State Highway Network Classification engagement process (refer Board paper 11/05/0497);
- b. **agrees** to a review of the State highway network classification every three years as part of the development of the National Land Transport Programme; and
- c. **adopts** the finalised State highway Network Classification which incorporates the following corrections to the draft classification that was consulted on:

State Highway	Rationale for the change to the draft classification
Re-classified from ‘Regional strategic’ to ‘National strategic’	
SH2 (Melling to Upper Hutt)	Meets 3 National strategic criteria (Freight volume of more than 800 heavy commercial vehicles per day, more than 3m airport passengers annually, centres of population over 100,000 by combining the population of contiguous cities Lower Hutt & Upper Hutt)
Re-classified ‘Regional distributor’ to ‘National Strategic’	
SH78 (SH1S to Port of Timaru)	Classified as part of SH1S as short link connecting Port of Timaru to SH1S
Re-classified from ‘Regional connector’ to ‘Regional strategic’	
SH58 (Paremata to Haywards)	Meets 2 Regional strategic criteria (Freight volume more than 400 heavy commercial vehicles per day & connects Porirua & Upper Hutt, population centres more than 30,000)
SH1S (Invercargill to Bluff)	Meets 2 Regional strategic criteria (Freight volume more than 400 heavy commercial vehicles per day & Port access for freight more than 1m tonnes annually)
Re-classified from ‘Regional distributor’ to ‘Regional connector’	
SH25A (Kopu & Hikuai)	Meets the Regional connector criteria for Annual Average Daily Traffic volume (more than 3,000 vehicles per day)
SH26 (Hamilton to SH27 intersection)	Meets the Regional connector criteria for Annual Average Daily Traffic volume (more than 3,000 vehicles per day)
SH23 (Hamilton to Raglan)	Meets the Regional connector criteria for Annual Average Daily Traffic volume (more than 3,000 vehicles per day)
SH34 (Kawerau to SH2)	Meets the Regional connector criteria for Freight volume (more than 400 heavy commercial vehicles per day)
SH46, SH47, SH4 (Tohunga Junction to National Park), SH49	Meets ‘Other strategically important issues’ criteria recognising its important lifeline function as the alternate route for the Desert Road
SH56 (from Palmerston	Meets the Regional connector criteria for Freight volume (more than 400 heavy

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State Highway	<i>Rationale for the change to the draft classification</i>
North to SH57 at Makerua)	<i>commercial vehicles per day)</i>
SH71 (SH1S to Rangiora)	<i>Meets the Regional connector criteria for Annual Average Daily Traffic volume (more than 3,000 vehicles per day)</i>
SH75 (Christchurch to Akaroa)	<i>Meets the Regional connector criteria for International tourism flows (more than 20,000 travellers on the route annually)</i>
SH6 (Five Rivers to Invercargill)	<i>Meets 'Other strategically important issues' criteria recognising its important lifeline function connecting Queenstown to Invercargill</i>

2-5 Chief Executive items

Board papers 11/05/0514, 11/05/0502, 11/05/0513 and 11/05/0498

Key topics for discussion on the Chief Executive's report for April were the recovery and rebuilding of Christchurch; progress on the Wellington RoNS projects; the review on the effectiveness of national road safety advertising; and progress on Auckland integrated ticketing. The Board raised no additional matters with the Chief Executive.

[Alick Shaw chaired the discussion around the Wellington inner city RoNS and Chris Moller took no part in the discussion given his roles at NZ Cricket Inc and the Wellington Regional Stadium Trust].

The Board noted the good progress being made on the 2009–12 National Land Transport Programme and the challenges in managing cash flows in the third year of the programme. Board members sought reassurance that there is sufficient 'head room' in the cash flow forecasts.

Board members expressed their satisfaction with the March quarter progress results against the 2010–13 Statement of Intent, and again found the new report format very helpful. Members had specific questions around how the forecasted under-spend on local roads renewals will be managed, whether review of urban bus requirements takes environmental impacts into consideration, and the reasons for the noted risk of not achieving two annual performance targets.

The Board noted the nine-month finance report, and raised no concerns with the Chief Financial Officer.

Resolved:

That the NZ Transport Agency Board receives:

- a. *the Chief Executive's report for April 2011;*
- b. *the 31 March 2011 update on progress with the 2009 – 2012 National Land Transport Programme;*
- c. *the 31 March 2011 quarterly report on progress against the 2010-13 Statement of Intent; and*
- d. *the 31 March 2011 finance report covering nine month of the 2010-11 budget year.*

Requested actions:

1. *That the Board receives an update on the policy and process for releasing Board papers and minutes publicly.*
2. *That the Board receives an update on the future programming of the Christchurch Roads of National Significance.*
3. *That the Board receives a paper that sets out the NZTA's position on the role of walking and cycling within the NZ transport system.*

6-11 NZTA draft Statement of Intent 2011 –14

Board papers 11/05/0507, 11/05/0508, 11/05/0509, 11/05/0510, 11/05/0511 and 11/05/0512

The six papers relating to the draft Statement of Intent were considered as one, and the discussion was held in two segments: the first reviewed the proposed strategic direction, operating policies and service performance targets; and the second was a detailed review of the NZTA's budget for 2011-12.

The Board had already reviewed most of the material at previous meetings:

- The first drafts of the 'Statement of Strategic Intent' were considered at the March Board meetings (and the first discussion on goals and priorities for 2011-14 took place at the Board strategy workshop in early February).
- The first drafts of the 'Operational Policy Statement' and 'Statement of Forecast Service Performance' were considered at the late March Board meeting.
- Similarly, the first draft Statement of Forecast Financial Performance was considered at the late March meeting.

The Board confirmed that the changes it requested to the various first drafts (noted above) were made to its satisfaction:

- The number of service delivery performance targets have been halved.
- The Statement of Financial Performance was reduced by 17 pages.
- The 'operating policy' summaries were made more succinct.
- Points of emphasis were added to the operating environment and revenue sections.

Discussion concentrated on the elements of the Statement of Intent that were not seen by the Board at earlier meetings, including the 'key deliverables' under each of the Strategic Priority areas. Board members noted that uncertainties around the NLTF funding and the 2012/15 NLTP made the setting of meaningful 'milestones' for the RoNS programme in 2012/13 and 2013/14 particularly difficult.

The Chief Executive presented the NZTA's budget strategy, which focuses on value for money in all we do. NZTA has reduced its annual operating costs every year by realising the benefits from the 2008 merger; reducing expenditure on administrative and support services; and by holding nominal indirect costs despite an increase in the NZTA output budgets.

Four aspects of value for money were then presented and considered in detail:

- Kim Burton-Wood (Business Improvement Manager for Planning & Investment) presented the strategy and targets for reducing NZTA's costs in the planning and investment function.

- Colin Crampton (GM Highways & Networks Operations) outlined how value for money is being realised in State highway management, investigation and design.
- The success to date in reducing licensing and registration transactions costs was highlighted by Ian Gordon (GM Access & Use), who described how the particularly difficult budget challenge for 2011-12 is being met (with sharply reduced revenue in licensing) and the unfolding medium term business transformation strategy.
- Allan Frost (GM Organisational Support) presented the recent benchmarking results of the NZTA's administrative and support services, and described that the annual efficiency review is being used to seek further cost reduction opportunities within the three corporate groups but also in the indirect costs of the three operational groups.

Board members noted Management's ongoing commitment to achieving value for money and efficiency savings, and expressed support for the budget as presented.

Resolved:

That the NZ Transport Agency Board:

- a. agrees that the proposed Statement of Intent (Sol) 2011- 2014 meets all of the regulatory and compliance standards;*
- b. **adopts** the 2011-14 draft Statement of Strategic Intent, the draft Operating Policy Statement, the draft Statement of Forecast Service Performance, and the draft Statement of the Forecast Financial Performance;*
- c. **approves** the NZTA's Capital programme for the 2011-12 financial year, tabled in Appendix 2 of Board paper 11/05/0511; and*
- d. **delegates** to the Board Chair and Chief Executive the finalising of the 2011/14 Statement of Intent following the Minister of Transport's feedback.*

Requested actions:

- 4. That the small number of requested editing corrections be made to the Strategic Priority, Service and Financial Performance sections of the draft 2011-14 Statement of Intent.*
- 5. That the Chief Executive determines the most appropriate set of RONS programme milestones to include for 2012-13 and 2013-14 in the draft 2011-14 Statement of Intent, on the understanding that these are likely to change as NLTF revenue forecasts change and the 2012/15 NLTP is developed and finalised.*
- 6. That the Board receives advice on how the tension between the financial forecasting requirements of the Land Transport Management Act and the Crown Entities Act can be resolved in future years.*
- 7. That future NZTA budgets and reporting clarify what revenue and expenditure items are volume driven and therefore susceptible to a higher degree of fluctuation.*

Other Decision Items

12 **State Highway Network Strategy: proposed State Highway Network Classification**

Board paper 11/05/0497

This item was dealt with under the Investment & Operations Board Committee report - refer Item 1 (g) above.

13 **Review of Public Transport Funding Assistance Rates**

Board paper 11/05/0501

The Board had no questions regarding the paper, which adequately explained the progress with the review and reasons for the delay in reporting back to the Board.

Resolved:

*That the NZ Transport Agency Board **agrees** to extend the time to report back to the Board on proposed changes to some further public transport funding assistance rates from May 2011 to its August 2011 Board meeting.*

14 **Canterbury February 2011 earthquake investment and procurement reinstatement work**

Board paper 11/05/0503

Mark Yaxley (Regional Manager, Planning & Investment - Christchurch) provided an outline of the proposed assistance package and the request made by Christchurch City Council. The Board discussed the proposal at some length, testing both the cash flow risks, broader implications and confirming the NZTA's ongoing commitment to the rebuilding of Christchurch.

Resolved:

That the NZ Transport Agency Board:

- a. *approves an Emergency Reinstatement financial assistance rate for Christchurch City Council earthquake related transport reinstatement works at 75% for the period to 30 June 2015;*
- b. ***confirms*** *its delegation to the Chief Executive:*
 - i. *to approve any applications for Emergency Reinstatement funding from the approved organisations affected by the Canterbury Earthquake events of September 2010 and February 2011;*
 - ii. *to approve any further public transport related variations to procurement procedures in the Canterbury region;*
- c. ***approves*** *the use of a shared risk delivery model (Alliance) for the Canterbury reinstatement works, as required under the NZTA Procurement Manual for the use of advanced procurement models, such as the shared risk delivery model;*

- d. **approves** a variation to the 5 year maximum term for an infrastructure service contract, as required under the Procurement Manual, to a seven year term for the Canterbury Reinstatement Alliance contract; and
- e. **approves** a variation enabling Environment Canterbury to vary the service levels by more than 50% of the original contract values for public transport services contracts.

Jerry Rickman left the meeting at 2.10pm.

Quality assurance of key organisational systems, policies and processes

15 State highway property management and acquisition

Board paper 11/05/0500

The paper was well received by Board members, who commented that the series of Quality Assurance papers is both insightful and important. Board members requested further information to build on the paper and focus on the commercial and environmental aspects of the NZTA's property portfolio management.

In particular, Board members sought assurance and evidence that the portfolio is as small as it can be, and that current holdings are being optimised in terms of returns. In relation to this request, Board members wish to receive:

- a (realistic) market assessment of the value of the portfolio
- an update on the revenue that could be realised through disposals over time
- the income that is being received from the management/leasing of properties, and evidence that this is at an appropriate and acceptable level
- an assessment of the portfolio according to the time it has been in NZTA/public sector ownership and the reasons For any long term ownership of property
- how the NZTA measures its success in property management and acquisition.

Board members also requested a discussion on the urban design and environmental standards which apply to the NZTA property portfolio ie whether NZTA properties are being maintained and presented to standards that are acceptable within the particular local context.

Requested action:

- 8. *That a follow up paper on State highway property management and acquisition be presented to the Board that responds to the discussion at the 5 May meeting.*

16 **Corporate office accommodation, acquisition and management**

Board paper 11/05/0499

The Board found the paper informative and Allan Frost (GM Organisational Support) answered a number of questions in relation to specific lease terms and accommodation arrangements, in particular where the NZTA staff are still located in different buildings in the same cities. The Board expressed its comfort with the current average level of office space per FTE.

17 **NZTA Employee engagement programme**

Board paper 11/05/0504

Again, the Board found the paper helpful and noted that the results of the 2011 staff engagement survey will be reported to the Board at its June meeting.

18 **Operator Rating System**

Board paper 11/05/0505

The Board noted the paper and had no further questions and concerns regarding this service delivery area.

Influencing sector directions

19 **Regional Transport Planning: update on status and plans**

Board paper 11/05/0505

Board members confirmed that the approach to national and regional land use and transport planning set out in the report reflects what was agreed at the February Board strategy workshop. Board members had questions around the nature of the 'national planning stock take' and noted that an update on the Auckland Spatial Plan will be provided at the June Board meeting.

Other updates and general business

20 **General business for April 2011**

Board paper 11/05/0496

The media and projects updates were noted by the Board, and the only area of specific questioning and discussion was around progress on integrated public transport ticketing in Auckland. Board members raised no items of general business.

The meeting concluded at 3.30pm.