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AUCKLAND TRANSPORT STATEMENT OF INTENT 2013/14 – 2015/16

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1. INTRODUCTION

This Statement of Intent (SOI) sets out Auckland Transport's strategic approach and priorities for the next three years.

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

- Auckland Transport's legislative purpose;
- The vision, outcomes, strategic directions and priorities set out in the Auckland Plan; and
- The Mayor's Letter of Expectation.

1.1. Auckland Transport's functions and obligations

Auckland Transport is a council-controlled organisation (CCO) of Auckland Council. It was established on 1 November 2010 under section 38 of the Local Government (Auckland Council) Act 2009. Its statutory purpose is "to contribute to an effective and efficient land transport system to support Auckland's social, economic, environmental, and cultural well-being".

Auckland Transport is responsible for the planning, development and management of all of the Auckland region's transport system (excluding the State highways and railway corridors) – including roads and footpaths, to cycling, parking and public transport.

A diagram setting out Auckland Transport's strategic planning context is provided at **Attachment A**. This highlights the statutory processes that Auckland Transport is required to adhere to.

1.2. Auckland Transport's partnership with Auckland Council

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

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

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

2. STRATEGIC DIRECTION

A high-quality transport system is essential to the performance of Auckland's economy and its residents' way of life. As Auckland grows, Auckland Transport must ensure that the transport system remains efficient and facilitates that growth in an affordable way.

2.1. The Auckland Plan

The Mayor's vision for Auckland, as expressed in the Auckland Plan, is for Auckland to become the world's most liveable city. In order to achieve that, the Plan identifies seven outcomes, including the following that are directly influenced by the transport system:

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

The Auckland Plan also includes six "transformational shifts", including the key transport-related shift: "*Move to outstanding public transport within one network"*. A number of strategic directions from the Auckland Plan are also of particular relevance to Auckland's transport system.

Auckland Transport must also take into account the Auckland Plan principles, particularly those related to land use and transport, good design, and the environment; and the Plan's target to achieve a reduction in greenhouse gas emissions.

2.2. Auckland Transport's outcomes framework

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

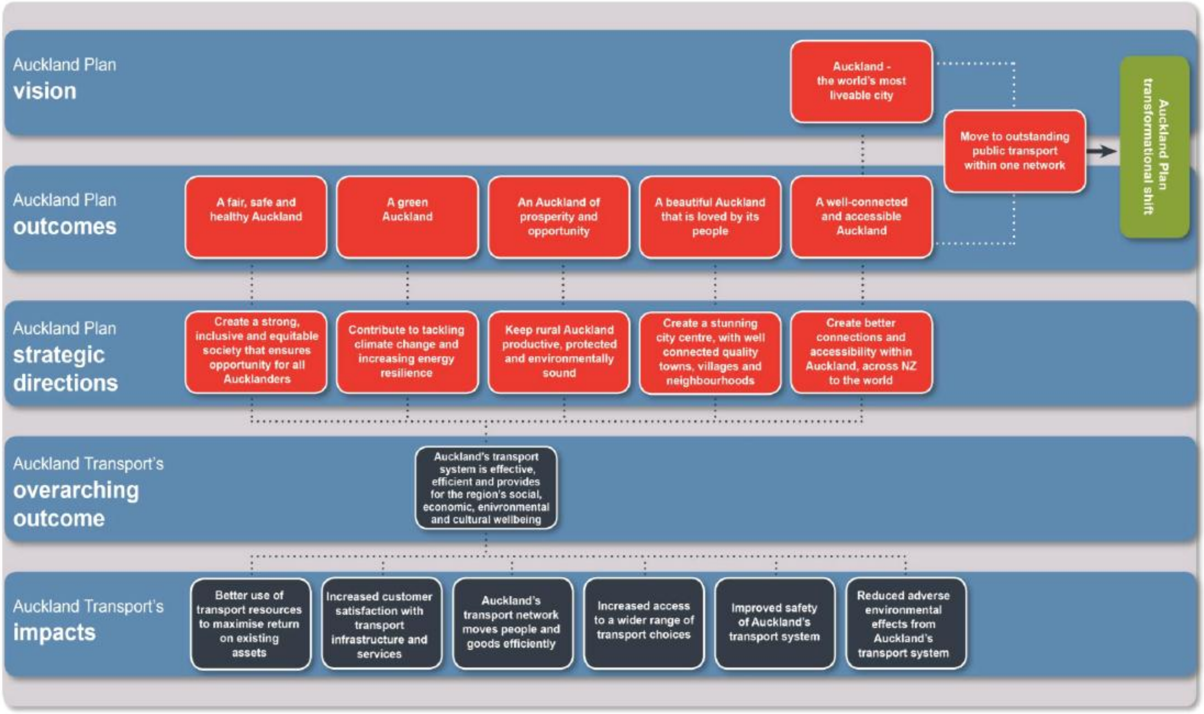
Such a transport system will enable Aucklanders to travel to work efficiently, engage in recreation and leisure activities, socialise with friends and family, and undertake business activities in a cost-effective way, thereby enhancing Aucklanders' quality of life, and contributing significantly to Auckland's "liveability".

Figure 1 illustrates Auckland Transport's outcomes framework which forms the basis of Auckland Transport's strategic direction over the next three-years. It illustrates the linkages between the vision, outcomes and strategic directions in the Auckland Plan (shown in red), and Auckland Transport's own overarching outcome and impacts (shown in blue).

The outcomes framework identifies the following impacts that Auckland Transport aims to achieve over the coming three years. These are described in more detail in **Attachment B**.

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

Figure 1: Outcomes Framework



2.3. "One system" approach

Auckland Transport has worked in partnership with the New Zealand Transport Agency (NZTA) to develop a "one system" approach, which is designed to improve the connectivity and integration of the Auckland transport system. The "one system" approach ensures that:

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

To give effect to the "one system" approach, Auckland Transport has developed an Integrated Transport Programme (ITP) with the Auckland Council and NZTA. The ITP enables projects critical to Auckland's transport needs to be identified, planned, funded and implemented in a coordinated and strategic manner.

The ITP also recognizes the important funding relationship that exists between Auckland Transport, NZTA and the Auckland Council. Effective coordination with NZTA will, therefore, help to maximise the amount of funding available for investment in Auckland's transport system, and to maximise the return on that investment.

3. NATURE AND SCOPE OF ACTIVITIES

Auckland Transport undertakes a wide range of activities associated with the planning, development and management of the Auckland transport system. These activities include:

- Transport planning
- Investigation, design, and development of infrastructure
- Asset management
- Road corridor operations, access management and maintenance
- Public transport services and facilities management
- Parking management and enforcement
- Community transport activities

3.1. Programme of Action

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

The Programme of Action has been grouped into four categories that correspond to the transport priorities of the Auckland Plan. The projects within each of the four categories have been sourced from the key strategic projects outlined in the Auckland Plan, Auckland Council's Long Term Plan, the Auckland Regional Land Transport Programme, and the strategic priorities identified in the Mayor's Letter of Expectation to Auckland Transport.

It should be noted that the Programme of Action only lists the major projects and priorities over the three-year period covered by this SOI. Auckland Transport will be also carrying out other complimentary projects and initiatives during that timeframe.

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

    a. work with the New Zealand Transport Agency to develop and manage State highways and regional arterial roads as one network
    b. coordinate School, Tertiary, Area, and Workplace Travel Plans
    c. extend signal optimisation on the arterial road network
    d. improve the real time public information system

2. **Integrate transport planning and investment with land development**:

    a. complete route protection for the long-term Rapid Transit Network, including:
        i. City Rail Link
        ii. South-west Multi-Modal Airport Rapid Transit project
    b. in conjunction with ACPL, secure the necessary properties for the City Rail Link
    c. progress transport investment to support development in the Northern Strategic Growth Area
    d. work with NZTA and Auckland Council on land use planning and transportation issues in order to inform route protection processes for the additional Waitemata Harbour Crossing
    e. work with NZTA to advance planning for the East/West Connection (linking SH1 to SH20 around Neilson Street)
    f. progress development of the Harbour Edge Strategy, including Quay Street and Tamaki Drive

3. **Prioritise and optimise investment across transport modes**

    a. complete the roll-out of integrated transport ticketing
    b. complete the Panmure (package 1) of the Auckland-Manukau Eastern Transport Initiative (AMETI); and commence package 4 (Pakuranga-Ti Rakau & Reeves Road),

and package 2 (Sylvia Park bus lanes)

c. commence the Dominion Road corridor upgrade project
d. complete local road improvements associated with SH20 Waterview and SH16 upgrades, including:
    i. Tiverton Road to Wolverton Street improvements
    ii. Te Atatu Road
    iii. Lincoln Road
e. implement other major local road improvements, including:
    iv. Albany Highway upgrade and widening
    v. Mill Road corridor upgrade
    vi. Whangaparaoa Road upgrade (Hibiscus Coast to Red Beach)
    vii. Flatbush to Manukau City Centre bus priority improvement
    viii. Murphy's Road bridge improvement
f. bring the new electric train fleet into service, and manage transition of the diesel fleet
g. complete rail station upgrades on the electrified network, including the new Parnell station
h. undertake ferry terminal upgrades, including:
    ix. Half Moon Bay
    x. Downtown
    xi. Devonport
i. procure new performance based bus and ferry service contracts under a new Public Transport Operating Model legislative framework
j. commence the staged implementation of the new public transport network structure in the Regional Public Transport Plan, to offer a logical, intuitive and integrated public transport network, commencing with Stage 1 upgrades in South Auckland
k. continue implementation of walking and cycling initiatives
l. implement the Crash Reduction Programme

4. Implement new transport funding mechanisms:

a. contribute to Auckland Council's investigations into new transport revenue mechanisms

4. APPROACH TO GOVERNANCE

5.1. Shareholder

Auckland Transport is a council controlled organisation (CCO) of the Auckland Council. The Council is Auckland Transport's sole shareholder.

5.2. Board of Directors

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

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

In undertaking its activities, the Board will:

- Ensure sound business practice in its commercial undertakings;
- Use sustainable business practices;
- Act in accordance with the principles of the Treaty of Waitangi;
- Ensure ethical and good behavior in dealing with all parties;
- Act as a good employer, and exhibit a commitment to social and environmental responsibility;
- Take an open and transparent approach to decision-making, while respecting the need for commercially sensitive information to be protected; and
- Take an active partnership approach with Auckland Council and key Auckland Council Group stakeholders.

The Board will also:

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

5.3. Board meetings

Auckland Transport will take an open and transparent approach to decision-making, while respecting the need for commercially sensitive information to be protected. It will make provision for the public to attend Board meetings, but will reserve the right to consider matters in confidence where they deal with commercially sensitive matters, or where necessary to adhere to the "no surprises" communication policy with the Council.

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

- A meeting to consider the Council's shareholder comments on the draft SOI for the following financial year (to be held in June each year); and

- A meeting to consider Auckland Transport's performance under its SOI in the previous financial year (to be held in August each year).

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

5.4. Engagement with the Governing Body

Auckland Transport is committed to working closely with the Auckland Council towards the achievement of regional outcomes. Auckland Transport will respect Auckland Council's roles and responsibilities and ensure that there is a mutual sharing of information by adopting a no-surprises approach to communications.

Auckland Transport will ensure that the Auckland Council is kept informed in advance of any matters that may be contentious in the public arena. Auckland Transport will also ensure that its actions give effect to the Auckland Plan and the Long Term Plan, and will act consistently with the shareholder's Accountability Policy and the Shareholder Expectation Guide.

Auckland Transport will provide regular reports on its performance to Auckland Council. This will include quarterly progress reports to the Governing Body on this SOI, including progress towards the implementation of the Programme of Action outlined in section 3, the non-financial performance targets outlined in section 5.1, and the financial performance against the budget in section 5.2. The quarterly and half-yearly reports will be provided not later than two months after the end of the period to which they relate.

An annual report will be provided to Auckland Council no later than 30 September each year. The annual report will include audited consolidated financial statements for the financial year, and an auditor's report on those financial statements and the performance targets and other measures by which performance was judged.

Auckland Transport will meet regularly with the governing body or relevant Council committee to formally present its quarterly, six-monthly and annual reports.

In addition to meeting these formal reporting and meeting obligations, Auckland Transport will continue to provide the Council with regular updates of progress on key issues, as required.

5.5. Engagement with Local Boards

While Auckland Transport is accountable to the Governing Body as shareholder, it also has important relationships with Local Boards. To maintain and develop these relationships, Auckland Transport will:

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

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

5.6. Maori Relations Framework

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

Auckland Transport will take into account the principles of Te Tiriti o Waitangi/Treaty of Waitangi for engagement with Maori. That includes both Mana Whenua (indigenous population made up of the iwi of Tamaki Makaurau) and Mataawaka (wider Maori population, residents and ratepayers).

Auckland Transport's Maori Engagement Framework outlines the protocols for consultation and engagement at a strategy and project level, leading towards the closer partnership envisaged by Auckland Council. It enables engagement with Mana Whenua from the inception of projects, plans and programmes through to completion.

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

- The establishment of direct relationships with the 22 iwi authorities with Mana Whenua status across the Auckland region;
- Maintaining a relationship with the Independent Maori Statutory Board;
- Approaching engagement with Maori as a partnership, with an emphasis on building relationships beyond a specific project or programme; and
- Contributing to Maori-focused outcomes identified in the Long-term Plan.

5.7. Organisational health, safety and capability

Auckland Transport is committed to building and maintaining an enduring and resilient organisation. Auckland Transport will foster a corporate culture that provides an excellent interface and strong relationships with the communities of Auckland and with Auckland Council.

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

Auckland Transport will participate in an annual staff engagement survey that is relevant to the nature of the organisation's role. If required, Auckland Transport will also take part in the shareholder's group staff engagement survey, using the shareholder's survey provider.

5. PERFORMANCE MEASUREMENT

6.1. Non-financial performance

Table 1 outlines the performance measurement framework adopted by Auckland Transport for the three-year period covered by this SOI. The performance measures included in the framework will enable Auckland Transport to demonstrate how it is achieving the impacts sought and outline the levels of service it intends to provide.

Auckland Transport will continue to work with Auckland Council to enhance its performance measurement framework, to provide mutually acceptable information on both the performance of Auckland Transport and the effectiveness of Council investment. This framework will be aligned with the performance measurement framework in the Integrated Transport Programme (ITP), which Auckland Transport has prepared in conjunction with Auckland Council and NZTA.

6.2. Financial Performance

Attachment C summarises Auckland Transport's financial projections for the three years to 30 June 2016. They include prospective summary statements of income and expenditure, funding, financial position and cashflows.

Table 1: Performance Targets 2013/14 To 2015/16[1]					
Impact	**Performance Measure**	**Recent Performance**	**Target 2013/14**	**Target 2014/15**	**Target 2015/16**
1. Better use of transport resources to maximise return on existing assets	1.1 Public transport subsidy per passenger kilometre (CPI adjusted to June 2012)	$0.27c (for year to 30 June 2012)	**$0.27**	$0.26	$0.26
	1.2 Parking: off-street occupancy rates (peak 4-hour period)	78.1% (average for Jul-Dec 2012)	**Within 80-90% range**	Within 80-90% range	Within 80-90% range
	1.3 Parking: on-street occupancy rates (peak 4-hour period)	75.8% (Average for Aug & Nov 2012)	**Within 80-90% range**	Within 80-90% range	Within 80-90% range
2. Increased customer satisfaction with transport infrastructure and services	2.1 Percentage of public transport passengers satisfied with their public transport service	83% (Nov 2012)	**No less than 83%**	No less than 83%	No less than 83%
	2.2 Percentage of residents satisfied with the quality of roads in the Auckland region	66% (Nov 2012)	**No less than 67%**	No less than 68%	No less than 69%
	2.3 Percentage of residents satisfied with the quality of footpaths in the Auckland region	63% (Nov 2012)	**No less than 64%**	No less than 65%	No less than 66%
	2.4 Percentage of residents satisfied with the quality of footpaths in their local area	64% (Nov 2012)	**No less than 65%**	No less than 66%	No less than 67%
3. Auckland's transport network moves people and goods efficiently	3.1 Arterial road network productivity[2]: % of road corridor productivity maintained or improving on key arterial routes: • Airport to CBD via Manukau Rd; • St Lukes to St Johns via St Lukes; Rd/Greenlane/Remuera Rd; • Albany to Birkenhead via Glenfield Rd; and • Henderson to CBD via Gt North Rd	50% of the corridor productivity ideal (19,000 person km/hour/lane) to be achieved on nominated key arterial routes (2012/13)	**51% of the ideal achieved**	52% of the ideal achieved	53% of the ideal achieved
	3.2 Travel times along strategic freight routes during the inter-peak (9am-4pm) for 85th percentile (i.e. 85% of trips on the route are	from SH 20 to SH 1 via Nielson St: 16 from SH 1 to SH 20 via Nielson St: 13 from Sylvia Park to East: 11	**Maintain baseline travel times for 85th percentile for**	Maintain baseline travel times for 85th	Maintain baseline travel times for 85th

[1] The focus of this SOI is on targets for 2013/14. Targets for 2014/15 and 2015/16 will be reviewed in future SOIs once updated baseline results are available

[2] Road Corridor Productivity is measured by: # of vehicles X their average speed X average vehicle occupancy by lane. Based on considerable research, Austroads (Association of Australian and New Zealand Road Transport and traffic Authorities) has issued recommendations for measuring this, based on ideal arterial road conditions. Taking these recommendations into account, an AT corridor productivity ideal has been set at: **38,000 person km, per hour, per lane** (900 vehicles travelling at an average speed of 35kph in one lane, with an average of 1.2 occupants)

	made within the travel time indicated)	Tamaki via South-eastern arterial from East Tamaki to Sylvia Park via South-eastern arterial: 12 from SH1 to SH18 via Wairau Rd: 8 from SH18 to SH1 via Wairau Rd: 8 from East Tamaki to SH1 Highbrook interchange via Harris Rd: 10 from SH1 Highbrook interchange to East Tamaki via Harris Rd: 11	**all routes except from SH1 to SH20 via Nielson St, which is to reduce by 1 minute - from 13 minutes to 12 minutes**	percentile	percentile
	3.3 Annual total public transport boardings[3]	71,088 (2011/12)	**74,378,000**	78,155,000	80,948,000
	3.4 Annual Rapid Transit Network rail boardings	10,904 (2011/12)	**11,440,000**	13,041,000	14,477,000
	3.5 Annual Rapid Transit Network busway boardings	2,280 (2011/12)	**2,456,000**	2,588,000	2,673,000
	3.6 Annual Bus network boardings excluding busway (including contracted school buses)	52,456 (2011/12)	**54,763,000**	56.627,000	57,771,000
	3.7 Annual Ferry boardings	5,447 (2011/12)	**5,719,000**	5,899,000	6,027,000
4. Increased access to a wider range of transport choices	4.1 Annual % increase in walking trips into the CBD during the morning peak	5,222 (2011/12)	**5,400**	5,500	5,600
	4.2 Annual % increase in Cycling trips throughout the region: • during the morning peak • all day	88,357 morning peak (2011/12) 791,605 all day (2011/12)	**97,200 AM peak; 871,000 all day**	106,900 AM peak; 958,000 all day	117,600 AM peak; 1,054,000 all day
	4.3 Number of morning peak (7-9am) car trips avoided through travel planning initiatives	12.271 (2011/12)	**12,800**	13,400	14,000
5. Improved safety of Auckland's transport system	5.1 Total fatal and serious injuries on local road network[4]	410 (year to Dec 2010) 365 (year to Dec 2011) Data for 2012 not yet available	**2% reduction from previous year**	2% reduction from previous year	2% reduction from previous year
	5.2 Public and customer safety and security incidents across public transport network per 100,000 passenger boardings	0.115 Incidents per 100,000 passengers	**0.0925**	0.090	0.090

[3] Subject to NZTA approving the investment profile to align with the Auckland Council investment profile for the next 3 years.
[4] The figures for fatal and serious injuries are reported on a calendar year basis. Results for 2012 will not be available until mid-2013, after this SOI is finalised.

6. ACCOUNTING POLICIES

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

Auckland Transport's accounting policies are consistent with GAAP. If Auckland Transport's accounting policies are not the same as Auckland Council policies, Auckland Transport will provide further information to Auckland Council for group consolidation purposes if required.

A statement of Auckland Transport's accounting policies is provided in **Attachment D**.

7.1. Ratio of equity to total assets

Auckland Transport's ratio of equity to total assets (as at November 2012) is as follows:

Equity	$14,148,420,000
Total assets	$14,522,929,000
Ratio of shareholder funds to total assets	97%

Notes:
- Equity is the total of Contributed Equity, Revaluation Reserve and Retained Earnings.
- Total Assets are defined as Net Book Value of Current Assets, Investments and Fixed Assets as disclosed in Auckland Transport's Statement of Financial Position
- The ratio of equity to total assets is equity divided by total assets

7.2. Distributions to Auckland Council

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

7.3. Commercial value of Auckland Council's investment

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

7.4. Procedures for purchasing shares in other companies

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

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

7.5. Management of strategic assets

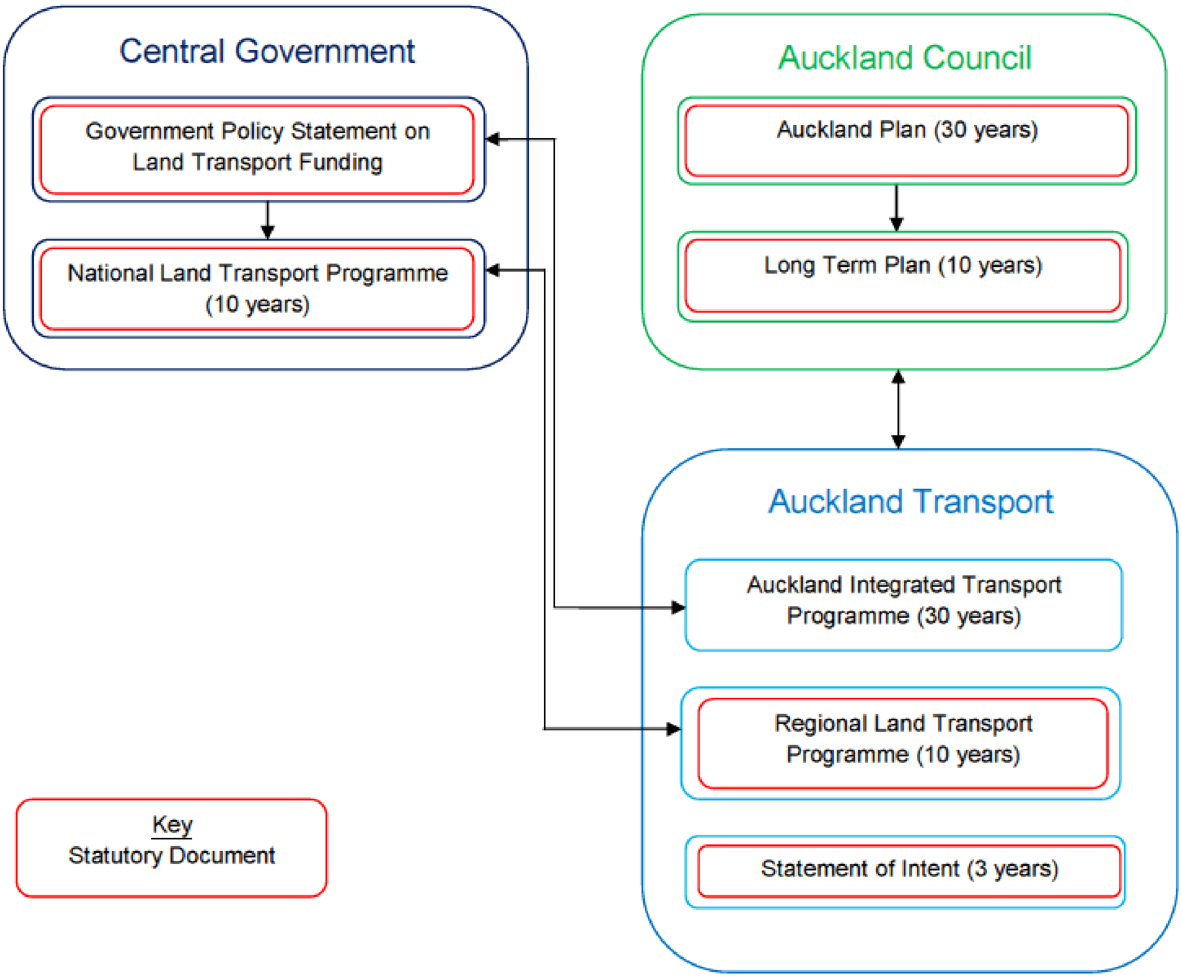
The Board will comply with Auckland Council's Accountability Policy and seek the Council's prior approval for all major transactions relating to Auckland Transport's strategic assets.

For the purposes of Auckland Council's Accountability Policy, Auckland Transport's strategic assets are defined as those that comprise elements of the roading and public transport networks that are integral to the functioning of the whole. These are as follows:

- Britomart Transport Centre;
- Rapid Transit Network;
- Regional arterial road network;
- Rail stations;
- Busway stations;
- Quality Transit Network ferry terminals.

Wherever possible, Auckland Transport will protect heritage assets in transport corridors for which it is responsible. Auckland Transport is currently working with Auckland Council to identify all Auckland Transport owned and managed heritage assets. That work forms part of a wider piece of work currently underway to produce a Heritage Asset Management Plan for all Auckland Council and CCO owned and managed heritage assets.

Attachment A: Auckland Transport's Strategic Planning Context



Attachment B: Auckland Transport's Impacts

Better use of transport resources to maximise return on existing assets
Maximising the return on existing assets delivers significant benefits and achieves value for money, ensuring that the rate-payer's dollar goes further whilst not compromising quality. Better use of resources will also contribute to reducing adverse impacts of the transport system on the environment and help contribute towards the Auckland Plan's greenhouse gas emissions reduction targets.

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

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

Increased access to a wider range of transport choices
Accessibility directly affects the region's social, economic, environmental and cultural wellbeing. Providing access to a wide range of transport options enables people to travel to work, engage in recreation and leisure activities, socialise with friends and family, and undertake business activities. Accessibility to a wider range of transport choices is also key to reducing reliance on private vehicle use. However, it is essential that those transport choices are also reliable and safe. Commuters need to regard public transport, walking and cycling as viable alternatives to using private vehicles. Increased patronage of public transport and active modes will, in turn, free up the road network for commercial trips, and provide the region with health and environmental benefits.

Improved safety of Auckland's transport system
It is essential that Auckland has a transport system that provides for the safety of all road users, public transport passengers, cyclists and pedestrians. Fatal and serious crashes carry significant and tragic social costs. In addition, road crashes lead to serious disruption on the region's road network, which in turn carries economic impacts.

Reduced adverse environmental effects from Auckland's transport system
Auckland's transport system is a large source of adverse environmental effects. Motor vehicles in particular, are a major contributor to greenhouse gas emissions. Providing residents with viable transport options (such as public transport, walking and cycling) will help reduce motor vehicle reliance in Auckland, thereby providing health and environmental benefits for the region. Moreover, this will assist Auckland Council to achieve the Auckland Plan's greenhouse gas emissions reduction targets.

Attachment C: Financial Projections

Note: Financial projections tables to be updated once budget information finalised.

Auckland Transport

Prospective summary income statement

$000	Budget 2012/13	Forecast 2012/13	Variance	Budget 2013/14	Forecast 2013/14	Variance
Income						
Funding from Auckland Council	339,296	346,296	7,000	370,649	370,233	(416)
Revenue from services	368,279	356,355	(11,924)	383,299	376,037	(7,262)
Other revenue to fund capital expenditure	119,076	158,353	39,277	158,579	174,799	16,220
Revenue from vested assets	0	588,753	588,753	0	0	0
Total income	**826,651**	**1,449,757**	**623,106**	**912,527**	**921,069**	**8,542**
Expenditure	**824,241**	**844,322**	**(20,081)**	**875,142**	**883,684**	**(8,542)**
Surplus/(deficit) before tax	**2,410**	**605,435**	**603,025**	**37,385**	**37,385**	**0**
Gains/(losses) recognised directly in equity	522,799	522,799	0	489,839	0	(489,839)
Total comprehensive income	**525,209**	**1,128,234**	**603,025**	**527,224**	**37,385**	**(489,839)**

Prospective Statement of Financial Position

As at 30 June

$000	Budget 2012/13	Forecast 2012/13	Variance	Budget 2013/14	Forecast 2013/14	Variance
Assets						
Current assets	240,000	240,000	0	240,000	240,000	0
Non-current assets	14,432,053	14,972,231	540,178	15,527,856	15,511,436	(16,420)
Total assets	**14,672,053**	**15,212,231**	**540,178**	**15,767,856**	**15,751,436**	**(16,420)**
Liabilities						
Current liabilities	**192,320**	**197,940**	**(5,620)**	**193,042**	**202,533**	**(9,491)**
Non-current liabilities						
Borrowing from parent	238,072	252,725	(14,653)	367,353	391,370	(24,017)
Other non-current liabilities	18,000	18,000	0	18,000	18,000	0
Total non-current liabilities	**256,072**	**270,725**	**(14,653)**	**385,353**	**409,370**	**(24,017)**
Total liabilities	**448,392**	**468,665**	**(20,273)**	**578,395**	**611,903**	**(33,508)**
Net assets	**14,223,661**	**14,743,566**	**519,905**	**15,189,461**	**15,139,533**	**(49,928)**
Equity	**14,223,661**	**14,743,566**	**519,905**	**15,189,461**	**15,139,533**	**(49,928)**

Attachment D: Statement of Accounting Policies

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

Basis of preparation

Statement of ompliance

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

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

Measurement base

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

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

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

Functional and presentation currency

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

Costs allocation

Cost of service for each activity was allocated as follows:

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

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

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through surplus or deficit. The new standard is required to be adopted for the year ended 30 June 2014. Auckland Transport has not yet assessed the effect of the new standard and expects it will not be early adopted.
- NZ IAS 24 Related Party Disclosures (Revised 2009) replaces NZ IAS 24 Related Party Disclosures (Issued 2004). The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. This will be applied for the first time in AT"s 30 June 2012 financial statements.

(a) Foreign currency translation

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

(b) Property, plant and equipment

Property, plant and equipment consists of:

(i) Operational assets

These include land, buildings, rolling stock, locomotive improvements, wharves, furniture and fittings, computer hardware, motor vehicles and plant and equipment.

(ii) Infrastructure assets

These include the land-infrastructure and roading infrastructures.

Land (operational)

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

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

Rolling stock includes carriages and locomotives.

Land infrastructure

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

Roading infrastructure

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

Plant and equipment

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

Initial recognition

Property, plant and equipment at the time of transition

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

Property, plant and equipment acquired after transition

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

Subsequent costs

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

Valuation of assets

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

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

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

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

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

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

Additions

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

Disposals

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

Depreciation

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

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

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

Capital works in progress

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

(c) Intangible assets

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

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

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

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

Operating leases – land

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

Computer software

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

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

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

Staff training costs are recognised as an expense when incurred.

(d) Impairment of non-financial assets

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

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

If an asset‟s carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the debit balance is recognised in the statement of comprehensive income. For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of comprehensive income.

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

(e) Financial assets

Auckland Transport classifies its financial assets in the following categories:

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

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

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

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

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

Financial assets at fair value through surplus or deficit

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

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

Available-for-sale financial assets

Financial assets at fair value through other comprehensive income are non-derivative financial assets designated in this category or not classified in the other categories. After initial recognition, they are measured at fair value. They are included in non-current assets, unless Auckland Transport intends to dispose of the asset within 12 months of year-end. Auckland Transport does not have any financial assets under this category.

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

Loans and receivables

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

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

Held-to-maturity investments

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

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

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

(f) Derivative financial instruments

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

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

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

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

Derivatives that qualify for hedge accounting

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

Cash flow hedge

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

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

Fair value hedge

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

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

(g) Inventories

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

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

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

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

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

(h) Trade and other receivables

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

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

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

(i) Cash and cash equivalents

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

(j) Equity

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

(k) Borrowings

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

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

(l) Borrowing costs

Auckland Transport has elected to defer the adoption of NZ IAS 23 Borrowing Costs (Revised 2007) in accordance with its transitional provisions that are applicable to public benefit entities. Consequently, all borrowing costs are recognised as an expense in the period in which they are incurred.

(m) Current and deferred income tax

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

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

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

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

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

(n) Provisions

Provisions are recognised when:

- Auckland Transport has a present legal or constructive obligation due to past events
- it is more likely than not that an outflow of resources will be required to settle the obligation
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

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

Organisational

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

Contractual

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

(o)Creditors and other payables

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

(p)Goods and services tax (GST) Items in the financial statements are exclusive of GST, with the exception of receivables and payables.

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

(q)Employee benefit liabilities

Short-term employee benefit liabilities

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

Long-term employee entitlements

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

(r) Revenue

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

Auckland Transport receives revenue from the following main sources:

Auckland Council grants

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

New Zealand Transport Agency (NZTA) grants

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

Traffic and parking infringement income

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

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

Fare revenue

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

Vested assets

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

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

Auckland Transport accounts for revenue for the following activities:

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

(s) Grant expenditure

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

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

(t) Leases

Operating leases

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

Finance leases

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

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