AUCKLAND TRANSPORT

STATEMENT OF INTENT
1 July 2012 – 30 June 2015

SOI CONTENTS

1. INTRODUCTION

This Statement of Intent (SOI) sets out Auckland Transport's strategic approach and priorities for the next three-years and how they contribute to the longer-term outcomes Auckland Council seeks to achieve.

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

1. Auckland Transport's legislative purpose[1];
2. The vision, outcomes, strategic directions and priorities set out in Auckland Council's Draft Auckland Plan;
3. The Mayor's Letter of Expectation; and

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.

Auckland Transport has a number of statutory obligations set out over a variety of different statutes. Auckland Transport is responsible for all of the region's transport services (excluding state highways) – from roads and footpaths, to cycling, parking and public transport.

In addition, Auckland Transport is responsible for preparing the Regional Land Transport Programme for Auckland in accordance with the Land Transport Management Act 2003.

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 (as outlined in section 3) 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.

Auckland's "One Transport System"

The "one system" approach is of particular importance to Auckland Transport's operations. The single system will improve the connectivity and integration of the transport system by ensuring that:

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

[1] Under section 39 of the Local Government (Auckland Council) Act 2009, the purpose of Auckland Transport is "to contribute to an effective and efficient land transport system to support Auckland's social, economic, environmental, and cultural well-being".

To achieve the single system, Auckland Transport must ensure effective coordination with the New Zealand Transport Agency (NZTA) and KiwiRail.

2. STRATEGIC DIRECTION

Auckland Transport's strategic environment

As New Zealand's largest urban centre, Auckland is vital to national prosperity and economic growth.

A high-quality transport system is essential to the performance of Auckland's economy and Aucklanders' way of life.

Auckland is anticipated to grow by around 1 million people by 2050 - this is 75% of New Zealand's estimated population growth. Auckland Transport must ensure that the transport system remains efficient and accommodates that growth in an affordable way.

Draft Auckland Plan

The Draft Auckland Plan (the Plan) sets out a vision for Auckland to become "the world's most liveable city by 2040" with the following six outcomes:

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

In addition, the Plan includes five "transformational shifts", one of which is: *Move to outstanding public transport within one network*. The Plan also sets out a number of strategic directions. The strategic direction of primary relevance to Auckland's transport system is to *create better connections and accessibility within Auckland, across New Zealand and to the world*.

However, the Plan also includes a number of other strategic directions, priorities and principles which are of relevance to Auckland Transport's activities and which Auckland Transport will have regard to:

- Contributing to tackling climate change;
- Building resilience to natural hazards;
- Strategic urban design principles; and
- Realising a quality compact city.

Further, Auckland Transport will have regard to the Plan's strategic direction of enabling Maori aspirations through recognition of the Treaty of Waitangi and customary rights.

Finally, Auckland Transport will assist Council to achieve the target of reducing greenhouse gas emissions by 40 per cent by 2031 (based on 1990 levels).

Auckland Transport's outcomes' framework

To align with to the strategic direction in the Draft 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.*[2]

A transport system that supports Auckland's social, economic, environmental and cultural well-being will contribute significantly to Auckland's "liveability". 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.

Auckland Transport's impacts

To deliver such a transport system, Auckland Transport has identified the following impacts that it aims to achieve over the coming three-year period:

- 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; and
- Improved transport system safety.

Better use of transport resources to maximise return on existing assets

Maximising the return on existing assets delivers impressive benefits and achieves value for money, ensuring that the rate-payer's dollar goes further whilst not compromising quality. The better use of resources will also contribute to reducing the adverse impact of the transport system on the environment and help contribute towards the Council's Auckland Plan target of reducing greenhouse gas emissions by 40 per cent by 2031 (based on 1990 levels).

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 and helping achieve Council's 2031 greenhouse gas emissions target.

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.

[2] This outcome statement is also aligned with AT's legislative purpose: *to contribute to an effective and efficient land transport system to support Auckland's social, economic, environmental, and cultural well-being* (section 39 Local Government (Auckland Council) Act 2009).

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.

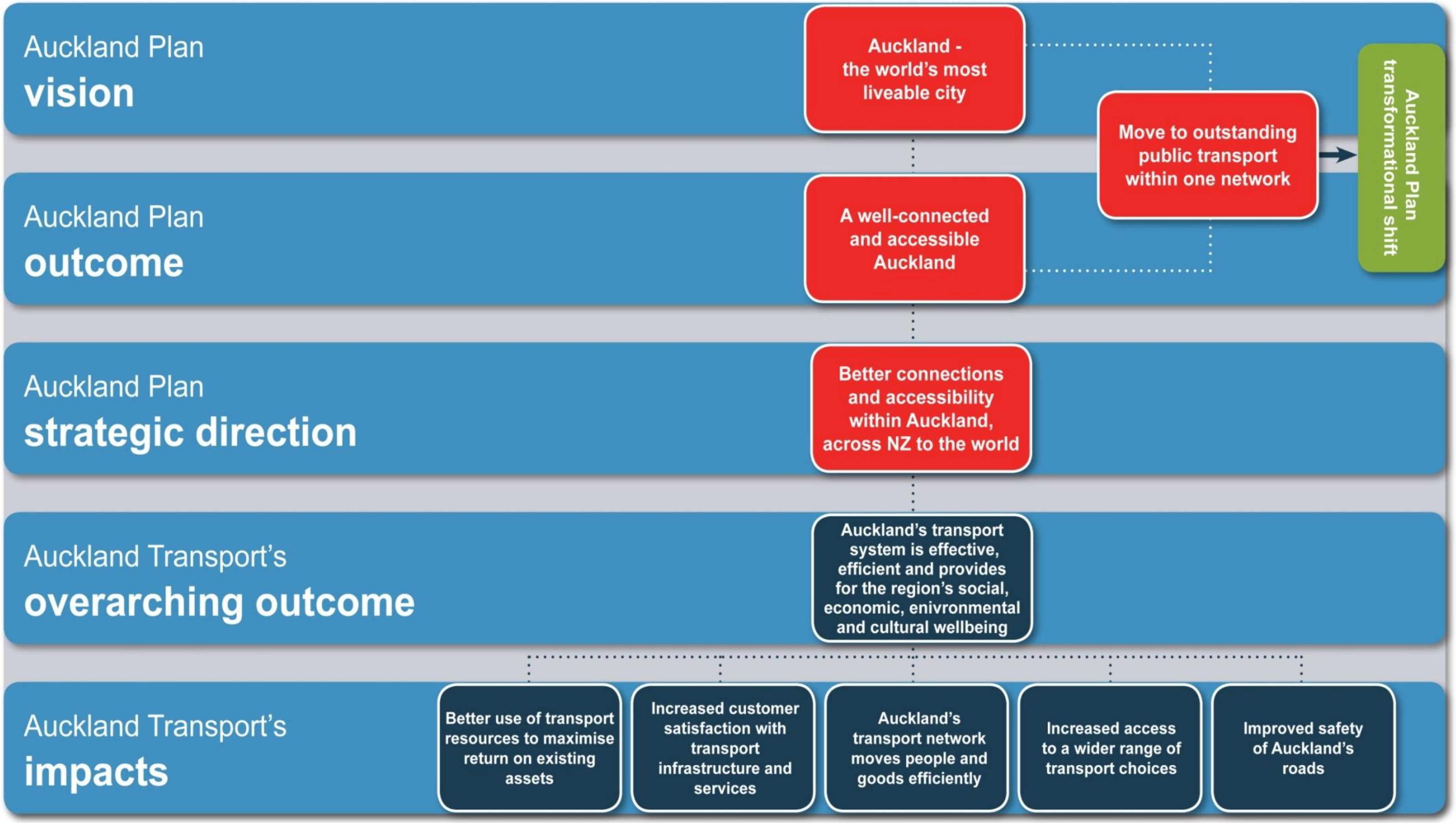
Improved transport system safety

Fatal and serious road crashes carry significant and tragic social costs. In addition, such road crashes lead to serious disruption on the region's road network, which in turn carries economic impacts. Improving the safety of the transport system will, therefore, help to provide for the region's social and economic wellbeing.

The diagram below sets out 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 and the strategic direction in the draft Auckland Plan (shown in red), and Auckland Transport's own overarching outcome and impacts (shown in blue).

Statement of Intent 2012 to 2015
Outcomes framework

Auckland Transport
An Auckland Council Organisation



3. NATURE AND SCOPE OF ACTIVITIES

Programme of Action

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

The POA has been grouped into five categories; the first four are the four priorities contained in the transport chapter of the draft Auckland Plan, the fifth has been identified by Auckland Transport.

The projects that sit within each of the five categories have been sourced from the key strategic projects outlined in the Draft Auckland Plan, Auckland Council’s Annual Plan 2011/2012 and the strategic priorities identified in the Letter of Expectation to Auckland Transport.

It should be noted that the POA lists the major projects and priorities AT will be undertaking over the three-year period covered by this SOI. AT will be carrying out other complimentary projects and initiatives during that timeframe.

1. **Manage Auckland’s transport as a single system**:
   a) working with the New Zealand Transport Agency to develop and manage the State highways and regional arterial road system as one network through mechanisms such as the JTOC
   b) School, Tertiary, Area, and Workplace Travel Plans
   c) Extending signal optimisation on arterial road network
   d) Extending the real time public information system

2. **Integrate transport planning and investment with land development**:
   a) completing investigations to determine the long-term Rapid Transit Network, including:
      i. City Rail Link
      ii. South Western Airport Multi-Modal Corridor Project (SWAMMCP) / rail to airport
      iii. Whangaparoa Road.
   b) Progress on the Northern Strategic Growth Area (NorSGA)

3. **Prioritise and optimise investment across transport modes**:
   a) integrated transport ticketing and fares
   b) local road improvements associated with SH20 Waterview and SH16 upgrades:
      i. Tiverton Road to Wolverton Street improvements
      ii. Te Atatu Road
      iii. Lincoln Road
   c) rail station upgrades on the electrified network, including the new Parnell station
   d) implementation of the Regional Land Transport Programme 2012 – 2022
   e) progress on the Panmure package of the Auckland-Manukau Eastern Transport Initiative (AMETI) – a major, multi-year project to develop integrated multimodal infrastructure between Glen Innes and the Manukau city centre
   f) ferry network extension to Hobsonville and Beach Haven
   g) ferry terminal upgrades, including:
      i. Half Moon Bay

   ii. Bayswater
   iii. Downtown
   iv. Devonport

h) progress on the Dominion Road upgrade project, which will improve bus speeds and reliability on this key link in the Quality Transit Network
i) further implementation of the New Lynn Transport Oriented Development, including transport centre and interchange
j) procurement of new performance based bus and ferry service contracts under a new Public Transport Operating Model (PTOM) legislative framework
k) review of public transport network structure to offer a logical, intuitive and integrated public transport network, and implement revised bus services across the region to establish the core and supporting services of the revised network structure
l) implementation into service of new electric train fleet and transition of diesel fleet

4. **Implement new transport funding mechanisms**:
   a) contribute to investigations into new funding mechanisms required to help finance the approximate $10-15 billion total funding shortfall for transport infrastructure projects (such as the City Rail Link and additional Waitemata Harbour Crossing)

5. **Road safety initiatives**:
   a) implementing Crash Reduction Programme
   b) reducing identified black spots

Two tables are included at Attachment A: Table A details how the four wellbeings contained in Auckland Transport's legislative purpose are achieved by Auckland Transport's impacts; and Table B depicts how Auckland Transport's impacts are achieved by the Programme of Action.

4. PERFORMANCE MEASUREMENT

I. Non-financial Performance

The following table 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.

IMPACT	PERFORMANCE MEASURE	RECENT PERFORMANCE	TARGET
Better use of transport resources to maximise return on existing assets	Public transport subsidy per passenger kilometre	$0.27	$0.27 (2012/13, 2013/14, and 2014/15) (static increasing only by Consumer Price Index)
Increased customer satisfaction with transport infrastructure and services	Percentage of public transport passengers satisfied with their public transport service	87%	No less than 87% for 2012/13, 2013/14 and 2014/15
	Percentage of residents satisfied with the quality of roads in the Auckland region	79%	No less than 75% (2012/13, 2013/14 and 2014/15)
	Percentage of residents satisfied with the quality of footpaths in: 1. the Auckland region 2. their local area	1. 76% 2. 76%	No less than 75% (2012/13, 2013/14 and 2014/15)
Auckland's transport system moves people and goods efficiently	Arterial road network productivity: % of road corridor productivity maintained or improving on key arterial routes*	Productivity has not been measured on Auckland roads before Productivity ideal: 38,000 person – km/h per lane** (38,000 people travelling at the speed limit per hour in one arterial lane)	50% of ideal (19,000 people) (2012/13) 52% of ideal (19,760 people) (2013/14) 54% of ideal (20,520 people) (2014/15)
	Travel times along strategic freight routes during the inter-peak (9am-4pm)	85% of trips are travelled within these travel times (in minutes)	Maintain travel times for 85^{th} percentile (2012/13)

<table>
<tr><td></td><td></td><td><table>
<tr><td>from SH 20 to SH 1 via Nielson St</td><td>16</td></tr>
<tr><td>from SH 1 to SH 20 via Nielson St</td><td>13</td></tr>
<tr><td>from Sylvia Park to East Tamaki via South-eastern arterial</td><td>11</td></tr>
<tr><td>from East Tamaki to Sylvia Park via South-eastern arterial</td><td>12</td></tr>
<tr><td>from SH1 to SH18 via Wairau Rd</td><td>8</td></tr>
<tr><td>from SH18 to SH1 via Wairau Rd</td><td>8</td></tr>
<tr><td>from East Tamaki to SH1 Highbrook interchange via Harris Rd</td><td>10</td></tr>
<tr><td>from SH1 Highbrook interchange to East Tamaki via Harris Rd</td><td>11</td></tr>
</table></td><td>Maintain travel times for 85th percentile for all routes except from SH1 to SH20 via Nielson St, which is to reduce by 1 minute - from 13 minutes to 12 minutes (2013/14)

Maintain travel times for 85th percentile (2014/15)</td></tr>
<tr><td></td><td>Increase in total public transport patronage</td><td>66,725,000</td><td>71,572,000 (2012/13)
76,212,000 (2013/14)
80,245,000 (2014/15)</td></tr>
<tr><td></td><td>Increase in Rapid Transit Network rail boardings</td><td>10,090,000</td><td>12,376,000 (2012/13)
14,423,000 (2013/14)
16,128,000 (2014/15)</td></tr>
<tr><td></td><td>Increase in Rapid Transit Network busway boardings</td><td>2,160,000</td><td>2,288,000 (2012/13)
2,421,000 (2013/14)
2,499,000 (2014/15)</td></tr>
<tr><td></td><td>Increase in Quality Transit Network and Local Connector Network bus boardings (including contracted school buses)</td><td>49,700,000</td><td>51,898,000 (2012/13)
54,121,000 (2013/14)
56,182,000 (2014/15)</td></tr>
<tr><td></td><td>Increase in ferry boardings</td><td>4,775,000</td><td>5,009,000 (2012/13)
5,246,000 (2013/14)</td></tr>
</table>

			5,434,000 (2014/15)
Increased access to a wider range of transport options	Increase walking trips into the CBD during the morning peak	5,298	Increase by 2% per year (2012/13, 2013/14 and 2014/15)
	Increase cycling trips into the CBD during the morning peak	853	Increase by 1% each year (2012/13, 2013/14 and 2014/15)
	Increase in number of morning peak (7-9am) car trips avoided through travel planning initiatives	8,417 (2010/11)***	8,800 (2011/12) 9,200 (2012/13) 9,600 (2013/14)
Improved transport safety	Reduction of total fatal and serious injuries on local road network.	Currently stands at 410 (year to 31 Dec 2010****)	2.0% reduction each year (years to 31 Dec 2012, 2013 and 2014)

* Airport to CBD via Manukau Rd; St Lukes to St Johns via St Lukes Rd/Greenlane/Remuera Rd; Albany to Birkenhead via Glenfield Rd; Henderson to CBD via Gt North Rd

** Baseline is based on an AUSTROADS (association of Australian and New Zealand road transport and traffic authorities) productivity formula

*** This figure is available in July each year; therefore, the figure for 2011/12 will not be available prior to the finalisation of this SOI.

**** The figures for fatal and serious injuries on the local road network for each year to are reported on a calendar year basis. The figures for the year to 31 December 2011 will be available in January 2012.

II. Financial Performance

[Section to be completed by Finance Department once figures from Draft LTP are finalised, and included for February AT Board meeting]

5. APPROACH TO GOVERNANCE

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

In undertaking its activities, the Board will ensure:

- Sound business practice in its commercial undertakings;
- Sustainable business practice;
- Act in accordance with the principles of the Treaty of Waitangi;
- Ethical and good behaviour in dealing with all parties;
- It acts as a good employer, and exhibits a sense of social and environmental responsibility;
- An open and transparent approach to decision-making, while respecting the need for commercially sensitive information to be protected; and
- An active partnership approach with Auckland Council and key Auckland Council Group stakeholders.

The Board will:

- Obtain full and timely information necessary to discharge its obligations fully and effectively;
- Actively review and direct the overall strategy of Auckland Transport;
- Actively review its policies and Delegations;
- Negotiate 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 Officer;
- Establish remuneration policies and practices, and set and review remuneration for the Chief Executive Officer, and other senior executives; and
- Provide leadership in relationships with key stakeholders.

Meetings of the Board of Auckland Transport should be consistent with the guidelines provided by the Mayor: whenever possible, the Board will hold its meetings in public, with adequate prior notice of agenda items and a list of those items to be considered confidentially for commercial and privacy reasons.

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

- One meeting will be held before 30 June each year for the purpose of considering comments from shareholders on the organisation's draft statement of intent for the following financial year; and
- The other meeting will be held after 1 July each year for the purpose of considering the organisation's performance under its statement of intent in the previous financial year.

In the year to 30 June 2012, Auckland Transport board meetings will be held to satisfy those statutory requirements on:

- 20 June 2012; and
- 19 September 2012.

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.

I. 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 or operating agreements will be made by the Directors in in consultation with Auckland Council.

Where the Special Consultative Procedure needs to be followed, Auckland Transport will work with Auckland Council prior to undertake 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 excite public interest.

II. 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.

6. ORGANISATIONAL HEALTH AND CAPABILITY

The Board of Auckland Transport is committed to building and maintaining an enduring and resilient organisation.

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.

7. 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.

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

ATTCHAMENT A – Auckland Transport Impacts

Table A.1 below details how the four wellbeings contained in Auckland Transport's legislative purpose are achieved by Auckland Transport's impacts.

Table A.1: Achievement of the Four Wellbeings by Auckland Transport's Impacts

		WELLBEINGS			
		Social Wellbeing	Economic Wellbeing	Environmental Wellbeing	Cultural Wellbeing
IMPACTS	Better use of transport resources to maximise return on existing transport assets		✓	✓	
	Increased customer satisfaction with transport infrastructure and services	✓	✓		
	Auckland's road network moves people and goods efficiently		✓	✓	
	Increased access to a wider range of transport options	✓	✓	✓	✓
	Improved transport system safety	✓	✓		

Table A.2 depicts how Auckland Transport's impacts are achieved by the Programme of Action categories of activity.

Table A.2: Achievement of Auckland Transport's Impacts by the Programme of Action

		IMPACTS				
		Better use of transport resources to maximise return on existing assets	Increased customer satisfaction with transport infrastructure and services	Auckland's transport system moves people and goods efficiently	Increased access to a wider range of transport options	Improved transport safety
PROGRAMME OF ACTION – CATEGORIES	Manage Auckland's transport as a single system		✓	✓	✓	
	Integrate transport planning and investment with land development		✓		✓	
	Prioritise and optimise investment across transport modes			✓		✓
	Implement new transport funding mechanisms					✓
	Activities aimed at improving road system safety	✓				

ATTACHMENT B - Statement of accounting policies

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

Basis of preparation

Statement of compliance

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 for the current year was completed internally with the support of specialist expertise. An independent peer review process was carried out.

The revaluation for rolling stock for the current year 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.

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. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

When a derivative is entered into hedging activity, 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.

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.

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.

Auckland Transport does not currently have cash flow hedges arising from borrowings.

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.

Auckland Transport does not currently have fair value hedges arising from borrowings.

(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.

Auckland Transport does not currently have borrowings. Under the Local Government (Auckland Council) Act 2009 Section 55, Auckland Transport must not borrow any funds without the written agreement of the Auckland Council.

(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, see note 3 for the effect of this on income.

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.