2013-2016 Statement of Intent

Recommendations

It is recommended that the board:

i. Receives this report.

ii. Approves the 2013-16 Statement of Intent (SOI) with the amendments proposed in Attachment 2.

Executive summary

The 2013-2016 Draft SOI was approved by the Board in February 2013, and forwarded to the Auckland Council (AC) for shareholder comments. AT is required to finalise the SOI by 30 June 2013.

In response to the AC's shareholder comments, and some issues raised by Audit NZ, some amendments to the SOI are proposed. Some changes to performance targets are also proposed, following a review of recent trends and expected future performance. The proposed changes, and the reasons for these, are summarised in this report.

Alignment with strategy

The SOI is a statutory requirement and needs to be finalised by 30 June 2013. At a strategic level, the SOI sets out the major actions that AT intends to undertake to contribute to the achievement of defined impacts, which in turn contribute to Auckland Plan outcomes.

Background

The Draft 2013-16 SOI was approved by the Board at its February 2013 meeting and was forwarded to the AC for shareholder comment on 1 March. The Draft was considered by the AC Controlled Organisations Strategy Review Committee on 17 April, and the AC's formal comments were conveyed to AT in a letter from the Mayor on 30 April 2013 (see Attachment 1).

The Local Government Act requires AT to consider the AC's shareholder comments, and to finalise its SOI by 30 June 2013. The Act also requires the Board meeting to consider the AC's shareholder comments to be open to the public. As noted in the Draft SOI, this meeting is held in June each year.

Audit NZ has also provided some comments on the Draft SOI as part of its 2013 interim management report. These comments have also been addressed in preparing the revised SOI.

Auckland AC comments

The following table summarises the AC's comments, and the proposed response.

AC comment	AT Officer response & recommendations
Ensure that financial information aligns with the Long-term Plan 2012-2022 (LTP) (updated for any adjustments agreed as part of the Annual Plan 2013-2014) and includes: i. a breakdown by activity as per the LTP, annual plan and the funding principles outlined in the Shareholder Expectation Guide ii. specific budgets for non-strategic asset sales for relevant CCOs iii. 2012/2013 budget iv. appropriate explanation of material movements in budgets	The Draft SOI noted that financial projections table would be updated once budget information was finalised. *Recommendation: Amend financial tables to meet the AC's requests.*
Ensure that performance information aligns with the LTP (updated for any changes agreed as part of the annual plan) and includes:	
i. as a minimum, the CCO measures and targets exactly as worded in the Annual Plan (these measures should be clearly identified in the SOI)	Discussions have been held with AC officers to ensure alignment between the wording of measures and targets in the two documents. The recommended measures and targets in Table 1 of the amended SOI (Attachment 2) reflect the outcome of these discussions. *Recommendation: Amend measures and targets as set out in Table 1 of Attachment 2*
ii. 2011/2012 actual performance and 2012/2013 target for each measure (where applicable)	2011/12 performance is already shown. *Recommendation: Add a new column to Table 1 to show the relevant targets for 2012/13 from last year's SOI.*
iii. material movements of targets across years or of any changes to measures and targets from the SOI 2012-2015 must be agreed with AC staff	As noted above, discussions with AC staff have been held and the reasons for changes to measures and targets explained. These will be included in an Appendix to the SOI. *Recommendation: Include a new Appendix to explain material movements in targets from the previous SOI (and any amendments to measures)*
iv. further work to improve the quality of the CCO performance measurement framework, in line with the recommendations of this sub-committee in December 2012 (when the CCO Performance Monitoring Review report was considered)	Officer discussions are underway on this issue. Any changes to the measurements framework are likely to be made as part of the 2015 LTP and SOI process. Section 5.1 of the Draft SOI already includes reference to AT working with the AC to enhance the performance measurement framework. *Recommendation: No change: retain reference to future improvements to SOI performance measures in the SOI text.*
meta data (e.g. the method of data collection and	This information has been provided to the AC

analysis) is provided separately to the SOI for all CCO performance measures and targets included in the annual plan	separately from the SOI, and was also reported to the Board in May 2013. *Recommendation: no change to SOI required*
incorporate in the final SOI: i. identification of specific actions, performance measures and targets related to furthering Maori outcomes and objectives ii. identification of budgets and tracking of expenditure against Maori specific projects/ actions and Maori engagement, Maori technical advice and koha	The nature of AT's activities means that they are generally not targeted at specific groups, and it is therefore difficult to establish a direct causal effect between AT actions and Maori outcomes and objectives. However, AT does take these outcomes and objectives into account in project planning, and has protocols in place through its Maori Engagement Framework to ensure that this occurs. See below for proposed amendments to the Maori Engagement Framework section of the SOI *Recommendation: Revise section 4.6 Maori Engagement Framework as outlined below.*
include a mihimihi (Maori language greeting) at the very beginning of the document	*Recommendation: Include mihi in introduction*
review the SOI where required for any legislative changes emanating from enactment of the Land Transport Management Amendment Bill currently before the House	*Recommendation: Include a reference to the Bill in the Introduction.*
note in Section 1.2 that Auckland AC is the sole shareholder of Auckland Transport	*Recommendation: Include this reference in section 1.2*
acknowledge in section 2.2 the Auckland Plan outcome " A Maori identity that is Auckland's point of difference in the world". Elsewhere in the SOI, this outcome should be acknowledged through an action to include appropriate Te Reo signage on walkways and cycleways	The current SOI refers to 5 of the 7 Auckland Plan outcomes. If the Maori identity outcome is added, it would be logical to refer to all 7 in the SOI. During 2013/14 AT will be undertaking a major way-finding/customer information project. Consideration of Maori names/phrases will form part of that work. *Recommendation: refer to all Auckland Plan outcomes in section 2.2; and refer to the way-finding project in the Programme of Action.*
include the Auckland Plan Principles which were included as attachment B in the previous (2012-2015) SOI	The Auckland Plan principles were removed from the Draft SOI to reduce the size of the document. *Recommendation: reinstate Auckland Plan principles as an Appendix*
include in Section 3.1.2 that Auckland Transport will contribute to transport planning in the greenfield areas of investigation in the Auckland Plan	*Recommendation: Add this statement to the list of actions in section 3.1.2*
review Section 4.6 Maori Engagement Framework to: i. include the statement "We will contribute to the Auckland AC's commitment to Maori by giving effect to the Maori Responsiveness Framework"	*Recommendation: Amend section 4.6 to include the AC's proposed additions*

ii. include the statement "We will ensure that any relationships and formalised relationship agreements with Maori are consistent with any Auckland AC policy on relationship agreements with Maori" iii. note that AC has relationships with 19 iwi authorities	
Work with AC officers to provide further explanation of proposed changes to performance measures, baselines and targets (see below for context)	See discussion below
There have also been a number of changes to measures, baselines and targets from the previous SOI with limited explanation. Further information and review is required to understand whether these changes are acceptable to AC, and aligned to funding decisions. This information needs to be provided by Auckland Transport as soon as possible, so that AC can assess the proposed changes.	Relevant information on the rationale behind changes to measures and targets has been provided to the AC. Some measures have been changed to reflect improved data collection processes; in other cases, targets have been adjusted (up or down) to take account of recent performance. For further detail on proposed performance measures, see the discussion later in this report. *Recommendation: Explain any material changes from the previous SOI in an Appendix.*

Audit NZ comments

The following table summarises the comments on the Draft SOI from Audit NZ, which were included in its 2013 Interim Management Report; and the proposed response.

Audit NZ comment	Response
Many of the targets do not match those shown in the prior year SOI (for the same future years). There is no explanation provided for the readers to get an appreciation of the reason for the change.	The targets were reviewed in the light of the most recent available information at the time that the Draft SOI was prepared, and adjusted where necessary to take account of changes in actual performance (e.g. for PT patronage), or changes to measurement methodology (e.g. customer satisfaction or cyclist counts). The reasons for these changes were outlined in the Board report that accompanied the Draft SOI, but they were not included in the Draft itself. *Recommendation: Include information explaining changes to measures and targets in Table 1 and Appendix to assist the reader in understanding the changes.*
The wording of some of the performance measures does not match up exactly to the Auckland AC Annual Plan (transport measures)	The difference has arisen from a timing difference between the preparation of the Draft Annual Plan and Draft SOI, and some changes to measurement methodology as discussed above. A process is underway with the AC to reconcile the two sets of measures and targets to ensure that they are consistent in the final versions of both documents. *Recommendation: Amend the SOI and Annual*

	Plan measures and targets where necessary to ensure that they are fully aligned, as agreed between AT and the AC.
The prospective financial statements do not show forecasts for the full 3 year period (only showing one year)	An annotation to the financial tables in the Draft SOI noted that they would be updated once budget information was finalised. This includes the projections for the full 3 years. *Recommendation: Amend the financial tables to include projections for the full 3 years.*
...We would expect that the performance measures and targets within the SOI support the impacts listed... for example, one of the strategies is 'reduced adverse environmental effects from Auckland's transport system'. There are no performance measures/targets which support this impact. The performance measures for the current year under review (20012/13) include the following two 'environmental' measures: • Total CO2 vehicle (petrol and diesel powered) emissions) • CO2 emissions from rail network	A review of the existing performance measures concluded that the two environmental measures should be removed from the 2013/14 SOI, for two reasons. First, the total vehicle emissions measure in particular was considered to be too general, and something over which AT has a minor and relatively indirect influence. Second, the emissions measures are the only measures that are not also included in the LTP, so their removal from the SOI would bring the two sets of measures into line. In view of the Audit comments, and further discussion with AT's environmental advisor, it is recommended that the rail network CO2 measure be reinstated. *Recommendation: Reinstate the rail network CO2 measure in Table 1.*

Performance measures and targets

In adopting the Draft SOI, the Board noted the need to review the performance measures and targets prior to finalising the SOI. The AC has requested the need for any material changes to targets to be agreed with AC staff. There is also a need to ensure that the SOI measures and targets are aligned with those in the AC's Annual Plan.

A review of the targets in the Draft SOI indicates that most of them remain valid, and should be confirmed for the final SOI. However, some adjustments are proposed for public transport patronage and customer satisfaction targets, as outlined below.

Public transport patronage targets

Adjustments to the public transport patronage targets are proposed, to take into account more recent information on patronage trends, and changes to the expected timing of system improvements. In particular, the patronage targets for rail, non-rapid transit bus and total patronage need to be adjusted down to reflect the lower expected base level that is forecast for 2012/13.

2013/14 patronage growth is targeted across all modes, building on the growth and momentum experienced in the last five to seven years. A balance is proposed between short-term growth in 2013/14, acknowledging the performance below target in 2012/13 and the previous LTP and Draft SOI (higher) targets proposed and the shareholder's expectation of continuing public transport growth, while recognising the difficult rail and bus change environment that 2013/14 will present. The proposed 2013/14 targets are therefore considered stretch targets in the actual practical environment of significant change projects that will be underway in both rail and bus. The proposed targets will require significant acquisition activities in an environment of service change limitations and service disruptions that are a result of implementation of two major transformation projects for Auckland public transport:

(a) The rail infrastructure network will be undergoing final electrification works up to April 2014 with an expected ongoing and increasing disruption to rail services as infrastructure works are completed. Service level enhancements during this period are limited to improve the service offering for customer acquisition (however, it is proposed to increase weekend frequency on the Western Line to match other parts of the network) and the base service offering is likely to reduce as the network or parts thereof are regularly closed for the upgrade works.

Rail patronage growth is still targeted for 2013/14 at +5.0%, recognising a need to continue growth momentum from recent years, but is considered a stretch target for this year. The target is subject to successful and timely implementation of the electrification programme and maintenance of existing levels of network closures and service disruptions due to the electrification programme.

The rail electrification programme targeted for April 2014 completion and the procurement of new electric trains will provide the basis for rail service transformational change in years 2014/15 and 2015/16. Cumulative rail patronage growth in years 2014/15 and 2015/16 has been increased as the timing for completion of the electrification programme has increased in certainty.

Despite a lower proposed target for 2013/14, overall 2013/14 to 2015/16 cumulative patronage growth rate for rail is only marginally lower than in the LTP. This will be reviewed during 2013/14.

(b) HOP electronic integrated ticketing is being implemented across all bus operators during the first half of 2013/14. This is both a major change project for the bus industry and bus customers, plus it presents a period where service level improvement and timetable developments are not possible.

Service level and timetable improvements have been programmed for pre and post HOP implementation, including timetable reliability and punctuality improvements across all operators, and major service structure changes will be consulted with the public during this time as part of the new public transport network proposals.

Patronage reduction following the initial few months of HOP rollout on bus, as was seen on rail, has not been factored in to the forecasts given the majority of bus operators already use a form of electronic integrated ticketing, however, with all major change projects this is considered a risk.

Bus patronage growth is targeted for 2013/14 at +3.0%, recognising the need to continue to push growth on the back of momentum built in recent years, but as for rail is considered a stretch target. The target is subject to successful and timely implementation of HOP across bus operators.

HOP presents a major transformational change project for Auckland public transport and the increased certainty of timing has permitted an increase in 2014/15 and 2015/16 patronage targets.

Despite a lower proposed target for 2013/14, overall 2013/14 to 2015/16 cumulative patronage growth rate for bus is proposed to remain at the rate in the LTP. This will be reviewed during 2013/14.

Table A below shows the proposed amendments to the public transport patronage targets arising from this review. It shows that the base level of patronage for 2012/13 has been adjusted downwards to reflect the expected year-end outcome. For rail, the projected gross patronage for the year to June 2013 is now 10.1 million. While normalised patronage over recent years shows underlying growth, this is lower than the gross target for 2012/13 in the current SOI and the LTP as it has been influenced by a number of factors that have been separately reported to the Board. These include moving beyond the "bulge" in patronage for 2011/12 that accompanied the Rugby World Cup 2011 and other special event services, a lower actual than assumed patronage starting point for the year, service performance downturn early in the year, and a change in counting methodology for patronage during the transition from manual to electronic ticketing. The new method is more accurate measurement as HOP cards measure actual boardings rather than estimate an average number of monthly pass trips from ticket sales data.

These factors, together with the above assessment of timing and impacts from the electrification programme and key milestones in service level improvements, have been used to prepare a revised set of patronage forecasts, as detailed in Attachment 3. The rate of growth is expected to accelerate once electrification comes on line, and additional capacity becomes available.

Patronage targets for Busway and ferry have then been calculated by applying the predominant original growth rates in the LTP and Draft SOI. Cumulative patronage growth rates for Busway and ferry across 2013/14 to 2015/16 are proposed to remain at the rate in the LTP.

Patronage targets for Other Bus have been revised to reflect the expected year-end outcome and the confirmed timing for the rollout of HOP integrated ticketing across all bus operators as discussed above.

The revised targets have been incorporated into the amended SOI in Attachment 2 (Table 1).

Table A: SOI Public Transport Patronage Targets (000)

Mode	Actual 2009/10	Actual 2010/11	Actual 2011/12	Document	Base patronage 2012/13	Target 2013/14	Target 2014/15	Target 2015/16	% incr over previous year		
									2013/14	2014/15	2015/16
Rail	8,479	9,865	10,904	2012 LTP Draft SOI Amended SOI	target: 12,376 forecast: 10,408 forecast: 10,100	14,423 11,440 **10,605**	16,128 13,041 **12,015**	17,258 14,477 **13,818**	16.5% 9.9% **5.0%**	11.8% 14.0% **13.3%**	7.0% 11.0% **15.0%**
Busway	1,803	2,083	2,280	2012 LTP Draft SOI Amended SOI	target: 2,457 forecast: 2,307 forecast: 2,270	2,618 2,456 **2,417**	2,757 2,588 **2,546**	2,845 2,673 **2,630**	6.6% 6.5% **6.5%**	5.3% 5.4% **5.3%**	3.2% 3.3% **3.3%**
Other Bus	45,923	49,233	52,456	2012 LTP Draft SOI Amended SOI	target: 54,244 forecast: 52,759 forecast: 51,872	56,305 54,763 **53,428**	58,228 56,627 **55,298**	59,440 57,771 **56,846**	3.8% 3.8% **3.0%**	3.4% 3.4% **3.5%**	2.1% 2.0% **2.8%**
Ferry	4,528	4,736	5,447	2012 LTP Draft SOI Amended SOI	target: 5,503 forecast: 5,480 forecast: 5,485	5,744 5,719 **5,721**	5,928 5,899 **5,899**	6,061 6,027 **6,039**	4.4% 4.4% **4.3%**	3.2% 3.1% **3.1%**	2.2% 2.2% **2.4%**
Total	60,733	65,917	71,087	2012 LTP Draft SOI Amended SOI	target: 74,580 forecast: 70,954 forecast: 69,727	79,090 74,378 **72,171**	83,041 78,155 **75,758**	85,604 80,948 **79,333**	6.0% 4.8% **3.5%**	5.0% 5.1% **5.0%**	3.1% 3.6% **4.7%**

Customer satisfaction targets

When adopting the Draft SOI, the Board was advised of a change to the way in which customer satisfaction would be measured and reported in future, with the introduction of an improved 11-point survey methodology to replace the previous 5 and 6 point scales. More recent baseline surveys using the new methodology indicate the actual baseline level of satisfaction for public transport is 80.7% for 2012/13 (not 83% as indicated in the Draft SOI). This is equivalent to the 85% level from the previous 6 point scale, and is a change resulting from measurement methodology rather than actual customer satisfaction downturn. To reflect a desired increase in customer satisfaction the target for 2013/14 using the new methodology has been adjusted to 81.7%, with an improving trend indicated for the subsequent two years. Once further data is collected later this year as part of the monitoring process, more specific targets for future years will be determined and incorporated into the next SOI.

Links between performance targets and actions

At its May meeting, the Board highlighted the need for performance targets to be more explicitly linked to actions in the SOI. A review of the performance targets and the actions listed in the Programme of Action in the Draft SOI identified some gaps in the latter, especially in relation to customer satisfaction on roads and footpaths, road safety, parking occupancy, and road network performance.

As a result, a number of additional actions have been added to the Programme of Action in section 3.1 of the amended SOI (see Attachment 2). A schedule of the linkages between the performance measures and the revised Programme of Action is set out in Attachment 4.

Alignment of targets with AC Annual Plan

As noted above, the AC, in its comments on the Draft SOI, requested that measures and targets are aligned with the Annual Plan; and that material movements of targets across years or of any changes to measures and targets from the SOI 2012-2015 must be agreed with AC staff

Discussions have been held with AC officers to ensure alignment between the measures and targets in the SOI and the Annual Plan, and a number of minor wording changes have been proposed to ensure that the two documents are consistent. At the time of writing, AC staff have yet to confirm the outcome of these discussions for the Annual Plan.

Next Steps

An updated version of the SOI, incorporating the amendments suggested in this report, is attached (Attachment 2)

Subject to the Board's approval, the SOI will be amended and formally delivered to the AC by the statutory deadline of 30 June 2013.

Attachments

Number	Description
1	Letter from Mayor of Auckland: shareholder comments
2	Recommended 2013-16 SOI incorporating proposed amendments
3	Assumptions used for public transport patronage targets
4	Linkages between performance measures and revised Programme of Action

Document ownership

Prepared by	Barry Mein **Strategic Advisor**	BMein
Recommended & Approved for Submission by	Peter Clark **GM Strategy and Planning**	P Clark

Office of the Mayor of Auckland

30 April 2013

Dr Lester Levy
Chair
Auckland Transport
BY EMAIL

Dear Lester,

RE: Shareholder comments on the draft 2013-2016 statement of intent

The Council Controlled Organisations Strategy Review Subcommittee considered Auckland Transport's draft 2013-2016 Statement of Intent (SOI) at its 17 April meeting.

During the meeting, the subcommittee resolved a number of general shareholder comments that relate to all of the CCOs. Each CCO is asked to work with Council officers in finalising their SOI to ensure that:

a. financial information aligns with the Long-term Plan 2012-2022 (LTP) (updated for any adjustments agreed as part of the Annual Plan 2013-2014) and includes:
    i. a breakdown by activity as per the LTP, annual plan and the funding principles outlined in the Shareholder Expectation Guide
    ii. specific budgets for non-strategic asset sales for relevant CCOs
    iii. 2012/2013 budget
    iv. appropriate explanation of material movements in budgets
b. performance information aligns with the LTP (updated for any changes agreed as part of the annual plan) and includes:
    i. as a minimum, the CCO measures and targets exactly as worded in the annual plan (these measures should be clearly identified in the SOI)
    ii. 2011/2012 actual performance and 2012/2013 target for each measure (where applicable)
    iii. material movements of targets across years or of any changes to measures and targets from the SOI 2012-2015 must be agreed with Council staff

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iv. further work to improve the quality of the CCO performance measurement framework, in line with the recommendations of this sub-committee in December 2012 (when the CCO Performance Monitoring Review report was considered)

c. meta data (e.g. the method of data collection and analysis) is provided separately to the SOI for all CCO performance measures and targets included in the annual plan

d. incorporate in the final SOI:

i. identification of specific actions, performance measures and targets related to furthering Maori outcomes and objectives

ii. identification of budgets and tracking of expenditure against Maori specific projects/ actions and Maori engagement, Maori technical advice and koha.

In addition to the general shareholder comments, the CCO Strategy Review Subcommittee also resolved the following specific shareholder comments on the Auckland Transport SOI:

a. include a mihimihi (Maori language greeting) at the very beginning of the document

b. review the SOI where required for any legislative changes emanating from enactment of the Land Transport Management amendment bill currently before the house

c. note in Section 1.2 that Auckland Council is the sole shareholder of Auckland Transport

d. acknowledge in section 2.2 the Auckland Plan outcome " A Maori identity that is Auckland's point of difference in the world". Elsewhere in the SOI, this outcome should be acknowledged through an action to include appropriate Te Reo signage on walkways and cycleways

e. include the Auckland Plan Principles which were included as attachment B in the previous (2012-2015) SOI.

f. include in Section 3.1.2 that Auckland Transport will contribute to transport planning in the greenfield areas of investigation in the Auckland Plan

g. review Section 4.6 Maori Engagement Framework to:

i. include the statement "We will contribute to the Auckland Council's commitment to Maori by giving effect to the Maori Responsiveness Framework"

ii. include the statement "We will ensure that any relationships and formalised relationship agreements with Maori are consistent with any Auckland Council policy on relationship agreements with Maori"

iii. note that council has relationships with 19 iwi authorities.

h. work with council officers to provide further explanation of proposed changes to performance measures, baselines and targets.

There are a number of changes to measures, baselines and targets from the previous SOI with limited information. Further information and review is required to understand whether these changes are acceptable to Council, and aligned to funding decisions. This information needs to be provided by Auckland Transport as soon as possible, so that

Council can assess the proposed changes. If Auckland Council agrees to the proposed changes, this may impact on the finalisation of the Annual plan, as funding levels must be aligned to targets. This is particularly important for Public Transport patronage targets.

The CCO Strategy Review Subcommittee also approved changes to Section 5 (Financial Governance) of the current Shareholder Expectation Guide (August 2012). The updated version has been included as an attachment.

In line with continuous improvement, Auckland Council Officers will also be working with your teams to review the future year SOI process and governance framework with a key focus on templates and guidance. The objective is to further improve usefulness, consistency and conciseness of SOIs whilst also reducing compliance costs.

I look forward to receiving the final SOI by 30 June 2013.

Yours sincerely,

LEN BROWN
MAYOR
AUCKLAND COUNCIL

cc. Richard Northey, Chair, Accountability and Performance Committee
cc. Doug McKay, Chief Executive Auckland Council
cc. David Warburton, Chief Executive, Auckland Transport

Proposed updated version of Financial governance section of the Shareholder Expectation Guide for CCOs

CCOs are accountable to the Council for the financial governance of their operations in accordance with legislative requirements, SOIs, the broader governance and monitoring requirements outlined in this guide, and the specific principles detailed below. In the case of any doubt regarding the interpretation of these principles, CCOs should consult with the council.

Value for money

CCOs must be able to demonstrate efficiency and value for money in their service delivery and must develop and report against performance measures and targets in support of this.

Managing risks

CCO directors are responsible for managing risks and are required to establish processes and practices within the CCO in support of this. CCOs must keep council informed of significant risks and strategies for managing these.

Tax planning

CCOs must work with the Council to optimise tax arrangements for the Group (within applicable legislation).

Optimal capital structure

CCOs must work with the Council to maintain an optimal capital structure taking into account economic efficiency, the fiduciary responsibilities of the directors/trustees, and the broader public benefit objectives of the Group.

Borrowing

CCOs are required to borrow through the Council to deliver the lowest cost of borrowing to each CCO and the Group. All treasury activities are centralised to reduce costs and minimise risk across the Group.

CCO funding principles[1]

There are three high-level funding principles:

1. As a general principle, funding provided for a specific purpose must be applied to that purpose
2. The role of the Council is to specify the overall mix and level of services, prioritise funding across the Group, and to hold CCOs accountable for the use of funding from all sources
3. Boards must be empowered with sufficient flexibility to determine the best use and allocation of funding to meet required levels of service.

To address the inherent tension between principles 2 & 3, the council has adopted an activity based funding model. However, the second principle must prevail where there is conflict.

Activity based funding

Unless otherwise specified, CCOs are funded at an activity level as set out in the Group's long-term plan and annual plans. In general, this funding will be provided on a net basis (that is, cost of delivery less any external or third party revenue or budgeted surpluses from other activities).

The total budgeted funding for a CCO will generally be net of any budgeted surpluses from any specific activity the CCO may deliver.

[1] These principles do not apply to Watercare as it is self funding and prohibited from paying a dividend although it must present its financial information on an activity basis as per the LTP and annual plan. Most of these principles do not apply to ACIL which distributes a dividend each year. However, if ACIL was to consider a new project the principle regarding council approval of an investment proposal would apply.

CCOs generally have the flexibility to reallocate funding within activities provided they act consistently with the following:

a. requirements for shareholder engagement and/or approval for certain decisions (see below)
b. agreed service levels (ie CCOs cannot unilaterally decide to change service levels)
c. restrictions associated with specific funding sources (eg development contributions, targeted rates, capital funding, operational funding)
d. public funds are not to be used to subsidise commercial activities
e. funding for projects specifically identified and funded as council priorities cannot be reprioritised without council approval (eg City Rail Link, Visitor Plan)
f. the ability to operate within overall funding envelopes for current and future years.

Funding related decisions requiring shareholder engagement or approval include (but are not limited to) decisions:

a. that trigger the Council's significance policy such as decisions likely to generate high levels of public or political interest
b. involving the Council's legal or future ownership of assets (including the vesting of assets that impose funding obligations on the Council)
c. regarding the funding of new projects (see below)
d. regarding the use of commercial revenue to fund public good outcomes.

Any reprioritisation must be transparent and reported to the Council through quarterly reporting including any implications from the change. In addition, CCOs (in particular Auckland Transport) must report to local boards on any material changes that will affect local board areas.

Funding of new projects

Funding of new projects not included in an approved Asset Management Plan, LTP or annual plan seeking to (even in part) improve service levels, or otherwise over \$1m operating expenditure or \$2m capital expenditure must be approved by council following the submission of an investment proposal. This requirement applies regardless of the source of funding for the project.

Investment proposals in excess of \$10m capital expenditure and/or \$1m million per annum operating expenditure or deemed to be significant under the Council's significance policy must be supported by a detailed business case and will be subject to peer review by council officers prior to submission for a Council decision. This requirement applies regardless of funding source.

Treatment of surpluses

All surpluses, including surpluses from commercial activities and asset sale proceeds, must be returned to council unless otherwise agreed or prevented due to legal requirements. The Council may decide to reinvest part or all of the surplus into the CCO if the CCO establishes a compelling investment proposal.

In determining funds that are 'surplus' the council will consider the operating result against budget including the accounting surplus, the underlying cash surplus, and surpluses generated from particular activities.

In the event that the level of surplus generated from an activity (e.g. surpluses generated from parking activities) exceeds that budgeted this will generally result in a reduction in the net funding for other activities provided by the CCO. In the event of a CCO budgeting for deficits, a reduced operating deficit (for example through the receipt of unbudgeted revenue) will be treated as a funding surplus.

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

June 2013

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1. INTRODUCTION

E ngā iwi whānui ki ngā topito o Tāmaki Makaurau
He mihi manahau ki a koutou katoa
Topuni ki te Raki
Rakitu ki te Rāwhiti
Puketutu ki te Tonga
Oaia ki te Uru
Tāmaki herehere o ngā waka e!
Tihei Mauri ora ki te whai ao, ki te ao mārama

To the wider people to the ends of Auckland
A heartening greeting to you all
Topuni to the North
Rakitu to the East
Puketutu to the South
Oaia to the West
Tāmaki the meeting place of all canoes
Life essence to the world, to the world of light

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.

The enactment of the Land Transport Management Amendment Bill will impact on Auckland Transport's statutory responsibilities. Auckland Transport is satisfied that it will be able to meet these new obligations.

1.2. Auckland Transport's partnership with Auckland Council

The Auckland Council is the sole shareholder of Auckland Transport. This SOI recognises the important partnership between Auckland Transport and the 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, most of which 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;
- A beautiful Auckland that is loved by its people;
- A culturally rich and creative Auckland; and
- A Maori identity that is Auckland's point of difference in the world.

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. The principles are shown in **Attachment B**.

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*.

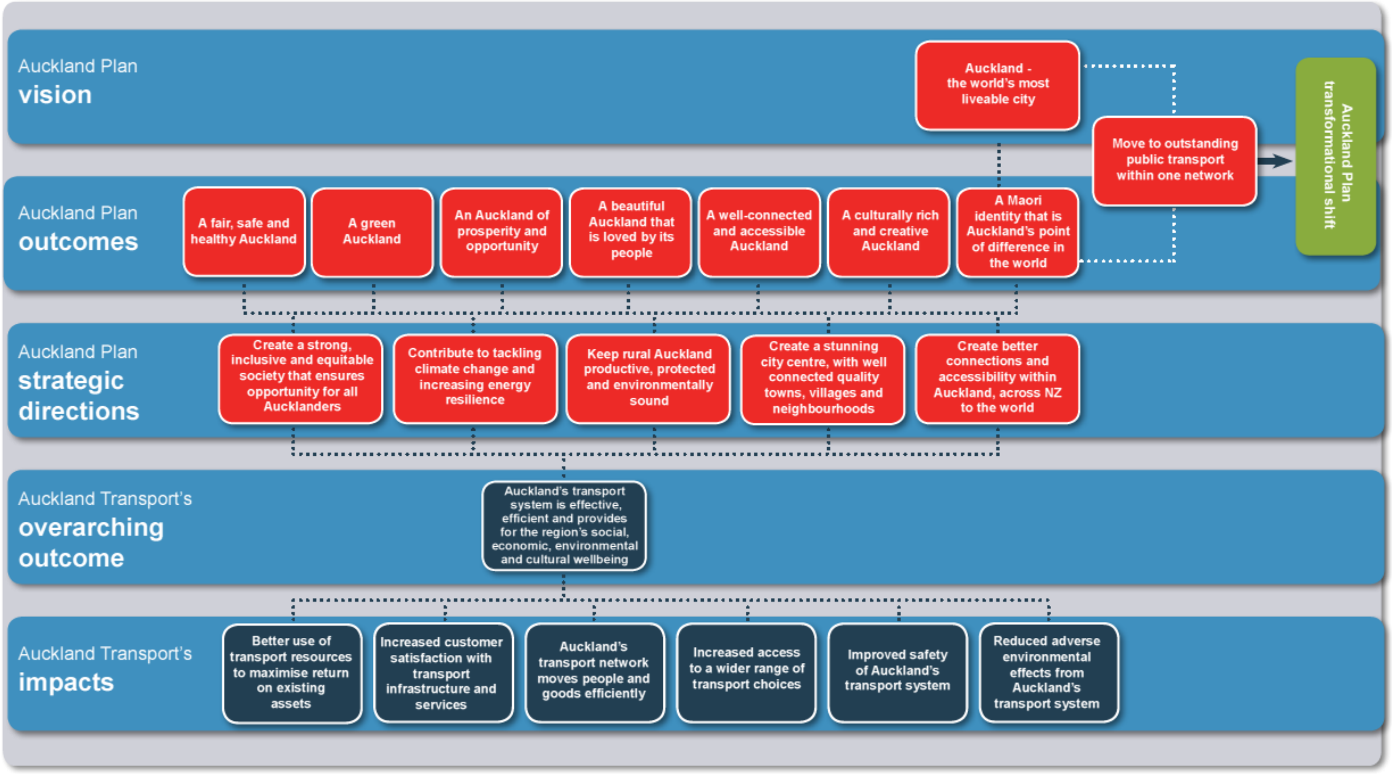
Such a transport system will enable Aucklanders to travel to work efficiently, engage in recreation and leisure activities, socialise with friends and family, and undertake business activities in a cost-effective way, thereby enhancing Aucklanders' quality of life, and contributing significantly to Auckland's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

- 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
   e. monitor parking demand and adjust prices and supply where necessary to maintain a balance between occupancy and availability
   f. deliver a comprehensive annual network safety and operations improvement programme (including minor safety works)
   g. develop and implement a region wide Incident Management Plan for the network, in association with the Joint Traffic Operations Centre (JTOC)
   h. develop Network Operations Plans as a tool to enable better use of the existing network, starting with the city centre and the Onehunga/East Tamaki industrial belt and extending to cover the wider region within the next 3 years
   i. undertake road safety projects, including:
      i. urban KiwiRAP risk mapping and prioritisation
      ii. national road safety demonstration projects for urban motorcycle routes, high-risk rural roads, and red light cameras
      iii. road safety education, promotion and training to at-risk road users

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
g. contribute to transport planning in the greenfield areas of the Auckland Plan

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:
    i. Albany Highway upgrade and widening
    ii. Mill Road corridor upgrade
    iii. Whangaparaoa Road upgrade (Hibiscus Coast to Red Beach)
    iv. Flatbush to Manukau City Centre bus priority improvement
    v. 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:
    i. Half Moon Bay
    ii. Downtown
    iii. Devonport
i. upgrade public transport real-time tracking, performance and information systems, and enhance station and passenger facility monitoring
j. procure new performance based bus and ferry service contracts under a new Public Transport Operating Model commercial framework enabled by the new Land Transport Management Act
k. 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 with associated new and upgraded public transport infrastructure and passenger facilities
l. public transport service investment prioritised on service reliability and punctuality enhancements of existing timetables followed by new service developments
m. customer experience enhancements across the public transport journey
n. investigate and develop public transport integrated fares policy and pricing strategy
o. continue implementation of walking and cycling initiatives
p. complete annual crash reduction study and minor safety improvement programme
q. continued implementation of new road corridor maintenance contracts, with a focus on level of service, integrated service, value for money and customer focus; including commencement of new Central and West contracts from July 2013
r. Improve management of on-street parking resources by replacement of parking machines and installation of in-ground sensors and mobile apps

4. Implement new transport funding mechanisms:

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

4. APPROACH TO GOVERNANCE

4.1. Shareholder

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

4.2. 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.

4.3. 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.

4.4. 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.

4.5. 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.

4.6. 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 19 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.

Auckland Transport will also contribute to the Auckland Council's commitment to Maori by giving effect to the Maori Responsiveness Framework, and ensure that any relationships and formalised relationship agreements with Maori are consistent with any Auckland Council policy on relationship agreements with Maori.

4.7. 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

5.1. 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.

Some of the measures and targets in Table 1 have changed from the previous SOI. These changes, and the rationale behind them, are summarised in **Attachment D.**

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.

5.2. Financial Performance

Attachment E 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 2012/13 (from previous SOI)[2]**	**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)	$0.24 (for year to 30 June 2012)	$0.27	**$0.27**	$0.26	$0.26
	1.2 Parking: off-street occupancy rates (peak 4-hour period)	78.1% (average for Jul-Dec 2012)	Not comparable	**Within 80-90% range**	Within 80-90% range	Within 80-90% range
	1.3 Parking: off-street occupancy rates (all day)	52%	57%	**57%**	**57%**	**57%**
	1.4 Parking: on-street occupancy rates (peak 4-hour period)	75.8% (Average for Aug & Nov 2012)	Not comparable	**Within 80-90% range**	Within 80-90% range	Within 80-90% range
	1.5 Parking: on-street occupancy rates (all day)	52%	55%	**60%**	60%	60%
2. Increased customer satisfaction with transport infrastructure and services	2.1 Percentage of public transport passengers satisfied with their public transport service	80.7% (Nov 2012 & May 2013)	Not comparable	**81.7%**	Improving trend	Improving trend
	2.2 Percentage of residents satisfied with the quality of roads in the Auckland region	66% (Nov 2012)	Not comparable	**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)	Not comparable	**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)	Not comparable	**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[3]: % 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;	50% of the corridor productivity ideal (19,000 person km/hour/lane) to be achieved on nominated key arterial routes (2012/13)	50% of the ideal achieved	**51% of the ideal achieved**	52% of the ideal achieved	53% of the ideal achieved

[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] Targets for some measures (including parking occupancy and customer satisfaction) are not comparable with the 2012/13 SOI targets due to changes in the measurement methodology and definitions. See Attachment D for a summary of changes to measures and targets in this SOI.

[3] 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)

	Rd/Greenlane/Remuera Rd; • Albany to Birkenhead via Glenfield Rd; and • Henderson to CBD via Gt North Rd					
	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 made within the travel time indicated)	from SH 20 to SH 1 via Nielson St: 1[illegible] from SH 1 to SH 20 via Nielson St: 13 from Sylvia Park to East Tamaki via South-eastern arterial: 11 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	Maintain baseline travel times for 85th percentile	**Maintain baseline 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**	Maintain baseline travel times for 85th percentile	Maintain baseline travel times for 85th percentile
	3.3 Annual total public transport boardings (000)[4]	71,088 (2011/12)	74,580	**72,171 (3.5% increase)**	75,758 **(5.0% increase)**	79,333 **(4.7% increase)**
	3.4 Annual Rapid Transit Network rail boardings (000) [4]	10,904 (2011/12)	12,376	**10,605 5.0% increase)**	12,015 **(13.3% increase)**	13,818 **(15.0% increase)**
	3.5 Annual Rapid Transit Network busway boardings (000) [4]	2,280 (2011/12)	2,457	**2,417 (6.5% increase)**	2,546 **(5.4% increase)**	2,630 **(3.3% increase)**
	3.6 Annual Bus network boardings excluding busway (including contracted school buses) (000) [4]	52,456 (2011/12)	54,244	**53,428 (3.0% increase)**	55,298 **(3.5% increase)**	56,846 **(2.8% increase)**
	3.7 Annual Ferry boardings (000) [4]	5,447 (2011/12)	5,503	**5,721 (4.3% increase)**	5,899 **(3.1% increase)**	6,039 **(2.4% increase)**
4. Increased access to a wider range of	4.1 Walking trips into the CBD during the morning peak	5,222 (2011/12)	2% increase	**5,400**	5,500	5,600
	4.2 Cycling trips throughout the region:	88,357 morning peak	3% increase	**97,200 AM peak;**	106,900 AM	117,600 AM

[4] Subject to NZTA approving the investment profile to align with the Auckland Council investment profile for the next 3 years. 2013/14 % increases based on assumed 2012/13 outcome Rail 10.1M, Busway 2.27M, Other Bus 51.872M and Ferry 5.485M. 2013/14 targets reflect major transformational change projects in rail (electrification) and bus (HOP rollout); 2014/15 and 2015/16 targets dependent on previous year outcome and progress of transformational change projects

transport choices	• during the morning peak • all day	(2011/12) 791,605 all day (2011/12)		**871,000 all day**	peak; 958,000 all day	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)	8,800	**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[5]	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	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	0.095	**0.0925**	0.090	0.090
6. Reduced adverse environmental effects from Auckland's transport system	CO2 emissions from rail network	24.1 kilotons (year to 30 June 2012)	Reduce baseline	**Reduce baseline**	Reduce baseline	Reduce baseline

[5] 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 F**.

6.1. 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

6.2. 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

6.3. 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.

6.4. 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.

6.5. Management of strategic assets

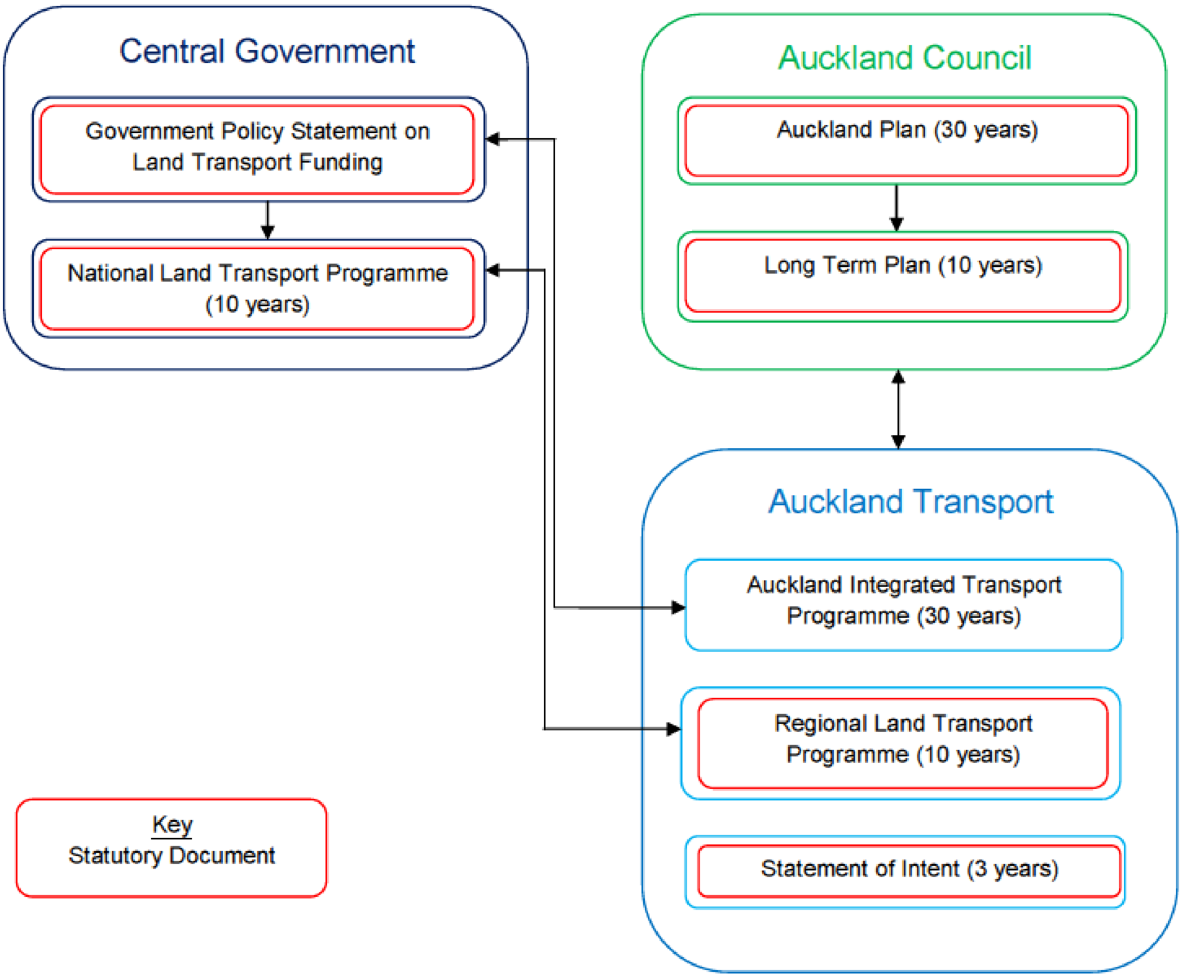
The Board will comply with Auckland Council's Accountability Policy and seek the Council's prior approval for all major transactions relating to Auckland Transport's strategic assets.

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 Plan Principles

Land Use and Transport Principles (Auckland Plan Box 13.1)

1. Use a single system approach in the planning, design, management and development of our transport system (motorways, state highways, arterial and local roads, freight, rail, bus and ferry services, walking and cycling, ports and airports).
2. Use travel demand management techniques, such as travel plans for schools and businesses, to manage the growth in demand for private vehicle travel and improve the way existing infrastructure networks operate, before providing additional capacity to the transport system.
3. Achieve the appropriate balance between movement and place, considering capacity (incorporating the safe movement of people and goods), and character (recognising the role of road/street in the urban setting and types of buildings/landscape present or planned), and acknowledging the role of transport to assist in place-shaping (see paragraph 751 of this chapter and the design principles in Chapter 10: Urban Auckland).
4. Ensure that long-term land use and activities drive long-term transport functionality, (taking into account the existing and proposed transport network), and that transport investment aligns with growth as envisaged in this Plan.
5. Optimise existing and proposed transport investment.
6. Establish corridor management plans that account for place-shaping.
7. Recognise existing community investment and the need to enable connectivity between and within communities.
8. Align community expectations in urban areas with urban levels of service, particularly with realistic expectations around levels of congestion.
9. Align community expectations in rural areas with rural levels of service, particularly acknowledging limited opportunities for alternatives to motor vehicle travel.
10. Ensure that transport is sustainable in the long term, minimises negative impacts on people's health and the built and natural environment, and reduces our dependence on fossil fuels (see Priority 2 Chapter 7: Auckland's Environment).
11. Improve the capability of the transport system to withstand adverse events. (See Priority 4, Chapter 7: Auckland's Environment, and Priorities 1 and 2, Chapter 8: Auckland's Response to Climate Change).

Environmental Principles (Auckland Plan Box 7.1)

Auckland's environment must be healthy and resilient in order to support life and lifestyles. To ensure this we must recognise that:

1. The environment supports us - the natural resources provided by our environment have limits, and must be protected and restored to ensure our future well-being.
2. We need to consider environmental values in all that we do – the interaction between the environment and people is understood and considered in our everyday behaviour and choices.
3. Everything is connected – human activities affect the air, sea, land and freshwater systems. Understanding the connections between environments in the way we manage them is critical.
4. Biodiversity is everywhere – our flora and fauna, and their habitats, occur on both public and private spaces, and in urban, rural, freshwater and coastal areas. To maintain biodiversity values we must all work together.
5. Natural hazards can affect our well-being – we need to ensure that Auckland and its people are resilient to the effects of natural hazards.
6. We are environmental stewards – future generations will depend on how well we manage the natural environment.

Good Design Principles (Auckland Plan Box 10.1)

The following good design principles underpin the Auckland Plan, the Unitary Plan, infrastructure plans and the Auckland Design Manual.

These principles form a complete set, which collectively indicate what attributes are required to make a place successful. They also apply to a range of city and urban scales as illustrated in **Figure 10.2**.

Identity:

Landscape and ecology, heritage, built form, people and communities together establish the context for Auckland's unique sense of place.

Good design must recognise and respond to this context, with development enriching character, quality, legibility and a sense of place.

Diversity:

Auckland should accommodate a rich mix of uses, activities, urban form and architecture, which supports variety, vibrancy, chance exchange, safety and choice.

Good design must encourage and embed flexibility and adaptability, to ensure continued support for our changing communities, cultures, built form and environments.

Integration:

Development in Auckland should support uses, activity centres, energy systems and movement networks which are well-connected, and provide convenient and universal access to a range of services and amenities.

The cumulative picture of a street, a block, a neighbourhood and the city - not just buildings, roads or open spaces as individual elements - must be recognised and responded to.

Good design must ensure that development supports existing and/or creates integrated urban form (including streets and spaces), to facilitate well-being, movement and access.

Efficiency:

The benefits and efficiencies of urban systems need to be maximised, delivering quality places where transactions and exchange are encouraged and resources optimised.

Good design must ensure that development focuses on benefits and positive effects, and optimises the full potential of a site's intrinsic qualities. This includes site shape, relationship to the street, landform, outlook and proximity to services, amenities and infrastructure.

Attachment C: 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 D: Changes to performance measures and targets since last SOI

The following schedule summarises the material changes to performance measures and/or targets that have been introduced in this SOI, and the reasons for those changes. Refer to Table 1 for the full list of performance measures and targets, including the changes outlined here.

Performance measure	Change from previous SOI	Reason for change
1.2 Parking: off-street occupancy rates (peak 4-hour period)	Occupancy measure changed from all day to peak parking period, and target expressed as range	Peak parking occupancy allows greater emphasis on actual occupancy issues; range reflects balance between supply and demand
1.3 Parking: on-street occupancy rates (peak 4-hour period)	Occupancy measure changed from all day to peak parking period, and target expressed as range	As above
2.1 Percentage of public transport passengers satisfied with their public transport service	Target amended from previous SOI and LTP targets	Improved survey method to use 11-point satisfaction scale
2.2 Percentage of residents satisfied with the quality of roads in the Auckland region	Target amended from previous SOI and LTP targets	Improved survey method to use 11-point satisfaction scale; neutral responses no longer included in calculation of satisfaction
2.3 Percentage of residents satisfied with the quality of footpaths in the Auckland region	Target amended from previous SOI and LTP targets	As above
2.4 Percentage of residents satisfied with the quality of footpaths in their local area	Target amended from previous SOI and LTP targets	As above
3.3 Annual total public transport boardings (000)	Target amended from previous SOI and LTP targets	Amended targets take account of underlying growth over last seven years, 2011/12 RWC2011 patronage spike, 2012/13 patronage count methodology change from manual to electronic ticketing transition, lower 2012/13 starting point, recent leveling of growth. 2013/14 rail and bus growth rates are considered stretch targets due to the difficult change environment in 2013/14 with the implementation of two transformational change projects: (a) for rail, completion of electrification programme by April 2014 will reduce the rail service offering on 2013/14 due to service disruptions and closures necessary for the infrastructure works and limit service development opportunities; and (b) for bus, the rollout of HOP electronic integrated ticketing on bus in the first half of 2013/14, which will have a disruptive effect on operators and customers
3.4 Annual Rapid Transit Network rail boardings (000)	Target amended from previous SOI and LTP targets	
3.5 Annual Rapid Transit Network busway boardings (000)	Target amended from previous SOI and LTP targets	
3.6 Annual Bus network boardings excluding busway (including contracted school buses) (000)	Target amended from previous SOI and LTP targets	
3.7 Annual Ferry boardings (000)	Target amended from previous SOI and LTP targets	

4.2 Cycling trips throughout the region: • during the morning peak • all day	Measure and target adjusted	Improved measurement capability provides more accurate data for both peak and all day
4.3 Number of morning peak (7-9am) car trips avoided through travel planning initiatives	Target amended	Previous targets already exceeded

Attachment E: Financial Projections

Prospective summary income statement

for the year ended 30 June

$000	Budget 2013	Budget 2014
Income		
Opex funding from Auckland Council	215,347	230,138
Capex funding from Auckland Council	123,949	128,140
Revenue from services	368,279	373,848
Other revenue to fund capital expenditure	119,076	177,639
Total income	**826,651**	**909,765**
Expenditure		
Personnel Costs	69,400	80,680
Depreciation and amortisation	240,615	253,422
Finance costs	12,261	18,285
Other expenditure	501,965	504,301
Total operating expenditure	**824,241**	**856,688**
Surplus/(deficit) before tax	**2,410**	**53,077**
Gains/(losses) recognised directly in equity	522,799	221,664
Total surplus/(deficit)	**525,209**	**274,741**

Prospective summary funding statement

for the year ended 30 June

$000	Budget 2013	Budget 2014
Total operating expenditure	824,241	856,688
Less depreciation and amortisation	(240,615)	(253,422)
Operating expenditure to be funded	**583,626**	**603,266**
Operating expenditure funded by:		
Opex funding from Auckland Council	215,347	230,138
Revenue from services	368,279	373,848
Other revenue	0	0
Total opex funding	**583,626**	**603,986**
Funding Surplus/(Deficit)	**0**	**720**
Total capital expenditure	719,777	859,471
Capital expenditure to be funded	**719,777**	**859,471**
Capital Expenditure funded by		
Capex funding from Auckland Council	123,949	128,140
Investment by Auckland Council	395,062	399,675
Loans from Auckland Council	81,690	154,017
Grants and subsidies	119,077	177,639
Total capex funding	**719,777**	**859,471**

Prospective summary statement of financial position

As at 30 June

	Budget 2013	Budget 2014
Assets		
Current assets		
Cash and cash equivalent	5,000	0
Other current assets	235,000	192,762
Total current assets	**240,000**	**192,762**
Property plant and equipment	14,407,053	15,531,972
Other non current assets	25,000	88,715
Total non- current assets	**14,432,053**	**15,620,687**
Total assets	**14,672,053**	**15,813,449**
Liabilities		
Current liabilities		
Trade and other payables	192,320	176,933
Borrowings	0	448
Other current liabilities	0	11,631
Total current liabilities	**192,320**	**189,012**
Non-current liabilities		
Borrowing from parent	238,072	320,077
Other non-curent liabilities	18,000	62,583
Total non-current liabilities	**256,072**	**382,660**
Total liabilities	**448,392**	**571,672**
Net assets	**14,223,661**	**15,241,777**
Equity		
Contributed equity	12,804,418	13,267,707
Reserves	1,473,432	1,620,580
Retained earnings	(54,189)	353,490
Total equity	**14,223,661**	**15,241,777**

Prospective summary statement of Cash Flows

As at 30 June

	Budget 2013	Budget 2014
Cash flows from operating activities		
Cash provided from:		
Income from activities	368,279	373,848
Operating funding from Auckland Council	215,347	230,138
Capital funding from Auckland Council	123,949	128,140
Grants and subsidies	119,077	177,639
Total cash provided	**826,652**	**909,765**
Cash applied to:		
Payments to suppliers and employees	583,626	603,266
Total cash applied	**583,626**	**603,266**
Net cash from operating activities	**243,026**	**306,499**
Cash flows from investing activities		
Cash applied to:		
Capital expenditure projects	719,777	859,471
Net cash applied to investing activities	**(719,777)**	**(859,471)**
Cash flows from financial activities		
Cash provided from:		
Loan from Auckland Council - Electric Trains	81,690	154,017
Capital contribution from Auckland Council	395,062	399,675
Total cash provided	**476,752**	**553,692**
Cash applied to:		
Repayment of loan from Auckland Council	0	720
Total cash applied	**0**	**720**
Net cash from financing activities	**476,752**	**552,972**
Net increase/(decrease) in cash and cash equivalents	**0**	**0**
Opening cash balance	5,000	0
Closing cash balance	**5,000**	**0**

Attachment F: 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 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 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.

Attachment 3: Assumptions used for public transport patronage targets

Patronage Targets for 2013/2014 (monthly)

	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Total	growth
Northern Express	215,033	205,684	196,885	211,402	209,892	169,912	172,296	189,526	218,910	189,095	229,662	209,141	2,417,437	147K (6.5%)
Other Bus	4,881,439	4,846,211	4,617,656	4,735,116	4,684,074	3,766,162	3,602,823	4,162,357	4,708,611	4,002,623	4,919,349	4,501,612	53,428,032	1556K (3.0%)
Total Bus	5,096,472	5,051,895	4,814,540	4,946,518	4,893,965	3,936,074	3,775,119	4,351,883	4,927,520	4,191,719	5,149,011	4,710,753	55,845,469	1703K (3.1%)
Rail	933,221	1,011,935	923,819	970,618	957,907	655,688	571,415	802,943	991,168	806,154	1,032,146	947,887	10,604,900	505K (5.0%)
Ferry	412,284	413,323	384,697	449,163	459,356	483,893	572,025	557,940	571,521	502,278	444,712	382,807	5,721,041	236K (4.3%)
Total	**6,441,977**	**6,477,152**	**6,123,056**	**6,366,298**	**6,311,228**	**5,075,656**	**4,918,559**	**5,712,766**	**6,490,209**	**5,500,151**	**6,625,868**	**6,041,447**	**72,171,410**	**2,444K (3.50%)**
Northern Express			Full AIFS integration 17k passengers (0.73%) Acquisition campaign (regional, tertiary). 5K passengers (0.21%)	Acquisition campaign (route, all customer segments). 25K passengers (1.1%)	increased w/end and evening frequency improve 30 min to 15 min and extend span. 59K passengers (2.6%)		Acquisition campaign (route, all customer segments). 16K passengers (0.7%)		Additional peak capacity. 17K passengers (0.8%)	Acquisition campaign (route, all customer segments). 8K passengers (0.35%)				
Other Bus	Airporter service to Onehunga. 113K passengers (0.22%) 4 peak services to Silverdale to coincide with P&R. 37K passengers (0.07%) New North Road improvements from Feb 13. 32K passengers	AIFS integration. 468K passengers (0.9%) New vehicles added to fleet. 30k passengers (0.05%)	Timetable reliability & punctuality. North Star 50K passengers (0.09%) Acquisition campaign (regional, tertiary). 50K passengers (0.09%)	Timetable reliability & punctuality. 100K passengers (0.19%) Timetable reliability & punctuality. Ritchies. 39K passengers (0.08%)	City Link extend to Wynyard – ASB HQ. 41K passengers (0.08%) Onewa Rd headway management. 28K passengers (0.05%)	Great South Rd corridor timetable changes. 33K passengers (0.06%)	Timetable reliability & punctuality. 93K passengers (0.18%) Acquisition campaigns (localised, all customer segments) 109K passengers (0.21%)	Additional capacity added on key corridors. 90K passengers (0.17%)		Service level change. 34K passengers (0.06%)				

	(0.06%) 881 service increase from Jul 13. 60K passengers (0.12%) Acquisition campaigns (all customer segments; regional New Movers and localised key corridors) 135K passengers (0.26%) Annualise H&E timetables prior year 20K passengers (0.03%)													
Rail	Revenue protection improve. 100K passengers (0.99%) Improved punctuality. 152K (1.50%)	Marketing acquisition 81K passengers (0.80%)	Acquisition campaign (regional, tertiary). 20K passengers (0.2%)	increase weekend services from hourly to half hourly West. 7K passengers (0.07%)	Correction of passenger at switchover to AIFS monthly passes. 20K passengers (0.20%)		AIFS integration with buses. 42K passengers (0.42%)	Marketing Acquisition. 19K passengers (0.18%)	MIT opening. 29K passengers (0.29%)	EMU on Onehunga. 15K passengers (0.15%)	Manukau first EMU. 15K passengers (0.15%)	Extra capacity on Manukau 3 x 4 DMU's. 5K passengers (0.04%)		
Ferry	Annualise Beach Haven service started in Feb 2013. 14K passengers (0.26%) Bayswater & Birkenhead feeder timetables. 10K passengers (0.18%) Pricing points (AIFS) changed in June 2013. 3K passengers (0.05%) AIFS integration. 71K passengers		2 extra trips on HMB service. 33K passengers (0.60%) Acquisition campaign (regional, tertiary). 3K passengers (0.06%)		Negative effect Nov 13 to Mar 14 on Devonport & Waiheke (2012/2013 summer).-25K passengers (-0.46%) Acquisition campaign (route & destination based). 39K passengers (0.71%) Weekend trial. 2K passengers (0.03%)		Increased capacity on West Harbour service. 2K passengers (0.03%)		Acquisition campaign (route & destination based). 21K passengers (0.41%)					

	(1.30%) Annualise additional trip on Pine Harbour from Mar 13. 6K passengers (0.11%) Acquisition campaigns (destination based promotions for weekend travel). 42K passengers (0.76%) Acquisition campaigns (WH and GH ferry as main mode). 5K passengers (0.09%)													

Assumptions:

1. The June 2013 fare review will have no material adverse impact on patronage.
2. Baseline patronage as at June 2013 is, Rail 10.1M NEX 2.27M other bus 51.872M and ferry 5.485M
3. The only negative influences will be a slight reduction in ferry patronage November to March as a result of better than expected weather in the previous year.
4. No adverse effect from AIFS implementation for bus and ferry.
5. Rail to rail transfers are calculated as 2 journeys for calculating patronage.
6. The retail price of petrol 91 octane is in the range of $2.00 to $2.20
7. 12 month rolling total of passenger car registrations does not increase above 77,000
8. Unemployment rate is 6.9%
9. Western line train timetable as at March 2013 continues unchanged until march 2014
10. patronage by segment is pro-rata for y/e June 2012 results and then pro-rata by line for rail.
11. revenue protection - on rail assumed to be 6% fare evasion currently (upto oct 2012 fare evasion based on 6 monthly survey) and a 2% improvement across the board from July 2013, based on improved revenue protection strategy from Veolia

12. AIFS integration benefit (elasticity as a result of bus integration progressively with bus go-live) 1.0% initial growth following rollout and system bed-in for last 6 months post bus implementation and as and when each bus company goes live.
13. 2% improvement in punctuality from 83.5% to 85.5% for rail, and a 2% improvement on bus routes where Meet The Timetable (MTT) has been implemented.
14. BOL for 2013/2014 expected to be similar frequency and intensity and spread to 2012/2013 therefore no effect on base patronage (already accounted for) in rail.
15. Service frequency improvements have a +0.3 elasticity.
16. Punctuality improvements a 1% improvement increases patronage by 1%. This is based on Booz Allen modelled elasticity of -2% for each minute lateness.
17. Service improvements are implemented as per budgeted month.
18. HMB services are subject to commercial negotiations with Fullers.
19. City Link services are able to be implemented within budget.
20. Marketing acquisition campaigns yield budgeted results 1%-2%
21. Integrated fares are implemented by March 2015.

Patronage Targets for 2014/2015 and 2015/2016(annual)

	2014/2015	**Growth**	**2015/2016**	**Growth**
Northern Express	2,546,030	129K (5.34%)	2,629,998	82K (3.32%)
Other Bus	55,298,333	1,870K (3.50%)	56,846,024	1,548K (2.80%)
Total Bus	57,844,363	1,999K (3.58%)	59,476,022	1,630K (2.82%)
Rail	12,015,043	1,410K (13.29%)	13,817,760	1,809K (15.1%)
Ferry	5,899,295	178K (3.11%)	6,039,253	140K (2.37%)
Total	75,757,701	3,587K (4.9%)	79,333,035	3,575K (4.72%)
Northern Express	Additional service to Silverdale. 91K passengers (3.77%)		Additional service to Silverdale. 55K passengers (2.16%)	

	Annualise AIFS impact. 4K passengers (0.16%) Annualise prior year changes 34K passengers (1.41%)	Marketing acquisition. 29K passengers (1.16%)
Other Bus	New network South 3% shrinkage -318K passengers (-0.59%) Real time measurement of punctuality, balance of network. 150K passengers (0.28%) Marketing acquisitions. 613K passengers (1.14%) Hibiscus Coast, Gt North Rd, Gt South Rd and Ellerslie Panmure corridor improvements. 248K passengers (0.46%) Improve customer amenity, timetables, web, infrastructure. 267K passengers (0.49%) Otahuhu interchange. 15K passengers (0.03%) AIFS integration annualise. 200K passengers(0.37%) AIFS Integrated fares 267K passengers (0.50%) Capacity investment to maintain growth due to population growth. 427K passengers (0.80%)	New Network South growth. 206K passengers (0.37%) Annualise growth from services implemented in previous year.252K passengers (0.46%) Integrated fares annualise. 553K passengers (1.00%) Marketing Acquisition 315K passengers (0.57%) Capacity relief investment 221K passengers (0.40%)
Rail	improved punctuality - network wide to 87%. 159K passengers (1.5%) Integration with other modes transfer at Otahuhu. 34K passengers (0.32%) AIFS elasticity - annualise.53K passengers (0.50%) Integrated fares. 40K passengers (0.38%) Manukau freq - 10 min peak 15 min interpeak, 30 min weekend. 541K passengers (5.10%) Papakura- replace diesel fleet - increased capacity and even headway. 109K passengers (1.03%) west - capacity increase. 92K passengers (0.87%) DMU loss of pax Pke to PPK -35K passengers (-0.33%) Parnell opening – Tertiary. 10K passengers (0.09%) EMU Travel time savings. 27K passengers (0.25%) Revenue protection improvement. 53K passengers (0.50%) Annualise prior year improvements 240K passengers (2.26%) Marketing acquisition 87K passengers (0.82%)	western line EMU 10 min peak 15 minute interpeak and 30 minute weekend. 811K passengers (6.75%) Manukau freq - 10 min peak 15 min interpeak, 30 min weekend annualise. 200K passengers (1.66%) Papakura- replace diesel fleet - increased capacity and even headway annualise. 328K passengers (2.68%) Integrated fares annualise. 135K passengers (1.12%) Otahuhu transfer mode annualise. 115K passengers (0.96%) Parnell station. Annualise. 31K passengers (0.26%) Marketing acquisition 182K passengers (1.51%)

Ferry	introduce ferry monthly. 2K passengers (0.03%) improved facilities at DTFT/Devo. 8K passengers (0.14%) improved frequency on HMB. 50K passengers (0.87%) more capacity on west harbour. 4K passengers (0.06%) more capacity on Gulf Harbour, and/or more sailings. 7K passengers (0.12%) more sailings Hobsonville incl weekends. 20K passengers (0.35%) Destination based promotions for weekend travel. 21K passengers (0.37%) Summer TT with later Friday and weekend sailings. 8K passengers (0.14%) Zone pricing. Day pass includes ferry. 43K passengers (0.75%) Sort out ferry feeder bus TTs - BW. BKHD. 1K passengers (0.02%) Promote services - e.g. WH, GH where we could consider ferry as main mode . 4K passengers (0.07%) Improve waiting facilities at HMB, WH. 4K passengers (0.07%) AIFS growth. 5K passengers (0.09%)	improved bayswater & Birkenhead interpeak 60min to 30 min. 54K passengers (0.92%) improved Devonport freq 15 min peak and 15 min interpeak. 34K passengers (0.58%) more capacity on west harbour, annualise. 4K passengers (0.07%) more capacity on pine harbour. 25K passengers (0.42%) more capacity on Gulf Harbour, and/or more sailings, annualise. 5K passengers (0.08%) AIFS growth 13K passengers (0.22%) Improve waiting facilities at HMB, WH. annualise 4K passengers (0.07%)

ATTACHMENT 4: Linkages between performance measures and revised Programme of Action

The following schedule sets out the actions in the revised Programme of Action that will help to deliver the SOI performance targets.
(Red text denotes additions from the Draft SOI; bracketed text denotes Programme of Action reference).

<table>
<tr><th>Performance Measure</th><th>Action(s) in Programme of Action</th></tr>
<tr><td>1.1 Public transport subsidy per passenger kilometre (CPI adjusted to June 2012)</td><td>procure new performance based bus and ferry service contracts under a new Public Transport Operating Model (3j)</td></tr>
<tr><td>1.2 Parking: off-street occupancy rates (peak 4-hour period)</td><td rowspan="4">Monitor parking demand and adjust prices and supply where necessary to maintain a balance between occupancy and availability (1e)
Improve management of on-street parking resources by replacement of parking machines and installation of in-ground sensors and mobile apps (3r)</td></tr>
<tr><td>1.3 Parking: off-street occupancy rates (all day)</td></tr>
<tr><td>1.4 Parking: on-street occupancy rates (peak 4-hour period)</td></tr>
<tr><td>1.5 Parking: on-street occupancy rates (all day)</td></tr>
<tr><td>2.1 Percentage of public transport passengers satisfied with their public transport service</td><td>improve the real time public information system (1d)
complete the roll-out of integrated transport ticketing (3a)
bring the new electric train fleet into service, and manage transition of the diesel fleet (3f)
complete rail station upgrades on the electrified network, including the new Parnell station (3g)
undertake ferry terminal upgrades (3h)
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 (3k)
public transport service investment prioritised on service reliability and punctuality enhancements of existing timetables followed by new service developments (3l)
customer experience enhancements across the public transport journey (3m)
investigate and develop public transport integrated fares policy and pricing strategy (3n)</td></tr>
<tr><td>2.2 Percentage of residents satisfied with the quality of roads in the Auckland region</td><td rowspan="3">Continued implementation of new road corridor maintenance contracts, with a focus on level of service, integrated service, value for money and customer focus); including commencement of new Central and West contracts from July 2013 (3q)</td></tr>
<tr><td>2.3 Percentage of residents satisfied with the quality of footpaths in the Auckland region</td></tr>
<tr><td>2.4 Percentage of residents satisfied with the quality of footpaths in their local area</td></tr>
</table>

3.1 Arterial road network productivity[1]: % 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 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 made within the travel time indicated)	• work with the New Zealand Transport Agency to develop and manage State highways and regional arterial roads as one network • extend signal optimisation on the arterial road network (1a) • complete the Panmure (package 1) of the Auckland-Manukau Eastern Transport Initiative (AMETI) (3b) • complete local road improvements associated with SH20 Waterview and SH16 upgrades (3d) • implement other major local road improvements (3e) • Deliver a comprehensive annual network safety and operations improvement programme (including minor safety works) (1f) • Develop and implement a region wide Incident Management Plan for the network, in association with JTOC (1g) • Develop Network Operations Plans as a tool to enable us to make better use of the existing network, starting with the CBD and the Onehunga/East Tamaki industrial belt and extending to cover the wider region within the next 3 years (1h)
3.3 Annual total public transport boardings (000)[2] 3.4 Annual Rapid Transit Network rail boardings (000) 3.5 Annual Rapid Transit Network busway boardings (000) 3.6 Annual Bus network boardings excluding busway (including contracted school buses) (000) 3.7 Annual Ferry boardings (000)	• improve the real time public information system (1d) • complete the roll-out of integrated transport ticketing (3a) • bring the new electric train fleet into service, and manage transition of the diesel fleet (3f) • complete rail station upgrades on the electrified network, including the new Parnell station (3g) • undertake ferry terminal upgrades (3h) • 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 (3k) • public transport service investment prioritised on service reliability and punctuality enhancements of existing timetables followed by new service developments (3l) • customer experience enhancements across the public transport journey (3m) • investigate and develop public transport integrated fares policy and pricing strategy (3n)

[1] 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)

[2] Subject to NZTA approving the investment profile to align with the Auckland Council investment profile for the next 3 years.

4.1 Walking trips into the CBD during the morning peak 4.2 Cycling trips throughout the region: • during the morning peak • all day	• continue implementation of walking and cycling initiatives (3o)
4.3 Number of morning peak (7-9am) car trips avoided through travel planning initiatives	• coordinate School, Tertiary, Area, and Workplace Travel Plans (1b)
5.1 Total fatal and serious injuries on local road network[3]	• complete annual crash reduction study and minor safety improvement programme (3p) • Deliver a comprehensive annual network safety and operations improvement programme (including minor safety works) (1f) • undertake road safety projects, including: ○ urban KiwiRAP risk mapping and prioritisation ○ national road safety demonstration projects for urban motorcycle routes, high-risk rural roads, and red light cameras ○ road safety education, promotion and training to at-risk road users (1i)
5.2 Public and customer safety and security incidents across public transport network per 100,000 passenger boardings	• Upgrade public transport real-time tracking, performance and information systems, and enhance station and passenger facility monitoring (3i) • New and upgraded public transport infrastructure and passenger facilities (3k) • Complete rail station upgrades (3g) and ferry terminal upgrades (3h)
CO2 emissions from rail network	• bring the new electric train fleet into service, and manage transition of the diesel fleet (3f)

[3] 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.