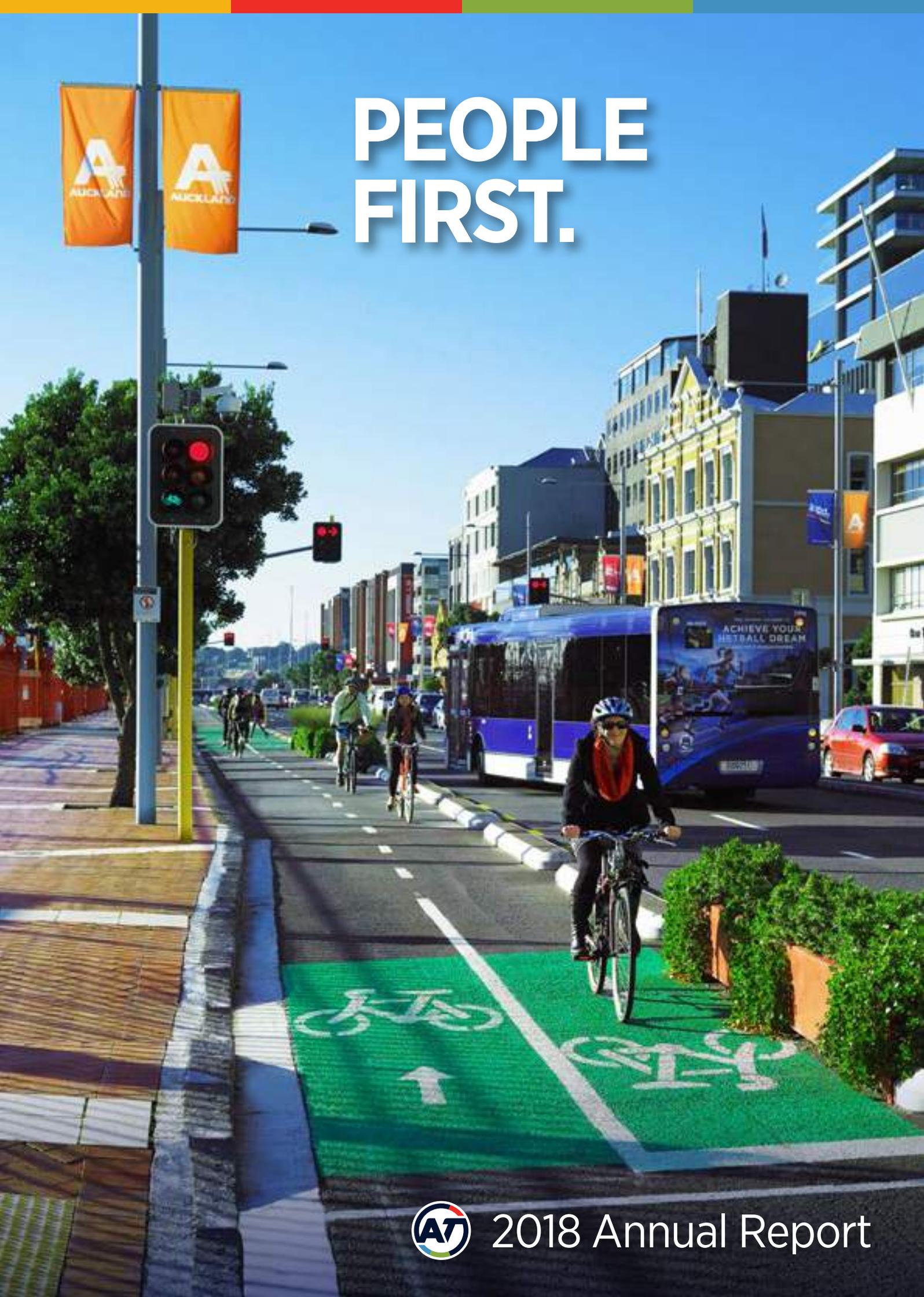


PEOPLE FIRST.



Welcome to Auckland Transport's Annual Report against our Statement of Intent to Auckland Council



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

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AT celebrated being awarded the Rainbow Tick, an external audit and quality improvement programme aimed at making an organisation a more inclusive environment for staff who identify as LGBTQIA+. AT is the first public transport provider in New Zealand to be awarded this prestigious award.



This annual report contains various references to AT HOP cards. Terms of use and the registered prospectus for the AT HOP cards and other information regarding the AT HOP cards are available on AT.govt.nz or at the Auckland Transport Customer Service Centre, Britomart. The obligations of Auckland Transport under the AT HOP cards are unsecured.

SECTION ONE

Overview

SECTION TWO

How we performed in 2018

SECTION THREE

Governance

SECTION FOUR

Financials

Overview



MANA WHENUA SIGNAGE ON GREAT BARRIER ISLAND



WATERVIEW SHARED PATH



NEW NETWORK EAST



WHANGAPARAOA DYNAMIC LANES



AUCKLAND'S PRIDE PARADE

HIGHLIGHTS OF 2018

● **New Auckland Transport chief executive appointed**, with people first focus, and move to new Viaduct head office.

● **Māori Responsiveness Plan launched**, demonstrating AT's committed working relationship with mana whenua (page 39).

SEPTEMBER 2017

● **Waterview Shared Path opens, \$25 million**. The 3.4km path connects a now continuous 30km route that enhances the city's cultural identity and provides a community with better access to jobs and local destinations (page 41).

● **The \$30 million Te Atatu corridor upgrade provides** west Aucklanders with a better connection to the North-western motorway (page 32).

OCTOBER 2017

● **15 new electric trains ordered from Spain** to boost capacity ahead of City Rail Link (CRL).

● **New Network East launched**, with more frequent services and better connections for customers. Central and North Shore New Networks on track to substantially complete the project by September 2018 (page 25).

NOVEMBER AND DECEMBER 2017

● **Whangaparaoa dynamic lane trial begins**, focused on best and safe use of existing road network. Commuters arrive home up to seven minutes earlier (page 33).

● **AT purchases 20 electric fleet cars**, single largest purchase in government electric vehicle (EV) programme (page 37).

JANUARY 2018

● **AT is out and proud at Auckland's Pride Parade** and receives Rainbow Tick accreditation as a diverse, inclusive organisation (page 45).

FEBRUARY 2018

Auckland Transport Alignment Project (ATAP) commits to transformational \$28 billion investment in Auckland's transport system, including two light rail lines.

Manukau Bus Station opens, \$39 million. Māori and Pasifika trades graduates worked on its construction, and the station takes out the NZIA Public Architecture Award (page 21).

Electric bus trial starts on City Link, with the aim of no more diesel bus purchases after 2025 (page 28).

APRIL 2018

The road safety partners support Safe System and Vision Zero approach to road safety, with \$700 million committed through ATAP to achieve new targets towards zero deaths on Auckland roads (page 31).

MAY 2018

The Auckland Regional Land Transport Plan is adopted, with \$10 billion for capital projects (page 43).

Pukekohe Station upgrade is completed, \$16 million (page 21).

54,000 LED bulbs power Auckland's street lights. When completed, the replacement programme estimates energy savings equivalent to powering over 3,500 homes (page 37).

38% of all Aucklanders now ride bikes, as new protected cycleways make cycling safer and more attractive (page 30).

Public transport trips are up a further 4.4% in 2018 to 92.3 million. We are on track to achieve the targeted 100 million annual trips by 2022. Busway and bus priority corridors are a key focus now, along with facilitating end-to-end journeys for our customers (page 27).

JUNE 2018

Auckland's regional fuel tax (RFT) comes into effect, with 10c per litre expected to raise \$1.5 billion in the next 10 years and enable \$4.5 billion of projects to go ahead (page 44).

Government's change of direction on transport takes effect, prioritising a safer transport system, accessible and affordable transport, lower emission forms of transport and value for money.

1 JULY 2018



AWARD-WINNING
MANUKAU BUS STATION



E-BUS TRIAL ON THE CITYLINK



SLOW DOWN CAMPAIGN



ARTIST'S RENDERING OF LIGHT RAIL
UP QUEEN STREET



MORE AUCKLANDERS ARE BIKING



PUBLIC TRANSPORT TRIPS ARE UP



Auckland Transport (AT) is one of six Auckland Council-controlled organisations and the guardian of New Zealand's highest-valued group of publicly held assets, worth \$19.1 billion.

57
electric trains

41
rail stations

16
dedicated bus stations

21
ferry facilities

2018

Who we are and what we do

Auckland Transport's role as a transport provider is rapidly evolving to meet and anticipate fast-paced changes in how people in successful cities want and need to travel. We play an active role in shaping Auckland with more sustainable and networked modes of transport, and in integrating the diverse new ways our customers will be mobile in the near future. (See the diagram opposite.)

- We design, build, manage and promote most of Auckland's public transport infrastructure and services, and integrated systems including customer apps.
- We manage Auckland's traffic flows in a One Network partnership with the NZ Transport Agency (NZTA) and the city's on-and-off-street parking, along with upgrading and maintaining 7,452km of arterial and local roads.
- We deliver a safe marine environment through the Auckland Harbourmaster, and partner in road safety campaigns.
- Our call centres respond to about 500,000 transport-related phone calls each year, the AT.govt.nz website has had 36 million page views over the past 12 months, and customer service centres welcome almost 1.4 million visits.
- Auckland Transport (AT) will continue to deliver transformational urban cycleways that repurpose the city's road space, making it safer and better for everyone, and to promote alternatives to single-occupancy vehicle trips.
- We provided transport services to 1.6 million Auckland residents this year, 20 million visitors who arrived through Auckland Airport and 185,000 cruise ship passengers.
- Through the Auckland Transport Alignment Project (ATAP) and the Supporting Growth programme, we are partnering with central and local government to support a faster rate of housing growth for a projected Auckland population of 2.3 million by 2043.

○ Our vision, mission and values go to the heart of our culture – who we are as an organisation, how we want to behave, our aspirations and what we want to achieve together for Auckland.



END-TO-END JOURNEYS



“Take me where I want to go, when I want to go, with little cost and hassle, giving back some of my personal time”

AT Mobile:
130,000
active
customers

AT HOP use:
94.1%
of all trips

Go by bike:
52,000
new riders

Customer satisfaction:
91%
public transport

and growing

Vision

What we are striving for

Transport choices for a growing, vibrant Auckland

Mission

Why Auckland Transport exists

Working together to deliver safe, innovative and sustainable transport for a great city

Values

How we do business



Creating value for a growing Auckland

Our city is still rapidly growing, which presents challenges and opportunities.

This year, Aucklanders, our stakeholders, the AT Board and employees have engaged in a wide range of conversations, reviews and consultations about priorities for the city's transport system and how these can be realised. The following themes emerged. (See Supporting Evidence on page 56 for detail.)

Hearing what matters



KEEP OUR WHANAU AND COMMUNITIES SAFE ON THE ROADS



Provide a safe system, Vision Zero approach towards no deaths and serious injuries by:

- Appropriate speed limits
- Road enforcement policing and road safety engineering
- Strong AT leadership role and new road safety strategy

Help customers feel safer on public transport journeys.

LET'S MAKE BEST USE OF WHAT WE ALREADY HAVE



- Focus on end-to-end journeys
- More bus priority measures
- More dynamic lanes
- More efficient freight journeys

LET'S CHANGE THE WAY WE TRAVEL AND LIVE LOCALLY



- Increase local board Transport Capital Fund
- Reprioritise existing road space
- Spend more on new cycling and walking projects
- Encourage emissions-free vehicles
- Move from siloed approach to genuine place-making

ACCESS TO JOBS AND EDUCATION SHOULD BE EQUITABLE



- Improve rapid public transport with new busways, light rail and rail upgrades
- Provide transport networks in greenfield growth areas

TRAVEL SHOULD FEEL SEAMLESS AND IN REAL-TIME



- Improve the AT HOP card experience by refunding unused balances, upgrading the website, and simplifying concession applications
- Enhance AT Mobile functions: notify me personally about disruptions and include easier ways to report problems
- Provide audio announcements on buses

INVOLVE ME



- Engage with a wider range of Aucklanders
- Engage earlier with elected members and partners
- Fewer consultations but greater clarity on vision/story and degree of influence customers can have over plans



Creating Value



Significant investments in transport deliver a wide range of economic, cultural, social and environmental value to Auckland.

- A more productive Auckland with reduced congestion and reliable travel times, including freight to key industrial areas and ports
- A safer Auckland with reduced social costs of accidents
- A showcase events and tourist destination
- More houses built faster with transport options to jobs and education
- Significant construction employment in the region
- Lower customer transport costs from a competitive market and new business models
- Value-for-money investment over asset lifetime, with the right infrastructure, funding and cost, and with less waste. Increased land value around rail development
- Third-party revenue such as parking, retail and commercial sale of co-designed software products



- Safer streets and healthier people
- Unique Māori identity expressed in infrastructure and signage (Māori Responsiveness Framework)
- Diverse local places and well-used public spaces
- A network of connected and protected cycle and walking routes

- A zero-emission Auckland by 2050 and major part of city centre emission free by 2030
- Transport networks resilient to climate change

ECONOMY

PLACE AND CULTURE

ENVIRONMENT



CUSTOMERS

- Aucklanders enjoy safe, seamless, rapid, end-to-end journeys and real-time, interactive digital experience
- Wide range of people engaged in transport decisions, and positive interactions with AT
- A fair and equitable transport system

PARTNERS AND POLICY

- Agreed strategic direction and approach (ATAP)
- Relationships based on trust and open dialogue, no surprises

OUR PEOPLE

- Diverse workforce that innovates, collaborates and understands customers
- Engaged workforce with the right skills, good retention levels and career opportunities

Chairman's report

FOR THE FIRST TIME, THE PRIORITIES OF AUCKLAND AND THE GOVERNMENT ARE ABSOLUTELY ALIGNED AND MORE IMPORTANTLY FUNDED.

DR LESTER LEVY



The Asia Pacific region is now home to 60 percent of the world's population. Auckland is one of the region's leading cities and certainly one of its fastest growing. Despite being on the geographical periphery, we now find ourselves at the focal point of paradigm shifts in the way people think, live and travel. This tilting axis brings exciting opportunities to reshape Auckland, and a responsibility to transform the city with more spatially and environmentally efficient modes of transport.

Cities consume 75 percent of all the global energy and give off 85 percent of all the greenhouse gases. Transport infrastructure must serve the city, not consume it; it must support communities, not sever them. We have learned at great cost to human life and health that making cities great for single-occupant cars has undermined them for people and the environment. Travelling by private vehicle, whether electric, autonomous or otherwise, will not solve the biggest issues we face: space, speed and emissions.

Auckland Transport is responding to these challenges and opportunities in a range of inter-connected ways.

Alignment on the next decade of delivery

This year's refresh of the Auckland Transport Alignment Project (ATAP) and adoption of a new 10-year Regional Land Transport Plan in June sees for the first time the priorities of Auckland and the Government absolutely aligned and more importantly funded. Consequently, the RLTP outlines an exciting and ambitious programme of work that serves as our contract with ratepayers and taxpayers to contribute to developing an economically, socially, culturally and environmentally successful Auckland. The plan, while still not far-reaching enough, is an important milestone. It starts to address the underlying causes of the longstanding infrastructure deficit rather than its symptoms – the implausibly slow decision-making that has blighted Auckland, our rapid and continuing population growth, and an equally long-standing car dependency. Fifty percent of the overall budget is for operating expenses, which recognises the importance of maintaining and optimising our existing assets so they are longer-lasting, safe and functioning optimally.

The RLTP emphasises safety as a top priority. The most common cause of deaths worldwide among young people aged 15-29 is road traffic accidents. The consequences are devastating and I cannot over-emphasise how important the safety element of our work programme will be. In 2017, the Board commissioned an independent, expert review into Auckland's sharp decline in road safety performance. This hard-hitting report produced 45 recommendations, all of which we have adopted without question. To deliver on the Vision Zero principle that no road deaths are acceptable, we will need the support of many agencies and importantly that of each and every Aucklander to behave responsibly.

Reallocation of street space for a wider variety of users embeds the reconceptualised approach to safety and is critical to tackling congestion. Our streets will increasingly change through the addition of light rail, bus and bike lanes, wider and better footpaths and bus stops as well as the addition of proven safety enhancements like raised pedestrian crossings and calmed intersections. These changes will encourage drivers to slow down through town centres and near schools.

Public and active transport will increasingly challenge car dependency by enabling safer, faster alternative journeys with increased confidence in arrival time. Unless a sizeable percentage of drivers makes modal switches, congestion will adversely impact economic growth, jobs, housing and quality of life. The Board of Auckland Transport stands strongly behind its policy of reallocating street space, an approach consistent with the Auckland Council's and the Government's aims for our city and furthermore well supported by evidence.

Transport as a service model

Another of the business improvement reviews the Board commissioned this year from international experts was of public transport. This review concluded that the key elements delivered in recent years are outstanding. The New Networks, integrated ticketing, electric trains, the CRL and the Public Transport Operating Model (PTOM) have driven patronage growth rates at the top end of global benchmarks for cities of our scale (45 percent from 2010 to 2017) and they provide an excellent platform of investments as we move into a new business model that predicts the profound changes taking place. Technology is shaping our expectations and values and it is dematerialising our world. For example, an average car weighs 25 percent less than it did in the 1970s. Digital technology accelerates dematerialisation by hastening the migration from a world of products to one of personalised services. AT has focused in its early years on delivering infrastructure projects. We are now maturing into an enterprise model that exchanges our task as builders of products for one of integrators and enablers of services. The new model ensures AT is fit for purpose as and when artificial intelligence erupts and disrupts our neural networks and our transport systems.

The Government Policy Statement has a key theme of incorporating technology into the investments we make in land transport. AT has a global reputation for IT innovation, and intelligent business systems are a key enabler in reaching the Auckland Plan's transformational goal of significantly enhanced transport trips by 2022. By facilitating end-to-end journeys using a mix of transport modes delivered by a range of providers, Mobility as a Service has strong potential to provide alternatives to owning a private car. This year has seen trials of on-demand transport services and an increased focus on information security for our customers to minimise the risk of any breaches, along with significant progress in a first-ever fully integrated network management system for Auckland, employing advanced artificial intelligence.

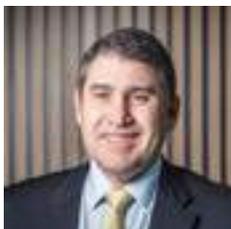
The reviews we have conducted have taken place in parallel to appointing a new chief executive. Shane Ellison was a unanimous choice to lead the organisation in this next phase of maturity. Shane has a deep understanding of transformative change, an innovative mindset and strong leadership capacity, along with international experience in the transport industry. The collaborative relationship being developed between the Board and Shane as he 're-purposes' AT provides confidence that we are well-aligned for change and equipped to deliver.

Dr Lester Levy CNZM
CHAIRMAN



Directors' profiles

AUCKLAND TRANSPORT'S BOARD OF DIRECTORS HAS NINE MEMBERS, INCLUDING A NON-VOTING MEMBER APPOINTED BY THE NZ TRANSPORT AGENCY.



DR LESTER LEVY
CNZM, MBBCh, MBA, FNZIM
CHAIRMAN

Lester Levy has over two decades' experience in a range of roles as a chairman, chief executive and entrepreneur. Lester's governance experience includes chairing private healthcare, film and television production, research, biotechnology and engineering enterprises. His previous roles include Chief Executive of South Auckland Health, the New Zealand Blood Service and MercyAscot Private Hospital Group (where he was a founder), and Chairman of the Waitemata District Health Board, Auckland District Health Board and Counties Manukau District Health Board.

Current roles and general disclosure of interests: Chairman, Health Research Council; member, Ministerial Advisory Group on Health; Independent Chairman, Eye Institute; Independent Chairman, New Zealand Radiology Group; Independent Director, Skin Institute; Independent Chairman, Tonkin + Taylor; Adjunct Professor of Leadership, University of Auckland Business School; Lead Reviewer, State Services Commission Performance Improvement Framework; Strategic Advisor, Te Rūnanga o Ngāti Whātua.



WAYNE DONNELLY
BE, FMZIE
DEPUTY CHAIRMAN

Wayne Donnelly is a former Chief Executive of Land Transport New Zealand (now the NZ Transport Agency) and Rodney District Council, where he was responsible for managing the council's operations. He has held senior management positions in the construction sector and at the former Auckland City Council, and worked in the transport and oil industries in Britain and Hong Kong.

Current roles and general disclosure of interests: Managing Director, Donnelly Consulting Ltd.



KYLIE CLEGG
LLB, BCom

Kylie Clegg has a corporate legal background, having specialised in mergers and acquisitions and corporate governance advice across a range of industries for private and publicly listed companies and government organisations. Kylie's previous governance experience has been as a board member of the New Zealand Olympic Committee and the Halberg Disability Sports Foundation, and as an AT Board observer.

Current roles and general disclosure of interests: Deputy Chair, Waitemata District Health Board; Board member, Sport New Zealand; Trustee, Well Foundation.



SIR MICHAEL CULLEN KNZM
PhD, Hon LLD

Michael Cullen was an Otago University lecturer until he entered Parliament in 1981. Michael was Finance Minister from 1999 to 2008, and Deputy Prime Minister from 2002 to 2008. His achievements include the establishment of the New Zealand Superannuation Fund and the creation of KiwiSaver.

Current roles and general

disclosure of interests: Chair, Bay of Plenty Tertiary Intentions Strategy Implementation Group; Chair, Government Tax Review Working Group; Director, Lifetime Asset Management Limited; Director, Lifetime Income Limited; Director, Retirement Income Group Limited; Lead Treaty Claims Negotiator, Te Kotahitanga o Ngāti Tūwharetoa; Chair, Environment Bay of Plenty.



MARY-JANE DALY
MBA, BCom

Mary-Jane Daly is a former Executive General Manager and Chief Financial Officer at IAG New Zealand. Before joining IAG, she spent four years with Fonterra as Group Treasurer and Risk Manager. She has also held positions at the Bank of New Zealand, National Australia Bank and Toronto-Dominion Bank in London.

Current roles and general

disclosure of interests: Director, Cigna Life Insurance New Zealand Limited; Director, Kiwi Property Group Limited; Deputy Chair, Airways Corporation of New Zealand Limited; Deputy Chair, Earthquake Commission.



MARK GILBERT

Mark Gilbert has three decades' experience in a range of senior management and directorships in the automotive industry. He was previously Managing Director of BMW Group, both in New Zealand and the Philippines, and has been an Executive Member of the NZ Business Council for Sustainable Development (now the Sustainable Business Council) and President, Motor Industry Association of New Zealand Inc.

Current roles and general

disclosure of interests: Chair, Motorcycle Safety Advisory Council; Chair, Drive Electric Inc; Chair, New Zealand Winegrowers Research Centre; Owner/Director, Insight Perspective Limited; Independent Director, Partmaster Limited; Deputy Chair, Appliance Connexion Limited, Appliance Connexion Group Services Limited and Score Limited; Director, DEKRA New Zealand Limited; Chair and shareholder, Chargemaster Limited; Member, Ministry of Transport Electric Vehicle Programme Leadership Group; Member, Institute of Directors NZ Inc.

Directors' profiles continued



RABIN RABINDRAN
Barrister-at-Law (Middle Temple),
MA, AAMINZ
(Term ended November 2017)

Rabin Rabindran is a barrister and international legal consultant who specialises in major national and international project structuring, negotiation and documentation, principally in the fields of construction, energy, transport and infrastructure development. His previous roles include Chair of ARTA, Director of Tomorrow's Manukau Properties Ltd, Director of Manukau Water Ltd, Director of TMPL (Flat Bush) Ltd, Trustee of Chinese Language Foundation, and Director of Australian public company, MBf Carpenters Ltd.

Current roles and general disclosure of interests: Chair, Bank of India (New Zealand) Ltd; Director, Solid Energy New Zealand Ltd; Deputy Chair, Counties Manukau District Health Board; Director, Swift Energy New Zealand Ltd; Director, Swift Energy New Zealand Holdings Ltd; Director, Kowhai Operating Ltd; Director, NZ Health Partnerships Ltd; Director, New Zealand Liaoning International Investment & Development Co Ltd; Chair, Singapore Chapter ASEAN New Zealand Business Council; Director, RSR Legal Consultants Ltd and Director, RSR Projects International Ltd; Peer reviewer, Ultrafast Broadband.



DAME PAULA REBSTOCK DNZM
MSc

Paula Rebstock was Chair of the Commerce Commission 2003-2009, and a Director of the Foundation for Research, Science and Technology 1999-2004. Before that she was General Manager, Labour Market Policy Group, Department of Labour and worked in The Treasury and the Department of the Prime Minister and Cabinet. Paula has also chaired significant government reviews and panels.

Current roles and general disclosure of interests: Deputy Chair, KiwiRail; Chair, ACC; Chair, New Zealand Police Women's Advisory Network; Member, University of Auckland Business School Advisory Board; Member, Synergia Limited Advisory Board; Chair, New Zealand Defence Force Advisory Board; Chair, Vulnerable Children's Board; Chair, Finance, Risk and Assurance Committee, Auckland District Health Board; Chair, Audit and Risk Committee, Tonkin + Taylor; Senior consultant, Strategis; Director/shareholder, On Being Bold; Consultant, Vodafone.



RAEWYN BLEAKLEY
BCApSci, PGDipSci

Raewyn Bleakley has been with the NZ Transport Agency since 2014. As General Manager, Governance, Stakeholders and Communications, Raewyn represents the agency on the AT Board as a non-voting member. Raewyn was Chief Executive of the Wellington Chamber of Commerce and Business Central 2012-2014 and Chief Executive of the Bus and Coach Association and Rental Vehicle Association 2008-2012. Her previous governance roles include Board member, New Zealand Chambers of Commerce and Industry, Tranzqual ITO and MITO.

Current roles and general disclosure of interests: General Manager, Governance, Stakeholders and Communications, NZ Transport Agency; Deputy Chair, Wellington Zoo Trust Board; member, Energy Efficiency Conservation Authority (electric vehicle contestable fund panel).



150 WORKPLACES TOOK PART IN THE AUCKLAND WALK CHALLENGE IN MARCH. COLLECTIVELY, PARTICIPANTS WALKED 669,556KM - NEARLY SEVEN TIMES AROUND THE CIRCUMFERENCE OF THE EARTH.

Chief Executive's report

2018 HAS SEEN A SHIFT IN FOCUS TO OWNING OUR ROLE AS A CHANGE AGENT IN THE IMMENSE PARADIGM SHIFT THE WORLD IS UNDERGOING.

SHANE ELLISON



As one of many New Zealanders returning to Auckland after a long absence, I am inspired by the thriving, multi-dimensional city we are becoming. With the Government's largest-ever investment in Auckland's transport system, and revenue from the regional fuel tax, we can now confidently move ahead with a once-in-a-generation opportunity to enable Aucklanders and visitors both a 'sense of place' and the ability to move about our region in a way they deserve.

Affordable transport options

The \$1.5 billion expected to be raised over the next decade by the RFT is a catalyst, as it will be matched by NZ Transport Agency funding and on some projects attract development contributions. The package is therefore worth approximately \$4.5 billion.

Concerns about the RFT centred on equity and the impact on the disadvantaged. The additional 145km of modern rapid transit network being delivered in the next decade along with safe walking and cycling networks will not only move exponentially more people per hour using less road space, but also:

- Extends transport choice into low-income areas
- Creates greater access to jobs and education opportunities
- Supports new housing growth
- Unlocks end-to-end journeys that reduce car dependency.

Already there are 124,000 homes along the routes to be developed. Over half of all Aucklanders live within a 15-minute bike ride of a train or busway station. An expanded busway in the north and similar busways in the south-east and the south are funded, along with two light rail lines and double the capacity on the existing three heavy rail lines when the City Rail Link opens in 2024.

Great public transport options and new walking and cycling infrastructure are also at the heart of tackling our road safety crisis and enabling some of the nearly 60 percent of school children who are currently dropped off and picked up in cars to bike or walk. Doing so will contribute to a 'healthier' Auckland.

During their construction, the Manukau Bus Station and Pukekohe Station employed 20 Māori and Pasifika trades graduates and wrapped a network of support around these young people as they increased their skills and take-home pay. Social procurement outcomes will increasingly become important to ensure we have the capacity to deliver our transformational capital programme.

Other positive results this year include:

- Rapid and frequent service passenger trips up 14.2 percent, and punctuality exceeding targets
- All 10 key freight routes meeting or exceeding travel time measures
- Dynamic lanes trial saving commuter time and causing no accidents.

A new business model

Auckland Transport is no longer in its establishment phase. 2018 has seen a shift in focus to owning our role as a change agent in the immense paradigm shift the world is undergoing.

Achieving deep changes in organisational culture has many strands. During my first months as Chief Executive, I listened to a wide range of views before making structural changes to ensure we are genuinely high-performing, customer-centric, collaborative and well-placed to deliver on the Government's strategic direction for transport, which emphasises safety, improving access to opportunities, value for money, and lower emission forms of transport. Consistent support across the board for a greater focus on road safety has resulted in a dedicated business unit being established to embed a strong safety and people first culture and to develop a comprehensive internal Vision Zero programme.

Technology is reshaping some of our most fundamental concepts about who we are. We are valuing access over ownership, personalised experiences over standardised products, interaction over passive one-way flows. Accessing transport as a service brings consumers closer to the producer, deepening the relationship, because they feel more invested in improving it. This year, AT's social media followers grew by 93 percent. Our Customer Central innovation hub invited customers and Auckland's elected representatives to design transport with us and deepen our understanding of their experience (see page 24). The end results will be simplified interactions with AT, and less waste so we can deliver more, faster.

One of many 'sprints' we ran through Customer Central this year focused on public consultations. We conduct over 300 public 'consultations' annually, which is neither efficient nor effective. The sprint confirmed that we can do better in seeking a wider range of views, and in communicating the reasons for changes and giving people clarity on what influence they can have on decisions. A more strategic approach is being proposed as a starting point to co-design places with communities.

Auckland Council has an expectation of its CCOs that we will build public trust and confidence. Increased transparency and establishing and maintaining trust and respect is a challenge being faced by institutions worldwide. We are seeing this in the number and type of official information requests and this year in West Lynn where our efforts to repurpose road space led to less-than-ideal outcomes. AT is committed to learning from this process and is revisiting the project with a new plan for how bike lanes, bus stops and car parking can co-exist, based on open conversations with the community.

Our people engage more authentically and creatively with the organisation's mission when they can bring their whole selves to work. This year, AT participated in the city's Pride Parade for the first time as part of our diversity and inclusion programme. We have since gained accreditation through Rainbow Tick as a workplace that understands, values, and welcomes sexual and gender diversity. A diverse organisation solves problems faster, innovates and better represents and understands our customers.

I was also proud to launch in June Te Reo train announcements, and I encourage you to get on board and experience the joy and importance of hearing spoken Māori in an everyday context.

AT's executive leadership is changing as we evolve and I want to thank its outgoing members for their professional dedication to a complex role. I look forward to leading the new team in 2019 as we co-deliver Auckland's future.

Shane Ellison
CHIEF EXECUTIVE



ROAD SAFETY ENGINEERS



CUSTOMER CENTRAL



EXAMPLE OF AT CYCLING AND WALKING
SNAP CHAT FILTER IN USE



SIGNING THE RAINBOW TICK ACCREDITATION



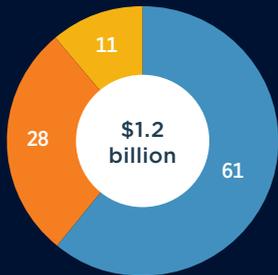
MEMBERS OF THE AT LEADERSHIP TEAM

REVENUE PERCENTAGES



- Capital funding
- Other revenue (including finance revenue)
- Auckland Council operating funding
- NZ Transport Agency operating funding
- Public transport revenue
- Parking and enforcement revenue

EXPENDITURE PERCENTAGES



- Other expenses (including finance costs)
- Depreciation and amortisation expense
- Personnel costs

CAPITAL EXPENDITURE PERCENTAGES



- New capital expenditure
- Renewal capital expenditure

CAPITAL EXPENDITURE PERCENTAGES



- Roads
- Public transport
- Other

Financials at a glance

A SUMMARY OF AUCKLAND TRANSPORT'S FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

Total revenue for the year is \$1,839.2 million, against a budget of \$1,683.4 million. Auckland Council and the NZ Transport Agency are the primary sources of funding; however, 33 percent of revenue was received from various other sources including public transport fares, user charges and fees, rental, other subsidies and vested assets. The pie chart below provides a breakdown of revenue.

Total expenditure is \$1,146.6 million, against a budget of \$1,171.4 million. Other expenses of \$698.3 million include \$608.3 million spent on the following activities:

- \$467.5 million Public transport
- \$120.8 million Roothing
- \$20.0 million Parking.

The surplus before tax of \$692.6 million is \$180.5 million above the budget of \$512.1 million. The variance is mainly due to unbudgeted vested asset revenue of \$213.3 million, higher than budget NZ Transport Agency capital and operating funding of \$44.1 million, and lower than budget depreciation and amortisation of \$38.3 million. This is partly offset by lower Auckland Council capital funding of \$111.4 million.

Investment in the city's infrastructure was \$687.0 million against a budget of \$766.0 million. A significant level of new infrastructure was delivered last year and the required level of renewal of existing assets was undertaken.

The net asset position that Auckland Transport manages is \$19.1 billion, up \$0.5 billion from the June 2017 position.

REVENUE AND EXPENDITURE SUMMARY

All in \$000's	Actual 2018	Budget 2018	Actual 2017
What was received? What was spent?			
Capital funding	685,716	765,896	714,731
Operating funding	536,072	523,241	507,575
Other revenue (including finance revenue)	617,412	394,303	491,608
Total revenue	1,839,200	1,683,440	1,713,914
Expenditure on activities	1,146,579	1,171,362	1,099,936
Surplus before tax	692,621	512,078	613,978
Income tax benefit/(expense)	1,597	-	1,822
Other comprehensive revenue	199,585	-	1,452,746
Total comprehensive revenue	893,803	512,078	2,068,546
New capital expenditure			
Roads	274,355	381,394	217,427
Public transport	145,880	143,333	106,607
City Rail Link	-	-	136,355
Other	24,920	11,470	42,396
Total new capital expenditure	445,155	536,197	502,785
Renewal capital expenditure			
Roads	220,757	212,719	213,935
Other	21,069	16,980	7,506
Total renewal capital expenditure	241,826	229,699	221,441
Total capital expenditure	686,981	765,896	724,226
Funding of capital expenditure			
NZ Transport Agency capital funding – new	128,878	107,258	108,566
NZ Transport Agency capital funding – renewal	76,353	66,750	67,018
Auckland Council capital funding	480,485	591,888	539,147
Other capital grants	1,265	-	9,495
Total funding of capital expenditure	686,981	765,896	724,226

Performance against 2018 targets

A SUMMARY OF AUCKLAND TRANSPORT'S NON-FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

Travel times on the 10 key freight routes were all met or exceeded for the first time in 2018, and arterial road productivity continues to exceed its target, increasing 12 percentage points over the past three years, from a base result of 53 percent in 2015 to 65 percent this year.

The Travelwise programmes also excelled, managing demand for transport by taking single-occupant cars off Auckland's roads during peak periods, encouraging commuters and school children to use alternative modes of transport and carpooling options. This year's result was an additional 7,722 car trips avoided over target.

The results also demonstrate there is work to be done on improving the perception of road and footpath safety and quality, and our level of engagement with local boards.

For the full measures and detailed explanations of results, see pages 51-56 and page 58.

SCORECARD for 2018

Of the 36 measures agreed for 2018, we:



Exceeded performance on 14 measures



Met 10 measures



Did not meet 12 measures

KEY PERFORMANCE HIGHLIGHTS

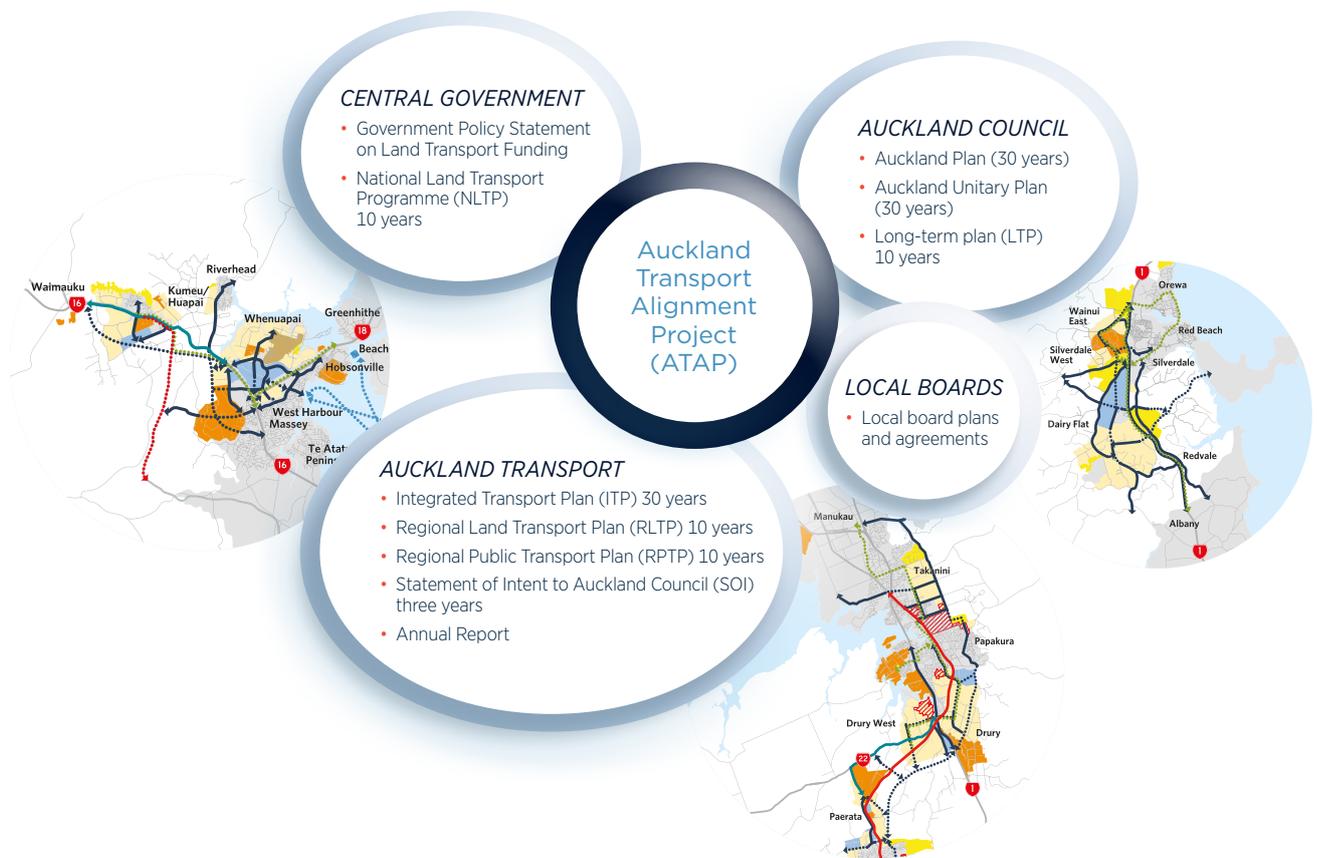
Performance measure	Target	Actual
Customer satisfaction index: Public transport	85%	91%
Arterial road productivity	55% of the ideal achieved	65%
Number of car trips avoided through travel planning initiatives	20,240	27,962
Travel times (in minutes) Kaka Street/James Fletcher Drive/Favona Road/Walmsley Road (SH20 to Walmsley) – east bound	11	9
Travel times (in minutes) Kaka Street/James Fletcher Drive/Favona Road/Walmsley Road (Walmsley to SH20) – west bound	11	7

How we performed in 2018

PROGRESS ON THE THREE-YEAR WORKPLAN

Transport in Auckland is primarily funded by both central government and Auckland Council. The Statement of Intent (SOI) that AT agrees annually with the council is the basis for this annual report. This section reports on the SOI's three-year workplan and key performance measures.

Up-to-date information on the workplan is on the website at [AT.govt.nz/projects-roadworks](https://www.at.govt.nz/projects-roadworks). Videos explaining major projects can be found on YouTube by searching for 'Auckland Transport'.



CREATING A QUALITY PUBLIC TRANSPORT EXPERIENCE

Description	Progress report for 2018
<p>MANUKAU BUS STATION</p> 	<p>Services began operating from the Manukau Bus Station in December 2017 with the launch of the bus New Network East. The state-of-the-art, \$39 million station was formally opened in early April 2018 and is a stand-out architectural addition to Manukau, winning a Public Architecture award in May (see page 49), and reflecting high environmental standards. It represents a significant investment in a joined-up public transport system for Auckland.</p> <p>The 23-bay bus station is located next to the existing Manukau Station and will handle 470 buses and around 5500 passengers each day. The bus station took two years to build with joint project funding from Auckland Council and the NZ Transport Agency.</p>
<p>PUKEKOHE STATION</p> 	<p>Stage 2 of the new \$16.2 million, fully integrated bus and train station at Pukekohe was completed and opened in June 2018. Stage 2 delivered an 87-vehicle park-and-ride area, accessway and pedestrian bridge with lifts linking the bus and train station. The station offers cycle parking facilities, drop-and-ride and a small retail area to encourage people to use train services. It facilitates improved connections between New Network buses and rail, as well as better and faster connections for the Franklin community.</p>
<p>NEWMARKET LEVEL CROSSING</p> 	<p>Construction has begun on a new bridge and road linking Cowie Street to Laxon Terrace in Newmarket. Closure of the old level crossing, connecting Sarawia Street and Laxon Terrace, removal of its infrastructure and relocation of train signals by KiwiRail in May enabled signalling changes in June, in time for a new August 2018 timetable. The new \$8 million crossing facility will improve safety at the busiest train crossing in the country, as well as increase the frequency of rail services to Parnell Station.</p>
<p>RAIL STATION SAFETY</p> 	<p>This year we progressed the rail station gating programme, with new electronic ticket gates at Ōtāhuhu, Henderson, Manurewa, Papatoetoe, Middlemore, Papakura, Parnell and planned for Glen Innes. More than 90 percent of Auckland rail passengers now travel through a gated station.</p> <p>Electronic gates are a key component of AT and operator Transdev's Safety and Fare Enforcement (SaFE) project. The other key component is having transport officers providing customer service and managing fare evasion. The new officers began working on the Western Line in November 2017. They are trained to de-escalate situations caused by anti-social behaviour and are legislated to issue infringement notices.</p>
<p>IMPROVEMENTS TO TRAIN TRAVEL TIMES</p> 	<p>The amount of time trains spend at stations is being progressively reduced, to give customers shorter journey times. AT has negotiated reduced station "dwell times" in operator Transdev's contract extension. The associated journey-time improvements are due to be implemented through timetable changes in August 2018 and August 2019. The revised timetables are also expected to free up at least one additional train in the morning peak.</p>
<p>PARK-AND-RIDE</p> 	<p>North: The Hibiscus Coast park-and-ride extension opened in October 2017, providing 482 spaces. A further 39 spaces were made available in June 2018 and the remaining 90 spaces are still subject to an Environment Court appeal. Construction was due to begin in September at Albany to deliver 135 additional spaces by the end of 2018.</p> <p>North-west: Hobsonville and West Harbour park-and-rides are on hold while the community is consulted about marina development options. Westgate plans will be integrated with new rapid and mass transit networks for the north-west within the next decade.</p> <p>South: We are investigating future options for Papakura to address capacity constraints. The design will be integrated with a planned upgrade to the bus interchange and is expected to be completed late 2018.</p>

Description	Progress report for 2018
<p data-bbox="212 465 414 595">IMPROVEMENTS TO BUS SERVICES TO AND FROM AUCKLAND AIRPORT</p> 	<p data-bbox="475 465 1377 551">Reliable and timely access for customers and goods to and from the airport is limited by lack of travel choice. A joint study by AT, Auckland Airport and NZTA identified low frequency and limited routes as barriers to customers using buses.</p> <p data-bbox="475 566 1417 678">From December 2017 the 380 Airporter bus service between the airport and Manukau-Onehunga was increased to every 15 minutes, from every 30 minutes. This increase has resulted in up to 10,000 more boardings each month, compared with the previous year, an increase of over 30 percent.</p> <p data-bbox="475 694 1372 779">Currently, the SkyBus only serves the central city, but a new express bus service between the North Shore and the airport via the Waterview Tunnel was approved for operation by SkyBus from July 2018.</p>
<p data-bbox="212 824 408 875">AUCKLAND AIRPORT ACCESS</p> 	<p data-bbox="475 824 1414 936">Rapid frequent transit from the airport to Manukau, and on to Botany, will link southern and eastern Auckland and provide an important connection to the rail network at Puhinui. The airport access programme will deliver a fast, frequent and reliable rapid transit system, among a range of initiatives.</p> <p data-bbox="475 952 1158 981">The project investigation and delivery phase is divided into two stages:</p> <ul data-bbox="475 992 1420 1059" style="list-style-type: none"> • Elements to be operational by 2020/2021 (bus improvements and Puhinui bus-rail interchange) • Medium to longer term – delivery post-2021 (full busway and bus-bus interchange in Botany). <p data-bbox="475 1070 1396 1160">Professional advisors have developed indicative and detailed business cases. Their findings have been combined into a single-stage business case to streamline the investigation and route protection process.</p> <p data-bbox="475 1171 1364 1227">Engagement and communication activities are introducing the project to mana whenua, key stakeholders and the public.</p>



THE NEW \$16.2 MILLION, FULLY INTEGRATED BUS AND TRAIN STATION AT PUKEKOHE WAS COMPLETED AND OPENED IN JUNE 2018.

THIS YEAR WE COMPLETED THE RAIL STATION GATING PROGRAMME, WITH NEW ELECTRONIC TICKET GATES AT ŌTĀHUHU, HENDERSON, MANUREWA, PAPATOETOE, MIDDLEMORE, PĀPAKURA, PARNELL AND GLEN INNES.

CREATING A QUALITY PUBLIC TRANSPORT EXPERIENCE CONTINUED

Description	Progress report for 2018
<p>EASTERN BUSWAY – PANMURE TO PAKURANGA, PANMURE TO BOTANY</p> <p>PROGRESS LAND ACQUISITION AND DETAILED DESIGN</p> 	<p>Preliminary construction is underway for the Panmure to Pakuranga stage of the Eastern Busway project in preparation for full construction to begin in early 2019. Planned for completion in 2021, this stage will see a dedicated busway along Lagoon Drive and Pakuranga Road including new cycling and walking connections, urban design enhancements and upgrades to major intersections.</p> <p>The focus this year was:</p> <ul style="list-style-type: none"> • Obtaining the Notice of Requirement consent • Preparing construction documentation • Starting procurement for the main project contractor • Continuing land acquisitions • Starting enabling works to complete demolition and archaeological investigations. <p>For the Pakuranga to Botany stage, public consultation with affected landowners started again following an update to the design. Work also began to progress the design and prepare the Notice of Requirement application, with lodgement planned for mid-2019. This stage of the project will see the busway continue along the centre of Ti Rakau Drive, a flyover connecting Pakuranga Road with Pakuranga Highway, a new station in Pakuranga town centre and an interchange near Botany town centre. A detailed business case for this interchange is being prepared.</p> <p>The full busway is scheduled to be completed by 2026 and will improve transport choices, reliability and journey times (38 minutes by bus and train from Botany to Britomart). The three new urban bus stations will create better access to other parts of Auckland. We are assessing plans to continue rapid transport between Botany and Auckland Airport, then to central Auckland.</p>
<p>BUS NETWORK INFRASTRUCTURE IMPROVEMENTS</p> 	<p>Bus stops and double-decker buses</p> <p>New Network support: The focus this year has been on designing, consulting on and resolving the bus stops required for the Central and North bus New Networks. The bus shelter renewal programme has also continued to support the roll-out of the new networks, with 120 shelters renewed this year.</p> <p>The double-decker bus mitigation programme has continued, to ensure these taller buses can safely operate. Work includes modifying verandahs, relocating poles, modifying traffic signals and tree pruning. The Great North Road route went live in September 2017. Work is progressing on other routes including Manukau, Remuera and Dominion roads, and is planned for completion in December 2018.</p> <p>New bus lanes</p> <p>This year 7km of bus lanes were implemented, including:</p> <ul style="list-style-type: none"> • Park, Sandringham, Stoddard, Manukau Station and Great South roads • FSN Route 33 along Great South Road north and south of Manukau. <p>We also plan to improve bus lanes northbound in Parnell Road.</p> <p>Work on a new southbound bus lane along Dominion Road from SH20 to Richardson Road began in June, following completion of utility work. The Stage 1 upgrade to Dominion Road also involves streetscape widening to allow for continuous bus lanes, and rationalising bus stops. We consulted affected property owners this year and revised the project scope to concentrate on key bus projects only. Stage 2 will involve town centre upgrades, timed and coordinated with progress on light rail to the airport via Dominion Road.</p>
<p>NEW PUBLIC TRANSPORT CONTRACTS BASED ON THE PUBLIC TRANSPORT OPERATING MODEL (PTOM)</p> 	<p>We have now awarded and signed contracts for all of the bus New Networks (South, West, East, Central, North). We also agreed the terms for extending existing ferry service contracts with Fullers, SeaLink and Belaire until 2019.</p>

CUSTOMER CENTRAL IS AN INNOVATION HUB THAT, AS THE NAME IMPLIES, BRINGS OUR CUSTOMERS INTO THE HEART OF THE ORGANISATION. **WE DESIGN TRANSPORT WITH AUCKLANDERS, NOT FOR THEM.** THAT'S A BIG PHILOSOPHICAL SHIFT.

Alongside streamlining how Aucklanders engage with AT and their everyday transport needs, Customer Central will produce benefits of \$45-\$110 million over the next three years. These savings mean we can deliver more projects, faster.



Applying for an AT HOP concession will be a vastly different experience, thanks to the Customer Central team and the teachers, parents, tertiary institutes, students, accessible travellers and SuperGold card concession holders who worked with us to simplify the process.

The new AT tertiary concession application process was trialled with students at the University of Auckland in March 2018. It required only four steps. This new process is being extended to other AT HOP tertiary and secondary school students and SuperGold customers. Validation is being extended from one year to three years, provided the student is still eligible, and students will no longer need to have the concession sticker on their student ID card. Instead they will use AT Mobile to verify their concessions.

By starting with a deep understanding of the customer experience and involving customers directly in the redesign process, the team saved time, money and resources, and has developed a solution that customers love.

Other key projects to receive Customer Central's transformative design-thinking approach include the AT website, improving AT Mobile real-time notifications on disruptions to services, and customer feedback.

CREATING A QUALITY PUBLIC TRANSPORT EXPERIENCE CONTINUED

Description	Progress report for 2018
<p>BUS: IMPROVED CUSTOMER SERVICE AND LOGICAL, INTUITIVE AND INTEGRATED SCHEDULES WITH IMPLEMENTATION OF A NEW BUS NETWORK</p> 	<p>The New Network East was launched in December 2017 as part of a simpler, more integrated public transport network for Auckland. Frequent services operate between Howick and Botany, bus and train connections have been aligned and a new late-night weekend bus service is operating. In the first six months of the New Network, passenger trips increased by 10 percent.</p> <p>The New Network West has resulted in a 10 percent increase in passenger trips. Growth in south Auckland continues into the network's second year of operation, with an annual increase of four percent.</p> <p>The New Network Central went live in early July 2018, including a new Tāmaki Link service between the eastern bays and Britomart, two new frequent cross-town services and frequent services on the main arterial bus corridors. School bus services have also been improved.</p> <p>The New Network North was planned to go live in September 2018.</p>
<p>AT HOP, CUSTOMER INTERFACE ENHANCEMENTS</p> 	<p>A sustained focus on improving customer experience with the AT HOP smart card has delivered:</p> <ul style="list-style-type: none"> • Significant improvements to the tertiary concession application process (see People First – Customer Central on page 24.) • An upgrade of the MyAT HOP website, which went live in May 2018 with new and improved features • Automatic refunding of online top-ups not activated within 60 days • A combined Total Mobility AT HOP card, and AT HOP Accessible customers able to receive account information via an email and/or text message • A new AT HOP key tag card aimed at reducing lost cards and giving customers convenience and choice • Ongoing optimization of the retail network to make it as easy as possible for customers to top up or buy an AT HOP card, e.g. appointing more retailers through the New Network roll-outs.
<p>AT PARK MOBILE APP</p> 	<p>AT Park has been downloaded by 62,000 customers. When registered with AT Park, people can pay for parking anywhere in Auckland with pay-by-plate parking zones, by using the mobile app, website, text, or a phone call.</p>



AT HOP USE: 94.1% OF ALL TRIPS



AT PARK MOBILE APP



THE EASTERN BUSWAY PROPOSED IMPROVEMENTS

THE EASTERN BUSWAY – PANMURE TO PAKURANGA, PANMURE TO BOTANY, INDICATIVE ARTIST IMPRESSIONS ONLY



CYCLING, WALKING AND URBAN DESIGN IMPROVEMENTS



NEW BUSWAY BRIDGE TO BE CONSTRUCTED BY EXISTING PANMURE BRIDGE



ON BOARD THE CITYLINK ELECTRIC BUS



BUS STOPS ALONG TI RAKAU DRIVE

THE EASTERN BUSWAY (AUCKLAND MANUKAU EASTERN TRANSPORT INITIATIVE) WILL CREATE A DEDICATED, CONGESTION-FREE BUSWAY BETWEEN PANMURE, PAKURANGA, AND BOTANY TOWN CENTRES. WHEN COMPLETED, IT WILL SIGNIFICANTLY IMPROVE TRANSPORT CHOICES, RELIABILITY AND PUBLIC TRANSPORT AND CYCLING JOURNEY TIMES IN THE AREA AND TO OTHER PARTS OF THE REGION.

AUCKLAND NOW HAS THE BONES OF A GREAT PUBLIC TRANSPORT SYSTEM.

Electric trains, the New Network, integrated fares, AT HOP and the reform of bus contracting have been key factors in a 45 percent increase in patronage from 2010-2017 – at the top end of global benchmarks for cities of our scale.

By June 2018, annual public transport trips had grown a further 4.4 percent to 92.3 million, 1.7 million customers had purchased an AT HOP card (compared with 1.3 million a year ago) and the cards are now used for 94.1 percent of all trips, exceeding forecasts, and making AT HOP the third largest payment card in New Zealand.



An independent report confirms we are on track to achieve our target of around 100 million annual trips by 2022. This next decade will see a new wave of transformational projects to increase both capacity and reach, aligned with Auckland's growth.

Extending the rapid and frequent transit network

Buses still make up around 70 percent of all public transport trips. We are accelerating busway and bus priority projects to provide customers with fast, reliable travel times. Over the past four years we made quick wins with a \$50 million budget (see page 23), but in the next decade we will spend \$215 million on priority corridors, with the aim of eventually having all frequent services running on dedicated corridors. The first nine corridors are:

- Sandringham, New North, Mt Eden, Remuera, Great South (Ōtāhuhu Station to Papakura), Pakuranga, Ponsonby and Parnell roads, and Ellerslie Panmure Highway.

An additional 145km of rapid transit network will also be delivered in the next decade, including the Eastern Busway (see page 23), extending the Northern Busway, and a new route from Auckland Airport to Botany. Already there are 124,000 homes along the routes to be developed.

Two new light rail corridors and City Rail Link

Light rail transit is planned on two major corridors over the next decade.

- City centre to Māngere will alleviate bus capacity constraints in the city centre, improve access to growing employment areas, unlock significant growth potential and provide a one-seat journey between the city centre and Auckland Airport
- North-west will support substantial growth along the corridor and in the broader north-west, address the projected decline in employment access, provide a travel alternative to congestion on SH16 and improve public transport mode share.

The City Rail Link (CRL) is also due to be completed in early 2024 and will double the efficiency of the entire rail network, allowing 30,000 customers per hour to travel by train.

Purchasing more electric trains and new electric buses

Fifteen additional three-car electric trains have been ordered from our Spanish supplier. The first of the new trains will arrive at the end of 2019 and start operating in early 2020. The new trains will run services to Pukekohe and increase overall rail capacity at peak times. More trains will be purchased within the next decade. Total funding for new trains is \$390 million.

In April 2018, two 100 percent battery-powered electric buses with a 250km range began operating on the City Link service. The trial will evaluate if electric buses meet customers' needs, what routes they can operate on and if these routes are commercially viable. The Energy Efficiency and Conservation Authority (EECA) and AT are jointly funding the trial to plan for large-scale deployment of zero-emission buses. We are aiming not to buy any diesel buses after 2025, and for a major part of Auckland's city centre to be emission free by 2030.

Optimising the New Network and end-to-end journeys

The Auckland bus New Network will be fully live by September 2018 (excluding Waiheke Island, targeted for mid-2019), providing a modern hub-and-spoke connected bus/train/ferry network across the region for the first time. New route dynamic on-demand services will be provided in targeted areas, particularly for the first-final-leg of customer journeys, by taking buses off low-demand routes and facilitating on-demand services with smaller vehicles for these customers. A 12-month trial in Devonport with electric vehicles providing an Uber-like service to Devonport ferry terminal starts in October 2018. Six vehicles will operate within a 3km radius of the Devonport ferry terminal and be available to book via a newly developed separate mobile app with credit card payment facility. The trial will enable AT to assess the technology and whether the service increases ferry patronage, frees up space at the ferry carpark and reduces congestion on Lake Road. The wider aim is to expand easy access to more public transport hubs at both ends of the customer's journey. A roadmap for introducing route dynamic on-demand services across the region will be developed in the next 12 months, using insights from the Devonport trial.

Easy ways to pay and travel in real-time

The AT Mobile app already has 130,000 active monthly customers and is being integrated as a 'one-stop-shop' for customers. Future upgrades will include notifying significant real-time disruptions, tracking a ferry in real time, accessing AT HOP balance and top-up within the app, and personalised view of all viable options for a daily commute.

A national open-loop payment system is being developed that will enable seamless customer public transport fare payments across the country, no matter which city they want to travel in. AT has joined this national ticketing programme, called NEXT, and will look to transition to this in the 2021-2025 timeframe, after it has been implemented in other parts of New Zealand.

The Regional Public Transport Plan (RPTP) is being updated with these next generation projects. Consultations were due to be completed by September and formal adoption is targeted for December 2018.

EVERY DAY, 30,000 INTERNATIONAL AND LOCAL VISITORS EXPLORE AUCKLAND.

Once a gateway, Auckland has become a destination. In 2018 we provided our customers with integrated travel and other transport to and from a record 1,221 events.

A new regional signage system is also helping residents and visitors find their way more confidently and easily. Consistent designs, colours and placement of signs are contributing to our city's unique brand and pride of place.



CROWDS HEAD INTO EDEN PARK FOR A CRICKET MATCH

Highlights of the year

- Ed Sheeran gave three back-to-back concerts in March at Mt Smart Stadium. We managed the extra pressure added to the networks by the final concert – held on a Monday, it saw concertgoers heading to the venue when commuters were going home.
- To cater for 130,000 concert-goers, we upgraded the platforms at Penrose to enable an additional 500 people to depart every seven minutes, set up a managed taxi rank used by 2000 people, and altered bus services.
- On a single weekend in March the Lantern Festival, Auckland City Limits, a Blues match and Round the Bays all took place without undue disruption.
- The All Blacks played France in June 2018 at Eden Park and 56 percent of fans travelled to the sell-out match by special event public transport services.

Auckland Transport has a proven reputation for successfully managing major events, despite the challenges. Auckland is one of the few world cities to deliver event transport operations on the road network and not from dedicated infrastructure, such as a bus hub, and some of our key venues are not serviced by high-capacity rail. There is now an expectation that integrated travel will be provided for all events. Even with an additional 15 electric trains in operation from early 2020, our networks and drivers are limited. Meeting that demand will require us to be ever more creative in how we arrange services. Planning is already underway for the 36th America's Cup on the horizon for 2021.

REPURPOSING AUCKLAND'S ROADS

Description	Progress report for 2018
<p data-bbox="209 539 352 645">SAFE WALKWAYS AND CYCLEWAYS</p> 	<p data-bbox="440 539 1401 595">Auckland Transport has provided more transport choices to our growing city with several significant new shared routes for cycling and walking.</p> <p data-bbox="440 611 1401 667">Waterview – The 3.4km shared path connecting Waterview with Mt Albert opened in full in October 2017. It is already attracting over 500 cycle and pedestrian trips daily. (See the feature on page 41.)</p> <p data-bbox="440 683 1414 853">Nelson Street – In June 2018 we completed the second stage of this cycleway, which included Pitt Street to Hobson Street and Nelson Street to Market Place at Pakenham Street East. As a result of consultation feedback in 2017, we have been investigating the next stage as an integrated streetscape and cycleway for Market Place and Customs Street. This stage will be delivered as part of the Westhaven to City project. The completed parts of the Nelson Street cycleway are already seeing 400 daily trips.</p> <p data-bbox="440 869 1406 954">Northcote Safe Routes – The Queen Street and Northcote Road routes have been constructed. Lake Road is underway, with 4km of the route built by 30 June. We are targeting the end of 2018 for full completion. Northcote Safe Routes for cycling and walking are funded by AT with an NZTA subsidy.</p> <p data-bbox="440 969 1422 1111">Glen Innes to Tāmaki – AT and NZTA are creating a 7km shared path for cyclists and pedestrians that will follow the eastern rail line from Merton Road near Glen Innes Station to Tāmaki Drive. The path will enable people to walk, run or cycle from Auckland’s eastern suburbs to the Waitematā Harbour. Stage one is complete, we are underway with Meadowbank Station to Orakei Basin (Stage three) and the other two stages are being designed.</p> <p data-bbox="440 1126 1418 1296">Waitemata Safe Routes – The Greenways stage that connects existing facilities in Cox’s Bay Reserve to Great North Road opened in June 2017. It improved access to Grey Lynn Park’s walking and cycling facilities and also created a better connection to the city centre via Great North Road and Williamson Avenue. Garnet Road to Surrey Crescent and Richmond Road began in July 2017 and is currently on hold while we review some design elements and engage again with the local community. The 2km route will connect to the city centre and Auckland Hospital via Great North Road and Karangahape Road.</p> <p data-bbox="440 1312 1401 1424">The Urban Cycleways Programme was funded for 2015-2018 with an ambitious target. We were not able to complete some projects within the timeframe and budget. A programme business case in September 2017 set out the benefits accruing from completing the full programme. A further \$150 million has been agreed through the RLTP to achieve this in 2018-2021.</p>
<p data-bbox="209 1473 365 1547">ROADS AND STREETS FRAMEWORK</p> 	<p data-bbox="440 1473 1394 1615">We completed the Roads and Streets Framework and the Transport Design Manual in November 2017. The two documents are complementary. The framework provides guidance on balancing strategic and local place-making needs when designing transport and determining levels of service. It is being used across AT in a range of projects, such as Supporting Growth, safety projects, town centre upgrades and the bus priority programme.</p> <p data-bbox="440 1630 1394 1771">The design manual guides design and technical specifications for projects. One of the integral parts of council amalgamation was to create for the first time a consistent, customer-centric wayfinding system for all of Auckland, and for all modes of transport. Finalising the manual’s signage chapter completed the Regional Signage Project and the principles and standards are being embedded into all AT signage delivery.</p>

AUCKLAND IS FACING WHAT COULD LEGITIMATELY BE DESCRIBED AS A ROAD SAFETY CRISIS.

Significant improvements before 2014 have been followed by five years of increased deaths and serious injuries. Between 2014 and 2017 there was a 77 percent increase in the number of deaths and a 72 percent increase in the number of serious injuries. These figures are much more than increases in the amount of travel and population in Auckland.



This crisis impacts people and AT is responding by adopting a Vision Zero approach, in which no loss of life on the roads is acceptable. This approach is now shared across central and Auckland local government and guides our investment and prioritisation.

SLOW DOWN TO SAVE LIVES

Auckland Transport's greatest opportunity to have an impact is by introducing safer speeds. Speed management is proven to work, both in New Zealand and around the world. In 2014, New York City lowered speeds on more than 90 percent of its roads and road deaths have recently hit historic lows.

Auckland's 10-year capital programme of \$150 million for safety projects will deliver speed management on 10 percent of the network by 2021. It may involve traffic calming, changing the posted speed limit or engineering works. Each situation demands its own solution. This innovative city centre approach in Wynyard Quarter and Viaduct Harbour (pictured above) is an example of place-making and speed calming. A permanent safer speed limit of 30km/h has been introduced to keep people walking, cycling and using public transport safe. Safer speeds also create a healthier street environment and benefit businesses through greater visitor numbers and a more vibrant atmosphere.

NEW AND UPGRADED ROADS

Description	Progress report for 2018
GLENVAR RIDGE ROAD (LONG BAY) CONSTRUCTION 	<p>Glenvar Ridge Road is a new road that will connect the existing transport network with urban development in Long Bay. We completed land acquisition in February 2018 and expect to finish construction by December 2018. The project will deliver a quick, reliable route into and out of the Long Bay area, helping to reduce congestion in summer peak periods.</p>
TE ATATU ROAD 	<p>The \$30 million, 1.4km Te Atatu Corridor Improvement Project was fully completed (road works) in late 2017 and is boosting the efficiency and safety of one of west Auckland's busiest roads. The upgrade has improved traffic flow using a combination of measures, including road-widening and levelling, and improvements to intersections, roundabouts and traffic lights. The project has also delivered a new cycling facility and upgrade of the stormwater network.</p>
LINCOLN ROAD 	<p>An \$85 million upgrade of Lincoln Road between Te Pai Place and the North-Western motorway (SH16) is planned. The upgrade will improve traffic flow and travel times by providing bus and transit lanes, as well as improve vehicle, cyclist and pedestrian safety. Detailed design and land purchase began in July 2017 and is due to be completed by January 2021.</p>
LAKE ROAD 	<p>Lake Road is the only arterial road in and out of the Devonport peninsula and often experiences significant congestion. An indicative business case for funding to improve travel efficiency and reliability has been prepared. This proposes a package of supporting improvements, based around new and repurposed transit lanes, walking and cycling options, and technology solutions to improve travel information for customers in the area. The next stage will be a detailed business case to develop the package in more detail.</p>
MATAKANA LINK ROAD 	<p>The 1.4km Matakana Link Road is a proposed four-lane road connecting Matakana Road and SH1, and bypassing the busy Hill Street intersection in Warkworth. The new road will relieve congestion in central Warkworth and improve access to future growth areas.</p> <p>The detailed business case and route protection phase was completed in June 2018 and is being prepared for AT and NZTA approval.</p>
SEAL EXTENSIONS 	<p>Auckland has 7,300km of legal road, of which about 868km (12%) is unsealed. About 678km (78%) of the unsealed road network is in Rodney and the remaining 190km is mainly in Franklin, Hauraki Gulf islands and Waitākere. Typically, 50,000 vehicles a day use Auckland's unsealed road network.</p> <ul style="list-style-type: none"> • Takatu Road – practical completion in June 2018. The total cost of this seal extension was about \$5.8 million. • Monowai Road – the full section of this road is currently in the construction stage (excluding the last 400m section). We expect to complete construction in October or November 2018. The estimated completion cost is about \$5.5 million (for the entire Monowai section). <p>Future projects in the advanced design stage include Wellsford Valley Road, Ahuroa Road and Ngarewa Road. These sites were selected based on the March 2017 seal extension priority list.</p>
ONE NETWORK ROAD CLASSIFICATION (ONRC) 	<p>The ONRC system is designed to standardise the performance of roads throughout New Zealand, aiming to address historical inconsistencies, promote economic growth and ensure value for money.</p> <p>We have focused our asset management initiatives on drafting a business case-based asset management plan (AMP) for 2018 to 2021. The AMP directs AT's investment in road (and also public transport) asset maintenance and renewals to ensure costs, services and asset risks are managed efficiently and effectively. These investment needs are among the most significant items in AT's total budget.</p> <p>Requirements for the processes to manage road assets were expressed clearly in ATAP recommendations, which called for "improved visibility of the trade-offs between different levels of asset management investment". Providing this improved visibility is a key focus for the national ONRC project and for AT's own work in developing the 2018-2021 AMP. The AMP was adopted in July 2018, and we expected the RLTP process to confirm funding levels for maintenance operations and renewals by August or September 2018.</p>

A 12-MONTH DYNAMIC LANE TRIAL IS GETTING COMMUTERS TO WORK AND BACK HOME TO THEIR FAMILIES FASTER.

Since January 2018, the centre median strip along Whangaparaoa Road between Hibiscus Coast Highway and Red Beach Road has been used to create an additional traffic lane that increases capacity and reduces heavy road congestion during peak times. The lanes are signalled by in-road LED lights and signs on the overhead gantries. Safety is paramount and is reflected in the design. No crashes have happened, despite an increase of up to 300 vehicles per hour using the road at peak times.



The dynamic lane is saving commuters a combined 335 hours daily, and has continued to attract positive feedback from customers living on the peninsula.

Creating more network capacity by repurposing existing road space is a key element of a wider programme that is considering all options for improving the movement of people and goods across our city. Further projects include:

- Special vehicle lanes (freight priority lane on The Strand, Neilson Street, Esmonde Road transit lane)
- Additional dynamic lanes (potentially Redoubt Road, Patiki Road, Maioro Street)
- Motorway shoulder bus lanes
- Improved multi-modal access within Takapuna and Newmarket metropolitan centres.

"I TRAVEL TO AND FROM THE AUCKLAND CBD EACH WEEKDAY IN THE RUSH HOUR TRAFFIC AND THE 10-MINUTE REDUCTION IN MY HOMEWARD TRAVEL TIME HAS BEEN OF GREAT VALUE TO ME. THE TURN-OFF ONTO WHANGAPARĀOA ROAD NOW HAS A SENSE OF 'YOU'VE MADE IT', AND IT MEANS MY HOME LIFE, AND DINNER PLANS, BEGIN ON A BETTER NOTE. I BELIEVE THE DYNAMIC LANE NOT ONLY REDUCES CONGESTION, BUT ALSO REDUCES STRESS, MEANING USERS GAIN NOT ONLY TIME BUT A CALMER WAY OF LIFE." *SETH DAVIES*



SUPPORTING AUCKLAND'S GROWTH

SUPPORTING GROWTH



Auckland's population is predicted to grow by 700,000 over the next 30 years. AT, the council and NZTA are working together to develop integrated transport networks to support new housing and business areas.

AT and NZTA are negotiating on the preferred components to deliver a Supporting Growth Planning Alliance. This alliance will undertake transport-related business cases and route protection to support housing development in identified future urban zones by 2022.

Goals will include providing greater transport choice for people living in growth areas and allowing for high-frequency, high-quality public transport. We will also need to improve arterial road connections to future urban areas. The Transport Network Plan currently in design will support Auckland's economic growth by maintaining reliable travel times for freight to key industrial areas and ports. It will also help to provide certainty for when growth areas will have transport networks in place and be ready for urban development.

AT is helping the council to determine preferred land use options for the Drury-Opaheke and Pukekohe-Paerata structure plans. A new 1.2km arterial road will provide access to the special housing area in Drury.

We are also providing transport expertise to the Silverdale to Dairy Flat Business Area and Warkworth structure plans.

MASSEY NORTH TOWN CENTRE



The Massey North Town Centre project is council-led, with AT providing supporting transport infrastructure. The final roading element is upgrading the main street and footpaths in the Westgate shopping centre. We are still in discussion with the developer to agree the final design for this element. Construction will start in February 2019, with completion expected in September 2019.

Delivery of the Westgate bus interchange is delayed to integrate with the Westgate to City rapid transit network, an initiative by NZTA and signalled as a first-decade priority in ATAP.

OTHER COUNCIL AND CCO ENGAGEMENT



Priority areas with council CCO Panuku Development Auckland (Panuku) include:

- Processing the resource consent for the 36th America's Cup regatta to be based in Wynyard Quarter in 2021.
- **Henderson Town Centre** – We are helping to unlock Henderson's potential as a metropolitan centre by improving walking and cycling, alongside Panuku's revitalisation of many council-owned sites. Walking and cycling improvements will provide residents and visitors with better connections and more travel choices. Initial community consultation on proposed improvements closed in June. AT is also progressing a parking management plan, which will help inform our position on our landholdings and car parks in the area.
- **Northcote Town Centre** – Northcote has been designated a town centre under the Unitary Plan and has a special housing area with plans for up to 700 homes. AT is working with Panuku on the Lake Road dedicated cycleway project, which will provide safe walking and cycling access to 7,000 schoolchildren in the area. We have also been providing input on the town centre design concepts that feature a Greenway connecting homes with a revitalised town centre.
- **Panmure** – Panuku is progressing the Panmure Masterplan and high-level project plan. AT is considering how best to optimise its property holdings.

AT continues to work with Housing New Zealand and HLC (Homes. Land. Community). Project areas under way include Northcote, Mt Roskill and Māngere. The council is developing a governance structure to assist with the Auckland Housing Programme workstreams.

We are a party to the Redhills Precinct appeal challenging the indicative transport network for the area. Mediation with the parties has been ongoing over the past few months and a hearing was expected mid-2018. This appeal outcome will need to be integrated with the Supporting Growth alliance and Housing Infrastructure Fund work.





AT'S ELECTRIC VEHICLE POWERING UP



ONE OF THE NEW AT E-BIKE FLEET



INSTALLATION OF LED STREET LIGHTS



AUCKLAND FERRY BUILDING



PROTECTING OUR HERITAGE



SECURING THE SEAWALL

People first

Meeting the future and preserving the past

SWITCHING TO ELECTRIC

In January 2018, AT added 20 Hyundai Ioniq Electric Vehicles (EVs) to its fleet. This is the single largest EV purchase as part of the Government procurement programme and will help reduce emissions from AT's current fleet by 11 percent. In April 2018 we added three new e-bikes for staff to use for work-related trips. The Auckland Plan aims to halve emissions by 2050. AT's own sustainability framework goes further, aiming to have an emissions-free fleet from 2025.

Auckland Transport is working in partnership with EECA to support and encourage the further uptake of EVs across Auckland by:

- Installing 60 electric charging points in AT's off-street car parks
- Prioritising parking and infrastructure for EVs in parking buildings
- Working with the council on parking and infrastructure for EVs in new developments.

SWITCHING TO LED

Auckland is leading the way in Australasia in changing our street light network to energy efficient LED luminaires. By June this year, we had replaced 39,000 street lights under the retrofit programme and installed a further 15,000 through new subdivisions and upgrades. A central management system has also been installed to monitor the network. Stage 2 is now under way, and will replace the remaining old luminaires by 2025. The LEDs have a 20-year lifespan and the project's combined net savings in energy and maintenance are estimated at \$131 million. The programme cost is \$65 million, of which NZTA has subsidised \$55 million.

PROTECTING OUR HERITAGE – SEAWALL

The baroque Auckland Ferry Terminal is a listed heritage building. It was built on reclaimed land on Auckland's waterfront and sits on a seawall that is now 110 years old. By August 2017, the seawall had developed a significant hole as a result of ferry propeller backwash. The scour risked the stability of the building. During the summer, an innovative repair – unique in the New Zealand context – was carried out underwater by expert divers who placed steel plates over the scoured area and bolted them in place. The \$3.5 million repair project is expected to secure the wall for the next 20 years until we deliver a final replacement seawall.

ACTIVATING THE MORNING COMMUTE

81 percent of AT employees now walk, cycle or use public transport for their morning commute.

At workplaces where our Travelwise Choices programme is active, 69 percent of employees have joined us in switching over to active and sustainable ways of getting to work.



PROTECTING OUR HERITAGE – K ROAD

Transport can make or break a place. A network of high-capacity trams once connected K Road with the entire Auckland isthmus, delivering customers in droves to department stores, restaurants and cinemas. After the tram lines were ripped up in 1956, the impact on K Road was devastating. A fully fledged urban renaissance is around the corner in 2024 when the City Rail Link will again deliver thousands of people every hour to this iconic street's front doors. Light rail to Upper Queen Street will further revolutionise access to this city centre entry point.

Karangahape Road Enhancements is preparing for this future, with smaller projects to preserve the street's heritage character, and put people first. Peak hour bus lanes, a separated cycleway and pedestrian enhancements are planned in each direction. Work is programmed to start in early 2019. A pop-up hub at 290 Karangahape Road in June and July 2018 shared the latest version of the street design. Visitors could experience a virtual-reality 3D model and take part in interactive project experiences. A large, after-hours projection enabled project information to continue even after dark. Over 800 people visited the hub in June and July.



A FULLY FLEDGED URBAN RENAISSANCE FOR K ROAD IS AROUND THE CORNER IN 2024 WHEN THE CITY RAIL LINK WILL AGAIN DELIVER THOUSANDS OF PEOPLE EVERY HOUR TO THIS ICONIC STREET'S FRONT DOORS.

KARANGAHAPE ROAD ENHANCEMENTS IS PREPARING FOR THIS FUTURE.



ARTIST'S RENDERING OF CRL KARANGAHAPE STATION

Better outcomes for and with Māori

The following table reports on specific projects which will help to deliver on Māori responsiveness – contributing to Māori wellbeing, organisational effectiveness, and post-Treaty settlement opportunities.

Description	Progress report for 2018
MĀORI RESPONSIVENESS PLAN	<p>Finalised in September 2017, the Māori Responsiveness Plan shows AT's commitment to work with 19 mana whenua tribes to deliver effective and well-designed transport policy and solutions for Auckland. The plan outlines AT's specific legal obligations and objectives around responsiveness to Māori and establishes key principles such as partnership and relationship building. Among the prime objectives: Engage early, and manage the relationship and resourcing of mana whenua upfront.</p> <p>The plan, which is reported on every six months, also includes key projects such as:</p> <ul style="list-style-type: none"> • A new Māori information portal launched in June 2018 that AT staff and mana whenua can access • A learning and development programme to lift AT staff capability to better respond to Māori • Implementing the completed processes and templates for master services agreements between AT and mana whenua.
MANA WHENUA ENGAGEMENT	<p>We engaged mana whenua leadership with major planning documents this year such as the RLTP, RPTP, and Regional Ferry Strategy. Key points from high-level discussions with mana whenua have been incorporated in AT's sustainability framework, and workshops were held with mana whenua on the draft (now final) Transport Design Manual.</p> <p>Regular monthly hui are being held with mana whenua about the walking and cycling programme. Discussions continue on the Te Ara ki uta ki tai/Glen Innes to Tāmaki Drive shared path, on options for section three across Hobson Bay. A historical land tenure report has been commissioned and legal clarification sought on any Treaty Settlement rights to use the land. Māori values assessments have been sought from mana whenua as well as input on the multi-criteria assessment.</p>
INCORPORATE TE ARANGA MĀORI URBAN DESIGN PRINCIPLES INTO PROJECTS	<p>Ongoing engagement with mana whenua for the Regional Signage Project has established a regional tohu design template. Eight place-making signs have been installed across Auckland, with many iwi also opting to include bilingual information. A further three signs were developed and installed with mana whenua on infrastructure projects.</p> <p>Key infrastructure projects this year with mana whenua engagement:</p> <ul style="list-style-type: none"> • Artists developed common design themes for the new Manukau bus station. Six mahi toi pieces feature in the premises. • Agreeing an overarching theme as the Eastern Busway goes through its next design phase. • The Ōtāhuhu streetscape upgrade is incorporating design input on integrated art works designed by Māori artists, with consistent themes with other projects in the area. • For the New Lynn to Waterview cycleway, plant species have been chosen and a Ngāi Tai ki Tāmaki artist will develop content for interpretative signs on the Whau River shared-path bridge. Mana whenua are considering narrative on the Waitākere Ranges and Māori names for the Whau River shared path. • Newmarket level crossing – artists from Ngāti Whātua o Orākei and Ngāti Tamaoho were endorsed by the collective to represent them in creating thematic design and cultural narratives.

Description	Progress report for 2018
ROAD SAFETY PROGRAMMES – YOUNG MĀORI DRIVERS AND PASSENGERS	<p>The Māori Road Safety Programme focused on relationship development with key mana whenua and mataawaka communities, and delivery of the following programmes.</p> <ul style="list-style-type: none"> • Safer communities – (kura kaupapa, wharekura, kohanga reo) promotes safe crossing for children on pedestrian crossings, alternative modes of transport, driver licensing, the effects of alcohol on driving, and host responsibilities. • Taraiwa inu waipiro kore – Drive Drink Free was highlighted at the Tāmaki Herenga Waka Festival and the ASB Polyfest. • Ata Haere – Slow Down. The Kupe Street (Ōrakei), Māngere and Manurewa speed campaigns have continued, and the Ōtara community engaged for a new speed campaign, He Taonga Nga Tamariki Ata Haere and Aro Atu Aro Mai. • Me Haumarū I te Tuatahi (Safety First). Three training sessions have been held for whānau and kaiako to become qualified child restraint technicians. • Raihana Akonga/Raihana Whiitiki – Learners and restricted drivers. Four workshops at marae have helped young people complete their learner and restricted licences. • Whānau Walking. Three whānau walking events were held: Mataatua Marae to Māngere, Mataatua Marae to Maunga, and a joint Mataatua Marae/Papatuanuku Kokiri Marae walk.
CONSIDER MĀORI VALUES IN TRANSPORT INFRASTRUCTURE PROJECTS	<p>Several walking and cycling, road and footpath, and train station projects have incorporated stormwater and run-off management systems from a mātauranga Māori aspect. Te Aranga design (taiao) has taken the conversation from catch pits to rain gardens and alternative engineering approaches to manage run-off.</p>
MARAE DEVELOPMENT AND ROAD SAFETY	<p>Under the Te Toa Takitini project, several marae are being assessed to improve their entry/exit roads. Kia Ora Marae was the first entrance to be completed in late 2017.</p> <p>The following marae are at various stages, from planning to nearing construction.</p> <p>Motairere (Great Barrier Island), Whatapaka (Papakura), Umupuia (Maraetai), Waimango Papakainga (Wharekawa), Reweti (Helensville).</p>
DUAL LANGUAGE COMMUNICATION WITH THE PUBLIC	<p>From June 2018, rail customers began hearing pre-recorded public announcements in Te Reo Māori, as well as in English. For example:</p> <p>“Nau mai, Piki mai ki tēnei ratonga rerewhenua i te Uru ki Henderson mā Newmarket.”</p> <p>“Welcome aboard this Western Line service to Henderson via Newmarket.”</p> <p>Phase one includes 30 messages translated in Te Reo as passengers leave the station or change route, as well as mid-journey messaging. The project delivers on a key objective of AT’s Māori Responsiveness Plan – Te Reo te Rongohia, Māori language that is heard.</p>



THE OPENING OF THE MANUKAU BUS STATION



THE WATERVIEW SHARED PATH CAME INTO BEING AS A COMMUNITY VISION THAT WOULD BE INTEGRAL TO THE MAJOR WATERVIEW CONNECTION PROJECT.

The 3.4km shared path, completed in October 2017, passes through a beautiful area rich in Māori and European history, yet these green spaces had become perceived as unsafe and inaccessible. The route joins an extended South-western Path, meaning it is now possible to cycle from Māngere Bridge to St Heliers via the city centre, a distance of almost 30km, without traversing busy roads.



In the project's early planning, AT invited local iwi to participate in returning these spaces to the community in a way that preserves our history, shares their cultural values and helps explain who we are today. Together, we developed concepts that were then developed by Māori artists into designs approved by the iwi.

Te Aranga Māori Design Principles and imaginative engineering are expressed by:

- The three bridges along the path, which span Te Auaunga/Oakley Creek and its flood culvert, using the principles of mahi toi (creativity), whakapapa (names) and ahi kā (the living presence) of water
- The rich theme of Māori gardens with palisade walls and fences on the bridges
- Three of the four massive pou, at each bridge, carved from aged tōtara to honour the mauri (life force) and kaupapa (principle) of the area.

The bridges were located to avoid important historical and archaeological sites for future study. Following the principle of Mauri Tu (environmental health) ensured we have addressed the closed landfills along the route.

Waterview Shared Path's success, with a recorded average of over 500 cycle and pedestrian trips per day, demonstrates what can be achieved by partnering with iwi as we transform Auckland's built environment. It sets a precedent for opening up streams and hidden green spaces, returning them to the community for recreation and connection to their shops, schools and transport options. The shared path adds value to proposed housing developments in Waterview and additional sports facilities.

The path was built by the Well Connected Alliance for AT and the NZTA.



I LOVED RIDING MY BIKE AS A KID AND EVEN TODAY, WHEN I'M OUT ON MY BIKE IT MAKES ME SMILE. EVEN THOUGH I'M 40, I GO OVER THE BUMPS AND STAND UP ON THE PEDALS AND IT MAKES ME FEEL LIKE A KID AGAIN. *KATE*



STEPPING UP TO AUCKLAND'S CHALLENGES

The Regional Land Transport Plan (RLTP) reflects a significant step up in transport investment for Auckland over the next 10 years, taking its direction from the ATAP package agreed in April 2018.

The programme will be delivered in partnership by central and local government, and features:

- A major focus on improving road safety to address high-risk rural and urban roads and intersections, managing speeds, monitoring of high risk areas, and a road safety education and awareness programme to target high-risk behaviours (page 31)
- Strengthening the rapid transit network, including completing the City Rail Link, the Eastern Busway from Panmure to Pakuranga, and implementing whole-of-route bus priority along the Frequent Bus Network, and light rail from the city centre to Māngere and along the north-western corridor (page 23)
- Significant investment in walking and cycling, including completing the Urban Cycleways programme which started in 2015, Seapath and Skypath to provide a shared path from Esmonde Road across the Auckland Harbour Bridge, and a walking and cycling programme which focuses on short trips to the city centre, schools and local and metropolitan centres (page 30)
- Improving the capacity and performance of the existing transport system, with small-to-medium scale projects targeted to optimise routes through coordinating traffic signals, improving road layout, dynamic lanes, and managing traffic restrictions (page 33)
- Improving the heavy rail network to increase capacity and resilience, including completing the Third Main Wiri to Westfield line, electrification between Pukekohe and Papakura, new electric trains and progressively improving and removing rail level crossings (page 21).



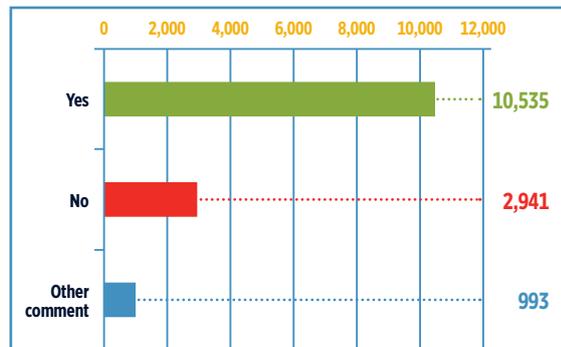
Hearing what matters to Auckland



The majority of the 18,000 submitters on the draft agreed with the RLTP’s statement of transport challenges, of safety, congestion, decreases in accessibility, impact on the environment, and supporting growth in the region.

Do you think we have correctly identified the most important transport challenges facing Auckland?

SUBMISSION RESULTS



The regional fuel tax (RFT), together with funding from rates, development contributions and the National Land Transport Fund, will enable a \$10 billion package of capital investment by AT over the next 10 years. The RFT was put in place by Auckland Council and took effect on 1 July 2018. The scheme provides for 10 cents per litre to be collected over the next 10 years, to support transport projects that would not otherwise be funded. See the table above.

REGIONAL FUEL TAX PROJECTS

Project	Additional capital investment	
	Total	RFT contribution
\$ million		
Bus priority improvements	266	100
City centre bus infrastructure	163	62
Improving airport access	68	26
Eastern Busway	743	193
Park and Rides	63	24
Electric trains and stabling	396	150
Downtown ferry redevelopment	73	28
Road safety	552	210
Active transport	342	112
Penlink	200	66
Mill Road corridor	508	102
Road corridor improvements	302	87
Network capacity and performance improvements	296	99
Growth related transport infrastructure	300	126
Total	4,271	1,385



Our people

CONSOLIDATING AT OPERATIONS IN ONE BUILDING

After 18 months of planning, all AT employees who were scheduled to relocate to our new city location are now based at 20 Viaduct Harbour. The move was carried out efficiently and staff responded positively to the new premises. The corporate building is not only delivering operational efficiencies and rental cost savings but a new culture of collaboration.

A focus on sustainability played a big part in our move.

- Secure bike and motorbike parking, showers, a drying room, lockers and EV charging points support a variety of ways of travelling to and moving around the city.
- Efficient floor layouts and hot desking save 3000m² – a space-saving equivalent to the size of Spark Arena.
- Most of the existing meeting room fit-out, cabling and infrastructure was retained, saving about \$1.75 million and reducing the waste sent to landfill.
- Ceiling tiles were upgraded to absorb more sound, and all the carpet tiles were lifted and sent to Tonga to be reused.
- Fluorescent lights were replaced by LEDs with occupancy sensors, reducing our overall energy consumption by 276,909 kWh annually (worth \$44,000).

At its 20 Viaduct Harbour offices, AT has introduced bilingual wayfinding signs and Auckland-based Māori names on all meeting rooms, with staff learning the meanings, pronunciation and historical background to the names.

People first Diversity and inclusion

At AT we are proud of how diverse we are and committed to enhancing this diversity in the long term.

Why it is important for us

- We want to use the strengths and talents of all our people to help us contribute to a growing, vibrant Auckland.
- As Aucklanders, we want to reflect, represent and support our customers and their needs – the wider Auckland community.
- We want to encourage innovation, new ideas and different types of thinking, all supported by having a diverse workforce.

Our previous approach to diversity and inclusion was informal, but we had a good foundation in place. We had employees from over 50 countries, and cultural celebrations took place informally across the business. More than 500 of our staff were aged over 50, which meant we also had an ageing workforce, many in senior specialist, physically demanding or leadership roles. We had an opportunity for better recruitment, development and retention of talented female staff, and for increased understanding and awareness around accessibility and LGBTIQ (Lesbian, Gay, Bisexual, Trans, Intersex, Queer and Questioning).

This year we introduced a fresh, formal approach in response to employee feedback.

- In response to our mature aged workforce, the 'Staying on' programme was launched in March 2018.
- AT Connects are new staff-led networks which can be set up by any employee. Current networks include Pasifika, Māori, Indian, Women and Rainbow, with about 250 staff involved. Each network has developed an action plan to achieve its goals.
- We have a well-received flexible working framework to ensure our employees are able to balance their working and personal lives.
- In February 2018, AT participated in the Pride Parade for the first time, in a float themed "we build this city". About 100 staff marched, along with the council's chief executive and three of AT's executive leadership team. This reinforced AT's support of the event and sent a powerful message about our commitment to creating a truly diverse and inclusive organisation, supporting our LGBTIQ staff and the wider community. AT is also undergoing Rainbow Tick certification. Rainbow Tick is a policy and process improvement programme designed to help organisations become safe and inclusive places that welcome sexual and gender diversity.
- Celebrations have taken place internally for Diwali (300 attended), International Women's Day (80 attended), Chinese New Year, Nowruz, Pasifika, Samoan Language Week and most recently Matariki in June. Waiata, a hangi lunch and other events gave a deeper insight into viewing Matariki and the connections between Matariki, planting and Maramataka (the Māori calendar).



SAMOAN LANGUAGE WEEK



DIWALI CELEBRATION



NOWRUZ CELEBRATION



WOMEN IN AT



MATARIKI CELEBRATION



DIWALI CELEBRATION



NGĀ KETE KĪWAI PROGRAMME



HEALTH AND SAFETY RECRUITMENT DRIVE

HEALTH AND SAFETY

Auckland’s rapid population growth and the pressures to deliver new transport projects and services means AT faces a significant and ongoing health and safety challenge. From construction site workers and public transport customers to parking officers on the street and employees using ebikes, we have a responsibility to maximise wellbeing and minimise risks to safety.

The focus on safety has continued through industry engagement established with our partners, and designed to increase communication and collaboration across the industry, which are key components of lifting safety in Auckland.

We have adopted a new approach to health and safety to remove the ‘clipboard’ perception that has developed over the years. This refreshed look has raised interest in the area, with over 80 people nominating themselves to be HSW Representatives across the organisation.

We have introduced a health and safety assurance process that is being rolled out across all AT business activities including how we work with contractors and suppliers. This assurance process will provide monitoring and feedback on the effectiveness of our health and safety practices and where there are opportunities to improve.

Auckland Transport has a Vision Zero principle to health and safety. As we move forward, our new organisational structure will help bring a greater focus on the strategies and initiatives we are putting in place around the health, safety and wellbeing of our people.

SUPPORTING OUR PEOPLE’S LEARNING

Think Tank

Auckland Transport’s learning management system, Think Tank, was launched in November 2017. It gives our people the ability to search and register for AT-wide learning activities, complete online learning modules and videos, have sessions with experts, and track their learning path. Managers can view, approve, and report on their team’s learning activities.

Think Tank enables us to deliver a modern, blended learning solution across our organisation. It has 181 learning activities in 14 library categories such as compliance, diversity and inclusion, health and safety, leadership and technology.

In April 2018, almost 200 participants registered in Think Tank for the Ngā Kete Kīwai programme, which was designed to enhance Māori knowledge and awareness. The response was overwhelmingly positive. More and more content is being uploaded as we continue to improve the system and make Think Tank an integrated part of our day.

Early careers programme

Aiming to create a diverse, agile and progressive pool of future leaders for AT, the Early Career Programme welcomed its first group of 23 graduates, cadets and scholars in December 2017. The three-year programme encourages connection between different teams through rotations and collaborative working, and puts the development of our people first. We support graduates and cadets with a tailored package of mentoring, technical learning and development. The programme has a unique ability to co-design rotation schedules between managers, graduates and the talent team.

PEOPLE STATISTICS

	2015	2016	2017	2018
Number of full-time employees (FTE)	1,367	1,453	1,478	1,676
Percentage of unplanned turnover (voluntary turnover)	10.5	11.6	12.3	15

Note: this year’s increase in unplanned turnover is due to a combination of the business relocation and restructure.



People First

Bus station gets young people on board new careers

The new Manukau Bus Station is AT's first project with a social outcome as part of its procurement process. The contractor NZ Strong had to show how the project would train and employ south Auckland Māori and Pasifika Trades Training graduates.

Thirteen graduates were placed with a range of NZ Strong's subcontractors during construction and received 13 months of mentoring and pastoral care from Dale Williams, the programme and quality control specialist for Auckland Council's The Southern Initiative (TSI) that runs the trades training scheme. A further seven graduates worked on Pukekohe Station. Although the two projects are now complete, Dale says the success of the placements has gone viral. Most of the young people are in full-time jobs and the contractors employing them are spreading the word to other employers. TSI has since facilitated more graduates into local workplaces.

"Manukau set a precedent for other procurement processes," says Dale. "The collaboration between agencies, employers and TSI and the strengthened relationships is having a trickle-down effect."

At the bus station opening, Ōtara-Papatoetoe Local Board Chair Lotu Fuli supported this view. "The project is not only providing better transport connections, it has also connected young people to careers in the trades," she said.



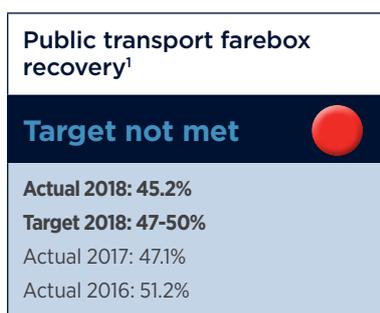
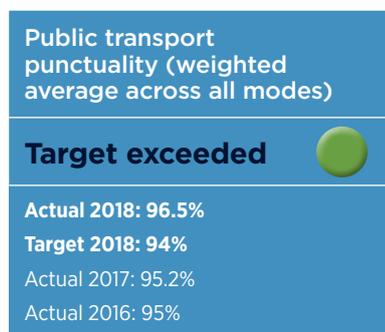
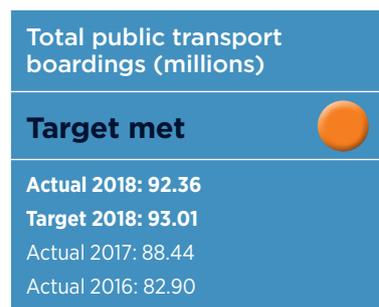
THE TRADES TRAINING GRADUATES (ABOVE) WHO WORKED ON THE MANUKAU BUS STATION CONTRIBUTED TO AN AWARD-WINNING PROJECT, PICTURED HERE ALONG WITH THE OFFICIAL OPENING CEREMONY IN APRIL.

Auckland Transport has an agreed set of key performance measures and targets, which form the basis for our accountability to delivering on Auckland Council's strategic direction, priorities and targets. Measures and targets in the following pages combine those reviewed annually through the Statement of Intent and parallel items in the council's Long-term Plan.



Public transport

KEY PERFORMANCE MEASURE RESULTS



Public transport boardings increased by 4.4%, or 3.9 million boardings, over the 12 months to June 2018. The strongest performer was boardings on the rapid or frequent network, which saw a 14.2% growth. This year, rail operations faced a number of challenges including rail strike action and the Britomart derailment.

The percentage of customers satisfied with their public transport service continues to rise, from an already high result of 90% for 2017. Satisfaction levels have grown with the introduction of electric trains, integrated ticketing and the gradual implementation of the bus New Networks.

Public transport farebox recovery did not meet its target for 2018 due to a number of factors, most notably the impact of continued customer migration from cash to lower AT HOP fares and the success of the new network in migrating customers onto feeder services. See page 27 for an overview of results and where to next with public transport.

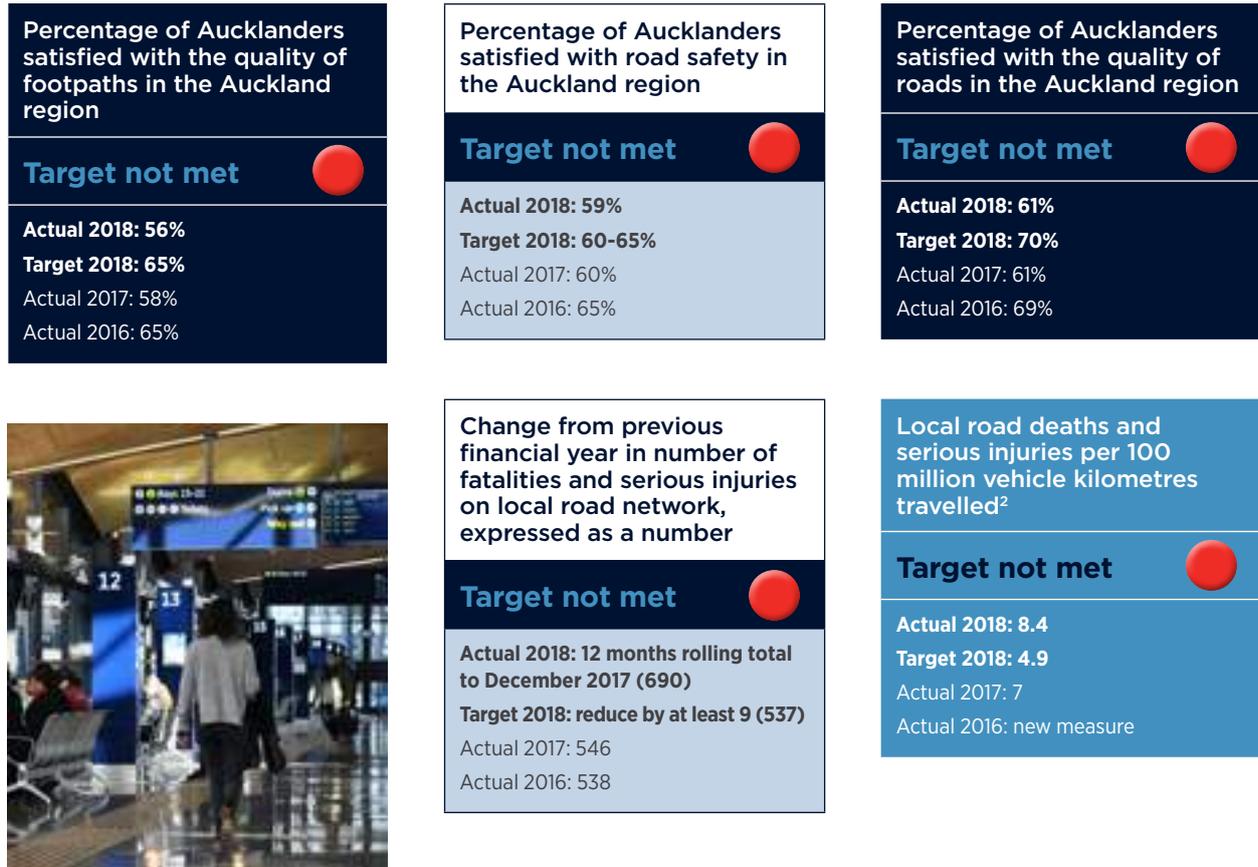
KEY TO TARGETS:

Result above target by more than 2.5% = EXCEEDED. Result within +/- 2.5% of target = MET. Result below target by more than 2.5% = NOT MET. See page 56 for Notes 1 to 9 to the performance measure targets.



Road network and Parking

KEY PERFORMANCE MEASURE RESULTS



The increase in road deaths and serious injuries over the past three years has led to urgent review and recommendations being adopted, including a substantially higher budget for road safety. See the Chairman's report on page 9 and details of the speed management programme we are implementing in 2019 on page 31.

Traffic flow is the main driver of customer overall experience of travelling by road. Following significant decreases in traffic flow satisfaction two years ago we saw a halo effect where most other roading satisfaction survey measures also decreased.

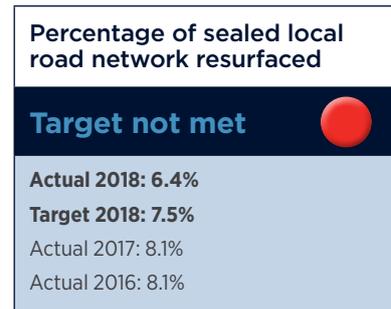
In June 2016, the footpath quality measure in the Auckland region was meeting the target SOI of 65%. Following a slow decline over recent quarters, satisfaction levels are currently stable for the quality of footpaths in the Auckland region (56%), now below the target SOI of 65%. Auckland areas where footpath quality has significantly decreased since June 2016 are North Urban, West and South Urban.

Compared to a year ago, residents are more likely to mention safety as a priority to improve their walking experience. Currently two in five Aucklanders mention safety functions such as safe places to cross the road, lighting and width (having a buffer from traffic). Over the past year, fewer (now one in four Aucklanders) mention walking amenity features as priority improvement such as surface evenness, footpath quality and being kept free of obstructions.



Road network and Parking

KEY PERFORMANCE MEASURE RESULTS



AT has a target of resurfacing/rehabilitating 7.5% of the sealed local road network during 2018. In 2018, 417.5 km of the local road network was resurfaced or rehabilitated, equivalent to 6.4% of the total network. This lower-than-forecast result may have impacted on the percentage of Aucklanders satisfied with the quality of roads in Auckland.

Parking occupancy rates for on-street parking, although slightly lower than in 2017, continue to sit well within the target range of 70%-90%, resulting in the target being exceeded. New technologies such as the AT Park app (see page 25) and the pay-by-plate machines are supporting ease of parking options around the city.



KEY TO TARGETS:

 Result above target by more than 2.5% = EXCEEDED.  Result within +/- 2.5% of target = MET.  Result below target by more than 2.5% = NOT MET. See page 56 for Notes 1 to 9 to the performance measure targets.



Road network and Parking

KEY PERFORMANCE MEASURE RESULTS

Travel times on key freight routes during the inter-peak (9am-4pm) for 85th percentile ⁶				
Minutes	2018 actual	2018 target	2017 actual	2016 actual
SEART (from Sylvia Park to East Tāmaki) - east bound	12	12	12	11
SEART (from East Tāmaki to Sylvia Park) - west bound	11	12	11	10
Wairau Road (from SH18 to SH1) - east bound	9	10	9	8
Wairau Road (from SH1 to SH18) - west bound	9	9	9	8
Harris Road (from SH1 Highbrook interchange to East Tāmaki) - east bound	13	13	12	11
Harris Road (from East Tāmaki to SH1 Highbrook interchange) - west bound	11	11	11	10
Kaka Street/James Fletcher Drive/Favona Road/Walmsley Road (SH20 to Walmsley) - east bound	9	11	8	8
Kaka Street/James Fletcher Drive/Favona Road/Walmsley Road (Walmsley to SH20) - west bound	7	11	7	8
Great South Road (Portage Road to SH1 Ellerslie Panmure Highway Interchange) - north bound	11	13	13	12
Great South Road (SH1 Ellerslie Panmure Highway Interchange to Portage Road) - south bound	12	13	12	11

All 10 key freight routes met their interpeak travel time targets for the year to June 2018, with six routes exceeding their targets. This year, 23% of the arterial network was subject to congestion during the morning peak and 77% of the network was operating efficiently during the AM peak.



Walking, Cycling and Travel demand

KEY PERFORMANCE MEASURE RESULTS



Cycling counts continue to grow at the 14 identified sites around the Auckland region, with a result of 0.4% above target for 2018. Cycle movements in the city centre fell slightly below target, at 0.9%. Year-end cycle facilities added a total of 6.54 km to the regional cycle network, also below the target of 10km. A number of projects due to be completed were delayed due to factors including design changes, ground conditions and insufficient lead times. Routes such as Ian McKinnon Drive, Glen Innes to Tāmaki Drive and Links to New Lynn that were due to be completed are still under construction. Issues with design have meant construction on Westhaven to City, Herne Bay to Westhaven, Great North Road, and New Lynn to Avondale cycleways has not yet commenced. See page 30 for details on the cycleway programme.

Both Travelwise programmes have performed exceptionally well in 2018. The number of car trips avoided through travel planning is 7,722 above target. Travelwise Choices exceeded its target by 20%.

KEY TO TARGETS:

Result above target by more than 2.5% = EXCEEDED. Result within +/- 2.5% of target = MET. Result below target by more than 2.5% = NOT MET. See page 56 for Notes 1 to 9 to the performance measure targets.

Notes to the performance measure targets

1. Farebox recovery measures the contribution passenger fares make to the operating cost of providing public transport services. The measure calculates farebox recovery in accordance with NZTA guidelines. Price level changes of 6-7% average fare reduction in 12 months to September 2016 from HOP uptake and Simpler Fares HOP price reductions are reflected in new targets.
2. The rate of local road deaths and serious injuries per 100 million vehicle kilometres travelled is an estimate of exposure to crash-risk on the local road network.
3. Four-hour peak period is defined as the top four busiest hours of the day. These hours are not often coincidental and can vary depending on contributing factors. On-street parking occupancy is surveyed once a quarter in three central city parking zone precincts: Shortland/High streets, Karangahape Road and Wynyard Quarter.
4. Road productivity is a measure of the efficiency of the road in moving people during the peak hours. It is measured as the product of number of vehicles, their average journey speed and average vehicular occupancy. Key arterial routes include: Airport to CBD (via Manukau Road); St Lukes to St Johns (via Balmoral/Greenlane West/Greenlane East/Remuera Road); Albany to Birkenhead (via Glenfield Road); Henderson to CBD (via Great North Road); SH1 to Ti Rakau Drive (via Te Irirangi Drive); SH20 to Portage Road (via Tiverton/Wolverton roads).
5. As defined in AT's customer service standards: two days for incident investigation as a high priority; three days for incident investigation as a normal priority; one hour emergency response time.
6. Maintain travel times for the 85th percentile of trips along each route.
7. Annual number of cycling trips in Auckland (all day). This is based on 14 counters across the region which reflect the trend in cycling trips in Auckland. The 14 counters cover the original nine sites plus five additional sites – Tāmaki Drive (west side of the road), Māngere Bridge, SH20 Dominion Road, East Coast Road and Lagoon Drive.
8. This measure considers the results achieved by AT's Travelwise for schools and the Travelwise Choices programmes, and is calculated as follows:
 - Travelwise Schools – travel modes to school are tested among Travelwise schools annually via survey, and compared with baseline results (excluding car/walk 400m+)
 - Travelwise Choices – calculation of the number of trips converted from drive-alone to other modes among Travelwise Choices programme participants.
9. Local board satisfaction results sourced from Auckland Council Elected Members Survey results. Results are not available every year as the survey is only undertaken every 18 months.

Supporting evidence for What Matters to Auckland – see page 7.

The views on page 7 were compiled from central and local government, customers, stakeholders, AT employees and the general public. They were gathered this past year through ATAP, consultation on planning documents, surveys, internal engagement, Board-generated Business Improvement Reviews (BIR), governance reviews and participation in AT's Customer Central innovation hub. Evidence supporting these priorities is sampled as follows:

- The revised direction in the 2018 Government Policy Statement (GPS) on Land Transport is: safety, access, environment and value for money.
- From 18,000 submissions on the RLTP (May 2018), Aucklanders overwhelmingly want public transport improved (6,000) compared with the next priority of 3,800 for corridor improvements. Two thousand and seven hundred wanted walking and cycling projects, 1,200 supported investment in growth areas, 1,050 safety projects, 800 network optimisation, 300 environment projects.
- Fifteen of 21 local boards supported the Regional Fuel Tax (RFT) but had widespread concerns about affordability and equity.
- A Colmar Brunton poll of 4,000 Aucklanders (March 2018) on the RFT showed public support of 52%. Of those surveyed, the highest priority for RFT spending was road safety (56%), followed by growth-related transport infrastructure (52%) and bus priority (50%).
- Auckland Council's Have Your Say (on the RFT), with 17,223 submissions. Fifty percent of written submissions did not support the RFT. Priority projects were road safety (56%), transport for growth (53%) and bus priority (50%).
- Public Consultations sprint by AT's Customer Central in March 2018, to improve the public consultation experience. Held with 40 members of the public, four elected members, six staff and Auckland Council consultation team.
- An NZAA members survey (March 2018) showed 57% support for light rail between the airport and city centre. Members were "desperate to see work begin asap on significant and sustained improvements."
- An independent road safety BIR (November 2017) described the crisis in road safety performance as the result of "a number of deficiencies of public policy at central government and local level. Most of all it reflects an absence of commitment to improving safety on New Zealand and Auckland's roads."
- A Local Government Act S17A Value for Money review is described in the Governance section on page 58 of this report, along with results of a governance review that details reasons for increasing the local board transport capital fund.

Governance

PARTNERSHIP AND ACCOUNTABILITY

Strategic partnership approach

Auckland Council and AT have an agreed strategic approach with partner agencies to the challenges facing Auckland's transport system.

The Auckland Transport Alignment Project (ATAP) aligns central and local government priorities as reflected in the Government Policy Statement on Land Transport and the Auckland Plan. It was updated earlier this year to give effect to the Government's intention for its transport priorities to shape Auckland's urban form and development. The ATAP 2018 Report provides advice on recommended investment priorities for 2018-2028, based on the Government and Auckland Council's shared direction for transport in Auckland, and recommends a \$28 billion package of investments (the ATAP Package). This ATAP Package provides direction to the Regional Land Transport Plan (RLTP) the National Land Transport Plan (NLTP), and other statutory documents.

The Regional Transport Committee has this year guided the development and adoption of a new RLTP 2018-2028 for AT, to deliver on the Government and the council's priorities. The new RLTP contains an investment programme that aligns with the transport package developed by ATAP. Public consultation on the draft RLTP in May drew 18,000 submissions from stakeholders and individuals. These were assessed before the final RLTP was adopted in June (see page 43). Local boards were engaged with the draft RLTP and supported its priorities. Iwi were also consulted, with issues around improving safety, accessibility and reducing environmental impacts being identified, along with affordability.

The Congestion Question project (formerly Smarter Transport Pricing) was established by the partners in early 2017 to thoroughly investigate whether to progress with introducing pricing in Auckland to manage demand for transport and reduce congestion.

A phase one report was publicly released in March 2018. The analysis undertaken for the report concludes that, without pricing, congestion is expected to become more widespread, even after a programme of significant investment in public transport, roading and active travel modes. The report also concludes that pricing has the potential to reduce congestion but careful investigation will be needed to confirm whether it might work in Auckland and, if so, how. Work on phase two of the project is under way.

Accountability to Auckland Council and ratepayers

Auckland Transport is a council-controlled organisation (CCO) of the council. It is a statutory body established by the Local Government (Auckland Council) Act 2009 to contribute to an effective, efficient and safe land transport system in Auckland. AT is accountable to its shareholder Auckland Council through its Statement of Intent, and this Annual Report.

The Local Government Act 2002 requires AT to give effect to the council's Long-term Plan. The Auckland Regional Transport Committee has this year guided the development of a new Regional Land Transport Plan 2018-2028 for approval by AT. The RLTP builds on the \$28 billion investment package identified in the ATAP refresh. The programme of investment in the RLTP aligns the outcomes sought by the Auckland Plan, the Government Policy Statement on Land Transport, and the ATAP recommendations, together with the feedback received during public consultation. Local boards were engaged early (see opposite) with the draft RLTP and public consultation on the draft in May drew 18,000 submissions from stakeholders and individuals. These were assessed before the plan was adopted in June. (See page 7 for a summary of what customers told us mattered to them.)

Governance reviews on performance and local boards' role

Auckland Council revised its CCO accountability policy this year. The new policy has common expectations of all its CCOs across areas such as shared governance, value for money, public trust, safety, improved outcomes for Māori, risk management and climate change. The following specific expectations apply to AT:

1. Create an integrated transport system that efficiently connects people, places, goods and services
2. Increase real travel choices to support a vibrant, equitable and healthy Auckland
3. Minimise harm from the transport system on people and environment.

The **first section 17A** review focused on communications and engagement. The final report in November 2017 determined AT is delivering best practice across many areas including strategy and digital services. Accountability to the council's Māori Responsiveness Framework has been strengthened by developing a Māori engagement plan, which is outlined on page 39 of this Annual Report. Further reviews planned for Finance, HR and Procurement have not been commissioned as the review process was found to be complex and time-consuming.

Auckland Transport Board and staff assisted the **Governance Framework Review** working party with recommendations relevant to transport. The resulting Governing Body resolutions in 2017 are being implemented with local boards. These include ensuring early engagement and proactive communication on transport projects, that local boards have a strong governance role in determining the look and feel of town centres, and that they lead the decision-making on community-focused programmes AT offers in their area.

This year we engaged with local boards as each step of the RLTP progressed, to ensure plans for transport initiatives in their areas were included. We provided region-wide workshops on the draft plan in February and further consultation in May, and expert advice to local boards on their transport capital fund decisions. Local boards also gave verbal feedback to the Auckland Regional Transport Committee, and were engaged with the update to the Regional Public Transport Plan.

Local decision-making has been further strengthened by the RLTP increase to the Local Board Transport Capital Fund, from \$11 million to \$21 million, and a change in the Local Board Funding Policy distribution model from pure population to the Local Board Funding Policy (90 percent population, 5 percent land area, 5 percent deprivation), excluding Waiheke and Great Barrier islands.

Engagement

Satisfaction with AT engagement with local boards is below the SOI targets of 60%. AT's elected member relationship unit has a plan to improve the overall quality of reports to local boards, which includes receiving monthly feedback.

Percentage of local board members satisfied with AT engagement ⁹	
Reporting to local board:	Consultation with local board:
Targets not met 	
Actual 2018: 56% Target 2018: 60% Actual 2017: Survey not undertaken during 2017	Actual 2018: 42% Target 2018: 60% Actual 2017: Survey not undertaken during 2017

BOARD OF DIRECTORS

Auckland Transport's Board of Directors has statutory responsibilities for Auckland Transport and is responsible for active stewardship of the organisation. The Board's two broad purposes are compliance with all legal requirements and assisting the organisations to perform at its best potential across the areas of strategy, accountability, public relations and risk management.

The Board's governance objectives include:

- Recognising and managing risk
- Ensuring effective monitoring and management of health and safety
- Safeguarding the integrity of its financial reporting
- Ensuring fair and responsible remuneration
- Promoting ethical and responsible decision-making
- Promoting a corporate culture that embraces diversity and inclusion.

The AT Board's responsibilities are to:

- Provide leadership to ensure the organisation fulfils its purpose and acts in the best interests of AT, its members and stakeholders
- Articulate AT's purpose and values, and set strategic direction
- Determine the appropriate culture and model behaviours that reflect and promote the culture
- Lay solid management foundations and establish governance policies that provide management frameworks
- Appoint the Chief Executive and monitor performance against Board-established criteria
- Ensure compliance requirements are met
- Take an active role in succession planning to ensure the Board has an appropriate mix of skills and experience
- Establish and maintain an effective interrelationship with stakeholders that respects their rights.

Board member profiles are on pages 11-13.



BOARD MEETINGS AND COMMITTEES

Board meetings

In general, the Board holds publicly open monthly meetings in accordance with its principle of transparent decision-making. Closed sessions respect the need for commercially sensitive information to be protected.

Open agendas, minutes, meeting dates and reports submitted are all available on AT's website at AT.govt.nz/about-us/our-role-organisation

Auckland Transport committees

Finance and Risk Committee

The Finance and Risk Committee (FRC) assists the Board to fulfil its responsibilities for financial reporting, audit and risk management, and provides assurance regarding compliance with internal controls, policies and procedures. The FRC has no delegated authority.

Capital Review Committee

The Capital Review Committee (CRC) assists the Board with ensuring that capital expenditure on projects longer than one year is optimised against AT's strategic objectives. The CRC has no general delegated powers.

Customer Focus Committee

The Customer Focus Committee (CFC) follows the model of the CRC in giving Directors greater input and governance oversight of AT's initiatives to continuously improve customer service. The CFC has no general delegated powers.

Regional Transport Committee

The Regional Transport Committee (RTC) is a requirement for every regional council in New Zealand. Auckland's RTC meets every three years to steer the RLTP process. In Auckland, the Board of Directors of AT also acts as the RTC because the responsibility for preparing the RLTP sits with AT.

Director attendance at Board meetings and committees for 2018 is given below.

	Board meetings (10)	Finance and Risk Committee (6)	Capital Review Committee (8)	Customer Focus Committee (8)	Regional Transport Committee (4)	Hearings (RLTP)
Lester Levy	9	5	4	4	4	
Wayne Donnelly	9		7	7	4	1
Kylie Clegg	9		6	8	4	1
Sir Michael Cullen	9		7	7	4	
Mary-Jane Daly	9	6	6	7	2	
Mark Gilbert	9	5	6	7	4	1
Rabin Rabindran*	3	1	1	2		
Dame Paula Rebstock	10	6	7	6	3	
Raewyn Bleakley	8				3	

* Rabin Rabindran retired 30 November 2017.

Patrick Reynolds was co-opted as a board observer of the Customer Focus Committee in May 2017.

Risk and Assurance programme

Risk and Assurance is an integral component of AT's overall governance structure. Its purpose is to provide independent, objective assurance and advice designed to drive continuous improvement in how we operate. This support helps management to be more effective in meeting AT business objectives, fulfilling its strategy, and meeting its obligations to key stakeholders. Specifically, Risk and Assurance:

- Supports the Finance and Risk Committee in fulfilling its oversight responsibilities
- Works with the business to evaluate and improve the effectiveness of governance, risk management and control processes using a systematic and disciplined approach, prioritising its efforts through a flexible, risk-based internal audit plan
- Provides assurance to the Chief Executive and Board that AT's financial and operational controls are operating in an efficient, effective and ethical manner.

RISK MANAGEMENT

Enterprise risk management is implemented through:

- Facilitating risk assessment workshops, providing advice and coaching the organisation on risk and control, and promoting the development of a common language and risk management framework based on the Risk Management Standard, *AS/NZ ISO 31000:2009 Risk management – Principles and guidelines*
- Acting as the central point for coordinating, monitoring and reporting on risks
- Interacting regularly with other teams such as Internal Audit, Finance, Health and Safety and Legal
- Supporting managers to identify the best strategies to mitigate risk.

Risk management activities this year focused on updating AT's Risk Management Framework and relevant policies to align with leading practice. Senior management and the Board reviewed risk appetite statements, measures and reporting for key risk areas. Risk Services facilitated their oversight through regular reporting and in-depth analysis and discussion of key risks across the business.

A review of AT's business policies is under way to ensure they are aligned to good practice and AT's strategic initiatives.

INTERNAL AND PROBITY AUDITS

Auckland Transport's Internal Audit team provides independent assurance to the Board and the Chief Executive on whether business controls are operating in an efficient, effective and ethical manner. The team works to improve business efficiency and reduce the risk of error, waste and fraud by reviewing:

- Financial and operational process
- Legislative compliance
- Conflict of interest management
- Business technology
- Projects.

Internal Audit ensured that recommendations arising from this year's reviews were implemented in a timely manner. The team also reviewed new processes, systems and projects. A collaborative approach with the business during the 'design and build' stage of various new processes and systems enabled the sharing of insights on how to manage risks arising from those new initiatives.

Probity audits ensure all participants involved with significant procurement contracts with AT are treated fairly and with transparency. For all significant procurements, an independent probity auditor is assigned to monitor and review the processes followed. The probity review results are reported to the Finance and Risk Committee and the Chief Executive.

SPECIAL INVESTIGATIONS

During the year Risk and Assurance carried out Fraud Awareness workshops to promote awareness of AT's anti-fraud policies and programmes and to educate staff on fraud risk. An online Fraud Awareness module was also developed.

Financials



Financial statements

Statement of comprehensive revenue and expenditure

for the year ended 30 June 2018

	Note	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
REVENUE				
Auckland Council operating funding	1	275,180	275,179	260,167
Auckland Council capital funding	1	480,485	591,888	539,147
NZ Transport Agency operating funding	1	260,892	248,062	247,408
NZ Transport Agency capital funding	1	205,231	174,008	175,584
Other revenue	1	617,050	393,991	487,716
Finance revenue	2	362	312	3,892
Total revenue		1,839,200	1,683,440	1,713,914
EXPENDITURE				
Personnel costs	3	123,578	119,257	111,268
Depreciation and amortisation	6, 7	324,674	362,975	330,947
Finance costs	2	29,638	29,412	29,796
Other expenses	4	668,689	659,718	627,925
Total expenditure		1,146,579	1,171,362	1,099,936
SURPLUS BEFORE TAX				
		692,621	512,078	613,978
Income tax benefit/(expense)	5	1,597	-	1,822
Surplus after tax		694,218	512,078	615,800
OTHER COMPREHENSIVE REVENUE AND EXPENDITURE				
Revaluation gain on property, plant and equipment	16	198,103	-	1,454,810
Deferred tax on revaluation	5	-	-	(2,064)
Other comprehensive revenue and expenditure		198,103	-	1,452,746
Total comprehensive revenue and expenditure		892,321	512,078	2,068,546



Dr Lester Levy, Chairman
21 August 2018



Mark Gilbert, Acting Deputy Chairman
21 August 2018

The accompanying notes form part of these financial statements.

Statement of financial position

as at 30 June 2018

	Note	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
ASSETS				
Current assets				
Cash and cash equivalents	11	4,567	11,192	5,692
Receivables	12	319,554	321,953	321,953
Inventories	13	11,740	11,443	11,443
Other assets		4,318	-	3,368
Non-current assets held for sale	8	1,952	-	439,964
Total current assets		342,131	344,588	782,420
Non-current assets				
Receivables	12	801	1,801	1,801
Property, plant and equipment	6	19,344,885	18,977,822	18,471,878
Intangible assets	7	152,598	143,817	143,817
Total non-current assets		19,498,284	19,123,440	18,617,496
Total assets		19,840,415	19,468,028	19,399,916
LIABILITIES				
Current liabilities				
Payables and accruals	14	216,365	221,092	224,460
Employee entitlements	15	17,020	15,180	15,180
Borrowings		6,123	5,764	5,764
Total current liabilities		239,508	242,036	245,404
Non-current liabilities				
Payables and accruals	14	16,476	19,717	19,717
Deferred tax	5	10,070	11,667	11,667
Employee entitlements	15	427	574	574
Derivative financial instruments	10	2,403	-	-
Borrowings	9	496,775	496,766	502,899
Total non-current liabilities		526,151	528,724	534,857
Total liabilities		765,659	770,760	780,261
Net assets		19,074,756	18,697,268	18,619,655
EQUITY				
Contributed capital		12,998,417	13,001,954	13,436,418
Accumulated funds		2,350,178	2,125,110	1,623,170
Other reserves		3,726,161	3,570,204	3,560,067
Total equity	16	19,074,756	18,697,268	18,619,655

The accompanying notes form part of these financial statements.

Statement of changes in equity

as at 30 June 2018

	Note	Contributed capital \$000	Accumulated funds \$000	Other reserves \$000	Total equity \$000	Budget \$000
Balance as at 1 July 2017		13,436,418	1,623,170	3,560,067	18,619,655	18,185,190
Surplus after tax		-	694,218	-	694,218	512,078
Other comprehensive revenue		-	-	198,103	198,103	-
Total comprehensive revenue and expenditure		-	694,218	198,103	892,321	512,078
Returned capital to Auckland Council*		(438,001)	-	-	(438,001)	-
Transfer from asset revaluation reserve on disposal of property		-	32,790	(32,009)	781	-
Balance as at 30 June 2018	16	12,998,417	2,350,178	3,726,161	19,074,756	18,697,268
Balance as at 1 July 2016		13,463,871	997,233	2,117,458	16,578,562	16,639,329
Surplus after tax		-	615,800	-	615,800	533,532
Other comprehensive revenue		-	-	1,452,746	1,452,746	687,127
Total comprehensive revenue and expenditure		-	615,800	1,452,746	2,068,546	1,220,659
Returned capital to Auckland Council*		(27,453)	-	-	(27,453)	-
Transfer from asset revaluation reserve on disposal of property		-	10,137	(10,137)	-	-
Balance as at 30 June 2017	16	13,436,418	1,623,170	3,560,067	18,619,655	17,859,988

* Of the \$438,001, \$434,464 relates to City Rail Link assets returned to Auckland Council. The rest relates to land and buildings returned to Auckland Council as they are no longer required for transport projects.

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 30 June 2018

	Note	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash provided from				
Revenue from activities		284,243	291,280	256,098
Auckland Council operating funding		275,180	275,179	260,167
Auckland Council capital funding		499,120	591,888	515,433
NZ Transport Agency operating funding		263,071	248,062	243,899
NZ Transport Agency capital funding		195,094	174,008	170,209
Interest received		362	-	314
Total cash provided		1,517,070	1,580,417	1,446,120
Cash applied to				
Payments to suppliers and employees		787,549	778,976	741,215
Interest paid		27,246	29,412	26,903
Goods and services tax (net)		2,530	-	8,637
Total cash applied		817,325	808,388	776,755
Net cash from operating activities	26	699,745	772,029	669,365
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash provided from				
Sale of property, plant and equipment		5,545	5,500	3,685
Cash applied to				
Purchase of property, plant and equipment and intangibles		700,650	765,896	683,085
Net cash applied to investing activities		(695,105)	(760,396)	(679,400)

The accompanying notes form part of these financial statements.

Statement of cash flows (continued)

for the year ended 30 June 2018

	Note	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash provided from				
Loan from Auckland Council		-	-	18,000
Cash applied to				
Repayment of loan from Auckland Council		5,765	6,133	5,279
Net cash from financing activities		(5,765)	(6,133)	12,721
Net increase/(decrease) in cash and cash equivalents		(1,125)	5,500	2,686
Opening cash and cash equivalents		5,692	5,692	3,006
Closing cash and cash equivalents	11	4,567	11,192	5,692

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements.

The accompanying notes form part of these financial statements.

Summary of capital expenditure

for the year ended 30 June 2018

	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
NEW CAPITAL EXPENDITURE			
Roads	274,355	381,394	217,427
Public transport	145,880	143,333	106,607
Parking	5,220	3,520	3,601
City Rail Link	-	-	136,355
Other	19,700	7,950	38,795
Total new capital expenditure	445,155	536,197	502,785
RENEWAL CAPITAL EXPENDITURE			
Roads	220,757	212,719	213,935
Public transport	16,559	12,940	6,516
Parking	4,510	4,040	990
Total renewal capital expenditure	241,826	229,699	221,441
Total capital expenditure	686,981	765,896	724,226
FUNDING			
Auckland Council capital funding	480,485	591,888	539,147
NZ Transport Agency capital funding – new	128,878	107,258	108,566
NZ Transport Agency capital funding – renewal	76,353	66,750	67,018
Other capital grants	1,265	-	9,495
Total funding	686,981	765,896	724,226

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the year ended 30 June 2018

Basis of reporting

Auckland Transport is a council-controlled organisation of Auckland Council, established under section 38 of the Local Government (Auckland Council) Act 2009 as a body corporate with perpetual succession, and is domiciled in New Zealand. The relevant legislation governing Auckland Transport's operation includes the Local Government (Auckland Council) Act 2009 and the Local Government Act 2002.

Auckland Transport's primary objective is to provide transport services and facilities for the community as a social benefit rather than to make a financial return, accordingly Auckland Transport has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements are for the year ended 30 June 2018 and were authorised for issue by the board of Auckland Transport on 21 August 2018. Neither Auckland Council nor Auckland Transport Board has the power to amend the financial statements once adopted.

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').

The financial statements have been prepared in accordance and they comply with Tier 1 PBE accounting standards.

Measurement basis

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

- Derivative financial instruments at fair value
- Certain classes of property, plant and equipment at methods appropriate to the class of asset.

Going concern

Auckland Transport receives funding from Auckland Council in order to deliver the agreed annual operational and capital programmes within the Auckland Council's Long Term Plan. Borrowings from Auckland Council are set out in Note 9 and are supported by schedules of repayments set out in the credit facility agreement between Auckland Transport and Auckland Council. Accordingly, the financial statements have been prepared on a going concern basis.

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.

Foreign currency translation

Auckland Transport translates its foreign currency transactions into New Zealand dollars using the spot exchange rate 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 of monetary assets and liabilities denominated in foreign currencies, in surplus or deficit.

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.

Budget figures

The budget figures are those included in Auckland Transport's Statement of Intent 2017/2018-2019/2020, adopted by Auckland Transport's Board on 20 June 2017.

Cost allocation

Cost of service for each activity was allocated as follows:

- 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.
- 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.

Use of estimates and judgements

The preparation of financial statements requires Auckland Transport's management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Property, plant and equipment (note 6) and provision for impairment of receivables (note 12).

Changes in accounting policies

There have been no significant changes in accounting policies during the financial year.

Standards issued and not yet effective

PBE International Financial Reporting Standard (IFRS) 9 Financial Instruments is effective from periods beginning on or after 1 January 2021. PBE IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and relaxes current requirements for hedge accounting. Auckland Transport intend to early adopt the standard when it becomes effective for for-profit entities from the period beginning on 1 July 2018.

Auckland Transport have determined that adopting PBE IFRS 9 does not materially impact the financial instruments of Auckland Transport.

Part 1: Financial results

This section focuses on the performance of Auckland Transport during the year.

The notes included in this section are as follows:

- 1 **REVENUE**
- 2 **FINANCE REVENUE AND FINANCE COSTS**
- 3 **PERSONNEL COSTS**
- 4 **OTHER EXPENSES**
- 5 **TAXATION**

Notes to the financial statements

for the year ended 30 June 2018

1 REVENUE

Accounting policy

Auckland Transport receives its revenue from exchange and non-exchange transactions. Exchange transaction revenue arises when an entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value in exchange. Exchange revenue includes parking fees.

Non-exchange transaction revenue arises from transactions without an exchange of approximately equal value. Non-exchange revenue includes grants, vested assets and fares partially funded by rates.

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 sources

Type	Recognition and measurement
Non-exchange revenue	
Auckland Council operating and capital funding	Auckland Transport is funded by its parent, Auckland Council, in order to deliver the agreed annual operational and capital programmes. This funding is recognised in accordance with the approved Auckland Transport Annual Plan and Statement of Intent (SOI) as agreed between Auckland Transport and Auckland Council.
NZ Transport Agency operating and capital funding	Auckland Transport receives government grants from the NZ Transport Agency, which funds operational and capital expenditure. Grant distributions from the NZ Transport Agency are recognised as income when the expenditure they cover is incurred i.e. on an accrual basis. There are no unfulfilled conditions or other contingencies attached to these grants.
Fare revenue (included in public transport revenue)	Auckland Transport receives fare revenue from certain bus and ferry and all rail services. This revenue is recognised when the ticket is purchased and/or travel actually occurs.
Enforcement revenue	Revenue and receivables are recognised when an infringement notice is issued. Infringement notices that are 63 days past due are lodged with a collection agency. If still outstanding at 150 days past due they are transferred from the collection agency to the courts for collection.
Vested asset revenue	For assets received for no or nominal consideration, the asset is recognised at its fair value when Auckland Transport obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.
Licenses and permits revenue	Revenue is recognised on approval of application.
Rental revenue	Revenue is recognised on a straight-line basis over the lease term.
Other operating and capital grants	Revenue is recognised when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant or subsidies are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.
Exchange revenue	
Parking revenue	Revenue is recognised when a parking notice is issued.
Interest revenue	Revenue is recognised on a time proportion basis using the effective interest method.

Notes to the financial statements

for the year ended 30 June 2018

1 REVENUE (CONTINUED)

	Actual 2018 \$000	Actual 2017 \$000
Auckland Council operating funding	275,180	260,167
Auckland Council capital funding	480,485	539,147
NZ Transport Agency operating funding	260,892	247,408
NZ Transport Agency capital funding	205,231	175,584
Other revenue		
Revenue from non-exchange transactions		
Public transport revenue	171,883	155,562
Enforcement revenue	32,914	31,209
Other operating grants	9,776	10,031
Other capital grants	1,265	9,495
Vested asset revenue	316,318	207,023
Revaluation gain	11,970	449
Gain on disposal of property, plant and equipment	-	2,352
Other revenue	23,953	24,708
Total other revenue from non-exchange transactions	568,079	440,829
Revenue from exchange transactions		
Parking revenue	48,971	46,887
Total other revenue	617,050	487,716
Total revenue (excluding finance revenue)	1,838,838	1,710,022

Notes to the financial statements

for the year ended 30 June 2018

2 FINANCE REVENUE AND FINANCE COSTS

Accounting policy

Finance costs are recognised as an expense using the effective interest method in the period in which they are incurred.

	Actual 2018 \$000	Actual 2017 \$000
Finance revenue		
Interest revenue	362	314
Unrealised gain on interest rate swaps	-	3,578
Total finance revenue	362	3,892
Finance costs		
Interest expense	27,235	26,928
Realised loss on interest rate swaps	-	3,110
Unrealised (gain)/loss on forward foreign exchange contracts	2,403	(242)
Total finance costs	29,638	29,796

3 PERSONNEL COSTS

	Actual 2018 \$000	Actual 2017 \$000
Salaries and wages	156,122	144,387
Less salaries and wages capitalised to property, plant and equipment, and intangible assets	(37,830)	(38,005)
Defined contribution plan employer contributions	3,593	3,338
Other employee benefits	1,693	1,548
Total personnel costs	123,578	111,268

Employer contributions to defined contribution plans include contributions to Kiwisaver and Super Trust of New Zealand Fund.

Notes to the financial statements

for the year ended 30 June 2018

4 OTHER EXPENSES

Accounting policy

Impairment of assets

Property, plant and equipment and intangible assets that are subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use are not subject to amortisation and are tested annually for impairment.

At each year-end, Auckland Transport assesses whether there is evidence that a financial asset or group of financial assets and financial liabilities are impaired. Any impairment loss is recognised in the surplus or deficit.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

	Actual 2018 \$000	Actual 2017 \$000
Fees to principal auditor		
Financial statements audit	576	568
Review engagement	44	44
Other services	-	36
Operating lease payments	36,251	12,328
Impairment of receivables	1,199	1,512
Directors' fees	477	429
Impairment of non-current assets held for sale	-	500
Public transport operations	439,493	420,796
Road network	120,812	111,655
Loss on disposal of property, plant and equipment	1,865	-
Other operating expenses	67,971	80,057
Total other expenses	668,688	627,925

Fees paid to the principal auditor for other services were for City Rail Link's investigation for initial contracted scope of works.

Notes to the financial statements

for the year ended 30 June 2018

5 TAXATION

Accounting policy

Income tax comprises current tax and deferred tax calculated using the tax rate that has been enacted or substantially enacted by the reporting date. Income tax is charged or credited to the surplus or deficit, except when it relates to items that are recognised in other comprehensive revenue and expenditure or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive revenue and expenditure or directly in equity.

Current tax is the amount of income tax payable or refundable in the current period, plus any adjustments to income tax payable in respect of prior periods. Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses.

	Actual 2018 \$000	Actual 2017 \$000
Components of income tax benefit/(expense)		
Current tax	-	-
Deferred tax	1,597	1,822
Income tax benefit/(expense)	1,597	1,822

Relationship between tax benefit/(expense) and accounting profit

Surplus before tax	692,621	613,978
Tax at 28 percent	193,934	171,914
Plus/(less) tax effects of:		
Non-taxable revenue	(193,074)	(171,685)
Group loss offset	(861)	(229)
Deferred tax adjustment	1,597	1,822
Income tax benefit/(expense)	1,597	1,822

	Property plant and equipment \$000	Total \$000
Deferred tax liability		
Balance at 1 July 2017	(11,667)	(11,667)
Credited to surplus or deficit	1,597	1,597
Balance at 30 June 2018	(10,070)	(10,070)
Balance at 1 July 2016	(11,425)	(11,425)
Debited to surplus or deficit	1,822	1,822
Charged to equity	(2,064)	(2,064)
Balance at 30 June 2017	(11,667)	(11,667)

Auckland Transport achieved a pre-tax profit of \$3,075,047 during the year to 30 June 2018 in relation to Port Related Commercial Undertaking (PRCU), (2017: \$2,139,264). This will be offset by losses available from other members of the consolidated Auckland Council tax group.

Part 2: Long-term assets

This section provides information about the investments Auckland Transport has made in long-term assets.

The notes included in this section are as follows:

- 6 **PROPERTY, PLANT AND EQUIPMENT**
- 7 **INTANGIBLE ASSETS**
- 8 **NON-CURRENT ASSETS HELD FOR SALE**

Notes to the financial statements

for the year ended 30 June 2018

6 PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Property, plant and equipment consists of:

A. OPERATIONAL ASSETS

Type	Description
Land	Land held for rail purposes and land under car parks, park and ride, wharves and train stations.
Land – finance lease	Finance leases for wharf land and water space under ferry terminals.
Properties held for roading purposes	Properties purchased for future roading projects.
Leasehold improvements	Fitouts for leased offices.
Buildings	Buildings held for rail purposes, car park buildings, and other operational buildings.
Rolling stock	Diesel (DMU) and electric (EMU) trains and other onboard train equipment (e.g. signalling and communication equipment).
Motor vehicles	Fleet vehicles, trailers and other motor vehicles.
Boats and engines	Boats used by the harbourmaster.
Computer hardware	Laptops, screens, servers and other physical IT equipment.
Furniture and fittings	Furniture includes desks, chairs and other office fittings.
Plant and equipment	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.).
Wharves	Wharves used to provide public transport via ferries.
Bus stations and shelters	Stations and shelters for users of bus services at bus stops and busways.
Train stations	Stations for trains users.

B. INFRASTRUCTURE ASSETS

Type	Description
Land	Restricted land, land under roads and land access to/from rail stations.
Roading	Roading assets (e.g. footpath, streetlights, traffic control, pavements, etc.).
Street gardens	Street trees and gardens.

Valuation of assets

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

Operational land and buildings, Land – finance lease, train stations, wharves, bus stations and shelters, roading and rolling stock are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. All other assets are carried at depreciated historical cost.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

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.

Notes to the financial statements

for the year ended 30 June 2018

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Increases in asset carrying amounts due to revaluation, increase the asset revaluation reserve in equity. Decreases in asset carrying amounts, decrease the asset revaluation reserve to the extent that the class of assets has sufficient revaluation reserve to absorb the reduction. All other decreases are charged to surplus or deficit.

If a revaluation increase reverses a decrease previously recognised in the surplus or deficit, the increase is recognised first in surplus or deficit to reverse previous decreases. Any residual increase is applied to the asset revaluation reserve.

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 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.

Depreciation

Land and properties held for roading purposes are not depreciated. All other assets are depreciated on a straight-line basis. Depreciation writes off the cost of the assets to residual value over their useful lives. Auckland Transport reviews and, if necessary, adjusts the assets' residual values and useful lives at each year-end.

Class of asset depreciated	Estimated useful life (years)
Operational assets	
Buildings	6-73
Leasehold improvements	15
Rolling stock	3-35
Motor vehicles	2-10
Boats and engines	2-15
Computer hardware	3-15
Furniture and fittings	2-15
Plant and equipment	1-50
Wharves	4-100
Bus stations and shelters	10-40
Train stations	6-60
Infrastructure assets	
Roading	8-100
Street gardens	10-30

Disposals

Gains and losses on the disposal of assets are determined by comparing the proceeds of sale with the asset's carrying amount. Gains and losses are recognised in surplus or deficit. When a revalued asset is sold or disposed of, any amount in the asset revaluation reserve relating to that asset is transferred to accumulated funds.

Work in progress

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

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined using either a depreciated replacement cost approach based on either a depreciation replacement cost approach, restoration cost approach, or a service unit approach. The most appropriate approach to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

Notes to the financial statements

for the year ended 30 June 2018

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Cost/ revaluation 1 July 2017	Accumulated depreciation and impairment charges 1 July 2017	Carrying amount 1 July 2017	Current year additions	Current year disposals
2018	\$000	\$000	\$000	\$000	\$000
Operational assets					
Land	534,390	-	534,390	3,531	(1,047)
Land – finance lease	19,140	-	19,140	-	-
Properties held for roading purposes	315,687	-	315,687	-	(10,977)
Buildings	159,530	(9,618)	149,912	-	-
Leasehold improvements	-	-	-	-	-
Rolling stock	489,629	(54,016)	435,613	-	(193)
Motor vehicles	3,297	(2,233)	1,064	-	-
Boats and engines	878	(206)	672	8	(1)
Computer hardware	32,358	(17,796)	14,562	-	(51)
Furniture and fittings	3,458	(1,120)	2,338	-	-
Plant and equipment	57,068	(26,727)	30,341	1	-
Wharves	73,589	-	73,589	-	-
Bus stations and shelters	80,474	(14)	80,460	-	-
Train stations	579,630	-	579,630	-	-
	2,349,128	(111,730)	2,237,398	3,540	(12,269)
Infrastructural assets					
Land	6,165,907	-	6,165,907	940	(3,482)
Roading	9,647,839	(1,700)	9,646,139	6,273	(1,111)
Street gardens	37,484	(6,621)	30,863	596	-
	15,851,230	(8,321)	15,842,909	7,809	(4,593)
Work in progress	391,571	-	391,571	967,563	-
Total property, plant and equipment	18,591,929	(120,051)	18,471,878	978,912	(16,862)

The land – finance lease relates to Ferry Terminal waterspace and land for an indefinite lease term until such time as Auckland Transport does not comply with the required and permitted use clauses in the finance leases. The land subject to these leases is therefore recognised at their fair value until such time as the leases are not to be renewed in perpetuity.

Notes to the financial statements

for the year ended 30 June 2018

(TABLE CONTINUED)

Current year transfers	Current year impairment charges	Current year depreciation	Revaluation surplus/(loss)	Cost/ revaluation 30 June 2018	Accumulated depreciation and impairment charges 30 June 2018	Carrying amount 30 June 2018
\$000	\$000	\$000	\$000	\$000	\$000	\$000
(9,776)	-	-	171,616	698,713	-	698,713
-	-	-	6,660	25,800	-	25,800
55,722	-	-	-	360,433	-	360,433
589	-	(6,687)	18,307	162,122	-	162,122
9,479	-	(527)	-	11,221	(2,269)	8,952
541	-	(14,735)	13,490	434,718	-	434,718
1,147	-	(777)	-	4,339	(2,905)	1,434
75	-	(107)	-	936	(289)	647
10,055	-	(8,143)	-	42,206	(25,782)	16,424
3,433	-	(554)	-	6,996	(1,780)	5,216
7,753	-	(8,288)	-	64,822	(35,015)	29,807
7,377	-	(3,901)	-	80,967	(3,901)	77,066
52,500	-	(3,668)	-	132,974	(3,682)	129,292
14,137	-	(26,049)	-	593,767	(26,049)	567,718
153,032	-	(73,436)	210,073	2,620,014	(101,672)	2,518,342
240,095	-	-	-	6,403,458	-	6,403,458
456,546	-	(222,496)	-	10,109,544	(224,195)	9,885,349
4,557	-	(3,185)	-	42,638	(9,806)	32,832
701,198	-	(225,681)	-	16,555,640	(234,001)	16,321,639
(854,230)	-	-	-	504,904	-	504,904
-	-	(299,117)	210,073	19,680,558	(335,673)	19,344,885

Notes to the financial statements

for the year ended 30 June 2018

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Cost/ revaluation 1 July 2016	Accumulated depreciation and impairment charges 1 July 2016	Carrying amount 1 July 2016	Current year additions	Current year disposals
2017	\$000	\$000	\$000	\$000	\$000
Operational assets					
Land	659,484	-	659,484	5,713	(146,038)
Land – finance lease	19,140	-	19,140	-	-
Properties held for roading purposes	274,949	-	274,949	1,517	(11,261)
Buildings	166,537	(2,760)	163,777	9,387	(23,535)
Rolling stock	486,603	(39,390)	447,213	-	(1,646)
Motor vehicles	3,540	(1,862)	1,678	-	-
Boats and engines	866	(128)	738	38	(13)
Computer hardware	25,222	(11,008)	14,214	-	-
Furniture and fittings	3,130	(529)	2,601	-	-
Plant and equipment	53,513	(19,162)	34,351	355	-
Wharves	65,084	(3,002)	62,082	-	-
Bus stations and shelters	67,926	(8,663)	59,263	-	-
Train stations	548,977	(22,884)	526,093	-	(299,113)
	2,374,971	(109,388)	2,265,583	17,010	(481,606)
Infrastructural assets					
Land	6,032,311	-	6,032,311	-	(4,709)
Roading	8,466,395	(454,968)	8,011,427	4,566	(1,400)
Street gardens	25,778	(4,462)	21,316	-	-
	14,524,484	(459,430)	14,065,054	4,566	(6,109)
Work in progress	568,957	-	568,957	892,907	-
Total property, plant and equipment	17,468,412	(568,818)	16,899,594	914,483	(487,715)

Notes to the financial statements

for the year ended 30 June 2018

(TABLE CONTINUED)

Current year transfers	Current year impairment charges	Current year depreciation	Revaluation surplus/(loss)	Cost/ revaluation 30 June 2017	Accumulated depreciation and impairment charges 30 June 2017	Carrying amount 30 June 2017
\$000	\$000	\$000	\$000	\$000	\$000	\$000
15,231	-	-	-	534,390	-	534,390
-	-	-	-	19,140	-	19,140
50,482	-	-	-	315,687	-	315,687
7,141	-	(6,859)	-	159,530	(9,618)	149,912
4,672	-	(14,626)	-	489,629	(54,016)	435,613
-	-	(614)	-	3,297	(2,233)	1,064
25	-	(117)	-	878	(206)	672
7,136	-	(6,788)	-	32,358	(17,796)	14,562
328	-	(591)	-	3,458	(1,120)	2,338
3,199	-	(7,565)	-	57,068	(26,727)	30,341
9,683	-	(3,015)	4,839	73,589	-	73,589
20,739	-	(3,664)	4,121	80,474	(14)	80,460
312,642	-	(21,884)	61,892	579,630	-	579,630
431,278	-	(65,723)	70,852	2,349,128	(111,730)	2,237,398
138,305	-	-	-	6,165,907	-	6,165,907
489,002	-	(241,866)	1,384,407	9,647,839	(1,700)	9,646,139
11,706	-	(2,158)	-	37,484	(6,621)	30,863
639,013	-	(244,024)	-	15,851,230	(8,321)	15,842,909
(1,070,291)	-	-	-	391,571	-	391,571
-	-	(309,747)	1,455,259	18,591,929	(120,051)	18,471,878

Notes to the financial statements

for the year ended 30 June 2018

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

No property, plant and equipment is pledged as security for liabilities (2017: nil).

Auckland Council-owned property, plant and equipment

Property, plant and equipment in the legal name of Auckland Council that Auckland Transport has control over is recognised as an asset in the statement of financial position. Auckland Transport considers it has assumed all the normal risks and rewards of ownership of this property, plant and equipment despite legal ownership not being transferred, and accordingly it would be misleading to exclude this property, plant and equipment from the financial statements.

The following property, plant, and equipment are legally owned by Auckland Council but managed and controlled by Auckland Transport.

- Operational land and buildings – includes land (\$698.7m) and buildings (\$162.1m), parking, train stations (\$567.7m) and wharf buildings (\$77.1m).
- Finance lease land (\$25.8m) – includes wharf land and water space under ferry terminals.
- Properties held for roading purposes (\$360.4m) – includes properties purchased for future roading projects.
- Bus stations and shelters (\$129.3m) – includes stations and shelters for users of bus services at bus stops and busways.
- Land under roads (\$6,403.5m) – including restricted land, land under roads and land access to/from rail stations.
- Roads (\$9,885.4m) – includes shaping, formation, foundation, surface, kerb and channelling, shoulders, drainage under roads, footpaths, lighting, signage, bridges, crossings, islands, minor structures (including railings and retaining walls), traffic facilities, and traffic signals.

Restrictions on Auckland Council-owned property, plant and equipment

Disposal

Under the Local Government (Auckland Council) Act 2009 paragraph 48 section 2, Auckland Transport must inform Auckland Council, in writing, of its decision to dispose of land not required for a road under Section 345 of the Local Government Act 1974, and the council must dispose of the land in accordance with the requirements of the Local Government Act 1974.

Acquisition

Under the Local Government (Auckland Council) Act 2009 paragraph 48 section 4, Auckland Transport must inform Auckland Council, in writing, of its decision to apply for compulsory acquisition of any land, or the deemed agreement, as the case may be, and any land taken or acquired as a result will be legally vested in Auckland Council but will be recognised in Auckland Transport's financial statements.

Notes to the financial statements

for the year ended 30 June 2018

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Revaluation

Asset class	Date of revaluation	Valuation amount \$'000	Basis of revaluation	Independent valuer company	Valuer name
Land	30 June 2018	698,713	Fair Value with the approaches being Market and Income	Bayleys Valuations Limited Quotable Value Limited Beca Projects NZ Ltd	Jessica McKenzie Andrew Parkyn Ceri Bain
Land – finance lease	30 June 2018	25,800	Fair Value with the approaches being Market and Income	Telfer Young Auckland Ltd	Evan Gamby
Buildings	30 June 2018	162,122	Fair Value with the approaches being Market and Income	Bayleys Valuations Limited Quotable Value Limited Beca Projects NZ Ltd	Jessica McKenzie Andrew Parkyn Ceri Bain
Rolling stock	30 June 2018	434,718	Depreciated replacement cost	KPMG	David Mitchell
Wharves	30 June 2017	67,135	Depreciated replacement cost	Opus International Consultants Limited	Evan Gamby Gemma Mathieson
Bus stations and shelters	30 June 2017	80,034	Depreciated replacement cost	ANA Group Limited	Amar Singh
Train stations	30 June 2017	579,630	Depreciated replacement cost	Opus International Consultants Limited	Evan Gamby Gemma Mathieson
Roads and parking (excluding land and buildings)	30 June 2017	9,541,313	Depreciated replacement cost	ANA Group Limited	Amar Singh

Notes to the financial statements

for the year ended 30 June 2018

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Valuation significant assumptions and estimates

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Market evidence is available and used for non-specialised land and buildings, which include commercial and general purpose buildings for which there is a secondary market.

Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

The depreciated replacement cost is used to revalue specialised buildings (designed for a specific limited purpose), roading and public transport assets for the delivery of Auckland Transport's services. Depreciated replacement cost for these types of assets is based on the 'optimised replacement cost'. Optimised replacement cost is the minimum cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent asset with the same economic benefits, adjusting for any overdesign, overcapacity and redundant components. Optimisation is limited to the extent that optimisation can occur in the normal course of business using commercially available technology.

The depreciated replacement cost valuation reflected above is calculated based on the following estimates and assumptions:

- Estimating the unit rate for construction of roading assets: The most current contracted unit rates for road construction have been used. Where there is no current contracted unit rate information available, the most recent rates are used indexed for the impact of inflation.
- Railway station assets with unlimited engineering lives have been adjusted to have a typical useful life appropriate to the rate of change and obsolescence in the environment for each elemental value.
- Asset useful lives are based on age, condition, planned maintenance, external industry guidance and benchmarks, local conditions and the asset's future service potential. For example:
 - Roading assets useful lives can be affected by local conditions such as ground type, weather patterns and road usage.
 - Wharf assets' useful lives are based on current condition and environmental factors such as reflecting the marine environment, rate of change and obsolescence, loadings, and the predominance of concrete and steel structural elements.
 - Rolling stock useful lives are based on an expected vehicle replacement programme. The programme defines the expected economic and/or physical lives of the different vehicle types.

Asset inspection, deterioration, and condition modelling are carried out regularly as part of asset management activities, which provides assurance over useful life estimates.

- Rolling stock consists of electric trains purchased in 2014/15 and diesel motor units operating from Papakura to Pukekohe.

Notes to the financial statements

for the year ended 30 June 2018

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Work in progress

	Actual 2018 \$000	Actual 2017 \$000
Operational assets		
Land	54,491	14,160
Rolling stock	913	616
Wharves	3,093	1,432
Bus stations and shelters	21,515	42,237
Train stations	40,898	24,134
Infrastructural assets		
Roading	383,994	308,992
Total work in progress	504,904	391,571

The work in progress relating to the City Rail Link project was transferred to the non-current assets held for sale. Refer to note 8 for further information.

7 INTANGIBLE ASSETS

Accounting policy

Intangible assets

Purchased intangible assets are initially recorded at cost. The cost of an internally generated intangible asset represents expenditure incurred in the development phase of the asset only. Intangible assets acquired at no cost are initially recognised at fair value where that can be reliably measured.

Subsequent to initial recognition, intangible assets with finite useful lives are carried 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 surplus or deficit in the period in which the disposal occurs.

Access rights

The access rights on land are long-term land leases on which stations have been built. They are recognised in the accounts at cost and amortised using the straight-line method over the life of the underlying lease. This includes the costs transferred to Auckland Transport on establishment and Auckland Transport's contribution to the costs of constructing railway tracks. The access rights are owned by KiwiRail but Auckland Transport have the rights to use the assets under agreement with KiwiRail.

Computer software

Computer software is 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 beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised using the straight-line method over their estimated useful lives (not exceeding eight years).

Designations

Designations are the authorisation given to certain activities or uses of natural and physical resources required under the New Zealand Resource Management Act.

Notes to the financial statements

for the year ended 30 June 2018

7 INTANGIBLE ASSETS (CONTINUED)

	Cost 1 July 2017	Accumulated amortisation and impairment charges 1 July 2017	Carrying amount 1 July 2017	Current year additions
2018	\$000	\$000	\$000	\$000
Software	140,237	(69,188)	71,049	-
Designations	-	-	-	-
Access rights	34,925	(2,797)	32,128	-
	175,162	(71,985)	103,177	-
Work in progress	40,640	-	40,640	35,736
Total intangible assets	215,802	(71,985)	143,817	35,736

	Cost 1 July 2016	Accumulated amortisation and impairment charges 1 July 2016	Carrying amount 1 July 2016	Current year additions
2017	\$000	\$000	\$000	\$000
Software	113,128	(48,489)	64,639	-
Access rights	34,745	(2,297)	32,448	-
	147,873	(50,786)	97,087	-
Work in progress	30,228	-	30,228	38,342
Total intangible assets	178,101	(50,786)	127,315	38,342

Intangible software includes Auckland Integrated Fares System (AIFS) software.

There are no restrictions over the title of Auckland Transport's intangible assets; nor are any intangible assets pledged as security for liabilities.

The access rights are for the land at each of the railway station sites along the Auckland passenger rail network utilised by Auckland Transport. They include the costs transferred to Auckland Transport on establishment that are being amortised using straight-line method over the remaining portion of the 63-year life and Auckland Transport's contribution to the costs of constructing railway tracks. The access rights are valued at cost.

Notes to the financial statements

for the year ended 30 June 2018

(TABLE CONTINUED)

Current year disposals	Current year transfers	Current year impairment charges	Current year amortisation	Cost 30 June 2018	Accumulated amortisation and impairment charges 30 June 2018	Carrying amount 30 June 2018
\$000	\$000	\$000	\$000	\$000	\$000	\$000
(1,397)	22,883	-	(25,048)	161,724	(94,238)	67,486
-	399	-	-	399	-	399
-	9,869	-	(509)	44,794	(3,307)	41,488
(1,397)	33,151	-	(25,557)	206,917	(97,545)	109,373
-	(33,151)	-	-	43,226	-	43,225
(1,397)	0	-	(25,557)	250,143	(97,545)	152,598

Current year disposals	Current year transfers	Current year impairment charges	Current year amortisation	Cost 30 June 2017	Accumulated amortisation and impairment charges 30 June 2017	Carrying amount 30 June 2017
\$000	\$000	\$000	\$000	\$000	\$000	\$000
(641)	27,750	-	(20,700)	140,237	(69,188)	71,049
-	180	-	(500)	34,925	(2,797)	32,128
(641)	27,930	-	(21,200)	175,162	(71,985)	103,177
-	(27,930)	-	-	40,640	-	40,640
(641)	-	-	(21,200)	215,802	(71,985)	143,817

Notes to the financial statements

for the year ended 30 June 2018

8 NON-CURRENT ASSETS HELD FOR SALE

Accounting policy

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and are not depreciated.

Any impairment losses for write-downs of non-current assets held for sale are recognised in surplus or deficit.

Any increase in fair value (less cost to sell) is recognised up to the level of any impairment losses that have been previously recognised.

	Actual 2018 \$000	Actual 2017 \$000
Rolling stock – held for sale	1,952	5,500
City Rail Link – held for distribution to owner	–	434,464
Total non-current assets held for sale	1,952	439,964

Rolling stock – held for sale

A key component of development plans for the Auckland rail network is the electrification upgrade in order to accommodate a fleet of new Electric Multiple Units which are now operational. As a consequence of the transition to this new fleet of trains, the majority of Auckland Transport's current diesel fleet is no longer required for operational service. As at 30 June 2018, 64 units of diesel trains remain for sale. There are prospective buyers who have shown definite interest but no confirmed sale yet.

City Rail Link – held for distribution to owner

The City Rail Link (CRL) is an underground rail line that will link Britomart and the city centre with the existing western line near Mt. Eden. The CRL Project is a significant infrastructure project to enhance the capacity and performance of Auckland rail services and improve transport outcomes in Auckland.

The Crown and the council (the Sponsors) have, through a Sponsors Agreement signed on 30 June 2017, agreed to equally co-fund the development and delivery of the CRL Project. The Sponsors have incorporated City Rail Link Limited (CRL) who have the responsibility for the design and construction of the CRL, which was managed by Auckland Transport, pursuant to the Project Delivery Agreement.

Auckland Transport acquired properties for the purpose of the CRL Project and incurred project costs up to 30 June 2017 amounting to \$434 million. To facilitate the transfer of responsibility for the CRL Project from Auckland Transport to CRL, the Asset Transfer Agreement was signed on 30 June 2017 which required these properties and work in progress be transferred to CRL via Auckland Council when it became operational on 1 July 2017. Until CRL obtains its requiring authority status for the CRL Project under section 167 of the Resource Management Act 1991, Auckland Transport and Auckland Council will hold its rights, title and interest in the CRL assets on trust for the benefit of CRL.

At 30 June 2017, Auckland Transport reclassified assets previously recognised as property, plant and equipment to "Non-current assets held for distribution" since Auckland Transport was transferring the responsibility of delivering the CRL Project to CRL. No gain or loss was recognised as a result of this reclassification.

On 1 July 2017, Auckland Transport transferred the assets to Auckland Council as required by the Asset Transfer Agreement.

Part 3: Borrowings and derivative financial instruments

This section provides details of Auckland Transport borrowings. This section also provides information of derivative financial instruments acquired to mitigate the risks arising from foreign currency fluctuations.

The notes included in this section are as follows:

9 **BORROWINGS**

10 **DERIVATIVE FINANCIAL INSTRUMENTS**

Notes to the financial statements

for the year ended 30 June 2018

9 BORROWINGS

Accounting policy

Borrowings are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities where they are due to be settled within 12 months after the reporting date. All other borrowings are classified as non-current liabilities.

	Actual 2018 \$000	Actual 2017 \$000
Current portion		
Loans from Auckland Council	6,123	5,764
Non-current portion		
Loans from Auckland Council	496,775	502,899
Total borrowings	502,898	508,663
Weighted average cost of funds on total borrowings	6.02%	6.02%

Auckland Transport manages its borrowings in accordance with its treasury policy. There was no significant change to the treasury policy during the year. Auckland Transport was fully compliant with its treasury policy at year end.

Auckland Transport's borrowings are all issued at fixed rates as the main objective of Auckland Transport's interest rate risk management is to reduce uncertainty around interest expense as interest rates change.

Loans from Auckland Council

Auckland Transport's loans from Auckland Council of \$502.9 million (2017: \$508.7 million) are issued at fixed rates of interest ranging from 5.55% to 6.57% (2017: 5.55% to 6.57%).

Two loan facilities have been drawn down and will be repaid against a schedule of repayments. The first loan of \$415.1 million (2017: \$420.4 million) has a final payment date of 21 November 2046 and the second loan of \$87.8 million (2017: \$88.3 million) has a final repayment date of 27 March 2062.

The fair value of these loans is \$560.3 million (2017: \$562.6 million). The fair value is based on cash flows discounted using a rate based on the borrowing rate of 3.40% (2017: 3.94%).

Notes to the financial statements

for the year ended 30 June 2018

10 DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policy

Auckland Transport uses derivative financial instruments to hedge or mitigate risks associated with foreign currency fluctuation and interest rate. In accordance with its treasury policy, Auckland Transport does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The resulting gain or loss is recognised in surplus or deficit.

	Actual 2018 \$000	Actual 2017 \$000
Non-current liability portion		
Forward foreign exchange contracts	2,403	-

Forward foreign exchange contracts

The fair values of forward foreign exchange contracts have been 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. Most market parameters are implied from forward foreign exchange contract prices.

The notional principal amount of outstanding forward foreign exchange contract cash flow hedges was NZD \$112.9 million (2017: \$nil). The foreign currency principal amount was EUR 61.4 million (2017: \$nil).

Part 4: Working capital and equity

This section provides information about the operating assets and liabilities available to Auckland Transport's day-to-day activities. This section also contains analysis of the equity of Auckland Transport.

The notes included in this section are as follows:

- 11 **CASH AND CASH EQUIVALENTS**
- 12 **RECEIVABLES**
- 13 **INVENTORIES**
- 14 **PAYABLES AND ACCRUALS**
- 15 **EMPLOYEE ENTITLEMENTS**
- 16 **EQUITY**

Notes to the financial statements

for the year ended 30 June 2018

11 CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions and bank overdrafts.

	Actual 2018 \$000	Actual 2017 \$000
Cash at bank	4,187	5,381
Till floats	380	311
Total cash and cash equivalents	4,567	5,692

The carrying value of cash and cash equivalents approximates their fair value.

The weighted average effective interest rate for cash and cash equivalents is 1.75% (2017: 1.75%).

12 RECEIVABLES

Accounting policy

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.

	Actual 2018 \$000	Actual 2017 \$000
Receivables from non-exchange transactions		
Current portion		
Trade debtors	4,293	3,417
Infringements receivable	37,055	34,562
Amounts due from related parties	222,315	236,766
Accrued revenue	63,027	55,892
Goods and services tax	8,862	6,332
	335,552	336,969
Less provision for impairment of receivables	(15,998)	(15,016)
Total current receivables	319,554	321,953
Non-current portion		
Other receivables	801	1,801
Total non-current receivables	801	1,801

The carrying value of receivables approximates their fair value.

Notes to the financial statements

for the year ended 30 June 2018

12 RECEIVABLES (CONTINUED)

There is a concentration of credit risk from Auckland Council that is considered low risk. There is no concentration of credit risk with respect to other receivables as they are over a large number of customers.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

The ageing profile of debtors and other receivables at 30 June is detailed below:

	Gross \$000	Impaired \$000	Net \$000
2018			
Not past due	299,598	-	299,598
Past due 1-30 days	2,727	-	2,727
Past due 31-60 days	1,762	-	1,762
Past due 61-90 days	1,155	-	1,155
Past due > 90 days	30,310	(15,998)	14,312
	335,552	(15,998)	319,554

2017

Not past due	304,609	-	304,609
Past due 1-30 days	1,643	-	1,643
Past due 31-60 days	1,215	-	1,215
Past due 61-90 days	1,240	-	1,240
Past due > 90 days	28,262	(15,016)	13,246
	336,969	(15,016)	321,953

All receivables greater than 30 days in age are considered to be past due.

The provision for impairment of receivables has been calculated on an individual basis. The provision is based on a review of significant debtor balances. Receivables are assessed as impaired due to significant financial difficulties being experienced by the debtor, and Auckland Transport management concluding that it is remote that the overdue amounts will be recovered.

Movements in the provision for impairment of receivables are as follows:

	Actual 2018 \$000	Actual 2017 \$000
Balance at 1 July	15,016	13,618
Additional provisions made	1,199	1,512
Provisions reversed	(160)	(58)
Provisions relating to receivables written-off	(57)	(56)
Balance at 30 June	15,998	15,016

Notes to the financial statements

for the year ended 30 June 2018

13 INVENTORIES

Accounting policy

Inventories held for distribution (e.g. rolling stock spare parts) are stated at weighted average cost, adjusted, when applicable, for any loss of service potential.

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

The carrying amount of spare parts is measured at the lower of cost or net realisable value.

The amount of any write-down in the value of inventories is recognised in surplus or deficit.

	Actual 2018 \$000	Actual 2017 \$000
Spare parts for diesel rolling stock	2,242	2,668
Spare parts for electric trains	9,047	8,568
Others	451	207
Total inventories	11,740	11,443

No inventories are pledged as security for liabilities.

There have been no write downs nor reversal of write downs of inventories.

14 PAYABLES AND ACCRUALS

Accounting policy

Current payables and accruals are recognised at cost. Current payables and accruals are non-interest bearing and normally settled on 30-day terms; therefore, the carrying value approximates fair value. Non-current payables and accruals are measured at the present value of the estimated future cash outflows.

	Actual 2018 \$000	Actual 2017 \$000
Current portion		
Payables under exchange transactions		
Creditors	47,238	72,585
Accrued expenses	160,044	143,056
Total payables under exchange transactions	207,282	215,641
Payables under non-exchange transactions		
Amounts due to related parties	7,810	6,856
Revenue in advance	1,273	1,963
Total payables under non-exchange transactions	9,083	8,819
Total current payables	216,365	224,460
Non-current portion		
Payables under non-exchange transactions		
Amounts due to related parties	16,476	19,717
Total non-current payables	16,476	19,717

Notes to the financial statements

for the year ended 30 June 2018

15 EMPLOYEE ENTITLEMENTS

Accounting policy

Current employee entitlements to be settled within 12 months are reported at the amount expected to be paid.

Non-current employee entitlements such as long-service leave are valued by an external actuary.

	Actual 2018 \$000	Actual 2017 \$000
Current portion		
Accrued salaries and wages	5,815	5,288
Annual leave	10,938	9,497
Sick leave	266	266
Long service leave	1	129
Total current employee entitlements	17,020	15,180
Non-current portion		
Retirement gratuities	314	383
Long service leave	113	191
Total non-current employee entitlements	427	574

16 EQUITY

Accounting policy

Equity is the residual interest in the organisation and is measured as the difference between total assets and total liabilities. Equity is made up of:

Contributed capital	This represents the cumulative total at the reporting date of contributions from Auckland Council, less capital returned.
Accumulated funds	This represents the accumulated surplus/deficit over time by Auckland Transport and found assets identified after amalgamation.
Other reserves	
• Asset revaluation reserve	This reserve relates to the revaluation of property, plant, and equipment to fair value.
• Cash flow hedge reserve	This reserve comprises the effective portion of the cumulative net change in the fair value of derivatives designated as cash flow hedges.

Capital management

Auckland Transport is subject to financial management and accountability provisions of the Local Government (Auckland Council) Act 2009, which imposes restrictions in relation to borrowings and the use of derivatives.

Auckland Transport manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities and general financial dealings to ensure Auckland Transport effectively achieves its objectives and purpose, while remaining a going concern.

Notes to the financial statements

for the year ended 30 June 2018

16 EQUITY (CONTINUED)

	Actual 2018 \$'000	Actual 2017 \$'000
Contributed capital	12,998,417	13,436,418
Accumulated funds	2,350,178	1,623,170
Asset revaluation reserve		
Balance at 1 July	3,560,067	2,117,458
Change in fair value recognised during the year	198,103	1,454,810
Transfer to accumulated funds on disposal of property	(32,009)	(10,137)
Deferred tax on revaluation	-	(2,064)
Balance at 30 June	3,726,161	3,560,067
Asset revaluation reserve for each asset class consists of:		
Operational assets		
Land	383,987	212,371
Land – finance lease	13,269	6,609
Buildings	16,119	-
Rolling stock	3,708	-
Wharves	2,326	2,326
Bus stations and shelters	14,149	14,149
Train stations	273,008	273,008
Infrastructural assets		
Roading	3,019,595	3,019,595
Non-current assets held for sale		
City Rail Link	-	32,009
Balance at 30 June	3,726,161	3,560,067
Total other reserves	3,726,161	3,560,067
Total equity	19,074,756	18,619,655

Part 5: Financial instruments and risk management

This section provides information on how various risks are managed by Auckland Transport.

The notes included in this section are as follows:

- 17 CATEGORIES OF FINANCIAL INSTRUMENTS
AND FAIR VALUE HIERARCHY**
- 18 INTEREST RATE RISK**
- 19 FOREIGN EXCHANGE RISK**
- 20 CREDIT RISK**
- 21 LIQUIDITY RISK**

Notes to the financial statements

for the year ended 30 June 2018

17 CATEGORIES OF FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY

Accounting policy

Auckland Transport classifies financial assets and liabilities into categories. The classification depends on the purpose for which the financial assets and liabilities are held. Management determines the classification of financial assets and liabilities.

Categories	Initial recognition	Subsequent measurement	Treatment of gains and losses
Financial assets			
Fair value through surplus or deficit	Fair value	Fair value	Surplus or deficit
Loans and receivables	Fair value	Amortised cost using the effective interest method less impairment	Surplus or deficit
Financial liabilities			
Fair value through surplus or deficit	Fair value	Fair value	Surplus or deficit
Amortised cost	Fair value	Amortised cost	Surplus or deficit

Categories of financial instruments

The carrying amounts of financial instruments are as follows:

	Actual 2018 \$000	Actual 2017 \$000
Financial assets		
Loans and receivables		
Cash and cash equivalents	4,567	5,692
Receivables (excluding goods and services tax)	311,493	317,422
Total	316,060	323,114
Financial liabilities		
Fair value through surplus or deficit		
Forward foreign exchange contracts	2,403	-
Total	2,403	-
Amortised cost		
Payables and accruals	232,841	244,177
Borrowings	502,898	508,663
Total	735,739	752,840

Notes to the financial statements

for the year ended 30 June 2018

17 CATEGORIES OF FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY (CONTINUED)

Fair value hierarchy

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

LEVEL 1 Quoted market price – Financial instruments with quoted prices for identical instruments in active markets.

LEVEL 2 Valuation technique using observable inputs – Financial instruments with quoted prices for similar instruments in active market or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

LEVEL 3 Valuation techniques with significant non-observable inputs – Financial instruments valued using models where one or more significant inputs are not observable.

	VALUATION TECHNIQUE			
	Total	Level 1 Quoted market price	Level 2 Observable inputs	Level 3 Significant non- observable inputs
	\$000	\$000	\$000	\$000

2018

Financial liabilities

Forward foreign exchange contracts	2,403	-	2,403	-
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2017

Financial liabilities

Forward foreign exchange contracts	-	-	-	-
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There were no transfers between the different levels of the fair value hierarchy during the year (2017: nil).

Notes to the financial statements

for the year ended 30 June 2018

18 INTEREST RATE RISK

Interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Auckland Transport is not exposed to any significant cash flow interest rate risk.

19 FOREIGN EXCHANGE RISK

Foreign exchange risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. From time to time Auckland Transport purchases goods and services overseas which require it to enter into transactions denominated in foreign currencies. As a result of these activities, exposure to currency risk arises.

It is Auckland Transport's policy to manage foreign currency risks arising from contractual commitments and liabilities by entering into forward foreign exchange contracts to manage the foreign currency risk exposure.

	-5% Surplus/ deficit NZ \$000	-5% Other equity NZ \$000	+5% Surplus/ deficit NZ \$000	+5% Other equity NZ \$000
2018				
Forward foreign exchange contracts	5,599	-	(5,569)	-
2017				
Forward foreign exchange contracts	-	-	-	-

Explanation of foreign exchange rate risk sensitivity

The foreign exchange sensitivity is based on a reasonable possible movement in foreign exchange rates, with all other variables held constant, measured as a percentage movement in the foreign exchange rate of -5%/+5%.

Notes to the financial statements

for the year ended 30 June 2018

20 CREDIT RISK

Credit risk is the risk that a third party will default on its obligation to Auckland Transport, causing it to incur a loss.

In the normal course of business, Auckland Transport is exposed to credit risk from cash, debtors and other receivables and derivative financial instrument assets. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

Auckland Transport has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard & Poor's credit ratings (if available) or to historical information about counterparty default rates.

	Rating	Actual 2018 \$000	Actual 2017 \$000
Counterparties with credit ratings			
Cash at bank	AA-	4,187	5,381
Counterparties without credit ratings			
Receivables			
Existing counterparty with no defaults in the past		320,355	323,754

Of the \$320,355, \$222,315 is due from related parties.

21 LIQUIDITY RISK

Liquidity risk is the risk that Auckland Transport will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liability risk management implies maintaining sufficient cash and the ability to close out market positions.

Auckland Transport manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

Contractual maturity analysis of financial liabilities, excluding borrowings

The table below analyses Auckland Transport's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Notes to the financial statements

for the year ended 30 June 2018

21 LIQUIDITY RISK (CONTINUED)

	Carrying amount NZ \$000	Contractual cash flows NZ \$000	Less than 6 months NZ \$000	6-12 months NZ \$000	Later than 1 year NZ \$000
2018					
Trade and other payables	232,841	232,841	232,841	-	-
Forward foreign exchange contracts					
- outflow	-	112,934	-	-	112,934
- inflow	-	105,531	-	-	105,531
Net settled derivative liabilities	2,403	7,403	-	-	7,403
2017					
Trade and other payables	244,177	244,177	244,177	-	-
Forward foreign exchange contracts					
- outflow	-	-	-	-	-
- inflow	-	-	-	-	-
Net settled derivative liabilities	-	-	-	-	-

Contractual maturity analysis of borrowings

The table below analyses Auckland Transport's borrowings into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows and include interest payments.

	Carrying amount NZ \$000	Contractual cash flows NZ \$000	0-10 years NZ \$000	11-20 years NZ \$000	21-30 years NZ \$000	31-40 years NZ \$000	41-50 years NZ \$000
2018							
Borrowings	502,898	1,116,362	362,512	362,512	313,962	56,015	21,361
2017							
Borrowings	508,663	1,152,613	362,512	362,512	344,611	56,015	26,963

Part 6: Other

This section provides other financial information that will enhance clarity and understanding of this annual report.

The notes included in this section are as follows:

- 22 **CAPITAL COMMITMENTS AND OPERATING LEASES**
- 23 **CONTINGENCIES**
- 24 **RELATED PARTY TRANSACTIONS**
 - a. **KEY MANAGEMENT PERSONNEL REMUNERATION**
 - b. **BOARD MEMBER REMUNERATION**
 - c. **EMPLOYEE REMUNERATION**
 - d. **SEVERANCE PAYMENTS**
- 25 **MAJOR BUDGET VARIANCES**
- 26 **RECONCILIATION OF SURPLUS AFTER TAX TO NET CASH FROM OPERATING ACTIVITIES**
- 27 **AUCKLAND INTEGRATED FARES SYSTEM FUNDS**
- 28 **EVENTS AFTER THE REPORTING PERIOD**

Notes to the financial statements

for the year ended 30 June 2018

22 CAPITAL COMMITMENTS AND OPERATING LEASES

Accounting policy

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

Capital commitments

	Actual 2018 \$000	Actual 2017 \$000
Operational assets		
Land	-	22,609
Buildings	198	486
Rolling stock	107,555	-
Motor vehicles	19	-
Computer hardware	-	1,847
Furniture and fittings	316	138
Plant and equipment	3,395	-
Wharves	953	-
Bus stations and shelters	18,630	25,268
Train stations (including City Rail Link in 2017)	12,180	304,077
Infrastructural assets		
Roading	194,153	217,899
Intangible assets		
Software	12,281	6,805
Total capital commitments	349,680	579,129

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

Capital commitments at 30 June 2017 included \$323.5 million of commitments for the City Rail Link (CRL) project. The CRL project was transferred to Auckland Council on 1 July 2017 together with the capital commitments.

Notes to the financial statements

for the year ended 30 June 2018

22 CAPITAL COMMITMENTS AND OPERATING LEASES (CONTINUED)

Operating leases as lessee

Auckland Transport leases property, plant and equipment in the normal course of its business. These leases have a term of between four and 419 months. The future aggregate minimum lease payments payable under leases are as follows:

	Actual 2018 \$000	Actual 2017 \$000
Not later than one year	78,855	30,822
Later than one year and not later than five years	341,201	119,740
Later than five years and not later than 10 years	280,124	113,858
Later than 10 years	61,814	14,230
Total operating leases	761,994	278,650

Auckland Transport has entered into new bus operator contracts for the rollout of the new public transport network for the central suburbs and North Shore. These contracts contain deemed operating leases.

Leases can be renewed at Auckland Transport's option, with amounts set by reference to current market rates for items of equivalent age and condition. There is no option to purchase the assets at the end of the lease term.

There are no restrictions placed on Auckland Transport by any of the leasing arrangements.

Operating leases as lessor

Auckland Transport leases property under operating leases. These leases have a term of between one and 819 months. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Actual 2018 \$000	Actual 2017 \$000
Not later than one year	8,053	9,634
Later than one year and not later than five years	25,600	11,314
Later than five years	20,016	4,528
Total operating leases	53,669	25,476

Notes to the financial statements

for the year ended 30 June 2018

23 CONTINGENCIES

Contingent liabilities

Auckland Transport has been advised of a potential claim by Snapper Services Limited against Auckland Transport in relation to the Auckland Integrated Fares System. Auckland Transport has prepared a claim against Snapper. Legal proceedings have not been issued by either party.

Contingent assets

There are no material contingent assets as at 30 June 2018 (2017: nil).

24 RELATED PARTY TRANSACTIONS

Auckland Transport is a council-controlled organisation of Auckland Council. Auckland Transport receives a significant amount of funding from Auckland Council to deliver its objectives as specified in Auckland Council's Long-term Plan.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect Auckland Transport would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other council organisations are not disclosed as related party transactions when they are consistent with the normal operating arrangements between council organisations and undertaken on the normal terms and conditions for such transactions in the same circumstances. All related party transactions were made on an arm's length basis in the current and prior financial years.

a. Key management personnel remuneration

	Actual 2018 \$	Actual 2017 \$
Board members		
Remuneration	477,472	429,065
Full-time equivalent members	1.3	1.3
Leadership team		
Remuneration	4,401,749	3,972,088
Full-time equivalent members	9.9	10.3
Total key management personnel remuneration	4,879,221	4,401,153
Total full-time equivalent personnel	11.2	11.6

The full-time equivalent for Board members has been determined based on the frequency and length of Board meetings and the estimated time for Board members to prepare for meetings.

Remuneration for the leadership team in 2018, excluding final payments to four leadership team members, totalled \$3,672,847.

Notes to the financial statements

for the year ended 30 June 2018

24 RELATED PARTY TRANSACTIONS (CONTINUED)

b. Board member remuneration

The total value of remuneration paid or payable to each Board member during the period was:

	Actual 2018 \$	Actual 2017 \$
Dr Lester Levy (Chair)	107,533	106,600
Wayne Donnelly (Deputy Chair from November 2016)	67,207	44,417
Kylie Clegg (from May 2017)	53,767	8,883
Sir Michael Cullen (from May 2017)	53,767	8,883
Mary-Jane Daly (from May 2017)	53,767	8,883
Mark Gilbert	61,832	61,295
Rabin Rabindran (to November 2017)	17,767	53,300
Dame Paula Rebstock	61,832	58,630
Raewyn Bleakley (from September 2017)	-	-
Ernst Zöllner (to June 2017)	-	-
Paul Lockey (Deputy Chair to October 2016)	-	22,208
Christine Fletcher (to October 2016)	-	17,767
Dr Ian Parton (to October 2016)	-	20,432
Michael Lee (to October 2016)	-	17,767
Total Board member remuneration	477,472	429,065

Ernst Zöllner (to June 2017) and Raewyn Bleakley (from September 2017) are the NZ Transport Agency appointees. Under the terms of establishment legislation the NZ Transport Agency appointee does not receive any remuneration.

Paul Lockey (to October 2016), Wayne Donnelly (from November 2016), Dr Ian Parton (to October 2016), Mark Gilbert and Dame Paula Rebstock (from December 2016) were remunerated for their roles as Chairs of Board sub-committees.

There have been no payments made to committee members appointed by the Board who are not board members during the financial year (2017: nil).

Auckland Transport has effected directors' and officers' liability and professional indemnity insurance cover during the financial year in respect of the liability of costs of Board members and employees.

No Board members received compensation or other benefits in relation to cessation.

Notes to the financial statements

for the year ended 30 June 2018

24 RELATED PARTY TRANSACTIONS (CONTINUED)

c. Employee remuneration

The following table shows the pay bands of Auckland Transport employees as at 30 June:

	Number of Employees 2018	Number of Employees 2017
\$0 - \$59,999	579	524
\$60,000 - \$79,999	357	335
\$80,000 - \$99,999	290	271
\$100,000 - \$119,999	207	204
\$120,000 - \$139,999	121	130
\$140,000 - \$159,999	72	64
\$160,000 - \$179,999	32	34
\$180,000 - \$199,999	14	21
\$200,000 - \$219,999	8	13
\$220,000 - \$239,999	9	7
\$240,000 - \$259,999	6	4
\$260,000 - \$279,999	1	-
\$280,000 - \$299,999	3	6
\$300,000 - \$319,999	2	-
\$320,000 - \$339,999	-	2
\$340,000 - \$359,999	2	1
\$360,000 - \$379,999	1	1
\$380,000 - \$399,999	-	-
\$400,000 - \$419,999	1	1
\$560,000 - \$579,000	1	-
\$660,000 - \$679,000	-	1
Number of employees on 30 June	1,706	1,619
Number of full-time employees on 30 June	1,605	1,499
Full-time equivalent number of all other employees on 30 June	71	63

d. Severance payments

For the year ended 30 June 2018, Auckland Transport made eight (2017: five) severance payments to employees totalling \$313,560 (2017: \$57,188). The value of each of the severance payments was \$155,873, \$88,000, \$18,091, \$17,500, \$16,230, \$9,333, \$4,377 and \$4,156.

Notes to the financial statements

for the year ended 30 June 2018

25 MAJOR BUDGET VARIANCES

Explanation for major variances from Auckland Transport's Statement of Intent are as follows:

	Actual 2018 \$000	Budget 2018 \$000	Variance \$000
Auckland Council capital funding Lower than budgeted capital expenditure has resulted in reduced capital funding from Auckland Council.	480,485	591,888	(111,403)
NZ Transport Agency capital funding Due to unbudgeted funding received for electric trains of \$10.0 million, emergency road works/storm damage of \$7.2 million, Pukekohe Station of \$4.2 million, and pedestrian rail crossings of \$3.2 million.	205,231	174,008	31,223
Other revenue Higher vested asset revenue received from Auckland Council.	617,050	393,991	223,059
Depreciation and amortisation Lower depreciation as a result of the revised useful life of roading assets.	324,675	362,975	38,300
Property, plant and equipment Higher than budgeted asset revaluation of \$211.6 million and vested assets of \$209.3 million, lower than budgeted depreciation of \$63.9 million, partly offset by lower than budgeted capital expenditure of \$103.3 million and unbudgeted disposal of asset of \$16.9 million.	19,344,885	18,977,822	367,063
Other reserves Higher than budgeted asset revaluation of \$199.6 million, partly offset by unbudgeted CRL revaluation reserve of \$32.0 million transferred to accumulated funds.	3,726,161	3,570,204	155,957
Capital expenditure Mainly due to delays in land acquisition for various projects of \$80.6 million.	686,981	765,896	78,915

Notes to the financial statements

for the year ended 30 June 2018

26 RECONCILIATION OF SURPLUS AFTER TAX TO NET CASH FROM OPERATING ACTIVITIES

	Actual 2018 \$000	Actual 2017 \$000
Surplus after tax	694,218	615,800
Add/(less) non-cash items		
Depreciation and amortisation	324,675	330,944
Vested asset revenue	(316,318)	(207,023)
(Gain)/loss on disposal of property, plant and equipment	1,865	(2,352)
Impairment of non-current assets held for sale	-	500
Revaluation (gain)/decrement	(11,970)	(449)
Foreign exchange (gains)/losses	2,403	(242)
Unrealised gain on interest rate swaps	-	(3,578)
Income tax (benefit)/expense	(1,597)	(1,822)
Add/(less) movements in balance sheet items		
Receivables	3,498	(53,581)
Inventories	(104)	(50)
Other assets	(950)	(1,739)
Payables and accruals	2,332	(8,591)
Employee entitlements	1,693	1,548
Net cash from operating activities	699,745	669,365

27 AUCKLAND INTEGRATED FARES SYSTEM FUNDS

Auckland Transport operates a restricted bank account for Auckland Integrated Fares System (AIFS) with a balance of \$18.5 million at 30 June 2018 (2017: \$16.4 million). This account is used for the deposit of unused stored value on AT HOP cards. These funds are held in trust for the card holders and therefore this balance has not been recognised in the statement of financial position.

28 EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the balance date.

Independent auditor's report

To the readers of Auckland Transport's financial statements and performance information for the year ended 30 June 2018

The Auditor General is the auditor of Auckland Transport. The Auditor General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of Auckland Transport on his behalf.

Opinion

We have audited:

- the financial statements of Auckland Transport on pages 63 to 112, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expenditure, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of Auckland Transport on pages 51 to 56.

In our opinion:

- the financial statements of Auckland Transport on pages 63 to 112:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards; and
- the performance information of Auckland Transport on pages 51 to 56 presents fairly, in all material respects, Auckland Transport's actual performance compared against the performance targets and other measures by which performance was judged in relation to Auckland Transport's objectives for the year ended 30 June 2018.

Our audit was completed on 21 August 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the *Professional and Ethical Standards and the International Standards on Auditing (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board for the financial statements and the performance information

The Board is responsible on behalf of Auckland Transport for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board is also responsible for preparing the performance information for Auckland Transport.

The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

Independent auditor's report

Continued

In preparing the financial statements and the performance information, the Board is responsible on behalf of Auckland Transport for assessing Auckland Transport's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board intends to liquidate Auckland Transport or to cease operations, or has no realistic alternative but to do so.

The Board's responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to Auckland Transport's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Auckland Transport's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported performance information within Auckland Transport's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Auckland Transport's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Auckland Transport to cease to continue as a going concern.

Independent auditor's report

Continued

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board is responsible for the other information. The other information comprises the information included on pages 3 to 50 and 57 to 61, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of Auckland Transport in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1(Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out a review engagement of the six month results for Auckland Council as well as assurance work regarding procurement, which is compatible with those independence requirements.

Other than the audit, we have no relationship with, or interests in Auckland Transport.



Leon Pieterse

AUDIT NEW ZEALAND

On behalf of the Auditor General
Auckland, New Zealand

Glossary

AIFS	Auckland Integrated Fares System
AMETI	Auckland-Manukau Eastern Transport Initiative
ATAP	Auckland Transport Alignment Project
AT	Auckland Transport
AT HOP	Auckland's branded integrated ticket for public transport
AT Mobile	Auckland's integrated transport app
CCO	Council-controlled organisation
CRL	City Rail Link
EECA	Energy Efficiency and Conservation Authority
EV	Electric vehicle
GPS	Government Policy Statement on land Transport
LED	Light emitting diodes
LTP	Auckland Council's Long-term Plan
NLTF	National Land Transport Fund
NZTA	New Zealand Transport Agency
ONRC	One Network Road Classification
PTOM	Public Transport Operating Model
RFT	Regional Fuel Tax
RLTP	Regional Land Transport Programme
RPTP	Regional Public Transport Plan
SaFE	Transdev Safety and Fare Enforcement programme
SOI	Statement of Intent
Travelwise Schools	Auckland's school travel plan programme
Travelwise Choices	Auckland's travel plan programme for business, formerly Commute

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**Auckland
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An Auckland Council Organisation