

# Capital Review Committee Report

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## Glossary

Auckland Council	(AC)
Auckland Council Property Limited	(ACPL)
Auckland Transport	(AT)
Capital Review Committee	(CRC)
Electric Multiple Unit	(EMU)
Funding Assistance Rate	(FAR)
New Zealand Transport Agency	(NZTA)

## Purpose

The purpose of this report is to provide a brief summary of the CRC activities including the first full meeting held on 1 February 2012.

## Meetings

Through the months of January and February the Chair of the CRC has met with management several times to develop the Terms of Reference and to establish the functional administration and activities of the CRC. For information a draft Terms of Reference has been provided as Attachment 1.

The full CRC met for the first time on 1 February 2012. In addition to the discussion around the Terms of Reference the current status of the Capital Fiscal Envelope and the Monthly Performance Report were presented to the CRC for information. Two specific capital projects were also discussed being the Second Manukau Carpark building proposal (South Hayman) and the EMU Depot approval to tender. Both of these are summarised below. Minutes to this meeting are provided in Attachment 2.

## 2011/12 Capital Fiscal Envelope

At the CRC meeting a brief presentation on the status of the Capital Fiscal Envelope was provided.

At the commencement of 2011/12 the Capital Fiscal Envelope was determined to be \$546m comprising \$395m secured from AC within the Annual Plan and \$151m from NZTA. This covered AT renewals and new capital projects delivered largely through the AT Operations and Infrastructure divisions. The NZTA element was an estimate based on previous years allocations as can only be determined as individual projects are approved in accordance with a national prioritisation of funds from the National Land Transport Fund. Early in 2011/12 AT was advised that NZTA was subject to financial constraints and as such a moratorium on NZTA subsidy was to be put in place. This therefore impacted the assumption of \$151m subsidy from NZTA and had the potential to seriously impact AT's ability to deliver its capital portfolio.

To mitigate this AT and NZTA agreed a FAR Variance model where \$50m NZTA subsidy (renewals and new capital) would be reduced from both 2011/12 and 2012/13 (totalling \$100m over 2 years) to be repaid in 2013/14 and 2014/15. This solution provided NZTA the ability to retain \$25m within the Fund for each for the two years and thus mitigate its financial constraint to some extent and for AT to progress \$25m worth of high priority NZTA

subsidised projects. As the \$50m needed to be offset by AC funding in 2011/12 the total fiscal envelope was reduced by this amount to keep the total 11/12 AC funding requirement at \$395m. As such the new fiscal envelope became \$496m (\$395m AC and \$101m NZTA assumed).

There remains some ongoing discussion with NZTA regarding the quantum of the FAR variance in 2011/12 and the split between the two years of drawdown. An update on this will be provided at the Board meeting.

## Capital Projects

Two specific capital project papers were considered by the CRC.

- The first related to a proposal for a second carpark in Manakau at the South Hayman Site adjacent to the new Manukau Transport Interchange. The CRC considered that while there was a strong strategic case and operational business case for investment in this facility the primary driver related to city transformation. As such the CRC recommended that the project be presented to ACPL for inclusion in their investment portfolio. It was also noted that as AT has a Park and Ride requirement for the new transport interchange and a potential interest in managing the facility into the future that AT remain involved in the project.

### Recommendation

The CRC recommends to the AT Board that the project and the business case be presented to ACPL for inclusion in their investment portfolio and that AT should remain involved to ensure that transport priorities are considered.

- The second capital project related to the EMU Depot in Wiri which is nearing readiness to tender. A separate paper is being presented to the AT Board.

### Recommendation

The CRC recommends to the AT Board approval to go to tender for the construction of the EMU depot Wiri Works contract at an estimated value of \$53m

## Attachments

**Attachment 1** - Capital Review Committee Draft Terms of Reference

**Attachment 2** - Minutes of the February 2012 Capital Review Committee