

ARTA First Quarter Report

1 July to 30 Sept 2007

Date 14 November 2007, Version 0.1

ARTA CEO Unit



Auckland Regional
Transport Authority

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DATED:	14 November 2007
DISTRIBUTION:	
FILE REF:	30.0
FILE NAME:	Document14

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1 Summary and Highlights

- Patronage on bus services across the Region (excluding the Northern Express services) is tracking at a similar level to 2006/07. Planned improvements to North Shore bus services, coinciding with the Busway opening in February 2008, and other patronage growth initiatives planned for implementation in the second half of the financial year, are expected to result in ARTA achieving the percentage growth targets set in the Statement of Intent.
- Rail patronage is 10% higher than in the September quarter of 2006/07, with strong growth on the Southern Line, and Western Line patronage now above the levels prior to the disruption in March 2007 caused by the double tracking project between New Lynn and Henderson.
- Patronage on the Northern Express bus service is up 26% on the first quarter of 2006/07, and bus patronage on other North Shore and Hibiscus Coast services grew by 2.5%. Further growth in these services is expected once the Northern Busway, including three additional busway stations, opens in February 2008. This shows that North Shore PT Network Plan improvements implemented from 2005 have resulted in increased patronage.
- ARTA has developed a comprehensive Service and Patronage Improvement Plan, based on the PT Network Plan, and including changes to route structures, procurement and fares. While the plan will take time to put in place, the first steps are underway. The Link service was re-launched in September 2007 with new Euro5 vehicles. Sylvia Park Shoppers Services (the 008/009 Crosstown and 717 services) are to be launched in November 2007 with a comprehensive shopper marketing plan. Rationalisation of the Papakura Express, Beachlands/Maraetai and Botany to CBD services is underway. Changes to North Shore services will be implemented in February 2008, and consultation is underway on new service designs for the West, Isthmus and South sectors.
- The Universities' Travel Plan was launched on 11 September 2007. This plan was developed by ARTA in collaboration with AUT University, the University of Auckland, Auckland City Council and Transit NZ to guide future transport developments and make it easier to travel to and around the Learning Quarter.
- A key finding of the Universities Travel Plan was that few students see public transport as offering value for money. ARTA plans to address this by increasing the discount on 10-trip tickets for tertiary students from 20% to 40%, to align with the concessions for children/secondary students and for senior citizens. Implementing this decision for February 2008 is a significant marketing opportunity, and is a step towards a simplified fare structure, as part of the staged implementation plan for integrated ticketing.
- The Workplace Travel Plan programme grew from 22 to 30 workplaces, with further growth likely as local councils and ARTA negotiate Travel Planning agreements with major institutions and corporates.
- The regional road toll from January to September 2007 was 38 deaths; this is 24 fewer deaths than in the same period in 2006.

2 Passenger Transport Patronage

2.1 Overall patronage trends

Services where ARTA, with the support of the ARC, has invested in service improvements are performing well. Rapid Transit Network patronage is tracking towards ambitious growth targets. Currently the Southern Line is performing above target, and the Western line below target, however rail overall is expected to achieve 13% growth on 2006/07 patronage, against an overall target of 10% growth. The Northern Express bus service is already tracking towards 17% growth, and patronage will increase further with opening of the Northern Busway, and associated service improvements, in February 2008.

Quality Transit Network and Local Connector bus services carry around 75% of all PT trips in the region, and patronage on these services is falling just short of growth targets, with the September quarter result equating to a predicted 1.8% patronage growth relative to 2006/07, lower than the target growth of 2%.

The key challenge for ARTA in the remainder of this year is to increase bus patronage. Detailed plans are in place to achieve this, building on the lessons learned from the success of the Rapid Transit Network and the improvements to core bus network services on the North Shore. However the implementation of these plans will need to be staged and the effect on patronage will be gradual.

2.2 Progress towards SOI targets

ARTA and the ARC have agreed, through the Statement of Intent, a target of 10.5% growth in total PT patronage over three years, with a base year of 2005/06. The Statement of Intent sets % targets for the Rapid Transit Network, other bus and ferry services, and for School Buses. In the table below, these % targets have been applied to a corrected 06/07 baseline as published in ARTA's Annual Report. Thus numerical targets differ from those in the Statement of Intent, which were based on estimated 06/07 patronage figures.

Overall ARTA aims to increase patronage by 3.1% in 2007/08, to 54.04 million PT boardings. There were 13.7 million PT boardings in the first quarter of this year. Based on the number of working days in the quarter, ARTA predicts that the annual PT boardings are likely to be 2.7% higher in 2007/08 than in 2006/07. However ARTA has significant service improvements underway and planned which are expected to increase patronage and meet the annual tar

Table 1 – Patronage targets, September quarter result, and Annual projections

Outcome	Performance Measure	2007/08 Target*	First Quarter result	Projected annual result for 2007/08	Projected increase relative to 06/07 number	Target increase %	Target increase %
Total PT patronage growth (with a base year of 05/06=51.13m)	Total PT patronage increases by 10.5% over 3 years 2006/07 result = 2.4% 2007/08 target = 3.1% 2008/09 target = 4.5%	54,040,000 passenger boardings	13,692,218	53,845,000	1,431,000	2.7%	3.1%

The predicted annual result is not simply a matter of multiplying the quarter by 4 as the numbers of weekdays, weekend days and public holidays in each quarter varies. Past patronage data has been used to calculate annualisation factors for bus and rail services, ferry services and school bus services. Predicted annual results by service category are set out in Table 2, and the sum of these results is used to calculate the projected annual result of 54.12 million in Table 1.

Table 2 – Detail of Patronage targets, September quarter result, and Annual projections

Outcome	Performance Measure	2007/08 Target*	First Quarter result	Projected annual result for 2007/08	Projected increase relative to 06/07 number	Projected increase %	Target increase %
RTN patronage growth	Northern Busway patronage	1,000,000 passenger boardings	484,382	954,000	124,000	14.9%	20.5%
	Western Rail Line patronage	2,556,000 passenger boardings	1,126,847	2,220,000	90,000	4.2%	20.0%
	Southern & Eastern Rail Lines patronage	3,787,000 passenger boardings	2,060,084	4,058,000	451,000	12.5%	5.0%
QTN & LCN patronage growth	Patronage on all other bus services	40,176,000 passenger boardings	19,910,567	39,224,000	-164,000	-0.4%	2.0%
	Patronage on ferry services	3,986,000 passenger boardings	1,901,394	4,069,000	122,000	3.1%	1.0%
Targeted services	Patronage on school bus services	2,537,000 passenger boardings	1,224,467	2,596,000	84,000	3.3%	1.0%

2.3 Rapid Transit Network patronage

2.3.1 Northern Express bus service

The Northern Express bus service carried 247,079 passengers over the quarter. This service began in November 2005 and has performed extremely well, with patronage growing each quarter and a high level of customer satisfaction with the service. The September quarter result represents a forecast annualised growth rate for the Northern Express of 16%, based on average growth to date.

The annual target for the Northern Express is to carry 1 million passengers (a 20% increase), and this quarter's result is a positive one, as further increases in patronage are expected when the Northern Busway, and the three additional stations at Akoranga, Smales and Sunnynook, open in February 2008.

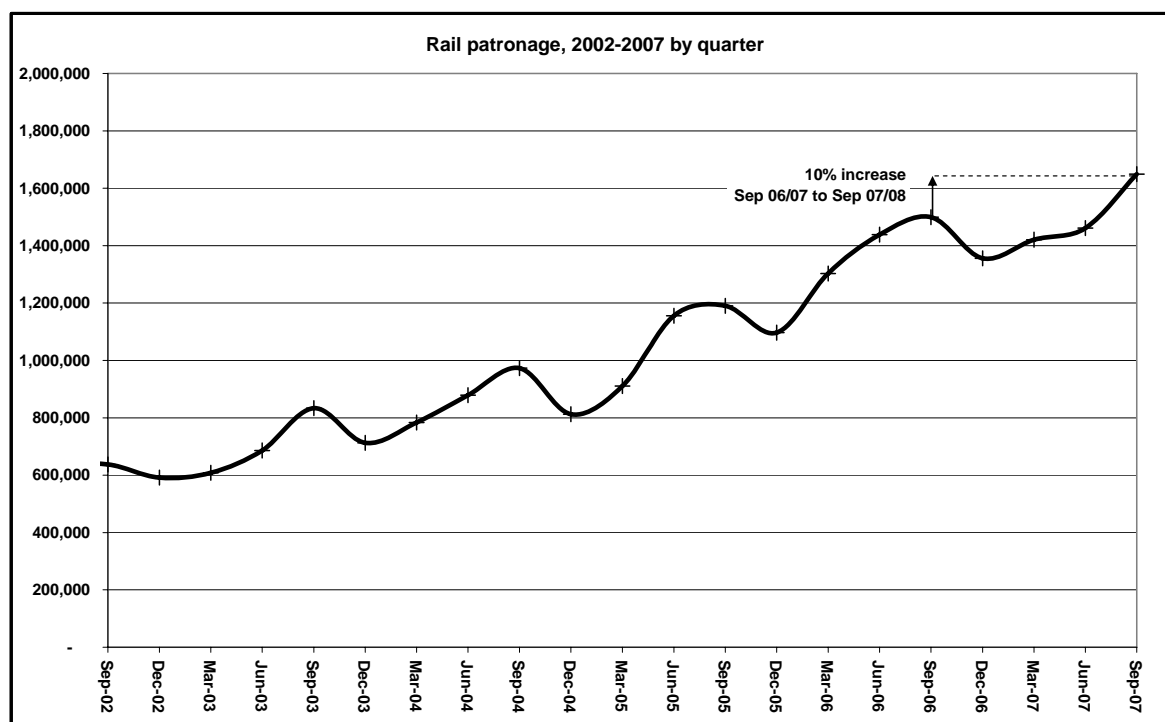
2.3.2 Rail

In the first quarter of 2007/08 there were 1,649,114 trips on the rail network, of which 591,197 were on the Western line and 1,057,917 were on the Southern Line. This rail result is on track to exceed the SOI target. Patronage on the Southern Rail Line is tracking towards 14% growth, with offpeak services becoming more frequent and more popular, and the new Sylvia Park station proving a popular destination. Patronage on the Western line increased by 8%, representing a slower than expected recovery from the disruptions in early 2007 caused by the double tracking between Henderson and New Lynn.

Reliability of Western Line services is now higher than before the double tracking project; 84% of Western Line services ran within 5 minutes of scheduled time during the quarter.

Major works continued on the Western Line to extend the double tracking from Henderson to Swanson, however there were only minor disruptions to services. The "below-track" component of these works, comprising earthworks, track construction, platforms and signaling, are the responsibility of ONTRACK and are funded by Central Government. ARTA, funded by the ARC, is responsible for stations, signage and customer information, and CCTV surveillance. During the quarter, bus replacement services were in operation between Henderson and Waitakere on weekends. Patronage on the Western Line is expected to rise further in the coming quarters.

The long term trend of quarterly results for Rail is shown below; rail patronage for the September quarter was 10% (150,172) higher than in the first quarter of 2006/07. Successive improvements to trains, tracks and service frequencies since 2002 have clearly resulted in patronage growth. ARTA's target of 6.34 million rail boardings in 2007/08 is 2.5 times the patronage carried in 2002/03.

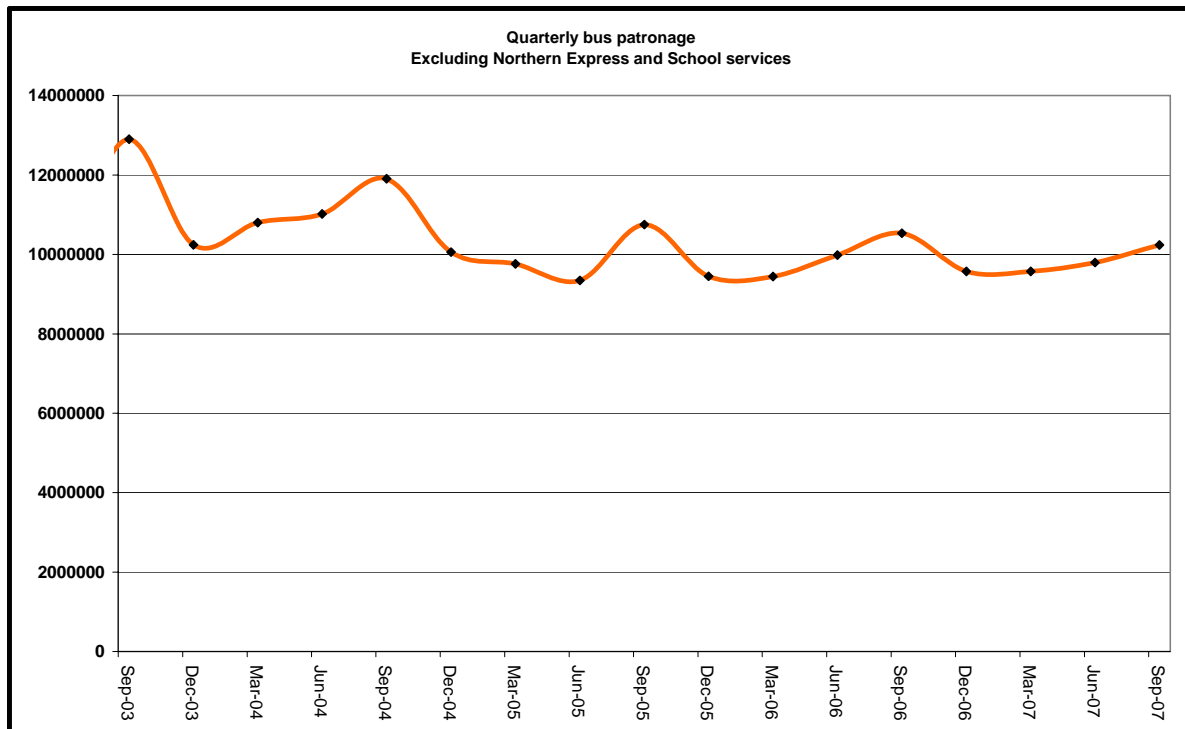


2.4 Other bus and ferry services

2.4.1 Bus services

Bus services, excluding the Northern Express service, carried similar levels of patronage to previous years, and are currently just below the levels required to meet the target of a 2% growth in patronage on these services.

Comparisons with the September quarter of 2006/07 are slightly misleading due to the impact of high petrol prices in the first half of the 2006/07 financial year, followed by low petrol prices in the second. Bus patronage, excluding the Northern Express, is down by 2.8% (-299,000 boardings) relative to the first quarter of 2006/07. Around a quarter of this bus patronage decline is due to delays to bus services from the ongoing Queen Street road works. The City Circuit carried 37,000 fewer passengers at the three month stage. The Western bays services were also 27,000 boardings lower.



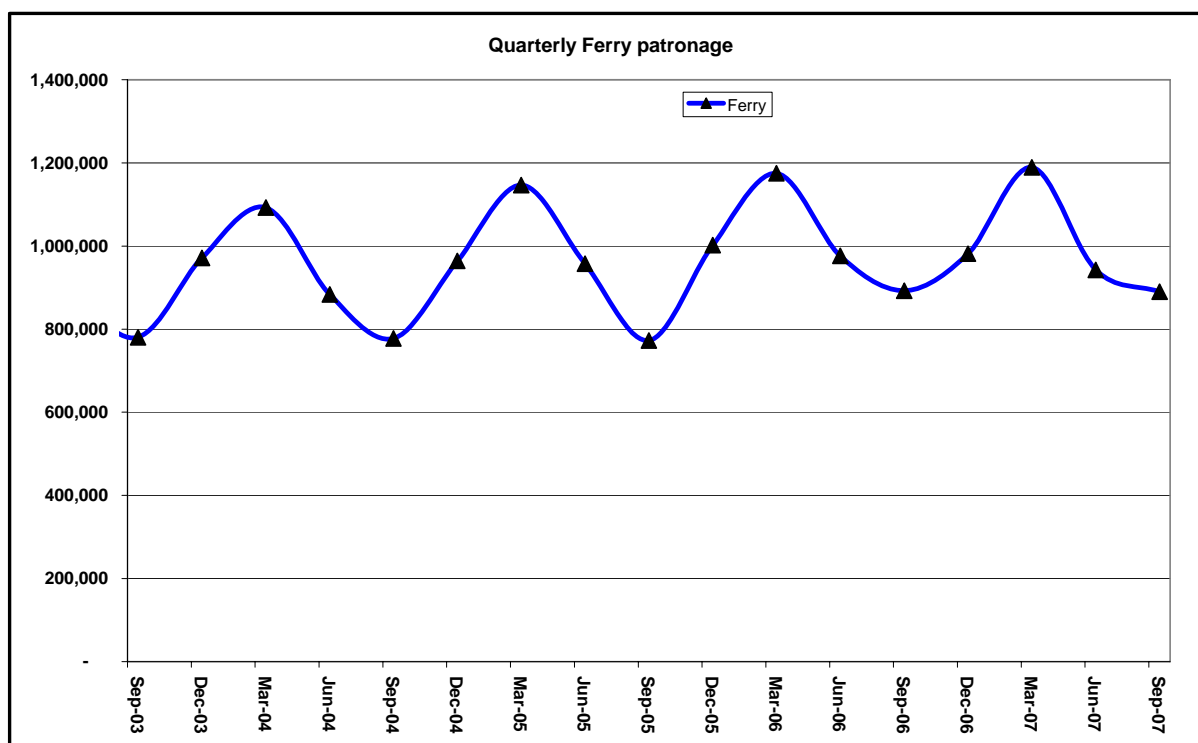
ARTA's plans to increase bus patronage are based on a comprehensive programme addressing procurement, route structure, and fares. While the full plan will take time to put in place, the first steps are already underway, with a 2007/08 Bus Service Patronage Programme of Action being implemented.

2.4.2 Ferry services

The annual target for ferry patronage, set in consideration of a constrained budget with no new ferry services planned, is to grow ferry patronage by 1% this year.

A major storm on 11 July disrupted many sailings and resulted in the popular Waiheke and Devonport services being cancelled for the evening, with a corresponding impact on July patronage, however patronage recovered in August and September.

Ferry patronage for the September quarter was 890,367, an increase of 59,000 above that reported for the September quarter of 2006/07 (831,296). However ARTA estimates that around half of the increase is due to a change in the way ferry patronage data is collected and reported by operators. For the full year 2006/07, ferry patronage was reported as 3,947,000 in ARTA's Annual Report, but the new dataset gives ferry patronage of 4,006,000 for the same period.



2.4.3 School Bus services

ARTA-contracted School Bus services are expected to achieve 0.4% growth, based on this quarter's result of 668,637 boardings. The number of passengers on dedicated school services was slightly lower than in the September quarter of 2006/07, but the number of concessionary fare payments for school children in the September quarter were almost exactly the same. This indicates that there has been a corresponding increase in the number of school children catching scheduled buses.

School bus services are reviewed regularly, and underperforming services (those carrying fewer than 15 passengers) are identified and, if schools are unsuccessful in promoting the service and increasing patronage, these services are cut and new services allocated in areas of higher need. This creates a short term negative impact on patronage as the new service takes time to attract customers, although in the longer term value for money is improved.

3 Bus Service Patronage Programme of Action

ARTA has developed a comprehensive Bus Service Development Plan, based on the PT Network Plan. The programme includes changes to procurement, route structure, and fares. While the full plan will take time to put in place, the first steps are underway, with a 2007/08 Bus Service Patronage Programme of Action being implemented.

The development of this plan has been informed by detailed analysis of the cost and patronage trends for bus, rail and ferry; a summary of these trends is shown below:

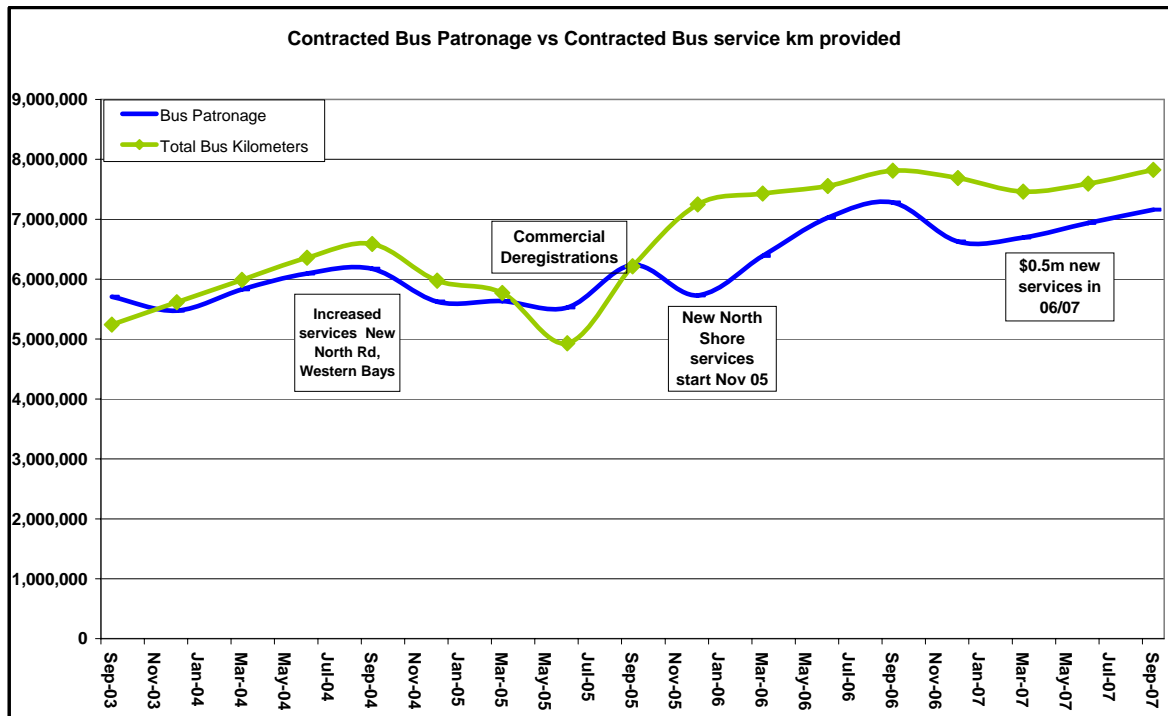
3.1 Service Cost and Patronage Trends

In the case of rail, increases in contract costs have been offset by increased revenue, and overall patronage is growing rapidly. Bus and ferry patronage has grown much more slowly over the past three years, yet there has been a clear trend of increasing service costs for bus, and to a lesser extent ferry. Only part of the cost increase is explained by increases in fuel and wage costs.

The major cost increase in 2005/06 was due to commercial service deregistration. In 2005, ARC and ARTA had to step in to save key services when bus operators threatened to deregister them. This came at a cost of \$5.5 million, and altered the balance between commercial and contracted bus services. There was also a \$2.7 million inflation increase from fuel and wage costs, with the balance primarily due to new North Shore Services.

Cost increases in 2006/07 were primarily due to a \$7.1 million inflation increase and to the ongoing impact of the deregistrations. Less than \$0.5 million of new services were implemented, and overall bus patronage grew by 0.5 million during the year.

The implementation of new services (measured as additional service km) is clearly linked to growth in patronage as shown in the graph below:



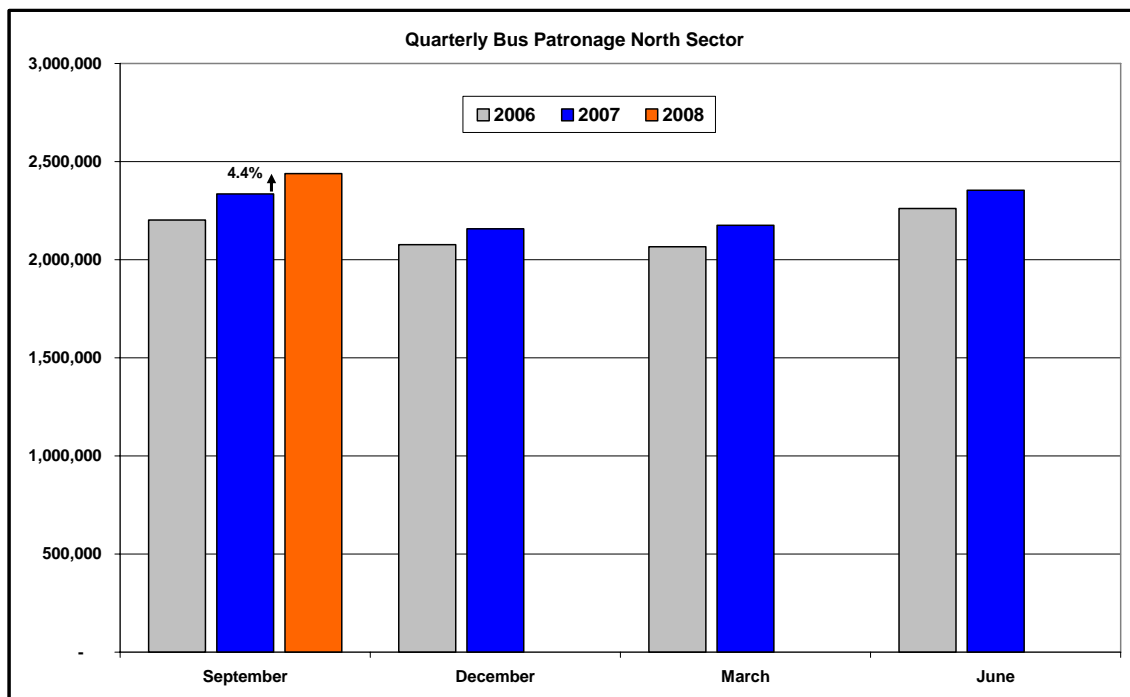
3.2 Service Improvements to date

Significant service improvements over the past three years include:

- 2004/05 Increased bus services on New North Rd
Western Bays services increased
Sandringham Rd service increased
- 2005/06 New North Shore services, including the Northern Express service
6 months of new school bus services
- 2006/07 Additional peak Northern Express services
Additional Route 68 services (Botany-Ak City), and new Sunday services
New services linking to the Manurewa and Panmure interchanges
Trial services to Waiuku
Additional school services, offset by rationalisation of underutilised school routes

The most significant of these service changes were the North Shore service changes introduced in November 2005. These changes are delivering clear increases in patronage, and providing residents of the North Shore with a service that offers a real alternative to car travel for their regular journeys. While bus use across the rest of the network has changed very little, bus boardings in the Northern sector grew by 2.5% excluding the Northern Express, and 4.4% including the Northern Express, relative to the first quarter of 2006/07.

Further changes to bus services in the Northern Sector in February 2008 will enable more services to make use of the Busway infrastructure and local road bus priority measures, further improving overall services.



3.3 Planned improvements

3.3.1 Route structure

Auckland has an extremely complex bus network. Most households are within walking distance of a bus stop, but many services operate at low frequencies on circuitous routes. The creation of a Rapid Transit Network, with simple routes and fast, frequent services, has shown that good network planning can increase patronage and reduce traffic congestion; around 25% of current Rapid Transit Network customers formerly made the same journey by car.

The 2005/06 service improvements on the North Shore represent the first of a staged set of sector reviews which will put in place the simpler, more effective network set out in the PT Network Plan. These service reviews will create a network of frequent and reliable bus services by concentrating resources along key corridors, and by working with TLAs to create effective bus priority on these routes. A simplified local bus service network will complement this.

Over the coming two to three years each of the remaining three sectors of the bus network will be reviewed to put in place the PT Network Plan structure and provide a more attractive service. In order to achieve this in an affordable manner, some existing routes will need to be modified. As was the case in the North Shore, this will generate some initial complaints however there will be long term benefits for patronage and for efficiency. A phased implementation of the three sectors will see sub-areas within each sector implemented in a staged manner to minimise the negative elements of change.

3.3.2 Procurement

Auckland's bus services comprise a mixture of services operated on contract to ARTA, and commercial services which ARTA has very little control over. Changes to the procurement model are needed in order to drive patronage increases and to manage the level of subsidy required for the overall passenger transport system.

The Public Transport Management Bill, which clarifies and extends the functions and powers of regional councils with respect to public transport planning, was introduced to Parliament on 2 October and is currently open for submissions.

ARTA continues to pursue a strategic approach to procurement of bus services through a fully contracted service model, varying contract sizes and contract terms to achieve better value for money and requiring improvements in vehicle quality and service quality to meet contract conditions.

3.3.3 Fares

As well as having complex routes, Auckland has a complex fare structure which also creates a disincentive to use the PT system. A simpler fare structure is essential in order to support a smartcard integrated ticket, which ARTA has committed to having in place in 2010.

As well as providing a simpler system, it is important to improve the value for money that passenger transport offers relative to the car. In a May 2007 survey, only 61% of Auckland PT customers rated the value for money of the PT service as “good” or “very good”.

TravelWise surveys indicate a clear link between fare levels and the attractiveness of PT services to tertiary students. A survey of over 5,000 students at the CBD universities found that 71% of students who currently travel by car indicated that the issue most likely to influence a change in their behaviour was an increase in value for money of PT.

However, value for money means different things to different customers, and fares are less important to employees than to students. Surveys of TravelWise workplaces show that more frequent PT services are the most requested initiative, with greater PT reliability ranked third. A lower fare cost is the second most requested initiative.

ARTA has reviewed Auckland's fare structure and is recommending that the move to a simpler fare structure begins shortly, with changes phased in over time prior to the introduction of a smartcard ticket.

One initiative that can be introduced immediately, subject to negotiation with operators, is increasing the concessionary fare discounts for tertiary students, who currently receive a 20% discount, to align with school students and senior citizens at 40%. The higher concession rates will apply to 10-trip tickets for full-time tertiary students.

This change will serve two purposes:

- To simplify the fare structure, which in turn simplifies the process of introducing an integrated ticket
- As part of the implementation of the Universities' Travel Plan with an immediate positive impact on patronage

To maximise the patronage impact, ARTA plans to implement the additional concessionary fare discount in February 2008, along with a comprehensive marketing plan for tertiary students. This can be accommodated within the currently approved 2007/08 budget, and will make a significant contribution to achieving the goals of the Universities' Travel Plan in its first year of implementation .

The new 40% concession rate is estimated to result in an additional 250,000 PT trips by tertiary students in the first full year of operation (2008/09), at an additional cost of \$1.1 million. This has been incorporated in ARTA's proposed 2008/09 budget and is within the ARC's funding envelope.

4 Summary of Activities - Strategy & Planning

Lead implementation of the Auckland Regional Land Transport Strategy by developing the Auckland Transport Plan, which brings all of the region's transport programmes together in one place, and using planning and funding tools to ensure the plan is delivered.

The Local Government (Auckland) Amendment Act 2003 initiated a review of the Auckland Regional Plan and District Plans in order to improve integration between land use and transport planning. This process reached an important milestone in July 07 when the Planning Council released their decisions on the LGAAA plan changes. ARTA was actively involved throughout this process, and has secured some important decisions, including the acceptance and inclusion of Integrated Transport Assessments which will support major trip generating activities to plan for all modes of travel and will encourage transit-oriented developments and improved provision for walking and cycling. ARTA will continue to be involved to ensure this and other positive decisions are not reversed through the appeal process.

ARTA is involved in a number of studies which will shape the future of transport in the Region:

- The Planning for Rapid Transit Corridors in the Southwest Auckland Metropolitan Region project has confirmed that the Manukau Harbour Crossing should be future proofed for rail rapid transit to the airport in the long term. In the medium term, the new bridge should provide bus lanes, and in the short term buses will run on the shoulder lanes of the existing bridge. This study is now focusing on the connections between the Rapid Transit Network in the Southwest area and the wider Auckland rapid transit network.
- The investigation phase of the Additional Waitemata Harbour Crossing Study is underway. A long list of 156 options has been evaluated and a short list is being drawn up for further consideration.
- The Auckland City Council plan change for the development of the Wynyard Quarter specifies that 70% of all peak period trips to and from the Wynyard Quarter will use a mode other than the private vehicle. ARTA is working on a business case for the passenger transport needs of this development, which aims to set a new benchmark for multimodal developments.

ARTA supported local councils in their preparation of project proposals to the draft Land Transport Programme, which was submitted to ARTA on 1 October 2007. The final Land Transport Programme will be prepared by ARTA, and will influence the 2008/09 Long Term Council Community Plans of the ARC and of local Councils.

ARTA continued in its Road Safety Co-ordination role, and has assisted in the funding process which has enabled all local council Road Safety and Travel Planning operational funding to be approved for the year. The road toll for the Auckland Region for the period 1 January-30 September stands at 38, which is 24 fewer deaths than in the same period last year. All TLAs in the Region had a decline in the road toll, with the greatest decline being in Auckland City.

Auckland Region road deaths 1 January to 30 September 2007, and the same period in 2006.

Road deaths to September	Rodney	North Shore	Waitakere	Auckland City	Manukau City	Papakura	Franklin	Auckland Region
2007	10	3	4	3	10	1	7	38
2006	16	5	5	12	12	3	9	62

5 Summary of Activities - Project Delivery

Deliver the step-change in Passenger Transport infrastructure that will enable a world class service offering by building critical infrastructure and enhancing ARTA's capability to manage assets long term.

ARTA and ONTRACK are jointly developing a Project Management Plan and Programme for the electrification of the Auckland Rail Network. The proposal is for electric services operating for the Rugby World Cup 2011, with full electrification of the core network by 2013.

Preliminary design for the Newmarket Station remodelling is complete and detailed design is underway. The Auckland City Urban Design Panel reviewed the proposed Newmarket Station design in October 2007.

A concept design for the new Parnell rail station is underway, and consultation with stakeholders on the proposal will commence shortly. With good pedestrian links in place to the Parnell shops, the Domain, Auckland University and the Central Connector route this station has the potential to be the fourth most used station on the rail network. Options for relocating the Newmarket Station heritage building adjacent to the planned Parnell Station are being investigated.

The Papakura and Mt Eden rail station upgrades were completed in August 2007. Work is now underway on Sturges Rd, Ranui and Swanson stations, aligned with the ONTRACK double-tracking project. An implementation plan for the remaining station upgrades is being prepared.

A multi-agency programme has been developed for the Helensville trial service, and ARTA and ONTRACK are working to secure access agreements for the proposed temporary stations. ONTRACK are currently costing the remedial track work needed to raise the line speed to a consistent 70 km/h – currently over 14km of this line has a 25km/h speed restriction.

The fabrication and fitout of Trainset 15 is progressing on schedule at the Hillside workshops.

A construction contract has been awarded for the Pukekohe and Papakura distributed stabling facilities, and ARTA is working with ONTRACK to progress the planning and consenting process for distributed stabling facilities at Tamaki Drive, Ranui and Westfield.

Veolia and ARTNL are now using the new Britomart Control Centre, the development of which was funded by ONTRACK and the ARC and project managed by ARTA. Installation of signalling equipment in the Control Centre for use by ONTRACK commenced in August 2007, and will enable integrated control of signalling systems which are currently operated by distributed control centres.

Ferry infrastructure

ARTA's funding application to Land Transport NZ for the remedial works to the Downtown ferry terminal has been approved and these works will be tendered in 2007. A building consent application has been granted for the construction of a pedestrian bridge linking Piers 1 and 2, and construction will commence after Easter 2008 to avoid disruption to summer peak ferry services.

The new Bayswater ferry terminal is at the resource consent stage and a hearing was held in November 2007. ARTA has commenced the detailed design for Beach Haven.

Improvements to the Half Moon Bay ferry infrastructure are being negotiated with the Bucklands Beach Yacht Club, and improvements to Gulf Harbour ferry infrastructure are being negotiated with the marina company.

6 Summary of Activities - Customer Services

Deliver quality transport services that meet Aucklanders' expectations, within available funding by researching customer requirements, designing and developing an integrated transport network that meets customer expectations, and implementing the network progressively within funding limits.

Service planning and marketing

New service plans for the Northern Sector, to take effect when the Northern Busway opens in February 2008, have been agreed with operators. A major marketing programme has been developed by ARTA and agreed with all project partners, including bus operators, and will commence in November 2007.

The new Link bus service was launched by Prime Minister Helen Clark on 14 September, with new branding and bus stop information and new Euro 5 vehicles. ARTA is assisting NZ Bus to improve the service by providing technology, based on the real-time information system, to assist in maintaining a regular 10-minute service on this congested route.

Ongoing reviews of bus services have resulted in changes to the 008/009 Crosstown route, to be implemented from November 2007. The new Crosstown services will have a single operator and a more direct route which takes in the new Sylvia Park shopping centre. This will be accompanied by Route 717 improvements serving Sylvia Park and a shopper service marketing campaign before December. Changes to the Papakura Express, the Beachlands/Maraetai service, and Botany to CBD services are also being worked through with operators.

A major promotion of the 488 and 489 services to Waiuku and Pukekohe, offering local residents free travel on Fridays and Saturdays, was in place for September and October.

ARTA has developed strong partnerships with event promoters and is taking an increasing role in transport to sporting and other events, in preparation for the Rugby World Cup 2011. Additional bus and train services have been provided to the major games at Eden Park and Mt Smart Stadium. A record 15% of attendees at the Bledisloe Cup match arrived at Eden Park by public transport. ARTA also works with event promoters to market scheduled bus and rail services as the best way to get to events at the Vector Arena.

New regional public transport guides were published in July 2007.

Travel Planning

Auckland now has 227 Walking School Buses, with over 4,000 children registered to walk on a Walking Bus, and over 1,700 parent volunteers.

A provisional list of 53 new schools to enter the TravelWise programme has been agreed with local councils; this sets a record for the highest number of schools entering the programme in a single year, and will bring the total number of schools on the programme to 191, or 35% of the Region's schools.

There are now 30 workplaces developing their own Travel Plans with the assistance of the ARTA TravelWise Workplaces team. The launch of the Universities' Travel Plan was a major milestone for the programme. Several large institutions including the Bank of NZ, AUT Akoranga and the Waitemata and Auckland District Health Boards are in the final stages of committing to a Travel Plan. Once these organisations formally sign up to the programme, the 2016 target set in the Regional Land Transport Strategy to work with 90,000 employees and students will have been achieved in two years instead of the expected 10.

7 Summary of Activities – Corporate and CEO Units

Lead ARTA and develop the organisation to meet current and future challenges by continuously improving leadership practices, clarity and teamwork

ARTNL Transition

The transition of the core ARTNL functions to ARTA took place on 1 October 2007. A smooth transition was achieved and the operational functions of ARTNL are now being delivered within the ARTA group. ARTNL continues to exist as a separate company and to hold the lease of the Britomart Transport Centre.

Human Resources

Recruiting and retaining the skill sets required to deliver ARTA's work programme is a key challenge for the organisation. This is especially true in the area of major projects, where experienced project managers and people with expertise in integrated ticketing, electrification and rail development operate in an internationally competitive market. Resources are being added to the integrated ticketing and electrification project teams as required as these projects progress.

ARTA is resourced to 74% overall.

Department	Current Employees	Contractors*	Headcount Plan	Resourced to**
CE Unit	9	0	9	100%
Corporate Services	9	0	12	75%
Strategy & Planning	12	0	14	86%
Project Delivery	11	4	21	71%
Customer Services	45.2	1	57	81%
Total	86.2	5	113	76.3%
Project Teams***	1	3	8	50%
ARTNL	10	0	10	100%
Total	97.2	8	131	74.2%

* Contractors only included where they are filling a permanent or long term role

** Resource % figure includes contractors

*** Project Teams include headcount for Electrification and Integrated Ticketing projects

There has been significant progress in filling ARTA vacancies, which stood at 46 as of 19 March 2007 and had been reduced to 15.8 by 10 October 2007. 10 new staff began work at ARTA during the September quarter. A comprehensive induction programme has been developed and is in place for all new employees.

8 FINANCIAL REPORTS

8.1 Income Statement

Auckland Regional Transport Authority			
INCOME STATEMENT			
NZD '000 September-07	YEAR TO DATE		
	Budget	Actual	Variance Fav/(Unfav)
OPERATING REVENUE			
ARC Opex Grants	21,310	19,330	(1,980)
LTNZ Opex Grants	22,450	21,215	(1,235)
Other Grants and Subsidies	272	274	2
Rail Fare Revenue	3,942	4,132	190
Bus Fare Revenue	568	666	98
Other Sundry Operating Income	60	25	(34)
Total Operating Revenue	48,602	45,642	(2,959)
OPERATING EXPENDITURE			
Human Resource	2,910	2,241	669
Prof Services - Project Delivery	1,754	1,151	603
Prof Services - Customer Services	1,788	1,757	31
Prof Services - Others	825	806	19
Support Services	600	555	45
Materials	91	39	52
Printing and Office	270	187	83
Communications	68	27	41
Information Systems	266	152	114
Bus Contract	25,575	24,610	965
Rail Contract	13,344	12,583	761
Ferry Contract	44	22	22
Other Expenditure	(247)	495	(742)
Depreciation	2,537	2,519	18
Investigations Expenditure	867	560	307
Total Operating Expenditure	50,692	47,704	2,988
Net Operating Surplus/(Deficit)	(2,090)	(2,062)	29

8.2 Statement of Financial Position

Summary Statement of Financial Position									
As at 30 September 2007									
(\$000)									
	June 07	Current Year				June 07	Current Year		
		Sep-07	June 07	Movement			Sep-07	June 07	Movement
Current Liabilities					Current Assets				
Accounts Payable	24,908	28,342	24,908	(3,434)	Cash and Bank	323	123	323	(200)
GST Payable				0	Accounts Receivable	875	397	875	(478)
Grants Payable	47,527	32,858	47,527	14,669	Accrued Income & Prepayments	5,321	7,946	5,321	2,625
Short Term Debt				0	Inter company operating account	21,504	22,315	21,504	811
					General Investments	0	0	0	0
					Grants Receivable from ARC	47,527	34,470	47,527	(13,057)
Total Current Liabilities	72,435	61,200	72,435	11,235	Total Current Assets	75,550	65,251	75,550	(10,299)
Term Liabilities					Long Term Assets				
Grants Payable	7,700	16,923	7,700	(9,223)	Fixed Assets	85,340	87,208	85,340	1,868
Total Term Liabilities	7,700	16,923	7,700	(9,223)	Grants Receivable from ARC	7,700	16,923	7,700	9,223
Total Liabilities	80,135	78,123	80,135	2,012	Total Long Term Assets	93,040	104,131	93,040	11,091
Public Equity					Total Assets	168,590	169,382	168,590	792
Accumulated Funds	5,318	5,832	5,318	(514)					
Transport Ring Fence	83,137	85,427	83,137	(2,290)					
Total Equity	88,455	91,259	88,455	(2,804)					
Total Equity and Liabilities	168,590	169,382	168,590	(792)					

8.3 Statement of Cashflows

Statement of Cash Flows		
For the Period Ended 30 September 2007		
Full Year Ended 30 June 2007		Year to Date
\$000		\$000
	Cash Flows from Operating Activities	
	Cash was provided from:	
60,699	ARC Opex Distributions	18,519
21,014	ARC Capex Distributions	4,718
21,523	ARC funding for IA grants vested in ARTA	3,834
8,293	LTNZ Capex Grants	147
79,307	LTNZ Opex Grants	19,860
1,339	Other Grants and Subsidies	5,688
13,681	Rail Fare Revenue	4,003
2,229	Bus Fare Revenue	666
162	Other Sundry Operating Income	25
208,248		57,460
	Cash was applied to:	
156,376	Payments to Suppliers	45,540
8,324	Payments to Employees	2,287
19,878	Payments to Grant recipients	5,446
184,578		53,273
23,670	Net Cash from Operating Activities	4,187
	Cash Flows from Investing Activities	
	Cash was provided from:	
0	Realisation of Other Investments	0
0	Proceeds from Sale of Fixed Assets	0
0		0
	Cash was applied to:	
0	Purchase and Development of Fixed Assets	0
23,493	Investments in Rolling Stock	4,387
0	Other Investments	0
23,493		4,387
(23,493)	Net Cash applied to Investing Activities	(4,387)
	Cash Flows from Financing Activities	
	Cash was provided from:	
0	Increase in loans	0
	Cash was applied to:	
0	Repayment of Loans	0
0	Net Cash from Financing Activities	0
177	Net (Decrease)/Increase in Cash & Investments Held	(200)
146	Cash & Investments Balances at Beginning of the Period	323
323	Cash & Investments Balances at the End of the Period	123
	Cash & Investments Balances Consist of:	
0	Bank Overdraft	0
323	Cash	123
0	Short Term Investments	0
323		123

8.4 CAPITAL STATEMENT

Auckland Regional Transport Authority				
2007/2008 CAPITAL STATEMENT				
NZD '000 September-07	YEAR TO DATE			FULL YEAR
	Budget	Actual	Variance Fav/(Unfav)	Budget
CAPITAL REVENUE				
ARC Capex Grants	5,992	4,379	(1,613)	61,197
LTNZ Capex Grants	538	339	(199)	6,562
Total Capex Revenue	6,530	4,718	(1,812)	67,759
CAPITAL EXPENDITURE				
Interim Rolling Stock - ADK Refurb	200	104	96	2,130
Western Line Duplication - Stage 2	878	690	188	705
Northshore Busway	0	0	0	5,000
Interim Rolling Stock - (SA Trainsets 15-17)	2,729	2,221	508	19,803
Interim Rolling Stock - (SA Trainsets 18-23)	0	0	0	3,000
Western Line Duplication - Stage 3	62	13	49	1,400
Western Line Duplication - Stage 4	295	330	(35)	3,816
Newmarket Remodelling	781	490	291	7,400
Rail Infrastructure Safety Works	100	0	100	1,000
Interim Maintenance Depot & Storage	850	37	813	7,500
Station Renewals & Minor Station Improv	0	0	0	100
Capex Renewals (Rolling Stock)	0	0	0	5,000
Real Time Rail Stations	0	0	0	500
Real Time Buses (P0)	0	12	(12)	0
Real Time Buses (P1 & 2)	467	498	(31)	2,521
Real Time Buses (P3 & 4)	0	24	(24)	898
Integrated Ticketing	0	24	(24)	1,926
PT Feedback	0	46	(46)	0
Rideshare Software	102	33	69	102
Ferry Terminal Upgrades	170	191	(21)	2,500
ARTNL Fitout Costs	0	0	0	300
Red Light Cameras	0	0	0	407
MAXX Website Upgrade	0	0	0	245
Marketing Information Infrastructure	0	0	0	756
Helensville/Huapai	0	3	(3)	450
Cycle Monitoring	50	0	50	200
Business Support	20	0	20	100
Total Capital Expenditure	6,704	4,716	1,988	67,759

8.5 Summary of Financial Performance for 3 months to September 2007

8.5.1 Operating Results:

The budget for the quarter ended 30 September 2007 is based on the original 2007/08 Budget.

Revenue

Operating Revenue on the lines **ARC Opex Grants** and **Land Transport Opex Grants** is claimed from funders in proportion to expenditure.

ARC Opex Grants \$2.0m and **Land Transport Opex Grants** \$1.2m are less than budget due to less expenditure than planned.

Rail Fare Revenue is higher than budget by \$0.2m as a result of better than expected growth of passengers and a higher average fare per passenger than budgeted.

Bus Fare Revenue is higher than budget by \$0.1m due to higher than planned bus patronage on routes where ARTA receives the fare revenue.

Expenditure

Human Resources is \$0.7m less than budget. Salaries have been under spent mainly due to a number of vacancies across the organisation.

Professional Services – Project Delivery is \$0.6m less than budget mainly due to outstanding vacancies resulting in a delay in starting some projects, budget phasing and a delay caused by LTNZ regarding confirmation of funding for the Rolling Stock Strategy Project – phased to begin in July 07. Confirmation has since been received from LTNZ (October 2007) and spending on the Rolling Stock Strategy Project is expected to be in line with the project budget (\$650k) for the year.

Printing and Office Supplies is \$0.1m less than budget due to delays in public consultation associated with service plans and delays in marketing campaigns due to lack of internal resource. This favourable variance is slightly offset by more printing costs than budgeted associated with school travel surveys being printed earlier than planned.

Bus Contract is \$1.0m less than budget due to North Shore service changes being finalised later than expected, creating the need for a service contingency to be held during the quarter. There was also a delay in the award of inflation for the North, Albany/Spine and West contracts. These issues have been resolved during October.

Rail Contract is \$0.8m less than budget due to lower cost for fuel than originally budgeted, it is expected this saving will be cover increased maintenance fees for Westfield.

Other Expenditure is \$0.7m more than budget mainly due to actual staff hours allocated to projects being more than planned.

Investigations Expenditure is \$0.3m less than budget due to a projected under spend in the electrification project. This favourable variance is expected to amount to \$1m by year end and will be the subject of a request to carry forward to the 08/09 financial year.

Net Operating Surplus/(Deficit)

Net Operating Deficit is \$2.1m for the quarter, this is tracking in line with budget.

8.5.2 Capital Results:

Revenue

Capex Revenue is \$1.8m unfavourable. This represents grants received for capital expenditure that are recorded as assets on the balance sheet.

Expenditure

Capital Expenditure for the quarter is \$1.9m less than budget. This variance is due to the delay in starting a number of projects, budget phasing and some uncertainty over funding resulting in a cautious start to the year in the following areas:

- Rolling Stock Projects are \$0.6m less than budget for the quarter due to an inaccurate indication from Toll NZ of cash flow/workload requirements for train sets 15-17.
- Other Project Delivery Projects are \$1.3m less than budget due to delays in:
 - awarding the tender for the detailed design of the Newmarket remodelling project; and
 - getting building consent for the interim maintenance depot and storage facilityNo expenditure has yet occurred on the rail infrastructure safety project while talks continue with ONTRACK about who should undertake this work.
- Other non-rail capital projects are tracking to budget with slight over spend across the real time projects being offset by lower than planned expenditure for rideshare (running behind schedule) and no LTNZ funding for the cycle monitoring project resulting in this project now not going ahead this financial year.

8.5.3 Statement of Financial Position

The key features of the movement in the Statement of Financial Position for the Quarter ended 30 September 2007 are:

Current Liabilities

Accounts Payable

Total Accounts Payable consists of trade payables, inter-company payables, accrued expenses and provisions. The total Accounts Payable has increased by \$3.4m for the quarter mainly due to the Veolia quarterly contract and management fees, which were goods received in September (therefore increasing GR/IR Clearing) but not paid until October.

Equal and opposite current and long term **Grants Payable** and **Grants Receivable from ARC** recognising the ex Infrastructure Auckland grants that were taken over by ARTA. This recognises that we have a payable to an external party and a matching receivable from the ARC.

Current Assets

Accrued income and prepayments balance for the current quarter is \$2.6m more than the quarter ending 30 June 2007 due to the second quarter Veolia contract prepayment.

The **Inter-company** account represents monies owed from ARTA to ARC or from ARC to ARTA.

Long Term Assets

Fixed Assets represents the amounts spent on capital expenditure. The net additions for the quarter were \$1.8m.

Equity

Transport Ring Fence represents the appropriation of grants for rolling stock refurbishment. These grants will be appropriated back to the profit and loss account to offset depreciation.

Statement of Cash Flows

The Statement of Cash flows reflects the cash transaction for the **Income Statement** and the closing position of **Cash and Bank** in the **Statement of Financial Position**.

8.5.4 ARTA Administration Costs

Expenditure Category	ARTA Budget Agreed by ARC June 2007 \$	Budget to 30 September 07 \$	Actual Spend to 30 September 07 \$	Variance Against Original Budget \$	Remainder \$
Board	495,750	123,938	81,283	42,655	414,467
Human Resources	10,660,496	2,720,124	2,054,116	666,008	8,606,380
Shared Services	3,160,000	615,000	508,624	106,376	2,651,376
Finance & IT Projects	460,000	122,731	128,087	(5,356)	331,912
Sundry Expenditure	371,000	87,750	18,711	69,039	352,289
Total	15,147,245	3,669,542	2,790,820	878,722	12,356,425

The above table shows ARTA Administration costs are \$2.8m for the quarter ending September; \$0.9m favourable to budget. The Human Resources line is \$0.7m favourable as salaries have been under spent due to the high number of vacancies across the organisation for the first quarter.

Sundry Expenditure is \$0.1m favourable due to small under spends on printing and stationery, vehicle/car parking and general expenses across the organisation.

8.5.5 ARC Funding Categories

ARC Funding CAP - OPEX

Activity Class	Budget 07/08 \$000	ARC Operating Funding 2007/08 (Original) \$000	ARC Funding Drawdown to 30 Sep 2007 \$000	ARC Funding Remaining \$000	% Remaining for the rem 9 months
1 – Corporate Support	3,417	2,563	702	1,861	73%
2 – Board	496	372	61	311	84%
3 – Professional Services	15,507	7,753	1,362	6,391	82%
4 – Rolling Stock Investigation	630	158	0	158	100%
5 – Paratransit	3,707	1,844	442	1,402	76%
6 – Sustainable Transport	4,585	1,278	219	1,059	83%
7 – Marketing Information & Real Time	4,977	2,489	591	1,897	76%
9 – Integrated Ticketing	196	98	360	(262)	-267%
10 – Investigations	5,329	5,129	569	4,560	89%
11 – Rail Contract	44,810	17,924	5,766	12,158	68%
12 – School Buses	9,237	4,618	1,074	3,544	77%
13 – Concessionary Fares	8,158	4,079	1,024	3,055	75%
14 – North Contracts	23,745	11,873	2,707	9,165	77%
15 – West Contracts	11,401	5,701	1,369	4,331	76%
16 – West/Isthmus Contracts	12,983	6,492	1,565	4,926	76%
18 – Isthmus Contracts	6,910	3,455	853	2,602	75%
19 – South Contracts	19,895	9,948	2,390	7,557	76%
20 – Other Contracts	942	867	181	686	79%
21 – Ferry Contracts	4,439	2,219	478	1,741	78%
22 - Ferry Maintenance	200	0	3	(3)	0%
Refund of Cost Centre Surplus					
TOTAL ARC OPEX FUNDING	181,564	88,858	21,717	67,141	76%

ARTA claimed 24% of its original annual allocation for the September quarter.

Board costs are under spent due to costs tracking below budget and timing differences relating to payments to new Board members meeting fees paid in October 07.

Professional Services is less than budget due to higher than budgeted staff vacancies in customer services and project delivery. If approved it is anticipated that this variance will be used for procurement and to fund professional fees on selected IT projects.

Rolling Stock Investigation funding has not yet been spent as this project is the subject of a carry forward from last financial year and there has been a delay in achieving Land Transport NZ (LTNZ) funding approval – this has since been granted and funds will be spent beginning October 2007 and are forecast to reach the target budget by year end.

Sustainable transport is favourable due to a slow start to the year as a result of delays in gaining approval from LTNZ for carry forwards from the 06/07 financial year and for the

TDM policy and planning project. Approval for these projects has been received in October 2007.

Integrated Ticketing is over spent against the budget due to a better idea of costing of the project now that there is a project team in place. LTNZ funding for this project is now capped at 53% of \$344,000, therefore there will be a request to the ARC to fund the balance of Operating expenditure of \$130,000 at 100%. However, Land Transport NZ have agreed to pay 100% of the design phase of the integrated ticketing capex project of \$2.8m of which the ARC was budgeted to fund \$905,000.

Rail Contract is unfavourable due to the uneven phasing of the budget; this is partially offset by the better than expected Rail fare revenue for the quarter.

Expenditure on Investigations is lower than forecast, and a new expenditure phasing has been prepared for the electrification investigation. ARTA will apply to carry forward \$1m of Investigations budget, relating to the electrification project, to the 2008/09 financial year.

ARC Funding CAP - CAPEX

Activity Class	Budget 07/08 \$000	ARC Capex Funding 2007/08 \$000	ARC Funding Drawdown to 30 Sep 2007 \$000	ARC Funding Remaining \$000	% Remaining for the rem 19months
1 - Western Line Duplication Stg 2	705	705	690	15	2%
2 - Interim Rolling Stock	24,933	23,655	2,263	21,392	90%
3 - ARTNL- Fitout Costs	300	300	0	300	100%
4 - Western Line Duplication Stg 4	3,816	3,816	330	3,486	91%
5 - Newmarket	7,400	7,400	490	6,910	93%
6 - Rail Rolling Stock Refurbishment	5,000	5,000	0	5,000	100%
7 - Western Line Duplication Stg 3	1,400	1,400	13	1,387	99%
8 - Minor Safety Improvements	100	100	0	100	100%
9 - Real Time Passenger Information System	3,919	1,857	246	1,611	87%
10 - Integrated Ticketing	1,926	905	24	881	97%
11 - Interim Rolling Stock - Depot and Storage	7,500	7,500	37	7,463	100%
12 - Passenger Transport Capital Infrastructure	1,608	786	47	739	94%
13 - Rideshare Software	102	48	33	15	31%
14 - Ferry Terminal Upgrades	2,500	1,175	191	984	84%
15 - Capex North Shore Busway	5,000	5,000	0	5,000	100%
16 - Helensville/Huapai	450	450	3	447	99%
17 - Business Support	100	100	0	100	100%
18 - Rail Infrastructure Safety Works	1,000	1,000	0	1,000	100%
TOTAL ARC CAPEX FUNDING	67,759	61,197	4,366	55,831	93%

ARTA's capex programme for the September quarter is significantly behind its original plan with 7% of the annual budget spent in the first quarter. This is due to phasing of several of the large projects to the latter part of the financial year e.g. North Shore busway, rolling stock refurbishment, integrated ticketing, ARTNL fit out costs, minor safety improvements, business support, Helensville/Huapai and real time phases 0 (North Shore) 3 and 4.

Construction has been delayed on the interim rolling stock depot and storage and ferry terminal upgrades due to a longer than expected building consent process; Newmarket remodelling due to a longer than planned tender process; Western line duplication stage 4 delayed because alignment with the ONTRACK schedule means there is no access to the site; rail infrastructure safety works due to an ongoing discussion with ONTRACK as to who is actually responsible for this expenditure; and interim rolling stock train sets 15-17 due to the budget being based on an inaccurate programme of work.

It is, however, anticipated that these projects (with the exception of western line duplication stages 3 and 4 which will be delayed past the end of the financial year) will be tracking to budget by the end of the financial year. Any under spend estimated for western line duplication projects is to be used to upgrade Ellerslie, Middlemore and Papakura stations.

The design phase of the integrated ticketing capex is now being funded 100% by Land Transport NZ.

