

AUCKLAND TRANSPORT

**STATEMENT OF INTENT
1 July 2011 – 30 June 2014**

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1. FOREWORD

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

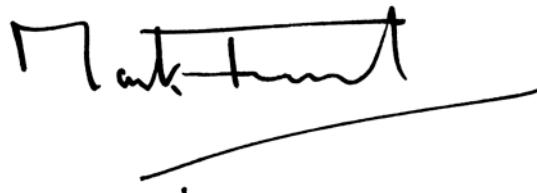
The outcomes framework which forms the foundation of this SOI is based on four primary sources:

1. Auckland Transport's legislative purpose¹
2. The Mayor's vision – for Auckland to be the world's most liveable city, characterised by its:
 - cohesive, resilient communities;
 - excellent transport system;
 - productive high-value economy; and
 - quality urban-rural environments.
3. Auckland Council's draft Accountability Policy which sets out objectives the Council expects Auckland Transport to contribute to, and align its activities with.
4. Regional Land Transport Strategy which sets out a 30 year vision and plan for the Auckland land transport system.

Auckland Transport recognises the Mayor's aspirational goal of doubling public transport use. Auckland Transport will continue to improve public transport frequency and reliability, in line with available resourcing and in parallel with the development of the overall transport infrastructure.

The Board of Auckland Transport is committed to delivering effective and economic transport solutions and demonstrating value for money.

In addition, responsive and seamless *customer service* will be a priority for Auckland Transport. Auckland Transport acknowledges that the experience for its customers should be integrated between it and Auckland Council, ensuring a consistent approach to service delivery.



K M Ford
CHAIR

¹ Provided in section 39 Local Government (Auckland Council) Act 2009

2. INTRODUCTION

Auckland Transport's Strategic Environment

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

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

Auckland's population is projected to increase to around 2.2 million people by 2051. Auckland Transport must ensure that the transport system accommodates that growth in an affordable way.

Auckland Transport's Functions and Obligations

Auckland Transport is a council-controlled organisation (CCO) of Auckland Council. It was established on 1 November 2010 under section 38 of the Local Government (Auckland Council) Act 2009.

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

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

Auckland Transport's Partnership with Auckland Council

This SOI recognises the important partnership between Auckland Transport and Auckland Council in the delivery of shared outcomes, and that the success of each organisation is dependent on the actions of the other partner. This includes:

- A commitment to collaboration;
- A commitment to openness and transparency;
- Adhering to a "no surprises" policy; and
- Engaging with other CCOs to ensure a coordinated approach.

In particular, Auckland Transport's ability to successfully deliver on the Programme of Action (as outlined in section 4) and performance targets set out in this SOI relies on the Council providing a supportive policy and regulatory environment, and making sufficient funds available to enable the necessary transport investments and services to be implemented in a timely manner.

3. STRATEGIC DIRECTION

Auckland Transport's overarching outcome

Auckland Transport's legislative purpose is: *to contribute to an effective and efficient land transport system to support Auckland's social, economic, environmental, and cultural well-being.*

In addition, Auckland Council's draft Accountability Policy sets out the objectives the Council expects Auckland Transport to contribute to, and align its activities with:

- *Transport choices* – Auckland Transport is to connect the region's people and places by helping provide easy and affordable access to a range of safe and sustainable transport options.
- *Effective and efficient transport system* – Auckland Transport is to contribute to an efficient, sustainable, energy saving and cost effective land transport system to support Auckland's social, economic, environmental and cultural well-being.

To align with the objectives outlined in Auckland Council's draft Accountability Policy and Auckland Transport's legislative purpose, this SOI presents "**an effective and efficient transport system that enables Aucklanders to make smarter transport choices**" as Auckland Transport's overarching outcome.

Impacts Auckland Transport seeks to achieve

To achieve the overarching outcome, Auckland Transport has identified the following impacts:

1. A properly connected and maintained arterial road network that is integrated with the State highway network and moves people and goods efficiently and safely.
2. An integrated and connected public transport network of rapid, high-quality and local connector services that is attractive to customers.
3. Effective infrastructure and services for walking, cycling and ride-sharing that help reduce car dependency.
4. Customer satisfaction with the infrastructure and services provided by Auckland Transport.

4. NATURE AND SCOPE OF ACTIVITIES

Programme of Action

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

The POA has been developed from the key strategic projects outlined in Auckland Council's draft Annual Plan 2011/2012 and the strategic priorities identified by the

Mayor in the Letter of Expectation to Auckland Transport dated 15 February 2011. Key milestones have been included for the projects, where applicable.

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

Major road construction

- a) Auckland-Manukau Eastern Transport Initiative (AMETI) project
- b) New roading connections and improvements associated with the New Lynn rail trenching and transport interchange
- c) Roding projects in new development areas, especially Flat Bush, East Tamaki, Long Bay and Pukekohe
- d) Local road improvements associated with major NZ Transport Agency projects, including SH20 Waterview and SH16 upgrades
- e) Completion of roading projects to ensure the success of Rugby World Cup 2011 (RWC), for example the Sandringham Road realignment

All new major road construction projects undertaken by Auckland Transport within the three-year timeframe covered by this SOI will:

- adhere to New Zealand Transport Agency prioritisation and sustainability criteria; and
- act consistently with the Auckland Plan.

Major schemes proposed for study, investigation or design

- a) City Rail Link – Auckland Transport intends to seek a designation to construct and operate the City Rail Link, including acquiring any necessary land over time.
- b) Rail Rapid Transit link to the Airport – investigation and route protection
- c) Rail to the North Shore
- d) A walking/cycling bridge under the Auckland Harbour Bridge
- e) Dominion Road Review
- f) Removal of rail level crossings
- g) Albany Highway Corridor upgrade
- h) Improved accessibility to the waterfront and city centre
- i) School, Tertiary, Area, and Workplace Travel Plans
- j) Henderson – Albany Rapid Transit Network study
- k) Development of a new rail station at Parnell

Council-proposed schemes for study, investigation or design

- a) Review of ferry services
- b) Better identification of bus lanes
- c) Restoration of the rail station at Tamaki

- d) Moving more buses faster at peak times through implementing substantially more bus and transit lanes
- e) Collaboration on combatting graffiti vandalism
- f) Review of public transport, particularly in the southern sector covered by the Mangere-Otahuhu, Otara-Papatoetoe and Manurewa local board areas.

Major public transport projects

- a) Integrated fares and ticketing for use on public transport services across the region
- b) Extension of the real time public information system
- c) Completion of the Manukau rail station and bus interchange
- d) Further implementation of the New Lynn Transport Oriented Development, including transport centre and interchange

Coordination with other agencies on significant transport projects

- a) Work with KiwiRail to ensure the successful electrification of Auckland's rail network and delivery of electric trains
- b) Work with NZTA on the investigation and route protection for an additional Waitemata Harbour crossing, including rail
- c) Work with NZTA to develop and manage the State highways and regional arterial road system as one network

Regional Land Transport Programme

Auckland Transport will also prepare the Regional Land Transport Programme for Auckland in accordance with the Land Transport Management Act 2003.

Attachment A includes four tables which outline the links between the impacts that Auckland Transport is seeking to achieve (as discussed in the preceding section) and the POA.

Attachment B outlines the links between the impacts Auckland Transport is seeking to achieve and its core statutory obligations.

5. PERFORMANCE MEASUREMENT

I. Non-financial Performance

The following table outlines the performance measurement framework adopted by Auckland Transport for the three-year period covered by this SOI. The performance measures included in the framework will enable Auckland Transport to outline the levels of service it intends to provide, and demonstrate how it is providing effective interventions and value for money.

The outputs listed in the table are the projects comprising the POA outlined in the preceding section. However, the major schemes for proposed study, investigation or design are not included in the table as results will not be realised from those schemes until they progress from the study/investigation/design phase. When schemes progress from that phase, they will be included in the performance measurement frameworks in subsequent SOIs.

The table includes targets for the year to June 2012. In most cases, targets are also provided for 2013 and 2014, but it should be noted that these will need to be reviewed to ensure they align with budget allocations established in the next Auckland Council Long Term Plan and the NZTA National Land Transport Programme.

The table in Attachment C includes the performance measures for which baselines are not currently available. The baselines (and in turn the performance targets) are dependent upon the results of Auckland Council surveys undertaken in March 2011, the results for which will not be available until 1st July 2011. Accordingly, these performance measures will be included in Auckland Transport's 2012 – 2015 SOI.

OUTCOME: An efficient and effective transport system for Auckland that enables Aucklanders to make smarter transport choices

What we are seeking to achieve – the impact(s)	What we will do to achieve it – the output(s)	How we will demonstrate success in achieving it – the performance measure(s)	When we will demonstrate success – the milestone(s)																
1. A properly connected and maintained arterial road network that is integrated with the State highway network and moves people and good efficiently and safely	<ul style="list-style-type: none"> Work with NZTA to develop and manage the State highways and regional arterial road system as one network Work with NZTA on the investigation and route protection for an additional Waitemata Harbour crossing, including rail AMETI project New Lynn rail trenching and transport interchange Roading projects in new 	<ul style="list-style-type: none"> Travel times along strategically important arterial routes during morning peak hour <p>Current (Nov 2010) 85% of trips within these travel times (minutes):</p> <table border="1"> <tr> <td>Airport to CBD via Manukau Rd</td> <td>41</td> </tr> <tr> <td>CBD to Airport via Manukau Rd</td> <td>41</td> </tr> <tr> <td>St Lukes to St Johns via St Lukes Rd/Greenlane/Remuera Rd</td> <td>41</td> </tr> <tr> <td>St Johns to St Lukes via Remuera Rd/Greenlane/St Lukes Rd</td> <td>58</td> </tr> <tr> <td>Albany to Birkenhead via Glenfield Rd</td> <td>34</td> </tr> <tr> <td>Birkenhead to Albany via Glenfield Rd</td> <td>26</td> </tr> <tr> <td>Henderson to CBD via Gt North Rd</td> <td>50</td> </tr> <tr> <td>CBD to Henderson via Gt North Rd</td> <td>38</td> </tr> </table>	Airport to CBD via Manukau Rd	41	CBD to Airport via Manukau Rd	41	St Lukes to St Johns via St Lukes Rd/Greenlane/Remuera Rd	41	St Johns to St Lukes via Remuera Rd/Greenlane/St Lukes Rd	58	Albany to Birkenhead via Glenfield Rd	34	Birkenhead to Albany via Glenfield Rd	26	Henderson to CBD via Gt North Rd	50	CBD to Henderson via Gt North Rd	38	<ul style="list-style-type: none"> Maintain current travel times for 85% of trips (in year to June 2012) <p><i>To be replaced beyond 2011/12 with improved measure of corridor productivity</i></p>
		Airport to CBD via Manukau Rd	41																
CBD to Airport via Manukau Rd	41																		
St Lukes to St Johns via St Lukes Rd/Greenlane/Remuera Rd	41																		
St Johns to St Lukes via Remuera Rd/Greenlane/St Lukes Rd	58																		
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Henderson to CBD via Gt North Rd	50																		
CBD to Henderson via Gt North Rd	38																		
		<ul style="list-style-type: none"> Travel times along strategically 	<ul style="list-style-type: none"> Maintain current travel times for 																

	<p>development areas</p> <ul style="list-style-type: none"> Local road improvements associated with major NZTA projects Rugby World Cup 2011 projects 	<p>important freight routes during the inter-peak period (9am-4pm)</p> <p>Current (Nov 2010) 85% of trips within these travel times (minutes):</p> <table border="1" data-bbox="1032 312 1473 659"> <tr><td>from SH 20 to SH 1 via Nielson St</td><td>16</td></tr> <tr><td>from SH 1 to SH 20 via Nielson St</td><td>13</td></tr> <tr><td>from Sylvia Park to East Tamaki via South-eastern arterial</td><td>11</td></tr> <tr><td>from East Tamaki to Sylvia Park via South-eastern arterial</td><td>12</td></tr> <tr><td>from SH1 to SH18 via Wairau Rd</td><td>8</td></tr> <tr><td>from SH18 to SH1 via Wairau Rd</td><td>8</td></tr> <tr><td>from East Tamaki to SH1 Highbrook interchange via Harris Rd</td><td>10</td></tr> <tr><td>from SH1 Highbrook interchange to East Tamaki via Harris Rd</td><td>11</td></tr> </table>	from SH 20 to SH 1 via Nielson St	16	from SH 1 to SH 20 via Nielson St	13	from Sylvia Park to East Tamaki via South-eastern arterial	11	from East Tamaki to Sylvia Park via South-eastern arterial	12	from SH1 to SH18 via Wairau Rd	8	from SH18 to SH1 via Wairau Rd	8	from East Tamaki to SH1 Highbrook interchange via Harris Rd	10	from SH1 Highbrook interchange to East Tamaki via Harris Rd	11	<p>85% of trips (in year to June 2012)</p> <p><i>To be replaced beyond 2011/12 with improved measure of corridor productivity</i></p>
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from SH18 to SH1 via Wairau Rd	8																		
from East Tamaki to SH1 Highbrook interchange via Harris Rd	10																		
from SH1 Highbrook interchange to East Tamaki via Harris Rd	11																		
		<ul style="list-style-type: none"> Proportion of arterial road network for which real time travel or congestion information available (currently 0%) 	<ul style="list-style-type: none"> 8% by June 2012 (2013 and 2014 targets yet to be determined) 																
		<ul style="list-style-type: none"> Proportion of arterial road network with signal optimisation in place (currently 0%) 	<ul style="list-style-type: none"> 10% by June 2012 (2013 and 2014 targets yet to be determined) 																
<p>2. An integrated and connected public transport network of rapid, high-quality and local connector services that is attractive to customers</p>	<ul style="list-style-type: none"> Integrated fares and ticketing Extension of real time public information system Completion of the Manukau rail station and bus interchange School, Tertiary, Area, Workplace Travel Plans Further implementation of the New Lynn Transport Oriented Development Work with KiwiRail to ensure the successful electrification of 	<ul style="list-style-type: none"> Total public transport patronage – annual boardings for bus, rail and ferry (63,482,000 in year to Dec 2010) Rapid Transit busway annual boardings (1,928,000 in year to Dec 2010) Rapid Transit Rail annual boardings (9,106,000 in year to Dec 2010) Quality Transit and Local Connector buses annual boardings – including contracted school buses 	<p>66,725,000 in year to June 2012 67,685,000 in year to June 2013 68,716,000 in year to June 2014</p> <p>2,160,000 in year to June 2012 2,191,000 in year to June 2013 2,227,000 in year to June 2014</p> <p>10,090,000 in year to June 2012 10,247,000 in year to June 2013 10,423,000 in year to June 2014</p> <p>49,700,000 in year to June 2012 50,404,000 in year to June 2013 51,152,000 in year to June 2014</p>																

	Auckland's rail network and delivery of electric trains	(47,544,000 in year to Dec 2010)	
		<ul style="list-style-type: none"> Percentage of public transport passengers satisfied with their public transport service (87% satisfaction rate in year to Dec 2010) 	87% in year to June 2012 87% in year to June 2013 87% in year to June 2014
		<ul style="list-style-type: none"> Percentage of public transport passengers with access to real time service information (65% in year to June 2011) 	89% in year to June 2012 89% in year to June 2013 89% in year to June 2014
		<ul style="list-style-type: none"> Public transport subsidy per passenger kilometre (\$0.24 in year to December 2010) 	\$0.24 in year to June 2012 \$0.24 in year to June 2013 \$0.24 in year to June 2014
3. Effective infrastructure and services for walking, cycling and ride-sharing that help reduce car dependency	<ul style="list-style-type: none"> School, Tertiary, Areas, Workplace Travel Plans 	<ul style="list-style-type: none"> Increase number of travel plans (currently 252 travel plans in development) 	302 travel plans by June 2012 <i>(2013 and 2014 targets yet to be determined)</i>
		<ul style="list-style-type: none"> Morning peak (7-9am) car trips avoided through travel planning initiatives (8,417 car in year to June 2011) 	8,800 in year June 2012 9,200 in year to June 2013 9,600 in year to June 2014 <i>Current methodology for monitoring the travel plan initiatives will be altered to be in line with the 2012 Government Policy Statement on Land Transport Funding</i>
4. Customer satisfaction with the infrastructure and services provided by Auckland Transport	<ul style="list-style-type: none"> All outputs listed above for impacts 1-3 	<ul style="list-style-type: none"> Percentage of residents satisfied with the quality of roads In year to June 2011: <ul style="list-style-type: none"> 79% of residents were very satisfied, satisfied or neutral about the quality of roads in the Auckland region 80% of residents were very satisfied, satisfied or neutral about the surface for all sealed 	<ul style="list-style-type: none"> In years to June 2012, June 2013 and June 2014 – 75% of residents are extremely satisfied, very satisfied or satisfied with the quality of roads in the Auckland region In years to June 2012, June 2013 and June 2014 – 75% of residents are extremely satisfied, very satisfied or satisfied with the surface for all sealed roads in the Auckland region (excluding motorways)

		<p>roads in the Auckland region (excluding motorways)</p> <p>Rating scale used for 2010/11 survey was: 1 = Very unsatisfied 2 = Dissatisfied 3 = Neutral 4 = Satisfied 5 = Very satisfied Don't know</p>	<p>For 2011/12 survey, the rating scale will be amended to only include: 1 = Extremely dissatisfied 2 = Very dissatisfied 3 = Dissatisfied 4 = Satisfied 5 = Very satisfied 6 = Extremely satisfied 7 = Don't know</p>
		<ul style="list-style-type: none"> Percentage of residents satisfied with the quality of footpaths In year to June 2011: <ul style="list-style-type: none"> 76% of residents were very satisfied, satisfied or neutral about the quality of footpaths in their local area 76% of residents were very satisfied, satisfied or neutral about the quality of footpaths in the Auckland region <p>Rating scale used for 2010/11 survey was: 1 = Very unsatisfied 2 = Dissatisfied 3 = Neutral 4 = Satisfied 5 = Very satisfied Don't know</p>	<ul style="list-style-type: none"> In years to June 2012, June 2013 and June 2014 – 75% of residents are extremely satisfied, very satisfied or satisfied with the quality of footpaths in their local area In years to June 2012, June 2013 and June 2014 – 75% of residents are extremely satisfied, very satisfied or satisfied with the quality of footpaths in the Auckland region <p>For 2011/12 survey, the rating scale will be amended to only include: 1 = Extremely dissatisfied 2 = Very dissatisfied 3 = Dissatisfied 4 = Satisfied 5 = Very satisfied 6 = Extremely satisfied 7 = Don't know</p>
		<ul style="list-style-type: none"> Percentage of telephone calls to MAXX call centre answers within 20 seconds (81.57% in year to 30 June 2010) 	<ul style="list-style-type: none"> 80% or better each year
		<ul style="list-style-type: none"> Percentage of drivers complying with parking restrictions (85% in 2011) 	<ul style="list-style-type: none"> Maintain 2011 compliance levels, with at least 82% for each year

II. Financial Performance

The ratio of consolidated shareholder funds to total assets is 100% for Auckland Transport.

Note:

- Consolidated Shareholder Funds are defined as Issued and Paid Up Capital, Revaluation Reserve and Retained Earnings.
- Total Assets are defined as Net Book Value of Current Assets, Investments and Fixed Assets as disclosed in the Company's Statement of Financial Position.
- The ratio of Consolidated Shareholder Funds excluding the revaluation reserve to Total Assets less the revaluation reserve is referred to as the historic cost basis.

Accumulated profit and capital reserve distributions to Auckland Council

Auckland Transport does not anticipate making a distribution to Auckland Council as Auckland Transport is funded at a level to undertake the operating and capital programmes agreed with the Council.

Commercial value of Auckland Council's investment

While Auckland Transport's assets are valued every three years, Auckland Transport does not have a commercial value per se. The value associated with the operation of Auckland Transport is in the delivery of public goods and benefits to the Auckland community.

6. APPROACH TO GOVERNANCE

All decisions relating to the operation of Auckland Transport will be made by, or under the authority of, the Board of Auckland Transport in accordance with its SOI, rules and relevant legislation.

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

In undertaking its activities, Auckland Transport will ensure:

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

The Board is accountable to Auckland Council to ensure that Auckland Transport:

- Performs its functions;
- Acts in accordance with relevant legislation and the Auckland Transport Rules;
- Achieves the objectives, performance targets and other measures set out in this SOI; and
- Gives effect to, or acts consistently with, the policies and plans of Auckland Council as set out in its governing legislation, including the Auckland Plan and all documentation defining the Council's strategic direction.

The Board will:

- Obtain full and timely information necessary to discharge its obligations fully and effectively;
- Actively review and direct the overall strategy of Auckland Transport;
- Actively review its policies and Delegations;
- Negotiate SOIs with Auckland Council;
- Monitor the external and internal environment and identify, evaluate and mitigate controllable risk factors;
- Establish Auckland Transport as an effective, focused organisation with core competencies and appropriate systems necessary to carry out its functions;
- Manage and monitor the performance of the Chief Executive Officer;
- Establish remuneration policies and practices, and set and review remuneration for the Chief Executive Officer, and other senior executives; and
- Provide leadership in relationships with key stakeholders.

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

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

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

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

- 28 September 2011; and
- 30 May 2012.

The specific times and locations of these meetings will be publicly notified in newspapers with a circulation across Auckland, and on the Auckland Transport website.

I. Decisions for which prior Council approval is required

To identify decisions that require prior Council approval, the Board of Auckland Transport will refer to Auckland Council's Accountability and Significance Policies.

II. Management of strategic assets

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

The Council's Accountability Policy lists the public transport network, including Britomart, as a strategic asset owned and managed by Auckland Transport. In addition, the roading network is listed as being a strategic asset owned by the Council and managed by Auckland Transport.

Heritage assets

Wherever possible, Auckland Transport will protect heritage assets, for which it is responsible, in areas under the control of Auckland Council in transport corridors.

III. Asset management practices

The key features of Auckland Transport infrastructure asset management are:

- a whole-of-life asset management approach;
- planning for a defined level of service;
- long-term strategies for cost-effective asset management ;
- performance monitoring;
- meeting the impact of growth through demand management and infrastructure investment;
- managing risks associated with asset and service failures;
- sustainable use of physical resources; and
- continuous improvement in asset management practices.

IV. Procedures for purchasing shares in other companies

The Board of Auckland Transport will consider any share investment proposals. Any decision to invest in or divest shares in another company or to enter into a joint venture relationship or participation arrangement through equity or operating agreements will be made by the Directors in consultation with Auckland Council.

Where the Special Consultative Procedure needs to be followed, Auckland Transport will work with Auckland Council prior to undertake that process to ensure the Council is fully aware of the process being followed. Consultation with the shareholder will address the nature of any significant increase in risk exposure or the potential to excite public interest.

V. Branding

Auckland Transport will continue to participate the in a Brand Navigation Group to review the Auckland Council (and its CCOs) brand strategies.

Auckland Transport will also incorporate the Auckland Council "pohutukawa logo" in communication, marketing and advertising.

7. ENGAGEMENT WITH THE SHAREHOLDER

I. Engagement with the Governing Body

It is essential that Auckland Transport engages effectively with the governing body. To that end, Auckland Transport will:

- adhere to the 'no surprises' policy;
- provide input into the development of the Auckland Plan, Annual Plans and the Long-term Plan;
- give effect to the Long-term Plan;
- act consistently with the Auckland Plan;
- provide input to the monitoring of the Regional Land Transport Strategy;
- work with Auckland Council to implement agreed urban design standards for capital projects;
- provide and maintain high quality streetscapes including trees, street furniture and public art works;
- unless otherwise agreed, make joint submissions to external agencies and on resource consents with Auckland Council; and
- apply relevant eco-city principles², such as minimising waste.

II. Engagement with local boards

Auckland Transport acknowledges the non-hierarchical decision-making structure of Auckland Council and is committed to engaging effectively with local boards.

Auckland Transport will develop a Local Board Engagement Plan, which will provide an overarching framework to guide engagement between Auckland Transport and local boards. It will be aligned with Council guidance provided.

Auckland Transport's Local Board Engagement Plan will set out how it intends to:

- support each local board to effectively represent the interests of local communities in local transport issues;
- ensure that Auckland Transport is responsive on local issues;
- contribute to the development of Local Board Plans;
- give effect to any Local Board Agreement to the extent the agreement requires actions by Auckland Transport; and
- gain input from local boards, via the Governing Body, on Auckland Transport's priorities and direction.

Auckland Transport will complete its Local Board Engagement Plan in consultation with the local boards by 31 August 2011.

Auckland Transport acknowledges that transport needs vary across local board areas and will take account of the priorities identified in each Local Board Plan, as well as the key objectives and activities in each Local Board Agreement.

² Auckland Council's eco-city principles are outlined in "Auckland Unleashed", page 99

8. ENGAGEMENT WITH KEY EXTERNAL STAKEHOLDERS

I. Engagement with other council-controlled organisations

Auckland Transport recognises the need to coordinate effectively with other CCOs. In particular, it will ensure that a close and effective working relationship is established with:

- Auckland Waterfront Development Agency, in relation to development of the Auckland Waterfront, and the transport elements of that development; and
- Auckland Tourism, Events and Economic Development, in relation to the transport activities (such as Traffic Management Plans) required for Rugby World Cup 2011.

Auckland Transport will also ensure a high degree of cooperation with other CCOs in the development of CCO ten-year plans.

II. Engagement with central government

Effective engagement with relevant central government organisations will be important to the success of some significant Auckland-based transport projects.

In particular, Auckland Transport will ensure effective coordination with NZ Transport Agency (NZTA) and KiwiRail on the electrification of passenger rail system, and with the NZTA and KiwiRail on the proposed City Rail Link.

III. Engagement with the Independent Maori Statutory Board

Auckland Transport will take account of the Independent Maori Statutory Board's schedule of issues of significance and any statutory Treaty of Waitangi provisions that are relevant to its activities and, where appropriate, engage with the IMSB on these matters.

IV. Engagement with Auckland Council's Advisory Panels

Auckland Transport will inform, and where appropriate consult the Council's Pasifika, Ethnic, Youth, Business, Rural and Disability Panels on issues of particular interest to each panel.

9. ORGANISATIONAL HEALTH AND CAPABILITY

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

Auckland Transport will adhere to clause 36 of Schedule 7 of the Local Government Act 2002, which provides that a local authority must operate a personnel policy that complies with the principle of being a good employer. Clause 36 is reproduced in Attachment D.

10. ACCOUNTING POLICIES

Auckland Transport will comply with the accounting and disclosure practices set out in all the relevant Financial Reporting Standards issued by the New Zealand Institute of Chartered Accountants as periodically updated and as required by the Financial Reporting Act 1993.

Auckland Transport is currently reviewing its accounting policies to ensure alignment with Auckland Council's policies. The accounting policies that have been submitted to the Council for consideration are attached at Attachment E.

11. ATTACHMENT A

Links between Auckland Transport's impacts and Programme of Action

Table One: Major road construction projects listed in the Programme of Action and the impacts Auckland Transport is seeking to achieve

		IMPACT			
		A properly connected and maintained arterial road network that is integrated with the State highway network and moves people and goods efficiently and safely	An integrated and connected public transport network of rapid, high-quality and local connector services that is attractive to customers	Effective infrastructure and services for walking, cycling and ride-sharing that help reduce car dependency	Customer satisfaction with the infrastructure and services provided by Auckland Transport
PROGRAMME OF ACTION – Major Road Construction Projects	AMETI project	*	*	*	*
	New Lynn upgrade	*			*
	Roading projects in new development areas	*		*	*
	Local road improvements associated with major NZTA projects	*		*	*
	Rugby World Cup 2011 projects	*	*		*

Table Two: Major and council-proposed schemes for study, investigation or design listed in the Programme of Action and the impacts Auckland Transport is seeking to achieve

		IMPACT			
		A properly connected and maintained arterial road network that is integrated with the State highway network and moves people and goods efficiently and safely	An integrated and connected public transport network of rapid, high-quality and local connector services that is attractive to customers	Effective infrastructure and services for walking, cycling and ride-sharing that help reduce car dependency	Customer satisfaction with the infrastructure and services provided by Auckland Transport
PROGRAMME OF ACTION – Major and council-proposed schemes for study, investigation or design	City Rail Link		*		*
	Rapid Transit link to Airport		*		*
	Rail to North Shore		*		*
	Dominion Road Review	*	*		*
	Removal of rail level crossings	*	*		*
	Albany Highway Corridor upgrade	*			*
	CBD Waterfront access	*	*		*
	Ferry services		*		*
	School, Tertiary, Area, and Workplace Travel Plans		*	*	*
	Henderson – Albany Rapid Transit Network study		*		*
	New Rail station at Parnell		*		*
	Better identification of bus lanes		*		*
	Better integrated traffic management	*			*
	Rail station at Tamaki		*		*
	Moving more buses faster at peak times		*		*
	Combatting graffiti vandalism				*
Review of public transport, particularly in the southern sector		*		*	

Table Three: Major public transport projects listed in the Programme of Action and the impacts Auckland Transport is seeking to achieve

		IMPACT			
		A properly connected and maintained arterial road network that is integrated with the State highway network and moves people and goods efficiently and safely	An integrated and connected public transport network of rapid, high-quality and local connector services that is attractive to customers	Effective infrastructure and services for walking, cycling and ride-sharing that help reduce car dependency	Customer satisfaction with the infrastructure and services provided by Auckland Transport
PROGRAMME OF ACTION – Major public transport projects	Integrated fares and ticketing		*		*
	Extension of the real time public information system		*		*
	Manukau rail station and bus interchange		*		*
	New Lynn Transport Oriented Development		*	*	*

Table Four: Significant projects led by other agencies that Auckland Transport will contribute to, the Regional Land Transport Programme, and the impacts Auckland Transport is seeking to achieve

		IMPACT			
		A properly connected and maintained arterial road network that is integrated with the State highway network and moves people and goods efficiently and safely	An integrated and connected public transport network of rapid, high-quality and local connector services that is attractive to customers	Effective infrastructure and services for walking, cycling and ride-sharing that help reduce car dependency	Customer satisfaction with the infrastructure and services provided by Auckland Transport
PROGRAMME OF ACTION – Coordination with other agencies on transport projects, and Regional Land Transport Programme	Electrification of Auckland’s rail network and delivery of electric trains		*		
	Investigation and route protection for an additional Waitemata Harbour crossing	*	*		*
	Develop and manage the State highways and regional arterial road system as one network	*	*		
	Regional Land Transport Programme	*	*	*	

12. ATTACHMENT B

Auckland Transport's core statutory obligations and the impacts it seeks to achieve

The following Table sets out Auckland Transport's 'core' statutory obligations under the Local Government (Auckland Council) Act 2009 and the impacts (as outlined in section 3) to which each obligation is linked.

Statutory Obligation	Relevant Sub-section	Related Impact
<i>Purpose (Section 39)</i>		
<p><i>Contribute to an effective and efficient land transport system</i></p> <p>Contribute to an effective and efficient land transport system to support Auckland's social, economic, environmental, and cultural well-being</p>		1,2,3,4
<i>Functions of Auckland Transport (Section 45)</i>		
<p><i>Prepare the regional land transport programme</i></p> <p>Prepare the regional land transport programme for Auckland in accordance with the Land Transport Management Act 2003. This requires, for instance:</p> <ul style="list-style-type: none"> - Preparation of an Auckland regional land transport programme (RLTP) every 3 financial years, - Being satisfied that the RLTP meets certain criteria (particularly that the RLTP is consistent with the relevant GPS and the Auckland regional land transport strategy) - That the form and content of the RLTP meets certain criteria - Consultation, especially with Maori - Giving NZTA reasons for not including activities proposed by NZTA in the RLTP 	s45(a)	1,2,3,4
<p><i>Manage and control the Auckland transport system</i></p> <p>Manage and control the Auckland transport system, which means within Auckland:</p> <p style="padding-left: 40px;">the roads; public transport services; public transport infrastructure owned by the Council or Auckland Transport. It does not include State highways; railways under the control of New Zealand Railways Corporation; off-street parking facilities under the control of the Council; and airfields.</p>	s45(b)	1,2,3,4
<p><i>Carry out research and provide education and training</i></p> <p>Carry out research and provide education and training in relation to land transport in Auckland</p>	s45 (c)	1,2,3,4

<p><i>Undertake any other transport functions Council directs or delegates</i></p> <p>Undertake any other transport functions that the Auckland Council may lawfully direct it to perform or delegate to it (for example, management of off-street parking facilities owned by the Council)</p>	s45(d)(e)	1,2,3,4
<p><i>Undertake any functions NZTA delegates</i></p> <p>Undertake or exercise any functions, powers, and duties in respect of State highways that the New Zealand Transport Agency may lawfully delegate to it</p>	s45(f)	1
<p><i>Functions and powers of Auckland Transport acting as local authority or other statutory body (Section 46)</i></p>		
<p><i>Prosecute stationary vehicle offences</i></p> <p>Undertake the functions and powers of a local authority and an enforcement authority for the purposes of prosecuting stationary vehicle offences (under the Land Transport Act 1998).</p> <p>It should also be noted here that when undertaking the functions and powers of a local authority, it appears that Auckland Transport is bound to observe various obligations under the Local Government Act 2002, such as those concerning decision-making.</p>	s46(1)(a)	1
<p><i>Undertake powers under the Land Transport Act 1998</i></p> <p>Undertake the powers of a local authority under the Land Transport Act 1998. This includes, for instance: making bylaws for vehicle and road use, heavy traffic, parking, signs and marking, livestock, etc, and appointing parking wardens.</p>	s46(1)(b)	1,2,3
<p><i>Form, alter, stop and close roads</i></p> <p>Undertake the functions and powers of a council under Part 21 of the Local Government Act 1974 (except the power to name or alter the name of a road (under section 319(j) of that Act) and the functions and powers under sections 316(2), 319A, 319B, and 347 to 352 of that Act (subject to section 48). This includes the formation, alteration, stopping and closing of roads.</p>	s46(1)(c); s48	1,3
<p><i>Provide parking places, buildings, transport stations and bylaws</i></p> <p>Undertake the powers of a council under sections 591, 591A, and 684 of the Local Government Act 1974 (except the power conferred by section 591(1)(a) of that Act). This includes providing parking places, buildings, transport stations and bylaws.</p>	s46(1)(d)	3,4
<p><i>Undertake functions under Part 4 of the Government Roding Powers Act 1989</i></p> <p>Undertake the functions and powers of a local authority, a territorial authority, and a controlling authority under Part 4 of the Government Roding Powers Act 1989, including (in accordance with this Act) over roads, access ways and service lanes, State highways, motorways, limited access roads.</p>	s46(1)(e)	1,3
<p><i>Prosecute offences concerning special vehicle lanes</i></p> <p>Undertake the functions and powers of an enforcement authority</p>	s46(1)(f)	1

under the <u>Land Transport Act 1998</u> in relation to prosecuting infringement offences under that Act that relate to the use of special vehicle lanes within Auckland. For these purposes, Auckland Transport may appoint enforcement officers in relation to any offence against a bylaw made by Auckland Transport under the Land Transport Act 1998 in relation to a special vehicle lane.		
<i>Undertake powers under the Land Transport Act 1998</i> Undertake the functions and powers of a road controlling authority and a local authority under the <u>Land Transport Act 1998</u> and any regulations or rules made under that Act	s46(1)(g)	1,3
<i>Make and enforce bylaws</i> Undertake the functions and powers of a local authority to make and enforce bylaws under subparts <u>1</u> and <u>2</u> of Part 8 of the Local Government Act 2002 (except the power conferred by section <u>147</u> of that Act)	s46(1)(h)	1,2,3
<i>Be responsible for tolling schemes and concession agreements</i> Undertake the functions and powers of a public road controlling authority under Part <u>2</u> of the Land Transport Management Act 2003 in relation to road tolling schemes and concession agreements	s46(1)(i)	1
<i>Be responsible for regional public transport planning and regulation</i> Undertake the functions and powers of a regional council under the <u>Public Transport Management Act 2008</u> in relation to public transport planning and regulation within Auckland.	s46(1)(j)	2
<i>Auckland Transport is a requiring authority (Section 47)</i>		
<i>Be a requiring authority and a network utility operator</i> Auckland Transport is a requiring authority and a network utility operator under section <u>167</u> of the Resource Management Act 1991 for constructing or operating roads (e.g. requiring designations), and carrying out an activity in relation to the Auckland transport system (subject to section 48).	s47; s48	1,3
<i>Delegations (Section 54)</i>		
<i>Auckland Transport may delegate</i> Auckland Transport may delegate all but certain specified functions to a committee, an employee, or to the council, including one or more local boards. A committee or employee of Auckland Transport may delegate its or his/her responsibilities to a subcommittee or person subject to any constraints in the original delegation.	s54	1,2,3,4

The table above identifies Auckland Transport's 'core' statutory obligations under the Local Government (Auckland Council) Act 2009.

However, it should be noted that section 45(g) of the Local Government (Auckland Council) Act 2009 provides that Auckland Transport must undertake any other functions that are given to it by this Act or any other enactment, or that are incidental and related to, or consequential upon, any of its functions under this Act or any other

enactment. These are likely to include national enactments, such as the Hauraki Gulf Marine Park Act 2000 and may include local enactments. Further, enactments such as the Land Transport Rules may also apply.

As a statutory authority, Auckland Transport is also bound to observe many other statutes. These include some local government-related enactments (such as the Bylaws Act 1910) and national enactments (such as the Employment Relations Act 2000, New Zealand Bill of Rights Act 1990 and Privacy Act 1993).

13. ATTACHMENT C

Performance measures requiring baseline data from Auckland Council

The table below includes performance measures for which baselines are not currently available. The baselines (and in turn the performance targets) are dependent upon the results of Auckland Council surveys undertaken in March 2011, the results for which will not be available until 1st July 2011. Accordingly, these performance measures will be included in Auckland Transport's 2012 – 2015 SOI.

Performance target	Auckland Council Survey(s) providing baseline
<ul style="list-style-type: none">• People flows in bound in morning peak (7-9am) into CBD by car, public transport, walking, cycling	<ul style="list-style-type: none">• Passenger Transport Patronage Survey – Screenline 70 (CBD)• Walking and Cycling Survey – Screenline 70 (CBD)
<ul style="list-style-type: none">• Public transport, walk and cycle mode share inbound in morning peak into CBD	<ul style="list-style-type: none">• Passenger Transport Patronage Survey – Screenline 70 (CBD)• Walking and Cycling Survey – Screenline 70 (CBD)
<ul style="list-style-type: none">• Walking trips into the CBD (inbound pedestrian counts) in morning peak	<ul style="list-style-type: none">• Walking and Cycling Survey – Screenline 70 (CBD)
<ul style="list-style-type: none">• Cycle trips into CBD (inbound cycle counts) in morning peak	<ul style="list-style-type: none">• Walking and Cycling Survey – Screenline 70 (CBD)

14. ATTACHMENT D

Clause 36 of Schedule 7 of the Local Government Act 2002

(1) A local authority, and any other person having responsibility for the selection and management of employees of the local authority, must operate a personnel policy that complies with the principle of being a good employer.

(2) For the purposes of this clause, a good employer means an employer who operates a personnel policy containing provisions generally accepted as necessary for the fair and proper treatment of employees in all aspects of their employment, including provisions requiring –

- (a) good and safe working conditions; and
- (b) an equal opportunities programme; and
- (c) the impartial selection of suitably qualified persons for appointment; and
- (d) recognition of –
 - (i) the aims and aspirations of Maori; and
 - (ii) the employment requirements of Maori; and
 - (iii) the need for greater involvement of Maori in local government employment; and
- (e) opportunities for the enhancement of the abilities of individual employees; and
- (f) recognition of the aims and aspiration, and the cultural differences, of ethnic or minority groups; and
- (g) recognition of the employment requirements of women; and
- (h) recognition of the employment requirements of persons with disabilities.

(3) In addition to the requirements specified in subclauses (1) and (2), a local authority –

- (a) when making an appointment, must give preference to the person who is best suited to the position; and
- (b) must ensure that all employees maintain proper standards of integrity, conduct, and concern for the public interest.

15. ATTACHMENT E

Summary of Significant Accounting Policies

Auckland Transport's accounting policies are currently under review to ensure alignment with Auckland Council's policies. Auckland Transport's proposed accounting policies have been submitted to the Council for consideration. The proposed accounting policies are summarised here.

Significant accounting policies

Auckland Transport is a public-benefit entity as defined under New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS"). Auckland Transport's primary objective is to provide services and facilities for the community as a social benefit rather than to make a financial return.

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

Auckland Transport is a new entity in its first year of operations. As such there cannot be any changes in the accounting policy.

Foreign currency translation

Auckland Transport translates its foreign currency transactions into New Zealand dollars using the exchange rates at the dates of the transactions. It records foreign exchange gains and losses from the settlement of transactions, and from translation at year-end exchange rates, in the statement of comprehensive income.

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.

Property, plant and equipment

Initial recognition

Property, plant and equipment at the time of transition

Property, plant and equipment transferred at the time of transition are initially shown at their previous carrying values (net book value) in the financial statements of the predecessor Councils, ARTA and ARTNL. This property, plant and equipment is depreciated over the remaining estimated useful life.

Property, plant and equipment acquired after transition

Property, plant and equipment acquired after transition are initially shown at cost or at fair value in the case where an asset is acquired at no cost, or for a nominal cost. Cost includes any costs that are directly attributable to the acquisition of the items.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to Auckland Transport and the cost of the item can be measured reliably. In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition.

Subsequent costs

Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, when it is likely future economic benefits associated with the item will flow to Auckland Transport, and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income for the financial period they relate to.

Valuation of assets

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

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

Auckland Transport accounts for revaluations of property, plant and equipment on a class-of-asset basis.

<i>Class of asset measured at fair value</i>	<i>Method applied to determine fair value</i>
Land and buildings (operational)	Market-based evidence/income
Infrastructural assets	Depreciated replacement cost approach.

Assumptions used when applying the methods above will be referred to in the notes to the financial statement.

Any accumulated depreciation at the date of revaluation is transferred to the gross carrying amount of the asset, and the asset cost is restated to the revalued amount.

Increases in asset carrying amounts due to revaluation increase revaluation reserves in equity. Decreases in asset carrying amounts decrease revaluation reserves in equity only to the extent that the class of assets has sufficient revaluation reserves to absorb the reduction. All other decreases are charged to the statement of comprehensive income.

If a revaluation increase reverses a decrease previously recognised in the statement of comprehensive income, the increase is recognised first in the statement of comprehensive income to reverse previous decreases. Any residual increase is applied to revaluation reserves in equity.

Types of assets

Property, plant and equipment consist of:

Operational assets – These include land, building, rolling stock, furniture and equipment, computer hardware, motor vehicles and plant and equipment.

Infrastructure assets – These include the land-infrastructure and roading infrastructures.

Land (operational)

Land (operational) includes land held for roading purposes and land under off-street car parks.

Building

Building includes residential buildings held for roading services, car park buildings and wharf buildings.

Rolling stock

Rolling stock includes carriages and locomotives.

Land infrastructure

Land infrastructure includes restricted land, land under roads and land underfields.

Roading infrastructure

Roading infrastructure includes public transport (e.g. bus shelters, bus stations, train stations, wharf structures, etc.), roading (e.g. footpath, streetlights, traffic control, pavements, etc.) and car parking (e.g. off-street car parks).

Plant and equipment

Plant and equipment includes parking equipment (e.g. barrier arms, handheld parking infringement machines, etc.) and public transport equipment (e.g. public transport information, signal pre-emption, CCTV camera, etc.)

Depreciation

Land (operational) and land-infrastructure are not depreciated. Assets are depreciated on a straight-line basis. Depreciation writes off the cost of the assets to residual value over their useful lives.

	Expected useful life (years)
Operational assets	
Buildings	10 – 100
Rolling stock	15 – 30
Furniture and equipment	5 – 15
Computer hardware	3 – 8
Plant and equipment	10 – 25
Motor vehicles	5
Infrastructure assets	
Roothing infrastructure	
Public transport	10 – 80
Roothing	10-120
Car parking	10 – 50

Auckland Transport reviews and, if necessary, adjusts the assets' residual values and useful lives at each year-end.

Sale or disposal of assets

Gains and losses on the sale or disposal of assets are determined by comparing the proceeds of sale with the asset's carrying amount. Gains and losses are included in the statement of comprehensive income. When a revalued asset is sold or disposed of, any amount in the revaluation reserves in equity relating to that asset is transferred to general equity.

Capital works in progress

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

Investment property

Investment property is held for long-term rental yields and is not occupied by Auckland Transport. Properties leased to third parties under operating leases are generally not classified as investment property because:

- the occupants provide services that are integral to the operation of Auckland Transport's business, or these services could not be provided efficiently and effectively by the lessee in another location
- Auckland Transport is a public-benefit entity and the property is held to meet service-delivery objectives, rather than to earn rentals or for capital appreciation
- the property is being held for future delivery of services
- the lessee uses Auckland Transport's services and those services are integral to the reasons for their occupancy of the property.

Investment property is initially recorded at cost, including transaction costs.

After initial recognition, it is carried at fair value, representing open-market value determined annually by independent external valuers. Changes in fair values are recorded in the statement of comprehensive income.

Intangible assets

Intangible assets are initially recorded at cost. The cost of an internally generated intangible asset represents expenditure incurred in the development phase only.

Subsequent to initial recognition, intangible assets with finite useful lives are recorded at cost, less any amortisation and impairment losses, and are reviewed annually for impairment losses. Assets with indefinite useful lives are not amortised but are tested, at least annually, for impairment, and are carried at cost, less accumulated impairment losses.

Realised gains and losses arising from the disposal of intangible assets are recognised in the statement of comprehensive income in the period in which the disposal occurs.

Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the statement of comprehensive income.

Operating leases – land

The operating leases on land are long term land leases on which stations have been built. They are recognised in the accounts at fair value and amortised over the life of the underlying asset.

Computer software

Computer software licences are capitalised based on the costs incurred to acquire and install the specific 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.

Costs directly associated with the development of identifiable and unique software products controlled by Auckland Transport, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets (e.g. software development employee costs). Computer software development costs recognised as assets are amortised using the straight-line method over their estimated useful lives (not exceeding eight years).

Staff training costs are recognised as an expense when incurred.

Impairment of property, plant and equipment, and intangible assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised if the estimated

recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset, where the future economic benefits or service potential of

the asset are not primarily dependent on the asset's ability to generate net cash inflows, and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential. The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the debit balance is recognised in the statement of comprehensive income. For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of comprehensive income.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the statement of comprehensive income, a reversal of the impairment loss is also recognised in the statement of comprehensive income. For assets not carried at a revalued amount (other than goodwill), the reversal of an impairment loss is recognised in the statement of comprehensive income.

Financial assets

Auckland Transport classifies its financial assets in the following categories:

- financial assets at fair value
 - through surplus or deficit
 - through other comprehensive income
- loans and receivables
- held-to-maturity investments.

The classification depends on the reason behind acquiring the investment. Auckland Transport decides how to classify its investments when they are acquired.

Purchases and sales of investments are recorded on the value date at fair value plus transaction costs, unless they are carried at fair value through surplus or deficit, in which case the transaction costs are recognised in the statement of comprehensive income. Financial assets are no longer recognised when the right to receive cash flows from the financial assets has expired or has been transferred.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), Auckland Transport establishes fair value through valuation techniques.

At each year-end, Auckland Transport assesses whether there is evidence that a financial asset or group of financial assets is impaired. Any impairment loss is recognised in the statement of comprehensive income.

Financial assets at fair value through surplus or deficit

This category has two subcategories: financial assets held for trading (assumed fair value), and those designated at fair value through surplus or deficit. A financial asset falls in this category if acquired principally to sell in the short term, or if designated this way by Auckland Transport.

After initial recognition, these financial assets are measured at fair value. They are classified as current assets if they are held for trading or expected to be realised within 12 months of the year-end date.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are non-derivative financial assets designated in this category or not classified in the other categories. After initial recognition, they are measured at fair value. They are included in non-current assets, unless Auckland Transport intends to dispose of the asset within 12 months of year-end. Auckland Transport does not have any financial assets under this category.

After initial recognition they are measured at fair value, with gains and losses recognised directly in other comprehensive income except for impairment losses, which are recognised in the statement of comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments not quoted in an active market. They arise when Auckland Transport provides money, goods or services directly to a debtor with no intention of selling the receivable asset.

After initial recognition, they are measured at amortised cost using the effective interest method less impairment. Gains and losses are recognised in the statement of comprehensive income. Loans and receivables are included in current assets, except for those with maturities greater than 12 months after the year-end date, which are classified as non-current assets.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments, and fixed maturities that Auckland Transport management has the intention and ability to hold to maturity.

After initial recognition, they are measured at amortised cost using the effective interest method less impairment.

Derivative financial instruments and hedging activities

Auckland Transport uses derivative financial instruments to hedge exposure to foreign exchange. In accordance with its treasury policy, Auckland Transport does not hold or issue derivative financial instruments for trading purposes. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

When a derivative is entered into hedging activity, Auckland Transport documents a hedge relationship as either a cash flow hedge (hedge of a forecast transaction) or a fair value hedge (hedge of the fair value of a recognised asset or liability). Also documented are the nature of the risk being hedged, its risk-management objective, strategy for hedge transactions, identification of the hedging instrument and hedged item, and how the hedging instrument's effectiveness is to be assessed.

The fair value of financial instruments traded in active markets is based on quoted market prices at the year-end date. The quoted market price used for financial assets held by the group is the current bid price. The quoted market price for financial liabilities is the current ask price.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recorded in the statement of comprehensive income.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets accounting criteria, any cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction is recorded in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity transfers to the statement of comprehensive income.

Fair value hedge

Auckland Transport only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of the interest rate swaps that hedge fixed-rate borrowings is recognised in the statement of comprehensive income within "finance costs". The gain or loss relating to the ineffective portion is recognised in the statement of comprehensive income within "other gains/(losses)". Changes in the fair value of the hedged fixed-rate borrowings attributable to interest rate risk are recognised in the statement of comprehensive income within "finance costs".

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is recorded in the statement of comprehensive income.

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

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statement of comprehensive income within "other gains/(losses)".

Trade and other receivables

Trade and other receivables are recognised initially at fair value, and subsequently measured at amortised cost less any provision for impairment. They are due for settlement no more than 30 days from the date of recognition.

Auckland Transport reviews the collection of trade receivables on an on-going basis and writes off debts known to be uncollectable. A provision is made for doubtful receivables when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The amount provided is the difference between the receivable's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. This amount provided is recorded in the statement of comprehensive income.

The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in the statement of comprehensive income. When a receivable is uncollectable, it is written off against the provision account.

Inventories

Inventories such as spare parts, stores and finished goods are stated at lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average cost.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion (if applicable) and the estimated costs necessary to make the sale.

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

The amount of any write-down in the value of inventories is recognised in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions. They also include other short-term, highly liquid investments (with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value) and bank overdrafts.

Equity

Equity is the shareholder's interest in the organisation and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into contributed equity from shareholder, accumulated funds, and revaluation reserves.

Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and amortised cost is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the year-end date.

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

Provisions

Provisions are recognised when:

- Auckland Transport has a present legal or constructive obligation due to past events
- it is more likely than not that an outflow of resources will be required to settle the obligation
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to settle the obligation, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Organisational

An organisational provision is recognised where there is a legal or constructive obligation to meet redundancy expenses. The amount recorded in the financial statements is the estimated cost of this expense.

Contractual

A contractual provision is recognised when legal claims have been issued against the group for past transactions and it is probable that the group will be liable for these claims. The amount recorded in the financial statements is the estimated cost of these claims.

Income tax

The income tax expense is the tax payable on the current period's taxable income, based on the New Zealand tax rate, and adjusted for changes in deferred tax assets and liabilities, and adjustments to income tax payable in respect of prior years.

Deferred tax assets and liabilities account for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities settled. This is based on those tax rates set by the government. The relevant tax rates are applied to the

cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

An exception is made for certain temporary differences from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they came from a transaction, other than a business combination, that at the time of the transaction did not affect accounting profit or taxable profit and loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent it is likely that future taxable amounts will be available for Auckland Transport.

Current and deferred tax balances attributable to amounts recognised directly in equity, such as asset revaluations, are also recognised directly in equity.

Trade and other payables

These amounts represent unpaid liabilities for goods and services provided to the group before the end of the financial year. The amounts are unsecured and usually paid within 30 days of recognition. Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Employee benefit liabilities

Short-term employee benefit liabilities

These include wages and salaries, annual leave and sick leave. These liabilities are expected to be settled within 12 months of the reporting date. They include employees' services up to the year-end date and are measured at the amounts Auckland Transport expects to pay when the liabilities are settled. A liability is recognised for bonuses where they are contractually obliged or where there is a past practice that has created a constructive obligation. Auckland Transport recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that Auckland Transport anticipates it will be used by staff to cover those future absences.

Long-term employee entitlements

Entitlements that are payable beyond 12 months such as long-service leave have been actuarially measured as the present value of expected future payments for services provided by employees up to the year-end date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Revenue

Auckland Transport measures revenue at the fair value of the amounts received or receivable, net of discounts, duties and taxes paid.

Auckland Transport receives revenue from the following main sources:

Auckland Council grants

Auckland Transport is funded by its parent the Auckland Council in order to deliver the agreed annual operational and capital programmes. This funding is recognised when the expenditure is incurred i.e. on an accrual basis.

New Zealand Transport Agency (NZTA) grants

Auckland Transport receives government grants from NZTA, which funds operational and capital expenditure. Grants distribution from NZTA are recognised as income when the expenditure they cover is incurred i.e. on an accrual basis.

Traffic and parking infringements revenue

Revenue is recognised when the infringement notice is issued. Infringements not recovered after 60 days are transferred to the courts for collection and written back against revenue. Any expected revenue collections from infringements lodged with court will be written back to revenue.

Fare Income

Auckland Transport receives fare box revenue from certain bus and ferry and all rail services. This revenue is recognised when the ticket is purchased.

Auckland Transport accounts for revenue for the following activities:

- Licenses and permits revenue – on application
- Rental revenue – for the period it relates to
- interest income – on a time proportion basis using the effective interest method
- vested assets – when received
- other grants and subsidies- when received
- contra transactions – are measured at the fair value of the asset received or the fair value of the goods given up.

Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where Auckland Transport has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of Auckland Transport decision.

Leases

Operating leases

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

Finance leases

Finance leases effectively transfer to the lessee the risks and benefits incidental to ownership. These are capitalised at the lesser of the fair value of the asset or the present value of the minimum lease payments. The leased assets and corresponding liabilities are recognised in the statement of financial position. Interest on finance leases is charged to the statement of comprehensive income over the lease period.

Leased assets are depreciated over the period Auckland Transport is expected to benefit from their use.