

**AMENDED**

**MINUTES OF THE NEW ZEALAND TRANSPORT AGENCY BOARD MEETING**

**HELD ON WEDNESDAY, 8 JULY 2009**

**IN THE NEW ZEALAND TRANSPORT AGENCY BOARD ROOM, NATIONAL OFFICE  
CHEWS LANE, LEVEL 2, VICTORIA ARCADE, 44 VICTORIA STREET, WELLINGTON**

<b>Approved by the Chair</b>	_____
<b>Date</b>	____/____/____

**PRESENT:**

Brian Roche	Garry Moore
Christine Caughey	Paul Fitzharris
Grahame Hall	Bryan Jackson
Alick Shaw	

**IN ATTENDANCE:**

Geoff Dangerfield	Julia Shackleton
Dave Brash	Ernst Zollner
Colin Crampton	Liz Huckerby
Ian Gordon	Allan Frost
Jenny Chetwynd	Kaye Clark
Bruce Richards	Tommy Parker
Deb Hume	Dave Whiteridge
Rebecca Gilbert (Item 8c)	
Steve Budd (Item 9c)	Ian Melsom (Items 10c, 12)
David Darwin (Item 11c)	Bob Alkema (Items 11c, 13c)

**INVITEE:** Hon. Steven Joyce, Minister of Transport

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### i. **Apologies**

Apologies were received for an early departure from Garry Moore, who was not present for discussion of Items 7, 8c, 10c, 11c, 12 and 13c. .

### ii **Confirmation of Agenda**

The agenda was confirmed.

### iii. **Declarations of Interest**

Bryan Jackson declared a conflict of interest regarding his membership on the NZ Transport Agency's Board sub-panel to approve a Heads of Agreement to lease additional space in the HSBC building at 1 Queen Street, Auckland. This declaration relates to Mr Jackson's membership on the New Zealand Railways Corporation Board and potential rental arrangements, which may arise between Ontrack and the NZ Transport Agency.

Mr Jackson will disqualify himself from any discussion or decision-making on behalf of OnTrack or the New Zealand Railways Corporation in relation to leasing arrangements regarding level 17 of HSBC House involving the NZ Transport Agency. Mr Jackson will also step aside from the sub-panel as set up by the NZ Transport Agency Board.

Brian Roche noted an interest regarding paragraph 20 of Board paper 09/06/0207, Item 9c "*Auckland Integrated Fare System*". Paragraph 20 notes that in 2005 the Auckland Regional Transport Authority (ARTA) Board declined an AITL proposal to provide integrated ticketing. At this time, Mr Roche was the Chairman of ARTA.

Bryan Jackson declared an interest regarding his KiwiRail Directorship pertaining to the item on the "Public draft of Land Transport Rule – Vehicle Dimensions and Mass Amendment 2009" in Board paper 09/06/0202, Item 5c the *Chief Executive's Report*.

No other declarations or conflicts of interest were declared.

## Minutes

### 1c **Confirmation of the 29 May 2009 Board meeting minutes and 29 June 2009 Board Teleconference minutes**

#### **Resolved:**

The New Zealand Transport Agency Board **confirms** the minutes from the 29 May 2009 Board meeting and 29 June 2009 Teleconference.

Garry Moore / Grahame Hall

2c **Matters arising from the 29 May 2009 Board meeting minutes and 29 June 2009 Board Teleconference minutes**

There were no matters arising from the 29 May 2009 Board meeting minutes or the 29 June 2009 Board Tele-conference minutes.

3c **Update from the 10 June 2009 State Highways Board Committee meeting**

**Resolved:**

That the New Zealand Transport Agency Board **receives** the update from the Committee Chair of the 10 June 2009 State Highways Board Committee meeting.

Bryan Jackson /Grahame Hall

4c **Update from the 7 July 2009 Regulatory Board Committee meeting**

**Resolved:**

That the New Zealand Transport Agency Board:

***Compliance Strategy***

- a **notes** the approach that the NZ Transport Agency is adopting in evolving a compliance strategy;
- b **agrees** that management will prepare a paper on the issue of infringement notices, which will be actioned by the Chief Executive. circulated to the Board within the next two weeks;

***Report on Regulatory Functions:***

- c **notes** the report on the Access and Use Group's regulatory functions;

***Six monthly Tolling Report to the Minister of Transport:***

- d **notes** that the Tolling Report to the Minister of Transport is for the period to 31 May 2009, due to time constraints to ensure appropriate internal sign off, but will be updated with results to 30 June 2009 before being released to the Minister. on 25 July 2009, six months after the toll road opened;
- e **notes** that the actual transaction charge is higher than the original or revised business case presented to the Minister of Transport in November 2007, and that a strategy paper aimed at reducing the actual costs will be presented to the NZ Transport Agency Board at its 31 July meeting;

- f **notes** that no enforcement activity has been taken to date, however, this is the next priority for the business;
- g **notes** that the financial statements have not been audited and will be notated accordingly;
- h **notes** the positive results of tolling for a new business activity; and
- i **agrees** that the Tolling Report (Attachment 3) and the overview of tolling (Attachment 2) be released to the Minister, under cover of a letter from the Chief Executive (Attachment 1), subject to the agreement of the Board Chair;

***Certificate of Fitness (CoF) delivery model***

- j **notes** that the implementation of Heavy Vehicle Laden Brake testing in testing stations has been completed nationwide;
- k **notes** that the implementation of laden brake testing will take place at off-sites approved to an NZ Transport Agency system that targets risk, commencing in September 2009; and
- l **notes** that a strategic initiative brief on “Delivering Heavy Vehicle Certification Services” has been compiled and is scheduled for completion by December 2009.

Paul Fitzharris/Garry Moore

5c **Chief Executive’s Report**

Board paper 09/06/0202

**Resolved:**

That the New Zealand Transport Agency Board:

- a **receives** the Chief Executive’s Report;
- b **receives** Attachment 1 to the Chief Executive’s Report, the Major Business Updates report and Attachment 2, the Actions arising from previous Board meetings’ document;
- c **notes** that the NZ Transport Agency has approved the temporary closure of two lanes of the Northern Motorway section of State Highway (SH)1 over the AHB on Sunday, 1 November 2009, between approximately 5.00am and 9.00am, to permit runners competing in the Marathon to cross from the North Shore to Auckland City;

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- d **approves** a panel of people outside the NZ Transport Agency be formed to hear the Tauranga Eastern Link consultation submissions, and that ministerial approval be sought for the inclusion of external members;
- e **agrees** that the Regional Director, Hamilton be delegated by the Chief executive to provide support to the Hearings Panel, regarding the Tauranga Eastern Link consultation submissions; and
- f **agrees** to keep Board paper 09/06/0202 in Committee to allow the Board free and frank discussion off the issues.

Bryan Jackson / Brian Roche

**6c Finance Report for the 11 months ending 31 May 2009**

Board paper 09/06/0204

**Resolved:**

That the New Zealand Transport Agency Board:

- a **receives** the Finance Report for the 11 months ending 29 May 2009; and
- b **agrees** to take Board paper 09/07/0204 out of Committee once the Board has received the Finance Report for the 11 months ending 31 May 2009.

Grahame Hall / Garry Moore

**7 2008/2009 NLTP: Adjustments under Delegated Authority (May 2009 Review)**

Board paper 09/06/0203

**Resolved:**

That the New Zealand Transport Agency Board:

- a **notes** the adjustments to the 2008/2009 National Land Transport Programme (NLTP) arising from the May review, as summarised in Board paper 09/06/0203, which have been approved under delegated authority;
- b **notes** that \$104.61 million remains as unallocated from within the provisions set aside in the programme for project approvals, as shown in Attachment 1 to Board paper 09/06/0203; and
- c **notes** the 2008/2009 NLTP Situation Summary as shown in Attachment 3 to Board paper 09/06/0203.

Brian Jackson / Christine Caughey

8c **Delegations Update**

Board paper 09/07/0210

**Resolved:**

That the New Zealand Transport Agency Board:

- a. **approves** the delegation of functions and powers relating to motor vehicle licensing, road user charges and refund of excise duty to staff and agents, as set out in the Instruments of Delegation at Attachments 1,2,3,4 and 5, subject to consent from the Minister of Transport, Secretary for Transport or Chief Executive of the Ministry of Transport where applicable;
- b. **approves** the delegation of certain staff to carry out functions and powers in relation to motor vehicle registration and licensing, as set out in the Authorisation at Attachment 6;
- c. **authorises** the Board Chair to sign the Instruments of Delegation and Authorisation at Attachments 2, 5 and 6, subject to consent from the Minister of Transport, Secretary for Transport or Chief Executive of the Ministry of Transport where applicable;
- d. **authorises** the Board Chair to sign the Consolidated Instrument of Board Delegation at Attachment 8 (once the Instruments of Delegation and Authorisation specified in resolution 4(c) have been signed);
- e. **notes** the progress reported on the Delegations Review; and
- f. **agrees** to take Board paper 09/06/0210 out of Committee when a decision has been reached.

Brian Roche / Alick Shaw

9c **Auckland Integrated Fare System**

Board paper 09/07/0207

**Resolved:**

That the New Zealand Transport Agency Board

***In relation to Part A:***

- a. **notes** that when the Board considered funding for the Auckland Integrated Fare System (AIFS) in October 2008, it approved NZ Transport Agency (NZTA) capex funding of \$42m of an estimated total project cost of \$70m, with an annual operational funding subsidy of \$3.9m of an estimated total annual operating cost of \$6.5m, conditional on confirmation of Auckland Regional Council's (ARC's) local share;

- b. **notes** that in February 2009, the ARC confirmed the local share funding for the AIFS to be capped at \$32 million and subject to the NZTA reconfirming funding;
- c. **notes** that in June 2009, the ARC reduced the funding for the AIFS to \$15.3m spread over three years;
- d. **notes** that the principles and approach to national integrated ticketing agreed by the Land Transport NZ Board in July 2007 and September 2007 (refer Board Papers 07/07/2018 and 07/10/2090), have been used to guide the assessment of options outlined in this paper;
- e. **notes** that the AIFS programme has been reviewed to ensure it remains a value-for-money-investment for the NLTF, which has included a review of the Business Case and the sensitivity of the estimates of patronage growth estimates and implementation costs, with resulting high benefit to cost ratios;
- f. **notes** that the Auckland Regional Transport Authority (ARTA) has confirmed that the key AIFS business case benefit factors have not changed since the original NZTA funding decision, nor will they be materially affected by potential changes to the Public Transport Management Act;
- g. **agrees** that in order to achieve NZTA policy objectives of a contestable market for public transport services, best value for money from our investment, adequate service delivery and contract controls, access to good transport planning information, and flexible fare setting and route optimisation, a comprehensive funder/regulator led approach is required;
- h. **agrees** that best value for money can be achieved by adopting open and common equipment standards and alternative funding, funder and financing options, which enable operators alternative equipment choices where ever practical;
- i. **notes** that the option of completely re-tendering, based on a set of national open system requirements, has been rejected at this stage because the AIFS procurement process is still sound and risks are manageable, whilst starting again would waste the investment to date and risk a comparatively unmanaged ticketing environment for one to two years;
- j. **agrees** to an approach that adapts and modifies the previous AIFS proposal by:
  - (i) The NZTA taking responsibility for the central processing system development, in conjunction with the development of specified open standards that can be used by a range of operator equipment;
  - (ii) ARTA manages on-bus/rail ticketing equipment and local interchange/station infrastructure, which will be funded in part or in total by operators or external financiers; and

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- (iii) ARTA undertaking a staged and sequenced roll-out of the system that will enable testing of the equipment and system at each stage before further development;
- k. **agrees** that the NZTA joins ARTA as an equal party in the procurement process, but that ARTA remains the contracting party;
- l. **agrees** for the purposes of negotiation with the preferred tenderer to the flowing funding envelope:
  - (i) 100% of the central system development estimated at up to and not more than \$20m, and the opportunity to partner with external financiers; and
  - (ii) residual AIFS ticketing and local infrastructure requirements of up to \$40m is funded at a 60% FAR, with the NZTA share would be up to \$24m;resulting in total NZTA funding in support of AIFS of up to \$44m;
- m. **approves** ARTA notifying all AIFS tenderers that it is entering into negotiations with the preferred tenderer for the AIFS, but that any subsequent award of the contract for the implementation of a modified AIFS by ARTA is subject to:
  - (i) the Chief Executive reporting back by the August or September 2009 Board meeting in regard to the technical, legal, and commercial implications of the funding and financing options, providing recommended approaches for proceeding, including final agreed costs, cost shares, and agreements; and
  - (ii) Board approval of funding of the AIFS programme, subsequent to the Chief Executive's report;
- n. **notes** that stakeholder communications plans are being developed in respect of these decisions for discussion at the Board meeting, including notification to the Minister of Transport and a media briefing;

***In relation to Part B:***

- o. **notes** that following a complaint from a tenderer, the NZTA investigated the background to, and ARTA's conduct of, the tender for the AIFS under section 36 of the Land Transport Management Act (LTMA), and that this investigation concluded there were no grounds to take action under 36(2) in respect of the complaint;
- p. **notes** that following further complaints from the same tenderer in respect of the NZTA's actions under section 20 of the LTMA in granting its funding approvals for the AIFS, NZTA officials reviewed these approvals and concluded that the processes followed and the nature of the approvals granted by the NZTA (and previously LTNZ), have been appropriate and consistent with the requirements of section 20 of the LTMA, with one exception (discussed below);



- q. **notes** that when the Board considered funding for the AIFS in October 2008, it did not expressly take into account the national energy efficiency and conservation strategy (NEECS), as it was required to do under section 20(3)(d) of the LTMA, but that advice from officials is that the AIFS contributes towards the achievement of the high level targets for the transport sector contained in NEECs, and that this would have strengthened the previous recommendation to the Board to approve funding for the AIFS;
- r. **notes** that, having expressly taken NEECS into account, the Chief Legal Counsel has confirmed that the processes followed by the NZTA in granting its previous funding approvals for the AIFS, have been appropriate and consistent with the LTMA;
- s. **confirms** that NZTA officials correctly interpreted the approved procurement procedure to give effect to the Board's intentions, in regard to the clearing house function in the approved integrated ticketing principles, namely that it was the ownership and control of the clearing house *function* (rather than ownership and control of the *system*) that the Board wished to see remain with a public organisation;

***In relation to Part C:***

- t. **endorses** the initiation of a National Land Transport Programme funded national integrated ticketing programme, including design and development activities as necessary to give effect to a national ticketing approach to maximise overall value from integrated ticketing investments; and
- u. **agrees** to keep Board paper 09/06/0207 In Committee until the contract for the implementation of AIFS has been awarded by ARTA and associated communications have been executed.

Brian Jackson / Christine Caughey

10c **NZ Transport Agency's Funding Policy: Gross vs Net Costs for Local Authority Infrastructure Costs**

Board paper 09/07/0218

**Resolved:**

That the New Zealand Transport Agency Board **agrees** that Board paper 09/06/0218 will be updated, taking into consideration the Board's comments and suggestions and brought back to the 31 July Board meeting.

Brian Roche / Grahame Hall

11c **Addressing Revenue and Expenditure Risks in the 2009/2012 National Land Transport Programme**

Board paper 09/07/0211

**Resolved:**

That the New Zealand Transport Agency Board

- a **endorses** the risk management approach to adopting and managing the National Land Transport Programme (NLTP) set out in board paper 09/06/0211 and as amended at the meeting, as the basis for preparing the 2009/2012 NLTP;
- b **notes** that the approach to managing the 2009/2012 NLTP will need to be carefully managed as outlined in paragraph 53 of Board paper 09/06/0211;
- c **notes** that preliminary analysis indicates the approach to managing the 2009/2012 NLTP can be accommodated through to late 2010/early 2011, with a view to determining any adjustments to the programme; and
- d **agrees** to take Board paper 09/06/0211 out of Committee when the 2009/2012 NLTP is approved.

Grahame Hall / Christine Caughey

12c **Procurement Manual for Activities funded through the National Land Transport Programme**

Board paper 09/07/0206

**Resolved:**

That the New Zealand Transport Agency Board

- a **approves** the release of the NZ Transport Agency's (NZTA's) *Procurement manual*;
- b **approves**, under s 25(1) of the Land Transport Management Act 2003, the four procurement procedures contained in the NZTA's *Procurement manual*, to be used for activities funded through the National Land Transport Programme;
- c **agrees** to the transition process and period for the use of the *Procurement manual* by approved organisations;
- d **approves** the process for approved organisations and the NZTA to comply with the procurement procedures during the transition period to 1 October 2010, by:
  - documenting the strategic, value for money context of each procurement activity that is undertaken during the transition period; and

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- providing a written commitment to the NZTA to produce a procurement strategy by 1 October 2010; and
- e **notes** that, from 1 October 2010, approved organisations and the NZTA will require an endorsed procurement strategy in order to comply with the procurement procedures in the *Procurement manual*.

Brian Roche / Christine Caughey

**13c 2009/2010 Sector Training and Research**

Board paper 09/07/0209

**Resolved:**

That the New Zealand Transport Agency Board:

- a. **notes** the framework for sector training and research as an addition to the NZ Transport Agency's draft investment direction contained in the *NZTA's Investment and Research Strategy (IRS)* (Board paper 09/05/0200);
- b. **notes** that the 2009/2010 sector training and research activities listed in Attachment 1 and 2 to the Board Paper 09/06/0209 have been assessed against the draft investment direction of the IRS;
- c. **approves** the 2009/2010 sector training and research activities listed in Attachments 1 and 2 to Board Paper 09/06/0209 for inclusion in the 2009/2012 National Land Transport Programme (NLTP);
- d. **delegates** to the Chief Executive funding approval of the 2009/2010 sector training and research activities (including new and/or renewed training activities and directed research), subject to the availability of funding in the sector training and research activity class in the 2009/2012 NLTP;
- e. **agrees** to take Board paper 09/06/0209 out of Committee once the full 2009/2012 sector training and research activity class is considered, approved and published in the 2009/2012 NLTP.

Brian Roche / Grahame Hall

**Next meeting**

The next meeting of the New Zealand Transport Agency Board is confirmed for **Friday, 31 July 2009** in the NZ Transport Agency Board Room, Level 2, National Office, Chews Lane, Victoria Arcade, 44 Victoria Street, Wellington, commencing at 8:00am