

MINUTES OF THE NZ TRANSPORT AGENCY BOARD MEETING

HELD ON FRIDAY 4 MARCH 2011 AT 8.30AM

NZTA Board Room, Level 16, 1 Queen Street, Auckland

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| Approved by the Chair | _____ |
| Date | ___/___/___ |

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| PRESENT: | Chris Moller | <i>Chair</i> |
| | Garry Moore | <i>Deputy Chair</i> |
| | Alick Shaw | |
| | Bryan Jackson | |
| | Christine Caughey | |
| | Jerry Rickman | |
| | Patsy Reddy | |
| | Tony Lanigan | |
| | | |
| APOLOGY: | None | |
| | | |
| NZTA STAFF IN ATTENDANCE: | Geoff Dangerfield | <i>Chief Executive</i> |
| | Ernst Zöllner | <i>Board Secretary & GM Strategy & Performance</i> |
| | Dave Brash | <i>GM Planning & Investment</i> |
| | Stephen Town | <i>Regional Director Auckland and Northland</i> |
| | Allan Frost (Items 1-5, 11-12) | <i>GM Organisational Support</i> |
| | Liz Huckerby (Items 1-5) | <i>GM People & Capability</i> |
| | Ian Gordon (Items 1-5, 8-10) | <i>GM Access & Use</i> |
| | Colin Crampton (Items 1-9) | <i>GM Highways & Network Operations</i> |
| | Bryan Patchett (Item 5) | <i>Chief Advisor, Organisational Direction</i> |
| | Tommy Parker (Items 7-9) | <i>State Highways Manager, Auckland & Northland</i> |
| | Lisa Rossiter (Items 13 & 17) | <i>Chief Advisor, Safety Directions</i> |
| | | |
| INVITEES: | None | |

The meeting started on time at 8.30am.

1 Chairman's introduction

Chris Moller provided an overview of the meeting agenda and timetable.

On behalf of the Board he expressed his appreciation to Stephen Town (Regional Director Auckland & Northland) for arranging the very successful meetings and events of the previous day, including the joint meeting with the Board of Auckland Transport and the reception with the Mayor of Auckland.

a. Apologies

All Board members were present; Garry Moore had apologised for lateness and he joined the meeting at 9.10am.

b. Declarations of interest

The updated Schedule of Board Member Interests was tabled and noted.

- Chris Moller reminded the meeting that he is a Director of Rugby NZ 2011 Ltd.
- Bryan Jackson reminded the meeting that he is a Board member of Kiwi Rail Holdings Ltd.
- Christine Caughey reminded the meeting that she was an Auckland City Councillor between 2004-2007.

c. Confirmation of the 3 February 2011 Board meeting minutes

There were no questions or issues raised regarding the minutes. Board members pointed out a number of typos in the summary of discussion around Item 5.

Resolved:

That the NZ Transport Agency Board confirms the minutes from its 3 February 2011 meeting.

d. Progress on matters arising from previous meetings

Progress on the requested actions was noted: six action points had been completed, and three will be completed by the 5 May Board meeting. Geoff Dangerfield noted that further advice will be provided on the most appropriate accounting treatment of vendor financing for capital projects.

e. **Confirmation of the agenda**

A revised agenda was tabled and noted, with a late and urgent item (19) added for consideration after Item 8. It was also agreed to have a special discussion on the 22 February Christchurch earthquake as part of Item 2 *Chief Executive's report*.

Board members were handed copies of:

1. Notes from the 3 February 2011 Board strategy workshop.
2. Notes from the 4 February 2011 Board governance review workshop.
3. The Rugby World Cup 2011 Risk Treatment Plan.

f. **Report from the 15 February 2011 Investment & Operations Board Committee meeting**

Bryan Jackson presented the report of the meeting and explained the background to the Committee's recommendation to the Board. Discussion centered around the reports to the Committee on lessons learnt from the Taupo District Council's East Arterial project. There was general agreement that the paper should have been more comprehensive in scope and specific in its conclusions.

Resolved:

That the NZ Transport Agency Board agrees that the NZTA will be the lead procurer for all projects where it becomes liable for ongoing asset renewal and maintenance.

Requested actions:

1. *That a further paper on lessons learnt from the Taupo East Arterial project (which addresses the questions and issues raised by the Committee and the Board in the consideration of the 15 February 2011 paper) be presented to the Investment & Operations Board Committee.*
2. *That a forward programme of regular and ongoing post implementation project reviews be presented to the Investment & Operations Board Committee.*
3. *That a progress update on the Wellington Regional Freshwater Plan Change be presented to the Investment & Operations Board Committee.*

2 Chief Executive's report for February 2011

Board paper 11/03/0460

Geoff Dangerfield highlighted key items from his report to the Board, which concentrated on progress against the organisation's strategic priorities. Board members asked questions on specific items as they were highlighted and raised no additional matters with the Chief Executive.

Resolved:

That the NZ Transport Agency Board receives the Chief Executive's report for February 2011.

Requested action:

4. *That the Chief Executive considers hosting a meeting with the Chief Executives of local authorities that belong the Metro Sector group to increase the shared understanding of current and future transport and financial challenges in the preparation of the 2012 National Land Transport Programme.*

Special Board briefing: the 22 February 2011 Christchurch earthquake

The Board considered and discussed a supplementary briefing paper (tabled at the meeting) on the earthquake and its implications for NZTA staff; NZTA office accommodation; the Canterbury State highway network; Christchurch's transport system in general; the 2009 and 2012 National Land Transport Programme; and future planning challenges.

Requested action:

5. *That the Chief Executive forwards to all Christchurch staff the Board's appreciation for their tremendous effort since the 22 February earthquake as well as the Board's ongoing support and best wishes for the coming weeks and months.*

3 Financial performance for the seven months ended 31 January 2011

Board paper 11/02/0464

Allan Frost (GM Organisational Support) highlighted key elements from the organisation's financial performance for the seven months, which is tracking very close to budget. Board members raised no concerns with the report or the reported performance, and questions focussed on the expected over spend on State highway new and improved infrastructure.

Resolved:

That the NZ Transport Agency Board receives the organisation's financial performance report for the seven months to 31 January 2010.

Requested actions:

6. *That the Chief Executive forwards to the Chief Financial Officer and his team the Board's appreciation and congratulations for the ongoing improvements in the quality of the monthly financial reporting.*
7. *That future quarterly (and possible also monthly) financial reports to the Board include a two-year cash flow forecast.*
8. *That future financial reports provide a greater break down of the State highway network asset value in the Consolidated statement of financial position.*

4 Progress report against the 2010-13 Statement of Strategic Intent: 31 December 2010

Board paper 11/03/0475

Ernst Zöllner (GM Strategy & Performance) presented the half-yearly progress report and explained the reasons for the new report format, which was very well received. Board members expressed no concerns regarding the organisation's progress or performance, and raised information questions around the impact of the formation on the new Auckland Council; progress against annual delivery targets; and the upgrading of High Productivity Motor Vehicle routes for freight.

Resolved:

That the NZ Transport Agency Board receives the progress report against the 2010-13 Statement of Intent for the six months to 31 December 2010.

Requested action:

9. *That future quarterly reports to the Board provide explanations for significant changes in activity levels or variations against targets, and consistently use plain English to describe progress against strategic priorities.*

5 **2011-14 Statement of Intent: setting organisational direction**

Bryan Patchett (Chief Advisor, Organisational Direction) facilitated a short discussion around the strategic direction for the next Statement of Intent, which responded to questions that Board members raised at the Board's 3 February strategy workshop.

These included the relationship between the Government's objectives for the transport sector and the NZTA's direction; the longer list of possible strategic priorities; and the most appropriate progress indicators.

The Board expressed its comfort with the current set of long term impacts that the NZTA outputs are contributing towards, and re-confirmed its support for the current set of five strategic priorities. Board members requested changes to the main progress indicators.

The draft 2011-14 Statement of Intent will be presented to the Board for further feedback at the 31 March 2011 meeting.

6 **Waikato Expressway RoNs: Rangiriri section design and enabling works funding**

Board paper 11/03/0468

Dave Brash (GM Planning & Investment) explained in his introduction that this investment decision has been brought as 'significant' to the Board because of the status as a Road of National Significance, the particular issues around timing and cost increases, and the relationship to the Longswamp project. Colin Crampton (GM Highways & Network Operations) explained the reason for the expected cost of the project. In response to a question he indicated that achieving the 2013 targeted completion date should not be problematic.

Resolved:

That the NZ Transport Agency Board:

- a. approves funding for the detailed design and enabling works of NZTA's Rangiriri Section of the Waikato Expressway project at an estimated cost of \$9.20 million; and*
- b. delegates approval of funding for the main construction of NZTA's Rangiriri Section of the Waikato Expressway project to the Chief Executive; subject to, as conditions precedent:*
 - i. an incremental assessment to the satisfaction of the Chief Executive of the scoping options for the Waikato Expressway to ensure the final scope and form of the Expressway is supported by robust analysis;*
 - ii. successful contractual negotiations for the main construction which is no more than the estimated cost of \$70.80 million and funding availability within the NLTP; and*
 - iii. successful resolution of all outstanding mitigation negotiations with Waikato Tainui.*

19 *Late & urgent paper: Funding Policy – Proposed Urban Passenger Rail Financial Assistance Rate Changes*

Board paper 11/02/0476

Chris Moller and Geoff Dangerfield provided the Board with the background on and reasons for the late and urgent paper, which relate to the current negotiations around the ‘rail funding packages’ for Auckland and Wellington. The Board discussion concentrated on the period of implementing the proposed new assistance rates.

Resolved:

That the NZ Transport Agency Board:

- a. agrees the following proposed changes to funding assistance rates (FAR) for the purposes of consultation:*

| Work category (W/C) | Current FAR | Proposed FAR | Timeframe for implementation | Consultation |
|---|-------------|--------------|--|--|
| Passenger rail services (W/C 515) | 60% | 50% | 10 years | Greater Wellington and Auckland Transport only |
| Passenger transport facilities operations and maintenance (W/C 514) | 60% | 50% | 10 years except for prior commitments | All approved organisations |
| Public transport infrastructure (W/C 531) | 60% | 50% | New FAR rate to apply to all new approvals from the commencement of the 2012/15 NLTP | All approved organisations |

- b. delegates to the Chief Executive authority to undertake consultation with Greater Wellington and Auckland Transport in relation to the proposed passenger rail services funding assistance rate (W/C 515) and, following consultation, to set the final assistance rate (and to determine the most appropriate implementation period) for inclusion in the rail funding package; and*
- c. delegates to the Chief Executive authority to undertake consultation with all approved organisations on the proposed changes for passenger transport facilities operations and maintenance (W/C 514) and public transport infrastructure (W/C531) funding assistance rates, and to report the consultation feedback to the Board on 3 May 2011.*

Requested action:

10. *That the Chief Executive seeks advice and feedback on the implications of five and seven (as opposed to ten) year periods for fully implementing the new financial assistance rates for rail.*

7 Western Ring Route RoNs: Waterview Connection cash flow management options
Board paper 11/03/0471

Colin Crampton (GM Highways & Network Operations) introduced the paper and outlined how the requested decisions fit within the overall context of and progress on the project. The Board had a number of questions regarding the implications of possible timing and cost changes, and discussion focussed around the opportunity of some form of vendor financing.

Resolved:

That the NZ Transport Agency Board:

- a. agrees that pre-emptive terms of contract will be agreed with tenderers before tenders close to fully mitigate the 'worse case' scenario;*
- b. agrees that in considering a 'worse case' outcome for the cost of the Waterview Connection project, the following options will be considered to manage the situation:
 - i adjusting the construction timetable to fit with the available cash flow;*
 - ii re-timing of other projects in the National Land Transport Programme; and*
 - iii pursuing an increase in short term debt levels to manage peaks in cash flow demand, including vendor financing; and**
- c. agrees to keep Board paper 11/03/0471 confidential under the Official Information Act 9(2)(j) in order to enable the Agency to carry on with commercial negotiations without prejudice or disadvantage.*

Requested action:

- 11. That the Chief Executive seeks external advice on vendor financing as a possible option to fund the Waterview project.*

8 Northern Gateway Toll charges review

Board paper 11/03/0463

Ian Gordon (GM Access & Use) re-emphasised the urgent need to adjust the tariffs with reference to the largely fixed cost structure. In its consideration the Board fully supported the proposed increases but questioned whether the proposed 'late payment fee' adequately covers the cost. In principle the Board favours a fee schedule that (on an ongoing basis) raises sufficient revenue to cover the full cost of the tolling activity.

Resolved:

That the NZ Transport Agency Board:

a. agrees to the following changes in the tariffs for the Northern Gateway Toll Road:

| Description | Current | New |
|---|---------|--------|
| Toll tariff – cars | \$2.00 | \$2.20 |
| Toll tariff – motorcycles | \$2.00 | \$2.20 |
| Toll tariff – heavy commercial vehicles | \$4.00 | \$4.50 |

- b. delegates to Board members Alick Shaw and Bryan Jackson the authority to agree the most appropriate 'late payment fee' for the Northern Gateway Toll Road after seeking further advice from the Chief Executive on how the cost of the tolling activity can be fully recovered from revenue; and*
- c. agrees that the Minister of Transport be requested to allow \$7.10 from the \$40 infringement fee to fund the cost of recovering bad debt.*

Requested action:

12. *That Board members Alick Shaw and Bryan Jackson on behalf of the Board determine the most appropriate 'late payment fee' for the Northern Gateway Toll Road after receiving further advice from the Chief Executive on how the costs of the tolling activity can be fully covered from by tolling revenue.*

9 Auckland state highway network improvements programme

Board paper 11/03/0466

In response to a request from the Board at its 3 February meeting Tommy Parker (State Highway Manager Auckland & Northland) presented the overall programme to the Board. Board members found it a helpful summary of intent and there were no further questions.

10 **Access and Use transformation**

Board paper 11/03/0462

Board members expressed their support for the emerging business continuity solution and received reassurance from Ian Gordon (GM Access & Use) that the solution is both feasible and has acceptable risk levels.

Requested action:

13. That the Board paper on 31 March (that will seek formal Board support for the business case to upgrade the NZTA's registry and related business systems) includes the advice obtained from external technical and legal advisors with regard to the proposed solution.

11 **Benchmark of Administrative Support Systems (BASS) 2010 results**

Board paper 11/03/0467

Allan Frost (GM Organisational Support) outlined the reasons for the NZTA's improved performance and the next business improvement steps.

Requested action:

14. That the Chief Executive forwards to all relevant staff the Board's appreciation and congratulations on the 2010 BASS benchmarking results.

12 **Strategic Risk Management**

Board paper 11/03/0469

Board members found this an informative and helpful paper, and agreed that risk management should be given greater emphasis at Board level.

Requested action:

15. That the Chair of the Audit Risk and Assurance Board Committee works with relevant staff to increase the scope and depth of risk management consideration by the Committee.

13 **Progress update: Transforming the road policing investment framework**

Board paper 11/03/0474

Chris Moller explained that this is the largest inter-governmental financial transfer and that increased value for money in this area is a priority for several Ministers. Lisa Rossiter (Chief Advisor, Safety Directions) updated the Board on progress with NZ Police. Board members were very supportive of the direction being taken and the efforts to date, but the need for real and meaningful transformation in NZ Police accountability and delivery was again emphasised.

14 **Legislation change update**

Board paper 11/03/0472

Board members raised questions on the implications of the Marine and Coastal Area Bill. Some Board members also signalled that they would be disappointed if the RMA reforms do not deliver a stronger and streamlined urban planning and design system for New Zealand.

15 **Scrutiny principle**

Board paper 11/03/0465

The Board found the paper helpful and informative and the importance of the principle for the Agency was noted.

16 **Stakeholder relationship management**

Board paper 11/03/0470

Board members supported the Agency's approach to stakeholder management as reported against in Item 4 on the agenda. Board members questioned the absence of Maori and key supplier stakeholders from the framework. Ernst Zöllner (GM Strategy & Performance) explained that Maori relationships are managed through a special and separate framework which will be presented to the Board in June for information.

17 **NZTA's Road Safety Strategic Plan update**

Board paper 11/03/0473

This paper was presented in response to a request from Board members at the 3 February strategy workshop, and was considered helpful. Board members sought further explanation from Lisa Rossiter (Chief Advisor Safety Directions) on how the NZTA judges its road safety performance.

18 **General business**

Board paper 11/03/0461

Resolved:

That the NZ Transport Agency Board agrees to a revised level of service target of D/E for midblock and E for key intersections on the Terrace Tunnel to Wellington Airport section of the Wellington Road of National Significance.

The meeting concluded at 1.00pm.