



Board Meeting Minutes	
<b>Date &amp; time</b>	16 August 2013, 8.30am – 12.30pm
<b>Location</b>	New Plymouth District Council offices, Liardet Street, New Plymouth
<b>Attendance</b>	Chris Moller (Chair), Adrienne Young-Cooper, Alick Shaw, Gill Cox, Tony Lanigan, Jerry Rickman and Patsy Reddy
<b>Apologies</b>	None
<b>NZTA staff in attendance</b>	Geoff Dangerfield (Chief Executive) Colin Crampton (GM Highways & Network Operations), Dave Brash (GM Planning & Investment), Ernst Zöllner (GM Strategy & Performance & Board Secretary), Karen Quigan (Acting GM, People & Capability), Jenny Chetwynd (Regional Director, Central) and Stephen Town (Regional Director, Northland and Auckland) Clare Sinnott (Project lead, FAR review)

## 1. Introduction and governance matters

### 1.1 Apologies

The Board noted Patsy Reddy’s apology for lateness (Patsy joined the meeting at 9.30am).

### 1.2 Confirmation and overview of the agenda

The agenda was accepted as circulated and the reasons for items delayed and added (from the 5 July draft) were noted.

### 1.3 Declarations of conflicts of interest

The schedule of Board members’ interests was noted as tabled, and no additional declarations were made.

### 1.4 Reflections on Board visit to New Plymouth 15 August

The Board spent the afternoon and evening of 15 August meeting with key Taranaki stakeholders and Transport Agency staff, as well as visiting the Port of Taranaki and key transport projects (Vickers to City on SH3, and walking and cycling improvements). The Chair thanked Jenny Chetwynd and the regional leadership team for arranging the informative and productive series of meetings and site visits. At its meeting the Board reflected on the insights gained from the conversations and visits, and in particular Port access issues, improvements to SH3 and transport operator performance against regulatory requirements.

<b>Requested action</b>	<i>That the Board receives an update on transport operator compliance performances in other regions, to provide a context for the Taranaki performance.</i>
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### 1.5 Chief Executive’s annual performance review

The Chair presented his annual review of the Chief Executive’s performance in a closed session to the Board, following an earlier discussion at the Remuneration and HR Board Committee meeting on 8 August.

### 1.6 Draft minutes from the 5 July 2013 Board meeting.

These minutes were confirmed as tabled, with minor amendments.

<b>Resolution 1</b>	<i>The draft minutes of the 5 July 2013 meeting are a true and accurate record of the meeting.</i>
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### 1.7 Progress on actions requested at previous meetings

Progress on all the actions was noted.

## 2. Chief Executive's matters

### 2.1 Chief Executive's report

#### Board paper 13/08/0749

In his regular update Geoff Dangerfield highlighted key trends, issues and projects for the Board's information and consideration. Items that were discussed in greater detail included:

- Progress with public transport initiatives, as summarised at the recent public transport leadership forum;
- The launch of the Christchurch transport operating centre;
- Progress on Auckland integrated fare solutions and the recently announced Auckland transport package;
- Progress on the trial of the '50 MAX' High Productivity Motor Vehicles (HPMV) which indicate significant potential; Board members requested that these productivity benefits, the neutral impact on pavements and very good safety records, be clearly communicated;
- Progress with the maintenance and operations review implementation with the external review of State highway procurement practices;
- Progress with the Transmission Gully procurement process, noting that bids are due on 7 October;
- The implementation dates for the warrant of fitness changes, as agreed to by the Minister of Transport to the staged roll out from 1 January 2014; and
- The measures taken to address Otira rail tunnel safety issues, and progress with the external review of the Agency's rail safety regulatory activities.

<b>Resolution 2</b>	<i>The Chief Executive’s Report for July 2013 is <b>received</b>.</i>
<b>Requested action</b>	<i>That the Chief Executive <u>lifts</u> the key communication messages around the productivity benefits of HPMV (including 50 MAX) freight solutions, including their good safety record and manageable impact on pavements.</i>
<b>Requested action</b>	<i>That the Chief Executive reports the reasons for lower participation amongst South Island road controlling authorities in the HPMV network roll out.</i>
<b>Requested action</b>	<i>That the Chief Executive reports on the impact of the new requirement on local authorities to prepare 30-year infrastructure strategies on the Agency’s work programme and planning horizon.</i>

## 2.2 Progress against the 2012-15 Statement of Intent: quarter ending 30 June

### Board paper 13/08/0748

Geoff Dangerfield and Ernst Zöllner presented the NZ Transport Agency's final 4<sup>th</sup> quarter progress report against the 2012-15 Statement of Intent. The Chair noted the positive progress results and the Board accepted the reasons given where targets and objectives were not achieved.

The Board focussed its discussion on public transport, and specifically on the appropriate metric to track value for money in the NLTF investment in public transport. The Board also highlighted several road safety matters, including the increased risk of death or serious injury for older drivers; the possible need for (and merit of) a form of amnesty to drivers who have no current licence; and progress on road safety signature projects.

<b>Resolution 3</b>	<i>The NZ Transport Agency Board <b>received</b> the performance report against the 2012-15 Statement of Intent for the period ended 30 June 2013.</i>
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<b>Requested action</b>	<i>That the 2013-14 quarterly progress reports incorporate new health &amp; safety reporting metrics, and the requested expanded reporting against capital projects (refer to Minutes from the 5 July 2013 Board meeting).</i>
<b>Requested action</b>	<i>That the reporting against various road safety targets be made consistent on whether it reports on deaths, or deaths and serious injuries.</i>
<b>Requested action</b>	<i>That the reasons for the increase in deaths and serious injuries amongst older road users over 2012-13 be explored and reported to the Board.</i>
<b>Requested action</b>	<i>That the Chief Executive considers the merits of some form of ‘incentive’ package for drivers without licenses, in order to ‘bring them into the system’.</i>

## 2.3 National Land Transport Fund year end update and forecast

### Board paper 13/08/0751

The Board received a requested update on the National Land Transport Fund position at the end of 2012-13, and the forecast of revenue and expenditure for the balance of the 2012-15 NLTP. Dave Brash explained the emerging reasons for the revised (lower) forecast, and how that would affect the investment and borrowing programme.

The Board explored some of the more strategic reasons for the weaker revenue position, and noted that going forward GDP growth may not (given its make up) result in increases in travel demand and that improved vehicle fuel efficiency will eventually impact on the level of fuel use (and hence fuel excise duty revenues). Increased use of public transport and active modes will similarly have some impact on the demand for fuel on a per capita basis.

<b>Resolution 4</b>	<i>The National Land Transport Fund forecast update and analysis is received.</i>
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<b>Requested action</b>	<i>That the Chief Executive provides the Board with a summary of the Ministry of Transport revenue forecast model, and in particular how public transport patronage growth may impact on FED.</i>
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## 3. Setting sector and organisational direction

### 3.1 Funding Assistance Rates (FAR) review

#### Board paper 13/08/0745

The Board considered a provisional framework for setting funding assistance rates (FAR). Jenny Chetwynd introduced the changes made to the provisional framework following Board feedback at the 5 July meeting, which requested more direct references to the overall framework for land transport investment, and greater clarity on which factors may be considered to justify higher or lower rates between local authorities. Clare Sinnott explained that further work on such ‘differences’ is the next key task in the review.

Board members noted that it is critical to distinguish between investment decision-making (the agreed programme and level of investment) and FARs. The concepts and language around ‘co-investment’ are very important to underline this point.

The Board noted that that the draft framework should be extensively tested against ‘real world’ scenarios, and that the process of transitioning from the current to a possible new framework be considered early on. Board members asked that the project specific FARs be considered as an option within the framework.

Board members discussed Part 1 of the proposed framework in some detail, and in particular whether there may activities that should receive no co-investment from the NLTF because they have negligible

transport user benefits. The point was also made that the NLTF should not be used to ‘underwrite’ poor land use and transport planning which result in higher than necessary transport demand. Board members also encouraged exploration of whether a local authority’s revenue policies should be considered as relevant to the setting of FARs i.e. whether the FAR framework should take into account how a council spreads its transport funding burden amongst ratepayers.

Clare explained that the project team will again report back to the Board prior to undertaking a second round of public consultation. The purpose of the second round of public consultation would be to test a range of specific options for implementing the provisional framework with approved organisations and other stakeholders.

<b>Resolution 5</b>	<p><i>The New Zealand Transport Agency Board <b>agreed</b> to the following provisional funding assistance rates framework:</i></p> <p><b>Role of Funding Assistance Rates:</b> Funding assistance rates are one tool within the land transport investment system which:</p> <ul style="list-style-type: none"><li>• Assists local government (and other approved organisations) and the NZ Transport Agency to work together to achieve:<ul style="list-style-type: none"><li>○ The optimal national land transport outcomes within their combined financial resources, and</li><li>○ An integrated and appropriately consistent land transport network throughout the country, and</li></ul></li><li>• Enables the costs of the New Zealand land transport network to be shared appropriately between direct land transport system users and local communities.</li></ul> <p>Funding assistance is not a subsidy, but part of a co-investment system that recognises there are both national and local benefits from investing in the land transport network.</p> <p><b>Seven Principles underpinning how rates are set and applied:</b> The funding assistance rates system should:</p> <ol style="list-style-type: none"><li>1. Support optimal national land transport outcomes being achieved in the right way, at the right time and for the right price. Optimal national land transport outcomes contribute to the provision of an effective, efficient, safe, responsible and resilient transport system. (A responsible transport system addresses the potential harms of that system, including environmental and health impacts.)</li></ol>
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	<p>2. Facilitate land transport network users experiencing an integrated and appropriately consistent network throughout the country.</p> <p>3. Appropriately split the costs of the New Zealand land transport network between direct land transport system users and local communities recognising that each of those groups affects, and benefits from, that network.</p> <p>4. Provide approved organisations and the NZ Transport Agency with as much investment certainty as practicable.</p> <p>5. Be efficient to apply.</p> <p>6. Be based on evidence and data that is readily accessible and reliable.</p> <p>7. Ensure that if there are variations to how funding assistance rates are set or applied to address outliers or exceptions this is done transparently.</p> <p><b>Five Part Approach to setting and applying funding assistance rates</b></p> <p>Part 1 National Land Transport Fund revenue would only be used for the (eligible) costs of undertaking or maintaining a land transport activity to achieve fit for purpose standards. Those standards would be determined by the function of the relevant part of the land transport network, and the appropriate customer levels of service for different parts of the network.</p> <p>Part 2 As a first step in calculating funding assistance rates, the NZ Transport Agency would:</p> <ul style="list-style-type: none"> <li>• Look at all the land transport activities that are eligible for funding from the National Land Transport Fund undertaken by all the approved organisations throughout the country as one group of activities, and</li> <li>• Determine what percentage of the total cost of delivering that group of activities to fit for purpose standards should be met from the National Land Transport Fund.</li> </ul> <p><i>(What this percentage should be will be determined at the next stage of the Funding Assistance Rates Review.)</i>  This percentage (the “overall NLTF investment rate”) would be set at a level that appropriately splits the costs of achieving fit for purpose standards across the New Zealand land transport network as a whole between direct land transport system users and local communities (i.e. property owners and land users). It would be used as the foundation for calculating individual approved organisations’ funding assistance rates in the same way the “national average Base funding assistance rate” is currently used in calculating approved organisations’ Base funding assistance rates. Following the application of Part 4, an individual approved organisation’s funding assistance rate might end up being higher or lower than the overall NLTF investment rate.</p> <p>Part 3 The same funding assistance rate would apply to all of the land transport activities a particular approved organisation undertakes (other than any enhanced targeted funding assistance rates used in discrete</p>
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	<p>Part 4</p> <p>situations for time limited periods and, potentially, the funding assistance rates for emergency works).</p> <p>There are factors (which are outside the control of both approved organisations and their local communities) that materially affect some approved organisations' ability to:</p> <ul style="list-style-type: none"><li>• Deliver optimal land transport outcomes, and</li><li>• Contribute to the delivery of an integrated and appropriately consistent network throughout the country.</li></ul> <p>Those approved organisations receiving a higher funding assistance rate would facilitate the delivery of land transport outcomes. If some approved organisations receive a funding assistance rate that is higher than the overall NLTF investment rate set under Part 2 other approved organisations would consequently receive a funding assistance rate that is lower than that overall NLTF investment rate.</p> <p><i>(At the next stage of the review, we will investigate:</i></p> <ul style="list-style-type: none"><li>• <i>What factors materially affect an approved organisation's ability to:</i><ul style="list-style-type: none"><li>○ <i>Deliver land transport outcomes, and</i></li><li>○ <i>Contribute to the delivery of an integrated and appropriately consistent network throughout the country.</i></li></ul></li><li>• <i>Which of those factors are outside of the control of both the relevant approved organisations and their local communities, and</i></li><li>• <i>Whether or not there is readily accessible and reliable data that can be used to measure those factors and take them into account when setting funding assistance rates.</i></li></ul> <p><i>The aim of this investigation will be to identify:</i></p> <ul style="list-style-type: none"><li>• <i>Which approved organisations should receive funding assistance rates that are higher than the overall NLTF investment rate set under Part 2, and</i></li><li>• <i>How much higher than that overall NLTF investment rate their funding assistance rates should be.</i></li></ul> <p><i>As noted above if some approved organisations receive a funding assistance rate that is higher than the overall NLTF investment rate, other approved organisations would consequently receive a funding assistance rate that is lower than the overall NLTF investment rate.</i></p> <p><i>We will investigate a range of factors that may prevent approved organisations from delivering land transport outcomes. However, the fact that we are investigating a factor at this stage does not necessarily mean that ultimately approved organisations who are affected by that factor will receive a higher funding assistance rate. The factors we will investigate include:</i></p> <ul style="list-style-type: none"><li>• <i>Relatively high proportions of non-local traffic on the local road network, e.g. tourists.</i></li><li>• <i>Climate, topography and geology which makes it more difficult to deliver land transport outcomes.</i></li></ul>
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	<p>Part 5</p> <ul style="list-style-type: none"> <li>• <i>A relatively high proportion of local roads giving access to non-rateable land.</i></li> <li>• <i>Low average income/high social deprivation.</i></li> <li>• <i>Low average rateable land value/capital value.</i></li> <li>• <i>Low population/ratepayer density, population or number of ratepayers.</i></li> </ul> <p>Enhanced targeted funding assistance rates can be used, transparently, in exceptional circumstances and for time limited periods, to either:</p> <ul style="list-style-type: none"> <li>• <i>Facilitate something that is particularly important from a national land transport perspective where it is highly likely that the activity would not proceed within an appropriate timeframe if additional assistance was not provided; or</i></li> <li>• <i>Give a kick start to encourage, and enable, an approved organisation to make a step change in customer levels of service or the way they are delivering an activity.</i></li> </ul>
<p><b>Requested action</b></p>	<p><i>That the further work on the FAR review includes the development of an extensive range of examples or scenarios so that the impact of a possible new system based on the provisional framework can be fully understood and explained.</i></p>
<p><b>Requested action</b></p>	<p><i>That the FAR review considers how the current system leads to suboptimal investment results, and whether the provisional framework may produce similar ‘unintended’ consequences or results in similar gaming behaviours.</i></p>

## 4. Quality assurance of key organisational systems, policies and processes

### 4.1 Maximising employee engagement

Board paper 13/08/0746

This paper had been prepared to inform the Board of the Transport Agency’s ongoing commitment to employee engagement, in particular to highlight the initiatives that will realise the Agency’s aspiration to be in the top quartile of the NZ public sector. Karen Quigan explained that having made good gains over the past four years, it’s now time to understand more about what works and target effort where it will have the greatest impact in order to underpin our development as an agile, high performing organisation. Board members sought further information on how the Agency’s 2013 results compare to that of the NZ public sector as a whole, and which parts of the Agency had improved engagement results in 2013 compared to 2012.

<b>Resolution 6</b>	<i>The assurance around processes to raise employee engagement (including gaining deeper understanding of what works in the Transport Agency context, and providing the skills, tools and materials to enable more groups and teams to develop their own approaches towards success) is <b>received</b>.</i>
<b>Requested action</b>	<i>That the Board receives further information on how the Agency’s employee engagement results compared to other NZ public sector results.</i>

## 5. Significant planning, investment and operational matters

### 5.1 Christchurch earthquake reinstatement funding direction

Board paper 13/08/0747

Following consideration of the proposed resolutions, the Board broadly agreed to the direction on Christchurch City earthquake reinstatement funding to manage the impact on the NLTF. The Board was concerned about the possible reduced level of funding from the Canterbury Earthquake Recovery Fund and how this will affect the 2012-15 NLTP.

<p><b>Resolution 7</b></p>	<p><i>The NZ Transport Agency Board:</i></p> <ul style="list-style-type: none"> <li>a. <b>agreed</b> with the approach to limit the gross cost of Christchurch City Council’s reinstatement of its earthquake damaged transport network that will be funded as emergency works from 2013-14, with the intention that reinstatement costs above this limit will be funded as renewal activities at the base funding assistance rate applicable to the year of funding;</li> <li>b. <b>agreed</b> that the emergency works funding assistance rate to apply to the reinstatement emergency works claims will be 83% until 30 June 2017 (previously agreed) with any reinstatement claims after this date funded as renewal activities at the base funding assistance rate applicable to the year of funding;</li> <li>c. <b>re-confirmed</b> that the total contribution from the Canterbury Earthquake Recovery Fund should be \$190 million as previously agreed;</li> <li>d. <b>re-confirmed</b> that the gap between the NLTF contribution of \$50 million per year, and actual expenditure, should be funded through a Crown loan, which is repaid from a continuation of the \$50 million NLTF annual contribution</li> </ul>
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	<p><i>after the work has been completed; and</i></p> <p>e. <b><i>agreed</i></b> that the rate of expenditure in delivery of the reinstatement programme will be limited to \$170 million per year under the Crown loan arrangement, and that Christchurch City Council will be required to finance any short term difference over this level itself which is then repaid from the NLTF.</p>
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## 5.2 Transmission Gully PPP: Public Sector Comparator

### Board paper 13/08/0752

This item provided a further update on the Public Sector Comparator (PSC) for the Transmission Gully Public-Private Partnership as the project cost information is further refined. Colin Crampton briefly explained the changes to the PSC, and Dave Brash advised that the revised PSC meets the Agency’s investment criteria. The Board accepted the revised PSC and noted that it may again be revised as cost estimates are finalised.

<b>Resolution 8</b>	<i>The updated Public Sector Comparator for the Transmission Gully Private-Public Partnership has a net present value of \$X<sup>1</sup> million (at an 8% discount rate) and at the 95<sup>th</sup> percentile probability.</i>
<b>Requested action</b>	<i>That the reasons for any changes to the Public Sector Comparator for the Transmission Gully project be clearly set out as communication messages.</i>
<b>Requested action</b>	<i>That the Chief Executive briefs the Minister of Transport, and through him the Minister of Finance, of the updated Public Sector Comparator for the Transmission Gully Private-Public Partnership.</i>

<sup>1</sup> \$ amount withheld until the commercial negotiations have been fully completed

## **6. Other updates and general business**

### **6.1 Operational and communications updates**

**Board paper 13/08/0744**

The purpose of this paper was to update the Board on operational matters that do not necessitate a full Board paper, including media and communications; various Benchmarking Administrative & Support Services (BASS) initiatives; the ‘Model Community’ publication; and the implications of the State Sector and Public Finance Reform Bill for NZTA planning and performance reporting.

### **6.2 Forward agenda for the 20 September 2013 Special Board meeting and Special ARA Committee meeting**

The Board noted the agendas, and that the Board meeting will be held via a telephone conference.

### **6.3 General business**

No items of general business were raised.

## **7. Workshops**

### **7.1 Auckland Council’s exploration of options for raising additional land transport revenue**

**Board paper 13/08/0750**

Stephen Town led a discussion on the findings and recommendations of the Auckland Council’s Consensus Building Group into options to raise additional revenue for investing in Auckland’s transport programme. Board members discussed the group’s assessment of pros and cons of various revenue options, and the reasons for the conclusions reached. This is an issue of great

relevance to the Agency and the Board will hold a further discussion on this Auckland Council led review at its strategy workshop in March 2014.

## **7.2 Christchurch rebuild: ensuring value for money**

Dave Brash provided to the Board an overview of the alliancing procurement method being used in the rebuild of horizontal infrastructure in Canterbury. He also outlined progress being made on the rebuild, how value for money is being delivered, and how that is being reported (earned value) and externally validated (including community feedback and traffic response feedback. Board members discussed some of the particular governance issues and challenges ahead (and in particular role clarity, setting correct levels of service and value for money gains) and noted the findings from the recent favourable OAG review on the procurement methods being used.