



Board Meeting and Strategy Workshop Minutes

Date & time	Board meeting 27 February 2014, 1–5pm, Strategy workshop on 28 February 2014, 9am–2pm
Location	NZTA Boardroom, Level 2, 50 Victoria Street, Wellington
Board membership	Chris Moller (Chair), Patsy Reddy (Deputy Chair), Adrienne Young-Cooper, Alick Shaw, Gill Cox, Jerry Rickman, Nick Rogers and Tony Lanigan
NZTA staff in attendance at the Board meeting	Geoff Dangerfield (Chief Executive), Allan Frost (GM Organisational Support), Dave Brash (GM Planning & Investment), Neil Walker (Acting GM State Highways), Ernst Zöllner (GM Strategy & Performance & Board Secretary), Harry Wilson (Regional Director, Waikato and Bay of Plenty), Jim Harland (Director, Southern), Sara Broadhurst (GM People & Capability), Brandon Mainwaring (National Manager Trends & Performance)
Invited guests to the strategy workshop on 28 February	Andrew Jackson (Deputy Secretary, Ministry of Transport), Gareth Chaplin (GM Sector Performance, Ministry of Transport), Simon Douglas (Motoring Affairs Manager, AA), Dave Connell (President, NZ Contractor’s Federation), Ken Shirley (Chief Executive, Road Transport Forum), Cos Bruyn (President, Roothing New Zealand, David Taylor (Manager National Infrastructure Unit, The Treasury). Apologies were received from Malcolm Alexander (CE, Local Government NZ)

1. Introduction and governance matters

1.1 Apologies

All Board members attended the meeting.

1.2 Confirmation and overview of the agenda

The agenda was accepted as circulated, and the reasons for changes from the draft presented in December 2013 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 Draft minutes from the 13 December 2013 Board meeting

The minutes were confirmed with minor wording corrections.

Resolution 1	<i>The draft minutes of the 13 December 2013 Board meeting are a true and accurate record of the meeting</i>
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Draft minutes from the 5 February 2014 Special Board meeting

The minutes were confirmed as tabled.

Resolution 2	<i>The draft minutes of the 5 February 2014 Special Board meeting are a true and accurate record of the meeting</i>
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1.5 Progress on actions requested at previous meetings

Progress on all the actions was noted.

1.6 Report-back from the Audit Risk & Assurance Board Committee meeting held on 27 February 2014

Jerry Rickman summarised the key items from the Committee meeting earlier in the day, which included:

- progress on the annual audit review
- changes to the risk and assurance team
- highlights from the regular IS, finance and risk management updates
- a specific discussion on progress with introducing SAP.

1.7 Report-back from the Investment & Operations Board Committee meeting held on 27 February 2014

Alick Shaw introduced the key items from the Committee meeting earlier in the day and then moved four resolutions from the Committee to the Board:

One Network Road Classification

Committee Paper 14/02/113

Resolution 3	<i>The NZ Transport Agency Board: a. agrees to adopt the One Network Road Classification (including the classification framework and provisional customer levels of service) as operational policy that will guide all relevant Transport Agency planning, investment, maintenance and operational decision-making.</i>
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	<p><i>b. agrees to replace the State Highway Classification System (including the classification framework and provisional customer levels of service) with the One Network Road Classification to guide all relevant planning, investment, maintenance and operational decision-making regarding the state highway network, including the State Highway Asset Management Plan.</i></p>
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Tauranga Transport Strategy – Transport Agency support

Committee Paper 14/02/114

Resolution 4	<p><i>The NZ Transport Agency Board supports Tauranga City Council’s Tauranga Transport Strategy as a basis for further development of programme business cases for implementation, subject to:</i></p> <ul style="list-style-type: none"><i>i. Tauranga City Council progressing implementation of the strategy in a manner consistent with the principles of the Transport Agency’s business case approach.</i><i>ii. Review of the SmartGrowth settlement pattern to consider opportunities for a more optimal settlement pattern and staging with regard to infrastructure provision, and confirmation of projected growth scenarios.</i>
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Hairini Link Stage 4 (Tauranga) – construction funding

Committee Paper 14/02/115

Resolution 5	<p><i>The NZ Transport Agency Board approves \$68 million for the detailed design and construction associated with the NZTA’s SH29 Hairini Link Stage 4 project in Tauranga.</i></p>
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Auckland accelerated projects

Committee Paper 14/02/112

Resolution 6	<p><i>The NZ Transport Agency Board:</i></p> <ul style="list-style-type: none"><i>a. agrees to progress the Auckland accelerated package subject to the requirement that the level of financial assistance provided by the Crown will not materially affect the level of investment funding available to the remainder of the National Land Transport Programme;</i><i>b. agrees that a loan and grant combination of financial assistance would be most appropriate subject to suitable measures being taken to deal with NLTF revenue risk relating to the loan repayment period;</i><i>c. agrees with the strategy to focus on state highway access and local road improvements to the north of the Mangere Inlet for the East-West programme; and</i><i>d. agrees to progress planning for a ‘Southdown Link to SH1’ as a new ‘National Strategic High Volume’ State highway.</i>
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2. Chief Executive’s report and progress against plan

2.1 Chief Executive’s report

Board paper 14/02/0798

In his regular briefing Geoff Dangerfield raised the following items with the Board:

- progress on the Wellington Public Transport spine, including the accord signed with Wellington City Council
- progress on the Auckland accelerated programme (refer to earlier discussion from the Investment and Operations Committee)
- progress on signing up local authorities to make routes available for higher productivity trucks
- recent highlights from the Agency’s wide-ranging road safety programme
- progress on the review of Funding Assistance Rates
- various State highway and regulatory programme updates
- organisational performance and development issues and milestones.

In addition to discussing various points in relation to the above items, Board members sought updates from the Chief Executive on introducing time limits on restricted driver licenses and progress by the Ministry of Transport on developing a comprehensive overview of existing and potential vehicle standards.

Resolution 7	<i>The NZ Transport Agency Board receives the Chief Executive’s Report for February 2014.</i>
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2.2 Financial reports for the Transport Agency and NLTF to the end of January 2014 covering seven months of 2013-14

Board paper 14/02/0796

Allan Frost presented to the Board the financial results for the seven months ended 31 January 2014.

Resolution 8	<i>The NZ Transport Agency Board receives the financial report for the seven months ended 31 January 2014.</i>
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2.3 2012-15 NLTP mid-term progress and 2015-18 NLTP development update

Board paper 14/02/0800

Geoff Dangerfield and Dave Brash presented the mid-term progress of the 2012-15 National Land Transport Programme (NLTP) and provided an update on development of the 2015-18 NLTP. Board members sought explanations of current and projected variances against the adopted Programme, and encouraged staff to communicate the mid-point update widely and to seek additional investment opportunities in activity classes such as cycling, walking and local roads where several approved projects have been delayed by local government partners.

Resolution 9	<i>The NZ Transport Agency Board receives the communication and engagement plan around the 2012-15 National Land Transport Programme (NLTP) mid-point, as well as the updated schedule of engagement for the development of the 2015-18 NLTP.</i>
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2.4 2012-13 Benchmarking Administrative & Support Services (BASS) results

Board paper 14/02/0790

Allan Frost provided a summary of the Transport Agency's performance in the 2012-13 Benchmarking Administrative & Support Services survey. The Board noted the generally very good results, and sought explanations from relevant Group Managers on variances and areas where the Agency could perform better. Allan recommended 5 focus areas for continuous improvement.

Resolution 10	<p><i>The NZ Transport Agency Board accepts the Benchmarking Administrative & Support Services 2012-13 variance commentary, and supports the following focus areas for continuous improvement:</i></p> <ul style="list-style-type: none"><i>i. achieving a 'leading' result in the finance function's capability maturity assessment;</i><i>ii. achieving an 'exceeding' result against HR metrics around leadership capability and staff engagement through the implementation of the People Plan;</i><i>iii. addressing the longer-term cost of IS ownership opportunities through a move to a more services orientated approach;</i><i>iv. implementing the State highway network outcomes contracting model; and</i><i>v. continuing to improve the effectiveness and efficiency reviews for corporate and executive services.</i>
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3. Setting sector and organisational direction

3.1 Proposed approach to the Statement of Intent and Statement of Performance Expectations development

Board paper 14/02/0789

Ernst Zöllner presented the revised approach to the development of the NZ Transport Agency’s Statement of Intent (SOI) and Statement of Performance Expectations (SPE) 2014-18, which was supported by the Board.

Resolution 11	<p><i>The NZ Transport Agency Board’s Statement of Intent for 2014-18 will have two parts, namely a Statement of Intent that covers our strategic intent and a Statement of Performance Expectations that provides a forward view of our non-financial and financial performance expectations. The 2014-18 Statement of Intent will reflect:</i></p> <ul style="list-style-type: none"><i>• the same strategic direction (goals, objectives, priorities) as in the 2013-16 Statement of Intent;</i><i>• the same 2016 targets for each priority area; and</i><i>• updated milestones and deliverables for each objective.</i>
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3.2 Proposed content for the draft Statement of Performance Expectations – Non financial

Board paper 14/02/0794

Brandon Mainwaring answered questions from Board members on the proposed contents of the 2014-18 Statement of Performance Expectations (SPE) (the second of our three accountability publications) containing the non-financial performance expectations for the Transport Agency service delivery targets and National Land Transport Fund (NLTF) investment result forecasts.

Resolution 12		<i>The NZ Transport Agency Board agrees to retain the performance measures and targets from the 2013-16 Statement of Intent and to keep their targets at the same level as in 2013-16, with the following exceptions:</i>				
Output class	Measure	2013/14 estimated result	2014/15 Target	2015/16 Target	2016/17 Target	2017/18 Target
Management of the funding allocation system (MOFAS)	% customer satisfaction (Approved Organisation Stakeholders)	2014 results will be available in April (2013 = 63%)	>65%	>65%	>70%	>70%
Licensing & Regulatory Compliance	% customer satisfaction	>69%	>TBD%	>TBD%	>TBD%	>TBD%
Motor Vehicle Registry	% customer satisfaction (Ease of online transactions)	>96%	>95%	>95%	>95%	>95%

New and improved infrastructure for state highways	% customer satisfaction (Supplier Stakeholders)	2014 results will be available in April (2013 = 53%)		>55%	>60%	>65%	>65%	
Maintenance and operation of state highways	% customer satisfaction (Network information)	45%		>45%	>50%	>50%	>50%	
Output class	Measure	2011/12 Actual	2012/13 Actual	2013/14 Estimated Result	2014/15 Target	2015/16 Target	2016/17 Target	2017/18 Target
MOFAS	Average number of days to deliver (Processing of NLTP funding application)	24	19	19	20	20	20	20
Road safety promotion	% of road safety advertising campaigns that meet or exceed their agreed success criteria	New measure		75%	≥75%	≥75%	≥75%	≥75%
Walking & Cycling	Kilometres of new footpaths, cycle lanes and cycle paths (Av 09-12 = 100km)	65.3	46.6	Approx. 100	80-120	80-120	80-120	80-120
Maintenance and Operations of state highways	Cost of emergency reinstatement	\$65.3m	\$56m	\$60m	\$50-55m	\$50-55m	\$50-55m	\$50-55m
Maintenance and Operations of local roads	Cost of emergency reinstatement	\$92m	\$84m	\$85m	\$85-90m	\$85-90m	\$85-90m	\$85-90m

Public Transport	Public transport boardings per NLTF\$1,000 invested on public transport services (including track access charges)	660	550	<510	450-550	450-550	450-550	450-550
New and Improved infrastructure for state highways	Length of road reconstruction and new road completed (lane km)	89	85	Approx. 80	80-100	80-100	80-100	80-100

3.3 Update of the Statement of Performance Expectations 2014-17 – Financial information

[Board paper 14/02/0797](#)

The Board noted progress of the budgeting process that forms the basis of the Statement of Performance Expectations (SPE) 2014-17.

Resolution 13	<i>The NZ Transport Agency Board receives the progress report on the budgeting process for the Statement of Performance Expectations (SPE) 2014-17.</i>
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3.4 State highway procurement continuous improvement plan

[Board paper 14/02/0792](#)

The findings of an independent review of the Transport Agency’s state highway procurement approach were presented to the Board on 13 December 2013, and at this meeting the Board reviewed the requested improvement plan which addresses issues raised in the review. Board members sought further information in relation to the levels of competition across the regions and the measures that will be used to provide assurance that the procurement changes will lead to improved market structures. In closing Geoff Dangerfield and Neil Walker outlined the key milestones ahead and the proposed further updates before the end of 2014.

Resolution 14	<i>The NZ Transport Agency Board receives the continuous improvement proposal in response to the independent review on the state highway procurement approach.</i>
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3.5 Endorsement of the State Highway Procurement Strategy 2014

Board paper 14/02/0795

The Board endorsed of the updated State Highway Procurement Strategy 2014 (the Procurement Strategy) and approval of a nine-year maximum term for network outcomes contracts, but noted that the term of nine years is to be regarded as a maximum and will not be the automatically approved contract tenure. The optimal and actual terms for the contracts will be determined by the assessment of the specific risks and circumstances for each individual network contract.

Resolution 15	<p><i>The NZ Transport Agency Board:</i></p> <ul style="list-style-type: none"> <i>a) endorses the updated State Highway Procurement Strategy 2014, on the basis of successfully implementing the Procurement Improvement Plan by June 2015 and, if necessary, bring the Procurement Strategy back to the Board for revision;</i> <i>b) approves, under s25(1) of the Land Transport Management Act (2003), a contract term of up to nine years for network outcomes contracts; and</i> <i>c) agrees that the procurement procedure approval to allow a term of up to a maximum of nine years for a network outcomes contract is in addition to the procurement procedure approvals granted to our Highways and Network Operations group when endorsing the State Highway Portfolio Procurement Strategy in 2010, and subsequently.</i>
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3.6 Local government reorganisation – principles for engagement

Board paper 14/02/0801

The Board agreed to a set of principles that would form the basis of any engagement by the Agency on proposals or discussions on alternative local government governance arrangements, with particular relevance to current discussions in Northland, Hawkes Bay and Wellington regions.

Resolution 16	<p><i>The NZ Transport Agency Board agrees that local government restructuring proposals should ideally result in:</i></p> <ul style="list-style-type: none"><i>i. improved ‘one transport network’ solutions for customers</i><i>ii. more cohesive, strategic and integrated approaches to land use and transport planning</i><i>iii. streamlined transport planning, investment and delivery decision-making</i><i>iv. partnership approaches that support collaboration in regional planning, safety and network maintenance and operations</i><i>v. efficient use of resources and value for money in transport investment</i><i>vi. improved organisational capability and capacity to deliver shared outcomes across the transport sector.</i>
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4. Significant planning, investment and operational matters

4.1 NLTF revenue diversification

Board paper 14/02/0802

The Board discussed the proposed work programme under the Agency’s ‘Maximise returns for New Zealand’ goal, and in particular how lessons from other jurisdictions in relation to revenue sources can be best accessed and considered.

Resolution 17	<i>The NZ Transport Agency Board notes the summary of possible options to diversify revenue sources for the National Land Transport Fund (NLTF) in the medium to long term, and agrees that the Agency will support the work by the Ministry of Transport (and other key partners) on all possible options but in the short term focus its efforts on the tolling programme development.</i>
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4.2 Update on governance and establishment for New Zealand Transport Ticketing Ltd (NZTTL)

Board paper 14/02/0799

The Board confirmed governance and establishment plans for New Zealand Transport Ticketing Ltd (NZTTL) and noted the NZTTL business establishment plan and its three concurrent work streams.

Resolution 18	<i>The NZ Transport Agency Board agrees with the NZTTL Board governance plan, including establishing a regional partner advisory panel initially comprised of Auckland Transport and NZ Transport Agency representatives.</i>
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4.3 Transmission Gully Public Private Partnership – financial close update

Board paper 14/02/793

Geoff Dangerfield updated the Board on progress to conclude negotiation of the Transmission Gully Public Private Partnership Project Agreement with the Wellington Gateway Partnership.

Resolution 19	<i>The NZ Transport Agency Board receives the progress report on the negotiations to conclude the Transmission Gully Public Private Partnership.</i>
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5. Other updates and general business

5.1 Media and communications update

Board paper 14/02/0791

The Board noted the regular update on media events.

5.2 Draft agenda for 2 May Board meeting

The draft agenda for the upcoming meeting in Hamilton was noted and no additional items were raised.

5.3 General business

The Board discussed declarations of interest and what constitutes best practice, in particular whether it is necessary to declare interests in general investment vehicles that in turn may invest in firms that could undertake business with the Agency or have another form of relationship.

Requested action	<i>That Patsy Reddy and Gill Cox work with the Board Secretary to explore all available guidance on declarations of conflict of interest and consider practices at other Boards, and report back to the Board at its July 2014 meeting.</i>
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6. Board Workshop

Conversations with stakeholders

Board paper 14/02/0803

For its annual strategy workshop the Board invited representatives from the Ministry of Transport, Treasury, Roding NZ, Contractors Federation, AA, the Road Transport Forum and Local Government NZ to present their views on how the Agency can continue to improve its performance. Due to a conflicting National Council meeting Local Government NZ representatives were unable to attend.

The key themes from the workshop were:

- How to address challenges relating to revenue sustainability including the decline in traditional charging mechanisms and move to fee-for-service charges. The key point was the difficulty of delivering a ‘lumpy’ investment programme in an environment where revenue sources over the long term are uncertain. There was discussion about whether the problem was urgent or whether there was time available for a solution to emerge over years.
- The importance of improving procurement processes and the structure of contracts to contain costs and achieve better outcomes, including contract management improvements, allowing time for innovation, collaborative processes and maximising regional competition. This discussion included the need for more sophisticated risk sharing amongst parties as well as expertise and resourcing amongst local government investment partners.

- The need to understand and differentiate customer expectations and levels of service according to need, location and function to direct resources to the best uses and optimise outcomes from a NZ Inc. perspective. This discussion included information on the shaping role of the One Network Road Classification.
- Renewed focus on health and safety in a changing regulatory and social environment, including the potential ability of the Transport Agency to take a leadership role and use its market position to mandate higher minimum standards amongst its supplies.
- The importance of achieving better integration across all modes and user expectations, including the roles of air and sea ports, as well as rail. Included in the discussion was the need to ensure that investment was targeted towards the roads that contributed materially to economic growth.
- Issues around the most effective way to administer safety and economic regulation. This included getting the balance right between enabling compliance and effective enforcement for wilful non-compliance and issues around the implementation of the Operator Rating System. This discussion included problems with the administration of the freight permit system and challenges associated with speed enforcement.

Taken together, the key stakeholders suggested the following as areas of focus for the Agency (in no particular order):

- Getting procurement processes right to contain costs and achieve desired outcomes, including contract management improvements, innovation, collaborative processes and maximising regional competition.
- Optimising investment, including getting best use out of existing infrastructure, trade-offs between maintenance and renewals spend and managing demand.
- Understanding and differentiating customer expectations and levels of service according to need, location and function.
- Understanding the contribution of transport investment to economic growth and productivity.

- Identifying and responding to regional investment expectations for both capacity and safety reasons.
- Addressing challenges relating to revenue sustainability including decline in traditional charging mechanisms and move to fee-for-service charges.
- Increasing activity around demand management.
- Addressing forecasting issues relating to revenue, modal demand and modal shift.
- Increasing use of data and technology to optimise the system and enhance user experience.
- Maintaining the increased focus on health and safety in a changing regulatory and social environment.
- Continuing to effectively administer safety and economic regulation – getting the balance right between enabling compliance and effective enforcement for wilful non-compliance.
- Developing and improving asset management practices.

In addition to this wide-ranging discussion, the workshop also touched on some of the broader issues facing the transport sector:

- Opportunities to facilitate the supply of drivers to the commercial transport sector (e.g. to address the labour market issues for truck drivers – licence pathway and industry training).
- Is a fundamental change required in our approach to commercial vehicle regulation? Is the industry ready for a significant shift from prescriptive to performance-based standards?
- Opportunities for use of data/technology that are coming our way and how we prepare for these. Are there any impediments e.g. political, legal, institutional, or commercial?
- What is the analytical framework being used for establishing the optimal level of transport investment from a national perspective, including its distribution by activity class?
- The private sector's role in achieving a resilient transport sector.

Minutes approved by the Chair	<hr/>
Date	----/----/----