

Waka Kotahi NZ Transport Agency Board Minutes	
Date & time	24 February 2020, 9.00am – 1.30pm
Location	Waka Kotahi NZ Transport Agency Boardroom, Level 2, 50 Victoria Street, Wellington
Board members in attendance	Sir Brian Roche (Chair), David Smol, Catherine Taylor, Ken Rintoul, Cassandra Crowley, Patrick Reynolds
NZTA staff in attendance	Nicole Rosie (Chief Executive) Chris Lokum (General Manager People) Louise Harris (Manager Office of the General Manager) Greg Lazzaro (General Manager Safety, Health & Environment) Nick Woodward (Acting General Manager Corporate Support) Howard Cattermole (Chief Financial Officer) Kane Patena (General Manager Regulatory Services) Brett Gliddon (General Manager Transport Services) Carl Devlin (General Manager Rail & Mass Transit) Charles Ronaldson (Programme Director, Commercial Projects) Anna Moodie (Group General Counsel & Board Secretary)
External attendees	Mark Ratcliffe (former Chief Executive)
Apologies	Victoria Carter

Introduction and governance matters

1. Apologies

The Chair gave apologies from Victoria Carter. The Chair welcomed Nicole to her first Board meeting as Chief Executive.

2. Minutes & Actions

Draft Minutes

Resolutions	The Board confirmed the draft minutes of the 18 December 2019 meeting as a true and accurate record of that meeting. The Board noted the typographical error in the 27 November 2019 minutes, and that the minutes would be corrected to confirm that the Board approved \$9.0m of funding for the North West Rapid Transit to complete the Detailed Business Case.
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Actions Arising

There were no open actions.

3. Interests Register

Resolutions	The Board noted the Interests Register.
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4. Board and Chief Executive Only Session

No Board and Chief Executive only session was held.

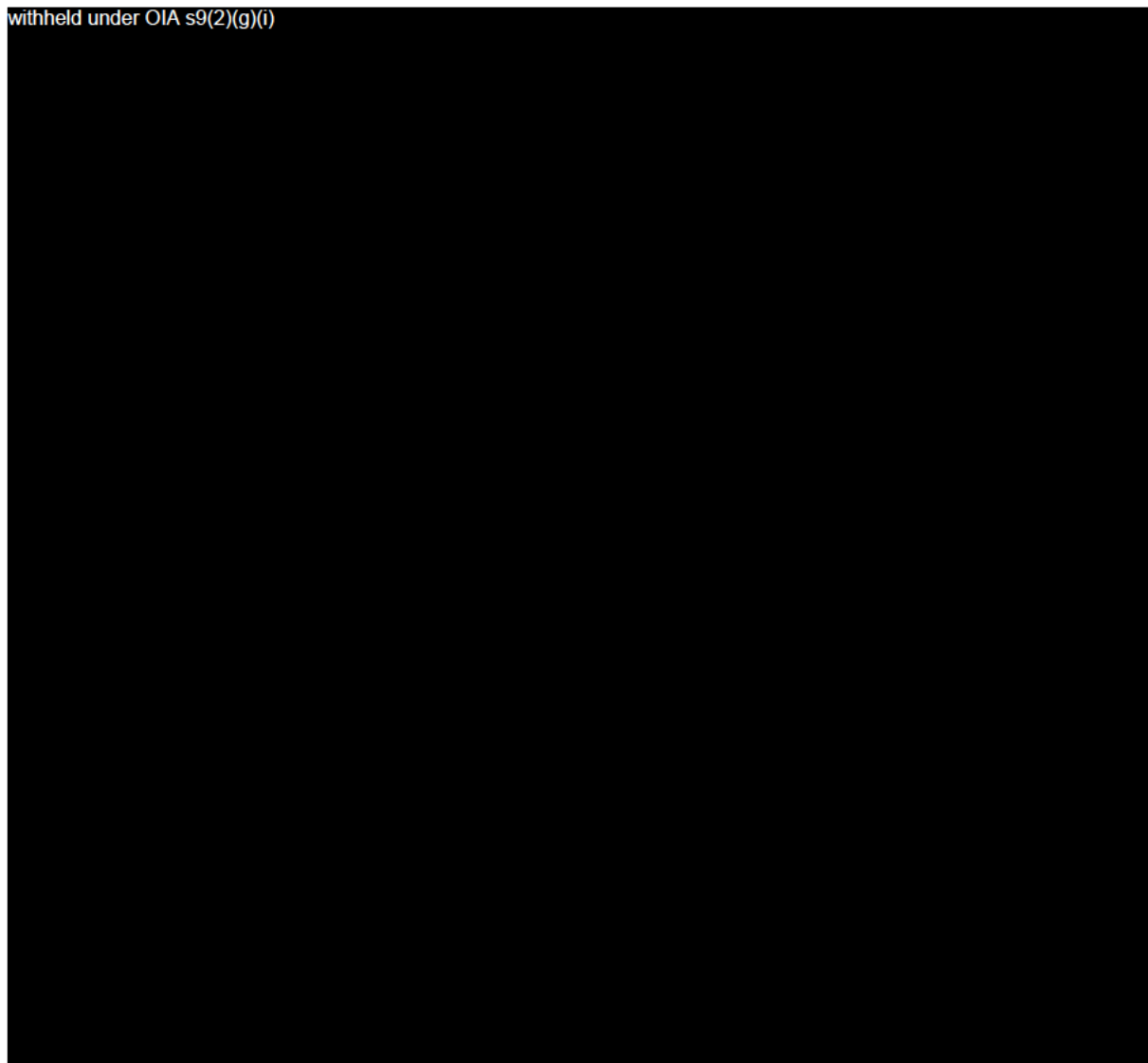
Chief Executive's Report

5. CE Report

Catherine Taylor joined the meeting.

The former Interim Chief Executive spoke to his report, noting in particular that:

withheld under OIA s9(2)(g)(i)



Resolutions	The Board noted the Chief Executive's report.
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Actions	The Regulatory Strategy to go to the Regulatory Committee in advance of going to the Board
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Technology & People

6. Revitalisation Programme Update

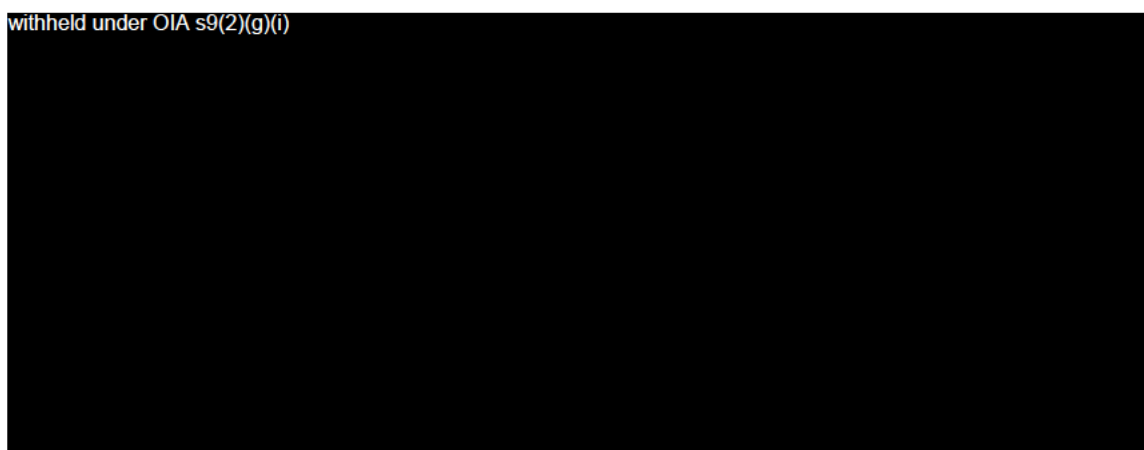
The Board noted their concern with the technology programme and the lack of progress in addressing the risks. While the Board supported the general direction of the programme, they felt that the programme needed more work in relation to: governance and assurance, particularly given the scale of the programme; understanding the vertical business processes that the technology would support; sequencing and change management. The Board noted their concern that the Ministry of Transport and Treasury did not support the need for further funding to address the risks.

Resolutions	<p>The Board:</p> <ul style="list-style-type: none"> • Noted the need to co-ordinate the Digital change programmes so that the Agency can manage the stabilisation, simplification and future enhancement activities that are needed. • Noted that there will be a single Digital Change Portfolio, encompassing all technology related change and risk remediation, that will report to the Investment and Delivery sub-committee of the Board. • Noted that we are progressing with the establishment of the Digital Change Portfolio, including appropriate funding, governance and delivery support.
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Actions	<p>A facilitated technology programme workshop is to be held with the Board</p> <p>An advisor to the Board on the technology programme to be engaged</p>
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7. MoT Review of People Capability

withheld under OIA s9(2)(g)(i)



withheld under OIA s9(2)(g)(i)

Resolutions	<p>The Board:</p> <ul style="list-style-type: none"> • Noted the Ministry of Transport's (MoT's) Monitor's assessment of people capability at Waka Kotahi; and • Noted the response from Waka Kotahi to the MoT Monitor.
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Actions	The workforce strategy is to be considered by the People and Culture Committee before coming back to the Board.
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The General Manager People and Manager Office of the General Manager left the meeting.

Safety, Health & Environment

8. Safety, Health & Environment Update

The General Manager Safety, Health & Environment joined the meeting and introduced the paper, noting that he now had a full leadership team in place. In response to questions from the Board, he confirmed that the team felt that they were listened to, and that they had the ear of the Executive Leadership Team and Board.

The Board expressed their concern about the number of deaths on roads where the speed limit was set higher than the safe and appropriate speed. The General Manager Safety, Health & Environment discussed the plan in place to reduce speed on the top 10% of roads, but noted that the required process takes significant time. The Board asked whether there was anything they could do to help make the process go faster, withheld under OIA s9(2)(g)(i)

withheld under OIA s9(2)(g)(i)

The Board noted the work underway in relation to the CoVid-19 outbreak.

Resolutions	The Board noted the Safety, Health and Environment Update.
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The General Manager Safety, Health & Environment left the meeting.

Strategy, Performance & Reporting

9. Risk & Assurance Committee Report back

The Chair of the Risk and Assurance Committee introduced the paper, noting that the Committee had discussed:

- That half year accounts were not required going forward and that other mechanisms would be used to identify issues in advance of full year accounts.
- The level of technology risk.
- The strategic risks, noting that there will be a risk workshop at the March Board meeting.
- Whether there was value in insuring critical assets. More work is required, but the next step is to talk to the Treasury, as the Crown is the owner of the assets.
- Concerns with reliance on information that is kept in spreadsheets that aren't audited.

Resolutions	The Board noted the contents of the paper.
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10. Financial Performance & NLTP Fund Summary

The Chief Financial Officer, Acting General Manager Corporate, General Counsel Governance and General Manager, Regulatory joined the meeting.

The Chief Financial Officer provided an overview of financial performance, noting that the National Land Transport Programme (NLTP) funding overall was in a reasonable position, with the New Zealand Upgrade Programme having freed up some money. The issues being managed included contractual claims, additional emergency works and the potential impact CoVid-19 could have on revenue.

At an activity class level, there were more acute pressures, particularly in relation to State Highway improvement and State Highway maintenance. The Board asked that the Ministry of Transport and Minister be made aware of these pressures. Management confirmed that the consequences for exceeding the activity class levels was mainly reputational, and that we would not be breaching the appropriation, which is in aggregate.

The walking and cycling activity class is underspent, due mainly to lower spend by local councils as a result of projects taking longer to start and prioritisation of spend. The Board queried what more could be done to encourage more walking and cycling work by councils. Challenges arise in the central/local government model, and some new ideas are needed.

Resolutions	<p>The Board:</p> <ul style="list-style-type: none"> • Noted the Financial performance summary for the Transport Agency and National Land Transport Fund (NLTF) for the six months ended 31 December 2019;
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	<ul style="list-style-type: none"> • Noted the risks to GPS funding ranges for four activity classes: State Highway Improvements and State Highway Maintenance (exceeding) and Walking & Cycling and Rapid Transit (not reaching).
Actions	Advise the Minister that activity class funding levels may be exceeded, and why this is the case

11. Regulatory Finances Update

The General Manager Regulatory Services introduced the paper, explaining that the issue is about securing funding in advance of the fees and funding review. While the initial view was that interim funding was only be for a year, it is likely to be for a longer period. There is no concern with funding for this financial year, but there are concerns about getting Ministry of Transport approval of funding for next year.

The Board will write to the Chief Executive of the Ministry of Transport, copying the Minister regarding the funding issues, noting that the Martin Jenkins report made recommendations on the work required to rebuild Waka Kotahi’s regulatory function, and that interim funding was to cover the cost of that work. The challenge in undertaking an effective fees and funding review in advance of implementing a stable regulatory function would also be raised.

The Board also discussed the challenges with accurate forecasting of revenue, and the structural issues with the funding model. The Ministry of Transport is undertaking a broader review of the future funding model.

Resolutions	<p>The Board:</p> <ul style="list-style-type: none"> • Noted the contents of the paper • Noted management are continuing to work with Crown officials to progress the drawdown of regulatory funding • Noted further legal advice has been requested (prior to the Board meeting) regarding further use of the NLTF to fund regulatory activity to address urgent risks to public safety • Noted a funding shortfall or delay potentially impacts both regulatory operations, as well as investment to manage urgent technology risks
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Actions	The Chair to write to the Ministry of Transport, copying the Minister regarding interim and long-term funding of the regulatory function.
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The Chief Financial Officer, Acting General Manager Corporate, General Counsel Governance and General Manager, Regulatory left the meeting.

12. Transport Services Report

The General Manager, Transport Services joined the meeting and introduced the

paper, highlighting the issues and updates in the paper.

The Board queried whether anyone was held accountable for the shortcomings of procurement processes that have ultimately led to a number of disputes. Because of the historic nature of the projects, Management explained that that was difficult. To avoid the issues recurring, some of the work underway included setting procurement strategies at a national level, turning down tenders that are unsustainable, and thinking about people capability.

withheld under OIA s9(2)(b)(ii)

Resolutions	The Board noted the Transport Services Report.
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Actions	A paper for the Board on how to reduce the number of claims on construction contracts.
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Investment

13. Investment & Delivery Committee Report Back

The Investment & Delivery Committee Chair discussed the papers brought to the Committee, and the recommendations that we now before the Board for approval.

Resolutions	<p>The Board:</p> <p>Melling Transport Improvements</p> <ul style="list-style-type: none"> • Noted that the Melling Transport Improvements project forms part of the broader RiverLink programme, which enables greater cycling, walking and public transport connections by: <ul style="list-style-type: none"> ○ connecting Hutt City with active mode paths to Wellington City and the Melling Train Station via a new river footbridge; and ○ improving connections to transport and the river, together with better flood resilience, and enables improved economic and urban growth in the Hutt Valley; • Noted the Melling Transport Improvements project: <ul style="list-style-type: none"> ○ involves the removal of a dangerous signal-controlled intersection on State Highway 2, replacing it with a new grade-separated interchange that includes a new overbridge and river bridge, to help improve access during peak travel times, and build greater resilience into the transport system; and ○ improves safety, access during peak travel times, public transport connections and builds greater resilience into the transport system;
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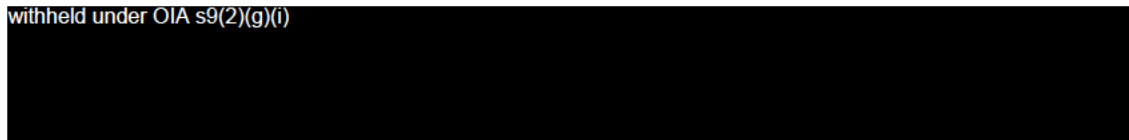
	<ul style="list-style-type: none"> • Noted the NZ Upgrade Programme includes \$258m for the implementation of the Melling Transport Improvements project; • Approved the Single Stage Business Case for the Melling Transport Improvements project; and • Noted that a new walking and cycling pathway will be included in the design of the bridge as part of the RiverLink programme and that this will be funded from the National Land Transport Fund. <p>Glen Innes to Tamaki Drive Shared Path</p> <ul style="list-style-type: none"> • Approved the business case for the remaining two sections of the Glen Innes to Tamaki Drive Shared Path (Sections 2 and 4) for the delivery of the final sections of the 7km shared path. This will provide a new active mode journey option for people travelling between the growing area of Glen Innes and the heart of the city, as a key component of the strategic walking and cycling network for Auckland; • Approved funding to the NZ Transport Agency of \$46.7m (plus admin fee) at a FAR of 100% from the National Land Transport Fund Walking and Cycling activity class, for implementation of Section 2 of the Glen Innes to Tamaki Drive Shared Path; • Approved Urban Cycleways Fund funding to the NZ Transport Agency of \$1.9m (plus admin fee) at a FAR of 100% for implementation of Section 2 of the Glen Innes to Tamaki Drive Shared Path; and • Delegated authority to the Chief Executive to approve implementation funding of Section 4 by Auckland Transport, provided that the total amount for this section does not exceed \$37m (with a National Land Transport Fund share of \$18.9m and a FAR of 51%). <p>Auckland Optimisation Programme Business Case</p> <ul style="list-style-type: none"> • Approved the Auckland Network Optimisation Programme Business Case which will make better use of the existing transport system through a ten-year mode-choice focused multi-modal network optimisation programme, jointly with Auckland Transport; • Approved funding to the NZ Transport Agency and Auckland Transport to undertake the Auckland Network Optimisation Single Stage Business Case, with total project costs of \$2.1m from the National Land Transport Programme, \$1.6m of which is from the National Land Transport Fund (State Highway Improvements and Local Road Improvements activity classes) and \$0.5m of which is from Auckland Transport; and • Noted the potential investment required of \$330m-\$400m for optimisation activities over ten years. The indicative
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	<p>split for investment would be one third state highway investment and two thirds local roading investment. The Transport Agency will advise Auckland Transport that any approval of the Programme Business Case does not mean funding has been approved for the programme. Projects will be assessed on both alignment to the programme and on their individual merits, and where required will go through the business case approach. Approval of the programme business case will enable Auckland Transport to seek funding from the National Land Transport Fund at a later date to implement key activities included within the recommended programme.</p> <p>Transitional Rail Auckland Metro Projects</p> <ul style="list-style-type: none"> • Approved the Single Stage Business Case for the following investments: <ul style="list-style-type: none"> ○ Rail Network Growth Impact Management; ○ Wiri to Quay Park Improvements; and ○ Papakura to Pukekohe Rail Corridor Improvements; • Noted that the Wiri to Quay Park Improvements and Papakura to Pukekohe Rail Corridor Improvement projects will be funded by the Crown as part of the NZ Upgrade Programme; • Approved implementation funding to Auckland Transport (AT) of up to the P95 estimate of \$237.44m for the Rail Network Growth Impact Management project from the Transitional Rail activity class of the National Land Transport Fund provided the Chief Executive authorises any funding beyond the P50 estimate of \$183.77m; • Noted that the Rail Network Growth Impact Management project is likely to represent a first phase of investment to undertake essential track bed and rail renewals, coupled with improvements in equipment and technical capability. The proposed investment will address safety-related speed restrictions and enable faster and more reliable metro rail services; and • Noted that AT will be contributing \$12m to the Rail Network Growth Impact Management project. <p>Transport Services Update</p> <ul style="list-style-type: none"> • Noted the Committee: <ul style="list-style-type: none"> ○ Received the paper titled “Transport Services Update”; ○ Discussed selected papers being presented to the February Board meeting; and ○ Provided feedback on the matters in the paper being presented to the March Board meeting.
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15. Auckland Light Rail Update

withheld under OIA s9(2)(g)(i)

withheld under OIA s9(2)(g)(i)



Resolutions	The Board noted the contents of the paper
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14. NZ Upgrade Programme

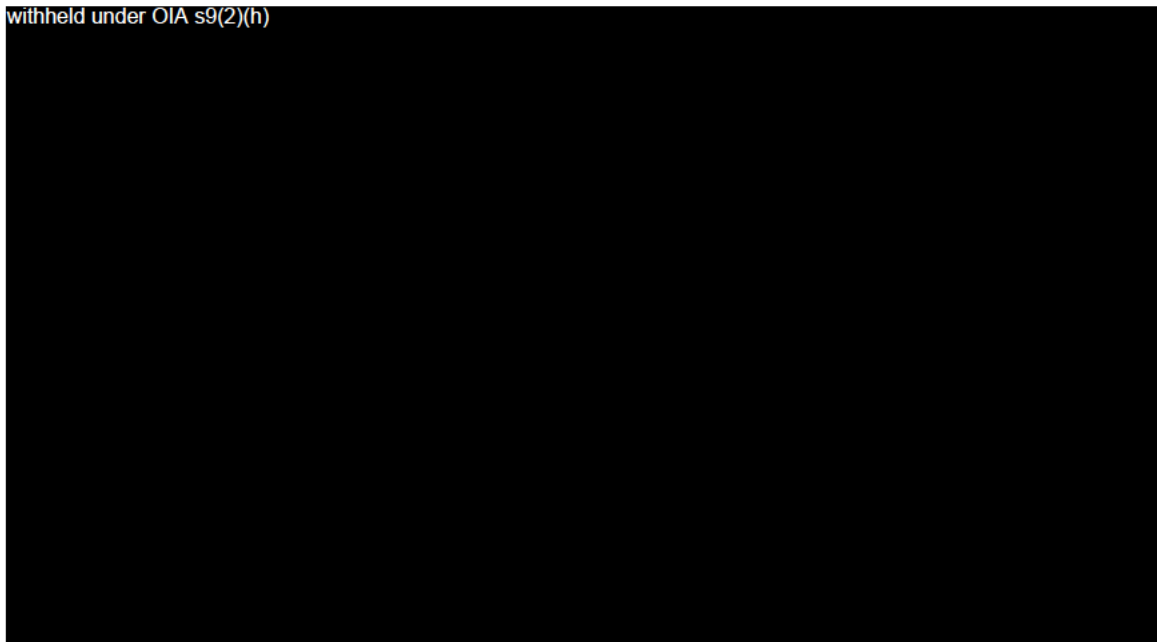
The General Manager Transport Services joined the meeting and introduced the paper, noting that the New Zealand Upgrade Programme would be separately governed, but the projects would be managed as part of Waka Kotahi’s business as usual work. The separate governance model recognises the Government’s expectations around establishment and reporting. The Programme provides an opportunity to be innovative in the way we procure the work, including from a health and safety and delivery perspective.

The Board queried whether the costs to Waka Kotahi had been appropriately accounted for in the funding, such as the cost of new office space to accommodate additional resource. The Minister of Finance has asked for an initial review of costs by 31 March 2020. The Board noted the challenge of hiring resources, in terms of capability, cost and competition for that resource within New Zealand and overseas.

David Smol left the meeting.

Resolutions	The Board noted the contents of the paper.
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16. withheld under OIA s9(2)(h)



17. National Ticketing Project

The Programme Director, Commercial Projects joined the meeting and the Chief Executive introduced the paper. The project has faced a number of delays over a number of years, and following a review by Deloitte, has been led out of the Chief Executive’s office.

The proposal is for Waka Kotahi to procure the software and hardware to support a nationwide public transport payment system and to manage the backend system for collecting payment. Approved organisations will still set fares and determine routes, and all support the concept. Participation agreements will be entered into to ensure ongoing support.

The Board discussed funding, noting that under the status quo, Waka Kotahi co-funds multiple systems across different regions. The system will also provide rich data about transport usage, which will be open source.

The Board noted their preference to look to successful overseas models, rather than creating something from scratch. The primary focus should be on public transport, but there might be an opportunity to integrate into other ticketing, such as tolling later down the track.

<p>Resolutions</p>	<p>Subject to legal advice confirming the acceptability of the proposed approach from a legal perspective, the Board:</p> <ul style="list-style-type: none"> • Approved the Transport Agency establishing a ‘shared services’ function to manage the back-office and contracting arrangements with suppliers of the National Ticketing Solution on behalf of all PTAs; • Approved funding to the NZ Transport Agency for the National Ticketing Programme (Project NEXT) for an increase of \$7.9m at a funding assistance rate of 100% (\$7.9m out of the NLTF) for Work Category 531 from the Public Transport Activity class thereby increasing the approved total cost from \$14.2m to \$22.1m being comprised of: <ul style="list-style-type: none"> ○ \$6.6m additional costs of the Project NEXT team to complete the procurement and business case phase through to August 2021; ○ \$1.3m for preliminary investigative activities to establish a shared services function within the NZTA; • Approved the Request for Proposal being issued by the Transport Agency noting that the risk this may be viewed as a closed tender is mitigated by the comprehensive process which successfully secured the group of shortlisted respondents; • Supported the preparation and execution of a Participation Agreement with Public Transport Authorities; • Noted finalisation of the Business Case and completion of the procurement process has been delayed and an outcome is not expected until early 2021 with implementation, early 2022; • Noted the proposed approach to funding the National Ticketing Solution, including: <ul style="list-style-type: none"> ○ The Transport Agency assuming development costs relating to the system and ongoing running costs;
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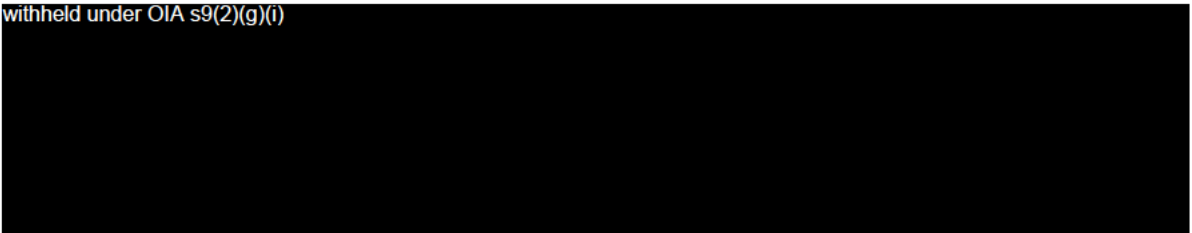
	<ul style="list-style-type: none"> ○ Public Transport Authorities assuming responsibility for their own transition costs, equipment supply and support & maintenance under normal FAR provisions; ○ Transport Agency costs being charged against the National Land Transport Fund - Public Transport Services; <ul style="list-style-type: none"> ● Noted the proposed shared governance model that will be adopted with Regional/Territorial Authorities for the ticketing function delivered by the Transport Agency; ● Noted that Greater Wellington Regional Council and Auckland Transport will need to formally agree to the proposed arrangements; ● Noted that, in conjunction with the Ministry of Transport, the legal implications of the Transport Agency assuming its proposed role in the National Ticketing Solution is in the process of being finalised; and ● Noted some enhancement work will need to continue on the AT-HOP product to keep it current until such time as Auckland transitions to the National Ticketing Solution, not expected before 2025 and that those enhancements will not materially impact the Business Case outcomes.
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The Programme Director, Commercial Projects left the meeting.

General Business

18. General Business

withheld under OIA s9(2)(g)(i)



The meeting concluded at 1.30pm.

Actions	Invite the Associate Minister to the March Board Meeting Invite Dr Paul Winton to the April Board meeting.
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Minutes approved by the Board Chair

Brian Roche 18/06/2020