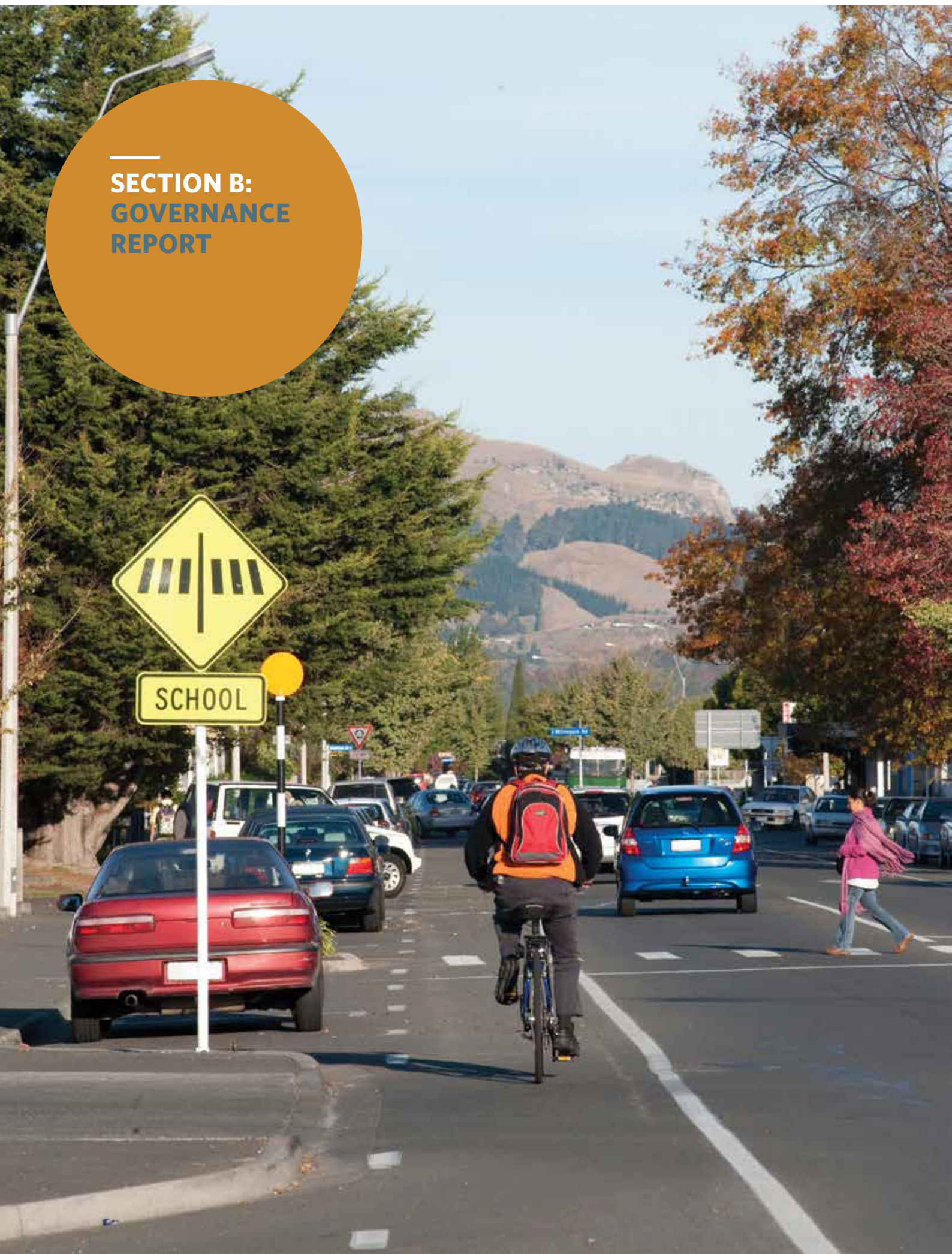


**SECTION B:
GOVERNANCE
REPORT**



REPORT FROM THE CHAIR

INTRODUCTION

I am pleased to present the 2011/12 annual report for the NZ Transport Agency (NZTA). This report underscores another solid year of achievement against the milestones set out in the *Statement of intent*. The continued emphasis on activities that promote economic growth and productivity, improve road user safety and provide value for money has put the NZTA in a strong position to deliver on the government's priorities for the land transport system. The achievements highlighted in this report reflect the NZTA's focus on planning and delivering a land transport network and services that provide transport users with positive travel experiences that are increasingly safer, and more efficient and reliable. They also reflect the NZTA's ongoing dedication to

delivering customer-focused services and solutions that represent good value for money.

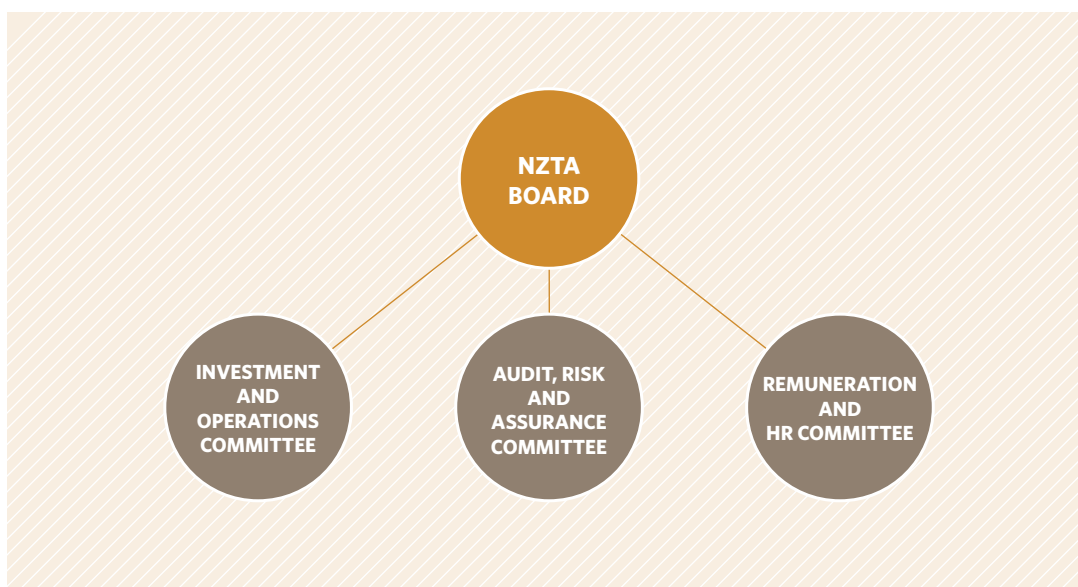
Our success reflects a team effort, and I want to acknowledge the efforts of the NZTA's staff and my colleagues on the Board in helping to create transport solutions for a thriving New Zealand. We have an ambitious work programme ahead of us and have the commitment and capability to deliver it.

Chris Moller

Chair
NZ Transport Agency

BOARD MEMBERSHIP AND COMPOSITION

The Minister of Transport appoints up to eight independent non-executive members to the Board of the NZTA. Board members are appointed for up to a three-year period that may be extended. The Board selects the membership of its three committees.



BOARD FUNCTIONS

The Board performs six functions that direct the operations of the NZTA:

1. Influencing and contributing to the land transport sector.
2. Setting the direction of the NZTA.
3. Setting plans and targets for services and financial performance.
4. Reviewing the NZTA's performance against plans and targets.
5. Providing quality assurance of key operational policies, systems and processes.
6. Making significant planning, investment and funding decisions.

The planning, investment and funding decisions reserved for the Board are set out in its significance policy, and include:

- approving annual budgets
- making significant funding decisions and contract awards
- authorising changes to the organisational structure
- authorising significant changes to processes or procedures for the allocation of the National Land Transport Fund (NLTF)
- reviewing the performance and remuneration of the Chief Executive.

The Board sets clear policies that define the individual and collective responsibilities of committee management, operating structure, lines of responsibility and what each has authority for. Operational responsibility is delegated to the Chief Executive by way of a formal delegated authority framework. Day-to-day operations are managed by senior managers led by the Chief Executive.

While the board committees have no delegated authority, they help the Board to:

- provide assurance that policies and controls are complied with
- monitor and advise on delegated investment, operational procedures and projects
- annually review the performance of the Chief Executive.

In summary, the Board is responsible for the success of the NZTA. The Minister's formal line of accountability with the NZTA is through the Board's chair.

BOARD MEMBER REMUNERATION

The rates of remuneration for Board members are set by the Minister of Transport, in accordance with government rates for members' fees.

DISCLOSURE OF INTERESTS

Board members are required to complete a declaration of interests each year. The process is independently audited every year. An updated schedule of Board members' interests is tabled and reviewed at the opening of every Board meeting.

CODE OF CONDUCT

The Board formulated and adopted a code of conduct for its members in 2010. The code is based on best practice. It is informed by the State Services Commission's *Board appointment and induction guidelines*, and by the Office of the Auditor-General's *Managing conflicts of interest: Guidance for public entities* and *Guidance for members of local authorities about the law on conflicts of interest*.

BOARD ACTIVITY IN 2011/12

The Board held eight scheduled and two special meetings in 2011/12. The scheduled meetings were held in Wellington (5), Auckland (2) and Christchurch (1). At the meetings the Board considered a total of 110 separate items, as set out in the table below. The Board also held a strategy and governance workshop in February 2012 focused on confirming the high level direction for the 2012-15 *Statement of intent*, the 2012-15 National Land Transport Programme (NLTP) and the 2012-15 Road Policing Programme. Specific attention was applied to framing and exploring overarching investment decisions and seeking maximum value for money in the development of the 2012-15 National Land Transport Programme.

BOARD ACTIVITY IN 2011/12

BOARD FUNCTION	HIGHLIGHTS
Influencing and contributing to the land transport sector	Submissions on and input to the 2012/13 – 2021/22 Government Policy Statement, Auckland spatial plan, the role of active modal choice in the New Zealand transport system, transport regulatory reform, public transport operating model development, development and operation of toll roads in New Zealand and vehicle licensing reform.
Setting the direction of the NZTA	Key operational policy considered: state highway classification system, State Highway Network Strategy, Network Access and Use Strategy, Auckland state highway network development, the Upper North Island Freight Plan, road policing investment framework, and transport planning investment direction.
Setting plans and targets for services and financial performance	Key areas of focus: 2012–15 <i>Statement of intent</i> and annual budget (9 items), NLTF cash flow, road safety and freight action plans, 2012–15 Road Policing Programme, assessment of local government co-investment capability, confirmation of the 2012–15 National Land Transport Programme, the strategic direction for the state highway and access and use functions and the Investment and Revenue Strategy (IRS) including the approach to reviewing co-investment ratios for the 2015–18 National Land Transport Programme.
Reviewing the NZTA's performance against plans and targets	Areas of focus: Quarterly and annual progress reports, rolling progress reviews on each NZTA strategic priority action plan, monthly finance reports, Performance Improvement Framework action plan progress reports, road safety advertising external effectiveness evaluation, and the 2010/11 Better Administrative and Support Services (BASS) survey results.
Providing quality assurance of key operational policies, systems and processes	Assessments against best practice were conducted for these key delivery and corporate processes and systems: procurement, asset management, risk management, network incident management and safety management of the state highway network, recruitment, licensing, property management, relationship management, communication and engagement, Māori engagement, post-implementation reviews, employee engagement, and rail safety regulation and promotion.
Making significant planning, investment and funding decisions	Key items: Canterbury earthquake recovery, integrated ticketing, tolling operations, major funding decisions, major contract awards, driver licensing and vehicle registration modernisation business case, NZTA consultation procedures, funding assistance rate reviews, metro rail upgrades, state highway procurement strategy, Waitemata Harbour Crossing, and Auckland and Hamilton roads of national significance.
Other general governance matters	Monthly reports from the Chief Executive, reports from the board committees, regular general business and issues update reports.

INVESTMENT AND OPERATIONS BOARD COMMITTEE

The purpose of the Investment and Operations Committee is to exercise stewardship over the NZTA's transport network investment decisions. It oversees the performance of the NZTA's business operations, including its legislative and regulatory responsibilities, and the state highway business. The committee provides advice to the Board by making recommendations on funding applications and investment decisions, and procurement proposals across all modes, within delegations reserved to the Board.

The committee comprises four serving NZTA Board members and has the authority to seek independent advice to discharge its functions. The committee provides business stewardship and guidance for a range of matters including:

- delivery of the National Land Transport Programme by approved organisations and adjustments to programmes to achieve longer-term goals
- recommendations on procurement, tendering and commencement of state highway projects or other projects approved for funding
- property management and tendering processes, leases and contracts
- development of tolling operations, integrated ticketing systems, registry operations and the delivery of legislative compliance and regulated safety regimes
- establishment of appropriate regulatory governance and monitoring arrangements
- development and implementation of asset management strategies, risk assessment, environmental audit and performance monitoring of state highways.

The committee met four times during 2011/12.

AUDIT, RISK AND ASSURANCE BOARD COMMITTEE

The Audit, Risk and Assurance Committee comprises up to three serving NZTA Board members. The committee is served by the Chief of Assurance and Risk and meetings are attended by the Chief Executive, Group Manager Organisational Support and Chief Financial Officer. The Ministry of Transport's Chief Executive was appointed by the Board as a committee member, with specific reference to monitoring responsibilities under section 101 of the Land Transport Management Act 2003.

The committee's responsibilities include:

- achieving and maintaining confidence that the NZTA has suitable risk management practices
- monitoring and reviewing significant financial, reporting and other risks
- reviewing and approving the internal audit programme
- achieving and maintaining confidence that the internal audit process is independent, objective and effective
- monitoring and reviewing significant findings arising from internal audits
- reviewing the programme and monitoring the effectiveness of the external auditor
- receiving reports from the external auditor
- reporting an overview of the committee's activities to the Board.

The committee met five times during 2011/12. Meetings were timed to coincide with the quarterly governance reporting process.



REMUNERATION AND HUMAN RESOURCES BOARD COMMITTEE

The purpose of this committee is to provide strategic governance in conjunction with the Chief Executive over human resources capability, remuneration, employment relations and key human resources strategies. The committee also helps the Board fulfil its responsibilities relating to the remuneration of the Chief Executive and senior management.

In discharging its strategic governance responsibilities, the committee:

- maintains awareness of human resources trends, benchmarks, issues and risks, including employee turnover and engagement, internal capability and succession requirements
- provides advice and guidance where required in the development of human resource strategies, frameworks and policies, workforce and succession planning, performance management, remuneration, retention and engagement, employment relations, code of conduct and behavioural expectations, and in the development of human resources delegations
- recommends staff remuneration strategies and overall market position to the Board
- oversees organisational compliance with statutory obligations under the governing legislation on behalf of the Board.

In discharging its responsibility for the Chief Executive's employment relationship and remuneration, the committee:

- establishes the annual key performance objectives for the Chief Executive and reviews the Chief Executive's annual performance against those objectives
- maintains an overview of trends and best practice in executive employment conditions and remuneration
- makes recommendations to the Board regarding the Chief Executive's performance assessment and remuneration and consults with the State Services Commission about any proposed changes
- if circumstances require, establishes and manages the process for Chief Executive recruitment and appointment.

The committee met three times during 2011/12.



BOARD MEMBER PROFILES

The NZTA is a Crown entity governed by a board appointed by the Minister of Transport.

Chris Moller
Chair (Wellington)



Chris is a non-executive director who chairs the Meridian Energy Ltd and New Zealand Cricket Inc boards. He is also a director of SKYCITY Entertainment Group Ltd, NZX Ltd, Westpac New Zealand Ltd, International Cricket Council and Rugby New Zealand 2011 Ltd. Chris is a trustee of the Victoria University Foundation and the Westpac Regional Stadium Trust. He was Chief Executive of the New Zealand Rugby Union, Deputy Chief Executive of Fonterra Co-operative Group Ltd, and a director of a range of joint venture and subsidiary organisations within the New Zealand dairy industry both domestically and internationally.

Patsy Reddy
Deputy Chair, Chair of
the Remuneration and
Human Resources Board
Committee (Wellington)



Patsy is a non-executive director and a qualified lawyer. She is Chair of the New Zealand Film Commission, a director of Payments NZ Ltd and Active Equities Ltd. She is also a chief crown negotiator for Treaty of Waitangi Settlements in the Bay of Plenty. Her previous directorships include Telecom Corporation of NZ Ltd, SKYCITY Entertainment Group Ltd, New Zealand Post and Air New Zealand Ltd.

Gill Cox
(Christchurch) from
1 September 2011



Gill is a chartered accountant and business consultant. He chairs MainPower NZ Ltd, Transwaste Canterbury Ltd and the Advisory Body of Development West Coast. He currently serves on the boards of a number of large privately held companies in Canterbury involved in the manufacturing, warehousing and distribution, and fishing industries. Gill is a member of the CERA Community Forum in Christchurch and the executive of the Canterbury Business Leaders Group, and is a past President of the New Zealand Institute of Chartered Accountants.

Bryan Jackson
(Waikanae)



Bryan is a non-executive director. He is a former Chairman of Vehicle Testing New Zealand. He was Chair of Transit New Zealand prior to the formation of the NZTA, and was also a board member of KiwiRail. Bryan is a director of ING NZ Pty Ltd, IEF Ltd, Nees Hardware and Building Supplies Ltd and several other private companies.

Tony Lanigan
(Auckland)



Tony is a professional civil engineer (FIPENZ), project management consultant and former general manager of Fletcher Construction. Tony was Chancellor of Auckland University of Technology and a director of Infrastructure Auckland. He is currently Vice Chair of Habitat for Humanity in New Zealand and Chair of New Zealand Housing Foundation. He is a director of Watercare Services Limited.

Jerry Rickman
Chair of the Audit, Risk
and Assurance Board
Committee (Hamilton)



Jerry is a chartered accountant and professional director. Jerry currently chairs Alandale Life Care Ltd, EziBuy Holdings Ltd, HG Leach Ltd and Tidd Ross Todd Ltd and is a director of Power Farmer Holdings Ltd. He was a member of Telecom's Independent Oversight Group. He has chaired the boards of Waikato Regional Airport Ltd, Waikato District Health Board, and Innovation Waikato Ltd.

Alick Shaw
Chair of the Investment
and Operations Board
Committee (Wellington)



Alick works as an independent commissioner for hearings convened under the Resource Management Act 1991 and as a member of boards of Crown entities, council organisations, privately held companies and the cultural sector. He is a member of the New Zealand Parole Board and a former deputy mayor of Wellington city.

**Adrienne
Young-Cooper**
(Auckland) from
1 August 2011



Adrienne is a businesswoman and professional director. She has a 30-year career in resource management and town planning specialising in spatial planning, metropolitan growth management including infrastructure planning and large projects. Adrienne was the Deputy Chair of Auckland Regional Transport Authority (replaced by Auckland Transport) and was a board member of Maritime New Zealand until 2011. Her experience and contribution in transport governance is extensive. She also is Deputy Chair of Auckland Waterfront Development Agency Limited (Waterfront Auckland) and Deputy Chair of Housing New Zealand Corporation.