



Board Meeting Minutes	
Date & time	4 July 2013 (5.00 - 5.45pm) and 5 July 2013 (9.30am – 2.00pm)
Location	NZTA offices at 43 Ashley Street, Palmerston North
Board members attending	Chris Moller (Chair), Adrienne Young-Cooper, Alick Shaw, Gill Cox, Jerry Rickman, Patsy Reddy and Tony Lanigan
Apologies	None
Staff attending	<p>Geoff Dangerfield (Chief Executive)</p> <p>Allan Frost (GM Organisational Support), Celia Patrick (GM, Access & Use), Dave Brash (GM Planning & Investment), Ernst Zöllner (GM Strategy, Communications & Performance; Board Secretary), Jenny Chetwynd (Regional Director, Central), Jim Harland (Regional Director, Southern), Stephen Town (Regional Director, Northland & Auckland) and Karen Quigan (Acting GM, People & Capability).</p> <p>Kevin Doherty (PPP Director), Paul Helm (Chief Financial Officer), Lyndon Hammond (Manager Planning & Investment, Central), Delaney Myers (Planning & Investment Manager), Clare Sinnott (Project lead, FAR review), Ben Peacey (Project lead, Resilience Policy), Kevin Reid (National Manager, Highway Professional Services) Rod James (State Highway Manager, Central)</p>
External invitees	Lawrence Yule (Mayor of Hastings District)

1. Introduction and governance matters

1.1 Apologies

All Board members were present.

1.2 Review of the Board visit and activities on 4 July

The Board visited the Palmerston North office on Thursday 4 July to meet with a wide range of staff, stakeholders and customers and to hear about the Transport Agency's business transformation strategy for its Access & Use Group. The Chair thanked Celia Patrick for the highly successful presentations and Jenny Chetwynd and the regional team for hosting the Board in Palmerston North.

1.3 Confirmation and overview of the agenda

The agenda was accepted as circulated, and the reasons for items delayed and added (from the 28 February draft) were noted.

1.4 Declarations of conflicts of interest

The schedule of Board members' interests was noted as tabled. In addition, Gill Cox disclosed that his son has taken up a position in the Department of Prime Minister and Cabinet with responsibility for transport matters, and Geoff Dangerfield confirmed that the Minister of Transport's office had been informed.

In relation to general matters affecting Auckland (and in particular the city rail loop proposal) Chris Moller reminded the Board of his governance role at SKYCITY Entertainment Group. Also in relation to Auckland, but in particular to issues around housing affordability, Adrienne Young Cooper reminded the Board of her governance role at Housing NZ.

1.5 Draft minutes from the 3 May 2013 Board meeting

These minutes were confirmed as tabled.

Resolution 1	<i>The draft minutes of the 3 May 2013 meeting are a true and accurate record of the meeting.</i>
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1.6 Progress on actions requested at previous meetings

Progress on all actions was noted.

1.7 Report- back from the Investment & Operations Board Committee meeting held on 4 July 2013

Alick Shaw summarised the key items that were discussed at the Investment & Operations Board Committee meeting on 4 July.

One Network Road Classification

The Committee received a progress update on the national state highway and local road network classification project. Committee members sought further information on the level of involvement from partners, and how this project will connect to the Funding Assistance Rates (FAR) review and the 2015-18 National Land Transport Programme. The Committee also examined the criteria being used to classify roads and what weighting would be applied. The Committee will be updated on progress at least one more time, and the Transport Agency and Local Government NZ Boards will be asked to endorse the classification once the project steering group (the Road Efficiency Group) signs it off as a 'fit for purpose' tool.

Post Implementation Review Policy for Evaluating Outcomes of NZTA Investments

The Committee reviewed the revised 'post implementation review policy' which aims to increase transparency of the review findings and improve the evaluation of expected benefits and identification of lessons learned. The Committee strongly encouraged the ongoing review process,

but requested that the role of external reviewers be strengthened and formalised.

Alick explained that Committee members also suggested that project benefits be communicated more actively before, during, and following completion of projects. Dave Brash explained that the revised 'better business case' approach will highlight specific project benefits i.e. 'extract' them from the cost-benefit ratios. The Committee also suggested that:

- the underlying assumptions for a project or programme be more transparently stated, monitored, and then evaluated e.g. travel demand, population growth, and land use changes;
- the longer term impacts of transport investment be brought into a more systemic evaluation framework, as the 'post implementation' reviews are focussed on testing the immediate impacts against the business case; and
- the programme of reviews is made more visible to the public and stakeholders, and that review findings are reported regularly (and in some detail) both to the Board but also to the general public through the Agency website.

In its discussion on the Committee item, the Board emphasised that implementation reviews should be seen as part of a complete system of approval, reporting and evaluation that stretches from the 'front end' approval through to progress reporting and then the Post Implementation Review (refer to Item 7.2).

Resolution 2	<p><i>The NZ Transport Agency's approach to Post Implementation Reviews is summarised as follows:</i></p> <p>a) <i>The reviews are used to monitor and audit investment results of the following activities: new and improved state highway infrastructure; new and improved local road infrastructure; public transport infrastructure; and new and improved walking and cycling infrastructure.</i></p> <p>b) <i>The reviews will assess and explain how well projects and packages have</i></p>
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achieved their main expected transport benefits (such as improved safety, increased capacity to meet traffic volume growth, or improved journey time and reliability) to give an overall assessment of the value for money of completed projects or packages reviewed.

- c) *The reviews will focus on identifying lessons learned that can be used to make business improvements through the following processes:*
- We will commit to consult with the relevant Approved Organisation¹ to give them the opportunity to formally comment on review findings. This includes stating how they plan to address any significant issues or improvement opportunities identified;*
 - capable Approved Organisations (those with a green rating by the Planning & Investment Relationship Framework – PIRF) will be encouraged to undertake post implementation reviews themselves, consistent with this policy;*
 - we will follow up with Approved Organisations on review recommendations;*
 - post implementation review findings will inform NZTA risk assessment of Approved Organisations using the PIRF;*
 - there will quarterly reporting of review findings, with recommendations for any actions required to be implemented or monitored. Key findings or themes from the reviews will be reported quarterly to the Board, with a provision to escalate significant review findings more frequently if required. The full review reports will be available to the Board in the resource centre, and one or two reviews will also be presented in detail to the Board each year;*

¹ Including NZTA Highways and Network Operations group.

	<ul style="list-style-type: none">• <i>post implementation review findings will be published on the NZTA website after each quarterly Board meeting; and</i>• <i>the Roads of National Significance (RoNS) projects will be monitored and reviewed through an extended post implementation review (e-PIR) process which will assess their wider social, economic, and environmental impacts.</i> <p>d) <i>In order to ensure outcomes are clear, Approved Organisations will be required to nominate performance measures and targets for all projects and packages with an approved cost of \$10 million or more as a condition of funding. NZTA may also require performance measures on some lower value activities (for example, where there is a strategic link or innovation identified).</i></p> <p>e) <i>A sample of completed projects will be selected for review each year using a stratified sampling approach. The range of factors considered in selecting completed activities to review include the value of funding; activity type; regional spread; giving preference to reviewing a package of interrelated projects rather than the individual projects in isolation; and selecting only projects or packages that have been substantially complete for at least two years. This is to give sufficient time after their completion for meaningful assessment of how well they have achieved their expected outcomes. Safety improvement projects may require at least five years before their effect on crash statistics can be properly assessed.</i></p>
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National Land Transport Programme Lessons Learned Review

The Committee reviewed the key findings of the review of the 2012-15 National Land Transport Programme development process, and endorsed the suggested improvement around timing, input requirements and stakeholder engagement.

Transport Planning and Project Development: emerging benefits and examples

The Committee also discussed the changes and benefits arising from the implementation of the Transport Planning and Project Development reviews. The Committee was highly supportive of the approach being taken and encouraged management to invest strongly in the capacity and capability to make a success of the implementation.

Road of National Significance: MacKays to Peka Peka construction funding

The Committee noted that \$126.4 million has already been approved under delegation for property, investigation, design and advanced construction works. The Committee endorsed the funding to construct the MacKays to Peka Peka section of the Kapiti Expressway on the basis of the assessment set out in the report, which gives the project a profile *High* strategic fit, *High* effectiveness and *Low* efficiency.

Resolution 3	<i>The NZ Transport Agency Board approves the construction of the MacKays to Peka Peka section of the Wellington Northern Corridor RoNS programme at a total cost not exceeding \$696.0 million from N, C and R funds; approval of the actual cost of the project is delegated to the Chief Executive of the NZ Transport Agency who will operate below the upper limit approved by the Board.</i>
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Transmission Gully Public Sector Comparator

Following discussion, the Committee agreed to recommend to the Board an updated range of the cost estimates that inform the Public Sector Comparator for the Transmission Gully project.

Resolution 4	<i>The Board notes a further planned review of the Public Sector Comparator will be undertaken mid way through the request for proposal phase of the Transmission Gully Private Public Partnership.</i>
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Route K – Tauranga City

The Committee and Board reviewed the proposed solution to the future management of Route K in Tauranga. While the Board supported the proposal, it resolved that all NZTA expenditure on taking over the road as a state highway (plus the cost of underwriting the risk of tolling revenues falling short of projections) be borrowed, so that these could be recovered through tolling after the Tauranga City Council debt on the road had been repaid.

Resolution 5	<p><i>The NZ Transport Agency Board:</i></p> <ul style="list-style-type: none"><i>a) supports declaring Route K as a state highway;</i><i>b) agrees to establish an electronic toll collection system on Route K;</i><i>c) agrees Route K debt will remain with Tauranga City Council and the NZTA will underwrite the financial risk of the debt beyond the agreed toll;</i><i>d) agrees that NZTA's cost associated with the actions b) and c) above be funded through borrowing; and</i><i>e) agrees that the road will be tolled until all Tauranga City Council and NZTA related costs are repaid, in that order of priority.</i>
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1.8 Report- back from the Audit, Risk & Assurance Board Committee meeting held on 4 July 2013

Jerry Rickman verbally reported on the key highlights from the ARA Committee meeting held prior to the Board meeting.

Audit NZ Update & PPP Presentation

John O'Connell and Kelly Rushton from Audit NZ provided the Committee with an overview of their audit progress. The Committee was advised that their audit had not identified any significant issues, and an effective continuous improvement programme had been evident in the preparation of the Statement of Intent. Martin Richardson from Audit NZ gave an overview of some lessons learned on NZ PPP projects they had been involved with.

State Highways: Health and Safety Update

The Committee received an update on health and safety developments on state highways. It was agreed that an NZTA holistic, risk-based approach to this issue was appropriate.

Chief of Assurance & Risk Update Report

The Committee received an overview of progress and results from the assurance and risk programme, and the outcomes from several recent audits were reviewed. Among other matters, the Committee stressed that it was important that sight was not lost of compliance and operational issues that had significant potential to harm NZTA's reputation.

Business & Information System Risk Update Report (includes SAPenable, Privacy & Security)

A delay in the implementation of the SAP Portfolio and Project Management component was noted; the Committee was advised that it was essential for the business requirements to be clearly defined before proceeding with implementation, and that this was the correct risk mitigation strategy. The Committee asked for a review of costs and provision of a business case update due by the end of July. Progress on business continuity and disaster recovery was also discussed.

Review of Risk and Assurance Capability

The Committee was advised that a review had identified the need to increase capability and this was now being addressed.

Financial Report

Finally, the Committee received an update on state highway asset valuation. The Committee was advised of a delay in updating the Road Management and Maintenance (RAMM) database, and the Committee asked for a report to its next meeting on the approach to be taken; this is to be developed in liaison with Audit NZ.

2. Chief Executive’s matters

2.1 Chief Executive’s report

Board paper 13/05/0739

In his regular update Geoff Dangerfield highlighted a number of projects and issues for the Board’s information and consideration. Items that were discussed in greater detail included:

- The implications of lower than projected NLTF revenue on the 2012/15 National Land Transport Programme, and future revenue implications (these will be explored in greater detail at a Board workshop on 16 April);
- The Prime Minister’s announcement regarding key Auckland transport projects, and recent announcement of transport projects for the Wellington inner city corridor;
- Upcoming changes to the Warrant of Fitness system, and in particular options around when the changes will be introduced;
- The recently uncovered fraud around taxi security cameras; and
- Progress on the evaluation of tolling options for Transmission Gully, in line with the NZ Transport Agency tolling policy.

Resolution 6	<i>The Chief Executive’s report is received.</i>
Requested action	<i>That the Chief Executive conveys the Board’s congratulations to Craig Soutar for being named NZ Chief Information Officer of the year and to all the staff who recently won public relations awards.</i>

2.2 Financial Reports for the Agency and NLTF to the end of May 2013, covering eleven months of 2012- 2013

Board paper 13/05/0737

The Board received and noted the financial reports of the Agency and the NLTF for the eleven months ended 31 May 2013.

Resolution 7	<i>The financial report for the eleven months ending May 2013 is received.</i>
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2.3 2013 Stakeholder engagement survey result

Board paper 13/05/00741

The Board received the results of the 2013 survey of stakeholder engagement perceptions. The survey was undertaken in April and 397 individual stakeholders provided feedback. The Board was pleased to note the following results:

- Compared to the 2012 survey, there has been a sharp increase in the % of stakeholders who said their relationship with the Agency improved;
- The % of stakeholders who are satisfied with their relationship with the Agency increased from 52% in 2012 to 61%, while the number that are dissatisfied decreased from 19% to 13%;
- The % who say they have trust and confidence in the Agency increased from 48% to 57%, and those who say they don't have trust and confidence decreased from 14% to 11%;
- The % who agree that the Agency is taking an integrated approach to NZ transport networks increased from 33% to 41%.

Board members discussed how the survey results could be underpinned with further stakeholder engagement, and agreed to undertake a series of annual stakeholder meetings across NZ in August

and September. Board members furthermore focussed on the feedback from iwi stakeholders (42% satisfaction and 45% trust and confidence) and saw this as an area for the Agency to concentrate on in 2013/14.

Resolution 8	<i>The stakeholder perception survey results for 2013 are noted, and in particular the positive increase in satisfaction, trust and confidence, and ways of working.</i>
Requested action	<i>That the Chief Executive arrange annual meetings with stakeholders in all major urban centres in late August and September</i>
Requested action	<i>That the Agency concentrates its stakeholder engagement development in 2013/14 on further building relationships with iwi.</i>

3. Confirming service and financial performance targets: 2013- 16 Statement of Intent

3.1 Feedback from the Minister of Transport

Verbal item

The Board noted that the Minister agreed to the Transport Agency’s proposed Statement of Intent for 2013/16 without requesting any changes. The Statement was tabled in Parliament on 29 June 2013.

4. Setting sector and organisational direction

4.1 Sector legislation and policy: update

Board paper 13/05/0734

The Board received an update on the more significant policy and legislative changes that affect or relate to the transport sector, and discussed some of the possible implications for the Transport Agency.

Resolution 9	<i>The implications of various current policy and legislative changes that relate to the transport sector are noted.</i>
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4.2 Funding Assistance Rates (FAR) Review

Board paper 13/05/0735

The Board reviewed progress on the FAR review, and in particular noted the feedback and results received during consultation on draft principles and different possible approaches to setting FAR rates. Looking ahead, the Board also reviewed the first draft of a possible framework that draws together the feedback received during consultation and sets out a revised approach to setting FAR rates.

Board members emphasised that FARs are only one tool or step in the broader transport planning and investment system. There was a strong preference amongst members for a FAR system that is simple and straightforward. The Board therefore requested a number of changes to the draft FAR framework to achieve greater clarity and simplicity, and also stressed that if there is to be a new FAR system any transition period will have to be long enough to allow local authorities sufficient opportunity to respond without causing significant disruption.

Requested action	<i>That the draft FAR framework be revised in line with the Board feedback, and be presented at the 16 August Board meeting for further consideration.</i>
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4.3 Joint Resilience Operating Policy

Board paper 13/05/0736

Following discussion the Board adopted a new operating policy that enables network resilience risks to be identified, assessed, treated, monitored, and reported in a transparent and consistent manner. The policy has been developed jointly with Transpower and KiwiRail, and builds on the Agency’s existing Risk Management Framework. The context for the new policy is provided by the National Infrastructure Plan and ongoing work with Treasury to advance understanding of infrastructure resilience. The Board noted that the policy will be enhanced by two further developments:

- *A measurement framework* that focuses on network customer levels of service for network resilience risks and measures to assess a broad range of operational and organisational resilience attributes (i.e. overall strength of resilience approach and preparedness).
- *Resilience investment criteria* to ensure that investing for resilience in the short and longer term is given appropriate priority and visibility in the investment conversation. This includes setting appropriate resilience investment signals for the 2015-18 National Land Transport Programme as part of our ‘Maximising Returns’ strategic direction.

Resolution 10	<p><i>The New Zealand Transport Agency operating policy for resilience is summarised as follows:</i></p> <p><i>Risk identification and assessment</i> will be based on an expanded range of single and multi-hazard resilience risk scenarios. The assessment will include consideration of long-range change, low probability/high impact events and interdependencies with other network and/or utility providers. This framework incorporates the NZTA’s existing Risk Management Framework, but extends the</p>
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range of scenarios and risks considered.

The response to resilience risks will use a systematic approach focusing on a broad range of structural and non-structural responses to identified risks before, during and after adverse events. This framework considers:

- a) prevention, mitigation and preparedness ahead of an event – to avoid exposure to risk where possible, to reduce the impact of risks where they cannot be prevented, and to be well-prepared and practiced ahead of an event;*
- b) emergency response during an event, activating the preparedness initiatives and planning already in place; and*
- c) restoration and rehabilitation after an event, activating preparedness activities already in place, and returning to desired customer levels of service in accordance with expectations.*

5. Quality assurance of key organisational systems, policies and processes

5.1 Workplace Health and Safety update

Board paper 13/05/0740

The purpose of this item was to update the Board on key developments relating to workplace health and safety issues. The Board discussed the capability status of the Transport Agency's three core roles in relation to health and safety (in relation to state highways, rail operations and as an employer) and the implications of the recommendations from the Independent Taskforce on Workplace Health and Safety.

Resolution 11	<i>The NZ Transport Agency will aim to position itself as a lead health & safety agency and an exemplar of reasonable best practice, and governance matters relating to health and safety will remain a core responsibility of the full Board.</i>
Requested action	<i>That the Chief Executive prepares a health and safety programme for the Transport Agency's distinct roles in the health and safety system, for the Board's consideration at its 1 November 2013 meeting.</i>

5.2 Economic Evaluation Policy and Guidelines Review

Board paper 13/05/0733

The Board considered and adopted a number of immediate changes to the Agency's policy and procedures for the evaluation of economic benefits and costs. These have all been discussed with the Board at previous meetings and during strategy workshops. Board members were highly supportive of the proposed policy changes, and described them as significant and much-needed enhancements to ensuring NLTF investments deliver optimal value for money. During the discussion Board members explored options for future policy revisions, including changes to the investment prioritisation framework (e.g. what is a 'high', 'medium', or 'low' benefit-cost ratio) and to how network resilience risks are considered and weighted. These and other issues will be considered in future policy reviews.

Resolution 12	<p><i>The New Zealand Transport Agency Board Economic Evaluation Policy and Procedures are amended as follows (to apply to all new proposals for the 2015-18 NLTP and, where feasible, any new proposals for the remainder of the 2012-15 NLTP):</i></p> <ul style="list-style-type: none"> • <i>A revised social opportunity cost discount rate of 6% per annum;</i> • <i>An extended cost and benefit evaluation period to 40 years;</i>
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- *Considering imperfect competition and increased labour supply as wider economic benefits;*
- *Use a multi-modal approach requiring standardised evaluation periods for public transport, and equal values of travel time across modes for calculating benefits;*
- *Discontinue the application of a default traffic growth rate of between 1% and 3%, to be superseded by the application of predicted travel growth as part of the BCR calculations as evidence of growth likely to be achieved; and*
- *Use of predicted crash risk in the investment and revenue assessment framework for the assessment of high strategic fit for funding prioritization, effective from 1 July 2013.*

6. Significant planning, investment and operational matters

6.1 Puhoi to Warkworth Section of the Puhoi to Wellsford RONS – Detailed Business Case

Board paper 13/05/0738

The Board received the preliminary findings of the Detailed Business Case for the delivery of the Puhoi to Warkworth section of the Puhoi to Wellsford RoNS. The Detailed Business Case examines the potential for best value for money to be achieved in procuring the project using a Public Private Partnership (PPP).

While noting that the project demonstrates the necessary requirements and potential to be procured as a PPP in accordance with Treasury guidelines, the Board deferred a final decision on whether to seek Ministerial approval to investigate the project as a PPP until after the tenders for Transmission Gully have closed in October 2013. This is to confirm various key value for money assumptions in the business case.

Requested action	<i>That the final Detailed Business Case for delivering the Puhoi to Warkworth section of the Puhoi to Wellsford RoNS project through a PPP be considered by the Board in December 2013.</i>
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6.2 Personalised Plates litigation

Board paper 13/05/00743

The Board received an update on the background to the Transport Agency's position in relation to its defence of proceedings filed by Personal Plates Limited (PPL). The PPL contract has been in place for 26 years and Parliament allowed the Transport Agency to terminate the contract after giving reasonable notice. This was signalled in 2010 and we have worked with PPL on the terms of the tendering. Our position has been that 12 months is reasonable notice, whereas PPL considered reasonable notice is 10 years. NZTA gave final notice of termination by April 2014.

6.3 Hastings District request for additional maintenance and operations funding

Board paper 13/05/00742

Mayor Yule from Hastings District addressed the Board in support of the Council's request for the Transport Agency to repay part of a loan that would allow the District Council to increase investment on local road maintenance, operations and renewals beyond that set out in the 2012/15 National Land Transport Programme. Mayor Yule highlighted that the current funding levels will, in his view, lead to increased lifecycle costs as the District is not able to deliver an optimised programme. Or put differently, short-term funding constraints will lead to substantial future cost increases.

Mayor Yule stressed that the District wants to avoid this situation, and is willing to borrow additional funds to increase the road maintenance and renewal funding to what it considers to be prudent levels. It hoped the NZ Transport Agency would agree to help repay the loan from future National Land Transport Programmes.

Board members questioned what the District’s funding policy is, and in particular whether the primary beneficiaries of road maintenance and renewal funding (say heavy vehicle operators) could contribute a larger share of funding. Mayor Yule replied that the Council had reviewed its relevant funding policy three years ago, but decided not to amend it.

The Board also explored the Council’s views on the Road Maintenance Taskforce recommendations, and how aligned the Council’s thinking is with the Taskforce. The Council thought that some of the more general Taskforce recommendations do not necessarily apply to the District.

The Board considered the Hasting District proposal, but declined the request for additional funding on the basis that the 2012-15 NLTP allocated maintenance and renewal funding to Hastings District within a consistent national and regional framework. Making an exception for one District would undermine the integrity of the various programmes.

Resolution 13	<i>The funding allocation to Hastings District in the 2012-15 National Land Transport Programme is re-confirmed.</i>
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7. Other updates and general business

7.1 Media and communications update

[Board paper 13/05/0732](#)

In reviewing media and communications matters over recent months, Board members reflected on public relations issues raised by the proposed alignment of the Rotorua Eastern Arterial.

7.2 General business

In a follow up to the earlier discussion on Post Implementation Reviews (Item 1.7) Board members returned to the topic of progress reporting on major projects and how such reporting could be used to supplement the regular quarterly reports. Some members expressed an interest in receiving reports which track the whole lifecycle of key projects, from approval to progress reporting to completion and Post Implementation Reviews.

Requested action	<i>That the Chief Executive provides a summary of the current system for project reporting to the Board (from strategy, to programme, to approval, to progress and then completion and post implementation & lessons learnt reviews) and suggests what (if any) enhancements could be made in terms of scope, depths and frequency.</i>
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Minutes approved by the Chair	_____
Date	-----/-----/-----