



SECTION B:
GOVERNANCE
REPORT

REPORT FROM THE CHAIR

INTRODUCTION

I am pleased to present the 2012/13 annual report for the NZ Transport Agency.

This report outlines a year of successful delivery against the milestones and the ambitious targets we set for our priority areas in our 2012-15 *Statement of intent*. We have continued to deliver on the government's priorities for the land transport system in terms of our emphasis on activities that support economic growth and productivity, improve road user safety and deliver value for money.

Working with our partners, we are focused on planning and delivering a land transport network and services that provide transport users with increasingly safer, more efficient and more reliable travel. Our achievements over the year highlight this focus.

They also reflect the Transport Agency's ongoing dedication to designing and delivering services and solutions that place the customer at the heart of our business, and represent good value for money.

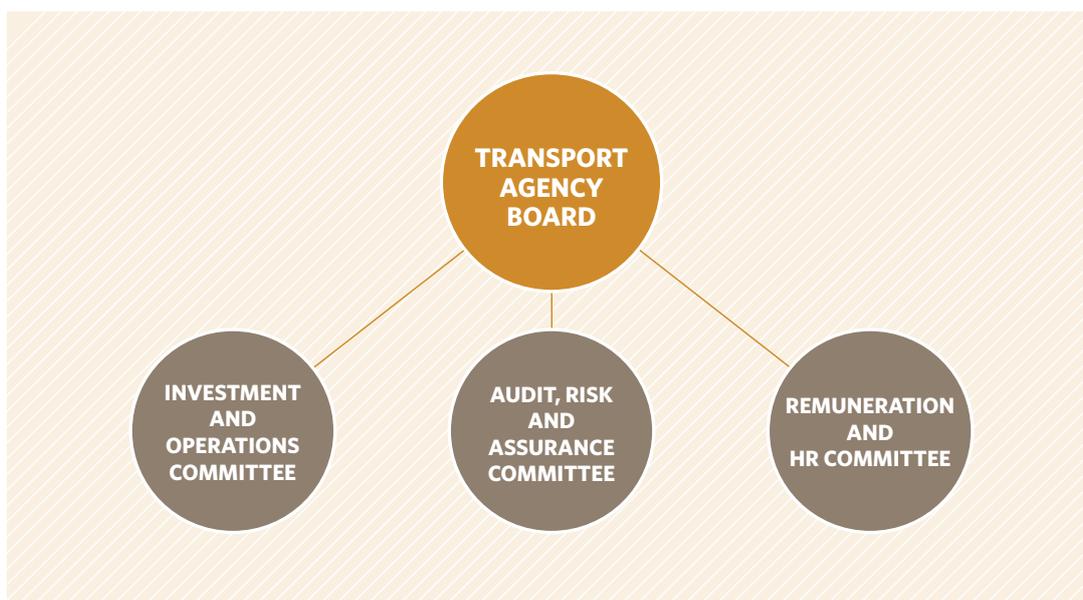
Our completion of another successful year is underpinned by a strong team. I want to recognise the dedication of the Transport Agency's staff and my fellow Board members in helping to create transport solutions for a thriving New Zealand. The work programme ahead of us will continue to be ambitious, and I am confident we have the focus and capability to make it happen.

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 Transport Agency. 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 five functions that direct the operations of the Transport Agency:

1. Setting sector and organisational direction.
2. Confirming service and financial performance targets.
3. Directing significant planning, investment and operational matters.
4. Assuring quality of key organisational systems, policies and processes.
5. Assessing progress against plan.

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 the areas of authority extended to each. Operational responsibility is delegated to the Chief Executive via 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 of compliance with policies and controls
- 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 Transport Agency. The Minister's formal line of accountability with the Transport Agency 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 interest 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 2012/13

The Board held nine scheduled and three special meetings in 2012/13. The scheduled meetings were held in Wellington (7), Tauranga (1) and Christchurch (1). The Board considered 81 separate items. In October the Board also held a workshop on direction and targets for 2013-16, covering strategic, service delivery and financial performance.

BOARD FUNCTION	HIGHLIGHTS
SETTING SECTOR AND ORGANISATIONAL DIRECTION	<ul style="list-style-type: none"> • Safer Journeys action plan update and next steps • Vehicle licensing review of options for public consultation • Direction for the funding assistance rates review • Organisational capability development plan 2013-16 • NZ Transport Agency Public Private Partnership (PPP) policy • Auckland integrated transport plan • NZ Transport Agency communications strategy • Workshops - safer speeds and travel demand • PPP procurement policy
CONFIRMING SERVICE AND FINANCIAL PERFORMANCE TARGETS	<ul style="list-style-type: none"> • Agreeing to ambitious targets for priority areas for the <i>Statement of intent 2013-16</i> • Confirmation of NZ Transport Agency <i>Statement of intent 2013-16</i> • Direction for revenue, short and long-term borrowing • Adopting the National Land Transport Programme (NLTP) and the Road Policing Programme (RPP) (including quality assurance)
SIGNIFICANT PLANNING, INVESTMENT AND OPERATIONAL MATTERS	<ul style="list-style-type: none"> • Transmission Gully PPP procurement strategy • Transmission Gully PPP payment and performance mechanism • Business case for Transmission Gully PPP • Procurement approval for SH PPP • Funding approval: Wellington inner city improvements project of northern RoNS corridor • Tolling system review • Rotorua Integrated Network Strategy • Strategic support for Auckland Integrated Transport Programme • Rail safety service fee review
QUALITY ASSURANCE OF KEY ORGANISATIONAL SYSTEMS, POLICIES AND PROCESSES	<ul style="list-style-type: none"> • NLTF cash flow management review: Implementation of recommendations • National advertising programme • Health and safety practices • Lessons from Pike River Royal Commission • IT security • Privacy policy process culture and practice • Crash Analysis System support of road safety • Approved organisation procurement processes • Framework and process for regulatory fee setting • State highway tolling policy (update)
ASSESSING PROGRESS AGAINST PLAN	<ul style="list-style-type: none"> • Chief Executive's report (6) • Quarterly progress report (4) • Performance improvement framework (follow up) • Better Administrative Support Services (BASS) 2011/12 Benchmark results • Basin Bridge Wellington City Council alternative assessment • Adoption of 2011/12 annual report • Privacy management update • Fatality on SH 94 Milford Road • Milford Road and Homer tunnel operations/management, including portal rock fall management • Media and communications updates • Quarterly health and safety incident register review • Financial reports

BOARD AND BOARD COMMITTEE ATTENDANCE IN 2012/13

BOARD MEMBER	Board Committee Meetings			Board Meetings	
	Investment and Operations Board Committee	Audit, Risk and Assurance Board Committee	Remuneration and Human Resources Board Committee	Meetings	Teleconferences
Chris Moller (NZTA Board Chair)	3/3	4/4	3/3	9/9	3/3
Patsy Reddy (NZTA Board Deputy Chair) (Remuneration and Human Resources Board Committee Chair)			3/3	8/9	3/3
Gill Cox		4/4		9/9	3/3
Tony Lanigan	3/3			8/9	3/3
Jerry Rickman (Audit, Risk and Assurance Board Committee Chair)		4/4		8/9	3/3
Alick Shaw (Investment and Operations Board Committee Chair)	3/3		3/3	8/9	2/3
Adrienne Young-Cooper	3/3			9/9	3/3

INVESTMENT AND OPERATIONS BOARD COMMITTEE

The purpose of the Investment and Operations Committee is to exercise stewardship over the Transport Agency's investment decisions in the transport network. It oversees the performance of the Transport Agency'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 Transport Agency 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 three times during 2012/13.

AUDIT, RISK AND ASSURANCE BOARD COMMITTEE

The Audit, Risk and Assurance Committee comprises up to three serving Transport Agency 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 has been 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 Transport Agency has suitable risk management practices¹
- 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 four times during 2012/13. Meetings were timed to occur 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 their 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 and 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 2012/13.

¹ The Transport Agency has adopted enterprise risk management (ERM), substantially incorporating the elements of the Joint Australian New Zealand International Standard AS/NZS ISO 31000:2009 Risk management: Principles and guidelines. ERM is an integrated and systematic approach to managing the organisation's risks, including strategic, tactical and operational risks.

BOARD MEMBER PROFILES

The Transport Agency is a crown entity governed by a board appointed by the Minister of Transport.

Chris Moller
(Wellington)
Chair



Chris is a non-executive director who chairs the boards of Meridian Energy Ltd and SKYCITY Entertainment Group Ltd. He is also a Director of Westpac New Zealand Ltd. He was previously 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
(Wellington)
Deputy Chair, Chair of
the Remuneration and
Human Resources Board
Committee



Patsy is a non-executive director and a qualified lawyer. She is Chair of the New Zealand Film Commission, and is a director of Payments NZ Ltd and Active Equity Holdings 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)



Gill is a chartered accountant and business consultant. He chairs MainPower NZ Ltd and Transwaste Canterbury Ltd, and is a director of a number of large, privately held companies involved in various industries including manufacturing, warehousing and distribution, infrastructure and seafood. Gill is also a member of the CERA Community Forum in Christchurch and the Greater Christchurch Education Advisory Board.

Tony Lanigan
(Auckland)



Tony is a professional civil engineer (FIPENZ), project management consultant and former general manager with 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. Tony was made a member of the NZ Order of Merit in the 2013 New Year's Honours list for services to tertiary education and the community.

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



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 Farming 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
(Wellington)
Chair of the Investment
and Operations Board
Committee



Alick has served as a councillor and Deputy Mayor of Wellington City. He is an accredited commissioner for hearings convened under the Resource Management Act, a member of the New Zealand Parole Board and has served on the boards of a wide range of organisations in the sport, cultural and charitable sectors, council controlled organisations, Crown entities and privately held companies.

**Adrienne
Young-Cooper**
(Auckland)



Adrienne is a businesswoman, professional director and an Accredited Fellow of the Institute of Directors. She has a 30-year career in resource management and 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), Deputy Chair of Housing New Zealand Corporation and Chair of the Hobsonville Land Company Limited. She also serves on several charitable trusts.