

CONFIDENTIAL

Draft Statement of Intent 2015-2018

Recommendation(s)

That the Board:

- i. Receives the report; and
- ii. Approves the Draft Statement of Intent 2015-2018.

Executive summary

This report presents the draft 2015/16 - 2017/18 Statement of Intent (SOI), for the Board's approval. The annual SOI forms the basis for the accountability of Directors to Auckland Council (AC). A draft of this year's SOI must be delivered to AC for comment no later than 1 March 2015.

The Draft SOI reflects the basic funding package in the AC Long-term Plan (LTP), and takes account of the matters raised in the Mayor's letter of expectation. It has been prepared in conformity with AC's revised SOI template.

An early draft of the SOI was presented to the Board at its December meeting. This report focuses on the changes that have been made since that meeting, including the addition of the Chair's foreword, more detail on the strategic themes, an updated 3-year work plan, and some refinement of the performance measures. Additional detail in relation to Maori outcomes has also been included.

Upon receipt of shareholder comments from AC (due by 1 May 2015), the SOI will be reported back to the Board for any amendments and final approval in June 2015.

Background

As a CCO, AT is required by the Local Government Act 2002 to prepare an annual SOI. The SOI forms the basis for the accountability of the directors of AT to the shareholder, AC. It sets out the organisation's strategic objectives, the work programme to be undertaken over the three-year term of the SOI, and the performance targets by which AT will be measured.

A draft SOI must be prepared and delivered to the Auckland Council not later than 1 March each year, and finalised, following consideration of shareholder comments, by 30 June each year.

This SOI relates to the next financial year (2015/16), and the subsequent two years (2016/17 and 2017/18).

The Board's strategic themes form the foundation of the draft SOI, and the 3-year work plan and performance measures are centred on the themes. In addition to the key performance measures, the draft SOI also includes five further measures, which, as of 2015/16, are required by the Secretary for Local Government to be reported by all local government organisations responsible for the provision of roads and footpaths.

CONFIDENTIAL

The draft SOI has been prepared in the context of the AC LTP. The three-year work programme and performance targets reflect the LTP's basic funding package.

The draft SOI has also been informed by the Mayor's Letter of Expectation (LOE), which is attached at Attachment 1. The LOE sets out issues of importance to AC in the preparation of SOIs, and AC's key strategic priorities for the 2015-18 SOI.

The Draft SOI is attached (Attachment 2). It has been prepared in accordance with AC's new template for CCO SOIs, which requires less detail than previous SOIs.

Key changes from previous draft

The attached Draft SOI includes some changes and additions to the initial draft version that was reported in December 2014. These include:

- Chair's foreword added.
- Strategic themes: text added to explain each of the themes (section 4), including a statement within each of the theme discussions to indicate how it contributes to the Auckland Plan outcomes.
- 3 year work plan: The work plan, which was called the Programme of Action in previous SOIs, has been added in Section 5 of the Draft. The projects and initiatives listed are based on the basic RLTP/LTP budget envelope. The schedule also includes a summary of key operational activities.
- Amendments to comply with the requirements of the updated AC SOI template. The key change is the addition of specific projects that deliver on Maori outcomes in section 5.
- Performance measures: some amendments to performance measures and targets to address the matters identified in the December report, including:
 - The addition of a baseline measure and targets for the performance measure on rapid and frequent public transport patronage;
 - The Draft no longer includes a measure on the proportion of the strategic programme that is funded. Although this is an important measure for the Board to track, it is not something that relates directly to organisational performance, and would be difficult to audit. It was therefore not considered suitable as a KPI to be included in the SOI.
- Financial tables have been included (in section 7). These are based on the Draft LTP basic budget package, and are subject to review once the budget is finalised. Financial data on asset sales is not available at this stage of the budget process, and this is noted in the Draft.

Next steps




Following receipt of feedback from the Board, the Draft SOI will be finalised and provided to AC no later than 1 March 2015. AC is required to provide its shareholder comments on the Draft SOI by 1 May 2015. The Board is required by statute to meet in open session to consider those comments. The final SOI must be provided to AC no later than 30 June 2015.

CONFIDENTIAL

Attachments

| Number | Description |
|--------|-------------------------------------|
| 1 | Mayor's Letter of Expectation |
| 2 | Draft Statement of Intent 2015-2018 |

Document ownership

| | | |
|--------------------------------|---|--|
| Submitted by | Peter Clark General Manager Strategy & Planning |  |
| Recommended by | Peter Clark General Manager Strategy & Planning |  |
| Approved for submission | David Warburton Chief Executive |  |

Glossary

| Acronym | Description |
|---------|-----------------------------------|
| AC | Auckland Council |
| ACPL | Auckland Council Property Limited |
| AT | Auckland Transport |
| CCO | Council-controlled Organisation |
| LOE | Letter of Expectation |
| LTP | Long Term Plan |
| RLTP | Regional Long Term Plan |
| SOI | Statement of Intent |

27 November 2014

Dr Lester Levy
Chair
Auckland Transport
BY EMAIL

Tēnā koe Lester

RE: Letter of Expectation for 2015/2016

Auckland Council continues to value the important contribution Auckland Transport makes towards the vision of Auckland becoming the world's most liveable city, through the delivery of the Auckland Plan. This Letter of Expectation is intended to provide direction on issues that are important to Auckland Council, and to assist in the development of Auckland Transport's 2015-2018 Statement of Intent (SOI).

We would like to acknowledge the excellent progress that has been made over the past year in aligning Auckland Transport's strategies and plans with the strategic direction of the Auckland Plan. We are particularly pleased with the development of tools to transparently connect a ranked capital expenditure list with the Auckland Plan's key outcomes.

Issues of importance

Working together

The council and its CCOs are one group working together for Auckland. It is expected that Auckland Transport will continue to work in a collaborative manner with the wider group to ensure that its policies and decisions represent the best interest of the council group, and ultimately the ratepayer.

CCO review

The CCO Review is an important opportunity to assess the structure under which our activities are delivered, the governance arrangements and how the council group works better together. We request that Auckland Transport continues to support the work undertaken by the review.

Delivering value for money

The Long-term Plan 2015-2025 will publicly consult on options to increase funding for transport in Auckland. Regardless of the outcome of this consultation, it is important for Auckland Transport to deliver strong value for money from the investment being made in improving Auckland's transport system, with particular focus on provision of public transport and active modes. This approach should flow through to on-going operating expenditure where we expect prudent financial management, and focus on options to reduce costs.

Council plans and policies

Auckland Transport will continue to have an important role in the implementation of key council strategies and policies. We expect Auckland Transport's continued support in these areas, with particular focus on urban design and environmental policies.

Working with Local Boards

Well-planned and vibrant town centres that are walkable and have streetscapes which reflect the local identity is important to the council. It is our expectation that there is integrated planning with Local Boards on place-making initiatives and transport projects to enhance the environment.

Local Boards play an important role in communicating and advocating community preferences and needs. In developing work plans, we request that Auckland Transport continues to engage with, and consider the views of Local Boards.

Public engagement and satisfaction

Public engagement and satisfaction is important to the council group. We expect this to be a focus for improvement.

Direction for the development of the 2015-2018 Statement of Intent

Key strategic priorities

At the outset of developing the Long-term Plan 2015-2025, a key focus was placed on the Auckland Plan transformational shifts, especially the shifts relating to moving to outstanding public transport and radically improving the quality of urban living. We are pleased how these areas of focus have translated into the prioritisation of the ten year transport programme and expect this to be reflected in the finalised LTP.

We expect to see this strong strategic focus continue to inform the sequencing and details of the transport programme over the 2015-2018 period covered by the SOI. Where funding permits, we expect to see the sequencing reflect a number of critical requirements:

- progression of the new public transport network
- progressing the City Rail Link (CRL)
- supporting growth enabled by the Proposed Auckland Unitary Plan, including the geographic spatial priorities and special housing areas
- the development of safe cycle ways and walk ways that provide a realistic alternative travel choice and connectivity to town centres, open spaces and public transport. This includes supporting the cross-council working group in developing a Regional Greenways Network Plan and identification of budgets to support this at a local and regional level.

We will continue to 'ring-fence' budgets for a number of key initiatives such as CRL, Local Board Capital Expenditure Fund, any targeted rate funded capital expenditure, significantly improved cycling and walking programmes and seal extensions of rural roads.

In addition to above, to support the importance of value for money, we expect the SOI to outline in the programme of action the following:

- review and assess (in conjunction with ACPL) maximising value from existing assets, and identification of surplus non-strategic assets for disposal
- a programme for reducing operating expenditure over the course of the LTP.
- undertake innovative approaches to deliver improvements more quickly and economically (e.g. trialling walking and cycling projects, bus lanes improvements etc.)
- ensure effective systems are in place to achieve competitive pricing and improved value for money from the new public transport service contracts.

The Auckland Plan vision to be the world's most liveable city continues to guide the work of council and the CCOs. Transformational shift three – 'move to outstanding public transport within one network' – is a key focus for Auckland Transport. However, there is an expectation that all programmes will aim to contribute in some way to all six of the transformational shifts to truly deliver the Auckland Plan outcomes.

Performance measurement

The strong focus on improving public transport and active modes of transport is also relevant to the setting of performance targets in these areas. We expect to see rapid public transport patronage growth in the next few years, reflecting major recent investment in projects such as rail electrification and integrated ticketing. Rail patronage targets should reflect how Auckland will meet the Government's requirement to track towards 20 million annual boardings by 2020.

Contributing to Māori well-being and Māori outcomes

Promoting Auckland's Māori identity as Auckland's point of difference in the world and lifting Māori social and economic well-being are council priorities. To achieve this, we expect support from Auckland Transport on the council's responsiveness and contribution to Māori well-being. In particular, infrastructure support and technical advice on marae development and papakāinga housing.

It is expected that Auckland Transport's strategic priorities, work programme, and performance measurement in the SOI reflect this and that this contribution to Māori well-being be delivered through re-allocation within existing budget envelopes.

Nāku noa, nā


 Len Brown
MAYOR OF AUCKLAND

cc. Deputy Mayor Penny Hulse, Chair, CCO Governance and Monitoring Committee
 cc. Stephen Town, Chief Executive, Auckland Council
 cc. David Warburton, Chief Executive, Auckland Transport

ATTACHMENT 2

Draft for Board review, February 2015

DRAFT STATEMENT OF INTENT

2015/16 - 2018/19

AUCKLAND TRANSPORT

HE MIHI

E ngā iwi whānui ki ngā topito o Tāmaki Makaurau
He mihi manahau ki a koutou katoa

Topuni ki te Raki

Rakitu ki te Rāwhiti

Puketutu ki te Tonga

Oaia ki te Uru

Tāmaki herehere o ngā waka e!

Tihei Mauri ora ki te whai ao, ki te ao mārama

To the wider people to the ends of Auckland

A heartening greeting to you all

Topuni to the North

Rakitu to the East

Puketutu to the South

Oaia to the West

Tāmaki the meeting place of all canoes

Life essence to the world, to the world of light

CHAIR'S FOREWORD

This Statement of Intent (SOI) outlines the desired state for transport in Auckland, the key actions required to achieve it and the consequential key performance measures.

As foreshadowed in the previous SOI, the Auckland Transport Board of Directors has spent the past year reframing and rethinking the underlying strategic themes to transform transport in Auckland. These themes will be the filter for making future choices.

The five strategic themes are:

- Prioritise rapid, high frequency public transport;
- Transform and elevate customer experience;
- Build network optimisation and resilience;
- Ensure a sustainable funding model; and
- Develop creative, adaptive, innovative implementation.

These five themes will guide Auckland Transport's future decisions and actions, aimed at providing an accessible, integrated, efficient and innovative transport system. The five strategic themes are also critical to the realisation of the Auckland Plan's vision – for Auckland to become the world's most liveable city.

Over the past year, Auckland Transport has made much progress towards achieving such a transport system:

- AT HOP rollout was successfully implemented across the public transport network;
- \$30m upgrade of Tiverton-Wolverton streets was completed ahead of schedule;
- \$24m upgrade of Devonport Marine Wharf was started;
- Panmure bus-rail interchange was opened;
- Wi-Fi went live at rail stations; and
- New electric trains were introduced into service
- A new *AT Metro* brand was introduced across the public transport network.

These developments have helped us set a strong base from which to further improve our transport system. However, our ability to maintain that momentum is dependent on realistic funding of both operational and capital requirements.

This (Draft) SOI has been prepared within the constrained funding environment reflected in the Draft Regional Land Transport Plan and Council's Draft Long-term Plan. This has limited the amount of funding available, especially for capital projects, and means that the pace of change is not as fast as we would like to see. The level of funding allocated to asset renewals will also be constrained, which will affect our ability to deliver the desired levels of service over time.

Despite these constraints, Auckland Transport is committed to making the best use of the resources at its disposal, and initiatives such as the new public transport network, rail electrification, integrated fares and new performance-based public transport contracts will allow us to deliver better transport services for the resources available. By focusing on these initiatives and other improvements aligned to our strategic themes, Auckland Transport will continue to strive towards achieving a transport system befitting the world's most liveable city.

DRAFT

TABLE OF CONTENTS

- 1. PURPOSE OF STATEMENT OF INTENT 6
- 2. ABOUT AUCKLAND TRANSPORT 6
- 3. AUCKLAND TRANSPORT’S CONTRIBUTION TO THE WORLD’S MOST LIVEABLE CITY .. 7
- 4. STRATEGIC THEMES 8
- 5. THREE YEAR WORKPLAN TO DELIVER ON STRATEGIC DIRECTION 10
- 6. PERFORMANCE OUTLOOK..... 13
- 7. SUMMARY OF FINANCIALS..... 17
- 8. APPROACH TO GOVERNANCE..... 18

DRAFT

1. PURPOSE OF STATEMENT OF INTENT

In accordance with the Local Government Act 2002, this annual Statement of Intent (SOI) publicly states the activities and intentions of Auckland Transport for the next three years, and the objectives that those activities will contribute to. This SOI takes shareholder comments into consideration and includes performance measures and targets as the basis of organisational accountability.

2. ABOUT AUCKLAND TRANSPORT

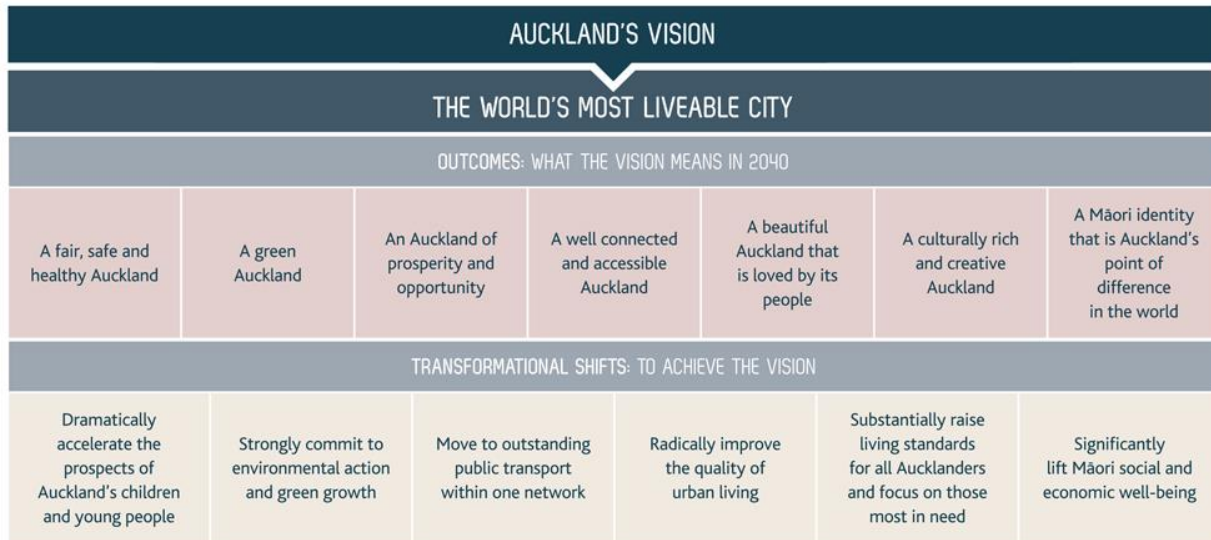
Established under section 38 of the Local Government (Auckland Council) Act 2009, Auckland Transport is responsible for the planning, development and management of all of the Auckland region's transport system (excluding the State highways and railway corridors) – including roads and footpaths, cycling and walking infrastructure, parking facilities, and public transport.

Auckland Transport undertakes a wide range of activities associated with the planning, development and management of the Auckland transport system. These activities include:

- Transport planning
- Investigation, design, and development of infrastructure
- Asset management
- Road corridor operations, access management and maintenance
- Public transport services and facilities management
- Parking management and enforcement
- Community transport activities

3. AUCKLAND TRANSPORT'S CONTRIBUTION TO THE WORLD'S MOST LIVEABLE CITY

The Auckland Plan is the roadmap to deliver on Auckland's vision to be the world's most liveable city. It is a thirty year plan that is underpinned by a set of outcomes and transformational shifts to achieve this vision which help ensure we focus on the right things.



The Auckland Plan sets strategic direction and transformational shifts to achieve actions, targets and outcomes that are required to achieve the vision to be the world's most liveable city. Auckland Transport plays a critical part in delivering on these actions and targets. In particular, Auckland Transport actions which contribute to the transformational shifts are outlined in the table below:

| Auckland Plan | Degree of contribution | How Auckland Transport contributes |
|-------------------------------------|------------------------|---|
| Children & young people | Secondary | <ul style="list-style-type: none"> Public transport services including school transport and fares concessions School travel planning and road safety initiatives |
| Environmental action & green growth | Secondary | <ul style="list-style-type: none"> Contributing to the reduction of greenhouse gas emissions by: <ul style="list-style-type: none"> Providing effective and efficient transport alternatives to private vehicle use, such as public transport and cycle- and walk-ways; Introducing electric trains |
| Outstanding public transport | Primary | <ul style="list-style-type: none"> Providing an effective, efficient and safe rail, bus and ferry services, thereby increasing public transport patronage. |
| Quality urban living | Secondary | <ul style="list-style-type: none"> Contributing to well-planned and vibrant town centres that are walkable and have streetscapes that reflect local identity; and Providing an effective, efficient and safe transport system that supports growth, including geographic spatial priorities and special housing areas. |
| Raised living standards | Secondary | <ul style="list-style-type: none"> Providing effective and efficient transport choices enabling Aucklanders to easily access economic, social and cultural opportunities. |
| Māori social and economic wellbeing | Secondary | <ul style="list-style-type: none"> Improving accessibility for Māori to economic, social and cultural opportunities through public transport network improvements and transport infrastructure |

| Auckland Plan | Degree of contribution | How Auckland Transport contributes |
|---------------|------------------------|--|
| | | projects <ul style="list-style-type: none"> • Ensuring effective engagement with mana whenua on transport projects • Acknowledging Māori values in stormwater management • Providing infrastructure support and technical advice on marae development and papakainga housing. |

4. STRATEGIC THEMES

As foreshadowed in the previous Statement of Intent, over the past year, the Auckland Transport Board has worked to reframe its strategic approach to transform transport in Auckland and align with the strategic direction in the Auckland Plan. The Board has identified five strategic themes to guide its actions and decisions:

- Prioritise rapid, high frequency public transport;
- Transform and elevate customer experience;
- Build network optimisation and resilience;
- Ensure a sustainable funding model; and
- Develop creative, adaptive, innovative implementation.

By following these strategic themes, Auckland Transport aims to make a significant contribution towards the overarching objective of the Auckland Plan - for Auckland to become the world’s most liveable city.

Prioritise rapid, high frequency public transport

Prioritising rapid, frequent public transport will contribute to realising the Auckland Plan’s vision by significantly enhancing transport choices, thereby improving transport accessibility in Auckland. As more people use trains, buses and ferries, the transport system will be better able to cope with Auckland’s significant growth, leading to better environmental and economic outcomes.

Giving priority to developing the public transport system , with a particular focus on those parts of the network that are able to provide the rapid and frequent services that are necessary to enable significant patronage growth, will also help to realise one of the Auckland Plan’s transformational shifts – to move to outstanding public transport within one network.

To achieve this transformation, in addition to the City Rail Link, Auckland Transport has identified eight strategic priorities for public transport in Auckland:

1. HOP smartcard integrated ticketing and fares
2. Regulatory and procurement reform
3. Rail electrification and electric motorised units
4. Ferry improvements

5. New connected frequent network
6. On-time performance
7. First and final leg of public transport trips
8. Customer experience

These strategic priorities will remain a key focus for Auckland Transport during the period covered by this SOI.

Transform and elevate customer experience

Auckland Transport is placing a strong emphasis on understanding what its customers want, and enhancing the customer experience by ensuring that customers are at the centre of everything we do. We are focused on making the transport system safer, simpler and easier to use, with services that meet our customers' demands. This includes: enhanced way-finding; innovative ways of providing public transport and traffic information; improved station and transfer facilities, including enhanced security; integrated services, ticketing and fares; consistent branded services through the *AT Metro* brand; and programmes to recognise and reward customer loyalty.

The transformation and elevation of the transport customer experience will improve the accessibility and connectivity of Auckland's transport system.

Build network optimisation and resilience

An optimised and resilient transport network is critical for Auckland's economic productivity. Network optimisation and resilience also provides for positive road and public transport safety outcomes and enhances accessibility and connectivity.

To achieve such a transport network, Auckland Transport has worked in partnership with the New Zealand Transport Agency (NZTA) to develop a "one system" approach, which is designed to improve the connectivity and integration of the Auckland transport system. The "one system" approach ensures that:

- the networks of the different transport modes are connected and integrated;
- the State highway and regional arterial road networks are integrated to function as one system;
- modal services are integrated to provide a seamless transport experience; and
- the transport system operates at an optimal level of service, and provides customers with choices and network resilience.

To give effect to the "one system" approach, Auckland Transport developed an Integrated Transport Programme (ITP) in conjunction with the Auckland Council and New Zealand Transport Agency. The ITP enables projects critical to Auckland's transport needs to be identified, planned, funded and implemented in a coordinated and strategic manner.

Auckland Transport will also improve network optimisation and resilience by continuing to focus on route optimisation initiatives, which improve the productivity of major arterial routes – providing real

time information and congestion management, focusing on safety improvements, and better integrating active transport into the wider network.

Ensure a sustainable funding model

Auckland Transport recognises the important funding relationships that exist with the Auckland Council and NZTA. By making informed decisions on how transport expenditure is prioritised, and ensuring that its programmes are efficient and deliver maximum value for money, Auckland Transport aims to deliver the best value for this funding investment over time.

The ITP ensures that funding is directed towards those activities that will make the most cost-effective contribution to Auckland Plan outcomes, and the national transport objectives articulated through the Government Policy Statement on Land Transport (GPS). Effective coordination with NZTA will help to maximise the amount of funding available for investment in Auckland's transport system, and to maximise the return on that investment.

Auckland Transport will continue to focus on making the best use of the existing transport system. This will be achieved by a proactive approach to asset management, ensuring a whole of life approach to investment, maintenance and renewals.

Auckland Transport will also look to expand its funding to include new and innovative revenue sources, including commercial partnerships. It will also examine opportunities to divest surplus assets where appropriate, and will maintain a strong focus on cost minimisation, through improved procurement arrangements and business improvements.

Develop creative, adaptive, innovative implementation

A modern, prosperous, liveable, world-class city demands a transport system that implements creative, adaptive and innovative solutions to transport challenges. Auckland Transport will focus on identifying such solutions.

Auckland Transport will also continue to focus on:

- the use of new technologies, especially smart phones, real time information;
- providing better information to customers;
- the use of HOP data to better understand and respond to customer needs;
- partnerships with innovative partners: academic and commercial;
- supporting innovation hubs, and the use of new transport technologies

5. THREE YEAR WORKPLAN TO DELIVER ON STRATEGIC DIRECTION

The following table details the key initiatives/projects to deliver on Auckland Transport's strategic objectives/themes.

Note that the programme outlined below reflects the basic funding package in the Draft Regional Land Transport Plan (RLTP) and the Auckland Council's Draft Long-term Plan 2015-2025. Additional funding identified in the Auckland Plan funding envelope (which is detailed in the Draft Long-term Plan) would enable a more comprehensive programme to be implemented.

| Key projects and initiatives | Description | Contribution to strategic themes |
|--|--|--|
| New public transport network | Rail: improved punctuality and customer service as fully electric services implemented on all lines (excluding Papakura-Pukekohe) during 2015 | <ul style="list-style-type: none"> • Prioritise rapid, high frequency public transport • Transform and elevate customer experience |
| | Bus: improved customer service and logical, intuitive and integrated schedules with implementation of new network : <ul style="list-style-type: none"> • South New Network by 2016 • Hibiscus Coast by 2016 • West, Isthmus, North Shore and East New Network by 2017 | |
| | Off-peak frequency improvements on Inner Harbour ferries by 2016 | |
| City centre public transport access | Complete investigations to address bus congestion in city centre and develop implementation plan by 2015 | <ul style="list-style-type: none"> • Prioritise rapid, high frequency public transport • Develop creative, adaptive, innovative implementation |
| Real time public information system improvements | Ongoing improvements to accuracy and accessibility of real time information. | <ul style="list-style-type: none"> • Prioritise rapid, high frequency public transport • Transform and elevate customer experience |
| Otahuhu Bus/Rail Interchange | Initial improvements to coincide with launch of South New Network [2016] and full implementation by 2021 | <ul style="list-style-type: none"> • Prioritise rapid, high frequency public transport • Transform and elevate customer experience |
| Manukau Bus/Rail Interchange | Initial improvements to coincide with launch of South New Network [2016] and full implementation by 2022 | <ul style="list-style-type: none"> • Prioritise rapid, high frequency public transport • Transform and elevate customer experience |
| Westgate Bus Interchange (Part of NORSGA Plan Change 15) | Construction complete June 2016 | <ul style="list-style-type: none"> • Prioritise rapid, high frequency public transport • Transform and elevate customer experience |
| Integrated fares | Implementation of a simpler, integrated fare structure by Q1 2016 | <ul style="list-style-type: none"> • Prioritise rapid, high frequency public transport • Transform and elevate |

| Key projects and initiatives | Description | Contribution to strategic themes |
|--|---|--|
| | | customer experience |
| City Rail Link | Enabling works for City Rail Link (across Lower Queen St and under Downtown building) progressed to meet timeframes agreed with Precinct Properties Ltd | <ul style="list-style-type: none"> • Prioritise rapid, high frequency public transport • Transform and elevate customer experience |
| Development of safe cycle ways and walk ways | Completion of Waterview Cycleway Connection (joint project with NZTA) by 2018 | <ul style="list-style-type: none"> • Build network optimisation and resilience |
| Supporting growth enabled by Proposed Auckland Unitary Plan | Hobsonville Point Park and Ride complete by July 2017 | <ul style="list-style-type: none"> • Build network optimisation and resilience • Prioritise rapid, high frequency public transport |
| | Massey North Town Centre substantially complete by July 2018 | <ul style="list-style-type: none"> • Build network optimisation and resilience |
| | Hobsonville Village construction commences by 2018 | <ul style="list-style-type: none"> • Build network optimisation and resilience |
| | Glenvar Ridge Rd (Long Bay) construction complete 2018 | <ul style="list-style-type: none"> • Build network optimisation and resilience |
| Maximise value from existing assets | Review and assess (in conjunction with ACPL) maximising value from existing assets, and identification of surplus non-strategic assets for disposal | <ul style="list-style-type: none"> • Ensure a sustainable funding model |
| Improved effectiveness of operating expenditure | Programme for achieving efficiency targets for operating expenditure while maintaining service delivery over the course of the SOI. | <ul style="list-style-type: none"> • Ensure a sustainable funding model |
| Improved value for money and sector performance for road construction, operations and renewals | Implement the recommendations of the national Road Efficiency Group, including One Network Road Classification | <ul style="list-style-type: none"> • Ensure a sustainable funding model |
| New public transport contracts | Shift to new performance-based commercial and contractual framework for public transport services, based on Public Transport Operating Model (PTOM) (rolling change as contracts are renegotiated). | <ul style="list-style-type: none"> • Ensure a sustainable funding model |
| Competitive pricing and improved value for money | Ensure effective systems are in place to achieve competitive pricing and improved value for money from the new network | <ul style="list-style-type: none"> • Ensure a sustainable funding model |
| Coordinate travel planning initiatives | Support schools, workplaces and tertiary institutions to identify and use transport options other than single occupancy private vehicles. | <ul style="list-style-type: none"> • Develop creative, adaptive, innovative implementation |

| Key projects and initiatives | Description | Contribution to strategic themes |
|------------------------------|--|--|
| Route optimisation | Progress route optimisation programme, which helps ease congestion on Auckland's road network. | <ul style="list-style-type: none"> Build network optimisation and resilience Develop creative, adaptive, innovative implementation |

Specific projects delivering on Māori outcomes

The following table sets out specific projects which will help to deliver on Māori outcomes.

| Key projects and initiatives | Description | Contribution to Māori outcomes |
|--|---|---|
| Iwi engagement | Engagement with mana whenua on major transport infrastructure projects using Te Aranga Māori urban design principles, and utilising AT's Māori Engagement Framework | Mana whenua input to transport infrastructure development and design, contributing to Auckland's Māori identity |
| Māori values and stormwater | Māori values such as kaitiakitanga are considered in stormwater management in transport infrastructure projects | Contributing to Auckland's Māori identity |
| Māori wardens | Māori Wardens provide a customer service/ambassador role on some train services. The costs of this service are met through a contract between AT and TransDev | Contribution to Auckland's Māori identity and transport safety. |
| Marae development and papakainga housing | Infrastructure support and technical advice on marae development and papakainga housing | Improved Māori access to social and economic opportunities |

In addition, although most AT projects are not specifically tailored to Māori, many of them will directly benefit Māori by virtue of their nature and location. For example, the roll-out of the new public transport network will improve the range of destinations and service frequencies for public transport in areas with high concentrations of Māori, thereby improving Māori access to social and economic opportunities. Similarly, capital development projects in areas of high Māori population can also improve Māori access to social and economic opportunities.

6. PERFORMANCE OUTLOOK

Key performance measures

Auckland Transport has an agreed set of key performance measures and targets which form the basis for accountability to delivering on the Council's strategic direction, priorities and targets. These will be reported on a quarterly basis, in accordance with the CCO Governance Manual. These include measures agreed as part of the Long-term Plan 2015-2025.

| Strategic theme ¹ | Measure | 2013/14 Actual | 2014/15 Annual Plan | 2015/16 Target | 2016/17 Target | 2017/18 Target |
|---|--|---|---|---|--|--|
| Prioritise rapid, high frequency public transport | Total public transport boardings (millions) | 72.4 | 73.7 | 79.9 | 82.4 | 84.3 |
| | Boardings on rapid or frequent network (rail, busway, FTN bus) | TBA (new measure) | New measure | Increase at faster rate than total boardings | Increase at faster rate than total boardings | Increase at faster rate than total boardings |
| Transform and elevate customer focus and experience | PT punctuality (weighted average across all modes) | 85.9% | New measure | 92% | 93% | 94% |
| | Customer satisfaction index: PT, road quality, footpath quality, road safety | PT: 81.4 Road: 71 F/path: 63 Safety: 63 Avg: 69.6 | PT: 83 Road: 70 F/path: 65 Safety: N/A Avg: N/A | PT: 83 Road: 70 F/path: 65 Safety: 60 Avg: 69.5 | PT 84 Road 70 F/path 65 Safety 60-65 Avg: 70.1 | PT: 85 Road: 70 F/path: 65 Safety: 60-65 Avg: 70.4 |
| Build network optimisation and resilience | Arterial road productivity ² | 68% | 53% of the ideal achieved | 54% of the ideal achieved | 55% of the ideal achieved | 55% of the ideal achieved |

¹ Strategic themes are referred to as service level statements in the LTP

² Road productivity is a measure of the efficiency of the road in moving people during the peak hour. It is measured as the product of number of vehicles, their average journey speed and average vehicular occupancy. Key arterial routes include:

Airport to CBD (via Manukau Rd)

St Lukes to St Johns (via Balmoral/Greenlane West/Greenlane East/Remuera Rd)

Albany to Birkenhead (via Glenfield Rd)

Henderson to CBD (via Great North Rd)

SH1 to Ti Rakau Dr (via Te Irirangi Dr)

SH20 to Portage Rd (via Tiverton/Wolverton Rd)

| | | | | | | |
|---|---|---|---|--|--|--|
| | Travel times on key freight routes ³ | Baseline travel times maintained on 6 out of 8 routes | Maintain travel times for 85th percentile on all nominated freight routes | Maintain baseline travel times for the 85th percentile | Maintain baseline travel times for the 85th percentile | Maintain baseline travel times for the 85th percentile |
| Ensure a sustainable funding model | PT farebox recovery ⁴ | 45.4% | New measure | 46-48% | 47-50% | 49-52% |
| Develop creative, adaptive, innovative implementation | Parking occupancy rates (peak 4-hour, on and off street) ⁵ | N/A | Within 70-90% range | 70% - 90% | 70% - 90% | 70% - 90% |
| | No. of car trips avoided through travel planning initiatives | 16,587 | 16,700 | 17,500 | 18,400 | 20,240 |

Mandatory Secretary for Local Government Performance Measures

In addition to the key performance measures outlined above, Auckland Transport is also required by the Secretary for Local Government to report against specified non-financial performance measures (as per the Non-financial Performance Measures Rules 2013). Those measures, and correlating targets, are set out below.

³ Target travel times on nominated strategic freight routes:

| Route | Travel Time (mins) |
|--|--------------------|
| SEART (from Sylvia Park to East Tamaki) | 11 |
| SEART (from East Tamaki to Sylvia Park) | 12 |
| Wairau Rd (from SH1 to SH18) | 8 |
| Wairau Rd (from SH18 to SH1) | 8 |
| Harris Rd (from East Tamaki to SH1 Highbrook interchange) | 10 |
| Harris Rd (from SH1 Highbrook interchange to East Tamaki) | 11 |
| Kaka St/James Feltcher Dr/Favona Rd/Walmsley Rd (SH20 to Walmsley) | 13 |
| Kaka St/James Feltcher Dr/Favona Rd/Walmsley Rd (Walmsley to SH20) | 13 |
| Great South Rd (SH1 Ellerslie Panmure Hwy Interchange to Portage Rd) | 11 |
| Great South Rd (Portage Rd to SH1 Ellerslie Panmure Hwy Interchange) | 11 |

⁴ Farebox recovery measures the contribution passenger fares make to the operating cost of providing public transport services.

⁵ 4-hour peak period is defined as the top 4 busiest hours of the day. These hours are not often coincidental and can vary depending on contributing factors. On-street parking occupancy is surveyed once a quarter in 3 central city parking zone precincts: Shortland/High Sts, K Road & Wynyard Qtr.

The targets align to those agreed as part of the Long-term Plan 2015-2025, and will be reported on quarterly in accordance with the CCO Governance Manual.

| Strategic theme | Measure | 2013/14 Actual | 2014/15 Annual Plan | 2015/16 | 2016/17 | 2017/18 |
|---|--|---------------------------|------------------------------------|----------------------|----------------------|----------------------|
| Transform and elevate customer focus and experience | Change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number. | 429 (year to 31 Dec 2013) | 2.66% reduction from previous year | Reduce by at least 9 | Reduce by at least 9 | Reduce by at least 9 |
| | Percentage of customer service requests relating to roads and footpaths which receive a response within specified time frames ⁶ | 85% | New measure | 85% | 85% | 85% |
| Build network optimisation and resilience | Road maintenance standards (ride quality) as measured by smooth travel exposure (STE) for all urban and rural roads | Rural 95 Urban 85 | New measure | Rural 93 Urban 83 | Rural 92 Urban 82 | Rural 91 Urban 81 |
| | Percentage of the sealed local road network that is resurfaced | 10% | New measure | 10% | 11% | 11% |
| | Percentage of footpaths in acceptable condition (as defined in AT's AMP) | 99% | New measure | 99% | 99% | 99% |

⁶ As defined in AT's customer service standards: 2 days for incident investigation as a high priority; 3 days for an incident investigation as a normal priority; 1 hour emergency response time.

7. SUMMARY OF FINANCIALS

The following summary of financials supports the delivery of the strategic deliverables and performance targets for Auckland Transport.

Note: The operating and capital expenditure tables reflect the amounts included in the basic budget in the Draft Long-term Plan 2015-2025. These amounts will be subject to review once the budget is finalised.

Operating expenditure (\$ millions)

| | 2013/14 Actual | 2014/15 Annual Plan | 2015/16 LTP | 2016/17 LTP | 2017/18 LTP |
|---|-------------------|---------------------------|----------------|----------------|----------------|
| Personal costs | 79.6 | 91.1 | 100.0 | 103.4 | 106.5 |
| Other expenses | 487.4 | 501.6 | 516.6 | 537.8 | 552.9 |
| Interest | 14.7 | 27.3 | 35.7 | 32.6 | 32.3 |
| Depreciation | 274.9 | 266.0 | 306.2 | 314.3 | 321.9 |
| Total operating expenditure | 856.6 | 886.0 | 958.5 | 988.1 | 1,013.6 |
| Principal repayments | 1.7 | 3.5 | 4.9 | 5.6 | 5.9 |
| Operating expenditure to be funded | 583.4 | 623.5 | 657.2 | 679.4 | 697.6 |
| <u>Funded by:</u> | | | | | |
| External revenue | 150.4 | 160.7 | 166.8 | 173.6 | 179.2 |
| Grants/ subsidies | 208.2 | 227.2 | 238.4 | 245.7 | 251.5 |
| Auckland Council funding | 230.1 | 235.6 | 252.0 | 260.1 | 266.9 |
| Total | 588.7 | 623.5 | 657.2 | 679.4 | 697.6 |
| Surplus/ (deficit) | 5.3 | 0.0 | 0.0 | 0.0 | 0.0 |

Capital expenditure (\$ millions)

| | 2013/14 Actual | 2014/15 Annual Plan | 2015/16 LTP | 2016/17 LTP | 2017/18 LTP |
|----------------------------------|-------------------|------------------------|----------------|----------------|----------------|
| Growth | 48.9 | 52.9 | 48.6 | 73.0 | 84.1 |
| Level of service | 468.9 | 560.4 | 225.4 | 326.9 | 430.1 |
| Renewals | 200.3 | 219.7 | 179.6 | 194.9 | 211.2 |
| Total capital expenditure | 718.1 | 833.0 | 453.6 | 594.8 | 725.4 |
| <u>Funded by:</u> | | | | | |
| Debt | 155.7 | 182.0 | 10.0 | 0.0 | 0.0 |
| Grants / subsidies | 163.8 | 181.9 | 254.3 | 281.8 | 303.3 |
| Auckland Council funding | 398.6 | 469.1 | 189.3 | 313.0 | 422.1 |
| Total | 718.1 | 833.0 | 453.6 | 594.8 | 725.4 |

Expenditure towards Māori outcomes

Expenditure on Māori outcomes is currently embedded in wider project budgets, which are currently subject to review. Auckland Transport will continue to report on expenditure on Māori outcomes as part of its quarterly report to Council.

Other financial information

| | | |
|---------------------------------|--|---|
| Current value of assets | The current value of Auckland Transport assets as at 31 December 2014 is \$16,241,384,000. | |
| Shareholder equity ratio | The latest shareholder equity ratio for Auckland Transport as at 31 December 2014 is 96% | |
| Accounting Policies | Auckland Transport accounting policies are consistent with those of the Auckland Council group policies. | |
| Financial Reporting | Auckland Transport financial reporting will be in accordance with requirements of the CCO Governance Manual. | |
| Asset sales (\$ million) | 2013/14 Actual | <i>Note: Data on forecast asset sales is not yet available as it is subject to completion of the budget process. This table will be completed once the budget has been finalised.</i> |
| | 2014/15 Annual Plan | |
| | 2015/16 LTP | |
| | 2016/17 LTP | |
| | 2017/18 LTP | |

8. APPROACH TO GOVERNANCE

Auckland Council works in partnership with its CCOs and the agreed approach to governance is outlined within the CCO Governance Manual which sits alongside this SOI and also forms part of the annual binding agreement between council and Auckland Transport.

This Governance Manual will be adopted in April 2015.

Auckland Transport is required to hold two public meetings a year (Local Government (Auckland Council) Act 2009), as follows:

| Purpose | Date | Form of Public Notification |
|--|-------------|--|
| Consider shareholder comments on draft SOI | June 2015 | Public notification in newspapers with a circulation across Auckland, and on the Auckland Transport website. |
| Consider performance against SOI targets | August 2015 | Public notification in newspapers with a circulation across Auckland, and on the Auckland Transport website. |