



ANNUAL REPORT 2017





WELCOME TO AUCKLAND TRANSPORT'S ANNUAL REPORT AGAINST OUR STATEMENT OF INTENT TO AUCKLAND COUNCIL

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

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HOW WE PERFORMED

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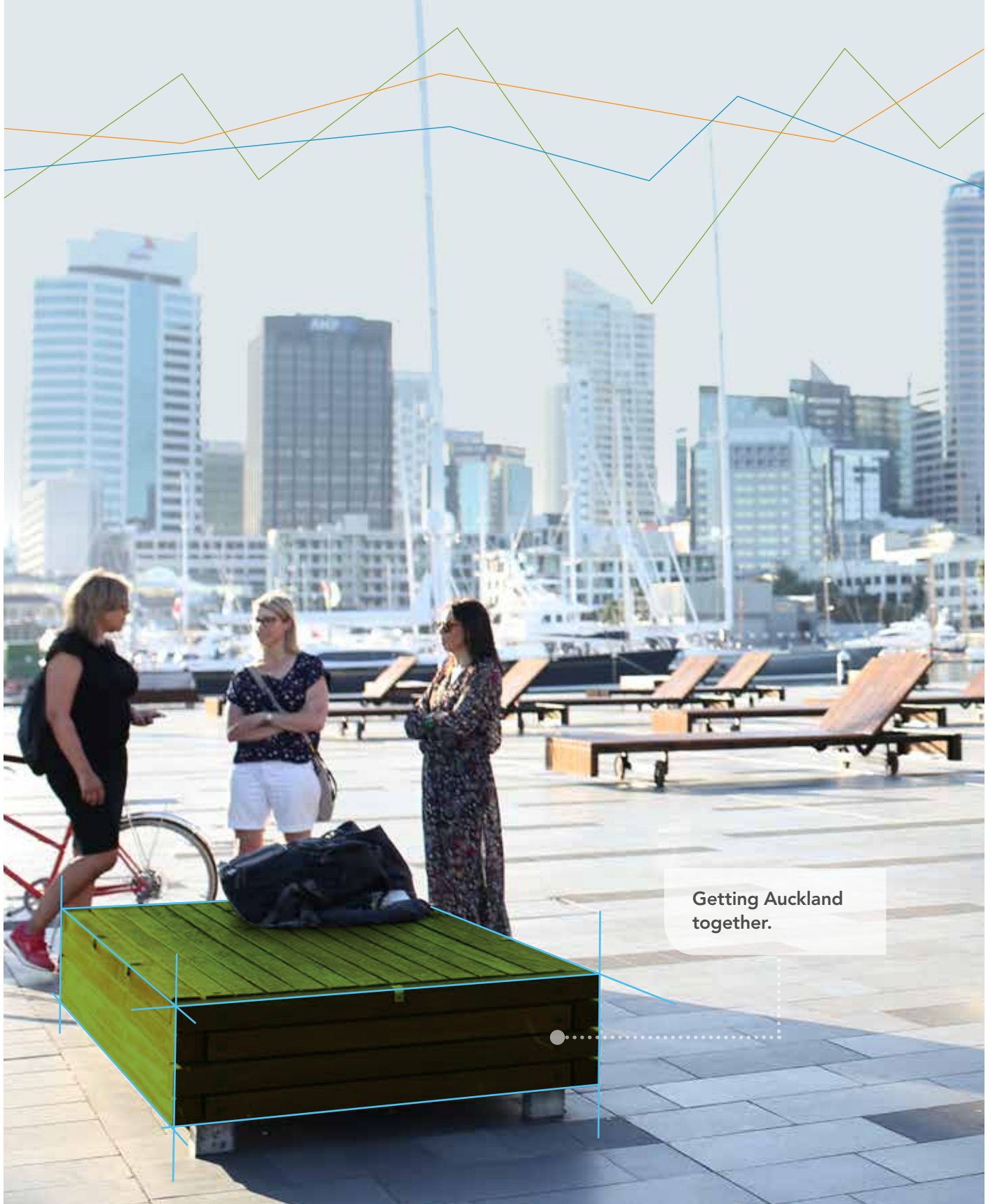
FINANCIALS

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01

HOW WE PERFORMED



Getting Auckland together.

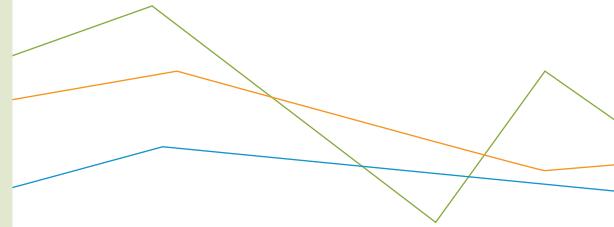
HIGHLIGHTS OF 2017

*Thanks a million,
Auckland!*

- Sales of AT HOP cards topped **1 million** in September 2016 and the AT HOP card is now used for **91%** of all public transport trips
- **9.4 million** trips were taken on public transport in March – the highest number since 1956 when the trams were decommissioned – and **90%** of customers are satisfied with services

SMART, SEAMLESS AND SUSTAINABLE

- **AT Park** and **AT Metro technologies** were launched and **rapidly embraced** by customers
- **Transport services seamlessly integrated** the largest international events in many years, enhancing Auckland's host status
- **Te Ara I Whiti Light Path won Gold** at the 2016 World Architecture Festival in Berlin
- **The Supporting Growth Programme reached a major milestone** en route to delivering on the Auckland Transport Alignment Project.



COMPLETED



\$61 MILLION

Albany Highway North upgrade six months ahead of schedule



\$6.4 MILLION

Warkworth Western Collector stage one in March 2017



\$39 MILLION

Ōtāhuhu Station and Half Moon Bay ferry pier



2 NEW NETWORKS

launched, in south and west Auckland

This annual report contains various references to AT HOP cards. Terms of use for the AT HOP cards and other information regarding the AT HOP cards are available at AT.govt.nz.

WHO WE ARE *and what we do*



Auckland Transport (AT) is one of six council-controlled organisations, and the guardian of one of New Zealand's highest-valued group of publicly held assets, worth \$18.6 billion.

We design, build, manage and promote most of Auckland's public transport services, systems, customer apps and facilities.

We manage Auckland's traffic flows in a One Network partnership with the NZ Transport Agency, deliver road safety campaigns, manage on- and off-street parking, and upgrade and maintain 7,419km of arterial and local roads.

Our call centres respond to around 650,000 transport-related phone calls each year, the AT.govt.nz website is accessed by 4.3 million users, and customer service centres welcome over 1.1 million visits.

Auckland Transport is jointly delivering the largest-ever three-year programme of new urban cycleways, and continues to promote alternatives to single-occupancy vehicle trips.

We provided transport services to 1.6 million Auckland residents this year and to the 18.5 million visitors who arrived through Auckland Airport.

Through the Auckland Transport Alignment Project (ATAP) and the Supporting Growth Programme, we are partnering with central and local government to plan future infrastructure for our projected population of 2.3 million by 2042.



Our vision, mission and values go to the heart of our culture – who we are as an organisation, how we want to behave, our aspirations and what we want to achieve together for Auckland.

VISION

what we are striving for

Transport choices for a growing, vibrant Auckland

MISSION

why Auckland Transport exists

Working together to deliver safe, innovative and sustainable transport for a great city

VALUES

how we do business



FIVE STRATEGIC *themes*

Auckland Transport's Board of Directors has reframed the underlying strategic themes to transform transport in Auckland.

PRIORITISE RAPID, HIGH-FREQUENCY PUBLIC TRANSPORT

To achieve the Auckland Plan outcome of outstanding public transport.

CONTINUOUSLY TRANSFORM AND ELEVATE CUSTOMER FOCUS AND EXPERIENCE

By delivering road, public transport, cycling and walking services which are user friendly, customer oriented, and meet the needs of the people of Auckland.

BUILD NETWORK OPTIMISATION AND RESILIENCE FOR TRAVEL TIMES

To get better value for our existing services and assets and be resilient against future shocks, e.g. oil price changes, changing travel patterns and demands, and natural events, e.g. flooding.

ENSURE A SUSTAINABLE FUNDING MODEL

To create certainty for maintaining and renewing our assets, improving service levels incrementally and adding additional capacity to the transport system to meet the needs of future growth.

DEVELOP CREATIVE, ADAPTIVE, INNOVATIVE IMPLEMENTATION

Fast-track creative, innovative and efficient transport services – for Auckland Transport's programmes and new projects.



PERFORMANCE ON 2017 targets

PERFORMANCE MEASURE	TARGET	ACTUAL	PERFORMANCE AGAINST TARGETS
STRATEGIC THEME 1: Prioritise rapid, high-frequency public transport			
1 Total public transport boardings (millions)	88.97	88.44	☑
2 Total rail boardings (millions)	19.5	19.6	☑
3 Boardings on rapid or frequent network (rail, busway, Frequent Transit Network – bus)	Increase at faster rate than total boardings	12.7% growth compared with 6.7% total boarding growth	☑
STRATEGIC THEME 2: Continuously transform and elevate customer focus and experience			
4 Public transport punctuality (weighted average across all modes)	93%	95.2%	☑
5 Customer satisfaction index: Public transport	84%	90%	☑☑
6 Customer satisfaction index: Road quality	70%	61%	☒
7 Customer satisfaction index: Footpath quality	65%	58%	☒
8 Customer satisfaction index: Road safety	60-65%	60%	☑
9 Local road deaths and serious injuries per 100 million vehicle kilometres travelled	5	7	☒
10 Change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number	Reduce by at least 9 (529)	12 months rolling to December 2016: 546	☒
11 Percentage of customer service requests relating to roads and footpaths which receive a response within specified time frames	85%	87%	☑
12 Percentage of local board members satisfied with AT engagement	Survey not undertaken during 2016/17	Survey not undertaken during 2016/17 ¹	Not applicable
STRATEGIC THEME 3: Build network optimisation and resilience for travel times			
13 Arterial road productivity	55% of the ideal achieved	60.2%	☑☑
<i>Travel times (in minutes) on key freight routes (performance measures 14 to 23)</i>			
14 SEART (from Sylvia Park to East Tamaki) – east bound	11	12	☒
15 SEART (from East Tamaki to Sylvia Park) – west bound	12	11	☑☑
16 Wairau Road (from SH1 to SH18) – west bound	8	9	☒

NOTE TO PERFORMANCE MEASURE 12

1. Local board satisfaction results sourced from the Auckland Council Elected Members Survey. Results are not available every year as the survey is only undertaken every 18 months.

PERFORMANCE MEASURE	TARGET	ACTUAL	PERFORMANCE AGAINST TARGETS
17 Wairau Road (from SH18 to SH1) – east bound	8	9	☒
18 Harris Road (from East Tamaki to SH1 Highbrook interchange) – west bound	10	11	☒
19 Harris Road (from SH1 Highbrook interchange to East Tamaki) – east bound	11	12	☒
20 Kaka Street/James Fletcher Drive/Favona Road/Walmsley Road (SH20 to Walmsley) – east bound	13	8	☑☑
21 Kaka Street/James Fletcher Drive/Favona Road/Walmsley Road (Walmsley to SH20) – west bound	13	7	☑☑
22 Great South Road (SH1 Ellerslie Panmure Highway interchange to Portage Road) – south bound	11	12	☒
23 Great South Road (Portage Road to SH1 Ellerslie Panmure Highway interchange) – north bound	11	13	☒
24 New cycleways added to Auckland Cycle Network (km)	16.4	14.2	☒
25 Annual number of cycling trips in designated areas in Auckland (all day)	1,200,000	1,742,305	☑☑
26 Annual cycle movements in Auckland city centre	1,847,000	1,760,095	☒
27 Road maintenance standards (ride quality) as measured by Smooth Travel Exposure (STE) for all urban roads	82%	87%	☑☑
28 Road maintenance standards (ride quality) as measured by Smooth Travel Exposure (STE) for all rural roads	92%	94%	☑
29 Percentage of the sealed local road network that is resurfaced	8%	8.1%	☑
30 Percentage of footpaths in acceptable condition (as defined in AT's Asset Management Plan)	99%	99.5%	☑
STRATEGIC THEME 4: Ensure a sustainable funding model			
31 Public transport farebox recovery	47-50%	47.1%	☑
STRATEGIC THEME 5: Fast-track creative, innovative and efficient transport services			
32 Parking occupancy rates (peak four-hour, on-street)	70%-90%	85.7%	☑
33 Number of car trips avoided through travel planning initiatives	18,400	25,985	☑☑
34 Active and sustainable transport mode share at schools where the Travelwise programme is implemented	40%	49%	☑☑
35 Active and sustainable transport mode share for morning peak commuters where the Commute programme is implemented	40%	48%	☑☑

KEY TO TARGETS:

☑ Result within +/- 2.5% of target = MET. ☑☑ Result above target by more than 2.5% = EXCEEDED.

☒ Result below target by more than 2.5% = NOT MET. See page 34 for Notes to the performance measure targets.

FINANCIALS *at a glance*

A summary of Auckland Transport's financial performance for the year ended 30 June 2017.

Auckland Transport has operated within its agreed funding envelope.

Total revenue for the year is \$1,713.9 million, against a budget of \$1,637.0 million. Auckland Council and the NZ Transport Agency are the primary sources of funding; however, 29 per cent of revenue was received from various other sources including public transport fares, user charges and fees, rental, other subsidies and vested assets. The pie chart below provides a breakdown of revenue.

Total expenditure is \$1,099.9 million, against a budget of \$1,103.4 million. Other expenses of \$657.7 million include \$558.4 million spent on the following activities:

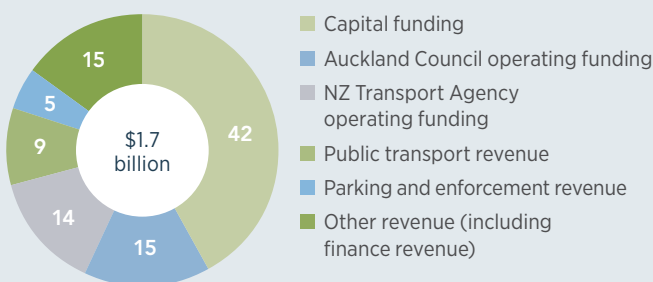
- \$427.5 million Public transport
- \$111.7 million Roding
- \$19.2 million Parking.

The surplus before tax of \$614.0 million is \$80.5 million above the budget of \$533.5 million. The variance is mainly due to unbudgeted vested asset revenue of \$105.5 million partly offset by lower NZ Transport Agency capital funding of \$41.0 million.

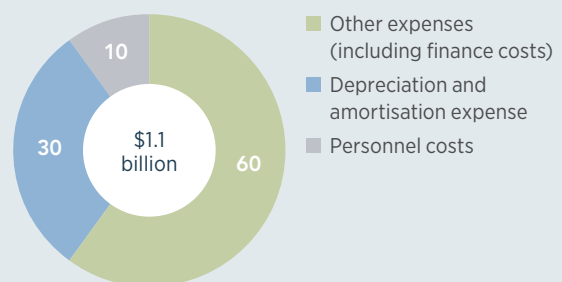
Investment in the city's infrastructure was \$724.2 million against a budget of \$764.6 million. A significant level of new infrastructure was delivered last year and a substantial level of renewal of existing assets was undertaken.

The net asset position that AT manages is \$18.6 billion, up \$2.0 billion from the June 2016 position.

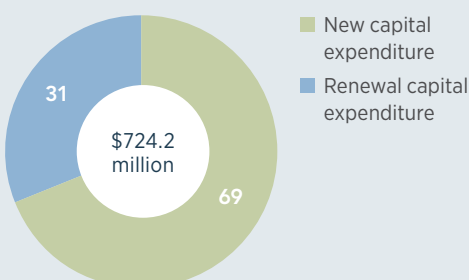
REVENUE PERCENTAGES



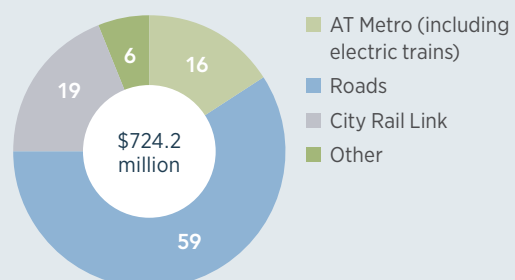
EXPENDITURE PERCENTAGES



CAPITAL EXPENDITURE PERCENTAGES



CAPITAL EXPENDITURE PERCENTAGES



Revenue and expenditure summary

All in \$000's	Actual 2017	Budget 2017	Actual 2016
WHAT WAS RECEIVED? WHAT WAS SPENT?			
Capital funding	714,731	764,611	543,213
Operating funding	507,575	499,765	481,722
Other revenue (including finance revenue)	491,608	372,596	343,344
Total revenue	1,713,914	1,636,972	1,368,279
Total expenditure	1,099,936	1,103,440	983,557
Surplus before tax	613,978	533,532	384,722
Income tax benefit/(expense)	1,822	–	(1,116)
Other comprehensive revenue	1,452,746	687,127	82,593
Total comprehensive revenue	2,068,546	1,220,659	466,199
NEW CAPITAL EXPENDITURE			
Roads	217,427	240,574	151,842
AT Metro	98,425	91,252	60,308
City Rail Link	136,355	169,498	107,130
Electric trains	8,182	10,499	29,777
Other	42,396	24,582	14,029
Total new capital expenditure	502,785	536,405	363,086
RENEWAL CAPITAL EXPENDITURE			
Roads	213,935	219,348	185,667
Other	7,506	8,858	6,414
Total renewal capital expenditure	221,441	228,206	192,081
Total capital expenditure	724,226	764,611	555,167
FUNDING OF CAPITAL EXPENDITURE			
NZ Transport Agency capital funding – new	108,566	154,318	76,763
NZ Transport Agency capital funding – renewal	67,018	62,284	63,425
Auckland Council capital funding	539,147	548,009	403,025
Other capital grants	9,495	–	1,954
Auckland Council loan funding	–	–	10,000
Total funding of capital expenditure	724,226	764,611	555,167



CHAIRMAN'S REPORT

There is encouraging evidence emerging that Aucklanders are prepared to change their travel habits when they are provided with reliable, quality alternatives.

As an example, between 2003 and 2017 Auckland's population grew 28 per cent, yet public transport patronage increased by 63 per cent – more than double the population growth. This annual report is full of revealing statistics that demonstrate the 'how' and 'what'. Statistics and measures are incredibly important in any organisation to ensure that progress is tracked and measured. In AT's case they also ensure a clear accountability back to Auckland Council, key partners, ratepayers and taxpayers.

But at a glance it is difficult to see the 'why' and the answer to that question is one word: Congestion. It is undeniable that congestion is increasingly stifling the region – socially, environmentally and economically. A quarter of Auckland's busiest roads are already congested at peak times, up from 18 per cent three years ago, and motorway speed has declined by nine per cent in the three years to 2016. There is a very real risk the benefits of growth in the labour market and economic activity are being compromised by declining travel speeds, which hurts all of New Zealand, not just Auckland. Overcoming congestion will liberate Auckland's economy and elevate the wellbeing of Aucklanders and visitors to our city.

But congestion is not the base problem – it is merely a symptom. There are more fundamental, underlying issues that Auckland (and not AT alone)

must tackle – head-on and with urgency. They are managing the conflation of unprecedented population growth and serious underinvestment in infrastructure, over a period of many decades.

Compounding these fundamental issues is the implausibly slow pace at which decisions on truly transformational change occur. Even the most modest of capital projects can take five to seven years, moving from conception, through decision making, to securing funding, through public consultation, to design, property acquisition, resource consent... and finally construction. By which time more people and more cars are likely to have neutralised the benefits projected.

Getting realistic about growth

Joined-up thinking between the Government, Auckland Council, the NZ Transport Agency and AT is critical if we are to address these fundamental issues. That is why the Auckland Transport Alignment Project (ATAP) is so important because for the first time there is alignment on the agreed transport priorities and interventions for Auckland. Yet, population growth is placing pressure on the indicative timetable of projects laid out in ATAP and calls for an acceleration of at least the key rapid transit projects within this agreement, to relieve the considerable pain being currently experienced by road network users. More than half of North Shore commuters now use the Northern Busway and there is no doubt that the planned Eastern, Northwestern and extended Northern Busways, along with mass transit to the Auckland Airport, offer the biggest opportunity to alleviate congestion and provide predictable travel times.



Smarter transport pricing

It is equally imperative that we move ahead with reprioritising the public space we call roads to create greater utility for both Aucklanders and those visiting Auckland. AT will also continue to introduce many more bus lanes and give a higher priority to cycling, walking and service vehicles. An encouragement to shift to electric vehicles, cycling and walking and the greater availability of open public spaces will result in an environment with cleaner air and consequent health benefits.

The fundamental difference between ATAP and the Auckland Plan is the concept of smarter transport pricing. Charging for road network use according to time and location is already a common feature of many world cities and an inevitable consequence of the nexus of population growth and limited resources. The Government and Auckland Council have agreed terms of reference to lay the groundwork for assessing pricing options, but again timeliness of decision making and implementation will be critical.

I liken road pricing to higher taxation on cigarettes, which is finally bringing about significant behaviour change. The price of tobacco could not be raised without concurrently making accessible smoking cessation programmes available. Pricing road use will require realistic 'stop driving your car' alternative transport choices.

Unlocking city centre potential

Auckland Transport has taken the City Rail Link project from conception, standing firm alongside Auckland Council and arguing the case for this project to finally get going. From July 2017, a new Government and Auckland Council partnership structure, City Rail Link Limited (CRL), took

oversight through to completion due in 2023.

As a capitalised company with its own board of directors, CRL will be looking to optimise the CRL's wider benefits and any future rail investments. AT's role will be to provide ongoing technical and operational services and project delivery.

The city sorely needs the CRL, to address future capacity constraints. The central city has grown faster than predicted. A resident population of 45,000 was anticipated by 2032, but has already been reached. The number of commuters arriving by public transport has risen from 13,000 to 40,000 since 2012. Nobody wants to see Queen Street and its arterials become nose-to-tail buses. All stakeholders are committed to delivering a transport system that serves the city's increased liveability, not one that damages it.

Welcoming new perspectives

Auckland is on the cusp of transformational change and the opportunity to recruit four new Directors this year has brought skills and strengths in political engagement, finance and law along with an improved gender balance (see pages 43-44). A new member of the Customer Focus Committee is bringing welcome insights into urban transformation. I take this opportunity to thank the outgoing members of the Board, Paul Lockey, Dr Ian Parton, Christine Fletcher and Mike Lee for their dedication and work to solve one of the most pressing issues facing Auckland.

Dr Lester Levy CNZM
CHAIRMAN



CHIEF EXECUTIVE'S REPORT

New technologies have the potential to transform the experience of travel. But in our enthusiasm for a high-tech future, we cannot lose sight of physical reality – the number of people and vehicles that can be moved per hour is the final determinant.

High-capacity rapid and mass transit public transport will remain the backbone of our growing city. The rail network alone is adding one million trips every three to four months. This year, we celebrated a milestone in launching the first New Networks – South and West – integrated with award-winning infrastructure such as Ōtāhuhu Station. The millionth AT HOP card was sold, and AT HOP is already being used for 91 per cent of all trips. By comparison, London's Oyster card took nine years to reach 80 per cent usage.

The City Rail Link (CRL) has transitioned from AT management to a new CRL Limited structure. I want to thank the CRL team for its outstanding performance, which is already gathering awards and recognition. The project was awarded a 'Leading' Infrastructure Sustainability (IS) Design rating by the Infrastructure Sustainability Council of Australia (ISCA), the highest possible achievement in the IS scheme. Now well under way, the CRL is also opening up significant work opportunities. Traffic flows on six key routes in the city centre are operating at or above levels prior to the start of construction.

People and technology

In highlighting annual achievements, the backbone of our organisation is often overlooked. From customer service to network management, AT staff perform daily miracles, creatively responding to challenges.

This year, for example:

- over 1.1 million visits were made to customer service centres, and satisfaction with customer contact is holding steady above 80 per cent
- the Transport Operations Centres responded to over 30,000 incidents on the networks; 462 of these were critical and required a multi-agency response
- an impressive two-year Diversity and Inclusion framework and plan was launched, spanning governance, workforce and leadership
- major events, both planned and unplanned (in the case of March's extreme weather), required long hours and dedication, resulting in a business-as-usual performance from the networks. This result contributed to the World Masters Games in Auckland setting a benchmark for the event
- the Harbourmaster collaborated with the Royal NZ Navy and NZ Police to ensure the Navy's 75th anniversary fleet review was incident-free
- the Design Studio created customer information for 1,800 new bus stops for the New Network launches, and the Regional Signage team produced design templates for the New Networks and collaborated with mana whenua on regional signs.

We are growing our use of social media as a highly cost-effective way of reaching customers in real-time. The Spread the Jam video about reducing congestion reached 4.9 million people and cost just \$200 to promote via social media.

We operate seven social media channels, with Twitter being the most active and widely appreciated as a means of live feedback on issues.



The launch of AT Mobile and AT Park in April demonstrates that AT is at the leading edge of world cities in engaging with our customers to co-create a digital city. The new technologies meet the expectation for real-time travel information and ease of payment, with both customers and AT making informed decisions about network use. By June AT Mobile already had 50,000 active users.

Using road space productively

Equally, when integrating virtual platforms with physical infrastructure, clarity is needed about what is subject to change and what isn't. The decisions we take today about future infrastructure needs must be sufficiently flexible to accommodate tomorrow's technologies which can offer both increased efficiency of use and improved customer experience.

With over 800 new vehicles on Auckland's roads each week, the road space needs to prioritise high-capacity transport modes. More bus lanes are a necessity, and the voice of public transport and cycleway advocates comes through clearly. Balanced against that are the under-represented needs of the commercial and service sectors, which rely on travel times being maintained. When productivity is impacted it has a consequential effect with higher prices.

Supporting growth

The Supporting Growth Programme reached a milestone this year when Requests for Proposal for a planning alliance were called for. This alliance will move ahead with detailed investigations to confirm the preferred network and obtain route protection within the next five years for all parts of it. This partnership programme of investments demonstrates a further maturing of AT as an organisation and of the relationships between local and central government.

Finances and funding

Auckland Transport has operated within its approved funding, while delivering a capital investment programme of \$724 million. This is a solid result given a constrained budget. Financial results for the year show total comprehensive income of \$2,068.9 million, which includes the impact of asset revaluations of \$1,455.3 million and vested assets from developers of \$207 million. Excluding the revaluation impact, total fixed assets (infrastructure and operational assets) have increased by \$291 million from the last financial year, reflecting the development of additional transport infrastructure to support Auckland's growth.

We can deliver more, sooner, particularly regarding the ATAP agreed priorities, but doing so requires certainty of funding over the medium to long term. Beyond the conventional funding models, AT is considering local and offshore opportunities to generate funding streams for capital projects. These range from alliances with developers and public private partnerships (PPPs) to special-purpose vehicles such as the Housing Infrastructure Fund. Taxing value increases on property surrounding new infrastructure – through targeted rates and other mechanisms – is also being discussed, as a means to ensuring that infrastructure investment more equitably distributes public expenditure and private benefits.

A handwritten signature in black ink, appearing to read 'D. Warburton', written in a cursive style.

Dr David Warburton CHIEF EXECUTIVE

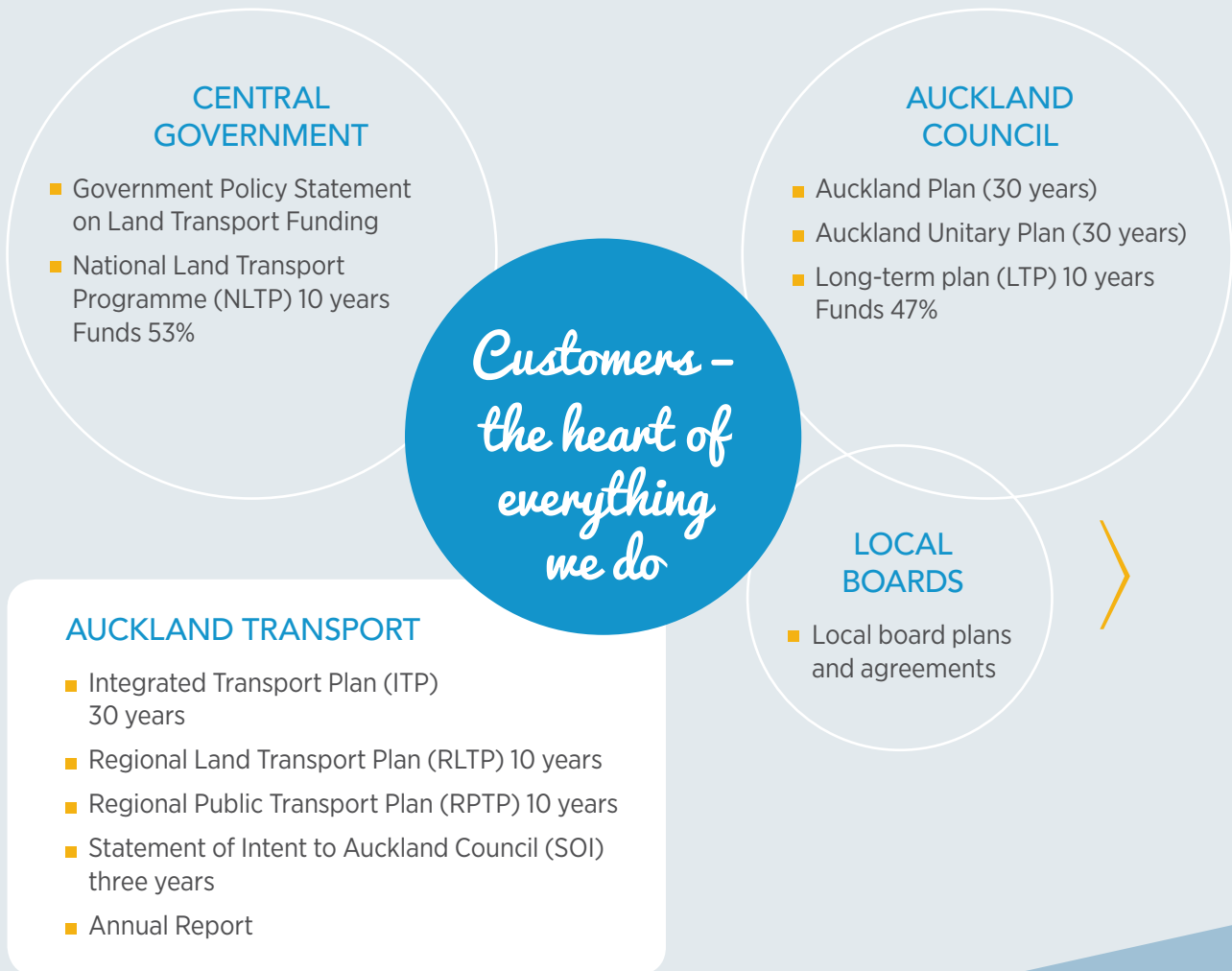
THE THREE-YEAR *workplan*

Transport in Auckland is funded by both central government and Auckland Council. Objectives for the NZ Transport Agency include a high-quality transport system for Auckland, the nation's economic hub, to deliver economic growth targets, and a One Network approach that views all modes and networks as part of a larger, integrated system.

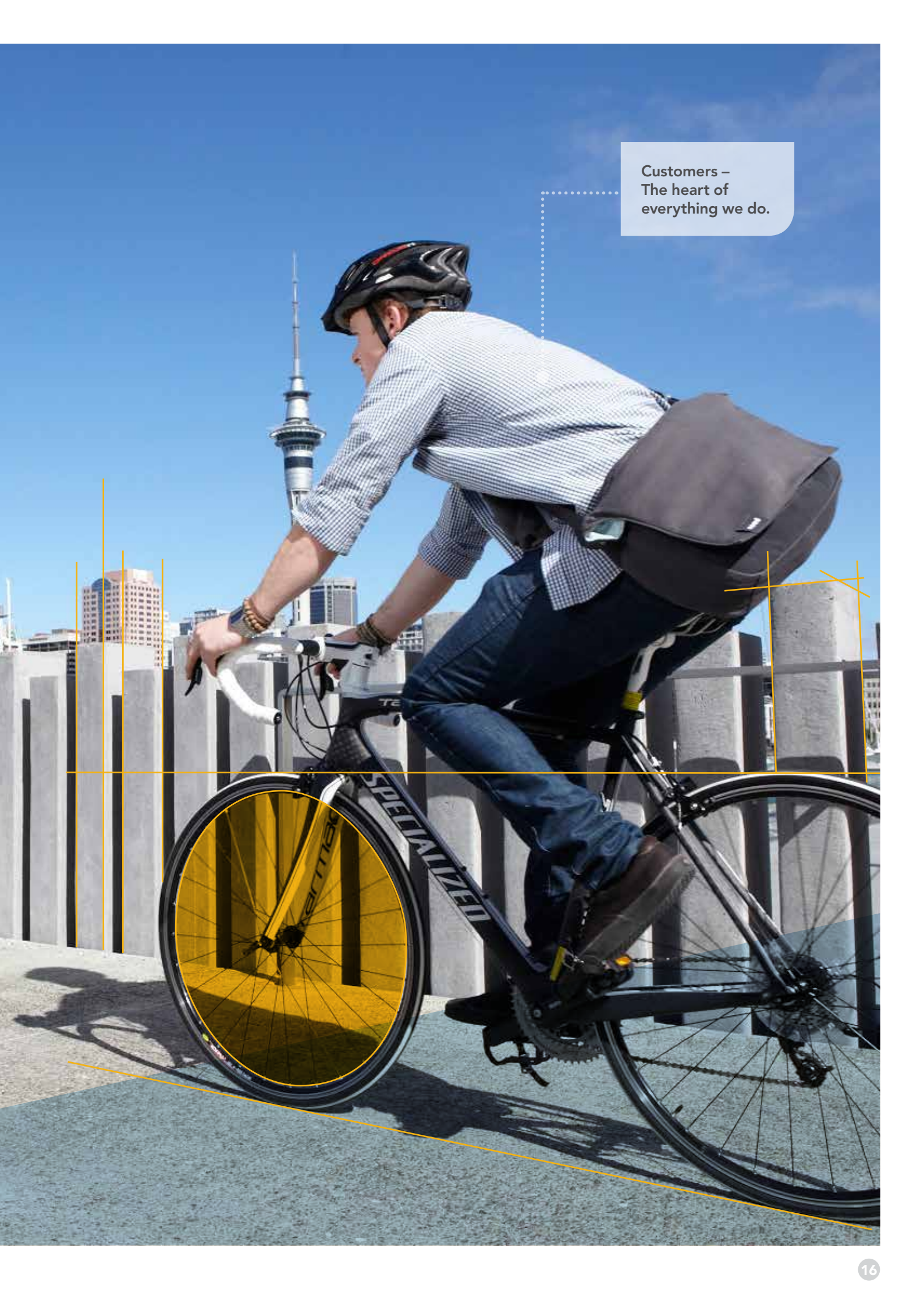
The Statement of Intent (SOI) that AT agrees annually with the council is the basis for this annual report. The 2016-19 SOI is structured

on the Board's five strategic themes. This section reports on the SOI's three-year workplan and performance measures, and on progress with the Accelerated Transport Programme in the council's long-term plan 2015-25.

Up-to-date information on the workplan is on the website at AT.govt.nz/projects-roadworks. Videos explaining major projects can be found on YouTube by searching for 'Auckland Transport'.







Customers –
The heart of
everything we do.

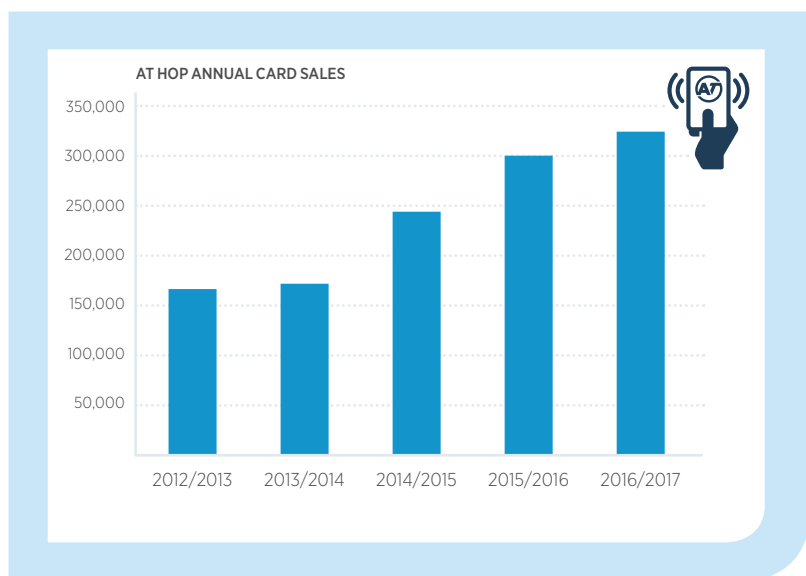


STRATEGIC *theme*

1

Prioritise rapid, high-frequency public transport

KEY PROJECT	PROGRESS REPORT FOR 2017
CITY RAIL LINK	
<p>Enabling works for City Rail Link (across Lower Queen Street and under Downtown building) progressed to meet time-frames agreed with Precinct Properties Ltd</p> 	<p>Construction progress in Albert Street includes completing all 322 piles to prepare for tunnelling, diverting stormwater between Swanson and Wellesley streets and strengthening the Orakei main sewer across Victoria Street. The Chief Post Office entrance to Britomart Station has been closed and a new temporary building erected. The CPO interior has been demolished and mini piling begun. The Lower Queen Street lawn and public space has become a construction space.</p>
NEW PUBLIC TRANSPORT NETWORK	
<p>Off-peak frequency improvements on inner harbour ferries by 2016</p> 	<p>Demand on inner harbour services did not support increasing the frequency of off-peak services. Funding allocated to this activity has been reprioritised to other ferry service improvements.</p>
MANUKAU BUS STATION	
<p>Delivery of a new, high-quality station by the end of September 2017, including temporary bus stop measures, to enable the South New Network implementation</p>  	<p>The 23-bay bus station, on the old Civic Building car park site next to the train station, emerged from the ground in April. Foundation work was completed and structural steel erected for the roofing installation, so interior work could begin over winter.</p> <p>An essential New Network component, the hub will facilitate transfers between high-frequency buses and trains. A partnership with the NZ Transport Agency, the \$35 million project is expected to be completed by November 2017.</p>



KEY PROJECT

PROGRESS REPORT FOR 2017

ŌTĀHUHU BUS/RAIL INTERCHANGE

Delivery of a new, high-quality station by the end of September 2016 to enable the South New Network implementation



The interchange, a \$28 million partnership with the NZ Transport Agency, opened on time in October 2016 to coincide with the South New Network launch. The facility incorporates the existing rail station, linking the platform with two new bus platforms and a terminal building. The station's design, which reflects the site's importance to mana whenua, won an NZILA Award of Excellence (see page 109).

The interchange is one of five major projects to employ new customer and information signage, which AT has developed to give Auckland its first regionally consistent signage. Other projects were the Manukau Bus Station, Northern Express Bus Station, Parnell Station and Grey Lynn Cycleway. The new signage was also used for the World Masters Games.

WESTGATE BUS INTERCHANGE (PART OF NORSGA PLAN CHANGE 15)

On-street works under way in 2016 and full implementation by 2022



A new interchange at Westgate is now part of the Northwestern Busway project, currently under consultation.

Total public transport boardings (millions)

TARGET MET

Actual 2017: 88.44
Target 2017: 88.97

Actual 2016: 82.90
Actual 2015: 79.20

Total rail boardings (millions)

TARGET MET

Actual 2017: 19.6
Target 2017: 19.5

Actual 2016:
new measure

Boardings on rapid or frequent network (rail, busway, FTN (Frequent Transit Network) bus)

TARGET MET

Actual 2017: 12.7% growth compared with 6.7% total boarding growth
Target 2017: Increase at faster rate than total boardings

Actual 2016: 9.9% growth compared with 4.6% total boarding growth
Actual 2015: new measure

KEY TO TARGETS:

Result within +/- 2.5% of target = MET. Result above target by more than 2.5% = EXCEEDED.

Result below target by more than 2.5% = NOT MET. See page 34 for Notes to the performance measure targets.

March Madness STAYS SANE

Each year, March offers up the perfect storm for the transport network in Auckland. Over 30 per cent more trips are taken on public transport than in either February or April. Students go back to university, everyone's back from holidays, and the city comes alive with annual festivals and competitions such as Round the Bays and Pasifika. The generally settled weather sees promoters schedule outdoor concerts in our big arenas.

Such a spike in demand puts the system under extreme pressure. Although the weather added an additional twist to the perfect storm, **March 2017 remained a sane experience for most of our customers**, especially on the AT Metro public transport networks. Here's why.

RECORD NUMBERS

Over 100,000 passengers travelled by rail

to special events this March. Seventy-six per cent of Adele concert-goers arrived at Mt Smart by public transport – helping to set a **new daily record for public transport trips on 23 March of just under 400,000.**



6,500 MORE SPACES ON BUSES AND TRAINS

- Bus capacity at peak times increased between November 2016 and February 2017 by almost 5,400 spaces, including four double-decker buses on routes between Beach Haven, Glenfield and the central city providing much-needed capacity along Onewa Road
- Auckland's newest rail station, at Parnell, began operating services on 12 March, along with timetable changes which added 1,194 spaces during the morning peak on city-bound Eastern and Southern Line rail services
- The South New Network launch in October 2016 created a network of 39 new bus routes with an additional 15 per cent increase in service kilometres.



NEW CYCLEWAYS AND SHARED SPACES

New cycleways and shared spaces encouraged commuters to walk to work or go by bicycle during March. The annual Auckland Walking Challenge attracted almost 5,000 participants, and 35 per cent of Aucklanders now cycle, up from 20 per cent in 2014.



RESPONDING TO THE TASMAN TEMPEST

Dubbed the Tasman Tempest, extreme weather hit Auckland from 8 to 12 March. Hardest hit were Hunua, Clevedon, Kawakawa Bay and Waiheke Island. Auckland had its wettest day in 58 years, the city was awash in almost a third of its annual rainfall, and a massive sinkhole opened up in New Lynn after Great North Road was submerged in chest-high water. Buses were coordinated to rescue upwards of 250 children from school camps. During the weekend alone, staff and contractors dealt with a 100 per cent increase in normal weekend call-outs. By Monday morning the networks were, by and large, back to business as usual.

What went up...

+5,400 SPACES
Bus capacity ↑

+1,194 SPACES
Rail capacity ↑

+39 South Auckland bus routes ↑

+3%
Bus punctuality of services ↑

+4%
Satisfaction with services ↑

+100%
Extreme weather event call-outs ↑

What went down...

COMPLAINTS – 40%

OVERCROWDING on public transport – **23%**

WAIT TIMES longer than 10 minutes

INJURIES to passengers – **15%**

Note: All figures compare March 2016 and March 2017.

MARCH PUBLIC TRANSPORT TRIPS



2.15 MILLION TRIPS



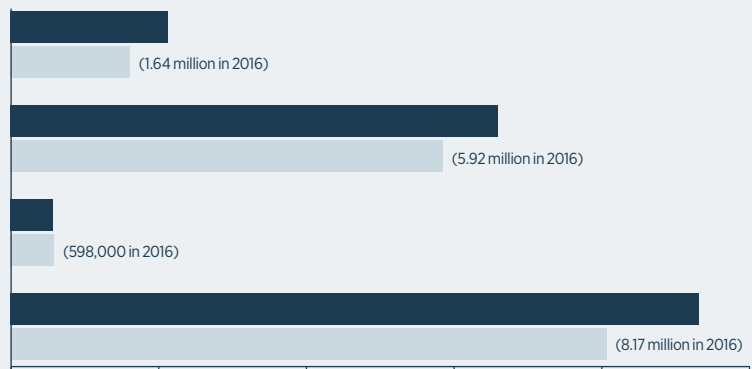
6.68 MILLION TRIPS



592 THOUSAND TRIPS









9.42 MILLION IN 2017



STRATEGIC theme | 2

Continuously transform and elevate customer focus and experience

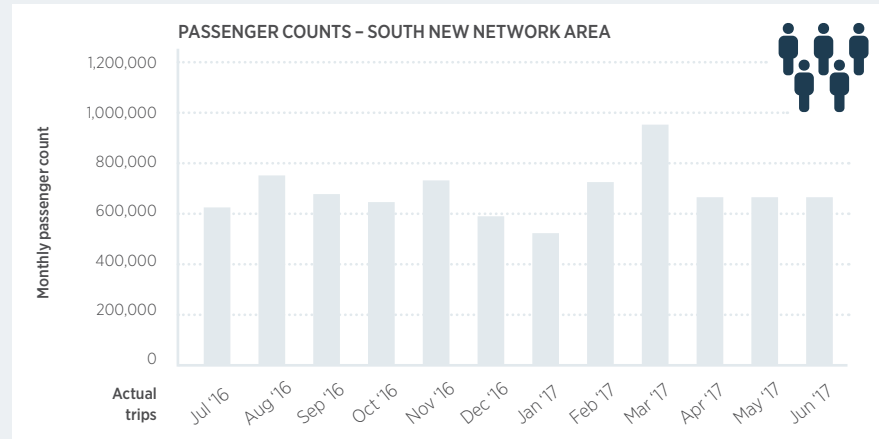
KEY PROJECT	PROGRESS REPORT FOR 2017
NEW PUBLIC TRANSPORT NETWORK	
<p>Rail: improved punctuality and customer service</p> 	<p>Service punctuality for the year to June 2017 was 95.2% per cent, compared with 93.7% the previous year.</p> <p>Customer satisfaction with rail recorded its highest-ever level, at 92.9%, up 7% compared with last year (see graph on next page). High-performing attributes that strongly influenced the increase in overall satisfaction include comfort and safety during trips, the ease of getting on and off the train, the vehicle overall, and staff friendliness and helpfulness.</p>
IMPROVEMENTS TO TRAIN TRAVEL TIMES	
<p>Measures including signal and interlocking works, line speed improvements and level crossing pedestrian gates</p> 	<p>We are discussing a proposal for improving system resilience on the Western Line with KiwiRail and the supplier. Separately, we are working with operator Transdev to thoroughly review current dwell times at stations and journey times across the rail network, which may be incorporated into the mid-2018 timetable upgrade.</p> <p>Timetable scheduling, journey time and turnaround time of trains was improved. The March 2017 rail timetable upgrade improved the efficiency of rolling stock, enabling us to provide increased train capacity in weekday peak periods.</p>
REAL-TIME PUBLIC INFORMATION SYSTEM IMPROVEMENTS	
<p>Ongoing improvements to accuracy and accessibility of real-time information</p> 	<p>In April we released a new app, which makes it easier and more intuitive to find information about catching a bus, train or ferry. Called AT Mobile, the app has new features, including GPS tracking of rail and bus services, and real-time alerts. Ongoing customer feedback will inform new features.</p>
INTEGRATED FARES	
<p>Implementing a simpler, integrated fare structure by the second quarter of 2016</p>   	<p>A new Simpler Fares system started for all bus and train services (excluding SkyBus) in August 2016. Zone-based fares meant 33 per cent of public transport customers had a fare decrease and for 66 per cent there was no change. The campaign to promote simpler fares is ongoing. Simpler fares make it easier for customers to travel by bus, train or combo and only pay one fare for the entire journey.</p> <p>To encourage family travel, AT introduced the 99 cent children's weekend fare in August. Child weekend travel increased 45% in the initial promotional period ended January 2017.</p> <p>We have developed an options analysis for integrating ferry fares with bus and train zoned fares, with three potential solutions. In the interim, sales of the multi-ferry monthly pass have steadily increased since implementation in August 2016.</p>

NEW PUBLIC TRANSPORT NETWORK

Bus: improved customer service and logical, intuitive and integrated schedules with implementation of New Network:

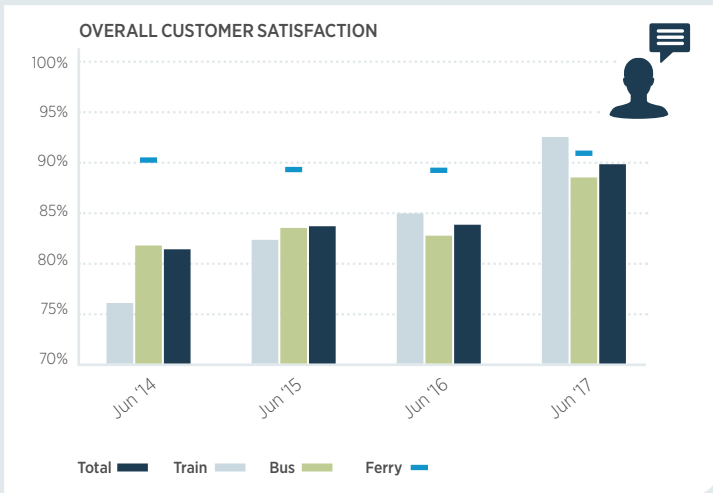
- South New Network by 2016
- West, Isthmus, North Shore and East New Network by 2017

The South New Network went live at the end of October 2016, with over 300 new bus stops, 39 new bus routes and 180 AT Metro branded buses delivering a 15% increase in service kilometres. Of these 180 buses, 95 were new. An extensive customer campaign and new customer-centric information at bus stops supported the launch, resulting in very few customer complaints related to the changes. Passenger trips have increased by 13%, turning around a two-year decline in public transport use in south Auckland. Mangere town centre bus station was also upgraded.



West New Network went live in June 2017, with 100 key sites and about 198 new bus stops planned. The launch is being supported by a similar customer campaign to that in the south.

The new services for East, Central and North areas will begin operating progressively from December 2017 through to mid-2018. The new Half Moon Bay ferry pier that opened in April will play a pivotal role in the East New Network, connecting with bus services.



Percentage of local board members satisfied with AT engagement

Actual 2017: Survey not undertaken during 2017

Local board satisfaction results sourced from the Auckland Council Elected Members Survey. Results are not available every year as the survey is only undertaken every 18 months.

STRATEGIC theme

2 CONTINUED

<p>Customer satisfaction index: Public transport</p>	<p>Customer satisfaction index: Road safety</p>	<p>Customer satisfaction index: Road quality</p>	<p>Customer satisfaction index: Footpath quality</p>
<p>TARGET EXCEEDED </p> <p>Actual 2017: 90% Target 2017: 84% Actual 2016: 84% Actual 2015: 84%</p>	<p>TARGET MET </p> <p>Actual 2017: 60% Target 2017: 60-65% Actual 2016: 65% Actual 2015: new measure</p>	<p>TARGET NOT MET </p> <p>Actual 2017: 61% Target 2017: 70% Actual 2016: 69% Actual 2015: 69%</p>	<p>TARGET NOT MET </p> <p>Actual 2017: 58% Target 2017: 65% Actual 2016: 65% Actual 2015: 65%</p>
<p>Percentage of customer service requests relating to roads and footpaths responded to within specified timeframes¹</p>	<p>TARGET MET </p> <p>Actual 2017: 87% Target 2017: 85% Actual 2016: 88% Actual 2015: new measure</p>	<p>Resident satisfaction has been impacted by the construction happening around Auckland (e.g. Watercare's Hunua 4 programme, CRL project, works associated with SH20, Point Chevalier interchange and remodelling of SH16 near St Lukes).</p>	<p>Resident satisfaction has been impacted by the ultra-fast broadband project and general development works when footpaths are closed off or restricted. AT is actively monitoring and rectifying disruption on these sites and seeking alternative arrangements, where practical.</p>
<p>Public transport punctuality (weighted average across all modes)</p>	<p>TARGET MET </p> <p>Trains – Punctuality is the proportion of trains that were not cancelled in full or part and that arrived at their final destination within five minutes of the scheduled time regardless of whether the train departed its origin on time.</p> <p>Bus and ferry – Punctuality is measured by the percentage of total scheduled services leaving their origin stop no more than one minute early or five minutes late. Bus uses first stop and ferry uses departure.</p>	<p>Actual 2017: 95.2% Actual 2016: 95% Target 2017: 93% Actual 2015: new measure</p>	
<p>Local road deaths and serious injuries per 100 million vehicle kilometres travelled²</p>	<p>TARGET NOT MET </p> <p>AT is working closely with NZ Police and other stakeholders to target safety infrastructure, training, and other interventions.</p>	<p>Actual 2017: 7 Actual 2016: new measure Target 2017: 5</p>	
<p>Change from previous financial year in number of fatalities and serious injuries on local road network, expressed as a number</p>	<p>TARGET NOT MET </p> <p>AT is working closely with NZ Police and other stakeholders to target safety infrastructure, training, and other interventions.</p>	<p>Actual 2017: 12 months rolling total to December 2016 (546) Target 2017: reduce by at least 9 (529) Actual 2016: 538</p>	

KEY TO TARGETS:




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Half Moon Bay Pier
opened April 2017

STRATEGIC theme | 3

Build network optimisation and resilience for travel times

KEY PROJECT	PROGRESS REPORT FOR 2017
DEVELOPMENT OF SAFE CYCLEWAYS AND WALKWAYS	
<p>Regional cycleway network extended</p> 	<p>This year, \$39.1 million was spent on delivering cycling infrastructure, including projects in the 2015-18 Urban Cycleways Programme, and 14.2km of new cycleways were built, including:</p> <ul style="list-style-type: none"> ■ Quay Street Cycleway, from Lower Hobson to Plumer Street, opened in July 2016 ■ Stage 1 of the \$46 million, 6.6km Glen Innes to Tamaki Drive shared path Te Ara Ki Uta Ki Tai, connecting east Auckland to the city, opened in December 2016 – from Glen Innes Station to St Johns Road ■ Mt Roskill Safe Route opened in November 2016, connecting with the Southwestern Shared Path that runs alongside SH20 to Onehunga and the airport. In the other direction, it will connect to Mt Albert and the Waterview Shared Path ■ Sandringham Road Extension Shared Path and on-road cycle path, and West Coast Road Shared Path. <p>Under way are Nelson Street stage 2 and Northcote safe cycle route. Project designs in development include New Lynn to Avondale and Karangahape Road cycle route.</p> <p>Te Ara Mua – Māngere Future Streets was also completed in September 2016. Te Ara Mua includes cycle lanes, new crossings and traffic calming on six streets, a 1.8km recreation circuit, and improved connections through local parks to key destinations such as the town centre.</p>
<p>Waterview Cycleway Connection (joint project with NZTA) completed by 2018</p> 	<p>The Waterview Shared Path was largely complete by June 2017. The path connects the Northwestern cycleway to the New Lynn Shared Path, and Alan Wood Reserve shared path which connects into the wider Puketāpapa Greenways network.</p>
<p>Greenways plans supported within the development of safe cycleways and walkways</p> 	<p>The Grey Lynn Greenway cycle route opened in early June, as part of the Waitematā Greenways Plan, in partnership with the Waitematā Local Board. The shared path and cycling facility runs through three reserves, and will connect to the new Richmond Road and Great North Road cycleways due to be completed by 2018.</p> <p>We are working with the NZ Transport Agency and Auckland Council to establish a new investment plan from 2018-2028 with a detailed focus on 2018-2021.</p>

<p>New cycleways added to regional cycle network (km)</p>	<p>TARGET NOT MET ☒</p>	<p>Actual 2017: 14.2 Target 2017: 16.4</p>	<p>Actual 2016: 11.8 Actual 2015: new measure</p>
	<p>At the start of the year, it was projected that the Waterview Shared Path (3.4km) would be completed by June 2017. The construction of this path was delayed for a number of reasons including the redesign of Soljak Bridge, the discovery of asbestos, and weather conditions. The path is expected to be completed by the end of August 2017.</p>		

<p>Annual number of cycling trips in designated areas of Auckland (all day)³</p>	<p>TARGET EXCEEDED ☑☑</p>	<p>Actual 2017: 1,742,305 Target 2017: 1,200,000</p>	<p>Actual 2016: 995,828 Actual 2015: 906,518</p>
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ROUTE OPTIMISATION	
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<p>Progress on route optimisation programme, which helps ease congestion on the road network</p>	<p>Approximately one-third of signalised intersections (250) in the region have been optimised, as part of routine work. Optimisation has also taken place on key freight routes including Great South Road, SEART and Wairau Road.</p> <p>Continuous monitoring of traffic flows continues in the city centre as the CRL, Commercial Bay and Convention Centre projects progress. Flows on six key routes are operating at equal or better levels than when construction started, despite a marginal increase in morning commutes.</p> <p>Faulty vehicle detector loops have been fixed, as these have impacted on signal efficiency and the achievement of some targets for key arterial routes.</p> <p>Investigation and design work into an innovative trial looking at the use of dynamic lanes on Whangaparaoa Road to improve productivity has concluded. The trial is due to take place in December 2017.</p> <p>The Queenstown Road roundabout has been altered by installing flow metering signals, to improve traffic flows for southbound traffic on this key route between the city centre and the airport.</p>
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SUPPORTING GROWTH ENABLED BY AUCKLAND UNITARY PLAN	
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<p>Hobsonville Point Park-and-Ride complete by July 2017</p> <p>Massey North Town Centre substantially complete by July 2018</p>	<p>The car park area on The Landing continues to be used for park-and-ride but will be vacated when The Landing is redeveloped. Discussions continue with a number of parties to finalise a new park-and-ride location this year.</p> <p>The Massey North Town Centre project is being led by Auckland Council, with AT providing supporting transport infrastructure. The final roading element is upgrading the main street and footpaths in the Westgate shopping centre. Construction is scheduled to begin early in 2018 once design work is complete and consents obtained.</p>
<p>Glenvar Ridge Road (Long Bay) construction complete 2018</p>	<p>Glenvar Ridge Road is a new road that will connect the transport network with the urban development in Long Bay. Construction began in February 2016 and is expected to take over two years. The Hibiscus and Bays Local Board formally named the new road in September 2016, through engagement with local iwi.</p> <p>A funding agreement between AT and Long Bay Communities Ltd accelerated the project by seven years. It is saving ratepayers about \$7.5 million over the next two decades, and reducing truck movements by 15,000.</p>



<p>Annual cycle movements in Auckland city centre⁴</p>	<p>TARGET NOT MET <input checked="" type="checkbox"/></p> <p>Actual 2017: 1,760,095 Target 2017: 1,847,000</p> <p>Actual 2016: new measure</p> <p>Cycle movement growth was affected by delays to delivery of the network, a seven-day closure of the Light Path cycleway, and significant rain events in March.</p>
<p>Percentage of sealed local road network resurfaced</p>	<p>TARGET MET <input checked="" type="checkbox"/></p> <p>Actual 2017: 8.1% Target 2017: 8%</p> <p>Actual 2016: 8.1% Actual 2015: new measure</p>
<p>Percentage of footpaths in acceptable condition (as defined in AT Asset Management Plan)</p>	<p>TARGET MET <input checked="" type="checkbox"/></p> <p>Actual 2017: 99.5% Target 2017: 99%</p> <p>Actual 2016: 99.55% Actual 2015: new measure</p>

KEY TO TARGETS:

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STRATEGIC *theme*

3 CONTINUED

Arterial road network productivity ⁵	TARGET EXCEEDED <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	Actual 2017: 60.2% Target 2017: 55% of the ideal achieved	Actual 2016: 60% Actual 2015: 53%
Road maintenance standards (ride quality) as measured by smooth travel exposure (STE) for all urban roads	TARGET EXCEEDED <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	Actual 2017: 87% Target 2017: 82%	Actual 2016: 87% Actual 2015: 85%
Road maintenance standards (ride quality) as measured by smooth travel exposure (STE) for all rural roads	TARGET MET <input checked="" type="checkbox"/>	Actual 2017: 94% Target 2017: 92%	Actual 2016: 96% Actual 2015: 95%

Travel times on key freight routes during the inter-peak (9am-4pm) for 85th percentile (i.e. 85 per cent of trips on the route are made within the travel time indicated)

MINUTES	TARGET	2017 ACTUAL	2017 TARGET	2016 ACTUAL	2015 ACTUAL
SEART (from Sylvia Park to East Tamaki)	<input checked="" type="checkbox"/>	12*	11	11	11
SEART (from East Tamaki to Sylvia Park)	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	11	12	10	10
Wairau Road (from SH1 to SH18)	<input checked="" type="checkbox"/>	9*	8	8	8
Wairau Road (from SH18 to SH1)	<input checked="" type="checkbox"/>	9*	8	8	8
Harris Road (from East Tamaki to SH1 Highbrook interchange)	<input checked="" type="checkbox"/>	11*	10	10	10
Harris Road (from SH1 Highbrook interchange to East Tamaki)	<input checked="" type="checkbox"/>	12*	11	11	11
Kaka Street/James Fletcher Drive/Favona Road/Walmsley Road (SH20 to Walmsley)	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	8	13	8	8
Kaka Street/James Fletcher Drive/Favona Road/Walmsley Road (Walmsley to SH20)	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	7	13	8	7
Great South Road (SH1 Ellerslie-Panmure Highway interchange to Portage Road)	<input checked="" type="checkbox"/>	12**	11	11	11
Great South Road (Portage Road to SH1 Ellerslie-Panmure Highway interchange)	<input checked="" type="checkbox"/>	13**	11	12	11

*Travel times not met were one minute longer than the target but still represent relatively good levels of service for these routes. Wairau Road east bound performance has not lifted despite minor improvements at the SH1 interchanges.

**Minor improvements identified for the key intersection of Church Street/Great South Road are scheduled for the second half of 2017, and are expected to result in some travel time gains.

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Good road maintenance also improves pedestrian experience.



STRATEGIC *theme*

4

Ensure a sustainable funding model

KEY PROJECT	PROGRESS REPORT FOR 2017
SUPPORTING GROWTH ENABLED BY AUCKLAND UNITARY PLAN	
<p>Establish the Local Residential Growth Fund and invest over \$100 million in transport infrastructure to enable growth and development in Auckland</p> 	<p>Auckland Council and AT are working together to support growth enabled by the Auckland Unitary Plan. AT is undertaking investigations and business cases to provide the necessary transport network infrastructure and facilities to support growth in existing and new urban areas.</p> <p>The Local Residential Growth Fund of development contributions is being used to fund AT to undertake its network responsibilities to support such developments; for example, to connect the transport needed for new homes in special housing areas in Huapai and Hingaia. To date, \$39 million has been allocated and about \$30 million of further projects are being considered.</p>
<p>Establish a Strategic Land Purchase Fund to protect strategic transport routes in growth areas</p> 	<p>This fund is being used to acquire land needed for strategic transport routes or network improvements to support growth. Eight sites are under negotiation from those allocated for this purpose.</p>
<p>Identify a programme of future transport projects and networks to accommodate Auckland Council's future urban land supply strategy for the next 30 years</p> 	<p>A joint programme business case identifying \$7.6 billion of infrastructure to provide future transport networks was adopted by AT, the NZ Transport Agency and Auckland Council. Detailed business cases progressed for first-decade projects include Matakana Link Road, SH1 upgrade (Takanini to Drury) and SH16/SH18 connection including Squadron Drive and Northside Drive interchanges.</p>
NEW PUBLIC TRANSPORT CONTRACTS	
<p>Shift to new performance-based commercial and contractual framework for public transport services, based on the Public Transport Operating Model (PTOM) – rolling change as contracts are renegotiated</p> 	<p>The PTOM subsidises passenger services and incentivises service providers to maximise efficient and effective delivery of public transport in a partnering arrangement with AT.</p> <p>The first contracts were signed in 2016 for the South New Network of 39 routes. Contracts for the West New Network were awarded in December 2016 to Pavlovich Coachlines and Ritchies Transport Holdings.</p> <p>Preferred tenderers for Central and East bus services were announced in April 2017, following robust evaluation. Go Bus will deliver services alongside NZ Bus and Howick and Eastern. Preferred tenderers for the North were announced in June.</p> <p>Bids for contracted ferry services are being evaluated.</p> <p>We signed a contract variation with current rail operator Transdev Auckland, effective July 2017 to January 2020.</p>

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



The eight South New Network bus service contracts provide for annual operating cost efficiencies in delivering like-for-like services, realised from go-live in October 2016. Similar value for money and operating cost efficiencies will be realised on further AT Metro PTOM bus contracts for like-for-like service delivery.

MAXIMISING VALUE FROM EXISTING ASSETS

Review and assess ways of maximising value from existing assets, and identify surplus non-strategic assets for disposal

Parking On-street parking peak occupancy rates average 85.8%. The optimum utilisation of a given on-street parking area is 85% and AT applies a Demand Responsive pricing policy to keep parking occupancy around these levels. AT has launched a new parking app, called AT Park. This customer-friendly app allows customers to pay for parking from their mobile device, without needing to visit a parking machine, display a ticket or pay for unused time. By June, 14,000 customers were registered.

Off-street parking occupancy is within the target range of 80-90% and at peak periods, occupancy is 100%. AT continues to prioritise short-stay customers by placing a cap on the number of leased spaces available and keeping fees at levels that encourage use of off-street buildings.

High demand for parking has eased in Takapuna following the introduction of 350 paid parking spaces. Paid parking is also being introduced in Ponsonby, where demand is similarly high. Residential parking zones were introduced in Freemans Bay, Ponsonby, St Mary's Bay and Mt Eden, and 2,658 permits issued. These zones help alleviate parking pressures and have been well received by residents.

Advertising and lease space Media advertising and lease space has been enhanced with a digital commuter screen network introduced this year, including at Britomart, and is already producing third-party revenues to reduce public subsidy requirements. We are investigating advertising screens on the Northern Busway as part of broader future revenue opportunities.

Following a successful trial at Papakura Station, a coffee kiosk has been given the go-ahead at Ōtāhuhu Station. The first stage of the Devonport wharf redevelopment was completed, with the opening of restaurant Devon on the Wharf. Stage 2 will offer expanded restaurant and retail experiences. We have also introduced vending machines and grocery 'click and collect' services at food retailers to enhance the traveller experience.

Rail Fare evasion sits at 4-6%, representing \$2-3 million in lost fares annually. AT will pilot on-board transport officers in the next financial year and install electronic gates at seven more stations. Ticket offices and customer service centres were also merged in July 2017 under the AT Metro brand, for greater efficiency and improved customer experience.

Property sales A review of our property assets began in 2015 to determine the current and future transport requirements of each property. At 31 March 2017, 91 properties with a book value of \$67.71 million were returned to Auckland Council for assessment of alternative use or disposal.




STRATEGIC theme


4 CONTINUED

KEY PROJECT	PROGRESS REPORT FOR 2017
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IMPROVED EFFECTIVENESS OF OPERATING EXPENDITURE

<p>Carry out programme to achieve efficiency targets for operating expenditure while maintaining service delivery over the course of the SOI</p> 	<p>Auckland Transport has a continual review and monitoring programme of operating expenditure efficiency. Efficiency gains over previous years range from \$10-20 million and AT has achieved its operating budget in every year of operation to date. This year, actual tracking of efficiency targets has rolled out across the business, with Finance monitoring and tracking, and quarterly reporting to the CFO.</p> <p>The percentage of AT HOP operating costs (excluding depreciation) to revenue was 8.2% in 2016/17. Internationally, ratios above 10% are common. Increased patronage and card sales have offset higher-than-projected expenses.</p>
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IMPROVED VALUE FOR MONEY AND SECTOR PERFORMANCE FOR ROAD CONSTRUCTION, OPERATIONS AND RENEWALS


<p>Implement the recommendations of the national Road Efficiency Group, including One Network Road Classification</p> 	<p>The Road Efficiency Group was formed between NZ Transport Agency and Local Government New Zealand in 2013 to create and embed a new national funding and road management structure. The One Network Road Classification (ONRC) system was developed the following year to unify the approach to road network management and facilitate a customer-focused approach to levels of service and allocating funding from the National Land Transport Fund.</p> <p>The NZ Transport Agency will want evidence of ONRC requirements being used before deciding on funding allocations for 2018-21. AT is working on a fit-for-purpose level of service for the different road classes and is quantifying the gap between current service delivery and the desired level. This year, we provided feedback to the agency on its draft Investment Assessment Framework that includes the new criteria for road maintenance programmes.</p>
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Public transport farebox recovery ⁶	TARGET MET 	Actual 2017: 47.1% Actual 2016: 51.2% Target 2017: 47-50% Actual 2015: new measure
Actual 2017 result is for the 12 months rolling to May 2017.		

Parking occupancy (peak four-hour, on-street) ⁷	TARGET MET 	Actual 2017: 85.7% Actual 2016: 89.1% Target 2017: 70-90% Actual 2015: 86%
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91% of all public transport trips are now made using the AT HOP card.



STRATEGIC theme

5

Fast-track creative, innovative and efficient transport services

KEY PROJECT	PROGRESS REPORT FOR 2017
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CITY CENTRE PUBLIC TRANSPORT ACCESS

<p>Continue investigations to address bus congestion in the city centre, including investigations into light rail on selected arterial routes</p>	<p>Business cases have been developed or are under way for the Learning Quarter, Wynyard Quarter and Downtown bus facilities, with staged delivery around expected CRL construction. These projects deliver on New Network bus requirements. Studies have also been done or are under way for the North Shore and Northwestern rapid transit corridors (RTN), see page 36, and Airport to City corridor.</p> <p>The North Shore RTN study and programme business case show the Northern Busway is likely to reach capacity during the 2030s. We need further work on options to extend its operational performance and lifespan, as well as potential mode options beyond this time.</p> <p>On the Airport to City Corridor, we jointly developed a programme business case for the Central Access Plan with Auckland Council and the NZ Transport Agency. Its findings identified a new mode (likely light rail) to be implemented along Dominion Road. An advanced bus solution report in January 2017 provided further insight into bus-based mass transit options for this route. A business case for extending mass transit to the airport has ruled out heavy rail from Onehunga, limiting the options to bus or light rail. The AT and NZ Transport Agency Boards have resolved to start route protection and consider a staged implementation plan from bus to light rail.</p> <p>In addition to these major investigations, city centre access is being improved through Auckland Cycle Network delivery and the staged roll-out of New Network bus services, including more double-decker buses. In light of emerging transport changes, the City Centre Masterplan will be refreshed over the next financial year.</p>
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COORDINATE TRAVEL PLANNING INITIATIVES

<p>Support schools, workplaces and tertiary institutions to identify and use transport options other than single-occupancy private vehicles</p>	<p>A significant outcome in 2016 was zero road deaths involving children walking or riding to school.</p> <p>The Walking School Bus (WSB) programme provided safe, accompanied walking routes for 4,306 children. We enabled this by supporting 1,559 volunteers in 163 schools, promoting the programme, auditing routes and recruiting new buses. This year, 110 new routes were developed. Four out of five volunteers (82.7%) were satisfied with the interaction with their WSB coordinator.</p> <p>Auckland Transport works with around 400 active schools at any one time over four core programmes: Travelwise, Safety at the school gate, Back to school and Rural schools. Travelwise has 306 schools and 36 rural schools engaged in safety or active travel initiatives. Over 155 teachers and 597 students attended workshops and were supported with further planning meetings, resources and event support. Four out of five teachers (77%) were satisfied with the assistance they received. Nearly 9,000 year 5 to 10 students also received cycle skills training in schools through the AT Bike Safe programme.</p>
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Result within +/- 2.5% of target = MET. Result above target by more than 2.5% = EXCEEDED.

Result below target by more than 2.5% = NOT MET. See page 34 for Notes 1 to 8 to the performance measure targets.

Number of morning peak (7am-9am) car trips avoided through travel planning initiatives⁸

TARGET EXCEEDED 

Actual 2017: 25,985 | Actual 2016: 24,227
Target 2017: 18,400 | Actual 2015: 22,729

Active and sustainable transport mode share at schools where the Travelwise programme is implemented

TARGET EXCEEDED 

Actual 2017: 49% | Actual 2016:
Target 2017: 40% | new measure

Active and sustainable transport mode share for morning peak commuters where the Commute programme is implemented

TARGET EXCEEDED 

Actual 2017: 48% | Actual 2016:
Target 2017: 40% | new measure

NOTES TO THE PERFORMANCE MEASURE TARGETS

- As defined in AT's customer service standards: two days for incident investigation as a high priority; three days for incident investigation as a normal priority; one hour emergency response time.
- The rate of local road deaths and serious injuries per 100 million vehicle kilometres travelled is an estimate of exposure to crash risk on the local road network.
- Annual number of cycling trips in Auckland (all day). This is based on 14 counters across the region which reflect the trend in cycling trips in Auckland. The 14 counters cover the original nine sites plus five additional sites – Tamaki Drive (west side of the road), Mangere Bridge, SH20 Dominion Road, East Coast Road and Lagoon Drive.
- This measure relates to the total annual number of cycle movements recorded using 13 counters situated around Auckland city centre as follows: Curran Street, Te Wero Bridge, Quay Street, Beach Road, Grafton Gully, Grafton Road, Grafton Bridge, Symonds Street, Upper Queen Street, Canada Street (until December 2015) / Light Path (from December 2015), Karangahape Road, Hopetoun Street, Victoria Street West.
- Road productivity is a measure of the efficiency of the road in moving people during the peak hours. 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 Road); St Lukes to St Johns (via Balmoral/Greenlane West/Greenlane East/Remuera Road); Albany to Birkenhead (via Glenfield Road); Henderson to CBD (via Great North Road); SH1 to Ti Rakau Drive (via Te Irirangi Drive); SH20 to Portage Road (via Tiverton/Wolverton roads).
- Farebox recovery measures the contribution passenger fares make to the operating cost of providing public transport services. The measure calculates farebox recovery in accordance with NZ Transport Agency guidelines.
- Four-hour peak period is defined as the top four 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 three central city parking zone precincts: Shortland/High streets, Karangahape Road and Wynyard Quarter.
- This measure considers the results achieved by AT's Travelwise for schools and the Commute programmes, and is calculated as follows:
 - Travelwise – travel modes to school are tested among Travelwise schools annually via survey, and compared with baseline results (excluding car/walk 400m+)
 - Commute – calculation of the number of trips converted from drive-alone to other modes among Commute programme participants.

PROGRESS ON ACCELERATED transport programme

Auckland Council's Long-term Plan 2015-25 includes a \$7.9 billion capital investment for the Accelerated Transport Programme, which includes additional revenue of \$523 million over the first three years from an interim transport levy. The programme's main objectives are to move Auckland to outstanding public transport within One Network and improve the performance of the network as a whole. This section reports on progress with the programme.

KEY PROJECT	PROGRESS REPORT FOR 2017
AUCKLAND MANUKAU EASTERN TRANSPORT INITIATIVE (AMETI) STAGE 2 AND EAST-WEST CONNECTIONS	
<p>AMETI is a group of projects in south-east Auckland which will improve transport choices and connections in the area. It is being delivered in stages to 2025</p> <p>East-West Connections is a programme to improve commuter travel, public transport, freight efficiency, and walking and cycling options in the area between Onehunga, East Tamaki and Auckland Airport</p> 	<p>AMETI is a confirmed priority in ATAP. Notice of Requirement submissions for the Panmure to Pakuranga Busway closed in March, with hearings due to take place in August 2017. To date, 66 properties have been acquired. Design, consenting and property acquisition for the Pakuranga to Botany sectors are under way. Consents are due to be lodged early 2018 and the full Eastern Busway is on track to be operating by 2025.</p> <p>Auckland Transport is also working towards design and consenting of the Reeves Road flyover in Pakuranga, to provide a direct connection between Pakuranga Road and Waipuna Bridge.</p> <p>The NZ Transport Agency's East-West Connections application to the Environmental Protection Authority (EPA) in December 2016 has been referred to a Board of Inquiry. It is being treated as a matter of national significance, given its location at the heart of the country's industrial and manufacturing industries. The EPA received 685 submissions; 85% opposed the proposal in full or part. AT's role would be to deliver local road connections and new walking and cycling facilities.</p>
INVESTMENTS IN PUBLIC TRANSPORT	
<p>The City Rail Link and city centre bus improvements</p> 	<p>Regional consents for Aotea Station to the North Auckland Line at Mt Eden have been secured, as has an alteration for the Aotea Station designation that will remove the need to require a character building. Other alterations are in process. The first of 91 negotiations for the subterranean property purchase strata are under way.</p> <p>In September 2016, the Government and Auckland Council agreed to jointly fund the CRL project. City Rail Link Ltd was established under the Public Finance Act as a delivery mechanism from 1 July 2017. Contract documents for delivering stations and tunnels, linewide systems (tracks, power, communications, controls, ventilation, signalling etc) and a stormwater diversion in Mt Eden have been released to the market.</p> <p>For an update on city centre bus plans, see page 33.</p>
<p>Eliminate the Newmarket rail crossing and improve the safety of other rail crossings – excluding grade-separated solutions</p> 	<p>The Environment Court ruled in April against an appeal against an over-rail bridge to replace the level crossing in Sarawia Street, Newmarket. A consent order has been issued and design of the \$6.2 million project is going ahead through consultation with the community and iwi. Work will take place at Sarawia Street at Christmas and in April. Closure of the rail crossing is planned for May 2018.</p> <p>The bridge will be a safe travel replacement for vehicles, pedestrians and cyclists. It will feature two-lane road access, a narrowed width for lowered speed and rain gardens for environmentally-friendly stormwater run-off. Sarawia will become a no-exit street.</p>

INVESTMENTS IN PUBLIC TRANSPORT

More bus lanes, upgrading bus stops and enabling more double-deckers on the bus network



Construction last year of an extra 26km of bus lanes has improved the speed and consistency of service. This year, 7km of new bus lanes have been delivered and 75 bus shelters renewed in addition to the South and West New Network roll-outs of new and changed bus stops and shelters.

Daily bus capacity has increased by close to 5,400 spaces, a 5% increase. Much of this extra capacity has come from 76 double-decker buses on 12 key arterial routes, along with 56 more city centre-bound trips each weekday. Nine double-deckers will operate along Great North Road, as part of the West New Network.

Interchanges at Pukekohe, Ōtāhuhu, Manukau and Te Atatu



Ōtāhuhu Station opened on 29 October 2016 and electronic gates were installed in June 2017.

The Manukau interchange foundations and steel framing were completed this year and the project is on track for completion by February 2018.

We anticipate completing the Pukekohe Station upgrade by October 2017.

A new bus interchange at Te Atatu is being assessed as part of the Northwestern Busway project. Estimated completion date is 2026, although the project may be further fast tracked.

Park-and-rides at Papakura, Westgate and Silverdale



We are developing a business case for Papakura Park-and-Ride.

Resource consent for stage 2 of the Silverdale Park-and-Ride has been lodged, with the project planned for completion in July 2018.

Land acquisition for the Westgate Park-and-Ride is being assessed within the Northern Busway business case (see below).

NORTHWESTERN BUSWAY

Build the Northwestern Busway



This busway is an ATAP priority project. Ahead of public consultation planned for mid-2017, \$1 million has been allocated to develop an indicative business case to identify the preferred staging and emerging alignment of the proposed busway. The business case identifies the strategic rationale and funding requirements, along with proposed station locations and supporting park-and-ride sites.

ROAD CORRIDOR IMPROVEMENTS TO ALIGN WITH COMPLETION OF THE NZ TRANSPORT AGENCY'S WESTERN RING ROUTE





Te Atatu road corridor



Road widening continued on the eastern side of Te Atatu Road this year, along with utility work, drainage and retaining wall construction. The main roadworks for the two-year, \$30 million upgrade of the busy 1.4km stretch were completed in June. Landscaping and other final tasks, such as road marking, extended through to August.

The Waterview Tunnel officially opened on 2 July to strong public interest, with 78,000 vehicles through it on day one. The new 2.4km tunnel – the longest in New Zealand – has required a significant phase of planning and integration into road network operations. AT worked with the Waterview Tunnel Joint Operations Alliance and stakeholders to develop standard operating procedures for incidents and to ensure safe processes and systems are in place. The new city to airport route is relieving pressure on local roads and has almost halved the average travel time during the morning peak.

PROGRESS ON ACCELERATED *transport programme* CONTINUED

KEY PROJECT	PROGRESS REPORT FOR 2017	
AUCKLAND CYCLE NETWORK		
Deliver the network		See the update on page 25.
ROADING FOR NEW HOUSING DEVELOPMENTS		
Improve roads in areas such as Flat Bush, to align with housing developments		<p>We continue to work with Auckland Council and developers such as the Hobsonville Land Company, as the special housing areas (SHAs) move into construction phases. This year, we are directly involved in 20 SHA sites, including Huapai, Wainui East and Redhills.</p> <p>The approved funding for SHAs and other high-growth areas to 2025 is \$398.3 million.</p>
RENEWALS		
Increase spending on renewals to ensure no transport assets fall into very poor condition by 2018		<p>This year, we spent \$209 million on road-related renewals of assets at the end of their service life, from streetlights to footpaths and bridges. This was a \$29 million increase on the 2016 budget. However, it achieved about the same quantity of renewals (measured in km length) as last year, due to a 5-10% increase in costs resulting from Auckland's strong construction market and a rebound in the price of oil. Without the additional funding, the renewal programme would have been considerably scaled back.</p>
ROUTE OPTIMISATION		
		See the update on page 26.



TRANSPORT SAFETY AND EDUCATION

Road safety engineering

National demonstration projects We continue to develop in partnership three national demonstration projects to improve safety on rural and urban local roads.

- Self-Explaining Rural Roads is being designed in detail for piloting in south-east Auckland. Self-explaining design elements such as shape correction and speed management will reduce crash risks.
- The Urban KiwiRap tool continues to be developed for local roads, and is being used more widely to prioritise high-risk roads and intersections.
- An urban motorcycle safety research project was completed, with its learnings incorporated into the NZ Transport Agency's Safer Journeys for Motorcycles guidelines.

Focus on high-risk areas Over 50 fatal and serious crash investigations were carried out, with 60% resulting in safety engineering improvements. A range of other safety engineering projects in high-risk areas not covered by major projects include:

- Safer Communities: 41 projects were delivered in 16 communities, including 21 schools. This work creates safer walking infrastructure and encourages reduced private car use.
- Routes and intersections: 34 projects were delivered to address crashes on 11 high-risk routes and 12 intersections, along with 11 projects to improve safety for pedestrians, cyclists and motorcyclists.

A collision reduction programme has been developed for high-risk locations. The cost of installing the improvement schemes is estimated at \$3.2 million and is anticipated to provide \$7.4 million annually in injury crash savings and 15 fewer collisions each year.

A signage and road marking survey of Auckland's 201km of rural roads has informed a new plan that, when delivered in 2018, aims to reduce crashes on rural roads by 20%.

A detailed analysis of red light running crashes has resulted in a three-year programme to install 15 cameras and replace 14 existing cameras with new technology. A recent AA survey showed 90 per cent of the 2,500 Auckland respondents agreed on the need for more cameras.



Safety campaigns

The partnership programme for road safety behaviour change in the wider community targets high-risk road safety themes. These include alcohol and drugged driving, speed, motorcycles, high risk-intersections, young drivers and restraint use. The programme has led to:

- over 80,000 interactions with members of the public
- over one million views of campaign videos
- around 30,000 visits to the AT website
- a reduction in road deaths and serious injuries during 2016 across the themes of drugged driving, older road users and pedestrians.

The Slow Down Around Schools safety campaign showed significant improvement in recall by motorists and parents, up from 30% in 2016 to 48% this year.



DELIVERING on *Māori* responsiveness



The following table reports on specific projects which will contribute to Māori wellbeing, organisational effectiveness, and opportunities following Te Tiriti o Waitangi/Treaty of Waitangi settlements.

KEY PROJECT	PROGRESS REPORT FOR 2017
MANA WHENUA ENGAGEMENT	
Engage with mana whenua on major transport infrastructure projects and walking and cycling projects using AT's Māori Engagement Framework	<p>Mana whenua are involved with Māori cultural heritage and geotechnical aspects of planning for Auckland's second dedicated busway in east Auckland and the Reeves Road flyover. An overarching theme for the design works is being finalised. Mana whenua signage was unveiled at Te Puna a Rangiatea/Van Dammes Lagoon last year.</p> <p>Nineteen iwi have been engaged on a regional signage project that celebrates mana whenua cultural traditions and narratives. Signs were installed in Fanshawe Street, Puhinui/Warkworth and Otuaatua Stonefields this year.</p> <p>The walking and cycling programme has been the subject of several hui with mana whenua, and led to engagement on projects including Tamaki Drive, Quay Street, Northcote and Ian McKinnon Drive. The Whau River and Waterview shared path bridges are being designed by Mahi Toi practitioners (artists) agreed on by mana whenua.</p> <p>We engaged regularly on strategic work programmes such as Supporting Auckland's Growth and the Sustainability Framework. High-level Māori values are included in the frameworks which can be applied at a project level.</p>
TE ARANGA MĀORI DESIGN	
Te Aranga Māori urban design principles are incorporated into projects through AT's Māori Engagement Framework and other guiding documents	<p>A video has been developed to promote best-practice Māori engagement across AT. The video uses as an exemplar model the engagement process and Te Aranga Māori design application with mana whenua in the construction of Ōtāhuhu Station and Glen Innes to Tāmaki Drive Te Ara Ki Uta Ki Tai shared path.</p> <p>The Ōtāhuhu Station design was recognised for its excellence in the Karanga ō te Tūi category at the New Zealand Institute of Landscape Architects awards. Themes such as portage, maunga and navigation were used throughout the building and surrounds.</p> <p>The Regional Signage project in collaboration with mana whenua has resulted in an agreed template for regional signs for iwi. These unique signs showcase mana whenua connections to and history of the region. Seven new signs have been installed in Mangere, Patumahoe, Warkworth, Panmure and central Auckland.</p>
TE REO MĀORI POLICY AND IMPLEMENTATION PLAN	
Work with Auckland Council to develop and implement a te reo Māori Framework	<p>We are working to improve the process for quality te reo Māori translations and visibility of the language across the business, including contracting of te reo Māori specialists. Regional signage and Te Aranga application have given mana whenua opportunities to provide cultural narrative in te reo Māori. Mana whenua have provided Māori names for a number of AT projects, such as Te Ara Ki Uta Ki Tai for the Glen Innes to Tāmaki Drive shared path – 'the path through the lands, the path to the waters'.</p> <p>A Māori Responsiveness Plan is being rolled out across AT, initially focused on learning and development for staff on te reo Māori and tikanga.</p>

ROAD SAFETY PROGRAMMES – YOUNG MĀORI DRIVERS AND PASSENGERS

Delivery of road safety programmes to increase road safety and graduated licences and reduce Māori road fatalities

This year marks the first of the Māori Road Safety Programme (Te Ara Haepapa – to pave the future for Māori on the roads), a name given by mana whenua and AT's contribution to Te Toa Takitini, Auckland Council's Māori transformational shift programme.

We focused on rolling out a sustainable licensing programme for rangatahi (Māori youth).

- Get Licensed Get Legit/Me Tika Whāia Kia Eke was a series of successful videos in te reo Māori, bilingual and English versions released during Te Wiki o te reo Māori. There were nearly 600,000 views and 1.5 million impressions of the video across Facebook and YouTube, many driven by organic feeds on Facebook.
- Learner licence training courses for rangatahi were held at Tahuna Pā (Waiuku), Hoani Waititi and Manurewa marae. The mentoring programme was held at Ōrākei marae and in the South Kaipara. Ten participants obtained a restricted licence after these two programmes.

Site visits have been made to Umupuia marae about speed reduction, while He Taonga Ngā Tamariki: Āta haere/Love your kids, slow down also ran in Ōrākei, in response to community concerns about excessive speeds.

Events at which driver licensing was promoted included the Polyfest and Te Herenga Waka festivals, which generated about 170 registrations for licensing programmes.

MĀORI VALUES AND STORMWATER

Māori values such as mauri are considered in stormwater management in transport infrastructure projects

Three stormwater projects this year exemplify Māori values.

- Half Moon Bay: A new roundabout for buses at the recently built ferry terminal will have a rain garden to minimise detrimental effects on the mauri of the waterways.
- Papaka Road, Hingaia: The stormwater design includes rain gardens, with planting species recommended by mana whenua. Mana whenua also recommended the new road name to the Papakura Local Board and it was blessed during pre-construction works. The road will be built adjacent to Hingaia Primary School. With the school integral to the road's purpose, teachers have been using the project's Māori values as a learning resource.
- The Manukau Road upgrade includes a range of water-sensitive devices to capture silt and litter, ensuring minimal impact on waterways.

MARAЕ DEVELOPMENT AND ROAD SAFETY

Design and development of marae road turnouts

The design for Kakanui Marae in the Kaipara was approved and built in June, proving a safer turnout from the marae onto SH16.

Improvements to the turnout onto the main road at Maraetai from Umupuia marae are being agreed with marae representatives. They will be implemented in stages, following costing.

MARAЕ DEVELOPMENT AND PAPAĀINGA

Infrastructure support and technical advice on marae development and papakāinga housing

Scoping work has been completed on Māori Roadways, which provides for possible funding opportunities ahead of the Regional Land Transport Programme in 2018. Technical assistance was provided to marae and papakāinga around improved roading and parking in the Kaipara and Waimango on Orere-Matingarahi Road at Orere Point.

02

GOVERNANCE

STRATEGIC PARTNERSHIP APPROACH

Auckland Council and AT have an agreed strategic approach with partner agencies, the NZ Transport Agency and the Ministry of Transport, to the challenges facing Auckland's transport system.

The Auckland Transport Alignment Project (ATAP), released in September 2016, was developed to align central and local government priorities, and aims to gain the best possible returns from transport investment over the next 30 years. An ATAP steering group monitors the implementation programme.

The agreed strategic approach is to:

- make better use of existing networks
- target investment to the most significant challenges
- maximise opportunities to influence travel demand.

We are working to embed the agreed strategic approach into activities and programmes, and the approach will form the basis for the 2018-28 Regional Land Transport Plan which is being prepared.

In June 2017, the Government and Auckland Council established the Smarter Transport Pricing Project, to undertake the work needed to support a decision to proceed with introducing pricing for demand management purposes in Auckland. AT, together with partner ATAP agencies, will play a key role in this project over the next 18 to 24 months.

Auckland Transport is one of six key council-controlled organisations (CCOs) of Auckland Council and is accountable to the governing body. The Local Government Act also requires AT to give effect to the council's Long-term Plan, and it is subject to 14 accountability mechanisms, including this annual report.



BOARD of directors

The Board's responsibilities are to:

- negotiate Statements of Intent (SOI) with Auckland Council
- act consistently with the guidelines provided in the Shareholder Expectation Guide for CCOs
- actively review and direct the overall strategy, policies and delegations of AT
- obtain full and timely information necessary to discharge its obligations
- identify, evaluate and mitigate controllable risk factors
- manage and monitor the Chief Executive's performance
- establish remuneration policies and practices, and set and review remuneration for the Chief Executive and other senior executives
- provide leadership in relationships with key stakeholders.

DIRECTORS' PROFILES



DR LESTER LEVY
CNZM, MBCh, MBA, FNZIM
CHAIRMAN

Lester Levy has over two decades' experience in a range of roles as a chairman, chief executive and entrepreneur. Lester's governance experience includes chairing private healthcare, film and television production, research, biotechnology and engineering enterprises. His previous roles include Chief Executive of South Auckland Health, the New Zealand Blood Service and MercyAscot Private Hospital Group (where he was a founder).

Current roles and general disclosure of interests:

Chairman, Auckland, Waitemata and Counties Manukau District Health Boards; Chairman, Regional Governance Group (Northern District Health Boards); Chairman, Health Research Council; Independent Chairman, Tonkin + Taylor; Adjunct Professor of Leadership, The University of Auckland Business School; Lead Reviewer, State Services Commission, Performance Improvement Framework; Trustee (ex-officio member as Waitemata DHB Chairman), Well Foundation.



WAYNE DONNELLY
BE, FMZIE
DEPUTY CHAIRMAN

Wayne Donnelly is a former Chief Executive of Land Transport New Zealand (now the NZ Transport Agency) and Rodney District Council, where he was responsible for managing the council's operations. He has held senior management positions in the construction sector and at the former Auckland City Council, and worked in the transport and oil industries in Britain and Hong Kong.

Current roles and general disclosure of interests:

Managing Director, Donnelly Consulting Ltd.



KYLIE CLEGG
LLB, BCom

Kylie Clegg has a corporate legal background, having specialised in mergers and acquisitions and corporate governance advice across a range of industries for private and publicly listed companies and government organisations. Kylie's previous governance experience has been as a board member of the New Zealand Olympic Committee and the Halberg Disability Sports Foundation, and as an AT board observer.

Current roles and general disclosure of interests:

Deputy Chair, Waitemata District Health Board; Chair, New Zealand Hockey Foundation; Board member, Hockey New Zealand.



SIR MICHAEL CULLEN
KNZM

PhD, Hon LLD

Michael Cullen was an Otago University lecturer until he entered Parliament in 1981. Michael was Finance Minister from 1999 to 2008, and Deputy Prime Minister from 2002 to 2008. His achievements include the establishment of the New Zealand Superannuation Fund and the creation of KiwiSaver.

Current roles and general disclosure of interests: Chair, New Zealand Post; Director, Kiwibank.



MARY-JANE DALY

MBA, BCom

Mary-Jane Daly is a former Executive General Manager and Chief Financial Officer at IAG New Zealand. Before joining IAG, she spent four years with Fonterra as Group Treasurer and Risk Manager. She has also held positions at the Bank of New Zealand, National Australia Bank and Toronto-Dominion Bank in London.

Current roles and general disclosure of interests: Director, Cigna Insurance New Zealand Limited; Director, Kiwi Property Group Limited; Chair, New Zealand Green Building Council; Deputy Chair, Airways Corporation and Deputy Chair, EQC.



MARK GILBERT

Mark Gilbert has three decades' experience in a range of senior management and directorships in the automotive industry. He was previously Managing Director of BMW Group, both in New Zealand and the Philippines, and has been an Executive Member of the NZ Business Council for Sustainable Development (now the Sustainable Business Council) and President, Motor Industry Association of New Zealand Inc.

Current roles and general disclosure of interests: Chair, Motorcycle Safety Advisory Council and Drive Electric Inc; Director, Insight Perspective Ltd and Gilbert & Company; Trustee/Director, Home of Cycling Charitable Trust; Independent Director, New Zealand Lotteries Commission; Partmaster Limited, Appliance Connexion Ltd, Appliance Connexion Group Services Ltd and Score Ltd; New Zealand representative, Vancore Group.



DIRECTORS' PROFILES CONTINUED



RABIN RABINDRAN

Barrister-at-Law (Middle Temple),
MA, AAMINZ

Rabin Rabindran is a barrister and international legal consultant who specialises in major national and international project structuring, negotiation and documentation, principally in the fields of construction, energy, transport and infrastructure development. His previous roles include Chair of ARTA, Director of Tomorrow's Manukau Properties Ltd, Director of Manukau Water Ltd, Director of TMPL (Flat Bush) Ltd, Trustee of Chinese Language Foundation, and Director of Australian public company MBf Carpenters Ltd.

Current roles and general

disclosure of interests: Chair, Bank of India (New Zealand) Ltd; Director, Solid Energy New Zealand Ltd; Deputy Chair, Counties Manukau District Health Board; Director, Swift Energy New Zealand Ltd; Director, Swift Energy New Zealand Holdings Ltd; Director, Kowhai Operating Ltd; Director, NZ Health Partnerships Ltd; Director, New Zealand Liaoning International Investment & Development Co Ltd; Chair, Singapore Chapter ASEAN New Zealand Business Council; Director, RSR Legal Consultants Ltd and Director, RSR Projects International Ltd; Peer reviewer, Ultrafast Broadband.



DAME PAULA REBSTOCK
DNZM MSc

Paula Rebstock is an Auckland-based economist. She was Chair of the Commerce Commission 2003-2009, and a Director of the Foundation for Research, Science and Technology 1999-2004. Before that she was General Manager, Labour Market Policy Group, Department of Labour and worked in The Treasury and the Department of the Prime Minister and Cabinet. Paula has also chaired significant government reviews and panels. She was made Dame in 2016 for her services to the state.

Current roles and general

disclosure of interests: Chair, ACC; Chair, Insurance and Financial Services Ombudsman Commission; Chair, Vulnerable Children's Board; Chair, New Zealand Police Women's Advisory Network; Chair, Finance, Risk and Assurance Committee, Auckland District Health Board; Deputy Chair, KiwiRail; Member, The University of Auckland Business School Advisory Board; Member, Synergia Ltd Advisory Board; Chair, New Zealand Defence Force Advisory Board; Senior Lead Reviewer, State Services Commission, Performance Improvement Framework; Trustee, W A Stevenson Trust; Director/Shareholder, Be Bold.



ERNST ZÖLLNER
MCRP

Ernst Zöllner has been with the NZ Transport Agency since 2008 with responsibility for strategy, communications, governance and road safety. Ernst previously worked in local government for over a decade in strategy, economic, urban and transport development leadership roles, and has lectured at The University of Auckland, worked at Local Government New Zealand and as a consultant in private practice in Auckland, Wellington and Cape Town.

Current roles and general

disclosure of interests: Regional Director Auckland and Northland, NZ Transport Agency.

Ian Parton and Paul Lockey's terms as Directors ended this year. Auckland Council appointees to CCO Boards were disestablished in October 2016, affecting Mike Lee and Christine Fletcher.



PAUL LOCKEY
BCom, MBA
DEPUTY CHAIRMAN

Paul Lockey has significant corporate strategy and finance experience, gained as a consultant at McKinsey & Company, then as CFO of Lion Nathan Ltd, and Managing Director of CSL Traffic Ltd. He divides his time between company and not-for-profit directorships and managing private investments.

Current roles and general disclosure of interests: Director, MediaWorks; Partner, Smylo Partners; Shareholder, Invenco.



CHRISTINE FLETCHER
QSO

Hon. Christine Fletcher is a former Member of Parliament and Mayor of Auckland City. Projects achieved under her leadership include Britomart Transport Centre and access to Auckland's rail corridors. Prior to entering politics she worked in the materials handling and manufacturing sector.

Current roles and general disclosure of interests: Ward Councillor Albert-Eden-Roskill, Auckland Council; Chair, Auckland Council CEO Review Committee; Chair, Auckland Domain Committee; Chair, Parks, Recreation and Sports Committee; Chair, Treaty of Waitangi Settlements Working Party; Patron, Motutapu Restoration Trust; Deputy Chair, Maunga Authority; Member, Hauraki Gulf Marine Park Forum.



MICHAEL LEE
MSc(Hons)

Michael (Mike) Lee first entered local government in 1992. He has been involved in public transport governance in Auckland in various ways since that time. Mike became Chairman of the former Auckland Regional Council in 2004 and served two terms in that role up until the advent of the Auckland Council in November 2010.

Current roles and disclosure of interests: Ward Councillor Waitemata and Gulf, Auckland Council; Chair, Auckland Council Infrastructure Committee; Chair, Auckland Council Heritage Advisory Panel; Chair, Auckland Council WWI Centennial Memorial Working Party; Chair, Southwest Multi-Modal Airport Rapid Transit (SMART); Member, Public Transport Users Association (NZ) Inc.



DR IAN PARTON
BE(Hons), PhD,
DistFIPENZ, CFIInstD

Ian Parton has had a career in engineering. He is a Distinguished Fellow of the Institution of Professional Engineers New Zealand (IPENZ), and a Past President of IPENZ. Ian was awarded the William Pickering Medal for engineering leadership in 2007. He is a Chartered Fellow of the Institute of Directors. His previous roles include Deputy Chair and then Transition Chief Executive for Watercare Services Ltd, and Director of Industrial Research Ltd.

Current roles and general disclosure of interests: Director, Construction Techniques Ltd; Director, Skellerup Holdings Ltd; Chancellor, The University of Auckland; Chair, Aurora Energy Ltd; Chair, Delta Utilities Ltd.

BOARD *meetings*

In general, the Board holds publicly open six-weekly meetings in accordance with its principle of transparent decision-making. Closed sessions respect the need for commercially sensitive information to be protected.

Open agendas, minutes, meeting dates and reports submitted are all available on AT's website at AT.govt.nz/about-us/our-role-organisation

AUCKLAND TRANSPORT *committees*

Finance and Risk Committee

The Finance and Risk Committee (FRC) assists the Board to fulfil its responsibilities for financial reporting, audit and risk management, and provides assurance regarding compliance with internal controls, policies and procedures. The FRC has no delegated authority.

Capital Review Committee

The Capital Review Committee (CRC) assists the Board with ensuring that capital expenditure on projects longer than one year is optimised against AT's strategic objectives. The CRC has no general delegated powers.

Customer Focus Committee

The Customer Focus Committee (CFC) follows the model of the CRC in giving Directors greater input and governance oversight of AT's initiatives to continuously improve customer service. The CFC has no general delegated powers.

Regional Transport Committee

The Regional Transport Committee (RTC) is a requirement for every regional council in New Zealand. In Auckland, the Board of Directors of AT also acts as the RTC because the responsibility for preparing the Regional Land Transport Programme sits with AT.



Director attendance at Board meetings and committees for 2017 is given below. Note that the Regional Transport Committee was not required to meet, and there were no public hearings.

	BOARD MEETINGS (10)	FINANCE AND RISK COMMITTEE (5)	CAPITAL REVIEW COMMITTEE (8)	CUSTOMER FOCUS COMMITTEE (8)
Lester Levy	10	5	5	5
Wayne Donnelly*	5		5	5
Kylie Clegg**	2		1	1
Sir Michael Cullen**	2		1	1
Mary-Jane Daly**	2		1	0
Christine Fletcher****	4		2	2
Mark Gilbert	10	5	7	7
Mike Lee****	4		2	2
Paul Lockey***	2	2	0	0
Ian Parton***	2		2	2
Rabin Rabindran	9	5	7	8
Dame Paula Rebstock	10	5	8	8
Ernst Zöllner	9		7	7

Patrick Reynolds was co-opted as a board observer of the Customer Focus Committee in May 2017. Board observer Hinemaua Rikirangi attended five Board meetings.

* Appointment effective September 2016 (Wayne Donnelly)

** Appointment effective 1 May 2017 (Kylie Clegg, Mary-Jane Daly and Sir Michael Cullen)

*** Retired (Dr Ian Parton and Paul Lockey)

**** Auckland Council appointees discontinued October 2016 (Christine Fletcher and Mike Lee)

Board member remuneration

For Board member remuneration see the Notes to the Financial Statements on page 103.

EXECUTIVE LEADERSHIP TEAM PROFILES



DR DAVID WARBURTON PhD FIPENZ **CHIEF EXECUTIVE**

David Warburton was the Chief Executive for CPG NZ and Australia until joining AT, and before that Chief Executive of Wanganui District Council. David has held numerous senior management roles in the forestry, processing, packaging, property development and retail industries, after more than a decade of university research and lecturing.



RICHARD MORRIS BCom **CHIEF FINANCIAL OFFICER**

Richard Morris joined AT in 2014 after a career in the public sector in Wellington. He has previously been Chief Financial Officer at the Ministry of Health and the Department of Corrections. Before joining AT, Richard was a Senior Consultant at Martin Jenkins. He is also a graduate of the Oxford University Advanced Management Programme.



GREG EDMONDS MBA **CHIEF INFRASTRUCTURE OFFICER**

Greg Edmonds was AT's Chief Operations Officer until March 2015. Before joining AT, he was with Air New Zealand, as Airport Manager Auckland International and then Regional General Manager North Asia based in Shanghai. He has 25 years' experience in the transport industry, including general management roles for New Zealand Post, General Electric (GE) and an Executive Director role at Couriers Please Pty in Australia.



SIMON HARVEY DipBus **CHIEF PEOPLE OFFICER**

Simon Harvey has global experience in Australia, Singapore, Canada and the UK. He has worked in human resources and strategy for large corporations such as Westpac, PwC and Vodafone and has had an active involvement in community development with the Ministry of Social Development on work-based strategies and initiatives.



ROGER JONES BSC (Tech) **CHIEF TECHNOLOGY OFFICER**

Roger Jones has extensive experience in the IT industry in both the private and public sectors working for such organisations as New Zealand Police, Air New Zealand and Fonterra. Roger has been with AT from its inception, moving over from the former Auckland Regional Transport Authority in November 2010. He was runner-up in the 2015 CIO of the Year Awards.



ANDREW ALLEN BE **CHIEF TRANSPORT OPERATIONS MANAGER**

Andrew Allen has over 20 years' experience in the civil engineering industry with particular emphasis on transport. He was Group Manager of the former Auckland City Council Transport Assets Group until his appointment in 2010 as AT's Manager of Road Corridor Operations and member of the Joint Transport Operations Management Board. He has since moved through a number of senior operational roles.



MARK LAMBERT BSc (Hons) **CHIEF AT METRO OFFICER**

Mark Lambert has held senior management roles and was appointed to the executive team in March 2015. Mark graduated with First Class Honours in Construction, Engineering and Management from Loughborough University, UK, and has since worked across various business sectors in consultancy, project, programme and procurement management in Europe and New Zealand.



CHRIS MEALE BE (Hons), DipCM, IPENZ full member **CITY RAIL LINK PROJECT DIRECTOR**

Chris Meale has extensive international design and construction management experience in the property, electricity and transport infrastructure sectors, with special expertise in leading major projects. His previous roles include Program Director City Rail Expansion Sydney, Transport for NSW; Director Design and Engineering, Sydney Metro; Regional Director Major Projects, Hyder Consulting.



RODGER MURPHY BAcc **CHIEF RISK AND ASSURANCE OFFICER**

Rodger Murphy joined AT in June 2017 after a career in professional services, banking and risk management. He has previously been a partner at Deloitte and held various senior management roles in the Bank of New Zealand. Rodger has 25 years' experience in governance, risk management and business process improvement across private and public sector organisations.



WALLY THOMAS DipJ, PRINZ fellow **CHIEF STAKEHOLDER RELATIONS OFFICER**

Wally Thomas joined AT in 2010 at its inception. Following a successful career as an award-winning journalist and editor, Wally has spent the last 20 years working for both public and private organisations in senior corporate communications and media management roles. He is a Fellow of the Public Relations Institute of New Zealand and serves on the boards of a number of charities and not-for-profit organisations.

The Executive Leadership Team comprises the Chief Executive and the chief officers of each of the business divisions shown over the page. As at 30 June, the position of Chief Strategic Planning and Investment Officer was vacant. The City Rail Link Director transitioned to the new CRL structure on 1 July 2017.

ORGANISATION CHART

as at 30 June 2017



City Rail Link

Risk and Assurance



Finance

- AT HOP
- Corporate Accommodation
- Legal Services
- Finance
- Procurement
- Revenue and Analysis



People, Safety & Contact

- Talent
- Customer Contact
- Health and Safety
- HR Consultancy and Advisory



Communications & Corporate Relationships

- Elected Member Relationship Unit
- Communications
- Māori Policy and Engagement



Transport Operations

- Harbourmasters Office
- Network Management and Safety
- Customer and Services
- Parking Services
- ATOC Central
- ATOC Smales



Health and safety is a core value

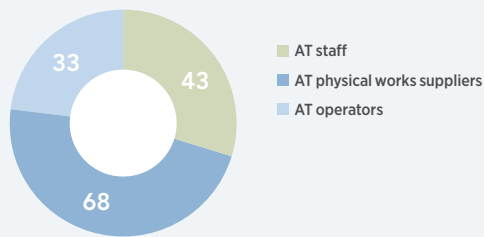
Health and safety continues to play a pivotal role in the organisation and is our key priority. We aim to be fully accountable for our performance within Auckland, and make public through monthly AT Board meetings how we are performing.

In 2017, there has been a 44 per cent decrease in overall injury rates across all activities in AT workplaces and contract sites, and on the networks, thanks to a wide range of initiatives.

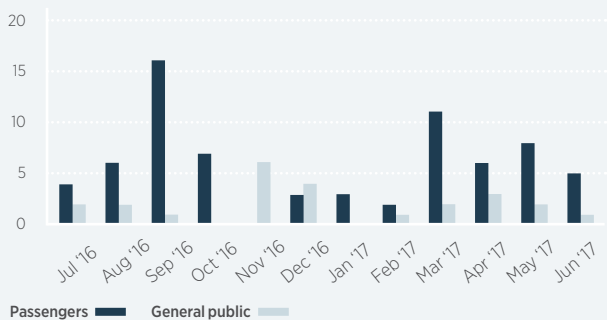
BE SAFE – On the public transport network

- Ticket gating of six more rail stations – Henderson, Manurewa, Middlemore, Papatoetoe, Glen Innes and Papakura.
- New safety handbook for customer services staff. Fully revised health and safety manuals for ferry operators and Northern Busway drivers.
- March safety campaign to raise awareness of slips, trips and falls.
- Safety glass installed at Newmarket customer service centre, and most ticket offices.
- New case preparation process developed with NZ Police proactively escalates the response to incidents involving violence.

INJURIES BY WORK AREA June 2016 to June 2017



INJURIES TO OTHER PERSONS DUE TO AT ACTIVITIES



Attracting and retaining top talent

Nearly 700 people registered their interest in a career with AT this year. We filled 476 roles, with 41 per cent being filled by existing employees. Recruitment agency use remains low, at 4 per cent.

There was a slight increase in overall employment numbers (+46) and turnover (+0.7) in 2017, reflecting the demand for skilled labour for large capital projects taking place throughout New Zealand. Areas of the business with the biggest increases were Infrastructure with 119 new employees, Parking, and People and Safety (including our customer service centres).

In 2016, AT introduced pulse surveys to better understand what motivates and engages our people. Despite an overall slight decrease (from 52% to 51%), the result is still within the moderate zone of Aon Hewitt's engagement

benchmark. Employees continue to speak positively to others about AT as a potential employer, as well as the products and services we provide to customers and communities.

We have taken actions that employees told us would make a difference.

- A fresh, formal approach to diversity and inclusion. A leadership team from a cross-section of AT employees is leading and sharing the new approach.
- The flexible work offering has been in place for 12 months and we are now focused on embedding the framework and building management capability. This will ensure the flexible arrangements transition successfully as we move to new premises in the last quarter of 2017.
- An early careers programme will recruit up to 30 graduates annually from 2018, and

BE SAFE – On worksites

- Committing to ConstructSafe, the first scheme of its kind in New Zealand that sets benchmarks for site safety. The Tier 1 competency is now the minimum standard for all AT infrastructure projects.
- Industry fora with our contractors to promote industry best practice for health and safety, and extending rewards and recognition of the Be Safe value to all AT suppliers and operators.
- Board members undertake regular safety audits as part of the governance programme.

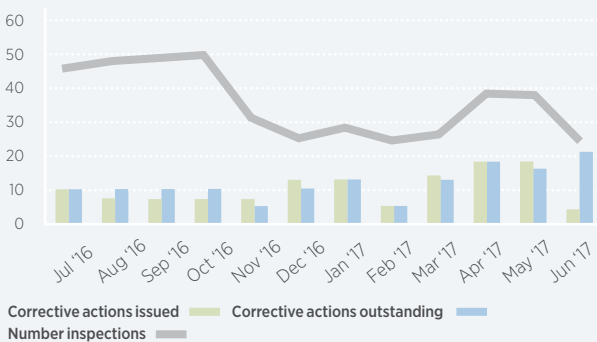
BE SAFE – In the organisation

- Launching Wellbeing AT Work in September 2016. As at March 2017, almost 50 per cent of our employees (728) were registered.

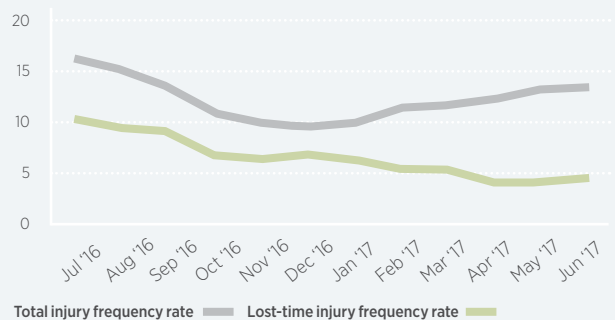
Four multi-week challenges supported 1,000 participants to make positive shifts in their diets, exercise and use of public and active transport modes. Key improvements this year are increased rates of normal cholesterol range and blood glucose levels.

- A decreasing trend in use of the Employee Assistance Programme (EAP) in the past three years, indicating positive management of work and personal issues within AT. At 5.78 per cent of the workforce for the calendar year of 2016, EAP intervention is well below the national average of 8.2 per cent.
- Increased management accountability for workplace safety incidents and implementing bow-tie reporting to further improve how we manage key risks.

HEALTH AND SAFETY INSPECTION AND MONITORING



INJURY FREQUENCY RATE FOR AT STAFF (PER MILLION HOURS WORKED)



consists of five pipelines from school leavers to graduates in engineering and non-engineering roles.

- The mature-aged workforce strategy and action plan has been finalised. It will focus on building organisational and individual capability, attraction and retention, knowledge continuity, flexible working and transition options, and health and wellbeing.

	2015	2016	2017
NUMBER OF FULL-TIME EMPLOYEES	1,367	1,453	1,499
PERCENTAGE OF UNPLANNED TURNOVER	10.55	11.60	12.30
EMPLOYEE ENGAGEMENT	New measure	52%	51%

The next engagement survey was scheduled for August 2017.

Going for Gold at the World Masters

Auckland Transport employees did us proud when they participated in the World Masters Games in Auckland, taking away a swag of medals and a lifetime of memories. Chris Weldon won five rowing medals, Rob Pitney (pictured) won two medals in the Dragon Boat competition, and on the basketball court and softball pitch Lucy Maoate, Tommy Blair, Tipa Compain and Emily Manuel grabbed three medals.



RISK AND ASSURANCE *programme*

Risk and Assurance is an integrated and dynamic business unit that provides objective assurance and advisory services. Independence is a critical element in AT's systematic and disciplined approach, so while Risk and Assurance is responsible administratively to the Chief Executive, it reports directly to the governing Finance and Risk Committee of the Board.

The Risk and Assurance team plays an active role in promoting and maintaining a culture of accountability and integrity. It facilitates the integration of risk management into day-to-day business activities and processes, and promotes a culture of control and cost consciousness, self-assessment and adherence to high ethical standards. The business unit applies leading practice consistently, to ensure all Risk and Assurance-related activities are captured, recorded and reported correctly.

Risk management

At the start of this year, AT's top 12 risks were identified across a range of areas including technology, major project delivery and health and safety. A formal programme has since been developed to analyse all 12 risks in-depth, to facilitate better understanding and monitoring. AT's Risk Management Framework and relevant policies will also be reviewed and updated.

Internal audit

Internal audits are regularly scheduled to provide senior management with analyses, appraisals, recommendations and pertinent comments on the activities reviewed. This process aims to promote efficiency, economy and effectiveness, as well as reliability and accuracy of operations. This year's internal audit work plan included additional reviews in some of the higher-risk areas identified above.

Probity audit

Risk and Assurance also manages the organisation's probity audits. Probity audits ensure all participants involved with significant procurement contracts with AT are treated fairly and with transparency. For all procurement over \$5 million, an independent probity auditor is assigned to monitor and review the procurement processes followed. Probity auditors are also assigned to procurements if they are deemed to be high risk.

Special investigations

Auckland residents are rightly vigilant about how their rates and taxes are spent. AT's policy is that fraud, corruption or misuse of resources is not tolerated and, where suspected, are investigated. Relevant outcomes are reported to the Office of the Auditor-General through Audit New Zealand, and may also be referred to New Zealand Police or the Serious Fraud Office (SFO).

Special investigations may be activated by directors, management or through AT's confidential hotline operated by an external, independent agency.



AUCKLAND TRANSPORT'S *assets*

ASSET CLASS	2015	2016	2017	CHANGE FROM 2016	EXPLANATION
Local and arterial roads (km)	7,560	7,565	7,419	-146	Some roads were transferred to Auckland International Airport Ltd in February 2017 and others have been reclassified as private roads
Bridges and major culverts	1,245	1,234	1,262	+28	Addition of large culverts due to subdivision works and AT's own capital works
Footpaths (km)	6,956	7,287	7,416	+129	New footpaths added through subdivision work and an inventory correction
Street lights	106,691	108,122	110,246	+2,124	Installation of new street lights on the network
Road signs	140,843	135,994	110,992	-25,002	Duplicate signs have been removed
Bus shelters	2,342	2,342	2,388	+46	Ongoing data verification by bus teams
Dedicated bus stations and busway stations	12	12	15	+3	Bus stations (9 in 2017) are up one, busway stations (6) are up two
Wharves and ferry facilities	21	21	21	0	
Rail stations in service on five lines	42	42	43	+1	New Parnell Station opened March 2017
Electric trains	54	57	57	0	
Multi-storey car park buildings	13	13	10	-3	The three car park buildings managed, but not owned, by AT are no longer included as an asset
Pay-and-display machines	895	895	812	-83	Launch of the new AT Park app has resulted in fewer on-street machines being required

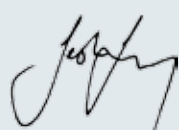
03

FINANCIALS

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE

for the year ended 30 June 2017

	NOTE	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
REVENUE				
Auckland Council operating funding	1	260,167	260,167	249,755
Auckland Council capital funding	1	539,147	548,009	403,025
NZ Transport Agency operating funding	1	247,408	239,598	231,967
NZ Transport Agency capital funding	1	175,584	216,602	140,188
Other revenue	1	487,716	372,283	342,993
Finance revenue	2	3,892	313	351
Total revenue		1,713,914	1,636,972	1,368,279
EXPENDITURE				
Personnel costs	3	111,268	111,707	106,124
Depreciation and amortisation	6,7	330,947	337,978	318,954
Finance costs	2	29,796	30,511	29,264
Other expenses	4	627,925	623,244	529,215
Total expenditure		1,099,936	1,103,440	983,557
SURPLUS BEFORE TAX				
Income tax benefit/(expense)	5	1,822	–	(1,116)
Surplus after tax		615,800	533,532	383,606
OTHER COMPREHENSIVE REVENUE AND EXPENDITURE				
Revaluation gain on property, plant and equipment	16	1,454,810	687,127	81,834
Deferred tax on revaluation	5	(2,064)	–	1,356
Cash flow hedges	16	–	–	(597)
Other comprehensive revenue and expenditure		1,452,746	687,127	82,593
Total comprehensive revenue and expenditure		2,068,546	1,220,659	466,199



Dr Lester Levy, Chairman
12 September 2017



Wayne Donnelly, Deputy Chairman
12 September 2017

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	NOTE	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
ASSETS				
Current assets				
Cash and cash equivalents	11	5,692	7,496	3,006
Receivables	12	321,953	237,573	268,372
Inventories	13	11,443	7,788	9,747
Other assets		3,368	2,587	1,629
Non-current assets held for sale	8	439,964	4,400	6,000
Total current assets		782,420	259,844	288,754
Non-current assets				
Receivables	12	1,801	–	–
Property, plant and equipment	6	18,471,878	18,205,609	16,899,594
Intangible assets	7	143,817	113,488	127,315
Derivative financial instruments	10	–	12	–
Total non-current assets		18,617,496	18,319,109	17,026,909
Total assets		19,399,916	18,578,953	17,315,663
LIABILITIES				
Current liabilities				
Payables and accruals	14	224,460	186,884	191,784
Employee entitlements	15	15,180	11,911	13,582
Derivative financial instruments	10	–	–	242
Borrowings	9	5,764	4,697	5,234
Total current liabilities		245,404	203,492	210,842
Non-current liabilities				
Payables and accruals	14	19,717	20,684	19,924
Deferred tax	5	11,667	11,665	11,425
Employee entitlements	15	574	675	624
Derivative financial instruments	10	–	3,596	3,578
Borrowings	9	502,899	478,853	490,708
Total non-current liabilities		534,857	515,473	526,259
Total liabilities		780,261	718,965	737,101
Net assets		18,619,655	17,859,988	16,578,562
EQUITY				
Contributed capital		13,436,418	13,482,059	13,463,871
Accumulated funds		1,623,170	1,545,939	997,233
Other reserves		3,560,067	2,831,990	2,117,458
Total equity	16	18,619,655	17,859,988	16,578,562

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

as at 30 June 2017

	NOTE	Contributed capital \$000	Accumulated funds \$000	Other reserves \$000	Total equity \$000	Budget \$000
Balance as at 1 July 2016		13,463,871	997,233	2,117,458	16,578,562	16,639,329
Surplus after tax		–	615,800	–	615,800	533,532
Other comprehensive revenue		–	–	1,452,746	1,452,746	687,127
Total comprehensive revenue and expenditure		–	615,800	1,452,746	2,068,546	1,220,659
Returned capital to Auckland Council*		(27,453)	–	–	(27,453)	–
Transfer from asset revaluation reserve on disposal of property		–	10,137	(10,137)	–	–
Balance as at 30 June 2017	16	13,436,418	1,623,170	3,560,067	18,619,655	17,859,988
Balance as at 1 July 2015		13,482,059	591,058	2,041,775	16,114,892	15,703,776
Surplus after tax		–	383,606	–	383,606	404,666
Other comprehensive revenue		–	–	82,593	82,593	–
Total comprehensive revenue and expenditure		–	383,606	82,593	466,199	404,666
Returned capital to Auckland Council*		(18,188)	–	–	(18,188)	–
Found assets		–	15,659	–	15,659	–
Transfer from asset revaluation reserve on disposal of property		–	6,910	(6,910)	–	–
Balance as at 30 June 2016	16	13,463,871	997,233	2,117,458	16,578,562	16,108,442

*This relates to land and buildings returned to Auckland Council as they are no longer required for transport projects.

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

	NOTE	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash provided from				
Revenue from activities		256,098	271,096	204,420
Auckland Council operating funding		260,167	260,167	249,755
Auckland Council capital funding		515,433	548,009	232,372
NZ Transport Agency operating funding		243,899	239,598	382,245
NZ Transport Agency capital funding		170,209	216,602	125,464
Interest received		314	–	333
Goods and services tax (net)		–	–	2,419
Total cash provided		1,446,120	1,535,472	1,197,008
Cash applied to				
Payments to suppliers and employees		741,215	734,951	618,168
Interest paid		26,903	30,511	26,687
Goods and services tax (net)		8,637	–	–
Total cash applied		776,755	765,462	644,855
Net cash from operating activities	26	669,365	770,010	552,153
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash provided from				
Sale of property, plant and equipment		3,685	–	1,012
Cash applied to				
Purchase of property, plant and equipment and intangibles		683,085	764,611	569,868
Net cash applied to investing activities		(679,400)	(764,611)	(568,856)

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS (CONTINUED)

for the year ended 30 June 2017

	NOTE	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash provided from				
Loan from Auckland Council		18,000	–	17,000
Cash applied to				
Repayment of loan from Auckland Council		5,279	5,399	4,764
Payment of finance leases		–	–	23
Total cash applied		5,279	5,399	4,787
Net cash from financing activities		12,721	(5,399)	12,213
Net increase/(decrease) in cash and cash equivalents		2,686	–	(4,490)
Opening cash and cash equivalents		3,006	7,496	7,496
Closing cash and cash equivalents	11	5,692	7,496	3,006

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements.

The accompanying notes form part of these financial statements.

SUMMARY OF CAPITAL EXPENDITURE

for the year ended 30 June 2017

	Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000
NEW CAPITAL EXPENDITURE			
Roads	217,427	240,574	151,842
AT Metro	98,425	91,252	60,308
Parking	3,601	1,161	2,793
City Rail Link	136,355	169,498	107,130
Electric trains	8,182	10,499	29,777
Other	38,795	23,421	11,236
Total new capital expenditure	502,785	536,405	363,086
RENEWAL CAPITAL EXPENDITURE			
Roads	213,935	219,348	185,667
AT Metro	6,516	6,468	4,848
Parking	990	2,390	1,566
Total renewal capital expenditure	221,441	228,206	192,081
Total capital expenditure	724,226	764,611	555,167
FUNDING			
NZ Transport Agency capital funding – new	108,566	154,318	76,763
NZ Transport Agency capital funding – renewal	67,018	62,284	63,425
Auckland Council capital funding	539,147	548,009	403,025
Other capital grants	9,495	–	1,954
Auckland Council loan funding	–	–	10,000
Total funding	724,226	764,611	555,167

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

BASIS OF REPORTING

Auckland Transport is a council-controlled organisation of Auckland Council, established under section 38 of the Local Government (Auckland Council) Act 2009 as a body corporate with perpetual succession, and is domiciled in New Zealand. The relevant legislation governing Auckland Transport's operation includes the Local Government (Auckland Council) Act 2009 and the Local Government Act 2002.

Auckland Transport's primary objective is to provide services and facilities for the community as a social benefit rather than to make a financial return, accordingly Auckland Transport has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements are for the year ended 30 June 2017 and were authorised for issue by the board of Auckland Transport on 12 September 2017. Neither Auckland Council nor Auckland Transport Board has the power to amend the financial statements once adopted.

STATEMENT OF COMPLIANCE

The financial statements of Auckland Transport have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice ('NZ GAAP').

The financial statements have been prepared in accordance and they comply with Tier 1 PBE accounting standards.

These financial statements comply with PBE accounting standards.

MEASUREMENT BASIS

The financial statements are prepared based on historical cost modified by the revaluation of the following:

- Derivative financial instruments at fair value
- Certain classes of property, plant and equipment at methods appropriate to the class of asset.

GOING CONCERN

Auckland Transport receives funding from Auckland Council in order to deliver the agreed annual operational and capital programmes within the Auckland Council's Long-term Plan. Borrowings from Auckland Council are set out in Note 9 and are supported by schedules of repayments determined from the credit facility agreement between Auckland Transport and Auckland Council. Accordingly, the financial statements have been prepared on a going concern basis.

FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in New Zealand dollars (\$), which is Auckland Transport's functional currency, and have been rounded to the nearest thousand unless otherwise stated.

FOREIGN CURRENCY TRANSLATION

Auckland Transport translates its foreign currency transactions into New Zealand dollars using the exchange rates at the dates of the transactions. It records foreign

exchange gains and losses from the settlement of transactions, and from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, in surplus or deficit.

GOODS AND SERVICES TAX (GST)

Items in the financial statements are exclusive of GST, with the exception of receivables and payables. The net amount of GST receivable from, or payable to the Inland Revenue Department is included as part of receivables or payables in the statement of financial position. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

BUDGET FIGURES

The budget figures are those included in Auckland Transport's Statement of Intent 2016/2017-2018/2019, adopted by Auckland Transport's Board on 27 June 2016.

COST ALLOCATION

Cost of service for each activity was allocated as follows:

- Direct costs are those costs directly attributable to an activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific activity.
- Direct costs are charged directly to activities. Indirect costs are charged to activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires Auckland Transport's management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Property, plant and equipment (note 6) and provision for impairment of receivables (note 12).

CHANGES IN ACCOUNTING POLICIES

There have been no significant changes in accounting policies during the financial year.

STANDARDS ISSUED AND NOT YET EFFECTIVE

PBE IFRS 9 Financial Instruments is effective from periods beginning on or after 1 January 2021. PBE IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and relaxes current requirements for hedge accounting. Auckland Council Group is yet to assess the impact of PBE IFRS 9 and intends to early adopt the standard when it becomes effective for for-profit entities from the period beginning on 1 July 2018 because Auckland Council Group includes an entity which is classified as for-profit. Auckland Transport is part of Auckland Council Group and plans to early adopt the standard to be consistent with the group policy.

PART ONE: *financial results*



This section focuses on the performance of Auckland Transport during the year.

The notes included in this section are as follows:

- 1 REVENUE
- 2 FINANCE REVENUE AND FINANCE COSTS
- 3 PERSONNEL COSTS
- 4 OTHER EXPENSES
- 5 TAXATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

1 REVENUE

Accounting policy

Auckland Transport receives its revenue from exchange and non-exchange transactions. Exchange transaction revenue arises when an entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value in exchange. Exchange revenue includes parking fees.

Non-exchange transaction revenue arises from transactions without an exchange of approximately equal value. Non-exchange revenue includes grants, vested assets and fares partially funded by rates.

Auckland Transport measures revenue at the fair value of the amounts received or receivable, net of discounts, duties and taxes paid.

Auckland Transport receives revenue from the following sources.

TYPE	RECOGNITION AND MEASUREMENT
Non-exchange revenue	
Auckland Council operating and capital funding	Auckland Transport is funded by its parent, the Auckland Council, in order to deliver the agreed annual operational and capital programmes. This funding is recognised in accordance with the approved Auckland Transport Annual Plan and Statement of Intent (SOI) as agreed between Auckland Transport and Auckland Council.
NZ Transport Agency operating and capital funding	Auckland Transport receives government grants from the NZ Transport Agency, which funds operational and capital expenditure. Grant distributions from the NZ Transport Agency are recognised as income when the expenditure they cover is incurred i.e. on an accrual basis. There are no unfulfilled conditions or other contingencies attached to these grants.
Fare revenue (included in public transport revenue)	Auckland Transport receives fare box revenue from certain bus and ferry and all rail services. This revenue is recognised when the ticket is purchased and/or travel actually occurs.
Enforcement revenue	Revenue and receivables are recognised when an infringement notice is issued. Infringement notices that are 63 days past due are lodged with a collection agency. If still outstanding at 150 days past due they are transferred from the collection agency to the courts for collection.
Vested asset revenue	For assets received for no or nominal consideration, the asset is recognised at its fair value when Auckland Transport obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.
Licenses and permits revenue	Revenue is recognised on application.
Rental revenue	Revenue is recognised on a straight-line basis over the lease term.
Interest revenue	Revenue is recognised on a time proportion basis using the effective interest method.
Other operating and capital grants	Revenue is recognised when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant or subsidies are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.
Exchange revenue	
Parking revenue	Revenue is recognised when a parking notice is issued.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

1 REVENUE (CONTINUED)

	Actual 2017 \$000	Actual 2016 \$000
Auckland Council operating funding	260,167	249,755
Auckland Council capital funding	539,147	403,025
NZ Transport Agency operating funding	247,408	231,967
NZ Transport Agency capital funding	175,584	140,188
Other revenue		
Revenue from non-exchange transactions		
Public transport revenue	155,562	83,256
Enforcement revenue	31,209	29,480
Other operating grants	10,031	9,982
Other capital grants	9,495	1,954
Vested asset revenue	207,023	151,495
Revaluation gain	449	–
Gain on disposal of property, plant and equipment	2,352	–
Other revenue	24,708	22,139
Total other revenue from non-exchange transactions	440,829	298,306
Revenue from exchange transactions		
Parking revenue	46,887	44,687
Total other revenue	487,716	342,993
Total revenue (excluding finance revenue)	1,710,022	1,367,928

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

2 FINANCE REVENUE AND FINANCE COSTS

Accounting policy

Finance costs are recognised as an expense using the effective interest method in the period in which they are incurred.

	Actual 2017 \$000	Actual 2016 \$000
Finance revenue		
Interest revenue	314	333
Unrealised gain on interest rate swaps	3,578	18
Total finance revenue	3,892	351
Finance costs		
Interest expense	26,928	26,717
Realised loss on interest rate swaps	3,110	2,305
Unrealised (gain)/loss on forward foreign exchange contracts	(242)	242
Total finance costs	29,796	29,264

3 PERSONNEL COSTS

	Actual 2017 \$000	Actual 2016 \$000
Salaries and wages	144,387	136,055
Less salaries and wages capitalised to property, plant and equipment, and intangibles	(38,005)	(34,642)
Defined contribution plan employer contributions	3,338	3,091
Other employee benefits	1,548	1,620
Total personnel costs	111,268	106,124

Employer contributions to defined contribution plans include contributions to Kiwisaver and Super Trust of New Zealand Fund.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

4 OTHER EXPENSES

Accounting policy

Impairment of assets

Property, plant and equipment and intangible assets that are subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use are not subject to amortisation and are tested annually for impairment.

At each year-end, Auckland Transport assesses whether there is evidence that a financial asset or group of financial assets and financial liabilities are impaired. Any impairment loss is recognised in the surplus or deficit.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

	Actual 2017 \$000	Actual 2016 \$000
Fees to principal auditor		
Financial statements audit	568	561
Review engagement	44	44
Other services	36	–
Operating lease payments	12,328	4,990
Impairment of receivables	1,512	1,513
Directors' fees	429	509
Revaluation decrement	–	1,414
Impairment of non-current assets held for sale	500	1,088
Public transport operations	420,796	334,673
Roading network	111,655	100,170
Loss on disposal of property, plant and equipment	–	10,092
Other operating expenses	80,057	74,161
Total other expenses	627,925	529,215

Fees paid to the principal auditor for other services were for City Rail Link's investigation for initial contracted scope of works.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

5 TAXATION

Accounting policy

Income tax comprises current tax and deferred tax calculated using the tax rate that has been enacted or substantially enacted by the reporting date. Income tax is charged or credited to the surplus or deficit, except when it relates to items that are recognised in other comprehensive revenue and expenditure or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive revenue and expenditure or directly in equity.

Current tax is the amount of income tax payable or refundable in the current period, plus any adjustments to income tax payable in respect of prior periods. Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses.

	Actual 2017 \$000	Actual 2016 \$000
Components of income tax expense		
Current tax	–	–
Deferred tax	1,822	(1,116)
Income tax benefit/(expense)	1,822	(1,116)

Relationship between income tax expense and accounting profit

Surplus before tax	613,978	384,722
Tax at 28 per cent	171,914	107,722
Plus/(less) tax effects of:		
Non-taxable revenue	(171,685)	(107,493)
Group loss offset	(229)	(229)
Deferred tax adjustment	1,822	(1,116)
Income tax benefit/(expense)	1,822	(1,116)

	Property plant and equipment \$000	Total \$000
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Deferred tax liability

Balance at 1 July 2016	(11,425)	(11,425)
Credited to surplus or deficit	1,822	1,549
Charged to equity	(2,064)	(1,943)
Balance at 30 June 2017	(11,667)	(11,819)
Balance at 1 July 2015	(11,665)	(11,665)
Debited to surplus or deficit	(1,116)	(1,116)
Charged to equity	1,356	1,356
Balance at 30 June 2016	(11,425)	(11,425)

Auckland Transport achieved a tax profit of \$2,139,265 during the year to 30 June 2017 and this will be offset by losses available from other members of the consolidated Auckland Council tax group (2016: \$818,883).

PART TWO: *long-term assets*



This section provides information about the investments Auckland Transport has made in long-term assets.

The notes included in this section are as follows:

- 6 PROPERTY, PLANT AND EQUIPMENT
- 7 INTANGIBLE ASSETS
- 8 NON-CURRENT ASSETS HELD FOR SALE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

6 PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Property, plant and equipment consists of:

A. OPERATIONAL ASSETS

Type	Description
Land	Land includes land held for rail purposes, land under car parks, land under park and ride, land under wharves and land under train stations.
Land – finance lease	Land – finance lease includes wharf land and water space under Downtown Ferry Terminals.
Properties held for roading purposes	Properties held for roading purposes include land and buildings.
Buildings	Buildings include buildings held for rail purposes, car park buildings, and other operational buildings.
Rolling stock	Rolling stock includes passenger units (DMU) and electric multiple units (EMU).
Motor vehicles	Motor vehicles include fleet vehicles and trailers. Vehicles are used for transport to projects and parking wardens.
Boats and engines	Boats and engines include boats for use by the Harbourmaster in managing the waterways.
Computer hardware	Computer hardware includes laptops, screens, servers and other physical equipment required.
Furniture and fittings	Furniture includes desks, chairs and other fittings used in Auckland Transport offices.
Plant and equipment	Plant and equipment includes parking equipment (e.g. barrier arms, handheld parking infringement machines) and public transport equipment (e.g. public transport information, signal pre-emption, CCTV camera).
Wharves	Wharves used to provide public transport via ferries.
Bus stations and shelters	Provision of stations and shelters for users of bus services at bus stops and busways.
Train stations	Provision of stations for users of trains.

B. INFRASTRUCTURE ASSETS

Type	Description
Land	Land includes restricted land, land under roads and access to/from rail stations.
Roading	Roading includes roading assets (e.g. footpath, streetlights, traffic control, pavements).
Street gardens	Street gardens include street trees and gardens to beautify the city.

Valuation of assets

Auckland Transport accounts for revaluations on a class of assets basis.

Operational land and buildings, train stations, wharves, bus stations and shelters, roading and rolling stock are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. All other assets are carried at depreciated historical cost.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

Any accumulated depreciation at the date of revaluation is transferred to the gross carrying amount of the asset, and the asset cost is restated to the revalued amount.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Increases in asset carrying amounts due to revaluation increase the asset revaluation reserve in equity. Decreases in asset carrying amounts decrease the asset revaluation reserve to the extent that the class of assets has sufficient revaluation reserve to absorb the reduction. All other decreases are charged to surplus or deficit.

If a revaluation increase reverses a decrease previously recognised in the surplus or deficit, the increase is recognised first in surplus or deficit to reverse previous decreases. Any residual increase is applied to the asset revaluation reserve.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to Auckland Transport and the cost of the item can be measured reliably. In most instances, an item of property, plant and equipment is recognised at cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition.

Depreciation

Land and properties held for roading purposes are not depreciated. All other assets are depreciated on a straight-line basis. Depreciation writes off the cost of the assets to residual value over their useful lives. Auckland Transport reviews and, if necessary, adjusts the assets' residual values and useful lives at each year-end.

Class of asset depreciated	Estimated useful life (years)
Operational assets	
Buildings	6-73
Rolling stock	3-35
Motor vehicles	2-10
Boats and engines	2-15
Computer hardware	3-10
Furniture and fittings	2-10
Plant and equipment	2-28
Wharves	10-100
Bus stations and shelters	20-40
Train stations	6-60
Infrastructure assets	
Roading	5-100
Street gardens	10-30

Disposals

Gains and losses on the disposal of assets are determined by comparing the proceeds of sale with the asset's carrying amount. Gains and losses are recognised in surplus or deficit. When a revalued asset is sold or disposed of, any amount in the asset revaluation reserve relating to that asset is transferred to accumulated funds.

Work in progress

Work in progress is not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated.

Value in use for non-cash generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash generating assets, value in use is determined using either a depreciated replacement cost approach based on either a depreciation replacement cost approach, restoration cost approach, or a service unit approach. The most appropriate approach to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Cost/revaluation 1 July 2016	Accumulated depreciation and impairment charges 1 July 2016	Carrying amount 1 July 2016	Current year additions	Current year disposals
2017	\$000	\$000	\$000	\$000	\$000
Operational assets					
Land	659,484	–	659,484	5,713	(146,038)
Land – finance lease	19,140	–	19,140	–	–
Properties held for roading purposes	274,949	–	274,949	1,517	(11,261)
Buildings	166,537	(2,760)	163,777	9,387	(23,535)
Rolling stock	486,603	(39,390)	447,213	–	(1,646)
Motor vehicles	3,540	(1,862)	1,678	–	–
Boats and engines	866	(128)	738	38	(13)
Computer hardware	25,222	(11,008)	14,214	–	–
Furniture and fittings	3,130	(529)	2,601	–	–
Plant and equipment	53,513	(19,162)	34,351	355	–
Wharves	65,084	(3,002)	62,082	–	–
Bus stations and shelters	67,926	(8,663)	59,263	–	–
Train stations	548,977	(22,884)	526,093	–	(299,113)
	2,374,971	(109,388)	2,265,583	17,010	(481,606)
Infrastructural assets					
Land	6,032,311	–	6,032,311	–	(4,709)
Roading	8,466,395	(454,968)	8,011,427	4,566	(1,400)
Street gardens	25,778	(4,462)	21,316	–	–
	14,524,484	(459,430)	14,065,054	4,566	(6,109)
Work in progress	568,957	–	568,957	892,907	–
Total property, plant and equipment	17,468,412	(568,818)	16,899,594	914,483	(487,715)

The land – finance lease relates to Downtown Ferry Terminal waterspace and land for an indefinite lease term until such time as Auckland Transport does not comply with the required and permitted use clauses in the finance leases. The land subject to these leases is therefore recognised at their fair value until such time as the leases are not to be renewed in perpetuity.

The current year disposals of \$299.1 million under train stations relate to the reclassification of CRL assets to non current assets held for sale. Refer to Note 8 for further information.

PART TWO: LONG-TERM ASSETS

(TABLE CONTINUED)

Current year transfers	Current year impairment charges	Current year depreciation	Revaluation surplus/(loss)	Cost/revaluation 30 June 2017	Accumulated depreciation and impairment charges 30 June 2017	Carrying amount 30 June 2017
\$000	\$000	\$000	\$000	\$000	\$000	\$000
15,231	–	–	–	534,390	–	534,390
–	–	–	–	19,140	–	19,140
50,482	–	–	–	315,687	–	315,687
7,141	–	(6,859)	–	159,530	(9,618)	149,912
4,672	–	(14,626)	–	489,629	(54,016)	435,613
–	–	(614)	–	3,297	(2,233)	1,064
25	–	(117)	–	878	(206)	672
7,136	–	(6,788)	–	32,358	(17,796)	14,562
328	–	(591)	–	3,458	(1,120)	2,338
3,199	–	(7,565)	–	57,068	(26,727)	30,341
9,683	–	(3,015)	4,839	73,589	–	73,589
20,739	–	(3,664)	4,121	80,474	(14)	80,460
312,642	–	(21,884)	61,892	579,630	–	579,630
431,278	–	(65,723)	70,852	2,349,128	(111,730)	2,237,398
138,305	–	–	–	6,165,907	–	6,165,907
489,002	–	(241,866)	1,384,407	9,647,839	(1,700)	9,646,139
11,706	–	(2,158)	–	37,484	(6,621)	30,863
639,013	–	(244,024)	1,384,407	15,851,230	(8,321)	15,842,909
(1,070,291)	–	–	–	391,571	–	391,571
–	–	(309,747)	1,455,259	18,591,929	(120,051)	18,471,878

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Cost/revaluation 1 July 2015	Accumulated depreciation and impairment charges 1 July 2015	Carrying amount 1 July 2015	Current year additions	Current year disposals
2016	\$000	\$000	\$000	\$000	\$000
Operational assets					
Land	551,057	–	551,057	16,031	(10,633)
Land – finance lease	19,140	–	19,140	–	–
Properties held for roading purposes	287,323	–	287,323	7,716	(32,626)
Buildings	191,595	(1,488)	190,107	–	–
Rolling stock	434,099	(21,646)	412,453	–	(1,770)
Motor vehicles	3,766	(1,575)	2,191	–	(12)
Boats and engines	849	(11)	838	(18)	(17)
Computer hardware	20,685	(6,652)	14,033	–	–
Furniture and fittings	3,136	(428)	2,708	–	–
Plant and equipment	73,189	(20,125)	53,064	7	–
Wharves	44,189	–	44,189	–	(946)
Bus stations and shelters	50,581	(1,620)	48,961	–	–
Train stations	542,167	–	542,167	–	–
Computer hardware – finance leases	173	(151)	22	–	–
	2,221,949	(53,696)	2,168,253	23,736	(46,004)
Infrastructural assets					
Land	5,900,523	–	5,900,523	2,995	(5,268)
Roading	8,157,454	(220,648)	7,936,806	8,840	–
Street gardens	22,908	(2,888)	20,020	292	–
	14,080,885	(223,536)	13,857,349	12,127	(5,268)
Work in progress	435,090	–	435,090	675,692	–
Total property, plant and equipment	16,737,924	(277,232)	16,460,692	711,555	(51,272)

PART TWO: LONG-TERM ASSETS

(TABLE CONTINUED)

Current year transfers	Current year impairment charges	Current year depreciation	Revaluation surplus/(loss)	Cost/revaluation 30 June 2016	Accumulated depreciation and impairment charges 30 June 2016	Carrying amount 30 June 2016
\$000	\$000	\$000	\$000	\$000	\$000	\$000
18,509	–	–	84,520	659,484	–	659,484
–	–	–	–	19,140	–	19,140
12,525	–	–	–	274,949	–	274,949
(15,501)	–	(6,726)	(4,104)	166,537	(2,760)	163,777
54,274	–	(17,744)	–	486,603	(39,390)	447,213
107	–	(609)	–	3,540	(1,862)	1,678
61	–	(126)	–	866	(128)	738
5,684	–	(5,502)	–	25,222	(11,008)	14,214
220	–	(326)	–	3,130	(529)	2,601
(11,045)	–	(7,675)	–	53,513	(19,162)	34,351
21,496	–	(2,656)	–	65,084	(3,002)	62,082
13,239	–	(2,936)	–	67,926	(8,663)	59,263
5,594	–	(21,669)	–	548,977	(22,884)	526,093
–	–	(22)	–	173	(173)	–
105,163	–	(65,991)	80,416	2,375,144	(109,561)	2,265,583
134,061	–	–	–	6,032,311	–	6,032,311
300,022	–	(234,241)	–	8,466,395	(454,968)	8,011,427
2,579	–	(1,575)	–	25,778	(4,462)	21,316
436,662	–	(235,816)	–	14,524,484	(459,430)	14,065,054
(541,825)	–	–	–	568,957	–	568,957
–	–	(301,807)	80,416	17,468,585	(568,991)	16,899,594

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

No property, plant and equipment is pledged as security for liabilities (2016: nil).

Auckland Council-owned property, plant and equipment

Property, plant and equipment in the legal name of Auckland Council that Auckland Transport has control over are recognised as an asset in the statement of financial position. Auckland Transport considers it has assumed all the normal risks and rewards of ownership of this property, plant and equipment despite legal ownership not being transferred, and accordingly it would be misleading to exclude this property, plant and equipment from the financial statements.

The following property, plant, and equipment are legally owned by Auckland Council but managed and controlled by Auckland Transport.

- Operational land and buildings – includes land and buildings, parking and wharf buildings.
- Roads – includes land under roads, shaping, formation, foundation, surface, kerb and channelling, shoulders, drainage under roads, footpaths, lighting, signage, bridges, crossings, islands, minor structures (including railings and retaining walls), traffic facilities, and traffic signals.

Restrictions on Auckland Council-owned property, plant and equipment

Disposal

Under the Local Government (Auckland Council) Act 2009 paragraph 48 section 2, Auckland Transport must inform Auckland Council, in writing, of its decision to dispose of land not required for a road under Section 345 of the Local Government Act 1974, and the council must dispose of the land in accordance with the requirements of the Local Government Act 1974.

Acquisition

Under the Local Government (Auckland Council) Act 2009 paragraph 48 section 4, Auckland Transport must inform Auckland Council, in writing, of its decision to apply for compulsory acquisition of any land, or the deemed agreement, as the case may be, and any land taken or acquired as a result will be legally vested in Auckland Council but will be recognised in Auckland Transport's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Revaluation

Asset class	Date of revaluation	Valuation Amount \$'000	Basis of revaluation	Independent Valuer Company	Valuer name
Rolling stock	30 June 2013	59,808	Depreciated replacement cost	Halcrow Pacific Pty (Australia)	Giles Dallaway
Land	30 June 2016	626,884	Fair Value with the approaches being Market and Income	Bayleys Valuations Limited Quotable Value Limited Beca Carter Hollings & Ferner Limited	Jessica McKenzie Lynda McNamara Ceri Bain
Land – finance lease	30 June 2015	19,140	Fair Value with the approaches being Market and Income	Telfer Young (Auckland) Limited	Evan Gamby
Buildings	30 June 2016	159,297	Fair Value with the approaches being Market and Income	Bayleys Valuations Limited Quotable Value Limited Beca Carter Hollings & Ferner Limited	Jessica McKenzie Lynda McNamara Ceri Bain
Train stations	30 June 2017	579,630	Depreciated replacement cost	Opus International Consultants Limited	Evan Gamby Gemma Mathieson
Wharves	30 June 2017	67,135	Depreciated replacement cost	Opus International Consultants Limited	Evan Gamby Gemma Mathieson
Roads and parking (excluding land and buildings)	30 June 2017	9,541,313	Depreciated replacement cost	ANA Group Limited	Amar Singh
Bus stations and shelters	30 June 2017	80,034	Depreciated replacement cost	ANA Group Limited	Amar Singh

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Valuation significant assumptions and estimates

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Market evidence is available and used for the non-specialised land and buildings, which include commercial and general purpose buildings for which there is a secondary market.

Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

The depreciated replacement cost is used to revalue specialised buildings (designed for a specific limited purpose), roading and public transport assets for the delivery of Auckland Transport's services. Depreciated replacement cost for these types of assets is based on the 'optimised replacement cost'. Optimised replacement cost is the minimum cost, in the normal course of business, to replace the existing asset with a technologically modern equivalent asset with the same economic benefits, adjusting for any overdesign, overcapacity and redundant components. Optimisation is limited to the extent that optimisation can occur in the normal course of business using commercially available technology.

The depreciated replacement cost valuation reflected above is calculated based on the following estimates and assumptions:

- Railway station assets with unlimited engineering lives have been adjusted to have a typical useful life appropriate to the rate of change and obsolescence in the environment for each elemental value.
- Wharf assets' typical useful life has been based on current condition and environmental factors such as reflecting the marine environment, rate of change and obsolescence, loadings, and the predominance of concrete and steel structural elements.
- Estimating the unit rate for construction of roading assets: The most current contracted unit rates for road construction have been used. Where there is no current contracted unit rate information available, the most recent rates are used indexed for the impact of inflation.
- Assumptions on the remaining useful life over which the asset will be depreciated: These assumptions are based on the age, condition information held on these assets and the asset's future service potential. For roading assets these assumptions can be affected by local conditions such as ground type, weather patterns and road usage.
- Rolling stock consists of electric trains purchased in 2014/15, these will be revalued in 2018. Diesel motor units (trains operating from Papakura to Pukekohe) have been fully depreciated.
- Assumptions on rail rolling stock useful lives have been based on an expected vehicle replacement programme. The programme defines the expected economic and/or physical lives of the different vehicle types.
- Asset useful lives have been determined with reference to external industry guidance and have been adjusted for local conditions based on past experience. Asset inspection, deterioration, and condition modelling are also carried out regularly as part of asset management activities, which provides further assurance over useful life estimates.

All other asset classes are measured at depreciated historical cost.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Work in progress

	Actual 2017 \$000	Actual 2016 \$000
Operational assets		
Land	14,160	31,022
Rolling stock	616	2,701
Wharves	1,432	3,502
Bus stations and shelters	42,237	12,666
Train stations		
– City Rail Link	–	157,990
– Other stations	24,134	16,414
Infrastructural assets		
Roading	308,992	344,662
Total work in progress	391,571	568,957

The work in progress relating to the City Rail Link project was transferred to the non-current assets held for sale. Refer to note 8 for further information.

7 INTANGIBLE ASSETS

Accounting policy

Intangible assets

Purchased intangible assets are initially recorded at cost. The cost of an internally generated intangible asset represents expenditure incurred in the development phase of the asset only. Intangible assets acquired at no cost are initially recognised at fair value where that can be reliably measured.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost, less any amortisation and impairment losses, and are reviewed annually for impairment losses. Assets with indefinite useful lives are not amortised but are tested, at least annually, for impairment, and are carried at cost, less accumulated impairment losses.

Realised gains and losses arising from the disposal of intangible assets are recognised in surplus or deficit in the period in which the disposal occurs.

Access rights

The access rights on land are long-term land leases on which stations have been built. They are recognised in the accounts at cost and amortised using the straight-line method over the life of the underlying lease. This includes the costs transferred to AT on establishment and AT's contribution to the costs of constructing railway tracks. The access rights are owned by KiwiRail but AT have the rights to use the assets under agreement with KiwiRail.

Computer software

Computer software licences are capitalised based on the costs incurred to acquire and bring to use the software. These costs are amortised using the straight-line method over their estimated useful lives (three to eight years).

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

Costs directly associated with the development of identifiable and unique software products controlled by Auckland Transport, and that will probably generate economic benefits beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised using the straight-line method over their estimated useful lives (not exceeding eight years).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

7 INTANGIBLE ASSETS (CONTINUED)

	Cost 1 July 2016	Accumulated amortisation and impairment charges 1 July 2016	Carrying amount 1 July 2016	Current year additions
2017	\$000	\$000	\$000	\$000
Software	113,128	(48,489)	64,639	–
Access rights	34,745	(2,297)	32,448	–
	147,873	(50,786)	97,087	–
Works under development – software	30,228	–	30,228	38,342
Total intangible assets	178,101	(50,786)	127,315	38,342

	Cost 1 July 2015	Accumulated amortisation and impairment charges 1 July 2015	Carrying amount 1 July 2015	Current year additions
2016	\$000	\$000	\$000	\$000
Software	92,015	(31,839)	60,176	–
Access rights	34,745	(1,800)	32,945	–
	126,760	(33,639)	93,121	–
Works under development – software	20,367	–	20,367	30,974
Total intangible assets	147,127	(33,639)	113,488	30,974

Intangible software includes Auckland Integrated Fares System (AIFS) software.

There are no restrictions over the title of Auckland Transport's intangible assets; nor are any intangible assets pledged as security for liabilities.

The access rights are for the land at each of the railway station sites along the Auckland passenger rail network utilised by AT. They include the costs transferred to AT on establishment that are being amortised using the straight-line method over the remaining portion of the 63-year life and AT's contribution to the costs of constructing railway tracks. The access rights are valued at cost.

PART TWO: LONG-TERM ASSETS

(TABLE CONTINUED)

Current year disposals	Current year transfers	Current year impairment charges	Current year amortisation	Cost 30 June 2017	Accumulated amortisation and impairment charges 30 June 2017	Carrying amount 30 June 2017
\$000	\$000	\$000	\$000	\$000	\$000	\$000
(641)	27,750	–	(20,700)	140,237	(69,188)	71,049
–	180	–	(500)	34,925	(2,797)	32,128
(641)	27,930	–	(21,200)	175,162	(71,985)	103,177
–	(27,930)	–	–	40,640	–	40,640
(641)	–	–	(21,200)	215,802	(71,985)	143,817

Current year disposals	Current year transfers	Current year impairment charges	Current year amortisation	Cost 30 June 2016	Accumulated amortisation and impairment charges 30 June 2016	Carrying amount 30 June 2016
\$000	\$000	\$000	\$000	\$000	\$000	\$000
–	21,113	–	(16,650)	113,128	(48,489)	64,639
–	–	–	(497)	34,745	(2,297)	32,448
–	21,113	–	(17,147)	147,873	(50,786)	97,087
–	(21,113)	–	–	30,228	–	30,228
–	–	–	(17,147)	178,101	(50,786)	127,315

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

8 NON-CURRENT ASSETS HELD FOR SALE

Accounting policy

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and are not depreciated.

Any impairment losses for write-downs of non-current assets held for sale are recognised in surplus or deficit.

Any increase in fair value (less cost to sell) is recognised up to the level of any impairment losses that have been previously recognised.

	Actual 2017 \$000	Actual 2016 \$000
Rolling stock – held for sale	5,500	6,000
City Rail Link – held for distribution to owner	434,464	–
Total non-current assets held for sale	439,964	6,000

Rolling stock

A key component of development plans for the Auckland rail network is the electrification upgrade in order to accommodate a fleet of new Electric Multiple Units which are now operational. As a consequence of the transition to this new fleet of trains, the majority of AT's current diesel fleet will no longer be required for operational service. AT has signed the Heads of Agreement and is now waiting for the Letter of Credit to confirm the sale.

City Rail Link

The City Rail Link (CRL) is an underground rail line that will link Britomart and the city centre with the existing Western Line near Mt Eden. The CRL is a significant infrastructure project to enhance the capacity and performance of Auckland rail services and improve transport outcomes in Auckland.

The Crown and Auckland Council (the Sponsors) have, through a Sponsors Agreement signed on 30 June 2017, agreed to equally co-fund the development and delivery of the CRL project. The Sponsors have incorporated City Rail Link Limited (CRL) who will have responsibility for the design and construction of the CRL, which is currently managed by Auckland Transport, pursuant to a Project Delivery Agreement.

Auckland Transport has acquired properties for the purpose of the CRL project and incurred project costs up to 30 June 2017 amounting to \$434 million. To facilitate the transfer of responsibility for the CRL project from AT to CRL, the Asset Transfer Agreement was signed on 30 June 2017 which requires that these properties and work in progress be transferred to CRL when it became operational on 1 July 2017. Until CRL obtains its requiring authority status for the CRL Project under section 167 of the Resource Management Act 1991, AT and Auckland Council will hold its rights, title and interest in the CRL assets on trust for the benefit of CRL.

At 30 June 2017, AT has reclassified the assets previously recognised as property, plant and equipment to "Non-current assets held for distribution" since Auckland Transport is transferring the responsibility of delivering the CRL project to the sponsors' newly incorporated CRL. By virtue of the Sponsors agreeing to co-fund the CRL project and incorporating CRL, the transfer of the CRL project is highly probable at 30 June 2017. No gain or loss has been recognised as a result of this reclassification.



PART THREE: *borrowings and derivative financial instruments*

This section provides details of Auckland Transport borrowings. This section also provides information of derivative financial instruments acquired to mitigate the risks arising from the borrowings.

The notes included in this section are as follows:

- 9 BORROWINGS
- 10 DERIVATIVE FINANCIAL INSTRUMENTS

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

9 BORROWINGS

Accounting policy

Borrowings are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities where they are due to be settled within 12 months after the reporting date. All other borrowings are classified as non-current liabilities.

	Actual 2017 \$000	Actual 2016 \$000
Current portion		
Loans from Auckland Council	5,764	5,234
Non-current portion		
Loans from Auckland Council	502,899	490,708
Total borrowings	508,663	495,942
Weighted average cost of funds on total borrowings	6.02%	6.01%

Auckland Transport manages its borrowings in accordance with its treasury policy. There was no significant change to the treasury policy during the year. AT was fully compliant with its treasury policy at year end.

Auckland Transport's borrowings are all issued at fixed rates as the main objective of AT's interest rate risk management is to reduce uncertainty around interest expense as interest rates change.

Loans from Auckland Council

Auckland Transport's loans from Auckland Council of \$508.7 million (2016: \$496.0 million) are issued at fixed rates of interest ranging from 5.55% to 6.57% (2016: 5.55% to 6.22%).

Two loan facilities have been drawn down and will be repaid against a schedule of repayments. The first loan of \$420.4 million (2016: \$407.0 million) has a final payment date of 21 November 2046 and the second loan of \$88.3 million (2016: \$88.6 million) has a final repayment date of 27 March 2062.

The fair value of these loans is \$562.6 million (2016: \$556.0 million). The fair value is based on cash flows discounted using a rate based on the borrowing rate of 3.94% (2016: 3.31%).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

10 DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policy

Auckland Transport uses derivative financial instruments to hedge or mitigate risks associated with foreign currency fluctuation and interest rate. In accordance with its treasury policy, AT does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The resulting gain or loss is recognised in surplus or deficit.

	Actual 2017 \$000	Actual 2016 \$000
Current liability portion		
Forward foreign exchange contracts	–	242
Non-current liability portion		
Interest rate swaps	–	3,578

Forward foreign exchange contracts

The fair values of forward foreign exchange contracts have been determined using a discounted cash flows valuation technique based on quoted market prices. The inputs into the valuation model are from independently sourced market parameters such as currency rates. Most market parameters are implied from forward foreign exchange contract prices.

The notional principal amount of outstanding forward foreign exchange contract cash flow hedges was NZD \$nil (2016: NZD \$5.5 million). The foreign currency principal amount was \$nil (2016: USD 3.7 million).

Interest rate swaps

The fair values of interest rate swaps have been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

The notional principal amount of the outstanding interest rate swap contracts was \$nil (2016: \$8.0 million). At 30 June 2016 the fixed interest rates of cash flow hedge interest rate swaps varied from 5.58% to 5.96%. The gain on their revaluation of \$3.6 million (2016: \$0.02 million gain) has been recorded in surplus or deficit for the year.

A close-up photograph of a worker wearing a white hard hat and safety glasses, focused on working on a vehicle's LED light assembly. The worker is wearing white gloves and is using a tool to adjust or install components of the light. The background is slightly blurred, showing a blue sky and some greenery.

PART FOUR: *working capital and equity*

This section provides information about the operating assets and liabilities available to Auckland Transport's day-to-day activities. This section also contains analysis of the equity of Auckland Transport.

The notes included in this section are as follows:

- 11 CASH AND CASH EQUIVALENTS
- 12 RECEIVABLES
- 13 INVENTORIES
- 14 PAYABLES AND ACCRUALS
- 15 EMPLOYEE ENTITLEMENTS
- 16 EQUITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

11 CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions and bank overdrafts.

	Actual 2017 \$000	Actual 2016 \$000
Cash at bank	5,381	2,711
Till floats	311	295
Total cash and cash equivalents	5,692	3,006

The carrying value of cash and cash equivalents approximates their fair value.

The weighted average effective interest rate for cash and cash equivalents is 1.75% (2016: 2.25%).

12 RECEIVABLES

Accounting policy

Trade and other receivables are recognised initially at fair value, and subsequently measured at amortised cost less any provision for impairment. They are due for settlement no more than 30 days from the date of recognition.

Auckland Transport reviews the collection of receivables on an ongoing basis and writes off debts known to be uncollectable. A provision is made for doubtful receivables when there is objective evidence that AT will not be able to collect all amounts due according to the original terms of the receivables. The amount provided is the difference between the receivable's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. This amount provided is recorded in the surplus or deficit.

The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in the surplus or deficit. When a receivable is uncollectable, it is written off against the provision account.

	Actual 2017 \$000	Actual 2016 \$000
Receivables from non-exchange transactions		
Current portion		
Trade debtors	3,417	2,336
Infringements receivable	34,562	32,092
Amounts due from related parties	236,766	205,509
Accrued revenue	55,892	42,053
Goods and services tax	6,332	–
	336,969	281,990
Less provision for impairment of receivables	(15,016)	(13,618)
Total current receivables	321,953	268,372
Non-current portion		
Other receivables	1,801	–
Total non-current receivables	1,801	–

The carrying value of receivables approximates their fair value.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

12 RECEIVABLES (CONTINUED)

There is a concentration of credit risk from Auckland Council that is considered low risk. There is no concentration of credit risk with respect to other receivables as there are a large number of customers.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

The ageing profile of debtors and other receivables at 30 June is detailed below:

	Gross \$000	Impaired \$000	Net \$000
2017			
Not past due	304,609	–	304,609
Past due 1-30 days	1,643	–	1,643
Past due 31-60 days	1,215	–	1,215
Past due 61-90 days	1,240	–	1,240
Past due > 90 days	28,262	(15,016)	13,246
	336,969	(15,016)	321,953

2016			
Not past due	251,107	–	251,107
Past due 1-30 days	1,981	–	1,981
Past due 31-60 days	1,315	–	1,315
Past due 61-90 days	1,101	–	1,101
Past due > 90 days	26,486	(13,618)	12,868
	281,990	(13,618)	268,372

All receivables greater than 30 days in age are considered to be past due.

The provision for impairment of receivables has been calculated on an individual basis. The provision is based on a review of significant debtor balances. Receivables are assessed as impaired due to significant financial difficulties being experienced by the debtor, and AT management concluding that it is remote that the overdue amounts will be recovered.

Movements in the provision for impairment of receivables are as follows:

	Actual 2017 \$000	Actual 2016 \$000
Balance at 1 July	13,618	14,118
Additional provisions made	1,512	1,513
Provisions reversed	(58)	(238)
Provisions relating to receivables written-off	(56)	(1,775)
Balance at 30 June	15,016	13,618

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

13 INVENTORIES

Accounting policy

Inventories held for distribution (e.g. rolling stock spare parts) are stated at weighted average cost, adjusted, when applicable, for any loss of service potential.

Where inventories are acquired at no cost or for nominal consideration, the cost is the fair value at the date of acquisition.

The carrying amount of spare parts is measured at the lower of cost or net realisable value.

The amount of any write-down in the value of inventories is recognised in surplus or deficit.

	Actual 2017 \$000	Actual 2016 \$000
Spare parts for diesel rolling stock	2,668	2,741
Spare parts for electric trains	8,568	7,006
Others	207	–
Total inventories	11,443	9,747

No inventories are pledged as security for liabilities.

There have been no write downs nor reversal of write downs of inventories.

14 PAYABLES AND ACCRUALS

Accounting policy

Current payables and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Current payables and accruals are non-interest bearing and normally settled on 30-day terms; therefore, the carrying value approximates fair value. Non-current payables and accruals are measured at the present value of the estimated future cash outflows.

	Actual 2017 \$000	Actual 2016 \$000
Current portion		
Payables under exchange transactions		
Creditors	72,585	33,816
Accrued expenses	143,056	139,196
Total payables under exchange transactions	215,641	173,012
Payables under non-exchange transactions		
Amounts due to related parties	6,856	7,280
Revenue in advance	1,963	9,187
Goods and services tax	–	2,305
Total payables under non-exchange transactions	8,819	18,772
Total current payables	224,460	191,784

Non-current portion

Payables under non-exchange transactions

Amounts due to related parties	19,717	19,924
Total non-current payables	19,717	19,924

Payables and accruals as at 30 June 2017 included \$20.5 million relating to the City Rail Link project. This amount will be transferred to City Rail Link Limited on 1 July 2017 when the entity becomes operational.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

15 EMPLOYEE ENTITLEMENTS

Accounting policy

Current employee entitlements to be settled within 12 months are reported at the amount expected to be paid.

Non-current employee entitlements such as long-service leave are valued by external actuary.

	Actual 2017 \$000	Actual 2016 \$000
Current portion		
Accrued salaries and wages	5,288	4,463
Annual leave	9,497	8,743
Sick leave	266	266
Long service leave	129	110
Total current employee entitlements	15,180	13,582
Non-current portion		
Retirement gratuities	383	383
Long service leave	191	241
Total non-current employee entitlements	574	624

Employee entitlements as at 30 June 2017 included \$0.5 million relating to the City Rail Link project. This amount will be transferred to City Rail Link Limited on 1 July 2017 when the entity becomes operational.

16 EQUITY

Accounting policy

Equity is the residual interest in the organisation and is measured as the difference between total assets and total liabilities.

Equity is made up of:

Contributed capital	This represents the cumulative total at the reporting date of contributions from Auckland Council, less capital returned.
Accumulated funds	This represents the accumulated surplus/deficit over time by AT and found assets identified after amalgamation.
Other reserves	
<ul style="list-style-type: none"> ■ Asset revaluation reserve ■ Cash flow hedge reserve 	<p>This reserve relates to the revaluation of property, plant, and equipment to fair value.</p> <p>This reserve comprises the effective portion of the cumulative net change in the fair value of derivatives designated as cash flow hedges.</p>

Capital management

Auckland Transport is subject to financial management and accountability provisions of the Local Government (Auckland Council) Act 2009, which imposes restrictions in relation to borrowings and the use of derivatives.

Auckland Transport manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities and general financial dealings to ensure AT effectively achieves its objectives and purpose, while remaining a going concern.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

16 EQUITY (CONTINUED)

	Actual 2017 \$000	Actual 2016 \$000
Contributed capital	13,436,418	13,463,871
Accumulated funds	1,623,170	997,233
Asset revaluation reserve		
Balance at 1 July	2,117,458	2,041,178
Change in fair value recognised during the year	1,454,810	81,834
Transfer to accumulated funds on disposal of property	(10,137)	(6,910)
Deferred tax on revaluation	(2,064)	1,356
Balance at 30 June	3,560,067	2,117,458
Asset revaluation reserve for each asset class consists of:		
Operational assets		
Land	212,371	254,517
Land – finance lease	6,609	6,609
Wharves	2,326	–
Bus stations and shelters	14,149	10,028
Train stations	273,008	211,116
Infrastructural assets		
Roading	3,019,595	1,635,188
Non-current assets held for sale		
City Rail Link	32,009	–
Balance at 30 June	3,560,067	2,117,458
Cash flow hedge reserve		
Balance at 1 July	–	597
Change in fair value recognised during the year	–	(597)
Balance at 30 June	–	–
Total other reserves	3,560,067	2,117,458
Total equity	18,619,655	16,578,562



PART FIVE: *financial instruments and risk management*

This section provides information on how various risks are managed by Auckland Transport.

The notes included in this section are as follows:

- 17 CATEGORIES OF FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY
- 18 INTEREST RATE RISK
- 19 FOREIGN EXCHANGE RISK
- 20 CREDIT RISK
- 21 LIQUIDITY RISK

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

17 CATEGORIES OF FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY

Accounting policy

Auckland Transport classifies financial assets and liabilities into categories. The classification depends on the purpose for which the financial assets and liabilities are held. Management determines the classification of financial assets and liabilities.

Categories	Initial recognition	Subsequent measurement	Treatment of gains and losses
Financial assets			
Fair value through surplus or deficit	Fair value	Fair value	Surplus or deficit
Loans and receivables	Fair value	Amortised cost using the effective interest method less impairment	Surplus or deficit
Financial liabilities			
Fair value through surplus or deficit	Fair value	Fair value	Surplus or deficit
Amortised cost	Fair value	Amortised cost	Surplus or deficit

Categories of financial instruments

The carrying amounts of financial instruments are as follows:

	Actual 2017 \$000	Actual 2016 \$000
Financial assets		
Loans and receivables		
Cash and cash equivalents	5,692	3,006
Receivables (excluding goods and services tax)	317,422	268,372
Total	323,114	271,378
Financial liabilities		
Fair value through surplus or deficit		
Forward foreign exchange contracts	–	242
Interest rate swaps	–	3,578
Total	–	3,820
Amortised cost		
Payables and accruals	244,177	211,708
Borrowings	508,663	495,942
Total	752,840	707,650

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

17 CATEGORIES OF FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY (CONTINUED)

Fair value hierarchy

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- LEVEL 1 Quoted market price** – Financial instruments with quoted prices for identical instruments in active markets.
- LEVEL 2 Valuation technique using observable inputs** – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- LEVEL 3 Valuation techniques with significant non-observable inputs** – Financial instruments valued using models where one or more significant inputs are not observable.

	VALUATION TECHNIQUE			
	Total	Level 1 Quoted market price	Level 2 Observable inputs	Level 3 Significant non-observable inputs
	\$000	\$000	\$000	\$000

2017

Financial liabilities

Forward foreign exchange contracts	–	–	–	–
Interest rate swaps	–	–	–	–

2016

Financial liabilities

Forward foreign exchange contracts	242	–	242	–
Interest rate swaps	3,578	–	3,578	–

There were no transfers between the different levels of the fair value hierarchy during the year (2016: nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

18 INTEREST RATE RISK

Interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. AT is not exposed to any significant cash flow interest rate risk.

	-100bps Surplus/ deficit NZ \$000	-100bps Other equity NZ \$000	+100bps Surplus/ deficit NZ \$000	+100bps Other equity NZ \$000
2017				
Interest rate swaps	-	-	-	-
2016				
Interest rate swaps	(1,248)	-	1,163	-

Explanation of interest rate risk sensitivity

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a basis points (bps) movement. For example, a decrease in 100 bps is equivalent to a decrease in interest rate of 1.0%.

19 FOREIGN EXCHANGE RISK

Foreign exchange risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. From time to time AT purchases goods and services overseas which require it to enter into transactions denominated in foreign currencies. As a result of these activities, exposure to currency risk arises.

It is AT's policy to manage foreign currency risks arising from contractual commitments and liabilities by entering into forward foreign exchange contracts to manage the foreign currency risk exposure.

	-5% Surplus/ deficit NZ \$000	-5% Other equity NZ \$000	+5% Surplus/ deficit NZ \$000	+5% Other equity NZ \$000
2017				
Forward foreign exchange contracts	-	-	-	-
2016				
Forward foreign exchange contracts	284	-	(246)	-

Explanation of foreign exchange rate risk sensitivity

The foreign exchange sensitivity is based on a reasonable possible movement in foreign exchange rates, with all other variables held constant, measured as a percentage movement in the foreign exchange rate of -5%/+5%.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

20 CREDIT RISK

Credit risk is the risk that a third party will default on its obligation to AT, causing it to incur a loss.

In the normal course of business, AT is exposed to credit risk from cash, debtors and other receivables and derivative financial instrument assets. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position.

Auckland Transport has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard & Poor's credit ratings (if available) or to historical information about counterparty default rates.

	Rating	Actual 2017 \$000	Actual 2016 \$000
Counterparties with credit ratings			
Cash at bank	AA-	5,381	2,711
Counterparties without credit ratings			
Receivables			
Existing counterparty with no defaults in the past		323,754	268,372
Total receivables		323,754	268,372

Of the \$323,754, \$236,766 is due from related parties.

21 LIQUIDITY RISK

Liquidity risk is the risk that AT will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liability risk management implies maintaining sufficient cash and the ability to close out market positions.

Auckland Transport manages liquidity risk by continuously monitoring forecast and actual cash flow requirements.

Contractual maturity analysis of financial liabilities, excluding borrowings

The table over analyses AT's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

21 LIQUIDITY RISK (CONTINUED)

	Carrying amount NZ \$000	Contractual cash flows NZ \$000	Less than 6 months NZ \$000	6-12 months NZ \$000	More than 1 year NZ \$000
2017					
Trade and other payables	244,177	244,177	244,177	–	–
Forward foreign exchange contracts					
– outflow	–	–	–	–	–
– inflow	–	–	–	–	–
Net settled derivative liabilities	–	–	–	–	–
2016					
Trade and other payables	211,708	211,708	211,708	–	–
Forward foreign exchange contracts					
– outflow	–	5,530	5,530	–	–
– inflow	–	3,747	3,747	–	–
Net settled derivative liabilities	3,578	3,934	59	260	3,615

Contractual maturity analysis of borrowings

The table below analyses AT's borrowings into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows and include interest payments.

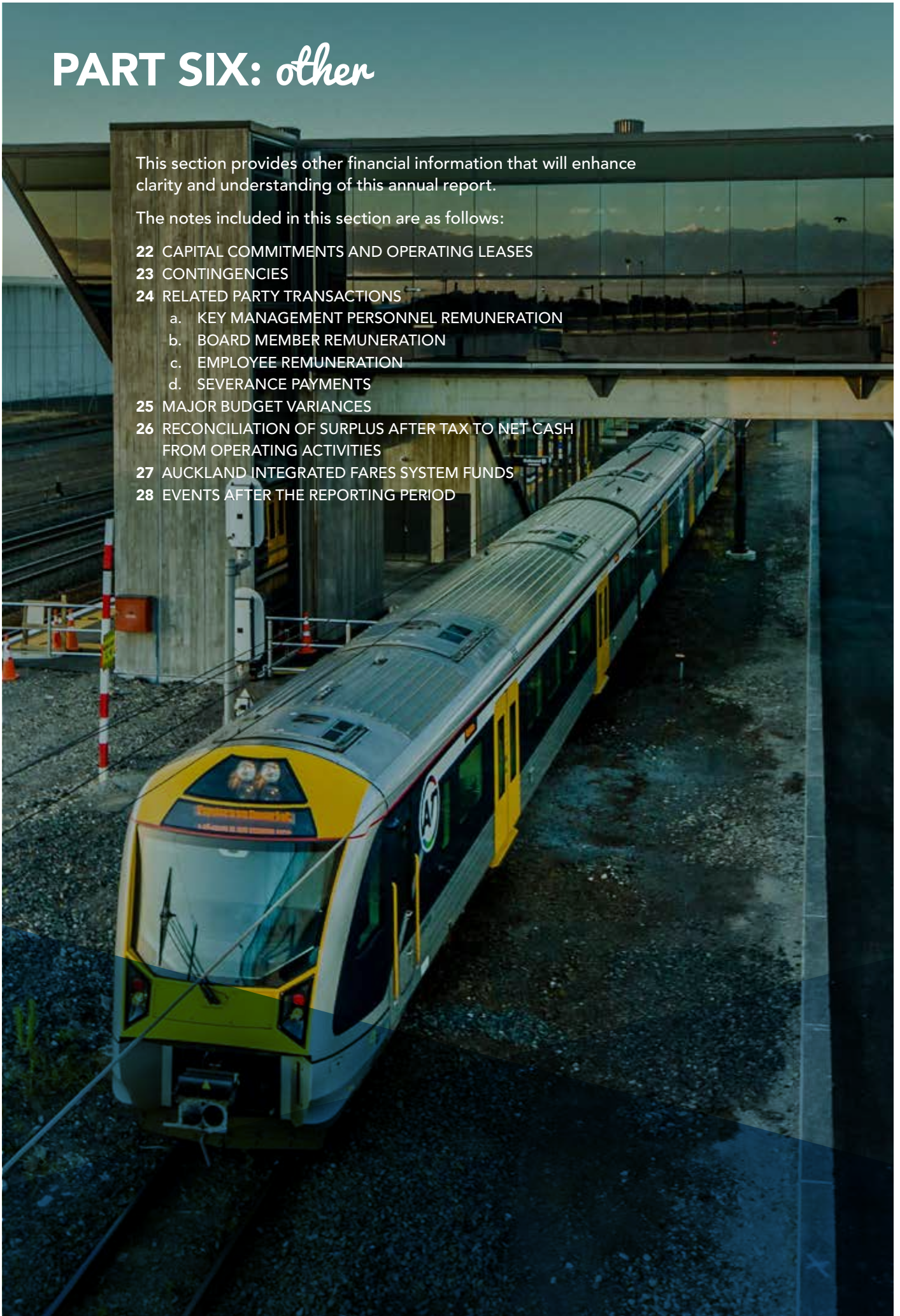
	Carrying amount NZ \$000	Contractual cash flows NZ \$000	0-10 years NZ \$000	11-20 years NZ \$000	21-30 years NZ \$000	31-40 years NZ \$000	41-50 years NZ \$000
2017							
Borrowings	508,663	1,152,613	362,512	362,512	344,611	56,015	26,963
2016							
Borrowings	495,942	1,146,871	348,703	348,703	348,703	68,198	32,564

PART SIX: *other*

This section provides other financial information that will enhance clarity and understanding of this annual report.

The notes included in this section are as follows:

- 22** CAPITAL COMMITMENTS AND OPERATING LEASES
- 23** CONTINGENCIES
- 24** RELATED PARTY TRANSACTIONS
 - a. KEY MANAGEMENT PERSONNEL REMUNERATION
 - b. BOARD MEMBER REMUNERATION
 - c. EMPLOYEE REMUNERATION
 - d. SEVERANCE PAYMENTS
- 25** MAJOR BUDGET VARIANCES
- 26** RECONCILIATION OF SURPLUS AFTER TAX TO NET CASH FROM OPERATING ACTIVITIES
- 27** AUCKLAND INTEGRATED FARES SYSTEM FUNDS
- 28** EVENTS AFTER THE REPORTING PERIOD



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

22 CAPITAL COMMITMENTS AND OPERATING LEASES

Accounting policy

With operating leases, the lessor retains the risks and benefits of ownership. Lease payments are recognised as an expense in the surplus or deficit on a straight-line basis over the period of the lease.

Capital commitments

	Actual 2017 \$000	Actual 2016 \$000
Operational assets		
Land	22,609	2,256
Buildings	486	233
Rolling stock	–	14,729
Computer hardware	1,847	2,125
Furniture and fittings	138	138
Wharves	–	1,025
Bus stations and shelters	25,268	12,175
Train stations (including City Rail Link)	304,077	187,391
Infrastructural assets		
Roading	217,899	404,387
Intangible assets		
Software	6,805	22,919
Total capital commitments	579,129	647,378

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

Capital commitments at 30 June 2017 included \$323.5 million (2016: \$185.3 million) of commitments for the City Rail Link (CRL) project.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

22 CAPITAL COMMITMENTS AND OPERATING LEASES (CONTINUED)

Operating leases as lessee

Auckland Transport leases property, plant and equipment in the normal course of its business. These leases have a term of between 4 and 419 months. The future aggregate minimum lease payments payable under leases are as follows:

	Actual 2017 \$000	Actual 2016 \$000
Not later than one year	30,822	5,125
Later than one year and not later than five years	119,740	10,033
Later than five years	128,088	2,748
Total operating leases	278,650	17,906

Leases can be renewed at AT's option, with amounts set by reference to current market rates for items of equivalent age and condition. There is no option to purchase the asset at the end of the lease term.

Included in the above minimum lease payments are lease components relating to the Public Transport Operating Model bus contracts as fulfilment of the contracts is dependent on the use of specific assets, and the contracts convey the right to use the assets.

There are no restrictions placed on AT by any of the leasing arrangements.

Operating leases as lessor

Auckland Transport leases property under operating leases. These leases have a term of between 1 and 283 months. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Actual 2017 \$000	Actual 2016 \$000
Not later than one year	9,634	9,208
Later than one year and not later than five years	11,314	11,586
Later than five years	4,528	476
Total operating leases	25,476	21,270

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

23 CONTINGENCIES

Contingent liabilities

Auckland Transport has been advised of a potential claim by Snapper Services Limited against Auckland Transport in relation to the Auckland Integrated Fare System. AT has prepared a claim against Snapper. Legal proceedings have not been issued by either party.

Contingent assets

There are no material contingent assets as at 30 June 2017 (2016: nil).

24 RELATED PARTY TRANSACTIONS

Auckland Transport is a council-controlled organisation of Auckland Council. AT receives a significant amount of funding from Auckland Council to deliver its objectives as specified in Auckland Council's Long-term Plan.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect AT would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other council organisations are not disclosed as related party transactions when they are consistent with the normal operating arrangements between council organisations and undertaken on the normal terms and conditions for such transactions in the same circumstances. All related party transactions were made on an arm's length basis in the current and prior financial years.

a. Key management personnel remuneration

	Actual 2017 \$	Actual 2016 \$
Board members		
Remuneration	429,065	509,015
Full-time equivalent members	1.3	1.6
Leadership team		
Remuneration	3,972,088	3,781,144
Full-time equivalent members	10.3	10.4
Total key management personnel remuneration	4,401,153	4,290,159
Total full time equivalent personnel	11.6	12.0

The full-time equivalent for Board members has been determined based on the frequency and length of Board meetings and the estimated time for Board members to prepare for meetings.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

24 RELATED PARTY TRANSACTIONS (CONTINUED)

b. Board member remuneration

The total value of remuneration paid or payable to each Board member during the period was:

	Actual 2017 \$	Actual 2016 \$
Dr Lester Levy (Chair)	106,600	106,600
Wayne Donnelly (Deputy Chair from November 2016)	44,417	–
Paul Lockey (Deputy Chair to October 2016)	22,208	66,625
Christine Fletcher (to October 2016)	17,767	53,300
Dr Ian Parton (to October 2016)	20,432	61,295
Michael Lee (to October 2016)	17,767	53,300
Kylie Clegg (from May 2017)	8,883	–
Sir Michael Cullen (from May 2017)	8,883	–
Mary-Jane Daly (from May 2017)	8,883	–
Mark Gilbert	61,295	61,295
Rabin Rabindran	53,300	53,300
Dame Paula Rebstock	58,630	53,300
Ernst Zöllner	–	–
Total Board member remuneration	429,065	509,015

Ernst Zöllner is the NZ Transport Agency appointee. Under the terms of establishment legislation the NZ Transport Agency appointee does not receive any remuneration.

Paul Lockey (to October 2016), Wayne Donnelly (from November 2016), Dr Ian Parton (to October 2016), Mark Gilbert and Dame Paula Rebstock (from December 2016) were remunerated for their roles as Chairs of Board sub-committees.

There have been no payments made to committee members appointed by the Board who are not Board members during the financial year (2016: nil).

Auckland Transport has effected directors' and officers' liability and professional indemnity insurance cover during the financial year in respect of the liability of costs of Board members and employees.

No Board members received compensation or other benefits in relation to cessation.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

24 RELATED PARTY TRANSACTIONS (CONTINUED)

c. Employee remuneration

The following table shows the pay bands of Auckland Transport employees as at 30 June:

	Number of Employees 2017	Number of Employees 2016
\$0 - \$59,999	524	531
\$60,000 - \$79,999	335	347
\$80,000 - \$99,999	271	268
\$100,000 - \$119,999	204	185
\$120,000 - \$139,999	130	117
\$140,000 - \$159,999	64	50
\$160,000 - \$179,999	34	28
\$180,000 - \$199,999	21	21
\$200,000 - \$219,999	13	9
\$220,000 - \$239,999	7	4
\$240,000 - \$259,999	4	2
\$260,000 - \$279,999	0	4
\$280,000 - \$299,999	6	3
\$300,000 - \$319,999	0	3
\$320,000 - \$339,999	2	1
\$340,000 - \$359,999	1	0
\$360,000 - \$379,999	1	1
\$380,000 - \$399,999	0	1
\$400,000 - \$419,999	1	0
\$660,000 - \$679,999	1	1
Number of employees on 30 June	1,619	1,576
Number of full-time employees on 30 June	1,499	1,453
Full-time equivalent number of all other employees on 30 June	63	56

d. Severance payments

For the year ended 30 June 2017, Auckland Transport made five (2016: three) severance payments to employees totalling \$57,188 (2016: \$20,581). The value of each of the severance payments was \$2,885, \$8,257, \$12,385, \$16,329 and \$17,332.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

25 MAJOR BUDGET VARIANCES

Explanation for major variances from Auckland Transport's Statement of Intent are as follows:

	Actual 2017 \$000	Budget 2017 \$000	Variance \$000
NZ Transport Agency capital funding	175,584	216,602	(41,018)
Lower than budgeted capital expenditure has resulted in reduced capital funding from NZ Transport Agency.			
Other revenue	487,716	372,283	115,433
Higher vested asset revenue received from Auckland Council.			
Depreciation and amortisation	330,947	337,978	7,031
Lower depreciation as a result of roading assets capitalised at a later date compared to plan.			
Receivables	323,754	237,573	86,181
Higher than budgeted receivables due from Auckland Council due to the timing of when funding is required.			
Non-current assets held for sale	439,964	4,400	435,564
Acquired properties for the purpose of the City Rail Link project and work in progress transferred to non-current assets held for sale.			
Property, plant and equipment	18,471,878	18,205,609	266,269
Higher than budgeted asset revaluation of \$768.1 million and vested assets of \$105.5 million, partly offset by \$434.5 million City Rail Link assets transferred to non-current assets held for sale.			
Payables and accruals	244,177	207,568	36,609
Higher than budgeted level of payables to creditors and accrued expenditure due to timing.			
Other reserves	3,560,067	2,831,990	728,077
Higher than budgeted asset revaluation of \$767.7 million.			
Capital expenditure	724,226	764,611	40,385
Mainly due to \$34.2 million underspend in Special Housing Areas programme.			

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

26 RECONCILIATION OF SURPLUS AFTER TAX TO NET CASH FROM OPERATING ACTIVITIES

	Actual 2017 \$000	Actual 2016 \$000
Surplus after tax	615,800	383,606
Add/(less) non-cash items		
Depreciation and amortisation	330,944	318,954
Vested asset revenue	(207,023)	(151,495)
(Gain)/loss on disposal of property, plant and equipment	(2,352)	10,092
Impairment of non-current assets held for sale	500	1,088
Revaluation (gain)/decrement	(449)	1,414
Foreign exchange (gains)/losses	(242)	242
Unrealised gain on interest rate swaps	(3,578)	(18)
Income tax (benefit)/expense	(1,822)	1,116
Add/(less) movements in balance sheet items		
Receivables	(53,581)	(30,799)
Inventories	(50)	(1,959)
Other assets	(1,739)	374
Non-current assets held for sale	–	(1,600)
Payables and accruals	(8,591)	19,518
Employee entitlements	1,548	1,620
Net cash from operating activities	669,365	552,153

27 AUCKLAND INTEGRATED FARE SYSTEM FUNDS

Auckland Transport operates a restricted bank account for Auckland Integrated Fares System (AIFS) with a balance of \$16.4 million at 30 June 2017 (2016: \$11.8 million). This account is used for the deposit of unused stored value on AT HOP cards. These funds are held in trust for the card holders and therefore this balance has not been recognised in the statement of financial position.

28 EVENTS AFTER THE REPORTING PERIOD

On 1 July 2017, the City Rail Link project was transferred from Auckland Transport to City Rail Link Limited (CRL). The Crown and Auckland Council have agreed to fund the development and delivery of the City Rail Link project. CRL will be a crown entity jointly owned by the Crown and Auckland Council. Refer to note 8 for further information.

INDEPENDENT AUDITOR'S REPORT

To the readers of Auckland Transport's financial statements and performance information for the year ended 30 June 2017



The Auditor-General is the auditor of Auckland Transport. The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of Auckland Transport on his behalf.

OPINION

We have audited:

- the financial statements of Auckland Transport on pages 57 to 106, that comprise the statement of financial position as at 30 June 2017, the statement of comprehensive revenue and expenditure, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of Auckland Transport on pages 17 to 34.

In our opinion:

- the financial statements of Auckland Transport on pages 57 to 106:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2017; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards; and
- the performance information of Auckland Transport on pages 17 to 34 presents fairly, in all material respects, Auckland Transport's actual performance compared against the performance targets and other measures by which performance was judged in relation to Auckland Transport's objectives for the year ended 30 June 2017.

Our audit was completed on 12 September 2017. This is the date at which our opinion is expressed. The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

BASIS FOR OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF THE BOARD FOR THE FINANCIAL STATEMENTS AND THE PERFORMANCE INFORMATION

The Board is responsible on behalf of Auckland Transport for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board is also responsible for preparing the performance information for Auckland Transport.

The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of Auckland Transport for assessing Auckland Transport's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board intends to liquidate Auckland Transport or to cease operations, or has no realistic alternative but to do so.

The Board's responsibilities arise from the Local Government Act 2002.

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND THE PERFORMANCE INFORMATION

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

INDEPENDENT AUDITOR'S REPORT

Continued

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to Auckland Transport's statement of intent. We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information. As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Auckland Transport's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported performance information within Auckland Transport's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Auckland Transport's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Auckland Transport to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. Our responsibilities arise from the Public Audit Act 2001.

OTHER INFORMATION

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 16, 35 to 56 and 109 to 110, but does not include the financial statements and the performance information, and our auditor's report thereon. Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENCE

We are independent of Auckland Transport in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out a review engagement of the six month results for Auckland Council and assurance work on procurement, which are compatible with those independence requirements.

Other than the audit and these engagements, we have no relationship with or interests in Auckland Transport.



Leon Pieterse
Audit New Zealand

On behalf of the Auditor-General
Auckland, New Zealand

AWARDS and recognition

- **Light Path won the Tripartite Award** at the 47th Los Angeles Architectural Awards and the Infrastructure Award at the NZ Institute of Landscape Architects (NZILA) Pride of Place Awards.
- The **Ōtāhuhu Station** design was recognised for its excellence in the Karanga ō te Tūi category at the NZILA Awards. The judges remarked:

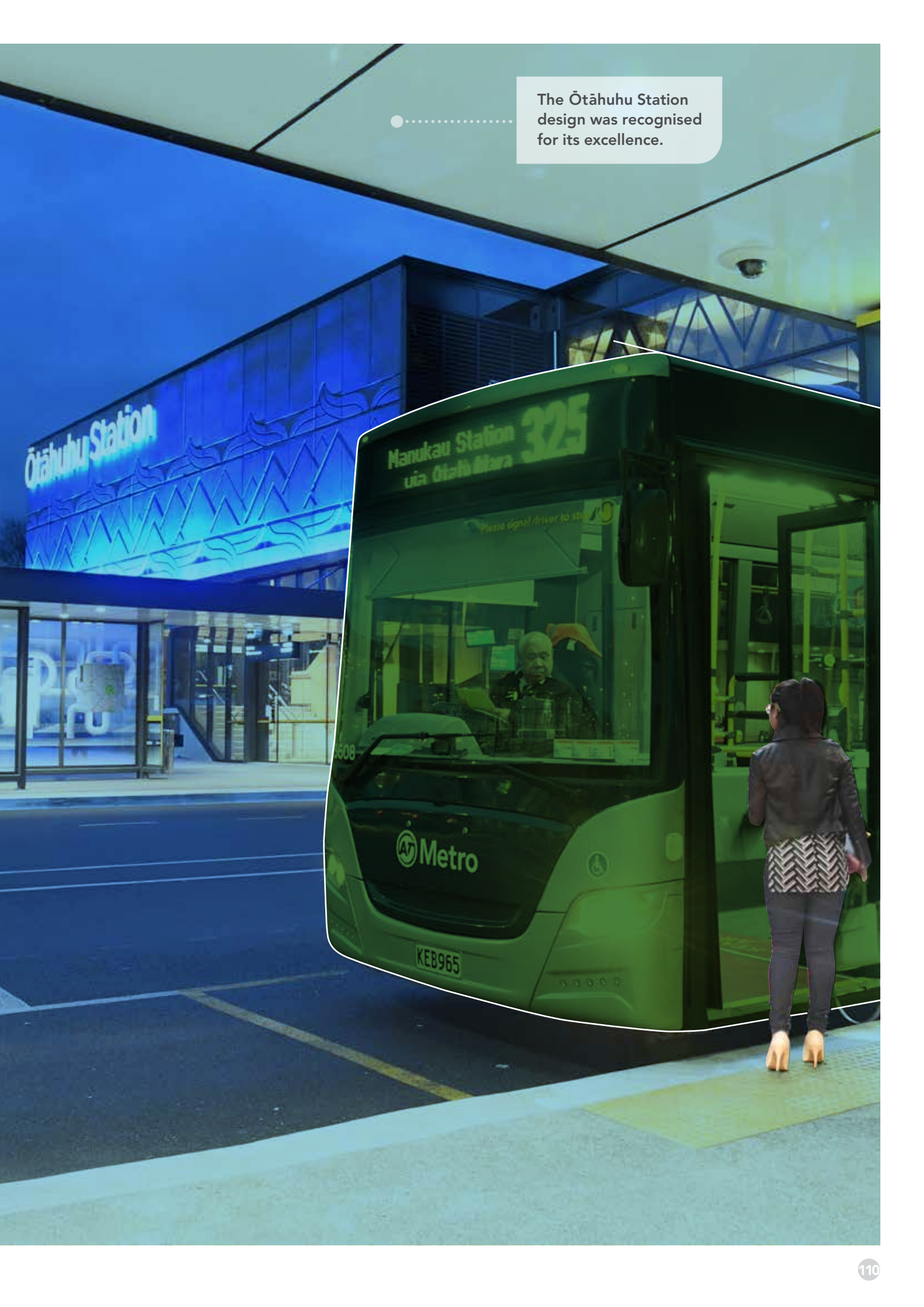
"The design team expertly weaved together multiple cultural and historic narratives, all whilst navigating a raft of complicated technical planning issues required for this complex site."



- In the small projects category of the NZILA Awards, the **Local Path Design Guide** and **Onehunga Mall streetscape** won Awards of Excellence.
- The **City Rail Link** won Sustainability Project of the Year at the EY New Zealand Procurement Excellence Awards in May. AT's Procurement Manager for Infrastructure, Dave Colquhoun, was a finalist in the Procurement Professional of the Year award. The CRL was also awarded a 'Leading' Infrastructure Sustainability (IS) Design rating by the Infrastructure Sustainability Council of Australia (ISCA), the highest possible achievement in the IS scheme.
- Three employees from the Auckland Transport Operations Centre received New Zealand Police commendations at the 2016 Waitemata Road Policing Awards, for their work in assisting with **crime and crash prevention** activities.
- The **New Network** public consultation achieved a Highly Commended Planning Award at the International Association for Public Participation (IAP2) Australasian awards in October 2016 – the only New Zealand organisation to win.
- The Strategic Growth Initiatives team won a 2017 New Zealand Planning Institute Best Practice Award for the **Transport for Future Urban Growth** – Strategy Production Stage, together with Auckland Council, NZ Transport Agency and Urbanismplus Limited.



The Ōtāhuhu Station design was recognised for its excellence.





ANNUAL REPORT 2017

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**Auckland
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