

03 September 2019

Official Information Request 8140005425
(Please quote this in any correspondence)

s7(2)(a) Privacy of Natural Persons

By email: s7(2)(a) Privacy of Natural Persons

Dear s7(2)(a) Privacy of Natural Persons

Local Government Official Information and Meetings Act 1987 (the Act)

Re: Planning Committee Workshop 19 February

I refer to your email, which we received on 19 August 2019, requesting the Planning Committee workshop minutes and agenda for 19 February 2019 relation to Auckland Transport Operational Expenditure.

Please see attached:

Minutes
Agenda
Presentation

From the Planning Committee workshop on 19 February 2019.

If you believe Auckland Council has not responded appropriately to your request, you can apply to the Ombudsman, to seek an investigation and review of the decision, under section 27(3) of the Act. Information about how to make a complaint is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

If you have any further queries please contact me on 09 301 0101 quoting Official Information Request No 8140005425.

Yours sincerely



Samantha Sinclair
Privacy & LGOIMA Business Partner
Democracy Services

Joint Planning Committee and Finance and Performance Committee Workshop: **CONFIDENTIAL MINUTES**

Minutes of a confidential workshop of the Planning Committee and the Finance and Performance Committee held in Reception Lounge, Auckland Town Hall, 301-305 Queen Street, Auckland on Wednesday, 19 February 2019, at 1.05pm.

PRESENT

Chairperson	Cr Ross Clow	
Deputy Chairperson	Cr Desley Simpson, JP	
Members	Cr Josephine Bartley	
	Deputy Mayor Cr Bill Cashmore	
	Cr Dr Cathy Casey	
	Cr Linda Cooper, JP	
	Cr Chris Darby	
	Cr Hon Christine Fletcher, QSO	
	Mayor Hon Phil Goff, JP	Until 2.20pm
	Cr Richard Hills	
	Cr Penny Hulse	Until 2.10pm
	Cr Mike Lee	
	Cr Daniel Newman, JP	
	Cr Greg Sayers	
	Cr Sharon Stewart, QSM	
	IMSB Chair David Taipari	From 1.11pm
	Cr Wayne Walker	
	Cr Paul Young	

ABSENT

Member	Cr Fa'anana Efeso Collins	For absence, on council business
	Cr Alf Filipaina	For absence, on council business
	IMSB Member Tau Henare	
	IMSB Member Terence Hohneck	For absence
	IMSB Member Liane Ngamane	For absence
	Cr Sir John Walker, KNZM, CBE	
	Cr John Watson	For absence

Note: No decisions or resolutions may be made by a Workshop or Working Party, unless the Governing Body or Committee resolution establishing the working party, specifically instructs such action.

Purpose of workshop:

To workshop Auckland Transport’s operational expenditure ahead of decisions on the Annual Plan 2019/2020.

ITEM	TOPIC
1	<p>Apologies</p> <p>Apologies were noted from Cr E Collins and Cr A Filipaina for absence, on council business; IMSB Member Hohneck, IMSB Member L Ngamane and Cr J Watson for absence.</p>
2	<p>Declaration of interest</p> <p>There were no declarations of interest.</p>
3	<p>Auckland Transport’s Operational Expenditure</p> <p>Present at the workshop from Auckland Transport were Dr Lester Levy, Chairperson; Shane Ellison, Chief Executive; Mark Laing, Executive General Manager – Finance; Wally Thomas, Executive General Manager – Stakeholder, Communities and Communication; and Mark Lambert, Executive General Manager – Integrated Networks. A PowerPoint presentation was given (no copies circulated).</p> <p><i>IMSB Chair D Taipari entered the workshop at 1.11pm.</i> <i>Cr P Hulse left the workshop at 1.29pm.</i> <i>IMSB Chair D Taipari left the workshop at 1.29pm.</i> <i>Cr P Hulse returned to the workshop at 1.45pm.</i> <i>IMSB Chair D Taipari returned to the workshop at 1.45pm.</i> <i>Cr P Hulse retired from the workshop at 2.10pm.</i> <i>Mayor P Goff retired from the workshop at 2.20pm.</i></p> <p><u>Next steps</u></p> <ul style="list-style-type: none"> • Auckland Transport will be working through their business plans and draft budget and will discuss issues with NZTA and Auckland Council’s Finance division

The workshop ended at 2.36pm.

I hereby give notice that a workshop will be held on:

Date: Tuesday, 19 February 2019
Time: 1pm (or at the conclusion of the Finance and Performance Committee meeting)
Meeting Room: Reception Lounge
Venue: Level 2
Auckland Town Hall

Confidential Joint Planning Committee and Finance and Performance Committee workshop: Auckland Transport's Operational Expenditure

AGENDA

Attendees

Planning Committee
Finance and Performance Committee

Note 1: The workshop has been approved by the chair of the committee.

Note 2: No working party/workshop may reach any decision or adopt any resolution unless specifically directed to do so by the above establishing resolution.

Senior Governance Advisor: Kalinda Gopal
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Email: kalinda.gopal@aucklandcouncil.govt.nz

Purpose

To workshop Auckland Transport's operational expenditure ahead of decisions on the Annual Plan 2019/2020.

CONTENTS

Item	Who	Time
<p>Declarations of Interest</p> <p>Members are reminded of the need to declare any conflict that may arise between their role as a member and any private or other external interest they might have.</p> <p>Apologies Apologies will be noted.</p>	<p>Chairperson Cr Ross Clow</p>	
<p>Auckland Transport's Operational Expenditure</p> <ul style="list-style-type: none">• Presentation• Question Session	<p>Lester Levy, Chair Auckland Transport</p> <p>Shane Ellison, Chief Executive Auckland Transport</p> <p>Mark Laing, Executive General Manager – Finance Auckland Transport</p> <p>Wally Thomas, Executive General Manager – Stakeholder, Communities and Communication Auckland Transport</p> <p>Mark Lambert, Executive General Manager – Integrated Networks Auckland Transport</p>	<p>1pm – 2pm</p>

Workshop ends 2pm.



Auckland Transport Opex Challenges

Joint Planning & Finance and Performance Committee

19 February 2019

Introduction

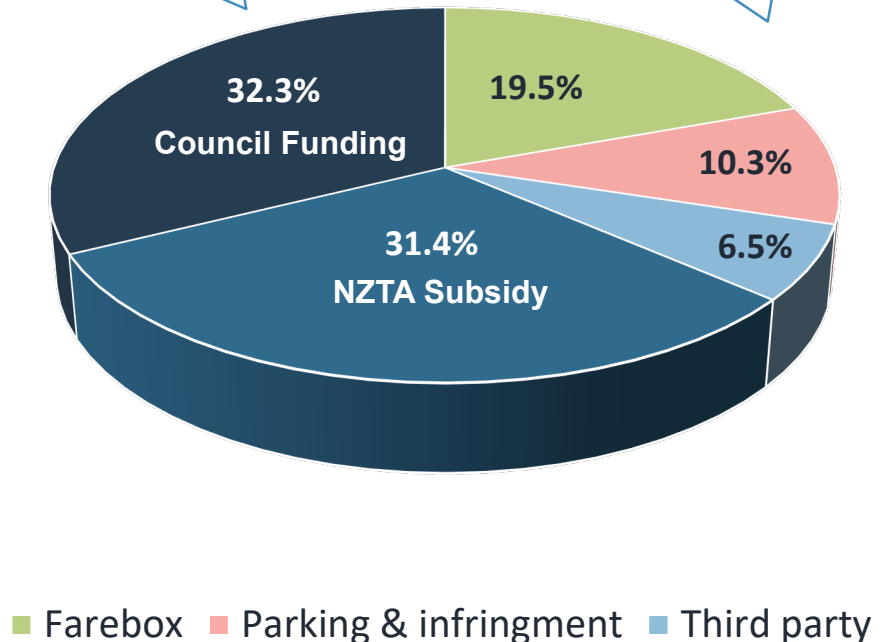
- AT incurring significant cost delivering transport solutions to a growing customer and geographic base
- PT growth is a good news story but it creates an opex challenge
- Increased focus on road safety and technology
- Working hard to find cost savings to deliver more with the available funding envelope

Revenue and Opex at a glance

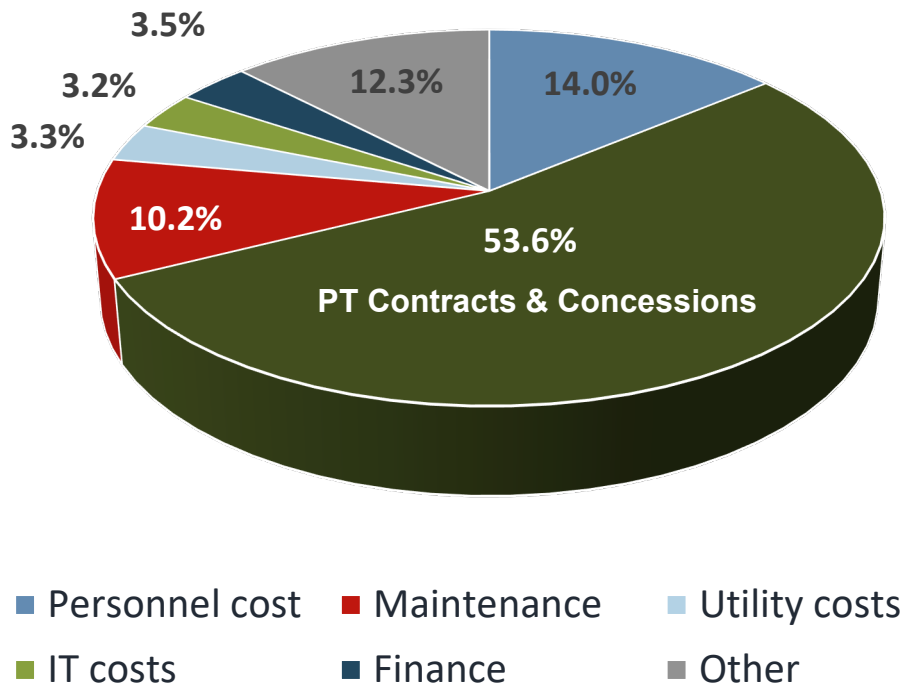
2018/19 Operating Revenue \$890m

Balances net expenditure

Third party revenue 36.3%

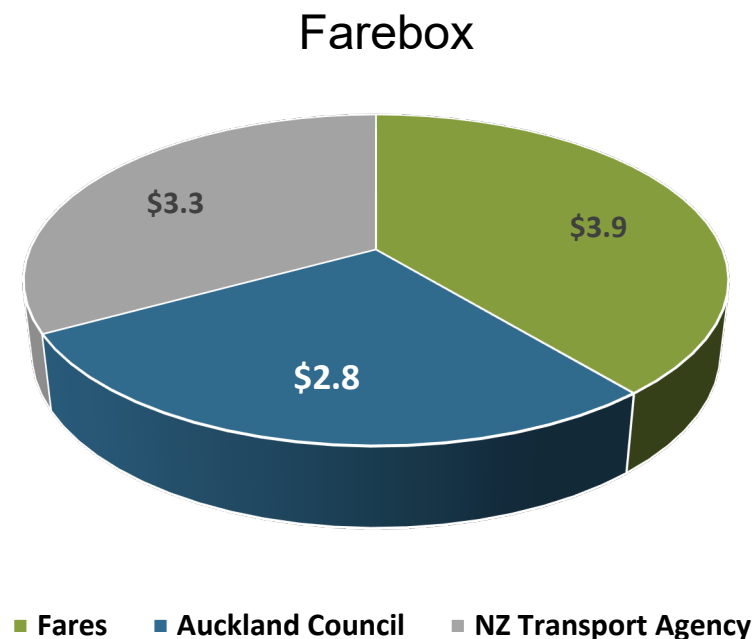


2018/19 Operating Expenditure \$884m








PT Cost Growth – only partially passed on to customers

- PT patronage 30% growth over six years
- PT satisfaction 91%
- Cost growth driven by:
 - PT indexation
 - RFT
 - Project SaFE/DOO savings
 - Lower yields







- Current PT service contract costs \$414 million
- Every \$10 of extra services, requires \$6 of funding (\$3 from AC and \$3 from the Transport Agency)

2018/19 Revenue Trends

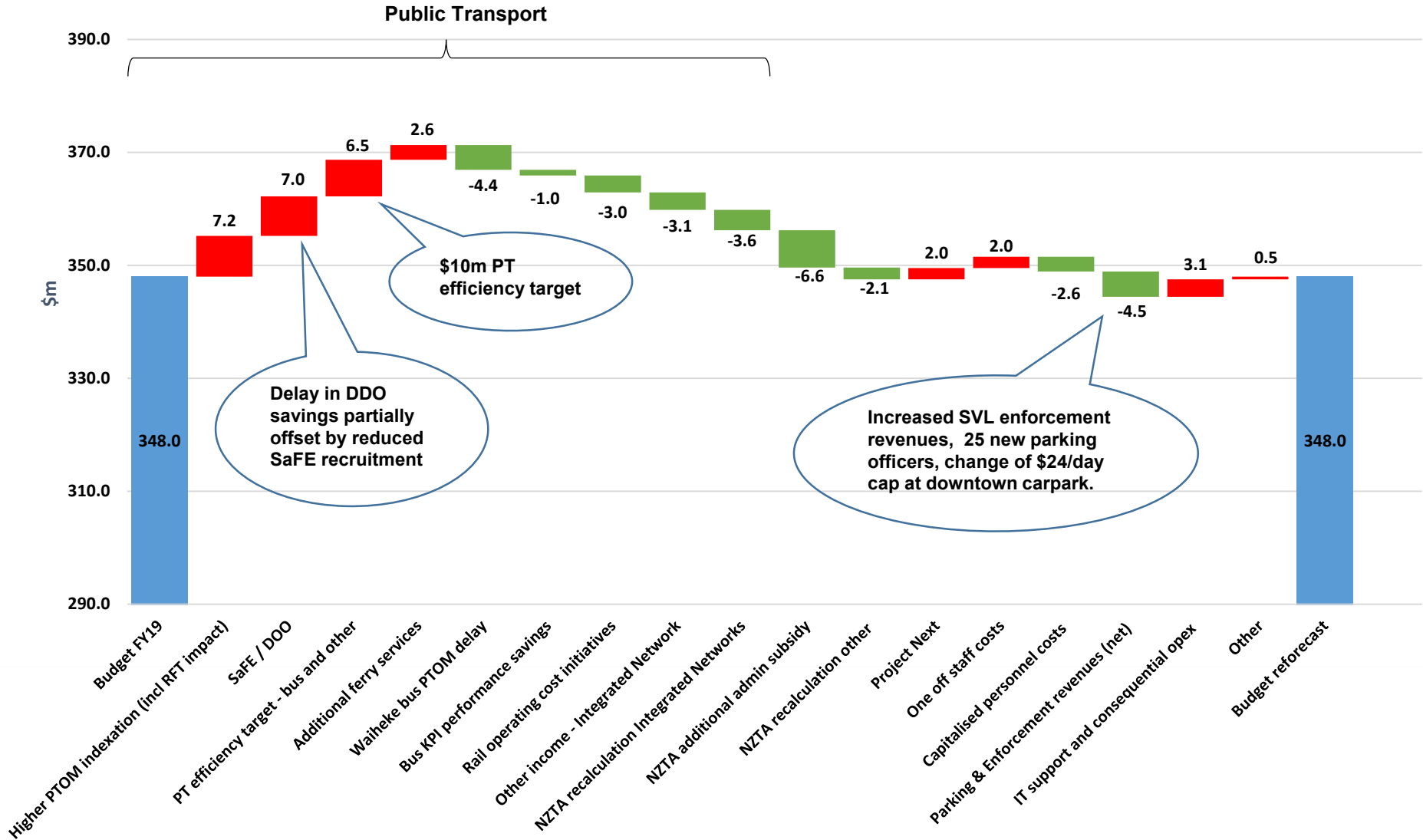
2018/19 Forecast (\$ million)	Trend	Change (\$M)	Comments
Fare Revenue - \$173.8		+ \$23.4	<ul style="list-style-type: none"> • Only covers 1/3 of service provision cost • Growing from combination of increasing patronage, move to gross contracts (AT receives revenue) and annual fare increases
Parking & Enforcement - \$91.4		+ \$11.0	<ul style="list-style-type: none"> • Greater focus on compliance of Special Vehicle & Bus Lane regulations and parking zone enforcement, to enable efficient operation of PT & roading networks • Parking pricing strategy used to manage demand and encourage PT usage where appropriate • Increase expected to continue in 2019/20 at slower rate
Rental Income - \$11.8		- \$1.8	<ul style="list-style-type: none"> • Flat to declining as result of impacts of CRL on Britomart commercial rentals and demolition of houses held for AMETI development
Advertising - \$8.1		+ \$2.1	<ul style="list-style-type: none"> • Growth reflects effort to maximise advertising opportunities on buses and at PT and parking facilities • Increase expected to continue in 2019/20 at slower rate
Other - \$37.7		+ \$0.5	<ul style="list-style-type: none"> • Includes petrol tax (not RFT), operator access fees, equipment leases, and road corridor permits and fees • Expected to remain at similar levels in 2019/20

2018/19 Cost Trends

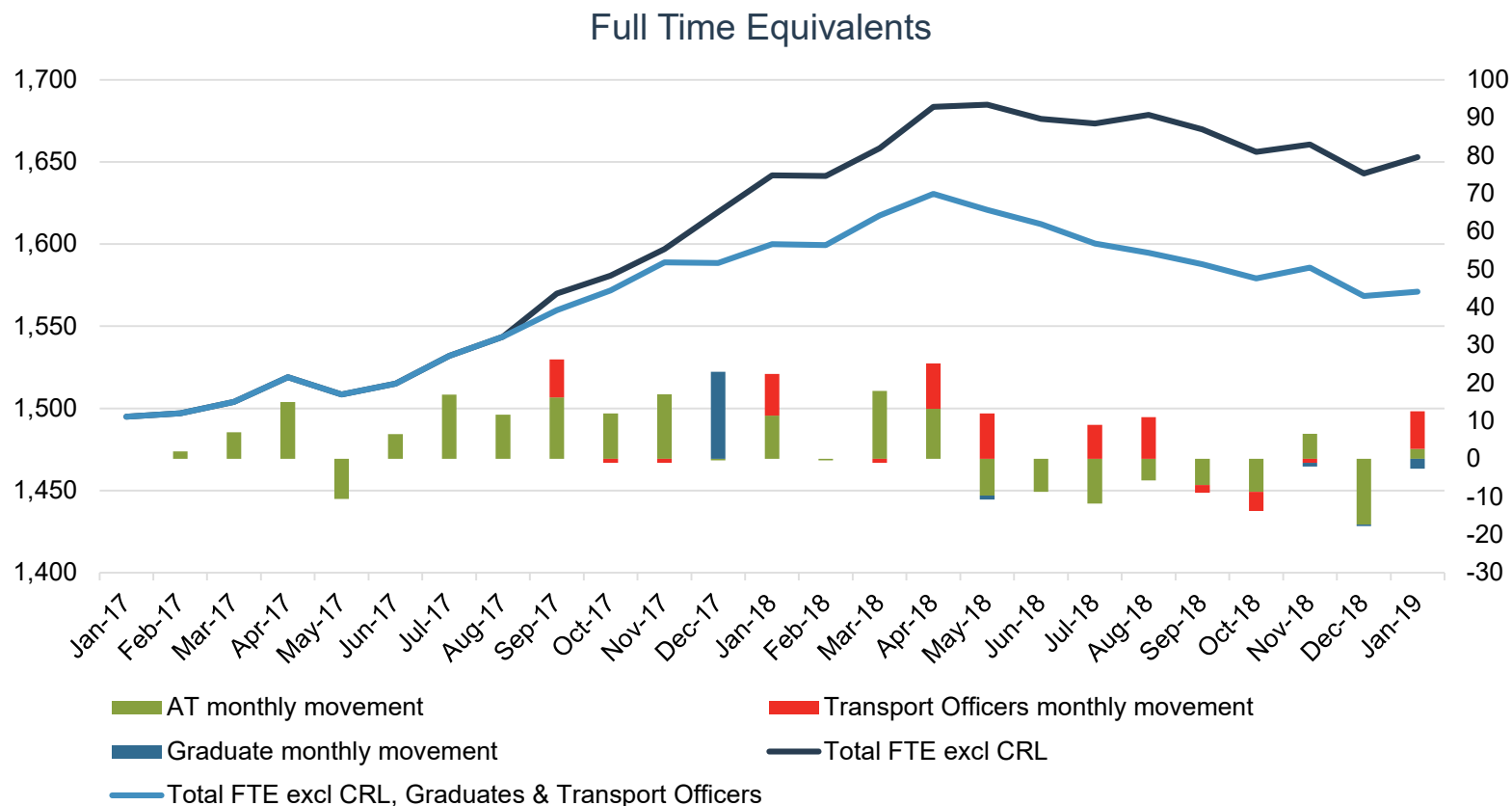
2018/19 Forecast (\$M)	Trend	Change (\$M)	Comments
Public Transport contracts and concessions - \$473.9 Made up of: <ul style="list-style-type: none"> • Bus \$314.3 • Train \$126.9 • Ferry \$21.2 • AT HOP \$11.5 		+ \$56.1	<ul style="list-style-type: none"> • Higher bus indexation and RFT flowing through contract costs • Completion of new network roll out with additional service kilometres and hours • Completion of move to gross contracts (PTOM) • Additional costs from Project SaFE not offset by DOO savings • Ferry contracts extended with cost escalation
Personnel Costs - \$123.8		- \$0.2	<ul style="list-style-type: none"> • Tight management of FTEs and focus on ensuring time is capitalised to projects
Maintenance - \$90.2		- \$2.8	<ul style="list-style-type: none"> • Impacted by recurring annual storm damage • Maintenance costs expected to increase with renewal of term contracts at higher prices and indexation
Other - \$165.7		+ \$10.7	<ul style="list-style-type: none"> • Additional spend on road safety programme • Includes utility costs, IT, professional services, finance and other costs • Increasing business technology costs including National Ticketing project costs

2018/19 Challenges are being Actively Managed

Deficit from Operations (including depreciation) \$M



Tight Management of FTEs



- Project Enable creates the capability and capacity to deliver on the RLTP
- Reinvesting savings in key areas (e.g. safety, capacity to deliver capital programmes)



PT Opex Challenges

- Additional services to support growing population and patronage
- Higher indexation (inflation) and Regional Fuel Tax on bus contract costs
- Phased roll out of new bus network – bedding down gross price PTOM contracts and fare revenue risk
- Additional costs from Project SaFE not offset by Driver Only Operation savings
- Rail operating contract renewal - procurement process to be managed
- Ferry services tender to PTOM contracts – offers did not represent value for money

Other Opex Challenges

- Infrastructure under management and consequential opex costs
- Weather events driving unplanned maintenance and repairs
- Road and footpath maintenance contracts costing \$73 million per year due for renegotiation
- Business technology costs – new functionality demanded by customers across growing network footprint
- Growth in activity in other areas of the organisation relating to Auckland growth – consenting, roll out of new parking zones, customer service centre

Strategic Activities Not Budgeted

- CRL readiness and integration costs
- Ferry fare integration
- Full implementation of ferry strategy including new services
- NZ Transport Agency indication that National Land Transport Fund is fully committed

Conclusion

- Significant growth to date in PT is a good news story
- Opex challenges exist to meet growth in population, customer expectations and technology requirements within current budget levels
- Continuing to deliver savings wherever practicable to mitigate cost risks
- AT may not be able to operate within council funding levels signalled in LTP for 2019/20 without optimisation of services

Questions?

