

Board paper 11/08/0544

Chief Executive's report for July 2011

Paragraphs 3-7 have been withheld under section 9(2)(j) of the OIA to 'enable a Minister of the Crown or any department or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)'.

Information in paragraphs 25 and 38 have been withheld under section 9(2)(g)(i) to 'maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any department or organisation in the course of their duty'

Board Paper	
Paper no:	11/08/0544
Meeting date:	5 August 2011
Subject:	Chief Executive's report for July 2011

Purpose

- 1 To update the Board on matters relating to the management and operations of the NZ Transport Agency.

Recommendations

- 2 That the NZ Transport Agency Board receives the Chief Executive's report.

Progress against strategic priorities

Plan for and deliver Roads of National Significance

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Transmission Gully

Update on Regional Freshwater Plan Change Application

8 The NZTA's application to change the Wellington Regional Freshwater Plan was heard by a Board of Inquiry (BoI) from 6 to 13 July 2011. While a number of submitters did express

opposition to the plan change, but there was generally a high degree of consensus between the NZTA's independent expert witnesses and corresponding expert witnesses called by other parties about the merits of the plan change. The hearing proceeded very favourably for the NZTA's case and we are very confident that the BoI will reach a positive decision about the application. We understand that the BoI's draft decision will be released in August, and the final decision will be released in September or October, to meet the statutory nine month time limit.

Timing for Lodgement of Regulatory Consent Applications

- 9 All investigations into the Transmission Gully (TG) project have now been completed by the project team and the project is ready for lodgement of the regulatory consent applications (notices of requirement and regional resource consent applications). We plan to lodge the TG applications with the Environmental Protection Authority (EPA) in mid-August, and request the use of the National Consenting Process.
- 10 The EPA expects that a Board of Inquiry hearing into the TG applications could begin in late January, about the same time they expect that public notification of the M2PP applications could occur. The EPA has also advised us that in the very unlikely event that the two applications do somehow conflict or lead to unacceptable processing pressure for the EPA, the NZTA could request that the TG application be put on hold to avoid delaying the M2PP application. Such a request would very likely be granted. Lodging the TG applications as early as possible provides the best value for money for the NZTA, to avoid rework in refreshing the applications before a later lodgement date, potential for loss of focus for (or disbandment of) the NZTA's TG project team and substantial risk of unnecessary property purchase of existing designated land that is no longer required for the proposed designation, if owners can show 'hardship' under the Public Works Act 1982.

Peka-Peka to Otaki Expressway

- 11 We have made some changes to our original proposal for this project, in response to community and stakeholder feedback. These changes are being worked through with the Statutory Authorities i.e. KDCDC, KiwiRail and GWRC and we now have broadly achieved consensus. Our next step is to complete the scheme assessment and then seek formal Board approval in November 2011. We would also seek approval at this time to prepare Resource Consents as part of application to the EPA.
- 12 We think it important to give the community feedback on progress, in order to maintain trust and positive relationships. We intend to send out a brief newsletter giving the community an overview of their feedback, the main areas it relates to, and the process going forward. At the same time, we will release the consultation report but making it clear that final decisions have not yet been made.

Improving the road safety system

- 13 The PIF review recommended that we better integrate the safety response across the three operating groups. Our action step in response was to develop a new model for regional safety coordination and integration, both internally and with our key regional partners. This is now well underway. We have implemented a new approach to building our regional road safety capability to improve the way we deliver road safety. Our Access & Use Regional Managers are taking a greater safety leadership role to ensure road safety is integrated and coordinated internally in each region. New Safety Programme Coordinators will support each of the regional leadership teams to ensure the integration and coordination happens such as linking activities, sharing road safety intelligence, facilitating key regional partnerships and aligning internal work programmes.

- 14 We are on track to deliver the change in learner driver age that comes into effect on Monday 1 August, and the zero alcohol tolerance on 5th August. Over the last two months we have seen a 10% increase in licence applications from 15 year olds. The contact centre will be open on Sunday 31 July to deal with those who turn 15 that day (as our Agents are normally closed on Sundays). Advertising on these changes is being rolled out this week and next.
- 15 The Minister of Transport has been considering how the Road Safety Trust fits into the service delivery mix to give effect to *Safer Journeys*. I will update you at the Board meeting.
- 16 We are also on track to help taxi operators/cabs meet the new legal requirement to have taxi cameras and 24/7 monitoring systems in place by 1 August. Our role includes to approve the in-vehicle security cameras and the monitoring management systems. Our main focus has been to minimise the potential for non complaint cabs on the network on the first day.

Improving the efficiency of freight movements

Building Strong Strategic Partnerships

- 17 During the last month we have been working to assist the Ministry of Transport with the review of the Clifford Bay ferry terminal proposal. We have provided network data as well as analytical support to ensure the economic component of the review is in line with our Economic Evaluation Manual (EEM). This has ensured that the Clifford Bay proposal can be compared, in terms of a benefit/cost ratio, with other land transport projects we evaluate for investment purposes.
- 18 From a total transport system view, the Clifford Bay proposal could be a significant network improvement to the national road and rail networks. Clifford Bay has the potential for reducing travel times for people, including tourists, and freight moving between the North and South Islands by both road and rail. In short, Clifford Bay could offer a significant network improvement that makes both the State highway and Main Trunk Rail links between the North and South Islands safer and more efficient.

Increased freight efficiency

- 19 The Productivity Commission released an 'Issues Paper' in July for its review of international freight transport services. As set out in the Terms of Reference, the key high-level questions for the inquiry are:
 - what are the factors influencing the accessibility and efficiency of international freight transport services available to New Zealand firms; and
 - are there opportunities for changes in New Zealand's infrastructure and regulatory regimes that could increase the accessibility and efficiency of international freight transport services for New Zealand firms?
- 20 The focus of the Productivity Commission's inquiry is primarily on international shipping services and port ownership and operations. In terms of our work, the paper also asks "what changes in domestic transport institutions, policies and regulations might lead to the greatest improvements in the economic efficiency of the international logistics chain?" Submissions on the Issues Paper close in August and the Commission is due to release its draft recommendations in December. The final recommendations will be delivered to the Government in April 2012.

Making better use of existing infrastructure

- 21 On High Productivity Motor Vehicles (HPMVs) implementation, we are completing the Monitoring Evaluation and Review Project. We (in association with the Ministry of Transport, Local Government NZ and the Road Transport Forum) have been reviewing the economic benefits associated with increasing maximum vehicle weights and lengths, understanding the operator experiences, considering the local government issues and assessing infrastructure

implications. The review is designed to identify actual and expected future benefits and areas for improvement. The initial findings suggest that in the first year of HPMV operations, there has been a positive economic return and tracking against the level of return anticipated by the Ministry of Transport when it developed the proposal to amend the Vehicle Dimensions and Mass Rule.

- 22 Due to local road and State highway infrastructure limitations the HPMV implementation work is a medium-term proposition. Now that we are in year two of the implementation, we are seeing real progress as the work of the last twelve months unfolds. One example is that Nelson City Council has opened up access to the Port. This will allow one operator on one road alone, taking processed wood product from the processing plant to the port, to reduce truck movements by around 1,200 a year. We also now have better information on where some of the key bottlenecks are on the network, which the investment programme we are developing will address.

Improving the effectiveness of public transport

- 23 The Public Transport Leadership Forum met on 14 July and approved a re-prioritised Plan focussing on the activities that will drive the biggest public transport improvements, especially in Auckland, Wellington and Christchurch – eg integrated ticketing, improving public transport information and strengthening customer service training. The Forum identified the need for it to take a more active role in driving a fully integrated approach to public transport network planning, which they acknowledge as essential for really improving public transport effectiveness. The Forum also identified network resilience as a high priority matter for its consideration, both in regards to emergency and disaster preparedness and in response to anticipated continued fuel price increases.

Improving customer service and reduce compliance costs

- 24 We continue to focus and refine the work programme of the Customer Service Strategic Priority and to better resource our customer capability work. We are establishing a clear process for driving business improvement off customer feedback on a regular basis. We've seen a significant increase in the number of online transactions this year, in some instances beyond our original targets. For example, we targeted a 6% increase or more in the proportion of tests booked online, but achieved a 23.8% increase. Similarly we targeted a 15% increase in the number of Motor Vehicle licences paid online, but achieved a 43.4% increase. As part of our delivery programme we seek to incentivise the use of least cost channels and reduce the attractiveness of the phone channel (which should be more of a back office support). The new administration charges for the higher cost channels for toll payments roll out on 1 August, which is designed to encourage people to the on-line channels and to make the cost of providing the other services more transparent. I will update the Board with any early feedback as to how that is playing out.
- 25 Our quick wins in the regulatory reform programme are aimed at tangible improvements to our service delivery of driver licensing, driver testing, road user charges and the motor vehicle register. Reviews have now been completed and Cabinet papers either prepared, as in the case of RUC, or under preparation. In the case of the Driver Licensing/Driver Testing review and the Motor Vehicle Register review, a number of improvements to the business delivery model that do not require legislative change or ministerial approval will be implemented immediately. Policy and legislative change is required for some of the proposed changes.
- [REDACTED]

Auckland

- 26 The Auckland (Spatial) Plan is being prepared, with the 'growth' priorities needing to be determined by the Council in late July or early August. There has been some delay, an Auckland/central Government forum (to be co-chaired by the Minister of Local Government and the Mayor) for 4 August has been deferred. Our input and influence remains active through Auckland Transport, Auckland Council and the Auckland Policy Office (whole of government engagement).
- 27 The partnership with Auckland Transport continues to be supported with interaction at all levels, including a recent joint Executive Team meeting and tour of the Victoria Park Tunnel project. Our 'leadership forum' met in Auckland in July to broaden the Agency's internal understanding of the challenges in NZ's biggest city.
- 28 The Mayor and Minister of Transport met on 1 July to discuss the procurement of the Electric Train fleet for Auckland. Agreement was reached and a Cabinet paper will be considered in early August. Subject to Cabinet approval, public announcements will follow. The agreement will be consistent with the paper presented to the Board on 30 June and the sub-committee will probably need to be convened in August, to confirm the pre-commitment to the NLTF from 2012 in terms of our share of the operating costs.

Other Matters

NLTF cashflow management

- 29 In July we have used the full extent of the facility available (\$250m) to meet seasonal requirements and emergency expenditure. We face further cash flow challenges which are expected to increase pressures on available funding over the coming months. In addition to this, there are higher than expected costs coming through from the Christchurch earthquake and weather related incidents in the Hawke's Bay. The Board agenda includes a report on the use of the borrowing facility in the last quarter (a quarterly report and certification by the Board is required as a condition of borrowing), as well as a report dealing with cash flow management during 2011/12.

Road maintenance task force

- 30 The Government Policy Statement on Land Transport Funding 2012/13 - 2021/22, and a subsequent ministerial media release have announced that a road maintenance task force will be established to examine how we can best deliver road maintenance and appropriate levels of service in the years ahead. More directly, the Minister of Transport expects the task force to drive value for money and seek to reduce costs. This is an opportunity to examine current approaches and to identify scope for cost effective improvements. We have established and will lead and service the task force. It will be made up of experienced people from road controlling authorities – both local government and NZTA – and key players from the industry, and is likely to establish working groups and draw on local government's knowledge of good practices. The task force will commence early August, and is due to complete its work by March 2012. It will consider whether there is a need to keep the task force going to help with communication and implementation.
- 31 Linked to this, we (our Highways & Network Operations group) have initiated a Maintenance and Operations Review, which is an internal review of State highways' cyclic activities looking at what efficiencies we need to drive into our asset management work to achieve the target of Maintenance and Operations budget flat lining over the next few years. The State highways' Project Manager for the Maintenance and Operations Review will be our representative on the sector wide road maintenance task force.

Business improvement projects

- 32 Key deliverable this year include a number of business improvement projects that aim to ensure value for money in critical areas of delivery. These are incorporated in our Statement Of Intent and reflect the Minister's letter of expectations to demonstrate value for money in our planning and investment activities.
- The Professional Services Review, which will look at a first principles review of our consultancy market and the way we procure consultancy services.
 - The Project Development Review, which will look at reviewing the way we take big project concepts and get them to a pre-construction ready state.
 - The Transport Planning Review, which will help ensure that transport planning more effectively identifies opportunities and issues impacting economic growth and productivity.
- 33 Work is now underway on the three projects. We are focusing efforts on drawing on appropriate resources from across the organisation to develop the project delivery teams. Wider industry and stakeholder involvement is critical to our success so our plan is for projects to report to a Steering Group comprising NZTA, industry and non-sector external representatives. At the time of writing, we are seeking nominations for the Steering Group roles and are organising workshops with key staff to identify the tasks and timelines for delivery of these projects. We have targeted 19 August to have all positions settled into the organisational structure and will report the membership and terms of reference of the Steering Group to the Board's September meeting.

Rugby World Cup

- 34 Along with the Chief Executive of MoT, and the RWC transport coordinator for Auckland Transport, I have recently attended a number of 'whole of government' meetings on readiness for the RWC. We seconded staff to assist with the development of transport arrangements across New Zealand - the development of Transport Management Plans - and that work is now complete. Having said that there are still two main issues that we need to keep a close eye on which are set out below. A more detailed update is provided in the general business Board paper:
- the opening game/ceremony at Eden Park, and fanzone, where there are still many variables to control over a very short time period. We are working closely with Auckland Transport, the Police and other agencies to mitigate the risks of networks overloading. Auckland Transport is undertaking an information campaign to ensure people allow plenty of time for getting to the game and for those not involved to travel either at alternative times or on other routes.
 - maintaining clear and robust reporting lines operationally and through to key stakeholders - including Ministers - during the RWC period. The Ministry of Transport is coordinating the transport cluster and we are supporting it as needed.

Review of the Land Transport Management Act 2003

- 35 The Minister recently announced the results of a review of the LTMA. The review focused on streamlining land transport processes rather than introducing significant new initiatives. The proposed amendments include changing the purpose of the LTMA (and therefore the NZTA's statutory objective) to "contribute to an effective, efficient and safe land transport system to support New Zealand's economic, social, cultural and environmental wellbeing". This change would not significantly alter our investment decisions, but may require us to address any necessary downstream changes to key documents developed under the current LTMA.
- 36 There are no proposals to amend the independent statutory role of the NZTA in determining transport investments. The 2012-15 NLTP will be developed under the current legislation to give effect to the 2012 GPS. The next NLTP will be covered by transitional provisions, with

the 2015 – 2018 NLTP required to be fully compliant with the new legislation. The amendments include a proposal to broaden the current Government Policy Statement on Land Transport (GPS) to include strategic and financing (including borrowing) direction. The proposed legislation will also move the deadline for adoption of the three year NLTP to 1 September.

- 37 The development of Regional Land Transport Strategies will no longer be mandatory. Regional Land Transport Programmes (RLTPs) will be consulted on and issued every six years, but will be reviewed after the third year to determine whether significant updates are required. RLTPs will be required to be consistent with the proposed 'broadened GPS'. The proposed legislation allows for Regional Transport Committees (RTCs) to be formed from one or more region. It is proposed that the current RTC membership positions be disestablished and reconstituted RTCs be made up of elected representatives from regional councils (two), local councils (one), and the NZTA (one). If the current proposals come into effect all RTCs will have one month to reconstitute themselves.
- 38 Other amendments include formally transferring the monitoring of the road policing activities to the NZTA and removing barriers to the use of the tolling.

Audit Risk and Assurance

- 39 We have meet with Jerry Rickman as the new Chair of the Audit Risk and Assurance Committee, to discuss the programme and focus of ARA Committee meetings going forward. We aim to ensure that our team engages effectively to support the Committee to oversee NZTA's risk management, internal audit, external audit arrangements, financial risk and annual reporting activities. The programme of quarterly meetings will include: tight focus on strategic risks, greater Committee input on strategic risks and gaps, conversations with senior management on 'value for money', and perspective on audit / risk management implementation and capability.

Business and cultural transformation

- 40 1 August marks three years since the establishment of the NZTA, and much has been achieved in that time. We continue to shape the organisation, its processes and culture. We are much stronger on our customer focus, and more strategic on our investment approach. As the PIF review concluded, there is an impressive legacy of performance in key areas but further improvements are required.
- 41 The re-design of the Access and Use business group continues. While the improved structure is a key opportunity for better and more effective delivery of services, much of the change is about alignment and culture. We have had good engagement with staff during this change process and useful insights and fresh ideas about how we can strengthen our service to customers and stakeholders. The new structure will be finalised by early August. I will update you on the recruitment process for the GM position.
- 42 Looking forward, much is expected from this business group. It is the base of many of our significant business improvement projects, and the natural home of future priority areas around customer choices and ensuring better use of existing transport networks. This Group has to deliver today's business, as well as transitioning to be more customer and choice oriented.
- 43 Work continues on across the whole organisation on embedding our purpose and behaviours. The 'Sign Up, Team Up, Front Up' approach has been well received and we have created resources for leaders to assist them engage with staff on the purpose and behaviours and on updating our strategic directions resource for staff. Some initial work is also being undertaken on how the new behaviours can be incorporated into our performance management framework. Overall, I am pleased with the progress we are making.

Context for Board papers this month about future investment signals

- 44 This paragraph sets out how the papers associated with our investment function fit together. In response to the new GPS, this month's Board agenda includes our revised Investment and Revenue Strategy to ensure that our future investment decisions will give effect to the GPS. Our Investment and Revenue Strategy sets the investment criteria and assessment profiles for National Land Transport Fund funded activities. This paper has been prepared by our Strategy and Performance Group. The Board will consider also a paper on the activity class funding parameters for the 2012 - 2015 National Land Transport Programme (how to maximise the programme where the Government has provided the Board with flexibility to do so). This paper was prepared by our Planning and Investment Group. The State Highway Asset Management Plan is also brought to the Board for endorsement (to be approved when the NLTP is approved) - the proposed plan outline provides the basis of our submission to Regional Transport Committees of the State highway activities to be included in the next Regional Land Transport Programme - the building blocks of the 2012 - 2015 National Land Transport Programme. This paper was prepared by our Highways and Network Operations Group. This separation of functions internally demonstrates how we meet the intent of the scrutiny principle.
- 45 Also on the agenda is the first phase of the Funding Assistance Rates review. The FARs need to align decision making by our local government investment partners, and so they support our investment strategy. The second phase is a more substantive review to be completed over the next two years.

RELEASED UNDER THE
OFFICIAL INFORMATION ACT