

Dear Mr Mayor

You have sent an email to me seeking my written views on the issue of Directors and accountability for Auckland Transport.

I am happy to provide this but wish to do so comprehensively as a matter of public record. Such material will take time to assemble. I intend including a meeting by meeting analysis of the value of elected members on the AT Board. This task is made difficult as I no longer have access to Board Books, agendas and reports. When AT migrated to Diligent Board Books, we dispensed fully with paper agendas and reports and the Diligent system I am told does not allow for the retention of material without providing ongoing updates of new agendas. I have written to the secretary of Auckland Transport to request paper copies of this in order that I may fulfil your brief.

This morning I have received a letter from your Chief of Staff suggesting I send some preliminary material and you will then schedule a meeting with me. Thank you for agreeing to meet me as there are matters on a personal level I do not wish to commit to paper but believe you would benefit from knowing in addition to the formal material I will provide.

On a personal level I am deeply saddened by the untidy situation created around the board appointments. Should you had taken the trouble to discuss this with me you would have discovered I did not plan to be on the board of Auckland Transport this term as I believed my contribution was concluded with the signing off of the CRL and Auckland Transport Alignment project. I wanted to be free to play a new role in shaping and monitoring more effective Letters of Expectation and SOI moving forward and I was keen to see other elected members join the board. My planned focus this term, which was well socialised around family, friends and close colleagues, was to complete the policy work I had started on the Parks Sports and Recreation committee last term. This was in response to the huge challenges facing our magnificent Auckland green space. There is much to be done to protect our magnificent network of Regional Parks, provide for the sustainability of sporting clubs, growth in volunteers and partnerships including aligning Council with DOC on ecological issues all while meeting the expectations and requirements of the Auckland Unitary Plan.

I have found myself unfairly drawn into an unpleasant situation because of the way the board appointment issue was handled. I now feel compelled to defend myself in a way I did not wish or anticipate.

I read the letter of the day in Saturday's Herald with interest. It encourages you to apply the business principle of taking time to understand all of the issues before making change. I will be bold, not with the intention of being disrespectful to you, but in the interests of Auckland to suggest you consider this. Further to this I would encourage you to request Council appoint you to the board of Auckland Transport.

The biggest issue for Auckland is how we play catch-up on infrastructure without pushing the boundaries on rating increases. We need reprioritization of council expenditure, contestable policy advice, and an open debating environment that draws the best from councillors.

Transport is one area where strong interrogation of the options is going to be critical. We have to free up our congested roads for people and freight. Politics, as we both know can be complex and commercial directors don't always get the entire picture or understand the nuances. Equally, politicians do not always have a good understanding of responsibilities of directorship, and the serious legal and financial risks directors incur when things go wrong. As Mayor of a Council with a number of commercial entities, wearing the two hats of political and commercial responsibility would provide invaluable insights. Where better to do this than at Auckland Transport, a CCO at the heart of thinking through how we shape our future city.

You refer in your correspondence to the Auditor General in her reported comments on the role of elected members and CCO's. In the perfect world I might agree as I have been a strong supporter of SOE's since my days in the chair of the Government Administration Select Committee and also from my own experience in serving on other boards. Parliament, however, differs where Ministers have greater involvement and experience with SOE's through letters of expectation and, as any professional chair or directors knows in Wellington, the Select Committee process provides a thorough interrogation of the SOI – something yet to happen fully at Auckland Council where any monitoring usually focuses on local activities that should be matters better delegated to Local Boards and not AT. Councillors are yet to realise the power of an agreed SOI. I am looking forward to working on this within the new council structure.

You would know as a former Member of Parliament in Auckland that amalgamation has delivered mixed results. On the positive, the work undertaken by Auckland Transport has led the agreements by the former Mayor and Councillor Cashmore to establish a Memorandum of Understanding with Government on prioritisation of key transport infrastructure - this has been a breakthrough. I don't believe this would have happened as readily without the input from elected members.

Auckland Transport provided the strategic grunt and determination to create the advanced methodology to delivered robust project prioritisation which in turn became the foundation for ATAP including the CRL.

A negative in the governance arrangement of council is the complexity that requires councillors to be elected from wards but act in the interests of the entire region. Both Councillor Lee and I have been consistent and disciplined in acting with a regional focus at all times as Directors. We have never used an opportunity as directors to seek advantage. Regional decision making has proven to be extremely challenging at times for the Auckland Council. I hope in time the government will agree to review the Auckland legislation and funding tools. In my mind the Royal Commission Report addressed these matters better. It is a great shame their model was not legislated.

I was honoured that the former mayor requested Auckland Council appoint Mike Lee and I as foundation directors. At a personal level the Mayor asked me to carry responsibility for delivering a consensus around the CRL. I took this role extremely seriously. The scale and scope of the work for AT has been enormous and challenging. I have endeavoured to act at all times with honesty, integrity and in the best interests of Auckland Transport.

At my commencement in November of 2010 I suggested to the then Chair Mark Ford of Auckland Transport that the matter of remuneration be considered carefully as it would be a risk to the organisation that other councillors view the Director fees negatively. I offered to forego director fees. His advice was that would potentially complicate Director responsibilities and liabilities. I understand that he had taken legal advice on this.

The task was not easy. The ATA made the initial management appointments for AT. The relationship between the CEO of Auckland Council (who had formerly work for the ATA with Mark Ford) and the CEO of AT was strained at times. There was a paucity of clear financial information initially which improved after the appointment of CFO Richard Morris.

There were regular reviews of board performance conducted by the Chair initially and later by Janine Smith from Boardroom Practice. These did not identify any gaps in my performance that I am aware of.

The meetings chaired by Mark Ford were effective and monitored closely management's performance against agreed strategic objectives. It became clear overtime that insufficient time was being given with monthly meetings to do due justice to the need for oversight of financial risks associated with the huge capital programme. This eventually led to the establishment of an additional committee to Finance and Audit and that was the Capital Review Committee. This met monthly prior to the full board meeting. I was a member of the Capital Review Committee chaired by Ian Parton. The other member of that committee was former board member Mike Williams. We used these opportunities to take a deep dive into Capital projects and undertake site visits. Eventually the success of these saw other Board members wishing to be involved and it eventually became a committee of the whole of board. The decision to establish a Customer Review Committee came about during the second term of Council given the heavy workload and probably as a result of my ongoing criticism of quality of communication by Auckland Transport and as a consequence, reputation. Throughout I have made myself available to any councillor, local board, or member of the public requesting assistance with Auckland Transport. Communication continues to remain a concern to me today. Insufficient progress has been made on this front.

During the two terms I regret I was unable encourage the Mayor and council to schedule more regular meetings between the Board and Councillors to improve relationships and understanding of the strategic issues confronting us. At the time I was advised it proved difficult to organise because of the meeting schedule of council. This request was over and above the scheduled CCO review committee and examination of the SOI. It is my view that these should take place particularly with a large turnover on the board (departure of Deputy Chair Paul Lockey and Ian Parton Chair of Capital Review.) Also the impending departure of the CEO of AT. The changing statutory environment (as an example Health and Safety) requires everyone to work more closely and collaboratively together.

In closing on this initial analysis, I fear that one of the very purposes of Auckland amalgamation was to prevent duplication in decision making on transport issues. There is a

real risk currently that this could be eroded by the Government's own desire to create more e transport entities as evidenced by CRL Ltd and proposals for other SPVs.

I would like to see your involvement on the board to ensure this doesn't happen.

The greatest challenge ahead is to find a satisfactory outcome for the competing interests of Auckland Transport and Kiwi Rail. Your presence on the board may assist this. I have an extremely high regard for Dame Paula Rebstock. She makes an outstanding contribution to the board. It was not easy initially being the only woman on the board after Pip Dunphy left, as we seemed, and I say this in jest, dominated by men in suits and traffic engineers! So I welcomed Paula but truly came to respect the depth of her experience and willingness to ask the hard questions. A mix of professional skills and competencies is important but issues of diversity and people's needs should not be forgotten. Transport is not a destination in itself it should simply be an enabler for people to be able to lead productive lives conveniently.

I will send through my comprehensive response once completed. I will readily collaborate with Mike Lee on this should it be more convenient and remain happy to answer any further question you may have.

Sincerely

Hon Christine Fletcher QSO

31 October 2016

From: Councillor Christine Fletcher

Sent: Wednesday, 2 November 2016 6:13 a.m.

To: Fran Mold; Councillor Bill Cashmore; Councillor Cathy Casey; Councillor Ross Clow; Councillor Efeso Collins; Councillor Linda Cooper; Councillor Chris Darby; Councillor Alf Filipaina; Councillor Richard Hills; Councillor Penny Hulse; Councillor Denise Lee; Councillor Mike Lee; Councillor Daniel Newman; Councillor Dick Quax; Councillor Greg Sayers; Councillor Desley Simpson; Councillor Sharon Stewart; Councillor Wayne Walker; Councillor John Watson; Councillor John Walker

Subject: RE: Letter regarding councillor-director appointments to AT

Dear Mr Mayor

I would like to take the opportunity to provide a further response to your letter concerning the appointment of elected members to Auckland Transport. I have also asked Grant Hewison and Associates, a firm specializing in local government legal services to provide a legal opinion on the matter. I will provide this when it comes to hand.

First, I would like to comment on the September 2015 Report from the Office of the Auditor-General on governance and accountability of CCOs.

You have referred to the comment from the Auditor-General that “effective monitoring and oversight, including setting clear expectations about CCO’s purpose and strategic alignment, should obviate any need for councillor-directors to provide an additional layer of oversight”. However, it is also clear from the report that the Auditor-General believes it is appropriate for elected members to be appointed to CCO boards, but she has a view that this “should be the exception” (paragraph 5.23).

In my view, Auckland Transport is clearly such an exception.

In making decisions to establish Auckland Transport, the Government recognised the exceptional nature of Auckland Transport as a CCO and clearly intended two Auckland Councillors to be members of the Board: “[Auckland Transport will] have a six-to-eight member board with relevant expertise, including up to two Auckland Councillors to recognise that transport is a high profile issue in the Auckland region, accounts for a significant proportion of rates expenditure and is likely to be a priority for the Auckland Council”.^[1]

This was a deliberate and unique decision by the Government within the Auckland governance model and underlies its importance. There is a statutory prohibition on the appointment of councillors to any other substantive CCO (paragraph 2.18). Auckland Transport is the exception.

Indeed, the Auckland Transport model is unique as a CCO in New Zealand local government. I am not aware of a CCO elsewhere in the country that combines transport policy/planning and regulatory functions as well as the delivery of transport services.

Further, my recollection of the events leading up to the establishment of the current Auckland Transport model was that it was a response by the Government to considerable community disquiet about transport being completely subsumed into a CCO model. To

^[1] Cabinet Committee on Implementation of Auckland Governance Reforms, AUCKLAND GOVERNANCE: REGIONAL TRANSPORT AUTHORITY, paragraph 7. See also Cabinet Minute (09) 30/10. See <http://www.transport.govt.nz/land/auckland/aucklandtransportagency/>

appease community concerns, the Government included two Auckland Councillors on the Auckland Transport Board.

While I agree that the legislation, as enacted, states that the board of directors of Auckland Transport comprises directors “of whom 2 may be members of the governing body of the Auckland Council”, in light of the Government’s views above, I would suggest that there would have to be very good reasons for not appointing councillors rather than the contrary position you have put forward. I do not believe there are any good reasons for not appointing two councillors.

With regard to your concerns about the flow of information, I respectfully note that Auckland Transport itself reported regularly to various Auckland Council governing body committees and to local boards in the previous terms of Auckland Council. I would nonetheless welcome further improvements on Auckland Transport’s reporting. However, it is clear that the Government’s intention, in having two councillors appointed to the Board of Auckland Transport, was to ensure information and questions flow the other way – from Auckland Council through its two councillors to the Board of Auckland Transport.

With regard to the issue of remuneration, while I agree there should be equity among councillors for the extent of the duties they carry out as councillors, I respectfully say that this is not a good reason for not appointing councillors to Auckland Transport. It is a matter that can be transparently managed for such appointments. Having regard to the importance of these appointments and best practice, I suggest that these appointments be based on those councillors with the best experience, skills and aptitude. As you know, I am not personally seeking re-appointment.

Finally, while usual CCO monitoring and scrutiny mechanisms, such as SOIs and reporting to Council committees may be adequate for CCOs whose role is limited to the delivery of services, I believe they are inadequate for Auckland Transport, whose role includes policy/planning, regulation (e.g. making bylaws) and ‘place-shaping’. Having councillors, elected by the community on the Auckland Transport Board provides that Board with an important perspective when making those kinds of decisions that the typical ‘arms-length’ scrutiny mechanisms cannot achieve.

Should you have any further questions, I would be pleased to assist.

Regards
Christine Fletcher