

How the NZTA's Investment and Revenue Strategy guides our investment in the land transport system

The NZTA creates transport solutions for a thriving New Zealand. Our job is to help New Zealanders travel reliably and safely and to grow the country's economy by investing in moving people and freight. We plan and deliver national transport networks and support local networks, we work to make public transport and freight networks more effective, and we're improving road safety.

We manage the state highway network and invest in the management of New Zealand's wider transport network (local roads, public transport, walking and cycling, road user safety promotion and road policing). In undertaking these activities, we work with a range of partners, including local government, the private sector and the New Zealand Police. Our three main functions are to plan and invest in land transport networks, manage the state highway network and provide access to and use of the land transport system. These are underpinned by four functional strategies, one of which is the Investment and Revenue Strategy (IRS).

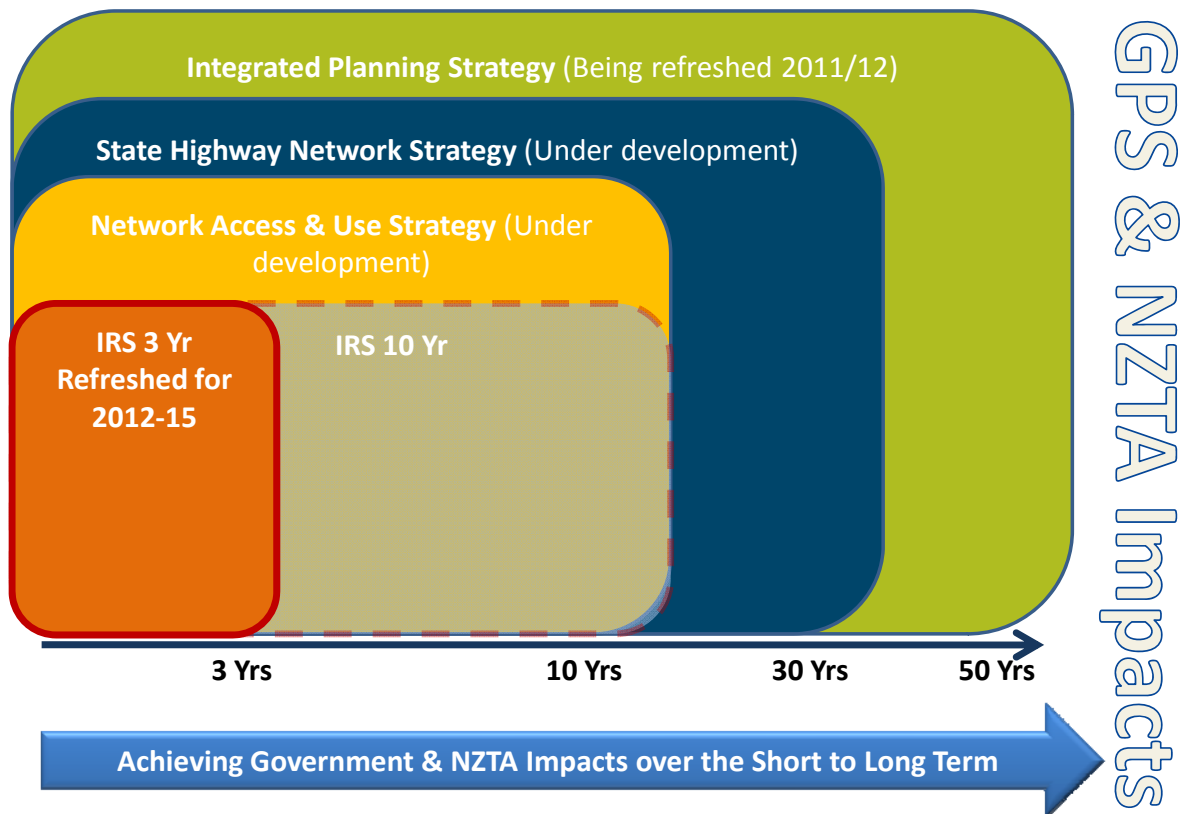
This document sets out the changes made to the IRS that are necessary to align it with the recently released *Government policy statement on land transport funding 2012/13-2021/22* (GPS 2012). Under the Land Transport Management Act 2003 (LTMA), we must ensure that the National Land Transport Programme (NLTP) 'gives effect to the GPS'.

The IRS is the investment prioritisation tool that we use to ensure that we invest in value for money activities that collectively achieve the impacts set out in the GPS 2012. It is part of our 'family' of functional strategies:

- The **Integrated Planning Strategy** focuses on integrating land use and transport planning and provides a set of integrated planning principles that we work with. Over the next year, it will be refreshed and may evolve into a wider integrated network planning strategy. This strategy is likely to set out the NZTA's perspective on land transport needs in the context of national, regional and local long-term land use. It is anticipated that it will identify the overall shape of the network required to achieve desired outcomes over the next 30-50 years.
- The **State Highway Network Strategy** is under development. It sets out the role and function of the state highway network and how it operates within the wider context of the land transport network and land use. This strategy is about shaping, delivering and managing the state highway network in a wider network context, and differentiating (over a 30-year period) the customer levels of service offered on different categories of state highway to achieve desired outcomes.
- The **Network Access and Use Strategy**, also under development, sets out how we'll shape networks and network use to achieve our desired outcomes. This Strategy is about network operators working together to maximise the efficiency and safety of the land transport network, including vehicles. It's also about network users having sufficient information and incentives to use the network in the most efficient and safe way. This document has a 10-year horizon and adopts a national, regional and local 'whole of network' perspective.

- The **Investment and Revenue Strategy** is the tool we use to ensure our investment decisions give effect to the GPS 2012. It is also the tool we use to ensure our longer-term decisions and activities align with the direction in our strategies and to the government’s longer-term outcomes for New Zealand, as stated in documents like the National Infrastructure Plan and the Safer Journeys Road Safety Strategy.

The diagram below shows how the strategies link and work together:



The **Investment and Revenue Strategy** enables us to be a ‘smart investor’:

- The ‘**strategic fit**’ criteria in the IRS help us to select the right activities under the GPS that have the greatest potential to support a thriving New Zealand and safe land transport system. The strategic fit criteria also ensures that our investment decisions are aligned with the directions and priorities in the GPS 2012;
- The ‘**effectiveness criteria**’ in the IRS help us select the activities most likely to succeed in achieving the desired GPS impacts and the ones that are ready to proceed in terms of both planning and funding availability;
- The ‘**efficiency criteria**’ in the IRS help us select those activities providing the greatest benefit for the least cost, and use best practice procurement models. Essentially, the efficiency criteria ensure that activities are delivered for the best possible price.

Overall, the IRS 2012–15 ensures that we invest in the right things, at the right time, delivered in the right way and for the best possible price.

As noted above, we have recently refreshed the IRS to align it with the directions and priorities stated in the GPS 2012.

In summary, the key changes to the new IRS (compared with the NZTA's last IRS) are as follows:

- The 'strategic fit' criteria for transport activities have been further refined to prioritise investment that promotes the economic growth, productivity and safety impacts of the GPS.
- Higher priority has been assigned to improvement projects with nationally significant impacts. Medium priority has been assigned to projects with regional impacts.
- The priority for road safety 'strategic fit' criteria has been raised across all activity classes.
- The public transport and walking and cycling assessment criteria have been further refined towards economic growth and productivity by improving access to employment or economic activities.
- The 'effectiveness' criteria have been explicitly amended to assess the importance of national strategies, programmes and plans.
- Cost-effectiveness benchmarking for maintenance, operations and services has been introduced in the economic efficiency assessment criteria.
- The prioritisation process has been changed to place greater emphasis on the effectiveness criteria in the overall assessment of proposals.

The new investment prioritisation framework in the IRS that gives effect to the GPS 2012 directions is set out on the following pages.

2012–15 NZTA Investment and Revenue Strategy

NLTP Assessment Framework: Value for money

When evaluating strategies, programmes, packages and projects, the GPS requires both local government and the NZTA to consider a number of matters, including achieving better value for money. Value for money has been defined in a variety of ways but in general it means selecting the right things to do (strategic fit), implementing them in the right way (effectiveness), at the right time and for the right price (economic efficiency).

Determining value for money requires taking a long-term view of the total value for money attributable to an activity and not simply the initial capital cost. A whole-of-life assessment considers the social, environmental, cultural and economic impact of the outputs, any ongoing maintenance and operation costs of the asset or service, and costs associated with its disposal.

In relation to land transport, value for money outcomes are identified first through the selection of activities that make the largest contribution for the funds invested towards achieving the GPS impacts and the wider objectives of the LTMA. All funds available to the NZTA will be allocated to land transport activities that provide best value for money within the provisions of the LTMA and the GPS. The assessment framework set out below shows how the NZTA’s strategic investment direction will be implemented while ensuring value for money when selecting activities for inclusion in the NLTP. Activities proposed for inclusion in the NLTP will be assessed against revised criteria of ‘strategic fit’, ‘effectiveness’ and ‘economic efficiency’ to determine the right time for implementation and their relative priority for funding. No rating can be assumed as each proposal needs to be assessed against the minimum requirements of each assessment factor.

Achieving value for money	Assessment – Investment and Revenue Strategy			Process	Evidence	Implementation
	Strategic fit	Effectiveness	Economic efficiency	Regional and national	Indicators and trends	Funding plan and procurement
	Link to GPS impacts and how an identified problem, issue or opportunity aligns with the NZTA’s strategic investment direction	Contribution that the proposed solution makes to delivering the potential identified in the strategic fit assessment	How well the proposed solution maximises the value of what is produced from the resources used	Delegated processes for prioritisation, approval and monitoring	Assets and service performance	Sources of funding identified and available Form of engagement and contract management

Note that, when assessing an activity’s readiness to proceed, a number of criteria are considered that can impact on value for money. These include social responsibility, project management and delivery, consultation, peer review and audit, risk assessment (consent, designation, environment, land, engineering, contracting, etc) and management. The further components of value for money (eg implementation in the right way for the right price) are addressed by the NZTA’s procurement policies and procedures.

Selected definitions

Terms appearing in **bold** in the following tables are defined in the NZTA Knowledge Base documents and provide greater precision to their application. Some key definitions are given below.

- The **communities at risk** register identifies areas for a particular road safety issue for assessing activities that address those particular issues
- **Congestion** is where the volume to capacity ratio exceeds 80% for 5 days per week over at least a 1-hour time period that affects at least 1.5km of a route.
- **Severe congestion** is where the volume to capacity ratio exceeds 100% for 5 days per week over at least 1 hour in a time period on at least 3 km of a route and the average annual daily traffic greater than 20,000 vehicles per day
- **Key routes** are those that link the areas with the highest concentration and/or growth in employment (greater than 1% share of the total number of employees in New Zealand), industry (number of firms is greater than 1% of the total number of firms in New Zealand) and volume and value (greater than 10% of the total volume or value of freight in New Zealand) of freight movements.
- **Main urban areas** are defined by Statistics NZ as the most urbanised areas in respect to the concentration of employment, firms and population. They have a minimum population of 30,000 and an above-average concentration of 90 businesses per 1000 population.
- **Major urban areas** represent the highest concentration of economic activity in employment and industry within main urban areas. They have an employment density of greater than 100 jobs per square kilometre.
- A **secure and resilient** transport network means eliminating the risks of effects of disruption. Network resilience means the ability of the network to withstand or recover quickly after a disruption. Consideration of the effects of risk from natural hazard or other transport operation disruptions, and agreed level of service appropriate to the network. To meet agreed levels of service improvements in network security and resilience requires that there is no alternative, and the network or route is demonstratively susceptible to disruption.

Section 1: ‘Strategic fit’ assessment

A strategic fit assessment considers how an identified problem, issue or opportunity aligns with the NZTA’s strategic investment direction. Strategic fit ensures that the activities the NZTA approves for funding address issues that are significant from a national perspective.

Activity class	Strategic fit assessment criteria (terms in bold are defined in NZTA Knowledge Base)		
	High	Medium	Low
New and improved infrastructure for state highways	<p>Meets one or more of the following:</p> <ul style="list-style-type: none"> • Road of national significance • Potential for a nationally significant contribution to economic growth and productivity for national strategic state highways identified by the State Highway Classification System through significant improvements in <i>one or more</i> of: <ul style="list-style-type: none"> – Journey time reliability – Easing of severe congestion in major urban areas – Relieving capacity constraints – More efficient freight supply chains – A secure and resilient transport network • Potential to significantly reduce the actual crash risk involving deaths & serious injuries in accordance with Safer Journeys strategy: <ul style="list-style-type: none"> – on a high-risk rural road – at a high-risk urban intersection – on a high-risk motorcycle route; and/or – a Safe System demonstration project 	<p>Meets one or more of the following:</p> <ul style="list-style-type: none"> • Potential for regionally significant improvements to regional strategic state highways identified by the State Highway Classification System in <i>one or more</i> of: <ul style="list-style-type: none"> – Journey time reliability – Easing of congestion in main urban areas – Relieving capacity constraints – More efficient freight supply chains • Provides a secure and resilient transport network to ensure national and regional connectivity for economic growth and productivity • Potential for a significant reduction in the actual crash risk or predicted crash risk involving deaths and serious injuries in accordance with the Safer Journeys strategy 	All other

Activity class	Strategic fit assessment criteria (terms in bold are defined in NZTA Knowledge Base)		
	High	Medium	Low
New and improved infrastructure for local roads	<p>Meets <i>one or more</i> of the following:</p> <ul style="list-style-type: none"> • Local roads and/or services identified by the NZTA as critical to the operation of a RoNS • Potential for a nationally significant contribution to economic growth and productivity using a local road classification system which identifies: <ul style="list-style-type: none"> – Key freight routes including designated routes for High Productivity Motor Vehicles, or – Key tourism routes, or – Key routes critical for maximising access to significant markets, areas of employment or economic growth through significant improvements in <i>one or more</i> of: <ul style="list-style-type: none"> – Journey time reliability – Easing of severe congestion in major urban areas (as defined by Statistics NZ) – Relieving capacity constraints – More efficient freight supply chains – A secure and resilient transport network • Potential to significantly reduce the actual crash risk involving deaths & serious injuries in line with the Safer Journeys strategy: <ul style="list-style-type: none"> – on a high-risk rural road – on a high-risk urban intersection – on a high-risk motorcycle route programme; and/or – a Safe System demonstration project 	<p>Meets <i>one or more</i> of the following:</p> <ul style="list-style-type: none"> • Potential for regionally significant improvements for key routes identified using a local road classification system in <i>one or more</i> of: <ul style="list-style-type: none"> – Journey time reliability – Easing of congestion in main urban areas (as defined by Statistics NZ) – More efficient freight supply chains – Relieving capacity constraints • Provides a secure and resilient transport network to ensure national and regional connectivity for economic growth and productivity • Potential for a significant reduction in the actual crash risk or predicted crash risk involving deaths and serious injuries in accordance with the Safer Journeys strategy 	

Activity class	Strategic fit assessment criteria (terms in bold are defined in NZTA Knowledge Base)		
	High	Medium	Low
Walking and cycling	<p>Potential for significant improvements in <i>one or more</i> of:</p> <ul style="list-style-type: none"> • Key routes in major urban areas on an agreed walking and cycling strategic network for easing of congestion • Part of a Model Walking/Cycling Community to make walking and cycling the easier and safer transport choice • Potential to significantly reduce the actual crash risk involving of deaths and serious injuries for pedestrians and cyclists in accordance with Safer Journeys 	<p>Potential for significant improvements in <i>one or more</i> of:</p> <ul style="list-style-type: none"> • Significant reduction in the predicted crash risk involving deaths and serious injuries for pedestrians and cyclists in accordance with Safer Journeys strategy • Links to complete or complementary existing key walking and cycling networks for easing of congestion in main urban areas • Facilities to improve uptake of walking and cycling in major urban areas 	All other
Public transport infrastructure	<p>Potential for a nationally significant contribution to economic growth and productivity by linking people to employment or improving access to economic opportunities through significant improvements in <i>one or more</i> of:</p> <ul style="list-style-type: none"> • Peak time public transport patronage in major urban areas for easing of severe congestion • Optimising public transport services and infrastructure for increased effectiveness 	<p>Potential for a significant contribution to economic growth and productivity by linking people to employment or improving access to economic opportunities through significant improvements in <i>one or more</i> of:</p> <ul style="list-style-type: none"> • Providing more transport choice in major urban areas, particularly for those with limited access to a car • Public transport network and interchange capacity constraints in major urban areas • Transport interconnections and ease of changing modes in major urban areas • Safety 	All other

Activity class	Strategic fit assessment criteria (terms in bold are defined in NZTA Knowledge Base)		
	High	Medium	Low
Public transport services	<p>Potential for a nationally significant contribution to economic growth and productivity by linking people to employment or improving access to economic opportunities through significant improvements in <i>one or more</i> of:</p> <ul style="list-style-type: none"> • Peak time public transport patronage in major urban areas for easing of severe congestion • Optimising public transport services and infrastructure (including fare box recovery rates) 	<p>Potential for a significant contribution to economic growth and productivity by linking people to employment or improving access to economic opportunities through significant improvements in <i>one or more</i> of:</p> <ul style="list-style-type: none"> • Providing more transport choice in major urban areas, particularly for those with limited access to a car • Transport interconnections and ease of changing modes in major urban areas • Safety • Reductions in adverse environmental effects from land transport 	All other
Renewal, maintenance and operation of state highways and local roads	<p>Significant potential to optimise whole of life cost of existing networks appropriate to:</p> <ul style="list-style-type: none"> • state highways using the State Highway Classification System or • local roads using a road classification system <p>by:</p> <ul style="list-style-type: none"> • making better use of existing transport capacity on key routes • optimising levels of service for a secure and resilient transport network, journey time reliability, easing of severe congestion, more efficient freight supply chains and reducing the actual crash risk involving deaths and serious injuries in line with the Safer Journeys strategy • managing demand to address journey time reliability and/or easing of severe congestion 	<p>Potential for timely intervention to meet agreed levels of service appropriate to:</p> <ul style="list-style-type: none"> • state highways using the State Highway Classification System or • local roads using a road classification system <p>for:</p> <ul style="list-style-type: none"> • safety in reducing the actual crash risk or predicted crash risk involving deaths and serious injuries in line with the Safer Journeys strategy • a secure and resilient transport network • managing adverse environmental effects from land transport • efficient network management 	All other

Activity class	Strategic fit assessment criteria (terms in bold are defined in NZTA Knowledge Base)		
	High	Medium	Low
Road safety promotion	<p>Road user behaviour change activities for reducing the actual crash risk involving deaths and serious injuries:</p> <ul style="list-style-type: none"> • specified in the government’s Safer Journeys Action Plan(s); or • delivered through <ul style="list-style-type: none"> – national programmes in a Safer Journeys area of high concern – local programmes in a Safer Journeys area of high concern – local programmes for a community at high risk – national programmes that support local programmes for communities at high risk 	<p>Road user behaviour change activities for reducing the actual crash risk or predicted crash risk involving deaths and serious injuries through:</p> <ul style="list-style-type: none"> • national programmes in a Safer Journeys area of medium concern • local programmes in a Safer Journeys area of medium concern • local programmes for a community at medium risk • national programmes that support local programmes for communities at medium risk 	All other

Activity class	Strategic fit assessment criteria (terms in bold are defined in NZTA Knowledge Base)		
	High	Medium	Low
Transport planning	<p>Make improvements to <i>whole of network</i> long-term local, regional and national strategy and planning in response to significant changes in transport demand or performance such as changes in industry, population, technology, energy and climate for:</p> <ul style="list-style-type: none"> • More efficient freight supply chains, including for High Productivity Motor Vehicles • Tourism • Major urban areas for maximising access to significant markets, areas of employment or economic growth • Significant improvements to the efficiency and effectiveness of maintaining and operating existing networks and services <p>To ensure integration of modes and transport planning issues, address two or more of the following:</p> <ul style="list-style-type: none"> • Easing of severe congestion • Optimised levels of service, operation and management of networks • Journey time reliability • Safer Journeys areas of high and medium concern 	<p>Apply best practice planning processes focused on providing long-term local, regional and national strategy and planning where there is significant change in transport demand or performance, such as changes in industry, population, technology, energy and climate for:</p> <ul style="list-style-type: none"> • Areas projected to experience demographic change or other change pressure not accounted for in existing strategies and plans • Addressing a Safer Journeys area of high or medium concern • Addressing public realm in urban areas due to changes in transport networks <p><i>or</i></p> <p>Focus on areas where there is a high or medium strategic fit under the activity class(es) that are likely to be the outputs of the planning while:</p> <ul style="list-style-type: none"> • Ensuring integration between transport, land use and other infrastructure planning • Creating opportunities for better integration within and between transport modes • Making better use of existing transport capacity, including services and infrastructure • Managing adverse environmental effects from land transport • Adopting a coordinated approach with relevant stakeholders 	All other

Activity class	Strategic fit assessment criteria (terms in bold are defined in NZTA Knowledge Base)		
	High	Medium	Low
Sector research	<p>Research in the key areas of:</p> <ul style="list-style-type: none"> • Valuation of the economic growth and productivity benefits of land transport activities and their management • Integrated planning • Network optimisation and extracting maximum value from services and infrastructure • Aiding understanding of a Safer Journeys area of high concern or the implementation of the government's Safer Journeys action plan(s) • Improving journey time reliability and easing of severe congestion in urban areas 	<p>Research that addresses the following areas:</p> <ul style="list-style-type: none"> • Demand management to increase the effective capacity of transport networks • Safety, security and public health in relation to the impact of land transport activities • Environmental impacts on land transport in relation to a secure and resilient transport network 	All other
Road policing	<p>Road policing activities which make a significant contribution to reductions in the number of crashes involving deaths and serious injuries by addressing road safety non-compliance risk in the areas of:</p> <ul style="list-style-type: none"> • High-risk drivers • Young drivers • Motorcycles • Alcohol and drugs • Speed 	<p>Road policing activities which make a contribution to reductions in the number of crashes involving deaths and serious injuries by addressing road safety non-compliance risk in the areas of:</p> <ul style="list-style-type: none"> • Road and roadsides (including efficient incident management) • Heavy vehicle fleet • Crash attendance and reporting • Restraints in areas of greatest risk 	All other

Section 2: ‘Effectiveness’ assessment

The effectiveness assessment considers how the proposed solution helps achieve the potential identified in the strategic fit assessment, and the purpose and objectives of the LTMA. Higher ratings are provided for those proposals that provide long-term, integrated and enduring solutions.

Activity class	Effectiveness assessment criteria (terms in bold are defined in the NZTA Knowledge Base)			
	High	Medium	Low	No rating
All activity classes	<p>Evidence is provided to demonstrate that the activity or combination of activities delivers on <i>each</i> of:</p> <ul style="list-style-type: none"> Covers all of the low and medium effectiveness criteria Is a key component of an NZTA-supported strategy, endorsed package, programme or plan Is part of a whole of network approach Improves integration within and between transport modes, where appropriate to the activity Provides a solution that successfully integrates land transport, land use, other infrastructure and activities, where appropriate to the activity Supports networks from a national perspective, where appropriate to the activity Provides a solution that significantly contributes to multiple GPS impacts, where appropriate to the activity Is optimised against multiple transport outcomes and objectives 	<p>Evidence is provided to demonstrate that the activity or combination of activities delivers on <i>each</i> of:</p> <ul style="list-style-type: none"> All the low effectiveness criteria Is part of a NZTA supported strategy, endorsed package, plan or macroscope Is significantly effective (delivers a measurable impact or outcome) in achieving the potential impact or outcome identified in the ‘strategic fit’ assessment. Provides a long term solution with enduring benefits appropriate to the scale of the solution Provides a solution that responds to land use strategies and implementation plans, where appropriate to the activity Provides a solution that makes a contribution to multiple GPS impacts, where appropriate to the activity. 	<p>Evidence is provided to demonstrate that the activity or combination of activities delivers on <i>each</i> of:</p> <ul style="list-style-type: none"> The potential impact or outcome identified in the ‘strategic fit’ assessment An agreed level of service The purpose and objectives of the LTMA Has considered: <ul style="list-style-type: none"> all relevant problems, issues and opportunities all appropriate alternatives and options opportunities for collaboration any adverse effects or impacts Is an affordable solution with a funding plan Avoids duplication of activities The scale of the proposed solution is appropriate to the potential impact or outcome in the strategic fit assessment. 	<p>When there is no supporting evidence or the assessment has not been conducted</p>

Section 3: ‘Economic efficiency’ assessment

The economic efficiency assessment considers how well the proposed solution maximises the value of what is produced from the resources used.

The benefit-cost ratio provides a basis to rate the economic efficiency for improvements and new initiatives. Non-monetised benefits that are not included in the benefit-cost ratio may be considered by the NZTA Board in support of the economic efficiency assessment.

Activity type	Economic efficiency assessment criteria			
	High	Medium	Low	No rating
Improvements and new initiatives	Benefit-cost ratio greater than or equal to 4	Benefit-cost ratio greater than or equal to 2 and below 4	Benefit-cost ratio greater than or equal to 1 and below 2 Non-monetised benefits that are not included in the benefit-cost ratio may be considered by the NZTA Board in support of the benefit-cost ratio	When no assessment has been made
Maintenance operations and existing services	Cost-effectiveness shows above-average efficiency through benchmarking	Cost-effectiveness shows average efficiency through benchmarking	Cost-effectiveness shows below-average efficiency through benchmarking	When no assessment has been made

Section 4: Prioritisation

The strategic fit, effectiveness and efficiency assessment criteria are assembled together to form an assessment profile. This profile is then used to prioritise activities for programming. The revised prioritisation process weights the assessment factors in order of strategic fit, effectiveness and economic efficiency.

Assessment profile (strategic fit, effectiveness, economic efficiency)	Priority
HHH	1
HHM, HMH, MHH	2
HHL, HMM	3
HLH, MHM, MMH	4
LHH, HML	5
HLM, MHL, MMM	6
MLH, LHM, LMH	7
HLL, MML, MLM, LHL	8
LMM, LLH	9
MLL, LML, LLM	10
LLL	11

This places an increased emphasis on delivering GPS impacts and a national perspective to integrated networks. Greater attention is placed on the effectiveness assessment and proving that network impacts and network integration have been taken into account to provide long-term solutions. The interaction between the effectiveness and economic efficiency assessment factors will provide a more balanced view of integration. National programmes and plans, endorsed strategies and supported packages will be raised in priority compared with standalone activities.